

Dissenting Report

Senator Christine Milne, Australian Greens, Senator Barnaby Joyce, Senator Fiona Nash, and Senator the Hon Ronald Boswell, The Nationals Senator the Hon Bill Heffernan, Liberal Party of Australia

The Senate Standing Committee on Rural and Regional Affairs and Transport works hard to achieve consensus reports. It is a serious step for such a high level of dissent.

The report representing the views of the Government Senators does not reflect the evidence provided to the Committee at several hearings. It is clear that the intention of this legislation was to give the same tax deduction for planting trees for carbon as has been given for planting them for harvest under MIS arrangements. The environmental guidelines are just that, guidelines. They are flexible and not prescriptive or mandatory. They are clearly an afterthought. No social and economic analysis was done to anticipate the impacts on rural and regional Australia.

By the conclusion of the hearings it was confirmed that:

- There is no requirement that a carbon sink forest for which a tax deduction has been granted has to be registered on the title of a property.
- There is nothing in the legislation or the Guidelines that prevents prime agricultural land being planted as carbon sinks thus displacing food crops and destroying rural communities as the Managed Investment Schemes have done. The best land with the best rainfall will grow trees fastest and therefore bulk up the carbon fastest and so maximise profits. The Government's arguments, that the low price of carbon will prevent the best land from being planted, does not stack up. Why is it that MIS schemes have encroached on cropping land if the price argument is valid? Many witnesses told of the adverse impact of the MIS schemes in rural Queensland.
- The government and ABARE have not taken into account the fact that there will be a forward market in carbon permits and there will be a strong incentive for companies to buy early and cheaply to shield themselves from later rises in the carbon price. This will drive land acquisition.
- Furthermore, if ABARE is wrong about a low price of carbon and it rises rapidly then not only will prime land be turned over to carbon sinks but existing MIS scheme forests will not be harvested but kept instead to grow on to maximize carbon credits. This perverse outcome will drive the logging industry further into native forests because emissions from these forests are currently ignored. The loss of biodiversity and carbon stores will be a disaster.

- The claim that there will be benefits including large increases in rural employment and direct investment in services is unjustified and not borne out by the evidence from MIS schemes. The National Association of Forest Industries made the same claims then but the evidence is to the contrary with many areas losing services such as schools and bus runs and employment.
- There is nothing to prevent the conversion of native vegetation to plantations, nothing to require mixed species plantings or the forest to be in the ground for any length of time. An area of land covered in native vegetation that is not a Kyoto forest, savannah or Brigalow for example, can be cleared unless state legislation prohibits it.
- Given the lack of consistent land clearance legislation across the nation and the uneven compliance and enforcement regimes, this legislation will provide a perverse incentive to clear native vegetation resulting in a loss of biodiversity and the release of the carbon contained therein. The Biodiversity Unit in the Department of the Environment was not consulted in the development of the Guidelines.
- There is nothing to prevent a plantation company from benefiting from a tax deduction to establish a carbon sink forest and then if the fibre price is higher than the carbon price, cutting it down. Who will recoup the deduction for the tax payer 15 years down the track?
- There is no requirement that hydrological studies including interception, be completed before a planting occurs. Compliance with the National Water Initiative means that water plans need to be in place by 2011. All the National Water Initiative does is to commit states and territories to having in place by no later than 2011 arrangements to ensure that such water interception activities are considered in the planning process. Considering a matter in a planning process is not the same as a mandatory outcome. By 2011 many hectares of carbon sink forests will be in the ground with no guarantee of sustainability in the catchment. The majority report claim that this initiative 'will contribute to sustainable land management' is an unsubstantiated claim.
- Who in the Federal Dept of Climate Change will check to make certain that carbon sink forests 'meet natural resource guidelines and not interfere with existing patterns of water use'? Compliance will be deemed to occur if a State or Territory has no such guidelines because compliance with the legislation only requires adherence to what a state or territory has in place and if they have none then compliance will have been achieved. At no stage did the Government outline how the Federal Department will assess the applications as to their compliance with state or territory guidelines.
- In dissenting to this report I do not believe that there was any evidence presented to prove that the legislation represents 'a valuable policy addition that will promote greenhouse gas reductions'. The government has made no claims about the volume of CO2 sequestered or hectares to be planted. Furthermore, there is no proposal or ability for anyone protecting or rehabilitating a standing

forest or protecting natural vegetation to benefit from tax deductions or any other financial incentives.

- The claim for 'the benefits of relying on existing state and territory regulatory structures for the management of the impacts of carbon sink forests on the environment' was unsubstantiated. Tasmania is a case in point where there are no land clearance or water plans that have any rigour and there is certainly no compliance or enforcement of guidelines to protect the environment.

Recommendations

- 1. The Guidelines should be mandatory regulations.**
- 2. There should be incorporated into the regulations conditions which must be met before the tax deductions would apply, namely;**
 - **The carbon sink forests must be registered on the property title.**
 - **No native vegetation can be cleared for or converted to carbon sink forests.**
 - **Carbon sink forests should be biodiverse and cannot be harvested or cleared, and**
 - **No carbon sink forest can be established in the absence of a hydrological analysis including ground water and interception, of the proposed area to be planted.**
- 3. To avoid the destruction of rural communities and the displacement of food crops, prime agricultural land must be excluded from carbon sink plantings.**

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