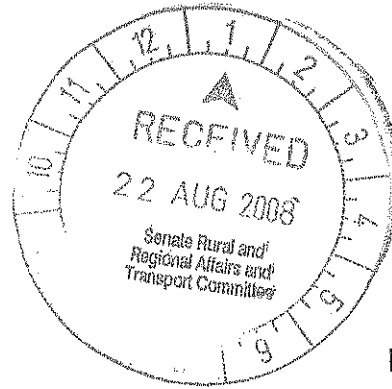




NSW Government

Department of Water & Energy



Ms Jeanette Radcliffe
The Secretary
Senate Standing Committee on Rural and Regional
Affairs and Transport
PO Box 6100
Parliament House
CANBERRA ACT 2600

File ref:DG08/581

15 AUG 2008

Dear Ms Radcliffe

I write in relation to the Senate Rural and Regional Affairs and Transport Committee's Inquiry into the Implementation, Operation and Administration of the Legislation Underpinning Carbon Sink Forests. I am making the following submission on behalf of the NSW Department of Water & Energy and the NSW Department of Primary Industries.

The NSW Greenhouse Gas Reduction Scheme (GGAS), established in 2003, is one of the first such schemes in the world, and remains one of the largest. It was established under Part 8A of the *NSW Electricity Supply Act 1995*. Section 97DA(4) of that Act provides for activities that result in carbon sequestration by the planting of forests to be used for compliance with GGAS. The operational components of these provisions are set out in the *Greenhouse Gas Benchmark Rule (Carbon Sequestration) No.5 of 2003*. These instruments can both be viewed at www.greenhousegas.nsw.gov.au.

To date, seven organisations have been accredited under the GGAS Carbon Sequestration Rule. Forest carbon sequestration activities currently account for almost two million tonnes of greenhouse gas abatement under GGAS, from a total of around 73 million tonnes from all eligible abatement activities since the Scheme's inception in 2003.

The *Plantations and Reafforestation Act 1999* (PR Act) regulates plantation operations in NSW. Whilst the PR Act does not specifically address carbon sink forests or carbon trading, new carbon sink plantations of over 30 hectares will continue to be subject to the additional requirements of this Act. These requirements provide for separate authorisations for timber plantations and environmental plantations. Plantations authorised as environmental plantations cannot be harvested.

I note that the proposed schedule of amendments to the *Income Tax Assessment Act 1997* would provide a tax deduction to private plantation growers wishing to establish carbon sink forests. This may lead to an increase in farm forestry, which the NSW Government supports within the context of broader land use and environmental objectives.

It is expected that the tax deduction will complement the Carbon Pollution Reduction Scheme proposed in the recent Commonwealth Green Paper. I note that opting into the Commonwealth Scheme may not in some instances be feasible unless pooling arrangements for small growers are permitted. The effect of these combined provisions on prime agricultural land is hard to predict. However, it is reasonable to assume that forest investment would most likely out-compete alternative options on the least productive areas of farms.

Should you have any further enquiries about the *Electricity Supply Act 1995* or the GGAS, I have arranged for Dr David Hemming, Manager Sustainable Energy, Utilities Division, NSW Department of Water and Energy, to assist you. Dr Hemming may be contacted at the Department's Sydney Office on telephone number (02) 8281 7406.

If you have further enquiries about the PR Act and the likely effects of the proposed tax deduction on plantation establishment in NSW, please contact Ms Lindsey Paget-Cooke, Policy Manager, Water and Resources Policy Branch, NSW Department of Primary Industries, on (02) 8289 3970.

Yours sincerely



Mark Duffy
Director-General