



Submission by the
Forest Industries Association of Tasmania

to

Garnaut Climate Change Review
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on the

Emissions Trading Scheme
Discussion Paper

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Forest Industries Association
of Tasmania



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1. About FIAT

The Forest Industries Association of Tasmania (FIAT) is an industry association formed in 1983 to represent the interests of processors of Tasmanian forest products. FIAT was formed out of a predecessor Association, the Tasmanian Timber Association (TTA). FIAT and TTA collectively have provided representational services to the Tasmanian timber industry for in excess of 60 years. Our members' activities are diverse and include:

- the production of veneers, hardwood and softwood timber, pulp and paper;
- woodchip production and export; and
- plantation and native forest management.

FIAT's 18 member businesses include all of the State's larger processors of forest products. They utilise a significant proportion of the crown sawlog output as well as all of the high quality decorative veneer produced in the State. FIAT Members' activities account for more than 75% of the gross value of production in the forest and wood products industry in Tasmania.

Included within the FIAT membership are the State's largest industrial forestry Companies that account for the vast bulk of plantation development and management enterprises on private land in Tasmania and the largest native forest management enterprises in the private sector in this State.

As such FIAT and its members have a significant interest in the development and implementation of an Australian Emissions Trading Scheme and welcome the opportunity to comment on the Emission Trading Scheme Discussion Paper.

FIAT's objectives are described in our Annual Report as follows: -

1. *Provide a focus for the formulation of forest industry policy and to present an industry perspective to community decision-makers and to the public; and*



- 2. Develop and co-ordinate “industry service function,” notably training and education, timber marketing, research and industrial relations, and other matters which need to be addressed on an industry-wide basis.*

FIAT’s role is described in our Annual Report as follows: -

In addressing its first objective, FIAT’s role is characterised by helping to create the right external environment within which industry has to operate. This has two main dimensions - the policy environment and the public image of the industry in the eyes of the community.

The policy environment centres on government legislation and regulations which determine the limits to what industry can do. The policy environment must be tackled at both the Federal and State Level.

Industry’s public image rests on public opinion and the various factors which influence that opinion. This is important because public opinion has a strong bearing on the development of Government policy.

In addressing its second objective, FIAT’s role is to facilitate discussion and joint action among its membership, to project the membership position in wider forums as appropriate and to encourage other bodies to participate positively in the public debate to ensure that the industry retains a public license to operate.





2. FIAT comments

Forestry

The Discussion Paper generally combines the Agriculture and Forestry sectors for discussion and consideration. Whilst these sectors are similar in that they both involve the growing of biomass for consumption by our society, they are different in many respects and require separate consideration:

- There is considerably less diversity in forestry than there is in agriculture.
- Forestry crops are generally routinely measured to estimate the standing volume of wood.
- It is easier to generalise regarding the stored carbon in a forest crop than it is to generalise regarding the storage and emissions of greenhouse gasses in an agricultural context.
- Forestry crops generally take much longer to reach harvest age than agricultural crops - plantation forests are harvested after 8 to 35 years, native forest crops after 60 to 90 years.

FIAT contend that the forestry and agriculture sectors should be viewed and treated separately. Further, the forestry sector should be further disaggregated for consideration: there are two fundamental forms of forests from which wood is harvested:

- natural or native forest - regeneration after harvesting is via re-establishment of essentially the same forest structure as existed naturally, generally via techniques which mimic the natural regeneration processes of these forests; and
- plantation forests - established via planting of nursery-grown seedlings as monocultures, usually with intensive management to control competing plants - plantations generally produce around three times as much harvestable wood per hectare per year as native forests on the same site.





A third and significant form of forestry is the maintenance of those forests which are currently set aside as reserves and which are not harvested for the production of wood products.

The current reporting of “forestry” emissions and sequestrations under the Kyoto Protocol framework involves only land use change as it pertains to forestry, that is *afforestation* and *reforestation* being the establishment of forest on non-forested land, and *deforestation* being the conversion of forested land to non-forested land. The carbon fluxes associated with ongoing and sustainable forest management, reportable under article 3.4 of the Kyoto protocol, are not reported by Australia.

Reporting under the UN FCCC framework do include estimates of carbon fluxes in forested land associated with forest growth and harvesting, but exclude carbon fluxes associated with wild-fire: reported wild-fire emissions only include the estimated production of non-CO₂ greenhouse gases associated with wild-fires.

Similarly, under the Kyoto Protocol stores and fluxes of carbon stored in wood products are not accounted or reported. Under the UN FCCC framework Australia does report estimates of the carbon contained in wood products.

FIAT contends that in order to fully appreciate the importance of the forestry sector to the nation’s (and the world’s) carbon balance that reporting should be expanded to include:

- all forests (all vegetation types) including production forests (plantations and natural forests) and reserves
- the wood products carbon pool
- changes in stored carbon associated with wild-fires

Only when carbon storage and fluxes are fully reported can the value of full or partial coverage of the forest sector be quantifiably and transparently evaluated.





Additionality requirement for offsets

FIAT supports the requirement of additionality for carbon offsets. FIAT contends that the additionality requirement proposed by the National Emissions Trading Taskforce is an appropriate additionality criteria for forest abatement projects being “*that it (the project) reduces emissions beyond a plausible baseline*” (page 68, National Emission Trading Taskforce 2006¹) (sometimes referred to as “environmental” additionality).

FIAT strongly opposes the need for *financial and/or business-as-usual* additionality for forest emissions-offset projects, and FIAT agrees with the statement that “*Such tests are arbitrary, and potentially the source of distortion, with the potential to undermine the credibility and scarcity principles outlined in section 2.*” (p.29).

Financial additionality will be impracticable to measure, and beyond being unworkable from an accounting standpoint, requiring financial additionality as a criteria would have a dampening effect on investments in forest projects, which are one of the few true options for sequestering atmospheric carbon. This in turn would reduce the size of the market for credits and drive up the costs of abatement project compliance.

FIAT also believe the “financial” additionality criteria will act to the detriment of industry participants whose normal business pursuits are the growing of trees, as they may be unable to trade credits whilst competitor growers for whom tree planting is not business-as-usual will be able to claim and trade credits. We regard this as an entirely unfair and unreasonable competitive disadvantage to FIAT members ordinarily engaged in tree planting.

This disadvantage does not appear to be rational and is not reflective in any way of the actual capture of carbon through sequestration, as that sequestration will occur no matter

¹ National Emissions Trading Taskforce (NETT) (2006). Possible Design for a National Greenhouse Gas Emissions Trading Scheme - A Discussion Paper. August 2006. (http://www.emissionstrading.nsw.gov.au/key_documents/discussion_paper)



which corporation undertakes the planting and regardless of whether or not the test of “financial” additionality is met.

The forest industries generally and FIAT membership specifically have long understood the role of forestry and wood products in sequestering and storing atmospheric carbon. To deny existing forest growers the right to claim the carbon sequestered through their efforts on the basis that they will not meet *business-as-usual* additionality requirements is unreasonable, particularly given the country will be counting the sequestered carbon as an offset for emissions in the internationally reported emissions accounts.

Similarly, the Greenhouse Friendly program requirement for permanence in respect of abatement projects is not an appropriate criteria (not specifically discussed in the Discussion Paper). Permanence in respect of projects is specified as being 70 years - not very long when considering the bulk of the human-induced greenhouse gases have resulted from the burning of fossil-fuels that have been storing their carbon out of the atmosphere/biosphere for the last 50 to 200 million years. As an Annex 1 country, Australia is required under the Kyoto Protocol to report via annual stock inventories - this methodology should be the applicable framework for projects: that the stock of stored carbon is the carbon for which emissions credits can be issued.

Coverage

FIAT support the inclusion of forestry in an emissions trading scheme “*as soon as practicable*” (p.57).

We are aware that there is a diversity of views as to whether or not forestry in its broadest context should be included within an Australian Emissions Trading Scheme from inception and that there are difficulties that would need to be overcome if that were to occur.





FIAT put for consideration that the term “forestry” can be readily disaggregated into a number of constituent parts and that each might be considered separately in respect of inclusion and/or when that inclusion might be appropriate.

Three relevant forms of “forestry” that warrant individual discussion in respect of coverage are:

- native forest in secure reserves;
- native forest in production forestry areas; and
- plantation forests.

The consideration of each of these forest “types” is not the same in the context of the construction of an AETS and we submit that each deserves separate and distinct consideration.

The benefits and difficulties of each sector are already known to the Garnaut Review and we do not restate them here.





3. Further information

FIAT thanks the Garnaut Review the opportunity to submit comments on the Emission Trading Scheme Discussion Paper and we look forward to further constructive dialogue in the future. Please do not hesitate to contact FIAT for clarification or further information at:

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