



Submission by the
Forest Industries Association of Tasmania

to

National Greenhouse and Energy Reporting System
Department of Climate Change

on

National Greenhouse and Energy Reporting System
Regulations Policy Paper
February 2008

28 February 2008



Forest Industries Association
of Tasmania



Contents

Contents	2
1. Overview	3
2. About FIAT	4
3. FIAT comments	6
3.1 Section 7 - Greenhouse gas projects	6
On additonality	6
On permanence	8
An Australian standard for offsets	9
3.2 Appendix D - Table D.1	10
4. Further information	11
References	12
Appendix 1: Requirements under <i>Greenhouse Friendly</i>	13





1. Overview

FIAT congratulates the Department of Climate Change on the ongoing development of methodologies leading to the introduction of an Australian Emission Trading Scheme. FIAT supports an Australian Emissions Trading Scheme that recognises the true credentials of wood and wood-based products including biomass-based energy systems, and welcomes the development of such a scheme. Wood is stored atmospheric carbon and solar energy, and wood and wood-based materials are the only materials that our society has at its disposal which are truly renewable, and the alternatives (plastic, metals, masonry, glass, and animal products) all require a great deal more energy to make with resultant greater greenhouse-gas emissions.

As indicated in FIAT's earlier submissions in respect of NGER, FIAT remains very concerned that the requirements for abatement projects continue to require demonstration of financial and business-as-usual additionality and permanence. These requirements are grossly unfair to members of the forest industries who's business includes the growing of trees for the production of wood products. FIAT does welcome the commitment by the Australian Government to develop Australian standards for offsets by the end of 2008, but very strongly urges the Department of Climate Change not to simply adopt the forestry-unfriendly requirements for offsets of the Greenhouse Friendly program.

FIAT believe there should be a reference to green wood waste used as boiler fuel in Table D.1 of Appendix D, as green sawdust is commonly used as boiler fuel within the timber processing industry.





2. 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 NGER Regulations Policy Paper.

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



Role:

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.





3. FIAT comments

3.1 Section 7 - Greenhouse gas projects

FIAT welcomes the acceptance within the regulations of Part 2 of ISO 14064 (*Greenhouse Gases – Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements*), and in particular the standard’s treatment of additionality requiring that “*the GHG project has resulted in GHG emission reductions or removal enhancements in addition to what would have happened in the absence of that project*” (p.V, AS ISO 14046.2 - 2006).

FIAT does however, remain very concerned that “*at this time, only Greenhouse Friendly carbon credits would meet* (the requirements of Australian Government approved carbon credits)” (para. 6, p.52, policy discussion paper). In particular, the financial and business-as-usual additionality requirements and the permanence requirements under the Greenhouse Friendly rules for projects (reproduced in Appendix 1) are grossly unfair to organisations who’s business includes the growing of trees for the production of wood products. FIAT’s concerns are elaborated below.

On additonality

As stated on page 8 of the AGO’s publication: Greenhouse Friendly Forest Sink Abatement Projects:

“A project will be considered to achieve additional greenhouse gas abatement if the anticipated future revenue from greenhouse gas abatement generated is relied upon to ensure the financial viability of the project: that is, the project generates abatement that is beyond ‘business-as-usual’ investment.”

The growing of trees, which are to be harvested for products such as wood for use in construction, is a solid and quantifiable method of capturing and holding carbon from the atmosphere.



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 forest growers the right to claim the carbon sequestered through their efforts is unreasonable, particularly given the country will be counting the sequestered carbon as an offset for emissions in the internationally reported emissions accounts.

FIAT considers “environmental” additionality (being that greenhouse gas emissions reductions would not have occurred if the project had not been implemented) is an appropriate additionality criteria for abatement projects. FIAT understands that in the United States of America “environmental” additionality is a necessary criteria for greenhouse gas abatement projects, and that “financial” additionality is considered to be inappropriate in a free trading market and not an accepted requirement. Similarly, financial and business additionality are not required under the New Zealand Emissions Trading Scheme (New Zealand Government 2007), the structure of an Australian Emission Trading Scheme proposed by the National Emissions Trading Taskforce (2006), or the International Standard for greenhouse gas abatement projects: ISO 14064-2:2006.

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

FIAT also believe that the AGO-originated “Greenhouse Friendly Additionality Factsheet” is in error in that it opines that:

“additionality makes intuitive sense - why should someone purchasing offsets be paying for greenhouse savings from projects that would have happened anyway?”

With respect to the AGO we say this observation entirely misses the key point that the project, whether meeting “financial” additionality requirements or not will be offsetting carbon emissions in fact and will therefore be contributing to reduction in greenhouse gasses in the atmosphere. As a country Australia recognises this through including this sequestration in its international reporting but then inexplicably removes it for the purposes of carbon trading. We submit this whole question is in need of urgent and fundamental review.

As noted above, the international standard for greenhouse gas reductions and removals (ISO 14064-2 - Projects) has no requirement for financial or business-as-usual additionality, requiring only environmental additionality, that is, if there is less carbon in the atmosphere as a result of the project then the carbon savings can be considered additional. This, FIAT submits, is logical and truly reflective of the actual carbon accounts and should be utilised

On permanence

The *Greenhouse Friendly* program requirement for permanence in respect of abatement projects is not an appropriate criteria. 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 form the applicable framework for projects: that the stock of stored carbon is the carbon for which emissions credits can be issued, that is, if the carbon is stored the credits can be sold, and if it is released, the credits must be bought back.

Credits for carbon stored should reflect just that, stored carbon, and if, at some time in the future, the carbon is returned to the atmosphere (i.e. if the carbon-storing trees are burned or decay) then the credits must be relinquished or bought back to account for the released carbon.

The 70 year permanence rule also ignores the reality that different species have different life-spans and optimal harvest times to recover and store carbon as “wood in service” are often significantly less than 70 years but may in fact produce the optimal result in terms of the best outcome for Australia’s carbon accounts.

An Australian standard for offsets

FIAT acknowledges the commitment by the Australian Government to develop Australian standards for offsets by the end of 2008, and strongly urges the Department of Climate Change to drop the requirements of the financial and business-as-usual additionality and the permanence requirements under the Greenhouse Friendly rules for projects (Appendix 1). The Australian standard should instead adopt an environmental additionality requirement and a carbon-stock-change approach instead of a permanence requirement.





3.2 Appendix D - Table D.1

Table D.1: *Consumption of fuels and estimation of greenhouse emissions* contains only reference to wood and wood waste as “dry”. Wood waste is also consumed as boiler fuel in the green form. In some of FIAT’s member sawmills the ratio of green wood residues to dry wood residues in the boiler-fuel-mix is around 5 to 1, being green sawdust blended with dry shavings from machining dried sawn product. Thus, to apply a single factor for “dry” wood waste would grossly over-estimate both the energy consumption and the carbon-dioxide emissions of these mills. FIAT has previously suggested, in its submission on the NGER Technical Guidelines of December 2007, that a further line should be inserted in the factors tables for green wood waste as boiler fuel, or alternatively, that the specified methodologies include an equation for estimating the effective dry tonnage from the known tonnage of green wood waste burned.





4. Further information

FIAT thanks the Department of Climate Change the opportunity to submit comments on the NGER regulations policy 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:

Forest Industries Association of Tasmania
GPO Box 1682, Hobart, Tasmania, 7001
Telephone (03) 6224 1033, Fax (03) 6224 1030
Email fiat@fiatas.com.au

Terry Edwards
CEO - Forest Industries Association of Tasmania



Forest Industries Association
of Tasmania



References

Australian Greenhouse Office (AGO) (2007): Greenhouse Friendly™ Forest Sink Abatement Projects.

Australian Greenhouse Office (AGO) (2007). Greenhouse Friendly Additionality Factsheet. Australian Government, Department of the Environment and Water Resources. Version 1.1. Released 08.08.2007. (<http://www.greenhouse.gov.au/greenhousefriendly/publications/pubs/additionality-fs.pdf>)

Department of Prime Minister and Cabinet (DoPMC) (2007). Abatement incentives prior to the commencement of the Australian emissions trading scheme - September 2007. Australian Government, Department of Prime Minister and Cabinet, Climate Change Group.

International Standards Organisation (ISO) (2006). ISO 14064-2:2006 Greenhouse gases -- Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements.





Appendix 1: Requirements under *Greenhouse Friendly*

Reproduced from DoPMC 2007 - Appendix B.

GREENHOUSE FRIENDLY OFFSET STANDARD

Offsets approved under the Australian Government's *Greenhouse Friendly* initiative are consistent with the highest international standards. *Greenhouse Friendly* approved offsets must be:

Additional – projects must be demonstrably beyond business as usual activities.

- The *Greenhouse Friendly* guidelines require that all approved projects can demonstrate that the project activity is beyond business-as-usual activities. This means that project proponents must be able to show that in the absence of *Greenhouse Friendly* carbon offsets, the project would not have gone ahead. The additionality of all *Greenhouse Friendly* approved projects must also be independently verified.

Calculation – projects must use internationally accepted best practice methodologies for the calculation of their emissions reductions and/or sequestration

- *Greenhouse Friendly* approved projects must use the internationally accepted calculation methods contained in the AGO's Factors and Methods Workbook or alternative factors approved by the AGO. All calculations and methodologies must be independently verified.

Verification – projects must be *independently* verified to ensure that all offsets claimed are genuine and accurately measured.

- All approval documentation (including demonstration of additionality and project monitoring plans), all annual reports and *all* claims for approval of offset credits generated must be independently verified under *Greenhouse Friendly*.
- Independent verification under *Greenhouse Friendly* must be undertaken by a member of the Australian Greenhouse Office's approved panel of verifiers.

Permanence – all offset credits generated by a project must represent a permanent removal of greenhouse gases from the atmosphere.

- This is particularly important for reforestation projects. Australia is considered world-leading in the provision of legal arrangements and frameworks to ensure permanence. Under *Greenhouse Friendly* all approved projects must demonstrate that the emissions reductions they achieve will be permanent – this can be done through strict legal arrangements in the case of forestry projects.
- To ensure permanence, *Greenhouse Friendly* approved projects must also demonstrate that there will be no leakage of emissions to other sites as a result of the project – this must be independently verified as part of the approval process.

Monitoring – projects must be regularly monitored.

- *Greenhouse Friendly* approved projects must report annually and undertake regular monitoring in accordance with their approved project monitoring plan. Under the *Greenhouse Friendly* programme, project proponents are legally responsible for anything that may reduce the offsets generated by the project.
- In the case of forestry projects in particular, *Greenhouse Friendly* sets out a number of strict restoration requirements, should any event reduce the sequestration capacity of an approved forest sink. These legal arrangements are considered world-leading for the protection of carbon credit integrity in forestry-based offset projects.



Forest Industries Association
of Tasmania