

1. Summary

This submission to the Garnaut Climate Change Review highlights the importance of ending intensive logging of native forests for high volume low value products such as woodchips.

Market instruments making the polluter pay even a small part of the environmental costs caused by greenhouse gas consequences of native forest woodchipping would encourage a profitable transition from native forests to the use of existing plantations.

It is estimated that at least 13Mt of CO₂ equivalent greenhouse gas emissions are caused by the million tons of woodchips exported each year from Eden.

2. Introduction

This submission is based on the South East Fibre Exports (SEFE) woodchip operation near Eden NSW and is reinforced by consideration of the larger Gunns operation in Tasmania where native forests have also been managed to maximise fibre production for woodchips.

Native forests should be treated differently from plantation forests and other agricultural commodity production.

Native forests are an important carbon sink and are worth far more for environmental values, including carbon capture, than their sales value as woodchips or other high volume, low value products of intensive industrial logging.

Much of the remnant native forests are on publicly owned land and managed by State and Federal bureaucracies which provides additional flexibility in the policy instruments available to Government.

Because the environmental values of native forests are not included in the royalty price paid by woodchipping companies, the commercial incentive from the underpricing of access to resources has been to intensify logging effort.

3. Industry intensification to high volume low value products

The native forest logging industry has maximised its profits by maximising the volume of woodfibre extracted per hectare of native forest logged. This has resulted in a woodchip based industry. In the Eden Management Area in South East NSW over 90% of the trees logged from native forests are destined to be woodchips. Higher value timber and wood products account for a tiny fraction of native forests logging volumes. Areas further from the woodchip mill such as NSW South Coast and Victoria's East Gippsland region also have adopted management practices dominated by woodchipping.

In each of the last two years SEFE has boasted record annual production levels but its profitability is threatened by a high exchange rate and oil price increases.

4. Greenhouse gas emissions

Larger areas are being logged more intensively and releasing vast quantities of greenhouse gases by unlocking the carbon stored in tree trunks and otherwise in forest flora and soil. Logging operation emissions dwarf the substantial emissions from transport and manufacture of logs and woodchips.

Only the trunks of trees are used to make woodchips or timber products. The rest of the tree including the voluminous crowns and branches are deliberately burnt in post-logging fires.

Various studies indicate that even more carbon is locked up in the top 20cm of forest topsoil than in the trees. This soil based carbon is likely to substantially add to greenhouse gas emissions following disturbance caused by logging – especially from intensive logging using heavy logging machinery.

The annual increment of carbon sequestered in regrowth forests are a tiny fraction of the carbon converted from solid to gaseous form by the logging of native forest.

5. Habitat and forest fecundity

Hollows in eucalyptus typically take trees older than 150 years to develop hollows suitable for roosting and nesting by the many species of hollow-dependent native fauna. In turn the use of hollows for nesting and roosting concentrates the nutrients available from animal faeces important for the health and growth of native forests in the relatively infertile soils typical of the remnant native forests of mainland South East Australia. Logging rotation cycles are now typically as frequent as every 30 to 40 years which will not allow an ongoing recruitment of habitat trees.

6. Length of logging cycles for environmental and timber qualities

ANU ecologist Brendan Mackie has observed that native forests being managed for either carbon capture OR animal habitat OR furniture-grade timber production will all have logging rotation cycles longer than 180 years.

Meanwhile, the commercial incentives facing the native forest woodchipping industry demand a rotation cycle less than one quarter that length of time so as to maximise the volume of woodchip production.

7. Public administration

The “capture” of the state logging agencies by the industries they are supposed to be regulating is well documented and longstanding. Neil Byron showed 15 years ago the huge cumulative subsidy from publicly owned native forest agencies to the logging industry from Federation to 1980 in all States apart from the plantation based South Australia. That finding was reinforced by the NSW Public Accounts (Smiles) report into NSW State Forests which showed that woodchip royalties continued to be underpriced in 1990.

8. Woodchipping subsidised by taxpayers.

Recent financial analysis by Terence Digwood quantifies how much more it costs Forests NSW to supply woodchips than it receives in royalty payments. This subsidy for woodchipping is paid for by an internal cross subsidy by NSW Forests from its plantation sector. The amount of the direct financial subsidy to woodchipping in NSW alone in 05/06 was estimated at \$3.5million. And recent reports in the Age newspaper indicate that VicForests are also still operating at a loss on its native forest operations.

8. Native forests a precious carbon sink better standing than squandered.

The egregious subsidisation of woodchipping means that taxpayers are providing financial assistance to an activity which also spreads environmental costs through its impact on soil, water, forest, fauna and climate change. These environmental costs are paid for by the rest of the community and will continue to damage the environmental amenity of future generations.

9. Political economy

Because the costs are so dispersed while the much smaller benefits are concentrated amongst a much smaller number, the political process has failed to provide the correct incentives and property rights suitable for maintaining or restoring environmental qualities. Concern about climate change provides an opportunity for a fuller appreciation of the environmental qualities of native forests.

10. Administration of polluter pays

The capital intensive nature of logging activity results in a few large producers of woodchips. Administratively it will be much simpler to impose polluter pays costs on these corporate entities. Woodchips sourced from plantations should be treated differently to those derived from native forests to provide market incentives for the environmentally necessary transition

Substantially increasing the royalty charge on logging volumes from native forest would improve the relative position of high quality low volume furniture grade timbers relative to woodchips.

11. Timing and not making things worse

Increased polluter pays charges should be adopted immediately. Flagging a phased increase would encourage industry to go hell-for-leather until the charges start to reflect the costs of native forest logging carbon emissions.

There should be no compensation based on past polluting practices. Grandfathering in existing carbon emission levels would provide an incentive for woodchippers to maximise the damage they currently do if they are to be paid for any future reductions.

12. State policies

NSW, Victorian and Tasmanian State Governments could – and should – raise the royalty rates on woodchipping log stumpage charges. But if the past history of their

capture by logging interests and their current subsidisation of woodchipping are any guide, they are unlikely to make the necessary changes.

13. Federal

There should be an immediate Commonwealth export levy on woodchips to make the logging industry contribute the costs of the carbon dioxide emissions they are responsible for.

14. Economic pressures

In the current economic circumstances even a relatively small contribution by the woodchippers to the costs of their emissions would see them run at a loss and cause them to exit the industry.

Recent strength of the A\$ and high petrol prices are already threatening the financial viability of this industry and because it can't hope to cover the environmental costs it creates it should be closed down as soon as possible.

This will reinforce a profitable transition to a plantation based industry. Softwood plantations are already the major part of the Australian forest (including both native forests and plantations) sector and there are enough existing plantations of hardwood plantations to entirely replace the native forest woodchipping industry. (Judith Ajani's recent book "The Forest Wars" details the failure of past forest policy and spells out the need for a transition from native forest to plantation forestry).

15. Transition from native forests to existing plantations

This transition should be made sooner rather than later but is being held up by the continued subsidisation of native forest woodchipping because native forest pulp royalty rates fail to cover the direct financial costs of supplying their trees.

16. No native forest fed pulpmill

Plans for a pulpmill in the Tamar Valley should be scrapped. Whether native forest woodchips are turned into pulp here or elsewhere in South East Asia, the impact on Australia's native forests is just as bad.

17. Actions speak louder than words

Allowing Gunns to further capitalise its operations would foster the ongoing destruction of Tasmania's precious native forests. It would also make a mockery of Australia's urging and financial support for foreign countries to protect their forests.

18. Conclusions and Recommendations:

1. Native forests should be considered separately to and distinct from plantation forests and other agricultural commodities.
2. Intensive logging of remnant native forests for woodchips or other high volume/low value products must end.

3. State royalties for native forest pulplogs should be increased to pay for the greenhouse gas emissions caused by logging.
4. Federal Woodchip export levy to cover any carbon costs not included in stumpage fees or other subsidised prices.
5. Refusal of Tasmanian pulpmill proposals using native forest woodchips.
6. No burning of native forests to produce electricity.
7. Be wary of industry nostrums highlighting their partial accounts of the carbon cycle.
8. Extend producer responsibility by charging them the external costs of their environmentally damaging activities
9. Don't encourage polluters by paying them to stop polluting: it's too big a risk to lock them into a practice of delivering or promising ever greater pollution immediately
10. Look at the pumpkin not the pimple: change our resource use away from destructive greenhouse gas emission causing activities rather than airbrushing a part of the problem.
11. Don't fall for end-of-pipe solutions by tidying up a smaller part of a much larger problem.

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