



Australian Government

Australian Government Response

**The House of Representatives
Standing Committee on Agriculture, Resources,
Fisheries and Forestry**

**Seeing the forest through the trees: Inquiry into the
future of the Australian Forestry Industry**

June 2013

Introduction

On 10 February 2011, the House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry announced its inquiry into the future of the Australian forestry industry. The Committee's terms of reference were as follows:

The Committee is to inquire into the current and future prospects of the Australian forestry industry, particularly in regards to:

- Opportunities for and constraints upon production;
- Opportunities for diversification, value adding and product innovation;
- Environmental impacts of forestry, including:
 - Impacts of plantations upon land and water availability for agriculture; and
 - The development of win-win outcomes in balancing environmental costs with economic opportunities;
- Creating a better business environment for forest industries, including:
 - Investment models for saw log production;
 - New business and investment models for plantations production; and
 - Superannuation investment in plantations;
- Social and economic benefits of forestry production;
- Potential energy production from the forestry sector, including:
 - Biofuels;
 - Biomass;
 - Biochar;
 - Cogeneration; and
 - Carbon sequestration;
- Land use competition between the forestry and agriculture sectors:
 - Implications of competing land uses for the cost and availability of timber, food and fibre;
 - Harmonising competing interests; and
 - Opportunities for farm forestry.

On 23 November 2011, the House of Representative Standing Committee tabled a final report, which made 19 recommendations.

Government Response

The government has considered the recommendations of the Standing Committee report and has provided a response which addresses each recommendation individually or, where appropriate, provides a response against a number of related recommendations.

Inquiry into Australia's forestry industry – Australian Government Response

Chapter 3: Future role for forestry and forest products

Recommendation 1

The Committee recommends the Australian Government, through the COAG Standing Council on Primary Industries, lead a process to assess and publicly report on likely wood demand and supply scenarios over the longer term (at least the next forty years). This should be completed within twelve months.

The Australian Government agrees in part with the recommendation.

The Australian Government continues to support a strong, sustainable and viable forestry industry, including through information exchange and funding for research and development projects.

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) provides comprehensive information on the forestry industry in Australia. The Australian Forest and Wood Product Statistics are regularly updated with reports produced by ABARES on production and consumption volumes of wood-based products and trade in forest products.

The government agrees with the recommendation and has commissioned ABARES to develop a preliminary study on wood supply and demand that will be used to analyse likely wood supply and demand scenarios over the longer term (up to 40 years). In addition, the government will work through the Forestry and Forest Products Committee, a subcommittee of the COAG Standing Council on Primary Industries, to finalise the report. However, the completion of the report within twelve months from the release of the committee's report has been subject to budgetary considerations.

Recommendation 2

The Committee recommends the Australian Government, through the COAG Standing Council on Primary Industries, lead a process to consider and publicly report on whether Australia should aim for wood supply 'self-sufficiency'.

The Australian Government does not agree with the recommendation.

The Australian Government interprets the Committee's use of the term wood supply 'self-sufficiency' to mean fulfilling Australia's annual timber and wood supply demand from Australian sources only – both plantation and native forest timber.

The government maintains that self-sufficiency should not be a goal for government policy, including for wood supply. There are a number of reasons for this. The government supports a market-based approach as the appropriate mechanism for determining the source of supply. In addition, the government maintains that taking a proactive stance on any one industry in the primary industry sector is not consistent with the existing market-based policy approach, particularly if such an approach were to employ trade distorting measures. Such measures may be inconsistent with our international trade obligations.

The government supports a strong, viable and sustainable forestry industry that provides a range of products in a competitive global environment. Self-sufficiency in all products or forest types is not a practical economic proposition. Reducing the balance of the current trade deficit in forest and wood products may be achieved through changes in the industry but should be market-led. The government is supporting a strategic planning process by the industry through the Forest and Wood Products Council. As part of this process, the council will consider opportunities to improve product innovation and processing efficiencies.

Recommendation 3

The Committee recommends the Australian Government run public information campaigns to promote timber and wood products as replacements for more energy-intensive materials.

The Australian Government agrees in principle with the recommendation.

The promotion of individual industry products is a matter for industry, and the Australian Government is supportive of forestry industry efforts.

The forestry industry has a well-developed role in this area with the lead being taken by Forest and Wood Products Australia (FWPA). FWPA is funded through statutory industry levies and matching Commonwealth funding for eligible research and development expenditure through the *Forestry Marketing and Research and Development Services Act 2007*. The government facilitated the formation of FWPA under the Act in 2007 and continues to play a key role in helping to improve the viability of the forestry industry through the imposition of statutory levies on industry to fund industry marketing and promotion activities as well as research and development.

The industry, through FWPA, has sponsored the development and implementation of the successful advertising campaign, *Wood. Naturally Better™*. The campaign was designed to promote the benefits of timber and wood products. Since the campaign was launched in 2008, FWPA has indicated that research shows the campaign to have had a positive impact on public perceptions of wood products, sustainability and carbon storage.

In addition, FWPA has successfully worked with Planet Ark (a not-for-profit environmental organisation) on the *Make it Wood – Do your world some good* advertising campaign. The campaign promoted timber and wood products as responsible building materials that act as a natural carbon store. In particular, it focuses upon promoting timber and wood products against more greenhouse gas intensive building products.

The government is represented in membership on the Green Building Council Australia, a national not-for-profit organisation that promotes the adoption of green building practices through a variety of measures and is supported by industry and governments.

Under the government's Clean Energy Future plan, the forestry industry will not have to pay for emissions from fertiliser use, timber harvesting, or off-road vehicles and machinery. Products that compete with timber, such as cement, steel and fossil fuels, will be covered by the carbon price. This means that over time timber products are likely to become more cost-competitive relative to more emissions-intensive products.

Recommendation 4

The Committee recommends the Australian Government develop robust national standards quantifying the carbon stored in different products made from harvested trees, including the duration of storage and policy implications of those standards.

The Australian Government agrees in principle with the recommendation.

The Australian Government supports the recognition of carbon stored in harvested wood products (HWPs). This is consistent with the principle that carbon emissions and removals should be accounted for. Under the current international accounting rules for the first commitment period for the Kyoto Protocol, all the carbon in trees was taken to be released into the atmosphere at the point of harvest.

In December 2011, the 17th Conference of Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Durban agreed to an updated set of rules for the land sector for a second commitment period to the Kyoto Protocol that contains a new more flexible accounting treatment for HWPs. This new treatment acknowledges that not all the carbon in a tree is released into the atmosphere when it is harvested.

The domestic implications of the updated rules agreed to in Durban, including the new HWP rule, are currently being considered by the government, and a process for stakeholder engagement is under development by the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCSRTE).

In addition to accounting under the Kyoto Protocol, the government submits an annual national greenhouse gas inventory report to the UNFCCC. The *National Inventory Report 2010* contains national greenhouse gas emission estimates for the period 1990–2010, including data and methodologies used to estimate emissions and sequestration from land use, land use change, and forestry activities. Changes to the amount of carbon stored in harvested wood products in Australia are included in these estimations. Further information on the National Inventory Report is available on the DIICCSRTE website at www.climatechange.gov.au/en/publications.aspx.

Recommendation 5

The Committee recommends the Australian Government, as it develops a mature Carbon Farming Initiative regime, consider:

- the capacity for ‘additionality’ to recognise the delivery of plantations and farm forestry applications, rather than relying on generalised inclusions and exclusions;
- the capacity for ‘permanence’ to include the sustainable harvesting and replanting of plantations and farm forestry; and
- other ways for the CFI to support the forestry industry generally.

The Australian Government agrees in part with the recommendation.

The Carbon Farming Initiative (CFI) allows farmers and land managers to earn carbon credits by storing carbon or reducing greenhouse gas emissions on the land. The forestry industry is able to participate in the CFI by building on activities that are “not common practice” for commercial forestry operations. The CFI legislation already sets out the additionality and permanence requirements for CFI projects. These requirements are essential to the integrity of the CFI.

The Australian Government continues to consider the capacity for forestry activities to meet additionality criteria and is working with stakeholders to identify forest management activities that are beyond common practice and could be credited under the CFI. For example, establishing long-rotation sawlog plantations is now eligible. Activities such as establishing plantations in marginal areas or changing management practices to increase the carbon stored in existing plantations may be eligible.

Under the CFI, carbon sequestration projects, including forestry projects, are subject to permanence obligations. These obligations have been designed to ensure that all CFI credits represent permanent abatement, and the government believes that this is the appropriate policy approach.

The CFI rules do allow for variations in carbon stores because of harvest activities. Methodologies for forest management activities will need to account for variations in stored carbon due to harvesting and replanting when calculating sequestration due to a project, and the Department of Agriculture, Fisheries and Forestry is working with DIICCSRTE to develop means to account for this variation. Further information on permanence obligations and additionality requirements under the CFI can be found on the DIICCSRTE website at www.climatechange.gov.au/cfi.

Chapter 4: Native Forestry

Recommendation 6

The Committee recommends the Australian Government initiate a process to renew existing Regional Forest Agreements, incorporating the principles of review, consultation, evergreen extension and concrete timelines.

Recommendation 7

The Committee recommends the Australian Government, subject to the agreement of the relevant state government, ensure that a renewed RFA is in place within three years of the expiry of each existing RFA. Renewed RFAs should incorporate the principles outlined above.

Recommendation 8

The Committee recommends the Australian Government, in negotiation with state governments, develop, agree and implement a new regime within all renewed RFAs to provide for ongoing monitoring and periodic assessment. The new regime should provide for the periodic assessment of each RFA on an individual basis, at regular intervals, and at arm's length from all interested parties.

The Australian Government agrees in part with the recommendations.

Consistent with the Australian Government's response to the independent inquiry into the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act), "The government remains committed to Regional Forest Agreements (RFAs) as an appropriate mechanism for effective environmental protection, forest management and forest industry practices in regions covered by RFAs. The government is also committed to working with state governments to improve the review, audit and monitoring arrangements for RFAs, including their timely completion, and to clearer assessment of performance against environmental and sustainable forestry outcomes".¹

Each RFA stipulates that the process for extending the agreement for a further period will be jointly negotiated by the Australian and state governments (the parties) as part of the third five-yearly review. As RFAs approach their 15 year marks between 2012 and 2015, the Australian and state governments will consider the extension process. The government remains committed to the process for extending the duration of the RFAs as specified in each RFA. Consideration of the extension process will be subject to agreement between the Australian and state governments as a component of the third five-yearly review process specified in each RFA.

In considering the extension of RFAs for a further period, the government will take into account the independent reviewers reports on the implementation of the RFAs in all states,

¹ <http://www.environment.gov.au/epbc/publications/pubs/epbc-review-govt-response.pdf>

the states' responses to the recommendations made in the independent reviewers' reports, the outcomes from the 2008 Senate Inquiry into the operation of the EPBC Act and the 2009 Hawke Review of the EPBC Act (its recommendations on RFAs in particular), and any representations from state governments and the recommendations made in the report *Seeing the forest through the trees: Inquiry into the future of the Australian Forestry Industry*.

Each RFA contains a clause that outlines the process for undertaking independent five-yearly reviews of the agreement. Periodic assessment, consistent with Recommendation 8, is already being achieved through these reviews, which are conducted at "arm's length from all interested parties". An independent reviewer assesses the parties' implementation of the milestones, obligations and commitments as outlined in the RFAs and provides information against agreed state sustainability indicators.

Further, forestry operations in public native forests in the four states with RFAs — New South Wales, Victoria, Western Australia and Tasmania — have their multiple use public native forests certified. Forests NSW, VicForests, the WA Forest Products Commission, and Forestry Tasmania are all certified to the Australian Forestry Standard, which involves independent review and periodic re-accreditation of sustainability indicators.

Recommendation 9

The Committee recommends the Australian Government direct the Department of Agriculture, Fisheries and Forestry to consider and evaluate the 'stewardship' proposal outlined above, and that the relevant Minister report to Parliament on its findings within twelve months.

The Australian Government does not agree with the recommendation.

The Australian Government acknowledges environmental stewardship can support Australia's land managers to protect threatened species and ecological communities on private land over the longer term. The government has used environmental stewardship approaches to target matters of National Environmental Significance under the *Environment Protection and Biodiversity Conservation Act 1999*.

Under the Caring for our Country Initiative, the Environmental Stewardship Program supports landholders for up to 15 years to actively manage their land for conservation outcomes by protecting threatened species and endangered ecological communities *in situ*. Management actions include reducing grazing pressures, fencing-off targeted habitat areas, and controlling weeds and feral animals.

In light of the government's ongoing support for environmental stewardship and ongoing commitment to landholders in receipt of funding under the Environmental Stewardship Program, the government will not be undertaking a formal evaluation and consideration of the 'stewardship' proposal referred to in Recommendation 9.

In addition to the investments outlined above, the Biodiversity Fund is a newer ongoing program under the Australian Government's Clean Energy Future Package, providing more than \$1 billion over its first eight years to support land managers to establish, restore, protect, or manage biodiverse carbon stores. Through Round One of the Biodiversity Fund, the government is funding \$270 million for 312 projects around the country to help achieve landscape-scale resilience and connectivity. Biodiversity Fund projects have the potential to advance the reversal of biodiversity decline and establish significant areas of carbon storage. They are an important first step in connecting our landscapes and making them more resilient to climate change.

The states and territories have and continue to invest in stewardship-type programs, for example BioBanking in New South Wales and BushTender in Victoria.

The government believes that privately funded mechanisms, such as those outlined in the 'stewardship' proposal, remain a decision for private markets and investors.

The forest industry is to some extent already achieving the objectives of the stewardship proposal for private native forests through certification of ecologically sustainable forest management schemes, which aim to attract a premium price in the market by demonstrating positive environmental credentials. The Australian Government supports all credible internationally recognised forest certification schemes that provide for legal and sustainable forest management.

Chapter 5: Plantations

Recommendation 10

The Committee recommends the Australian Government lead a process through COAG to create a national plan for plantations, to ensure that:

- plantations of appropriate species are planted in appropriate locations; and
- appropriate regional infrastructure exists or is planned and funded.

The Australian Government agrees in principle with the recommendation.

The Australian Government supports the recommendation to have a national plan for plantations. The *Plantations 2020 Vision*, agreed to by the Australian Government in partnership with industry and state and territory governments in 1997 and renewed in 2002, provides an existing policy framework in relation to issues raised in this recommendation.

In the major plantation regions of Victoria, Queensland, Western Australia, South Australia and Tasmania, state governments have initiated their own mechanisms to support the plantation industry in accordance with the *Plantations 2020 Vision*. The *2009 Victoria's Timber Industry Strategy*, the *Victorian Timber Industry Action Plan*, the *Queensland Timber Plantation Strategy 2020*, the *Western Australia's Strategy for Plantations and Farm Forestry 2008-12*, and the *South Australian Forest Industry Strategy* are state based initiatives that address this responsibility at the state level.

Consistent with the *Plantations 2020 Vision*, prevailing market opportunities are an important factor relating to strategic planning for plantation locations. Decisions relating to species selection and location for plantations remain a matter subject to the planning processes and consideration of industry. Planning and funding for potential regional infrastructure is contingent upon these decisions and must be undertaken accordingly. The government is supporting a strategic planning process by the industry through the Forest and Wood Products Council. As part of this process, the council will consider barriers to plantation infrastructure development.

The Australian Government will continue to provide publicly available information regarding strategic planning, the extent of plantations in Australia and future projected wood supply volumes through Australia's *National Plantation Inventory* updates, the five-yearly updates on projected wood volumes, and the new work by ABARES on projected wood demand and supply over the longer term (as per Recommendation 1). This information can inform decisions about regional infrastructure needs.

The government aids industry in decision making as to what plantation species are appropriate to grow and where through ensuring that relevant information is available. The Bureau of Meteorology collates information on climatic conditions; research into appropriate plantation species has been undertaken by the Commonwealth Scientific and Industrial Research Organisation, the former Cooperative Research Centre for Forestry and its predecessors, and the Australian Forest Products Association. Regional profiling data on plantations species is available through the Plantation Information Network at adl.brs.gov.au/mapserv/plant/.

Recommendation 11

The Committee recommends the Australian Government:

- decide whether the encouragement of long-rotation plantations is an appropriate objective of policy;
- establish whether it is necessary and appropriate for government to provide an incentive to meet that objective;
- if it is, set out a plan to meet that objective according to the national plan for plantations;
- assess whether MIS as a mechanism can meet that objective;
- if MIS can meet that objective, determine whether it needs to be altered to make it more effective; and
- if MIS cannot meet that objective, determine whether other mechanisms could do so.

The Australian Government agrees in part with the recommendation.

The Australian Government continues to support and encourage long-rotation plantations as an appropriate objective of policy. This includes encouraging legislation for planning and approval processes that support long-rotation plantations, and encouraging regulations that support long-term investments. The Australian Government also encourages research and development projects that support long-term plantation development.

Consistent with the Australian Government's taxation arrangements for forestry Managed Investment Schemes (MIS), the Treasury and the Department of Agriculture, Fisheries and Forestry completed a review of options for developing secondary markets in forestry MIS, and reported to government in March 2007. As a result of the review, investors in forestry MIS were permitted to trade their interests once they had been held by the initial investor for a minimum period of four years. This (secondary trading) measure applies to interests in pre-existing schemes, meaning that taxpayers who invested in a forestry MIS prior to 1 July 2003 were able to trade their interests from 1 July 2007. This measure provides a mechanism for forestry MIS investors to diversify income and receive an earlier return on their investments. Additionally, it potentially removes the incentive to harvest plantations sooner, thus encouraging long-rotation plantations.

Due to the collapse of a number of significant forestry MIS companies, the Australian Government acknowledges investor confidence in agribusiness MIS has been affected.

To assist investors, the Australian Securities and Investments Commission released an agribusiness MIS regulatory guide in January 2012 with five new disclosure benchmarks and five principles that apply to all agribusiness scheme prospectuses. These benchmarks include more transparent fee structures, annual reporting to investors, and disclosure of engaged third parties and their qualifications. These developments are designed to help retail investors understand the risks and rewards of the offer and to enable them to make a more informed decision.

In November 2010, the government commissioned a review by the Corporations and Markets Advisory Committee (CAMAC) into the current statutory framework for all MISs. CAMAC delivered its report to government on 7 August 2012. The CAMAC report follows the earlier

report by the Parliamentary Joint Committee on Corporations and Financial Services (PJC) on aspects of agribusiness MIS in September 2009. While both reports are comprehensive in their analysis, CAMAC is still investigating the last term in the government's terms of reference to "examine other proposals to improve Chapter 5C of the Corporations Act" and will provide a further report to government on these issues in the future.

More generally, the government has recently implemented the Future Financial Advice reform package, which applies to the provision of advice to retail clients of financial products, including agribusiness MIS. The legislation implementing the reforms (the *Corporations Amendment (Future of Financial Advice) Act 2012* and the *Corporations Amendment (Further Future of Financial Advice Measures) Act 2012*) commenced on 1 July 2012 and its provisions become mandatory from 1 July 2013.

Chapter 6: Farm forestry

Recommendation 12

The Committee recommends the Australian Government, through COAG, lead a process to agree a national plan for the provision of, and access to, enabling infrastructure for farm forestry.

The Australian Government agrees in principle with the recommendation.

The Australian Government believes that farm forestry has a valuable role to play in supporting income diversification for landholders and strengthening sustainable resource management practices.

The Australian Government supports the recommendation to have a national plan for farm forestry. The existing national plan, the *Farm Forestry National Action Statement 2005* (NAS) was jointly agreed to by the Australian Government, Australian state and territory governments, and the forest and wood products industry in 2005. The plan outlines objectives and actions for the development of farm forestry.

The Australian Government will propose to the Forestry and Forest Products Committee (FFPC), a subcommittee of the COAG Standing Council on Primary Industries, that it examine the NAS and consider the need to update the national plan (see also Recommendation 19).

At the state and territory level, governments have their own policy frameworks to support the development of farm forestry. The Victorian Government has agreed to develop a farm forestry plan for Victoria in consultation with farm forestry groups. The Tasmanian Government along with private forest owners fund Private Forests Tasmania, a statutory body that works to facilitate and expand the development of the private forest resource in Tasmania. The *Queensland Timber Plantation Strategy 2020* was released in July 2010 by the Queensland Government and outlines state policy for encouraging private investment and sustainable growth in the plantation sector, including through farm forestry. Further, the Western Australian Government authored the *Western Australia's Strategy for Plantations and Farm Forestry 2008-12*.

Recommendation 13

The Committee recommends that the Australian Government, in concert with state and local governments, provide immediate and ongoing financial support to local organisations that provide extension services for farm forestry, particularly through the Caring for our Country initiative.

Recommendation 14

The Committee recommends that the Australian Government explicitly state that Caring for our Country funding is available for farm forestry activities, and actively promote this fact to the broader community through an extensive information campaign.

The Australian Government agrees in part with the recommendations.

Through the Caring for our Country initiative, the Australian Government, in partnership with industry and state and territory governments, provides immediate financial support to local organisations providing extension services for farm forestry.

The Caring for our Country 2012–13 business plan was released on 6 December 2011 and explicitly stated that landscape-scale conservation agroforestry is an eligible activity under the sustainable farm practices investment priority. Agroforestry (farm forestry) for production purposes was eligible to apply where it would provide public good outcomes, such as extension, codes of practice, and management plans to support ongoing biodiversity outcomes beyond the project timeframes through management of thinning and replanting at a similar density to retain connectivity. Eligible extension services include training workshops, demonstration sites, field days, and employing facilitators and/or extension officers. Caring for our Country support is not available for production activities leading solely to private benefit.

As stated in the 2012–13 business plan, Caring for our Country investment priorities and eligible activities, including agroforestry, were actively promoted through local, regional and national media, facilitator and extension officers. Direct advice was provided to parties whom had previously registered an interest in natural resource management. As such, the government believes that the program has been sufficiently promoted.

Under the 2012–13 business plan, the government has supported agroforestry through a project that will train natural resource management officers and farmers in the Avon River Basin region in Western Australia. The project, providing \$215 600 to Wheatbelt Natural Resource Management Inc, will equip officers and farmers to use a 'Farming Landscapes for the Future Tool.' The tool will predict the benefits and costs of planting trees in the Avon catchment under current and future climate scenarios. Under the Caring for our Country 2011–12 business plan, the Australian Forest Growers received \$76 500 over two years to support farmer investment in the design and management of private agroforestry projects.

In addition, three farm forestry projects were successful under the Caring for our Country 2010–11 business plan. Private Forestry Service Queensland Inc received \$481 000 over three years to provide farm forestry extensions and to engage farmers in planting best practice native farm forestry. The ultimate objective of this grant is to link 10 000 hectares of

fragmented native forest in southern Queensland and northern New South Wales. The Subtropical Farm Forestry Association Inc received \$346 200 over three years to provide workshops and field days, and to work collaboratively with farmers to develop farm forestry property management plans to implement new native plantings to enhance landscape conservation. In Victoria, the Otway Agroforestry Network received \$300 000 to help farmers establish multipurpose farm forestry, provide an expert peer mentoring program in collaboration with Landcare and other groups, and to monitor landscape-scale outcomes.

Australia has notified the World Trade Organization (WTO) regarding the Caring for our Country policy — consistent with the relevant requirements of the Agreement on Agriculture. It will be important that any ongoing financial support for agroforestry remain consistent with Australia's WTO commitments.

The 2012–13 business plan is the last year of the first five-year phase of Caring for our Country (2008–2013). The government has announced more than \$2 billion to continue funding the initiative from 2013–14 to 2017–18.

The government has released the final report on the review of the first phase of Caring for our Country, which found that the program is on track to meet all of its goals and recognises the important work of a range of stakeholders including regional natural resource management bodies, Landcare groups, and other community organisations. The report can be reviewed online at www.nrm.gov.au.

Chapter 7: Using forestry biomass

Recommendation 15

The Committee recommends that, under any version of the RET (or similar scheme), bioenergy sourced from native forest biomass should continue to qualify as renewable energy, where it is a true waste product and it does not become a driver for the harvesting of native forests.

Recommendation 16

The Committee recommends that, if the above principles are adhered to, legislation or regulation direct the Minister to grant an individual exemption from native forest biomass exclusion.

Recommendation 17

The Committee recommends that, under any system of exemption from the native forest biomass exclusion, provision be made for reporting on biomass volumes used, energy used and income generated, to ensure that the biomass used is a true waste product.

The Australian Government does not agree with the recommendations.

The Australian Government has excluded native forest biomass from eligibility under the Renewable Energy Target (RET) scheme. This exclusion encompasses products, by-products, and waste associated with or produced from clearing or harvesting of native forests.

Regulations to implement the government's decision were made in November 2011 and include transitional arrangements to preserve the previous rules, allowing wood waste derived from native forests to be eligible, and allowing existing power stations that are already accredited to use native forest biomass as an energy source.

However, certificates can continue to be created under the RET for electricity generated from other wood waste and energy crops such as oil mallee, woody weeds, agricultural wastes and wood from certain timber plantations. While biomass derived from native forests is no longer recognised as an eligible renewable energy source under the RET, it does not prohibit the use of this biomass for bioenergy. The current policy settings will encourage investment in plantations.

Under the government's Clean Energy Future plan, the forestry industry will not have to pay for emissions from fertiliser, timber harvesting, or off-road vehicles and machinery. Products that compete with timber products, such as cement, steel and fossil fuels, will be covered by the carbon price. This means that over time, timber products are likely to become more cost-competitive relative to more emissions-intensive products.

Chapter 8: Forestry into the future

Recommendation 18

The Committee recommends that the Australian Government provide funding to FSC Australia to support the development of the proposed FSC national standard, with the expectation that the FSC national standard will replace the interim standard within five years.

The Australian Government agrees in part with the recommendation.

Forest certification schemes play an important role in sustainable forest management and in providing public and purchaser confidence in demonstrating environmental outcomes of forestry operations. Forest management and chain of custody certification schemes are also increasingly important for market access both domestically and internationally.

The Australian Government supports all credible internationally recognised forest certification schemes that provide for legal and sustainable forest management.

The Australian and Tasmanian governments are supporting the community-led process that resulted in the Tasmanian Forest Agreement 2012. Provisions in that Agreement that are being supported by governments through the Tasmanian Forests Intergovernmental Agreement 2013 include providing a financial contribution in 2013–14 to assist FSC to develop its national forest stewardship standard for Australia.

More broadly, the Australian Government continues to hold discussions with a range of parties on forest certification.

The government encourages all operational forest certification schemes in Australia to work together towards mutually recognised certification of all types of forest in Australia.

Recommendation 19

The Committee recommends the Australian Government lead a process of discussions with all state and territory governments, to consider national approaches to:

- forestry and climate change;
- farm forestry; and
- future wood product demand and supply.

The Australian Government agrees with the recommendation.

The existing national approaches to forestry, climate change, and farm forestry — the *National Climate Change and Commercial Forestry Action Plan 2009-12*, and the *2005 Farm Forestry National Action Statement* respectively — have already made a number of positive contributions. The Australian Government will ask the Forestry and Forest Products Committee (FFPC), a subcommittee of the COAG Standing Council on Primary Industries, to examine these existing national approaches and consider the need to update these approaches (see also Recommendation 12).

To address the issues associated with the interaction between forestry and climate change, the former Natural Resource Management and Primary Industries Ministerial Councils endorsed the *National Climate Change and Commercial Forestry Action Plan 2009-12*. The action plan guides action by the forestry industry, with the support of governments, to respond to climate change through adaptation and mitigation, underpinned by research and development and communication.

In 2007 the Australian Government committed \$20 million to the forest industry to help it prepare for the future. A key element of the commitment was to better understand the implications of climate change for the forest industries, build industry capacity to adapt to these changes, and capitalise on emerging mitigation opportunities. The government funded 24 climate change projects under the initiative, to the value of \$6.5 million. Of this, \$4.7 million was provided under the Forest Industries Climate Change Research Fund to 20 projects on a competitive grants basis.

A further \$1.6 million was provided for three projects undertaken by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES). The largest project conducted detailed assessments in six regional areas across Australia in order to determine the possible effects of climate change on wood production, the forestry and forest products industries, and the communities that depend on those industries. A second project focused on improving Australia's Forest Productivity and Merchantability Database in order to address a key climate change knowledge gap. A third project worked with forest industry stakeholders and professionals to identify and prioritise significant future risks and information requirements that could address those risks.

All available reports from these projects are on the ABARES website at:
www.daff.gov.au/abares/publications_remote_content/publication_topics/forests.

The Standing Council on Environment and Water and the Standing Council on Energy and Resources support an effective response on climate change policy issues with national implications and provide a forum for the Commonwealth to engage on implementation issues. Part of that engagement role is to provide a forum for the Commonwealth to engage state and territory and Australian Local Government Association COAG members on the

implementation of the Clean Energy Future plan, which includes the Carbon Farming Initiative (CFI) and other land sector measures. The plan provides opportunities for the land sector nationally, including the commercial and farm forestry industries, to gain funding and potentially earn carbon credits for forestry projects that sequester carbon and generate other environmental benefits.

The *2005 Farm Forestry National Action Statement* outlines the objectives and actions agreed by the Australian Government, state and territory governments, and the forest and wood products industry to develop farm forestry. Other measures that have been undertaken in support of developing farm forestry are outlined in the response to Recommendation 12.

In relation to future wood product demand and supply, ABARES regularly prepares comprehensive information on timber consumption in Australia. The Australian Forest and Wood Product Statistics are regularly updated reports produced by ABARES on production and consumption and trade in forest products. Further, as noted in the response to Recommendation 1, ABARES will develop a technical report on wood demand and supply scenarios over the longer term (40 years) and will work through the FFPC to finalise the report.