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Senate Finance and Public Administration Committee
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AFG SUBMISSION ON NATIVE VEGETATION LAWS, GREENHOUSE GAS ABATEMENT AND CLIMATE CHANGE MEASURES

Australian Forest Growers (AFG) is the national association representing around 1200 private forest growers from 24 regional branches across Australia's forest growing regions. AFG's members include farm plantation growers, private native forest managers and private commercial plantation companies. Since 1969, AFG has advocated the responsible establishment and management of forests on private land. By growing commercial plantations, and through the sustainable active management of private native forests, our members have been delivering improved landscape health outcomes for decades. This assists in providing the multiple outcomes that the community increasingly demands as well as complementing existing productive agricultural land use practices.

Private native forests are impacted considerably by many aspects of legislation in Australia, and there is a possibility that the native forest estate will be affected by a future changing climate. AFG therefore welcomes the opportunity to make a submission on Native Vegetation Laws, Greenhouse Gas Abatement and Climate Change Measures.

The layers of legislation surrounding private native forest management at Federal, State and local government level are onerous and there is a noticeable absence of the promotion of sustainable management of the private native forest resource. This has flow through implications on landholders' asset value, and there is an absence of adequate compensation to landholders when various levels of Government introduce legislation regarding exclusion zones or restrict the means to which landholders can utilise their land.

The sustainable management of private native forests contributes to forest health and income diversification for a landholder, as native forestry can be readily integrated into agricultural systems through property management plans. Forests require quality silvicultural treatment in order to maintain vigorous and healthy growth. This is achieved by landholders skilled in forest management and operations. Virtually all private native forests have been either previously harvested or become re-established on land once cleared for agriculture. This forest estate overall has also had very little management intervention, therefore rendering much of it silviculturally compromised and ecologically deteriorated. This situation is mirrored when private native forests, due to State or Federal Government legislation, are 'locked up and left'. Neglect of these forests does not equal protection. Private native forests require skilful active management to realise their high potential for better forest health, and to provide environmental benefits and commercial products.

The following replicates the same template as the terms of reference outlined by the Senate Finance and Public Administration Committee.

Summary of Key Points

- AFG seeks that landholders are provided with continued access to sustainably harvest their private native forest resource.
- AFG seeks that compliance with codes of forest practice constitutes compliance with all Commonwealth, State and local regulations, along with controls affecting the regeneration, management and harvest of private native forests.
- Where Commonwealth, State and local Government legislation limits the potential of land management, or restricts or excludes the area available for active management, that a landholder/private native forest owner be compensated for the opportunity foregone, and possible decline in asset value as a result of such legislation.
- All forest biomass that is legally sourced from managed forests should be eligible as a renewable energy source under the Federal Governments Renewable Energy Target (RET).
- AFG encourages further expansion and support at a National and State level to use native forest wood waste for energy production consistent with the Australian Government's expanded national Renewable Energy Target scheme.
- The conditions for permanent vegetation plantings, as outlined in the Carbon Pollution Reduction Scheme Exposure Draft, be reviewed due to the negative consequences that may result from a mass scale initiative that requires forests to be 'locked up and left'.

1a) Native vegetation laws in Australia and their impact on asset value

Native Vegetation Legislation throughout Australia is often complex, obstructive to production, and generally discourages the acceptance of private native forestry as a viable land use. In addition, the laws throughout Australia are often continually changing due to a change in governance or public perceptions.

This continual change and extent of legislation governing private native forest management impacts growers' security and right to harvest, which has further impacts on their land asset value. The imposition of exclusion laws or limited access as a result in a change of local, State or Federal policy results in a decline in asset value as land which was once productive is now legislated as land that must be 'locked up and left' with no commensurate compensation or even stewardship payment.

Landholders often combine the sustainable selective harvesting of private native forest with sheep and cattle grazing, and a change in governance or legislation excluding an area from use corresponds to a loss in productive land, income, and often results in a decline in asset value. The landholders are often left in a predicament as a result of these layers of red-tape; they can either remain on the land and accept the loss of income, or, sell the land recognising that the legislation will most likely lessen the market value of their property.

Timber is a long rotation crop and if growers are reliant on an income from their native forest they need to be reassured that their right to harvest will not suddenly be terminated. There is therefore a need for harvest security in order to promote investment in the

sustainable use of native forests, and to reassure landholders that their investment and reliance on future income will not be jeopardised with a change in governance. This is particularly pertinent where a property remains in the family, and a harvesting event is being relied upon for school fees, or simply to pay for living expenses.

Almost a quarter of Australia's native forest estate (about 38 million hectares), including woodlands, tall eucalypt forests and rainforests is privately owned. In some Australian timber production regions, more than 50% of the processing sector's wood intake is from this private native forest resource. These commercial private native forest values are poorly recognised in public policy, yet make an important contribution to the economic welfare of landholders, rural communities and regional economies.

AFG seek that legislation and regulations that govern private native forest management is streamlined i.e. that compliance with codes of forest practice constitutes compliance with all Commonwealth, State and local regulations, along with controls affecting the regeneration, management and harvest of private native forests.

1b) Compensation arrangements to landholders resulting from the imposition of native vegetation laws and legislated greenhouse gas abatement measures

Where legislation inhibits landholders' rights to sustainably harvest their native forest they are often not compensated for the opportunity foregone when they are informed their native forests will be subject to exclusion zones or must be 'locked up and left'. Well managed native forest generates environmental and socio-economic benefits that flow through to the wider community. It is imperative that more direct and effective communication with the community details the value of these environmental services, which are public goods.

There has rarely been an effective compensation mechanism for cost asset value due to privately owned resource access restrictions, yet there have been millions of dollars provided to timber processors when the public forest resource has been withdrawn, i.e. processors have been compensated in recognition of the impact that a loss of resource will have on their business. This is an inconsistent policy by Governments, as often landholders are reliant on their private native forests as a source of income, much as a processor would be reliant on the public estate to sustain their business.

AFG provided a submission on the Carbon Pollution Reduction Scheme Exposure Draft. One of the issues raised in our submission was the permanent vegetation plantings. AFG supports forests grown for multiple uses, including carbon, and it is AFG's view that the proposed permanent vegetation plantings are flawed because they are:

- likely to have a deleterious impact on regional communities and social infrastructure;
- likely to create environmental differences by acting as a harbour for noxious plants and animals and enhance fire risks; and
- unlikely to be commercially viable.

AFG believes that an integrated multipurpose forestry resource (such as integrating private native forest management and grazing) is the most appropriate vehicle for effective adaptation to carbon reducing technologies. The integrated model also eliminates or

minimises the conflict between the food versus fuel debate, as the integrated system ensures that the land use is matched with the land capability. The proposed permanent vegetation plantings may act as a disincentive to a prospective buyer of the property if the landholder sought to sell.

AFG seek that compensation arrangements are provided to landholders where native vegetation and greenhouse gas abatement legislation affect their land management practices and result in a loss of productive land and consequent income, and where they result in a decline in asset value.

1c) The appropriateness of the method of calculation of asset value in the determination of compensation arrangements

AFG know of no appropriate method of calculation of asset value in the determination of compensation arrangements other than those surrounding water buy backs and native vegetation in South Australia in the 1970s. There has been no compensation since, for landowners with private vegetation and there needs to be.

In the context of water AFG are alarmed at the lack of socio-economic impact studies and suspect a similar catastrophe might prevail in vegetation compensation.

There currently exists a disconnect between the Commonwealth Constitution and the State responsibility for land use. For example, New South Wales has just terms laws but this only applies when the property is acquired but not when the land use is restricted. Restricting land use can, depending on the restrictions, be just the same as a loss in area available for use, i.e. a loss due to acquisition.

AFG seeks a compensation arrangements developed by the Commonwealth and State Governments in consultation with landholders. This policy would be implemented when there is a decline in a landholders' asset value or available productive use as a direct result of legislation and include robust socio-economic impact analysis.

1d) Any other related matter

Timber is a direct substitute for many emissions intensive products. In the construction of buildings, competitors to structural wood products (such as steel, aluminium and concrete) all have a significant emissions profile whereas the production of wood is carbon-neutral. In addition, the carbon stored in wood products is retained while the product is in use, and for many years after being delivered to landfill. As more and more publicly owned native forests are put into reserves, the hardwood resource will need to be sourced elsewhere.

Rather than source milling timber from off-shore and international markets, the resource could be attained from private native forest growers, thus improving native forest health, contributing to income diversification for the landowner and assist in sustaining the Australian forest industry. Reassuring landholders of their right to harvest sustainably will also encourage timber processing infrastructure, such as timber mills and possible biofuel plants which could further contribute to local economies.

AFG also notes that there are often issues of dual consent that conflict, e.g. in New South Wales a grower might be fully compliant with a State Act, yet be prevented access by a local planning instrument or a Federal Act such as the EPBC. Harmonisation of such laws is essential.

AFG make the following recommendations surrounding private native forest legislation and regulation:

- ***Recognition of existing forestry purposes and associated activities, including sustainable timber harvesting, as productive and continuing lawful use of naturally afforested private agricultural landholdings;***
- ***Operation of private native forests under uniform codes of practice, acceptable to AFG, with reasonable compensation for all reservations outside of the public estate, whichever form they may take;***
- ***Official acceptance that, where a Regional Forest Agreement is in place, private native forests not reserved under that process may, subject to compliance with uniform codes of practices, be managed for commercial forestry purposes; and***
- ***Official acceptance that compliance with codes of forest practice constitutes compliance with all Commonwealth, State and local regulations and controls affecting the regeneration, management and harvest of private native forests.***

2) Greenhouse Gas Abatement, Climate Change and the proposed CRPS

Australian Forest Growers recognises the Australian Government's commitment to addressing climate change through promotion of renewable energy based industry and through the establishment of the proposed emissions trading scheme, the Carbon Pollution Reduction Scheme (CPRS). As growers of the most efficient and cost effective carbon sequestration method available, forestry clearly has a role in the response to climate change and assisting the Federal Government achieve a low carbon future.

AFG supports the Government's announcement of a Mandatory Renewable Energy Target of 20%. The rapid development of biomass-based energy and fuel production systems should be a key focus of renewable energy policy in Australia as our response to climate change gains momentum. The use of wood for power generation is already widely used in Australia and in some countries forms a major component of electricity supply. The last 20 years of technology development has seen dramatic improvements in energy harnessing and efficiency, whilst delivering significant reductions in emissions.

AFG notes that the RET is presently restricted to promoting use of renewable energy by electricity users and excludes other significant users of fossil fuel, such as the transport sector. AFG considers that promoting renewable energy use across all sectors of industry is equally important in abating climate change. AFG urges that the RET scheme should be broadened to include liquid fuels and heat generation. The present exclusion of heat generation (for both industrial and domestic use) from the RET scheme has prevented recognition of the significant use of waste wood both in mills and processing plants. This affects forest growers, who currently have limited access to markets for waste wood that is a by-product of necessary forest tending.

All forest biomass that is legally sourced from managed forests should be eligible as a renewable energy source, whatever the product, under the RET. This should include forests under Regional Forest Agreements between Commonwealth and State governments, forests managed according to state based Codes of Practice for forestry; or forests managed in accordance with vegetation management legislation. The 'high-value' test for native forests in the Federal Government's Mandatory Renewable Energy Target, where the total financial value of the high-value processes must be higher than the financial value of the other (lower value) products of harvesting, means that lower quality native forests are excluded from the MRET. Degraded native forests or woodlands seem an ideal source of timber for biofuel and bioenergy, as there is now scientifically proven data that an actively managed forest is healthier than one locked up and left.

AFG strongly advocates that any benefits from carbon accumulation by trees are passed on to the forest grower. Any emissions trading system should ensure that the grower is able to trade in any carbon sequestered in trees since 1990 or in any sequestered carbon that the Australian Government includes in its calculations of Australia's emissions and carbon balance since 1990 for the purposes of meeting formal or informal international obligations.

Valuing the carbon stored in small growers' plantings and in private native forests may provide a crucial financial incentive to make small scale growers financially viable. Many of AFG's members are farm foresters and small scale forest managers who struggle to make their production systems financial, as tree plantings in the farm setting are often established with multiple benefits in mind. Aside from commercial products, forests are also managed for services such as shelter and fodder for livestock, farm windbreaks, protection of water quality and biodiversity services. Irrespective of the purposes for which they were planted, these trees store carbon.

The proposed Australian emissions trading scheme, the Carbon Pollution Reduction Scheme (CPRS), could play an important role in promoting the use of wood to replace energy intensive alternatives, through inclusion of carbon stored in wood products from the commencement of the Scheme. In addition to sending the right message to consumers about the emissions profile of wood products, this would create an incentive for the strengthening and expansion of sustainable forest industries.

The Victorian Government recently released the Timber Industry Strategy which is a management framework for the timber industry in Victoria. One of the actions, which AFG supports is to "support a national approach to using native forest wood waste for energy production, consistent with the Australian Government's expanded national Renewable Energy Target scheme" (Action 7.3).

Recommendations

- ***All forest biomass that is legally sourced from managed forests should be eligible as a renewable energy source under any Federal or State policy regarding renewable energy.***
- ***Any emissions trading system recognises the value of fossil fuel replacement by use of tree crops for woody biomass production, harvested wood, forest and sawmill residues and silvicultural surpluses from both plantations and native forests.***

Conclusion

Australian private native forest owners need to be guaranteed that they will continue to have access to their native forests and that legislation surrounding their right to harvest has continual support from all levels of Government. Compensation arrangements must exist where Commonwealth, State or local government regulations result in a decline in asset value for the landholder, as a result of exclusion of an area of native forest, or heavy restrictions on land management. Many of AFG's members are farm foresters and small scale forest managers who struggle to make their production systems financial, as tree plantings in the farm setting are often established with multiple benefits in mind. As such, the additional market for wood that vibrant bioenergy and biofuel production industries would create may provide a crucial financial incentive to make small scale growers more financially viable.

Thank you for the opportunity to provide a submission. If you wish to discuss any of the issues raised herein please contact the undersigned on (02) 6162 9000.

Yours sincerely,

Warwick Ragg
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