



**Inquiry into the Carbon Credits (Carbon Farming Initiative) Bill 2011**  
**conducted by the House Standing Committee on Climate Change,**  
**Environment and the Arts**  
Submission by Forestry Tasmania

Contact:

Forestry Tasmania

### **Background**

Forestry Tasmania (FT) is a Government Business Enterprise (GBE) with responsibilities for managing 1.5 million hectares of State forest. FT provides forest products and services for local, national and international customers and aims to be an internationally competitive forest land manager with operations based on sustainable, multiple-use forest management principles.

FT also has an active project called Trees on Farms, by which FT encourages and supports farmers to establish currently non-viable areas to timber plantations.

FT supports the intent of the CFI and provides recommendations that would enhance and increase participation and opportunities for bio-sequestration. In particular, this submission identifies the importance of including commercial forestry plantations in the CFI.

### **Scheme design principals**

While it is correct to ensure that all that are eligible have a chance to apply for participation in the Scheme, this needs to be balanced with the ability to effectively manage the Scheme. By having too broad a participation both in geographic area as well as activities, the program could become too cumbersome to manage and could lose focus.

In this context, smaller participants should ideally fall under group schemes, where they are managed collectively and grouped together because of common area and/or activity. Maximising the involvement of smaller participants will likely require a range of joint venture and other innovative arrangements.

Including the group schemes, participants should be large enough to facilitate:

- i. efficient management;
- ii. efficient accounting and auditing;
- iii. marketable aggregates of carbon credits;
- iv. allowances for growth losses due to seasonal or local adverse conditions (e.g. fire); and
- v. cost effective participation for small participants utilising shared resources.

## Scheme coverage

### Plantation forestry

If the desire is to sequester carbon for the good of the planet, then normal commercial forestry plantations should be included in the breadth of the CFI and the products derived from these plantations should also be included, using widely accepted averages of carbon stored in harvested wood products.

Projects that encourage farmers to plant areas of their land, which are suboptimal to their current land use, to trees should be included regardless of the commerciality of the forestry activity. All plantation forestry should be encouraged by the CFI, regardless of the purpose for which planting occurs. To some extent the additionality test in Part 3, Division 6 of the Bill alleviates this concern (see below).

However, it should be noted that although plantations for non-commercial primary objectives can include some normal commercial objectives, often they would not have been established without the promotion and support of the project manager and are often less viable than other options and tracts of land available to project managers. In relation to the Trees on Farms program the project manager is Forestry Tasmania.

While the CFI might not be the sole reason for pursuing this activity, the contribution that funds arising from participation in the CFI provides, will assist the decision making process by project managers and by land owners.

Forestry Tasmania's own experience with the Trees on Farms program is important and provides guidance on CFI scheme design.

Trees on Farms is intended to deliver multiple outcomes. These typically include:

- noxious weed management;
- biodiversity enhancement;
- production timber growth;
- income diversification for farmers;
- soil productivity and carbon sequestration improvement; and
- carbon sequestration in standing timber and through harvested wood products.

Our modelling demonstrates that, even on the most productive land, the range of management needs and associated costs associated with these on farm activities is greater than income received from "carbon credits" and improved productivity, unless the value of harvested timber is included.

However, when the value of harvested timber is included with carbon credits in the income streams, modelling demonstrates that:

- less productive land remains generally income negative; and
- more productive land can in many cases become income positive.

This modelling demonstrates that plantation establishment on any land on farms will only be income positive for land owners and for project managers where the income from harvested timber is included or where the costs of noxious plant eradication and / or plantings are funded by government.<sup>1</sup>

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<sup>1</sup> Forestry Tasmania would welcome the opportunity to share with the Australian Government its experiences and modelling associated with the Trees on Farms program.

On the other hand, plantation establishment on farms for timber production alone is a marginal proposition, and only becomes income positive where carbon credits can be included. Overall, this argues strongly for such plantings to be included in the proposed "positive list," without further necessity to resort to arguments about additionality or "common practice."

The example of Forestry Tasmania's Trees on Farms program also provides guidance on the important role of aggregators. It is unlikely that many individual land owners would establish plantations on income negative lands, even with the important co-benefits outlined above. However, areas of income negative plantings can be far more easily accommodated into an aggregated project.

Aggregation is importantly linked to permanence. By taking an aggregate view of average stored carbon over the required 100 year timeframe, the issue of permanence can be addressed. It can be expected that around 3 rotations of plantations will be harvested over a 100 year timeframe therefore averaging stored carbon is necessary.

Equally important consideration should be given to that fact that land suitable for commercial plantation forestry will result in higher carbon sequestration, notwithstanding the fact that the eventual plan is to harvest them. Conversely, areas that are not commercially viable are ipso facto poor growing sites and result in relatively low carbon sequestration.

The net result over several rotations of plantings on commercially viable land, including the timber products that maintain the carbon store, is a maximised, increasing and ongoing carbon store. This could have a better result than a "never to be harvested" plantation that stagnates and, as trees die, eventually releasing (rather than storing) carbon.

If a plantation complies with the relevant State and Federal Government regulations, then it should be deemed to meet the requirements for sustainable forest management under the CFI. This is because those regulatory frameworks that already apply to plantation establishment, management and harvesting are designed to ensure that "triple bottom line" sustainability objectives are met, i.e. at a social, environmental and economic level. It should not be necessary (and, in fact, would be inefficient) to add further eligibility criteria applying to sustainability.

### **Native forests**

Consideration should also be given include initiatives under the Scheme that will encourage landowners to manage native forests for enhanced carbon sequestration.

### **Integrity standards**

Within the general community, there is a relatively low understanding of the principles of forest investment and forest management, let alone of carbon sequestration and carbon trading. On this basis, some guidelines for ethical behaviour in this "market" may be worthwhile.

However, standards for participation must draw the balance between the need for transparency and the need for a manageable level of administrative obligations. It is our view that the CFI will be considerably complicated and will pose significant challenges to individual landholders in participation. An onerous CFI participation process will be a cost burden and a disincentive, especially amongst small scale forest growers who are already bombarded with a complicated and expensive regulatory environment.

## **Additionality**

Additionality is covered in the Carbon Credits (Carbon Farming Initiative) Bill 2011 in Part 3 – Eligible offsets projects, Division 6 – Additionality test.

Forestry Tasmania acknowledges the changes under the additionality provision from the exposure draft, which would have limited afforestation projects solely to that revenue received via the CFI from a voluntary carbon market, and not from the wood products that forests can also produce. This would have discouraged many beneficial activities that result in long term carbon storage.

Projects that are commercially viable and that have a positive result for the investor stand a far greater chance of enduring for the long run. This will have far greater benefits than a project that becomes a burden after a short time, leaving investors searching for “exit loopholes” well before the expiry of the relevant agreement.

The process for assessing whether a reforestation activity is common practice or not remains subjective. Forestry Tasmania recommends that greater clarity be provided as to the meaning and interpretation of tests related to “common practice”. As indicated above the commercial realities are that plantation establishment on farms is a marginal economic activity at best, and it would be beneficial that any doubts around the eligibility of such activities under the scheme be clearly stated up-front, by addition on a positive list.

## **Permanence**

Treatment of this issue is an important element of the CFI, with strong implications for the success or otherwise of the Scheme, and must be approached with due care. Forestry Tasmania is aware that various approaches to this issue have been applied elsewhere, or have been proposed by relevant forest industry associations. All should be considered. Any approach that is too restrictive represents a risk to uptake of participation and to the success of the Scheme.

## **Crediting**

The rolling average crediting model, based on proven growth and yield models as well as the ongoing work looking at the carbon storage in wood and paper products, allows for commercial rotations of plantations and can be used to ensure permanence. As discussed above, commercial plantations need to be included to maximise carbon sequestration.

## **Measuring forest carbon**

Accurate measurement of above ground biomass is achievable through modern technology such as LiDAR. Above ground biomass is one of the easiest areas of carbon storage to measure and monitor, can be reliably correlated with below ground biomass and should be the focal point to keep things simple and cost effective.

## **Transfer or termination of projects**

The issue of termination is an area of concern for Forestry Tasmania and small forest growers. Termination risk could potentially expose legitimate tree growing pursuits to a level of regulation and land use planning administered by local governments and catchment management authorities that would prevent Scheme participation. To illustrate this, treatment of plantations in catchment management plans is highly variable and in some instances, limitations are placed on establishing trees in certain parts of the landscape, regardless of the co-benefits that doing so can provide.

Growing trees for carbon and timber is a legitimate land use. There should be no prejudice about the location on farms where trees are established. Strategic placement of plantations established to complement agriculture, even on prime agriculture land, provides multiple environmental benefits. It is the view of Forestry Tasmania that other State and Federal Government legislative mechanisms adequately deal with land use and catchment issues and should not be part of the CFI.

### **Additional comments**

The intention of the CFI should not be lost. It is designed to increase the amount of carbon stored in order to mitigate the effect of climate change. If one of the most effective ways to do this is to increase the area under commercial plantations, then these should be encouraged and their benefits acknowledged. Multi-rotational carbon sequestration, as well as the long term carbon storage in wood products, needs to be included.

Forestry Tasmania

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