

# Inquiry into the implementation, operation and administration of the legislation underpinning Carbon Sink Forests

Margaret Blakers, Green Institute,<sup>1</sup> July 2008

This legislation is completely misconceived. Its stated intention is to encourage carbon sink forests in the belief that these will make an important contribution to carbon sequestration and delivering natural resource management benefits. On the contrary, it will largely be an expensive waste of public money with detrimental impacts on the environment and other landholders and will be of little or no benefit in tackling climate change.

MIS schemes have promoted the planting of 800 000 hectares of new plantations, at a cost to revenue of over \$2 billion and sequestering a total of just 225 Mt CO<sub>2</sub>-e between 1990 and 2006. This is less than 40% of one-year's emissions. During the same period clearing and logging of native forests caused emissions of more than 1870 Mt CO<sub>2</sub>-e.

The wood glut created by tax driven plantations has reached huge proportions, with hardwood pulplog supply rising from 4 million m<sup>3</sup> per annum to 14 million m<sup>3</sup> per annum by 2010. This new tax scheme is designed to de-link tree planting from wood production and give fossil fuel companies access to cheap, tax-subsidised offsets. No basis is given for the cost projection of \$11.13 million in revenue foregone by 2011, which suggests a limited uptake. With an emissions trading scheme that allows unlimited offsets from Kyoto plantations, as proposed by the government's Green Paper and the Garnaut Review, the cost is likely to be many times greater.

To maximise income from either wood or carbon, plantations will generally be established on good agricultural land, competing for land and water with other agricultural products, none of which have the benefit of 100% tax deductibility for establishment. There is nothing in the legislation to preclude the trees so established from being used for wood production. The final decision as to whether they are used for wood or carbon will depend on the detailed design rules for emissions trading and the relative prices of the two products as the trees reach maturity (in 10–15 years for hardwood pulplogs). As the price of carbon rises, there is a real possibility of extensive areas of land becoming locked into plantations which are too expensive to log and have no biodiversity or production value.

Environmental planting will benefit minimally from the tax deductions. Only businesses are eligible, not voluntary or tax exempt organisations. The deductions are confined to expenditure on establishing 'trees': natural regeneration costs little and will benefit little (fencing costs are excluded for example); and non-trees do not qualify.

Plantations are slow and ineffective at sequestering carbon but, planted on a large scale, assisted by tax deductions, they can severely dent the effectiveness of an emissions trading scheme by reducing the compliance costs for fossil fuel companies. In addition, they pose major threats to the environment.

1. Water. Growing trees use large amounts of water. In many catchments, plantations will have serious impacts on water availability for the environment and other users.

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2. Biodiversity. The legislation requires the trees to be planted on Kyoto-compliant land; that is land that in 1990 was clear of trees meeting Australia's definition of a forest (0.2 ha in area, 20%+ crown cover, 2m+ in height). This leaves open the possibility of clearing large areas of native vegetation to establish plantations. Vegetation types that are not precluded by the legislation include regrowth forests and woodlands, any non-forest vegetation like native grasslands and northern Australian savannas, and remnant vegetation such as isolated paddock trees (e.g. bullokes in western Victoria that support Red-tailed Black Cockatoos) or small patches or strips of vegetation.<sup>2</sup>
3. Environment Protection and Biodiversity Conservation Act. Neither the ATO guidelines nor the Minister's guidelines even mention specifically the need to comply with the EPBC Act, in particular the fact that actions with significant impacts on threatened species and Ramsar wetlands require approval. Both clearing and planting may have such impacts, especially where whole regions are targeted for plantations and the impacts are cumulative.
4. Depending what is cleared to make way for the plantations, greenhouse gas emissions may actually be higher than uptake, at least in the short term (and the short-term is what counts when the aim is to for emissions to peak and start reducing within the decade).

## Recommendations

The piecemeal, ill-considered approach to biocarbon (carbon associated with living systems) represented by this legislation is destructive and counterproductive. The priority for biocarbon is to protect existing high density stores in native vegetation by stopping clearing and native forest logging. Public investment in replanting should be confined to the establishment of native vegetation that enhances the resilience and permanence of existing protected areas.

1. The legislation should be withdrawn.
2. The government should establish a taskforce to examine how best existing biocarbon stores can be protected. It should recommend how to reduce and eliminate emissions from land clearing and native forest logging (both largely avoidable), and determine the best means of assisting landholders, public and private, to look after native vegetation in the long term in recognition of its irreplaceable value in storing carbon, as well as its benefits for biodiversity and water management.

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<sup>2</sup> Whether the costs of such clearing can be claimed as a deduction is moot: the ATO guidelines interpret the legislation as allowing 'costs incurred in preparing to plant' as deductible but not 'clearing'; where one ends and the other begins in a native grassland, savanna or remnant vegetation is debatable. In any case, compliance is self-assessed, so the benefit of the doubt goes to the taxpayer.