AUSTRALIAN FOREST PRODUCTS ASSOCIATION

afpa

TREES | WOOD | PAPER

12 January 2015

ERF Governance, ERF Division
Department of the Environment
GPO Box 787
Canberra ACT 2601

Email: EmissionReductionSubmissions@environment.gov.au

Submission: Determination — Designation of VCS projects to CFI

The Australian Forest Products Association (AFPA) welcomes the opportunity to provide comment on the *Carbon Credits (Carbon Farming Initiative – Designated Verified Carbon Standard Projects) Methodology Determination 2015*. Please find the AFPA submission attached.

In summary, AFPA has serious concerns regarding the Verified Carbon Standard (VCS) Projects methodology determination being proposed under the Carbon Farming Initiative (CFI).

Presently, there is considerable international debate as to whether 'avoided harvest' projects such as those outlined in the VCS Projects actually produce a net carbon reduction benefit over the longer term compared to sustainably managed forests that are subject to periodic harvest for forest products. A lot of this debate centres on the methodology applied and inclusion of appropriate time periods, carbon pools and abatement pathways.

A growing body of peer-reviewed research suggests that the emission reduction benefits from 'avoided harvest' projects are at best only short term and can produce perverse carbon mitigation outcomes over the longer term. This is precisely why the International Panel on Climate Change (IPCC), in its 4th assessment report, stated that:

A sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while producing an annual sustained yield of timber, fibre or energy from the forest, will generate the largest sustained mitigation benefit.

The major pathways for emissions abatement from harvested forests include: the carbon sequestered in growing forests; the carbon stored in harvested wood products (and in landfill at the end of their service life); the substitution of high emissions intensive materials (e.g. steel, concrete) with wood and other fibre based products; and the use of woody biomass for renewable energy, thereby displacing fossil fuels.

Given the multiple carbon abatement pathways available from forests subject to periodic harvesting, AFPA considers it inappropriate to adopt the previously voluntary based VCS Projects methodology under the CFI. The VCS Projects methodology takes only a partial approach to calculating carbon abatement, ignoring major abatement pathways in the baseline scenario such as product substitution and the storage of carbon in products at the end of their service life in landfill. The adoption of these VCS Projects may be contrary to the longer term development of robust and holistic CFI methodologies related to harvesting and forest management.

AFPA would like to place on the record that we consider this proposed determination, which effectively grandfathers four VCS Projects under the CFI, as a bad precedent.

AFPA recommends that an independent expert review be conducted into the proposed VCS Projects methodology prior to any determination by the Minister, noting that considerable research is presently being undertaken in this area by the CSIRO and NSW Department of Primary Industries into forestry management activities and carbon accounting.

Yours sincerely

Ross Hampton
Chief Executive Officer

Australian Government

Submission Template

Emissions Reduction Fund draft determination

Carbon Credits (Carbon Farming Initiative — Designated Verified Carbon Standard Projects) Methodology Determination 2015

Overview

This submission template should be used to provide comments on a draft Emissions Reduction Fund determination

Contact Details

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Confidentiality

All submissions will be treated as public documents, unless the author of the submission has requested that the submission not be published on the grounds that its publication could reasonably be expected to substantially prejudice the commercial interests of the author or another person. Public submissions will be published in full on the Department of the Environment's website, including any personal information of authors and/or other third parties contained in the submission. Confidential submissions will not be published but will be provided to the:

- Department of the Environment;
- Emissions Reduction Assurance Committee; and
- Clean Energy Regulator.

If any part of the submission should be treated as confidential then please provide two versions of the submission, one with the confidential information removed for publication.
A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

Do you want this submission to be treated as confidential? ☐ **Yes** ☒ **No**

Submission Instructions

Submissions should be made by **close of business** on the day the public consultation period closes for the determination. This date will be specified on the website. The Department reserves the right not to consider late submissions.
Where possible, submissions should be lodged electronically, preferably in Microsoft Word or other text based formats, via the email address – EmissionsReductionSubmissions@environment.gov.au
Submissions may alternatively be sent to the postal address below to arrive by the due date.

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Name of draft determination: ***Carbon Credits (Carbon Farming Initiative — Designated Verified Carbon Standard Projects) Methodology Determination 2015***

General/overall comments

General

It is fundamentally important to the integrity of the CFI that the approval process for methodologies is rigorous and consistent across activities. All projects should be assessed against a scientifically rigorous CFI methodology. While the VCS is internationally recognised, it is a voluntary scheme developed by non-government organisations. It exists outside national carbon accounting structures and the carbon credits generated by the VCS are not used by countries to meet their international carbon emission reduction commitments. It could be argued that a VCS based approach may not meet the appropriate standards under the CFI. The CFI to date has not recognised any other VCS methodology or project.

Presently, there is considerable international debate as to whether 'avoided harvest' projects such as those outlined in the proposed VCS Projects methodology actually produce a net carbon reduction benefit over the longer term compared to sustainably managed forests that are subject to periodic harvest for forest products. A lot of this debate centres on the methodology applied and inclusion of appropriate time periods, carbon pools and abatement pathways.

A growing body of peer-reviewed research[1] suggests that the emission reduction benefits from 'avoided harvest' projects are at best only short term and can produce perverse carbon mitigation outcomes over the longer term. In other words, harvested forests can produce better carbon mitigation outcomes over the longer term.

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[1] Klein, D., Hollerl, S., Blaschke, M. and Schulz, C. (2013). The contribution of managed and unmanaged forests to climate change mitigation – a model approach at stand level for the main tree species in Bavaria. *Forests 4*: 43-69.

Lippke, B., Oneil, E., Harrison, R., Skog, K., Gustavsson, L. and Sathre, R. (2011). Life cycle impacts of forest management and wood utilization on carbon mitigation: knowns and unknowns. *Carbon Management* 2: 303-333.

Malmsheimer, R.W., Bowyer, J.L., Fried, J.S., Gee, E., Izlar, R.L., Miner, R.A., Munn, I.A., Oneil, E. and Stewart, W.C. (2011). Managing forests because carbon matters: integrating energy, products and land management policy. *Journal of Forestry* 109(7S): S7-S50.

Oliver, C.D., Nassar, N.T., Lippke, B.R. and McCarter, J.B. (2014). Carbon, fossil fuel, and biodiversity mitigation with wood and forests. *Journal of Sustainable Forestry* 33: 248-275.

Peckham, S.D., Gower, S.T. and Buingiorno J. (2012). Estimating the carbon budget and maximizing future carbon uptake for a temperate region in the U.S. *Carbon Balance and Management* 7: 6 (doi: 10.1186/1750-0680-7-6).

Ximenes F , George B., Cowie A., Williams J. and Kelly G. (2012) Greenhouse gas balance of native forest in New South Wales, Australia. *Forests* 3: 653-683.

Short term focus of the crediting and permanence period

It is important to note that the 'project scenario' (i.e. VCS 'avoided native forest harvest' projects) and the baseline scenario (i.e. sustainable forest management that includes periodic harvest) both involve carbon sequestration with the baseline scenario involving additional abatement pathways. The additional abatement pathways from harvest activities can include:

- the carbon sequestered in the regenerating forest;
- the storage of carbon in wood products and in landfill at the end of their service life (post any produce reuse or recycling phase);
- the substitution of higher emissions materials with wood products; and
- the displacement of fossil fuels with lower emission energy sources from biomass.

A key issue in considering the proposed VCS Projects methodology is that the project scenario approach can produce perverse outcomes by only focusing on short term sequestration at the expense of greater net emissions abatement over the longer term through integrated harvest and sequestration activities.

Forest management activities are typically long term with the rotation length (period between harvest events) in most native forests varying between 40 years and 80 years. Limiting the crediting and permanence periods to relatively shorter periods can create a methodological bias that can produce perverse outcomes in terms of the illusory mitigation benefits from 'avoided harvest'. Due to the emissions at time of harvest, it can take up to the rotation length (i.e. 40 to 80 years) for the forest to sequester and store a similar volume of carbon lost at the time of harvest. However, over time, the product substitution and landfill storage benefits from harvest activities offset these initial losses and can accumulate and increase in perpetuity.

A long term view must be adopted when assessing the carbon emission abatement from native forest harvest or non-harvest activities, as any potential short term gains from preventing carbon emissions at the time of harvest ('avoided harvest') will be more than recovered in the future through the carbon stored in the regenerating forest, the carbon stored in harvested wood products, product substitution (including greater use of bioenergy) and landfill storage benefits.

Do you consider that this determination may have any adverse environmental, economic or social impacts? What existing frameworks are in place to address any adverse impacts?

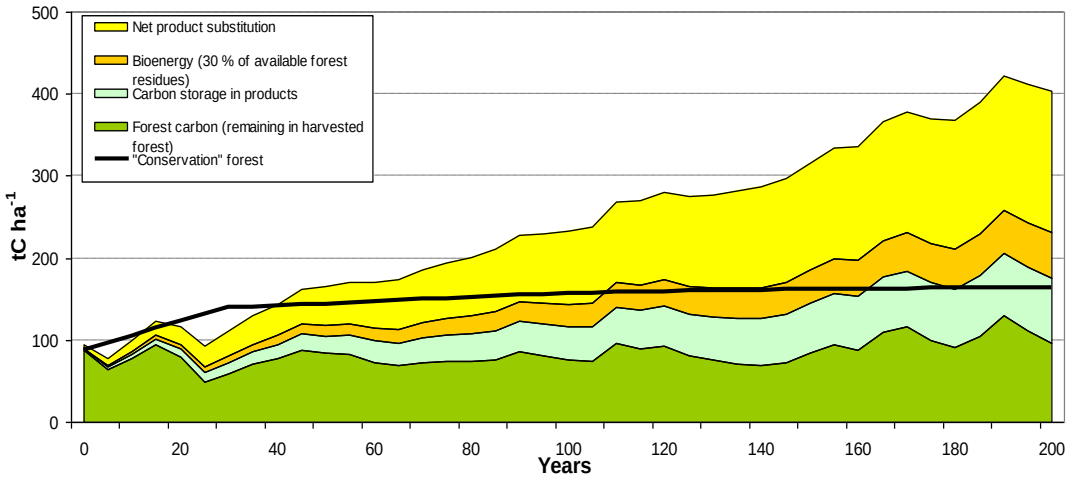
This draft determination, if adopted, could have considerable adverse economic, social and environmental impacts.

It may have negative economic and social outcomes via the precedent of a perverse Government crediting mechanism that encourages reduced wood harvesting, processing and economic activity (particularly in regional areas). AFPA estimate that the native forest sector supports around 15,000 direct jobs and a further 20,000 indirect jobs mainly in rural and regional areas, while generating around $2.7 billion in sales and service income. While production from the management units included in the VCS projects is only a small fraction of total native forest wood production, the approval of a flawed 'avoided harvest' methodology sets a precedent that could encourage the development of similar methodologies in the future. All regional communities dependent on native forest management for wood production may be threatened by the endorsement of the 'avoided harvest' approach applied by the VCS methodology through this determination. Therefore, this draft determination has the potential to impact on more than 35,000 jobs and related regional economies.

Further, there are likely to be detrimental carbon emission abatement outcomes over the longer term, as discussed above.

For example, modelling has shown that sustainably managed wood production forests can produce better carbon mitigation outcomes compared to conservation (i.e. unharvested) forests for two native forest types in coastal New South Wales, taking into account the multiple carbon abatement pathways. By taking a multi-decade approach (e.g. 50 to 100 years), the perverse outcomes from 'avoided harvest' become apparent, as the carbon stored in harvested wood products, as well as the net emissions reduction from products substitution and from the use of biomass for renewable energy, continue to increase in perpetuity, in addition to the carbon stored in the regrowing forest (see Figure 1).

Figure 1. Carbon emission abatement implications (t C ha^{-1} sequestered or displaced) of the conservation and harvest scenarios for North Coast of NSW forests



Source: Ximenes et al (2012).

This research is endorsed by findings of the International Panel on Climate Change (IPCC) in their 4th assessment report, which stated:

> *A sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while producing an annual sustained yield of timber, fibre or energy from the forest, will generate the largest sustained mitigation benefit.*

Despite this body of research and accepted science, the *Carbon Credits (Carbon Farming Initiative — Designated Verified Carbon Standard Projects) Methodology Determination 2015* only considers two of the four carbon abatement pathways identified above. This is a major shortcoming of the VCS methodology and may result in adverse economic, social and environmental impacts.

Furthermore, there is a risk that the encouragement of 'avoided harvest' projects may result in reduced forest industry fire management expertise and resources for bushfire mitigation and prevention. Over the past decade there have been numerous state and national public inquiries[2] into the inadequacy of bushfire mitigation including inadequate levels of fuel reduction, particularly on public forest lands. The downsizing of the forestry industry brought about by the transfer of large tracts of multiple-use state forest to formal conservation reserves has been associated with a more passive approach to fuel reduction on public forest land. This has contributed to a decline in resources for fuel reduction and suppression, including fire management personnel and the maintenance of access tracks and equipment[3].

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[2] Parliament of New South Wales Inquiry into the 2001/2002 Bushfires; House of Representatives Select Committee on the Recent Australian Bushfires 2003; Council of Australian Governments National Inquiry on Bushfire Mitigation and Management 2004; Victorian Bushfires Royal Commission 2009; Senate Inquiry into Bushfires in Australia 2010.

[3] Stephens, M. (2010). Bushfire, forests and land management policy under a changing climate. *Farm Policy Journal* 7: 11-19.

The precedent of a Government crediting mechanism for 'avoided harvest' projects may similarly result in encouraging future reductions in wood production activity and associated fuel management expertise and capacity for bushfire mitigation as well as pest and disease management.

Specific comments – please insert your specific comments below, listed against the part of the draft determination to which they apply	
Determination reference	**Comments**