

24 February 2014

Emissions Reduction Fund Submissions  
Department of the Environment  
GPO Box 787 CANBERRA ACT 2601  
(e) [emissions-reduction-submissions@environment.gov.au](mailto:emissions-reduction-submissions@environment.gov.au)

### **Executive Summary of AFPA submission**

The Australian Forest Products Association (AFPA) welcomes the opportunity to provide comment on the Emissions Reduction Fund (ERF) Green Paper and provides this executive summary to complement its detailed submission.

AFPA is the peak national body for Australia's forest, wood and paper products industry. AFPA has had a long history of stakeholder engagement on the development of domestic climate policy schemes, as well as on international climate change negotiations and related policy measures.

This submission builds on the earlier AFPA submission on the Terms of Reference for the Emissions Reduction Fund (ERP) and provides further comment on specific design aspects contained in the Green Paper.

Key points raised in the submission include:

1. The forest, wood and paper products industry is in a unique position in that it represents an industry that, with the right policy settings, could make a significant contribution to the ERF and Australia's emission reduction targets.
2. The major pathways for emissions abatement from forestry and wood processing activities include:
  - the carbon sequestered in growing forests;
  - the carbon stored in harvested wood products (HWPs);
  - the substitution of high emissions materials (e.g. steel, concrete) with wood and other fibre products that have a substantially lower emissions footprint; and
  - the use of woody biomass for renewable energy, thereby displacing fossil fuels.

3. The ability for the forestry, wood and paper product manufacturing sectors of the industry to participate will depend on the overall design of the ERF scheme. Key design elements of the proposed ERF that will need to be addressed, include:
- the five year crediting period - *AFPA recommends that the ERF extend the contract period to beyond 5 years, which should logically match the carbon off-take or forward agreements of the specific project or activity type;*
  - a sectoral approach to low cost abatement and co-benefits - *AFPA supports further investigation into the concept of adopting a sectoral approach in which the ERF allocates a proportion of its investment into different abatement or technology classes;*
  - CFI administrative and methodological issues - *AFPA supports streamlining the administrative process for methods approval under the CFI, as it is presently lengthy, complex and inflexible. Given its inflexibility and narrow range of activities, it does not provide the economic drivers needed to promote the full suite of forestry abatement activities;*
  - renewable bioenergy - *the lack of incentives for the use of forest biomass in energy generation creates a serious imbalance in the renewable energy market, and misses some of the lowest cost opportunities for carbon emissions abatement and a base load production opportunity relatively unique amongst alternative sources of renewable energy generation;*
  - auctioning - *a clear set of operating rules for the 'reverse auctioning' process covering such issues as pre-qualification and bidding approaches, needs to be developed in consultation with industry to determine how the auction market operates; and*
  - safeguarding - *designing the safeguarding mechanism will be a complex task due to the variation in organisational structures, business focus and operational practices of entities operating in Australia. There should be comprehensive consultation with interested parties before the arrangements take effect.*

AFPA believes that forestry, wood and paper product industry activities can play a direct role in Australia's ongoing mitigation effort and is indeed essential to the overall success of the ERF and Australia's ability to meet its emission reduction targets into the future. We urge consideration of AFPA's submission. Any queries please contact me (on (02) 6285 3833).

Yours sincerely



**Ross Hampton**  
**Chief Executive Officer**