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### **Forest industries proposals for the 2019-20 Federal Budget**

The Australian Forest Products Association (AFPA) welcomes the opportunity to submit comment on important forest industries proposals for the 2019-20 Federal Budget.

The forest, wood and paper products industry supports up to 120,000 direct jobs across the full industry value chain with an annual economic contribution of around \$23 billion. With the right policy settings, more regional jobs and economic activity could be created, allowing our renewable forest industries to further grow and prosper.

### **The need for more forest plantations**

Australia's forest plantations are a renewable and sustainable resource that can store carbon dioxide (CO<sub>2</sub>) in standing timber and in wood, paper and bioproducts and for many years. New plantations support regional employment, economic activity, environmental and social outcomes.

There are many environmental and soil conservation benefits of adding new trees to Australia's landscape. By careful planning, new trees can assist with: reducing salinity; improving water quality; enhancing habitat restoration/revegetation (e.g. mine sites); continual improvement of soil management; and waste water management.

Forest plantations provide more than 80% of the wood fibre and timber for our national forest product industries. Unfortunately investment in new plantations in Australia has effectively been at a standstill for almost a decade and the gap between supply and demand is growing all the time. This gap is being filled by imported sawn timber. Valuing the carbon stored in forest plantations via the Carbon Farming Initiative (CFI) and through the Emissions Reduction Fund (ERF) is potentially a way to kickstart investment in new plantations in Australia.

New forest plantations would store carbon for the Government (to offset against international emissions reduction targets) and provide urgently needed timber resource for our renewable forest industries.

### **This submission**

AFPA is pleased to submit three recommendations in response to the invitation to provide submissions to inform the 2019-20 Federal Budget.

#### **1. Remove barriers to our forest industries participating in the Emissions Reduction Fund (ERF) and earmark \$80 million specifically for new projects with multiple benefits, such as forest plantation and farm forestry projects**

Late in 2017, the Federal Minister for the Environment and Energy approved a new [Plantation Forestry method](#). Eligible participants are now able to apply to the Clean Energy Regulator (CER) to register an ERF project. The method credits abatement by storing carbon from the atmosphere in trees. This is done by establishing new forest plantations or converting short-rotation plantations to long-rotation plantations. However, to date there has been little participation in the form of new production tree planting due to artificially imposed barriers which are not equally applied to environmental plantings.

Of the original \$2.55 billion ERF funds there remains just \$225 million. The vast majority of the funds allocated to date have not utilised production forest plantations or farm-based forestry (which deliver downstream jobs) but have instead supported vegetation-based projects (125.7 million tCO<sub>2</sub>-e of 193 million tCO<sub>2</sub>-e in total as at December 2018) such as avoided deforestation, managed native regrowth or environmental plantings.

It is estimated that, should constraints be removed to allow new trees to be planted in the right places, about \$80 million in ERF funds could generate the planting of some 40,000 hectares of production trees per year over three years (including a significant uptake of farm forestry). This would kickstart the planting of the 400,000 additional hectares of plantation forest in Australia over the next decade, that industry has identified is urgently needed to meet demand and allow our forest industries to continue to provide employment.

If such a program commenced by 2020 it would see the addition of around 71 mega tonnes of CO<sub>2</sub>-e stored cumulatively over the next decade as the new trees grow. The 400,000 hectares would be storing at least up to 13 mega tonnes of CO<sub>2</sub>-e each year by 2030 (the Paris Agreement target year). This figure would increase as the trees continue to grow. More detail is available at <https://www.18by2030.com.au>

**Ensuring the ability of production trees to fully participate in the ERF would also enable the Government to meet a second policy objective; the planting of an additional billion production trees.**

This laudable goal was announced by Minister for Agriculture and Water Resources the Hon. David Littleproud MP and Assistant Minister for Agriculture and Water Resources, Senator Richard Colbeck at the launch of the National Forest Industries Plan (NFIP) on 13 September 2018 (see [here](#)).

The NFIP outlines the Australian Government's vision for Australia's forestry industry and seeks to support the sustainable forest industries as long-term growth engines for regional Australia, by committing to the planting of a billion new plantation trees over the next 10 years.

To quote from the National Forest Industries Plan:

*The Australian Government will support a goal of adding a billion new plantation trees by:*

- *undertaking a review of the water requirements in the Emissions Reduction Fund (ERF) farm forestry and plantation methodologies to enable forestry to fully participate in the ERF;*
- *working with industry and state governments to allow Regional Forestry Hubs to maximise their capacity to accommodate plantation expansion in the right places;*
- *reviewing other legislation, policies and processes that may be unintentionally restricting plantation expansion.*

As an additional confirmation of the potential of the NFIP and new forest plantations to play an important role in supporting Australia's emission reduction goals, on 9 October 2018 the Federal Environment Minister Hon Melissa Price referenced (see AFPA media release [here](#)) the Government's commitment to plant one billion new trees as playing a key part in meeting Australia's climate change targets.

The Minister's commitment aligns with the key findings and recommendations of the Climate Change Authority's (CCA) April 2018 [report](#) to the Government, *Reaping the Rewards: Improving Farm Profitability, Reducing Emissions and Conserving Natural Capital*, which recommended the Federal Government incentivise carbon abatement projects on the land that provide additional benefits such as biodiversity, economic and productivity gains.

Expanding Australia's plantation estate and incentivising farm forestry projects are prime examples of carbon storage projects that deliver multiple benefits. Australia's forest plantations are a renewable and sustainable resource that can store huge amounts of carbon dioxide (CO<sub>2</sub>) in standing timber and innovative wood, paper and bioproducts, and for many years afterwards by the recovery and recycling of these renewable products. New forest plantations support regional employment, economic activity, environmental and social outcomes.

There are many environmental and soil conservation benefits of new trees in Australia's landscape. By careful planning, new trees can assist with: reducing salinity; improving water quality; enhancing habitat restoration/revegetation (e.g. mine sites); continual improvement of soil management; and waste water management.

The CCA report recognised the additional environmental and productivity benefits that trees on farms can provide, and noted that these benefits are not being realised due to cost barriers (which could be addressed through government policy):

- *Some activities on the land that deliver multiple benefits require upfront capital. For example, planting native trees as a windbreak requires upfront spending on plantings but can increase crop production and provide shelter for stock, delivering improved financial returns over many years. A lack of capital for such investment may be one reason why farm level investment in multiple benefits is not more widespread.*

These investment barriers are not unique to the agriculture sector. Forest plantations provide more than 80% of the wood fibre and timber for our national forest product industries. However, investment in new plantations in Australia has effectively come to a standstill. Valuing the carbon stored in forest plantations via the Carbon Farming Initiative (CFI) and through the Emissions Reduction Fund (ERF) is a potentially effective way of kickstarting investment in new forest plantations storing new carbon for the Government (to offset against international emissions reduction targets) and much needed timber resource for our renewable forest industries in Australia.

**Recommendation 1: The Government should remove any constraints to full participation in the ERF by forest industries and commit \$80 million of remaining ERF funds to specifically support new ERF projects that deliver multiple social, economic and environmental benefits, which forest plantation and farm forestry projects are prime examples.**

## 2. Invest in research and development for forest industries

The NFIP also announced: *at least two additional research centres of the National Institute for Forest Products Innovation (NIFPI), in partnership with States and industry and the establishment of a National Steering Committee to oversee the NIFPI centres.*

This announcement builds on the existing two NIFPI centres in Launceston and Mount Gambier. Whilst welcome, the announcement is silent on the dollars which will be applied to the centres.

Investment in research and development is vital for Australia's forest industries, however research and development in our forest industries has plummeted.

Ten years ago, \$100 million was being spent in Australia employing some 730 researchers. Today that figure is perhaps a quarter of that and there are, by some estimates, fewer than 200 researchers.

It is vital that investment in research and development is of a scale and continues over a sufficient length of time to allow the rebuilding of research capacity and the employment of researchers. The NIFPI centres (existing and foreshadowed) will not be a success in turning around the situation if they simply duplicate the funding of projects which is already provided by Forest and Wood Products Australia (FWPA).

The Government's own Forest Industry Advisory Council (FIAC) also identified the need for this building of capacity with a significant funding injection. FIAC recommended to Government the National Institute for Forest Products Innovation be provided \$40 million in its May 2016 report: *Transforming Australia's forest products industry* ([here](#)).

**Recommendation 2: The Government commit \$40 million to further funding research and development in the forest industries through the National Institute for Forest Products Innovation, providing \$10 million for each of four centres.**

## 3. Removal of the cap on voluntary matching forest industry levies

The forest and wood products sector is the only agricultural sector with an artificial cap that limits access to the full 0.5% of GVP in voluntary matching funding. The cap is specified in the *Forestry Marketing and Research and Development Services Amendment Regulation (2015)*.

Industry has demonstrated its willingness to support research and development through the fact that the matching funding ceiling has been quickly reached in each year since it has been applied.

**Recommendation 3: The Government change the regulation and remove the voluntary cap on forestry levies.**

Thank you for accepting this submission. If you have any further queries on this submission, please contact AFPA on (02) 6285 3833.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ross Hampton', with a long horizontal flourish extending to the right.

**Mr Ross Hampton**

Chief Executive Officer

CC:

Hon David Littleproud MP, Minister for Agriculture and Water Resources

Hon Melissa Price MP, Minister for the Environment

Senator Richard Colbeck, Assistant Minister for Agriculture and Water Resources