

Media Release

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Federal Labor must ensure that our sustainable pulp and paper manufacturing jobs are not driven offshore by carbon pricing

As the major national industry group representing the pulp, paper, tissue and packaging sector, the Australian Forest Products Association (AFPA) is insisting that an incoming Albanese Government not sacrifice these vital regional manufacturing jobs through blunt changes to the Emissions Reduction Fund Safeguard Mechanism.

Successive Labor and Coalition governments have recognised that Australia's pulp, paper and packaging companies are energy intensive and highly trade exposed industries. Each one is also on the current list of 215 energy intensive businesses.

Chief Executive Officer of AFPA Ross Hampton said, "AFPA supports an economy wide net zero by 2050 target but also is highly conscious that energy intensive trade exposed paper and packaging manufacturers, already pursuing ambitious decarbonisation and circular economy strategies, are facing perilous economic headwinds. Adding more lead to their saddlebags by poorly designed climate policy could be disastrous for our cleaner, greener economy and for regional jobs."

Speaking to David Speers on ABC Insiders on Sunday, Shadow Treasurer Jim Chalmers said that the Clean Energy Regulator (CER) would determine how companies were treated under a Labor Government.

CHALMERS: *Well, you're right that there are 215 entities which will be subject to the safeguard mechanism. That's as it is right now. Their obligations will be determined by the Clean Energy Regulator, which factors in things like international competition and the technological possibilities that each entity has. So, each of those 215 entities will have their obligations determined by the Clean Energy Regulator, as we said yesterday when we were asked. The best outcome from our point of view is that entities reduce their emissions in line with their obligations. Something like two out of ...*

SPEERS: *And if they don't, what happens?*

CHALMERS: *Well, something like two out of every three of those 215 entities have already got emissions reduction plans consistent with net zero by 2050.*

SPEERS: *The rest of them, if don't meet that, if they don't meet that target, what happens? Do they have to pay?*

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CHALMERS: *Well, they have two options. They can reduce their emissions, which is our preference. Or they can buy carbon credits.*

Ross Hampton said, “COVID brought home to Australians just how vital domestic paper and packaging capability is to our nation. Imagine the additional chaos we would have suffered in supermarkets in every suburb and every town if we didn’t have domestic manufacturers making toilet paper, tissues, boxes for vegetables and a huge variety of packaging. One of our key businesses was also able to quickly pivot to high-speed fibre-based mask manufacturing when our health system was crying out for this vital product for protecting our frontline health workers. Packaging companies are notoriously trade exposed. Other overseas players, often producing products without the higher costs of stringent environmental and health safeguards, are always poised to surge into the Australian market with imports, should policy make it impossible for our local producers. It is not good enough for Labor to outsource decisions about this sector to the CER.”

In addition, the pulp, paper, and packaging sector of Australia is a vital part of the growing circular economy, providing a vast amount of the recycling capacity in our nation. It is inconceivable that these materials may end up having to be exported for recycling elsewhere should policy force closures of local manufacturing.

The companies are already well embarked on their net zero journeys and making major inroads into their energy transitions and climate exposure. This should be allowed to continue without heavy handed government intervention.

“Labor needs to be clear to these workers before the election, or risk sending more manufacturing jobs offshore.”

In his Insiders interview Jim Chalmers identified \$24 a tonne as the likely cost which would need to be borne by energy intensive entities.

AFPA commissioned leading pulp and paper sector analysts *IndustryEdge* to [calculate the impact carbon pricing without offsetting policy measures, would have on the pulp and paper sector](#).

Even at \$20 a tonne the impact was found to be up to 25% of paper and packaging jobs and 10% of tissue and associated products jobs.

Emissions Price	Australian Wtd Ave	Imports (No Emissions Cost)	Import Penetration (by Value)	Specific Assessed Impact
	1,105	1,105	54%	2019-20 BASELINE
AUD20/t	1,127	1,105	61%	25% Printing & Publishing paper production ceases, minimum 10% Tissue & Tissue Products production ceases, including secondary and downstream processing closures
AUD35/t	1,143	1,105	64%	50% Printing & Publishing paper production ceases, >15% Tissue & Tissue Products production ceases, further secondary and downstream processing closures
AUD50/t	1,159	1,105	68%	>75% Printing & Publishing paper production ceases, >30% Tissue & Tissue Products production ceases, +/-10% Packaging & Industrial paper production ceases
AUD75/t	1,186	1,105	73%	All Printing & Publishing paper production ceases, >50% Tissue & Tissue Products production ceases, >20% Packaging & Industrial paper production ceases
AUD100/t	1,213	1,105	76%	>65% of Tissue & Tissue Products production ceases, >30% Packaging & Industrial paper production ceases

Source: IndustryEdge

** Includes highly price sensitive products like moulded fibre (eg. egg cartons) and other products where import penetration is extremely high*

Ross Hampton said, “That amounts to around 1000 jobs lost, 60% of which would be in regional Australia. We call on Labor to clarify its position for pulp, paper, tissue and packing companies with urgency.”

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AFPA represents forest growers, harvesters, and manufacturers of timber and paper products.