



National Association of  
Forest Industries

# **Opportunities for Forest Industry**

**Asia Pacific Forest Industries Climate Change  
Conference**

**Sydney, 19 August 2008**

**David de Jongh**

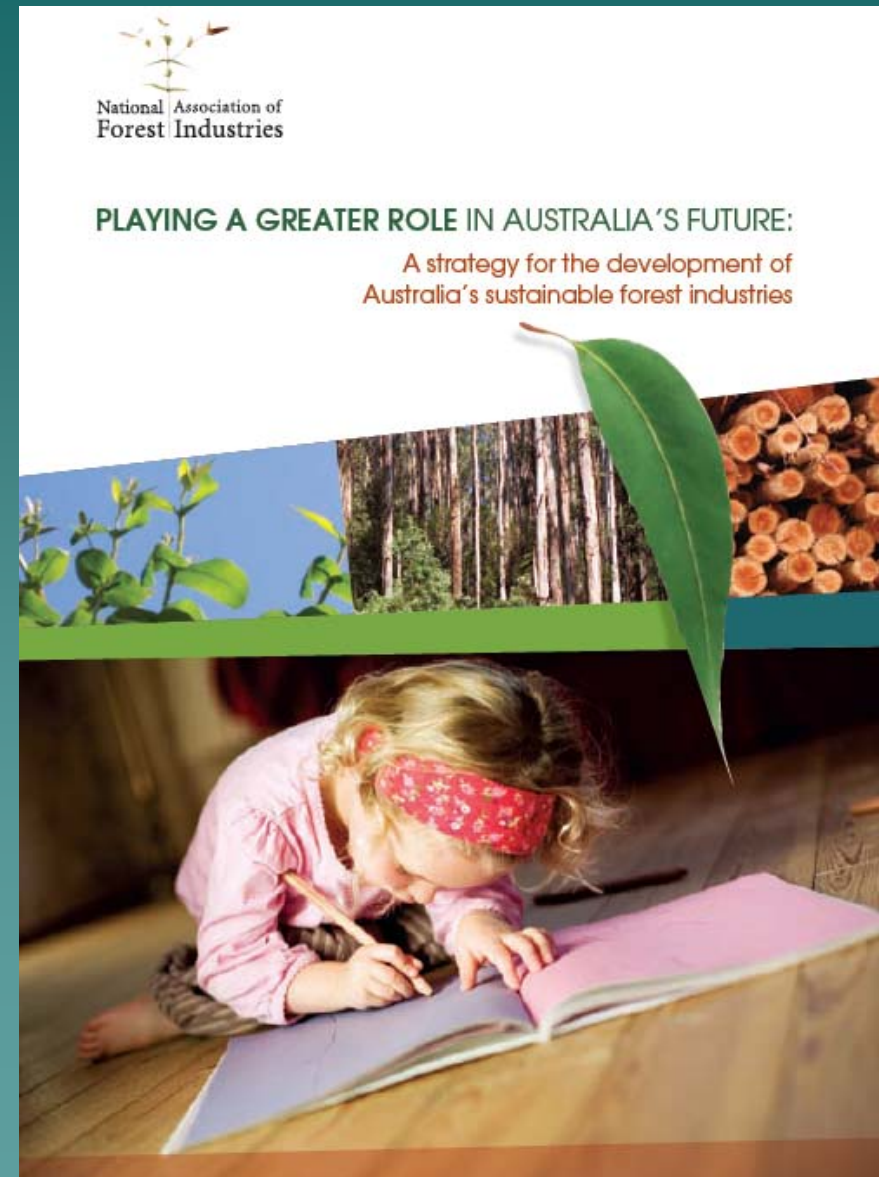
# Presentation Outline

- ◆ Opportunities for forestry
- ◆ Potential impediments
- ◆ A way forward



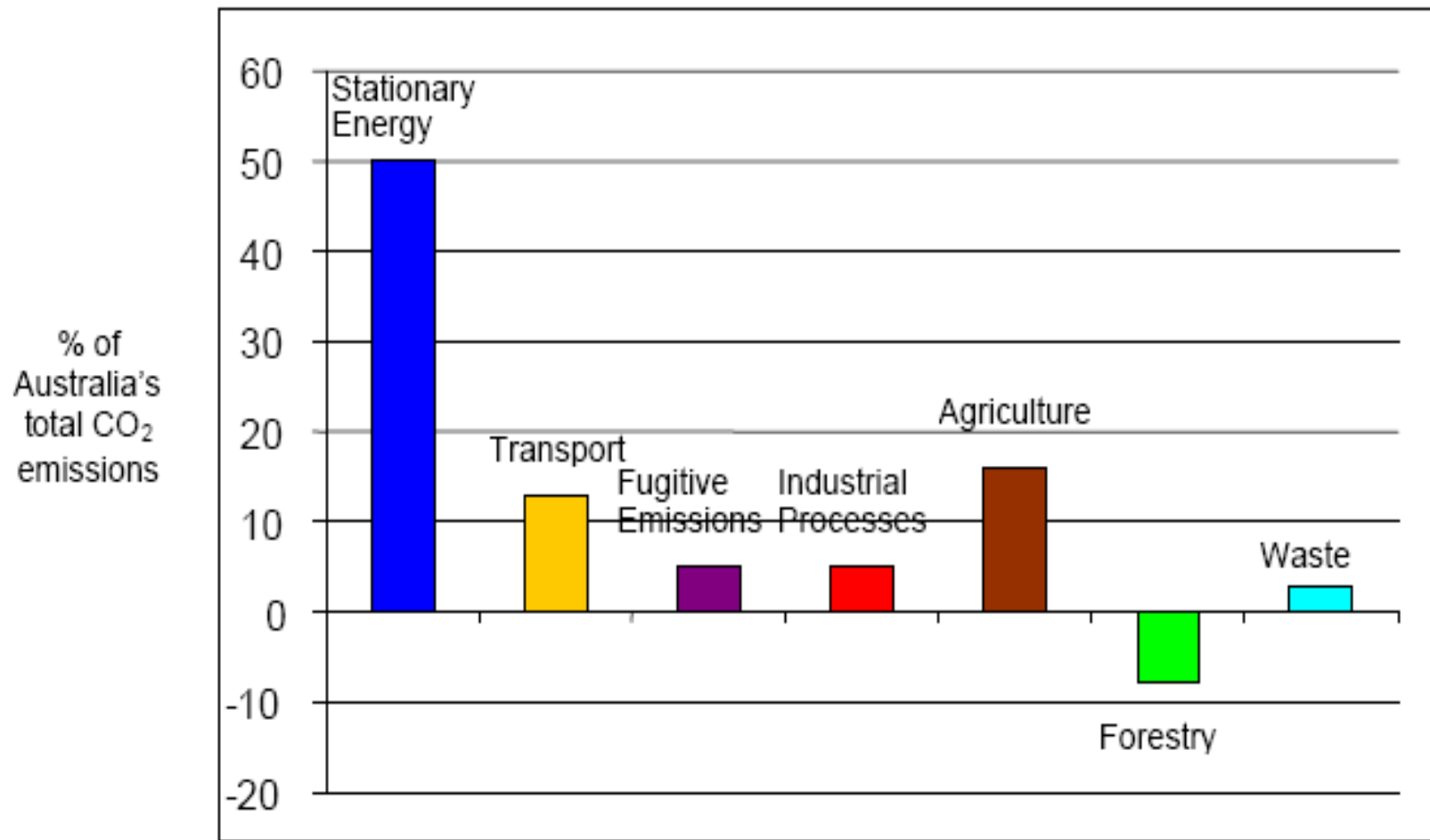
# NAFI's Forest Industries Development Strategy

- ◆ NFPS 16 years on
- ◆ New direction needed
- ◆ Changes in:
  - economy
  - industry structure and resource base
  - investment opportunities



# Opportunities - Climate Change

**Figure 1:** Australia's net CO<sub>2</sub> emissions by sector for 2004



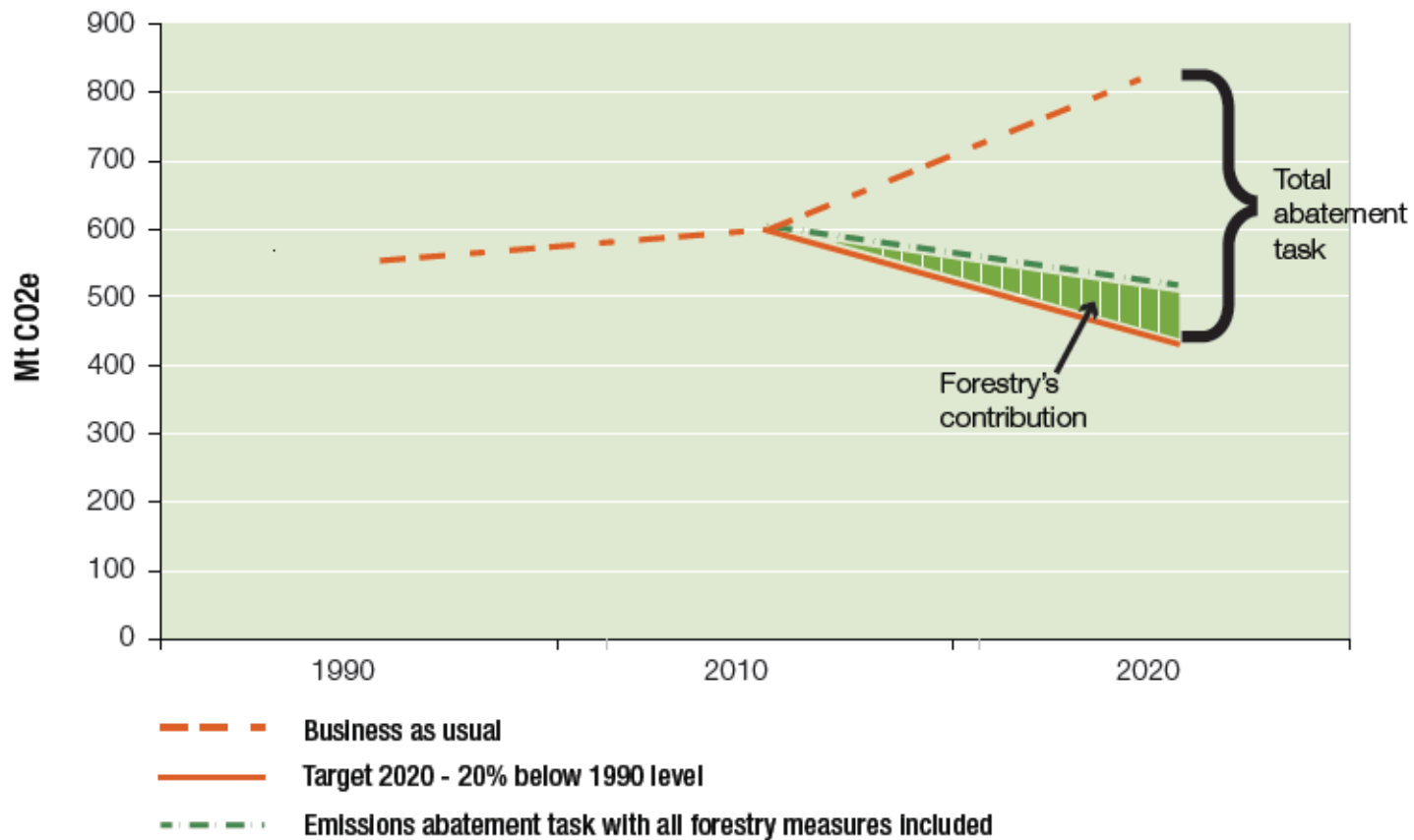
# Opportunities – Carbon abatement

20% of Australia's carbon abatement from forest industry by 2020

Activity	Est. CO <sub>2</sub> e offset/ yr (million tonnes)
Plantations	50
Native forests	23
Carbon in harvested wood products	5
Wood waste for renewable energy	3
<b>Total</b>	<b>81</b>

# Opportunities – Carbon abatement

Figure 4: Forestry's contribution to Australia's 2020 emissions reduction target



# Opportunities - Renewable Energy

- ◆ Utilising existing wood waste for bioenergy can:
  - reduce emissions by 3 million tonnes CO<sub>2</sub> pa
  - create over 2300 new jobs
  - \$800 million of investment into energy facilities
  - renewable electricity to 400,000 homes
- ◆ Important - removal of regulatory barriers

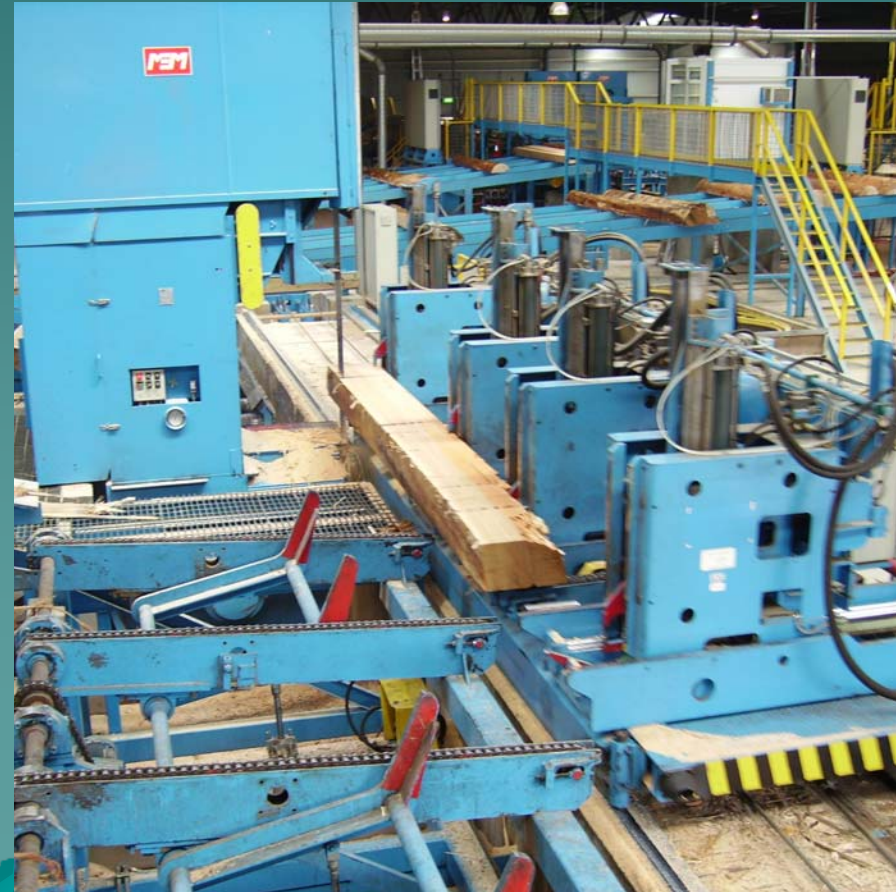


# Opportunities - Value adding

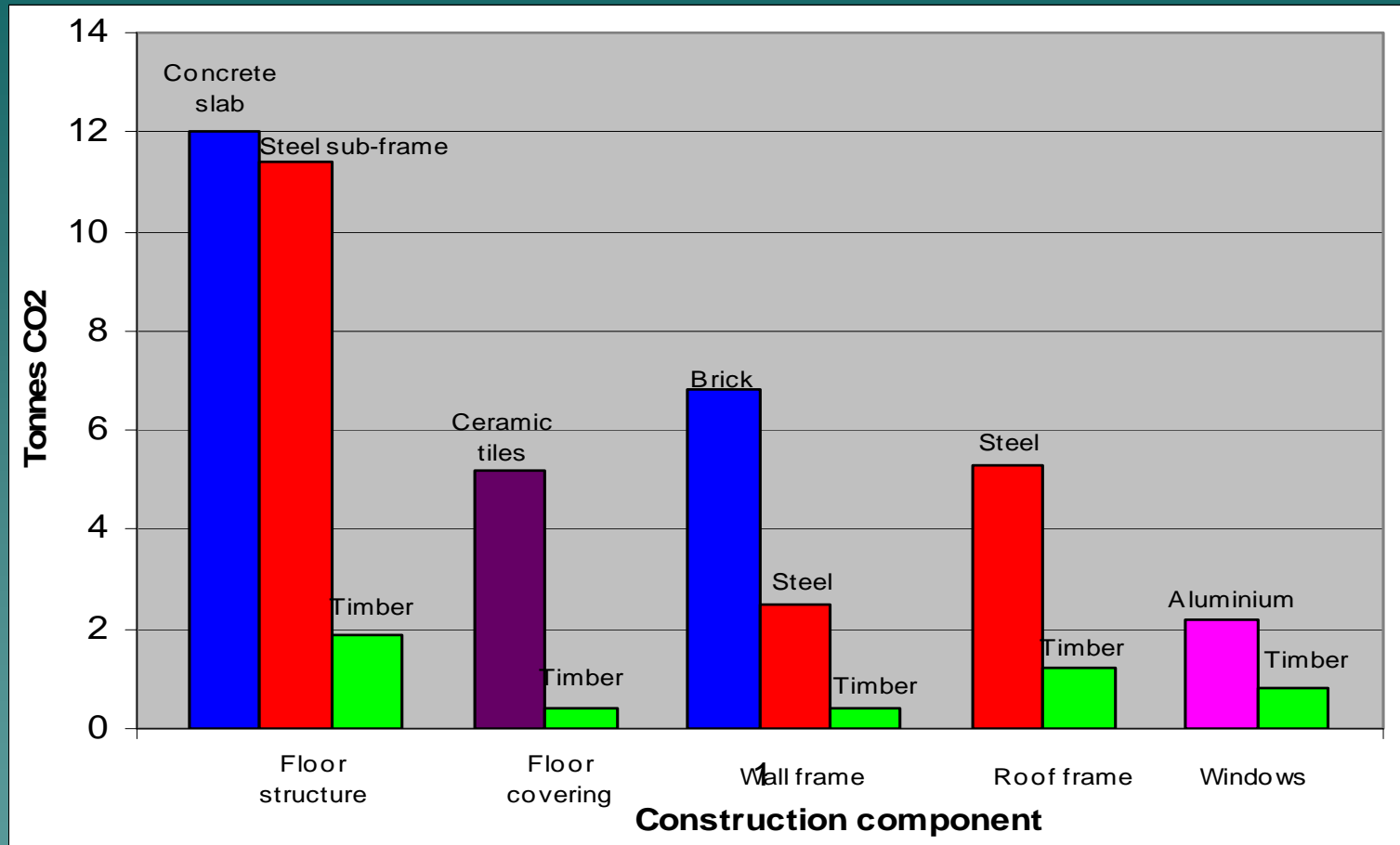
- ◆ 17 proposed major developments over next 5 years

This amounts to:

- \$7 billion of investment
  - 1436 direct jobs
  - 4504 indirect jobs
- ◆ Reduce trade deficit



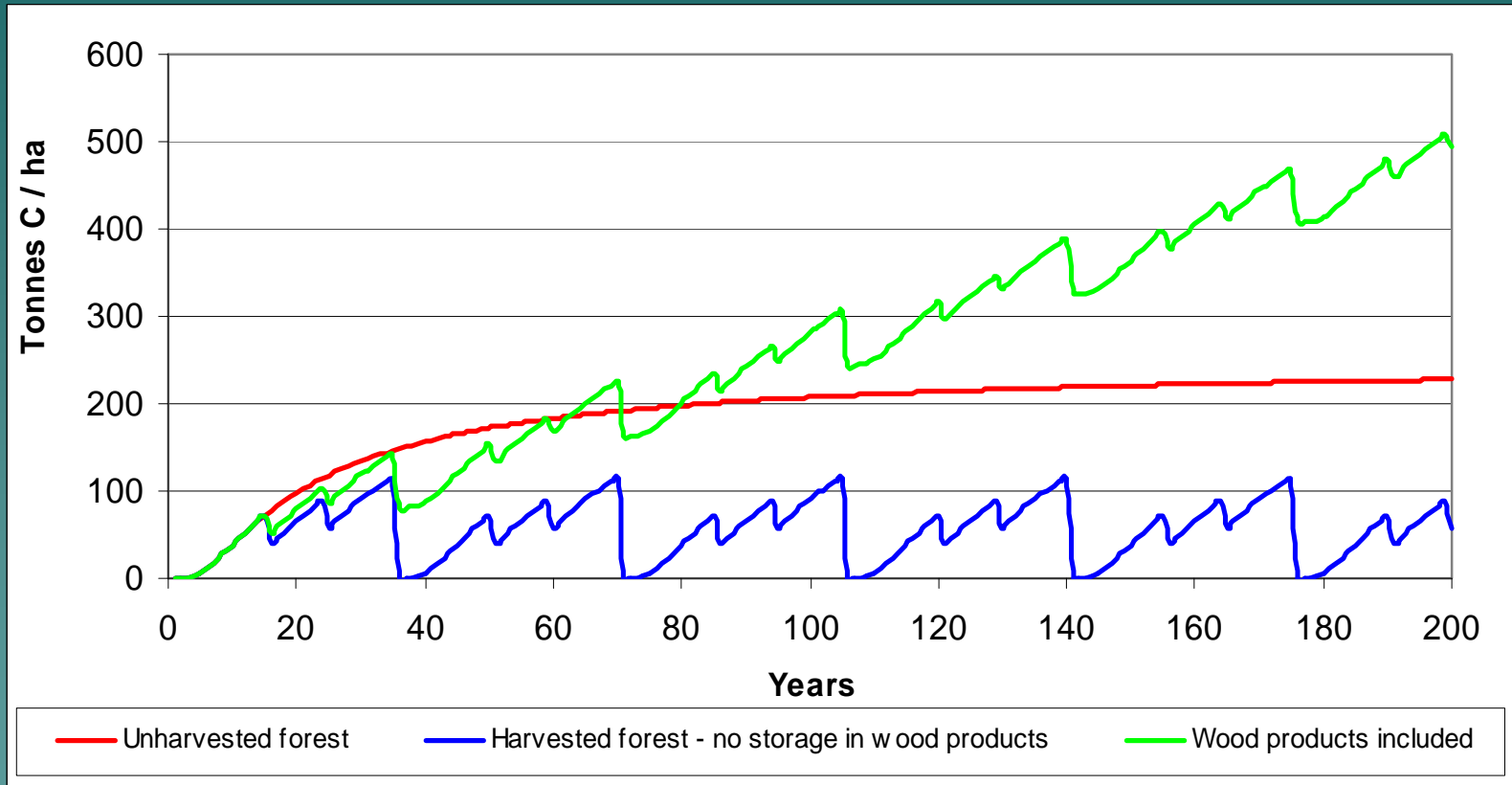
# Opportunities – Wood product markets



Ref (FWPRDC 2006)

Average Australian home built mostly from wood products saves **25 tonnes of CO<sub>2</sub>** in production process

# Carbon benefits of forestry and wood products



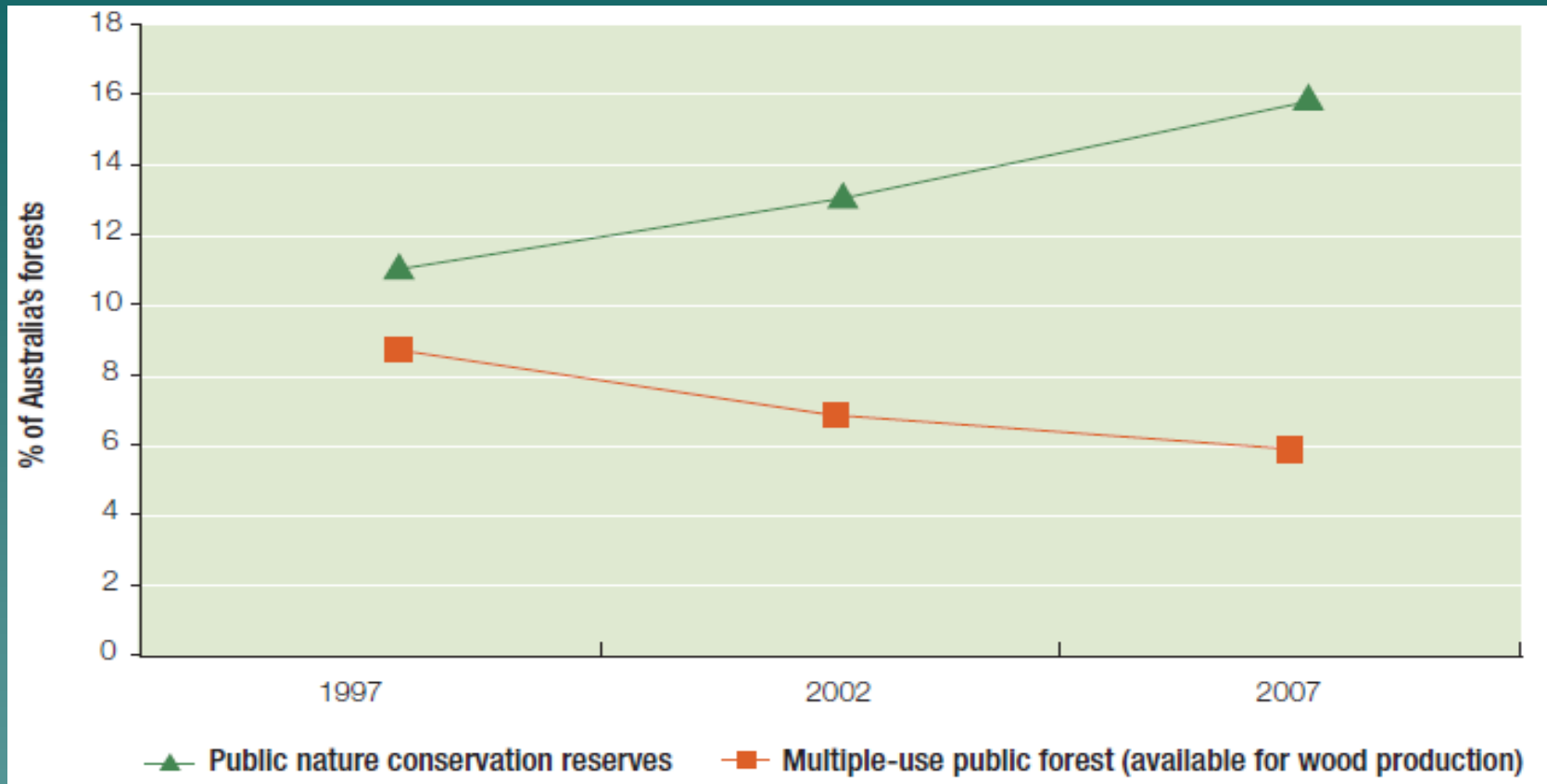
Ref (FWPRDC 2006)

# Potential Impediments

- ◆ Many exist
- ◆ Stable and complementary policy framework is critical
- ◆ Certainty and security for investment determines industry growth



# Native forests resource security



- ◆ 39% decrease in resource = 25% reduction in sawlog production
- ◆ Resource security critical to further viability and competitiveness

# Water Policy

## Water policy threatens forestry investment

BY CHRIS OLDFIELD

STATE Shadow Forestry Minister Mitch Williams has warned timber companies across Australia are making decisions to wind down the region's plantation industry.

what is going on here, and just shake their head at the water policies and attitude of the South Australian Government," he said.

"The long-term consequence of this is we will see the demise of our forestry and value-adding

too often ignored when governments developed policies.

She said the future of thousands of families reliant on the timber industry were "forgotten" when the State Government developed its water policy to treat trees like irrigation.

- ◆ Perverse policy outcomes could restrict plantation development – issue in Green Triangle (SA)
- ◆ Policy must be:
  - equitable across landuses
  - consistent with national policy objectives
  - based on best science

# Land use regulations

- ◆ Restrictive state and local government land use regs can:
  - lead to market failure
  - impede forestry development
  - reduce land use flexibility
  - result in perverse policy outcomes

E.g. King Island, Colac-Otways and Tas PAL



# Concerns over land use change

## EMISSIONS TRADING

# Tree squeeze for farms

By DAVID MCKENZIE and FELICITY LUNGHUSEN

ENTIRE farms could be lost to plantations under the Federal Government's proposed emissions trading scheme, a leading farm researcher has warned.

Australian Farm Institute director Mick Keogh said there would be a big incentive for

"Owners of areas of forested land who can legally clear trees will have an incentive to do so before entering the ETS scheme."

This would result in new competition for agricultural land and "create incentives for whole-of-farm plantations, rather than smaller areas".

and other inputs could easily add another \$1-2 a cow per year, and indirect costs could also come from dairy manufacturers trying to recover costs from direct emissions.

"That's potentially a further annual cost to farmers of between \$10-18 a cow depending on carbon prices," Mr Phillips said.

the scheme when practical, but no earlier than 2015.

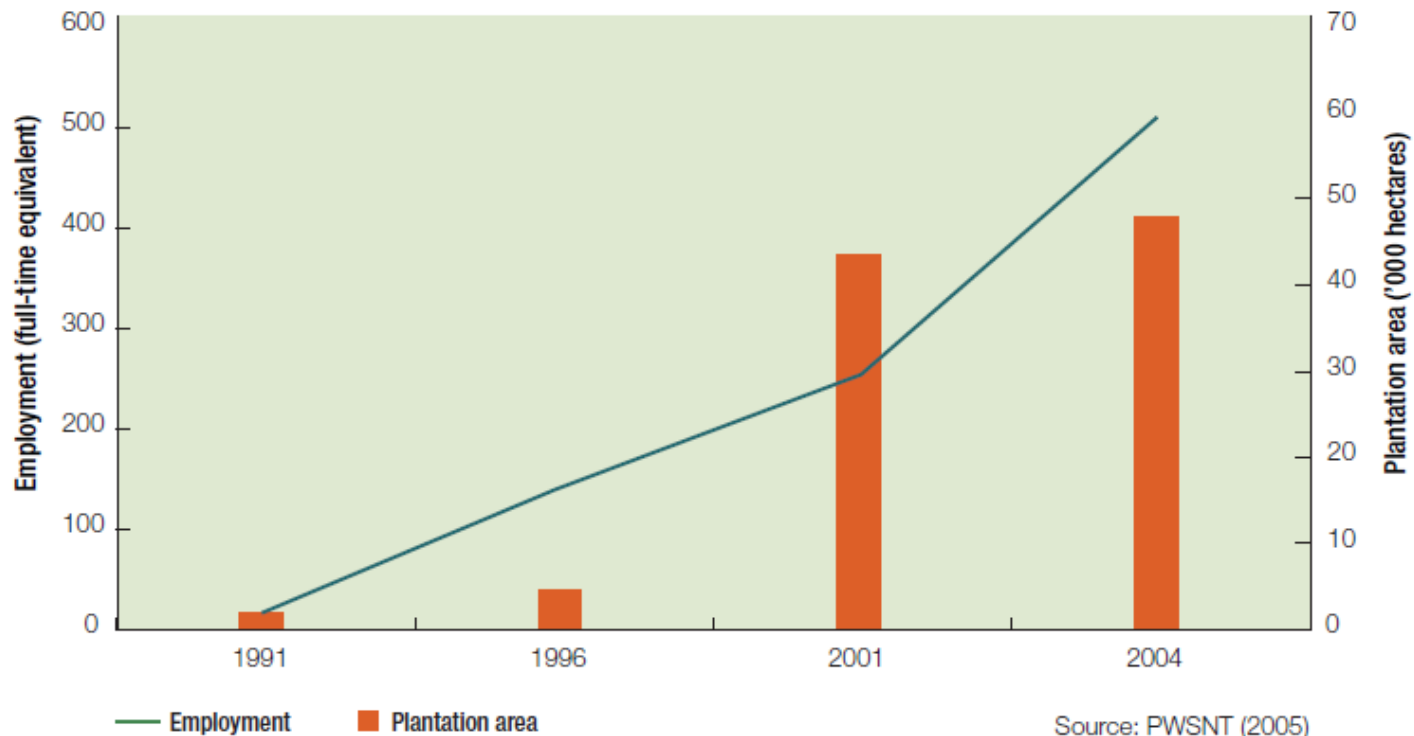
"This will increase opportunities for low-cost emissions reductions and ensure that the cost of achieving these reductions is shared equitably across the economy," the spokeswoman said.

● ETS will milk dairy industry, Page 16

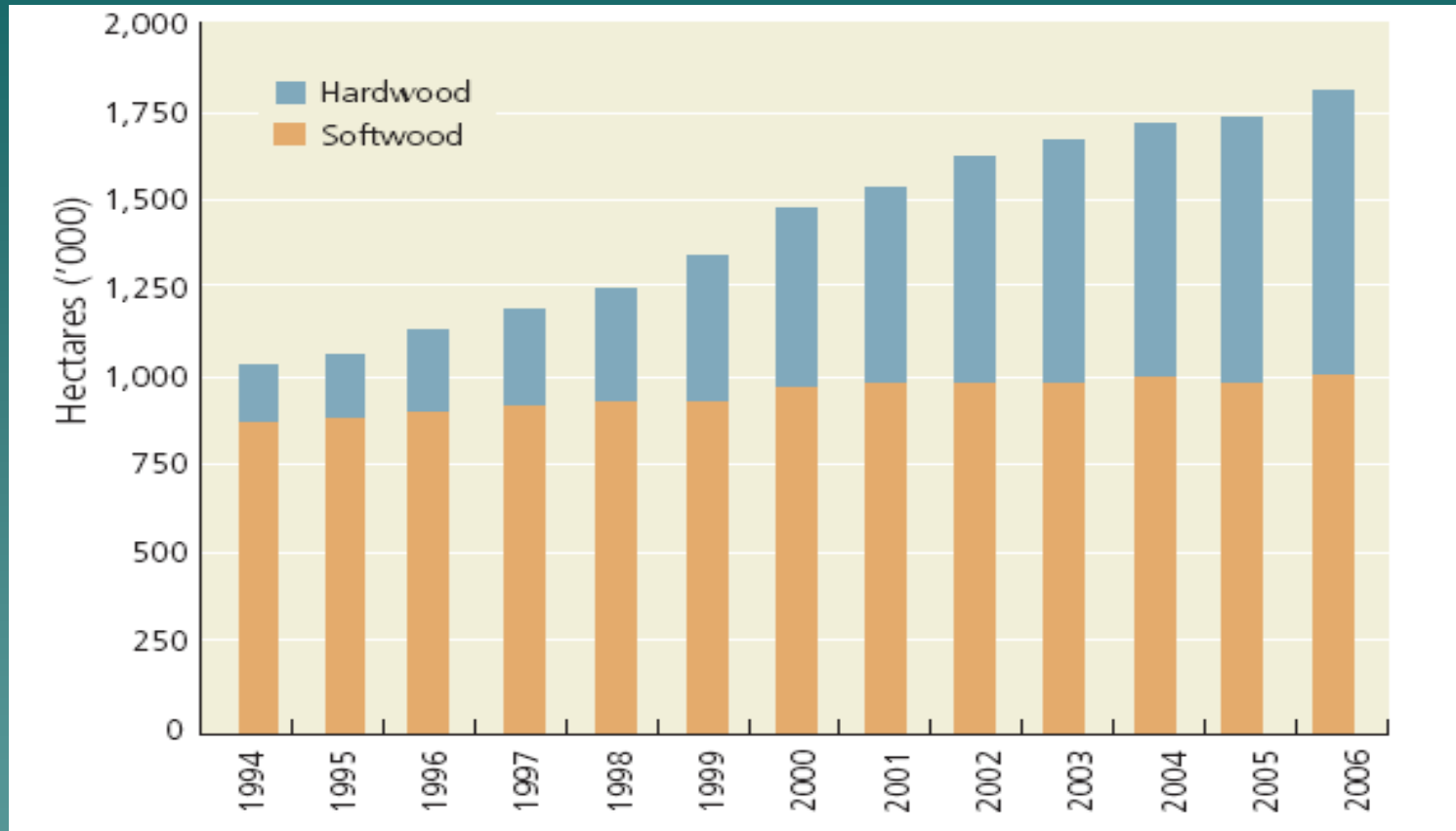
- ◆ Initial plantation establishment phase attracts community concerns
- ◆ 'Farms Vs Trees' debate
- ◆ Long term benefits of forestry often overlooked

# Social and economic benefits of forestry

**Figure 5: Forest industry employment and plantation expansion in the Great Southern region (WA)<sup>17</sup>**



# Plantation tax arrangements



- ◆ MIS = expansion of last 10 years
- ◆ Tax arrangements critical to investment
- ◆ More investment needed in long rotations

# Market barriers – wood products

- ◆ Rating schemes currently don't recognise timber's true carbon benefit
- ◆ Exclusive approach to certification schemes must be avoided
- ◆ E.g. 5-Star, Green Building Council



# CPRS rules on forestry

- ◆ Potential benefits for forest industry will depend on degree of:
  - inclusion, and
  - recognition
- ◆ Positioning relative to other sectors
- ◆ Implications on other policy settings



# Realising the opportunities

- ◆ All issues must be addressed
- ◆ Ensuring national policy objectives are met
- ◆ Strong advocacy and representation is critical





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Thank You

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