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Timber Communities Australia

# Timber Communities Australia Limited

## 1986 – 2008

# Timber Communities Australia

Presentation to

Asia Pacific Forest Industries

# Climate Change

## Conference

Sydney Australia 18th – 21st August, 2008

Maintaining the Competitiveness of Australian Industry

Presented by: Jim Adams CEO TCA

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The Impacts on Communities of a failure to compensate pulp and paper mills under Emissions Intensive Trade Exposed (EITE) provisions in Australia's Carbon Pollution Reduction Scheme.

EITE Threshold levels

1500 t CO2e per $1m revenue, 60%

2000t CO2e per $1m revenue. 90%

Compensation

Ventures that qualify as EITE will be entitled to claim carbon offsets of 60% of their emission (1500) and 90% of their emissions (2000) on a declining schedule


## **If unable to access EITE compensation;**

Ventures unable to access EITE compensation will have to buy carbon credits to fully offset their emission.

Most Pulp and Paper sector ventures do not qualify as EITE under current CPRS settings (they don’t meet threshold levels for compensation) and will have to purchase carbon credits to offset their emissions.

This will add to their costs of production.

Where and if possible they will have to adsorb or pass on these costs.

If they absorb them they will squeeze their margins and profitability.

If they pass them on they become less competitive in the market place especially with imported product and particularly if that imported product is produced in an unregulated carbon region.


## Options for ventures not qualifying for EITE assistance

Ventures that do not qualify for EITE assistance have the following options available to them;

•Reduce their emissions further.

•Seek "Strongly affected" status ??.

•Move their operation offshore to unregulated carbon markets.

•Close their operations all together.

•Seek to negotiate special arrangements for "near-miss" cases.

•A combination of the above where possible.

The emission reduction options for these ventures are limited and where available using current technology, have largely already been embraced, in some cases to the subsequent disadvantage of the venture involved.

The remaining options are clearly undesirable for both the Australian economy and the communities in which these ventures operate.

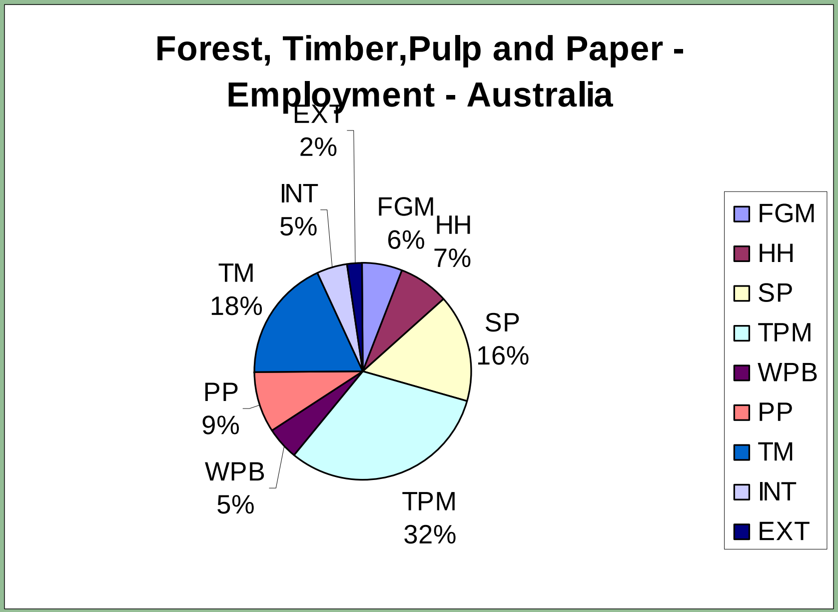

# Communities reliant on the pulp and paper sector.

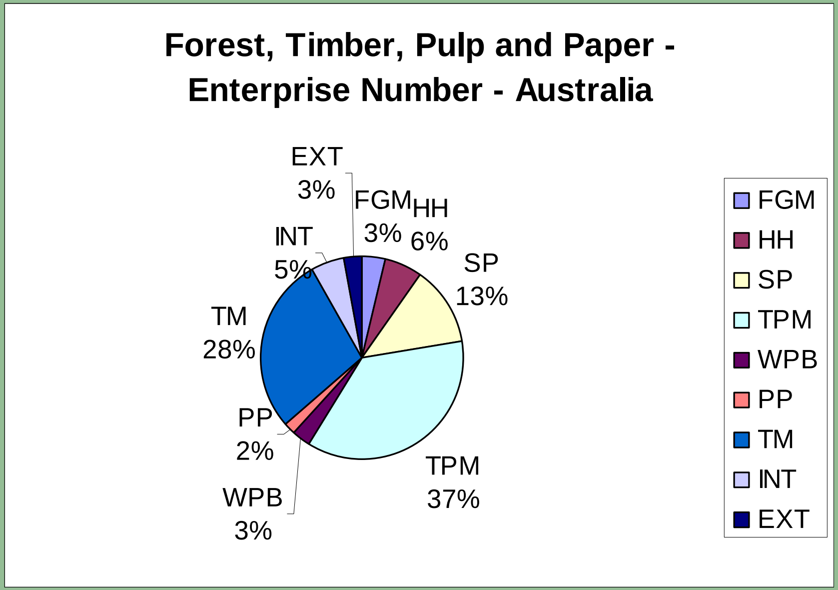
**FAFPESC - Forest and Wood Products Industry Workforce and Industry Data**

**Collection Survey Report - 2006**

| Sector | Abbreviation | Number of Enterprises | Total Number of Employees |
|---|---|---|---|
| Forest Growing and Mangt. | FGM | 254 | 9335 |
| Harvest and Haul | HH | 460 | 11399 |
| Sawmilling and processing | SP | 919 | 24241 |
| Timber products manufacturing | TPM | 2651 | 48022 |
| Wood Panel/Board production | WPB | 217 | 7159 |
| Pulp and Paper manufacturing | PP | 136 | 14005 |
| Timber merchandising | TM | 2069 | 28119 |
| Internal support services | INT | 372 | 6917 |
| External support services | EXT | 206 | 3487 |
| Total | TOT | 7284 | 152684 |

Pulp and paper enterprises represent 2% of the enterprises in the forest and wood products sector and employ 9% of the people employed in the sector.




This level of employment represents 14,000 of the 152,000 total number of people employed in the Forest and Wood Products sector. Many in rural and regional areas.

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**Consider for a moment if in a particular region a pulp and/or paper manufacturing venture were to become unviable as a result of the CPRS, what would the further consequences for the region and the broader community be.**

•Loss of direct employment in the facility

•Loss of indirect employment in service providers across the whole chain from the forest to the facility and beyond to other sectors in the region.

•Increased regional unemployment.

•Increased costs on economy in social security and restructuring packages.

•Increased costs to economy in imports.

•Worsens already poor trade deficit.

•Loss of sales for pulp wood products.

•Reduced management options for resource grower.

•Reduced income to resource grower.

•Reduced ability of grower to employ.

•Loss of business opportunities and employment in other industry sectors including harvest, haul and associated service providers.

•Increased social and community problems arising out of unemployment, community and family dislocation and increasing dependence on government support measures – social security and restructuring packages.

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## Summing up

•Currently the pulp and paper sector is not regarded in the CPRS Green Paper as meeting EITE criteria.

•The community impacts resulting from any loss of economic activity and employment in this sector is far reaching and well beyond just those impacts directly associated to the actual venture that closes.

•The sector understands that the Government “have to draw the line somewhere” and that “where ever it is ultimately drawn there will always be those who just miss out”.

•This is true and precisely the reason why the Government needs to be prepared to talk to those sectors who find themselves in this situation to address their issues, particularly if it has whole of economy reasons for not wanting to shift from the current position.

•In the case of the pulp and paper sector due to the flow –on and flow-back issues associated with its importance as a management option provider to the broader forest growing sector it is especially important that a set of arrangements to ensure the continuation of the industry in its current form in Australia is secured and not threatened through the introduction of the CPRS.

•This before we even start to consider issues of Carbon leakage and illegal logging and offshore forest management and deforestation practices.

# Thank You