

The Secretary
Select Committee on the Penola Pulp Mill Authorisation Bill
Parliament House
North Terrace
ADELAIDE SA 5000

Dear Secretary

The National Association of Forest Industries (NAFI) and Tree Plantations Australia (TPA) appreciate the opportunity to make a submission to the Select Committee on the Penola Pulp Mill Authorisation Bill and would like to provide verbal evidence to the committee at a convenient hearing time. We hope the Select Committee will consider this request favourably.

The submission is attached below.

Please do not hesitate to contact me on 02 6285 3833 if there is any thing further Tree Plantations Australia can do to assist with the enquiry.

Yours sincerely

Allan Hansard

CEO – Tree Plantations Australia

Deputy CEO – National Association of Forest Industries

Submission overview

NAFI and TPA represent the majority of hardwood growers and processors in Australia, including the major hardwood plantation companies in the South East of South Australia, Great Southern Limited, Integrated Tree Cropping Limited and Timbercorp Limited. In addition, TPA has been representing the South East Forest Industry Group (SEFIG) in relation to the current draft Water Allocation Plan. SEFIG includes the above these companies plus the following industry organisations and companies in relation to the current draft Water Allocation Plan, NAFI, Australian Plantation Products and Paper Industry Council (A3P), Auspine Limited and Green Triangle Forest Products Limited.

NAFI and TPA strongly support the establishment of downstream value adding facilities such as the Penola pulp mill. We believe that legislation which provides for certainty to ensure the creation of value adding facilities will help to ensure that the economic potential of our primary resources, including plantations, are fully realised.

However the Penola Pulp Mill Authorisation Bill does not recognise the high degree of certainty needed for the wood fibre resource. While the Bill recognises that certainty on water access is required for the determined forestry expansion threshold of 59,416 hectares, the Bill does not ensure continuing certainty on water access for plantations existing prior to 2002.

The pulp mill will require guaranteed long term wood supply in order to operate. Without water security for the existing plantation estate, it is prohibitive for tree plantation companies to enter into very long term wood supply negotiations for the pulp mill (ie, beyond the current 10-12 year first rotation period). This is because the wood fibre requirements will be far greater than that which can be generated under the 59,416 hectare forestry threshold expansion, particularly as the forestry threshold expansion applies to both softwood and hardwood plantations expansion in approximate equal proportions and not just to the hardwood needs of the pulp mill.

Background on the Forest Industry in the South East of South Australia

The forest industry in the South East has a long tradition, ranging back over 100 years when pine plantations were first established. The plantation resource in the region now supports a \$1.7 billion industry that produces paper and sawn and engineered wood products for domestic markets as well as woodchips for export to international markets.

According to Econsearch (2006) in their report "*Estimates of economic impact and water use for forestry and agriculture in South East South Australia*", the industry contributes \$664 million to regional GDP or 44 percent of total regional GDP. The industry employs 7100 people or 36 percent of all employment generated by the primary industry sectors, and the industry's economic contribution to the region could double as the hardwood plantation resource reaches harvest age and if the proposed Penola pulp mill is developed.

Plantations and climate change

In addition to the significant economic benefits to the regional communities in plantation areas, plantations are helping to address environmental issues that need to be confronted.

Importantly, plantations in the south east are helping the State of South Australia to address greenhouse gas emissions by sequestering significant amounts of carbon.

Forestry represents the only form of primary production that is recognised as being carbon positive by the South Australian Government in its recently released climate change strategy: "*Tackling climate change, South Australia's greenhouse strategy 2007 – 2020*".

According to the National Greenhouse Gas Inventory, plantations in South Australia are absorbing 2.7 million tonnes of carbon dioxide equivalent each year.

Sequestration of carbon is vitally important when you consider emissions from agriculture, the dominant land and water use in the South East, are 5.6 million tonnes of carbon dioxide equivalent annually, and total emissions from the State are 28.1 million tonnes of carbon dioxide equivalent each year.

As the South East is the major plantation forestry region in South Australia, it is vital that a continuing presence and expansion of the plantation estate occurs in order to help address South Australia's greenhouse gas emissions.

Relevance of the Bill to the forest industry

In the Government's second reading speech the Hon. R.J. Mc Ewen (Minister for Forests) stated "This Government is committed to a policy of promoting economic, social and environmental outcomes for the State. It is also keen to provide applicants for development approval with a high degree of certainty where those applicants have demonstrated that their proposal will yield a benefit to the State of South Australia and those who reside within it and requires very significant capital investment."

The forest industry acknowledges and applauds the Government's commitment to the promotion of economic, social and environmental outcomes, particularly given the forest industry delivers significant economic, social and environmental outcomes to the South East and to the State.

We understand that it is the intention of the Government to deliver certainty for the Penola pulp mill through the Penola Pulp Mill Authorisation Bill. However, as the mill will exist only because of the ability of the plantation forestry industry to supply wood fibre, the forestry industry is concerned that the Bill does not deliver certainty of water security for all plantations.

Given that water security for plantations is essential for the investment required to provide a long term and secure supply of wood fibre to any pulp mill development, this seems to be a significant oversight of the Bill, particularly given the bill provides for a high level of certainty to other essential inputs to the mill, such as road and rail infrastructure, electricity and water.

Specific issues on the Bill

Schedule 2- Forest Threshold Expansion

Part 1 – Statement of Forest Threshold Expansion Policy

Industry notes that schedule two addresses the link between the development of the pulp mill and the forest resource required for fibre input to the mill.

Part 1, section (1) states the forest threshold expansion area is not to be less than 59416 hectares (measured from 1 September 2002).

Part 1, section (2) states that “forest threshold expansion area means the total area of land that may potentially be used for commercial forestry activities without being subject to a requirement that a right to water be acquired to offset the impacts of the activities;”

Industry notes that the restating of the 2002 forest threshold policy maintains the original policy intent of that policy, that is, forestry can expand in the south east without a right to water, up until the threshold (59 416 hectares) is met. The expansion of the plantation resource to the threshold level would bring the total area of plantations in the South East to 9.7% percent of the area of the South East water management area.

The “threshold area” approach to forestry and water policy is consistent with the approach to plantation forestry outlined in the National Water Initiative (Section 57 (i) and (ii)).

The industry suggests that to maintain the integrity of the forestry expansion threshold that Part 1, Section (2) of this Schedule of the Bill should be taken as read.

Alternative water treatments for the forestry expansion threshold under Part 1 Section (2)

TPA and NAFI understand that there has been some focus on this part of the Bill from other water users in the South East, who wish for forestry to purchase a water right for the ground water which trees notionally use. Industry would oppose changing this section of the Bill for the following reasons.

- It would be inequitable to require companies to purchase a ground water right by plantations, as no other form of unirrigated agricultural land use needs one, for example cereal crops and perennial pastures such as Lucerne etc.

- Forests use water through their natural systems and only use the water they need.
- Trees are not like an irrigator's pump and cannot be accurately metered.
- As rainfall decreases, trees will use less water, this is not the case for irrigation.
- There is no accredited science directly attributing plantations to negative effects on the water table in the South East.
- Accounting for theoretical groundwater use by trees would result in a smaller effective forest threshold expansion area.
- The Bureau of Rural Science, among others, has found that plantation forests do not affect water catchments until they exceed approximately 20% of the catchment, well above the current and forecast plantation forest estate in the South East.

Industry estimates that if ground water use regulation was retrospectively required for the forestry threshold, the effective area of that threshold would potentially be reduced to between 3,000 and 7,000 hectares for the hardwood plantation industry.

For long term wood supply for the Penola pulp mill, the hardwood plantation industry must be able to access the full remaining hardwood threshold expansion area. This expansion is required to offset changes in available plantation area due to changing land tenure, age class distribution and productivity losses due to drought, pest and disease outbreaks, and fire.

Uncertainty caused by the draft Forest Water Allocation Plan of the South East NRM Board

The industry has concerns that the Bill does not provide certainty for existing plantations that may form part of a future supply of wood fibre for the proposed mill. The draft Forest Water Allocation Plan, currently being developed by the South East Natural Resource Management Board creates significant uncertainty for existing and new plantations in the South East and threatens the wood fibre supply needed for the pulp mill.

The South East NRM Board's draft Forest Water Allocation Plan is not consistent with the National Water Initiative nor is it consistent with the advice provided to the NRM board by CSIRO in the report *Sharing Groundwater: Options for the introduction of shares as a means to define groundwater entitlements in the South East of South Australia (2005)*.

The water management units in the South East, Hundreds, are not representative of the underlying hydro-geology of the region, and are not appropriate in determining whether or not plantation forestry is having a significant impact on the catchment.

Until water availability in the South East is assessed according to hydro-geological zones, it is impossible to determine whether plantation forestry is having a significant impact on water resources or not.

If the whole South East was taken to be one catchment, 9.7% coverage by plantations is less than the 20% area of forest in a catchment determined by the Bureau of Rural Sciences to be the level at which the impact of large scale plantations on water resources would start to be measurable.

Once water use by forests becomes scientifically measurable, it is then possible to assess whether those plantations are a significant water user in the catchment or not. It is not appropriate, nor required by the NWI, to impose a licence regime on plantations until a significant impact has been demonstrated.

The forest water allocation under the draft WAP for the South East has not been founded in accurate science, nor on a rational planning basis.

The plan is not equitable, as it assumes trees can be treated in the same way as an irrigator's pump. Trees are natural and only use the water that is available to them and that they need. It is widely accepted that unlike an irrigator's pump you cannot accurately measure the use of water by trees, or other agricultural crops.

The draft Water Allocation Plan does not recognise the long term certainty required to build a commercial wood fibre resource as it will require forestry to undergo 5 yearly reviews with the possibility of having to relocate plantations.

Under the current draft water Allocation Plan, those 5 year reviews will not consider that existing tree plantations have already adjusted to lower rainfall through slower growth, meaning that plantations will take a double reduction in water.

It is highly appropriate for this Bill to provide certainty over water security for the plantation sector – without the wood fibre available from the plantations, the pulp mill would not even be proposed. The industry is not seeking to be exempt from the National Water Initiative, instead we are asking the Government to follow the example set in the NWI.

Resource cost estimates of the South East draft Forest Water Allocation Plan

Industry has calculated that the draft Forest Water Allocation Plan would result in approximately 14,000 hectares of existing hardwood plantations not being replanted. A similar area of softwood plantations would also be affected. Alternative sites would need to be found for the replanting of this resource and those sites would come at an additional cost to the plantation sector.

The cost of converting plantation land back to agricultural land is problematic when you consider the costs associated with clean up and stump removal, replanting and tending of pastures, and the costs of selling land into a “buyer’s market” and buying other suitable land in a “sellers market” with the attendant costs of conveyancing, assessment, land use change applications and loss of timber production for 2-3 years.

Relocating plantations may result in trees being planted in areas less suitable for growing plantations and potentially further away from markets such as the pulp mill.

Difficulties in planning for infrastructure under the draft WAP

If the location of the plantation estate was to change every five years, planning for appropriate transport infrastructure to the pulp mill would be impossible for the pulp mill, forestry companies as well as the local and State Governments. It may also provide additional hurdles in securing Australian Government Auslink funding for appropriate road upgrades.

Inappropriate transport infrastructure planning and upgrades will result in unnecessary and significant repair costs for community roads and major highways in the South East. It is desirable for the plantation industry and the community to have a stable plantation estate to ensure appropriate planning and funding of adequate infrastructure upgrade, such as roads, to ensure that wood fibre can be transported to the pulp mill or any other market.

Recommendations

NAFI and TPA strongly recommend that the current provisions for water security for the 52 416 hectare forestry expansion threshold be maintained as described in schedule 2 part 1 of the bill.

It is also recommended that a section providing for water security similar to that provided to plantations defined by the forestry expansion threshold, be included for plantations existing prior to 2002 within schedule 2, part 1 of the bill.

These recommendations should also be considered in the context of the NRM Act

Conclusion

This Penola Pulp Mill Authorisation Bill will provide opportunity for significant value adding to the forest industry in the South East. The Bill will enable South Australia to build upon the significant economic and social benefits of the plantation estate in the South East.

With the forest industries' recommendations included, the Bill will ensure the further diversification of rural industries in the South East, while supporting a primary industry that is able to assist with bringing down the State's green house gas emissions in a very significant way.

Without ensuring that new and existing plantations have a continued right to the water naturally used by trees, these opportunities will be lost, as a pulp mill can not operate on a secure basis without a secure supply of wood fibre.

Written by Allan Hansard

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