



National Association of  
Forest Industries

# FOREST INDUSTRIES GROWTH PLAN

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## Introduction

A sustainable future for Australia needs a sustainable and growing forest industry.

With a growing population and growing demand for building and paper products, the forest industry is uniquely poised to assist the transition of the Australian economy to a sustainable, low emissions future. The forest industry can satisfy this future demand with carbon positive, renewable and low energy products, while providing significant economic development and regional jobs.

Given the long lead times for investment and production of wood we need to plan now for a sustainable and growing forest industry. Otherwise we simply will not have enough locally grown wood to meet our future domestic needs. We will see higher imports and a worsening trade deficit in wood and paper products. We will also see adverse environmental, employment and climate outcomes.

With the right policy settings, the forest industry could create thousands of additional new jobs and generate up to \$19 billion in new investment by 2020, while reducing carbon emissions by 80 million tonnes per year.

Achieving these outcomes will require strong leadership and a partnership approach between industry, communities and governments. The National Association of Forest Industries (NAFI) has identified six priorities for action to maximise these opportunities and calls on Government to support these initiatives:

## 1.0 Planning for the future

In future, world and domestic demand for forest products will continue to rise in line with population growth and the search for environmentally sustainable and renewable products such as wood across a broad range of uses.

However, given the long lead times for investment and production of wood and other environmental services from native forests and plantations, Australia must plan now to provide enough locally grown wood to satisfy our growing needs. Furthermore, the provision of stable policy settings and markets for emerging environmental services such as carbon sequestration from planted forests will be equally important to deliver long term climate mitigation benefits.

Australia's forest policy framework is also nearing its shelf life since the National Forest Policy Statement (NFPS) was developed and agreed by all State and Territory governments in 1992. For example, the Regional Forest Agreements – the foundation of forest resource security in Australia and an initiative of the NFPS – are nearing their end dates. Furthermore, the *Plantations for Australia 2020 Vision* policy is over ten years old, and given changes in native forest hardwood and plantation resources requires revision.

When faced with similar events in the past, the forest industry in partnership with unions, timber communities and Government, developed a forest industry strategy – to guide future policy direction for the industry. Recently Australia's pulp and paper industry adopted this approach in establishing the Pulp and Paper Industry Strategy Group. The Group was responsible for developing a plan for the future.

It is recommended that this model be adopted for developing a plan for the broader forest industry, including both traditional and emerging new industries for environmental services such as tree carbon sequestration and green energy from renewable biomass. The plan could provide an appropriate policy framework to progress key policy issues facing the industry.

### **NAFI calls on Government to:**

- **Fund the development of a comprehensive forest industry growth plan that can contribute to a sustainable future for Australia. This would involve the forest industry, communities and government to develop and implement an industry wide plan, initially focusing on the Tasmanian forest industry.**
- **Priorities should be to: build long term resource security for native forests and plantations through the Regional Forest Agreement (RFA) renewal process; secure short and long rotation plantation investment and support internationally competitive domestic value adding.**
- **Undertake an economic assessment of long term domestic consumption trends for forest products over the next ten to 50 years.**
- **Fund the collection and reporting of key socio-economic and market data about the forest and wood products industry.**

## **2.0 Building resource security**

Forestry and forest product processing is a long term business, with commitments for investment and business planning required for decades. Key to the development of the industry is for industry to have secure long term access to available wood supplies from Australia's sustainable managed native forests and plantations.

### **2.1 Securing our native forest assets**

The Regional Forest Agreements (RFAs) are the foundation for resource security for native forests in Australia. Because the 20 year agreements exceed the requirements of the Environment Protection and Biodiversity Conservation Act 1999 they have provided legislative security for the industry. Many of the RFAs are less than 10 years from their termination and every day that goes by is one less day of resource security for the industry. This means that many companies are now unwilling to make essential investment in maintenance and upgrades.

Over double the area of production forests in Australia is in national parks and reserves, with over 13 million hectares of forest area added to the reserve system since 1990. The majority of these national parks are located in RFA regions and are adjacent to production forests, bush communities and farmers. The management of public land to protect forest assets from the risks of bushfire and pests and diseases has been the focus of numerous inquiries. It is time to ensure that a whole of landscape approach is adopted to reduce these risks, including the management of national parks to achieve the values and outcomes they were set up to protect and ensure they do not become a hazard for large scale catastrophic fires.

#### **NAFI calls on Government to:**

- **Immediately start a process of renewing Regional Forest Agreements (RFAs) and provide evergreen 20 year resource security – backed by Commonwealth and state legislation. RFAs are the appropriate vehicle to assess and implement any outcomes from the recent discussions between the industry and conservation groups in Tasmania or other such initiatives.**
- **Fund the necessary assessments to underpin the renewal of RFAs, including assessments of future wood quantity and quality from native forests and plantations and implications for communities reliant on the forest industry.**
- **Provide interim structural assistance to Tasmanian forest industry harvesting and haulage contractors until such time as the future structure of the industry in Tasmania is determined.**
- **Convene a National Bushfire Summit to implement a whole of landscape approach to the management of fuel loads to reduce fire risk and protect forest assets.**

## 2.2 Building our plantation resource

Australia's plantation industry plays a critical role in the provision of timber and fibre to our economy and overseas economies. Because of the long term nature of plantation investment the establishment of the resource has required government assistance and regulatory arrangements that recognise the long lead times and scale issues associated with plantations. The *Plantations for Australia 2020 Vision* Statement has largely guided plantation policy in Australia for the last ten years. However, in many respects the shelf life of the Vision has been reached as it no longer reflects contemporary issues facing the plantation industry. For example:

- The critical shortage of long rotation plantations;
- Future investment in short rotation hardwood plantations, following recent issues with Managed Investment Schemes (MIS);
- A growing range of regulatory impediments to the development of plantations; and
- The important link between plantation resources and opportunities for domestic processing.

The industry recognises the need to ensure companies that use MIS arrangements are subject to appropriate financial due diligence. Industry also agrees that investors need to be protected if the industry is to regain the confidence of the investment sector and from industry itself. Ensuring these financial guidelines are met will also ensure plantations are planted in the landscape in the right places and for the right reasons.

### **NAFI advocates the development of a new policy vision for plantations that will:**

- **Establish an effective investment mechanism for developing long rotation sawlog plantations to complement investment from Managed Investment Schemes (MIS) and to help address the future shortfall in availability of sawntimber to meet domestic housing requirements.**
- **Maintain MIS arrangements with enhanced safeguards to protect investors and to rebuild investor confidence.**
- **Recognise plantations as a legitimate land use that provides significant economic, social and environmental benefits in rural and regional Australia.**
- **Recognise plantations as a dry land long rotation crop that should be treated in an equitable and scientific manner with respect to water policy.**
- **Remove regulatory barriers to the development of plantations on cleared agricultural land.**

## 3.0 Innovation and investment

The inherent strengths of the forest industry as a renewable resource and ability to assist the transition of the Australian economy to a sustainable future is linked to innovation and technology, including the expansion of traditional and leading edge markets for forest products as well as emerging new markets for carbon and related environmental services. The full realisation of value adding and climate change opportunities will be determined by the industry's ability to embrace these new and developing technologies and services, such as world class processing technologies and use of woody biomass as a renewable and green energy source.

### 3.1 Policy environment

In order to promote the full potential of the forest industry, a stable and transparent investment environment is needed, particularly given the relatively long time frame for forestry investments. This includes the effective operation of macroeconomic and industry regulatory arrangements and predictability in policy settings that reduce sovereign risk. Importantly, a whole of government approach is needed that provides consistency in policy across Government portfolios and departments. Two important outcomes from a stable regulatory framework include enhanced opportunities for domestic value adding and significant carbon emissions abatement.

#### *Domestic value adding*

The structure of Australia's forest industry has changed considerably over the past 20 years. This change has largely been related to a gradual change in the industry's available resource base – specifically a reduction in native forest resource access and an increase in wood production from plantations.

While the production of total hardwood sawn timber has declined, the sector has increased its investment in the production of higher value products. Similarly, there has been significant capital investment in softwood plantation processing facilities by both domestic and international investors.

The ongoing competitiveness of Australia's forest industry will depend on sustained levels of investment as the industry continues to experience changes in its available resource base. Recently, Australia has experienced an increase in the planting of hardwood plantation pulpwood resources which will progressively come on stream for harvesting over the next few years.

Furthermore, Australia's \$2 billion trade deficit in wood products is largely attributed to imports of paper and paperboard products. With a large forecast increase in pulpwood resources, there is a significant opportunity to domestically add value to this resource and deliver economic and social benefits to regional communities, as well as the broader Australian economy.

Realising this opportunity has already led to investment in processing facilities for these resources, such as the development of woodchip processing and export facilities in southwest WA and the Green Triangle region. Further investments to significantly add value to these resources, including the proposed establishment of pulp mills in Tasmania and the Green Triangle region, will provide significant economic and social benefits for the nation. The facilitation of further domestic processing and internationally competitive scale projects will be critical in ensuring future value adding in Australia, reducing the current \$2 billion annual trade deficit in forest products and boosting regional economies and employment.

#### **NAFI calls on Government to:**

- **Support private sector investment into domestic downstream processing of Australia's hardwood pulpwood resources and for existing and new high value sawlog processing facilities, including through an effective regulatory and planning approvals framework.**

### *Carbon emissions abatement*

Forestry can play an important part in climate change mitigation and adaptation through the positive carbon storage and substitution benefits from renewable forest products. Importantly, the forest industry can assist in the transition to a low emissions future through:

- The carbon stored in sustainably managed forests (i.e. carbon sinks);
- The carbon stored in durable wood products and substitution for more emissions intensive building materials such as steel and concrete; and
- The green energy produced from forest industry wood wastes to offset emissions from fossil fuel based energy.

Consequently, the forest industry can make a significant contribution to emission reductions at a relatively low cost, while providing a range of economic, social and environmental benefits. With the right research and policy framework, Australia's renewable forest industry could contribute up to 20% of Australia's emission reduction target by 2020. In addition to abating climate change, forestry activities can provide benefits such as regional employment, economic diversification, increased biodiversity and reduced salinity and wind and water erosion.

However, the delayed implementation of the Carbon Pollution Reduction Scheme (CPRS) has failed to create a compliance market for mitigation options and provide a market mechanism for reforestation to contribute to emissions abatement. Furthermore, the phasing out of related programs such as Greenhouse Friendly by 1 July 2010 (thereby providing no recognition of forest sinks), has resulted in the inability of reforestation to participate in the voluntary carbon market.

NAFI reiterates its general support for an emissions trading scheme, assuming appropriate recognition for reforestation activities and related trading activities such as access to export markets (e.g. Joint Implementation projects). In this respect, NAFI supports the use of harvested forests (e.g. timber plantations) and not for harvest forests (e.g. environmental plantings) for carbon sequestration and related benefits. Furthermore, we advocate the continuance of accreditation programs for voluntary carbon sink projects in the absence of a trading scheme.

In this context, there is an urgent need for a set of interim measures that can be migrated into a future market mechanism, including options for direct incentive programs.

#### **NAFI calls on Government to:**

- **Implement practical rules for the recognition of reforestation as a significant carbon offset in any new proposed emissions trading scheme or related mechanisms, to maximise opportunities for forest activities to provide land based solutions to emissions abatement.**
- **Re-establish the Greenhouse Friendly program and implement other direct measures to allow reforestation activities to participate in the voluntary carbon market pending a future emissions trading scheme.**
- **Amend the regulations for the National Renewable Energy Target Scheme, specifically the high value test regulations that impede the full use of forestry wood waste for green energy.**
- **Support industry input and engagement in international climate change negotiations.**

### **3.2 Research and development**

The provision of research and development (R&D) is critical to innovation, technology development and the long term international competitiveness of the forest industry. In 2007-08, around \$100 million was committed by governments and industry to forest industry R&D, including research into wood processing and wood products, tree genetics and forest management. However, the level of funding for R&D has declined in real terms by just under one per cent since 1981-82. Furthermore, NAFI is concerned about the downsizing and restructuring of R&D within many state and federal research agencies, including the CSIRO, which has effectively diluted forestry research capability and expertise. The lack of a critical mass of researchers needs to be addressed in the context of current and future expected research priorities. Given current and expected changes in resource availability from both native forests and plantations, research into improving the quantity and quality of wood resources will continue to be a high priority, in conjunction with value added processing.

While considerable effort has been directed into climate change research in forestry, there has also been the lack of a comprehensive approach that takes into account the net carbon footprint across the supply chain for key industries and forest regions. Such a framework would assist climate policy by taking into account carbon removals and emissions at each stage of the production and consumption process, including forest growth and harvesting, wood processing, product use (including substitution with emissions intensive materials and recycling) and post-consumer use (e.g. wood waste for bioenergy, storage in landfills).

#### **NAFI calls on Government to:**

- **Review, in partnership with industry, the level and structure of R&D funding for the forest industry, to improve overall capability and incentives for innovation and delivery of R&D.**
- **As a priority, fund research into the establishment of hardwood plantations for the production of high quality sawlogs and the commercial processing of those logs.**
- **Fund key research gaps in forest sector climate change mitigation, given its significant role in providing a low cost solution to emissions abatement. This would include an assessment of net emission reductions from key forest sectors and regions.**
- **Support the development of renewable biomass technologies, including woody biomass, with biomaterial and bio-energy technology providers and suppliers.**

## 4.0 Skills for an innovative future

In addition to being a high technology industry, the rapid development of the forest industry in certain regions is likely to mean the industry faces a shortage of suitably skilled workers. Paralleling initiatives for industry innovation is a need for career and skills initiatives that attract new skilled workers to the industry, retain existing workers in the industry and ensure existing workers are increasing their skills commensurate with the evolving technology. Forestworks, the Forest Industry's Industry Skills Council, is the appropriate organisation to develop and implement these initiatives.

**NAFI recommends that the Government:**

- **Continue funding of Forestworks as an Industry Skills Council to develop and implement career and skills initiatives that focus on the increasing need for highly skilled workers in all aspects of the industry, from machine operators to professional foresters.**

## 5.0 Improving market access

### *Certification schemes*

In addition to the robust statutory and regulatory framework for sustainable forest management in Australia, the uptake by industry of internationally recognised certification schemes has further contributed to the environmental credentials of forest management and the commitment by industry to continuous environmental improvement. Certification of wood products is becoming increasingly important in domestic and export markets as well as public and private sector procurement policies.

The area of certified forest has increased over recent years to around 10.4 million hectares, largely based on the Australian Forestry Standard (AFS) and Forest Stewardship Council (FSC) schemes. The AFS is presently undergoing a technical review of its existing standard, while the FSC is in the process of developing a national based standard within the FSC international framework.

In addition, there has been a proliferation of other environmental rating schemes both internationally and domestically, offering environmental credibility. Because many of these schemes are voluntary they are not subject to due diligence in relation to whether they deliver environmental credibility and market transparency to consumers. Many wood markets both internationally and domestically have been distorted by these environmental rating schemes impacting on domestic industry and jobs.

**NAFI calls on Government to:**

- **Review the proliferation of voluntary environmental rating schemes in terms of market transparency and triple bottom line impacts in domestic and international markets.**
- **Fund the further development of credible third party certification schemes for the sustainable forest management of forest products in Australia, including the review of the Australian Forestry Standard (AFS) and the development of a national standard for the Forest Stewardship Council (FSC).**

### *Domestic and export marketing*

With an expanding population and high forecast demand for new housing and building construction over the next few decades, the forest industry can provide a versatile range of building products for both structural and high quality appearance (i.e. aesthetic) uses. Numerous domestic and overseas studies have identified the low energy inputs and carbon mitigation benefits of wood products compared to other building materials such as steel and concrete, as well as the significant amounts of carbon stored in these products for relatively long periods of time.

To assist in the dissemination of information on the versatility and high environmental credentials of Australia's wood products, it is proposed to establish a domestic and export facilitation network with the objective of assisting consumers and suppliers gain information on the relative merits of forest products and also provide information to buyers from international markets on the quality of Australia's forest products. This initiative will assist in addressing Australia's \$2 billion trade deficit in forest products by increasing exports.

The forest industry is also concerned with the level of illegally logged timber imports into Australia and supports initiatives to promote good governance and sustainable forestry practices in 'suspect' country sources. It is important that such illegal logging policies do not impose additional regulatory burdens and high compliance costs on an Australian forest industry that is already subject to high environmental standards and internationally recognised third party certification.

Australia must also maintain a level playing field with respect to global forest products trade. Findings by the Australian Customs Service of recent predatory pricing and the dumping of toilet paper into Australia have raised industry concerns about the lack of an adequate government response.

#### **NAFI calls on Government to:**

- **Ensure building codes and energy rating schemes do not unfairly restrict the use of wood products, and recognise the life-cycle benefits and low carbon footprint of wood products.**
- **Establish a domestic and export facilitation network with industry – to expand and develop new markets for Australia's high quality wood products and promote the economic and environmental benefits from sustainably managed forests.**
- **Implement an effective policy on illegal timber imports that is cost-neutral and protects domestic suppliers and builds further capacity for sustainable forest practices in the Asia-Pacific region.**
- **Address anti-dumping issues to ensure the domestic industry, local jobs and reliant communities are protected from the effects of dumping of forest product imports.**

## **6.0 Essential infrastructure**

A key aspect to forestry project development is ensuring that associated infrastructure such as roads, rail and port facilities are developed with the growing needs of the industry, as well as future possible links with energy markets and infrastructure from biomass resources such as forestry wood wastes. The growing plantation regions of the Green Triangle in South Australia and Victoria, Great Southern region of Western Australia, Northern Tasmania and the Murray Valley (Tumut/Tumbarumba) are areas where the industry is facing infrastructure constraints. These constraints, if not addressed, will result in the positive economic benefits the industry can provide not being realised.

### **NAFI recommends that the Government:**

- **Undertake a strategic study to identify transport (i.e. road, rail and ports) and energy infrastructure to underpin the development of the forest industry in key parts of Australia.**
- **Establish a funding program through Infrastructure Australia to ensure forestry related infrastructure is given high priority.**

### **About the National Association of Forest Industries (NAFI)**

The National Association of Forest Industries (NAFI) is the peak national body representing the Australian forestry and forest products industries. NAFI represents companies, individuals and organisations involved in these industries and works with governments and other stakeholders to support its members, improve industry standards and practices, promote sustainable forest management and educate the community on the broader economic, environment and social benefits of a strong and vibrant forest industry.

