



Southern and Eden RFA: Economics of native forest harvesting

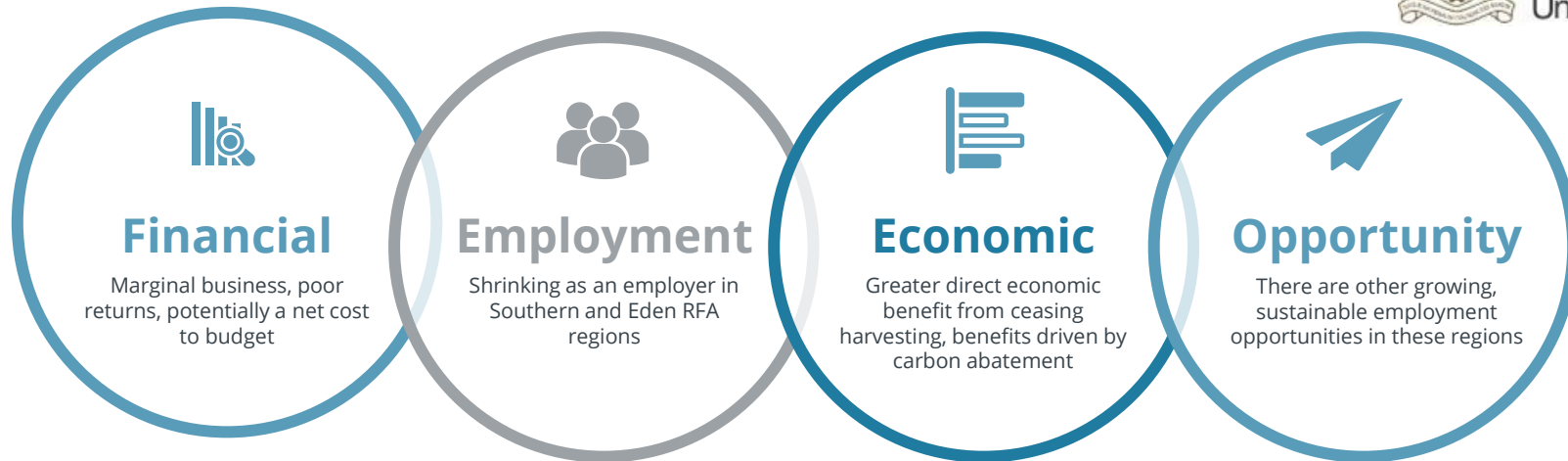


November 2021



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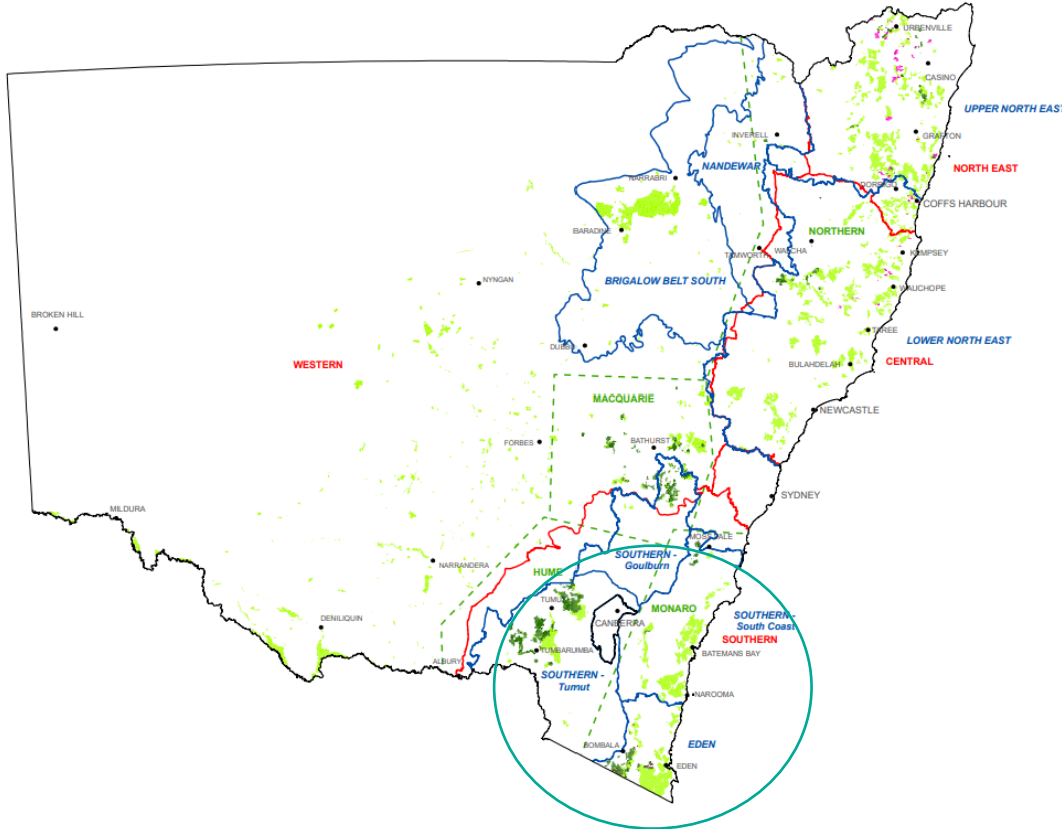
Overview



There would be financial and economic benefit from ceasing native hardwood forest harvesting in the Southern and Eden RFA regions and an achievable transition for impacted workers

Study scope – Southern and Eden RFA areas

STATE FOREST REGIONAL BOUNDARIES AND CRA/RFA REGIONAL BOUNDARIES



- Native Forest
- Softwood Plantation
- Hardwood Plantation
- CENTRAL** Regional Boundaries (Native Forest Operation)
- MONARO** Regional Boundaries (Planted Forest Operation - Indicative only)
- CRA/RFA Regional Boundaries

Low financial returns to NSW



FCNSW

Hardwood Division
(native & plantation)

2019-20

\$0.4m

5 YR to
2020
(Av)

\$2.3m

Softwood Division
(plantation)

2019-20

\$59m

5 YR to
2020
(Av)

\$64m

- Financial losses on the native forest business in other states has been a key driver of their decision making to cease native logging and focus on the more profitable plantation business
 - Victoria: Parliamentary Budget Office estimate this will [increase the state's budgeted net position by \\$192m](#) over the period 2019-20 to 2029-30. Although revenue is forgone, the government avoids expected grant payments to VicForest of \$310m
 - Western Australia: Forest Product Commission native forest business made a loss of \$1.16m in 2018-19



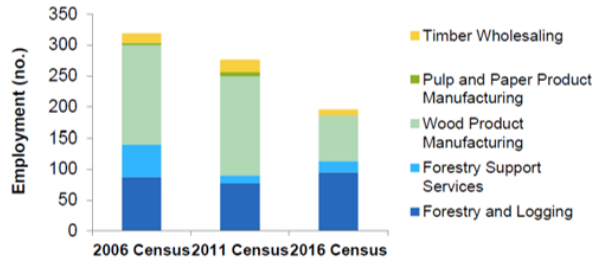
Improved financial transparency needed in NSW

Employment in native forestry has fallen to a low level



Eden RFA region
39% reduction from 2006 to 2016

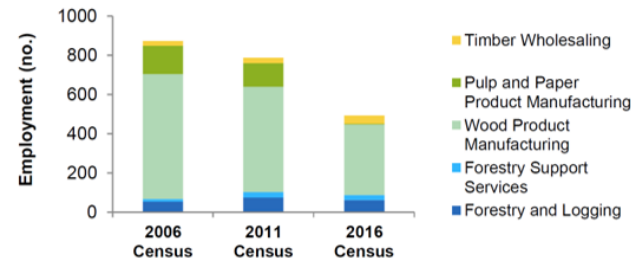
Figure 8: Direct native forest and wood products employment in Eden RFA region



Source: NSW Department of Primary Industries 2018, NSW Regional Forest Agreements – Assessment of matters pertaining to renewal of NSW Regional Forest Agreements, August p. 300.

Southern RFA region
27% reduction from 2006 to 2016

Figure 9: Direct native forest and wood products employment in the Southern RFA region



Source: NSW Department of Primary Industries 2018, NSW Regional Forest Agreements – Assessment of matters pertaining to renewal of NSW Regional Forest Agreements, August p. 301.

- Employment has fallen further in the 5 years since 2016 – currently around 110-120 harvest and haulage jobs; 180-200 processing jobs
- Across the relevant LGAs, forestry accounts for between 0.1% and 1.6% of total workforce, and this includes plantation and native forest related employment

Cost benefit analysis comparing status quo to ceasing native forest harvesting in Southern & Eden RFAs



What changes when harvesting ceases?

Costs

- Foregone wood product revenue
- Cost of constructing and maintaining mountain bike recreation area

Benefits

- Avoided costs of harvesting logs, and processing wood products
- Value of carbon credit
- Benefits from mountain bike recreation area



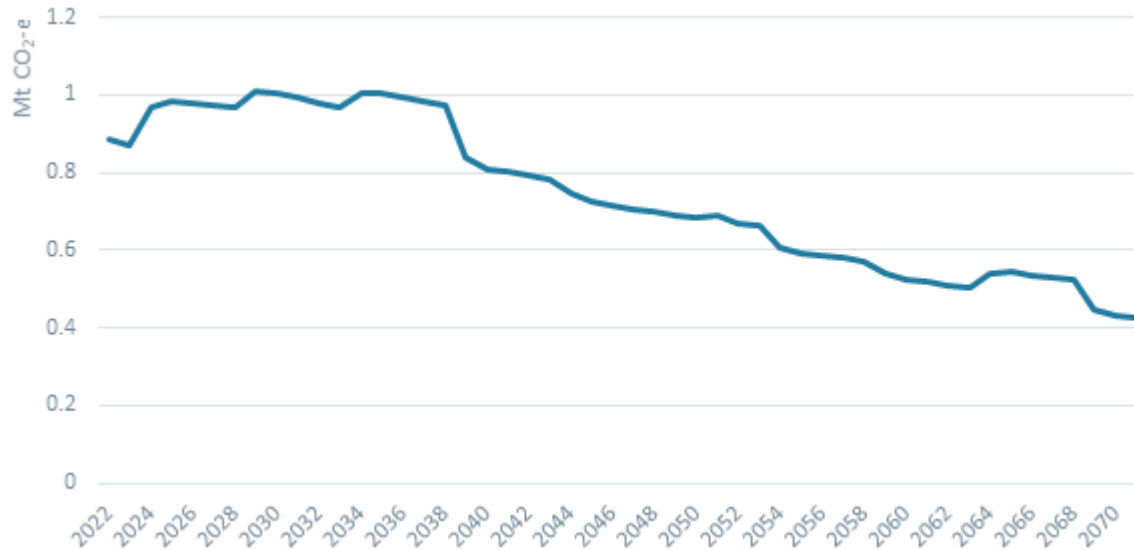
There is a net economic benefit

Benefit (\$m NPV)	\$61.96
Benefit Cost Ratio	1.05

Key benefit is from carbon abatement



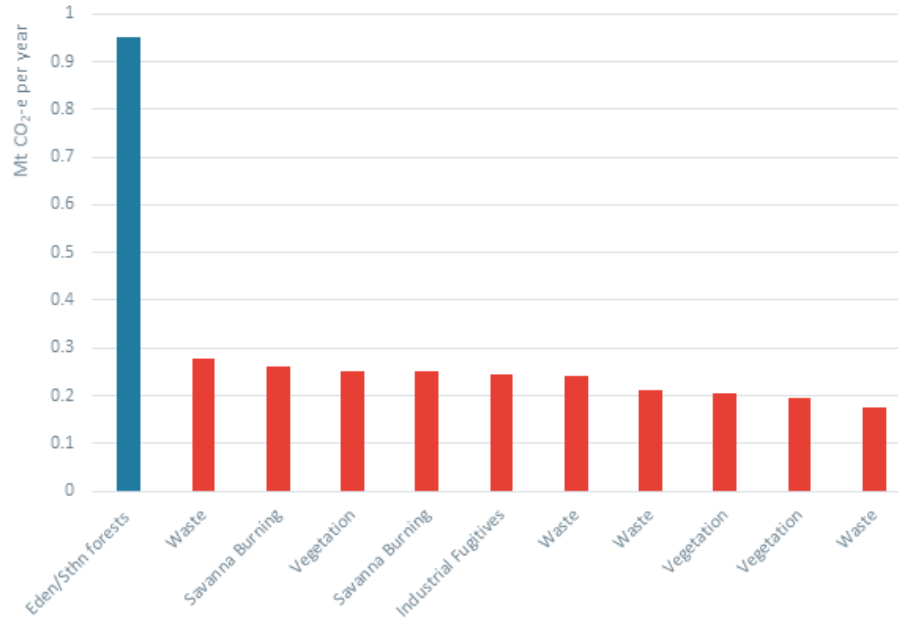
Greenhouse gas abatement from stopping native forest harvesting,
Mt CO₂-e per year



Significant abatement



Comparison to abatement from 10 largest carbon offset projects in Australia



Alternative regional employment opportunities

Forestry management

Employees will still be required – with different management objectives

Recreation and tourism

Accounts for a much higher proportion of employment in local LGAs (around 10% to 24%) and has real growth opportunities e.g., mountain bike trails.

Derby NE TAS: 30km trails, 100 jobs, 30,000 visitors per annum, \$30m per annum

Rotorua NZ: 180km trails, 340 jobs, \$30m to \$47m per annum



Plantation based forestry work

Significant softwood plantations, particularly in the Snowy Monaro and Snowy Valleys LGAs

Fire and invasive species management

Harvesting and haulage contractors have already diversified to provide firefighting / fire management services in the forests. There are also increasing opportunities in invasive species management (e.g., control of feral deer)

Other sectors

Current employees have transferrable skills including technicians and trades workers, machinery operators and labourers

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