

**Submission
No 172**

**INQUIRY INTO LONG TERM SUSTAINABILITY AND
FUTURE OF THE TIMBER AND FOREST PRODUCTS
INDUSTRY**

Name: Ms Heather Kenway

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Submission by Heather Kenway

Legislative Council Inquiry into the long term sustainability and future of the timber and forest products industry

I support the submissions to the inquiry by Harriett Swift and the South East Region Conservation Alliance.

The following is some additional contextual material, particularly relevant to the SE region of NSW, but with wider relevance for the State and indeed for Australia.

Providing major public subsidies to the inherently unprofitable native forest sector of the logging industry not only restricts the potential growth of other regional industries (recreation, hospitality, tourism, fishing, oyster growing, specialist crop growing, health and education services, etc) in the South East of NSW; it also impedes the growth and productivity of the plantation sector of the forestry industry.

As far back as 2014 ANU forest economist Judith Ajani calculated that the Forestry Corporation's profits could have been 70% to 80% higher without the albatross of the native forest sector and that, because of the costs and market situation of the native forest sector, this situation could only worsen.

Ajani stated that the public subsidies provided to the native forest sector of the industry would have been better spent on the plantation sector, to improve its productivity and capacity to provide material for the construction and other related industries. The native forest sector is essentially uncompetitive with plantations, hardwood and softwood, both domestically and in global markets. It also requires access to vastly more land than the plantation sector to produce an equivalent amount of wood - this also is a significant contribution to its cost.

By 2013 the native forest yields per hectare were only half their previous level. Forty plus years of industrialised logging in the SE forests, mainly for low-value export woodchips, had reduced the capacity of the forests to provide wood: they were being cut much faster than they could regrow. Nonetheless the Forestry Corporation, backed by the NSW Government, continued to produce wood to meet contracted volumes. Small wonder that by the time the Regional Forest Agreements and associated State legislation needed revision/renewal in 2018, contracted volumes for both sawlogs and pulplogs had to be severely reduced.

If the environmental and economic cases for exiting the native forest sector were strong before the 2019-20 bushfires, in the wake of the fires there are even stronger reasons for the government to move as quickly as possible to end this logging, put a good transition package in place for the workers and the region, and apply nature based solutions for restoration and management of the State forests.

Forests can recover from disturbances like logging and fire, but not given the frequency and severity over many decades of those experiences in NSW (and indeed in other States). The wood is simply not there to support business as was usual, or supply of high value logs. Scientists are warning of ecological breakdown, of extinction crises.

Most of the logging has been for pulplogs and primarily for woodchips for the export market. Does the Government really want to pay to have the forests further degraded, with all the

adverse consequences for water, soils, and wildlife, with Increased fire risks from dense young regrowth, and the now far-better-understood adverse impacts on the health of our communities and the costs associated with that?

The days of pretending there is a 'balance' between logging and native forest protection that can be set are long gone. Even the forestry industry acknowledges it does not have a social licence to log native forests. Job numbers are small, the contribution to regional economies is minor. Ending logging in specific NSW State forests has been managed before, with little social upset. Environment protection measures need to be reinstated for private forest areas, so as not to repeat the failures in the State forests.

The recent decision to support a forest hub in the Eden region provides an opportunity to improve the scale and profitability of the plantation sector, and develop and service further processing industries in the region - albeit bearing in mind the natural limits to tree planting schemes (competition for water, agricultural and other land uses, state of the soils, etc); and also that the earlier failed managed investment schemes are a cautionary example of what not to do.

With enhanced educational and training support the hub could provide a valuable focus for programs of native forest restoration and associated activities.

Solar and wind systems for energy production and heating have long been popular in the SE region, and the development of community-scaled batteries opens new opportunities for an expansion of decentralised renewable energy systems and associated jobs.

The Australian forestry industry and biofuel lobbies have for many years pushed their case for greater use of native forest wood for energy and a variety of biofuels and other advanced bio-products for the domestic and the international markets, both as an economic proposition and as a means of addressing climate change and reducing carbon and other emissions into the atmosphere. They have for years claimed that because the trees will grow again such uses are carbon neutral.

The northern Europeans in particular have encouraged forest wood burning for power and heating, as partial substitutes for coal burning and in some cases as stand alone power stations; and used deficiencies in the carbon accounting systems developed in international bodies like the United Nations to have this treated as renewable energy and carbon neutral. These initiatives have sorely depleted primary forests in supplying countries, developed and developing. The environmental costs are now becoming much clearer, including health costs associated with the linkage to coronaviruses, and in many local areas the health costs associated with wood smoke from forestry operations and commercial and domestic heating.

Key international bodies are now seriously concerned about such perverse environmental, social and economic outcomes. International and Australian scientists contributing to both global and Australian investigations have now concluded that emissions from wood are worse than those from coal, and that the regrowing of trees - assuming that they would in fact grow as before - are in time scales far longer (anything from decades up to two centuries) than the time climate scientists say we have to reduce emissions to a safer level (i.e. urgently in large increments over the next thirty years and beyond).

Following recognition that existing global accounting for carbon was not fit-for-purpose because of its emphasis primarily on carbon flows rather than also on stocks of carbon, new methods for carbon accounting in the natural resources sectors were adopted in March 2021 by the United

Nations Statistics Commission, based on both stocks and flows and the principles of nature based solutions to climate change. As the Australian carbon accounts are adapted to international methods this will mean quite serious revision for the NSW Government's own calculations. The new method reinforces the argument for protecting primary (old growth) forests and allowing secondary (logged) forests to recover to their carbon carrying capacity. Properly implemented it will remove the perverse incentives encouraging repeat short term logging of native forests, which have contributed to accelerating climate change, both regionally and globally.

The message for the NSW and other Australian State and Territory Governments is that there is no future for native forest based bioenergy and other bio-products on the industrial scale planned by the State forestry agencies and the forestry industry. The proposed wood-fired Redbank power station in northern NSW, the briquettes plant being constructed at the Eden chip-mill, plans for native forest wood based bio-bitumen, the possibility of exports into the global wood biomass energy markets, all carry the serious risk of running foul of new rules for carbon accounting and hence the value of carbon credits critical to their economic survival. And for the NSW Government the likelihood of rising demands for even more subsidies.

Australia is undergoing rapid change in many areas of its economy, with social impacts that are not yet fully clear. There will be opportunities and challenges for regional areas, and also a great need for serious planning to support regional communities through the transition to a more environmentally and socially benign future, even as the climate continues to change.

28 May 2021

1 J. Ajani, "Key information for NSW forest policy today" March 2014, prepared for the South East Region Conservation Alliance's discussions with the then NSW Treasurer's chief of staff, is on the SERCA website serca.org.au. See especially page titled "Native forest wood production will remain a loss maker".