

Timber recycles carbon



Timber Queensland Submission on

Carbon Pollution Reduction Scheme – Green Paper

**Timber Queensland Limited
P O Box 2014
Fortitude Valley Qld 4006**

10 September 2008

Timber Queensland is the peak body for the timber industry in Queensland, representing the full spectrum of the forest and timber industry, from growers through to processors and users of timber products. Timber Queensland believes that the forest and timber industry offers significant opportunities to help address climate change through a range of measures, including carbon sequestration in forests and timber products, low energy building products and provision of a carbon neutral energy source.

Timber Queensland largely welcomes the approach to forestry as outlined in the CPRS, however this highly complex new regime does have the potential to impact negatively on the forest and timber industry if not appropriately framed.

The Australian forest and timber industry stores more than 20 Mt of CO₂ in plantations each year, and around 5 Mt of CO₂ in harvested wood products. The CPRS provides an opportunity to enhance these outcomes, with further storage of carbon in forests and wood products and indirectly by facilitating the greater use of low energy materials. The timber industry is the only sector of the economy that is carbon positive, and this must be recognised in development of the scheme.

A logical outcome of the CPRS would be a regime that enhances carbon sequestration in forests and timber, encourages the production and use of low emission products such as timber, as well as encourages a healthy market for low emission fuels such as biomass for energy generation.

Joint Forest and Timber Industry Position

Timber Queensland supports the joint position put by a broad range of forest and timber industry representatives in a separate submission, and we would like to expand on some specific issues that we believe to be important to the efficient and effective working of the CPRS.



Participation must be encouraged

The CPRS proposes voluntary coverage of reforestation, a position that is strongly supported by Timber Queensland. This will provide opportunities for the industry to receive recognition for the carbon sequestered in new plantations, and should provide a stimulus to continue their moderate expansion.

Despite the opportunities of the CPRS, there will be barriers to participation; with the potential liabilities being a major consideration. Carbon credits are generated early in a rotation when carbon prices are likely to be lowest, and liabilities encountered later in a rotation, when carbon prices are likely to be higher.

Managed Investment Schemes (MIS) have been the greatest source of funds for expansion of the plantation estate in the last decade, and there are a range of issues associated with the current investment structures and equity that would limit the participation of MIS plantations in the CPRS. Timber Queensland believes that the Government should identify a clear pathway for these impediments to be addressed to ensure that MIS plantations continue to make an effective contribution to carbon sequestration.

The CPRS as it is framed in the Green Paper is most likely to enhance the activities of larger growers that permanently increase the forest estate. However even these growers will still need to consider risk and liabilities, and the scheme rules will be an important determinant of compliance costs and hence their participation.

However, the credit accounting rules can be framed to better support participation by small and moderate plantation growers. In particular, an average accounting method will enhance opportunities for smaller growers that cannot maintain an even store of carbon in their forests over time.

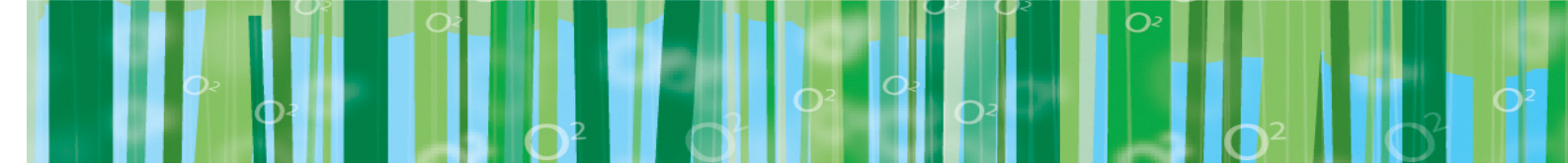
Timber Queensland welcomes the Discussion Paper on Detailed Design Issues Relating to the Coverage of Reforestation, which provides for broad consideration of a number of issues that are critical to the plantation sector. Timber Queensland looks forward to participating with the Government and national industry in developing appropriate rules to ensure real carbon flows are reflected and compliance costs minimised.

Harvested wood products must be included

Even with well developed rules that support participation and minimise compliance costs, the positive impacts of the scheme as it is currently proposed are likely to be marginal for the forest and timber industry. The major constraints arise from the liabilities associated with participation and in particular, the accounting rules that deem carbon to be lost to the atmosphere upon harvest.

The inclusion of harvested wood products in the CPRS is essential to improving the benefits of participation, and to maintaining wood resource to industry. The current carbon accounting rules that assume all forest carbon is released to the atmosphere upon harvesting do not reflect the actual flow of carbon. The result is an excessive carbon liability at harvest that will preclude many parties from participating in the CPRS.

Carbon has been demonstrated to remain in harvested wood products for many years whilst in service, and for a further period after disposal to landfill. Indeed, previous assumptions



about decay rates for a broad range of wood products in landfill have been demonstrated to significantly underestimate their role in storing carbon, with many products easily exceeding the 100 year timeframe used to consider carbon flows in the atmosphere.

The carbon stored in such products should more logically be considered to permanently store carbon, rather than as a liability at harvest. Under such an arrangement, the grower would not be liable for any emissions for that proportion of wood products that will retain their carbon for longer than 100 years both in service and in landfill. Conservative estimates of that proportion could be translated into a carbon storage factor which could be credited under the CPRS, and refined over time.

Without recognition of carbon stored in wood products, there is a potential for the carbon value of plantations to outweigh their value for wood products, and thus be retained as carbon-only plantings. Preliminary analysis indicates that this is only likely to occur at a carbon price which is high enough to offset future land costs. However, such an outcome would reduce the availability of timber, thereby increasing the likelihood of substitution by high emission products such as steel, concrete and resin based products. By crediting carbon in harvested wood products, the potential liabilities at harvest are significantly reduced, and their viability for wood production is largely maintained.

In addition to this, demand for carbon neutral energy sources will raise the level of competition for lower value residue-based products, potentially displacing longer-lived reconstituted wood products such as MDF and particle board. The recognition of carbon stored in these products will be important to provide a buffer for such products when securing resource, which will be important given that any alternative products are likely to have a much higher carbon footprint.

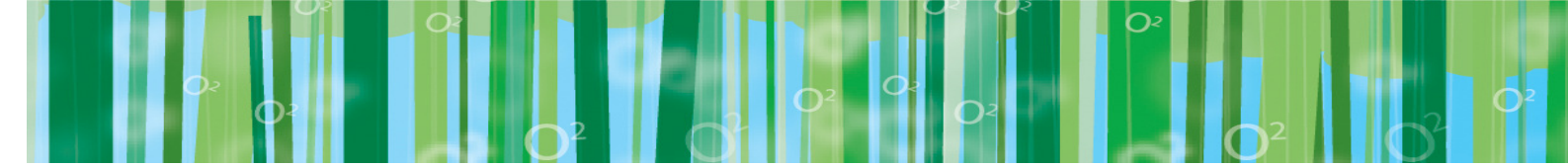
Timber Queensland supports the Australian Government increasing international efforts to have the carbon flows in harvested wood products properly recognised, as consistency with international regimes is an important design criteria underpinning the CPRS. However, in this case, we believe that the Australian Government should take the lead and include carbon stored in wood products within the CPRS from scheme inception, using simple, yet conservative accounting procedures that can be further refined over time.

EITE support must not disadvantage wood products

The proposed assistance for Emissions Intensive Trade Exposed (EITE) industries will give competitors to timber a free kick, whilst not addressing significant impacts in our own pulp and paper sector.

With steel, concrete and aluminium all likely to receive free allocation of permits due to their very high emissions, the timber industry stands to lose because it will be subject to the full cost of its emissions. Such a perverse outcome, where a carbon positive building product will be disadvantaged by a Carbon Pollution Reduction Scheme, is unacceptable to the timber industry.

The Australian pulp and paper sector is likely to fare even worse, because it is extremely trade exposed, and has emissions that are close to the proposed thresholds for support under the CPRS. Hence this sector is likely to have a significant increase in costs associated with its high energy requirements, yet still have to compete in an international market where competitors do not have to bear any carbon costs.



Timber Queensland seeks that any support for EITE industries properly address the imbalance that such support can generate for high emission alternative products competing with low emission timber products.

Uncertainty should be minimised

Uncertainty surrounding future rules, and the impacts of the CPRS on things such as resource availability, is likely to constrain investment in the industry. Without certainty about the future, industry is reluctant to invest, and finance is difficult to raise. Lack of investment in high cost capital works as the CPRS is introduced will impact on the efficiency of the forest and timber industry and ultimately its viability for some time after introduction of the CPRS.

Thankfully Australia appears unlikely to repeat the disastrous approach of New Zealand in the introduction of their emissions trading scheme, which has led to the wholesale discrediting of the scheme and enormous uncertainty in the forest industry.

Timber Queensland seeks that the Government deliver a balance between the rapid development of the CPRS, and ensuring that there are workable rules that will deliver the necessary reductions in carbon pollution without unnecessarily impacting industry investment.

Timber Queensland looks forward to working with other timber industry bodies to provide assistance to the Australian Government on forest and timber industry issues as it moves forward with the development of the Carbon Pollution Reduction Scheme.

For further information, contact:

Jim Burgess
Resource and Environment Manager
Timber Queensland

Ph: 07 3254 1989

jim@timberqueensland.com.au