

**AUSTRALIAN FORESTS AND CLIMATE ALLIANCE BRIEFING PAPER -
NATIVE FORESTS AND THE RENEWABLE ENERGY (ELECTRICITY) AMENDMENT
BILL 2008 (THE BILL).**

February 2009

Dear all,

The Commonwealth Government is currently considering amendments to the Mandatory Renewable Energy Target (MRET) legislation. This legislation currently allows for the burning of native forests for power generation. The current process provides an opportunity to remove native forests from this legislation, which is of prime importance to both emissions reductions and forest conservation efforts.

Included below is a suggested position statement from the newly formed AFCA alliance. We would ask that all interested people make the effort to provide a submission to the process outlined below. Please feel free to use the suggested statement to inform your own submission. If your time is limited a brief submission, potentially identical to that below, is of value, although any input from yourself or your organisation will add to the submissions's value.

Submissions are due by the 13th of February.

Terms of reference and background details regarding MRETs and native forests are provided at the end of this document.

For more information on the recently formed (Australian Forests and Climate Alliance), please feel free to contact [<forestsandclimate@gmail.com>](mailto:forestsandclimate@gmail.com).

Please send your submissions to: [<ret@climatechange.gov.au>](mailto:ret@climatechange.gov.au) or Joelle Richardson , Renewables, Offsets and COAG Branch , Department of Climate Change , GPO Box 854 , Canberra, ACT, 2601.

AUSTRALIAN FORESTS AND CLIMATE ALLIANCE SUGGESTED POSITION.

The landscape of scientific and public opinion is constantly shifting towards a call for deep, rapid cuts in emissions in order to avoid catastrophic climate change.

The adoption of a 20 per cent renewables energy target by 2020 is not commensurate with the urgency required to achieve this. A target which aims for 100% renewable generation by 2020 more accurately reflects the changes necessary to maintain a safe climate. There is widespread and growing support for such a target, both in Australia, as witnessed at the recent Climate Action Summit and overseas, as advocated by Al Gore and others.

Given the urgent necessity of rapid and deep cuts, any flaws in relevant legislation will seriously damage efforts to combat climate change.

Of primary concern within the existing *Renewable Energy (Electricity) Act 2000* is the inclusion of native forests as an eligible energy source. For the reasons outlined below, all biomass feedstocks derived from native forests and other natural ecosystems should be added to the list of energy sources that are ineligible as renewable energy sources in Section 17(2) of the Act, with this amendment added to the *Renewable Energy (Electricity) Amendment Bill 2008*.

Native forests should be excluded from any MRET scheme for the following reasons:

- Industry claims regarding the carbon neutral status of burning native forests are based on flawed accounting methodologies which ignore emissions from forests which existed prior to January 1, 1990. Carbon neutrality is in any case dependent on sequestration over timeframes of decades to centuries in order to neutralise large scale emissions at the point of logging and burning. Offsetting of emissions over such large timescales is incompatible with achieving the necessary emissions reduction required to combat climate change;(1)
- The continued inclusion of native forests results in perverse emissions reductions outcomes; as emissions are not accounted for properly and the industrial forestry industry is traditionally supported by large government subsidies(2).The legislation as it currently stands creates unfair competitive advantages over truly renewable sources, thus undermining the aims of the scheme;

¹ See Hansen et al. (2008). Target Atmospheric CO₂: Where Should Humanity Aim?Columbia University Press. Accessed from ://www.columbia.edu/~jeh1/2008/TargetCO2_20080407.pdf on 03.02.2009.

² For example, over the last decade, based on data derived from NSW Freedom of Information requests , the effective subsidies provided to South East Fibre Export's Eden woodchip mill amount to over \$50 million from underpriced log supplies in the decade since the Regional Forest Agreement were put in place. In Tasmania, Forestry Tasmania and the forestry industry have received at least \$326 million in federal and state based taxpayer funded subsidies through the Tasmanian RFA and CFA financial packages alone. See CoA/TasGovt (2007). *Tasmanian Community Forest Agreement - Second Anniversary Implementation Update*. The Commonwealth of Australia and the State of Tasmania, May 2007, Canberra and Hobart. and CoA/TasGovt (2002). *Report on the Implementation of the Tasmanian Regional Forest Agreement*. The Commonwealth of Australia and the State of Tasmania, 8 March 2002, Canberra and Hobart.

- The forestry industry is seeking new markets and subsidies in order to support a native forest woodchipping industry beleaguered by the withdrawal of social licence, changing consumer and market demands, particularly in Japan, and recent market downturns(3). Industry trends in the U.S. Point to large scale promotion and conversion of the woodchip industry from pulp and paper production to bio-energy production;
- Increased extraction of wood from native forests, either in the form of expanded logging or increased extraction volumes will impact significantly on biodiversity, hydrological, amenity, and other ecosystem values. Current industrial forestry procedures have large scale adverse impacts on the above values, and any additional extraction will have additional deleterious impacts. Research by Forestry Tasmania's chief conservation biologist has shown that additional fuelwood extraction beyond current extraction impacts on Coarse Woody Debris habitat (4);
- Public confidence will be undermined in the MRET scheme, detracting significantly from public support for an otherwise effective and necessary mechanism for rapid and deep emissions reductions. Public dissatisfaction has been well reflected in the controversy over the inclusion of native forest fired generation and widespread public opposition to previous and current power station proposals (e.g. Raymond Terrace, Southwood, Eden, Mogo, Manjimup(5) etc);
- State governments, consumers and power generators have recognised the perverse environmental outcomes that result from recognition of native forest fired generation, as evinced by the exclusion of native forests from Victorian and New South Wales RET schemes, and its rejection by energy retailers(6), and the nationally accredited Greenpower scheme.

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3 Lynch, J (2009). "The Chips Are Down: Industry feels the blues". *The Standard*. Accessed from <http://www.standard.net.au/news/local/news/general/the-chips-are-down-industry-feels-the-blues/1417610.aspx?storypage=1> on 3.02.2009.

4 Grove et al. (2002). "A Review of Biodiversity Conservation Issues Relating to Coarse Woody Debris Management in the Wet Eucalypt Production Forests of Tasmania". Forestry Tasmania, Hobart. Accessed from <http://www.forestrytas.com.au/uploads/File/pdf/technical_bulletins/tech_bulletin_august_2002.pdf> on 3.02.2009.

5 ABC (2008) Primary producers oppose Manjimup biomass power plant. ABC Online. Accessed from <http://www.abc.net.au/news/stories/2008/07/21/2309296.htm> on 3.02.2009.

6 Cubby, B. (2009). "Blow for Energy Proposal". Sydney Morning Herald.

Accessed from <http://www.smh.com.au/articles/2009/02/02/1233423135554.html> on 3.02.2009.

TERMS OF REFERENCE.

The aim of the Bill is to expand and transform the current Mandatory Renewable Energy Target (MRET) scheme from 9 500 production gigawatt-hours (GWh) in 2010 to a national Renewable Energy Target (RET) scheme which includes a target of 45 000 GWh in 2020. The aim is to supply 20 percent of Australia's energy from renewable sources by 2020.

Although the Bill is focused on MRET expansion, there is potential for other changes to be applied to the existing legislation.

The proposed national RET scheme has been designed in cooperation with the Council of Australian Governments (COAG) and will override existing state schemes (the NSW NRET and Victorian VRET schemes).

An Exposure Draft has been released by the COAG Working Group on Climate Change and Water after a previous public consultation process (*Design Options for the National Renewable Energy Target*), and reflects the Working Group position to date.

Comments are due by Friday 13 February 2009. These go to the working group, which subsequently makes recommendations to a COAG meeting, which are then passed on to federal parliament and draft legislation moved, likely mid year.

BACKGROUND.

The *Renewable Energy (Electricity) Act 2000* functions by requiring wholesale electricity purchasers to purchase a proportion of Renewable Energy Certificates (RECs) commensurate with their market share. The Act, since its inception, has allowed electricity generated from native forests to be eligible for RECs.

This has enhanced the economic viability of native forest fired power, though to date the only large scale generation has been co-fired (with coal) . A number of project proponents have applied for REC eligibility, and a number of native forest fired projects in NSW, Tasmania and Western Australia are progressing.

The passing of the original act encouraged a number of proposals for native forest fired power in Victoria, NSW, Tasmania and Western Australia. Strong public/consumer opposition to native forest fired power encouraged bans on native forest power in the Victorian and NSW state based schemes, as well as rejection by some utilities (recently Country Energy and Origin have rejected purchasing renewable energy certificates from the proposed SEFE plant at Eden, NSW) and the Greenpower scheme.

Continued uncertainty regarding ongoing eligibility under the Act is also a potential factor in deterring investors in native forest fired generation projects, as are a number of legislative impediments in the Victorian and NSW legislation, and in the Act itself. For example, the Act (*Regulation 8 (2) (b) (i) and 8 (3)*) states that wood waste is only eligible for MRETS if the total value of low value products (that is, woodchips) is less than that of high value products.

If the *Renewable Energy (Electricity) Amendment Bill 2008* is passed into legislation in its current form, the state-based legislation ruling native forests ineligible will be overridden. The Exposure Bill as currently represented has rejected the industry's calls for the removal of the aforementioned 'high value' clause.

Despite consistent community campaigning, widespread opposition and strong representations to past reviews of the Act, native forests remain eligible for RECs.

Community opposition to industrial logging and woodchipping, and the logging of old growth and other native forests, allied with economic factors, has seen the forestry industry seeking to discover alternative markets for native forest woodchips. A clear example is the trial export of Tasmanian woodchips destined for Japanese electricity generators in the second half of 2008 by Gunns Limited.

The forestry industry is claiming, apparently truthfully, that the prohibitive cost of wood-waste generation (as compared to coal fired generation) has been a restrictive factor, and that secure legislative subsidies such as MRETs are required to ensure profitability⁽⁷⁾. It is apparent that the industry is explicitly seeking another form of subsidisation, in this case, in costs passed onto retailers and consumers, in order to maintain the woodchipping industry in its current form.

The forestry industry has seized on climate change as an opportunity to derive political, legislative, economic, and community support for native forest fired power. The industry, represented by organisations such as the National Association of Forest Industries, is attempting to utilise the *Renewable Energy (Electricity) Amendment Bill 2008* to remove some of the aforementioned legislative impediments to native forest fired power⁽⁷⁾

As a result of flaws in international, and subsequently Australian, emissions accounting procedures, the forestry industry can falsely claim that burning native forests for electricity is carbon neutral.

Flaws in international accounting methodologies mean that emissions from the logging of forests that existed in the ground prior to 1990 are not accounted for when logged. Conversely, emissions uptake from young, managed forests and plantations are accounted for. As recent research from the Australian National University demonstrates, the emissions from old growth and other native forests dwarf the uptake of carbon dioxide if correctly accounted for⁽⁸⁾.

The forestry industry in the United States has begun describing the pulp and paper industry as a by-product of native-forest fired electricity generation. Any legislation which allows a similar situation to develop in Australia will do enormous damage to the biodiversity of our forests (and potentially other natural ecosystems) and seriously hinder efforts to achieve deep and rapid cuts in emissions reductions.

Legislation like the *Renewable Energy (Electricity) Act 2000*, in its current form, will also extend the longevity of the ailing, unsustainable, heavily subsidised, and widely unpopular industrial logging and woodchipping industry. Any measures which allow the industry to continue in its current form will undoubtedly continue to have immense negative impacts on Australia's native forests, and the attendant values of those forests.

⁷ NAFI (2008). Submission To COAG Working Group on Climate Change and Water On Design Options for the Expanded National Renewable Energy Target Scheme. Association of Forest Industries, Australia.

⁸ Mackey et al. (2008) Green Carbon – The Role of Natural Forests in Carbon Storage. Australian National University Press, Canberra. Accessed from http://epress.anu.edu.au/green_carbon/pdf/whole_book.pdf on 3.02.2009.