

## Timber Optimisation Hub - Development Application 10-2020-81-1

Submission by Heather Kenway

Allied Natural Wood Exports (ANWE), owner of South East fibre Exports P/L (SEFE), proposes a Timber Optimisation Hub, to process 60,000 cubic metres per annum of regional native forest wood into sawn timber, pallets, and briquettes. ANWE's sawlog supply agreement with the Forestry Corporation of NSW (FCNSW) for 25,000 cubic metres of sawlogs is dependent on having the Development Application (DA) approved by the Bega Valley Shire Council and also on signing a softwood supply contract. Until the end of 2019 the Corporation's sawlog agreement was with Blue Ridge Hardwoods, which will cease operations shortly.

SEFE also has a wood supply agreement (WSA) with FCNSW for supply of 340,000 tonnes of pulplogs per annum.

The DA seeks approval for construction of sheds on the current site of the Eden chipmill for sawlog, pallet and briquette production, providing employment for 20 people, compared with Blue Ridge's former level of 55 employees.

The mill's new operations are intended to be integrated following repairs to the existing mill damaged in the recent bushfires. They are dependent on obtaining supplies from the forests of Bega Shire and Eurobodalla Shire in NSW and East Gippsland in Victoria. The proposed hub thus will have economic, environmental and social impacts far beyond the chipmill site.

I wish to submit opposition to the proposal taking account of the following factors:

- a contentious use of public forests, especially post-bushfires
- the hub's monopoly buyer position
- risk regarding supplies and markets
- fire risk in a hotter, drier climate
- wood based energy

The ANWE proposal affects forests far beyond the scope of Bega Shire Council's responsibilities. As indicated above the logs will be sourced from forests in the Bega Valley Shire, the Eurobodalla Shire and from East Gippsland in Victoria. Impacts from the logging are far-reaching, many are adverse, and should be a major element in the Bega Valley Shire Council's consideration of the DA.

### *A contentious use of public forests*

These are public forests, they have purposes and values other than the supply of wood - as habitat for unique wildlife and plants, for community health and recreation; they have important roles in climate and rainfall cycles. Other industries, including agriculture, oyster growing, honey production and

tourism, in the Shire and far beyond, and regional water supplies are adversely affected as native forests and their waterways are degraded by logging.

### *A monopoly buyer*

The Wood Supply Agreement for provision of sawlogs to ANWE from the Eden Regional Forest Agreement area makes obtaining DA approval a condition of the WSA's implementation. It provides for variation of the volumes of wood above and below the specified quantities and for wood to be supplied from outside as well as inside the Eden RFA area.

The Chipmill already has a WSA for supply of pulplogs, with similar latitude in regard to volumes and source areas for supply of logs. Together the two WSAs would mean that ANWE will have a monopoly of all logs produced in the Bega Valley Shire, a near monopoly of logs produced in Eurobodalla Shire, plus access to Victorian logs, which gives it an unhealthy level of negotiating power over the NSW Government as to when and where and to what extent and at what royalty rates logging will be conducted in the SE of NSW. Moreover the WSA agreement provides for open-ended five year extensions of an initial ten year supply agreement.

In these circumstances, rather than presenting as a simple permit for a modest addition to existing activity on the site, the DA, if approved, would legitimise a major monopoly business largely controlling management of the entire public SE forests.

Resolution of this larger question really lies outside the Council's remit: particularly with the NSW Government, but also touching on Commonwealth responsibilities. The Council should either reject the application or refer the question for determination to the NSW Government as a designated development.

Even before the bushfires there were reasons to question the industry's future. During the 20 year life of the first round of RFAs the forestry industry (native forestry and plantation forestry) underwent many changes: increasing mechanisation and capital intensity, and hence a declining workforce; a roughly 80% transition to plantation wood preferred by most domestic and global processors, and declining yields in the native forests.

The opportunity to restructure the industry by completing the transition to plantations (as New Zealand had done successfully and profitably) was missed as the disasters from the failed Managed Investment Schemes played out.

The bushfires in January and February of this year have been a wake-up call for the region. Lives and property were lost and many businesses ruined,

with much community trauma, a shocking toll on wildlife, and 80% of available forest burnt. Government shut-down measures in response to the covid-19 emergency have compounded the region's difficulties.

### *Lack of clarity about supplies and markets*

With so much damage to the managed forests and the region's national parks and reserves, FCNSW declared *force majeure* on all the wood supply contracts. So far as we know the declaration is still in force. Nonetheless both the NSW Government and FCNSW are making tentative moves to give an appearance of business as usual. The Environment Protection Agency has approved minimal changes to old regulations for individual compartments in burnt forests, out of context, as if those compartments are the only areas burnt.

Is it realistic to try to continue a native forest based business essentially as if the fires hadn't happened? Surely it is a time to reconsider whether the logging should continue at all. Again this is not a question for a simple determination by Bega Shire council.

What certainty could there be that the WSA volumes could be delivered? Obviously the chipmill has benefited in getting logs from the post-fire clean-up measures, but that won't provide a permanent supply.

The Department of Primary Industries and Energy acknowledged long before the bushfires that virtually all the forests in the Eden RFA area that were available for logging had been converted from mixed age, mixed height forest to dense young regrowth of uniform heights.

In 2014 the Blue Ridge sawmill had complained about Forestry Corporation's management of the forests and its concerns that there would increasingly be inadequate supplies of large sawlogs. (The fact that its machinery could not process small logs was one reason why it did not obtain the new sawlog WSA.)

It is not surprising then that when DPIE recalculated yields for the new wood supply agreements before the bushfires the volumes to be made available were considerably reduced.

Before the bushfires the Andrews government in Victoria announced planned phasing down of native forest logging and an end by 2030. The East Gippsland bushfires make supplies from that region in the interim period both more uncertain and more contentious.

ANWE's woodchip export market is also uncertain because paper makers will not accept chips contaminated by charcoal.

Additionally, if approved, the hub's products will compete in commodity markets already occupied by plantation based products better able to survive downward pressures on costs and prices.

### *Fire risk in a hotter, dryer climate*

There is now strong scientific evidence that in the South East, as in Australia more generally, forests policies and native forest management have made a major contribution to fire risk, that decades of industrialised logging of native forests have made the forests far more fire prone and water hungry, have degraded water supplies and forest soils, have pushed many forest dependent species closer to extinction either regionally or nationally, and have had harmful health and other social consequences. With the prospect of hotter and drier conditions in future, native forest management can only be increasingly contentious.

Climate scientists now express great concern that the planet may be close to planetary tipping points when humans lose the capacity to deal with major planetary upheavals. They have shortened the time frame for needing urgent action to make large reductions in emissions reductions.

Australian government responses and the public debate have concentrated on emissions from fossil fuels, in both domestic and international policies. Given the inadequacy of action to date to control emissions from fossil fuels, many forest and bushfire scientists and conservation groups are now calling for a much greater policy emphasis on the role of forests in the carbon and water cycles, as major carbon sinks and because of their capacity to draw down CO<sub>2</sub> from the atmosphere, and for their importance as rain-makers.

The Council, which supports action on climate change and developing climate resilience, is now being asked to approve a proposal that can only exacerbate the emissions problem, while making the forests less productive, and less able to adapt to hotter and drier climatic conditions.

### *Wood-based energy?*

Before the fires Commonwealth and State energy ministers, agencies and industry leaders were seeking new wood product markets, especially for pulplogs and woodchips, including during a visit to Japan. Industry has pushed for using native forest pulplogs for energy production and heating, including as a substitute for coal. In Europe, the UK and South Korea there has been a very large increase in wood-fired energy production, even as opposition has grown in supplying countries. Vales Point power station in Australia has tested native forest wood biomass with coal in its energy inputs.

However the scientific evidence indicates that wood-fired power is in fact more carbon emissive than coal, and especially so for Australia's very carbon

dense native forest wood. Global and Australian rules that treat native forest biomass as renewable, although trees have been logged far faster than they can be regrown, provide financial incentives, as do carbon accounting rules.

Meanwhile rapidly reducing costs for genuine renewables like solar and wind energy mean that the case for not logging native forests for the energy market is strong on economic as well as biodiversity, environmental and climate grounds.

### *Conclusions*

It is now clear that fundamental change in forest policy is needed, that political assumptions about ecological sustainability and setting a balance between logging and environmental protection has not kept forested regions, people or wildlife safe.

Rural communities that have been shattered by the bushfires have had adverse economic impacts compounded by the covid-19 economic shutdown. Everyone is anxious to see the regional economy recover as quickly as possible. There is a natural temptation to try to rebuild existing industries. But wide-ranging measures will be needed to develop resilience from future bushfires. The forests are in no state for business-as-usual to be the basis of future forest management.

The Council has responsibilities in the Shire towards other industries as well as the native forestry industry. Health authorities have long been concerned about the health impact of the logging and post-logging burns conducted in the State Forests. Agriculture, oyster growing, honey production, tourism and water supply all depend on healthy forests; all will be adversely affected if the ravaged forests are further degraded to extract what is left after the bushfires. Again these are concerns that go far beyond the Shire boundaries.

Dealing with these broader issues are really matters for State and Commonwealth governments. Neither the Bega Shire Council nor the people of the south east should be asked to put their region's futures at risk by approving this development application, especially while so many uncertainties are unresolved. Native forestry is a minor contributor to the Shire's economy and employment opportunities. The Shire needs transition and retraining packages for displaced workers and a focus on restoring the capacity of its native forests to adapt to a changing climate.

### *Recommendation*

Bega Valley Shire Council should reject this application.