

Burning wood “waste” for electricity requires a subsidy on a subsidy to be viable Harriett Swift – May 2010

Without the substantial implicit subsidy available under the Mandatory Renewable Energy Target (MRET) scheme, burning native forest wood “waste” from the woodchipping industry for electricity would not be viable.

Without an array of subsidies from Commonwealth and State Governments, the woodchipping industry that generates the “waste”, would not be viable.

SUBSIDIES TO THE WOODCHIPPING INDUSTRY

1. Under pricing of royalties.

- The biggest subsidy is the under pricing of royalties on logs. The real price of logs is about half what it was 10 years ago and roughly half the price of equivalent plantation wood.
- Forests NSW sets prices in “commercial in confidence” negotiations as the monopoly seller to a monopoly buyer, South East Fibre Exports (SEFE). It is secretive about what the prices are and only reveals them when required by Freedom of Information requests.
- According to the NSW Auditor General, the Native Forests Division of Forests NSW lost \$14.4 million in 2007. We understand that it lost \$15million the following year. This was primarily due to under pricing of royalties on logs. While the Auditor General did not examine the contribution of the woodchipping industry to this loss, because of its dominant role in the sector (over 90% in the Eden region), it can safely be assumed that the woodchipping industry is the major contributor to this loss.

2. Damage to roads by logtrucks.

Registration fees, damage to roads by trucks compared to cars				
Type of vehicle	Typical small car Vic, NSW	Heavy truck (2 axles)	Heavy truck (3 axles)	Heavy truck (4 axles)
Rego fee	\$500	\$7,050	\$7,050	\$7,755
How many times the rego cost of a car?	x1	14 or 15 times the cost of a car		
Damage done to roads	x1	250 to 35,000 times the damage done by a car		

- Log truck licence fees do not cover the damage trucks do to roads. Local Government in particular bears a heavy cost from the damage done by these heavy vehicles to local roads.
- Major logging roads, Edrom and Imlay road were built and financed by the State Government and only in the last year or so have been funded from an industry contribution. The users of these roads have been overwhelmingly log trucks and logging crews.

3. Pollution of Twofold Bay

- The Eden chipmill is located on the south head of Twofold Bay which has been subjected to repeated infestations of toxic exotic marine organisms from ballast water released by woodchip carriers. Dinoflagellates have been established there for decades and now the noxious sea squirt appears to have similarly taken hold around the chipmill wharf. Cost of remediation has been ongoing and considerable.

4. Diesel Fuel rebate

- Log trucks are eligible for the Federal Diesel Fuel Rebate as a subsidy for fuel consumed on any journey on a public road.

5. Public relations services.

- ForestsNSW undertakes “educational” services on behalf of the woodchipping industry worth at least \$1.5 million a year.

6. Restructuring subsidies such as Forest Industry Structural Adjustment Program (FISAP)

- Following the Regional Forest Agreements, tens of millions of dollars worth of restructuring grants of cash were given to loggers for redundancy and improved “efficiency.” This general involved cash, often amounts of over a million dollars, to buy expensive new equipment such as new mechanical harvesters, bulldozers and trucks. There was little or no accountability under these programs and it was not unknown for equipment to be sold after it was bought with a taxpayer grant.
- The sole remaining sawmill in the Eden region, Blueridge Hardwoods was established with a grant from the taxpayer of \$6million.

SUBSIDY AVAILABLE UNDER MRET

1. The fuel for the proposed power station is not “waste.” SEFE managers have ascribed a notional value of \$12 a tonne to the fuel it proposes to burn. It is thus a material that already has an economic value and it is bought and sold

in the market place, mostly as garden mulch. Only a tiny amount, less than 2% is currently incinerated.

2. Burning it as electricity gives it a higher value, possibly well over \$30 a tonne than its existing use because of implicit subsidies¹ available to it under the MRET scheme.

¹ According to a study by MBAC Consulting “Global and Australian initiatives and impediments to the production of renewable energy from wood in Australia” May 2003, commissioned by the National Association of Forest Industries (NAFI), the maximum price payable for wood fuel under MRET is \$41.05/ t. Maximum price payable for wood fuel without MRET \$7.71/t. Thus the effective subsidy value of MRET \$33.33/t

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