

31 December 2007  
Garnaut Review Secretariat  
Level 2, 1 Treasury Place  
East Melbourne  
Victoria 3002

Dear Professor Garnaut,

Submission on Issues Paper No. 1 - Agriculture and Forestry

### Key Point of My Submission - Adopt Article 3.4 of Kyoto Protocol

Australia must adopt Article 3.4 of the Kyoto Protocol. This will allow:

- \* Native forests to be used in CO2 offsets trading
- \* Access to the international marketplace for native forest CO2 instruments
- \* Replacement of pulplogs for woodchipping by income from CO2 offsets.

This will give forest agencies another option in forest management,

#### 1) Pulplogs Make Economic Losses & Contribute to Climate Change

Average Pulplog Price, NSW 06/07

NSW North Coast

NSW South Coast

\$4.90/tonne

\$11.91/tonne

Source: FNSW FOI

response 29 October 2007

In 05/06 Forests NSW made a loss of about \$3.5 mn on the supply of pulplogs to the Eden chipmill. This includes head office and regional costs. (Source: Digwood, Financial Analysis of Woodchipping in South East NSW, September 2007)

90% of forest log output by tonnage in the Eden region and 50% in the South Coast-Southern sub region are pulplogs - about 78% for 'South Coast' as a whole.

#### Pulplogging is Intensive and Contributes to Climate Change

Based on 550 tonnes of CO2 per hectare and 12,084 ha logged in Eden and South Coast-Southern in 06/07 - about 6.6 million tonnes of CO2 were released in South East NSW as a result of logging (sawlogs & pulplogs). In Victoria about 6 million tonnes of CO2 were released due to logging for pulplogs for the Eden chipmill (at about 1,000 tonnes/ha). The downstream processing of converting pulplogs to woodchips and truck transport also make a significant contribution to CO2 released - about 2 million tonnes. In total, about 13 million tonnes of CO2 were released in 06/07 on account of the Eden chipmill.

#### Pulplogging is Wasteful

For every 100 tonnes of pulplogs about 175 tonnes of butts and branches are left on the forest floor. These are burnt.

#### 2) Adopt Article 3.4 Of the Kyoto Protocol

Adopting article 3.4 will enable carbon credits for State Forests to be developed. It will give forest agencies another option for forest management.

In NSW, carbon instruments sell for about \$6.35/tonne. In European markets about 25 Euros/tonne - \$AUD 41. The Federal government's intention to sign the Protocol means that Australia would have access to these international markets in carbon credits. It makes sense to adopt Article 3.4 so that Australia can take advantage of this access to international markets and trade native forest carbon credits on much better terms than in domestic markets.

By making this option available forest agencies could replace pulplogs for woodchipping with exports of carbon credits. Their costs would be substantially reduced due to the high compliance and management costs associated with pulplogging. This would enable them to make a profitable income stream instead of losses - and the forests would benefit.

Resources used on supplying pulplogs could be used on other economic activities. The economy, the forests and climate change would all be better off.

### 3) NSW Native State Forests

Native State Forests in the Eden region are managed regrowth forests. They are managed to supply regrowth logs to the chipmill. The parcels that are not regrowth are cut down for the chipmill in any case. These forests are not mature forests in a state of equilibrium - that was changed long ago by logging, They are not CO2 neutral.

In the rest of NSW a high proportion of native State Forests are classed as regrowth forests - about 25%. The parcels that are not classed as regrowth have significant regrowth components.

On the South Coast the average rotation period is around 25 years - that is, the net area available for logging will be logged in about 25 years.

Yours faithfully,

T. Digwood