

# Submission on future directions of native forest management

- Heather Kenway

## Summary and recommendations

Enough information has been provided to successive governments by academic experts and conservation organisations and even by government agencies and their consultants over the years to demonstrate that the RFAs have failed to achieve their stated goals, much less ecologically sustainable forest management.

Heads in sand, and arrogantly ignoring good process and community concerns, the Commonwealth and NSW Governments have announced their intention to roll over the RFAs ostensibly for another 20 years, but with indefinite extensions, with weakened environmental prescriptions, and with no evaluation of outcomes from the last two decades or of the likely outcomes from business largely as usual for the next two. The latest proposal (not discussed in any of the RFA documentation) is selling native forest logs of less than sawlog quality for electricity generation domestically or in the global markets. That means potentially up to 80%-100% of logs from State forests that are being clear felled or very nearly so.

Australia is undergoing major changes in its economic circumstances, and particularly in regard to its energy economy. We should not be boasting of being fuel source agnostic in how electricity is generated and leaving decisions on the sources to the market. What price the loss of unique forest ecosystems vital in the climate and water cycles (and to many other industries) while southern Australia gets hotter and drier under climate change? This is no time to be pushing native wood-fired energy generation in NSW, Australia or globally - we are in the twenty-first not the nineteenth century, and we have vastly better options for the environment, the economy, and our energy supplies.

The NSW Department of Primary Industries have asked for our views on the future form of the rolled-over NSW RFAs. They should not be rolled over. We need a major refocusing by the Commonwealth and NSW on native forest policies and management.

## Recommendations

1. The RFAs should not be rolled over. Announce RFAs to end on expiry dates, no new/extended wood supply agreements to be made; transition measures put in place for workers and regions affected; and new management arrangements made for the NSW State forests as follows:
2. Responsibility for native forest policy within the Department of Industry to be transferred to a resurrected and beefed up environment portfolio, under a Minister with political clout.

3. State forests to be put into reserve status and new management arrangements developed that could determine a variety of protected categories (for example as in the IUCN categories) that would allow a range of activities appropriate to each protected category; with a primary aim being rehabilitation of biodiverse forests for their resilience under a changing climate, their contribution to water supplies, and health and other benefits for communities and other industries.
4. Forestry Corporation of NSW to be broken up, with responsibility for the native forest sector transferred to the new environmental agency.
5. Forestry Corporation to confine its activities to management of plantations, the good news part of the current forestry industry, and the basis of construction and other processing industries; without the albatross of the loss-making native forest sector the plantations could be 70% to 80% more profitable and could put the extra revenues into improved productivity and arguably additional plantations.
6. At the Commonwealth level, responsibility for native forestry policy to be transferred from the agriculture and water resources portfolio to the environment portfolio, noting that there are significant cross-portfolio concerns involved: with water, climate change and energy policies in particular. Consequential changes in COAG arrangements will be necessary, and Australia's positions in international negotiations will need to be reassessed.

At both Commonwealth and State levels there will be a need for greater resources, human and financial, and a higher level of political focus to support a new approach to management of State native forests, taking account of the links between forest and climate and water policies in particular, but noting also their relevance to many other industry, social and environmental policies.

To those who ask where will the money come from the obvious answer is that a country that makes a commitment of \$200 billion for defence over the next 10 years surely needs to make sure that it has an environment worth defending.

12 March 2017

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Writing of the problems of the Murray Darling Basin in the Sydney Morning Herald on 21 February 2018 economist Ross Gittins said:

“It's blindingly obvious that the economy – that is, human production and consumption of goods and services - exists within the natural environment....

“It's equally clear that economic activity can damage the environment and its ability to function....

“We're exploiting the environment in ways that are literally unsustainable, and must stop doing so before the damage becomes irreparable.

“Since it's hard to be sure when damage to the environment has reached the point of no return, there's a great temptation to say doing a bit more won't hurt. I'll be right, and the future can look after itself. Business people think that; politicians even more so.”

The same is true of the management of NSW's forests. The national parks and reserves are starved of human and financial resources to fully discharge their responsibilities. The “production forests” - many areas of which are worthy of national park status - have failed to meet the environmental criteria set for them by governments, and are an economic failure serving narrow vested political and bureaucratic interests rather than a broader public interest.

In spite of all the evidence pointing to unsustainable management of the production forests, all the economic losses, all the environmental damage, all the alternative approaches that have been raised, the Commonwealth and NSW Governments have decided that the RFAs should be rolled over ostensibly for another 20 years, but with indefinite extensions, without an open and independent reassessment of the consequences of the last 20 years or of the likely outcomes from business largely as usual for the next two decades or possibly indefinitely.

The politics of the forestry industry are way out of kilter with industry economics and environmental responsibility, and way out of kilter with public expectations.

## ***RFA's: a fixed framework unsuited to a changing world***

The natural world is not static. It is constantly changing, in short and long cycles, in response to seasons, weather patterns, climate change, human activities.

On this ever-changing natural world our governments have imposed a framework of forest and forestry policies that are essentially static, too rigid to respond to change despite avowals of support for adaptation as new knowledge emerges or circumstance alters.

The Commonwealth.State Regional Forest Agreements have three stated aims:

- a comprehensive, adequate and representative reserve system (CAR);
- ecologically sustainable forest management (ESFM) in 'production forests';
- long term stability for forest based industries.

In the three NSW RFA areas (North, Eden and Southern) both the CAR reserve system and ESFM as practiced in production forests have been shown to be inadequate for protecting species and ecological communities. Modification of reserve areas and logging practice has not been sufficient to meet RFA aims.

The forest based industries have been far from stable, markets have undergone major change domestically and internationally, mechanisation has decimated the labour force, mills have closed. New technology will force further change. In the face of developments that required serious change in logging practices, nonetheless the NSW forestry agency (now corporatised as the Forestry Corporation of NSW) has pressed ahead - over-logging, over-committing supplies, giving wood supply primacy over other forest values. And successive Governments have encouraged and generally backed this approach, enforced cost savings, and cut funding for the environment agencies, EPA, OEH and the National Parks and Wildlife Service particularly, making it impossible for them to develop and maintain their environmental protection roles in regard to both forests available for logging and the forests in reserve categories. The pressure to cut costs within FC has exacerbated damage to the forest environments as effective surveys and monitoring have been largely abandoned.

Under the RFA regime the ecological integrity of the forests has been changed for the worse; multi-aged, multi-species forests have given way to large tracts where species diversity is severely reduced, and single tree species are now dominant over large areas. In higher areas in the SE trees are not regrowing: much soil has been lost and with no canopy the young seedlings are killed by frost. Dense regrowth forests on the boundaries of townships are a fire hazard. Waterways are silted up. Some bird and animal species are close to extinction; without birds and animals remnant forest is unhealthy. Understory is removed along with the trees

and weeds like lantana flourish, and bell miner dieback and feral animals are major problems.

The soils experts say that full recovery is virtually impossible after three successive loggings, and many areas of NSW forest have had that number or more - actually or nearly clear-felled, with understorey scraped away.

The native forestry sector of the forestry industry in NSW (as is the case in other States also) is unprofitable despite subsidies and concessions that are unavailable to other industries. It is fundamentally uncompetitive in domestic and global commodity markets, and will remain so. And in NSW it is protected from third party rights to legal redress for breaches of environmental requirements. Only a government agency can sue the FC for breaches, and rarely is that option taken up (and never in a timely way) despite thousands of reported breaches. Fines are pitifully small and no deterrent to bad behaviour.

The native forestry sector cannot compete with plantations for almost all domestic wood construction materials; and in the global woodchip market, which prefers plantation chips, native forest chips have been in long term decline for many years.

Plantations require only about one-tenth the area to produce the same volume of wood as can be got from native forests. Native forest logging therefore has much higher costs. The environmental cost from loss of habitat is also high. In the first decade of the RFAs in the SE of NSW larger areas were needed initially to meet sawlog commitments. As greater proportions of regrowth forest subsequently were needed to keep up contracted supplies the areas logged further increased.

The Commonwealth/NSW review of the period 2004-14 meets technical legal requirements on reporting on actions over the period to meet specified criteria. It contains much useful (and some inaccurate) information that could be helpful for future management regimes. But it is an inadequate base from which to decide to roll the RFAs over indefinitely, and with even weaker environmental protections than are afforded by present management.

### ***Plenty of warnings were given that all was not well***

It is not as if the responsible Ministers and agencies have not been given information from academic experts and conservation organisations and even from government agencies and consultants, that should have caused a reassessment of forestry management long since. Just some examples:

In 2008 former ABS staffer Terry Digwood wrote to Forestry Minister Ian Macdonald raising problems regarding productivity, pricing and royalty rates in the SE forests.\* Eight years into the RFA arrangement productivity was significantly down, the out-

put of large sawlogs was down, the area logged was significantly up, and inflation-adjusted royalty rates were about half what they were in 1992-93.

The NSW Auditor-General identified problems of over-logging in 2009. He focused mainly on forests in northern NSW and said then current output could be maintained as planned until 2013 but there would need to be a sharp reduction in output after 2023. Digwood's briefing notes for a meeting with the Treasurer in 2009 identified FNSW losses, low pulplog prices which he attributed to supporting the chipmill because the chipmill could not afford to pay a price adjusted for inflation (around twice the actual price). He calculated the effective subsidy to the industry from low royalty rates under the two RFAs in the SE at that point to be \$42 million, and estimated it would be \$142 million over the life of the RFAs.\*

The Australia Institute has assessed losses from native forest logging in most RFA States. In its 2016 piece on NSW, *Money doesn't grow on trees: The financial and economic losses of native forestry in NSW*, TAI calculated that "Native forest logging by the Forestry Corporation of NSW generated losses of \$79m over the last seven years - discontinuing the practice could deliver significant benefits to the state of NSW."

An analysis of forward harvest plans for forests in the SE of NSW prepared by ANU forestry economist Dr Judith Ajani for discussions by the South East Region Conservation Alliance (SERCA) with ministerial advisers in 2014 indicated that after 2013 the yields would be only half the 2013 level (Ajani 2014\*\*). Maintaining supplies would thus require around twice the areas of forest to be logged, inevitably meaning higher costs.

The 2014 Ajani analysis was given to the CEO of the Forestry Corporation, and has not been refuted. It was discussed with then Treasurer Baird's chief of staff and with Minister Andrew Constance (the member for the Bega electorate) and then and subsequently with several officials at both Commonwealth and State levels.

The Department of Primary Industry's consultants GHD in March 2017 also identified over-logging in the north and the fact that the SE was running out of large sawlogs (*Review of Coastal Hardwood Supply Agreements*).

The native forest sector is constraining the capacity of Forestry Corporation to invest in its core profitable business, the plantation sector, by improving stand management or by adding to the area of plantations. The 2014 Ajani analysis found that FC's profitability could be improved by 70% to 80% if it got out of native forest logging.

## ***Business even worse than usual: forward to the nineteenth century?***

The NSW Government nonetheless seems determined to maintain native forest logging rates and chase new domestic and global markets notwithstanding the economic as well as the environmental consequences.

The Department of Primary Industries is arguing that resources in the north are sufficient for three wood-fired power stations, enough to power 200,000 homes. While until 2016 there were legislative and regulatory constraints at both Commonwealth and NSW State levels on burning native forest biomass for energy generation, these constraints have now been removed, thus opening up the possibility of extending logging to trees that were too hard or too red for the chipmills that supplied paper-makers. Environmental impacts will therefore be broadened and increased if NSW goes down this route.

Strong environmental and climate related arguments against developing native forest biomass for electricity are set out in the attached paper. (AFCA Fact Sheet<sup>\*\*\*</sup>)

The Commonwealth and NSW Governments have not indicated their intentions in this regard in the RFA renewal documents released to date. But using native forest wood for electricity generation was proposed by the Commonwealth's advisory body, the Forest Industries Advisory Council, and it was discussed favourably at the COAG Forestry Ministers meetings in 2017. If any serious economic analysis has been prepared it has not been revealed in the publicly released documentation for the Ministerial meetings or in the RFA materials.

The Prime Minister in his statement of 17 October 2017 on the National Energy Guarantee raised the possibility that biomass could receive favourable treatment as a dispatchable fuel source:

“Unlike previous approaches, we are not picking winners, we are levelling the playing field. Coal, gas, hydro and biomass will be rewarded for their dispatchability while wind, solar and hydro will be recognised as lower emissions technologies but will no longer be subsidised.”

No detail has been given of how the reward will work, or the role if any envisaged for native forest biomass.

This is the response of Hugh Saddler (Honorary Associate Professor, Centre for Climate Economics and Policy, Australian National University) to my questioning how biomass might fit into the NEG undertakings:

“Firstly, I am certain that a new wood pellet generation project will be more costly than either wind or large solar, and therefore uncompetitive on a per MWh basis. Moreover, even if that were not the case, the only certain way of achieving per MWh subsidies for renewable electricity generation is through the LRET. However, as you have probably read, it appears that the capacity of wind and large solar projects now under construction or firmly committed is so large that the 2020 target will be fully achieved. Hence no new project will be able to “top up” wholesale market income with revenue obtained by selling LGCs. I have also heard the opinion that the price of certificates will collapse after 2020, affecting all projects without long term contracts (meaning most projects I think).

“That leaves the potential additional value of firming or dispatchability, implied by the recommendations relating to the NEG. The drawback here is that at present there is absolutely nothing definite about what form that might take or, indeed, whether it will happen at all. The proposed NEG at present, therefore, provides absolutely no basis on which to design an investable project.

“If it does [happen and] some form of NEG does emerge, wood generation would have to compete with concentrating solar thermal with storage, pumped hydro storage and grid scale batteries. The cost of at least the first and third of these is steadily falling. Some studies suggest that pumped hydro could currently be cheaper than either of these. Another, as yet unpublished study I have seen suggests that the costs of all of them are much the same, though with different mixtures of per MWh (i.e. energy) and per MW (i.e. capacity). Again, I find it hard to see that wood burning would be economically competitive with any of these other technologies.

“In summary, therefore, I find it hard to see how wood generation could compete with other renewable generation technologies, either now, or in the future.”

Logging NSW’s State native forests is subsidised in various ways, e.g. through royalty rates, through cost shifting within FC, by Community Service Obligations funds, by special transport subsidies, by exemptions from Council rates, by research grants. Presumably all these subsidies would be needed to compete in the global export chip or pellet market.

It would appear that additional and arguably increasing subsidies over and above these would be needed to compete against renewables like those listed above in an increasingly decentralised domestic electricity generation market, because costs of wind and solar power are on a downwards trajectory.



At the very least no decision should be taken on logging State forests for domestic energy generation or selling unsaleable and possibly additional pulpwood supplies into the export market until much more intensive investigations are made into the practical arrangements that might be necessary and the economic costs. Nor should new wood supply contracts be entered into in advance of a far better understanding of the financial and environmental costs entailed, including at various scales of generation enterprise.

### ***Ministerial silos***

It is abundantly clear that in political terms in NSW the environment portfolio is very weak compared to the industry portfolio, and there is a similar mis-match at the Commonwealth/State level.

The NSW and most other Environment Ministers appear to have been absent from COAG consideration of the future of the forests following the imminent expiry of the various RFAs. Although they were invited to attend the three planned meetings of COAG Forestry Ministers in 2017, and RFAs took up about half of the agenda at those meetings, only the ACT Minister for Environment and Planning attended. The NSW Minister indicated that she would not attend.

Nor does there appear to have been any consideration of the future of the RFAs in COAG Environment Ministers meetings.

This is clearly a very unsatisfactory state of affairs.

There seem to be problems in coordination also within the environment portfolio - for example in regard to protecting forest based threatened species, because different measures are available and rules differ as between the Office of Environment and Heritage (non-RFA aspects) and the Environment Protection Agency (logging impacts under the RFA regime).

### ***Conclusions and recommendations***

Enough information has been provided to successive governments at both national and State levels by academic experts and conservation organisations and even by government agencies and their consultants over the years to demonstrate that the RFAs have failed to achieve their stated goals, much less ecologically sustainable forest management.

Heads in sand, and arrogantly ignoring good process and community concerns, the Commonwealth and NSW Governments have announced their intention to roll over the RFAs ostensibly for another 20 years, but with indefinite extensions, with weakened environmental prescriptions, and with no evaluation of outcomes from the last two decades or of the likely outcomes from business largely as usual for the next two. The latest proposal from the industry department (not discussed in any of the RFA documentation) is selling native forest logs of less than sawlog quality for electricity generation domestically or in the global markets. That means potentially up to 80%-100% of logs from State forests that are being clear felled or very nearly so.

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### ***Recommendations***

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12 March 2018

\* The papers by Terry Digwood referred to in this submission are available on the SERCA website, [www.serca.org.au](http://www.serca.org.au)

\*\* The Ajani 2014 document and the \*\*\* AFCA Fact Sheet on wood biomass referred to in the text are attached separately.