

Pentarch Forestry. Consultation on management of high conservation values (HCVs) associated with its plantation wood supply activities for 2020.

This feedback relates to the certification of plantation hardwood chips produced at the Eden chipmill under FSC Controlled Wood.

Background

The Pentarch FSC certification is for plantation sourced woodchips and logs and relies upon an artificial separation of the operations of Pentarch Forestry and Allied Natural Wood Exports (ANWE) at the Eden chipmill.

Both plantation and native forest sourced logs are processed at the Eden chipmill, in the same mill, by the same machines and by the same staff, all wearing Pentarch uniforms.

According to ANWE Annual Financial Statements to ASIC, ANWE employs zero staff. The Eden chipmill has been highly controversial from its beginning in 1969 and remains so today. It produces overwhelmingly native forest woodchips.

It has always been a single operation, with a single owner undertaking all activities of the production line. It was only when ANWE acquired it in 2015 that different parts of the operations were assigned to separate, albeit related companies with almost identical ownership.

This may be viewed against a background of a growing number of woodchip importers, including most major Japanese paper manufacturers no longer using native forest woodchips and preferring plantation chips.

Conservationists in Australia are united in arguing for native forest logging to end and a full transition to plantation sourced wood.

General

When ANWE acquired the Eden chipmill from Nippon Paper, spokesmen for the new owners (identical in most respects to Pentarch Forestry) have made numerous public comments stating that their intention is to replace native forest with plantation sourced wood. Its website contains the statement: "ANWE sees plantation development, processing opportunities and technology implementation as key strategies for the near future."¹

However, there has been no concrete information available from the company for the public to know whether and/ or to what extent this has happened.

Unlike Nippon Paper, neither ANWE nor Pentarch disclose this in their Annual Financial Statements to ASIC or other public statements.

In an increasingly environmentally aware export market, there must be a strong incentive for any woodchip exporter to exaggerate the amount of plantation hardwood being processed and exported.

The Due Diligence Summary

The DDS document is not always clear in its meaning and some of its content is very difficult to comprehend.

¹ <http://www.anwe.com.au/products-services.html>

It is evident, however, that there are many opportunities for contamination or supplementation of genuine plantation hardwood logs and/ or chips with native forest regrowth logs and/ or chips at several points in the supply chain:

1. At the logging site. Maps show that Pentarch owns native forests which are logged
2. Log and chip stockpiles at the chipmill
3. Loading of chips onto woodchip carriers

There is only a very limited amount of plantation hardwood available in the supply zone, and yet Pentarch states that one of its 4 chip stockpiles is dedicated solely to plantation hardwood.

It is obvious that many woodchip carriers load from this pile; its height rises and falls after chips are loaded onto ships for export.

Availability of Plantation Hardwood

There are no hardwood plantations in the Eden Region of NSW managed by the Forestry Corporation, but there are a small number of privately-owned hardwood plantations and privately-owned native forest.

At a public pre-election forum in Eden in January 2019, the former General Manager of the chipmill, Mr Peter Mitchell said that there were only 50,000 tonnes of plantation hardwood chips available in total. He said this in response to a comment from Eden-Monaro MP, Dr Mike Kelly, who had been advocating a transition to plantations.

Perhaps Mr Mitchell was wrong, but he should have known!

Fifty thousand tonnes could be accounted for in a single shipload.

Plantation or native forest regrowth?

There is an increasing blurring of the distinction between native forest and plantation wood, both in privately and publicly owned forests.

Even the NSW Forestry Corporation has abetted this, with one of its most recent 15-year Wood Supply Agreements to supply pulpwood to the chipmill being titled "Regrowth Forest and Plantation Hardwood Pulp Logs, June 2018."²

The Supply Zone in question, for this WSA, is the Eden Region where there are no hardwood plantations controlled by the Forestry Corporation. Why is the word "plantation" used in the title of its WSA?

While it may serve the interests of any exporter concerned about its reputation in the current export market to have these 2 log sources conflated, it is misleading to imply that plantation hardwood from Eden Region State Forests is processed at the Eden chipmill.

Risk of Contamination

There are numerous references in the DDS to the risk of contamination³ in the supply chain being "low", but this is untested and untestable by an independent observer.

² <https://www.forestrycorporation.com.au/about/sales-and-supply>

³ According to the DDS. the "second step is to conduct a risk assessment to determine if the material received by Pentarch is at risk of being mixed with other sources along the supply chain that may be considered unacceptable.

This could occur either before or after the logs have entered the chipmill.

The chipmill is surrounded by an electric fence, so it is impossible for anyone who has not been invited inside to observe unloading of logs, storage arrangements for logs and chips and loading systems for chips.

Similarly logs from a young regrowth native forest and a hardwood plantation would be difficult to distinguish from each other once on a log truck.

We contend that, in these circumstances, the risk may not be low at all.

Stakeholder engagement

“Stakeholder engagement” is listed as one of the “control measures” to remove the risk of contamination. “Maintain good stakeholder relations” is listed as a “Desired Outcome.”

This has not happened. Indeed, the South East Region Conservation Alliance (SERCA) Inc, the principal forest conservation NGO in south eastern NSW was not even listed in 2018 as a stakeholder. It was omitted initially again as a stakeholder for this 2019 consultation.

Other conservation minded individuals have been similarly excluded.

The DDS states that plantation hardwood logs are stored separately from native forest logs, but there is no way of verifying what happens.

Eden stockpiling and loading arrangements are set out on pages 9 – 10. The DDS makes light of the contamination risk – particularly at the point of loading chips onto ships.

Whether or not contamination⁴, accidental or otherwise occurs at the point of stockpiling logs, stockpiling chips or [especially] loading of ships is impossible for an independent outsider to check.

To have more credibility, Pentarch needs to declare:

- How much plantation hardwood does the chipmill process and export?
- Where exactly this comes from.
- How much of the total output of chips from Eden chipmill this comprises?
- Who processes the logs from Pentarch owned native forests?

The chipmill owes the community a lot more transparency if it is to regain for itself the social licence that the native forest logging industry generally has lost.⁵

Recommendation

In our view, Pentarch should not be eligible for any form of FSC certification while it continues to manage some of the most destructive and intensive native forest logging in Australia for the Eden chipmill.

With or without contamination, accidental or otherwise, woodchips from operations managed by Pentarch represent 50 years of native forest destruction, the death and suffering of millions of native forest dwelling creatures, loss and degradation of water and soils throughout the region in which it operates.

⁵Social license chipped away. Why support for woodchipping has collapsed in south east NSW
<https://npansw.org/wp-content/uploads/2019/02/Social-License-Report.pdf>

Irrespective of where the logs and woodchips come from and whether or not they were contaminated along the way, they share a storage yard and a conveyor belt. The companies that own and operate all activities at the Eden chipmill, SEFE⁶, ANWE and Pentarch share an address, share the same industrial premises, the same offices, the same phone number⁷ the same owners, the same directors and the same accountants. Revenues from the sales of both plantation hardwood and native forest chips will end up in the same bank accounts and contribute to the same shareholder dividends.

Every log truck arriving at the Eden chipmill, regardless of whether the logs are native forest or plantation sourced, is greeted at by a staff member wearing a Pentarch uniform.

Potential woodchip buyers are likely to be impressed by the FSC logo on the Pentarch website,⁸ whether they are in the market for native forest or plantation chips.

The operations of the Eden chipmill should be treated as a whole. Arbitrary separation of different components of the operations is not justified.

New products which may be covered by FSC certification

In recent weeks there have been announcements indicating that both briquettes and wooden pallets will soon be manufactured at the Eden chipmill. It is critical that any existing FSC should not extend to these new products.

The existing certification should not be continued and should not be permitted to cover any new products manufactured at the Eden chipmill site.

⁶ South East Fibre Exports

⁷ Phone: +61 2 6496 0222 for the Eden office.

⁸ http://www.pentarch.com.au/pentarch_forestry/forestry_au/index.html