



Submission by the
Forest Industries Association of Tasmania

to

Greenhouse and Energy Reporting Taskforce
Australian Greenhouse Office
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on the

National Greenhouse and
Energy Reporting System -
Regulations Discussion Paper

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Forest Industries Association
of Tasmania



CONTENTS

CONTENTS	2
OVERVIEW	3
ABOUT FIAT	5
General comments	7
Section 1.4 Streamlining, p.2, NGER Discussion Paper	7
Section 2.2.1 Methods and criteria for calculating greenhouse gas emissions, p.9, NGER Discussion Paper	7
Section 5. Greenhouse gas projects, p.33, NGER Discussion Paper	8
Section 7.4.6 Penalties under the Act, p.40, NGER Discussion Paper	10
Section 2.1 Greenhouse gases, p.6+ , NGER Discussion Paper	11





OVERVIEW

The Forest Industries Association of Tasmania (FIAT) welcome the opportunity to provide input on the National Greenhouse and Energy Reporting System - Regulations Discussion Paper.

FIAT endorses and supports the comments made by the National Association of Forest Industries in their submission on the NGER Discussion Paper.

Wood is stored atmospheric carbon and solar energy, and wood and wood-based materials are the only materials that our society has at its disposal which are truly renewable, and the alternatives (plastic, metals, masonry, glass, and animal products) all require a great deal more energy to make and are responsible for far greater resulting emissions. FIAT supports an Australian Emissions Trading Scheme that recognises the true credentials of wood and wood-based products including biomass-based energy systems, and we welcome the development of such a scheme. FIAT understands that the NGER Act will underpin any such Emissions Trading Scheme for Australia.

FIAT understands that the details regarding the calculation of emissions and energy use and production are still being developed, and we are keen to participate in any consultation around that development. We do believe, however, that the drafted penalties under the Act are too heavy-handed and onerous, particularly for the early years of reporting when methodologies for undertaking the calculations are still being refined.

FIAT is very concerned that the structure of the Australian Emissions Trading Scheme should represent the true credentials of forestry and wood products. We look forward to the inclusion in the AETS of the now recognised value of wood products as a store of atmospheric carbon (Report of the Prime Ministerial Task Group on Emissions Trading, 2007). We are concerned that forestry abatement projects will require demonstrated financial additionality which we see as clearly disadvantaging forest growers who had the



foresight to establish forests in the knowledge that their efforts would be beneficial to the country and the planet whilst not being established exclusively for the provision of those benefits.





ABOUT FIAT

The Forest Industries Association of Tasmania (FIAT) is an industry association formed in 1983 to represent the interests of processors of Tasmanian forest products. FIAT was formed out of a predecessor Association, the Tasmanian Timber Association (TTA). FIAT and TTA collectively have provided representational services to the Tasmanian timber industry for in excess of 60 years. Our members' activities are diverse and include:

- the production of veneers, hardwood and softwood timber, pulp and paper;
- woodchip production and export; and
- plantation and native forest management.

FIAT's 18 member businesses include all of the State's larger processors of forest products. They utilise a significant proportion of the crown sawlog output as well as all of the high quality decorative veneer produced in the State. FIAT Members' activities account for more than 75% of the gross value of production in the forest and wood products industry in Tasmania.

Included within the FIAT membership are the State's largest industrial forestry Companies that account for the vast bulk of plantation development and management enterprises on private land in Tasmania and the largest native forest management enterprises in the private sector in this State.

As such FIAT and its members have a significant interest in the National Greenhouse and Energy Reporting System and welcome the opportunity to comment on the NGER Act Regulations Discussion Paper.

FIAT's role is described in our Annual Report as follows: -

Role:



In addressing its first objective, FIAT's role is characterised by helping to create the right external environment within which industry has to operate. This has two main dimensions - the policy environment and the public image of the industry in the eyes of the community.

The policy environment centres on government legislation and regulations which determine the limits to what industry can do. The policy environment must be tackled at both the Federal and State Level.

Industry's public image rests on public opinion and the various factors which influence that opinion. This is important because public opinion has a strong bearing on the development of Government policy.

In addressing its second objective, FIAT's role is to facilitate discussion and joint action among its membership, to project the membership position in wider forums as appropriate and to encourage other bodies to participate positively in the public debate to ensure that the industry retains a public license to operate.





General comments

FIAT endorses and supports the comments made by the National Association of Forest Industries in their submission on the NGER Discussion Paper. We wish however to make the following observations.

Section 1.4 Streamlining, p.2, NGER Discussion Paper

FIAT supports the key goal “to minimise or eliminate duplication of similar reporting requirements across Australia, in order to reduce the reporting burden on business” and request that the essentially duplicate recording under the NGER and Energy Efficiency Opportunities programs be combined into a single reporting system. This would also involve combining any similar State-based reporting requirements such as Victorian EPA requirements and as-yet-to-be defined Tasmanian State reporting requirements. Failure to provide this level of streamlining in such a complex area will add significantly to the administrative and compliance burden of business without actually producing any additional benefits.

Section 2.2.1 Methods and criteria for calculating greenhouse gas emissions, p.9, NGER Discussion Paper

On page 9, NGER Discussion Paper:

Detailed consultation on greenhouse gas emissions calculation methods will be held as a separate process. Anyone interested in participating in that consultation should identify their interest in their submission.

FIAT hereby indicate interest in participating in the consultation regarding greenhouse gas emissions calculation methods.

In particular FIAT seeks clarification of the methodologies for calculating energy and emissions:



- **Emission reporting thresholds:** do the emissions associated with the combustion of sawmill residues (wood residues) contribute to the estimation of a sawmill's total emissions in respect of the reporting threshold? Based on the methods described in the AGO Factors and Methods Workbook, December 2006, only 1.4 kg CO₂-e per GJ is reported as an emission (scope 1, Table 1 of workbook) for energy derived from the burning of wood and wood waste, when the actual emissions are around 95 kg CO₂-e per GJ. Is the reporting threshold for a sawmill based upon the actual emissions level or the scope 1 emissions level as defined in the AGO Factors and Methods Workbook?
- **Energy reporting thresholds:** Similarly, does the consumption of energy generated from the burning of sawmill residues contribute to the estimation of a sawmill's total energy consumption in respect of the reporting threshold?

Section 5. Greenhouse gas projects, p.33, NGER Discussion Paper

The discussion paper does not appear to address the drafting of regulations pertinent to greenhouse gas projects, yet the National Greenhouse and Energy Reporting Act 2007, Section 7 (p.6) indicates the regulations will specify the requirements of projects:

greenhouse gas project means an activity or series of activities:
(a) designed to remove or reduce the emission of greenhouse gases; and
(b) which meet the requirements specified in the regulations;

FIAT is particularly concerned that the regulations regarding projects may be in line with the current requirements of forestry projects under the Greenhouse Friendly program, and in particular the requirements of (financial) additionality (AGO 2007:Greenhouse Friendly™ Forest Sink Abatement Projects, p.8):

“A project will be considered to achieve additional greenhouse gas abatement if the anticipated future revenue from greenhouse gas abatement generated is relied upon to ensure the financial viability of the project: that is, the project generates abatement that is beyond ‘business-as-usual’ investment.”



The growing of trees, which are to be harvested for products such as wood for use in construction which will have permanence in the biosphere, is a solid and quantifiable method of holding carbon from the atmosphere.

The forest industries generally and FIAT membership specifically have long understood the role of forestry and wood products in sequestering and storing atmospheric carbon. To deny forest growers the right to claim the carbon sequestered through their efforts is unreasonable, particularly given the country will be counting the sequestered carbon as an offset for emissions in the internationally reported emissions accounts.

FIAT considers “environmental” additionality (being that GHG emissions reductions would not have occurred if the project had not been implemented) is an appropriate additionality criteria for abatement projects. FIAT understands that in the United States of America “environmental” additionality is a necessary criteria for greenhouse gas abatement projects, and that “financial” additionality is considered to be inappropriate in a free trading market and not an accepted requirement.

Financial additionality will be impracticable to measure, and beyond being unworkable from an accounting standpoint, requiring financial additionality as a criteria would have a dampening affect on investments in forest projects, which are one of the few true options for sequestering atmospheric carbon. This in turn would reduce the size of the market for credits and drive up the costs of abatement project compliance.

FIAT also believe the “financial” additionality criteria will act to the detriment of industry participants whose normal business pursuits are the growing of trees, as they may be unable to trade credits whilst competitor growers for whom tree planting is not business-as-usual will be able to claim and trade credits. We regard this as an entirely unfair and unreasonable competitive disadvantage to FIAT members ordinarily engaged in tree planting.





This disadvantage does not appear to be rational and is not reflective in any way of the actual capture of carbon through sequestration, as that sequestration will occur no matter which corporation undertakes the planting and regardless of whether or not the test of “financial” additionality is met.

FIAT also believe that the AGO-originated “Greenhouse Friendly Additionality Factsheet” is in error in that it opines that:

“additionality makes intuitive sense - why should someone purchasing offsets be paying for greenhouse savings from projects that would have happened anyway?”

With respect to the AGO we say this observation entirely misses the key point that the project, whether meeting “financial” additionality requirements or not will be offsetting carbon emissions in fact and will therefore be contributing to reduction in greenhouse gasses in the atmosphere. As a country Australia recognises this through including this sequestration in its international reporting but then inexplicably removes it for the purposes of carbon trading. We submit this whole question is in need of urgent and fundamental review.

FIAT understands that there will be further opportunity for comment on the structure of forest projects when commenting on the paper: *Abatement Incentives Prior to the Commencement of the Australian Emissions Trading Scheme*.

Section 7.4.6 Penalties under the Act, p.40, NGER Discussion Paper

FIAT believe the drafted penalty structure is unreasonably severe, particularly for the early periods of reporting under the Act. For example (after page 40, NGER Discussion Paper):

- failure to apply to register when liable to do so – 2,000 penalty units (s12);

This is an extreme penalty given the methodologies for estimating both emissions and energy are still undefined - an enterprise cannot realistically establish the need to register



to report if they are not able to know the methodologies for undertaking the necessary calculations. We advocate a more pragmatic and less draconian approach at least until clear and unambiguous criteria for calculation of emissions and energy use are published.

Section 2.1 Greenhouse gases, p.6+ , NGER Discussion Paper

On a minor note, Tables 2.1, 2.2 and 2.3 depict “Global warming potential” of key gasses, but no units are given. Whilst it is probably safe to assume that GWP is reported on a mass basis, i.e. that one tonne of methane has 21 times the GWP of one tonne of CO₂ this should be stated where GWPs are reported.

FIAT thanks the Greenhouse and Energy Reporting Taskforce within the Australian Greenhouse Office for the opportunity to submit discussion on the National Greenhouse and Energy Reporting System - Regulations Discussion Paper, and we look forward to further insightful and constructive dialogue in the future. Please do not hesitate to contact FIAT for clarification or further information at:

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