

POSITION PAPER ON NATIVE FOREST WOODCHIPPING ON THE SOUTH COAST. April 2020

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a. Current situation following the summer bushfires

- In the bushfires of summer 2019-20, 80% of South Coast forest available for logging was burnt.
- The Eden chipmill was burnt in January, destroying chip stockpiles, conveyors, maintenance sheds and equipment.
- The only remaining sawmill in the Eden region, Blue Ridge Hardwoods closed in March 2020 because it had lost the sawlog Wood Supply Agreement.
- These circumstances left the industry with little or no access to regional forests, no fully functioning chipmill, no Eden sawmill and no ready international market for woodchips
- In spite of this, in February, the Environment Protection Authority approved new post-fire “site specific” rules to log burnt forest. This began in March.
- The owners of the chipmill, Allied Natural Wood Exports (ANWE) almost immediately after the fire announced an intention to rebuild and extend its Eden facility.
- In April, ANWE announced it had lodged plans with the Bega Valley Shire Council to expand its milling capacity with a “hi-tech timber optimisation hub” to manufacture pallets, briquettes and other unspecified products in addition to the woodchips. This was in expectation of continued access to forests and securing the Eden sawlog Wood Supply Agreement.

b. Issues relevant to possible national strategy

- Ending native forest logging and RFAs is a priority for all SERCA member groups.
- Woodchipping is the principal driver of forest destruction on the south coast. In the Eden RFA Region over 90% of wood is chipped. In the Southern Region it varies between 65% and 80%.
- Without heavily subsidised export woodchipping, <http://www.chipstop.savetheforests.org.au/subsidies.htm> the whole native forest logging industry on the south coast would collapse. Only 3 sawmills sourcing timber from State Forests remain.
- Regional campaigners have successfully seen off a wood fired power station and a pellet plant, but biomass energy continues to be a threat.
- Transition to plantations remains a viable option despite a major part of the resource being burnt.

c. Transition to plantations

- Eden chipmill has chipped plantation pine since 2008, but major bushfire damage to regional plantations has put that at risk.
- NSW Forestry Corporation owns no hardwood plantations in the Eden Region, but in recent years, the chipmill has sourced some logs from privately owned hardwood plantations in the Eden Region and East Gippsland, Victoria.
- Pentarch Forestry, owned by the same shareholders as ANWE and manages its forestry operations has FSC Controlled Wood Certification for plantation woodchips.
- Initial activity at the chipmill *since* the fires suggests that the surviving infrastructure will be used to chip native forest hardwood rather than plantation pine.

d. Financial, employment

- Direct employment in the native forest timber industry is less than 1 percent of the total workforce of Bega Valley and Eurobodalla Shires combined.
- There are just over 30 direct employees at the Eden chipmill, and less than 200 in the two LGAs combined.
- Logging is highly capital intensive and mechanised. It takes over \$5 million investment to support each job in the industry.
- The Forestry Corporation pays no local government rates on production forests, in contrast to privately owned plantation growers which do pay rates.
- Most of the investment and skills in the industry are flexible, portable and readily transferable to other industries. For example, we already see logtruck prime movers hauling other loads such as plantation pine logs, tankers, regular freight, and so on. Machines and skills specific to logging can and are being transferred

to the plantation sector. Skills such as accountancy, office administration and trade skills such as welding and mechanics are similarly portable.

- NSW Forestry Corporation Hardwood Division has been marginal or lost money of native forest logging for many years.

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2018/19
Op. profit	(\$13m)	(\$16m)	(\$15m)	(\$12m)	(\$0.6m)	(\$0.7m)	\$2.66m	\$2.5m

- Between 2011 and 2017 the chipmill lost money. Since 2017 it has reported small profits to ASIC (\$1.2m and \$3.2m) but ANWE made \$10.6m profit in 2018-19.

e. Markets

- All pulpwood from publicly owned native forests in the region is sold to ANWE.
- If, as expected, the new sawlog Wood Supply Agreement for Eden goes from Blue Ridge Hardwoods to ANWE, the chipmill owner will become a monopoly buyer of all logs in the region.
- At its peak the chipmill sourced almost half of its pulp logs from Victoria. However, a long-term contract with VicForests which expired at the end of 2014 was not renewed. Short term, smaller supply arrangements have been in place since then.
- Until 2018, exports from Eden were overwhelmingly to various mills of the parent company, Nippon Paper in Japan. This pattern continued after the change of ownership until mid-2018.
- From 2018, an increasing majority of Eden woodchips have gone to China.

f. Chronology

- 1969 Eden woodchip mill established by Harris-Daishowa to chip and export native forest wood “waste”. This was Australia’s first export woodchip mill and the first overseas mill of Daishowa Paper Manufacturing Co.
- 1970 First woodchips exported.
- 1999 Eden Regional Forest Agreement signed 26th August
- 2001 Nippon Paper took over Daishowa Paper Manufacturing Company
- 2003 Australian subsidiary changed its name from Harris-Daishowa to South East Fibre Exports Pty Ltd (SEFE)
- 2006 SEFE exceeds 1 million tonnes of woodchip exports for the first time
- 2008 SEFE announces plans to build a wood fired power station generating 5.5MW electricity at the Eden chipmill.
- 2008 A chipper to process plantation pine was installed.
- 2009 SEFE application to build wood fired power station lodged with NSW State Government.
- 2011 Pilot wood pellet plant built.
- 2011 April. SEFE reports its first loss.
- 2012 April. SEFE reports second loss.
- 2012 November 27th SEFE withdraws its application to build a wood fired power station and announces that the pellet plant would not proceed beyond the pilot stage.
- 2012 December 19th pellet plant closed.
- 2013 April SEFE reports third consecutive loss.
- 2014 May 12th. SEFE announces it will take no further logs from VicForests after 31/12/ 2014 when its contract ended (decision made by Nippon Paper Board in Tokyo).
- 2014 July 24th SEFE cancels a port sharing agreement with Eastern Iron (magnetite) which would have provided it with an additional cash flow. <http://www.easterniron.com.au/news-and-reports/announcements> Again, this decision was made by Nippon Paper in Tokyo.
- 2015 December 23rd SEFE sold to Melbourne based company, Allied Natural Wood Exports (ANWE), a \$2 company at the time.
- 2016 June 6th. Chipmill export jetty and woodchip loader destroyed in a storm.
- 2016 November. Re-opening of the jetty and loader following the rebuilding of the jetty.
- 2018 August. Exports to China exceed exports to Japan for the first time.
- 2018 28th November RFA renewals signed by PM Morrison and Premier Berejiklian.
- 2019 January 1st. Chipmill Wood Supply Agreement expires.
- 2019 August 26th Eden Regional Forest Agreement expires.
- 2019 ANWE reports a \$10.6 million profit to ASIC
- 2019 28th November. 50th anniversary of woodchipping. On 28th Nov 1969 the chipper at Eden was commissioned.
- 2020 January. Eden chipmill is partially burnt in the summer bushfires
- March. Staged closure of Blue Ridge Hardwoods sawmill begins.