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NEW ECONOMIC INCENTIVES FOR THE PROTECTION OF CARBON-RICH STATE FORESTS

by Mike Thompson*

Carbon stored in Australia's state forests has become a multi-million dollar public asset and Australian carbon credit units (ACCU) in Australia's forests will be tradeable on international markets. The protection of native forests may be worth up to \$23 per tonne of carbon emissions saved under the *Carbon Credits (Carbon Farming Initiative) Act 2011*(Cth) and related legislation.¹

Four state forest agencies control vast areas of the most carbon dense forests in Australia. New bilateral inter-governmental agreements should now replace the obsolete Regional Forest Agreements (RFAs) which were formulated in the 1990s before climate change became a major governmental responsibility. The RFAs have not stopped decades of community conflict over large scale logging and wood-chipping in Tasmania, Victoria and New South Wales. In Tasmania, this conflict is at last turning into potentially meaningful negotiations which rely on input from forest carbon accountants and lawyers.²

Australia's 140 000 farmers can follow the example set by the four state government landholders and become engaged via the CFI in the complex process of managing carbon credits in Australia's very diverse and valuable privately owned native forests. The international post-Kyoto rules for forest carbon accounting are being refined through the negotiations leading up to and at the climate change convention conference in Durban, South Africa, November - December 2011.³ The earliest commencement date in Australia for applying new rules on reducing emissions from deforestation and forest degradation (REDD) is expected to be 2013.

This is a timely opportunity to assist in the adoption of compatible and comprehensive forest carbon accounting systems. Standing state forest carbon stocks and carbon emissions from logging degradation are two new major elements to be accounted for in Australia's critical land sector. Most native forest carbon is lost up-front in logging operations. This decade's large pulse of carbon debt from logging forests that are hundreds of years old must be assessed honestly against slow-growth credits from regrowth which will take centuries to balance out. The comparatively smaller carbon stocks in harvested wood products from native forests (mainly woodchips) should also be included in carbon accounting. State Premiers and Treasurers, who have been aware of annual multi-million dollar losses from their state forest agencies, are investigating this historic opportunity for new returns from existing forests as quantified through Australia's National Carbon Accounting System (NCAS). Academics, policy-makers and environmentalists are also working to reduce the native forest carbon lost through logging and wood processing operations.

Analysts of Australia's forest sector argue that conflict between the logging industry and other stakeholders concerned about biodiversity, water and climate is being prolonged unnecessarily. State forest agencies which rely on revenue from wood-chipping and secretive long-term wood-supply contracts are dependent on the continuation of native forest logging. Critics argue that forest agencies' ecologically unsustainable operations conflict with local, regional, state and national interests.⁴

The World Wildlife Fund, Australian Conservation Foundation and The Wilderness Society are active members of the international Forest Stewardship Council (FSC), which in July 2011 added carbon to the quantifiable attributes of high conservation value (HCV) forests. These major environmental organisations have made submissions to Australian

*Mike Thompson is an ex-IBM Manager and conservationist facilitating 'Natural Forests' information and training events via www.nature.net.au, including the Forests and Climate Forum held each year at the ANU in Canberra. This article draws on discussions at the Forests and Climate Forum on 13 August 2011. Presentations will be available online at www.nature.net.au from February 2012.

1 The *Carbon Credits (Consequential Amendments) Act 2011* and the *Australian National Registry of Emissions Units Act 2011*.

2 A Macintosh, *Potential Carbon Credits from Reducing Native Forest Harvesting in Australia*, ANU Centre for Climate Law and Policy, CCLP Working Paper Series 2011/1, ANU Centre for Climate Law and Policy, 2011. See also Heather Keith, Brendan G. Mackey, and David B. Lindenmayer, 'Re-evaluation of forest biomass carbon stocks and lessons from the world's most carbon-dense forests', (2009) 106 (28) PNAS 11635-11640 <<http://www.pnas.org/content/106/28/11635.full.pdf>>.

3 At the 17th United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP17) to be held in Durban, South Africa, 28 November- 9 December 2011.

4 Forest carbon experts addressed a recent forests and climate forum at the ANU in Canberra and their presentations together with related evidence will be available online at www.nature.net.au from February 2012

governments recommending FSC certification and full carbon accounting of state forest logging operations in Australia. They are highly critical of the logging and clear-felling of old growth and multi-age, biodiverse native forests in Australia.

Most of the logs from Gippsland and the Far South Coast of NSW are trucked directly to the Eden woodchip mill owned by Nippon-Paper. In 2010 WWF made a submission to the NSW Government opposing an application to develop a biomass burner at Eden until the biomass sourced from native or natural forests is FSC-certified. WWF want to see a comprehensive full life-cycle analysis of the GHG emissions associated with logging, the transport of biomass to the power station and the power station operations.⁵ WWF policy is that areas supplying biomass material must not be established through the conversion or degradation of natural ecosystems (including natural and semi-natural forests) that have high conservation values and/or critical carbon storage functions.

The bioenergy push in Europe was triggered by peak oil prices in the 1990s. Biofuels reduced the cost of running cars as well as warming houses and offices in a cold climate. More comprehensive 21st century carbon accounting for climate change is now challenging native forest land use and transport emissions associated with producing bioenergy. After long defending the use of native forest-sourced wood products and residues to create Renewable Energy Target certificates, the Federal Government has now quite rightly issued draft regulations that will exclude them. Plantations, other crops, and native forest monocultures in Europe (which have been harvested for 600 years) will probably continue to provide biomass for renewable energy. But Europeans would never log their own old growth, or other high conservation value forests, and never knowingly import from countries like Australia which do. Carbon trading and renewable energy certificates in Australia could have been misused to create perverse outcomes for native forests.

Markets are shaped by politics and often distorted by vested interests. Instead of protecting standing native forest carbon, such interests are seeking perverse incentives to log those forests for bioenergy projects in Tasmania. Regrowth carbon credits must not be wasted by logging. It takes over 200 years to recover an Australian native forest's natural carbon carrying capacity. Government funded regional development and 'clean energy' proposals for Tasmania in 2012 are a great opportunity to start delivering projects which are ecologically sustainable based on honest carbon accounting. Biomass from native forests will never pass the test of honest carbon accounting.

Gunns Limited in Tasmania was the first logging company to acknowledge the future threat of an emerging world market which is beginning to demand FSC labelled product to satisfy its customers. As a result it has ceased operations in native forests. BORAL may follow in NSW. Nippon Paper's operations in Victoria and NSW will face similar realities once subsidies are removed and honest carbon accounting is introduced into the operations of state forests.

Dr Judith Ajani of the ANU argues that native forests are better for biodiversity than bioenergy and rejects the view that we should substitute fossil fuels and emission-intensive products with native forest wood that can be replenished.⁶ Ecological and other scientists highlight the carbon stocks in native forests and the potential for previously logged native forests to draw down substantial amounts of carbon if allowed to regenerate undisturbed by further logging. They also emphasise the biodiversity values of native forests.

This is the critical decade to get it right. We need to see an exit from native forest logging to enable the regrowth of natural forests as an effective and economic climate action. This is an easy opportunity to help reverse dangerous climate change.⁷ Such policies are entirely within the control of state and federal governments. Each Regional Forest Agreement (RFA) is simply a bilateral deal between a Prime Minister and Premier. RFAs can be replaced anytime by a new inter-governmental agreement, like the one now being precariously played out in Tasmania. Tenders have been called for calculating the carbon value of state forests in Tasmania. Standing native trees remain Australia's most cost-effective carbon capture and storage devices. Green carbon mitigation offsets earned by protecting native forests must supplement brown carbon pollution reductions from coal, electricity and other industry sectors through increased overall targets. In the meantime Mother Earth's precious atmosphere needs all the help we can give her in this critical decade.

⁵ Paul Toni, Program Leader – Development and Sustainability, 'WWF Submission – on the South East Fibre Exports (SEFE) 5MW Biomass fired power station', Typescript, 22 April 2010.

⁶ Native Forests For bioenergy or biodiversity? Presented by Judith Ajani ANU Fenner School of Environment and Society Thursday 10 November 2011

⁷ Macintosh, above n 2.