



Forestry & the CPRS

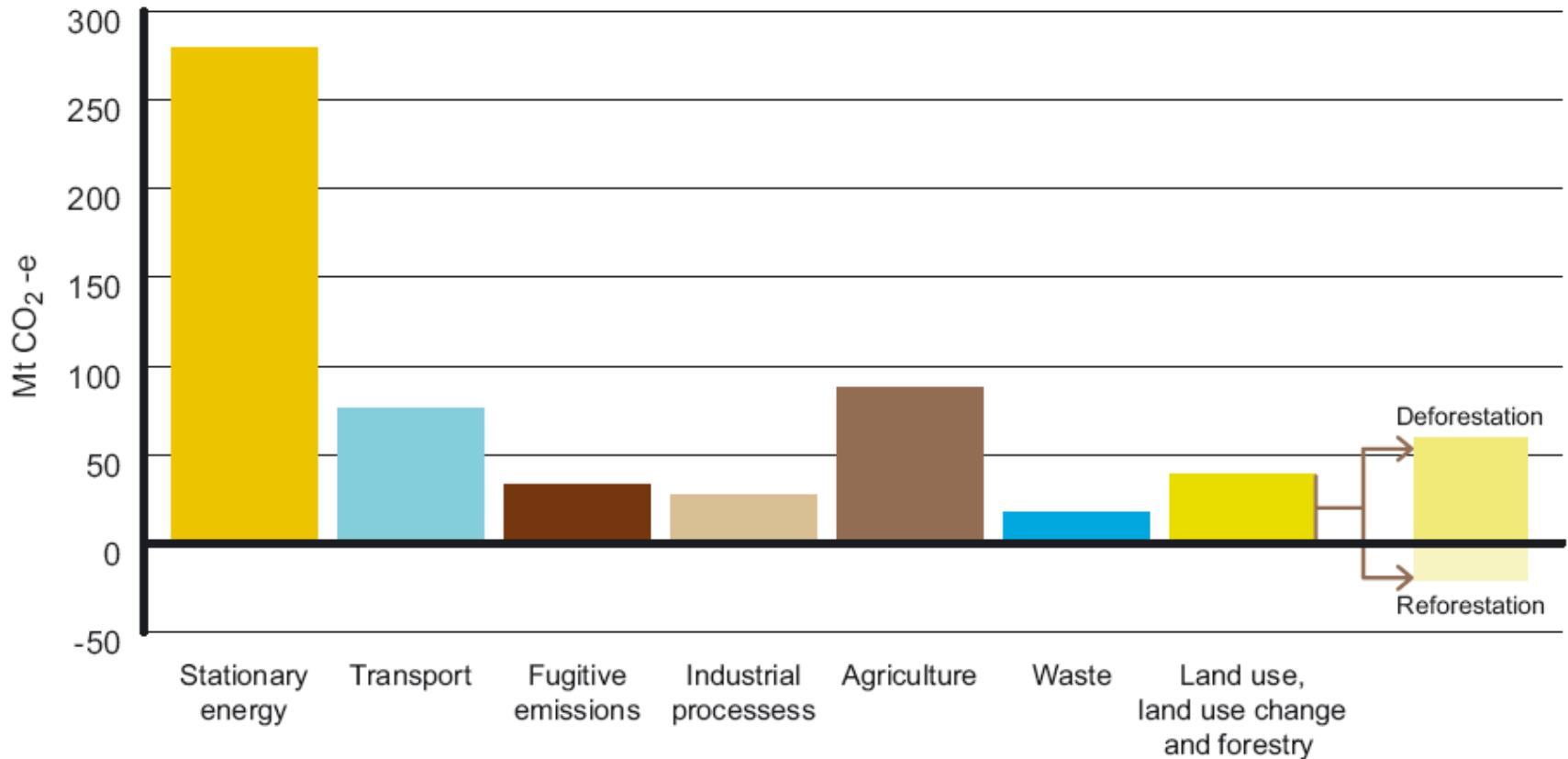
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Our industry



Australia's Emissions

Figure 5 Australia's national emissions profile in 2006



Source: National Greenhouse Gas Inventory 2006, Department of Climate Change

Treatment of Forests in CPRS

- **Deforestation – not covered, managed by regulation**
- **Native forest management – not covered, assumed neutral**
- **Reforestation – optional inclusion**

Policy pressures – include reforestation

- **Broad coverage**
- **Minimise cost**
- **Leadership**
- **New Zealand**
- **Bridging abatement**

Policy pressures – exclude reforestation

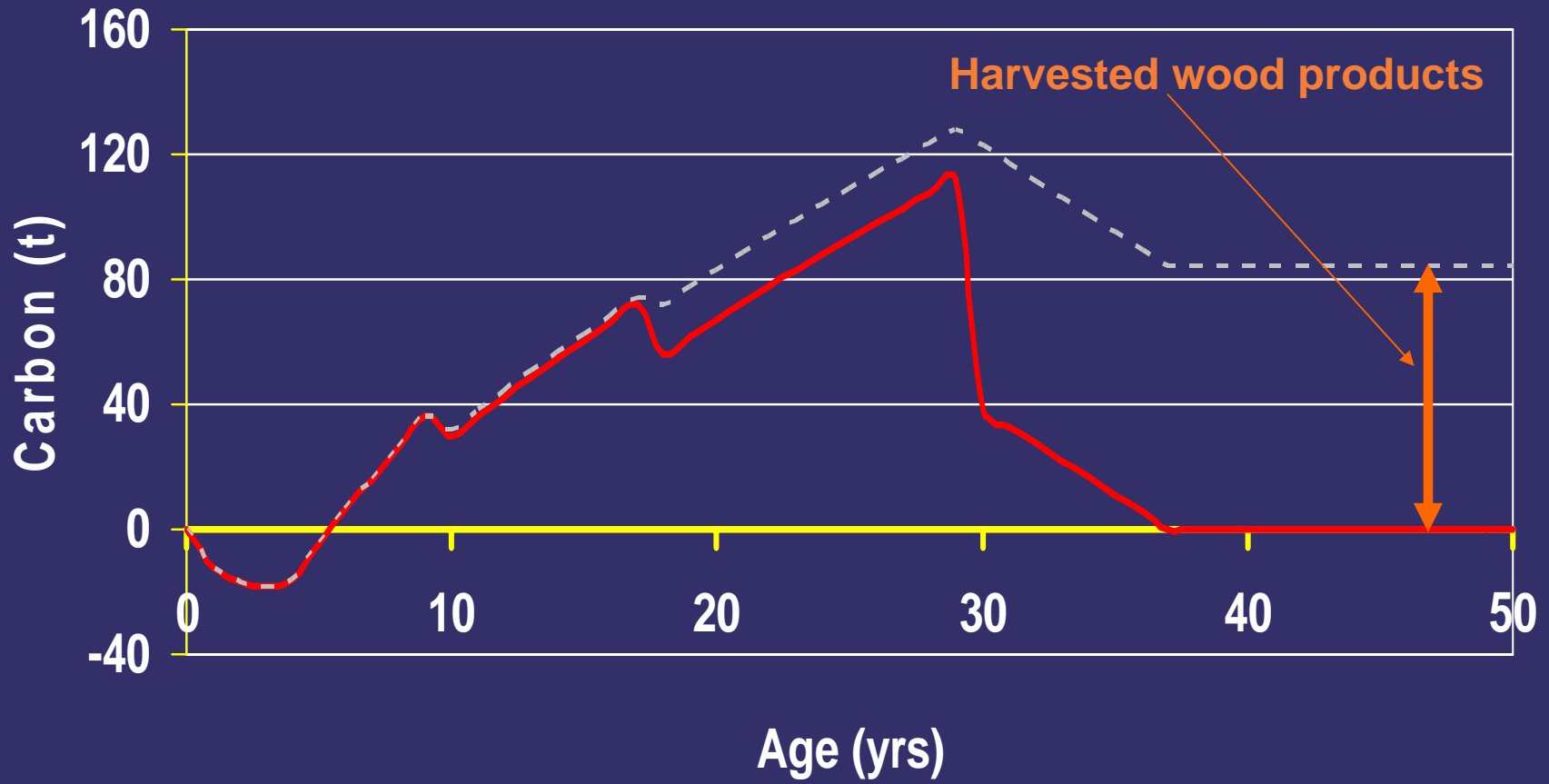
- **International consistency**
- **Simpler**
- **‘Wrong type of abatement’**
- **Accounting difficulties**
- **Permanence**

Types of reforestation

- **integrated environmental plantings – production continues, carbon accounting difficult.**
- **broadscale environmental plantings – takes land out of production for one off payment.**
- **commercial production forestry plantations – changes nature of production to more carbon +ve option.**

Plantation carbon profile

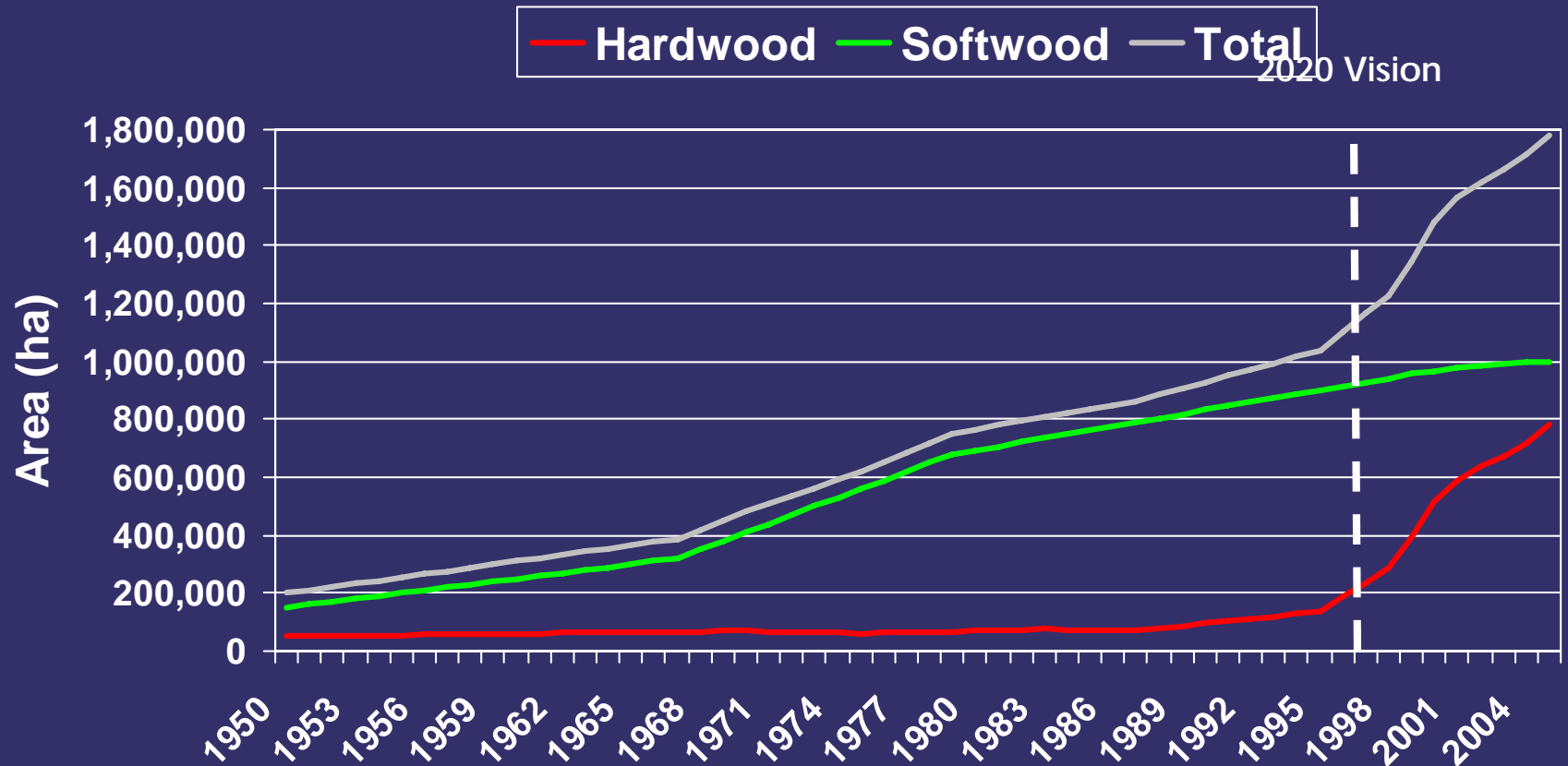
— Plantation - - - Plantation & Products



Benefits for plantation growers?

- Plant, grow, harvest = zero sum game for carbon.
- Once only benefit with obligation (liability) to maintain plantation estate.
- Earlier income – time value of money, overcome delay between cost and income.
- Speculate on future carbon price decline.
- Permanent store in harvested wood products.
- Environmental plantings – once only gain, no ongoing timber income.

Plantation Expansion



ABARE/Treasury Modeling

- reforestation '000 ha by 2050

	Ref Case	CPRS - 5	CPRS - 15	Garnaut 10	Garnaut 25
Timber Plantations	610	3,047	4,514	3,562	5,028
Environmental Plantings	0	2,740	21,812	4,362	34,033
Total	610	5,787	26,326	7,924	39,061

What is wrong with ABARE Modeling

- **Forest growers will be able get credit for 100% of carbon.**
- **Land use decision made purely on \$NPV.**
- **Unlimited timber processing and markets.**
- **No ongoing management costs for environmental plantings.**

Will plantation growers “opt-in” - 1 July 2010

- Price, risk and uncertainty?
- Maintenance obligation.
- Consent of all interest holders and registration on title.
- Use of NCAT for growth modeling.
- 5 year limit to claim carbon storage.
- 130 year permanence obligation.
- An onerous and ambiguous package.

Other opportunities?

- **Voluntary markets for reforestation.**
- **Other policy measures to encourage carbon sequestration – trees, soil.**
- **Renewable energy from biomass.**
- **Increased production, use and recycling of wood products.**