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31<sup>ST</sup> July 2006

Emissions Trading Working Group Secretariat  
The Cabinet Office  
GPO Box 5341  
SYDNEY NSW 2001

Dear Secretariat

**Re: Brief Submission to the National Emissions Trading Taskforce**

Please find attached a brief submission to be considered in your ongoing deliberations about the development of a National Trading Scheme.

There are very significant issues for Forest Industries involved in any emissions trading. VAFI, along with others is keen to be part of the discussions about the frameworks, principles and mechanisms of any such scheme.

We wish to be kept well advised of all developments as an important stakeholder.

Yours sincerely

A handwritten signature in black ink that reads "Patricia J. Caswell". The signature is written in a cursive style.

**Patricia J Caswell**  
**CEO, VAFI**

Attach

cc: The Hon. Steve Bracks, Premier of Victoria  
The Hon Bob Cameron, Minister for Agriculture  
The Hon John Brumby, Treasurer  
Alastair Woodard

31<sup>st</sup> July 2006

Emission Trading Working Group Secretariat  
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## **Re: Brief Submission to the National Emissions Trading Taskforce**

The Victorian Association of Forest Industries (VAFI) is the peak industry body of the native hardwood processing industry in Victoria. VAFI strongly endorses the establishment of a national emissions trading regime and is particularly interested to provide assistance in planning how this new national scheme might be more holistic and inclusive in its approach to sustainably managed production native forests, which are the source of high quality Australian hardwood products.

Current accounting methods under Kyoto Protocol rules assume that as soon as a forest is harvested, the carbon is fully emitted back to the atmosphere. This is not so.

Sustainable native forest management and the use of harvested wood products as raw material and energy source contribute to the mitigation of climate change. Carbon sequestered in wood products can be stored for long periods either in-service or in landfill. Furthermore residues from harvesting operations and sawmilling processes plus the wood products at end of life can be burnt efficiently for energy - replacing the energy generated through the burning of non-renewable resources. Unfortunately, these environmental benefits have not been recognised, valued and priced in the past. VAFI welcomes this initiative because we believe that a national greenhouse gas emissions trading scheme can put a price signal on greenhouse gas emissions and thereby help Australia progress towards more climate-friendly consumption patterns, including the use of local sustainably harvested wood products.

### **Issues for Consideration**

#### *1. Carbon Stored in Products*

VAFI strongly encourages that the proposed new Australian national emissions trading system acknowledges and recognises the carbon stored in wood and wood products until decomposition or burning ultimately releases the stored carbon back to the atmosphere.

Trees are the most powerful concentrators/retainers of carbon on earth. The atmosphere contains around 360 parts per million of CO<sub>2</sub>, or 0.177grams per cubic metre. Through photosynthesis, trees concentrate carbon, in hardwood trees (densities 650 - 900 kg/m<sup>3</sup>), around 1.8 - 2.6 million times producing wood that contains 325 – 450 kg of carbon per cubic metre [softwood trees (density approx 500 kg/m<sup>3</sup>), around 1.4 million times, producing wood that contains about 250 kilograms of carbon per cubic metre<sup>1</sup>].

Carbon is stored in wood that is processed into timber products many of which, such as building components, furniture, etc, have long service lives (some hundreds of years) ensuring that the carbon dioxide remains 'fixed' for extended periods.

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<sup>1</sup> Moore, P., 2000, "Green Spirit, Trees are the Answer", Greenspirit Enterprises Limited, Canada

Recent research by the CRC for Greenhouse Accounting has also demonstrated that products ultimately disposed in landfill also have decomposition rates magnitudes less than previously assumed; consequently, a significant proportion of the harvested wood and carbon is now recognised as being in reality stored indefinitely.

The Victorian Government also acknowledges the benefits of carbon sequestration as well as other environmental services that native forests provide. In its *Victorian Greenhouse Strategy Action Plan 2005* it states.

*“Increased vegetation cover (including commercial forestry plantations) resulted in the absorption (or bio-sequestration) of 4.4 million tonnes of carbon dioxide in Victoria in 2002 – exceeding emissions from vegetation removals by 2.4 million tonnes in that year. **Greenhouse benefits may also occur when timber or other wood products are derived from sustainably managed forests and used as a substitute for energy-intensive products such as cement, steel and aluminium; and for fossil fuels for heating.** Reforestation of cleared land to provide a carbon sink also delivers important co-benefits, most notably environmental services such as biodiversity, salinity mitigation and water quality improvement.”*

By an emissions trading scheme acknowledging the reality of long term storage of carbon in wood and wood products, there is the opportunity to review the handling of the ‘permanence’ and ‘1990 rules’ associated with forest sinks. That is, in recognising that carbon is stored in wood products for many decades and more, it alters the way permanence is addressed. Secondly, it removes the need for a ‘1990 rule’, as much of the carbon stored in a forest existing prior to 1990, remains stored long after harvest (unlike in the perverse current Kyoto rules). In fact, when a forest is regrown after harvest, **additional** carbon becomes stored, resulting in a net carbon benefit.

By including carbon stored in wood products during and after their service life, it allows the full benefits of sustainable forestry to be included in, and benefit from, emissions trading.

## *2. Allocation of Permits*

VAFI is particularly concerned about the initial permit allocation process. VAFI notes that scheme designers consider possible large initial allocations of greenhouse gas emission permits for free to what the timber industry would see as competing raw material industries (aluminium, steel, concrete sectors). These are clearly by comparison very high greenhouse gas emitters. VAFI recognises that attention needs to be paid to protecting Australian industries (including the forest industries) from their overseas competitors that are not covered by similar emission trading schemes. VAFI believes what is proposed constitutes a significant public subsidy to a number of environmentally unfriendly industries. This anomaly needs to be addressed if a national Australian carbon emissions trading scheme is to be successful and effective in improving consumption patterns.

Should free initial allocation of permits to competitors of wood products be deemed necessary to avoid unfair international competition, then VAFI would request that public authorities engage simultaneously in supporting broad efforts to promote the use of sustainable wood products in order to avoid perverse incentives and outcomes. Promotion should include ‘green building projects’ that utilise sustainably harvested wood products, as these projects effectively sequester more carbon in long-lived wood products (framework, furniture, etc.) and save the energy required to produce non-wood building materials such as cement, aluminium and steel. To restore market balance, this engagement should be of a similar size to the market value of the initial allocation of permits handed for free to competing industries.

It is critically important that the principles that guide the distribution of permits be fair and equitable. The Forest Industry currently has a major dilemma as its products sequester vast quantities of carbon yet this contribution is not being recognised. Further significant discussion is needed to clearly define these critical distribution principles. The Forest Industry sector would welcome the opportunity of participating in this important debate.