



# *Coastwatchers*

*Eurobodalla's environment group*

**Newsletter 27 March 2016**

## The latest Episode of the Never Ending "Blue Hills" - NSW Forestry Wood Chips

A report entitled "**Money Doesn't Grow on Trees**" has been released by the Australia Institute, one of Australia's most influential and progressive think tanks. The Institute is based in Canberra, and conducts research into a broad range of economic, social and environmental issues.

The Institute was commissioned to prepare this report, by the Nature Conservation Council (NCC) and the National Parks Association of NSW.

This Newsletter article has been put together using extracts of the Institute's Report and the subsequent Press article prepared by the ABC on 23-24 March.

### **The Institute Report stated:**

"The Forestry Corporation of NSW ('Forestry Corporation' or 'the Corporation') is a state-owned corporation that manages more than two million hectares of commercial native and plantation forests in NSW for the primary purpose of timber production.

Forestry Corporation has two operating segments; the Softwood Plantations Division, and the Hardwood Division (which is primarily engaged in native forest logging). For the six years between FY09 and FY14, the Softwood Plantations Division cross-subsidised loss making native forestry logging to the order of \$79m. Through significant headcount reductions in FY14, the

division broke even in FY15, but this was before making any contribution to the Corporations \$8m interest charge. Furthermore, a declining outlook for demand of native forestry products will make this result hard to repeat.

In response to declining volumes, the native forestry industry has increasingly lobbied for forest waste products to be sold to biomass electricity generation plants as a feedstock. In the current economic and regulatory environment, however, the economics of biomass power generation are not likely to provide any meaningful new demand for the Hardwood Division of the Forestry Corporation.

Given that native forest logging currently struggles to generate a profit, that demand is declining, and that supplying biomass power plants will not provide the uplift required, potentially the highest economic use of native forestry would be to leave the trees standing. Although the Emissions Reduction Fund does not currently recognise the protection of native forest from logging as a method for which revenue can be claimed, if the industry were to push for inclusion, Forestry Corporation could finally begin generating decent earnings by simply ceasing native forest logging.

If native forest logging were to be discontinued in NSW, existing grants and avoided losses could provide funding for ongoing management by the NSW National Parks and Wildlife Service. Furthermore, the impact on jobs is likely to be minimal, as approximately

only 600 people are directly employed in the native forestry industry in NSW, less than 0.1% of the total workforce."

### **The ABC reported:**

"An economic analysis by The Australia Institute claims that native forest logging in NSW lost \$79 million over the last seven years, but could be making a \$40 million profit if left standing and allowed access to the Federal Government's Emissions Reduction Fund (ERF).

**The Nature Conservation Council (NCC) and the National Parks Association of NSW, has called upon the NSW Government to cease "loss-making native forest logging" and to support a transition of wood supply from native forests to plantations.**

The CEO of NCC Kate Smolski said there was little prospect that Forestry Corporation could turn around sustained losses of their native forest harvesting operations.

She said that the NSW government was "propping up" Forestry Corporation's native forest logging operations by providing \$136m of Community Service Obligation funds over the last ten years, but it was still running at a loss.

Rod Campbell, research director at The Australia Institute, said "Native forest logging is running at a fairly serious economic loss and it's being cross-subsidised by softwood and plantation forestry".

However, Forestry Corporation general manager of hardwood forests Dean Anderson said the loss-making years were behind them.

Mr Anderson said after a range of reforms the division came within \$600,000 of breaking even in the last financial year.

"We had a very hard look at our business and reduced our staffing by a third, and managed to take some other costs out," he said.

Mr Anderson said the Community Service Obligation paid to Forestry Corporation for costs incurred in maintaining forests that are not available for harvesting had not had any CPI adjustment for more than 15 years.

"So there was an increase in that funding as well," Mr Anderson said.

"So the with the combination of all those we managed to turn the business around by \$14 million to \$15 million."

Mr Campbell (Australia Institute) however, rejected the possibility of the Corporation's native forest harvesting business becoming profitable.

"Talk is cheap," he said.

He said market demand for native forest pulpwood was down "and competition is up, largely from hardwood plantations".

The Eden woodchip mill, which has been a focus of opposition to native forest logging for decades, was recently sold to new operators who say they are planning to source their pulpwood supply from plantations rather than native forest "in the medium to long term".

However, a spokesperson for Forestry Corporation said there were not currently enough hardwood timber plantations in NSW to meet demand and many were not yet mature enough to harvest.

The report's authors calculated that the state's native forests currently available for logging would be worth \$40 million per year from the ERF if they were left standing.

The ERF currently limits carbon credits to cessation of native forest logging only where the purpose is "converting the native forest to cropland or grassland".

"The barriers to public native forests being included in the ERF are political — they are not technical or financial in nature," Ms Smolski said.

Mr Campbell said the NSW Government should be negotiating with the Federal Government to work out how the state could access the Emissions Reduction Fund "to reflect the potential carbon storage of the forests that wouldn't be logged".

"We've calculated fairly conservatively that around \$40 million per year could be derived from the ERF and that could go towards proper conservation to improve biodiversity and other management of the forest," he said.

## **Eden Wood Chip Mill Sold**

Mention was made in the article above, that the woodchip mill at Eden had been sold.

In December 2015, South East Fibre Exports (SEFE) from Eden, announced they had sold the business to a new Australian owned company, Allied Natural Wood Exports (ANWE). The new owner took over on 23 December 2015. ANWE is partnering with Australian Marshalling Services Pty Ltd.

ANWE is an Australian Company with its registered Office at Eden. It was registered with ASIC on 17 July 2015, but does not appear on any public ASX listings.

The Mill was erected in 1968 by Harris Daishowa. It commenced logging a year later after entering into a contact with the NSW Government to supply 5,000 tonnes of waste from saw logs. The chips were exported to a subsidiary company in Japan.

By 2008, the Mill was owned by the Nippon Paper Group, with exports having expanded greatly, to 1 million tonnes. These chips were exported to Japan and Korea.

Over its operations to 2015, over 35 million tonnes of chips have been exported with sales of over \$2.3 billion.

In response to the lack of financial viability, SEFE ceased buying timber from VicForests on 1 January 2015 when the contract expired.

The viability of wood chipping from Australia has suffered in recent years, because of:

- a decline in international prices for wood chips exacerbated by the high \$A in recent years,
- massive increases in woodchip exports from South America and Asia,
- activities of the international Forest Stewardship Council, and the cessation of imports of old growth forest timber.

## **Dargues Reef Gold Mine A Quick Update**

- Public submissions to Unity's Modification Proposal closed at the end of August 2015.
- Unity considered those submissions and responded formally to NSW Planning at the end of November 2015.
- Those who had submitted earlier submissions were then able to comment up until 3 January 2016.
- Since then NSW Planning has been considering all responses.

NSW Planning has indicated that they will conclude their assessment shortly and the matter will be referred to the Planning Assessment Commission in April 2016.

It is then up to the Commission to determine its timetable which could be between 1-3 months to conclude the process. It may involve public hearings or meetings, an issue for the Commission to determine.

Unity Mining has indicated to the Australian Stock Exchange, that it expects the matter to be finalized during May 2016

## **NSW Solar Bonus Scheme to Cease at End 2016**

The NSW Government has introduced new regulations for the 160,000 NSW solar households, to assist them in 9 months time when the NSW Solar Bonus Scheme, which currently pays 60c or 20c solar feed-in tariffs, ceases on 31 December 2016.

The regulation brings forward by 12 months the introduction of smart meters in NSW. The ACT is well advanced in replacing older meters.

The principal issue is that from the beginning of 2017 meters may need to be changed from a "gross" tariff to a "net" tariff for the financial benefit of the solar householder. If a change of meter is required it may be at the householders cost.

The Regulations provide for the accelerated roll-out of smart meters, permission for electricity retailers (rather than the network providers) to manage the roll-out and for a change in qualifications of those installing the smart meters due to the shortage of suitably qualified installers.

For Coastwatchers members who are affected by these regulations, they need to consider the matter carefully. There has been considerable discussion that many will not need to change meters at all, and also if they do, whether will they have to pay. The

cost may be up to \$600-700 when others will be replaced for free at a later date.

Some believe there is no need to change all meters as the meter can already collect the relevant gross and net data and it is only a "billing" adjustment that is needed.

It appears some retailers are considering offering a new meter free, providing the customer enters a term contract.

However, what is important, is that if you do need a new meter, ensure the meter is not a "simple" net meter. Make sure you acquire a meter so you know what is happening in your home, particularly how efficient and viable your panels are functioning. A "simple" net meter will not provide this detail.

## **Lost Member**

We have a lost member Vickie Collins. She has paid her fees but we have no contact details. Can anyone help?

## **Joint History**

On the 7 July 1986, the Coastwatchers was legally incorporated in NSW. So 2016 is our 'legal' 30<sup>th</sup> anniversary. But the Coastwatchers actually started a few years earlier, but was not then incorporated.

There were issues at Durras in 1983 which brought people together to form the Association.

In 1985 the Association endorsed the concept of creating a Regional Botanic Gardens at Batemans Bay. The driving force being Pat Spiers and Helen and David Rees. The rest is history, and in 1986 the Eurobodalla Shire Council gave the go ahead for the Gardens.

The 'Friends of the Eurobodalla Botanic Gardens' were formed in 1986, and are having a "Ball" on Friday 3 June to celebrate their 30<sup>th</sup> Anniversary. Given the historic link, Coastwatcher Members are welcome and encouraged to attend the Friends function. See Attachment.