

*Briefing Paper:*

## ***Climate opportunities in Tasmania's forests***

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### **1. Recommendation:**

**The Tasmanian Government should request that the Commonwealth develop a 'methodology' (or set of measurement rules) for deriving carbon credit income from the reservation of publicly-owned native forest areas, making these forests eligible for carbon protection income.**

### **2. A new analysis of climate opportunities in Tasmania's forests**

In 2012, the Tasmanian Government received the *Tasmanian Forest Carbon Study*, authored by CO2 Australia. The study comprehensively assessed the opportunities for generating carbon credit income by ending or modifying logging in publicly owned native forest areas.

Since the report's publication there have been substantial changes in public native forest tenure and management. These changes resulted from the *Tasmanian Forest Agreement Act* in 2013, and its subsequent repeal and replacement with the *Forestry (Rebuilding the Forest Industry) Act* by the Hodgman Government in 2014. There have also been substantial changes to national carbon policy and markets, with the repeal of a national carbon price and the introduction of the Emissions Reduction Fund (ERF) reverse auction.

In response to these changes, The Wilderness Society commissioned a report by Dr. Barrie May of TreeMod consulting. Dr May is a respected analyst with experience in carbon assessment in Tasmania's native forests, including as the lead author of the *Tasmanian Forest Carbon Study*.

The report - '*Climate Opportunities in Tasmania's Forests*' - (the TreeMod report) uses data from the 2012 CO2 study; wood production forecasts; and forest type and tenure data to estimate potential carbon abatement and corresponding carbon credit income potential from ending logging in specific forest areas.

It should be noted that available data only allowed an assessment of potential emissions reduction and income to 2050. In reality, a cessation of logging would very likely continue to result in substantial emissions reductions beyond 2050, with the consequent potential for

further income to be generated with an appropriately designed methodology.

*Climate Opportunities in Tasmania's Forests* considers three 'scenarios' (see Map 1):

- World Heritage and other reserves created in 2013;
- Future Potential Production Forest (FPPF) currently under a logging moratorium until 2020; and
- Permanent Timber Production Zone (PTPZ) public forest areas where timber is currently sourced.

The intent of the report is to provide a credible and conservative estimate of the potential climate protection and financial benefits available by reserving public forest areas of Tasmania's forests, and to detail the actions required to realise those benefits.

This briefing paper summarises the findings of Dr. May's report, and provides analysis from the Wilderness Society on the opportunities derived from carbon income and forest reservation. The briefing paper focuses on areas protected under the *Tasmanian Forest Agreement Act 2013* that were subsequently placed in the 'Future Potential Production Forest' area by the current Tasmanian Government. The current legislation plans to logging to commence in these areas from 2020.

*'Climate Opportunities in Tasmania's Forests'* draws the following conclusions:

- There are substantial opportunities to earn income from the sale of forest carbon credits through national emissions reduction mechanisms. The current mechanism is the Emissions Reduction Fund.
- Permanently reserving the Future Potential Production Forest (FPPF) land (currently under a logging moratorium until 2020) would provide income of between **\$68 and \$83 million**<sup>1</sup> at current Emissions Reduction Fund (ERF) prices over the period for which data was available (to 2050).
- The total potential monetary carbon value in the FPPF and production forest (the Permanent Timber Production Zone or PTPZ) is between **\$610 and \$742 million** in the period to 2050. This included a potential value of between **\$542 and \$659 million** in the Permanent Timber Production Zone forests.

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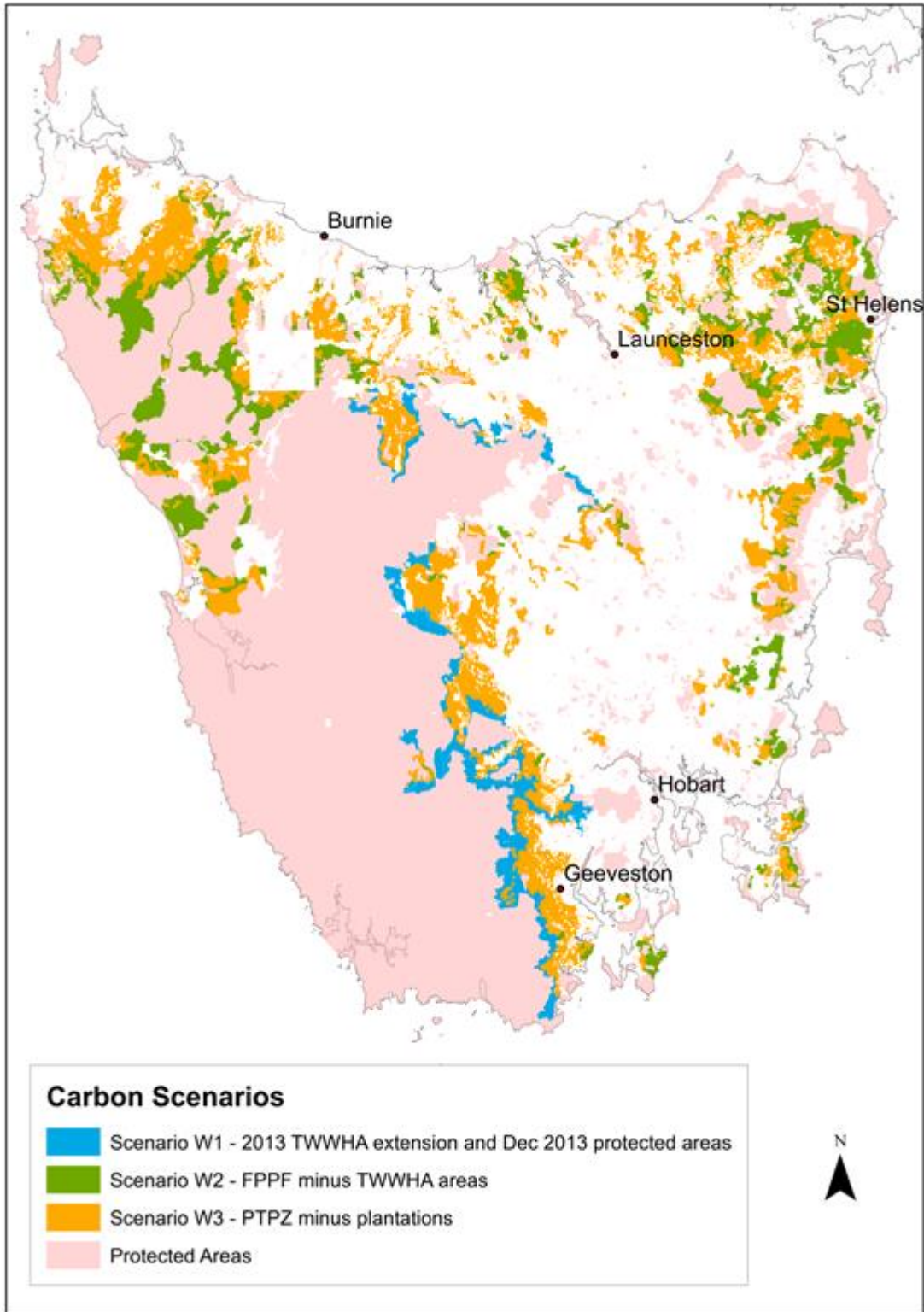
<sup>1</sup> A range of income figures is given as these figures are based on an analysis of forest carbon that accounts for statistical variation in modelling of forest carbon.

- A sensitivity analysis included in the report indicates that the total amount for all three scenarios could be significantly higher (almost **\$1bn**), with changed assumptions regarding discount rates or carbon price.
- Realising these opportunities requires the development of an 'ERF methodology' by the Commonwealth Government that would allow state Governments such as Tasmania's to participate in ERF options or other future carbon auctions or markets. The development of this method can be requested by the Tasmanian Government or private companies.
- Similar methodologies have been developed and income is now being derived for other similar native vegetation opportunities, there is 'no reasonable basis to exclude native forest management projects' and that Commonwealth approval 'would allow the large amount of abatement potentially available in Tasmania's forests to be accounted for delivering substantial economic value to the government.'
- There is between **\$75 and \$91 million** worth of carbon in forests that were permanently protected from logging as part of the 2013 extension of the Tasmanian Wilderness World Heritage Area and the *Tasmanian Forest Agreement Act*<sup>2</sup>.

**Amount and value of the increase in forest carbon stocks associated with the three scenarios.**

Increase in forest carbon stocks	Units	W1 (TWWHA)		W2 (FPPF)		W3 (PTPZ)	
		Min	Max	Min	Max	Min	Max
Net abatement	Mt CO <sub>2</sub> e	9.3	11.1	10.8	12.9	64.1	76.3
Net Present Value	\$ million	\$75	\$91	\$68	\$83	\$542	\$659

<sup>2</sup> While these forests were in part explicitly protected for their carbon value at the time of their protection, eligibility for credits was not assessed in the TreeMod study. The lack of a methodology has meant that Tasmania has been unable to explore the potential for income from protecting these forest areas, and that income has likely been foregone.



### **3. Unlocking opportunities in Future Potential Production Forest/Tasmanian Forest Agreement agreed reserves**

Under the Tasmanian Forest Agreement, important areas of high conservation value forest were agreed for permanent, legislated protection. After the election of the Hodgman Government in 2014, the majority of areas agreed for protection were placed in a new 'Future Potential Production Forest' tenure<sup>3</sup>.

This has left 357,000 ha of high conservation value forest managed under legislation that allows logging after 2020. These forests are distributed across the state and include areas such as the Tarkine, Blue Tier, North east Highlands, Wielangta and Bruny Island.

Forestry Tasmania's wood modelling<sup>4</sup> shows that the legislative requirement to 'make available' 137,000 m<sup>3</sup> of sawlogs per year can be achieved without logging the FPPF land. However, the stated intent of Government policy and legislation is to access this land for logging post 2020. In addition, current proposals to sell state-owned plantation assets raise substantial questions about the security of future sawlog supply from plantations forests, and therefore the potential future sourcing of sawlogs the FPPF land.

The current status and potential for future logging of these ecologically important forest areas poses a number of risks and potential lost opportunities:

- The 'in-limbo' status makes it extremely difficult to ensure management of these areas is sufficiently resourced and planned. This has a range of potential consequences, including continued degradation of roads and access<sup>5</sup>; missed opportunities for the Aboriginal community, recreational users and the tourism industry; increases in unpoliced illegal activity; and a lack of resources for invasive species and fire management<sup>6</sup>.

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<sup>3</sup> Around 35,000 hectares of the FPPF were included in the 2013 expansion to the Tasmanian Wilderness World Heritage Area.

<sup>4</sup>Forestry Tasmania (2014). Sustainable high quality eucalypt sawlog supply from Tasmania's Permanent Timber Production Zone Land. Review No.4.

<sup>5</sup> Richards (2015) Forest Roads Outcry Grows , *Hobart Mercury*, August 7th 2015, <http://www.themercury.com.au/news/tasmania/forest-roads-outcry-grows/news-story/e8ce966beb207d429fa8f7ad1ffa31ea>

<sup>6</sup> The impacts of inadequate resourcing on managing nature areas in Tasmania is well described in the following report Community and Public Sector Union (2015) *A Report of the impacts of budget cuts on : Parks and Wildlife Service* <http://www.cpsu.com.au/wp-content/uploads/2015/02/What-is-happening-to-our-Parks-Wildlife-Service-Feb-2015.pdf>

- These forests contain important high conservation values, such as old growth and rainforest communities and habitat for endangered species such as swift parrots and masked owls. In the Tarkine, values include those recognised by experts as being of World Heritage eligibility. Logging of these areas poses threats to these values.
- Given the very substantial concentration of high conservation values in these forest areas, accessing them for logging would complicate and potentially impact Forestry Tasmania's ability to achieve and/or maintain FSC certification in the future.
- As demonstrated in the *Climate Protection Opportunities in Tasmania's Forests* report, under current carbon prices, permanently protecting these forests from logging would generate between **\$68 - 83 million**. Managed appropriately, this would provide a substantial ongoing stream of funding for management.

#### **4. Realising the opportunity - developing a forest carbon reservation methodology**

To generate income from carbon credits, a 'methodology' needs to be developed that allows emissions reductions to be measured and then sold into a market. Markets to meet Government requirements, or 'compliance' markets, offer consistently higher prices than 'voluntary' markets, where companies purchase avoided carbon emissions for non-regulatory reasons.

In Australia, income can currently be secured from the 'reverse auction' Emissions Reduction Fund (ERF), where the Government pays for emissions reductions. However, this market is currently inaccessible for the sale of forest carbon credits due to the lack of an accepted 'methodology'. Such a methodology is required for eligibility for forest carbon income, through the ERF or future carbon market mechanisms.

Methods are developed by the Commonwealth, and then applied to projects by private companies and governments to make carbon credits eligible for sale through the emissions reduction fund (or other future markets).

The TreeMod report concludes that there is 'no reasonable basis to exclude native forest management projects' and that Commonwealth approval 'would allow the large amount of abatement potentially available in Tasmania's forests to be accounted for delivering substantial economic value to the government.'

It was reported in March 2016<sup>7</sup> that the New South Wales Government was considering approaching the Commonwealth to develop a methodology for earning credits from ending

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<sup>7</sup> <http://www.smh.com.au/environment/time-to-cut-losses-not-native-trees-as-deficit-climbs-australia-institute-says-20160320-gnmwiy.html>

logging in forest areas.

An approach by the Tasmanian Government to the Commonwealth would encourage the development of a methodology. Once a method is approved, a more detailed assessment of the opportunities for deriving income for Tasmania could be undertaken.

It should also be noted that although there are significant question marks regarding the effectiveness, financial sustainability and continuation of the current ERF mechanism, emissions reductions from vegetation protection has been consistently identified as an essential source of future climate protection. Similarly, the system and processes for vegetation emissions reductions have remained largely stable at a Commonwealth level since 2010, despite dramatic changes in other climate change policy. This indicates that there is likely to be some level of market stability and ongoing opportunities for stable income from forest carbon protection.

