

The Wilderness Society - Briefing Paper

Plantation Asset Sales and Forestry Tasmania's Market Certification

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1. Summary

In 2012, Forestry Tasmania's (FT) Australian Forestry Standard (AFS) forestry certification was the subject of complaints regarding FT's ability to produce a 'sustainable yield' of high quality sawlogs (HQSL).

'Sustainable yield' refers to the production of a volume of timber that can be sustained over time, and is a key requirement of both FSC and AFS endorsement.

This was investigated by AFS auditor NCSI. It was concluded that although 'sustainable yield' native forest sawlog production could not meet FT's then minimum legislated yield of 300,000 cubic metres (m³) of sawlog, this was acceptable as the gap would be made up by high quality sawlogs from pruned solid-wood plantations within FT's forest estate. Due to the inclusion of supply projections from existing plantations as a component of longer term sustainable yield, FT retained its AFS certification.

A long term transition to greater use of pruned plantations has been part of FT's sustainable yield approach since at least the mid 90s.¹ Beyond 2027, FT relies on

¹ Ferguson, F (2012) Forestry Tasmania's Sustainable Yield Under The Australian Forestry Standard 4 June, 2012, p18,

plantations to produce between 27 and 34% of the current annual yield of 137,000 m³ of HQSL until 2063.²

In April 2015, Tasmanian Forest Minister Paul Harriss announced the Government would investigate the sale of FT's hardwood plantations to generate immediate income. Forestry industry representatives expressed a desire at the time to see pruned sawlog plantations retained in FT's ownership.³ FT's 2014-15 Annual Report, released in late October 2015, noted that the implementation of the Government's review would include consideration of hardwood plantation asset sales.⁴

FT's hardwood plantation assets include both pruned and unpruned eucalypt plantations. Pruned plantations have been managed for solid wood (as opposed to pulp) production and represent a component of FT's HQSL projections over time.

The prospect of selling FT owned plantation sawlog assets that are relied on to prove FT's ability to sustainably produce a yield of HQSL poses fundamental questions as to whether FT's AFS certification can be maintained (let alone achievement of FSC certification), should the sawlog plantations be sold.

If FT no longer own the plantations and there are inadequate contractual commitments as part of the sale, then sawlogs will be sourced solely from native forests. On FT's own figures, from 2027 this will leave an annual gap of around 47,000 cubic metres of sawlogs until 2048,⁵ compared with FT's identified sustainable yield of 137,000 m³ per annum.

This would appear to directly contravene the requirements of AFS certification (and its international parent standard, the PEFC). In addition, it would likely make it impossible to obtain FSC certification.

In its annual report released on the 27th October 2015, Forestry Tasmania have identified yield impacts as a potential issue arising from assets sales:

http://www.forestrytas.com.au/uploads/File/pdf/pdf2012/appendix_a_ferguson_report.pdfForestry

² Tasmania (2014) Sustainable high quality eucalypt sawlog supply from Tasmania's Permanent Timber Production Zone Land, Review No. 4, p19, fig. 8

³ <http://www.abc.net.au/news/2015-04-29/forestry-tasmania-faces-downsizing-job-losses/6430268>

⁴ http://www.forestrytas.com.au/uploads/File/pdf/pdf2015/annual_report_2014_15.pdf, p5.

⁵ Forestry Tasmania (2014) Sustainable high quality eucalypt sawlog supply from Tasmania's Permanent Timber Production Zone Land, Review No. 4, p19, fig.8.

Preparing for the sale of some of our hardwood plantations and other assets, including considering the most appropriate sale process and parcels, and understanding the potential impacts on future sustainable sawlog yield.

The Wilderness Society have written to FT's PEFC auditor NCSI, and FSC auditor SCS Global Services, to seek clarity on the potential impacts of high quality sawlog plantation asset sales on the maintenance and achievement of certification.

Government proposals to sell FT's plantation assets appear fraught with risk to the forestry industry. This includes a substantial threat to both PEFC and FSC certification. Given the wide acknowledgement, including by the Tasmanian Government, that FSC is required for market access, there appears to be little logic in jeopardising certification and the prospect of long term viability for a short term fire-sale.

Others risks include removing long term wood supply security for the sawmilling sector by creating a potential supply gap of 37,000 m³ of HQSL from 2027 until 2048, and 47,000 m³ out to 2062.

Presumably, should the HQSL assets be sold to private owners, the ongoing supply of plantation HQSL as a component of the legislated 137,000m³ minimum could remain available. However it is unlikely that contractual conditions of sale that constrain the management and sale of HQSL assets are viable. This is particularly so given the market awareness of FT's need for revenue, and the value write down that would occur if sale constraints were placed on the asset.

In addition, a similar experience in Queensland where the Bligh Government sold plantation assets earmarked for the sawmilling sector, has introduced significant uncertainty into the long term availability of HQSL timber assets.⁶ This would likely be repeated for the Tasmanian sawmilling sector.

2. PEFC, FSC, Sustainable Yield and Plantations

2.1 Certification requirements

⁶ Timber Queensland (2012) *Timber Industry plan welcome but sold government-owned plantation asset will cause problems*, Media Release, July 16 2012, <http://www.timberqueensland.com.au/Docs/News%20and%20Events/Media-Releases-2012/July-16-Timber-Industry-plan-welcome-but-sold-government-owned-plantation-asset-will-cause-problems.pdf>

Forestry Tasmania (FT) currently holds PEFC forestry certification under the local Australian Forestry Standard (AFS) brand. FT is also seeking the 'gold standard' Forest Stewardship Council (FSC) standard that is increasingly seen as the minimum requirement to access key markets.

AFS requires that 'the productive capacity of the forest is not compromised' by operations and that harvesting rates are identified that are 'commensurate with the long term productive capacity of the forest'.⁷ The international PEFC parent standard requires that 'harvesting levels... shall not exceed a rate that can be sustained in the long term.'⁸ The FSC standard that FSC is being assessed against requires that 'the rate of harvest of forest products shall not exceed levels that can be permanently sustained'.⁹

In short, certification requires that wood supply must be able to be 'sustainably' produced over time.

2.2 PEFC/AFS 2012 sustainable yield complaint

In 2012, stakeholders and PEFC themselves raised questions as to whether FT was meeting AFS and PEFC standards requiring maintenance of a 'sustainable yield' of timber¹⁰. These concerns resulted in a formal complaint from PEFC to FT's auditor, NCSI.

The 2012 complaints were the direct result of analysis conducted by the Independent Verification Group (IVG) for the Tasmanian Forest Agreement negotiation process. Forestry Tasmania's placed their sustainable yield as 300,000 m³ of high quality saw logs (HQSL) per annum.

Analysis by Burgmann and Robinson¹¹ concluded that FT's native forest estate could produce only 204,000 m³ from 2011 until 2030, and 166,000 from 2031 to 2050¹². The same

⁷ Australian Forestry Standard 2013 (AS4708-2013) 4.1,4.2, 4.3

⁸ PEFC Sustainable Forest Management (PEFC ST 1003:2010), 5.3.6

⁹ Scientific Certification Systems (2011) SCS Interim Forest Management Standard v1.0, 5.6

¹⁰ Law, G (2012) *Unsustainable Logging of State Forest Managed by Forestry Tasmania*
http://tasmaniantimes.com/images/uploads/Submission_PEFC_Complaint_Geoff_Law.pdf

¹¹ Burgman, M and Robinson, A (2012) *Review of Tasmanian Forest Estate Wood Supply Scenarios*, Final Report to the Independent Verification Group, Intergovernmental Agreement, Version 9.9,
<https://www.environment.gov.au/system/files/resources/eefde0e6-0f83-486d-b0c3-8b1d25abc497/files/ivgwoodsupplyburgman.pdf>

¹² *ibid* p5, Table 1

analysis concluded that, if logging of plantations for HQSL commenced in 2021, this would produce 89,000 m³ until 2050.¹³

Based on this analysis, IVG chair Professor Jonathan West concluded in his summary report that¹⁴:

Tasmania's native forests (not including plantations) have been and continue to be harvested substantially above long-term sustainable yield, in respect of the key product segments to which they provide resources.

Following Prof. West's statement, and stakeholder complaints, PEFC pursued a formal complaint with FT's auditor, NCSI. NCSI commissioned Professor Ian Ferguson to assess the validity of those complaints.

Professor Ferguson concluded that yield, including the plantation HQSL projections, was calculated and regulated in a 'manner consistent with the requirements of the Australian Forestry Standard', whilst raising concerns regarding the ability to practically transition production into plantations, and the inherent problems of a legislated minimum yield.¹⁵

NCSI subsequently concluded that¹⁶ 'FT has applied best-practice in the determination of its sustainable yield' and that FT's PEFC/AFS certification was to be maintained.

2.3 FT sustainable yield

FT's yield of HQSL has been reduced to 137,000 after the retirement of much of Gunns' HQSL contracts through the Tasmanian Forest Agreement. This figure is identified in FT planning documents and as being required to for FT to 'make available' under the *Forest Management Act 2013*.

As the table and graph below demonstrate, sawlog production beyond 2026/27 is dependent on the availability of HQSL from FT owned pruned solid wood plantation forests:¹⁷

¹³ *ibid* p7, Table 2

¹⁴ West, J. (2012) *Report of the Chairman*. Tasmanian Forests Intergovernmental Agreement, Independent Verification Group, p9

¹⁵ Ferguson, F (2012) *Forestry Tasmania's Sustainable Yield Under The Australian Forestry Standard*, 4 June, 2012, p21, http://www.forestrytas.com.au/uploads/File/pdf/pdf2012/appendix_a_ferguson_report.pdf

¹⁶ <http://www.tca.org.au/sites/default/files/FT%20Branchline%20newsletter.pdf>

¹⁷ Forestry Tasmania (2014) *Sustainable high quality eucalypt sawlog supply*

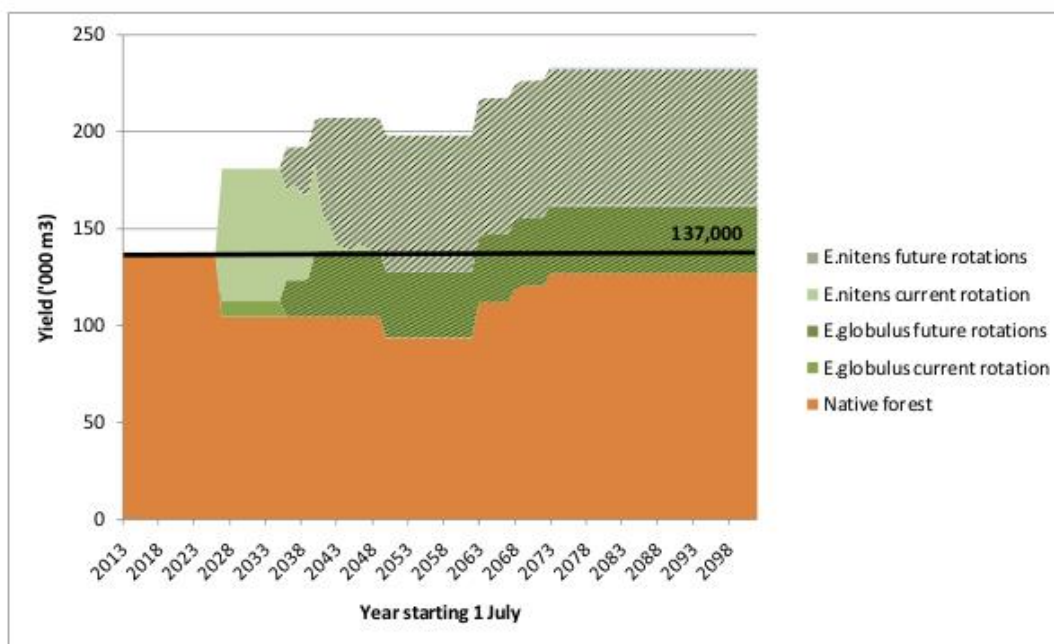
Period	Native Forest: High quality sawlog production (m3)	Plantation: High quality sawlog production (m3)	Gap between 137,000 FT sustainable yield and production volume <i>if</i> plantations are sold (m3)	Gap between 137,000 FT sustainable yield and production volume <i>if</i> plantations are sold (%)
2014/15 - 2026/27	137,000	0	0	0
2027/28- 2048/49	100,000	70,000 - 105,000	37,000	27%
2049/50 - 2061/62	90,000	97,000	47,000	34%

The table above is derived from the following graph from 2014 FT Yield review documentation.¹⁸

from Tasmania's Permanent Timber Production Zone Land, Review No. 4, p19 Figure 8. Figures may not be exact as derived from graph.

¹⁸ Forestry Tasmania (2014) *Sustainable high quality eucalypt sawlog supply from Tasmania's Permanent Timber Production Zone Land, Review No. 4*

Figure 8 Predicted yield of high quality eucalypt sawlogs from Permanent Timber Production Zone Land (excluding Future Reserve Land)



As these figures demonstrate, a sale of plantation high quality sawlog assets would leave FT between 37,000 and 47,000 m3 short of delivering a sustainable yield of 137,000 m3 of HQSL in the period between 2027 and 2062.

