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Industry Responds to Emissions Trading Green Paper

Like others, the Australian forestry and pulp and paper industries have provided formal responses to the Carbon Pollution Reduction Scheme Green Paper. Underscoring the importance of emissions trading to the entire industry, a single position was adopted by the peak national business organisations.

In its submission, industry was notably concerned to ensure that government understood the necessity of maintaining the integrity of the forestry value chain and the industry's sometimes fragile vertical integration.

The submission welcomes the Green Paper's commitment to include reforestation (post-1990) on an opt-in basis. The detailed rules are yet to be determined but if there is value at limited risk, expect firms to enter the scheme. Marginality of returns may be an issue here.

As reported in the September edition, the industry's main concern is maintaining viability of the emissions intensive pulp and paper sector. That comes out in the industry responses and colours the otherwise positive report card.

If the CPRS recognises and awards credits for the carbon stored in wood products, the value chain of the entire forest industries is improved with all of the flow on benefits. This is a major claim from the Australian industry, but would require the global rules to be amended. The international negotiations thus take on a new relevance.

Forests that existed prior to 1990 will not be included in the scheme, but work continues to press for later inclusion. There is an enormous amount of carbon stored in pre-1990 forests. The opportunities to add significant value to the production forests exists, but accounting rules and measurement issues make it difficult and politics makes it unlikely in at least the short term. This issue also has an international dimension.



The final report of Professor Garnaut's review has seen more muted responses from industry. This is because his role as 'policy advisor' is properly understood. He is not deciding, merely advising. Correctly, the Green Paper is viewed as the more significant document.

Shifting from the Green Paper to a White Paper and then to legislation that has a chance of becoming law will be very complex.

A new opposition leadership is one thing, but the ongoing 'flat earth' opposition of the Greens to recognising that sustainably managed forests store carbon is another altogether. The Greens want forest harvesting to end and for political reasons, even though the science shows sustainable harvesting and regrowth / replantation *increases* the amount of carbon stored in forests and wood products. Dealing with the irrational is never easy. It is likely nothing will satisfy the Greens.

The Government has capacity and commitment but the question everyone asks given these various interests in the Senate is 'what is the shape of an acceptable deal?' Only time will tell.

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