Wilderness Australia

FOREST CARBON BRIEFING

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An industry as obsolete as whaling

Native forest logging is outrageously destructive and wasteful. It is unpopular in the community. There is no political risk in its abolition.

It has far exceeded its ecological and financial limits, able to continue only by ignoring even the modest environmental constraints set by IFOA harvesting rules and by receiving the government subsidy evident in the accounts of the Forestry Corporation of NSW.

The industry has steadily declined for 30 years, unable to compete efficiently with plantation timber and engineered wood products (Frontier Economics Public native forest logging: a large and growing taxpayer burden). It will continue to do so.

It is no longer possible for native logging to take place "sustainably". It can rarely if ever be conducted without reducing the habitat of species already listed as endangered (e.g. gliders and koalas). Bushfire risk increases for at least 60-70 years after logging disturbance: https://www.bushfirefacts.org (see report No 3); Disturbance causes variation in sub-canopy fire weather conditions.

The argument that "only a small amount of forest is logged each year" is deeply misleading. If 2% of the forest estate is logged each year, the entire estate will be rotated in less than 50 years: however, full ecological recovery takes hundreds of years. Tree hollows, upon which many species of animals and birds depend during their life cycle, form after eucalypts are more than a century old. NSW forests are seriously over logged and log sizes are reducing, a situation made very much worse by the unprecedented destruction of the black summer bushfires of 2019/20. (Recommendations by the Natural Resources Commission of NSW to drastically reduce logging in most regions after those fires were ignored).

The industry restructuring procedures necessary to complete the transition to a wholly plantation-based timber industry are well known and were used in past forestry adjustment packages in NSW during the 1990s and early 2000s.

They have been applied by the Governments of Western Australia and Victoria to bring an end to native forest logging in those jurisdictions at the end of 2023.

Seeing the writing on the wall however, some conservation interests in NSW are arguing that creating ACCU's and selling them into the carbon market would help pay for ending native forest logging. At the same time industry and agency interests are arguing that ACCU's could help make the industry more sustainable.

Both propositions are fraught with risk. No attempt to use ACCUs was made in Western Australia or Victoria.

The Real Value of Carbon

Debate about the monetisation of carbon savings in ACCUs simply obscures the most important value of carbon in forests. The main mitigation value of our native forests is their ability to retain and recover their stock of carbon. ACCUs are irrelevant to State or Federal Greenhouse Gas (GHG) Accounts.

Native forests are natural carbon capture and storage systems. Older and less disturbed forests store by far the highest amounts of carbon. Emissions reduction targets cannot be achieved by the cessation of emissions alone. It is also necessary to remove carbon accumulated in the atmosphere. In consequence, the protection and restoration of native forests is a critical mitigation action if Australia is to meet its net zero emissions targets. (Stopping native forest logging key to getting to net zero in Australia).

When logging is stopped, there are two kinds of carbon benefits: the significant annual gross emissions from logging operations cease, and additional sequestration occurs because existing forests are allowed to keep growing past the age at which they would normally be logged. Those changes are reflected in State and Federal Green House Gas (GHG) accounts as a matter of course. The sooner the better for the State's 2030 GHG target!

ACCUs can reflect only the proximate benefit from the changes to net emissions arising from changes in the management of forests.

The benefit to GHG accounts will be significantly more than the 1-1.2 million tonnes a year that optimistically might be generated by ACCU's in NSW. Consider Tasmania, where substantial reductions in logging resulted in the State actually achieving net negative emissions in the accounting period 2012-2018 (Net carbon accounting and reporting are a barrier to understanding the mitigation value of forest protection in developed countries).

The carbon stocks in Australia's native forests are very high - an estimated 25.5 gigatonnes (CO2e) in a 14.5-million-hectare study area in south-eastern Australia with an estimated recovery potential of 7.5 gigatonnes (CO2e) (Green Carbon: the role of natural forests in carbon storage 2008).

A New System for Environmental Accounting

The new UN ecosystem accounting system (UNSEEA-EA) has now been formally adopted by Australia and it can be used to properly reflect the real economic benefit of carbon retention and recovery. It is urgently necessary for Government to take up this methodology.

[1] Stakeholder brief A: Net Zero, Offsets & NF ACCU's; [2] Stakeholder brief B: Understanding the true mitigation value of native forests; [3] Evaluating nature-based solutions for climate mitigation and conservation requires comprehensive carbon accounting; [4] Using ecosystem integrity to maximise climate mitigation and minimise risk in international forest policy; [5] Critical reforms for effective and timely action to prevent irreparable harm to earth's climate and biodiversity: A call for a Joint CBD & UNFCCC SBSTA Work Plan on Climate and Biodiversity Action.

The Flawed Concept of ACCUs

(A note by Richard Denniss, Executive Director, The Australia Institute)

"The market for ACCUs is not a market in any traditional sense. Both the supply and demand for the product are overwhelmingly determined by government regulation, not the private preferences of individual agents. In addition, the characteristics of this synthetic market in no way resemble the characteristics of a market that is efficient.

As the final beneficiaries of the 'market' for ACCUs (citizens desiring less climate change) are unrelated to those buying and selling ACCUs (project developers/aggregators/polluters obliged by regulation to purchase ACCUs) it cannot be assumed that 'market forces' will work effectively to weed out poor quality products in the way that, for example, a restaurant that sold poor quality food would be expected to lose customers. Indeed, it is very difficult for any purchaser (and most producers) to have enough knowledge to assess the relative quality of credits. So strong government regulation and assurance of quality and risk is essential.

The market meets none of the essential criteria for an efficient market; the lack of complete information, the absence of low transaction costs and the absence of externalities are obvious and significant problems. This is especially the case in native forests where forest agencies regularly over-estimate wood supply and underestimate the impact and interaction of threats that are increasing with climate change (such as drought and fire) and how those threats are amplified by past logging.

Indeed, the design of the market for ACCUs creates strong incentives for suppliers of ACCUs to exaggerate the amount of carbon embodied in each credit; incentives for firms required to buy ACCUs to ignore problems of reliability and risk; and incentives to block citizens (the ultimate beneficiary of a successful ACCU market) from obtaining full information about ACCUs on the basis of 'commercial in confidence'.

Carbon credit markets have been beset with fraud for decades and so called 'land based offsets' were excluded from the original Kyoto Protocol on the basis they were too hard to

oversee. There is no theoretical or empirical reason to suspect that the design of the Australian ACCU market is superior to that of any of the other developed country markets that have failed repeatedly to deliver 'high integrity' credits.

In terms of the specific proposal to generate ACCUs from the cessation of native forest logging in NSW, the fact that it takes subsidies to cause the current emissions from native forests makes it absurd to suggest that it is 'efficient' or 'additional' to pay those causing that destruction to cease doing so.

As Western Australia and Victoria have shown, it is economically efficient and politically popular to end native forest logging without the complications created by attempting to generate ACCUs.

Legislating to end native forest logging and remove government subsidies will provide a simple, efficient and budget positive outcome.

As NSW has witnessed in relation to its state-based biodiversity credits it can take a lot of time and money before the abject failure of synthetic markets becomes apparent. As Ken Henry said in his review of the NSW Biodiversity Act:

"The diversity and quality of ecosystems are not being maintained, nor is their capacity to adapt to change and provide for the needs of future generations being enhanced".

The Commonwealth 'market' for ACCUs will inevitably fail to deliver the promised amount of carbon sequestration which in turn will create a wide range of economic, environmental, legal and political risks, particularly in relation to who bears responsibility for the risk of 'carbon reversal' and fraud.

Significantly, it is not in the financial interests of any major participants in the 'market' to look for or expose fraud. Arguably, it is not even in the interests of governments who have committed to ambitious emission reduction targets without implementing policies to achieve those targets, to identify fraud by those selling carbon credits either.

In short, selling dodgy carbon credits is the 'optimal strategy' and those being defrauded have the least access to information even though the product exists solely for their benefit.

At a minimum the NSW Government should immediately halt all direct and indirect financial support to native forest logging to help identify the level of logging likely to occur without government support. The idea that a subsidised industry needs to be subsidised into ceasing production is … novel."

The Difficulty of Establishing an ACCU Baseline for Assessing Changes in Australian Forest Carbon Emissions

(A note by Virginia Young, Fellow of Griffith University specialising in the relationships between biodiversity and ecosystem integrity and their importance for carbon retention and climate mitigation. She is a Board Member of Wilderness Australia)

While there is no doubt that ending native forest (NF) logging will reduce emissions and increase sequestration, predicting the scale of net emissions reduction over even modest time periods in a dynamic system already undergoing significant change and subject to new catastrophic risks is difficult, if not impossible.

An ACCU cannot be created unless a proposed management change can clearly be identified as being responsible for any claimed reduction in emissions. This in turn depends on the accuracy of the baseline chosen against which to assess the reduction in emissions. If the action claimed is ending NF logging, independent verification will be required to assess whether the proposed baseline is realistic and whether logging would have ceased or a reduction in logging would have occurred regardless.

Wood supply volumes are constantly overestimated by forestry agencies and always changing. Over the past 20 years the volume of loggable timber has constantly been revised downwards and new products sought for the logging of smaller trees in an effort to maintain wood production. This has reduced the forest carbon stock and limited the ongoing capacity of our native forests to sequester carbon, at the same time increasing fire severity and ecological damage.

The only certainty about future wood volumes is that they will continue to decline and that younger and smaller trees will increasingly make up the bulk of the trees logged. Any ACCU 'baseline' determined by an average of past loggable volumes of wood (as reflected in Australia's past GHG accounts) will include a significant amount of 'hot air'. It will necessarily be speculative and thus inherently open to question.

The unreliability of utilising past emissions from NF logging as a baseline has been increased by government failure to adequately scale back logging after the catastrophic 2019/20 fires and failure to urgently establish protection and recovery plans for endangered wildlife seeking refuge in unburned and lightly burned core areas of habitat.

ACCUs cannot have integrity unless proponents (or governments) are able to independently assess:

- the ecological condition of the native forests from which ACCU's would be generated;

- the accuracy of estimated wood supply from those areas; and

- the impact of likely regulatory changes to protect biodiversity at State and Federal levels on the availability of wood from those areas.

Only then can it be ascertained whether logging would not have ended or been dramatically reduced without the benefit of ACCUs.

Moreover, the usual practice of 'smoothing' emissions from drought and fire by applying discount rates to the credits issued in an attempt to account for losses when severe drought and fire occurs will likely prove impossible and/or badly damage the economic viability of generating ACCU's. Crediting may well need to cease for the 8-10 years it would take, all going well, for forests to recover the flush of carbon lost to the atmosphere after severe fire. Predicting the occurrence of severe and catastrophic droughts and fires is also difficult as we enter uncharted territory for forecasting weather as a result of already locked in climate change.

There is simply no way that existing, severely depleted populations of endangered species like koalas and greater gliders can be adequately protected (let alone restored to viable levels) without substantial reductions in NF wood supply.

What we do know with great certainty is that retaining carbon currently stored in carbon dense ecosystems like native forests will be difficult unless we protect and restore their ecological integrity at the same time as we escalate our efforts to limit warming to as close as possible to 1.5 degrees. These imperatives are now matters of national urgency.

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