The Hon Niall Blair MLC
Minister for Primary Industries
Minister for Lands and Water

MF15/2505
IM15/12616

Senator the Hon Richard Colbeck and Mr Rob De Fegley
Forest Industry Advisory Council
FIAC Secretariat, Forestry Branch, Department of Agriculture
PO Box 858
CANBERRA ACT 2601

Dear Senator Colbeck and Mr de Fegley

Thank you for your letter of 27 April 2015 inviting a submission from the NSW government on the FIAC strategic issues paper titled 'Meeting Future Market Demand – Australia's Forest Products and Forestry Industry'.

The attached response has been prepared by the NSW Department of Primary Industries (DPI Forests), and offers consideration of points that could be developed in the discussion paper. It is noted that the issues paper is the first step in preparing a more detailed discussion paper on a national wood and fibre plan. This submission is therefore mostly confined to a list of the issues that could be considered in the formulation of the discussion paper, on the understanding that further input will be provided when the discussion paper is released.

Thank you for the opportunity to participate in this matter.

If you have any further enquiries please contact Mr Peter Murray, Forest Policy Officer, on [redacted]

Yours sincerely

[redacted]

The Hon Niall Blair MLC
Minister for Primary Industries
Minister for Lands and Water

cc: NSW Department of Premier and Cabinet

31 JUL 2015

Level 19, 52 Martin Place, Sydney NSW 2000
Phone: (61 2) 8574 7190 Fax: (61 2) 9339 5560 Email: office@blair.minister.nsw.gov.au

Questions for consideration

Vision and objectives

1. *What should the vision be for the forest products sector in the coming decades?*

- To provide a sustainable and commercially viable forest products industry that provides economic, environmental and social benefits to Australia.

2. *What specific objectives should underpin this vision?*

- Native forest and plantation resources are managed sustainably
- Plantation estate is expanded to assist in addressing domestic timber demand and trade imbalance in forest products
- Opportunities exist for domestic research and innovation in forest management and timber processing (and this expertise is recognised internationally)
- Increased sector profitability, regional development and employment benefits
- New commercial markets from changing wood and non-wood markets (e.g., carbon economy)
- Effective forestry regulation
- Enhance public support for the sector based on environmental and socio-economic outcomes.

Issue 1: Market trends and pressures

3. *What forest products does Australia have a local and/or international competitive advantage in producing?*

- Location to the Australian domestic market and developed secondary processing capability.
- Value added products from traditionally low value product streams (e.g., wood pellets from harvesting residues; biomass for multiple products including as a resource for developing bio-products such as polymers, biorefineries).

4. *What is the potential demand for forest products in the coming decades?*

- Increased demand for timber (including different uses) and paper products from expanding Asian markets
- Increased carbon markets
- Utilisation of biomass in bio-refineries (including bioenergy and bio-products)
- New opportunities in engineered wood products.

5. *How can Australia best position itself for this demand, both nationally and internationally?*

- Implementation of the Illegal Logging Prohibition Act to better regulate imports
- Better recognition and regulatory environment for carbon sequestration in forests and forest products (i.e., understanding the holistic management and products from actively managed forests)
- Educate the public on the environmental benefits of timber
- Educate the public on the health risks associated with alternative products (e.g., bamboo)
- Work with the building industry to ensure construction requirements (e.g., for multi-storey buildings) are consistent with the capabilities of new engineered wood products.

6. *What are the other drivers or disruptions that will potentially affect supply and/or demand?*

- Fluctuating dollar
- Political consistency on forest policy, including sovereign risk
- Climate change (e.g., changing the preferred locations for plantations, impacting on forest health).

Issue 2: Emerging uses and markets

7. *Which emerging forest products have the greatest potential for Australia?*

- Carbon sequestration (and economic recognition of the non-wood values from production forests)
- Biofuels/bioenergy/biopolymers
- Electricity generation
- Wood pellets
- Engineered wood products.

8. *What are some of the barriers to the development and/or uptake of these emerging forest products in Australia?*

- Competing products (e.g., bamboo flooring)
- Public resistance (often related to misinformation about the role of production forests in non-wood values such as habitat and carbon management)
- Competing land use
- Development of a funding model that recognises the long term nature of investment (and return) in forest systems.

9. *What opportunities exist to better utilise wood resources?*

- Increased use of biomass for various bio-based products (e.g., electricity and heat generation, biofuels, bio-plastics etc.)
- Domestic pulp mills
- Integrated harvesting and marketing
- Development of more (holistic) recognition of forest products and services to facilitate more efficient integrated forest operations.

Issue 3: Forest resources

10. *What is required to ensure the plantation estate is able to meet future demand for forest products?*

- Review incentives for expansion of the plantation estate (i.e., post-MIS funding mechanism(s) for expanding long rotation plantations), including farm forestry
- Include carbon market benefits in plantation cost/benefit analysis
- Develop new markets for plantation thinnings and forest residues based on bio-products (including bioenergy)
- Removal of barriers to plantation establishment (e.g., 600 mm rainfall restrictions)
- Better understanding of the value of secondary markets and processing
- Improved recognition and understanding of regional impacts and development opportunities
- Improved integration with farming.
- Suitable transport infrastructure

11. *What is required to ensure the native forest estate is able to meet future demand for forest products?*

- A simplified regulatory framework that recognises the value of wood and non-wood products from production forests
- Renewal of RFAs and legal certainty (over a long timeframe)
- Facilitate development of emerging markets (e.g., recognition under the Renewable Energy Target)
- Improved market access through appropriate certification schemes
- Government commitment to resource security (support long term wood supply from sustainably managed forests)
- Improved silvicultural management on the public and private estate
- Improved understanding forest and product availability (e.g., Inventory of Private Native Forestry)
- Better public recognition of environmental and social benefits (i.e., non-wood) of production forestry
- 'Tenure neutral' and 'active and adaptive management' forest policies which deliver enhanced ecological outcomes at a regional scale, are cost effective and which are supported by appropriate forest monitoring and research
- Commercial (production) forestry is able to participate in the full range of GHG abatement and carbon sequestration activities under Commonwealth programs (e.g., ERF and RET).

12. *What opportunities are there to increase wood supply from farm forestry, private native forestry and Indigenous owned and managed lands?*

- Private native forestry treated as a legitimate 'normalised' sustainable land use with best practice code (i.e., not considered as 'clearing')
- Better recognition and integration with farming systems
- Active and adaptive management for multiple products including biodiversity
- Integrating forestry activities into land and biodiversity restoration initiatives
- Active and adaptive management (e.g., thinning) for environmental outcomes, with associated residues utilised for commercial purposes.
- 'Pooling' arrangements for marketing products and economies of scale
- Certification systems suitable to multiple private forest owner/managers

Issue 4: Innovation, research and development

13. *What are the future research and development needs for Australia's forest products sector, and which of these needs are specific to strengths and opportunities in the Australian context?*

- Forest ecology & sustainability - to optimise the impact of forest management on biodiversity.
- Forest resource assessment & security - to improve productivity and managing future risks of forests and plantations.
- Forest carbon, bioenergy & biofuels - to provide information to support forest policy in the key areas of carbon and bioenergy.

14. *What are the current inhibitors to private sector investment in research, development and extension and what role, if any, does the Australian Government potentially have in addressing these?*

- The Australian Government could improve the direction and core research funding (to underpin industry engagement and investment and recognise the non-wood values the forest industry delivers)

- Consideration of the lack of long-term political certainty for the industry.
- Traditional industry reliance on government funded R&D (CSIRO and states)

15. How can the framework for coordinating Australian forestry research and development be strengthened?

- Implement a national model for coordinated national forest R&D (e.g., further consideration of the Australian Forest Products Association model).

Issue 5: Consumer and community engagement

16. How can domestic and international consumers be better engaged on the environmental, economic and social credentials of Australian forest products?

- Improved public education on non-wood products (e.g., carbon benefits from production forests including products)
- Better recognition of the environmental standards and certification of forestry practices in Australia.

17. How important are consumer awareness programs to the future prosperity of the sector?

Consumer awareness (such as recognising the value of wood and non-wood products from production forests), is critical in gaining the 'social licence to operate' for all forest systems.

18. Can forest certification be better leveraged to achieve stronger demand and better prices for Australian forest products and, if so, how?

Yes, through improved recognition of the environmental expectations and standards placed on Australian production forest systems. And through the continued development of standards that reflect the need for ecologically sustainable forest management that are practically applied and implemented based on a genuine understanding of the value and role of Australian forests and their management (for wood and non-wood products)..

Issue 6: Strengthened regional approaches

19. How could forestry hubs better utilise resources and promote greater efficiencies and innovation?

- Better product integration through the supply chain
- Integrated operations
- Sharing resources (machinery and labour) and skills
- Optimise utility of all forest products (i.e., low and high-value products)
- Specialised high value processing.
- Provision of specialised infrastructure

20. What have been the barriers to the establishment and efficient operation of forestry hubs to date, and what might be the role of the Australian Government in addressing these?

- Opposition to development of domestic industry
- Failure to recognise the role of production forests in land management for non-wood outcomes.

21. If additional forestry hubs are to be established, where would they best be located?

- Existing softwood plantation areas; north and south coast of NSW.

Issue 7: Infrastructure

22. *What infrastructure will be required to respond to future demand for Australian forest products?*

- Cost competitive and reliable energy
- Improved transport logistics (e.g., suitable bridges, rail).

---

23. *What can be done to ensure better recognition and understanding of the sector's infrastructure needs?*

- Consistent treatment across tiers of government.

Issue 8: Industry skills and training

24. What are the skills and training needs of the sector over the coming decades, and where are the current gaps?

- There are seasonal and localised gaps occurring in relation to forest harvesting and management. At a tertiary level, there has been a long decline in the number of institutions training foresters and national and state research investment has declined (supporting these roles).

---

25. *Are Vocational Education and Training and university training providers well-positioned to meet the future skills and training needs of the sector?*

- No, as identified above the capabilities for forest training has declined nationally (recognising there are some specific institutes that have focussed on this need including the TAFE NSW Riverina Institute (Forest Industry Training Centre) and Southern Cross University).

---

26. What improvements are required at an enterprise level to support the recruitment, development and retention of the sector's current and future workforce?

- An improved recognition of value of forests and forest products across society (in cities and regional areas).
