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Hello and welcome to another weekly edition of “The Log”, the Australian Forest Contractors Association Ltd’s own internal electronic Newsletter for all of our Members and Corporate Partner Sponsors.

This week, we start by reprinting a summary of the Federal Governments announcements on Carbon that have attracted so much publicity over the last few days. It has been provided to us by Australian Forest Products Association (AFPA)

“Richard Stanton on behalf of AFPA attended the ‘lock-up’ at Parliament House yesterday and has compiled an initial summary of the Clean Energy Future announcements (refer below). AFPA will continue to review the subsequent detail and is preparing an appropriate political and media strategy in the short to medium term.

SUMMARY

Overall there are few surprises with the majority of the substance being consistent with the CPRS except where specific changes had already been made (e.g. replacement of opt-in for afforestation with the Carbon Farming Initiative). However, there are some changes with implications for the forestry, wood products and paper industry and, as with any such major policy initiative, there are a number of things which will need to be watched carefully through the passage of the legislation, the drafting of regulations and the implementation.

General

- A fixed carbon price for three years from 1 July 2012 (Year 1 \$23, Year 2 \$24.15, Year 3 \$25.40)
- Moving to a variable price from 1 July 2015 with price floor and ceiling for the first three years.
- Only 500 or so entities will be directly liable to pay the carbon price but of course a number of these, particularly electricity suppliers, will be able to pass the price increase directly on to their customers. The substantial reduction in the number of liable parties is due to the fact that transport fuel suppliers/refiners will not be liable. Where there is a carbon cost associated with the use of these fuels it will be imposed via a reduction in fuel tax credits.

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Assistance for Emissions Intensive Trade Exposed Activities

- Thresholds and definitions of activities unchanged from the provisions developed as part of the CPRS and currently operating in relation to the RET (pulp and paper manufacturing activities retain eligibility, wood panels still unresolved, sawmilling etc will not qualify).
- No maximum cap on allocations will apply to existing facilities – this fixes a major problem that emerged in the dying days of the CPRS.
- Any changes to assistance arrangements that will have a negative effect on business will not occur before the sixth year of the carbon price.
- Assistance will decay at 1.3% per annum – subject to various review processes.



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EQUIPMENT & ATTACHMENTS

Clean Technology Investment Program

- Funding of \$800 million over 7 years.
- To assist manufacturing that does not qualify for EITE.
- Must meet one of the following – annual electricity consumption of 300MWhrs or 5 TJ of natural gas, or directly liable for the carbon price.
- Not available for facilities/activities that receive EITE assistance.
- Sawmilling and other wood manufacturing facilities may qualify if they have suitable projects.

Land Sector Measures

- The land sector is **not** covered in anyway by the carbon price other than via the CFI (see below).
- Kyoto compliant Carbon Farming Initiative (CFI) credits will be eligible to be sold/surrendered for compliance under the carbon price.
- Funding of \$250 million over six years for the purchase of non-Kyoto compliant CFI credits.
- The above points address one of our two key criticisms, that the CFI did not provide access to the carbon price. However, there is no change to the criteria for qualification under the CFI and it therefore remains highly possible that no commercial afforestation activity will qualify.
- **The Renewable Energy Target regulations will be amended to exclude biomass from native forest as an eligible renewable energy source. This includes products, by-products and waste associated with or produced from clearing or harvesting of native forests, subject to appropriate transitional arrangements for existing accredited power stations.** I was reassured by the Minister's Advisor that this related only to the Regulation dealing with Wood Waste and would not involve any change to the regulations dealing specifically with energy crops (includes plantations) or black liquor.
- Biodiversity fund, \$946 million over six years. Funding for various things including "to manage existing biodiverse carbon stores, including on land already under conservation covenants or subject to land clearing restrictions, and **publicly owned native forests**".
- Emissions from the combustion of biofuels and biomass will not be covered.



Transport Fuel

- Agriculture, **forestry** and fishery industries will **not** pay a carbon price on their fuel use.
- Heavy on-road vehicles will not face a carbon price from the commencement of the scheme. The Government intends to apply a carbon price on heavy on-road vehicles from 1 July 2014, but notes this measure was not agreed to by all members of the MPCCC.
- An effective carbon price will be imposed on some businesses through reduced fuel tax credit entitlements.

We thank AFPA for providing this summary. We will continue to include further information on this very important issue in future editions of "The Log".

One of the most important announcements as far as Contractors are concerned is the decision to exclude biomass from native forest as an eligible renewable energy source. Our "Commentator" on Federal Government announcements, Senator Richard Colbeck, Liberal Senator for Tasmania and Shadow Parliamentary Secretary for Fisheries and Forestry has provided the following:



"Banning the use of native forest biomass for renewable energy production proves there is a Green tail wagging the Federal Labor dog.

"The announcement that native forest biomass will be excluded as an eligible renewable energy resource under the Renewable Energy Target (RET) scheme is clearly a Greens sweetener. There is no doubt this decision is a case of the Greens tail wagging the Labor dog.



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"Science has proven the Greens are wrong on this issue but they continue to blunder on and now they are depriving Australia of a cost-effective source of sustainable renewable energy.

"This is more about Greens prejudice against a sustainable industry than it is about good policy or protecting biodiversity. The Greens spend a lot of time talking about science but they are more than happy to ignore it. "This decision puts Australia way behind the rest of the world in developing sustainable forms of renewable energy.

"In 2008 about 27 per cent of Sweden's total energy came from mostly woody biomass and Sweden's target is to increase this to 39 per cent by 2020. The target for Finland is also 39 per cent by 2020.

"The World Wildlife Fund (WWF) and the European Biomass Industry have jointly released a plan to generate 15 per cent of energy in the OECD countries by 2020.



"In Australia – without touching another tree, twig or leaf – we could generate up to 3000 gigawatt hours of energy that is clearly renewable and, importantly, sustainable and cost effective. That opportunity is now lost to us because of Labor and the Greens.

"Just two weeks ago, 87 highly credentialed forest scientists wrote to the Government to tell them that the latest report from the Climate

Commission was flawed in respect to its approach to the management of native forests. “The scientists’ clear message was that it is wrong to just lock up our forests.

“This blind approach by the Labor/Greens government means an opportunity lost for Australia and in particular it is a blow to regional timber communities that have yet again been shut out by prejudice over science,” Senator Colbeck said.

Members of the Victorian Forest Contractors Association have been urged to lobby their local Federal members of Parliament in an attempt to have this changed. AFCA urges any of our members who would also be impacted by this decision to do likewise.



Well, that’s all for this week. Thanks for taking the time to read this edition of “The Log”. We hope you all have a safe and profitable week and we look forward to bringing you some more news from our industry again next week.

Regards to all
David Drane

