



TreeSmart News

Time to Act Now!

The Federal Government has indicated its intention to commence the Australian Emissions Trading Scheme (the Carbon Pollution Reduction Scheme – CPRS) in 2010.

Several parties, including the Federal Opposition and many high-polluting industries, have argued that the scheme should be delayed until 2012 or later. It could be argued that the Opposition is just playing politics, while the high-polluting industries are just looking after their own interests. Neither group could be seen to be acting in the long-term interests of Australia, or the rest of the world.

TreeSmart Australia fully supports the introduction of the CPRS as soon as possible, and 2010 appears to be a reasonable target.

Sure, there is a lot of work to be done between now and then, but no-one ever said that this was going to be easy. As Ross Garnaut has said, this is a “diabolical policy question”, in that we must take action before we are absolutely certain about the nature and magnitude of the problem. If we wait until we are certain, however, then it will be too late.

There will be costs involved in implementing the CPRS. And those who have created the problem in the past will have to pay the most. But let's not wait until it's too late. ☼

Inside This Issue

- 1 Time to Act Now!
- 1 AFG-TreeSmart
- 2 CPRS Green Paper views on HWP
- 3 Design Issues for Forestry in the CPRS
- 4 Offsetting Extra HFC Flights
- 4 About TreeSmart Australia

The purpose of the *TreeSmart Newsletter* is to keep *TreeSmart* subscribers and farm foresters aware of some recent developments in carbon offsetting in Australia.

AFG-TreeSmart

At the Australian Forest Growers (AFG) National Conference in Albury in October 2008, TreeSmart Australia and Australian Forest Growers (AFG) entered into a collaborative agreement to enable farm foresters to enter into the carbon trading and offset businesses by the launching of the AFG-TreeSmart program.



AFG President Tony Cannon (left) and TreeSmart Director Tony Richardson signing the AFG-TreeSmart agreement

AFG and TreeSmart have mutual interests in providing services and opportunities for farm foresters in Australia. AFG has long been the first point of contact for farm foresters seeking information or assistance in establishing or developing farm forestry plantations. TreeSmart has represented the interests of small farm foresters in the emerging issues associated with carbon offsets and the proposed Carbon Pollution Reduction Scheme (CPRS). TreeSmart is currently the only carbon offset organisation in Australia dealing in plantations that are destined for eventual harvesting.

In the past few years, AFG and TreeSmart have developed a working relationship on several fronts. TreeSmart presented a paper on carbon sequestration at the AFG 2006 Conference in Launceston, and have also had several articles published in the AFG magazine. TreeSmart also offset the travel emissions associated with delegates travelling to the 2006 AFG Conference, and provided the same sponsorship for the recent 2008 Conference in Albury

AFG and TreeSmart have mutual interests in providing services and opportunities for farm foresters in Australia.

continued on page 2

continued from page 1

AFG have recently developed a web portal, MarkeTree (www.marketree.com.au), which will provide an online resource for Australian forest growers in a number of different areas, including carbon offset trading. Discussions between TreeSmart and AFG indicated that a collaborative undertaking would be a good way to handle the carbon offset trading activities, with mutual benefits for AFG, TreeSmart and Australian forest growers

The Agreement applies primarily to the use of farm forestry plantations for the voluntary carbon offset market, which is the environment in which carbon offsets have been provided until now and which will continue to be the only option until the introduction of the Carbon Pollution Reduction Scheme (CPRS) in 2010. From 2010 onwards, the voluntary offset market will operate in parallel with the CPRS. It is the intention of both AFG and TreeSmart that this collaborative arrangement will be extended to encompass the CPRS as soon as the detailed operation of the CPRS is known. ✻

CPRS Green Paper views on Harvested Wood Products

While the Government Green Paper, and the Garnaut Review, has been very supportive of the inclusion of carbon stored in Harvested Wood Products (HWP), they have not followed through on their principles when it comes to recognising carbon stored in HWP in the domestic trading scheme. Instead they have fallen back to the old Kyoto assumption about HWP, which they have publicly stated is not “an appropriate reflection of reality”.

The Green Paper makes the point that if the scheme includes emissions and removals that are not counted towards Australia's Kyoto obligations, those efforts would not count towards Australia's international commitments. Because Australia would still need to meet its international commitments, it would have to tighten the scheme cap (with other participants bearing the burden) or buy international units equivalent to the permits issued for non-Kyoto sequestration. This is not a good reason for non-recognition of HWP carbon storage, since such exemptions and deviations are tolerated elsewhere in the CPRS for other reasons. The treatment of trade-exposed and emissions intensive industries are just two examples. Indeed, the very industries likely to receive favourable treatment under these other provisions provide a good reason why HWP carbon storage should be recognised.

Three industries likely to receive special treatment as trade-exposed, emissions-intensive industries are steel, aluminium and cement. The free permits allocated to them will mean that they will not face the true costs of their emissions, and will remain favourably treated compared to timber as a building product

(which has no emissions from which it can be excused). Indeed, timber (as a HWP) will not be receiving its rightful recognition as a net sequesterer of carbon, and hence will be doubly disadvantaged.

The CPRS could make a substantial contribution to the rightful recognition of timber as a greenhouse-friendly building material by making another special case with respect to HWP carbon storage, which although different to the current Kyoto treatment, would be “based on science and provide appropriate incentives to reduce emissions”.

Recognition of HWP carbon storage from inception of the CPRS would also provide another strategic advantage for Australia. Given that “Australia will increase its efforts to influence changes to the international climate change framework” in relation to recognition of HWP, such efforts would be greatly enhanced if Australia could point to the fact that they have a working system of carbon accounting operating in Australia which shows how HWP recognition can be practically included within an emissions trading scheme. It would also give Australia several years advance experience with such accounting methods, thus conferring significant intellectual property advantages on Australian parties.

It is clear that the HWP issue is being considered seriously at an international level, as illustrated by the UN Workshop on HWP held in Geneva in September 2008. The draft conclusions from that Workshop clearly support the recognition of carbon storage in HWP when they state that “when drawing up national responses to climate change through the forest sector, different strategies including carbon sequestration by forests, storage in wood products, and substitution of fossil fuels and energy-intensive materials should be considered and combined”. They also highlight the urgency of the issue by noting that “considering the time schedule of the climate negotiations, consensus on HWP accounting has to be reached by mid 2009 in order to still include it into a potential agreement in Copenhagen in November 2009”. Australia should take the lead now and show how an operational recognition of carbon storage in HWP can be put into practice.

Additionally, early recognition of HWP in the CPRS would simplify many of the procedures being proposed for the CPRS. Many issues concerning measurement and accounting have been distorted and made overly complex by the need to accommodate the inappropriate assumptions about HWP that are inherent in the Kyoto assumptions. If HWP carbon storage were recognised, then inaccurate statements such as “on average, the amount of carbon stored in a forest that is not harvested will be significantly greater than a similar forest that is harvested periodically” would not need to be made, simply to justify the false assumption about HWP. It would also provide the right incentives to point the industry in the correct direction, whereby harvested plantations are used to sequester the maximum amount of carbon on the minimum area of land with the minimum risk in an economically sustainable manner. ✻

Design Issues for Forestry in the CPRS

Following the release of the CPRS Green Paper, the Department of Climate Change released a supplementary Discussion Paper on aspects of the CPRS relating specifically to forestry. This paper raised several important issues, including:

- Parties eligible to opt into the CPRS
- Methods of Accounting
- Methods of Reporting

The Discussion Paper made some significant proposals about who might be the eligible parties who could opt into the CPRS. Two options were proposed in the paper, and both oriented eligibility towards the land owner, and away from the carbon owner. While Option 2 clearly makes the landowner the only eligible party, even Option 1 gives priority to those who have permanent access to the land. This goes against the developments with Forest Rights Agreements and Carbon Rights Agreements that have taken place in the States over the last 20 years, whereby "ownership" is clearly divided into land ownership, tree ownership and carbon ownership.

Having said this, however, it is clear that the reason for concentrating on the landowner is to try to keep the CPRS eligibility as simple as possible. The preference seems to be for landowners to be the only ones who can opt into the CPRS, and to keep all the other arrangements covered by Forest and Carbon Rights Agreements as side-deals, outside the scope of the CPRS, and regulated by existing state laws dealing with Forest and Carbon Rights Agreements.

On balance therefore, and in the interests of overall scheme simplicity, **TreeSmart** supports Option 2 of the Discussion Paper, whereby landowners (and long-term crown lease holders) are the only parties eligible to opt into the CPRS; all the other arrangements dealing with Forest and Carbon Rights Agreements would be covered by side-deals between the parties.

TreeSmart supports landowners being the only parties eligible to opt into the CPRS, with all other arrangements dealing with Forest and Carbon Rights being covered by side-deals between the parties, outside of the CPRS.

The DCC paper suggests two options when accounting for emissions and sequestration; the annual stock change approach and the average net sequestration approach. Both of these methods are much fairer and more logical than the minimum long-term sequestration approach currently used in the NSW GGAS program. Both accounting methods are based on the general concept that scheme permits would be issued for net increases in forest carbon sequestration and permits would have to be surrendered for net emissions from the forest.

However, the accounting methods differ in the way they implement this policy over time. The stock change approach credits and debits sequestration and emissions in the year in which they actually occur. The long-term average approach issues permits up to the projected annual average amount of carbon sequestered less emissions in each forest stand over the accrediting period.

The Discussion Paper suggests that "average accounting is likely to enable owners of smaller forests, for example farm forestry, environmental and landcare plantings to participate in the scheme", on the grounds that they are not faced with a large payout if they have a year with significant emissions. However, analyses undertaken by **TreeSmart** have shown that the stock change approach could actually be better for foresters, while being more logical, simple and flexible.

The idea that you "get paid when you sequester, and pay when you emit" is simple to understand and easy to implement. It is also more in line with other entities in the CPRS who will need to surrender permits in the year of their emissions.

It should also be noted that the Green Paper has previously stated that "given the possibility of changes to the international climate change framework, the scheme should be flexible enough to include additional sinks and sources or accounting approaches that have been internationally agreed." The stock change approach is a much more flexible and realistic approach for carbon accounting, especially if carbon stored in Harvested Wood Products is recognised in future international agreements.

The idea that you "get paid when you sequester, and pay when you emit" is simple to understand and easy to implement.

For all these reasons, **TreeSmart** strongly supports the annual stock change approach since it is considered to be a more simple, accurate, flexible and risk-free method of accounting for sequestration and emissions.

With respect to simplified reporting of emissions and sequestration, the Discussion Paper has noted that "one option for reducing reporting costs would be for the regulator to issue forest owners with an annual assessment of the carbon stock change in their forest, based on NCAS (National Carbon Accounting System) projections". Under this option, "forest owners could accept the assessment or apply to have the assessment amended in NCAS".

This would allow an individual forester to opt into the CPRS and receive an annual allocation of permits at very low administrative costs, *provided they were willing to accept the NCAS estimates*. **TreeSmart** supports the issue of annual NCAS assessments by the regulator, with the option for foresters to challenge the assessment and provide field measurements to the regulator in order to have the assessment upgraded, both in the year of the challenge and in subsequent years. ☼

Extra HFC Flight Offsets



Beginning in 2007, **TreeSmart Australia** have provided a sponsorship to the Hawthorn Football Club, by way of offsetting the greenhouse emissions associated with team flights to play home games in Launceston. **TreeSmart** has also been a player sponsor, having sponsored Sam Mitchell and a number of other players over the past 5 years.

For the 2008 HFC sponsorship, **TreeSmart** calculated the emissions associated with the flights to Launceston, and then calculated how many trees would need to be used to sequester the emissions from that travel. In 2008, it was estimated that the four home games in Tassie, plus one pre-season game, generated a total of 225,000 kms of air travel for the team, and about 100 tonnes of CO₂ emissions. This required about 5 hectares of plantation to be set aside for the year to absorb these emissions.

In addition, **TreeSmart** was pleased to be able to extend the sponsorship to offset the flight emissions of the 27 Hawks who flew to Tassie after the Grand Final victory to show the 2008 Premiership Cup to their Tassie supporters. ☼

Left: TreeSmart Director Tony Richardson with Hawthorn Captain Sam Mitchell and the 2008 AFL Premiership Cup.

About TreeSmart Australia

TreeSmart Australia is a carbon pooling organisation which offsets greenhouse gas emissions by supporting the establishment and management of farm forestry plantations.

Farm foresters are paid for the carbon sequestered in their trees according to the amount sequestered each year.

TreeSmart uses a year-for-year carbon accounting system, whereby the emissions produced each year are offset by the amount of carbon sequestered in that, or previous, years. No forward borrowing of sequestered carbon (offsetting past or current emissions through future growth of trees) is allowed.

TreeSmart Australia is a private company, with all profits re-invested in growing more trees for sequestration purposes.

www.TreeSmart.com.au
(03) 5774 7617

PO Box 363, Alexandra, Vic, 3714

info@TreeSmart.com.au