



DIPLOMATS FOR *climate*

Submission to the Agriculture and Land Sector Plan for climate change 5 January 2024

Diplomats for Climate welcomes the Government's commitment to climate action, including in the agriculture and land sector. The measures proposed in the discussion paper seem well designed to address emissions reductions relating to the specific issues they address.

Diplomats for Climate notes, however, the absence of any strategy to address the most significant contributors to emissions in the agriculture and land sector, namely the clearing of native vegetation, either for logs or pasture.

According to government data, in the year to June 2023, emissions from forest logging and clearing, and agriculture together were around 120 Mt CO₂-e,¹ which was 79% of the emissions from the entire electricity sector (152 million tonnes), or equivalent to around 6 of Australia's largest coal-fired power plants.² Unlike other sectors (notably electricity) where emissions are decreasing, Australia's land sector emissions rose 3.8% in the year to June 2023.

Australia is currently a world leader in deforestation, mostly for timber and grazing. It is the only developed country that features in the World Wide Fund for Nature's list of deforestation hotspots.³ A national strategy to end this destruction and replace it with plantation timber and a land carbon sector would avoid much of these emissions, and the natural ecosystems conserved would draw down carbon, easing the path to net zero for other sectors. Healthy native ecosystems draw down significantly more carbon than plantation monocultures.⁴ As an additional benefit, it would be good for biodiversity protection and reduce the risk to threatened species. Conservation and ecosystem management is labour-intensive. The jobs created would be highly skilled - botanists, ecologists, rangers, machinery operators, drone operators, field scientists among them. And most of the jobs would be created where most natural environmental assets are - in regional and rural Australia.

¹ *Quarterly Update of Australia's National Greenhouse Gas Inventory: June 2023*, Australian Government Department of Climate Change, Energy, the Environment and Water,

² Based on a 2,000 kW coal-fired power plant emitting an average of 0.9kg CO₂ per kWh generated. The estimated emissions are from the Energy Council of Australia, 'Will coal play a role in the NEM', February 2017, <https://www.energycouncil.com.au/analysis/will-coal-play-a-role-in-the-new-nem/>

³ Pacheco, P., Mo, K., Dudley, N., Shapiro, A., Aguilar-Amuchastegui, N., Ling, P.Y., Anderson, C. and Marx, A. 2021, *Deforestation fronts: Drivers and responses in a changing world*. WWF, Gland, Switzerland, https://www.panda.org/discover/our_focus/forests_practice/deforestation_fronts/

⁴ B Mackey et al, 2008, *Green Carbon: The role of natural forests in carbon storage*, <https://www.jstor.org/stable/j.ctt24hcnf>

Most of the woody biomass from Australia's native logging industry is wasted or sold for low value uses such as paper and cardboard, pallets and power poles. Only around 6% ends up in high value furniture or construction.⁵ Shifting our timber and wood products industry to higher value uses and reducing waste through engineered timber products would ensure that the many workers associated with native forest logging whose jobs are in timber processing would have continuing employment building on their existing skills. Such products, made from low waste and high sustainability sources, could help to meet increasing global demand for products that do not result from deforestation.⁶

As the world decarbonises, Australia's high quality carbon credits - underpinned by strong institutions of governance - will be in high demand. The average price of a tonne of carbon in the EU in 2023 was around €81,⁷ or around \$131. With a rule of thumb conversion of one tonne of carbon in one cubic metre of timber, this compares to an average price of \$106 per cubic metre that our native timber received in 2021-22.⁸ And, unlike iron ore and coal, carbon credits will be in highest demand from countries with strong climate policies, as well as multinationals seeking to meet their shareholders' expectations of climate performance. These exports will therefore, by and large, go to Australia's strategic friends, not strategic competitors. Moreover, unlike raw commodities such as iron ore and coal, carbon and biodiversity credits and engineered timber products can be sold to anyone, not just those companies and countries that can process raw industrial commodities. This will help to further diversify Australia's export profile which, while less dependent on a single trading partner than in the past, remains heavily skewed towards iron ore and coal going to a single destination.

Measures to protect and restore native ecosystems could be funded through the creation of new industries based on carbon farming, including for export. Shifting perceptions of forests from being a store of timber to be harvested to being a repository of ecological services, including both carbon and biodiversity, could also provide opportunities for income generation on First Nations land, based on their skills, knowledge and intellectual property in a way controlled by them. Much First Nations land is currently deemed unsuitable for economic development, yet contains rich carbon and biodiversity assets that can be recognised and rewarded through the creation and certification of high integrity carbon and biodiversity credits.

Implementation of the review of Australia's carbon credit units provides an opportunity for the Government to create a high integrity, high quality carbon credit, not only to ease the transition for hard-to-abate domestic industries in the short term, but also potentially to export on the international voluntary market. The proposed Nature Repair Market can provide a framework to reward protection and restoration of biodiversity assets, while the Australian carbon credits system can do the same for carbon sequestration. Both markets could be opened to

⁵ Sanger, J. (2022) *Tasmania's Forest Carbon: From Emissions Disaster to Climate Solution*, The Tree Projects, <https://www.thetreeprojects.com/forestcarbon>

⁶ European Commission, *Green Deal: EU agrees law to fight global deforestation and forest degradation driven by EU production and consumption*, 6 December 2022, https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7444

⁷ <https://tradingeconomics.com/commodity/carbon>

⁸ ABARES, *Australian forest and wood products statistics, March and June quarters 2023*, <https://www.agriculture.gov.au/abares/research-topics/forests/forest-economics/forest-wood-products-statistics#overview-of-the-forestry-sector-202223>

international investors in the future to meet a growing demand for high quality, high integrity certificates.

Creating industries based on purpose-grown engineered timber products and on carbon and biodiversity credits derived from protecting and restoring Australia's native ecosystems will require deliberate government policy and investment. The Government will need to create the product for biodiversity and carbon credits - based on the Nature Repair Market and the Australian carbon credit system - and ensure it is of world-class quality and integrity. Legislation will be required to open that market to international investors, which will require further regulatory adjustments to ensure compatibility with international standards and markets.

Government investment will be needed to ensure that the skills needed for new industries are available, including through enhancing the skills of existing workers in similar industries. Given the lengthy lead times and high investment risks associated with plantation timber, some form of direct government investment or other measures to de-risk private investment will be required. Australia's new plantings of plantation timber have fallen to close to zero since 2013.⁹ The Government has already implemented some measures to facilitate plantation investment but far more will be required.

Rewarding conservation and restoration of native ecosystems, and recognising and rewarding carbon and biodiversity values does not need to compromise Australia's ability to produce food and fibre. Recent research by Farming for the Future suggests that investment in natural capital can increase the profitability of farms - for some up to 80% - and provide benefits for local communities.¹⁰

Australia has an opportunity to reduce emissions from conversion of native ecosystems, draw down carbon and ease the burden on hard to abate industries, protect and restore biodiversity, provide economic opportunities for First Nations people, provide a meaningful employment path for existing and new forestry industry workers, and protect national security by diversifying exports towards strategic allies. Diplomats for Climate urges the Government to seize it.

⁹ ABARES, *Australian forest and wood products statistics, March and June quarters 2023*, <https://www.agriculture.gov.au/abares/research-topics/forests/forest-economics/forest-wood-products-statistics#overview-of-the-forestry-sector-202223>

¹⁰ Farming for the Future, PWC, Macdoch Foundation, National Farmers Federation, *Improving Natural Capital: A discussion paper on the opportunity for a more financially prosperous, decarbonising and climate-resilient agricultural sector*, 2023, https://farmingforthefuture.org.au/wp-content/uploads/2022/08/Farming-for-the-Future_Discussion-Paper_20211201-v1-1-1.pdf