

SUBMISSION TO CLIMATE CHANGE TARGET CONSULTATION DOCUMENT

Organisation: **Forest & Wood Action Group (Bay of Plenty & CNI)**

Contact Name: John Galbraith

Address:

Email: john.galbraith@xtra.co.nz

Phone: 0274 458 839

Signature: Bryce Heard, Chairman, Forest & Wood Action Group

INTRODUCTION:

The Forest & Wood Action Group (FWAG) has been formed to implement actions arising from the Bay of Connections Forest & Wood Processing Strategy.

The group is comprised of members representing a wide cross section of their industries, including commercial operators, companies, research, education & training, economic development, and local and central government partners. Current membership list is attached.

Our vision: *To extract the maximum sustainable regional wealth from the CNI forest resource*

Our mission: *To provide advocacy and strong leadership to maximise growth opportunities.*

In 2014 FWAG reviewed its function and progress and confirmed the following focus areas going forward:

- Improving the investment environment
- Facilitating market access
- Providing a forum for open debate on sensitive issues within the sector
- Developing our people
- Working with Maori

Forest & wood processing is the largest wealth-producing sector in the region, contributing \$765 million in GDP (2013).

It is also a significant generator of wealth in associated and servicing sectors in the region, producing 30% of the volume exported through the Port of Tauranga and is the largest category of rail freight. The sector has also generated a significant engineering industry, with 80% of NZ's transport equipment manufacturing being carried out in the region.

FWAG provides a valuable advocacy, communication and collaboration function, across the full value chain.

SUBMISSIONS

Summary

FWAG:

- Proposes an achievable INDC target of 20% below 1990 gross emissions by 2030.
- Recommends that NZ can meet its new emissions targets primarily through:
 - The large scale planting of new forests on erosion prone land grassland and multiply-owned Maori land, where owners support that use.
 - Increased use of locally grown and processed plantation forest timber for construction of residential and light commercial buildings.
 - Recognising the uniquely effective role of wood as a carbon sink, low-energy building material.
 - Increasing the fuel efficiency of the country's freight industry by maximizing the utilisation of high productivity motor vehicles and allowing NZ Rail to develop its business where rail is a truly competitive freight option.
 - Bringing the agricultural sector (animal) emissions into the ETS now at some agreed level. Not only would this be seen by all New Zealanders that the farming community was contributing to achieving a low carbon economy, but it would also provide a measurable incentive for the farming community to actively and aggressively work towards reducing these emissions.

Objectives for the 'intended nationally determined contribution'

Question 1(a) Do you agree with the above objectives for our contribution?

FWAG agrees with the Government's consultation document that three key objectives for the contribution should be:

- That it is seen as a fair and ambitious contribution – both by international and domestic audiences.
- That the costs and impacts on society be managed appropriately.
- That it must guide New Zealand over the long term in the global transition to a low emissions world.

Question 1(b) What is most important to you (the FWAG)?

FWAG regards all objectives as important; and regards forestry as the most important tool available in the short term for achieving all of the above. Increased planting of forests will not only help New Zealand meet its 'intended contribution,' it will generate economic and environmental benefits that will mitigate the costs and impacts of climate change in the short term and into the future. It is globally recognized that forests can contribute substantially to a reduction of *net* GHG emissions and that afforestation generates multiple co-benefits to society.

Increased forestry will reduce net GHG emissions

The capacity of growing forests to sequester CO₂ is well known. Radiata pine will sequester around 30 tonnes of CO₂ per hectare a year from age 14. That suggests a new forest of a million

ha could sequester 30 million tonnes a year - enough to reduce New Zealand's present gross emissions from 77 million to 47 million tonnes a year - for around 15 years. In the Bay of Plenty alone, the Regional Council has estimated that there are approx. 156,000 ha of grass land that is suitable for forestry¹.

Nationally, we have nearly a million hectares of under-utilized and erosion prone land suitable for forestry; and new planting therefore has the capacity to *achieve an emissions target of 20% below 1990 gross emissions by 2030, if New Zealand chooses.*²

Increased forestry will deliver co-benefits to society

For New Zealand, the co-benefits of increased forestry include:

- a) Improved water quality from reduction of sedimentation in waterways;
- b) Improved biodiversity and a reduced environmental footprint;
- c) Increased economic diversification and resilience;
- d) Regional development and jobs;
- e) Iwi land development consistent with cultural aspirations;
- f) Construction materials that are energy efficient and earthquake tolerant; and
- g) Bioenergy and energy security.

Conversion of pasture land to trees has the double benefit of both reducing methane emissions from livestock and sequestering carbon.

Question 2. What do you think the nature of New Zealand's emissions and economy means for the level of target that we set?

FWAG recognises that, with current technology and animal stock, New Zealand's largely agricultural economy makes it difficult for us to reduce gross emissions.

We recognize also that the land and climate that drive our agricultural economy and create the problem, also offer us the solution. Expanding forestry on marginal land will absorb carbon dioxide and allow us to buy the time needed to reduce agricultural emissions.

Given that we have the ability to substantially offset our CO₂ emissions over the next 30 years, FWAG believes that New Zealand should have a bold 'intended nationally determined contribution'.

How the target contribution will affect New Zealanders

FWAG notes that when the New Zealand ETS was first introduced the trading price of an NZU was about \$20, but is now down to less than \$6 because of Government interventions.

We would welcome a rise in the price of NZUs. If the price rose to \$15 and investors were confident that it would remain stable, then an afforestation target of 20-30,000 ha p.a. with all of the co-benefits we have described would be easily achieved.

¹ Toi Moana Growth Study. Report by Martin Jenkins for MBIE & MPI, April, 2015.

² 1990 gross emissions 60 mt CO₂ equivalent; 20% below 1990 levels, 48 mt CO₂ equivalent.

A new planting rate of 100,000 ha a year (which has been achieved in the past) might require the incentive of a higher carbon price, and/or trading in the other ecosystem benefits that forestry as a land use, and timber as a building material, provide as noted earlier.

Question 3. What level of cost is appropriate for New Zealand to reduce its greenhouse gas emissions?

It is appropriate for New Zealand to reduce its greenhouse gas emissions if it is done in concert with a majority of other countries with whom we trade.

The consultation document indicates the likely cost to NZ households from pursuing different levels of GHG emissions reductions between 5% and 40% below 1990 levels.

FWAG notes two significant observations from this analysis:

- The cost of doing nothing/continuing to contribute to the increase in GHG as we as a country have been doing since 1990 is not identified nor included in the document. This is a major omission and limits rational consideration of an appropriate target and consequent cost to society.
- The difference in cost to households between a 5% reduction and 40% reduction, is surprisingly small – equivalent to about \$530 pa, or roughly 1% of current average household earnings.

New opportunities

Question 4. Of these opportunities which do you think are the most likely to occur, or be most important for New Zealand?

FWAG considers that the most significant, proven, readily available and affordable opportunity is:

- *Reducing greenhouse gas emissions by increasing forest sinks will lead to improved health, environmental and social well-being, and improved erosion control and water quality.*

We also support the opportunities in:

- *Fuel and energy efficiency can reduce costs to businesses and households.*

We note that in respect of transport fuels:

- Over 44% of NZ's CO₂ emissions are from transport fuels. An immediate opportunity to reduce freight fuel consumption is to extend the use of high productivity motor vehicles. HPV trucks typically consume 12 to 15% less fuel per tonne of payload carried. NZ has made good progress in implementing HPV, but the development is stalled short of the 25m, 64 tonne maximum envelope envisaged in the introduction of HPV legislation in 2010. Full implementation of the HPV opportunity will further increase fuel efficiency and reduce CO₂ emissions.
- Fuel efficiency, productivity and reduced transport costs are all delivered in HPV use and we note that each \$1 saved in transport costs translates to \$2.50 in GDP.

- For the longer term, the feasibility of producing wood-based bio-fuels for transport fuels on a large scale in NZ is proven and awaits a sufficiently favourable price comparison with fossil fuels. The critical requirement for a viable wood-based bio-fuels industry is a very large supply of uncommitted wood residues from local sawmilling and harvesting, which in turn are dependent on an increased forest estate and expanded domestic processing industry.
- Rail is well recognised as a fuel efficient freight mode and has options for further conversion to electric motive power.

We agree that:

- *Remaining aligned with the global transition to a lower-carbon economy will ensure we remain competitive and productive in a world where the emissions intensity of our products and services will increasingly be an issue.*

Embedding clean, green energy in processed and manufactured solid wood and wood fibre products in NZ for export is a significant opportunity to reduce the demand for fossil-fuel created energy in many of our market countries.

Domestic policies to meet our target

ETS To date, our key policy tool for reducing emissions is the New Zealand Emissions Trading Scheme (NZ ETS). This puts a price on each tonne of greenhouse gas emitted.

When introduced in NZ, the ETS was seen as a farsighted and comprehensive approach to meeting the challenges of reducing emissions in a warming world.

The NZ consumer has shouldered most of the burden of the cost side of the ETS since 2012 when 50% of the nominated carbon price of \$25 per tonne C was introduced for emitters, who promptly passed on the “tax” to consumers in energy and fuel prices.

Unfortunately a series of ill-advised interventions, or non-interventions in the case of some international units, has unnecessarily undermined the efficacy of the ETS and has helped to collapse the carbon price necessary to incentivise reduced emissions.

While we acknowledge the important role of agriculture in the New Zealand economy and especially to its export receipts, we believe it is only fair and reasonable that the agriculture sector does contribute something towards the cost of a low carbon economy. The agriculture sector argues that to charge the full cost of agricultural (animal) emissions, which make up almost 50% of the total emissions in New Zealand, would be too onerous. We suggest that a contribution never the less should be made --- perhaps based on an agreed percentage of emissions from that sector. Not only would this be seen by all New Zealanders that the farming community was contributing to achieving a low carbon economy, but it would also provide a measurable incentive for the farming community to actively and indeed aggressively, work towards reducing these emissions. As long as the agricultural sector stands outside of the ETS, it can continue to enjoy and capitalise the benefits of its avoided costs of climate change action into distorted land values, which can mitigate against more environmentally compatible uses.

Wood as a natural Carbon sink Domestic policies that create at least a level playing field, if not an incentive, for the use of wood and wood-based products in building and construction projects recognise the important role of wood as a natural carbon sink.

Wood is arguably one of the most efficient materials for sequestering and storing carbon and for substituting carbon emissions. Sustainably harvested wood, when substituted for other materials, typically reduce GHG emissions.

Every tonne of wood material used in construction saves about 5.7 tonnes of carbon dioxide from being released into the atmosphere.

Wood First Rotorua Lakes District Council has adopted a Wood First policy , with the objectives of:.

- Facilitating and encouraging the use of wood as a preferred, sustainable, building material for all projects in the district.
- Requiring that wood is used in council projects.
- Actively supporting and advocating for wood and the wood industry, locally, regionally and at a national level.

The RLC Policy notes that wood requires less energy to manufacture than any other building material. The Council is committed to supporting other councils to adopt Wood First practices and policies.

Question 5. How should New Zealand take into account the future uncertainties of technologies and costs when setting its target?

FWAG recognises that predicting what we can achieve to reduce emissions 10 to 15 years from now, and what technology will be available, is a significant challenge.

We also agree that while we need to ensure that our target is considered fair and ambitious (including progressing upon our previous targets), we also need to ensure the costs for New Zealand are fair compared with what other countries are doing. Doing more than our fair share would also impact the competitiveness of New Zealand businesses and place unnecessary costs on households.

We agree with the approach outlined, ie that when we set our contribution, we need to be very clear both to New Zealanders and other countries about the assumptions that sit behind our contribution and the importance of technological advancements that are anticipated.

| FOREST & WOOD ACTION GROUP MEMBERS (May '15) | |
|---|---|
| Member | Organisation |
| Bryce Heard (Chairman) | Forest Industry Consultant (Formerly CE, Lockwood Industries) |
| John Lemm | MD, Intalok Industries |
| David Turner | MD, Sequal Lumber |
| Doug Gaunt | Scion Research |
| Mike King | MD, Interpine |
| John Galbraith | Forest Industry Consultant |
| Kerry Ellem | Taupo District Council |
| Frances Pauwels Mark Smith | Grow Rotorua |
| Brian Stanley | Chair, Wood Processors and Manufacturers Association NZ |
| Tim Rigter | GM, Red Stag Timber |
| Murray Parrish Phillip Millichamp | Carter Holt Harvey |
| Dawn Paewhenua | CNI Iwi Holdings Ltd |
| Peter Clark | CE, PF Olsen Ltd |
| Su Cammel | Kawerau District council |
| David Dragovich | Marshalling Solutions Ltd |
| Cheryl MacGregor | BOP Regional Council |
| Mark Whitworth | Port of Tauranga |
| John Kelly | Waiariki School of Forestry & Primary Industries |
| John Gifford | Forest industry consultant |
| John Reid | CHH Pulp & Paper |
| Jacky James | Shine PR |
| Hugh Douglas | DezineNZ |
| Jacob Kajavala | MD, Kajavala Forestry Ltd |
| Ann Nicholas | Sigma Consulting |
| Roger Willard | APR Consulting |
| Owen Griffith | Timberlab |
| Dennis Nielson | DANA Limited |