

# The Institute of Foresters of Australia

ABN 48 083 197 586



22 July 2008

The Secretary  
Senate Standing Committee on Rural and Regional Affairs and Transport  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Committee Secretary

Attached is a submission by my organisation in relation to your Inquiry into the Implementation, Operation and Administration of Legislation Underpinning Carbon Sink Forests.

Please contact me if you require any further information or clarification of the issues mentioned in our submission.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J. O'Loughlin', written in a cursive style.

J. Adrian O'Loughlin  
(Executive Director)

The Secretary  
Senate Standing Committee on Rural and Regional Affairs and Transport  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Email: rrat.sen@aph.gov.au

## Inquiry into the Implementation, Operation and Administration of Legislation Underpinning Carbon Sink Forests

The Institute of Foresters of Australia (IFA) is the organisation representing Australian professional foresters. The organisation was formed in 1935, has active branches in all of the Australian States and the ACT, and is a registered non-profit public company governed by an elected Board of Directors. A requirement of full membership is that members have University level qualifications in forestry or a closely related scientific discipline, or extensive relevant practical experience in forest management or forest science.

The IFA is an advocate for better forest management in Australia, for high professional standards in forest and woodland management and for the active management of our forests for all values.

Current membership is approximately 1300. Members are employed throughout Australia, and overseas, and in a variety of occupations, including native forest, plantation and national park management, research, bushfire management, land care, education, public service administration, private forestry and industry. The age and experience profile of our members ranges from new graduates to retired men and women with over 50 years of experience in forestry, park and land management in Australia.

### **Submission**

IFA supports legislation that encourages the planting of trees for commercial and environmental purposes. The proposed legislation provides taxpayers with an opportunity to deduct the substantial establishment and ongoing maintenance cost for establishing plantations for the purposes of carbon sequestration.

IFA also supports participation of the forestry sector in emissions trading scheme. If this occurs then the plantations established for carbon sequestration should be captured in that scheme. Plantations will follow the usual cycle of establishment, growth and harvest. A well structured emissions trading scheme and tax system will capture the carbon, expenditure and income flows from such plantations.

There is appropriate local government and State statutes and regulations which cover land use. The proposed legislation refers to these mechanisms for control of plantation development in this context, which the IFA considers appropriate.

IFA is concerned that plantations established for carbon sequestration need to be managed according to good forestry practice, so that they achieve their intended purpose (ie to sequester carbon). This can only be achieved through attention to ongoing management and health of the plantation.

IFA recommends that those claiming a tax deduction should be required to demonstrate that the plantations have been established according to a management plan. Periodic reporting on the progress of the plantation should be required at regular intervals (IFA recommends this occur at least every five years). The management plan and monitoring reports should be provided to the owner by an independent professional of suitable qualification such as a Registered Professional Forester.

The costs incurred in producing the management plan and monitoring reports should be an eligible tax deduction. Such reports should be available for inspection by the ATO upon request. If the report suggests the plantation is not being managed appropriately the owner

should be obliged to undertake remedial works or face the risk of returning any claimed deductions for the period to which the report applies. That obligation should address concerns raised that promoters/developers of carbon sequestration schemes may abuse the deductibility provision.

IFA has previously recommended a similar procedure for MIS plantation forestry schemes (see Attachment 1). To our knowledge this recommendation has not been implemented.

I also attached for your information the Institute's policy in respect of 'Forestry and Climate Change Mitigation' (Attachment 2).

IFA would be pleased to discuss with the Australian Government, appropriate mechanisms for monitoring the establishment and maintenance of plantations.

Dr Peter Volker FIFa RPF  
President  
Institute of Foresters of Australia  
(21 July 2008)

## **CONSULTATION ON PROPOSED TAXATION ARRANGEMENTS FOR PLANTATION FORESTRY**

### **Who we are**

The Institute of Foresters of Australia (IFA) is the organisation representing Australian professional foresters. The organisation was formed in 1935, has active branches in all of the Australian States and the ACT, and is a registered company governed by an elected Board of Directors. A requirement of full membership is that members have University level qualifications in forestry or a closely related scientific discipline, or extensive relevant practical experience in forest management or forest science.

The IFA is an advocate for better forest management in Australia, for high professional standards in forest and woodland management and for the active management of our forests for all values.

Current membership is approximately 1250. Members are employed throughout Australia, and overseas, and in a variety of occupations, including native forest, plantation and national park management, research, bushfire management, land care, education, public service administration, private forestry and industry. The age and experience profile of our members ranges from new graduates to retired men and women with over 50 years of experience in forestry, park and land management in Australia.

### **Our submission**

In the 2005-06 Budget, the Government announced 'inter alia' that it would reduce the administrative and compliance burden on investors and MIS companies and that:

*“ deductibility would also be conditional on the certification of the MIS company to ensure best practice in forestry, regional planning, land use and natural resource management, under arrangements to be developed by the Department of Agriculture, Fisheries and Forestry;”*

The Institute of Foresters of Australia recommends that:

1. Its Registered Professional Forester (RPF®) Scheme be considered by government as an appropriate means for registering professionally competent Independent Foresters for the purposes of providing a report for the forestry MIS Product Disclosure Statement, verifying the credibility of the scheme to government and investors and reporting on the progress of the “product” at regular intervals until harvest.
2. The government considers the need to establish a training course for Independent Foresters and Certifiers of forestry MIS projects. The course curriculum to be developed in consultation between IFA and government and be delivered through registered training providers.
3. That a Qualified Independent Forester's Report be required to be included in MIS Product Disclosure Statement and a system of regular reporting be required to verify the management of the scheme and the performance of the product (ie forest) until final harvest. Such reports should be available to government and the investors and should be subject to audit.
4. That Treasury only consider Product Disclosure Statements which contain reports from suitably qualified and accredited professionals.

5. The IFA and DAFF work together to develop a system in relation to the above, that would be acceptable to Treasury in its approval process for forestry MIS projects.

#### **1. The Registered Professional Forester (RPF®) Scheme**

The Institute's RPF scheme was developed in 2001, with the assistance of Australian Government funds, to promote high standards in the professional practice of forestry.

ISO Standard 9001:2000 was used as a guide for developing a Quality Management System to process the RPF scheme. The Quality Management System is audited by an External Independent Auditor who must be registered with the Quality Society of Australia.

The Registered Professional Forester scheme is a voluntary, national system implemented by the Institute of Foresters of Australia (IFA), which recognises the currency of professional forestry knowledge, skills and experience by registering professionally qualified foresters who have been approved for registration following assessment by the Professional Registered Foresters Registration Committee.

The Registered Professional Forester scheme is based on an accurate, rigorous and balanced approach and involves:

- a. a submission at a professional level in writing requiring the applicant to demonstrate their knowledge, skills and experience
- b. an assessment of the application by the profession
- c. reference checks of the applicant
- d. evidence of the applicant's continuing professional development and
- e. evidence of applicant having current Professional Indemnity Insurance cover if engaged in providing consulting services
- f. undertaking by the applicant of adherence to a Code of Ethics and
- g. an Appeal process.

Applications for Registration are accepted from non- members, and members of the IFA. Registration Fees are reviewed annually. Non-IFA members are subject to a different fee than IFA members as IFA members contribute to the ongoing administration costs of the Scheme.

Approval of RPF Registration is for a period of 3 years with an annual return being required to monitor compliance of CPD and insurance requirements.

The Scheme currently allows for approval of:

1. General Practicing Foresters - who have appropriate tertiary educational qualifications plus 5 years forestry experience
2. General Practicing Foresters with special skills and experience – as above plus specialising in areas for about 5 years or more)
3. Specialist – for Forestry professionals who have high level of qualifications and experience in a specialist field of forestry, but who are not qualified as General Practicing Foresters.

The Scheme is administered under authority of IFA Regulations by an RPF Registration Committee (appointed by the IFA Board of Directors for 3 year terms) consisting of:

- 1 member from the IFA Board
- 1 member from Australia's leading consulting foresters association
- 1 member with expertise and experience in Australian public forestry
- 1 member with expertise and experience in Australian private forestry
- 1 member with expertise and experience in Australian forest regulation
- 1 member with expertise and experience in the Australian forest education industry
- 1 member with expertise and experience from a non-timber production forest sector

The transparency of the Scheme is communicated by including a Report on the RPF Scheme in the IFA Company Annual Report. If the RPF Scheme was adopted for management of forestry MIS projects then a transparent reporting and monitoring process could be developed to meet government requirements.

The RPF Scheme provides for an Appeal Process set out in IFA Regulations and the IFA would be amenable to strengthening this process to meet the needs of government.

**2. The government considers the need to establish a course for Registered Certifiers of MIS companies**

The Institute notes that it may be necessary for Registered Professional Foresters to be trained in the role and responsibilities of performing their duties as an Independent Forester in MIS Product Disclosure Statement or any subsequent reports which may be required. There may also be a requirement for government officials involved in the approval process of MIS projects to undertake training so they have an understanding of the risks, returns and industry characteristics to which the project belongs.

The Institute would be interested in developing and coordinating relevant training courses through recognised training providers, if this is needed. It seems logical to associate the Registration process and training under the one co-ordinator.

Some financial assistance from government would be needed in managing, developing and introducing a training course. However, any such course would need to become self funding in due course.

**3. That a Qualified Independent Forester's Report be required to be included in MIS Product Disclosure Statements'**

The IFA understands the credibility of some MIS Schemes has been questioned in the past and this has led to the Treasury Review of forestry schemes in particular. The IFA submits that the Independent Foresters Report, which is part of the Product Disclosure Statement, could be further strengthened if such reports were only acceptable if completed by an RPF with appropriate training. This would ensure:

- Treasury and the investors would be assured that the Independent Forester has appropriate training and knowledge to evaluate the scheme and write the report;

- The Independent Forester has committed to Continuing Professional Development and a Code of Ethics by having the RPF certification; The IFA also encourages Treasury to consider similar professional certifications be required for Independent Reports in Forestry and non-forestry Product Disclosure Statements.

**4. That an Independent Forester's Report be sought at various times after the establishment of the forest.**

The IFA is of the opinion that a reporting requirement to Treasury, DAFF, the investors and perhaps the community at large, would be a means of allaying concerns about the management and performance of the forest (or crop) to be grown in an MIS. The IFA submits that an Independent Foresters Report would be the mechanism for such reporting in the case of forestry MIS projects and the same certification requirements would be required as for the report contained in the Product Disclosure Statement.

**Conclusion**

The IFA believes that the RPF Scheme is most appropriate to use for registering Independent Foresters for certification activities proposed by government. The IFA is amendable to making changes to the Scheme, if considered necessary to ensure the Scheme meets the requirements of government.

The RPF Scheme is credible, independent of government and vested interests, and is self funding. The IFA believes that the adoption by government of the RPF Scheme to certify MIS projects would be acceptable by other forestry organisations and could be administered through a transparent process, with a minimum of government involvement.

The IFA has always had a good and co-operative working relationship with the Department of Agriculture, Fisheries and Forestry and this relationship was confirmed with the allocation of government funds to establish the RPF scheme.

The IFA has been working assiduously on making the RPF Scheme accepted to the profession and employers. The adoption of the RPF Scheme as a means of increasing the credibility and standing of the Independent Foresters Report and certification of MIS projects would give the Scheme the impetus needed to truly deliver quality assurance in professional forestry.

Dr Peter Volker FIFA, RPF

President  
Institute of Foresters of Australia



# Forests and climate change mitigation

## (IFA Forestry Policy Statement No. 6.2)

### **The issue**

Increases in atmospheric greenhouse gases, mainly due to burning of fossil fuels, could potentially have dangerous effects on the global climate system. This has created pressure to reduce greenhouse gas emissions, particularly CO<sub>2</sub>. Large quantities of carbon are stored in forests. Slowing deforestation, increasing forest area and certain forest management practices can result in lower net CO<sub>2</sub> emissions. This could create opportunities for investment in new forests and returns from existing forest assets. However, there are concerns about capacity to accurately account for forest carbon stock changes, appropriate baselines and risks to carbon stocks from fire, pests and diseases, and climate change itself.

### **Background**

International concern about the potentially dangerous effects of increased atmospheric concentrations of greenhouse gases (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs and SF<sub>6</sub>) on the global climate system resulted in adoption of the UN Framework Convention on Climate Change in 1992. The Kyoto Protocol to the Convention was adopted in 1997, and sets out legally binding targets that would result in 5% reduction in greenhouse gas emissions compared with 1990 for 'developed' and former Eastern block countries between 2008 and 2012. The Protocol has not yet entered into force and achievement of a broad international agreement to emission mitigation targets remains uncertain. However, there is likely to be continued domestic and international pressure for governments to respond to the potential threat of climate change and reduce greenhouse gas emissions.

All plants capture CO<sub>2</sub> from the atmosphere via photosynthesis and convert this carbon to biomass. Compared to most other plants, trees store much of this biomass carbon for comparatively long periods. Consequently, the largest portion of carbon in terrestrial ecosystems is stored in forests.

CO<sub>2</sub> can be removed from the atmosphere when other forms of land cover such as grasses or crops are converted to forest. CO<sub>2</sub> is emitted when forests are cleared and converted to other forms of land cover. Other forest management practices (eg. thinning, fertilisation, rehabilitation) can increase or decrease carbon stocks. Establishment of new forests and certain forest management practices can therefore reduce net emissions of CO<sub>2</sub> to the atmosphere. The carbon uptake rate in new forests is related to forest growth and site conditions. Once areas available for forest expansion are occupied and these forests mature the capacity of forests to take up carbon will decline. Forests are therefore considered a relatively short-term (50 year) mitigation option providing for a longer transition period for societies to move to lower carbon intensity energy generation and transport options.

Recognising the important role of forest in the global carbon cycle, it was included as a criterion of sustainable forest management agreed by signatories to the Montreal Process. The Kyoto Protocol and subsequent accords provided for emissions and removals of CO<sub>2</sub> in vegetation (carbon sinks) to be used in meeting emission reduction targets. Countries are required to account for emissions and removals from deforestation and from new forests established since 1990. Countries can choose to include emissions and removals due forest management, cropland management, grazing land management and revegetation. Accounting rules for these practices are under development.

Forest carbon sequestration can therefore be used to offset greenhouse gas emissions. This is an 'environmental service' of forests. It is more easily quantified than other services such as biodiversity conservation or salinity mitigation. Forest owners can potentially be paid for forest carbon sequestration which could provide early cash flows for forest growers. Buyers might include energy utilities or other companies wishing to offset greenhouse gas emissions or governments seeking to meet state or national emission mitigation targets. Payment for carbon sequestration can also apply to environmental restoration projects where there is no intention to harvest. Costs associated with selling carbon sequestration are potentially significant and the price received for carbon sequestration needs to be higher than transaction costs involved with measurement and marketing for forest owners to enter into trading arrangements. Small forest growers may be able to deal with high measurement costs and risk management liabilities by pooling their carbon sequestration and reducing unit costs of trading.

The following issues need to be considered in marketing sequestered carbon:

- Carbon accounting must be undertaken in accordance with agreed standards and independently verified. It should include potential losses and gains in all pools including: living tree biomass, understorey, litter, soils and dead wood pools.
- The traded 'product' is the net increase in carbon stocks for a given time period. Net changes can be negative in early years in planted forests (due to emissions from soil disturbance and biomass losses from the previous land cover) and after harvesting, fire or disease. Risk management procedures need to be adopted to account for unanticipated losses.
- Estimates of change in carbon stocks can have large statistical errors due to the high variability in carbon density in different pools. Producing estimates of carbon stock change with low error can require many samples and this can be costly, particularly for small forest holdings.
- Native forests, in particular, have high variability in carbon stocks and stocks change in space and time. Accounting for carbon sequestration in managed native forests may be more appropriately undertaken at regional or national scales and may be more difficult to incorporate in commercial trading systems.

## **Policy**

The Institute of Foresters (IFA) advocates the development of scientifically-based market mechanisms that enhance the potential contribution of forests to climate change mitigation.

The IFA supports and encourages:

- the ratification and implementation of international agreements and protocols, including the Kyoto Protocol, that aim to reduce greenhouse gas emissions;
- the development and implementation of national and sub-national greenhouse strategies which recognize the carbon sequestration role of forests;
- the ongoing development of scientifically defensible and operationally practical methods for accounting for both carbon storage and carbon fluxes in forests and forest products;
- the development of opportunities for trading of carbon sequestration benefits, subject to measurement and application being based on scientific principles.

The IFA considers that:

- learning from creating and operating carbon trading markets may assist with developing markets for other forest environmental services;

- there is a need for on-going development of scientifically defensible methods for forest carbon accounting.

### **Further Information**

Australasian Emissions Trading Forum [www.aetf.net.au](http://www.aetf.net.au)

Australian Greenhouse Office 1999, National emissions trading: crediting the carbon, Discussion paper No. 3, Commonwealth of Australia, Canberra, 60p and other papers at [www.greenhouse.gov.au](http://www.greenhouse.gov.au)

Australian Greenhouse Office 2002. Greenhouse gas emissions from land use change in Australia: an integrated application of the National Carbon Accounting System.

Keenan, R.J. 2002. Historical vegetation dynamics and the carbon cycle: current requirements and future challenges for quantifying carbon fluxes in Australian terrestrial ecosystems. *Aust. J. Bot.* 50:533-544.

Houghton, J. T., Y. Ding, D. J. Griggs, M. Noguer, P. J. van der Linden, X. M. Dai, K. Maskell, and C. A. Johnson, editors. 2001. *Climate Change 2001: The Scientific Basis. Contribution of Working Group I to the Third Assessment Report of the Intergovernmental Panel on Climate Change (IPCC)*. Cambridge University Press, Cambridge, UK.

International Emissions Trading Association [www.ieta.org](http://www.ieta.org)

United Nations Framework Convention on Climate Change [www.unfccc.int](http://www.unfccc.int)

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