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# Tasmanian Forest Industries Virtual Forum

*Forests for the Future – Planning for Tomorrow Today*

Thursday 19 November 2020

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# Julianne O’Reilly-Wapstra

Facilitator
TFFPN Board Director

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# Therese Taylor

TFFPN Convenor

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# Bryan Hayes

Chief Executive Officer
Forico

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# Morris Miselowski

Global Futurist

## *Reimagining the Future of Tasmanian Forestry*

Tasmanian Forest Industries Virtual Forum
19 November 2020

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# Morris Miselowski

## Global Futurist

Click the image to the left to view Morris's slides.

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# Paul Heubner

CEO, Pentarch Forestry

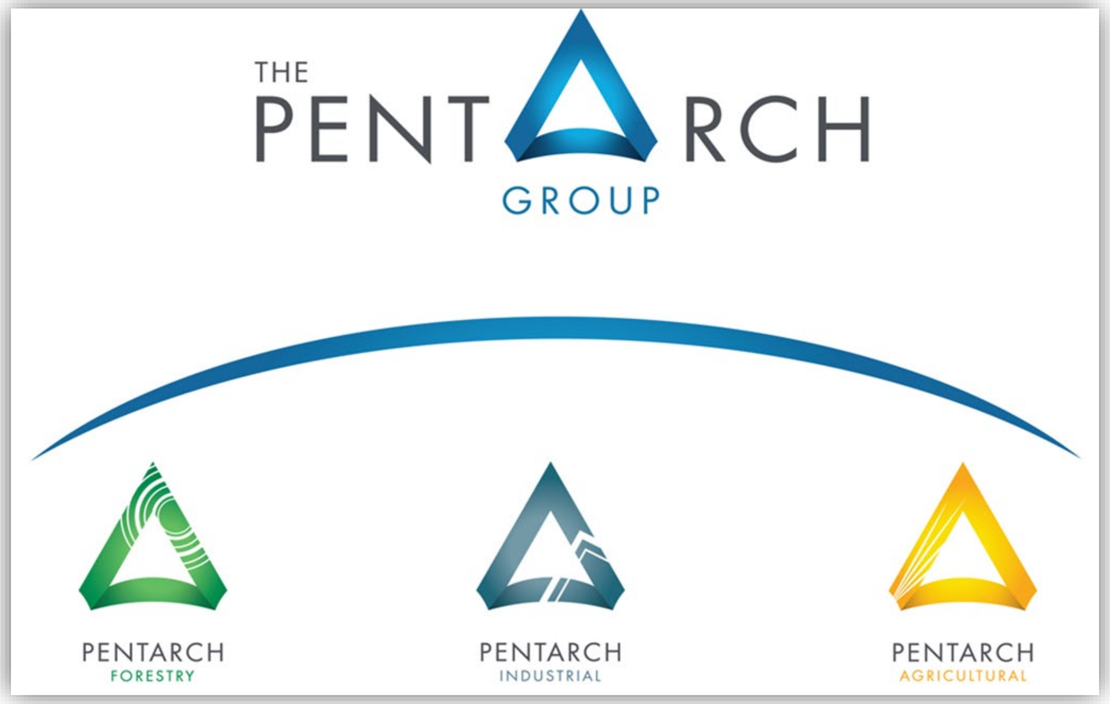
*Resilience, Recovery and looking forward – what lessons can be found in a crisis*

# RESILIENCE, RECOVERY AND LOOKING FORWARD

Presented by
Paul Heubner, CEO

PENTARCH FORESTRY

# About Us




- Business commenced in 1984.
- By early 1990s, the group's primary focus was on three key businesses - through its Industrial, Forestry and Agricultural divisions.
- The common thread across the businesses was international trade.

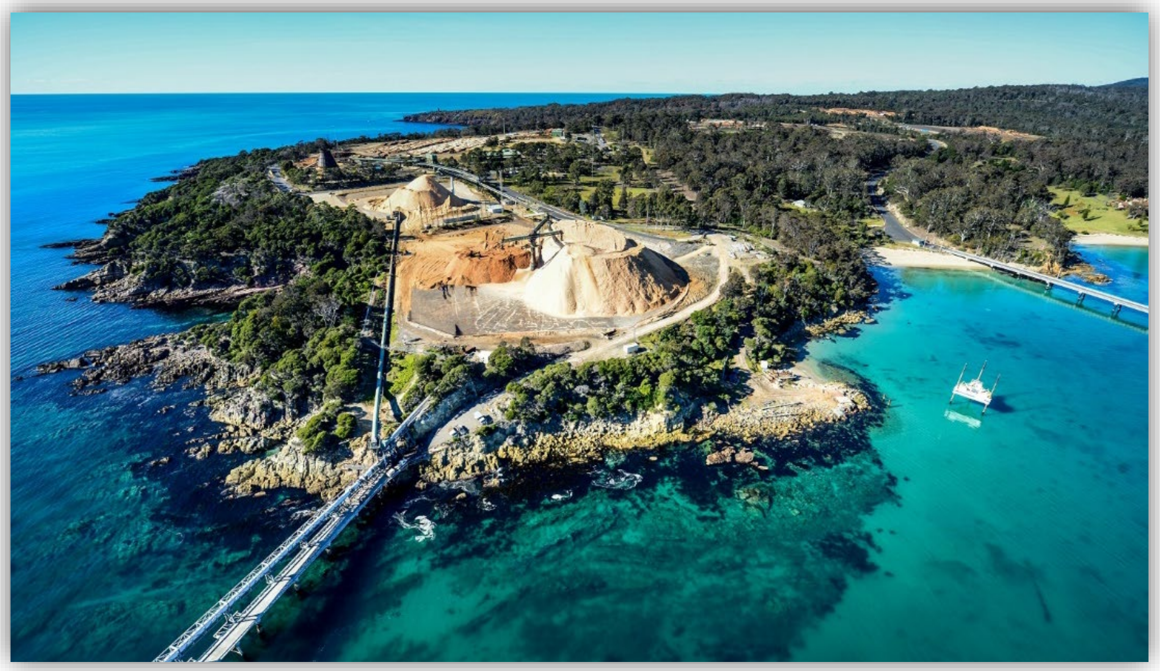
 

# Pentarch Forestry

# Tasmanian Operations

- Actively investing in supply chains and associations with forest owners since 2010.
- Operates at the Massy Greene facility in Burnie.
- 30 staff and supports a large network of contractors.
- Overlooking Burnie port, it's a great example of a vertically integrated hardwood log processing centre.
- Pentarch Logistics provides ship loading supercargo services, toll chipping, delivery of chip to the wharf.
- ANWE is involved in the marketing and sales of Nitens and native woodchips.
- Future developments in Tasmania are being investigated.

# Eden Operations



- Oversees management of a fully integrated woodchip and log export facility in Eden (NSW far South Coast).
- 100 staff and supports a large network of contractors.
- Resource includes Radiata pine, plantation eucalypt and native log.
- In 2019 Eden processed and exported circa 900,000 tonnes of woodchip and log exports.
- **Pentarch Forest Services** manages harvesting activities through harvesting contractors.
- **Pentarch Logistics** undertakes chipping and log marshalling operations.
- **Pentarch Forest Products** markets log exports whilst **ANWE** markets the woodchips.
- Largescale developments are underway.

# The Pentarch Group Core Values

- Proficiency
- Adaptability
- Collaboration
- Fairness

# The Journey

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Our core values were established through events that threatened our survival

# Destruction of the Eden Wharf

- In 2016 a 17-metre rogue wave destroys the loading wharf & woodchip conveyor in a once-in-a-lifetime storm event.

# Collaboration

*Our actions in response to a major structural loss demonstrated our strong sense of investment in our partners and the local communities with whom we work.*

- We needed to generate community confidence in our capability.
- It was essential to keep contractors in the region for when our facility was rebuilt.
- Management and staff dug in and we liaised closely with many stakeholders.
- Passion for the industry coupled with concern for the wider community was reflected in how everyone came together to successfully navigate this crisis.
- The decision by the Directors and management to rebuild is a deep reflection of our culture.
- We were at the time (and continue to be) the  largest employer in the greater Eden region.
- At Pentarch we are passionate about our industries and the regions in which we operate.

# Rebuilding Post-storm

The decision to rebuild
reflects our culture

# 2020 Bushfires

# 2020 Bushfires

2020 the ‘border fire’ devastates the Eden operation

# Proficiency

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*Our ability to seek out relationships with the right people and to combine skills and expertise with commercial pragmatism enables us to make the best and most efficient use of our resources.*


- Our business was thrust onto the national stage;
- PM, NSW Premier, Federal and NSW ministers all visited the site;
- Relationships established at high level within Federal and State Governments;
- Assistance has been provided but more importantly we have the ear of government;
- Our own team and local contractors got us back to processing by March 2020;
- First shipment out in May 2020;
- July 2020 the site was fully operational;
- Around 10% of insurance proceeds applied to get back to operational status;
- Clearly a lot more work to be done but we can generate cash.

# Rebuilding Post-Bushfire

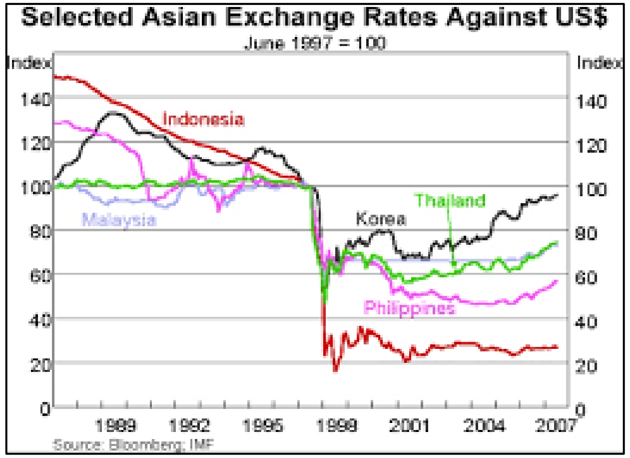

Logs arriving Feb 2020

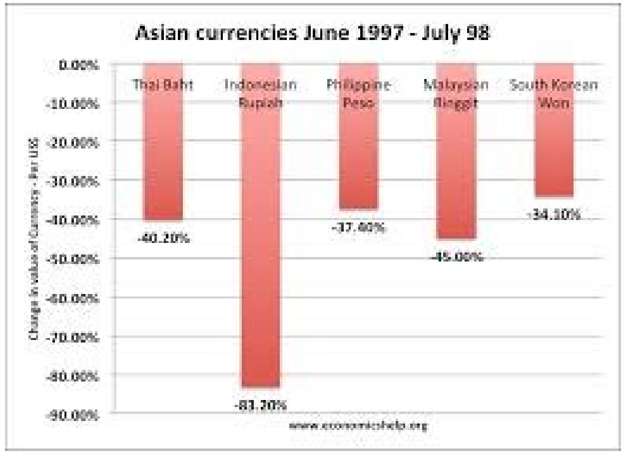

First chips produced March 2020


First vessel 12 May 2020

# Crisis in international markets

- Log and chip export business characterised by high working capital and limited shelf life of stock.
- Korea was the main market;
- 1997 Asian crisis and no international banking lines;
- Shut down or pivot?
- Shifted into Indonesia which became a lucrative market;
- East Timor unrest in 2006 stopped the trade;
- Pivot to India and Middle East.
- Current China trade tensions.



# Adaptability

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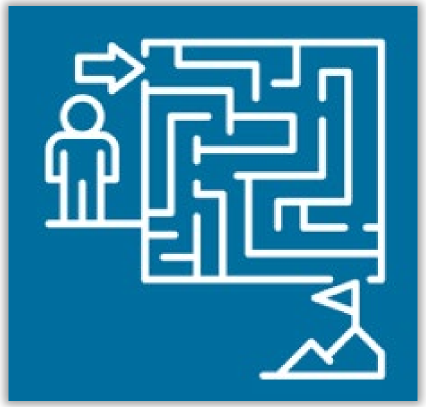
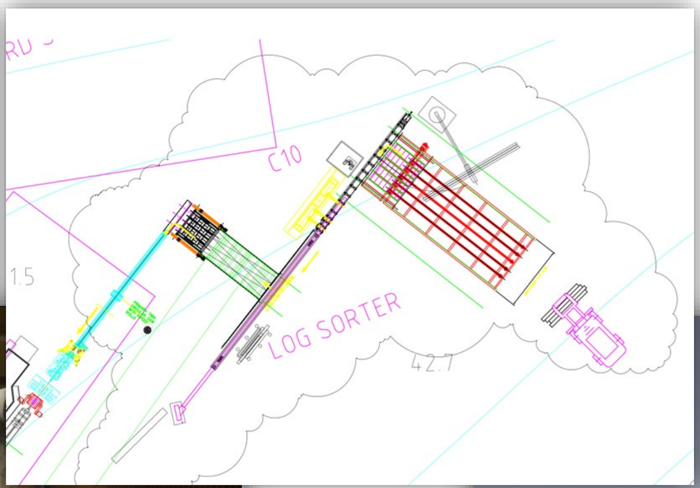
*Adaptability is an essential aspect of our business, which is regularly called upon to react swiftly to changing circumstances.*

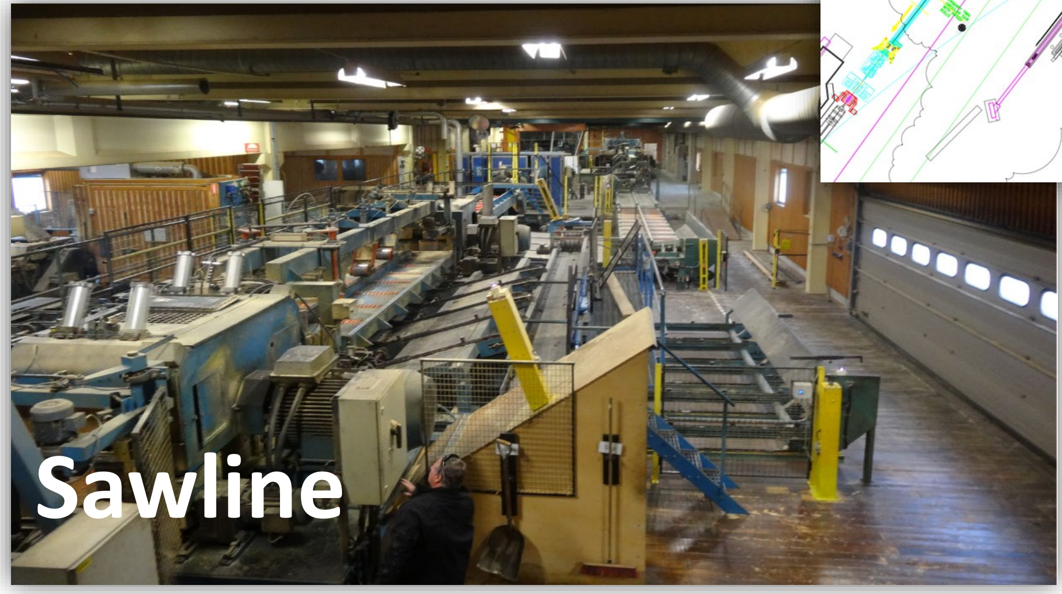


- Commercial challenges frequently arise;
- Seek innovative opportunities;
- These solutions often lead us in different, yet viable, new directions;
- The ability to absorb pressure but to keep acting productively is valued at Pentarch;
- In difficult situations, leadership is key to navigate the best path;
- In a volatile and uncertain world we dynamically adapt to internal and external change;
- Skillful management and an enterprising approach allow us to grasp new opportunities.

# Adapting for the Future

To maximise the value from the timber resource in South Coast NSW and diversifying products offered, Pentarch Forestry is developing a high-tech timber processing hub on the Eden site.




# The Global Financial Crisis

- 5 vessels on long term charter.
- A contract for another 20 shipments in place with Japanese ship owners.
- Freight dropped from circa US$40K per day to US$4K per day.
- 5 ports operating and significant log stocks.
- No customers and no international trade.
- Significant amount of foreign currency cover now a major liability.
- Cash bleed from the business more than $1 million per month.

# Fairness

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*The Global Financial Crisis (GFC) was an opportunity to demonstrate our commitment to our staff and to foster a sense of mutual trust and respect within our workplaces.*


- People in the business, both personally and professionally, were highly valued;
- Downsizing absolute last resort;
- Protect and preserve the team so that we could respond post crisis;
- Deep caring about people in the business;
- Only one staff member was made redundant;
- We were able to build back post the GFC and setup the future;
- Without an experienced team this would not have been as easy to achieve.

# The Pentarch way: adapting to a changing world

- Our core values, developed over the past 20 years:
- Help us to be resilient;
- Provide a model for recovery; and
- Are a guide to how we can tackle the future.
- Our core values are embedded in our history, but more importantly provide the cornerstones for our future.

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# Panel

## *Priority Action Areas and Case Studies for the Tasmanian Forest Industry*

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# Jillian Aylett Brown

CEO, MechLog

## *Culture, Skills & Training*

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# Prof Rod Keenan

Chair of Ecosystem and Forest Sciences,
University of Melbourne

## *Climate Change Risks & Opportunities*

Tasmanian Forest Industries Virtual Forum
19 November 2020

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# Climate change, carbon markets and the Tasmanian forest sector

Professor Rod Keenan

Acknowledgement to:
Zoe Ryan (Climate Friendly) Hugh Stewart

School of Ecosystem and Forest Sciences

# Outline

Climate change in Tasmania

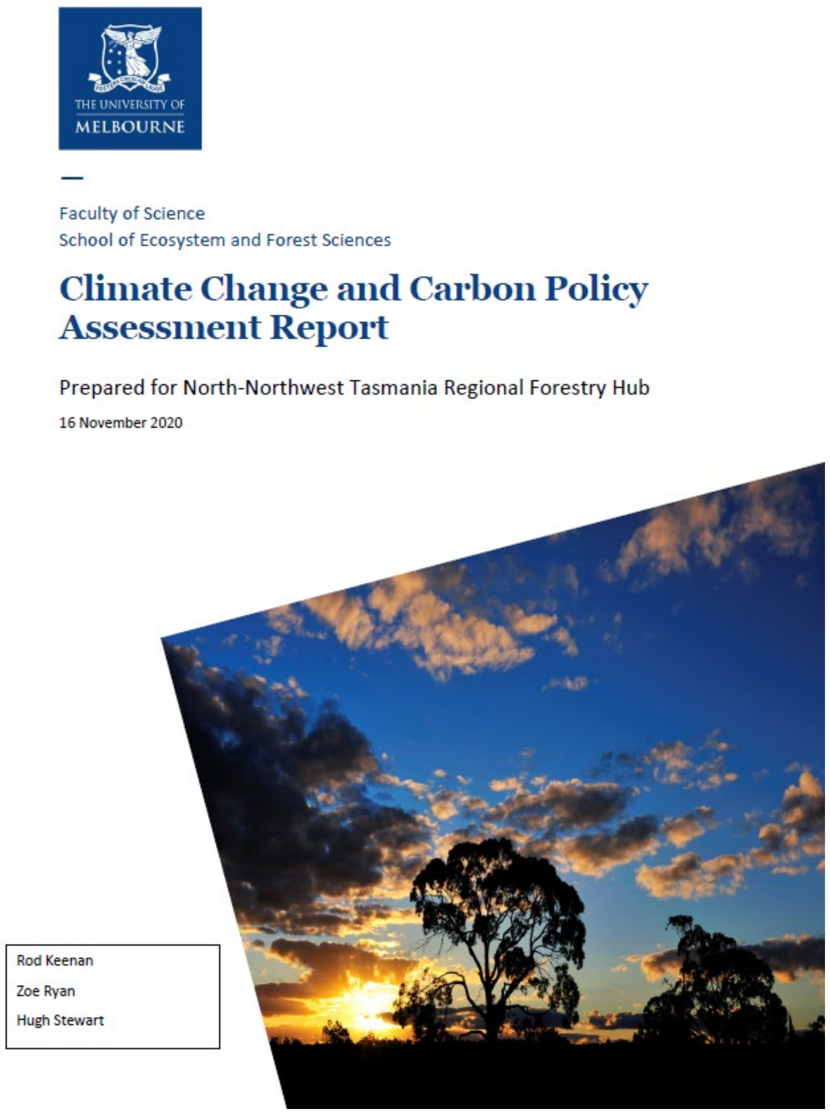
Climate change impacts

Adaptation options

Carbon markets and drivers

Emissions Reduction Fund methods

Recommendations to promote carbon investment



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Faculty of Science
School of Ecosystem and Forest Sciences

**Climate Change and Carbon Policy Assessment Report**

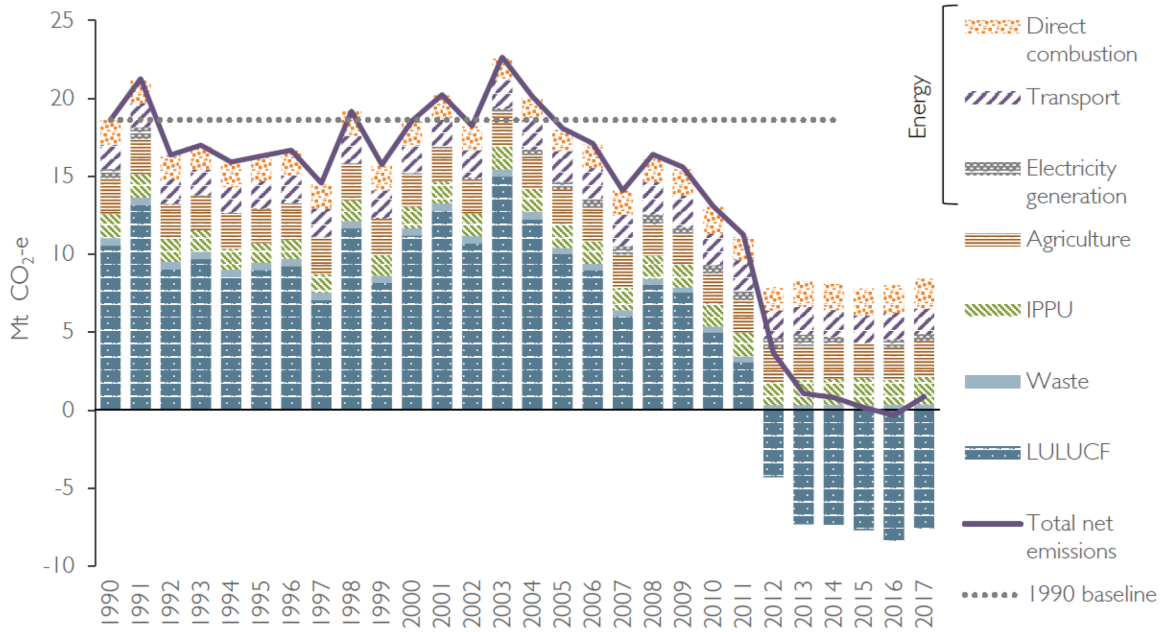
Prepared for North-Northwest Tasmania Regional Forestry Hub

16 November 2020

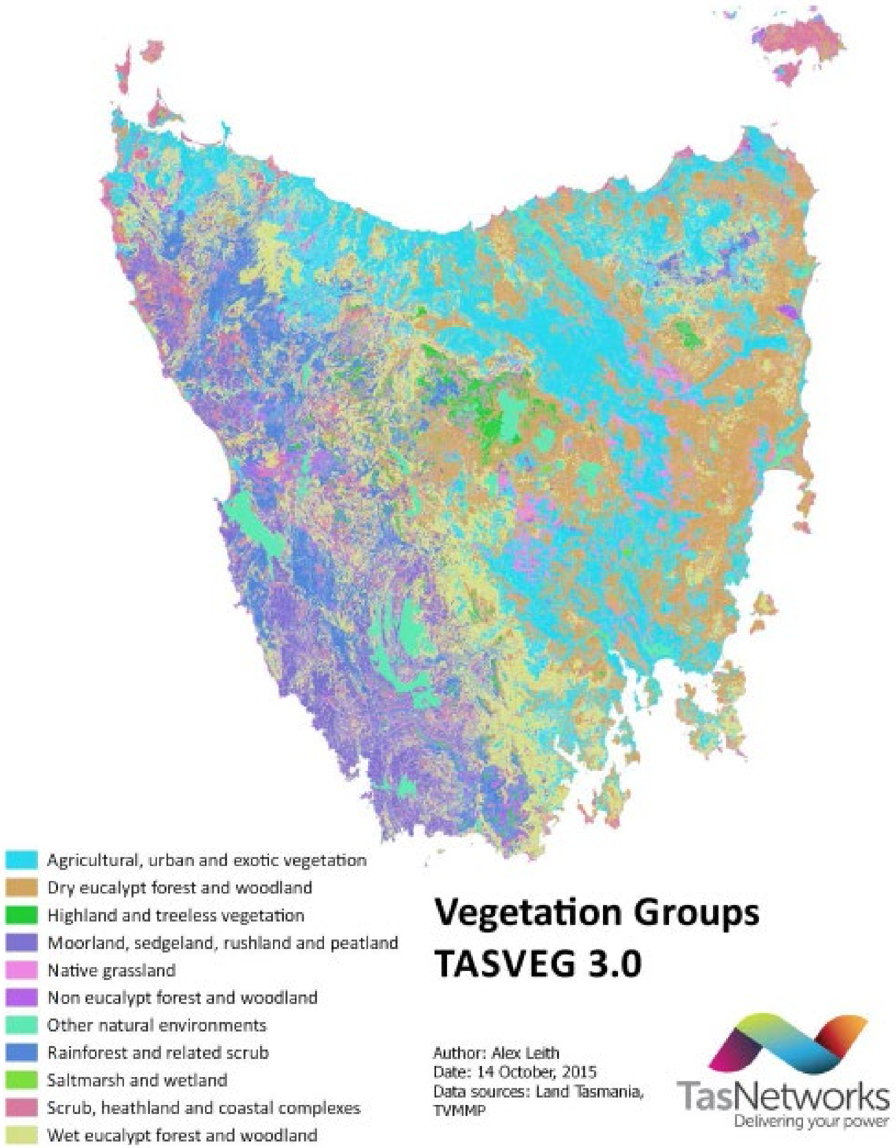
Rod Keenan
Zoe Ryan
Hugh Stewart

# Tasmania: context

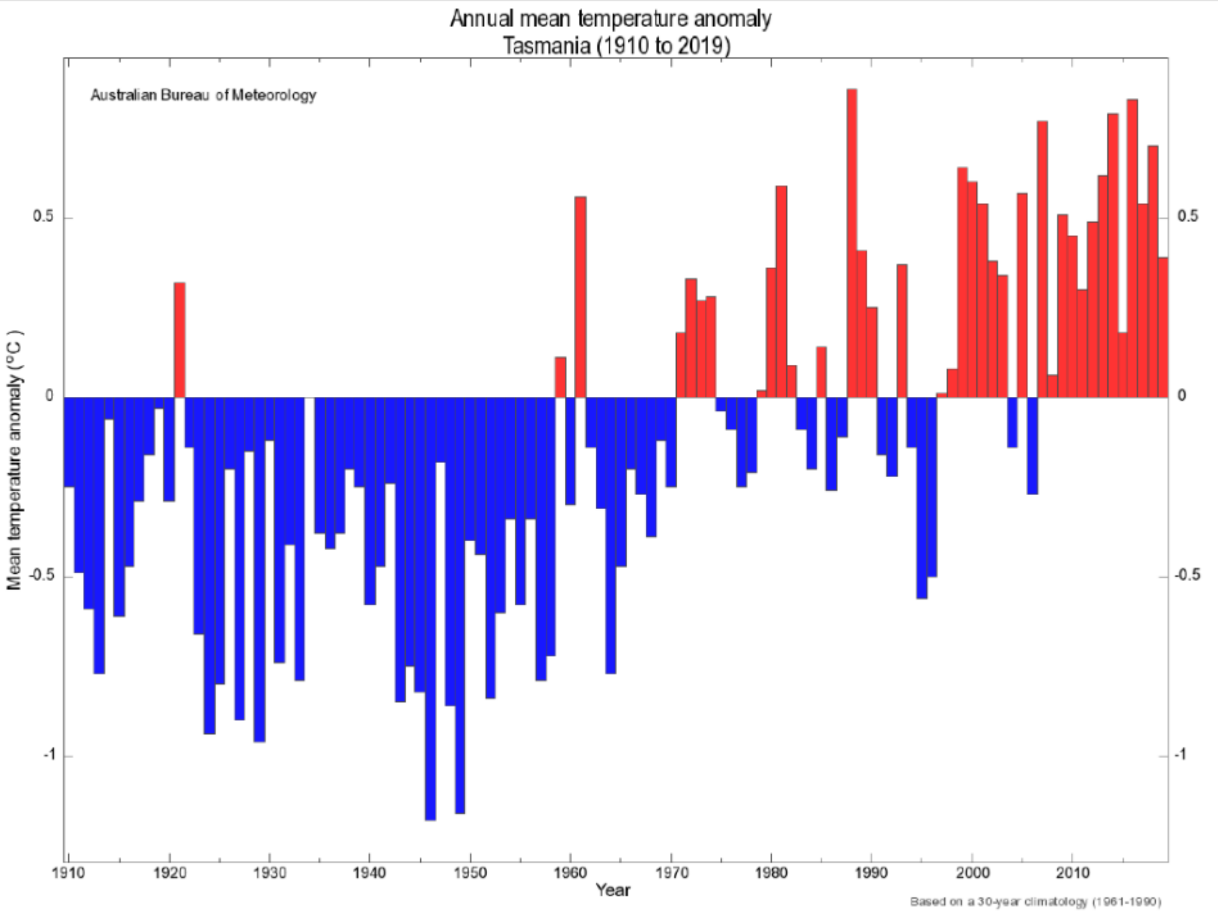
- 73% native vegetation cover, native forests 63% of pre-European cover
- Highly diverse in composition and productivity
- High level of formal protection
- 300,000 ha of plantations (75% mostly short rotation hardwood)
- Big reduction in native forest  harvest 3.7 to 1.3 $Mm^3$ between 2008-2018
- Big increase in hardwood plantation timber production, more modest increase in softwood plantation production




*Tasmanian Greenhouse Gas Emissions Report 2019*
Tasmanian Climate Change Office



# Climate change in Tasmania




| | |
|---|---|
| **Temperature to 2030 cf. 1986-2005** | West +0.2-1.1°C<br>East + 0.4-1.1°C |
| **Temperature projections to 2090** | **High emissions**<br>West +2.1 - 3.6°C<br>East + 2.3 - 4.0°C<br>**Intermediate emissions**<br>West +0.9 - 1.8°C<br>East +0.9 - 1.9°C |
| **Rainfall 2030** | Little change |
| **Rainfall to 2050** | More in winter<br>Lower in spring<br>Lower in summer (west) |
| **Extreme temperatures** | More hot days, warm spells<br>Fewer frost-risk days |
| **Extreme rainfall and drought** | Increased intensity of extreme rainfall<br>Longer droughts to 2100 |
| **Fire weather** | Increased periods of high fire risk<br>(depends on rainfall patterns) |
| **Evaporation** | Increased potential evapotranspiration in all seasons |
| **Humidity and solar radiation** | Increase in solar radiation (less rain and cloud)<br>Decrease in relative humidity |

# Climate change impacts on forest sector

- Recent events include extensive fires in Gondwanan refugia and destruction of organic soils
- Other terrestrial ecosystems considered highly vulnerable: alpine ecosystems, moorlands and peatlands
- Potential for increased tree growth on temperature limited sites
- Reduced forest growth in some parts and increased drought death in water limited regions
- Increased risks of fire, pests and diseases
- Repeated fires may impact on regeneration of production native forest species
- Tall, wet forests may become net carbon emitters with heat waves

Dan Broun. The Guardian

# Forest sector adaptation options

Flexible future wood supply targets

Maintaining seed stocks and capacity to regenerate forests

Near-term impacts on plantations can be managed

- thinning, wider spacing, fertilising, monitoring and rapid control of insect pests, and actively managing fire risks
- in the longer-term, consider new species for some sites, species mixtures and translocations

Consider and plan for impacts on infrastructure, supply chains, workers, customers and competitors

Integrate trees with farm operations to enhance resilience, diversify income and reduce climate impacts on farm operations

**New opportunities in a changing climate**

THE UNIVERSITY OF MELBOURNE

# Carbon markets

Maintaining, expanding and better managing forests, and using more forest products, contribute to national and international objectives to reduce greenhouse gas emissions

Expanding markets for offsets

- voluntary commitments
- government purchase (ERF, QLD LRF)
- farm groups

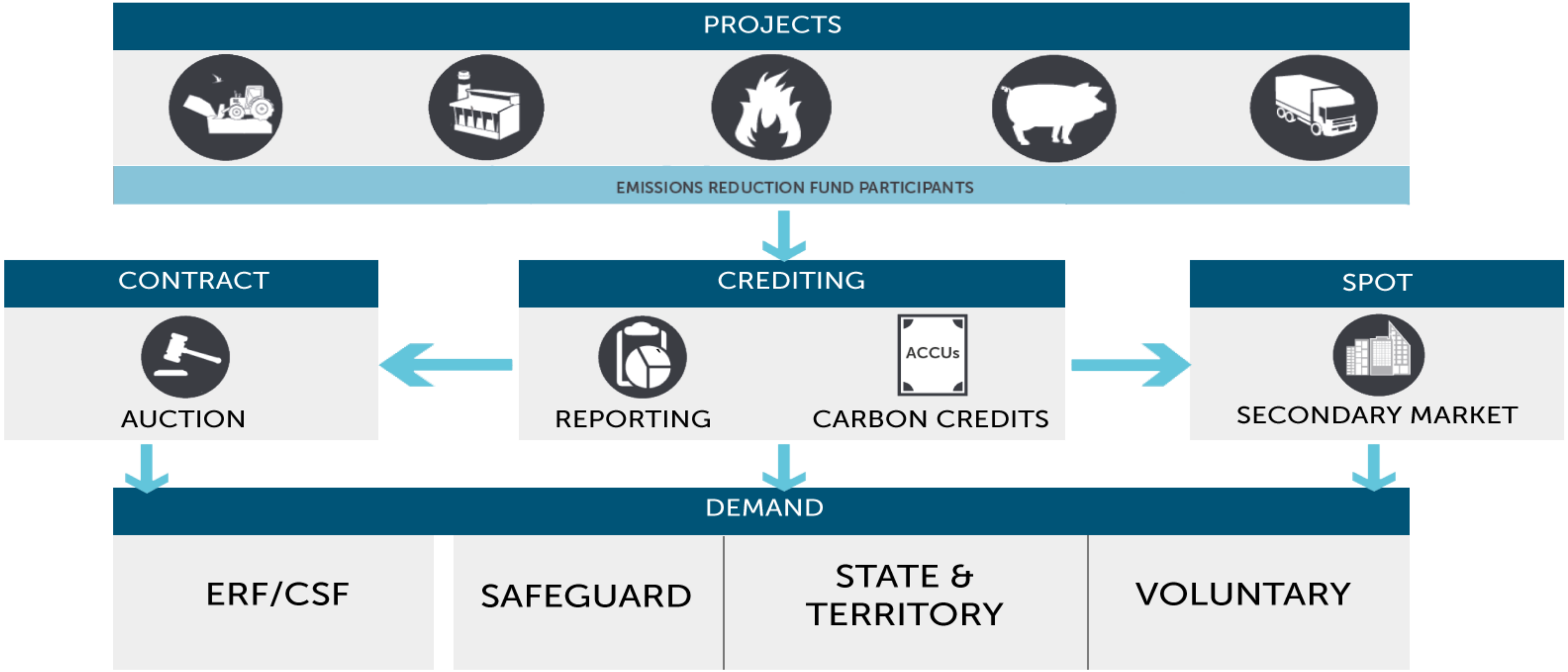
Greatest opportunities in Tasmania

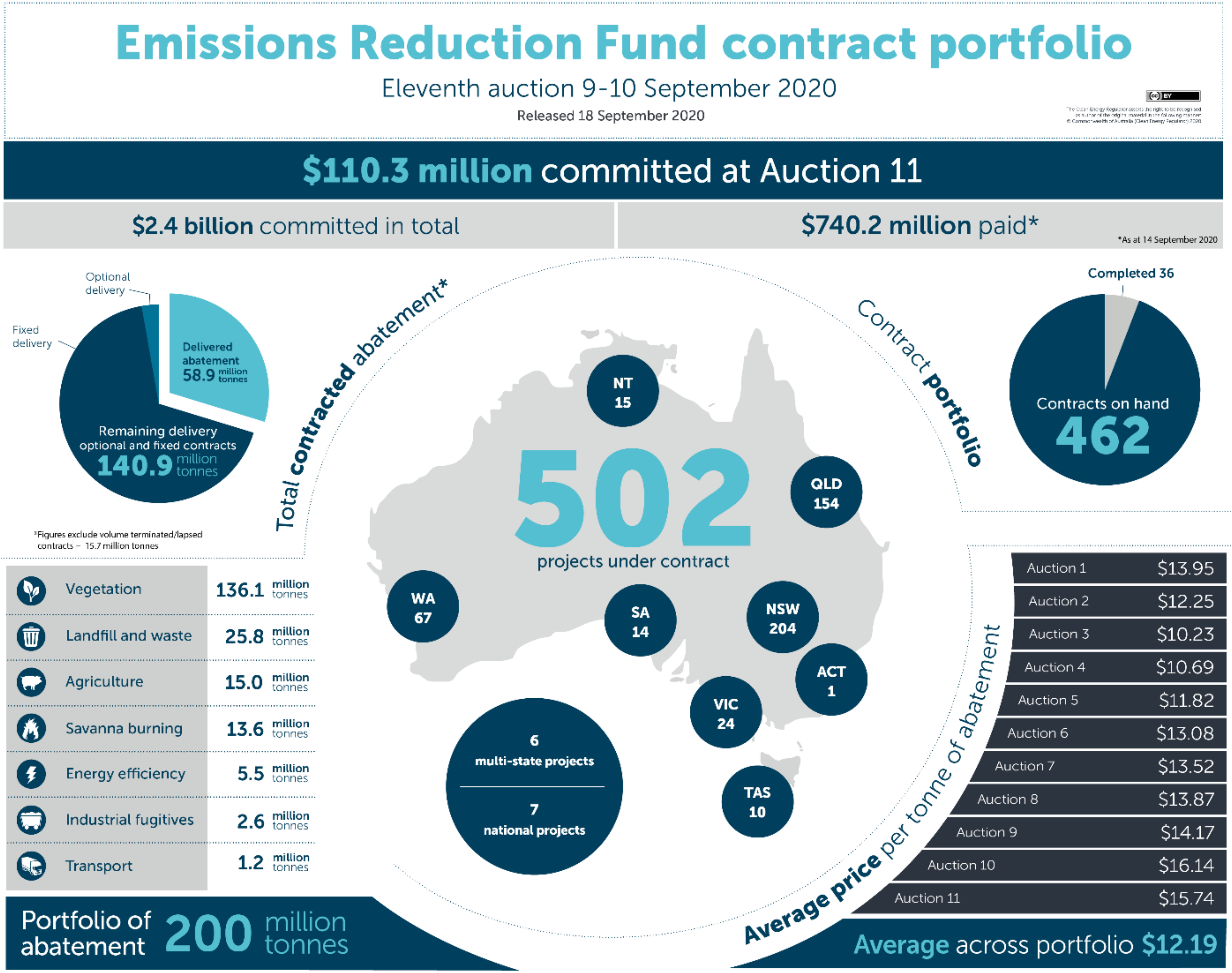
- increasing the area of trees and forests on rural land
- converting existing short rotation plantations to long rotation

Lower potential to increase carbon sequestration by changing management of native forest, store carbon in wood products and using wood for bioenergy

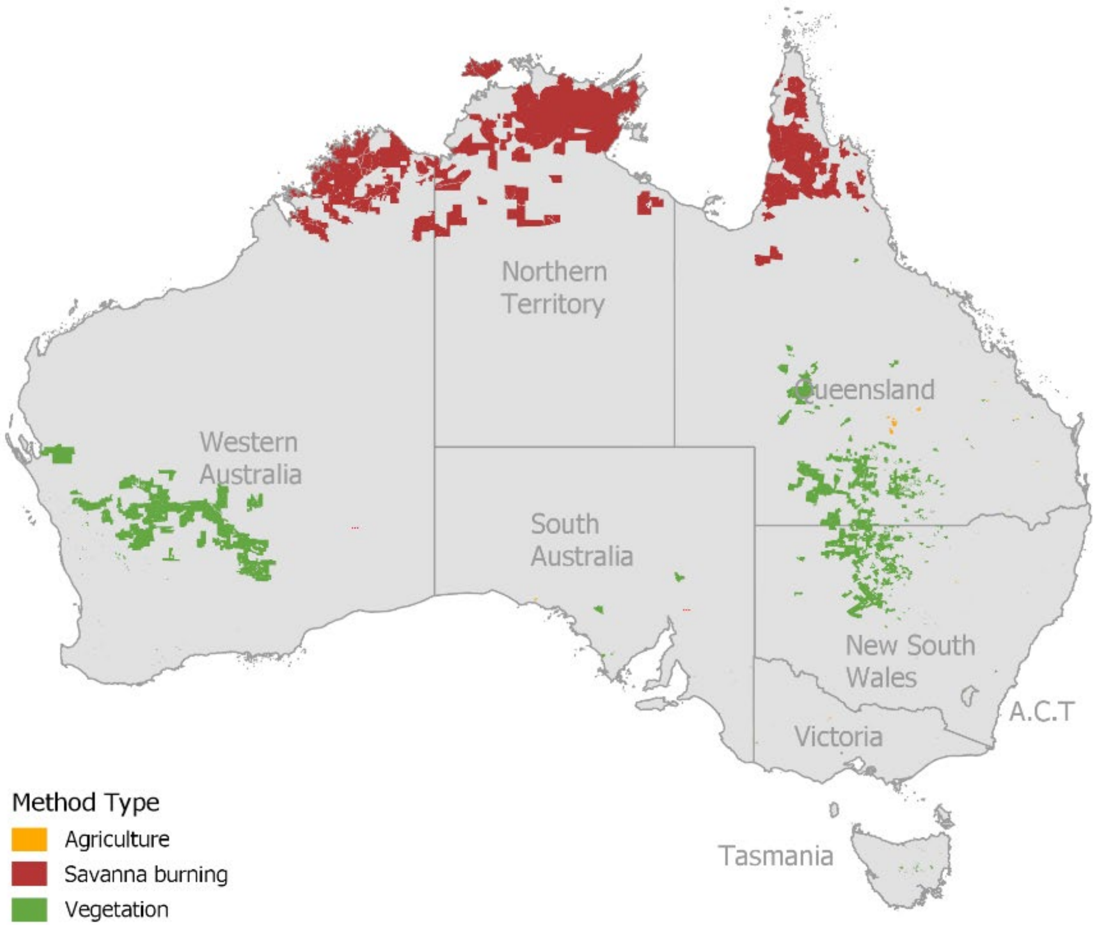


# Market overview




Emissions Reduction Fund contract portfolio
Eleventh auction 9-10 September 2020
Released 18 September 2020
$110.3 million committed at Auction 11
$2.4 billion committed in total
$740.2 million paid*
*As at 14 September 2020
Total contracted abatement*
Optional delivery
Fixed delivery
Delivered abatement 58.9 million tonnes
Remaining delivery optional and fixed contracts 140.9 million tonnes
*Figures exclude volume terminated/lapsed contracts – 15.7 million tonnes
Vegetation 136.1 million tonnes
Landfill and waste 25.8 million tonnes
Agriculture 15.0 million tonnes
Savanna burning 13.6 million tonnes
Energy efficiency 5.5 million tonnes
Industrial fugitives 2.6 million tonnes
Transport 1.2 million tonnes
Portfolio of abatement 200 million tonnes
502 projects under contract
NT 15
QLD 154
WA 67
SA 14
NSW 204
ACT 1
VIC 24
TAS 10
6 multi-state projects
7 national projects
Contract portfolio
Completed 36
Contracts on hand 462
Average price per tonne of abatement
Auction 1 $13.95
Auction 2 $12.25
Auction 3 $10.23
Auction 4 $10.69
Auction 5 $11.82
Auction 6 $13.08
Auction 7 $13.52
Auction 8 $13.87
Auction 9 $14.17
Auction 10 $16.14
Auction 11 $15.74
Average across portfolio $12.19

# Where are projects happening?




- 819 projects are currently registered across Australia.
- Vegetation methods account for 57% of projects, including 27 projects in the plantation forestry method.
- Tasmania has 21 projects, including 8 plantation forestry projects.

# ERF Vegetation Methods for Tasmania

| Method | Harvesting allowed | Species |
|---|---|---|
| Plantation Forestry | Yes | Commercial plantations |
| Farm Forestry* | Yes | Any species |
| Human Induced Regeneration | No** | Native species regenerating naturally |
| Reforestation by Environmental or Mallee Plantings | No** | Mixed species or mallee species |

* Property in greater than 400mm rainfall area limited to 300ha or 30% of property, whichever is less.
**Ecological thinning and collection of firewood allowed

# Implications for Tasmanian forest sector

- ✓ Potential for stable early income and increased rate of return for tree and forest growers
- ✓ Incentive to convert unproductive hardwood to long-rotation plantation softwood
- ✓ Opportunities to integrate production and environmental tree planting
- ✓ Integrating trees with agriculture to provide farm productivity benefits

# Issues and barriers for Tasmanian tree growers

- High barrier to entry, complex methodologies, costly project development and potential risk of not being successful
- Small scale of rural land ownership  compared to northern Australia
- Relatively low carbon price due to larger-scale, cheaper projects
- Relatively high rural land values
- Requirement for multiple projects for different farm activities like increasing soil carbon, plantation forestry and environmental plantings

forestlearning.edu.au

# Recommendations

1. Simpler methods, compressed crediting (earlier payment), use certification schemes to demonstrate responsible management, a small-scale method, project stacking in a ‘landscape approach’, streamlined audit requirements for certified operations
2. Easier approval for aggregated projects across properties, and change risk management requirements
3. Revised Plantation Forestry methodology
    - include avoided conversion of plantations to agricultural land
    - expand the list of species for conversion from short to long rotation plantation
    - change the modelled baseline rotation length to actual management
4. Consider new method for native forest management
5. Support more use of wood in buildings through procurement policies to encourage more local value adding and higher value products
6. Support analysis of greenhouse gas emissions and sequestration across the forest production and processing sectors to assess the overall potential of the sector to contribute to climate policy goals

# Summary


Climate change a rapidly emerging problem, particularly for Tasmania's high altitude and fire-sensitive vegetation

Risks and opportunities for Tasmanian production forests but less than in other parts of Australia

Risks can be managed by applying current science, and investing in adaptation measures and further research

Tasmania has relatively low emissions from energy and transport, now largely offset by land sector sequestration

Opportunities for the forest sector in existing and emerging markets for carbon and other ecosystem services, but these have policy and market challenges

# Thank you

Contact

rkeenan@unimelb.edu.au

School of Ecosystem and Forest Sciences

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# Jacquie Ray

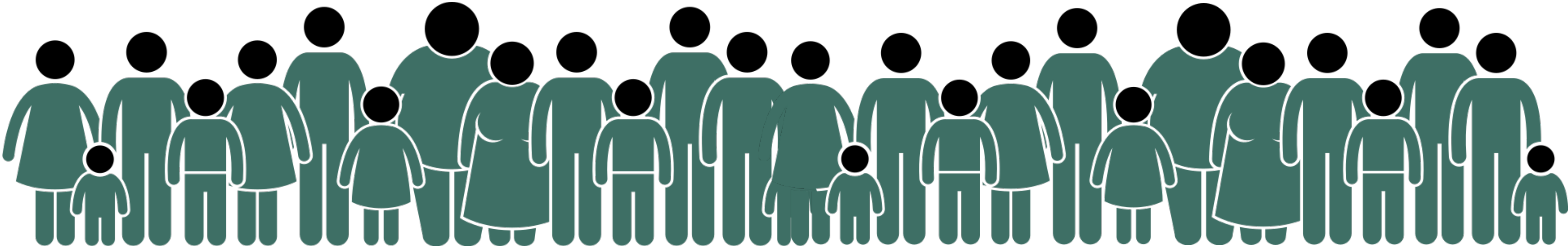
Managing Director, Timmins Ray Public Relations

*Community Engagement*

Tasmanian Forest Industries

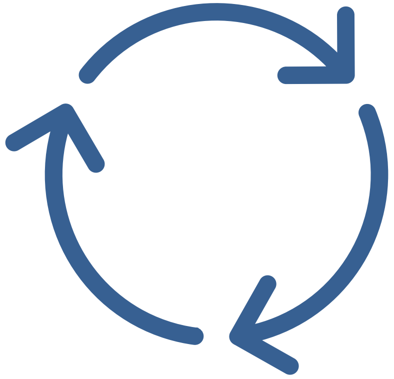
Virtual Forum

# Community Engagement



**Jacquie Ray – Managing Director – Timmins Ray Public Relations**

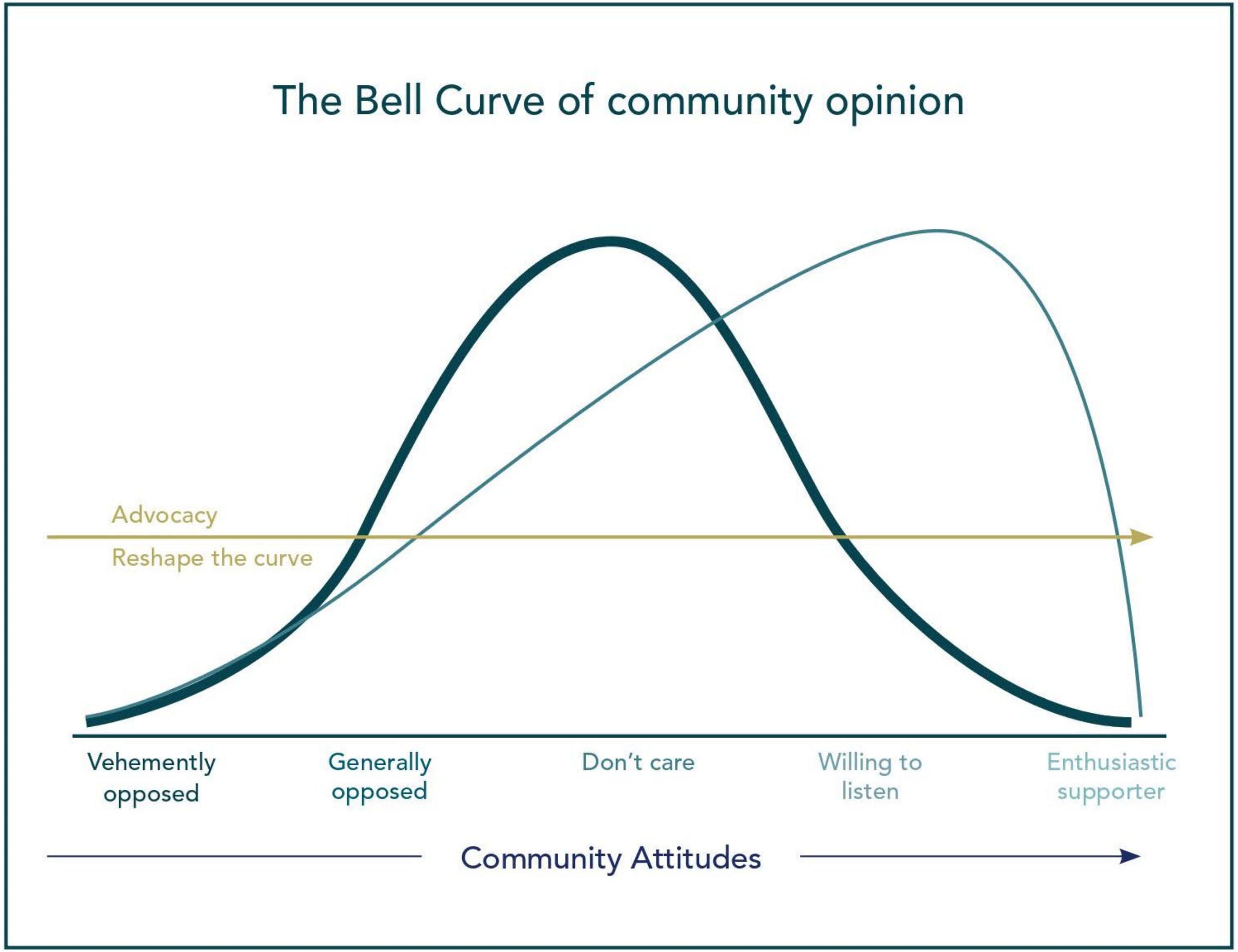
# Rules of Engagement



- No cookie-cutter approach or silver bullet.
- Every community is different and unique so do your research.
- Accept that effective, meaningful engagement takes time and investment.
- Evolutionary process – the more you learn, the more you'll learn (intel from locals will enhance the process as you go, so be flexible).

# The Engagement Objective

To win the trust, respect and goodwill of the community.


The Bell Curve of community opinion
Advocacy
Reshape the curve
Vehemently opposed
Generally opposed
Don't care
Willing to listen
Enthusiastic supporter
Community Attitudes

# Planning for engagement

1. Who do you need to engage with?
2. How are you going to engage?
3. Who is the best person to engage on your behalf?
4. What do you need to find out/understand?

# Stakeholder & Community Engagement Model

# Listen

In the first instance community engagement must be a listening exercise – you are **information gathering, not information giving**.

Defensive response during the engagement process is the primary cause for community consultation to fail.

Consider who is best to undertake your engagement – must be independent with the ability to listen – **really listen**.

# Learn

When issues or practical concerns are raised:

- **understand** how widespread and entrenched they are without deliberately canvassing them with stakeholders.
- **aim to resolve –** finding a solution or compromise is a powerful way to favourably influence stakeholder perceptions – *'we spoke, they listened and responded'.*

# Assess

The insights gained from community engagement are the most important outcome.

- **These are the perceptions, expectations, criticisms and concerns** of those participating in the engagement process.

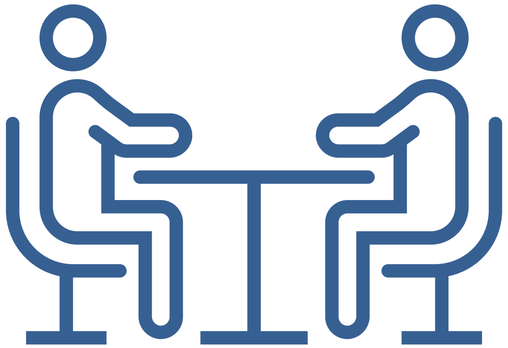
- Once established, they should be prioritised and you must then **determine if, and how, they can be successfully resolved**.

# Adapt

To **voluntarily** demonstrate a willingness to make changes, where feasible, to meet community expectations is a powerful message.

It is the essence of a transparent and respectful community engagement program, as it reduces skepticism and promotes genuineness.

# Feedback

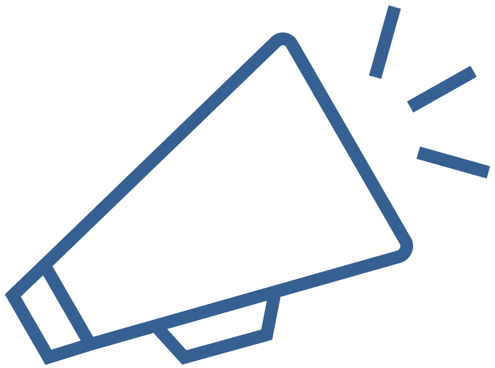


There is no more powerful outcome than to go back to stakeholders and say –

***"This is what you told us. This is what we have done."***

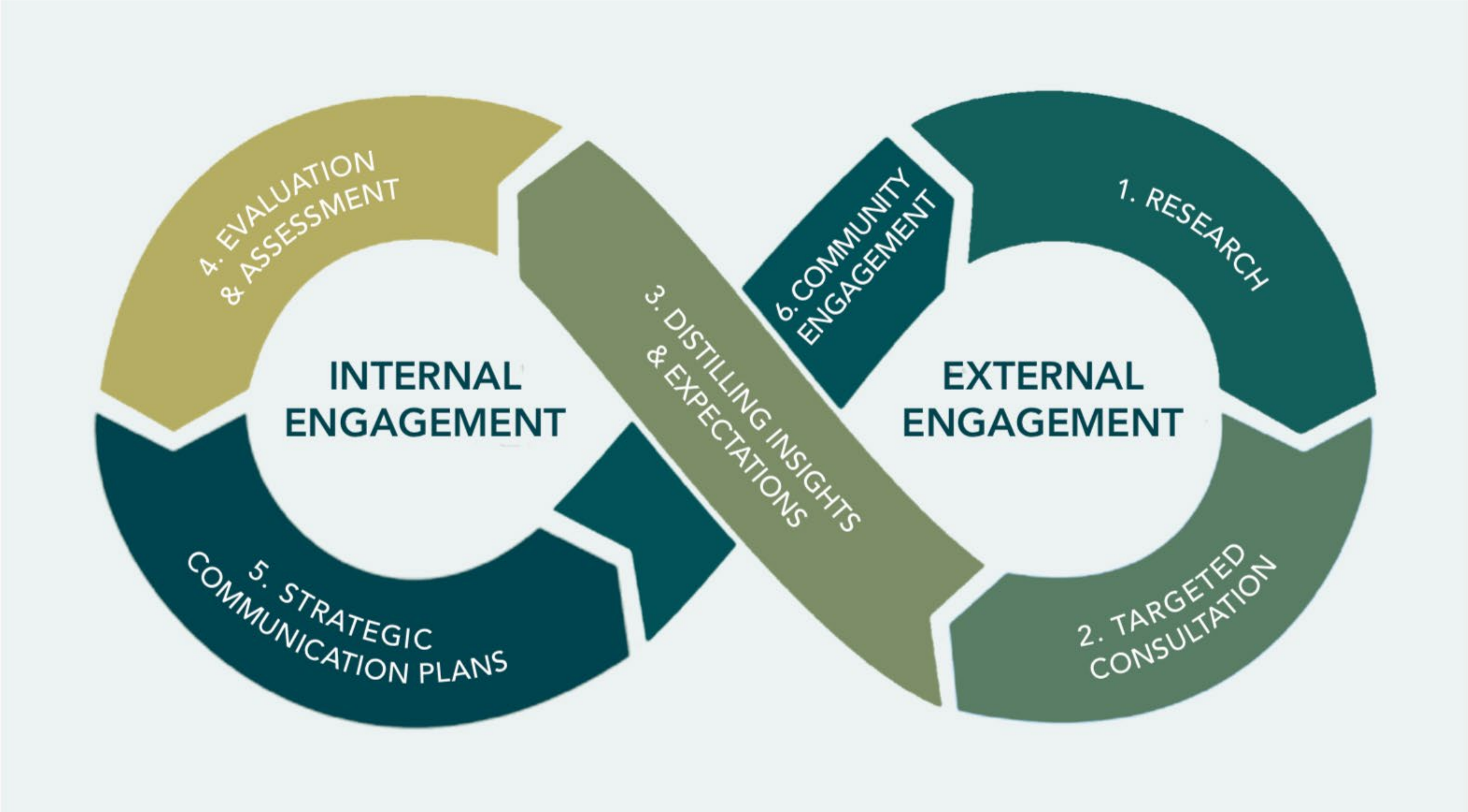
This feedback should be provided through direct communication with those stakeholders concerned, by way of face-to-face meetings if possible.

# Telling your story



- There is a place for one-way communication.
- Proactive, positive promotion of your good news is important.
- Community bank of goodwill – balance the good with the (potential) negative.

# Stakeholder and Community Engagement Strategy



# Case Study: Petuna NW Community Engagement

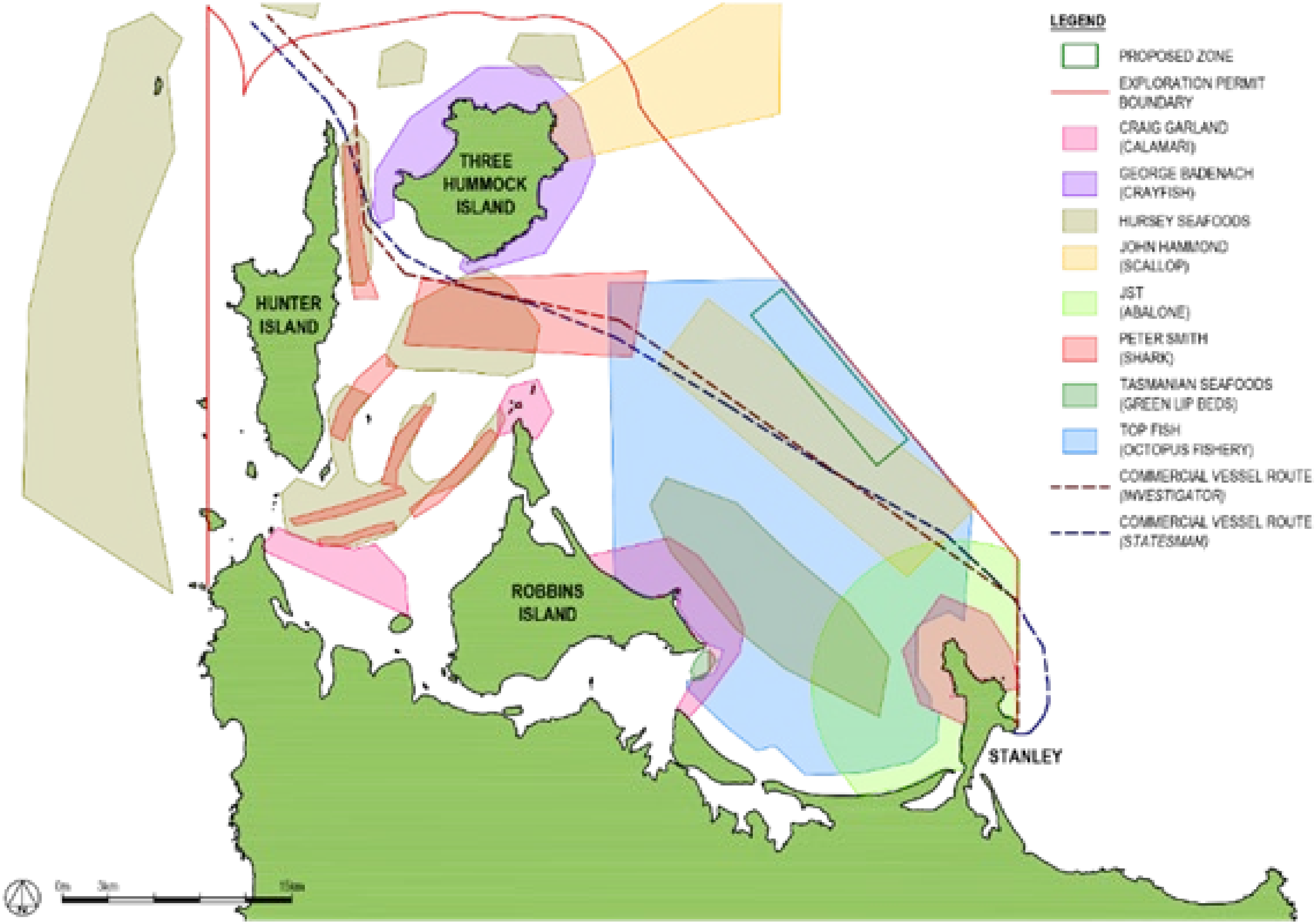
**Three-phase process:**

1. Preliminary Engagement – targeted stakeholders.

2. Stakeholder Audit – those with an interest.

3. Establishing and maintaining a social license – whole community.

# Summary of stakeholder feedback



# Thank you

jacquie@timminsray.com.au

TIMMINS RAY PUBLIC RELATIONS

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# Depha Miedecke

General Manager – Technical & Strategy,
Petuna Seafoods

*Social License*

# 2020 Tasmanian Forest Industries Virtual Forum

## Social License

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# Social license to operate

- Social license is a term used to describe the degree to which a business has acceptance to conduct its activities and how it meets the expectations of the local community where they operate and wider society.

- Social license is earned from the people of the community and the stakeholders of the project.

- In the salmon industries case this is influenced by community and consumer perception, regulators, media, NGO's and other maritime users.

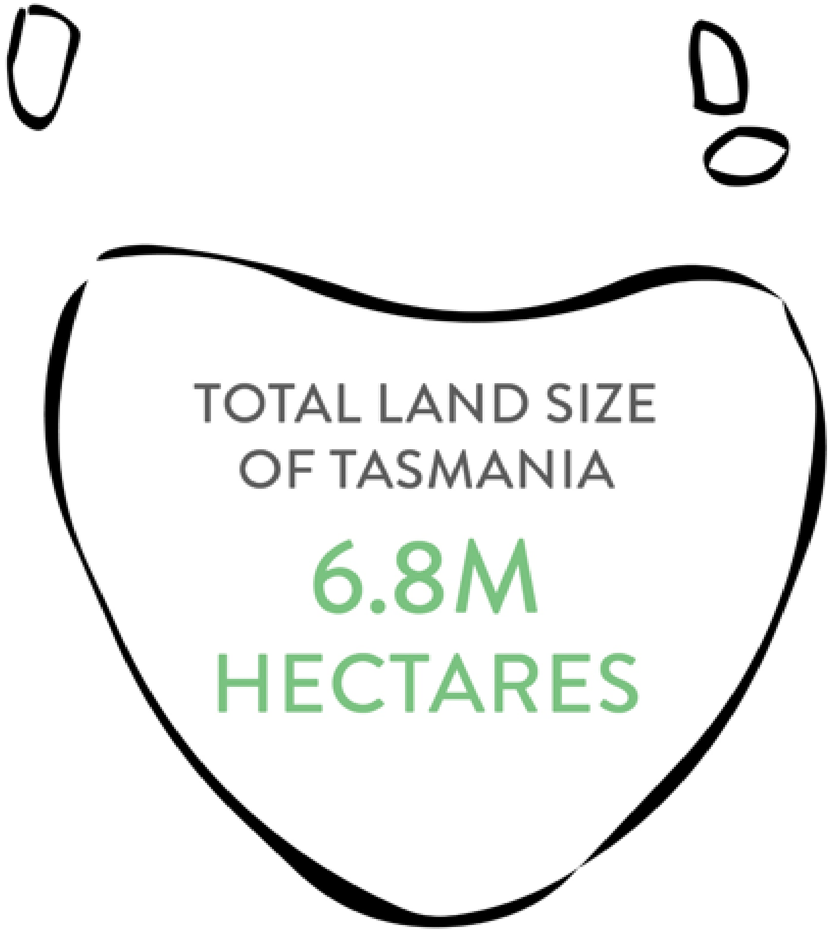
- A key element in social license is trust:

    Trust in the reliability and credibility of the organisation and its practices
    Trust in the science and knowledge that guides the actions of industry
    Trust in the regulators of the industry

- The more businesses are engaged in a community and demonstrate a shared value and respect for the areas in which they operate the more likely you are to have trust and acceptance
- The challenge is often reality versus perception, in particular in relation to environmental impact and operational practices.
- Documenting the truth in an understandable way and sharing it with community and wider society is crucial for achieving social license

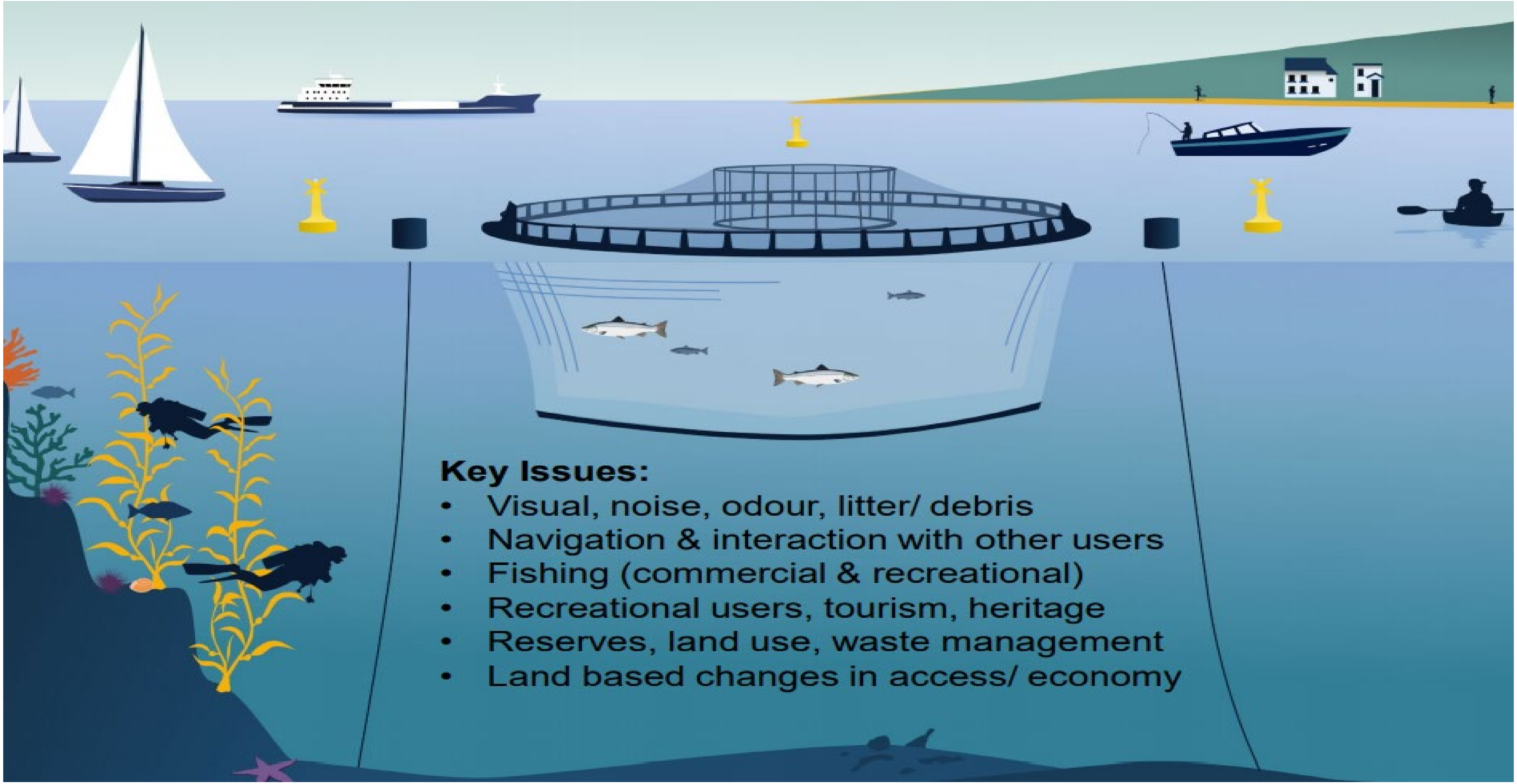
# Salmon farming foot print

**3,200 km of coastline. Total salmon farming lease area is 2,939 hectares.**

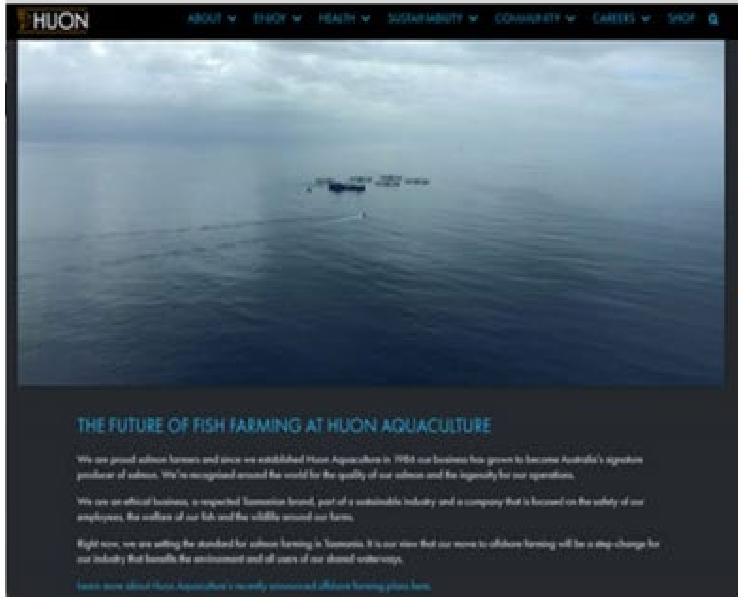


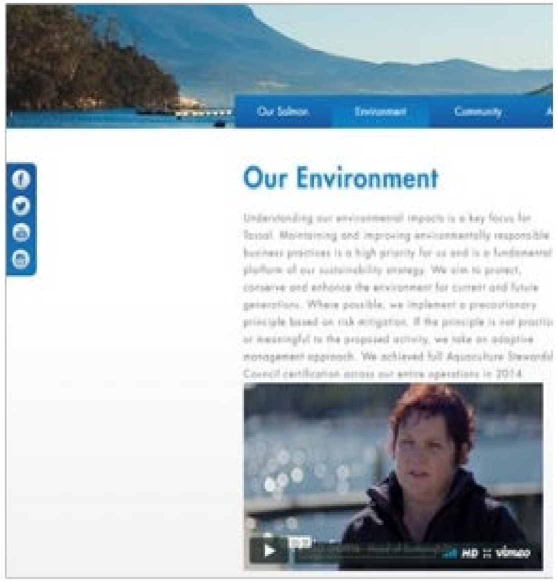

| | | | | |
|---|---|---|---|---|
| Protein Retention | 31% | 21% | 18% | 15% |
| Energy Retention | 23% | 10% | 14% | 27% |
| Edible Yield | 68% | 46% | 52% | 41% |
| Feed Conversion Ratio (FCR) | 1.1 | 2.2 | 3.0 | 4-10 |
| Edible Meat per 100kg feed | 61kg | 21kg | 17kg | 4-10kg |
| Carbon Footprint<br>kg C02/kg edible meat | 2.9kg | 2.7kg | 5.9kg | 30kg |
| Water Consumption<br>litre/kg edible meat | 2,000 litre | 4,300 litre | 6,000 litre | 15,400 litre |

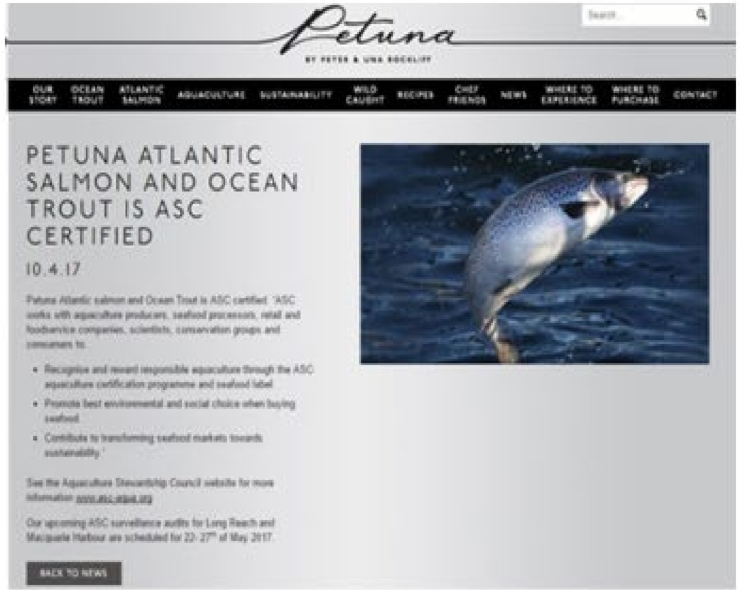
# Societal interactions- area dependent

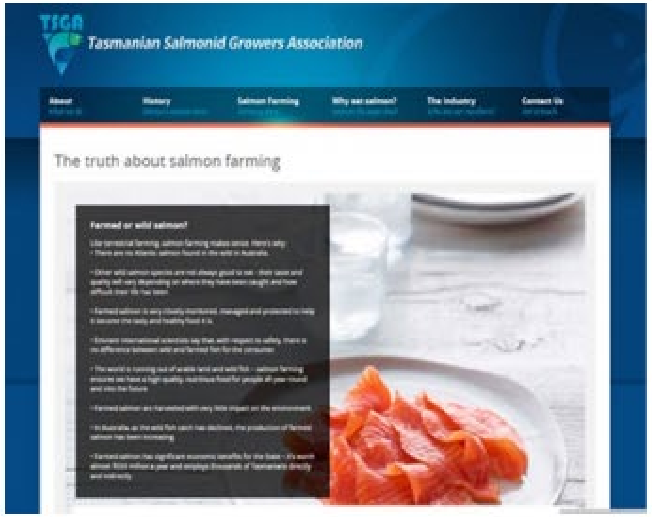


# Salmon industry- ongoing focus




## Appeal against Tassie salmon farm ruling

aap Ethan James

Australian Associated Press 3 May 2018

# Social license approach

- For the salmon industry who predominantly operate in regional areas, social licence to operate is based on beliefs, opinions and perceptions of the local community. Many groups locally and far away who view they could be impacted by the operation can have significant influence on local perception

- All actions to earn social license and approval are aimed at achieving credibility and trust for the proposal/project. Primary considerations are:

    - Regulation and public standards, organisations and Goverment can demonstrate transparently that environmental monitoring and regulatory requirements are being met. That regulators enforce accountability and the public trust them to do so.

    - Sustainable economic benefits are demonstrated to the community. Local employment, economic connection/value and sponsorship/donations/in kind involvement with the local community.

    - Proactive community engagement and cooperation. Transparent and clear information sharing, understanding of community expectations, being respectful, and honest with intentions. Delivering on commitments, if not possible explain why not

    - Strong positive track record. Achieve more than minimum regulatory requirements. Invest in third party certification and global best practices. Monitor and promote the activities that are important values for the local community.

    - An Engagement Strategy to move stakeholder groups from awareness, to understanding, appreciation and then partnership.

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