



Australian  
Forest  
Products  
Association

## AUSTRALIAN FOREST PRODUCTS ASSOCIATION

Submission to the Climate-related Financial  
Disclosure

February 2023





17 February 2023

Climate Disclosure Unit  
Market Conduct Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

via email: [climatereportingconsultation@treasury.gov.au](mailto:climatereportingconsultation@treasury.gov.au)

### **About Australian Forest Products Association (AFPA)**

*AFPA is the peak national industry body representing the Australian forest, wood and paper products industry's interests to governments, the general public and other stakeholders on matters relating to the sustainable development and use of Australia's forests and associated manufacturing and marketing of wood and paper products in Australia.*

*Australia's Forest Industries directly employ approximately 80,000 people and another 100,000 indirect employees and is a major employer in many regional towns. Australian Forest Industries contribute \$24 billion to the Australian economy each year.*

*Sustainable forestry and forest products industries provide real and material solutions for both sides of the carbon ledger. Working forests actively draw carbon from the atmosphere and store it securely in forms that are useful and valuable. Forests are the most economically and physically effective carbon capture and storage process currently available. When trees are harvested and replanted, that forest continues to operate as a carbon sink, while harvested wood products continue to store captured carbon.*

*Forest products also provide significant opportunities to reduce emissions through substitution and replacement of fossil-derived materials and fuels. From construction to cardboard, forest products are more environmentally friendly, sustainable, renewable and recyclable than their alternatives. Using biomass for energy generation can provide carbon-neutral renewable baseline power with no net increase in carbon if the cycle of growth and harvest is sustained.*

*Agriculture, Forestry and Other Land Use (AFOLU) sectors will play a critical role in Australia meeting its new ambitious emissions reduction targets, indeed the IPCC places AFOLU at the centre of mitigation benefits to achieve the goals of the Paris Agreement.<sup>1</sup>*

To whom it may concern

### **RE: Feedback and comments on key considerations for the design and implementation of standardized, internationally aligned requirements for disclosure of climate-related financial risks and opportunities in Australia**

AFPA welcomes the opportunity to provide feedback and comments on the Climate related financial disclosure consultation document. Our comments specifically relate to questions 4.2 and 19.

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<sup>1</sup> [https://report.ipcc.ch/ar6wg3/pdf/IPCC\\_AR6\\_WGIII\\_FinalDraft\\_FullReport.pdf](https://report.ipcc.ch/ar6wg3/pdf/IPCC_AR6_WGIII_FinalDraft_FullReport.pdf)

*Question 4.2 Are the climate disclosure standards being issued by the ISSB the most appropriate for entities in Australia, or should alternative standards be considered?*

ISSB climate disclosure standards are not appropriate for Australian Land use, and land use change and the forestry sector.

No, the climate disclosure standards being issued by the ISSB are not the most appropriate for organisation level greenhouse gas (GHG) reporting in the Australian land use, and land use change and forestry sector. Australia should consider allowing flexibility with respect to standards used, specifically allowing standards published by ISO (ISO 14064-1, for organisation-level GHG reporting, and ISO 14068 on carbon neutrality, currently under development).

Significant cost burden to forest managers

A cost burden arises because ISSB requires exclusive use of GHG Protocol for quantifying GHG emissions and removals. Requiring the GHG Protocol will be burdensome for forest managers. The requirements for direct measurement, recalibration of models, and traceability in the draft GHG Protocol Land sector and removals guidance will impose a large cost burden, and as such they would not be done. An additional problem arises because under the current GHG Protocol draft, forest managers will likely not be able to count removals (i.e forest growth, due to constraining requirements for uncertainty assessment) but will have to report harvest as emissions, so accounting will be unbalanced and will not reflect the actual change in carbon pools in the landscape.

At odds with international and Australia's national accounts

The ISSB proposed approach is at odds with one of the key principles of forest carbon accounting as established by the United Nations<sup>2</sup>, that carbon accounts need to be “complete” and “Accounting should be inclusive of all relevant categories of sources and sinks and gases, as limited accounting may lead to misleading results”.

At odds with the Emissions Reduction Fund

The Chubb review panel recently found that the mechanisms for generating ACCUs in Australia were sound and validated accounting approaches for measuring abatement to generate Australian Carbon Credit Units (ACCUs). The introduction of ISSB will require vegetation project proponents to run 'two sets of carbon books'. One for registering carbon abatement through the Australian Government's ERF approved (validated by the Chubb review) and a separate account for the ISSB which does not recognise the abatement recognised by the Australian Government's scheme. It is questionable what value is generated by this additional requirement.

Prof Ian Chubb AC made clear that *“the only pathway known to science that has the immediate capacity - immediate capacity - to remove greenhouse gases, particularly CO<sub>2</sub>, from the atmosphere at scale is photosynthesis, the means by which plants absorb CO<sub>2</sub> and water to create energy to fuel their eventually growth. So to start CO<sub>2</sub> removal, at scale, well before 2050, as the IPCC urges, the land sector will have to carry much of the immediate load”*.<sup>3</sup>

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<sup>2</sup>[https://www.undp.org/sites/g/files/zskgke326/files/publications/Forest\\_Carbon\\_Accounting\\_Overview\\_Principles.pdf](https://www.undp.org/sites/g/files/zskgke326/files/publications/Forest_Carbon_Accounting_Overview_Principles.pdf)

<sup>3</sup> <https://minister.dcceew.gov.au/bowen/transcripts/doorstop-interview-taronga-zoo-sydney>

Sustainable forestry operations are part of Australia's land sector profile and can obtain ACCUs under the Plantation Forestry Method because the Australian Government recognises that projects under the 2022 plantation forestry method will accumulate or sequester carbon as the trees grow. Carbon stored in debris and harvested wood products (where relevant) will also be accounted for. The abatement calculations under the method also account for carbon stock changes and emissions due to management activities such as thinning, pruning, harvesting, fertilising and controlled burning, and material emissions from fossil fuel use.<sup>4</sup>

Recently the Australian Government recognised the significant role sustainable plantation forestry contributes to greenhouse gas abatement to Australia and the important role forest growers have in generating ACCUs.

***Hansard extract – 8 February 2023***

***Senator the Hon Jenny McAllister, Assistant Minister for Climate Change and Energy***  
*In relation to the specific mechanism, the plantation forestry method, it allows forest growers to generate Australian carbon credits units by storing carbon in plantation forests. The current method builds on an earlier version. It includes two new activities for keeping forests on land where plantations would otherwise be converted back to non-forest land. The method provides for additional abatement because evidence shows that plantation establishment rates are very low and existing plantations are being replaced with other land uses.<sup>5</sup>*

Incentivising management to maximise abatement

Not allowing for forest carbon sequestration for organisational level GHG accounting is inconsistent with the method for calculating Australia's National Greenhouse Gas Accounts<sup>16</sup>, where carbon emitted (through decay, harvest and fire) and removed (through growth) are all accounted for. It would seem peculiar that that Australian states and the Commonwealth can include carbon removed by forest growth in their GHG accounting, but the managers of those forests could not. In addition to being unfair to forest managers, not allowing for carbon removals to be accounted for would not incentivise forest management that maximises carbon sequestration benefit.

CSIRO finds forests provide the cheapest and easiest 'technology' for combatting climate change in Australia.

The CSIRO recently found that forests provide the easiest and cheapest technology for Australia to invest in, to combat climate change, principally through the maintenance and expansion of Australia's plantation estate<sup>7</sup>. Relying on the ISSB standards for organisational level GHG accounting would not encourage this. There would then be additional negative flow on effects on climate, such as less low-carbon building and construction materials being available in Australia, thereby promoting imports and the use of more GHG-intensive substitutes such as concrete and steel.

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<sup>4</sup><https://www.cleanenergyregulator.gov.au/DocumentAssets/Documents/Understanding%20your%20plantation%20forestry%20project%20-%20Simple%20method%20guide.pdf>

<sup>5</sup>[https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansards/26439/toc\\_pdf/Senate\\_2023\\_02\\_08.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansards/26439/toc_pdf/Senate_2023_02_08.pdf;fileType=application%2Fpdf)

<sup>6</sup> <https://www.dcceew.gov.au/sites/default/files/documents/national-inventory-report-2020-volume-2.pdf>

<sup>7</sup> <https://www.climatechangeauthority.gov.au/publications/australias-carbon-sequestration-potential>



Apply ISO standards

To allow organisations to account for the all the sources and sinks that they have control over, Australia should consider allowing flexibility with respect to standards used, specifically allowing standards published by ISO (ISO 14064-1, for organisation-level GHG reporting, and ISO 14068 on carbon neutrality, currently under development).

*Question 19: Which of the potential structures presented (or any other) would best improve the effectiveness and efficiency of the financial reporting system, including to support introduction of climate related risk reporting? Why?*

We suggest establishing a separate sustainability standards board to develop sustainability-related risk disclosure standards. This would ensure that the decisions are informed by sound expertise in climate science and practical understanding of monitoring and reporting options and constraints.

Thank you for providing AFPA with opportunity to provide feedback and comments on the Climate related financial disclosure consultation document. If you have any queries regarding this submission, please contact [REDACTED], Climate Policy Manager via email [REDACTED]



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AFPA is the peak national industry body representing the resources, processing, and pulp and paper industries covering the forest products value chain.

AFPA represents all elements of the value chain from the sustainable harvesting of plantations and multiple use natural forest resource including forest establishment and management, harvesting and haulage, processing of timber resources and manufacture of pulp and paper.