



Australian  
Forest  
Products  
Association

## AUSTRALIAN FOREST PRODUCTS ASSOCIATION

Submission to Treasury

Exposure draft of amendments to the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share – Integrity and Transparency) Bill 2023*

**31 October 2023**



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To whom it may concern

**October 2023 Public consultation on exposure draft of amendments to the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share – Integrity and Transparency) Bill 2023***

The Australian Forest Products Association (AFPA) participated in the Senate Economics Legislation Committee inquiry into the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share – Integrity and Transparency) Bill 2023* (the Bill).

AFPA welcomes the opportunity to provide feedback on the October 2023 exposure draft of Government amendments to the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share – Integrity and Transparency) Bill 2023 (draft amendments to the Bill)*. As an organisation representing the majority of large plantation forest growers in Australia, we are pleased to see some changes are proposed in the draft amendments to the Bill to reduce its impact on the Australian plantation forestry sector. However, AFPA remain concerned that as drafted the Bill and the draft amendments to the Bill are still contrary to the Government's stated intentions, election commitments<sup>1</sup> and Party Platform in relation to plantation forestry expansion. AFPA is committed to the expansion of the industry and benefits flow to the processing (primarily across regional Australia) and to the building industry.

**About Australian Forest Products Association**

AFPA is the peak national industry body representing the Australian forest, wood and paper products sector'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. Relevantly AFPA represents the interests of over 90% of Australia's forestry grower entities. AFPA represents 25 forestry companies and entities. 14 of which are negatively impacted by the Bill.

**About the Australian forestry sector**

Our sector is carbon positive with our plantations storing an estimated 258 million tonnes of CO<sub>2</sub>-e . Our industry plants around 70 million plantation trees every year and supports the Federal Government's stated ambition to plant an additional one billion plantation forestry trees by 2030, which will sequester an additional 500MT CO<sub>2</sub>-e by 2050.

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.<sup>2</sup> The Australian economy has a trade deficit of timber and forest products of over \$3.7 billion every year.<sup>3</sup>

**Positive changes included in the draft amendments to the Bill**

AFPA acknowledges the inclusion of amendment 25 in the draft amendments to the Bill, which will insert a new paragraph 820-52(1)(c) into the Bill. This change will have a positive benefit for the

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<sup>1</sup> See Attachment 2 for additional detail of Australian Government Forestry Policy.

<sup>2</sup> <https://www.agriculture.gov.au/abares/products/insights/snapshot-of-australias-forest-industry>

<sup>3</sup> <https://www.agriculture.gov.au/abares/research-topics/forests/forest-economics/forest-wood-products-statistics>.

plantation forestry sector over the unamended Bill (**original Bill**). The paragraph has been amended to include two new deductions to companies' tax EBITDA calculation:

- general deductions under section 8-1 that relate to forestry establishment and preparation costs.
- deductions under section 70-120 (capital costs of acquiring trees).

Under the original Bill, AFPA estimated the impact on current plantation forestry companies as a whole would be \$20 million over 4 years. AFPA welcomes this amendment and sought this amendment as Recommendation 2 in AFPA's submission to the Senate Economics legislation committee in its inquiry into the Bill.<sup>4</sup>

### **Concerns about the draft amendments to the Bill**

AFPA is appreciative of the changes to the 'tax EBITDA' definition in the draft amendments to the Bill. However, the Bill will still:

- increase tax on existing plantation forestry companies managing their current plantation estate and may lead to the conversion of forestry to other agricultural land uses (contrary to the Australian Government's commitment to the Deforestation pledge.<sup>5</sup>)
- disadvantages new companies participating in greenfield plantation forestry.
- disadvantages existing plantation forestry companies from expanding the Australian plantation forestry estate.
- particularly disadvantages any plantation forestry company seeking to establish long rotation hardwoods (capable of replacing some of the current timber sourced from native forestry, such as spotted gum or blackbutt with 30-50 years to harvest).

### **Contrary to multi-party support**

There is strong multi-party support for the expansion of the plantation estate (Australian Labor Party, Australian Greens Party, the Coalition and the Jacqui Lambie Network). This Bill, through its financial penalties, contradicts that support.

There is multi-party support for the Federal Government's ambition to plant an additional 1 billion plantation forestry trees in Australia by 2030, which have the potential to sequester an additional 500MT CO<sub>2</sub>-e by 2050. The investment in plantation forestry is vital to meet Australia's growing demand for wood and paper products as we seek to decarbonize our economy. The billion trees ambition was recommitted to by both the Australian Labor Party and the Coalition at the last federal election.

At the last election, there were also bi-partisan election commitments of over \$300 million to support the forestry industry.<sup>1</sup> One of these policies was a four-year \$73.8 million plantation establishment grant program. It was hoped that the upfront financial incentive would overcome investment return barriers for farmers and plantation forestry companies and result in an expanded estate. The program provides landholders with a \$2,000 grant per hectare to encourage plantation expansion. The first round of this program is currently open.

In addition, a number of state governments currently have plantation expansion policies to encourage forestry plantation expansion of the estate.<sup>6</sup> Unfortunately, the Bill (even after incorporating draft amendments to the Bill) still stands in contrast to these ambitions. In direct contradiction to Federal

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<sup>4</sup> <https://ausfpa.com.au/publications/submission-to-economics-senate-standingcommittee/>

<sup>5</sup> See attachment 3 for details of the Deforestation pledge.

<sup>6</sup> See attachment 1 for additional detail about State Government Forestry Policy and agreed priorities of the Federal, state and territory forestry Ministers.

bipartisan support for plantation expansion, the Bill still sends a clear policy signal not to invest in expanding the plantation forestry estate in Australia. We understand that both the South Australian and Victorian Treasurers have written to the Federal Treasurer to express their concern about the impact of the original Bill on plantation forestry sectors in their respective jurisdictions.

### **Contrary to the Labor Party Platform**

Further, at the recent Australian Labor Party National Conference, amendments were made to the Labor Party Platform re-stating the party's support for plantation forestry. It now states:

*“Labor supports the sustainable future of Australia’s forests and forest products industry and recognises the value and role of our forests in storing carbon and protecting biodiversity. Labor will work with states and territories to update the 1992 National Forest Policy Statement to ensure it is contemporary and fit for purpose. We will:*

- *Expand Australia’s plantation estate to meet domestic and international demand for high-value, sustainably sourced wood products, and will develop an industry plan that facilitates regional job growth and vibrant sustainable communities.”*

### **Deforestation Pledge**

The Bill will cause Australian plantation estate continue to shrink, resulting in a reduced supply of timber on the Australian market to cater for the increasing housing demand, inhibiting Australia’s capacity to respond promptly to the global threat of climate change, limit options to farmers to offset their agricultural greenhouse gas emissions and result in deforestation events across Australia, harming Australia’s ability to uphold its international commitment to the COP26 Glasgow deforestation pledge<sup>7</sup> and achieve Australia’s climate change ambitions.

### **Conclusion**

AFPA and its members are appreciative of the draft amendments to the Bill, which will reduce the impact of the change in Thin Capitalisation rules for the forest industry. However, these amendments will only dampen the blow of the Bill on Australian plantation forestry companies. The overall impact of the Bill still increases tax on plantation forestry companies, disadvantages new companies participating in greenfields plantation forestry, and disadvantages established companies from expanding the Australian plantation estate. Accordingly, the Bill is still contrary to the Government's stated intentions, election commitments and Party Platform in relation to plantation forestry expansion.

AFPA respectfully suggests that more needs to be done by the Australian Government to ensure that the Australian forestry sector is not negatively impacted by the Bill.

Yours sincerely

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<sup>7</sup> See attachment 3 – Deforestation Pledge.

## Attachment 1 - Relevant State Government Forestry Policy

### *Victoria - \$120 million for plantation expansion*

The Victorian Government has committed and contracted a company to expand the plantation forestry estate in Victoria with a contract for \$120 million. The company contracted is negatively impacted by the Bill, and the Bill would undermine the effectiveness of this Victorian Government investment.

This contract was announced 29 September 2022.

### *Western Australia - \$350 million for plantation expansion*

In Western Australia, the main plantation forestry owner is a government agency. Whilst not directly impacted by the Bill, we note that the Western Australian Government has committed \$350 million to its agency to expand the plantation estate in that State.

### *Other State Government plantation expansion.*

AFPA is aware of other State Governments actively considering investing in Plantation Establishment Grants, to complement the Federal Grant program (see below) to encourage plantation establishment in their jurisdictions. If the Bill passed, it would have a chilling effect on the development of any of these state programs.

### *Agreed priorities of the Federal, state and territory forestry Ministers.*

On 11 July 2023, the Federal, state and territory forestry ministers and senior officials responsible for forestry met at the 'Forestry Ministers' Meeting. At that meeting, Ministers agreed to a future workplan which will focus on 'the agreed priorities of:

- increasing resource security and domestic supply volumes
- expanding the production of timber and wood products
- expanding forestry's contribution to climate change mitigation
- expanding timber industry workforce opportunities and capacity
- continued sustainable management of forests.'

A workplan is currently being drafted by Federal Department of Agriculture, Fisheries and Forestry officials to achieve these priorities.













AFPA is of the view that plantation expansion is a key component of a number of the above priorities, particularly in relation to increasing domestic supply volumes, expanding production and expanding forestry's contribution to climate change mitigation.






## Attachment 2 - Australian Government Forestry Policy

### Key

 = Bipartisan support

 = 2022 Election commitment

Policy	Detail
1 billion new plantation trees by 2030  	Bipartisan election commitment to support the planting of an additional 1 billion new plantation forestry trees by 2030.
\$106.6 million - National Institute for Forest Products Innovation  	<p>\$106.6 million to establish a National Institute for Forest Products Innovation, with a central hub in Launceston</p> <p>Current status: the Federal Government has signed an agreement with the University of Tasmania to deliver the National Institute, called <i>Australian Forest and Wood Innovation</i>.</p>
\$112.9 million – Accelerate Adoption of Wood Processing Innovation Program  	<p>\$108,7 million in grants to accelerate adoption of new wood processing technologies</p> <p>Current status: The Federal Government announced the 34 successful applicants for the grants. The Grant program resulted in an additional \$361 million investment in modern timber manufacturing in Australia.</p>
\$86.2 million - Plantation Establishment Grants  	Applications are now open for the \$73.8 million worth of plantation grants program. A key focus of the program will be to encourage farmers to adopt farm forestry, planting plantation forestry over existing marginal farmland, increasing forest cover, increasing sovereign capability of timber supply for the Australian market and in some cases, offsetting greenhouse gas emissions for a farming enterprise. The forestry companies caught by the changes in the proposed rules are vital for the successful roll out of this program. Their experience in the sector means they have, or are developing, products to manage farmer wood lots and assist farmers navigate the carbon market.
Removal of the 'water rule'  	<p>Removal of the exclusion of some plantation forestry regions from accruing Australian Carbon Credit Units (ACCUs)</p> <p>Current status: the 'water rule' has been removed from all plantation forestry hub regions (as of insert date) and will be removed from the entire country on 1 June 2024.</p>
\$4.4 million - Fight Illegal logging  	\$4.4 million to strengthen Australia's fight against illegal logging and stop illegal timber imports from undercutting Australian producers

<p>\$8.6 million for ongoing funding of Forestry hubs  </p>	<p>\$8.6 million for the 11 Regional Forestry Hubs (forestry growing regions) to enable strategic planning, technical assessment and analysis to support growth.</p>
<p>\$10 million - Forestry Worker Training Program </p>	<p>The then Albanese opposition committed to fund \$10 million for a Forestry Worker Training Program.</p> <p>Current status: ForestWorks was engaged to undertake a scoping study of what training and development needs the sector had. A final report was provided in October 2023 for consideration by the Australian Government.</p>
<p>Strategic Forest and Renewable Materials Partnership </p>	<p>The then Albanese opposition committed to develop the Partnership. The Partnership seeks to provide a forum for industry, unions, First Nations to provide advice to the Australian Government and to develop a long term Timber Fibre Strategy.</p> <p>Current status: the Partnership has already met twice. The Partnership also presented to the July 2023 National Forestry Ministers Meeting about the development of the Timber Fibre Strategy. See Attachment 1 for more details.</p>
<p>\$300 million - Clean Energy Finance Corporation – Mass timber </p>	<p>Under the Coalition Government, the Clean Energy Finance Corporation launched a \$300 million program to encourage the use of mass timber construction across the property sector. The program was developed due to identified capacity for timber to absorb carbon and substantially cut construction-related greenhouse gas emissions. This program has continued under the Albanese Government. One of the successful loan applicants was a 15 storey hybrid timber office building in Collingwood, Victoria.<sup>8</sup> CEFC contributed \$70 million to the project and construction of this site is underway currently.</p>

<sup>8</sup> <https://www.afr.com/property/commercial/cefc-puts-70-million-into-hines-hybrid-timber-building-20221125-p5c1e1>.

## Attachment 3 – Deforestation pledge

The Australian Government has signed up to the Glasgow Leaders Declaration of Forests and Land Use, through which Australia pledged to halt and reverse deforestation by 2030.<sup>9</sup>

The Food and Agriculture Organization of the United Nations defines ‘deforestation’ as:

*The conversion of forest to another land use or the long-term reduction of the tree canopy cover below the minimum 10 percent threshold.*

*Explanatory note:*

- 1. Deforestation implies the long-term or permanent loss of forest cover and implies transformation into another land use. Such a loss can only be caused and maintained by a continued human-induced or natural perturbation.*
- 2. It includes areas of forest converted to agriculture, pasture, water reservoirs and urban areas.*
- 3. The term specifically excludes areas where the trees have been removed as a result of harvesting or logging, and where the forest is expected to regenerate naturally or with the aid of silvicultural measures.*

AFPA is concerned that the Bill as drafted will drive actual deforestation in Australia (as in technical submission above). The reversion of forestry assets to other agricultural uses will constitute a deforestation event, and will need to be accounted for internationally in relation to the deforestation pledge. In addition, these deforestation events will need to be accounted for in the Australian Government greenhouse emissions reporting.

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<sup>9</sup> Text of the Glasgow Leaders Declaration of Forests and Land Use: <https://webarchive.nationalarchives.gov.uk/ukgwa/20230418175226/https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>.