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Issues Paper – National Water Reform
(e) https://www.pc.gov.au/inquiries/current/water-reform-2020/make-submission#lodge

Productivity Commission's 'National Water Reform' - Issues Paper

The Australian Forest Products Association (AFPA) welcomes the opportunity to make a submission on the Productivity Commission's National Water Reform Issues Paper.

Executive summary

As a regional-based land-use sector, our renewable forest industries support the effective, balanced and sustainable use of our natural resources. We agree with the Issues Paper that further work is needed in managing our water resources to provide the policy framework and regulatory certainty needed to underpin long-term investment. While the Commonwealth plays a vital role in funding reform and coordination of this shared resource, States and territory governments are key to additional progress and successful reform in these areas.

Australia's forest industry contributes to jobs and economic activity in many communities. This contribution results from the growing, management and harvesting of plantations and native forests, and processing of logs into wood and fibre products such as sawn timber for use in construction, appearance products such as flooring and decking, woodchips for export, pulp and paper, and other innovative products. For our industry to flourish and provide its many benefits it requires fair access to our water resources alongside other dryland agricultural land uses.

AFPA recommends that to be equitable, efficient and effective, the water policy framework should meet the following overarching principles:

- Equitable treatment of all land uses
- Consideration given to the overall benefits to the community
- Evidence based decision making

Forest industries overview

The forest products industry is one of Australia's largest manufacturing industries with an annual turnover around $24 billion. It contributes around 0.5% to Australia's gross domestic product and 6.6% of manufacturing output. Around 80,000 people are directly employed along the industry value chain with a further 100,000 jobs supported through flow-on economic activity.

Australia has nearly 2 million hectares of plantations almost evenly split into hardwood and softwood. Forest plantations occupy only 0.5 per cent of the 385 million hectares of agricultural land. Forest plantations create many benefits for the community, with trees a renewable and sustainable resource that can store carbon dioxide in standing timber and in wood, paper and bioproducts. The World Bank

expects the global demand for wood fibre to quadruple by 2050, driven by population growth and greater awareness of the environmental benefits of using wood fibre in various applications[1].

However, Australia's plantation estate area is actually declining. In 2018-19, only 2,750 hectares of new softwood and 50 hectares of hardwood were planted across Australia[2]. Furthermore, this lack of new plantings and replanting in Australia's plantation estate will lead to an expected shortfall of wood fibre over the next four decades. Without a steady supply of local renewable timber and forest products, Australia will be forced to import more timber and fibre-based products to meet the growing demand at the cost of local jobs and economic growth.

Plantation forestry and water

Plantation forestry is a dryland (non-irrigated) agricultural land use (essentially a long rotation crop) and any policy contemplated in relation to interception of water by plantations needs to be a part of a more general consideration of dryland agricultural land uses.

Whilst plantations intercept an increased proportion of the total rainfall compared with grassland or pastures, they are however, typically a much smaller proportion of the land area and the overall effect on water interception may therefore be more modest in significance. Additionally, where plantations are sited in the landscape has hydrological implications for both water quantity and water quality in many water catchments.

Plantations play an important and positive role in protecting and improving water quality by protecting soil from erosive forces. Plantations can also assist in managing dryland salinity by reducing recharge to groundwater and thereby potentially reducing salinity of key waterways.

The National Water Initiative (NWI) identifies certain land use change activities (including large scale plantation forestry) as having the potential to intercept surface / ground water. The NWI also requires assessment of the significance of the impact of these land use change activities on catchments and aquifers however it requires this to be based on an understanding of the total water cycle, economic and environmental costs and benefits of the identified land management activities.

All policy on water interception must therefore be underpinned by sound, repeatable and reliable science and take into account issues of water quality as well as water quantity.

Any inclusion of land use change to plantation forestry in a water entitlement system must consider the differences between the physical extraction of water from the water supply system by humans and the natural interception of water by plants.

Benefits of planting trees

There are many environmental and soil conservation benefits of sustainable forestry practices on public lands, farms and in water catchments. The integration of sustainable forestry practices can take many forms, including timber belts, plantations, wide-spaced tree plantings and the sustainable management of new and existing stands of native vegetation and regrowth, including Indigenous forest management.

[1] http://documents1.worldbank.org/curated/en/240231467291388831/pdf/106467-REVISED-v1-PUBLIC.pdf
[2] https://www.agriculture.gov.au/abares/research-topics/forests/forest-economics/plantation-and-log-supply

Integrating trees and related industries into the Australian agricultural and natural resource management assist the landscape to:

- reducing salinity
- improving water quality
- enhancing habitat restoration/revegetation (e.g. mine sites)
- continual improvement of soil management
- waste-water management

Incorporating commercial tree planting and forestry activities into farming systems also:

- provide farm income diversification (e.g. renewable timber products)
- improve agricultural productivity enhance carbon sequestration and lower net carbon emissions
- generate soil conservation and water quality benefits

These associated benefits of reintroducing trees in the Australian landscape are often unvalued and need to be considered.

Water policy in South Australia: a barrier to forest industries growth

An example of the difficult job of balancing water and land-use policy can be found in South Australia. The forestry industry in South Australia has concerns regarding the responsible allocation and management of groundwater resources for the benefit of the regions and its communities. The South Australian government must recognise the major economic contribution of the forest industries to the State, including as a major employer in rural communities.

The main impediment to expanding SA's plantation estate is the current and proposed forestry water allocation restrictions contained in the Lower Limestone Coast Water Allocation Plan (LLC WAP).
Under the LLC WAP, 15,000 hectares of plantation forests have been harvested and not replanted. It is estimated that a further 5,000 hectares will also be harvested and not replanted in order to balance water allocations. This equates to a loss of up to 24 million trees and the associated jobs at time when demand for renewable wood fibre is only increasing.

New plantations cannot be established without certainty of water sources and water policy.
Our forest industries are currently in a situation where plantation expansion is backed by the Federal and State governments, but an equitable water policy framework is still lacking in SA. Taking a risk-based approach, prospective and current investors in SA's forest industries are likely to redeploy their capital to alternative regions where government policy supports sustainable forest industries in the long term. Our renewable industries want and need to grow to maintain scale and international competitiveness.

The industry has already been placed on hold in terms of potentially replanting in the identified overallocated zones. Pausing investment and replanting until the 2023 WAP Review can be very damaging to the industry and dependent communities.

Water resource management

Clear and secure property rights are important to provide entitlement holders with certainty to encourage long term investment. They are crucial to the establishment and functioning of water markets and an important component of sustainable environmental management. Property rights should:

- include all available water sources (as far as practicable)
- be legally recognised
- be explicit — outlining the maximum extraction volume allowed to be taken and the relationship between allowable extraction and water availability in any season.
- be separate from land title and tradeable

How the NWI could be improved to support better social, economic and environmental outcomes

In conclusion, the water planning processes should be based on the best available information. Baselines should be created taking into account not only current land usage, but also consider current policy settings of increasing carbon sequestration.

There must be transparent, predictable and equitable rules for assessing the water interception associated with land use change. Assessment of the significance of water interception by plantations must take into account the scale and intensity of the impact as well as geography, site characteristics, timing and management.

All land-uses should be treated fairly, and all forms of land-use considered equal. Plantations should be treated the same as other agricultural land uses and considered a crop. Poorly informed and designed policy can result in unintended policy outcomes.

The NWI process should give consideration to the overall benefits sound water policy bring to the local community. The impacts of water interception from land use change must be considered in conjunction with the overall benefits of the activity to the community. This requires the policy to take into account the co-benefits of the land use change for example the additional social, economic and environmental benefits and ecosystem services provided by the use. Plantation expansion and associated industry development has a large direct and indirect socio-economic impact on rural regional communities. Policy should aim to maximise the total benefit to the community and not focus narrowly on water use to the detriment of other important economic, social and environmental benefits derived from a given land-use.

AFPA is the peak national body for Australia's forest, wood and paper products industry. We represent the industry's interests to governments, the public and other stakeholders on the sustainable development and use of Australia's forest, wood and paper products.