

Dodgy Deal: Gunns pulp mill proposal Tasmania Australia



update

This dodgy deal is no longer being updated

banktrack contact

Paul Oosting, The Wilderness Society, Australia

Description

Gunns Limited, an Australian logging giant, is planning to build a ECF Lite pulp mill in Tasmania, Australia. The pulp mill is currently one of the most controversial issues in Australia and is opposed by the majority of people. The pulp mill is opposed due to its social, environmental and economic impacts.

Despite having been engaged as the lead arranger to secure finance and to fund the project Gunns own banker, the ANZ, in May 2007 announced that it would not be part of the project after conducting an independent assessment.

brief history

Gunns stated in the beginning of 2009 (results for half year ended 31 December 2008, released February 2009) that they are in negotiations with a number of parties that are interested in becoming a joint venture partner in the proposed pulp mill. Gunns also stated that "the primary source of funding for the development will be a project finance debt facility which is being coordinated by a leading European bank." Gunns chairman John Gay said the mill project was a 'ready status' and that construction would begin as soon as they achieved financial close. The community in Australia and NGOs involved in the campaign are not opposed to all pulp mills.

The development of a pulp mill of an appropriate size, to be 100% based on existing plantations, with appropriate non-chlorine-bleaching technology, in an appropriate location (adjacent to Gunns' Hampshire plantation estate), and assessed according to community standards and expectations would not be opposed.

On the 15th of December 2004, just two days after launching a [writ to sue 20 leading conservationists](#) in Tasmania, Gunns launched its pulp-mill proposal. The fast-tracked assessment of Gunns' proposed pulp mill has been plagued by abuse of due process and special deals for Gunns. The corruption of the assessment process has resulted in a pulp mill proposal that received little independent scrutiny, no assessment of some of the project's most significant impacts and major public opposition. -readmore-

Originally the pulp mill was to be assessed by Tasmania's independent planning authority, the Resource Planning and Development Commission (RPDC). The RPDC process was accredited and supported by both State and Federal governments, the proponent of the project, Gunns, and opponents of the project.

In February 2007 head of the RPDC Simon Cooper wrote to the Premier advising that the pulp mill proposal documentation was "critically non-compliant" in meeting RPDC approval requirements.

On 14th March 2007 Gunns abandoned the independent assessment of the RPDC, claiming excessive delays and a lack of certainty around assessment timelines as their reason. Despite Gunns themselves being shown to be the cause of most delays, then Premier Lennon rammed legislation through parliament to fast-track the assessment of the pulp mill. Federally, the Howard Government also accepted the sacking of the RPDC process and establishing a separate, truncated and inadequate assessment.

Due process was trashed so that Gunns' pulp mill could be approved. The assessment process that was carried out:

- Sidelined the independent umpire, the RPDC
- Did not assess impact on logging on native forests, wildlife, water catchments or climate change
- Abandoned public hearings involving independent experts
- Used the wrong guidelines for the assessment
- Used legislation that Gunns' lawyers helped to draw up

Gunns themselves do not have a social license to operate. The two major reasons why Gunns do not have a social license to operate in Tasmania are Gunns continued destruction of high-conservation-value and oldgrowth forests and the totally unsustainable and inappropriate nature of their proposed pulp mill.

what must happen

After ANZ's pull-out, any other banks invited to become lead arrangers should either avoid commitment to begin with, or should develop an exit strategy to withdraw from the project.

Any banks approached to join the syndicate or otherwise assist with financing the Gunns pulp mill proposal should refuse to support this highly risky and environmentally disastrous project.

NGOs should alert their allies about this upcoming project and encourage their members to write to banks which are potential financiers, voicing their disapproval.

Tasmania should put its resources behind industries with greater potential to generate jobs and profits, such as tourism, instead of promoting environmentally destructive and unsustainable liquidation logging.

Social impact

No social acceptance

The majority of Australians are opposed to the pulp mill. A recent poll showed that 61% of Australians strongly oppose Gunns' pulp mill.

Impact on Human Health

The Tamar Valley which is home to over 100,000 people and is the site Gunns has chosen, has an inversion layer for a large part of the year which traps air pollution and odour in the valley. This has led to major health problems from existing sources of air pollution. The Tamar Valley is recognised as having some of the lowest standards of air quality in Australia.

The [Australian Medical Association \(AMA\) Tasmanian](#) branch says the pulp mill 'could cause an increase in the already existing morbidity and mortality from atmospheric pollutants'.

Site selection

CSIRO pulp mill expert Dr Warwick Raverty, who was on the board of the government-accredited assessment of the pulp mill, has said that Gunns chose the '**worst place possible**' in Tasmania to build the pulp mill.

- The pulp mill site is approximately six kilometres away from the Bell Bay industrial zone but within two kilometres of local residents, vineyards and organic farms.
- Until recently the pulp mill site was a nature conservation area. That status was removed by the state government to allow the project to proceed, despite Aboriginal artifacts and endangered species being present.
- An alternative site next to Gunns' own plantation estate exists at Hampshire in north-west Tasmania.

Economic impact

Independent research has shown that Gunns' proposed pulp mill would be bad for the economy and employment in Tasmania. -readmore-

- [The Tasmanian Roundtable for Sustainable Industries \(TRSI\)](#) found the pulp mill will cost 1220 jobs in tourism and the fishing industry while Gunns has indicated the pulp mill will only create 280 jobs.
- Dr Peter Brain from [the National Institute of Economic and Industry Research \(NIEIR\)](#) found the most likely impact of the mill on the Tasmanian economy over 20 years would be negative \$0.3 billion, not the positive \$3 billion claimed by Gunns. In a separate report, NIEIR found that "if anything goes wrong with the mill the maximum cumulative Tasmanian consumption loss is estimated at -\$3 billion".
- [Naomi Edwards](#) (retired actuary and former partner with Deloitte Touche Tohmatsu) found that Gunns' consultants Allens only addressed potential economic benefits but did not address potential economic costs; did not consider the broader economic implications of the pulp mill; and did not consider the opportunity cost implications of the pulp mill.
- The Federal Government Environmental Economics Unit found that "Gunns do not measure nor take account of such impacts that can not be immediately identified as potentially impacting on the total effect of the investment". [The Australian \(September 2007\)](#) 'Gunns investors having doubts'.
- Dr Graeme Wells of Wells Economic Analysis found that the economic benefits of the pulp mill had been overstated and provided a critical analysis of information ignored by Gunns consultants (Allen Consulting Group) in their Economic Impact Assessment Report. [This report](#) was commissioned by The Wilderness Society.

Environment

Forest destruction

Gunns' original proposal was for a native forest based pulp mill. On the 10th of March 2011 the Australian Federal Environment Minister set a new condition for the pulp mill that it is only allowed to use plantation timber. This new Australian Federal Government condition makes it illegal for Gunns' proposed pulp mill to use wood from native forests.

Gunns has indicated it will exit native forest logging from all its businesses and is seeking Forest Stewardship Council (FSC) certification for its plantation wood.

Pollution

Each day the pulp mill will discharge 64,000 tonnes of effluent containing dioxins and furans — some of the deadliest substances known to science — into Bass Strait, endangering marine life (Bottle-nosed Dolphins, Australian Fur Seals and Fairy Penguins) and the Tasmanian fishing industry.

The pulp mill would consume 26 billion litres (GI) of water annually, which cannot be recycled, due to the chlorine bleaching process to be used by the mill.

The mill would heavily pollute the air in the nearby urban area. The Australian Medical Association has warned that the mill's emissions will cause increased deaths in the already polluted Tamar Valley.

Human rights

Following Gunns' abandonment of the independent assessment fast-track approval legislation was forced through parliament by former Tasmanian Premier Paul Lennon. That legislation contained section 11 which removes people's fundamental rights. [It reads Section 11.](#) Limitation of rights of appeal:

1. Subject to subsection (2) and notwithstanding the provisions of any other Act -(a) a person is not entitled to appeal to a body or other person, court or tribunal; or (b) no order or review may be made under the Judicial Review Act 2000; or (c) no declaratory judgment may be given; or (d) no other action or proceeding may be brought - in respect of any action, decision, process, matter or thing arising out of or relating to this Act.
2. Subsection (1) does not prevent a review of any action, decision, process, matter or thing which has involved or has been affected by criminal conduct. (3) No review under subsection (2) operates to delay the issue of the Pulp Mill Permit or any action authorized by that permit.

Aboriginal heritage and values

The Tasmanian Aboriginal Land and Sea Council (TALSC) and the Tasmanian Aboriginal Centre (TAC) officially oppose the proposed pulp mill because of its impacts on Aboriginal culture and heritage. These impacts to important heritage sites will occur at both the proposed pulp-mill site on the Tamar River and in the forests that will be logged to feed the mill.

The Tasmanian Aboriginal community also opposes the mill because of the impacts of the mill's effluent on the marine environment around the Bass Strait islands officially recognised as Aboriginal land. This includes toxic impacts on species traditionally hunted on and around the islands. Along with many other Tasmanians, Aboriginal Tasmanians condemn the atrocious community consultation and lack of proper assessment of the proposed pulp mill and its impacts.

Other issues

The entire assessment and licensing process has been plagued by factual misrepresentations by Gunns and undue pressure from the Tasmanian government to 'fast-track' the project's approval. The state legislation enabling the fast-tracking of the permit for the Gunns pulp mill includes a Section 11 preventing any person from challenging the legality of the permit in the courts, which is claimed to be legally invalid and without parallel in modern democratic legislation ([The Australian, 16 August 2008](#)).

What must happen

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applicable policies

✔ **Equator Principles** should apply to this project.

According to Gunns' banker, ANZ, the Equator Principles (EPs) should apply to this project. Although the bank has not publicly issued an opinion on the project's compliance with the EPs, ANZ's decision to stay out of the pulp mill project is in line with its commitment not to finance projects which do not satisfy the EPs.

In addition, the pulp mill proposal is in contradiction with ANZ's Forests Policy (published in January 2008), as the project would affect high-conservation value native forests in Tasmania. ANZ has refrained from stating the reasons for its withdrawal from the project.

Updates

May 05, 2011

In March 2011 the Australian Federal Environment Minister set new legal conditions for Gunns' pulp mill that enforce the project to only use plantation timber and to use the ECF Lite bleaching process.

In September 2010, the Chief Executive of Gunns announced that the company will move out of native forest logging and will work with the community and conservation groups to "find joint solutions to age-old conflicts and move beyond [to] a real, sustainable forest industry". These comments forecast a change in direction to the long running conflict over forestry in Tasmania and were welcomed by many Australian environmental groups.

In May 2010, John Gay and Robin Gray were forced to step down from the Board of Gunns Ltd and will no longer have any further involvement with the company or its subsidiaries. The Wilderness Society believes this creates the opportunity to achieve permanent and lasting resolution to the conflict over forestry in Tasmania.

On December 31, 2009 Gunns announced its plans for a **restructuring of the company**, by proposing the creation of a new corporate group, to be known as Southern Star Corporation ("Southern Star"). Southern Star's principal assets will be a world scale bleached hardwood Kraft Pulp Mill in the Bell Bay Industrial Zone of Northern Tasmania and the highly prized Tasmanian land and eucalyptus plantation resource currently owned by Gunns Limited.

Gunns plans to isolate its native-forest logging operations from the pulp mill proposal, plantations and other more acceptable parts of its operations such as wine-making and retail outlets, is seen by NGOs as a vain attempt to hide its native forest logging operations from scrutiny by potential pulp-mill investors.

At the AGM of November 2009, Gunns announced that Swedish pulp and paper company Södra is one of the potential pulp-mill investors the company is in talks with. Södra has set minimum benchmarks for any pulp mill development in Australia, saying it would need to be totally chlorine-free (TCF), 100% plantation-based and Forest Stewardship Council (FSC) certified. Gunns current proposal doesn't meet any of the preconditions set by Sodra. Gunns will have to undertake major reforms to meet the preconditions set by Södra, such as ending the logging of native forests and not using litigation against community members standing up for the protection of their environment.

However, Gunns also indicated that they are in talks with other pulp and paper companies.

Gunns has not received approval from the Australian Federal Government to operate the pulp mill. Gunns evidence to the Federal Government on the mills impact on the marine environment was rejected and they have been given until March 2011 to complete further research. However, Gunns has indicated it will begin construction of the project as soon as it secures finance for the project. Gunns has not yet completed critical scientific work on how the pulp mill pollution will impact on marine life and the fishing industry.

financial institutions involved

banks

ANZ -

- General corporate finance: The ANZ has been Gunns banker since 1995. In May 2008 ANZ announced they would not fund Gunns pulp mill.
www.anz.com/aus/About-ANZ/Corporate-Responsibility/pdf/ANZGunns.pdf

Credit Suisse Group -

- Issuing of rights
source: Business Spectator, 21 August 2008

JPMorgan Chase -

- Issuing of rights
source: Business Spectator, 21 August 2008

Macquarie bank -

- Interest: (May 17, 2008)
source: The Australian
- Issuing of rights
source: Business Spectator, 21 August 2008

Nordea -

Nordea has confirmed they are considering funding Gunns' pulp mill. They have state: "Nordea has been approached by Gunns Ltd. in the initial finance processes of the proposed pulp mill in Tasmania. Nordea has not committed to any financing of the project yet.

Nordea is at this stage researching all aspects of the project prior to a finance decision."

- approached/interest
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export credit agencies

Finnvera

- Interest

Previously, ANZ was expected to be the lead arranger of funding for the mill project. However, after conducting their own independent review of the pulp mill proposal and following public protests against the mill, ANZ decided to discontinue its involvement with Gunns.

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companies

Andritz -

Gunns Limited

Australia's largest hardwood producer, operating with pulp wood, veneer, sawmilling and plantations.