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October 25, 2007

WWF statement on ANZ and the Tasmanian pulp mill

WWF-Australia formed a partnership with ANZ in late 2006. The objective of the partnership is to integrate environmental considerations into ANZ's business decision-making, predominantly through the development of lending policies in high impact sectors such as forestry, mining, water and energy. The partnership was formed in recognition of the fact that financial institutions such as ANZ can and must play a positive role in advancing environmental and social sustainability.

ANZ is the principal banker for Gunns Limited, the proponent for the Tamar Valley pulp mill in Tasmania. WWF is advising ANZ on potential environmental impacts arising from the mill and how these could be addressed through sustainable project financing.

While the proposed pulp mill is facing opposition on both social and environmental grounds, WWF's focus is on the environmental impacts. However, WWF acknowledges that the social acceptability of the mill is a key issue in ANZ's decision-making processes.

WWF has advised ANZ that the most significant long-term environmental impact is likely to be on Tasmania's forest biodiversity because the pulp mill is likely to entrench 'intensive' forest management practicesⁱ, which have a much greater impact on forest biodiversity than best practice native forestry, and may lead to even more intensive forest management in the future. WWF has come to this conclusion because:

- The *Independent Review of Gunns Limited Bleached Kraft Pump Mill IIS – Wood Flow Assumptions Report* prepared by URS Forestry for the Resource Planning and Assessment Commissionⁱⁱ in October 2006 found that the pulp mill's draft Integrated Impact Statement had made numerous errors, omissions and unwarranted assumptions about the availability of wood fibre. WWF believes that these errors, omissions and assumptions have not been adequately addressed in the subsequent planning and approval process. For example, the *Expert Witness Statement on Wood Supply* submitted in the latter stages of the approval process (and after the URS Report was completed) assumed that "*Forestry Tasmania can supply the volumes of pulpwood they have provided to Gunns and that these are sustainable*"ⁱⁱⁱ, which was precisely the issue that URS found had not been properly addressed.
- Best practice sustainable forest management requires forests to be managed for biodiversity conservation as well as wood fibre production. Among other things, best practice sustainable forest management requires the volume of timber harvested from forests to be at a rate that conserves both long-term wood supply and forest biodiversity. This is commonly known as 'sustainable yield'. Best practice sustainable forest management also requires forestry practices to be monitored and changed if undue impacts on biodiversity become evident. The *Tasmanian Regional Forest Agreement* determined the 'sustainable yield' of Tasmania's public native forests by reference to socio-economic rather than environmental factors. A large-scale pulp mill requires regular deliveries of large volumes of wood fibre. In circumstances where the sustainable yield of the forest has not been properly identified, the possibility that the volume of wood fibre required by the pulp mill will have a severe impact on forest biodiversity now or in the future must be considered a real one.
- The *Pulp Mill Wood Supply Agreement* between Forestry Tasmania and Gunns Limited further

entrenches the existing forestry regime in Tasmania. Under the 20 year agreement, the pulp mill will receive 1.5 million tonnes/year of pulpwood from Forestry Tasmania, the manager of Tasmania's public native forest and plantation estate. The agreement does not specify the proportion of plantation and native forest pulpwood, however the base price of native forest pulpwood is approximately half that of plantation pulpwood, making the native forest pulpwood more attractive on a cost basis. Whilst Gunns has previously stated that the pulp mill will shift to a predominantly plantation feedstock, it is conceivable that for the life of the 20 year agreement, the bulk of the pulpwood from Forestry Tasmania will be from Tasmania's public native forest estate. This and other supply agreements for sawlogs and pulpwood commits Forestry Tasmania to a level of harvesting of public native forests that reduces flexibility in forest management should undue impacts on biodiversity become evident. Forestry Tasmania's overriding management decision will be to meet contractual obligations to supply long-term fixed supply agreements, irrespective of biodiversity impacts that may eventuate.

- The potential impact of wood supply to the mill is claimed to be exempt from assessment under S.75 of the *Environment Protection and Biodiversity Conservation Act 1999*. Consequently, none of the 48 conditions placed on the mill by the Federal Government address potential impacts on forest biodiversity arising from wood supply.

In response to discussions and agreements regarding the mill so far, WWF believes that the fast-tracked approval process for the pulp mill adopted by the Tasmanian Government places a greater onus on ANZ to conduct a thorough and rigorous due diligence exercise to ensure that the key environmental impacts of the pulp mill are addressed.

WWF believes that ANZ should seek clarification from Gunns Limited regarding the errors, omissions and assumptions identified by URS Forestry as well as the potential impacts on biodiversity from the wood supply agreements for the mill.

ANZ is in a position to request clarification and seek assurance from Gunns Limited that the pulp mill will not have an adverse impact on Tasmania's forest biodiversity and, if need be, to place conditions on funding to ensure the pulp mill is supporting best practice management of Tasmania's forests.

Ends.

For more information:

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ⁱ 'Intensive' forest management practices include:

- conversion of native forest to plantations of trees
- shorter than ideal rotations (harvesting cycles)
- increasing the percentage of forestry that is subject to large clear-fell operations
- increasing coupe sizes (usually in tandem with large clear-fell operations)
- inappropriate harvesting of old-growth and high conservation value forest
- altering the species mix in native forests
- increasing the use of chemicals and fertilisers

ⁱⁱ Independent Review of Gunns Limited Bleached Kraft Pulp Mill IIS – Wood Flow Assumptions, Preliminary Report, 11 October 2006

ⁱⁱⁱ Expert witness statement of Mr Andrew Robert de Fegely, Expert of Gunns Limited