

# **Next Generation Forest Plantation Investment**

## ***Key messages & Insights, February 2019***

Located and managed correctly, more commercial trees in rural Australia can increase timber supply, improve farm benefits and provide jobs and economic growth for rural communities. As we ramp up efforts to reduce emissions, forest plantations and their products can sequester carbon and significantly reduce greenhouse emissions. Trees in rural landscapes can also provide wider environmental benefits for Australian society.

The Next Generation Forest Plantation Investment research project is exploring new types of partnerships between landowners, industry, and investors to meet these goals. Building on the Australian Forest Products Association proposal to drive investment in trees in strategic regional hubs, the project has focused on two important timber regions in Victoria: Colac Otway and Gippsland. The project began in July 2017. Full reports from the project will be available later in 2019. The following are key messages and insights from the project to date.

### ***Opportunities for constructive partnerships***

- Abundant cleared land (over 2 million hectares) in the target regions is potentially suitable for tree investment partnerships between the forest sector and landowners. This could include smaller and larger scale plantings integrated with current rural land uses.
- Realising these partnerships depends on matching landowner and industry needs, and meeting investor returns. Landowners differ widely in their interest and motivation for growing trees on their properties. Their decisions depend on their beliefs about tree growing, perceived capacity as growers, partnership designs, trust in investors, forest managers and processors and the on-farm benefits and monetary returns from growing trees.

### ***Opportunities for landholders to benefit from tree on farms***

- Income from renting or sharing their land, or from the sale of timber
- Offsets for farm greenhouse gas emissions, or income from environmental services such as carbon sequestration, water quality or wildlife habitat
- Increased farm resilience through income diversity, reduced land degradation and improved farm production

### ***Opportunities in financial investment***

- Investment funds are potentially available for commercial trees, if they meet required returns and risks managed
- Many investors now use responsible (or 'impact') investment standards to assess social and environmental outcomes of their investments. Commercial tree growers need to measure and report on these standards to attract investment
- Investors generally have a low awareness of investment options in planted forests
- Given the variable history with many plantation investments, investors are concerned about their potential social and environmental impacts

### ***Forest sector partnerships, innovation and learning from past mistakes***

The forest sector can build trust and expand their contribution to regional economies and communities by:

- learning from past problems to build more sustainable long-term investment;
- engaging in new types of partnerships with landowners, governments, NGOs and investors and leading innovation in collaborative land and forest management;
- building community support for tree growing at larger and smaller scales, as a valued rural land use that provides broad economic, social and environmental benefits;
- better demonstrating the co-benefits (in addition to timber) from commercial trees, such as carbon sequestration, water quality improvement, biodiversity and community resilience and well-being;
- developing timber management and harvesting approaches that support smaller scale and integrated plantings.

### ***Ingredients for successful tree growing partnerships***

Successful partnerships require:

- Transparency, trust, clear markets for products, long term investment and commitment, a science based technical package and trained staff;
- Supportive and consistent public policy on right to harvest, planning, zoning and infrastructure;
- Management of risk through Government support, such as co-investment in the public benefits of trees.

## **The Next Generation Forest Plantation Investment Project**

The Next Generation Forest Plantation Investment research project was undertaken by the University of Melbourne. The project brought together, for the first time, a combination of stakeholders to design and test new models of investment in planted forests. This innovative approach presents an opportunity to learn from past experiences, leverage emerging opportunities and design more sustainable and attractive models for planted forest investment that meet the requirements of industry, landowners, capital investors and other stakeholders.

### **Location**

Research is being conducted within a 200 km radius of Colac-Otway and central Gippsland regions in Victoria.



### **Research**

The Project sought to:

- Improve understanding of land available for planted forest investment in target regions
- Develop a detailed understanding of land owner attitudes to the forest sector and planted forests and their requirements for plantation investment
- Improve understanding of the requirements of different types of investors
- Reviewing and assessing the benefits and limitations of policies and incentives that have been implemented in Australia and internationally to stimulate plantation investment
- Develop mechanisms to increase the trust between investors, forest industry sector and landowners
- Develop new thinking on how the forest sector, landowners and investors can work together
- Develop new business models for investment in planted forests for production and environmental objectives

### **Project Funding**

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