

***The following has been extracted and released in relation to a request for information relating to southern port options for forest residues.***

**(September 2016)**

TasPorts, Forestry Tasmania, TasRail, the Department of State Growth, the Department of Treasury and Finance and the Macquarie Point Development Corporation were all consulted as part of this review.

The review has found that to build an alternative general cargo port in the south of the State that could cater for ... forestry residues is likely to cost in the order of \$800 million to \$1 billion (though no sites have been identified as potentially suitable). Based on present infrastructure funding arrangements, [Federal funding] would be subject to a formal business case submitted for evaluation through Infrastructure Australia.

The issue of forestry residues will not go away. They are a necessity of a functioning forest industry and an export facility(ies) for residues would improve the economics of native forest harvesting and the case for replanting of southern plantations that are soon to be harvested.

Recently announced, fixed term use of the [Hobart] Port for forest residue exports.

In completing this analysis, Infrastructure Tasmania has consulted with TasPorts, Forestry Tasmania, TasRail, the MPDC, Treasury and the Department of State Growth.

While an alternative port is an infrastructure issue, it cannot be separated from the industry sector that has potentially the greatest need for such a facility in the south of the State, that being the forest industry and, in particular, residues from forest harvesting and sawmill operations.

Forestry Residues

In the process of harvesting from native forest, or in the lifecycle of plantation thinning and harvesting, residues are created that are not useful for quality sawlogs or rotary peeler logs. These residues can be in the form of whole logs, or other stem waste and need to be disposed of to ensure the proper management and renewal of native or plantation forest land. Often these residues are converted into wood chip, or some logs left whole and are then exported for use primarily in pulp and paper making. In short, these residues are a necessary by-product of a forest industry and particularly the native public forest industry which has a legislated requirement to make available 137,000m<sup>3</sup> of high quality sawlog annually. However, the term residues also applies to hardwood plantation grown for pulp of which there is both significant public and private estates and to residues arising from sawmilling operations.

Since 2011, when the woodchip export facility at Triabunna was closed, there has not been a site for woodchip residues to exit from in the south of the State, until the recent announcement that export of residues would resume from Hobart Port in containerised form and utilising existing shipping services.

Over the past five years, and with no party willing to take the residues from Forestry Tasmania managed forests or other private sawmill operations, these residues, around 260,000 green metric tonnes (GMT), have been sent north by rail (approximately 85,000 GMT) and road (175,000 GMT) for chipping at facilities at Bell Bay, prior to export from the Bell Bay Port. Forestry Tasmania currently meets the cost of freighting residues north to Bell Bay which includes residues from private sawmills. Industry and FT consider there is a need for a southern export facility as it would improve the economics of getting residues to market.

While it is not within Infrastructure Tasmania's scope to assess the market for forest residues the competitive and uncertain future market must be kept in mind when considering the options for alternative ports, particularly when some of the options require significant capital investment.

#### Forest Residues EOI Process

The recent forest residues expression of interest process conducted by the Department of Treasury and Finance called for proposals to remove residues from Forestry Tasmania's southern native forests. There are three proposals that are being progressed from that process.

The first involves a contractor working for Norske Skog who currently brings softwood from the north to Norske's Boyer mill and will then backcart residues to Bell Bay for processing at the Artec woodchip mill for export out of Bell Bay port. Volumes associated with this proposal are initially expected to be in the order of 110,000 GMT, with 150,000 GMT desired and will come largely from the Derwent forests. A five year contract has been entered into between FT and the contractor for the resource.

The second proposal involves a firm who intends to deliver export quality and pulp logs to Hobart Port, where they will be put in shipping containers and exported using the existing Swire shipping service. This proposal initially sought 250,000 GMT of residues.

The third proposal is the export of bulk logs, with residues in the order of 100,000 GMT desired.

If all contracts are entered into this would see around 350,000 GMT of native forest residues from the south being taken over the next five years. Under this scenario FT sees no requirement for it to pay for residues transport to Bell Bay.

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**(March 2016)**

The Government has previously ruled out a woodchip pile on Macquarie Wharf.

The period for submissions under Stage 2 of the Government's expression of interest process seeking private sector involvement in the development of an effective residues solution in Southern Tasmania has now closed.

Six alternative sites to the Triabunna Wood fibre facility were identified in a body of work undertaken by the former Department of Economic Development, Tourism and the Arts in 2011. The six potential sites were:

- Nystar loading facility (Risdon)
- Selfs Point
- Hobart Port
- Former Austral Shipyard site (Margate)
- Electrona
- Port Huon

The Government agreed to further investigation being undertaken on the potential use of Macquarie Wharf for woodchip exports.

The Government has since announced that Forestry Tasmania will no longer lead investigations on this and has encouraged a private-sector led solution, through an Expression of Interest process.

**Expression of Interest Process**

The Expression of Interest was designed as a three stage process.

Stage 1 sought submission of concepts to be considered for inclusion in Stage 1.

Stage 2 entails a request for detailed expressions of interest from proponents of concepts identified as being most prospective following Stage 1.

The submission period for Stage 2 of the EOI process has now closed, with submissions currently being assessed.

Stage Three is expected to entail direct negotiation with a preferred proponent, or proponents.