**NATURAL RESOURCES MANAGEMENT (COMMERCIAL FORESTS)** **2011**

Legislative Assembly, 24 November 2011, pages 2148-51

Second Reading

**The Hon. P. CAICA (Colton—Minister for Environment and Conservation, Minister for the River Murray, Minister for Water):** I move:

That this bill be now read a second time.

Large-scale commercial plantation forestry has the potential to intercept substantial volumes of water. In commercial plantation forests, trees are selected and grown intensively in time frames designed to optimise growth, productivity and water use. As a result of this, plantations can significantly affect the availability of water from a surface or ground water resource, reducing run-off and recharge by 70 to 100 percent (when forestry replaces pastoral land use).

Commercial plantations also directly extract groundwater when planted above shallow aquifers. In areas where commercial forestry expands, surface water that previously recharged groundwater, or flowed to replenish streams, dams and wetlands is intercepted. Consequently, if commercial forestry is, or is likely to become, a significant land use in a catchment, its impacts on water availability need to be properly managed. Mismanagement and overuse of the water resource have a real potential to put the future of forestry and other industry at risk.

The statewide policy framework, 'Managing the water resource impacts of plantation forests', adopted in June 2009, aims for 'South Australia to achieve ecologically sustainable development of plantation forests, while protecting and managing our water resources, for all users, now and in the future'.

The policy framework stipulates that the use of water by commercial plantations should be managed by applying either a forest permit system or a water licensing system through the NRM Act in order to manage the effects that commercial forest plantations have upon the security of existing licensed water access and the integrity of water resources themselves. The Natural Resources Management (Commercial Forests) Amendment Bill 2010 is designed to include these two legislative tools in the Natural Resources Management Act 2004 (SA) (NRM Act).

This bill was introduced in 2009 and a number of changes have been made since that version in order to respond to issues that were raised, including clarifying processes and details around forest water licences, including that they provide secure access to water, are personal property, can be traded just like other water allocations, are subject to conversion or adjustment in accordance with the relevant water allocation plan, and can only be reduced after part, or all, of a forest has been clear-felled.

Further amendments have included allowing the forest permit system to effectively manage impacts of future rotations and providing for regulations to be made to identify forestry management practices that will not trigger reduced forest water allocations, such as plantation thinning.

The NRM Act currently allows a regulation to be made to apply a forest permit system to manage the impacts of commercial forests on water resources. Regulation 13 of the Natural Resources Management (General) Regulations 2005 applies in the South-East to ensure that the expansion of commercial forest plantations is carried out within the bounds of sustainable water resource management.

This forest permit system links to the system of development assessment under the Development Act 1993, rather than the NRM Act, which governs other water resource uses, as conditions that address the water resource impacts of the plantation are placed on the development approval and are enforced under the Development Act. However, the current forest permit system does not allow the water resource impacts of commercial forestry to be adequately managed on an ongoing basis, as while the water resource impacts of the expansion of commercial forestry can be managed, it does not allow water use by plantations to be reduced along with the water use of licence holders where necessary to protect a water resource at serious risk of degradation.

The current forest permit system can also require the negotiation of complex contractual arrangements with forest enterprises to quarantine water licences where forestry expansion is approved on the condition that a water allocation is quarantined to offset the impacts of the development. The permit system also does not enable the forestry sector to trade water with other water users when water is no longer being used by plantations, as licensed water allocations are not issued to commercial plantations. I seek leave to have the remainder of the second reading explanation inserted in *Hansard* without my reading it.

Leave granted.

Expanded forest water permit system

The expanded forest permit system proposed in the Bill is designed to manage water resource impacts of forestry by prescribing forestry as a water affecting activity under section 127 of the NRM Act. This will allow forest permit systems to be implemented across the state without a regulation needing to be made for each specific region as is currently the case under sections 127(5)(k) or 127(3)(f) of the NRM Act.

To allow the current forest permit system to be expanded and used more effectively, the Bill includes an amendment that provides for a regulation to be made to apply an expanded forest water permit system to future rotations of plantations that have development approval. At the moment, an expansion of forestry cannot be brought within the ambit of the scheme where the establishment of a particular forest was within the ambit of a development approval (due to the application of section 129(1)(e) of the NRM Act). An amendment to section 129 will provide an option of expanding the current forest permit system to enable the water resource impacts of future rotations of commercial plantations to be adjusted to address over-allocation or over-use and to protect the integrity of a water resource and the security of rights to access water. Depending on the policy in the NRM Plan or Water Allocation Plan, a complementary reduction in water use would be required for other water licence holders. Conversely, should it be identified that water is available for further development, allocation or use, the relevant plan may provide for further permits to be issued to allow forest and other water resource development.

The disadvantages of administrative complexity and the lack of capacity to directly trade water that apply to the current permit system could also apply to an expanded forest water permit system. However the Bill ensures that expanding the current forest permit system can be considered for inclusion in a Water Allocation Plan, as an alternative to a forest water licensing system.

Forest water licensing system

The second provision included in the Bill is for a forest water licensing system to be included in the NRM Act which integrates with the current water licensing system. For an area to be covered by forest water licensing, the water allocation plan for a particular water resource must identify the significance of the impact of commercial forests on that water resource and recommend that forest water licensing be introduced. A plan may recommend that particular types of forestry be exempt from forest water licensing requirements, such as farm forestry, biodiversity, bio sequestration or salinity benefits. Following approval of a Water Allocation Plan, the Minister, if he or she believes that licensing is a reasonable measure, and after consulting with the Minister primarily responsible for forestry, may then declare a forestry area by Gazette notice. This will enable forest water licensing to apply to that area, however, this decision can be varied or revoked at a later stage if appropriate.

Similar to the process under the NRM Act when a water resource is first prescribed, forest water licences will be issued to forestry that have water allocations attached that reflect the water consumption of existing plantations (that is, to existing forestry water users). No purchase price applies to the forest water licences issued for existing plantations. The benefits of issuing these assets are that licences allow water to be traded to other industries if it is no longer required for forestry and vice versa. The other benefit is that the water use of commercial plantations can be adjusted if water available in the consumptive pool reduces in the future, for example as a result of drought, and it becomes necessary to reduce total water consumption to protect the security of the water resource.

Therefore, the forest water licensing approach allows for more transparent accounting and management given that all significant water users would be managed under volume-based water allocations and licensing. Once implemented, a forest water licensing system facilitates trade within the commercial forestry sector and between forestry and other water users to allow water to be traded in response to market conditions to its most effective use. Under the current system, water cannot be directly traded between the forestry sector and other water use industry sectors or vice versa.

Both the expanded forest water permit and forest water licensing systems have the capacity to manage all significant water uses, including the impacts of commercial forestry, on an ongoing basis, to protect the integrity and security of water resources, water entitlements and the environment, on an equitable basis.

Lower Limestone Coast Water Allocation Plan

The South East is the predominant region for commercial forestry in South Australia. It is also the area where significant forestry expansion occurred over the last decade. Since early 2010, an Inter-agency Taskforce involving the Department of Primary Industry and Resources SA, the Department of Treasury and Finance, the Department for Water, the Department of Environment and Natural Resources, and the South East Natural Resources Management Board has been working to support the development of a Lower Limestone Coast Water Allocation Plan that appropriately addresses the water resource impacts of forestry and a range of other water resource management issues. This Taskforce has also established a Reference Group to ensure that key stakeholders are involved in developing water resource management policy that balances economic and social outcomes with the long-term integrity of the Lower Limestone Coast water resources. Policy options under consideration for inclusion in the draft Lower Limestone Coast Water Allocation Plan include both an expanded forest water permit system and forest water licensing.

The review of the condition of the Lower Limestone Coast water resources, which has been overseen by the Taskforce, indicates that water is over-allocated and overused in some areas and that there is a risk that the water resources and associated ecosystems may further degrade if water allocation and use is not reduced. That means that it may be necessary for the Lower Limestone Coast Water Allocation Plan to include policy that reduces current levels of water allocation and use in some areas. The Taskforce and Reference Group are currently considering these matters to develop policy options that will deliver sustainable water resource management, while minimising the social and economic impacts on the South East region.

Reducing water allocations and use

It is important to recognise that there are important differences between commercial forestry water use and other licensed water that need to be recognised in designing forest water licensing and expanded forest water permit systems. Plantation water use cannot be turned on or off immediately like pumps used by irrigators. To estimate a plantation's average annual water use, rainfall, plantation species, location, rotation period, area, and management practices all need to be known. In light of these significant differences, the Bill provides for plantations to continue to the end of their rotations before water allocations are reduced, should this be required. Plantations can not be required to be clear-felled prematurely, either under an expanded forest water permit system or under forest water licensing.

Under the forest water licensing system, the Bill provides for the Minister to approve schemes proposed by forest managers that set out how and when they will achieve reduced water use, or obtain extra water to offset any reductions to water allocation that are applied after clear-felling. For example, a forestry enterprise may seek the Minister's approval for a scheme that proposes replanting an area that has been clear-felled, even though that clear-felling has triggered a reduction to the water allocation, and meeting the reduced water allocation by not replanting another area that will be clear-felled in future. Other schemes could involve changing plantation management practices, for example planting species that use less water, or increasing buffers between plantations and watercourses or wetlands. The Minister will be open to approving a range of different schemes that may be proposed as long as they deliver sustainable water resources management within reasonable timeframes.

The Bill provides a high level of flexibility to the commercial forestry sector to manage their plantations in ways that optimise forestry outcomes, while ensuring that forestry water use is managed sustainably.

Accountability for forest water licensing

The expanded forest water permit system and the forest water licensing scheme proposed in this Bill are embedded in the statutory water allocation planning processes required by the NRM Act. This approach ensures that all affected parties, regional NRM boards and relevant state agencies, can provide input. The statewide policy framework on water resources and forestry that was released last year (Statewide policy framework for managing the water resource impacts of plantation forests) provides guidance to water resource managers and regional NRM boards on the most appropriate tools to apply to manage the impacts of commercial forests. However, final accountability will rest with the Minister responsible for the NRM Act. The Minister, after consulting with the Minister primarily responsible for the forestry, must make a specific decision to declare a forestry area before forest water licensing can be implemented.

In closing, I reiterate that this Bill adds a forest water licensing tool to the NRM Act, and provides for the forest permit system to be expanded to ensure that the water resource impacts of commercial forests can be managed within sustainable limits. The forest water licensing system, although intentionally different from the water licensing system that applies to other water users, has the additional advantage of integrating with the existing water licensing system to facilitate trade between forestry and other water users and to provide a simpler and more effective system for both Government and business.

I commend the Bill to Members.