



## Green Triangle Forest Growers Estate Loss Summary December 2022

Forest growers in the Green Triangle Forest Industries Hub (GTFIH) 'Water Working Group' worked collaboratively to quantify the 'Loss of Estate' since the introduction of the Water Allocation Plan (WAP) in November 2013. They also forecasted the loss of estate which will occur between December 2022 and 2025, the expected conclusion of the review of Water Allocation Plan.

Plantation Manager	NPA 2014 Forest Water Allocation (ha)	NPA - Dec 31st 2022 (ha)	NPA 2025 + (ha)	Estimated % reduction in NPA 2025 v's 2014
A	14,738	9,934	6,970	52.7%
B	1,623	1,355	1,355	16.5%
C	387	2,618	2,061	+532%*
D	21,645	7,501	7,501	65.3%
<b>Total (ha)</b>	<b>38,393</b>	<b>21,408</b>	<b>17,887</b>	<b>53.4%</b>

*\* Plantation Manager C's Estate has reduced by 7,100 hectares in 2022. All sales – pending and completed - were directly or indirectly related to water licence availability. The anomaly of the increase in water is the direct result of the water licences being awarded to the 'Forest Manager', which at the time was Plantation Manager D, as lessee. Management of the land reverted to Plantation Manager C upon harvesting/termination of the lease by Plantation Manager D, with an agreement reached between Plantation Managers' C & D to share the allocated water licenses.*



# Green Triangle Forest Industries Hub

The Net Plantable Area (NPA) since the inception of the LLC WAP in November 2013 has reduced by 16,985 hectares and including land sold but that is still under tree, this will be 20,506 hectares by 2025. This is significantly more than double the estimate of DEW of 8,000 hectares.

## *Explanatory Notes:*

- Commentary from forest managers suggested land sales would be directly (eg insufficient licences) or indirectly undertaken due to water licencing.
- Indirect reasons may result from:
  - A manager selling a property that had <100% water licences available. Occasionally, this water may have been transferred to another property to aggregate holdings and therefore could be planted in its entirety. In some instances, water is unable to be transferred to a property in another zone, thus adversely impacting two properties when one may have been viable. This may appear to outside viewers that 'Forestry' has X amount of water available, however due to forestry activities being done by discrete business units and not by one homogenous group, they are unable to look at the total amount of water available to 'forestry' business units which are largely investment fund owned with differing strategies. Additionally, it is important to note that water is classed as an asset and has material value, meaning water is not transferred freely between growers unless a commercial deal can be struck. It is not financially feasible to plant small portions of properties, as fiduciary responsibilities drive managers to assess what options provide investors with the greatest return, including consideration of the sale of land.
  - The managers are also likely to be keeping an amount of water surplus to current needs across their licence's, to manage the risk of further reductions following the WAP review process. This is also because they have little use for that surplus water without land or sufficient licences to plant up an entire property. This water allocation remains an asset to the Company and is held to minimise risk. One manager noted that if they had enough water for a property in SA it would have gone back into trees.
  - Industry estimates are incorporating future reductions once clear fell occurs. WAP does not require premature harvest of stands. DEW figures look at current water licences.
  - The hectares lost is based on current deemed rates, management zone allocation and reduction requirements (Coles & Short). The moratorium on 'Short' reductions does not benefit industry as companies are not willing to plant a second rotation and then be told in the next WAP that reductions are required. Uncertainty of reductions and inflexible mechanisms for long term crops make it impossible for plantation managers to commit to the next rotation.
  - Land tenure changes occurring at clearfell as leases expire (Eg Plantation Manager Y (water license holders) leasing land off Plantation Manager Z until clearfall, when it was envisaged that land would be returned to Plantation Manager Z for establishment of the next rotation). New Plantation Manager Z, as defined under the WAP, cannot access additional licenses to replant upon change of management.
  - Industry considers that there is also an additional estimated 10,000 hectares of indirect lost plantation estate as a result of uncertainty about future water policy for example industry has held off planting estate in particular areas due to concerns about DEW increasing the depth of extraction recognised in licenses for trees from 6m to 9m. This has been a possibility mentioned through DEW to potentially account for deeper extraction when it was validating the WAP forest water use methodology.

***Total direct and indirect loss of estate is over 30,000 hectares.***