

Gunns Gets Final Commonwealth Approvals - What now for the pulp mill? (/tas-conservationist/2011/2/8/gunns-gets-final-commonwealth-approvals-what-now-for-the-pulp-mill)

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On 10 March the Australian Government Minister for Environment, Tony Burke, gave final approval to the three outstanding modules for Gunns' Tamar Valley pulp mill.

Given the history of the Commonwealth's compliance with Gunns' requests, this came as no surprise at all. What was somewhat surprising was the Environment Minister's spruiking of the mill and the amount of spin he put on his decision-making process. This clearly went above and beyond the call of duty, with one highlight occurring during an ABC *Lateline* interview where the Minister suggested he was supporting a new pulping process (elemental chlorine free – ECF Lite) in response to demands by environmental groups. In fact, the outstanding demand from all Tasmanian environmental groups in relation to Gunns pulp mill is that it not be built in the Tamar Valley.

Documentation supporting the minister's decision was released on the day of the announcement. The TCT has been asking for this documentation for some time. If you are cynical about the process you might think that releasing reports, which had been completed and available for some time, on the day of the announcement of the decision would be a way to limit access to information and make it difficult for groups and individuals with a different view of the mill to respond.

An element of anticipation was introduced into the otherwise predictable ministerial decision with a last-minute announcement that there would be an unexpected delay before an announcement was made, while an assessment of further material provided by Gunns was carried out.

There is a lot of new material relating to this recent decision, and at the time of writing the TCT has not had an opportunity to make a comprehensive assessment. At this stage, however, there are some highlights which look as if they deserve further investigation.

One of the TCT's longstanding concerns has been the potential for dioxins and other persistent organic pollutants (POPs) to bioaccumulate and poison marine mammals such as bottlenose dolphins and Australian fur seals that live and feed in the area of the proposed pulp mill's effluent outfall. A monitoring program that would address this concern appears to have been abandoned in this round of assessments, which is surprising since protected marine mammal species such as these would appear to require a complete consideration by the Australian Government.

POPs tend to accumulate in the top long-lived order predators such as marine mammals, which are particularly vulnerable as they have a great propensity to store these toxins in their insulating blubber and then pass them on to their young via mother's milk.

The response of Gunns and the Commonwealth Government has been to ignore marine mammals altogether and use the colony of little blue penguins at Low Head as a proxy. Little blue penguins are not top-order predators, do not have large amounts of blubber and, as birds, do not feed their young milk. Little blue penguins live to be around 6.5 years old, compared to Australian fur seals which tend to live around 19 to 20 years, or bottlenose dolphins which may live much longer. It is difficult to see how monitoring contamination of short-lived little blue penguins can be a good indicator of contamination of marine mammals.

Another technique suggested by Gunns is to monitor leatherjackets for contamination by POPs, as previous research indicates that these fish form part of the diet of Australian fur seals. As far as I am aware, there has been no research that shows that the fish that will be sampled for this monitoring program are representative of the diet of the Australian fur seals from the Tenth Island seal colony close to the outfall. In fact, the documentation suggests that samples for this program will include leatherjackets from Tenth Island, which by their very existence indicates that they are not part of the

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leatherjackets from tenth island, which by their very existence indicate that they are not part of the seals' normal diet.

To a diver who has been observing the seals and marine environment in this part of Bass Strait for many years, the reef-living leatherjackets do not appear to be a particularly important part of the diet of those seals; it would seem more appropriate to sample squid and school fish in this region.

Toxicology testing appears to have been improved with regard to the samples of effluent being used and the use of local marine species. However, I understand that testing is still limited to a maximum of 48 hours; this may not be long enough to identify chronic effects. It should be remembered that the proposed pulp mill has a lifespan in the order of 30 years. Toxic effects identified by just 48 hours of testing may not give a good indication of long-term effects.

Other areas that should be addressed are the determination of the final fate of solid wastes in the environment and the development of a monitoring system that does not rely on Gunns. Given the mistrust that has surrounded this pulp mill proposal, any environmental monitoring system needs to be seen to be completely independent of the operator.

One fundamental problem with the approvals process is that Gunns appears to have introduced a new pulping process into the design of the mill. The company claims that this so-called ECF Lite process will reduce the production of dioxins, for example, but this has not been adequately assessed by any level of government. The complexities of the pulping process are such that an objective assessment by a government body equivalent to the Tasmanian Planning Commission (which has replaced the Resource Planning Development Commission – RPDC) needs to be carried out for the public to have confidence in the results.

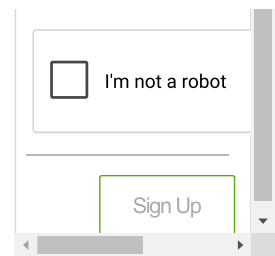
Whether you think that the federal assessment of these marine modules is sufficient or not, it is important to remember that this assessment has had a very narrow scope. A large number of important environmental, social and economic issues that lie within Tasmania's own jurisdiction have simply not been addressed at all, because the Tasmanian Government allowed Gunns to quit the RPDC assessment process when the pulp mill proposal was identified as being critically non-compliant. The oft-repeated claim that this proposed pulp mill has been thoroughly assessed is simply incorrect.

While writing this piece I came across an article in the *Examiner* (of all places) reporting that Kim Booth had revealed a letter from a consultant to Gunns warning that the site-selection process for the Bell bay pulp mill fell 'well short' of the requirements, that there was very little documented evidence to meet the RPDC guidelines and that 'The assessment process undertaken by Gunns falls well short of the guideline requirements and assessment which would typically be undertaken for such a project'. The obvious shortcomings of the proposed site for the mill are just another illustration of how dubious and inadequate the Tasmanian Government sponsored assessment process for this pulp mill proposal has been.

What now for the mill?

Despite the long-anticipated Commonwealth approvals being granted, Gunns has still not announced a start date for building the mill, or any joint-venture partner (JVP) or other mechanism to source funding so that construction can begin.

Gunns appears to have positioned itself so that this Tamar Valley pulp mill forms the core of its future business activities and has indicated it wants to move out of operations in native forests or those that are dependent on native timber. Communications to the Australian Stock Exchange indicate that, 'If the project were not probable, this would involve the expensing of a substantial proportion of the \$219.4 million included in capital work in progress at 31 December through the profit and loss'. I believe that this means that if Gunns walks away from pulp mill proposal immediately it has to add a loss of \$219.4 million to its books, and the company does not appear to be in any position to absorb such a loss. In its half-yearly statement to the Australian Stock Exchange, Gunns reported a loss of \$ 4.6 million (\$5 million before interest and tax). This included a revaluation (by over \$18 million) of a recently purchased mill. As far as I know there is nothing illegal about this sort of creative accounting, but without the revaluation the real loss would have



been over \$23 million.

Gunns' share price has fallen yet again, even after the approvals were granted by Minister Burke. Uncertainty over demand for woodchips by Japanese paper companies has grown, particularly since the earthquake and tsunami disaster.

If the proposed mill is such a good commercial venture, then why has no private company come forward to get a piece of the action? One potential reason is that it isn't such a good proposition. The low share price, forest assets, compliant governments and a pulp mill package that is ready to go might seem to make Gunns an attractive takeover target for any potential JVP, but then you have to consider the high Australian dollar as well as the small scale of plantations and relatively slow tree growth compared to South American competitors.

World stock markets are stumbling again as I write. With ongoing tensions in the Middle East, natural disaster in Japan and rising oil prices, it would be a bold company indeed that would jump into any joint venture with Gunns. It is difficult to imagine any responsible company taking on the ongoing and widespread community opposition created by the fatally flawed approval process. Whatever your view of forest management and conservation, the Tasmanian forestry industry has proven to be economically unsustainable. It is on its knees, despite many hundreds of millions of dollars of taxpayer-funded subsidies. One economic analysis (Wells Economic Analysis May 2009, Support for Tasmanian Forestry 1997–98 to 2007–08) indicated that over \$630 million of subsidies were provided to the Tasmanian forestry industry just between 1997 and 2008. At the moment, the only way that this pulp mill has any chance of being built in the near future is if the Commonwealth injects a huge amount of taxpayer dollars into the project to get it started and then provides ongoing support so that the deal becomes too good to resist.

Jon Bryan
Tasmanian Conservation Trust

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TASMANIAN CONSERVATION TRUST, 130 DAVEY STREET, HOBART, TAS, 7000, AUSTRALIA

(03) 6234 3552 CONTACT@TCT.ORG.AU ([MAILTO:CONTACT@TCT.ORG.AU](mailto:CONTACT@TCT.ORG.AU))

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