

The Forestry and Wood Processing Industry Transformation Plan – how to transform the sector

Elizabeth Heeg

Abstract

A draft Plan to transform the forestry and wood processing sector was released for consultation by the Minister of Forestry, the Hon Stuart Nash, on Friday 19 August 2022. This draft sets out the vision and pathway to maximise the value and resilience of our production forests and increase wood processing, including lower grades of log and residues.

The draft Forestry and Wood Processing Industry Transformation Plan aims to support the sector to add value to our wood, moving from being a commodity resource producer to creating high-value, low-carbon products and jobs for Kiwis.

Introduction

The draft Forestry and Wood Processing Industry Transformation Plan (the Plan or the ITP) was released on 19 August 2022 for consultation. This document is the culmination of nearly two years of work from Te Uru Rākau – New Zealand Forest Service and our Treaty, worker and sector partners.



Figure 1 (above): Ensuring all foresters have access to the best genetic stock will be important as we seek to transform the sector

Figure 2 (right): Draft Forestry and Wood Processing ITP vision and proposed actions

The draft Plan is the first strategy in over a decade that aims to further increase the significant contribution of forestry and wood processing to New Zealand. It proposes a vision and actions that collectively seek to transform the sector so that it: ‘generates more value for New Zealand, is a key pillar of our regional communities, and underpins New Zealand’s low-emissions economy.’

Forests are New Zealand’s largest renewable resource and are vital in our move toward a more circular, low-emissions economy. The materials, energy and wood products the sector produces are at the heart of the emerging bioeconomy.

The sector is a key contributor to the New Zealand economy and society, with many rural towns shaped around their forests and mills. In 2021, the sector contributed \$6.7 billion in export earnings and employed between 35,000 and 40,000 people in wood production, processing and the wider support industries.

Over the last decade the volume of logs harvested has doubled, while the capacity for processing wood domestically has stayed the same and remains largely geared toward structural timber. This has led to a significant growth in the number of logs exported.

With its vast forestry resources New Zealand can be a world-leading producer and exporter of high-value wood fibre products. However, this requires us to process more wood fibre onshore and increase the production of higher-value wood products.

Exports of high-value wood products represent around 15% of the export volume, but account for over 40% of the revenue. These high-value timber exports include products made from appearance grade pruned timber. Growing domestic wood processing will require us to grow and diversify our export markets.

New technologies are making it more economic to process lower grades of logs and expand the range of high-value products we can produce from wood fibre. These include:

- Engineered wood products to build tomorrow’s high-rise buildings, replacing higher emissions materials
- Biofuels that can replace coal and fuel planes, ships and cars
- Advanced biochemicals and bioplastics to be utilised as low-carbon materials and chemicals.

Our vision for industry transformation

Vision

The forestry and wood processing sector generates more value for New Zealand, is a key pillar of our regional communities, and underpins New Zealand's low-emissions economy.

Key change

Process more logs and residues onshore to reduce our emissions, increase our production of value-added wood products, and fuel the growing bioeconomy.

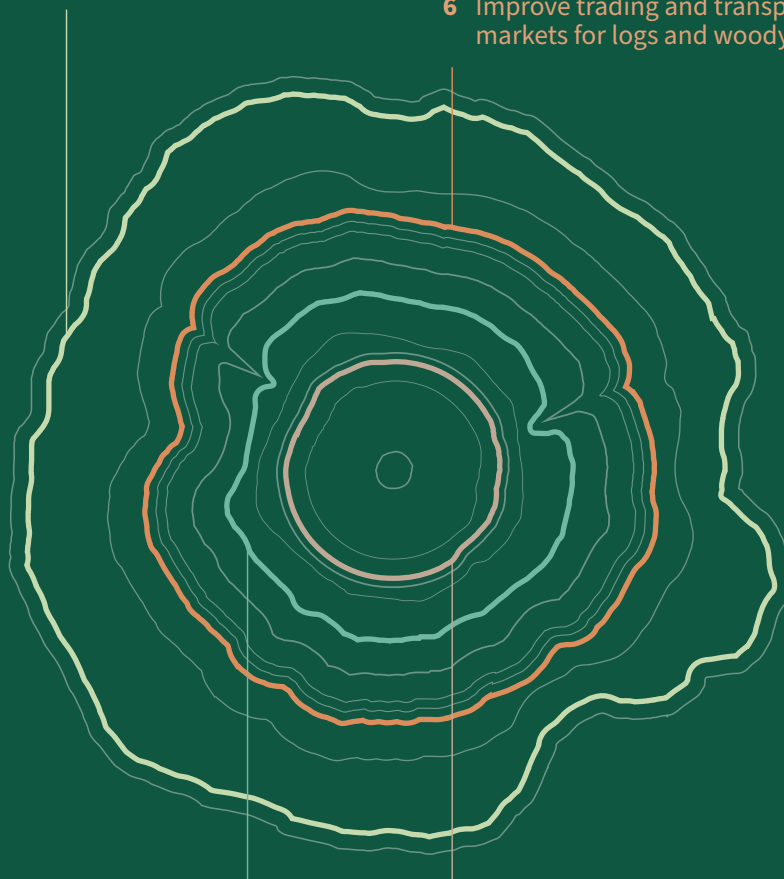
Priority areas and key objectives

Growing sustainable forests for our future

- 1 Improving the productivity of our forests
- 2 Diversify our productive forests to build sector resilience
- 3 Increase use of woody biomass to produce high-value products and fuels

Modernising and expanding the wood processing sector

- 4 Grow investment to increase manufacturing of advanced wood-based products for building, biotech and fuels
- 5 Support sector co-location, collaboration and sustainability
- 6 Improve trading and transparency of markets for logs and woody biomass



Growing and diversifying domestic and export markets

- 7 Grow domestic demand for our wood products
- 8 Grow and diversify export markets

Improving system settings for a thriving sector

- 9 Support Māori aspirations in the sector
- 10 Create a strong and collaborative sector
- 11 Grow and attract the future workforce
- 12 Drive science and innovation across the sector
- 13 Provide sector insights to lift performance and innovation



Figure 3: Nelson Pine Industries – MDF and LVL processing plant

Countries around the world are increasingly looking for ways to reduce their emissions and find sustainable and low-emissions alternatives to replace materials derived from fossil fuels. Global demand for sustainable wood fibre is forecast to quadruple by 2050 as countries seek to use wood and woody biomass to decarbonise their economies. New Zealand has an opportunity to move from being a leading exporter of softwood to being a leading exporter of bioeconomy products.

Objectives of the ITP

The Plan seeks to transition New Zealand toward processing more wood onshore and to use woody residues to grow the forest-based bioeconomy. Scaling up and modernising our wood processing capacity will require significant co-investment from industry and the Government, requiring an improvement in our investment environment more generally.

We need to strengthen the sector's long-term sustainability and resilience by diversifying our productive forests, and creating and adopting world-leading science and innovation. Diversifying our production forests will enhance our resilience to climate change, expand the range of products we offer, as well as the number of markets we reach.

Strengthening social licence will be a key enabler of future growth. Collaboration of the sector is required

to raise awareness of the benefits it provides, and to ensure the yields of these benefits are distributed to Māori, workers and regional communities.

Implementing this Plan has the potential to significantly boost New Zealand's economic development, support reductions in emissions, and create high-paying and decent jobs in the regions.

Challenges to transformation identified

Some of the key challenges identified in the Plan are:

- No growth in overall wood processing capacity since 2000
- Over-reliance on a single species and narrow product range
- Highly concentrated export markets and no growth in value-add exports
- Lack of internationally competitive tax and financial settings
- Lack of certainty and variable supply for some wood processors
- Workforce attraction and development is challenging
- Lack of cohesion across the sector hampers its ability to solve sector-wide challenges, such as social licence.

Navigating the ITP

The draft Plan has four proposed priority areas for change: growing sustainable forests for our future; modernising and expanding the wood processing sector; growing and diversifying domestic and export markets; and improving system settings for a thriving sector.

The Plan breaks out these priority areas into a series of work areas that have actions designed to deliver transformation on. For example, in the growing sustainable forests for our future priority area there are actions targeting productivity, diversity and increasing the availability of biomass. The actions that are proposed vary in their complexity, scope and investment readiness.

An ambitious goal for our forests

The draft ITP features five interlinked goals:

1. Carbon emissions reduced by 6.9 million tonnes by 2030, and by 54 million tonnes by 2050.
2. Wood processing increases by 3.5 million m³ (25%) by 2030.
3. Planting of alternative species (non-radiata) increases to 20% of all planting by 2030.
4. Export earnings from value-added wood products grow by \$600 million by 2040.
5. Use of wood products in construction increases by 25% by 2030.

Each of the goals are reliant on the other. For example, increasing wood in construction will enable a growth in residues that can be used to create sustainable fuels to offset emissions, which also relies on the increase in processing.

In the forestry section of the draft Plan, the proposal is to increase alternative planting to 20% by 2030. This goal includes afforestation and reforestation and was decided upon from the Climate Change Commission's demonstration pathway for afforestation of productive forests.

Planting alternative species is key to improving the sector's resilience to climate change, and to biological and economic risks. It has the potential to increase the wider environmental benefits gained from forestry (e.g. improved biodiversity), encourage different management regimes (e.g. continuous canopy harvesting), and expand the range of products we can manufacture from high-value timber and wood fibre.

Achieving this goal requires the whole sector to participate as we work to understand and overcome the barriers to diversifying our productive forests. Diversification will be challenging as existing infrastructure and supply chains are tailored to radiata pine.

Consultation

The ITP was released in August 2022 as a draft for consultation. Te Uru Rākau – New Zealand Forest



Figure 4: Processing more wood fibre onshore will retain more jobs, lower carbon emissions and breathe life into New Zealand's regional communities

Service ran workshops and met with stakeholders in key regions across the country for approximately six weeks.

These sessions all aimed to capture feedback on the draft Plan, including how well it captured the key challenges and opportunities faced by the sector. The sessions also looked at the sector's views on the proposed vision for the future of the sector, the goals and the key objectives, as well as the proposed actions to help transform it.

Toward a final Plan

The team at Te Uru Rākau – New Zealand Forest Service will assess the feedback from the sector and will create a revised draft. This updated draft will be provided to Cabinet for approval for launch as a final Plan toward the end of 2022.

Conclusion

This ITP provides the intent toward catalysing the long-term transformation of the forestry and wood processing sector. This draft Plan proposes a suite of actions to transform this sector over time and to maximise the value it provides to New Zealand. The final Plan will capture the feedback and the actions will be amended in line with what the sector has told us.

The Plan will be implemented over time and in partnership with Māori, industry and workers. We continue to seek opportunities to partner not only with these groups, but with key stakeholders, to deliver actions and support transformation.

Forests, wood and the bioproducts made from wood are essential to our low-carbon future and this Plan will ensure that the sector reaches its full potential.

Dr Elizabeth Heeg is Director Forestry System Te Uru Rākau – New Zealand Forest Service (MPI) based in Wellington. Email: elizabeth.heeg2@mpi.govt.nz