Wood Processors & Manufacturers
Association of New Zealand

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Wood Processing and Manufacturing Sector - Briefing for New Government

1. Introduction

This briefing provides you with information about the Wood Processors and Manufacturers Association and our core priorities. As highlighted, there are opportunities for growth in our sector which we look forward to discussing with you in more detail.

2. Wood Processors and Manufacturers Association

2.1 The Wood Processors and Manufacturers Association (WPMA) was established in 2014 through a merger of the Wood Processors Association and the Pine Manufacturer's Association. We are a voluntary funded industry association with a strong focus on promoting wood as the heart of a future zero-carbon economy.

2.2 Our members are leaders in the New Zealand wood industry converting harvested logs into a wide range of products including sawn lumber, pulp, paper, panels, laminated products, mouldings, and engineered wood, through to the development of bioenergy solutions.

2.3 In this Briefing, brief details are provided on the wood products industry and WPMA's key priorities. Noting that a Forestry Sector Briefing has also been developed by the Peak Sector Group, which includes WPMA.

3. Importance of Wood Products to New Zealand

3.1 Wood processing and manufacturing enables an entire tree to be utilised by processing the higher grades of timber for sawmilling, panels and engineered wood products, lower grades for pulp and chipping, and the residue for biomass.

3.2 Domestic processing of logs provides multiple benefits to foresters, sawmillers, secondary processors and manufacturers, the construction industry and to New Zealand through increased employment, export earnings and our climate change contribution via carbon storage. As an example, forecasting by Deloitte indicates that changing market share in construction to wood by 25 percent would result in an additional 920,000 tonnes of CO_2 being sequestered annually.

3.3 Currently more than 60 percent of harvested logs are exported without any processing. Hence, it is essential that a new government implements policy that encourages more logs to be processed within New Zealand into added value wood products.

A snapshot of some additional benefits wood products provide to New Zealand are as follows:

- Forestry and wood processing is New Zealand's fourth largest export earner.
- The export value of forest products in the year to June 2022 was $6.58 billion – $2.95 billion from wood products and $3.63 billion from logs.
- Additionally, the wood processing sector has around $2 billion of domestic sales.
- Over 60 percent of our logs are exported, with 80 percent to China.
- The industry (including forestry) employs 38,500 direct staff, mostly in the regions.
- Wood is increasingly used in construction material, replacing high-emissions materials such as concrete and steel that are currently used in multi-storey buildings, mainframes, and roof structures.
- Through recognising carbon storage in Long-Life Harvested Wood Products and utilising wood as our main building material, New Zealand has the potential to reduce our Paris Accord commitments by up to $1 billion this decade.

Our Priorities for the Incoming Government

4. Appointment of a Dedicated Minister for Forestry-Wood

4.1 To ensure that the Forestry and Wood Products industries are prioritised it is essential that a Minister for Forestry-Wood is allocated a high-ranking position within Cabinet. A strong Minister and proactive industry will enable implementation of key policies, which will lead to economic and sustainable growth for both our industry and to New Zealand.

5. Forestry and Wood Processing Industry Transformation Plan Support Continues

5.1 The 'Forestry and Wood Processing Industry Transformation Plan' (ITP) identifies actions to drive growth, create employment and meet our low-carbon future commitments.

5.2 Current and planned activities within the ITP are creating new opportunities for industry and government. For example, partnership investment between government and our sector, consideration into residue supply for domestic processing and the bioeconomy, plus investigation of options to recognise delayed emission from harvested wood products.

5.3 Given the importance of the ITP to our industry, it is essential that the new government continues to support the outlined priorities.

6. Long-Life Harvested Wood Products as source of embedded carbon

6.1 To improve the investment environment for wood processing and manufacturing, WPMA supports implementation of a scheme where the carbon value of Long-Life

Harvested Wood Products (LLHWPs) is made available to wood processors to reward current investment, plus incentivise future investment in the sector.

6.2 We are cautious about further amendments to an already complex ETS. However, the provision of an incentive in line with the value gained from domestic manufacture of long-lived wood products in the ETS would make a meaningful difference in encouraging wood processors and manufacturers to invest in expanding processing capacity, and in new advanced manufacturing equipment that in turn creates greater levels of higher-value wood products and carbon storage, in particular panels and mass engineered timber products.

6.3 Increasing the production of LLHWPs has support from all major political parties and aligns with the objective of increasing carbon storage in forests and forest products, thus meaning greater domestic sequestration to achieve NZ's Paris Accord commitments. In addition, it supports a wider programme to increase the productivity and competitiveness of New Zealand's wood processing and manufacturing sector.

6.4 In addition, at CoP25 countries will be required to be explicit about their *removal* plans in the next round of 'Nationally Determined Contributions'. Forests and wood products are the main removal strategy, while encouraging wood processing to store carbon longer is the rationale strategy.

7. Adopt increased utilisation of wood in buildings thus reducing our carbon emissions

7.1 The increased use of timber in the building and construction industry has a positive effect in reducing our carbon emissions. To ensure that timber use is accelerated WPMA support the 'lowest carbon building procurement policy' and recommend that this is expanded to all government departments and agencies, with the project size reduced from a $9 million to a $2 million cap.

7.2 In addition, we support the 'Building for Climate Change' regulatory programme targets reducing 'embodied carbon' emissions in all our new buildings by 50 percent by 2030.

8. Bioeconomy – residue availability is future focused

8.1 Biomass (energy) to replace coal powered industrial heat as well as biofuels for vehicles are key potential components of New Zealand's climate change response. Meanwhile biomaterial development is at the core of NZ's bioeconomy to address both climate change and environmentally damaging products such as plastics.

8.2 To ensure the demands for biomass can be fulfilled, additional supplies of wood chip and residues need to be secured. This could come about through the investment in additional sawmills, altering silvicultural practices (shorter growing time), or by extracting slash and woody waste from forests.

8.3 As a favoured option the most cost-effective, scale, and consistent source of the residues for these industries, as well as the pulp, paper and packaging industry, is sawmill residue. By increasing the investment in wood processing, this in turn will generate the additional biomass required for bioenergy, biomass and pulp and paper expansion.

8.4 Biomass development also has the potential to provide long-term solutions for the use of forestry slash. WPMA seek further investigation into slash solutions, such as providing support for transporting of slash from remote locations, such as Tairawhiti, to established Pulp and Paper plants, such as Kinlieth.

9. Trade Policy Facilitates Sector Growth

9.1 WPMA's position is that we respect the workings of a free market, and the various free trade agreements New Zealand has negotiated with our trading partners.

9.2 With the growth in non-tariff barriers globally and other various grants and subsidies, we encourage government to work with the Ministry of Foreign Affairs and Trade and our international partners to minimise non-tariff barriers and ensure our trade policy and other international engagements facilitate the growth of value-added wood products. Noting the difficulty of addressing, for example subsidies, in other countries, the distribution of HWP value is an incentive to overcome the unlevel playing field internationally for NZ wood processors.

10. Carbon Border Adjustment Mechanisms Support

10.1 Governments around the world are implementing border adjustment mechanisms where they see their domestic manufacturing industries are being disadvantaged through trade-distorting practices, which now potentially includes a carbon border adjustment mechanism being applied in the European Union to certain imports that do not have carbon pricing in their country of manufacture. WPMA supports the work MBIE is doing researching this, especially as it relates to cement and steel imports.

11. Timber Unlimited – Sector Promotion and Support Continues

11.1 Timber Unlimited (formerly the Timber Design Centre) has been established to promote and facilitate the uptake of wood products in mid-rise to large-format buildings. The role includes industry promotion and advocacy, early-stage technical advice to designers looking to use wood, showcasing successful mass timber projects, connecting developers and designers to experienced engineers, constructors, and the supplier base, as well as promote design guides.

11.2 Timber Unlimited will assist New Zealand in meeting our Paris Accord targets, along with creating investment opportunities for the forestry and wood products industries due to an increase in the use of mass timber for building and construction. At this time long-term funding has not been confirmed. WPMA support the collaborative approach taken by Timber Unlimited and encourage government (via MPI) to commit to long-term funding of its activities, hence increasing our carbon storage commitments and growing our economy.

12. Standards Review and Development is Reviewed

12.1 WPMA is concerned that standards and the way standards development and revision are funded poses a barrier to New Zealand wood product manufacturers, especially to Australia.

12.2 In some instances representatives on wood related standards are impeded by a lack of New Zealand specific timber research. This can lead to a slowdown in implementation of innovative techniques by timber manufacturers and designers. At other times standards are expensive and difficult to implement in the workplace. Hence, it is important that all standards are practical, and based on recent sound scientific and technical data.

12.3 Funding options to carry out standard reviews and development are limited and to ensure standard progression is enabled a review of how standards are funded needs to be conducted by government. The current model often relies on industry to fund standard development, even though the benefits fall with several groups, including government.

13. Skills and Vocational Training

13.1 The current workforce in the wider forestry sector is about 40,000 with 79% in wood processing and 21% in forestry. The age, leadership, gender, and ethnic diversity demographics are challenging the sector as well as skills shortages.

13.2 Importantly, future growth potential of the sector will be driven by global trends in new technologies, climate change, environmental expectations, and the bio-economy – a trend towards new and more technical skills.

13.3 Currently there is no certainty to how workforce skills and training will be enabled in the future. WPMA is hence supportive of progressing sector-led training and skills programmes to ensure future demand for industry workforce skills can be met.

13.4 To take forward a 'Blueprint – Forestry Training and Education Plan' has proposed the Forestry and Wood Processing sector establish an entity to ensure its current and long-term workforce and skills requirements are met. The proposal enables the entity to have the flexibility to inform and influence training and education programmes and products. Furthermore, it offers a way forward to reset the industry's strategic leadership and stewardship of its workforce planning and development.

We look forward to meeting with you to discuss WPMA and our industry priorities.

Please feel free to contact WPMA's Chief Executive, Mark Ross, on 027 442 9965 or at mark@wpma.org.nz if you require further information.

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