

DRAFT SPEECH

For

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Greetings. (As per formal requirements of audience) SLIDE 1

I have been asked to talk on the Private sector and its role in a Green Economy. Fortunately my history revolves around Forestry which can be argued is the heart of a Green economy. Such bold statements require a level of substantiation to which I would argue that the current global situation, suffers from a multitude of challenges such as climate change, transportation costs, skills shortages and economic downturns which may all be answered, to a degree, by forestry investments and enterprises. Especially within a Pacific context.

My involvement in Forestry began in December 2004, when I and my family moved to Fiji to set up our company Future Forests (Fiji) limited.

(Talk on the **history of FFF** and its evolution) (5 minutes)

(slides 2, 3, 4)

The estimated potential for our company is approximately 1 billion dollars, being 3000 hectares of 700 trees per hectare on an average price today of \$450 per cubic metre round log value. Should we be successful, this will stand as one of the strongest validations as to WHY the Private Sector could play an important role to assist the government in fulfilling its aspirations and should be actively courted by Pacific Island nations. Yet we need to understand what the **Private Sector** is!

From the perspective from which I stand, the Private Sector not only removes most risks from Governments, but in a well thought partnership will be able to act as a fast and efficient commercial enterprise and at the same time contribute to the social obligations of any Government through job creation, training, environmental protections, as some examples.

I would like to give you an anecdote. I remember when I was travelling the 120 kilometres from Suva to our plantations in the Ra province, twice every day. In the afternoon I would say goodbye to our team with the statement I might die on the roads going back to Suva, to which they would reply 'Don't worry we will look after the trees!' In forestry it is impossible to remove the trees until they are mature, so these would have reverted to the landowners

Several years later, I passed the Management of the company onto other shoulders, at the time when our company had developed a resource, that would have been valued at 20 million dollars by the time it matured. This resource would have naturally reverted to the people of Ra if our company dissolved at this time.

THE PRIVATE SECTOR IN PERSPECTIVE STILL;

'Business is War', the Japanese coined this term in the 1980's. I endorse this view. The multitude of challenges and threats that entrepreneurs face in a start-up phase of businesses are real and deadly. If we were to apply the Japanese view we could argue that in a martial sense, the Private Sector represents the volunteers of an economic army that are prepared to live and die by their own decisions. The same cannot be said when discussing government departments.

This would therefore give a clear and rigid structure to the roles of the Private and Public Sector. Every Pacific Island government should, I am of opinion, be actively pursuing the private sector with incentives and welcoming attractive laws, regulations and tax's. It is strange that in the Fijian context

logging receives substantial concessions whilst businesses replanting the forests receive very little incentives. This is just one example of an imbalance requiring rectification.

In the forestry arena we simply have to look at America to witness what the affect of the private sector has had on the expansion of forested areas **(slide 5)**.

From 1950 - 1990 the private forestry estate of the United States grew by 40% at no cost to the American government whilst at the same time creating jobs and tax revenues.

Yet, forestry is not simply about timber. Its impact on an economy is far reaching in all aspects; from ecological and environmental benefits, to exports, reduced imports, downstream processing, agro-forestry, employment and training of course, and even Electrification.

One ton of wood waste can produce 1 MGw of energy. The forests of Fiji, waste countless amounts of energy every year that can be fed into a biomass gasifier system.

(slide 6) [Discuss Green Generation Limited]

Within forestry plantations reside a rich offering of potentials. The initiative of the Fijian Government in creating a 'Land Bank' is an excellent example how the private sector and the government can work together for the benefits of all stakeholders. The government takes the role of guarantor for the secured lease for the private sector whilst at the same time safeguarding an appropriate return to the landowners. However in the pacific region these potentials cannot be achieved without the involvement of the pacific island people. The land tenure systems guard, jealously, the land ownership which for many industries is a barrier. Yet this is not so for forestry!

Our forestry industry understands land tenure systems better than any other, as leasing of land is the most cost effective method by which to develop large plantation areas. I would go further and state that the people of the Pacific find it easy to accept such forestry investments as the land is core to their beliefs and forests an integral part of this. They are eager to utilise lands. In my direct experience, without the people of Ra being involved in Future Forests Fiji I would hazard a guess that our company would not have survived. Therefore Forestry and its benefits can be argued fit the pacific like a glove fits a hand; hence it can be readily incorporated into the Pacific.

(Slide 7)

The economic challenges that many apply to the pacific can be reduced by plantation timber. The market prices for tropical timbers are ever increasing and these can therefore offset the damaging costs of its transport to overseas markets. In the teak market we can see that the prices have increased by an annualised rate of no less than 5% for the last thirty years.

Other timber species have witnessed similar price increases. Vesi, Merbau or Kwila are all the same timber and this has increased in price substantially.

Yet the potential for the Pacific Nations have not been fulfilled sufficiently, to state that the timber plantation industry is completely mature would be a wrong assessment, there is still a vast amount of potential untapped. The timber that the Pacific counties have has continued to diminish with a history of un-sustainable logging by foreign companies on the other side of the globe.

In the case of the Solomon Islands; logging of their native forests began in the 1920's and reached a point where the resource was detrimentally impacted, with little financial recompense to the people of the Solomons.

For Papua New Guinea common timber species are now becoming rare timber species, Kwila is one such example.

In Fiji, timbers such as Vesi have been exported by the British to Europe. However, since 1940s, Fiji developed one of the world's largest Mahogany estates. Yet the revenues attributed to it are recognised as not being optimal due to the lack of a robust downstream processing industry. The question is why, especially in the light of a general statement made that "prices offered for tropical timbers are akin to growing a gold mine".

(slide 8)

As we look at the current graph of Teak prices we can see that plantation grown Teak is rapidly surpassing old growth Teak. This indicates the scarcity of old growth Teak and the replacement demand for plantation timbers. Whereas 5 years ago the international markets had a negative opinion of plantation grown timber, today this opinion is almost totally reversed. This is easy to understand when we consider the drivers such as population growth within the tropic zones.

Today over 40% of the world's population resides within the tropics creating pressures on forests for both urban lands and agricultural lands. The price of tropical timbers can only rise in the medium term and rise exponentially in the long term as the global forests become smaller and smaller. It may not be too far away that a time will come when only the rich can afford timber furniture and flooring. Please consider this; if you had the financial resources and had prior knowledge as to where most of the world's oil was located..... Would you have considered it wise to purchase the lands above these oil reserves? Therefore, with the information we know today, about the scarcity of natural resources, why is timber any different?

In fact, the world is bickering as to the importance of Forests in order to mitigate Climate Change. We are not bickering as to the Science; this is certain. We are only bickering as to price. It is accepted that the world needs more forests. Yet we do not wish to make some people rich who set out to plant trees for us. The irony of Carbon Sequestration projects in the forestry sector is the 'Economic Baseline' rule, which states something akin to this following;

'Only those projects that are not financially viable will be eligible to obtain Carbon Credits for the carbon sequestered in the project area!'

This to me is a poor and barren stance. Our noses are on the floor. It totally alienates the Private Sector by implying that only poorly managed and non viable projects obtain carbon credits, rather than supporting financially sound and effective projects. Since the inception of carbon credits only a handful of forestry projects have been approved and even less have received carbon credits, in the European market. New Zealand and Australia are overturning this poor performance, via the introduction of their own emission trading systems. The pacific nations should look inward or combine forces with other nations and develop their own trading platform for carbon credits as a replacement for the dysfunctional UN model.

Further, today the REDD and REDD+ proposals, The United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries, are gaining

support, and I know of various nations attempting to implement such projects. Should they succeed, timber will become increasingly rare, as the old growth forests are locked away from the chainsaw and truck.

Yet the question I ask is how will the indigenous people get timber and fuel wood when little reforestation activities occur? I would argue that, unfortunately, REDD systems will ultimately fail due to the citizens resenting the restrictions placed on them and their forests, when no other viable alternative is given to them, such as plantation forestry.

I would like you to consider that the best method to protect the old growth forests is to create something more valuable and easier to access than old growth forests, such as plantation forests. This, I suggest, would be the greatest disincentive for cutting down the old growth trees.

Forestry is not a passive industry, it is dynamic and vibrant. We can talk of the medicinal trees. We can talk of erosion controls, talk further on time value investment windows, have conversations concerning forest gardens and create projects on biomass electrification. Today even invasive species represent opportunity – think of the African Tulip and biomass systems. I cannot think of a bad forestry project as they all convert CO₂ to oxygen. This then leads me into the environmentalist debate.

I recently visited a proposed mine site and was asked as to what rehabilitation species should be used to reforest some 15 odd drill pads. I suggested the more economic timber species. HOWEVER, surrounding me was an environmental group who as it appeared did not support my advice. They argued to return the zones back to the ecosystems that existed prior to the drilling.

In my mind such shuttered thinking is redundant and puerile for two reasons.

The first is that the ecosystems have totally changed since man came to the islands. In the beginning the peoples travelling the oceans carried with them food crops, and animals. (The Australian Dingo as one such example) We can only assume that the impacts were huge. Yet this occurred many thousands of years ago. I call this the first eco system assault.

The second occurred with the travels of the European traders and explorers. These people also carried with them plants, animals and disease. Quarantine was not heard of then. This then is the second ecosystem assault. This second stage is still going on today as many new species are being either innocently or illegally imported into the island states. In short the pristine ecosystems, that the environmentalists demanded, are no longer there. To try and replace it, exactly, is to my mind counterproductive. Furthermore, when asked, (which I did), what the traditional landowners of the mine sites preferred, they informed on their desire for high value tropical timber species to be planted, and not a return to what, for their grandparents, was a harsh and unforgiving forest landscape. Needless to inform, that the landowners did not receive as they preferred.

In the Climate Change debate we can be certain of only one thing; CHANGE! A demand to return to what was yesterday is not a solution but an impossibility. The Pacific should be looking at change and how to manage it for the best outcome economically and socially.

(Slide 10)

To resist this change will result in the unwilling being swept aside. Rather, the question to ask is HOW to meet this new and uncertain future. There will be many correct answers, not simply one.

As for myself and what I and my members bring; Forestry. We wish to bring back the green jewels on the blue carpets of the pacific.

The private sector, in forestry, has never been more ready to work with the government and I invite any stake holder to discuss with us where we might be able to assist for mutual benefit.

I WELCOME ANY QUESTIONS THAT MIGHT HAVE ARISEN FROM MY ADDRESS.