



A report from Environmental Justice Australia

FOLLOWING THE MONEY: THE UNFINISHED TRANSITION AWAY FROM NATIVE FOREST LOGGING



**ENVIRONMENTAL
JUSTICE
AUSTRALIA**

Environmental Justice Australia is a public interest legal organisation using the law to protect forests, climate, water and communities.

We use a unique combination of public interest litigation and legal advocacy to hold power to account.

We work with frontline and fenceline communities, Traditional Owners and grassroots organisations seeking environmental justice. Through court cases, legal advocacy and reform, we work to strengthen environmental protections and advance climate and environmental justice.

Environmental Justice Australia is proudly independent, not-for-profit and funded by people across Australia.

We thank the Traditional Owners, forest defenders, community members, researchers, and technical experts who generously shared their knowledge, time and expertise to this report.

Environmental Justice Australia acknowledges the Traditional Owners of the forests and lands discussed in this report, and pays respect to Elders past and present. Sovereignty was never ceded.

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Executive summary

In 2023, the Victorian government announced the end of native forest logging on public land. It claimed the decision would “deliver the largest expansion to our public forests reserve system in our state’s history” and attached a transition package of \$875 million – later expanded to around \$1.5 billion – to support workers, businesses and communities.

This report finds that although the government-owned logging agency VicForests has been dismantled, the wider system driving native forest logging has not ended. Although logging has largely ceased across the 1.8 million hectares of Victorian state forest previously allocated for logging, those areas are still missing permanent legislative protection.

Native forest logging and processing continues through a range of regulatory loopholes, including private land logging, salvage logging, Forest Fire Management Victoria activities and importing native forest logs from Tasmania and New South Wales. While these activities are not unlawful, they undermine the transition and create an incentive for continued reliance on native forest timber. Trees from native forests are still being logged, transported and processed through Victorian companies and infrastructure.

Native forest logging in Victoria has changed shape, but it has not ended.

This report also finds substantial gaps in transparency around the transition itself. According to the government, \$1.5 billion in public funds flowed through compensation packages, grants, transition programs and corporate support measures.

Research undertaken for this report was able to identify approximately \$884 million in transition-related funding, subsidies, compensation payments and industry support from publicly available records and forensic accounting analysis. The largest identifiable funding flows included support to native forest mills, harvest and haulage contractors, VicForests, worker transition programs and plantation investment initiatives. However, there remains no comprehensive public record showing where all transition funding flowed, what conditions applied to payments, what outcomes they achieved, or whether they reduced reliance on native forest logging.

The transition has delivered some outcomes, including ending significant volumes of Victorian native forest logs being supplied to paper pulp production and providing support to some workers and entities genuinely impacted by the transition away from native forest logging.

However, evidence reviewed for this report indicates that some companies that received tens of millions of dollars in transition-related support or taxpayer compensation remain involved in native forest logging and processing. Independent forensic accounting analysis also identifies significant public financial exposure associated with the winding down of the VicForests system, including escalating compensation liabilities and complex corporate arrangements linked to native forest processing.

This report finds that these outcomes emerged within a sector already facing significant ecological, legal and economic pressures. Native forest logging in Victoria had been under strain for years due to declining timber availability, bushfires, climate impacts, legal restrictions and increasing substitution by plantation timber. Even so, governments continued to maintain supply arrangements and contractual structures that exposed the public to ongoing financial risk.

This report asks a simple question: after \$1.5 billion in public investment intended to transition Victoria away from native forest logging and permanently protect forests, why does native forest logging continue – and why do the forests previously allocated for logging still lack permanent legislative protection?

The implications extend beyond Victoria. Native forest logging continues in NSW and Tasmania, where governments face many of the same pressures, including declining timber supply, environmental pressures, industry transition and long-term timber supply agreements. At the same time, federal and state governments are investing significant public resources in new assessment and regulatory processes intended to enable native forest logging to continue under reformed environment laws from 1 July 2027.

As these governments consider future funding arrangements, long-term supply agreements and transition frameworks, Victoria provides an important case study. It demonstrates the risks of transition arrangements that do not align forest protection, public funding, and long-term outcomes for workers and communities.

The question now is whether governments are prepared to complete the transition: permanently protect native forests, close logging loopholes, support workers and communities fairly, and ensure public money delivers lasting outcomes rather than prolonging logging in native forests.

Key recommendations

This report recommends that governments:

Permanently protect Victoria's native forests

The Victorian government should legislate permanent protection for native forests from logging and other extractive industries. This includes through new and expanded parks, and partnering with and resourcing Traditional Owners to lead on the management, restoration, and care of Country, including new models for parks and public land management.

Close regulatory loopholes

The Victorian government should reform laws and policy settings that allow native forest logging to continue via private land clearing, salvage operations, Forest Produce Licences, Forest Fire Management Victoria activities and other exemptions.

Improve transparency and accountability for transition funding

The Victorian government should publish a consolidated account of all transition funding, including company recipients, payment categories, funding conditions and reported outcomes across all programs. There should be independent oversight, auditing and public reporting on how funds are used and whether they have ended reliance on native forest timber.

Apply the lessons from Victoria in Tasmania and New South Wales

Governments in NSW and Tasmania should avoid new long-term timber supply contracts and comprehensively review the Victorian experience when considering the future of native forest logging, including the risks associated with escalating public subsidies and delayed transition planning.

End federal government support for native forest logging

The federal government should support states to move away from native forest logging by ending federal subsidies for native forest logging and use the end of the Regional Forestry Agreement exemption in 2027 as an opportunity to properly fund and support state transitions to a plantation-based industry.

Introduction

Back in the 1830s much of Victoria was forest. Towering mountain ash, snow gums hugging the alps, box ironbark country, open woodlands and ancient eucalypt ecosystems – all cared for over millennia by First Peoples. Since then, extensive clearing and logging have transformed the landscape. Victoria is now the most heavily cleared and degraded state in the country.

In 2023, Victoria announced the end of native forest logging on public land.¹

The decision was presented as historic environmental reform. Forests previously allocated for logging would be protected, workers and communities would be supported through the transition, and Victoria would move beyond native forest logging. The government attached a transition package of \$875 million – later expanded to around \$1.5 billion² – to support workers, businesses and communities.

This report examines how the transition has unfolded in practice.

It analyses some of the major flows of transition funding, compensation arrangements, corporate structures, logging activity and timber processing. It examines whether Victoria has delivered a genuine transition away from native forest logging, or whether native forest logging continues in different forms despite the closure of the VicForests system.

This report asks a simple question: after around \$1.5 billion in public investment intended to transition the sector away from native forest logging and permanently protect forests, why do native forest logging and processing continue – and why do the forests previously allocated for logging still not have permanent legislative protection?

For decades, native forest timber has made up a relatively small part of Australia's timber sector. Plantation timber processing accounts for around 93 per cent of the timber supply chain value in Victoria³ and about 90 per cent nationally.⁴ Plantations now provide almost all timber for house framing construction.⁵ Historically, most of the trees taken from native forests have been used for low value products like paper pulp and woodchips.⁶

¹ Premier Andrews, "Delivering Certainty for Timber Workers", Media Release, 23 May 2023 <<https://www.premier.vic.gov.au/delivering-certainty-timber-workers>>.

² Evidence to Public Accounts and Estimates Committee, Parliament of Victoria, Melbourne, 17 May 2024, 3 (Ros Spence) <<https://www.parliament.vic.gov.au/495dbd/contentassets/9c816d1bca574f91a30f5a97b1fb703f/paec-2024-25-budget-estimates-agriculture-17-may-.pdf>>.

³ Forest and Wood Products Australia Ltd, *Economic Contribution of the Forestry Industry in Victoria* (Project Report, 30 June 2025) vii <<https://fwpa.com.au/report/economic-contribution-of-the-forestry-industry-to-victoria/>>.

⁴ 'Forest Facts', *ABARES - Forests Australia* (Web page, 4 May 2026) <<https://www.agriculture.gov.au/abares/forestsaustralia/forest-facts#wood-production-in-australias-forests>>.

⁵ 'How timber framing in Australia is sourced', *Wood Solutions* (Blog, 1 January 2025) <<https://www.woodsolutions.com.au/news/how-timber-framing-australia-sourced-0>>.

⁶ Andrew Macintosh, *The Australian native forest sector: causes of the decline and prospects for the future* (The Australia Institute Technical Brief No. 21, April 2013) 12 <https://australiainstitute.org.au/wp-content/uploads/2020/12/TB-21-State-of-the-native-forest-industry_1_3.pdf>.

The future of native forests remains a significant public policy issue.

Victoria's forests are living cultural landscapes. For thousands of generations, First Peoples have maintained deep responsibilities to Country and culture through systems of knowledge, governance and care that continue today. At the time of writing, Treaty negotiations and other processes relating to land, water and cultural rights are underway. This report does not seek to prescribe outcomes for those processes, but recognises that decisions about the future of Victoria's forests must be informed by and developed in partnership with Traditional Owners.

Victoria is now the most heavily cleared state in the country, with much of its landscape already fragmented and degraded.⁷ The forests that remain form part of an interconnected forest system across south-eastern Australia. They are places of continuing cultural significance for Traditional Owners and support unique plants, animals, carbon storage and water catchments – in fact, Victoria's forests are among the most carbon-dense and biodiverse ecosystems in the world.⁸ Yet they are under severe and increasing pressure from logging, bushfires and climate change.

The environmental impacts of native forest logging have been extensively documented. Logging fragments and degrades habitat, pushes threatened species closer to extinction and damages the ecological systems forests depend on to function. Carbon storage declines and water systems are disrupted. Forest structure changes, and the impacts spread far beyond the coupe itself. Once forests are logged, they take hundreds, if not thousands of years to recover.

Recent research examining 42,000 hectares of logged mountain ash forest in Victoria's Central Highlands found widespread regeneration failure⁹ and significant reduction in ecological function, impacting carbon storage, water regulation and habitat for wildlife.¹⁰ Failed regeneration has been a significant issue for the native forest logging sector for decades, because year on year, it has cumulatively reduced future timber supply.

The transition also matters for workers and regional communities. People whose livelihoods depend on declining industries deserve clear transition pathways, long-term certainty and meaningful economic support. Delayed or inadequate transition planning increases uncertainty for workers and regional communities and is a significant environmental justice issue.

⁷ The State of Victoria Department of Environment, Land, Water and Planning, *Protecting Victoria's Environment – Biodiversity 2037* (Report, 2017) 4, 10 <https://www.environment.vic.gov.au/__data/assets/pdf_file/0022/51259/Protecting-Victorias-Environment-Biodiversity-2037.pdf>.

⁸ Chris Taylor, Maldwyn J. Evans and David Lindenmayer, 'A significant increase in forest regeneration failure following logging is driven by climatic and management factors' (2025) 381 *Journal of Environmental Management* 11, 2 <<https://www.sciencedirect.com/science/article/pii/S0301479725011454?via%3Dihub>>.

⁹ Chris Taylor, Maldwyn J. Evans and David Lindenmayer, 'A significant increase in forest regeneration failure following logging is driven by climatic and management factors' (2025) 381 *Journal of Environmental Management* 11 <<https://www.sciencedirect.com/science/article/pii/S0301479725011454?via%3Dihub>>.

¹⁰ Maldwyn John Evans et al, 'Logging devastated Victoria's native forests – and new research shows 20% has failed to grow back', *The Conversation* (online, 2 May 2025) <<https://theconversation.com/logging-devastated-victorias-native-forests-and-new-research-shows-20-has-failed-to-grow-back-254465>>

What happens in Victoria matters nationally as well. Native forest logging continues in New South Wales and Tasmania, while federal and state governments are currently making decisions about long-term timber supply arrangements, public funding and the future regulation of native forest logging. Those decisions will shape the future of forests across south-eastern Australia. They will also have significant implications for taxpayers and public expenditure, raising important questions about how public money is used and whether transition policies deliver lasting outcomes for workers, communities and forests.

Victoria provides an opportunity to assess what happens when governments attempt to transition away from native forest logging. This report examines whether that transition delivered the outcomes promised, how public money was used, and what lessons may apply elsewhere.

SCOPE AND APPROACH

Environmental Justice Australia is a public interest legal organisation that uses the law to protect nature, support communities seeking environmental justice, and advocate for transparency and accountability in government decision-making. This report forms part of that work.

The report draws on a range of publicly available and independently sourced material.

The analysis includes:

- review of publicly available financial disclosures, company records, and government documentation
- analysis of funding arrangements and program design
- review of media reporting and public statements
- field observations conducted from publicly accessible locations.

This report is informed by independent forensic accounting undertaken by Clarium Forensics, commissioned by Environmental Justice Australia. That analysis examined financial and corporate records relating to key entities associated with the transition. This report draws on Clarium's work as one source of information, alongside other material.¹¹

¹¹ Clarium Forensics, *Confidential Research Memorandum – Follow the money: Investigating Victoria's forestry transition funding* (Unpublished Report, 12 June 2026) ('Clarium Report').

The report also draws on observational and photographic evidence gathered by community members from publicly accessible locations like public roads. This material documents logging, transport and processing activities across the forestry sector.

Assessments regarding the likely origin of timber observed in photographs and field observations were based on multiple sources of evidence, including log diameter, length, growth form, transport routes, known supply relationships and corroborating evidence from directly traced supply chains. In several instances, individual logs were visually matched across logging sites, freight movements and mill deliveries.

“Unlike many other countries, Australia does not have a comprehensive public timber traceability system capable of independently verifying the origin of timber entering supply chains.”

As a result, this report assesses patterns across multiple forms of evidence rather than relying on a single source of verification. Taken together, the evidence provides a strong basis for assessing whether timber was likely sourced from native forests.

The analysis is constrained by limitations in publicly available data. While evidence is incomplete, the report identifies patterns, risks and questions that warrant further scrutiny rather than making findings of illegality or misconduct.

Environmental Justice Australia has taken reasonable steps to verify the accuracy of the information relied upon in this report.

Timeline

The transition away from native forest logging in Victoria

6 NOVEMBER 2019	Victorian Forestry Plan announced, including commitment to end native forest logging by 2030.
SUMMER 2019 – 2020	Black Summer bushfires severely affected Victoria's forests, killing and displacing millions of animals and significantly reducing the availability of native forest timber. The fires followed a series of major bushfires that had already affected forest biodiversity and timber supply.
2020 – 2022	Despite bushfire impacts, declining timber availability and ongoing legal challenges, VicForests entered into 14 major timber supply contracts worth more than \$10 million each. During this period, it also replaced expiring harvest and haulage contracts with new agreements extending to 2024. ¹²
2020 – 2022	VicForests incurred substantial compensation costs associated with failing to meet contracted timber supply commitments. ¹³
2021 – 2022	Major Federal Court rulings restricted VicForests logging operations following findings that VicForests has failed to comply with laws protecting threatened species. ¹⁴
JULY 2020	Bunnings announced it would stop selling timber from Victorian native forests. ¹⁵
OCT 2022 – NOV 2022	The Supreme Court ordered logging to cease in parts of East Gippsland and the Central Highlands following findings that VicForests had failed to adequately protect Greater Gliders, Yellow-bellied Gliders and Tree Geebung. ¹⁶
DEC 2022 – FEB 2023	Opal ceased white paper production at the Maryvale Mill and later announced the closure of its remaining white paper manufacturing operations. ¹⁷
23 MAY 2023	Victorian government announced native forest logging would end by 1 January 2024, six years earlier than planned, alongside a major transition funding package.
1 JANUARY 2024	Commercial native forest logging under the VicForests system officially ceased in Victoria.
FEBRUARY 2024	VicForests brought forward the end of Forest Produce Licences that had been due to expire on 30 June 2024, citing risks to threatened species in Victoria's west. ¹⁸
1 JULY 2024	VicForests formally ceased to exist.
JANUARY 2025	Victoria's Regional Forest Agreements expired, removing the availability of the Regional Forest Agreement exemption under the EPBC Act.
NOVEMBER 2025	The Victorian Parliament legislated three new national parks in the state's central west, fulfilling a separate pre-existing commitment unrelated to the native forest logging transition.
2024 – 2026	Community observers documented repeated transport of large native forest hardwood logs from Tasmania and NSW into Victoria including to mills that had received transition funding to exit native forest wood sourcing, while continuing to process native forest timber.

FIGURE 1 Timeline of major policy, legal, industry and funding developments associated with Victoria's native forest logging transition.

Timeline cont.

The transition away from native forest logging in Victoria



¹² VicForests Annual Report 2020–21, p 14 (contract renewals); VicForests Annual Reports 2019–20 (p34), 2020–21 (p31), and 2021–22 (p33) (major contracts). VicForests, *Annual Report 2019–20* (Report, 2020), pp 16, 34 ('VicForests Annual Report 2019–20'); VicForests, *Annual Report 2020–21* (Report, 2021), pp 14, 31 ('VicForests Annual Report 2020–21'); VicForests, *Annual Report 2021–22* (Report, 2022), pp 19, 33 ('VicForests Annual Report 2021–22').

¹³ VicForests Annual Report 2020–21, p 14 VicForests Annual Report 2021–22, p 26 ASH Annual Report FY2023, p3.

¹⁴ See, for example, *Environment East Gippsland Inc v VicForests* (No 4) [2022] VSC 668; *VicForests v Environment East Gippsland Inc* [2023] VSCA 159; *Friends of Leadbeater's Possum Inc v VicForests* (No 4) [2020] FCA 704; *VicForests v Friends of Leadbeater's Possum Inc* [2021] FCAFC 66; *Warburton Environment Inc v VicForests* (No 5) [2022] VSC 633.

¹⁵ 'Hardware giant Bunnings stops stocking VicForests logged timber after conservation law breach', SBS News (online, 1 July 2020) <<https://www.sbs.com.au/news/article/hardware-giant-bunnings-stops-stocking-vicforests-logged-timber-after-conservation-law-breach/boqp7lm8w>>.

¹⁶ Natasha Schapova 'Forestry towns face uncertain future as Victoria's native timber logging industry shuts down on January 1', ABC News (online, 1 January 2024) <<https://www.abc.net.au/news/rural/2024-01-01/native-timber-logging-ends-in-victoria-or-bost-vicforests/103270172>>; *Warburton Environment Inc v VicForests* (No 5) [2022] VSC 633.

¹⁷ Opal, 'Opal Australian Paper Maryvale Mill supply update' (Media Release, 3 April 2023) <<https://opalan.com/news/opal-australian-paper-maryvale-mill-supply-update/>>.

¹⁸ Rochelle Kirkham, 'VicForests cites litigation risk as reason to end community forestry' ABC News (online, 5 February 2024) <<https://www.abc.net.au/news/2024-02-05/vicforests-ends-community-forestry-operations-western-victoria/103418630>>.

Summary of identifiable transition funding

The Victorian government has stated that approximately \$1.5 billion was committed to support the transition away from native forest logging. Research undertaken for this report was able to identify approximately \$884 million in transition-related funding, subsidies, compensation payments and industry support through publicly available records and forensic accounting analysis.

The table below summarises our best assessment of identifiable funding flows, from publicly available sources.

TABLE 1
Summary of transition funding identified through public records and forensic accounting analysis

RECIPIENT	IDENTIFIED FUNDING	RELEVANT OBSERVATIONS
Victorian native forest mills	\$239.1 million	Most identifiable funding flowed to mills that remain open. Analysis undertaken for this report found that approximately 98% of DEECA funding to operating mills went to mills that continue to process native forest timber.
Harvest & haulage contractors	\$118 million	Analysis undertaken for this report found that 15 new five-year DEECA contracts were awarded to companies that received transition payouts, meaning many remain active in cutting and hauling native forest trees.
VicForests	\$95.1 million	Direct public funding provided during the wind-down and closure of the government-owned logging agency. Public reporting does not clearly identify how all of this funding was used or whether it forms part of the government’s stated transition commitment.
ForestWorks worker & industry support programs	\$71.4 million	Worker transition and industry support initiatives. Unspent funds remained as at 30 June 2025.
Opal Paper (reported)	\$200 million	Publicly reported funding associated with restructuring linked to Victorian native forest supply. This figure could not be fully reconciled against publicly available government records.
Gippsland plantation investment program	\$120 million	Intended to support transition toward plantation-based supply.
Supply chain companies	\$15.8 million	Funding provided through the Timber Supply Chain Resilience Package.
Local councils	\$12.3 million	Regional transition and community support funding. This was budgeted at \$22 million, suggesting allocated funds remain unspent.
Community organisations	\$6 million	Community grants and local support initiatives.
Forest industry associations	\$2.1 million	Funding to industry bodies.
Other businesses	\$5.1 million	Support programs for businesses unrelated to native forest logging in impacted regions.
TOTAL IDENTIFIABLE FUNDING	\$884.9 million (approx)	

Despite the scale of public expenditure, no consolidated public account of transition funding has been published. As a result, it is difficult to determine where all funding flowed, what conditions applied to payments, or what outcomes were achieved.

Analysis: How is the transition working in practice?

The Victorian government's 2023 decision to end native forest logging was presented as a structural transition: forests would be permanently protected, workers and communities would be supported through change, and the state would move away from reliance on native forest timber.

Three years after the announcement, that transition remains incomplete.

The findings that follow assess the extent to which the transition's stated objectives are being delivered in practice. They examine ongoing logging and timber processing activity, public funding arrangements, corporate structures, and the legal and policy settings that continue to shape the sector following the closure of VicForests.

Across the areas analysed, four consistent patterns emerge:

- Forests previously allocated for logging remain without permanent protection.
- Native forest timber continues moving through Victorian supply chains despite many of those companies receiving transition funds.
- Public transition funding lacks transparency, accountability and clear outcomes.
- Governments remain locked into an increasingly unviable system despite mounting risks.

The transition has made some progress towards its objectives. Most logging has stopped on public land in the east of Victoria. Some small native forest mills have been supported to close, significant volumes of Victorian native forest logs are no longer being supplied to paper pulp production by Opal Australian paper, and some workers and entities affected by the transition have received support.

However, the findings of this report show the transition has not fully dismantled the broader system through which native forest timber continues to be logged, transported, processed and publicly supported. While the state-run VicForests logging model has ended, native forest trees continue moving through Victorian mills and supply chains via private land logging, salvage operations and interstate sourcing. At the same time, many forests formerly available for logging still lack permanent legislative protection.

The sections that follow examine each of these findings in detail.

Finding 1:

FOREST PROTECTION REMAINS INCOMPLETE



Finding 1: Forest protection remains incomplete

“Winding up VicForests is not the same as ending all logging operations or permanently protecting native forests.”

A central justification of the transition was that forests previously allocated for logging would be protected as Victoria moved away from native forest logging. The Victorian government described the reform as delivering “the largest expansion to our public forests reserve system in our state’s history”¹⁹ and committed to identifying areas suitable for increased conservation protection, national park status, recreation and Traditional Owner management.²⁰

However, permanent legislative protection for these forests has not occurred. While logging under the VicForests system has ceased, these forests remain vulnerable to current and future extractive activity, including mining and through logging loopholes (outlined below) and changes to policy or regulatory settings.

THE PROMISE OF PERMANENT PROTECTION

In announcing the reform, the Victorian government made three linked commitments:

- to end native forest logging on public land
- to support workers and communities through a well-funded transition to plantations and other industries
- to expand protection for native forests, including through new National parks and conservation areas and Traditional Owner management.

The rationale for the transition was clear. Native forest availability was declining due to bushfire impacts, legal constraints and long-term ecological decline. The government stated that native forest timber supply could no longer be sustainably maintained and that transition support was needed to move workers, businesses and regional economies away from reliance on native forest logging, and towards plantation-based timber supply and other secure long-term employment pathways.

In the original media release, Premier Daniel Andrews stated:

“The Government will establish an advisory panel to consider and make recommendations to Government on the areas of our forests that qualify for protection as National Parks...”²¹

¹⁹ Premier Andrews, “Delivering Certainty for Timber Workers”, Media Release, 23 May 2023 <<https://www.premier.vic.gov.au/delivering-certainty-timber-workers>>. This line was clarified later the same day by then Environment Minister Stitt on social media to “deliver the largest expansion to our public forests reserve system in our state’s history” available at <<https://x.com/IngridStitt/status/1660922875484700673>>.

²⁰ Department of Treasury and Finance, *Helping Families: Service Delivery* (Victorian Budget Paper No. 3, May 2024) p 32 <<https://s3.ap-southeast-2.amazonaws.com/budgetfiles202425.budget.vic.gov.au/2024-25+State+Budget+-+Service+Delivery.pdf>>.

²¹ Premier Andrews, ‘Delivering Certainty for Timber Workers’ (Media Release, 23 May 2023) <<https://www.premier.vic.gov.au/sites/default/files/2023-05/230523-Delivering-Certainty-For-Timber-Workers.pdf>>.

Legislative and policy changes following the announcement include:

- the cessation of VicForests' logging operations and the winding up of the agency
- the repeal of the Sustainable Forests (Timber) Act 2004 (Vic)
- the end of Victoria's Regional Forest Agreements, removing the availability of the native forest logging exemption in the EPBC Act.

THE REALITY - NO PERMANENT PROTECTION

Ending logging operations is not the same as permanently protecting forests. Although the Sustainable Forests (Timber) Act 2004 (Vic) has now been repealed, VicForests has been wound up and logging under that system has ceased, most forests formerly allocated to logging remain under land management frameworks that do not permanently prohibit extractive activity.

Some legislative pathways connected to native forest logging also remain in place. For example, the Forests (Wood Pulp Agreement) Act 1996 (Vic), which underpinned long-term supply arrangements with major industrial processors, has not been repealed. The Forests Act 1958 (Vic) also continues to allow the granting of forest produce licences and permits authorising the removal and sale of native forest products from public land.

In November 2025, the Victorian government legislated three new national parks in the state's central west following years of advocacy and recommendations through the Victorian Environmental Assessment Council process.²² These were the first substantial new national parks created in Victoria in more than a decade and represented an important increase in protected area coverage.

However, these protections were in western Victoria, were unrelated to the promise to protect forests in eastern Victoria, and had been committed to before the announcement ending native forest logging.²³

“None of the 1.8 million hectares of state forest formerly managed under Victoria's native forest logging system has been permanently protected through legislation.”

Finding 1: Forest protection remains incomplete

²² *Parks and Public Land Legislation Amendment (Central West and Other Matters) Act 2025 (Vic)*. With this Act, the Victorian government also legislated two new conservation parks (Cobaw and Hepburn Conservation Parks) and expanded the Bendigo Regional Park.

²³ 'New parks in Central West Victoria' (Web Page, 18 February 2026) <<https://www.forestsandreserves.vic.gov.au/land-management/managing-crown-land/victorian-environment-assessment-council/new-parks-central-west-victoria>>.

At the time of writing, none of the 1.8 million hectares of Victorian state forest formerly managed under the native forest logging system in eastern Victoria has been transferred into a tenure that protects forests from logging and mining, or supports Traditional Owner aspirations, through legislation.

FIGURE 2

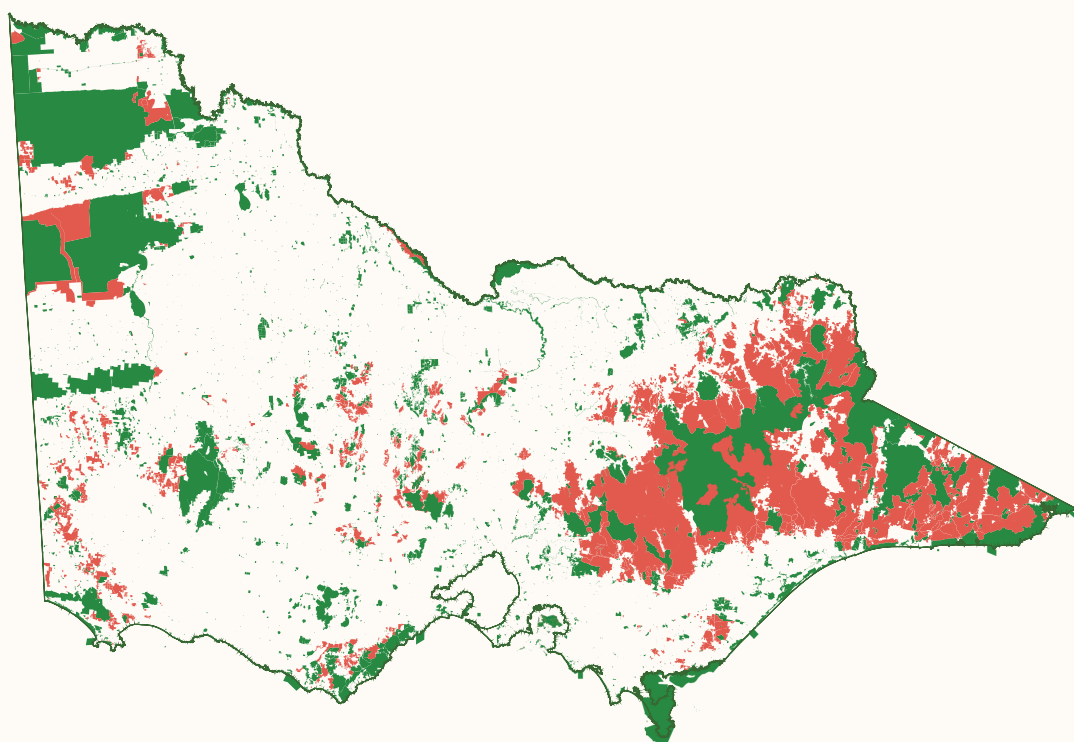
Forests formerly allocated to native forest logging and areas with permanent legislative protection in Victoria

MAP KEY:

■ Forests previously available for native forest logging (until 30 December 2023)

■ Forests with permanent legislative protection

NOTE: At the time of writing, forests previously managed under the native forest logging system in eastern Victoria have not been transferred into legislated protected area tenures.



Finding 1: Forest protection remains incomplete

This distinction is significant because without legislative protection, logging can resume.

Traditional Owners also have an important role in the management of forests. Treaty negotiations and other processes are continuing to shape those discussions and they are not yet settled. This report does not make specific recommendations about the future management of forests by Traditional Owners, because they should be determined by Traditional Owners themselves. Future arrangements should be guided by the principles of self determination and free, prior and informed consent.

The transition therefore remains structurally incomplete. One of the stated aims of the transition was to provide long-term certainty for forests, communities and workers. Yet while logging under the VicForests system has ended, the long-term legal status of most forests formerly managed for logging remains unresolved. Without durable protection through legislation, the environmental and Traditional Owner outcomes associated with the transition remain vulnerable to future political and regulatory change. One of the transition's central objectives – permanent protection for forests previously allocated to logging – remains incomplete.

Finding 2:

NATIVE FOREST LOGGING AND PROCESSING CONTINUES THROUGH LOGGING LOOPHOLES



Finding 2: Native forest logging and processing continues through logging loopholes

“The transition has not fully closed the legal and regulatory pathways through which native forest trees continue to be logged, transported and processed.”

The evidence examined in this report indicates that the transition has not fully closed the legal and regulatory pathways through which native forest trees continue to be logged, transported and processed.

Although logging under the VicForests model has ended, several mechanisms still allow native forest trees to enter Victorian supply chains. While not unlawful, these regulatory loopholes enable and incentivise the continued sourcing and processing of native forest timber. They include logging on private land, forest produce licences, salvage and storm-recovery operations, Forest Fire Management Victoria (FFMV) activities, and interstate sourcing from jurisdictions where native forest logging continues.

Key parts of the broader native forest logging system therefore remain active following the transition. Mills, transport systems, processing facilities, supply relationships and associated commercial networks appear to largely remain in place following the closure of VicForests operations.

Importantly, many of the companies that continue to operate in this native forest system received transition funds from the Victorian government to exit native forest logging.

For example, Fenning Timbers, a Gippsland hardwood mill, and a related company Walcha Timber Co Pty Ltd, received around \$14 million in transition-related public funding through multiple transition programs.²⁴ Powelltown, a hardwood mill in Victoria's Central Highlands, received approximately \$9.3 million from DEECA in 2023-24 and 2024-25.²⁵

“Many of the companies that continue to operate in Victoria’s native forest system received transition funds from the Victorian government to exit native forest logging.”

Despite receiving this public money to exit from native forest logging, both companies are still involved in native forest logging (see case studies below). It is unclear from publicly available information why the Victorian government decided it was necessary to award public funding to companies that continue to operate in the native forest logging system.

²⁴ Fenning received \$725,000 from Department of Jobs, Precincts and Regions (DJPR) through Victorian Forestry Plan in 2021: DJPR, *Annual Report 2020-21* (Report, 2021) <https://djsir.vic.gov.au/__data/assets/pdf_file/0009/2038068/DJPR-Annual-Report-2020-21-Appendix-13-Grants-and-related-assistance.pdf> Walcha Timber Co Pty Ltd received a grant of \$12,775,165 in 2023/24: DEECA, *Annual Report 2023-24* (Report, 29 October 2024), p 308 <https://www.deeca.vic.gov.au/__data/assets/pdf_file/0033/722769/2023-24-deeca-annual-report.pdf> ('DEECA Annual Report 2023-24'); Walcha Timber Co Pty Ltd received a grant of \$673,811 in 2024/25: DEECA, *Annual Report 2024-25* (Report, 27 October 2025) p 314 <https://www.deeca.vic.gov.au/__data/assets/pdf_file/0036/769941/DEECA-Annual-Report-2024-25.pdf> ('DEECA Annual Report 2024-25').

²⁵ DEECA Annual Report 2023-24, p 318; DEECA Annual Report 2024-25, p 314. This may have included \$421,000 from the Timber Innovation Grants Program: 'Timber Innovation Grants Program' DEECA (Web Page, 30 April 2026) see under 'Round 2 recipients' <<https://www.deeca.vic.gov.au/forestry/grants/timber-innovation-grants>> ('Timber Innovation Grants Program').

This raises questions about whether this is a sound or reasonable use of public funds, in accordance with legislated principles of sound financial management (see finding 3 below).

NATIVE FOREST TIMBER CONTINUES TO MOVE THROUGH VICTORIAN SUPPLY CHAINS AFTER THE END OF THE VICFORESTS MODEL



FIGURE 3

Simplified overview of how native forest timber continues to move through Victorian supply chains following the end of logging under the VicForests system.

LOGGING ON PRIVATE LAND

One of the clearest examples of these loopholes in practice is logging on private land. Unlike logging conducted by VicForests on public land, logging on private land in Victoria continues under separate planning and legislative frameworks. This means native forests can still legally be logged on private land and transported into Victorian processing systems following the formal end of state-based logging.

Logging and clearing on private land are regulated primarily through planning controls administered by local councils. In 2024, the East Gippsland Shire Council expressed concern about the perceived “policy void” that allows logging to continue in native forests on private land in the wake of the industry’s closure in state forests.²⁶ Concerns have also been raised about the lack of resourcing, expertise and capacity of local councils to effectively regulate these types of operations.²⁷

“Logging on private land continues to provide a pathway for native forest timber to enter Victorian supply chains, despite the end of logging on public land.”

Evidence examined for this report demonstrates that logging on private land continues to provide a pathway through which native forest timber enters Victorian supply chains despite transition payments and the end of logging on public land. Given the extent of biodiversity decline in Victoria, it is important that the environmental impacts associated with native forest logging are not simply shifted from public land to private land.

For example, Powelltown purchased private land containing native forest in Victoria in 2023²⁸ and evidence suggests recent links to private land purchase in Tasmania.²⁹ Satellite imagery of its Victorian property Mt Horsfall shows extensive clearing over time in areas previously covered by dense mountain ash forest³⁰ (see Appendix D – Case Study 4: Powelltown, below). While logging on private land remains lawful, this demonstrates how the destruction of native forests in Victoria is continuing in high conservation value forests.

²⁶ East Gippsland Shire Council Meeting Recording at 1:16:10 (Councillor Urie) 27 August 2024 <https://www.youtube.com/watch?v=_BY5WaRnEnQ>.

²⁷ Tavleen Singh, ‘Government passes responsibility of approving private native timber logging to councils’, ABC (online, 3 April 2025) <<https://www.abc.net.au/news/2025-04-03/timber-harvesting-ban-victoria/105123078>>; ‘Native forest logging on private land: Talk about noisy neighbours!’, *Victorian National Parks Association* (Web Page, June 2024) <<https://vnpa.org.au/native-forest-logging-on-private-land/>>.

²⁸ Angela Heathcote, ‘Woodchips from endangered possum habitat sold to Domino’s for woodfired pizza’, ABC (online, 26 June 2025) <<https://www.abc.net.au/news/2025-06-26/sawmill-investigated-illegal-logging-state-forest-possum-habitat/105458952>>; <https://www.theage.com.au/environment/conservation/inside-the-fight-to-save-the-last-victorian-highlands-forest-fairies-20250225-p5lexa.html>>.

²⁹ See Property Sales Report where a private property was purchased by a related company to Powelltown.

³⁰ Bianca Hall, ‘Why native forest harvesting is the ‘zombie’ industry that won’t die’, *Sydney Morning Herald* (online, 13 September 2024) <<https://www.smh.com.au/environment/conservation/why-native-forest-harvesting-is-the-zombie-industry-that-won-t-die-20240909-p5k8y2.html>>.

LOGGING STILL OCCURS ON PUBLIC LAND

The removal and sale of native forest wood from public land in Victoria is still permitted under various legal mechanisms and exemptions.

Legislative amendments are needed to fully implement the government's commitment to end native forest logging, safeguard against threats posed by future extractive industries, and reflect the renewed purposes of land management in Victoria's native forests. In the meantime, regulatory gaps continue to undermine the transition to a plantation-based industry.

For example:

Forest Produce Licences and permits: The Forests Act continues to empower the Minister for Agriculture to issue licences to remove and sell “forest produce” from public land (Forest Produce Licences),³¹ despite calls to close or limit this loophole.³² In April 2026, DEECA published a Forest Produce Licence Policy which refers to limited and small-scale harvesting to support niche industries. However, the policy is not binding and the legislation is broad, meaning there is no legal barrier that would prevent the Minister from granting Forest Produce Licences for large-scale logging operations in protected and reserved forests. Before 2004, Forest Produce Licences were the main mechanism facilitating logging in Victoria.³³

Fire management and storm-recovery activities: The Victorian government is required to undertake proper and sufficient work to manage fire risk across the state.³⁴ Preventative measures include removing trees to create “strategic fuel breaks” and storm-recovery works. Permits, licences and exemptions give Forest Fire Management Victoria broad discretion as to how timber is removed and used.

In April 2026, DEECA published Victoria's State Forest By-Products Framework, which states that DEECA will sell “high-quality timber” from its forest and fire management activities to sawmills.³⁵ This could create an incentive to continue clearing native forest in what is already a controversial and contestable practice.

³¹ “Forest produce” is defined in s 3 to include, amongst other things, all parts of trees or plants, including any parts below the ground and the products of trees or plants, whether or not those products have become separated from those trees or plants prior to being harvested.

³² Victoria, *Parliamentary Debates*, Legislative Council, 18 November 2025, 4943 (Sarah Mansfield) <<https://www.parliament.vic.gov.au/events/lc-sittings/2025/18-november/>>.

³³ Heather McRae, *Forest History in Victoria: A Guide to Government Records 1836-1994* (Report, 1999) 9 <<https://www.victoriasforestryheritage.org.au/images/records/forestrecordsinvictoria.pdf>>.

³⁴ Forests Act, s 62(2).

³⁵ The State of Victoria Department of Energy, Environment and Climate Action, *Victoria's State Forest By-Products Framework* (Report, April 2026) 7 <https://www.ffm.vic.gov.au/_data/assets/pdf_file/0029/784334/victorias-state-forest-by-products-framework.pdf>.

FIGURE 4

Roadside clearing
from FFMV
operations inside
the Croajingalong
National Park,
February 2026

In 2025, Environmental Justice Australia provided submissions to the Great Outdoors Taskforce detailing the legislative amendments that would go some way to closing loopholes and implementing the native forest logging ban.³⁶ Subsequently, the Great Outdoors Taskforce recommended that reform to the management of Victoria's state forests should include "closing legislative loopholes that could enable the return of native timber harvesting in Victoria."³⁷



Finding 2: Native forest logging and processing continues through logging loopholes

IMPORT OF NATIVE FOREST TIMBER FROM INTERSTATE

The end of native forest logging on public land in Victoria has occurred within a broader, interconnected timber market. Native forest logging continues in other Australian jurisdictions, including New South Wales and Tasmania.

Evidence examined for this report indicates interstate transport of native forest logs continued – and in some cases expanded – following the end of native forest logging on Victorian public land. Native forest timber sourced from Tasmania and New South Wales continues to move through Victorian processing and transport networks.

³⁶ Environmental Justice Australia, Submission to the Great Outdoors Taskforce, *The future of Victoria's state forests* (21 January 2025) 13-15 <https://envirojustice.org.au/wp-content/uploads/2025/02/Environmental-Justice-Australia_Submission-to-Great-Outdoors-Taskforce-January-2025.pdf>

³⁷ Great Outdoors Taskforce, *Recommendations Report* (Report, June 2025) 17 <https://www.deeca.vic.gov.au/__data/assets/pdf_file/0040/768982/Great-outdoors-taskforce-report.pdf>.

“Native forest timber sourced from Tasmania and New South Wales continues to move through Victorian processing and transport networks.”

Unlike some international jurisdictions, Australian law does not require comprehensive timber provenance traceability linking native forest logs to mills and processors. This makes independent verification of timber supply chains difficult and resource intensive. However, patterns observed across multiple forms of evidence – including direct log tracking, transport observations, mill activity and publicly available traffic footage – show ongoing interstate native forest timber supply into Victoria.

Evidence presented to a 2024 federal senate inquiry show large volumes of hardwood timber continue to be transported from Tasmania to mainland processors, including Victorian mills.³⁸

These freight movements were heavily subsidised by the federal government under the Tasmanian Freight Equalisation Scheme (TFES).³⁹ Public reporting indicates more than \$20 million in federal subsidies supported the transport of wood from Tasmania to mainland Australia between 2019 and 2024.⁴⁰ In 2023, wood (including from native forests and plantations) was the second highest commodity class subsidised under the scheme in terms of both total volume and payments.⁴¹ In 2024, the Senate Select Committee on the Tasmanian Freight Equalisation Scheme reported evidence that “federal subsidies for transporting native forest products between Tasmania and Victoria have doubled from 2023, with the federal government supplying upwards of \$10 million in subsidies to a declining native forest industry in 2024.”⁴²

“The frequency and scale of these log trucks are further evidence that native forest timber continues to move through Victorian supply chains at significant volume and regularity.”

³⁸ Senate Select Committee on the Tasmanian Freight Equalisation Scheme, Parliament of Australia, *Tasmanian Freight Equalisation Scheme* (Report, December 2024), see Additional Comments from the Australian Greens, pp 49-52 at [1.19]-[1.30] and [1.37] <https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/RB000491/toc_pdf/TasmanianFreightEqualisationScheme.pdf> (“Select Committee report”).

³⁹ Department of Infrastructure, Transport, Regional Development, Communications and the Arts, *Consultation Draft Tasmanian Freight Equalisation Scheme Monitoring Report 2024* (1 November 2024) 7 (Table 4).

⁴⁰ ‘Federal government subsidising native forest logging: From Tasmanian forests to mills in Victoria’, *Environmental Justice Australia* (Web page, 29 November 2024) <<https://envirojustice.org.au/federal-government-subsidising-native-forest-logging/>>.

⁴¹ Department of Infrastructure, Transport, Regional Development, Communications and the Arts, *Consultation Draft Tasmanian Freight Equalisation Scheme Monitoring Report 2024* (1 November 2024) 7 (Table 4).

⁴² Select Committee Report, p 49 at [1.20].

FIGURE 5

Collated photographs from publicly accessible Burnley Tunnel traffic cameras showing repeated transport of large hardwood logs through Melbourne across multiple dates in 2025 and 2026.⁴⁴

Publicly available traffic camera footage from Melbourne's Burnley Tunnel also shows the regular movement of very large hardwood log trucks from west to east through metropolitan Melbourne following the end of state-based native forest logging (see figures 5 and 6). Analysis conducted for this report identified more than 100 days over the past 12 months in which large hardwood logs consistent with native forest timber were observed travelling west to east through Melbourne, including multiple truck movements on some days. In April 2026 alone, these transports were observed on almost every business day during the monitoring period.

**FIGURE 6**

Collated photographs from Burnley Tunnel traffic cameras showing log truck movements during a single week, 23-27 March 2026.



⁴⁴ 'Traffic and roadworks: View real-time traffic conditions across Melbourne's toll road network' *Linkt* (Web Page) <<https://www.linkt.com.au/using-toll-roads/traffic-and-roadworks/melbourne>>.

The size and characteristics of many of these logs are consistent with mature native forest hardwood, and not plantation timber. While the precise origin of individual loads cannot be confirmed from traffic footage alone, many of them match observations from ports in Tasmania on the previous day or trucks observed at other locations in Tasmania. The frequency and scale of these movements provide further evidence that native forest timber continues to move through Victorian supply chains at significant volume and regularity.

Trucks have also been observed hauling native forest timber from Tasmanian logging coupes and private land in New South Wales to Victoria (see for example figure 7). For example, the Victorian government paid ANC Forestry Group approximately \$1.8 million of transition funding to exit native forest logging.⁴⁴ However, ANC trucks continued transporting large hardwood logs from Tasmania to Victorian mills following the transition announcement. This raises the question of why the Victorian government decided to pay transition funds to companies that continued to conduct business in native forest supply chains – and the extent to which transition funding was linked to measurable reductions in reliance on native forest timber.

As noted above, although it is difficult to determine precisely where logs from Tasmania are headed, public records, observations and evidence reviewed for this report indicate Tasmanian native forest timber is being supplied to Victorian mills including Australian Sustainable Hardwoods (ASH) at Heyfield⁴⁵ and the Powelltown mill in Victoria's Central Highlands.⁴⁶ (See case studies 1 and 4 below).

FIGURE 7

Large old growth native forest trees from private land in NSW on log truck observed in Heyfield, Gippsland, 26 May 2026. The destination mill was not confirmed. The same trailer was observed transporting similarly sized native forest logs in Longwarry earlier in 2026.



⁴⁴ DEECA Annual Report 2023-24, p 308; DEECA Annual Report 2024-25, p 316; Timber Innovation Grants Program.

⁴⁵ 'Federal government subsidising native forest logging: From Tasmanian forests to mills in Victoria', *Environmental Justice Australia* (Web page, 29 November 2024) <<https://envirojustice.org.au/federal-government-subsidising-native-forest-logging/>>.

⁴⁶ See written answer to Committee Question Number 298 to Rural and Regional Affairs and Transport Legislation Committee, *Budget Estimates 2024-2025* (20 June 2024) available at <https://www.aph.gov.au/Parliamentary_Business/Senate_estimates/rrat/2024-25_Budget_estimates>.

VICTORIAN COMPANIES MOVE TO NSW

Evidence examined for this report also indicates that some Victorian companies receiving transition-related public funding remain involved in native forest logging operations outside Victoria following the end of logging under the VicForests system.

For example, two Victorian-based companies received approximately \$3.44 million in Victorian government transition-related funding,⁴⁷. However, evidence indicates both companies conducted logging operations in public native forests in New South Wales after that time (see figure 8).



FIGURE 8

Logging operations by a Victorian-based company in McDonald State Forest, New South Wales, 1 May 2026.

We are not alleging wrongdoing by these companies. However, these examples highlight the difficulty of delivering state-based transition policies within a national timber industry where companies, contractors and supply chains operate across jurisdictions. They also raise questions about whether the Victorian government sufficiently tied public funding intended to support transition away from native forest logging to clear and measurable changes in business activity.

The evidence above demonstrates that a number of the companies who received transition payments to exit native forest logging instead shifted to sourcing their native forest timber or conducting logging operations in Tasmania and NSW. Rather than native forest logging ending, the problem has shifted to other native forest sources.

⁴⁷ DEECA Annual Report 2023-24, p 308; DEECA Annual Report 2024-25, p 314. DEECA Annual Report 2023-24, p 308; DEECA Annual Report 2024-25, p 314; Timber Innovation Grants Program. As part of this, one of the companies received \$310,261 to “Transition into plantation timber feedstock transportation.”

“Rather than native forest logging ending, the problem has shifted to other native forest sources.”

This was not the government’s stated intent when it ended native forest logging in Victoria. The government specifically stated, as a justification for the transition: “There are no alternative timber supply sources available domestically or internationally which can offset the current disruptions to supply to Victorian mills.” The intent was that companies move to plantation or other industries.⁴⁸

“Is this a significant policy and public funding failure – or a deliberate attempt by the Victorian government to keep the native forest logging system operating by other means?”

The extent to which transition funding was tied to measurable reliance on native forest logging remains unclear from publicly available information. Given the scale of public expenditure (around \$1.5 billion) and the continued involvement of numerous companies in native forest logging and processing, raises serious questions about whether this is either a significant policy and public funding failure, or a deliberate attempt by the Victorian government to keep the native forest logging system operating by other means.

Finding 2: Native forest logging and processing continues through logging loopholes

⁴⁸ Premier Andrews, ‘Delivering Certainty for Timber Workers’ (Media Release, 23 May 2023) <<https://www.premier.vic.gov.au/delivering-certainty-timber-workers>>

Finding 3:

LARGE PUBLIC FUNDING FLOWED WITH LIMITED TRANSPARENCY AND ACCOUNTABILITY



Finding 3: Large public funding flowed with limited transparency and accountability

“Ending logging operations is not the same as permanently protecting forests.”

Public funding played a central role in Victoria's transition away from native forest logging. The \$1.5 billion in government funding, compensation arrangements and industry support influenced which parts of the sector remained operating after the end of the VicForests model, and under what conditions.

The transition also involved substantial public financial exposure through compensation arrangements, long-term contractual liabilities, grants and transition programs, and government-backed corporate restructuring.

“There is significant evidence that the administration of public finances has not occurred in accordance with the principles and standards the Victorian government and its departments are required to observe.”

POOR FINANCIAL MANAGEMENT AND LACK OF TRANSPARENCY

By law, the Victorian government is required to operate within the principles of sound financial management. The *Financial Management Act 1994* (Vic) sets out the bare minimum for government financial management (at ss 23C and 23D).

These principles include:

- Prudent management of commercial and financial risk
- Sustainable and transparent decision-making
- Full, accurate and timely financial disclosure
- Management of public resources in a manner consistent with long-term public interest outcomes.

The evidence outlined in this report raises serious concerns regarding whether aspects of the transition framework aligned with these principles in practice. There is significant evidence that the administration of public finances has not occurred in accordance with the principles and standards the Victorian government and its departments are required to observe. Analysis shows there is still no consolidated public account of how the Victorian government's estimated \$1.5 billion transition package was ultimately allocated, where funding flowed, what conditions applied to funding, or whether funding achieved its stated objectives. Research undertaken for this report identified approximately \$884.9 million that appears to be associated with the transition. This figure was compiled from publicly available annual reports, parliamentary evidence, government announcements, company disclosures, media reports and independently sourced forensic accounting analysis.

In parliamentary evidence, senior departmental officials acknowledged that the government did not maintain itemised reporting across key categories of compensation and transition support.⁴⁹

There is no clear public record showing:

- a consolidated total of funding provided to key industry participants
- a clear breakdown of funding across contractual payments, grants and transition programs
- what conditions applied to funding
- a link between funding allocations and specific outcomes
- how eligibility decisions were assessed
- whether funding reduced reliance on native forest logging in practice.

Several payments remain undisclosed or commercially confidential, and multiple funding streams could not be fully reconciled from publicly available information. At the time of publishing, the Victorian government has not provided information requested via Freedom of Information requests seeking further detail about funding arrangements and timber sourcing.

“There is still no consolidated public account of how the Victorian government’s estimated \$1.5 billion transition package was ultimately allocated.”

This lack of visibility into the expenditure of a very substantial amount of public funds is significant because funding arrangements are central to how the transition operates in practice, and whether public expenditure was effective in achieving the transition’s stated objectives.

One of the most concerning examples of lack of transparency in the use of public funds relates to the Victorian government’s part ownership of a timber processing company Australian Sustainable Hardwoods (ASH), based in Heyfield, Victoria.⁵⁰ ASH’s remaining 51 per cent is owned by private entities.

⁴⁹ Evidence to Public Accounts and Estimates Committee, Parliament of Victoria, *Inquiry into the 2021–22 and 2022–23 Financial and Performance Outcomes*, Melbourne, 20 November 2023, 25 (Phuong Tram) <<https://www.parliament.vic.gov.au/495d2e/contentassets/8c24847577fc421fad11e713106de7c5/paec-2021-22-and-2022-23-fpo-20-nov-2023-deeca.pdf>>.

⁵⁰ ASIC Company Extract for Heyfield ASH Holdings Pty Ltd (as at 6 August 2025).

Since 2020, ASH has reportedly received more than \$50 million in state and federal grants, compensation payments and other public support.⁵¹ Financial disclosures identify a number of transactions between ASH and a related Tasmanian company, Western Junction Sawmill (WJS), including loans and timber purchasing arrangements.⁵² Public accounting disclosures indicate some of these arrangements occurred during a period in which ASH was receiving significant public compensation payments while interest liabilities associated with Victorian government financing arrangements were deferred (see Appendix A: Case study 1 – ASH).

“This raises serious questions about why the Victorian government is paying and underwriting ASH to source native forest logs from Tasmania.”

This raises questions about whether WJS, a privately owned Tasmanian company, is effectively being subsidised through a Victorian company in which the Victorian government retains an ownership interest.

It also raises serious questions about why the Victorian government, which has ended native forest logging on public land in Victoria, is paying and underwriting ASH to source native forest logs from Tasmania to supply its mill in Victoria, which has received transition payments to exit native forest timber processing.

LACK OF CLARITY ON ELIGIBILITY AND PURPOSE OF PAYMENTS

In some cases, companies appear to have received payments for losses arising from their own commercial decisions rather than the 2023 end of native forest logging. One of the clearest examples is Opal Australian Paper which operates the Maryvale paper mill and was previously one of the largest industrial users of native forest timber in Victoria.

Public statements indicate that significant commercial and logistical pressures affecting the mill’s viability were recognised internally years before the government announced the end of native forest logging,⁵³ and that Opal’s restructuring and workforce reductions were driven by commercial decisions that predated the transition.⁵⁴

⁵¹ See ASH Annual Report 2020-21, p 33; ASH Annual Report 2022-23, p 24; ASH Annual Report 2023-24, p 19; ASH Annual Report 2024-25, p 19.

⁵² Clarium Report, p 15 at [39].

⁵³ See Nippon Paper Industries Co., Ltd., *Shaping the Future with Trees* (Report, 2015), p 21: “In existing overseas business in Australia and elsewhere, we will implement rationalization measures including mill closures and change our product lineup”; Nippon Paper Industries Co., Ltd., *Shaping the Future with Trees – Nippon Paper Group Integrated Report for the Fiscal year Ended March 31, 2016* (Report, 2016): “The pulp and paper industry continued to face a difficult operating environment, with weak demand for printing paper”; Nippon Paper Industries Co Ltd, *Shaping the Future with Trees – Nippon Paper Group Integrated Report for the Fiscal year Ended March 31, 2022* (ESG Databook, 2022) pp 8-9 <https://cop.unglobalcompact.org/2023/files/6780_ESGdatabook2022andIRreport2022Englishver.pdf>; Nippon Paper Industries Co., Ltd. *Transforming the business structure 2013* (Report, 2013) 23 <<https://www.nipponpapergroup.com/english/common/pdf/nipponpapergroup/AR2013.pdf>>; Nippon Paper Industries, *Management Briefing* (Briefing Paper, 15 May 2020) 3: “Australian Paper struggled in unfavourable export environment”; Nippon Paper Industries Co. Ltd., *Shaping the Future with Trees – Nippon Paper Group Integrated Report for the Fiscal year Ended March 31, 2020* (Report, 2020), p 41 <https://www.nipponpapergroup.com/assets/npg_ir_2020_e_all.pdf>.

⁵⁴ Clarium Report, pp 6-7. Opal, ‘Opal’s response to the Victorian government announcement on forestry’ (Media Release, 23 May 2023) <<https://opalan.com/news/opals-response-to-the-victorian-government-announcement-on-forestry/>>.

Despite this, Opal and its workers affected by those decisions were deemed eligible for transition support⁵⁵ (see Appendix B – case study 2: Opal)

Public reporting does not show how eligibility for transition support was assessed in these circumstances, or how funding decisions distinguished between impacts caused by the end of native forest logging, and those arising from a company's own commercial losses and restructuring.

“There is no clear public record showing what conditions applied to funding, or whether funding reduced reliance on native forest logging in practice.”

Questions also arise regarding the basis on which contractors who moved from VicForests (a government agency) to DEECA/FFMV were deemed eligible for transition payments, and the purpose those payments were intended to serve. The transition has paid out \$121 million to harvest and haulage contractors.⁵⁶ However, analysis undertaken by Environmental Justice Australia for this report found that 15 of the 21 five-year contracts that were signed by DEECA/FFMV were awarded to former VicForests contractors that had received payouts through the transition program.⁵⁷

WEAK OVERSIGHT AND RECORD KEEPING

Independent findings from the Victorian Auditor-General's Office (VAGO) identified significant weaknesses in administration and oversight of transition funding programs.⁵⁸ DEECA is the main agency leading the transition, and contracted the industry owned non-profit organisation ForestWorks to administer the Worker Support Program. ForestWorks received approximately \$70.4 million in grant funding between 2023 and 2025.⁵⁹ While DEECA outsourced the Worker Support Program, it has overall responsibility for the program's integrity.

VAGO found that there were gaps in DEECA's records about its decisions, including payment approvals with no record of how it verified eligibility, and that it was not adequately monitoring the program's effectiveness.⁶⁰ In a sample of 50 case files for worker support payments, none contained documentation showing how their eligibility had been assessed.⁶¹

Finding 3: Large public funding flowed with limited transparency and accountability

⁵⁵ VAGO Transition Report, p 12 <https://www.audit.vic.gov.au/sites/default/files/2026-04/20260401_Supporting-the-Transition-from-Native-Timber-Harvesting.pdf>; Premier of Victoria, 'Support for Maryvale Mill Workers' (Media Release, 4 March 2023) <<https://www.premier.vic.gov.au/support-maryvale-mill-workers>>.

⁵⁶ Includes compensations documented in VicForests Annual Reports 2021-22 to 2023-24 and DEECA direct transition payments to companies identified as harvest and haulage contractors documented in DEECA Annual Reports 2022-23 to 2024-25.

⁵⁷ EJA cross referenced companies that received FFMV contracts from tenders.vic.gov.au with those that received payouts from DEECA.

⁵⁸ VAGO, *Supporting the Transition from Native Timber Harvesting* (Report, 1 April 2026) ('VAGO Transition Report').

⁵⁹ DEECA Annual Report 2022-23, p 317; DEECA Annual Report 2023-24, p 308; DEECA Annual Report 2024-25, p 314.

⁶⁰ VAGO Transition Report p 1.

⁶¹ VAGO Transition Report, pp 9.

The audit also found that fewer than half of sampled program milestones for the Victorian Forestry Worker Support Program included documented checks before payments were approved, and in some cases payments were made without evidence that funded work had been completed.⁶²

“VAGO concluded that DEECA could not demonstrate whether the program is achieving its stated objective.”

While VAGO found that the program was supporting some workers through the transition, it also concluded that DEECA could not demonstrate whether the program is achieving its stated objective of supporting workers to transition to sustainable employment, because of gaps in data collection, monitoring and outcome measurement.⁶³

At the same time, VAGO found that DEECA’s data has focused mainly on recording participation and activity measures rather than longer-term employment outcomes, such that the department “cannot assess or demonstrate” how effectively the program delivered its stated objective of supporting workers into secure and sustainable employment.⁶⁴

While DEECA accepted the VAGO findings, it also stated it was satisfied that all payments made to date were in line with the program.⁶⁵ In doing so, DEECA appears to have reached a conclusion that is inconsistent with VAGO’s findings regarding record-keeping, eligibility verification, monitoring and evaluation.⁶⁶

“Despite the scale of public expenditure, significant gaps remain in public reporting regarding where funding flowed, what conditions applied to payments, and whether funding achieved the transition’s stated objectives.”

The evidence reviewed for this report indicates substantial weaknesses in transparency, record-keeping, accountability and oversight across key elements of the transition framework. Despite the scale of public expenditure, significant gaps remain in public reporting regarding where funding flowed, what conditions applied to payments, and whether funding achieved the transition’s stated objectives.

⁶² VAGO Transition Report, p 9.

⁶³ VAGO Transition Report, p 8.

⁶⁴ VAGO Transition Report, pp 9, 30-32.

⁶⁵ VAGO Transition Report, Appendix A-2

⁶⁶ VAGO Transition Report, p 27.

**DESPITE \$1.5 BILLION OF PUBLIC FUNDING,
SIGNIFICANT GAPS REMAIN IN TRANSPARENCY, OVERSIGHT AND
ACCOUNTABILITY FOR THE TRANSITION**

FIGURE 9

Transition funding flowed through multiple programs and recipients, but significant gaps remain in transparency and accountability



Finding 3: Large public funding flowed with limited transparency and accountability

Finding 4:

GOVERNMENTS STAYED LOCKED INTO AN INCREASINGLY UNVIABLE SYSTEM DESPITE MOUNTING RISKS



Finding 4: Governments stayed locked into an increasingly unviable system despite mounting risks

“Governments became financially exposed through long-term native forest supply contracts even as the system became increasingly environmentally, legally and economically unviable.”

By the time the Victorian government announced the end of native forest logging, the industry was already breaking down. Major bushfires had severely affected timber supply. Courts repeatedly found VicForests had logged unlawfully. Forest availability was shrinking, in part due to unsustainable logging practices. Competition and product substitution from the plantation sector had led to long-term industry contraction.⁶⁷ Major buyers were moving away from native forest products.

Despite this, governments continued to back long-term supply contracts and industry arrangements tied to native forest timber. For years, public money was used to keep the system operating as supply declined and legal pressure increased. VicForests continued managing contracts it was increasingly unable to fulfil, while public financial exposure grew through subsidies, compensation payments and the eventual cost of unwinding the system.

“In every year between 2007 and 2024, VicForests delivered more logs to mills than were available through its own sustainable yield projections.”

Until 1 January 2024, VicForests managed the logging and sale of trees taken from public forests on behalf of the Victorian government. VicForests’ own analysis indicates that, for most of the period it operated, it logged native forests at a rate that exceeded ecologically sustainable harvest levels in order to meet its contractual supply commitments. In every year between 2007 and 2024, an analysis of VicForests’ annual reports show it delivered more logs to mills than was available through its own sustainable yield projections. This pressure on forests was compounded by other factors.

The 2019–20 Black Summer bushfires severely affected forests in eastern Victoria, intensifying pressure on already stressed forest ecosystems. The fires destroyed vast areas of habitat for threatened species and significantly reduced the volume and quality of timber available in areas previously allocated for logging.⁶⁸

At the same time, courts repeatedly found VicForests had breached environmental laws. Community groups brought legal proceedings that exposed unlawful logging impacting threatened species and protected forest areas.⁶⁹ These proceedings resulted in logging being restricted or halted in areas where courts found VicForests could not lawfully continue.

⁶⁷ Chris Taylor, *Nippon Paper Industries and the Wood Pulp Agreement* (Working Report No. 1, April 2018) <<https://static1.squarespace.com/static/5f24f62569d767101aef6197/t/61e75525cf440a707f198e43/1642550572174/ChrisTaylorAP+Report+V7.2+CT+%281%29+copy.pdf>>; Forest and Wood Products Australia Ltd, *Economic Contribution of the Forestry Industry in Victoria* (Project Report, 30 June 2025) vii <<https://fwpa.com.au/report/economic-contribution-of-the-forestry-industry-to-victoria/>>.

⁶⁸ VicForests, *Annual Report 2020-21*, see CEO Report at [1]; Department of Jobs, Precincts and Regions, *Harvest Level in Regional Forest Agreement regions* (Report, November 2021) 21 <https://www.deeca.vic.gov.au/_data/assets/pdf_file/0024/670560/Harvest-Level-in-Victorian-RFA-regions_Final-Report.pdf>.

⁶⁹ See, for example, *Environment East Gippsland Inc v VicForests* (No 4) [2022] VSC 668; *VicForests v Environment East Gippsland Inc* [2023] VSCA 159; *Friends of Leadbeater’s Possum Inc v VicForests* (No 4) [2020] FCA 704; *VicForests v Friends of Leadbeater’s Possum Inc* [2021] FCAFC 66; *Warburton Environment Inc v VicForests* (No 5) [2022] VSC 633.

As forest availability declined and legal constraints tightened, the system became increasingly unable to reliably meet long-term industrial supply commitments.

Support for native forest products was also falling. Large retailers and paper suppliers were moving away from native forest products. After a 2020 Federal Court decision found VicForests had logged unlawfully,⁷⁰ Bunnings ended its contract with the logging agency, stating that its customers expected timber to come from responsibly managed operations.⁷¹ That same year, Officeworks committed to sourcing paper products from only Forest Stewardship Council (FSC) certified suppliers or 100 per cent recycled content.⁷² VicForests itself failed to secure FSC certification.⁷³

Despite these mounting environmental, legal and economic pressures, the Victorian government continued to maintain industrial supply arrangements and contractual structures linked to native forest logging.

“Despite mounting environmental, legal and economic pressures, the Victorian government continued to maintain industrial supply arrangements and contractual structures linked to native forest logging.”

In its final years of operation, between 2019 and 2023, VicForests recorded \$127 million in financial losses while relying heavily on government financial support, including \$466 million between 2019 to 2024.⁷⁴ Over time, public financial exposure increased as forest availability declined and VicForests struggled to meet supply obligations.

VicForests maintained commercial contracts with a number of logging and hauling contractors. In 2020-21, when VicForests was aware of the impact of fire, legal challenges and a changing market on the native forest industry, 85 per cent of harvest and haulage contracts expired.⁷⁵ These were replaced with 31 new contracts and agreements worth approximately \$178 million.⁷⁶ It also entered 14 new individual contracts with values over \$10 million each.⁷⁷

In the 2019/20 financial year, VicForests issued force majeure notices against some harvest and haul contracts as a result of the impact of bushfires on its operations.⁷⁸

⁷⁰ *Friends of Leadbeater's Possum Inc v VicForests (No 4)* [2020] FCA 704 at Summary, [955], [1289].

⁷¹ Stephanie Anderson 'Bunnings, Officeworks will Dump Victorian Native Timber in Two Years Unless Sustainability Proven', *ABC News* (online, 17 September 2018) <<https://www.abc.net.au/news/2018-09-17/vicforestry-industry-at-risk-of-collapse/10255128>>.

⁷² Officeworks, 'Officeworks Makes Progress on Goal to Achieve FSC Certified or 100% Recycled Content on all Paper Products by End of 2020' (Media Release, April 2020).

⁷³ 'VicForests Accepts Forest Stewardship Council's Advice that it is Not Currently Eligible for Membership' (Media Release, 16 April 2020); VicForests, 'VicForests' Postponement of FSC Controlled Wood Standard' (Media Release, 12 August 2020).

⁷⁴ VicForests *Annual Reports 2018-19 to 2023-24*.

⁷⁵ VicForests, *Annual Report 2020-21*, p 14.

⁷⁶ VicForests *Annual Report 2020-21*, pp 14, 29.

⁷⁷ VicForests, *Annual Report 2019-20*, p 34 (two sawmilling contracts and one roadside management contract); VicForests *Annual Report 2020-21*, p 31 (four contracts for combined harvest haulage and three contracts for timber sales); VicForests, *Annual Report 2021-22*, p 33 (four timber sales contracts).

⁷⁸ VicForests *Annual Report 2019-20*, p 16.

By the end of 2021, some of those notices had been removed and negotiations had commenced with those contractors for replacement contracts until June 2024,⁷⁹ adding to financial risks that may have been avoidable.

Public reporting also indicates that, as the transition progressed, the cost of terminating supply contracts increased substantially. For example, in some cases compensation was paid at 22 times the original cost of the timber supplied to the customer.⁸⁰ This reflects a significant escalation in public expenditure associated with the wind-down of the native forest logging system.

“Between 2019 and 2023, VicForests recorded \$127 million in losses. Between 2019 and 2024, VicForests relied on \$466 million in government financial support.”

LONG-TERM INDUSTRY ARRANGEMENTS PRESERVED SYSTEM DEPENDENCE

Long-term industrial contracts also shaped how the transition unfolded in practice.

One of the clearest examples was Opal Paper’s Maryvale Mill, which relied on long-term state-backed wood supply arrangements established through the Forests (Wood Pulp Agreement) Act 1996 (Vic).

These arrangements created ongoing pressure to keep supplying timber and contributed to escalating public financial exposure even as forests declined and legal pressure increased. Public reporting indicates Opal received substantial public funding even before the transition announcement, including compensation for timber supply issues from 2017,⁸¹ and a possible \$200 million support package in 2020 linked to the Maryvale Mill, although the details of this arrangement have not been publicly disclosed.⁸² This is despite previous owners of the Maryvale Mill committing to exit native forest sourcing by 2017.⁸³

These arrangements demonstrate how governments became financially exposed through long-term native forest supply contracts even as the system became increasingly environmentally, legally and economically unviable. This in turn made the transition significantly more difficult and more expensive.

⁷⁹ VicForests Annual Report 2020-21, p 14.

⁸⁰ Stumpage received for the public asset from the customer was much less than what customers were paid for compensation. For example, average stumpage between 2018-19 and 2021-22 was around \$18 per m3. Customers were compensated up to \$400 per m3. See VicForests’ Annual Reports 2019-20; 2020-21 and 2021-22 and DEECA, Forestry Transition Program Sawmill Voluntary Transition Package: Application Guidelines (Report, August 2023) <https://www.deeca.vic.gov.au/__data/assets/pdf_file/0025/675043/Sawmill-Voluntary-Transition-Package-Fund-guidelines.pdf>.

⁸¹ Evidence to Standing Committee on the Economy and Infrastructure, Inquiry into VicForests operations, Parliament of Victoria, Melbourne, 17 July 2017, 3 (Richard Bolt) pp 44-45 <<https://www.parliament.vic.gov.au/495cab/contentassets/f76bad6b745240c785a47c53155a252b/final-vf-dedjtr.pdf>>.

⁸² Michelle Slater, ‘Mystery surrounds “deal”’, *Latrobe Valley Express* (online, 5 March 2020) <<https://latrobevalleyexpress.com.au/news/2020/03/05/mystery-surrounds-deal/>>.

⁸³ Chris Taylor and David Lindenmayer, ‘Victoria sued over native log supply’ *The Saturday Paper* (online, 9 May 2026) <<https://www.thesaturdaypaper.com.au/news/environment/2026/05/09/victoria-sued-over-native-log-supply>>.

Victoria's lesson for NSW and Tasmania

The Victorian experience is directly relevant to NSW and Tasmania, where native forest logging continues under similar state-based systems and many of the same pressures are playing out. These include declining forest availability, court findings constraining unlawful logging, growing public financial exposure, increased competition from plantation timber and escalating climate impacts.

Like Victoria, native forest logging in NSW and Tasmania continues to rely heavily on public ownership, public subsidies and government-backed supply arrangements.⁸⁴ In both states, questions have been raised about the long-term financial viability of native forest logging operations and the extent to which public funding continues to support the industry.

“The Victorian transition demonstrates how long-term native forest supply commitments can expose governments to substantial financial risk in a declining and increasingly uncertain operating environment.”

The Victorian transition demonstrates how long-term native forest supply commitments can expose governments to substantial financial risk in a declining and increasingly uncertain operating environment. It also demonstrates how delaying structural reform can increase the cost and complexity of transition as environmental, legal and commercial pressures intensify.

Public funding, contracts and policy settings shape whether governments are supporting a genuine transition away from native forest logging, or continuing to sustain parts of the system in different forms.

NEW SOUTH WALES

In NSW, the Forestry Corporation of NSW manages more than two million hectares of public forest on behalf of the state government. In recent years, the agency has faced repeated legal challenges and enforcement action relating to logging operations affecting threatened species habitat and old-growth forest.⁸⁵

This has included prosecutions brought by the NSW Environment Protection

⁸⁴ Blueprint Institute, *Branching out: Exploring Alternate Land Use Options for the Native Forests of New South Wales* (Report, 27 April 2023) 3, 5 <https://blueprintinstitute.s3.ap-southeast-2.amazonaws.com/Blueprint_NSW_Forestry_Report_Digital_02.pdf>; Blueprint Institute, *Seeing the forest for the trees: Exploring alternate land use options for the native forests of Tasmania* (Report, 29 November 2023) pp 3, 7-9 <https://blueprintinstitute.s3.ap-southeast-2.amazonaws.com/Blueprint_TAS_Forestry_Report_Digital_03.pdf>.

⁸⁵ NSW EPA, Register of Crown forestry investigations (Web Page, 6 March 2026) <<https://www.epa.nsw.gov.au/Your-environment/Native-forestry/Regulating/Register-of-crown-forestry-investigations>>; NSW EPA, *Forestry Corporations of NSW to pay \$45,000 after giant and hollow-bearing trees illegally logged* (Web Page, 16 March 2026) <<https://www.epa.nsw.gov.au/news/epamedia/260316-forestry-corporation-of-nsw-to-pay-450-000-after-giant-and-hollow-bearing-trees-illegally-logged>>; Charles Rushforth, ‘Court makes landmark decision after illegal logging in NSW state forest’, ABC (online, 1 April 2026) <<https://www.abc.net.au/news/2026-04-01/wild-cattle-creek-state-forest-illegal-logging-court-decision/106514766>>.

Authority for unlawful logging activities, including the destruction of giant and hollow-bearing trees. In 2026, the NSW Land and Environment Court ordered Forestry Corporation NSW to pay \$450,000 to the Yurruungga Aboriginal Corporation after it logged illegally in Wild Cattle Creek State Forest.⁸⁶

“Most NSW state native forest timber contracts are due to expire by 2028, and an independent NSW economic regulator has found the remaining native forest industry to be economically unviable.”

At the same time, native forest logging operations in NSW continue to rely on significant public subsidy. Concerns about declining timber availability, bushfire impacts and the long-term sustainability of the industry have continued to grow. Most NSW state native forest timber contracts are due to expire by 2028, and an independent NSW economic regulator has found the remaining native forest industry to be economically unviable.⁸⁷

TASMANIA

In Tasmania, Sustainable Timber Tasmania (STT) manages more than 800,000 hectares of native forest designated for timber production, alongside almost 400,000 hectares of “Future Potential Production Forest” held as a long-term timber reserve, or “wood bank”.

In 2024, the Tasmanian government announced plans to open approximately 39,000 hectares of this reserve forest for logging, arguing that increased demand had emerged following the end of native forest logging in Victoria and Western Australia.⁸⁸ However, the proposal was later abandoned following public criticism and industry concern during the 2025 Tasmanian election period.⁸⁹

“In 2025, the Tasmanian government announced its intention to renew contracts guaranteeing ongoing supply of sawlogs from native forests until 2040.”

⁸⁶ NSW EPA, *Forestry Corporations of NSW to pay \$45-000 after giant and hollow-bearing trees illegally logged* (Web Page, 16 March 2026) <<https://www.epa.nsw.gov.au/news/epamedia/260316-forestry-corporation-of-nsw-to-pay-450-000-after-giant-and-hollow-bearing-trees-illegally-logged>>; Charles Rushforth, ‘Court makes landmark decision after illegal logging in NSW state forest’, *ABC* (online, 1 April 2026) <<https://www.abc.net.au/news/2026-04-01/wild-cattle-creek-state-forest-illegal-logging-court-decision/106514766>>.

⁸⁷ Michael Slezak, ‘Report says NSW government should review ‘long-term feasibility’ of native logging industry’, *ABC* (online, 17 December 2024) <<https://www.abc.net.au/news/2024-12-17/nsw-native-forest-logging-not-economically-viable-report-finds/104721248>>.

⁸⁸ Tasmanian Liberals, ‘Keeping Tasmania’s forestry industry strong’ (Media Release, 29 Feb 2024) <<https://tas.liberal.org.au/news/2024/02/29/keeping-tasmanias-forestry-industry-strong>>.

⁸⁹ Noting that “unlocking” FPPF land is a legislative process, requiring both Houses of Parliament in Tasmania to accept a ‘Land Conversion Order’ under the *Forest Management Act 2013* (Tas), s 11B.

Meanwhile, native forest logging continues across large areas of Tasmania, including forests that provide habitat for threatened species such as swift parrots, masked owls and Tasmanian devils. In recent years, local environment groups have commenced proceedings in the Supreme Court of Tasmania⁹⁰ seeking greater transparency and scrutiny of logging operations within a system that has been described as emphasising “self-regulation”.⁹¹

In 2025, the Tasmanian government announced its intention to renew contracts between STT and private sawmills guaranteeing ongoing supply of sawlogs from native forests until 2040.⁹² Current contracts are due to expire in mid-2027, coinciding with changes to federal environment laws that have exempted native forest logging in Tasmania from federal assessment and approval requirements for decades.⁹³

In May 2026, The Wilderness Society (Tasmania) Inc obtained independent economic modelling and legal risk assessments warning that locking in long-term contracts before those legislative changes take effect could expose the Tasmanian government and Sustainable Timber Tasmania (STT) to “significant and probable” financial and legal risks.⁹⁴

FEDERAL LAW REFORM AND THE END OF THE RFA EXEMPTION

Long-awaited amendments to Australia’s federal environment laws, the Environment Protection and Biodiversity Conservation Act 1999 (Cth) (EPBC Act), were passed in December 2025.⁹⁵ This included closing the controversial native forest logging loophole, known as the Regional Forest Agreement (RFA) exemption, from 1 July 2027.⁹⁶

RFAs were intended to be “long-term plans for the sustainable management and conservation of Australia’s native forests.”⁹⁷ The remaining RFAs are in NSW, Western Australia and Tasmania; Victoria’s RFAs were terminated on 31 December 2024. For decades, logging undertaken under RFAs on public and private land has been exempt from federal environmental assessment and oversight. RFAs have been described as having “overseen perverse outcomes with economic and environmental problems accentuated over 20 years.”⁹⁸

⁹⁰ See, for example, *Bob Brown Foundation Inc v Spicer* [2024] TASSC 19, *Blue Derby Wild Inc v Forest Practices Authority* [2022] TASSC 67.

⁹¹ Forest Practices Act 1985 (Tas), Schedule 7.

⁹² See House of Assembly Government Business Scrutiny Committee, Parliament of Tasmania, *Sustainable Timber Tasmania* (Transcript, 27 November 2025), 31-32. <https://www.parliament.tas.gov.au/__data/assets/pdf_file/0022/100777/HA-GBE-Thur-27-Nov-2025-Sustainable-Timber-Tasmania.pdf>.

⁹³ EPBC Act, s 38 (‘RFA forestry operations’).

⁹⁴ The Wilderness Society Tasmania Inc., ‘New Reports Warn of Major Financial and Legal Risks from Rushed Forestry Contracts Ahead of 2027 Federal Environmental Reforms’ (Media Release, 18 May 2026) <<https://wilderness.org.au/news-events/new-reports-warn-of-major-financial-and-legal-risks>>.

⁹⁵ *Environment Protection Reform Act 2025* (Cth).

⁹⁶ *Environment Protection Reform Act 2025* (Cth), ss 115A-115C.

⁹⁷ Department of Agriculture, Fisheries and Forestry, ‘Regional Forest Agreements’ (Web Page) <<https://www.agriculture.gov.au/agriculture-land/forestry/policies/rfa>>.

⁹⁸ David Lindenmayer et al, ‘The need for a comprehensive reassessment of the Regional Forest Agreements in Australia’ (2015) 21(4) *Pacific Conservation Biology* 266 <<https://doi.org/10.1071/PC15042>>.

“There are concerns that new arrangements will maintain the status quo rather than doing what the reforms intended.”

The end of the exemption brings native forest logging into line with other developments and industries. It means that the federal government will be required to assess the impacts of proposed logging in Australian native forests on matters of national environmental significance before issuing any approvals. Logging operations will also be required to comply with new national environmental standards.

In 2025, the federal government announced a \$300 million Forestry Growth Fund, part of which is intended to support implementation of the EPBC Act reforms and assist parts of the sector operating under RFAs.⁹⁹ The 2026-27 Federal Budget includes an additional \$28 million to fund federal departments to work with affected states to “develop landscape-scale approval pathways to allow existing forestry operations under Regional Forest Agreements to continue under the reformed environmental laws”.¹⁰⁰

These decisions will play a significant role in determining how the reforms operate in practice. Governments are currently negotiating future approval pathways amid public concern that new arrangements will maintain the status quo, rather than ensuring rigorous scientific assessment of native forest logging impacts and adherence to new environmental standards, as the reforms intended.¹⁰¹

The end of the RFA exemption is an opportunity for governments to properly fund and support a transition to plantation-based timber supply while improving environmental oversight and reducing long-term public financial exposure. Decisions currently being made by governments in NSW, Tasmania and nationally will shape whether the lessons of Victoria's transition are applied, or whether similar environmental, legal and financial risks continue to accumulate.

⁹⁹ Minister for Industry and Innovation and Minister for Science, ‘A secure and sustainable future for the forestry industry’ (Media Release, 27 November 2025) <<https://www.minister.industry.gov.au/ministers/timayres/media-releases/secure-and-sustainable-future-forestry-industry>>; Minister for Agriculture, Fisheries and Forestry, ‘Albanese Labor Government backing sustainable forestry industry’ (Media Release, 19 May 2026) <<https://minister.agriculture.gov.au/collins/media-releases/16-new-grants-support-plantation-establishment-program>>.

¹⁰⁰ Commonwealth of Australia, *Budget 2026-27: Budget Measures* (Budget Paper No. 2, 12 May 2026) 48 <https://budget.gov.au/content/bp2/download/bp2_2026-27.pdf>.

¹⁰¹ Bruce Lindsay, ‘Native forest logging faces reform that looks a lot like smoke and mirrors’, *The Point* (online, 21 May 2026) <<https://thepoint.com.au/opinions/260521-native-forest-logging-faces-reform-that-looks-a-lot-like-smoke-and-mirrors>>; Justine Bell-James, ‘Australia's old environment laws were a box-ticking exercise. Sadly, the new ones could be too’, *The Point* (online, 28 May 2026) <<https://thepoint.com.au/opinions/260528-australias-old-environment-laws-were-a-box-ticking-exercise-sadly-the-new-ones-could-be-too>>.

Recommendations

Permanently protect Victoria's native forests

The Victorian government should legislate permanent protection for native forests from logging and other extractive industries. This includes through new and expanded parks, and partnering with and resourcing Traditional Owners to lead on the management, restoration, and care of Country, including new models for parks and public land management.

Close logging loopholes

The Victorian government should reform laws and policy settings that allow native forest logging to continue via private land clearing, salvage operations, Forest Produce Licences, Forest Fire Management Victoria activities and other exemptions.

Improve transparency and accountability for transition funding

The Victorian government should publish a consolidated account of all transition funding, including company recipients, payment categories, funding conditions and reported outcomes across all programs. There should be independent oversight, auditing and public reporting on how funds are used and whether they have ended reliance on native forest timber.

Apply the lessons from Victoria in Tasmania and NSW

Governments in NSW and Tasmania should avoid new long-term timber supply contracts and comprehensively review the Victorian experience when considering the future of native forest logging, including the risks associated with escalating public subsidies and delayed transition planning.

End federal government support for native forest logging

The federal government should support states to move away from native forest logging by ending federal subsidies for native forest logging and use the end of the Regional Forestry Agreement exemption in 2027 as an opportunity to properly fund and support state transitions to a plantation-based industry.

Conclusion

Victoria's decision to end native forest logging marked a major political and environmental shift. The government committed \$1.5 billion of public funding and wound up the logging agency VicForests.

However, three years on, the transition is unfinished. Forests previously allocated to logging still lack permanent legislative protection and are still vulnerable to logging and other extractive industries through a change of government or policy. Native forest timber continues to move through Victorian supply chains via private land logging, salvage operations and interstate sourcing. And despite the scale of public expenditure, there is still no clear public account of where all the transition funding went, what conditions applied to payments, or whether funding achieved its intended objectives.

By the time the transition occurred, the native forest logging industry was already under growing pressure from bushfires, declining timber supply, legal challenges and rising public cost. Yet governments continued backing long-term contracts and industry arrangements tied to native forest logging, increasing the difficulty and expense of the transition.

Victoria's experience shows that ending native forest logging requires more than closing a state logging agency. It requires dismantling the wider systems that keep native forest timber moving through mills, haulage networks and supply chains.

This goes to the integrity of a major public policy reform, and to the future of some of Victoria's most important ecosystems.

The implications extend beyond Victoria. Governments in NSW, Tasmania and Canberra are now making decisions about native forest logging, long-term timber supply arrangements, public funding and environmental regulation. Victoria's experience provides an important case study in the risks of delaying transition planning, maintaining long-term supply commitments in a declining industry, and failing to align public expenditure with stated policy objectives.

It also has direct implications for workers and regional communities. Structural change was always expected. Whether that change delivers secure and sustainable outcomes depends on how well the transition is designed, funded and implemented.

Achieving the objectives of the transition will require greater transparency around public funding, and durable legislative protection for the forests that were promised protection as part of the reform.

The decisions governments make now will determine whether this transition delivers lasting outcomes for forests, Traditional Owners, workers and communities. This means finishing the job – transparency around public funding, stronger accountability for outcomes and permanent legislative forest protection for some of Victoria's most important ecosystems.

Appendix: CASE STUDIES

We are not alleging the companies highlighted below have unlawfully obtained or used transition money.

These case studies provide further detail on examples examined in this report where substantial public funding flowed to entities that remain involved in native forest logging and associated supply chains after the transition.

Appendix A: CASE STUDY

AUSTRALIAN SUSTAINABLE HARDWOODS (ASH)

Australian Sustainable Hardwoods (ASH), based in Heyfield, Victoria, operates the Heyfield mill. In 2017 the Victorian government purchased 49 per cent of ASH as part of a broader intervention to stabilise the timber industry and preserve regional employment.¹⁰²

Since 2020, ASH has reportedly received more than \$50 million in state and federal grants, compensation payments and other public support.¹⁰³ These payments occurred despite ASH knowing as far back as 2017 that there was an issue of ongoing supply of native forest wood from Victoria.¹⁰⁴

Recent analysis of the company's financial records describes ASH's underlying financial performance as "weak and deteriorating" and that it has a "structural dependence on ongoing government funding to remain viable".¹⁰⁵

ASH has ongoing commercial relationships with Western Junction Sawmill (WJS), a related Tasmanian entity with shared ownership.¹⁰⁶ Public disclosures identify loans, timber purchases and other related-party transactions between the companies across multiple years.¹⁰⁷ In October 2021, ASH provided WJS with a loan in the sum of \$11.2 million.¹⁰⁸

Public accounting disclosures indicate some of these arrangements occurred during a period in which ASH was receiving significant public compensation payments while liabilities associated with Victorian government financing arrangements were accruing.

For example, in the 2023/24 financial year, ASH reported that it:

- received \$30,913,926 in non-recurring income including public compensation¹⁰⁹
- purchased \$31,986,726 worth of timber from WJS on commercial terms (and received a fee of \$120,000 for providing administrative services)¹¹⁰
- owed the Victorian government approximately \$9.6 million in accrued dividends on shares¹¹¹ and
- made a \$20 million after-tax profit.¹¹²

¹⁰² Kath Sullivan, 'Heyfield timber mill logs on', *The Weekly Times* (online, 20 September 2017) <<https://www.weeklytimesnow.com.au/news/national/heyfield-timber-mill-logs-on/news-story/123b808fe39f9f02594df6ebad7f663d>>; Premier Allan, 'Heyfield Timber Mill Purchase Saves Locals Jobs' (Media Release, 15 September 2017) <<https://www.premier.vic.gov.au/heyfield-timber-mill-purchase-saves-locals-jobs>> and <<https://www.weeklytimesnow.com.au/news/national/heyfield-timber-mill-logs-on/news-story/123b808fe39f9f02594df6ebad7f663d>>.

¹⁰³ See ASH Financial Reports FY2020 to 2025.

¹⁰⁴ Australian Sustainable Hardwoods, 'Glacial Oak - The Best Solution To Native Forestry Ban in Victoria' (Web Page, 31 August 2023) <<https://ash.com.au/blog/glacial-oak-the-best-solution-to-native-forestry-ban-in-victoria/>>.

¹⁰⁵ Clarium Report, pp 14-15 at [37]-[38].

¹⁰⁶ Heyfield ASH Holdings Pty Ltd, *Annual Report 2025* (3 December 2025) 27 ('ASH FY25 Annual Report') (can be purchased via ASIC website).

¹⁰⁷ Heyfield ASH Holdings Pty Ltd, *Annual Report 2021* (11 November 2021) 3, 39 ('ASH FY21 Annual Report'); Heyfield ASH Holdings Pty Ltd, *Annual Report 2023* (3 April 2024) 25, 31 ('ASH FY23 Annual Report'); Heyfield ASH Holdings Pty Ltd, *Annual Report 2024* (7 April 2025) 26 ('ASH FY24 Annual Report'); ASH FY25 Annual Report, 27 (these reports can be purchased via ASIC website).

¹⁰⁸ ASH FY23 Annual Report, p 31.

¹⁰⁹ ASH FY24 Annual Report, pp 3, 19.

¹¹⁰ ASH FY24 Annual Report, p 26.

¹¹¹ ASH FY24 Annual Report, p 22.

¹¹² ASH FY24 Annual Report, p 3.

In the following financial year, ASH reported an after-tax loss of \$6.5 million,¹¹³ while the accrued dividends increased to \$11.4 million. This amount plus the principal of \$21.65 million is due to be paid by ASH to the Victorian government by June 2027.¹¹⁴ Analysis of the company's financial records suggests, as at 2025, the company's internal sources of funds are insufficient to meet this obligation.¹¹⁵

ASH produces both native forest (Tasmanian Oak¹¹⁶) and now plantation-based products (Plantation Oak¹¹⁷). Available evidence indicates timber linked to Tasmanian native forest operations continued moving through the broader ASH/WJS supply chain during the transition period (see Figure 11).



FIGURE 11

Large hardwood logs consistent with mature native forest timber from Tasmania observed entering ASH green mill at Heyfield, Victoria, 28 March 2024.



FIGURE 12

Large hardwood logs consistent with native forest timber observed entering the WJS mill in Western Junction, Tasmania, 24 March 2026.

¹¹³ ASH 2024-25 Annual Report, p 3.

¹¹⁴ Financial analysis notes that “[t]his obligation is fixed, cumulative, and non-discretionary”: John Lawrence, *Heyfield ASH Holdings P/L: A financial analysis* (Unpublished Report, May 2026) (‘Lawrence Report’) p 23.

¹¹⁵ Lawrence Report, p 23.

¹¹⁶ ASH, ‘Australian Oak’, *Our Products - Timber*, (Web Page) <<https://ash.com.au/timber/australian-oak/>>.

¹¹⁷ ASH, ‘Plantation Oak’, *Our Products - Timber* (Web Page) <<https://ash.com.au/timber/plantation-oak/>>.

ASH also reported significant timber purchases from WJS across multiple years, alongside a significant inventory write-down in FY25.¹¹⁸ While inventory write-downs are not uncommon, publicly available reporting does not clearly explain the relationship between these purchasing arrangements, inventory adjustments and the broader financial position of the company.

As at 29 November 2024, WJS had a contract with Sustainable Timber Tasmania (STT) for the supply of sawlogs from Tasmanian state native forest (i.e. Permanent Timber Production Land).¹¹⁹ Between October 2022 and December 2025, WJS also received \$11.6 million in federal freight subsidies for transport of timber from Tasmania to Victoria.¹²⁰

ASH illustrates how government-backed financial support remained intertwined with complex related-party arrangements and interstate native forest timber supply chains after Victoria officially ended its native forest logging industry. These arrangements blur the line between public purpose and private benefit and raise serious concerns about the adequacy of governance safeguards and the prudent management of financial exposure.

KEY QUESTIONS:

- Why is the Victorian government, which ended native forest logging on public land in Victoria, paying and underwriting ASH at substantial taxpayer expense to source native forest logs from Tasmania?
- Is WJS effectively being subsidised through a Victorian company with Victorian government ownership?
- What is the justification for ASH not expecting market returns on substantial loans advanced to WJS, given it is funded by public money?
- What oversight mechanisms apply to the use of public funds within these corporate structures?
- If there are conflicts of interest, how have they been identified and managed?
- What assurances are there that ASH will pay back the millions of dollars of public funds owed to the State of Victoria by June 2027, as required?

¹¹⁸ Clarium Report, pp 18-19.

¹¹⁹ Evidence in answer to question on notice to Select Committee on the Tasmanian Freight Equalisation Scheme, Parliament of Australia, Hobart, 13 November 2024 (Eric Abetz) <<https://www.aph.gov.au/DocumentStore.ashx?id=5f62aab1-db72-46de-9958-3af2d7109a26>>.

¹²⁰ Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts, *Historical expenditure quarter 2 2016-17 to quarter 2 2025* (Report, February 2026) <<https://www.infrastructure.gov.au/departments/media/publications/historical-expenditure-q2-2016-17-q3-2025-26>>. Noting that the TFES does not disaggregate native forest and plantation wood.

Appendix B: CASE STUDY

OPAL AUSTRALIAN PAPER

Opal, owned by Japanese parent company Nippon Paper Industries, operates the Maryvale paper mill and was one of the largest industrial users of native forest timber in Victoria prior to the transition. The company relied on hardwood pulp supplied under a long-term contractual agreement under the Forests (Wood Pulp Agreement) Act 1996 (Vic). Prior to the end of native forest logging, 78 per cent of Opal's fibre inputs were plantation wood and recycled fibre and they had a goal for the Maryvale operation to be supplied from 100 per cent plantation and recycled fibre.¹²¹

Available information indicates that Opal and Opal workers received support both before¹²² and after the government's May 2023 decision to end native forest logging.¹²³ Public disclosures suggest some payments were treated as commercially confidential, making it difficult to determine the full extent of government financial support provided to the mill or associated with the transition.¹²⁴

Public reporting indicates Opal received substantial public funding even before the transition announcement, including compensation for timber supply issues from 2017.¹²⁵ There were also reports of a possible \$200 million support package in 2020 linked to the Maryvale Mill, although the details of this arrangement have not been publicly disclosed.¹²⁶

Public disclosures by Nippon Paper Industries indicate major commercial pressures were impacting the Maryvale operation long before Victoria's 2023 decision to end native forest logging.¹²⁷ Across annual reports and management briefings between 2013 and 2022, the company repeatedly identified declining demand for graphic paper, increased competition from imported paper products and the need for restructuring within its Australian operations.

For example:

- In 2013, Nippon Paper stated "In Australia, the paper market has continued to be severe, as the prolonged appreciation of the Australian dollar allowed the inflow of low-priced imported paper, depressing paper prices."¹²⁸

¹²¹ Opal, *Sustainability Report 2022* (Report, 2022) pp 12-13 <<https://opalan.com/sustainability-report-2022/files/downloads/N3378%20Sustain%20Report%202022%20V17FA.pdf>>.

¹²² Premier Allan, "Support For Maryvale Mill Workers" (Media Release, 4 March 2023) <<https://www.premier.vic.gov.au/support-maryvale-mill-workers>>; Premier Andrews, "Delivering Certainty for Timber Workers", (Media Release, 23 May 2023) <<https://www.premier.vic.gov.au/delivering-certainty-timber-workers>>.

¹²³ Forestworks, *Annual Report 2024-2025* (Report, 2025), p 20 <<https://forestworks.com.au/wp-content/uploads/2025/11/Forest-Works-Annual-Report-2024-25-3-2.pdf>>; VAGO Transition Report, p 12.

¹²⁴ Department of Jobs, Skills, Industry and Regions, *Annual Report 2023/2024* (Report, 2024) Appendix 13, p <https://djsir.vic.gov.au/_data/assets/pdf_file/0019/2324143/DJSIR-Annual-Report-2023-24-Appendix-13-Grants-and-related-assistance.pdf>: Opal received "commercial in confidence" payments from DJSIR in 2023-2024 and likely received compensation from VicForests in FY23 (and possibly FY22) due to timber under supply.

¹²⁵ Evidence to Standing Committee on the Economy and Infrastructure, Inquiry into VicForests operations, Parliament of Victoria, Melbourne, 17 July 2017 (Richard Bolt) pp 44-45 <<https://www.parliament.vic.gov.au/495cab/contentassets/f76bad6b745240c785a47c53155a252b/final-vf-dedjtr.pdf>>.

¹²⁶ Michelle Slater, 'Mystery surrounds "deal"', Latrobe Valey Express (online, 5 March 2020) <<https://latrobevalleyexpress.com.au/news/2020/03/05/mystery-surrounds-deal/>>.

¹²⁷ See, for example, Nippon Paper Industries Co. Ltd, *Notice of the ninety-seventh ordinary general meeting of shareholders* (29 June 2021) p 39 <<https://www.nipponpapergroup.com/english/ir/e-syosyututi20210528.pdf>> "For the overseas business, Opal in Australia faces major issue of continued pressure on the graphic paper market".

¹²⁸ See Nippon Paper Industries Co. Ltd., *Transforming the business structure 2013 – Annual Report for year ended 31 March, 2013* (Report, 2013), p 23.

- In 2015, Nippon Paper stated it would implement “rationalization measures including mill closures” within overseas operations, including Australia.¹²⁹
- In 2016, the company reported that “the pulp and paper industry continued to face a difficult operating environment, with weak demand for printing paper.”¹³⁰
- In 2022, Nippon Paper stated that “current issues related to graphic paper will be tackled with a sense of urgency.”¹³¹

These statements indicate significant that commercial pressures affecting the viability of the Maryvale operation were already recognised internally years before Victoria announced the accelerated end of native forest logging in 2023.¹³² In late 2022 and early 2023, Opal ceased white and recycled paper production at the Maryvale Mill.

In 2025, Opal commenced proceedings against the Victorian government seeking \$402 million in damages for failure to supply timber as required under the Wood Pulp Agreement.

KEY QUESTIONS

- What is the total value of public funding provided to Opal across contractual payments and transition programs?¹³³
- How was eligibility for transition support determined, given that Opal’s financial difficulties appear to stem from corporate restructuring decisions including closure of non-native forest recycled paper manufacturing?
- How do these funding arrangements align with the stated objectives of the transition?

¹²⁹ Nippon Paper Industries Co. Ltd., *Shaping the Future with Trees – Nippon Paper Group Integrated Report for the Fiscal year Ended March 31, 2015* (Report, 2015), p 21.

¹³⁰ Nippon Paper Industries Co., Ltd., *Shaping the Future with Trees – Nippon Paper Group Integrated Report for the Fiscal year Ended March 31, 2016* (Report, 2016).

¹³¹ Nippon Paper Industries Co. Ltd., *Shaping the Future with Trees – Nippon Paper Group Integrated Report for the Fiscal year Ended March 31, 2022* (Report, 2022) p 8 (Available from p 103 of <https://cop.unglobalcompact.org/2023/files/6780_ESGdatabook2022andIRreport2022Englishver.pdf>).

¹³² Nippon Paper Industries Co. Ltd., *Management Briefing* (15 May 2020) 2: “Australian Paper struggled in unfavourable export environment” <<https://contents.xj-storage.jp/xcontents/AS02735/2e072dc1/6ddd/4483/96aa/8d44bbc19ff5/20251104144729913s.pdf>>; Nippon Paper Industries Co. Ltd., *Shaping the Future with Trees – Nippon Paper Group Integrated Report for the Fiscal year Ended March 31, 2020* (Report, 2020), p 41 https://www.nipponpapergroup.com/assets/npg_ir_2020_e_all.pdf “Further, we believe we can enhance our profitability by pursuing synergistic effects through Opal in such capacities as cost reductions and increased efficiency, which intersect with Paper Australia Pty. Ltd.”

¹³³ EJA has submitted a FOI request to seek answers to this question.

Appendix C: CASE STUDY FENNING

Fenning, a Gippsland hardwood mill, received substantial transition-related public funding through multiple transition programs.¹³⁴ A related company, Walcha Timber Co Pty Ltd, also received \$13.45 million from DEECA in 2024 and 2025.¹³⁵ In 2023, Fenning also received part of a \$14 million subsidy from federal government through the Tasmanian Freight Equalisation Scheme for bringing wood products from Tasmania to the mainland.¹³⁶

Despite receiving transition-related public funding, on-the-ground observations and photographs taken from public roads in November 2024 and May 2026 show Fenning's facilities holding substantial volumes of hardwood logs consistent with native forest origin. (See figure 13).

FIGURE 13

Stockpiles of large native hardwood trees at Fenning Timbers (December 2024)



FIGURE 14

Log truck delivering large hardwood logs consistent with native forest origin to Fenning Timbers (May 2026)



¹³⁴ Victorian State Government, *Victorian Forestry Plan, (DjPR Inclusion Forestry Plan 2019)* <<https://www.vic.gov.au/sites/default/files/2019-11/DJPR-Inclusion-Forestry-Plan-1.pdf>>; Fenning received \$725,000 from DJPR through Victorian Forestry Plan in 2020 and 2021. DJPR, *Annual Report 2020-21* (Report, 2020), Appendix 13, p 208 (\$655,000) <https://djsir.vic.gov.au/__data/assets/pdf_file/0009/2038068/DJPR-Annual-Report-2020-21-Appendix-13-Grants-and-related-assistance.pdf> and DJPR, *Annual Report 2021-22* (Report, 2022), Appendix 1, p 344 (\$70,000) <https://djsir.vic.gov.au/__data/assets/pdf_file/0005/2154398/Appendix-13-Grants-and-related-assistance-Part-4-of-4.pdf>.

¹³⁵ DEECA *Annual Report 2023-24*, p 308; DEECA *Annual Report 2024-25*, p 314.

¹³⁶ See 298. Tasmania Freight Equalisation Scheme - Breakdown by commodity code (1).pdf.

Fenning also owns land where it conducts native forest logging. It is currently involved in legal proceedings concerning logging in threatened species habitat on private land near Warburton in the Central Highlands.¹³⁷ The proceedings challenge the council's approval of a plan under a historic logging permit issued in 1977 authorising logging in native forest habitat for threatened species, including Leadbeater's possums and greater gliders. The site borders state forest and forms part of a broader forest ecosystem in the Central Highlands.

Community group Wildlife of the Central Highlands (WOTCH), represented by Environmental Justice Australia, commenced proceedings in the Victorian Civil and Administrative Tribunal challenging the approval in June 2025.

The property was acquired in 2022 by Fenning Investments Pty Ltd. Logging approvals were subsequently issued in January 2024 and May 2025 on the basis that the historical permit remained valid, despite major changes in environmental law, species protection frameworks and ecological knowledge since the permit was originally issued.

This example demonstrates how the incomplete and ill-structured transition has shifted the problem to other native forests.

KEY QUESTIONS:

- Why did the Victorian government provide transition funds to entities that continued to engage in native forest logging and processing?
- What, if any, conditions were placed in transition funds?
- How did the government assess whether funding recipients had reduced their reliance on native forest logging?

¹³⁷ 'The Zombie Permit Case', *Wildlife of the Central Highlands* (Web Page) <<https://www.wotch.org.au/private-land-logging>>
The Zombie Logging Permit Case, Environmental Justice Australia <<https://envirojustice.org.au/the-zombie-logging-permit-case/>>.

Appendix D: CASE STUDY POWELLTOWN

Powelltown, a hardwood mill in Victoria's Central Highlands, received approximately \$9.3 million from DEECA in 2023-24 and 2024-25¹³⁸ and another \$420,000 from the Timber Innovation Fund.¹³⁹

Photographs and on-the-ground observations show sustained log truck activity at the site and substantial stockpiles of large hardwood logs consistent with native forest origin.

Observations and photographs show repeated deliveries of very large hardwood logs entering the Powelltown mill after being transported from Tasmania, including via the Spirit of Tasmania and private freight vessels.



FIGURE 15

Log truck carrying large hardwood logs consistent with native forest origin travelling through Hobart, Tasmania, 1 May 2025.



FIGURE 16

The same log truck entering the Powelltown mill, Victoria, 2 May 2025.

On 20 November 2025, a log truck carrying large hardwood logs entered the Spirit of Tasmania freight yard. The following day, the same truck was observed entering the Powelltown mill. One identifiable log on the truck — marked with distinctive red paint and a sticker — matched photographs taken six days earlier in logging coupe AR007E in State Forest in southern Tasmania. This coupe is within an area designated as an Interim Swift Parrot Important Breeding Area (SPIBA). This evidence connects the mill to a specific state native forest coupe in southern Tasmania.

¹³⁸ DEECA 'Annual Report 2023-24, p 318; DEECA Annual Report 2024-25, p 314.

¹³⁹ Timber Innovation Grants Program

FIGURE 17

Logging in AR007E coupe, state forest, southern Tasmania, 15 November 2025.

**FIGURE 18**

Identifiable log photographed in coupe AR007E (15 November 2025), at the Spirit of Tasmania freight terminal (20 November 2025), and entering Powelltown Sawmill (21 November 2025)



Powelltown also owns private land containing native forest.¹⁴⁰ Satellite imagery of one such property, Mt Horsfall, purchased by the company in February 2023, shows extensive clearing over time in areas previously covered by dense mountain ash forest.¹⁴¹ (see Figure 19)

Concerns about the ecological impacts of logging at Mt Horsfall have been raised by the Victorian National Parks Association (VNPA), which lodged complaints with the Office of the Conservation Regulator concerning alleged impacts on threatened species habitat and possible encroachment into adjacent state forest.¹⁴²

¹⁴⁰ Angela Heathcote, 'Woodchips from endangered possum habitat sold to Domino's for woodfired pizza', *Australian Broadcasting Network* (online, 26 June 2025) <<https://www.abc.net.au/news/2025-06-26/sawmill-investigated-illegal-logging-state-forest-possum-habitat/105458952>>; Bianca Hall, 'Inside the fight to save the last Victorian Highlands forest fairies' *The Age* (online, 28 February 2025) <<https://www.theage.com.au/environment/conservation/inside-the-fight-to-save-the-last-victorian-highlands-forest-fairies-20250225-p5lexa.html>>.

¹⁴¹ Bianca Hall, 'Why native forest harvesting is the 'zombie' industry that won't die' *The Sydney Morning Herald* (online, 1 September 2024) <<https://www.smh.com.au/environment/conservation/why-native-forest-harvesting-is-the-zombie-industry-that-won-t-die-20240909-p5k8y2.html>>.

¹⁴² The group alleges loggers at Mt Horsfall have destroyed known threatened species habitat, failed to observe the 200-metre exclusion zones around known Leadbeater's possum colonies, and that their logging has encroached into the adjacent Noojee State Forest: Jordan Crook, 'Native Forest logging operation at Mount Horsfall' (Draft Submission to the Office of the Conservation Regulator/ Application 02850 Native Forest Logging Operation at Mount Horsfall No 1, Victorian National Parks Association, 28 October 2025) <<https://vnpa.org.au/publications/native-forest-logging-operation-at-mount-horsfall/>>.

In October 2025, logging at the Mount Horsfall property was referred for assessment under the EPBC Act.¹⁴³ At the time of writing, the federal Environment Minister had not yet determined whether the activity constituted a “controlled action” requiring formal assessment and approval under national environment law. Powelltown is also linked to the very recent purchase of private land for logging in Tasmania¹⁴⁴.

As stated above, native forest logging on private land in Victoria was not included in the ban and remains lawful. Inconsistent rules across land tenures continue to undermine the transition to a plantation-based industry, fragment the landscape and reduce habitat connectivity for threatened species.

FIGURE 19

Aerial photograph of logged landscape at Mt Horsfall, Victoria after logging
(Source: Hall, 2024)



KEY QUESTIONS:

- Why did the Victorian government provide transition-related funding to entities that continue to source, process or benefit from native forest timber?
- What conditions, if any, were attached to transition funding regarding ongoing involvement in native forest logging and supply chains?
- How is the government assessing whether transition funding has reduced reliance on native forest timber in practice?
- How are environmental impacts associated with native forest logging being monitored where activity continues on private land or through interstate supply chains?

¹⁴³ ‘Mt Horsfall Timber Harvest (EPBC Number: 2025/10311)’, *Australian Government Department of Climate Change, Energy, the Environment & Water* (EPBC Act Public Portal Web Page) <<https://epbcpublicportal.environment.gov.au/all-referrals/project-referral-summary/?id=06fb7180-049d-f011-bbd2-002248115f4f#decision>>.

¹⁴⁴ See Property Sales Report where a private property was purchased by a related company to Powelltown.

Appendix E: CASE STUDY ANC FORESTRY GROUP

The Victorian government paid ANC Forestry Group Pty Ltd, a forestry haulage company based in Morwell, Victoria, approximately \$1.8 million in public funding from the Victorian Forestry Plan, DEECA transition funding and the Timber Innovation Fund to exit native forest logging.¹⁴⁵

At the same time, observational evidence indicates ANC trucks continued transporting large hardwood logs from Tasmania to Victorian mills following the transition announcement (see for example, figure 20).

FIGURE 20

ANC Forestry Group trucks photographed in Brighton, Tasmania, 29 May 2025.

Photo:
Sebastien Thiery

Note: Both trucks were subsequently observed transporting these logs to Victoria on 30 May 2025.



FIGURE 21

ANC truck being loaded with timber from a DEECA-managed salvage operation near Daylesford, Victoria (March 2026)



¹⁴⁵ DEECA, *Annual Report 2023-24*, p 308; DEECA, *Annual Report 2024-25*, p 316; 'Timber Innovation Grants Program.

In addition, the government effectively transferred ANC's haulage contracts from VicForests to DEECA, providing it with two five-year contracts with DEECA and FFMV during this time, including to transport timber from 'storm recovery operations' in native forests in the Wombat Forest region (see, for example, figure 21).¹⁴⁶

This case study illustrates questions raised throughout this report regarding the alignment of transition funding with its stated objectives, and the extent to which native forest timber harvesting, haulage and processing activities have continued after the end of the VicForests system.

KEY QUESTIONS:

- Given the effective transfer of contracts and continued involvement in native forest timber haulage and supply chains, why did the Victorian government deem companies eligible for significant transition funding?
- What conditions, if any, were attached to transition funding regarding ongoing involvement in native forest timber supply chains?
- How did the Victorian government assess whether transition funding provided to companies achieved the intended objective of reducing reliance on native forest logging?

¹⁴⁶ See Contract - CMS108953 <<https://www.tenders.vic.gov.au/contract/view?id=217308>> and Contract - CMS108942 <<https://www.tenders.vic.gov.au/contract/view?id=217309>>.