

Response to **Consultation on Forestry provisions in the Scottish Climate Change Bill (issued 4th November 2008).**

Please find following my comments on the **above consultation**. By way of background a short summary of my cv might be helpful.

For 15 years until 2000 I managed a 6000 acre upland estate in Perthshire. This involved the integration of hill sheep, hill cattle, forestry, deer and grouse enterprises.

From 2000 I have been a self employed forestry consultant, with forestry plans being a speciality.

I have a degree in Agriculture from London University and a MSC in Forestry and its relation to Land Management from Oxford. I have a Diploma in surveying.

I am a member of the Institute of Chartered Foresters and a Chartered Environmentalist. I am a member of the Perth and Argyll Area Forestry Forum, but the opinions expressed here are my own personal views, and do not represent the views of the forum.

Qu1. Joint Ventures.

This suggestion is an essential step that must be taken in the current economic environment, and if the objective is revenue generation then this offers a clear alternative to the lease proposal. While there are a whole range of opportunities open to the FCS if this policy is adopted, power generation primarily from wind offers the most lucrative opportunity in the short to medium term. One option for raising capital in advance of actual revenue flows from FCS projects would be to launch a bond or share against the future energy/revenue creation.

Qu2. Leasing the Forestry Estate.

The scale of this proposal, which seems to be driven by what the Timberland funds want rather than from the perspective of public good, is the major problem. Small leases of lesser terms are probably much less alarming. A lease to a single entity greatly **increases risk**, and the fact that the leasing entity will share most of the features of a hedge fund can't be conducive to risk reduction.

A single leaseholder of a 75year lease on the core parts of the FE landholding is risky enough. But when you add to the equation the present economic climate, the opaque nature of timberland funds which are based in Jersey etc, and the diverse nature of a funds holdings then these are all massive risk multipliers. An effective risk assessment on any of the timberland funds is actually impossible. The state of the insurance market is also an added consideration.

Picture the situation as the holder of the lease runs into problems in their portfolio of properties across the World. Wildfires and drought in Australia rip the heart out of

their investment; political instability and the economic situation leads to their Asian leases being withdrawn without compensation; massive storm flattens Scottish Forests all along the West Coast in 2012. Insurance companies, already in a dire state, can't cope with scale of impacts and don't pay. The company sinks, but the legal wrangling and untying the investment packages goes on for 10 years. Twenty five percent of the heart of Scottish Forestry in limbo for this time, and requiring a massive bale out by the tax payer. This is such a predictable scenario.

Security of supply and a distortion of competition are also concerns. A commercial company would have no incentive to work for the national good or look after the interests of competitors. On the security of supply issue the point was made by the Minister that existing contracts would be honoured, this is helpful, but the key point is the development of new/existing businesses to take advantage of all the positive factors at play in the forestry sector here and now. The proposal will distort and stifle new capacity, and this probably has impacts on competition laws and best practice.

The target leaseholder seems to be Timberland funds along the US model. Timberland Funds such as Cambium Global Timberland Fund (and this is just an example taken at random), are based in **offshore tax havens**, Jersey in this instance. Any revenue generation will not feed back into the Scottish economy. They are also highly skilled at **exploiting any loophole** that comes their way in order to maximise returns for their investors. For example future revenues from **windfarm developments** (which is the real meat of the proposal) can be dissipated by a range of artifices to minimise leakage of funds from the private fund, and so minimise public benefit. It is a simple equation, our loss - their gain, and their raison d'être is to short-change the Scottish People as soon as you let them through the front door.

On the **employment issue**, I know from experience of working in the Forestry management business that investment companies employ very few people directly; you could probably run the Scottish branch of the successful leaseholder with less than ten people. All the management and contracting work is subcontracted out. This does create insecure employment, but there is nothing there for FCS staff to actually transfer into. I know from experience that TUPE offers no protection for staff in a business transfer where organisational restructuring is taking place. In addition no civil servant in their right mind would transfer from the secure civil service to the howling wasteland of the private sector at present. I believe that the Ministers triple promise on employment/redundancies arising from the proposal is rash and unrealistic under the present world environment. Even the civil service has a limit to the deadweight that it can carry.

By ripping the heart out of the FCS and feeding it to an investment fund (who are the very people who delivered us to this point) the ability of the FCS to **fund its non economic research, recreation, amenity, social and environmental functions** will be destroyed. The FCS will not survive if this goes ahead. Ministers seem to have no perception of the importance of **morale** in running a business, and it's impact on productivity and long term effectiveness. Civil servants are not robots, although there are exceptions to this! From a man management perspective the FCS has been handled very badly by the current administration. The SEARS fiasco has precipitated a deep malaise in both SNH and FCS, and the lease proposal is another example of insensitive and counterproductive management.

The fact that the leaseholder would be able to **drain off RDC funds** is a factor that should be considered in working out the full costs/benefits of this proposal.

I am not in favour of the lease proposal.

Qu3. Creation of a not for profit trust to manage funds for woodland expansion.

The primary reason for this proposal seems to be to create a mechanism for the **retention of funds** that would otherwise flow back to Westminster due to time limits on spending.

If this were in fact the primary reason then the most effective method of delivering the benefit (of retaining funds) would be to have a grown up conversation with Westminster. The objective of this would be to enable the funds to be retained both within Scotland, and within the forestry sector specifically for woodland expansion. This would of course provide carbon sequestration/substitution and economic benefits for the UK as a whole.

The proposed not for profit trust would use up a lot of scarce resources both during the set up and operational stages, and this would tend to duplicate the FCS functions. In addition if the Trust were set up to act as the landlord for the lease, then this would have further adverse impacts on FCS influence, morale, and employment opportunities.

One of the main problems would be that the potential for conflict between the trust and the FCS is huge, and this would inevitably lead to a lack of a cohesive forestry body. The current tensions between the SEARS partners in the ministerial forced departmental marriage are apparent to everyone working in the rural landuse sector, and this should serve as a warning.

Qu4. Other measures to reduce carbon emissions.

Planning to **avoid over centralisation** of both forestry management functions (amalgamation of FCS conservancies), and operational/end use functions has scope to deliver a reduction in carbon emissions. The concept of keeping it local seems to be lost on administrative planners.

The major role of forestry in reducing emissions is in **product substitution** (low energy intensive wood for energy intensive steel etc). This is potentially more significant than carbon sequestration within temperate forests, and this aspect has been severely neglected/underplayed in the current discussion.

The potential for **woodfuel** to substitute for non-renewable carbon sources as a source of heating and electricity is appreciated, but it is still a poor cousin compared with renewables such as wind power. The potential for woodfuel heating to play a major role in meeting targets is probably greater than wind energy.

Woodland creation can provide product substitution benefits (if the tree species are productive) and carbon sequestration benefits. Woodland expansion is limited by the following factors:

1. **Competition with other landuses** and an uneven playing field (eg SAF payments on farmland lost if land is planted with trees). Agro-forestry may have a role to ameliorate this impact if it was actively promoted instead of ignored.
2. **Administrative complexities** and bureaucratic overheads create huge on costs and uncertainty. The EIA process and the RDC are very discouraging to new planting.
3. **Insufficient funding** to overcome the two hurdles above.

There is scope to increase planting by dealing positively with any, or all of these issues. In terms of public expenditure an adjustment of forestry's relative competitive ability coupled with a reduction in the administrative deadweight would be the most cost effective way to expand the forest area.

Having said this, the funds required to reach a **tipping point** are not large, and an **additional directed £10M to £20M per annum** would have a huge positive impact on planting rates. The success of the Locational Premium Scheme and the old Native Pinewood scheme under WGS show the effect of funding in redressing forestry's competitive shortcomings cf Agriculture (that is subsidised to the hilt). This additional funding could readily be sourced by an adjustment of rates and priorities within the existing RDC. New funding is not required.

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