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RESPONSE TO FC SCOTLAND CONSULTATION
LEASING OF NATIONAL FOREST LAND

Introduction Viewed from the perspective of the future prosperity of Scottish Forestry plc, any initiative which can introduce £200m of additional investment must be very welcome if the proceeds are invested wisely.

The minister has re-stated the need for 10,000 ha of new planting to increase carbon sequestration (plus other benefits) of which 8,000 should be by the private sector. He believes that the private sector is unlikely to achieve this so FC must fill the gap.

I do not think this contention is based on fact.

SFGS closed for applications in April 2006 and little, if any, SRDP activity will happen on the ground before April 2009. Nevertheless the private sector will have achieved approximately 15000 hectares during this time. An adequately funded, easily accessible SRDP grant scheme should comfortably double that rate of planting.

Economics I have analysed 15 of the schemes brokered by Forest Carbon over the last two years comprising both new native and mainly conifer woods. These cover over 350 hectares and give a clear indication of the additional funding needed to unlock additional hectares.

| | Min | Max | Weighted average |
|--|------|-------|---------------------|
| Cost per hectare | 2700 | 6268 | 3732 |
| Grant per hectare | 1778 | 4314 | 2745 |
| Cost - grant / hectare | 285 | 2370 | 987 |
| Carbon contribution / hectare | 343 | 1443 | 800 |
| Owner's net contribution / hectare | -421 | 1288 | 187 |
| Tonnes CO2 per hectare | 156 | 559 | 317 |
| Grant investment £/t CO2 | 3.71 | 18.23 | 8.66 |
| Carbon investment £/t CO2 | 1.76 | 3.84 | 2.52 |
| Total external investment £/t CO2 | 5.08 | 20.43 | 11.19 |

Note:

Carbon contribution is net sum received by landowner.

At 15 Dec 08 EU Allowances were trading at €14/t (£12.56)

I would be willing to divulge and discuss the detail behind these figures with an FE economist who can explain the cost per tonne implications of the proposed method.

Locking up large sums in land for the sake of achieving carbon gain does not seem to make economic sense, especially when public funds are over-stretched.

Land use I would not favour FE being the major purchaser of planting land because, with different financial criteria from a private, probably agricultural, buyer this would distort local land markets and deny reasonable opportunities to farmers. Buying a whole farm with a view to planting would result in some of this land being planted

which would be better left in agriculture. It would be better to allow existing land-owners to decide which parts of their holding are most, or least, suitable for planting.

Continuing forestry operations on the FE estate have been losing money in recent years giving support to the view that a private sector entity or entities could manage the timber part of the business more efficiently. I would welcome a serious attempt to test this thesis.

FE land will only be successfully leased if a tenant can be found who believes he can manage that land more efficiently than FE. It would seem ironic that the direct result would be FE buying more land to plant and manage. Why would this be more efficient?

Conversely, if FE leased the most productive and profitable land the inherent inefficiencies would result in even greater losses on the remaining estate. I do not believe the economic case is entirely robust if viewed in the widest context.

Political

At first sight this appears to be an example of imaginative and enlightened political leadership to achieve desirable goals. However I believe that modern government should be about enabling others to do what they do best and not doing it for them. Buying large areas of land into government ownership seems counter-intuitive, however the funds are obtained, at any time but especially when public finances are under severe pressure.

Conclusion

I believe that a voluntary carbon offset scheme, backed up by a national standard, registry and inspection regime and run in conjunction with an expanded SRDP grant support would deliver the levels of planting desired. This would be achieved on land owned by private and trust sector entities at a fraction of the cost proposed under this measure.

JPHS

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