

Community Woodlands Association Response to Consultation on forestry provisions in the Scottish Climate Change Bill

The Community Woodlands Association welcomes the opportunity to comment on the forestry provisions in the Scottish Climate Change Bill.

We welcome the consultation as evidence of radical thinking within Forestry Commission Scotland and the Scottish Government. Climate change is a global challenge, which cannot be managed by “business as usual”, but must be tackled by urgent and radical measures. We trust that this is indicative of a new willingness to think and act radically across the full range of our economy – nothing else will do.

In particular, the commitment to reduce emissions by 80% by 2050 requires that government engages and mobilizes the people of Scotland in a transition to a low carbon economy. Local communities must be at the heart of our response to the global challenge – which demands massive and urgent behaviour change and relocalisation of our economy and society.

We believe that individuals and communities will not buy into such change unless they are empowered to take a leading role. Review and improvement of the Land Reform Act, and provision of adequate financial support for asset transfer and development, underpinned by a strengthened Scottish Government and Local Authority commitment to community empowerment are necessary.

We support proposals to allow Forestry Commission Scotland to enter into joint ventures and to lease land, where this will deliver additional public benefits. We also support appropriate woodland expansion for a wide range of public benefits including tackling climate change through the enhancement of forest habitat networks and potential to sequester and store significant amounts of carbon over time.

However, we are not convinced that leasing 25% of the national forest estate for 75 years to a single organisation is the best way to generate funds for woodland expansion, or to safeguard future opportunities for community development and environmental enhancement in Scotland's forests.

In our response to Question 4 we discuss a number of alternative or additional actions:

- Alternative mechanisms for raising funds for tackling climate change
- Improved “carbon management” within the forestry sector
- Realign Scottish Government support for land management with climate change mitigation as a key priority

These suggestions are not mutually exclusive, indeed we would argue that all need to be taken forward – it is clear that climate change cannot be tackled without a fundamental restructuring of the way we manage our land.

1. *What are your views on allowing the Forestry Commissioners to enter into joint ventures, with the intention of participating in renewable energy programmes on the national forest estate?*

The proposal to introduce new legislation to allow the Forestry Commission to participate in renewable energy joint ventures is positive and is supported by CWA.

Joint ventures have considerable potential for increasing future FCS income and reducing dependence on the current income streams, and we would also support moves to extend the range of joint ventures that FCS could participate in to other fields, e.g. tourism.

The planning system should already ensure that any joint venture undertaken by FCS will include provision of Community Benefit for the local community. However we believe that these joint ventures should go well beyond that and should be structured to offer an equity stake to neighbouring communities.

One caveat relates to the NFLS; where communities wish to progress an NFLS application to buy land for a renewable energy project, this should not be opposed by FCS with the insistence that it be structured as a joint venture. In many cases of course the community groups may see significant advantage in a joint venture with FCS.

2. *What are your views on allowing Scottish Ministers and Forestry Commissioners to offer leases and cutting rights over parts of the national forest estate?*

CWA has consistently argued for FCS to have the power to offer leases to community groups: this is written into the National Forest Land Scheme guidelines and procedures, but is currently prevented by the 1967 Forestry Act; so we would support any changes which removed this restriction. This is giving FCS powers which other SG agencies such as SNH already have.

In addition to our support for leasing to constituted community groups, as per the NFLS, we are not opposed in principle to the leasing of forest land to NGOs and/or private sector forestry organisations where:

- the overriding consideration is the enhancement of long-term public benefit delivery from management of the land in question
- this releases funds not otherwise available to FCS
- any loss of control on the part of the public over the public forest estate is constrained due to the limitations on either the scale or time periods of leases.

However, we are not convinced that leasing 25% of the national forest estate for 75 years to a single organisation is the best way to generate funds for woodland expansion, or to safeguard future opportunities for community development and environmental enhancement in Scotland's forests.

This proposal raises a number of questions from our specific Community Woodland perspective:

- What impact will leasing (and/or transfer to a not-for-profit trust) have on existing FCS / Community partnerships, formal and informal – or will all such forest blocks be excluded?
- What impact will leasing (and/or transfer to a not-for-profit trust) have on future community engagement and involvement?
- Will leased and/or transferred forests remain within the remit of the National Forest Land Scheme?

- Leasing has been perceived to be used (allegedly!) as a mechanism to circumvent the provisions of the Land Reform Act – can we be sure that this won't happen here?

The on-going repositioning exercise has sparked community interest (and applications to the NFLS) where there was presumed to be none, and we believe that any leasing proposal (or an enhanced repositioning programme, which is being suggested as an alternative in some quarters) will result in a rush of NFLS applications - certainly enough to completely overwhelm the FCS Land Agents (who can barely keep up at the moment) and introduce significant delays. At the very least there will need to be some system by which blocks with NFLS interest are dropped from the leasing list and substituted with others, but this could get very complicated.

This should be seen as reflecting well on FCS management of the National Forest Estate. FES has made significant advances in community engagement over the last 15 years both in terms of policy and at a local level; as a result, while FES management may not be seen as perfect by local communities, within resource restrictions it is usually considered responsive, reliable and accountable.

In contrast, the quality of private sector management is hugely variable: whilst there are private landowners who invest significantly in forest management and bring considerable benefit to the local community, there are also plenty of examples of private sector silvicultural neglect and minimal public benefit delivery. When change is mooted, people naturally fear the worst.

There are of course still disagreements between FES & local communities – but this is often due to a perceived conflict between local need and national policy demand: this is not going to get better if the “long-term lease to a single entity” option is approved.

Additionally, our members and directors have raised a number of other issues:

- Whether money raised by leasing can be ring-fenced for forestry?
- How much carbon will be sequestered by the new planting funded by lease income?
- How effectively can environmental management standards be enforced through a lease?
- How can security of timber supply be guaranteed?
- How can continued diversification of timber supply – e.g. support for woodfuel be guaranteed?
- Will the leased / transferred land be eligible for SRDP grants?
- And if so, will more money be put into SRDP to compensate?
- What effect will leasing have on employment – FES & other rural staff?.

We appreciate that the answer to many of the questions posed is that the public interest will be protected through the terms of the lease – but it seems intuitive that the more restrictive and prescriptive the lease, the less attractive it will be to investors.

On balance therefore, on the basis of information received to date, we do not support leasing 25% of the national forest estate for 75 years to a single organization.

Such a move represents too great a loss of public control for too long, and incurs significant risks which do not appear to be balanced by quantified climate change “gains”.

We note the commitment to focussing leasing on areas delivering limited social and environmental benefit, however, we argue that many of these forest blocks have the potential to deliver greater social and environmental benefits (including enhanced carbon management), which could be unlocked either with greater FCS resource provision or by greater investment following leasing (or transfer) to community groups. It may well be possible for the lease to guarantee that current

(low) levels of public benefit are delivered – but this will forego the opportunity to develop the untapped potential of these forests.

Likewise, if timber prices were to increase from their current historic low values, the nation would forego increased future revenues. In this respect it is not a judicious time to enter into a lease arrangement unless provision can be made for future changes in timber values.

3. *What are your views on (i) transferring the proceeds from leases and cutting rights to a not-for profit trust, for investment in woodland creation; (ii) transferring the landlord's interest in this land to a not-for profit trust; and (iii) Ministers stipulating the constitution of such a not-for profit trust.*

The not-for-profit trust is an interesting idea and we can see the attraction of a new, independent body, with significant resources at its disposal, able to buy (and sell) land for afforestation, and also perhaps to offer additional financial inducements for private sector woodland expansion.

The proposal raises complex questions regarding future governance. If it is to be a charity then it cannot be subject to any political influence; any expenditure will be controlled by the Trustees (as long as they conform to the charitable purposes), which may not be what the Government is seeking. On the other hand, if it is not a charity then it would seem that the Government will be able to direct expenditure.

The consultation document suggests that “If the trust were a membership-based organisation, this would help to diversify land management by giving the people of Scotland a direct stake in the long-term stewardship of this land.” Again, there are some governance & legitimacy issues here: e.g. how direct would this stake be, and how many members would the trust require before it was in anyway representative? There are already a number of woodland-centric charities and not-for-profit trusts, CWA included, and the relationship of the new trust with these organizations would have to be thought through.

Moreover, there are many who feel that the people of Scotland should already have a direct stake in the long-term stewardship of land, through public ownership of the National Forest Estate, and if it is considered that we don't, then the answer, as elsewhere, is surely to 'fix' FCS.

However, it appears as if the not-for-profit trust is primarily designed to side-step a number of the financial restrictions under which FCS currently operates, notably:

- Capital charges, by which FCS is penalized for any increase in the value of the estate
- Annual budgeting, restricting the ability of FCS to roll forward land sales revenues from one year to the next
- EU financial rules, which appear to limit SG grant aid for woodland expansion & disallow locational premia.

We argue that rather than seeking to dodge these restrictions by setting up a new organisation, it would be more sensible to seek changes in government accounting procedures and State Aid rules so that FCS can manage its finances more coherently and offer rates of grant sufficient to deliver private sector woodland expansion targets.

4. Are there other actions which need to be taken, or are there other changes in legislation which need to be made, in order to allow the public and private forestry sector to contribute to Scotland's target of reducing emissions by 80% by 2050? If so, please outline what these are.

Our response to this question discusses 3 different groups of alternative or additional actions:

- Alternative mechanisms for raising funds for tackling climate change
- Improved “carbon management” within the forestry sector
- Fundamental rethinking of Scottish Government support for land management

These suggestions are not mutually exclusive, indeed we would argue that all need to be taken forward – it is clear that climate change cannot be tackled without a fundamental restructuring of the way we manage our land.

1 *Alternative mechanisms for raising funds for tackling climate change*

The “big single lease” option stems from the recognition that there is significant capital tied up in the National Forest Estate, which could be released and spent to tackle climate change. We have already expressed our opposition to the big single lease option on the grounds that it would result in too great a loss of public control and would inevitably forego future opportunities for community development, environmental enhancement and greater economic return

However we believe that there are other ways in which the capital tied up in the NFE might be released, without giving up management control and the potential to seize opportunities for enhanced public benefit delivery as they arise. These alternative models would answer some of the concerns about how SG/FCS will be able to hold a large lessee accountable regarding jobs, environmental standards, etc.

All the options discussed below would benefit from the removal of a number of unhelpful financial restrictions under which FCS operates.

a) Equity Sale

FES could be restructured as “National Forest Holdings plc” – Scottish Government retains a controlling 60% shareholding, the remaining 40% equity is sold and the money raised is recycled for climate change mitigation: woodland expansion, biomass development etc.

- The new company would benefit from a recast relationship between FES & SG / Treasury – no more capital charges, or annual limitations to budgeting.
- NFH plc wouldn't be able to access SRDP but would be contracted (service level agreement) to Scottish Government to deliver e.g. ecosystem services, recreation provision etc.
- As the value of the company would be based largely on the assets (land) rather than the turnover, it should be attractive to long term investors.
- Could also be targeted at the general public – rather than pay a membership fee for the not-for-profit trust, why not pay £10 for a share..?

b) Bond Sale

There are a number of alternative and more complex financial instruments which could be used. The Scottish Government could raise money by issuing 'Scottish Forestry Future' bonds. These would be safe, long-term investments and could be sweetened by being tax free or having some

form of tax advantages. At the current cash ISA allowance of £3600/year, over £100 million pounds per year could be raised by less than 30,000 people investing that amount annually, at a cost to SG of £4 million per year if paying 4% tax free.

The Energy4All windfarm co-ops provide hard evidence of the capacity for the public to put their money where their mouth is to tackle climate change (through the sale of equity or bonds) - although targeted primarily at local communities and not nationwide, the last 4 projects have raised: Kilbraur £1million; Great Glen £1.3 million; Skye £0.8 million; Boyndie £ 0.73 million.

These and all other possible mechanisms for releasing the asset value of the estate need to be thoroughly and independently assessed before any decision on leasing etc is taken.

We understand that there is support in some quarters for raising funds by "*enhanced repositioning*", which would entail:

- a short-term (5 year?) doubling of the existing programme to plug the gap until joint venture income comes on stream
- sell c. 10,000 ha/year, to raise c. £30 million – half of which would be used to tackle climate change (the other half for the existing repositioning exercise)

We do not support this option:

- sales on this scale will also represent a significant loss of control / foregoing opportunities on the NFE
- we are not convinced that £3000 / ha will be achievable, especially for unplanted land or where the NFLS requires District Valuer's valuation, and therefore an area significantly in excess of 50,000 ha will need to be sold to raise the sums desired

We note that if the funds raised are not to be recycled into acquisition, then the term "repositioning" is inappropriate, and we suggest that the alternative "large scale disposals" would be as unpopular with the public as the big single lease option

We consider that there might be some merit in revisiting the existing repositioning exercise. Rather than spending funds raised on land purchase, it might be more efficient to better incentivise private sector woodland expansion and/or to seek opportunities for woodland creation on land owned by other government and local government bodies.

2 *Improved "carbon management" within the forestry sector*

We note that whilst the UK Forest Standard requires that "the values of forests as sinks and stores of carbon are recognised in policies and protected and enhanced in practice", the relevant indicators are merely that "site potential for biomass increment is maintained or improved within the limitations of other objectives" and "lop and top burning is used only for demonstrable management benefit after the consideration of other potential impacts".

The Standard makes no mention of energy use (especially fossil fuel use), energy efficiency, proactive (silvicultural) management of carbon stocks, etc. We trust that future revisions of the criteria for sustainable forest management will include a more thorough assessment of carbon balances and fluxes within the industry, and give a strong steer to improvement.

There are a number of initiatives which could significantly improve carbon management within the forestry sector:

a) enhanced support for woodfuel use, especially on a local scale

Existing woodfuel initiatives should be enhanced and developed, especially those operating at small, local scales. Greater utilization of woodfuel substitutes for fossil fuels, supports better forest management and harvest recovery (see below) and the development of local fuelwood supply chains helps reconnect communities with forests.

b) drive up recovery rates from harvesting to feed local biomass markets.

We harvest c. 6Mm³ timber in Scotland ... and leave another 3 - 4 Mm³ to rot (high stumps, unwanted stemwood, lop & top). There are good practical reasons why it can't all be recovered (need for brush-mats etc) – but the main reason for such a high level of wastage is “economic” – the lack of markets.

If we could recover an extra 1Mm³ per year – this would be equivalent to planting c. 2000ha of Sitka spruce per year (meaning: those 2000 ha would produce that volume in 50 years time if planted on average upland sites) – except that the benefit would be immediate, rather than deferred over a plantation's lifetime.

We would caution however against over-industrialisation of the recovery process and in particular against using biomass to generate electricity. The greatest gains from such enhanced recovery will accrue when the biomass is utilised locally, for domestic or industrial heat.

c) Silvicultural adaption & enhanced timber use

In-forest management of existing carbon stocks would be enhanced by greater adoption of low impact silvicultural systems, and conversion to continuous cover forestry etc – we can and should manage our existing forests better.

Species diversification, and a greater focus on growing high quality timber will support enhanced use of timber and material substitution in the construction industry – reducing GHG emissions from conventional construction and locking away carbon for decades if not centuries.

3 Realign Scottish Government support for land management with climate change mitigation as a key priority

Whilst Scotland's growing forests sequester c. 10% of the nation's GHG emissions, these “gains” are more than doubly outweighed by “losses” from the agriculture sector (and forest harvesting / transport / processing etc). Overall, Scotland's land use is a major net contributor to global warming. We believe that Scottish Government support for land management needs radical restructuring to support sustainable methods – lower inputs and GHG outputs, and greatly reduced transportation.

We agree that there are significant social benefits to supporting rural land use – but successive administrations have done so by subsidising fuel use and encouraged farming / food production / distribution to become very dependent on high inputs (fertilisers, etc) and long distance transport. We regard the current arrangements as unsatisfactory – far from being “joined up thinking” they are a genuine obstacle to progress.

SRDP has failed to deliver new planting at the desired level because the grants for creating woodland are not competitive with the subsidy for not having woodlands. In addition the system is overly complex and bureaucratic: we note and endorse the recent Confor report on recommendations for changes to SRDP – it is essential that these are implemented as quickly as possible.

Enhanced support for woodland creation would undoubtedly assist in achieving expansion targets, whilst investment in resources, training and personnel for deer management and browsing impact monitoring both in state forests and the private sector, as well as better control of Muirburn, could enable extensive successful natural regeneration of broadleaves and conifers especially in upland areas.

Beyond SRDP there are two key areas for change: in the short term the current “decoupled” payments: SFP & LFASS, should be linked to activity on tackling climate change, and in particular should incentivise woodland creation, rather than discourage it. In the longer term the wider fiscal regime needs to disincentivise fossil fuel use in land management, rather than encourage it as at present.