



HOUSE OF LORDS

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Witnesses: Mr Jim Paice, Mr David Howat and Mr Robin Mortimer

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Members present

Lord Carter of Coles (Chairman)
The Earl of Arran
The Earl of Caithness
Lord Cameron of Dillington
The Earl of Dundee
Baroness Howarth of Breckland
Lord Lewis of Newnham
Baroness Parminter
Baroness Sharp of Guildford

Examination of Witnesses

Witnesses: **Mr Jim Paice MP**, [Minister of State for Agriculture and Food, DEFRA], **Mr David Howat**, [Director of Forestry Commission England], and **Mr Robin Mortimer**, [Director of Climate Change Adaptation, Air Quality, Landscape & Rural Affairs Central Team].

Q1 The Chairman: Minister, good morning. Thank you for coming to see us, and to your colleagues as well. If I could just deal with the formalities before we start, I think you all have in front of you a list of interests that have been declared by Committee members. This is a formal evidence-taking session of the Sub-Committee, and a full shorthand note is being taken. This will be put on the public record in printed form and on the parliamentary website. We will obviously send you a copy of the transcript. You will be able to revise it for minor errors. This session is on the record and being webcast, and will be available on the parliamentary website.

I would like to record some appreciation to the department. In the past year we have considered 10 Explanatory Memoranda and 20 letters from you, and we have noticed a distinct improvement in the pace at which issues are dealt with and we get responses. We thank you for that. In the coming months, we think the scrutiny dialogue will intensify quite a lot, particularly as the position on CAP reform is coming through. Maybe we could ask you

to offer some general comments on the interaction between DEFRA, the EU proposals and parliamentary scrutiny, any thoughts you have on that and how useful you find it, before we go in to the more formal piece.

For the record, we have to ask you to state your name. Off we go.

Mr Jim Paice MP: Good morning. I am Jim Paice, MP, and I am the Minister of State for Agriculture and Food at DEFRA. On my right I have with me David Howat, the director of the Forestry Commission for England and on my left is Robin Mortimer, a member of staff at DEFRA, who is the director of climate change adaptation.

You referred just now to the CAP. Would you like me to talk about that aspect, in terms of the relationship, before we move on to forestry?

Q2 The Chairman: Yes, your general responsibilities; just a sense of how you see the relationship between the EU and the department moving forward in the coming years.

Mr Jim Paice MP: I am happy to tell the Committee that the new Government and the new team of Ministers at DEFRA feel very strongly about engagement in Europe. Both the Secretary of State and myself have had previous roles outside politics that involve working in Brussels. We have an element of experience and knowledge, and I have previously been a Minister. We are both committed to engagement as the best way of achieving what is in the British national interest rather than sitting on the sidelines. That approach seems to be very welcome in Europe, and comments to that effect are quite commonplace.

As you rightly identify, reform of the CAP will certainly take a great deal of our time over the coming two to three years. Last Thursday, the Commissioner published his proposals. They were slightly different to those that had been leaked—we believe officially leaked, but perhaps we should not go there—a month earlier. We have a meeting of the Agriculture Council next Monday, when I will be giving the UK's first perspective on that.

In a nutshell, we do not think that it is a very ambitious reform. We do not think that it takes forward the significant step that the previous reform achieved of moving towards a market-oriented CAP. We do not think that it faces up to the changing global situation with increasing demand for food in the next few decades or the need for European industry to become ever more competitive and innovative. That is a reflection, a criticism, of it. There are more detailed issues that, perhaps, you might want to pursue at another time, but I give you that as our initial response.

The Chairman: Thank you very much. We will go to the questions on forestry now.

Q3 The Earl of Caithness: Good morning, Minister. Many of us who have been involved in woodlands have longed to see a reform of the Forestry Commission. How do you envisage the Forestry Commission being reformed, given the Public Bodies Bill? Do you see the differences for the Forestry Commission in England, Wales and Scotland, which are already apparent, growing wider?

Mr Jim Paice MP: The Forestry Commission is in the Public Bodies Bill to provide us with the opportunities for changes which, I am more than happy to admit, are not fully formed in our minds. But this is the opportunity to get the legislation because the Forestry Acts are very restrictive. For a start, they require the Forestry Commission to own and manage the public forest estate. They also require the creation of the advisory committees, which we think are now past the need to keep them.

I will come back in a moment to some of the thoughts we are having, but while we are working on the thought processes as to how to reform the Commission and its landholdings, it is in the Bill as an opportunity to provide the legislative base to make those changes, whatever they may, or may not, be. I hope that addresses the issue of the Bill itself.

As far as the Commission is concerned, as you rightly say, there is significant devolution here. For the public forest estate, I only have responsibility for the English estate. Therefore,

any comments I or DEFRA make about disposal can only be seen in the light of the English estate. Obviously, we are in close contact with our opposite numbers in the devolved Governments. They are aware of what we are doing, but it will be up to them whether they follow suit.

On the impact on the Commission, it is clearly a matter for the Commission to adjust its staffing levels, and so on. I need to make it clear that we are not proposing to abolish the Forestry Commission or anything like that. Clearly, however, if we go down the road of significant disposals, that will have an impact in its establishment and how it goes about its work.

My overall vision is that, in England, the Commission should become much more an enabling body. I have personally had a long involvement and interest in the forestry industry. I want to see a significant increase in forested area in England. I believe that, for all the public benefit reasons that we can come back to, that needs to happen. In order to achieve that, we need to focus the Commission much more on an enabling role and move it away from managing a significant part of the forest estate in England.

We do not have any hard and fast proposals about disposals at this stage. We will be publishing a consultation document in the early part of the new year, when we intend to lay out a range of options. We will by then probably have it down to one or two favoured options, but there will be a range. Obviously, the extremes are, at one end, the total sale of the Commission list as private forestry estate to some other body such as a charitable trust, or whatever. The other extreme is a piecemeal sale over a period of time to the highest bidder of individual parcels of woodland or forest. I do not particularly want to be drawn on the rights and wrongs of any of those options at this stage, because, frankly, we are not at that stage yet.

Q4 The Earl of Caithness: Then I will not draw you. In your response to the European Commission Green Paper in March, you said that there is going to be an adaptation paper coming forward. Given the changes, do we expect to have an adaptation paper? My second supplementary is to press you a little further. One side of the Forestry Commission that is respected is the research side. What plans have you got for its future?

Mr Jim Paice MP: Its continuation. We have no plans to change it. Obviously, it will be part of the continuing structure of the Forestry Commission at this stage.

The Earl of Caithness: And what about the adaptation paper?

Mr Jim Paice MP: Yes, that is still coming forward.

Q5 Lord Lewis of Newnham: I also refer to the paper that you sent to us in July. You were considering a response to the Green Paper on the European Commission on afforestation. You listed a whole series of how things should be done. Quite a number of those would have involved the Forestry Commission, I would imagine. Have you any intention of reviewing that list, or even of reallocating its components? Perhaps you have not had an opportunity to look at it yet.

Mr Jim Paice MP: I need to refresh my memory. Perhaps one of my colleagues can add to this, but the bottom line is that we do not intend to make significant changes. A lot of recent public debate has surrounded my somewhat brief announcement about the disposal of the Forestry Commission. A lot of hares have been running around which, frankly, were not very well formed. Currently, however, the Forestry Commission will continue.

Mr David Howat: I will add a little more about adaptation, because it clearly remains a major concern for the Forestry Commission to provide research evidence and advice to forest managers about how to adapt to the uncertainties we face with climate change. That will be advice, for example, about species choice, provenance, forest felling patterns and how

we cope with the challenges of pests and diseases. Those challenges are clearly very real and pressing, and we continue to have to address them as forcibly as we can.

Q6 Lord Cameron of Dillington: As you know, Minister, the Public Bodies Bill is going through this House at the moment. Most of us are slightly mystified by Clauses 17 and 18 on the Forestry Commission. Reading between the lines of what you say, your present intention is to have a disposal of a part, or a considerable part, of the Forestry Commission lands. I would personally not disagree with that. I think a lot of that land would probably be better managed in private hands than public hands. However, you seem to be saying to us legislators, “We are not quite sure what we want to do with the Forestry Commission, but we want you to give us permission to do it anyway”. I find that quite strange. I wonder if you have slightly firmer views as to where you are going here.

Mr Jim Paice MP: Yes, indeed. Part of our policy is clearly established: we wish to proceed with, to correctly use your word, very substantial disposal of public forest estate, which could go to the extent of all of it. As I said earlier, the precise detail of who it will go to and in what form is yet to be decided. However, we are committed to the principle that protecting the range of public benefits—biodiversity, access, carbon fixation—and to achieve the increasing tree cover that I seek does not necessarily require the state to own the forestry. I take this opportunity to emphasise that we have absolutely no intention of reducing any of the protections that exist. Indeed, part of the consultation will be on whether other protections will be necessary. Felling licences will still be in place. All this nonsense we have read about golf courses and holiday camps on the forest is all complete and utter bunkum. It just will not happen.

In order to have substantial disposal, we need to change the law. Our lawyers advise us that up to about 15% of the forest could be sold without risk of transgression of current

legislation, which requires the Commission to own and manage the public estate. To get beyond that, we would need to change the law. That is the reason for it.

On the Commission itself, we currently have no clear proposals to change its structure. Obviously, it will slim down if we dispose of the estate, and focus, as I said, more on being an enabling organisation and on its regulatory and research roles. At this stage, we have no clear ambition to change it beyond that.

Q7 Lord Cameron of Dillington: However, the powers you are looking for in the Bill go considerably beyond the right to sell. That is why I find it slightly difficult to know how to vote, as it were.

Mr Jim Paice MP: I am sure that you will not be short of advice. That is perfectly fair comment, but the real political situation, as you will appreciate, is that opportunities for legislation do not come very often. This vehicle is important in order to create that opportunity. Obviously, if we come forward with proposals to change the Commission at a later date, there will clearly be opportunities for debate. There may well need to be secondary legislation, or whatever. I cannot forecast that, but I am certainly not seeking to avoid any debate on any proposals. However, the current proposition is mainly to do with land disposal.

Q8 The Earl of Arran: Following on from Lord Cameron's question, in the event of the disposal of some of the Forestry Commission land, do you have any worry about foreign purchases?

Mr Jim Paice MP: I have worries about two or three potential aspects of disposal, which we are looking at very carefully. Foreign purchases are one, although I do not think that they are automatically necessarily bad. Indeed, we could not prevent them under EU law. I am much more concerned about the possibility of established forest being bought by energy

companies who would proceed to chip it all for energy recovery. That is not, in my view, a very good use of prime timber. We will need to look at how we prevent that.

The other aspect that concerns me is the point made by the British processing sector, mainly the saw mills, whereby, although the Forestry Commission has only 18% of English forest land, it comprises the vast bulk of their raw material. They have long-term contracts of supply, and it enables them to continue to process in good times and bad, when, perhaps, the private sector might stop felling when prices are low. I am very conscious that there are issues in our proposals that we are looking to address.

Q9 Baroness Howarth of Breckland: I think that the Minister has answered the question I was going to ask. You have already reached the policy on sales, but there may be very strong contra-indications. Before we get into the debate about some of those contra-indications, I was wondering how firm that was in taking you forward before you have had any consultation or looked at the details. One of the values of parliamentary legislation being gone through in detail by the House of Lords is that those details are usually teased out. The reason that some of us are concerned about the present Bill is that that might not happen if the Secretary of State can agree something without a debate.

Mr Jim Paice MP: I can assure you that, having previously been a Minister as well as having spent a long time in the House of Commons, I am very much aware of your Lordships' House's ability to tease out issues that have perhaps not been teased out elsewhere. I am certainly not trying to resist that in any way.

The decision to move towards substantial, large-scale disposal of the forestry estate is based on a number of issues. First, there has been, as some of your Lordships have already implied, a view from some sectors that the Forestry Commission need not be owning all the public forestry estate. Secondly—and I am not going to avoid the issue—there is a need for capital receipts. It is a very substantial sum of public investment. Thirdly, we genuinely feel, and I

feel very strongly, that it is nonsense to believe that the huge public benefits can only somehow be achieved under state ownership. We have some first class woodland charities—I name but one in the Woodland Trust, but there are others, particularly active in Scotland—who own large tracts of English woodland and manage it in a way that is just as good, and I would argue probably better, than the Forestry Commission. There is the concept of local community ownership for local woodlands. There is of course a huge interest in the private sector for amenity woodlands. We have seen over the past few years that a lot of small woodlands have been bought by private individuals who want to own prime, commonly semi-ancient, woodland of their own.

However, all the protections remain in place. We are not going to lose any woodland cover through any of these proposals.

Q10 Baroness Sharp of Guildford: As I think you know, we took evidence when we did this inquiry from Professor Sir David Read, and were much influenced by his report. How far do you expect that the reformed Forestry Commission would be in a position to commission a report from someone like Sir David Read in the same way? That report was commissioned by the Forestry Commission rather than the Government, yet it has had considerable repercussions in government thinking.

Mr Jim Paice MP: Absolutely. I entirely agree with you that it is a very substantial and valuable report. There is no reason at all why the Forestry Commission could not commission a similar report at some stage in the future.

Q11 Baroness Parminter: I am encouraged that you have restated again today that you want to see an increase in forest cover in the British Isles. As Baroness Sharp has said, we were forcefully made aware of the strong case for an increase by Sir David Read, who argued for increases from where we are at the moment of 12%, or up to 16%. Do you

support that recommendation? If so, do you see your plans for a new forestry strategy contributing towards that?

Mr Jim Paice MP: I would be rash to say that I support the recommendation, because somebody will construe that as a commitment to achieve it. Anybody would accept that it is a very high aspiration. That is a UK figure; I understand that Scotland is likely to make a commitment to a substantial proportion of it. I do not want to put figures in their mouths but, if they do, that would reduce the pressure on us. However, I stand by my earlier comments: I want to see a significant extension of forestry and woodland planting in this country. I certainly see the Forestry Commission as taking a greater enabling role in that.

To expand on how that might happen, feeding directly back to the Read report, it is to find a way of incorporating the carbon-fixing capacity, which was Read's objective, into the marketplace. Most woodland today has been planted with the aid of public grants. We envisage that continuing, subject to future reform of the CAP, but we need more. It is unrealistic to expect that to come from the public sector. If we can find a way of ensuring that the commercial world is able to use its contribution to forestry policy and planting as a way of getting its carbon offsets in one way or another—whether for social corporate responsibility reasons or any others—that would clearly help a lot.

The forestry industry is in the process of establishing its carbon policy guidelines. A code will be produced to enable all this to happen. I am at risk of getting on to my hobby horse here. Forgive me, but I feel so strongly that we have to get people to realise that timber, in whatever form—including the desks we are all sitting at now—is carbon. Planting more trees and harvesting them sustainably, using that timber in furniture, construction and things like that, is fixing carbon and taking it out of the atmosphere. If we can build that bridge between how we use timber and that carbon-fixing ability, and build a market relationship that feeds back to the planting, that will be the spur to the increased planting that I want to see.

Q12 Baroness Parminter: On this issue of increasing woodland cover and the sale of the Forestry Commission land, I think you said it could go to all the land being sold off. In the EFRA committee last week, the Secretary of State seemed to suggest that the asset sales from that sell-off would be retained by DEFRA. Will that money be ring-fenced to ensure that we have the right woodland cover in the right places in future?

Mr Jim Paice MP: Our arrangement with the Treasury, as the Secretary of State told the EFRA Select Committee, is that we can, over the period of this four-year spending review, keep up to £100 million of income from assets—not necessarily forestry assets, all DEFRA assets—with a possible 20% add-on to that.

Within DEFRA, I am afraid that the answer is negative. I cannot say that it will all go back into forestry. It would be an incredibly large sum of money to put into forestry. You will appreciate that things like flood prevention, in particular, are also huge capital drains on the public purse. Some would have to go into that.

Perhaps I should also add that we have already seen for a number of years the Forestry Commission selling some assets, some forestry, each year, partially to fund deficits. We want to move away from that. The plan is that that will have stopped by the end of the four years, and sales of forestry will not be designed simply to fill a hole in their income and expenditure accounts.

Q13 The Earl of Caithness: To follow up on what the noble Baroness said, there is a clash between having a productive forest and one that is full of amenity and biodiversity. That has been a cause of productive forestry in Scotland having gone downhill so fast over the past five years. Given that the British are currently, by and large, not very good at managing mixed forestry, let alone a mixed, uneven aged forestry, how are you going to balance these two conflicts? Unless a woodland is going to make a profit, the state will have to subsidise it more and more. Yet we want biodiversity.

Mr Jim Paice MP: I am not sure that I fully accept that modern forestry practice has to choose between biodiversity and commerciality. I hesitate to tread on Scottish territory because my remit obviously does not cover Scotland, although I have a close personal interest in and some knowledge of Scottish forestry. However, the old days when we had blanket sitka forestation were clearly bad for biodiversity; that is a no-brainer. If you look at how modern the planting of today's forests is, with more mixed species, much more woodland edge and much more relevance to soil types, water courses and things, you will see that biodiversity is much more enshrined in the management approach. Certainly, I have seen forests in the south of Scotland where those approaches have been much more constructive. So I am not sure that that conflict exists in today's forestry practices.

I entirely agree with you about the commerciality imperative. I have been quite critical of the previous Government because they completely lost sight of that. As I said earlier, that is one reason why the Forestry Commission has been selling forests to balance the books. It slightly lost focus on that. I have made a number of speeches over the years in which I have said that we must understand that commercial forestry is what pays for all the other benefits. We have to get the whole lot into perspective. We have to persuade the general public that a tree is just a very aged plant that, like any other plant, comes to the end of its life. That is the point at which you harvest it, hopefully use it sustainably, and replace it.

Q14 Baroness Sharp of Guildford: You talked earlier about the need for a commercial imperative, and the need for a public understanding that timber fixes carbon. Do you envisage that there should be carbon credits within the ETS scheme or something like that?

Mr Jim Paice MP: That is really a DECC issue. My colleagues in DECC are looking at the issue of carbon credits and how it can be brought into play. I am afraid that I am not very familiar with the detail of their thought processes, but I know that they are looking at it.

Baroness Sharp of Guildford: But it is being actively considered at the moment?

Mr Jim Paice MP: Yes.

Q15 Lord Lewis of Newnham: If we go back to the Read report, one of its other features is that it shows that, since the mid-1980s, there has been a decrease in forestation. Read asks for the slope of the line, as it were, to be changed from a negative to a positive direction. How do you envisage this being accomplished? Carbon credits are important. If a farmer plants forests instead of other land use, it moves from Pillar 1 to Pillar 2. Things of this nature are all against the encouragement of increasing forestation in this country. Yet we are importing more than 20 million tonnes of wood a year. We are only producing the equivalent of 10 million tonnes. As you rightly say, the manufacturing industry is very sensitive to this.

This brings me on to the point that importation brings with it the possibility of some form of pest. This is another feature that worries one about the present forestation situation.

Mr Jim Paice MP: I agree with every comment you have made. If we are absolutely, brutally honest—and I speak as a Conservative Minister—you can trace the decline in planting back to the 1988 Budget that changed the tax relief basis. That is the reality of it, whether we like it or not. I am not necessarily saying that that tax change was wrong, because it was quite clearly being highly abused beforehand. The Earl's home area was one example of where it was clearly being used for the wrong purposes.

That was where it started and it has continued, partly because there have not been sufficient public resources going into planting and replanting grants, but also because there are a number of other constraints. One is regulatory. I announced at the International Forestry Exhibition in September that I would be setting up—and I am just about to announce the creation of—a deregulatory task force along the lines of the one I have already set up for agriculture and food to look at the forestry industry and, not just whether they are necessary, but how much more sensitively the rules and regulations can be applied. For

example, there is the concept of earned recognition. I do not want this to be quoted as a hard policy because it will have to come from the task force, but I have suggested that if, for example, your woodland is accredited by the Forestry Stewardship Council, perhaps that could relieve you of a number of other regulatory burdens. Clearly, that accreditation covers the whole thing, including felling licences, for example. That is just one option.

I also feel very strongly, as I mentioned earlier, that the carbon-fixing properties provide us with an opportunity to introduce another finance income stream into forestry. It is a question of how we can achieve that. As I mentioned earlier, work is well under way, and we are producing a code to help on that.

I fully accept that there are issues to do with taxation today, which are clearly above my pay grade, the issue of the CAP and, as you rightly say, Pillars 1 and 2. That is in the lap of the next three or four years of discussion at European level. But I readily accept all the points that you make. In as much as they are within my responsibility and ability, I am trying to address them.

Q16 The Earl of Dundee: Minister, on improving land management for carbon sequestration, which targets should we aim to achieve? What, therefore, do you think needs to be done in the forests themselves?

Mr Jim Paice MP: We have got a range of targets. Obviously, we have got our Kyoto commitments. In the context of forestry, that creates a little hiatus, I suppose. The point I have just been talking about, our own carbon fixation in our own forests, is not allowed to be included in Kyoto, which is a shame in my view. That cannot be harnessed in that respect. Kyoto is clearly the big one. Obviously, we have got other targets from other international agreements and, indeed, our European commitments.

Perhaps I do not quite understand your question but I am not sure which specific target you have in mind.

Q17 The Earl of Dundee: The drift of my question was rather more that, given that there are targets, let us assume that, as custodians, the private sector will deliver and meet them. In the first place, which range of incentives do you think might work best to encourage the private sector to take on Forestry Commission land?

Mr Jim Paice MP: First, all the inquiries I have made suggest that there is ample interest in the private sector to take it on. For a long while, I laboured under the impression that, like the previous Government's gold sales, if you unloaded them all at once you would end up with a seriously devalued price. I have been disabused of that by a number of different forestry investment operations. They think that it would be possible, if we chose to go down that route, to dispose of the whole thing at a sensible market price. But, as I said, we have not necessarily chosen that route.

On encouraging the private sector not just to undertake ownership of the current forestry estate but to undertake its extension, to which several of your Lordships have referred, I go back to the various stimuli that I have just referred to: the carbon fixation, the current inheritance tax relief, which is still a significant driver, and what more we can do in terms of deregulation and the current grant arrangements.

Q18 The Earl of Dundee: On the balance of financial incentives to the private sector, presumably you would weight that more in favour of grants than in fiscal discounts or incentives?

Mr Jim Paice MP: Obviously, tax is not my department's responsibility, so I certainly cannot be drawn on that subject. If any forest ceases to be part of the public forest estate, and goes into the private, charitable or commercial sector, it will then be eligible under our conventional grants systems. At that point, that assistance, that eligibility for planting grants and so on, would be available.

Q19 Baroness Howarth of Breckland: Following up something you said earlier on this which I do not have clear in my mind, you mentioned a number of issues that were of concern to you; for example, energy companies buying large parts of forests and chipping in order to gain energy. There were one or two other issues that you were passionately concerned about. If there is a lot of interest, are you sure that you will be able to avoid those kinds of traps and difficulties to those who are going to buy, particularly in the light of your wish to reduce regulation?

Mr Jim Paice MP: It would be a brave politician who guaranteed anything, but we are determined to do our very best to retain that protection. The chipping issue, which I genuinely feel is a concern, can be addressed. We are in discussion with DECC, who set the various incentives, both the feed-in tariff and renewable obligations certificates, which are driving the demand for woodchip.

We have already got into the somewhat nonsensical situation that, if all the biomass systems were built, they would surpass the UK's capacity to produce the chip. Clearly, something is going to have to give somewhere. I have already made representations to my colleagues that we need to review those incentives to make sure that they do not have overall negative consequences for the environment. I am all for woodchip and biomass incentives but, as far as I am concerned, you chip timber at the end of its useful life, not instead of it.

Baroness Howarth of Breckland: I should say that I live in Thetford forest if I have to declare an interest.

Mr Jim Paice MP: I guessed you did from your title. It is not far from where I live. I have no intention of seeing Thetford chipped.

Q20 The Earl of Arran: Minister, to the best of your knowledge, are there greater financial incentives to plant private forestry across other member states than currently exist in this country?

Mr Jim Paice MP: One of my colleagues is in a better position to answer that.

Mr David Howat: It is always very difficult to compare different countries because there are so many different circumstances, but I would say that we currently have got a reasonably good regime for supporting the private sector in England.

The Earl of Arran: Is that with knowledge of what other countries do?

Mr David Howat: I have got a reasonably general knowledge of other countries. In general terms, and I am sure that there are exceptions, I would say that what we offer is reasonably comparable.

Q21 The Chairman: That leads us on to the next question, Minister. When we responded to the European Commission's Green Paper we recommended that work was done to look at the financing incentives available across the rest of the EU. From your colleague's response, it seems that that has been done. You referred to the EU's ad hoc working group on climate change and forestry, co-ordinated by the Forestry Commission. We would like to understand what the key findings of that report were, and what our response to those lessons was. Are you able to comment on that?

Mr David Howat: The benefit of working with other European partners is that we are sharing knowledge and expertise. I do not think that there are any particular surprises there. It comes back to some of the adaptation issues I was talking about earlier: thinking about species choice, provenance, concerns about pests and diseases, issues of forest structure and so on. For example, we have been working with our European partners on research on pests and diseases. There are enormous benefits to be gained by sharing experience and expertise.

Q22 The Chairman: I see. In some of the evidence we got, we were struck by the clear existence of very good incentives in some countries. The Minister referred to the 1988 changes and the availability of sideways relief to get people to invest in forests.

Given the Minister's commitment to extending the amount of forestry, have you any view on which of those incentives within other EU countries has proved most effective in delivering that change? That is what we want to know. Who has got levers that we might, if we can get the fiscal support—

Mr David Howat: In the United Kingdom, we are probably more bullish in terms of expanding the area of forest than many of our European partners. Obviously, we have got relatively low forest cover in England and the United Kingdom compared with our European partners. You have countries in central Europe, and obviously Scandinavia and France, which already have very high levels of forest cover. Other countries like Ireland are also promoting forestry expansion, but we are relatively unusual in wanting to promote the scale of forestry expansion that we do, simply because of the historical circumstances in which we find ourselves in terms of forest area. The incentive regime is very much governed by the European rural development regulation under Pillar 2 of the CAP. That tends to set out the parameters within which we work.

Q23 The Chairman: That is a very good point. Sticking with that, then, many of those countries have a high degree of forestation because they have had incentives. The question I am trying to get to is which of those incentives actually drive that forestation. In the work you have done on this, if the Minister were able to persuade the Treasury that an incentive could deliver, which incentives have you seen in Europe which have been the most effective at delivering it?

Mr Jim Paice MP: It might be best if I offered to send a note to the Committee on what we can establish about the pan-European situation, rather than wallow as we appear to be doing at this moment.

The Chairman: That would be appreciated, Minister.

Q24 The Earl of Dundee: If I might just pick up on Lord Carter's point, if we go along with Sir David Read, who recommended trying to achieve 16% of forestry, let us begin with identifying best practice for incentives for the private sector to afforest, to plant new trees. Then, with the new plan to enable the Forestry Commission to sell off its assets, it follows that the energies of the Forestry Commission can be directed towards afforestation to a far greater extent. If you take these two things, a new vigour in our public body and identifying what works best for our European partners to activate the private sector, perhaps we then have quite a good model for best practice.

Mr Jim Paice MP: I entirely agree with you. I said at the beginning that I see the Forestry Commission becoming much more an enabling body, an exhorting body, if you like, spreading good practice and being much more involved in promoting new planting once it can divest itself of spending too much time managing what it has got.

Q25 The Earl of Dundee: Connecting the point that you make with that of Lord Carter, do you think that it might be rather useful for the Government to look at two things together? First, there is the new energy that logically comes to the Forestry Commission when it can redirect itself towards afforestation. Further, if one combines that new energy with Lord Carter's point about identifying what works best to encourage the private sector in Europe, you have got two useful forces combining to achieve Sir David Read's target of 16%.

Mr Jim Paice MP: I agree. That is all perfectly likely to be within the capacity of the Forestry Commission as it is.

Q26 Lord Lewis of Newnham: I am slightly concerned by what Mr Howat has just said. In fact, I get the impression that the impact of increasing the amount of forestation will probably be much more in the UK than it is in other member states, in which case the

possibility of getting some form of relief in, say, the CAP, for this will be a hard fight on your part. Possibly the only real way of getting around it will be to appeal to the climate change demands in this area. Have you any feeling on that?

Mr Jim Paice MP: I think I can respond. The first point to make is that forestry is of course a member state responsibility. The EU does not have forestry competence and, frankly, our Government would not want it to. That needs to be made clear.

The second point is that because forestry is a bigger feature of many other member states, their approach to agriculture policy is affected by that. The third point is that within the rural development programme as we have it, it is totally at the discretion of the UK Government, or the devolved Governments within the UK, how much of those resources are allocated to forestry. As you probably know, the previous Government set a figure of 80% of the total programme to be spent on the environment; I am talking about England, of course. Within that, most of it goes on the agricultural stewardship schemes, but some goes into forestry. I am not saying that they should or should not have done that; this is just explanatory. It would have been totally within their responsibilities to have allocated a much bigger chunk of Pillar 2 money to forestry. It is within our competence to do so.

Q27 Baroness Howarth of Breckland: We have strayed into the area I was going to follow up. You have mentioned that this is a member state competence. We are quite keen on subsidiarity in this Committee, so we understand that. However, there are issues. As you know, when we looked at our last report, we flagged up the scope we have for EU sharing. Again, we have talked a bit about how we share information between our partners. You said that you would send a note. Does that mean that we are not thinking positively enough about how we work on research and greater integration of forestry and agriculture through Pillar 2 of the CAP? I wonder if you might say a bit more about how you expect more input in the future in relation to working with the EU on these areas.

Mr Jim Paice MP: I am in the very fortunate position that, only six months into the post, I can still blame the other lot for a few things. Certainly, I do not necessarily think that the previous Government got their forestry policy right. I hope I have illustrated to you this morning some areas where I would like to change and improve forestry policy. I am all for learning from others.

There are two strands here. There is the issue of subsidiarity, which we would strongly fight to retain on forestry policy. In my view, that in no way counters the need to learn from others. There is a huge amount of scope for learning, as we touched on earlier, about what other countries have done to incentivise planting and encourage the maintenance of forestry. One of the big distinctions that I make, travelling through France quite regularly by car, is that every French woodland has a heap of future firewood or saw logs outside it. The average British lowland woodland—I do not mean a softwood forest—has not seen a chainsaw for years. There is huge scope for greater management of woodland. Maybe the innovation of the heat tariff which is coming in from DECC in April will encourage better management of lowland woods. I see that as a huge beneficial effect. That, of course, is good for biodiversity. An unmanaged wood is not necessarily the most biodiverse.

We can learn a lot. If there is a criticism that in the past we have not done enough to learn from other member states then I am happy to take that on board. We need to understand what other countries are doing and how they make woodland management much more part and parcel of agricultural activity, because the two are much more closely linked.

Q28 Baroness Howarth of Breckland: We have talked a bit about climate change here. Of course, broader discussions about climate change in Europe are coming up soon. Most of that is usually about how we reduce emissions rather than how we improve the absorption of carbon. I wondered how much the Government are now thinking more of application rather than aspiration, if you know what I mean. We have great aspirations for

getting to our targets, but it takes application to actually reach them. Those discussions need to have practical targets that we are quite sure that we are going to be able to reach, in the very changing world that you are creating with the changes in the Forestry Commission and others.

Mr Jim Paice MP: I certainly do not think that the changes we envisage should impact on our capacity to meet those targets. In fact, I think they should be helpful overall. But you are right, and I entirely agree with you that we need to turn aspiration into action. I am a very practical individual. All I ever want to say is, “This is all very well, but what are we actually going to do?”. That is why I want to turn to this concept of mine about using the carbon value as the incentive for more planting. We are quite close to that with the work that is being done on developing the code which will be published quite soon. Do we have a date for the publication of the code?

Mr Robin Mortimer: We are consulting on the code.

Mr David Howat: That’s right. The woodland carbon code has been published in pilot form and we are testing it with a number of potential certification bodies and landowners, with the idea of bringing it properly into force next summer.

Mr Jim Paice MP: We are well on the way to turning it into action.

Q29 The Earl of Arran: Shall I have a very quick question? We have hardly talked about disease and pestilence, which you obviously know is rife in the West Country at the moment with the larch and spruce. People down there are talking about it as an impending national disaster akin to Dutch elm disease; that may be an exaggeration. Is this disease spreading up-country, and what are your concerns about it?

Mr Jim Paice MP: We are sadly faced with a number of tree diseases at the moment. There is acute oak syndrome as well, which alone could be as bad as Dutch elm. I suspect you are referring to phytosphthora ramorum, which jumped species from rhododendron to larch.

That it was able to jump a species is the most worrying factor, because there is nothing to say it might not jump another. Sadly, that is spreading right through the south west and into southern Wales as well.

Q30 The Earl of Arran: And it could come east?

Mr Jim Paice MP: Yes, I am afraid that, at the moment, there is no stopping it. The Forestry Commission is advising landowners to quickly fell it. That seems to be the most urgent thing: to get it down before worrying about what is going to happen to the timber. Then it obviously has knock-on consequences for over-supply of certain markets. Most of all, we need more research into the work. It is a matter for fear, as has been discussed, but I am pressing the research people very hard to get on top of it.

Q31 The Earl of Arran: I think I am right in saying that, at the moment, there is no compensation for forced felling.

Mr Jim Paice MP: That is correct, sir.

The Earl of Arran: And nor is there likely to be?

Mr Jim Paice MP: I regret not, no. I really do not see how we can do that, given the open-ended nature of the problem. But it is important that we do what we can, as I know the Commission is, to try to ensure that markets are found for as much of the felled timber as can be. The key message is to get it down as soon as there is any sign of infection.

Q32 The Earl of Caithness: That was part of my question: what are you doing to ramp up the research side on disease, particularly the phytophthora that is causing such havoc? The other problem that has been raised, and thank goodness it is not a problem in the north of Scotland, is that there is no point in planting native hardwoods as long as the Forestry Commission will not win the battle with grey squirrels.

Mr Jim Paice MP: I think I will take the first question, anyway. The honest answer is that I am waiting for a bid for research funding to step up research into phytophthora. I agree with

you on grey squirrels, and I know that Lord Redesdale in your House has done a sterling job in the Northumberland area. I wish a lot more would do the same with a voluntary approach as he has done. I am entirely with you that the Forestry Commission needs to step up to the challenge. Inevitably, it is like a lot of other issues that we will not go into. I entirely share your view on the problems with the grey squirrel.

Q33 Lord Lewis of Newnham: Can I ask a final question? You refer to the fact that you are at the moment selling off land to allow for the deficiencies in your budget. When you have sold off all the land, what are you going to do?

Mr Jim Paice MP: The problem is that the Forestry Commission operates in such a way that it either loses or marginally makes profit on its commercial, pure forestry activities, give or take £1 million. When you add in all the other things that it is currently doing—leisure and other things, for example—it ends up with a significant deficit. It has been selling land partially to fund that deficit; some of it has been funded by taxpayers, some from sales. That is not a sustainable approach. We think, and this is one of our objectives in disposal, that there are ways of improving commercial returns and generating more returns from leisure and other, currently unprofitable, activities.

The Chairman: Minister, on behalf of the Committee, thank you very much for a very good session. Both the authority and vigour of the responses were very much appreciated. Thank you very much, and thank you to your colleagues.

Mr Jim Paice MP: Thank you very much.