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Veon *Vision*

Forest Expansion: Landowners Must Remain in Focus

We live in a time of climate crisis, and most would agree that the creation of new forests together with the protection of existing woodlands plays a significant role in mitigating climate change. It is not *the* solution, but it is generally accepted as an important component that will help prevent carbon emissions cascading wildly out of control.

The current public discussion tends to focus on a particular type of forest, or woodland, that is purely native to a region. Wrongly, this is often put forward as though no other forest is a valued option in the climate debate. Public conversation will often progress to the multi-functional nature of timber as an end product, its value in the broad subject of carbon sequestration and storage, while simultaneously criticising such topics as harvesting methods and, indeed, harvesting activity in general. We'll avoid discussing the contradictory nature of such arguments that are against harvesting while at the same time supportive of the greater use of timber – perhaps we'll keep that for a future edition!

What is too often ignored in the general public discourse on forestry is the rights and needs of the landowner. The person, family, business, community or State that owns the land is rarely given much attention. In truth, it is often given no attention at all. Yet, when society at large seeks to deliver more forest cover in their country, it is landowners, whatever their demographic, who will either choose forestry or some other option for their land – food production, industrial, development, etc.

When society chooses to ignore the needs of the landowner, then society behaves like the retailer that disregards the needs and wants of its consumers by stocking unwanted products and then fails to understand why nobody buys its merchandises. That business is doomed to failure and if society fails to keep the landowner's needs and wants in mind when prescribing forest policy then we will also see that very policy fail.

But the stakes in this climate challenge are too big – we cannot, and must not, permit forest policy to fail.

The good news is that there are many different landowner types. Each has their own expectations from the land they own. Due to this diverse demographic, there is no requirement for us to be unduly concerned that there will only be one type of woodland or forest delivered so long as public policies are structured to support forest creation in all its forms. Each landowner type that is open to forestry as a land use will move their lands into the woodland type that is appropriate for them.

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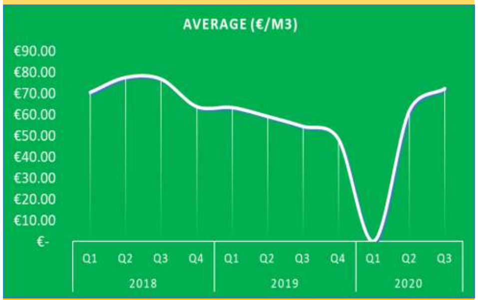
Individual Highlights

Timber Price

Timber prices in Ireland have rebounded strongly in recent months. The primary driver for this strong price growth is the lack of supply of domestic timber reaching the Irish market. This lack of supply has been triggered by the collapse in licences issuing from Forest Service as the regulatory crisis has deepened



Sawmills, together with the industry as a whole, have been vocal on the impact that this is having on their businesses and the impact on the sector.

For every cloud there is a silver lining and for those forest owners who have an existing felling licence on their forest, these high prices have proven to be very rewarding.

It was disappointing nonetheless to hear the Minister for Agriculture speak in April about licences being up 20% this year. While January saw some reasonable numbers emerging from the licencing process, the trend in issuing Felling Licences from January through to April has been strongly downwards. Additionally, 2020 was hardly a good year for the Minister to be referencing.

Afforestation

Likewise, afforestation rates are at the lowest they have ever been since the 1940s. This is a side effect of a broken regulatory system that is placing everyone but the landowner at the centre of the decision on whether or not to plant forestry. The result is Irish landowners abandoning forestry in favour of other agricultural land uses.

Broadly speaking and to generalise for the purposes of this brief report, we can identify eight different landowner types:

- State – Direct ownership
- State – Indirect ownership (Semi-state)
- Private – Agricultural
- Private – Corporate
- Private – Investment
- Private – Community
- Private - Charity
- NGO

Within each of the above types, we know that there are a diverse set of needs. Indeed, each landowner type can be broken into various subtypes. For example, it is easy to identify that the State will have a variety of types, far too many to deal with in a brief report. To name just a few, there will be semi-state ownership some of which will have a commercial focus and others that will have a social service as the core deliverable. Where there is direct state ownership there will also be a highly diverse set of requirements depending on what government department has control – heritage, ecology, archaeology, environment, transport and infrastructure, etc.

"…the stakes in this climate challenge are too big – we cannot, and must not, permit forest policy to fail."

Some further examples of these could be:

1. State with direct ownership
   a. Environment
      Clearly the environmental arm of the State will always be, quite rightly, focused on matters of high environmental value / concern and so it stands to reason that land under the control of such an arm of the State is appropriately managed in accordance with such objectives. This would suggest that such arms of the State would actively encourage the development of natural and native woodlands together with all the related flora and fauna. So long as it remains in keeping with the protection of such habitats, one would expect that public access would also be a key priority.
   b. Infrastructure
      If the State owns infrastructural land (e.g. roads or energy solutions) then these are quite specific land uses and one might assume they automatically exclude forestry as a land use. Yet, in road networks, there are often ribbons of forest purposefully planted alongside the road. Similarly, it is not unusual for energy companies to seek to have forests as additional land use on lands surrounding the main infrastructure.

Swedish Ownership Profile of Productive Forest Land

Ownership	Share %	Definition
Individual owners	51	Single owner, estates and small companies (sole trader)
Private owned companies	23	Company/corporation that is more than 50 percent privately owned.
State owned companies	14	Companies more than 50 percent administrated by the Swedish government.
Other private owners	6	Religious associations including the Swedish Church, privately owned foundations and funds, profit and non-profit associations, profit driven community groups (commons).
State authorities	3	Swedish state owned institution funds, foundations etc.
Other public owners	2	Swedish local and county councils including limited companies, foundations and funds owned to 50percent or more by local and county councils

Table 1 Source: Forest Land Ownership Change in Europe - European Forest Institute 2015

c. Heritage

Similarly, where the State owns lands that are important from a historic and national heritage perspective then, depending on the nature of the main feature itself, it would not be unusual for surrounding lands to contain some woodland.

2. State via a semi-State Structure
   Such State bodies may or may not be commercial enterprises but their involvement in forestry, if any, will have a specific purpose. For example, if the semi-State is the arm of government that is responsible for its forestry activities, then it may have a predominantly commercial outlook on the forests in its ownership. However, it may also be the case that such a State-owned organisation may be mandated to carry out a dual social and environmental role rather than have a singular focus to support the commercial sector.
3. Private – Agricultural
   The majority of such landowners will seek to achieve a living from their farming enterprise and their focus will be to provide for their families, ensuring the farming enterprise itself is healthy, vibrant and there for the next generation. Therefore, any changes to a land use such as forestry will need to be commercially realistic to them if it is to be considered.
4. Private – Corporate
   Many corporates view forestry as a component of their operations. The strategic motivations behind this are hugely diverse and increasingly so. There a was a time, up to quite recently, that the key motivation would have been commercial and the forest holdings would have had a strategic focus of profit maximisation. However, this has changed significantly in recent years and non-monetary values are now increasingly important with carbon offsetting, net-zero objectives, ESG and CSR reporting obligations becoming part of the organisational narrative. With powerful regulators now including climate change considerations as a part of the regulatory regime, the strategic focus of the corporate world's engagement with landownership is no longer narrowly defined by pure profit.
5. Private – Investment
   Such landowners range from pension funds with large portfolios to the private investor with one forest holding. Due to the nature of the demands placed upon such landowners, the financial return emanating from the land use remains the primary focus. Nonetheless, depending on their specific outlook and circumstances, the private landowner may seek to achieve a more altruistic outcome from the land under their control allowing for a greater level of biodiversity.
6. NGO
   a. Numerous Non-Governmental Organisation now operate in the forestry arena and their numbers are expanding. Their efforts are often focused on rehabilitation or protection of habitat and the expansion of natural forest (as defined by the geography in which they operate).

From this generalised profile of landowner types, it can be easily identified that there is a sufficiently broad focus on forestry across society to ensure that there can be sufficient land availability for each forest type, once policy is correctly designed to support it. Where policy is incorrectly designed, then negative, sometimes unintended, outcomes can result; ranging from too much of one forest type to active deforestation.

Historically the primary focus of afforestation in many parts of the world was that of economic return. However, a change to this singular focus has emerged, especially in developed nations, due to the changing needs and wants of existing and potential landowners. Many of us operating in the sector see a significant increase in demand for the development of native forests and rehabilitation of existing woodlands.

So it is fair to say that if the correct supports and incentives exist across a range of forest types, then there is a diverse group of landowners available within the sector to deliver a diverse forest estate across all regions.

Included in this report are profiles of a number of countries. These countries were chosen as they have a rich history of all forms of forestry, while also benefitting from a developed forestry sector.

Of note is the wide divergence in the State's involvement in these sample countries. In Sweden, a country renowned for its vast forested landscapes and highly developed timber industries, the State owns just 19% of the country's forests while 51% remains in the hands of individual owners. A further point of interest is that 6% is held through such organisations as religious associations and community groups. This profile alone

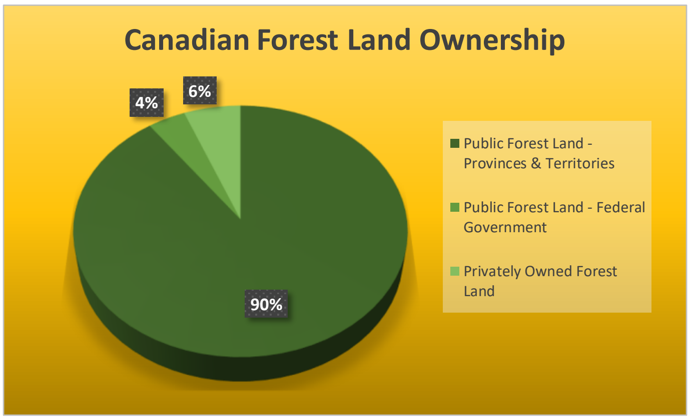


Figure 1 Source: Natural Resources Canada

demonstrates just how broad the ownership demographic can be in a national forest estate.

In Canada the opposite landownership arrangements apply. Canada is another country famed for endless forest landscapes and with a highly developed timber industry. A whopping 94% of all forestry is held directly or indirectly by the State leaving just 6% to be held privately. Despite this, Natural Resources Canada report that 10% of timber is sourced from private forests.

Looking to New Zealand we find a nation that is justifiably proud of its natural environment that is home to countless species of flora and fauna which are unique to its shores. Alongside this invaluable environment, New Zealand enjoys the benefits of a developed forestry sector that "contributes 1.1% of the world's total supply of industrial wood and 1.3% of the world's trade in forest products". With total exports from New Zealand's forestry sector worth NZ$6.8 billion, the sector makes up 1.6% of New Zealand's GDP.

Looking at the breakdown of forest ownership, there is circa 80% in the ownership of The Crown with the remainder in private ownership. However, it is interesting to note that the 8 million ha owned by The Crown is native forestry while the privately owned forests are almost entirely focused on timber production – i.e. The Crown protects and develops native woodlands and the private sector is tasked with supplying the vital timber supply to the local and export markets.

Forestry is essential if we are to remove carbon dioxide from the atmosphere. There are many other actions that society must take to mitigate climate change such as focussing on carbon emission reduction programmes, but carbon sequestration through forestry helps Nature do what humanity cannot do itself. We must not permit ourselves to stumble on the altar of sacrificial populism by demanding that every single landowner contribute equal amounts of their land to non-commercial native and commercial woodland together with leaving areas of their land unplanted for other biodiversity purposes.

New Zealand Forest Ownership

Forest Type	Area (ha)	Ownership
Native Forest	8 million	Mostly owned by The Crown
Plantation	2.1 million	96% privately owned (see below)

Table 3 Source: NZ Ministry for Primary Industries

Figure 2 New Zealand Forst Owners Assoc. Facts & Figures 2017/2018

Why do we say this? Quite simply, this approach cannot work for the small landholder whose principle focus is to provide for their family. If such a requirement is placed on such landowners then they will simply turn away from forestry, with continued intensive agriculture being the most likely alternative.

Ireland is certainly seeing this scenario play out. In the late 1990s the country was planting more than 20,000 ha of new forests per annum. In 2020 this had collapsed to just 2,434 ha. The causes for this collapse in activity are varied – certainly a well-publicised failure of the regulatory regime introduced over recent years is having a significant impact. However, the falling afforestation numbers pre-dates the regulatory changes introduced by the Forestry Act 2014.

So what's going on? As a company that has worked in forestry since the early 1990s we can certainly attest to the move of policy focus away from what the landowner's needs and wants are. We also see a failing in the public discussion insofar as it does not recognise that there are a myriad of different landowners involved in forestry in Ireland today. As with all other jurisdictions, these different landowners have varying objectives that they must achieve from their lands.

With a significant State involvement in Irish forestry and an even larger potential involvement through the National Parks & Wildlife Service, the expansion of native woodland is entirely possible without imposing unrealistic constraints on private landowners whose primary focus is supporting families and whose landholding size is often too small to sustain both their own needs along with society demanding they also having a variety of forest types established. Instead, policy makers should learn from other nations where private forest holdings produce much of the timber that society requires and, through good policy, enables the other landowners to deliver and protect the native woodland that is also of such importance to us all.

This is entirely possible and with the emergence of CSR and ESG activities by global companies, and the need to actively substantiate and report on their activities, such tasks as expanding and protecting natural forests no longer needs to rest solely on the State.

Austrian Forest Ownership Structure

Ownership	Hectares	%
Private forests under 200 ha	1,778,024	48.20
Private forests over 200 ha	784,347	21.26
Common rural property	402,746	10.92
Communal property	76,420	2.07
Provincial governments property	69,002	1.87
Austrian Federal Forests SC and other public forests	578,556	15.68
Total	**3,689,095**	**100**
Remark: Private forests include church forest ownership		

Table 2 Source: BMLFUW, 2015 / Forest Land Ownership Change in Europe - European Forest Institute 2015

Veon

1 Leopardstown Business Centre

Ballyogan Road, Dublin 18

D18 N578, Ireland

T: +353 (0)1-2841777

E: info@veon.ie

ecology@veon.ie

Find us on the Web:

Website: www.veon.ie

YouTube: www.youtube.com/c/VeonForestry

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