

Opening Statement

I am pleased to come before the joint committee today to introduce myself to the Members, give my initial views on a vision for Coillte and outline my approach to the role as Chairperson. I was attracted to this role because I believe that Coillte's core activities in forestry, forest products and renewable energy have never been more relevant or important, and I admired its capacity to transform itself in the last five years under the excellent leadership of the Board, the CEO and the senior management team. I believe it conducts its business in a wholly professional manner and I feel that the organisation, which celebrates its 30th year in existence in 2019, has its brightest years ahead. But before I elaborate on this, I would like to provide the members with some background on my track record.

I am an accountant with extensive experience in HR and governance who has significant executive and non-executive experience in the telecommunications, energy, financial and education sectors, combined with broad consulting experience across the commercial sector. I understand the commercial semi-state sector through my roles as a Worker Director and subsequently as HR Director in eircom at a time of great change, and as Chair of Eirgrid from its inception in 2005 for a period of 8 years. I have also served on a number of other boards in the State sector and am currently a member of the Governing Authority of DCU.

As a Longford person, I understand the importance of rural development and fully appreciate the role that Coillte plays in this context. I am committed to creating a better Ireland for all of our citizens and believe that semi-state organisations have a particular responsibility in this regard, and have consequently served as a member of the Board of Business in the Community, and have held a number of other voluntary positions in the not for profit and sport sectors, including my current role as a member of the GAA Audit & Risk Committee.

In Coillte, I see an organisation that is aligned with my interests and my values and I believe it is a place where I could make a real impact and help to steer the right course on this next phase of its development. In my opinion, that next phase needs to focus on consolidation of the changes effected to date, and build on this momentum to contribute even further to Ireland's approach to forestry, climate change, and use of our natural

resources for the greater good of Irish citizens. I believe that my experience of the State sector and of the energy sector in particular together with my experience of change and governance leave me well placed to lead Coillte in this phase.

Coillte was established in 1989 as a commercial State company and has been on a journey of change and transition from being embedded in the Civil Service to becoming a profitable, innovative and customer-focused State owned commercial company. At the core of the business is an estate of 7% of the land area of Ireland, or approximately 450,000 hectares (in excess of 1 million acres).

This estate is comprised of around 6,000 individual properties which are spread right across the country. This dispersal of properties means that Coillte is not only the largest landowner in Ireland, but it has a very substantial public interface and a deeply rooted relationship with the communities in which it is embedded and I will return to this social dimension of the company and its unique role within rural Ireland later.

The core activity on Coillte's lands are of course commercial forestry operations. However the estate features extensive upland areas which have some of the best wind resources in Europe and in the last ten years, through its Land Solutions business, Coillte has established itself as one of the State's largest developers of on-shore wind farms. Forestry and Land Solutions form two of the company's three divisions, with the third being Medite SmartPly, which is focused on the manufacture of sustainable building products for the construction sector at its two plants at Clonmel, south Tipperary and Belview, south Kilkenny.

The company is in strong financial shape. Last year was an excellent year across all key financial metrics with record revenues of €330m and record EBITDA of €115m. This strong financial performance, combined with the sale of Coillte's interests in a number of operating wind farm assets, allowed the company to bring down net debt to just €15m, re-invest almost €40m in its forests for future generations and pay its shareholder a substantial dividend of €15m.

This strong performance is the culmination of a transformation which has been taking place in the business over the last number of years which has seen the group go from cash neutral from recurring operations in 2014, to €30m cash positive in 2017 and then doubling this again to €60m in 2018. The company is now generating a cash yield of

around 4.6% which puts it in the top tier of State owned forestry companies across Europe.

While it is clearly important that our State owned companies perform well financially, it is not the only reason for the State to own a forestry company. Forests serve multiple and interrelated social, economic and environmental functions. Besides providing a reliable supply of sustainably produced wood fibre to a thriving timber industry which provides jobs and incomes in rural Ireland, forests continuously sequester carbon as they grow and products made from harvested wood safely lock-up carbon and provide an environmentally friendly substitute for carbon intense products such as plastic, concrete and steel.

The imperative to de-carbonise our energy and production systems in the coming years means that forestry, forest products and renewable energy have never been more relevant and Coillte is ideally placed to thrive in this environment. For example, last month Coillte announced that it is engaged in bilateral discussions with ESB which, if successful, would lead to the establishment of a new joint venture development company to deliver 1,000 MW of renewable energy by 2030. This joint venture could provide enough green energy to power well over half a million households annually, making a significant contribution to Ireland's energy transition.

While our forest sector is small by European standards, it is young and dynamic and recognised by its peers internationally as being innovative, progressive and technologically very advanced. Last year the Department of An Taoiseach published a "National Policy Statement on the Bioeconomy" which outlined a vision for Ireland as a world leader in the emerging bioeconomy. As the backbone of the Irish forest sector, Coillte is well-positioned to drive the development of forestry and forest products as a central pillar in the emerging Irish bioeconomy.

Forests also provide important non-commercial or public good benefits. They purify water supplies and regulate water flow, mitigating the risk of flood. They are a low intervention land use and this helps preserve soil stability and fertility. Finally the life cycle of forests is relatively long and, between planting and harvesting, forests provide an important habitat for wildlife and a place to recreate and experience nature.

The Coillte estate has 12 forest parks, nearly 300 recreation sites and over 3,000 kilometers of hiking trails and it is estimated that there are 18 million visits to our forests each year. Working with other stakeholders such as Failte Ireland and the Department for Rural and Community Development, Coillte is investing in the rural economy through the advancement of exciting projects such as the redevelopment of Avondale and 4 world class mountain bike trails situated across the country. In addition over one fifth (90,000 hectares) of the entire estate is dedicated to biodiversity, which the Company is intent on protecting and enhancing. Coillte has participated in the recent Seeds for Nature initiative promoted by the Minister for Culture, Heritage and the Gaeltacht at which it announced the investment of €0.5m in the restoration of a magnificent alluvial forest at Hazelwood, Co. Sligo. Coillte's very substantial contribution to these social and environmental benefits are funded by its commercial activities.

The company recognizes the increasing demand for these social and environmental services from our forests and it is exploring how this important aspect of its work can be developed further in the future in partnership with others.

Of course as we meet here today the biggest uncertainty facing Coillte is Brexit as the UK is a vital market for the Irish forest products sector. A 'hard' Brexit on WTO terms would have serious implications for the company both through the imposition of non-tariff barriers to trade and tariffs on panel products. This would likely result in significant delays for exporters along with increased compliance costs. It is also likely in this scenario that a significant slowdown in the UK construction activity will occur, with a consequent worsening in the trading environment for our products.

Britain also has a relatively low level of forest cover and therefore a limited indigenous supply of wood. It is currently the second largest importer of timber in the world and we believe that the impact of a hard Brexit if it comes to pass, while serious in the short-term, will be overcome by larger macro-economic forces in the medium and longer term. In addition the Irish construction sector continues to thrive with housing completion up over a quarter from 2017 to 2018 and signs of buoyancy continuing at least in the foreseeable future.

It is right and proper that the State expects a business performance from Coillte that is on a par with the best in the private sector and that it expects the State assets vested with it - the net asset value of Coillte's balance sheet is approximately €1.3 billion - to

deliver sustainable returns over time. I would like to take this opportunity to commend the former Chair ,John Moloney, the outgoing CEO Fergal Leamy, and indeed the Board, management and staff of Coillte for their achievements in transforming the company over the last 5 years. I am committed to building on the sound platform they have created and to making a contribution in supporting and challenging the management to drive the business even further forward. I firmly believe we can continue to drive a strong commercial performance and at the same time provide a valuable environmental and social dividend to Irish society at large.

That concludes my statement. I thank the committee and look forward to your questions.