

DÁIL ÉIREANN

AN COMHCHOISTE UM THALMHAÍOCHT, BIA AGUS MUIR

JOINT COMMITTEE ON AGRICULTURE, FOOD AND THE MARINE

Dé Máirt, 12 Nollaig 2017

Tuesday, 12 December 2017

Tháinig an Comhchoiste le chéile ag 4 p.m.

The Joint Committee met at 4 p.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	Seanadóirí / Senators
Jackie Cahill,	Paul Daly,
Marcella Corcoran Kennedy,	Tim Lombard,
Martin Kenny,	Pádraig Mac Lochlainn,
Charlie McConalogue.	Michelle Mulherin.

I láthair / In attendance: Deputies Richard Boyd Barrett, Michael Fitzmaurice and Danny Healy-Rae and Senator Pádraig Ó Céidigh.

Teachta / Deputy Pat Deering sa Chathaoir / in the Chair.

Business of Joint Committee

Chairman: Before we begin, I remind members to make sure their mobile phones are turned off. I propose that we go into private session to deal with some housekeeping matters before we return to public session. Is that agreed? Agreed.

The joint committee went into private session at 4.10 p.m. and resumed in public session at 4.41 p.m.

Coillte's Annual Report for 2016 and Climate Change: Discussion

Chairman: I remind members, delegates and those in the Visitors Gallery to ensure their mobile phones are switched off completely or left in flight mode for the duration of the meeting as they interfere with the recording and broadcasting equipment, even when left in silent mode.

From Coillte I welcome Mr. Fergal Leamy, Mr. Gerry Britchfield and Mr. Gerard Murphy. I thank them for coming before the joint committee. This is Mr. Leamy's first appearance before it and on its behalf I congratulate him on his appointment. I look forward to hearing about Coillte's past activities. I also look forward to hearing his views on climate change, carbon sequestration and the impact on emissions targets which will be a very topical issue.

I draw attention to the fact that witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or an entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official, either by name or in such a way as to make him or her identifiable.

I must apologise as I need to step out of the meeting for a few minutes.

Deputy Jackie Cahill took the Chair.

Vice Chairman: I invite Mr. Leamy to make his opening statement.

Mr. Fergal Leamy: I thank the joint committee for its invitation and giving me the opportunity to discuss Coillte's progress in recent years, the very important issue of climate change and how Coillte will play a role in dealing with the climate change agenda. In this statement I will cover four areas. I will give an overview of Coillte and outline the progress made in our transformation in recent years, our vision for the future, where we see Coillte in the next few years and the role we think it can play in dealing with the climate change agenda.

Coillte is a commercial forestry company owned by the State. It manages 7% of the country's land, from which it runs three strong businesses, all of which have significant potential. Our core business is forestry. Coillte is in a leading position in the forestry industry in Ireland and, more broadly, Europe. The forestry resource in Ireland is crucial. It contributes €2.3

billion to the economy on an annual basis and supports 12,000 jobs. Most importantly, these jobs, in the main, are in rural areas. Forestry is also an international business. Each year it is estimated that there are 40,000 international truck movements from Ireland, predominantly to the United Kingdom and other European countries. The industry is forecast to double in size in the next ten years owing to the planting that has taken place in the past 20 years.

Coillte's position in the forestry sector is to support ten large forestry customers, to which we sell 1.7 million cu. m of timber every year. Last year Coillte planted 18 million trees. Therefore, it has a key role in addressing the effects of climate change. It also has a key role in mobilising the private supply of wood fibre on the island. In order to do this, we recently launched Coillte Premium Partners. The group is also investing an awful lot in technology to ensure we will have world class estate and forestry management practices in this country.

In addition to its core forestry business, Coillte is a major provider of public goods. We have several flagship recreational sites throughout the country, and we have a significant role to play in carbon sequestration. We estimate that our estate stores 200 million tonnes of carbon dioxide, and adds 1 to 2 million tonnes per year as the estate grows. We also have large areas contributing to biodiversity and nature conservation.

In our second division, Medite Smartply, we manufacture sustainable and innovative medium density fibreboard, MDF, and oriented strand board, OSB, in two plants in the south east of Ireland that export product to more than 30 countries around the globe. We are a market leader in MDF and OSB construction materials and value added products. We recently invested €59 million in a plant in Waterford, and €68 million in a joint venture with BP and Axis on innovative new products that will be sold around the world, providing a market for the two plants in Waterford and Clonmel.

In our third division, land solutions, we take land that is less suitable for forestry and try to add value to it, in line with Government policy in supporting key infrastructure such as renewable energy, housing, tourism and recreation projects. We have played a key role in delivering the renewable energy targets through our renewable energy portfolio.

Over the past three years, Coillte has been on a transformational journey. We are on a journey to becoming the best forestry and land solutions company in Europe. We are changing from an organisation that did not make any money on an annual basis from its €1.5 billion worth of assets, to one that will contribute €30 million in operating cash this year. Coillte is moving away from depending on one-off land sales to drive the performance of the business, and towards a more sustainable model of leasing land, ensuring that land and recurring cash are coming into the organisation. This year we will have doubled the dividend that we pay back to the State and the shareholder from €4 million in 2014 to €8 million in 2017. We have restructured the business quite significantly, taking €20 million in costs out of the business. This makes us more competitive and also makes the business more sustainable into the future.

In our forestry business, I am delighted to say that last year we had a record planting year, planting 18 million trees. This is a 30% improvement on 2014 and is crucially important in ensuring the sustainability of the organisation. This year, we are on track to sell 1.7 million cu. m of sawlogs, the highest volume in ten years. This is important to our forestry customers throughout the country. We have invested more than €10 million in world-class technology to help manage our businesses, and we are maintaining and building on strong relationships with more than 1,000 forestry contractors across the country.

Over the past 12 months, we have been working with partners in the industry on understanding the concern and risks around Brexit and its impact on our business and theirs. We have put together a Brexit forum to address those issues for the broader sector. It is a crucially important sector, one that is growing strongly, and we need to make sure it stays that way. We have been working on innovative biodiversity classification projects to ensure that we continue our role in climate change. In the tourism and recreation sector, we have been cornerstone leaders in the national outdoor recreation plan. We have concluded a €500,000 project with Fáilte Ireland this year to bring substance to key areas around the Wild Atlantic Way and east coast initiatives, and to ensure that we align with Fáilte Ireland's initiatives.

In regard to sustainable wood panels, we have focused our business much more on value added products, moving away from commodity products over that period. As part of our effort to enable national infrastructure, along with our partners we have invested in excess of €400 million in wind energy across the estate. We have identified one gigawatt of energy that we can develop over the next ten to fifteen years. We will not be doing this on our own. Coillte will partner with another concern so that we can focus on our core forestry business.

What will Coillte look like in 2019? We believe that we can and will be the best forestry and land solutions company by 2019 or 2020. That means that we will have a business that first and foremost is sustainable from a financial perspective. It will have world-class recreational facilities and environmental services. Importantly, we believe it can play a key role as an enabler of renewable energy in this country. It will also play a key role in helping Ireland to tackle its increasing climate change challenges and ensuring that we allow other sectors to grow.

Coillte plays a significant role today in mitigating climate change in four key areas. First and foremost is the carbon sequestration on forested lands. As I mentioned, we have a store of 200 million tonnes of carbon dioxide equivalents in our land, and this grows by 1 to 2 million tonnes per year through the growth of forests. We are also working with the Department of Agriculture, Food and the Marine to play a more active role around afforestation. The low-carbon wood panel-based products produced in our businesses in Waterford and Clonmel are a good substitute for non-sustainable materials in the building sector. They are also an important store of carbon. In the biomass area, Coillte provides a triple carbon benefit from substituting biomass for fossil fuels. In the renewable energy sector, there is significant scope for Coillte to help achieve Ireland's targets through our renewable energy, wind farms and solar energy portfolio.

We think that Coillte is very well positioned to play a leading role in the Irish bio-economy. This is a reflection of our work in planting forests. We plant 18 million trees every year, and we are looking to further increase that over the next three years. We have a robust land mitigation strategy. Historically, Coillte sold land but did not replace it. Nowadays, when we do sell land for various reasons, we mitigate that by acquiring other land which is put into forestry. That is an important policy that we have adopted to ensure that our overall productive estate grows. We are working intensely with the Department to understand how we can help to grow the forest cover in this country from 11% to 14% in the coming years.

On the topic of sustainable forest management, I note that Coillte manages its forest in a way that maximises carbon sequestration, not only from a commercial perspective, but also from a carbon-storing perspective. Some 20% of our land today is managed for biodiversity purposes. As regards increased forest productivity, we have invested in technology which allows us to manage our estate more efficiently. This allows us to optimise truck movements and carry out work in the forest in a much more efficient and environmentally friendly way. In

regard to the private forestry initiative, we have now launched the Coillte Premium Partners scheme. This will be key to mobilising the private supply of fibre by effectively paying farmers and other landowners a cash yield in years 20 plus to allow them to manage their forests and to continue to receive benefit until the final felling at 40 years.

In the biomass area, there is a triple carbon benefit, as I have mentioned. Carbon is sequestered when forest grows, we displace high embedded carbon products, and we have a carbon neutral heat and energy plan. We believe we are well on the way to being the best forestry and land solutions company in Europe, and I believe we can play a significant role in helping Ireland to meet its challenging emissions targets.

Deputy Martin Kenny: I thank the witnesses for coming before the committee and giving their rundown of Coillte's position. As has been said, Coillte is one of the largest landowners in the country. It has a vast resource there. I have a couple of questions around that.

One question is in regard to the exports. Mr. Leamy says that Coillte is trying to enhance the value of the product through processing, some of which takes place in the company's two plants. How much of the timber is exported out of the country in bulk timber and what value leaves the country? Is any processing carried out here?

The other issue concerns wind energy. The wind energy business has been prone to causing conflict with communities in many parts of the country. What is Coillte's position in that regard? I know many people are talking about the distances between larger wind turbines and communities, people and households. Does Coillte have particular policy around that? Where does it stand?

I was interested in the final slide, which concerned replacing land sales with partnerships or with leasing land. Mr. Leamy also spoke about the Coillte Premium Partnership. I have come across a number of concerns around the partnership scheme. I know that there are between 700 and 800 people currently in partnerships with Coillte, and many of them are very dissatisfied. I have a couple of questions about that. When farmers enter into a partnership with Coillte, do they have any role in deciding whether to accept the price that is offered for their timber when it is extracted? I would also like to know the role of the farmer in the decision as to whether to sell the timber at a particular time. I have come across farmers who say that when timber is at its bottom price but Coillte needs to move timber out, it is the partnership's timber that they take rather than the timber from their own forestry. Farmers feel that the contracts that they signed up to are being breached in some cases or certainly being stretched, with a negative impact on them. I would like to get the witnesses' response to all that.

Deputy Charlie McConalogue: I welcome Mr. Leamy and his colleagues here today, and I thank them for their presentation. It is good to see a return being delivered to the State over recent years in the form of a financial contribution. That is a positive development. The move to ensure Coillte's landbanks and resources are better utilised for multiple purposes, such as for recreation and tourism, adds value which we would like to continue. The move to ensure value is added to Coillte's product before it is exported is also positive and should continue.

It was stated earlier that when buying land, Coillte mitigates by replacing it. Is Coillte expanding its land holdings or are they remaining constant? Is it making more use of its current landbanks? It was also indicated that it has had ongoing engagement with the Government on how afforestation levels could be increased from 11% to 14%. Will the witnesses expand on what ideas have been discussed in this regard and what initiatives need to be taken to ensure

this can be achieved?

It is hoped we will achieve a positive outcome with Brexit. The UK is a significant market for Coillte products. What is Coillte's perspective on how Brexit will impact on forestry? Perhaps the witnesses would elaborate on and develop that.

The witnesses mentioned premium partnering with farmers and Deputy Kenny touched on that. Will the witnesses elaborate on the take-up of this scheme and farmer feedback on it? I recently met the IFA which is particularly concerned that the payment structure for the take-up of forestry by the farming community is not sufficient to encourage it. In too many cases, it is too acute in some areas, while in other parts of the country, it is not being embraced where it could be. What is Coillte's perspective on farmers taking up forestry? There is a threshold on the amount of unenclosed land which can be planted. Should this be reviewed to encourage more forestry planting? I would welcome the witnesses' views on this.

Deputy Jackie Cahill: I thank Coillte for its presentation. Unusually for a presentation, we got much information in bullet format and there is much to be digested.

Last year, Coillte sold 1.7 million cu. m of logs and planted 18 million trees. How much of those were bought from private operators and how much were grown by Coillte? How does that break down between being bought from partnerships or from wholly owned Coillte sites?

Will the witnesses elaborate on the section of the presentation on land solutions? What part does Coillte feel it has to play in this? It stated it would plant 18 million trees in 2017, up 30% from 2014. Was this the target or what was the target? Is Coillte ahead of target or is it behind target? On sustainable forest management, bogs, uplands, native forests and rare habitats, what are Coillte's views on the bogs Bord na Móna has and the role it has to play in biodiversity? Does Coillte believe we are fully realising the potential of these lands with regard to the climate change targets we must meet?

Bord na Móna plans to invest €60 million in wood chip production in Georgia in the United States and to bring it back to Ireland for burning. What is Coillte's view of the economic benefit of such a scheme? With regard to Coillte's plans to expand acreage and increase the potential of our forestry sector, it is utter madness to invest in such a plant in the United States. Shipping wood products back here to burn is like taking coal to Newcastle. I cannot see how that can be of benefit for meeting any climate change targets.

There is a blanket ban on afforestation on hen harrier lands. Has Coillte tried to get common sense into this analysis? There have been some discussions about a new scheme for hen harrier lands. There is a strong scientific case that different stages of forestry growth would be for the benefit of the hen harrier. In Tipperary, vast tracts of land have been made worthless by various hen harrier regulations put in place. As a State body, does Coillte believe we can win this argument?

I have had a number of calls from private forestry farmers unhappy with Coillte. One point was on insurance coverage for forestry. The understanding was that it was Coillte's responsibility but the farmers felt the onus was put on them. They also felt they had no say on when thinnings would occur or when the trees would be cut down. They felt it was a pig in a poke not knowing if they were getting value for money. If this kind of relationship is to work, there will have to be more communication between Coillte and their partnership members. There is a distinct lack of trust, with the private operators feeling they are not getting a fair crack of the whip.

Several months ago a private operator, who employed eight people, told me Coillte had stopped purchasing forestry thinnings from him. As he had nowhere else to sell them, he had built up a serious tonnage of thinnings. Are there times when Coillte refuses to take thinnings off private operators?

Several weeks ago I attended a meeting with the Minister, the Department and interested forestry stakeholders about the Common Agricultural Policy, CAP, mid-term review. Some stakeholders are unhappy with the proposed changes from Brussels and what greater financial incentives will be put in place. What is Coillte's view on the mid-term review? Are there any proposals it would like to see included in it?

The presentation was detailed. The company's performance is good and forestry has significant potential for our economy. I am a farmer by trade and I believe forestry has its place in farming. However, the barriers being put on where we can plant forestry are ridiculous, meaning it will never compete with commercial farming. If we are to meet our climate change targets, our attitude to unenclosed land, as Deputy McConalogue said, has to change. I cannot see the logic of these blanket bans or of making it very difficult to plant unenclosed land.

Mr. Fergal Leamy: I will try to answer as many of the questions as I can and then my colleague, Mr. Murphy, will answer some questions specifically on forestry. Deputy Kenny asked how much is exported in raw material form without value added. Very little is exported from this island on which there is not some value added. We estimate the total exports of timber products to be around €700 million a year. All of that is material taken from our forests and processed in processing facilities throughout the country or turned from a log into a construction material such as C16 which is used in roofing in the UK and other places. In our two facilities in Waterford and Clonmel, we take the fibre and put it into boards, either MDF or OSB, and add a lot of value to the boards before we export them. Very little is exported off the island without adding value. Having said that, there is further opportunity for us to add even more value and move away from commodity construction products into higher value added items, which is why we are investing in our facilities in the south east to try to get as much value for each piece of timber that comes out of our factories as possible. We might get €10 for a normal OSB piece of timber, but if we treat it and make it fire resistant or suitable for outdoor use, we can get multiples of that from the same piece of fibre. The focus should be on that and on innovation.

In terms of wind energy and the conflict with communities, we are fairly distinctive in how we approach wind energy development in local communities. We are hugely conscious of the impact it has on local communities. Not all wind energy development is the same. We have to meet our targets by 2020 and beyond and we should be playing a strong role in that. Renewable energy is a way that Ireland can do that and it has a competitive advantage in doing so. We need to be much more thoughtful in how we engage with communities. A good example of a wind farm we have recently opened is in Raheenleagh in Wicklow. Before we had a wind farm there, we had maybe 20 or 30 visitors in a weekend. On some weekends over the summer there were several hundred visitors to that facility because we put in facilities such as car parks, picnic benches, paths and trails. We are opening up the forest, renewable energy and wind turbines in a way that is sympathetic to the environment and can co-exist with local communities. More needs to be done and will be done as we think about the next stage. It is an advantage for Coillte to develop some of these things.

There are two issues in terms of replacing land we sell and the dissatisfaction with the current partnership. Coillte Premium Partners is a new product we have launched in recent months. The Deputy referred to the farm partnerships, which go back a number of years. Mr.

Murphy will comment further on them. I will provide some perspective. I agree there are significant lessons that need to be learned in those partnerships. The partnerships were launched 15 or 20 years ago and are now coming up to that initial stage. There are 700 or so of those partnerships in existence. Farmers believe some are very strong but we are getting feedback that they are not happy with others. I agree with Deputy Cahill's viewpoint that communication will be key in helping people to understand these and that we should make it less complex in order that people understand the product. We have taken it on board and it is something we are working hard at. We want to make sure that when we talk to farmers about the product, there is as much communication as possible. We are addressing the old farm partnerships with our farm partners as they come up and working through each of the issues that arise. There are numerous examples around the country where people have had concerns. They have approached us and we have engaged with them on the farm partnerships.

Mr. Gerard Murphy: Communication is very important. We have introduced in recent years annual partnership meetings where we discuss the crop, where it is, whether it needs thinning and what steps we are planning to take. We are also carrying out a full review. We have just under 700 partners and about 12,000 ha. It is quite complex. They go back to 1993 so there are about 30 different schemes, all with different elements and principles. We are doing a full review of those partnerships to identify the lessons and build on them into the future. In terms of price, we are also a forest owner and grower, so it is in our interest to get the best possible price for our products at all stages. We share that interest with our partners.

Deputy Martin Kenny: Does the farmer have a role in that? In a normal partnership, a decision is made by both parties to the partnership on whether they will thin the trees or accept the price they are getting, for example. Many farmers say they do not have a say and that they are just told what is happening. That is the issue. Will the review change that? Will farmers be given equal status within the partnership which they do not have at present?

Mr. Gerard Murphy: It comes back to communication. In a good partnership there is a free exchange of information on what needs to be done. In a thinning situation, for example, there are a limited number of years in which to thin. If it is not done within a three-year window, there is an increased risk of windthrow. There are certain constraints and thinning has to be done at certain stages. We are always looking for the best price at a particular moment in time while also taking into account the other elements of the silvicultural regime.

Chairman: I have heard many concerns about the partnerships. I understand there are a number of different types within the 700 partnerships. Is that correct?

Mr. Gerard Murphy: Yes.

Chairman: People have told me that Coillte is not honouring its financial commitments in that regard in some partnerships. A payment is to be made from year 20 and there are people who have been waiting a period of time for that payment who are now surviving on nothing because they received a premium up to year 20. Perhaps it is year 22 or 23 now and they have not received any money from Coillte.

Mr. Gerard Murphy: I am not aware of anything but I can check. The principle is they get a premium or annuity over a period.

Chairman: My understanding is there are a number of partners around the country with this issue.

Mr. Gerard Murphy: I would need to know the specifics but the general principle is there is an annual payments system built into the partnership.

Chairman: There also seem to be a lot of issues around who pays the insurance. Is it split 50-50? There are issues about who decides when the crop is to be harvested, who controls the cost of the forest management inspections, the harvesting rates, haulage costs and things like that.

Mr. Gerard Murphy: That is usually all done by us. It is usually structured in a way-----

Chairman: In consultation with the partner.

Mr. Gerard Murphy: Yes, but usually what happens is we take all the risk out in the sense that the partner gets an annuity every year and we come in and take out the thinning. The way it is structured in most cases is that they get a standard annuity which takes a lot of the risk out of it for them.

Chairman: Are they told this or are they aware of the process?

Mr. Gerard Murphy: Yes.

Mr. Fergal Leamy: One of the issues we are seeing throughout the country is that some of the farm partners were signed up 15 to 20 years ago and some of the communication that happened at that time might not be remembered or the land has been transferred. We are trying to get better at communicating and being very clear with people about what is expected from the partnership and what is not expected. I take on board the concerns people have because we are also hearing concerns from some of our partners that were signed up 15 to 20 years ago. We see it as an area in which we need to be clearer with people about what the partnership is. If there are things that need to change, we will look at it and take a flexible approach.

Deputy Martin Kenny: Can the partnership change? Is that what Mr. Leamy is saying? Can the conditions of the contract be changed?

Mr. Fergal Leamy: The conditions of the contract will not be changed but there are elements within the contract that can be discussed in terms of what is right for people on a case-by-case basis. We have on occasion tweaked things when a partner's circumstances have changed.

Chairman: Have all questions been answered on that issue?

Mr. Fergal Leamy: There were a number of other questions I would like to get back to. There was a question from Deputy McConalogue on our overall mitigation plan and whether we are expanding our estate. Since 1989, when Coillte became a commercial semi-State company, an additional 40,000 ha have been purchased and the estate has increased by that number. In the last number of years, it has been pretty much net neutral in terms of impact because we do not have a desire to grow that significantly further. It is about optimising the portfolio now and replacing land that is not ideally suited for forest with forestry land which we can drive better from a productive forestry perspective.

On the expansion of afforestation, I cannot go into too much detail on this issue. We have been working intensely with the Department over the last few months on creating options to allow Coillte to play a bigger role in afforestation. Traditionally, what holds us back is that Coillte is not entitled to the premium willow grants to afforest to which the private sector is entitled and this puts us at a disadvantage and means that we do not make a commercial return

from afforestation. However, we are working with the Department on how we can use some of the increase in returns from the organisation in a different way to take account of afforestation and to enable the organisation to meet some of the gaps in terms of the targets that have been set. We will not be found wanting in trying to hit those targets. We believe this makes good sense not only from a climate change perspective but from a business perspective because it helps to sustain a growing forestry sector and industry in this country.

In terms of Brexit and how it will impact on the forest sector, the impact will be significant given approximately 85% of the material that we and our customers produce goes to the UK. The UK is a significant market for us and so we need to ensure that we can trade seamlessly into the UK. We are doing a lot of work with various people in Dublin and in London and Brussels to ensure that they understand how we do that. Logistics rather than tariffs are the concern of the forest sector and industry. We need to ensure we continue the growth of this sector.

Deputy Cahill asked for further information on land solutions. We have transferred 15,000 ha from our core forestry business into land solutions. Those 15,000 ha have been identified as not ideal for forestry and more suited to renewable energy projects and housing. For example, we have responded to the Department of Housing, Planning and Local Government request for a number of sites. There is a site in Moycullen on which there is no forestry and it can be used to meet some of the housing need in that area. We will mitigate that land that is not currently under forestry by replacing it with land on which we will lay forest. There is a role for Coillte in terms of national broadband infrastructure provision and we are working with the Department on a number of initiatives around the last kilometre of the rural broadband scheme. We are facilitating this through the use of wireless technology from our sites and masts. We are custodians of 7% of the country's land and we should be an enabler of Government policy in different areas; we see this as an area which it is appropriate to separate out from the core forestry business.

Deputy Charlie McConalogue: Perhaps the witness would respond to my question on unenclosed land and the thresholds in that regard.

Mr. Gerard Murphy: It is a very pertinent question at the moment. The difficulty is that unenclosed lands are often in very environmentally sensitive areas, for example, areas where there is a lot of biodiversity. Equally, there are unenclosed lands where it is appropriate to plant forests. It is question of striking a balance. I do not support a blanket ban on unenclosed areas. We need more research and baseline studies on areas where afforestation should be avoided and where it is possible to plant.

Mr. Fergal Leamy: As a country we need to think about how we change our thoughts on land use in terms of some of the targets we have set ourselves. As the Deputy will be aware, 11% of this country is in forest cover versus an average of 37% in the European Union. We are behind countries like the UK. We would welcome a conversation on some of these areas. It will take more than incremental growth to allow us to hit some of the targets set. We need to think differently about how we do that.

Deputy Charlie McConalogue: In regard to carbon sinking, it was mentioned to me that unenclosed land produces more carbon than forestry? Is this true?

Mr. Gerard Murphy: It depends on what one defines as unenclosed land. It is a very generic statement. Taking a blanket bog, as the carbon store there is very high, that statement would be a correct assertion but in areas where there is mineral soil, there would be no problem

planting trees there. It comes down to the type of habitat one is dealing with in these areas.

Deputy Jackie Cahill: In regard to the 1.7 million logs sold each year, how many are purchased and how many are home produced?

Mr. Fergal Leamy: Approximately 95% of the 1.7 million to which I referred is predominantly produced by Coillte. In addition, we supply 900,000 to 1 million cu. m of pulp, some of which, approximately 50,000, we purchase from private suppliers of pulp.

Deputy Jackie Cahill: Is supply ever greater than demand?

Mr. Fergal Leamy: There is currently excess supply of pulp in the market. In the last three or four months there has been more pulp in the market than there is demand for.

Deputy Jackie Cahill: That contradicts what is being proposed by Bord na Móna.

Mr. Fergal Leamy: Over the last number of years, we have been supplying Bord na Móna with approximately 50,000 cu. m per year, which is up from approximately zero three or four years ago. In terms of its ambitions, it will require significantly more pulp than is available on a longer-term basis. We would be of the view that we need to focus on mobilising private supply because there is a lot of fibre out there. The key issue will be how to get it from the forests to the market. A lot of effort will be required to remove the barriers to enable that pulp material and fibre to come to market.

Deputy Jackie Cahill: What about the infrastructure issue?

Mr. Fergal Leamy: It is about better communication with land owners. There are 19,000 private forest owners, many of whom do not understand the value of the crop they have. Coillte needs to play a role in terms of greater price transparency around our system and what people should and should not be paid and so on. There is a huge effort required to ensure we mobilise private supply on this island.

Deputy Jackie Cahill: Perhaps one of the witnesses would respond to my question on the mid-term review.

Mr. Gerard Murphy: There is an issue with it because obviously the afforestation levels have been dropping off. This year, they will be between 5,000 and 6,000. It comes down to the barriers to afforestation and how they can be addressed. There are a number of barriers. Many members spoke about land availability and unenclosed land and how we can increase the availability of land in the right areas to enable further planting of forests. This issue needs to be addressed. It is a structural issue as opposed to an incentives issue. Land price is making it difficult from an economic point of view to plant trees. Another issue for farmers is the permanency of land use change in that once they have agreed to plant trees longer term they have locked in that land use. In other land uses, it is possible to change on a regular basis. We need to address how we can overcome that. From a policy point of view, forests and carbon is very important. We need forest cover and our current forest cover is very low. Permanency of land use is driving some of the behaviour of farmers. As I said, they believe that once they lock in land that is it. We need to address this issue.

Another issue is continuity of income. This is an issue around the incentive schemes. We need to examine how the incentive schemes around agriculture and forestry are constructed as they tend to be working in two separate streams. We need to integrate forestry much more into

a land use strategy where it is seen very much as another form of agricultural land use. The integration of the different incentives must be considered. A number of members alluded to the issue of continuity of income and how we can address the gap between year 20 and clear fell. There are thinnings but, from that point of view, it gives farmers greater certainty about their income and when material will come out. That comes down to education and training. The forest culture in Ireland is quite low. In Europe, forestry is seen very much as part of the farm enterprise but we are still at a much more immature stage in Ireland, given that forestry is, one could argue, only 100 years old. It is hundreds of years old in Europe.

Senator Michelle Mulherin: The witnesses talked about farmers having concerns because their lands are locked in and they went through the various issues there. It would appear, at least in certain communities, that it can be perceived as a negative thing at times that the land is planted because there is not much else going on. There is not much other employment, activity or so on and I know the witnesses have given figures on people employed. We need to see value added to forestry. I am from Mayo and my understanding is that most of the wood that Coillte fells goes on a train from Ballina to Waterford. Does Coillte have any plans to add value in the western region? I am not just talking about Mayo but the west. One would hear this comment about forestry. I recognise the many positive aspects to Coillte's work and endeavours, including carbon sequestration, tourism, and recreation. Coillte has partnered more with communities which have an interest in promoting these things but it is stark that the wood is leaving and no value is being added. These are the types of jobs which we want to see created in rural Ireland where value is being added to products and material coming from the earth.

I will address wind farms. I understand Coillte has developed its business in the area of renewables. Communication is important and I do not know if Coillte has the best track record with it. I refer in particular to the application made at Cluddaun in Moygownagh in County Mayo. It was refused because it was deemed to be over-industrialised by An Bord Pleanála. One of the hallmarks of people's complaints related to communication. People have to be engaged with much more, whether about planting or wind farms. I will contrast it with some private wind developers which seem to handle communities much better than Coillte. I do not want to name other State bodies but the witnesses know which are involved in building wind farms and other renewable projects. I do not know why but people seem to get rubbed up the wrong way. It is important to have community acceptance and it has to be understood where people are coming from with regard to massive infrastructure. There is a conversation to be had. It is not just a case of stating what is available and that a person is to take or leave it, or what a community's contribution is, or that a community will get a walk or a forest trail. People deserve more than that. In areas where people are doing energy projects, that will help us to achieve our renewable energy targets but people are not asked to do that in a city. They are asked to do it in rural, often very scenic areas. There has to be a balance.

I understand that even where land is forested, there can be a wind corridor and turbines can still be put up. How much more land has Coillte identified where that can be done? That would seem to get over the visual impact concern that many people have about wind farms. How much more land is it possible for Coillte to develop in that way, bearing in mind issues such as connection to the grid? I understand that it has to be possible to connect to the grid. There is no point in having power generated in a forest where it cannot be connected to the grid.

I join with my colleagues who have raised concerns about the operation of partnerships with Coillte and private land owners. Since concerns have been raised, perhaps the witnesses could outline in general what the *pro forma* contract is? They have mentioned that there are a couple

of types of contracts. Who bears the cost of insurance? What sort of consultation goes on? Who bears the cost of felling the trees and the transportation of trees to market? Who decides on the timing of it? Is it really a partnership? How is the payment divided? Is it 60:40? Generally, are there certain types of contract? What are the bones of this for the private landowner's bottom line? Sufficient concerns have been aired with the witnesses today. We could do with getting light on how these contracts are operating. The witnesses themselves acknowledged that some of the contracts were drawn up 15 or 20 years ago. Will they tell us how those contracts operate with regard to the specific questions raised by members as well as my own?

Deputy Marcella Corcoran Kennedy: I thank the witnesses for attending. They talk about the number of trees they have planted. What percentage of those trees are deciduous? The witnesses were talking about the national outdoors recreation plan and the partnership that Coillte has with Fáilte Ireland. What does that involve? I welcome the project that Coillte has with Offaly and Laois local authorities relating to the Slieve Bloom cycle park. I know there is significant progress there. The witnesses might expand a little on how far that has advanced. What impact do they think Brexit will have on the timber industry? I notice they had a forum. What thinking has come from that? I see that Coillte sold its telecoms business for €70 million. Was that a good result or a bad result?

Senator Paul Daly: I thank the witnesses for their presentation. Most sectors that come before the committee seem to angle towards science. What element of scientific research is involved in Coillte's processes to, for example, decide what trees go where? Is timber value or carbon sequestration considered? What is the major consideration given to specific trees going to specific areas and is much scientific research ongoing in this area? Do witnesses have any idea of how big a hit Coillte got during Storm Ophelia?

Mr. Fergal Leamy: I will answer Senator Mulherin's questions first. On the issues of wind farms and communities, I accept that there have been issues with communication about wind farm development in the past. In the four we have developed, we have put a huge amount of effort into building much greater community engagement. We have now appointed people whose focus is to better bring along the community in those projects. I hear the Senator's concerns about that. We are very conscious about it. In the last few projects we have brought to market, we have been exemplars of the way to do things and of community engagement. That is not to say that it was always that way in the past.

On the wind corridors in forests and additional hectares, we have identified 600 ha in 25 sites across the State that we believe are ideal for this type of wind corridor, taking into account the suitability of the land, the distance from the grid, the distance from local communities and other areas that might be impacted. We believe a total of 1 gigawatt of power can be developed across those areas. We have done a substantial amount of work on that to ensure those sites can be available over the next years. I will ask my colleague, Mr. Gerard Murphy, to address foreign partnerships to give a sense of the contracts.

Mr. Gerard Murphy: An issue with partnerships was continuity of income, particularly after year 18 to year 20, depending on the productivity of the crop. The contracts were constructed in such a way that when we entered into a contract, perhaps at the start of year 0 or year 1, we basically gave a guarantee of an income stream on a yearly basis after the premium finishes. For example, at year 18, we might kick in with a premium. The partner in that case would get a steady annual income irrespective of whether we were thinning or not. One would only thin a crop maybe four or five times in the cycle to clear fell. The partner in that case will get a premium on an annual basis. Usually what happens, depending on the contracts, between 20%

and 30% of the value of the thinnings will also go to the partner. The partner will get a steady income every year. At the thinning stage, the partner will also get share of the profits, maybe 30%. At clear fell, the partner will get another proportion, again depending on the contract. It comes down to the appetite for risk. Many partners prefer to have a steady income stream every year with less of the profit at the end. That is why we have different types of partnerships depending on appetite for risk.

If we thinned the crop at that stage, we would do all the harvesting and haul with all costs borne by us. From the value left over after the harvesting and haul, known as the stumpage, the partner would get a certain proportion of that at the thinning stage. We would get the remaining proportion which could be somewhere around 70%. At the clear fell stage, the partner would also get a certain element of the profits. In most cases, we would then replant the crop for the partner and the forest would revert back fully to them.

Senator Michelle Mulherin: Who bears the costs for insurance, felling of trees and transportation to market?

Mr. Gerard Murphy: We would bear the costs for the felling and transport. On insurance, we would take the risk. For example, if there is a wind blow, we would take most of that risk up to that point. The risk is shared in terms of the insurance. It must be remembered that we are giving an annuity all the way through, irrespective of whether there is an event such as a wind blow or a fire after, say, year 25. We do not look to claw back the premiums in that regard. However, if the crop fell over, we would fell it at that particular stage. The partner might not get the value he would have got with a clear fell but nor would we.

Senator Michelle Mulherin: Does Coillte insure its part and the partners insures their interests?

Mr. Gerard Murphy: We would insure the proportion of the crop we would have.

Senator Michelle Mulherin: Is it a separate policy?

Mr. Gerard Murphy: We would always advise farmers to take out whatever appropriate insurance they need for their crops.

Chairman: Several partners are in financial difficulty and their expectation is that upon sale, they would be in a better place. However, because of their contracts, they are tied into Coillte having the first offer but their land might be worth more and they are caught between a rock and a hard place

Mr. Gerard Murphy: The land always remains in the ownership of the partner. The crop is the basis for the partnership. In the number of limited cases we have had this year, we have come to mutually agreed solutions.

Senator Michelle Mulherin: Who sets the market price? Considering all which Coillte controls, it would seem it essentially sets the price.

Mr. Gerard Murphy: We have an electronic auction system on which we put up our timber product every month. The sawmills then bid which sets the prices. We share that information to improve price transparency.

Mr. Fergal Leamy: In the past two years, we introduced a contract system whereby the price of the contract is related to the end market price that our customers will get in the UK.

That is for 50% of our materials. It will depend ultimately on what that product is sold for in the UK. There is more we can do with transparency of prices and giving people a sense as to what they can expect. We are working on publishing more of the prices we get to ensure people understand it.

On value added to products in the Mayo area, the pulp of the thinnings which comes off the forests goes to MEDITE SMARTPLY. However, most of the logs are processed by two customers, ECC and the Murray Timber Group, which have large processing plants in the west. I agree with the Senator's point about bringing value-added product and jobs into those areas, over and above what we do there. The biomass and the recent renewable heat incentive, RHI, scheme supporting local initiatives might be an area on which to build. Similarly, in recreation and tourism, we are trying to enable more of our sites to be used in more sustainable long-term plans such as the Lough Key development in Roscommon, done in conjunction with Roscommon County Council. These are the types of projects which bring life to some of those areas.

Senator Michelle Mulherin: Mayo Renewable Power got planning permission for a combined heat and power station. One of the large pieces of the jigsaw was to get raw material, wood, from Coillte but it could not because it was shipping it out of the county. Doing that and talking about add value to the product seems to be a contradiction. Mayo Renewable Power will have to import timber.

Mr. Fergal Leamy: The key issue there is quantum. With the sheer size of some of the large scale plants being proposed, there is not enough material in the local area which is in excess of value added wood. What we generally see working are smaller scale facilities where one can match the local fibre to the local heat source. The sheer scale of the Mayo project was the issue in that instance.

Senator Michelle Mulherin: I understand that. However, would Coillte be interested in a project like that?

Mr. Fergal Leamy: There is a cascade on the use of timber. In the first instance, we prioritise timber which is going into value added products. There are two facilities which we own, as well as others such as Masonite, which add value to much of that pulp which would be used to generate energy. There are times when there is excess fibre and we would certainly be interested in providing that. We have done this for Bord na Móna in the past couple of years and we will do as much as we can in driving that excess pulp. The core material we have, 1 million cu. m, goes into these facilities, adding value to the product and exporting it. The excess of that is about 300,000 cu. m or 400,000 cu. m which will grow over time. Some of these plants need between 500,000 and 1 million cu. m over that period. The sheer scale of this is the challenge and the issue of getting it from this island. We also need to be working on longer-term crops more suited to biomass. That is an angle on which we are giving support to others.

Senator Michelle Mulherin: What crops is Coillte looking at in that regard?

Mr. Fergal Leamy: We are specifically not looking but giving support to others such as Bord na Móna in willow development and understanding some of the experience we have had with developing these crops over the years. Trials have been done on many of these varieties. We need to make sure we do not make the same mistakes again and focus on the crops which will work on different lands.

Mr. Gerard Murphy: About 12% of our trees are deciduous.

Mr. Fergal Leamy: The Slieve Bloom project got funding in the past four months. We worked long and hard getting that across the line. We expect to have the blueprint ready in spring 2018. We are keen to ensure we work with Bord na Móna in getting that up and running as soon as possible.

Deputy Marcella Corcoran Kennedy: When will it be operational?

Mr. Fergal Leamy: Depending on planning and other issues, we are probably looking from two years just to put the infrastructure in place.

We sold the telecoms business for €70 million. One of the issues we faced as a group when I came in three years ago was that we had several businesses which were non-core. Telecoms is a business which is a good example of where we can add value. It was sold for €70 million, €20 million more than we expected to get for it. We then reinvested that money in our core business and used it to pay down the debt of the business. We need to make sure we manage our business in a sustainable way. We have a significant group of pensioners, we are landowners and we rely on timber prices, so we need to make sure we have lower debt levels. That is what we did with the money.

Deputy Marcella Corcoran Kennedy: The other issue was Brexit.

Mr. Fergal Leamy: Brexit is potentially a significant risk for our industry, as I mentioned earlier. We are working with our customers to figure out how to ensure our timber can continue to cross to the UK. We are seen by many of our customers in the UK, such as B&Q, Travis Perkins and others, as a home-grown supplier of timber. The Irish timber industry has built a significant presence in the UK because of our service level. The biggest threat we have is that we will be seen as a foreign supplier if there are delays in trucks going across the Irish Sea. There are 40,000 truck movements of timber each year. If we cannot service our customers within 24 hours of an order, it is really quite challenging. We are making a lot of progress with Revenue, for example, on understanding what we need to do with our systems. We have had some very good conversations. As a business and industry, we need to be allowed to continue to have those engagements. We need to plan for a worst-case scenario because, as business managers, we need to make sure we are prepared for it. We are putting a huge amount of effort into doing that at the moment. We are looking at the UK to ensure we build up our capability there to make sure those markets stay open. It will always be the largest market for timber products for this country because it is the second largest importer of timber products in the world. It is right on our doorstep. It is crucially important that we build that market as we have done with the sawmilling sector over recent years and make sure we respond appropriately to the challenge of Brexit.

Chairman: Will the witnesses address Senator Daly's questions on the science and Storm Ophelia?

Mr. Gerard Murphy: I will answer the questions on Storm Ophelia first. We were lucky. Although we shut everything down, we lost about 200 ha. Storm Darwin a number of years earlier was much more destructive. The nature of the wind was different and it was much drier. Once the wind hits 135 km/h, there will be damage. It was quite dry prior to the storm so we felt very fortunate at the end of it to have had only 200 ha damaged.

Was the question on the science about the decision on species choice or more generally?

Senator Paul Daly: It was about species choice.

Mr. Gerard Murphy: Over the past 50 or 60 years a lot of research has been done on the appropriate species for different sites. There has been a lot of science built up over the years on the appropriate species. If one goes into very difficult sites, such as wet or mineral sites, only certain types of species will be appropriate. In the richer mineral sites, there is much greater diversity of species. In the very marginal, upland areas, the species are very limited. There has been a lot of research built up over the years to identify the appropriate species. That has to then be looked at from an environmental point of view. Silviculture may be possible but we have to look at the environmental and commercial aspects. Certain trees cannot be planted in certain areas. A species might deliver environmentally but commercially it might not be the appropriate species to plant.

Senator Paul Daly: That answers part of the question. Is there any scientific or genetic modification going on, like in other areas?

Mr. Gerard Murphy: Coillte has maintained a tree improvement programme for the past 20 to 25 years. We do not do any genetic modification. It is a much more basic form of tree improvement where we go out and look at our crops. We identify what we think are improved trees. We take the seed and through various vegetative propagation means we evaluate the progeny of those to identify what we think are the best family or provenance. It is those that will inform our decision. Over recent years we have found that by identifying the correct provenance and seed origin and building a genetically improved variety of it, we have substantially improved the productivity of our crop. We also look at other issues, not only productivity but resilience against insects and disease and wood quality. We are now building those criteria into the tree improvement programmes. Teagasc also does it. We do it mainly for Norway spruce and Sitka spruce. Teagasc does it for some of the deciduous trees. We tend to do it on conifers.

Deputy Michael Fitzmaurice: I thank the witnesses for their presentation. The witnesses might write down my questions because they will be quick-fire questions and I want accurate answers. Colm McCarthy reckons that 50% of Coillte's estate is unviable. Will the witnesses comment on that? How many acres have been taken out of production for things such as wind turbines? What counties has Coillte bought land in and what are the percentages?

Mr. Leamy talked about there being 12,000 jobs. Is that 12,000 full-time jobs or is he talking about the subcontractor that comes in, cuts the timber and then goes to the private plantation and does other work? Is he talking about Murray's and PJ Fahy and all these guys? How many direct employees does Coillte have?

Mr. Leamy talked about 18 million trees a year, which is 18,000 acres because there are 1,000 trees to the acre. Is that correct?

Mr. Gerard Murphy: It is 2,500.

Deputy Michael Fitzmaurice: In that case it is less. It is about 7,000 acres.

Mr. Gerard Murphy: Sorry, I was thinking of hectares.

Deputy Michael Fitzmaurice: I was talking about acres. It is correct there are 1,000 trees per acre?

Mr. Gerard Murphy: Yes.

Deputy Michael Fitzmaurice: If it was 2,500 trees per acre, it would have changed a lot

since I was planting. How much of that is new ground and how much of it is reforestation of old ground? Coillte is losing 5% under the new regulations because of drains and having to be 20 metres from rivers. How much is affected by the fact that planting is not allowed in special areas of conservation, SACs? How much ground is affected in total?

The Chairman and others have spoken about it so I will nail my colours to the mast. I will not be dancing around it. I have read a few of Coillte's partnership agreements. I have been listening to the witnesses and what they have said to public representatives. The witnesses are aware that around the country there is a massive problem with partnerships and they have met people already. Mr. Murphy met people during the year to discuss it. Is the chairman willing to meet the farm organisations and the people who are having difficulty? There are a lot of them and there is no point in us dancing and smiling at each other. There are a lot of them around the country who have problems with the old partnerships that were signed up to. I have read some of these partnership agreements. There are different partnerships involved. My understanding is that Coillte decides where the timber is being sold. I understand there is also a marketing clause. What percentage is that? The other party has no control over it. My understanding is the person has to insure the crop. That is their problem. Why is that not included in the partnership? The trees are thinned at year 14. I know a bit about forestry. There is plenty of it down my way. Thinning can be done again at year 21. Is that fair to say?

Mr. Gerard Murphy: We can thin them.

Deputy Michael Fitzmaurice: People have been waiting since 2007 for Coillte to provide information on the tonnage, who did the thinning, the price it cost and the cost of haulage. It has been a one-way partnership. I will be straight up with the witnesses. With regard to the questions I have asked and the stuff I have gone through, it does not bode well for Coillte to have acted in the manner it has. Coillte has been asked for a good few years for information on returns of timber, what it was worth and the cost, but that information has not been supplied. Will the witnesses give an undertaking that we will not have to bring them in again in six months to go through this and that they will sort out the old partnerships because people are very aggrieved by what has gone on? Will the witnesses tell me what the fees and marketing are? I cannot understand the marketing clause. Am I correct that it is written into these partnership agreements that a landowner needs permission to be on his or her land? That is definitely written into one of the agreements I read. Am I also correct that when it comes to clear-fell of timber grown on bad ground, there would be insufficient money to be made taking into account costs of re-forestation of that ground? Am I correct that if a person who is party to a partnership agreement with Coillte decides to sell, he or she must give priority in that sale to Coillte? I would like a response to those questions. There is a huge problem with these partnerships, about which every member here has been contacted. I have read a good few of the agreements.

I ask Mr. Leamy, as the chief executive office of Coillte, to address this issue with the farming organisations and the people. The way they have been treated up to now is not good enough.

Mr. Fergal Leamy: On farm partnerships, I acknowledge that there are a number of issues arising countrywide.

Deputy Michael Fitzmaurice: What is being done about them?

Mr. Fergal Leamy: We have put in place a dedicated team to deal with the existing farm partnerships which date back a number of years.

Deputy Michael Fitzmaurice: May I make a brief comment?

Chairman: No, I will let the Deputy back in later.

Deputy Michael Fitzmaurice: There are farmer organisations trying to represent people and they are being fobbed off.

Mr. Fergal Leamy: The team we have put in place in the past three months to address this issue is wading its way through the 700 existing partnerships seeking to identify where issues arise. As an organisation, we are determined to ensure that we resolve these issues. It is in our interest to ensure that we resolve these issues because we rely on the goodwill of communities and farmers countrywide to ensure we have a good reputation. We do not take it lightly that we have these issues brewing. We are committed to resolving these farm partnership issues in terms of the common understanding of what they are. I said earlier that we have not in the past communicated people's obligations. There are a variety of contracts that were entered into 15 to 20 years ago, the understanding of which between ourselves and farmers is different. We need to work through each of those partnerships on a case-by-case basis. I am more than happy for members to refer to us any cases brought to their attention.

On the specific question regarding the contract, I will ask Mr. Murphy to address it, following which I will respond to the other questions.

Mr. Gerard Murphy: On the Deputy's question of whether farmers are insured, it depends on the state of the crop. We set a premium and if a crop falls owing to a windblow situation, at that stage there is still a value for that crop. We will not get the ultimate value at clear-fell, so we share the risk at that stage. The farmer does not take the full risk. There is a shared risk. We would ask a farmer, if he wants, to take out insurance cover for a component of the risk, but he or she would not take the full risk. In many cases, we would have paid a premium upfront for that so that if it goes over after five or ten years, we do not claw back the premium from the farmer. In my view, it is a shared risk.

As I am not clear on the Deputy's question regarding marketing, perhaps he would expand on it.

Deputy Michael Fitzmaurice: It is written into a contract that a fee will be charged for the marketing of the timber but the amount of the fee is not mentioned. My understanding is that the fee being charged in this regard is very high. One can sell timber to private operators like PJ Fahy or the Murray Timber Group any day of the week but the farmers are being charged a fee by Coillte for it.

Mr. Gerard Murphy: The fee covers direct costs of harvesting and haul. There would be a direct marketing cost. To prepare the crops for sale, there is a measurement cost.

Chairman: How is the marketing figure arrived at?

Mr. Gerard Murphy: We use a fairly well-established marketing cost per cubic metre that has been built up over the years, which covers the direct costs of measurement, mapping of areas, supervision of harvesting and hauls and measurement at the weighbridge. We have a well-established database of costs.

Chairman: So, the farmer who signed a contract 15 years ago will not be aware of the marketing fee.

Mr. Gerard Murphy: That is true and it is one of the issues of concern. The contracts signed in 1993 would not have included a defined fee.

Deputy Michael Fitzmaurice: What percentage is the marketing cost?

Mr. Gerard Murphy: It would be different at different stages.

Deputy Michael Fitzmaurice: What is the percentage cost for clear fell?

Mr. Gerard Murphy: It would be approximately 4% to 5%.

Deputy Michael Fitzmaurice: That is high.

Mr. Gerard Murphy: That is an estimate.

Deputy Michael Fitzmaurice: A person who has a five-acre field of timber for sale can ring PJ Fahy or Murray Timber Group and have either of them price it, with no marketing cost involved. What Coillte is doing in terms of marketing costs is unfair.

Mr. Fergal Leamy: I understand the Deputy's concerns. To be helpful, I will revert to the committee with a detailed note on the issue. The contracts are complex. There are 700 of them and we are determined to ensure we work through the issues. There is an understanding needed-----

Deputy Jackie Cahill: Deputy Fitzmaurice has asked a lot of detailed questions. If the witnesses cannot respond to them today, they should revert to the committee on them as soon as possible.

Chairman: I ask the witnesses to prepare a detailed note on the issues which we will discuss with them at a meeting early in the new year. Is that agreed? Agreed.

Mr. Gerard Murphy: That is probably the best way to address the issues.

Chairman: We will move on.

Deputy Michael Fitzmaurice: I would like a response to the other questions I raised.

Senator Michelle Mulherin: On the contracts which Mr. Leamy referred to as complex, I have a copy of a contract which is vague when it comes to the landowner and unsatisfactory in terms of what he or she gets out of it.

Mr. Fergal Leamy: In saying they are complex, I meant that there are probably 30 different types of contracts that have been signed over the period. This is an issue with which I am very familiar and I am working to ensure proper mechanisms are put in place to deal with it.

Senator Michelle Mulherin: Landowners are in a very weak position in that Coillte gets to interpret everything after the fact.

Chairman: I am sorry to cut across Senator Mulherin but we have agreed to park the discussion on partnerships.

Deputy Michael Fitzmaurice: I would like a response to the other questions I raised.

Mr. Fergal Leamy: On the McCarthy report, which suggests that 50% of the land we own is unproductive, we have 440,000 ha. We believe that 100,000 of it is unproductive and unvi-

able as part of the productive forestry estate. Some of it is being used for biodiversity projects and other uses.

On wind turbines, fewer than 500 ha are being used to develop our wind turbine portfolio to date. We have mitigated those hectares that have been so used.

Deputy Michael Fitzmaurice: Where was the land purchased?

Mr. Fergal Leamy: We have purchased land throughout the country. We will soon sign for 110 ha in Sligo. We have bought land in-----

Deputy Michael Fitzmaurice: Was most of the land purchased in the west?

Mr. Fergal Leamy: No, it is spread throughout the country. On jobs, the Deputy is correct that the 12,000 figure is an industry one and it includes PJ Fahy's business and Paddy Murray's business and the contractors that use the haul. A lot of them are full-time jobs.

Deputy Michael Fitzmaurice: How many are direct employees of Coillte?

Mr. Fergal Leamy: Nine hundred. There are also 1,000 contractors with whom we work almost full time.

Deputy Michael Fitzmaurice: Perhaps the witnesses would respond to my question on the 18,000 acres.

Mr. Gerard Murphy: The figure for this year is 7,800 ha.

Deputy Michael Fitzmaurice: New land?

Mr. Fergal Leamy: Seventy ha this year will be new land.

Deputy Michael Fitzmaurice: Will Coillte lose the 5% I mentioned under the new rules?

Mr. Gerard Murphy: That is an issue that we have had to manage. Under the new code of practice, we have had to manage areas of setback against riparian zones and various other areas. We try to manage that in the best way possible. It often can be used, from a certification point of view, for deciduous trees. We often use some of the areas from a biodiversity point of view. We try to bring in some of the other issues. We do not see it as a constraint. We try to build in some of the other elements that we are obliged to do, such as biodiversity.

Deputy Michael Fitzmaurice: Am I correct in saying that when we subtract 5% from what Coillte is planting - 18,000 acres - the company actually has less land growing trees now, than it had last year or the year before, even when the 70 acres are added?

Mr. Gerard Murphy: I would not say that is the case in the last couple of years but if one went back 20 years, that would be a correct assertion. We planted more of the area under trees then.

Mr. Fergal Leamy: In the last three years we have increased our planting quite dramatically to make up for that, and we are now planting more than the areas we are losing. Historically, that may not have been the case.

Deputy Michael Fitzmaurice: The witnesses have addressed the issue of turbines. There have been drainage problems at Slieve Bawn. Is Coillte going to work with farmers there to try

to resolve everything?

Mr. Fergal Leamy: We have come to an agreement and a settlement with some of the farmers over the drainage issues at Slieve Bawn. We have worked with Roscommon County Council on this issue. We are in the middle of a study on the noise issues, and we will report back when that is concluded.

Deputy Richard Boyd Barrett: I wish to follow up on the last few questions. The witnesses are claiming a record number of trees being planted, with an increase of 30%. A figure was quoted in regard to how much of that is new forestry, but the figures for afforestation nationally are very poor. They are well below the set targets. A witness mentioned a figure of 14% that is being discussed with the Government and how Coillte will contribute to that 14%. I thought the target was 17%. Are we rolling back now from 17%, which in itself, as the witness pointed out, is about half of the average across Europe? Are we rolling back on targets yet again? What is Coillte contributing to the current level of afforestation, which we know is well below what it should be? I think there are about 6,000 to 7,000 ha of afforestation currently. How much of that is Coillte actually contributing?

I am extremely interested in the non-productive land the witnesses refer to. A figure of 100,000 ha has been mentioned. I actually do not know how to convert acres into hectares.

Deputy Michael Fitzmaurice: One hectare is 2.45 acres.

Deputy Richard Boyd Barrett: That works out about right. Mr. McCarthy said there was half a million acres. If I remember correctly, he said half of that would require substantial investment to bring it on, and the rest was not viable in any sense. I would like to hear more about that. What somebody might consider commercially viable from a narrow commercial point of view is not necessarily unviable from an environmental, carbon lock-up and biodiversity point of view. I am not satisfied at all that land written off as not viable for forestry is actually not viable, if one takes a more holistic view of what forestry is and what it can contribute to dealing with climate change, mitigating flooding, and reversing the decline in biodiversity that is happening. It is not just that we are not enhancing biodiversity; biodiversity is declining.

That brings me on to the diversity of species. How many of the 18 million trees that Coillte is planting are deciduous? What is Coillte doing to shift the balance towards a diversity of species, particularly in the broadleaf area? Are we moving in the right direction? How fast are we moving in the right direction? How much of what Coillte is contributing to afforestation is expanding biodiversity and broadleaf species? Examining the mid-term review, I notice that broadleaf planting nationally is down from 24% in 2014 to 19% currently. To what extent is Coillte contributing to the worsening of the situation where broadleaf planting is concerned? The recent Environmental Protection Agency, EPA, report also refers to deforestation. It points to deforestation resulting from a number of factors. One of the significant factors it refers to is wind farms, in which Coillte plays a part. I have to question what I see as a tension between Coillte's core mandate for afforestation, helping to deal with climate change, biodiversity and being the guardian of the forest estate on one hand, and the imperative to be commercially viable and get involved in non-core projects such as wind farms on the other and whether the two are actually conflicting with one another - in other words, whether the commercial imperative is adversely impacting upon Coillte's core mandate, which is to be the guardian of the forest estate. The EPA report does not say how much of this problem is Coillte's responsibility, but Coillte is one of the bodies promoting the use of lands owned by the forest estate to develop these wind farms, which may be contributing to deforestation.

Along with others, of whom I am sure the witnesses are aware, I have talked about how the planting of the uplands, particularly with broad-leaf species, might actually contribute very significantly to mitigating flooding downstream. As the witnesses know, there are projects under way in Wales, where studies suggest this is very significantly reducing flooding. Should we not use some of these uplands for that? In particular, should Coillte, whose core mandate is forestry, be using the uplands for that, rather than for building giant wind farms which may actually be contributing to deforestation? I would like the witnesses to comment on that.

Lastly, I wish to ask about poles for telecommunications. Is it true that we are importing poles for electricity and telephone cables from outside the country, and that our forest industry cannot even meet that need? I would like the witnesses to comment on that. I have been told that is true. Some 40,000 poles are being imported. Maybe the witnesses could comment on that, but it seems quite extraordinary.

Mr. Fergal Leamy: I will respond to some of those queries, and my colleague will answer a couple more. In answer to the Deputy's query on afforestation, 70 ha of that 6,000 will come from Coillte this year. We have been more or less out of the afforestation game over the last ten or 15 years because we do not get a grant or premium to plant afforestation, so every time we plant a new hectare of land, it is not commercially viable for us to do that. Having said that, I refer to my earlier comment. We want to do more and are working with the Department to try to take away some of the barriers in order to allow us to do more and to make us, as the largest forest player in the industry, a vehicle driving afforestation in this country. It is something that I am personally involved in and helping to alleviate, because I think we should be doing more.

In respect of the non-productive areas, there are certainly parts of that 100,000 ha that I quoted which can be used for other biodiversity projects and carbon capture. We are not precious about who manages that. Our commercial mandate would suggest, as the Deputy quite rightly pointed out, that it is not viable to do that from a very narrow focus of commercial return. However, if one looks at greater carbon sequestration and the value of that to the State, one may come up with a slightly different conclusion. That is why we need to look at those pockets of land in a different way.

Deputy Richard Boyd Barrett: Has Coillte planted them?

Mr. Fergal Leamy: We have detailed mapping of what is productive, non-productive and what can be used in our estate.

Mr. Gerard Murphy: The Deputy's suggestion about uplands is good. Can we actually plant in upland areas to control floods? Again, that is a different type of forestry and what we would term ecosystem services. There is this notion of looking at forests in a wider way, not just for timber production. One needs to find some payments system which would encourage and incentivise producers to go into some of these areas. That is an option we spoke about earlier around afforestation.

Forests have a significant role to play in flood mitigation. One has to be careful that it is done in the right areas, however, because some lands have high biodiversity values without putting trees on them. One has to consider mineral soils and so forth. There are certain areas where this might work. The one I am keen on exploring more is the payment for ecosystem services. We are doing some work on natural capital accounting where we are looking at a much more diverse view of our forests. It is not just looking at them for timber production but carbon and biodiversity. The key element is to see how one can incentivise and generate suf-

ficient capital to be able to do these sorts of projects.

Mr. Fergal Leamy: An announcement was made last week on the Wild Nephin project and transferring it to the National Parks and Wildlife Service, NPWS. Coillte is not precious about holding on to land. We should be using that land for the benefit of the State, whether it is for carbon sequestration or other projects. We have increased that over recent years and we are more than open to having that conversation.

There is potentially sometimes a conflict in managing to think for a commercial entity and carbon sequestration. I am of the view we should marry the two more clearly and put a value on carbon.

Coillte's core business and mandate is forestry. On the renewable energy side of it, we are trying to start it up to ensure we have a partnership. We do not want to become a utility company but focus on our core mandate of forestry. We have land which is suitable for renewable energy, which we mitigate and put back into forestry when we sell it. It would also be a missed opportunity if we did not support some of those renewable energy targets which the country must go after. We are keeping a distance in that area, however, to ensure it does not distract us from our core business.

Deputy Richard Boyd Barrett: On deforestation, holistically, if one works out the maths on this, significant questions arise over these large wind farms when one adds in construction costs, particularly if it includes cutting trees down. Up to 15,000 ha have gone in the past seven years.

Mr. Fergal Leamy: The 15,000 ha I referred to was transferred into land solutions to be used for other pieces which will be mitigated. Most of that land does not actually have forestry on it and is not suitable for it either.

Deputy Richard Boyd Barrett: The Environmental Protection Agency, EPA, report referred to 15,000 ha of deforestation over the past seven years for wind farms, roads and other developments. It was not all down to Coillte but it was significant. Only 70 ha were afforested at the same time. One sees the maths. Against that background of deforestation, the rate of afforestation is minimal. Is it a good idea to hand over such lands for large wind farms if the overall impact is not significant or could even be negative?

Mr. Fergal Leamy: On Coillte wind farms, we mitigate and ensure the overall net balance is there. That is why we buy land to afforest. As we think about the next stage of wind farm development, it is in all our interests to guard against deforestation. It is one thing struggling with afforestation targets. If we are making that harder for ourselves by deforestation, it is in nobody's interest.

We also focus on keyhole felling on our sites which means much less deforestation.

Deputy Martin Kenny: A point which comes up in my part of the country is monoculture and that the only tree planted is Sitka spruce. This is a poor quality timber which is not good enough for electricity poles.

Farmers are always wary of a permanent change of land use. The sole use of land is an issue too. Nothing else can happen to forestry planted lands. However, in other countries, other types of agriculture can occur because the planting is not too dense and there is no monoculture. We have a well established dairy industry which works well. The forestry industry is also well

established with the equipment in place to plant and harvest quickly. I accept the Sitka spruce is also better suited to the poorer land while the more native trees such as oak and ash are not. Has Coillte any projects which will advance the type of afforestation where the land will not be solely used for growing trees?

I am told about all the jobs in forestry but I never see people working on the forestry lands around where I live. We grow all these trees, planted by Coillte or some other big company. Nobody works on them for years until the end when they come in for three weeks to cut them. Nothing really goes back into local economy, however.

It was stated earlier that €700 million of timber products are exported every year. Is that solely what Coillte exports or what the entire industry exports?

In County Leitrim, we have had problems with landslides on mountains and rivers changing courses because of large industrial wind farms. A year ago a man was killed there because his digger slid down a hill but could not be stopped. This type of work is happening in places where it is not natural to build these large industrial wind farms. I am concerned that, if we go down that direction, it may have a negative impact on communities where these turbines are located.

Deputy Danny Healy-Rae: I welcome the delegation from Coillte. I have worked for Coillte over the years and my father started working for it in 1951. The Department has a rule that if one wants a grant to plant land, one must have 80% of green ground with only 20% of rough ground allowed. I do not know what type of county the Chairman comes from but in Kerry, particularly south Kerry, we have more like 80% rough ground and 20% green ground. Many places would grow trees. I know the kind of ground that is capable of growing trees and I have been through every forest in south Kerry. Can the witnesses put any pressure on the Department to forgo that rule? Acres and acres of land that is not good for other types of farming are available but they are not allowed to be planted. It hurts me when I see good land being planted and bad land being left idle. Farmers and landowners cannot make any other use of it. It does not make any sense in the world because as we have seen since the early 1950s, that type of place grew massive timber woods, and there is great activity in those places because of that. Lorries are flying out of those places early in the morning and late at night. They work around the clock, bringing timber out of the kind of places that I am talking about. It is ridiculous to think that we cannot use that type of land any more. It is still there. There is still much of it left but it is not allowed to be planted. One has to have 80% of green ground and 20% of rough ground. That is the mix that we are allowed.

Mr. Fergal Leamy: I will return to the question about poles from Deputy Martin Kenny. He is correct that the timber produced here is largely not available to support the electricity lines. The figure of imported poles-----

Mr. Gerard Murphy: It is about correct. I worked on it myself many years ago, when we tried to put spruce in and were looking at new technology, so a lot of work was done. Douglas fir is the best species to do it. Unfortunately, Douglas fir is good on certain types of ground, such as dry mineral sites, particularly in Wicklow, on slopes, which are the best qualities for it. We did not have the kind of volumes necessary because they have high standards. We investigated using other methods and other species such as Norway spruce and Sitka spruce but that did not work for customers. There were other issues with European larch but unfortunately it has now been hit by disease and is a species we have had to stop planting recently.

Mr. Fergal Leamy: On Deputy Martin Kenny's question on exports, the €700 million is from industry in Ireland. Coillte has €150 million in exports, predominantly to the UK. Mr. Murphy might answer the question on agroforestry.

Mr. Gerard Murphy: The idea is worth exploring. One of the concepts is how one gets farmers to see forestry as a viable part of their enterprise. One might talk about cattle, dairy and so on. My own view is that we need to bring forestry into the equation and it needs to be integrated into the overall enterprise. I know the Department is exploring options at the moment. There has been very poor uptake on some of the schemes for agroforestry. It is used in other countries. An option is developing hedgerows in certain areas that could be used. One issue is to have better measures for the carbon sequestration value of this to offset some of the emissions from agriculture. It is an option worth exploring.

Mr. Fergal Leamy: On Deputy Danny Healy-Rae's question, we had a conversation earlier about needing to do something different to meet our forestation targets. We are in conversations with the Department about how we can play a role in that. We need to work collectively to understand how we take away some of the barriers if they do not make sense and we would certainly have input into that discussion.

I thank the committee for the opportunity to come here and have a conversation. We welcome the open debate and discussion and we will follow up on a couple of items.

Chairman: I thank Mr. Leamy and his colleagues for coming before us today. This is our final meeting before Christmas. I wish everybody a very happy and peaceful Christmas and a prosperous new year. I look forward to seeing them all back in the committee on 16 January.

The joint committee adjourned at 6.29 p.m. until 4 p.m. on Tuesday, 16 January 2018.