

DÁIL ÉIREANN

AN COMHCHOISTE UM THALMHAÍOCHT, BIA AGUS MUIR

JOINT COMMITTEE ON AGRICULTURE, FOOD AND THE MARINE

Dé Máirt, 12 Márta 2019

Tuesday, 12 March 2019

The Joint Committee met at 3.30 p.m.

MEMBERS PRESENT:

Deputy Marcella Corcoran Kennedy,	Senator Rose Conway-Walsh,
Deputy Willie Penrose,	Senator Tim Lombard,
Deputy Thomas Pringle,	Senator Michelle Mulherin.

In attendance: Deputy Eamon Ryan and Senator Kieran O'Donnell.

DEPUTY PAT DEERING IN THE CHAIR.

Business of Joint Committee

Chairman: Apologies have been received from Deputies Cahill and McConalogue and from Senator Paul Daly. Before we begin, I remind members to ensure their mobile phones are turned off. I propose we go into private session to deal with some housekeeping matters. Is that agreed? Agreed.

The joint committee went into private session at 3.34 p.m. and resumed in public session at 3.37 p.m.

Scrutiny of EU Legislative Proposals

Chairman: Schedule A includes COM (2019) 48, a proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No. 508/2014 as regards certain rules relating to the European Maritime and Fisheries Fund by reason of the withdrawal of the United Kingdom from the Union. It is proposed that this warrants no further scrutiny. Is that agreed? Agreed.

It is proposed that COM (2019) 49, a proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No. 2017/2403 as regards fishing authorisations for European Union fishing vessels in United Kingdom waters and fishing operations of United Kingdom fishing vessels in Union waters, warrants no further scrutiny. Is that agreed? Agreed.

I propose we suspend briefly to allow our witness to take her seat.

Sitting suspended at 3.38 p.m. and resumed at 3.39 p.m.

Coillte: Chairperson Designate

Chairman: I remind members and witnesses to make sure their mobile phones are turned off completely. We next have an engagement with the chairperson designate of Coillte. The purpose of this session is to engage with Ms Bernie Gray who has recently been appointed chairperson of Coillte. The committee is interested in discussing the approach Ms Gray will take in her new role and in hearing about the vision and priorities she has identified for this particular role. I congratulate Ms Gray on her appointment and I wish her well in her new position.

I draw attention to the fact that by virtue of section 17(2)(I) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to so do, they are entitled thereafter only to a 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, persons or 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 House or an of-

ficial either by name or in such a way as to make him or her identifiable.

I ask Ms Gray to deliver her opening statement, following which members will ask questions.

Ms Bernie Gray: I am pleased to come before the committee to introduce myself to members, give my initial views on a vision for Coillte and outline my approach to the role of its chairperson. I was attracted to the 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 past five years under the excellent leadership of the board, the CEO and the senior management team. It conducts its business in a wholly professional manner. The organisation, which celebrates its 30th year in existence in 2019, has its brightest years ahead. Before I elaborate on this, I wish to provide members with some background on my track record.

I am an accountant with extensive experience in HR and governance as well as significant executive and non-executive experience in the telecommunications, energy, financial and education sectors. In addition, I have broad consulting experience in the commercial sector. I understand the commercial semi-State sector through my roles as worker director and, subsequently, HR director in Eircom at a time of great change, and as chair of EirGrid from its inception in 2005 for a period of eight years. I have also served on a number of other boards in the State sector and am a current member of the governing authority of DCU.

As a Longford person, I understand the importance of rural development and fully appreciate the role Coillte plays in that 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. Consequently, I served as a member of the board of Business in the Community Ireland and have held several other voluntary positions in the not-for-profit and sport sectors, including my current role as a member of the GAA audit and risk committee.

In Coillte, I see an organisation that is aligned with my interests and values. I believe it is a place where I could make a real impact and help to steer the right course on the next phase of its development. That next phase needs to focus on consolidation of the changes effected to date and build on this momentum to contribute further to Ireland's approach to forestry, climate change and use of our natural resources for the greater good of Irish citizens. My experience of the State sector, and 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. It 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, comprising approximately 450,000 ha or in excess of 1 million acres. This estate comprises approximately 6,000 individual properties, which are spread across the country. This dispersal of properties means that in addition to being the largest landowner in Ireland, Coillte has a substantial public interface and a deeply rooted relationship with the communities in which it is embedded. I will return to this social dimension of the company and its unique role within rural Ireland.

The core activity on Coillte's lands is, of course, commercial forestry operations. However, the estate features extensive upland areas which have some of the best wind resources in Europe. In the past ten years Coillte has, through its land solutions business, established itself as

one of the State's largest developers of onshore 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 plants in Clonmel, south Tipperary and Belview, south Kilkenny.

The company is in strong financial shape. Last year it had excellent results across all key financial metrics, with record revenues of €330 million and record earnings before interest, tax, depreciation and amortization of €115 million. This strong financial performance, combined with the sale of Coillte's interests in a number of operating wind farm assets, allowed the company to reduce net debt to just €15 million, reinvest almost €40 million in its forests for future generations and pay its shareholder a substantial dividend of €15 million.

This strong performance is the culmination of a transformation that has been taking place in the business over the past number of years and which has seen the group go from cash neutral from recurring operations in 2014 to €30 million cash positive in 2017, doubling this to €60 million in 2018. The company is now generating a cash yield of approximately 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 inter-related social, economic and environmental functions. As well as 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 decarbonise our energy and production systems in the coming years means that forestry, forest products and renewable energy have never been more relevant. Coillte is ideally placed to thrive in this environment. For example, last month it 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 significantly more than 500,000 households annually, thus making a significant contribution to Ireland's energy transition.

Although 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 the 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 that emerging 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 which help preserve soil stability and fertility. 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, almost 300 recreation sites and more than 3,000 km of hiking trails. It is estimated that there are 18 million visits to our forests each year. Working with other stakeholders such as Fáilte Ireland and the Department of Rural and Community Development, Coillte is investing in the rural economy through the advancement of exciting

projects such as the redevelopment of Avondale and four world-class mountain bike trails situated across the country. In addition, more than one fifth or 90,000 ha of the estate is dedicated to biodiversity, which the company is intent on protecting and enhancing. Coillte participated in the recent seeds for nature initiative promoted by the Minister for Culture, Heritage and the Gaeltacht, Deputy Madigan, at which it announced the investment of €500,000 in the restoration of a magnificent alluvial forest at Hazelwood, County Sligo. Coillte's substantial contribution to these social and environmental benefits are funded by its commercial activities. The company recognises the increasing demand for these social and environmental services from our forests and is exploring how this important aspect of its work can be developed further in partnership with others.

Of course, as is particularly evident today given recent events, the greatest uncertainty facing Coillte is Brexit. 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 through the imposition of non-tariff barriers to trade and tariffs on panel products. It would be likely to result in significant delays for exporters and increased compliance costs. In this scenario, it is also likely that a significant slowdown in UK construction activity will occur with a consequent worsening in the trading environment for our products. Great 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 with to deliver sustainable returns over time. The net asset value of Coillte's balance sheet is approximately €1.3 million.

I would like to take this opportunity to commend the former Chair, John Moloney, the outgoing CEO, Fergal Leamy, and the board, management and staff of Coillte on their achievements in transforming the company over the past five 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 society at large. I thank the committee and look forward to members' questions.

Chairman: I thank Ms Gray for her comprehensive opening statement. I will now take questions from members.

Senator Michelle Mulherin: I wish Ms Gray well in her new role, which sounds exciting, and I thank her for her presentation. I have a number of questions. In the past, Coillte appeared before the committee regarding concerns landowners have raised regarding partnership, the different types of partnership and how people feel they were sold a pig in a poke and did not get value for what they had given to Coillte. They also complained that they were not being communicated with. We were told that these issues were in the process of being addressed. Could Ms Gray give us an update on that?

Regarding the rural economy, afforestation and the impact on rural communities have been

discussed a number of times at this committee. We receive many complaints from counties such as Leitrim. People feel that the land is overwhelmed by these forests. Some of it is laid at the door of the particular species of tree that is being planted. How can this be better managed with regard to local communities? An issue I have raised, including when the Minister of State, Deputy Doyle, was in the Seanad last week, concerns adding value to forestry. I believe Mayo is above its planting targets but the reality is that twice a week, wood is cut and is transported on a freight train from Ballina free of charge to Waterford. While there may be dividends for some because work is being provided, there is no sawmill and perhaps no place where woodchip could be created. To make forestry acceptable and to plant more, which is the ambition, we need to show local communities and pointing to something in another county that is quite a distance away does not cut the mustard with people.

Ms Gray mentioned a joint venture to create deliver 1,000 MW of renewable energy by 2030. Am I correct in my understanding that Coillte's focus on renewables has been on land-based wind energy to date? What about biomass and combined heat and power electricity generation? I am curious to find out whether Coillte has entered into any joint ventures and Ms Gray's views on such an energy plant as a prospect where Coillte has the raw material, which is the wood to feed, sustain and generate electricity. Other promoters may not and may have to enter into agreements with Coillte for biomass supply.

What about district heating systems? If we had woodchip or a satisfactory biomass supply, hospitals or villages could have a more sustainable source of electricity and heat. I am trying to understand what steps could be taken to use Coillte's expertise because it did not start out developing amenity forests, for example. It would be remiss of me not to mention Beleek Forest Park in the area where I am from. Ballycroy National Park is another amenity. The staff and management there do a very good job for which I compliment them. Coillte's remit goes beyond just managing forests. It is now moving into renewables and the area of leisure and amenity. Could Coillte work with communities and do something along the lines of what I have suggested because there seems to be a gap? This gap might be filled by co-operatives but generally landowners and communities do not have the wherewithal or finances to resource it.

Deputy Thomas Pringle: I thank Ms Gray for her presentation. How much of current profitability is made up of wind farms and wind farm assets within the overall Coillte book? I would be interested in finding that out because it is a move away from Coillte's core business. I wonder what the driver for that is. Much of Coillte's land seems to be set aside for wind farms rather than for forestry. What will the future development of that look like?

As Senator Mulherin mentioned, the type of forestry used involves more industrial use. It does not serve a purpose in offsetting carbon. While it does serve such a purpose when it is growing, when it is being cut down, it releases carbon. How will that be developed in the future? Coillte has a responsibility to keep its two sawmills going but there are additional requirements.

I understand that Coillte is subject to the Forestry Act 1988. Is this Act up to date and fit for purpose? Would it be beneficial if it was amended to facilitate climate change and public responsibilities the company will have in the future? Ms Gray may not be familiar with this yet but I would like to hear about continuous cover forestry. How will that be developed? Is it something in which Coillte could become involved to ensure continuous forestry growth rather than the clear felling that happens at the moment where one plants, waits for 20 years, clear fells the area and plants again? With continuous cover, one would pick and choose so that there would be a canopy all the time, which would be more sustainable. Does Ms Gray have any

views on that?

Senator Tim Lombard: I welcome Ms Gray. As portfolios go, she has the most unique one in the State. I always thought the Office of Public Works, OPW, was one of the biggest landlords, but Coillte has 1 million ha of property, which is an amazing portfolio. Of the Deputies and Senators in attendance, five of us, including the Chairman, also sit on the special Committee on Climate Action. I have just copped on to that now. It is probably a unique circumstance. Coillte's role in the context of climate change is something Ms Gray might clarify with regard to its huge portfolio, where it is going with the property and what the agency's policy in that space will be going forward. Coillte was not involved in the hearings over recent weeks in the Oireachtas Committee on Climate Action. The five members here were very much involved and will report in two weeks. How does Coillte feel about that new space into which it is moving? How can Coillte be a real leader in that space as an organisation whether it is on carbon or managing the landholding itself? Where does Coillte see the landholding going with regard to hectares of forestry? Will Coillte start another purchasing campaign? Will Coillte seek to increase its acreage nationally? If so, what is the target for the next decade on the amount of land or the acreage it expects will be under forestry as its core enterprise? I realise that Coillte has diversified into other enterprises, but it is amazing to have a landowner here with approximately 7% of the land area of the State in its ownership. It is a unique holding and it brings unique responsibilities. Where does Coillte fit in, therefore, with climate action? What are Ms Gray's personal views on it?

Deputy Eamon Ryan: I thank the Chairman. I am not a member of the committee but I am very glad to be able to come here to put a couple of questions to Ms Gray. I know her from previous work as chair of EirGrid. I cannot think of a better person to take on the role at Coillte. Her record and the work I have seen her do for the State are exemplary. The way she managed EirGrid and other companies, her ongoing work with the GAA and other bodies and her roots in Longford suggest we are very lucky to have someone of her calibre who is willing and able to take on the role in Coillte. We are at a point of complete and utter change for the company. It is important that five of us here are on the climate action committee, which has done some very good work, in particular on land use. The narrative of pestilence is out there and that the climate will be a disaster for Irish agriculture and land use, whereas it is the exact opposite. It is opening up a new opportunity in how we manage our land. We have to be strategic by having a land use plan and by working out what type of forestry is needed and where, what type of wetlands are needed and where, what type of biodiversity protection we need and where, and what type of farming we need and where. That is not to be prescriptive at farm level but about optimising our carbon storage, the protection of biodiversity, the creation of rural amenities, the management of water quality and the management of flood protection, all of which were referred to in Ms Gray's opening address. What I would love Ms Gray to do with Coillte, however, is to transform it completely and to redirect the company. That is what is needed.

It is true, as Ms Gray said, that Coillte is now in a very good financial position, having emerged from a difficult period. Matters have been rectified. A great deal of consolidation has taken place and the company has shrunk in many ways. Since it was established, Coillte has had a history of engaging in a certain type of commercial forestry and a certain type of commercial use of products. All of that has to change because of climate change. It must be change for the better. It is not a negative or to disrespect what has gone before. That had a real role and was beneficial for the country in many ways. However, we need Coillte to do a hell of a lot more now. As colleagues have said, it is around a completely different vision of forestry, in particular in different parts of the country. I understand that the characteristics of the north

and west of the country are very different from those of the south and east. We may well need different forestry policies for different climate reasons. We face drought in the east and excessive storms and rain in the north and west. On the forests we are looking for, the opposition in Leitrim and Roscommon is genuine, real and reasonable. We cannot achieve the level of afforestation we will need with the current forestry model. We cannot black out large parts of Ireland with dense, single species, clear-felled forestry. We must move to continuous cover and create what are almost parklands rather than forestry plantations *per se*. In doing that, we can achieve all of those objectives around having a forest that is a joy to walk in. These are forests that promote rich biodiversity, maintain water quality and do not, in the clear-felling process, create water problems such as those we have had.

The first key message is that Coillte will get support in the Oireachtas for a complete change in the company's mandate to recognise this reality. Certainly, that exists in our cross-party report. We will support a complete redefinition of what we are searching for in our national forestry plantation system. We will have to match that with new incentives and new financing mechanisms. While I am confident we will be able to do so, Coillte must step up to the plate urgently and at huge scale. We need to go to something like 20,000 ha per annum. We need long-term thinking because forestry like this is an 80 to 100-year project. That is the way we need to go and Coillte will get political support if it agrees. It will match what is happening and best practice in European forestry and it will require a school of new foresters who are superb in their management. It is very employment-dense in the most rural parts of Ireland, which is one of the real prizes. There is a huge opportunity also for our two State companies with large landbanks, Coillte and Bord na Móna, to be involved centrally in rural transformation. We want community energy. I see Coillte as a publicly owned company in that wider community sense.

Coillte should hold on to its assets. I welcome very much the development of the large wind farm in Galway recently, but I regret that it was sold on. I do not see why Coillte should not build up an asset base of renewable energy projects. Ms Gray mentioned the potential to develop 1,000 MW which would, on its own, bring us a long way towards meeting our 2030 renewable targets as part of a wider strategic plan. It should not be a develop and sell on approach, however. It should be to develop and hold in treasure in the ownership of the Irish people as vested in a State company, Coillte. How we do that without breaking European rules is a matter of being clever but Coillte has the landbank and that is the real asset. The State should be willing to support that and to look at a range of funding mechanisms to make it happen. First and foremost, Coillte is and must remain a forestry company. However, it is a new forestry company. What we need is living, breathing, high-quality, biodiverse, rich, community enhancing forestry everywhere at scale.

Ms Bernie Gray: The theme of climate action occurs in all of the questions members have posed. Coillte is very aware of its responsibilities in that regard. It recognises that its responsibility is to optimise the use of a natural asset and resource for Ireland in a way that underpins Ireland's overall policies, not just in the climate action context, but in a whole range of areas. It is very conscious of that. What Deputy Ryan identifies as the need for an ever-changing approach to forestry and how it is used is clearly recognised and felt by the management team and board in Coillte. I should preface any response, however, by noting that I am two weeks in this role and have not yet had a meeting with my board. While I have engaged in intensive briefings and discussions, my responses might not be as full as they would be if I were back here in a year's time when they would be better informed.

Chairman: We look forward to having Ms Gray back. It is to be hoped we will be here too.

Ms Bernie Gray: Before I get into the detail of responding to the members, I should point out that Coillte commissioned a very expensive stakeholder survey this year involving the public and other stakeholders regarding their views on forestry and what they want and expect from it. It was quite clear that the public perceive forestry to have assumed a predominance which it did not have previously. People view it as a vocational issue in terms of the necessity for Ireland to utilise the asset extremely carefully. It was part of Coillte's understanding of that which underpinned the request for the survey in the first place. Coillte is very conscious of its responsibilities and the issue of climate action and the various manifestations of it, which I will go through in due course.

To respond to Senator Mulherin's questions, there is no doubt but there were areas of poor communication regarding the farm partnership scheme. There is also no doubt that the number and complexity of those schemes made it difficult to communicate in terms of the benefits. All the benefits in those schemes are now up to date and that detail has been accompanied by a clear statement to each farmer outlining what the potential benefits are for him or her over a time period. The position for the participants in the partnership scheme is much improved with respect to their understanding of the benefit that will flow from Coillte arising from their investment. Coillte has recognised it needed to communicate better and it has put additional resources in place to make sure the process is kept up to the date.

Senator Michelle Mulherin: I have a supplementary question. Given that has happened, that addresses the communications aspect. The particular landowners we heard from had issues. Now that they know the position, is Coillte dealing with objections or challenges regarding the agreements as to what people thought they were getting into and what Coillte has communicated to them?

Ms Bernie Gray: Currently, only one case has gone to arbitration with respect to the issues experienced by people. The vast bulk of the participants in the partnership scheme are satisfied.

The second issue the Senator raised related to the rural economy, in particular, the desirability of adding value in each county of Ireland, particularly given the level of afforestation in Mayo and the processing of the outputs from that afforestation elsewhere in the country.

Deputy Pringle mentioned that the Forestry Act is the core legislation for Coillte, which undoubtedly it is. It places a major responsibility on Coillte to operate in an efficient and effective way in the interests of the Irish State to optimise the return for Ireland. There is a trade off in achieving that level of optimisation in terms of efficiency and effectiveness. Ideally, it would be great to have regional centres for pulp processing close to where the forests lie. Unfortunately, the economies of scale currently do not support that. One of the key issues that arises currently with Medite Smartply in our two processing centres is the renewed possible level of capital investment in those plants to maintain their current levels of efficiency. Coillte has to make a judgment as to where those resources are best deployed and make very careful investment decisions, which of themselves will yield a proper return. Currently, while I can identify with the desirability of having the processing of wood closer to the location of afforestation, unfortunately the economies of scale do not support it.

Regarding joint venture development and the status of the current joint venture discussions with the ESB on renewable energy, those discussions are ongoing and the next milestone in those discussions will be around May as to where they might go or whether we can reach an acceptable path forward. One of the key issues in utilising Coillte's resources is that approximately 20% of the land in Coillte is not optimal for afforestation but it has height and access

to wind. The point at issue is what should Coillte's role be in making use of that portion of the asset. The conclusion Coillte reached in its last strategic review is that it is best deployed in the development of a renewable energy source but not as an operator of it. It is not the core business of Coillte to run renewable energy areas but it certainly has an expertise in developing them because it knows its resource and where the best potential lies. That is why Coillte disposed of its shareholding in three wind farms last year. It recognised it should use its expertise within its core business and where opportunities present themselves, to use those assets in a optimal way to bring them to a stage of development where it can partner with somebody else who has greater expertise in renewable wind farms. The ESB is one of those potential partners.

Deputy Thomas Pringle: Coillte has held on to the land.

Ms Bernie Gray: Yes.

Deputy Thomas Pringle: It owns that land asset.

Ms Bernie Gray: Yes.

Senator Michelle Mulherin: Regarding Coillte plans to develop 1,000 MW of renewable energy by 2030, I am familiar with Coillte's involvement with wind energy. What is Ms Gray's view of biomass, how it is being developed and how it could be used potentially to generate electricity and heat? How does she see that being developed *vis-à-vis* our requirement for renewable energy in terms of heat and electricity and carbon sequestration provided by forests? We are all on a trajectory for the development of wind energy onshore and potentially offshore, as well as solar energy, but I particularly want to focus on biomass and its part in developing renewable energy in terms of electricity and heat.

Ms Bernie Gray: Deputy Eamon Ryan will know that various sources of energy have different levels of efficiency. Biomass is at an early stage of development in its role as an energy source. Coillte is committed to using it as far as it can but its commercial applicability beyond that is still subject to further study. The same argument applies to onshore and offshore wind as to which is the most efficient in energy generation. The technology behind it will continue to change with respect to increasing its efficiency as an energy source but at this point, Coillte does not have any specific plans other than its use of biomass currently within its own plants producing Smartply and Medite.

Senator Michelle Mulherin: Coillte seems to have reservations about the use of biomass for the generation of electricity and heat or going down that avenue. Biomass is used in Scandinavian countries, although it may be in the context of district heating systems.

Ms Bernie Gray: Yes. The best thing for any economy to have is a diversity of energy sources for energy production. Biomass is one of them. Coillte is looking at the issue of combined heat and power, CHP, as part of the potential reinvestment in its processing plants in Smartply and Medite but it is an expensive technology and we have to be confident that in making that investment, it delivers a return with which our shareholder is happy. We are only in the process of assessing those potential investment options in CHP within our own plants, using biomass.

Senator Michelle Mulherin: But there are no immediate plans.

Ms Bernie Gray: Correct.

I cannot answer Deputy Pringle's question about wind farms, the sale of wind farms and the impact on Coillte's profit specifically, but I can revert to him on the matter. His second question was about the diversity of forestry. Part of the issue for Coillte in communicating with stakeholders is making transparent its outline of its species mix. There is a sense that the diversity of Coillte's forestry stock is limited. In fact, Sitka spruce accounts for only 53% of the forestry. Other conifers and broadleaves account for 36%. Part of the issue for Coillte as technology and the science behind forestry improve - the Deputy made the point that there were new and emerging technologies and developments - involves considering its current forestry mix to determine where it can get the best return. Currently, there is a diverse forestry mix. Coillte has been investing significantly in technology through its forest management system, with a view to using the information to identify what the plan should be for a further species mix.

Coillte has engaged in graduate recruitment on an ongoing basis in recent years. It has an ongoing graduate recruitment programme for forestry training in order to maintain its best-in-the-class approach to forestry and renew its expertise in the area.

Deputy Thomas Pringle: The current guidelines suggest the broadleaf proportion has to be 15%. The rest would include different conifers and Scots pine in respect of the figure of 55%. There is no genuine diversity. Is Coillte actively considering continuous cover forestry? Does it have continuous cover forests? How does it know that it can achieve this or whether it has any value?

Ms Bernie Gray: I will have to come back to the Deputy with specific examples.

Deputy Thomas Pringle: It is important to know. Continuous cover is very limited, but it is an option for the future. It is a lot more viable than clearfell forestry. It might involve a little more work, but it is work a State agency should be quite happy to do. I also asked about the Forestry Act.

Ms Bernie Gray: The Deputy asked whether it was up to date or required review. As it stands, it provides for a broad role for Coillte in forestry and related services. There is a review of provisions in services that go beyond pure forestry. When the review is completed, we will be clear on this aspect.

Deputy Thomas Pringle: As I understand it, Coillte has not participated in developments in forestry since 1988 because it is guided by the Act of that year. Therefore, it is not required in law to do what I describe. Is that correct? Coillte is not obliged to go down the road of participating in developments associated with continuous cover and new species because the Forestry Act 1988 is the guiding Act. That is a retrograde step.

Chairman: I am conscious of the fact that Ms Gray is only in her role a wet week. If she needs to clarify anything, she may revert to the committee with the information.

Ms Bernie Gray: Absolutely.

Deputy Thomas Pringle: I was just making some points-----

Chairman: Food for thought.

Ms Bernie Gray: I will revert to the Deputy, I am aware that a review of the Act is ongoing.

I shall now address the issues raised by Senator Lombard. He referred to Coillte's role in climate action. Every State company must balance its commercial and non-commercial activi-

ties. Some of the climate action activities will be commercial and some non-commercial, or not-for-profit. The challenge is to generate enough profit and cash from the commercial activities to give options in respect of the not-for-profit activities. Coillte is very conscious of this. As part of its strategic review, it is considering grouping its not-for-profit activities, some of which will fall into the area of climate action, into a cohesive unit in order that it can focus on and generate momentum in those efforts.

As outlined in my statement, there are a number of things Coillte does through its core forestry function that deal with climate mitigation, including the use of forestry for the sequestration of carbon and the processing of wood for non-carbon-related products. It is continuously exploring new technologies and product bases, which will be associated with non-carbon usage and add to Coillte's role in that respect. It is not the creator of climate action policy but can certainly facilitate it. By virtue of its current level of activity and some of the potential future activities I have outlined, I hope the Senator is convinced that Coillte is aware of its responsibilities and will organise itself in a way to best deliver on them. It will certainly participate fully with the relevant Departments and agencies in that respect.

Senator Tim Lombard: I wish to ask about the long-term view on acreage and how Coillte will move forward. It currently has 450,000 ha. In the longer term will this figure be increased or decreased?

Ms Bernie Gray: Coillte is constantly swapping its land bank where it sees there are areas of land which are sub-optimal for afforestation. It is in the process of selling them on an ongoing basis. A net 50,000 ha has been acquired in recent years to increase the amount of afforestation. However, it is not currently economic for Coillte to buy extra land, unless it swaps it for the purposes of afforestation. It does not receive any incentive to do so in the current arrangements. Given the price of land, the business case for buying it without some incentivisation means that it is not an optimal investment for the company. Therefore, the long-term target for increased afforestation will, to some extent, depend on possible changes in agricultural policy that might increase Coillte's eligibility for incentives in that regard. It will continuously monitor its existing landbank and seek to swap out those suboptimal areas for more optimal land. That is what it has been doing and it has increased its net base by 50,000 ha since 2014.

Senator Tim Lombard: If I was a private developer or landowner, I would have the opportunity to draw down 20 years of grants but Coillte does not have that option.

Ms Bernie Gray: Not currently.

Senator Tim Lombard: Because of that, Coillte perceives limited potential in buying land.

Ms Bernie Gray: Coillte is expected to deliver a return to the State of 4.6% on its forestry. If people are prepared to sub-optimize in terms of that return, perhaps it could be looked at, but everything has consequences.

Senator Tim Lombard: Thank you, Chairman.

Chairman: Ms Gray may carry on.

Ms Bernie Gray: Then we come to Deputy Eamon Ryan. I thank him for his very kind remarks. The broad issue of climate action has been addressed in a number of ways in my responses to other committee members. In terms of any initiatives between Coillte and Bord na Móna, they have been co-operating in a number of ventures over the last years. In particular,

we are looking at possible areas of bog that Bord na Móna currently owns, which would be suitable for afforestation and are of limited potential for turf production. Bord na Móna and Coillte are constantly reassessing areas of mutual interest. That is just one example. The experience of the financial downturn has certainly made all the semi-State companies very aware of the need to co-operate and collaborate in the national interest. Coillte's co-operation with Bord na Móna and its current discussions with the ESB are very specific examples in this regard.

Deputy Eamon Ryan: In the past, people asked why we needed three or four companies involved in a new venture. I think we need every company to be involved. They are separate and I do not think we should be merging Coillte and Bord na Móna. They involve different skills. However, combining their skills with those of the ESB and our gas network makes sense.

Ms Bernie Gray: It is about recognising our relative skill sets and optimising them to facilitate a hand-over or a joint venture with whichever body has the greatest skill set for ongoing operation.

Deputy Eamon Ryan: If I may follow on from Senator Lombard's remarks, it is going to require different economics. If we are going towards 100-year forestry, which in my mind we are, it is a different model. There will be income streams from the thinnings and the management of it. We may have to pay. The way things are going in Europe and elsewhere is to have recognition of that and payment systems reflecting a 50 or 100-year cycle rather than continuous 35-year clearfell. It requires a different, longer-term economic model and I do not think we should be afraid of that.

The legislation needs to change; that was one of the recommendations in our own report. Deputy Corcoran Kennedy was on that committee as well. The report recognised that the current directions we are getting from the Bill are not fit for purpose. They need to change. Included in that is a recognition that environmental goals such as protecting water quality and biodiversity and increasing amenity and soil quality are not currently rewarded in the existing model and current legislation. I do not hear any political disagreement around the need for the legislation to change. It should be recognised that Coillte has a social remit, in that the scale of forestry we will need must knit into rural Ireland in a socially beneficial way in respect of landscape, isolation and so on. A different economic model is what is going work best in the long term.

Ms Bernie Gray: Coillte has expanded its profile in terms of recreational facilities on that basis, to increase the benefits for local communities from reforestation. There are over 300 recreation sites throughout Ireland and Coillte is currently in the process of developing four mountain bike trails as part of that. I hear what the Deputy is saying in terms of a different economic model and that is a discussion we need to have with our shareholder.

Deputy Eamon Ryan: On that point, is Coillte's expertise in parks? Might it be best to get the National Parks and Wildlife Service to manage and run some of that? It may have expertise that Coillte might not have.

Ms Bernie Gray: It is a point. There are no indications at the moment that our park management is lacking.

Deputy Eamon Ryan: The National Parks and Wildlife Service does not have enough resources at the moment but if it did, it might be a good co-operation partner.

Ms Bernie Gray: We co-operate with local authorities, which have a designated parks

management function. We are in discussion with a number of local authorities at present on the development and running of a number of recreation sites. We recognise our limitations and we do want to facilitate other local administrations that may have expertise we do not have.

Senator Rose Conway-Walsh: I thank Ms Gray for her opening statement and wish her well in her new role. She referred to the impact a hard Brexit would have. Could she talk a little more about the impact it will have on those who depend on Coillte for their income streams? What plans does Coillte have in respect of better transparency, communication and consultation with communities, particularly in terms of its relationship with private developers? How does Coillte plan to maintain positive relationships with communities in order that they benefit most from Coillte? That could be in terms of afforestation or in terms of Coillte's decisions to sell off land or give it away for a nominal price. I am thinking of what Coillte gave away in the context of the Corrib gas project and the small returns we have for that now. How does Coillte examine all that in respect of the public good? I also would be grateful if Ms Gray could talk a bit more about the flood mitigation projects and how that is measured.

Deputy Marcella Corcoran Kennedy: I thank Ms Gray for her attendance and wish her the best of luck in her new role. I live in the heart of the Slieve Bloom mountains, or certainly in their foothills, in County Offaly and am well aware of the work of Coillte. I frequently use Coillte forests to walk and clear my head after a week in Leinster House. I am very interested in what Coillte is doing and in the co-operation between it and Offaly and Laois county councils in respect of the mountain biking track in Kinnitty. It is an excellent example of how partnership can work and it was great to hear additional funding is being provided for it and others across the country in a recent funding announcement. I see the use of the forest for recreational purposes as being of great advantage and it is marvellous that Coillte is not in any way preventing people from going into the forests for insurance reasons or whatever. People feel they have access to these woods and that they belong to us to an extent, even though Coillte is managing them. Another example is Scohaboy Bog, in Cloughjordan beside Sopwell Wood. That is a marvellous example of how Coillte is working on restoring a bog. Scohaboy Bog has a specific designation in terms of its importance. Working with the local community is really important there and it is something I like to see Coillte do.

I am curious about Coillte's relationship with the ESB. I presume we are talking about wind farms. We have a history of objections to wind farms in the midlands. We will not go into the reasons but there were a lot of objections. Many of these objections and much of the climate denial were born from a lack of communication on the reasons we needed renewable energy. Will Ms Gray elaborate on how Coillte will engage with communities on this? Community engagement is very important. Bord na Móna is a model of how this can work well. It is a trusted State agency which engages really well with communities. Detailed engagement is crucial to get these types of projects over the line. Has Ms Gray explored this issue?

On the bioeconomy and woodland diversity, I note that one fifth of Coillte's planting is biodiverse. I do not know for how long it will be possible to sustain the current monoculture. Sitka spruce forest is very silent because there is not much life in it compared with what one would find in a broadleaf forest, for example, where a variety of different plants have self-seeded. Is Ms Gray considering increasing the percentage of broadleaf woodland to increase biodiversity? As previous speakers noted, the committee on climate action has given a great deal of consideration to what we need to do. Some of the committee's members are concerned about high levels of certain types of monoculture in certain parts of the country. County Leitrim was mentioned. We want to avoid that but at the same time we have responsibilities around the

amount of planting we must do.

How much bogland is held by Coillte? I referred to Scohaboy bog but there must be other bogs. Does Coillte envisage a role for the company in rewetting some of those bogs as part of our efforts to manage carbon reduction?

Ms Bernie Gray: Senator Conway-Walsh asked about a hard Brexit. The implications for Coillte of a hard Brexit are stark and probably unique among semi-State companies. This is because one of the key divisions in Coillte is wood processing which derives 40% of its revenue from the UK. The UK is the second largest importer of wood and wood products in the world and we have built up a large market there for our products. Coillte has taken extensive steps to prepare for what it knows about what a hard Brexit will mean. It is likely to mean the imposition of tariffs of up to 7%, thereby reducing margins. It is likely to result in delays in processing and transport. To counter that we should first look at Coillte's financial health. The company has a much stronger balance sheet now than it has ever had. Its capacity to sustain a reduction in margins is now much greater than it was previously as a consequence of all the work that has been done on the financial health of the company. Moreover, Coillte has stockpiled to some extent in the UK to give it a transition phase in the event that a hard Brexit occurs and to allow the market to adjust itself.

Given that the UK's need for forestry products, from Ireland and elsewhere, is so great, it is likely that there will be more macroeconomic initiatives taken by the UK to deal with the issue. Any imperfections or inefficiencies that occur in the market as a consequence of a hard Brexit should be mitigated over time because of necessity. Otherwise, there will be serious implications for the UK, not to speak of Ireland. In summary, Coillte is in a much better position than it has ever been in to deal with any reduction in margin occurring as the result of the imposition of tariffs. While has significant exposure to the UK market, it has taken and plans a number of measures to mitigate that, at least in the early phases. In common with many others, we will have to wait and see what happens, but we are flexible enough to deal with whatever emerges.

On community and consultation, one of Coillte's key advantages, similar to Bord na Móna to which Deputy Corcoran Kennedy referred, is its staff. The company has a nationwide staff of foresters who are respected by local communities and understand and live in local communities. This gives Coillte a very good base to understand what is important to communities and how it should consult them. Coillte is also one of the primary companies involved in providing community gain funds. Where initiatives are taken which have implications locally, the company is prepared to invest through community gain and moneys into local activities to recognise the implications for local communities of any changes it may make.

On what Coillte will do in the future, as the company's range of activities increases and its diversification into using forestry for recreation and climate change purposes intensifies, it clearly recognises the need for ongoing consultation. The key issue will be the extent to which we can use our own staff on the ground who understand the issue from a community base to inform Coillte's approaches. This is something Eirgrid did not have when it was rolling out its transmission development. As the former chairperson of Eirgrid, I know what risks it ran as a consequence. Having a national resource through one's team is a major benefit and Coillte is committed to this.

I do not have specific details on flooding plans but I will revert to the committee on the matter. As part of the forestry management system, a flood plan is developed for each site where such a need occurs, and this is done on a dedicated basis. If members need any further detail

beyond that, I will be happy to come back to them.

I thank Deputy Corcoran Kennedy for her remarks on the initiatives we have taken. These are part of an ongoing approach of strategic partnerships which Coillte wants to use for the future development of resources.

On bogs, I referred to the use of cutaway bogs and consultation with Bord na Móna where the opportunity exists and it is optimal to use this land for afforestation rather than turf production. We are in ongoing discussions with Bord na Móna in that respect.

On monoculture and diversity, it takes between 15 and 20 years for forests to mature. The science and technology behind forestry, no more than any other technologies, were in a different place 15 or 20 years ago. Coillte at that time made the best judgments it could in terms of its species diversity and its pattern of planting. As the science of forestry has improved, Coillte is constantly trying to incorporate new and emerging best practices into its current stock. However, that takes time. One cannot simply cut the trees down at a less than optimal place because it is clear that the mix or style of planting is wrong. However Coillte is very conscious, as part of its forestry management plan, how it will do that over time as the new science emerges. I was heartened to see the level of investment in technology to help Coillte use the asset. One of the challenges with having such a large asset base is knowing what one has and where one has it. To optimise the asset, one must start from that premise and make the best use of fines to go beyond the monoculture. Coillte has invested strongly in its forestry management system and it is heartening to see it combined with the local knowledge and expertise of the forestry staff who operate it.

On the question about bogland, I do not know how many bogs there are but I will revert to the Deputy in that regard.

Deputy Willie Penrose: I apologise for being late but I had to deal with another important issue. Mrs Gray is very welcome. She has much experience and given that she comes from a rural area of County Longford, I anticipate that her sympathies may be more consistent with the importance of the industry in places such as rural County Longford or rural County Westmeath, where I come from. She will know the importance of Glennon Brothers and what it has done there. It is a tremendous international company which will watch Brexit closely in respect of exports and so on, although at least it has a presence in Scotland and, therefore, the impact of a hard Brexit, which grows ever more likely, may be mitigated for it. My uncle worked in forestry for 40 years and worked in the former Department with responsibility for forestry, which predated Coillte. I greatly regret that while Ms Gray's predecessor may well have turned forestry around, a role which she will continue, it has been at a considerable sacrifice. There is much forestry around my home. County Westmeath has good land with large tracts of forestry in Barrettstown, where I live. I remember three or four men used to carry out thinning all year and do all that type of work. They worked in Moranstown, in the red bog, across the way into the forest at Ballinafid and up to Loughnavalley. One would find a snipe, which is a dying breed, more quickly than one would find a human being.

I love the bottom-line scenario that is always outlined by people such as Ms Gray, who is an accountant, although I cannot condemn accountants because my daughter is a chartered accountant and, therefore, I am not into that. Accountants always look at the bottom line, however, and all they go after are the EBITA, and so on. I supported the Government in 2011 and 2012 when the issue arose and when Coillte was being begged for €3 million or €4 million in dividends, but the dividends are now at €15 million or €16 million over a period. While that is

a great return, and while I am all in favour of getting a return for the State, we were very poor at that time. I recall the then Minister for Finance, Deputy Noonan, would scrape a pot together for a couple of million euros but we are now a little better off than that and, therefore, some of the money must be reinvested.

We should not discard the human input in what can be achieved in forestry. The mechanisation is all right. I understand that Coillte manages approximately 1 million acres, which is large, but few labourers are working in the maintenance of forests and very few people are employed. At one time, the aim was to plant approximately 10,000 ha. We fiddled around with 5,000 ha and 6,000 ha, and there was almost a cheer from the sidelines when we achieved 7,000 ha. For a business with State input - I note Deputy Eamon Ryan's presence - it is a disgrace. How can we encourage ordinary people to invest in forestry when the very vehicle that was brought into being by the State has failed to achieve its own targets. Will Ms Gray, as chairperson, ensure that we set about achieving those targets? I will not lecture anyone on the importance of forestry. Forests are a large reservoir for the protection and preservation of wildlife and they play an important role in the preservation of flora and fauna. Young people can be brought to the forest. There are many recreational, environmental, sustainable benefits, including for holiday and leisure, an area in which Coillte has recently begun work. At one time, I thought Coillte was going to enter the nursing home sector but wise heads prevailed. Even I, as a non-accountant, would say Coillte would have pulled the plug on that if it had been plugged before Coillte reached it.

Such benefits are why I became angry when I heard talk of the forest plantation objectives not being achieved. I am strongly in favour of carbon sequestration and we have seen the vital role it has. I hope that Coillte will work with farmers because there are great opportunities for those with small tracts of marginal land, and even those with not so marginal land, to engage and work on 5 ha or 10 ha. I hope that the Minister for Agriculture, Food and the Marine will eventually incentivise them to do that. While I acknowledge that it is not Ms Gray's remit, she is a person of figures. Farmers cannot go on forever producing products before they are decimated, such as in the suckler cow area. They will need something to supplement their income, and forestry represents significant potential for them in that regard. There must be a role for the farming community. Coillte should be prepared to work with the farming community on a collaborative basis, not as a competition.

Coillte has extended its commercial remit, which I understand. I attended all the openings, although I cannot recall the name of the company. It is shocking the way one's mind slips. Coillte sold an area of land at Newcastle Wood, County Longford, with which the committee will be familiar. It is a large holiday home site that will open in the summer ahead of schedule. I cannot think of the company even though I met its representatives on 100 occasions.

Ms Bernie Gray: Center Parc.

Deputy Willie Penrose: It will be huge and I commend Coillte in that regard. I salute its arrival in Newcastle Wood. It is a large area and I know that the former Deputy, James Bannon, would be excited about its upcoming opening if he was present. It is a new area that Coillte has entered and I acknowledge the constructive role it has played. It is the type of thinking that Ms Gray will bring to the business. When I say she is a rural person, I do not mean it in a derogatory way. Rather, I mean that she will surely be cognisant of the rural impact of that type of innovation at her organisation, which has been saluted by all and sundry.

I apologise for missing her contribution but I have a copy of her contribution, which I read earlier. I will not repeat the questions of the Chairman and others, which, I am sure, have ad-

dressed matters. In fairness, it is a bit churlish of us to ask her or anyone else to try to extrapolate what will happen when, from hour to hour and day to day, nobody knows what will happen. I will not be unfair to her in that regard. There is much potential for Coillte to continue its work and there are targets to be achieved. Coillte should set out to ensure that we become even more self-sufficient in our hardwood products and so on, which are important not only for achieving the carbon reduction targets but also for the industry. We often must import much of our roofing materials, for example, but much of that can be made in Ireland and it would also contribute to the construction industry.

I wish Ms Gray well in her tenure as chairperson and acknowledge her wide and varied expertise. Like me, she has a strong GAA background and I look forward to working with her over the next period.

Ms Bernie Gray: I am not a pure accountant. I have extensive HR experience and, therefore, I hope I can empathise with people.

Deputy Willie Penrose: That is good. I had better not tell my daughter that.

Ms Bernie Gray: On the possibility of a hard Brexit, I responded to one of Senator Conway-Walsh's points. In making its preparations for Brexit, Coillte is also facilitating its sawmill customers in their preparations and, as the Deputy mentioned, Glennon Brothers is one of those customers. It is making those preparations in the context of a group which has been established with IBEC and will continue to do so.

On the staffing and human element of Coillte, part of the consequences of efficiencies is the production of cash and an increased delivery in the return on forestry, which gives Coillte and the State options that they did not have before. The Deputy made the point that people can seem invisible but more than 800 people are employed in Coillte and there are 1,200 contractors. The model of resourcing in Coillte has changed but there should still be visibility of people. As I pointed out, Coillte is continuing to recruit forestry graduates and has a forestry graduate programme under way.

On forestry targets, one of the points I made earlier was that Coillte's capacity to acquire land for afforestation is not economically viable because it is not incentivised to do so. Without further incentivisation, the cost of land makes that prohibitive for Coillte. The company is conscious of the afforestation targets but the issue is at what cost that is done. Part of our previous discussion focused on adopting a different economic model nationwide for the next phase of afforestation. This would involve the returns expected from forestry being reduced somewhat as part of the compromise that must always be made between scaling up and efficiencies and effectiveness. We continue to bear that in mind.

Chairman: That concludes our engagement with Ms Gray. I thank her for attending today and engaging in a positive and constructive way. I wish her well in her new role. I am sure she will come before the committee again in due course and I look forward to that.

The joint committee adjourned at 5.01 p.m. *sine die*.