Forestry Commission

Agenda Item 8 Board of Commissioners Meeting Memo No 19/24

July 2024

If not us, then who? Balancing net zero, future timber supply and habitat restoration Part II.

1. Purpose

To build on the April 2024 discussion on how FC balances timber supply, net zero, habitat creation and restoration.

2. Recommendations

That the Board:

1. Notes the potential scale of reduction of conifer woodland area in both the nation's forests and in private ownership.
2. Considers trends in global supply as set out in paper 18/24 presented by James Pendlebury
3. Decides whether current policy levers are sufficient for Commissioners to carry out their 'balancing duties', and ensure adequate timber supplies remain available and nature recovery is accelerated on land managed by Forestry England and land managed by others
4. Directs Forest Services to work with Forestry England and Forest Research to establish an FC policy statement on balancing duties that reflects the decision above.
5. If needed, directs Forest Services to work up a cost benefit analysis of their preferred options to enhance or enable balancing duties (options presented in April and shown in Annex A below).

In line with the Forestry Act, a policy statement would assist Commissioners in demonstrating to others what is being done, and what more needs to be done, to achieve *a reasonable balance between—*

*(a)the development of afforestation, the management of forests and the production and supply of timber**.....**and*

(b)the conservation and enhancement of natural beauty and the conservation of flora, fauna and geological or physiographical features of special interest."

3. Background - Policy aspirations

Afforestation is a core policy for delivering Defra's sector contribution to net zero – and beyond 2050 that there will be ongoing residual emissions that need to be offset. Over the next ~30 years, broadleaf woodland will make minimal contribution on account of slower establishment and growth rates. In short, forestry's contribution (and Defra's committed share) to the net zero pathway will not be realised if the planting rate of conifer does not rise. Alongside this, Government has set targets for nature recovery and habitat restoration. 500,000 ha of wildlife rich habitat is to be created or restored outside protected sites by 2042. From a forestry perspective, successful nature recovery, beyond creating more wildlife rich woodland, would include[1]:

- 70,000 ha of conifer Plantations on Ancient Woodland Sites (PAWS) restored to contain less than 20% conifer canopy cover. This is likely to take some decades to achieve, Forestry England has committed to restoring all 42,814 ha of conifer and broadleaf PAWS and has made a good start on achieving this with some action taken in all PAWS woodland already
- 25,000 ha of conifer removed from peatland across all ownerships. There is 12,500 ha of conifer growing at less than yield class 10 which could be removed without compensatory planting and that other sites with faster growing trees on highly restorable peat are coming forward. Forestry England manage 18,796 ha of forested deep peat and 13,448 ha of non-forested deep peat and have identified 7,119 ha of peatland that is priority for restoration in the next 15 years.
- 20,000 ha of heathland restored. Forestry England in its open habitat strategy (2013) committed to increase the area of open habitat on land it manages from 16.8% to 21.1% by 2060. This is roughly 10,000 ha. An equivalent area of privately owned forested heath could be restored via Local Nature Recovery Strategies and Landscape Recovery projects
- 54,000 ha of stocked conifer area replaced with open space and native trees and shrubs to comply with UKFS by 2046
- A recognition that productive forest landscapes can contribute to nature recovery and wildlife objectives.

To comply with the Natural Environment and Rural Communities Act and the Environment Act 2021, we have published a policy statement setting out how we plan to meet the enhanced biodiversity duty across the Forestry Commission, building on the policies and actions already in place but setting out where we plan to develop them in the future. For example, by using LNRS as an evidence input to inform Forest Plans or taking them into account as we consult on EIA applications.

[1] In many instances the measures listed are interlinked e.g. restoring PAWS or open habitat may also contribute to improving condition of SSSIs.

Balancing duties

Emerging tree health policy is focusing on removing spruce from southern England to help manage the impacts of *Ips typographus.* There are around 27,000 ha of Norway and Sitka spruce in South West, South East and East England of which 7,500 ha is managed by Forestry England. A pessimistic assumption could be that 10,000 ha of this woodland is not restocked with conifer.

Taking both nature recovery and tree health policy into account, softwood production could decline or stop completely in around 179,000 ha of conifer woodland or 59% of the national resource. A more realistic estimate is that 50% of the area (89,500 ha) will be restored or restructured via removal of conifer or have species composition altered to accommodate pest and disease or to increase diversity and resilience.

Current woodland creation projections include an assumption that 78,000 ha of conifer will be planted by 2050. This represents 30% of the overall woodland area to be created by that date. To date <10% of new woodland created via NCF has been conifer. Current policy interventions are not resulting in the establishment of larger scale woodlands where softwood production is the principal objective. Unless this is addressed it is likely that forestry will miss its climate change mitigation projections and, long term, they may be insufficient softwood timber available to maintain the wood processing sector at its current level. This runs counter to the emerging narrative that Defra and associated bodies should position themselves as enablers of economic growth, to actions set out in the Timber in Construction road map and in the industry led National Wood Strategy.

Current policy levers that help balance nature recovery and adequate supply of timber.

The existing regulatory framework provides control over proposals to deforest an area and create open space in existing forests. These include Environmental Impact Assessments, conditions on felling licences and requirements and guidelines set out in UKFS. The open habitats policy can be used to ensure compensatory planting is carried out by those removing trees to restore habitat in some circumstances. The policy sets a movable 'bar', above which woodland can be removed without the need for compensatory planting in any one year. It is calculated annually based on:

- the scale of any tree cover gains and losses in the previous years
- what proportion of these gains or losses is 'productive woodland'

To date no compensatory planting has been deemed necessary to balance the 1,643 ha of open habitat restored by Forestry England or the 2,552 ha of open habitat restored by other land managers between 2012/13 and 2021/22. In 2020/21 and 2021/22 Forestry England restored 1,176 ha of open habitat and other land managers restored 39 ha. In the same two years Forestry England created 13 ha of new woodland and other land managers created 4,294 ha of new woodland. This gives a net loss of 1,163 ha of woodland in the nation's

forests and a net increase of 4,268 ha on land managed by others. Forestry England have gone on to create 204 ha of new woodland in 2022/2023 and 2023/24, open habitat restoration data is not yet available for these years.

Setting the open habitat bar above zero and obliging land managers, including Forestry England to create new woodlands to compensate for those removed during open habitat restoration would require negotiation with Natural England and could be seen as a barrier to nature recovery. It is at odds with our position on observing the 'enhanced biodiversity duty' and may negatively impact supply of timber in the short term if parcels are not felled. Some land managers, including Forestry England may be unable to afford the cost of carrying our compensatory planting given current fiscal conditions.

At a high level, we need to:

- Decide whether current policy levers are sufficient for Commissioners to carry out their balancing duties
- Decide whether we have an adequately resourced, long term plan for ongoing compliance with Forest Europe criteria and indicators that underpin UKFS including:
    - Maintenance and appropriate enhancement of forest resources and their contribution to global carbon cycles
    - Maintenance and encouragement of productive functions of forests (wood and non-wood)
    - Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems
- Take appropriate steps to develop options to close any regulatory or funding gaps that would enable balancing duties and international sustainable forest management commitments to be delivered effectively.

5. Resource Implications

A small team that includes representatives from all three parts of the FC is established to draft a policy statement describing how balancing duties are executed including recommendations for what new actions are needed (if any) to ensure a balance between nature recovery and adequate supply of timber. A financial / economic assessment would need to accompany any change proposed.

6. Risk Assessment

Without a clear position on how we balance carbon sequestration and production and supply of timber with biodiversity and habitat restoration in both the Nation's Forest and in private woodlands, the organisation may be vulnerable to challenge from stakeholders. This is an issue rather than a risk. We are under pressure from eNGO to do more to help nature recover and from industry to do more to ensure adequate timber supplies are available from the nation's forests and the private sector. Without a clear position we may not be equipped with

the right information to ensure that we bid for sufficient resources to deliver the blend of climate change adaptation, mitigation and nature recovery outcomes that ministers expect. Without appropriate balancing measures in place, we may reach a situation where more than 100% of annual conifer increment is harvested, decreasing timber and carbon stocks

7. Communication Issues

None at present

8. Implementation and Evaluation Proposals

Not required at this stage

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Annex A

- Use open habitat policy to ensure both Forestry England and other land manages create new woods to compensate for those removed during habitat restoration
- Pause habitat restoration work until more conifer is being planted. This option is likely to be politically untenable and goes against the direction given to Forestry England by previous Secretary of State. It would slow our national response toward nature recovery. [and would go against our policy statement on biodiversity].
- Increase proportion of conifer on the public forest estate. Possibly via revised programme of land acquisitions and disposals. This may require increased resources for Forestry England, bid for via spending review process.
- Forestry England develops a programme of voluntary compensatory planting, where an equivalent area of new woodland is created to that lost to habitat restoration, regardless of whether this is required by open habitat policy. This would require additional resources.
- Introduce a 'woodland resilience' additional contribution in EWCO to incentivise the use of high yielding species, particularly conifer.
- Build on 'fast track' woodland creation process making it clear, via pro-conifer and high yielding comms campaigns, that we want more conifer in certain areas.
- Develop a rolling programme of land acquisition, afforestation and sale, delivered by Forestry England. Overall public forest estate remains within a minimum (e.g. no smaller than today's estate of 252,000 ha) and maximum (300,000 ha?) size. High quality, productive, woodland is established by Forestry England on new land and sold on after 10 – 20 years once establishment has been completed and first thinnings are ready. Additional resources will be required.
- Promote the restocking of <100 year old broadleaf woodland with conifer. Many woodlands created over the last 100 years have suffered extensive damage from squirrels and diseases such as ash dieback. Restocking these woodlands with a proportion of conifer could improve timber supplies and carbon stocks and potentially ensure the woodlands are managed in the long term. There are no policy or regulatory reasons preventing the use of conifer species in restocking operations in younger woodlands. There may be both climate change adaptation and economic resilience benefits in this approach. Extensive culture change across the sector (including FC and NE) would be required but no additional capital costs.
- Push for conifer woodland to count as 'wildlife rich habitat' compared to ongoing agricultural land use counterfactual. Work with Natural England and others to improve evidence base of biodiversity impact of conifer woodland, using data from Forestry England and private sector. This would require changing the current Statutory Instrument setting out environmental target regulations.