

23rd November 2012

Dear Secretary of State

NCC advice on forestry

I am writing to you with the advice of the Natural Capital Committee (NCC) on forestry, and in particular on the development of your response to the Independent Panel on Forestry Final Report. The NCC will be publishing its more detailed comments separately in due course, possibly to coincide with the Government's own response.

The Report makes a large number of recommendations including more government investment, and in particular proposes a role for the NCC. Since its publication, the ash tree problem has added a further dimension to the development of forestry policy. Although the Report is wide ranging and lacks specific defined proposals, it does provide a major opportunity for a new approach, which puts our forests and woodlands onto a more environmental and financially sustainable foundation. We recommend that the Government seizes this opportunity.

The NCC's advice focuses on three areas: the policy objectives; valuing the services provided by woodlands and accounting for the natural capital; and the role of the NCC. (We do not comment on the organizational structure, as this is outside our remit.)

First, we recommend a clear specification of the public and private purposes, which the organization of the industry will need to reflect. There are a number of different, but overlapping functions that can be clearly specified, in order to get the best value out of our forests. Some of these are ordinary commercial functions, which require good commercial management. Then there are public goods, like recreation, bio-protection and disease control, biodiversity and other environmental services. We suggest that these are going to become increasingly important.

Second, the Report calls for "a new way of valuing the natural and social capital of our woodland resource, alongside the timber they contain". The NCC endorses this call and notes that without an understanding of the diverse values generated by forests, it is impossible to work out how best to shape the future of our forests and woodlands and the institutional framework for governing and managing them – as indeed it would be with any other business or industry. There is therefore a need – and an opportunity – to provide a comprehensive valuation of the commercial, social and environmental forestry services and the underlying assets. This can in turn serve as a model for the application of economic valuation and natural capital accounting to other key areas of the economy, both here and internationally.

The NCC therefore strongly urges you to endorse this approach and to ensure that the full value of forestry resources is assessed and that a regularly audited system of forestry accounts be mandated.

Third, the Panel recommended that the NCC play a part in ensuring that the valuation and natural capital are at the heart of the way in which our forests and woodlands are developed. We are ready to play our part, subject to the resources being made available to do the job properly.

It is more important to get a long-term sustainable forestry policy in place than to rush through quick fixes – indeed it is not obvious that there are any. The NCC recommends that the following steps be taken:

- (i) The Government draws up a new set of overarching objectives for our forests and woodlands, and considers how these might be reflected in the institutional and legal framework.
- (ii) The NCC be invited to provide a framework for a comprehensive economic valuation of the full range of benefits provided by woodlands and to develop a new set of forestry accounts.
- (iii) The accounting framework then be developed into workable and practical accounts by a small group of forestry experts, accountants and others.
- (iv) The ONS should incorporate forestry accounts as a first step towards a comprehensive set of national income accounts, taking due regard of natural capital.
- (v) An oversight framework be put in place which links annual reports to the new accounting framework and the new objectives set out by Government. The NCC advises that this should not be the National Audit Office as recommended in the Report, since it lacks the requisite skills.

I trust that our advice is helpful to you in drawing up your own response, and please do not hesitate to come back to me if the NCC can be of any further assistance in this process.

Yours sincerely

Dieter Helm
Chairman, the Natural Capital Committee