

BREXIT

What's in store for forestry?

The vote to leave the European Union will undoubtedly have a major impact on the forestry and timber sector - although we do not yet know exactly what those impacts will be.

Before the referendum, Confor commissioned a discussion paper to identify the areas where the EU has an impact on the sector's work. Within three weeks of the Brexit vote, Confor developed a more detailed paper to look at those areas in more depth. The new report, *The impact of leaving the European Union on the UK forestry sector*, by Martin Glynn, provides a framework assessment to the sector and initial information and guidance to forestry and wood-using businesses.

The report also identifies which types of business – nurseries, establishment, harvesting, haulage and processing – will be affected in each of three key areas: legislative and regulatory affairs; public funding; and markets and trading.

Each area will be examined in more detail over the coming months by experts from Con-

for's membership. At every stage, Confor members will be kept fully informed.

Stuart Goodall, Chief Executive of Confor, said: "This report lays down clearly where our members are likely to face impacts from the Brexit decision - and what those potential impacts might be. There is a lot we don't know, but this important piece of work provides the basis for Confor to promote the sector's interests at a time of great change."

Mr Goodall added: "We also need to focus on the here and now. Businesses need reassurance that funding support will be available in future, especially if we are to ensure continued planting. We cannot allow paralysis to set in - the wheels of business must be allowed to continue turning at the same time as we work hard to shape a new future in the best interests of the forestry and timber sector."

This is a summary of the Martin Glynn report, with an at-a-glance guide below. The full report can be found on the Confor website in the Publications section.

PUBLIC FUNDING

European Agricultural Fund for Rural Development (EAFRD)

EAFRD represents Pillar 2 of the Common Agricultural Policy (CAP) and funds rural development payments to farmers, foresters and rural communities. The UK is scheduled to receive €5.2bn through EAFRD in the current period (2014-20). The EU agrees themes and principles for funding but details are set out in National Programmes, drafted by national governments and agreed with the EU. In the UK, documents are prepared on an individual nation basis, so details vary across the UK.

Woodland Creation & Management

EAFRD supports the creation and management of woodlands where this has an environmental or rural development benefit. New planting, the creation or improvement of habitats, restoration of forests following pest and disease incidents, reducing flood risks and improving access are among eligible activities. The production of timber per se is not a supported activity but many eligible activities will indirectly result in this. The annual grant budget is £80.4m (Scotland £36m, England £31m, Wales £10.3m and Northern Ireland £3.1m).

Supply Chain and Timber Processing

The forestry supply chain and small-scale timber processing sector benefits from support through EAFRD with grants for machinery, training, buildings, innovation and collaboration. The extent to which the sector benefits varies between nations and forestry rarely has a 'ring-fenced' budget, instead competing with agriculture and other rural industries for a share of the funding.

Future options: The future of farm and rural support payments in the UK is likely to be a major issue, with the potential to have a very significant impact on the forestry sector. Pillar 1 of the CAP (direct payments to farmers) has traditionally taken a significant proportion of the EU budget, and still accounts for around 40 per cent. UK governments have indicated a consistent desire for these payments to reduce and for environmental payments to take a greater share.

During the Referendum campaign, the Leave supporters indicated payments would continue, but many competing areas of expenditure were also highlighted and could attract higher political attention. Conversely, should a weak pound lead to increased food prices and implications for inflation, maintenance of farm incomes through subsidies may be an attractive option.

Possible scenarios include: retention of existing arrangements post-2020; withdrawal of all support for the forestry sector but maintenance of support for agriculture (direct payments and/or rural development);

The report at a glance

The forestry and timber sector will be affected in three key areas, according to Martin Glynn's report:

Public funding, including: European Agricultural Fund for Rural Development; European Regional Development Fund and European Social Fund; EU Programmes; state aid.

Trade & markets, including: goods; labour; timber; renewable energy; land.

Legislative and regulatory affairs, including: Environmental Impact Assessments; Birds and Habitats Directive; plant health and quality; employment and health and safety law.



withdrawal of all rural development support; introduction of an amended programme of support for rural development, including agriculture and forestry.

The last outcome is considered the most probable. The focus of debate is likely to be on what activities are included, to what extent they are grant aided and the details of grant scheme implementation.

Potential Impacts: Policy regarding support for rural development is a devolved matter, decided by national governments. However, allocation of funding for CAP supported activities as a whole is decided at EU and UK level, so full devolution or agreement on budgets between Westminster and the devolved administrations is needed. In either case, as there will be no common European framework on which this support is based, there is likely to be greater divergence between national schemes and potentially greater variation in the relative success of the sector.

The future of existing Rural Development Schemes and contracts issued through them is an issue of major concern. Most land management agreements contain an element of funding over 5-10 years and a lack of security regarding this could be a disincentive to future applications.

The future of payments for equipment and training through the Leader schemes and other non-land based schemes is also in major doubt and most funders have been instructed to halt approval.

European Regional Development Fund (ERDF) and European Social Fund (ESF)

With EAFRD, ERDF and ESF are the major EU Funds making up the European Structural Investment Funds programme. ERDF supports projects which enable or promote economic development within discreet regions, primarily in ICT, innovation, SME development and supporting a shift to a low carbon economy. ESF's focus is 'quality' employment, labour mobility, social inclusion and training.

Forestry has not traditionally accessed these funds to any great extent, given that they cannot support 'in forest' activity. There have been instances where they have supported local/regional projects which address wider needs. For example, some current projects aim to benefit from ERDF's low carbon priority to support woodfuel markets and supply chains.

EU Programmes

The EU also provides direct support for a number of other activities, delivered through a variety of grant schemes and focused on issues such as research and innovation, young people and transnational co-operation. Examples include Horizon 2020, LIFE and Erasmus+. Horizon 2020 has a budget of approximately €80bn for 2014-2020.

The forest sector has benefited from a number of these funds. Often, these focus on



particular subjects, such as plant health or use of timber in construction and involve a number of partners.

The importance of such funding is underlined by the share of Forest Research's annual income derived from EU sources, increasing to £783,000 (6 per cent) in 2014/15 from £486,000 (3.6 per cent) in 2012/3.

Participation in these projects is not limited to EU member states. Horizon 2020 extends to 15 'Associated Countries' including most non-EU European countries. Association Agreements have to be reached before such status is granted. Ensuring such agreements are in place to ensure a seamless transition from EU membership to non-membership will be important in exit negotiations.

TRADING & MARKETS

Goods

As an EU member, the UK benefits from the free trade of goods within the EEA. Goods that can be traded freely include plants (subject to regulations), machinery, chemicals, timber and timber products. As such, membership or not of the EEA will impact directly upon most aspects of the forestry and timber processing sectors in the UK.

The UK's future position will depend what status it seeks following Brexit. Should it seek membership of EFTA it could, in theory, retain

EEA membership, although this is not certain. If it was to do this it would be likely to have to comply with most EU regulations relating to the free movement of goods, services, capital and labour, and pay for this access.

If the UK was not willing to accept the free movement of labour, for example, it would not be able to join the EEA (but it could be a member of EFTA) and to access EU markets without penalty, would have to negotiate separate bilateral agreements with the EU which did not include these conditions.

Labour

The extent to which migrant labour is used in the forestry sector is difficult to assess as no reliable data is collected. However, anecdotal evidence suggests it is important in sub-sectors such as nurseries, establishment, fencing and machine operating. Many of these rely on seasonal labour to fulfil particular requirements, which migrant labour tends to have a disproportionate share of.

As described above, the ability to continue recruiting migrant labour will depend on the status of the UK after exiting the EU. Promoters of the Leave case have said that where industry can prove it needs migrant labour to operate this will be permitted. However, the speed at which such arrangements operate will be key to their success. Seasonal labour is by its nature frequently required at very short notice and any delays in its approval would render the system unworkable.

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Timber

As the world's third largest timber importer, the UK has played a significant role in the formulation of timber trade policies and their implementation. The EU published the Forest Law Enforcement, Governance and Trade Action Plan in 2003, setting out measures available to the EU and member states to tackle illegal logging, including the European Union Timber Regulation (EUTR), which were adopted in 2010 and came into force in 2013. The Timber and Timber Products (Placing on the Market) Regulation 2013 transposes the EUTR into GB statute.

The EUTR requires operators who place timber onto the market for the first time to exercise due diligence with regard to its origin and sustainability. The EUTR was transposed into the EEA Agreement in May 2015, so the UK would have to maintain the requirements of the EUTR if it became a member of the EFTA with access to the EEA. If the UK was outside of the EEA it would in theory be possible to remove the requirements although the terms of any trade agreement could still require it, as could UK government policy.

The UK's future trading position will also dictate to a large extent the use of standards for timber products. These are commonly classified according to European Standards, used by the EU to underpin much of the regulation it applies to the area, such as the Construction Products Regulation (305/2011/ EU). Membership of the EEA would require

adherence to these standards and regulations, although it may be possible to drop some requirements for timber grown and used in the UK. Similarly it may be possible to relax some aspects of CE marking which the UK has traditionally been reluctant to fully adopt.

Clearly with an industry as global as the timber trade, adoption of multiple standards and regulations is a source of significant cost.

Land

The financial viability of afforestation proposals is closely linked to the price of land. It is commonly thought payments to farmers through the Common Agricultural Policy ('farm subsidies') distort the value of farmland, to the disadvantage of the forestry sector.

Should the UK decide to reduce or even remove farm subsidies altogether it is therefore possible land prices may reduce, making afforestation both more attractive (as an alternative land use) and more viable, financially

The nature of the replacement farm subsidy system in the individual nations will have a major impact on the comparative viability of forestry in the UK.

LEGISLATIVE AND REGULATORY AFFAIRS

Legislation governed by the EU falls into one of two types – Directives or Regulations. Directives are decided at EU level but have to be transposed into legislation by individual countries before they become law in that country.

Regulations are also decided by the EU but become law across the EU without further enabling legislation in individual countries. In broad terms, once the UK exits the EU, Regulations will by default lapse, whereas Directives will still apply as they are enshrined in legislation, which will need amending or repealing before they are affected.

Environmental Impact Assessment (EIA)

The EU EIA Directive (85/337/EEC) came into force in 1985, but has been amended several times, most recently in 2014.

Relevant developments potentially requiring an EIA include afforestation, deforestation, roads and quarries. Thresholds are set above which projects may require an EIA, subject to a screening process. The thresholds are set by individual countries within the UK and thus vary, but the screening process is the same.

Future options: As a Directive enshrined in UK legislation, EIA requirements will not automatically change if the UK exits the EU. Legislation would have to be amended or repealed before any change. In most cases the EIA Directive is brought into effect via Statutory Instruments which do not require



primary legislation to amend or repeal.

The 2014 amendment to the EIA Directive is due to be transposed into UK legislation by May 2017. Will this happen? Article 50 does not allow for any suspension of the adoption of new or amended EU legislation during the two-year negotiation period, so in theory the amended Directive will have to be transposed into UK law.

The basic options are: retain legislation as framed at the time of leaving the EU; introduce new EIA legislation; remove of EIA legislation. Any future arrangements will probably be based on individual countries as devolved matters and any differences could amplify the impact overall.

Potential Impacts: Repeal of EIA legislation, or significant amendment, has the potential to remove or lower one barrier to afforestation, given that the Regulations have reportedly discouraged proposals due to the potential costs and time delays.

Controversial schemes could lead to increased tension with stakeholders including NGOs and farmers, unless a framework is in place to regulate.

Deforestation could become easier, but other UK law (eg Felling Licences) and non-regulatory processes like certification could limit the impact.



James Williamson



Birds and Habitats Directives

This is the EU's oldest environmental legislation, introduced in 1979. The Habitats Directive was adopted in 1992. Together, they form the primary legal basis for the EU Biodiversity Strategy and the means by which the EU meets the Bern and Bonn Conventions. The Directives are transposed into UK law through a variety of primary and secondary legislation, on a UK and individual country basis.

The Habitats Directive requires member states to introduce a range of measures, including the creation and management of Special Areas of Conservation and Special Protection Areas, the protection of certain species of animals and plants, and monitoring and reporting on the status of certain species and habitats. Lists of protected and priority species and habitats, regularly updated, form part of the Directive. The Birds Directive provides for protection of all wild birds, as well as the identification and conservation of priority species.

Future options: As with EIA, UK law would remain on the statute book following an EU exit and require primary or secondary legislation to remove/amend it. As the UK is a signatory to the Bern and Bonn conventions, legislation would be needed to meet the conventions' requirements. The likeliest option is retention of existing arrangements,

with individual countries being freed to amend, within the constraints of the relevant conventions.

Potential Impacts: The potential impact of leaving the EU on these areas of legislation is likely to be limited. Individual countries could propose amendments which would have to be consulted on and may reflect the particular concerns of those countries, for example the seasonality of certain restrictions on work in woodland, or species or habitats to be provided with particular protection.

Plant Health & Quality

Plant Health in the EU is governed by an EU Directive (2000/29/EC), supported by a number of Control Directives and Emergency Measures. This aims to prevent the introduction of harmful pests and diseases into the EU or limit their spread within the EU if present. It provides the basis on which plants can be traded between member states and imports into the EU are permitted.

Plant material and timber is freely tradable within the EU and Switzerland (unless on a restricted list) but requirements may be placed on specific species as a result of plant health concerns. At present, this includes Ash, Oak, Pine and Sweet Chestnut, which require a Plant Passport to be moved from one EU country to another.

Plants from outside the EU intended for

planting are 'controlled' material and must have a phytosanitary certificate issued by the country of origin to meet requirements for entry to the EU. Certification is governed by the World Trade Organisation.

Future options: Plant health and quality legislation in the UK results from EU Directives and will remain in place following the UK's exit, with the subsequent options being to retain, amend or remove it. However, unlike environmental legislation, the outcome is likely to be dictated by whether the UK decides to remain within the 'single market'. If so, existing procedures must be retained. If not it would be possible to adopt new procedures, which would probably mean adopting rules for importing from non-EU countries to EU countries and the need for phytosanitary certificates for controlled material.

Potential Impacts: The impact on plant health will depend on the UK's position with the 'single market'. Leaving it would provide an opportunity to implement more stringent requirements on the importation of plant material which could result in the reduction, or delay, in the introduction of new pests and diseases to the UK. Such restrictions would still have to comply with WTO principles.

Employment and Health & Safety Law

A large body of UK employment and Health & Safety (H&S) law derives from EU legislation, mainly Directives transposed into UK primary or secondary legislation - including the Working Time Directive (WTD), TUPE and Agency Workers Regulations (AWR). There is also significant legislation not derived from the EU. In addition, the UK in many cases goes beyond the minimum requirements of EU law, such as in the field of equality and discrimination.

Future options: Legislation covering areas where the UK goes beyond EU requirements, or had measures in place before the EU introduced them, are very unlikely to be affected. In theory, elements such as WTD and AWR, could be repealed. However, should the UK remain within the single market, it would have to comply with EU legislation. In respect of the WTD, the UK currently benefits from an opt-out which could be removed if the UK is not an EU member but remains within the single market.

Potential Impacts: If the UK remains within the single market there is unlikely to be a significant change to most employment and H&S law, although the removal of the WTD opt-out could be a disadvantage for many employers. Should the UK leave the single market it is possible employment law would be a priority for the repeal of EU-based law, resulting in significant changes. Such changes could be heavily influenced by the nature of the UK government at the time, and whether Scotland seeks independence. These factors could lead to greater instability in employment law.

Confor calls for reassurance on financial support for sector

The forestry and timber sector needs urgent reassurance from Government on future financial support, at the same time as discussing how to shape a positive post-Brexit future.

A total of £80m is spent annually on supporting activity in the sector across the UK and it is vital that current commitments are honoured and funding made available post-Brexit to support current grant-aided activity, in particular new planting, to ensure business confidence.

A detailed discussion organised by Confor at the All-Party Parliamentary Group on Forestry, which took place less than three weeks after the vote to Leave, included a call to ensure that debate about the future should not lead to paralysis in the short to medium term.

APPGF Chairman Chris Davies promised to take the issue up with Government, while Stuart Goodall, Chief Executive of Confor, said that all the initial signs – from the UK Government and the devolved administrations – were that those contracts would be honoured. However, he warned that a lack of clarity over future funding could be damaging: “Uncertainty over continued grant support is undermining new activity, especially planting. People are already considering if they should be working up planting schemes if they don’t know if they are going to get approval and funding.

“There is also a double uncertainty with the devolved administrations as they need to know what the situation will be at UK level. Post-Brexit, CAP funding will nominally sit with the UK Gov-



Stuart Goodall presents to APPGF

ernment and devolved administrations need to know what funding they will have available to them.”

Mr Goodall explained that Confor had commissioned the Martin Glynn paper on the impact of Brexit as quickly as possible to provide information, guidance and reassurance to members. “Following the vote to leave, there have been a

lot of questions from members and we had to react quickly to that,” Mr Goodall said.

Simon Lloyd, Chief Executive of the Royal Forestry Society, said: “We need to give woodland owners and managers assurance that contracts they have entered into will be honoured without equivocation – and that they will be encouraged

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APPGF chair announces inquiry into future of forestry

The APPGF meeting heard advance news of an expected wide-ranging Westminster inquiry into the future of the UK forestry and timber industry.

Notice of the inquiry was given by Chris Davies MP, Chair of the APPGF and Conservative MP for Brecon & Radnorshire.

The inquiry will be conducted by the Environment, Food and Rural Affairs (EFRA) committee and is likely to be announced in the autumn, with a call for written evidence, followed by oral evidence sessions in early 2017 and a report by spring 2017.

Confor Chief Executive Stuart Goodall, who will be expected to give evidence to the inquiry, said: “This is tremendous news and a real boost to the sector. I am delighted that Confor’s lobbying work - and the hard work and commitment of Chris Davies MP - has paid off and that forestry and timber will get serious consideration by a parliamentary committee at this extremely important time for the sector.”

The APPGF also pledged to write urgently to the Under-Secretary of State for Environment and Rural Affairs to clarify the status of the remainder of the £1 million Forestry Innovation Fund announced in the March 2015 Budget.

An initial application window to fund Woodland Creation Planning Grants received a very positive response from the sector, with ten planting schemes coming forward totalling in excess of 1000 hectares - with between £200,000 and £250,000 paid out of the £1 million pot.

Stuart Goodall said: “This funding was strongly welcomed by the sector as an important and cost effective tool to support the growth of forestry in the English regions. It has de-risked the process of applying, which can be long and expensive. The woodland Creation Planning Grant generated a lot of interest and activity.

“It is clear that this is a very efficient mechanism to help meet planting targets. It is a crucial driver and within the whole scheme of things, it is a small amount of money.”

Mr Goodall said that despite the narrow application window, the fund has unlocked a range and scale of proposals to plant productive forests not seen since the 1990s. He added: This is extremely important as uncertainty around the impacts of leaving the EU has threatened to undermine confidence in tree planting.

“The projects supported by the funding will stimulate employment in rural areas where there are few alternative job opportunities and play a crucial role in delivering government targets for tree planting and carbon emissions reduction.”

However, Mr Goodall said it was crucial that the remaining balance of the £1m fund was opened up soon to stimulate further planting, with a wider application window.

George McRobbie, Managing Director of Tilhill Forestry, said: “There is lots of inertia and momentum needs to be built up. Short, sharp application windows are unhelpful in creating that momentum.”

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to enter into new contracts so we can continue to manage our woods and plant new woodland.”

Anne-Marie Trevelyan, Vice-Chair of the APPGF and a prominent Leave campaigner, urged the sector to seek the opportunities presented by Brexit.

She said that she had personal experience of the challenges of obtaining grant support to plant trees under the current CAP system and called on the forestry sector to be proactive in shaping a post-Brexit future.

“The decision gives us an opportunity to look at how we fund our rural industries,” she said. “No-one has decided what the new model might look like so it’s up to the farming and forestry sectors to bring a new system forward. This will not happen in the next two years, it will be the next 5-10 years, so there is plenty of time for the forestry sector to decide how best it should be done. If we have strong, robust conversations now, and ask people to think in a different way, we can shape policy.”

Mrs Trevelyan, MP for Berwick-upon-Tweed, told the APPGF that there was “enormous potential to join forestry and farming together post-Brexit”. She added: “It is logical to look at it in the round and to create a level playing-field.”

Stuart Goodall said that the amount of money which goes to forestry through existing schemes funded by the EU was “comparatively very small, but hugely influential in supporting new planting”.

He added: “Coming out of the CAP would allow us to do things differently. The current system acts as a disincentive to farmers to diversify.”

Summarising the Martin Glynn paper for the group. Mr Goodall said the forestry sector was “exposed to a huge amount of envi-

ronmental legislation from the EU” and that Confor members would be substantially affected by fluctuations in exchange rates and trading rules: “In the initial period after the decision to leave, the weak pound provided a boost for the UK timber market and the pound is likely to remain weak for some time, but there is no certainty what will happen in the medium and long term.”

Mr Goodall said Confor had to get information out quickly: “There is no information yet coming out of the public sector so we have a chance to step into the breach and inform our members, the whole sector and stakeholders.”

APPGF Chairman Chris Davies said he saw great opportunities for the forestry and timber sector after Brexit. He welcomed the work done by Confor and others in reacting quickly to the Brexit vote but urged co-operation across the rural economy: “If you can get together with some aims, what a force you would be. This is a massive opportunity and we need to be together. He also told the meeting: “We are in a great state of fluidity but we need to be sensible, calm and have a plan.”

Mike Seville, Forestry and Woodland Adviser to the CLA, agreed collaboration was needed. He said: “We are in a completely new place and keen to talk to the forestry, agricultural and environmental sectors to marshal arguments for continued payments for land use, then to consider how they might be divvied up in future.”

Confor Chairman Athole McKillop warned that the Leave vote meant that the EU could no longer be blamed for a lack of planting in England. He said: “Defra has the ability to over-complicate things and we need to make them simpler. The new minister has to take a firm hand – and has to listen to the sector.”



Anne-Marie Trevelyan and Chris Davies pictured with Confor Chief Executive Stuart Goodall (centre)

Stakeholders' response

Andrew Bronwin (Andrew Bronwin & Co Ltd)

The news that Wales had voted to leave the EU caused a reaction of surprise and confusion amongst many. Why would the country make such a decision when it is in receipt of billions of pounds of European money? Subsequent commentary revealed an antagonism to EU lack of accountability and a failure by the Welsh Government to engage with the people over the way EU money was administered and spent.

It is likely that Wales will be financially worse off, certainly in the short to medium term. And we have to acknowledge that forestry is low in the pecking order both politically and in the queue for public funds.

Wales will have to generate more income and spend less and forestry could make its contribution to those demands. With the fall in the value of sterling the demand for homegrown timber should increase subject to the economy holding up and promoting the planting of commercial forests on our marginal hill land will be much cheaper than endlessly propping up agriculture.

It is vital the commercial sector argues its case with clarity and vigour. For the last 30 years it has been too silent allowing agriculture and the conservation-focused NGOs to dominate. That must not happen again. Welsh Government has embarked on an ambitious programme to establish a sustainable economy but it needs to shift its focus in the rural sector to more commercial activities, like forestry, which require less public subsidy.

Above all politicians need to listen. If the referendum vote told them anything it told them that. The current culture is for those seeking public funding to praise government policies, regardless of their view, and promise cooperation in the hope that their sector will see some of the cake. We need greater honesty but the fact is it will be a bun fight for public resources. We need to sharpen our elbows and get stuck in. It is all to play for and the game will be rough.

Justin Mumford, FICFor CEnv (Lockhart Garratt)

It is likely that agricultural subsidies will be cut as they are not favoured by the Treasury. To me this is just a question of it happening sooner rather than later as the current model would not of gone beyond the budget renegotiations of 2020 in any event. It is unlikely that this will spill over into the environmental support which we currently administer and know so well. If anything, this might be strengthened!

Judging by the UK government's responses to a range of environmental proposals from the European Commission in recent years, it seems more likely that the current government and possibly its successors would opt for a “less ambitious approach than that adopted by the EU”.

The failure of the leave and the remain campaign to discuss the environment means that no-one can argue the result is a mandate to remove hard fought environmental protections. No-one can claim that the soaring rhetoric that we needed to “take back control” means there is a green light for the UK to again become the dirty man of Europe.

Energy minister and leave campaigner Andrea Leadsom has previously pointed out that “our own UK Climate Change Act of 2008, is world leading”. It is possible for us to be a world leader in nature protection, air pollution and the transformation to a truly sustainable economy.

“It is likely that agricultural subsidies will be cut as they are not favoured by the Treasury.”

The governments' response



SCOTLAND
Fergus Ewing,
Cabinet Secretary
for the Rural
Economy and
Connectivity,
Scottish
Government

I have always taken a close interest in forestry, the timber sawmilling and panel products sector, not least because of the huge importance of all of these in my own constituency of Inverness and Nairn (and for 12 years Lochaber) where companies like Norbord, BSW and Gordon's are major employers and contribute significantly to the local economy.

The Scottish forestry sector is resilient and vibrant, and is now contributing £1Bn GVA to the Scottish economy, while supporting around 25,000 jobs, and contributing to Scotland's ambitious climate change targets among other wider outcomes. However, the uncertainty wrought by the EU referendum vote has potentially the biggest impact in the short and medium term. It risks slowing investment in woodland creation and in expanded processing capacity and it is generating challenges such as the concern around the 5-year funding grants.

In the short term, the reduced value of the pound is a mixed blessing for many sectors and, for example, home-grown timber could secure a larger share of the market as imported timber becomes more expensive. However, be assured that the real focus of the Scottish Government is on securing and developing the long-term future of this essential element of our rural economy as part of our wider priority to represent and protect Scotland's interests.

The Scottish Government is very supportive of Scotland's forestry sector and has ambitious planting targets – we are determined to work closely with the sector to meet these while also doing all that we can to ensure that the EU referendum vote does not impact this important work.

We have been proactive in engaging with the sector since the EU referendum vote, including speaking to key sector representatives within a day of the outcome being known and meeting in late June to discuss the planting targets and to provide further assurance of the Scottish Government's commitment to the sector. We have also informed the sector that the Scottish Government will be holding further meetings with key members of the sector over the summer and will be convening two forestry sector summits in the autumn.

The Scottish Government is intent on exploring all options to protect and maintain Scotland's existing relationship with the EU and thereby to continue to enjoy the benefits of EU membership, including the single market and freedom of movement.



WALES
Lesley Griffiths,
Cabinet Secretary
for Environment
and Rural Affairs,
Welsh Assembly

The result of the European Union membership referendum will have reverberations across the country for years to come. The result has a very significant impact on the Environment and Rural Affairs portfolio.

On 4 July, the First Minister and I met with stakeholders to discuss what our priorities should be in the negotiations ahead and for the policies that may emerge following the UK's exit.

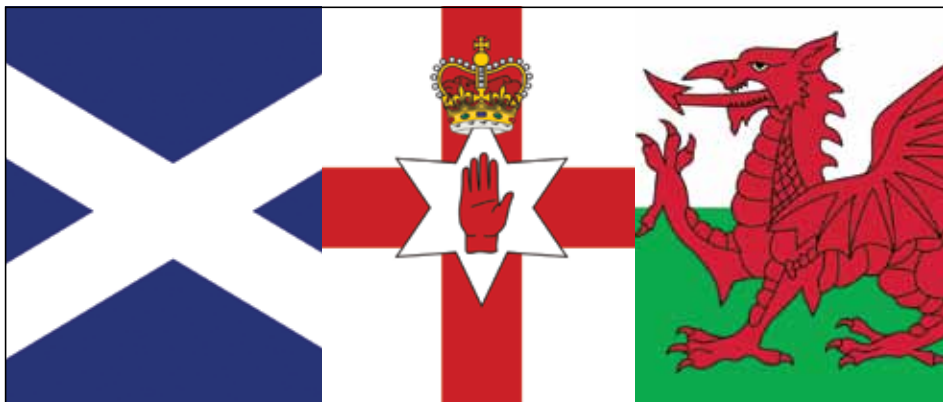
Many stakeholders are seeking reassurance in relation to funding. The First Minister has clearly stated we will press during the negotiations for continuity in all the major EU programmes until the end of 2020 and for continued access to EU markets.

Pillar 1 of the CAP (direct payments to farmers and land managers) is an annual scheme and will continue on an annual basis until the UK's exit becomes final.

The Rural Development Programme (Pillar 2) is more complex. The First Minister has sought assurances from the Prime Minister that whenever the EU funds cease, an equivalent amount will be given to the Welsh Government to allow continuity in the planned Programme. To date, he has not received that assurance, therefore, there is uncertainty as to our future funding streams.

Anyone currently holding a contract can be assured Welsh Government will honour it. Where stakeholders are applying for a scheme that is in progress, we advise them to continue with the process. Where their project will complete in a relatively short timescale, we will be more confident of being able to fund it. However, where a project extends beyond 2018, we now have to delay the decision until we are sure of our future funding.

This is a summary and the full statement is available @ <http://gov.wales/about/cabinet/cabinetstatements/2016-new/euexit/?lang=en>



NORTHERN IRELAND
Michelle McIlveen,
Minister of
Agriculture,
Environment
and Rural Affairs
(Northern Ireland)

Answer in response to a ministerial question regarding the minister's assessment of her Department's relationship with Europe in light of EU referendum result:

"Last week's vote will inevitably change the relationship that my Department has with Europe. At this early stage I cannot give you any detail on the mechanisms of our exit however it will be my top priority to ensure our agri-food industry, rural communities and

environment stakeholders make the best of this new opportunity.

"Although we have voted to leave, this will not take effect until the UK Government has negotiated a withdrawal treaty with the EU. This negotiation will take a number of years to complete. EU support for our farmers and our current trading arrangements, will remain in place during that time. We will be negotiating new trading arrangements with the EU and the rest of the world and I will be working to defend the interests of our agri-food industry in these negotiations.

"As we move forward I intend to develop a strong and closer working relationship with the Defra Minister, and my counterparts in the Scottish and Welsh Governments, to ensure I deliver all that I can for farmers, foresters, fishermen and the environment in Northern Ireland."