

Environmental and Social Data Sheet

Overview

Project Name: Irish Sustainable Forest Fund (NCFE)
Project Number: 2015-0605
Country: Ireland
Project Description: An equity participation in a Continuous Cover Forestry (CCF) fund, promoting better sustainability and biodiversity in forests in Ireland.

EIA required: yes if national thresholds exceeded; multiple schemes

Project included in Carbon Footprint Exercise¹: no

Environmental and Social Assessment

Environmental Assessment

Sustainable forest management and well-designed forestry investments have a positive impact on major environmental issues: i) loss of biodiversity (habitat protection, wildlife corridors, riparian zones preservation); ii) climate change mitigation and adaptation (forests are known to be a major carbon sink, forest assets can be managed as a renewable energy source and forests are expected to be an important raw material for the second generation of biofuels); and iii) conservation of soil and freshwater (watershed protection against erosion, flood prevention). In addition, forests offer valuable amenity and educational value.

Forest species make up the greatest assemblage of biodiversity in European terrestrial ecosystems. So far, Europe's efforts in halting biodiversity loss in forests has had mixed results. The transformation of natural multi-layered forests into a series of uniform tree stands has interfered with the structural biological complexity and species diversity of natural forest ecosystems, as well as their natural heterogeneity and spatial and temporal variability.

Moving towards management practices targeting continuous cover forests would allow for the creation of permanent, stable, biodiverse, viable and valuable forests containing trees of all ages, thereby maintaining the "capital" of mature and diverse forests to resist the threat and risks associated with climate change that may see new pests and diseases arise with increasing virulence but also benefitting many specialised woodland plants and animals dependent on dead wood as food and living space. Furthermore continuous cover forests have further environmental advantages such as reducing soil erosion which is pivotal for increasing fresh water quality particularly in vulnerable creek and river catchment.

The Fund is expected to invest according to a strong set of sustainable environmental and social management principles, which are set out in the Fund's Forest Investment Policy, its Environmental and Biodiversity Screening Guidelines and its Investment Management and Operations Manual. The Fund Manager is already aware of the EIB's detailed forestry, environmental and social eligibility including the NCFE eligibility criteria and these will be incorporated into the guidelines of the Fund.

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO₂e/year absolute (gross) or 20,000 tons CO₂e/year relative (net) – both increases and savings.

The SLM Silva Fund ("the Fund") strategy is to purchase existing plantation forests and bare land of low biodiversity value and, by virtue of CCF management, to increase their biodiversity value (or naturalness) while maintaining their timber production function and generating financial return satisfactory for investors. The transformation period from evenly aged, monoculture plantation forest to full CCF can be as long as forty years and this means that performance against many indicators, while expected to be positive, will be slow. This process cannot be rushed as the forest must be allowed time to respond to the change in management. This type of conversion and any afforestation and reforestation for the purpose of conversion to another type of land use falls under Directive 2011/92/EEC. The decision of the Competent Authority whether to require an EIA on the basis of Annex III of the Directive will be assessed for each investment, as well as the possible impacts on protected flora and fauna (Habitats' 92/43/EEC and Birds' 79/409/EEC Directives). Other legislation may be applicable to the respective investments such as the Flood and Water Framework Directives.

The Fund core philosophy is not only to try to minimize the potential adverse social and environmental impacts, but to increase the coverage of Irish forests under continuous cover forest so as to enhance these values based on the application of the following sustainable development principles:

- In managing natural forests, to respect the Pan European Forest Process on Criteria and Indicators for Sustainable Forest Management (previously known as the Helsinki Process);
- Increase biodiversity across the full forest area and not to compartmentalise the biodiversity function into small forest areas with restricted access while disregarding biodiversity management outside of these areas.
- Follow the forest management principles and criteria of internationally accredited forest certification systems, such as FSC (Forest Stewardship Council) and PEFC (Programme for Endorsement of Forest Certification);
- Comply with regional or nationally developed standards for continuous cover forest management.

The Fund's Forest Investment Policy

The Forest Investment Policy adopted by SLM Silva Fund ("the Fund") requires that investments must be environmentally sound and sustainable and meet the NCCFF eligibility criteria referring to the LIFE Biodiversity and Adaptation objectives. To improve decision-making, the Fund has adopted a principle of undertaking a thorough due diligence as part of a two-stage investment decision making process. Assessment of key environmental and specifically biodiversity aspects is a central part of those processes. It is carried out following the Fund's policies and guidelines, and national legislation in each respective country and has the following general objectives:

- Identify and assess social and environment impacts, both adverse and beneficial, in the project's area of influence;
- Establish the biodiversity and ecosystems baseline indicators against which the investment will be monitored;
- Identify ways of mitigating negative impacts and enhancing positive impacts, including delivery of environmental services during investment execution in order to manage the environmental, social and reputational risks and to enhance the value of the asset;
- The Forest management system will comply with all national forest management standards (i.e. no introduction of invasive alien species, use of native broadleaves) and rules which already encompass Sustainable Forest Management Standards as defined by Forest Europe; and
- Obtain an informed view concerning the forest certification according to an internationally accepted certification standard.

These guidelines have been prepared to provide general guidance and approach to environmental and social impact review during the due diligence and investment decision-making process, and also on managing social and environmental performance throughout the life of the investment.

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It is intended that performance against all identified indicators will be reported at five year intervals. This interval is consistent with National requirements for renewal of forest management plans and associated inventories. These are required as part of applications to the Forest Service in the Department of Agriculture, Food and Marine for General Felling Licences (GFLs) which are normally issued for a five year period. New inventories and plans will be conducted on a rolling basis and therefore data will range from between 0 and 5 years old, depending on the renewal date for individual management plans and inventories. Annual summary reporting of progress with indicators will be possible but a more detailed 5 year report will be prepared and should be used as a more accurate basis for performance measurement.

At present, most conventional forest inventory systems in Ireland are weak with regard the assessment and recording of biodiversity features and indicators. This can lead to important biodiversity features being overlooked at later planning and operational stages. There is a need to integrate the identification and recording of important biodiversity features and indicators into conventional forest inventory and planning systems. As a result, funds from the NCFE Support Facility will be used to facilitate the integration of such matters into the forest inventory protocol adopted by the Fund and the establishment of a fully functioning and satisfactory system.

Conclusions and Recommendations

The Fund will have to develop an Environmental and Social Management System (ESMS) to the satisfaction of the EIB. This must be incorporated in the governing documents of the Fund.

The Fund will also commit to implementing and engaging with the technical assistance provided for under the NCFE Support Facility for the successful implementation of CCF.

With these conditions in place, the Fund's Forest Investment Policy and core philosophy, the Fund is acceptable for financing in environmental and social terms.

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