ENVIRONMENT AND RURAL DEVELOPMENT COMMITTEE

Wednesday 1 March 2006

Session 2

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ENVIRONMENT AND RURAL DEVELOPMENT COMMITTEE
7th Meeting 2006, Session 2

CONVENER

*Sarah Boyack (Edinburgh Central) (Lab)

DEPUTY CONVENER

Mr Mark Ruskell (Mid Scotland and Fife) (Green)

COMMITTEE MEMBERS

*Mr Ted Brocklebank (Mid Scotland and Fife) (Con)
*Rob Gibson (Highlands and Islands) (SNP)
Richard Lochhead (North East Scotland) (SNP)
*Maureen Macmillan (Highland and Islands) (Lab)
*Mr Alasdair Morrison (Western Isles) (Lab)
*Nora Radcliffe (Gordon) (LD)
Elaine Smith (Coatbridge and Chryston) (Lab)

COMMITTEE SUBSTITUTES

Alex Fergusson (Galloway and Upper Nithsdale) (Con)
*Trish Godman (West Renfrewshire) (Lab)
Jim Mather (Highlands and Islands) (SNP)
Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)
*Eleanor Scott (Highlands and Islands) (Green)

*attended

THE FOLLOWING GAVE EVIDENCE:

Bruno Berardelli (Highland Wood Energy Ltd)
Jonathan Hall (Scottish Rural Property and Business Association)
Willie McGhee (Edinburgh Centre for Carbon Management)
John Picken (NFU Scotland)
Flavia Pigot (Scottish Environment LINK)
Patrick Krause (Scottish Crofting Foundation)
Chris Stockton (Buccleuch BioEnergy)

CLERK TO THE COMMITTEE

Mark Brough

SENIOR ASSISTANT CLERK

Katherine Wright

ASSISTANT CLERK

Jenny Goldsmith

LOCATION

Committee Room 2

Scottish Parliament

Environment and Rural Development Committee

Wednesday 1 March 2006

[THE CONVENER *opened the meeting at 10:06*]

Biomass Industry Inquiry

The Convener (Sarah Boyack): Good morning, I welcome everyone to the Environment and Rural Development Committee. We do not have the usual full complement of members due to adverse weather conditions. However, I am glad that both panels made it in. I remind everyone to switch off their mobile telephones or to put them on silent mode; it can be very embarrassing trying to spot whose phone is going off.

Apologies have been received from Mark Ruskell and Elaine Smith, both of whom are ill. Eleanor Scott and Trish Godman respectively are substituting for them. Both Richard Lochhead and Alasdair Morrison have indicated that they will be delayed due to travel problems.

I am delighted to welcome today's first panel for the inquiry into developments in the biomass industry. This is the second meeting of the inquiry, the remit of which is to examine current industry developments with particular reference to how forestry and agricultural policy can support development.

I invite members to declare any relevant interests.

Rob Gibson (Highlands and Islands) (SNP): I am a member of the Scottish Crofting Foundation, which might come up during discussions.

The Convener: I mentioned some interests last week that should be on the record.

Our first panel is Willie McGhee, managing director, Edinburgh Centre for Carbon Management; Flavia Pigot, woodland task force convener, Scottish Environment LINK; Bruno Berardelli, director, Highland Wood Energy Ltd; and Chris Stockton, general director, Buccleuch BioEnergy. I thank you all very much, not just for attending given the weather, but for the written statements that the committee was able to read in advance; that was very useful.

Mr Ted Brocklebank (Mid Scotland and Fife) (Con): Good morning, gentlemen and lady. At last week's meeting, the message that came across from witnesses' evidence was that biomass production and technology are a win-win. Not only is there massive scope to produce more biomass, it is by and large carbon neutral, which could be enormously helpful. Is that the right message or is there a downside? Is it unequivocally a positive development or are there adverse aspects that we must consider?

Willie McGhee (Edinburgh Centre for Carbon Management): The downsides of biomass development could be felt in several ways, one of which is through haulage over long distances. A good deal of interest is already being shown in ensuring that timber transport will not negatively affect small communities. Another issue is that, depending on pricing, pressure on the forest resource might result in unsustainable felling, which is an environmental downside. However, that is unlikely, because the Scottish forest sector is well endowed with biomass.

As for the environmental win-win, if forest managers or owners had an incentive to thin their woods—that does not happen often—so that timber was taken out before the final crop was felled, the environmental and social benefits would be great.

Mr Brocklebank: Last week, we heard evidence that Scotland produces a large amount of biomass and has the opportunity to produce more. However, according to evidence that has been submitted to us,

"Scotland has one of the lowest forest covers in Europe (17% of land area, compared to a European average of 35%)."

That suggests that we have a considerable way to go.

Willie McGhee: Yes. Our percentage of forest cover is small in comparison with most of the continent, but not with Portugal or Ireland. We should bear it in mind that much of our forest cover has been created since 1919 and includes many exotic conifers. Such timber can be relatively low value. The stimulus to do something positive with it could come from the bioenergy sector, especially on a small local scale in rural and urban sectors.

Negotiations over changes to the European rural development regulations for 2007 have been difficult for the likes of the Forestry Commission. Our European colleagues see no need to stimulate more new planting, as they have enough forests and do not see why we should put money into expanding our cover, so a drop-off in new planting may be on the horizon. A positive action to come out of the inquiry would be for Scotland to put down a marker for more forest cover.

Bruno Berardelli (Highland Wood Energy Ltd): At this early stage in the discussion, it is important to clarify what biomass energy is and to make a distinction. Energy has many forms. In

biomass, it is useful to make a distinction, although it is not exclusive, between electricity-producing systems or projects and heat-only producing projects. The fuel may be the same, but the projects harness our resource—principally wood—in different ways. For example, heat production from wood—whether in the form of woodchips, wood pellets in automated systems or log heating for domestic systems—tends to be a localised on-site use of our wood resource.

The important point is that the amounts of fuel that are involved in heating are massively smaller than those for a large centralised electricity-only scheme or combined heat and power scheme from wood. As Scotland's forest resource tends to be quite broken up and patchy, a large scheme involves the haulage of hundreds of thousands of tonnes of timber. In contrast, small-scale heat production uses a local resource that tends to be hauled over much smaller distances and in much smaller amounts.

10:15

Mr Brocklebank: You are saying that, in the main, we should be looking at using wood not to manufacture electricity, but as a heat source.

Bruno Berardelli: In the general inquiries that the Executive is making, it is looking at both. It is important, however, that people are clear about the huge difference between the two; they are not the same thing. For example, although the heating market in Scotland is huge—the greatest proportion of the energy that we use is for heating—and there is a massive opportunity for wood heating to break into that market, we could take five per cent of the market and yet have only a small impact on the wood industry in Scotland. However, the greater use of wood in centralised electricity production would have a much greater impact on the wood resource. If we were to go down that line, other industries would be displaced and we would have to think about haulage, logistics and so on. Using wood in the manufacture of electricity is a completely different kettle of fish.

Flavia Pigot (Scottish Environment LINK): The environmental benefits of biomass are significant. The wood resource in Scotland is massive, but it is undermanaged, particularly in the case of farm woodlands, which are not being used to produce many biodiversity benefits at the moment. We should encourage greater management of those woodlands and make greater use of them and other underused woodlands, forest residue and sawmill co-product. We should be supplying the market with wood from those untapped resources. If that is managed sustainably, there is the potential for considerable environmental benefit.

As Bruno Berardelli said, using wood for electricity generation has the potential to result in the promotion of large-scale woodland creation that is intensively managed. Environmentalists would be keen to see multiple benefits from such developments. However, as long as the woodland was managed appropriately and was accredited, it could deliver a lot of environmental benefit.

Maureen Macmillan (Highlands and Islands) (Lab): I was interested to hear what has been said. In its submission, Highland Wood Energy says:

> "At present the wood fuel heating industry in Scotland is developing, though at a faltering pace and in a somewhat disjointed manner."

In addition, Buccleuch BioEnergy talks about how expensive the kit is. Surely it will be difficult to sell wood heating to the public, particularly given that the fuel is not readily available. Although woodchip is available in some parts of Scotland, we are having to import pellets. How do we get over that hurdle? We seem to be in a chicken-and-egg situation. How will we persuade local authorities and the general public that wood heating is a good alternative to oil and gas heating?

Bruno Berardelli: We are trying to compete in a marketplace and it is more difficult to compete in mains-gas areas because of having to do so against a lower-cost heating source—although the price of that mains supply is shooting up at the moment. Off-grid, which is where the bulk of biomass tends to be, wood heating has to compete with oil, electricity and liquid petroleum gas, all of which are quite expensive forms of heating. Wood heating compares very favourably with those alternatives at today's market prices, especially in areas that are off the gas grid. Wood heating using woodchip from a local source can be more than 50 per cent cheaper than oil heating.

The main issue with wood heating is that wood heating systems—and everything else that goes with them in terms of installation—are much more expensive than oil or gas-fired systems. What we want is to offset the capital investment with a good payback period. Certain projects—for example, heating buildings that have a large heat demand, such as swimming pools or schools—will generally be good because the payback period will generate savings every year.

There is a certain bandwith in the current market for selling and installing systems within which it is economical for clients, whether a country estate, a council or whatever, to install a wood heating system, even with its greater capital investment, because of the payback period. For example, if a client has a swimming pool and has a heating bill of £20,000 a year, they may know that they can save £10,000 a year against today's oil prices with a wood heating system, so they will start paying

back the cost of their system and make money after three years.

Outside that bandwith, which is probably where most of the market is, there is a need for assistance with the capital installation, whether that be Government grant, assisted loan or whatever. If a grant programme were available, many projects would have a good return on their investment—taking into account the grant funding—even though the equipment is more expensive. A wood heating system gives a steady production of heat on-site and a sustainable way of heating large buildings. In rural areas, heating large buildings—whether for local authorities or businesses such as hotels—is becoming a significant problem because of the rise in oil prices.

Maureen Macmillan: I do not know whether Buccleuch BioEnergy wants to comment.

Chris Stockton (Buccleuch BioEnergy): Our embryonic industry has a number of problems. I take on board many of Bruno Berardelli's points, which are correct. However, we are bumping up against a number of other issues, one of which is fuel supply. For small-scale installers of plant and equipment, the next issue is where they will get their fuel supply and who will organise that. It is a different skill-set from that of facilitating the design, installation and commissioning of a boiler plant. A project with a critical mass of boiler plant will need a fuel supply company with somebody who is skilled in logistics management. Proximity, to which Bruno Berardelli referred, then becomes critical. Once we start considering proximity and acquiring and processing the raw material to convert to fuel, we face issues such as when to extract it, how much to extract and how to store it in a place where it is readily accessible at the worst times of the year. A subset of issues is involved in supporting a fleet of biomass, heat-only boilers.

We find that it is much easier to make industrial and commercial sales, where the system is bigger. The economies of scale are better in terms of fuel delivery, type of fuel and the engineering that goes into the kit in return for the margin that is made on that piece of equipment. There are two points to be made about domestic, small-scale kit: installing the reliable stuff that actually works is expensive; and kit from the cheaper end of the market is less reliable.

Maureen Macmillan: The expensive kit is imported, is it not?

Chris Stockton: Yes.

Maureen Macmillan: What are the prospects for our eventually being able to make our own kit in this country? I am conscious that wood-burning stoves always used to be imported, but I think that they are now manufactured in this country as well. Will wood-burning boilers always be imported or do you envisage us creating our own industry?

Chris Stockton: Given the United Kingdom track record for trying to do that type of thing late in the day, we do not have a chance. We were the world leader in wind turbines at one time, but who set up the wind turbine manufacturing works at Campbeltown? It was Vestas-Celtic Wind Technology Ltd, from Denmark. We might have licence agreements and we might attract a foreign manufacturer over to Scotland to set up a manufacturing base, but I do not think that a Scottish or independent manufacturer will set up such a base.

Willie McGhee: In Austria, a small European country that has successfully integrated biomass into its heat economy, the Government gave long-term support to get the industry in place. The underpinning character of the domestic heat sector was wood pellets, because they are easy to store and easy to use. I am unable to comment on Chris Stockton's observation about manufacturing, but the Austrians made a conscious effort to manufacture their own, rather than take Finnish or Swedish technology. It depends on the will of the sector and the support that it receives from central Government.

The Convener: That is an interesting point. Among the objectives of the inquiry is to establish not only what the obstacles are, but what the opportunities are. The committee is conscious that everybody is in agreement that biomass is a good thing, but the real challenge for us is how we get from an emerging market to a strong market.

Rob Gibson: I want to continue on the issue of a reliable, low-cost source of woodchip fuel that is available in many parts of Scotland. Caithness Heat and Power, which has a local heating system based around Pulteney distillery and nearby houses in Wick, was originally quoted £17 a tonne for chipped wood, but the price has gone up to £45 a tonne. The company is seriously thinking of importing chipped wood from Estonia or Finland, which would cost only about £32.50 a tonne. The initial contract is for 30,000 tonnes a year for the next five years. We are talking about a major, town-based business and domestic-use system, which could be a prototype. How can we create a renewable heat strategy when examples such as that loom, in which people are being forced down the route of importing a fuel that we produce here?

Bruno Berardelli: Going back to what I said earlier, the scheme in Caithness comes under the heading of a top-down, constructed, large-scale system. With that kind of system we are trying to run before we can walk, especially given the area in which it has been located and the distances that the fuel will have to be hauled to serve that

system; 30,000 tonnes is a substantial amount of fuel. Under the other heading, which is more encouraging, are the local schools and estates and so on that are installing their own systems at a rate of two or three a month. A school with an oil bill of about £40,000 a year might need 300 tonnes a month to heat the whole building.

I am up in Fort William and that sort of material can be sourced within 5 miles of the local school. It is basically loose change for the forestry industry. That works well financially when we compare the price of having the chipped fuel delivered with the current price of oil. That woodchip fuel could be worth about £110 a tonne to produce heat only, whereas in a scheme such as Caithness—which, if I am not mistaken, would be combined heat and power—because of the inefficiencies of producing electricity from wood, that value is brought down to £35 a tonne. In my opinion, Scotland is not as well suited to that kind of scheme as other places are. Scandinavian countries have that sort of scheme but, in Scandinavia, you can drive 15 miles and find hundreds of thousands of tonnes of wood. That is not the case in Scotland. In the location that we are talking about, you would have to drive a long way to find that sort of timber catchment area.

10:30

Rob Gibson: I have questions about that. I am well aware of the smaller schemes for schools and so on. However, the point that I am making is that a renewable heat strategy—which is not in place—might have guided us in such a way that we would have thought about whether that was the best way in which to approach the matter. Of course, such a scheme has been tried in Aberdeen, which is not within 5 miles of a wood source and, further, Caithness has areas of timber in north Sutherland that could well be diverted towards such a scheme. I would be interested to hear some other people's points of view on this matter.

Chris Stockton: I think that you have hit the nail on the head when you mention strategy. There needs to be a coherent strategy about what you are going to do with renewables and what you are going to do with biomass renewables. That has always been missing in the UK and seems to be missing in Scotland too.

We need to decide the level of financial impact on our economy that we are prepared to bear in order to deliver a particular strategy at a particular level. Earlier, we agreed that biomass energy is a great thing. All the big power generators are trying to take biomass energy into conventional power stations to acquire renewable energy certificates. That is working quite successfully but, because of the volume of material that is required, none of the wood is coming from the UK; most of it is being imported.

Obviously, biomass energy has an impact on emissions and delivers environmental benefit. However, when we think about what we want to do with our woodland resource in terms of creating employment and bringing about other benefits, we have to decide whether the forestry resource in Scotland is big enough for us to do what we want to do with it, or whether we need to go into short-rotation forestry or energy crops. If we do, that has a cost and an environmental impact—if you start planting short-rotation coppice on a large scale across Scotland, you will change the way the landscape looks.

Lots of small initiatives and grants are being handed out. There are grants for equipment, forestry and so on, but there is no unifying structure that takes the whole thing from end to end and asks what we need to do at the bottom level to deliver what we want to deliver at the top. We seem to have a lot of push incentives when we really need a pull incentive, such as the price that is paid relative to the alternatives of heat and electricity. There needs to be one unifying economic incentive, rather than a fragmented approach, which is what we have at the moment.

Rob Gibson: I think that that points us in the direction in which we need to go.

The Convener: That is a challenging point, because although we know that a renewable heat strategy is on its way, none of us knows what it will look like. This is a chance for us to get views from experts in the industry—people who are dealing with the issues—that will enable us to have an input into the strategy and, perhaps, send it in certain directions. The fact that our witnesses do not agree on everything is maybe not a bad thing. We can tease out their views and work out for ourselves what might be the best way to go.

Willie McGhee: I endorse the need for a coherent strategy that takes heat and power into account. Power generation is not a red herring, as such, but using wood to create a large-scale electricity supply is not a good use of the material. We do not recommend that people go down that route. An aspect of the wood-fuel chain that it is important to understand is that a lot of the wood that is growing in our forests becomes available only when people want to cut down the higher value wood. We can only get to the lower value bits—the smaller bits of material that go into woodchip—when someone wants to clear fell for timber. Part of the equation is that timber saw-log prices often drive the availability of the material. There are bound to be wild price fluctuations at the beginning of a market. As Chris Stockton said, a stable, mature market has not yet been established; it will be some years before we get that.

I come back to how the availability of wood fuel could be assisted. One way would be for the Executive or an agency of the Executive to examine the environmental and social benefits of thinning. Under European regulations, we are not allowed to give a landowner or forest owner commercial advantage by giving them grants to do thinning, but we can endorse thinning for environmental and social benefit and local benefit. That would stimulate a greater supply of wood fuel and would mean that there was greater coverage instead of the blocks of timber that currently exist in different parts of Scotland.

The Convener: That is an interesting point. We talked last week, particularly in relation to local sawmills, about whether we could get the maximum use of all the wood that is produced and whether it could be pushed into the wood fuel sector.

Eleanor Scott (Highlands and Islands) (Green): Buccleuch BioEnergy's submission mentions the conversion of forestry land to energy crop production. What would that look like and how different would our forests be? A follow-up question for Flavia Pigot and perhaps others is: how does the increased emphasis on biomass fit in with the other objectives of forestry—particularly the biodiversity and amenity aspects of forestry that most of us would like to be developed?

Chris Stockton: That depends on how you want to approach the problem. Some years ago, when I was with another company, we spoke to representatives of the national forest about producing energy crops for an electricity generating station. They did not want to know anything about it; they said that they did not want to see vast areas of the land covered in short-rotation coppice, which to all intents and purposes looks like an extremely tall field of wheat. There is a three-year growing cycle so, if it was decided to go for it in a big way and many acres were planted with short-rotation coppice, it would look industrial. I am not a forester, but I am sure that other people on the panel have ideas about how the impact could be softened.

If we are considering having an overall strategy for the supply of biomass material in the future, against the background of growing demand for wood fuel for both heat and electricity, such energy crop production would have to be part of the component mix. Ways would have to be thought up to balance the cash crop against the crop from mature woodlands.

The Convener: Does Flavia Pigot want to comment?

Flavia Pigot: We have some concerns about the development of large-scale, short-rotation coppice and, to a certain extent, short-rotation forestry, because they could both involve planting a homogeneous crop over quite large areas. For short-rotation coppice, quite high water levels and good-quality arable land are required. Short-rotation coppice is quite high yield, so we are not sure about its invasive properties. We would want to be assured that short-rotation coppice would be in an appropriate location that is properly designed and that chemical inputs could be minimised. There are potential biodiversity benefits from short-rotation coppice, depending on what was in place before it is planted. For example, if it gives the land more structure, it could provide more habitats for wildlife, as long as it is not planted in an area that had high biodiversity benefits beforehand.

If there is to be a large-scale industrial development, we would like to know that appropriate regulations will be in place and that there is some form of short-rotation coppice accreditation that ensures that it is appropriate and takes into account environmental considerations. People do not want to walk through large-scale homogeneous crops where there is no diversity or interest; as a result, there would be no recreational benefits either.

Willie McGhee: The agricultural sector, in which all short-rotation crops would be established, would need a much greater financial incentive to change its habits. A cultural change would also be required because we are talking about growing a woody species. From experience in England, it appears highly unlikely that large-scale SRC will become established in Scotland. Obviously, there will be a drive to establish some SRC in Dumfries and Galloway to supply the power station at Lockerbie, but it is unlikely that a similar power station will appear anywhere else in Scotland—or, if similar power stations do appear, there may be only one or two of them.

I return to growing energy crops. As far as trees are concerned, we should have learned the lessons of growing monocultures for one end use. Our advice would be that there is no reason why well-managed forests that are properly thinned and maintained cannot yield high-quality timber for high-quality end uses and lower-grade material for biomass heat.

Bruno Berardelli: I emphasise the fact that we in Scotland are lucky because we have an existing forestry industry on which the production of wood fuel can easily piggyback. I will give some examples. We have a wood industry that produces mass-marketable larger-diameter saw-log products. Much of the smaller-diameter material is worth very little. In many areas, the cost of extracting and transporting material to existing markets, such as chipboard factories, will mean a negative return. In places such as Islay, where

transport is obviously quite a big problem, that has led to the majority of private forest owners—I do not think that the Forestry Commission owns any timber on Islay—being unable to fell in recent years mainly because they have no market for smaller-diameter material. Therefore, we already have a ready supply of material without having to look anywhere.

On Mull, there is still a lot of harvesting and extraction basically because the Forestry Commission has a commitment to harvest and extract and, in effect, subsidises that. Obviously, it is expensive to extract material from such an island and so there is sub-optimisation—that is a euphemism—of much of the smaller-diameter material. Basically, such material is cut to waste and left on hillsides because of the costs that would be involved in extracting it and taking it over to the markets on the mainland. The negative value of having to do that would counteract the positive value of the saw logs, and the operation would be even more expensive. However, even if someone was to consider, pessimistically, that they might get 2,000 tonnes of sub-optimised, low-grade timber on Mull, that would probably be enough to heat all the schools on Mull, the swimming pool and other buildings. It would make a fair indent into Mull's heat production needs.

Local sawmills are another example. In Newtonmore, there is a sawmill that has quite a lot of waste slab wood, which basically consists of cut-offs from processed material. The wood is stacked in a pile in the yard and is essentially a waste product that becomes a problem for the mill. The mill is small—it produces 200 tonnes of wood a year. Now, some wood heating systems have been installed, for example at the nursing home across the road and at offices in Aviemore, and the mill uses a wood heating system to heat the workshop. It is not using all its waste, but it is using a fair proportion of it, and its managers are selling it for £60 to £70 a tonne whereas, before, it was costing them money to get rid of it. I know of other sawmills that have thousands of tonnes of stuff stacked in their yards, and their managers do not really have any idea what to do with it, short of taking a match to it. Before we start talking about energy crops, the economics of which have not really been proven, we should realise that we already have the potential in Scotland.

10:45

Chris Stockton: Bruno Berardelli is alluding to the geographical nature of the economics. Producing energy in such a way is feasible if the forestry or the wood waste is nearby, but if it is not, it does not make any economic sense, at least not without some sort of economic incentive to balance the problems of geographical distance and the cost of hauling water, which is basically what is involved in processing woodchip.

Nora Radcliffe (Gordon) (LD): I would like Willie McGhee to expand on the integration of the use of thinnings, better management of forestry for high-grade applications, structural timber and so on and the current levels of resource in Scotland. Are we able to ensure a sustainable supply and to do the necessary forward planning to achieve integration? Although we have a lot of resource now, will we have sufficient resource in the future?

If we take Mull as a microcosm, if the island uses the waste that it has now, will it be able to replant enough to maintain a permanently sustainable supply at the level that we need? What resource we have, how we manage it and whether it is sustainable and renewable in the future are interrelated.

Willie McGhee: One of the major issues with the forestry that we have created in this country is that it was forced on to marginal land by agricultural pricing. Foresters created something called shut-gate forestry, which means that people closed the gate after the forest had been planted and did not do anything with it for the next 35 or 40 years. We have acquired a forest estate, much of which is on unstable soils in the uplands. With climate change, we are getting more storm events and the crops are becoming more unstable. In the second rotation—the stuff that is coming up now and for the next 25 years—we have an opportunity to do something a little different and to establish mixed crops, which we could manage sustainably, whether on Mull, in central Scotland or elsewhere.

The difficulty with managing things in the same way as our continental neighbours do is that their approach is human resource intensive. Help would be required, because it would not be economical. That comes back to Chris Stockton's point: if there is not a grant or incentive for woodland owners to manage better what they have, they will revert to doing things simply and cheaply. Our higher-quality timber comes from mixed plantations that previous generations planted and tended in the 1940s and 1950s. They looked after the forest. They were proper foresters, rather than harvesters of cellulose. With the changes in European Union regulations, we now have, as well as a new use for some of the lower-grade material—biomass—an opportunity to bring everything together in a coherent policy framework that allows our forests to be managed for the high-quality product, for heat, for the environment and for people.

The Convener: Ted Brocklebank may ask a follow-up question, if it is brief.

Mr Brocklebank: It will be brief. It follows on from what Willie McGhee has been saying about the need for incentivisation. The witnesses have

mentioned the possible need for grants in specific areas. The other side of the matter is incentivisation in the public sector. In his submission, Chris Stockton discussed the public policy aspects of the issue—the need for legislation to ensure that targets are set and that schools in certain parts of the country are required to be heated in a particular way, and the possibility of public-private partnerships. Will he expand on that point?

Chris Stockton: It comes back to the concept of a pull mechanism, rather than a push mechanism that involves putting grants in many different places. We need to think about what will stimulate the market. If there is an obligation on people who have large, steady-state heat loads to implement biomass heating schemes in public buildings, for a start, that will act as a pull mechanism—especially if the obligation is set with a level of financial remuneration that allows the implementer to organise the fuel supply in the most appropriate manner. They should be able to get into marginal woodland in a way that makes economic sense and in a location that is as close as possible to where the scheme is being implemented. Once the implementer has been given an incentive to proceed, the rest will follow. The implementer will get hold of the fuel supply and set up a business to make the scheme happen.

Buccleuch BioEnergy is trying to address all three elements in the chain. We have the implementation skills. We will set up a separate wood fuel supply business that goes back either to our woodlands or to those of others. At the moment, the big barrier is making the economics work.

The Convener: That has inspired another final supplementary question from Maureen Macmillan. It had better be swift.

Maureen Macmillan: I am seeking some factual information about wood pellets. Last week in the Parliament, Argyll, Lomond and the Islands Energy Agency showed us two kinds of wood pellets. One was made from sawdust and the other, which came from Russia, was made from pure wood. In which direction should we go? Should we have a compressed sawdust pellet industry? How are the tiny pure wood pellets produced? I had never heard of those before. Do you know about them?

Bruno Berardelli: Pellets are a manufactured product. The main difference between pellets and woodchips is that the former are homogeneous—people either make 6mm or 8mm pellets, but they are all the same size. The moisture content of pellets is also controlled. Generally, it is around 8 per cent, whereas the moisture content of the woodchip fuel that is already delivered to large buildings in Scotland is usually 25 to 30 per cent.

Maureen Macmillan: What we saw was not woodchip—there were definitely two different kinds of pellet.

Bruno Berardelli: Wood pellet is compressed dry sawdust. The other type of pellet that you saw is almost like woodchip.

Maureen Macmillan: It was core wood that had been pelletised. All I know is that it came from Russia. I was wondering whether any of the witnesses had come across it.

The Convener: If no one has a view on the issue now, we can seek more information. Does Willie McGhee have any knowledge of the pellets?

Willie McGhee: If wood pellets are to be a source of biomass energy in Scotland, their manufacture will be important. The Irish company Balcas is considering doing something in that area.

The Convener: I would like to move on, because we have the capacity to ask you questions endlessly. Your evidence has been extremely useful. Some clear messages are coming through both from this panel and from the witnesses from whom we heard last week. Thank you for coming and for being prepared to answer the range of questions that have been put to you this morning. You are more than welcome to listen to the evidence of the second panel.

10:54

Meeting suspended.

10:56

On resuming—

The Convener: I welcome our second panel of witnesses. John Picken is chair of NFU Scotland; Jonathan Hall is head of rural policy at the Scottish Rural Property and Business Association; and Patrick Krause is chief executive of the Scottish Crofting Foundation. I thank you all for coming, and I thank you—as I thanked the previous panel—for the written evidence that was submitted in advance.

John Picken (NFU Scotland): I should say that I am chairman of our biofuels working group, rather than chairman of NFU Scotland. I thought that I had better clear that up.

The Convener: The press are here, and they might have swiftly reported your rise in position.

John Picken: When I saw the agenda, I thought, "My goodness—I've been elevated!"

The Convener: Thank you for clearing that up—it will be in the *Official Report*.

How can we ensure that different policy strands work well together? A renewable heat strategy has been announced, and there will be reviews of the forestry strategy and the agriculture strategy. Do you expect that the issues that we are discussing will feature in the forestry or agriculture strategies? Developments in biomass or biofuels may soon be with us, but they are not quite here yet. What do you want from the strategies as regards those developments?

John Picken: Conventional forestry should be included as a source of fuel that can earn renewables obligation certificates. In our production of commodities, we miss out totally. At the moment, ROCs come only through the accreditation of the energy market; we would like the production of the raw commodity to be accredited.

A system similar to the ROC system should be used for road traffic fuel obligations. There is a statutory 5 per cent inclusion rate, but we would like people who create greener fuels to receive a certificate with an asset value. That certificate should be tradeable worldwide, to offset the impact of producers of dirty energy and pollution who are destroying the climate. Not enough thought has gone into the accreditation system for biomass.

Biomass includes biodiesel. The renewable energy market seems to have forgotten that. As our submission highlights, Scotland lends itself to producing oilseed rape. The crop is high yield and has a high oil content. It is very efficient. Farmers could gear themselves up to producing a considerably higher tonnage than is produced at present. To have a processing plant in Scotland—a crushing facility close to a refinery—will be paramount in maximising the usefulness of the acreage of oilseed rape. A sizeable plant would facilitate a competitive production cost. One is being considered in central Scotland, and the idea is not to be taken lightly. It is a fantastic opportunity for rural Scotland to deliver real benefits for the environment and the people of Scotland.

11:00

The Convener: Our focus is mostly on biomass. One thing that comes through in the witnesses' submissions is that there is less enthusiasm in farming for biomass and forestry management than for biofuels, for which there is strong enthusiasm. Should we, in our comments to the Scottish Executive and central Government, encourage you to go down that route because that is the way that you would like to go, and deal with forestry separately from agriculture?

John Picken: Yes. Unlike in Scandinavian countries, forestry runs side by side with agriculture. In Scotland, vast tracts of land are managed by the Forestry Commission, which has a very good idea of what is happening in Scotland's forestry. I think that it was Ted Brocklebank who said that 17 per cent of our land is used for forestry. That percentage is on the increase and the Forestry Commission has plans to afforest even more—I think that it is to increase that 17 per cent by more than 40 per cent with its next 25-year planting.

The infrastructure exists in agriculture. We do what we do well; we are very efficient at it. We have the highest yield of oilseed rape, and eastern Scotland has the world record for wheat yield. Although we do not produce woodchips, we produce wheat and barley, which have an energy value. Their calorific value is a third of that of woodchips, but it is possible to supplement woodchips with wheat and barley, so energy is an alternative use for those crops. The barley acreage is getting hammered just now—Scotland's arable area is at a 30-year low—presumably because the malting trade does not want it any more, so the demand for the crop has reduced. We would like to have a major input on biofuels, but that seems to have been forgotten.

Jonathan Hall (Scottish Rural Property and Business Association): I support much of what John Picken said, particularly on biofuels as opposed to biomass. We are overlooking the fantastic opportunity that we have in Scotland, given the shifting policy framework in agricultural support. Over the next four or five years at least, arable producers should have some comfort and security to think about producing oilseed rape for a different outlet rather than growing it simply to claim subsidy—I am talking about single farm payments, for example.

I come back to the original question, which was about the reviews of the Scottish agriculture and forestry strategies. I suggest that, to a degree, they are being reviewed in isolation from each other, which might mean that biomass and biofuels fall between them. There will be a new agricultural strategy in a matter of days and, later this year, there will be an updated Scottish forestry strategy, but both overlook the potential of biomass.

We are involved in a different policy area, as we are more concerned with integrated land use and land management. The agriculture and forestry strategies should contain at least pointers to land managers, whether farmers or foresters, that they should consider new and alternative outlets for their products and by-products. At the same time, land managers' attitude needs to change so that they realise that they can proceed in different ways and that they do not exist simply to produce timber, wheat, beef or whatever. The Executive

and the Scottish Parliament must take some responsibility for taking the lead on that.

Patrick Krause (Scottish Crofting Foundation): I, too, return to the convener's first question. Biomass has enormous potential for crofters because, as with food production, we are interested in small-scale production and local markets. The convener asked whether biomass should be in the forestry strategy or in the agriculture strategy, but the point is that we need an integrated approach. The witnesses on the first panel covered forestry—they certainly know a lot more about it than I do. However, I point out that the draft Crofting Reform (Scotland) Bill includes provisions on woodland crofts. Obviously, woodland products can be used in local wood production or in individual fuel production, and community-managed woodlands can supply products to a wider market.

On the agriculture strategy, there is potential to include biomass production in tier 3 of the land management contracts. That would have enormous potential for crofting. An enormous amount of crofting land has potential for forestry and for short-rotation coppicing, so we have both the need and the land.

Rob Gibson: I want to pursue the point about the integration of forestry and agriculture. The previous panel told us that it is difficult to encourage forestry development in Scotland because of opposition from France and Germany. Through the agricultural payment schemes and the common agricultural policy, can we make the single farm payment cover biomass crops? How can we argue for that in our report?

Jonathan Hall: Scotland can do a certain amount unilaterally, without the involvement of Brussels or Westminster, because we set our own agendas in our strategies for agriculture, forestry and so on. For example, as Patrick Krause said, we are developing the land management contracts model. The Scottish forestry strategy and the instigation of the Scottish forestry grants scheme, which is intended to drive the strategy forward, shifted the emphasis away from expansion and towards the stewardship of forest resources, but it also mentioned expanding forestry cover to 25 per cent. That is an example of a confused message in the existing strategy document. I am not dismissing the fact that we need to manage the forestry resource more effectively to improve timber quality, amenity value and environmental benefits, but we need to be a bit more clinical in our thinking about how we should proceed with biomass.

If we are to make a difference, we need to think about expansion and consider where it will take place. That relates to the way in which we want the agriculture sector to develop. The number 1 limited resource that we have in that respect is land capability. We need to think not only about growing the right trees in the right places—arguably, that is what the Scottish forestry strategy is about—but about what will happen to the agriculture strategy as, for all sorts of reasons, it undergoes a metamorphosis in the next few years. There is no reason why the two things cannot be complementary rather than competitive.

To an extent, the Executive has taken a lead by developing the land management contract model, which is not concerned solely with agricultural production or with forestry management. We are seeking to draw those things together to ensure that the appropriate management of the land resource and what is produced from it happens in the appropriate place, which, arguably, goes back to appropriate scales. If that is not a lead-in for biomass development, I do not know what is.

Patrick Krause: In general terms, I agree absolutely with Jonathan Hall that there is a need to expand. Short-rotation coppicing is something from the past; we are talking about regenerating it. One needs capital input to start growing any industry. We emphasise that if the Government wants to go in that direction, it has to be willing to put in the money to pump prime the industry.

Rob Gibson: Can land management contracts emphasise encouragement of expansion in agricultural units?

Jonathan Hall: Someone on the first panel talked about win-win situations, which is Brussels jargon that applies to all areas of rural development policy. If we can demonstrate a win-win situation whereby we deliver environmental, social or economic benefit in the pursuit of an energy crop and do not just end up with monocultures that produce a commodity for a market and nothing else, that would fit comfortably with the land management contract model.

The option should be retained, or put in place, for all land managers. It should not be limited to agriculture or forestry but has to be applied equally to the production of oilseed rape in Fife or Aberdeenshire and to timber residues on the Isle of Mull.

Mr Brocklebank: I will come on to biofuels in my second question, but my first is to try to drill down to the business of short-rotation coppicing. As we know, the Tullis Russell project is going ahead in Markinch. I gather that it is incentivised to the extent of £1,000 per hectare for those who want to produce willow for the scheme. We are told that, in the main, arable land will be used. John Picken can answer this, because he is a farmer in Fife. Is that the kind of incentive that would attract you to go down the route of short-rotation coppicing?

John Picken: Yes and no. In any forestry investment, the initial up-front cost is the biggest. The up-front cost and the servicing of that money determines whether a project is going to be a success. However, there is more to the situation than that. We have just heard how Estonia is undercutting the price of a local product, because it can. That is relatively unfair. There is no level playing field. We all understand that there is only one price—the market price—but some form of accreditation has to be put in place to acknowledge what is happening in order to supplement the local fuel source, which is beneficial to the environment. There is a minimum disturbance effect. A system has to be put in place to penalise those who operate only on price. Fuel miles could be an interesting aspect of that. For example, a product that comes from the rainforests is totally unsustainable and would be heavily penalised, because the rainforests are so far away. You would have to consider taking a similar approach to biomass.

Short-rotation coppicing is suffering because of cheap imports. For Tullis Russell's project to be a success for the local community and viable compared with other possible uses of the grade 3 ground that it is considering using, somewhere in the region of £40 an oven-dried tonne would have to be offered. At the moment £14 is being offered. There is another problem, which is Tullis Russell's problem, but that is not a competitive price that would encourage me to afforest my farm. There is a 20-year growth period and although the trees only have to be planted once, they destroy farm drains, and nearly every farm acre in arable Scotland has drains. There has to be an investment return that will compensate a farmer for redraining his or her entire acreage. Before going down that route, that would have to be given serious consideration.

11:15

The Convener: That is a good reality check.

Mr Brocklebank: It seems that Scotland would have to produce many more tonnes of oilseed rape to make the biofuel aspect practical. Will we be able to do that? What kind of support or guarantees would you need?

John Picken: It is funny that you should ask that because, to me, a country's fuel policy should be based on using many different sources. We have seen what happens if there is too much reliance on one or another. Likewise, with an esterification plant, where oilseed is crushed and turned into biofuel, one would not really want to rely on one source of the product. There should be many different sources.

The entire Scottish crop is transported south of the border or to Germany. If we had an esterification plant in Scotland, the game would be raised straight away because the UK price is approximately £150 per tonne for oilseed rape whereas the local price is about £130 per tonne—there are transport costs involved in getting a tonne to market in Liverpool or Hull. If such a plant were developed in Scotland, it would have an advantage straight away, with a more secure renewable fuel that can meet 5 to 100 per cent of a user's fuel requirements. Local authorities can get into such an approach as well. It would be a great incentive if local authorities were encouraged to go down that route.

Jonathan Hall: I am a working farmer who has considered these issues in some detail. Short-rotation coppicing does not inspire confidence, yet oilseed rape cultivation would be an obvious way to go forward. That in itself must send out a clear signal that there is potential in this area, given the implications of CAP reform and so forth. I think that I am right in saying that we can now grow oilseed rape for biomass and bioenergy on set-aside land.

John Picken: There is no problem in growing oilseed rape from the Borders to the Orkneys. There is also the smaller community aspect of the use of that fuel. It can be burnt directly and it is such a versatile plant—it lends itself to growing in the longer days, so the further north it is grown, the better.

There are many different fuel sources, and Scotland lends itself to many of them. We have a microclimate in Fife and in Morayshire, on the east coast of Scotland. There is a different aspect to the west coast and the islands, where the rainfall generates massive plant and tree growth—much more than we would get in the reduced rainfall areas on the east coast.

There are many different aspects of biomass development that we cannot rule out. For the crofting part of Scotland, small community projects in biomass development would be very beneficial to the local community. The community would not be reliant on diesel with pump prices at 130p a litre, which is an unbelievable price. There could be a capped local cost that might be higher than red diesel but would still be cheaper than local pump prices. The Treasury would have a major input in that, and we would need reassurance from it that the 20p per litre duty incentive would be guaranteed and extended beyond 2007—when it is to be reviewed—which would encourage commercial investment in esterification plants.

The Convener: That is a good point. I know that the UK Secretary of State for Transport has set new targets on biofuels, so perhaps we just need to make sure that we close the circle.

Eleanor Scott: I did not quite understand something in the last paragraph of the NFUS

submission. Under the heading, "Added incentives for biomass", the second bullet point says:

"alter rules on diversification grants to allow joint applications by farmers wishing to participate in 'new generation' farmers' co-operatives for energy projects".

Will you explain that? It sounds interesting.

John Picken: The question was raised in the earlier evidence session this morning: who organises the supply chain? We have been farming for hundreds of years in Scotland and we have seen many changes. We have set up organisations such as farmers co-operatives or machinery rings, members of which meet needs, on demand, throughout the agricultural year. It would not be difficult to reorganise those bodies into supply chains for energy materials.

One thing that prevents us from doing that at the moment is the set-up of the current schemes because they do not allow for multiple submissions. I think that they allow for only three or four farmers to co-operate. Farmers rarely co-operate, but when they do, there can be lots of improvements. If we are talking about supply chains for big processing plants, we need hundreds of farmers to get together and a grants system or a land management contract provision that would allow us to do so. However, we cannot do that at the moment.

The final paragraph of our submission tries to highlight the fact that we need to alter the rules to allow multiple submissions. A community project—even one on a smaller scale—cannot make multiple submissions, yet Scotland lends itself to smaller units.

Eleanor Scott: That model would be equally applicable to crafting and would allow crofters to get together.

John Picken: Absolutely.

Eleanor Scott: Is it a Scottish Executive Environment and Rural Affairs Department rule—

John Picken: It is a condition of application.

The Convener: We might want to pick up on that practical point. Somebody spoke earlier about the push incentives, but there are also pull incentives, and I presume that what you describe is a pull incentive.

John Picken: Exactly. The SCF, the governing body for farm co-operatives, has presented a new model to the Financial Services Authority on which it hopes to get the green light. I will not go into it, but basically, it is a new style of co-op that encourages financial involvement by the agricultural sector and the members of the co-op. It goes way beyond anything that we have ever had before. The model makes the co-op an individual company, if you like, which is supported by its members, for its members.

Jonathan Hall: The Scottish Executive could well set a precedent in developing the land management contract model. Clear consideration is being given to collaborative applications for agri-environment schemes and so on. The benefits would extend beyond an individual holding so that people could reap the benefits of catchment-scale management or landscape-scale management in biodiversity gain, diffuse pollution control or whatever it might be. If that precedent is set, surely that approach could be extended to the provision of energy material in biomass for fuel use.

The Convener: We can follow that up with the Minister for Environment and Rural Development next week.

Maureen Macmillan: I want to backtrack a wee bit. We talked about short-rotation coppicing, forestry and monoculture, but we have not talked about short-rotation forestry. In the evidence that we took last week, the witnesses spoke about growing birch trees, for example. If that is monoculture, a birch forest is my idea of heaven.

My question is directed particularly at Patrick Krause. If we took sheep off a hill, I suppose that the heather and bracken could be used as biomass; however, birch, alder, rowan and willow trees could also grow very quickly and naturally. Do you think that such wonderful native trees, which would also enhance our countryside, could give crofters an income if they used them as biomass?

Patrick Krause: Yes. When I was listening to earlier comments about short-rotation coppicing, I was thinking of vast fields of willow trees. That would not happen in a crofting situation, because such fast-growing varieties of tree, which lend themselves to coppicing, already grow naturally on our land. There is no reason at all why we could not have mixed species, which, after all, is how they grow naturally.

I have said this before, but it is worth emphasising that, with crofting, we are looking at small-scale, local markets. As a result, we would not need something very homogeneous and uniform for industrial processing. I certainly agree that mixed short-rotation cropping has loads of potential.

Maureen Macmillan: And lots of wonderful side effects for the tourism industry and so on.

Patrick Krause: Indeed.

Jonathan Hall: Putting a slight dampener on things, I think that one of the biggest problems for anyone considering such a move would be the impact on cash flow for a certain number of years, particularly if it meant moving land used to claim single farm payments under CAP reform into what

would effectively be forestry. At the moment, under the Executive's consolidation measures, a proportion of farmed land under an individual holding could be used for that purpose without losing the single farm payment. However, I believe that that provision will last until only 2007 or 2008 at best.

As John Picken said earlier, such a scheme requires a leap of faith or confidence by individuals who believe that they can generate the same income from using the land in that way. The fact that such confidence does not yet exist is a stumbling block to the introduction of short-rotation forestry or coppicing or other alternative land uses. Land managers are inherently conservative with a small "c", and such a radical move would need to be underpinned by a very robust network of incentives and support. It might not seem so radical sitting here, but it is asking an awful lot of people to require them suddenly to shift how they have used land for years in a way that might be irreversible within a generation. It is also asking a lot of a private individual with their own concerns and issues to tackle what is arguably the public problem of how in the longer term we meet energy requirements from renewable sources.

Patrick Krause: I support that comment. If we want to go in that direction, there will have to be incentives. I think of it as pump priming. If we ask people to move from one income stream to another, they will need help for a certain period.

11:30

Trish Godman (West Renfrewshire) (Lab): I am the new girl on the block in the committee—or the old girl, depending on how one looks at it—so I have a practical question. Are you saying, as the previous panel did, that there does not seem to be a coherent strategy throughout Scotland? It sounds as though everybody agrees that biomass is a good idea, although you all come at the issue from slightly different angles. Is there a forum in which you get together to thrash out the issues?

How will you sell the idea, which is a radical one? You all say that the idea is a good one, but you want pump priming and other measures and say that we will have to change the way in which people have looked after their land for hundreds of years. To get it right, you will have to be together as a group. How do you sell such a radical idea?

Jonathan Hall: The group through which people get together is FREDS—the forum for renewable energy development in Scotland. The NFUS sits on the group, but the SRPBA does not and I do not think that the SCF sits on it. An awful lot of actors and players in the equation are not involved, for whatever reason, although the forum, which is led by the Scottish Executive, has done a lot of good work by bringing interested parties together. However, the Scottish Executive is probably letting down the process a wee bit because no overarching renewable energy policy is emerging. At best, the policy is piecemeal. We have various targets for electricity generation—which have literally blown up the wind farm debate. However, on the issues that we have discussed this morning, such as heating requirements and transport fuels, there is no strategy that fits in with the drive on electricity. That is the biggest downfall.

Individuals and organisations can press for a coherent energy strategy. One aspect of that would be energy demand rather than supply. If we are to take into account the bigger picture of climate change and emissions, we should consider energy efficiency as well as the generation of renewable energy. However, we all know that an energy efficiency drive will not address emissions as quickly as we would like, so we need a combination of measures. It is important to bear in mind that although there is a national grid for electricity, there is no national grid for energy, because we also need energy for heat and transport. Therefore, we will always have a mosaic of energy provision. Ultimately, we need appropriate technologies and energy sources at an appropriate scale and in an appropriate locality. That is the piece that is missing in the strategy.

John Picken: As the representative of Buccleuch BioEnergy highlighted, we have got the push in the industry, but we need the pull—the incentives from the Parliament. That could happen. Over the years, planning controls have been introduced in relation to double glazing, draught exclusion and low energy lights. Perhaps we need to have more community heat projects. In buildings such as this one, the boilers are not that old, but I am sure that they could be improved on and a proportion of the energy could come from renewable fuels. The Parliament is in the driving seat on that aspect because it can introduce incentives for small and large schemes.

Nora Radcliffe: What might the unforeseen consequences be if we overcame all the barriers, got energy crops growing and moved forestry from less-favoured ground on to better ground? We heard that we have to bear in mind what that would do to the land drainage system. What will we lose? What will the impact be if we stop growing cereals and start growing energy crops? How will that affect our domestic food production? What are the cons to set against the pros?

John Picken: You are right that our barley, wheat and oilseed rape have a food aspect, but they also have an industrial use. Oilseed rape is totally industrialised, and its by-product is animal feed. More than half of our barley is industrialised,

because it goes into beer and whisky. Our wheat goes into whisky and bread, although not much bread is produced in Scotland—our wheat varieties are not suitable, so bread is imported. Apart from production for animal feed, most of our production tends to be for industrial use anyway, so I cannot see that we would lose any of our current arable diversity.

The danger of monoculture was highlighted when we talked about short-rotation coppicing. If landscaping advice were followed, even that would not be too much of an intrusion, unless of course it was on 2,000 hectares in a 15-mile radius around a plant and I doubt whether that is what we would envisage. I cannot see us being totally destructive of the landscape.

The Convener: Are there any other thoughts about unintended consequences or issues to watch out for?

Jonathan Hall: As with all things, we have to approach changing land use with a fair amount of caution and with our eyes open. However, there is no reason why the checks and balances for mainstream agricultural and forestry production could not be adapted for alternative agricultural and forestry production. All that we are talking about is adapting land use. We have a whole range of controls and balances, such as compliance checks, guidelines for forestry practice and certification issues. There are quality controls within agricultural production systems and anyone who receives public support payments has to meet certain criteria. Those controls could all be adapted and developed as appropriate.

Our balance of trade—net imports and exports—of agricultural commodities has not been an issue for decades. We live in a global economy and some would argue that that has resulted in the demise of the Scottish agricultural industry because production in other parts of the world has had a significant impact on Scottish agriculture's returns. That is where we are, so I would not get too hung up about the fact that we would be displacing home-grown production; we have already done an awful lot of that by other means.

Patrick Krause: I have a con, although it is not to do with food production, which I do not think is particularly applicable to crofting. When I talked to crofters about this recently, the only potential problem that I heard about was that growing energy crops does not lend itself to mechanisation, particularly given the fragility of the land that supports coppice and small-scale forestry. It seems to work quite well on a small scale when people are growing for themselves, and it is very labour intensive. Of course, that is fairly traditional in the Highlands and Islands anyway. If there is a potential drawback, it is that it does not lend itself very well to mechanisation.

The Convener: This has been an interesting and stimulating discussion. I thank the three witnesses for coming and for giving their evidence in writing in advance.

We have been given a lot of food for thought. Next week the committee will hear from local authorities, local enterprise companies, the Forestry Commission Scotland and the Deputy Minister for Environment and Rural Development. Over the past few weeks, we have picked up many issues that we can push back to those witnesses. We have heard ideas about how to join up policy thinking and the different geographical and landscape issues of Scotland.

What came through quite strongly for me today was the idea of local developments and what the public sector could do to stimulate those. We heard powerful arguments for using biomass energy to run nursing homes, schools and swimming pools. We heard many good ideas, but of course money is at the root of everything. We will think about what we heard as we prepare our questions for the witnesses at next week's meeting.

Scottish Water

11:40

The Convener: At last week's meeting, we agreed to consider the governance of Scottish Water. I circulated to members the letter that I received from the Minister for Environment and Rural Development—[*Interruption.*] I will pause to allow people to leave, so that we can have a little more quiet.

The minister wrote to us about the resignation of the chair of Scottish Water and the process of appointing an interim chair and a long-term successor. Since the matter was put on the committee's agenda, a debate in the Parliament on Scottish Water has been scheduled, which will take place tomorrow. The debate will give members an opportunity to make speeches but it will not necessarily give them a chance to ask questions. The issue is therefore still relevant to the committee and I invite members' views on how we proceed.

Rob Gibson: It is important that we find out what the prospects are for the delivery of the quality and standards II and quality and standards III investment programmes for Scottish Water, which the Government set up. The minister's letter gives reasons for Professor Alexander's resignation, but the differences between the parties appear to be disputed. When we read between the lines, it is unclear whether the resignation will make a difference to starting Q and S III on time. The matter affects every part of Scotland and members of the Parliament want to know the details behind what is going on, so the Environment and Rural Development Committee should take the lead by asking questions of the minister and, if possible, Scottish Water. We should also invite Professor Alexander to give the committee his side of the story. That would help the process. Tomorrow's debate will inevitably be short, whereas the committee can probe deeper beneath the surface of a fundamental service to people in Scotland. Further investigation would be of considerable benefit to the people outside the Parliament who want to know about development constraints and whether they will receive the service that they expect to receive. I suggest that we invite the relevant parties to the committee for a good reality check.

The Convener: Members' faces are showing different expressions. We need to think about what we should explore. The Q and S implementation programme is a key issue.

Mr Alasdair Morrison (Western Isles) (Lab): The ministers have the ultimate responsibility in the matter and Ross Finnie and Rhona Brankin should appear before the committee to answer our questions. Professor Alexander is no longer associated with Scottish Water. He is a free citizen and he is at liberty to articulate his views on his previous role in any forum and at any time. We should hear from the ministers, who bear the political responsibility.

Maureen Macmillan: We could write to the ministers first, to lay out our stall. We could then use their answer as a basis for our questions, rather than come to the matter cold.

The Convener: I do not know whether members read the submission on the first development in the programme and the debates around that. The submission was pretty lengthy. We should certainly ensure that we ask the right questions.

11:45

Mr Brocklebank: I certainly do not disagree with the suggestion that we should ask the ministers to appear before us to explain what went wrong, but I do not see why we should not invite Professor Alexander to come along, too. It is true that, as an individual, he can say what he wishes whenever he likes, but it might be useful for the committee to have an opportunity to quiz him.

Nora Radcliffe: We could make it clear that if he wished to come, we would be happy to hear him, but I would not want to burden him by inviting him. I would not be comfortable with our putting such pressure on him.

Mr Brocklebank: Do you not think that Professor Alexander might wish to put his views into the public domain in front of the committee?

Nora Radcliffe: There is a difference in emphasis between saying that we would be quite prepared to hear Professor Alexander if he wanted to come and inviting him, which I think would put pressure on him that would be inappropriate.

The Convener: We have the statements on Professor Alexander's resignation that were made at the time and the statements from the minister. The issue is what happens next with the investment programme. It is clear that there is a difference of opinion on what it will be possible to deliver. My first inclination would be to write to the minister to get that information in writing. Members who have been following the press will know that a number of articles have been written on the subject. I would like us to obtain a proper written explanation from the minister, after which he could appear before us for a question-and-answer session. That is my top priority.

I have talked to Mark Brough about all the options. Although I keep trying to restrain members from adding more things to our agenda, it would be possible to create a slot that would

allow us to hear from the appropriate minister over the next few weeks—although I warn members that any such session would probably be added to the stage 2 proceedings on the Animal Health and Welfare (Scotland) Bill. I would be quite happy to do that, but any session that we arrange must be effective. We need to think about what we want to get out of it.

I will take the bones of what Rob Gibson and Maureen Macmillan have suggested and propose that we write to the minister and commission the Scottish Parliament information centre to prepare some background information on the debate on the water investment programme. Both we and the Finance Committee have discussed the issue on previous occasions. We could pull some of that information together in a package and then have a session with the minister. Does that meet members' main concerns?

I take Rob Gibson's point. We could have a whole gang of people in front of us. My starting point is consideration of what will happen next with the investment programme. For example, we need to find out when Scottish Water will issue that programme. I had understood that that would happen on 1 April, but I do not know whether the resignation will result in a delay. I think that we should seek a response from the minister on such practical matters.

Rob Gibson: In general, I agree with that, but it is important that we do not rule out taking further evidence once we have heard what the minister has to say. I understand that that might be a delicate process, in which people such as Professor Alexander might not wish to take part—as an individual, he is at liberty to do what he wishes. It would be sensible to leave open the option of taking evidence from other witnesses in due course.

The Convener: That option is always available. The question is what we want to agree to today. My reading of the situation is that there is full agreement to our firing off some questions to the minister, getting his written response and following that up by inviting him to give evidence to us. It is open to the committee to do more if it wants to, but I would have thought that that would be a sensible way to proceed at the moment.

Rob Gibson: The issue of when Q and S III ought to start is time limited. When we receive the minister's reply, we will have to discuss matters fairly quickly because, like you, members of the public are concerned about what will happen.

The Convener: That is my intention. I know that a number of possible dates are available in the near future and I need to work with Mark Brough to ensure that we get things organised.

Mr Morrison: A common feature of the committee's proceedings is that both the nationalists and the Greens are always asking us to hold lengthy and involved inquiries. However, they never suggest which aspects of our legislative scrutiny we should jettison to make time for the inquiries that they seek. We should make a commonsense and appropriate response to the situation affecting Scottish Water by listening to the ministers.

The Convener: I do not want to extend this discussion for ever, but I will take comments from Maureen Macmillan and Nora Radcliffe.

Maureen Macmillan: Could it be the minister, rather than the deputy minister, who comes before us?

Rob Gibson: Could it not be the minister and the deputy minister?

Maureen Macmillan: We do not need them both but, as the letter has come from Ross Finnie, I thought that it would be appropriate for him to come and speak to us.

The Convener: We can certainly invite him. Scheduling the session for later in a meeting might make it easier for him to come, because he will be at a Cabinet meeting first thing in the morning.

Nora Radcliffe: You mentioned the possibility of getting a background briefing to pull together all the strands. That would be helpful.

The Convener: Yes. I think that we have reached agreement on that.

I thank you all for attending but, before you go, I would like to say a couple of things on the record about the arrangements for stage 2 of the Animal Health and Welfare (Scotland) Bill. At its meeting yesterday, the Parliamentary Bureau formally designated us as the lead committee for stage 2—no surprises there. I therefore propose to hold the first stage 2 meeting on 15 March. My target is to complete sections 1 to 16 on that day; that is the animal health part of the bill and the section on the definition of "animal" in the animal welfare part. We would not go beyond that at that meeting and it is up to members whether we reach that point. At the moment, I have scheduled two further meetings, on 22 and 29 March, for completion of stage 2.

As you know, the clerks are happy to advise members on amendments. There are already some amendments in the *Business Bulletin* and the daily deadline for lodging amendments to appear in the *Business Bulletin* the following day is 4.30 pm. The deadline for lodging amendments to sections 1 to 16 for consideration on day 1 of stage 2 will be 12 noon on Friday 10 March. I hope that members are clear about that and will think about amendments that they want to make. Our next meeting will be on Wednesday 8 March.

Meeting closed at 11:52.

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