



Luxembourg, 13 December 2023

Environmental and Social Completion Sheet (ESCS)

Overview

Project Name:	Irish Sustainable Forestry 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.

Summary of Environmental and Social Assessment at Completion

The Fund invested in a diversified forest portfolio, promoting sustainable forest management and the wider development of Continuous Cover Forestry (CCF) management, as an alternative to the clear-fell system in Ireland. Under CCF the forests are selectively thinned every 4-5 years and never clear cut. After selective thinning, the forest is regenerated naturally without land scarification. When necessary, natural regeneration is augmented by enrichment planting to reach the targeted tree species distribution, as envisaged at appraisal stage.

Due to Covid-19 pandemic, which coincided with the Fund's fundraising and investment period, the final size of the Fund reached about 59% of the initial target. Therefore, the original Fund's impact targets have been reduced in proportion to the final fund size.

As of Q4 the Fund had invested in 73 forest assets totalling about 1,779 ha. About 1,342 ha of these are productive forests, of which about 890 ha are managed under CCF regime, and 452 ha under traditional management system. The Fund targets about 60% of its productive area to be brought under CCF management until the Fund's maturity (Q1 2028). About 200 ha are featuring native species and ecological management areas (biodiversity conservation).

EIB notes the following Environmental and Social performance and key outcomes at Project Completion.

An Environmental and Social Management System (ESMS), framed on the EIB Environmental and Social Standards, has been prepared for the fund's investments. The Fund invested according to a strong set of sustainable environmental and social management principles, which are set out in the ESMS, the Fund's Forest Investment Policy, its Environmental and Biodiversity Screening Guidelines and its Investment Management and Operations Manual.

The Fund's investments followed the Natural Capital Financing Facility's (NCFE) eligibility criteria referring to the LIFE Biodiversity and Adaptation objectives. The Fund 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 and is carried out following the Fund's E&S policies and guidelines, and national legislation.

About 90% of the forest assets have forest management plans (FMPs) in place, while the rest of 10% are in the elaboration stage of FMP. Prior to performing forestry works (felling, roading), the Fund applied for the necessary licences/permits issued by the Forest Service in the Department of Agriculture, Forestry & the Marine (DAFM), which are mandatory under national legislation.



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The Fund targeted full FSC¹ certification of its forest assets. A roadmap to forest certification has been developed and documentation work is ongoing, with good progress noted since the Technical Assistance Facility (TAF) under NCFF has been deployed in 2022. The certification component work of the TAF comprised development of a group scheme manual to guide forest management, and the development of the procedures and records required to document and monitor compliance with the various certification requirements. As of the end of 2022, about 70% of the documents required for certification were assembled with the remaining under development.

As part of the TAF, additional progress can be reported with respect to CCF training and capacity building (started in Q3 2022 and continuing in 2023), establishment of permanent inventory plots and commencing of measurements (started in Q3 2022 and continuing in the coming years; plot data used to validate a CCF forest growth and yield model), deer assessments/studies were completed in 2022, and the biodiversity monitoring component has a developed methodology and agreed plots for field testing in 2023.

Across the portfolio, the Fund has about 200 ha of biodiversity set-aside areas. These are areas that are not part of the commercial forest estate, but are areas of native shrubs and broadleaf woodland, old hedgerows, riparian areas, watercourses and waterbodies, failed plantations on peat soils that are regenerating with native species, and open peat bog. Several Fund properties also lie within a 10-15km radius of a Natura 2000 sites. Afforestation and felling license approval on such sites are subject to carrying out an environmental impact assessment and may involve restrictions or additional safeguards applied to forestry operations. In cases where afforestation was deemed to be potentially detrimental to the sites' biological value, these areas were set aside as conservation areas and actively managed to enhance their biological value.

As of Q4 2022, the total portfolio carbon stocks (incl. above and below ground carbon stocks from trees, deadwood, and litter) was estimated at 419,515 tCO_{2-eq}. Net annual carbon sequestration in 2022 totalled 20,440 tCO_{2-eq} based on an annual timber increment of 20,587m³ or 19,296 tCO_{2-eq}. Additional 1,323 tCO_{2-eq} was added as carbon stored in long-lived harvested wood products (HWP) minus the emissions associated with harvest and road construction, which accounted for 179 tCO_{2-eq}. Much of the harvested wood will become sawn timber supplied to the construction industry and will act as a long-term carbon sink in buildings. These figures are expected to continue to rise as more forests will be acquired and managed by the Fund until maturity (Q1 2028).

Summary opinion of Environmental and Social aspects at completion:

EIB opinion is based on the quarterly and annual progress reports from the Fund Manager. The conclusion is that the Fund's investments have been implemented in line with EIB Environmental and Social Standards applicable at the time of appraisal.

¹ FSC – Forest Stewardship Council