STTC Conference considers links between FLEGT licenses and forest certification

To rebuild share in the European market, the tropical wood sector must exploit emerging opportunities from the synergies between the FLEGT VPA process and private sector forest certification initiatives, and to focus relentlessly on communicating simple messages to target audiences of architects, designers and civil engineers on the carbon mitigation and forest conservation benefits of using sustainable tropical timber.

These were key messages of the 2019 European Sustainable Tropical Timber Coalition (STTC) Conference, held in Berlin, Germany, on 20th November. The Conference was convened to consider the related themes of tropical timber promotion and the relationship between certified tropical forest management and regional and national initiatives in the tropics, including the EU FLEGT VPA programme and Verified Sourcing Areas.

The event was well attended, with over 100 participants including tropical hardwood traders, timber trade association representatives, NGOs, procurement officials, and technical service providers to the European tropical wood industry. It followed the successful format of previous years mixing short presentations with participatory group discussions led by Peter Woodward, an enthusiastic and articulate facilitator, to encourage input from all parties and generate new ideas.

Nienke Sleurink of Netherlands-based IDH, the Sustainable Trade Initiative, the STTC founder and main donor, introduced the event, noting that IDH has just published a new report “Unlocking sustainable tropical timber market growth through data” with the conclusions of a study to assess the share of FSC and PEFC certified tropical timber in EU supply chains.

The report concludes that between 25% and 32% of the total tonnage of tropical primary wood imports (logs, sawnwood, veneer and plywood) into the 7 main EU importing countries, which together account for over 90% of all EU tropical imports, was either FSC or PEFC certified in 2018.

The proportion varied widely between countries, being highest in the Netherlands (65% to 70%), followed by the UK (40% to 45%), Germany (30% to 35%), Belgium (25% to 30%), France (10% to 15%), Italy (5% to 10%) and Spain (2.5% to 7.5%).

Ms. Sleurink explained that this assessment of certified timber share of tropical timber imports will be an annual exercise, the aim to build on and improve the methodology, and a ToR is being prepared for the next report in 2020. She emphasised that this data-based analysis helps IDH to identify gaps in supply sources and to better target market access initiatives.

The methodology for the IDH assessment of certified timber share was explained to the Conference by Mark van Benthem of Dutch foundation Probos. In the absence of direct data on certified trade flows from FSC or PEFC, the analysis uses the “exposure to certification” proxy measure pioneered by the ITTO FLEGT IMM project. The basic methodology assumes that if, say, 40% of forest area in a country is certified, then the “exposure to certification” of all wood exports from that country is also 40%.

For the IDH assessment, Probos refined the methodology by replacing total forest area with best available data on production forest, and through surveys of large certified producers in the tropics and traders in the EU. This helped to estimate, for example, the likely proportion of certified timber produced in the tropics destined for the EU compared to other markets (ranging between 50% to 80%).

A conclusion of the IDH assessment is that "between 2.7 and 4.4 million hectares of forest are maintained with SFM practices under current levels of EU28 certified natural and semi-natural forest tropical timber demand. For perspective, a total of 14.8 million hectares (excluding plantations) is certified in the tropical regions, representing 6.2% of production forest in the tropics".

Drawing on this data, IDH estimates that "the EU28 currently impacts 18%-30% of all certified semi and natural tropical forests with its current demand for certified primary tropical timber products. Projecting these figures onto a world in which EU sourced 100% certified tropical timber, we see the impact multiplied, protecting an additional 11.7-13.4 million hectares of tropical forest".

Achieving mutual benefits from certification and FLEGT

In her introductory remarks to the STTC Conference, Ms. Sleurink observed that a key issue for both IDH and STTC is to explore the links between forest certification and the FLEGT VPA process. A draft IDH paper on this issue, for which comments were invited, was distributed at the Conference, setting out the similarities and differences between the processes, emphasising their complementarity and suggesting that "both [are] crucial to ensure sustainability in the tropical timber trade".

As background, two speakers with contrasting views, one an advocate for FLEGT, the other for FSC certification, were given the floor.

In support of FLEGT, the UK TTF Director Dave Hopkins opened with the observation that, in a world where the EU's direct influence as a buyer of tropical timber is waning and progress to implement third party certification in the tropics has been slow, "EU policy makers need to try every trick in the book to extend land under management".

According to Mr Hopkins, "If we're to have any influence, with only low uptake of certification to date, we have to encourage development of [verification] systems that reflect what producers can do in reality".

Mr Hopkins suggested that the essential difference between the two policy measures is that "certification is a company approach while FLEGT is a national approach. FLEGT aims to promote sustainable forest policy and strengthen forest governance at national level to raise the baseline for all". He also observed that "There's nothing to prevent a forest management unit being certified on top and FLEGT can make certification easier to achieve".

Mr Hopkins characterised certification as "islands of utopia, the pinnacles of sustainability" and suggested that, in the absence of effective national forest policy framework, certified areas "suffer in much bigger landscapes where the [uncertified] forest lands become degraded".

He suggested that a key issue for certification, which FLEGT is better able to address, is to do with permanence. "Because certification is linked to an individual company, if that company goes bankrupt, or sells up, what happens to that concession? The certificate may well be allowed to lapse. There needs to be a permanent baseline which can only be established through regulation, which can be delivered through FLEGT".

Mr Hopkins identified "scale" as a second benefit of FLEGT. While certification delivers sustainable practices for scattered forest management units, FLEGT operates nationally across all forest types and ownerships. "I suspect the forest land area that Indonesia has under management recognised through FLEGT exceeds the entire area of certified forest in the tropics", he said.

Other benefits of FLEGT identified by Mr Hopkins include the VPA annexes setting out detailed requirements for transparency and national level oversight, which benefits both consumers and producers, and the requirement for stakeholder participation in forest law reform, so that the FLEGT process becomes “something that producers own, something they themselves have a connection to”.

Mr Hopkins referred to independent studies which indicate that forests regulated through FLEGT legality assurance mechanisms in Indonesia and Ghana already meet many of the requirements of FSC or PEFC. However, some buyers and specifiers still refuse to recognise FLEGT because it is perceived as “just legality”.

According to Mr Hopkins, “when speaking to companies in Indonesia, they say there is little awareness, even in the EU, of the considerable advances towards sustainable forest management made through the FLEGT VPA process. This means they are having to pay twice, once for SVLK (the national system on which FLEGT licenses are based) and separately for FSC or PEFC. This makes no sense”.

Mr Hopkins went on to suggest “we should be trying to lower the unit costs to producers to get more area under management. Once producers are engaged in the process, there’s leverage to move them up the curve. If they are not in the process, we have no influence”.

He concluded, “FLEGT is bringing companies to the door of certification. There are strong complementary benefits and we importers must get over our hang ups, recognise that Europe is a less significant market for tropical wood products, but also that there are mechanisms other than certification that we can use to influence practice and shorten the gap between legal and sustainable”.

Making the case for an exclusive focus on FSC certification

Jesse Kuijper of the Borneo Initiative which is working to expand FSC certification in Indonesia, presented an opposing view. Mr Kuijper was a cofounder of the FSC and the focus of his earlier work was to raise FSC market share in the Netherlands. His work began in Borneo a decade ago at a time when environmental groups had characterised the forest conservation situation there as “hopeless”, according to Mr Kuijper, with on-going large-scale conversion to palm oil.

The Borneo initiative was founded in 2008 to demonstrate an alternative development model built around FSC certification of sustainably managed natural tropical forest. Mr Kuijper said that there were many real barriers to this vision, including lack of funding, initial lack of trust in NGOs, and lack of local management and technical capacity for forest certification.

However, Mr Kuijper explained that working with partners TFF, WWF, TNC and Wana Aksara Institute, and with financial support from these agencies and a range of corporate sponsors, the Initiative has progressively overcome the barriers and created a successful working model.

The Borneo Initiative has focused heavily on training and capacity building in Indonesia, and on group and other arrangements to make certification more affordable, linked to continuing work on the market side to communicate the benefits of FSC certification in tropical forests.

Mr Kuijper noted that in 2009, at the start of The Borneo Initiative, there was a baseline area of 0.9 million hectares of FSC certified forest in Indonesia, plus 0.3 million hectares of FSC Controlled Wood.

By 2018, the Initiative had facilitated an additional 26 FSC certificates covering 2.4 million hectares. Overall, there are now 40 forest companies with FSC certification in Indonesia, covering 3.1 million hectares in total. Additionally, there are 10 forest plantations with FSC certification (416,157 ha) and 11 community groups (22,570 ha).

Mr Kuijper mentioned that there is an additional 1 million hectares certified against the FSC Controlled Wood standard and two million hectares on the waiting list for FSC in Indonesia. The Borneo Initiative target is to achieve 8 million hectares of FSC certified forest, an additional 8 million hectares recognised under the Controlled Wood standard, including 3 million hectares of reforested degraded lands.

As a counterpoint to Mr Hopkins earlier comments, Mr Kuijper was dismissive of initiatives other than FSC. He said that, "having seen the operation of all schemes [in Indonesia] over a period of 12 years, it is untrue that these other initiatives are helping to raise standards on the ground. The only system doing that is FSC. The companies in the mandatory scheme have higher costs and are in worse shape than they were. They are the one's going bust".

He also said that "the lives of people in the FSC concession, which create thousands and thousands of jobs, are much better than those in the mandatory certified concessions."

Mr Kuijper went on to say that the business model for FSC certification in tropical countries needs to be developed and highlighted the potential role of plantations established on already degraded lands to support the costs of natural forest offsets. He suggested there is a need to diversify into markets other than timber, including carbon offsets and other environmental services. He concluded by urging IDH, and the Conference attendees, to focus their support on FSC certification in the tropics.

"Verified Sourcing Areas" may offer a way forward

Given these opposing arguments, it was useful that a third concept, relating to "Verified Sourcing Areas", was presented at the STTC Conference which may offer some potential to resolve the tensions between the national regulatory approach of FLEGT and the individual operator-based approach promoted by FSC.

Like the FLEGT VPA process, the "Verified Sourcing Areas" concept provides an assurance that an effective forest and land-use policy framework is operating within a specific jurisdictional area.

However, unlike the FLEGT VPA process, which is always national in scope, it operates at smaller regional scales and allows for, and recognises, that a variety of policy tools, both regulatory and non-regulatory, including private sector certification, contribute to sustainable land use practices within the verified area. It has the added advantage of seeking to integrate sustainability assurances for timber with similar assurances for agricultural commodities.

The Verified Sourcing Area concept was introduced at the STTC Conference by Nienke Sleurink of IDH who referenced the PCI (Estratégia: Produzir, Conservar e Incluir) scheme in Mato Grosso, Brazil, a state with a strong interest in demonstrating the sustainability of timber alongside other commodities to the international marketplace. Mato Grosso is the largest timber producing state in Brazil and also one of the largest beef and soy producing states.

Additional details of the PCI were made available at the Conference during roundtable discussions involving representatives of the Mato Grosso Environment State Secretariat and the state Center for

Wood Producing and Exporting Industries (Cipem), together with consultants engaged to develop the system.

The Conference was informed that Mato Grosso has introduced a green growth plan, developed by a multi-stakeholder group comprising beef, soy and timber companies alongside civil society. The plan includes specific targets to counter illegal deforestation and to increase reafforestation and the area under sustainable forest management. The PCI is constituted as an agency independent of government, to insulate it from political changes, but local government agencies were intimately involved in setting the targets.

A Monitoring Working Group (WG) comprising representatives of Brazilian government agencies, agricultural and forestry associations and NGOs was formed in early 2017 to evaluate advances towards the PCI targets.

According to information made available at the Conference, a key part of the PCI mechanism is transparency, ensuring that data on progress to implement the targets is readily accessible, making best use of the latest technology. An online dashboard, together with full details of the PCI are available at http://pcimonitor.org/.

Another concern of PCI is to ensure recognition for the system in key export markets, so there is a focus on providing data that can be used by EU operators importing from Matto Grosso to assist EUTR compliance. Efforts are being made to benchmark PCI requirements against FSC and PEFC certification standards. The dashboard also provides specific data on issues of deep concern to the international community such as carbon emissions from land use change in the state.

A call for targeted tropical timber promotion

Another focus of the STTC Conference was market development strategy for tropical timber products in Europe. Mark van Benthem of Probos introduced this topic noting recent expansion of the STTC website (http://www.europeansttc.com/) into a hub for marketing of certified tropical timber, providing links to agencies and resources relevant to this work.

He also referred to ATIBT's new Fair and Precious website (https://www.fair-and-precious.org) providing information on certified tropical timber products.

Mr van Benthem reported preliminary results of a survey targeting the largest EU importers of tropical timber to assess their awareness of the marketing tools available from STTC and ATIBT and asking views on whether they are fit for purpose.

Drawing on the first 33 responses received (all from northern Europe with none yet received from Italy and Spain), he noted that most importers had a clear perception that Europe's trade in tropical timber trade is declining, the only exception being in the Netherlands. Most also said that trade in certified tropical timber is falling, again the Netherlands being the only exception.

The level of awareness amongst surveyed companies of the marketing tools available for promoting tropical timber was also low. Those that expressed a view also reckoned that the existing tools have only limited impact and are not changing attitudes amongst end consumers.

Drawing on the results of the survey, Mr van Benthem said that "European importing companies are quite passive in their marketing of tropical timber, mainly communicating via websites and through direct conversations. Very few have dedicated PR staff. Generally, interviewees look to their trade associations to lead on marketing and to provide communication tools. And price is always an issue, consumers always tend to choose the cheapest option".

More positively, however, Mr van Benthem said the survey indicated "growing momentum in support of timber on carbon".

Mr van Benthem went on to say that successful marketing of tropical timber required a "tailored approach…what works in the Netherlands won't necessarily work elsewhere….there also needs to be more coordination and less fragmentation, we all need to talk up the benefits of wood, with less fighting between different wood sectors, and the wood must be sustainably sourced".

Eric de Munck of Centrum Hout, the wood marketing arm of the Netherlands Timber Trade Association, provided a case study of the "tailored approach", also illustrating the value of companies working together to develop demand in specific end use applications.

Mr de Munck explained that twelve members of Centrum Hout are working together to implement an action plan to strengthen demand for tropical timber in civil works, identifying bridges and sheet piling for water protection as key markets. Research undertaken to assess market trends had revealed that the volume of tropical timber used in these applications had fallen having come under intense pressure from substitute materials.

A Centrum Hout survey identified civil engineers as the key decision makers in the material procurement process for the target applications. The survey revealed that 150 engineering companies in the Netherlands play a role, of which 10 are dominant. Direct contact with these companies revealed a serious lack of existing knowledge on the technical and environmental properties of wood, and of the life-time costs of utilising tropical wood compared to other materials.

To fill this knowledge gap, Centrum Hout, supported by STTC, commissioned life cycle assessment (LCA) and whole-life cost studies comparing use of tropical timber with other materials in the targeted applications. The results demonstrated very significant benefits, both from an environmental and cost perspective, of using tropical timber.

Consulting with the engineering firms, Centrum Hout identified lunch time technical meetings as the most effective way to communicate the results of this research and other technical data on tropical timbers to the engineers. Other communication channels were developed including articles in targeted journals and clearly accessible links to relevant reports, LCA data and project case studies on the Centrum Hout website. A task force was established to trouble shoot technical, communication and policy issues as they arise.

The campaign has led to increased awareness of the benefits of tropical timber amongst key decision makers. Rather than always making the first move, buyers and specifiers now actively invite Centrum Hout to assist with development of procurement policy and other measures to promote a circular economy.

Mr de Munck concluded that to promote tropical timber "it is essential that companies join forces to strengthen the message, share costs, and increase the impact". He also emphasised that "demonstrating sustainability in the forest provides an essential foundation for all environmental claims relating to timber" and that "certification increases credibility".

Finally, Mr de Munck stressed the importance of "repeating simple messages over and over again" emphasising that the carbon message has particularly strong resonance.

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