STTC Conference raises questions about role of tropical forest certification

The previous Tropical Timber Market Report (16 – 31 October 2018) provided an introductory report of the Sustainable Tropical Timber Coalition (STTC) annual conference in Paris on 26 September. That report highlighted the positive mood generated during the conference by the firm focus on the new tropical wood marketing initiatives launched by ATIBT and STTC with their strong links to the development of FSC and PEFC certification.

However, discussions at the STTC Conference also raised important questions about the challenges of achieving certification in tropical countries and the underlying value of initiatives that promote FSC and PEFC certified wood to the exclusion of other, non-certified, tropical wood products.

As noted in the previous report, STTC has established a 2020 target “to increase European sustainably sourced tropical timber sales to 50% above 2013 levels”. While STTC does not explicitly define “verified sustainable”, the assumption in STTC reporting to date is that “verified sustainable” refers only to FSC and PEFC certified timber.

The rationale for STTC’s support for marketing of FSC and PEFC certified wood was explained in a series of introductory presentations to the Paris conference.

Daan Wensing of IDH, the Dutch agency financing STTC, began by showing a slide with satellite data from central Africa to demonstrate that certified forest coincided closely with areas free of deforestation.

Mr Wensing went on to say that while there was evidence that certification could play an important role to help conserve tropical forest, the level of market recognition and reward for certified products was weak and had declined since the global financial crises. STTC was formed, he said, with the intent of reversing these trends.

Robert Hunink, President of ATIBT, said that ATIBT has also formally associated itself with the STTC target to achieve 50% certified timber supply to the European market by 2020. He commented that “certification is the only guarantee that forests will continue”.

Mr Hunink said that a key role of ATIBT is to help companies that want to achieve certification. However, he also noted that achievement of the STTC procurement target required measures outside the direct control of STTC and ATIBT.

Mr Hunink highlighted the need for greater focus on the profitability of certified operations in tropical countries, suggesting there should be tax incentives for certified operations in the leading tropical supply countries and greater willingness on the part of buyers to pay premiums. The latter was heavily dependent, in turn, on the will of European public agencies and other large buyers to demand only certified wood.

However, Mr Hunink also said that each forest concession must have the option to choose the appropriate certification system, whether FSC, PAFC, and PEFC. He hinted at the value of a phased approach and continuing need for innovation in certification and procurement practice, observing that certification using existing procedures is "a long and costly process" and concluding that "we need a change in approach that is radically different and patience".

Ms. Jessica Tholon of Le Commerce du Bois (LCB), said the French trade association had been working closely with STTC since 2014 to develop responsible procurement policies and to boost sales of certified tropical timber.

However, in the case of LCB, rather than apply a target for certified imports to the entire membership, LCB had chosen to work with five companies willing to make a public commitment and to report progress, namely Bois des Trois Ports, CID, Rougier, Pasquet, and Tradelink.

According to Ms. Tholon, the proportion of certified product in total tropical trade reported by the five companies ranged from 10% to 55% in 2017, with most companies reporting an increase compared to the previous year. However, said Ms. Tholon, continuing supply difficulties constrained these efforts to deliver more certified tropical product.

UK TTF questions over-reliance on certification as sustainability measure

While most speakers at the STTC Conference were cheer leaders for the procurement targets adopted by STTC, a cautionary note was introduced by David Hopkins, Director of the UK TTF.

Mr Hopkins said that while the TTF supported the concept of increased procurement of certified wood, in practice the targets for certified tropical timber are overly-ambitious and should be reconsidered.

Mr Hopkins said that TTF members have been implementing a responsible procurement policy now for many years, which is reflected in an impressive "headline statistic" from the latest annual audit report, that 90% of timber placed on the UK market by TTF members is certified.

However, closer analysis of this data shows that the high proportion of certified is just indicative of the very large proportion of UK timber imports sourced from Scandinavia. Considering tropical wood in isolation, at most 30% of wood traded by TTF members is certified and the actual proportion may be even lower given uncertainties of measurement.

In the tropical segment of the UK market, according to Mr Hopkins, the total quantity of tropical imports continues to fall, and there are even signs that the certified proportion of this shrinking segment is declining.

Mr Hopkins asked the question, "have we reached peak certification?" He wondered whether the existing STTC method of relying only on certification as a metric of sustainable procurement is appropriate in the current market situation.

Europe is declining in importance relative to other global markets for tropical timber and needs to maintain leverage, while there is also intense pressure on demand from other materials, emphasising the need for a focus on wider competitiveness issues.

Mr Hopkins said that "in future plans, we need to redefine goals and set targets based on careful assessment of the market reality, to look and see what is actually out there, rather than what we would like to be out there".

"We need to be aware of other initiatives, such as FLEGT which is also relevant. There is a huge opportunity for FSC and PEFC within that process, but we should move away from current model of sole reliance on certification and find a new way forward", concluded Mr Hopkins.

Measuring certified trade in Europe

To be useful, not only do targets for procurement of certified wood trade have to be realistic, they must also be measurable.

Much of discussion at the STTC conference in Paris revolved around the methodology to monitor share of third party certified and legally verified tropical timber in the European market and more widely in the global market.

The challenges of accurate monitoring were recognised at the Conference. Neither FSC nor PEFC centrally collate data on flows of certified material. An attempt by FSC to achieve this a few years ago, by requiring certified operators to use of their On-line Claims Platform (OCP) to record all certified wood transactions, collapsed in the face of industry concerns about commercial confidentiality and costs.

This means that monitoring of certified volumes placed on the EU market is dependent on the willingness of companies to voluntarily report how much certified wood they are trading.

However, gathering survey data from traders in often fragmented supply chains is expensive and companies are usually reluctant to provide information when under no obligation to do so. If anything, gathering this data in Europe is becoming more challenging now that companies' procurement practices are under intense scrutiny by EUTR regulators.

There's also no way to verify that the information provided by individual companies is accurate. The widespread use of volume credit systems and percentage-based or "Mix" labels adds another area of uncertainty.

More positively, at the STTC Conference there was clear willingness on the part of all those present, including representatives of FSC, PEFC, European trade associations, the FLEGT IMM, and large distributors to co-operate more closely in collating and analysing the data that might be acquired from surveys.

It was also noted that, in time, expansion of formalised responsible procurement policies by associations can facilitate improved data collection.

There was also widespread agreement that efforts to gather data from traders in Europe should be combined with efforts to improve the quality and level of access to data on production volumes of certified fibre in tropical countries. FSC, PEFC and ATIBT all offered to facilitate this process at the Conference.

To conclude the conference, George White of the Global Timber Forum (GTF), presented on work commissioned by STTC to develop and refine the methodology for monitoring against the STTC targets.

GTF is undertaking the work jointly with PROBOS, the Dutch consultancy responsible for monitoring implementation of the NTTA policy which commits Dutch importers to procurement of certified wood.

Mr White explained that, given the significant challenges of acquiring comprehensive survey data from EU traders, the project will be heavily dependent on so-called "exposure to certification" analysis to calculate market share figures.

Essentially the "exposure to certification" measure takes the percentage of certified forest area in a supplier country and applies this figure to import flows from that country into specific markets. The method has been pioneered by the FLEGT IMM, an ITTO project funded by the EC, that is also advising the STTC project.

"The exposure to certification method has its limits," said Mr White. "But we believe it can be refined by, for instance, using percentage of certified timber produced rather than forest area, and targeted trade interviews."

Tropical forests fall further behind in global uptake of certification

There was no detailed consideration of global uptake of certification at the STTC Conference in Paris, although this is critical to the success and impact of the procurement targets set by European operators.

Analysis of this data tends to support the conclusions of David Hopkins of the UK TTF to the STTC Conference, that there are signs of "peak certification" being reached and that reliance on certification as the only metric of sustainable procurement is inappropriate.

In fact, there is reason to believe that reliance on this metric may be potentially damaging, both environmentally and with respect to fair and equitable market access for tropical producers.

According to data derived from the respective certification frameworks, the total global area of 3rd party certified forest in June 2018 was 200.5 million hectares by FSC and 307.5 million hectares by PEFC.

Data issued jointly by FSC and PEFC in January 2018 reveals that 71 million hectares of forest worldwide is certified by both frameworks. Taking account of this duplication, the total area certified worldwide in June 2018 was around 437 million hectares.

Further review of the certification data reveals that, following a surge in the decade to 2010 when global certified forest area increased on average around 30 million hectares each year, the rate of increase has averaged only around 3 million hectares each year in the last 5 years.

To put this into perspective, certified forest currently accounts for 11% of global forest area, only a marginal increase from around 10% in 2012.

The progress of FSC and PEFC certification is particularly slow in tropical timber supplying countries. Between 2011 and 2017, the total area of certified forest in tropical countries increased by less than 10 million hectares compared to 103 million hectares in non-tropical countries (if no adjustment is made for double counting of dual certification).

Nearly all the increase in FSC and PEFC certification in tropical timber supplying countries between 2011 and 2017 was in just two countries, Indonesia (rising 5.5 million hectares) and Brazil (rising 2.7 million hectares). Much of the rise in both countries was in plantations and in Brazil a large proportion was likely outside the tropical zone.

Of total global FSC and PEFC certified forest area in 2017, less than 25 million hectares (6%) was in tropical regions compared to over 410 million hectares (94%) in non-tropical regions.

There are also indications that certified area globally is becoming more concentrated in larger state and industry forest enterprises at the expense of smaller non-industrial operators.

At least half of all newly certified FSC and PEFC forest in the last five years is in Russia and likely to comprise large state-owned and operated management units. Nearly all the rest is in Belarus, Ukraine, Sweden, Canada, and Norway where most forest production is concentrated in larger state and corporate management units.

Without a radical change in certification practice in the tropics, so that there is more recognition of progress within realistic timescales, serious efforts to increase local certification capacity, and more equitable access to certification frameworks, it seems likely that procurement targets focused exclusively on certified wood will contribute to a continuing decline in European trade in tropical products.

It may also actively exclude smaller operators from the European market.

Given the considerable and increasing opportunities for tropical suppliers in other emerging markets, this approach would also contribute to a continuing decline in the leverage of European buyers over forestry practices in tropical countries.

The success of certification in the tropics is heavily dependent on ensuring that the costs do not exceed the willingness of markets to pay so that financial returns to sustainable forestry operations are enhanced and not diminished. Any diminution of profits due to certification of these operations is more likely to encourage than discourage forest conversion.

There are potential solutions to this problem now being discussed, notably new forms of “landscape” and “jurisdictional” certification. In fact, there is significant progress to develop and pilot these forms of certification.

FLEGT licensing may be viewed, in one sense, as a form of “jurisdictional certification” since it confirms that timber is supplied in accordance with an effective framework of national laws governing forest management.

However, excepting FLEGT, there is a certain irony in the fact that much of the work on “jurisdictional certification” is being applied to commercial cash crops such as palm oil and soy, rather than to timber products from sustainably managed forests.

If such certification systems are to be used to justify the “responsible procurement” of products from converted forest land, there is every justification to use similar systems for those areas maintained as forest. Otherwise the certification movement will only further erode the financial incentives for sustainable forest management.

Centrum Hout demonstrates successful tropical wood promotion

Innovative efforts to promote tropical timber in the Netherlands featured in the presentation by Eric de Munck, Manager of Centrum Hout, to the Annual Market Discussion of the ITTC in Yokohama on 6th November. Centrum Hout is the Netherlands Timber Information Centre, an initiative of the NTTA.

Mr. de Munck focused on Centrum Hout initiatives to increase demand for tropical timber in civil works. As background he observed that the construction sector in the Netherlands, the main source of demand for tropical wood in the country, was hard hit by the financial crises which led to a sharp downturn in activity in the 2012-14 period.

While the Dutch economy is growing rapidly again, Mr de Munck said consumption of tropical timber in the Netherlands in 2017 was only around half that typical before the financial crises. Main suppliers are Malaysia, notably of meranti for the window sector, and Cameroon and Gabon which are especially important for supply of durable hardwoods for civil works.

Mr de Munck said the NTTA has a target of 90% wood to be certified sustainable by 2020 and that, through development and communication of this policy, the trade is recognised by government and NGOs as a credible partner.

However, Mr de Munck also emphasised that certification alone “will not get the wood sold”. There also needs to be a strong focus on improving competitiveness relative to other materials such as PVC which is gaining market share.

Centrum Hout has developed campaigns targeting specific end use applications. For example, one plan which aims to increase use of certified tropical timber in water protection works is supported by 12 companies. All are provided with detailed technical and environmental guidance.

Centrum Hout communication activity is also carefully targeted at the most influential decision makers in the specification and procurement process. Civil engineers have been identified as a particularly crucial group and there is a strong focus on direct contact with the largest engineering firms to identify their concerns and their information needs.

Centrum Hout has also commissioned work on life cycle assessment (LCA) and full life cycle costing studies to assess the relative environmental impact and costs of using different materials on a cradle to grave basis.

According to Mr de Munck, science-based LCA studies have shown that tropical timber from sustainably managed forests has a lower environmental impact than key competitors such as concrete, steel and composites.

Centrum Hout has developed a free online carbon calculator to allow users to easily calculate the carbon footprint of sustainably sourced tropical timber products. Short fact-sheets for engineers, architects and other specifiers have been prepared covering a range of topics including carbon footprint, the circular economy, and technical properties of tropical timbers.

Centrum Hout has also established a task force to ensure an immediate expert response to policy and standards changes which are becoming increasingly important in driving demand for different materials.

Mr de Munck said there are signs that these targeted campaigns are having an impact after two years of promotion, with tropical wood imports showing signs of strengthening in the Netherlands, and Centrum Hout regularly receiving calls from engineers and specifiers asking for more advice.

A new action plan covering 2019 and beyond is now being developed, said Mr de Munck, with one aim to link Netherlands promotional activities more closely with similar initiatives in other countries.

Mr de Monke concluded, “while we obviously have to promote sustainable forest management, it’s also important to share experience of best marketing practices, to carefully target communication, and above all to focus on the competition from other materials rather than competition between different wood products”.