STTC considers share of certified tropical wood in European market

The EU's Sustainable Tropical Timber Coalition (STTC) held its annual conference in Paris on 26 September. The conference highlighted the ongoing work to promote tropical timber in Europe by STTC participants and raised questions about the role of targets for procurement of "certified sustainable" that are central to STTC activities.

Over 55 Europe-based organisations are involved in the STTC, grouped in various categories according to their type and level of involvement as Partners, Participants and Supporters. All STTC participants are invited to "draft an Action Plan for activities that will increase market share of sustainably sourced timber from tropical forests".

Currently the STTC's participants range from cities like Madrid, Barcelona and Amsterdam to timber importers, construction companies and large home improvement retailers such as Intergamma, Praxis and Kingfisher.

The underlying idea behind STTC is summarised on the organisations' website: "The alliance of public and private sector and NGO backers behind the STTC is concerned that EU tropical sector's shrinkage could on one hand ultimately deprive specifiers, end users and consumers here of a technically high performance, diverse construction and manufacturing material. Critically, it could also disincentivise tropical suppliers from introducing sustainable forest management".

The focus of the Paris Conference, attended by around 80 representatives of trade, NGOs and government, was on the "use of data to drive market share". The question of market data was interpreted quite narrowly, focusing on the question of how to assess the share of certified and legally verified wood in total EU imports of tropical wood. The share of tropical timber relative to other timber products and commodities was not addressed.

This focus was closely linked to the STTC Roadmap developed through consultation with STTC participants and which built on discussions at the previous 2017 annual conference in Aarhus. At that meeting, the IDH, an organisation supported by the Dutch government to encourage sustainable trade in several commodities, announced extension of its financial support for STTC to 2020.

STTC has established a 2020 target "to increase European sustainably sourced tropical timber sales to 50% above 2013 levels". To monitor progress, the IDH Roadmap supports publication of three annual report (2018, 2019, 2020) that on a European level will "make data available on market share of sustainable tropical timber, per country and per sector".

A key source document to the STTC conference was the STTC report prepared by Probos, a Dutch consultancy, and published in June this year which estimates the "current market share of verified sustainable tropical timber". The key finding of this report was that an estimated 30% of primary tropical timber products placed on the EU market in 2016 met the STTC definition of "verified sustainable".

While the STTC report does not explicitly define "verified sustainable", the measure of "share" is based on best available information on the quantity of FSC and PEFC certified timber placed on the European market relative to uncertified wood. This definition of "sustainable timber" aligns with government procurement policy in the Netherlands and Germany and which has been adopted in trade association codes in several European countries.

The STTC report also comments on the role of FLEGT licensing in relation to certification: "while not necessarily considered evidence of sustainability, FLEGT licensing is widely recognized as an important tool for promoting sustainable forest management. Most stakeholders in the sector would agree that a combination of certified operators and a FLEGT-based legal system provides the best assurance for sustainable forest management".

It then goes on to indicate that STTC participants should give precedence to FSC and PEFC certified products over FLEGT licensed products, observing that "with the arrival of FLEGT timber on the EU market, there is an urgent need for a concerted message to the market to avoid FLEGT-licensed material substituting certified sustainable tropical timber, as this would reduce the overall market impact of both FLEGT and certified sustainable forest management".

The STTC report, based largely on 2016 data, does not include any measure of share of FLEGT licensed timber which only started to arrive in the EU from Indonesia at the very end of that year. However, STTC has indicated that annual reports in subsequent years will also include data on share of FLEGT licensed products.

The ITTO FLEGT Independent Market Monitor (IMM) project, which was well represented at the Paris Conference, is co-operating closely with STTC to ensure that this data is collected and reported alongside the data on certified timber.

The report also makes clear that the 30% estimate of EU certified wood in total tropical imports is only preliminary. The report notes that for the period when the report was prepared, survey data covering a large proportion of importers was only available in a limited number of European countries including Belgium, the Netherlands, Spain and the UK.

According to the report, the estimated share of certified in total tropical imports, including only primary products (logs, sawnwood, veneer, plywood), varied widely between European countries.

A relatively high share is reported for the Netherlands (63%) and the UK (49%), but this falls to 20% in Germany, 12% in both Belgium and France, 5% in Italy and 4% in Spain. There was no data for the other two countries included in the survey, Denmark and Norway.

The challenge of measuring certified timber flows

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 achieving this were recognised at the Conference. Gathering survey data from traders in often fragmented supply chains is expensive and companies are often reluctant to provide information when under no obligation to do so. If anything, efforts to gather this data in Europe are becoming more challenging now that companies' procurement practices are under intense scrutiny by EUTR regulators.

More positively, 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 this data. It was noted that expansion of formalised 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.

Rationale for STTC and ATIBT support for certified tropical timber trade

The rationale for IDH support of STTC, and for measuring the share of certified in tropical supply, was explained in an introductory presentation to the Paris conference by Daan Wensing of IDH. M. Wensing showed a slide with satellite data from central Africa to show that certified forest coincided closely with areas free of deforestation.

M. 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 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”.

M. 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.

M. 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.

M. Hunink also said that each forest concession must have the option to choose the appropriate certification system, whether FSC, PAFC, and PEFC. He also 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”.

LCB cites supply problems in delivery of certified tropical products

At the STTC Conference, 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.

Rather than apply a target for certified imports to the entire LCB 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.

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, some companies cited continuing supply difficulties as a key factor limiting their ability to deliver more certified tropical product.

Joint STTC-PEFC work to promote certified supply in South East Asia

Julia Kozlik of PEFC reported at the STTC Conference on joint work by PEFC and STTC to increase certified forest area and certified product trade flows in South East Asia. This has involved a variety of work to help build certification capacity, provide training, and to establish a support desk in Vietnam, linked to awareness raising activities targeting trade and industry press and events.

M. Kozlik noted that PEFC has already endorsed two national systems in South East Asia – in Malaysia and Indonesia - and that the system in Thailand is expected to be endorsed by PEFC soon. The Thailand PEFC system is particularly innovative as it showcases new procedures for certification of "trees outside forests". Certification hasn't been readily accessible to farmers and small plantation holders in the past, and the new procedures are designed to fill this gap.

M. Kozlik also mentioned on-going steps to extend the area of the PEFC-endorsed MTCS certified forest in Sarawak and Sabah. MTCS certified forest currently covers 34% of total natural forest area in Malaysia, mainly concentrated in Peninsular Malaysia. It was noted that Malaysia already exports around 200,000 m3 of certified tropical timber to Europe every year.

New tropical wood promotion in Europe

During the STTC Conference, Benoit Jobbe-Duval, the General Director of ATIBT, introduced the new website "My Tropical Timber" (https://www.mytropicaltimber.org/en) designed for the European market and which aims to provide ready access to information on tropical timber species availability and technical properties, and to match species to specific applications.

The site, which has a starting budget of €51000 funded jointly by STTC and ATIBT targets business users of tropical timber. It lists 90 species of timber, providing details technical characteristics drawing from CIRAD documentation.

Although still early days in the rollout, the new website is already attracting 4000 visits a month, mainly in France (70%) and Belgium (5%), with most species searches targeting sipo, iroko and sapele. M. Jobbe-Duval invited trade associations in Europe to take control of their own national pages and to maintain the national list of suppliers.

Anand Punja, Director of FSC Europe introduced the "Together We Are FSC" campaign which aims to create greater co-operation throughout the FSC network to promote the certification brand and highlight the contribution that certification can make to achievement of the UN Sustainable Development Goals. M. Punja suggested that a key message is that "tropical timber, Nordic timber, wherever it comes from, if it is FSC it is all the same".

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. He 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.

M. 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 makes clear 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% is certified and the actual proportion may be even lower given uncertainties of measurement.

In the tropical segment of the UK market, according to M. 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.

M. 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.

M. 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”, he concluded.

Positive mood at STTC Conference belies real challenges

Generally, the mood of the STTC conference was positive, with participants displaying considerable enthusiasm for the messages promoted by STTC and the promotional activities of likes of ATIBT and LCB.

This is itself was an achievement given that the conference was held against a background of continuing stasis in Europe’s tropical wood trade, and the well-publicised financial difficulties of Rougier and other European-owned certified operations in tropical African countries.

To some extent the positive mood could be attributed to the strong focus on FSC and PEFC certification which, in the context of the European private sector, is often perceived as an essential pre-requisite for successful long-term market development of tropical wood.

The STTC focus on increased procurement of FSC and PEFC certified timber has played an important role to encourage European distributors, contractors, retailers and NGOs to actively encourage greater use of tropical timber, something rarely contemplated only a decade ago.

On the other hand, the UK TTF intervention emphasising the need for a reality check was timely.

From the perspective of results on the ground in tropical countries, questions need to be raised about the relevance and value of a metric of market “share” that focuses primarily on the proportion of FSC or PEFC certified relative to uncertified tropical products, without also considering the impact on total European imports of tropical timber products.

Is a procurement policy that leads to 100% certified share of tropical timber imports, but is accompanied by, say, a 70% decline in total European imports from the tropics really a “success”?

This is debateable, particularly when it is also considered that under the terms of the EUTR, there must be a negligible risk of any timber product imported into the EU, irrespective of origin or of certification status, being derived from an illegal source.

Another closely related issue is the extent to which there is equitable access to certification in tropical developing countries, or between large and small operators in timber-supplying countries.

Data on the implementation of certification globally (see next section) strongly implies that FSC and PEFC certification tends to favour operators in richer industrialised countries compared to those in developing countries, and that there is a strong bias in favour of larger operators in all regions.

The need for procurement policies that avoid rigid demands for specific forms of certification, that are built on partnerships and co-operation with tropical suppliers, and that reward progress within realistic timescales, remains as strong as ever.

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, despite this being critical to the success and impact of the procurement targets.

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 the majority was 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, an increase in local certification capacity, and more equitable access to certification frameworks, it seems likely that procurement targets focused exclusively on certified wood would 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 the 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.

New thinking on certification

On a more positive note, there is evidence of rising awareness of these threats within the certification movement, and growing recognition that there is a need for new thinking to significantly reduce the costs of certification and enhance the level of access for individual operators.

For example, landscape approaches to certification are gaining attention, partly in response to policy developments such as REDD+ and FLEGT-related due diligence and governance, and partly because of growing corporate-sector interest in deforestation-free procurement.

There is also increasing recognition that approaches at the scale of individual enterprises or management units are often ineffective and inefficient. Landscape approaches seek measurable indicators that are applicable across landscapes and which give an indication of the general progress being made.

An indication that this thinking is becoming more mainstream came from the final presentation at the STTC Conference in Paris. Speaking on behalf of the Alliance for Preservation of Forests, Jean-Manuel Bluet, Head of Sustainable Development at Nestle, France, focused a large part of his presentation on the potential role of landscape-based certification in the tropics.