

Report for AF&PA

**Trade and Environment
Program in Europe**

December 1999 Report

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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Technical Report for December 1999

Comment and Summary

Unlike the previous two months, December was a quiet month for Europe's forest certification debate. No large meetings were held during the month, and European certification experts turned their attention to difficult technical issues such as chain of custody and proportional based claims, and the development of criteria for mutual recognition. However one potentially significant development was the announcement that the UK's state forests have now achieved FSC certification. The WWF were also active in pushing the FSC during December, focusing particularly on the UK market, with a heavily weighted report aimed at the investment community designed to show that FSC certified forests are "more profitable". In the first week of January, WWF announced another publicity coup; "James Bond supports the Forest Stewardship Council".

1 Meetings

No large meetings were held during December. However, the Confederation of European Paper Industries (CEPI) Working Group on Certification met in London to discuss their input into the international debate on mutual recognition of certification schemes. CEPI are now taking forward work begun by the UK Paper Federation and Timber Trade Federation, to develop a comparative database of forest certification schemes (see Technical Consultant's April/May report). Information from the database is to be made freely available to European buyers and end-users so they are better able to compare the relative merits of different forest certification schemes. CEPI also believe the acquisition and analysis of comparative information on the various approaches to certification is a critical first stage in the development of reliable frameworks for mutual recognition. CEPI plan a public launch for the database in February or March this year.

2 Development of certification in Europe

2.1 PEFC looks forward to February meeting

The next significant event in PEFC's Calendar is the General Assembly to be held at the end of February in Luxembourg. The PEFC Board hope to finalise their policy on chain of custody auditing and product labelling at the Assembly. Luxembourg's newly established national certification body should be accepted as a PEFC member at the Assembly, bringing the total number of participating countries to 16. Another unresolved issue for discussion is how to fill the three remaining seats on the PEFC Board for environmental and social representatives. While progress has been made in the search for a labour union candidate, environmental groups are still unwilling to formally acknowledge the PEFC through membership.

At this stage three certification schemes are awaiting endorsement by the PEFC Board: the Norwegian and Finnish national certification schemes; and the LRF Skogsagarna scheme developed by Sweden's non-industrial forest owners. Full copies of these schemes applications for endorsement are now available on the PEFC website at www.pefc.org. The time-scale for endorsement is uncertain. However contacts in Finland are hopeful that their scheme will be endorsed by end March. If PEFC manage to finalise a labelling policy at the February Assembly, the first PEFC labelled products from Finland should be on the market in April 2000.

Informal meetings were held between PEFC and FSC in late 1999 to discuss possible cooperation. Reports suggest little solid progress.

2.2 UK state forests receive FSC certificate

The UK's state forests, which account for 60% of the country's total managed tree cover, have been successfully audited against forestry performance standards developed under the UK Woodland Assurance Scheme (UKWAS). These standards were accepted as equivalent to the FSC's principles and criteria in November 1999. The certification was carried out by SGS, an FSC accredited certifier. The certification implies that the approx 1.5 million tonnes of wood produced annually from the UK's 800,000 hectares of state woodlands may now be marketed under an FSC label. The Worldwide Fund for Nature claim the certification could bring a further six million m³ of FSC-labelled timber products into the UK marketplace. The UK's state forests produce primarily softwoods, with higher grades destined mainly for the domestic construction sector. The relatively high proportion of low-grade material is used for fencing and pallets and to supply manufacturers of paper and panel products.

The United Kingdom remains a notable absentee from the membership of the PEFC scheme. While the private forest owners are keen to join PEFC, a problem has arisen because environmental groups have blocked UKWAS participation. To overcome this problem, the private owners intend to evolve a separate UK certification body to fulfil PEFC requirements. The inaugural meeting of the new body is planned for the end of February. The new body is expected to work closely with the United Kingdom Accreditation Service to develop national level procedures to accredit forest certifiers for PEFC certification in the UK.

2.3 German publicly owned forests pursue FSC certification

Schleswig-Holstein has become the first German state to achieve 100% FSC certification for all state owned land. All 49,466 hectares owned by the state's Ministry for the Environment, Nature and Forests have now achieved FSC certification. Total FSC certified forest area throughout Germany now amounts to over 100,000 hectares. Other significant areas of FSC certified forest are owned by the Municipalities of Hamburg and Freiburg. Only very limited areas of private lands have been FSC certified. Only 29 German timber and paper companies have received FSC chain of custody certificates. Although numbers are limited the companies cover a wide range of sectors including sawmillers; glulam manufacturers; producers and distributors of building components (windows, doors and flooring); manufacturers of furniture; DIY chains and mail order houses.

2.4 French plan to finalise national scheme framework by mid 2000

French trade press reports suggest that French forest owners intend to develop a national forest certification framework to put forward for PEFC endorsement by mid 2000. Furthermore, Eurocertifor, a society of French certification experts, is heavily involved in the development of chain of custody and labelling procedures for French forest products. The Society is looking at ways of rationalising existing trade documentation (including contracts, bills of lading, and customs documents) into a coherent system for certifying chain of custody from forest to final consumer. Amongst other proposals Eurocertifor suggest that a network of independent assessors, distributed throughout France, be established to undertake chain of custody certification work. They also intend to develop protocols for forest products labelling in France through negotiation with timber traders, distributors and consumer associations.

3 Development of certification outside Europe

3.1 Malaysia

Maskayu, the Malaysian timber trade journal, reports on the results of a 4 day national conference held in Kuala Lumpur 18-21 October to formulate the Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I). The conference was the culmination of extensive consultations of interested parties throughout Malaysia with the aim of developing standards for timber certification. The conference was designed to ensure a transparent and participatory process in the formulation of the MC&I. The conference was attended

by 111 participants from 69 organisations representing interests in the timber industry, academia, the development community, government, social and environmental NGOs. Maskayu reports that the conference agreed to adopt the amended MC&I, linked to appropriate benchmarks developed for Sabah, Sarawak and Peninsular Malaysia, for the certification of sustainable forestry in Malaysia. The conference also agreed that a manual should be prepared providing guidance to assessors on the application of the MC&I for certification purposes. This work will be carried out by Malaysia's National Timber Certification Council (NTTC).

In another report, Maskayu notes that NTTC is also preparing a manual for independent assessment of the chain of custody from forest to point of export in Malaysia. The first certification operations against the agreed MC&I are targeted for mid 2000.

3.2 FSC Proportional Based Claims

FSC has issued a draft of a "Revised Policy on Percentage Based Claims" for discussion. The document has been distributed widely to FSC members and non members for comment during December 1999 and January 2000. A final draft of the document is to be discussed at the FSC Board Meeting 8-10 February 2000, for final revision and approval for immediate implementation. The draft document has been posted on the FSC website: <http://www.fscoax.org>.

The proposed policy changes in the document affect mainly paper and panel products. For these products the existing 70% threshold requirement for the volume of FSC certified raw material in an FSC labelled product, will be replaced by lower threshold limits linked to a "truth label". The new label would state clearly the actual percentage content of FSC certified wood. New minimum thresholds have yet to be decided, but the draft policy suggests a minimum FSC-certified content of between 1% and 17% for paper products and between 25% and 51% for panel products. The changed policy reflects intense lobbying by Swedish and UK paper and panel manufacturers who have been unable to meet the existing 70% threshold limit. The policy change is expected to significantly increase the volume of paper and panel products bearing the FSC logo, particularly those supplied to the UK.

4 Market Developments

4.1 WWF launch James Bond poster campaign

The WWF will launch a poster campaign in January 2000 featuring Pierce Brosnan, the actor who plays James Bond, which reads "Words are not enough – buy wood products with the FSC label and help save the world's forests". The distinctive black and white picture of Pierce Brosnan will be posted up by Apex Outdoor Advertising Ltd., which has donated 500 poster sites across the UK to the WWF for the campaign.

4.2 Developing world greener than the developed world?

A forthcoming report on global public opinion towards the environment may offer lessons relating to forest certification markets. On one hand, the report challenges the orthodox view that there is no market for greener products in the developing world. On the other, it suggests that interest in global issues such as deforestation and climate change may be on the wane.

With the help of polling organisations around the world, the Canadian firm Environics International, quizzed nearly 30,000 people in 27 countries, both rich and poor. Their survey suggested that, although concern about global environmental issues is declining, there is an upsurge in concern about local air and water pollution. This is most pronounced in poor countries, where more than half of the respondents believe that their health has been harmed a great deal by pollution, in rich countries the share is only about a fifth. The outrage over local pollution is, according to the report, fuelling "latent activism" among consumers in the developing world. When asked if they were willing to pay a 10% premium for a greener cleaning product, two thirds of respondents in

Venezuela and half those in China, India and Egypt agreed strongly; in Britain, France and Japan, barely a fifth thought it worth while.

5. Environmentalist campaigns

Environmental groups turned their attention to the investment community during December, with a view to ensuring pension funds and other institutions used FSC certification as criteria for investment. At a press conference in London, WWF released two controversial reports which suggested a positive correlation between environmental performance and stock market returns for forest product companies. The first report, which involved the far-from-random selection of case studies to support the WWF view, suggested that FSC-certified Swedish companies achieved a 62% greater investment return than non-FSC certified Finnish companies between 1994 to 1998. The second report focuses on Assi-Doman, Sweden's largest forest owner and the world's largest industry member of FSC, with the aim of demonstrating that FSC certification has contributed to improved economic performance. The timing of the report was perhaps unfortunate for WWF – in the same week as the press conference, Assi Doman announced that operating profits fell by one third in the first nine months of 1999.

Meanwhile Friends of the Earth targetted UK-based insurance companies, Norwich Union and Legal & General, over their investments in the Indonesian paper sector. The campaign revolves around the two companies' investments in UPM-Kymmene, which operates a pulp mill in Riau, Sumatra in a joint venture with Asia Pacific Resources International (APRIL). The Riau pulp mill is the world's largest single-line chemical pulp mill, with a capacity of 750,000 tons a year. There are plans to increase capacity to two million tons per year. APRIL operates two concessions totalling 286,950 hectares. They comprise logged-over rainforest which will eventually be replaced by acacia plantations. Friends of the Earth suggest that *“replacing natural stands with monoculture plantations is one of the greatest current threats to forest ecosystems worldwide and a major cause of social dislocation and local conflict.”*

Greenpeace attention is now heavily focused on “ancient forests” in both tropical and temperate regions. The group has followed up an earlier “Buying Destruction” report, which looked at the activities of multi-national corporations and their alleged role in the destruction of “ancient forests”, with another report entitled “Re-source – Market Alternatives To Ancient Forest Destruction”. The report has been issued to European timber trading companies with a letter threatening to use “sticks as well as carrots “ in order to send “clear messages to the logging industry that business as usual is no longer acceptable”. The new report urges corporate consumers of timber products to: replace ancient forest products; recycle and use recycled products; re-use wood; reduce wood and paper consumption; and re-think wood use.