

Report for AF&PA

**Trade and Environment
Program in Europe**

December 1998 - January 1999 Report

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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Technical Consultant to the AF&PA Trade and Environment Programme in Europe

Technical Report for December 1998/January 1999

Highlights

- The timetable for launch of the Pan European Certification Initiative has been delayed slightly. The scheme is now scheduled to be launched in Paris on 30 June. A stalling point has been differences over the extent of involvement of environmental groups.
- The launch of the UK Woodland Assurance Scheme has been delayed due to wrangling over the technical details of the standard. A March launch date now looks likely. The scheme is now heavily oriented towards FSC.
- FSC certification of Sweden's industrial forest land proceeds rapidly but problems over the chain of custody are pacing constraints on product certification
- Malaysia are promoting their national certification scheme in Europe and have implied that they may seek an accommodation with FSC.
- Franche-Comte looks set to become the first French region certified under the ORR initiative which links ISO14001 with national forest legislation. Certification should be completed during 1999.
- French DIY stores are discussing ISO14001-based certification with forest owners and suppliers of tropical timbers.
- The Keur Hout scheme is making strong in-roads into the Dutch Local Authority market. Assi-Doman may seek Keur Hout endorsement alongside FSC.

1 Meetings

The open meeting of the Pan European Certification Initiative has been rescheduled for 21 April 1999. The next Steering Group Meeting will be held 26/27 March in Spain.

The International Forum on Forests is meeting in Geneva 23/25 February to discuss "Trade Related Aspects of Sustainable Management of all Types of Forest. A representative of AF&PA is to attend (**postponed until April**).

The Technical Consultant met with the US Evaluator during December and with AHEC's European PR network in January.

2 Development of certification in Europe

2.1 Progress in the Pan European Certification Initiative

The Steering Group of the initiative met in Oslo during January. The meeting was attended by Scott Berg as AF&PA representative. A press release issued after the meeting stated that agreement had been reached on a set of common elements and minimum requirements for national initiatives. The scheme is to be purely a private sector initiative with no direct involvement of government. While the scheme focuses on non industrial owners in Europe,

members of the Steering Group have been keen to stress that the initiative is non discriminatory and is open to industry and state forest owners. They also stress their desire to co-operate with and mutually recognise equivalent schemes operating outside Europe. Equivalent schemes would include those that have developed forestry standards in line with other inter-governmental criteria and indicators including Montreal or ITTO.

Private discussions with various contacts involved in the Initiative suggest that significant differences have emerged between Nordic countries and Central European countries over the involvement of environmental groups. Nordic countries are open to the idea of involving environmentalists, whereas Germany, Austria and France are more inclined to exclude them. It now seems that environmentalists, and all other interested parties, will be invited to the open meeting to discuss the initiative planned for 21 April in Germany.

The Finnish forest owners, who have already made considerable strides towards the development of an effective national scheme, also appear to be a little wary of becoming too closely linked with the initiative. They seem concerned that the scheme may become a smokescreen for German and French forest owners determined to carry on "business as usual".

The scheme will involve third party auditing by accredited certifiers. Accreditation will be at national level, although it is recognised that allowances will have to be made for those countries, like Austria, that do not already possess national institutions for accreditation.

While the ultimate aim is to promote a product label, the technical problems associated with monitoring the chain of custody have yet to be addressed.

The original timetable for the scheme has been pushed back. The next Steering Group meeting will now be between 26/27 March. The launch date of the scheme has been set for 30 June 1999.

2.2 FSC express concern over Pan European Initiative

At a recent meeting of an FSC Technical Committee, FSC representatives expressed considerable disquiet over the development of the Pan European Certification Initiative. They were concerned that the new Initiative will act as a further disincentive to non industrial owners to join the FSC scheme. This will add to the problems (see under Sweden below) of FSC labelling in countries heavily dependent on non industrial owners. They note that "the Pan European Scheme allows small owners easy entry into the scheme (far easier than entry to the FSC schemes) and links in with other eco-labels." They express concern that the standards of the European initiative will be lower than the FSC and also note that "the scheme does not currently have environmental NGO support". In response, "the FSC should make maximum effort to encourage all sized woodlands and industry to join the FSC scheme without compromising FSC's high standards of forest management." In making these statements, FSC seems to be lining itself up for a direct confrontation with the Pan European Initiative

2.3 Sweden's problems with per-centage based claims

Announcements of new areas of FSC certified forest in Sweden and new FSC certified Swedish products appear every week. Most recently:

- Assi-Doman's Mara sawmill, with a production capacity of 200,000 m³ of lumber per year is being turned over full time to production of FSC timber. Assi Doman estimated that they produced 100,000 m³ of FSC certified wood in 1998.

- Modo Skog obtained their first FSC certification in mid December. Modo Skog are also seeking ISO14001 certification, a process which should be completed by Spring 1999. Modo has around 1.3 million hectares of property of which 1 million are commercial property.
- In mid January, SCA received FSC certification covering the company's two million hectares of forest land. SCA have already been certified to ISO14001.

Despite all the announcements, the failure of non industrial owners to follow the FSC route is creating severe logistical problems for the production of FSC certified goods. Although Sweden has at least 4.5 million hectares of FSC certified land, there are very few labelled products.

At a recent meeting of an FSC Technical Group to discuss per-centage based claims, Assi Doman stated that they could only produce FSC certified pulp due to:

- their unusually high self supply;
- eliminating timber swapping with other companies (timber swapping is standard practice in Sweden to reduce the costs and negative environmental effects of transport);
- transport of certified pulpwood over long distances;
- an unusual and inefficient practice for loading the pulp machine.

SCA noted that despite their unusually high self supply (around two thirds - one of the highest rates in the world), no single mill has been able to reach the 70% threshold of FSC certified pulp input required for the FSC labelling of paper.

FSC are considering various ways around the problem including:

- elimination of FSC's 70% threshold;
- replace the current chain of custody system based on complete segregation of uncertified and certified material with a % input/output model;
- a "proportional" labelling system.

2.4 Reference to certification in European Forestry Strategy

European Forest Ministers agreed a Resolution on a Forestry Strategy for the EU on 14 December 1998. The strategy sets objectives and lays down parameters. It is light on detail and much depends on the political will within the EU to take it forward. Its immediate significance is that, for the first time, the EU has a political statement, endorsed by Member State governments setting out a framework for EU forestry actions in the future. The main elements of the resolution are:

- improved co-ordination between Member States on forestry issues
- action to promote the environmental benefits of forestry and wood products in general
- agreement that future forestry actions will be in line with international commitments to sustainable forestry
- no extension of Community competence on forestry

The final resolution includes the following statement on certification "*forest certification schemes should be comparable and the performance indicators should be compatible with internationally agreed principles of sustainable forest management principles and furthermore they should comply with conditions regarding the voluntary nature, credibility, transparency, cost efficiency, open access and non discriminatory character with respect to forest types and owners; one essential point in ensuring credibility should be independent audit of forest management.*" The Commission is invited to "*consider the possibility for further action at EU level.*"

2.5 Delay to UK Woodland Assurance Scheme

Due to difficulties of reaching agreement over the technical contents of the Audit Protocol (certification standard), the launch of the UK's Woodland Assurance Scheme has been delayed by several months. The Steering Group for the development of the Protocol is to reconvene in March with a view to hammering out the final text of the Protocol. The scheme should be launched shortly afterwards.

The Forest Industry Council of Great Britain (FICGB) continue to discuss national level accreditation of certifiers as an alternative to FSC certification. However, these discussions seem to be taking a back seat as UK industry goes all out to achieve FSC certification. In private discussions with FICGB, UKAS has apparently expressed reservations over FSC's ability to accredit the numbers of certifiers that will be required to audit the UK forest estate.

In addition to supporting the Woodland Assurance Scheme, the UK's Timber Growers Association (representing non industrial forest owners) are participating in the Pan European Certification Initiative. Despite a country-wide roadshow to promote the Woodland Assurance Scheme, organised by the Forestry Commission and backed by UK industry, attitudes of non industrial owners remain divided. While the scheme has its supporters, other owners continue to question the need for certification and object to links with FSC.

2.6 French region certified to ISO14001

Franche-Comte will be the first French region to be certified under the country's ORR scheme. Certification should be completed before the end of 1999. Under the ORR scheme, France's legislative and institutional framework at regional level is assessed against ISO14001. The aim is to provide an independent assurance that French forest laws, which are designed to deliver forest management in accordance with the Helsinki sustainability criteria, are implemented on the ground.

3 Development of certification outside Europe

3.1 Malaysia launches certification scheme

Malaysia is investing heavily in the development of a national certification scheme to ensure continuing access to environmentally aware European markets. Primary Industries Minister Dr Lim visited the UK in mid January to promote the scheme. A meeting with the trade was arranged which was heavily weighted towards members of the 1995 Plus Group, WWF, and FSC.

Dr Lim's visit to London coincided with the launch of the Malaysian National Timber Certification Council (NTCC). The Council is an independent, non-governmental body monitoring the work of assessors and certifiers in Peninsula Malaysia. NTCC is a private company managed by a board of trustees comprising representatives from the timber industry, government agencies, research and development institutions and non-governmental bodies. It has been launched with a M\$10.6 million grant from the Malaysian government.

The NTCC will build on the work of a variety of state committees and the Malaysia-Netherlands Joint Working Group which has been developing a pilot certification program. Under the pilot scheme forest management in three Malaysian states (Pahang, Selangor, Terengganu) has been audited by SGS against the "*Malaysian Criteria, Indicators, Activities and Management Specifications for Forest Management Certification*" or MC&I. The MC&I were developed by a government committee to be compatible with ITTO's Criteria and Indicators for sustainable forest management. Sawn timber, plywood and mouldings from the 3 states were subject to a chain of custody audit by SGS in Malaysia and then marketed through the Keur Hout program in Holland.

Efforts are being made to expand the certification scheme to the remaining states of Peninsular Malaysia. NTCC will manage the scheme, while the Department of Standards Malaysia may also be involved to further develop the MC&I. These may be redrafted in the form of an official Malaysian standard. Local certifiers may be accredited by the Malaysian Standards and Accreditation Council.

At the seminar, Dr Lim said he was optimistic that 100% of Peninsular Malaysia's forest area would be certified by 2000. The target was driven more by the nation's desire to achieve sustainability on the ground than by the strength of market demand for certification.

The 1995 Plus Group contingent at the seminar suggested that the Malaysian scheme should converge with the Forest Stewardship Council. Dr Lim strongly implied that Malaysia may enter into dialogue with FSC with a view to reaching some form of accommodation.

3.2 Auction of Malaysian FSC logs

Innoprise Market Newscan reports on the results of recent auctions of logs from the 55,000 hectare Deramakot Forest Reserve in Sabah. The auctions suggest that, in some instances at least, producers can obtain a substantial premium for certified products.

The Reserve is the site of Sabah's first major involvement in sustainable forest management under the Malaysian-German Sustainable Forest Management Project. Under the Project timber is extracted using Reduced Impact Logging techniques according to strict environmental standards. The area, which produces 20,000 m³ of logs per year, was FSC certified in July 1997.

Logs are sold through auctions to maximise returns. Average prices for logs sold at these auctions have doubled since the FSC certificate was issued. Although the bidding price for some species is still low compared to prices paid in Peninsular Malaysia, auctions of FSC certified logs have provided record prices by Sabah standards. Most of the logs are subsequently sold as FSC certified wooden furniture, cabinets, door frames and laminated scantlings for windows. Most of the logs are converted into value added products in Sabah, although some logs are shipped for production of FSC certified garden furniture in Vietnam. The finished products are primarily destined for European markets.

3.3 Canada

A report from the newsletter Business in Vancouver suggests that B.C. Woodlot Associations have rejected the FSC standard for certification in favour of the Canadian Standards Association. Representatives of the Association claim that the FSC process is too expensive compared to the CSA. Another factor was the recent announcement in Der Speigal that it does not recognise the FSC as the exclusive certifier of environmentally friendly wood and fibre products. Another Business in Vancouver report suggests that Tembec, the Ontario forest products company not only failed to retrieve a premium for its certified hardwood products, but had trouble finding any buyers at all.

3.4 Indonesia

67,000 hectares of the Perum Perhutani teak plantations on the island of Java were certified against FSC Principles and Criteria by Smartwood in October 1998.

4 Market Developments

4.1 French DIY stores in discussions over ISO14001 certification

In France, moves to encourage retailers and other timber traders to accept ISO14001 seem to be gaining momentum. The country's timber trade association, FFBTA, reported recently

that the big distributors of tropical wood in France (Lapeyre, Pinault, and Point P) and the big leaders of the DIY sector (Castorama, Leroy, Merlin and Bricomarche) have met twice to discuss a common policy on the provision of consumer information on tropical forestry. They have now formed a working group looking at the implementation of ISO14001. Contacts at the French forest owners association confirm that they have also held discussions with French DIY stores. They are "confident" that French retailers will recognise certification through the Pan European Initiative.

No WWF Buyers Group has yet materialised in France, despite a pledge from Les Trois Suisse, one of the country's largest mail order houses, to become a founder member. The French retailers apparent decision to remain outside WWF Buyers Groups will have been influenced by the French forest sector's firm opposition to FSC. Castorama's involvement in the discussions over ISO14001 is particularly interesting. Castorama recently merged with B&Q, the principal commercial advocates of FSC certification in the UK.

4.2 Netherlands

The Keur Hout scheme is demonstrating that Dutch Local Authorities and Municipalities are willing to accept certificates irrespective of FSC endorsement. Under the Keur Hout scheme, wood is certified under a variety of national and other schemes and then marketed in Holland using a single "Hallmark". To gain recognition under the Keur Hout scheme, forest management certificates must meet the "Dutch Minimum Requirements For Voluntary Labelling of Certified Timber and Timber Products".

So far only 2 full Keur Hout Hallmarks have been issued for products from FSC certified forests in the Solomon Islands and Brazil (Precious Wood). However, significant quantities of wood from Malaysia have also been marketed under a Keur Hout "declaration". The declaration was issued to 3 Malaysian states following an audit of forest management practices by SGS. The 3 states achieved only partial compliance with the certification standards, but made a commitment to full compliance by the year 2000.

By end December 1998, 15,452 m³ of certified Malaysian wood had been shipped to Holland under the joint Dutch-Malaysian pilot programme. Under the pilot scheme, 29 Malaysian companies and 30 Dutch companies have been involved in chain of custody audits.

Reports from Keur Hout suggest that demand for certified products in Holland is relatively low compared with overall wood consumption. However current levels of certified supply are insufficient to meet demand. The Joint Malaysia-Netherlands pilot study also showed that the "declaration" provided by SGS was adequate to reassure Dutch Local Authorities and Municipalities. There was little enthusiasm from most buyers to pay a green premium. However in certain niche markets a substantial premium could be achieved.

Assi Doman are considering applying for registration under Keur Hout in addition to FSC.

The Dutch private sector is operating a pilot project to audit the chain of custody of Ghanaian timber certified under the country's national certification initiative (which is closely linked to ISO14001). It is expected that the Ghanaian scheme will seek registration under Keur Hout following completion of the pilot project.

5. Environmentalist campaigns

No new campaigns to report.

R. Oliver 4/2/98