

Report for AF&PA

**Trade and Environment
Program in Europe**

June 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 June 1999

Highlights

1 Meetings

The Technical Consultant attended the AF&PA SFI Annual Summer Conference in Madison, Wisconsin.

2 Development of certification in Europe

2.1 United Kingdom Woodland Assurance Scheme

Tilhill Economic Forestry (TEF), the UK's largest private forestry consultancy, has developed a scheme designed to allow rapid and cost-effective uptake of the recently launched UK Woodland Assurance Scheme (UKWAS) by small-scale private non-industrial owners. Audit and certification to the UKWAS standard will be available through TEF's Group Certification Scheme to any woodland owners meeting the required standard of the scheme at no cost for owners of less than 100 hectares, and a flat fee of £200 or £500 per annum (over 5 years) for owners with woodlands of 101-200 hectares and 201 hectares upwards respectively. TEF claim there are "no management, timber marketing or other ties associated with this offer which TEF proposes to develop and fully implement over the coming 6 months." According to TEF "at a stroke UKWAS has been made accessible to all – subject only to demonstrable compliance with the standard".

TEF's core business is to manage forests on behalf of private investors, notably pension funds, to ensure maximum returns for their investment. TEF also offer a wide range of consultancy services to private owners. TEF say they are offering the certification service to their clients as they believe certification is critical to ensure continuing market access for forest products in the UK. The initiative should also help TEF's parent company, Shotton Paper, to obtain sufficient throughput of certified material for FSC labelling of their products. Shotton Paper is the UK's largest newsprint producer and one of the country's largest private woodland owners. In addition to sourcing from their own forests, Shotton derive large quantities of raw material from small non industrial owners.

TEF are acting as managers of the group scheme and are hoping to acquire "Group Manager Status" as defined by FSC. TEF has 20 offices throughout the UK and is well placed to monitor small forest owners' operations throughout the country. They will certify forests to the UKWAS certification standard. TEF will, in turn, be assessed by an FSC-accredited certifier (probably SGS). TEF Managing Director notes that they will also seek recognition for their group scheme under PEFC "if this becomes widely accepted in the European market".

Shotton are owned by UPM-Kymmene Group, the Finnish-based forestry corporation. UPM are strong backers of PEFC.

While participating in UKWAS, the UK's private sector represented by Timber Growers Association (TGA), have expressed reservations over the likely cost implications of UKWAS to smaller woodland owners. However, TGA has reacted positively to the TEF initiative,

noting that “the Group scheme and terms proposed by TEF appear to address some of our substantial outstanding concerns”.

2.2 Pan European Certification Initiative

The Pan European Forest Certification Initiative (PEFC), a framework for the mutual recognition of national forest certification schemes in Europe, was officially launched in Paris on 30 June. In his opening address during the launch of the scheme, Henri Plauche Gillon, the PEFC’s first Chairman gave a strong indication of PEFC’s willingness to link with other certification schemes noting that “In time, the PEFC will consider non-PEFC forest certification schemes with a view of facilitating mutual recognition.” He also noted that “current estimates indicate that over 10 million hectares may be certified and will have access to the PEFC logo by early next year. This figure could well double by this time next year.”

Although the scheme has been launched publicly, there is still much work to do. Although organisations from 17 countries have so far participated in PEFC, only 11 of these have formally established National PEFC Governing Bodies. These countries are: Austria, Belgium, Czech Republic, France, Finland, Ireland, Norway, Portugal, Spain, Sweden and Switzerland. The following countries have participated but not yet established PEFC Governing Bodies: Denmark, Germany, Great Britain, Latvia, Luxembourg, and Slovenia.

A set of PEFC Statutes and a Technical Document setting out requirements for national certification schemes have been approved (now available on the PEFC website at www.pefc.org). So far no process has been established for the PEFC Board to assess countries’ conformance with the Statutes or Technical Document. Procedures for chain of custody monitoring and labelling and for group and regional certification have yet to be agreed.

2.3 Finland

The 10th edition of the Finnish Forest Certification Newsletter was issued during June. The newsletter notes that the Finnish Forest Certification Scheme (FFCS) is expected to be among the first countries to seek endorsement for her certified forests under the Pan European Forest Certification Initiative, and that discussions are also foreseen between stakeholders on the compatibility of the FFCS with FSC. The Finns believe that “both labels will be acceptable to the market.”

The first formal applications for forest certification under the FFCS are being submitted during the period June to August. The first external audits are expected during the period August to October. Seven Finnish forest regions, with a total of 12 million hectares of forest (about 60% of Finland’s forest land), are at various stages of progression towards certification. Regional certification groups have been established, data collection according to Finland’s national certification criteria and auditing guidelines has started, and internal audits by the involved organisations are currently under way.

Forestry organisations in other regions have also been active in seeking for information on certification procedures and updating their management systems to meet the certification criteria on the ground.

2.4 WWF/Trade Union Agreement

The International Federation of Building and Wood Workers (IFBWW) and WWF have agreed to collaborate on a range of forestry issues, notably forest certification. IFBWW claims to represent over 10 million workers in the construction, woodworking and forest

industries in 121 countries around the world. The press release issued to announce the collaboration notes that *“one of the first items the two organisations will collaborate on will be a set of guidelines covering eco-labelling. The guidelines will allow both organisations to evaluate those eco-labelling schemes that best address the environmental and social concerns relating to the growing demands for forest products. Included in these guidelines is a requirement that all timber and non timber forest products originate from certified, well managed forests, which consider the ecological, economic, social aspects of management”*. The trade union’s motive for signing the agreement, which gives priority to FSC certification, is to emphasise the importance of “forest owners investing in vocational training and providing workers with stable, long term jobs”. The press release comments that IFBWW and WWF are doubtful that PEFC will “comply with their expectations”.

3 Development of certification outside Europe

3.1 Forest Stewardship Council

General Assembly

The FSC General Assembly was held on 24 - 25 June, along with seven days of associated workshops and discussions. 180 people from 40 countries participated, including numerous observers. Nearly fifty motions were proposed to the General Assembly, and twenty six motions were approved. By most accounts, considerable efforts were made to avoid any controversial debate, with careful preparation prior to the meeting to ensure the meeting passed smoothly. Preliminary reports suggest that FSC moved to address some of the issues which have been a particular source of criticism in the past. Discussion included:

- a debate over the pros and cons of involving public bodies in the FSC. To date, membership of FSC has not been open to government authorities.
- consideration of accreditation procedures. FSC has been criticised for failing to follow international norms and guidelines in the development of its accreditation and certification procedures. There was agreement that FSC should compare existing FSC procedures against requirements set out in international norms such as ISO Guides 60 and 61.
- consideration of criteria for %-based labelling. Certain producers, notably Assi-Doman, have objected to the 70% threshold requirement of certified raw material to allow FSC labelling of products. This requirement is difficult to achieve where producers derive a large proportion of their raw material from small-scale non-industrial private owners. FSC are apparently moving towards a more “pragmatic” solution, which may involve lowering the threshold limit or the use of labels identifying the percentage of certified wood.
- there was general agreement that FSC should develop criteria for mutual recognition of non-FSC schemes. This would put onto a more formal basis recent initiatives involving co-operation between FSC and national certification bodies in the United Kingdom, Malaysia and Indonesia.

The Minutes are currently being prepared, with the full text of all motions proposed, which will be publicly available. The next FSC Board meeting will be held in Vancouver on 16 - 18 October.

FSC Critique

Two critiques of the Forest Stewardship Council have been issued by disaffected members of the organisation. Dr Julio Centeno, a founder member of the FSC and former board member, wrote a scathing critique in his letter of resignation from FSC. He objects

particularly to FSC's increasing domination by a limited range of commercial interests in the developed world. He believes that FSC is failing in its original mandate, to improve market access for small community forestry in the tropics. Centeno also points to a number of cases of "mismanagement" by FSC which he believes demonstrate the organisation is "dangerously unreliable, and unworthy of the public trust". These include:

- the *Flor y Fauna* case, in which FSC certifiers are alleged to have supported misleading publicity claims of the financial returns that would accrue to Dutch investors in Costa Rican plantations.
- the Rostock case in Germany, which "involved the smuggling of uncertified timber in shipments of reportedly certified material, by an FSC certified operation, with the explicitly recognized knowledge of the certifier involved."
- the Tchibo case, also in Germany, where "a false certificate was used to deceive the public".

Another lengthy critique has been prepared by Simon Counsell of the Rainforest Foundation. Simon Counsell has, in the past, been a very effective environmental campaigner for Friends of the Earth in the UK. Counsell's decision to make public a detailed critique of the organisation is particularly significant given that he was a firm advocate for FSC certification in its early days. The report seems to reflect a mood of growing disillusionment in FSC within a section of the environmentalist community. Some of his criticisms concern participation in the FSC, where he believes that "*key stakeholder groups, particularly indigenous people and other 'social' interests, are seriously under-represented.*" He suggests that "*important non-members groups, such as donors and certifiers, are now acting as stakeholders in the organisation*". A large part of the problem, he suggests, derives from FSC's over-emphasis of a "rapid growth vision" which "*sets aside important considerations, such as the viability of multi-stakeholder processes*".

Other criticisms identified by Counsell relate to the technical competence of certifiers and transparency of FSC operations. For example, he suggests that "*there appear to be major inconsistencies in the interpretation of the FSC's requirements on the part of the various certifiers*" and that "*certification assessments have sometimes been poorly carried out. The assessment capability of some of the certifiers has, on occasion, not been sufficient for the task, with crucial information being overlooked or disregarded, resulting in certificates being awarded to logging operations that quickly ran into trouble.*"

3.2 Canada

The Canadian Sustainable Forestry Coalition claims that "60% of Canada's managed forest land is slated for certification by 2003. A recent survey by the Coalition indicates that over 30 companies with 42 operations across Canada plan to certify 72 million hectares under their management within 4 years. The survey conducted in January 1999 also reveals that:

- around 5 million hectares are expected to be certified during 1999, 48 million hectares by 2001, and a total of 72 million hectares by the end of 2003
- this 72 million hectares represents an annual allowable cut of approximately 90 million m³ derived from forests across every region of Canada
- the wood originating from this forest area is used to produce around 15 million tonnes of pulp and paper, 30 million m³ of lumber, and 4 million m³ of wood based panels

- Many surveyed companies are planning on being certified to more than one certification standard
- the vast majority of the area (69 million hectares) will be certified to the ISO14001 Standard
- some 8 million hectares are expected to be certified directly to the CAN/CSA Z809 SFM standard
- about 8 million hectares are expected to be certified under the Forest Stewardship Council.

3.3 International Tropical Timber Organisation

Timber certification featured during the market discussions at the ITTO Meeting in Chang Mai on 31 May. Michael James, the UK trade delegate to the discussions, amongst others, argued that ITTO should consider undertaking work on the mutual recognition of national certification schemes in tropical countries. In his report to the UK trade, Michael James notes that *“although this suggestion attracted support, it was eventually watered down to a request that ITTO should collate the existing information available and so advise the members. ITTO is extremely sensitive about adopting proposals that would possibly lead to unfavourable comparisons being drawn between Member Countries”*.

3.4 Eastern Europe

A new study focusing on the development of forest certification schemes and explaining the perspectives of various stakeholders has been issued by the UN/ECE Timber Committee and FAO European Forestry Commission. The study, entitled **“The status of forest certification in the ECE region”**, has been prepared by Dr. Eric Hansen of Oregon State University and Dr. Heikki Juslin of the University of Helsinki. It is part of a continuing effort by the UN/ECE and FAO to monitor trends in markets for certified forest products. Contact: Ed Pepke, Trade Division, UN-ECE and FAO, Palais des Nations, CH-1211, Geneva 10, Switzerland. Tel: +41 22 917 2872 Fax: +41 22 917 0041

4 Market Developments

4.1 United Kingdom

A delegation of Central African forestry officials visited the UK in June to meet with members of the WWF Buyers' Group and other UK timber traders. The meeting was arranged by WWF Belgium as part of their EU-sponsored project to develop forest certification capacity in Cameroon, Gabon and the Central African Republic. The meeting highlighted the growing strength of demand for FSC certification in the UK and provided an insight into the expectations of European retailers in relation to their timber suppliers in the developing world. It also demonstrated the scale of the challenge facing African suppliers in meeting European retailers expectations for certification. For example, the Chairman of the Cameroon certification working group suggested during the meeting that “ten years is a realistic timescale for wide-spread adoption of certification”. A note of the meeting is attached.

4.2 The Netherlands

The Technical Consultant consulted Kees Bosdijk, Managing Director of Keurhout in Holland, for his views on market demand for certified timber in Holland. Keurhout is the Dutch government-backed scheme which markets timber products certified through a variety of credible national forest certification programs under single label in Holland. The following is a summary of his comments:

- DIY retailers, local municipalities, construction companies and architects are all demanding certified timber to varying degrees. However, there is little or no demand from furniture retailers. Most demand relates to tropical rather than temperate timber.
- Those that are demanding certified wood now usually contract for either “FSC or Keurhout” certified supplies. Buyers now see Keurhout as a valid alternative to FSC following government advice and/or problems of FSC supply. There is now strong demand for the Keurhout Hallmark because it is available “in fact rather than in theory (unlike the FSC)”.
- On the question of whether alternatives, including SFI or PEFC, would be acceptable in the Dutch market, Mr Bosdijk notes that “linkage to Keurhout or FSC seems to be essential. Alternatives would have to be tried out, but would be fiercely opposed by ENGOs”.
- Almost all Keurhout buyers have paid a premium. “Declaration timber”, supplied under a pilot forest audit scheme in Malaysia, has commanded a premium of 5-15%. However, premiums depend heavily on the buyer. In the Netherlands, many buyers are municipalities paying out of the public purse.
- There is very little interest in forestry issues or certification from the Dutch public.
- On the future of the Dutch certification market; much depends on the development of supply and selling attitude of the shippers. Peninsular Malaysia will probably be certified against the full Keurhout criteria by 2000. Indonesia, Ghana and Brazil might then follow. However, the large Nordic suppliers are likely to have a more significant impact. The big Swedish companies either have, or will soon obtain, the Keurhout hallmark. Finland is working towards Keurhout registration in phases. A pilot shipment from one Finnish small forest owner recently received the Keurhout hallmark. The 14 forest districts of Finland are likely to receive group certification before the end of the year and will also obtain the Keurhout trademark.

4.3 Germany

The Technical Consultant consulted Peter Sauerwein, of BD-Holz (the German Timber Importers Federation), for his views on market demand for certified timber in Germany. His response is as follows:

“The discussion on certification in Germany is certainly extremely complicated, perhaps the following will clarify the situation.

According to surveys among our association members, there is hardly any demand at all for certified wood from the clientele of the timber trade, neither in retail nor in wholesale. Only in some very specialised market segments (for example, wood for window frames required by public bodies and councils) is FSC wood specified. This is particularly the case in towns which are taking part in the "climate alliance" of the green parties or where FSC certification is required as part of tender regulations involving the application of tropical timber.

The supply of FSC timber to the German market currently accounts for less than 0.1 % of total timber requirements. Some green groups have used the media to try to increase the demand for certified wood. This has resulted in the consumer becoming more and more uncertain. It has also led to consumer protection agencies actually recommending alternative materials, such as steel and plastic, in preference to wood.

The timber trade is happy to take over the function of establishing a balance between supply and demand for certified wood, but these current campaigns are irresponsible as long as FSC certified goods are not available in the desired quantities.

I am also familiar with the WWF study which, in my opinion, contains several critical shortcomings and does not sufficiently take into account the end consumers, the joiners or handymen.*

As far as the timber trade is concerned only very few companies take part in Gruppe 98 - from the approx. 2.000 timber traders in Germany, less 0.5% are involved."

*The WWF study was referred to in the Technical Consultant's March report. WWF claim to have undertaken research showing widespread demand for FSC certified wood in Germany.

5. Environmentalist campaigns

5.1 World Trade Organisation

A coalition of environmental groups launched a campaign during June to derail WTO plans to further liberalise wood product tariffs. The environmental groups claim that the increase in wood products trade that would result from decreased tariffs will lead to increased logging and environmental degradation. The coalition is gearing up for intense lobbying and a series of protests before and during the WTO meetings in Seattle this November. They suggest that "with such diversity and depth of experience, we are confident of ending WTO measures that will increase consumption of forest products without any regard for the well-being of the environment." The coalition claims that "environmental protection and human rights need to take priority over trade laws."

The coalition includes A SEED and the World Forest Movement from the United Kingdom; Bureau for Regional Public Campaigning from Russia/Siberia; Citizens Committee of Puerto Montt and Otway Foundation in Chile; Institute for Socio-Economic Analysis in Brazil; GATT Watchdog from New Zealand; Raincoast Conservation Society and Valhalla Wilderness Society from Canada; Tropical Forest Kyoto from Japan; Forum on the Environment from Indonesia; and American Lands Alliance, Earth Justice Law Center, Friends of the Earth, International Forum on Globalization, Pacific Environment and Resources Center, Rainforest Action Network and Sierra Club from the United States.

5.2 Greenpeace target tropics

Greenpeace have recently announced that their "new global priority" will be the Amazon. According to their latest press statement; "Greenpeace will first concentrate on destructive logging activities in the Brazilian Amazon". Greenpeace identify the logging industry as "the main threat to ancient forests all over the world." This claim is apparently backed by their own research in a new report "Facing Destruction: A Greenpeace Briefing on the timber industry in the Brazilian Amazon." Greenpeace say that since 1970, an area the size of France has been deforested in the Amazon. This, Greenpeace imply, is entirely due to logging for timber, which "provides access for other forms of destructive forest use such as cattle ranching or soya plantations". Nevertheless, Greenpeace acknowledge a continued role for logging in the Amazon, although this should "only be allowed on specified areas in accordance with strict ecological and social criteria, through certified operations". The campaign has an annual direct budget of US\$2.5 million plus fundraising from Greenpeace's 33 offices worldwide.

Greenpeace have simultaneously launched a campaign targeting Cameroon. In May, 20 Greenpeace activists chained themselves to logs from Cameroon entering the port of

Antwerp in Belgium. The message on their banners was blunt; "don't buy rainforest destruction".

5.3 Japan's environmentalists

Environmentalists in Japan are becoming more belligerent over the size of the countries timber products import. Friends of the Earth Japan have launched a campaign targeted at Japan's so-called "scrap and build housing policy" which, they claim, "has led to the clearcutting of forests worldwide". The campaign will try to convince Japanese consumers of the value of "long-lasting houses made of domestically produced timber". The environmental group is seeking to link Japan's existing house building practices with the destruction of "old growth" in tropical regions and Siberia. FoE say they are "particularly concerned about Japanese consumption of Siberian timber. Russia is now Japan's largest source of raw logs, with imports in 1998 reaching five million cubic metres. Over 80 percent of imported Russian timber is used in housing construction."

FoE-Japan has teamed up with OM Solar Association, a group of architects who specialise in production of durable, solar-powered houses that use domestic timber and alternative building materials. The first year of the campaign will focus on preparing a booklet highlighting the environmental benefits of "eco-housing". The campaign will work closely with the media, particularly television, to reach a wide public audience.

The campaign also has a strong protectionist slant. FoE say they will "take on the issue of reduction of tariffs on wood products now being discussed in the World Trade Organization and APEC". Environmentalists claim that the reduction of wood tariffs will make Japan's domestic timber industry less able to compete with timber imports, leading to an increase in Japan's "consumption of the world's diminishing forest resources".

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