

Report for AF&PA

Trade and Environment Program in Europe

June 2001 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 2001

Highlights

- SFI, American Tree Farm System and CSA are all elected members of the PEFC, an important step towards the evolution of a truly international mutual recognition framework for forest certification.
- The area of PEFC certified forest now exceeds 36 million hectares.
- Three more national certification schemes – Spain, Portugal and the UK – are put forward for PEFC endorsement.
- FSC certified area expands by 3.4 million hectares from 20.7 million hectares to 24.1 million during the first half of 2001. The biggest gains are in Poland and Ireland.
- The FSC Executive Director, Dr. Maharaj Muthoo, resigns
- The Romanian government commits to FSC
- The United Nations Forum on Forests meets for the first time and agrees a work plan
- A preliminary draft of the UN/ECE Timber Committee chapter on forest certification is released
- Some environmentalists are showing distinct signs of disenchantment with forest certification

1 Meetings

1.1 Recent meetings

1.1.1 SFI, American Tree Farm System and CSA join PEFC

In a groundbreaking decision to extend participation in PEFC beyond Europe, members of the PEFC Council unanimously agreed to accept as full members the Sustainable Forestry Initiative (SFI), the American Tree Farm System (ATFS), and the Canadian Standards Association (CSA). For US wood exporters, this was undoubtedly the most significant outcome of the 5th General Assembly of the PEFC Council held on 19th June in Santiago de Compostella, Spain. It paves the way towards fairly rapid mutual recognition between PEFC and North American certification schemes. It is also a major step towards the development of an international system for mutual recognition of credible forest certification schemes in all areas of the world.

Other decisions taken at the General Assembly included:

- The endorsement of the Czech national forest scheme as complying with the requirements of the PEFC Council.
- The admission of another European national forest certification scheme, PEFC Italy, as a full member of the PEFC Council
- The appointment of Mr Al Fry, a consultant in Environmental and Sustainable Development Issues working with the World Business Council for Sustainable Development (Geneva) to act as an advisor to the PEFC Board on business issues. He joins Alan Knight of B&Q who is already advising on retail issues.

Three further national schemes in Spain, Portugal and the UK, were also submitted for assessment against the requirements of the PEFC Council during the General Assembly. These schemes join the French, Latvian, Belgian and Swiss schemes which are currently undergoing the PEFC assessment process.

1.1.2 United Nations Forum on Forests (UNFF) First Session, New York 11-22 June.

Reports issued by the UN indicate that the first session of the UNFF focused mainly on procedural issues to develop a "Multi -Year Programme of Work" (MYPOW) and a Plan of Action. Difficult negotiations were undertaken to arrange the UNFF's future work in relation to issues of finance; transfer of environmentally sound technologies; monitoring assessment and reporting; trade; and a possible legal framework on all types of forests. However all governments agreed that the UNFF is politically significant and that it should provide the primary intergovernmental forum to deliberate international forest policy and to advance sustainable forest management in an international context.

One potentially important outcome was UNFF's formal recognition of the Collaborative Partnership on Forests (CPF), and the development of guidelines for its work. The CPF will be kept to a limited membership, consisting of organizations that have the capacity to effectively facilitate and support UN proposals for future action on forests. Founder members of CPF are: the Secretariat of the Convention on Biological Diversity (CBD); Center for International Forestry Research (CIFOR); Department of Economic and Social Affairs of the United Nations Secretariat (DESA); Food and Agriculture Organization of the United Nations (FAO); International Tropical Timber Organization (ITTO); United Nations Development Programme (UNDP); United Nations Environment Programme (UNEP); and the World Bank. The CPF will develop a work plan as well as success criteria to review the effectiveness of its work.

UNFF 2 will be held on 4 - 15 March 2002, in San José, Costa Rica. For the first time in the IPF/IFF/UNFF process, the session will include a high-level segment with ministers and executive heads of the CPF member organizations. It will also include a one-day multi-stakeholder dialogue that provides, in addition to regular participation of non-governmental organizations to the UNFF work, a special opportunity for inputs from different forest-related stakeholders to the UNFF process.

UNFF's MYPOW provides the elements for deliberation at each of the UNFF sessions. At UNFF 2, the focus will be on: combating deforestation and forest degradation; forest conservation and protection of unique types of forests and fragile ecosystems; rehabilitation and conservation strategies for countries with low forest cover; rehabilitation and restoration of degraded lands; promotion of natural and planted forests; and concepts, terminology and definitions.

1.1.3 TRADA Certification Seminar, London, 3 July

The seminar organised by the UK's Timber Research and Development Association (TRADA), which also operates as an FSC chain of custody certifier, focused on the marketing benefits of forest certification. It included presentations by TRADA representatives and by a timber buyer at B&Q. Most of the presentations aimed to promote the business benefits of FSC certification. However there was also some commentary on the links between FSC and competing schemes, notably PEFC. In particular, Alisdair McGregor, Timber Certification Manager at TRADA called for greater efforts towards mutual recognition between FSC and PEFC. He noted:

"currently we are in the middle of a phoney war between FSC and PEFC who, from an outsiders point of view appear to be arguing about the same thing. Mutual recognition of each other's schemes will move the process onto a new level and perhaps provide an opportunity to combine the growing strength of the FSC logo for development as a world brand, with the pragmatic PEFC approach to the drier issues of accreditation and certification. Without this cooperation, the process will start to slow down and that would be very bad indeed for the timber industry and the environmental movement".

1.2 Future Meetings

European Forest Institute (EFI) and European Commission Environment Directorate, 6-7 September, Environment DG office, Brussels, “Forest Certification: Forging Novel Incentives for the Environment and Sustainable Forest Management”. – according to the background information, *“the EC wants to further examine the scope and options for using forest certification and possible validation or endorsement of certification schemes as an effective and efficient policy tool for promoting globally sustainable forest management – the meeting will contribute to the on-going international process on exploring mutual recognition”.* To include presentations by WTO, IFIR, CEPI, WWF, UK Forestry Commission, and EFI.

Nordic Certification Meeting, Taiga Rescue Network, September 12-14, Helsinki - brings together NGOs working on certification issues from at least seven countries: Norway, Sweden, Finland, Estonia, Lithuania, Latvia, and Russia. On the preliminary agenda: quality versus quantity, FSC vs. PEFC, FSC Principle 9 on High Conservation Value Forests, revision of the Swedish FSC Standard, National vs. Regional standards. Participation is by invitation only and will include NGOs, scientists, and representatives of FSC and certification bodies.

The International Technical Association for Tropical Wood (ATIBT), 50th Anniversary Forum, 4-5 October, FAO Headquarters, Rome – will be looking at current issues affecting the management of tropical forests and marketing of tropical timber, including forest certification, illegal logging, and financing sustainable tropical forestry.

2 Forest certification developments

2.1 Pan European Forest Certification Scheme (PEFC)

2.1.1 PEFC certified forest area

The area of PEFC certified forest now exceeds 36 million hectares, having increased by around 1.8 million hectares since March 2001 due to further certifications in Germany and Norway.

PEFC Endorsed Scheme	Forest area certified (millions has)
Austrian Forest Certification Scheme	0.55
Czech Forest Certification Scheme	0
Finnish Forest Certification Scheme	21.90
German Forest Certification Scheme	4.24
Norwegian Living Forest	8.40
Swedish Forest Certification Scheme	1.33
TOTAL	36.42

2.1.2 PEFC Austria

At present only one region of Austria covering 550,000 hectares of forest, has been certified under PEFC. However 3 more regions are undergoing assessment over the summer months. PEFC Austria reports that it expects the major part of Austrian forests to be certified by the end of 2001. The first Austrian PEFC chain of custody certificates should also be issued during the summer.

2.1.3 PEFC Germany

4,328,537 hectares have been certified according to PEFC in Germany. At present, 863 community forests, 684 private forests and 262 forestry associations with more than 100,000 members are participating in PEFC Germany.

The most recent certification was issued in mid May for state forests in the region of Brandenburg covering 249,000 hectares. Audits for PEFC certification of two further regions, North Rhine-Westphalia and Saxony, are currently underway. The state forests in North Rhine-Westphalia are now seeking both FSC and PEFC certification.

In Mecklenburg-Vorpommern – one of the last regions of Germany where no PEFC process has yet begun – the ministry for agriculture plans to initiate another model project to compare the application of FSC and PEFC standards in the region. The project will involve a cost-benefit analysis of certification under both schemes.

Environmental groups have been heavily critical of PEFC Germany over recent months. As a way of diffusing the criticism, PEFC Germany invited ENGOs to witness the audit process in a forest department in Rhineland-Palatinate. However no ENGO accepted the invitation.

2.1.4 PEFC Italy

"PEFC Italia" was founded on 4th April 2001 by Federforeste (the forest owners' and managers' association) in the regions of Friuli-Venezia-Giulia, Veneto, Lombardia, and Valle d'Aosta, and in the autonomous Provinces of Trento and Bolzano. The national association of Agronomists and Foresters were also founder members. Other national members have since joined including the "Consulta Nazionale per le foreste ed il legno" (national consulting board for forests and wood); several agricultural associations; the National Federation for Wood Resources and Agroforestry; and Federlegno-Arredo (the wood processing and furnishing industries association).

PEFC-Italy is still in the very early stages of development. It's first task is to enlarge membership, through promotional meetings at national and local level. A General Meeting is fixed for September. A working group, for the revision of the Statutes of the Association, has been set up and is working to constitute a Forum to which all stakeholders of sustainable management of forests can participate.

2.1.5 PEFC Latvia

The PEFC Latvia scheme is still awaiting full endorsement by PEFC. However KSMAA, an umbrella organization representing three forest owners associations, has already begun the certification process, and so far PEFC Latvia has received applications for 2200 ha of forests to be certified including 1000 hectares of the Ventspils City forest and a number of privately owned forests.

2.1.6 PEFC Norway

On the 21st of June the first Norwegian PEFC Chain-of-Custody certificate was issued to Begna Bruk AS, an independent sawmill and a wholesale supplier for the woodworking industry.

The number of forest owners' district associations certified under the PEFC Norway scheme, which links the Living Forests standard with ISO14001 EMS, is also increasing. In June the Havass district association received their forest management certificate, and two more district associations in the western part of Norway will soon be receiving theirs. Already, PEFC certified forests in Norway account for 85% of the 7 million m³ harvested in Norway every year.

During the course of the last twelve months, a working group comprising representatives from 14 organisations including ministries, forest owners and ENGO's, has been engaged in discussion over the practical implementation of the 23 Living Forests Standards for sustainable forest management in Norway. However three ENGO's recently withdrew from the working group due to disagreement over implementation of one of the 23 standards.

2.1.7 PEFC Portugal

The first General Assembly of PEFC Portugal (Conselho da Fileira Florestal Portuguesa) was held on the 31st of May 2001. A Board of Directors was appointed at the meeting and the Portuguese Standard for Sustainable Forest Management was approved.

2.1.8 PEFC Sweden

PEFC certified area in Sweden is now around 1.5 million hectares, up 200,000 hectares since the start of the year. More than 14,000 forest owners have so far signed a PEFC certification agreement in Sweden. No PEFC chain of custody certificates have yet been issued in Sweden. However one sawmill, Rödins Trävaror has been audited by Det Norske Veritas and the issue of the first chain of custody certificate is expected soon.

A new organization, the Swedish PEFC Research Council has been established with representatives from the environmental, social and economic sectors. The Council will be responsible for reviewing the PEFC-standard on a regular basis. The first meeting of the group takes place in August.

The National Swedish Accreditation Organisation, Swedac, published a Guidance document in May for certification organisations seeking accreditation for PEFC certification in Sweden.

2.1.9 PEFC UK

The UK PEFC scheme has now been finalized and will allow certification to the UK Woodland Assurance Standard using certifiers accredited through the United Kingdom Accreditation Service. Chain of custody certification requires adherence to the Industry Standard WPIF/UKFPA/1-2000 - "*Code of Practice for the Application of Wood Chain of Custody Criteria to Product Environmental Labelling in the Sawmilling and Wood Panel Board Sectors*". This Standard has been developed and sponsored by the Wood Panel Industries Federation and the United Kingdom Forest Products Association.

A forum meeting to discuss the scheme is being held on 15th August in London. The first AGM of PEFC UK will be held in Edinburgh during October.

2.2 Forest Stewardship Council (FSC)

2.2.1 New FSC forest certificates

During the first 6 months of 2001, FSC certified forest area expanded by 3.4 million hectares from 20.7 million hectares to 24.1 million hectares. The largest FSC certifications during 2001 have been:

- an additional 1 million hectares of government owned forest land in Poland, taking the total area of FSC certified forests in Poland to 3.8 million hectares.
- the first FSC certificates issued in Ireland, covering 438,000 hectares of plantations, primarily of sitka spruce, owned and managed by the state forest authorities. Much of the wood from this resource is used for panel products.
- a further 239,800 hectares of communal forests in Mexico.
- another 230,000 hectares of Fletcher Challenge plantations in New Zealand.
- a further 228,000 hectares of US forest land under various ownerships.

- the first FSC certificates issued for natural forests in Brazil, covering 200,000 hectares.
- the certification of an additional 181,429 hectares of Indonesian teak plantation, taking the total area in Indonesia to 253,000 hectares. These plantations are an important source of raw material for the European garden furniture market. FSC certificates for Indonesia's teak plantations lapsed for a short period during early 2001, but have since been reinstated.
- the first certificates issued for Chilean softwood plantations, covering 180,000 hectares.
- 150,000 hectares of Russian government owned concessions comprising semi-natural forests and plantations managed by the German company Holz Dammers

2.2.2 Resignation of Executive Director

The Board of Directors of the FSC has announced the resignation of Executive Director, Dr. Maharaj Muthoo. The FSC statement indicates this was for personal reasons. Dr. Muthoo had served as Executive Director of FSC since January, 2001. The FSC Board of Directors has retained the services of an international recruiting firm to conduct a global search for a new Executive Director, who is expected to be in place by the end of 2001. Effective August 1, 2001, Mr. Heiko Liedeker, a native of Germany and former Chairman of WWF's European Forest Team, will serve as Acting Executive Director.

2.2.3 Romanian government commits to FSC certification

In Romania, President Ion Iliescu's government has announced that his nation's forests will begin the process of forest certification through the FSC program. A trial parcel of 32,000 hectares is expected to undergo assessment for compliance with FSC's Principles and Criteria for Forest Management during the summer. Romania will join Poland, Hungary, Ukraine, and Croatia with FSC-certified acreage in Eastern Europe. Romania has 2 million hectares of forest, including some of Europe's finest stands of European beech.

2.2.4 Review of percentage-based claims and on-product labelling requirements

FSC have announced they will be reviewing their per-centage based claims and on-product labelling requirements. Asa Tham, Vice-Chair of the FSC Board of Directors notes that *"to maintain viability in the market place, and to be attractive to a wider range of potential chain of custody manufacturers, FSC must quickly increase the market penetration of its trademark label. It is therefore imperative that we make it as easy as possible for chain-of-custody certificate holders to use the FSC trademark while maintaining the integrity of on-product claims."* Funding for the policy review has been provided by AssiDoman, SCA, and Skogssallskapet.

2.3 Russia introduces a system of "mandatory certification"

According to the first deputy natural resources minister Yuri Kubuyev, Russia has worked out and will introduce in the second half of the year a system for the mandatory certification of wood. Kukuyev stated that the standard documents are at Russia's state standards committee for confirmation and that the Forestry Service's regional offices will introduce the system in June. The certification system would automatically certify all the standing timber. According to Kubuyev, the system is being introduced to improve revenue collection. Official figures indicate that Russia loses roughly \$1 billion a year due to ineffective procedures for collection of export taxes.

2.4 New Zealand seeks to build forest certification consensus

A multi-stakeholder process has been launched in New Zealand with the aim of developing a national forest certification scheme which meets local needs, but which remains within the principles of the Forest Stewardship Council. The aim is to produce the certification standard by September this year, and to finalise the national scheme by February next year.

The first meeting to agree the process took place in May and involved 56 people representing all the major interests including industry groups (Forest Industries Council, Forest Owners Association, Farm Forestry Association); environmental organisations (Greenpeace, WWF); relevant government departments; the Federation of Maori Authorities; and the National Distribution Union.

At the meeting the various parties organised themselves into four chambers: economic, environmental, Maori, and social. Each chamber is to have representatives in a working group which will, among other things, identify contentious issues and try to resolve them; and on two technical committees that will write standards for exotic and native species respectively. At present, only the economic chamber has its full complement.

Industry participants seem confident that the ambitious timetable can be achieved. Much of the background work has already been done. A first draft standard had been completed in February as a basis for negotiations with FSC, and there has been buy-in from all the major stakeholders. A budget has also been agreed. However there are serious areas of dispute – perhaps the most significant being the industries' desire to use genetically modified crops, a practice totally opposed by the environmental groups.

Other controversial issues include large clear-cuts and single species plantations. At present 95% of plantations in New Zealand are radiata pine – which are in single species and are harvested by clear-felling. However Greenpeace representatives quoted in *Pine Magazine* suggest they may be flexible here, recognising that change cannot be made overnight and that they just want a commitment now to meet the FSC criteria.

3. Market developments

3.1 UN/ECE Analysis of Certification Markets

The UN/ECE Timber Committee has released the first draft of the chapter on international certification markets for inclusion in their Annual Market Review, due to be considered at the next UN/ECE Timber Committee meeting in October. The conclusions of the draft report, which contains few surprises, are as follows:

- *Markets for certified forest products (CFPs) continue to be mainly located in western Europe, especially the United Kingdom, Netherlands and Germany, and the United States.*
- *The CFPs market continues to grow rapidly. Market share of CFPs is claimed to be over 25% in the United Kingdom, around 4% in the Netherlands and less than 1% in Germany.*
- *Consumer awareness of CFPs continues to be low and there are few signs that private consumers actively ask for CFPs or are actually paying premiums.*
- *Public procurement plays an important role as a driver of demand in several countries.*
- *In the business to business markets most of the CFP market has up to now been due to its potential for competitive advantage, market access, image building and environmental pressure.*
- *On the supply side the area of certified forests has also grown exponentially, reaching about 80 million hectares by mid 2001, due to several new certification systems now*

operational, notably Pan European Forest Certification (PEFC) in Europe and Sustainable Forestry Initiative (SFI) in North America.

- In Europe around 28.5% of the forest area is already certified, compared to about 11% in the United States.*
- Today, a wide range of CFPs are available not only with a Forest Stewardship Council (FSC) label, as in the past, but also now with a PEFC label.*
- Forest certification remains highly controversial with a conflicting stakeholder interests, divergent views on certification as well as differences of opinion on the issue of mutual recognition between major schemes.*

3.2 Danish government commit to FSC

On 1st June the Danish Parliament with a broad majority passed a proposal from the Socialist Peoples Party on the use of tropical timber in public institutions. From now on the public institutions will, when possible, prefer FSC-certified tropical timber.

3.3 Keurhout assess Finnish scheme

The Dutch Keurhout Ecolabelling Secretariat is currently assessing whether the Finnish Forest Certification Scheme could be endorsed by the Keurhout scheme. Finnish environmental NGOs have sent letters pressurising Keurhout not to endorse the scheme, and suggesting that “endorsing the FFCS would be a severe setback to the credibility of the Keurhout ecolabel”

3.4 Spanish importers report low demand for forest certificates

AEIM, the Spanish timber importing Federation held their annual general meeting in May 2001, attended by over 100 of the country's leading importing companies. Part of the discussion focused on environmental issues. It was noted that, so far, no Spanish importing company has sought either FSC or PEFC chain of custody certification, and that domestic demand for certified wood in Spain is still negligible. The only occasional requests for certified wood come from public authorities.

4. Environmental issues

4.1 Growing environmentalist disenchantment with forest certification

There are signs over recent months that a section of the environmental community are becoming increasingly disenchanted with the forest certification movement in general, and the FSC in particular. Some environmental groups are calling for a return to campaigns focused on trade boycotts and forest protection, denying any role for timber production in “natural” or “old growth” forests.

An example of this trend comes from Glen Barry, President of Forests.org, an environmentalist-inspired website providing news on forest issues. He notes that “*Many forest conservationists, myself included, have eagerly embraced forest certification, particularly standards set by the Forest Stewardship Council (FSC), as a promising tool to protect forests. However, it is rapidly becoming apparent that certification is no panacea, and serious flaws in the principles of forest certification pose real dangers to the World's forests. FSC received the support of many forest conservationists because it was believed that placing value upon forests - tropical forests in particular - would lead to more forest conservation and protection. It was thought that by empowering local people to pursue small, community based "eco-forestry" initiatives, certification would provide an alternative to more destructive land uses. To date, FSC has not lived up to this ideal. Industry and government are the owners of some 96% of currently certified forests. Non-industrial or communal logging operations are only 34% of the total number of certificates, covering 3% of*

the certified forest area. It appears that FSC is supporting expansion of industrial scale logging of the world's remaining primary forests."

Barry goes on to argue that *"Failure to respond to these criticisms will lead to widespread withdrawal of support for certified forestry from forest conservationists and their grassroots organizations, and resumption and intensification of campaigns to boycott all tropical and old-growth timbers."*

Barry does not actually call for a rejection of forest certification as a green campaigning tool, but instead calls for greater emphasis on forest preservation in the FSC standards. He suggests that FSC should limit certification to "regenerating secondary forests", and that *"FSC must not take for granted the support of ardent conservationists that seeks to protect the World's remaining old-growth forest heritage."*

Other environmentalists are going further. A recent article in "The Ecologist" (attached), entitled "Seeing the Wood from the Trees" by Nicole Freris and Klemens Laschefski (previously with FoE Germany), begins with an extensive critique of the FSC movement. The core argument is that forest certification legitimizes "intensive commercial logging" and that the green community should now reject FSC. The article calls for an end to all schemes for certification of tropical timber from primary forests, and a boycott of all tropical timber in Europe and North America.

4.2 European timber companies in tropical Africa

Over recent weeks, much of the environmental campaigning in Europe has once again focused on tropical hardwoods.

Forest Monitor, a UK based environmental organisation linked to the World Conservation Union (IUCN) produced a comprehensive report *"Sold down the river"* examining the role of the European Union in the management of forest resources in Central Africa. The EU has an significant influence over forestry practices in this region due to strong historical and political links; the dominant position of European-owned logging companies in the region; and the high level of European hardwood imports from Central Africa. The report provides details of national regulatory frameworks and of the activities of individual European logging companies in the region, including maps identifying concession areas.

The report is highly critical of the role of European logging companies in central Africa, suggesting that contrary to their claims, they do not contribute to poverty alleviation. It suggests that multi-lateral and bilateral institutions and national governments *"consistently demonstrate a lack of long term planning when pursuing forest policies"*. The report concludes with a wish-list of actions including debt cancellation initiatives, capacity development, international legislation for the control of multi-nationals, and greater government support for certification initiatives.

Other campaigns are being levelled against European importing companies calling for their withdrawal from the Liberian log export trade. Two environmental groups, Greenpeace and Global Witness claim that the largest Liberian log exporting companies have been actively involved in arms trafficking with rebel forces of the Revolutionary United Front in neighbouring Sierra Leone. Several European countries, most notably France and Italy, have become increasingly dependent on tropical logs from Liberia as the forest resources of other supply countries in West Africa have become exhausted.

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