Report for AF&PA

Trade and Environment Program in Europe

March 2000 Report

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Technical Report for March 2000

Highlights and Commentary

Over recent months there seems to have been a reduction in the number of European reports of companies committing to the Forest Stewardship Council (FSC). For example, so far this year the European trade magazine EUWID has carried no reports of further companies signing up to any of the WWF Buyers Groups. The journal has carried one report on FSC certification, which seems only to confirm that the area of certified forests has remained fairly static at around 18 million hectares for the last 12 months. Even the UK's TTJ, for long one of the most "pro-FSC" trade journals, managed only one positive FSC news story during March (relating to Kronospan – see below). Another short TTJ article commented only on the problems created by lack of FSC supply.

Of course this may be only a temporary lull as WWF gears up for a major publicity campaign during their European FSC Trade Show in June. Furthermore, FSC certification is now "old" news in the more environmentally conscious markets of Germany, Holland, and the UK – so journalists may simply have grown tired of reporting developments within European buyers groups.

Nevertheless there are reasons to speculate that there may be deeper reasons for the apparent fall-off in European interest. It is a fact that there has been little or no further expansion of the UK's 95 Plus Group since the flurry of activity in 1998 and 1999 during which two of the UK's largest importing companies (Meyer International and Timbmet) joined up. In numerical size, the group remains stuck at around 85 companies, and there have been no further inroads into the traditional importing sector. In fact, there are some signs of disillusionment with FSC certification in this sector. One importer recently commented that, after going to the expense of purchasing FSC-certified mahogany (a species usually highly favoured in the UK), and undergoing FSC chain of custody certification, he was then unable to sell any of the certified stock. Another importer (one of the longest serving members of the 95+ Group) has expressed his concern that FSC-certified is becoming increasingly associated with relatively high cost and low quality.

The apparent fall-off in interest in FSC coincides with the growing momentum of the Pan European Forest Certification Scheme (PEFC). Many companies that would otherwise commit to the WWF Buyers Groups, may now be waiting on events within the PEFC. After all, companies dealing in European wood products are unlikely to be willing to make far-reaching commitments to FSC when there may be lucrative opportunities to trade in larger volumes of competitively priced wood backed by a Pan-European label.

All this does not mean that European demand for the FSC is about to evaporate. There is no let-up in the retailing sector's commitment to the FSC, promising as it does a way to ensure media-friendly environmentalists remain on-side. FSC also provides a very useful tool for retailers to extend their control over the supply-chain - so effectively applied in the farming sector - into the forestry sector. The restricted number of suppliers that hold lucrative contracts with retailers will inevitably maintain their commitment to FSC. However, it now seems even more likely that "forest certification" will split into two different frameworks – on the one hand, an FSC-based system used primarily by European retailers to manage supply chains; and on the other, PEFC-type systems used by the forest sector to market wood supplied to less environmentally sensitive sectors (notably construction and joinery). The latter framework will remain more attractive to the large majority of the European trade and place significant constraints on further growth in demand for FSC-certified wood.

Against this background, two other points are worth highlighting. The first is the apparent shift in geographical emphasis in the certification debate away from Europe towards North America. Over the last 12 months some of the most significant market developments relating to certification seem to have emanated from the US and Canada. In addition to AF&PA's own work to develop verification procedures, we have heard of Home Depot's increasing environmental demands; of direct negotiations between large US corporations and green groups to agree a suspension of environmentalists "old growth" campaigns; of moves by notable US house builders, Kaufman & Broad Home Corp. and Centex Corp., to avoid "old growth" wood and favour certified products; and of the commitment of several major North American suppliers to FSC certification.

The second and perhaps most important point to highlight, is the potential threat represented by PEFC to US wood markets in Europe. Given the volume of PEFC-certified wood likely to hit the market by the end of 2000, and the natural inclination of certain European consumers to prefer "local" produce, the threat posed by PEFC may be even greater than that of the FSC. There is however a tremendous opportunity for US products from the early evolution of mutual recognition arrangements between PEFC and US equivalents. Work on mutual recognition is now, quite rightly, a leading policy issue for AF&PA.

1 Meetings

No significant meetings were held during the month.

2 Development of certification in Europe

2.1 Germany

The PEFC Germany forest certification scheme, reported on last month, has now been put forward for PEFC review and endorsement. The scheme is currently subject to public scrutiny. Full details have been posted on the PEFC website (www.pefc.org). The scheme has been developed by the German Forest Certification Council through an open participatory process. There has been broad participation from state, community and private forest owners; labor unions; the timber trade and industry; and professional foresters. Consumer organizations are acting as observers in the process. One environmental organization is involved, but the mainstream groups (including WWF and Greenpeace) have chosen not to participate.

Meanwhile, at their board meeting during February, the FSC endorsed the German FSC Standard, with pre-conditions to show more clearly how the standard will be used in the field. The standard has been developed through a participatory process (although excluding direct participation of government officials), but has not gained the support of the private forest sector. Mainstream environmental groups have supported the process. The standard is based on principles of so-called "close to nature forestry". For example, it requires forest managers to avoid clear-cutting and to rely on single tree or group harvesting systems; to give priority to natural regeneration; and to use only naturally occuring tree species. With regard to plantations, the standard states that *"planted, even-aged pure stands are not the goal of close-to-nature sustainable forest management. The ecological impact of such stands is often negative. The planting and maintence of pure stands is therefore not acceptable under these guidelines*".

2.2 Spain

Despite numerous challenges, progress towards the development of a Spanish forest certification scheme has been made since last year's establishment of the CEF (Certificacion Espanola Forestal), a national body operating within the Pan European Forest Certification Scheme (PEFC). CEF has set a target for full operation of the scheme by the end of this year.

Developing certification in Spain is proving to be a complex process. There is a great diversity of forestry situations throughout the country. 65% of forest land is in private ownership. Forest legislation is the responsibility of the 17 Spanish states. Some have devised extensive laws governing forestry practices, others have introduced very little legislation. Furthermore, until the introduction of PEFC, motivation for certification was limited due to lack of domestic demand. Demand has come almost exclusively from the UK and Germany. However, the PEFC encouraged much greater interest in certification amongst Spain's forest owners. For the first time ever, Spain's forestry interests united into a single association to discuss certification. CEF provides forest owners with a 50% stake in any decisions taken over certification. The remaining 50% is split between the forest industry and environmentalists. However the major environmental groups have so far chosen not to participate in the process.

The CEF scheme will operate in all regions of Spain, but is regionally adapted to suit local conditions. Group and regional certification procedures are being developed to accomodate the numerous small private ownerships prevailing in many regions of Spain. The Asociacion Espanola De Normalizacion y Certificacion (AENOR), Spain's national standards association, is co-ordinating the development of certification standards. The first standards-setting meeting was held on 30 March 2000. Accreditation procedures have not yet been developed but AENOR is expected to undertake this task.

2.3 Czech Republic

The Czech Republic is developing a national forest certification scheme within the PEFC framework. The scheme, which is being developed through the "Council of the National Certification Centre" and funded by the Ministry of Agriculture, is due to become fully operational in the summer of 2000. The certification process is being closely linked with government forestry regulation. Certification will be paid for by the Ministry of Agriculture as a form subsidy to forest owners.

The system is being developed in accordance with ISO standards and European Norms covering quality assurance certification. Certifiers will be accredited by the Czech Institute for Accreditation. The Institute is currently contacting certifiers operating quality assurance certification schemes in the country to assess their interest in developing forest certification capacity. Forest certification standards are being developed through a participatory process with reference to both the Helsinki and Montreal principles of sustainable forest management and to the FSC Principles.

The Czech Republic is amongst the most economically advanced transitional economies. It has the second highest GNP per capita (after Slovenia) of all the Eastern European countries. The country's forests cover 2.6 million hectares, around 34% of land area.

2.4 Ireland

Ireland is following the lead of the United Kingdom to develop a national forest certification scheme compatible with the FSC framewok. At a public meeting of the Irish Forestry Certification Initiative in January, a Steering Committee was elected with broad representation from Ireland's timber growers and processors, professional foresters and environmental organisations. Members of the committee include Louisiana-Pacific, the Irish Timber Council, the Irish Timber Growers' Association, the Society of Irish Foresters, the state forest organisation Coillte and environmental organisations Crann and Voice. A set of draft forestry standards have been prepared which were subject to public scrutiny at a series of open seminars throughout the country during February and March. The draft standards have also been published on the organisation's website www.ifci.buz.org

3 Development of certification outside Europe

3.1 New Zealand

A recent article in Pine Magazine summarises forest certification developments in New Zealand. The country's forest sector has been working on the development of a national Verification of Environmental Performance (VEP) system. According to James Griffiths, Chief Executive of the NZ Forest Industries Council, stakeholder consultation last year on VEP brought a positive response. The VEP working party ran workshops and seminars and talked with researchers, unions, industry and government officials. Based on this input Griffiths comments that "*certification is an expanding demand and not just a flash in the pan…stakeholders like the idea of a NZ certification system that illustrates this country's approach to forestry.*"

The VEP system, which should be finalised by the end of this year, will be run by an independent board of trustees. The system is based on the ISO14025 Type 3 Environmental Label. It consists of a user guide, providing detailed information on environmental performance measurements and indicators – and a "report card" enabling users to summarise performance in a clear, simple and consistent format. Griffiths comments that if there is a weakness in the current system it lies in the report card. It needs a more robust set of guidelines on performance measures. More economic values could also be added – for example how many jobs an industry created or how many families were supported by those jobs.

Last year, the VEP working group surveyed 20 New Zealand exporters and the Maori Forestry Association. At that time, 93% of respondents believed third-party auditing was essential for VEP to achieve international credibility. More than half said they had received increasing requests from customers on environmental performance or on certification. The requests had come mainly from Asian customers on-selling value added products to Europe and North America. Three companies had lost business over the last 12 months because they were unable to meet customers environmental standards.

The article goes on to report that Fletcher Challenge Forests confirmed in February its intention to pursue FSC certification, although the company will continue to work on the VEP system. Carter Holt Harvey Forests is supporting VEP, although also looking at other certification systems.

In addition to working on VEP, James Griffiths is Chairman of the International Forest Industry Roundtable Working Group currently considering the development of an international framework for the mutual recognition of forest certification schemes.

3.2 FSC Accredited certifiers

Two certification bodies were considered for possible FSC accreditation at the FSC Board meeting in February. UK-based BM Trada was approved (Chain of Custody only) with conditions and pre-conditions to be completed to the satisfaction of the Board. However concerns were raised by Greenpeace over Canada-based KPMG application for accreditation. The Board felt that KPMG should carry out another certification to be monitored by FSC during which particular attention would be paid to consultation processes.

4. Market Developments

4.1 CEPI certification database

The Confederation of European Paper Industries will be publishing preliminary results of a comparative survey of forest certification schemes on 12 April 2000. The survey has been based on a questionnaire issued during 1999 and early 2000 to all certification schemes being developed at national, regional or international level. It compares the various certification schemes on the basis of various criteria including extent of compliance with ISO Guidelines for quality assurance certification systems (notably ISO Guides 61 and 62); adherence to the environmental management systems standard ISO14001; commitment to various sustainable forestry principles; participation in standards setting; and transparency of operations. The data is being made available to European consuming organisations to encourage more objective assessment of the "credibility" of the various certification schemes; and to encourage greater transparency on the part of the various organisations promoting forest certificates in Europe. The data is also being fed into the international policy debate over mutual recognition of forest certification schemes. The database currently covers 25 certification schemes, including AF&PA's Sustainable Forestry Initiative. A press release and copy of a summary table of certification schemes included in the survey will be available at http://www.cepi.org from 12 April 2000 (Copy of press release is attached at the end of this report).

4.2 Positive environmental impact

The trade journal TTJ Timber and Wood Products provides evidence that the environmental debate is beginning to create new opportunities for wood products in the United Kingdom. A report on the joinery market notes that "*ever since last summer, when leading environmental lobbying organisation Greenpeace produced literature which favoured the use of timber windows over PVCu on environmental grounds, the joinery trade has been noting a gathering interest in specifying timber…….Until recently, most of this interest had been coming from environmentally-aware local authorities and housing associations, but indications are that some key housebuilders may be moving in the same direction. A leading window manufacturer points out: 'We are now selling timber windows to major housebuilders that we haven't sold to in over five years.' Nevertheless, the positive trend remains most pronounced among local authorities, with some large councils already stating that they will move across 100% to timber windows."*

4.3 First FSC certified UK panels

Kronospan is laying claim to be the first panel products producers in the UK to achieve FSC and chain of custody certification. Kronospan have been working towards this target since last summer when they became the only panel products producer in the UK to be a member of the WWF 95+ Group. The company expects to be able to market FSC certified products by early April.

4.4 UK DIY sector

For many wood products, the large home improvement retailing companies that are members of the WWF 95+ Group represent only a comparatively small proportion of overall imports and sales. However garden furniture and timber decking are exceptions. Markets for both product areas are likely to be significantly affected by retailers demands for FSC certification.

A recent article in *TTJ Timber and Wood Products* notes that between 1998 and 1999 leading UK DIY chain and FSC-advocate B&Q, increased sales of decking systems by 1,000% (from a small base). With the introduction of accessories, chiefly timber stair treads and risers which make multi-level decking installation easier, B&Q expect a fourfold increase in business this year. The Jewson builders merchant chain (a subsidiary of Meyer and another member of the WWF 95+ Group), will be introducing an easy-to-install modular decking system developed with the co-operation of TRADA. Another Meyer subsidiary and one of the UK's major importers and suppliers of timber decking, International Timber comments that the future of the highly competitive decking market will be increasingly tied to quality. One aspect of "quality" as far as 95+ Group members are concerned will be the availaibility of FSC certified supplies. International Timber point specifically to increased potential for balau from the Far East (presumably certified through the Malaysian scheme) or karri from South Africa. Significant areas of South African karri plantation are already FSC certified.

Meanwhile, back at B&Q, TTJ reports that two new timber furniture ranges will be introduced this summer: a Bolivian hardwood and a pine collection. The presence of Bolivian hardwood is entirely down to the availability of FSC-certified products. A B&Q spokesman comments, *'While consumers aren't unduly concerned about the species of timber, they are increasingly seeking reassurance that the raw materials come from a sustainable source. So Forest Stewardship Council certification is becoming an important sales booster for all hardwood items*.'

5. Environmentalist campaigns

5.1 Scandinavian "Old Growth" Logging

In campaigns mirroring those in British Columbia, environmentalists have for several years been seeking to prevent logging in the so-called "old growth" forests of Scandinavia. Most recently, the Finnish Forest and Park Service (FPS) which is responsible for the management of Finland's 7 million hectares of state forest land, has been the subject of direct action by environmentalists. In February, there were direct confrontations between activists of the Finnish Nature League (FNL) and the FPS during logging operations in the Laamasenvaara forest area of Kuhmo municipality in Eastern Finland. Environmentalists have also been critical of FPS logging two other "old-growth" areas; the Tervasuo and Vattuvaara forest areas, also in the municipality of Kuhmo. FNL has appealed directly to the forest corporations Stora Enso and UPM-Kymmene to halt wood procurement from the Forest and Park Service until it ceases these so-called "old-growth" logging practices. In another report, Greenpeace claim to have halted FPS logging operations in the "old-growth" forest in Kukkuri, North-Eastern Finland following their efforts to establish picket lines in the area.

Scandinavian industry take the view that, from a purely ecological perspective, the environmentalists "old growth" campaigns make little sense. There is in fact very little true "old growth" forest in Scandinavia. Due to a very long history of forest use in Scandinavia, most forests are being managed on their second, third, or even fourth rotation. Furthermore, Scandinavian forests are largely of the fire-affected boreal type, so "old growth" climax forests do not occur naturally throughout most of the region, tending only to develop in wetter areas such as ravines. Just about all true old growth forest in the region is already totally protected. The debate surrounding "old growth" forests in Scandinavia centres primarily on the level of legal protection accorded to mature forests which have now acquired certain "old growth" characteristics (due to artificial suppression of fire) but which will almost certainly have been used or managed in the past.

5.2 Press Criticism of Norway's Living Forests

Norway's certification scheme Living Forest has been compromised by allegations that certificates have been awarded despite violations of the scheme's sustainable management principles. In a series of articles, the national newspaper Aftenposten has alleged that certified forest owners have continued logging in protected areas and key biotopes. Aftenposten's reports have apparently triggered a public debate over Norwegian forestry.

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CEPI publishes the first-ever comparative matrix for the recognition of different forest certification schemes worldwide

Brussels, Belgium – 12 April 2000

In Brussels today, CEPI published the first edition of its comparative matrix which aims to facilitate the recognition of forest certification schemes. The matrix provides summary data of national and international forest certification schemes. It is designed to provide reliable information to customers and companies involved in the paper and wood products market on the status of individual certification schemes and possible labels issued under these schemes. A secondary aim is to inform the developing international debate on the harmonisation and mutual recognition of the wide variety of forest certification schemes currently under development worldwide.

Thor Lobben, Chairman of CEPI's Forest Committee and Senior Vice-President, Norske Skogindustrier ASA, said: "This initiative from CEPI is the first of its kind. We believe that an unbiased approach to the comparison of different forest certification systems will promote mutual recognition between credible certification schemes and thereby increase the amount of certified fibre available. By providing information about the schemes in a clear way, we are assisting stakeholders, not only in selecting certification above other approaches, but also in choosing the most appropriate scheme available to meet their particular objectives".

Forest certification is a mechanism for providing the independent assurance of well managed forestry practises. CEPI initiated the development of the comparative matrix in order to address concerns about the number of similar forest certification systems available, which could confuse consumers of forest raw materials and products; create trade barriers; and possibly fail to deliver the credibility promised. CEPI's approach defines a set of principles which certification systems should meet. The matrix was then compiled on the basis of results received from a questionnaire, which was forwarded to 43 bodies responsible for certification worldwide. The results were analysed against CEPI's commonly accepted credibility principles by an independent environmental agency.

Kathy Bradley, Vice-Chairman of CEPI's Certification Working Group and Communications Director of the Paper Federation of Great Britain, concluded: "So far 26 certification schemes have been included in the matrix, and new schemes will be added regularly. While there are substantial areas of commonality between the schemes - notably the standards and the basic elements for credibility - CEPI recognises that the matrix is only the beginning and that more work will have to be done. However, it does provide sound information on the organisational structure of certification schemes and on the procedures that need to be undertaken to determine whether a certification scheme is independent, unbiased, transparent, and broadly acceptable to a wide range of interests. The number of schemes included in the matrix also provides clear proof that good forestry management worldwide is of increasing interest, and that positive action is now being taken to ensure the future wellbeing of our forests".

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