

**Report for AF&PA**

**Trade and Environment  
Program in Europe**

**October-November 1999 Report**

**Rupert Oliver  
rupert@forestindustries.info**

“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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VAT Registered No: 746311248 – Registrar of Companies for England and Wales Company No: 4689869

Head Office: The Little House • 18 Church Street • Settle • North Yorkshire • BD24 9JE • United Kingdom  
Tel: +44 (0)7553 346410 / [www.forestindustries.info](http://www.forestindustries.info)

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

## **Technical Report for October and November 1999**

### **Comment and Highlights**

The sheer volume of developments during October and November lends weight to the view that forest certification is no longer a niche market issue, but is increasingly a mainstream concern.

Certification formed the focus of discussions at a major International Conference in the Netherlands, organised by Washington-based "Forest Trends"; at the World Bank/WWF Workshop in Washington DC; and at the PEFC General Assembly in Prague. Discussions on certification were also on the agenda at the AHEC Convention in Prague; at the Confederation of European Paper Industries Annual Conference in Brussels; and at the ITTO meeting in Yokohama, Japan. While existing certification schemes, including PEFC and FSC continued to make solid progress, the first steps towards certification were being taken in areas of the world that have, until now, been left behind in the debate. Particularly notable this month was the announcement by large European companies based in Africa of their intention to work towards a "Pan-African certification scheme".

Meanwhile, the expression "mutual recognition" is on everyone's lips as the various interest groups focus on fashioning a comprehensive international framework for certification out of the existing chaos of national, regional and FSC-based schemes. Particularly significant for the industry will be the work of the International Forest Industry Roundtable Working Group on Mutual Recognition, on which AF&PA is represented, which met for the first time at the end of November.

## **1 Meetings**

### **1.1 AHEC Convention, Prague**

The Technical Consultant gave a presentation on recent developments in the certification debate, and on certification options for US exporters, to the AHEC Convention in Prague in early November. A copy of the presentation is attached.

### **1.2 Forest Trends "Shifting Markets for Sustainably Managed Forests"**

Washington-based Forest Trends arranged an open meeting in the Netherlands October 18-20 to discuss Shifting Markets for Sustainably Managed Forests. The meeting was attended by 150 people, representing two dozen countries and over 50 organisations and encompassing a wide range of backgrounds. The main aim of the meeting was to raise awareness of recent forest certification developments and to advocate further uptake by the trade and industry. The meeting sought to demonstrate that "the concept of managing forests in a sustainable way is no longer an experiment with niche markets; it is maturing into a mainstream concern". A summary of all the presentations, together with the texts of some presentations is available at <http://www.forest-trends.org/whoweare/netherlands.htm>

A few of the more interesting points from the main meeting report:

- Markku Simula, an independent consultant with Indufor Oy in Finland, claimed that "60% of firms in the UK, Scandinavia and Germany agree that they should use certified forest products". He also noted that certification was unlikely to offer permanent price premiums, but it would help secure market access. However, the suggested magnitude of the cost impact is 5% to 15% and the question of "who will pay" remains unresolved. He advocated an international system of mutual recognition for forest certification schemes and said that a

*“framework for analysing and comparing different schemes was needed to support mutual recognition”.*

- The International Union for the Conservation of Nature (IUCN) believed that *“there is increasing co-operation between FSC and other certifying groups”* and that the *“atmosphere of contradictions is past”*.
- Home Depot announced at the meeting that it planned to join the Certified Forest Products Council (CFPC) in the United States, and both IKEA and Lowes were expected to announce plans to buy from certified wood sources *“within the next few months”*. David Ford, CFPC Director, said his group is working on an internet database to link certified wood buyers and sellers.
- The Director of Beijing’s Research Centre for Ecological and Environmental Economics noted that there is very little interest or support for green consumption in China, and that it was very unlikely that Chinese importers would make any form of commitment to certification. *“In China there is very much a free trade mentality – if you have dollars you should get wood”*. Nevertheless, since 1997 some 120 Chinese firms have won ISO14001 certification and Chinese workshops on certification have been well attended.
- The Indonesian Eco-labelling Institute (LEI) Director admitted he had an uphill struggle developing certification in Indonesia. Most Indonesian production goes to Asia where *“nobody cares about forests”*. However LEI have recently developed a national standard *“which meets FSC criteria”*, and the Indonesian government is becoming *“increasingly open to discussions with NGOs”*.
- The administrator of a Dutch government sustainable forestry investment fund told the meeting that *“traditional financing circles remain shy about sustainable forestry investments, which they see as risky and low return.”* However he suggested that venture capitalists are more willing to take the plunge, and that *“they can realise returns of up to 30%.”*

## **2 Development of certification in Europe**

### **2.1 Finland and Sweden to be first countries recognised by PEFC**

Finland and Sweden are hoping to be the first countries to have their privately owned forests certified as sustainable under PEFC. The two countries were the first to put forward national schemes for endorsement by PEFC at the organisation’s general assembly in Prague in early November. PEFC is now optimistic that around 20 million hectares should be PEFC-certified within a year.

PEFC also welcomed new member bodies from Denmark, Latvia, and Slovakia, increasing the number of participating countries which have formally established recognised *“National PEFC Governing Bodies”* to 15. These countries are Austria, Belgium, Czech Republic, Denmark, France, Finland, Germany, Ireland, Latvia, Norway, Portugal, Spain, Slovenia, Sweden and Switzerland. Two other countries, the United Kingdom and Luxembourg, have indicated their intention to organise national PEFC bodies in the near future. A wide range of European trade associations have joined as extra-ordinary members, including the Confederation of Paper Industries, the European Timber Trade Association, and European Confederation of Woodworking Industries.

For the first time, members of PEFC reached a consensus on the criteria for recognition of national certification schemes in Europe. Much of the remaining formal discussion at the assembly centred around the rules and procedures for chain of custody monitoring under PEFC and access

to the logo. An unresolved issue is the appointment of environmental, retailer and labour union representatives to the PEFC Board. These groups remain firm supporters of the rival FSC.

PEFC continue to keep their options open concerning links with other schemes. Ben Gunnerburg, General Secretary of the PEFC Council noted that *"in time PEFC will consider non-PEFC forest certification schemes with a view to facilitating mutual recognition which must be the way ahead for the 50 or so forest certification schemes being developed around the world."* Furthermore, in a first step towards hammering out some form of agreement with the Forest Stewardship Council, representatives of PEFC and FSC met in Amsterdam at the end of October.

The next PEFC summit will be held in Luxembourg in February 2000. Luxembourg is now home to the PEFC Secretariat.

## **2.2 First Finnish forests certified**

The first forests in Finland were certified under the Finnish Forest Certification scheme in early November. The first certified area amounted to 1.4 million hectares managed by forest owners in the Forestry Centre area of Central Finland. The area was certified by accredited auditors Det Norske Veritas. The Lapland Forestry Centre, covering 6.3 million hectares, was certified by SFS Certification the following week. Both schemes implemented Finland's national certification standards under the Finnish regional group certification system. Certified wood products from the regions were due to become available by the end of November. The certified Forestry Centres will have the right to apply for a PEFC logo following PEFC endorsement of the Finnish system. The Chairman of the Finnish Forest Certification Council claims that, by the end of year 2000, all Finnish forests will be audited under the scheme. Certification is currently being implemented in seven Forestry Centres with a total area of around 14 million hectares.

## **2.3 Three "national certification bodies" for the UK**

While the UK forest sector is often portrayed as having whole-heartedly adopted the FSC concept, the situation is still far from decided. It appears now that there will soon be three entirely separate "national certification bodies" promoting various approaches to certification in UK forests. These groups are:

1. The FSC National Working Group, made up of representatives from a limited range of interests, notably environmental groups, a few institutional land owners (e.g. the Woodland Trust), commercial certifiers, and forestry consultants. This group developed the FSC National Standard endorsed by the FSC Board earlier this year.
2. Another national body to be established under the rules of the Pan European Forest Certification Scheme (PEFC). This body will provide forest owners with the option of obtaining PEFC certification alongside or entirely independent of FSC certification. Firm support for the establishment of a PEFC national body emanates from the UK's private forest owners and a large section of the trade and industry.
3. The Steering Group of the United Kingdom "Woodland Assurance Scheme" (UKWAS). This group is broadly representative of all interests involved in the UK's forest sector including forest owners, environmental groups, trade, industry, and the FSC. It also includes retailer and consumer group representatives. The secretariat of the group is currently lodged with the Forestry Commission, but discussions are underway to make UKWAS self-financing. UKWAS is in charge of the UK's "audit protocol", a certification standard developed to be compatible with the UK's regulatory forest standard. In early November, the FSC Board also formally acknowledged that the free-standing "audit protocol" is fully equivalent to the UK FSC National Standard.

The relationship between the 3 certification bodies remains a matter of debate. However, the Forestry Commission suggests UKWAS should act as a "bridge" between the FSC and PEFC national groups, and could ultimately harmonize certification systems in the UK.

## 3 Development of certification outside Europe

### 3.1 World Bank/WWF Alliance recognises need for mutual recognition

The World Bank/WWF Alliance held a workshop on forest certification and verification in Washington DC on 9-10 November. The Alliance was established in 1996 with the stated objective of ensuring 200 million hectares of forest under independent certification by 2005. The Alliance initially focused only on FSC certification but, following intense criticism from some donor governments and the international forest industry, it has now broadened its approach.

A summary report of the meeting by New Zealand industry representative James Griffith indicates that the two day workshop was attended by around 60 industry, retailer, government, certifier and NGO practitioners representing the leading buyer and supplier forestry nations. Key findings of the workshop were:

- i) The primary objective is Sustainable Forest Management and avoidance of deforestation. Independent certification is only one of a range of policy instruments to help achieve these objectives;
- ii) The FSC and some of the other northern hemisphere certification systems (such as the PEFC) were emerging as non-tariff trade barriers, particularly for some Developing Countries which lacked the infrastructure or capacity to develop national standards, let alone report against them;
- iii) some forest owners are seeking certification for other than market reasons (e.g. to achieve self regulation, benchmark environmental performance);
- iv) many other credible certification schemes have been developed and the FSC, in particular, and the NGO community, in general, needed to seriously consider some form of mutual recognition with alternative approaches;
- v) the proliferation of schemes is leading to industry, market and regulator confusion and could establish a new set of Non Tariff Barriers;
- vi) there is a need for some form of Mutual Recognition process between credible systems and that the WB/WWF Alliance could play a key role in assisting this happen;
- vii) Mutual Recognition should be based on the existence of common SFM principles as well as agreement on SFM standard setting and administration processes, while allowing for different performance standards based on local conditions and requirements.

### 3.2 International forest industry discusses mutual recognition

An international forest industry working group, which includes AF&PA representation, has been established to consider the development of procedures for mutual recognition of forest certification schemes. The "*International Forest Industry Roundtable Working Group*" is chaired by James Griffith of the New Zealand Forest Industry Council, and includes industry representatives from the United States, Canada, the European Union, Australia and Brazil. The Working Group held its first report-drafting meeting in Brussels at the end of November. Early reports suggest that the meeting agreed that an international mutual recognition process for forest certification could be developed from existing components including:

- the ISO Technical 14060 Bridging documents, which provide reference material for the application of ISO14001, the environmental management systems standard, in the forest sector. Copies available from the ISO.

- the critical elements for credible forest certification systems and the comparative database developed by the UK Paper Federation and utilised by CEPI and the PEFC. Copies of these various documents are available from the UK Paper Federation (tel: +44 1793 886086; fax: +44 1793 886182; email dg@paper.org.uk)

The meeting also concluded that various stakeholders - including researchers, NGO's, international agencies and governments – must be involved in the development of the international mutual recognition system to ensure credibility.

The second meeting of the group will be held 7/8 February in New York to coincide with the final session of the Intergovernmental Forum on Forests.

The work of the Group is reported to be generating interest amongst retailers, industry groups (including associations representing Malaysia, South Africa, and Ghana), certifiers and NGO's. The World Bank /WWF Alliance has also advised it would like to link the Roundtable Working Groups' activities into its own work programme on sustainable forest management. There is a possibility that funds and facilitation resources could be made available to assist implementation of any Mutual Recognition framework and process that emerges.

### **3.3 European companies propose Pan-African certification scheme**

The principal European wood industry groups operating in tropical Africa have jointly announced a series of measures designed to provide credible assurances of good forestry practice to European consumers. The measures include the development of an environmental code of conduct and steps towards a forest certification scheme.

The measures are described in a communiqué issued by the Interafrican Forest Industries Association (IFIA) following a meeting in Milan in September. European members of IFIA have, since 1996, been supporting a Dutch-registered organization known as the *European Foundation for the Preservation of African Forest Resources*. The Foundation undertakes:

i) to work with ATIBT\* to define a Model Forest Management Plan for application in the regions where Foundation members operate. Foundation members will co-operate with African governments to promote the plan.

ii) to work with IFIA, IUCN\* and the CEFDHAC\*, on the development of a professional code of conduct. Once approved, the code of conduct will be signed by the Foundation members, who will be bound to respect and to promote it throughout the profession. Foundation members and the IUCN will set up, over the coming months, a monitoring and evaluating committee to verify application of the code of conduct.

iii) to encourage international donors to continue to support the development of sustainability standards for natural tropical forest in tropical Africa. This should build on work undertaken by CIFOR\* and ATO\* to pilot test sustainability standards in five African countries.

iv) to encourage rapid establishment with all parties concerned, and make available to companies desiring it, a Pan-African Certification System which is adapted to regional specifications and internationally credible. Foundation Members will lend technical assistance to make the Certification operational.

Together Foundation members represent forestry concessions totalling 14 million hectares; wood production of 3.85 million m<sup>3</sup>; and log production of 2.35 million m<sup>3</sup>. The companies have a turnover of US\$650 million.

*Notes: ATIBT is the Association Technique Internationale des Bois Tropicaux; ATO is the African Timber Organisation; IUCN is the International Union for the Conservation of Nature; CIFOR is the*

### **3.4 Ghana tests standards**

Ghana is planning to field test its forest certification standards later this year. The tests, beginning on 6 December, will be conducted in defined forest areas in the Western Ashanti and Brong Ahafo Regions. The tests will be carried out under the guidance of the Deputy Technical Director of the Ministry of Lands and Forestry. They will also be observed by representatives from UK certifying bodies to lend international credibility to the outcome of the test. Ghana's forest certification standard, "*Quality Management of the Forests of Ghana: Forest Standards, Principles and Specifications*", was drafted by a committee with representatives from a range of interests including government, industry, traditional chiefs, and NGOs.

### **3.5 Dutch investment controversy**

Controversy continues to surround the "Flory Fauna" teak plantations in Costa Rica. In March 1993, OHRA - a major Dutch insurance and banking group - launched a scheme encouraging the Dutch public to invest in the FSC-certified plantations and promising high financial returns. The publicity material for the scheme implied World Wide Fund for Nature (WWF) backing, and the WWF were to receive a share of the proceeds for reinvestment in teak plantations in Costa Rica. In 1996 however, following mounting criticism that OHRA's estimates for investors' financial returns were misleading, the scheme was shut down to any further investment.

Nevertheless OHRA continued to defend the scheme in public and in the courts, until, on 2 November 1999, they issued a press statement effectively withdrawing their support and finally admitting the teak plantations were too risky a proposition for their investors. They have established a hotline which "strongly advises" teak policy holders to take a refund or switch to other growth funds the group has to offer. The statement explains that Flory Fauna is in a '*financial impasse*' and that '*new information on the expected timber yield and market developments for teak*' were the reason for OHRA's decision. The company statement adds, "*OHRA finds it irresponsible to further expose its clients to the risks that are attached to this project.*"

Coinciding with OHRA's announcement, the WWF issued a statement on 2 November denying any involvement in seeking to mislead the Dutch public. In their press release of 2 November, WWF-Netherlands "*regrets the impasse between OHRA and Flory Fauna,*" and understands that "*the Insurance Controlling Board (a supervisory authority in the Netherlands) is also of the opinion that the policy-holders should be offered an alternative to the teak investment.*" WWF explains that the teak plantation of Flory Fauna has been certified in conformity with the FSC criteria and that "*This is and will continue to be*" the reason for support of this project by the WWF.

WWF admits having received one million Dutch guilders up until now from the OHRA investment scheme. This amount has already been spent "*on three projects in Costa Rica, namely nature conservation in the northern part of Costa Rica, the development of nature conservation knowledge on the spot, and tens of smaller projects aimed at innovation, organization development, the exchange of knowledge and experience, and the publication of articles and books in the field of forestry.*"

Furthermore "*[t]he WWF has never made any statements about figures of growth and returns or underwritten any estimation thereof.....The OHRA Teakwood Return Policy used to be an insurance product of OHRA Verzekeringen [OHRA Insurance]; this company offered, advertised and sold the product. It is therefore not the WWF that sold or advertised the product. It is true that OHRA was allowed to mention the fact that the WWF is promoting sustainable production of wood in its advertisements.*"

However some observers maintain that WWF's claims are misleading. In the book "*Green Gold - on variations of truth in plantations forestry,*" author Paul Romeijn claims that the following

comments by WWF representative Van Kreveld were included in OHRA's in-house magazine in 1993: "*WWF would never support the [Teakwood] project if there would be any chance of a financial failure (Dutch: 'financieel debakel'). We have seriously studied the plans and concluded that the figures are correct.*" Romeijn also claims that the sales brochure for the teakwood scheme in 1993 implied that the scheme was developed "in collaboration with WWF"; and that the brochure had the panda logo on the front cover, along with the following text: "*WWF has ascertained that, in ecological and financial terms, the Flor y Fauna plantations set a worldwide example.*"

Irrespective of the truth or otherwise of these various claims and counter claims, the Flor y Fauna fiasco will have undermined the Dutch public's faith in forest certification.

### **3.6 Tropical Forest Trust promotes Cambodian certification**

The first ever workshop in Cambodia to discuss forest certification was held in November. The Workshop was co-funded by the World Bank/WWF Alliance and by the Tropical Forest Trust (TFT), a group formed of European suppliers and retailers of tropical wood products. The main objective of the workshop was to raise awareness within the Cambodian forest sector of sustainable forestry issues and forest certification. The press information issued by TFT suggests that participants were informed of the various certification schemes available and that "these include the Forest Stewardship Council – currently seen as the main independent standard-setter for socially and environmentally beneficial forestry". According to TFT "the next step is to identify pilot forest areas where good forest management practices can be demonstrated on the ground. As part of this, the government will take out a US\$5 million 'Learning and Innovation' loan from the World Bank to assist it to raise local forest managers' capacity to do their job effectively".

### **3.7 ITTO to provide "certification guidance".**

The International Tropical Timber Organisation has, in the past, commissioned detailed reports on world-wide certification developments providing a valuable information resource for the wood trade. Reports from the recent ITTO meeting in Yokohama, Japan, suggest ITTO intends to develop this work further to provide greater guidance to the tropical trade on the role of the various schemes available and on mutual recognition proposals. In addition, the Informal Trade Group, which meets to discuss market developments at each ITTO meeting, proposes as a leading agenda item at the next ITTO meeting in Peru in May 2000: "*How can the [tropical] trade respond positively to the growing pressure for certification*".

## **4 Market Developments**

### **4.1 WWF Germany Market study**

A WWF-sponsored study by the research organisation EMNID of German market demand for certified wood products produced earlier this year (see Technical Consultant's March Report) has now been translated into English. A copy is attached. In the forward to the English translation, WWF-Germany seek to undermine the Pan European Forest Certification Scheme (PEFC) suggesting that "*Until recently, no conservation organisations were involved in the development process of the European eco-label. However, the results of the eco-label survey clearly indicate that the European eco-label in its present form can neither meet the demands of the industry, consumers and consumers associations nor satisfy their needs. The results of this survey unambiguously verify that forestry associations - especially forest owner associations in Germany and Europe - are strongly advised to discontinue developing the European eco-label, give up their resistance against the concept of the FSC, support the further development of the FSC as an unique worldwide tried-and-tested certification system, and cooperate constructively with other national and international interest groups. The survey results indicate that the FSC contains urgently required marketing resources which can improve the image and acceptance of wood as an ecological resource by the industry, consumers and consumer associations.*"



German trade and industry associations are dismissive of the EMNID survey. BD Holz for example, suggest the survey “contains several critical shortcomings and does not sufficiently take into account the end consumers, the joiners or handymen.”

## 4.2 Keurhout scheme makes progress

The latest Keurhout newsletter suggests the Dutch wood products environmental hallmarking scheme is proving increasingly popular in Holland. Keurhout report that 162 participating companies, including 42 timber trading companies (with 260 selling points) and 120 joinery manufacturers, are committed to stocking products bearing the Hallmark. Supplies of Hallmarked wood are increasing rapidly. In April this year Keurhout accepted AssiDomän’s Swedish FSC-certified forests under their scheme. Shortly after that, Stora’s FSC-certified forests, together with the first stage of a certification pilot project in Finland received the Keurhout Hallmark.

Keurhout is also making significant progress on the tropical side. Although no tropical wood has yet been fully endorsed by Keurhout, wood is being successfully marketed under a joint Dutch/Malaysian pilot project to supply so-called “Declaration Wood”. This wood derives from 3 states of Peninsular Malaysia where forest management has been independently assessed by SGS. Between 1997 and the first quarter of 1999, the Netherlands imported 52,000 m<sup>3</sup> of Keurhout Declaration timber. According to Andre de Boer of the Dutch Timber Trade Federation, the market has been happy with the level of environmental assurance provided by the Keurhout Declaration, buying the wood eagerly and, in some instances, paying a premium. Mr de Boer believes that Keurhout has now “conquered an equal position in the market beside FSC”. Expectations are that the whole of Peninsular Malaysia will receive full Keurhout endorsement during 2000. Furthermore, contacts have been made in the Congo Republic to certify a 1 million ha. concession.

## 4.3 UK’s largest hardwood importer commits to FSC

Timbmet Ltd., Britain’s largest hardwood merchant, has signed up to the WWF ’95 Plus group. The company has set a target of sourcing 50% of its timber from forests independently certified to FSC standards by 2005.

## 4.4 IKEA commits to phase out “solid wood from ancient forests”

IKEA announced at a joint press conference with Greenpeace their intention to phase out “solid wood from ancient forests”. Greenpeace suggest that “the announcement will have a major impact stimulating alternative supply sources to ancient forest timber – IKEA has over 2000 suppliers in 65 countries, all of whom will have to meet the strict criteria. Last year almost half the population of the United Kingdom visited an IKEA store.” The press information gives no indication of how an “ancient forest” will be defined, but makes a sweeping reference to “an estimated 10 million hectares of ancient forest [which are] degraded or destroyed each year” and suggests that “only one fifth of the world’s original forest remains as large tracts of ancient forest and nearly half of this is threatened by logging and other activities”.

# 5. Environmentalist campaigns

## 5.1 Free trade and WTO

Environmentalists have continued to focus on the build-up to November meeting of the World Trade Organisation in Seattle. Numerous national news articles have appeared, mainly in the left-leaning press, on the common theme of free trade in timber products amounting to a “loggers’ charter”.

## 5.2 GM Trees

One issue that could blow up into a significant trade barrier between the United States and Europe in the agriculture sector is growing European paranoia over the environmental hazards of genetically modified crops. WWF are now trying to extend the issue into the forest sector. According to WWF press information, a new WWF report argues that *“GM tree trials are rapidly increasing in number around the world without proper controls. The trials pose a serious risk to the global environment and commercial production of GM trees is likely to happen in Latin America and Asia - despite inadequate research into their environmental impacts. The report highlights the serious threat of genetic pollution: pine pollen, for example, can travel up to 600 kilometres GM trees are also long living, increasing the likelihood of genetic pollution and the risk of harmful impacts on the forest ecosystem.”*