FOREST INDUSTRIES INTELLIGENCE LIMITED

Report for AF&PA

Trade and Environment Program in Europe

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

Technical Report for September/October 1998

Summary comments

Throughout Europe there is a growing divide between non industrial forest owners on the one hand, who remain staunchly opposed to FSC certification, and large industrial forest owners on the other, who see distinct marketing advantages of adherence to FSC certification. This divide has become more evident with the non industrial forest owners decision to instigate the development of a Pan European Certification Framework, which is being presented as a direct competitor to the FSC.

Meanwhile the trade also remains divided. Importers selling into the retailer sector, and other importers subjected to particularly intense environmentalist action, most recently Meyer International in the UK, are demonstrating their willingness to join WWF Buyers Groups and commit to FSC. This movement has gained momentum over recent months as WWF and other environmental groups argue that FSC certification has now demonstrated its' commercial viability. As evidence they point to the commitment to FSC of large organisations like Sweden's Assi Doman and BC's Western Forest Products, and to the very real possibility that a large section of the UK's forest estate will be FSC certified during 1999. Environmental groups have also pushed hard their announcement that 10 million hectares of forest world-wide are now FSC certified.

Nevertheless, the majority of importers, notably supplying into the construction sector, have yet to experience any demand for certified products. Many continue to question the practicality, costs and value of certification. And European representative trade associations, most of which now recognise that demand for certification is on the increase, remain concerned about the implications for free trade of FSC exercising centralised control over the certification process. These organisations would prefer to see competition between a variety of certification frameworks.

1 Meetings

The Technical Consultant attended an **International Seminar on Finnish Certification Scheme**, October 28, Helsinki. Major points emerging from the seminar include:

1. The launch of a Pan European Certification Scheme (described below).

2. Finland are nearing completion of their national certification scheme, which is designed to accommodate the needs of non industrial forest owners, the predominant ownership category in Finland (see below).

3. Finnish Forest owners have elected to develop their scheme through the Pan European process, rather than in association with FSC. They state they would rather not sell into certain markets than see FSC develop a monopoly over certification.

4. However, the Finnish Forest Industries Association, which includes within its membership large companies selling direct to members of Buyers Groups in the UK and elsewhere, were hoping to secure some form of FSC endorsement for the Finnish scheme.

5. The resistance of Finland's forest owners to FSC led the environmental movement to withdraw their support for the scheme in April 1998.

6. Various forest products buyers associations throughout Europe stated their support for the concept of certification, and outlined their own criteria for “credible” certification. There was a broad consensus that certification must involve third party independent inspection; have effective accreditation procedures; be transparent and non discriminatory; involve broad participation of interest groups; and comply with international sustainable forestry principles.

7. Particular areas of dispute included the extent to which certification schemes must be endorsed by environmentalists if they are to be seen as “credible” to the market; and the extent of demand for specifically FSC certification, as opposed to other forms of certification, in major European markets.

8. WWF stated that they were against FSC “endorsing” or otherwise recognising national schemes developed outside the FSC framework - a view which differs from that of the FSC Secretariat (see under FSC below).

A separate report of this meeting is being prepared and will be issued to AF&PA with all background papers.

2 Development of certification in Europe

2.1 Pan European Certification Framework

The Pan European Certification Framework seems to be gaining momentum. Having been initiated in the summer by forest owners from 5 European countries, it now involves forest owners, industry and trade from Austria, Belgium, Denmark, Finland, France, Germany, Italy, Latvia, Luxembourg, Norway, Portugal, Spain and Sweden. Total area forest area covered encompasses 90 million hectares. The scheme is open to other countries, and may be extended beyond Europe’s boundaries.

A steering group, chaired by Martin Strittmatter of the German Forestry Council, has been established to oversee development of the scheme. The approach being taken is based on the concept of “mutual recognition” of national certification frameworks that meet certain minimum requirements developed by the steering group. A Memorandum of Understanding (attached) has been agreed by the various parties outlining the principle components of the scheme. These minimum requirements include third party independent audits, and the use of certification standards in line with the Pan European Helsinki Criteria for Sustainable Forest Management. Certifiers are likely to be accredited by national accreditation bodies using European Norms and ISO Standards. The scheme will include a collective trademark and logo as a communication tool.

While there was initially some scepticism about the willingness of European forest owners to accept any form of certification, discussions within the context of the Pan European Certification framework appear to be making real progress. Perhaps the most significant achievement to date has been the “conversion” of German and French forest owners who have been staunchly resisting all moves towards independent certification. Their mood appears to have changed, largely in response to the increasing momentum which has been gathering behind FSC in European markets. All countries involved in the process now accept the principle of independent third party assessment of forestry practices. For reasons of cost, European forest owners do however remain largely opposed to inspections at the level of the individual forest unit and favour a regional approach to certification.

A major debate is on-going amongst participants over the extent of European Commission involvement in the process. Some participants are apparently calling for a scheme firmly backed by EU regulations. Others are equally convinced there should be no political involvement at all. Representatives of the European Commission’s Agriculture Directorate have stated publicly their support for the scheme. At present, the Memorandum of Understanding states that the scheme will be promoted as a voluntary private sector initiative.

One major impact of the scheme seems to have been to redefine the politics of certification in Europe. Now that non industrial forest owners have identified an alternative, they seem more resolved than ever to ensure FSC is squeezed out of the certification process throughout Europe's farm forestry sector. This sector accounts for the majority of Europe's forests (around 65% of forest area) and is a significant political force. Europe has around 12 million private forest enterprises that represent the interest of 40 to 50 million people.

At this stage, no environmental groups are involved in the Pan European process, the intention appears to be to involve these at a later date once an operational scheme has been developed. However, the major ENGOs operating in Europe (WWF, Greenpeace and Friends of the Earth) are firmly committed to FSC and will almost inevitably refuse to participate in any other process. The irony is, that while all interests now appears to agree that forest owners should be independently certified, Europe seems as far away as ever from a consensus on certification.

Much will ultimately hinge on the demands of the market. It seems likely that the ENGOs will redouble their efforts to ensure market acceptance for FSC and to discredit the Pan European process. Similarly, the success of the Pan European Process will be entirely dependent on its own ability to convince major buyers of it's credibility.

In view of the potential significance of the Pan European Scheme, AF&PA should consider sending observers to their steering group meetings. A scheme based on mutual recognition of diverse national approaches to certification, relying largely on national standards institutions operating within the ISO framework may be equally applicable to North America, for example accommodating the joint SFI/ISO14001 approach.

2.2 United Kingdom.

The UK's certification standard, or "audit protocol", which has been developed with the agreement of all UK forest, trade and environmental interests is due to be published in November 1998. The protocol has been developed to be compatible with a draft standard developed by FSC's UK National Working Group, and the Forestry Authority's national standard published early in 1998.

The FSC Board have now endorsed the draft standard developed by the UK's FSC National Working Group (not the audit protocol) as their official standard for the UK. The FSC Working Group developed this standard without broad participation from the UK forest sector.

Although the FSC Board have not formally endorsed the audit protocol, FSC representatives in the UK maintain that forest managers implementing the audit protocol should also meet FSC's National Standard. Therefore, as things stand, forest managers in the UK will be able to achieve FSC certification by demonstrating implementation of the audit protocol to an FSC accredited certifier. The door is now open for rapid FSC certification of the UK's publicly and industry owned forest lands (which account for the majority of UK production).

However the picture is complicated by UK industry and forest owner moves to develop a national certification programme, also based on the audit protocol, outside the FSC framework. Under this initiative, forest owners will have the option of using a non-FSC certifier that has been accredited at national level by the United Kingdom Accreditation Service (UKAS). This scheme may be more attractive to non industrial owners and would have the benefit of breaking FSC's monopoly of certification in the UK. There may also be some potential to link this initiative with the Pan European Scheme.

2.3 Finland

Finland is nearing completion of it's certification framework. The scheme has been developed entirely outside the FSC framework. A consensus has been reached on eight draft standards documents which have been developed through a participatory process involving government, industry, forest owners, professional foresters, environmental professionals, consumer associations, community and indigenous groups, trade unions, and representatives of tourism and recreational groups. The standards documents set requirements for forest management at various possible levels of certification including regional Forestry Centre level, Forest Management Association level; and the certification of groups of individual forest owners. They also establish requirements for the accreditation of auditors and for chain of custody verification. Two methods of monitoring chain of custody are allowed, one involving full segregation of certified and uncertified products; the other designed to assess the per-centage of certified product in the end product. Independent certification bodies under the scheme will be required to have accreditation to ISO9000/14001 standards.

Next steps in the development of the scheme include: i) finalisation of the draft standards; ii) implementation of awareness campaigns; iii) develop national accreditation arrangements; and iv) build institutional capacity at national and regional levels. No targets appear to have been set for the first certification under the scheme, but this is likely to be next year. The scheme is being closely linked with the Pan European Certification Scheme.

2.4 Sweden

The large Swedish companies that have pursued an FSC route to certification appear to be a little unsettled by recent developments in Europe. At recent meetings attended by the Technical Consultant they have consistently pushed for an FSC based approach to certification throughout the EU, but have gained little support from other countries.

Meanwhile, non industrial forest owners associations in Sweden, whose members own around 50% of Sweden's forest area, maintain their resistance to FSC. They are now involved in the Pan European Initiative. This creates considerable difficulties for FSC labelling of forest products for the many Swedish mills that supplement raw material from their own lands with large volumes purchased from non-industrial owners. The problem of segregating certified and uncertified material is particularly pronounced in the paper sector.

3 Development of certification outside Europe

3.1 Ghana

Ghana's Timber Export Development Board invited a wide range of organisations, both from Ghana and major consumer countries, to attend an international workshop in Kumasi in mid October to discuss a set of draft Certification Standards. The standards are due to be pilot tested in Ghana later in the year. Three draft standard documents have been released setting out requirements for the "Quality Management of Ghana's Forests" including a Specifications Document; a set of Criteria and Indicators; and a Principles Document.

Ghana's forest certification scheme is intended both to strengthen the nation's drive towards sustainable forest management, and to form an important element of the industry's marketing strategy. The scheme has been drawn up by a National Committee facilitated by government with broad representation from industry, social and community groups, and environmental organisations.

Although Ghana is developing the scheme as a national process, without formal links to FSC, the draft certification standards encompass detailed performance requirements which have been developed broadly in line with FSC Principles and Criteria. The difficulties of producers in the developing world meeting western expectations of "good" forest management has occasionally been cited as a weakness of emerging certification schemes. The Ghanaian standard seeks to avoid this problem by stating that the performance elements are "targets which the Forest Management Organisation (FMO) is required to attain over a period of time (gradual improvement)". This means that FMOs may not have to demonstrate complete compliance with all performance elements of the standard to receive certification. However they will have to show that they are moving towards these "targets" through the implementation of a documented Quality Forest Management System. This system follows very closely the requirements of ISO14001.

Institutional arrangements for the scheme have yet to be finalised. It is clear that the scheme will involve independent third party auditing, but little information is provided on the accreditation process to assess auditors for professional competence. The draft standard states only that auditors will be accredited by a "credible local or international organisation". This suggests that accreditation will be carried out initially by Ghana's existing national standards institutions, although the door is left open for possible involvement of FSC accredited certifiers at a later date. Alternatively the scheme may be marketed under bilateral arrangements with major importing countries. For example, the Dutch trademarking organisation, Keur Hout, has already held discussions on the labelling and marketing of certified Ghanaian timber products in Holland.

3.2 Indonesia

Indonesia has been developing a national certification initiative for some time which it aims to implement from the year 2000 onwards in line with its commitment to ITTO's Objective 2000. An "Eco-labelling" Institute, Lembaga Ekolabel Indonesia (LEI), has been established to develop standards and issue labels. Draft national certification standards have been developed which have undergone field tests, and a considerable amount of work has already been undertaken on the development of a credible institutional framework and on systems for the verification of chain of custody. LEI will take on responsibility for the issue of labels, while the National Standardisation Institute will accredit certifiers. Certifiers will be locally trained and paid by LEI, rather than certification applicants, to guard against corruption.

Tim Synnott, FSC Director, and Chris Elliott (WWF International) had a meeting in March 1998 in Rome with the organisers of LEI to discuss possible co-operation between LEI and FSC. At that meeting, while FSC remained cautious about advising its own members on the merits of alternative certification programmes, a joint statement was signed by both parties outlining a number of future activities. In particular FSC agreed to carry out internal discussion on the possibility of agreeing some form of mutual recognition between FSC and the LEI scheme. FSC also noted it would explore the possibility of mechanisms for FSC endorsement of certificates issued by LEI. A copy of this statement is attached.

Since the Rome meeting, FSC and two of their accredited certifiers, the Soil Association and SGS, have been providing technical assistance to LEI and have contributed to pilot testing of the LEI scheme on the ground. The FSC Secretariat continue to be open to the concept of mutual recognition for the LEI scheme some time in the future, but believe this will only be possible following further technical development. The FSC Secretariat also suggest that another Memorandum of Understanding between FSC and LEI may be forthcoming in the near future. The FSC Secretariat's apparent support for some form of endorsement for Indonesia's LEI scheme seems to be at odds with WWF's resistance to FSC endorsement for the Finnish scheme.

3.3 FSC

An extract from FSC's Newsletter on progress by the 6 FSC endorsed National Working Groups is attached. Note the reference to a certification in Belgium being used as a demonstration for European Members of Parliament. Also note the growing size of the German FSC Working Group, despite the apparent resistance of many German forest owners to FSC.

FSC has now accredited a sixth certifying organisation, IMO of Switzerland. IMO, which was set up in 1989, is based in Sulgen, near Zurich and also has offices in Germany, Bolivia and India.

4 Market Developments

4.1 B&Q

B&Q held its internal Environmental Conference for suppliers on Monday 26 October. All suppliers to B&Q were obliged to attend and pay £600 for the privilege. B&Q evidently made it clear to their suppliers that all timber products sold through their stores must bear the FSC logo by 31 December 1999.

The significance of B&Q's target is increased by B&Q's recent merger with Castorama of France. The joint venture creates the world's third largest do-it-yourself retailer with annual sales of around £4.5 billion. The deal gives the group by far the leading position in Europe's DIY sector. They are the market leaders in two of Europe's biggest DIY markets. Castorama accounts for around a third of the French market and B&Q about 40% of the UK market.

It is conceivable that B&Q's commitment to FSC may be now extended to Castorama's operations in France. By their own estimate B&Q sell over 250,000 m3 of timber products including both solid timber and a wide range of products. The vast majority of products are from the United Kingdom and Scandinavia.

B&Q have also announced plans to accelerate the expansion of it's warehouse format in the UK at a cost of £750 million. The group plans to open 125 of the out-of town stores over the next 5 years instead of the 70 originally planned.

4.2 Meyer International

Meyer International announced in October that it is joining the WWF 95 Plus Group. WWF claim that the volume of wood purchased by members of the WWF 1995+ Group increased from 15% to 20% of total wood use in the UK as a result of Meyer's decision to join. Meyer state their target is to ensure that 80% of their timber is FSC certified within 5 years.

Meyer International is the largest timber and building materials merchant in the UK and Holland and a leading distributor of laminate and specialist timber products in the UK and North America. Company turnover in 1997 was 1.139.7 million. Meyer is the owner of Jewsons, a network of over 392 builders merchants, and of hardwood importers International Timber.

In the past, Meyer have been leading supporters of the TTF's Forests Forever campaign, and have resisted several invitations to join the 1995 Plus Group. Their move now reflects Meyer's belief that FSC has finally entered the mainstream of business. Meyer have also been subject to intense environmental campaigning by Friends of the Earth, over their import of Brazilian mahogany, and Greenpeace over British Columbian imports. Meyer's entry into the 1995 Plus Group failed to deter Friends of the Earth holding further demonstrations outside their yards at the end of October.

4.3 German Buyers Group

Latest reports indicate that the German WWF Buyers Group, known as GROUP 98, now has 36 members an increase of 11 members since the beginning the year. Membership includes timber traders, DIY stores, furniture manufacturers, mail order houses, window frame producers, printing companies, a house builder, and 3 associations. Member companies are required to “recognise the value of FSC certification” and are committed to documenting the sources of timber traded; to introducing FSC certified products into their range of products; to promoting FSC; and to reporting on progress to WWF Germany. The Group’s stated target is to support the WWF objective of achieving 10 million hectares of FSC certified forest during 1998 (now achieved).

The German group’s commitment is considerably less onerous than that of the UK Buyers Group. Unlike the UK scheme, no mention is made in the Group 98 commitment to individual companies setting targets for the progressive phase-out of uncertified material.

Germany is by far the largest DIY market in Europe representing almost 50% of total DIY sales and claiming 12 of Europe’s top 25 DIY retailers.

4.4 Spanish Buyers Group

Spain WWF Buyers Group, known as WWF-Group 2000, was formed in January 1998 with 3 member companies: Luvipol (solid door manufacturers); Laminados Basanez (laminated cross sections for doors and windows) and Bosques Naturales (hardwood plantations). In July 1998, another 5 joined the group, IMYFE (a forestry consultant) and 4 board manufacturers forming the Losan group: Losan industries, Losan Boards, Pina, and Aserpal. The companies are committed to supporting FSC certification both nationally and internationally, to substituting uncertified wood with FSC certified wood, to developing an action program to achieve these goals, and to delivering progress reports every six months to WWF-Spain.

4.5 Denmark

Denmark seems to have been little affected by the certification debate. Forest owners have resisted pressure to develop certification schemes, while retailers and other buyers have so far shown little interest in the concept. WWF are however endeavouring to set up a Buyers Group in the country.

4.6 WWF Buyers Groups - International Scope

WWF Buyers Groups now exist in Austria, Belgium, Germany, the Netherlands, USA, Spain, Switzerland and the UK. Groups are also being established in Australia, Brazil, Denmark, France, Greece, Ireland, Japan, Norway, and Sweden. The Technical Consultant plans to prepare a separate paper on the extent and membership of these groups before the end of 1998.

5 Environmentalist campaigns

WWF launched a “Living Planet Report” and a “Forest Investment Programme”. The first includes a “Living Planet Index” which presents “new” data on the health of the forest, freshwater and marine eco-systems around the world between 1970 and 1995. According to the press material issued with the report, WWF “hopes the LPI will become the Dow Jones Index of the global environment. The LPI tries to measure how much nature is left in the world. If it goes down, it means that globally we are over-consuming natural resources and producing too much pollution; if it stays stable or goes up, then we are living within our means”. The report suggests the index has declined consistently since 1970, and that one third of the earth’s natural wealth has been lost in the last 25 years. Natural forest cover declined by about 10% from 1970 to 1995. US forestry is not mentioned specifically in the report, but a map of the world's "original" and "current" forest area suggests falling US forest cover.

WWF's forest investment programme is described as a "global initiative aimed at informing investors about efforts to raise forest management standards and to show how companies adopting high standards of forest management practice can gain commercial advantage." The scheme focuses on "the commercial benefits which companies are reaping as a result of FSC based certification", together with the reduced commercial risks which they claim are associated with FSC certified operations. WWF "believes that knowledge of FSC-based certification can help investment managers in their search for the best performing companies in the forest products sector and WWF is urging investment managers to incorporate FSC-based certification into their investment criteria". A WWF report on the forest sector aimed at investment managers has been published.

Greenpeace have continued to focus on British Colombia, notably Western Forest Products efforts to gain FSC certification. Greenpeace have sought to discredit these efforts by carrying out their own assessment of the company's forestry practices against the FSC Criteria and Indicators. Greenpeace claim, on the basis of their "audit", that Western Forest Products hasn't a hope of gaining FSC certification. However, SGS Qualifor, the FSC accredited certifiers based in the UK hired to assess Western Forest Products, have publicly stated that Greenpeace are misusing the FSC name and standard. SGS are currently in the process of drawing up a checklist for assessment of Western Wood Products based on their own analysis of the Principles and Criteria and local views of sound forestry practice in BC.