

Report for AF&PA

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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Summary and highlights

- The European Commission reported in June on the current status of their deliberations on additional legislation to prevent imports of illegal wood into the EU. The EC Communication on this issue, originally scheduled for April, is now expected in September. The EC's favoured option is now to directly impose a requirement for due diligence on wood trading companies in the EU. Although no final decision has been taken, the process of formal public consultation on the legislation is now ended and all EC DG's are believed to be in broad agreement with the approach proposed. However signs are they still have much work to do to convince key stakeholders. ENGOs are looking for much more far-reaching measures putting the onus on the trade to demonstrate that all wood derives from legal sources. At the same time, many EU timber importing associations are against the idea of their members having to take responsibility for assessing the legality of wood imports. They want governments in timber supplying countries to issue a "declaration of legality".
- CEN, the European standards organisation, is engaged in a process with the ultimate objective of harmonising the various green building initiatives (such as BREEAM in the UK and HQE in France). Another aim is to integrate environmental objectives into a more comprehensive framework covering the "sustainability" of whole buildings. According to CEN, their Technical Committee (TC) 350 is responsible for developing standards that "*will describe a harmonized methodology for assessment of environmental performance of buildings and life cycle cost performance of buildings as well as the quantifiable performance aspects of health and comfort of buildings*". The framework is due to be phased in over the period 2009 through to 2012.
- Following further delays, a draft version of the much anticipated EC Communication on Green Public Procurement (GPP) was released in July 2008. The Communication sets out a process with potential to encourage convergence between public sector procurement policies in the EU. It also enshrines various principles that could boost prospects for timber. For example it recommends discrimination in favour of renewable products and emphasises full life cycle impacts. But the Communication and associated documents have certain weaknesses for timber. For example, draft procurement guidelines issued with the Communication propose that verification of legality should require full supply chain traceability which could create problems for timber from small forest owners.
- EU policy makers continue to agonise over whether "social issues" may be legitimately included as criteria in government timber procurement policies. PEFC has commissioned a report from Chatham House, due to be finalised in September, in an effort to provide greater insight into the issue. The draft Chatham House report identifies a large number of issues relevant to timber trade practice that might be referred to as "social" including workers rights, indigenous rights, community employment, protection of traditional knowledge and participation. Current EC advice is that there can be no broad acceptance that social criteria be included in public sector contracts and each must be treated on a case by case basis.
- Formal FLEGT Voluntary Partnership Agreement (VPA) negotiations are currently underway between the EU and Malaysia, Indonesia, Cameroon and Ghana. Once finalised, the intent of these agreements would be for the EU to import only wood products from these countries that are licensed as legal. VPA negotiations are proceeding well in African countries but are problematic in Asian countries due to worries over the impact on competitiveness vis-à-vis non VPA countries (notably China and Brazil). Long term market impacts of the VPA process remain very uncertain.
- The EC has ruled out greater linkage between the European Carbon Emissions Trading Scheme (ETS) and the evolving debate over credits for Reduced Emissions from Deforestation and Forest Degradation (REDD) in the immediate future. The EC has proposed to exclude forestry credits from the ETS until 2020.

- Measures related to forests and the timber industry formed an important component of the recommendations of the G8 Ministers and European Commissioner responsible for the environment when they met in Kobe from May 24 to 26 to develop inputs into the G8 Hokkaido Toyako Summit held in July. There was a particular focus on promoting transparent timber markets and trade in legal and sustainably-produced timber.
- Forests were high on the agenda at the 9th Conference of the Parties (CoP-9) of the Convention on Biodiversity (CBD) The meeting adopted around 30 decisions specifically on forestry issues, the first decision calling for “*strengthening the implementation of the expanded programme of work on forest biodiversity*”. Some decisions impinge directly on the timber industry. For example support for legislative measures to prevent trade in illegal wood products – such as Lacey – is inherent to a decision to “*strengthen forest law enforcement and governance at all levels, take effective legislative and non-legislative measures to prevent illegal harvesting, including trade measures*”. Despite ENGO pressure, the meeting steered clear of a global ban on the use of GM trees.
- There has been a delay to the provision of detailed guidance on the definition of “legal and sustainable” timber products in the wake of the decision by the UK government to restrict their purchases to such products from April 2009 onwards. The delay seems to be due to an internal dispute between the Forestry Commission (FC) and Proforest, the UK government procurement policy advisors, over how to handle timber from small owners in the UK. The FC want recognition that timber from small owners complying with the UK regulatory standards is “legal and sustainable”. Proforest have resisted this notion on grounds that UK forest regulatory standards were not developed in accordance with the UK procurement criterion for “balanced stakeholder participation” during standards-setting.
- The UK’s Building Research Establishment (BRE) is engaged in a process to develop a “framework standard” for responsible procurement of construction materials. There are some positive aspects to this work for the timber industry as it has potential to increase scrutiny of the sources and supply chains of competing products. However, the existing BRE draft has many flaws. It threatens to allow competing industries to effectively neutralise a major selling point of timber – that it is the only major construction material that may be derived from a truly sustainable source. The UK Timber Trade Federation and TRADA are due to attend a meeting hosted by the Construction Products Association to discuss the standard on 12 August when they intend to raise significant objections to the draft standard and the standards-setting process.
- A review of global certification trends highlights that:
 - Total global area of certified forest stood at around 323 million hectares at the end of May 2008. After a slow down in growth rates in 2006 and 2007, the pace seems to have picked up a little this year. Global certified forest area increased by 17.5 million hectares during the first five months of 2008 (5.7%) with a major focus on FSC certification in Russia.
 - The pace of chain of custody certification continues to accelerate. During 2007, the number of FSC and PEFC CoC certificates issued globally increased by 30% to reach over 12,000. Strong growth continued into 2008 with a further 10% increase in the first quarter alone.
 - Growth in FSC CoC has significantly outstripped growth in PEFC CoC certification.
 - However the increase in CoC certification remains concentrated in a just a few countries. Together the UK and US accounted for nearly half of all new CoC certificates issued in 2007 and the first quarter of 2008. Much of the remainder were in Canada, Japan, China, Netherlands and Switzerland.

1. International Agreements and institutions

1.1 European Union

1.1.1 Additional legislative options

Details of the current status of EC deliberations on additional legislation to prevent imports of illegal wood into the EU were revealed by John Bazill of EC DG Environment at the Chatham House Illegal Logging Update Meeting in June.

Bazill noted that three options had been considered by the EC through a process of public consultation and a formal impact assessment including: a requirement for border controls requiring mandatory legality licensing of all wood imports; an obligation placed on EU importers to prove that wood is legal when challenged; and a Lacey-style act allowing prosecution of EU importers if it can be shown that wood derives from illegal sources.

Bazill said that “*all discussed options have serious drawbacks*”. Key objections to the options of universal legality licensing and an obligation on wood importers to prove that wood is legal are the massive amount of red tape that would be required and the belief that it would be disproportionate to the scale of the problem. Objections to a Lacey-style Act in the EU included the difficulty of establishing a chain of evidence to bring prosecutions, and the unwillingness of EU courts to take decisions based on the laws of a foreign country.

As a result the EC is now considering another option of directly imposing a requirement for due diligence on wood trading companies in the EU. While emphasising that the details of the proposed legislation are still being worked out, Bazill provided a broad outline. The aim would not be for the regulatory authorities to capture or monitor individual shipments to ensure they are legal, but to ensure that EU trading companies have effective management systems to reduce the risk of trade in illegal wood. The legislation would build on existing private sector initiatives (although not mentioned directly, obvious examples are initiatives like the WWF Global Forest and Trade Network, TFT, and national trade association procurement policies like the TTF Responsible Purchasing Policy). The product scope of the proposed legislation would be wider than the FLEGT VPA process (which only covers logs, sawn, plywood and veneers) extending to further processed products. Companies would be allowed to use risk assessment as part of the due diligence process, so there would be no necessity for traceability and certification for imported wood supplies from countries considered low risk from the perspective of illegal wood supply. There would be formal recognition for FLEGT VPA licenses in the legislation. For product for which these are available, EU companies would need to take no further action to demonstrate due diligence.

Bazill emphasised that “*no final decision has been taken*” on this legislation. The EC Communication on additional legislative options, originally scheduled for April, has been delayed and is now expected in September. Bazill also emphasised that the Communication itself will only amount to an EC proposal which must then be considered by both Parliament and the European Council. During this lengthy process, there are likely to be major amendments to the proposal and it could be rejected outright.

However Bazill also emphasised that the process of formal public consultation on additional legislation is now ended and that all EC DG's are in broad agreement on the approach to be adopted. Bazill noted that the principle of “comitology” is likely to apply in this instance, whereby the primary legislation that is eventually passed would set out a broad administrative framework, while the details of implementation would be worked out through further negotiation at national level and based on practical experience on the ground.

While the EC may broadly agree that this is the most appropriate approach, signs are that they still have much work to do to convince key stakeholders. Private sector reaction to the existing draft proposals have been mixed. Recent contacts with EU timber importing associations suggest that:

- All the main EU timber importing associations with the exception of Germany are now in favour of some form of legislation designed to prevent imports of illegal wood.
- The UK TTF is supportive of the existing EC proposal and has already written a letter to the EC expressing its support.
- All other Federations (including Netherlands, France, Spain, Italy, Belgium) dislike the current proposal and are pushing instead for legislation placing the onus on government authorities in exporting countries to "issue a declaration" of legality with each shipment. Importers would then only be under a legal obligation to demonstrate that they have an appropriate declaration for each shipment.
- These Federations argue that while more far-reaching due diligence measures should form part of voluntary private sector initiatives, there should be no legal obligation placed on importers to undertake these measures.

The views of environmental groups on the issue were summarised by Owen Edwards of Friends of the Earth at the Chatham House meeting. Edwards outlined a number of general principles that the ENGOs believed should form part of any legislative framework. First, the onus should be placed on companies to demonstrate compliance. Second, the definition of legality should be based on the three pillars of sustainability (covering economic, social and environmental issues) and should also reference Multinational Environmental Agreements such as CITES. Third, the legislation should set out standards for legality verification, including independent verification and traceability. Fourth, the legislation should cover all products including further processed products.

In short, ENGOs are calling for legislation combining elements of the EC due diligence proposal with additional tough requirements and standards for "legality verification" which, in reality, look more like requirements for SFM certification. Nor do the ENGOs recognise the importance of risk assessment as a critical first step in the due diligence process, assuming that requirements for independent verification and traceability should be universal.

Overall there are worrying tendencies emerging in the EU debate on additional legislative options. The EC's existing due diligence proposal might have some merit if the EC continues to emphasise the value of risk assessment and remains flexible with regard to requirements for legality verification. But there is a significant danger that pressure from ENGOs could reduce the emphasis on risk assessment and lead to unrealistic demands for timber tracking being placed on all suppliers of wood products.

The EU importing federation's suggestion that the onus should be placed on supplying countries to provide "declarations of legality" also seems particularly unhelpful. Without setting minimum requirements for such declarations, the proposal is just an open invitation to those supplying countries that are already issuing meaningless legality documents to continue. On the other hand, the idea that the EC should set minimum standards for these declarations may be even worse, potentially opening the door to the ENGO's demands for a universal traceability element in legality verification. There may also be pressure for the EC to link any minimum standards for legality "declarations" with FLEGT VPA licensing procedures in order to avoid discrimination against VPA countries. So the importers' proposal may be a slippery slope to legislation requiring universal legality licensing.

Meanwhile the simpler solution of a Lacey style approach seems to have been rejected out of hand. At the Chatham House meeting, Barry Gardiner, the UK Prime Ministers Special Envoy on Forestry made a forceful appeal for the EU to think again on this, suggesting it is a mistake for the EU to try to set a standard for "due diligence". He commented that it is "*madness for the EU to try to find a better way*" and that it would be much better to work alongside other major consumers like the US to implement a consistent approach based on Lacey. He stressed the "*elegance of the Lacey approach*" which avoids bureaucracy and imposes no new legal burdens – it only seeks to ensure that existing laws are applied. It puts companies on notice that "*if you get it wrong, you're in trouble*" He suggested that the objections to a Lacey style approach were "*something that had come up within the Commission and did not reflect any concerns identified during the broader consultation within nation states*"

1.1.2 EU Parliament endorses need for more action on illegal logging

The European Parliament has adopted a report that calls for adoption of EU legislation to prevent illegal wood imports. The report which covers a wide range of overseas development issues in addition to forestry, draws on the findings of the EP Committee on Development in a periodic review of the overall impact of EU policies on development. The Parliamentary report was adopted with 559 votes in favour, 11 against and 17 abstentions.

The report calls on the Commission to propose comprehensive legislation preventing timber from illegal and destructive sources being placed on the market. It notes that cheap imports of illegal timber destabilises the internal EU market and reduces tax revenues of producer countries. In response to concerns over the impact of deforestation on climate change and indigenous communities, the report also calls on the Commission to "*respond favourably to requests to finance sustainable forest management initiatives*" and for Member States and the Commission to "*speed up the adoption of a green public procurement policy*".

1.1.3 EU develops harmonised framework to assess the sustainability of whole buildings

In recent years, there has been a proliferation of schemes designed to assess the environmental impact of entire buildings. Systems like LEED in the US, BREEAM in the UK, HQE in France, and CASBEE in Japan are being used more and more, particularly in the public sector, in an effort to improve the energy efficiency of buildings and the health and comfort of their occupants, and to reduce their environmental footprint. These standards are increasingly impacting on markets for timber, generally boosting demand for energy efficient and healthy materials while also increasing scrutiny of the life cycle environmental impact of these materials.

CEN, the European standards organisation, is currently engaged in a process with the ultimate objective of harmonising these various systems, initially within the EU, while also integrating environmental objectives into a comprehensive framework covering the "sustainability" of whole buildings. In addition to environmental performance "sustainability" also covers economic and social aspects. According to CEN, their Technical Committee (TC) 350 is responsible for developing standards that "*will describe a harmonized methodology for assessment of environmental performance of buildings and life cycle cost performance of buildings as well as the quantifiable performance aspects of health and comfort of buildings*".

The rationale for development of the standards is set out as follows: "*to prevent potential technical barriers to trade in the internal market, it is a vital condition to have a common harmonized language between all stakeholders in the building sector. Furthermore, national voluntary schemes for the declaration of environmental product information and voluntary sustainability codes for buildings are expected to emerge. Industry is already facing demand for information from the market place, based on the existing different methods within the EU Member States. However, at the moment no formal mandatory regulations exist, neither on product nor on building level. The net result of this pressure is mounting costs for industry and a mutual non-acceptance of environmental product information*".

CEN TC 350 is drawing directly on existing ISO and CEN standards for the assessment of the environmental performance of buildings, notably the ISO/TC207 series on "Environmental management" which includes standards for environmental management systems, LCA, and Environmental Product Declarations. These are being combined with new standards to cover health and comfort and life cycle economic costing to provide an integrated framework for assessment of the "sustainability" of whole buildings.

CEN TC 350 has been operational since 2005. However industry representatives are only just becoming conscious of the potential for the new standards to impact directly on market competitiveness. In part this reflects the very rapid increase in concern for energy efficiency and security generated by the climate change debate and steep rises in oil prices. It also reflects the

rapid decline in private sector construction which has meant that public sector construction is that much more important, while all materials suppliers are now looking for an edge to boost market share in a declining market.

None of the CEN 350 standards have yet been approved, but two are in the final stages of the approval process. These standards cover respectively: the general framework for integrated assessment of building performance; and product category rules for environmental product declarations. The following standards are currently under development:

- Assessment of environmental performance of buildings - Calculation methods
- Environmental product declarations - Communication formats
- Environmental product declarations - Methodology and data for generic data
- Description of the building life cycle
- Integrated assessment of building performance - Part 2: Framework for the assessment of environmental performance
- Integrated assessment of building performance - Part 3: Framework for the assessment of social performance
- Integrated assessment of building performance - Part 4: Framework for the assessment of economic performance

The framework is due to be phased in over the period 2009 through to 2012.

1.1.4 EC Communication on Green Public Procurement

Following further delays, a draft version of the much anticipated EC Communication on Green Public Procurement (GPP) was released in July 2008. The Communication has significant potential to overcome some existing problems of market access created by the proliferation of public sector timber procurement policies in the EU and the lack of appropriate recognition of the positive environmental benefits of timber. However the Communication also has certain weaknesses from the perspective of the timber industry. A full analysis of the Communication is contained in a separate report (attached).

1.1.5 Social criteria in public sector timber procurement

Most definitions of “sustainable forestry” emphasise the need for trade offs between “economic”, “social” and “environmental” objectives. However under the terms of EC Procurement Directives and WTO rules (as set out in the WTO Agreement on Government Procurement – GPA) there is a strong presumption against allowing discrimination in public sector procurement policies between suppliers and products based on conformance to social standards. This raises questions over the legitimacy of existing criteria for “sustainable” timber established in these policies. The various EU governments have interpreted EC guidance on this issue in different ways. The UK has decided that social criteria should not be included within their definition of “sustainable timber”. The Netherlands, Dutch, and Danish governments have decided that social criteria should be included.

Chatham House held a meeting to discuss this issue in early June 2008 focusing on a draft report being prepared by Chatham House. The report is being funded by the PEFC and is scheduled for completion in September 2008. The meeting was attended by government officials and their technical advisors from the UK and the Netherlands, an EC official from DG Market, representatives of PEFC and FSC, several trade association representatives (TTF, FPAC, Malaysian Timber Council), and ENGOs (WWF, FERN). The PEFC representative explained that they funded the Chatham House report to assist wood products suppliers in their efforts to develop standards and mechanisms (including but not limited to forest certification) that comply with emerging government procurement policies.

The draft report highlights the broad range of issues that might be considered under the “social” heading including, amongst others: rights of indigenous peoples and local communities; land tenure; workers rights and conditions; community employment and facilities, fair prices, multiple

functions of forests, protection of traditional knowledge, participation, access to information, dispute resolution, capacity building, governance, and law enforcement.

Much of the discussion at the meeting focused on the extent to which it is legally permissible to introduce social issues into public sector procurement policies. The draft Chatham House report concludes that *“the types of timber procurement policies seen in most countries (with the exception of Norway), with the social criteria they contain, would be acceptable under the GPA.”* At the meeting this conclusion was strongly contested by Petr Wagner of EC DG Market (which is responsible for interpreting trade rules established within the EU). Wagner suggested that:

- There can be no broad acceptance that social criteria - or indeed the term “sustainable” if it is taken to cover social criteria - can be included in public sector contracts
- The fundamental requirement is that the criteria for award of contracts must be directly linked to the subject matter of the contract – that is the actual good or service which is purchased, which in this case is “timber”.
- While it is now widely accepted that environmental criteria can be included – because these may affect the underlying nature or quality of the product, the same cannot be said of social criteria.

Wagner went on to suggest that while social criteria may not be included at the selection or award stage of the contractual process, some social criteria may be included as part of the contract performance clauses. While these clauses must be known to bidders from the beginning of the procurement procedure, bidders are not assessed against these clauses at the selection and award stage.

However Wagner emphasised that even with respect to contract performance clauses, “social criteria” are very broad and variable and each would need to be assessed on a case by case basis as to whether they might be legally acceptable for inclusion.

There was a lot of discussion at the meeting as to whether it is allowable to bring in social issues by defining “sustainable timber” (rather than just “timber”) as the subject matter of a contract. This argument was pushed heavily by EU national government interests who suggested that “sustainable timber” is now a well recognised “product”. The discussion centred around differing interpretations of a key passage from the EU 2001 Interpretative Communication on integration of environmental considerations into public procurement:

“...the use of a specific production process may be required by contracting authorities if this helps to specify the performance characteristics (visible or invisible) of the product or service. The production process covers all requirements and aspects related to the manufacturing of the product which contributes to the characterising of the products without the latter being necessarily visible in the end-product.

This implies that the product differs from identical products in terms of its manufacture or appearance (whether the differences are visible or not) because an environmentally- sound production process has been used, e.g. organically grown foodstuffs, or “green” electricity. Contracting authorities must be careful that the prescription of a specific production process is not discriminatory.

Requirements which do not relate to the production itself, like the way the firm is run, on the contrary, are not technical specifications and can therefore not be made mandatory”.

EU national government interests argued that this passage indicates that performance characteristics need not be “visible”. There is nothing which distinguishes “green electricity” from other forms of electricity other than the production method. They argued that “sustainable forestry” relates to “the production itself” and the inclusion of social issues as an integral component of

sustainable forestry is not equivalent to “the way the firm is run”.

Wagner however continued to emphasise that there is a general presumption in EC advice against extending the subject matter of contract clauses to include the “purchase of social justice” rather than the “purchase of timber” or “purchase of a building”. This contrasts with the notion of “purchasing environmental protection/improvements” which is now widely accepted, particularly if the environmental criteria draw on comprehensive LCA based analysis. He felt it was easier to justify inclusion of environmental criteria than social criteria on grounds that the former may be critical to ensuring long term continuity of supply which, he argued, is an integral part of “the production itself”.

He also emphasised that “social issues” cannot be aggregated. While it may be that some “social issues” can be viewed as part of the “the production itself”, others may not. Each issue needs to be considered on a case by case basis. For example, there might be a legitimate case for arguing that land tenure issues are an integral component of “the production itself”, but issues such as worker rights are more akin to “the way a firm is run” and would not be acceptable.

Nevertheless, Wagner said that the EC’s opinion could change if the concept of including social issues became more widely accepted. This would require a move by the European Council of Ministers to change the rules. He implied that a major reason for the EC’s stance on this is a concern that some major trading partners (the US being explicitly mentioned) would argue that inclusion of social criteria would contravene the terms of the WTO GPA.

Much of the rest of the discussion was non-controversial. On the whole the Chatham House paper provides comprehensive coverage of the “social issues” that might be considered relevant to forestry, and a reasonably balanced assessment of the handling of these issues by the FSC and PEFC certification frameworks. There are various omissions which were raised by the Consultant at the meeting and in follow-up written comments to Chatham House. These omissions include:

- no consideration of the effects of including social conditions in timber procurement policies when equivalent criteria are not included for competing non-wood products;
- and the need to consider mechanisms for compliance with procurement policies other than forest certification (such as the AHEC risk assessment).

Chatham House is planning to hold a further meeting to discuss specifically the interaction of timber procurement policies with EU procurement rules in early September.

1.1.6 FLEGT VPA Negotiations

Formal FLEGT Voluntary Partnership Agreement negotiations are currently underway between the EU and Malaysia, Indonesia, Cameroon and Ghana. Once finalised, the intent of these agreements would be for the EU to import only wood products from these countries that are licensed as legal.

VPA negotiations are proceeding well in African countries which are highly dependent on the EU as a key market, where illegal logging is now a major and widely acknowledged problem, and where governments have been incentivised by the promise of EC aid for capacity building and increased capture of forest rent. Ghana is expected to be the first country to finalise a VPA in July 2008, although under the terms of this agreement the country is likely to be given two years in which to phase in a fully operational licensing system. Progress towards finalisation of VPA in Cameroon is being hampered to some extent by the complexities of supply chains in the country. How to handle the large volumes of wood imported into the Cameroon from the northern Congo is a particular sticking point. Nevertheless, expectations are high that Cameroon will finalise a VPA at some point within the next year or two. Meanwhile all the other leading African tropical hardwood supplying countries, with the exception of Ivory Coast, have indicated a desire to enter into VPA negotiations.

The situation in South East Asia is very different. Following recent strong growth in regional markets, neither Malaysia nor Indonesia is so dependent on the European market as they were in previous years. At the same time, EU governments are unable to offer much in terms of increased market access for Malaysian and Indonesian shippers as a result of their signing FLEGT VPAs. In fact, private sector interests in the country are worried that increased transaction costs as a result of VPA licensing may put them at a disadvantage with respect to key competitors in the EU market that have no intention of signing VPAs, notably China and Brazil. This has not prevented European environmental groups from demanding far reaching concessions from the Malaysian and Indonesian authorities on social and environmental issues (for example with respect to more comprehensive recognition of native customary rights) as part of the legality licensing system. As a result, negotiations between the EU and the two Asian countries have become difficult and protracted, with neither country being particularly keen to be guinea pigs in the VPA experiment.

Of the two Asian countries, Malaysia is more likely to be the first to finalise a VPA. The country is confident that its existing regulatory system is reliable and if it can convince the EU to accept VPA licensing based largely on this system, a VPA could be concluded fairly quickly.

Potential market impacts of VPA licensing in Europe are still rather uncertain. A recent study of the potential market impact of the EU-Malaysia VPA indicates that levels of European trade awareness of the VPA process are relatively low and that, given a choice, those European buyers that are interested in green issues would prefer an independent forest certificate (whether it be FSC, PEFC or MTCC) over a FLEGT VPA license. At present, there is still much uncertainty over how efficient and effective EU border measures will be to control imports from VPA licensed countries. There is a concern that these measures could lead to delays and red tape for VPA licensed timber, creating a perverse market incentive in favour of timber from non-VPA countries. The study also suggests that without tougher measures to remove illegal wood from the EU market, there is unlikely to be any price premium for VPA licensed timber. There is even a risk that FLEGT VPA timber could lose market share as it is undercut by wood from non-VPA countries.

There's now a lot of pressure on EU policy makers to resolve these issues. Efforts are being made to develop efficient and effective procedures to monitor and control timber imports from VPA countries. EU policy makers are also now more determined than ever to push through legislation designed to prevent illegal wood imports into the EU, if only to provide a stronger market incentive for the FLEGT VPA process. Efforts are also being made to ensure a level of recognition for FLEGT VPA licensed timber in EU government procurement policies, although this effort is coming into direct conflict with those European interests that want exclusive access for independently certified wood products in public sector contracts.

1.1.7 European Emissions Trading Scheme steers clear of forestry credits

The EU Emission Trading Scheme (ETS) is the largest multi-national, greenhouse gas emissions trading scheme in the world. According to the European Commission, the ETS accounts for 67% in terms of volume and 81% in terms of value of the global carbon market. It has been operational since January 2005 and encompasses all EU member states. However the impact of the ETS on the forest sector has been limited to date, the EC having decided that the science on carbon sequestration from forests and systems of measurement are not yet sufficiently well developed to allow trade in forestry-related credits.

The ETS operates by capping the amount of carbon dioxide that can be emitted from large installations, such as power plants and carbon intensive factories and covers almost half of the EU's Carbon Dioxide emissions. If companies miss their target, they are forced to buy permits from companies that have undershot their allowances, or they face financial sanctions. Companies may also buy in validated credits from the developing world through Kyoto's Clean Development Mechanism. In 2006, around \$8 billion of the total \$32 billion of carbon credits traded by the EU ETS were generated through the CDM.

The first phase of the ETS (2005 - 2007) was heavily criticised due to oversupply of allowances

and the distribution method of allowances (i.e. by government negotiation rather than by auctioning). As a result carbon prices remained too low to drive any significant reduction in carbon emissions. However, these issues are being progressively resolved and there are high hopes for the second phase of the ETS which runs from 2008 until 2012. The EC has been tough on Member States' Plans for emission reductions during this period, dismissing many as being too loose again. The number of permits to be allocated has been cut by around 9% between 2008 and 2012. The European Commission is now proposing to toughen the scheme further by increasing the proportion of permits companies will have to buy, rather than be given free. Compliance with the scheme is already improving and confidence is rising alongside increase in carbon prices.

The EC has great ambitions for the ETS, with evolving plans to link the system with similar schemes in other regions of the world after 2012 to lay the foundation for a global carbon market.

Greater linkage between the ETS and the evolving debate over credits for Reduced Emissions from Deforestation and Forest Degradation (REDD) is unlikely in the immediate future. Only weeks after the UNFCCC Bali Agreement in December 2007 effectively gave the go-ahead for far-reaching international REDD programs, the EC was proposing to exclude forestry credits from the ETS until 2020.

According to an article in the March 2008 edition of Nature, the EC made this decision based on concerns that "easy" REDD credits would undermine efforts to reduce its own industrial emissions. It feared that credits for deforestation, which annually accounts for roughly 5-6 gigatons or 20 percent of world carbon dioxide emissions, would swamp the nascent ETS carbon market. As the Nature article puts it, "*an endless stream of deforestation credits will simply allow companies in the developed world to pay a little extra and pass costs on to consumers without otherwise changing their policies.*" "*We want to see real emissions reductions in Europe,*" Artur Runge-Metzger, Head of Climate, Ozone and Energy at the European Commission, told Nature.

In line with this view, the EC proposal for a European Directive "*to improve and extend*" the ETS scheme issued in January is quite explicit in stating that emissions from forestry and agriculture should not be included in the ETS. The proposal notes that the ETS trading system "*should only be extended to emissions which are capable of being monitored, reported and verified with the same level of accuracy as applies under the monitoring, reporting and verification requirements currently applicable under the Directive. This is ...not the case for emissions from agriculture or forestry, although the EU ETS considers the combustion of biomass to be emission-neutral*". The proposed Directive does allow that the ETS may support REDD projects indirectly, noting that "*The European Parliament and the Council have endorsed the use of proceeds from auctioning of allowances within the EU ETS to be used for reducing emissions, in particular by avoiding deforestation*". However companies will not be able to benefit under the ETS from credits derived from REDD projects.

This does not mean there will be no trade in REDD credits in the European market. Consumers wishing to purchase forestry-related carbon offsets can do so through the small voluntary market for carbon credits. This is demand that is not forced through government regulation but is instead generated by environmentally concerned companies and individuals. Compared to the ETS the voluntary market is tiny, currently valued globally in the region of \$100 million. On the other hand, forestry off-set projects have been particularly popular in voluntary markets as they are amongst the most visible of offset types and are therefore attractive to buyers. They are believed to account for about a third of voluntary offsets.

1.1.8 EC on-line consultations on deforestation and biofuels

The EC is undertaking two on-line consultations with relevance to forestry issues. One on deforestation opened on 25 June 2008 and will close on 22 August 2008. To provide input go to http://ec.europa.eu/yourvoice/consultations/index_en.htm. The other is on a sustainability scheme for energy uses of biomass. It opened on 16 July 2008 and will close on 30 September 2008. To provide input go to: http://ec.europa.eu/energy/res/consultation/uses_biomass_en.htm.

1.2 G8 Environment Ministers emphasise measures to tackle illegal logging

As President of the G8 in 2008, the Japanese government has identified climate change and associated issues, including measures to address deforestation and illegal logging, as a priority this year. Measures related to forests and the timber industry therefore formed an important component of the recommendations of the G8 Ministers and European Commissioner responsible for the environment when they met in Kobe from May 24 to 26 to develop inputs into the G8 Hokkaido Toyako Summit held in July.

The G8 Environment Ministers reaffirmed that deforestation leads to the loss of biodiversity and high GHG emission and urged the international community to tackle illegal logging which is seen as a major contributing factor to deforestation. There was formal recognition of the need for both importing and exporting countries to take action to exclude illegally logged timber from the market as well as to implement measures to improve forest governance.

The Environment Ministers also agreed to forward to the Chair of the G8 in 2008 a more comprehensive report on forest related policy measures, including a set of detailed recommendations which has been jointly prepared by a group of forest experts appointed by the governments of G8 countries. The G8 Forest Experts report identifies a preliminary list of options for further action on forests by the G8 countries including:

- Promote transparent timber markets and trade in legal and sustainably- produced timber and timber products through creating incentives and partnerships among timber-exporting and -importing countries. This may include voluntary measures to encourage application of timber verification and labeling schemes.
- Promote expansion and development of bilateral and multilateral frameworks and dialogues between timber-exporting and -importing countries, involving timber-processing countries.
- Encourage, adopt, improve or extend public timber procurement policies that favor legal timber, where they can influence the private sector to use legally sourced timber, and share experience of this with others.
- Encourage and support voluntary initiatives by the private sector in both timber-exporting and -importing countries including such efforts as adoption and implementation of voluntary codes of conduct, and improvement of its business practices and market transparency.
- Promote and disseminate knowledge about sustainable forest management to all stakeholders and encourage the development of sustainable forest management plans in consultation with stakeholders.
- Promote cooperation with civil society, including NGOs and consumer groups in raising consumers' and local population's awareness on the issue.
- Support actions identified through regional Forest Law Enforcement and Governance (FLEG) ministerial processes in Africa, Europe-North Asia, and East Asia, and actively engage the International Tropical Timber Organization (ITTO) and other relevant multilateral fora that can bring resources to bear in addressing the illegal logging issue.
- Promote coordination of efforts being made by G8 members in assisting producer countries.
- Continue to work with the forest products industry, NGOs, international organizations, and partner countries to build the capacity of timber-producing and -exporting countries to stop illegal logging, including supporting efforts to comply with CITES obligations.

- Improve public access to forest-related information and enhance transparency of the forest sector through assistance to producer countries in developing necessary measures.
- Increase public awareness, including in producer countries, on the environmental, social and financial impact of illegal logging.
- Explore with partner countries developing and using systems for tracking origins and the flow of timber.
- Utilize information obtained from satellites to detect, report, prevent, and prosecute illegal activities in forests through cooperation and capacity building of producer countries.
- Explore developing a global monitoring network for forests, deforestation, forest degradation and illegal logging based on ongoing national and international earth observation initiatives and forest monitoring and assessment processes.
- Reflect discussion of and lessons learnt from combating illegal logging in the discussion on Reducing Emissions from Deforestation and Forest Degradation (REDD) as appropriate, recognizing that substantial progress on forest governance can contribute significantly to making progress on REDD. Strengthen coordination with relevant policies, in particular land use policies, including agriculture and bio-fuel policies.
- Identify ways to enhance cooperation between customs and law enforcement authorities in producer and consumer countries.
- Consider possible measures to promote better due diligence of investments by the private sector to contribute to efforts to combat illegal logging and its associated trade, promoting measures against money laundering, and enhancing transparent accounting in timber and forest products companies.

The G8 Forest Experts are committed to keeping close contact with each other and to meet occasionally and again in 2010 to review progress in realizing the commitments made, share lessons, and continue exploring options for coordinated action against illegal logging and its associated trade involving other relevant partners, in efforts to identify national, regional and global solutions to the issue.

1.3 Convention on Biodiversity

Forests were high on the agenda at the 9th Conference of the Parties (CoP-9) of the Convention on Biodiversity which took place in Bonn from 19th to 30th May 2008. This was a huge meeting attended by more than 4,000 delegates representing parties and other governments, UN agencies, intergovernmental, non-governmental, indigenous and local community representatives, academia and industry. The meeting aimed to discuss progress and take decisions on issues impacting on the CBD's overarching objective to encourage progress towards the international target to "*reduce significantly the rate of biodiversity loss by 2010*" agreed at the World Summit on Sustainable Development in Johannesburg. The CBD operates by imposing a legal requirement on Parties to implement national bio-diversity protection programmes.

One aim of the meeting was to undertake an in-depth review of the Convention's work programme on forest biodiversity. This led to the adoption of around 30 decisions specifically on forestry issues (see <https://www.cbd.int/decisions/cop9/?m=COP-09&id=11648&lg=0> for the full list). The first decision calls for "*strengthening the implementation of the expanded programme of work on forest biodiversity*". The remaining decisions build on this calling for, amongst other things: capacity building; strengthening law enforcement; valuation of eco-system services; resolving land tenure issues; improved forest monitoring; expanding and improving regulation of protected areas (taking into account an existing CBD target of having at least 10 per cent of each of the world's forest types effectively conserved); improved cross-sectoral co-operation and research; and promoting an

eco-system approach to forest management.

Some of the decisions impinge directly on the timber trade and industry. One decision calls for CBD parties to “*address as a matter of priority major human-induced threats to forest biodiversity*”, the first such threat being identified as “*unregulated and unsustainable use of forest products and resources*”. Another decision requires parties to “*address obstacles to sustainable forest management, such as the lack of market access for value-added forest products originating from sustainably managed forests*”. This is linked to a decision that parties should “*recognize the potential role of consistent and appropriate voluntary market-based certification schemes, and tracking and chain-of-custody systems, and public and private procurement policies, that promote the use of timber and non-timber forest products originating from sustainably managed forests and that are produced in accordance with relevant national legislation and applicable standards*”

Support for legislative measures to prevent trade in illegal wood products – such as Lacey – is inherent to a decision to “*strengthen forest law enforcement and governance at all levels, take effective legislative and non-legislative measures to prevent illegal harvesting, including trade measures*”.

A key theme for discussion was the role of genetically modified tree species. Those calling for a complete ban on the use of GM trees were disappointed. The CoP reaffirmed the need for a precautionary approach and called on parties to authorize the release of GM trees only after completion of studies in containment as well as science-based and transparent risk assessments.

Inevitably, the links between forests and carbon change were another major topic for discussion. The meeting called on Parties to ensure that possible actions for reducing emissions from deforestation and forest degradation do not run counter to but instead support the objectives of the CBD. Support for the emerging UNFCCC concept to provide financial incentives for “*avoided deforestation*” was inherent to a decision to “*further develop knowledge on forest ecosystem services, and implement, as appropriate, innovative tools for securing such services, such as Payments for Ecosystem Services (PES)*”.

Another key theme of the meeting was the potential impact of emerging demand for bio-fuels on biodiversity. Calls by the EU for the CoP to adopt a strong set of guidelines to ensure the “*sustainable production and consumption*” of biofuels were disappointed. On this issue, the CoP agreed only that Parties should “*promote sustainable production and use of biofuels with a view to promote benefits and minimize risks to biodiversity.*” Parties should also adopt “*sound policy frameworks*” for biofuels while the private sector is “*encouraged to improve the social and environmental performance of biofuel production, in particular through voluntary initiatives*”. Another decision reflects concern over the potential for biofuels to lead to increased forest conversion, calling on Parties to “*address.... impacts that the production and use of biomass for energy, in particular large-scale and/or industrial production and use, might have on forest biodiversity*”. It was also agreed that Parties should engage in further research and information exchange on the possibility of establishing more detailed requirements for sustainable biofuel production and consumption to provide the basis for an informed decision at CoP 10.

1.4 IIED proposes new Global Forest Partnership

An emerging initiative could pave the way for fundamental change in the way forests are managed, boosting efforts to fight both poverty and climate change, says research published by the UK-based International Institute for Environment and Development (IIED) in early July 2008. The World Bank-nurtured idea is of a global forest partnership that links local and global processes and promotes decision-making on the international stage that reflects the view and needs of local stakeholders such as forest dwellers. But the study's authors warn that the World Bank will have to heed the advice of hundreds of experts they consulted if it is to make a real breakthrough in tackling the problems of past decades and the weaknesses of typical international forest programmes.

IIED consulted widely on the bank's idea. More than 600 forest experts responded to IIED's survey or participated in focus groups in Brazil, China, Ghana, Guyana, India, Russia and Mozambique, as well as at international meetings. A majority agreed a new partnership was needed to protect forests and forest-based livelihoods, but pointed out ways it should diverge from the bank's initial idea if it is to really serve local needs on an equitable basis with the rapidly changing global forestry agenda. IIED also reviewed more than 50 existing initiatives to identify the proposed alliance's potential partners and the gaps it could fill.

The consultation identified key features that would make a global partnership a unique and truly progressive way for international forestry to work. It should focus on empowering primary stakeholders such as forest dwellers so that their rights, knowledge and needs are centre-stage. It should greatly improve flows of finance to activities that support local needs alongside global public goods such as carbon storage. And it should interact effectively with other sectors such as water and agriculture, where the underlying causes of forest problems – and the seeds of sustainable solutions – are often lodged.

According to Steven Bass of IIED and one of the authors of the report, the proposed partnership 'has potential to harness an enormous groundswell of energy to manage forests so they can help address local poverty and global climate change', adds Bass. 'Right now, Western governments are planning large climate and forest funds – the partnership could identify the best ways to invest those funds for long-term good'.

IIED suggest that the Bank must 'avoid trying to drive the partnership from the top-down. Instead it must act as the facilitator, providing financial and other support in a hands-off way to enable an independent alliance to be built from the bottom up, bringing together local and regional partners with global organizations'. The report urges the formation of a 'development group' of forest, environment and development leaders, mainly from the South and credible to government, civil society and the private sector, who can come together and contribute to the development of the initiative. They would be supported by a small group of progressive international institutions in their efforts to forge a new kind of local global partnership.

2. National level developments in Europe

2.1 United Kingdom

2.1.1 Delayed release of guidance for new government procurement policy

The provision of detailed guidance in relation to the UK government's 2007 announcement of a change in timber procurement policy continues to be delayed. At present UK government policy is require all timber used in central government contracts to be "legal" as the minimum standard and to give preference where possible to "legal and sustainable". From April 2009, only "legal and sustainable" timber or FLEGT licensed timber will be accepted for central government contracts. From April 2015, only "legal and sustainable" timber will be accepted. The new guidance is expected to provide updated advice to procurement officers of acceptable forms of evidence for "legal and sustainable" timber. It is being prepared for the Department for Environment, Food and Rural Affairs (DEFRA) by Proforest in its capacity as the UK government's Central Point of Expertise on Timber (CPET).

A major point of issue in the new guidance is how to ensure that small non-industrial forest owners (that might struggle to achieve SFM certification) in countries that nevertheless have good forest governance are not discriminated against after the change in policy. AHEC made a point of raising this issue with DEFRA during their public consultation on the policy change undertaken in 2007.

Contacts close to the process suggest this issue has also been vigorously pursued by the UK Forestry Commission (FC). The FC is concerned that many small owners in the UK may not be able to comply with the government's procurement policy. The FC are believed to have questioned the rationale of the UK government having one set of sustainability standards for forest operators

in the UK (the UK Forestry Standard with which all forest owners must comply) and a completely different standard for procurement developed for DEFRA by CPET. They argue that all timber supplied by small owners in the UK is in accordance with the regulatory standard and should therefore be recognised as “legal and sustainable” in government procurement. However CPET have argued that timber supplied from forests managed in accordance with the UK regulatory standard should not have this status since the UK government’s own forestry standard-setting process did not meet DEFRA’s far-reaching requirements for “balanced stakeholder participation”. CPET are also believed to have argued against special measures for small owners on grounds that this would undermine efforts to encourage more widespread uptake of FSC group certification. The FC has vigorously disputed these arguments and raised questions about why Proforest is acting as official advisor to DEFRA on sustainable forestry issues – which the FC reckons should be their role to perform.

The delay in issue of the new guidance is believed to reflect this internal dispute. According to contacts close to process, DEFRA is under considerable pressure to find some way in the new guidance to recognise as “legal and sustainable” timber from small owners operating in accordance with the UK regulatory standard. But DEFRA is also very sensitive to the possibility that this might be perceived as discriminatory and contrary to EU and WTO procurement rules. So the fix offered to small owners in the UK would technically also have to be available to suppliers in other countries. It’s also understood that, as a possible concession to AHEC, DEFRA might include in the new guidance a rather vague reference to potential for use of risk assessment as a means of demonstrating sustainability. But it’s also possible this reference will be too buried and obscure to be of much practical use for procurement purposes.

2.1.2 Flawed BRE standard for responsible procurement of construction materials

Several years ago, the UK’s Building Research Establishment (BRE) introduced a ‘Responsible Sourced Timber Credit’ into their Environmental Assessment Method (BREEAM) for buildings. The original aim was to recognise work undertaken by the timber industry above and beyond their legislative obligations with respect to timber sourcing. Following pressure from other materials supplying sectors, the BREEAM credit was expanded in April 2006 to embrace all materials and is now known as the ‘Responsible Sourced Materials (RSM) credit’. For timber products, varying levels of credit are provided for products verified according to CPET-approved certification or legality verification systems. For other materials, credits can be achieved for materials derived from suppliers conforming to environmental management systems standards such as ISO 14001 or EMAS.

In recent months, BRE has been trying to improve the reliability and broaden the scope of the RSM Credit framework by evolving a Framework Standard (BES 6001:2008¹) and certification framework which aims to assess how construction materials and products are sustainably produced. According to BRE it is in dialogue with over 15 sector or company representatives in the materials supply sector that are keen to formalise RSM. The UK Construction Products Association (CPA) has been a major driver of the process, chairing industry workshops in February 2008 and April 2008 to discuss the framework standard. The process also responds to a range of other policy initiatives in the UK construction sector that are creating demand for “responsibly sourced” materials, most notably an Olympic Development Agency sustainability construction strategy key target to ensure all materials are responsibly sourced.

According to BRE, the underlying objective of the project is to “*develop a Responsibly Sourced Materials certification scheme which will have at its core a standard that provides a generic framework of common principles that define responsible sourcing. The framework will incorporate existing certification schemes and other industry initiatives to avoid adding additional administrative burdens of auditing and verification. It will provide a basis for addressing Responsible Sourcing of Materials at both sector and company levels*”.

¹ Note BES refers to a “BRE Environment and Sustainability” standard and bears no relationship to, and has no status as, any formal British Standard (BS).

BRE go on to suggest that *“assessment against the standard is anticipated through the establishment of a certification scheme through BRE or other licensed certification bodies. Direct certification of product and material manufacture against BES 6001 will be possible. However, it is also anticipated that sector specific standards will be developed to reflect their particular context”*.

Work to finalise the standard has been proceeding rapidly, perhaps too rapidly given the weaknesses of the current draft. A first draft version of BES 6001 was put out for public consultation at the end of March 2008 with the comment period ending in May. According to contacts with the UK TTF - which has been closely engaged in the process - this first draft was deeply flawed and widely criticised. A second heavily revised draft was put out for public consultation on 6 August, but with only a very short commentary period which is due to end on 15 August 2008.

The latest draft BES 6001 standard and assessment process is complex and often confusing. It is not entirely clear whether the intention is to certify a product or organisation. Although there are regular references throughout the standard to the “assessed product”, it is the organisation supplying the product which is actually rated at the end of the process. An organisation meeting the requirements of the Standard would receive a star rating ranging from one star for "Pass" to four stars for "Excellent". The organisation must satisfy all mandatory elements and achieve additional levels of compliance within the voluntary requirements of the Standard to achieve a star rating.

The mandatory elements of the standard focus on the management system of the organisation seeking certification. This management system must be documented and at minimum conform to both ISO9000 and ISO14001 or EMAS. It must cover purchasing processes and approval of suppliers. The organisation must maintain a list of approved suppliers of the assessed product together with records to demonstrate that these suppliers are also committed to responsible sourcing. The management system must address specific procurement policy elements identified in BSS 6001. These aspects are wide ranging and include amongst others: ethics; legal compliance; promotion of responsible practices; stakeholder engagement, fundamental workers rights; health and safety; climate change and energy; sustainable resource use; and waste management.

The standard awards additional voluntary points depending on the relative level of commitment shown by the organisation’s own suppliers to responsible procurement policies, environmental management systems, and health and safety policies. Further points are awarded depending on the % volume of the constituent materials in the “assessed product” that are “compliant with an independently certificated chain of custody scheme”.

Additional voluntary points are also awarded depending on the assessed organisation’s progress in developing programs dealing specifically with: global warming emissions; sustainable resource use; water; waste management; transport impacts; site stewardship; lifecycle environmental impacts; employment and skills; and local communities. Points are awarded separately for each issue, usually one point if the organisation has prepared a policy statement on the issue, two points if the organisation has developed objectives and targets relevant to the issue in consultation with stakeholders, and three points if the organisation has publicly reported progress against these targets.

Consultant’s commentary

From the perspective of the timber industry, there are some positive aspects to BRE’s attempt to develop a framework standard for responsible sourcing of all materials. It has potential to increase scrutiny of the sources and supply chains of competing products, something which has not been a feature of environmental procurement policies in the construction sector in the past. The reliance on ISO based management systems also has certain strengths – these are developed to be applicable in a wide range of industries and are already well understood.

But the existing draft standard has many flaws. While it might integrate well with the so-called “sustainable sourcing” initiatives of other industries (for example it seems to align particularly well with the green sourcing programme of the UK cement and aggregates industry), it is very hard to reconcile with the much more far-reaching measures of the timber industry to develop truly sustainable sourcing practices. This, of course, involves procuring a renewable product which is traceable to a source managed to balance environmental, social and economic needs. While timber certification schemes go to great lengths to ensure balanced representation of economic, social and environmental interests in setting standards for forestry and CoC, the BRE standard imposes no mandatory requirement for balanced stakeholder participation.

The draft BRE standard endorses a purely management systems approach, an approach which was explicitly rejected in the timber sector as unacceptable over 10 years ago. Such an approach does not guarantee raw material or product integrity as it does not set establish minimum performance requirements. In short, the current draft standard would allow competing products to gain high marks for “responsible procurement” without demanding equivalent levels of conformance to specific performance standards and levels of stakeholder participation that are required by certified forest operations.

The BRE draft standard also seems primarily designed for large corporations. While it would be relatively easy to apply in sectors with simple vertically integrated supply chains, it is very difficult to apply in a sector – like the timber sector - where there is a high degree of fragmentation in the supply chain.

Another key weakness of the draft standard for the timber industry is that while it gives credit for company programs to reduce carbon emissions, it provides no credit for reliance on a product that actually sequesters carbon during the production process.

BRE is also likely to face major challenges in its efforts to implement such a standard. The management elements of the standard are wide ranging and would require auditing teams to have very broad knowledge of many subjects. The current scoring system allows for a high degree of interpretation, suggesting it would be very difficult to ensure consistent and repeatable results, particularly across sectors.

In short the current draft threatens to allow competing industries to effectively neutralise a major selling point of timber in the UK construction sector – that it is the only major construction material that may be derived from a truly sustainable source.

The UK TTF and Timber Research and Development Association (TRADA) are due to attend a meeting hosted by the Construction Products Association to discuss the draft standard on 12 August where these objections will be raised.

2.1.3 Timber procurement for the Olympics

The 2012 London Olympic Games are one of the UK’s biggest ever construction projects with the current budget of around £9.3 billion. The Olympic Delivery Authority (ODA) has primary responsibility for building the venues and infrastructure. This is a government-funded organisation subject to EU procurement regulations. The ODA has a strategy of managing only a relatively small number of direct contracts to deliver Olympic venues and infrastructure. So-called “Tier one” contractors will then manage their own sub-contractors and supply chains. The ODA has developed a ‘contract packaging’ approach to break down the entire programme of work into suitable elements for procurement. To meet its objectives, it is likely that the ODA will procure around 2000 contracts and projects of varying size and value. While there will be 2000 Tier One contracts, in total the Games are expected to generate up to 50,000 contracts, taking into account all sub-contracted work and the full range of construction and infrastructure work.

ODA’s procurement policy is supposedly designed to create a level playing field for all supplier and

materials sectors and not to secure the cheapest option. "Environment" and "legality" are identified as procurement priorities alongside cost, health, safety, and inclusion. Environmental impact was a central theme of London's bid to stage the Games which have been billed as the "green" or "carbon neutral" Olympics. The ODA's Sustainable Development Strategy states that "*suppliers will be asked to demonstrate, as appropriate, responsible sourcing of materials by providing evidence of the existence of legal sourcing, environmental management systems, or through the use of chain of custody schemes*". Venue design and construction is also applying a special version of BREEAM developed specifically for sports-venues. The homes in the Olympic Village will be built to Code for Sustainable Homes Level 4 and infrastructure is being future-proofed to enable long-term energy self-sufficiency and adaptation to climate change. Sustainability specifications will also apply to temporary venues and venue overlay.

The ODA has also consistently stressed the legacy of the event, both in terms of infrastructure and environmental procurement practices. It is developing facilities with a life span beyond 2012 to be a shop window for construction methods for years to come. The ODA wants to be seen as setting new standards for public sector construction procurement, including for the 2014 Commonwealth Games in Glasgow.

As part of the ODA strategy of working only with a limited number of direct contractors and to help ensure only sustainable timber is delivered, the ODA has indicated that most wood supplied directly to "Tier one" contractors for the Games should be derived from up to 20 timber suppliers that make up a dedicated 'Timber Supplier Panel'. It will be compulsory for "Tier one" contractors to use the Panel unless these contractors have a "good excuse" for going elsewhere.

The Timber Supplier Panel was due to be appointed in July 2008. Panel members are being selected on their capacity to supply the volumes needed combined with their ability to meet the environmental rules. The contract will be for four years with the option to extend the agreement for an additional 6 months if it is needed for the London 2012 Games period. The panel will supply up to an estimated 600,000 square metres of hardwood, softwood, plywood and other products and 40,000 metres cubed of softwood timber to the ODA's contractors and their suppliers.

The ODA has indicated that all timber supplied to ODA Projects must comply with certification schemes approved by the Central Point of Expertise on Timber (CPET). Companies engaged on the Timber Supplier Panel will be required to help the ODA's contractors meet this obligation by keeping records to trace products from their source through the supply chain to the Olympic Park site. The timber suppliers will also have to ensure that they have comprehensive certification and sufficient auditing in place to ensure standards are met.

Timber companies that are not members of the Panel will not be entirely excluded from Olympic Projects as sub-contractors can source elsewhere. But every supplier will have to follow the same certification rules, with Tier One contractors responsible for ensuring everything coming onto Olympic sites is compliant.

To date around one half, or around £3.5 billion worth of the 2000 Tier One contracts have been awarded. Despite the strong policy focus on green issues and "carbon neutrality", so far the timber industry has been disappointed at the relative poor showing for timber in the high profile venues. It seems steel frame designs have been chosen for the Olympic Aquatic Centre and Basketball Arena. One shred of comfort is that the Aquatics Centre has a timber clad interior.

The Velodrome was a particular disappointment. David Morley Architects (DMA) entered the competition to design this venue with an innovative structure predominantly in wood. Sweeping lines were achieved using glulam or LVL pillars which arched outward and over so the whole arena expressed the curves and banks of the track, while the central section of the roof comprised a timber gridshell. According to DMA, the structure gave an estimated 12,000 tonnes CO₂ saving compared to steel. However the competition was won with an alternative design by Hopkins architects. The exact materials for the winning design have yet to be confirmed but early indications are that there will be a much larger steel component.

Nevertheless, there are high hopes that the ODA's strong focus on carbon neutrality and sustainability will ensure that timber features strongly in some of the remaining Olympic Park venues, notably the Olympic Village. The timber sector is also seeking to exploit the widespread use of demountable buildings which can be used elsewhere on the Olympics site. There is expected to be around 100,000 m² of demountable construction at the Games. Wood has a proven record in this area and TRADA is reinforcing this argument with a new book on reusable timber buildings.

2.1.4 Unlikely attempt to introduce Lacey-style legislation

At the Chatham House Illegal Logging Update Meeting in June, Barry Gardiner (UK MP and the Prime Minister's Special Envoy on Forestry) reported on his efforts to introduce a law modelled on the Lacey Act into the UK legislature. He emphasised that his chances of success are extremely slim - no greater than 0.1% by his own estimate. He is attempting to introduce the law without formal government backing as a "10 minute rule bill" – a process whereby the advocate is given only 10 minutes to argue the case in the House of Commons. If approved to go forward, the Bill would then be subject to a second reading, then a third reading before being considered by the House of Lords. Gardiner's main aim in this process is to raise awareness of the Lacey approach in the EU.

2.1.5 Eliasch Review

Last year the UK Prime Minister Gordon Brown appointed Johan Eliasch as the UK's Special Representative on Deforestation and Clean Energy and commissioned him to undertake an independent review on the role of international finance mechanisms to preserve global forests in tackling climate change. The Eliasch Review team is based in the UK Government's Office of Climate Change. The Review, which is due to be published in September 2008, starts from the proposition that deforestation is a major source of global carbon emissions and that a global deal without strong action to reduce deforestation will mean failure to meet the emissions targets necessary.

The Eliasch Review will provide an evidence-based analysis of different international finance mechanisms. The Review will examine a number of broad questions:

- What would be the mitigation costs of reducing deforestation and associated policies to reduce carbon emissions significantly, and how could the carbon market and/or public funding meet these costs?
- If forests were included in a carbon market, how would it operate to ensure that carbon emissions were reduced?
- How are multilateral funds currently used to address deforestation, and how could they be made more effective?
- How can forest carbon be efficiently and accurately measured and monitored? Can carbon be used as a proxy for other ecosystem services?
- What capacity-building is needed in developing countries to access international finance, and how can that finance best ensure that poverty reduction goals are met?

Progress of the Review will be updated on the OCC website: www.occ.gov.uk

3. Development of Forest Certification

3.1 Global trends

A set of tables showing recent global trends in forest and chain of custody certification together with accompanying notes are distributed with this report. Highlights include:

- Total global area of certified forest stood at around 323 million hectares at the end of May 2008. After a slow down in growth rates in 2006 and 2007, the pace seems to have picked up a little this year. Global certified forest area increased by 17.5 million hectares during the

- first five months of 2008 (5.7%) with a major focus on FSC certification in Russia.
- The pace of chain of custody certification continues to accelerate. During 2007, the number of FSC and PEFC CoC certificates issued globally increased by 30% to reach over 12,000. Strong growth continued into 2008 with a further 10% increase in the first quarter alone.
- Growth in FSC CoC has significantly outstripped growth in PEFC CoC certification.
- However the increase in CoC certification remains concentrated in a just a few countries. Together the UK and US accounted for nearly half of all new CoC certificates issued in 2007 and the first quarter of 2008. Much of the remainder were in Canada, Japan, China, Netherlands and Switzerland.

3.2 PEFC

3.2.1 Governance Review

PEFC published an independent Governance Review in May 2008 following up on a key component of the organisation's October 2007 Strategic Plan. The review was commissioned from the Z/Yen Group, a company that assists organisations to develop strategy, supported by an independent Governance Review Panel convened to guide and contribute to the process. The Review was broad-ranging encompassing such issues as external perceptions of PEFC, the effectiveness of PEFC, implementation and monitoring of governance, level of "buy-in" from PEFC's existing stakeholders, and dialogue with environmental non-government organisations. The review drew on wide ranging consultation with key stakeholders, opinion formers, and technical leaders in the forestry and environmental community.

Specific questions considered during the review process focused on the decision-making relationship between the Members, the Board, and the Secretariat; responsible means to continue to increase membership and certified hectareage; where inclusiveness and representation happens within PEFC's bodies and initiatives; and how best to develop or improve public and peer understanding of PEFC's work.

The review includes a wide range of recommendations encompassing measures to rationalise internal organisation, improve marketing capacity and communication, increase engagement with stakeholders, and increase relevance and effectiveness. Headline recommendations are that PEFC should:

- Establish a Stakeholder Forum to comprise a wide range of international organisations supportive of sustainable forest management and engaged in improving and expanding PEFC work. The Forum should be granted specific rights and responsibilities in the organisation's governance process including: the right to nominate two members of the PEFC Board of Directors; the right to nominate members of the Panel of Experts responsible for reviewing forest certification schemes; and voting rights in the General Assembly.
- Announce a PEFC-sponsored International Conference on Forestry and the Environment to be held in Geneva (targeted to take place in 2009) with the express purpose of inviting participation and dialogue with Environmental NGOs.
- Strengthen procedures for assessing national certification systems by tightening the role of independent consultants and the Panel of Experts, for example by establishing minimum requirements for professional eligibility, a qualification test, a formal review mechanism for quality of completed work, and terms of reference that include a signed 'Statement of Independence' for each consultant.
- Engage with FSC in areas and endeavours of mutual benefit of concern (e.g. illegal logging), increasing communication, and where a 'united front' can advance the global interests of sustainable forest management (for example, inviting FSC to General Assemblies, exchange of staff at headquarters, joint development projects, mutual

recognition of timber legality certification, joint chain-of-custody certification, and/or collaboration in forestry projects with international development organisations.)

- Take a lead on forestry policy on carbon through engagement with relevant international organisations (e.g. the UNFCCC or the World Bank Forest Carbon Partnership Facility).
- Launch a Tropical Initiative, partnering with a complementary organisation such as ITTO or the Rain Forest Trust. This should both seek to advance sustainable forest management in tropical forests and also to expand membership, create new alliances and promote the PEFC standard's contributions in the developing world.

More details: http://www.pefc.org/internet/html/news/4_1154_65/5_1105_1876.htm

3.2.2 New Head of Communications

The PEFC Council recently announced the appointment of Thorsten Arndt as Head of Communications. Arndt's previous posts include Communications Manager for the World Business Council for Sustainable Development (WBCSD) and Knowledge and Information Management Associate at the United Nations Development Programme (UNDP) in New York.

3.2.3 Guidance for PEFC Panel of Experts

The PEFC process for endorsement of national certification systems has been the subject of significant criticism in the past and a major focus for allegations, particularly from environmental groups, that PEFC endorsed schemes are of varying quality. Although the endorsement process has always required assessments by independent consultants, questions have been raised about the consistency of these assessments and the professional capabilities and independence of the consultants.

Responding to these criticisms, PEFC has been taking steps to tighten up the endorsement process in recent times. In October 2006, the PEFC Council introduced a requirement for all independent consultant's evaluation reports to be subject to peer review by a Panel of Experts. The Panel comprises experts from a broad range of interests, including forestry, certification and accreditation processes, NGOs, and market access. Earlier this year, the PEFC Council published new guidelines for the "Involvement of the Panel of Experts in the Endorsement of National Forest Certification Schemes". These are designed to strengthen the transparency and robustness of the peer review process.

PEFC's recent Governance Review calls for further measures to improve the endorsement process, for example by establishing detailed requirements for the professionalism and independence of consultants and by involving a wider range of stakeholders in the decision-making process (see 3.2.1).

3.3 FSC

3.3.1 New Executive Director appointed

Andre Giacini de Freitas has taken over the office of FSC Executive Director from the outgoing FSC Executive Director Heiko Liedeker. A forester by training, Andre Giacini de Freitas also brings extensive and broad experience of working within FSC. This includes field experience working as an auditor in Brazil as well as high-level, strategic and policy work at the international level. Previously, Andre Giacini de Freitas managed Imaflora, a Brazilian NGO that is also the SmartWood affiliate in that country, and also developed the social and environmental policy for Rabobank in Brazil. Since 2006 Andre Giacini de Freitas has been leading the FSC Policy and Standards and Communications programs.

3.3.2 P&C under review

The FSC is in the process of reviewing the FSC Principles and Criteria (P&C). This is the core document for FSC forest management certification and can only be changed by a vote of the FSC membership. FSC has never before undertaken a full review of the FSC Principles and Criteria since their adoption almost 15 years ago. Although a few changes have been made to the document at different FSC General Assemblies, the current document remains largely consistent with the original.

A first draft of an amended version of the P&C has been prepared by the FSC Board of Directors with the support of the FSC International Center. It was based on several motions from the 2005 FSC General Assembly and on recommendations by the FSC Policy Working Group and subsequent Expert Teams of the FSC Plantations Review. This draft was put out for a period of public review ending on 12 July 2008. The Board of Directors is now developing a second draft based on comments received which will again be put out for consultation. The final draft which will be subject to approval of the full FSC membership at the next FSC General Assembly due to be held in Cape Town in early November 2008.

More information: www.fsc.org/pcreview.html.

3.3.3 Process requirements for development of FSC national standards

FSC is taking steps to rationalise the process whereby national FSC certification standards are developed and endorsed. One underlying aim seems to be to facilitate more widespread development of these standards and to reduce existing over-reliance on so-called interim standards developed by the certification bodies. It is hoped that this will in turn boost local stakeholder support for FSC.

A new draft standard for development of national and regional FSC certification standards has been prepared. This builds in various mechanisms including: allowing regional approaches; prior approval of the national or regional processes; and the opportunity for bodies other than accredited FSC National Working Groups to develop standards. Efforts are also being made to increase the efficiency of national standards approval processes at the FSC international office in Bonn.

More information: www.fsc.org/consultation_standarddevelopment.html

3.3.4 ASI moves to improve credibility of auditing

The activities of various FSC accredited certification bodies have been the subject of vigorous scrutiny in recent times not least by green interests that regularly contribute to the www.fsc-watch.org website. A large part of the problem in the past was down to the fact that FSC's central accreditation functions were poorly organised and lacking in transparency, falling short of international requirements for accreditation set out in the ISO/IEC 17011:2004 standard for accreditation bodies. However, the signs are that accreditation processes have been significantly improved since establishment of Accreditation Services International (ASI) in 2006 as a separate entity with responsibility for accreditation of FSC certification bodies.

Under the terms of ASI's membership of the International Social and Environmental Accreditation and Labelling Alliance (ISEAL), the organisation has been subject to independent scrutiny of compliance to ISO/IEC 17011:2004. ASI is currently listed as an Associate Member of ISEAL rather than a Full Member. This suggests that it has not yet demonstrated full conformance to the ISO/IEC standard which is the main condition for full membership. Nevertheless, ASI's recent actions suggest that progress is being made towards full conformance.

The most visible aspect of ASI's efforts to tighten up procedures in recent weeks has been the reduction in the geographic scope of FSC accreditation for various certification bodies. Earlier this year, SGS Qualifor was forced to withdraw several non-compliant certificates, including in Guyana and Spain, following damning assessments by ASI. In April SGS Qualifor was suspended for forest

management and chain of custody certification in Poland. In May, FSC withdrew the accreditation of the certification body Institut für Marktökologie (IMO) for forest management certification in Chile

The increased rigour of ASI's assessment may have been a factor in the recent decision by SGS Qualifor, the second largest FSC accredited certifier, to voluntarily adopt an open-ended moratorium on the issuance of new FSC forest management certificates. SGS has indicated that it remains committed to FSC's objectives and that it will use this time to systematically review the situation related to forest management certification. As of May 29th, 2008, SGS will not sign new contracts for assessing forest management operations for the purpose of FSC certification. However, SGS will maintain its services to all existing certificate holders and will continue to work with companies seeking re-certification.

3.3.5 Danish municipalities recognise FSC

FSC Denmark carried out a survey in May 2008 to assess the impact of their 2007 'Strike a blow for FSC' marketing campaign which targeted Danish municipalities. Of 200 respondents, recognition of the FSC label and knowledge about FSC soared to 65% from just 5% in 2005. The 2007 campaign had involved FSC Denmark visiting a third of the country's municipalities. Mayors, purchasers, politicians and employees were presented with FSC certified hammers and toolkits containing a variety of FSC products and information.

3.3.6 FSC certified area expands in Africa

DLH's subsidiary Congolaise Industrielle des Bois (CIB) recently achieved FSC certification for an additional concession in the Republic of Congo. This is only the second FSC forest management certificate issued in the country. The Pokola forest management unit (FMU) covers 452,200 ha. Together with the Kabo FMU certified in May 2006, the area of FSC tropical forest now covers some 750'000 in the Republic of Congo. Both certified forests are managed by CIB. CIB's certification program is on-going with efforts continuing, not only to maintain the FSC certificates of Kabo's and Pokola's FMUs but also to have its remaining FMUs, covering its full 1.3 million hectare area, FSC certified by the end of 2009.

3.4 ITTO Report on Forest Certification

ITTO have produced a report which reviews and assesses progress in the comparability and equivalence of forest certification systems, with a particular focus on promotion of tropical timber certification. According to ITTO, the report is needed because of the proliferation of both certification systems and the market requirements for such systems.

The report takes as its starting point the fact that while some progress has been made by tropical countries to develop forest certification, the rate of achievement pales in comparison to developed countries. While certified forests in ITTO producer countries have expanded 2.6 times from 6.4 million hectares in 2002 to 16.3 million hectares in 2007, their share of the world's certified forests has in fact fallen from 7% in 2002 to 5% in 2006. Meanwhile public sector and private sector procurement policies are becoming more varied and complex with many placing great emphasis on sourcing particular types of certified wood products. The end result may be increasing constraints on market access to tropical wood products.

The ITTO study highlights lack of skills and adequate management systems in forest management units, barriers in accessing certification services, limited awareness of the importance of certification and lack of certifiable forests as the main factors inhibiting progress in forest and timber certification in the tropics. It also updates the status of implementation of forest and timber certification, developments toward comparability and acceptance of certification systems and schemes as well as emerging issues on verification of legality and certification of community forests and smallholder forest owners that may have some significant implications for ITTO member countries.

Drawing on six country case studies the study assesses the appropriateness of active certification systems in specific tropical countries. The study implies that the PEFC approach of endorsing national systems may be more technically appropriate to tropical countries than the FSC approach. It indicates that there are a number of limitations in applying the FSC P&C in tropical country conditions. It also highlights the value of national certification schemes which are, by definition, adapted to national conditions. The study also notes that a general problem of all the systems is their unsuitability for small and medium-sized enterprises, smallholders and, with the exception of the Indonesian LEI system, community forests. Only LEI has a formal procedure for a phased approach that lowers the barrier of entry to certification.

The study also compares various assessment frameworks for forest certification including: (i) the International Council of Forest and Paper Associations (ICFPA), representing the view of the global forest industry; (ii) the World Wildlife Fund (WWF)/World Bank Forest Certification Assessment Guide (FCAG), and the Performance Standards of the International Finance Corporation, representing the view of financial institutions; (iii and iv) the public procurement policies of Denmark and the United Kingdom, which present government views; and (v) the Keurhout Protocols for the validation of certification systems – an example of an approach taken by private-sector timber importers.

On the basis of this assessment, the study is optimistic about the prospects for harmonising these various frameworks as a means of simplifying market access. It notes that *“different assessment frameworks propose somewhat different criteria for the standard-setting process, but all enlist the same principles of consultation, participation, and inputs from stakeholders...Our analysis shows that it would be relatively easy to harmonize the criteria sets without changing their intent by simplifying and rewording them”*. The study also suggests that it should be possible to develop a common set of comprehensive requirements for CoC certification and labelling for all the systems, while labelling rules could still be subject to the internal regulation of each particular scheme.

The study suggests that the various certification schemes could usefully work together in other ways, for example on legality verification. It suggests that an international framework standard or similar instrument could be developed to serve as the basis for assessing the legality of forest management and CoC.

The study highlights the continuing need for more data on the real impact of different certification systems on the ground. It notes that most available studies have inherent limitations.

The study includes a range of recommendations for consideration by ITTO, governments in producer and consumer countries, the tropical timber trade and industry and certification systems. ITTO is encouraged to continue to support the development of voluntary national certification systems and to explore the feasibility of developing a common approach to legality verification. Governments in tropical countries are also encouraged to promote development of certification. Governments in consumer countries are encouraged to work towards harmonization of timber procurement policies. Trade and industry in timber consuming countries are encouraged to align enterprise-level purchasing policies with public procurement policies to help reduce the proliferation of requirements and improve transparency. Forest certification schemes are encouraged to continue to develop mechanisms to allow wider uptake of forest certification in the tropics and to explore opportunities for co-operation and convergence.

More information: http://www.itto.or.jp/live/Live_Server/4092/TS29.pdf

3.5 Forest certification in Canada

These are difficult times for the Canadian wood industry. In 2007, forest destruction due to a devastating pine beetle infestation in British Columbia combined with a strengthening Canadian dollar and the collapse of the U.S. housing market resulted in a \$750 million loss to the industry. With 80-90% of wood exports going into the U.S. and home construction activity in the U.S. stalling, the industry is expected to lose a similar amount this year. Against this background, the

Canadian industry is desperate to find an edge to increase market share in international wood products markets. Increasing market interest in environmental issues - driven particularly by mounting concern over climate change, rising energy costs and security, might just provide this edge.

Canada's forest industry should be well placed to exploit a strong record on sustainable forest management. The total area of forest third party verified as responsibly managed by one or other of the forest certification systems operational in Canada now amounts to around 138 million hectares. This area is very close to the 143 million hectares of forest land identified as subject to forest management in the Canadian government's annual "State of Canada's Forests" report.

Status of Forest certification in Canada, January 2008

| Standard Used | Area Certified (hectares) | Area Certified (acres) |
|---|---------------------------|------------------------|
| Canada's National Sustainable Forest Management Standard (CAN/CSA-Z809) | 77.8 | 192.3 |
| Sustainable Forestry Initiative Program | 39.1 | 96.7 |
| Forest Stewardship Council | 24.4 | 60.3 |
| Total Certified for SFM standards combined: | 137.9 | 340.6 |

Nevertheless European importers still report constraints to the availability of labelled wood products from Canada. While the majority of Canadian forests are certified to the CSA system only a relatively small proportion of Canadian timber companies are CSA/PEFC chain of custody certified. Much of the pressure to move down the certification route has come from the paper sector rather than the solid timber sector. The vast majority of the latter is destined for the construction sector in North America where, until now, there has been relatively little demand for certified wood. Where demand for certified products is being generated, for example through LEED registered projects, certificates issued by the rival FSC program tend to be preferred. As a result there has been little incentive for Canadian timber suppliers to engage in CSA or PEFC chain of custody certification.

More consistent demand for certified wood is coming from some European countries, most notably the UK, particularly for public sector projects. However, this is impacting on only a small proportion of the total Canadian wood sector. Due to high freight rates and strengthening of the Canadian dollar against sterling, a brief flurry of UK imports of commodity grade softwood lumber from the Canadian East Coast in 2007 has ground to a halt this year. This brief window of demand was insufficient to encourage many Eastern Canadian sawmills producing commodity softwoods to adopt chain of custody.

At present the main UK import of Canadian softwood by a significant margin is western red cedar which has become increasingly popular for cladding, particularly in public sector projects. Western red cedar with a CSA/PEFC label can now be purchased more-or-less as standard in the UK. This has given it a strong edge in a sector where alternative certified products are not readily available.

6. ENGO campaigns

6.1 WWF Report on Illegal EU import trade

In July 2008, WWF Germany published a report on levels of illegal wood in the European market. It essentially repeats earlier studies (including by FII Limited and Seneca Creek/AF&PA), assessing levels of illegal wood trade based on current vague estimates of overall levels of illegal logging in different countries and regions and relying on various simplistic assumptions (notably that there is a direct correlation between the estimated level of "illegal production", the level of illegal export trade, and the level of illegal EU wood imports). In line with earlier studies, this report concludes that between 16% and 19% of EU wood imports derive from illegal or suspicious sources, with by far the largest volume probably derived from Russia.

The study takes no account of the fact that in many countries much of the illegal trade is focused on local markets rather than export markets. Nor is there much consideration of the existing efforts

- particularly by larger EU distributors - to source certified wood products and to exclude illegal wood by other means.

The timing of the report is significant coinciding with EC deliberations on additional legislative options. The main recommendation of the report is for *“strong EU legislation... to ensure only legal wood should be offered for sale in the European market”*. WWF suggests that there should be an onus on operators to *“prove the origin and legality of the wood”* and that *“inspections should take place at the points of sale within the EU”*.

The report is available at:

http://assets.panda.org/downloads/illegal_wood_for_the_european_market_july_2008.pdf

6.2 Greenpeace ask EU to show “Forest Love”

Greenpeace have released a racy video called "Forest Love," with fondling, moaning and gyrating trees to revitalise a campaign against illegal logging. The suggestive clip is meant to remind the European Commission of the importance of protecting the world's forests. According to the accompanying statement entitled *“The European Commission has delayed a vital vote on protecting forests from illegal logging till September. We want to make sure the commissioners don't forget about it during their summer holiday”*. Greenpeace encourages its supporters to *“take pictures and/or videos of yourself and your friends spreading the love in a forest”*. It says these will be put together in a *“collaborative video that we'll show the European Commission in September”*. Supporters are also urged to sign a petition urging the commissioners to adopt legislation that will ensure all timber products that enter the European market are from legal sources and well-managed forests.

7 Events

7.1 In Europe

International Conference: Adaptation Of Forests And Forest Management To Changing Climate With Emphasis On Forest Health: A Review Of Science, Policies, And Practices: 25 August 2008 - 28 August 2008. Umeå, Sweden. Co-hosted by the UN Food and Agriculture Organization, the International Union of Forest Research Organizations and the Swedish University of Agricultural Sciences, this conference will focus on the current state of knowledge of ongoing changes in climatic conditions in different regions of the world, and the implications of these changes for forest health, forest management and conservation. Presentations and discussions will emphasize research, policies and practices that are needed to enable us to plan for and manage healthy, productive forests to meet future societal needs for forest products and the full range of forest goods and services. More: Alexander Buck, IUFRO; tel: +43-1-877015113; e-mail: buck@iufro.org; Internet: <http://www.forestadaptation2008.net/home/en/>

Forests In The Changing Environment: 3 September 2008 - 5 September 2008. Koli, Finland. Organized by the Finnish Government and the Ministerial Conference on the Protection of Forests in Europe, this workshop will provide an opportunity for experts in forestry, natural resources management, biodiversity, climate change, land-use and economic development to exchange their views on the theme “Forests in the changing environment,” which will also be the overall theme at the eighth session of the UN Forum on Forests. For more information contact: Heikki Granholm, Counsellor of Forestry; tel: +358916052431; e-mail: heikki.granholm@mmm.fi; Internet: <http://www.mmm.fi/en/index/frontpage/forests/koli2008.html>

European Forest Institute Annual Conference: Adaptation Of Forest Landscape To Environmental Changes: 15 September 2008 - 20 September 2008. Orvieto, Italy. This year, the scientific seminar of the EFI Annual Conference focuses on sharing knowledge on trees and forests for conservation, ecological restoration, energy and raw material sustainability. It will also seek answers to how to use forestry in managing environmental changes. For more information contact: Anu Ruusila, EFI; e-mail: anu.ruusila@efi.int; Internet:

"The Roles of Wood in Green Building and Green Building Effects On the Forest Sector in the UNECE Region", 20 October 2008, FAO Headquarters, Rome, Italy. Workshop organized by UNECE/FAO Team of Specialists on Forest Product Markets and Marketing. Main objectives are: to identify and develop the emerging concept of "green building"; to clarify and profile the technical; environmental and economic properties of wood as a material for construction elements; to identify and assess limitations to the use of wood in building (e.g. building rules, traditions, information – including misconceptions, education, training and skills, quality, dimensions and availability of wood vis-à-vis other materials); to identify the actions needed for an increased use of wood in green building; to increase collaboration between forest products stakeholders to promote wood as the preferable building material. Conclusions and recommendations will be presented on 21 October 2008 at the joint UNECE Timber Committee and European Commission Market Discussions. Internet: www.unece.org/trade/timber. Contact Carl-Éric Guertin, Member of the Team of Specialists on Forest Product Markets and Marketing, Communications and Responsible Trade Manager, Quebec Wood Export Bureau, 979, avenue de Bourgogne, bureau 540, Québec (Québec) G1W 2L4 CANADA +1 418 650.6385, ceguertin@quebecwoodexport.com

European Forest Week: 20 October 2008 - 24 October 2008. Europe. European Forest Week will be marked by events in Brussels, Rome and throughout Europe. The week highlights the contribution of European forests in mitigating the effects of climate change, providing wood and renewable energy, promoting fresh water supply and protecting the environment. For more information contact: e-mail: efw@unece.org; Internet: <http://www.europeanforestweek.org/home/en/>

Forest Tech Europe 2008, 5 & 6 November 2008, Helsinki, Finland. Forest Tech Europe 2008 is an international conference on emerging technologies for the forest industry in Europe. It will bring together and host speakers including scientists and representatives of leading international companies, public funding agencies, policy makers and investors. The conference will cover the following themes: innovations, sustainable development, materials, chemicals, energy & biorefining, nanotechnology, international cooperation and "Future of the Forest Industry". More details <http://www.forest-tech.net/>.

The European Forest-Based Sector: Bio-Responses To Address New Climate And Energy Challenges?: 6 November 2008 - 8 November 2008. Nancy, France. This conference will address the roles of the forest-based sector and perspectives for the future under three main headings: forests as carbon sinks; wood-based products as carbon pools and for energy conservation; and the forest-based sector as a source of renewable energy. For more information contact: Jean-Luc Peyron; tel: +33-0-1-5370-2149; fax: +33-0-1-5370-2154; e-mail: peyron@gip-ecofor.org; Internet: http://www.gip-ecofor.org/publi/page.php?id=2&rang=0&domain=34&lang=en_GB

Ad Hoc Expert Group To Develop Proposals For The Development Of A Voluntary Global Financial Mechanism/Portfolio Approach/Forest Financing Framework: 10 November 2008 - 14 November 2008. Vienna, Austria. This UN Forum on Forests Ad Hoc Expert Group meeting will develop proposals for the development of a voluntary global financial mechanism/portfolio approach/ forest financing framework, to be presented at the eighth session of the UNFF in 2009. For more information contact: UNFF Secretariat; tel: +1-212-963-3160; fax: +1-917-367-3186; e-mail: unff@un.org; Internet: <http://www.un.org/esa/forests/adhoc-SFMfinance.html>

Forest Day 2: 6 December 2008. Poznan, Poland. The Center for International Forestry Research is planning to co-host Forest Day 2 in collaboration with partner organizations in the Collaborative Partnership on Forests (CPF), coinciding with UNFCCC COP14. Forest Day provides an international, multi-stakeholder forum on forest and climate change policies at global, national and local levels. For more information contact: CIFOR Headquarters; tel: +62-251-622-622; fax: +62-251-622-100; e-mail: Cifor-forestday@cgiar.org; Internet: http://www.cifor.cgiar.org/Events/CIFOR/forest_day2.htm

7.2 Outside Europe

International Dialogue On Financing Sustainable Forest Management: 8 September 2008 - 12 September 2008. Paramaribo, Suriname. This Country-Led Initiative in support of the UN Forum on Forests is organized by the governments of Suriname, the Netherlands and the United States. For more information contact: Henry Mac; tel: +1-212-980-7029; e-mail: suriname@un.int; Internet: <http://www.un.org/esa/forests/2008.html>

International Scientific Conference On Tropical Rainforests And Agroforests Under Global Change: 5 October 2008 - 9 October 2008. Bali, Indonesia. This meeting aims to advance our understanding of human-induced global change processes, such as agricultural intensification and climate change, which threaten rainforests, by using an integrated scientific approach linking ecological, economic and social approaches at different scales. For more information contact: e-mail: info@globalchange-2008.org; Internet: <http://www.globalchange-2008.org>

Working Forests In The Tropics: Partnering Research With Practice For Conservation And Development: 6 October 2008 - 7 October 2008. Gainesville, Florida, United States of America. This conference will explore how scientists from universities and research organizations have worked in partnership with government agencies, policy-makers, the private sector, social movements, and natural resource managers to advance conservation and development through applied research and capacity-building. For more information contact: Jhanna Gilber, University of Florida; tel: +1-352-392-5930; fax: +1-352-392-9734; e-mail: jhanna@ufl.edu; Internet: <http://conference.ifas.ufl.edu/tropics/>

2008 FSC General Assembly, 3-7 November 2008, Cape Town, South Africa. FSC GA is FSC's highest decision-making body which meets every 3 years. Expected to involve business, environmental and social leaders from over 60 countries. Topics covered will include: review FSC Principles and Criteria; expanding FSC certification for small-scale forest owners worldwide; and the role of FSC certification in combating climate change. Phone+ 49 (228) 367 66 44. Internet: <http://www.fsc.org/general-assembly-2008.html?PHPSESSID=ca0845b37c7da915afabcd1831f8018c>

Forty-Fourth Session Of The International Tropical Timber Council And Associated Sessions Of The Committees: 3 November 2008 - 8 November 2008. Yokohama, Japan. For more information contact: ITTO Secretariat; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: itto@itto.or.jp; Internet: <http://www.itto.or.jp>

Provoking Change: Strategies To Promote Forest Users In The Amazon: 10 November 2008 - 14 November 2008. Santa Cruz de la Sierra, Bolivia. This conference aims to: critically discuss current strategies for rural development and forest conservation in the region; catalyze processes of reflection and learning as stimulating options for promoting forest based rural development; discuss possibilities for overcoming political, technical, legal and financial barriers for sustainable development; identify feasible approaches to support forest users in the Amazon to more effectively use their resources; and provide orientation about skills, methods, strategies and key factors required for effectively reaching local forest users. For more information contact: Congress Coordination Office; e-mail: inka.Montero@waldbau.uni-freiburg.de; Internet: http://www.waldbau.uni-freiburg.de/forlive/05_Events/sc.html

Tropical Forestry Change In A Changing World: 17 November 2008 - 20 November 2008. Bangkok, Thailand. This conference will promote the exchanges of technology and experience in various aspects of tropical forestry among stakeholders, researchers, technicians and involved professionals. It will focus on how society can create more sustainable uses of tropical forests, and how the changing global physical and social environment affects the future of tropical forests. For more information contact: FORTROP II Secretariat; tel: +662-579-0170; fax: +662-561-4246; e-mail: FORTROP2008@ku.ac.th; Internet: <http://www.forest.ku.ac.th/fortrop2008/main/index.php>

Eighth Session Of The UN Forum On Forests (UNFF-8): 20 April 2009 - 1 May 2009. United Nations (UN) headquarters, New York, United States of America. This session will meet at UN headquarters in New York. Agenda items include working to reach agreement on a decision on

voluntary global financial mechanisms, a portfolio approach and a forest financing frame work. For more information contact: tel: +1 212 963 3160 / 3401; fax: +1 917 367 3186; e-mail: unff@un.org; Internet: <http://www.un.org/esa/forests/session.html>

XIII World Forestry Congress: 18 October 2009 - 25 October 2009. Buenos Aires, Argentina. Held every six years, the 13th Congress will address the following themes: forests and biodiversity; producing for development; forests in the service of people; caring for our forests; organizing forest development; forest sector development opportunities; and people and forests in harmony. For more information contact: e-mail: info@wfc2009.org; Internet: <http://www.fao.org/forestry/site/37075/en/page.jsp>

International Year Of Forests, 2011: 1 January 2011 - 31 December 2011. Worldwide. Based on Resolution 61/193, adopted by the UN General Assembly in December 2006. 2011 has been declared International Year of Forests. The UN Forum on Forests will serve as the focal point for the implementation of the International Year of Forests, in collaboration with governments, the Collaborative Partnership on Forests and international, regional and subregional organizations and processes as well as relevant major groups. For more information contact: Internet: <http://www.un.org/esa/forests/2011/2011.html>