

Report for AF&PA

**Trade and Environment
Program in Europe**

June to November 2009 Report

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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Summary and highlights

In recent months, expectations for Copenhagen have been increasingly downplayed, with many leaders and other pundits publicly voicing that the prospect of the meeting delivering a legally-binding outcome is extremely slim. This has led to uncertainty over the outcome of those sections of the negotiations likely to impact very directly on the forest sector and wood trade. These include REDD programmes in which it is proposed developing countries receive financial compensation from developed countries for reducing emissions from deforestation and forest degradation; and the concept of accounting for Harvested Wood Products (HWPs) in national carbon accounts.

International discussions on REDD during 2009 have been slower than anticipated and there remain significant outstanding issues unlikely to be resolved in Copenhagen. Differences remain over the inclusion of “safeguards” in any international REDD agreement. Developed countries generally believe financial transfers for REDD should be linked to strict conditions to improve forest governance and to protect biodiversity and indigenous rights. On the other hand most developing countries believe that REDD financing would represent compensation for past pollution by industrialised countries and should be paid without conditions. However, despite political and technical challenges, there is a growing expectation that REDD programmes involving significant transfers of funds to the national governments of tropical countries (rather than to individual projects) will be phased in over the next decade. The draft text up for discussion at Copenhagen also implies growing acceptance of the idea that tropical countries should be rewarded for introducing sustainable forest management as well as for forest conservation.

The draft text for Copenhagen includes various Harvested Wood Product (HWP) accounting options. One option is to retain the existing practice whereby any timber harvesting is treated as an immediate emission. This option favours preservation of forests for carbon stores and provides no incentive to increase consumption of wood products. However two other options would allow for accounting of the carbon stored in HWPs subject to strict conditions. Both these options make clear that only long-life wood products may be accounted for. The benefits of HWP accounting would only ever accrue to a producing country (never a consuming country). If implemented, these options would encourage the governments of industrialised nations to increase consumption of domestically produced timber but not of imported timber as a way of mitigating carbon emissions. One of the options would also allow producing countries to benefit from carbon stored in exported wood. The options also propose that any tropical wood imported by industrialised nations be treated as an emission unless derived from a certified source.

In October EU Member States presented their final position for the Copenhagen summit. They reiterate the EU commitment to reduce emissions by 30% from 1990 levels by 2020 provided other developed countries make comparable reductions. The value of market-based mechanisms for achieving global mitigation objectives in a cost-efficient manner is highlighted. International support for REDD is given prominence. There is also an acknowledgement that sustainable forest management and increased timber use can play a role in carbon mitigation strategies.

The huge focus on the role of forests in climate change has increased concern in other international organisations promoting sustainable forestry that their role may be marginalised. This was a core concern at the ITTO meeting in Yokohama in November, particularly since the new International Tropical Timber Agreement (ITTA), which provides ITTO with its formal mandate, has yet to enter into force. The delay has disrupted efforts to agree and plan future activities in ITTO's Biennial Work Programme for 2010-2011. Meanwhile, voluntary project funding for ITTO continues to fall. The United Nations Forum on Forests (UNFF) responded to a similar threat at a Special Session held in October where delegates reached a decision on the need for urgent global action to catalyze funding for sustainable forest management around the world.

The European Commission has responded to NGO and forest sector criticism of the EU's commitment to increased use of biofuels with the introduction of sustainability criteria to govern their management. However concerns are now being expressed in the forest sector that these criteria differ from, and may directly conflict with, existing inter-governmental sustainable forestry

criteria. There remains a serious concern that forest management for timber production will not be treated on a level playing field with land management for biofuels.

The Ministerial Council for the Protection of Forests in Europe (MCPFE) is considering implementing a legally binding agreement (LBA) on forests that would cover the entire European region and strengthen state commitment to sustainable practices.

The EU's proposed "due diligence" legislation designed to reduce the risk of illegal wood entering EU supply chains is being considered under the EU's joint-decision process. Current indications are that some form of legislation will be introduced in 2009 and that it will retain the heavy emphasis on risk-assessment included in the original European Commission proposal. It should therefore not result in any new additional controls on wood imports from regions (like the US) which are low risk with respect to illegal wood.

Negotiations towards EU FLEGT Voluntary Partnership Agreements (VPAs), under which the EU would import only legally licensed wood products from VPA countries, have now been completed with Ghana and the Congo Republic (in April 2009). Increasingly lengthy and often difficult negotiations are still on-going in Malaysia, Indonesia, and Cameroon. Two additional countries entered into formal negotiations more recently: Liberia and the Central African Republic.

Those in the timber industry still expecting green building initiatives (GBIs) like LEED and BREEAM to automatically boost prospects for a sustainable product like wood received a wake-up call at an AHEC-sponsored UNECE Green Building in Geneva during October. Comprehensive research into a wide range of GBIs operating around the world presented to the workshop indicated that under most programmes a building constructed mainly in wood would score no more or less than a building constructed mainly in concrete, masonry or steel. Furthermore existing GBIs have very limited potential to alter cultural prejudices against wood where these exist and GBIs generally do not give appropriate recognition to wood's green credentials.

By October 2009 the global area of certified forest endorsed by one or other of the international frameworks – the FSC and the PEFC - amounted to 346 million hectares. This represents an increase of around 19 million hectares (6%) since the start of the year. This is in line with recent trends: the rate of expansion of global certified forest area has remained reasonably constant at between 15-25 million hectares per year since 2006. Overall there has been no significant change this year in the regional distribution of certification, which remains very heavily concentrated in Europe and North America, or in the balance between PEFC (230 million hectares) and FSC certified forest area (116 million hectares).

The rapid pace of chain of custody certification has been maintained during 2009. Around 4500 new chain of custody certificates were issued worldwide in the 10 months to end October 2009, bringing the total to 21,000. Of the new certificates, 3000 were issued by FSC and 1500 by PEFC. A large proportion of certificates issued in the 10 month period were in countries that have led the chain of custody process for some time, namely the USA, UK, France, and Germany. However the pace of CoC certification is also beginning to pick up in China, Italy and Canada.

Between September and October 2009, the US Green Building Council (USGBC) put out for public consultation a second draft proposal for a new forest certification credit. The move to amend the credit was ultimately spurred by the timber industry's complaints about unfair exclusion of wood certified under systems other than the FSC from the LEED credit. However the latest draft has been heavily criticised by representatives of PEFC and SFI who claim that it fails to make the LEED system more inclusive and equitable for other forms of forest certification.

The FSC and PEFC have become engaged in a public debate following a provocative report from the FSC entitled *Comparative analysis between the FSC Controlled Wood requirements and PEFC, PEFC Germany and SFI*. The report suggests that certification to systems endorsed by the PEFC is insufficient evidence of conformance to the FSC Controlled Wood (CW) Standard and so therefore cannot be mixed with FSC-certified material without further examination.

1. International Agreements and institutions

1.1 European Union

1.1.1 EC Due Diligence Legislation

The EU's proposed "due diligence" legislation designed to reduce the risk of illegal wood entering EU supply chains is currently being considered under the EU's joint-decision process. This means it must be agreed by both the European Parliament and the European Council of Ministers. The legislation, if passed, would impose a requirement for all operators that "first place" timber on the EU market to implement a management system designed to minimise the risk of illegal wood entering supply chains.

As noted in the previous T&E report, the European Parliament has already expressed its firm opinion on the legislation. In a statement issued in April 2009, the Parliament called for the legislation not only to be introduced but also to be considerably extended. The parliament recommends more detailed criteria for the risk management systems to be imposed, including greater demands for traceability to forest of origin. It calls for compulsory certification and labelling of all wood products sold in the EU within 2 years. It proposes tough minimum sanctions to be imposed – including the immediate cessation of commercial activities and the seizure of timber and timber products for offenders, plus fines of up to 8 times the value of any wood obtained when committing a serious infringement. The Parliament also proposes that the due diligence requirements be linked to a legal obligation on all European wood traders to "ensure that only legally harvested timber and timber products are made available on the market". The latter requirement is particularly significant because it might imply a reversal of the burden of proof. Importers unable to demonstrate the legality of all their wood purchases when challenged could be subject to prosecution.

Judging from discussions with EC and European government officials in October and November 2009, there now seems little likelihood that the most far-reaching recommendations of the Parliament will be imposed. For example, there is considerable resistance from both European governments and industry groups to the idea that European importers should be obliged to prove the legality of all their wood purchases. There is also very little support for the idea of universal certification within 2 years.

On the other hand there is now much impetus behind the underlying idea of introducing more specific requirements for due diligence systems. The final legislation is widely expected to be closer to the original European Council proposal – which places considerable emphasis on risk assessment – than to the parliamentary text which focuses more on wood traceability. However, to secure support of the European Parliament it may include more detailed requirements or guidance on the components of acceptable risk management systems, legal sanctions, and extra information to be gathered on timber products in import declarations.

There is also support in some EU Member States (notably the UK) for the due diligence requirements to be linked to a Lacey-style offence in the EU if European prosecutors can prove that wood derives from an illegal source. As things stand, this extra measure seems not to have sufficient support across the EU for it to be introduced as part of the EU legislative package. The French, German, Swedish and Finnish governments are all understood to be opposed to the additional measure. So too is the European Commission itself. However, it is possible that Member States like the UK will introduce the additional offence in their national legislation to strengthen industry commitment to due diligence.

The Swedish government, which currently holds the EU presidency, is pushing for a Council resolution on the European legislation by mid December. If they succeed, the legislation could be enacted by the middle of next year, probably followed by a two-year period to phase in the requirements.

1.1.2 European Council position on UNFCCC Copenhagen Summit

On 21 October 2009, EU Member States presented their final position for the Copenhagen summit¹. The Council reiterates the EU commitment to reduce emissions by 30 per cent from 1990 levels by 2020, provided other developed countries make comparable reductions. A proportion of these “reductions” will come from carbon offset schemes, including forestry-related offsets. The position particularly highlights the “crucial importance of carbon markets” noting that “putting a price on GHG emissions through cap-and-trade systems and other market-based mechanisms is imperative for driving low-carbon investments and for achieving global mitigation objectives in a cost-efficient manner”.

International support for programmes to reduce emissions from deforestation and forest degradation (REDD) is given prominence in the Council position. The Council foresees REDD initiatives proceeding in three phases: the first phase is for preparatory work; the second phase “could involve measures related to forest governance, including biodiversity conservation, such as land tenure reforms and forest law enforcement accommodated through public funds”; and a third phase involving action paid for through carbon trading.

The wording used to describe the second phase reflects strong awareness of the need for governance to be improved if forest loss is to be halted. The position includes an acknowledgement that sustainable forest management and use of timber can play a role in carbon mitigation strategies. The Council “recognises that future accounting rules for forest management should provide an adequate balance between further incentives for sequestration, for use of wood products and for biomass energy”. The wording also includes a commitment to recognising the rights of indigenous peoples as a precondition for REDD, an issue which has been a particular concern for environmental groups.

The Council also acknowledges that there are still significant technical difficulties associated with methodologies for measuring and predicting green house gas emissions resulting from land use changes and welcomes further discussions on this issue.

1.1.3 Rising alarm over the impact of climate change on European forests

During the Environment Council in October 2009, Spain presented a note about forest protection, biodiversity conservation and the fight against forest fires supported by six other Member States and the Commission². The note suggests that in the last few years, the EU has seen a considerable increase in natural disasters which have damaged the region’s forests. It refers to climate change forecasts which indicate that the frequency and intensity of these phenomena will increase and highlights the need for further preventive action.

In response to the note, the Council requested that the European Commission prepare a paper on forest protection at the EU level by early 2010. The paper will build on an existing study recently prepared by the Commission and reported to the European Forestry Standing Committee which considered possible future measures to protect EU forests against harmful impacts. This study provides an indicative list of options for forest protection including establishing a stable and permanent structure for forest monitoring and working towards implementation of a complete forest protection framework.

1.1.4 Renewable Energy Directive establishes sustainability criteria for biomass

The EU introduced a new Directive on renewable energy in April 2009 which set ambitious targets for all Member States, such that the EU will reach a 20% share of energy from renewable sources by 2020 and a 10% share of renewable energy specifically in the transport sector. It also aimed to improve the legal framework for promoting renewable electricity and required Member States to

¹ See www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/envir/110634.pdf

² See <http://register.consilium.europa.eu/pdf/en/09/st14/st14563.en09.pdf>

introduce national action plans for the development of renewable energy sources.

A major implication of the Directive for the forest sector is that it is likely to increase demand for biofuels for transport and biomass for energy production within the EU. This has led to concerns that it may lead to diversion of land resources and wood raw material from commercial timber to biofuel and energy production. ENGOs have also been alarmed by the potential for the commitment to encourage conversion of forest land over to biomass production.

In an effort to mitigate these concerns, the Directive details safeguards and criteria for sustainable production of biofuels used in the transport sector. It also indicated that consideration would be given to the development of equivalent criteria for biomass used for energy sector. The Directive sets out four main requirements for sustainable production of biofuels in the transport sector:

- A minimum greenhouse gas saving of 35% compared to fossil fuel use;
- No raw material to be used from highly biodiverse lands such as undisturbed forest and nature protected areas;
- Raw material cannot be obtained from conversion of land with high carbon stocks, such as wetlands and continuously forested areas;
- EU producers must meet the requirements of the EU's agricultural "cross-compliance" regulations, which provide a standard for environmental management on farms.

While inclusion of these criteria was intended to diffuse criticism of the EU's commitment to increased use of biofuels, concerns are now being expressed in the forest sector that these criteria differ in significant ways, and may directly conflict with, existing inter-governmental sustainable forestry criteria (including those defined in the Pan-European MCPFE process). ENGOs have also been very critical, particularly of the lack of social criteria in the Directive.

Nevertheless, the European Commission claims that their subsequent surveys have indicated strong support from stakeholders for the sustainability criteria to be extended beyond biofuel for transport to cover all biomass supplied to the European energy sector. A consultation process was held on a certification system for energy biomass which closed on 30 September. The consultation asked whether a new EU biomass sustainability system should be compulsory, which types of biomass should be included, how to calculate greenhouse gas savings and what sort of land use issues need controls. The European Commission is due to report on the need for a sustainability scheme for biomass, possibly including a legislative proposal, before the end of 2009.

1.1.5 Possible legally binding agreement for European forests

The Ministerial Council for the Protection of Forests in Europe (MCPFE) is considering implementing a legally binding agreement (LBA) on forests that would cover the entire European region. MCPFE currently operates through the development of voluntary tools for participating countries to implement and monitor implementation of sustainable forest management. A legally binding agreement would aim to enhance international co-operation in Europe, strengthen the level of commitment to SFM, and improve reporting on national progress. The current focus of negotiations is on: the content for a possible LBA; its implications for EU forest-related activities; relationships with other international and European agreements, bodies and processes; and the different institutional and financing options.

At the most recent meeting of the MCPFE Working Group, held in Rome on 1-2 September, participants stressed that SFM must be defined as the core element of a LBA and that there should also be coverage of issues such as forest fire and other natural disasters, trade and ecosystem services. A draft report with recommendations on LBA options, appropriate processes for establishing a LBA and further actions to be taken has been prepared³. The report together with a recommendation to establish an MCPFE Working Group to prepare options for a possible LBA is due for discussion at an MCPFE Expert Level Meeting in Oslo at the end of November.

³ http://www.mcpfe.org/filestore/mcpfe/Meetings/2009/MCPFE_Expert_Level_Meeting_24-25_November_2009/ELM_2009_Oslo_Doc6_MainFindingsandRecommendationsWGonLBA.pdf

1.1.6 FLEGT VPA Negotiations

Negotiations towards EU FLEGT Voluntary Partnership Agreements (VPAs), under which the EU would import only legally licensed wood products from VPA countries, have now been completed with Ghana (in September 2008) and the Congo Republic (in April 2009). Increasingly lengthy negotiations are still on-going in Malaysia, Indonesia, and Cameroon. Two additional countries entered into formal negotiations more recently: Liberia (in March 2009) and the Central African Republic (October 2009).

Progress in Malaysia appears to have slowed to a crawl, hampered by uncertainties over the market access and cost implications. There is also severe ENGO resistance to a FLEGT VPA in Malaysia until outstanding issues with regard to native rights are resolved with the Sarawak authorities. This is mirrored by equally intense resistance from the Sarawak government and industry which are little inclined to give in to ENGO demands, particularly as they see no market benefit from signing a VPA (only a small proportion of Sarawak wood exports are destined for the EU). Meanwhile, a significant proportion of wood exports from Peninsular Malaysia - which does sell large volumes into the EU – are already covered by PEFC certification following recent PEFC endorsement of the Malaysian MTCS certification system.

Negotiations in Indonesia seem also to have slowed and it is not yet clear when and if the country will sign a FLEGT VPA. Nevertheless, Indonesia seems committed to undertaking the preparatory work for a legality licensing system broadly in line with the VPA requirements. The Indonesian authorities recently announced a Ministerial Decree (No 38/2009) setting out very ambitious proposals to develop a legality licensing system. This effectively amounts to a proposal to extend mandatory independent verification of legality to all forest operations in the country. The proposed system would involve assessment of forestry operations against a stakeholder-agreed legality standard by third party certification bodies recognised by an Independent Accreditation Committee. In addition the whole system would be overseen by an independent monitoring agency, possibly an NGO. All operators in the timber supply chain in Indonesia would also be independently certified to ensure they have appropriate transportation, control, and ownership documents that confirm the legality of forest products. The costs of the system would initially be borne by the Ministry of Forestry, although the plan would be to introduce charging of forest operators at a later date.

1.2 Climate change

1.2.1 Prospects for Copenhagen

In recent months, expectations for Copenhagen have been increasingly downplayed, with many leaders and other pundits publicly voicing that the prospect of Copenhagen delivering a legally-binding outcome is extremely slim. According to the Earth Negotiations Bulletin, many delegates attending the last major preparatory meeting in the run-up to Copenhagen in Barcelona during November felt this meeting only emphasised the divergent interests, polarization, frustration and mistrust between developed and developing countries.

The Barcelona meeting involved sessions of two “Ad Hoc Working Groups” – one on “Long-term Cooperative Action” (AWG-LCA) and one on further “Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) - charged with preparing streamlined negotiating texts and identifying clear options for discussion and in Copenhagen.

The hope was that negotiations in Barcelona would add clarity to a long list of remaining unresolved issues. However, by the close of the meeting, while there was progress to streamline and consolidate options on a few issues, on many others there was very little difference between negotiating texts coming into and going out of Barcelona.

During the meeting, many developing countries and environmental NGOs called for Annex I parties to scale up their emission reduction pledges in order to bridge the gap between these

commitments and what the science requires to reduce the risk of dangerous climate change.

Many developed countries, however, continued to stress the need to reach agreement on the means to reach emission reduction targets, including the so-called “flexibility mechanisms” (such as carbon markets) as well as land use, land-use change and forestry (LULUCF), before finalizing the numbers. They also emphasized the need to consider mitigation in a broader context, saying that agreement on their new commitments under the Protocol without the US and major developing countries will not be enough to meet the demands of science.

This led to a standoff, with African countries calling for a suspension of work on other issues until the developed countries made substantive commitments to emissions reductions. This stance may have given the issue increased political visibility and brought about increased press coverage during the week. However, it did little to encourage a shift by developed countries.

The EU made a show of being more ambitious than other Annex 1 Parties, suggesting it is willing to increase the level of their emissions reductions targets to a 30% reduction from 1990 levels by 2020. The EU urged other Annex I parties who could do more to increase their pledges to achieve an equivalent 30% overall reduction. The EU called for a global, ambitious and comprehensive agreement keeping temperature increase below 2°C and encompassing all nations. The EU said global emissions must peak by 2020 at the latest and that developing countries must take substantial action to reduce the growth of their emissions by 15-30% from business-as-usual scenarios.

The mood at the Barcelona talks was dampened by statements by AWG-LCA Chair Michael Zammit Cutajar during the meeting that Copenhagen would not result in a legally-binding agreement, but instead in a series of decisions. This statement also echoed views expressed recently by senior UN officials, including UNFCCC Executive Secretary Yvo de Boer on the sidelines of the Major Economies Forum on Energy and Climate in October, and also during the Barcelona meeting. Furthermore, while the Barcelona meeting was in session, UN Secretary-General Ban Ki-moon, after talks with British Prime Minister Gordon Brown in London, said he no longer expects a legally-binding outcome in Copenhagen. These high-level figures are probably only vocalizing what many negotiators had already gleaned from the pace of discussions throughout 2009.

According to the Earth Negotiations Bulletin, one possible outcome if Copenhagen fails to establish a legally binding agreement is an umbrella decision setting out emission reduction targets for industrialized countries and deciding what actions major developing countries should take to reduce the growth of their emissions within the context of a global long-term goal for cutting emissions. This comprehensive decision might also give the AWG-LCA a new mandate to fill in the technical details and a timeline to turn the outcome into a legally-binding instrument at a later Conference.

1.2.2 Status of REDD negotiations

REDD formed a key part of discussions at Copenhagen preparatory meetings both in Bangkok in October and in Barcelona in November. Discussions have been led by a REDD contact group formed under the Ad Hoc Working group on Long-Term Cooperative Action (AWG-LCA). While progress towards a final agreement has been made, most accounts suggest it has been slower than anticipated and there remain some significant outstanding issues that are unlikely to be resolved at the Copenhagen meeting. And discussions on REDD have to be seen in the context of the wider failure to move forward on the big issues of binding emission reduction commitments for industrialised countries and financial transfers. So there is still great uncertainty over how REDD policy measures will play out in the future.

Prior to the Bangkok meeting in October, REDD made up 20 pages of the LCA negotiating text. However this text has been whittled down over the course of negotiations with the aim of clearly showing the options on the table, stating the overall objective of REDD, and including language on

rights and safeguards. The final Copenhagen negotiating text is now set out in the 7-page “Non paper No. 39”⁴. Many of key outstanding issues remain heavily bracketed in this text and may yet be subject to significant amendment.

The primary objective – still bracketed – is that “All Parties should collectively aim at halting forest cover loss in developing countries by 2030 at the latest and reducing gross deforestation in developing countries by at least 50 per cent by 2020 compared to current levels”. The draft text states that UNFCCC parties should contribute to various enhanced mitigation actions in the forestry sector including both to reduce deforestation and degradation and to enhance carbon storage through “sustainable management of forests” or “sustainable forest management”.

The emphasis throughout the text is very much on the phased introduction of national level REDD programmes and strategies rather than project-based activities. The draft text indicates that REDD actions must be “country driven and voluntary”. It envisages actions in 3 phases, beginning with the development of national action plans and capacity-building, followed by the implementation of these plans (including further capacity-building and technology transfer), and finally evolving into results-based actions that are measured, reported and verified.

The draft agreement sets out different options for financing, some placing more emphasis on an international fund (additional to existing ODA) for REDD, others on carbon markets. Developing countries generally favour the option of direct financial transfers through an international fund, whereas many developed countries would prefer financing through market-based instruments. The debate over financing is linked to different interpretations of the extent to which REDD credits may be used to offset emissions in developed countries. Developing countries generally argue that REDD is meant to “reduce” emissions, not to offset. They suggest that the introduction of a huge volume of REDD credits into the carbon market may overwhelm the market with “cheap” credits. This would allow industrialised countries to claim significant progress to reduce emissions without actually taking steps to change practices at home. On the other hand, developed countries argue that the financial resources required to implement REDD will be so great that a fund-based mechanism would be unable to cope. The only mechanism capable of handling such transfers may be a market mechanism.

The text also highlights that many key methodological issues remain unresolved. It indicates that the SBSTA, the UNFCCC scientific body, will be given a mandate to resolve at a later stage issues such as establishment of baseline reference levels, monitoring, reporting and verification procedures. The text envisages establishment of regional REDD centres for capacity-building and various bodies (an ‘expert review team’, ‘technical panel’ and/or other entities designated by the UNFCCC) with responsibility for verify REDD actions.

Perhaps the most sensitive aspect of the negotiations has surrounded the so-called “safeguard” language. Many developed countries, with strong support from environmental groups, have been particularly keen to see strong wording to ensure that financing is conditional on measures to improve forest governance, conserve biological diversity, avoid incentives for conversion of natural forests, and to protect native rights. However, they have been disappointed by the latest draft which is significantly weaker on these aspects than earlier drafts. The latest draft text indicates that such measures will be “promoted” rather than “ensured” and even these safeguards remain heavily bracketed and may therefore be lost from the final version. There is a fear among some developing countries that inclusion of these measures could infringe their sovereignty and undermine opportunities for economic development. Environmental groups keen to see the agreement lead to the phasing out of all commercial logging in natural tropical forests also continue to campaign vigorously against any reference to “sustainable forest management” in the text and want much greater emphasis on forest conservation.

⁴ http://unfccc.int/files/meetings/ad_hoc_working_groups/lca/application/pdf/awglca1biiinp39051109.pdf

1.2.3 Accounting for LULUCF including Harvested Wood Products

The issue of accounting for “Land Use, Land Use Change and Forestry” (LULUCF) in national carbon accounts was discussed under the AWG-KP in Bangkok and Barcelona. Key issues for the forest products sector in this discussion are whether the post-Kyoto agreement should:

- Make carbon accounting for all forest and agricultural management activities mandatory for Annex-1 Parties. Under the Kyoto Protocol, Annex-1 countries are only required to account for deforestation, afforestation and reforestation. They may voluntarily elect to account for forest and agricultural management activities.
- Include coverage of the carbon stored in Harvested Wood Products when accounting for forest management activities. Current LULUCF accounting procedures treat all harvesting of wood simply as a carbon emission.

If forest management accounting became compulsory and this included recognition of the carbon stored in Harvested Wood Products, then national governments would have a strong direct incentive to promote wider use of wood as it contributes to meeting their emission reduction targets. The current system provides no such incentive and instead tends to favour preservation of forests as carbon stores over sustainable timber harvesting.

The draft negotiating text which will guide discussions on LULUCF in Copenhagen⁵ essentially proposes that in the future there should be much more comprehensive and accurate coverage of all land use changes in national carbon accounts and mitigation strategies. It calls on the UNFCCC scientific bodies to undertake work in this area during the second commitment period. The aim would be to introduce more sophisticated and internationally consistent coverage of land use changes from the third commitment period onwards.

The draft negotiating text also provisionally includes a whole section on accounting for Harvested Wood Products. This section is bracketed, indicating that it is still considered only an option by the negotiating parties and there is no guarantee that it will make it into the final agreement. Reports from the Bangkok and Barcelona meetings suggest that many negotiators remain unconvinced of the practicalities – particularly in terms of quality of data – for reliably accounting for the carbon stored in Harvested Wood Products.

The draft negotiating text includes two options for accounting for Harvested Wood Products. It should be emphasised that both of the options on the table place strict limits on the scope for accounting for Harvested Wood Products. Both make clear that only products considered to have a long life in use may be accounted for – these are taken to include “timber, wood, ply and chipboard” and to exclude “sawdust, cardboard, wood chips, paper or other short-lived wood-based products” together with all forest products used fuel. No accounting of carbon stored in wood products once they are sent to land-fill is allowed.

Furthermore the benefits of accounting for Harvested Wood Products will only accrue to the producing country and not to a consuming country. The options on the table would encourage increased consumption of domestically produced timber but not of imported timber. Furthermore, both options propose that imports from non-Annex 1 countries (i.e. developing countries) should be classed as an emission unless they are derived from a certified source. Acceptable forms of certification would be determined by the UNFCCC scientific advisory bodies. The aim of this proposal is to create a carbon cost for the import of wood products assumed to be derived from deforestation and forest degradation activities. It also aims to apply a demand side measure to reduce emissions from deforestation and forest degradation in developing countries.

Of the two options on the table, the first is the more sophisticated and potentially beneficial for the forest products sector – particularly in developed countries that are major wood exporters. However it would introduce a larger data collection burden. This option allows for a timber

⁵ See <http://unfccc.int/resource/docs/2009/awg10/eng/10a03r03.pdf> Pages 14-30

producing country to account for the emissions from wood products on the “basis of estimates of when emissions occur, provided that verifiable and transparent data are available”. It notes that “a Party may choose to account on the basis of when emissions occur for its domestically produced and consumed harvested wood products pool only, and may also choose to account on the basis of when emissions occur for its exported harvested wood products pool”. When accounting for emissions for exported wood products, it is proposed that data is provided “separately for each country to which the harvested wood products are exported, using nationally specific data on the fate of the wood in the importing country”.

The alternative option on the table is more simplistic and restrictive since it requires that any wood exported is immediately counted as an emission. However it has the advantage of imposing a less onerous data collection burden. This option simply allows a proportion of the carbon stock reduction resulting from harvesting to be offset by the amount of carbon calculated to be stored in long-lived harvested wood products not exported at end of the commitment period⁶.

Both options would clearly have significant benefits for the US solid wood products sector, encouraging US policy makers to promote greater use of wood in long-life applications (notably construction and furniture) in the domestic market. The first option would also provide an added incentive for US policy-makers to promote wood product exports. It would require that more comprehensive data were gathered on the carbon storage capacity of exported solid wood products, and on the use and life-time of these products. As such it would tie in with existing proposals by AHEC to commission research on the carbon footprint and other life cycle environmental implications of American hardwoods in export markets.

1.2.4 REDD runs risk of widespread fraud

Interpol has raised concerns that if the UN REDD proposal is implemented, the system may be 'open to wide abuse' and that chances are very high that criminal gangs will seek to take advantage.

According to Peter Younger, Interpol environment crimes specialist, “Alarm bells are ringing. It is simply too big to monitor. The potential for criminality is vast and has not been taken into account by the people who set it up....Fraud could include claiming credits for forests that do not exist or were not protected or by land grabs. It starts with bribery or intimidation of officials, then there's threats and violence against those people. There's forged documents too. Carbon trading transcends borders. I do not see any input from any law enforcement agency in planning REDD.”

Problems have already emerged, even before the REDD scheme has become operational. Papua New Guinea recently suspended their climate change minister after allegations that \$100m of fake carbon credits had been handed to communities to persuade them to sign up to forest protection schemes.

UN officials have also acknowledged the dangers. "Where countries are corrupt the potential for REDD corruption is dangerous. [In Papua New Guinea], people have tried to take advantage of the market in an unacceptable way and carbon cowboys are trying to get the benefits. We can expect more of this as REDD develops," said Tiina Vahanen, a senior officer at UN-REDD.

1.2.5 CDM rules change to allow conversion of exhausted forests to plantations

There were high hopes and expectations for financing sustainable plantation practices in tropical forests when the Kyoto Protocol was adopted in December 1997, since the Protocol's Clean

⁶ In more detail, the draft text suggests that “the calculation of carbon stock changes for the purpose of accounting for harvested wood products.....shall be based on the total increment of carbon stock growth in the eligible forest minus any changes in soil carbon, minus carbon stocks left over from timber harvest activities, minus carbon stocks from any wood residues from wood mills, minus carbon stocks from wood products used for the purposes of paper, wood chips or other short-lived wood products, minus a carbon release estimate of harvested wood products produced and then destroyed during the commitment period, times a conversion factor from carbon to carbon dioxide equivalent”.

Development Mechanism (CDM) allowed for afforestation and reforestation (A/R) activities in developing countries (so-called non-Annex-I countries to the UNFCCC). These hopes have not been fulfilled to date. Afforestation and reforestation project activities have been the least successful among all the sectors covered by the CDM. Only around 1% of registered CDM projects have been in the forestry sector.

In an effort to help boost uptake in the forestry sector, the rules for CDM projects were amended at the CDM Executive Board meeting in mid October 2009. The Board decided that “reforestation of lands with forests in exhaustion” should now be eligible for CDM financing. Financing can now be made available for projects which involve conversion of exhausted natural forests into plantations. Previously no support could be given for the establishment of plantations on land that was under forest at the cut-off date of 31 December 1989. Under the new rules, support can be given for such plantations where it can be shown that “in absence of the project activity, [the land] will be converted to non-forested land”⁷.

The long-term implications of the rule change are uncertain. The decision may be overtaken by events in Copenhagen and subsequent UNFCCC meetings. The draft negotiation text for Copenhagen includes various options for much more substantial amendments to the eligibility criteria for CDM financing of forestry projects, including the addition of REDD and sustainable forest management projects. Furthermore, the restricted eligibility criteria are only partly responsible for limited uptake of CDM financing in the forestry sector. Other significant constraints are complicated rules and modalities which mean that development of CDM forestry projects is expensive and time consuming. There is generally a lack of capacity to identify, formulate and implement CDM forestry projects in developing countries. The exclusion of forest carbon credits in the EU Emissions Trading Scheme (ETS) has also greatly reduced the incentives and value of developing these projects.

1.3 International Tropical Timber Organisation

A climate of uncertainty pervaded the 45th meeting of the International Tropical Timber Organisation (ITTO) in Yokohama, Japan, during November. This was due not only to external events such as the looming Copenhagen climate change summit and the ongoing world financial crisis, but also to serious concerns surrounding the Organization itself. Nearly four years after it was signed in 2006, the new International Tropical Timber Agreement (ITTA), which provides ITTO with its formal mandate, has yet to enter into force. This is due to the slow pace of ratification by members only 27 of which (out of around 60) have taken the steps necessary to accede to the new agreement.

The delay has disrupted efforts to agree and plan future activities in ITTO’s Biennial Work Programme for 2010-2011. Meanwhile, voluntary project funding for ITTO continues to fall. The Thematic Programme approach for project funding introduced in ITTA, 2006 also remains in limbo. Five programmes covering Forest Law Enforcement, Governance and Trade, Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests (REDDES), Trade and Market Transparency, Industry Development and Efficiency, and Community Forest Management and Enterprises were adopted on a pilot basis by decision at ITTO’s 44th meeting. Because they remain in a pilot phase until ITTA, 2006 enters into force, there is frustration within the organisation that the approach will be rendered less effective.

The meeting also highlighted larger uncertainties for forests in relation to other environmental issues and for ITTO in relation to other organizations. Delegates were updated on developments in the climate change negotiations and the importance of the links between forests and climate were continually mentioned during the session, along with views on their implications for the ITTO. REDD developments within the climate change regime also raise questions for ITTO and its REDDES Thematic Programme.

⁷ See http://cdm.unfccc.int/EB/050/eb50_repan24.pdf

The most recent draft negotiating text on REDD indicates that this mechanism may end up being primarily about forest management and not protection as previously envisioned. The former is clearly ITTO's territory, exemplified by ITTO publications since its early years, including its first Guidelines for the Management of Natural Tropical Forests in 1990 and Guidelines for the Sustainable Management of Planted Tropical Forests in 1991. Yet ITTO is not among the international organizations involved in UN-REDD, a multi-organizational partnership assisting tropical countries with capacity building for a probable REDD mechanism, nor is it one of the high profile organizations positioning to be at the forefront of this issue globally.

As greater financial support for efforts on forests in relation to climate change becomes a reality, a concern for ITTO is that funds may be diverted to other organisations. To put things in perspective, the World Bank's Forest Carbon Partnership Facility, a collaborator with UN-REDD, has thus far received US\$107 million from 11 donors dedicated to a REDD Readiness Fund. Another US\$51 million has been committed to a Carbon Fund. Contrast this with the US\$4.4 million that has been pledged to the ITTO's Thematic Programme on REDDES.

For anyone interested in promoting sustainable forest management, this threatened marginalisation of ITTO is a concern. In the absence of an international forestry convention, ITTO is one of the few inter-governmental organisations operating at a global scale with a strong focus on sustainable forest management. The efforts now being made by ITTO to amend their sustainable forestry criteria and indicators, particularly to incorporate management for carbon storage and other environmental services, could yet make a significant contribution to the implementation of tropical forest management regimes that successfully balance timber production with wider social and environmental objectives. Furthermore, the Annual Market Discussions, reports of ITTO Diagnostic Missions to individual tropical countries (most recently to Cameroon), and recent research work commissioned by the Committee on Economic Information and Market Intelligence indicate that the ITTO plays a useful role to improve understanding and transparency of the international wood trade.

This latter role may be strengthened further if ITTO acts on a US proposal to establish a private sector consultative board, modeled after similar boards of other commodity agreements. This would aim to recognize the importance of the commercial private sector to the ITTO, and to enhance the value of the ITTO to tropical timber exporters and importers. In addition to providing recommendations to the Council, the proposed formal structure would provide a venue for the private sector to discuss relevant issues amongst themselves.

1.4 UN Forum on Forests

The United Nations Forum on Forests (UNFF) met in Special Session at UN Headquarters in New York on 30 October 2009. At the special session, delegates reached a decision on the need for urgent global action to catalyze funding for sustainable forest management around the world. The decision marks the culmination of over seventeen years of debate on this issue, dating back to the Earth Summit in Rio in 1992.

The UNFF decision launches two significant initiatives. First, the UNFF will establish an intergovernmental process to conduct in-depth analysis of all aspects of forest financing over the next four years. An intergovernmental ad hoc expert group will analyze existing financing strategies for sustainable forest management, and explore ways to improve access to funds, including the option of establishing a voluntary global forest fund.

Second, the UNFF will introduce a "Facilitative Process" on forest financing, to assist countries to mobilize funding from all sources. The process will address the special needs of countries that have faced a 20-year decline in forest financing. Specifically, these include least developed countries, low forest cover countries, high forest cover countries with low deforestation, low to medium income countries, small-island developing states and low-income countries in Africa.

1.5 UNECE Timber Committee Green Building Workshop

This meeting convened by the UNECE Timber Committee in Geneva on 12 October 2009 with sponsorship from AHEC and several other industry associations explored the current and potential impact of green building initiatives on international wood markets. The meeting formed part of the international wood industries response to the growing focus on energy efficiency and sustainability in the construction sector.

The construction sector, which is reckoned to account for over 50% of global carbon emissions, has become a key focus of government policies to tackle climate change. Economic stimulus packages in both the EU and US have earmarked funds for green building. This has boosted prospects for green building initiatives (GBIs) like LEED and Green Globes in the US, and a range of national systems in the EU (notably BREEAM in the UK, HQE in France, the German Sustainable Building Council (DGNB) system, the klima:aktiv programme in Austria, and the Swan Label for Small Houses in the Nordic region).

An overview of how wood is treated in 11 GBIs around the world was provided by Helen Goodland of the Lighthouse Sustainable Building Centre based in Vancouver. The presentation was a real eye-opener to anybody still harbouring an illusion that existing GBIs will encourage greater use of a sustainable natural material like wood.

Goodland highlighted how the proportion of credits relevant to wood in GBIs is variable but generally quite low (18% in LEED, 14% in Green Globes, 15% in BREEAM and 10% in Green Star. Furthermore, the final results of most GBI assessments are not at all sensitive to the level of wood content. In other words, a building constructed mainly in wood would score no more nor less than a building constructed mainly in concrete, masonry or steel.

Goodland noted that GBIs are very regionally specific and that credits relevant to wood tend to be lower in countries where there is little tradition of building in wood. This implies that existing GBIs may have very limited potential to alter cultural prejudices against wood where these exist. This problem is reinforced by the fact that few existing GBIs provide scope for recognition of new innovative products.

Goodland also highlighted that GBIs generally do not give appropriate recognition to wood's green credentials. In fact certain systems – particularly those targeting commercial buildings (as opposed to residential buildings) – are skewed against the increased use of wood. Only 20% of systems studied include any consideration of the environmental impact of different materials across their full life-cycle. Carbon sequestration of wood is rarely if ever considered. There is no consideration of wood's potential positive contribution to thermal mass. Wood is generally the only material subject to any form of requirement for chain of custody certification.

The scale of the challenge faced by the wood industry to ensure that GBIs give appropriate recognition of wood's environmental credentials was the theme of a presentation by Jameson French of Northland Forest Products. French noted that while the wood industry has a great product and has gone to considerable lengths to improve environmental performance, this has not been successfully communicated to the market. Meanwhile "other sectors are getting away with murder" and internationally the wood sector is now actually losing market share in the construction sector to other products.

French drew attention to the efforts of other materials sectors to exploit the trend towards green building. For example, a recent UK Times newspaper supplement on "sustainable construction" did not mention timber once in 16 pages of copy. Instead it reported on efforts by the concrete and steel sectors to develop "sustainable" products.

French also referred to the recent achievement of the highest A+ environmental rating for PVCu windows in the BRE Green Guide, an important component of the BREEAM rating system and an increasingly influential guide for material specification in the UK. Achievement of the highest rating was largely down to efforts by the plastic industry to encourage greater recycling of windows at the

end of their useful life. Soon after BRE's assessment, the British Plastics Federation placed an ad in the Housing Association Magazine stating: "it's a fact that when it comes to window frames there is no more environmentally friendly material available than PVC-U."

French recommended concerted and renewed efforts by the wood industry to: gather and make available more comprehensive LCA data; engage actively in GBIs; and particularly to work with the ENGO community to challenge the environmental credentials of other materials sectors. He also called on the international wood industry to unite behind a few simple messages highlighting the environmental benefits of increased use of wood in construction.

1.6 Forest Footprint Disclosure Project

The Forest Footprint Disclosure Project (FFD Project) is a new UK government-supported initiative, created to help investors identify how an organisation's activities and supply chains contribute to deforestation, and link this 'forest footprint' to their value. Modelled on the successful Carbon Disclosure Project, it aims to create transparency and shed light on a key challenge within investor portfolios, where currently there is little quality information.

Participating companies will be asked to disclose how their operations and supply chains are impacting forests worldwide, and what is being done to manage those impacts responsibly. They will also gain a better understanding of their own environmental dependencies, and how the changing climate and new regulatory frameworks could affect access to resources and the cost of doing business in the long term.

Eleven major financial institutions, with collective assets of £700bn, have already agreed to sign a letter requesting disclosure of companies' forest footprints which will be sent to 150 companies in the Fortune 500, as well as 50 other companies with a high potential forest footprint. The results of the Forest Footprint Disclosure questionnaire will be made available to endorsing investors and summarised in an annual report, beginning in January 2010 – it will identify companies that are 'best in class', those that have identified innovative strategies for managing their risk, and those that declined the request to disclose their forest footprint.

The project has prepared a report, Global Forest Footprints, which details how consumer products containing commodities sourced on rainforest land drive deforestation, and how the FFD Project can help investors manage their related risks. More details at www.forestdisclosure.com

2. National level developments in Europe

2.1 United Kingdom

2.1.1 Introducing social criteria into Government procurement policy

The UK Government recently consulted on the inclusion of social criteria in its timber procurement policy. The Government had previously interpreted the EU public procurement directives as not permitting contracting authorities to include the social criteria that are typically included in definitions of sustainable forest management. The UK now proposes that certain social criteria are suitable for inclusion in public sector contract requirements. The criteria the UK refers to include:

- (1) clarification, recognition and respect of legal, customary and traditional rights related to the forest;
- (2) mechanisms for dispute resolution between timber operators and local people;
- (3) freedom of workers to organise and negotiate.

From this starting point, the Government aims to review and amend the definition of legal and sustainable timber⁸.

⁸ More at <http://www.proforest.net/cpet/review-comments-1/2009-consultation-on-the-inclusion-of-social-criteria>

2.1.2 Promoting to local authorities

The UK government's Central Point of Expertise on Timber (CPET), the Timber Trade Federation (TTF) and WWF are working together to provide practical advice to Local Authorities on responsible timber procurement. The initiative is supported by the UK government's Department for Environment, Food and Rural Affairs (DEFRA). As a first step, the organisations jointly sent letters to Councillors in England and Wales to convince them of the need to adopt responsible timber procurement policies.

The organisations also jointly prepared a set of timber procurement tools for local authorities. These advise authorities to implement policies very closely allied to central government policy. They recommend that preference should be given to wood products which are "verifiable sustainable". This implies that 70% by weight or volume must be traceable to forests meeting UK government sustainability criteria – a requirement that can only realistically be met through one of the CPET approved certification systems (FSC, PEFC, SFI, CSA).

The guidance also recommends that where "verifiable sustainable" wood is not available, preference should be given to wood that is verified legal. A weakness of the advice provided in the documents on legality verification is that it focuses heavily on private sector traceability systems and FLEGT VPA procedures which are much more relevant to high risk areas in the tropics than to low risk countries like the US.

2.1.3 B&Q

B&Q, the UK's largest DIY retailer, recently announced that it will buy only FSC-certified tropical hardwood plywood. B&Q claim that FSC certification of its entire tropical plywood supply chain "is a global first as historically it has been difficult to secure FSC certification for this volume". All B&Q's tropical hardwood plywood is now FSC-certified and the FSC logo will be clearly displayed in-store. Julia Griffin, Timber Adviser for B&Q said, "We're delighted to be the first retailer to gain FSC certification for all our tropical plywood. Now those looking for fully certified tropical plywood will have an easy way to get hold of what they need."

All B&Q's tropical plywood is sourced from community-owned and private forests in Acre, Brazil's westernmost state. There are 370 families involved in community forestry projects surrounding the mill supplying B&Q's tropical plywood. Since B&Q requires hundreds of thousands of sheets of tropical hardwood plywood a year, the company hopes that the community projects will expand to include a further 300 families.

2.2 Netherlands

From 1 January 2010 onwards, the Netherlands central government will only procure timber deemed to be sustainable. The minimum standard to date has been that wood must be verified legal. Timber must be demonstrated to be in accordance with Dutch government criteria in order to be accepted as sustainable. The criteria essentially outline the structure of an independent forest certification system and stipulate conformance to environmental, economic, social and chain of custody requirements⁹.

AT present the following certification systems are assessed by the Dutch Timber Procurement Assessment Committee (TPAC) as conforming to the Dutch Timber Procurement criteria: FSC International, PEFC Finland, PEFC Germany, PEFC Belgium, and PEFC Sweden. TPAC is currently assessing PEFC International, MTCS (Malaysia) and PEFC Austria.

TPAC began an assessment of PEFC International in 2008. However, in view of a planned revision of the PEFC criteria and at request of the PEFC Council, TPAC postponed the conclusion of the assessment last year. However with PEFC revision process nearing completion, TPAC organised

⁹ <http://www.tpac.smk.nl/webadmin/files/pdf/Procurement%20Criteria%20Timber%20Dec%202008.pdf>

a Stakeholder Forum for PEFC International in September/October to gather views on the certification system from environmental organisations, timber companies and other stakeholders.

TPAC reports that it has received a large number of comments and that PEFC International now has the opportunity to review the comments. Following the conclusion of the assessment procedure, the Committee will report back on how stakeholders' contributions have been taken into account.

More information can be obtained from Myrthe Haase, Secretary TPAC, telephone +31 (0)70-3586300, email mhaase@smk.nl, website www.tpac.smk.nl.

2.3 France

2.3.1 Grenelle 1 Law should benefit wood

The Sarkozy government launched a big public consultation on climate change (the Grenelle de l'Environnement) in 2007 which led to a first piece of legislation – the so-called Grenelle 1 – signed into law on 23 July 2009. Grenelle 1 includes a comprehensive package of measures to address climate change. Energy efficiency in buildings is one of the top priorities. Amongst the many measures approved the government is putting in place interest free loans (ten year loans up to €30000) for homeowners who undertake major building renovation works to improve energy efficiency. Other financial measures target local authorities to increase energy efficiency in public buildings and social housing (800000 dwellings are to be renovated).

The heightened focus on energy efficiency in French construction may have particular benefits for wood. France is unusual amongst European countries for the level of formal government commitment to increased use of wood in building. State measures to support and develop timber framed construction date back to 1996 when a minimum proportion of wood in building projects was set as part of the Loi sur l'Air (Air Quality). The French government has also long acknowledged the value of increased wood use as a means of meeting national Kyoto objectives. A framework agreement exists between 16 organisations including both public sector players (relevant Ministries and other government agencies) and relevant trade organisations (such as builders federation and social housing organisations) which defines a national plan for wood in building. The key indicator or objective is to increase the % of wood in building from 10% to 12.5% in 2010 which would reduce carbon emissions by 7 million tons per annum.

France has in fact established a legal requirement to increase the use of wood in construction, although current standards are not demanding and are not actively enforced. French building law provides indicative minimum ratios for timber consumption in cubic meters for each m² of gross floor area. The ratio varies according to the different categories of buildings (residential, tertiary, industrial...). The current minimum ratio of 2dm³/m² can be achieved simply through the use of wood wall skirtings and basic wood panel doors and there are no sanctions or penalties if developers or builders do not meet the ratio. However, under the Grenelle programme, there are reports that the minimum ratio for wood construction is being reviewed and may be stepped up. Also, French home owners who decide to put in place timber external cladding to reinforce external insulation are not now required to apply for a building permit.

2.3.2 Possible moves to tighten up timber procurement requirements

French government commitment to increase wood use has been matched by commitments to ensure an increasing proportion of wood purchased by central government derives from legal and sustainable sources. French government timber procurement policy, first established in 2004, established the objective that 50% of all wood purchased in central government contracts must be "legal and sustainable" by 2007, and 100% must meet this standard by 2010. The objective to buy only wood and derived products from "legal and sustainable" sources in 2010 was reiterated in a circular in 2008. At present there is no hierarchy of evidence separating "legal" from "sustainable" timber, and the requirements for documentary evidence have generally been very flexible. The

requirements differ for two categories of products:

- Category I - timber (sawn and veneer products) and plywood, for which a wide range of evidence is accepted including: independent SFM forestry certificate; independent legality certificate; evidence of conformance to an independently verified code of conduct.
- Category II: all secondary-processed products (particle boards, windows, furniture and paper): conformance to an ecolabel or forest certification scheme.

In each case “equivalent” evidence may also be provided which will be assessed on a case-by-case basis.

This relatively flexible procurement policy is being reviewed under the Grenelle process. The Grenelle I law states that the government will define the modalities for the recognition of forest management certification schemes.

This policy has significant potential to impact a large proportion of the French market. The French Ministry of Agriculture quotes the evaluation of CIRAD according to which the share of the national timber consumption covered by public procurement is around 25%. To date the impact has been constrained by lack of effective monitoring and enforcement procedures to ensure implementation. However a review is now on-going (from April 2009 until the end of November 2009) with the aim of assessing fulfillment of the objective of 50% of wood and derived products public procurement from legal and sustainable sources and to give recommendations for the improvement of the current policy.

2.4 Scandinavian government procurement policies

Scandinavian governments have generally adopted a pragmatic approach to timber procurement, being less concerned to impose controls and more ready to recognise the environmental benefits of increased timber use than their UK and Dutch counterparts.

Of the Scandinavian countries, only Denmark has developed a specific timber procurement policy for central government, but this takes the form of voluntary guidance. In February 2008, the Danish government issued temporary advice for public buyers to accept, as proof of ‘legal and sustainable’ timber, either an FSC or PEFC certificate. A set of draft Criteria for Legal and Sustainable Timber and Assessment of Certification Schemes was launched for public consultation in April 2008 but these have yet to be finalised. The temporary guidance – originally intended to be valid until April 2009 – is believed to be still in force.

Contacts with Danish traders indicate that government procurement policy is encouraging some interest in certified wood and wood products for public funded projects and buildings. However, end-user interest in certified wood in Denmark is generally limited, particularly for non-tropical timbers. Most of the time all buyers require is an assurance from suppliers that their wood is from legal and sustainable sources. The majority of this growing demand for “green” assurance stems from the wood supply chain itself and not directly from Danish consumers. Companies want to be seen to be “green” to avoid negative publicity. The result is that agents and importers now check out their suppliers much more thoroughly than they used to and will give preference to suppliers that can provide good information on the environmental credentials of their production.

Junkers flooring, Denmark's largest wood product manufacturing company, has a strict “green” policy requiring that they know the environmental credentials of their suppliers. The policy is risk based so that Junkers demands more reassurance of legality and sustainability from high risk tropical regions than from suppliers in Europe and North America which is seen as low risk. With respect to tropical hardwood, the company is using less than in the past, and will now require certified wood where available or otherwise verified legal.

In Finland, a government resolution on promoting sustainable public procurement was passed in

during April 2009. However no specific timber procurement policy has been implemented. The Finnish government has only indicated that the need for a specific policy on wood-based products is under consideration.

The Swedish Government endorsed a general National Action Plan (NAP) for Green Public Procurement (GPP) for the period 2007 to 2009 in March 2007 but a specific procurement policy for timber and timber products has not been adopted. However, the Swedish Environmental Management Council, which is responsible for developing government procurement guidance, recently indicated that it intends to assess procedures for assessing legality and identifying non-controversial sources of any material or product.

2.5 Norway in bilateral deals on REDD

Norway's government procurement policy is very simple. It bans the use of tropical timber in government contracts on grounds that no independent certification system can provide a satisfactory assurance that tropical wood is sustainable. In fact there is a strong underlying attitude in Norway that any commercial harvesting of tropical forest is contrary to the principles of sustainability.

At least Norway puts its money where its mouth is – it is committing \$600 million a year to the development of REDD initiatives in tropical countries with a strong focus on conservation measures to maintain natural forests as carbon stores. In addition to supporting various multi-lateral REDD initiatives – such as the UN-REDD and the World Bank Forest Carbon Facility – it is working bilaterally with a limited number of tropical countries, notably Brazil, Guyana and Tanzania.

In a recent letter to the UK's Guardian Newspaper, Norway's Environment Minister Erik Solheim spelt out the government's approach to REDD projects. Norway advocates a phased approach to implementation of REDD. It proposes that countries should initially receive some financial support to develop national Redd strategies, to put in place environmental and social safeguards, and to develop credible systems – both for monitoring results and handling finances in a transparent manner. These should include robust anti-corruption measures – and only when this hurdle is passed would the country be eligible for large-scale payments.

Norway also places great emphasis on national level rather than project level implementation. The government believes this is the best way to avoid problems of corruption. It suggests that problems of corruption are exacerbated by a poorly regulated micromanagement approach. At a national level, international agencies and donors are better positioned to spot attempts to exploit the system and to hold governments accountable for both emission reductions and negative side-effects. The national-level approach also avoids rewarding conservation in one area while deforestation activities move next door (so-called "leakage").

Norway's emphasis on governance issues is reflected in the bilateral programmes now being developed. For example, Norway recently agreed to pay Guyana's national government US\$30 million in 2010 and potentially up to a total of US\$250 million by 2015 for preserving its forests. The level of financial support to Guyana will be proportionate to the success of Guyana in restricting tropical deforestation. However, Norway has set out very detailed and wide-ranging conditions which must be met before any money is disbursed. Guyana must show that steps are being taken to:

- establish independent forest monitoring by a credible, independent entity.
- enter into formal FLEGT VPA negotiations.
- enter into a formal dialogue with the Extractive Industries Transparency Initiative (EITI) or an alternative mechanism agreed by Guyana and Norway to further the same aim as EITI.
- all REDD relevant decisions and data are publicly available.
- develop a system for reporting on the multiple benefits of REDD, including on measures to protect biological diversity, improved livelihoods, good governance, and how the Constitutional protection of the rights of indigenous peoples and local communities are

- o facilitated within the framework of Guyana's REDD efforts.
- o develop a national, inter-sectoral, land use planning system;
- o develop valuation systems for determining the costs and benefits of different alternatives and courses of action on the forest resource;
- o develop a strengthened forest monitoring and control system, focusing on all significant drivers of deforestation and degradation, including logging, mining and agriculture activities on forest lands
- o establish criteria for identifying priority areas for biodiversity within Guyana's forests, to inform the overall land use planning system.

3. National level developments outside Europe

3.1 Brazil pledges ambitious emissions reductions

In the run-up to the Copenhagen summit, the government of Brazil announced that it will reduce its emissions by 15-18% reduction of 2005 levels by 2020. These numbers look relatively ambitious in the international context given that Brazil is a developing country and does not have a quantitative emission reduction obligation under the Kyoto Protocol.

Over half of the proposed reductions are expected to come from efforts already underway to stem deforestation in the Amazon, which accounts for about two-thirds of Brazil's total emissions. The target came in the wake of news that Brazilian deforestation is currently at its lowest level since measurement began over twenty years ago. Brazilian authorities said that between August 2008 and July this year, deforestation in the Brazilian Amazon fell by 45% compared to the same period in 2007-2008 from nearly 13,000 square kilometres to around 7,000 square kilometres (5,000 square miles to 2,700 square miles).

The Brazilian authorities were quick to claim much of the credit for this reduction. However it is unclear how much is due to policy changes, such as the recent crack-down on illegal logging and enhanced enforcement of land licensing, versus the economic crisis, which has reduced global demand for the beef and soy production that has traditionally driven deforestation.

3.2 China-Indonesia co-operation

Partly in response to the Lacey Act Amendment, the Indonesian and Chinese governments have agreed to cooperate to verify the legality of wood products traded between the two countries. According to Indonesian Ministry of Forestry officials, the Memorandum of Understanding includes a commitment to mutually exchange data on imports and exports of woods products and information on developments in forest product legality verification and certification.

4. Development of Forest Certification

4.1 Global overview

By October 2009 the global area of certified forest endorsed by one or other of the international frameworks – the FSC and the PEFC - amounted to 346 million hectares (Chart 1). This represents an increase of around 19 million hectares (6%) since the start of the year. This is in line with recent trends: the overall rate of expansion of global certified forest area has remained reasonably constant at between 15-25 million hectares per year since 2006.

There has been little change in the balance between FSC and PEFC certified forest area during the course of 2009. FSC certified forest area stood at 116 million hectares in October 2009, up from 107 million hectares at the start of the year. PEFC certified forest area stood at 230 million has in October, up from 210 million has at the start of the year.

There has been some shift in the balance of national systems making up PEFC this year. PEFC data indicates that in North America, the area of land certified by the Canadian Standards

Association (CSA) system declined from around 83 million has at the start of 2009 to 73 million has in October 2009. However this decline was offset during the period by an increase in the area of forest land certified by the Sustainable Forestry Initiative (SFI) Program from 62 million has to 71 million has.

Chart 1

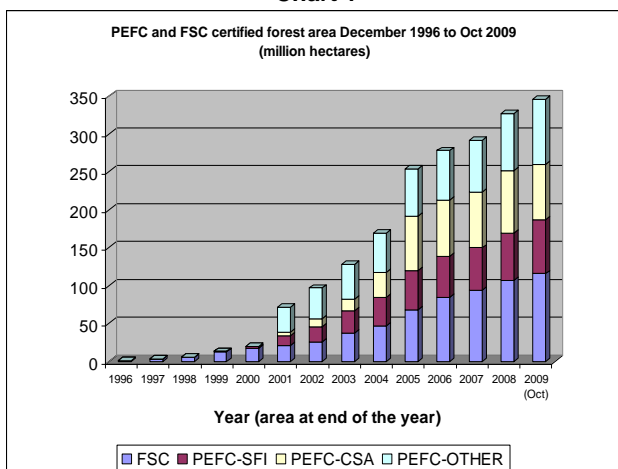


Chart 2

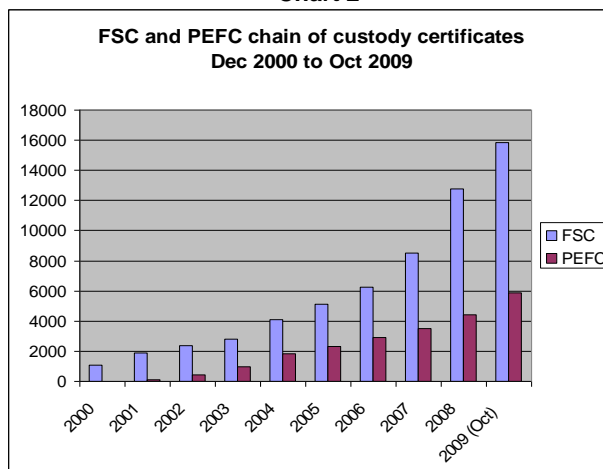


Chart 3

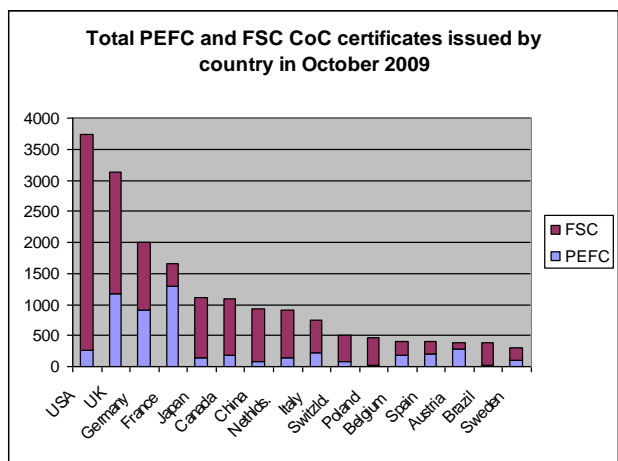
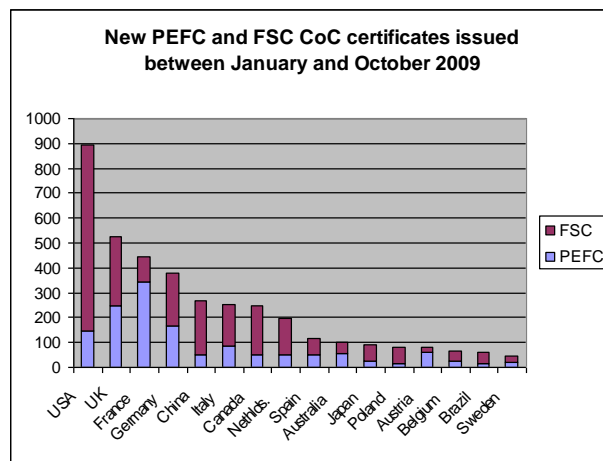


Chart 4



Source: FII Ltd analysis of certification system data

The area of PEFC certified land received a boost in 2009 with the endorsement of the Malaysian Timber Certification System (MTCS) which has already certified 4.8 million has. The first shipment of Malaysian timber products bearing the PEFC logo is expected early in 2010. 17 Malaysian companies are soon expected to receive PEFC chain of custody certificates.

Elsewhere in the tropics, the area of FSC certified land in the Congo Basin increased by 1 million hectares this year to reach 4.7 million hectares. There were gains of around 1 million hectares each in Gabon and the Congo Republic. However these were off-set by a 1 million hectare decline in FSC certified area in Cameroon. The decline reflects the suspension of certificates issued by ICILA, an FSC-accredited certification body operating in Africa. FSC accreditation of ICILA's forest management certification activities in Cameroon were suspended earlier this year when the company failed to comply with Corrective Action Requests issued by Accreditation Services International, the FSC's 'certifier watchdog', following a field visit in July 2008. The decline mainly affects certified forest land managed by the Cameroon company SEFAC which had been supplying FSC-certified wood through the Italian company VASTO-LEGNO.

Overall there has been no significant change in the regional distribution of certified forest area which remains very heavily concentrated in Europe and North America (see Table 1). Other than Malaysia, much of the growth in PEFC and FSC certified forest area during the January to October 2009 period was in Europe (up 4.8 million hectares). This compares to Russia (2.8 million has),

Australia (2 million has), Africa (1.9 million has) and North America (1.8 million has).

Table 1: Certified forest area by major scheme and region in October 2009 (million hectares)

	North America	Europe	Russia	South & Central America	Oceania	Asia	Africa	Total
FSC	39.9	32.2	21.1	10.9	1.7	2.8	7.1	115.6
PEFC-SFI	71.3							71.3
PEFC-CSA	72.9							72.9
PEFC-Other	10.7	57.6		3.1	9.9	4.8		86.1
Total	194.8	89.7	21.1	14.0	11.6	7.6	7.1	345.9
Total forest area (FAO 2005)	677	192	809	861	206	572	635	3952
Certified % total area (FAO 2005)	29	47	3	2	6	1	1	2

Source: FII Ltd analysis of certification system data

The rapid pace of chain of custody certification has been maintained during 2009 (Chart 2). Around 4500 new chain of custody certificates were issued worldwide in the 10 months to end October 2009, bringing the total to 21,000. Of the new certificates, 3000 were issued by FSC and 1500 by PEFC. A large proportion of certificates issued in the 10 month period were in countries that have led the chain of custody process for some time, namely the USA (892), UK (523), France (444), and Germany (380) (Charts 3 and 4). However the pace of CoC certification is also beginning to pick up in China (268), Italy (254) and Canada (246).

4.2 PEFC Secretary General highlights key issues for certification in 2010

At the PEFC General Assembly in October, the organisation's Secretary General Ben Gunnerburg highlighted the following key issues for PEFC certification in 2010 and beyond:

1. The need to expand certification globally beyond current coverage of only 8% of the world's forest surface after almost 20 years of effort. He asked "have we stalled" now that most of the "low hanging fruit" is already certified.
2. The need to secure increased market access for wood, particularly certified wood. He welcomed new policy measures such as the Lacey Act Amendment and public/private sector procurement policies as long as these "continue to act as drivers of increased demand for legal and sustainable wood and do not become barriers".
3. The need to ensure the relevancy of forest certification for new markets and initiatives covering additional forest values including REDD, carbon certification, biomass certification, and ecosystem services.
4. The need to continue to address and significantly improve the contribution of forest certification to wider socio-economic objectives including: rural development; poverty reduction; social equity and justice; and reduced deforestation.

In pursuit of these objectives, Gunnerburg said that PEFC will: strengthen partnerships; continue to improve its documentation; promote growth of SFM certification worldwide; promote marketing access and advantages of certified wood; develop new products to meet new market opportunities from SFM; advocate certified wood and its associated benefits; and transpose the lessons learned from forest certification to other sectors

On the technical side, Gunnerburg reported that the PEFC International Standards Revision process is currently underway. The process began in early 2009 and is due for completion in November 2010. It covers both PEFC's international sustainable forest management criteria and PEFC requirements for standards-setting processes at national level. The aims of the revision process are to ensure that the PEFC requirements continue to meet stakeholder expectations and are robustly implemented and monitored, and to expand use of the PEFC requirements. Two stakeholder meetings to discuss possible revisions were held during 2009. Based on this input, a

Working Group is now preparing redrafted standards which will be put out for public consultation in Spring 2010.

4.3 Proposed new LEED Forest Certification credit fails to satisfy critics

Between September and October 2009, the US Green Building Council (USGBC) put out for public consultation a second draft proposal for a new forest certification credit. The move to amend the credit was ultimately spurred by the timber industry's complaints about unfair exclusion of wood certified under systems other than the FSC from the LEED credit. However the latest draft has been heavily criticised by representatives of PEFC and SFI who claim that it fails to make the LEED system more inclusive and equitable for other forms of forest certification.

The new forest certification credit would affect the following LEED Rating Systems:

- LEED-NC (New Construction) 2009, MR Credit 7, Certified Wood
- LEED-Schools 2009, MR Credit 7, Certified Wood
- LEED-CI (Commercial Interiors) 2009, MR Credit 7, Certified Wood
- LEED-CS (Core and Shell) 2009, MR Credit 6, Certified Wood
- LEED 2009-EBOM (Existing Buildings: Operations and Maintenance), MR Credit 1: Sustainable Purchasing – Ongoing Consumables; MR Credit 2: Sustainable Purchasing – Durable Goods; & MR Credit 3: Sustainable Purchasing – Facility Alterations and Additions
- LEED for Homes, MR 2, Environmentally Preferable Materials

The existing LEED standards allow the FSC timber credit to be claimed if at least 50% of the wood used on a project (based on cost) is FSC certified. In theory, the new terminology is designed to be more inclusive. There is no longer a direct reference to FSC and instead certification systems are ranked against the USGBC Forest Certification Benchmark. If a particular forest certification system complies with over 48 mandatory "prerequisites" and more than 40% of the 32 "voluntary credits", the costs of wood products certified under that system may be allocated to the "certified wood" percentage needed to earn credit MRc7. The more a particular scheme complies with the voluntary credits, the greater the relative value of that product that may be contributed to hitting the 50% cost threshold.

Although complicated, the new approach of assessing certification systems against a benchmark has merit and may be necessary to thwart claims that the USGBC is in the back pocket of any particular certification body. By establishing a benchmark for forest certification standards, the USGBC can simply point out the deficiencies of any particular standard instead of arbitrarily rejecting timber certified under non-FSC systems.

On the other hand, USGBC seem to have responded to the flood of commentary received during the consultation exercise by including numerous recommendations to extend the certification benchmark. The resulting benchmark is hugely detailed and potentially contradictory. The structure of the benchmark is also closely aligned to the existing FSC international framework, so certification systems coming from a different cultural and technical perspectives will continue to be discriminated against.

There are also inconsistencies between the proposed benchmark and other aspects of the LEED standard. For example, USGBC state that a governing principle in drawing up the benchmark is that "USGBC does not support the conversion of natural forests to intensively managed plantations." And yet the LEED standards continue to credit "Rapidly renewable building materials and products" which are "made from plants that are typically harvested within a 10-year or shorter cycle". It is irrational to reward products from intensively managed agricultural crops, which may well be cultivated on land cleared of forest, while penalising intensively managed tree crops.

Advocates of alternative certification systems to FSC have raised these concerns directly with USGBC. For example, the SFI Program recommends a process that is far simpler noting that "since less than 10 percent of the world's forests are certified to any forest certification program, certified forests already represent the best performers". The PEFC says the approach proposed by

USGBC “adds additional scrutiny to a material that is already certified to internationally recognised benchmarks...While strong demand side signals are necessary to encourage more forest owners to manage sustainably, this methodology is likely to push architects and building companies to give preference to steel or concrete.”

In practice the relevance of this debate is limited by the fact that the certification credit in LEED standards for commercial projects is worth only 1 point, equal to that available for "rapidly renewable materials" and less than the 2 points available for regionally sourced products (defined as those that are extracted, processed and manufactured within 500 miles of the building project). The significance to overall LEED scores varies depending on the LEED standard used. In LEED 2009 there are 100 possible base points plus an additional 6 points for Innovation in Design and 4 points for Regional Priority. Nor is there any underlying minimum requirement for the wood used in projects to meet the certification benchmark so many projects forgo the certification point and build with their preferred supply.

There is an important caveat to these last comments. The forest certification credit is relatively more important in the LEED for Homes standard, the rating system for residential construction, than in the various LEED standards for commercial construction. Materials selection under LEED for Homes is covered under criterion MR2 which aims to increase demand for environmentally preferable materials (EPPs) and products or building components that are extracted, processed and manufactured within the region. MR2 makes available a much larger number of points for use of FSC certified or regionally derived materials. Half a point each is awarded for a number of different building systems/components (e.g. framing, flooring, siding, roofing etc.) up to a maximum of 8 points for the use of environmentally preferable products and/or regionally sourced products. MR2 also has a mandatory prerequisite that all tropical woods used in a LEED for Homes project be FSC certified.

The amended forest credit will be required for any projects registered after the date the credit is accepted. It is still uncertain when this will be. USGBC has said that if public comments received during the last round of consultations do not lead to further revisions, the final proposed credit language revisions and benchmark requirements will be released for member ballot and ratification. On the other hand, if public comments do inspire further revisions, a third public comment period may follow. Member ballot will only occur when no additional technical revisions are made to the credits or the benchmark.

4.4 Tit-for-tat submissions to the U.S. Federal Trade Commission

The US NGO ForestEthics has reported SFI to the U.S. Federal Trade Commission (FTC) on grounds that it violates the commission's prohibition against "unfair or deceptive acts or practices in or affecting commerce." ForestEthics alleges that SFI is engaged in "greenwashing". ForestEthics has also submitted a report to the U.S. Internal Revenue Service claiming that SFI's charitable status is inappropriate since it "serves the private interests of wood and paper companies that want a 'green' image".

ForestEthics say the move to report SFI to the FTC and IRS forms part of a wider campaign against SFI "which will include a wide variety of tools, including pressure on companies to sever their links to SFI, protests against wood and paper products that bear the SFI label and public communications to educate consumers and companies about SFI's greenwashing".

In retaliation, a coalition of 40 US forest product companies, businesses, family forest owners, and trade and landowner associations engaged in SFI have reported the FSC to the FTC. In the filing, the coalition said it believes several aspects of the FSC system raise concerns. One is "the regional and national variances among FSC's certification standards, which limit the ability of consumers to confirm the standards to which FSC-certified products are subject."

The coalition's filing also challenges FSC's claims about assuring customers that fibre from mixed sources meets its standards. And it says that "FSC's auditors and certification bodies may not be

properly ensuring adherence to FSC certification standards." Finally, the filing asks the FTC to review the actions of the U.S. Green Building Council in rewarding FSC-certified wood under its Leadership in Energy, Environment and Design standards.

4.5 FSC say PEFC doesn't meet Controlled Wood

The FSC and PEFC have become engaged in a public debate following a provocative report from the FSC entitled *Comparative analysis between the FSC Controlled Wood requirements and PEFC, PEFC Germany and SFI*. The report suggests that certification to systems endorsed by the PEFC is insufficient evidence of conformance to the FSC Controlled Wood (CW) Standard and so therefore cannot be mixed with FSC-certified material without further examination. FSC CW requires that wood is sourced in a such a way as to avoid illegal harvesting, violation of traditional and civil rights, threats to High Conservation Values, conversion from forests and other wooded ecosystems and the use of Genetically Modified Organisms

Quoted in the TTJ, an FSC spokesperson said the report stemmed from questions from German certification bodies and certificate holders as to whether PEFC-certified material could be included in the FSC Controlled Wood standard. She said that some PEFC national schemes may have "stronger" criteria than PEFC International's standards and so may qualify under the Controlled Wood standard. But FSC has not done any further comparison studies on other PEFC national schemes. The spokesperson said that the message from the report was that people "can't assume that a PEFC-endorsed national standard will meet the requirements for FSC Controlled Wood".

The FSC report drew an angry response from PEFC International. PEFC secretary-general Ben Gunneberg, quoted in the TTJ, described FSC's report as an attempt to undermine alternative approaches to certification, "disregarding" years of work to build an international consensus between forest certification schemes. Certainly a brief review of the FSC's public summary report does suggest it has been written in such a way so as to increase damage to the rival certification framework. It is highly selective and makes no attempt to present a balanced appraisal of the strengths and weaknesses of PEFC systems in relation to the FSC CW standard.

Meanwhile SFI released a briefing note that "illustrates how the proactive SFI Fiber Sourcing and Chain of Custody requirements address and exceed the risk avoidance requirements in the FSC Controlled Wood Standard". SFI suggests their comparison "more accurately illustrates the similarities and differences in the FSC and SFI approaches to dealing with the uncertified fiber in the supply chain"¹⁰.

The ITTO Market Information Service (MIS) highlighted some potential practical implications of the FSC's conclusions. MIS notes that many traders supplying FSC percentage labelled products had been relying on PEFC certified wood to demonstrate conformance to FSC Controlled Wood (CW). This was seen as a pragmatic response to the challenges and extra costs faced by traders due to the failure of FSC and PEFC to co-operate in any meaningful way. However trading companies using the FSC labels will now have no option but to introduce additional potentially costly CW risk assessment and verification procedures.

MIS notes: "FSC evidently wants to encourage more traders into their camp. But a strategy that implies extra costs at a time when there is no strong market incentive for FSC may have the opposite effect...the negative implications of the FSC report are already being felt in Malaysia where the MTCS certification system was recently endorsed by the PEFC. Those Malaysian plywood mills that previously supplied FSC Mixed products and which had relied heavily on MTCS certified material for the non-FSC component are now showing signs of switching to supply of PEFC products. The latter is given equivalent recognition to FSC in many European government procurement policies so there may be little incentive for Malaysian suppliers to continue to engage with FSC."

¹⁰ <http://www.sfiprogram.org/newsroom/?p=212>

MIS also notes that relatively high prices for FSC certified tropical wood (which tend to be offered at a premium of at least 20%) have meant only limited demand for FSC certified tropical hardwoods in Europe. Those buyers seeking environmental assurances have tended to prefer wood supplied under various legality assurance systems being offered at little or no premium over the unverified product.

5. ENGO campaigns

5.1. Protesting Monoculture Tree Plantations

The World Rainforest Movement held their fifth annual International Day Against Tree Monocultures on 21 September¹¹. This year the day included the launch of an international declaration signed by around 8000 individuals and organisations from 85 countries calling for a halt to the further expansion of plantations. WRM's main aim is to show that "plantations – a quick source of cheap wood – are neither carbon 'sinks' nor forests; in reality they have severe social and environmental impacts, negatively affecting women in particular".

5.2 NGOs against carbon trading

A Coalition of four ENGOs - Rising Tide North America, Carbon Trade Watch, the Camp for Climate Action, the Mobilization for Climate Justice West – are running a campaign under the strapline "350 reasons why carbon trading won't work". A series of 350 simultaneous global events were held on 24 October 2009 "to sound the alarm that corporate-driven carbon trading schemes impede genuine efforts to address the climate crisis". A website (www.350reasons.org) "outlines problems with carbon-derivatives and offsets".

5.3 Greens seek to use REDD as a lever to phase out tropical logging

At recent UNFCCC meetings and in their publicity statements, green groups such as Global Witness and Greenpeace have made clear their intent of using REDD as a lever to phase out any commercial harvesting of timber in natural tropical rainforests. In pursuit of this aim, they have engaged in efforts to remove all references to "Sustainable Forest Management" (SFM) in the UNFCCC's draft text for Copenhagen.

As part of this campaign, the groups have attempted to associate the SFM terminology with conversion of natural forests into plantations. However this ignores the wide-ranging process over the last decade to develop and promote comprehensive criteria and indicators for SFM in tropical forests (led by ITTO and UNFF). These criteria make clear that the term SFM implies management practices designed to establish an appropriate balance of economic, social and environmental objectives. While this may involve some conversion of natural forest land in pursuit of economic development objectives (as it does in developed countries), it also implies that other areas are designated either as conservation areas or permanent production forest. Low intensity timber selection harvesting (so-called Reduced Impact Logging) is permitted in the latter without conversion.

It is not entirely clear whether the green group's abuse of the term SFM is due to their genuine ignorance of existing recognised definitions or simply to a desire to confuse deliberations and to mislead the media. If the latter was their objective then they have certainly been successful. The reports of several European newspapers of the UNFCCC preparatory meetings in Bangkok during October focused heavily, and erroneously, on the idea that the "loggers" are plotting to use REDD as a mechanism to finance large-scale conversion of tropical forests to industrial plantations.

5.4 Greenpeace dispute benefits of Bolivian REDD project

Greenpeace have claimed that a major private-sector project to reduce carbon emissions through

¹¹ www.wrm.org.uy/plantations/21_set/2009/press_release.htm

reduced deforestation and forest management in Bolivia is a 'scam'. The Noel Kempff Climate Action Project (NKCAP) which generates carbon credits for sale to international carbon markets is a joint initiative between the Bolivian government and three major US energy corporations - American Electric Power (AEP), BP Amoco (BP), and PacifiCorp. The NGO claims that the environmental and social benefits of the initiative have been grossly oversold, although the project sponsors - along with several other green groups - insist that the efforts have been worthwhile.

The Greenpeace report, entitled "Carbon Scam," compares the project's pledges to its actual emissions reductions, as determined by the findings of a Greenpeace analysis. Greenpeace claim that NKCAP has fallen short of its overall goal to reduce CO2 emissions, failed to effectively monitor leakage, and does not provide benefits to local communities. Moreover, the NGO argues that the project sponsors have not proven that the forests that were ostensibly protected by the NKCAP would have been demolished in the absence of the project. The report also alleges that NKCAP sponsors overestimated the project's emissions cuts by 90 percent and misrepresented recent deforestation trends in Bolivia.

But NKCAP officials, joined by numerous environmental organisations, have refuted many of Greenpeace's claims. The project should be seen as a first step toward fulfilling "the rigorous requirements that are now being used for tropical forest conservation," said Glenn Hurowitz, the Washington director of Avoided Deforestation Partners and a former Greenpeace employee. Sarene Marshall, the deputy climate change director of Nature Conservancy, called the project a successful learning process that has unmistakably proven that such projects can work.

5.5 ENGOs step up efforts to discredit PEFC.....

BUND (Friends of the Earth Germany) has just published a report titled "Blackbook Forests"¹² which it is claimed "details the extent of forest mismanagement in Germany". Using 15 case studies, BUND claim the report identifies breaches of national and European legislation in 11 states across Germany. Examples cited by BUND include clear-cutting, illegal felling of old forest stands and extensive damage to forest soils during timber harvesting. The case studies cover all types of forest ownership but concentrate on state-owned and municipal forests. BUND also claim that "a large number of the cases [of mismanagement] were found in forests certified by the PEFC". BUND calls on the German government to significantly increase the area of strictly protected forest in Germany which currently stands at 0.5 per cent.

5.6and FSC

On 25 September, activists unfurled a 35-foot banner blocking the iconic view of New York's 10th Avenue from the High Line park "to protest the Amazon wood used in the park for bleachers, benches and decking". The banner read, "High Crime on the High Line! FSC Lies: Amazon Wood Is Not Sustainable!" The stunt was pulled by two New York City-based groups, Rainforest Relief and New York Climate Action Group and coincided with the "First International FSC Friday," an event held by the FSC to promote their certification scheme. Commenting on the stunt, Dr. Glen Barry, founder of Ecological Internet, said "It has become evident to environmentalists in the know that FSC has become an obstacle to ending ancient-forest destruction and addressing climate change and biodiversity loss."

5.7 Global Witness targets continuing illegal wood trade with Myanmar

The London-based Global Witness have issued a new report claiming that the West fueling the illegal Myanmar timber trade. A Disharmonious Trade¹³, the third in a series of reports on illegal logging in Burma, is based on field research carried out between 2005 and 2009 in Kachin State, along the Burma-China border, and on China's eastern seaboard.

¹² www.bund.net/schwarzbuch-wald

¹³ www.illegal-logging.info/uploads/GlobalWitnessadisharmonioustrade.pdf

The report suggests that while “China and Myanmar have made progress in tackling illegal logging ...more must be done to stamp out corruption fuelling the trade”. The report notes that China cut its imports of logs and sawn wood from Myanmar by 70% between 2005 and 2008. The decline in the illegal cross-border timber trade can be largely attributed to measures put in place by the Chinese authorities since October 2005. At that time, an average of one truck carrying 15 tonnes of illegally logged timber crossed an official Chinese checkpoint every 7 minutes, 24 hours a day, 365 days a year. In stark contrast, Global Witness saw very few log trucks along the border during 2006-07 and 2009.

Nevertheless, Global Witness suggest the illegal trade is still thriving due to bribery, falsified documents and poor law enforcement. Timber is now generally transported at night and official checkpoints are avoided. Furthermore illegal logging is still causing rapid destruction of Myanmar's northeastern forests, with 270,000 cubic meters of logs and 170,000 cubic meters of sawn timber, most of which was illegal, smuggled into China's Yunnan province last year.

The report suggests that the United States, Japan, Britain, France, Germany, Italy, Canada and Russia are the chief export destinations of the timber, mostly as wooden furniture. It suggests that the “United States may have imported \$3.8 billion of illegal timber products from China last year, much of it likely smuggled from neighboring Myanmar, where illegal logging is rapidly destroying forests.” Global Witness claim that a number of US-based companies are still advertising Burmese wood flooring on their websites despite the fact that the Lacey Act now bans commerce in illegally obtained timber and wood products.

5.8 Renewed criticism of Sarawak

According to the European-based ENGO FERN “New blockades of logging roads are starting to appear in Sarawak, mirroring the situation that occurred twenty years ago. When the blockades were first put up in 1989 by the Penan peoples, the last nomadic hunters and gatherers in Sarawak, they led to the arrest of several Malaysian NGO activists who supported the blockades, and the blacklisting of many more non-profit groups.... The new blockades started August 2009 and have again led to arrests of NGO activists and indigenous leaders”. The new protests focus on plans to convert significant areas of natural forest to tree and oil palm plantations, as well as to construct a series of dams. According to FERN, Sarawak aims to double its oil palm acreage from 2007 levels to 1.3 million hectares by 2010 and the ‘planted forests policy’ targets a log production of 25 million cubic meters by 2020

5.9 DLH in the dock

In November, various NGOs including Global Witness, Greenpeace France, Amis de la Terre, and a prominent Liberian activist, lodged a complaint before the Public Prosecutor at the Court of Nantes against Dalhoff, Larsen and Horneman (DLH), one of Europe's leading international timber and wood products wholesalers. The groups allege that during the civil war in Liberia from 2000-2003, DLH France bought timber from Liberian companies that provided support to Charles Taylor's regime.

According to the claimants, by importing timber from forest concessions operated by corrupt Liberian companies, the French arm of DLH is guilty of ‘recel’ – the handling of and profiting from goods obtained illegally, punishable under French criminal law. The NGOs claim to have evidence that DLH's Liberian suppliers were involved in corruption, tax evasion, environmental degradation, UN arms sanctions violations and gross human rights abuses.

5.10 Greenpeace “ghost trees” campaign

In the run-up to the Copenhagen summit, the stumps of 10 rainforest trees, complete with their roots, were placed around Trafalgar Square in London to highlight the issue of deforestation. Laser beams marked the height the trees would have reached in the wild in comparison to Nelson's Column. The installation by Oxford artist Angela Palmer aims to “present a series of rainforest tree

stumps as a 'ghost forest' - using the negative space created by the missing trunks as a metaphor for climate change, the absence representing the removal of the world's 'lungs' through continued deforestation." The trees used were legally felled in the Suhuma forest reserve in western Ghana. In early December, the installation was shipped to Thorvaldsens Plads in Copenhagen for the start of the UNFCCC meeting.

5.11 Targeting plantations in Indonesia

NGOs have greatly stepped up campaigns targetting tropical forest conversion to plantations and palm oil in the run-up to Copenhagen. A new report released by the Environmental Investigation Agency (EIA) and Telapak entitled "Up for Grabs"¹⁴ claims that "five million hectares of land, most of it forested, is being targeted in Papua by powerful companies seeking to cash in on projected demand for biofuels, derived from crops such as oil palm, and other commodities". EIA/Telapak claim that their field investigations carried out at seven locations in Papua and West Papua Provinces of Indonesia during 2009 "reveal a stark picture of government condoned exploitation of traditional landowners, many of whom are being enticed, tricked and sometimes coerced into releasing large swathes of forested land for plantations on the basis of unfulfilled promises of development benefits such as improved transport, schooling, and housing".

The EIA/Telapak report claims that the Indonesian government intends to expand the area under oil palm cultivation from six million hectares to 20 million hectares and that much of this growth is planned in Papua because the forests of Sumatra and Kalimantan are already largely saturated with plantations. EIA/Telapak is calling for the Indonesian government to suspend any further award of plantation licenses in Papua until strong safeguards to support the rights of local communities and protect forests are put in place. It is also calling for the international community to address the role played by consumption of plantation commodities and timber as a key driver of deforestation.

Similarly, a new report "Failing governance - Avoiding responsibilities"¹⁵ from Milieudefensie (Friends of the Earth Netherlands) and WALHI KalBar (Friends of the Earth Indonesia, West Kalimantan) claims that the Indonesian authorities are failing to prevent illegal logging and conversion of protected areas for oil palm cultivation used to supply the European market with supposedly "green" biofuels. The report claims that European biofuel policies have driven reckless oil palm expansion in Ketapang District, West Kalimantan, resulting in illegal issuance of development permits and land conflicts, thereby undermining governance structures. The report claims that in response to anticipated increases in demand for biofuels, the government of Ketapang has issued oil palm permits covering around 1.4 million hectares, around 40% of the district's total land territory. It is claimed that the allocation of permits "has obviously gone through a fast track manner, de facto waiving legal requirements designed to protect the environment and local communities and to ensure state income from forest conversion." Furthermore, permits granted to plantation developers overlap with some 400,000 hectares of protected forest areas.

6. Publications and reports

6.1 World Growth puts economic case for tropical forest conversion

World Growth, an organisation campaigning for free and open trade as the basis for international development, has released a report which it claims shows "the extraordinary benefit developing countries can derive when they convert forest lands and grow productive crops like plantation timber for paper, vegetable oil for food and even greenhouse friendly fuels, and other agricultural crops."

¹⁴ www.eia-international.org/files/news566-1.pdf

¹⁵ http://www.foei.org/en/resources/publications/pdfs-members/agrofuels/european-biofuel-policies-failing-governance-avoiding-responsibilities/at_download/file

The report "Forestry and the Poor, How Forestry Reduces Poverty"¹⁶ is heavily critical of the prevailing attitude in donor agencies and NGOs that the solution to economic and environmental problems in developing countries lies in certification models such as the FSC combined with small-scale community forestry and large scale forest preservation for carbon sinks. The report argues that this strategy "signally fails to recognize the development benefits of commercial forestry and conversion of some forest lands to more productive uses".

Based on research into the economic returns for be derived from different land uses in tropical countries, the report "finds that the value of carbon credits will at best be only a quarter of what can be secured from more effective economic use of forest land by developing countries."

The following studies reported at the meeting are likely to be of broad interest to the international wood products sector:

6.2 Long term outlook for tropical hardwood products

The International Tropical Timber Organisation (ITTO) has published an interim report on the long-term outlook for tropical hardwood products¹⁷ likely to be of considerable interest to anyone engaged in the international hardwood trade. The report represents the first attempt to develop a comprehensive econometric model of international trade in hardwoods. Previous efforts to model the international wood trade have lacked this level of resolution - generally not disaggregating data for hardwoods and softwoods.

While the text of the report focuses on tropical hardwood, the dataset provides separate forecasts for production and consumption of tropical hardwoods, temperate hardwoods and softwoods. Forecasts are generated for individual countries as well as at continental and global levels. Currently forecasts of production and consumption are provided for four different scenarios of particular relevance to the tropical hardwood sector.

The first two scenarios, Tropical Timber – Symbol of Tropical Forest Livelihoods and Tropical Forests – Tackling Climate Change, have similar outcomes and are predicated on a strong recovery from the global economic crisis. They differ, however, in their key drivers. The former is driven by recognition of the role of tropical timber in forest protection and community livelihoods, the latter by the role of tropical forests in mitigating climate change.

The other two scenarios are variants on a retraction of the market for tropical timber, precipitated by a weak recovery from the global economic crisis. The first, North & South, is based on an alignment of the BRIIC and developing economies as a new political bloc. The second, Tropical Timber – Symbol of Tropical Forest Destruction, is based on a declining global acceptance of tropical timber products, driven by increasing trade protectionism couched in environmentalism.

6.3 Monitoring the competitiveness of tropical hardwoods

Another new ITTO report¹⁸ analyses the competitive position of tropical wood products vis-à-vis other products (wood and non-wood) in selected markets. It considers substitution trends in selected market sectors which are impacting on consumption of tropical wood products. The study combines analysis of global trends impacting on the relative competitiveness of tropical wood products with more detailed analysis of several major tropical wood supply chains drawing on a combination of primary and secondary sources.

The study shows that, without an effective response from the tropical wood sector, overall prospects for the sector are poor. Tropical hardwoods are threatened in key market niches by a wide and increasing range of innovative products, suffer from declining price expectations and

¹⁶ [http://www.worldgrowth.org/assets/files/WG%20Forestry%20Report%2009\(2\).pdf](http://www.worldgrowth.org/assets/files/WG%20Forestry%20Report%2009(2).pdf)

¹⁷ http://www.itto.int/direct/topics/topics_pdf_download/topics_id=2166&no=0

¹⁸ http://www.itto.int/direct/topics/topics_pdf_download/topics_id=2152&no=0

falling raw material quality, have a very significant image problem, and are being squeezed by a whole host of policy measures. Nevertheless, the tropical wood industry and tropical hardwood products have significant strengths and many policy initiatives offer opportunities as well as threats. The study recommends actions necessary by the tropical wood sector to turn the tide.

6.4 Progress in Timber Procurement Policies

ITTO has published a report¹⁹ in response to the need for monitoring of timber procurement policies to assess tropical timber producers' ability to meet the emerging requirements. It also explores possible economic, environmental and social impacts of these policies on tropical countries.

The study reviews the key drivers and scope of government procurement policies. It notes that six EU member states have operational procurement policies, including Belgium, Denmark, France, Germany, the Netherlands and the UK. Outside the EU, China, Japan, Mexico, Norway, New Zealand and Switzerland have operational central government policies. In addition, several other countries are in the planning stage or address the issue within their broader green public procurement policies.

The report concludes that public sector timber procurement policies are a relatively new instrument and implementation is still at an early phase. Many apply stepwise approaches and include ambitious targets, which have often proved to be unrealistic.

The study notes that significant differences in the detailed SFM and legality requirements between country policies is a cause of concern for tropical timber producers who want to supply several markets.

It emphasises that at present, Green Building Initiatives like LEED and BREEAM do not adequately consider life-cycle assessment in material specification and this puts timber at a disadvantage. The study estimates that as much as 25 to 45% of total medium-term demand for tropical timber in major import markets may be required to be certified sustainable to meet public and private sector procurement requirements.

6.5 Scientists say focus on carbon distorts forest conservation decisions

In a paper published in Current Biology magazine²⁰, a group of scientists led by Alan Grainger of the University of Leeds warns that an emerging market for forest carbon credits may target forests that are cheap to protect and rich in carbon and neglect those that have less carbon but more endangered animals and plants. The report suggests that REDD, which would pay countries for protecting forest carbon stocks, "could bias conservation decisions away from ecologically-important ecosystems that are low in biomass or under high population pressure and therefore expensive to protect. These areas would then be at greater risk for conversion to agriculture or biofuel plantations as developers sought alternative lands for exploitation. Effectively REDD payments for tropical forest conservation could increase the cost of protecting non-tropical forest ecosystems".

"We are concerned that governments will focus on cutting deforestation in the most carbon-rich forests, only for clearance pressures to shift to other high biodiversity forests which are not given priority for protection," said Alan Grainger. The scientists, from Britain, the United States, Germany, Switzerland and Singapore, said concentrations of carbon and biodiversity in tropical forests only partially overlap. By some estimates, up to 50% of tropical biodiversity hotspot areas could be excluded from REDD due to the high cost of protecting them, a product of both their low carbon density and increased land values resulting from development displaced from forest areas

¹⁹ http://www.itto.int/direct/topics/topics_pdf_download/topics_id=2151&no=0

²⁰ Alan Grainger et al (2009). Biodiversity and REDD at Copenhagen. Current Biology Vol 19 No 21

compensated under REDD.

They said up to 95 percent of damage to REDD-protected forests could be displaced to nearby unprotected forests. Their report cites the example of the Peruvian Amazon, where the creation of forest reserves contributed to a 300 to 470 percent rise in damage to forests in adjacent areas. State workers and public money may be switched to REDD forests, leaving unprotected areas at risk, the paper said. The authors also highlight the danger of transnational leakage, whereby deforestation reduced in one country—perhaps a REDD-signatory—is simply displaced to another—perhaps a non-REDD-signatory.

The authors conclude by proposing a series of actions at the upcoming UNFCCC in Copenhagen to ensure that biodiversity is protected under a future climate agreement. They specifically urge negotiators to add rules on safeguarding biodiversity to the text of any deal and consider giving incentives to poor nations that address the issue. They also argue for the development of a separate payments-for-biodiversity system, made using non-carbon market financing, to counter this risk.

6.6 UNEP report highlights lunacy of biofuel production targets

The UNEP Resource Panel's new report, "Assessing biofuels"²¹ provides an overview of key problems and perspectives concerning production and use of biofuels. One of its key findings is that, as global demand for biofuel increases, so will the demand for land on which to produce biofuel crops. If first-generation biofuel technology is used to meet worldwide transport fuel demand, the report estimates that by 2030 between 8% and 36% of current cropland would be needed to meet only 10% of demand. It concludes that global land-use for production of fuel crops is driven by volume of biofuel production targets, rather than appropriate land-use planning.

²¹ www.unep.fr/scp/rpanel/pdf/Assessing_Biofuels_Full_Report.pdf