FOREST INDUSTRIES INTELLIGENCE LIMITED

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"INFORMING THE SUSTAINABLE WOOD INDUSTRY"

Contents

Consultants commentary and highlights

Of all green issues, climate change now takes centre stage. A media frenzy over the potentially dire consequences of greenhouse gas emissions has been stirred up by Al Gore with the support of the full spectrum of environmental groups. On this occasion, the hard evidence of the International Panel on Climate Change (IPCC) 4th assessment report issued in early 2007, which seems to put the reality of human-induced global warming beyond any doubt – suggests this issue is much more than just froth. Climate change has been given greater urgency with policy makers looking for a real breakthrough in the form of a roadmap towards an international agreement to replace the Kyoto after 2012 at the next international climate change conference due in December.

For the forest sector, the implications of high-level interest in climate change are profound, but also very uncertain. This became clear at the UNECE Timber Committee meeting in Geneva where climate change lay at the heart of discussions. If the international timber industry is successful in pushing the benefits of forest management and timber products in countering carbon dioxide emissions, forest managers could lay claim to a huge new source of revenue. At the same time demand for energy-efficient carbon-neutral wood products in construction could receive a massive boost. One participant at the Timber Committee meeting went so far as to suggest that wood could eventually replace oil as the main feedstock both for fuel and for other carbon-based industries.

On the other hand, the Timber Committee meeting highlighted the potential problems arising from mounting demand for biofuels. Increasing amounts of forest biomass may be diverted away from timber production and into energy production. Without appropriate controls, efforts to expand acreages of agricultural energy crops could put more pressure on forests. Furthermore, there is still limited recognition amongst key policy makers of the value of timber use in long-term structural applications to store carbon and substitute more energy-intensive materials. The preservationist wing of the environmental movement is tending to reinforce this problem by suggesting that the most efficient carbon storage strategy is to ring-fence rather than to sustainably harvest forests.

While climate change dominates the limelight, other policy issues being discussed that could have an equally profound impact on the international wood trade. The EU continues to deliberate on how best to ensure that illegal wood does not enter the region’s markets. There is a mounting groundswell of support from ENGOs and some industry interests to impose tough new legislation requiring that all imported wood must be verified legal. A technical debate has been initiated by the European Commission on the pros and cons of different legislative options, particularly with respect to where the burden of proof for legality should lie. As things stand, there seems to be stronger support in the EU for an approach that would effectively require universal legality licensing rather than the more pragmatic option of a Lacey-style Act. However the signs are that many European interests still have a poor grasp of the full implications of the different legislative options.

With all the excitement elsewhere, there is is an increasing tendency amongst European policy makers – particularly those involved in the domestic paper and softwood industry - to dismiss forest certification as “yesterday’s issue”. There is a belief that the challenges of forest certification have largely been “solved”. While this may be a useful device to reassure end-users that the forest products industry has effectively tackled the sourcing issue, this view may be too complacent. A brief review of the current global status of forest certification highlights that there are many challenges still ahead. Only 11% of the world’s commercial forest area is certified. Now that much of the large state and industrial forest lands in developed countries are certified, the certification movement faces a major challenge to expand into much more difficult forest environments – including small family owned forests and developing countries. Furthermore, demand for labelled products remains heavily concentrated in a few countries and large consolidated business sectors. Much of the market, even in “green” Europe – remains uninterested. There is still a threat of FSC monopolising those sectors where there is a demand for labelled products.

And now certification schemes need to adapt to the new demands placed on them as forests are increasingly valued as much for their carbon storage as for their more traditional environmental services and productive functions.

1. Development of Forest Certification

1.1 Total global forest area

Total global area of certified forest increased by around 23 million hectares (8%) between August 2006 and August 2007 and now stands at around 310 million hectares. The pace of uptake of certification has slowed since the 2002-2005 period when there was a huge step increase due to large-scale certification of industrial forest lands in North America and state forests in parts of Europe. Rather than a picture of relentless growth, the expansion of certified forest area is beginning to look like an "S curve" (Chart 1).

Chart 1

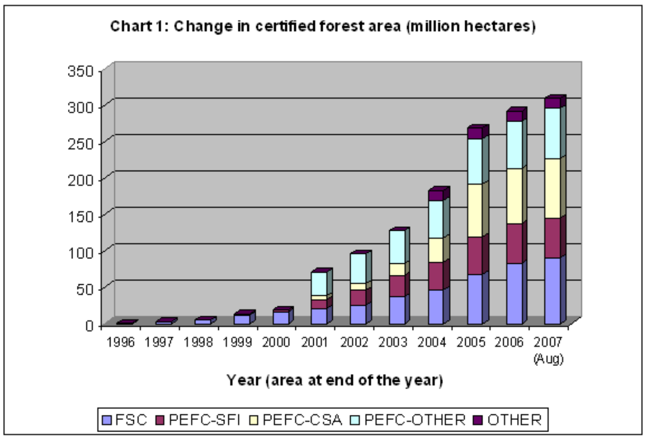
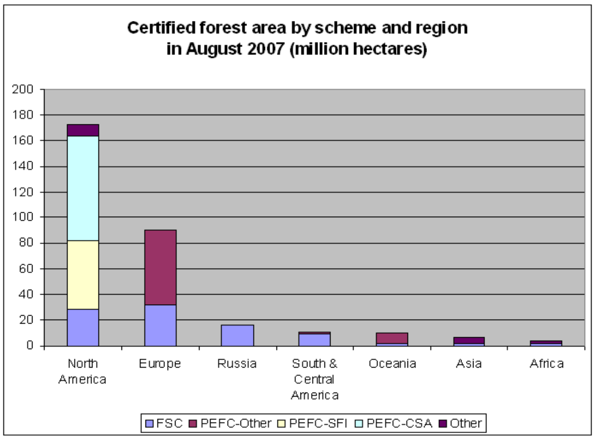
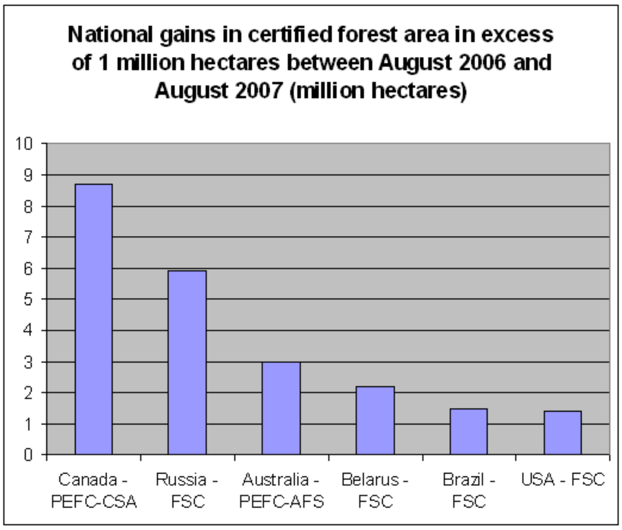


Chart 2



A key question is whether there is likely to be a diminishing pace of growth in the future now that most large industrial and state forests in developed countries are certified. Respectively 52% and 60% of all commercial forest lands in North America and Europe are now certified (Chart 2). The proportion of commercial forest lands that are certified in other parts of the world remains very restricted. Overall only a small minority (11%) of global commercial forest land is certified. However if the certification movement is to maintain the momentum of growth, it now faces the major challenge of certifying in much more difficult environments – notably in countries with less well developed forestry regulatory systems and in areas where forest ownership is highly fragmented. This at a time when the "market driver" for forest certification remains patchy. So there are real technical, political and economic barriers to overcome.

Chart 3



This has not stopped the two international certification frameworks from making far-reaching forecasts of certified area in the future. PEFC's newly agreed strategy forecasts that total global certified forest area will reach 500 million hectares within the next 10 years, comprising 300 million has of PEFC and 200 million has of FSC. FSC's draft strategy forecasts that FSC certified forest area will reach 170 million hectares by 2011

Chart 3 shows where substantive gains is certified forest area have been made during the last 12 months. It also hints at where the most significant developments may be seen in the future.

Canada under the CSA standard has seen the most rapid uptake in the last 12 months - but the pace of growth will inevitably slow there now that members of the Forest Products Association of

Canada (FPAC) have made good on their commitment to achieve third-party SFM certification on all lands under their management by the end of 2006.

There has been significant growth in FSC certification in Russia in recent times, and this still amounts to only a small proportion of total commercial forest area in the country (which amounts to around 740 million hectares). Russia for good reason has been targeted by both PEFC and FSC as the key potential source of growth in certified forest area in the short to medium term (see 1.2 below).

Significant growth in Australia, Belarus and Brazil is indicative of just one large certification per country. In Australia, 2.44 million hectares of public forests in New South Wales were certified to the Australian Forestry Standard scheme late last year. All product from these forests is destined for Australia's domestic market which is beginning to show more interest in certified products. In Belarus, a large area of state forests was FSC certified – mainly driven by a desire to supply FSC-certified pulpwood to paper mills in Scandinavia. In Brazil, 1.5 million hectares of Kayapo tribal lands were certified with the aim of supplying FSC certified Brazil Nuts to the international market. This is indicative of FSC's strategy to broaden the focus of their scheme to include more non-wood forest products, particularly in the tropics.

1.2 The key role of Russia

Forest certification in Russia has been challenging for a number of reasons. A key problem has been recent uncertainty with respect to the forest regulatory framework. This is only now being resolved following passage of Russia's new forestry code in November last year and as the government works out more detailed enabling regulations. Both FSC and PEFC establish conformance to national legislation as a baseline requirement in their international forestry principles. So lack of clarity on this legislation has been a real headache when seeking to develop locally applicable standards.

Lack of effective law enforcement system in many parts of the country has been another factor inhibiting forest certification. The Leskhozes (district-level state forest management enterprises) often lack motivation for sustainable forest management. This means that private sector organisations seeking certification have to take on much of the responsibility for effective control of forestry operations. This adds significantly to the costs of certification in a market environment where there is little willingness to pay a premium for certified products. Another problem has been the almost complete absence of domestic certification and accreditation infra-structure in the country.

With these problems, it is perhaps surprising that efforts to encourage certification in Russia have moved so quickly. FSC has played the key role to initiate the process in Russia drawing on procedures that have been developed to allow certification in countries lacking national certification capacity. Forestry audits are carried out by internationally accredited certification bodies against so-called "generic standards" adapted by the certification body from the international FSC Principles and Criteria. These generic standards are intended to be used to provide examples of good forestry in countries until such time as an FSC-endorsed standard, developed through a fully-participatory process at national or sub-national level, is available.

Generic standards are being used to good effect in Russia to provide models of good practice, encouraging others to see the advantages of forest certification. Russian loggers traditionally clear-cut forests employing inefficient harvesting methods and pay little attention to reforestation. FSC certified forests have made wider use of Scandinavian methods that are more cost-effective and sustainable, taking steps to conserve biodiversity, preserve standing deadwood as nests for birds and identifying "high conservation value forests" requiring special protection.

The application of generic standards combined with strengthening market demand for the FSC label have meant that FSC has acquired a strong base of support in Russia. This support is concentrated in the Russia's paper manufacturing and sawmilling sectors, companies that are directly engaged in exporting value-added products to western Europe and Japan. Several leading Russian industry players - including Ilim Pulp, Archangelsk Pulp and Paper, Mondi, IKEA Russia, Onega (the fourth largest sawmill in Russia) and Cherepovetsles (the largest harvesting company in the European part of Russia) - have been heavily engaged in the FSC process in Russia.

The area of FSC certified forest in Russia has been rising rapidly. According to FSC Russia, taking account of operations just certified or now completing the certification process, the area of FSC certified forest in the country will rise from around 13 million hectares at the end of 2006 to 24 million hectares by the end of this year. If so, Russia will overtake Canada as host to the largest area of FSC certified forest in the world and will account for around one quarter of all FSC certified forest. FSC certified forest would also account for 20% of all forest lease holdings in the Russian Federation.

While FSC has led the early development of forest certification in Russia, the process is now moving into a new phase. With respect to FSC, the reliance on certification bodies' generic standards, rather than a consensus-based national standard, is beginning to create tensions. There have been instances of community groups objecting to FSC certification on grounds that their concerns were not adequately considered during the process. This has been an issue, for example, with the FSC certification of the Komi Model Forest Project. Disputes have also arisen over the precise location and size of areas that should be defined under FSC procedures as "High Conservation Value Forests" (HCVF). Classification of forests as HCVF has a significant impact on the intensity of forestry operations allowable under FSC certification.

Ultimately such disputes may only be resolved through effective stakeholder dialogue at national level. These issues are now being tackled by the FSC National Initiative. This initiative has developed a so-called "Russian framework national FSC standard" and set up four Regional Working Groups to develop locally appropriate standards.

Meanwhile concerted moves are underway to develop national certification initiatives that are seeking recognition under the PEFC umbrella. Development of these initiatives is also a response to market demand, particularly from the large Scandinavian groups that have supplemented their log supplies by importing from north western Russia. For example, the Finnish group Metsäliitto procures around 3.4 million m3 of logs, about 10% of its entire log supply, from Russia every year. At a recent certification workshop in Moscow, a representative of Metsäliitto reported that the company has a policy of increasing the share of certified wood in product lines and to introduce more labelled products. Already 75% of the company's wood is certified, the majority under PEFC. As a result it has been encouraging it's Russian suppliers to develop certification in line with PEFC requirements.

Two national forest certification frameworks have evolved in Russia, referred to respectively as the RSFC and the FCR. The process to develop the RSFC was initiated by the Union of Timber Merchants and Timber Exporters, and has been developed in association with various timber industry research associations, a union of forest owners, and the Russian Federal Ministry of Industrial Science. The RSFC development process has focused exclusively on PEFC endorsement and received financial support from Finnish forest interests.

In contrast, the FCR initiative has sought to act as a bridge between the PEFC and FSC initiatives in Russia. It has been supported by the Russian Ministry of Natural Resources with funding from the World Bank. FCR has a partnership agreement with the FSC and is currently involved in a process to harmonise the standard with the FSC standard. It also has an umbrella agreement to jointly represent PEFC in Russia with the RSFC.

Both the FCR and RSFC recently submitted certification schemes for PEFC endorsement. Because Russia does not have an effective national accreditation service, both schemes will rely on certification bodies accredited by national agencies in other countries (such as UKAS or SWEDAC, respectively the UK and Swedish accreditation services). According to Allan Flink, Forest Industry Consultant at Indufor Oy, a company which has been heavily engaged in advising both the RSFC and FCR, one or other of the certification schemes is likely to achieve PEFC endorsement within the next 12 months. He also suggests that an expected outcome of the move to forest certification in Russia will be the establishment of more Russian certification bodies and, longer-term, the creation of a Russian accreditation service. This highlights the role that the forest sector is playing internationally, right at the forefront of efforts to develop global certification capacity that may be applied to all industrial sectors, not just forestry.

The interaction between the two national certification systems is an interesting feature of the Russian certification process. The FCR and RSFC are co-operating for purposes of PEFC membership and intend to work together to manage chain of custody certification in Russia. But the two initiatives will compete to certify forestry operations. According to Ben Gunneberg, PEFC Secretary General, this competition has potential to drive rapid uptake of PEFC certification in the country. According to PEFC estimates, somewhere between 50 million and 100 million hectares of Russian forests are likely to become PEFC certified within the next 10 years.

1.3 Trends in chain of custody

While the rate of uptake of forest certification seems to be slowing internationally, the opposite is true of chain of custody (CoC) certification. Over the last 12 months, the number of FSC and PEFC CoC certificates issued globally increased by 22% to reach 11214, with particularly strong growth in the number of FSC certificates issued (Chart 4).

Chart 4

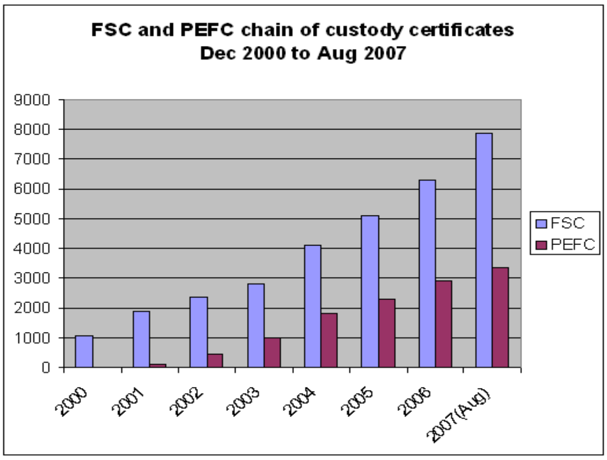
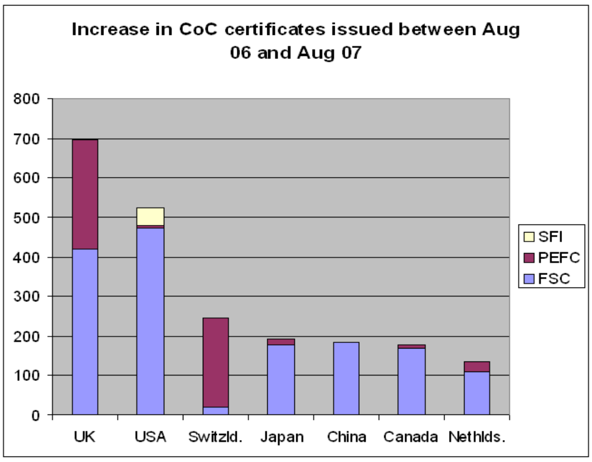
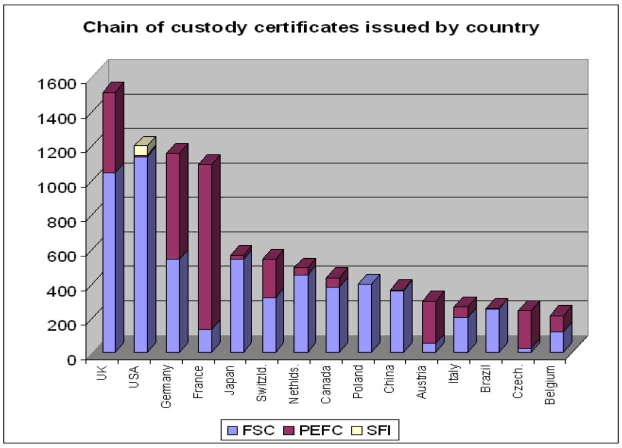


Chart 5



CoC certification has been accelerating as the industry takes steps to ensure that a much larger proportion of certified product reaches the final consumer. Traders have also taking advantage of the wider range of chain of custody procedures developed by both FSC and PEFC with the aim of facilitating uptake, including group and multi-site chain of custody certification.

Chart 6



Nevertheless, growth in CoC has been heavily concentrated in a limited number of countries. In fact only two countries, the UK and USA, accounted for 60% of all new certificates in the last 12 months (Chart 5). Nearly all the rest were in only five countries – Switzerland, Japan, China, Canada and the Netherlands. In all countries with the exception of Switzerland, the majority of CoC certificates have been FSC. PEFC has however made some significant progress in the UK. In the US, around 50 CoC certificates have been issued under SFI during the last 12 months, a trend which may herald more significant growth in the future.

These recent trends have led to the UK and USA becoming the two leading countries in terms of numbers of COC certificates issued, overtaking Germany and France (Chart 6). On their own, these top four countries – UK, USA, France and Germany – now account for around 44% of all CoC certificates issued

The implication is that demand for certified forest products is heavily concentrated in a few markets. Demand is still driven by a few large consolidated business sectors such as home improvement retailing and parts of the paper and panels industry. The certification movement now faces a major challenge to extend demand into less environmentally aware and more fragmented sectors which nevertheless account for a large proportion of timber demand, including construction and furniture.

1.4 FSC

1.4.1 Pushing for exclusive market access

The results of a short study undertaken by FII Ltd for AF&PA in 2006 on international markets for certified forest products concluded that there was no immediate prospect of any single certification brand becoming so dominant in any particular country or market segment that it resulted in exclusion of other brands. The only possible exception was in the Netherlands where intense FSC promotional activity has led to FSC gaining significant brand recognition and market share.
The low risk of market monopoly elsewhere reflected several factors:

- The fact that consumer recognition of all brands is still relatively restricted in most markets
- The fact that PEFC has established a sufficiently strong base of support and has untapped potential to deliver high volumes of certified product which is provides an effective counter to FSC's monopolising tendencies
- The increasing role of government procurement policies which tend to recognise a range of certification systems based on objective assessments of what each system can really deliver

Twelve months on, the risks of any single system achieving monopoly status, while still small, have increased with respect to FSC. There are a number of reasons. First uptake of FSC CoC has significantly outpaced uptake of PEFC CoC. Second, FSC is proving to be very responsive to customer concerns, further boosting an already dominant market position. FSC has for example improved its accreditation procedures so that they are more closely aligned to ISO standards in response to closer scrutiny by government procurement officials. It has also developed new mechanisms designed to make CoC easier and to get more labelled product to market. The new FSC-Mixed label is becoming more evident in the marketplace. And FSC's new system of project certification is already showing signs of take-off in the UK construction sector, a trend that could be repeated elsewhere.

There are also signs of FSC becoming more belligerent in its demands for exclusive market access. In this they have been encouraged by a legal opinion issued by the Centre for International Environmental Law (CIEL) and the ISEAL Alliance. Based on a convoluted and rather dubious argument, this legal opinion suggests that FSC can lay claim to the title of an "international standardising body". As such, FSC claim, under the terms of WTO agreements, it would be legitimate for government procurement policies to make an exclusive commitment to FSC.

This legal approach has been combined with some negative publicity seeking to undermine the credibility of other certification systems. This is the purpose of FSC's latest "Factsheet" issued under the heading "Independent research and other voices confirms FSC as leading forest certification system" which contains a one-sided range of quotes in support of FSC and denigrating other certification systems.

In short, signs of FSC's increasing market domination emphasise the importance of PEFC and other non-FSC certification frameworks focusing more heavily on getting labelled product to market and in ensuring that any misrepresentation is robustly challenged.

1.4.2 FSC CoC under scrutiny in China

China is, of course, becoming an increasingly important supplier of wood products into the international market. However managing chain of custody in the country is proving to be very challenging. The country's wood sector is characterised by large numbers of relatively small operators and there are numerous middlemen. Wood products derived from China may be assembled from components sourced from a wide range of countries, many of which are high risk with respect to illegal and unsustainable harvesting. The market is also highly competitive so that where there is demand for certified wood (for example to supply western large western retailers and distributors) there is a big incentive to cheat.

Major failures in the management of chain of custody systems in China have been revealed by an audit of FSC certification bodies operating in China that was recently undertaken by ASI (FSC's accreditation body). The audit followed a complaint by the UK Timber Trade Federation (TTF) about the volume of FSC certified plywood coming out of the country which seemed to bear little relationship to available volumes of FSC certified raw material. Between July and September 2007, ASI performed 13 audits covering 8 FSC certification bodies. ASI's preliminary findings reported to the TTF in September 2007 revealed 20 major "corrective action requests" (failures so severe that FSC would withdraw their endorsement of the certification body without immediate corrective action being taken). Amongst numerous failures, ASI reported that certification bodies operating in China lacked capacity, knowledge, qualifications and/or experience to assess chain of custody systems, there was low awareness of FSC chain of custody requirements, and instances where follow-up audits were not carried out to ensure continuing compliance.

ASI has subsequently announced a whole range of actions designed to overcome the problems of FSC chain of custody in China. However the case suggests that certification systems have yet to demonstrate that they have the necessary capacity to cope with the sheer complexity and scale of global wood supply chains.

1.4.3 New policy for companies using FSC trademark

FSC has opened a public consultation on a new policy for companies using the FSC trademark. The draft policy establishes minimum criteria so as to avoid "greenwashing" by companies that certifiy only a part of their operations. The draft policy states that any organisation seeking to associate itself with the FSC or the FSC trademarks must formally declare that it is not in any way associated with:

a) Illegal logging or the trade in illegal wood and forest products
b) Violation of traditional and civil rights in forestry operations
c) Destruction of high conservation values in forestry operations
d) Conversion of forests to plantations or non-forest use
e) Planting of genetically modified tress in forestry operations
f) Other activities that may bring FSC's reputation into disrepute, negatively impact FSC's credibility or contradict FSC's values

More details:
http://www.fsc.org/en/whats_new/news/news/111

1.5 PEFC develops new strategy

The PEFC Council adopted a new 5-year Strategic Plan at their General Assembly on 5th October 2007. The new plan followed consultation with members and external reviews which have shown that PEFC's original operational structures and governance no longer adequately meet current and future needs. The strategy is designed to be consistent with the various elements of the PEFC Council's new mission statement. PEFC's mission is "to give society confidence that people manage forests sustainably". The purpose of PEFC is now defined as follows: "Through the endorsement of national certification systems, PEFC motivates and enables people to sustainably manage their forests and works to provide a market for the products of those forests”. PEFC’s core values and beliefs stress the need for inclusiveness, honesty and continuous improvement.

The achievement of PEFC’s overall strategic objective will be delivered via 3 operating strategies:

1. Growth of the PEFC system, to be achieved by “targeting key geographic regions which can be demonstrated to provide most synergy with the needs of existing members and logo users and where PEFC’s strengths, competences and skills can be most effectively employed”. (The underlying message here is that PEFC is likely to steer clear of high risk tropical countries and focus on temperate and boreal forests).
2. Market Access and Communications, with the aim of ensuring free, open markets for PEFC’s certified products.
3. Governance and Operations. PEFC governance will be restructured following a detailed review by external consultants with the aim of improving external perceptions and operational effectiveness.

The strategic plans sets various targets and makes several assumptions about the future:

- It is forecast that 45% of industrial roundwood capacity (equivalent to 14% of global closed canopy - 512 million hectares (Mha)) will be certified by 2017.
- PEFC aims to have 60% of total estimated certified area (512 Mha) with area growth targets in descending order in Russia, Asia/Pacific; USA; South America; and Africa reflecting PEFC’s regional certified area growth priorities.
- Chain of Custody growth is estimated to increase to 32,000 of which PEFC aims to have 50% with growth targets in descending order in Europe (inc. Russia); North America; Asia /Pacific; Latin America and Africa reflecting PEFC’s regional market share growth support priorities.

Details are available at:
http://www.pefc.org/internet/html/news/4_1154_65/5_1105_1701.htm

1.6 WWF’s Global Forest and Trade Network

The WWF’s Global Forest and Trade Network (GFTN) has been an important driver of demand for certified wood products over the last decade. This network of companies that are committed to sourcing and promoting FSC certified wood products continues to be dominated by a limited number of large retailers and their suppliers, with a particularly strong presence in the UK (see Table 1).

Table 1: Membership of the WWF Global and Forest Trade Network in Europe in September 2007

	Total	DIY retailer	Other retailer	Paper/ pack-aging	Printer/ publ-ishing	Joinery/ flooring manu-facturer	Imp-orter/ dist-ributor	Other manu-facturer	Constr-uction/ Hous-ing assoc.	Other
UK	46	3	8	6	5	3	6	3	3	9
Belgium	20	1	5	3		2	6	3		
Switzerland	18		4		1	5	2	4		2
Germany	16	3	1		2		5	2		3
Netherlands	16	2	1	1		3	3	1	2	3
Sweden	14		4	1		1	3	1	1	3
France	11	2	2			3		2		2
Spain	11	1				2	5			3
Austria	9	4	1	1	1	1				1
Romania	1									1
Total	**162**	**16**	**26**	**12**	**9**	**20**	**30**	**16**	**6**	**27**

The total number of companies that are members of the network in Europe has declined quite significantly in the last two years. This reflects the introduction of tougher membership requirements and new systems of monitoring to ensure a higher level of commitment by network members. So the decline in numbers probably does not reflect any underlying decrease in demand for certified products, but rather an effort by WWF to focus their efforts on a hard core of committed companies.

Major retailers that are members of the network include B&Q, Sainsbury, OBI, Bauhaus, Brico, Carrefour, Castorama, Leroy Merlin, and IKEA. There are also several large builders merchants, notably in the UK (Travis Perkins, Saint Gobain, Jewson) and a limited number of joinery and flooring manufacturers (including Forbo Parquet in Sweden, Magnet in the UK, and Luvipol in Spain). A few importers in the UK and Benelux countries are also members (including Timbmet, Lagae Hout and Bekol International). The large construction and furniture sectors are very poorly represented.

While the number of GFTN members is limited, the level of commitment to certified products shown by these companies tends to be very high. For example, builders merchants like Jewson and Travis Perkins have stated publicly that the vast majority of wood products they purchase must be supplied as certified within a couple of years. They are doing this despite low levels of visible demand from end users. Instead the objective is to protect corporate brands, to minimise the risk of damaging environmental publicity, and to ensure long-term access to lucrative public sector contracts.

2. International Agreements and institutions

2.1 European Union

2.1.1 FLEGT VPA Negotiations

The main focus of the European Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan is now on negotiation of Voluntary Partnership Agreements between the EU and various “high risk” countries. A VPA aims to promote sustainable forest management by addressing the problem of illegal logging in the partner country and promoting legally-harvested and sustainable forest products on European markets. A key part of the agreement will be a licensing system that assures that exported timber products have been legally produced.

Since early 2007, Ghana, Malaysia and Indonesia have been engaged in formal negotations towards finalisation of a VPA with the EU. Of the 3 countries, Ghana is most likely to be the first to reach agreement, expected in the first quarter of 2008. Malaysia and Indonesia are expected to follow shortly after.

On 28 September, the government of Cameroon became the fourth country to announce that official negotations towards a VPA would begin. The first negotiation session will take place on 28-29 November 2007 in Yaoundé. The following issues are expected to be discussed: 1) a global cooperation framework for the VPA; 2) modalities of the negotiation; 3) definition of legality; and 4) a roadmap of the negotation process. The first issue seems to reflect a desire by the Cameroon authorities, which has been regularly expressed during international meetings, to extend the VPA process to accommodate a much wider range of supply and consumer countries. Before the first negotiation session, the government plans to set up a multi-stakeholder steering committee at the level of the Ministry of Forest and Wildlife (MINFOF) in charge of monitoring the implementation of the VPA. The German government has been facilitating the negotation process on behalf of the EU.

Informal discussions towards possible VPAs have been on-going in a number of other developing countries as follows:

- **Central African Republic**: informal discussions are on-going and the CAR government is understood to have expressed a desire to start formal discussions with the EU.

- **Congo-Brazzaville**: the government has contacted the European Commission to start VPA negotiations and expectations are that formal negotiations will start soon. A workshop to establish a national plan for negotiations, with representatives of the Congolese government and the EU, as well as civil society and industry, is foreseen in November 2007.
- **Congo-Kinshasa**: the government has requested to start formal discussions towards a VPA but there has been no indication yet from the EU when formal negotiations could start. The government of Belgium has proposed to send an expert to the country to support the VPA process.
- **Ecuador**: the Ecuadorian Ministry of Environment and the European Commission exchanged letters in spring 2007 affirming their mutual interest in the process. Ecuadorian NGOs and some forest sector interests in the country are known to be supportive of the concept.
- **Gabon**: the government has indicated a desire to enter into formal negotiations with the EU and talks are on-going.
- **Liberia**: the Liberian government has told the EU that it is actively considering a VPA. In June 2007, a multi-stakeholder workshop held in the country made a strong recommendation that the Liberian government establish a Steering Committee with a mandate to work towards a VPA.
- **Vietnam**: there have been initial exchanges between the EC and the government of Vietnam. Vietnam has stated that they are interested in following developments and that they may consider joining the process at a later stage.

2.1.2 Additional legislative options

The European Commission has been examining the feasibility of 'additional measures' – including legislation – to control imports of illegally harvested timber into the EU. The process has involved a public consultation process, completed earlier this year, and an impact assessment study now being finalised by Indufor Oy, the Finnish consultancy. A report on the public consultation is now available (http://ec.europa.eu/environment/forests/pdf/addloptionssynthfinal.pdf). The report concludes that there is widespread support for additional measures to the FLEGT VPA process and private sector initiatives. There was specific support for new legislation requiring companies to provide proof of legality for timber products. However the level of understanding of the different forms such legislation could take, and of the potential impact of the different forms, was evidently very low. There was little appreciation of the very different implications of various types of legislation being considered. The legislative options are as follows:

- A law that would place the burden of proof on the prosecution (i.e. a Lacey-style act). All wood is considered legal unless shown otherwise. The trader is innocent unless proven guilty. Because of the costs and difficulties of bringing an action under such a law, it is likely that it would only be used in the most obvious cases of abuse as a deterrent. It would increase pressure on importers to show due diligence and implement risk assessment procedures.

- A law that would only allow wood that is verified legal to enter the EU. The burden of proof would lie with the overseas supplier that would have to provide a legality license for every shipment into the EU in accordance with rules laid down by the EU.

- A law that would place the burden of proof on the importer. If challenged, the importer would have to prove that the wood being traded is legal. In effect all wood is considered illegal unless it can be shown otherwise and the importer is guilty unless proven innocent. In practice, the end result for overseas suppliers is likely to be very similar to the second option and all suppliers would have to provide legality verification with every shipment.

Indufor's impact assessment is due to be finalised by the end of November 2007. Indufor have indicated that a preliminary draft will be made available at their website by early November (http://www.indufor.fi/flegt/index.htm). As part of the impact assessment, Indufor has been holding workshops for stakeholders in a range of European countries. The Consultant attended the London workshop where participants were asked to fill in a questionnaire to derive opinions on the potential impact of various policy scenarios and views on different legislative options. Again the overwhelming impression was that participants had only a limited understanding of the distinction between various legislative options and of their likely impact on the trade. NGOs and some suppliers already negotiating VPA agreements (e.g. Ghana) appeared to be keen on the last option, placing the burden of proof on the importer. The Malaysian Timber Council representative appeared to be opposed to all legislative options at this stage.

At the Indufor workshop, the Consultant highlighted some of the advantages of the Lacey-style approach (proportionate to the scale of the problem, not placing unrealistic burdens for legality verification on importers or overseas suppliers, recognising that some countries are low risk, possibility of harmonisation with US apprach). The Lacey-style approach also ties in well with the AHEC-commissioned study to assess the risk of American hardwoods being derived from an illegal source.

Once complete, the Indufor impact assessment will be considered by the EC and EU member states. In the event of a decision to move forward with new legislation (still an uncertainty and very unlikely before mid-2008), the legislation would probably take another 2 years to implement.

2.1.3 DG Environment Industry Information and Brainstorming meeting on FLEGT

The Consultant attended an industry update meeting on FLEGT at the EC DG Enterprise offices in Brussels on 14 September. To some extent the meeting was a rerun of two previous meetings: the Chatham House Illegal Logging Update meeting held in July; and the EC stakeholder meeting on the proposed “Communication on Green Public Procurement” held in June (both these meetings were covered in earlier T&E reports). However, unlike the previous meetings, this was attended only by industry representatives as DG Enterprise was keen to have uninhibited dialogue on FLEGT issues with the private sector. There was a focus in this meeting on the commercial implications of implementing FLEGT licensing for the European private sector. DG Enterprise was also looking for ideas from the private sector on how best to ensure countries that sign up to VPAs are recognised in the market place. The meeting was regarded as a “brainstorming” session designed to solicit ideas, but with no mandate to make formal recommendations to the EC.

A key issue for discussion was the mechanics of legality licensing for timber imported from VPA countries and how these will impact on the trade. The essentials of legality licensing framework were spelt out in an EC regulation of December 2005 (No. 2173/2005 – “On the establishment of a FLEGT licensing scheme for imports of timber into the European Community”). This requires that a Licensing Authority in the VPA country takes responsibility for issuing and validating the FLEGT license, that a competent authority in each EU Member State verifies the FLEGT license and decides on the need for further action, and that Customs in each Member State carries out the formalities for release of the shipment for free circulation in the EU. An EC implementing regulation is now being drafted to expand on the 2005 regulation, setting out in more detail the responsibilities of various agencies in the EU and VPA supplier countries and the administrative procedures and documentary requirements.

An intention of the meeting was to obtain feedback from the trade in an effort to ensure that procedures included in the Implementing Regulation are efficient and minimally disruptive. However, the range of issues raised by the EC was such that industry representatives ended up recommending that the EC employ technical experts on a consultancy basis to provide detailed advice. It seems that some fairly basic and yet fundamental issues have yet to be resolved by the EC – issues such as the appropriate units of measurement for different timber products and the possibility of licensed timber being transferred from one means of transport to another during transit.

Another key concern of the EC was to obtain private sector views on how to ensure VPA timber is not disadvantaged and may be favoured in the European market. A barrier to current VPA negotiations has been concern from potential partner countries that the extra costs and bureaucracy associated with VPA licensed timber may be a competitive disadvantage in a market that might, in reality, be relatively uninterested in the legality of timber product. Recent market surveys (for example in the UK) have indicated that there is very little willingness to pay a premium for "legally verified" wood. And in many parts of Europe and sectors of the wood products trade (e.g. furniture, construction) there is very little scrutiny of the legality of wood products.

The EC noted that in practice there were no meaningful trade concessions (such as tariff reductions or relaxations of import quotas) that could be made to potential partner countries. Therefore they will be reliant either on additional legislative measures or market mechanisms to boost market interest in legally licensed timber.

The Commission were evidently keen to promote the idea that in many respects FLEGT VPA licensed timber offers something more than just "legality verification". One EC speaker commented that because the process of VPA legality licensing requires a participatory process to develop legality standards, full traceability of timber to source, and independent verification, it is more appropriately viewed as "progressing to sustainable" than "legally verified" timber. As such the Commission felt there may be a case for preferential treatment of FLEGT VPA licensed timber under the terms of government procurement policies within the EU.

From the industry side, it was noted that importing trade associations in the main EU importing countries are now jointly engaged in a process – facilitated by the Timber Trade Action Plan and UCBD - to extend and harmonise their members codes of conduct. These codes are expected to encourage greater due diligence by timber importers and to establish a minimum standard of verified legal for participating companies. A key challenge now is to extend these codes into a much wider range of industry sectors within the EU, notably the construction and furnitures sectors.

Other suggestions to boost demand for licensed timber included: encouraging certification schemes to formally recognise VPA licensed timber as "non-controversial" in their chain of custody standards; encouraging freight insurers to require that timber is verified legal as a condition of cover; and including a requirement in standard letters of credit that wood products be supported by either FLEGT or another form of credible legality assurance. It was also noted that the introduction of Lacey-style legislation in the EU would be an effective way of ensuring that importing companies to take steps to ensure that all wood is legal.

2.2 UNECE Timber Committee

2.2.1 Overview

The UNECE Timber Committee meetings held in Geneva between 8-12 October were well attended by government officials, research instititutions, and industry bodies, with more limited participation from NGOs. There were the usual two days of market discussions with the aim of reporting on the Timber Committee Annual Market review for for 2006-2007 and drawing up a market forecast for 2007-2008. On this occasion discussions leant heavily towards the softwood sector, a reflection of the meeting being combined with the International Softwood Conference this year. The event also featured a one-day Policy Forum on Bioenergy and 2 days of discussions by the Team Of Specialists on Forest Products Markets and Marketing. All presentations and papers from the meetings are available at: http://www.unece.org/trade/timber/

2.2.2 Market Discussions

The market discussions focused heavily on the international softwood trade, with the new tariffs in Russia designed to phase out log exports and the recent weakness of the US market being the major points at issue. Environmental issues were also prominent, with numerous references to bioenergy and climate change creeping in as a prelude to the Policy Forum due the following day. There were presentations summarising wood promotion initiatives now underway in the UNECE region, most of which are emphasising the energy-efficiency and climate mitigation benefits of wood products. A presentation on certification impacts on softwood markets focused heavily on North America and highlighted the key role being played by the paper industry and LEED to increase market demand for certified wood in that region.

With Rod Wiles of Broadleaf Consulting, the Consultant delivered a presentation on international sawn hardwood markets. The Consultant reported on recent efforts in the US to amend the Lacey Act to encompass wood products and introduced the AHEC-sponsored study to assess the risk of illegal logging in the American hardwood sector.

Jim Boywer of Minnesapolis-based Dovetail partners set the scene for discussions with a presentation on policy issues related to forest products markets in 2006 and 2007. The main policy issues he identified were: the increasing demand for biofuels; the new tariffs in Russia; the continuing growth of China; and the increasing interest in corporate social responsibility in the timber sector (trading only in verified legal timber, certification, and introduction of social standards in manufacturing operations and for local communities affected by harvesting).

While Boywer's presentation ranged widely, much of it was devoted to the bioenergy issue. Boywer noted the policy dilemmas now emerging as bioenergy consumption is rising and as future development will favour wood as a raw material. Whereas other biofuels derived from agricultural crops (e.g. ethanol from corn starch, biodiesel from rapeseed and soyabeans) require significant inputs of fossil-fuel energy for processing and delivery, this is not the case with wood. He noted the need for biomass harvesting guidelines to ensure production was truly sustainable. Boywer then noted that carbon trading markets have yet to fully appreciate the value of forest management for timber production. "*on the one hand, it is recognised that considerable carbon is stored in forests…it is also recognised that substitution of biomass fules for fossil fuels in energy generation can reduce greenhouse gas emissions…but it is not yet formally recognised that use of wood for structural and non-structural building products in place of more energy intensive alternatives can also significantly reduce these emissions*".

Boywer emphasised the great uncertainty over the likely impact of carbon trading on forests. Depending on the direction of policy and the content of standards for carbon sinks, trading could either encourage forest harvesting and wood use, or actively discourage forest harvesting in favour of forest preservation. It could encourage the development of new forests for bioenergy production and carbon sinks, or actively encourage forest conversion for development of agricultural bio-fuels.

Sylvain Labbe of the Quebec Wood Export Council delivered a small portion of a hugely comprehensive presentation - available in full at the UNECE website – on "Wood in Green Building". The presentation provides a wealth of visual information on the background to the climate change debate, the potential impact of global warming, the forest carbon cycle, the contribution of the forest sector to climate change mitigation, the comparative LCA impacts of timber and competing products, and the role of green building initiatives such as LEED, BREEAM, and Green Globes.

Chart 7: Carbon stored in forest

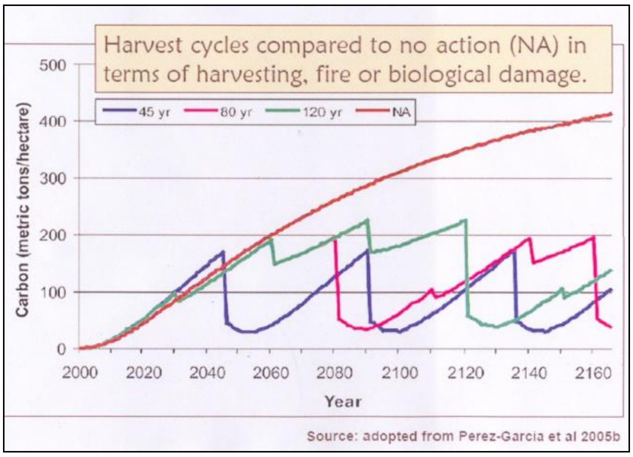
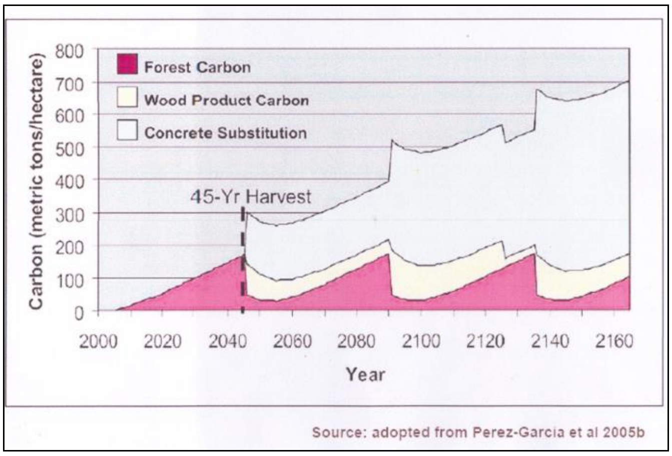


Chart 8: Carbon stored in forest and Wood Product Pools with Concrete Substitute



Labbe was the first of several speakers to use the sequence of charts (7, 8, 9) highlighting how carbon is stored in forests over time and the importance of using timber in construction to substitute for more energy intensive products like concrete. Chart 7 shows the carbon stored in a forest over a period of 160 years using various forest management strategies, including "no action" (preservation without harvest), and management over a 45, 80 or 120 year rotation.

Chart 9. Carbon store for no action (forest preservation) compared to harvesting for timber products

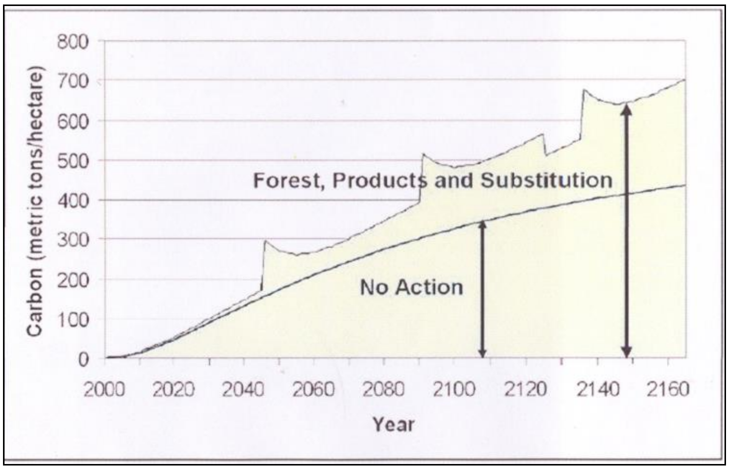


Chart 7 indicates that, in this forest example at least, most carbon can be stored through a strategy of forest preservation. However this makes no allowance for the carbon that may be stored in timber following harvest, or for the benefits of substituting wood for more energy intensive products. Chart 8 shows that if these factors are included, the carbon storage benefits of regular timber harvesting are greatly increased. Chart 9 shows that the carbon storage effects of regular harvesting and efficient use of the timber now outweigh the forest preservation strategy.

Labbe emphasised that while making a useful contribution to carbon storage, forest preservation is a sub-optimal solution. To maximise the value of forests as a carbon store, it is also necessary to build strong markets for solid timber products.

On Green Building Initiatives, Labbe made a point of commenting on the problems emerging in North America as a result of the increasing prominence of LEED which he noted "incites designers to avoid wood". He emphasised that the LEED standard favours recycled products and short rotation renewables (such as agricultural crops) over long rotation renewables (such as timber). The exclusive recognition given to FSC also places unacceptably tight restrictions on the range of timber products that may be used. Labbe suggested that "*LEED is designed by architects and engineers who know nothing about wood*".

LEED also formed a major focus of Catherine Mater's presentation on "Certification impacts on softwood markets". Mater highlighted the recent growth of LEED noting that it now amounted to a $7 billion market and is being used in 27 countries and 22 US states. It was noted that 11 US Federal Agencies - including the US Forest Service - requires LEED silver certification for all new construction. Mater noted that 46% of LEED projects in the US are initiatied by government agencies and that 33% of all government initiatives have happened in the last 2 years. So this represents a mounting challenge for the timber sector. Using Cintrafor survey data which indicates high levels of awareness of and interest in certification amongst North American builders and home buyers, Mater suggested that the move to greenery is no passing fad in the North American construction sector.

Nevertheless, according to Mater, the most significant market advances for certified wood in North America have been with pulp and paper buyers. Time Inc. Paperco was mentioned as being particularly influential, noting that by end of 2007, 85% of the 600,000 tons of wood fiber sourced by the company each year will come from a certified (FSC or SFI) supply. The UK publisher Random House, which publishes famous authors such as John Grisham and JK Rowling, is another influential player that has made a commitment to carrying the FSC logo on all books printed with FSC paper.

Mater commented on the relationship between forest certification and biomass demand. She suggested that policy commitments by the EU and others to ensure that biomass is sustainably sourced is likely to increase demand for certification of forests supplying woody biomass. Mater also suggested that certification will improve access to voluntary carbon markets for forest managers. She noted that both the Chicago Climate Exchange and the Eastern Climate Registry offer carbon credits for forests and that both require third party verification that lands are sustainably managed. There is therefore a new opportunity for forest certification systems to achieve recognition within these initiatives. Mater also reported on on-going efforts to certify US national forests to FSC and SFI standards.

2.2.3 Bioenergy Policy Forum

The one-day Policy Forum focused heavily on the impact of increased demand for wood as a source of bioenergy on raw material supply to traditional forest-based industries. A key starting point for discussions was that many governments throughout the UNECE region have made far-reaching policy commitments to increase their use of biofuels as a means of tackling climate change.

Preliminary results were presented of a UNECE/FAO study looking at "Wood resources availability and demands – implications of renewable energy policies". The study begins with a detailed analysis of current wood supply and consumption in 29 EU/EFTA countries. The study is much more comprehensive then previous studies of this nature, considering more than wood supply direct from the forest. The study calculates supply direct from forest as well as indirect sources such as wood residues, and recovered wood. The study balances this against consumption including by the wood processing industries and for energy generation. Multiple uses of wood (e.g. the use of wood residues, chips and particles) are accounted on both sides of the balance. The second part of the study involves a detailed assessment of national and EU policy targets for renewable energy, bioenergy and wood energy and translated these into wood volumes. Furthermore the study calculated wood consumption from the wood based industries for 2010 and 2020 based on UNECE/FAO European Forest Sector Outlook Study.

The study revealed that a huge amount of biomass will be required to fulfill the existing policy commitments of European governments. Furthermore, there will be a significant "gap" between the sustainable wood supply and the amount of wood required to both fulfil energy objectives and support a growing wood based industry in Europe. This gap is estimated at between 321 million m3 and 448 million m3 by 2020. The forest sector therefore faces a major challenge to increase the share of renewables without jeapardising the existence of traditional industries.

The results of another study commissioned by the Confederation of European Paper Industries (CEPI) looking at the potential impact of EU bioenergy policy commitments, also reported at the Forum, confirmed the UNECE/FAO conclusions. This study suggested that the gap between supply and demand for wood in European countries would exceed 200 million m3 by 2020. CEPI called on European policy makers to ensure that their policy commitments to renewable energy sources should be: realistic and fact based; have an integrated view of forestry, agriculture and trade, biomass and biofuels; ensure sustainable production and use of biofuels and avoid conflicts between different users of biomass; and focus on mobilising biomass.

Further discussions focused on mechanisms for increased mobilisation of wood resources within the EU in order to satisfy the anticipated increase in demand. A major constraint is fragmented forest ownership throughout much of the European region. One presentation provided a case study from Germany to demonstrate how a much higher volume of wood may be sourced from currently underutilised family owned forests. New hi-tech forest inventory tools (hi-resolution satellite, GIS, modern growth and yield models) were used to identify specific forests with high production potential. The owners of these forest tracts were then identified and targeted to encourage more active participation in forest management. Efforts to mobilise were undertaken jointly by forestry associations, forest industry and forestry contractors. Financial incentives were offered to forest owners including a direct payment for mobilisation and support for development of forest management plans. Through implementation of a wide range of tools, harvests doubled between 2003 and 2007 in the region covered by the case study. However it was noted that costs of initial mobilisation are significant, in the region of €6-12/m3.

Presentations at the Forum highlighted the differences of opinion that exist on the best way to manage forests for purposes of carbon sequestration. A presentation by Bernhard Schlamadinger of Joanneum Research, Austria, reinforced the message of Sylvain Labbe delivered the previous day, that carbon may be most efficiently sequested through regular harvesting, maintenance of high growth rates, relatively short rotations, and efficient use of harvested materials. In contrast, a presentation by the Pacific Forest Trust made the case for forest preservation and argued that forests managed over longer rotations will accumulate significantly more carbon. Overall the discussions indicated that no single strategy is likely to be applicable in every region. The optimum solution will depend on such factors as forest type and local demand for forest products and other forest services. A long-rotation preservationist strategy may well be most appropriate when dealing with the temperate rain forests of the Pacific North West. However in boreal regions where forests are adapted to frequent fires and will burn regularly under natural conditions, a short rotation strategy of frequent harvesting will be most efficient.

2.2.4 Team of Marketing Specialists

Team discussions were divided between two working groups, one on “Responsible Trade”, the other on “Emerging Markets for Forest Products”. The Consultant participated in the first group in which discussion focused on preparing a detailed proposal for the UNECE Policy Forum next year. The Team is now pushing the idea of a Forum on Green Building Initiatives (GBI) which would provide an opportunity to: inform key policy makers makers in the UNECE region of the role of GBIs; raise the profile of timber as a green building material amongst these policy makers; compare and contrast the handling of timber within the various the GBIs (LEED, BREEAM, Green Globers, CASBEE etc); and to emphasise that GBIs can be either an opportunity or a constraint for timber products market access depending on how they are structured and the stakeholders involved.

2.3 EU-China Conference on Forest Law Enforcement

The European Union is keen to encourage other major consuming countries to adopt their trade and market oriented approach to handling illegal logging. This reflects a concern that the benefits of FLEGT VPA legality licensing of timber exported from major supplier into the EU are likely to be much reduced if suppliers are able to circumvent the process by exporting unlicensed products via third countries. As China is now by far the world’s largest single importer of primary wood products and an increasing supplier of further processed wood products into the EU, it has inevitably been a key focus for European policy makers.

A desire to engage China in efforts to take a firmer line on imports of wood from dubious sources lay at the heart of much of the EU input to the joint EU-China Conference on Forest Law

Enforcement and Governance which in China during September. Officially, the Conference was arranged by the Chinese government and European Commission to discuss joint efforts to combat illegal logging and promote sustainable forestry. In addition to government officials, participants included industry, ENGOs, and research institutions.

European officials could take some solace from statements by various Chinese officials which indicated there has been some movement away from the stance previously adopted by the Chinese government, to argue that China acts merely as a middleman between producers and wealthy consumers in the west who are primarily responsible for the illegal trade. Now there seems to be a willingness to accept that China shares the responsibility for tackling illegal logging in timber supplying countries. In a written message to the conference, China's Vice-Premier Hui Liangyu said that protecting forest resources and alleviating the global environmental crisis is the responsibility of all nations. He said that as a "responsible developing country", China would crack down on illegal logging and illegal trade, and strengthen bilateral and multilateral cooperation in promoting forest sustainable management.

Nevertheless, the Chinese government was also robust in its defence of the nation's wood import trade. Representatives of the State Forest Administration (SFA) emphasised that the recent surge in wood imports was an inevitable result of globalisation, and that the increased level of trade was contributing to economic development in wood supplying countries. They suggested that the root cause of illegal logging is poverty in these countries and that ultimately trade would have a beneficial effect. They also emphasised that the demands of forest management will inevitably differ between developed and developing countries. In the latter, the emphasis will be less on multiple-use and more on income generation.

SFA officials emphasised that their approach to encouraging forest law enforcement in supplier countries is based on "developmental principles". The main focus is to provide direct assistance for capacity building for forest enforcement and for reafforestation. However, SFA officials also acknowledged that Chinese companies operating in supplier countries have a responsibility to operate legally and to promote sustainable forestry practices.

SFA officials were keen to emphasise that a key part of the solution to the problem of illegal logging lies in effective enforcement on the ground in supplying countries. This view, SFA suggested, is supported by their own experience of imposing forest laws in China. SFA officials claimed that China has strict supervision procedures for timber and forest products, which assure the legal source of domestic timber. SFA reported on a major effort to crackdown on illegal operations in the country during 2006 and 2007. It was noted that China now has more than 200,000 people employed to enforce forest laws. There have been massive promotional campaigns to raise awareness of forest laws. During 2006, SFA claim that 210,000 cases of forest law infractions were "solved", 1.2 million m3 of timber were confiscated and 310,000 people were prosecuted.

While there was recognition amongst Chinese officials of their responsibility to help tackle illegal logging in supplier countries, there was also concern that China should not shoulder too heavy a burden. Chinese interests at the Conference, while making little reference to the size of the domestic timber market, placed a lot of emphasis on the volume of wood that is re-exported from China into Japanese and western consumer markets. For example Professor Song Wenming, vice-President of Beijing Forestry University, emphasised that exports of furniture processed with imported materials accounted for around 41 percent of the sector's total export value in 2006.

A significant part of the European input into the Conference aimed to explain the value of the trade and market oriented approach that is inherent to the FLEGT Action Plan. There were presentations explaining the role and promoting the value of legality licensing. The UK government was given a platform to speak about their timber procurement policy and its role to drive demand for verified legal and certified timber in the country.

While Chinese officials clearly did not share European officials' enthusiasm for demand-side measures, such mechanisms were not dismissed entirely. One SFA official was willing to acknowledge that “Green procurement is certainly a valuable incentive that consuming countries should consider” and that “if each country and company can design a good green procurement policy, regional FLEG will benefit”.

There was a report on China’s existing green procurement policy which is mainly oriented towards reducing energy demand and promoting energy efficiency. The Chinese government requires a range of products used in public sector procurement to bear environmental product labels. The labels are based on standards and certification procedures developed by the China State Environmental Protection Administration (SEPA). The list encompasses several wood products, including plywood, fibreboard, veneer, floorboards, and furniture. The environmental standards for panel products only establish requirements for formaldehyde emissions and do not cover raw material sourcing issues. Only the furniture standard makes any reference to timber sourcing. It notes that if the timber content is in excess of 10% of the weight of the furniture, the timber shall not come from preserved natural forest or rare species. FSC-certified timber is automatically recognised as meeting this requirement. Accessories such as draw handles are not included in this restriction.

Further evidence of a willingness to move forward with market-based instruments in China comes from the domestic forest sector where efforts are being made to develop a national forest certification scheme. SFA reported on significant progress towards development of such a scheme. Certification standards for natural forests and chain of custody have been finalised and will be published soon. Efforts are on-going to develop standards for plantation forestry and non-timber forest products. Pilot testing of these standards and national certification procedures is underway. The scope of the forest certification standard seems comprehensive, including requirements for legal conformance, the rights of local communities and workers, forest management planning, sustainable yield, bio-diversity conservation, environmental impact, forest protection, and forest monitoring. In July, 2007, the SFA established a “Leadership Team” with a mandate to further develop and promote the system. The intention seems to be to develop a system which is entirely autonomous, although there have been discussions with both FSC and PEFC on possible co-operation.

FSC, which has been very active in China, was given a platform to speak at the Conference. It was reported that an FSC China office was established in Beijing in March 2006 with the aim of promoting FSC in China. An FSC China Forest Certification Working Group was established at the same time which now has over 120 members. It is actively supported by the SFA, WWF and many others. The Working Group was formally accredited by FSC in June 2007. A private public partnership between IKEA and GTZ, the German aid agency, is also very active in promoting FSC certification in China. The FSC presentation considered the relationship between certification and FLEG, suggesting that the two processes were highly complimentary, but that legality verification on its own is not a sufficient market assurance. FSC noted that their standard is “recognized as an international standard for forest management” and claimed that “WTO regulations support the FSC standards as the basis for public procurement requirements”.

2.4 Forests Now Declaration

Endorsed by over 200 forest leaders, scientists, conservationists, NGOs and business leaders, the Forest Now Declaration calls on world governments to take urgent action on deforestation in the tropics and sub-tropics, which causes 18-25% of global carbon emissions. The Declaration calls for a series of carbon policies and market reforms to incentivise the protection of tropical forests and safeguard the vital services they provideincluding capture and storage of carbon dioxide. It can be viewed at www.forestsnow.org.

A tour promoting the Declaration at stage-managed events hosted in rainforest regions began on 10 September in Amazonia when the Declaration was signed by State Secretary for Environment Virgilio Viana along with leaders from the indigenous peoples, and NGO and scientific communities. The Declaration was due to travel on to the Congo Basin, then Borneo, arriving in

Bali for the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in December. Brazil, alongside other developing nations, will be pushing for introduction of mechanisms to compensate tropical countries for “avoided deforestation” under the terms of an amended Kyoto agreement which would come into force after 2012.

The Forests Now Declaration emphasises that human induced climate change is a real and imminent threat and that “if we lose forests, we lose the fight against climate change”. It suggests that “forests indisputably offer one of the largest opportunities for cost effective and immediate action….mitigation must continue across all sectors, including additional limits on industrial emissions, but efforts to meet vital reduction targets by 2030 will be negated unless we tackle emissions from forests now”.

The Declaration goes on “Deforestation and forest degradation are driven by external demands – for timber, beef, soya and biofuels – which destroy trees for land, raising the stakes of global warming. Yet tropical forests continue to be excluded from carbon markets that could provide the alternative strategies needed. Instead, perverse incentives are in force, encouraging continued conversion and degradation of forests and discouraging their restoration and capacity to contribute to sustainable development. The science is now clear and the technology is available, however conservation alone has proven no match for commerce. There is not enough donor funding available to have the large-scale impact necessary, but new market mechanisms can sustainably provide the additional sources of finance required”.

The Declaration calls on governments to “Ensure that carbon credits for reduced emissions from deforestation and the protection of standing forests are included in all national and international carbon markets, especially those created by the UN Framework Convention on Climate Change”.

7. Events

43rd Session Of The International Tropical Timber Council And Associated Committees: 5 November 2007 - 10 November 2007. Yokohama, Japan. For more information contact: ITTO Secretariat; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: itto@itto.or.jp; Internet: http://www.itto.or.jp/live/PageDisplayHandler?pageId=189

5th Ministerial Conference On The Protection Of Forests In Europe: 5 November 2007 - 7 November 2007. Warsaw, Poland. This conference will address climate change mitigation, promotion of wood as a renewable energy carrier and the role of forests in the protection of water quality and quantity, and will include a multi-stakeholder dialogue. For more information contact: Liaison Unit Warsaw; tel: +48 22 331 70 31, +48 22 331 70 39; fax: +48 22 331 70 32; e-mail: liaison.unit@lu-warsaw.pl; Internet: http://5th.mcpfe.org/

Seventh Meeting Of The Asia Forest Partnership: 12 November 2007 - 15 November 2007. Yokohama, Japan. This meeting, which will be held back-to-back with the 43rd Session of the International Tropical Timber Council, will formally conclude the first phase of the AFP and identify the most appropriate way forward. For more information contact: Rita Oktarita, AFP Secretariat; tel: +62-251-622100; e-mail: s.oktarita@cgiar.org; Internet: http://www.asiaforests.org/files/_ref/events/AFP7/AFP7_Index.htm

UCBD/TTAP workshop on harmonising EU TTF Codes of Conduct and Purchasing Policies, 22 November 2007, Brussels. At the UCBD Annual Assembly 2006 in Bordeaux, the decision was taken for UCBD member Timber Trade Federations to work towards harmonising their Codes of Conduct and purchasing policies. A UCBD workshop in June 2007, Stockholm, provided initial conclusions highlighting common ground and room for harmonisation. In advance of the UCBD board meeting 23 November 2007, UCBD will host a one-day workshop. The workshop will be financed by the EU Timber Trade Action Plan (TTAP), with co-funding from the European Commission.

Workshop on International Regime, Avoided Deforestation and the Evolution of Public and

Private Forest Policies in the South, 22-23 November 2007, Paris, November 22-23, 2007. Organised by CIRAD – IDDRI – CIFOR – ECOFOR the workshop will consider: 1) Towards an International Forest Regime through the Convergence of Public Policies and the Rise of Private Initiatives; 2) The Influence of Climate Change-Related Debates on Public Policies and the International Forest Regime: The Case of "Avoided Deforestation"

Forest Day: Shaping The Global Agenda For Forests And Climate Change: 8 December 2007. Bali, Indonesia. This "Forest Day" event, an international forum on forest and climate change policies at the global, national and local levels, will be held in parallel with the 13th Conference of the Parties to the UN Framework Convention on Climate Change. For more information contact: Rachel Carmenta, CIFOR; tel: +62-251-622-6222; fax: +62-251-622-100; e-mail: r.carmenta@cgiar.org; Internet: http://www.cifor.cgiar.org/Events/COP-ForestDay/Introduction.htm

Thirteenth Conference Of The Parties To The UNFCCC And Third Meeting Of The Parties To The Kyoto Protocol: 3 December 2007 - 14 December 2007. Bali, Indonesia. UNFCCC COP 13 and Kyoto Protocol COP/MOP 3 will take place from 3-14 December 2007 at the Bali International Conference Center and adjacent Nusa Dua facilities, Indonesia. These meetings will coincide with the 27th meetings of the UNFCCC's subsidiary bodies and the Ad Hoc Working Group on Further Commitments from Annex I Parties under the Kyoto Protocol. COP 13 and COP/MOP 3 are also expected to be accompanied by a UNFCCC Dialogue on Long-Term Cooperative Action on Climate Change and various other events. For more information contact: tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: secretariat@unfccc.int; Internet: http://www.unfccc.int

International Conference On Sustainable Forest Management And Poverty Alleviation: Roles Of Traditional Forest-Related Knowledge: 17 December 2007 - 20 December 2007. Kunming, China. Organized by the International Union of Forest Research Organizations, the UN Food and Agriculture Organization and others, this conference will provide a platform for sharing of information and exchanging experiences related to traditional forest-related knowledge (TFRK) in the Asia-Pacific region, and highlight the importance of TFRK in achieving the millennium development goals and sustainable forest management. For more information contact: Liu Jinlong, Chinese Academy of Forestry; e-mail: liujl@caf.ac.cn; Internet: http://www.iufro.org/download/file/1928/3500/kunming07-tftfk-1st-announcemt-call.doc

Illegal Logging Update and Stakeholder Consultation Number 11, 17th January 2008, Chatham House, London. The eleventh in a series of update meetings coordinated by Chatham House and funded by DFID, the meeting will take place on the 17 and 18 January 2008. Details at: http://www.illegal-logging.info/item_single.php?item=event&item_id=124

Convention on Biodiversity COP-9: 19 May 2008 - 30 May 2008. Bonn, Germany. This conference is organized by the CBD Secretariat. For more information contact: CBD Secretariat; tel: +1-514-288-2220; fax: +1-514-288-6588; e-mail: secretariat@biodiv.org; Internet: http://www.biodiv.org/meetings/default.shtml

Eighth Session Of The UN Forum On Forests (UNFF-8): 20 April 2009 - 1 May 2009. United Nations (UN) headquarters, New York, United States of America. This session will meet at UN headquarters in New York. Agenda items include working to reach agreement on a decision on voluntary global financial mechanisms, a portfolio approach and a forest financing frame work. For more information contact: tel: +1 212 963 3160 / 3401; fax: +1 917 367 3186; e-mail: unff@un.org; Internet: http://www.un.org/esa/forests/session.html