

FOREST CERTIFICATION: PAST TRENDS AND FUTURE OPTIONS

Markku Simula

20 April 2020

This policy brief calls for new thinking about future development of forest certification through focusing on elimination of unsustainable forest management instead of competition between existing certification systems. In addition to markets, on-going linking of forest certification with the implementation of several EU policy and regulatory instruments will be another strong driver. The commitments of the private sector to enhancing contributions to the achievement of SDGs and deforestation-free sustainable supplies will also boost adoption of certification. Several options are identified on possible future actions.

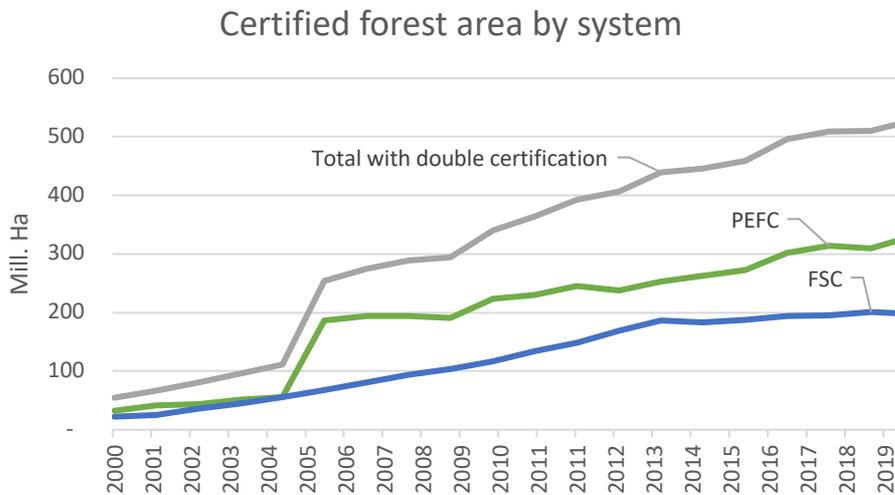
Forest certification is a non-government soft policy voluntary instrument implemented by the private sector engaging concerned stakeholders. It was introduced in the early 1990s as an alternative to ban tropical timber imports in major importing markets and to reduce the rate of deforestation in the tropics. Certification is based on specified normative requirements for forest management and tracing and labelling of products throughout the supply chain. Forest certification is not an end but a tool to demonstrate that forest products come from forests which are sustainably managed.

Certified forests

The two globally operating certification systems, the centralized Forest Stewardship Council (FSC), established in 1993, and the subsidiarity principle-based Programme for Endorsement of National Forest Certification systems (PEFC), established in 1999, have been competing with each other. In 2019 the area of PEFC certified forests in the world was about 335 million ha and that of FSC about 198 million ha (Figure 1). Mutual recognition has been impossible due to FSC rules in spite of both systems being aimed at promoting sustainable forest management (SFM). Nevertheless, the differences in system characteristics have reduced over time and, having realized that there are also common interests, some cooperative efforts have been taken.

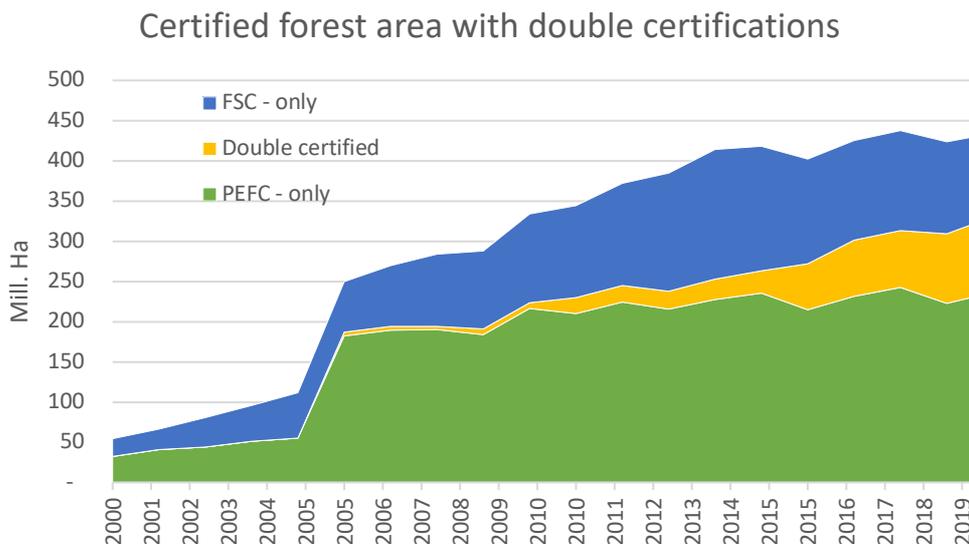
The total area of certified forests in the world under the two systems is 440 million hectares, with 93 million hectares being double certified (Figure 2). While this represents about 11 % of the global forest area, the share in production forests is much higher. The area increase was initially rapid but has considerably slowed since the last five years.

Figure 1



Source: Data as reported by the systems

Figure 2



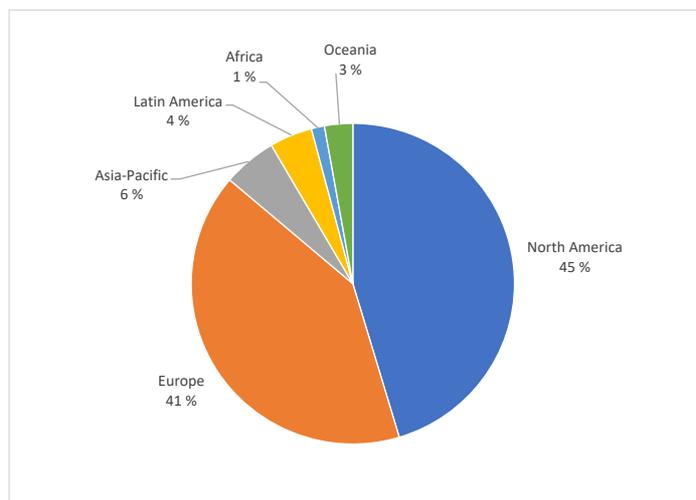
Source: Data as reported by the systems

Geographically, the developed countries account for almost 90 % of the total certified area and this share has remained rather stable over the years (Figure 3). It appears that many, if not most, of the sustainably managed forests have already been certified, but it does not necessarily mean that all the other forests are not well managed. The small share of developing countries in certified forest area (11 %) has been a major concern since the 1990s. It demonstrates that there are barriers to access forest certification in developing countries including capacity and financial constraints. The situation has led to diversion of trade in tropical timber and timber products from traditional major import markets to China and other emerging economies which are less sensitive to environmental and social concerns.

The total volume of certified wood in the world is not known but could apparently be in the range of 800 million m³ per year (1.8 m³/ha/year), representing about 40 % of the world total industrial roundwood production. However, not all this wood is sold or labelled as certified. On the other hand, part of raw materials used in producing labelled wood-based products is not certified coming from “non-controversial” or “controlled” sources.

In the European Union, 55% of the total forest area has been certified. Practically all (94%) is under PEFC and about a third (37%) under FSC, suggesting that almost all the FSC areas have been double certified. The highest certified shares are found in the Nordic and Baltic countries, Austria, Poland, Germany and the Czech Republic while in southern Europe the progress has been slow (Figure 4).

Figure 3 Regional distribution of the world certified area

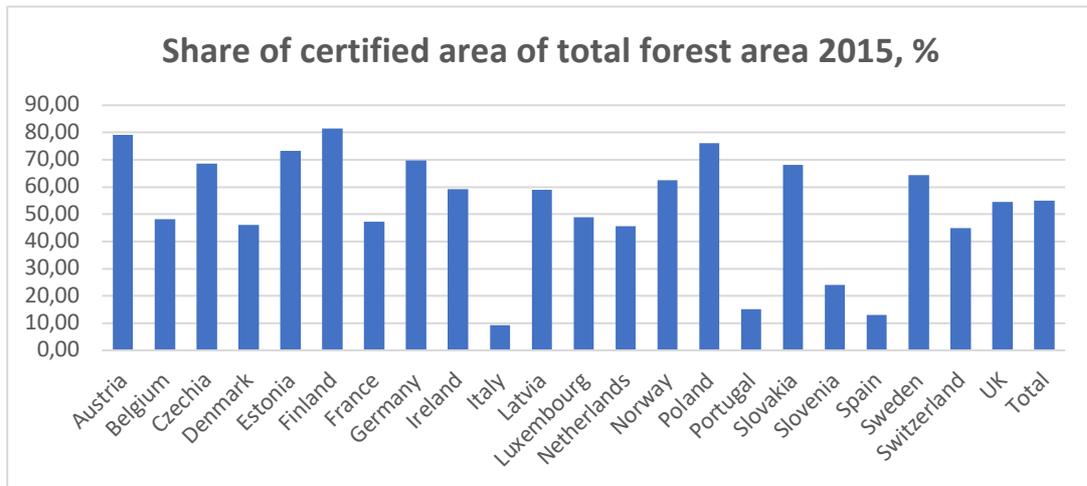


Source: Data as reported by the systems

Markets and consumer perceptions

In order to label certified products, it is necessary to prove that they come from sustainably managed forests through chain-of-custody (COC) certification. The number of COC certificates has been growing much faster than that of forest certificates suggesting that there is a keen interest among many industrial and trading companies to show that they deal with certified products. The total number of COC certificates is about 51 200 of which 74 % are FSC and 26 % PEFC. Since 2005 the number of FSC COC certificates has increased by nine-fold while the area of FSC-certified forests tripled. The respective figures for PEFC are 4.7-fold and 1.7-fold. While recognising international trade flows in wood raw material and processed products, the fast growth in FSC certificates raises the question of the credibility of market communication by trade and industry companies carrying COC certificates. In many cases certified products represent only a marginal share of their turnover, particularly in countries which have relatively small areas of certified forests and a large number of COC certificates (such as in some Asian countries).

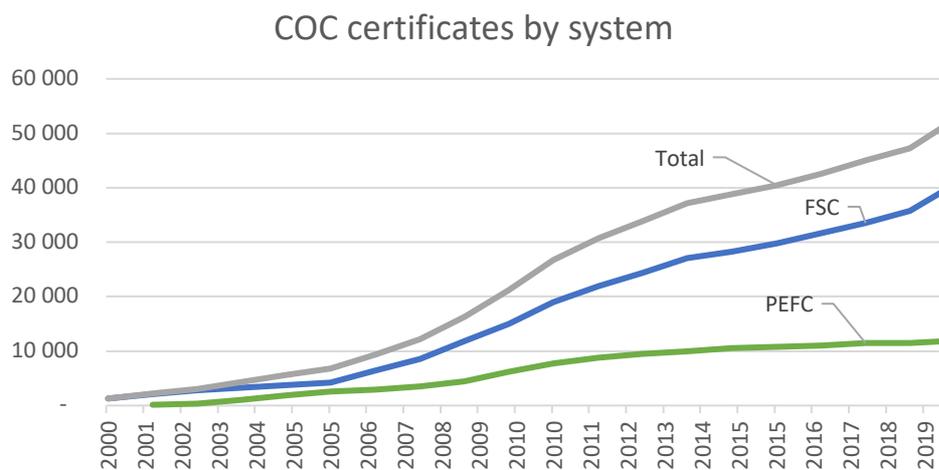
Figure 4



Source: Data as reported by the systems; FAO Forest Resources Assessment 2015

Another factor is “FSC-Mix” labelling of products that can include up to 30% of “controlled” non-FSC-certified wood as defined and verified through a fairly complex risk assessment procedure. Some of the criteria (such as High Conservation Value) lack clear definitions. Therefore, the auditors’ subjectivity tends to influence assessment. This has been a cause of major concern among small-scale forest owners in some countries (e.g., Finland) and some large-scale industrial operations. FSC Mix is dominant in the FSC system, particularly its market visibility and income generation to cover the operating costs of the organisation.¹ Due to concerns related to credibility, FSC intends to reduce its dependence on controlled wood. PEFC has a somewhat different approach as it allows labelling with minimum 70 % of PEFC-certified wood, subject to the rest being controlled not to come from controversial sources and meeting sustainability requirements.²

Figure 5



Source: Data as reported by the systems

¹ FSC. 2019. Strategy for FSC Mix products and controlled wood. 29 April 2019.

² <https://pefc.org/news/reviced-standards-approved-by-the-pefc-general-assembly>

In some cases, forest owners receive a small premium for certified wood, particularly if its supply is short. In processed products there is more resistance to pay price premiums among industrial and institutional buyers, while environmentally-sensitive consumers tend to accept higher prices. What is perhaps more worrying is the general perception among consumers concerning wood products. The Eurobarometer and other opinion surveys have demonstrated that a majority of people think that the most important benefits of forests are related to climate and biodiversity.³ Only about a fifth can associate forest with wood for bioenergy, paper, furniture, packaging and construction materials. A large share of people would like to prohibit hunting and cutting trees.

The image problem of the forest sector is more fundamental than which certification system is more or less sustainable or credible than the other. Should the focus shift from competition between the “good” to elimination of the “bad” in order to maintain “license to operate” in the eyes of the general public and to facilitate access to certification by all well-managed forests? It cannot be ignored that, in the current situation, certification tends to verify the present practices with no drive for innovation while struggling with credibility issues (conflicts of interest, variable audit quality and transparency, increasing complexity of requirements, risks due to uncertainty in future regulations, unclear communication, etc.).

Forest owners

European private forest owners have different views concerning forest certification systems. A recent study on their values and perceptions has shown that there is a lack confidence in FSC for several reasons, mostly related to the owners’ marginal role in setting standards and rules of the system.⁴ In addition, high access costs, ever-raising normative requirements and lack of predictability are other important limitations. Lack of clearly defined grievance procedures for forest owners is another cause of concerns. These may explain why FSC’s share is low in European forests. In many cases, the FSC label has even become an instrument to promote imports from outside the region, where lower requirements may be set for SFM.

With regard to PEFC, the main forest owners’ concerns are related to costs as well as limited market benefits, lack of visibility and unclear value added. They also tend to consider that the promotional marketing costs of PEFC-labelled products should be the responsibility of the industry which reaps most of the market benefits.

Private sector demand for certified forests and products

The UN Sustainable Development Goals (SDG) are being mainstreamed by large-scale forest industry corporations and timberland funds. The World Business Council for Sustainable Development Forest Sector Roadmap⁵ includes 22 action areas of which 13 includes a reference to certification recognizing its various benefits that underpin the SDG objectives. Another example of private sector drivers is the corporate commitments on zero

³ http://ec.europa.eu/agriculture/survey/index_en.htm

⁴ CEPF et al. 2019. European family forest owners’ views on forest certification.

⁵ https://docs.wbcsd.org/2019/07/WBCSD_Forest_Sector_SDG_Roadmap.pdf

deforestation of the supply chains in which certification is applied as a means of verification. These commitments will increase certified demand of wood raw material.⁶

Certification as a tool to implement policies and regulations

Even a more important driver for forest certification will be the EU level regulation under various instruments. (i) Certification is an essential element in the due diligence systems required by the EU FLEGT regulation⁷ and the EU Timber Regulation.⁸ (ii) It is also a tool for proving that wood (and agricultural) products do not come from deforestation as called for by the EU communication on “zero deforestation”.⁹ (iii) The EU Directive on Renewable Energy (RES) defines that the wood-based bioenergy has to come from sustainable sources and its demonstration through the Sustainable Bioenergy Program is based on independent verification by forest certification systems.¹⁰ (iv) The Directive on environmental, social and governance (ESG) financing by the public and private sector applies a taxonomy of eligible activities, including in the forestry sector.¹¹ The directive builds on the principle of sustainability and creating no harm. The demonstration of compliance with the ESG requirements (including SFM) will be based on independent auditing including by certification bodies.

There are several other EU instruments which have direct or indirect linkage with forest certification. The Commission proposal for European Climate Law,¹² as part of the implementation of the EU Green Deal¹³, includes tree-planting and “nature regeneration” as possible support areas. The EU Policy on Bioeconomy¹⁴, with its updated Bioeconomy Strategy, is targeted at sustainability in the bio-based sector through, inter alia, promoting and developing standards, labels and market uptake of bio-based products. As part of the EU Circular Economy Action Plan¹⁵, the European Commission will explore the development of a regulatory framework for certification of carbon removals. The forthcoming revised EU forest strategy¹⁶ will also likely address certification as a tool to promote SFM. It is surprising how strong a role the EU instruments have given to a voluntary, non-government-based instrument like forest certification in view of its weaknesses and uncertainties on how the systems will evolve over time instead of relying more on regulatory instruments.

Options for future

Forest certification is a unique soft policy instrument with several strengths (stakeholder participation, democratic principles, agreed standards, assurance of SFM, grievance procedures, communication on the link between forest and consumers). It is clear that there

6 <https://forestdeclaration.org/>

7 <https://ec.europa.eu/environment/forests/flegt.htm>;

8 https://ec.europa.eu/environment/forests/timber_regulation.htm

9 https://ec.europa.eu/environment/forests/eu_comm_2019.htm

10 https://ec.europa.eu/energy/topics/renewable-energy/renewable-energy-directive/overview_en

11 <https://data.consilium.europa.eu/doc/document/ST-14970-2019-ADD-1/en/pdf>

12 https://ec.europa.eu/info/sites/info/files/commission-proposal-regulation-european-climate-law-march-2020_en.pdf

13 https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf

14 <https://ec.europa.eu/research/bioeconomy/index.cfm?pg=policy&lib=strategy>

15 https://eur-lex.europa.eu/resource.html?uri=cellar:9903b325-6388-11ea-b735-01aa75ed71a1.0017.02/DOC_1&format=PDF

16 <https://www.eea.europa.eu/policy-documents/the-eu-forest-strategy-com>

is no option for the forest sector: it has to make faster progress in forest certification and make a better use of it in maintaining and facilitating access to markets and sources of financing. In future efforts there is a need to consider novel approaches and think out-of-the box solutions such as e.g., identification of “bad” actors in the field instead of concentrating on who is the “best”.

Key action areas that merit consideration in the future could include

- (i) improvement of engagement of forest owners, wood industry companies and the entire value chain through awareness raising about the future importance of certification,
- (ii) strengthening of the role of forest owner associations and regional forestry organisations to promote the progress on the ground,
- (iii) exploiting geo-localized digitalized information and drones in detecting harvesting areas not complying with SFM requirements,
- (iv) development of improved models of group certification of landowners, possibly with partly relying on recognized harvesting and transportation enterprises,
- (v) landscape-level or jurisdictional certification approaches based on sub-regional wood supply catchment areas, administrative geographic units or other relevant territorial units,
- (vi) approaches to improve cost-effectiveness of biodiversity and other conservation measures in the rules and requirements of certification systems,
- (vii) using forest certification as a tool to verify forest carbon pools and flows as part of SFM implementation,
- (viii) using the blockchain as a new digitised information management tool in forest and COC certification throughout the supply chain to improve the reliability of information on certified forests and their products.

Obviously, effective communication and education among stakeholders and their full engagement will have to be part of the menu of future actions together with awareness raising on the multiple benefits of forests among the general public at large.

In future efforts to make a better use of forest certification, there is a need to ensure that the solutions are credible, criteria and procedures are practical and transparent, and the outcomes are fair for actors.