A *decade* of forest *certification*

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In October 1993, the Forest Stewardship Council (FSC) was founded at a meeting in Toronto. We've been living with forest certification for a decade and significant progress has been made in this time, but there are big obstacles to overcome if forest certification is to realise its full potential. The world area of certified forest has expanded seven-fold in less than four years, from little more than 20 million ha at the start of 2000 to around 150 million ha today. The FSC led expansion of certified forest area during the 1990s, but the recent more rapid growth has been due to the development of non-FSC schemes such as the Pan European Forest Certification (PEFC) scheme and American Sustainable Forestry Initiative (SFI) Program. The emergence of these schemes has brought a whole new constituency of forest owners, industry, government and other interests into the forest certification movement. Many people, who only four years ago were opposed to the concept of forest certification, are now ardent supporters. As the area of certified forest has expanded, so too has the potential supply of certified forest products. A new report released by the UNECE Timber Committee in Geneva estimates this potential supply to be almost 300 million m^3 annually worldwide. This is close to the annual industrial roundwood consumption of Europe (excluding the Russian Federation).

Unrealised potential

The important phrase here is "potential supply", as only a tiny fraction of wood supplied from certified forest is traded as certified product. Indeed supplies are so limited that even the most committed purchasing companies often struggle to obtain sufficient volume of certified product, because of several obstacles:

- The technical challenges and costs associated with chain of custody verification.
- The mismatch between available supply and demand for labelled products. In particular, certified products mainly derive from temperate and boreal regions while market concern tends to focus on tropical hardwood products.
- The demand for labelled products remaining highly concentrated within the retailing sectors of a limited number of western countries – notably the USA, UK, Germany, and the Netherlands. There are plenty of people willing to pay lip service to forest certification outside these sectors

and countries. But in practice, it seems few buyers will actively discriminate in favour of certified forest products.
- Resistance to the concept of mutual recognition of credible schemes, particularly amongst environmental groups.

Overcoming the obstacles

Nevertheless efforts are being made to overcome these obstacles, with varying degrees of success. Chain of custody has often seemed the most intractable problem. But recent developments suggest it may not be insurmountable.

At a meeting in May 2003, the FSC endorsed a new approach to chain of custody for solid wood products referred to as the input-output system. Under this system, companies may claim a proportion of their output in particular product lines as FSC certified where that proportion directly corresponds to the proportion of FSC timber used for that product line entering the mill. This is a more flexible approach than that previously adopted by FSC, which had required all labelled solid wood products to contain over 70 per cent certified material. So the switch in policy has potential to improve availability of FSC certified product.

Other innovative approaches to product labelling are being introduced by non-FSC schemes. The SFI programme started labelling products last year. Their approach goes beyond chain of custody verification of certified product. It involves an annual independent audit of the entire wood procurement management system of participating companies. Participants must show that a minimum percentage of wood derives specifically from SFI certified sources. In addition, they must account for all their wood supplies, whether or not certified. The procedures accommodate recognition for other acceptable forestry standards and methods of improving the environmental performance of suppliers, for example through logger training.

In addition to these innovative approaches, it seems possible that, in time, developments in information technology will help overcome problems of chain of custody. For example, so called "smart tags" are increasingly used to track goods and components in other sectors. In the past, the costs of such systems have been prohibitively high for the average timber trading company, but prices are now falling sharply.

Phased approach for the tropics

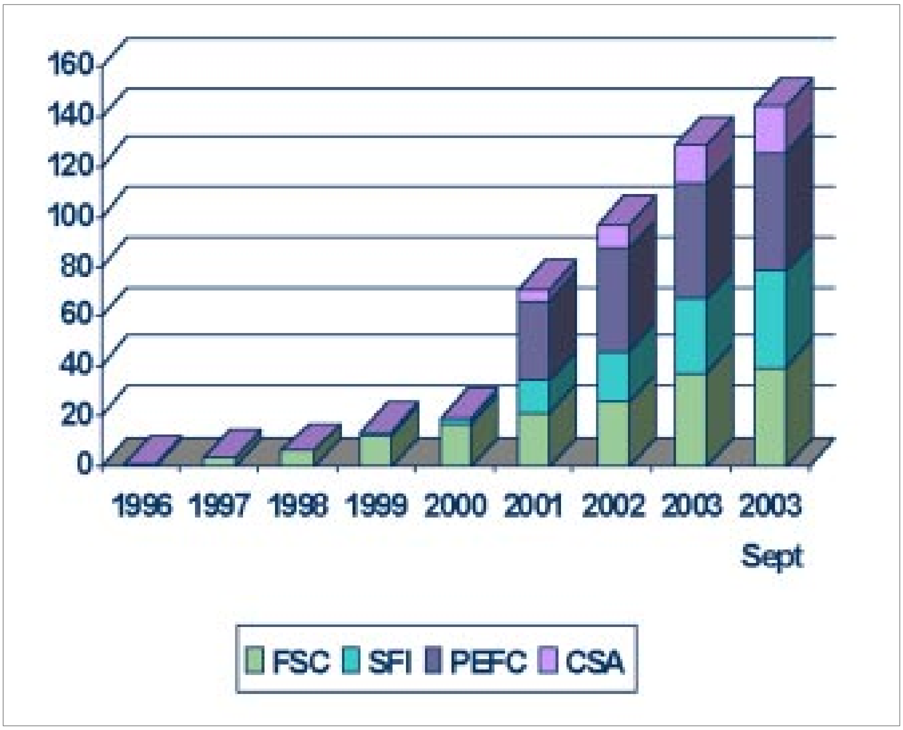
There has also been progress in tackling the second obstacle. There is growing recognition of the potential for a "phased approach" to forest certification in the developing world which may increase access to certified tropical hardwoods. This approach acknowledges that tropical producers often lack resources to fulfil high environmental standards. But efforts towards achievement of these standards should be rewarded through increased market access. Certification schemes based on this approach are beginning to make some headway. The Malaysian Timber Certification Council is already operating on a pilot basis. And the African Timber Organisation is working on the development of a Pan African Forest Certification Scheme which would extend the phased approach to a large number of African tropical supplying countries.

The third obstacle to increased supply of certified product – lack of widespread demand –is an oversimplification of a more complex problem. Few would argue that there is, in fact, great demand from most sections of the forest products industry for accurate and readily defensible information on forestry practices. But this has to be provided at reasonable cost. Existing certification services have failed to satisfy this demand. The FSC's determination to keep environmental groups on board has meant that their forestry standards are often set at a level only achievable by large rich western producers and publicly subsidised forest estates. While these standards may be very "green", they have yet to prove economically sustainable. In contrast, schemes like PEFC and the SFI Program offer economic sustainability, but continue to be criticised by the large environmental groups for being insufficiently "green". In the end, this situation may be most effectively resolved by the certification schemes coming together and talking about co-operation.

This leads on to the fourth and perhaps most significant obstacle to increased supply of certified forest products. There is no mutual recognition between the leading schemes: PEFC, FSC and SFI. Each scheme has devised it's own procedures and standards not only for forest certification but also for chain of custody verification. Any timber trading company seeking chain of custody certification is faced with a dilemma. Should they undergo several audits and meet several different standards for chain of custody and then supply a variety of labels? This would be expensive and hugely complicated. Or should the company seek to comply with only one system in the hope that it will provide sufficient throughput to meet labelling requirements? This may well require the company to place unacceptable restrictions on timber sources, thereby increasing raw material costs.

Prospects for mutual recognition

Environmental groups have been firmly opposed to mutual recognition, arguing that it would involve a progressive erosion of



Growth in global certified forest area, million ha (in January unless stated otherwise)

forest certification standards to the "lowest common denominator". And mutual recognition between FSC and non-FSC schemes would involve a significant loss of environmentalist influence over access to the FSC label.

The prospects for FSC, PEFC and the SFI Program reaching an agreement on mutual recognition are now very slim. At the FSC General Assembly in November last year, environmentalists pushed through a motion requiring the FSC Board to seek approval by formal vote of the FSC membership prior to engagement in any process designed to lead to mutual recognition. Although mutual recognition is not entirely off the FSC agenda, this decision means it would be a big battle just to get discussions started.

Without mutual recognition, it is probable that labelling of finished products for direct consumption by the general public will remain of only minor importance. Forest certification's main role would be for business-to-business communication. Large timber consuming companies and specifiers would have to make their own assessments of the virtues of each scheme. To profit from their efforts to discriminate in favour of timber from certified forests, timber companies would have to rely heavily on market recognition for membership of WWF Buyers Groups, or of industry programs like the UK Timber Trade Federation's Environmental Timber Purchasing Policy. The larger retailer groups may be encouraged to drop their support for a single forest certification brand, and instead market wood under their own corporate brand.

Only hope for a political settlement

This future seems likely, but there are some that have not yet given up all hope of the largest forest certification schemes working together. Despite FSC reluctance to discuss mutual recognition, dialogue has been continuing between the various forest certification schemes. Efforts are now being made to build consensus around an alternative framework for co-operation between the schemes. Development of this framework, referred to as the Legitimacy Threshold Model (LTM), has been led by the World Business Council for Sustainable Development (WBCSD). The framework has the backing of some of the world's largest forest products companies and has been developed through contacts with a wide range of interests. The World Wide Fund for Nature have already taken a positive interest.

In order to secure this interest, the LTM model includes elements which may make it more palatable to the environmental community. The LTM deals with their concern that FSC not be considered on a par with other systems. Rather it allows all systems to compete on their perceived merits once they've qualified by crossing an appropriate legitimacy threshold. The LTM seeks acknowledgement from FSC and the green movement that other schemes meeting this threshold have a right to exist and are playing a legitimate role. The concept also accommodates developing countries by recognising the need to take a phased approach to certification. While the underlying criteria used to determine legitimacy and the assessment process used are still unresolved, at present the LTM model provides the only hope for a political settlement. **AT**

SFI has developed an innovative approach to product labelling