

Observations on Forest Certification

B. BRUCE BARE

College of Forest Resources
University of Washington, Seattle

This paper is an adaptation of a Powerpoint presentation on forest certification. It is a brief tutorial for introducing forest certification and discusses the pros/cons of certification as well as the relationship to other policy tools such as forest conservation easements, Habitat Conservation Plans, cost sharing, and forest practice regulations.

OUTLINE

- What is it?
- Purpose and approaches?
- Who sets the guidelines?
- Costs and benefits?
- Relationship to incentives and regulations?

The topics covered in this presentation include:

1. A definition of forest certification and its relationship to sustainable forestry.
2. The approaches various organizations adopt to certify forests.
3. Major groups offering certification schemes and how they differ.
4. A summary of the costs and benefits of forest certification.
5. The relationship of certification to other incentive programs like cost sharing, HCPs and forest conservation easements as contrasted with governmental regulations.

It is important to understand that forest certification is a voluntary program. This is in contrast to governmental regulations that are involuntary. If large buyer groups

WHAT IS IT?

- Process by which a forest owner voluntarily requests an inspection of a forest to determine if pre-defined management standards are being met.
- Process for assessing if a forest is managed sustainably.
- A way to communicate environmental information about forests to consumers.

and consumers of forest products demand certified products, forest certification could effectively become required for forest owners who wish to retain market share.

Forest certification is a means of communicating to buyers of forest products that the forest (producing the products) is being managed in a sustainable manner. Many owners claim that they have been managing their forests sustainably for years and, therefore, see no reason to become certified. This misses the point. Certification is a mechanism to communicate this information to consumers even if it does not significantly change on-the-ground management practices of an owner who is already practicing sustainable forestry.

Sources:

- Sedjo, R.A., A. Goetzl and S.O. Moffat. 1998. Sustainability of Temperate Forests, Resources for the Future, Washington, D.C.
- World Commission on Environment and Development, 1987. Our Common Future, Oxford University Press, Oxford, England.
- Stevens, J., M. Ahmad and S. Ruddell. 1998. Forest Products Certification: A Survey of Manufacturers. Forest Products J. 48(6)43:49.

WHAT IS SUSTAINABLE FORESTRY?

- Balancing environmental, social and economic factors to meet the needs of the present without compromising the ability of future generations to meet their needs.

FOREST CERTIFICATION AND SUSTAINABLE FORESTRY

- Forest certification isn't necessary to guarantee sustainability -- it may not be sufficient.
- Best viewed as: 1) important "policy driver" for improving forest management standards and practices 2) satisfying buyer groups and consumers of forest products.

PURPOSE AND APPROACHES?

- A 1990's initiative that encourages landowners to practice sustainable forestry and to give consumers assurance that forest products come from sustainable forests. Includes both forest certification and chain-of-custody components.

PURPOSE AND APPROACHES?

- Performance-based
 - Use criteria and indicators to monitor performance over time (on-the -ground)
- Management system-based
 - Generic guidelines and standards (ISO 14001)
 - Forestry-specific (SFI, CSA)

The definition conveys the notion that sustainable forestry is much broader in scope than sustained yield forestry which concentrates on timber production. It also highlights the intergenerational issues inherent in forest management.

Source:

World Commission on Environment and Development. 1987. Our Common Future, Oxford University Press, Oxford, England.

Some state forest practices regulations (i.e., State of Washington) have "raised the bar" to heights sufficient to achieve sustainable forestry with little or no additional effort. Many forest owners implement practices well above these levels. Thus, certification is not necessary to achieve sustainability on these forests.

Depending on the type of forest certification sought, and the level of state forest practices required, it may be possible to achieve both and yet fail to produce a sustainable forest in actuality.

It is safe to say that forest certification is a policy instrument that can be used (perhaps in tandem with others) to improve the practice of forestry while simultaneously providing buyer groups and consumers with the information they need to make informed buying choices.

Source:

Kiekens, J.P. 1995. Timber Certification: A Critique, Unasylva 46(184):27

The move towards forest certification accelerated in the 1990's following the 1992 United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro. An Intergovernmental Panel on Forests was established by the UN Commission on Sustainable Development (UNCSD) in 1995. In 1997, an Intergovernmental Forum on Forests succeeded the IPF. This group recommended that a UN Forum of Forests be established. In 1993 the majority of European countries endorsed six criteria for defining sustainable forests in the Helsinki Process. In 1994 the Montreal Process covering boreal and temperate Forests was formed and led to the Santiago Declaration in 1995. The USA endorsed this latter convention. It contains seven criteria and 67 indicators that are used to define sustainable forest management: 1) biodiversity conservation, 2) maintenance of ecosystem productivity, 3) maintenance of ecosystem health and vitality, 4) soil and water conservation, 5) maintenance of forest contributions to global carbon cycles, 6) maintenance of long-term multiple socioeconomic benefits and 7) legal/policy/ institutional frameworks for forest conservation and sustainable management.

Developed in parallel with these international movements to define sustainable forestry, certification was aimed at both forests and forest products. We refer to the former as forest certification and the latter as chain-

of-custody. Not all certification schemes embrace the latter component.

Forest certification schemes vary greatly in their design and intent. However, all fall into one of two categories: 1) performance-based or 2) management system-based. As its name implies, performance-based systems use specific measures (called criteria and indicators) to monitor on-the-ground performance over time. Management-based systems rely on the establishment of general standards that conform to sustainable forestry principles. Oftentimes, they are linked to the ISO 14001 process.

The International Standards Organization (ISO), formed in 1947, promotes world-wide standards, international consistency and international trade. ISO 14000 grew out of ISO's commitment to support the objective of sustainable development discussed at the 1992 meeting of UNCED in Rio de Janeiro.

ISO 14001, adopted in 1996, provides the international standard for self-declaration or certification of an organization's Environmental Management System (EMS). Contained within ISO 14000 are environmental management, life cycle analysis, environmental auditing, environmental labeling and environmental performance evaluation. ISO 14001 is neither industry-specific nor performance-based. It allows organizations to establish their own environmental policy so long as it adheres to all applicable domestic laws and regulations. Firms may use first, second or third party certifiers and all reports may be confidential.

WHO SETS THE GUIDELINES?

- Government
 - UNCED (IPF, IFF, Helsinki and Montreal Processes, Santiago Declaration)
- Private
 - AF & PA (SFI, 1994), PEFC (Europe, 1999)
 - ATFS (1945), Green Tag (NFA, 1998)
- NGO
 - FSC (1993)
 - ISO 14001 (1996), CSA (1995)

WHO DOES THE CERTIFYING?

- First party – the land owner or firm
- Second party – the industry or an association
- Third party – an independent certifier
 - Rainforest Alliance (SmartWood, FSC)
 - Scientific Certification Systems (FSC)
 - SFI, PEFC (Voluntary Verification)

Various international governmental efforts have spun-off of the 1992 UNCED in Rio de Janeiro. The Intergovernmental Panel on Forests and its successor the Intergovernmental Forum on Forests were established by the UNCED and have worked unsuccessfully to establish a binding international agreement regarding the sustainable management of forests. The Helsinki Ministerial Conference on the Protection of Forests in Europe established six criteria for sustainable forests and the Working Group on Criteria and Indicators for the Conservation and Sustainable Management of Boreal and Temperate Forests (held in Montreal) lead to the Santiago Declaration (1995) which established seven criteria for forest sustainability. These criteria and their accompanying indicators are to be used nationally to assess the attainment of sustainable forestry practices.

Numerous organizations have utilized the international criteria and indicators to help define national/regional standards. The American Forest and Paper Association established the Sustainable Forestry Initiative for use on forest industry lands in the USA. In 1998, non-AF&PA members also became eligible to become SFI Licensees. The Pan European Forest Certification scheme is a voluntary private sector initiative based on a consensus view among relevant interested parties on sustainable forest management at the national or regional level. To date, seventeen European countries are participating in the establishment of mutually compatible national certification systems. Both SFI and PEFC endorse third party verification of established standards.

The American Tree Farm System was established over 50-years ago to foster good forest management practices on private forest lands. Timber harvesting as well as wildlife habitat, water quality, and forest protection activities must be addressed in prescribed management

plans. Second and/or third party verification of proposed plans are required. In 1998, the National Forestry Association established the Green Tag Forestry Program for use on non-industrial forest lands in the USA. Certification is performed by a Green Tag member (second party) who visits the property and reviews the management plan. Ten certification criteria are included in the program.

The Forest Stewardship Council's certification program includes ten principles: #1-8 refer to the management of natural forests, #9 to the conversion of natural forests and #10 to plantation forests. FSC uses these principles to identify *well managed* forests and not sustainable forests. This may create trade barriers as it seems to be biased against plantation forests in favor of natural forests. The Canadian Standards Association and the ISO 14001 standards were discussed earlier. Three levels of certification are associated with the forest certification schemes discussed herein.

Sources:

Society of American Foresters. 1999. Task Force on Forest Management Certification Programs, Washington, D.C. Also available at: <http://www.safnet.org/policy/fmcp1999.html>

Sedjo, R.A., A. Goetzl and S.O. Moffat. 1998. Sustainability of Temperate Forests, Resources for the Future, Washington, D.C.

Pan European Forest Certification, <http://www.pefc.org>

Canadian Standards Association, <http://www.sfms.com/standar.htm>

Forest Stewardship Council, USA, <http://fscus.org/> and <http://www.fscoax.org/>

AREA CERTIFIED

- FSC
 - 16.9 million ha. world-wide
 - 1.6 million ha. in USA
 - Less than 1500 ha. in WA (?)
- SFI
 - 23 million ha. In USA - about 33% independently verified by third party
 - SFI licensees - 1.1 million ha in USA

AREA CERTIFIED

- ATFS
 - 10.1 million ha. non-industrial in USA
- Green Tag
 - 18,000 ha. in USA
- PEFC
 - 20 million ha expected by 2001

Areas of forest land that are certified under one of the schemes discussed herein. All figures current as of time of writing.

Sources:

<http://www.fscoax.org/>

http://www.afandpa.org/forestry/sfi_frame.html

<http://www.safnet.org/policy/fmcp1999.html>

<http://www.pefc.org>

Oliver, Rupert. 1999. Market and Environmental Information for the Forest Products Industry, Trade and Environment Report, Nov/Dec.

IS CERTIFICATION NECESSARY?

- Many believe that sustainable forestry is already being practiced in the developed countries.
- Demand being driven by large buyer groups who wish to sell certified products. Small owner may be forced to comply -- non-voluntary.

HOW MUCH DOES IT COST?

- Costs of certification:
 - Direct cost of initial forest assessment plus annual audit.
 - Indirect cost of improved forest management practices (i.e., reduced harvest).
 - Cost of chain-of-custody audit

HOW MUCH DOES IT COST?

- Another study shows:
 - Increase in COGS due to FSC certification was <10% for 84% of survey respondents. For 50% the increase was <3%. Average was 5-6%.

HOW MUCH DOES IT COST?

- Economies of scale indicate that small land owners will be hit harder than large firms.
- Direct costs vary widely but may not be high -- from a minimum of \$500 - \$1000 for small properties to \$.25 -.50/MBF of harvest volume for larger properties.

HOW LARGE ARE THE BENEFITS?

- The objectives of forest certification are to:
 - gain (keep) access to markets that desire environmentally sensitive products
 - promote sustainable forest management
- Producers might gain market share and might experience a price premium for certified wood products.

Costs of forest certification may be separated into direct and indirect. The former include the costs of hiring a second or third party verifier or the cost of conducting the audit by hiring one's own employees (first party). Initial assessment as well as annual audit costs are included.

If chain-of-custody is desired, additional auditing costs are incurred. Costs of tagging forest products, keeping products segregated at various stages of production and marketing products are included in this activity.

An owner may be able to lower costs by forming cooperatives. Or, a management consultant may be certified (as with FSC) such that the forests managed by the consultant are also certified.

Sources:

- Upton, C. and S. Bass. 1996. The Forest Certification Handbook, St. Lucie Press, Delray Beach, FL.
- Hanson, N. 1999. Why I Chose Green Tag Certification. Northwest Woodlands, 15(4):14-15.
- Wood Markets Quarterly. 1999. Certified Wood Products: The Business of Costs, Premiums and Market Share, The International Solid Wood Report, 4(1):4-5.
- Sedjo, R.A., A. Goetzl and S.O. Moffat. 1998. Sustainability of Temperate Forests, Resources for the Future, Washington, D.C.

Source:

Stevens, J., M. Ahmad and S. Ruddell. 1998. Forest Products Certification: A Survey of Manufacturers. Forest Products J. 48(6):43:49.

The benefits of forest certification at the present time appear to be in keeping or enhancing market share rather than obtaining higher prices for forest products. However, in some niche markets, tight timber supplies may lead to higher prices for final products.

HOW LARGE ARE THE BENEFITS?

- One study shows:
 - For purchasers of certified wood products the average price premium paid was 6-7% with 35% paying less than 3% and 55% less than 5%.

HOW LARGE ARE THE BENEFITS?

- World-wide, less than 1% of the annual harvest currently comes from certified forests. Expected to increase in near-term future.
- Price premiums for “green” wood products are small or non-existent but market share is important in some regions such as western Europe.

Sources:

Stevens, J., M. Ahmad and S. Ruddell. 1998. Forest Products Certification: A Survey of Manufacturers. Forest Products J. 48(6)43:49.

Sedjo, R.A., A. Goetzl and S.O. Moffat. 1998. Sustainability of Temperate Forests, Resources for the Future, Washington, D.C.

HOW LARGE ARE THE BENEFITS?

- Demand is growing; presently is being pushed by buyer groups and not end-product consumers

RELATIONSHIP TO INCENTIVES AND REGULATIONS?

- Certification, forest conservation easements, HCPs, cost-sharing, etc. are voluntary programs. Regulations are compulsory.
- Easements and HCPs generally involve a long time commitment by landowner (50+ years). Certification and cost-sharing are shorter (5+ years) and more easily cancelled.

Source:

Hansen, E., K. Forsyth and H. Juslin. 1999. Forest Certification Update for the ECE Region, Geneva Timber and Forest Discussion Papers, UN Economic Commission for Europe, FAO, Timber Section, Geneva, Switzerland.

The general consensus is that demand for certified wood products will grow. This is based on high current demand for niche market wood products and the fact that Home Depot announced its intention to “eliminate wood from endangered areas—including luan, redwood and cedar products—and give preference to certified wood” that is tracked from the forest to the customer.

Forest certification, conservation easements, habitat conservation plans and cost-sharing are voluntary programs undertaken by land owners. In contrast, regulations imposed by state and federal entities are compulsory.

Conservation easements and HCPs involve commitments over long time periods whereas forest certification and cost-share programs are effective over much shorter time periods.

RELATIONSHIP TO INCENTIVES AND REGULATIONS?

- Increasing forest practice regulations lessen need for certification vis a vis sustainability.
- Buyer groups need assurance conveyed by certification.
- Generally certified price incentives are not present in short-term. Probably won't be in long-term.

RELATIONSHIP TO INCENTIVES AND REGULATIONS?

- Can combine certification with an easement, HCP or cost-share program.
- Must meet minimum state regulations to be certified, but landowners not exempt from ESA. Safe harbor agreements help to mitigate.

RELATIONSHIP TO INCENTIVES AND REGULATIONS?

- Need to consider certification programs that do not penalize landowners who practice active plantation management. This may provide an incentive to keep land in forest production.
- Certification becoming less voluntary in order to satisfy buyer groups. Neither the original intent nor an incentive.

As governmental regulations become more onerous, they lessen the need for forest certification—so far as increasing the level of sustainability is concerned. Thus, land owners may not see a need to gain certification. However, if the indirect costs of achieving certification are simultaneously reduced, land owners may seek certification to retain market share. At the present time it appears that large buyer groups are creating the demand for certified forest products. However, it is not clear if price incentives will further stimulate forest certification to higher levels.

Land owners must meet or exceed all governmental regulations when seeking to become certified. However, because conservation easement, HCP, cost-share and certification programs produce overlapping benefits, land owners may wish to combine programs with one another. This should produce greater combined benefits for the land owner—especially if the costs are not too large. Land owners should also investigate safe harbor agreements available to them if they engage in selected conservation programs.

Lastly, forest certification programs which promote the use of *active* forest management strategies (as compared to the use of forest reserves) to produce desired future conditions and sustainable forests should be encouraged. Not only does this provide a stronger incentive to landowners, it also helps keep costs and benefits in better balance.

As large buyer groups begin to market certified forest products, the small land owner may be “forced” to gain certification in order to retain market share. Thus, forest certification will lose its voluntary nature and become more compulsory.