MAINSTREAMING FSC CERTIFICATION IN THE TROPICS
A JOINT OPPORTUNITY!

In three tropical timber programs (The Amazon Alternative, The Borneo Initiative, Congo Basin Program) the Dutch Sustainable Trade Initiative (IDH), FSC Netherlands and partners work towards a large increase in the area of FSC certified tropical forest. These programs make certification more accessible for concession holders and support responsible trade through the creation of market links. All stakeholders throughout the certification process and supply chain are involved in the programs: market players, certification bodies, forest consultants, governments and various NGO’s.

THE AMAZON ALTERNATIVE
4 million FSC certified hectares of natural tropical forest by 2015, plus related sustainable trade.
Focus of TAA lies on developing and strengthening the FSC certified timber production and value chain in Brazil, Bolivia and Peru.
Contact: Petra Hamers | p.hamers@theamazonalternative.org

CONGO BASIN PROGRAM
4 million FSC certified hectares of natural tropical forest by 2015, plus related sustainable trade.
Focus of CBP lies on developing and strengthening the FSC certified timber production and value chain in Gabon, Cameroon, Republic of Congo and Democratic Republic of Congo.
Contact: Gijs Breukink | g.breukink@congobasinprogram.com

LINKING EUROPE
In addition to the tropical timber programs, a new program called Linking Europe is under development. This program focuses on stimulating demand for sustainable timber in Europe. Working together with key accounts, governments and existing initiatives, the Dutch Sustainable Trade Initiative (IDH) aims to increase the market share of sustainable timber in three countries in Europe.
Contact: Mariska Abcouwer | abcouwer@dutchsustainabletrade.com

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In this Special Edition, we report directly from the 2011 FSC General Assembly on the official business and unscheduled “word on the street”. Newsletter design and layout by FSC Denmark. Join us online: www.nepccon.net/newsletter

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Is Controlled Wood controllable?

The Controlled Wood standard is once again the topic no 1 of the General Assembly. There is general agreement that the system is far from perfect. Can it be fixed? Or is it better to rethink the whole concept?

**Overview:** The discussion on the future of Controlled Wood (CW) at the FSC General Assembly 2011 centers around two major pathways: Short-term fixes and long-term major changes.

- **Fixing the system...**
  - During meetings and events, stakeholders have presented several suggestions and thoughts on how the existing system can be fixed to ensure improved enforcement of the requirements.
  - The most obvious problem is related to the risk assessments done by certified companies, including great variability in the assessments of the same area as well as too frequent designation of low-risk areas.
  - According to a review of the Controlled Wood system carried out by FSC-CIC, certification bodies are not reviewing the contents or rigor of the risk assessments properly. A suggested solution to this is to spend time on the process of developing national risk assessments.
  - Field verification audits in areas with unspecified risk are required and may be carried out by the companies themselves.
  - The standard requires qualified personnel to do the auditing, but downstream industries often do not have sufficient capacity for this.
  - The most "radical" solution suggested by FSC members is to require full scale CW forest management certification for any sourcing in areas with "unspecified risk." A less rigorous option is to require field audits to be done by accredited certification bodies.
  - Another difficulty is the requirement to track incoming material back to the "forest level." Those who use the standard in practice -- the auditing bodies and certified companies -- find this impossible for downstream companies.

**The idea has been suggested but did not gain large support yet, it remains a hidden problem, which will continue to undermine the credibility and robustness of the system if not dealt with in an open and honest way...**

- **or rethinking the Controlled Wood concept?**
  - Addressing the above issues would clearly help renew trust in the CW system. But the fundamental questions remain: does CW actually help increase the certified forest area? Does the system push companies to increasingly source FSC-pure material? In other words, is there a permanent place in the FSC system for CW, or should it be seen as a temporary tool to be phased out over the long term?

Some musings on the table for this GA suggest a limited time period for companies to use CW. This may seem like a good compromise, but with tens of thousands of certified bodies and a different deadline for phasing out CW, such proposals would likely create too much complexity when it comes to the passing along of claims down through the supply chain.

A complete phasing out of CW has been mentioned, but this has not been seriously discussed at this GA. Without an alternative in place, this would effectively mean relinquishing FSC Mix Product groups and returning to the FSC Pure products. This is seen as an impossible path to take by the majority of the economic chamber members.

The most difficult questions surrounding CW thus remain largely unexplored. Time will tell, if this GA will be successful in tackling some of these issues in a way acceptable to the global FSC community.

Kingfisher: Traceability top agenda for retailers

As forest resources are depleted, timber supply resilience becomes a pressing issue. Knowing where the timber comes from is the first precondition for securing this.

**Traceability:** Jamie Lawrence, Corporate Responsibility Manager at Kingfisher, says "Traceability is perhaps the single most important issue within retail today. This is because retailers need to identify where their timber products are coming from, to secure their future supplies. Security of resource supply is very high on the agenda.

Do we have a secure supply chain? Can we get enough timber? If deforestation rate continues at the current level, then there will simply not be enough timber resources globally to meet the needs of the growing world population and the emergence of large deforestation consumer segments in many countries. I see a supply deficit as a real threat. It is coming down the track in 5-10 years’ time from now."

"This is the pattern we are going to see for the timber business as a whole, due to the diminishing supplies and the growing number of affluent consumers in the world. Adding to the deforestation, some products such as coniferous and chipwoods compete with the growing biomass industry for resources. So prices look set to increase for many timber products, not just tropical hardwoods, unless the supply situation improves. We can expect to see buyers move increasingly away from timber to alternative materials such as metal and plastic."

"I see a supply deficit as a real threat. It is coming down the track in 5-10 year’s time from now."

If you recognise that as a challenge then you need to think about where your material is coming from. Traceability is absolutely fundamental to the financial basis of the retailers, and that goes for all kinds of natural resources -- timber is just one of them. Most companies are saying that they expect to grow and this is an important message to investors. But how can you expect to grow, if you are not sure about your future supply situation?"
21 years ago Dr Alan Knight went to the forest of Borneo to understand the issues of deforestation.

The FSC provocateur, Alan Knight.

DLH: Pioneer trader in FSC plantation species

Malaysian Acacia plantations can help drive a promising new market for FSC certified plantation products. DLH and the Vietnamese wood industry are key players in the development of FSC plantation wood for furniture worldwide. Today, 75% of DLH Vietnam's trade is FSC-certified.

FSC’s movers & shakers:
FSC’s Knight in shining armour

Dr Alan Knight has been at the forefront of sustainable development for over 20 years ranging from peat dilution strategy, paint labelling to supplier environmental auditing and corporate sustainability. Above all his contributions to the sustainability sphere, he still considers the development of FSC as his greatest contribution.

FSC needs to give itself permission to be more nimble.

Otherwise the standard and the standard-setting process will get thrown out with the bathwater - along with the labels and audit process.

Future trends in retail

"Tracking and verifications, label proliferation, you can’t take control of it and there are a lot of different schemes out there. I’m hearing more and more voices that while the major brands want to intervene, they wish there were fewer schemes."

"FSC needs to have a better public policy. Voluntary standards fill the space that policy will do a better job at. Some believe that voluntary standards are becoming a lazy alternative to public policy. FSC needs to have a clear idea of where it stands in the public policy arena, where they stand and where they stand."

Knight’s supernatural power

When asked what supernatural power would help you most in the course of your daily work, Knight answered, "An ego disappearing wand would be my supernatural power. I wish I could rid the world of ego. I sometimes worry how much ego and need for personal self-expression drives people to hang on to arguments that stand against the intellectual arguments we need to have.”

"I hope that the next Malaysian Acacia plantation will soon become FSC certified. A lot of customers are queuing up to lay the wood, including some large ones”, says Moray Jey, chief representative of DLH Vietnam.

The company’s marketing strategy for FSC certified plantation wood has turned out almost too successful; now there is a pressing need to increase supplies due to growing demands for the products.

"We spent several years developing plantation species, and we pioneered the marketing of FSC certified plantation wood with Tocophus as the main species. We promoted it heavily to factories, letting them know that there were regular volumes available at a good quality compared to price. Our FSC Eucalyptus trade quickly became very successful”, explains Mr. Jey.

Next success story: Malaysian Acacia

"In Malaysia, our effort is focused around Acacia, where the market remains underdeveloped. To lack of certification of the plantations; we saw a clear potential and worked with some of the plantations to convince them to get FSC certified. In 2007, a large plantation in Malaysia – Sabah Softwoods Berhad – achieved FSC certification and we started to market Acacia wood. Two plantations are now certified. Originally they were both planted for woodchip production. But since then, the market has changed and new technology has enabled use of Acacia wood for plywood and timber.”

The Japanese company Saito is buying the woodchips while DLH buys solid wood from the larger plantation, Sabah Softwood Berhad. The two companies pulled together, as both were keen to have the plantations certified.

"If we get the Acacia market going, this could nearly double our FSC Import”, says Mr. Jey.

"Plantation products are turning into a huge success worldwide, due to the fact that plantation wood is cheap, plentiful, versatile, and reliable”. The wood is used for a wide range of purposes, including furniture made by large consumer stores such as IKEA and Walmart but also high-end ‘antique reproduction’ furniture.

"If we get the Acacia market going, this could nearly double our FSC Import”, says Mr. Jey.

Mandatory requirements drive the market

"The market is driven by mandatory requirements: by retailers’ policies that are increasingly making FSC certification mandatory for their suppliers. Companies having mandatory requirements in place for FSC certification of tropical wood products include influential market players such as Carrefour, Castorama, Tesco, B&Q, Kingfisher, Meta Home, DePuy 198, and JYSK.”

In addition to plantations in Malaysia, DLH also works with plantation wood from other countries in Asia, South America, South Africa and the Pacific Islands.

Malaysian suppliers of FSC certified plantation timber:

- Sabah Softwood Berhad suppliers logs and woodchips from its nearby 36,000 ha concession.
- The plantation Adorpring RPF Sdn Bhd produces Acacia logs. The operation is close to Kudat, Borneo area.
Kingfisher: “Retailers could boost the FSC system overnight”

Due to their huge consumer interface, retailers have great and largely untapped power for creating awareness of the FSC label. According to Kingfisher, a special Chain of Custody certification standard adapted to retail would be a win-win solution for FSC and the retail business.

Retail certification: “Retail constitutes an enormous pull factor for FSC. By boosting Chain of Custody certification among the retailers, FSC could increase its visibility almost overnight,” says Jamie Lawrence, Corporate Responsibility Manager at Kingfisher, who is advocating the development of a voluntary FSC Chain of Custody standard for retail.

“Extending Chain of Custody certification more widely among retail would also benefit the credibility of the system in terms of the claims made. Volumes of timber from the forests would be easily checked to match with volumes sold to final consumer and business not currently captured by the FSC system could verify their numerous claims about their FSC certified products through a rigorous verification system that is capable of ensuring the claims are correct.”

Retailers may pull FSC-labelled final products without becoming certified. Why would they need to become certified at all? Some retailers feed into public procurement policies or engage in B-to-B sales, where Chain of Custody certification is required in order to forward the FSC claim. For example, an important proportion of the sales of B&Q UK go to contractors who work for government projects such as libraries, schools, and parks. For this reason, a new Kingfisher retail initiative - B&Q UK and Hornbach - have obtained Chain of Custody certification.

Extending Chain of Custody certification more widely among retail would also benefit the credibility of the system in terms of the claims made.

“There are also reputational benefits of being certified, and certification can help retailers achieve fulfilment of internal CSR policies.” With the increasing focus on legality of timber products, Chain of Custody certification helps retailers structure their efforts to ensure the traceability of their timber products – something that is becoming increasingly important.

Why do retailers need their own standard? “The current Chain of Custody standard is sort of ‘samwill style’. It is uncomfortably applied to retailers,” says Jamie Lawrence.

As an example, we acknowledge that training of relevant staff is crucial. But large retailers may have several hundred stores in one country. Rather than have 150 store managers participate in physical training and individually sign 150 papers, we would apply streamlining, induction training, etc. This is virtually impossible to do within the current standard, unless Clear demonstrate a level of feasibility. There is a clear need to adapt the standard to be more aligned with the way retailers work.

“The current Chain of Custody standard is sort of ‘samwill style’. It is uncomfortably applied to retailers.”

Online traceability system may boost FSC’s integrity

At a well-attended side event on Monday, plans to establish an online platform for tracking of timber products were discussed. This major initiative could be crucial for maintaining the integrity of FSC.

“Online traceability was heavily debated in group sessions during Monday’s side event,” said one attendee. “We are aiming for a system that makes it easy to comply and difficult to cheat.”

“Phil Guillery, FSC Systems Integrity Director, said, “We are looking to build a system that will provide benefits to our stakeholders. For example, we may be able to simplify some certification requirements.”

Quick discovery of fraud: FSC Systems Integrity Director, Phil Guillery outlined the anticipated system - an online platform that allows efficient tracking of timber product transactions.

Currently, certificate holders are responsible for each node in the supply chain, but we have no system to trace material through the whole supply chain. And we are drawing closer to a tipping point: More questions of fraud are coming up. This is an inevitable consequence of growing from a handful of certificates to thousands.

The system has to change before it breaks. But we can’t afford to break the system while making the change.

We hope to reduce rather than increase the total costs for our users by introducing this tool. The system has to change before it breaks. But we can’t afford to break the system while making the change.”

FSC is developing the platform in partnership with Historic Futures, a leading company on supply chain traceability.
Regional Outlook: Living with PEFC

Ever since arriving at the helm of FSC UK five years ago, I have regarded our relationship with PEFC as much more nuanced than many of our stakeholders would care to admit. Perhaps this is because of a special situation in the UK.

In the UK we have major initiatives of mutual benefit such as a jointly agreed forest management standard—which delivers 80% of productive woodland into joint or FSC-only certification and the accruing of an exclusively certified timber accounting system for the London Olympic Park. We hope the increased awareness of certification in general raised by publicity surrounding the opening of 2012 venues next year will be of all proportion to what either scheme could have achieved on its own.

Mutual benefit
These joint initiatives have led to mature and measured professional relationships between the two sets of stakeholders. When we talk at the same events, the rule is for one scheme not to outshine the other. Audiences invariably prefer to hear the facts on how the different schemes have been conducted and to make their own judgment on which scheme best meets their needs.

Loading while learning
All this cautious mutual respect may sound like passing the buck, but FSC UK is not at all qualified to criticise PEFC on matters which happen beyond UK borders. Indeed, I regard my primary role in this context as defending our own reputation which may be under attack from journalists and others who wish much less well of FSC than does PEFC.

Nevertheless, we face considerable challenges from PEFC, not just in terms of who can provide the sort of services that best meet customer’s needs. PEFC is much better resourced at a national level than we are, and that greater local control gives the impression of faster footsteps in the face of customer needs.

PEFC had learned a lot from us in the past — we would be wise to continue to analyse their strengths.

We need to watch closely their move to include social conditions into the supply chain; this may be a milestone or it could catch the mood. My judgement is that they are somewhat behind us at the moment on using their standards to provide a template for the European Union’s Timber Regulation due diligence requirements.

Smallholders: solution in sight?
The biggest unresolved issue within the FSC system is the lack of access to certification for smallholders: forest properties of a few hectares where logging may only occur once in several years, and where the current FSC certification system is simply cost prohibitive.

Small properties make up a large area
Even though each of these operations is tiny in size put together they cover significant forest areas. Community forests are important social assets in many countries, offering a host of benefits for the local people. Until today, FSC has had virtually no impact on the management of these areas despite several attempts to engage the smallholders access to FSC certification.

While FSC has achieved great success certifying large public and industrial forest operations, it has failed to provide certification solutions for the small private forest properties and community forests. As an organisation is considering social benefits as a core value, solving this should be a top priority.

Link between smallholders and Controlled Wood
This smallholder issue is linked to the never-ending discussions regarding Controlled Wood, a concept fraught with difficulties and credibility issues. Controlled Wood is seen by many stakeholders as a temporary solution; yet it seems to go nowhere without FSC-certified forest area expanded considerably.

As long as there is no solution for the smallholders’ supply chain, Controlled timber will be too low in some regions, and there will be a continued need for Controlled Wood. Conversely, if Controlled Wood is phased out without finding a solution for smallholders, the small forest operations will be placed in an even worse situation completely excluded from the certified wood market.

There is need for innovation and new approaches. The pruned SLDF requirements, offer certification, and community based solutions of the kind discussed here, yet it seems clear that more effort is needed to truly change status quo.

Phase in smallholders — phase out Controlled Wood
Greenpeace and Forest of the World have invented a concept that could form the basis for a solution for phasing in smallholders while phasing out Controlled Wood.

The two organisations are proposing that the smallholder forests without regular income from harvesting activities can sell their wood as certified—prompting the potential for a simplified set of indicators for the FSC Principles and Criteria is verified by the purchaser of the wood such as logging companies, round wood traders or primary factories. Buyers need to be FSC certified holders and carry out field verification of the smallholders’ compliance on the ground. The model for the certification audits will be checked by their certification body.

This could be one of the ways forward, although it requires a serious will to compromise among stakeholders. If we want to build an FSC system that doesn’t let smallholders down, it is evident that at least some stakeholders need to swallow hard.

Charles Thwaites, FSC UK Executive Director

What’s being said about...

FSC and the GA

FSC UK and FSC-SCC are doing an outstanding job on the #FSGA11 http://twitter.com/Sci_eau

FSC Canada Canada FSC Canada Jacques French relays what it was like to be one of the early proponents of FSC among the US forestry http://eow.ly/57s58

FSC Canada Canada FSC Canada FSC-Canada FSC Canada mushroom growth FSC- certification on the http://twitter.com/Sci135u

FSC Canada Canada FSC Canada FSC-Canada FSC Canada mushroom growth FSC- certification on the http://twitter.com/Sci135u

Peter Feiberg, CEO at NDPCan pi@ndpcan.com

Join the conversation at www.twitter.com/FSC_GA_daily
What is this?
Figure out what we zoomed in on here, and win the great cutboard!

How To Win
Write down the right answer on your businesscard, and put it in the NEPcon competition box. The winner will be announced in tomorrow’s issue.

Guess and win!
The object here is located at the General Assembly hotel so keep your eyes open!

Borneo Facts:
Did you know?
Borneo is one of the most bio diverse places on earth. The WWF has stated that 361 animals and plant species have been discovered since 1996.

My Favorite tree
It’s sugar maple. A North American high quality tree. I would say that it’s the prettiest tree in the Fall
Joseph Lawson, Forest Manager MeadWestvaco

No shade tree? Blame not the sun but yourself.
Chinese proverb

Yesterday’s Correct Answer
The owner of the nose was: Ruben Gomes, OELA

Number Puzzle
Fill in the missing numbers.
Solution at the bottom of the page

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