

An Overview on Certification
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It's a pleasure to be here and to have this opportunity to present an overview on certification, in particular to note its applications and implications to the tropical wood products industry.

By way of introduction I would like first to give brief information about the International Wood Products Association and the industry it represents. IWPA was founded in 1956, and is the only organized group in the U.S. committed to the promotion and enhancement of trade in *imported* softwood and hardwood products of all types. Members of the Association are U.S. importers, processors, manufacturers, and individuals and organizations affiliated with the international wood products trade. These include shipping lines, customs brokers, overseas manufacturers/exporters and trade associations, and many users of these items, such as builders and furniture manufacturers. Products handled by IWPA members include but are not limited to plywood, veneer, engineered panel products, lumber, flooring, moldings and furniture parts.

Our members are committed to sourcing their products from well-managed forest areas, and to ensuring that procurement of the wood is in keeping with all laws and regulations pertaining to their trade. IWPA and its C.U.R.E. Program (Conservation, Utilization, Reforestation and Education...a Commitment to the Future) both work to educate on the importance of continued and expanded trade in imported wood and wood products.

Trade in imported wood products for the last three years was valued at \$25 billion dollars per year. This figure includes furniture and furniture parts which account for nearly \$10 billion dollars of that amount (or 40%). The top 5 suppliers of furniture and furniture parts to the U.S. in 2001 were: Canada at \$3 billion, followed closely by China at \$2.9 billion, Mexico (\$576 million), Italy (\$537 million), and Taiwan at \$523 million.

Before we discuss certification – let us first consider sustainable forest management (SFM). Why?

Because I believe we all can agree that the #1 objective should be to help bring about the expanded practice of managing the world's natural forests.

In fact, forest management has been practiced for a very long time, in all types of forests, and for many different reasons - primarily to ensure a future for the resources and to be able to continue to enjoy the economic benefits that can be derived from well-managed forests. Overseas producers have made significant progress in management of their forest resources through the use of science-based timber harvesting methods. This has been well demonstrated in tropical forests, which by their very nature are sustainable if selectively harvested and left to regenerate.

Many tropical wood producing nations have based their forestry and management practices on the *Guidelines for the Sustainable Management of Natural Tropical Forests* developed by the International Tropical Timber Organization (or ITTO). Some of you may not be familiar with ITTO. The ITTO is a commodity organization formed under the U.N. which brings together countries that produce and consume tropical timber in order to facilitate discussion, consultation and international cooperation on issues relating to the international trade and utilization of tropical timber and the sustainable management of its resource base. ITTO's membership represents 95% of the world trade in tropical timber, and 75% of the world's tropical forests. ITTO has funded many projects over the years that are assisting the producer countries to make advances in their forest management. You will hear me refer to the ITTO guidelines several times today.

Now – on to forest and wood products certification or verification.

First, I'd like to report that given increased interest in certification or verification of forest products and their sources - IWPA's Board of Directors in 2000 adopted a *Position on Certification*. A copy of that full position and a copy of the Association's *Statement on Illegal Logging* – are provided to you today.

In short, IWPA does not make judgment against or endorsement of any single certification plan. However, we stress that no one system should be mandated for acceptance to the exclusion of others. Certification can serve as an audit of work already being done toward improved forest management; but *an absence of certification does not mean there is a lack of quality forest management*.

As one industry expert has noted, the forest certification debate gets more convoluted every day. This panel is one of many such sessions set up over the past few years to help audiences to better understand the trends and developments in the certification world.

Certification is a relatively young concept, about a decade old. Many agree that it is too early in the process to know whether certification's existence actually contributes to better forest management; but consider it a useful tool in that direction.

At this point, I think some definitions would be helpful:

Certification of forest management has been defined as an attempt to link green consumers to producers who are seeking to improve their forest management practices and obtain better market access and higher revenue by providing an independent assessment of forest management operations.

“Certified forest products” (or CPFs) bear labels demonstrating in a verifiable manner by independent bodies that they come from forests that meet standards for sustainable forest management.

Forest certification systems and sustainability initiatives share the **common goal** of assuring the public that participating companies and landowners are committed to good forest stewardship.

Some initiatives were developed based upon agreed standards while others measure companies' conformity to an environmental management system, but do not assess field performance.

Exactly what constitutes sustainability is a matter of some controversy and therefore many of the initiatives avoid this term altogether, referring instead to “good forest management” or “best practices.” Some initiatives feature third-party certification and product labeling while others do not.

To bring things into perspective --- let's consider the big picture.

Some interesting facts are in order. Less than 10% of industrial roundwood harvested each year from the world's forests enters the international trade. Of this, no more than about 10% originates in the tropical forests.

Less than 3% of the world's forest area is presently certified – reported to be 130 million hectares as of July 2002. In January of this year, more than half of the certified forests were reported to be located in Europe and almost 40% in North America. Developing tropical countries account for less than 8% of the total. And the figure becomes even lower if only natural tropical forests are considered.

It's interesting to recall that certification was *originally* introduced as an instrument to promote sustainable management of tropical forests. But, the certification movement has instead detoured into the certification of temperate forests. As reported by one expert, “*It seems that certification schemes have not been designed in a way that could allow developing countries to make fast progress in this field.*”

A considerable increase in certification in temperate areas, however, has occurred in just the past year, and according to FAO, the increase is mainly driven by the **Pan European Forest Certification Council** (PEFC) and the **Sustainable Forestry Initiative** in the U.S.

FAO also notes that the potential supply of certified forest products (CFPs) has grown in parallel with area certified, and it was estimated in January to be 234 million cubic meters annually worldwide. However, they note that only a small fraction of the *potential* annual supply of wood from certified forests is actually traded as certified forest products, and a large majority is marketed without reference to certification status. This is because, FAO advises, there is a lack of chain of custody certificates and there exists low customer and consumer awareness and demand.

But this is a rapidly changing and fluid scene – and today we will learn more from my fellow panelists.

What is the “demand” for certification?

Well, actually experts have said that *market development for certification seems constrained by limited demand, as well as a lack of supply, the lack of premiums, and limited industry involvement*. It should be said, however, that in some major markets, as in Europe, the demand for certified product exceeds supply. This is true also in the U.S.A.

So, what is believed to be driving a “demand” for certification?

- ⌚ **Usefulness in marketing** is identified as the biggest single driver. The retail, do it yourself and home improvement markets are primarily responsible for demand in the U.S.
- ⌚ An FAO study estimates that more than half of the current **demand has been created by the WWF Global Forest and Trade Network** operating in almost 20 countries.
- ⌚ Some timber buyers have found requiring certification can be **useful for improving relations with the environmental movement**.

Strong pressure campaigns by certification proponents have brought about announcements by some of the major home improvement centers of *purchasing policies* that would phase out non-certified wood products. (However, a Home Depot representative was recently quoted as having reported that Home Depot’s customers “*are not asking for certification. They don’t have any idea what it is.*”)

Buyers have expressed their commitments in different ways. Common in many of the Buyers commitments is a call for FSC or “equivalent systems” - but unfortunately no guidance is provided as to what “equivalence” means and how it should be established.

- ⌚ **Public procurement policies** are also a driver of demand in the key importing countries in Europe. Several European countries, as well as administrations in some U.S. states and cities, have introduced “green” procurement policies that include wood and paper products.

IWPA believes that using public procurement policies to favor certain wood products over others does nothing to promote sustainable forestry, and the adoption of such policies are in fact counter-productive rather than helpful towards achieving sustainable forest management in developing countries.

An article recently published in an ITTO magazine stated “*Plenty of work needs to be done before certification becomes common in the tropics.*” Why is that? In seeking an answer to that question, let’s consider some of the **impediments to sustainable forest management and timber certification in the tropics**.

- ⌚ Sustainable forest management and the development of certification standards have proven to be both **costly and time-consuming**.
- ⌚ Certification has **not been able to produce price premiums**. Price premiums have been reported in some cases in Europe, primarily for specialty products sold through retail outlets, but *we have definitely not seen*

any price premiums being paid in the U.S. for certified wood in the mainstream market. Studies here have revealed that while consumers say they would be willing to pay more for a certified wood product, what they have said does not translate into action at the store level.

International timber markets are very competitive. Prices and costs matter. As one importer stated to me, and others have agreed - ***without premiums that make it back to the forest to pay for management, trying to improve forest management in the tropics with certification is like trying to push a rope. It does not work.***

- ⌚ An **inflexibility of performance standards** has also been identified as a big impediment to certification in the tropics.

Experts note that tropical forests are disadvantaged when certification standards focus on the *end-results* of management practices and do not recognize *stages on the way* to sustainability. They recommend a solution to this would be a **phased approach to certification – with the first phase suggested to demonstrate compliance with forest laws. More on this later.**

- ⌚ Another impediment is the **lack of recognition of broader local land-use issues in the tropics**, such as the development of agriculture which, of course, can have a very **significant** impact on forests.
- ⌚ In some cases there may be **conflicts between national laws and forest certification standards** (for instance the ownership of land).

In short, tropical countries see certification, even voluntary certification, as an impediment to trade, a non-tariff barrier, and an attempt by developed countries to once more impose their views on developing countries.

Many producer members of the International Tropical Timber Organization (ITTO) have cautioned that the exclusion of non-certified timber from markets *discourages* sustainable forest management by *reducing* the trade in tropical timber and therefore the *export revenue* earned by developing countries. Few resources would then be available with which to build capacity for sustainable forest management, and this would then create a vicious circle of *fewer incentives* leading to *diminished efforts* towards SFM, which would then make certification even *more* difficult to obtain.

This is a grave concern – something we don't want to see happen. But what can be done?

As a result of these constraints and impediments, it has been suggested that stepwise, or phased approaches, be developed that would recognize the progress being made toward sustainable forest management by developing country producers. A reason given is that the FSC requirements have been so high that the scheme's progress in the natural tropical forests has remained slow, and other options have not been available.

Consultants suggest that, given the seriousness of concerns related to illegal harvesting and trade in tropical timber, the first step in a phased approach might be the verification of legal compliance and later, a mutually agreed, gradual progression to SFM and possible certification.

The step-wise approach, however, is still under conceptual development and there's a long way to go. As a matter of fact, the ITTO has commissioned a study on the potential of phased approaches to certification, and an interim report will be presented during the organization's session in Yokohama in November.

Now let's have a quick look at some certification systems.

There exist international, regional and national certification systems that are in operation or in development. You have the international schemes of the **PEFC** and the **FSC**, and the standards setting bodies of the **ISO**.

National systems include the **SFI**, **CSA**, and the **American Tree Farm System**. In developing nations you have the **LEI** in Indonesia, the **MTCC** in Malaysia, the national system in development in **Ghana**, and the **ABNT/CERFLOR** in Brazil.

The **Pan European Forest Certification Council (PEFC)** is the largest international certification system in the world, with more than 43 million hectares certified by twelve (12) or (13) endorsed schemes. The area certified by PEFC is increasing rapidly. As a matter of fact, the Danish Forest Certification Scheme in September became the 13th European national scheme to receive PEFC endorsement.

One of PEFC's driving principles is, and I quote, *“the genuine separation of the bodies responsible for setting the standards from those who are assessing and delivering the final certificate - in order to ensure the total independence and impartiality of certification decision-making.”*

PEFC is a performance based, voluntary, private-sector initiative. It has been described as the global umbrella for the development and the mutual recognition of forest certification schemes that have been established to promote and demonstrate the environmentally appropriate, socially beneficial and economically viable management of forests through independent accredited certification. A logo is provided for products from qualifying systems. The Council reports that in the 3 years since established, their membership has increased from 9 to 19 schemes, **including 3 from N. America** – the **CSA Sustainable Forest Management Standard**, the **Sustainable Forestry Initiative**, and the **American Tree Farm System** – each of which, it was reported, will be seeking endorsement in the near future. PEFC reports also that this year 3 more non-European schemes have applied for membership - from Australia, Chile and Malaysia.

The **Forest Stewardship Council (FSC)** was conceived primarily by environmental groups including strong involvement of the World Wide Fund for Nature (WWF). It is an international organization established to foster “environmentally appropriate, socially beneficial, and economically viable management of the world's forests.” I understand that as of August 30, certifiers accredited by the FSC had certified 29 million hectares of forests in 55 countries, about 2/3 of which are in temperate and boreal forests. About one-third of the FSC certified forests in the tropics are plantations. Ned Daley is here to elaborate on FSC's work, and so I'll move on to the ISO.

The **International Organization for Standardization (ISO)** is a worldwide federation of national standards-setting bodies. It is not a certification body in itself, and product labeling is not allowed within the ISO 14000 system. The ISO 14000 series is a set of environmental management systems and environmental management tools that are designed to enable companies to define and implement environmental objectives. In 1998 an ISO working group finalized guidelines known as ISO 14061 to assist interested companies in applying ISO to forest management operations. ISO environmental management systems certification assessments are conducted by independent third party entities. A number of companies in Brazil, Canada, Indonesia, Finland, S. Africa, Sweden, New Zealand and the U.S. have elected to use the ISO 14000 approach for their forestry operations.

Peter Johnson is going to speak about **the Canadian Standards Association's – CSA Sustainable Forest Management System Standard** which was developed and is administered through Canada's National Standards System. It was built on an environmental management system that is compatible with ISO 14001.

The **Sustainable Forestry Initiative (SFI)** established by the American Forest & Paper Association currently covers 107.8 million acres of forestland in North America (that is more than 43.5 million hectares for comparative purposes), and makes it the **world's largest sustainable forestry program**. Michael Virga will inform you about SFI, which provides a system of principles, objectives and performance indicators for ensuring that member organizations are practicing sustainable forest management.

The **American Tree Farm System** is probably the oldest forest certification system in the world. Robert Simpson is participating today to tell you about this system, which was begun over 60 years ago and is reported to have certified over 70,000 landowners.

Related to national certification systems in the tropics ...

Kerhout Foundation is operating a system to guarantee the consumer the sustainable origin of timber by verifying certificates of origin and sustainable production through third party assessment and tracing the timber on to the final consumer. Such products carry the Kerhout label. FAO reports that the Dutch Kerhout system, based in the Netherlands, **is a major player in tropical forest approval**. I understand that Kerhout has been applied in Malaysia and in the Congo Basin – the direct market benefits being linked to exports to the Dutch market.

Several producing countries have been actively developing their own national certification schemes. The most advanced are found in Indonesia, Malaysia, Brazil and Ghana. Information I have on these systems is dated to March, 2002 – and where possible I've included updated data.

Indonesia has developed the operational **Indonesian Ecolabelling System (LEI)**. It is my understanding that LEI acts as an accreditation body for independent assessors and is responsible for system development, supervision and monitoring. The LEI calls for a phased approach to forest certification. It applies to both natural and plantation forestry and includes timber tracking and labeling. Log audits are carried out to establish legality. Eleven (11) forest management units had been assessed by the end of 2001, and one (1) forest certificate had been issued. An LEI-FSC Joint Certification Program was under development as of March 2002, and is presumably still under discussion. Ned may have more information on developments there.

The **Malaysian Timber Certification Council system (MTCC)**, also calls for a phased approach to forest certification. The national timber certification scheme operated by the MTCC was officially launched in January, 2002. The first phase is now operational. The 29-Indicator Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management (MC&I) used in the Malaysia-The Netherlands cooperation program was adopted as the national forest management standard for the first phase of the MTCC Scheme. This standard is based on the 1998 *ITTO Criteria and Indicators for Sustainable Management of Natural Tropical Forests* - and includes Criteria & Indicators, standards of performance and procedures for assessment or auditing. It was reported in February that the standard used for the second phase of the MTCC Scheme would be the FSC-compatible MC&I, which was being formulated earlier this year by the National Steering Committee and was aimed toward eventual endorsement of the FSC.

During a recent mission to Europe, Malaysia's Minister of Primary Industries pointed out that countries in the West should not ban the use of tropical timber because such a move would reduce the value of the forest, and lead to its rapid destruction. He expressed the hope that FSC would be able to show flexibility in the application of its requirements for recognition of FSC national standards, in order to encourage sustainable forest management and to put forest loss under control. By doing so, Minister Lim noted, the FSC can achieve its own objective of increasing the area of certified forests around the world and in particular tropical forests.

Also related to Asia, it has been reported that the **ASEAN** countries have been working towards formulation of a **regional** set of criteria and indicators for sustainable forest management, intended to be a framework to guide ASEAN member countries in developing their national C&I and standards.

In 1993 the **Brazilian** Society for Silviculture (SBS) began to develop a voluntary and independent national certification system, known as **CERFLOR**, with the technical assistance of a number of research institutes. A system for certification of *plantations* was approved in March, and is expected to become operational by the end of this year. Five standards are included, and chain of custody and auditing procedures are incorporated. The system relies on certification by independent certifiers and mechanisms have been developed to accredit certifiers. Technical standards for forest management of *natural forests* are now in development.

Further good news from Brazil is the government's development of a log tracking system expected to be operational by March, 2003. The Integrated System to Monitor and Control Forest Resources and Products is known as **SISPROF**. SISPROF's mission is to foster and encourage sustainable forest management, and it will be supported by a database that allows complete and transparent auditing.

Certification was first adopted as a policy objective for **Ghana** in 1995. The Ghana Forest Management Certification Systems Project was initiated in 1998, with assistance from the European Union and the Government of the Netherlands. Principles, criteria & indicators were revised in November 2000. As of March this year, forest management standards were in draft. The standards' 7 principles, criteria and indicators are based on the C&I developed by the *International Tropical Timber Organization*. In conjunction with the development of its certification system, Ghana has also developed a system of computerized log tracking.

I should also mention that the **African Timber Organization** has developed Principles, Criteria & Indicators for sustainable forest management. The PC&I can be applied both at the national and at the forest management unit levels. It is reported that the PC&I provide a possible common framework for forest certification standards in the Africa region even though they were initially developed for monitoring progress towards sustainable forest management. A report is soon to be released on a feasibility study on the **Pan-African Forest Certification** and a two-day workshop has been organized by the ATO to take place in December.

So many systems can, and have led, to confusion. Which leads us finally to the concept of Mutual Recognition.

International working groups are looking at ways many of the certification systems might be linked through mutual recognition arrangements in order to lessen the possibility for confusion in the market place, and to help ensure the processes do not become non-tariff barriers to trade. *IWPA endorses the development of mutual recognition between credible and market-oriented forest management standards and certification systems.*

It is anticipated, however, that the road to mutual recognition will be a long one. Some companies and organizations may believe they should take action soon to adopt or state a purchasing preference for a particular certification system or systems. *If that's the case, they may want to ask the following questions:*

- ⌚ Does the certification system contribute to the improvement of forest management of the operation being certified? If so, how?
- ⌚ Is the certification system transparent as to how it qualifies its evaluators, determines costs, and evaluates the integrity of its own performance and operations?
- ⌚ Is the consideration and/or preference for a particular system influenced unduly by special interests or political correctness, rather than on the merits of the system itself?

I will conclude my remarks here. Thank you for your attention and I look forward to learning more today through the presentations to come from my fellow panelists.

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