

Policy Issues Related to Forest Products Markets in 2005 and 2006

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Policy Issues Related to Forest Products Markets in 2005 and 2006

1. Emerging markets for wood products and implications for the global forest sector
2. Forest law enforcement, governance and trade and initiatives to retain forestland
3. Policies promoting the sound use of wood
4. Climate change policy
5. Wood energy promotion policies
6. Research and development policies
7. Initiatives to increase global competitiveness
8. Trade policy and tariff and non-tariff barriers

Emerging Markets for Wood Products and Implications for the Global Forest Sector

Topic One

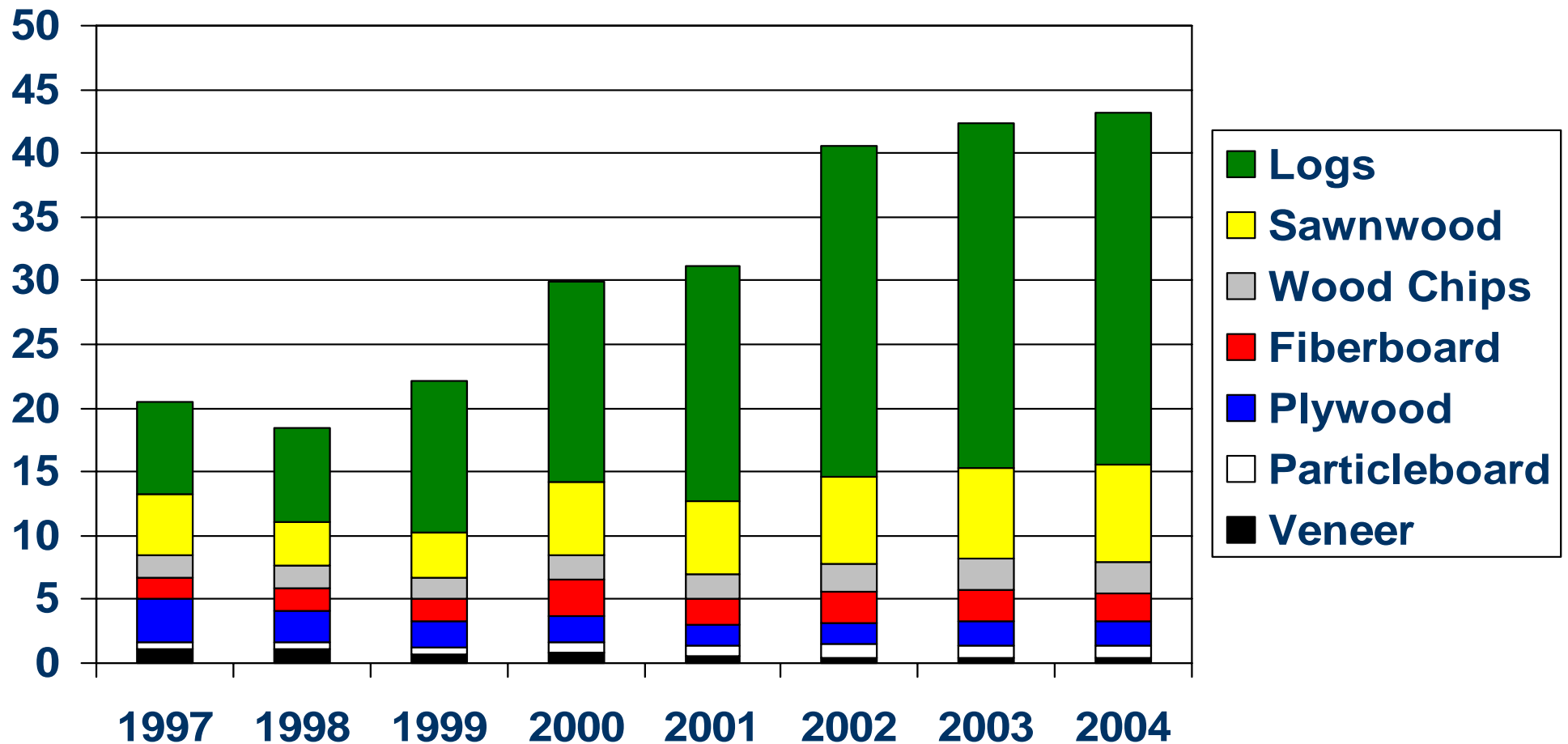
Emerging Markets for Wood Products and Implications for the Global Forest Sector



- Recent and ongoing developments in **China** have major implications for the global forest sector:
 - During the period 1997-2005 the value and volume of China's wood raw materials and wood products **imports rose** 2.6x and 4.6x, respectively.

China's Timber Products Imports by Product Type, 1997-2004

(Million Cubic Meters Roundwood Equivalent)



Source: FAO, Forestry Statistical Database, 2006

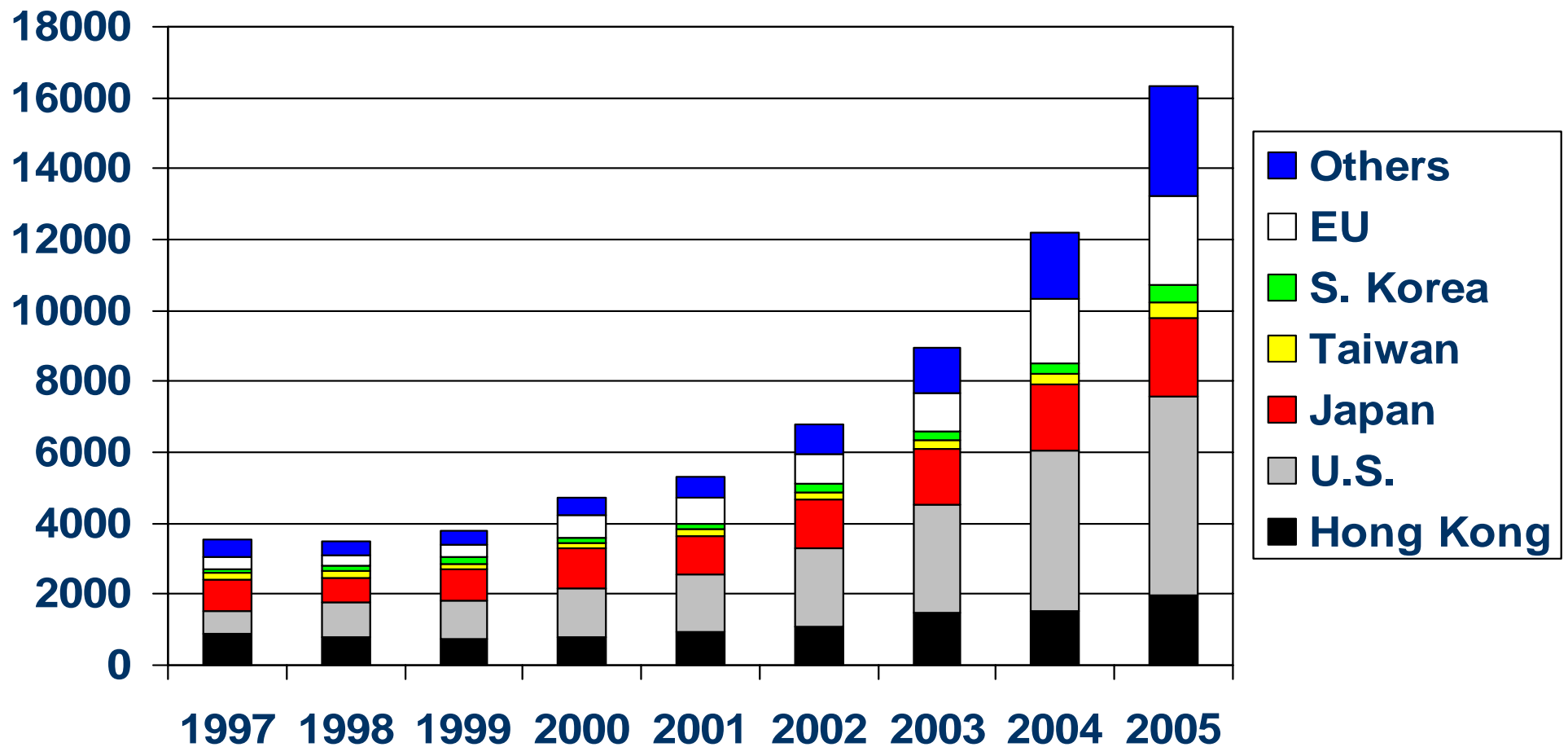
Emerging Markets for Wood Products and Implications for the Global Forest Sector



- Recent and ongoing developments in China have major implications for the global forest sector:
 - During the period 1997-2005 the value and volume of China's wood products **export rose 4.6x.**

China's Wood Products Exports by Country

(\$US Million)



Source: White et al. 2006

Emerging Markets for Wood Products and Implications for the Global Forest Sector



- Recent and ongoing developments in China have major implications for the global forest sector:
 - China is now the world's **leading importer** of industrial **roundwood**.
 - Chinese imports of Russian logs have increased 21x since 1997 from 0.95 million m³ to 20 million m³ in 2005.

Emerging Markets for Wood Products and Implications for the Global Forest Sector



- Recent and ongoing developments in China have major implications for the global forest sector:
 - China has rapidly **shifted** from being a net importer of wood products **to a net exporter**. Net exports are likely to increase in the decades ahead.

Emerging Markets for Wood Products and Implications for the Global Forest Sector

Recent Developments in the Plywood Industry



- Domestic production of plywood within China rose from 2.6 to 21.0 million m³ during the period 1994-2004:
 - China became a net exporter of plywood in 2001, with large impacts on Brazil, Indonesia, Malaysia.
 - So far, little impact on UNECE producers.
 - In the late 1990s China was a net importer of large quantities of plywood.

Emerging Markets for Wood Products and Implications for the Global Forest Sector

Recent Developments in the Paper Industry



- By 1999, China's imports of paper and pulp were equal:
 - Today, pulp imports far exceed imports of paper.
 - In 1997 China's imports of paper were 70% greater than its imports of pulp (roundwood equivalent).
 - So far, most paper production for domestic consumption.

Emerging Markets for Wood Products and Implications for the Global Forest Sector



- Trends similar to those in China may soon be seen in other nations, such as **India**.
- Consumption trends that are likely to foreshadow a **wood deficit in India** suggest the possibility of net **wood imports** by that nation of 20 to 70 million m³ as early as 2020.

Emerging Markets for Wood Products and Implications for the Global Forest Sector

In other parts of the world, **new products drive export growth**:

- In Japan, glue-laminated beams now comprise over 60% of posts and beams used in traditional housing construction.
- LVL, Parallam, I-beams, and similar products find wider acceptance in Europe.



Emerging Markets for Wood Products and Implications for the Global Forest Sector

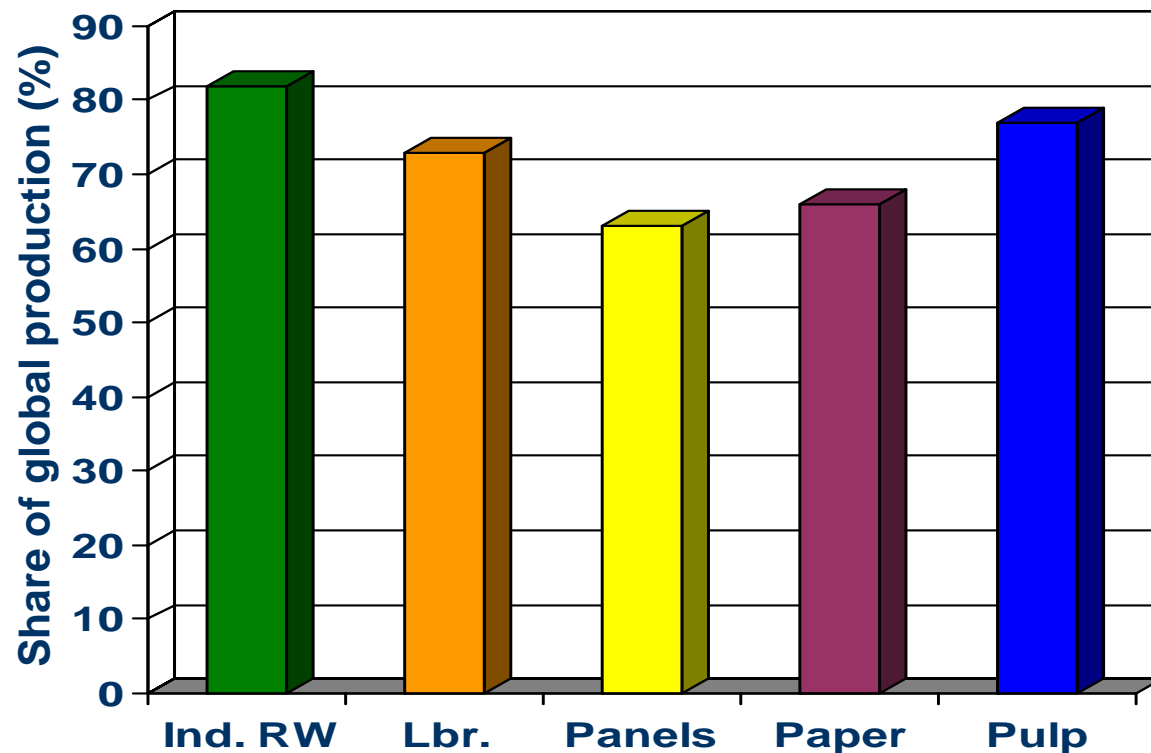
In other parts of the world, new products drive export growth:

- Wood-plastic composite products are now gaining market share in North America, with 700,000 tons used for exterior decking in 2005.
- The ability to use wood in smaller size fractions increases options to forest managers, but also raises the possibility of unsustainable harvest practices.



Emerging Markets for Wood Products and Implications for the Global Forest Sector

Currently, UNECE countries dominate global wood products production and trade:



Forest Law Enforcement, Governance and Trade and Initiatives to Retain Forestland

Topic Two

Forest Law Enforcement, Governance and Trade and Initiatives to Retain Forestland

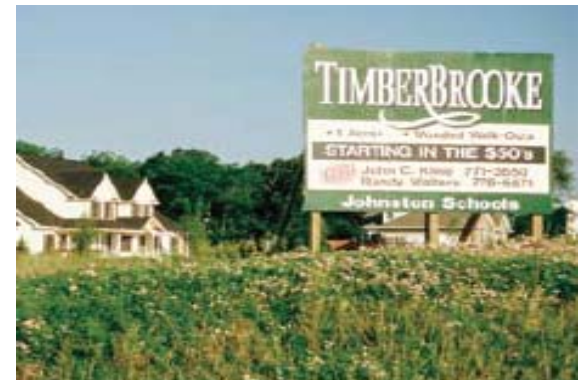
- **Illegal logging** continues as an area of focus of UNECE countries.
- This topic was explored at the Ministerial conference on Forest Law Enforcement and Governance in St. Petersburg in November, > the St. Petersburg Declaration.
- The Council of the European Union subsequently established a voluntary regulation for FLEGT.

Forest Law Enforcement, Governance and Trade and Initiatives to Retain Forestland

- Significant changes affecting forest governance may occur soon in Russia with proposed changes to the forest code that would shift control of forests from local level.

Forest Law Enforcement, Governance and Trade and Initiatives to Retain Forestland

- In USA: a recent pattern of **sale of industrial forest land** to investment groups, raising the possibility of forest loss and parcelization.
- Government entities and conservation organizations have responded by development of conservation easements.



Policies Promoting the Sound Use of Wood

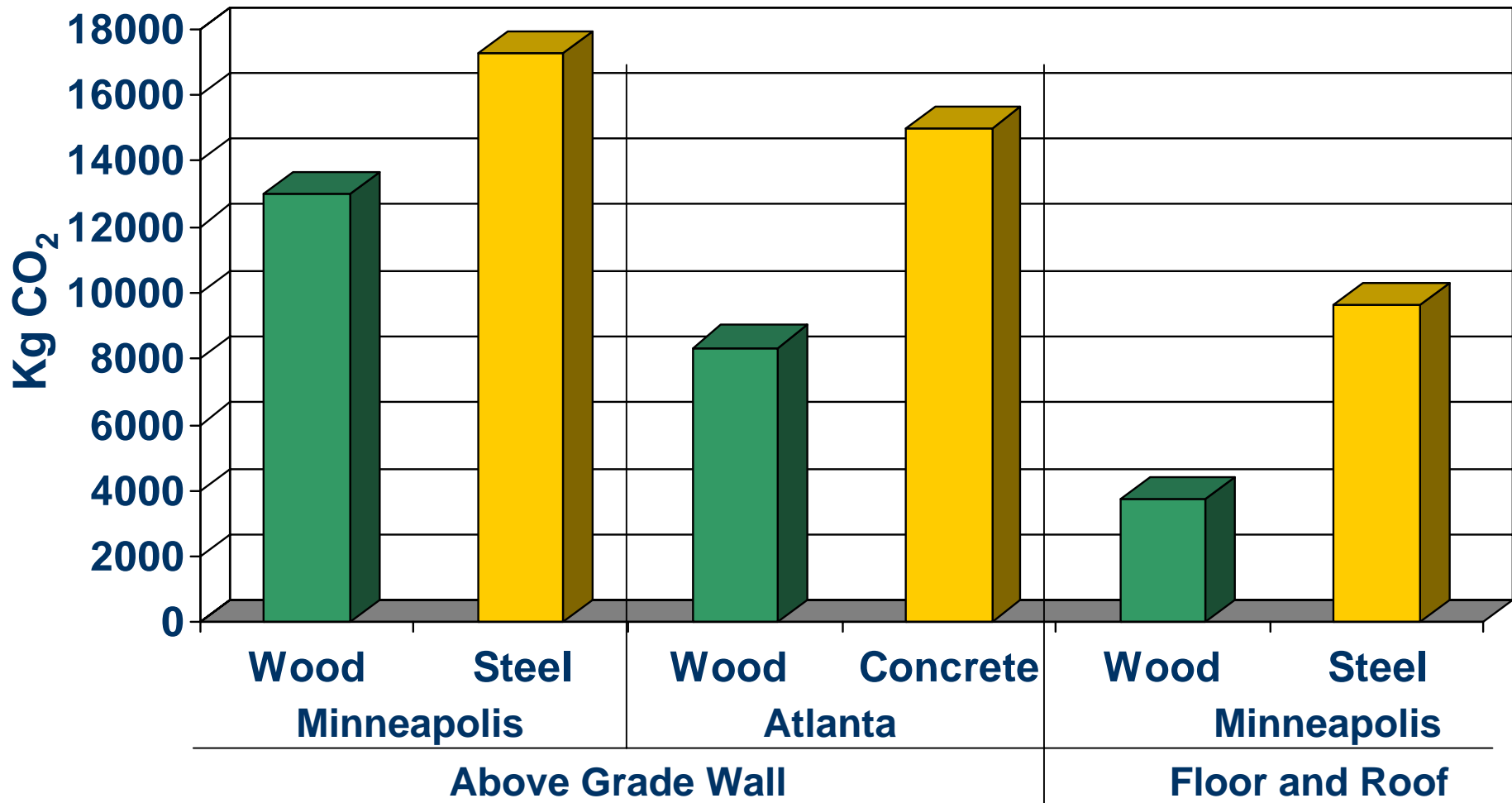
Topic Three

Policies Promoting the Sound Use of Wood

- Recent research: Forest based industries in western Europe and N. America are publicizing **CO₂ savings** that can be achieved **by building with wood** rather than other materials.
- A brick-faced wood frame house in England was found to save 1.55 tons of CO₂ per 50m² wall compared to brick and block. Using soft-wood weatherboarding could increase savings to 5 tons.



Global Warming Potential for Wall, Floor, and Roof Assemblies for Average Residential Structures Built to Existing Codes in Minneapolis and Atlanta, USA



Source: CORRIM (2006)

Policies Promoting the Sound Use of Wood

- Green **building rating systems** have begun to recognize the environmental attributes of wood construction:
 - BREEAM (Building Research Establishment Environmental Assessment Method), **UK** has recently set a new standard for building materials evaluation, giving preference to wood.

Policies Promoting the Sound Use of Wood



BREEM 2006 - -

"Responsibly sourced timber products are arguably the **most renewable** and **lowest impact** construction **materials** in common use."

Policies Promoting the Sound Use of Wood

- The North American based Leadership in **Energy and Environmental Design** (LEED) program has recently signaled that it may also take steps to recognize the renewable nature of wood and wood products and to recognize forest certification programs other than FSC.



Policies Promoting the Sound Use of Wood

- A relatively recent trend in Europe and North America is toward **reuse of construction timbers:**
 - Logistics for collecting, sorting, and cleaning need to be improved.
 - More needs to be known about strength properties of recovered wood and detection methods for chemical compounds that may be present.

Policies Promoting the Sound Use of Wood

- A relatively recent trend in Europe and North America is toward **reuse of construction timbers:**
 - Vienna has inventoried its urban wood resources and is developing strategies to **optimize the life cycle** of wooden building materials and to extend re-use and recycling practices.
 - Efforts also continue to **use more** of the **residues** generated in production of sawnwood, and to use more recovered fiber in paper making.

Climate Change Policy

Topic Four

Climate Change Policy

- Kyoto Protocol 2005 sequestering carbon
- How much priority to biomass and forests?
- Carbon storage in forest products
- Replacement of energy-intensive materials by renewable materials

Climate Change Policy

- **Accounting for carbon flows:**
Monetary value to carbon emissions through emissions trading

Option:

To account for sustainable forest management

- > manage credits centrally
- > assign them to forest owners

Climate Change Policy

The United States Government is reluctant to address the climate change issue:

- But 11 North-Eastern States, announced an emissions trading system linked to emissions caps for electricity-generating companies.
- CA adopted greenhouse gas regulations; other States to follow.

Climate Change Policy

The United States Government is reluctant to address the climate change issue:

- Federal Court of Appeals ruled in favour of the Federal Government that State regulations would not be allowed to supersede Federal law. – Counter suit!
- CA / OR pursue bio-energy industries.
- Maine: Venue for first full forest bio-refinery.

Carbon Sinks and Carbon Trading

Europe's forests are a large net sink for **carbon sequestration**, but there are different policy approaches:

- IE: Nat'l. Allocation Plan - Emissions Trading allocating 23,014 million t/a CO₂; sequestration of over 2 million t/a CO₂ - estimated cost \$20/t CO₂
- NL imports of biomass fuels for electricity generation, support emission reduction carbon sequestration in other countries (BG, RO)

Carbon Sinks and Carbon Trading

- FR, CH, DE: **account for** forest management
> supplementary income to forest owners
unable to market all their wood.
- FI, SE, AT: **not to account for** forest management
> perverse incentive by encouraging carbon
sequestration rather than wood supply for
raw material and energy.

Carbon Sinks and Carbon Trading

- **European Climate Exchange:**
April 2006, 50% plunge in the value of carbon credits traded.
- **Chicago Climate Exchange:**
Greenhouse gas emissions trading, currently 100 members (Chicago, IL; Oakland, CA; Portland, OR; Boulder, CO. Aracruz Cellulosa, Brazil)

Wood Energy Promotion Policies

Topic Five



Wood Energy Promotion Policies

- R&D: **biomass energy** for small, medium, and large installations.
- EU *Vision for 2030*:
Direct conversion of biomass into bio-fuels such as ethanol with feed-stocks to be obtained from manufacturing plants, forests, and tree plantations.

Wood Energy Promotion Policies

- Debate with stakeholders consumers - forest owners - industries:
How to achieve biomass energy targets without excessive market distortion?
- To realize the full potential of forests, including use of forest biomass for products, energy, and bio-chemicals, **a balanced and stable supply of wood is required.**
- Unfair: The resulting competition between publicly subsidized entities and plants that use it for products.

Wood Energy Promotion Policies

- Eastern USA: Energy production using pulpwood, with subsidies as low as 0.9-1.3 cents/kWh may be competitive with new coal energy production.
- Expand the existing 0.9 cent/kWh tax credit for biomass energy!?
(include: forest thinnings-to-energy to reduce fire risks in Western USA)

Wood Energy Promotion Policies

- Some industry representatives advocate the "cascading principle":
 1. Create new products
 2. Recycle recovered materials
 3. Use for energy, if not recyclable
- Others integrating their energy systems with that of already existing industrial processes.

Research and Development Policies

Topic Six

Research and Development Policies

- *Platform of the European Forest-Based Sector*
(cooperating associations of Woodworking Industries, Forest Owners, European Paper Industries)
 - > *Vision for 2030*
 - > *Strategic Research Agenda*

Research and Development Policies

- Develop new and innovative products meeting consumer needs
- Manage sustainable forests
- Reduce environmental impacts
- Resist against climate change and its effects
- Reduce Europe's dependence on oil
- Participate in a strategy for growth and jobs
- Sustain employment, especially in rural areas

Research and Development Policies

USA and Canada:

Agenda 2020 Technical Alliance programme.

Advance:

- the forest-based bio-refinery concept
- nano-technology for forest products
- breakthrough manufacturing technologies
- Next generation fibre recovery and utilization
- Enhancement of environmental performance

Initiatives to Increase Global Competitiveness in Wood and Wood Products Markets

Topic Seven

Initiatives to Increase Global Competitiveness in Wood and Wood Products Markets

- Sawmilling equipment that processes smaller logs at higher speeds.
- Exports of sawnwood from western EU, to America, also Asia and the Middle East (emphasized by SE, FI, AT, DE).
- Investments for eastern Europe with certain comparative advantages.

Initiatives to Increase Global Competitiveness in Wood and Wood Products Markets

- Integrated flexible production chains for wider range of products
- Advance sorting and grading systems
- Optimize material efficiency and process reliability
- Develop a new generation of composite materials
- Further a zero-waste, "bio-refinery" concept

Trade Policy and Tariff and Non-tariff Barriers

Topic Eight

Trade Policy and Tariff and Non-tariff Barriers

US-Canadian sawn softwood trade dispute

- A tentative seven-year agreement that would revoke sawn-wood duties and end litigation.
- Elimination of duties when the composite sawn softwood price exceeds US\$355/thousand board feet.

Trade Policy and Tariff and Non-tariff Barriers

- **US imports of wood furniture** from Asia (China, Vietnam, Taiwan and others)
 - > a sharp upward trend, although anti-dumping duties of up to 198% on US imports of Chinese bedroom furniture remain.
 - > Calls from industry in Canada, Germany and Italy for imposition of duties on Chinese imports.

Concluding Remarks

