

POLICY ISSUES RELATED TO FOREST PRODUCTS MARKETS IN 2007/8

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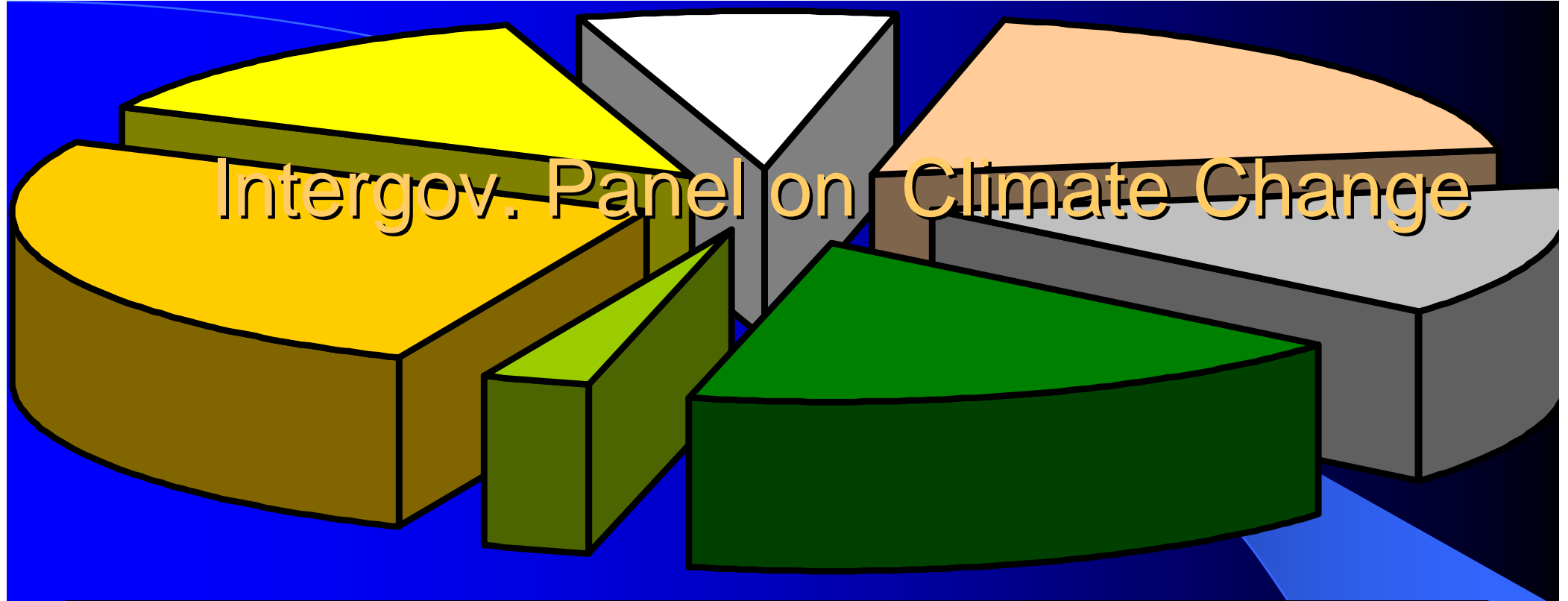
FOCUS

- Climate change, energy, and food
- New markets for energy wood
- Sustainability criteria for biofuels
- Reduction of emissions from deforestation and forest degradation
- Green building Programmes
- Wood products - carbon storage
- Russian forest code - export taxes
- Corporate responsibility - ISO 26000

Climate change and forest products markets

- Reducing emissions not only from deforestation, but also forest degradation
- Emissions caused by forestry
- Use of wood products stimulates the expansion of Europe's forests
- Carbon storage in wood products
- Development of carbon markets

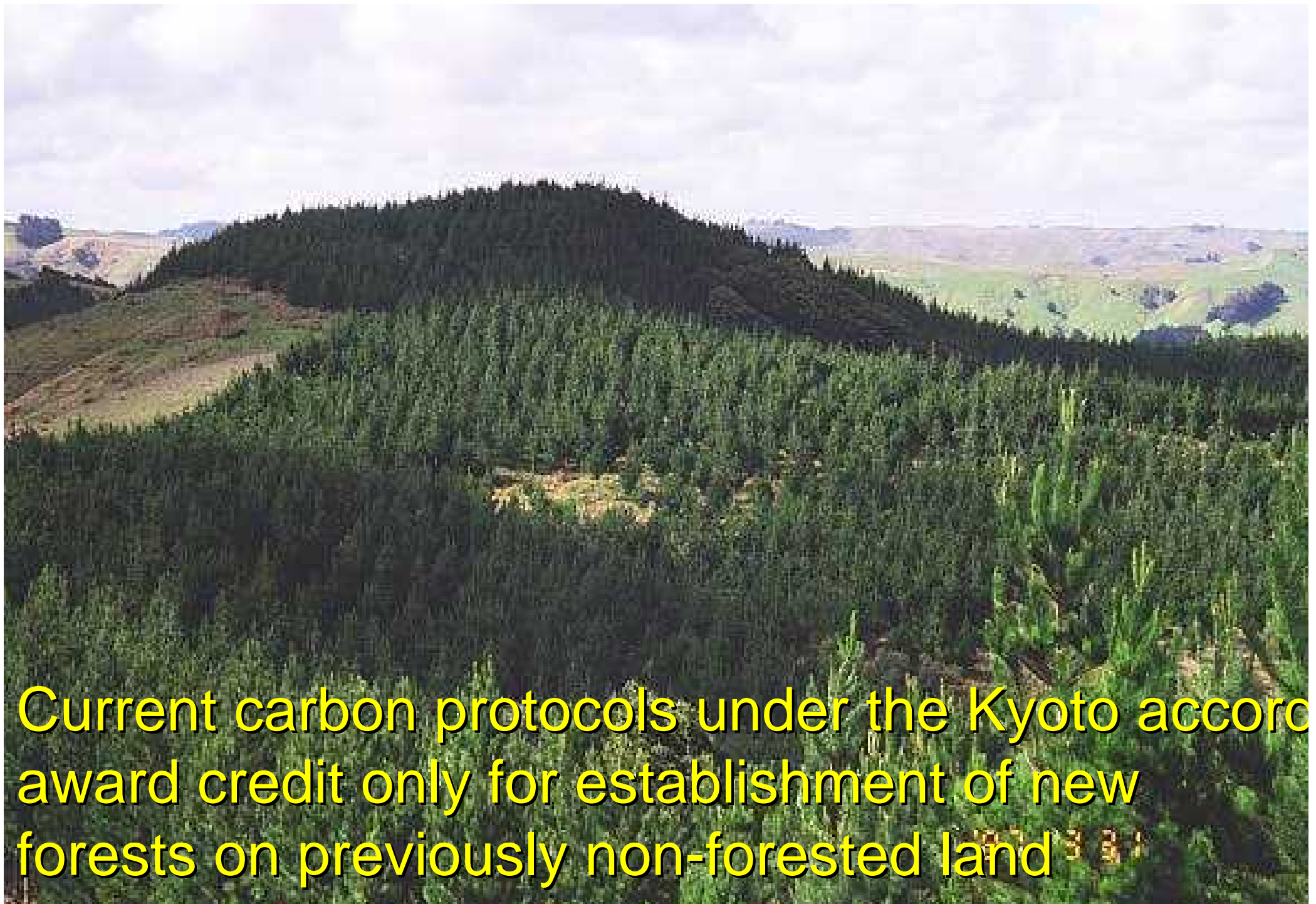
Intergov. Panel on Climate Change



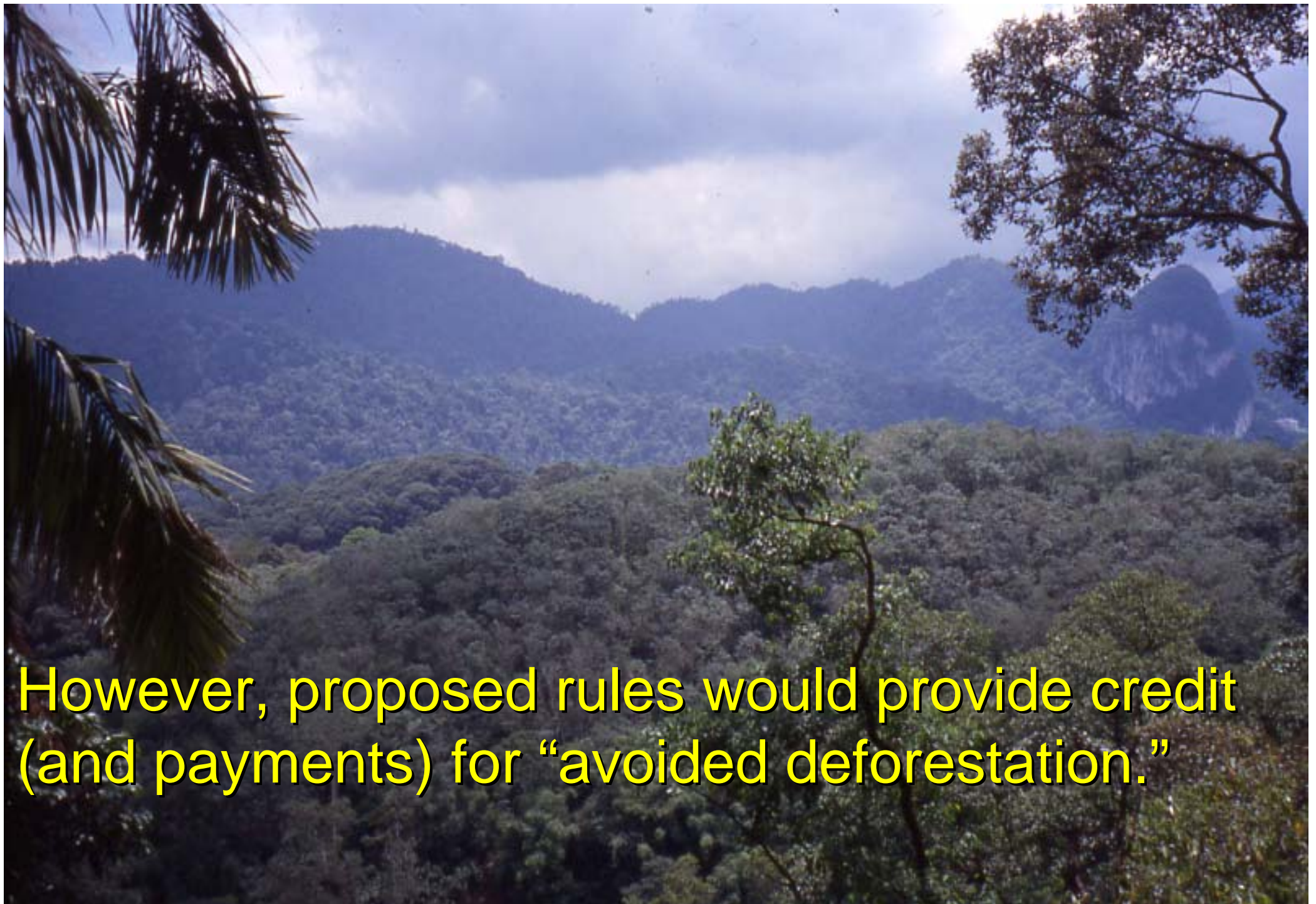
- Forestry 17.4%
- Waste and wastewater 2.8%
- Energy supply 25.9%
- Transport 13.1%
- Residential and commercial buildings 7.9%
- Industry 19.4%
- Agriculture 13.5%

Emissions caused by forestry: Key mitigation actions

- Afforestation
- Reforestation
- Forest management
- Forest products for bioenergy
- Tree species improvement
- Improved remote sensing
- Mapping of land-use changes



Current carbon protocols under the Kyoto accord award credit only for establishment of new forests on previously non-forested land



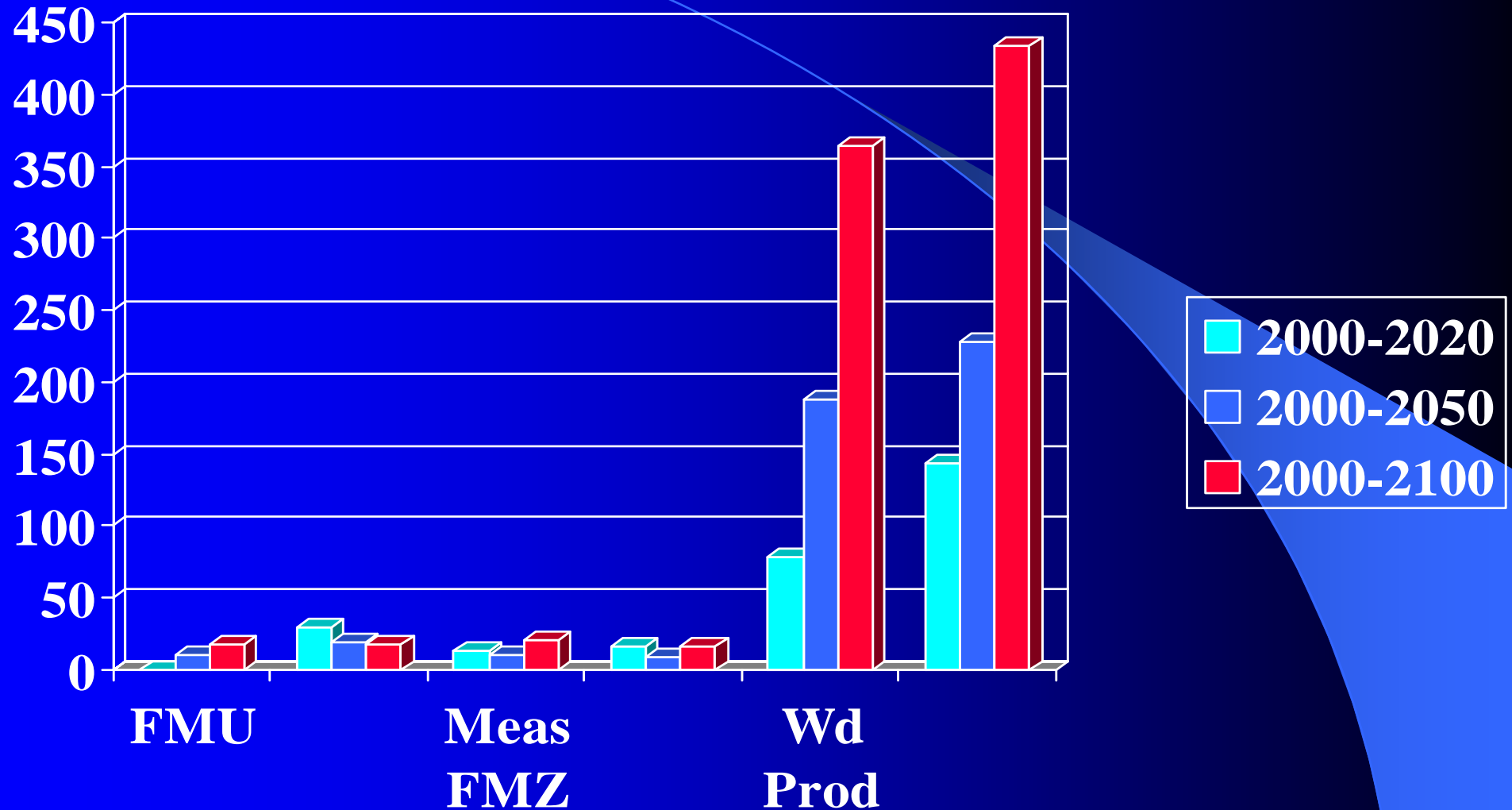
However, proposed rules would provide credit (and payments) for “avoided deforestation.”

EC to consider major role of wood in combating climate change

- Increased use of wood products stimulates expansion of Europe's forests while also reducing GHG
- Advantages of wood products include low energy consumption & GHG liberation in manufacturing as well as carbon storage

Projected Carbon Stocks in Ontario's Forests

Million metric tons of carbon



Source: Colombo, S., Chen, J., and Ter-Milkaelian, M. 2007.

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Land use, Land use change, & Forestry negotiations under UNFCCC

- Capacity of wood to store carbon over long periods
- +
- Low energy consumption in wood products manufacture and use

Energy and the forest sector

- Renewable energies: policies & targets
- Wood for energy
- Sustainability issues
- Impact on the forest products industry

Renewable energies: policies and targets

- Concern: future availability of liquid fuels
- Bioenergy R&D: directly financing or providing incentives
- Markets influenced by government targets, direct subsidies for biofuels
- Biomass markets for chips, pellets, hogged fuel, etc expanded rapidly

EU's policy and legislation on biofuels

- EU Biofuels Directive 2003/30: target of 5.75% of biofuels in 2005 not achieved
- EU Renewable Energy Directive Jan 2008 confirmed overall binding target of a 20% share of all renewable energy sources
- Binding minimum target of 10% biofuels in transport, to be achieved by each State by 2020

EU Renewable Energy and Climate package

- stipulates an overall GHG reduction by 20% in 2020
- along with a 20% increase in energy efficiency
- proposed that countries increase the GHG reduction target to 30%

Similar targets

- Americas, Asia, Oceania, Africa
- United States aims to replace fuel for transport with biofuels
 - 15% by 2022
 - 30% by 2030

Rapid technology development

- In Norway, joint venture to produce bio-diesel (>1mill m³/yr)
- In Germany, large operational liquid fuel plant (> 1mill m³/yr)
- In USA and Canada, number of biomass fired electricity generating plants and small scale biomass-to-liquid fuel plants

Emissions trading in “carbon markets”

- US cap-and-trade bill failed in Senate in 2008
- Voluntary carbon offset markets in Chicago, New South Wales, others
- Clean development mechanism under Kyoto protocol
- EU emissions trading system demands credits for forestry projects – by 2013?

Food security versus the biofuels issue

- Concern about sustainability of higher biomass removal. – Needs of:
- Guidelines for biomass removal from natural forests
- Determination of the level of sustainable wood supply
- Analysis of the potential role of energy plantations

Responses to concerns:

- Establish some kind of certification system for biofuels
- EC suggests provisions added to Directives on use of renewable energy:
 1. Do not convert “continuously forested areas” and lands “undisturbed by significant human activity”
 2. Biofuel initiatives need to comply with EU environmental requirements for agriculture, include minimum level of GHG savings

Impact on the forest products industry

- Rapid growth in biomass electricity generation and wood pellet production was coupled with a sharp decline in bark, sawdust, and chip availability
- Paper and panel manufacturers are reporting impacts on raw material availability and prices, raising fears of substantial problems



Green building . . . What it means

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The green building movement: Build with minimum energy consumption and carbon footprint

- energy efficiency,
- materials efficiency,
- water efficiency,
- emissions to air and water,
- occupant health and safety

The potential for reduced carbon emissions through use of wood rather than more energy intensive non-renewable alternatives is also gaining recognition.



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And carbon storage is likely to become an important issue in the green bldg movement.





Green building trends

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In the US,

3 green building programs of national scope

- Leadership in Energy and Environmental Design (LEED) program of the US Green Building Council,
- Green Globes program of the Green Building Institute (its roots in BRE Energy Assessment)
- National Green Building Standard of the National Association of Home Builders

EU mandated that new buildings meet specified energy standards

- 1993 SAVE Directive (Council of the European Communities, 1993),
- 2002 Energy Performance of Buildings Directive (EPBD) (Council of the European Communities, 2002),
- 2006 Energy Efficiency Action Plan (EC, 2006)

Research and development policies

- European Technology Platform for the forest-based sector,
- implementing the Strategic Research Agenda,
- provides specific inputs to the EC's Seventh Research Framework Programme, which will run from 2007 to 2013

In addition

- **EFORWOOD** = recent European cooperative research project on sustainability in the forest-based sector covering the whole European chain, from forestry to industrial manufacturing, consumption, and recycling of materials and products
- It will operate for 4 years and involves 38 organizations from 21 countries

Russian forest sector reform

Russian Forest Code into force in Jan. 2007

- Transfers of responsibility for management and protection to regional governments
- Reduction of lease from 99 to 49 years
- Introduction of auctions in timber sales
- Promotion of investment projects and infrastructure development

Encourage more domestic value-added production in the forest-products industry

- Increase export taxes on round-wood
- Reduce import duties on wood-processing equipment
- Develop joint ventures with multinational forest products manufacturers

Russian export taxes on round-wood

- Increase from 6.5% to 20% in July 2007
- Increase to 25% in April 2008
- Increase to 90% in January 2009

Concern among nations that have long been importers of Russian round-wood

- China imports large amounts of Russian softwoods
- Eastern Finland on the Russian border is facing considerable structural changes
- Attention by the WTO on request by Finland and Sweden

Corporate responsibility

- Consumer groups increasingly expect companies to act responsibly and incorporate environmental and social elements in codes of conduct
- Development of ISO 26000 standards on corporate social responsibility

Some failures to maintain standards of responsibility

- Eight paper manufacturers admitted to lying about the amount of recycled content in their paper products
- Several members of the FSC were linked with unacceptable forest practices in non-certified forest holdings

World Business Council and
World Resources Institute
developed


Sustainable Procurement of Wood and Paper-
based Products Guide and Resource Kit

answers ten questions that corporate managers
should ask when purchasing forest-based
products

including questions about sourcing, legality,
environmental and social issues

Policy for Association with FSC for

- FSC members, constituents, certificate holders, or partners
- to abstain from activities that might negatively influence FSC's reputation, credibility, or values

A stack of four light-colored wooden planks is arranged on a wooden floor. The planks are stacked in a slightly offset manner, with the top plank being the most prominent. The floor is made of dark wood planks running diagonally. The background is a dark, textured wall with vertical lines, possibly representing a wall of logs or a similar structure. The lighting is warm, casting soft shadows.

***Thank you
and
Good Luck!***