70th Session of the Timber Committee

Forests and economic development in the ECE region

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Overview

• Introduction
• Eight messages
• Outlook and six policy challenges
• The way forward: the green economy
• Next steps
Introduction
UNECE/FAO contribution to UNFF10.
It aims to:

• Describe how forests contribute to economic development in the ECE region, and present major trends;
• Identify major policy challenges linked to economic development for the region’s forest sector, and briefly describe those factors which should inform policy makers’ choices;
• Explore the role of the forest sector in the emerging green economy.
• Synthesize the results of recent major ECE/FAO studies, and be a flexible support for communication (NB the paper covers the forest sector, including the whole value chain, in the ECE region)
Eight messages

- Forests create wealth and income
- The forest sector provides employment and livelihoods
- Wood is an important renewable raw material and fuel
- The forest sector is low waste with high recycling and recovery of products
- The ECE region supplies other regions with raw material from renewable sources
- Forest derived goods and services contribute much more to society and sustainable development than their reported value
- The taxpayer contributes significant sums to promote sustainable forest management
- Some forests have become vehicles for investment by financial institutions
Forests create wealth and income

Total value added by the forest sector

- North America
- Europe
- Russia

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Forests create wealth and income

Forest sector as % of GDP

- North America
- Europe
- Russia

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Forests create wealth and income

Value of marketed goods and services

Source: SoEF 2011, FRA 2010
(no data on services in N. A.)
The forest sector provides employment and livelihoods

Employment in the forest sector, 2006

Source: FAO
The forest sector provides employment and livelihoods.

**Graph: Employment in the forest sector, 1990-2006**

- **North America**
- **Europe**
- **Russia**

Source: FAO

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Wood is an important renewable raw material and fuel

Consumption of forest products, UNECE region

Source: FAOSTAT

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Wood is an important renewable raw material and fuel.

Wood accounts for 3% of primary energy supply and 47% of renewable energy supply.

Source: JWEE

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Wood is an important renewable raw material and fuel.
The forest sector is low waste with high recycling and recovery of products.

**Europe: components of supply, 2010**
(million m3 EQ)

- Stemwood removals: 595 million m³ EQ
- Harvest residues: 64 million m³ EQ
- Stumps: 46 million m³ EQ
- Landscape care wood: 22 million m³ EQ
- Saw mill residues: 34 million m³ EQ
- Other industry residues: 101 million m³ EQ
- Black liquor: 67 million m³ EQ
- Post consumer wood: 11 million m³ EQ
- Net imports: 47 million m³ EQ

Source: EFSOS II

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The forest sector is low waste with high recycling and recovery of products
The ECE region supplies other regions with products from renewable sources

Net trade in forest products total, 1990-2006

Source: FAOSTAT
Forest derived goods and services contribute much more to society and sustainable development than their reported value.

Most services and many non-wood goods are supplied free of charge, leading to management distortions and loss of revenue. For instance:

- Mushrooms and berries (free access for pickers)
- Recreation (free access for walking etc.)
- Protection services (legal obligation, not payment for services)
- Carbon sequestration (system not in place, many complexities)
Forest derived goods and services contribute much more to society and sustainable development than their reported value.

Value per hectare of marketed goods and services

- North America
- Europe
- Russia

EUR/ha

Services
Non-wood products
Wood

Data on value of marketed services not available for North America

Source: SoEF 2011, FRA

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The taxpayer contributes significant funds to promote sustainable forest management.

![Public expenditure per hectare of forest, 2005](image)

Source: FRA 2010

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Some forests have become vehicles for investment by financial institutions

- Most investment is by forest owners themselves as rates of return not competitive with other sectors.
- Special features of investment in forests: long time period, non-marketable goods/services, owners not profit-maximisers, regulation, markets not transparent or liquid.
- Growth, especially in North America, of timberland investment, because of changing rules and circumstances.
- "Investable timberlands" estimated by FAO study at 165 million ha (5% of world total), valued at $300-500 billion.
- Attraction: diversify risks, fit needs of pension funds.
- Disadvantage: risk, low return.

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Outlook and major policy challenges

• Based mostly on EFSOS II and NAFSOS (RUFSOS only became available recently: will be incorporated)
How can ECE region forests contribute to supply of renewable energy?

Both EFSOS II and NAFSOS conclude that

- it is possible to increase significantly the supply of wood for energy, and even to reach the ambitious policy targets.
- this would require very significant political and financial investment to mobilise wood supplies,
- this would have negative consequences for the forest industries, notably those using small low value wood,
- and probably for biodiversity
How can ECE region forests contribute to supply of renewable energy?

EFSOS II Promoting wood energy scenario: components of supply

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<th>Year</th>
<th>Net imports</th>
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<th>Black liquor</th>
<th>Other industry residues</th>
<th>Saw mill residues</th>
<th>Landscape care wood</th>
<th>Stumps</th>
<th>Harvest residues</th>
<th>Stemwood removals</th>
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Source: EFSOS II

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Can future wood demand be satisfied on a sustainable basis?

• A credible method to assess sustainability is needed (more than wood supply)
• EFSOS II: all scenarios appear sustainable in medium term from wood supply point of view, but tradeoffs likely, notably between maximising wood energy and conserving biodiversity
• NAFSOS: wood supply on a sustainable basis despite small drop in US forest area, due to urbanisation and other development. Threats from fire and pests, climate change. Growing stock in US expected to increase to 2040, then decline.
Developing a sustainable work force

- Productivity gains have reduced numbers of people in the workforce, but average age of workforce rather high.
- High rates of accident, injury and illness (200 deaths/year in Europe), remote and strenuous work, low status, reduce attractiveness of forest work
- Skilled young workers must be attracted by improved safety and health, better salaries and higher status to «decent green jobs» in the sector
- The necessary investment in training and labour costs must be compensated by higher productivity and increased focus on adding value
Developing and implementing forest ecosystem services

- A major policy challenge is to provide conditions for an economically viable forest sector without direct state subsidies for wood production.
- Payment for (unmarketed) forest ecosystem services is a promising way forward.
- Theory is developed, need to implement.
- PES can improve practice, generate income and sustain livelihoods in a fair and efficient manner.
- Considerable investment of political will and the commitment of significant funds is necessary to create the conditions for effective PES systems.

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Promoting innovative forest products and services

• Continuity and respect for tradition are a strength of the sector but innovation is needed to stay competitive in a fast moving society.
• Innovation is possible and desirable in industries, services and forest management
• «Innovation-friendly» policies and enabling conditions are necessary, as well as a profound change in attitudes
• The innovative spirit must not damage the long standing concern for sustainability which has characterised the sector
Demonstrating and communicating sustainable forest management, inside and outside the sector

- In recent years the forest sector has made great progress in measuring and monitoring, assessing and promoting SFM, and improved sector governance for instance by certification, traceability/chain of custody, criteria and indicators, market measures against illegal logging and trade in illegally procded wood, as well as national forest programmes
- Some issues of coordination with other sectors (biodiversity, energy)
- Increasingly complex international environment
- Life Cycle Assessment makes it possible to base decisions on good science
- These developments have put the forest sector in the forefront of progress as regards transparency, evidence based decision making and good governance
- Public expenditure on SFM needs further analysis as regards effectiveness and efficiency in achieving objectives
- The importance of proactive and effective communication is now realised
- The challenge is to maintain progress in governance, sharing with and learning from other sectors, and adapting to new conditions
The way forward: establishing forests and the goods and services they provide as an integral part of the green economy

• The forest sector is dependent on a multifunctional renewable resource which provides many goods and services which are not marketed in the conventional economy.

• It will be profoundly affected by the emerging green economy.

• It already has many « green » characteristics: low-carbon, renewable, socially inclusive

• The forest sector should play a leading role in promoting the green economy

• The Action Plan on the forest sector in a green economy will be discussed on Thursday
Next steps

• Discuss the draft paper on forest and economic development, make written comments
• Revise in the light of comments and finalise, with attractive presentation
• Present to UNFF10 as a regional contribution from ECE/FAO
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