

Forest Product Certification Update

Rupert Oliver,

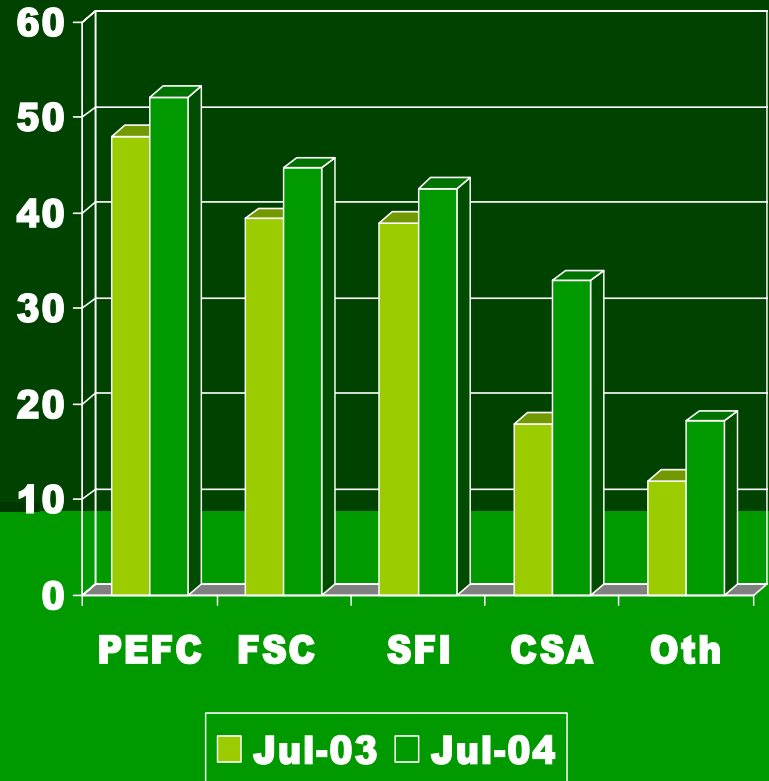
Forest Industries Intelligence Ltd.

Introduction

- **Focus on major developments over last 12 months.**
- Interest in certification has continued to rise.....while the issue becomes even more convoluted.
- Forest sector is having to find ways of handling a multi-scheme environment, particularly to reduce costs, avoid market confusion and ensure delivery of labelled products to market.

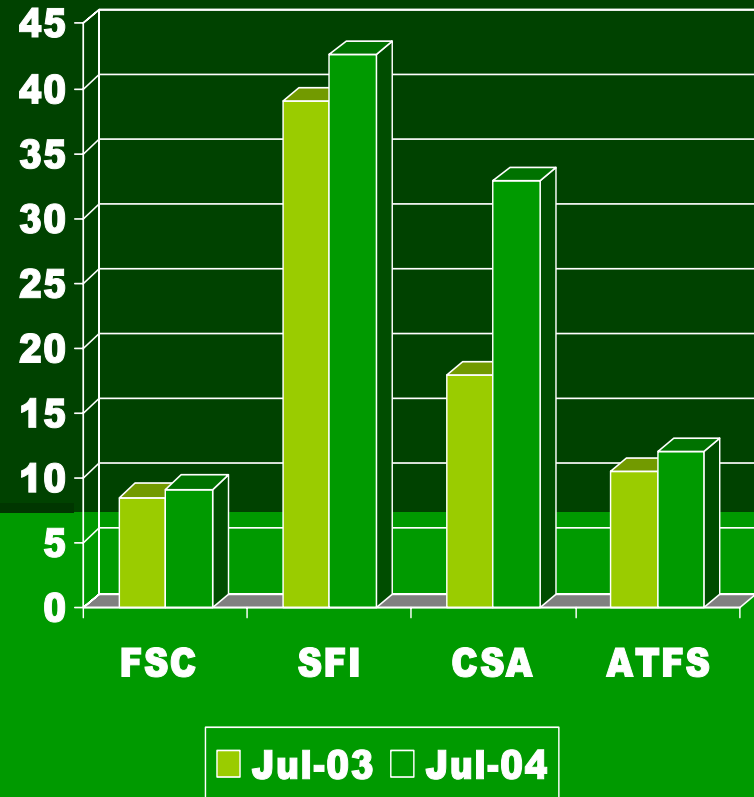
Changes in certified forest area – overview (million has)

- Continuing strong rise on certified forest area over last 12 months
- 190 million hectares certified worldwide
- Around 5% of total world forest area
- PEFC largest certified area
- Followed by FSC, SFI and CSA



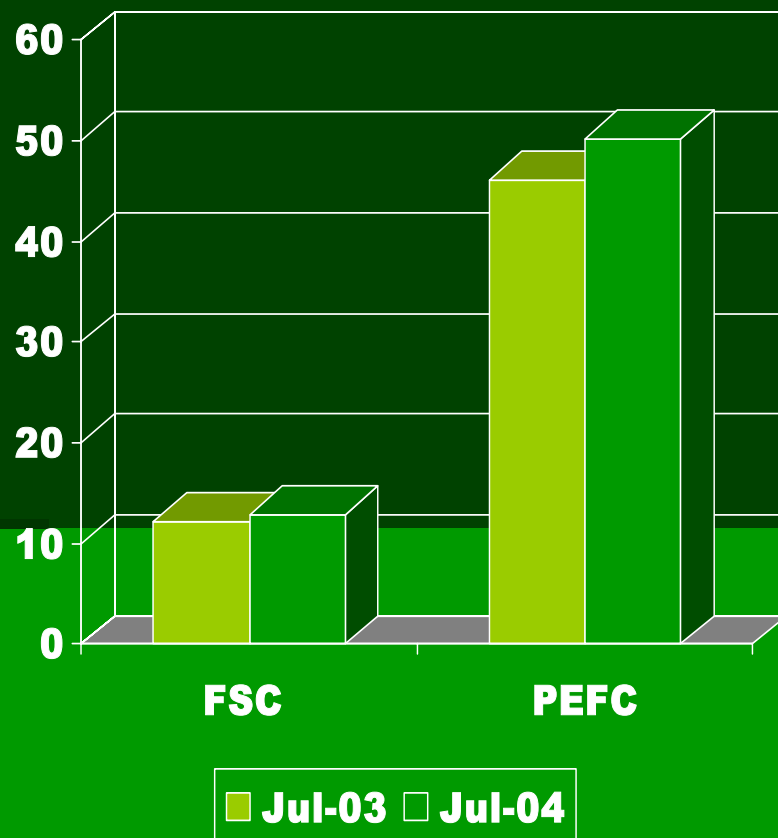
Changes in certified forest area – North America (million has)

- Canadian Standards Association certified forest area doubled in 12 months to 32 million ha.
- Sustainable Forestry Initiative remains dominant North American scheme, with **43 million ha**.



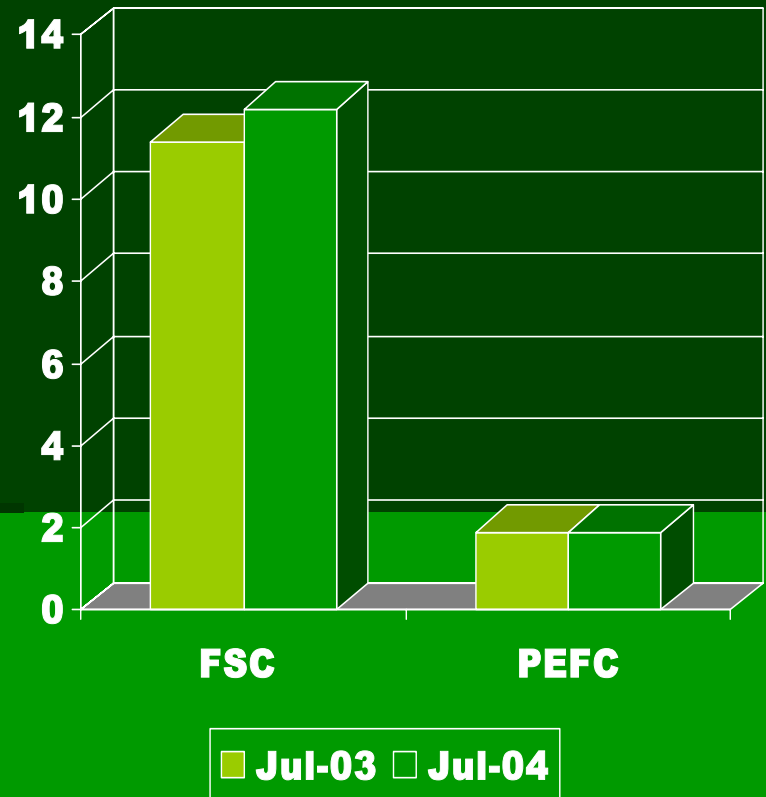
Changes in certified forest area – West Europe (million has)

- Rate of increase slowed as much productive forest land is already certified under PEFC and FSC.
- Most significant recent increases by PEFC in France and Spain
- Portuguese national scheme being considered for PEFC endorsement.



Changes in certified forest area – East Europe (million has)

- Eastern Europe has seen significant developments:
- Large state forest areas FSC certified.
- PEFC encouraging non-industrial forest owners to pursue certification.
- Intense competition between the two schemes.

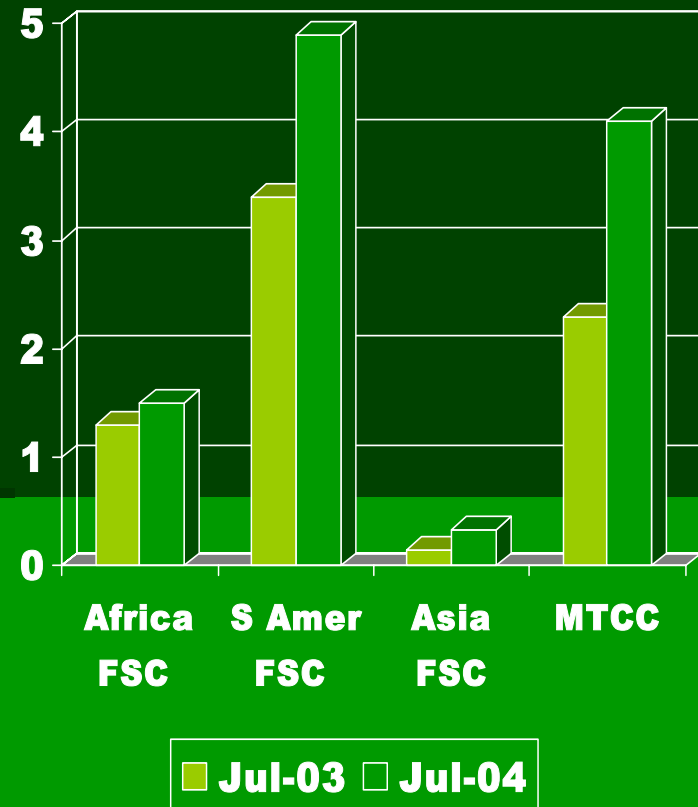


Changes in certified forest area – Russia (million has)

- Accounting for 22% of the world's forest area, Russia has been absent from the certification debate.
- Beginning to change, with FSC first focusing on model forests to the west.
- WWF promoting FSC in Russia.
- Russian trade working on “*National System of Voluntary Forest Management Certification in Russia*”, possibly linked to PEFC framework.
- Federal Government taking closer interest

Changes in certified forest area – Developing world (mill. has)

- Only 6% of certified forest
- Promising developments
- Malaysian Timber Certification Council making progress to independently certify large areas of state forest.
- Some European-owned forestry operations in Congo committed to FSC
- FSC making ground in Brazil.
- Brazil & Chile are developing own schemes.



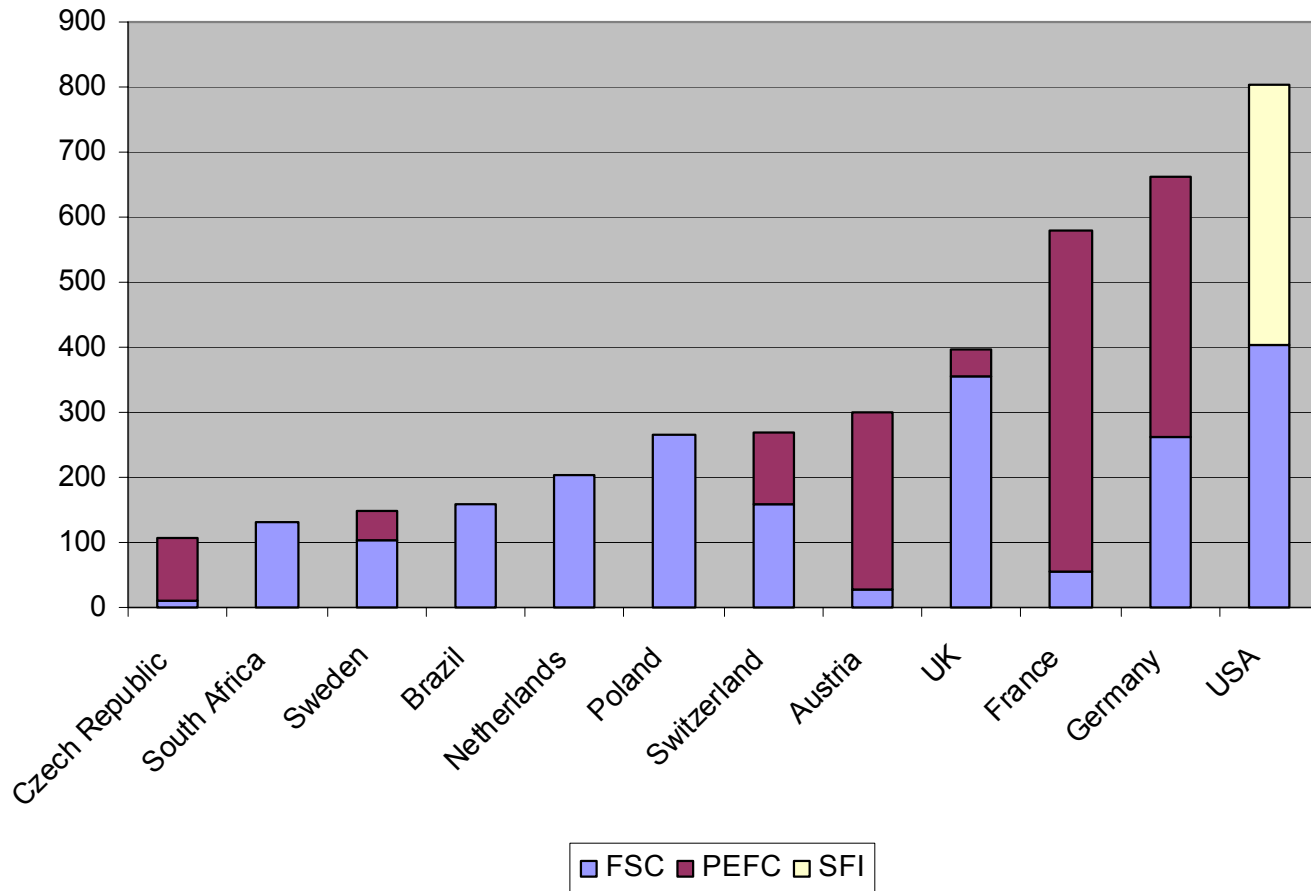
Chain of custody certification June 04

Region	FSC	PEFC	SFI	Other*	Total
N America	512		400	4	916
S America	242				242
Europe	1843	1620			3463
Asia	397			46	443
Australasia	56				56
Africa	139			6	145
Total	3189	1620	400	56	5265

Total chain of custody certificates issued by June 2004, or in the case of SFI, facilities approved to use the SFI Program label.

** Other includes CSA in Canada, MTCC in Malaysia and Keurhout in Africa.*

Total CoC certificates



Total CoC certificates issued (or in the case of SFI, facilities approved to use the SFI Program label) by country in June 2004.

Relations between certification schemes

- Mutual recognition between FSC and PEFC off the table
- Legitimacy Threshold Model negotiations still on-going and outcome uncertain

Schemes extending market appeal

- PEFC renamed “*Program for Endorsement of Forest Certification*”.
- FSC focus on ISO conformance and development of % input/% output CoC.
- Sustainable Forestry Board developing more comprehensive SFI standard through participatory process. Raising awareness of SFI Product label.

Harmonisation of COC Standards

- Two processes underway to harmonise the variety of chain of custody standards in Europe.
- PEFC working to harmonise CoC amongst national PEFC initiatives;
- CEI-Bois and CEPI joint project to bridge the gap between FSC and PEFC
- TRADA combined audit procedures

FLEGT

- Increased focus on legal verification and certification amongst EU policy makers
- New public sector procurement policies favouring certified wood
- Encouragement to the private sector to develop procurement codes of practice.
- Certification programs need to adapt to requirements for legal verification

Comparative studies

- World Bank/WWF Questionnaire for Assessing the Comprehensiveness for Certification Schemes (QACC).
- DEFRA study looking at ability of leading schemes (SFI, FSC, PEFC, MTCC & CSA) to deliver “legal & sustainable” timber.
- Comparative online matrix of schemes developed by FII Ltd. for Confederation of European Paper Industries.
- Internal studies by commercial companies.

Conclusion

- Certification is complex
- Challenge to avoid confusion.
- Certification of 200 million hectares in less than 10 years is a huge achievement.
- All schemes aiming to conform with tough ISO requirements for third party certification.
- All schemes conform with international SFM principles.
- All schemes seek a balance between environment, social, and economic balance.
- All schemes seek to achieve this through transparent participatory process