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Certification and Certified Forest Products Markets

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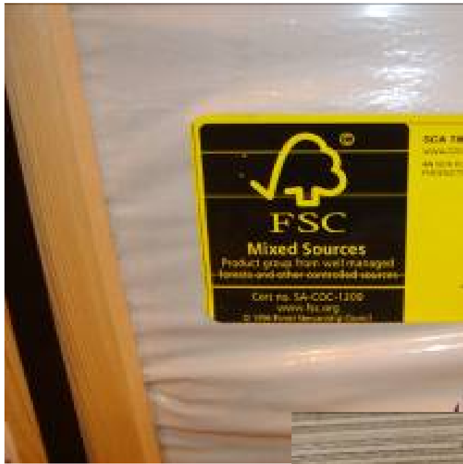
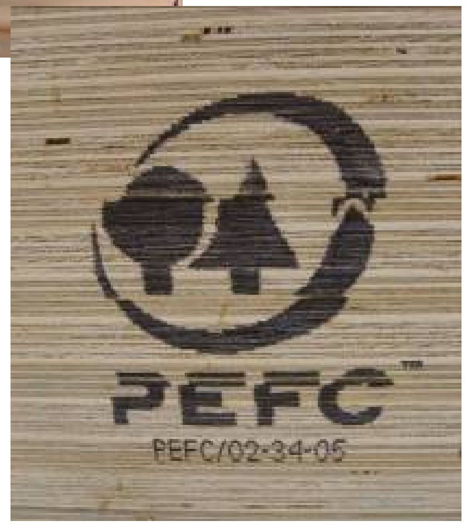
Certification schemes

- Two main schemes:
  - Forest Stewardship Council (FSC)
  - Programme for Endorsement of Forest Certification schemes (PEFC)
- Other schemes generally linking
  - Eg ATFS, MTCC



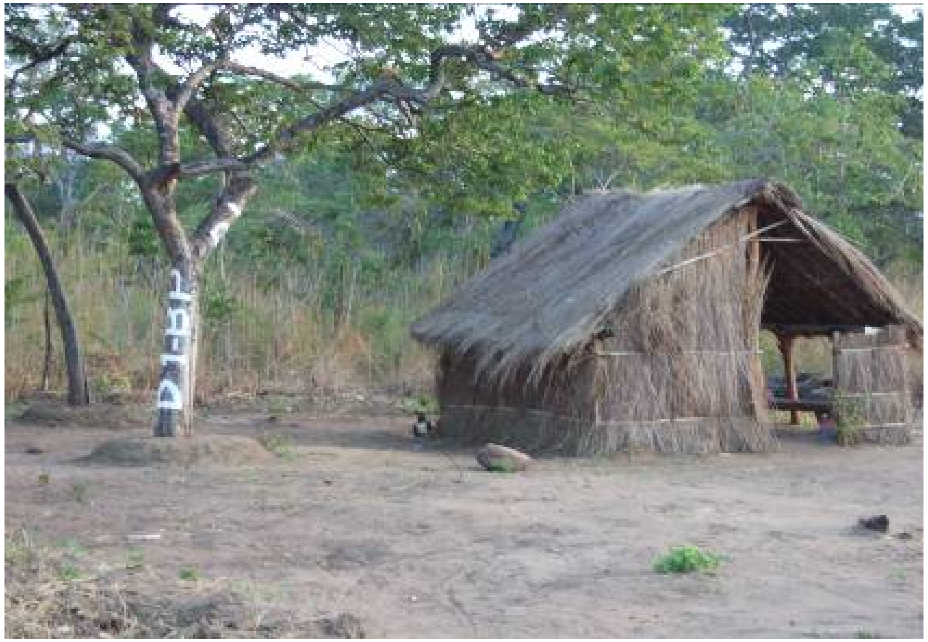


Certification statistics: Forests

- Total area certified: 320 million ha
- 8.3% total forest area
- 13.4% managed forest area
- % forest area certified
  - Over half in western Europe
  - One third in north America
  - Less than 0.1% in Asia and Africa

Demand for certified products

- Almost all demand is from markets in Europe and North America
- These markets are mostly supplied from forests in Europe and North America
- Almost no demand for tropical products from
  - Domestic markets
  - Subsistence use



Certification statistics: Supply chain

- Chain of custody certificates:
  - Total 12,604
  - Over two thirds in Europe and N America
- Largest number of certificates within UNECE area
  - UK, US, Germany, France
- Largest number of certificates outside UNECE area
  - Japan, China, Brazil, Vietnam

Certification statistics: Schemes

- Forest certification
  - FSC 33%
  - PEFC 67%
- Chain of custody certification
  - 69% FSC
  - 31% PEFC
- Within UNECE area FSC and PEFC
- Outside UNECE area mainly FSC

Certification drivers

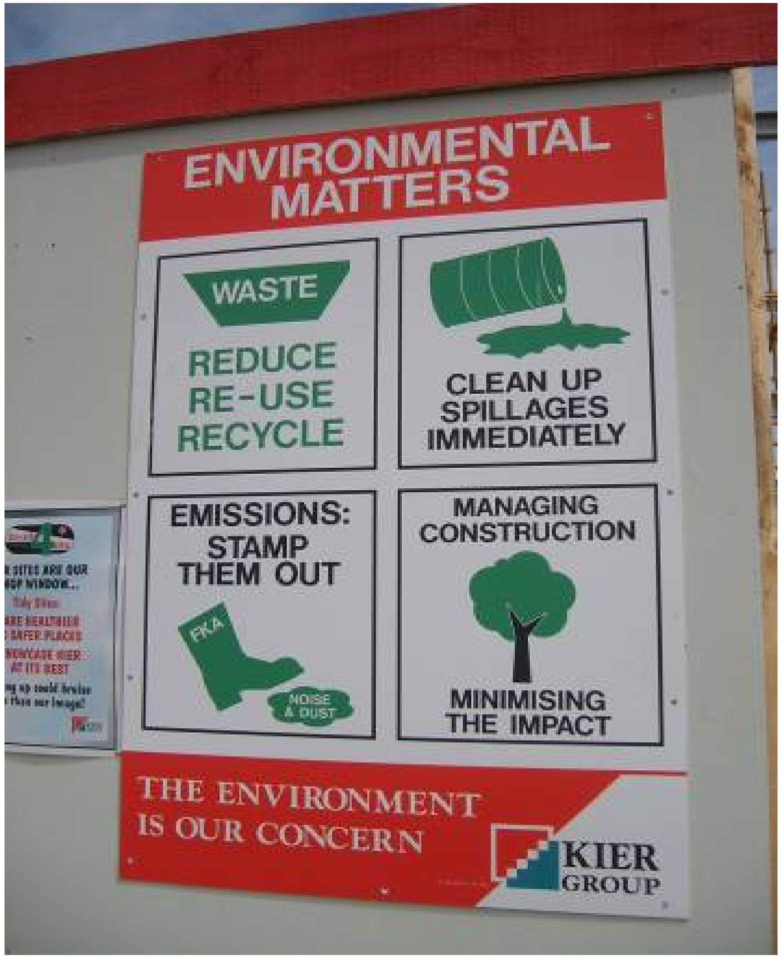
- Green building
- Demand from retailers and other private sector users
- Demand from government
- Investment policies
- Biomass

Green Building as a Driver

- Green building schemes
- Private sector construction and refurbishment (do-it-yourself)
- Public procurement for construction and refurbishment

Green Building Schemes

- Green building schemes and standards in ca 15 countries
- Main focus generally on energy efficiency, minimising waste etc
- Timber recognised as renewable raw material
- Some schemes recognise all certification systems, some prefer FSC



Retailers and other private sector

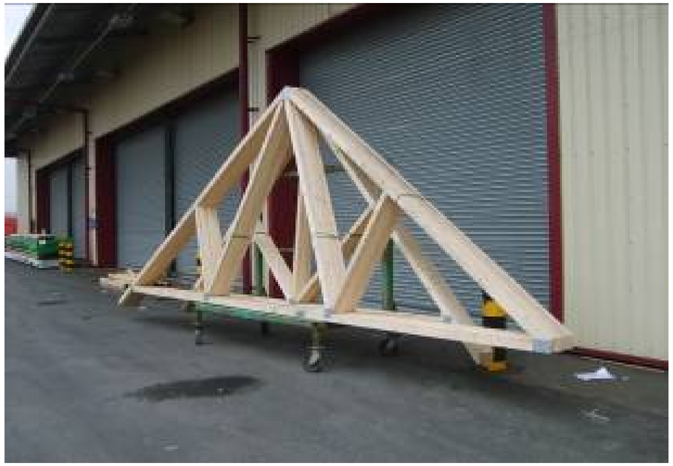
- Still the biggest driver of certification
- Particularly significant in the ‘do-it-yourself’ sector
- Other sectors (eg paper) also important

Public procurement

- Increasing number of countries have timber procurement policies
  - UK, Netherlands, Denmark, France, Japan, Germany, New Zealand …..
- Government is a significant player in the construction sector
  - New builds and refurbishment
  - Schools, hospitals, government buildings

Public Procurement

- Policies require timber from legal and sustainable sources
- Some require evidence of compliance
- In practice certification is the easiest way to demonstrate compliance
- Most recognise both FSC and PEFC



Investment policies

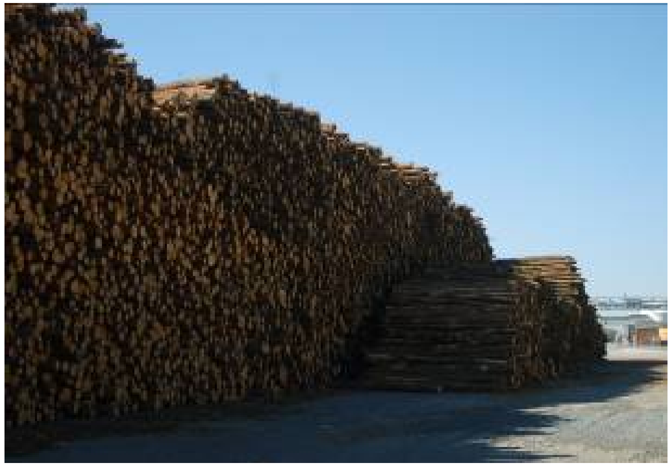
- Several major banks have policies for forests and forest products
- Most use certification as a tool for implementation
- Beginning to be a driver in some tropical countries

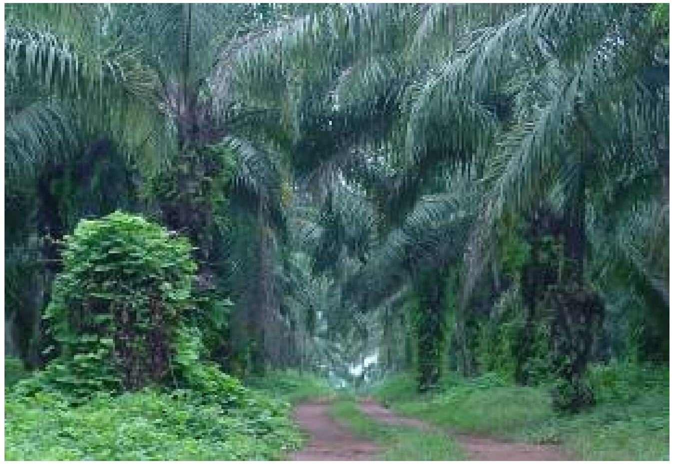
Looking ahead

- Global economic situation
  - Construction in serious slump
  - Unclear how environmental commitments will be affected
  - Demand will certainly be reduced for some time
- Climate change
  - Pressure to reduce emissions from forests
  - Potential for payments for reductions in emissions or absorption
  - Likely to be linked to certification

Looking ahead

- Increasing use of biomass
  - Potential increased demand
  - EU biomass regulations
- Other sectors
  - Comparable certification of oil palm, sugarcane, soy
  - No equivalent for temperate crops





Conclusions

- Forest certification continues to grow
- Markets mainly in Europe and N America
- PEFC has more certified forest but FSC has greater market acceptance
- Green building is one driver together with several others
- Factors likely to influence the market
  - Global economy
  - Climate change policies
  - Wider use of certification

Thank you

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