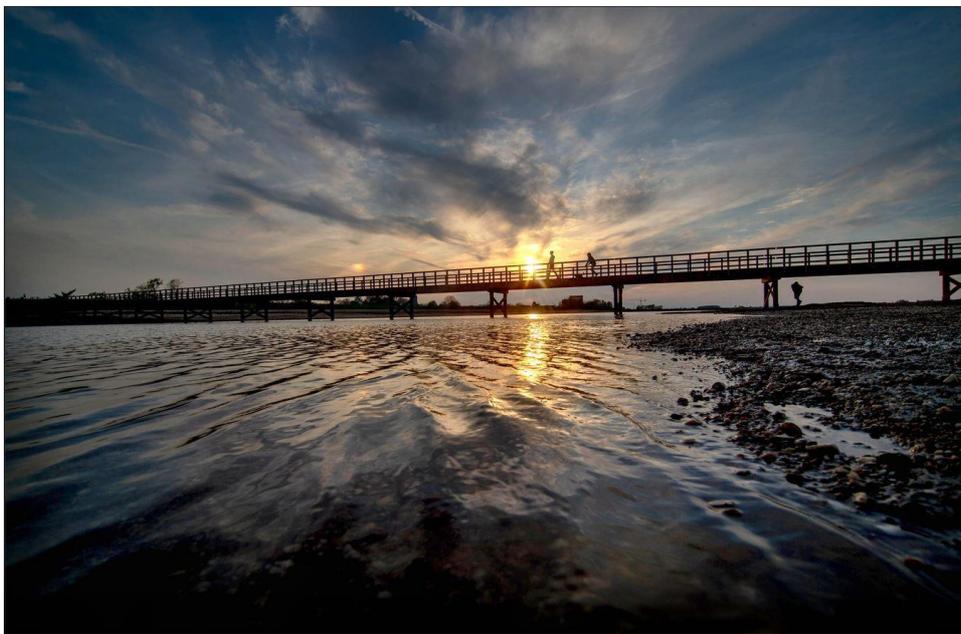


STTC conference 2020 'Holding the line and moving forward – roots for green recovery'

Conference report



November, 2020



The European Sustainable Tropical Timber Coalition (**STTC**) is an alliance of industry, business, government and NGOs dedicated to increasing European demand for verified sustainable tropical timber. The STTC's aim is to develop the market in order to incentivise the growth and spread of responsible forest management in tropical countries. Please visit www.europeansttc.com for more information.

Contents

Introduction	3
Tropical roots for green recovery and circular economy	3
Wider obligations of sustainability	6
Innovation in certification.....	7
Data key to driving tropical timber market	8
STTC beyond 2020.....	9
Gabon’s call to action.....	10

Introduction

The priorities of businesses worldwide are shifting due to the economic uncertainties caused by the Covid-19 pandemic. Many are in survival mode. At the same time, there is growing appreciation across industry, amongst politicians and societies more broadly that we should not aim simply to go back to business as usual. In line with such strategies as the EU Green Deal and as stated among others by the new European Green Recovery Alliance of NGOs, businesses and politicians, the goal should be a lower environmental impact new normal. The focus is increasingly on establishing a sustainable circular bioeconomy.

The online Conference, which attracted a worldwide audience of 150, was titled 'Holding the line and moving forward: Roots for green recovery'. Its focus was the need to halt tropical forest loss and associated adverse climatic impacts and wider environmental degradation and to incentivise implementation of sustainable forest management (SFM) by expanding the market for verified sustainable tropical timber. The complementary core theme was the growing understanding that, to tackle the environmental crisis more broadly, society globally needs to adopt a circular bioeconomic model, a core element of which is greater and more efficient use of sustainably produced natural raw materials. It's a view recently given greater currency, with post-pandemic economic reconstruction seen as a major opportunity to accelerate this transition. Sustainable tropical timber supply, said speakers, must be presented as integral to achieving this 'green recovery' and the bioeconomic switch.

Tropical roots for green recovery and circular economy

Jeroen Nagel, Circular Economy Advisor at the Dutch Directorate General for Public Works and Water Management, gave the perspective on these topics of the Netherlands, one of Europe's foremost advocates for moving to a circular bioeconomy and its leading tropical timber importers. The Dutch experience was that making this economic transformation could not just be a top down process. It demanded public-private partnership and willingness of business and society to make the change. "That requires highlighting the multi-benefit promise of a circular economy," said Mr Nagel. "Not only can it reduce CO2 emissions, it can generate green jobs, cut waste and save business and consumers money." While government alone could not drive the transition, added Mr Nagel, **public procurement could help ensure sustainable tropical timber was part of the bioeconomic mix**. As an example, he presented the 'Biological Highway' conceived by his ministry with industry partners, a blueprint for using tropical wood instead of steel and concrete for motorway fixtures, such as barriers, lampposts and signage.



Dr Lee White, Gabon's Minister of Water and Forestry, issued a clear warning to the 2020 Sustainable Tropical Timber Coalition Conference. Given its vital carbon storage and meteorological regulating role, he said, **only by maintaining an intact Congo Basin forest can man-made global warming be limited to the critical level of 1.5°C or lower.** And the same applied to the tropical forest resource elsewhere. Dr White stressed that tropical wood producers, as well as consumer countries, should set their sights on moving to a circular bioeconomic approach. This was Gabon's ambition. The country was formally primarily a log exporter, realising just 3-4% of the value of its timber and 5% of the potential jobs the timber sector could support. This changed in 2010 with government insistence on 100% timber transformation in Gabon and a ban on log exports. Currently the country is still primarily producing sawn wood, but has plans to move increasingly into further processing. Its objectives are exemplified by a special economic zone near Libreville, home to 100 timber and wood product companies. "This is developing on circular economic lines," said Dr Lee. "Companies are undertaking first, second and third level transformation, and all hardwood waste is turned into activated charcoal. Gabon's first MDF plant is also under construction to use waste Okoumé."

Hugo Schally, Head of Unit Sustainable Production of the European Commission Directorate General Environment, described the EU's circular economy action plan and its aim, under the auspices of its Green Deal, to ensure deforestation-free supply chains. Both held potential benefits for use of verified sustainable tropical timber, driving demand for biomass-based products and providing assurance on sustainable supply. But they also involved challenges. The circular economy action plan's goal was to make sustainable products, services and business models the norm and to transform consumption 'so no waste is produced in the first place'. Ensuring deforestation-free supply chains, in turn, will demand increased industry transparency and provision of more information to trade buyers and consumers about the origin and circumstances of production for commodities. These strategies require close cooperation between all stakeholders, said Mr Schally. **"The EU, producer countries and industry must work together to ensure there is market confidence that forest management follows principles of SFM and respects biodiversity and vulnerable eco systems, that timber production observes applicable laws and supply chains are transparent,"** he said.

"The EU, producer countries and the industry can work together to make sure that there is a confidence in the market that policies are in place to avoid the encroachment of agricultural production into primary natural forests, that the management practices respect applicable laws and that the production is respectful of sustainable forest management and that overall, biodiversity and our ecosystems are respected in that regard."

– Hugo Schally, Head of multilateral environmental co-operation unit in DG Environment of the European Commission



Maria Smith of consulting engineers Buro Happold said the building industry is key in making a lower environmental impact circular economy feasible. But it has a long way to go. It is currently a major waste generator, while buildings in construction and use account for 40% of greenhouse gas emissions (GHG). "The industry continues to pursue an inherently high carbon culture and architecture," said Ms Smith. The good news is that there is growing awareness of the need to move to a 'regenerative built environment' that takes greater account of both natural environment and social need. "The aim is buildings that have a positive impact on health and well-being, improve air quality and generate green jobs," said Ms Smith.

Use of timber, particularly in quick-build, low environmental impact offsite construction, she added, can play a key role in the move to this new model. **"Timber buildings can be highly energy efficient and fantastic places to store carbon," she said. "By using sustainably sourced wood, regenerative construction can also support sustainable forestry and land use, and help reverse habitat and ecosystems degradation."** Both require the commitment of industry and investment, but according to John Williams of engineering, environmental and technical services consultancy RSK, there are opportunities to increase the range of sustainable tropical timber species in construction and civil engineering and to develop their circular economy potential. His research has looked at developing structural applications and growing the market for sustainable timber from Guyana and Ghana, including lesser known timber species (LKTS). A prime potential European application for heavy duty LKTS is sea defences, where Ekki and Greenheart currently dominate. The greatest challenge and cost here are validating strength, but this is established, the market is big and lucrative. Engineered tropical wood products for construction are also a potential opportunity. "Routes to demonstrate [construction product regulation] compliance already exist for products such as CLT and Glulam in softwood, and hardwood can do anything softwood can, so there's no need to reinvent the wheel," said Mr Williams. His work has also addressed recycling potential of sea defence hardwoods. This found that 90% of Ekki from groynes was suitable for reuse, and 50% of Greenheart.

Wider obligations of sustainability

The Covid-19 pandemic was also naturally covered at the Conference. It's tested the commercial resilience and adaptability of the tropical timber sector worldwide. But according to two leading European-based companies, Interholco, which manages over 1 million ha of FSC-certified forest in the Republic of the Congo, and importer and international trader Vandecasteele, it has done more than this. It has also underlined the wider obligations, social, environmental and economic, involved in running sustainable forest and timber businesses.

Interholco was already heavily involved in social provision in and around its forest operations, which centre on Ngombé. But the pandemic took this to a new level. With no major hospital nearby, the company implemented its own prevention and care strategy. "Liaising with local authorities we invested in medical equipment for our own hospital in Ngombé and helped convert the local public hospital into a quarantine unit," said marketing manager Tullia Baldassarri. "We set up hand washing and temperature check stations and undertook a Covid awareness raising programme. We also formed a cooperative of local tailors to make face masks." Interholco funded most of this itself, but also launched a crowd funding campaign, backed by customers, suppliers and NGOs. Being a sustainable business, concluded Ms Baldassarri, was about being purpose-driven and value-based. "It's not just about making money."



Vandecasteele's target is for its 120,000 m³ of stock, which include 81 tropical species, to comprise 100% certified timber by 2025. "It's an ambitious target, and requires the whole team to be committed and act as ambassadors to inspire customers to choose certified, but it's an attainable goal," said Compliance Manager Isabelle Polfliet. The company also encourages suppliers to certify. "We won't just drop a supplier if they initially can't meet requirements on compliance with the demands of the EU Timber Regulation or sustainability," said Export Manager Genevieve Standaert. "We work with them to ensure they can."

At the same time Vandecasteele believes in going beyond conventional definitions of sustainability and taking a holistic approach. This has involved signing up to the Belgian corporate sustainability charter for two decades, requiring policy commitments for the five Ps; People, Planet, Partnership, Peace and Prosperity. And the pandemic has further highlighted what these mean in terms of support for personnel and close collaboration with customers and suppliers. “In recent years, we’ve also focused on embedding the 17 UN sustainable development goals into our operations, with the result that we’ve just achieved a UN SDG Pioneer certificate,” said Ms Standaert.

Vandecasteele also sees the current health crisis as an opportunity to grow interest in lesser known tropical timber species. “It has resulted in shortages of main species, so suppliers should push these other varieties,” said Ms Standaert. “It takes time and effort to secure market uptake, but potential benefits are huge in terms of incentivizing SFM and supporting livelihoods.”

Innovation in certification

Delivering a condition check on forest sustainability certification, Mark van Benthem of independent SFM knowledge institute Probos said that uptake had slowed in the last five years. Moreover, it continued to grow fastest in temperate areas, with 140 million ha out of a total of 426 million ha of certified area globally being in five temperate countries and **still globally just 6.5% of tropical natural and semi-natural forest certified**. The conclusion was that innovation in certification was needed to increase the financial and other benefits of certified SFM and/or reduce the costs. But other speakers highlighted that such innovation is underway.

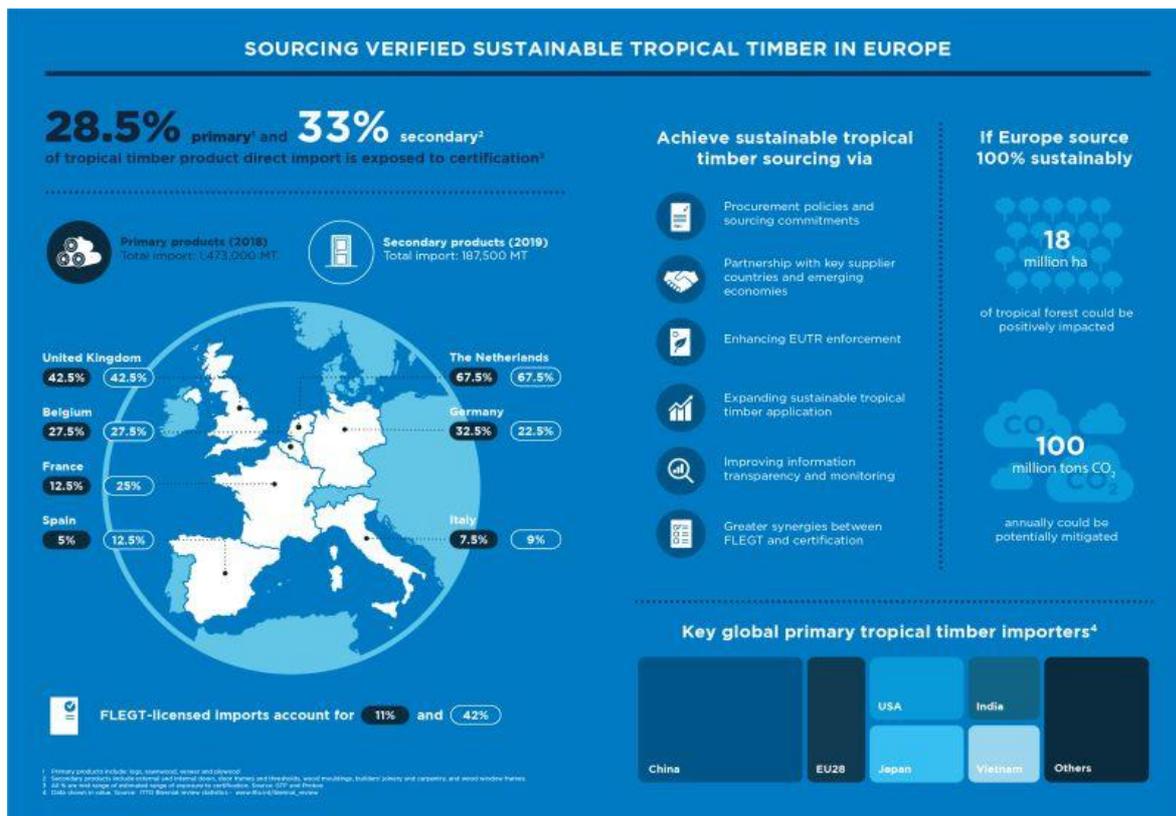
Liesbeth Gort, FSC Netherlands Director, focused on its certified ecosystems services initiative, introduced two years ago. “**Under this forestry companies can demonstrate the positive impact of their SFM on five types of ecosystem service; carbon, soil, biodiversity, water and recreation,**” she said. This evidence of impacts, under the FSC trade mark, can subsequently be used by forestry timber businesses, their customers and investors in marketing and to secure monetary and other benefits. “Increasingly banks and investors, for example, want to make a positive contribution to the global sustainability agenda, to engage in forest-based actions with impacts for nature and people,” said Ms Gort. “These [ecosystems services] claims can be used as proof of such impacts and for reporting purposes.” Implementation of the system, she explained, includes selecting and describing the ecosystems services for which positive impacts are to be claimed and determining what needs to be measured to demonstrate them. In conjunction, the FSC has developed a calculator to ascertain forest carbon stocks.

Ms Gort used the example of Precious Woods in Brazil and PT Ratah in Indonesia to show that introducing the ecosystems services model can largely comprise formalizing existing management approaches and repurposing data companies already collect. FSC Netherlands is also taking a matchmaker role, connecting potential investors in ecosystems services claims with FSC-certified forest managers.

The recommendation from Iwan Kurniawan of The Borneo Initiative was greater collaboration and synergy between FSC and the EU FLEGT programme in Indonesia to streamline auditing and improve the economics of certified sustainable forest management. He contended that a large part of the criteria of FSC certification, SVLK, the timber legality assurance system underpinning FLEGT, and Indonesia's PHPL SFM system are broadly equivalent. His proposal was joint FSC and SVLK auditing. "The current average annual cost of auditing separately for FSC and SVLK is around \$49,000," said Mr Kurniawan. "Joint auditing could cut this by 31%. This could incentivize uptake of FSC certification generally and facilitate it on a landscape level, with current FSC managed concessions sitting in wider forest areas subject to mandatory SVLK certification." He added that a motion proposing joint FSC and SVLK audits would be discussed at the 2021 FSC general assembly. On this proposal, Ms Gort said auditing that supported a stepwise approach from legal to sustainable forest management would be a positive. She also highlighted that the FSC is working on a 'risk-based approach' to its audits, under which a company which has passed a specified number would subsequently be subject to a 'lower intensity' audit process.

Data key to driving tropical timber market

The STTC Conference was also given highlights from the latest IDH tropical timber data monitoring report, commissioned by IDH, the Sustainable Trade Initiative on behalf of the STTC and produced by Probos and the Global Timber Forum. It is the first edition of the annual publication to focus on secondary rather than primary timber products. Like previous IDH/STTC reports, said Mark van Benthem, this was undertaken with correspondents in key European national timber markets and used the exposure to certification method to assess certified percentages of tropical imports. It found that 33% of Europe's direct imports of secondary tropical products in 2019 were exposed to certification (compared to 28.5% of primary products in 2019). This, said Mr Benthem equated to 735,000 to 925,000 ha of tropical forest being positively impacted. "And ramping up to 100% certified secondary product imports would increase that to over 2 million ha and, in combination with 100% certified primary products, to 18 million ha," he said. Mr van Benthem added that the STTC was continuing to strengthen its data collection efforts, and backed by IDH and other donors, was developing a new data collection tool with European trade federations. "We hope this will go live next year so we can provide updates at the 2021 STTC Conference," he said.



STTC beyond 2020

Also looking at the STTC going forward, Chih-Ching Lan of IDH confirmed that the organisation would continue to work on tropical timber and support the Coalition post 2020. “The STTC is a strong community and we will continue to work with it to create impact and increase tropical timber market demand,” she said. **“We will focus on three building blocks – knowledge, sector alignment and public-private partnership – and continue to work with ATIBT, Probos and other partners.** Data collection and information sharing will be a particular focus to help inform discussion and drive policy.”

IDH will also continue to work on the landscape level in Brazil. In Mato Grosso, IDH and the Center of Wood Producing and Exporting Industries of the State (Cipem), concluded in 2020 a sector analysis that compared the Forest Products Commercialization and Transport System (Sisflora-MT) with the main protocols and international wood certifications. The analysis identified the gaps that impact marketing and exports, and outlined an action plan to improve reputation in international markets, with an initial focus on Europe. The five main pillars of the action plan:

1. ensure the alignment of Sisflora with the EUTR - with the European community (government and entities);
2. establish the rules for an independent audit;
3. lower the risk of misuse and fraud;
4. ensure greater transparency of information about the System;
5. elect Sustainable Forest Management rules as a standard for the Amazon

This strategy is in line with the State Strategy to Produce, Conserve and Include (PCI), which aims to reach 6 million hectares (from 3.7 million ha) of area with sustainable forest management in Mato Grosso.

Gabon's call to action

Dr Lee White concluded the STTC Conference with what amounted to a call to action. Producer countries, like Gabon, he said, had to make best commercial and sustainable use of their forests to preserve them. "Sure we must maintain protected areas, and in Gabon these amount to 21% of the forest," he said. "But we cannot just lock the rest in a carbon safe. We have to create jobs and livelihoods."

A key element of Gabon's strategy to both maintain and exploit the forest is its widely publicized decision to make FSC SFM certification obligatory by 2022. "Some suggest this is a surrender of sovereignty," said Dr White. "But far from it, **it strengthens government capacity to manage the forest, while providing the global public with independent validation of what we're doing.**" The pandemic may result in Gabon's certification deadline being pushed back, and other forms of certification than FSC are being considered, but said Dr White, the country is committed to its 100% certified target. The country is also committed to its circular economic approach to maximise usage of the timber resource. "Not long ago we were effectively throwing away half of the material, now we are at a utilization rate of between 80 and 95% and aim to increase that further," said Dr White.

One concept is to market this level of efficiency, with certified products accompanied by the information on how much timber was extracted from the forest to make them. Gabon's strategy also demands latest processing technology, and developed country support to make that investment, and also further R&D to broaden the application of both LKTS and more widely used species. "**We have to work together and be creative to establish the markets where tropical timber has best competitive advantage, so we can assign most value to the forest,**" said Dr White.

Critically, he added, producer and consumer countries also need to promote sustainably certified tropical timber in the face of a growing lobby not to use it. "Through government procurement and marketing we need to persuade and educate the public that sustainably harvesting timber will preserve rather than destroy the forest," he said. "If we don't have a market for it, countries like Gabon will have to look at other potential land uses that involve cutting the forest down and that would be a tragedy for everybody."

