

STTC and F&P Conference 2021

Report

‘Sustainably managed forests as part of the solution to climate change – recognising the value of certified forests and ecosystems’



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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.



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1. Introduction

The COP26 Declaration on Forests and Land Use, and the just unveiled proposal for a new EU regulation to block trade in ‘commodities and products associated with deforestation and forest degradation’ highlight that halting forest loss continues to move up the global climate agenda. The 2021 Sustainable Tropical Timber Coalition (STTC) conference, co-organised with ATIBT’s Fair&Precious campaign, addressed strategies needed to turn political good intentions into reality and declarations into on-the-ground action in the tropical forest and timber sectors. The online event was titled ‘Sustainably managed forests as part of the solution to climate change: Recognising the value of certified forests and ecosystems’ and attracted an international audience of around 100.

2. Cooperation and connection key to tropical forest maintenance

There are no single solutions to maintaining the tropical forest and its fundamental role in regulating our climate. There is no silver bullet.

This was the succinct, but effective message from Willem Klaassens, Director Markets and SourceUp at IDH -The Sustainable Trade Initiative, opening the joint STTC-Fair&Precious conference.

There is, he said, a need for additional responses to the challenge of halting and reversing tropical forest loss as strategies to date ‘have achieved limited impact’. Critically what was required were greater alignment and synergies between the multiple organisations and initiatives involved in driving sustainable forest management.

Key issues included how to make verified sustainable forest management (SFM) and the timber market it services economically viable. But core to this as to the wider issues involved in keeping forests standing, said Mr Klaassens was achieving multi-stakeholder consensus and cooperation. “Our theme is about going beyond the present course of actions,” he said. “Only with the right combination of measures and initiatives can we achieve sustainability and transform the tropical timber sector. This requires strengthened, action-driven partnership between public and private sectors and other key stakeholders to create value for all.”

The positive that came out of the conference was that there are promising, dynamic projects out there harnessing commerce to conservation in the forest and timber sectors. The landscape sustainability approach figured particularly highly. Moreover there is clearly increasing integration between approaches and, as Mr Klaassens stated, the momentum of the EU Green Deal and the global climate agenda is now not just driving the need, but also increasing support for further action to achieve deforestation-free supply chains.

At the same time, in his key note, Hervé Maidou, President of Central African Forest Commission COMIFAC, which focuses on increasing sustainable forest management uptake across the Congo basin, further underlined the urgency of the task. Besides their role in combating climate change and biodiversity maintenance, he emphasised, forests are a vital factor in tropical region economies; supporting sustainable development and providing livelihoods and environmental services.

3. Data highlights positive certification impacts and informs forest action

Mark van Benthem, founding partner of STTC and director of sustainable forest and timber trade analysts and advisors Probos, set the conference scene by addressing the positive impact potential certified EU tropical timber trade has for forest maintenance and climate change mitigation. He drew on Probos’ latest report on EU and UK imports of verified primary and secondary tropical timber imports, using the exposure to certification method to calculate certified volumes. This estimates that the latter take between 31% and 36% of combined EU and UK tropical market share. In turn, this volume figure is set against average yields of supplier countries, showing that 16 million ha of forest is positively impacted by the trade (Figure 1)¹.

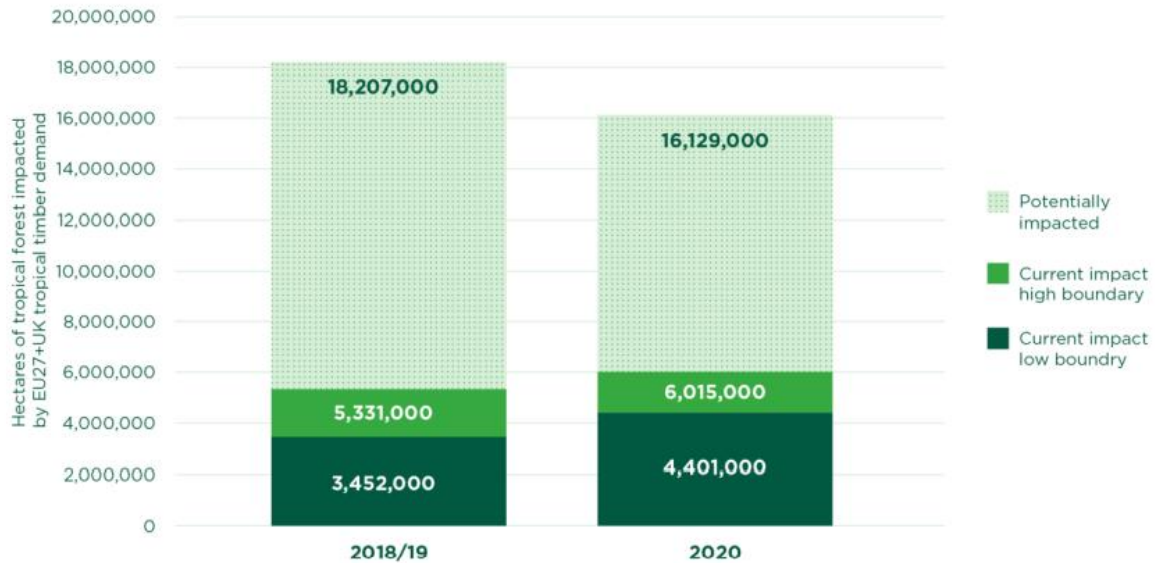


Figure 1. Forest area currently and potentially impacted by EU27+UK primary and secondary tropical timber product imports. The bars indicate the estimated lower and upper boundaries for impacted forest area based on the exposure method.

“Given certified forest management prevents premature re-entry logging, we can also calculate CO₂ emissions saved,” said Mr van Benthem. “We estimate that if tropical timber imports into the EU and UK were 100% certified, it would amount to 88.3 million tonnes a year.”

Probos’s conclusions were that:

- The EU and UK should increase their attractiveness to verified sustainable tropical timber and address perceived trade barriers
- Tropical producers should be supported in improving competitiveness and adding value at source
- Tropical timber market data collection should be strengthened and producers helped to better understand EU and UK markets.

¹ Teeuwen et al. (2021) *Europe’s sourcing of verified sustainable tropical timber products and its impact on forests: What Next?. Stichting Probos.*

4. Beyond dialogue –EU deforestation regulation must be a smart mix of measures

There's been no shortage of actions and initiatives to tackle deforestation over the years, as Tropenbos International Director René Boot made clear. These have included the EU/UK FLEGT Action Plan, REDD, REDD+, steps within Nationally Determined Contributions on emissions and climate change and more. The trend over time has been for these to become more connected, with greater emphasis on land use and a shift of obligations from producer to importer.

So, said Mr Boot, the EU's latest draft regulation, requiring EU market first placers ensure all forest and eco-system risk commodities (FERCs), including wood, are from deforestation-free supply chains, has not 'dropped from the sky'. It's emerged through a process of evolution. But, while including aspects of its predecessors – and therefore, for instance, expected to make the EUTR redundant – it also includes new ones.

“By demanding no product association with deforestation, after a cut-off date of 2020, it means human-induced or not,” said Mr Boot. “Wood is also to be harvested without causing forest degradation, so we're moving beyond legality regulation to sustainability policy.”

The FERC regulation proposal also includes establishment of new forest 'partnerships' with supplier countries, which, it states, could integrate at least some existing FLEGT Voluntary Partnership Agreements (VPAs).

It was key, said Mr Boot, that these new partnerships go beyond dialogue and 'are as ambitious as the EU Green Deal itself'. Equally, the EU regulation must seek to influence tropical timber suppliers' domestic markets, which account for an average 60-70% of their production.

“The new regulation should also build on ongoing FLEGT VPA processes,” he said. “Some lessons learned through FLEGT in national timber industries may apply to other commodities, for example cocoa in Ghana. VPAs have led to more clarity in timber legality, more space for stakeholder participation and improved information access.”

It was essential, he said, to 'bridge high level policy with on-the-ground experience and needs'. “And we need price and other incentives. It's clear if Europe wants sustainable products it must pay for them.”

In summary, he said, to help make sustainable forest management the producer country norm, the FERC regulation must comprise a 'smart mix of measures linking supply and demand'.

That there is still a long way to go to achieve assured tropical producer sustainability was highlighted by Mr Maidou. The Congo Basin forest, he said, covers 288 million hectares², with 50 million hectares under timber production, and is critical to mitigating climate change. Yet, while the area certified is growing, it is currently just 5million ha.

5. Verified sourcing areas – partnering suppliers, buyers and investors

The sustainable landscapes approach was tackled by Mr Klaassens and Guido Rutten of IDH, describing its SourceUp verified sourcing area programme. This involves establishing multi-

² <https://rainforests.mongabay.com/congo/>

stakeholder ‘Compacts’ based on jurisdictional areas in tropical regions (Figure 2)³. They set sustainability targets, which may include certification, for the range of commodities according to their individual needs and circumstances, including wood. On the demand side, buyers connect with Compacts, providing financial, technical and marketing support and backing them with preferential sourcing. The initiative has World Bank support and involves such blue-chip as Unilever.



Figure 2. SourceUp: A new market solution is an online platform that links agri-commodity companies with multi-stakeholder initiatives in producing regions (Compacts). By having these links, companies and coalitions in producing regions work together on sustainable agri-commodity sourcing, aligning local priorities with global commitments. SourceUp is a driver for supply-chain sustainability.

“There are three levels of partnership available,” said Mr Rutten. “Anchor Partners are businesses with involvement on the ground in the sourcing area; Sourcing Partners commit to purchasing goods directly from it; while Partners can be companies, like retailers, further down the supply chain. All can subsequently use their Compact involvement in marketing and communication to buyers and consumers. It gives them stories.”

Via the SourceUp online platform, stakeholders can track Compacts’ progress and partners can see where their investment is making a difference.

In the latest step, sustainability expert panels will assess the development of SourceUp and where it can go next. One possibility is to broaden its value proposition to encompass such areas as human rights.

The FSC is also addressing the landscape approach to sustainability (Figure 3) via its [Focus Forests](#) initiative, said Director Stakeholder Solutions Gemma Boetekees.

³ <https://www.idhsustainabletrade.com/approach/sourceup/>

Through the project, it is initiating international dialogues on how forests of special social and environmental value, their biodiversity and climate regulation role can be preserved, while continuing provision of responsibly produced goods. The first dialogue takes place in Gabon early 2022, with others to follow in Canada and, it's hoped, Republic of Congo and Brazil.

“We’re not proposing certifying entire landscapes,” stressed Ms Boetekees. “But rather than delivering a set of principles and criteria for landscape stakeholders to implement, we’re going to them and saying ‘what are your needs’. The FSC is changing.”



Figure 3. The methodology of FSC ‘Focus Forests’ seeks to overcome ‘fixed’ points-of-view and instead search for common ground.

6. Increasing the payback from sustainably verified certification

The FSC is also addressing the critical issue of how to make verified sustainable forest management and timber production pay and strengthen their resilience.

“Many certified forest concessionaires are working in complex social and economic environments and, in the face of competition from the informal sector and illegal logging, they can struggle to meet the cost,” said FSC Forest Certification Advisor Esteban Toja. “We want to provide a better service to certified concession holders by helping link them to carbon and ecosystems markets, which could produce important benefits for multiple actors in the landscape.” In countries with deficient forest governance, there is a need for new sources of revenue: payments for ecosystem services can be a solution to ensure the maintenance of an economic activity that conserves forest areas. In 2018 the FSC launched the ‘Procedure for Ecosystem Services FSC Pro 30-006’. In here the following services are included:

- Maintenance of carbon stocks and emission removals;
- Biodiversity protection of emblematic species for conservation;
- Conservation of areas of primary High Conservation Value (HCV) forests;
- Enhancement of social and economic wellbeing of local communities.

As another route forward for increasing the financial return from forest and timber certification, he also highlighted use of preferential tax rates to incentivize production and procurement of verified sustainable products and material, pointing to examples in Gabon and Switzerland.

The economics of sustainable forest management were also central to ATIBT President Olman Serrano's concluding conference address.

“Nearly 25 years on from the Kyoto protocol, we have yet to convince policy makers that they should support sustainable forest management, which plays a key role in maintaining the tropical forest – part of the big solution for mitigating climate change,” he said. “We need them to help establish a level playing field for us. Sustainably managed forest concessions represent a big investment and must be economically viable, or they will close. And we actually need to increase the area under sustainable management – 10% of Congo Basin production forest certified is not enough.”