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**Forest Certification – experiences with PEFC in Germany**

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**ABSTRACT**

At the beginning there was a demand for evidence that wood came from sustainable forest management (SFM). The public had been sensitive of the destruction of tropical rainforest and a boycott of tropical timber seemed to be the only alternative but did not solve the problem.

A possible solution was the development of forest certification schemes. First the Forest Stewardship Council (FSC) as global approach was founded by the major ENGOs. In 1999 the Pan European Forest Certification (PEFC) was established as alternative to the FSC due to unsolved problems like an appropriate representation of forest owner's interests or a cost-efficient certification of small scaled forest ownership.

None of the existing forest certification scheme can be regarded as "perfect" system which is able to eliminate the problem at once. The last two years have proved that the competition between PEFC and FSC has favoured a continuous improvement process. It has lead, for instance, to decreased certification costs and the globalisation of PEFC.

A part of the original problem has been eliminated: now there is a sufficient supply of certified timber from sustainably managed forests. 45 million hectares of forests in Europe and over 6 million hectares in Germany (60% of the German forests) have been certified according to PEFC within three years.

And new problems have evolved: the timber market is not willing or able to promote more than one label at the point of sale. Consequently there are strong forces pushing towards mutual recognition between credible certification schemes. Latest studies in Germany reveal that there is no demand for certified/labelled timber from the end consumer. Less than two percent have ever heard from PEFC or FSC. Forest certification as a market driven tool to implement SFM is threatened by one-sided political influence, e.g. the intended procurement policy of the German

government. Another risk derives from new legal regulations which adopt high certification standards to define the term “good practice”.

Key words: forest certification, PEFC, demand/supply of certified timber, mutual recognition, procurement policy

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## **INTRODUCTION**

The philosophy of science distinguishes four phases of scientific work: a problem, testing several possible solutions, eliminating the problem, evolving of a new problem. The problem dates back to discussions about the destruction of tropical rainforests by irresponsible wood procurement. A possible solution was the development of forest certification schemes, like the Forest Stewardship Council (FSC) or the Pan European Forest Certification (PEFC) system. This paper takes the track record of PEFC in Germany as example to show that the original problem could be solved partly but other problem evolved. It reports on the market reactions and barriers in Germany, as one of the world’s most important marketplaces.

## **THE PROBLEM: TIMBER FROM UNKNOWN SOURCES**

“Save our last rain forests” – this slogan from environmental pressure groups in the 80s led to a high sensitiveness of the public and to the boycott of tropical timber. In 1991 a declaration of the German association of tropical timber importers called for a certificate for origin. The aim was that all tropical timber imported to Germany would be sustainably produced in the medium term.

“Thursday is Clearcut Day” – this slogan of 1995 referred to a popular German magazine appearing weekly on Thursday. It made the German newspaper publishers to ask for evidence that the wood used for the production of pulp and paper comes from known and well-managed sources. “The main aim of the publisher’s was to get ‘conflict-free’ paper”<sup>1</sup>.

## **POSSIBLE SOLUTION: FOREST CERTIFICATION**

A possible solution to contain forest destruction and promote a Sustainable Forest Management (SFM) is forest certification. The FSC as global approach was founded 1993 in Toronto by the major ENGOs. FSC has defined 10 principles for forest management as basis for certification standard. The Pan European Forest Certification Council was established six years later in Paris originally as umbrella for independent European forest certification schemes. PEFC uses as a common basis the criteria, indicators and operational level guidelines developed and endorsed by 39 nations in the Ministerial Conference on the Protection of Forests in Europe, an ongoing inter-governmental process (also know as the “Helsinki Process”). Hundreds of experts from a very wide range of stakeholder groups have been involved in the development of this process.

## **Why PEFC in Germany?**

In Germany there are about 1.3 million forest owners managing 10.8 million hectares of forest. Almost half of the forest (46%) is privately owned. The private forest enterprises have an average size of only 3.6 ha. An individual certification on this level has two disadvantages: indicators for sustainability cannot be measured on such a small unit and the certification fees are disproportionately high. Before the development of a regional certification approach by PEFC these forest owners had no alternative and would have been excluded from the “certification” market.

Another main reason for demanding an alternative to FSC was the three chamber system which – in the view of the majority of forest owners - does not adequately represent their interests and responsibilities. As a result in the German Forest Certification Council as decision making body of PEFC private, communal and state forest owners cannot be outvoted.

The starting shot for PEFC in Germany was a demonstration of European forest owners in Hamburg in 1997. Subject matter of the protests were the magazine publisher Axel Springer Verlag and the mail-order company Otto-Versand. Both companies were suspected to force the forest owners to a FSC certification which appeared not acceptable to them for the reasons mentioned above.

## **How PEFC works**

PEFC supports the subsidiarity principle for each country and encourages a bottom up approach to the multi-stakeholder development of certification standards based on the political processes to ensure the long term “buy in” and support by the users of the schemes and society in general. Moreover PEFC respects the democratic principles appropriate to each country for developing, with broad stakeholder participation, national certification schemes which can be delivered by certification bodies accredited by national accreditation bodies who are independent of the standard setting bodies and scheme owners. There is a genuine separation of the bodies responsible for setting the standards from those assessing and delivering the final certificate to ensure the total independence and impartiality of the certification decision-making<sup>2</sup>.

In Germany participation is guaranteed both on national and on regional level. Due to ideological motives German ENGOs rarely realise this possibility, as forest owners rarely participate in the economic chamber of FSC.

The regional certification process starts with the establishment of a regional working group. Under the co-ordination of the forest owners’ organisation all relevant stakeholders of the region are invited to participate in this working group. The regional working group has two main tasks. One is to compile the Regional Forest Report following a list of 121 indicators. This includes identifying fixed targets for improvements during the coming 5 years as well as developing specific measures to reach this targets. It has to be ensured that forest owners and other concerned parties receive adequate information and that they understand the implications of the decisions made.

When the Regional Forest Report is completed, an independent certification body makes the assessment on the quality of forest management in the region based on the report. On the premises of a positive result the certification body issues a conformity assessment for the region.

After the conformity assessment is issued to the region forest owners in the region may join the certification. The forest owners willing to participate have to sign a voluntary self-commitment and agree to follow the enterprise-level guidelines in their forest management. Having paid the fee (11 Euro once, 0,11 Euro/ha\*a annually) they receive a certificate and have the possibility/risk of being part of an area-weighted control sampling. Through the annual control sampling, the compliance of individual enterprises with the enterprise-level guidelines is assessed.

### **ELIMINATING PART OF THE PROBLEM**

Forest certification mechanisms has been implemented to supply evidence that timber comes from sustainably managed forests. As the consequence a part of the original problem has been eliminated: there is currently a sufficient supply of certified timber from well-managed forests. Geographically the total certified area (FSC, PEFC plus national certification schemes of Canada, Malaysia, USA plus Keurhout) is unevenly distributed: more than a half is located in Europe, and almost 40% in North America. The developing countries account for no more than 8% (as of February 2002)<sup>3</sup>.

### **Certification Progress**

PEFC is the largest certification system in the world with more than 46 million hectares from 13 endorsed schemes and the area is increasing rapidly. Since it was established three years ago, the PEFC Council has seen an increase in membership from 9 to 26 schemes, including the CSA Sustainable Forest Management Standard (CSA) from Canada, the Sustainable Forestry Initiative (SFI) and the American Tree Farm System (ATFS) from the USA, NAFI from Australia, CERFFLOR from Brasil, CERTFOR from Chile and MTCC from Malaysia, which will all be seeking endorsement in the near future<sup>4</sup>.

Concerning the endorsement of non-European schemes it is currently proposed that when standards developed on other intergovernmental processes than the "Helsinki" process apply for PEFC Council endorsement, the documentation shall include a common reference base for each process that is compatible with the Pan European Operational Level Guidelines in respect of scope and level of requirements. It is therefore proposed that the PEFC Council will approve such a reference base prior to commencement of the scheme assessment.

In Germany 6,3 million hectares (almost 60% of the German forests) in 10 regions have been certified according to PEFC<sup>5</sup>. The results of a survey indicate that forest owners with a total forest area of 7,7 million ha intend to become certified according to PEFC. For comparison: only 0,4 million hectares are certified by other forest certification schemes because only PEFC is accepted by the vast majority of forest owners. As a general rule success results from win-win situations. Forest owners will not be too enthusiastic about certification if they are told that their management in the past was unsustainable and only certification can save their forests. Especially in Germany you have to acknowledge that the concept of sustainable yield has a long tradition of 200 years.

## **Chain-of-Custody-Certification**

Evidence that wood comes from sustainably managed sources can only be provided by chain of custody certification of the wood processing industry. A certified chain of custody is a way to prove that an enterprise has a system to track the wood flow in the production process all the way from the certified forests to a workshop or factory and from there on to the retailer. Together these certificates provide proof to customers about the origin of the wood used in the wood processing industry. Every enterprise is a link in the overall “chain” for the wood from forest to the final product. It is therefore important that all enterprises dealing with wood have their area of responsibility certified so as to ensure that the “chain” is complete.

Within the last two years the number of CoC certificates has grown exponentially. In Germany it amounts to 180 at the moment. The main incentive comes from paper industry. After the newspaper publishers had announced that FSC as well as PEFC fulfil their requirements, almost every German paper mill has a PEFC CoC certificate resulting in a demand for certified raw material from their suppliers, like saw mills and timber traders.

PEFC has never promised an additional profit for timber from certified forests. But at present there is – beyond small niche markets – an example of a big timber trader in North Rhine Westphalia paying 2 EURO additionally per stacked cubic meter of pulp wood from certified forests.

## **NEW PROBLEMS EVOLVE**

### **“One label only”**

From the point of view of PEFC we can be content with the development of the certified forest area, the CoC certification and on the paper market. Still the attitude of DIY stores, especially the market leader OBI, causes the biggest concern although a positive change has been observed. Having threatened to reject any timber with the PEFC label, hundreds of forest owners protested in front of the OBI stores in May 2002 against the discrimination against timber from PEFC certified native forests. The franchisees reacted startled and started questioning the procurement policy of the OBI head quarters. As one outcome the association of German DIY stores declared to accept all timber from native certified forest but expressed their doubt that the end consumer will ever be able to distinguish between two different, competing labels. So OBI still supports only one label, which is not the PEFC label.

Basically behind this “FSC-label-only” policy is the anxiety of companies to be attacked by ENGOs and make the headlines if displaying the PEFC logo. The case of a school book producing factory shows that this concern is legitimate. After their decision to implement the PEFC CoC certification and printing the PEFC logo on the front page of their products, the company received angry letters from Greenpeace, Robin Wood and WWF.

### **Lack of Interest by the end consumer**

The study “Certification of Wood – Level of Awareness and Opinions of the Target Groups” conducted by the Federal Research Centre for Forestry and Forest Products on behalf of the Timber Sales Promotion Fund brought some interesting, partly disillusioning, results:

- (1) Only 8% of the interviewed households, builders and timber buyers have ever dealt with sustainable forest management.
- (2) 75% of the interviewees are content with the sustainability of forest management in Germany.
- (3) Labels for harmlessness in respect to health and for product quality are regarded as far more important than labels for SFM.
- (4) 0,7% of the households know PEFC, 1,6 % FSC. But 2,1% know the “false” label “Wood from Plantations” without third party auditing and 4,0% the eco-farming label “Naturland” which is also a label for “organic” forestry.
- (5) Architects, builders, timber traders and craftsmen prove to know FSC better than PEFC; interviewees from industry have rather heard from PEFC (60%).
- (6) With respect to credibility ENGOs achieve the same results as forest authorities, both have higher values than forestry associations and consumer organisations.
- (7) 3% of the consumers expressed their interest for certified timber (21% for “Wood from Plantation”, 11% for the “Naturland”-Label, 6% for FSC and 0% for PEFC).
- (8) In average the consumers were willing to pay an extra charge of 3 – 4%.
- (9) At the point of sale 62% of the customers have chosen wood products (garden furniture, flooring, boards) from certified forest, because of the environmental friendliness and 49% because of a higher quality.<sup>6</sup>

### **Political Interference**

Forest certification as a market driven tool to implement SFM is threatened by one-sided political influence. One example: the intended procurement policy of the German government, consisting of a coalition between Social Democrats and the Green party. The coalition government’s contract from September 2002 states that within four years all the timber purchased by the federal government shall come from FSC certified forests.

In January 2003 PEFC Germany published an opinion of an expert in competition law. This paper proves that the implementation of the agreement would violate actual German legislation in the field of public procurement. Due to the equivalence of FSC and PEFC in principle, public orderers are not allowed to dictate one certification scheme exclusively. As one of the possible solutions which would be in conformity with law, the professor suggested the wording “Timber has to be used originating from forests which have been certified according to a generally accepted forest certification scheme (FSC or PEFC)”.

The wording of the government’s agricultural report published some weeks later is much more benevolent: it recognises that PEFC is in a position to improve forest management in Germany referring to ecological requirements.

Another target of the new government is the revision of forest regulation. In the preliminary stages of the negotiations it is discussed whether and how to define the term “good practice”.

Some proponents argue that the definition shall be based on the certification criteria of PEFC and FSC. As both standards are above the level of current legislation, new forest law could easily destroy the voluntary tool of certification or force the existing schemes to raise the standards to a level, which would be not acceptable for the majority of forest owners.

## CONCLUSION

PEFC does not believe in the principles of monopoly, but believes that competition improves standards and drives cost down. None of the existing forest certification scheme can be regarded as “perfect” system which is able to eliminate all problems at once. A continuous improvement is necessary and an essential component of the PEFC system. The last two years have proved that the competition between PEFC and FSC has favoured this improvement process.

Mutual recognition between PEFC and FSC is vehemently postulated by timber industry, because of its interest in “conflict-free” products and its problems with a double CoC certification. As competition is desirable, mutual recognition will not result in one common label but it can result in a constructive and peaceful co-existence. The end consumer does not care much about certified forest products, which is a pity, but he does not care about the present struggle for power either, which is a blessing.

Our common aim is promoting the use of certified forest products on the market. Talking about procurement policies other materials like concrete, aluminium or plastic must never become the better alternative to wood, even if this is not certified.

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