

***Certification Impacts on Softwood Markets***

***Brace for Change!***



by

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**We will cover:**

- **General overview of where certification is today;**
- **Review existing markets (softwoods and hardwoods) . . .**
- **. . . but focus on policy trends anticipated to dramatically catapult forest certification to a new level**

*Key facts:*

- The area of certified forest *grew by 8.3%* from 2006 to 2007, reaching *292 million hectares*
- More than *84%* of the world's certified forests are located in the *northern hemisphere*, with more than *50% housed in North America*
- Significant volume of new certified forests expected to come from *Russia* and *China* in the near future.

*'Consolidation' of some certifiers?*

*American Tree Farm System (ATFS)*

*Forest Certification Council*

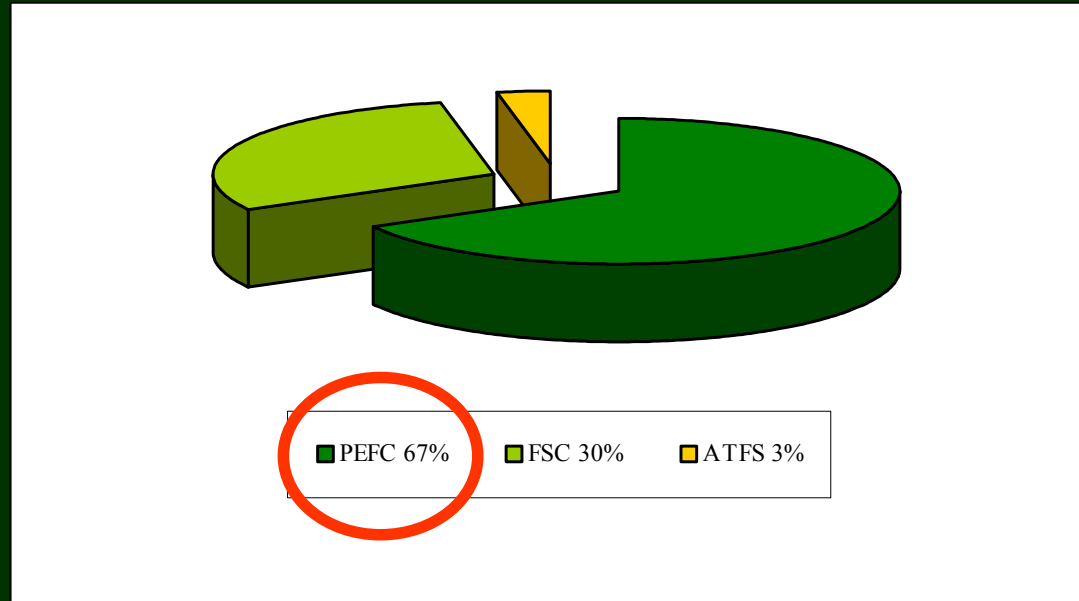
*Sustainable Forestry Initiative*



*Canadian Standards Association*

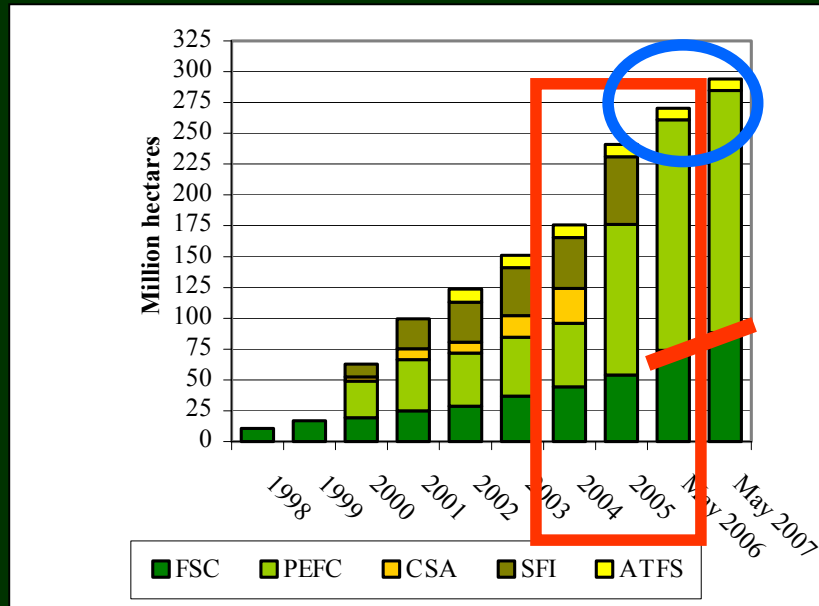
*Program for the Endorsement of Forest Certification*

*Share of global certified forest area by the three major schemes  
(as of May 2007)*



*... however, a closer look ...*

## Global forest area certified by major certification schemes 1998-2007

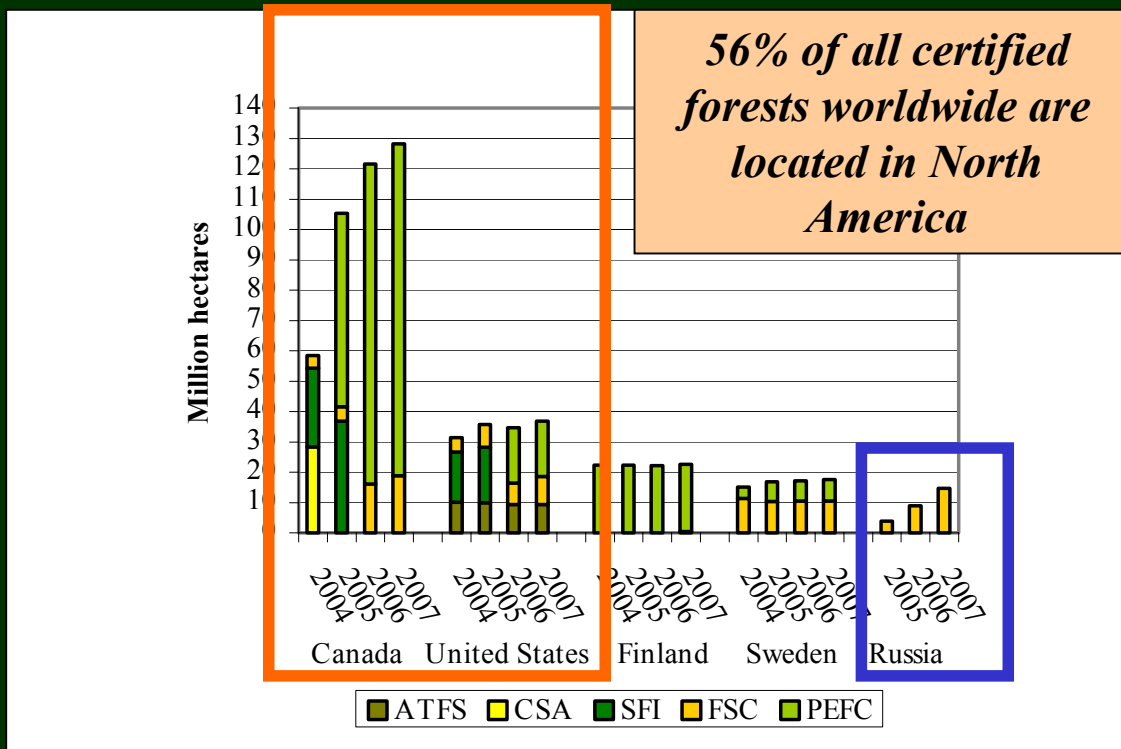


- CSA and SFI become PEFC-endorsed in '05 and '06

- Net loss in % share for PEFC ('06-'07)

- Net gain in % share for FSC (16.4% certified acreage growth ('06-'07))

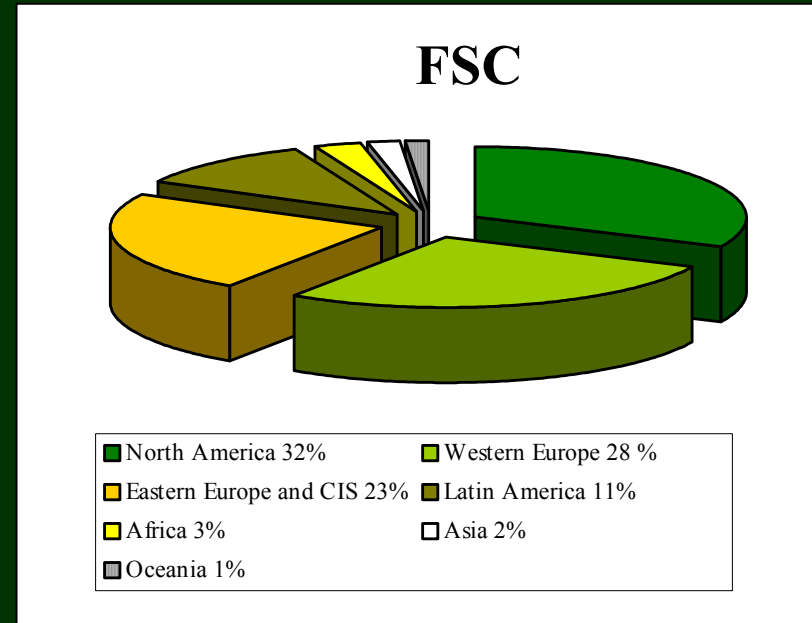
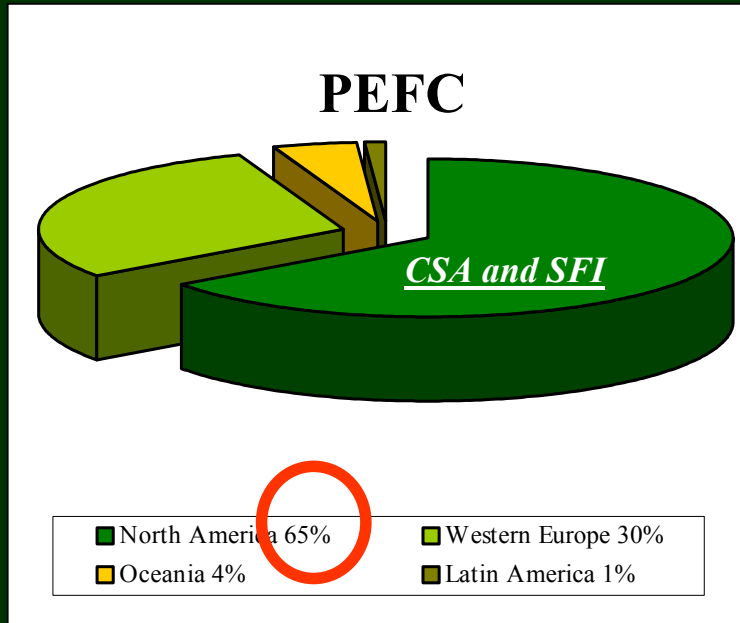
## Five countries' certified forest area, 2004-2007



### Russia:

- Certified area tripled in '05-'06 and doubled in '06-'07
- COC's doubled '06-'07

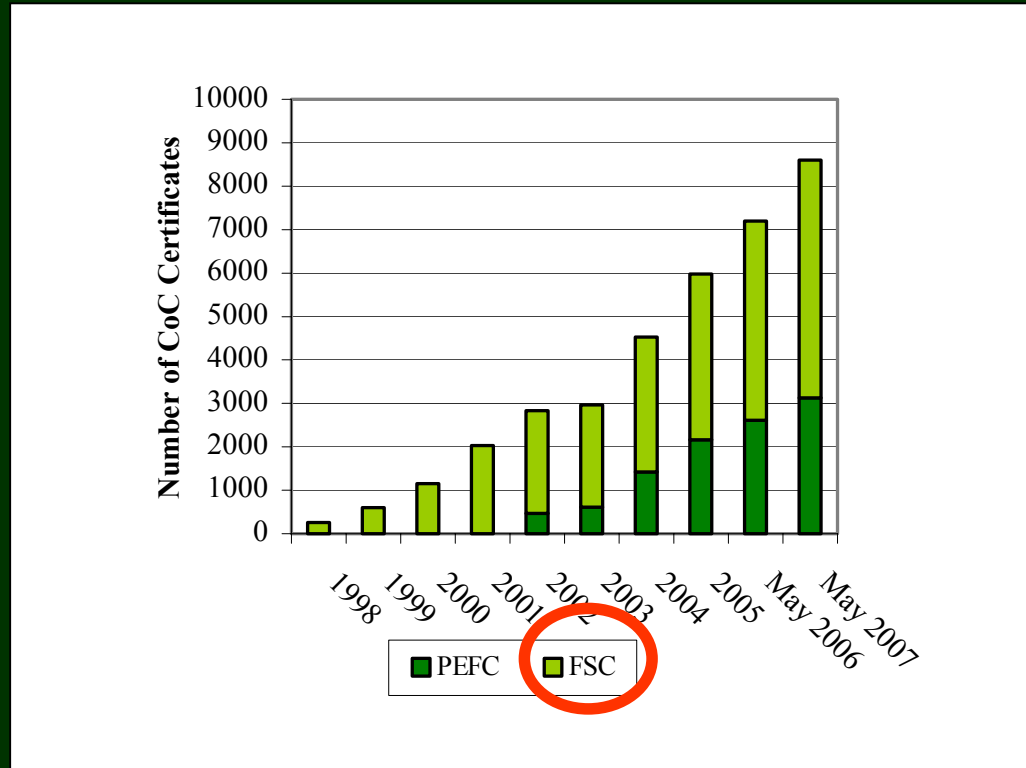
*Regional distribution of certified forest area worldwide  
(as of May 2007)*





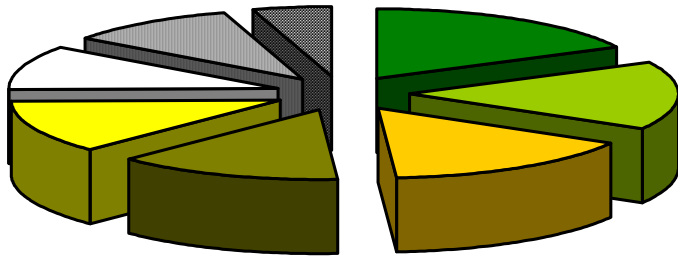


Chain-of-custody certification trends worldwide  
1998-2007



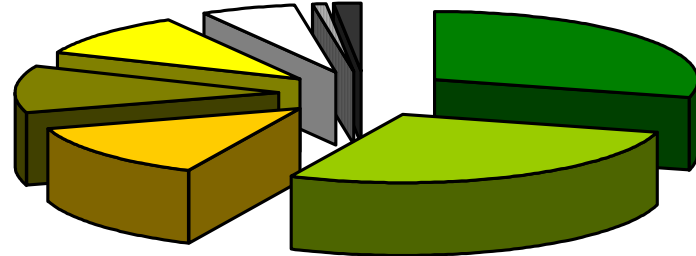
## Chain-of-custody global distribution by industry sector (as of May 2007)

### FSC



- Roundwood and other primary forest industry 17%
- Panels 16%
- Sawnwood 15% *.. A bit misleading ...*
- Pulp & paper 14%
- Furniture 12%
- Windows & doors 10%
- Wood manufacturing 10%
- Other 5%

### PEFC



- Timber trade 29%
- Sawmill 28%
- Other primary forest industries 13%
- Wood products trade/retailers 11%
- Wood manufacturing 10%
- Pulp and Paper 6%
- Construction 1%
- Other 2%

... when viewing FSC chain-of-custody  
certifications in *North America* ...

*... pulp and paper big driver!*

*... also true in Japan (over 60%)*

**Key trends** in the US that are impacting the growth of certification in the ***softwoods markets*** in the US:

- ✓ Traditional markets
- ✓ Rapidly ***emerging policies*** leading to **explosive markets**

## Certification

FSC (Forest Stewardship Council) certified wood is harvested only from well-managed sustainable forests. That means all FSC labeled wood can be accurately traced from its origin to manufacturing to distribution, and to you. The companies that supply FSC wood to your local Home Depot store replenish their forests by diligently replanting trees for your future.



**Western** **Northwest** **Southwest** **Midwest** **Southeastern** **New England** **Mid-Atlantic**

To view FSC labeled products in some stores in your area, select the appropriate link below.  
Note: FSC product availability varies by stores in the highlighted areas. Please check your local store for availability.

Mid Atlantic Area (PDF) PA, NJ, MD, DE, DC, VA, NYC and Long Island

Midwest Area (PDF) ND, SD, NE, MN, IA, WI, IL, MI, IN, OH, KY, WV

New England Area (PDF) ME, VT, NH, MA, RI, CT, NY

Products for the state of Nevada\* can be found in both the West Coast and Northwest areas.

Northwest Area (PDF) AK, WA, MT, OR, ID, WY, NV\*, UT, CO

Southeast Area (PDF) TN, NC, SC, GA, AL, FL, PR

Southwest Area (PDF) NM, KS, OK, TX, MO, AR, LA, MS

Products for the state of Nevada\* can be found in both the West Coast and Northwest areas.

West Coast Area (PDF) CA, AZ, NV\*

Note: Product selection may vary by store.



## Other Sites To Visit

- Forest Ethics
- Rainforest Alliance
- The Nature Conservancy
- Natural Resources Defense Council
- USDA Forest Service
- World Wildlife Fund
- Canadian Forest Service
- Food and Agriculture Organization of the United Nations
- Scientific Certification Systems
- Smartwood
- The Natural Step
- The United States Agency for International Development
- Tropical Forest Trust
- USDA Forest Service International Programs
- Yale's Forestry Institute

**Home Depot, B&Q, Ikea . . .**

**. . . all will likely contribute to growing  
COC certifications for product  
coming from *China* (both softwoods  
and hardwoods for value-added  
product such as furniture)**

## Leadership in Energy and Environmental Design (LEED)



The US Green Building Council developed the LEED Green Building Rating Systems to rate new and existing buildings according to their *environmental attributes and sustainable features*.

Only acknowledges FSC for wood credits.

**LEED Growth:**  
(Introduced in 1999)

Legislation, executive orders, resolution,  
ordinances, policies, tax incentives

**As of May 2007:**

27 countries

➤ *\$7 billion market*

22 states

➤ *867 mm sq. ft.*

11 counties

55 cities

33 school systems

11 federal agencies, *including*  
*the US Forest Service (requires LEED  
Silver certification for all new construction)*



## 46% of LEED projects initiated by government agencies in US:

Agency (Source: Metafore; 12-04-2006)	Mandatory		Date of inception							
	yes	no	n/a	'00	'01	'02	'03	'04	'05	'06
Federal:	5	3	7	0	1	0	0	0	0	0
State Initiatives:	15	6	3	0	1	1	1	1	8	5
Municipal/City/County:	50	11	9	2	3	6	3	14	11	13
School – Higher Education	20	11	25	0	0	0	3	1	1	1
School Initiatives – K-12	1	1	1	0	0	1	0	0	1	0
Total:	91	32	45	2	5	8	7	16	21	19
	123		123							

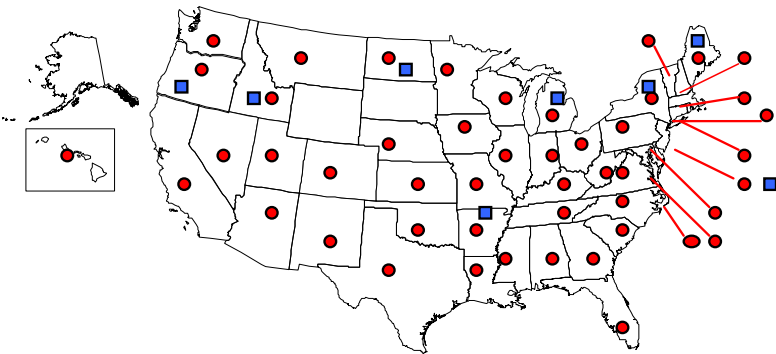
- 33% of all government initiatives happened in last 2 years!
- New construction mandating the use of certified wood

**. . . but most significant market demand advances has been with pulp and paper buyers in North America**

*. . . let's take a look*

# Geneva UNECE Timber Committee Market 2007

~50% of total COCs

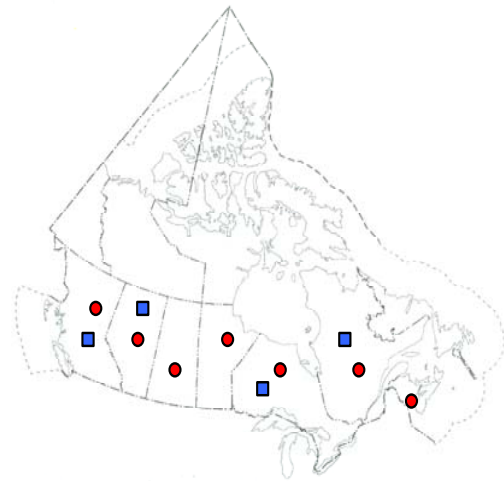


- = FSC - US Pulp Suppliers (n = 8)
- = FSC - US COC Certificates (n = 433)  
(paper manufacturers, printers, & paper merchants)

**441 pulp/paper FSC certificate holders**

~55% of total COCs

**153 pulp/paper FSC certificate holders**

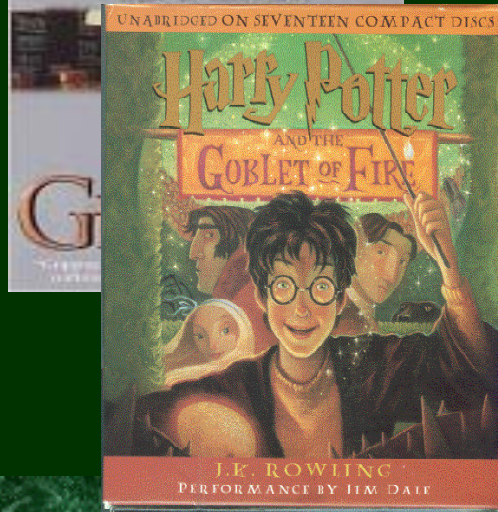
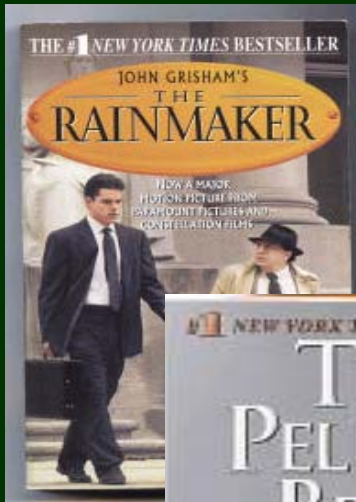


- = FSC - Canadian Pulp Suppliers (n = 13)
- = FSC - Canadian COC Certificates (n = 140)  
(paper manufacturers, printers, & paper merchants)



## Time Inc. Paperco

- ✓ **World's largest magazine company; 140 magazines; 298 million readers; receives 25% of all US advertising done in magazines.**
- ✓ **By end of 2007– 85% of 600,000 tons of wood fiber per year for newspapers, book companies, and magazines will come from a certified **(FSC and SFI)** supply.**



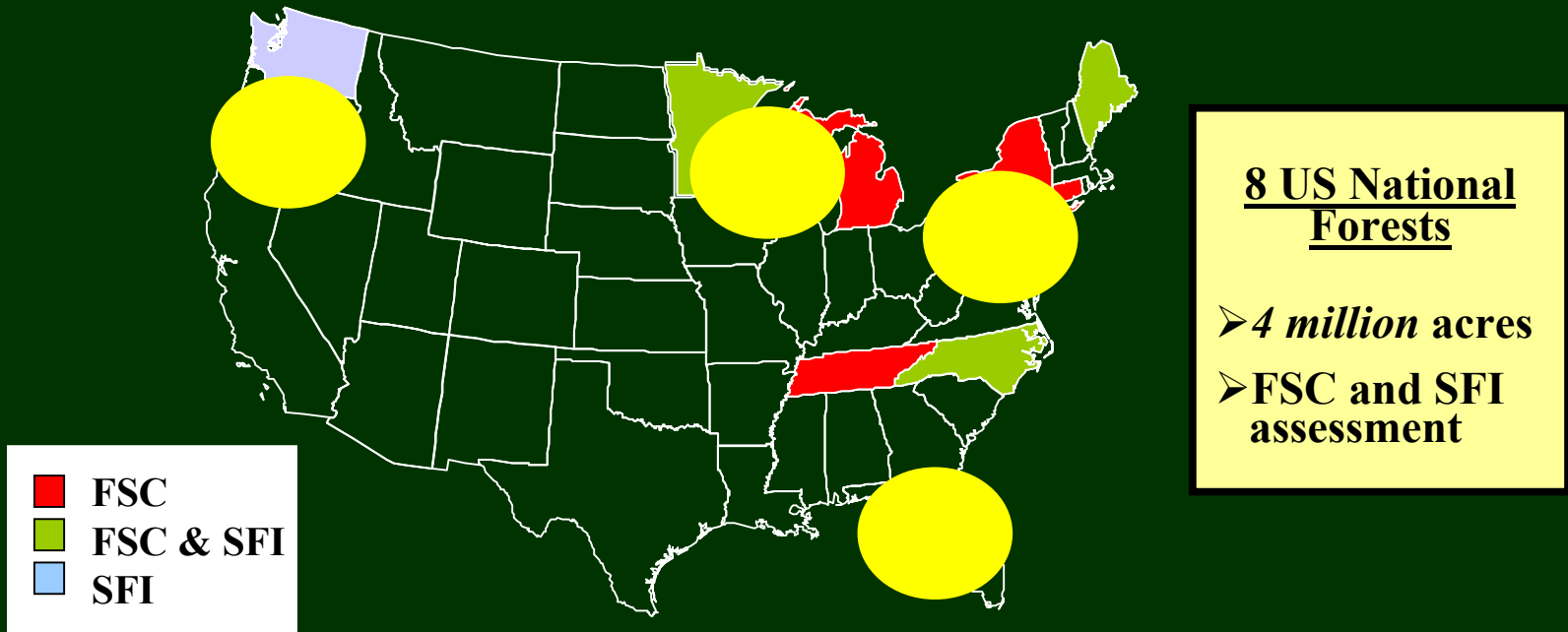
Random House –largest publishing company in UK

Subsidiary operations in Australia, New Zealand, and South Africa:

- Just received *FSC COC certification*
- 2007: plans to carry the *FSC logo on all books* printed with FSC paper

And *public forestlands* in US are playing a central role in forest certification . . .

As of May 2007 – *certified forests represent 35% of all forest area in North America*



*... with ~5 million acres of state forestland certified in the US*

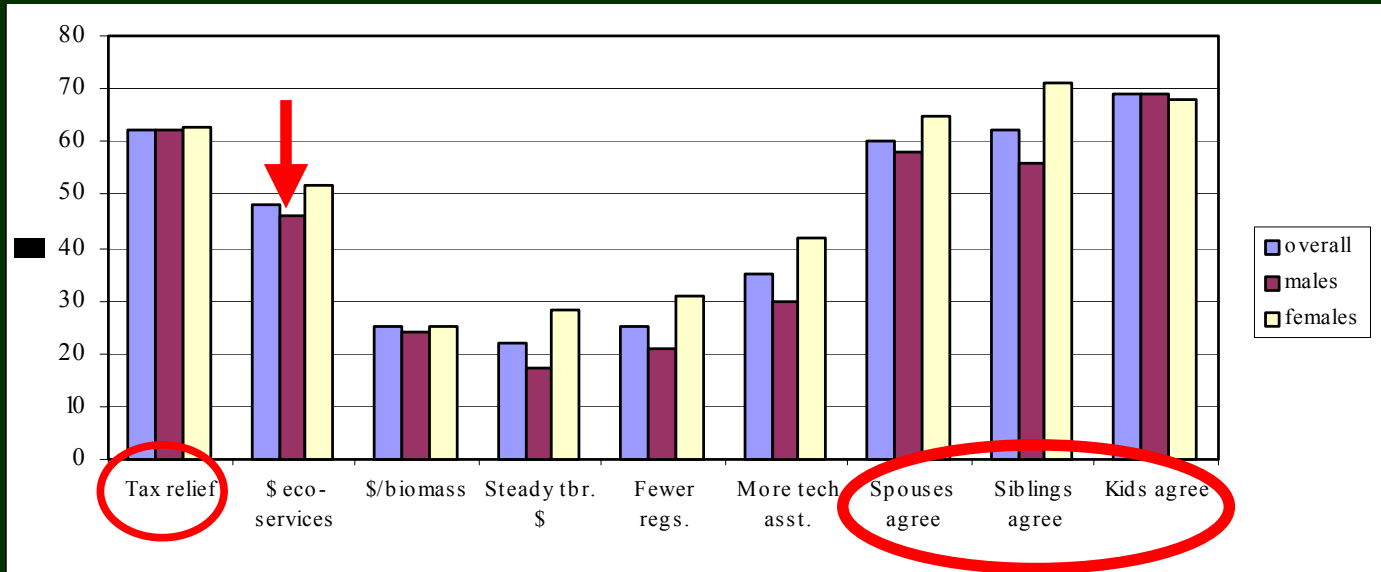
So ... how do *public lands* affect what happens on *private forestlands* (that = 50% of all forestland in US)?

- Private landowners look to public lands for *access to markets*
- More than *half are older than 65*;
- More than 10% will have *ownership transfer in the next 5 years*.

... and kids want it as they look to inherit the land!



What's important to the kids?



*Payment for ecosystem services (certification; carbon banking) is really important!*

***Voluntary Carbon Markets: Certification will help to access!***



*Chicago Climate Exchange*



*Eastern Climate Registry*

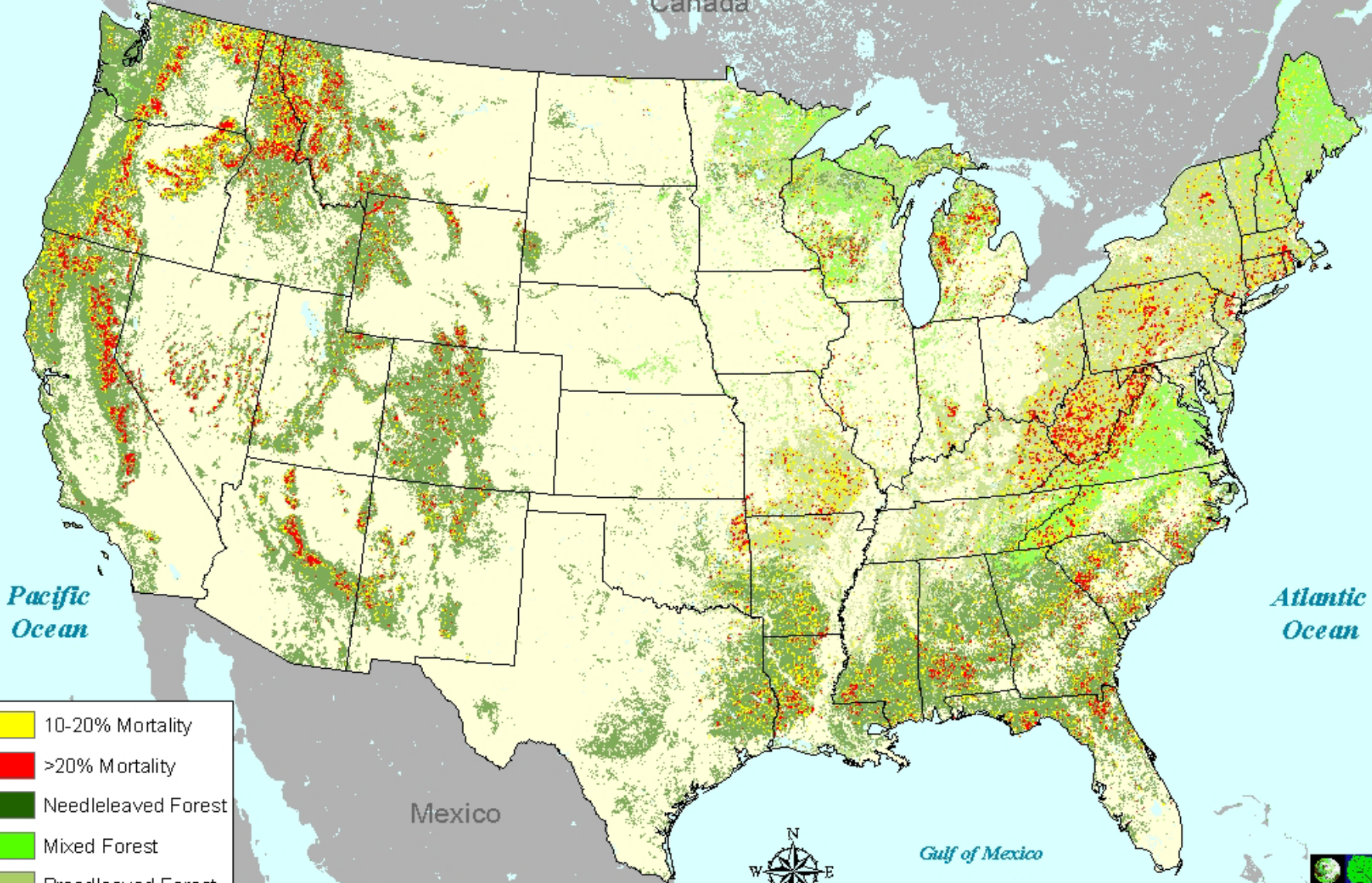
- Both work in the forestry sector for carbon crediting
- Both require third-party verification that lands are sustainably managed.
- both have already approved FSC as a credible third party.

But it will be the biomass removal policies for  
*fire reduction* and *bio-energy/biofuels production*  
that will . . .

. . . drive explosive growth certification in US

# *Fire Risk: Insect and Disease Mortality*

Canada








Pacific Ocean

Atlantic Ocean

Mexico

Gulf of Mexico

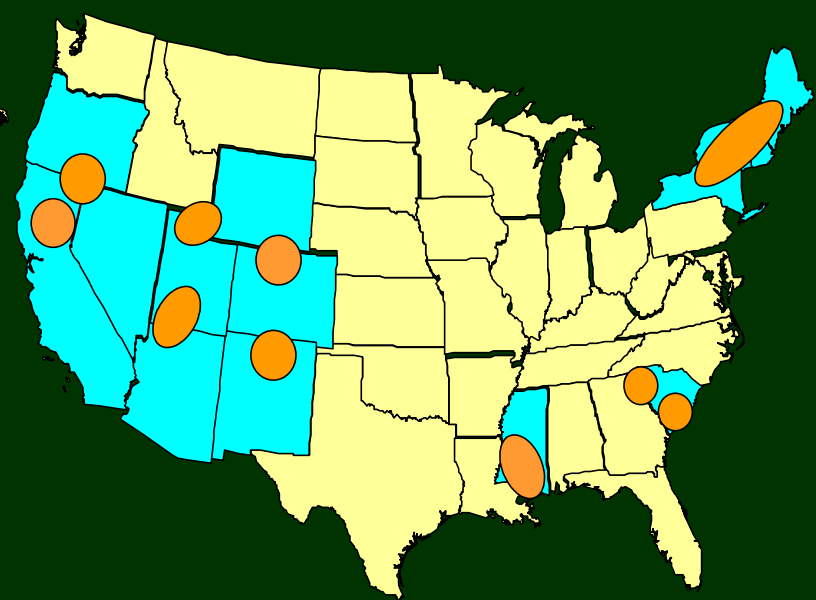
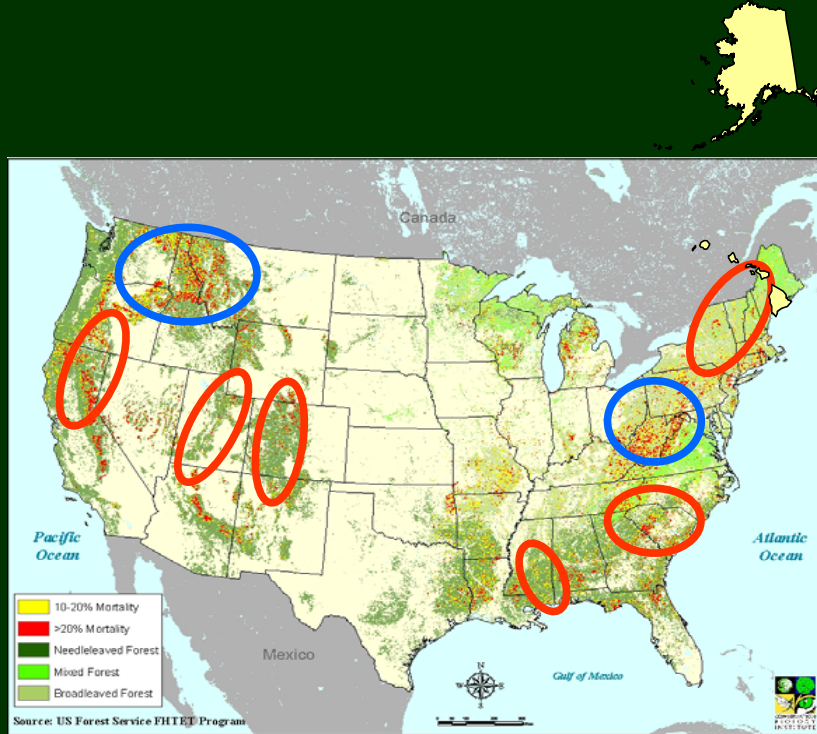
-  10-20% Mortality
-  >20% Mortality
-  Needleleaved Forest
-  Mixed Forest
-  Broadleaved Forest



Source: US Forest Service FHTET Program



Coordinated Resource Offering Protocol (CROP): 30 million acres



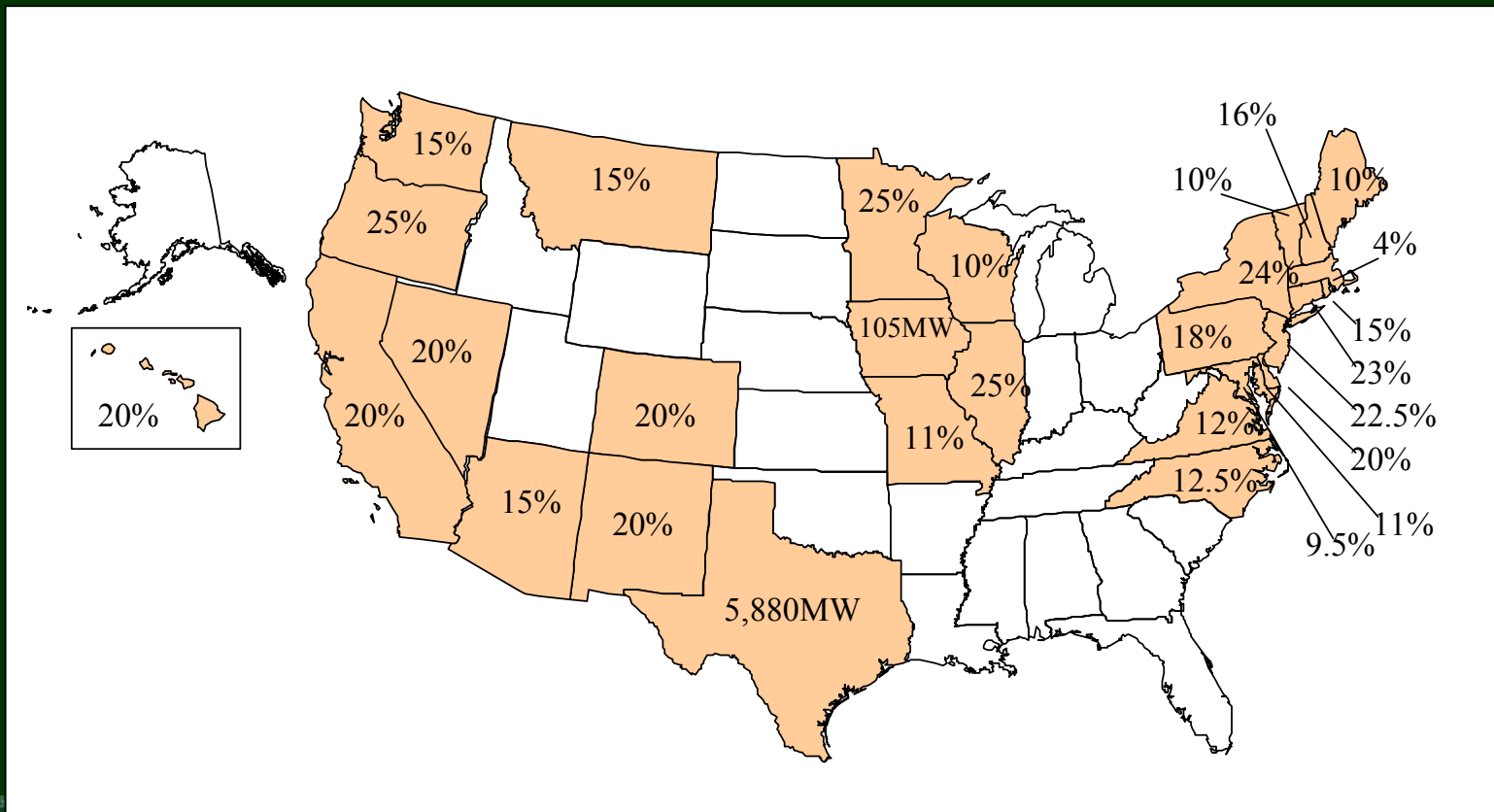
Of 20 million green tons of CROP biomass (<7") and small logs (7"-12") projected for removal through 2010 ...

... 78% of volume will be in softwoods!

## As for bioenergy and biofuels . . .

- President Bush directs nation to produce 35 billion gallons of biofuels/yr by 2017.
- Energy Policy Act requires *7.5 billion gallons/yr. of biofuels* production by *2012*.

**State Renewable Portfolio Standards - 29 states**  
**% of state's electricity to be provided by renewable**  
**resources in next 5-10 years**





Units of ethanol produced from 1 unit of fossil	Reduction of GHG emissions to make ethanol compared to gasoline made from fossil-fuel
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1.3 (Corn to ethanol)	22%
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8 (Cane to ethanol)	56%
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2.5 (Soybean to ethanol)	68%
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up to 36 (Wood/grass to ethanol)	91%
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All of this placing unprecedented demands on woody biomass . . .

A global push for third party certification focused on course woody biomass removal for bioenergy/biofuels applications:

- The Energy Center at the Ecole Polytechnique Federale de Lausanne (Switzerland)
- Germany: Berlin 2007  
“Sustainable biofuels – How to certify them?”
- State of Minnesota (USA) – guidelines formally approved May 16 – now available to the public. Northern and central forest regions in US to follow

*Thank-you!*



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