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FOR EUROPE**

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Joint FAO/UNECE Working Party  
on Forest Economics and Statistics

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Agenda item 2 of the provisional agenda

**FOOD AND AGRICULTURE  
ORGANIZATION**

European Forestry Commission

Guidance on Work Area 3: Forest Sector Outlook

**AGENDA ITEM 2.1 – REVIEW AND PLANS**

Note by the Secretariat

*Summary*

The document presents an overview of the activities in Work Area 3, Forest Sector Outlook, and highlights the topics and issues to be addressed by Working Party, in particular related to the development of a new European Forest Sector Outlook Study. The Working Party will also be informed of the plans for a North American Forest Sector Outlook Study. This document comprises also information on the work on climate change as well as wood mobilization. The Working Party is invited to provide guidance on current and future activities in Work Area 3.

## **I. Outlook Studies: Progress since the last session of the Working Party**

1. Since the thirty-first session of the Working Party, significant progress has been reached on the development of outlook studies for Europe and North America. This follows the approach approved by the Working Party at its last session, notably: 1. a reinforced Team of Specialists, 2. strengthened partnerships with organizations and projects active in related areas, 3. a Core Group to guide and conduct the work, 4. an improved dialogue with work areas 1, 2 and 5, and 5. linking with other regional studies.

### Europe

2. For the development of a new European Forest Sector Outlook Study (EFSOS-II)<sup>1</sup>, cooperation has been established with a number of projects, notably the EUwood project on “Real potential for changes in growth and use of EU forests”, implemented by a consortium led by the University of Hamburg of which UNECE/FAO is a partner, the Swedish Future Forest project which analyses the development of the Swedish forest sector in a global context and the EFORWOOD project on sustainability assessment of the forestry wood chain. The results of the work done by partners can thus be used and fed into the outlook analysis, following the approach approved by the Working Party at its 2009 session. In addition, cooperation is ongoing with the BioEnergy Europe (BEE) project, the EU Joint Research Centre, UN Environment Program, as well as other institutions.

3. A Core Group with representatives from close project partners as well as the experts contributing their methods to the study has been established. It has met three times<sup>2</sup> to refine the approach to and methods of the study and it will meet immediately before this Working Party session.

4. A network of outlook correspondents has been established following requests for nominations by countries and an expanded meeting of the Team of Specialists on Forest Sector Outlook with Team members and outlook correspondents was held in November 2009. At this meeting, Team members and outlook correspondents approved the approach to the study and the methodologies employed.

5. A constant dialogue with other work areas, notably Work Areas 1 and 2, is ongoing through the participation of the secretariat in the Core Group and the Team. It is foreseen to involve representatives of these teams in the analysis of modelling results and the drafting of chapters on possible future developments of markets and forest resources. During a meeting with representatives of other Teams of Specialists in April 2009, possible synergies with the Team of Specialists on Forest Fire were also identified. At this meeting, it was also suggested to make use of the criteria and indicators of sustainable forest management in the outlook study, an approach take on board in the outline of the study (see Annex).

6. For a more detailed overview of the approach and the methods employed in EFSOS, please refer to the separate background document<sup>3</sup>.

<sup>1</sup> The scope of EFSOS-II comprises the following countries. Western Europe: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK. Eastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Montenegro, Slovakia, Slovenia, TFYR Macedonia, Turkey. CIS subregion: Belarus, Republic of Moldova, Ukraine.

<sup>2</sup> <http://timber.unece.org/index.php?id=187>

<sup>3</sup> “EFSOS 2011: Scenarios and Methods”

### North America

7. The United States has agreed to lead the development of a North American Forest Sector Outlook Study (NAFSOS) for the US and Canada. It will build on the recent Forest and Rangeland Renewable Resources Planning (RPA) assessment by the US, and also taking into account the previous shorter US and Canada outlook country reports submitted to the FAO Committee on Forestry. The timing of NAFSOS has been aligned with that of EFSOS, it is foreseen that both studies would be completed in 2011. The Working Party will be briefed on plans for NAFSOS and a provisional outline for the study will be shared for comments.

### Russia

8. FAO initiated a dialogue with Russia in 2009 regarding a Russian Forest Sector Outlook Study, which could have a similar approach to a European and North American Study. FAO has received a proposal from Russia. The terms of reference are presently being reviewed and further consultations with interested parties will take place. The Working Party will be briefed on developments during the session.

## **II. European Forest Sector Outlook Study 2011**

### **A. Scenarios**

9. One objective of EFSOS is to generate quantitative, detailed scenarios, differentiated by policy choices or external circumstances, to help decision makers and analysts explore the possible long-term consequences of the various options. Based on the list of policy issues presented to the Working Party at its thirty-first session, and taking into account its advice with regard to clarity and focus, the Core Group has agreed on two baseline and four policy scenarios.

10. The four policy scenarios focus on four major issues: climate change, energy, biodiversity and technological progress. Each is related to one of two reference futures, as described by the Intergovernmental Panel on Climate Change (IPCC) for use in its third and fourth assessment reports. This approach should also enable the comparison of results with NAFSOS. The IPCC reference futures (labelled “A1” and “B2” by IPCC) each describe a coherent future world, assuming different developments in main drivers such as globalization, population, GDP development and use of fossil fuel. They are as much as possible free from new policy interventions. They are “benchmark scenarios” with dynamics, but with without major policy interventions, and will, as such constitute two baselines of the study. The A1 world can be characterized as “globalised and growing economies” and the B2 world as “environmentally aware, with a focus on local solutions.”

11. The effect of specific policy interventions will then be studied in the following additional scenarios on top of these two IPCC reference futures:

- Maximizing carbon
- Promoting wood energy
- Priority to biodiversity
- Improved competitiveness of the forest industry (“technology scenario”).

12. The two reference futures and four policy scenarios are described in more detail in the separate background document (“EFSOS 2011: Scenarios and Methods”)<sup>3</sup>.

## **B. Methods**

13. EFSOS scenarios will be built using different models and calculation frameworks, which are all already known and tested, and linking them. This has the advantage of using familiar, well understood tools, each with transparent assumptions and methodology appropriate to the part of the sector being analysed. These methods have been brought together to meet the demands that were being set with regard to objective analysis which is science-based, well-argued and independent whilst addressing the primary policy issues and concerns. They encompass the Wood Resource Balance (Prof. U. Mantau and Mr. F. Steierer), statistical analysis of historic production and trade (Prof. A. Baudin and Dr. R. Jonsson), analysis of historic and future competitiveness (Prof. M. Dieter and Dr. H. Weimar), a global trade model for forest products (EFI-GTM, Dr. A. Moiseyev) and a forest resource projection model (EFISCEN, Dr. M.J. Schelhaas and Mr. H. Verkerk). Updated conversion factors from 16 countries (see separate secretariat note on forest product conversion factors<sup>4</sup>) will be used in EFSOS in the context of the wood resource balance to convert projected market developments into the roundwood equivalents.

14. The aim of combining these methods is to consider the entire scope of products from the forest and trees outside the forest, encompassing residues, post-consumer recovered wood, and taking account of trade patterns and developments. These methods and their use in the context of in the context of constructing the EFSOS scenarios are described in the separate document<sup>3</sup>.

## **C. Future activities and funding**

15. The core group will continue to guide the work on EFSOS, coordinated by the secretariat, to employ the methods in accordance with scenario descriptions, review and update results, and shape the analysis.

16. The major milestones with regard to the completion of the study are as follows:

|                 |   |
|-----------------|---|
| Spring 2010:    | Assumptions for scenario descriptions fully developed and model set-up defined      |
| Summer 2010:    | First results of projections  |
| Fall 2010:      | Updated projections for all scenarios available for review at extended Team meeting |
| Winter 2010:    | Final projections   |
| Winter 2010/11: | Analysis  |
| Spring 2011:    | First draft study   |
| Summer 2011:    | Finalized study after review  |
| Winter 2011:    | Printed study   |

17. At present, the Core Group is refining the description of the different scenarios and the assumptions for each of the methods. It will then start with the review of modelling results to validate and refine outcomes. This review will be particularly important as the approach to EFSOS is a new one with the different methods feeding into each other.

18. Outlook correspondents and Team of Specialists members have already been requested to review the data of the national forest inventories, the wood resource balance, and conversion factors as well as initial market modelling results. They will also be consulted on the assumptions and the scenarios, notably for EFISCEN.

<sup>4</sup> “Forest product conversion factors”, Item 2.3

19. Updated modelling results for all scenarios are expected to become available in fall 2010. The next expanded Team of Specialists meeting will take place in fall 2010 with the opportunity for national correspondents and Team members to review and comment on updated modelling results. On this basis, projections will be finalized according to each of the methods.

20. The enclosed outline of the study (see Annex) highlights the suggested approach to the analysis of the different scenario results, comparisons between them and an overall sustainability assessment, which shall serve to evaluate the outcome of the different scenarios, using selected criteria and indicators for SFM. In this context, synergies are expected with the production of the *State of Europe's Forests 2011* report.

21. At the present stage, it is foreseen that the main chapters of the study will be drafted by spring 2011, to allow for sufficient time for reviews, assuring consistency and improvements. A final draft should become available by mid-year to ensure printing of the final study by UNECE/FAO during 2011. As a *Geneva Timber and Forest Study Paper*, it is expected that translations in French and Russian become available in 2012. In addition to the final report, it is foreseen that separate *Geneva Timber and Forest Discussion Papers* will be produced as a contribution to EFSOS which will include detailed descriptions of the methods and the modelling results for each scenario.

### Resources

22. Whilst some funds for supporting the modelling of the scenarios have become available, as well as in-kind resources through the partnerships with the EUwood and Future Forest projects, funds for supporting the data review as well as for the analysis of the study and the drafting of the different chapters are lacking. The secretariat will continue to coordinate the production process of the outlook study, ensuring its policy relevance and review.

23. ***The Working Party is requested to provide its advice on:***

- the approach to the new European Forest Sector Outlook study, notably the different scenarios descriptions and the methods employed
- the approach to the outlook analysis, comprising the link with the criteria and indicators for sustainable forest management as well as the outline
- the continued involvement of Team of Specialists members and outlook correspondents in the review and communication of the national modelling results to ensure their national usage and the study's credibility
- the funding of the outlook analysis to ensure that a comprehensive report can become available in 2011.

## **III. Climate Change**

24. At its 2009 session, the Working Party was presented with the plans of UNECE/FAO activities on forests and climate change developed by the secretariat, following the European Forest Week in 2008. These proposals were approved by the Working Party as well as the Timber Committee at its 67<sup>th</sup> session. In the meantime, the secretariat has developed a webpage on forests and climate change available at <http://timber.unece.org/index.php?id=214>. With the arrival of a new associate professional officer, the secretariat will embark on developing the activities on forests and climate change, along the twelve lines proposed (<http://timber.unece.org/index.php?id=241>), as resources allow. The work on EFSOS is presently the main substantive undertaking addressing climate change mitigation and adaptation needs, options and strategies.

#### IV. Potential Sustainable Wood Supply and Mobilization

25. Linked with climate change have also been past activities on potential sustainable wood supply and mobilization. Guidance on potential sustainable wood supply developed in response to the request by the Working Party at its last session is presented in a separate background document.

26. Following the previous workshop on wood mobilization in January 2007, UNECE/FAO organized in June 2009, with the kind support of the French Ministry of Agriculture and of CEMAGREF, a workshop on “Strategies to increase wood mobilisation on a sustainable basis” with partners, notably MCPFE, EFI, CEPI, CEPF, COPA-COGECA, ENFE, and EUSTAFOR.

27. In the workshop conclusions, participants agreed that there is potential to enhance wood supply in a sustainable manner, for energy and raw materials, and that wood mobilization should be further encouraged. They reached consensus on a set of principles to be consistently applied in wood mobilization efforts, notably:

- Adopt an integrated approach to wood mobilization policies, within the sector and with other sectors;
- Ensure sustainability at all stages;
- Take account of regional and local conditions;
- Adopt targeted approaches to specific groups and purposes;
- Take action via measures which are easy to implement immediately, whilst investing into long-term efforts and benefits.

28. In addition, participants identified areas with a promising wood mobilization potential, comprising actions of forest owners, land ownership structures, economic and financial incentives, legal and institutional framework, research, technology and development, education and training, infrastructure and logistics.

29. The main results of the workshop were an agreed set of specific measures to ensure sustainable wood mobilization. Building on this work, UNECE/FAO together with the European Commission and the Forest Europe Liaison Unit Oslo, have developed a "Good practice guidance on sustainable mobilisation of wood in Europe". The Good Practice Guidance, proposing eight areas of action to increase wood supply, is directed to both policymakers and practitioners. For each of the mobilization areas, concrete measures are presented, and for each measure, successful case studies from fourteen countries are described. Each case study includes information on specific circumstances, results and lessons learned, as well as the contact details of experts who may be consulted. The case studies are further assessed according to the time needed for implementation, ease of implementation and potential scale of mobilisation. Through this approach, the reader can easily prioritize measures and identify suitable approaches for specific circumstances. More information on the outcome of the workshop as well as the guidance is available <http://timber.unece.org/index.php?id=255>.

30. ***The Working Party is invited to take note of the work on sustainable wood mobilization and the concept of developing good practice guidance, possibly applicable to other areas of the work programme.***

**Annex****Provisional Outline of EFSOS 2011**

| <b>Chapter/Section</b>   | <b>No. of Pages<br/>(indicative)</b> |
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| 6.6 Achieving and demonstrating true sustainability                              | 4                                    |
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