



Food and Agriculture
Organization
of the United Nations

70th Session of the Timber Committee

Forests and economic development in the ECE region

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**Geneva, Switzerland
16-19 October 2012**



Overview

- Introduction
- Eight messages
- Outlook and six policy challenges
- The way forward: the green economy
- Next steps



Introduction

UNECE/FAO contribution to UNFF10.
It aims to:

- Describe how forests contribute to economic development in the ECE region, and present major trends;
- Identify major policy challenges linked to economic development for the region's forest sector, and briefly describe those factors which should inform policy makers' choices;
- Explore the role of the forest sector in the emerging green economy.
- Synthesize the results of recent major ECE/FAO studies, and be a flexible support for communication (NB the paper covers the forest sector, including the whole value chain, in the ECE region)

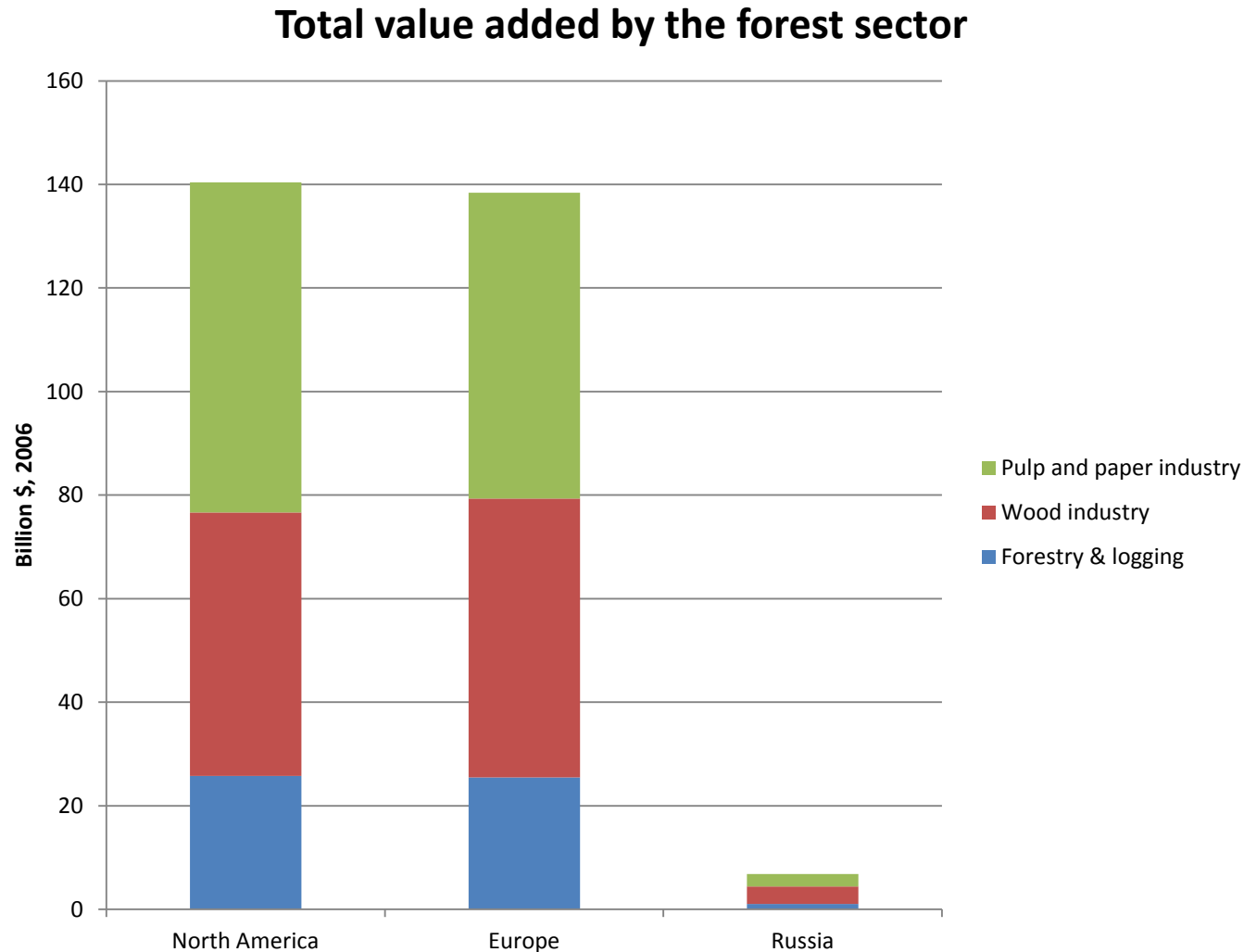


Eight messages

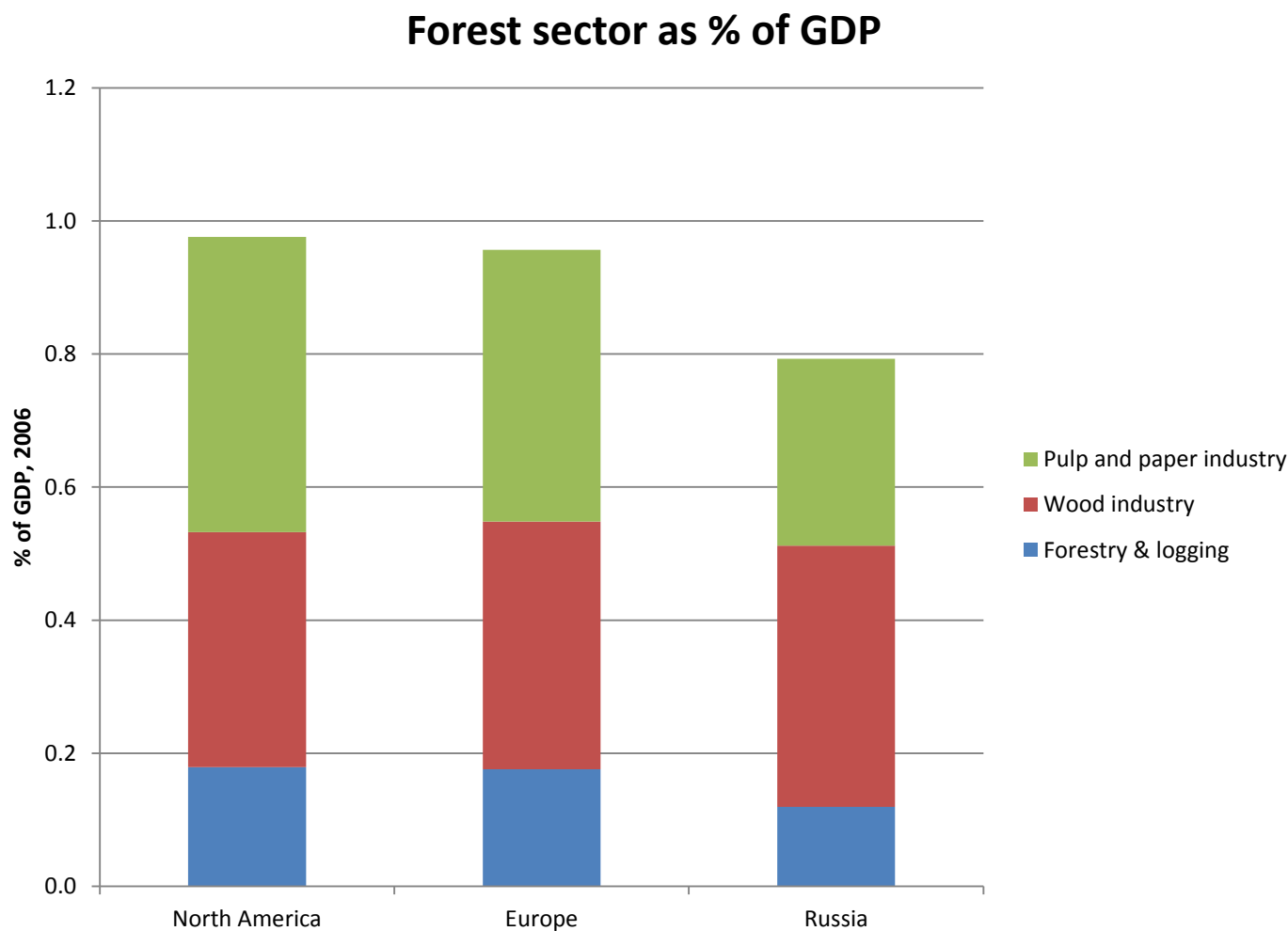
- Forests create wealth and income
- The forest sector provides employment and livelihoods
- Wood is an important renewable raw material and fuel
- The forest sector is low waste with high recycling and recovery of products
- The ECE region supplies other regions with raw material from renewable sources
- Forest derived goods and services contribute much more to society and sustainable development than their reported value
- The taxpayer contributes significant sums to promote sustainable forest management
- Some forests have become vehicles for investment by financial institutions



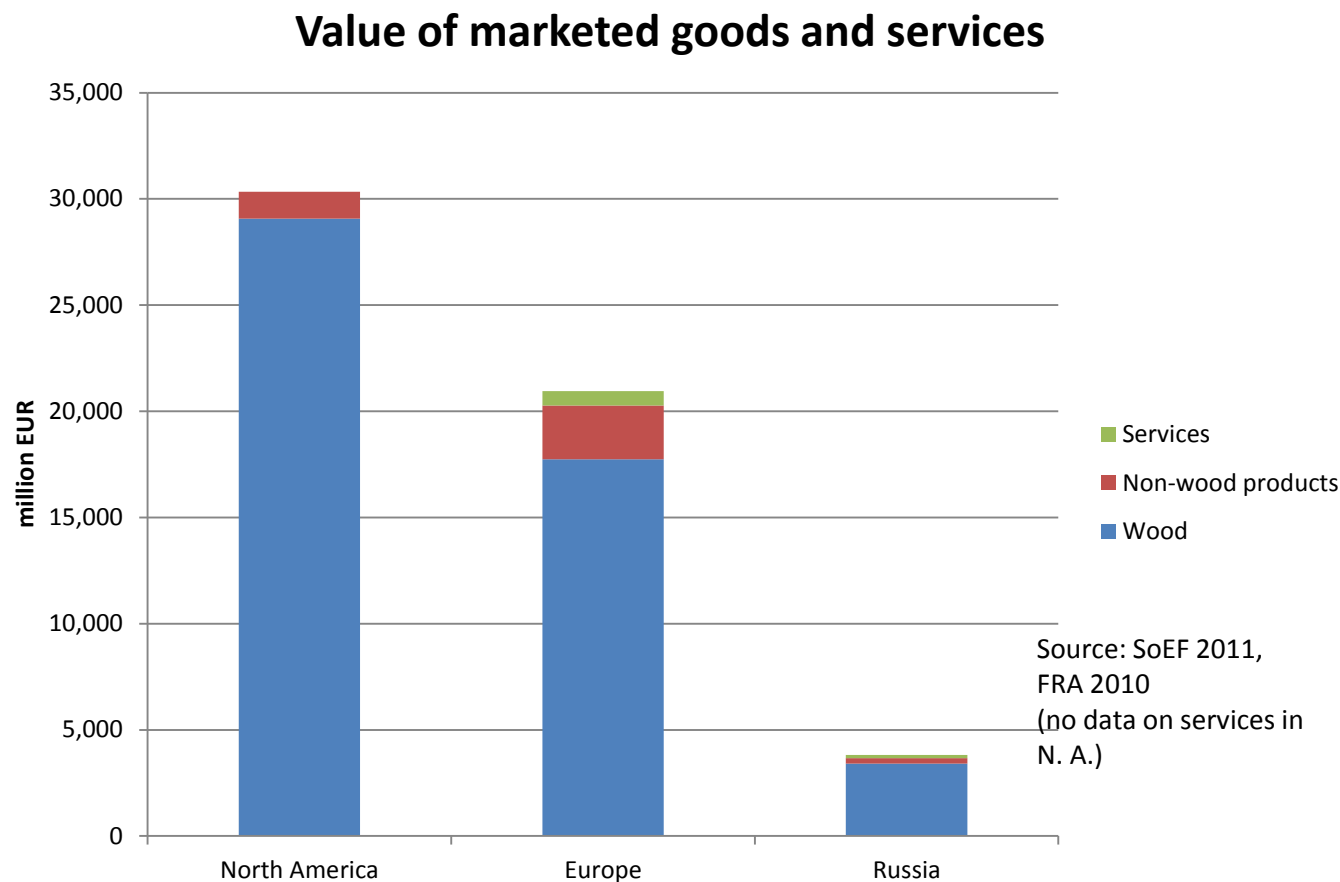
Forests create wealth and income



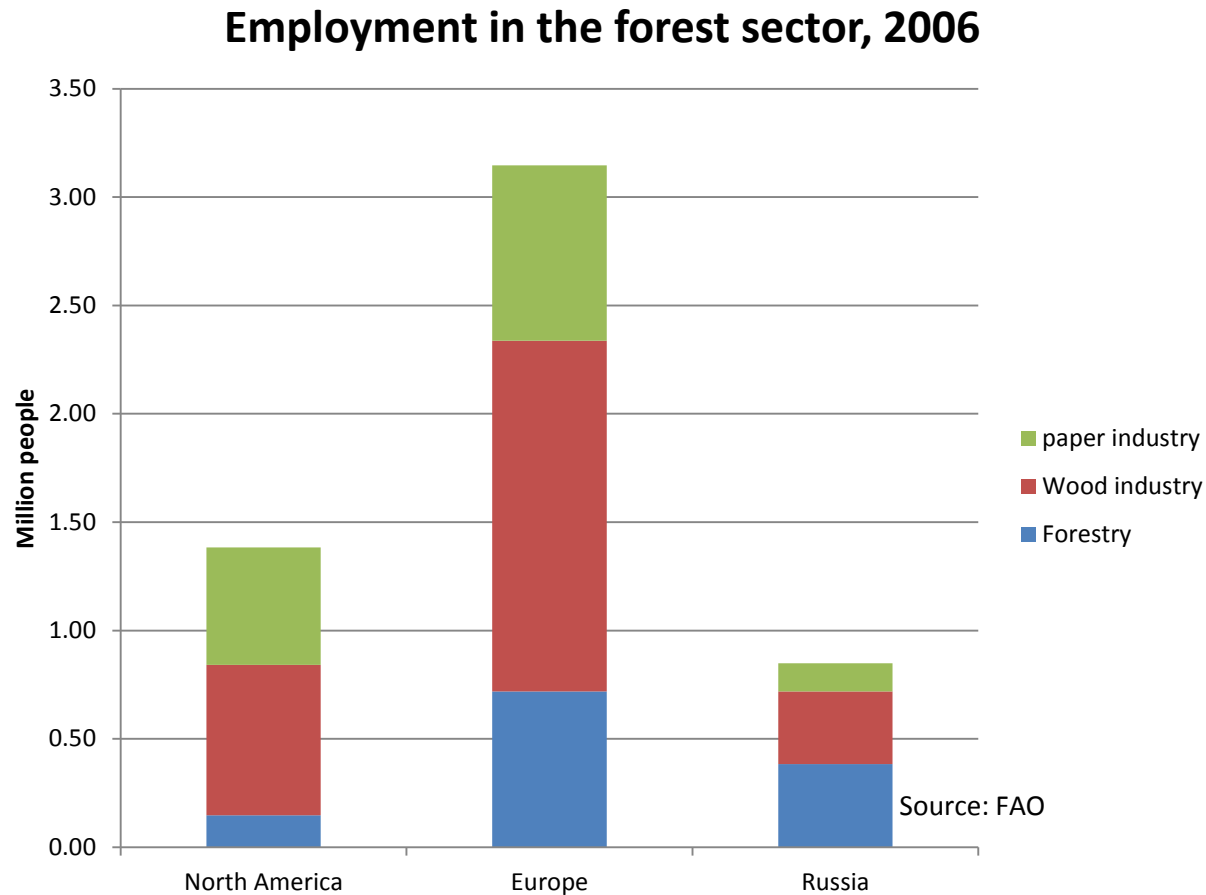
Forests create wealth and income



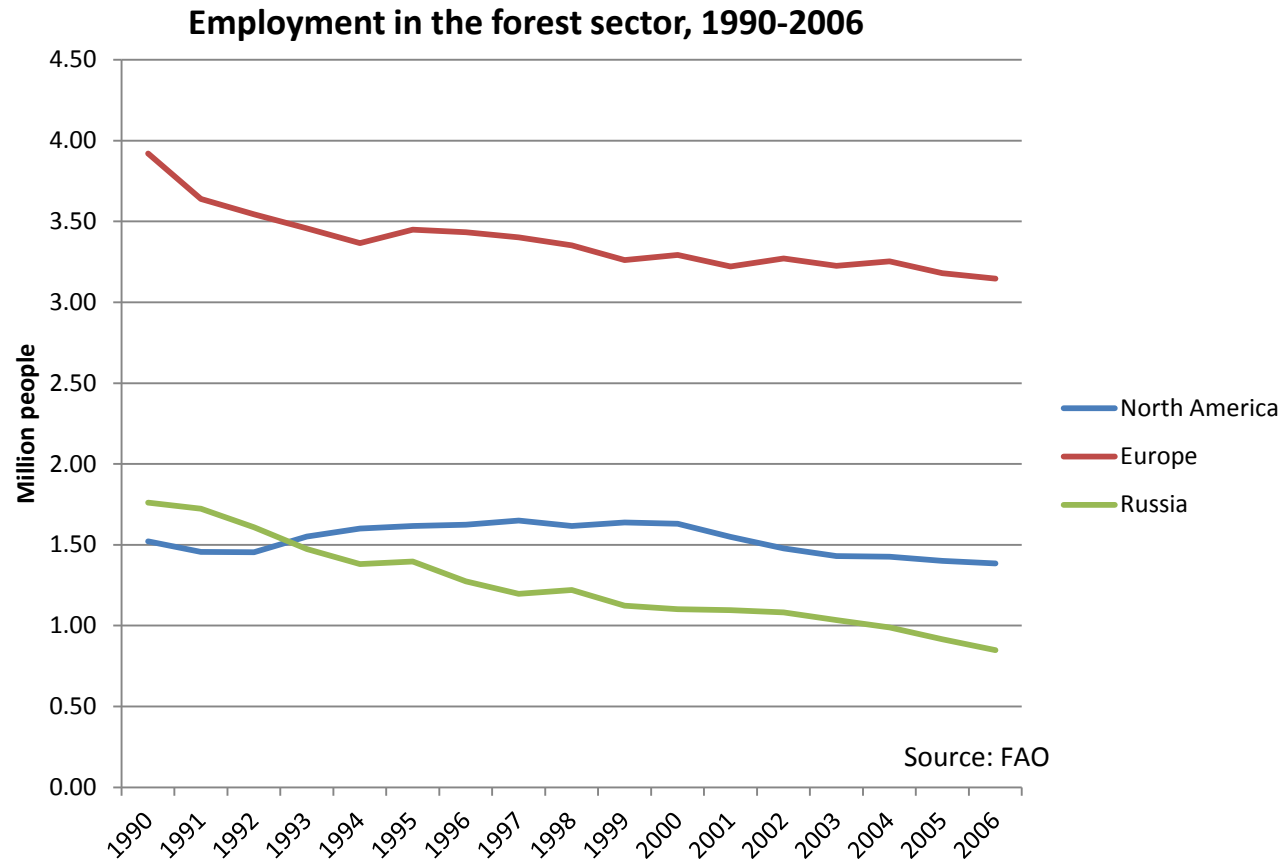
Forests create wealth and income



The forest sector provides employment and livelihoods

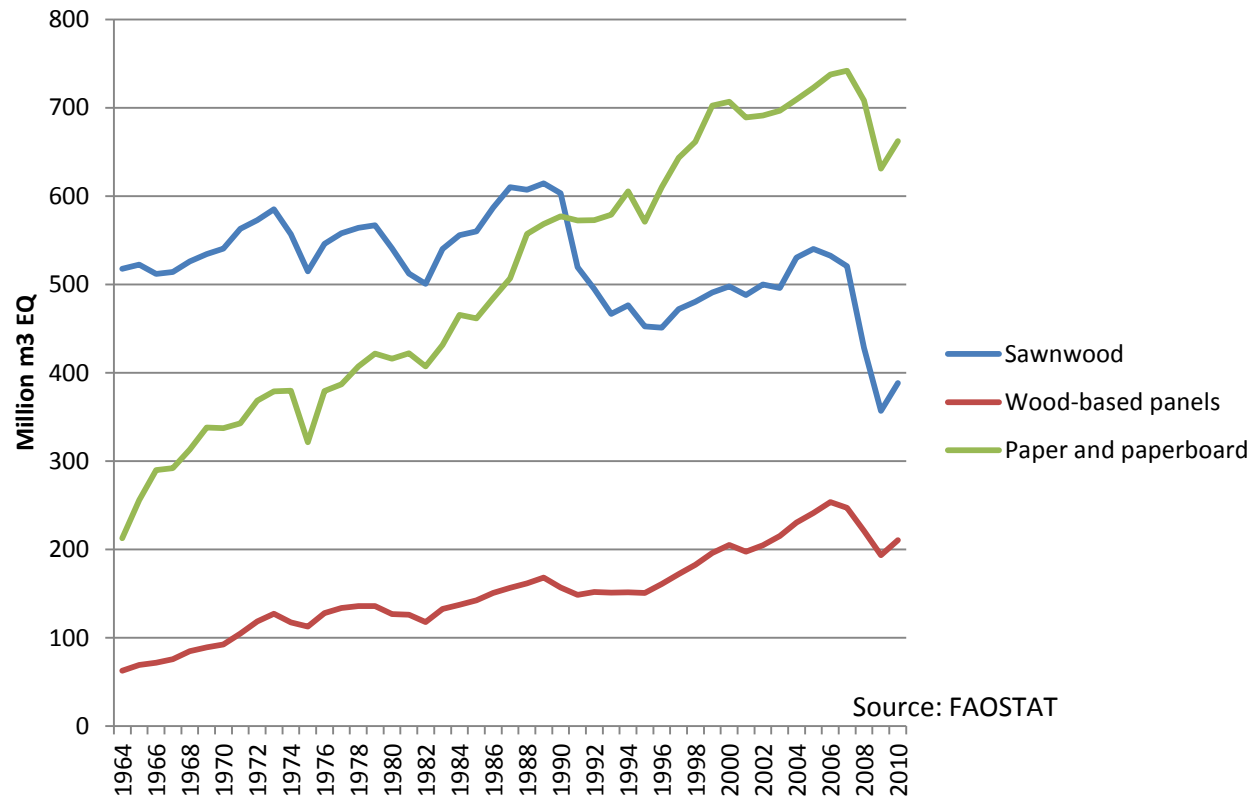


The forest sector provides employment and livelihoods

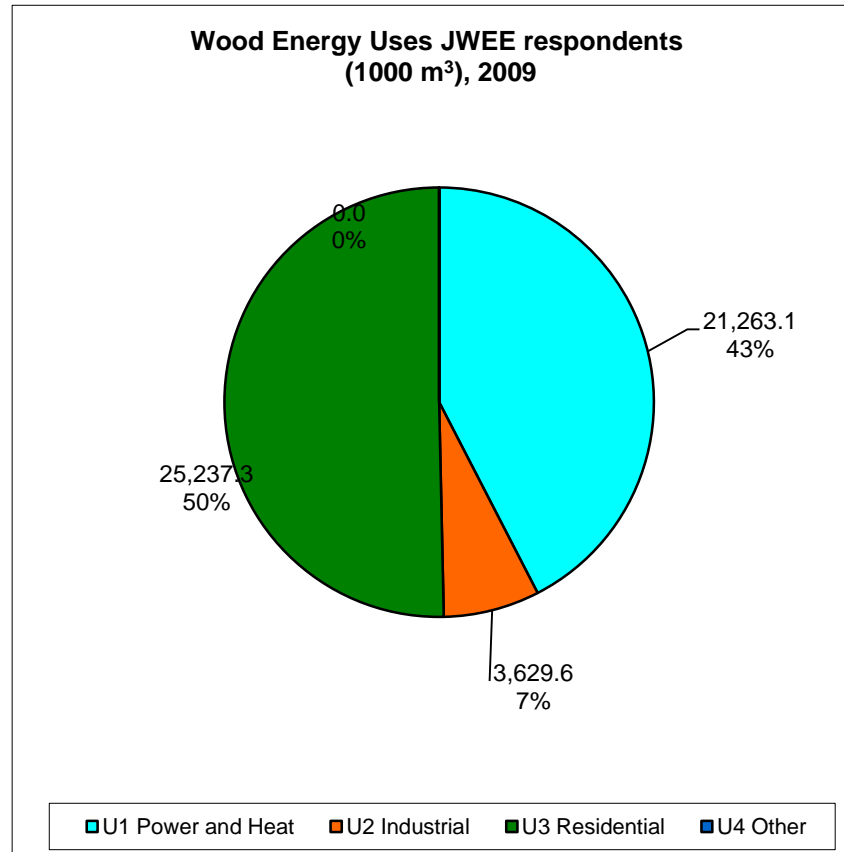


Wood is an important renewable raw material and fuel

Consumption of forest products, UNECE region



Wood is an important renewable raw material and fuel

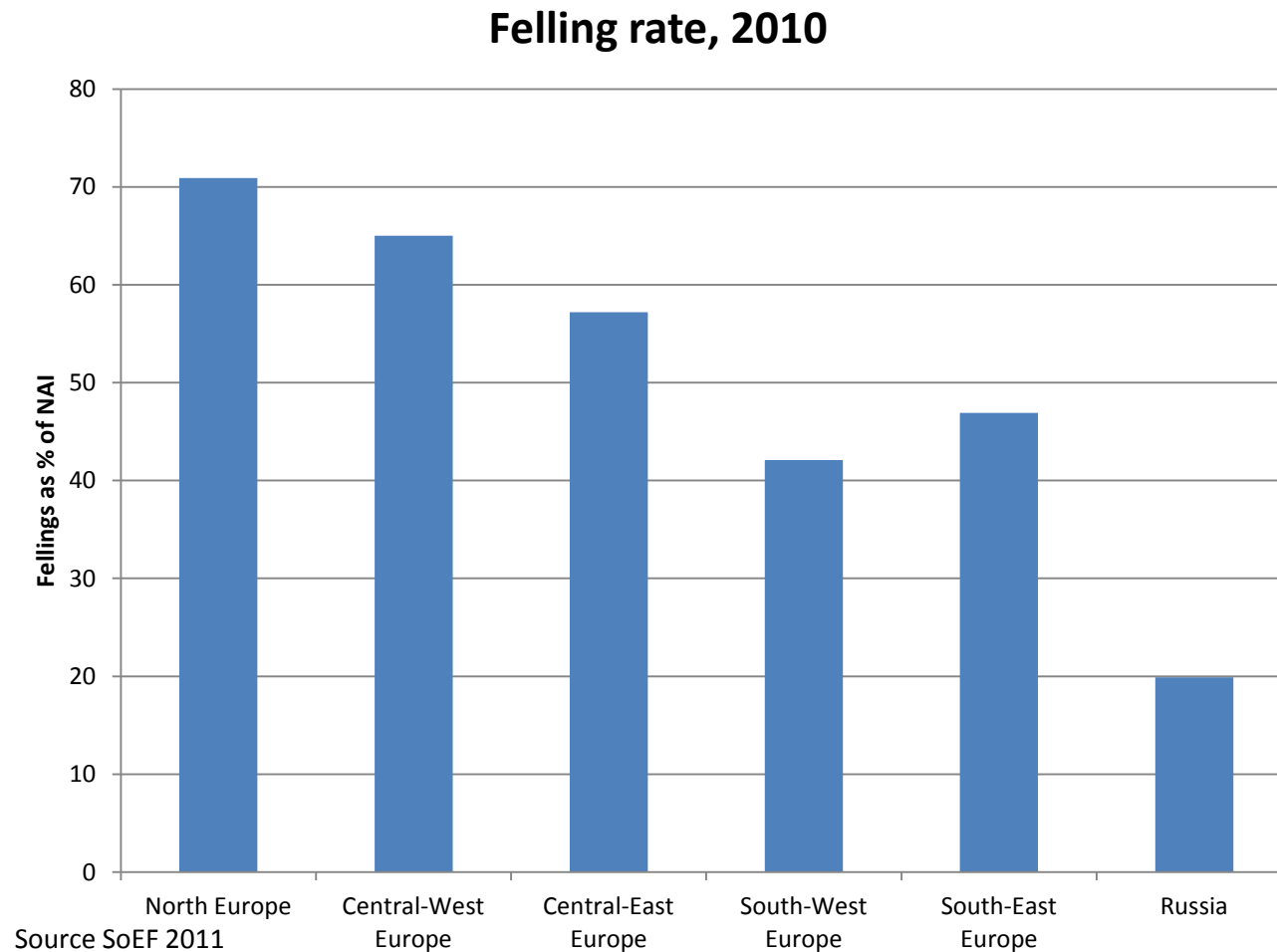


Source: JWEE

Wood accounts for 3% of primary energy supply and 47% of renewable energy supply

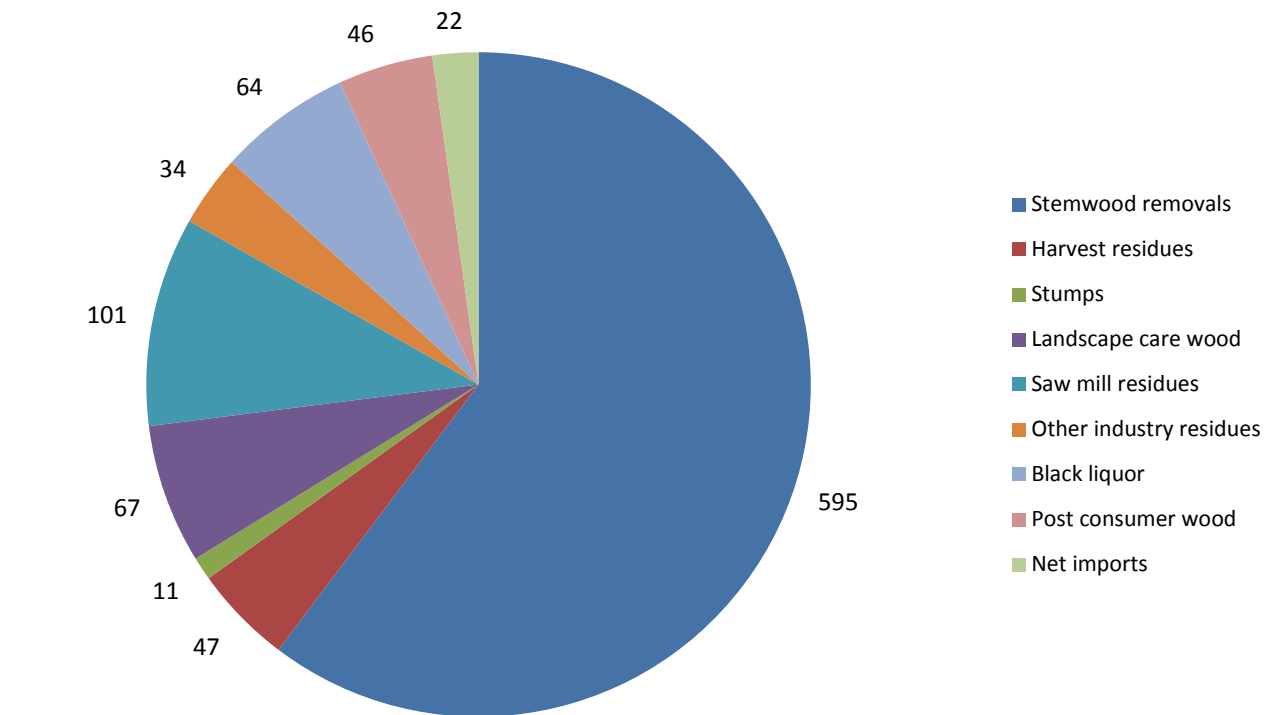


Wood is an important renewable raw material and fuel



The forest sector is low waste with high recycling and recovery of products

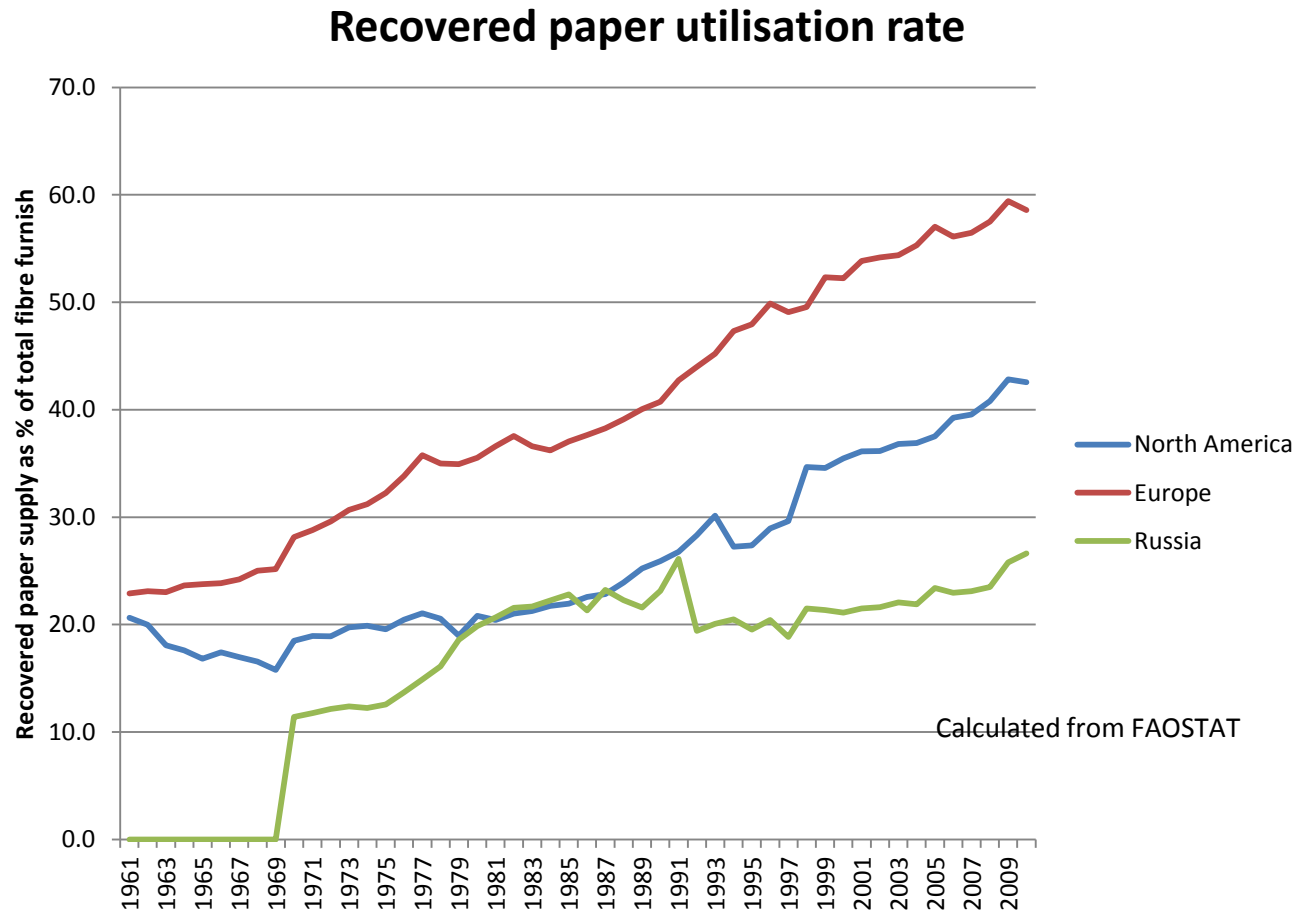
**Europe: components of supply, 2010
(million m3 EQ)**



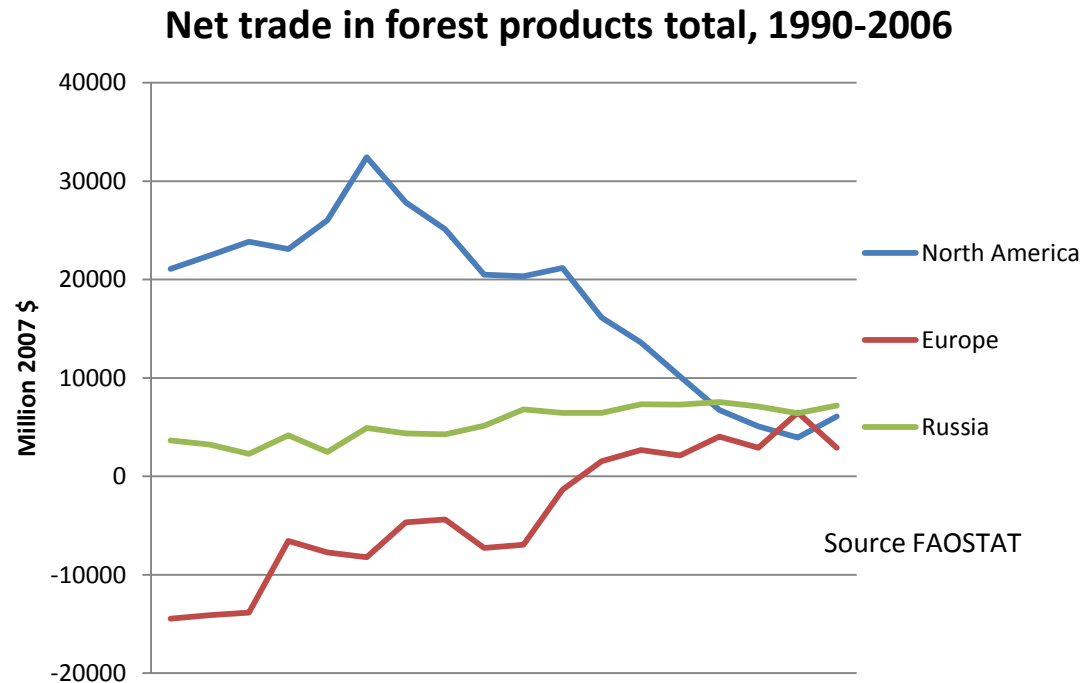
Source: EFSOS II



The forest sector is low waste with high recycling and recovery of products



The ECE region supplies other regions with products from renewable sources





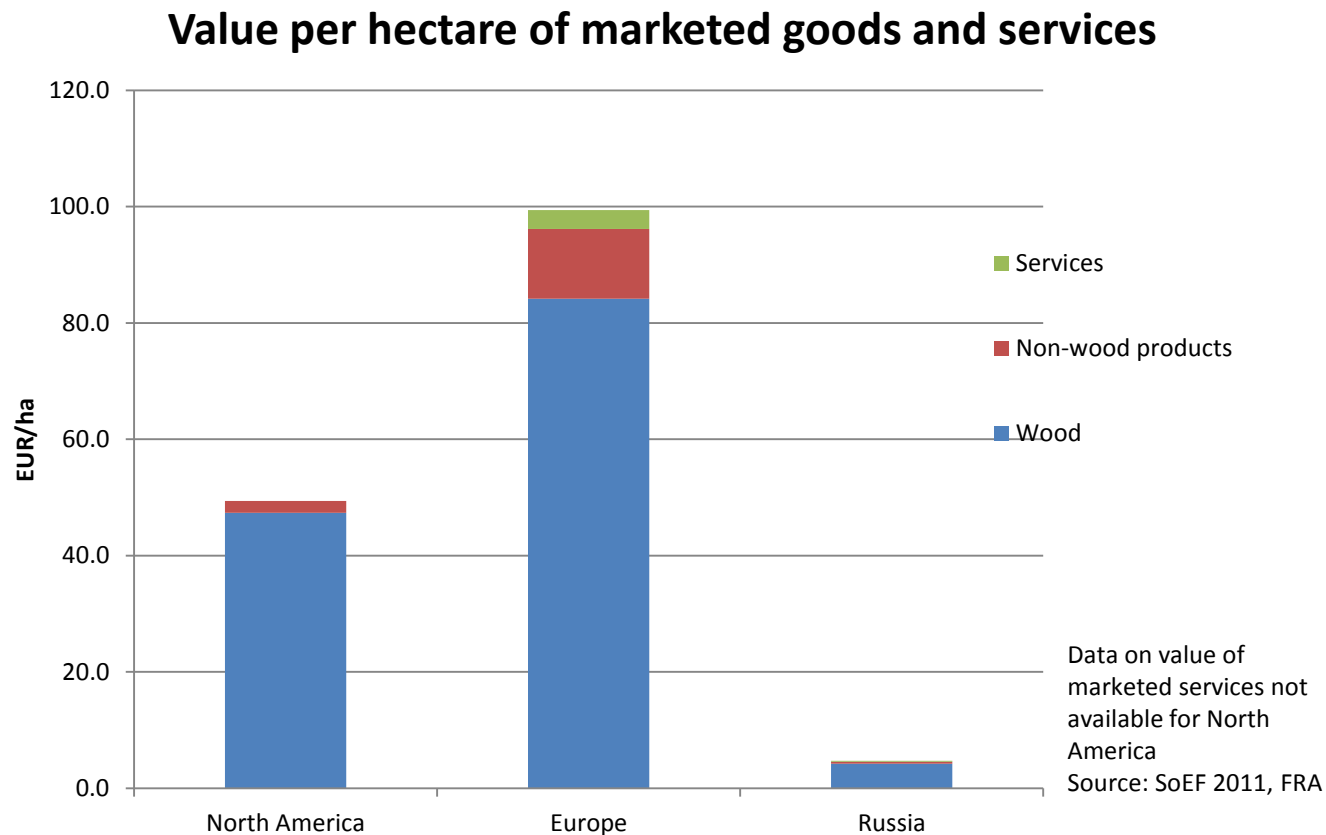
Forest derived goods and services contribute much more to society and sustainable development than their reported value

Most services and many non-wood goods are supplied free of charge, leading to management distortions and loss of revenue. For instance:

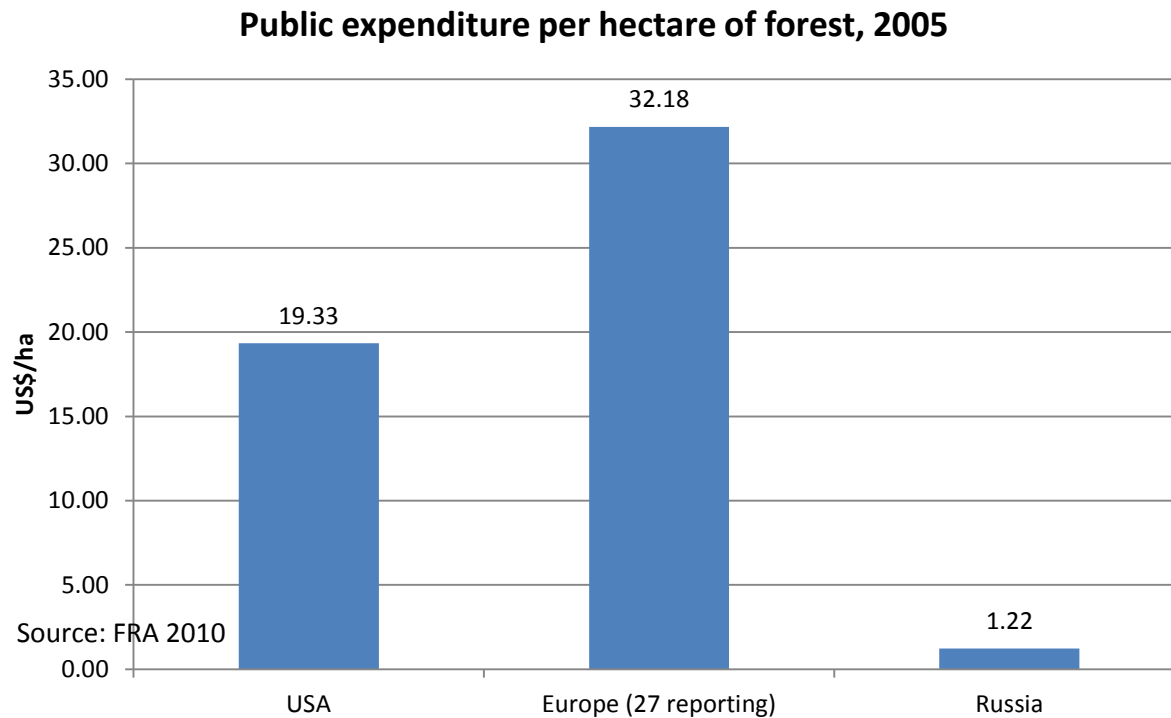
- Mushrooms and berries (free access for pickers)
- Recreation (free access for walking etc.)
- Protection services (legal obligation, not payment for services)
- Carbon sequestration (system not in place, many complexities)



Forest derived goods and services contribute much more to society and sustainable development than their reported value



The taxpayer contributes significant funds to promote sustainable forest management



Some forests have become vehicles for investment by financial institutions

- Most investment is by forest owners themselves as rates of return not competitive with other sectors.
- Special features of investment in forests: long time period, non-marketable goods/services, owners not profit-maximisers, regulation, markets not transparent or liquid
- Growth, especially in North America, of timberland investment, because of changing rules and circumstances.
- « Investable timberlands » estimated by FAO study at 165 million ha (5% of world total), valued at \$ 300-500 billion
- Attraction: diversify risks, fit needs of pension funds
- Disadvantage: risk, low return



Outlook and major policy challenges

- Based mostly on EFSOS II and NAFSOS (RUFOS only became available recently: will be incorporated)



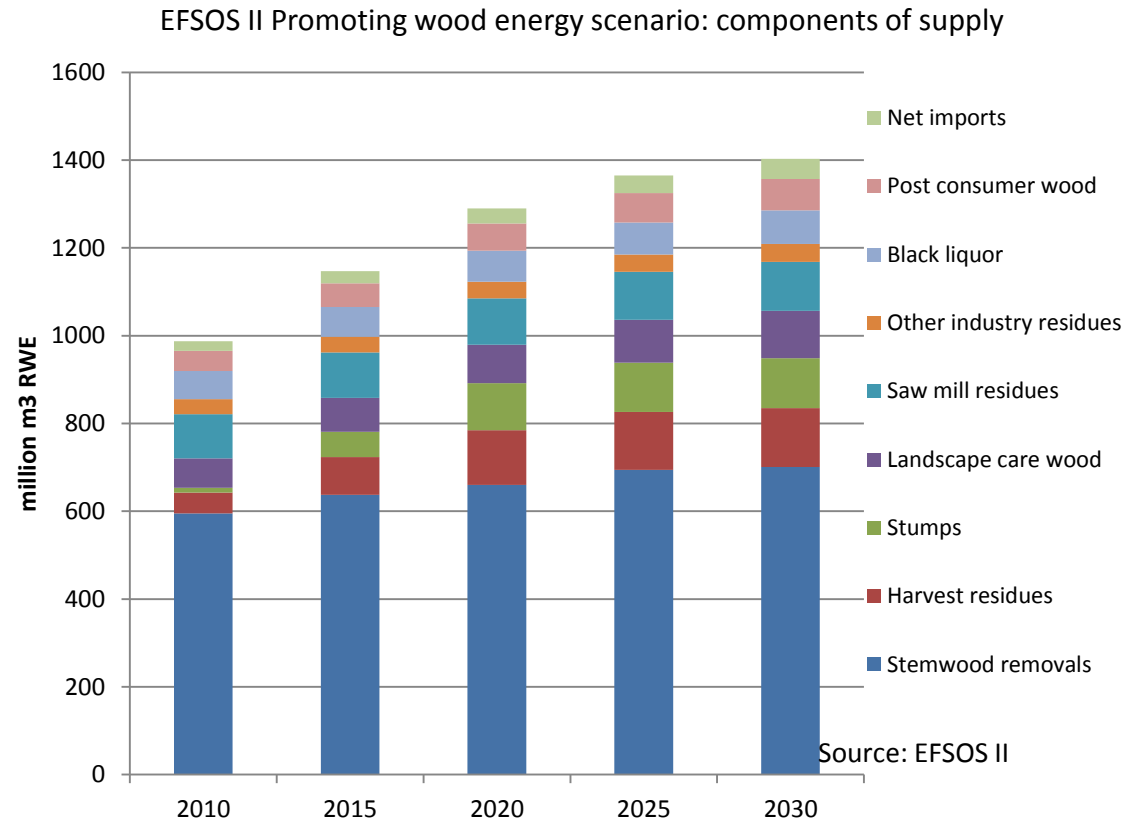
How can ECE region forests contribute to supply of renewable energy?

Both EFSOS II and NAFSOS conclude that

- it is possible to increase significantly the supply of wood for energy, and even to reach the ambitious policy targets.
- this would require very significant political and financial investment to mobilise wood supplies,
- this would have negative consequences for the forest industries, notably those using small low value wood,
- and probably for biodiversity



How can ECE region forests contribute to supply of renewable energy?



Can future wood demand be satisfied on a sustainable basis?

- A credible method to assess sustainability is needed (more than wood supply)
- EFSOS II: all scenarios appear sustainable in medium term from wood supply point of view, but tradeoffs likely, notably between maximising wood energy and conserving biodiversity
- NAFSOS: wood supply on a sustainable basis despite small drop in US forest area, due to urbanisation and other development. Threats from fire and pests, climate change. Growing stock in US expected to increase to 2040, then decline.



Developing a sustainable work force

- Productivity gains have reduced numbers of people in the workforce, but average age of workforce rather high.
- High rates of accident, injury and illness (200 deaths/year in Europe), remote and strenuous work, low status, reduce attractiveness of forest work
- Skilled young workers must be attracted by improved safety and health, better salaries and higher status to « decent green jobs » in the sector
- The necessary investment in training and labour costs must be compensated by higher productivity and increased focus on adding value



Developing and implementing forest ecosystem services

- A major policy challenge is to provide conditions for an economically viable forest sector without direct state subsidies for wood production
- Payment for (unmarketed) forest ecosystem services is a promising way forward.
- Theory is developed, need to implement
- PES can improve practice, generate income and sustain livelihoods in a fair and efficient manner
- Considerable investment of political will and the commitment of significant funds is necessary to create the conditions for effective PES systems



Promoting innovative forest products and services

- Continuity and respect for tradition are a strength of the sector but innovation is needed to stay competitive in a fast moving society.
- Innovation is possible and desirable in industries, services and forest management
- « Innovation-friendly » policies and enabling conditions are necessary, as well as a profound change in attitudes
- The innovative spirit must not damage the long standing concern for sustainability which has characterised the sector



Demonstrating and communicating sustainable forest management, inside and outside the sector

- In recent years the forest sector has made great progress in measuring and monitoring, assessing and promoting SFM, and improved sector governance for instance by certification, traceability/chain of custody, criteria and indicators, market measures against illegal logging and trade in illegally produced wood, as well as national forest programmes
- Some issues of coordination with other sectors (biodiversity, energy)
- Increasingly complex international environment
- Life Cycle Assessment makes it possible to base decisions on good science
- These developments have put the forest sector in the forefront of progress as regards transparency, evidence based decision making and good governance
- Public expenditure on SFM needs further analysis as regards effectiveness and efficiency in achieving objectives
- The importance of proactive and effective communication is now realised
- The challenge is to maintain progress in governance, sharing with and learning from other sectors, and adapting to new conditions



The way forward: establishing forests and the goods and services they provide as an integral part of the green economy

- The forest sector is dependent on a multifunctional renewable resource which provides many goods and services which are not marketed in the conventional economy.
- It will be profoundly affected by the emerging green economy.
- It already has many « green » characteristics: low-carbon, renewable, socially inclusive
- The forest sector should play a leading role in promoting the green economy
- The Action Plan on the forest sector in a green economy will be discussed on Thursday



Next steps

- Discuss the draft paper on forest and economic development, make written comments
- Revise in the light of comments and finalise, with attractive presentation
- Present to UNFF10 as a regional contribution from ECE/FAO





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November, to

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