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**UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE AND FOOD AND  
AGRICULTURE ORGANIZATION OF THE UNITED NATIONS POLICY FORUM:**

**THE FOREST SECTOR IN THE GREEN ECONOMY**

Note by the secretariat

Summary

This document provides background information for the joint UNECE/FAO Policy Forum on “The Forest Sector in the Green Economy”, to be held on 15 October 2009.

A greening of the global economy, aiming at higher sustainability and lower impact on the climate and environment, was underway before the economic crisis. However, the economic crisis gave incentive to Governments to accelerate the process and parts of their economic stimulus packages are earmarked for green investment. Against this backdrop the Forum will examine possible contributions of the forest sector to a greener economy and assess the extent to which the forest sector can influence and benefit from economic stimulus packages and subsidies oriented towards a better environment. The objective of the Forum is also to provide a cross-sectoral perspective on opportunities and strategies for the medium- and long-term development of the forest sector in the context of the current economic downturn.

**UNECE Timber Committee and FAO European Forestry Commission delegates, and participants in the Policy Forum, are invited to consider the questions set out in this document, and to prepare for an active discussion during the Forum.**

## I. INTRODUCTION

1. The United Nations Economic Commission for Europe (UNECE) Timber Committee (TC) and the Food and Agriculture Organization of the United Nations (FAO) European Forestry Commission (EFC) are organizing a Policy Forum devoted to the topic “The Forest Sector in the Green Economy.” Expert presentations and discussions will take place on Thursday, 15 October 2009 as a one-day, in-session event during the 67th Timber Committee session. This document is prepared in response to the request by the Timber Committee at its sixty-sixth session (ECE/TIM/2008/9) for a background document on the policy forum.

2. A greening of the global economy, aimed at higher sustainability and lower impact on the climate and environment, was underway before the economic crisis. However, the economic crisis gave incentive to Governments to accelerate the process, and parts of their economic stimulus packages are earmarked for green investment. Against this backdrop the Forum will examine possible contributions of the forest sector to a greener economy and assess the extent to which the forest sector can influence and benefit from economic stimulus packages and other forms of subsidies in the UNECE region. The objective of the Forum is also to provide a cross-sectoral perspective on opportunities and strategies for the long-term development of the forest sector as it eventually rebounds from the current economic downturn.

3. The first part of the Forum consists of presentations on challenges, opportunities and strategies for the development of the forest sector by leading experts, followed by an open discussion. During the second part of the Forum, a series of case studies will be presented. A panel discussion with a broad range of stakeholders will enable participants to discuss opportunities for the forest sector to contribute to a greener economy, as well as strategies for short-term survival and long-term development of the forest sector.

4. A separate background study is being prepared by the UNECE/FAO Timber Section. The paper will be issued (in English only) and posted on the website ([www.unece.org/timber](http://www.unece.org/timber)) in early October 2009. The background study will examine existing stimulus packages and other forms of subsidies in the UNECE region. It will be partly based on governments’ responses to an enquiry on the situation of their countries’ forest sector as well as existing economic stimulus programmes.

5. For more information and regular updates, please visit the Timber Committee / European Forestry Commission website at [www.unece.org/timber](http://www.unece.org/timber).

## II. THE ROLE OF THE FOREST SECTOR IN PROMOTING A GREEN ECONOMY

6. The forest sector is being severely affected by the global economic crisis. Throughout the UNECE region, the sector is suffering from diminished demand for and falling prices of wood and paper products, thus reduced income, that results in mill closures, job cuts and budget reductions. The short-term ramifications concern forest owners, the entire wood and paper processing chain, from primary processing to value-added products, as well as forest products’ trade. The employment losses have been tragic, with multiplier effects in entire communities, often in rural forested areas. In one year alone, between 2007 and 2008, the consumption of forest products in the UNECE region dramatically decreased by 117 million m<sup>3</sup> in roundwood

equivalent, of which the majority occurred in North America (81 million m<sup>3</sup>). Due to the United States and European housing crisis, the demand for sawn softwood has fallen drastically during 2008 and the first months of 2009, with a severe impact on the industry: overall production in North America has fallen by almost 19%, in Europe by over 8%. Over this period, Russian sawn softwood exports have declined by 11%. Other wood industries, such as panels and paper, were also hit painfully. These findings are from the new UNECE/FAO *Forest Products Annual Market Review, 2008-2009*. The Timber Committee Market Discussions scheduled on 13-14 October 2009, prior to the Policy Forum, will discuss the impact of the economic and financial crisis on the forest sector (see document ECE/TIM/2009/5).

7. The crisis, which has led to a fundamental rethinking of the current economic model, also comprises opportunities for the forest sector that need to be identified and seized. The economic and financial crisis has helped to accelerate the process of greening the global economy, as significant parts of the economic stimulus packages are being earmarked for green investment. The United Nations Environment Programme has called for “a world-wide transition to a low carbon, resource efficient green economy able to deliver multiple economic, social and environmental benefit”, by “re-focusing the global economy towards investments in clean technologies and ‘natural’ infrastructure such as forests”<sup>1</sup>.

8. The long-term development of the forest sector and its ability to improve social welfare will depend, among other things, on the extent to which the sector will benefit from the major economic stimulus programmes and green subsidies. The forest sector has a strong potential to contribute to a greener economy and a more sustainable society, in particular by securing employment, and providing renewable climate-friendly products (e.g. timber for buildings, wood for energy) and a variety of services.

9. Significant opportunities are vested in green building to reduce the overall environmental impact and decrease greenhouse gas and other emissions. According to current trends, the share of primary energy consumption by the building sector could grow from 30-40 per cent today to 70 per cent by 2050 (Stern, 2007). The International Panel on Climate Change estimates that by taking appropriate measures, including green building, there is a potential to reduce approximately 29 per cent of the projected baseline emissions by 2020 cost-effectively in the residential and commercial sectors, the highest among all sectors<sup>2</sup>. The contribution of the forest sector to building green can be significant, with wood as a renewable and more sustainable building material compared with other materials. This was the key message of the workshops on “*The role of wood in green building and green building effects on the forest sector in the UNECE region*” held during the European Forest Week in October 2008. The follow-up workshop on “*Responding to climate change: Towards a global approach to green building*” to be held on 12 October 2009, in advance of the Timber Committee session, will explore the opportunities and constraints to developing further demand for sustainably grown wood products in buildings (see background note ECE/TIM/2009/2).

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<sup>1</sup> UNEP: [www.unep.org/greeneconomy](http://www.unep.org/greeneconomy)

<sup>2</sup> Results from a workshop on the “Roles of Wood in Green Building and Green Building Effects on the Forest Sector in the UNECE Region” organized by UNECE/FAO during the European Forest Week, Rome, 2008.

10. Wood energy was the only market sector which did not experience decreasing demand during the past year, in large part because of Government policies to promote renewable energy sources in an effort to mitigate climate change and to improve energy security. Wood has a significant potential to expand its contribution to renewable energy within the UNECE region. Currently with a share of over 50% of renewable energy, wood contribution is expected to increase, in particular in absolute terms, in view of the renewable energy targets set by policy makers, in particular in the European Union. While the energy debate highlights electricity and transportation fuels, heating and cooling of building space and water comprise the majority of energy demand in the UNECE region. Driven by public policies, the quest for renewable energy sources is producing a structural change within the forest sector. Whereas other forest products industries and markets have been strongly affected by the economic crisis, wood energy markets have remained buoyant. With decreased demand for pulpwood-quality roundwood for wood and paper products in 2009, some pulpwood is being converted into wood energy.

11. Work by UNECE/FAO is under way to examine the amount of wood which is currently and potentially available in UNECE countries for meeting renewable energy needs as well as the needs of forest products industries. This wood could come from within and outside forest areas, processing residues and post-consumer recovered material. A UNECE/FAO workshop on “Estimating potential sustainable wood supply” held in March 2009 in Geneva, assessed and compared results and methodologies of international, regional and national studies on potential wood supply. The conclusions and recommendations state that the enhanced mobilization of wood from sustainable sources requires reviewing national, regional and local case studies and their applicability to local circumstance. The workshop on “Strategies for increased mobilisation of wood resources from sustainable sources” organized by UNECE/FAO, Ministerial Conference on the Protection of Forests in Europe (MCPFE) and partners in June 2009 in Grenoble, France, highlighted the significant potential to increase volume of sustainably produced wood. In follow-up to this workshop, the UNECE/FAO, together with MCPFE and the European Commission, has begun to develop good practice guidance on sustainable wood mobilisation.

12. Forests provide ecosystem services such as biodiversity conservation, protection against erosion, watershed protection and climate change mitigation through carbon sequestration. Whereas these predominantly public goods often have no markets and no prices, and are thus not reflected in our current economic system, they are essential to meet societies’ needs, by ensuring quality of life and supporting a sustainable and green economy. As climate change is expected to increasingly affect the environment, some of these services will be under growing threat and require careful adaptation of forest management, in cooperation with overall land management planning, to assure the maintenance of forests’ protective and productive roles. The maintenance of forest ecosystem potential to provide those services and meet societal needs in altered conditions would require additional means. Therefore identification of mechanisms to finance the safeguarding, and in some instances to market environmental services of forests, becomes the utmost priority. Some payment for ecosystem services (PES) schemes targeting water services have already been successfully developed in the UNECE region, through public as well as private arrangements. Such schemes could also comprise “biodiversity offsets”. Opportunities present themselves for state or private forests to market forest ecosystem and environmental services through such schemes or others.

13. A “Green New Deal”, an idea advocated by some governments and major international organizations, could give a strong impulse towards a green economy by channelling major government investment to green sectors such as energy-efficient building and renewable energy. Such initiatives, implemented at the global, regional, national and local level, would simultaneously improve the world’s environment while addressing the economic and social hardship arising from the crisis.

### **III. PURPOSE, TOPICS AND TARGET AUDIENCE OF POLICY FORUM**

14. This Policy Forum aims to:

- (a) Assess the situation of the forest sector in the context of the global economic crisis;
- (b) Update policy and decision makers about existing stimulus programmes and related forms of subsidies that can benefit the forest sector throughout the UNECE region;
- (c) Discuss opportunities and strategies for the forest sector’s short-term survival and long-term development that reinforce the sector’s green characteristics; in particular, consider means for proactively influencing and benefiting from relevant public policies; areas of interest will include green building, wood energy and environmental services from forests.

15. The Policy Forum will address the following topics:

- (a) Green economy, green jobs and the forest sector;
- (b) Forest products markets and long-term outlook, including for green building;
- (c) Investing in mitigation and adaptation to climate change and proactive risk management
- (d) Renewable energies: targets and policies to develop wood energy systems;
- (e) The importance of communication and promoting the rational use of wood;
- (f) Forests providing environmental services, rural employment and income;
- (g) Strategies for short-term survival and long-term development of the forest sector.

16. Target audience are governments, industry, forest landowners, researchers and other stakeholders from all parts of the forest sector will gather to present case studies and exchange information and ideas. Experts from other sectors are invited to provide the vital cross-sectoral perspective. Considerable discussion time is included in the programme.

#### IV. QUESTIONS FOR DISCUSSION

17. The Policy Forum aims at discussing and providing answers to the following questions:
- (a) How can the forest sector enhance its contribution to a green economy? In which areas (e.g. wood energy, environmental services, green building and carbon sequestration) is there greatest potential?
  - (b) How can the forest sector benefit from increased green public spending in related fields, such as environment, energy and water? In the context of major interrelated economic, social and environmental challenges, leading to increased green public spending, what are the opportunities for the forest sector? How can the sector capitalize on green economic stimulus programmes and subsidies?
  - (c) How can the forest sector be proactive and influence policy-making processes to its benefit? What can Governments, forest managers and companies specifically do? How can the forest sector enhance its cooperation with other sectors?
- 18. Delegates to the Timber Committee and participants in the policy forum are requested to consider these questions in the light of their national situation in advance of the Forum, and to actively engage in the discussion during the meeting.**

#### IV. OUTCOMES

19. Outcomes of the meeting will include:
- (a) The main messages of the presentations and discussions will be reflected in the Policy Forum's conclusions.
  - (b) A press release will be issued containing Forum's conclusions.
  - (c) Presentations will be made available on the Timber Committee and European Forestry Commission homepage: [www.unece.org/timber](http://www.unece.org/timber)

**ANNEX**

**UNECE/FAO POLICY FORUM:  
THE FOREST SECTOR IN THE GREEN ECONOMY**

PROVISIONAL TOPICS

Keynote: Challenges and opportunities
Green economy and the forest sector
Green jobs and the forest sector
Forest products markets and long-term outlook, including for green building
Investing in mitigation and adaptation to climate change and proactive risk management
Renewable energies: targets and policies to develop wood energy systems
The importance of communication and promoting the rational use of wood
Case study on forests providing environmental services, rural employment and income
Case study on a large forest products company
Case study on a public forest agency
A forest sector union's point of view
The way forward
Government policy makers
Wood industry
Forest owners
Workers, entrepreneurs
Environmental NGOs
International organizations related to environment and energy

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