

UNECE/FAO Team of Specialists on Sustainable Forest Products

Team meeting, 6 September 2022

online

Meeting report

Eoin O'Driscoll, Leader of the Team of Specialists (ToS) on Sustainable Forest Products chaired the meeting and opened the meeting.

The secretariat welcomed participants who then introduced themselves.

29 team members attended the meeting. A list of participants can be found in the Annex at the end of the report.

Item 1. Adoption of the Agenda

The team leader presented the agenda which was adopted without amendments.

Item 2. Presentation of the new Terms of Reference for the Team of Specialists for the period 2022-2023 followed by the election of Team Leader and Deputy Leaders.

The secretariat briefly outlined implication of the new Terms of Reference on the composition of the leadership of the ToS and outlined the role of the core group (Leader and deputy leaders).

The terms of reference for the Team of Specialists for the period 2022-2023 were presented. Major events and meetings were highlighted including the Market Review Discussion and future meetings of the Team of Specialists. The list of activities was presented, and the market discussion and the development and finalization of the Committee market statement highlighted as an important function of the Team.

In the following the team elected the Team Leader (Eoin O'Driscoll) and Deputy Leaders (Jeremy Wall, Delton Alderman, Christoph Pfemeter and Ivan Eastin) by acclamation.

After the election, Eoin O'Driscoll, in his function as re-elected leader of the ToS, chaired the meeting.

Item 3. Update by the Secretariat on forest products markets, followed by discussion and guidance by the ToS

a) Data collection (JFSQ/TFQ)

The secretariat provided an update on the status of data collection.

b) Forest Products Annual Market Review

The secretariat updated the team on the status of the preparation of the Forest Products Annual Market Review 2022 and thanked the authors for their contributions.

The secretariat highlighted changes to the chapters for the 2022 edition of the Review including the removal of the chapter on value-added wood products and the chapter on wood raw material, as well as the division of the sawnwood chapter into sawn softwood and sawn hardwood. Challenges related to the collection of data from the Russian Federation were identified.

The Team of Specialists discussed opportunities to update the Market Review. Suggestions from the Team included expanding the North American section and disaggregating data related to engineered wood products and new structural products, such as CLT or mass ply panels and the use of value-added products including high value products like mouldings and millwork. The revision of the Harmonized System and the provision of new codes were identified as potential data sources.

An opportunity to expand the inclusion of domestic trade was identified along with the need for a future discussion to map available data on value-added wood products in the UNECE.

c) Evaluation

The secretariat introduced the team to the process of evaluations in the UNECE and explained that in 2022 the Forest Products Annual Market Review was subject to such an internal evaluation. The secretariat invited the Team of Specialists to provide feedback on the Forests Products Annual Market Review and its use by responding to an online survey that will remain open until September 23, 2022. The Forestry and Timber Section will use the feedback to increase understanding of how the Market Review is used and how to update it to improve its outreach and coverage.

d) Market discussion 2022

The secretariat informed the Team that the 2022 Market discussion will be held during the Committee session 2-4 November 2022 and in person only in Geneva, Switzerland. The request for country market statements has been sent. This year's discussion will focus on the short-, medium- and long-term consequences of raw material supply impacted by forest fires, bark beetle, or other economic, ecological/environmental, political or societal challenges.

Input from the Team of Specialists on additional areas of discussion was requested. The Team confirmed interest in the presented topics and expressed interest in wood bioenergy, trade disruptions, conflict timber, wood bioenergy, and access to forestry and timber data from the Russian Federation.

- e) Side event on “UNECE-FAO Impulse Lab: “Trees – Nature’s technology for climate-proof building” during the 83rd session of the UNECE Committee on Urban Development, Housing and Land Management

The secretariat provided an overview of a side event that is planned to be held at the upcoming Committee on Urban Development, Housing and Land Management Meeting in San Marino, San Marino 3-6 October 2022.

The event will be online and feature two keynote speeches on 1. New European Bauhaus and 2. Moving from systems thinking to systems action that will be followed by a roundtable discussion. The approach of the event reflects input from the Team of Specialists to communicate with end users in their own language and content will be tailored to urban planners, architects and related urban policy practitioners. Input on speakers and topics was requested and discussion highlighted the need to identify the unique requirements and barriers to implementation across the UNECE region. The side event will be an online meeting and the invitation to attend will be shared and promoted widely. More detailed information on the meeting can be found on the secretariat website: <https://unece.org/info/Forests/events/370195>.

The team welcomed the initiative and highlighted that there is further a need to assess the barriers in place that prevent a wider use of wood as low carbon construction material. Members of the ToS also mentioned that the overall product balance and carbon footprint of wood material very much depends on what happens at the end of its lifecycle. Notably in North America, a big amount of wood is still being landfilled and thus can have a very negative effect on the overall carbon balance, if the methane resulting from anaerobic conditions in landfill sites escapes to the atmosphere.

- f) Informal consultation on the content of the forthcoming UNECE/FAO studies on circularity concepts in forest-based industries – update on status and tentative timeline of outputs

The secretariat reported that an informal subset of this Team of Specialists provides its capacity and knowledge of to support forthcoming studies on circularity concepts in forest-based industries. An update on the status and timeline of outputs was provided. The scheduled next steps planned by the secretariat will be:

- Consultation meeting online 15 September 2022
- Draft submitted for UNECE-FAO review (end of September)
- Draft discussed at COFFI (2 November 2022)
- Draft finalized by end of 2022

Team members who wish to contribute to the work are invited to contact Ms. Alicja Kacprzak (alicja.kacprzak@un.org).

Item 4. **Current market relevant issues for discussion**

a) Market issues in North America.

Delton Alderman presented a short overview of current market issues in North America, highlighting the following:

United States of America:

- Housing permits are a key indicator, particularly data related to housing construction and completion
- Housing construction likely to be impacted by rising interest rates
- Currently no consensus on how much the housing market will slow
- Anticipated that the Federal Reserve will raise interest rates again
- Recommended to look at price trends over a 2-3 month period due to monthly fluctuations
- Residential housing construction employment has increased over the last three months
- Construction labor identified as a constraint
- Cost of diesel identified as a challenge for transport, resulting in higher fuel surcharges

Canada:

- Construction sector and wood sector stressed by labour shortage
- Additional concerns regarding the average age of construction workers (58 years) and slow attraction of new labor
- Adoption of timber and mass timber construction constrained by skilled installers with low understanding of how to work with mass timber
- Trades are cushioning quotes to cover learning costs related to mass timber
- Shortage of the availability of trucks, logistics, truck drivers continue to be an issue.
- Unique building codes and permitting requirements across municipalities identified as factors impacting the cost of housing construction

General discussion further identified issues with logistics as a component of the globalized economy with particular focus on how the pandemic has impacted supply chains for timber. The risk of demand disruption and search for substitutes was identified as the price of commodities increases along with fuel and logistic surcharges. An opportunity to consider offsite construction of modular housing and housing products was identified along with the complexity of meeting the unique construction requirements of different municipalities.

- b) Discussion about market effects in the ECE Region arising from conflict timber

Jeremy Wall provided a brief overview of the origin of conflict timber and impacted regions and offered to produce a one pager and distribute to the Team for input. The Team agreed this would be valuable and expressed interest in an informal meeting to discuss the topic. Consideration of the role of certifying bodies and national standards in relation to conflict timber was also raised by the Team.

- c) Impacts of trade restriction on wood products from the Russian Federation and Belarus.

Diego Benedetti from the European Organisation of the Sawmill Industry(EOS) provided the following update on the market effects:

- Approximately 10% of sawnwood consumed in Europe last year originated from Russia, Belarus or Ukraine;
- Until a few months ago, demand was weaker than anticipated;
- Looking forward uncertainty is high;
- Prices declined for the same reasons provided by North American colleagues (inflation, concerns about the future, hangover effect after the pandemic and the strong demand in the DIY sector).
- Many factors keeping demand for wood products in the short term;
- Longer term there is a scenario where there is potential for a collapse of construction markets;
- Q4 looks difficult from the demand side for EOS members;
- The supply from the EU should be sufficient since the EU is a net sawnwood exporter.

The team discussed trends in sawn hardwood production and trade and EOS clarified that the hardwood sector is focused on oak, beech and ash. While oak values increased significantly five years ago and remained high, birch and poplar are now catching up. The team discussed that birch sawnwood – in contrast to birch plywood – is a less sought-after and more abundant commodity.

Thorsten Arndt clarified that PEFC prohibited import of wood as of 4th March 2022. Potential long-term implications for both main certification schemes. Talks within the Russian Federation government and industries about alternative national certifications schemes that could be used instead of PEFC and FSC. Mauro Masiero from FSC confirmed that also FSC prohibited the use of FSC certificates for any wood originating from the Russian Federation, Belarus and some parts of the conflict area of Ukraine.

Sylvain Labbe added that not only conflict timber may have an impact on future wood supply, but that new legislations on forest conservation and climate change and their interpretation could do so as well. He explained that the definition of the forest degradation and definition of primary

forests in Europe could eliminate a big portion of boreal forests from wood supply in the future. He also highlighted the current discussion in the European sub-region on sustainability of wood for energy and which biomass could be acceptable for energy use in the future. He stated that salvage logging after wildfires or pests may no longer be eligible for support schemes for sustainable wood energy generation.

Eoin thanked presenters and those who participated in the discussion.

d) Effects of state aid subsidies for wood energy on forest products markets

The team decided to postpone the presentation and discussion to be held in a separate informal meeting of the Team of Specialists.

Item 5. Other events for Team members to attend/meet at/report on

The Secretariat proposed holding shorter meetings of the ToS to promote the exchange of information and discussion. This format would support the Secretariat's timely understanding of key topics, issues, trends. The Team of Specialists supported this proposal.

Members of the Team of Specialists were invited to identify other meetings and events taking place over the next three months and the team was informed that the 70th International Softwood Conference will be held in Copenhagen, Denmark from 12-13 October 2022 (<https://ettf.info/isc-2022>) and two weeks after that the International Hardwood Conference will be held in Lyon, France (27/28 October 2022) (<https://www.ihc2022.fr/en>).

The Canadian Wood Council informed the team that they are working with wood sectors to gather life-cycle analyses on products that are not proprietary (<https://cwc.ca/en/why-build-with-wood/sustainable/green/life-cycle-assessment>). This effort will align to procurement requirements and decision-making regarding carbon. The Government of Canada is including carbon impacts in federal procurement decisions. This will require a life-cycle analysis and could be expected to extend to local, provincial and federal governments. The team acknowledged that such analysis could be included in a future edition of the Market Review. The California and EC3 System were identified as areas of focus for carbon accounting in the construction sector.

Item 6. **Future ToS meeting(s)**

15 September 2022:	Informal task group meeting (online)
5 October 2022:	UNECE-FAO Impulse Lab: "Trees – Nature's technology for climate-proof building" (San Marino and online)
02 - 04 November 2022:	Eightieth session of the ECE Committee on Forests and the Forest Industry (Palais des Nations Geneva Switzerland).
03 November 2023:	Informal meeting of ToS members on the market discussion.
Q1 2023:	Presentation on bioenergy subsidies and distortion of the market (tentative, online).
Q2 2023:	Presentation and discussion on conflict timber (tentative, online).

Item 7. **Any other business**

No further business brought forward.

Item 8. **Closing of the meeting**

The Team Leader thanked all team members and invited input on what the Team can do. Ideas for topical studies important for forest product markets are welcome and possible with advanced planning.

Annex: Attendance list:

1. Annika Hyytiä
2. Andrzej Talarczyk
3. Antonio Brunori
4. Branko Glavonjic
5. Christopher Gaston
6. Christoph Pfemeter
7. Delton Alderman
8. Diego Benedetti
9. Eduard Akim
10. Elias Hurmekoski
11. Eoin O'Driscoll
12. Feliks Sirkas
13. Gregorio Chamorro Garcia
14. Holger Weimar
15. Ivan Eastin
16. Jeremy Wall
17. Jukka Torvelainen
18. Mauro Masiero
19. Michel Valois
20. Maila Puolamaa
21. Nikolay Ivanov
22. Peter Moonen
23. Richard Sikkema
24. Silvia Ferlazzo
25. Sylvain Labbé
26. Tapani Pahkasalo
27. Thorsten Arndt
28. Tobias Stern
29. Zbyněk Šmída
