

# **International Seminar: The Forest – the path to Sustainable Prosperity**



## **Sustainable Forest Products Industry – Challenges and Opportunities**

**Lisbon, Portugal  
2 June 2009**



World Business Council for  
Sustainable Development

**James Griffiths, WBCSD**



# Agenda

1. WBCSD and its links with Portugal's business sector
2. The Global Sustainable Development Agenda
3. The Sustainable Forest Products Industry – challenges & opportunities
4. The role of sustainable forest products companies



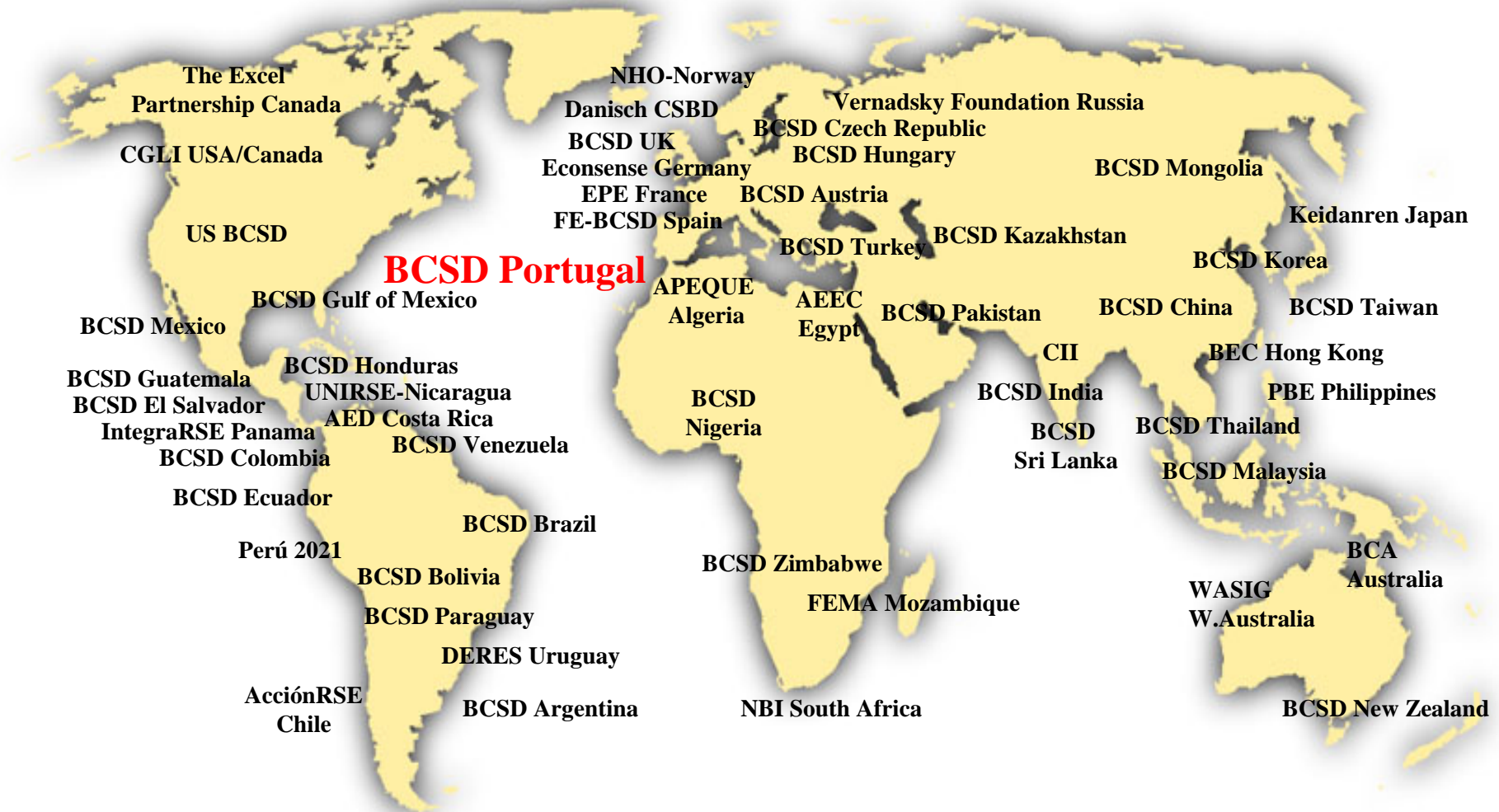


# 1. WBCSD and Portugal's business sector





# Regional Network – 58 partners





# What do we do?

- Business platform for sustainable development
- Support the business license to operate, innovate and grow in a world increasingly shaped by sustainable development issues
  - **Business Leadership** - making the business case and providing the business voice
  - **Policy Development** – advocating for frameworks that maximize business contribution
  - **Best Practice** – demonstrating and sharing
  - **Global Outreach** – contributing to developing nations and nations in transition





# Portuguese Members & Regional Network Partner



*grupo* Portucel Soporcel



**BCSD Portugal**  
Conselho Empresarial para o  
Desenvolvimento Sustentável



## 2. The Global Sustainable Development Agenda





# Economic

- Worst global recession since the “Great Depression”
- Demand for many goods and services has dropped - and not likely to return to growth before 2011
- Confidence the finance sector at an all time low – not much better for governments/regulators
- Established business models of key global industries impacted e.g. automotive; oil & gas; agribusiness; international tourism; paper & newsprint
- Shifting economic wealth and power to emerging economies





# Social

- Changing demographics – heading to a much bigger world
  - Population growth outside OECD
  - Urbanization – 20 mega cities in the world today, 15 already in the developing world
- Poverty challenge remains despite the Millennium Development Goals...and is worsening during this recession
  - Income – over 2 billion people live on less than US\$2/day
  - Very significant income disparities
  - Energy – 1.6 billion without access to electricity
  - Water – 1.8 million deaths/yr due to lack of sanitation



# Ecological



## Ecosystems services balance sheet

Provisioning Services		Status	Regulating Services		Status
Food	crops	↑	Air quality regulation		↓
	livestock	↑	Climate regulation – global		↑
	capture fisheries	↓	Climate regulation – regional and local		↓
	aquaculture	↑	Water regulation		+/-
	wild foods	↓	Erosion regulation		↓
Fiber	timber	+/-	Water purification and waste treatment		↓
	cotton, silk	+/-	Disease regulation		+/-
	wood fuel	↓	Pest regulation		↓
<b>Preserving Services</b>			Pollination		↓
Genetic resources		↓	Natural hazard regulation		↓
<b>Supporting Services</b>			<b>Cultural Services</b>		
Biochemicals, medicines		↓	Spiritual and religious values		↓
Fresh water		↓	Aesthetic values		↓
			Recreation and ecotourism		+/-

An upwards arrow indicates that the condition of the service globally has been enhanced and a downwards arrow that it has been degraded in the recent past.



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Source: Millennium Ecosystem Assessment, 2005



# Political/Governance

- G 2 (US + China) + G20 driving the global agenda
- Focus on security risks
- Regime changes – US, South Africa, India
- Unprecedented government intervention
- International finance re-regulation
- WTO negotiations remained stalled
- Build-up to a “make-or-break” climate negotiations





# Mainstreaming sustainable development

- “Green” recovery packages
- Future demand is likely to be different
  - Sustainable consumption
  - Sustainable goods and services
- Technology = eco-efficiency + de-materialization
  - Low/no carbon footprint, ecological balance, water neutral
- Inclusive business development approaches
  - Sustainable supply chain management (equity + ecology)
  - Micro finance innovation, role of SME, bottom of pyramid market growth





# Vision 2050 project – a world in transition

## People & Values



## Governance



## Economy



## Resources, Energy and Environment



### Shifting demographics



### Interdependent world



### Valuing social & environmental impacts



### Resource scarcity



### Environmental degradation



### Poverty and inequity



### Inadequate policy framework



### Material-based consumption



### Energy security



### Climate change





# A sustainable world in 2050 and beyond

## People and Values

- Strong social cohesion
- Inclusive and resilient communities
- Intra-generational and intergenerational respect
- Education for all
- Eco-awareness

## Governance

- Transparent, fair and inclusive
- Clarifying global limits
- Collaboration is the winning strategy
- Trusted, effective, and enabling
- Appropriate global and local solutions

## Economy

- Hyper-innovative and globally interdependent
- Co-operation, eco-efficiency and creativity
- True value pricing
- Entrepreneurship and inclusion



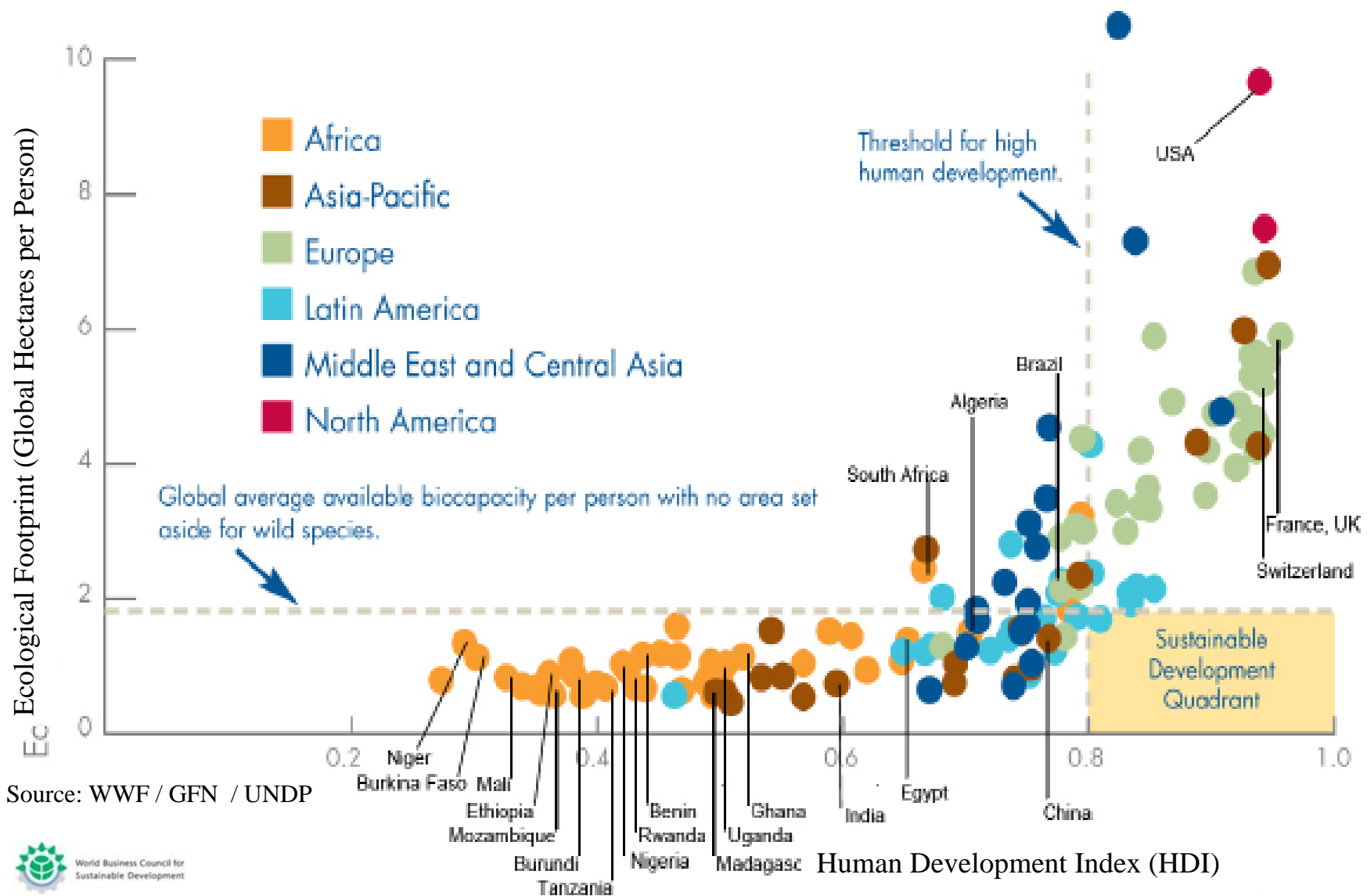
## Resources, energy and environment

- Technology and resources are used more efficiently
- Harmful emissions and waste are significantly reduced
- Ecosystems services are maintained and enhanced
- Renewable energy mix
- Life cycle management





# The Sustainable Development End Game – Living well, within the limits of the planet



Source: WWF / GFN / UNDP



# 3. Sustainable Forest Products Industry – Challenges and Opportunities



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# International Council of Forest & Paper Associations (ICFPA)

Four megatrends impacting the global forest products industry right now:

1. Recession & recovery
2. Resource Competition
3. Climate & environment
4. Industry transformation





## 3.1 Recession & recovery

- Access to and cost of capital for investments in “higher risk” emerging economies
- China, India and Brazil are now shaping future forest products markets and investments





## 3.2 Resource Competition

- Population increases will see increased competition from agriculture for land
- Intensified by fuel crop development based on climate change & energy security policies
- Fiber costs will increase, improvements on fiber productivity will be essential





## 3.3 Climate & environment

- Variable climate change policy responses are changing industry economics and structure of the industry
  - Where policy shifts have occurred, energy costs are up, demand for bio-energy has increased and relative competitiveness impacted
  - Nature and scope of future climate negotiations and obligations unclear
- Water impacts could compromise plantation development
- Demand for ecological services – like carbon sequestration and water – could compromise access to forests and fiber
- Climate change impacts on forests are happening





## 3.3 Climate & environment

- Despite demand for sustainable products from western consumers, the industry struggles to achieve market recognition and fully leverage the carbon and other sustainability benefits of its:
  - forest management practices
  - raw material
  - wood & paper products
  - Bio-energy production and use
- Forest certification a minimum requirement





## 3.4 Industry transformation

- New technology based opportunities will change current business model and improve profitability
  - Bio-technology improve fiber productivity
  - Bio-energy & bio-fuels leveraging fiber networks & properties knowledge
  - Bio-chemicals
  - New building systems, products and technologies
- Improve customer focus, logistics and specialized offerings





## 4. The role of sustainable forest product companies





# What is different about a sustainable company?

## 1. Perspective & time horizon

- Global & local, short & long term, inter-generational

## 2. Stakeholders

- More than shareholders, employees and customers
- Suppliers, communities, civil society groups

## 3. Impacts

- Direct & indirect, operations + value chain

## 4. Governance & management

- More than legal minimum, leadership, partnerships, transparency, set targets, report progress



**Sustainable development – a core value and business strategy**

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## Walking the Talk – creating performance principles

In 2006 a number of global sustainable forest products companies – including *grupo Portucel Soporcel* - developed a set of sustainability principles & responsibilities

- A code of conduct for WBCSD project
- Responding to stakeholder expectations – NGO's, customers, banks, communities
- Basis for differentiation from non-sustainable forest products industry and competing non-





# Stakeholder expectations of sustainable forest product companies

Identified eight comprehensive performance areas and specific responsibilities

- Management & governance; Resource management; Fiber Sourcing; Eco-efficiency & emissions reduction; Climate change mitigation; Health & Safety; Community well-being & Stakeholder engagement; Human rights & labor standards

Progress reports by companies in their  
Sustainability report



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# 1. Governance 2. Resource Management

- **Management & Governance**

- Meet all legal requirements & company commitments
- Sustainability leadership
- Work against all forms of corruption & illegal practices

- **Resource management**

- Sustainable forest management for fiber, timber & ecosystem services
- Conserve biodiversity & cultural values; optimize social and environmental benefits of planted forests
- Respect lawful access and tenure of Indigenous peoples & communities
- Support credible forest certification and progressively introduce into all forests owned, leased or managed





## 3. Fiber sourcing 4. Eco-efficiency

- **Fiber Sourcing**

- Purchased fiber from acceptable sources only
- Legal ownership all fiber, complying forestry laws
- Use wood-tracing when sourcing high risks areas

- **Eco-efficiency and Emissions Reduction**

- Efficient & innovative use all key resources (fiber, water, energy, chemicals), set and report on reduction targets
- Use new and innovative technologies
- Recycle, recover and re-use of fiber and forest products





## 5. Climate change 6. Health & Safety

- **Climate Change Mitigation**
  - Improve energy efficiency & use renewable energy
  - Track, report on and reduce GHG emissions
  - Promote SFM and use forest products as climate mitigation strategies
- **Health & Safety**
  - Continuous improvement in OHS





## 7. Communities 8. Human rights & Labor standards 9. Reporting

- **Community Well-being & Stakeholder Engagement**
  - Contribute economic health, employment and community service
  - Engage and respond to local expectations & concerns
  - Cooperate other stakeholder to support sustainability throughout the industry
- **Human Rights & Labor Standards**
  - Respect all national laws for human rights and labor standards, use international standards when local laws are lacking
- **Reporting**
  - Publish periodic reports reflecting progress against these **sustainable forest products industry** principles & responsibilities





# Defining & verifying Sustainable Forest Management – a mission impossible?

1. Forest conditions around the world vary very significantly – in terms of biology, ownership, management objectives, management capacity, governance, levels and scales of development





# Defining & verifying Sustainable Forest Management – a mission impossible?

2. Sustainable forest management is interpreted differently by different stakeholders: from national parks....wilderness areas...managed natural forests ...production forests... intensive managed planted forests or plantations.....to agroforestry.....for some SFM should mainly deliver biodiversity.....for others just timber





## Defining & verifying Sustainable Forest Management – a mission impossible?

3. Regardless of actual ownership – public; private; community; large, small to micro scale – forests deliver ecosystem services that are public goods and deliver public benefits....so society feels it has the valid “right” for a say in how they are produced!!!





# So for sustainable companies, the challenge is to have.....

A discussion with stakeholders - that are relevant to their customers, investors, shareholders and regulators – on

1. Defining sustainability in the forest products industry
2. How to credibly verify company & sector performance
  - Started with forests in the mid 1990's around forest certification
  - Now includes processing impacts, product lifecycles and reuse, carbon emissions, water, community impacts
  - Trying to anticipate and address new challenges as they emerge e.g. forest biotechnology, social equity and development





# How?

Catalyze and support multi-stakeholder dialogues and processes around key SFM issues to develop consensus on outcomes and solutions

Some international examples, including

1. Global Partnership for Forest Landscape Restoration
2. Growing Forest Partnerships
3. High Conservation Value Resource Network
- 4. The Forests Dialogue**





# How?

Create collaborative relationships with NGOs, researchers & other stakeholders to develop – and use – effective impact assessment and management tools...such as:

- FSC + PEFC standards and forest certification
- GHG Accounting Protocol
- Global Water Tool
- Forest Industry Carbon Assessment Tool (just released)
- **Sustainable procurement guides** (first update released today)
- Sustainable Forest Finance Toolkit (for release in June)





## Two illustrative examples

1. The Forests Dialogue (TFD)
2. Sustainable Procurement project

Note: both are supported by  
*grupo* Portucel Soporcel





# 1. The Forests Dialogue (TFD)

- Formed in 1999 by WBCSD, The World Bank and World Resources Institute
  - “Towards a Sustainable Paper Cycle report” called for open multi-stakeholder dialogue between industry & environmental NGO’s
  - 1998 World Bank Global CEO Forum





## TFD mission:

- Use stakeholder dialogue and discussion to
  - Address significant obstacles to sustainable forest management (SFM)
  - Build relationships and trust between stakeholders
  - Spur collaboration on the highest priority and most challenging issues





## TFD structure:

- A diverse and strong steering committee representing 23 leading organizations from the broad “forest community”
- Secretariat located at Yale University
- Proven, dynamic and credible work process
  - In country field tours – mix local & global partners and experts
  - Facilitated discussions
  - Dialogue summaries
  - Thematic reviews on key learning’s and way forward
    - [www.theforestdialogue.org](http://www.theforestdialogue.org)
  - Advocacy statements calling for specific action





## TFD has organized:

Nearly 35 dialogues involving over 1,250 sector leaders from many countries from:

- NGOs (environmental & social)
- Business (suppliers & customers)
- Indigenous Peoples
- Forest communities
- Trade unions
- Forest owners
- Governments



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- International organizations



## TFD has focused on.....

- Forest certification
- Forest biodiversity
- Illegal logging & forest governance
- Intensively managed planted forests
- Small forest owners & SFM
- Pro-poor commercial forestry
- Forests & Climate Change – key theme  
2007/09 seeking effective inclusion of SFM  
in the global climate change framework





## 2. Sustainable procurement in the market place

Customers – both private and public sector - are asking how to understand and use the 30 plus existing approaches which “claim” or aim to support the “responsible” procurement of “sustainable” wood & paper-based products





# WBCSD & WRI Sustainable Procurement (SP) project

- **Information guides**
  - ✓ designed to help customers develop their own procurement policies for wood and paper-based products
- **Decision support tools**
  - ✓ provides credible & simple information on existing approaches to the “responsible” procurement of wood and paper-based products from “legal & sustainable” sources





# Ten key issues related to sustainable procurement

## Sourcing and legality aspects

### Origin

Where do the products come from?

### Information accuracy

Is the information about the products credible?

### Legality

Have the products been legally produced?

## Environmental aspects

### Sustainability

Have forests been sustainably managed?

### Special places

Have special places, including sensitive ecosystems, been protected?

### Climate change

Have climate change issues been addressed?

### Environmental protection

Have appropriate environmental controls been applied?

### Recycled fiber

Has recycled fiber been used appropriately?

### Other resources

Have other resources been used appropriately?

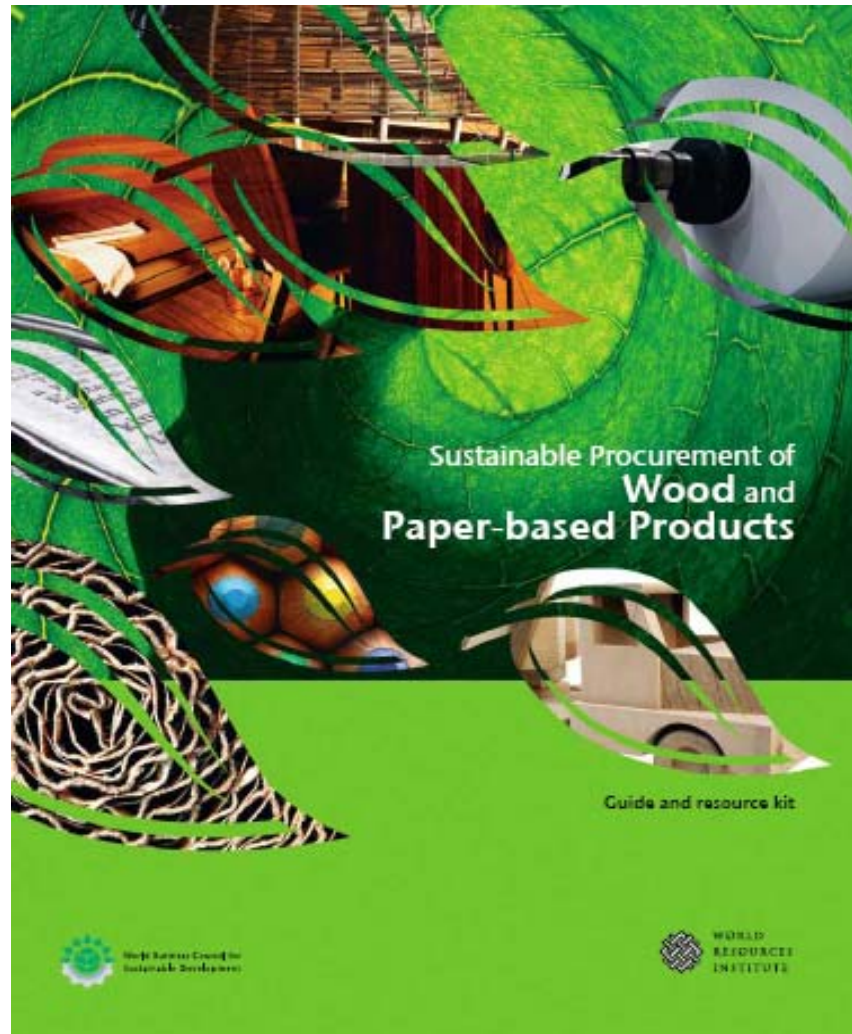
## Social aspects

### Local communities and indigenous peoples

Have the needs of local communities or indigenous peoples been addressed?



# Guide and resource kit released in April 2008 – first on-line update **TODAY!**



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1. **Ten key issues and questions**
2. **Comparative information** on existing approaches and their **relevance** and **utility** in addressing **each** key procurement **issues**. Plus extensive information on many topics, including traceability, supply chain management, eco labels, legality, recycling, plantations, special places, climate change, pollutants
  - **23 approaches assessed in April 2008**
  - **+ 12 new approaches included May 2009**
3. **Additional resources** on SFM and sustainable production & procurement
4. **Terminology – Acronyms & Glossary** de-mystifying sustainable forest management jargon and terminology for “lay” customers
5. **References**



# Sustainable Procurement of Wood and Paper-Based Products



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[Presentation](#)
[Introduction](#)
[10 Things You Should Know](#)
[Sourcing and Legality  
Aspects](#)
[Environmental Aspects](#)
[Social Aspects](#)
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## Welcome!

Forest products are renewable goods that store carbon and have in most cases a lower environmental footprint than non-wood products. Well-managed forests provide numerous ecosystem services and societal benefits. The production of forest products can, however, cause significant negative side effects if not conducted in a legal and sustainable basis.

The World Resources Institute and the World Business Council for Sustainable Development have partnered to provide reliable, impartial and technically "easy-to-understand" information to assist sustainability officers and business procurement managers, especially major purchasers of wood and paper-based products, in their purchasing decisions.

This guide focuses on 10 key issues:

## Download the Full Reports



Sustainable Procurement  
of Wood and Paper-  
based Products: an  
Introduction



Sustainable Procurement  
of Wood and Paper-  
based Products: Guide  
and Resource Kit

[Order the Report](#)

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# Sustainable procurement - future issues

1. Ongoing proliferation of approaches will continue
2. Sustainable procurement is a lot more than “simple” forest certification
3. Processing impacts & Life Cycle of products becoming important
  - Carbon emissions next **BIG** focus!! Then **WATER...**
4. Social equity issues emerging rapidly
5. Global scale customers will increasingly use a portfolio of approaches when buying
  - certification + CO2 emissions + extra reporting on special requirements
  - Comprehensive SD report





# Future sustainability challenges

Sector sustainability is much more than just forests

- Production processes, energy, carbon footprint, water

Social equity issues on the rise so “pro-poor” investment strategies needed

- Land tenure, customary rights, benefit sharing, right to organize, supporting local entrepreneurs

Expect greater reporting and independent verification

- Proving sustainability credentials on a consistent & credible basis





# Future sustainability challenges

Business models need to change

- Carbon and other ecosystem services
- Intensively managed planted forests – deployment to maximize social and environmental benefits
- Renewable energy

It is more than just major customers wanting to better manage their exposure and risk when buying from the sector.....banks want to do the same when lending to the sector....and communities and governments with assessing new developments





# Portugal forestry sector – final comments

1. Improved silviculture practices
2. Changing ownership structures
3. Control forest fires
4. Finance for forestry
5. Forest certification, especially for small forest owners





[www.wbcasd.org](http://www.wbcasd.org)