

**Copenhagen,
6th December 2012**

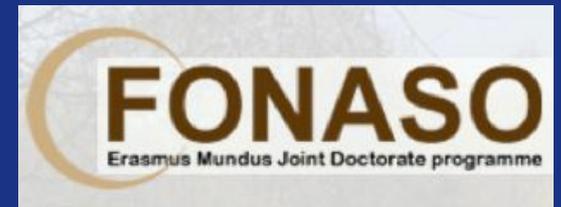
**Illegal logging and legality
verification – the FLEGT/VPA as
new modes of governance**

**Overview of ethical criteria of financial
institutions: forest investments and
international tropical wood trade**



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PhD OBJECTIVE



Wood products
Corrientes, Argentina



Biodiversity Conservation
Minas Gerais, Brazil



Energy and carbon
North Kivu, RD Congo



**Does it make any difference for investors?
If yes, how it will that happen?**

Contents

- Background:
 - Non state market driven Vs legality
 - Forest plantations trend
 - Investments trend
- FSC certification and carbon standards
- Conclusion

NSMD

Vs

legality

- Code of conducts
- Forest certification
- Carbon standards
- Ethical indexes
- Fair trade
- GRI

- FLEGT Voluntary Partnership Agreements (VPAs)
- EU Timber Regulation (No 995/2010)
- U.S. Lacey Act
- 2012 Australian Illegal Logging Prohibition Act

Theoretical framework

more synergies than conflicts

Findings

legality verification set weaker benchmarks

companies awaiting for legality instruments to take place

Does carbon make any difference?

plantations: facts and figures

- growing plantation area
 - 1990 – 103 Mha
 - 2000 – 127 Mha
 - 2010 – 264 Mha
- 6.6% of the global forest area in 2010
- 33 countries with forest plantation area above 1 Mha
- past: North America + Oceania + South America
- present and future: Asia + South America
- outstanding countries: China with 77Mha (37% forest cover)
- 4% of total export value in 2009

(FAO, 2010)

What for?

75% industrial timber production by 2050

10% of world voluntary traded carbon in 2011 (0.6 Mha)

NTFP for industrial and local needs

biomass for first and second generation fuel

biodiversity conservation

(Sohngen, 1999 and 2001; Evans and Turnbull, 2004; Carle and Holmgren, 2008; Peter-Stanley, 2012)

Investing in plantations

US\$ 64 billions have been recently invested in the forest sector every year UNEP (2011)

FROM **Public funds (US\$ 1.7 billion per year):**
domestic and Official Development Assistance

TO **Private funds (US\$ 4 billion per year):**
foreign and domestic direct investments

WHY?

- Stagnation in multi- and bi-lateral funds
- Growing interest by the financial (institutional and retail) investors

 **augmenting social and environmental concerns**

(Gutman 2003; Indufor 2006; El Lakany *et al.* 2007; Simula 2008)

Corporate Responsibility Tools (1/2)

Set of common tools (standards, guidelines, codes, etc.)
to assure responsible management of plantations

Voluntary instruments

- Code of conducts
- Management standards
- Reporting
- (Eco) labelling
- Ethical indexes
- Ethical finance

Regulative (command and control)

Voluntary Partnership
Agreements(VPA), EU TR, etc.

Partnership

Subsidies, tax relieves,
campaigns, etc.

Corporate Responsibility Tools (2/2)

General



Forest specific



External evaluation of funds



NEWS:

01 March 2012 - China: EUR 250 million loan for forestry projects, EBI.

14 February 2012 - Billionaire's decision to invest in forestry shows ethical approach, Boston, MA, USA.

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Ethical Forestry
Sustainable Timber Investments

PENSION SHOCK!
It's a shocking fact that 77% of Britons are retiring on less than £2000 per year, that's just £36 per week! Switch now to a high return forestry investment to help secure the future you've worked hard for.

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Latest Ethical news:

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Investments & Returns

- Melina 12 year Investment
- Melina 24 year Accumulator Investment
- Income & Wealth Generator

Investment Security

What Do Ethical Forestry Do?

Pensions - SIPP

Our Plantations

FORESTRY INVESTMENT OPTIONS

We currently offer three timber investments.
The following examples are based on popular investment amounts. We also tailor investments to suit specific investors requirements. Please contact us for a bespoke quotation.

Timber Investment 1: Melina 12 Year Investment Plan

£21,000 invested over 12 years

Total projected payout: £99,755

For more information on the Melina 12 Year Forestry Investment Plan, [click here](#)

Latest News

Green - Circulated by the Guardian September 2012

An alternative investment with a proven track record

In these unprecedented times, when traditional forms of investing are proving unreliable, it's reassuring to know that some investments are growing well, leaving others in the shade. One investment arena worth serious consideration is sustainable timber.

[Read more](#)

An example: PEFC and finance

- assurance of Environmental Social and Governance (ESG)
- independent auditing
- increased productivity
- **stop illegalities**
- reduced deforestation
- better traceability (CITES)
- **climate mitigation**
- health and safety
- social and human rights



Carbon market impacted area

Project Type:	Transacted (MtCO ₂ e)			# Active* Projects	Ha Impacted (million ha)			Total Project Area (million ha)	% Area Impacted
	Historical	2010	2011	2011	Historical	2010	2011	2011	2011
A/R	82.7	5.8	14	92	0.6	0.1	0.2	0.6	39.3%
REDD	84.2	19.5	7.4	35	9.1	3.2	4.2	13.8	30.6%
IFM	18.7	2.8	3.6	34	0.6	0.2	0.2	3.4	6.2%
Ag + Agro-Forestry	3.1	0.1	0.1	6	0.02	0.0	0.002	0.4	0.5%
TOTAL	187	28	25	167	12.5	5.3	4.7	18.2	

Source: Ecosystem Marketplace. Based on 396 observations.

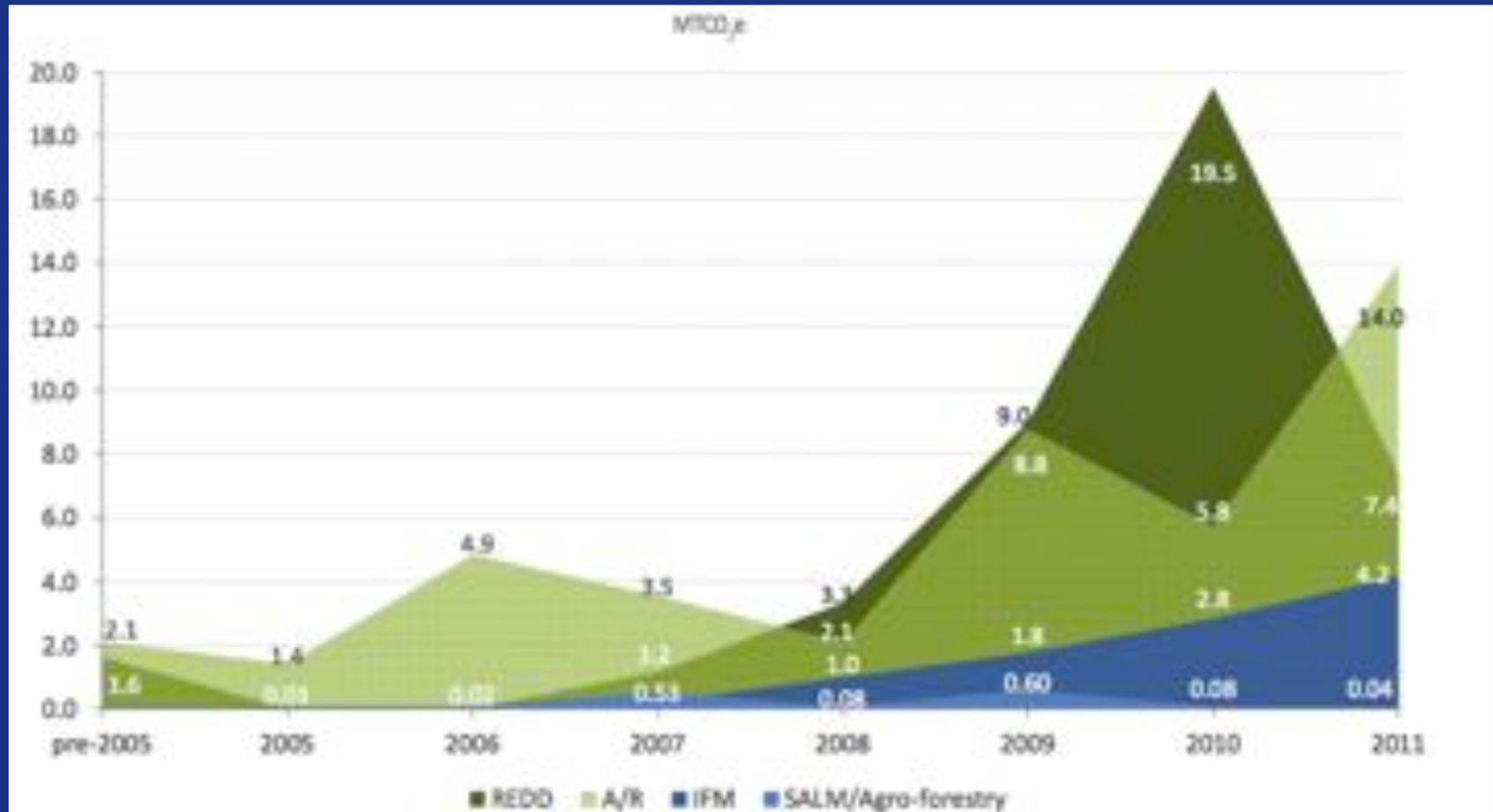
- 18.2 Mha potentially involved
- few big projects (REDD+) involving large areas
- relevant and growing role of forest plantations

Forest carbon market

- 40 registered afforestation/reforestation under CDM
- growing importance of domestic market

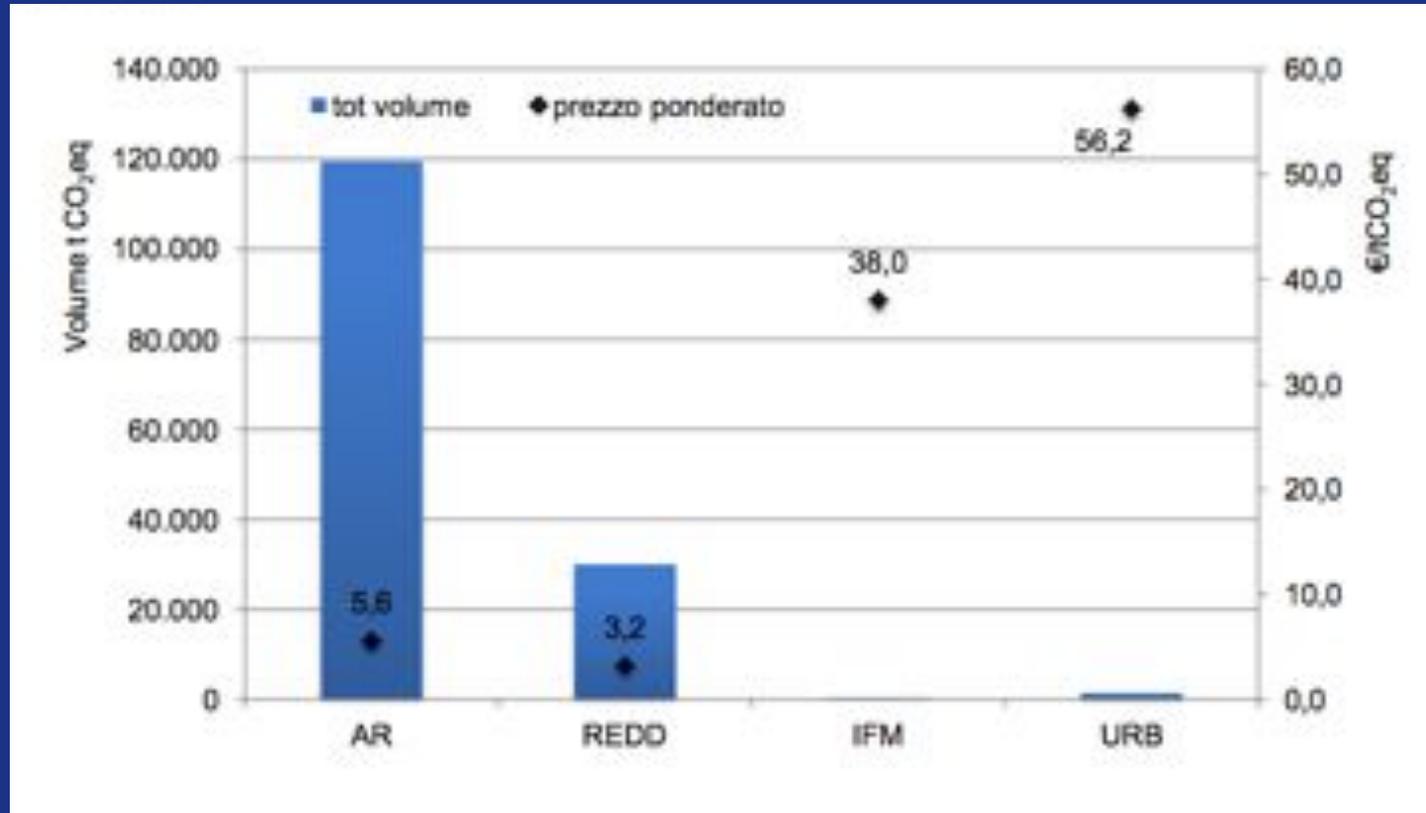
Cumulative Transaction Volumes in the Forest Carbon Markets

MtCO₂e



Source: Ecosystem Marketplace. Notes: Based on 603 observations in 2011; 733 total historical observations.

Supply by project activities in Italy – voluntary carbon market



A/R:

- 71% of credits
- micro dimension (average size 479 ha)
- 90% native use

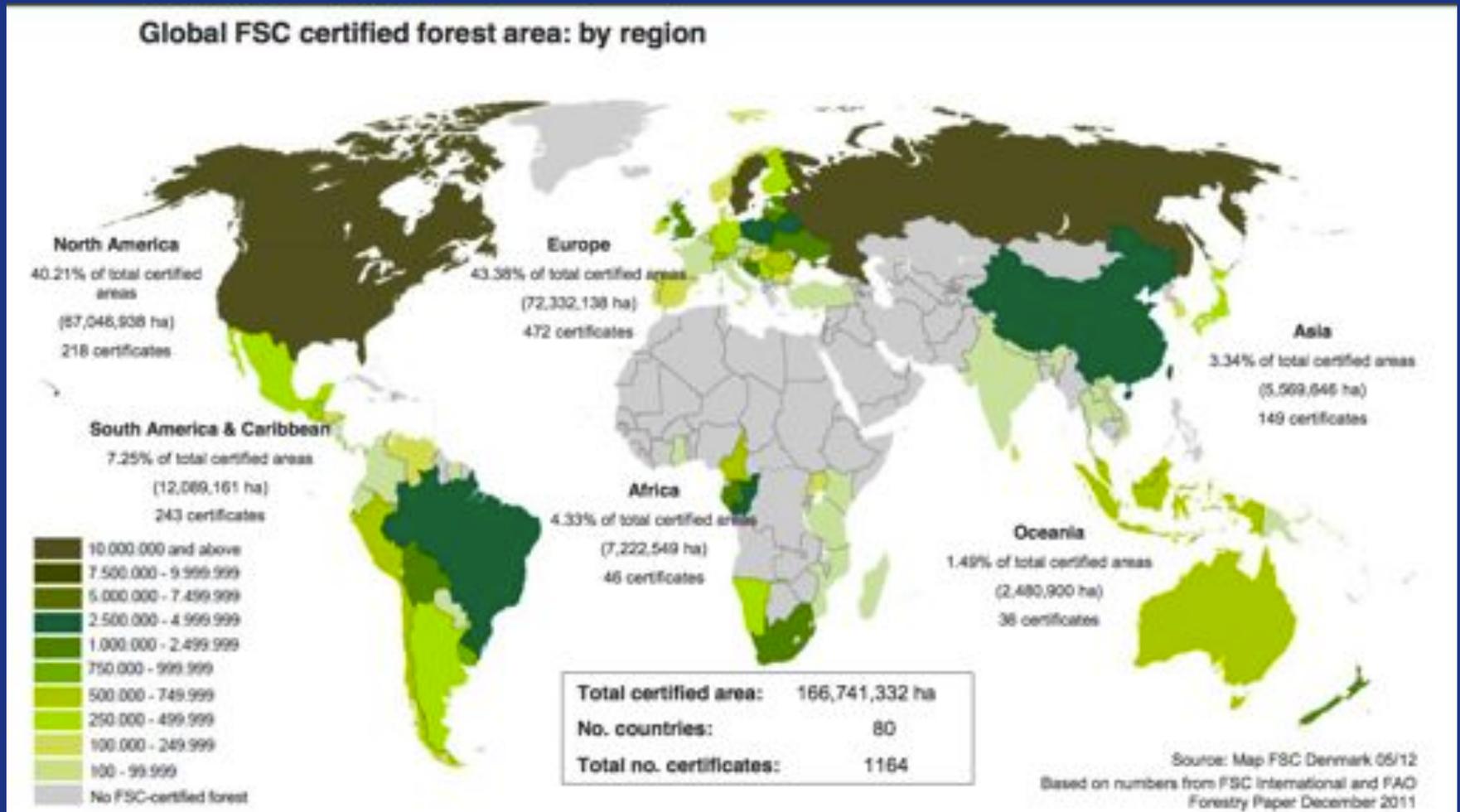
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Why forest certification?

- Experiences and recognition over the past fifteen years
- FSC certified temperate forests are likely to store more carbon than uncertified ones (Foster *et al.* 2008)
- Findings could be easily validated for tropical forests as well if better forestry practices are implemented (Putz and Pinard 1993; Boscolo *et al.* 1997; Pinard and Cropper 2000; Keller *et al.* 2004; Putz *et al.* 2008)
- FSC certified forests have shown lower deforestation and forest degradation rate with respect to adjacent protected areas (Griscom *et al.* 2009).

Features of forest certification



much of importance for domestic programs in Europe and North America (es. UK Woodland Co2de) and South America markets, weak role of Africa.

Integrating FSC & carbon: actors' view

Strengths

- Ensure social and environmental **safeguards**
- Income diversification
- Stakeholders involvement
- Independent and **accredited** certification process

Weaknesses

- No carbon **sink** estimation and monitoring
- No system for selling carbon
- No additionality, permanence and leakage insurance

Opportunities

- Combining forest certification and carbon **auditing**
- Combining forestry **inventory** with carbon inventory
- Rapidly organize the project
- Improving “normative” part of the REDD+
- **Network** of more than 20 000 certified companies, 900 members and GFTN

Threats

- **Low** credibility of existent carbon initiatives
- Oversupply of carbon credits
- Economic **trade-off** between timber and carbon

Newsroom

News and topics around our activities

Tuesday, 18. September 2012

FSC® partners with The Gold Standard to explore new level of alignment between the two certification systems

The Forest Stewardship Council® (FSC) has announced on September 18th that it is entering into a strategic partnership with The Gold Standard to explore the opportunities for future close collaboration between the two certification schemes. The announcement was made at the Annual Conference of The Gold Standard Foundation in Geneva. The partnership includes the CarbonFix Standard, which will be acquired by The Gold Standard to form their new carbon accounting module for forest carbon projects.



- An assessment of market opportunities
- A gap analysis of the standard setting
- An analysis of the compatibility
- An exploration of any reputational risks
- An overall examination of how the various systems can be jointly applied and mutually aligned

(FSC web site, 2012)

Level of analysis

1. co-benefits level
2. market level
3. carbon accounting level
4. sustainable forest management level
5. certification level
6. **legality?**

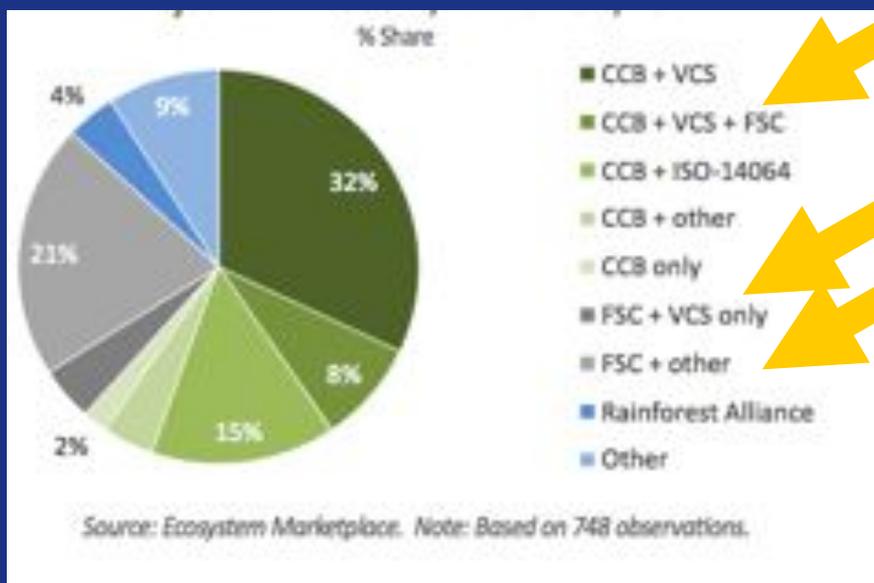
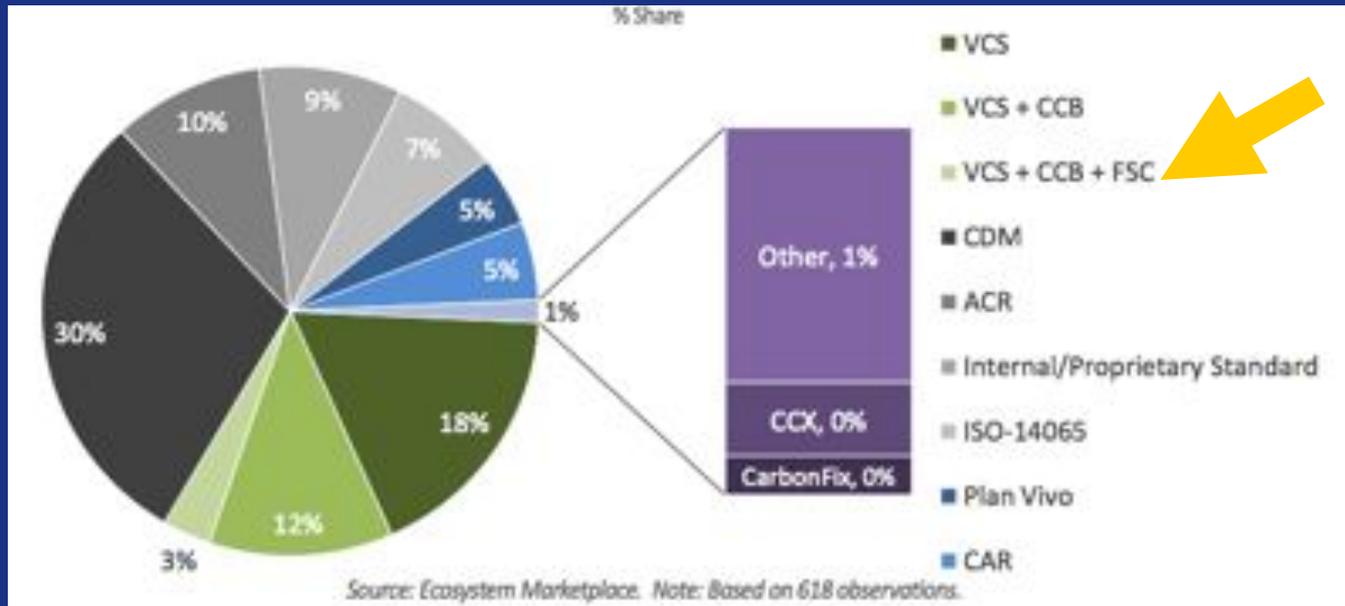


Co-benefits level



- encourage project developers to use FSC as a **co-benefits generation** and evidence tool
- suggest FSC Principles and Criteria as a potential tool and strategy **to meet project design and goals**
- REDD+ **safeguards**

Market level



FSC has the 3% of share of market standards.

FSC has the 31% share of carbon co-benefit standard used.

mostly AR projects

Sustainable forest management level

- **sustainable harvesting** practice verifiers
- requirement for **sustainability of timber resource**



Certification level



- **sustainable harvesting** practice verifiers
- accept the independent verification process by FSC and few others accredited auditors
- possibility of **combined certification** with criteria replacement

Legality level



- land and **property** rights (e.g. property rights of carbon credits and lands, double counting and/or selling of credits, etc.);
- to establish reliable **baseline** and carbon accounting (e.g. improvement of the law);
- forest operations and management activities (e.g. respect of legal harvesting requirements and applicable laws);
- to estimate, address and monitor **illegal logging activities**.

Examples of carbon standard + FSC certification

NAME	LOCATION	PROJECT TYPE	STANDARDS
Cikel Brazilian Amazon REDD APD Project	Brazil	REDD+	VCS + FSC
Promoting Sustainable Development through Natural Rubber Tree Plantations in Guatemala	Guatemala	AR	VCS + FSC
Uchindile and Mapanda Forest Project	Tanzania	AR	CCB + VCS + FSC
Madre de Dios Amazon REDD project	Peru	REDD+	CCB + VCS + FSC
Natural High rainforest restoration project in Kibale National park	Uganda	AR	VCS + FSC
CO2OL Tropical Mix	Panama	AR	CFS + CCB + FSC
Oberallmig Climate Protection Project	Switzerland	IFM	CCB+ FSC

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plantations

- expanding sector
- multiple and overlaying NSMD instruments with potential to support legality process

investments

- legality is not enough!
- integration of NSMD is needed

legality

- the first step
- risks of setting weak benchmark for uncertified organizations



Thanks, questions?

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