



Forest Certification – Where is it Headed?

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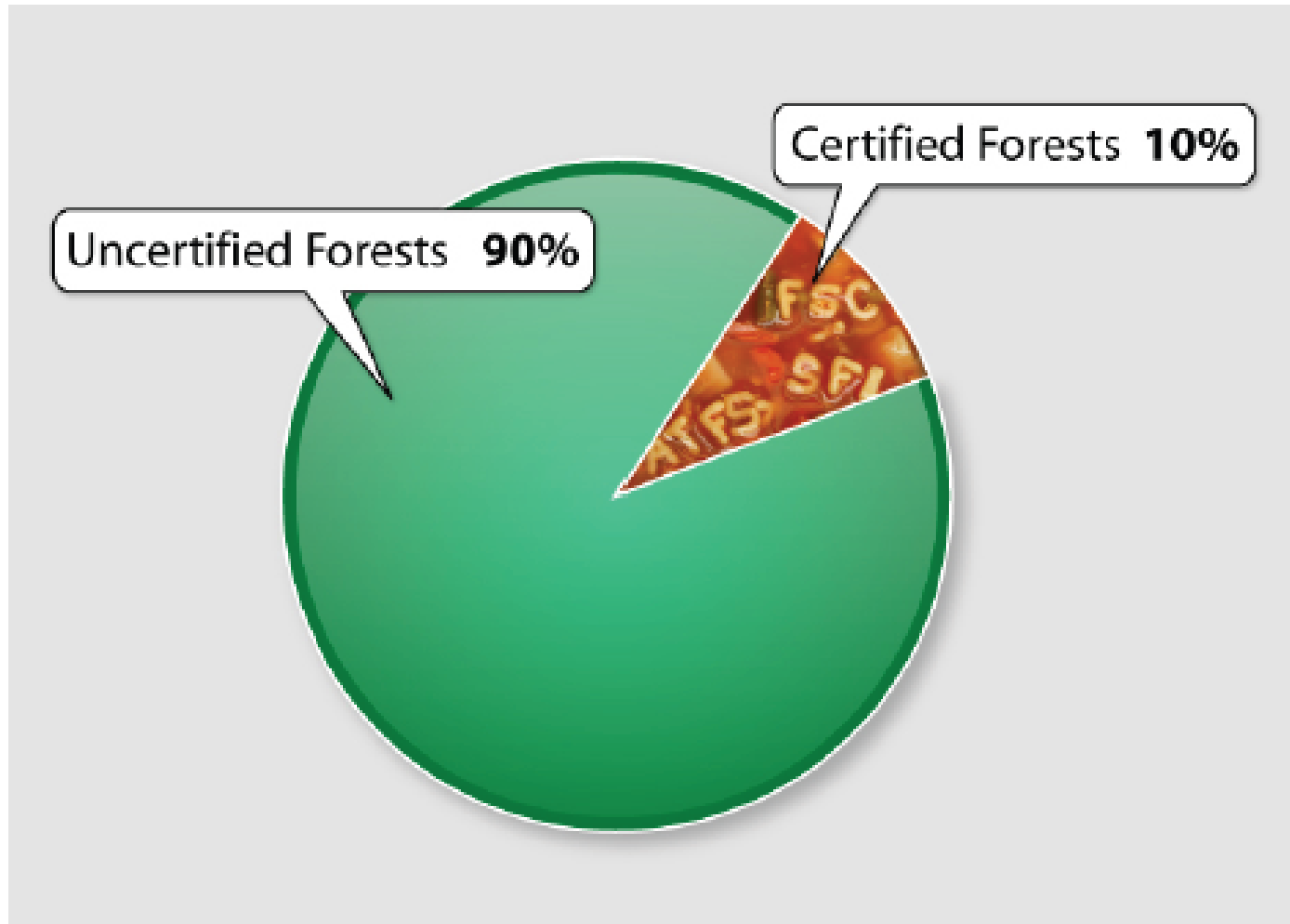


Re-Learning the “Alphabet Soup”



Source: SFI, Inc.

Much room to grow



Source: SFI, Inc.

Growth in US Lands Certified

- In the United States:
 - FSC: 30.9 million acres
 - SFI: 55.7 million acres certified
- Modest growth rates in recent years
- “Low hanging fruit” already harvested
- One large uncertified pool remains in the U.S.
... National Forests
- For the FSC, another large pool are the NIPF’s

Chain of Custody Growth

- Past three years CoC has taken hold
- By March 1, 2009 SFI had:
 - 527 CoC certificates (171, March 2008)
 - 1,267 CoC locations (511, March 2008)
 - 45 companies with fiber sourcing certificates
- FSC CoC certificates—more than 13,000 certificates
 - +40% annual growth
 - 3,062 in the U.S.
 - Paper/printing and green building sectors are the major drivers

SFI Standards Revisions

- The SFI standard is revised every five years
- 2010-2014 revision process started June 2008 and expected to have new North American standard by Fall, 2009

FSC Standards Revisions

- The Principles & Criteria (applicable, internationally) are undergoing review and revision, with a new version to be released in early 2010
- Concurrently, the FSC-US is managing the process of revising and collating the (present) 9 sets of regional indicators into one set of national indicators

Prohibitions Against Illegal Logging

SFI

- SFI Inc. developed a policy on Illegal Logging
- Part of Chain of Custody and Fiber Sourcing requirements
- Generally applies outside of US
- An important driver in international growth of demand for assurances regarding forest products (Lacey Act)

Controlled Wood (FSC)

- CW emerged due to Mixed Sources products
 - 5 unacceptable sources of uncertified virgin fiber
 - Fundamentally requires knowledge of origin
 - Documentary evidence required
 - Due diligence is risk based
 - Sourcing from unverified risk regions is burdensome
- CW-based unacceptable sources now used in other contexts

Partial Estate Certification

- FSC's concern is greenwashing
 - Requirements tied to policy on association
 - Normative requirements tied to unacceptable practices articulated in controlled wood policy
- SFI is more flexible regarding the scope of the certification

Group Certification Issues

- FSC
 - Viewed as central to greater small-holder (“family forest”) engagement
 - More restrictions to be placed on large groups and large group members
- SFI: American Tree Farm System

Carbon / GHG Implications

- Both certification standards have been recognized as part of one or more GHG Offset Programs
 - Environmental co-benefits
- FSC is exploring more active roles
- GHG verification and forest certification auditing offer natural synergies

Predictions?

- More growth
- Pressures to find more certified content
- More significant price premiums
- Continuation of a competitive arena, as should be considered desirable for any market-based mechanism

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