Forest certification in the United States is in a period of "sorting out" among a variety of systems with different objectives, different costs, and different benefits to both producer and consumer. Broader societal trends toward both increased accountability on the part of institutions, and greater concern over forest conservation, suggest a growing role for independent, third-party evaluation of actual forest practices and performance. There are important parallels between the value of forest certification and the value of independent financial auditing, but thus far there is no truly independent standard-setting organization for forest certification as there is for financial accounting. The author suggests that whether forest certification will be a significant factor in improving forest management in the U.S. may depend on the development of such an independent organization, not subject to the persistent divisions between the forest industry and the environmental community.

FOREST MANAGEMENT CERTIFICATION

WHERE ARE WE, AND HOW DID WE GET HERE?[1]

What is certification? In a 1993 study, EPA defined certification as an environmental label, or "ecolabel" used to communicate information to consumers.[2] It is an assurance that an environmental claim on a product or management system meets specified criteria.

This usually involves an objective assessment by an independent certifier. Some form of mark, label, or stamp attached directly to the product is then used to inform consumers of a passing grade or endorsement. The objective of certification is to link the informed consumer with products produced in an environmentally and socially responsible manner.[3]

Why is there certification? In recent years, environmental considerations have been incorporated into the production of many kinds of consumer goods, and producer claims of their products being "environmentally safe," "ozone friendly," "dolphin safe," "recyclable," or "made from recycled materials" have been used to market these products to the growing number of consumers who, given the choice, will select products considered less damaging to the natural environment. The Federal Trade Commission (FTC) regulates advertising practices regarding "green" claims.[4] Since neither the consumer nor the retailer is in a position to know which claims are valid and which are not, retailers often turn to independent laboratories or other organizations, such as Scientific

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Certification Systems, which will investigate claims on everything from aerosols, to pesticides, to canned tuna.

Forest management certification is just one just one aspect of this effort to offer consumers the choice of purchasing from producers that have made a concerted effort to minimize impacts of timber harvesting on the natural environment, and to provide independent assurance that producer claims are based on more than just empty promises.

Where is certification now? Forest management certification in the United States is in a period of "sorting out" among several different systems, each with somewhat different objectives, different costs, and different benefits. Different categories of U.S. forest landowners—corporations, nonindustrial private forest landowners, federal and state agencies, and tribes—are all sorting through the various systems to determine which system(s) are most consistent with their own needs and objectives.

HISTORICAL BACKGROUND

The initial impetus for "green certification" in forestry arose from the boycott of imported tropical timbers by European consumers in the late 1980s. The boycott was intended to decrease demand for this timber and reduce tropical deforestation, but this "blunt instrument" approach made no distinction between tropical timber obtained through exploitive means, and that harvested through responsible forest management. It was equally punishing to those companies attempting to practice renewable resource management as to those who had never given renewability a second thought, with unnecessary and unwarranted economic impacts on struggling enterprises in some of the world's poorest developing countries. Recognizing this, representatives of European environmental organizations met with forest industry representatives and tropical timber exporters, to examine conditions under which tropical timbers could be produced, and deemed acceptable for import in Europe.

In the early 1990s, two other international events contributed directly to the development of forest management certification as we know it today, the 1992 United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro and the "Uruguay Round" of the General Agreement on Trade and Tariffs (GATT). At UNCED (the "Earth Summit"), the world's governments came to consensus on the goal of sustainable development, acknowledging that sound environments and economies are inextricably linked. This included international acceptance of the "Forest Principles" as well as a chapter of the UNCED document, Agenda 21, entitled "Combating Deforestation." Both embraced the concept of sustainable management of the world's forests to meet current needs without compromising the ability of present and future generations to meet their own needs.[5]

For a time, Germany, the Netherlands, and the United Kingdom considered trade restrictions in the form of requiring certification of timber originating from tropical countries. This was opposed by tropical timber exporting nations, who asserted that any such rules should apply to all internationally-traded timber regardless of source. In addition, GATT prohibited the use of trade restrictions based on methods of production to discriminate between "like products," thus preventing the use of any government-imposed tariffs, bans, or quotas in favor of "sustainably" produced wood.

In the absence of governmental action, the World Wide Fund for Nature (WWF), based in Switzerland, brought together representatives of forest industry and environmental organizations in 1993 to form the Forest Stewardship Council, whose purpose is to "support environmentally appropriate, socially beneficial, and economically viable management of the world's forests." The FSC adopted a set of Principles and Criteria to apply to the management of tropical, temperate, and boreal forests worldwide, and established a process for on-the-ground "performance-based" third-party verification of a forestry operation's adherence to these principles and criteria. Following a successful third-party assessment, the producer is entitled to affix the FSC label directly to the product to inform consumers that it was produced from a forest managed in accordance with the FSC principles and criteria.

Also in 1993, the International Standards Organization (ISO) created a technical committee to develop standards and guidelines for sustainable forest management, which was carried out by the Canadian Standards Association.[6] ISO standards specify what processes and procedures a company needs to have in place to produce a quality product, but does not certify actual performance under these procedures or the quality of the product itself. "Rather, the ISO certification demonstrates that the company has adopted quality management processes that are consistent and repeatable—systems certification."[7] The ISO 14001 standards are intended to document that a process or system ensuring continuous improvement in forest management exists, and that management is committed to environmental performance and the achievement of sustainable forestry over time.

Meanwhile back in the USA, the American Forest and Paper Association (AF&PA) received the results of a nationwide survey it had commissioned of public perceptions of the forest products industry, which concluded that "the forest products industry doesn't have a communications problem, it has a behavior problem."[8] In other words, people had seen enough PR. What they were looking for was tangible evidence of substantive improvement in the way the industry managed its forests.

AF&PA responded with the Sustainable Forestry Initiative, a set of basic principles of responsible forest management that, by 1996, all member companies were committed to adopt as a condition for continued membership in and representation by AF&PA. Verification of actual performance was first-party, meaning it was based on the assurances of a company itself that it was in fact managing in accordance with SFI principles. A diverse Expert Review Panel was established to advise the AF&PA Board of Directors on further improvements to SFI, and by 1999 had persuaded the association to make a number of important changes.

- First, the SFI principles were converted to a formal standard, consistent with ISO 14001.
- Second, AF&PA developed a licensing program whereby nonmember companies can participate in the SFI standard.
- Third, SFI program participants can now undergo voluntary third-party verification of their compliance with the SFI standard according to generally accepted auditing and verification procedures, similar to the ISO 14000 auditing standards.[9]

Among the still unresolved issues identified by the Expert Review Panel is how to consider companies whose mills obtain

a majority of their wood from independent loggers as "gatewood," with no way of knowing whether the forest from which it was harvested is being managed in accordance with the SFI standard. Some individual companies have attempted to address this through the establishment of "preferred supplier networks" of loggers and landowners who would agree to operate within the SFI standard. This has been an added impetus to recruit nonindustrial private forest landowners into the American Tree Farm System, which has forest management principles similar to the SFI standard and utilizes both second-party and third-party on-the-ground verification.

CURRENT CONTEXT OF FOREST CERTIFICATION IN THE UNITED STATES

The simple fact is, most forestry operators do not like prescriptive rules—whether it is government regulation or private certification standards—and are uncomfortable with any third party coming onto the land to evaluate their compliance, even if it is with policies they established themselves.

But working against this are two rapidly converging trends.

The first major trend is society's increasing demand for greater accountability on the part of institutions, whether it is their financial institution, a political campaign committee, or their local school board. In the post-Watergate era, "trust us" doesn't work anymore. "Trust, but verify" is no longer heard only in the realm of international arms control agreements. First-party claims and second-party verifications don't carry much weight anymore. The public has also largely lost faith that having sound policies in place is good enough, whether for public institutions or private. There have been too many instances of bad things continuing to happen despite good policies, through lack of commitment, lack of monitoring, or lack of enforcement. Increasingly, the public is less interested in knowing about policies than about actual performance.

The second is the continuing trend toward increased concern over the future of forests, both domestically and internationally We've long ago accepted the need for performance-based independent auditing of financial record keeping by both public and private institutions; now society is saying that forest conservation and responsible forest management are becoming important enough—and the need to be able to trust the claims of forestry institutions critical enough—that similar independent standard-setting and auditing are necessary. As one of the top executives of Home Depot observed, "Certification of forest products is one way to inform both retailers and the public. Just as accountants certify that financial statements are accurate, certification can offer objective environmental evaluations."[10]

PARALLELS BETWEEN FOREST CERTIFICATION AND FINANCIAL AUDITING

The analogy of forest certification to financial auditing is a useful one, particularly given that forest certification is becoming a major new line of business for some of the nation's largest accounting firms.

"Getting audited" has strong negative connotations, due largely to the aggressive approach often taken by the IRS, in which it seems one is guilty until proven innocent. But voluntary independent audits are an important part of identifying and addressing systematic weaknesses, and discovering new techniques for making operations more effective and more efficient. An independent auditor evaluates an institution's financial record keeping relative to Generally Accepted Accounting Principles (GAAP) and to the internal accounting policies and procedures adopted by the institution itself.

The accounting standards in GAAP are slowly, steadily, continually improving, overseen by an independent body, the Financial Standards Accounting Board (FASB) in consultation with industry, government and consumer watchdog groups. The additional internal accounting policies and procedures are often themselves improved upon in the course of an independent audit, enhancing the quality and timeliness of information important for top management, boards of directors, and investors.

An independent audit of forestry management can provide the same benefits, bringing practices up to date with generally accepted conventions of responsible forestry, and identifying opportunities for further enhancing the effectiveness, efficiency—and often the profitability—of forestry operations.

THE CONTINUING NEED FOR AN INDEPENDENT STANDARD-SETTING ORGANIZATION

The analogy to financial auditing also raises some important questions for forest certification and the organizations most involved with developing certification in the US. In effect, there remains no truly independent body—i.e., no counterpart to FASB—to objectively establish and update a set of generally accepted conventions for responsible forest management.

The Forest Stewardship Council, originally established by a consortium of forest industry and environmental organizations, was intended to play this role. The FSC board of directors was organized into three counterbalancing "chambers"—Environmental, Economic (initially called the Commercial chamber), and Social—to reflect the three key aspects of sustainable development. But FSC is regarded by many as having succumbed to pressures from hard-line environmental groups to set national and regional standards that are so restrictive that few enterprises could adhere to them and still operate profitably—including some that have already been FSC-certified but may not be able to continue their certification under the new and tighter standards.

The FSC and its affiliates are still in the throes of answering a question that is fundamental to their future: does FSC want to be the organization that articulates generally accepted conventions of responsible forestry, or does it want to be the one that establishes the "gold standard" of forest practices acceptable to even the most restrictive environmental organizations? The former strategy could have a broad impact across many different kinds

of forestry operations and forest landownerships, raising performance across the board and gradually improving it further over time. The latter strategy would focus on niche markets, and perhaps provide greater rewards for a few exemplary forestry operations able to meet the demands of the most discriminating consumers. Each of the two strategies has its appeal; but no organization can pursue both at the same time.

Neither can SFI credibly play this independent standard-setting role as long as its standards are set exclusively by the forest industry. The Expert Review Panel can offer advice on standards and procedures, but any decisions on standards must be made by the AF&PA Board of Directors.

In effect, neither the environmental community nor the forest industry is willing to relinquish control over the process of standard setting, continuing the same old industry/environment split that the Forest Stewardship Council was intended originally to bridge. Old ways die hard, increasing the chances that the confrontation that has characterized the relationship between the forest industry and the environmental community in the public policy arena will carry into the realm of private, voluntary programs.

From the perspective of the average consumer, this continued public split undermines the credibility of both systems, and diminishes whatever impact either might have had on the consumer marketplace or on public perceptions of corporate commitments to sustainable forestry. After all that has been invested in this effort since the Earth Summit in 1992, this would be a major opportunity lost.

WHAT WILL BE THE EFFECT OF FOREST CERTIFICATION IN THE FUTURE?

Ultimately, the future of forest certification in the United States comes down to three basic questions:

- What will be the standards?
- Who will evaluate performance relative to these standards?
- Who will find it useful to seek certification?

What are the standards by which a forestry operation can be most usefully evaluated? Will they be standards of on-the-ground performance, or will they focus on systems and policies that hopefully are having some effect on the ground? By what process and by whom are the standards to be modified over time to reflect changing scientific understanding of forests, and technological change in forest management methodology and tools? How prescriptive should international, national, or regional standards become, given the practical drawbacks of highly prescriptive approaches and the perceived laxness of more generalized approaches? Will a truly independent standard-setting organization—a forest certification counterpart to FASB—ever develop?

Who will be regarded as most credible to perform independent assessments and audits against both conventional standards of responsible forestry and additional company-specific policies and procedures? Is it interdisciplinary teams of nonaffiliated experts in forest management and science, such as those assembled by independent verification organizations like Scientific Certification Systems or Smartwood? Is it teams of experts in the processes of auditing and verification, such as those provided by major accounting firms like PriceWaterhouseCoopers?

Who will find it useful to seek an independent assessment of their forestry operations, or put another way, of whom will an independent audit be required? Financial audits are "voluntary," but in effect become required for any organization that wants certain benefits or services, such as access to outside financing by either institutional lenders or private investors; will forest certification essentially be required of any operation providing wood to companies that make public claims of compliance with standards of sustainable forest management? How can small landowners for whom forestry is already a marginal enterprise afford certification as a requirement to participate directly or indirectly in certified-only wood markets?

Assuming these questions can soon be adequately addressed, forest certification still has great potential for improving forest practices and long-term stewardship on both private and public forest lands in the United States. Certification remains a private voluntary program driven ultimately by consumer preference for wood products derived from responsible forestry. Further, it remains a useful tool for people to communicate to forest producers regarding not only what they don't like about forestry, but the environmental, economic, and social conditions under which forestry can be widely embraced as an important component in meeting the world's needs through renewable natural resource management.

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ENDNOTES

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