

APFC Dialogue Day Event /Japan-Australia Joint Workshop
“Sustainable Wood for a Sustainable Future in the Asia-Pacific Region”

International Forestry Cooperation Office & Wood Products Trade Office,
Forestry Agency of JAPAN

Date and Time: Monday, October 2, 2023, 1:00 p.m. - 3:00 p.m. (local time)

Location: Sydney, AUSTRALIA (combined online)

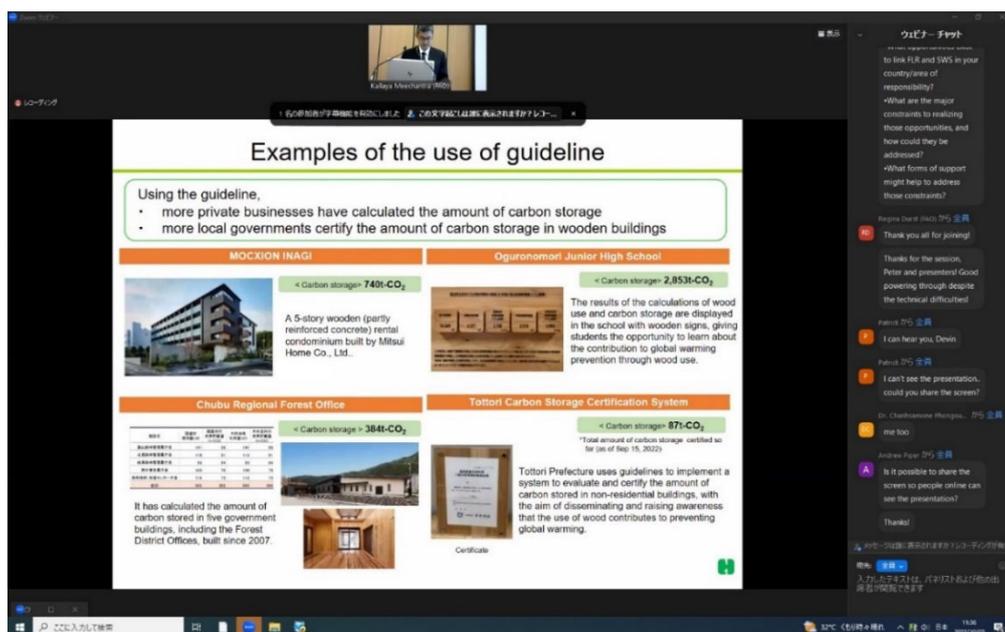
(1) Sustainable Wood Use for a Sustainable Future in the Asia-Pacific Region

① Presentation from Australia (Ms. Christina Wijeratne/Clean Energy Finance Corporation)

- The increase in the number of large wooden buildings has increased a variety of data, which provides evidence for the development of rules and standards. In addition, balancing supply and demand in the market and developing detailed regulations will soften the resistance that the financial and insurance industries have toward wood construction.
- T3 Collingwood Office Tower (Located near Melbourne) : Includes 15 floors above ground, of which the lower 5 floors are RC and the upper 10 floors (6 and above) are wood construction (<https://www.cefc.com.au/where-we-invest/case-studies/t3-collingwood-puts-the-timber-in-high-rise/>)
- T3 Global Strategy (Timber Transit & Technology) was introduced to Australia. This signaled to the Australian market that huge wooden buildings were possible.

② Presentation from Japan (Mr. Tanimoto, Director of International Forestry Cooperation Office, Forestry Agency)

- Promoting wood use in buildings



- He introduced an overview of Japan's forests and the percentage of wooden and non-wooden buildings in Japan by floors and structure (residential or non-residential).
- He also introduced the Act for Promotion of Use of Wood Contributing Decarbonized Society, the Agreement on Promotion of Wood Use in Buildings, the Kizukai Undo (attention to wood use) initiative and guidelines for the labeling of carbon storage for wood used in buildings.

< Question and Answer Session >

Q: Question for Ms. Christina. In terms of cultural barriers to allowing the use of wood in buildings, are large projects implemented by CEFC (<https://www.cefc.com.au/who-we-are/about-us/purpose-and-values/>) encouraging the change that other developers are beginning to see the potential of wood in their projects?

A: The certifications such as Green Star by the GVCA (<https://geca.eco/>), especially for commercial properties, are the drivers. Such certifications are highly attractive for the tenants, and the requirements by tenants are a major driver of sustainability. Developers can gain such certifications by using mass timber. The more important embodied carbon becomes, the greater the impact of massive wooden buildings will be recognized and the more attention will be paid to wood as an alternative material.

Q: Question for Ms. Christina. Who ordered the wooden building project by your company's investment funds?

A: CEFC works independently of the government. Many of these strategies are developed by teams, including the wooden building program. Nevertheless, the government often indicates the clear directions. Basically, we set the direction and the broader strategic priorities.

Q: Question for Mr. Tanimoto. In concluding partnerships with companies such as McDonald's, does the Japanese government use an open process to select which companies to invite?

A: The process in Japan is open. Not only general contractors, but also various types of building business owners have signed agreements with the central government, and there are already more than 14 such agreements. We are promoting the use of wood not only for public buildings, but also for non-public buildings.

(2) Market demand and drivers for sustainable timber: Dr. Steven Johnson (Director of Trade and Industry Division, International Tropical Timber Organization (ITTO))

He gave a presentation on timber production and trade in the Asia-Pacific region, covering the past 30 years and the current status of trade in the region's major timber products (tropical timber). A summary of the presentation is as follows;



<Changes in Tropical Timber Trade Trends over the past 30 years>

- Compared to 20-30 years ago, exports from producing countries have shifted from logs to secondary products, which are now worth about US\$36.5 billion, more than three times higher than the export value of the primary products such as logs. This is a significant change.
- It is a good trend that the market is recently focusing on the sustainability of timber products.

<Recent Tropical Timber Trade Trends >

- The pandemic has been continued to affect the market, including a slump in wood consumption due to lower housing demand in EU and US, and lockdowns in China.
- The war in Ukraine also affects energy prices and has an impact on trade in forest products (especially tropical timber).
- By product, they are as follows;
 - Logs: China is the major importer. Exports from PNG and Solomon Islands to China and from Central African countries to China and Vietnam is dominant. Exports from Malaysia decreased from 20 million m³ to 0.3 million m³.
 - Sawing Lumber: Thailand is the main exporting country, exporting a large amount of rubberwood. Malaysia is a major exporter to Europe, US and other countries, and the export volume has remained flat in recent years.
 - Plywood: Export from Indonesia to US is dominant. Vietnam and China also export imported logs processed into plywood. Indonesia and Malaysia export large volumes to Japan.
 - Wooden Furniture: Current trade statistics make it difficult to classify the volume of trade in wooden furniture, but many developing countries import tropical logs and export them as furniture, and the volume is increasing. The value of secondary product exports in 2022 was about US\$37 billion, and trade in secondary products is increasing rapidly, not only in tropical

countries. Tropical wood furniture is exported mainly to US, Japan, Europe, Australia, and South Korea, and especially from Vietnam to US, is significant. China is also a major exporter of furniture made from imported tropical wood.

< Factors leading to sustainability >

(Domestic)

- In tropical wood-producing countries, it is important to shift to more processed and value-added products.
- Growing demand from population growth for all resources, not just timber.
- Challenges in promoting wood use in domestic market in producer countries: Many producer countries have not made much progress in promoting wood use, and support from ITTO and other organizations is needed. (Some projects funded by the Japanese government to promote wood use in Southeast Asia, utilizing on Japan's experiences, are under implementation.)
- Solid strategies and measures to promote sustainable wood use, active improvement of processing technologies, and promotion of investment in producer countries are needed.

(International)

- Global commitment on critical environmental issues such as climate change

< Concerns that may affect tropical timber trade in the future >

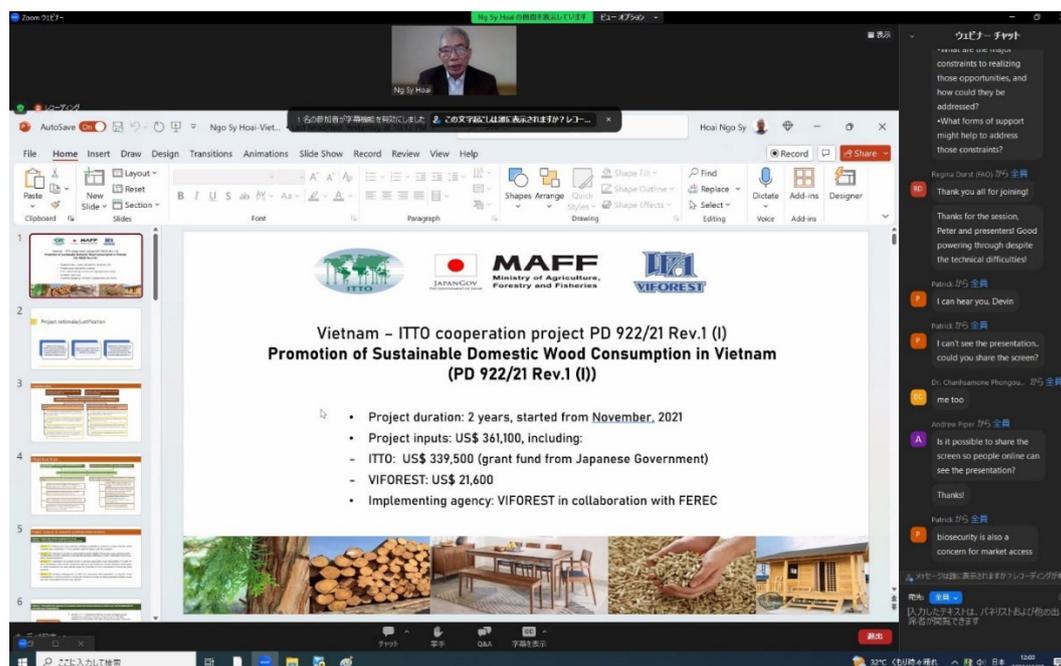
- Real estate crisis in China
- Prolonged impact of COVID-19
- Political and economic uncertainties such as the Ukraine crisis
- Competition with non-wood products
- Decline in quality of tropical timber
- Soaring energy prices
- Inflation in consumer countries, etc.

(3) Introduction of the achievements and outcomes of the ITTO Project "Promotion of Sustainable Domestic Wood Consumption in Vietnam": Mr. Ngo Sy Hoai, Secretary General and Project Coordinator, Vietnam Timber and Forest Products Association (VIFOREST)
He introduced the achievements and outcomes of the "Sustainable Wood Use" project funded by the Forestry Agency Japan (FAJ).

【Background】

FAJ has launched the projects to promote Sustainable Wood Use (SWU), through contribution to ITTO, in some countries of tropical timber producing countries, which have been dependent on exports, in order to realize of a decarbonized society and "green recovery" from the pandemic. The project in Vietnam has started since 2021, and similar projects are underway in Southeast Asian countries (namely Thailand, Indonesia, and Malaysia). Mr. Ngo Sy Hoai, coordinator of

the project, shared his experiences of the SWU project in Vietnam with other Asia-Pacific countries.



【Project Summary】

- Project Title : Promotion Sustainable Wood Consumption in Vietnam
- Implementation Period: 24 months from November 2021
- Budget: US\$361,100 (Contribution by the Japanese government is US\$339,500)
- Implementing Agency: VIFOREST in collaboration with Vietnam Forest Economic Research Center (FEREC)

【Current Situation and Challenges of Forestry and Timber Industry in Vietnam】

- Vietnam is one of the largest exporters of wood and wood products in the world and has been dependent on overseas markets. On the other hand, domestic consumption and the domestic market are limited, and there are the needs for improvement in forest management and the timber industry sector.
- The population is approximately 100 million, and the demand for timber is increasing. Therefore, their domestic market is promising.
- The tree species in the plantation are mostly acacia and eucalyptus, and the cutting cycle is very short. It is necessary to improve environmental functions of forest plantation and value of their products.

【Pillars and Activities of the Project】

- Improvement of Policy Frameworks to Promote Wood Use
- Survey of advanced examples of wood use promotion in Japan, US and Europe.

- Assist Wood Use Promotional Activities and Capacity Building of the Stakeholders
 - Improvement of production capacity of timber and timber products
 - Promote collaboration between producers (plantation farmers and forestry cooperatives) and major wood processors.
 - Shifting from short-term management to long-term management of Acacia plantation forests for developing value-added products.
 - Promote linkages between more than 300 small domestic wood villages and large wood processing companies.
 - Promote domestic use of wood pellets by introducing wood pellet burning equipment (for drying tea leaves) for local tea producers.
 - Training of human resources responsible for promoting wood use in Vietnam
 - Holding a wood product design contest for students and young designers/architects
 - Display of wooden model houses at architecture universities
 - Training for local government officials on legality requirements and enforcement of forest-related laws

(4) Introduction to market access and the supply chain related to wood construction (especially from the perspective of markets and distribution): Mr. Andrew Piper (Market Access + Program Officer, Oceania Agriculture, Forestry and Fisheries Relations)

- There are many small island states and archipelagos in Oceania, which currently do not have sufficient chances of capacity development or market access to add value to logs.
- In order to create such opportunities in the future, and at the same time, to combat illegal logging and attract investment in the wood processing industry, it is important to develop a framework, including policies.
- In order to further improve the livelihoods of local communities in the timber sector in the countries of Oceania, it is important to develop capacity and share knowledge not only at the national level but also with local communities.

(5) Market access and supply chain on wood construction, especially from a community perspective: Mr. Jalesi Matevoto, Sustainable Forestry and Landscape, Oceania Community Office

- There is not enough policy and programmatic consistency with respect to the timber supply system in Oceania (lack of consistency).
- In Papua New Guinea and Solomon Islands, the production of logs, lumber, and chips are the major industries.
- However, there are significant challenges to export timber stably and smoothly. In terms of forest certification, the cost of obtaining certification continues to be a significant burden for local communities.
- To address such challenges in a comprehensive manner, the community office promoting a

landscape approach to forests.

- A recent challenge is the need for smooth coordination between foresters and economists.
- It will continue to be important to take a "people-centered" approach from the perspective of improving livelihoods and motivations of the communities, and to combine the approach with the pursuit of sustainability and improvement of ecosystem resilience, in addition to forest landscapes.