

—International Symposium on the Promotion of Deforestation-Free Global Supply Chain
to Contribute to Halting Deforestation—

1

PROMOTION OF SUSTAINABLE GLOBAL SUPPLY CHAIN FOR PAPER INDUSTRY IN JAPAN

January 23 & 24, 2018

At Mita Common Conference Hall, Tokyo

Kiyoshi Kamikawa

Managing Director, Japan Paper Association

k-kamikawa@jpa.gr.jp

—CONTENT—

- Status-quo of Japan's Paper Industry
- Raw Materials of Japan's Paper Industry
- Sustainable Woodchip Procurement
- Forest Certification
- Forest Plantation Overseas
- Biodiversity
- Combating Illegal Logging
- Clean Wood Act

Status-quo of Japan's Paper Industry

JAPAN PAPER ASSOCIATION (JPA)

- ▶ Established in April 1972
 - Former “Pulp and Paper Industry Association” established in 1946 has merged with other paperboard and pulpwood associations in 1972
- Profile
 - Industry association consisting of major paper and paperboard producing companies for the purpose of sustainable development of Japan’s paper industry
- Membership (as of 2016)
 - Member companies 33 Member Associations 6
 - Supporting members 47
- Coverage of paper and paperboard production by JPA member companies 88.2% (as of 2016)

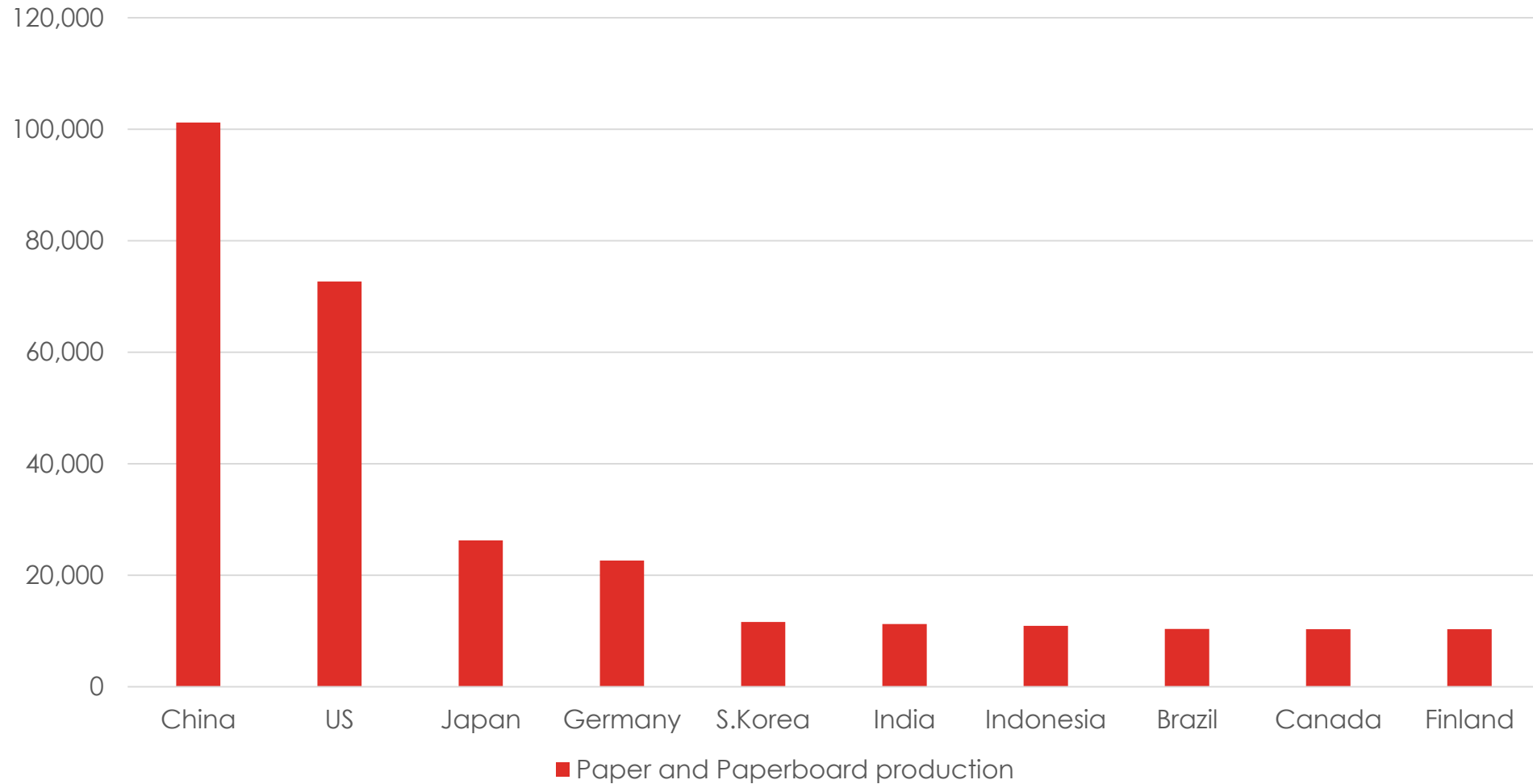
Location of paper mills in Japan



工場所在地一覧をみる

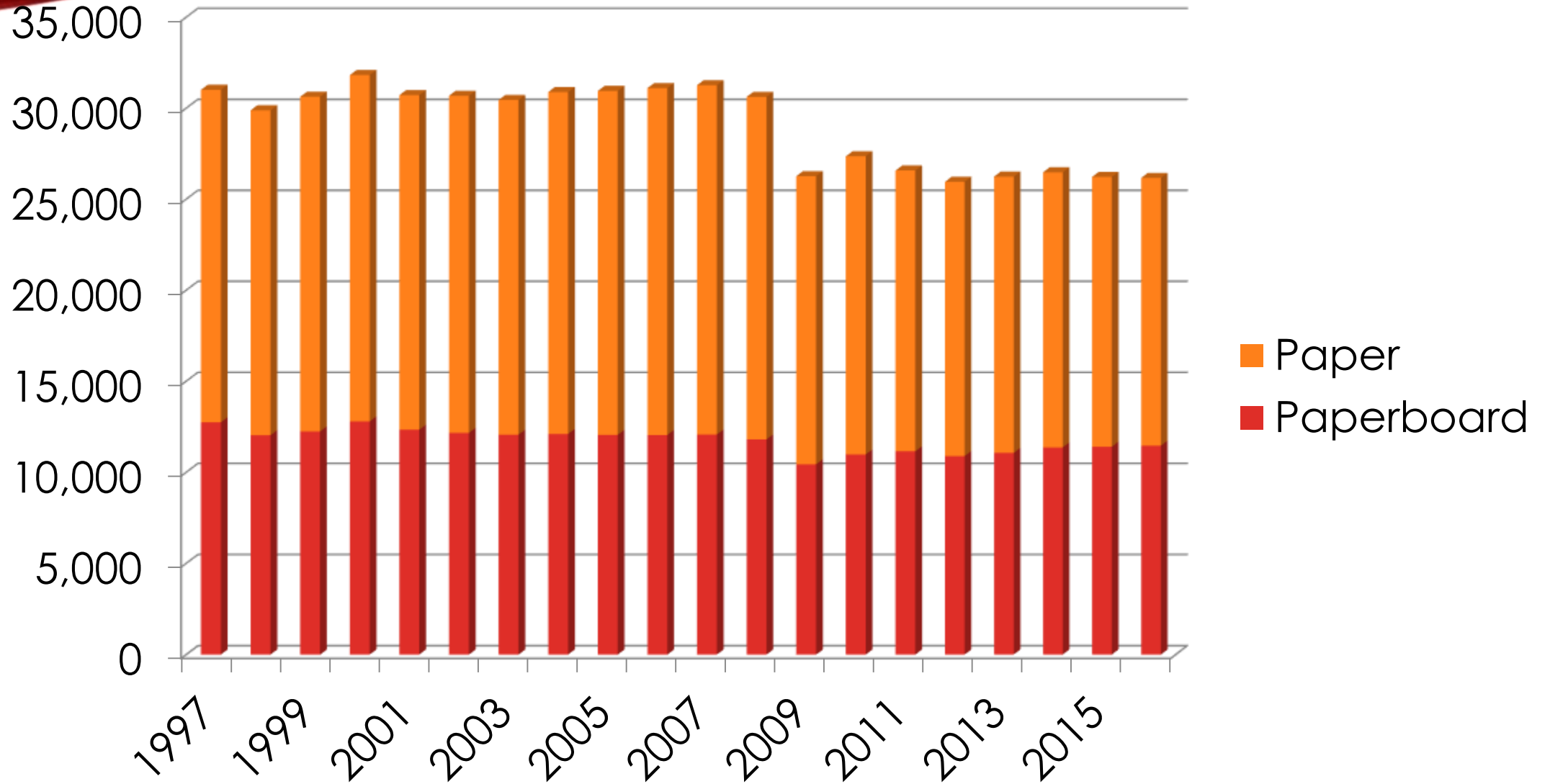
JAPAN IS THE 3RD LARGEST PAPER AND PAPERBOARD PRODUCING COUNTRY IN THE WORLD (2016)

(Unit:1,000 tons)



PRODUCTION OF PAPER AND PAPERBOARD IN JAPAN

(1,000 t)



PAPER AND PAPERBOARD PRODUCTION OF JAPAN

- Paper and paperboard production of Japan dropped by minus 14.2% from 30,625 thousand tons in 2008, to 26,268 thousand tons in 2009 due to Lehman shock.
- It was back to the level of a quarter of century (about 30 years) ago (1988).
- Since then, the level of paper and paperboard production has been floundering around 26 million tons (26,286 thousand tons in 2016).
- The production of paper continues to be decreasing due to dwindling and aging population as well as IT revolution (14,716 thousand tons in 2016).
- On the other hand, the production of paperboard has been rather stable (11,570 thousand tons in 2016), in proportion to GDP.

PAPER AND PAPERBOARD PRODUCTION BY GRADES

(1000 metric ton : %)

	2008		2009		2016	
	Production	'08/'07	Production	'09/'08	Production	'15/'08
Newsprint paper	3,680	96.8	3,455	93.9	2,906	78.9
Printing and writing paper	11,501	98.6	9,120	79.3	8,309	72.2
Packaging paper	1,010	101.6	786	77.8	877	86.8
Sanitary paper	1,805	102.0	1,776	98.4	1,815	100.5
Other paper	831	86.4	695	83.6	809	97.4
Paper total	18,828	98.1	15,831	84.1	14,716	78.2
Container board	9,219	97.8	8,213	89.1	9,363	101.6
Boxboard	1,879	101.0	1,637	90.0	1,433	76.3
Other paperboard	762	89.7	586	76.9	774	101.6
Paperboard total	11,800	97.7	10,436	88.4	11,570	98.1
Total	30,627	98.0	26,268	85.8	26,286	85.8

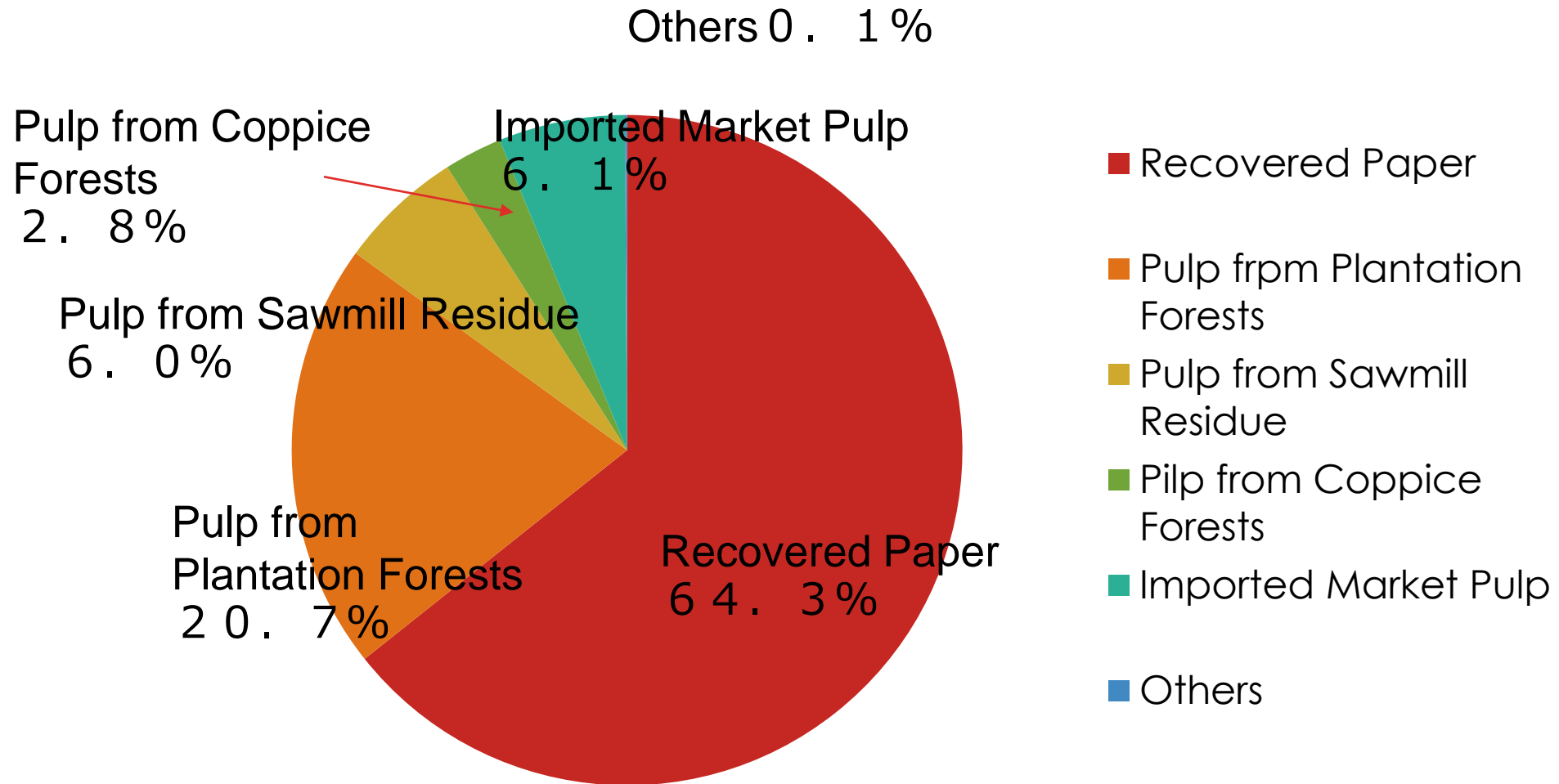
Source : PRPC

Raw Materials of Japan's Paper Industry

RAW MATERIALS PROCUREMENT OF JAPAN'S PAPER INDUSTRY

- Japan's paper and paperboard production in 2015 is 26.23 million tons.
- Japan's paper industry consumed 26.59 million tons of raw materials.
- Contents of raw materials are 17.09 million tons of recovered paper (64.3%), 17.09 million tons of pulp (35.6%) and 0.03 million tons of other materials (0.1%).
- As for domestically produced pulp (7.84 million tons (29.5%)), its contents are 5.50 million tons of pulp produced from plantation (20.7%), 1.59 million tons of pulp produced from sawmill residues (6.0%) and 0.74 million tons of pulp produced from natural forests (2.8%).
- 1.61 million tons of imported market pulp are also consumed (6.1%).

RAW MATERIALS CONTENTS (2015)



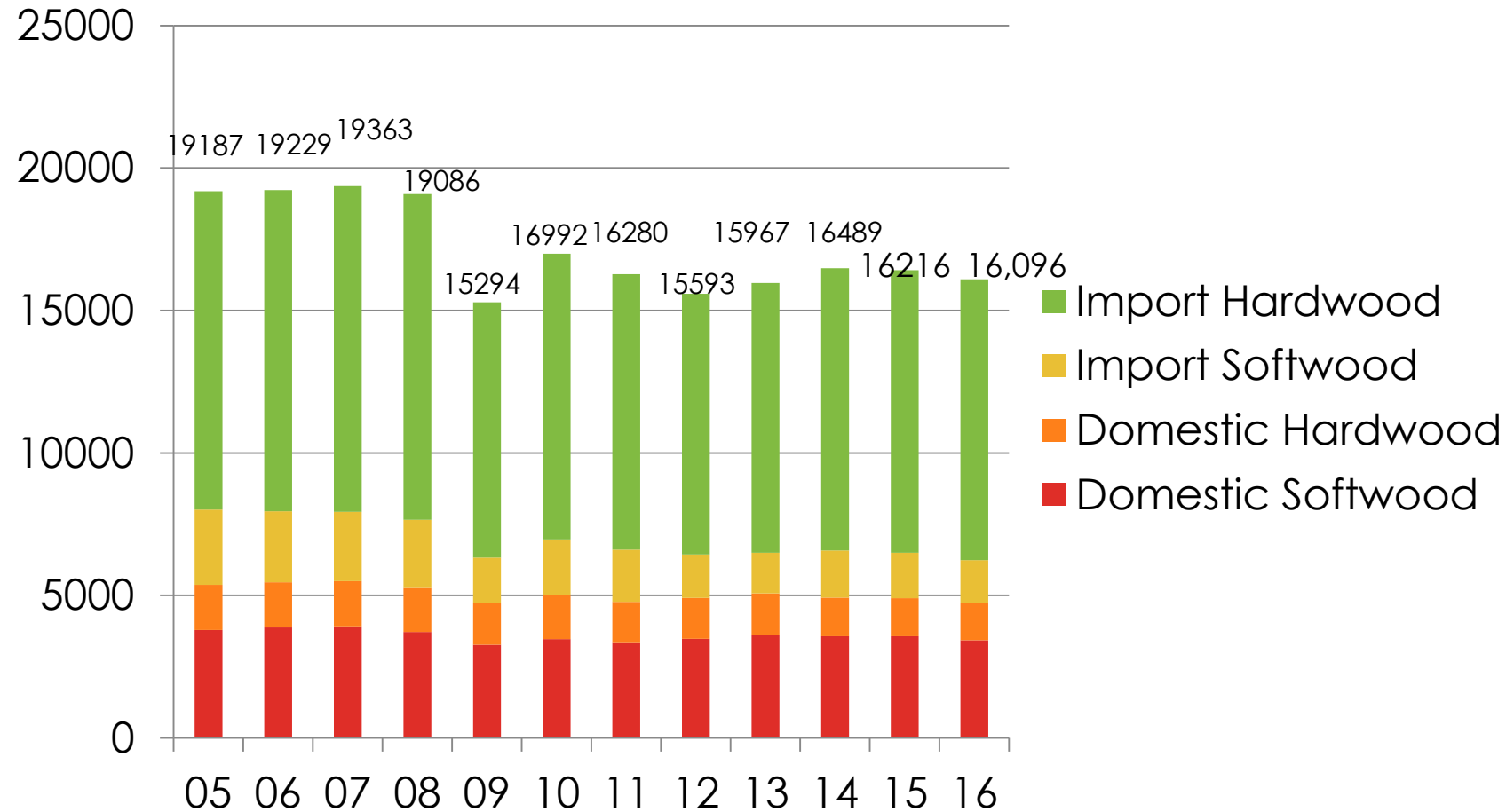
Sustainable woodchip Procurement

WOODCHIP CONSUMPTION OF JAPAN

- Woodchip consumption of Japan dropped by minus 20% from 19,086 thousand tons in 2008 to 15,294 thousand tons in 2009 due to Lehman shock. (consumption of imported woodchips dropped by minus 23.6% to 897 thousand tons)
- Woodchip consumption of Japan recovered by 11% to 16,992 thousand tons in 2010.
- It went down again to 15,593 thousand tons in 2012.
- But it has increased a little and continues to be stable, to 16,096 thousand tons in 2016, even though it is still at a rather low level.

CONSUMPTION OF WOODCHIP

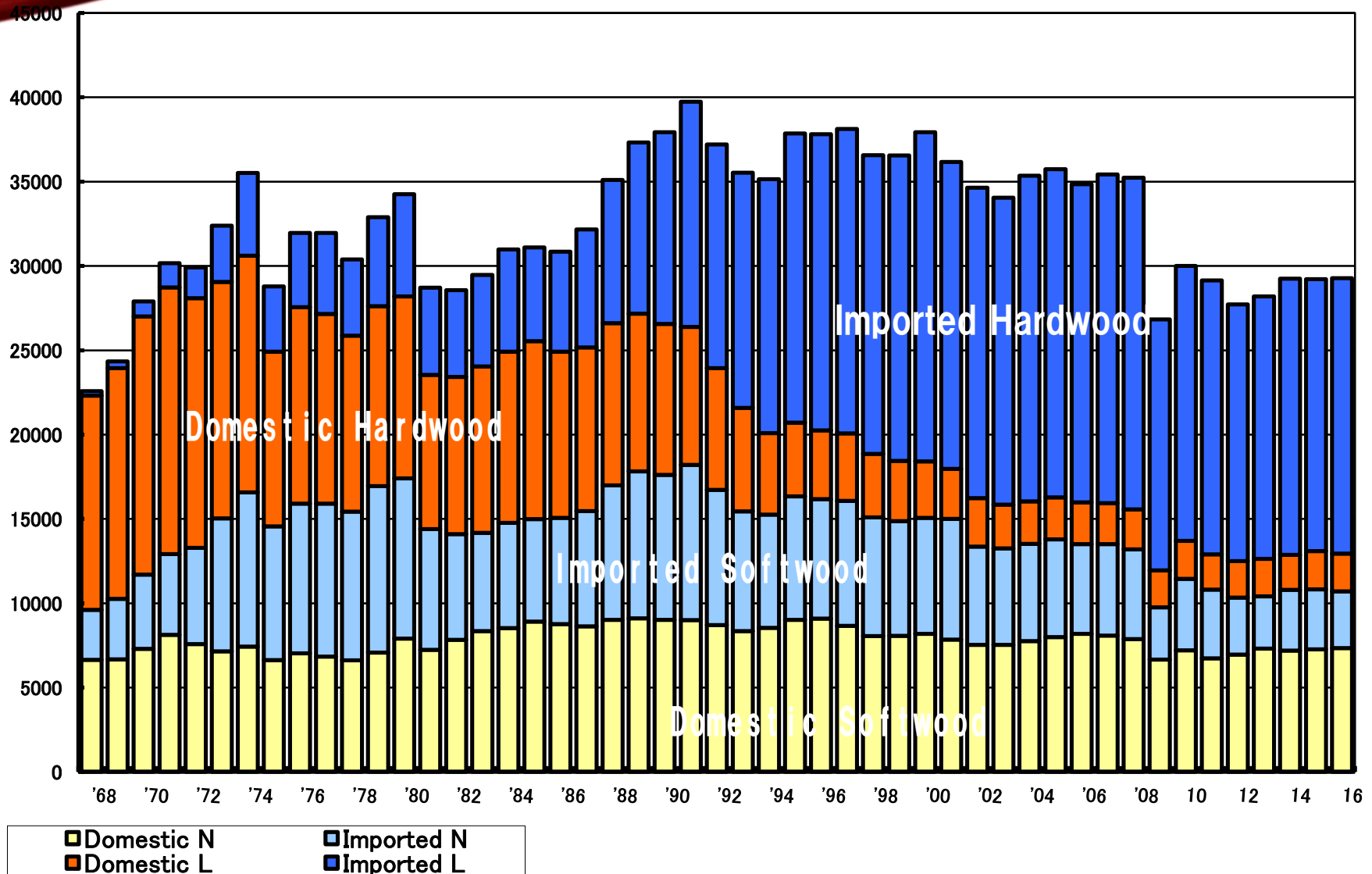
(thousand BDT)



Source: Japan Paper Association

COLLECTION OF WOODCHIP 1968-2016

Unit: 1,000 m³



Source: Ministry of Economy, Trade and Industry

IMPORTS OF WOODCHIP BY ORIGIN (SOFTWOOD)

- **The import from U.S.** was 684 thousand tons in 2008, and sharply dropped to 369 thousand tons in 2009 , but bounced back to 663 thousand tons in 2010.

It continued to decrease to 497 thousand tons in 2013 but bounced back to 660 thousand tons in 2014.

And it decreased again and continues to be stable onto **656 thousand tons (105.0%) in 2016.**

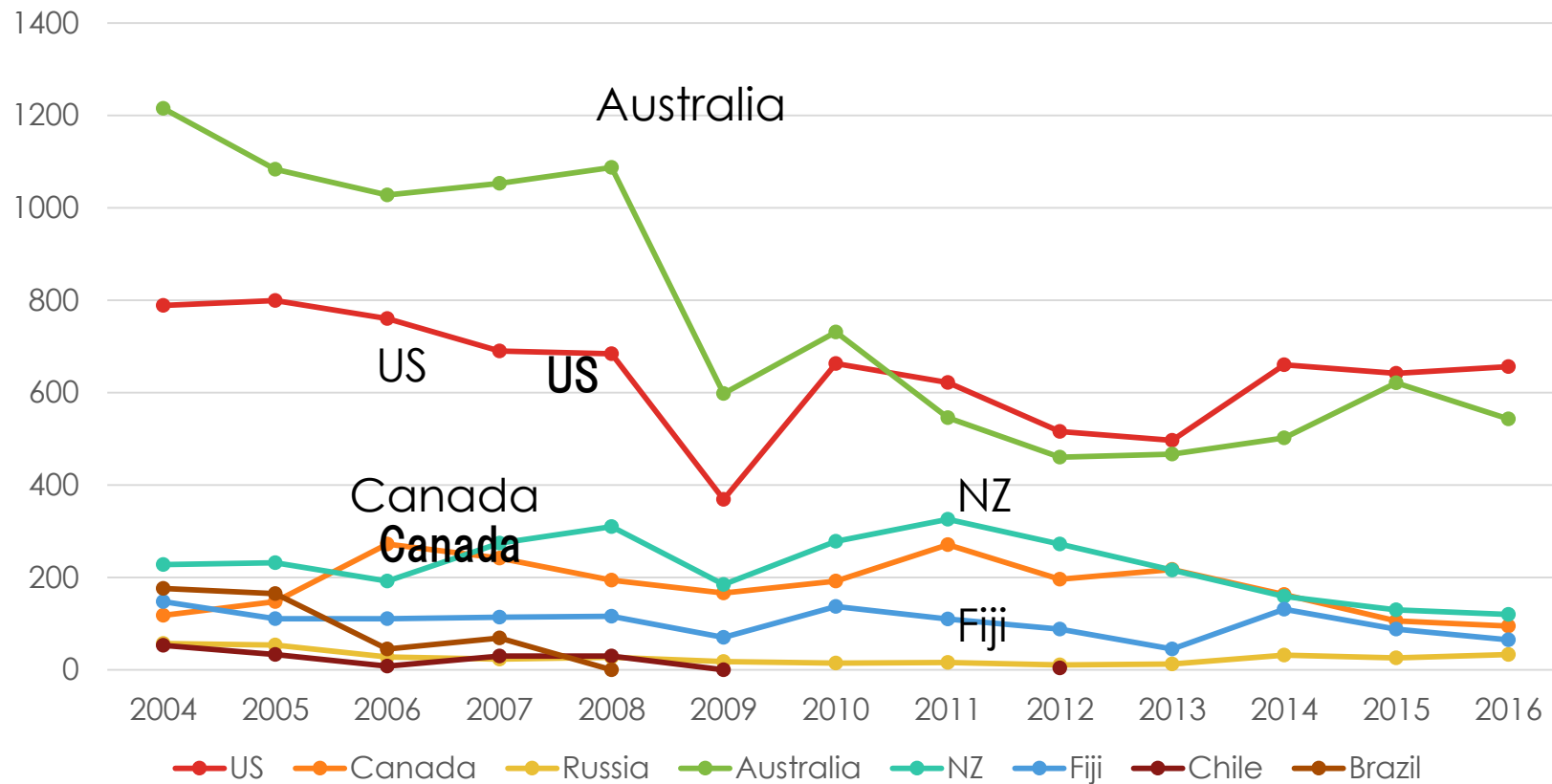
- **The import from Australia** was 1,087 thousand tons in 2008, and dropped to 598 thousand tons in 2009, but recovered to 731 thousand tons in 2010.

It dropped again to 546 thousand tons in 2011, and decreased further to 460 thousand tons in 2012, but bounced back a little to 502 thousand tons in 2014.

it has decreased from the previous year to **542 thousand tons (87.4%) in 2016.**

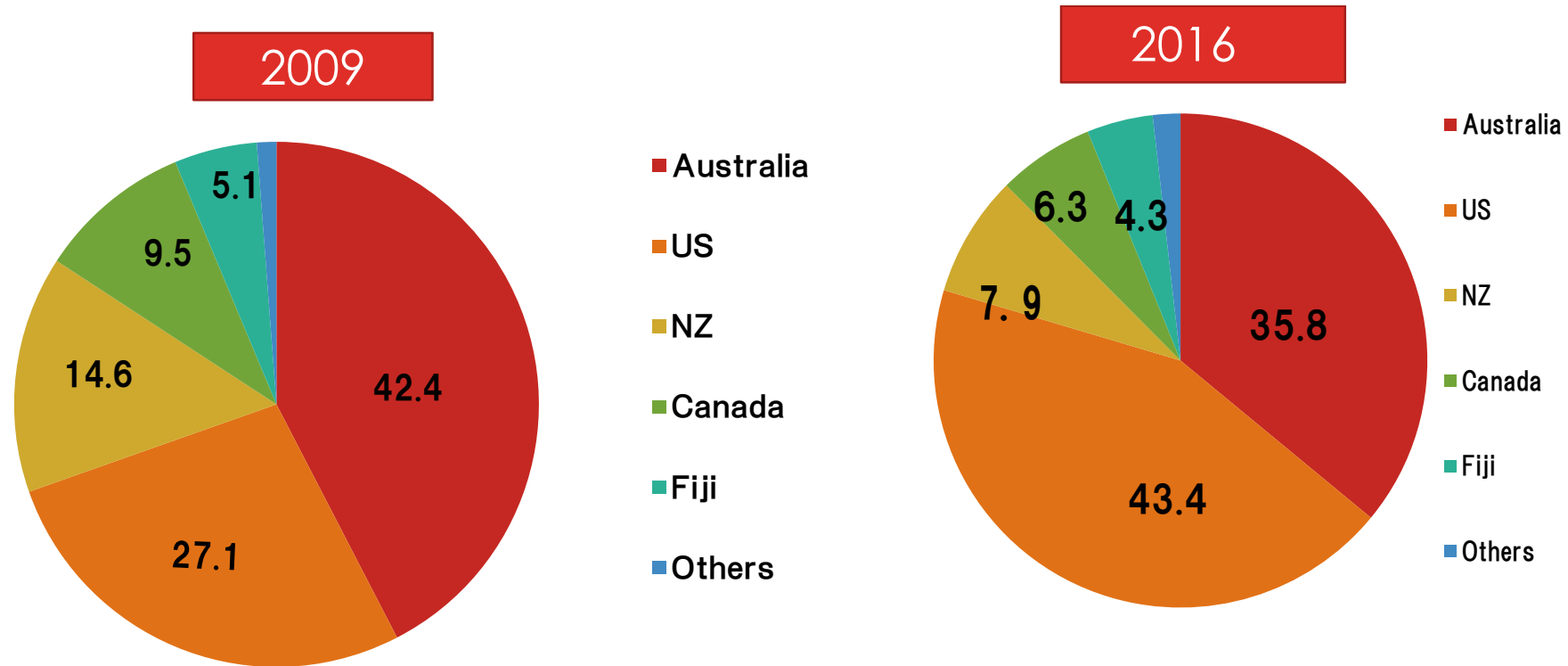
TREND OF WOODCHIP IMPORTS BY ORIGIN (SOFTWOOD)

(thousand tons)



Source: Ministry of Finance

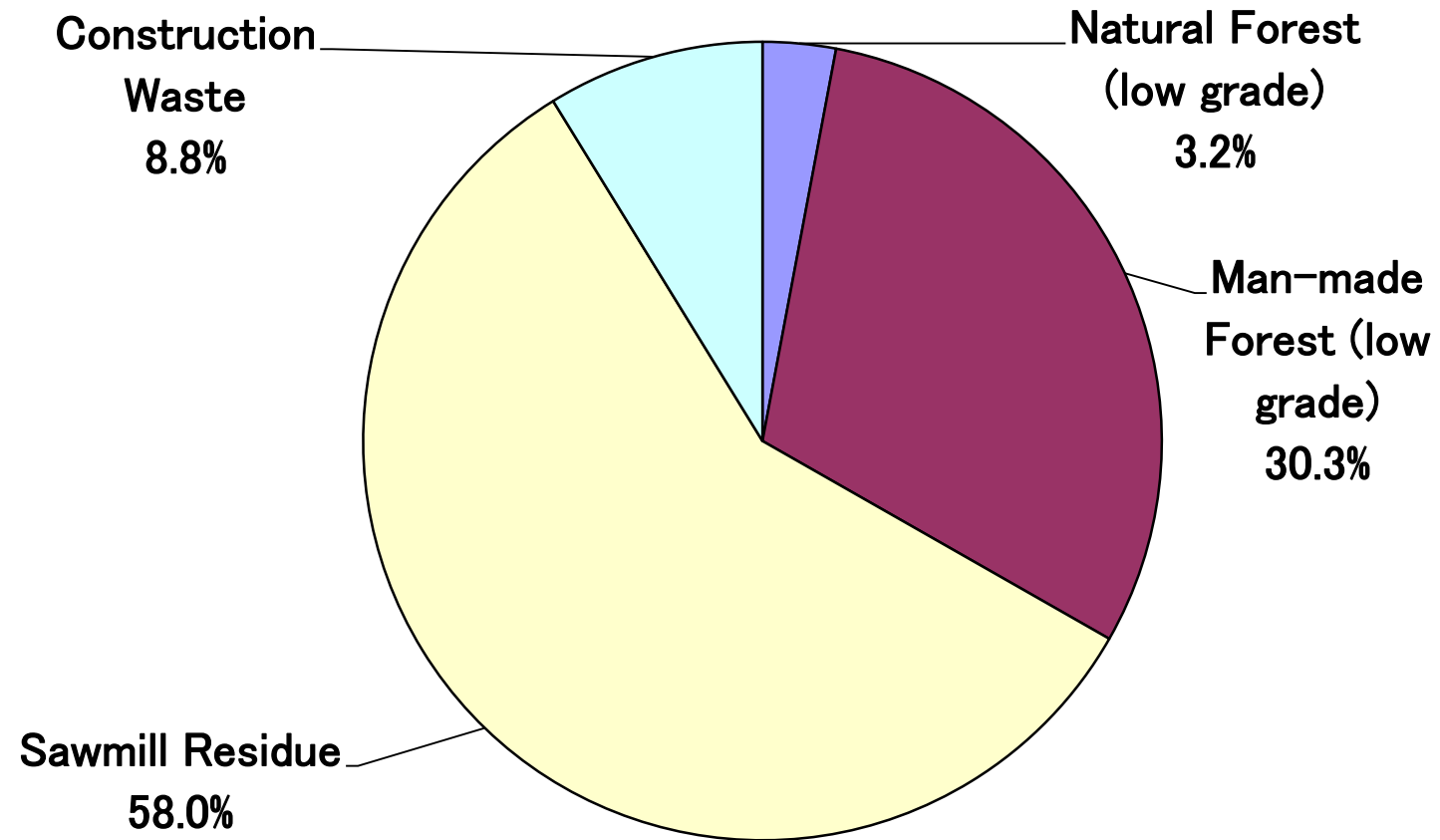
WOODCHIP IMPORTS BY ORIGIN (SOFTWOOD)



Source: Ministry of Finance

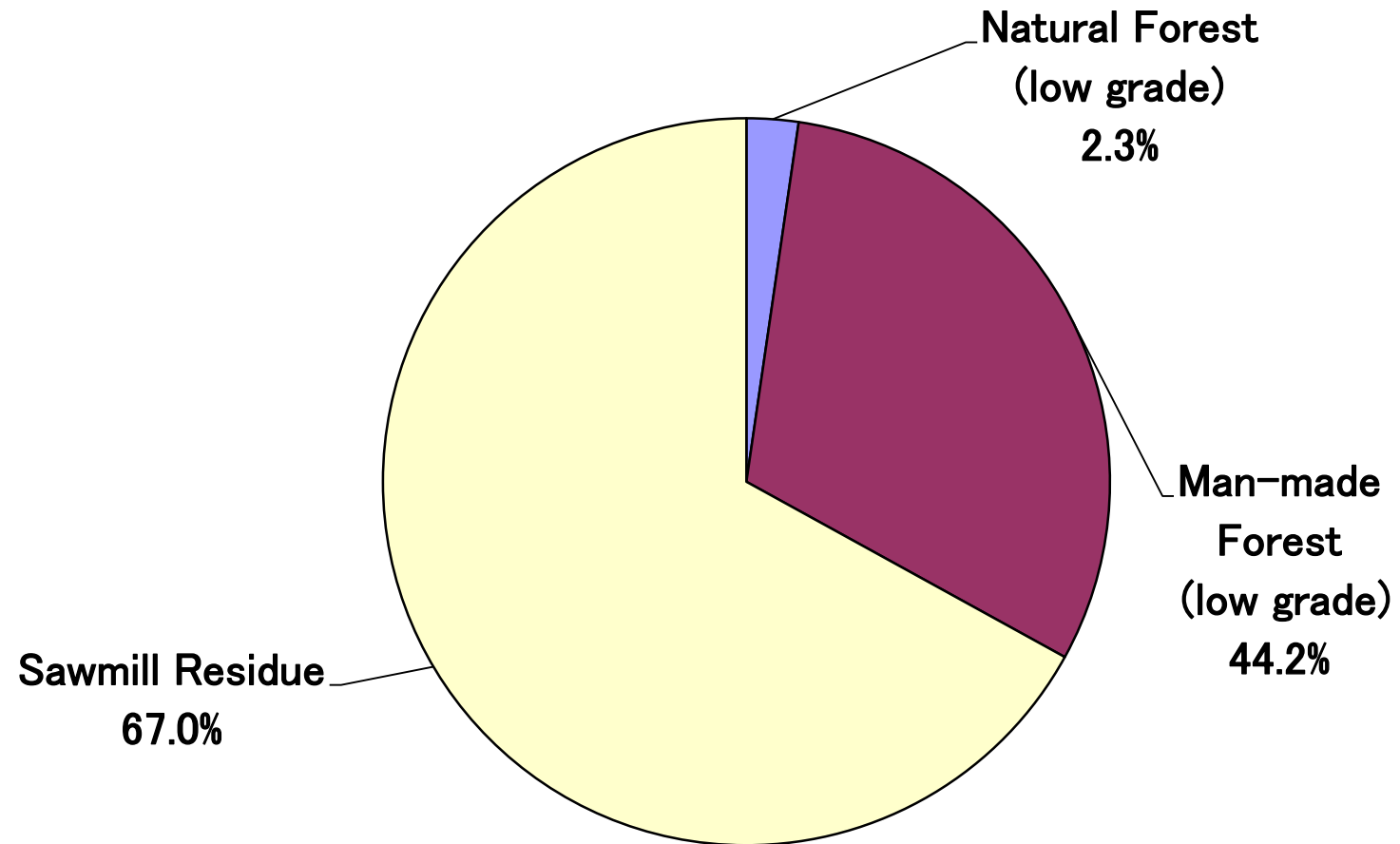
CATEGORIES OF WOODCHIP

Domestic Softwood <2014>



CATEGORIES OF WOODCHIP

Imported Softwood <2014>

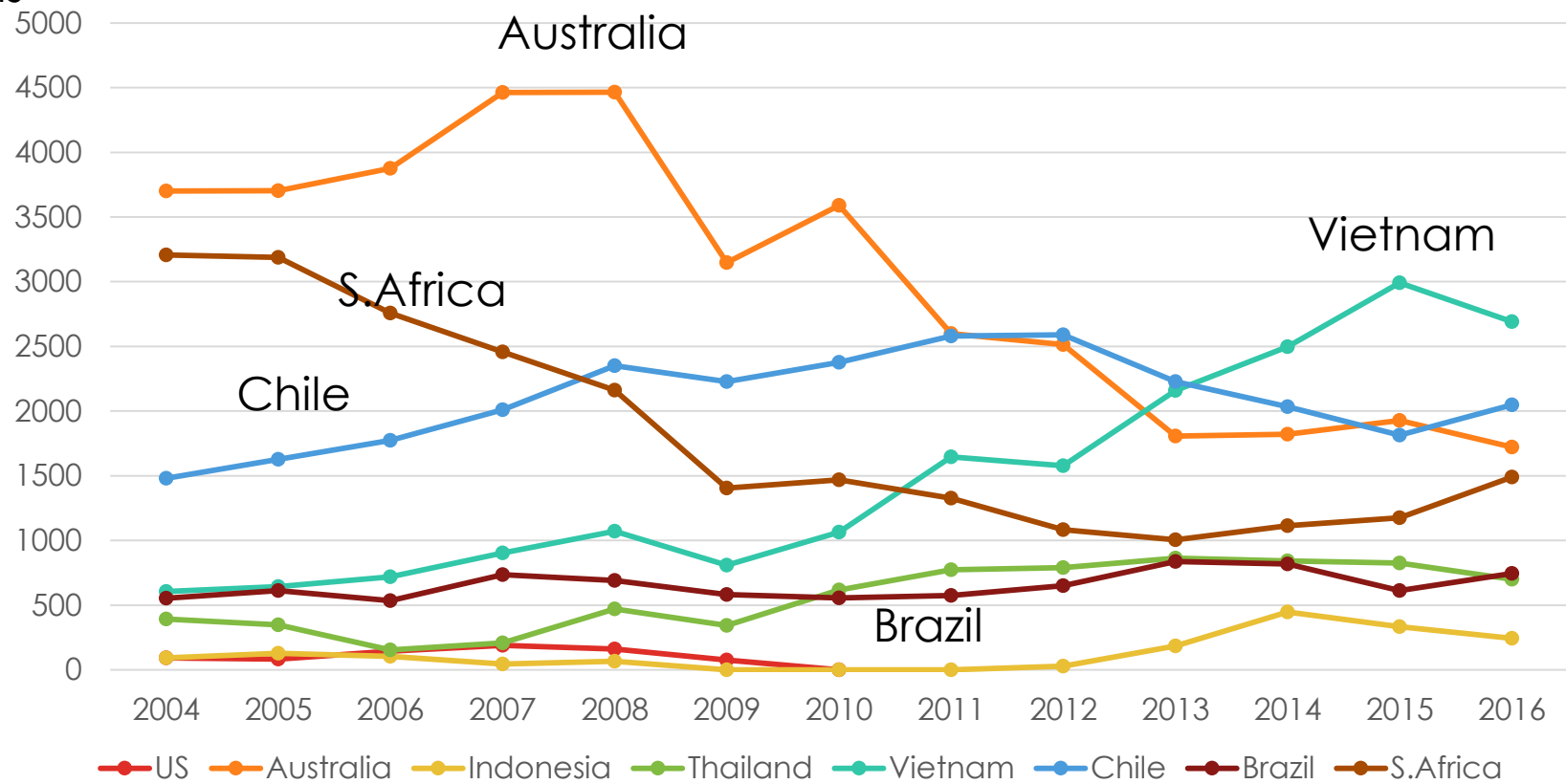


WOODCHIP IMPORTS BY ORIGIN (HARDWOOD)

- **The import from Chili** was 2.350 million tons in 2008 and dropped a little to 2.238 million tons in 2009 and up again to 2.377 million tons in 2010. It went up to 2.590 million tons as No.1 in 2012, and went down to 1.812 million tons as No.3 in 2015. **But it has come back again to 2.049 million tons as No.2.**
- **The import from Vietnam** was 1.071 million tons in 2008 and dropped to 0.809 million tons in 2009 and up to 1.064 million tons in 2010. It jumped up to 3.039 million tons as No.1 in 2015. **But it has decreased to 2.691 million tons (90.0%) still as No.1 though.**
- **The import from Australia** was 4.464 million tons in 2008 and dropped to 3.148 million tons in 2009 but could not recovered to 3.591 million tons in 2010. It continue to decrease to 1.821 million tons as No.3 in 2014, and bounced back to 1.927 million tons as No.2 in 2015. **But it has dropped again to 1.723 million tons (89.4%) as No.3 in 2016.**

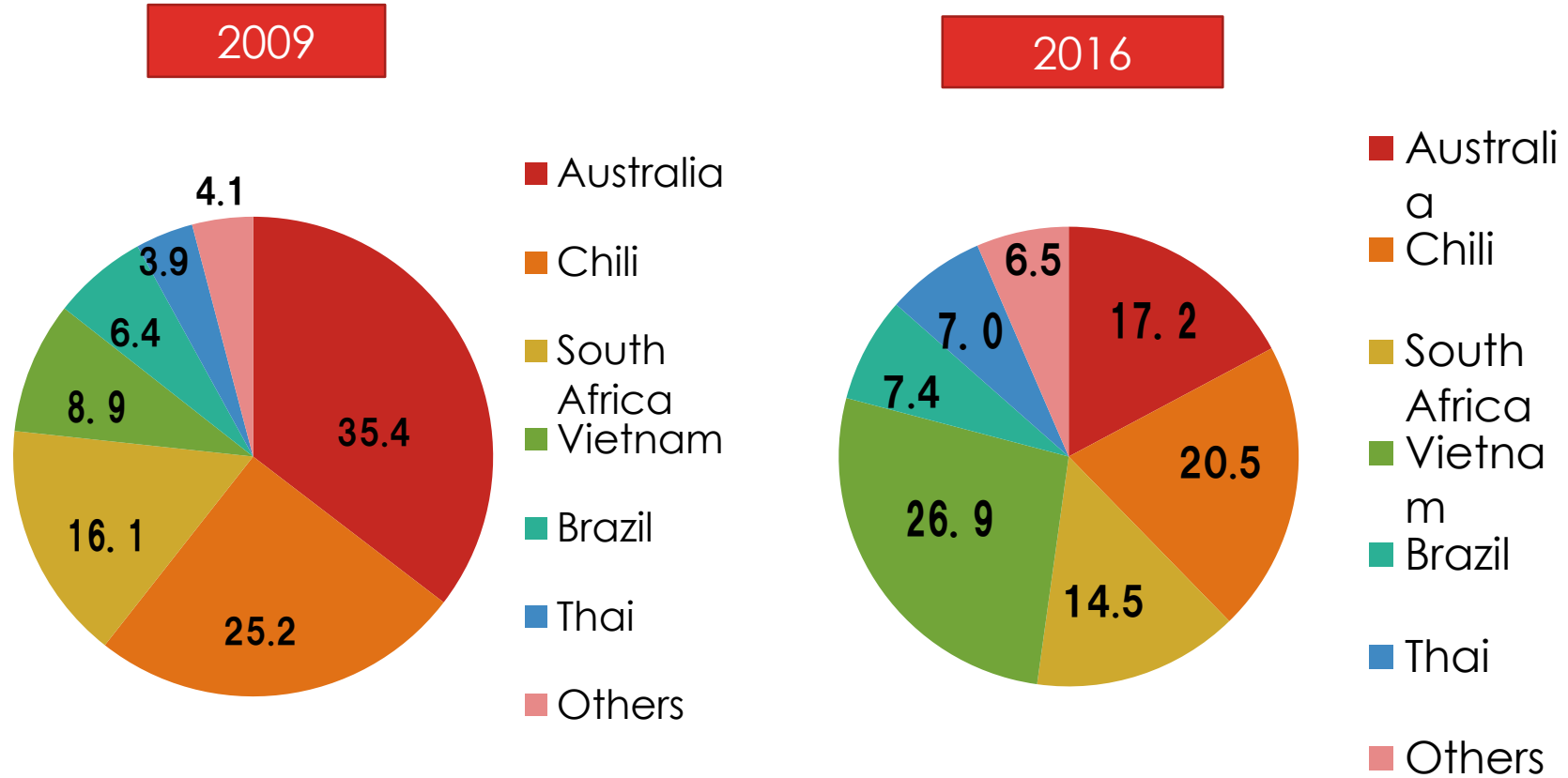
TREND OF WOODCHIP IMPORTS BY ORIGIN (HARDWOOD)

(thousand
tons)



Source: Ministry of Finance

WOODCHIP IMPORTS BY ORIGIN (HARDWOOD)



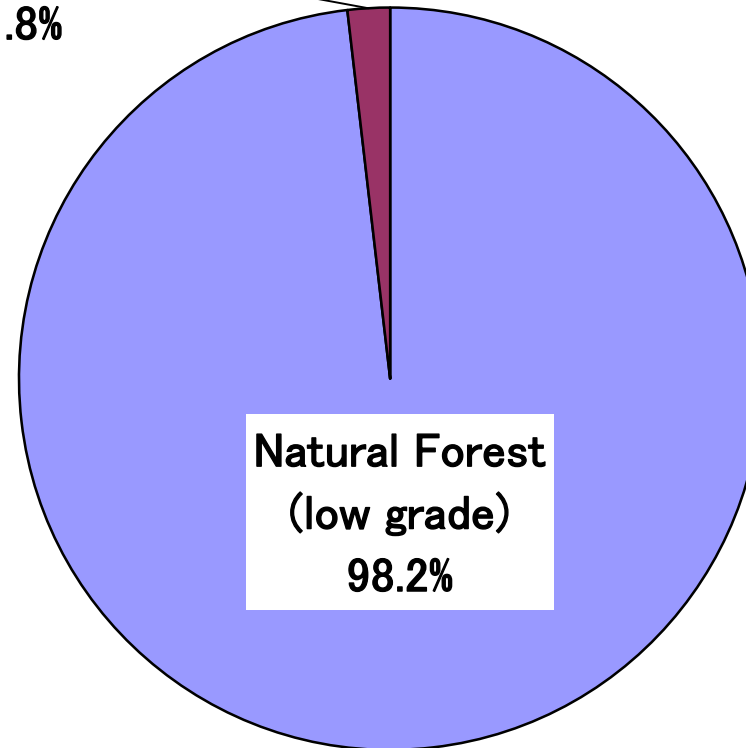
Source: Ministry of Finance

CATEGORIES OF WOODCHIP

Domestic Hardwood<2014>

Sawmill Residue

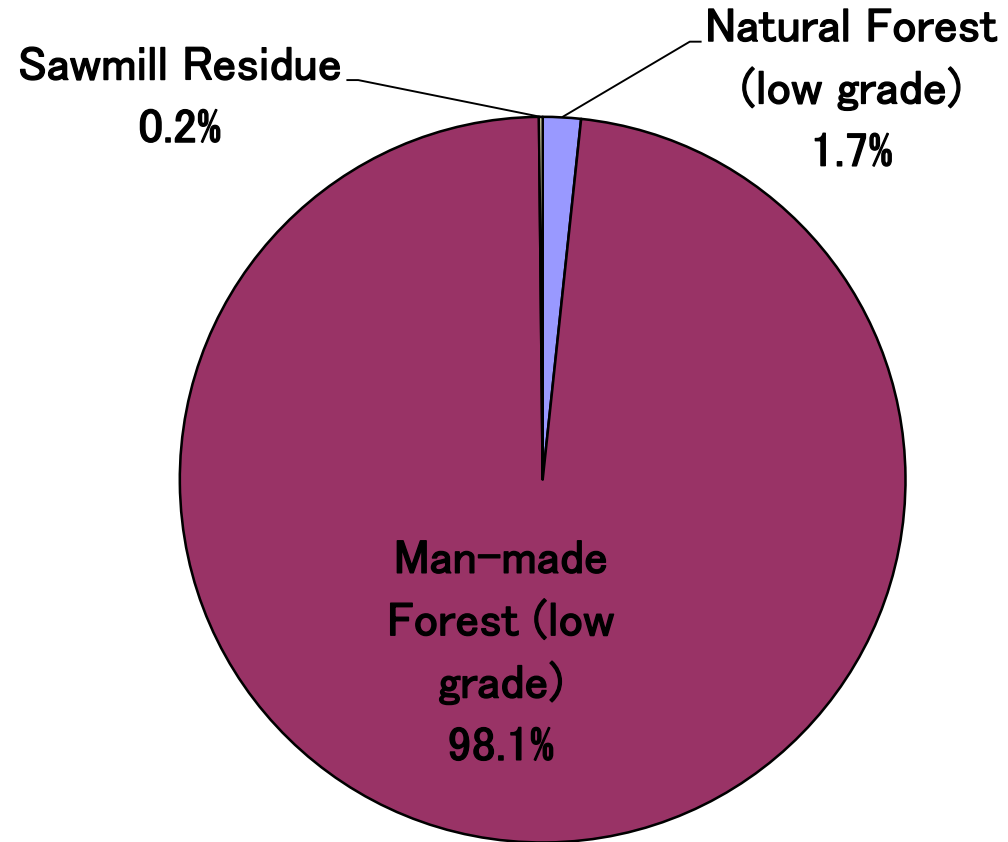
1.8%



Natural Forest
(low grade)
98.2%

CATEGORIES OF WOODCHIP

Imported Hardwood<2014>



Woodchip Imports by country (2016) (Unit: 1000 tons)

Country	Softwood Chip	Hardwood Chip	Total
Vietnam		2, 691	2, 691
Australia	543	1, 723	2, 265
Chile		2, 049	2. 049
South Africa		1, 491	1, 491
Thailand		701	701
USA	656		656
Brazil		745	745
Indonesia		245	245
Malaysia		129	129
NZ	120	153	273
Canada	95		95
Fiji	65		65

Forest Certification

FOREST CERTIFICATION IN JAPAN (2017)

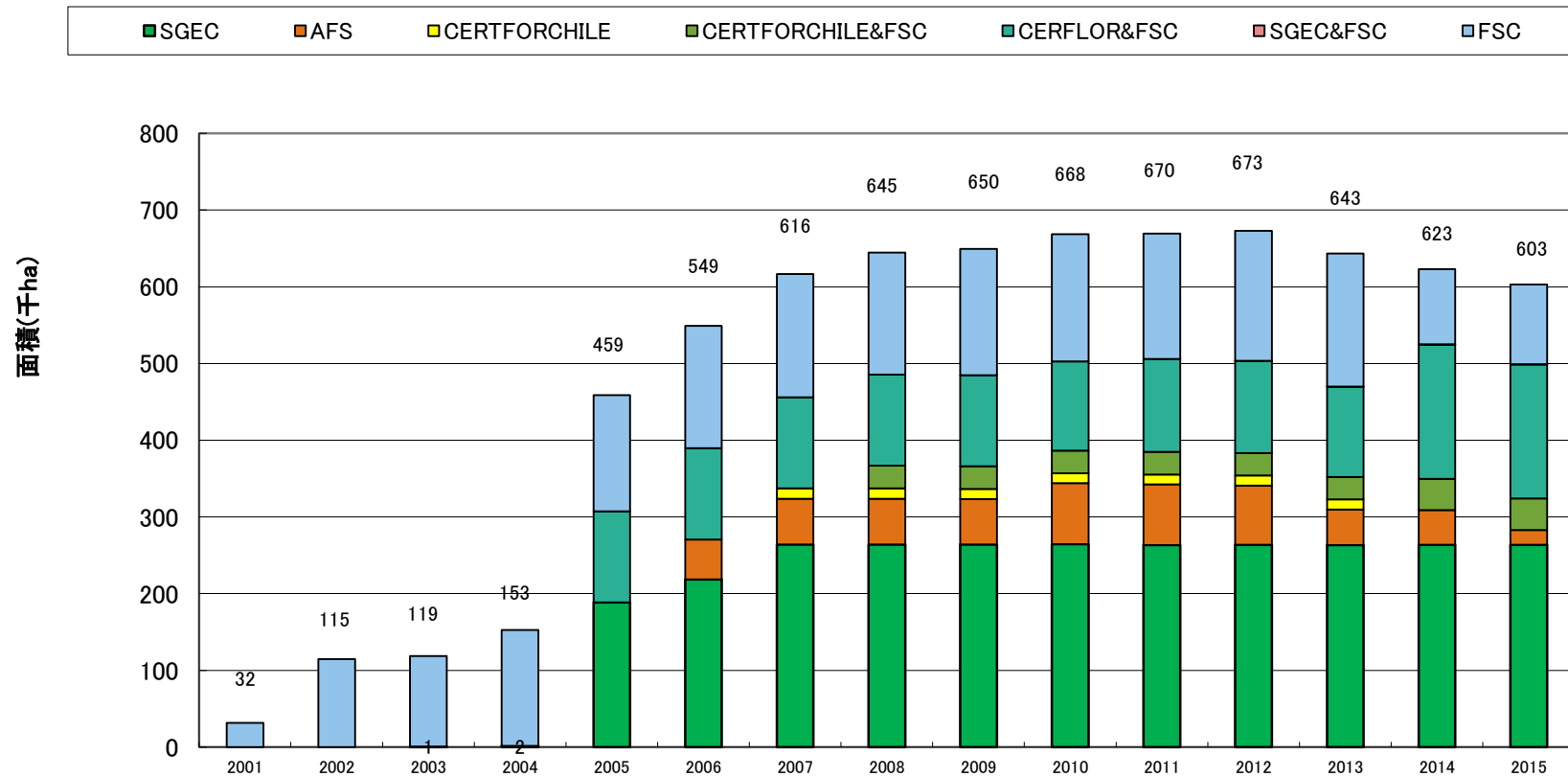
Certification Scheme	FM Certification (ha)	CoC Certification
SGEC (member of PEFC)	1,650,189	555
FSC	400,744	1,103
PEFC	---	196

FOREST CERTIFICATION

- Japanese paper companies have 0.6million ha of their own forests certified by forest certification schemes such as FSC, PEFC and SGEC (Japanese forest certification scheme: mutually recognized with PEFC in 2016) .
- Besides, 21.3% of woodchips consumed by Japanese paper companies is certified by CoC.
- Japanese paper companies choose each forest certification scheme according to its acceptance in each region.

FOREST CERTIFICATION AREA OWNED BY JPA MEMBERS

(unit:1,000tons)



Source: Japan Paper Association

THE AMOUNT OF FOREST-CERTIFIED WOODCHIPS
CONSUMED BY JAPANESE PAPER COMPANIES
(2015)

	Softwood	hardwood	total
Domestic	185	3	188
Import	423	2,861	3,284
Total (forest certification rate)	608 (12.1%)	2,863 (25.3%)	3,471 (21.3%)

Source: Japan Paper Association

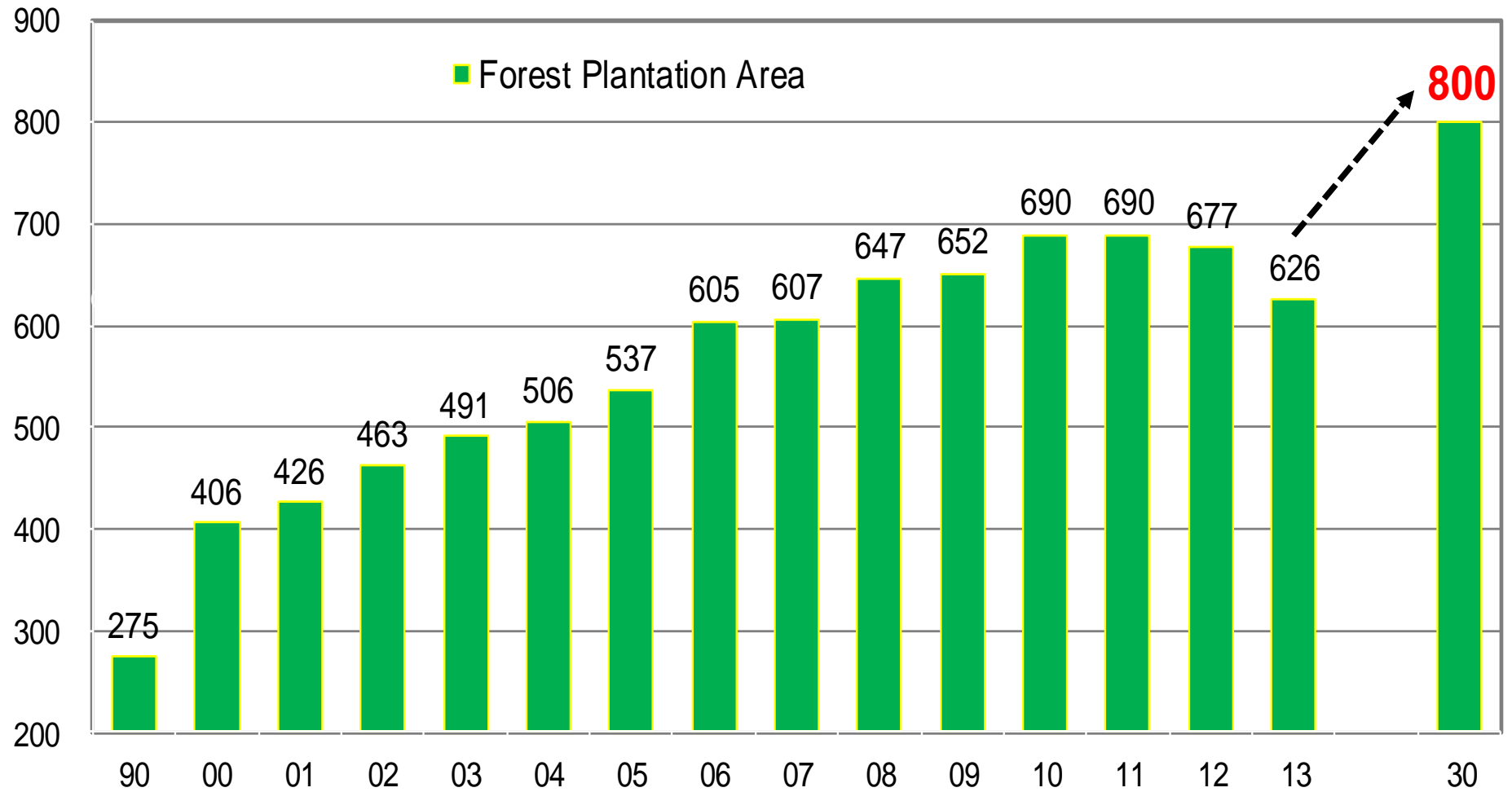
FOREST PLANTATION OVERSEAS

PROMOTION OF PLANTATIONS OVERSEAS

- JPA has set up the target of expanding the area of plantations owned or managed by Japanese paper companies to 0.8million ha in Japan and overseas by FY2030 under Environmental Action Plan .
- We have already established 0.479million ha of plantations overseas (34projects) In 10 countries In 2013.
- The total area of Plantation including domestic ones (0.147 million ha) was 0.626 million ha.
- The area of plantation overseas has decreased two consecutive years (in 2012 & 2013) due to the decreasing demand for woodchip and climate changes caused by global warming (fewer rain in Australia).
- Main planting species are Eucalyptus spp. and Acacia spp. with the rotation of 7~10 years.

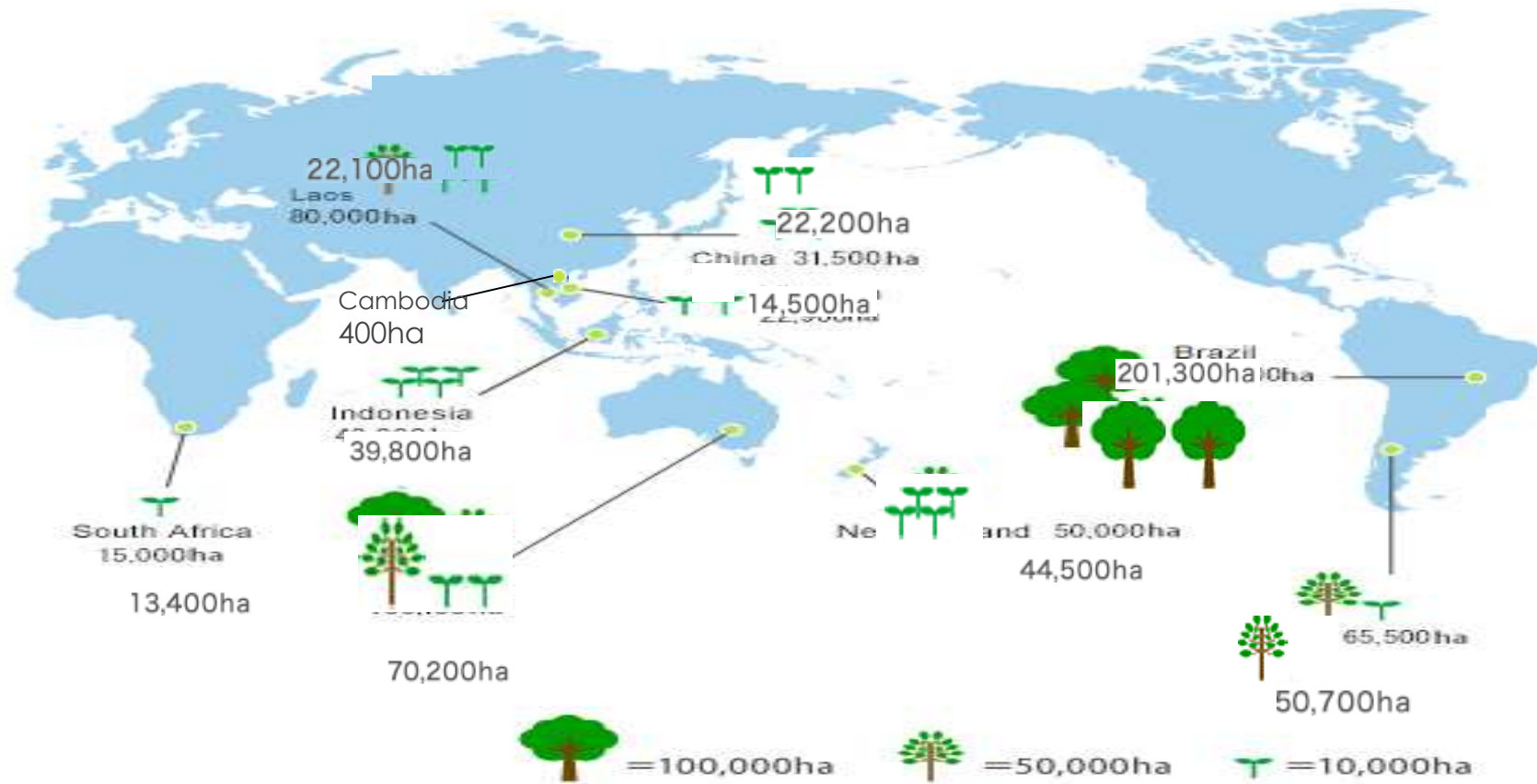
FOREST PLANTATION BY JPA MEMBERS

(1,000 ha)



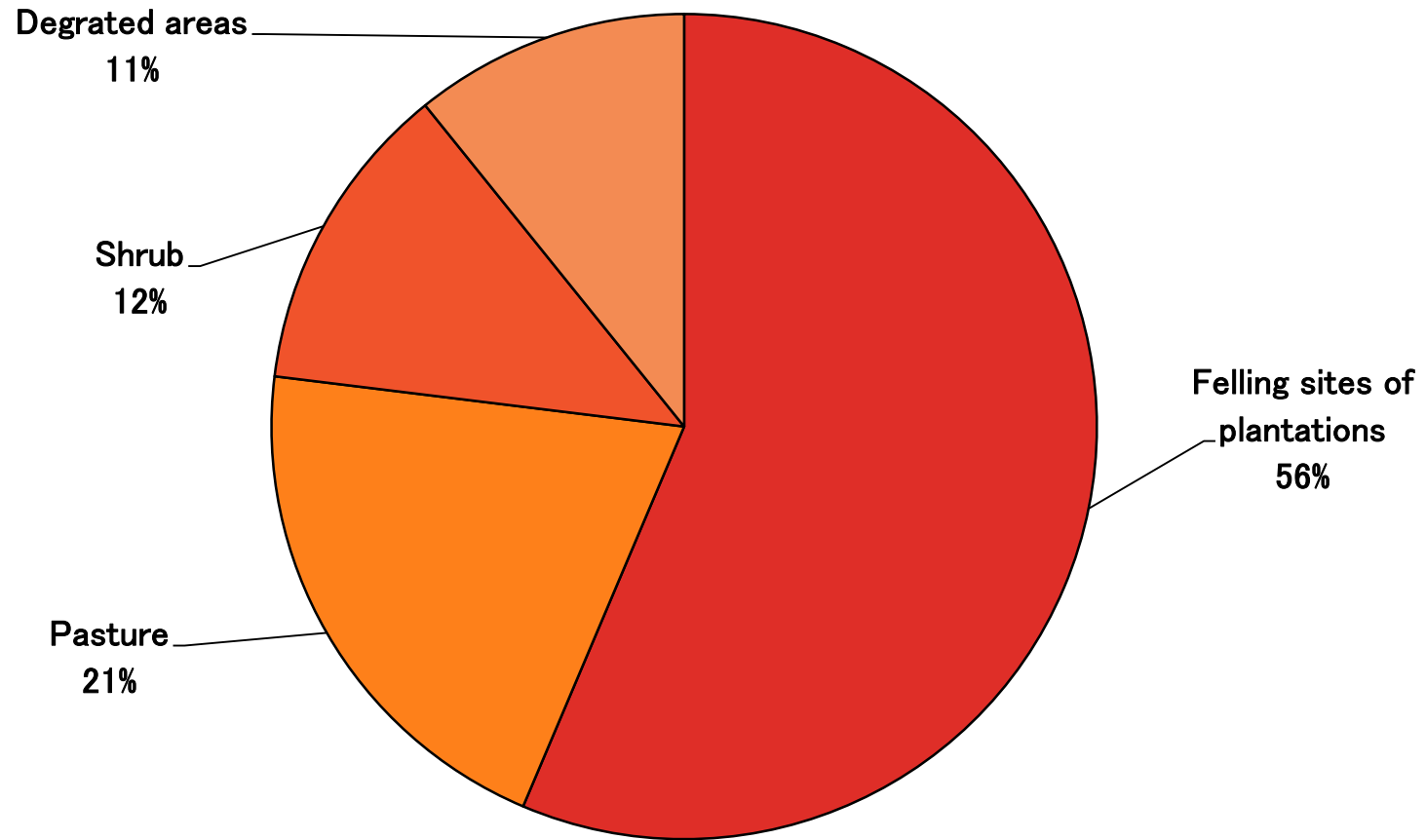
OVERSEAS FOREST PLANTATIONS BY THE JAPANESE PAPER INDUSTRY

Total: 479,000ha (as of the end of 2014)



Source: Japan Paper Association

THE CATEGORY OF AREAS BEFORE PLANTED BY JAPANESE PAPER COMPANIES



Biodiversity

BIODIVERSITY AND PAPER INDUSTRY

Paper Industry is the one that produces paper and paperboard, indispensable in human life, out of wood, gift of ecosystem service from forests, nurturing bed of biodiversity on earth and sink of CO₂.

It is our social responsibility to promote proactively the conservation of biodiversity.

Therefore, Japan Paper Association has set up our own code of action for conserving biodiversity June 2014.

JPA CODE OF ACTION FOR CONSERVING BIODIVERSITY(1)

1. Governance

- Putting idea of conserving biodiversity into corporate policies
- Designating specific persons in charge of conserving biodiversity
- Exercising pro-environmental activities such as sequestration of CO2 and recycling
- Reflecting opinions of stakeholders in business activities
- Proactive public relations for activities of conserving biodiversity

2. Sustainable Forest Management

- Putting idea of conserving biodiversity into forest management plans of own forests
- Exercising forest operations for conserving biodiversity
- Proactive acquisition of FM forest certifications of own forests
- Reflecting opinions of stakeholders in forest management of own forests
- Monitoring outcomes of forest operations and feeding it back into forest management plans

JPA CODE OF ACTION FOR CONSERVING BIODIVERSITY (2)

3. Sustainable Low Materials Procurement

- Specifying idea of conserving biodiversity in procurement policies of raw materials
- Never using woods from illegal logging
- Collecting data about low materials and Securing traceability of raw materials
- Trying to use forest certified wood as much as possible
- Keeping relative data about low materials as least 5 years

4. Promoting CSR activities

- Promoting CSR activities by utilizing our own natural capitals for conserving biodiversity
- Promoting CSR activities for utilization of biomass and restoration of Satoyama forests
- Promoting CSR activities such as greening of mills and factories as well as holding seminars for conserving biodiversity

5. Partnership

- Proactive participation in activities of private sectors for conserving biodiversity
- Proactive participation in activities of international fora for conserving biodiversity
- Proactive participation in activities of government sectors for conserving biodiversity

Combating Illegal Logging

- In July 2005, at a G8 Summit held in Gleneagles, the U.K., developed countries around the world formed an agreement to create measures that address the problem of illegal logging.
- Following this agreement, the Government of Japan amended criteria concerning wood-based products under the Green Procurement Law.
- The amendment went into effect after April 2006, making the Law require timber suppliers of government institutions to supply timber that has been verified its legality.
- The Forestry Agency issued the Guidelines , under the green procurement law, concerning verification methods of anti-illegal logging measures, which specifies the following three verification methods:
 - (1) “Verification method via forest certification system”
 - (2) “Verification method by company under the authorization of associations for forest owners, forestry or wood industries”
 - (3) “Verification method by original measure of each company”

COMBATING ILLEGAL LOGGING

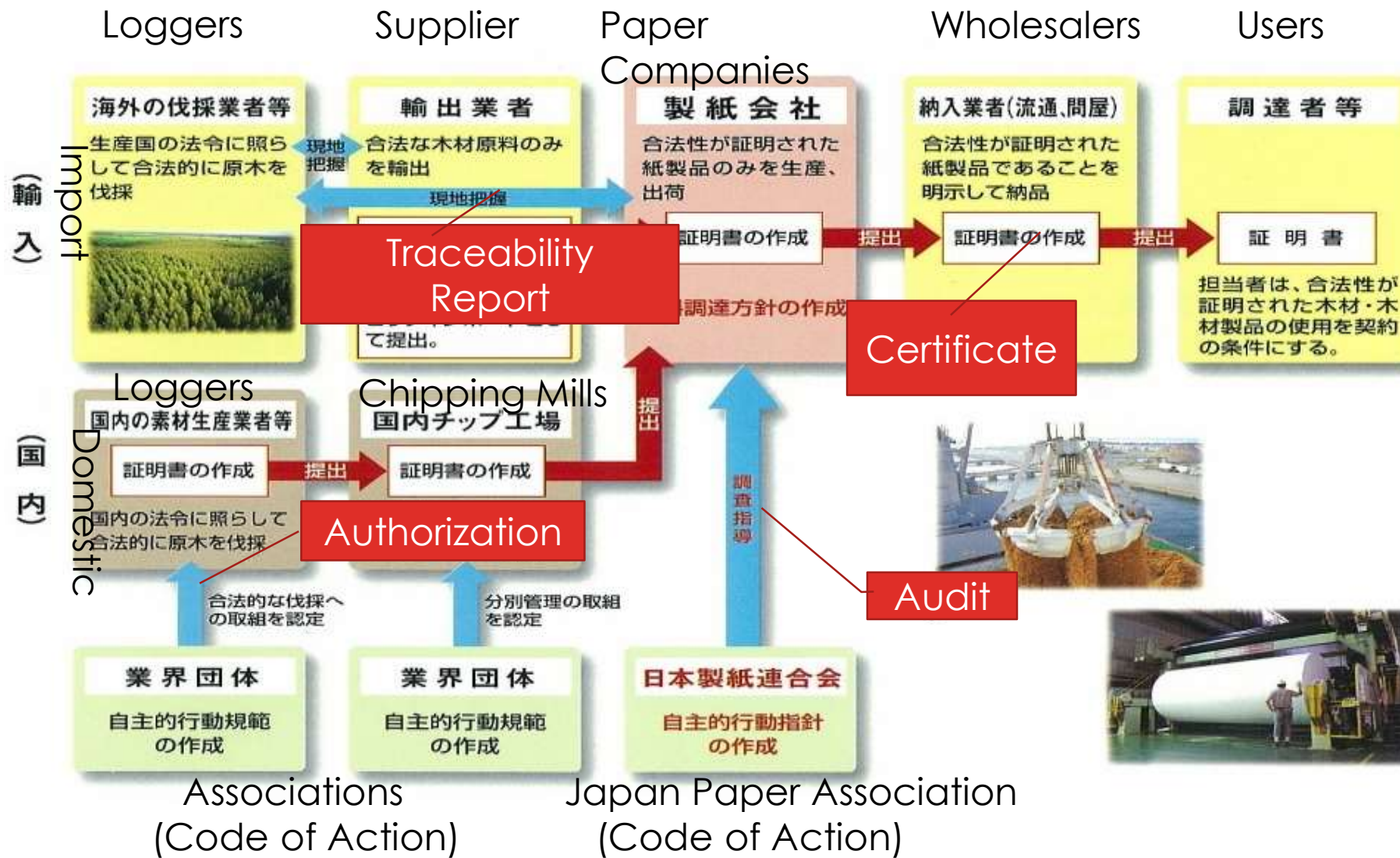
- Japan Paper Association (JPA) pledges to combat illegal logging, one of the major causes of deforestation worldwide.
- JPA set up the code of actions against illegal logging in 2006. (100% not illegal confirmed) in accordance with Green Purchasing Law which applies only to public procurement.
- Japanese paper companies set up their own codes of procurement and collect traceability reports from all suppliers.
- In addition, JAP audits Japanese paper companies' actions of confirming legality.
- The paper industry has adopted method (3) above ("Verification method by original measure of each company"), and since April 2006, member companies of the Japan Paper Association have been implementing their own measures for tackling illegal logging issues.

- Furthermore, since 2007, the paper industry has been stepping up its effort to address the illegal logging problem by implementing the “The Monitoring Operation for Anti-Illegal Logging Measures”.
- This operation includes monitoring by the Japan Paper Association, for which guidance, advice and auditing are provided by a third-party committee consisting of academic experts, consumer groups, those involved with auditing corporations, and other similar groups.

Auditing Committee Members

Shin NAGATA	Professor, Graduate School of Tokyo University
Akihiro OHNUMA	All Japan Stationery Association
Gakuji FUKATSU	Green Purchasing Network
Satoshi TACHIBANA	Associate Professor, Graduate School of Tsukuba University
Kyoko NOMURA	Price Waterhouse Coopers

LEGALITY VERIFICATION SYSTEM OF JPA



Clean Wood Act

THE ACT FOR THE PROMOTION OF UTILIZATION AND DISTRIBUTION OF LEGALLY HARVESTED WOOD (CLEAN WOOD ACT)

- The act for the promotion of utilization and distribution of legally harvested wood ([Clean Wood Act](#)) has just been enacted May 20th 2016. (It shall come into force just one year later on May 20th 2017.)
- Every operator of wood and wood products should confirm the legality of **all wood and wood products, including wood biomass**, that they use or sell by due diligence (DD) like EU, Australia and US.
- But it is not legally compulsory.
- Besides, operators who have done DD can (but not must) register themselves to the third party registration organizations authorized by the national government.
- Until then, only wood and wood products by public procurement should be confirmed their legality by [Green Purchasing Law](#).

THE ACT FOR THE PROMOTION OF UTILIZATION AND DISTRIBUTION OF LEGALLY HARVESTED WOOD (CLEAN WOOD ACT)

1. Definition

wood: products such as furniture and paper which are made mainly from wood and wood products, specified by ministerial ordinance (recycled materials are excluded)

legally harvested wood: wood harvested in accordance with the laws concerned of the states of origin.

operator: those who produce, process, import, export or sell wood or wood products (excluding retailers), specified by ministerial ordinance

2. Responsibility of the national government

The government should settle on the basic policy, in addition, finance the necessary measures, provide information and take measures so as to broaden the understanding among people.

3. Responsibility of operators

Operators should use legally harvested wood only.

4. Standard criteria to confirm the legality of wood

The ministers concerned should establish the standard criteria to confirm the legality of wood.

- ① Documents or certificates to certify the legality of logging in Japan or abroad
- ② Additional documents, if you cannot obtain ①
- ③ Invoices or statements of delivery to convey the information concerned with legality
- ④ Documents specified by ministerial ordinance concerning ① and ②

5. Guidance or advice by the ministers concerned

The ministers concerned could give guidance or advice necessary to operators in order to implement this act.

6. Registration of operators

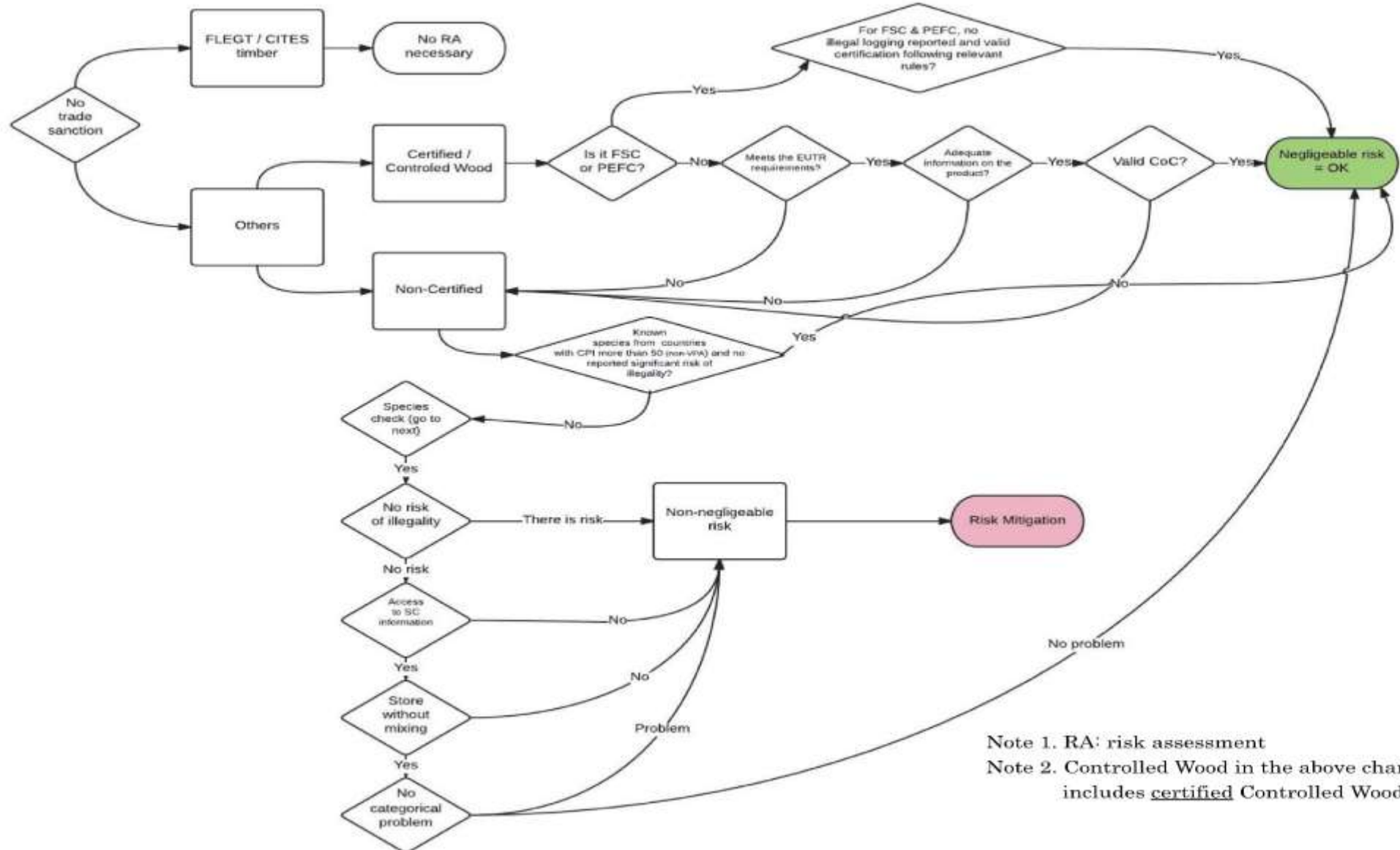
The operators, who conduct DD regarding the legality of wood properly, could register themselves to the registration organization authorized by the government. If the operator would violate the conditions of registration, it will terminate and the name of the operator will be made public.

7. Request of reports and inspection on site

The ministers concerned could, if necessary, request the operators to make reports and inspect them on site in order to implement the act.

JAPAN PAPER ASSOCIATION(JPA)'S DUE DILIGENCE TOOL AGAINST ILLEGAL LOGGING DUE DILIGENCE (DD) MANUAL FOR MEMBER COMPANIES

- This DD manual JPA has developed is based on the DD manual of European Timber Trade Federation (ETTF) which is in accordance with EUTR.
- Therefore, this DD manual is valid not for only Clean Wood Act of Japan but also for other anti-illegal logging laws such as EUTR of EU and Illegal Logging Prohibition Law of Australia.
- Basic components are ① gathering information, ② risk assessment and ③ risk mitigation. As for gathering information and risk assessment, we make the most of our existing anti-illegal measures such as traceability reports and the third party audit.
- We are also thinking of registering our member companies for them to the registration organization under Clean Wood Act.
- Those who want to export wood chips or wood biomass to Japan must provide the legitimate information required under Clean Wood Law such as wood species, quantity, felling sites, logging laws and other ecological and social issues beforehand on and after May 20th,2017.



Note 1. RA: risk assessment
 Note 2. Controlled Wood in the above chart only includes certified Controlled Wood.

Thank You for Your Kind Attention