

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

- Challenges of Private Sector for Forest Conservation as the Key to Achieving the SDGs and the Aichi Biodiversity Targets -

Statement by Dr Gerhard Dieterle, Executive Director of the International Tropical Timber Organization (ITTO)

Tokyo, January 23, 2018

Excellencies,

Members of the Diplomatic Corps,

Distinguished participants from government, the private sector, international organizations and civil society,

Ladies and gentlemen and friends,

It is my great pleasure to join **Vice-Minister Atsushi Nonaka and H.E. Ambassador Laurent Pic** in welcoming you to this **International Symposium on the Promotion of Deforestation-Free Global Supply Chains to Contribute to Halting Deforestation**.

ITTO is honoured to be part of this important event, which touches on the key roles that productive forests and their supply chains can play in achieving the Sustainable Development Goals (SDGs) and the Aichi Targets – especially alleviating poverty, fighting climate change and protecting biodiversity.

Many of the commodities produced in tropical countries, such as palm oil, soy, beef and timber, are associated with negative reputation as contributors to deforestation and forest degradation. Often they have been associated with illegality, corruption and the violation of the rights of indigenous peoples and local communities.

The reality is, however, that the rapidly growing global population depends on such commodities, which today move across countries and borders at an industrial scale. The ever-increasing demand must be met – often in the face of depleted or mismanaged natural resources.

Deforestation has received wide attention in the global climate change regime, especially under REDD+. Less attention has been paid, however, to what happens inside forest. Forest degradation is more challenging to address than deforestation because it occurs in dispersed patterns across large areas of land, and it is more difficult to assess reliably even with the most advanced remote sensing technology available.

In our view, forest degradation is a significant omission from the international forest regime. It requires urgent attention of countries in their efforts to achieve their Nationally Determined Contributions (NDCs) under the UNFCCC.

Let me explain why.

Forest degradation has been vastly underestimated. A recent study published in *Science*¹ suggests that it is contributing more than two-thirds of all CO₂ emissions from tropical forests and that tropical forests might have become net emitters of CO₂ as a result. Even can argue about methodology and the magnitude of emission this is a fundamental new element that must be embedded in the global forest and climate change agenda. Forest degradation is largely a forest management issue, and therefore it is within the remit of ITTO, working with partners in government, the private sector and civil society.

Degraded forests have a reduced capacity to supply local, national and global markets with essential forest products. This has to be seen against the increased demand for harvested wood products from a rapidly growing population which, if not addressed, will ultimately lead to a widening supply deficit of timber and other harvested forest products. This deficit could be as high as 6 billion m³ per year by 2050, as projected by the World Bank.

My conclusion is clear: we need to look at forest products in the same way we look at food—as essential commodities. Billions of people, especially the rural poor, need forest products to survive—for shelter, food, medicine and income. Business as usual is not an option because it will mean either more deforestation and forest degradation, or the greater use of non-renewable materials, or increased wood imports, or all these – thereby undermining efforts to fight climate change, promote sustainable development in the tropics and improve the lives of forest-dependent people.

As a matter of urgency, therefore, productive forests, forest landscapes and value chains need to become cornerstones of the global forest climate and development agenda. ITTO, with its partners, is in a privileged position and has a mandate to support this.

A multi-pronged approach is required, comprising the following:

- 1) Protect high-conservation-value forests as a global public good.
- 2) Restore degraded multipurpose forest landscapes for productive use.
- 3) Invest in productive forests for timber, pulp and energy and manage them sustainably.
- 4) Reduce the production footprint of all agricultural and forestry commodities by managing and using resources sustainably and efficiently.

¹ A. Baccini *et al.*, *Science* 10.1126/science.aam5962 (2017)

- 5) Establish verified degradation-free and deforestation-free supply chains and trade across the land-use spectrum in both **domestic and international** markets.

For timber, all these elements are part of ITTO's core mandate.

If efforts are scaled up on landscape restoration, sustainable forest management and legal and sustainable supply chains, forests and harvested wood products could make significantly greater contributions to sustainable and inclusive growth, jobs and income, and deliver significant global public good benefits. In my view, the international forest and climate change regime should especially take into account the huge opportunities for substituting non-renewable construction materials and fossil energy with sustainably harvested wood products, because the benefits for greenhouse gas reductions could be greater than those of all other forest-related measures put together.

The way forward

I hope the expertise assembled at this symposium will explore innovative ways to encourage the sustainable and beneficial use of forests within a wider landscape approach with the aim to ultimately reverse deforestation and forest degradation. But please allow me to offer a few thoughts on what ITTO sees as key ingredients for sustainable forest development in the tropics.

Addressing deforestation and forest degradation through value and supply chains

For too long, forest problems have been addressed from the supply side rather than the demand side. For example in forestry, the approach has been to pursue and demonstrate sustainable forest management while ignoring markets and the financial viability of such management. This has been the case in many REDD+ efforts, which mainly reward the value of carbon in standing trees. We believe that such payments for standing carbon are very important and innovative tools for forest finance but, in most cases will not be adequate to provide forest owners with sufficient long-term stable income, and there is little capacity to address the coming huge demand–supply gap in forest products. We suggest focusing results-based payments mainly for securing high-conservation areas with limited alternatives for income for productive use and, for productive forests, and to explore innovative approaches to incentivize good forest operators for sustainable production, marketing and use of timber and other urgently needed forest products. Such an approach would also refocus the role of governments as regulators and setters of enabling frameworks.

Supporting consumer markets and supply chains

Countries and businesses should step up their procurement and consumption of verified legal and sustainable commodities. They should get serious about the use of systems for tracking supply from production sites to end users. Innovative approaches and initiatives exist but have not yet reached a tipping point, especially for timber.

Private and public “responsible purchasing policies” need to be adopted and given equal prominence in all countries – consumers and producers alike – to provide a mass market for sustainably produced forest products. Small and medium-sized enterprises and communities in developing countries in particular find it difficult to meet complex standards that vary between markets. Simplifying and standardizing requirements globally would be a huge step forward.

Building capacity

Building capacity for establishing and operating verified legal and sustainable supply chains is one of the most urgent and neglected elements preventing smallholders and local communities from competing in high-value markets. Capacity building is needed at all points in the value chain. For example:

- Governments in producer countries need support for establishing an enabling environment for sustainable timber production and trade.
- Traders and producers need greater capacity in organizing into associations and cooperatives to build economies of scale and increase marketing power.
- Producers and other actors on the ground need greater understanding of sustainable production and tracking systems and the capacity to implement such systems.
- Importers, traders and processors need access to information on the supply of and demand for sustainable forest products.

Innovative and transformational incentive mechanisms

Many well-intentioned companies face strong disincentives to move towards sustainable or zero-deforestation supply chains. Incentive mechanisms and investments are needed at all stages of supply chains to promote sustainability and discourage bad practices. This might involve taxation and fiscal reforms, the clarification of land tenure, the promotion of small, medium-sized and community enterprises, and improved governance. The provision of incentives will reduce the risks associated with investment in small enterprises; this, in turn, will help attract foreign investment in timber production and processing and thereby remove the artificial dichotomy between domestic and international supply chains and markets.

Forest-related incentives to increase supply should favour the restoration of degraded lands and forests, of which there are vast areas.

Call to action for donor and development organizations

In our view, therefore, urgent additional action is needed to address the widely underestimated issue of forest degradation to ensure the adequate supply of timber, wood-based energy and other forest products into the future. If such action is not forthcoming, the consequences of escalating demand will be devastating—including accelerated deforestation and forest degradation, and substitution with non-renewable

resources to bridge the supply gap. This would have highly negative consequences for the climate and development.

We call on the international forest regime to scale-up complementary finance to address forest degradation in the same way it addresses deforestation. There is an urgent need to build capacities at all levels and to assist in the development of incentive mechanisms for legal and sustainable supply chains. This will require strong development assistance from ODA or highly concessional finance because governments, especially in least-developed countries, cannot afford to fully shoulder the costs of such incentive mechanisms.

A sound financing architecture would consist of three interdependent instruments:

1. Access to commercial investment funds such as loans and guarantees.
2. Support for governments to finance incentive mechanisms to encourage private-sector investment in sustainable forest supply chains – e.g. through results-based finance, concessional loans and development policy loans.
3. Development assistance for (for example) capacity building, the promotion of user associations, land tenure reform, and timber tracking.

Excellencies, distinguished participants, ladies and gentlemen, let me stress again: change is most likely to happen if it comes from the demand side – internationally and domestically. Consumers and producers must therefore be fully committed to taking joint action and to contributing their fair share.

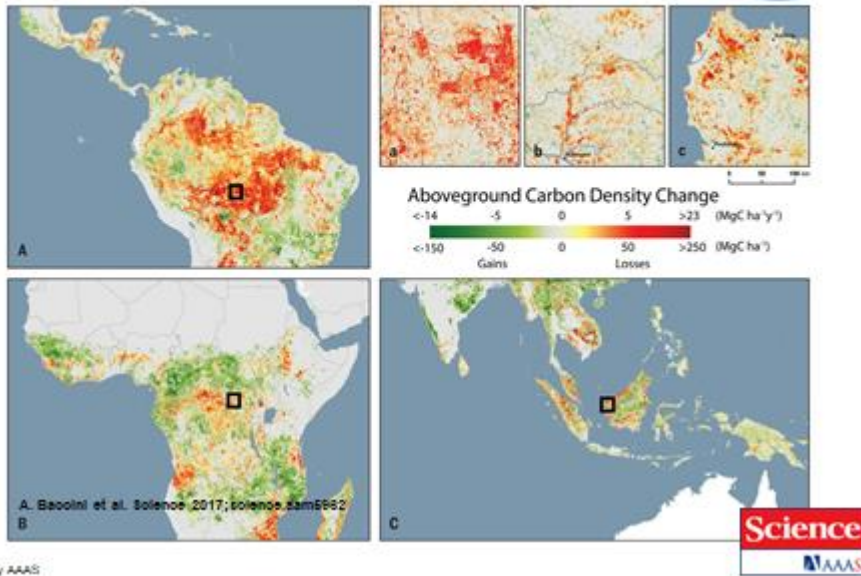
ITTO is strongly committed to realizing this vision of our core mandate by working in partnership with the private sector and producers and consumers alike. We believe that ITTO, together with its partners and other initiatives, can make a key contribution to the promotion of deforestation-free global supply chains.

Thank you for your attention.

Gerhard Dieterle

January 23, 2018

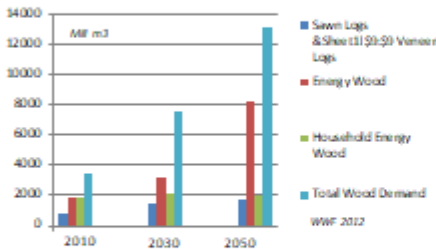
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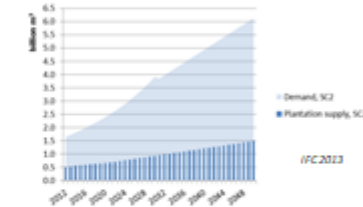
Increasing Global Wood Demand



Increasing global demand for wood

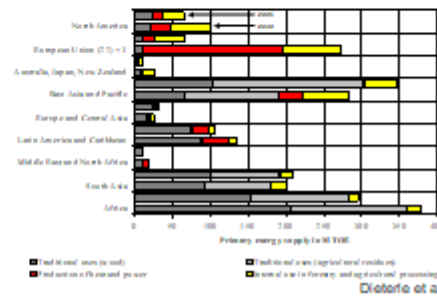


Increasing Gap for Industrial Roundwood

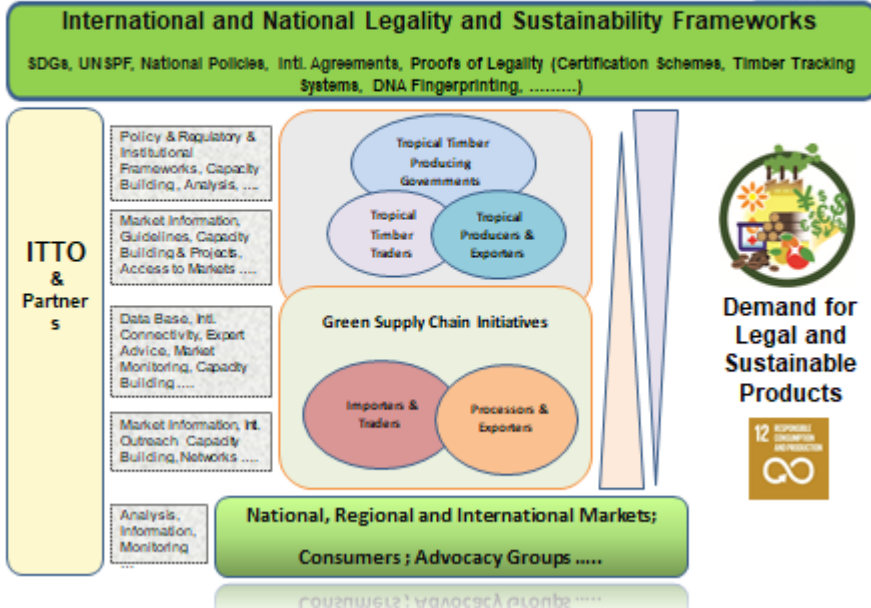


Demand in woodfuel and charcoal continues to increase

- 2.8 billion people will depend on traditional fuels in 2030
- Massive increase in demand for energy wood in industrialized countries



Green supply chains and the role of ITTO



Financial Incentive Mechanism towards deforestation-free commodity value chains

