



Forest Stewardship Council®



Public consultation report

FSC-PRO-30-006 V1-0 D1-0 – *Demonstrating the Impact of Forest Stewardship on Ecosystem Services*

&

FSC-DIS-30-006 – *Market Tools and Trademark Use for Demonstrated Ecosystem Services Impacts*

Bonn, July 2017



This document has been prepared in accordance with Clause 5.12 of FSC-PRO-01-001 (V 3-0)¹, and contains an analysis of the range of stakeholder groups who submitted comments, as well as a summary of the issues raised (in relation to the requirements), a general response to the comments and an indication as to how the issues raised are going to be addressed.

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¹ FSC-PRO-01-001 V 3-0 *The Development and Revision of FSC Normative Documents*.

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Abbreviations

ASI = Accreditation Services International
CB = Certification Body (accredited for FSC certification)
CH = Certificate Holder of an FSC certified forest
CIS = Commonwealth of Independent States (Eurasia)
CoC = Chain of Custody
ES = Ecosystem Services
ESCD = Ecosystem Services Certification Document
FM = Forest Management
FSC = Forest Stewardship Council
IFL = Intact Forest Landscape
MU = Management Unit
SLIMF = Small and Low Intensity Managed Forests
WTP = Willingness to Pay

Introduction

This report summarises the feedback received during the first public consultation for the procedure FSC-PRO-30-006 V1-0 D1-0, *Demonstrating the Impact of Forest Stewardship on Ecosystem Services*² (referred to as the Ecosystem Services Procedure in this report, and available for download on [this webpage](#)). In this consultation, stakeholders were also asked to provide their feedback on the discussion paper FSC-DIS-30-006 *Market Tools and Trademark Use for Demonstrated Ecosystem Services Impacts* (available for download on [this webpage](#)).

It is important to note that in parallel to the public consultation, FSC is also receiving feedback about FSC-PRO-30-006 V1-0 D1-0 from different certification bodies (CBs) and certificate holders (CHs) involved in pilot testing (eight different sites). The results and feedback from these pilot tests will be summarised in a report that will be made publicly available later this year.

Stakeholders have been made aware of and encouraged to participate in the first public consultation of the FSC-PRO-30-006: via the FSC website, FSC newsletters (internal and external), various mailing lists to target audiences (e.g. certification bodies, certificate holders), Twitter, LinkedIn and direct contact with key stakeholders and interested organisations or individuals (e.g. ForCES partners, consultative forum, technical working group). Particular efforts have been made to reach out to social chamber representatives through the FSC New Approaches Initiative, the FSC Social Programme and by using the member's portal to target them.

The FSC Consultation Platform (<http://consultation-platform.fsc.org/>) was used to collect stakeholders' feedback. The public consultation lasted 60 days: from Friday March 24, 2017 until Sunday May 21, 2017. All feedback and comments were analysed and considered by FSC.

This report will start with an overview of the type of stakeholders that provided their comments and suggestions. Then, a summary will be given of the feedback related to the draft 1 Ecosystem Services Procedure, followed by the feedback related to the ideas presented in the discussion paper. To each of the points, a summary is given of how FSC is going to address the feedback and issues raised (in italic).

² A Technical Working Group has supported the development of the first draft of the Ecosystem Services Procedure. To see the composition in terms of members and their expertise navigate [here](#).

Public consultation participants

In total, 46 stakeholders participated in the consultation using the FSC consultation platform. In addition, FSC received comments and suggestions of 3 stakeholders via e-mail.

It is important to note that not all participants completed the entire online survey. Participants were being made aware that they do not have to complete the entire survey if they have certain expertise, but do not feel comfortable to comment on other parts. The consultation questions covering the draft Ecosystem Services Procedure were answered by around 30 participants, the part covering the market tools was completed by approximately 25 participants.

Figure 1 below shows the geographical location of the participants in this public consultation. All global regions – Northern America, Latin America, Europe, Africa, CIS, Asia-Pacific – are covered. The countries with the highest number of participants are: the United States, Brazil and the United Kingdom. Germany has a high score, because of comments and suggestions provided by FSC staff (based in Bonn, Germany).

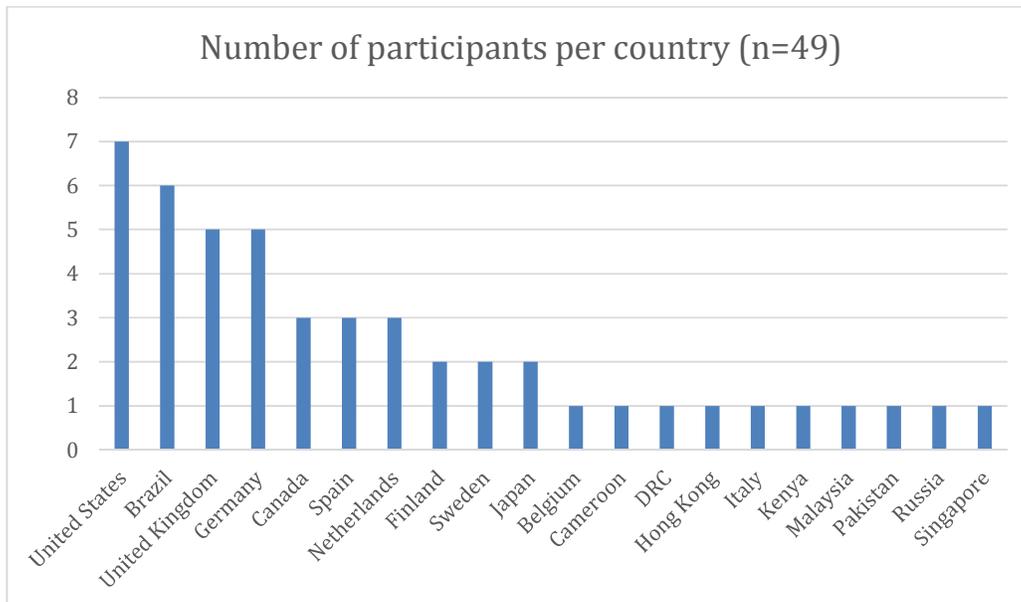


Figure 1. Number of public consultation participants per country.

Various stakeholder groups are represented by the participants in the public consultation. The diagram of figure 2 shows that 35% of the participants are FSC staff (of which three quarter FSC Network staff and a quarter FSC Global staff), 19% of participants (9 individuals) indicated they can be best described as FSC member³, 14% of participants are FSC Certificate Holders, 12% of participants work with

³ Note that some members indicated they could be best described as another type of stakeholder, so when looking at what chamber FSC members represented the number of FSC members increased from 9 to 14.

research institutes and 14% of participants come from other organisations such as NGOs.

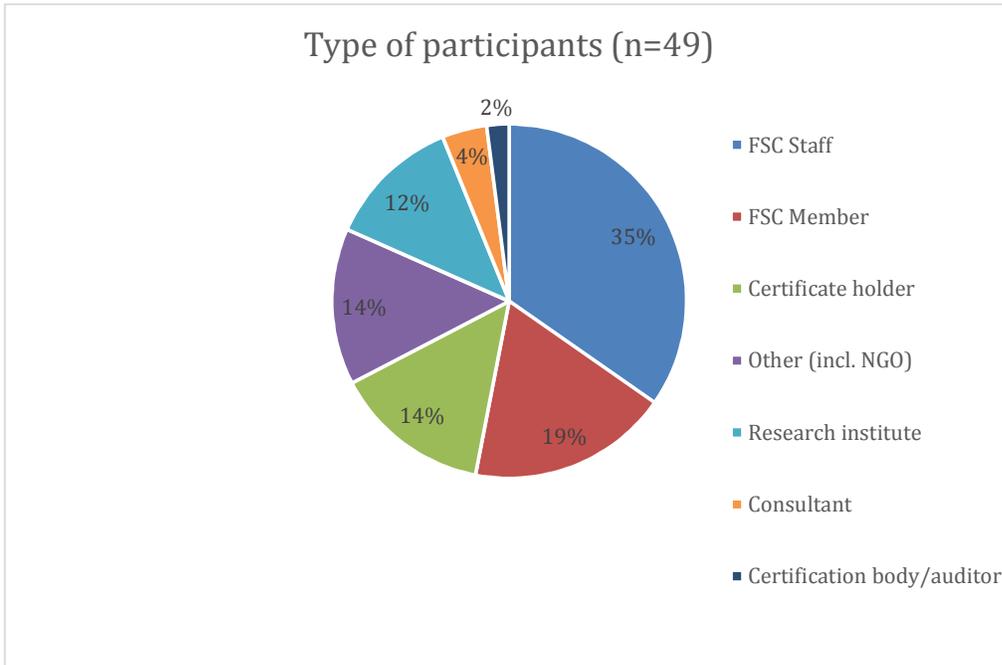


Figure 2. Type of participants in the public consultation.

When looking at the FSC members (14 in total), all three chambers are included but not represented equally with 9 members from the economic chamber, 4 members from the environmental chamber and 1 member from the social chamber (see figure 3).



Figure 3. The FSC member participants depicted per sub-chamber.

Feedback related to the draft 1 Ecosystem Services Procedure

The draft Ecosystem Services Procedure contains eight steps that Certificate Holders need to follow to be able to demonstrate the impact of forest management activities on ecosystem services and, if successful, generate an ecosystem services claim that can be used to attract a payment or other benefits. It further includes the promotional statements CH can make and the ESCD template.

Overall, the first draft of the Ecosystem Services Procedure has been well received. Out of 29 respondents, two-third was quite positive or very positive, almost a quarter was neutral and 10% of the respondents had an overall impression that was quite negative (1 respondent) or very negative (2 respondents), see figure 4.

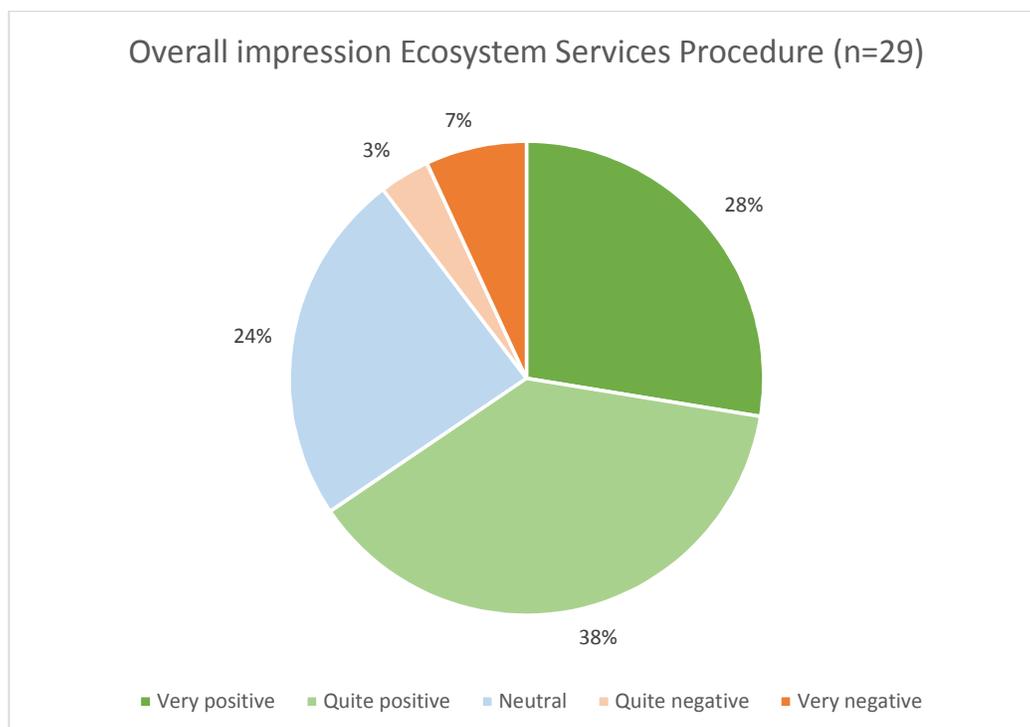


Figure 4. Participants' overall impression of the draft 1 Ecosystem Services Procedure.

If we look at the overall impression per stakeholder group, it is evident that FSC staff is neutral to very positive, research institutes are positive and the participating CB was neutral. Among certificate holders and FSC members the overall impression of FSC-PRO-30-006 ranges between very negative to very positive with representatives having economic stakes (certificate holders + economic chamber members) indicating to be quite positive (4), neutral (5) or very negative (2).

This section will now summarise the main points of feedback received on the draft Ecosystem Services Procedure.

1. Need for SLIMF adaptation

A need has been identified to simplify the procedure for smallholders and those forests where management activities result in a low risk of negative impact on ecosystem services (e.g. National Parks and protected areas). Various suggestions have been given by public consultation participants on how this could be done.

FSC response:

FSC had already planned to look into how the Ecosystem Services Procedure could be adapted to fit the scale, intensity and risk (SIR) of forest operations. One idea is to simplify the theory of change. FSC will also look at to what extent the simplified version could apply to all certificate holders. One suggestion FSC received is to drop the requirement to involve (affected & interested) stakeholders in the development of the Theory of Change, because it makes it too complex. FSC will also consider the individual suggestions provided.

2. Guidance

FSC has planned to develop a guidance document. Participants in the public consultation indicated that guidance is needed on various aspects:

- Link to HCV areas, in particular how ES tools could support IFL conservation;
- Step 2: Area outside of the MU, contextual factors, historic status;
- Step 6: Baselines (especially time-zero);
- Step 7: Methodologies, recommended monitoring;
- Marketing/ communication tools;
- Costs.

Another request echoed is that the guidance should provide various examples. As the ecosystem services tools are something new to the current FSC system, it is not very clear to stakeholders how this could work in practice. Clear examples that cover various circumstances would be of help to increase their understanding.

FSC response:

Some stakeholders provided very useful suggestions that FSC will take a closer look at during the development of the guidance. Besides a guidance document, FSC is considering other forms of guidance and support. One possible mechanism that could help support application of the Ecosystem Services Procedure would be to introduce a voluntary review of the evidence being developed to conform with the Ecosystem Services Procedure. This check role could be done by the CB (like a pre-audit) or by FSC. This could potentially prevent any conflict between the CB and the CH.

3. Terms and language

Participants stressed the need to clarify the terms used (for example clearly explain the difference between output and outcome) and in general to simplify the language in the next draft. Multiple participants (4) suggested to replace the term 'impact' by 'benefits' (or positive impact), as "the word 'impact' may be perceived with a negative connotation or an (indirect) long term result".

One participant pointed out that timber extraction activities (logging, road construction) by nature impact negatively on ecosystem services and that through FSC certification we are aiming to reduce this negative impact. Another participant suggested that FSC finds another term for 'threats' as "it would be unfortunate if FSC started to describe forestry in terms of threats."

FSC response:

FSC will consider the suggestions received and a simplifying editing review will be done for the draft 2 FSC-PRO-30-006.

4. Clarification needs

The feedback and questions received indicate that there is a need to clarify:

- how this Ecosystem Services Procedure fits in the existing normative framework of FSC, particularly the link to the national forest stewardship

standard (Annex C); on the same subject, a suggestion was made to “avoid integration into current standards so that the current certificate holders and users that are not using ecosystem claims are not confused by changes to the standards they are certified to”, for example the chain-of-custody and trademark standards);

- that failing to demonstrate a positive impact on ecosystem services does not affect the certificate holder’s FSC forest management certificate;
- that the scope of this procedure is global and there is no need for national adaptation processes;
- whether or not there is a need for new management activities;
- whether continuous verifications and monitoring is required in order to secure the long-term outcome (comment: if yes, this may become costly);
- if the outcome indicator must be measured and verified prior to being able to make ES claims;
- that it is not necessary to measure all outcome indicators listed in Annex D for a certain impact.

FSC response:

FSC will clarify the abovementioned points in the next draft of the procedure FSC-PRO-30-006.

5. Complexity

A comment received (by five respondents) is that the application of the draft Ecosystem Services Procedure seems complex, particularly step 2, 3, 5 and 7. This is especially the case for smallholders, but even for large forest companies. Two respondents continued that high complexity means that it is likely that it would not be feasible for the forest manager to implement the procedure by themselves, so he/she would need to hire a consultant which means it will become costly.

FSC response:

The abovementioned points 1-4 each provide part of the solution to address this comment about complexity.

6. Technicalities

Few criticism has been received on the technical merits of the procedure. The large majority of respondents (64%) is of the opinion that together the eight steps will enable a credible demonstration of impact. At the same time, respondents made several suggestions to further strengthen the approach:

Demonstrating impacts across several FMUs

Respondents agreed that FSC should design the Ecosystem Services Procedure in such a way that impacts can be demonstrated across several FMUs that are managed as part of the same group – as already included as an option in the procedure. There needs to be some flexibility though, in case some group members cannot or do not want to participate. For FMUs not managed as part of the same group, it could make sense from a landscape perspective, but there are doubts to the feasibility and fit with the FSC system and a suggestion has been given to look at this on a case-by-case basis.

Step 4: Impacts

There is general support for providing a list of impacts that certificate holders can choose from (Annex B of the Ecosystem Services Procedure) to ensure credibility and consistency to the approach to demonstrate impacts. Some participants comment that it should also be possible to propose other potential impacts or for the certificate holder

to make a general impact more specific or have a national adaptation. One participant asks why social impacts cannot be claimed in isolation, but only in combination with another, non-social claim (requirement 4.2).

For biodiversity impacts feedback received includes:

- add preventive measures against harmful human activities (i.e. poaching);
- add an impact on invasive or allochthone species;
- the impact "Enhancement or restoration of native ecosystems" is quite general compared to other impacts listed and in light of the changes that will occur due to climate change it could be a little more nuanced or flexible.

For carbon, suggestions are to include:

- peat;
- carbon sinks (instead of carbon stocks);
- CO₂ emissions from forestry operations.

Regarding water impacts, the following comments have been received:

- add 'construction of specific infrastructure for watershed services';
- add 'provision of potable water and water for other uses' (e.g. irrigation);
- Regarding water quantity:
 - include 'mitigation of flood risk' (separate from water quantity);
 - stabilization of water quantity may be more meaningful because it is unclear whether water increase or decrease would be perceived good (drought vs flood);
 - the water impact should be that water quality is improving; if quality is improving then it is very likely that water quantity must also be better regulated i.e. more seasonal consistency (few floods and droughts).

For soil, suggestions are to consider including:

- land productivity;
- soil organic carbon;
- a reference to peat;
- increase soil organic matter;
- soil quality;
- a metric that can be easily measured and validated, for example soil carbon content (impacts are too complicated).

For recreational services, comments received include:

- add landscape;
- add enhancing or boosting specific infrastructure for recreation/tourism (i.e. eco-lodges, wildlife observation decks, etc.);
- regarding 'Benefits to local communities and Indigenous Peoples from activities to maintain and/or enhance recreational services': for Indigenous Peoples, forests are a source of livelihood, cultural identity, religious and cultural values. This would be beneficial to include besides "recreational services";
- Maintenance, conservation and valorisation of the cultural, archaeological and patrimonial resources that exist in the mountain, as well as its correct signalling;
- FSC should be based in sustainable forest management. It shouldn't get involved too deeply into recreational use of forests.

FSC response:

FSC will revise and fine-tune the list of impacts and consider the different suggestions and feedback given for each of the five ecosystem services.

Step 5: Theory of Change and outcome indicators

Related to the theory of change, the majority of respondents (17/27 = 63%) indicates that it is clear what is expected in step 5. Some concerns are expressed that there will be confusion on what constitutes an output, what an outcome and that the theory of change may be too theoretical (see comment on complexity). More examples and clear explanation in the guidance would be welcomed.

There is general support for the outcome indicators (Annex D of the Ecosystem Services Procedure), but there are also suggestions to make adjustments. Multiple participants indicate the need to be able to propose new indicators to fit local circumstances, but some see a risk to lose credibility. Specific suggestions given for outcome indicators per ecosystem services are the following:

For biodiversity impacts feedback received includes:

- Remove 'number and degree of human–wildlife conflicts and number and type of safeguards taken to prevent human–wildlife conflicts' (Although addressing human-wildlife conflicts is important, "Is it desirable for the number of conflicts to be high if that correlates with the maintenance or restoration of native species?")
- The quality of an NTFP product (= also biodiversity) can be checked by a third party local laboratory (according e.g. to ISO), so that the claim can be specific and enable CH's to proof both in one claim – that it is also a BIO product from well managed forests with great impact for biodiversity conservation.
- Add 'control of a pest species' (In Japan, overpopulation of native deer has become a serious ecological and economical problem of forests. Can control of the pest animal be an outcome indicator?)
- Include something about infrastructures to allow fauna move.
- Add potential for natural forest recovery.
- Add species richness established for different habitats and communities, e.g. birds, insects, vegetation, soil, shrub stratum, arboreal, aquatic ecosystems.
- Add 'enhancement of habitat/populations of species at risk'.

For carbon, comments received are:

- There should be safeguards against 'creaming'.
- There should be recognition that aiming to produce timber suitable for longer-lived products can also contribute to long-term carbon storage, albeit not in the forest itself.
- Someone disagrees with 'employment opportunities to measure carbon stocks' being listed under social/local benefits and with RIL in primary forests as a carbon stock benefit.
- Keep it simple and only have the outcome indicator "forest carbon stock".
- Consider to include references to soil/peat degradation
- Include non-forest carbon stocks
- Emphasis should be on carbon sinks as opposed to stocks.
- When dealing with carbon stocks, this needs to be linked to maintaining biodiversity and other values.
- Other recognized schemes, such as VCS, CCBA, Gold Standard etc. should be used for detailed calculation of carbon sequestration and stock. And to consider a local, national carbon scheme.

Regarding water impacts, the following comments have been received:

- For 'area of natural forest cover' location/distribution of natural forest may be equally or even more important than natural forest area.
- Related to 'Number and degree of floods' a comment received is that it might be more appropriate for this indicator to be placed under a separate flood mitigation impact, rather than being included under water quantity.
- Add heavy metals / pollutants in fluvial / lagoon sediment
- Add to bioindicators: response of aquatic moss
- Use 'Diversity of invertebrate fauna' instead of 'No. of invertebrates'
- Conifers and broadleaves forests should be distinguished.
- Include degraded areas by landfills of rivers or streams.
- Include loss of water from rivers or streams by uncontrolled planting of water-intensive species such as eucalyptus.
- Add for the maintenance of water quantity impact references to specific infrastructure that can provide an environmentally safe constant supply (i.e. water deposits)
- Percentage of lake perimeter may be more appropriate than surface area of lakes.
- Most of the water quantity indicators will be determined by annual climate conditions more than any forest management activities, and it may be difficult or impossible to show an impact of forest stewardship on them.
- The focus of should be on water quality - if water quality is improving then the vast majority of the additional indicators will be delivered.
- The indicators should reflect the possible impacts of the management, taking into account the products and methods used by the certified undertaking in question (the presence of pathogens and viruses in the water cannot be associated with forest management, for example, heavy metals are also not part of management), Also the sampling required to demonstrate ecosystem services must be compatible with that already used to meet the certification.
- The only indicator that lacks clarity is "Perceived water quality". This seems to be very subjective
- Add the provision of potable water
- Some of these indicators could be very expensive to measure and there is a question of scale in terms of at what level in the catchment some of these measurements are taken.
- We are pleased to see base flows included in the list as this is often overlooked.
- There will need to be a clear independently verified outline of the evidence that can be used to demonstrate the indicators. There has been some very poorly interpreted 'scientific' publication funded by lobby groups seeking to make such claims. Who will decide what is legitimate and what isn't?

For soil, the following feedback has been received:

- Conifers and broadleaves forests to be distinguished considering their root difference.
- Add specific references to peat degradation within the prevention or reduction of erosion impact
- Extension of land cover with forest cover or understory: there was a suggestion to specify something more: tree cover and understory, depending on the height of the trees and precipitation regime (relation to rainfall energy damping). Change macro fauna abundance of the soil by diversity of edaphic fauna. Add decomposition rate of the plant remains from the present tree species and their relation with the degree of infiltration and runoff of rainwater.

- Far too complicated - focus on soil organic matter and possibly also on macrofauna abundance.
- Add percentage of organic material left in the soil after forest use.
- It might be helpful to build links with the Land Degradation Neutrality (LDN) process (i.e. SDG target 15.3). Note that the indicator for target 15.3 is 'Proportion of land that is degraded over total land area' (<https://sustainabledevelopment.un.org/sdg15>)
- Will there be an explicit link between soils and maintenance of carbon?

For recreational services, comments received include:

- When the forest area is making use of the surrounding landscape in the design of its forest management, the evaluation would not be simple.
- Focus on visitor numbers and satisfaction surveys only.
- Sometimes benefits to recreational activities contradicts with other interest. How do you deal with the dynamics? Claiming effect on ecosystem services by only looking at one aspect may be misleading.
- References to specific infrastructure for recreational/tourism purposes could be an outcome indicator for maintenance of areas impacts.
- Nearly all of the suggested indicators depends on third party input which make difficult to evaluate. How many visitors must there be in order to demonstrate a positive impact? The outcome indicators must be in the CH's control.
- Include number of cultural, archaeological and patrimonial elements that exist or may exist in the area.
- Consider to add an indicator for sustainable hunting of wildlife
- Care should be taken here to avoid unintended negative impacts, including outside forest areas.

FSC response:

FSC will fine-tune the outcome indicators, including addressing the need for quantification or not and making them more measurable.

Step 6: Baselines

The large majority of the participants agree to include the three baselines proposed in the procedure. One participant suggested to consider to include a fourth baseline 'without project'.

One participant commented that step 6 on baselines would need to be rewritten to allow for the ES (e.g. carbon) flux, i.e. the rate of change, to be measured, not only the ES stock.

FSC response:

Some participants offered suggestions for improvement that FSC will consider on a case by case basis.

Step 7: Methods

About half of the participants are of the opinion that the current eligibility criteria for methodologies support the use of a robust and practical methodology, the other half is not convinced of this. One of the respondents states that "Auditors and CHs are not experts on each field of ecosystem services. The requirements are general and they may not be able to control the quality of the methodologies." One suggestion is to add an extra requirement around independence of experts and peer-reviewed scientific studies.

FSC response:

FSC will develop a guidance FSC-GUI-30-006 that will include possible methodologies to measure the impact of forest management activities on each of the five ecosystem services. The eligibility criteria will also be reviewed and, if needed, adapted.

Claims

The question came up whether maintenance and enhancement claims can be combined or whether they are mutually exclusive.

FSC response:

This is something FSC will further think about and discuss.

7. Choice of ecosystem services

One of the participants wondered whether continued timber supply should be considered as an ecosystem service as well. Another mentions the lack of the ecosystem service “conservation of cultural, archaeological and patrimonial heritage”. One participant suggested for FSC to focus on carbon, biodiversity and water, as the market research shows that that is where most interest exist currently, both from the forest and the buyer end.

A few participants feel it would be good if certificate holders would need to demonstrate an impact on more than one ecosystem service (one mentions at least two, another mentions all), saying it would be more credible, or that a link will be made to avoid “the situation where one ecosystem impact is achieved to the detriment of others.”

FSC response:

The selection of the five ecosystem services has already been made with the development of the ecosystem services strategy that was approved in 2015 (available for download [here](#)). The main objective of the ecosystem services tools is to create access to payments for ecosystem services markets. For most FSC certified forests, timber production is the main economic activity and forest managers receive a payment through the sale of timber products; timber markets are well established already. It is likely that ecosystem services market development will indeed focus on carbon, biodiversity and water, but FSC does not want to limit the possibility to make claims about soil and recreational services. Cultural services and social benefits can be closely linked to the five ecosystem services of FSC’s current focus and can be part of the bigger story behind an ecosystem services claim. The demonstration of impacts is voluntary and it is assumed that certificate holders would only pursue this if they see a benefit in this, either reputational or through attracting a payment. Note that forest managers would need to comply with the FSC Principles and Criteria already which provide safeguards for the protection of ecosystem services.

8. Feedback related to CBs and CB requirements

Feedback has been received that this Ecosystem Services Procedure and specifically the evaluation of the theory of change and the methodologies will require new expertise and skills from auditors, so FSC should develop training for CBs. It is also pointed out that there may arise conflicts between CBs and CHs in the interpretation and use of the procedure.

Part II of the procedure describes the requirements for certification bodies on how to evaluate the Ecosystem Services Procedure. Feedback on this part included:

- The suggestion to only require a pre-audit once and to have the full ES evaluation once every five years;
- A comment that because of the “open-endedness” of the procedure and the current approach ASI takes to risk, CBs would likely spend a lot of time on the

verification of Ecosystem Services certification which would make it costly instead of bringing additional income to the CH;

- The need to clarify whether ecosystem services certification evaluation should be part of the FSC FM/CoC report or separately;
- Digitized reporting on ecosystem services would be a strategic step;
- Requiring translation of the ESCD in English or Spanish adds costs for the CH and there is little evidence that these public summary reports are being read.

FSC response:

FSC will involve ASI in the development of draft 2 procedure FSC-PRO-30-006 to make sure that the framework with which CBs will work is not considered high risk.

FSC will explore the opportunity of digital reporting by discussing the possibilities with the ongoing project team on online reporting.

FSC finds transparency important and will consider to only require the translation of the impact summary table.

Feedback related to the Discussion Paper

The discussion paper presents three additional ways in which a generated ecosystem services claim could be used to attract a payment. For each of these market tools the advantages and disadvantages are described. It also contains different options for trademark use by buyers of products carrying an ecosystem services claim

The overall impression of the proposals presented in the discussion paper was less positive than the draft Ecosystem Services Procedure. 44% of respondents were quite positive or very positive, almost a quarter was neutral and almost one-third was quite negative or very negative (see figure 5). This overall image was not necessarily linked to the content, i.e. the proposed market tools and trademark use, but also to the general quality and understanding of the discussion paper.

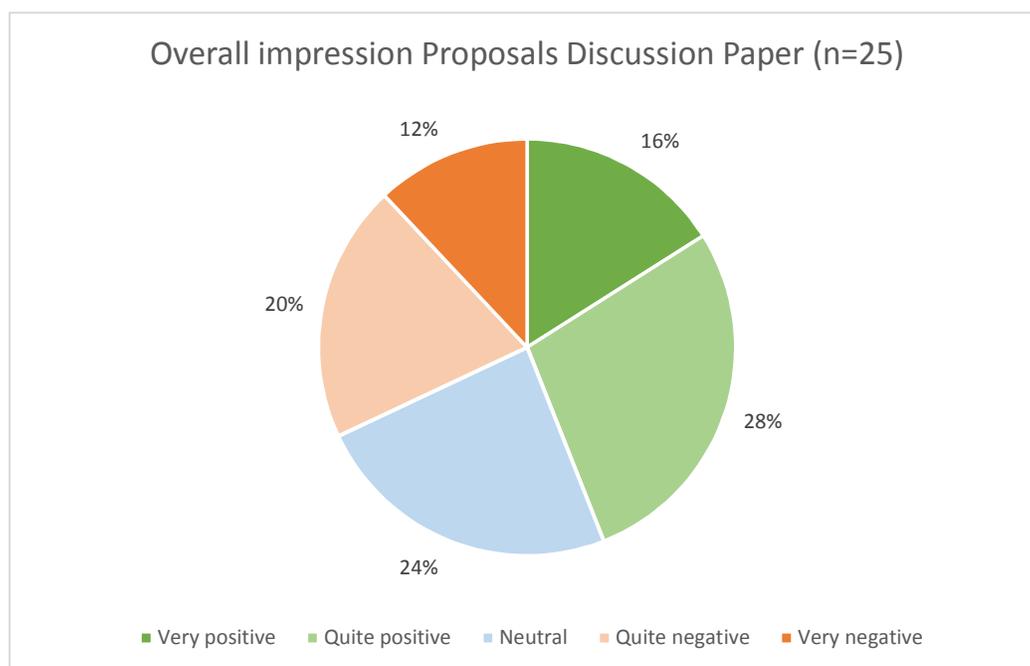


Figure 5. Participants' overall impression of the proposals presented in the Discussion Paper, FSC-DIS-30-006.

If we look at the overall impression per stakeholder group, there is no clear distinction between different stakeholder groups or chamber representatives. This may partly have to do with the level of understanding/ the interpretation of the market tools as presented in the discussion paper.

1. Market tools

Participants were asked what market tool(s) FSC should develop: the ESCD, the promotional statements (by the CH), the on-product label (passing an ES claim along the supply chain of forest products), the intangible product (representing a demonstrated impact on ecosystem services, a buyer would be able to communicate about), and/ or the combination with a tradeable asset (combining an ES claim with e.g. a carbon credit issued from the same forest). Respondents were able to select multiple market tools, indicate that none should be developed or select 'I don't know'.

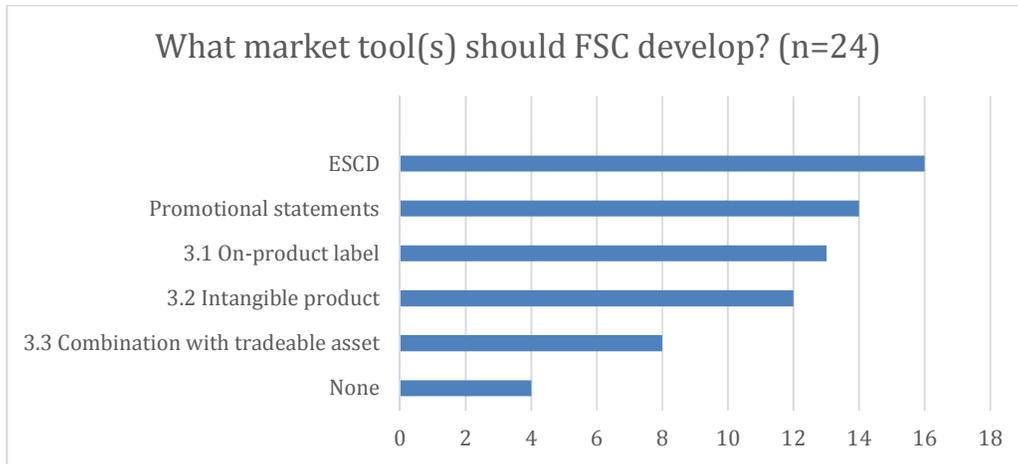


Figure 6. Ecosystem Services market tools that FSC should develop.

Figure 6 shows that 20 participants (out of 25 that responded to this question) are supportive that FSC further develops one or more market tools. There is support for the further development of the ESCD, the promotional statements, the on-product label and the intangible product, whereas the combination of an ecosystem services claim with an external tradeable asset is less popular. One comment received is that CHs should be able to sell to multiple buyers; there should not be mutual exclusion (as mentioned in clause 3.0, p.5 of FSC-DIS-30-006). Specific feedback per market tool is summarised below.

ESCD

- A comment was received that the ESCD is too complex and too theoretical to be a market tool, it is not communication-friendly;
- Various specific suggestions to improve the ESCD template have been received.

Promotional statements

- Feedback was received that a CH should be able to make restoration statements, not only maintenance and enhancement.

On-product labelling (option 3.1)

- One respondent comment that this option would be suitable for smallholders that in general have a low impact on ES;
- Some don't see how a price premium could be attracted for an FSC certified forest product plus an ES claim;
- A recommendation was to look at how this works with the Small and Community Label Option;
- One respondent commented that this is the least risky option of the three market tools presented in the discussion paper;
- Some respondents have doubts regarding the complexity of the CoC;
- Another respondent believes that on-product labelling of forest products would be a good idea, because the direct link to the forest would result in more benefits for the forest managers and it would promote good practices in forest management.

Intangible product (option 3.2)

- One participant expressed a concern that selling the intangible product would weaken the relationship between the forest production and the provision of

- ecosystem services, because the buyer will not necessarily be interested in the source of the intangible product;
- According to four participants the intangible product seems the most promising option;
- A suggestion was received that it would also be possible to include more information using a QR code;
- One participant (a CH): “noticed an increased interest among other companies (potential buyers) to invest in nature conservation on a voluntary basis. The willingness to pay is fairly modest but the increased interest is a start;
- A comment was received that a verified ES claim could be a quality assurance if the interest for investments in nature conservation continues to increase;
- Another point mentioned was that buyers are interested to connect their investment to a certain project or geographic place;
- One participant stressed the need to proof additionality to be able to attract a payment;
- One respondent discouraged FSC to divide a project or ES claims in a number of units.

Combination with tradeable asset (option 3.3)

- There is a need for a very good-working/well-developed carbon calculator that is easy for CB’s and CH’s, so the process is not costly for smallholders;
- One respondent comments that this is not the rights way to go, as it is complex to combine existing tradeable assets (with their methodologies) with FSC ES certification;
- Concerns are expressed about the reputational risk of FSC;
- Another comment received is that there would have to be some criteria in place along the lines of the Policy for Association so that FSC isn't associated with social and environmentally irresponsible companies;
- One respondent indicated that if a certain prioritization is needed, then this would be the least in preference.

FSC response:

FSC will consider to add a communication-friendly summary to the ESCD and to add the possibility to make promotional statements for restoration. Regarding the other three market tools, FSC will finalize them after further direct investigation from the market-end.

2. Trademark use

The majority of respondents indicated that claims should be possible both at high level and at detailed level of the impact. For ES claims to be passed along the supply chain the advice was to keep it simple and high level. One participant suggested to look at how this works with the small and community label option. For uses of ES claims, participants indicated that FSC should follow whatever the buyer wants, but be careful not to confuse the market/ the customers. Also, it was noted that high level claims may be too vague/ non-specific enough.

One participant expressed serious doubts about using the FSC Trademark License system. It is already complex, FSC should not further build on this adding burden and inefficiencies to it, but explore (creative) alternatives.

Finally, participants were of the opinion that there needs to be limitations on the types of buyers that can use FSC ES claims to prevent companies that are engaging in destructive practices to use these claims. Suggestions were to use something along the lines of the Policy for Association or that a due diligence check should be applied.

The survey included a question on what forest products should be eligible to carry an ES claim. Participants could choose between the following options:

1. It is important that all products carrying an ecosystem service claim come only from FSC-certified forests where the ecosystem service impact was demonstrated;
2. It is permissible for some products carrying an ecosystem service claim to come from FSC-certified forests other than those where the ecosystem service impact was demonstrated (e.g. 50 per cent of wood in a product comes from an FSC-certified forest where an ecosystem services impact was demonstrated, 50 per cent from an FSC-certified forest where no ecosystem services impact was demonstrated);
3. It is permissible for some products carrying an ecosystem service claim to come from uncertified forests (e.g. 80 per cent of wood in a product comes from FSC-certified forest where ecosystem services claim was demonstrated, 20 per cent of wood comes from uncertified forest [but does comply with controlled wood standard]);
4. I don't know;
5. Other, please specify below.

The majority of the respondents (13/25) answered option 1 meaning ES claims can only be combined with forest products that are 100% FSC (and follow the same rules as the SCLO). Three respondents answered option 3, meaning that FSC mixed products should be permissible to carry an ES claim. Other options suggested include:

- I think that any forest managed with basic FSC good practices (not necessarily certified) and that meet all the ecosystem services demonstration should receive an ecosystem services claim label;
- If the claim is to be more specific and quantifiable then I would recommend option 1 above i.e. "ecosystem service claim come only from FSC-certified forests where the ecosystem service impact was demonstrated". However, if the claim is generic then I would think that controlled mixing should be acceptable.

FSC response:

Once it is clear which market tools are going to be further developed, FSC will also further develop the trademark use considering alternatives to the FSC trademark license system.

3. Other feedback

The main feedback points and concerns are described below.

Need for clarification and simplification

The intangible product (market tool 3.2) and the combination of an external tradeable asset and an ES claim (market tool 3.3) were unclear for many participants. Some respondents indicated that it was clear to them, but their comments later in the survey indicated that they had a different understanding than FSC intended. These two market tools are currently not existent in the FSC system and they are less concrete, so this may have been the main causes. Another comment received is that the language in the discussion paper is difficult and there is a need to simplify the wording. Finally, a suggestion was received to keep ES tools apart from other standards, so that there is no confusion and unnecessary complication of e.g. trademark standard that is now being streamlined and simplified.

FSC response:

FSC will have a simplifying editing review done for the follow-up of the ecosystem services market tools.

Risk to the FSC brand

A comment received (from six respondents: economic interest representatives and FSC staff) is that demonstrating and communicating about impacts on ecosystem services may pose a risk to the value of the FSC brand. The concern is that when one FSC certificate holder demonstrates an impact on ecosystem services and another FSC certificate holder does not, it creates an impression that the certificate holder that does demonstrate an impact on ecosystem services is better than the one that doesn't. As one respondent phrased it: "What does it say about those FSC certificate holders that do not demonstrate a no-negative or positive impact on ecosystem services? Buyers already assume that FSC's safeguards guarantee a protection of the environmental and social values."

FSC response:

New ecosystem services tools will allow the use of FSC trademarks to communicate about impacts in ways that are not possible without the Ecosystem Services Procedure. Therefore, these tools do not compete with existing FSC trademark use. FSC will design new tools to focus on the communication of impacts, rather than using a new ecosystem services –oriented branding, which could otherwise cause brand confusion.

Market demand

Some participants (three respondents representing economic and social interests) were not clear or were sceptical about the existence of a market demand for ecosystem services. The uncertainty of benefits or payments for ecosystem services made them doubtful as to whether the efforts and costs involved in demonstrating an impact on ecosystem services by following the steps in the procedure would pay off.

FSC response:

FSC has published a summary of global and national market research (available for download [here](#)) regarding certification of ecosystem services, including the business models that have been developed in the ForCES pilot sites. The market research supports that there is demand for FSC-verified ecosystem services impacts and there is also some willingness to pay. Ecosystem service market tools will be finalized based on additional market outreach and testing. As the Ecosystem Services Procedure is finalized, FSC will also engage in explicit market development work to create the strongest possible demand. Ultimately, market success can only be judged after a period of implementation. An overriding mitigating factor for forest management certificate holders is that the use of the ecosystem services tool is optional and need only be used if the certificate holder views a potential benefit.

Compensation and offsetting

A concern has been expressed (by two respondents, environmental interest representatives and FSC staff) about greenwashing and the reputational risk of FSC when FSC would get involved in offsetting.

The survey included a question to ask stakeholder for their support of FSC entering into compensation markets ("Do you support the notion of ecosystem services impacts demonstrated by forest management certificate holders being financially rewarded by companies meeting such compensation requirements?"). The figure below shows that majority of the respondents does support the financial reward by companies meeting compensation requirements.

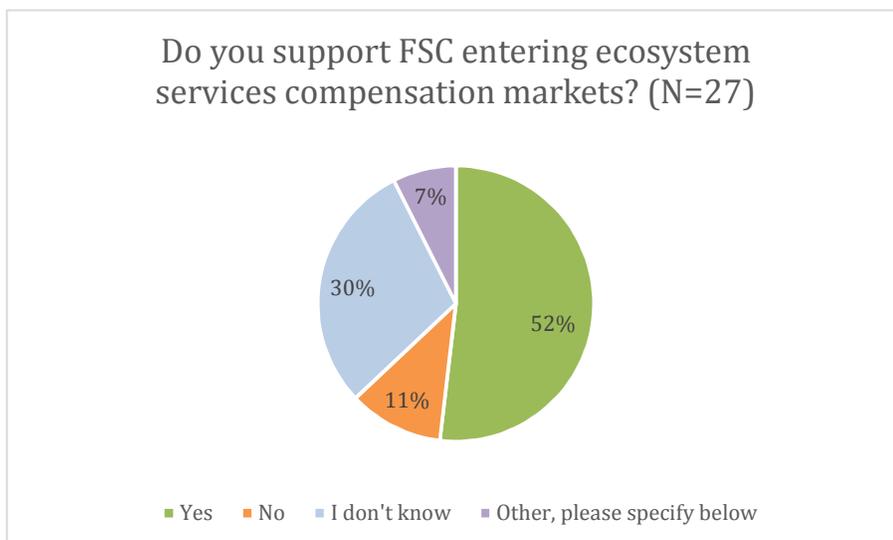


Figure 7. Stakeholders' support for FSC entering compensation markets.

Those that selected other commented:

- Only if the requirements are credible performance standards and have ecological integrity and social safeguards;
- No, unless the area that is demonstrating ES is clearly additional restoration or conservation of forest. It is not acceptable that those companies that have cleared HCVs in the past can then claim credits from areas already being conserved or managed.

Other comments received include:

- Compensation and mitigation payments could go towards restoration efforts in particular and in this way be used to buffer FMU's in challenging environments;
- Does this provide "a licence to destroy" to one company and at the same time effect negatively to forest management opportunities by decreasing area that can be used for producing FSC certified wood?
- If FSC hesitates about promoting their CH's to sell compensation to companies that have caused a negative impact on ecosystem services, then I can't understand how FSC pictures a future ES market. The willingness to pay (WTP) for ES claims on the voluntary market is very modest, while companies that have to compensate for some reason or another have a high WTP which from our perspective are the most interesting potential buyers.
- Companies, public administrations or international organizations can contribute to compensate the forest owners who, through their FSC responsible forest management, offer or provide environmental services beyond their forest management unit, sometimes with a low profitability.

FSC response:

The application of the policy for association rules to any organization making use of FSC ecosystem services tools could guard against the risk of greenwashing. As offsetting is most relevant in the carbon context where impacts are generally quantified ('tons of carbon'), concerns regarding offsetting are most relevant for the potential market tool of an FSC-labelled carbon credit. Therefore, this risk could be most effectively be mitigated by not further developing this market tool; FSC still needs to take a decision on this matter.