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Frequently Asked Questions regarding FSC-PRO-30-006, *Demonstrating the Impact of Forest Stewardship on Ecosystem Services* ('the procedure')

What are ecosystem services?

Ecosystem services are the benefits that we obtain from nature. They provide society with a wide range of services from reliable flows of clean water to productive soil and carbon sequestration. People, companies, and societies rely on these services for raw material inputs, production processes, and climate stability.

Forest ecosystems provide materials for building homes, cooking and heating, and food and medicine. They store large amounts of carbon that could otherwise be released into the atmosphere. They can prevent or mitigate adverse incidents, such as heavy rainfall, floods, and erosion; act as a buffer for noise and dirt from industry, and break the path of storms and avalanches. They also act as reservoirs and purifiers for drinking water and are home to bees that pollinate crops. Forests also offer important spaces for leisure, allowing us to experience the wilderness and natural beauty. For centuries, they have also provided homes for communities to live, work, and practise their cultural and religious beliefs.

FSC has focused the development of tools on the ecosystem services with the largest market demand or the greatest existing capacity among managers of FSC-certified forests. These ecosystem services are: biological diversity conservation, carbon sequestration and storage, watershed services, soil conservation, and recreational services.

Why is FSC developing ecosystem services tools? How does this fit with the FSC Global Strategic Plan?

In its *Global Strategic Plan 2015–2020*, FSC commits to offering new tools to certificate holders to access ecosystem services markets that result in increased net revenue for forest owners. This commitment is part of a broader strategy to increase the market value of FSC through empowering people to access and develop new markets. These tools are a core deliverable to meet FSC's commitment to connect to new markets and other incentives that more accurately reflect the true value of forest ecosystems and deliver rewards for responsible forest management.

These new tools will help answer the global challenge that forest governance and economic systems in many parts of the world provide greater incentives for deforestation, forest degradation, and related social inequities than they do for responsible forest management.

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New FSC ecosystem services tools will increase the confidence of governments, investors, buyers, and businesses in ecosystem services markets, and can be used to demonstrate the impact investments have on preserving ecosystem services. These tools will offer forest owners and managers an additional incentive to become FSC certified rather than pursue the short-term economic benefits of forest degradation, and an added economic support for FSC certificate holders already managing their forests responsibly.

What are the FSC ecosystem services tools?

The first tool is the procedure *Demonstrating the Impact of Forest Stewardship on Ecosystem Services* (FSC-PRO-30-006), which FSC forest management certificate holders can use to demonstrate the positive impact of their forest management activities on ecosystem services. FSC is also developing market tools that both forest management and chain of custody certificate holders can use to increase their access to payments and investments from ecosystem services markets. The market tools under consideration include:

- a publicly available technical document that summarizes the story of the impact – the Ecosystem Services Certification Document;
- promotional statements associated with FSC trademarks that communicate demonstrated ecosystem services impacts to potential buyers;
- ecosystem services claims that can be included within the scope of a forest management certificate and passed along the supply chain in association with forest products;
- an intangible product representing a demonstrated ecosystem services impact, which could be directly sold to interested buyers;
- ecosystem services claims that are commoditized through combination with a tradeable asset, such as a carbon credit.

Who is interested in FSC ecosystem services tools?

FSC and its partners in the Forest Certification for Ecosystem Services (ForCES) project (<http://forces.fsc.org/>) have carried out international and national market research in various ecosystem services sectors and with FSC forest management certificate holders. Between 2013 and 2016, some 14 research studies and surveys were conducted to assess the demand for market tools among potential buyers and sellers. Over 1,000 organizations and individuals from around the world took part, including FSC certificate holders (667 participants), FSC supporters (132), certification bodies (127), potential buyers (86), and regional policy-makers (7).¹

¹ These totals are a sum of participants; participants who took part in more than one study or survey may be counted more than once.



FSC also convened a business advisory group on ecosystem services in 2016 to test the tools being developed and provide feedback.

There is interest in these tools among both buyers and sellers (forest managers), but it is not unequivocal. Most importantly, both buyers and sellers tell us to keep things simple, keep costs down, and provide tools and messages that respond to real-world needs and the pressures businesses and communities are dealing with. Willingness of buyers to pay extra for impacts that are FSC verified varies between ecosystem services and different market segments.

Ecosystem services market actors note the opportunity that certification offers to demonstrate and monetize a project's benefits; conversely, the current lack of data on a project's impacts is seen as a limitation to the growth of ecosystem markets. From a financing perspective, certification of impacts could provide clearer information on outcomes for decision-making, and certified projects might be more attractive to investors.

For project developers and buyers, a mechanism for verifying the impacts of ecosystem services could establish minimum standards for a project and a guaranteed level of service delivery, increasing the willingness of buyers to pay for certified impacts. Ecosystem services certification also presents an appealing branding opportunity for companies wanting to communicate their commitment to environmental sustainability.

A full summary of our market research is available as part of the public consultation on the ecosystem services procedure, market tools, and trademark use at <https://consultation-platform.fsc.org/>.

Who is obliged to use these new ecosystem services tools?

No one is **obliged** to use the tools. Only those forest management certificate holders that see value in the FSC ecosystem services market tools would use them. And only those who choose to use these tools are obliged to follow the procedure and additional ecosystem services requirements described in Annex C of the *International Generic Indicators* (FSC-STD-60-004).

What are the additional costs of using the new FSC tool to demonstrate the impact of forest management activities on ecosystem services?

FSC estimates about 12 person-days of work involved in following the steps of the procedure as well as an estimated additional cost equivalent to one extra day added to a standard forest management evaluation.



What is the business model for certificate holders to use FSC ecosystem services tools?

In the course of developing and testing these tools, FSC has observed that the way in which they may create value varies greatly with context. Our national partners in the ForCES project have validated several business models for using these tools: attracting additional price premiums on timber and non-timber forest products (Viet Nam and Nepal); attracting direct payments from direct ecosystem services beneficiaries (Nepal); attracting investments in restoration projects (Chile); and using demonstrated impacts to improve stakeholder relations (Chile).²

In response to a call for expressions of interest for pilot testing the procedure, FSC received 20 applications from 12 countries around the world, many of them proposing additional models for how these tools could be used. Some examples include: receiving payments from companies with conservation obligations under voluntary certification schemes; receiving payments from governments for the provision of ecosystem services; labelling bottled water as a non-timber forest product with an associated watershed services claim; and communicating impacts on municipal land as a promotional tool for improving private land stewardship.

FSC is developing ecosystem services tools to be adaptable to different uses in different contexts.

What is the business model for FSC for ecosystem services tools?

Initially, the finalization and promotion of, and support for, the ecosystem services tools will be supported using contributed revenue (fundraising). Given the interest in these tools, FSC expects to raise new revenue in the medium term through increased fees resulting from an increase in the number of forest management certificates. As the system develops, FSC will also consider service fees from buyers in exchange for specialized products.

FSC-certified forest management already maintains and/or enhances ecosystem services.

What is the added value of this procedure?

FSC Forest Stewardship Standards does already require forest managers to plan and implement management activities to prevent negative impacts to environmental values including ecosystem services. They also require the manager of the certified forest to identify, produce, or enable the production of diversified benefits and/or products based on the range of resources and ecosystem services existing in the forest management unit. However, conformity with these

² Ecosystem services market research summary, available as a supporting document for the Public consultation on demonstrating the impact of forest stewardship on ecosystem services, market tools and associated trademark use.



standards does not guarantee a particular outcome for particular ecosystem services, and forest management certificate holders are not able to use FSC trademarks to claim impacts that have not been explicitly verified.

The procedure provides forest management certificate holders with a tool that will allow verification of these impacts, and provides market tools to increase access to ecosystem service payments and results-based financing.

Why do the *International Generic Indicators* (FSC-STD-60-004) contain additional requirements for ecosystem services (Annex C)?

Although FSC Forest Stewardship Standards cover most issues regarding ecosystem services, some additional requirements were necessary to ensure credibility within particular ecosystem services markets. For example, Forest Stewardship Standards do not usually explicitly address issues of water scarcity or maintenance of carbon stocks. In cases where National Forest Stewardship Standards do address such requirements, relevant indicators from Annex C of the *International Generic Indicators* can be dropped.

Will the availability of FSC ecosystem services tools undermine 'ordinary' FSC forest management certification?

Only 13 per cent of the 103 forest management certificate holders interviewed in our global market survey on ecosystem services felt that this was a risk (Ecosystem service market research summary). FSC believes that any risk to its brand from ecosystem services can be managed through targeted communications and market tools focused on connecting with the demand of ecosystem services buyers. The messaging we have developed to support the development of these new tools is that FSC is already an effective tool to manage for the provision of ecosystem services and we are developing new tools to demonstrate the impact. The riskiest tools that are presented for discussion during this consultation are likely to be the on-product claims and modified labels, as these could confuse consumers about the value proposition of FSC.

How will the FSC objective for ecosystem services and its objective for traditional timber, fibre, and pulp and paper markets be balanced?

The *FSC Global Strategic Plan* contains an overall objective that FSC double its share of global forest-based trade to 20 per cent; there is no question that certification for traditional timber, fibre, and pulp and paper markets will remain the core focus. The FSC ecosystem services tools are meant to support this broader objective by attracting increased net revenue for forest owners



as a result of demonstrating positive impacts on ecosystem services. At this time, FSC does not have any explicit strategies for balancing these two objectives.

How will FSC avoid unintended negative outcomes from developing access to ecosystem services markets?

Some FSC economic stakeholders have raised concerns about the potential impact of ecosystem services payments on the value of land and the cost and availability of wood fibre. It is acknowledged that increasing forest value could affect land and wood fibre prices. However, FSC believes that developing its own tools reduces this risk compared to tools developed through external schemes (which do not have forest management concerns at the core of their ethos).

Only managers of FSC-certified forests will be entitled to use the new FSC ecosystem services tools. FSC believes that it is most likely that these tools will be used to supplement revenue from production, rather than replacing it. In fact, FSC hopes that these new tools will draw new forest managers into the system, thereby increasing the availability of FSC-certified fibre.

However, we understand that some stakeholders have modelled scenarios that show potential conflict between payments for ecosystem services and the willingness of forest owners to sell fibre, with a concomitant impact on wood price. FSC is open to collaborating with stakeholders to better understand these unintended consequences and to mitigate them.

FSC will develop a monitoring and evaluation framework for these new tools so that their impacts can be monitored. This fits with the FSC objectives to become a more data-driven organization where the impact of its system is known (*FSC Global Strategic Plan 2015–2020*, Strategy 3) and to better understand the economic benefits (Strategy 2.2.1).

How has the procedure been developed and when will it be ready for use?

Some of the milestones in the development of the procedure are as follows.

- A methodology for assessing social and environmental impacts developed by the Center for International Forestry Research (CIFOR) and its research on business models in the ForCES project provided foundations for the development of the procedure in March 2013.
- Research on the market potential for FSC-verified ecosystem services in July–August 2014.
- A global stakeholder survey on the FSC Ecosystem Services Strategy in May 2015.
- Board approval of the FSC Ecosystem Services Strategy and the proposal to develop the procedure in August 2015.



- Formation of a technical working group to develop the procedure in January 2016.³
- External background research on impact evaluation approaches, and impact indicators in February 2016.
- Global market survey of forest management certificate holders and ecosystem services market buyers in April–May 2016.
- Field-testing of an early draft of the procedure between August 2016 and January 2017.
- Current stakeholder consultation on the first draft of the procedure (24 March to 21 May 2017).
- The procedure will be submitted for approval to the FSC Board of Directors before the end of 2017. Once approved, it can be applied wherever Forest Stewardship Standards based on version 5 of the *FSC Principles and Criteria* are available.

How does FSC-PRO-30-006 relate to the proposal to develop an FSC carbon footprint procedure?

FSC invited stakeholders to comment on a proposal to develop an FSC carbon footprint proposal in November 2016. The initiative is not part of the FSC work on the ecosystem services procedure (FSC-PRO-30-006); however, at the same time, FSC observed that this initiative could complement the ecosystem services tools that it is developing, by extending the assessment of impact along the supply chain (in the case of carbon). The proposal was made to answer increasing demand for certified pellets for electricity/heat production, where greenhouse gas calculations are the only missing component in the FSC system. It was proposed that an FSC carbon footprint procedure could substantially reduce the costs and complexity of these calculations for chain of custody certificate holders at the end of the supply chain. FSC has also received expressions of interest from companies in traditional forest product segments for tools to help them calculate carbon footprints.

The consultation raised several substantial questions and issues, and FSC will discuss with stakeholders before proceeding with this work.

FSC has no plans to develop tools to estimate supply chain footprints for other ecosystem services.

³ For an overview of the process and the technical working group members involved, please go to: <https://ic.fsc.org/en/what-is-fsc-certification/reviews-processes/current-processes/fsc-pro-30-006>.