



FSC Ecosystem Services Strategy

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Ecosystem services are the benefits people obtain from ecosystems.¹

Acknowledgements

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¹ Millennium Ecosystem Assessment (2005) *Ecosystems and Human Well-being: Synthesis*. Island Press, Washington, DC.



Introduction

The 2005 Millennium Ecosystem Assessment concluded that over 60 percent of the world's ecosystems have been degraded or are being used unsustainably.² This is, in part, symptom of a failure to place an economic value on the crucial services nature provides. The annual economic value of ecosystem services (ES) is estimated at US\$145 trillion.³ ES include provisioning services (timber, food and water), regulating services (air quality and flood control), supporting services (habitat for species) and cultural services (recreation, sense of place)⁴

Payment for Ecosystem Services (PES) and other market-based instruments like taxes and subsidies, and sometimes certification, place monetary value on ES to create incentives for landowners to protect and restore ecosystems. According to Ecosystem Marketplace reports, between US\$16.7 billion and US\$18 billion of global transactions take place each year in the carbon, watershed services, and biodiversity markets, with US\$11.7 billion directed through markets and market-like instruments to land-based conservation and restoration activities. These transactions fund activities on 405 million hectares of land annually, of which 131.3 million hectares are forest.⁵

In 2011, FSC, in collaboration with the United Nations Environment Programme, launched a five-year pilot project, Forest Certification for Ecosystem Services (ForCES), which aims to adapt FSC standards to emerging ES markets. The FSC ES Strategy is a core ForCES deliverable.

FSC-certified forests provide a range products and services. FSC forest management and chain of custody certification already provides businesses and consumers with general assurance that certified forest products come from responsibly managed forests. New ES tools can make FSC certification more applicable to ES markets by disclosing information about the impact of FSC-certified forest stewardship on the provision of ES.⁶ Research commissioned by FSC on ES market conditions suggests opportunities exist for FSC-certified ES in biodiversity, watershed, carbon and ecotourism markets.^{7,8}

Increased access of FSC certificate holders to ES markets can help make certification viable for smallholders and contribute to the recognition of the full value of forests, assisting in a shift of the global forest trend away from deforestation and forest degradation toward sustainable use, conservation and restoration.

² Millennium Ecosystem Assessment, 2005. *Ecosystems and Human Well-being: Synthesis*. Island Press, Washington, DC.

³ Costanza R., de Groot, R., Sutton, P., van der Ploeg, S., Anderson, S.J., Kubiszewski, I., Farber, S. and Kerry Turner, R. (2014) Changes in the global value of ecosystem services. *Global Environmental Change* 26: 152–158.

⁴ Ecosystem Services: The Economics of Ecosystems and Biodiversity (TEEB)

<http://www.teebweb.org/resources/ecosystem-services/>

⁵ Ecosystem Marketplace (2014) Ecosystem services market study for the Forest Stewardship Council. Unpublished. Ecosystem Marketplace, Washington, DC.

⁶ Jaung, W., Putzel, L., Guariguata, M. and Savilaakso, S. (2014). Forest certification for ecosystem services (ForCES): business model analysis. Unpublished report. Center for International Forestry Research, Bogor, Indonesia.

⁷ Ibid.

⁸ Jaung, W. and L. Putzel. Forest Certification for Ecosystem Services (ForCES): Analysis of Market Conditions. (International Market Assessment Part II). Draft report. CIFOR. January 15, 2013.



Strategic Goal

FSC will develop new tools for certificate holders to access emerging ES markets, which:

1. Strengthen the incentive for responsible forest management, forest protection and forest restoration
2. Deliver greater value for certificate holders, communities, and other actors along the supply chain.

ES Strategies

FSC's new ES tools will be based upon FSC forest management certification. The first two strategies address the required adaptations to FSC's existing standards and assurance system to support specific ES claims: a small number of additional requirements tailored to specific ecosystem services; and practical methods for demonstrating impact. The remaining strategies are designed to deliver value to stakeholders.

Strategy 1 – Include optional ES requirements relevant to specific ES in national forest stewardship standards.

Strategy 2 – Develop practical methods for demonstrating the impact of forest stewardship on the provision of ES

Strategy 3 – Form partnerships to support the development of ES tools

Strategy 4 – Create FSC ES market tools for certificate holders

Strategy 5 – Develop FSC ES market opportunities

Strategy 6 – Support equitable benefit sharing of ES payments

Strategy 7 – Explore models of on-going support for certificate holders to access ES markets

Strategy 1 – – Include optional ES requirements relevant to specific ES in national forest stewardship standards

FSC is the world's most credible forest certification system. National forest stewardship standards prescribe the requirements of responsible forest management. FSC forest management certification affirms that forest managers are efficiently managing the range of multiple products and services of the forest to maintain or enhance long-term economic viability and the range of social and environmental benefits. For those forest management certificate holders wishing to use new FSC tools to improve access to ES markets, FSC has developed additional requirements (see IGI Annex C). These optional requirements include clear documentation of activities and impacts in a new publicly available *Ecosystem Services Certification Document* as well as a small number of additional safeguards tailored to five specific ES: carbon sequestration and storage; biodiversity conservation; watershed services; soil conservation; and, recreational services.

Through the transfer process of the IGI, standards developers will decide how to incorporate the requirements of Annex C into national forest stewardship standards.

Objective 1 – By the end of 2016, National Forest Stewardship Standards in every FSC region contain the optional requirements specified in the IGI to support FSC ES promotional claims.



Strategy 2 – Develop practical methods for demonstrating the impact of forest stewardship on the provision of ES

The development and application of practical methods to demonstrate the impact of FSC-certified forest stewardship on the provision of ES is the cornerstone of FSC's strategic approach to ES. These methods are optional and need only be applied and assessed by FSC-accredited certifying bodies when certificate holders make use of FSC ES market tools. The *FSC Procedure for Demonstrating the Impact of Forest Stewardship on Ecosystem Service (The ES Procedure)* will be developed in 2015 and 2016 in collaboration with CIFOR, external experts and other certification organizations.

When certificate holders wish to develop carbon 'offsets' or 'credits', the emission reductions will need to be verified according to external schemes, since FSC has previously decided not to become involved in carbon offset quantification and verification.⁹

Objective 2 – By the end of 2017, forest management certificate holders including smallholders are demonstrating the impact of forest stewardship on the provision of ecosystem services.

Strategy 3 – Form partnerships to support the development of ES tools

FSC's many strengths will empower us within our collaborations, allowing us to take a leadership role in developing ES tools. At the same time, strategic collaborations will allow us to draw on the strengths and experience of our partners and also make use of existing and emerging ES schemes and market infrastructure.

To ensure credibility and minimize reputational risk, FSC will approve criteria for external certification schemes. FSC will only explore collaborations with qualifying schemes. These same criteria will be used to assess and recommend external certification schemes to ensure that FSC-certified operations generating rewardable carbon claims comply with defensible and credible carbon accounting standards.

Objective 3 – By the end of 2015, FSC has formal partnerships with expert organizations to support the development of new ES tools.

Strategy 4 – Create FSC ES market tools for certificate holders

FSC will provide certificate holders with new tools to access ES markets. The core new market tool, applicable for all five ES is a verified FSC ES promotional claim. Verified FSC ES promotional claims will improve market access by increasing the confidence of potential buyers/supporters that ES are being maintained/enhanced and that social and environmental safeguards are being met.

FSC will develop ES promotional claims based on market research and the impacts that can be demonstrated according to *The ES Procedure*. ES promotional claims will be targeted at specific ES markets and will be designed to avoid confusion about FSC's broader brand positioning.

⁹ FSC (2012) *Strategy Paper: Strategic Framework for an FSC Climate Change Engagement*. FSC International Center, Bonn.



FSC will also explore the development of ES assets that can be directly sold by certificate holders:

- FSC will test a hectare-based reward system for protecting high conservation values (HCVs). If the pilot test is successful, FSC will propose expansion of the system.
- FSC will explore opportunities for FSC-certified forest management organizations to sell water benefit certificates (managed by the Gold Standard Foundation).
- Working with partners, FSC will increase the efficiency of jointly applying FSC forest management certification and external carbon standards, making the voluntary carbon market one possible avenue for attracting investment in FSC ES claims.

Finally, FSC will also work with company partners to explore how new ES market tools can deliver value and be more than a just new cost for companies down the supply chain.

Objective 4 – By the end of 2018, certificate holders including smallholders are reporting increased revenue from new FSC ES market tools.

Strategy 5 – Develop ES market opportunities

To address the uncertainty of ES markets, FSC will work to develop demand for FSC ES market tools. Although some opportunities are already known to us, our first step will be to do additional market research and prioritize sources of demand that have the greatest potential to deliver benefits to FSC certificate holders in strategically important regions. Areas of focus include institutional PES arrangements, national REDD+ programs and the investment sector.

Objective 5 – By the end of 2018, FSC forest management certification with ES verification is recognized and promoted by private and public sector initiatives in all FSC regions.

Strategy 6 – Support equitable benefit sharing of ES payments

To avoid unintended social consequences, FSC will rely on its strong social safeguards including FPIC. Annex C of the IGI has added some specifications that are particularly relevant for ES payments:

- demonstration of legal tenure to use and/or receive payments from the ES in question;
- culturally appropriate engagement, including access to and use of ES and benefit sharing where legal or customary rights exist.

Benefit sharing arrangements are also being explored through the ForCES project.

Objective 6 – By the end of 2018, FSC forest management certificate holders are reporting increased revenue from new FSC ES market tools can demonstrate benefit sharing where legal or customary rights exist.

Strategy 7 – Explore models of on-going support for certificate holders to access ES markets

FSC forest management certification at the smallholder and community level is often facilitated by technical and financial support. Similarly, ES projects are often supported by NGOs or other



institutions. Increased revenues from access to PES markets may help make certification more affordable and sustainable, but the question remains of how certificate holders will attain the capacity and support required to develop the projects.

FSC will investigate a sustainable model of support for certificate holders, especially smallholders, wishing to access ES markets.

Objective 7 – By 2020, smallholders are making use of new FSC ES tools at least in proportion to their share of total forest management certificates.