



## REPORT by the FSC Forest Carbon Working Group

### Recommendations and Strategic Framework for an FSC Climate Change Engagement

June 2011



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**Title:** Recommendations and Strategic Framework for an FSC Climate Change Engagement  
**Contact:** Stefan Salvador, Policy and Standards Unit, FSC International  
**E-mail for comments:** carbon.wg@fsc.org

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The Forest Stewardship Council (FSC) is an independent, not for profit, non-government organization established to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

FSC's vision is where the world's forests meet the social, ecological, and economic rights and needs of the present generation without compromising those of future generations

## Foreword

This report is the outcome of an exploration process as mandated by the 2008 FSC General Assembly, Policy Motion No. 43. It is based upon the report by the FSC Forest Carbon Working Group (FCWG) to the FSC Board of Directors which had been approved at their 56th meeting held March 30 to April 1, 2011. With the submission of their report to the FSC Board, the term of the FCWG has formally ended. The report has been reedited by the FSC Secretariat to make it available to the FSC membership and the public.

The proposed strategic framework for an FSC climate change engagement is meant to guide FSC as a standard-setting organisation for forest stewardship on how to position and evolve itself over the coming years in order to maintain its leadership role. Several motions to the 2011 FSC General Assembly are proposed in order to support its implementation.

Following the 2011 FSC General Assembly, the FCWG recommendations will be embedded into a broader FSC strategy for ecosystem services.

## Introducing the FSC Forest Carbon Working Group

The FSC Forest Carbon Working Group has been made up by the following dedicated individuals:

### Ben Vickers

**Represented chamber:** Social South



Ben Vickers is a forester by profession, with long experience in the Asia-Pacific region. Ben joined the FCWG in his function as Senior Program Officer at RECOFTC where his main task had been promoting the strong role of community-based forest management in national REDD+ strategies. Ben has provided advisory services to numerous government and non-government stakeholders and produced a number of RECOFTC publications including a series of three Media Briefs on People, Forests and Climate Change.

### Christoph Thies

**Represented chamber:** Environmental North



Christoph Thies, Forest Campaign Policy and Strategy Coordinator at Greenpeace International, is part of their international team working on REDD+. Christoph has been attending all key UNFCCC conferences and key intersessional meetings since the Bali conference in 2007. Before, Christoph has been representing Greenpeace in other FSC Working Groups such as the FSC Controlled Wood WG (2005-2007).

### Gerald Steindlegger

**Represented chamber:** Environmental North



Gerald Steindlegger is Manager of the Global Forest Programme at WWF International. His responsibility is the formulation of WWF's policy on forests integrating sustainable forest management, climate change mitigation and biodiversity conservation. Gerald is member of the Steering Group of the High Conservation Value Resource Network (HCV RN) based in the UK. Gerald has been working for more than 16 years on forest conservation and related policy. His career path led him to more than 35 countries around the globe.

### Henry Sauvagnat

**Represented chamber:** Economic North



As Vice-President Sustainable Development for Cascades Inc. Henry Sauvagnat has over 25 years experience in launching and expanding companies, specifically in the pulp and paper industry, Henry acquired FSC experience by launching and managing the French National Initiative. Henry has been taking part in the debate for which he required multi stakeholder consultation from the French Government "Grenelle de l'Environnement" and is now following up this objective in North America.

### Jessica Clogg

**Represented chamber:** Social North



Jessica Clogg is West Coast Environmental Law's Executive Director and Senior Counsel and heads up their work on Aboriginal and natural resource law. Working extensively on forest and carbon issues she has followed closely the development of legal frameworks at all levels, including REDD. Jessica has been working with First Nations to enable new revenue sources associated with payments for ecosystem services and/or avoided forest degradation as an element of their legally protected rights to land and resources.

### Joseph William Osei

**Represented chamber:** Economic South



Joseph William Osei is a Natural Resources Manager with good business education and experience, specialisation in forestry with rich technical, management, consultancy and research experience gained with the Soil Research Institute of Ghana, the Forest Services Division (FSD) Ghana, Subri Industrial Plantation Limited in Ghana and many institutions in Ghana and abroad. He is further a FM / Forest Carbon and Chain of Custody Certification Lead Auditor of the SmartWood programme of the Rainforest Alliance.

### Martha Nunez

**Represented chamber:** Social South



Anthropologist by profession, Martha Nunez is the Executive Director of Fundación Ambiente y Sociedad in Ecuador. Having a long and intense experience with FSC processes, Martha has been brightly representing social and southern interests and concerns in the non-governmental sector multilateral meetings and conferences for the last 15 years. Martha served on the first FSC Board of Directors and again from 2004 to 2007.

**Peter Dam****Represented chamber:** Economic South

Peter Dam is Managing Director of Da Ma Kuila Ltd, a PNG forest certification & community forestry consultancy company. Peter is also technical advisor for FORCERT (Forest Management & Product Certification Service) and coordinator of Community Carbon Forestry (CCF-PNG), a trial carbon credit project. Since 1998, Peter has been involved in FSC standard development and Working Groups such as the FSC Controlled Wood WG (2005-2007) or the FSC SLIMFs Technical Working Group (2002-2003),

**Peter Weir****Represented chamber:** Economic North

Peter Weir is Strategic Manager at Ernslaw One Ltd, with Environment Management and Forest Certification, Health & Safety, HR, and Corporate Support portfolios. Peter chairs the joint New Zealand Forest Owners Association (NZFOA) Environment Committee. Before joining Ernslaw One in 2002, Peter worked as Forest Hydrologist and Geotech in the British Columbia forest industry, and chaired the BC Division of Engineers and Geoscientists in the Forest Sector of APEGBC.

**Rob Ukkerman****Represented chamber:** Social North

Rob Ukkerman has extensive experience in development cooperation. Rob worked for the Dutch Ministry for Development Cooperation (DGIS) and the Netherlands Development Organization (SNV) in Africa, Central America, the Caribbean and Asia. An agronomist, Rob gradually became more involved in natural resources and environmental management. In his latest assignment for the SNV-Asia office, he was the knowledge manager for the forestry sector. Rob has recently joined the FSC International Center as Network Manager.

**Sander van den Ende****Represented chamber:** Environmental South

As a Forest Management and Forest Industry Expert, Sander van den Ende has more than 15 years experience on the field on scientific-based position related to forestry. Sander joined the FCWG as a conservation specialist for The Nature Conservancy in Panama where he operated on Regional Forestry Strategy and national REDD policy. Before, Sander worked on HCV and small holder capacity-building for the WWF Global Forest and Trade Network in PNG and Vietnam.

**Xiaoping Wang****Represented chamber:** Environmental South

Currently Director General of Beijing Forestry Carbon Administration, and General Secretary of the Beijing Forestry Association, Xiaoping Wang has been involved in sustainable forest management, forest certification, and forestry carbon sequestration for the last 20 years. He successfully conducted 17 international scientific and technological forestry and ecosystem services programs. Xiaoping worked as Chairman of a preparatory FSC Working Group. Since November 2010 he serves on the FSC Board of Directors.

Special thanks go to:

**Eric Palola****Board Liaison Person**

As a member of the FSC Board of Directors, Eric Palola has been the liaison person for the FCWG and provided invaluable advice to the group. Eric is Senior Director at the National Wildlife Federation where he directed NWF's northeast regional office in water quality, forest restoration, wildlife conservation, and environmental education. He is a forest policy and economics expert and worked previously for a private renewable energy firm, at US EPA, and for the Vermont Natural Resources Council.

**Rodger O'Connell****Facilitator**

Rodger O'Connell is Senior Consultant for Organisational Development at the UK based consultancy LEVELheaded and has fabulously facilitated all meetings of the FCWG. Rodger works with 'top' teams to lead their organisation through transition or crisis-mergers, restructurings, reviews, re-engineerings. He successfully facilitated the final meeting of the FSC Plantations Review Working Group and is currently acting as facilitator for the FSC P&C Review Working Group.

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## Executive Summary

Over the course of five meetings and some 18 months, the FSC Forest Carbon Working Group (FCWG) has discussed and analyzed the opportunities, necessities and risks for FSC to develop a clearer 'climate profile'. Input has been sought from consultants, carbon scheme representatives, experts serving on an advisory group and the FSC membership.

As a result, the FCWG has developed recommendations on the following subjects and matters:

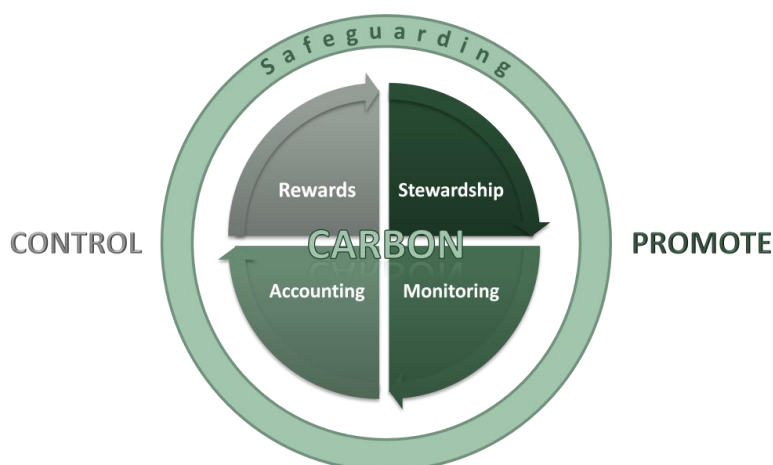
- Areas for an FSC climate change engagement
- Strategic objectives and goals framework
- Review of the FSC Principles & Criteria
- Motions for the 2011 General Assembly
- Research and actions by the FSC Secretariat

### *Areas for an FSC climate change engagement*

The following strategic areas pertaining to forest carbon within the FSC forest management context have been delineated by the FCWG:

1. Carbon stewardship: Responsibly managing forest carbon resources: maintenance, enhancement or restoration of the carbon stock
2. Carbon monitoring: Monitoring the impacts of management practices on forest carbon resources: qualitative and quantitative assessments of the carbon stock
3. Carbon accounting: Quantification of additional carbon sequestration or emission reduction and transforming them into rewardable units (e.g. "carbon credits")
4. Carbon rewards: Obtaining financial or otherwise support for carbon stewardship and/or claimed climate benefits
5. Safeguarding: Ensuring that management, monitoring and monetization of forest carbon resources does not come at the expense of people's rights or the environment

The recommended FSC engagement within the various areas is very different and can be basically differentiated by strategic actions that directly support or "promote" the relevant area and actions aiming at minimizing adverse impacts or reputational risks, thereby acting as safeguards.



Promotional actions are recommended for the areas of carbon stewardship and monitoring where relevant safeguards are largely covered by the FSC Principles & Criteria. On the other side, the FCRWG recommends introducing new safeguarding provisions with respect to carbon accounting and rewards as far as FSC certified forest operations are concerned.

### Strategic objectives and goals framework

The FCWG proposes a strategic framework to guide FSC as a standard-setting organisation for forest stewardship on how to position and evolve itself over the coming years in order to maintain its leadership role. The framework is structured as a hierarchical set of objectives and subordinate goals, headed by an overall vision statement. It foresees an explicit recognition of the need to address the challenges arising from climate change and to proactively integrate new provisions and system components accordingly.

VISION	FSC contributes to the mitigation of and adaptation to climate change and demonstrates the positive impact of the forest area under FSC certification.	Engagement areas
<b>1 Objective</b>	<b>FSC forest management certification requires the management and assessment of the carbon stock as environmental value.</b>	<b>Stewardship / monitoring</b>
1.1 Goal	The FSC Principles & Criteria recognize the carbon stock as environmental value that needs to be maintained and/or restored over the long term.	Stewardship
1.2 Goal	FSC operations assess the qualitative and quantitative impacts of their management practices on the carbon stock, ensuring that these practices maintain and/or restore the carbon stock over the long term.	Monitoring
1.3 Goal	FSC demonstrates its contribution to reduce deforestation and forest degradation by maintaining ecosystem functions and high conservation values in natural forests.	Stewardship
1.4 Goal	FSC explores and promotes the important role that ecosystem based adaptation to climate change has for responsible forest management.	Stewardship
<b>2 Objective</b>	<b>FSC is widely recognized as benchmark and leading certification scheme, including the carbon stewardship in forests, plantations and forest protected areas, thereby contributing to the growth of forest area under FSC certified management.</b>	<b>Safeguarding / stewardship</b>
2.1 Goal	FSC's leadership in ensuring social and environmental safeguards is recognized and promoted in the context of forest carbon financing.	Safeguarding
2.2 Goal	FSC is applicable for management and maintenance of the carbon stock in the context of forest conservation and forest protected areas.	Stewardship / safeguarding
2.3 Goal	FSC has systems in place assessing the social and environmental safeguards of forest carbon projects and programmes at their design stage.	Safeguarding
2.4 Goal	FSC is recognized by credible forest carbon schemes in order to facilitate and lead participants towards FSC certification.	Safeguarding / stewardship
2.5 Goal	FSC National Initiatives play an active role in the architecture and implementation of REDD+ programmes in key countries.	Safeguarding / stewardship
2.6 Goal	National FSC forest stewardship standards are approved in key countries with REDD+ programmes and interlinked with REDD+ standards.	Safeguarding / stewardship
<b>3 Objective</b>	<b>Involvement of FSC operations in carbon claims and reward mechanisms contributes to enhancing FSC's reputation as a leader in forest stewardship.</b>	<b>Accounting / Rewards</b>
3.1 Goal	FSC operations generating rewardable carbon claims comply with an FSC recognized defensible and credible carbon accounting standard.	Accounting
3.2 Goal	FSC standards constrain the use of FSC trademarks related to carbon claims by certificate holders and other parties.	Accounting / Rewards
3.3 Goal	FSC fosters multiple mechanisms to reward stewardship of forest carbon storage / sequestration and other ecosystem services.	Rewards
<b>4 Objective</b>	<b>FSC has the institutional capacity to keep up with the rapidly evolving policy framework and financing mechanisms for ecosystem services, to collaborate in research as necessary, and to implement strategic actions as resulting from this strategic framework.</b>	
4.1 Goal	The FSC Secretariat actively implements the actions and research resulting from this strategic framework and provides capacity building to the FSC network.	n/a
4.2 Goal	FSC establishes a Consultative Forum of experts, practitioners and researchers that discusses, analyzes and proposes strategic options for FSC's future engagement in frameworks and initiatives related to the mitigation of or adaptation to climate change.	n/a
4.3 Goal	FSC establishes specialist advisory panels for reviews of the FSC Principles & Criteria, e.g. on how to address stewardship of ecosystem services.	Stewardship

*Review of the FSC Principles & Criteria*

A key recommendation from the FCWG is that in order to create a sound basis for FSC to engage in climate change mitigation frameworks the FSC Principles & Criteria need to become more 'carbon sensitive' by critical amendments in the various areas of engagement:

The overall objective should be to uphold the status of the P&C as the avant-garde standard for responsible forestry in the 21st century by more explicitly addressing one of the core functions, services and values of forest ecosystems - which is their ability to sequester and store atmospheric carbon and thereby exert a key role in global climate regulation.

The FCWG has extensively commented on various drafts of the revised P&C. These recommendations have been integrated into the broader strategic framework for an FSC climate change engagement and can be summarized as follows:

	Safeguarding	Stewardship	Monitoring	Accounting	Rewards
Proposed key amendments to the P&C	[see 'Accounting' and 'Rewards' columns]	<p><b>P5</b> ensuring sustained carbon stock when harvesting</p> <p><b>P6</b> maintaining carbon stock as environmental value</p> <p><b>P9</b> maintaining high carbon forests as HCVs</p>	<p><b>P6</b> assessment of carbon stock as environmental value</p> <p><b>P8</b> monitoring of carbon stock as environmental value</p>	<p><b>P5</b> restricting applicable carbon accounting standards</p>	<p><b>P1</b> ensuring rights to benefit from ecosystem services</p>

*Motions for the 2011 General Assembly*

The FCWG recommends using the 2011 FSC General Assembly to make or prepare for necessary changes to its statutory documents. Various motions are proposed relating to the FSC Statutes, the FSC By-Laws and the FSC Principles & Criteria.

• **Statutory motions**

The FSC Statutes and By-Laws currently restrict the purpose or scope of FSC certification to "exploitation of natural resources" and "production of forest products". The FCWG recommends broadening this wording to cover the full range of ecosystem services as follows:<sup>1</sup>

	Current version (2009)	Proposed changes (in capital letters)
<b>FSC Statutes</b>	<p>FOURTH The purpose of the Association shall be:</p> <p>1 to promote an adequate management of forests, providing the assistance required to achieve an environmentally appropriate and economically viable exploitation of natural resources, avoiding deterioration or affectation of such resources, of the ecosystems, or of the surrounding communities. [...]</p>	<p>FOURTH The purpose of the Association shall be:</p> <p>1 to promote an adequate management of forests, providing the assistance required to achieve an environmentally appropriate, SOCIALLY BENEFICIAL and economically viable USE of natural resources AND PROVISION OF ECOSYSTEM SERVICES, avoiding deterioration or affectation of such resources, of the ecosystems, or of the surrounding communities. [...]</p>
<b>FSC By-Laws (Section "Tenets")</b>	<p>8 The FSC Principles and Criteria are intended to apply without discrimination to tropical, temperate and boreal forests worldwide which are managed for production of forest products. [...]</p>	<p>8 The FSC Principles and Criteria are intended to apply without discrimination to tropical, temperate and boreal forests worldwide which are managed for production of forest products AND PROVISION OF ECOSYSTEM SERVICES OVER THE LONG TERM. [...]</p>

<sup>1</sup> The FSC Board has accepted the recommendation of the FCWG for improvements in the language of the FSC Statutes and By-Laws and has included the proposed changes in its statutory motions to the 2011 FSC General Assembly.

- **Policy motions**

Each of the FCWG key recommendations for revised FSC Principles & Criteria could be considered as a potential motion, but the most central one refers to the overall status of forest carbon compared and next to other vital ecosystem resources, functions and services as addressed by Goal 1.1. The following motion is therefore proposed to support implementation of Goal 1.1 and related P&C recommendations:

*The FSC Principles & Criteria shall be revised to the effect that the carbon stock is recognized as environmental value that needs to be maintained and/or restored over the long term.*

Other FCWG recommendations for revised P&C are either closely related to this goal and 'carbon status' (P5: ensuring sustained carbon stock when harvesting; P6: assessment and monitoring of carbon stock as environmental value); taken forward by other initiatives such as the HCV network (P9: maintaining high carbon forests as HCVs); or having good chances to be followed in the absence of a specific GA motion (P1: ensuring rights to benefit from ecosystem services).

Another P&C recommendation to qualify applicable carbon accounting standards – which has been followed by the P&C Review Working Group and is included as new Criterion 5.5 in the latest draft 4-0 – will require further policy related work in an area new to FSC. The FCWG recommends having this work backed up by a corresponding policy motion:

*FSC certified forest operations planning to obtain, or obtaining financial support for additional carbon sequestration and storage, or avoided deforestation or degradation as part of their certified management objectives shall demonstrate compliance with a credible carbon standard and accounting protocol. Such operations shall clearly demonstrate how carbon financing complements other FSC Principles and Criteria, particularly social safeguards regarding the protection, respect and exercise of the rights of indigenous peoples and local communities.*

*FSC shall establish an advisory body charged with determining initial criteria for recognition of credible carbon standards and accounting protocols, designing an FSC approval mechanism and re-evaluating such criteria no less than once a year.*

#### *Recommendations to the FSC Secretariat*

Concrete actions and activities are proposed to the FSC Secretariat to facilitate implementation of the strategic framework. This includes relevant research, further development of the FSC certification system and expanding network capacity and advisory support:

- **Research to**
  - monitor and evaluate FSC impacts and effectiveness with respect to:
    - social and biodiversity safeguards
    - the maintenance and/or restoration of forest carbon stocks
  - determine the costs for FSC certified forest operations to monitor their carbon stocks
  - analyze multiple mechanisms to reward carbon stewardship and other ecosystem services;
  - analyze compatibilities and complementarities with various carbon schemes
- **System development**
  - Development of an FSC standard for forest carbon project impact assessment.
  - Development of guidance material for FSC certified forest operations
    - providing best practices for maintaining and/or restoring the carbon stock
    - outlining possible field-level action to adapt to climate change
- **Network Capacity and Advisory Roles**
  - Maintaining and enhancing FSC staff capacity as required by this strategic framework;
  - Establishment of a coordinated FSC Network forum on REDD+;
  - Establishment of a consultative forum to analyze strategic options for FSC's future climate change engagement
  - Establishment of advisory panels relating to how the P&C can address ecosystem services.
  - Recognition of the FCWG as such an advisory panel for the ongoing P&C review

## Introduction

Forests play a critical role in regulating the Earth's climate. By removing carbon dioxide (CO<sub>2</sub>) from the atmosphere, they form the world's largest terrestrial store of atmospheric carbon. Equally, when forests are cleared, large amounts of carbon are released into the atmosphere. The destruction and degradation of forests worldwide accounts for a higher share of global CO<sub>2</sub> emissions than the entire transport sector. These emissions contribute to the greenhouse effect, increasing the risk of catastrophic climate change.

Forest management can make a very significant contribution to a low-cost global mitigation portfolio that provides synergies with adaptation and sustainable development. Forest mitigation options include reducing emissions from deforestation and forest degradation, enhancing the sequestration rate in existing and new forests, providing wood fuels as a substitute for fossil fuels, and providing wood products for more energy-intensive materials.<sup>2</sup>

Good forest management therefore needs to consider carbon cycles and should aim at maintaining or restoring carbon stocks. Well-managed forests are more resilient, can more readily adapt to climate change and provide a wide range of socio-economic benefits and environmental services. Robust social and environmental standards are required in order to ensure that the forest sector contributes to climate change solutions and to underpin the well-being of people.

*“Good forest management therefore needs to consider carbon cycles and should aim at maintaining or restoring carbon stocks.”*

FSC certified forest operations, through adherence to the Principles and Criteria, are already committed to these safeguards. Besides, with little extra information and calculation required, they could demonstrate how they contribute to the maintenance and/or restoration of forest carbon stocks, mainly using information which is already available from timber stock inventories. FSC certification could further be used, within the framework of good forest management, to supplement credible carbon accounting standards which are used to validate and verify 'climate benefits' and corresponding carbon claims based on more in-depth methodologies.

## 1 Earlier FSC activities related to forest carbon and climate change

Activities by FSC related to the subject of forest carbon safeguarding, management and accounting go back to 1999 when a Carbon Certification Workshop was held at the FSC General Assembly. In 2007, due to the broad support for including provisions for 'Reduced Emissions from Deforestation and Degradation' (REDD) in a Kyoto successor protocol, FSC included several provisions in its Global Strategy<sup>3</sup> relating to carbon sequestration and verification:

- Obj. 1 (b): Indicator - FSC certification is recognized and used as a tool for evaluating all types of non-timber products and ecological services from forests (e.g. carbon sequestration or watershed management).
- Obj. 2 (g) Other public benefits of forest such as ecosystems services and carbon sequestration are recognised by the FSC system.
- Obj. 5 (a) Strengthen existing partnerships as a key mechanism in implementing the FSC Strategy and develop new partnerships that support and complement responsible forest management (e.g. carbon credits, commercialization of ecosystem services, sustainable tourism and eco-tourism, sustainable biomass energy).
- Obj. 5 (d): Indicator 3: Within two years FSC will recommend to the membership an FSC system for verifying forest protection as carbon banks, and a system for verifying biomass and wood-based energy farms.

In August 2008, the FSC Board of Directors released a statement<sup>4</sup> that formulated a general FSC position and summarized the current deliberations for FSC engagement.

<sup>2</sup> IPCC 4th Assessment Report (2007): Chapter 9 – 'Forestry'. [http://www.ipcc.ch/publications\\_and\\_data/ar4/wg3/en/ch9.html](http://www.ipcc.ch/publications_and_data/ar4/wg3/en/ch9.html)

<sup>3</sup> FSC Global Strategy (2007): [http://www.fsc.org/fileadmin/web-data/public/document\\_center/institutional\\_documents/FSC\\_Global\\_Strategy-EN.pdf](http://www.fsc.org/fileadmin/web-data/public/document_center/institutional_documents/FSC_Global_Strategy-EN.pdf)

<sup>4</sup> FSC Statement on Forests and climate change (2008). [http://www.fsc.org/fileadmin/web-data/public/document\\_center/News/Statements/2008-08-21\\_FSC\\_statement\\_-\\_Forests\\_and\\_climate\\_change.pdf](http://www.fsc.org/fileadmin/web-data/public/document_center/News/Statements/2008-08-21_FSC_statement_-_Forests_and_climate_change.pdf)

## 2 Needs assessment for an FSC Climate Change Engagement

Responding to and offering solutions to tackle climate change is being increasingly expected from all sectors of the economy. Forestry in particular has come into focus due the key role that forest ecosystems and their clearance play in both the global climate regime as well as in UNFCCC negotiations about a post-Kyoto agreement.<sup>5</sup>

It is now widely recognized that forests need to be maintained for the ecosystem services they provide, but more importantly that maintaining forests requires comprehensive safeguarding of their social and environmental values going well beyond maintenance or restoration of their carbon stocks alone. As a consequence, new certification initiatives have emerged that benefit from providing assurance both for the 'climate benefits' of forest projects as well as for their social and environmental integrity.

**Table 1:** Climate standards applicable to forestry projects including social and environmental aspects

Standard	Scope	1st Release	Recognizes FSC
American Carbon Registry (ACR) - Forest Carbon Project Standard	A/R, IFM, REDD	2009	✓
CarbonFix Standard	A/R	2008	✓
Climate Action Reserve (CAR) - Forest Project Protocol	Reforest., IFM, Avoided Conversion	2005	✓
Climate, Community and Biodiversity Standard (CCBS)	All land-based projects	2005	
Global Conservation Standard (GCS)	All land-based projects	2010	
Plan Vivo Standards	A/R, Agro-forestry, IFM, REDD	2008	
Social Carbon Standard	All land-based projects	2008	
Voluntary Carbon Standard (VCS) – AFOLU	A/R, Reveg., ALM, IFM, REDD	2007	✓

**ISEAL's** draft Climate Change Engagement Strategy<sup>6</sup> outlines that "Social and environmental standards systems, as key players in international value chains, may soon find their credibility challenged if they do not account for and address climate change." The programme suggests for ISEAL members taking action in three strategic areas relevant for initiating or achieving change on the ground: 1. Mitigation; 2. Adaptation; and 3. Monitoring, Reporting and Verification (MRV).

*"Social and environmental standards systems [...] may soon find their credibility challenged if they do not account for and address climate change."*

ISEAL, 2010

In a study commissioned by former **GTZ**<sup>7</sup>, Martin Walter researched the opportunities and risks for FSC to engage in the context of climate change mitigation, related forestry projects and sustainability or safeguarding initiatives. Walter advises not to opt for extreme options (1.1 or 1.2 in Table 2 below): *"Both extreme options i.e. not engage at all and develop a complete system for forest carbon projects are not recommended. FSC may lose important opportunities from staying absent from the debate around climate change and forests but may on the other hand get institutionally overstretched by the tasks involved in developing the elements of a full-fledged system for forest carbon projects."* Instead, "intermediary options" which complement the existing systems for forest carbon projects and which are related to the core functions of FSC are considered the most promising entry points:

<sup>5</sup> Joint Liaison Group of the Rio Conventions (2008): 'Forests - Climate Change, Biodiversity and Land Degradation'. [http://unfccc.int/resource/docs/publications/forest\\_eng.pdf](http://unfccc.int/resource/docs/publications/forest_eng.pdf)

<sup>6</sup> ISEAL(2010): 'Climate Change Engagement'. <http://www.isealliance.org/sites/default/files/E062%20Climate%20Change%20Engagement%20CD3%20November%202010.pdf>

<sup>7</sup> GTZ (2009): 'FSC certification and Carbon Offset Standards – Comparative Study and Recommendations'. Unpublished report.

**Table 2:** Options for an FSC engagement in mitigation initiatives (by Martin Walter)

Options for FSC engagement	Summary recommendation	Rating
<b>1. Options for the entire FSC System</b>		
1.1 FSC does not engage in climate related projects and discussions	FSC should be involved in the discussions and try to provide own concepts in the range of its current key areas. This engagement can have many forms [...].It is of course a political decision for FSC to get more involved. However, the risks of getting engaged are deemed less significant compared to the opportunities which might be lost by staying absent.	☆☆☆☆
1.2 Development of a complete system for forest carbon credits	It is not recommended to follow this option. FSC should seek intermediary solutions which are more closely linked to its core functions, available resources and the existent knowledge within the organisation.	☆☆☆☆
<b>2. Options for the Enhancement of Accreditation Services</b>		
2.1 Development of an accreditation system for carbon accounting in the field of forest carbon credits	For the time being and as a starting point for FSC this option is not recommended as the costs are presumably high and the business perspectives are limited due to the limited scale of the systems.	★☆☆☆
2.2 Development of an accreditation system for carbon accounting in the field of carbon credits from energy use	This option should be further explored as it entails interesting business opportunities and would fill a gap still existent mainly in the GS standard.	★★☆☆
2.3 Development of an accreditation system for social and environmental aspects of forest carbon projects	Developing accreditation procedures for standards like CCBS is an interesting option but given the obstacles [...] it is not considered as an option with high priority for FSC.	★★☆☆
<b>3. Development of Standards for Forest Carbon Projects</b>		
3.1 Development of a standard for the social and environmental impacts of forest carbon projects	Given the many opportunities and potential benefits it is recommended to further explore the need and the feasibility of such a project.	★★★★
3.2 Development of forest protection standards	The development of a standard for forest protection is certainly an option for FSC and could become highly desirable in the context of the ongoing climate negotiations.	★★★★☆
3.3 Development of standards for GHG calculations	The field of carbon accounting is an area where FSC could co-operate with other bodies mainly the VCS but in this case FSC should bring into such a partnership knowledge and experience which does not overlap with the work of the partner institution.[...]	★★☆☆

★★★★ highly recommended; ★★★ recommended; ★★ possible; ★ not recommended; [none] not feasible

But there are also voices warning that any sort of involvement in activities that may ultimately lead to the generation of forest carbon credits for offsetting purposes, would threaten the credibility of FSC. **FERN**, a prominent NGO critic of carbon markets<sup>8</sup>, has outlined the risks that they see associated with forest carbon and carbon markets<sup>9</sup>:

<sup>8</sup> FERN (2010): 'Trading carbon: How it works and why it is controversial'. [http://www.fern.org/sites/fern.org/files/tradingcarbon\\_internet\\_FINAL.pdf](http://www.fern.org/sites/fern.org/files/tradingcarbon_internet_FINAL.pdf)

<sup>9</sup> FERN (2010): Letter to FSC, 20 July 2010. Unpublished.

**Table 3:** Risks associated with forest carbon and carbon markets (presented by FERN, summarized)

<b>Risks by societal aspect</b>
<b>Environmental</b>
1. Not all carbon is the same: forest carbon storage cannot replace fossil carbon emissions. Forest offset credits use temporary carbon storage in trees to justify permanent releases of fossil-stored carbon into the atmosphere. Forest carbon credits cannot replace or offset the release of fossil carbon.
2. Impossibilities to accurately measure carbon stored in forests lead to 'fake' emission reductions. Data on the amount of carbon stored in forest ecosystems varies widely and the use of default values in offset project calculations is widespread. Error levels of 50% and more are not uncommon.
3. Offset credits distract us from focusing efforts on highly polluting industries. Offering a "get-out-clause" for industries with high carbon footprints is a disincentive to investment in new clean technologies and thus delays the urgent need for "decarbonification" of the economy.
<b>Social</b>
4. Carbon markets are not equipped to deal with governance and rights issues. Carbon markets cannot address the underlying causes of forest destruction and are not equipped to ensure that forest climate finance does not fall into the hands of the corrupt elite that control many forest-rich-but-poor countries. Carbon markets will not finance securing land tenure rights.
<b>Economic</b>
5. Risk of flooding and crashing the market. Forest credits would cause massive over-supply of credits in relation to demand, thereby reducing the price of carbon to below levels at which pollution abatement would be economic.

In summary, there are strong indications that FSC should become more engaged in the field of forest carbon and climate change. Otherwise FSC risks falling behind a number of new multi-stakeholder initiatives and certification schemes and missing the opportunity for certified forest area growth in regions of strategic priority. A comprehensive system change or expansion, however, does not seem to be advisable. While it may offer the biggest opportunities, it comes at the highest risk for FSC's credibility and of becoming institutionally overstretched. A moderate advancement and development of the FSC policy framework therefore provides the best balance of potential benefits at manageable risks.

### 3 Forest Carbon Working Group process

#### Formation

At the 2008 General Assembly, a Policy Motion<sup>10</sup> was passed with overwhelming majority requesting research of FSC's engagement in forest-based carbon by means of a sub-chamber balanced working group. This working group was mandated to “explore the role that the Principles & Criteria, governance, accreditation, policy development and forest certification can play in frameworks to mitigate climate change by maintaining and/or increasing carbon stocks”.

Based on this mandate, the establishment of an FSC working group was initiated on 20 May 2009 by a first call for applications along with draft “Terms of Reference and Rules of Procedure”.<sup>11</sup> A second call was issued on 10 June 2009, together with an updated draft of the Terms of Reference. The size of the working group was set to twelve, allowing two members from each sub-chamber to participate. Altogether, FSC received 44 applications, 22 from Northern sub-chambers, 18 from Southern sub-chambers, and 4 from non-FSC members, covering all sub-chambers by more than two applications.

At their 51<sup>st</sup> meeting, 1-3 July 2009, the FSC Board of Directors approved the selection of the following candidates:

**Table 4:** Selected members for the FSC Forest Carbon Working Group

Chamber	Sub	Name	FSC Member Organization	Country
Economic	North	David RHODES	NZ Forest Owner Association	New Zealand
		Represented at all meetings by: PETER WEIR		
		Henry SAUVAGNAT	Cascades Inc.	Canada
	Represented at one meeting by: LIONEL MOYNAT			
	South	Joseph WILLIAM OSEI	– [Individual]	Ghana
Peter DAM		– [Individual]	Papua New Guinea	
Environmental	North	Bruce CABARLE	WWF US	USA
		Represented by Ian Gray (1 mtg.) and Gerald Steindlegger (2 mtgs.)		
		Christoph THIES	Greenpeace International	Germany
	South	Sander van den ENDE	– [Individual]	Panama
		Xiaoping WANG	Beijing Forestry Society	China
Represented at one meeting by: JUNQI CHEN				
Social	North	Rob UKKERMAN	SNV Netherlands Development Organisation	Netherlands
		Jessica CLOGG	West Coast Environmental Law	Canada
		Represented at one meeting by: DEBORAH CARLSON		
	South	Ben VICKERS	RECOFTC	Thailand
		Martha NÚÑEZ	Fundación Ambiente y Sociedad	Ecuador

At the same meeting, the FSC Board of Directors had approved the establishment of an Advisory Group<sup>12</sup> to the FSC Forest Carbon Working Group consisting of experts (FSC members and non-FSC members) to provide specific technical, scientific and strategic input on issues under examination of the FCWG.

<sup>10</sup> Policy Motion #43 (2008): ‘FSC Engagement in Forest-based Carbon’. <http://www.fsc.org/1037.html>

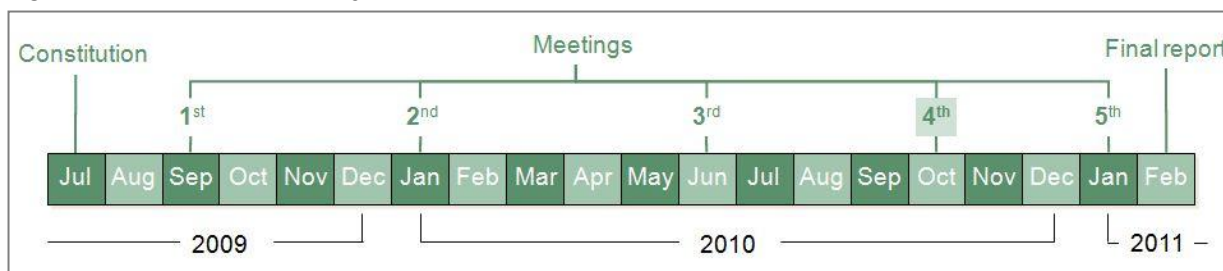
<sup>11</sup> FSC (2009): Forest Carbon Working Group –Terms of Reference and Rules of Procedure. [http://www.fsc.org/fileadmin/web-data/public/document\\_center/Current\\_consultations/FSC\\_ToR\\_FCWG\\_2009-09-11\\_final.pdf](http://www.fsc.org/fileadmin/web-data/public/document_center/Current_consultations/FSC_ToR_FCWG_2009-09-11_final.pdf)

<sup>12</sup> See Annex I for the composition of the FCWG Advisory Group.

## Meetings

The FCWG held altogether five 3-day meetings between September 2009 and January 2011.

**Figure 1:** Forest Carbon Working Group process



The **constituent meeting** took place in Bonn, 9 -11 September 2009. At this meeting, work areas that FSC should first and foremost address were identified and the path towards the UNFCCC COP-15 at Copenhagen in December 2009 delineated.

On 19-21 January 2010, the FCWG came together for its **second meeting** in Bangkok to discuss upcoming priorities and provide input to the ongoing review of the FSC Principles and Criteria. The FCWG agreed that the maintenance and restoration of forest carbon stocks should become an intrinsic element of responsible forest management and proposed to integrate an active monitoring of forest carbon as part of the P&C. Extensive comments were made on Draft 2-0 of the revised Principles & Criteria and submitted to the P&C Review Working Group subsequently.

The **third meeting**, again at the FSC International Center in Bonn, from 14 to 16 June 2010, focused once more on recommendations for the ongoing review of the Principles & Criteria. The previous recommendations were revised in light of Draft 3-0 of the revised P&C, streamlined and organized by proposed text amendments, rationale for change as well as implementation issues. Altogether, six major submissions were compiled and forwarded to the P&C WG accordingly. Furthermore, FSC's potential role in forest-based carbon initiatives was discussed.

The **fourth meeting** of the FCWG took place in Beijing from 12 to 15 October 2010. The meeting focused on the credibility of forest carbon accounting and how to address concerns about the integrity of carbon-related claims. For this purpose, representatives of four forest carbon schemes<sup>13</sup> were invited to a joint workshop aiming at an increased mutual understanding of the key characteristics and on-the-ground functionality of the various schemes. The workshop greatly facilitated a clearer picture of options and models for future relationships with the various schemes. The meeting further resulted in a first draft strategic framework for an FSC climate change engagement based on four identified main areas of FSC engagement.

The **fifth and last meeting** was held from 18 to 20 January 2011. At this last meeting the FCWG completed the set of strategic objectives and goals and confirmed the more specific technical, strategic and institutional recommendations following from this strategic framework. External input was retrieved from a presentation by the Global Conservation Standard, a new certification initiative aiming at monetizing conservation services based on a landscape approach. Furthermore, a webinar was provided by Dr. John Gunn from the US-based Manomet Center on the subject of accountability challenges of biomass carbon.

## Consultation of Advisors

The FCWG had two rounds of consultation with the experts of the Advisory Group. The first consultation was held by means of an online survey on the FCWG set of recommendations for revised Principles & Criteria, taking place in July 2010. Sixteen advisors had responded to the survey.

A second consultation was carried out on the draft strategic framework developed at the fourth meeting. A consultation paper was prepared and circulated to the Advisors in December 2010. Altogether nine responses were received.

<sup>13</sup> Invited schemes were: CarbonFix; Climate, Community and Biodiversity Alliance (CCBA), Gold Standard (GS); and Voluntary Carbon Standard (VCS).

## Congruence with FCWG Terms of Reference

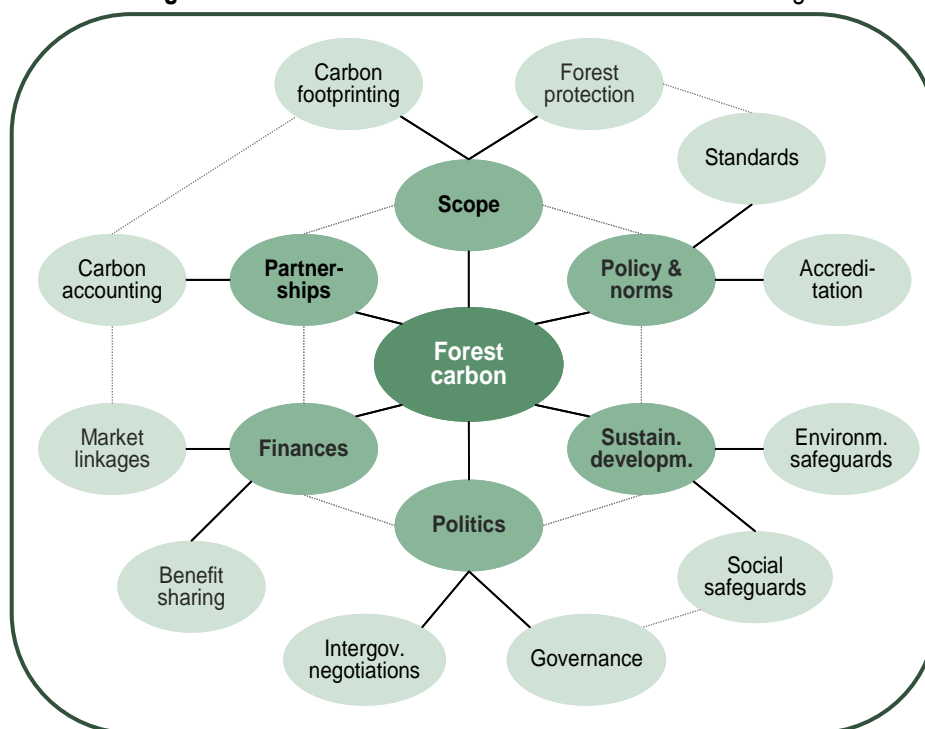
The following compilation provides an overview how the FCWG and FSC Secretariat have addressed the six more specific explorative fields that the FCWG has been tasked with by Policy Motion #43 and their terms of reference accordingly:

- |          |  |
|----------|--|
| <b>1</b> | <p><i>Participating in efforts focused on establishing real and verifiable emission reductions from forest protection and improved forest management projects, and research into how FSC certified management practices could maintain and/or increase forest carbon sequestration;</i></p> <ul style="list-style-type: none"> <li>◆ Continued exploration and advocacy by presenting relevant research:           <ul style="list-style-type: none"> <li>➢ Co-hosting side event with The Nature Conservancy (TNC) at UNFCCC Barcelona Climate Talks 2009: "Reducing carbon emissions and forest degradation: Improved Forest Management and FSC certification"</li> <li>➢ Co-hosting side event with the Rainforest Alliance at UNFCCC COP-15, Copenhagen 2009: "Reducing Emissions from Forest Degradation: FSC Certified Forest Management"</li> <li>➢ Co-hosting side event with TNC at UNFCCC COP-16, Cancun 2010: "Improved forest management in the tropics to reduce carbon emissions: opportunities and challenges with forest certification"</li> </ul> </li> <li>◆ Strategic analysis resulting in strategic <b>Objective 1, Goal 1.3 and Objective 2, Goal 2.2</b></li> </ul> |
| <b>2</b> | <p><i>Exploring FSC Principles &amp; Criteria and FSC certification in climate change mitigation strategies under UNFCCC negotiations, including those aimed at reducing emissions from deforestation and forest degradation (REDD);</i></p> <ul style="list-style-type: none"> <li>◆ Comprehensive input provided on Draft 2-0 of the revised FSC Principles &amp; Criteria</li> <li>◆ Consolidated input through six core submissions on Draft 3-0 of the P&amp;C</li> <li>◆ Attendance of Stakeholder Workshop, November 2010</li> <li>◆ Strategic analysis resulting in <b>Objective 1, Goals 1.1 and 1.2</b></li> </ul>   |
| <b>3</b> | <p><i>Exploring alignment or partnership with voluntary carbon standards or program design protocols;</i></p> <ul style="list-style-type: none"> <li>◆ Workshop with Carbon Accounting Schemes at 4th FCWG Meeting, 13th October 2010: "Exploration of Synergies between Certification Schemes"</li> <li>◆ Invitation to Global Conservation Standard (GCS) to present at 5th FCWG Meeting, 19th January 2011</li> <li>◆ Strategic analysis resulting in <b>Objective 2, Goal 2.4 and Objective 3, Goal 3.1</b></li> </ul>   |
| <b>4</b> | <p><i>Engaging voluntary and regulatory carbon finance mechanisms to recognize FSC certification as an effective tool to ensure environmental and social co-benefits (e.g. HCVF, restrictions on conversion of natural forests, free prior and informed consent, etc.);</i></p> <ul style="list-style-type: none"> <li>◆ Development of four FSC fact sheets</li> <li>◆ FSC participation in UNFCCC Conferences of the Parties 2008, 2009 and 2010</li> <li>◆ Strategic analysis resulting in <b>Objective 2, Goals 2.1, 2.2 and 2.5</b></li> </ul>  |
| <b>5</b> | <p><i>Exploring the development of guidelines and cost models to help FSC certificate holders, including small holders, Indigenous-, and community-managed forests, access revenue sources for maintaining or enhancing carbon sequestration;</i></p> <ul style="list-style-type: none"> <li>◆ Preparation of GEF-funded Project "Enhancing FSC Forest Management Certification at the Landscape Level through incorporating additional Ecosystem Services" (2011-2015)</li> <li>◆ Strategic analysis resulting in <b>Objective 3, Goal 3.3</b></li> </ul>   |
| <b>6</b> | <p><i>Exploring the capacity of the Chain of Custody system to facilitate determination of product-level carbon footprinting - including net carbon emissions from management, processing, and transport of wood products.</i></p> <ul style="list-style-type: none"> <li>◆ Relevant research is currently carried out by ISEAL, related to their Climate Change Engagement Framework, "Mapping the Landscape of Climate Assurance Systems"</li> <li>◆ Strategic analysis resulting in <b>Objective 4, Goal 4.2</b></li> </ul>   |

## 4 Areas of Engagement

The main task and challenge for the FCWG was to identify the potential areas and subjects for a potential FSC engagement in order to analyze the options and their related risks and opportunities. At the group's first meeting, 'top level' headings surrounding the issue of forest-based carbon were gathered. From the many issues and areas identified, the following overlapping and interconnected focal areas were synthesized as a first conclusion:

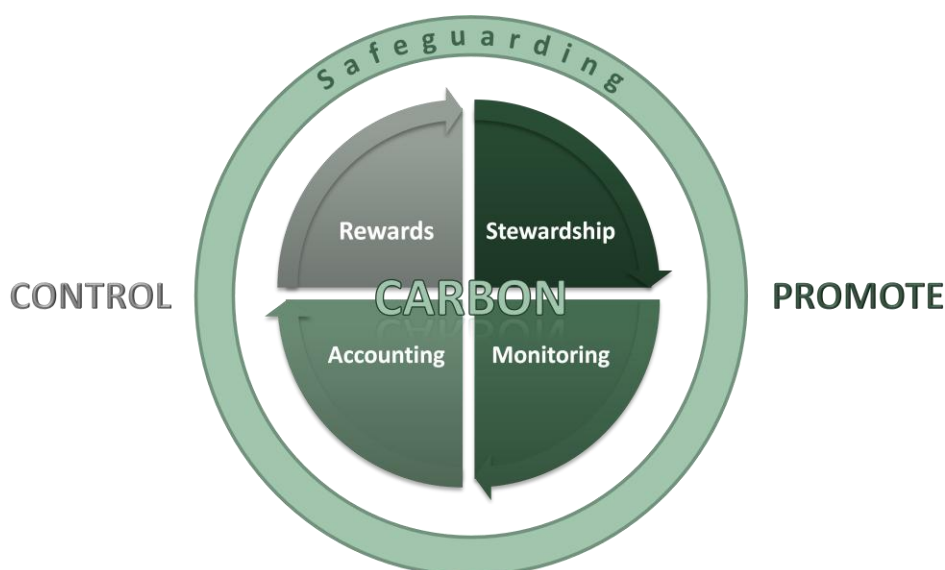
**Figure 2:** Initial focal areas identified at the 1<sup>st</sup> FCWG meeting



This initial map of potential activity areas was iteratively reorganized and amended, finally resulting in the following delineation of strategic areas pertaining to forest carbon within the FSC forest management context:

- 1. Carbon stewardship:** Responsibly managing forest carbon resources: maintenance, enhancement or restoration of the carbon stock
- 2. Carbon monitoring:** Monitoring the impacts of management practices on forest carbon resources: qualitative and quantitative assessments of the carbon stock
- 3. Carbon accounting:** Quantification of additional carbon sequestration or emission reduction and transforming them into rewardable units (e.g. "carbon credits")
- 4. Carbon rewards:** Obtaining financial or otherwise support for carbon stewardship and/or claimed climate benefits
- 5. Safeguarding:** Ensuring that management, monitoring and monetization of forest carbon resources does not come at the expense of people's rights or the environment

The recommended FSC engagement within the various areas is very different and can be basically differentiated by strategic actions that directly support or "promote" the relevant area and actions aiming at minimizing adverse impacts or reputational risks, thereby acting as safeguards.

**Figure 3:** Final delineation of strategic engagement areas

### Carbon stewardship

A forest stewardship that considers the impact of management regimes on forest carbon cycles and aims at maintaining, restoring or enhancing forest carbon resources is the best and immediate contribution for FSC to provide in this regard. It can be argued that responsible forest carbon management is implicitly required by the FSC Principles & Criteria through the requirements to sustain the yield of forest products, to conserve biological diversity and soils, and to maintain the ecological functions of forests.

Yet, without becoming explicit about forest carbon stewardship, there is a risk that FSC certification will not be recognized as a warranty for preventing the depletion of forest carbon resources or for ensuring their restoration in afforestation projects, allowing alternative and newly emerging certification schemes to benefit from providing such assurance.

The FCWG therefore recommends to further strengthen and expand existing sustainability concepts within the FSC Principles & Criteria towards carbon and proposes a number of concrete amendments, most importantly to recognize the forest carbon stock as environmental value that needs to be maintained, enhanced or restored.

### Carbon monitoring

At the very heart of stewardship is accountability. Monitoring the carbon resources of forests and plantations is essential in underpinning FSC claims about responsible forest management contributing to the mitigation of climate change. FSC needs corresponding data to demonstrate its credibility as a standards based organisation.

While concerns about the cost implications of providing such information are understandable, forest operations already have the relevant proxy measures in place for assessing carbon stock levels and their changes over time. These proxies are largely based on existing inventory data for the stocks, growth and yield volumes. Additional analysis and volume conversion will put forest managers in the position to provide first-order estimates of their forest carbon stocks. New technologies will provide cheaper ways of accurately measuring actual carbon volumes but, for the time being, the proxies provide an important and sufficient first step.

The FCWG recommends establishing a monitoring framework for the carbon impacts of FSC certification forest operations. Basic assessments of the forest carbon stock – as for other environmental values such as biodiversity, soils and water resources – should become part of the good management practices as defined through the FSC Principles & Criteria.

## Carbon accounting

While carbon accounting likewise requires the quantification of actual carbon resources, it becomes significantly more complex by adding assessments of future carbon impacts (to address and ensure permanence) as well as actual and future impacts outside the management area (to address and avoid leakage).

This overall actual or future carbon footprint of an activity is then compared with a counterfactual "how it would have been without this activity" scenario. The difference between the actual and/or future footprint and the business-as-usual scenario describes the "climate impact" which is expressed in reduced or avoided tons of carbon dioxide emissions, the so-called carbon credits.

While some stakeholders see opportunities, others fundamentally question the environmental integrity of forest carbon credits, particularly in relation to additionality, permanence, leakage, quantification and verification. The FCWG sees a reputational risk in FSC being associated with voluntary carbon standards and their methodologies, where their application leads to inaccurate or inappropriate claims by FSC certified operations.

The FCWG recommends that FSC should not be directly involved in carbon offset quantification and verification. Instead, FSC should provide or refer to best practice guidance as to what principles or methodologies carbon accounting should adhere to.

## Carbon rewards

Forest carbon has been turned into a virtual commodity that is used to offset both fossil carbon and agricultural emissions. Some governments as well as social and environmental NGOs object to the commoditisation of forest carbon, because of the potential negative impacts of new concepts such as 'carbon rights' on the existing, fundamental rights of local and indigenous peoples.

The overall concerns about the prevailing carbon market mechanisms are generally the same for the compliance and the largely unregulated voluntary markets. Concerns about the compliance markets begin with the lack of necessary emissions reduction targets by governments under the UN Framework Convention on Climate Change. Linked to this is its scale and potential to delay crucial investments towards low-carbon technologies, ultimately requiring major changes in production and consumption patterns in key sectors of industrialized countries' economies. For example, some of the biggest competitors to forest products in construction and packaging materials are using carbon offsets instead of investing in their own reduction efforts.

The FCWG recommends that FSC should consider exploring different models for rewarding forest managers that provide critical ecosystem services such as carbon storage and sequestration. At the same time, FSC should not prevent its certified beneficiaries access to specific reward mechanisms, but will have to ensure that this does not bring about reputational risks for FSC.

## Safeguarding

In the context of carbon rewards, there is a risk of forest management being reduced to primarily render climate benefits, narrowing down the manifold benefits and services that well-managed forests should provide and often concurring with less rigorous certification and accreditation practices.

FSC's domain is forest stewardship, and monitoring of the various forest aspects is considered an intrinsic element or prerequisite, reflected by constituting a principle on its own within the FSC Principles & Criteria. But it is the comprehensive set of provisions safeguarding environmental values and peoples' rights and livelihoods that established FSC as the lead forest management standard. FSC therefore has the best prerequisites to position itself as a certification scheme ensuring that the full range of social and economic benefits and environmental services are realized and that forest carbon stewardship and monitoring is well-balanced within this range.

The FCWG further recommends to introduce certain safeguarding provisions with respect to carbon accounting and rewards as far as FSC certified forest operations are concerned in order to minimize adverse impacts or reputational risks for FSC. Such risks are likely to grow with certified forest operations becoming increasingly involved in these areas.

## 5 Making the FSC Principles & Criteria ‘climate smart’

One of the core deliberations by the FCWG, agreed over much of the first three meetings, is the central role that the P&C have as the foundations and starting point for any future engagement of FSC in the field of forest carbon and climate change. The P&C in itself should constitute a framework to maintain and/or restore carbon stocks, this being one important aspect of FSC’s wider goal to "maintain the ecological functions and the integrity of the forest" (Principle #6, Version 4-0)<sup>14</sup> and the implicit objective to prevent any degradation of certified forests and plantations.

For this reason and purpose, repeated input into the ongoing review of the Principles & Criteria was provided. The overall objective was to uphold the status of the P&C as the avant-garde standard for responsible forestry in the 21st century by more explicitly addressing one of the core functions, services and values of forest ecosystems – which is their ability to sequester and store atmospheric carbon and thereby exert a key role in global climate regulation.

In a world of climate change FSC certification and FSC certified forest operations will increasingly be judged by their ability to act as safeguards against any form of forest degradation and in particular against loss of forest carbon, no matter whether this is an explicit management objective of a particular operation, or not. Failure to demonstrate such an ability would seriously affect FSC’s reputation and ultimately threaten its lead role when it comes to defining and verifying best practices making up the concept of ‘sustainable forest management’.

It is against this background that the FCWG have formulated their main recommendations for revised Principles & Criteria.<sup>15</sup> These recommendations have been integrated into the wider FCWG strategic framework for an FSC climate change engagement.

**Table 5:** Linkage between engagement areas and the FSC Principles & Criteria

	Safeguarding	Stewardship	Monitoring	Accounting	Rewards
Link to current P&C (V4-0)	<p><b>P1</b> legality</p> <p><b>P2–P4</b> social safeguards</p> <p><b>P6+P9</b> environmental safeguards</p>	<p><b>P5</b> value of forest services; harvesting rate</p> <p><b>P6</b> maintaining ecological functions</p> <p><b>P9</b> maintaining HCVs</p>	<p><b>P6</b> assessment of environmental impacts</p> <p><b>P8</b> monitoring of forest conditions and management impacts</p>	<p><b>P1</b> long-term commitment [permanence]</p> <p><b>P4</b> assessment of social impacts [leakage]</p> <p><b>P5</b> economic viability [additionality]</p> <p><b>P6</b> assessment of environmental impacts [leakage]</p>	
Proposed key amendments to the P&C	[see ‘Accounting’ and ‘Rewards’ columns]	<p><b>P5</b> ensuring sustained carbon stock when harvesting</p> <p><b>P6</b> maintaining carbon stock as environmental value</p> <p><b>P9</b> maintaining high carbon forests as HCVs</p>	<p><b>P6</b> assessment of carbon stock as environmental value</p> <p><b>P8</b> monitoring of carbon stock as environmental value</p>	<p><b>P5</b> restricting applicable carbon accounting standards</p>	<p><b>P1</b> ensuring rights to benefit from ecosystem services</p>

All in all, the group finds that FSC would miss a huge opportunity and run the risk of no longer leading the forest sustainability discussion when not more explicitly and prominently addressing carbon stewardship and accountability in the P&C, strengthening safeguarding provisions and avoiding reputational risks from inappropriate accounting practices or claimed ‘climate benefits’.

<sup>14</sup> FSC Principles & Criteria (2002). [http://www.fsc.org/fileadmin/web-data/public/document\\_center/international\\_FSC\\_policies/standards/FSC\\_STD\\_01\\_001\\_V4\\_0\\_EN\\_FSC\\_Principles\\_and\\_Criteria.pdf](http://www.fsc.org/fileadmin/web-data/public/document_center/international_FSC_policies/standards/FSC_STD_01_001_V4_0_EN_FSC_Principles_and_Criteria.pdf)

<sup>15</sup> See Annex II for the complete set of P&C recommendations.

## 6 Strategic Framework for an FSC Climate Change Engagement

The FCWG proposes the following strategic framework to guide FSC as a standard-setting organisation for forest stewardship on how to position and evolve itself over the coming years in order to maintain its leadership role. It foresees an explicit recognition of the need to address the challenges arising from climate change and to proactively integrate new provisions and system components accordingly.

The framework is structured as a hierarchical set of objectives and subordinate goals, headed by an overall vision statement. For each of the framework's component a short rationale and risk assessment is provided, as well as, where applicable, activities recommended and GA motions proposed.

**Table 6:** Linkage between engagement areas and the FSC Principles & Criteria

<b>VISION</b>	<b>FSC contributes to the mitigation of and adaptation to climate change and demonstrates the positive impact of the forest area under FSC certification.</b>	<b>Engagement areas</b>
<b>1 Objective</b>	<b>FSC forest management certification requires the management and assessment of the carbon stock as environmental value.</b>	<b>Stewardship / monitoring</b>
1.1 Goal	The FSC Principles & Criteria recognize the carbon stock as environmental value that needs to be maintained and/or restored over the long term.	Stewardship
1.2 Goal	FSC operations assess the qualitative and quantitative impacts of their management practices on the carbon stock, ensuring that these practices maintain and/or restore the carbon stock over the long term.	Monitoring
1.3 Goal	FSC demonstrates its contribution to reduce deforestation and forest degradation by maintaining ecosystem functions and high conservation values in natural forests.	Stewardship
1.4 Goal	FSC explores and promotes the important role that ecosystem based adaptation to climate change has for responsible forest management.	Stewardship
<b>2 Objective</b>	<b>FSC is widely recognized as benchmark and leading certification scheme, including the carbon stewardship in forests, plantations and forest protected areas, thereby contributing to the growth of forest area under FSC certified management.</b>	<b>Safeguarding / stewardship</b>
2.1 Goal	FSC's leadership in ensuring social and environmental safeguards is recognized and promoted in the context of forest carbon financing.	Safeguarding
2.2 Goal	FSC is applicable for management and maintenance of the carbon stock in the context of forest conservation and forest protected areas.	Stewardship / safeguarding
2.3 Goal	FSC has systems in place assessing the social and environmental safeguards of forest carbon projects and programmes at their design stage.	Safeguarding
2.4 Goal	FSC is recognized by credible forest carbon schemes in order to facilitate and lead participants towards FSC certification.	Safeguarding / stewardship
2.5 Goal	FSC National Initiatives play an active role in the architecture and implementation of REDD+ programmes in key countries.	Safeguarding / stewardship
2.6 Goal	National FSC forest stewardship standards are approved in key countries with REDD+ programmes and interlinked with REDD+ standards.	Safeguarding / stewardship
<b>3 Objective</b>	<b>Involvement of FSC operations in carbon claims and reward mechanisms contributes to enhancing FSC's reputation as a leader in forest stewardship.</b>	<b>Accounting / Rewards</b>
3.1 Goal	FSC operations generating rewardable carbon claims comply with an FSC recognized defensible and credible carbon accounting standard.	Accounting
3.2 Goal	FSC standards constrain the use of FSC trademarks related to carbon claims by certificate holders and other parties.	Accounting / Rewards
3.3 Goal	FSC fosters multiple mechanisms to reward stewardship of forest carbon storage / sequestration and other ecosystem services.	Rewards
<b>4 Objective</b>	<b>FSC has the institutional capacity to keep up with the rapidly evolving policy framework and financing mechanisms for ecosystem services, to collaborate in research as necessary, and to implement strategic actions as resulting from this strategic framework.</b>	
4.1 Goal	The FSC Secretariat actively implements the actions and research resulting from this strategic framework and provides capacity building to the FSC network.	n/a
4.2 Goal	FSC establishes a Consultative Forum of experts, practitioners and researchers that discusses, analyzes and proposes strategic options for FSC's future engagement in frameworks and initiatives related to the mitigation of or adaptation to climate change.	n/a
4.3 Goal	FSC establishes specialist advisory panels for reviews of the FSC Principles & Criteria, e.g. on how to address stewardship of ecosystem services.	Stewardship

**VISION: FSC contributes to the mitigation of and adaptation to climate change and demonstrates the positive impact of the forest area under FSC certification.**

#### *Rationale*

Considering FSC's statutory purpose<sup>16</sup> to promote "a forestry production that preserves the environment" as well as to promote "the development of all kinds of activities addressed to the preservation and maintenance of forests", it should fall within FSC's mission to contribute to the mitigation of and adaptation towards climate change. The commitment to this contribution needs to be made explicit and its implementation verifiable in order to retain authenticity and credibility.

#### *Risks & impacts*

Climate change engagement that goes beyond political statements but instead is prepared to imply behavioural change and system development does not come at 'no cost' to the institution or the system users. It requires certain investments and therefore diligent transition processes. Particular care needs to be taken in order not to overstrain smallholders or other socio-economically disadvantaged groups. On the other hand, 'doing nothing' will entail reputational risks for again the institution and system users, ultimately threatening the status of FSC as spearheading the forestry sustainability debate.

#### *Actions & research needs*

FSC should strengthen its existing partnerships with organizations such as ISEAL and seek new ones accordingly to benefit from synergies and avoid duplication of research and policy development. A focus should be put on monitoring and evaluation of FSC impacts particularly with respect to the effectiveness of safeguards as increasingly required by international policy frameworks.

#### *GA motion*

It is recommended to consider a statutory motion targeting revised wording of sections in the FSC Statutes and By-Laws that currently restrict the purpose or scope of FSC certification. For example, the FSC Statutes describe the purpose of the Association being "to promote an adequate management of forests, providing the assistance required to achieve an environmentally appropriate and economically viable exploitation of natural resources" (Fourth clause, para. 1), not considering non-exploitative management objectives. Likewise, the FSC By-Laws state that "The FSC Principles and Criteria are intended to apply without discrimination to tropical, temperate and boreal forests worldwide which are managed for production of forest products." (Section "Tenets", para. 8) and does not acknowledge management for ecosystem services.

**Objective 1: FSC forest management certification requires the management and assessment of the carbon stock as environmental value.**

#### *Rationale*

The circumstance that forests, as sinks and sources, have strong effects on the levels of CO<sub>2</sub> in the atmosphere and that their ongoing conversion and degradation severely contributes to increasing CO<sub>2</sub> levels at global scale, makes forest carbon stocks an important environmental value and their assessed maintenance and/or restoration imperative for responsible forest stewardship. This objective relates to the main areas of engagement 'stewardship' and 'monitoring'.

#### *Risks & impacts*

Forest managers find themselves confronted with having to provide an additional service. Where this service is not financially rewarded and/or knowledge lacking about its cost-effective provision, the acceptance of new standard requirements will be very low. This can be particularly true for smaller operations.

However, if FSC standards will not provide a minimum assurance of well-managed carbon stocks, forest managers could be facing corresponding demands from 'outside FSC' with a higher risk of imposing administrative or financial burden.

#### *Actions & research needs*

Implementation of this objective requires working on the Principles & Criteria, developing supportive methodologies and guidelines, undertaking field-level research and capacity building with National Initiatives. Relevant details are specified under the various goals below.

#### *GA motions*

A motion is recommended to support implementation of Goal 1.1 and Goal 1.2 accordingly.

<sup>16</sup> Laid down in the FSC Statutes, Article 4.

**Goal 1.1: The FSC Principles & Criteria recognize the carbon stock as environmental value that needs to be maintained and/or restored over the long term.**

*Rationale*

Four ecosystem services are commonly listed as being most relevant in terms of ecosystem integrity and market potential: 1. Carbon sequestration and storage; 2. Biodiversity protection; 3. Watershed protection; and 4. Landscape beauty.<sup>17</sup> The outstanding function of these services seems to be reflected by identifying their underlying assets as “environmental values” in the Principles & Criteria. It is striking though and not understandable that the carbon stock<sup>18</sup>, as result of carbon sequestration and storage, is not included in this category. This should be changed accordingly.

*Risks & impacts*

Requiring maintenance of the forest carbon stock comes at little risk for certified forest operations due to the correlation between sustained harvesting levels of wood products and the aboveground carbon pool as well as between further existing safeguarding requirements and other carbon pools. However, these correlations do not ensure in all cases the maintenance of the carbon stock and there can exist trade-offs between retaining carbon, increasing productivity and maintaining biodiversity. Future restrictions could impact on traditional use rights (e.g. for firewood, peat). These would either need to be accepted as traditional practices which do not harm the overall goal or viable alternatives should be outlined or provided accordingly.

*Actions & research needs*

Apart from revising the Principles & Criteria accordingly, field-level guidance material should be developed for forest managers and affected stakeholders that outline best practices for maintaining and/or restoring the carbon stock in its various pools.

*GA motions*

A motion to support implementation of this goal is proposed as follows:

*The FSC Principles & Criteria shall be revised to the effect that the carbon stock is recognized as environmental value that needs to be maintained and/or restored over the long term.*

The purpose section of the motion should provide the necessary background as outlined above and explain what is expected in terms of management and assessment (see Goal 1.2) of forest carbon by FSC operations.

**Goal 1.2: FSC operations assess the qualitative and quantitative impacts of their management practices on the carbon stock, ensuring that these practices maintain and/or restore the carbon stock over the long term.**

*Rationale*

As for other environmental values such as water and soils, forest operations need to have a clear understanding about the qualitative and quantitative impacts of their management practices on stocks of forest carbon. Having information about the carbon resources of forests and plantations is further essential at an institutional level, in order to underpin FSC claims about responsible forest management contributing to the mitigation of climate change. FSC needs data to demonstrate its credibility as a standards based organisation.

*Risks & impacts*

There are understandable concerns that inventorying the quantity of carbon in a forest or plantation will increase commercial costs without increasing commercial benefit. In practice, forest operations already have the relevant proxy measures in place for assessing carbon stock levels and their changes over time to provide first-order estimates.

<sup>17</sup> Wunder, Sven (2005): 'Payments for environmental services: Some nuts and volts.' CIFOR Occasional Paper No. 42. [http://www.cifor.cgiar.org/publications/pdf\\_files/OccPapers/OP-42.pdf](http://www.cifor.cgiar.org/publications/pdf_files/OccPapers/OP-42.pdf)

<sup>18</sup> Carbon stock: The absolute quantity of carbon held within defined carbon pools at a specified time. A carbon pool is a reservoir that has the ability to accumulate and store carbon or release carbon. (FAO: 'Forests and climate change - Carbon and the greenhouse effect', <http://www.fao.org/docrep/005/ac836e/AC836E03.htm>). Five forest carbon pools are commonly distinguished: Aboveground Biomass, Belowground Biomass, Dead Organic Matter (separate by Wood & Litter), and Soil Carbon.

Another concern is that these estimates could be undermining more demanding methodologies for quantifying forest carbon stocks. The FCWG therefore proposes further safeguards for operations that want to access carbon rewards by Goals 3.1 and 3.2.

#### *Actions & research needs*

FSC should carry out exemplary research to determine the actual costs for forest operations incurred by assessing and reporting their carbon stocks. Various scenarios should be considered, possibly involving National Initiatives in providing guidance for relevant regional conversion factors<sup>19</sup>. Ultimately, FSC could develop its own or refer to an existing simple, cost-effective methodology for carbon monitoring, reporting and verification. Such methodologies should also consider the role of local communities in the assessment of forest carbon.

#### *GA motions*

This goal would be covered by the motion relating to Goal 1.1. Additional background information needs to be included according to the above considerations and Explanatory Note #1 under Criterion 6.1 of Draft 3-0: "*The assessment must be sufficient to provide a basis for deciding on necessary conservation measures and for detecting and monitoring future changes proportionate to the scale, intensity and risks of the planned management activities.*"

### **Goal 1.3: FSC demonstrates its contribution to reduce deforestation and forest degradation by maintaining ecosystem functions and high conservation values in natural forests.**

#### *Rationale*

This goal advocates for a proactive handling of the implications of primary harvests in natural forests. It is meant to address concerns about first-time "industrial logging" in tropical rainforests being facilitated through FSC certification.<sup>20</sup> While there is an increasing pool of research indicating that FSC certification contributes to biodiversity conservation<sup>21</sup>, carbon losses due to the so-called "primary forest premium" are an issue that needs further attention. Positioning FSC certification as a tool against forest degradation in particular offers opportunities to promote further uptake and increase the FSC certified area in developing countries.

#### *Risks & impacts*

Risks exist mainly with respect to ENGOs challenging the concept of logging in "intact forest landscapes" altogether. These risks are largely the same with a 'do-nothing' scenario which is why a proactive approach is recommended.

#### *Actions & research needs*

Research is required about the "carbon impact" or footprint of FSC certified forest operations in comparison to conventional operations. Results should be integrated into a more comprehensive briefing paper about inherent conflicts of primary harvesting and how FSC certified operations can deal with these conflicts preventing forest degradation to occur.

#### *GA motions*

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<sup>19</sup> Assessing forest carbon stocks and their changes usually entails expanding timber volume from forest inventories via so-called biomass expansion factors to estimate tree biomass, roughly 50 percent of which is carbon. Biomass reporting can and should be based on the set of variables and definitions as established by the "2006 IPCC Guidelines for National Greenhouse Gas Inventories, Vol. 4, Agriculture, Forestry and Other Land Use" (<http://www.ipcc-nggip.iges.or.jp/public/2006gl/vol4.html>). This guidance also provides default conversion factors to estimate carbon stocks in other relevant carbon pools (below-ground biomass, dead wood, litter, soil).

<sup>20</sup> See for example an interview with Rainforest Action Network on mongabay.com "Timber certification is not enough to save rainforests", [http://news.mongabay.com/2010/0603-ran\\_cortesi-barclay\\_interview.html](http://news.mongabay.com/2010/0603-ran_cortesi-barclay_interview.html)

<sup>21</sup> ETFRN News 51 (2010): "Biodiversity conservation in certified forests". [http://www.etfrn.org/etfrn/newsletter/news51/ETFRN\\_51.pdf](http://www.etfrn.org/etfrn/newsletter/news51/ETFRN_51.pdf)

**Goal 1.4: FSC explores and promotes the important role that ecosystem based adaptation to climate change has for responsible forest management.**

*Rationale*

Adaptation is complementing mitigation efforts in order to enhance the resilience of ecosystems and society towards expectable climate change. The FCWG had only been tasked to explore FSC's role with respect to mitigation frameworks, research on how adaptation should be approached as part of a larger climate change engagement strategy still needs to be performed.

*Risks & impacts*

None, apart from capacity constraints.

*Actions & research needs*

In the mid-term FSC should consider producing adaptation guidelines for its certified beneficiaries helping them in understanding possible field-level action to prepare for climate change.<sup>22</sup>

*GA motions*

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**Objective 2: FSC is widely recognized as benchmark and leading certification scheme, including the carbon stewardship in forests, plantations and forest protected areas, thereby contributing to the growth of forest area under FSC certified management.**

*Rationale*

Built upon Objective 1, this objective aims at ensuring continued and enhanced leadership of FSC as certification scheme addressing most effectively degradation risks of forestry operations. It relates to the main area of engagement 'safeguarding'. In order to expand FSC's positive impact and outreach it is suggested to extend the scope of FSC certification and advocate the more comprehensive FSC system towards carbon financing mechanisms and intergovernmental initiatives developing REDD+ frameworks.

*Risks & impacts*

Expanding the FSC system could create challenges due to limited institutional capacities. It might also cause new competitive situations with existing forest carbon schemes. These risks can be mitigated by seeking strategic partnerships and allowing such schemes to link into the more comprehensive FSC scheme.

*Actions & research needs*

Implementation of this objective requires developing new certification standards, corresponding administrative capacities and promotional activities. Relevant details are specified under the various goals below.

*GA motions*

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**Goal 2.1: FSC's leadership in ensuring social and environmental safeguards is recognized and promoted in the context of forest carbon financing.**

*Rationale*

FSC needs to promote its manifold relationships and holistic approach towards what is now commonly called "safeguards", specifically in the REDD+ context. FSC safeguards comprise the whole process of building local trust and relationships, having a system for complaints, a system for corrective actions, of having consultative processes for standards development, etc. thereby running much deeper than what most carbon schemes as "safeguard provider" offer.

<sup>22</sup> An example for such guidelines is the UK Forestry Commission (2009): 'Forests and Climate Change Guidelines', Consultation Draft.

*Risks & impacts*

Many safeguards discussed or required by REDD+ frameworks act more as safety net to avoid worst-case scenarios than as components describing responsible forest management. These differences need to be born in mind and highlighted in the political debate to avoid competitive disadvantages.

*Actions & research needs*

Carrying out case studies and developing a more comprehensive briefing paper on this subject, possibly for the next UNFCCC conference. Showing continued presence at relevant conferences is likewise recommended.

*GA motions*

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**Goal 2.2: FSC is applicable for management and maintenance of the carbon stock in the context of forest conservation and forest protected areas.***Rationale*

The conservation of forest carbon pools plays a significant role in the context of the discussions and negotiations around REDD+. In order to provide long term climate benefits conservation projects need to be efficiently managed. So far, there are no standards covering implementation of projects for forest conservation or protected areas. FSC is encouraged through a motion from the 2008 General Assembly<sup>23</sup> to start activities aiming at the development of a standard for protected areas. In the context of forest carbon projects such an initiative would in fact fill a gap in the currently available framework.

*Risks & impacts*

There is a slight chance that the overall picture of what FSC stands for can get blurred through expanding its scope to embrace conservation management. Another challenge is the lack of clear performance indicators, which might require a longer-term process to develop and pilot test accordingly. Finally, conservation projects bring about new controversies as social conflicts arise frequently from such projects mainly for their social impacts.

*Actions & research needs*

Research of existing initiatives and exploration of the potential for synergies.<sup>24</sup> Carrying out a feasibility study and/or integration with the GEF-funded project (in preparation) "Enhancing FSC Forest Management Certification at the Landscape Level through incorporating additional Ecosystem Services" (2011-2015).

*GA motions*

– [A corresponding motion has already been passed at the 2008 General Assembly]

**Goal 2.3: FSC has systems in place assessing the social and environmental safeguards of forest carbon projects and programmes at their design stage.***Rationale*

The validation of a forest carbon project's future social and environmental impacts currently falls outside FSC's certification scope. This has led to 'project design schemes' entering the sustainability stage and providing assurance for the social and environmental integrity of forest projects, thereby occupying a niche that FSC had left open some years ago.<sup>25</sup> Becoming applicable at the design stage and offering a corresponding certification approach would provide project developers an FSC entry stage and would establish a perfect linkage to the Principles & Criteria which are applicable to the operational phase of projects. Thus, combining the two project phases under the FSC scheme would provide coherent and attractive solutions for investors.

<sup>23</sup> FSC General Assembly (2008): Policy Motion #44 – 'FSC Certification of Forest Conservation and Forest Protected Areas', [http://www.fsc.org/fileadmin/web-data/public/document\\_center/GA\\_2008\\_English/Motions/FSC\\_General\\_Assembly\\_2008\\_final\\_motions.pdf](http://www.fsc.org/fileadmin/web-data/public/document_center/GA_2008_English/Motions/FSC_General_Assembly_2008_final_motions.pdf)

<sup>24</sup> One example is the Global Conservation Standard (GCS) that is designed to monetize conservation based on the volume of measurable ecosystem benefits. <http://www.conservationstandard.org/>

<sup>25</sup> For example, various developers of the Climate, Community and Biodiversity Standard (CCBS) confirmed that FSC had been approached before the creation of the CCB Alliance to explore FSC interest in the subject.

*Risks & impacts*

There is a risk that FSC will operate in competition to project design schemes such as the CCBA which is already fairly well advanced and established as the benchmark standard for forest carbon projects. However, as most CCBA members are likewise FSC supporters, a way should be found to liaise the two initiatives.

*Actions & research needs*

Research of existing approaches towards project design and exploration of the potential for synergies with selected schemes. Carrying out a feasibility study and/or integration with the GEF-funded project on ecosystem services aiming at the development of a stand-alone FSC certification standard for forest carbon project impact assessment.

*GA motions*

– [Social and environmental impact assessments are already part of FSC's scope for forest management activities in the operational phase. Expanding into the design phase should not require a mandate from the FSC membership.]

**Goal 2.4: FSC is recognized by credible forest carbon schemes in order to facilitate and lead participants towards FSC certification.***Rationale*

This goal aims at linking forest carbon schemes that provide assurance for safeguarded project design and that comply with a yet to be developed FSC protocol for credible carbon accounting (see Goal 3.1) with the FSC certification scheme. Selected carbon schemes should be provided the opportunity to act as 'feeders' into the FSC system, benefiting from providing investors a long-term perspective to link up with a renowned certification scheme and allowing FSC to attract carbon projects that otherwise would have remained with carbon schemes.

*Risks & impacts*

Minimal, as the goal is not about "recognition" of other schemes but instead of becoming an end point for these schemes allowing both parties to benefit.

*Actions & research needs*

In a first step, compatibilities and complementarities with various carbon schemes can be explored through a joint mapping exercise and field research. In a second step, joint certification protocols could be developed to facilitate future hand-over from carbon schemes towards FSC.

*GA motions*

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**Goal 2.5: FSC National Initiatives play an active role in the architecture and implementation of REDD+ programmes in key countries.***Rationale*

National Initiatives will play a decisive role in ensuring uptake of FSC safeguards as part of national REDD+ programmes. NIs operating in key countries for REDD+ implementation (e.g. countries with high deforestation rates) should be supported and encouraged to take part in relevant debates and explore their potential to offer their experience and related services accordingly.

*Risks & impacts*

Engagement of NIs must be based on clear prerequisites or performance indicators in order to avoid their involvement in controversial REDD+ activities.

*Actions & research needs*

Establishment of a coordinated NI forum on REDD+, facilitating exchange between relevant NIs and developing performance indicators for engagement in national REDD+ programmes.

*GA motions*

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**Goal 2.6: National FSC forest stewardship standards are approved in key countries with REDD+ programmes and interlinked with REDD+ standards.**

*Rationale*

It is one of FSC's strengths and competitive advantages compared with carbon schemes to foresee adaptations of its global forest standard to national or regional circumstances. Including local stakeholders and increasing the suitability of certification requirements are key assets following from such processes. FSC should therefore prioritise support for corresponding standard-setting processes in key countries for REDD+ implementation.

*Risks & impacts*

Not pursuing this goal comes with the risk of CB generic standards being applied in areas and programmes that receive extremely high public attention and donor scrutiny. Failure of these standards to fulfil stakeholder expectations is significantly higher than for approved NI standards.

*Actions & research needs*

Strategic prioritisation of relevant standard-setting processes, facilitating exchange between NIs (see Goal 2.5) exploration of what role FSC generic indicators can play.

*GA motions*

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**Objective 3: Involvement of FSC operations in carbon claims and reward mechanisms contributes to enhancing FSC's reputation as a leader in forest stewardship.**

*Rationale*

Forest carbon has been turned into a virtual commodity that is used to offset both fossil carbon and agricultural emissions. While some stakeholders see opportunities, others fundamentally question the environmental integrity of these forest carbon credits. Some governments and social and environmental organizations object to such **commoditisation** of forest carbon, because of the potential negative impacts of new concepts such as 'carbon rights' on the existing, fundamental rights of local and indigenous peoples. As a result of the uncertainty and controversy surrounding offsetting practices and carbon markets, the FCWG recommends that FSC should not be directly involved in carbon offset quantification and verification. Where FSC operations participate in relevant markets or are involved in carbon claims, this involvement needs to be framed in order for FSC not to be associated with corresponding negative impacts.

*Risks & impacts*

See the various goals under this objective.

*Actions & research needs*

Ditto.

*GA motions*

Ditto.

**Goal 3.1: FSC operations generating rewardable carbon claims comply with an FSC recognized defensible and credible carbon accounting standard.**

*Rationale*

FSC certified operations planning to obtain, or obtaining financial reward for increased carbon sequestration and storage, or avoided deforestation or degradation as part of their certified management objectives should demonstrate compliance with a defensible and creditable carbon standard and accounting protocol. These standards need to follow internationally accepted rules for carbon accounting, requiring claimed carbon benefits to meet corresponding integrity tests and including accurate reporting of emissions and carbon stock changes

*Risks & impacts*

In the absence of an FSC recognized carbon accounting protocol, there is a reputational risk for FSC to become associated with weak carbon accounting schemes through incomprehensive carbon standards or inaccurate methodologies used and inappropriate claims made by FSC certified operations. A related risk is to become associated with forest carbon financed projects if the potential strong economic driver of carbon financing is not carefully balanced with environmental standards and respecting core social safeguards, and is evaluated as such through the FSC P&C.

Vice versa, any sort of recognition of carbon standards may be interpreted by stakeholders as agreeing to the overall concept of offsetting and carbon markets.

*Actions & research needs*

Integration of a corresponding provision into the Principles & Criteria (as implemented in Draft 4-0). Established FSC advisory body tasked to define best practices for carbon accounting, further analyzing established benchmark criteria for forest carbon standards which can be used to evaluate the integrity and performance of carbon standards and accounting protocols.<sup>26</sup>

*GA motions*

The FCWG recommends a motion to set up an advisory body charged with (a) the development or determination of criteria for credible carbon standards; and (b) the design of an approval mechanism.

*FSC certified forest operations planning to obtain, or obtaining financial support for additional carbon sequestration and storage, or avoided deforestation or degradation as part of their certified management objectives shall demonstrate compliance with a credible carbon standard and accounting protocol. Such operations shall clearly demonstrate how carbon financing complements other FSC Principles and Criteria, particularly social safeguards regarding the protection, respect and exercise of the rights of indigenous peoples and local communities.*

*FSC shall establish an advisory body charged with determining initial criteria for recognition of credible carbon standards and accounting protocols, designing an FSC approval mechanism and re-evaluating such criteria no less than once a year.*

**Goal 3.2: FSC standards constrain the use of FSC trademarks related to carbon claims by certificate holders and other parties.**

*Rationale*

Any use of the FSC label in the context of carbon claims should be subject to explicit trademark rules in order to ensure correctness of claims and avoid association with low-performing carbon standards that do not comply with an FSC recognized defensible and credible carbon accounting standard.

*Risks & impacts*

No real risks, apart from perception by some stakeholders that rules permitting any use of the FSC label in this context would constitute a recognition of offsetting practices.

*Actions & research needs*

Integration of provisions in the relevant FSC trademark standards that restrict the use of the FSC trademarks related to carbon claims.

*GA motions*

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**Goal 3.3: FSC fosters multiple mechanisms to reward stewardship of forest carbon storage / sequestration and other ecosystem services.**

*Rationale*

FSC should explore different models for rewarding forest managers that provide critical ecosystem services, such as carbon storage and sequestration. This will provide an opportunity to associate with

<sup>26</sup> For example: WWF (2010): 'Forest Carbon Standards - a WWF assessment Guide'. 31p  
[http://assets.panda.org/downloads/forest\\_carbon\\_assessment\\_guide.pdf](http://assets.panda.org/downloads/forest_carbon_assessment_guide.pdf)

stakeholders that are critical towards the mainstream carbon markets and offsetting practices. It will further allow to analyze finance streams that might be more suitable to support local and small producers.

#### *Risks & impacts*

Risks of adverse impacts are low and could only be seen in FSC overstressing its resources by exploring finance models. Conversely, FSC can make a very positive impact if viable alternative reward mechanisms could be identified.

#### *Actions & research needs*

Opportunities should be explored through the GEF-funded project (in preparation) "Enhancing FSC Forest Management Certification at the Landscape Level through incorporating additional Ecosystem Services" (2011-2015)

#### *GA motions*

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**Objective 4: FSC has the institutional capacity to keep up with the rapidly evolving policy framework and financing mechanisms for ecosystem services, to collaborate in research as necessary, and to implement strategic actions as resulting from this strategic framework.**

#### *Rationale*

This objective calls for the necessary institutional investments into the implementation and regular review of an FSC climate change engagement strategy.

#### *Risks & impacts*

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#### *Actions & research needs*

As outlined by the above and below stated goals.

#### *GA motions*

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**Goal 4.1: The FSC Secretariat actively implements the actions and research resulting from this strategic framework and provides capacity building to the FSC network.**

#### *Rationale*

The success of a strategic framework ultimately depends upon the resources allocated to its implementation. While the FCWG has not identified an overall budget or staffing requirements, it is recommended to review the institutional capacity to deliver actions and research as foreseen by this framework in regular intervals.

#### *Risks & impacts*

Risks are limited to diverging resources from other, potentially higher ranking strategic priorities.

#### *Actions & research needs*

As outlined by the above and below stated goals.

#### *GA motions*

–

**Goal 4.2: FSC establishes a Consultative Forum of experts, practitioners and researchers that discusses, analyzes and proposes strategic options for FSC's future engagement in frameworks and initiatives related to the mitigation of or adaptation to climate change.**

*Rationale*

A permanent advisory body providing strategic advice on how to adjust the FSC climate change engagement strategy in the light of new scientific knowledge as well as policy and market developments can catalyse the incorporation of relevant issues. Such a body could also have an outreach and liaising function where experts are recruited from other relevant forest climate initiatives.

*Risks & impacts*

Advisors might step out of their foreseen role and could also cause strategic leakage to competing forest climate initiatives.

*Actions & research needs*

Establishment of advisory body and coordination with other expert panels of FSC-related initiatives (e.g. such as ISEAL, or the WWF Forest Carbon Initiative).

*GA motions*

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**Goal 4.3: FSC establishes specialist advisory panels for reviews of the FSC Principles & Criteria, e.g. on how to address the stewardship of ecosystem services.**

*Rationale*

FSC should consider establishing specialist expert panels for reviews of the FSC Principles & Criteria that would have a formalised and technical advisory role to the more politically constituted Review Working Group. This ensures that specific subjects could be explored technically outside the political debate.

*Risks & impacts*

Specialist panels increase the risk of inconsistency in policy advice but this potential trade-off should be compensated by state-of-the-art more science-based input into future revision processes.

*Actions & research needs*

Corresponding adaptation of the FSC Procedure for "The Development and Approval of FSC Social and Environmental International Standards" (FSC-PRO-01-001). Establishment of specialist advisory panels for future revisions of the Principles & Criteria on how to address ecosystem services. The FCWG should be requested to act as such an advisory panel providing technical input on the stewardship of carbon storage/sequestration for the ongoing review of the Principles & Criteria.

*GA motions*

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## 7 Recommendations for Implementation

In the following, concrete actions and activities are proposed to facilitate implementation of the strategic framework. This includes motions to the 2011 General Assembly, relevant research, development of the FSC certification system and expanding network capacity and advisory support:

- **Motions to the 2011 General Assembly** to facilitate the adoption and implementation of the Strategic Framework:
  - A statutory motion to call for changes to the FSC Statutes and FSC By-Laws broadening the scope or purpose of FSC certification. (Vision)
  - A policy motion to recognize within the Principles & Criteria the carbon stock as environmental value that needs to be maintained and/or restored over the long term. (Goal 1.1)
  - A policy motion to ensure due diligence when using FSC certification in combination with carbon-related claims and financing. (Goal 3.1)
- **Research to**
  - monitor and evaluate FSC impacts with respect to:
    - the effectiveness of social and biodiversity safeguards as increasingly required by international policy frameworks related to forest carbon programs or projects; (Goals 2.1, 2.6)
    - the maintenance and/or restoration of forest carbon stocks compared to conventionally managed forest operations; (Goal 1.3)
  - determine the costs for FSC certified forest operations assessing and reporting their carbon stocks to a level of detail satisfying general P&C requirements for maintained environmental values; (Goal 1.2)
  - analyze and determine multiple mechanisms (financial and non-financial) to reward forest carbon stewardship and provision of other ecosystem services; (Goal 3.3)
  - analyze compatibilities and complementarities with various carbon schemes to facilitate parallel use of or transition towards FSC standards for forest operations certified against carbon standards. (Goal 2.4)
- **System development**
  - Development of a stand-alone FSC certification **standard** for forest carbon project impact assessment. (Goal 2.3, 2.6)
  - Development of **guidance** material for FSC certified forest operations
    - providing best practices for maintaining and/or restoring the carbon stock in its various pools; (Goal 1.1)
    - outlining possible field-level action to adapt to or prepare for climate change. (Goal 1.4)
- **Network Capacity and Advisory Roles**
  - Maintaining and enhancing **FSC staff capacity** to keep up with the rapidly evolving policy framework and reward mechanisms for ecosystem services, to collaborate in research as necessary, and to implement strategic actions as resulting from this strategic framework. (Goal 4.1)
  - Establishment of a coordinated **NI forum** on REDD+, facilitating exchange between relevant NIs and providing guidance on REDD+ engagement. (Goal 2.5, 2.6)
  - Establishment of a **Consultative Forum** of experts, practitioners and researchers that discusses, analyzes and proposes strategic options for FSC's future engagement in frameworks and initiatives related to the mitigation of or adaptation to climate change. (Goal 4.2)
  - Establishment of **specialist advisory panels** for initiatives relating to how FSC Principles & Criteria can address ecosystem services. Recognition and continuation of the FSC Forest Carbon Working Group as such an advisory panel providing technical input on the stewardship of carbon storage/sequestration for the ongoing review of the Principles & Criteria. (Goal 4.3)

**ANNEX I: Advisors to the FSC Forest Carbon Working Group**

NAME	Organization	FSC Member	Country	STATED EXPERTISE						RESPONSE		
				REDD	Forest carbon projects	PES	Carbon markets	Voluntary schemes	GHG accounting	Carbon Footprinting	P&C Survey July 2010	Strategic framework December 2010
Abhirup, Sen	Emergent Ventures	–	India	✓			✓			✓	✓	
Antunez, Ursula	SGS Australia	Economic N	Australia									
Brotto, Lucio	Individual	Environmental N	Italy	✓	✓			✓	✓		✓	✓
Bulkan, Janette	Individual	Social S	USA	✓								
Duchelle, Amy	Individual	Environmental N	Brazil	✓				✓			✓	
Ebeling, Johannes	EcoSecurities	–	Madagascar	✓	✓	✓	✓	✓		✓	✓	✓
Ford, Jim	Individual	Environmental N	UK									
Galante, Michael	Individual	Economic N	Thailand	✓	✓	✓	✓				✓	✓
Giraud, Adeline	ONFI	Environmental N	France	✓	✓				✓			
Goonasekara, M.	Timbercare	Economic S	Sri-Lanka	✓							✓	✓
Griscom, Bronson	TNC	Environmental N	USA	✓	✓		✓		✓		✓	
Guillén, Jaime	Individual	Economic S	Nicaragua	✓	✓	✓	✓			✓		✓
Hayward, Jeff	Rainforest Alliance	Economic N	USA	✓	✓	✓	✓	✓	✓	✓	✓	✓
de Jong, Bernardus	El Col. la front. Sur	-	Mexico	✓	✓		✓	✓	✓			
Krasny, Edouard	Kimberly Clark	Economic N	USA	✓	✓		✓		✓	✓		
Machinski, Penny	West Linn Paper	-	USA						✓		✓	
Merger, Edouard	Individual	-	Germany	✓	✓			✓			✓	✓
Miettinen, Pasi	FSC Finland	Economic N	Finland		✓						✓	✓
Rosoman, Grant	Greenpeace NZ	Environmental N	NZ	✓								✓
Saile, Peter	GTZ	–	Germany	✓	✓		✓				✓	
Strie, Frank	Individual	Social N	Australia	✓	✓	✓	✓	✓	✓	✓	✓	
Verma, D.P.S.	State Forest Dpt,	Social S	India		✓							
Vohrer, Moriz	CarbonFix	-	Germany		✓		✓	✓		✓	✓	
Walter, Martin	Individual	Economic N	Germany	✓	✓		✓	✓			✓	

## ANNEX II: FCWG Proposal for Draft 4-0 of the revised FSC Principles & Criteria 20 July 2010

### 1 PREAMBLE

#### *Proposed text*

The fourth assessment report of the IPCC confirms that the regulation of carbon dioxide emissions through responsible land management is important in global efforts to address human-induced climate change. Reduction of carbon losses due to deforestation and to forest degradation from poor management practices, as well as the restoration of forest carbon stocks, all contribute to the mitigation of climate change. Good forest management therefore needs to consider carbon cycles and should aim at maintaining or restoring carbon stocks. Well-managed forests are more resilient, can more readily adapt to climate change and provide a wide range of socio-economic benefits and environmental services.

Robust social and environmental standards are required in order to ensure that the forest sector contributes to climate change solutions and to underpin the well-being of people, for example through Reducing Emissions from Deforestation and forest Degradation (REDD).

FSC-certified forest operations, through adherence to the Principles and Criteria, are already committed to these safeguards. Besides, they can demonstrate how to contribute to the maintenance and/or restoration of forest carbon stocks, mainly using information which is already provided during the certification process. FSC certification could therefore be used, within the framework of good forest management, to supplement credible carbon standards which are used to validate and verify stocks and flows of forest carbon.<sup>27</sup>

Hence, the revised Principles & Criteria explicitly refer to forest carbon in some of the criteria and require the management of environmental values and maintenance or provision of environmental services, such as carbon storage and sequestration, throughout the standard.

#### *Explanatory Notes*

1. In its fourth assessment report, the IPCC stated that “a sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while producing an annual sustained yield of timber, fibre or energy from the forest, will generate the largest sustained mitigation benefit”.

2. Revised criteria referring to the maintenance or restoration of carbon stocks or to the provision of corresponding environmental services are:

- 1.4 Right to manage and benefit from environmental services;
- 5.2 Consideration of environmental and social costs and benefits;
- 5.5 Maintenance and/or enhancement of the value of environmental services and resources;
- 5.6 Impact of harvesting regime on the maintenance of carbon stocks;
- 6.1 Inclusion of carbon stocks in the list of environmental values to be assessed;
- 9.1 New HCV category covering ecosystems with significant carbon storage;
- 10.13 Taking measures against the release of avoidable amounts of atmospheric pollutants;
- 10.xx Restriction to use FSC certification in combination with carbon-related claims

3. Forest carbon attracts a significant amount of financing, which certified Organisations may choose to access. The revised P&C therefore also include a safeguard against inappropriate association with carbon-related claims (criterion 10.xx). This criterion focuses on what The Organization needs to do, if The Organization chooses to obtain financial reward for carbon benefits as an explicit management objective.

<sup>27</sup> Note that FSC presently only certifies good forest management and not any claims related to carbon accounting.

**[cntd.] Annex II: FCWG Proposal for Draft 4-0 of the revised FSC Principles & Criteria****2 CRITERION 1-4**

NB: The Forest Carbon Working Group understands that the P&C Review Working Group is anticipating a substantial restructuring of the Principle 1 Criteria in your next draft. For that reason we have not offered a single proposal for specific text, but urge you to incorporate the issues raised below as you revise Principle 1 and its Criteria.

*Strategic considerations*

“Environmental services”: Management to achieve carbon stewardship objectives is anticipated to increasingly become part of the mix of goods and services that FSC managers and local communities seek to derive economic benefits from. The current wording of **Criterion 1.4** refers only to “obtaining” services, which would not appear to capture the right to derive economic benefits from them. In order to keep pace with the actual reality of many current and potential FSC managers, this should be rectified in Criterion 1.4 or elsewhere under P.1 (as appropriate as it is restructured). We note that technically the new FSC definition of ‘environmental services’ is broad enough to include productive functions such as the provision of timber or other resources for human use as well; using this term in Criterion 1.4 could thus simplify the language, although not all FCWG members were comfortable with this approach given sensitivities about monetization of environmental services, particularly among some Indigenous peoples.

“Long-term”: In the broader policy debate regarding forests and carbon, FSC has positioned itself as offering an existing, credible and internationally accepted mechanism for verifying environmental and social safeguards for forest operations and projects. The existing Principles and Criteria upon which FSC has built this reputation have always required managers to have a management plan containing long-term management objectives (old C7.1), and to have a right to manage the land and resources over a time period sufficient to implement a long-term management plan (“long-term forest use rights to the land” – old C2.1). By contrast, draft 3 of the revised P&C does not include a requirement re: the legal ability of the manager to steward the management unit over the long-term; this presents a potentially major threat to FSC’s credibility, particularly given the heightened scrutiny and potential controversy regarding forest projects in the carbon financing context. Furthermore, it reduces the relevance of FSC in this context from the perspective of ‘permanence’ of carbon stewardship. Thus, in redrafting the Principle 1 criteria, we urge the P&C working group to find a way to ensure, at a minimum, that the nature of the rights held by an FSC applicant is not incompatible with continuation of FSC management over the long-term.

*Purpose*

“Environmental services”: The nature of the rights that an FSC applicant must hold will vary according to its management objectives and the goods and services it hopes to derive economic benefit from in association with the FSC logo. It is now possible to envision circumstances where carbon stewardship may be the only or primary objective for FSC management. Where the manager hopes to economically benefit from management of this environmental service in association with the FSC logo, they must be able to demonstrate that they have tenure and/or use rights to the land, resources *and/or environmental services*, and that these rights are legally valid, undisputed, include the right to economic benefits etc.

“Long-term”: It is a cornerstone of the social and environmental safeguards provided by FSC certification that there are checks and balances to ensure that managers may not just ‘cut and run’ retaining a certificate only long enough to log and sell the wood under the FSC logo. While this risk can never be entirely avoided, permitting certification of applicants who hold only relatively short term, non-renewable licences (which would, on the face of it now be permissible under Draft 3-0 of the P&C) without additional legal safeguards unduly increases this risk both to the environment and FSC’s credibility and should be avoided.

*Implementation*

“Environmental services”: National/regional legal regimes regarding rights to environmental services in general, and carbon rights in particular are nascent and rapidly evolving (with the potential exception of Indigenous land title or other forms of title/tenure that apply to ecosystems as a whole rather their component goods and services). National/regional standards setting bodies will need to carefully scrutinize their particular context in order to determine how a manager might best demonstrate that they have a valid legal or customary right to benefit from environmental services, including carbon stewardship.

**[cntd.] Annex II: FCWG Proposal for Draft 4-0 of the revised FSC Principles & Criteria**

“Long-term”: Over time, standards development groups have found nationally/regionally relevant approaches to balance the need to assure the marketplace and stakeholders that FSC management can and will persist over the long term, with the reality that a number of national/regional legal regimes do not provide for long-term tenures or concessions. These include requiring the owner/title holder to be a joint applicant in the case of short-term licences; specifying that licences/concessions that are legally eligible to be renewed or replaced qualify; or requiring other assurances from the owner/title holder regarding future management of the management unit, e.g., that management plan objectives will be legally established and enforced in law for all future managers of the area, which is possible in some jurisdictions. These and other practical approaches could inform the text and explanatory notes ultimately selected by the P&C Review Working Group to address this issue.

**3 CRITERION 5-6**

*Proposed text [changed wording in CAPS]*

**CRITERION**

“The harvesting rates and yields of products and other services from the Management Unit shall not impair the ecosystem functions and adaptive capacity of the unit, including the biological survival of component species, NOR LEAD TO THE DEPLETION OF CARBON STOCKS.”

*Explanatory Note [NEW]*

1. Unless the Organization is planning to obtain, or obtaining financial reward for increased carbon sequestration and storage, or avoided deforestation or degradation as part of its certified management objectives, the Organization will not be required to undertake additional data collection beyond growth and yield information as otherwise required under this criterion to assess changes in carbon stocks in above-ground biomass in the Management Unit.
2. The extraction of biomass in general, and the harvesting of timber in particular, directly affect above-ground carbon stocks. While a temporary lowering of carbon stocks is an unavoidable consequence of most extractive management practices, harvesting regimes must not result in a continued (e.g., outside the range of natural variability in natural forest ecosystems) or long-term depletion of carbon stocks (e.g., where losses of carbon stock accumulate over harvesting cycles).

***Strategic considerations***

The degradation of forests, largely caused by unsustainable harvesting practices, accounts for vast losses of forest carbon at global scale. Estimates range up to volumes of the same magnitude as those from deforestation. It is vital for FSC as the leading forest certification scheme to position itself as a warranty for preventing any ongoing depletion of carbon stocks in certified forests. While such a prevention could be already reasoned based on the wording suggested in Draft 3-0, an explicit reference to carbon stocks is necessary to underpin this important strategic postulation

***Implementation***

The carbon pool mostly affected by harvesting activities is the above-ground biomass. For assessments of carbon stock levels and their change over time within this pool, existing inventory data for the stocks, growth and yield volumes of timber and other relevant forest product can be used, requiring only a corresponding analysis and volume conversion.

**[cntd.] Annex II: FCWG Proposal for Draft 4-0 of the revised FSC Principles & Criteria****4 CRITERION 9-1***Proposed text*

“HCVF 7 [NEW] - Areas with existing natural accumulations of biomass or organic matter that provide globally, regionally and/or locally significant carbon storage (e.g., peat land, ancient high-volume natural temperate/boreal forests, pristine tropical forests).”

*Explanatory Notes [NEW]*

1. The intent of HCV 7 is to ensure that exceptional, existing carbon values in natural ecosystems are maintained. Specific thresholds related to significance of carbon values and management will be a matter for national/regional indicators, and where these are not in place informed by certification body consultation processes and generic indicators.
2. HCV 7 is not intended to preclude timber harvesting in forests with high carbon storage values, but would generally require more sensitive management in such ecosystems in order to achieve carbon balance. This is of particular importance where loss of existing stored carbon would require very long time frames to recover (e.g., peat land, ancient high-volume natural temperate/boreal forests, pristine tropical forests).

*Strategic considerations*

IPCC Fourth Assessment report concluded that urgent short and medium-term action was required to avoid dangerous future levels of climate change, including a 50% reduction in global greenhouse gas emissions by 2050. Focused attention from global policy makers on avoiding emissions from deforestation and forest degradation are motivated in part by the potential for such actions to contribute to meeting this goal. Thus, avoiding or reducing emissions from conversion or degradation of ecosystems with significant amounts of carbon is key. This is particularly important for ecosystems where stored carbon has taken centuries or even millennia to build up and where its loss due to management activities could be irreversible or not recoverable for very long (e.g., 200 years plus) time frames. These areas of significant carbon storage have a conservation value that is not yet fully addressed by standard FSC management or management to maintain other high conservation values, which may not take into account the time frames in which action to reduce GHG emissions is required.

*Implementation*

A number of studies and mapping initiatives have begun to identify relative carbon storage values of different ecosystems at various spatial scales. There are increasing amounts of resources available for helping identify areas that store significant amounts of carbon, for example UNEP-WCMC global carbon map (available at <http://www.carbon-biodiversity.net>). Other tools estimate average carbon storage levels for particular forest regions that may provide a comparison point for determining significance of carbon storage in particular areas at a regional scale. Note that while global and regional resources may provide a good starting point, management level scale mapping will be needed for incorporating this value into the operational plans of an FMU.

**[cntd.] Annex II: FCWG Proposal for Draft 4-0 of the revised FSC Principles & Criteria****5 CRITERION 10-xx***Proposed text***CRITERION**

“Operations planning to obtain, or obtaining financial reward for increased carbon sequestration and storage, or avoided deforestation or degradation as part of their certified management objectives shall demonstrate compliance with a defensible and creditable Carbon Standard and accounting protocol. The Organisation shall clearly demonstrate how carbon financing as a management objective influences its compliance with other FSC Principles and Criteria.”

*Explanatory Notes [NEW]*

1. Voluntary Forest Carbon Standards shall follow internationally accepted rules for carbon accounting, requiring claimed carbon benefits to meet corresponding integrity tests and including accurate reporting of emissions and carbon stock changes.
2. FSC will not be associated with Voluntary Carbon finance in countries where the forestry sector is covered by 'cap and trade' systems, to avoid the potential for double accounting.
3. Any use of the FSC label in the context of carbon should be subject to trademark rules as verified by FSC Global Development (e.g. if FMU operation is not harvesting timber and FSC certificate is primarily to verify carbon conservation objectives).
4. Carbon financing is a potentially strong economic management objective which needs to be carefully balanced with especially the social criteria of the FSC P&C. Adding carbon financing as a management objective affects the social, environmental and economic balance of the operation, hence a reconfirmation of compliance with all relevant FSC Principles and Criteria in the light of this addition will be necessary. For Organisations that hold an FSC certificate, such continued compliance can be demonstrated at the next surveillance audit.

*Strategic considerations*

Substantial new public and private capital is flowing into forest carbon projects and as such represents powerful new source of financing for investments in well-managed forests and conserved forests. In many parts of the world, FSC certified operations are already being used and recognized in voluntary carbon markets and in compliance markets (on UNFCCC registries), or as a platform for potential payments under an avoided deforestation (REDD) programme.

There is a reputational risk for FSC to become associated with carbon accounting schemes through carbon standards or methodologies used and claims made by FSC certified operations. To address this, the FCWG recommends that IF carbon financing becomes a major operational driver in a forest operation seeking FSC certification, THEN a specific new criterion under P10 must be evaluated. This new criterion includes a reference to the integrity of other carbon accounting systems, especially when FSC's brand is being associated with such systems.

There is also a reputational risk for FSC to become associated with forest carbon financed projects if the potential strong economic driver of carbon financing is not carefully balanced with environmental standards and respecting core social safeguards, and is evaluated as such through the FSC P&C.

*Implementation*

Several organizations have published benchmark criteria for forest carbon standards which can be used to evaluate the integrity and performance of carbon standards and accounting protocols. (E.g., WWF (2010): 'Forest Carbon Standards - a WWF assessment Guide'. 31p  
[http://assets.panda.org/downloads/forest\\_carbon\\_assessment\\_guide.pdf](http://assets.panda.org/downloads/forest_carbon_assessment_guide.pdf)

**[cntd.] Annex II: FCWG Proposal for Draft 4-0 of the revised FSC Principles & Criteria****6 DEFINITION: "Environmental values"**

*Proposed text [changed wording in CAPS]*

**DEFINITION**

"Environmental values: The following set of elements of the biophysical and human environment

- a. ecosystem functions
- b. biological diversity
- c. water resources
- D. CARBON STOCKS
- E. soils and
- F. landscape values.

The actual worth attributed to these elements depends on human and societal perceptions.

(Source: FSC 2010)"

*Strategic considerations*

Forest ecosystems play a critical role in regulating the Earth's climate. They store and cycle enormous amounts of carbon in their biomass, in dead wood, litter and soil, their total carbon stocks exceeding the carbon in the atmosphere. The circumstance that the world's forests, as sinks and sources, have strong effects on the levels of CO<sub>2</sub> in the atmosphere and that their ongoing conversion and degradation severely contributes to increasing CO<sub>2</sub> levels at global scale, clearly makes forest carbon stocks an important environmental value and the maintenance and/or restoration thereof imperative for responsible forest stewardship. The reference to 'biogeochemical cycles' in the Explanatory Notes for Criterion 6.1 seem to acknowledge this, but an explicit inclusion of 'carbon stocks' in the list of Environmental Values as defined by the Glossary and listed e.g. as part of the text of Principle #6 or the Explanatory Note #1 under Criterion 6.1 is vital to ensure that the carbon value of forests is adequately recognized and sustained.

*Purpose*

As for other resources such as water and soils, forest operations need to have a clear understanding about the qualitative and quantitative impacts of their management practices on stocks and flows of forest carbon. Explanatory Note #1 under Criterion 6.1 of Draft 3-0 adequately summarizes what needs to be achieved: "*The assessment must be sufficient to provide a basis for deciding on necessary conservation measures and for detecting and monitoring future changes (caused by factors internal and external to the Management Unit, proportionate to the scale, intensity and risks of the planned management activities.*"

*Implementation*

Assessing forest carbon stocks and their changes usually entails expanding timber volume from forest inventories via so-called biomass expansion factors to estimate tree biomass, roughly 50 percent of which is carbon. Biomass reporting can and should be based on the set of variables and definitions as established by the "2006 IPCC Guidelines for National Greenhouse Gas Inventories, Vol. 4, Agriculture, Forestry and Other Land Use" (<http://www.ipcc-nggip.iges.or.jp/public/2006gl/vol4.html>). This guidance also provides default conversion factors to estimate carbon stocks in other relevant carbon pools (below-ground biomass, dead wood, litter, soil).

## ANNEX III: Proposed policy motions to the General Assembly

### Policy Motion #1

<p><b>Title:</b> Recognition of forest carbon by the FSC Principles &amp; Criteria</p>
<p><b>Policy Motion:</b></p> <p>The FSC Principles &amp; Criteria shall be revised to the effect that the carbon stock is recognized as environmental value that needs to be maintained and/or restored over the long term.</p>
<p><b>Purpose and/or background:</b></p> <p>Forest ecosystems play a critical role in regulating the Earth's climate. They store and cycle enormous amounts of carbon in their biomass, in dead wood, litter and soil, their total carbon stocks exceeding the carbon in the atmosphere. The circumstance that the world's forests, as sinks and sources, have strong effects on the levels of CO<sub>2</sub> in the atmosphere and that their ongoing conversion and degradation severely contributes to increasing CO<sub>2</sub> levels at global scale, clearly makes forest carbon stocks an important environmental value and the maintenance and/or restoration thereof imperative for responsible forest stewardship. Just as for other resources such as water and soils, forest operations need to have a clear understanding of the impacts of their management practices on stocks of forest carbon. The reference to 'biogeochemical cycles' in the Explanatory Notes for the revised Criterion 6.1 seem to acknowledge this, but an explicit inclusion of 'carbon stocks' in the list of Environmental Values as defined by the Glossary and listed e.g. as part of the text of the revised Principle #6 or the new Explanatory Note #1 under Criterion 6.1 is vital to ensure that the carbon value of forests is adequately recognized and sustained.</p>
<p><b>Timeline:</b> Completion of the ongoing review of the FSC Principles &amp; Criteria.</p>
<p><b>Policy document(s) to be revised / developed:</b> FSC-STD-01-001 FSC Principles &amp; Criteria</p>
<p><b>Cost to FSC:</b> None; possibly hosting a specific meeting on this subject.</p>

**[cntd.] ANNEX III: Proposed policy motions to the General Assembly****Policy Motion #2**

<b>Title:</b> Due diligence for using FSC certification in combination with carbon-related claims and financing
<p><b>Policy Motion:</b></p> <p>FSC certified forest operations planning to obtain, or obtaining financial support for additional carbon sequestration and storage, or avoided deforestation or degradation as part of their certified management objectives shall demonstrate compliance with a credible carbon standard and accounting protocol. Such operations shall clearly demonstrate how carbon financing complements other FSC Principles and Criteria, particularly social safeguards regarding the protection, respect and exercise of the rights of indigenous peoples and local communities.</p> <p>FSC shall establish an advisory body charged with determining initial criteria for recognition of credible carbon standards and accounting protocols, designing an FSC approval mechanism and re-evaluating such criteria no less than once a year.</p>
<p><b>Purpose and/or background:</b></p> <p>Substantial new public and private capital is flowing into forest carbon projects and as such represents powerful new source of financing for investments in well-managed forests and conserved forests. In many parts of the world, FSC certified operations are already being used and recognized in voluntary carbon markets and in compliance markets (on UNFCCC registries), or as a platform for potential payments under an avoided deforestation (REDD) programme.</p> <p>There is a reputational risk for FSC to become associated with weak carbon accounting schemes through incomprehensive carbon standards or methodologies used and inaccurate claims made by FSC certified operations. To address this, the FSC Forest Carbon Working Group recommended that if carbon financing becomes an operational driver in a forest operation seeking FSC certification, a specific new criterion should be evaluated. This new criterion should include a reference to the integrity of carbon accounting systems, especially when FSC's brand is being associated with such systems.</p> <p>There is also a reputational risk for FSC to become associated with forest carbon financed projects if the potential strong economic driver of carbon financing is not carefully balanced with environmental standards and respecting core social safeguards. Adding carbon financing as a management objective affects the social, environmental and economic balance of the operation, hence a reconfirmation of compliance with all relevant FSC Principles and Criteria in the light of this addition will be necessary.</p>
<b>Timeline:</b> Completion of the ongoing review of the FSC Principles & Criteria.
<b>Policy document(s) to be revised / developed:</b> FSC-STD-01-001 FSC Principles & Criteria
<b>Cost to FSC:</b> 15,000 to 30,000 EUR; depending on the number of meetings required to develop criteria for credible carbon accounting.