

## ***FERN statement to the Forest Stewardship Council***

### ***Why FERN is withdrawing its FSC membership***

***2 June 2011***

#### ***Summary***

In a position paper presented to the FSC General Assembly in 2008, FERN and other FSC members from the environmental and economic chamber highlighted the changes necessary for the FSC to regain and retain its credibility.<sup>1</sup> In 2009, FERN followed this up with a statement outlining that as a member of FSC, challenges to FSC's credibility had a negative effect on FERN's own credibility. The statement identified three courses of action that would lead to FERN terminating its FSC membership.<sup>2</sup> One of these read: *'If the FSC decides to become actively involved in the certification of carbon forestry practices, including: certification of forest carbon, issuing of FSC certificates concurrently or jointly with carbon credits, or aligning or partnering with voluntary carbon standards, FERN will have to leave the FSC'*.

In the run up to the FSC's general assembly, FERN has looked at the available information and come to the conclusion that progress towards achieving the changes requested in 2008 has been insufficient and that it is inevitable that the FSC will continue on the path of aligning itself with carbon offset standards and issuing certificates concurrently or jointly with carbon offset certificates. This development towards closer and pro-active cooperation with carbon offset standards is irreconcilable with FERN's work and we have therefore decided to give up our membership.

Although the present state of FSC has led to our decision, this should not be taken as support for any of the other forest certification schemes, which FERN considers to be even less robust than the FSC. If FSC were to both satisfactorily deal with the structural and performance issues outlined in the 2008 joint statement, and clearly state that it does not and will not engage in carbon offsets, FERN would consider re-joining.

In our view, FSC's decision to align itself with forest carbon offsetting is not only unwise from a forest and climate perspective, but also increases the risks FSC exposes itself to at a time where its credibility remains challenged and when FSC has stated that regaining its credibility is one of its main tasks. Below we outline the risks to FSC as we see them. For FERN's concerns about offsetting more generally see Annex 1.

#### ***The following key issues inherent in carbon offsets could lead to more credibility problems for the FSC***

**Additionality.** Determining whether or not an offset credit reflects a truly additional emission reduction always involves guesswork: trying to imagine what would have happened without the offset project. It is therefore impossible to verify whether a claimed reduction is additional or not. This problem is exacerbated in forest carbon offsets because amounts of carbon stored and released fluctuate. FSC is already grappling with disagreements over whether certification bodies are making the right judgment on compliance with FSC principles. The level of abstraction involved in the determination of how many tons of carbon are supposed to have been saved by a forest offset

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1. Regaining Credibility and Rebuilding Support; changes the FSC needs to make to ensure it regains and maintain its credibility; October 2008. [www.fern.org/node/4297](http://www.fern.org/node/4297)

2. FERN open letter to the FSC, available at [www.fern.org/FSCposition](http://www.fern.org/FSCposition)

activity is significantly higher than the level of abstraction involved in determining whether an FSC standard has been complied with. How likely would it be for an offset credit with 'FSC approval' to be found to come from a project that did not really 'reduce' emissions? This would have a negative impact on the climate and be a potential PR disaster for the FSC.

**Perverse incentives and social conflicts.** People and organisations that have always been managing their forests well or protecting their forests would not be eligible for forest offsets as 'business as usual' would not lead to any additional savings. The additionality requirement therefore provides a perverse incentive: only those with bad management practices or those intending to destroy a forest are eligible. Furthermore, many of the forest carbon offset projects that already exist, and some of which have been issued FSC certificates, have already exacerbated social tensions and conflicts.

**Complexity.** Carbon volumes are not measured directly, but calculated on the basis of proxies. As a consequence, forest carbon calculations have very large error bars. This complexity combined with poor and difficult to verify data can be very problematic for the FSC's credibility. There have already been several cases where auditors having signed off on a project document with a certain prediction of carbon credits, then had to revise that prediction downward. How such a situation would be reconciled with FSC's approach to certification based on assessing actual performance rather than predictions, remains an open question for FERN.

**Permanence.** The mean residence time of carbon in the atmosphere is around 100 years. Therefore, in order to have any hope of ensuring carbon storage for the correct amount of time from a climate perspective, forest carbon offset contracts would need to be for around 100 years. FSC would be taking on a reputational risk if it were to approve a project selling forest carbon offset credits, and during the contract period trees were cut or there was insufficient monitoring. Currently, in the case of non-conformity with the FSC standard, the certificate is withdrawn and future products cannot carry the label any longer. This cannot be done with offsets as the product (the forest carbon credits) has already been sold –justifying an extra fossil fuel emission. The most commonly proposed remedy is to sell only a portion of the possible credits and keep the rest as insurance against such incidents – same as the remedy proposed for dealing with inaccuracy of measurements / calculations. The question that arises for FSC is how such remedies would fit with the current FSC approach based on measurable and verifiable performance.

We sincerely hope that FSC membership at the FSC General Assembly will take a close look at the problems and risks concerning forest carbon offset projects and steer the FSC away from the proposals on the table, to align itself with forest carbon offsetting.

## ***Annex 1: Why offsetting is the wrong route to addressing climate change***

### ***Offsets do not reduce emissions***

Scientific assessment and predictions suggest that to avoid dangerous climate change, greenhouse gas emissions in industrialised countries need to drop by 90 per cent in the next 40 years or so – and even then we only have a 50 per cent chance to ensure temperatures will not increase more than two degrees. If emissions are not reduced, and temperatures increase beyond two degrees, it is likely that the world will lose a large percentage of its forests, including many tropical forests. To keep forests standing, therefore, drastic reductions in greenhouse gas emissions must be a first priority.

The [legally binding] commitments to reduce greenhouse emissions that industrialised countries have made to date<sup>3</sup> are insufficient to keep a temperature rise within two degrees. In addition, where such legally binding commitments have been made, they include ‘flexible mechanisms’ intended to make it less expensive for countries and companies to meet the emissions cap. These ‘flexible mechanisms’ were introduced in the Kyoto Protocol and are commonly referred to as emissions trading and carbon offsetting. They have become part of national and regional commitments to reduce emissions, e.g. in the form of the EU’s Emissions Trading Scheme. Offsets are not intended to reduce emissions, but to shift the location of the emission in a way that makes it easier (cheaper) to stay within the emissions limit or cap.

Carbon offsetting, therefore, does not lead to overall emission reductions: it just changes the place where emissions are being released. Indeed, put another way, offsets allow the company or country whose emissions are limited by the cap to exceed the cap by continuing to pollute whilst paying someone else somewhere else to try to make the reduction for them.

So in a ‘best-case scenario’, no net increase of emissions is achieved. Unfortunately, this is rarely the case. It is never possible to prove that any offset credit actually represents an ‘additional’ reduction and if the reduction was not additional – if it would have happened anyway - the use of offsets effectively increases emissions. The offset credit justifies an emission that otherwise would not have been permissible because it would have pushed the offset buyer’s emissions above the ‘cap’. Offsetting therefore allows the polluters that are responsible for the climate crisis to continue polluting, and because forests will be affected by climate change, offsets will also contribute to forest loss in the long run.

Voluntary offsetting by companies or individuals that are not obliged by law to reduce their emissions has the same problem: they move emissions around instead of reducing them and are therefore as much a ‘fake’ solution to addressing climate change as offsets are in the context of legally binding emission caps.

### ***Carbon trading does not bring in the expected revenues for forest communities<sup>4</sup>***

The main reasons that companies, governments and individuals wish to get involved in buying or selling forest offset credits seems to be the idea that the carbon market will produce (large amounts of) funds for forests and forest peoples. What is not well understood is that forest carbon markets may never really take off and that, even if they do, they are unlikely to deliver large sums of money

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3. Through the Kyoto Protocol or by limiting emissions by legislation, such as the EU’s Climate Change Package (ECCP) or the UK government’s Climate Change Bill.

4. For detail, see The Munden Project: ‘REDD AND FOREST CARBON: Market-Based Critique and Recommendations’. March 2011 [www.mundenproject.com/forestcarbonreport2.pdf](http://www.mundenproject.com/forestcarbonreport2.pdf)

to forests and communities. The global carbon market for the foreseeable future consists mainly of the European Union Emissions Trading Scheme (EU ETS), which at least until 2020 will not include forest offsets.

If forest carbon is brought into the carbon market, it is likely to be traded like a commodity. The first transaction, where a project sells its carbon to an 'intermediary' or final user of the offset credit, is referred to as the "primary" market. Secondary markets are where the 'intermediary' sells that carbon to other parties – the end users of credits, governments, speculators, private investors and the like. This primary-secondary structure is an inherent part of trading in commodities, as is the fact that in such a market, the money that goes to the project is a small fraction of the total money changing hands. The commodity pricing structure therefore is highly unlikely to create the benefit flows that many expect from a trade in forest carbon credits.

The process of creating a secondary market in carbon derivatives brings with it many consequences, such as large uncertainties and the possibility to speculate on an unclear asset. Money will be made, but the majority will in all likelihood not go to forests, forest peoples or climate change mitigation activities. Furthermore the difficulties inherent in counting forest carbon lead to vague, opaque standards and then even those may end up being loosened as participants learn to play the trading system to achieve short-term gains.

It therefore is an illusion to think that forest carbon markets will deliver large amounts of money for forests and forest peoples. However, this illusion has already started a trend of increasing centralisation of power over forest lands, violations of tenure rights of local communities and the undermining of attempts to improve forest governance.

To read more:

The Munden Project; REDD AND FOREST CARBON. Market based critique and recommendations. Available at <http://www.mundenproject.com/forestcarbonreport2.pdf>

Friends of the Earth; A dangerous distraction. Why offsetting is failing the climate and people: the evidence. Available at [http://www.foe.co.uk/resource/briefing\\_notes/dangerous\\_distraction.pdf](http://www.foe.co.uk/resource/briefing_notes/dangerous_distraction.pdf)

Greenpeace: Carbon scam, subprime carbon brought to you by AEP, BP and Pacificorp, available at <http://www.greenpeace.org/usa/Global/usa/report/2010/1/carbon-scam-noel-kempff-clima.pdf>

FERN; Trading Carbon. How it works and why it is controversial. Available at <http://www.fern.org/tradingcarbon>

FERN; Designed to Fail. The concepts, practices and controversies behind carbon trading. Available at <http://www.fern.org/designedtofail>

Forest Peoples Programme and FERN; Smoke and Mirrors. A critical assessment of the FCPF. Available at <http://www.fern.org/smokeandmirrors>

[www.redd-monitor.org](http://www.redd-monitor.org)