

CASESTUDY03

Resolute
Controlled Wood

WORKING TOGETHER TO IMPROVE FSC

FSC AT RISK

**CANADA'S RESOLUTE FOREST PRODUCTS:
OPENING FSC TO CONTROVERSIAL
"CONTROLLED WOOD" SOURCES**

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GREENPEACE

Established nearly 20 years ago, the Forest Stewardship Council (FSC) is widely recognised as the highest global certification standard for forest management. Nonetheless, with the FSC's rapid growth, there is growing concern with the increasing number of certificates being awarded to controversial forest management operations that do not meet the standards of the system.

To keep FSC certification as a credible tool to help protect forests, Greenpeace International is publishing a series of case studies exposing controversial operations that are posing the greatest risk to the FSC's integrity. We will also be highlighting best practice operations that are meeting and/or exceeding the FSC's principles and criteria. These case studies will show the standards that must be consistently met if the FSC is to maintain its credibility.

Increasingly, the poor performance of some companies holding FSC certificates is beginning to overshadow the cases where the FSC has led to a substantial improvement from status quo logging practices and supported the increased on-the-ground protection of forests. These "bad apple" FSC-certified operations present a reputational liability to the FSC brand, and will likely undermine consumer trust of the label.

The FSC needs to be strict with these "bad apple" operations by removing them from the system until they sufficiently reform their practices to meet FSC standards. FSC must also strengthen the certification process to prevent any more certificates from being awarded to operations that fail to meet the standards. Furthermore, the FSC needs to apply its world-leading criteria consistently in order to maintain the integrity of the FSC brand. Members of the FSC's economic, social and environmental chambers have worked hard for two decades to maintain the value of the FSC as a validator of responsible forest management, and as a tool for the marketing of responsible forest products. As a result, both the system and the availability of FSC-certified products have grown by leaps and bounds.

Now FSC supporters need to work together to keep the FSC strong as it continues to grow.



image: Intact forests like this one are increasingly at risk from industrial-scale logging.
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OTHER CERTIFICATION SYSTEMS

Greenpeace does not believe that other forest certification systems, such as PEFC (The Programme for the Endorsement of Forest Certification), SFI (Sustainable Forestry Initiative) and MTCS (Malaysian Timber Certification Scheme), can ensure responsible forest management. While the FSC faces challenges, we believe that it contains a framework, as well as principles and criteria, that can guarantee socially and ecologically responsible practices if implemented correctly. The other systems lack robust requirements to protect social and ecological values.

CONTROLLED WOOD IS OUT OF CONTROL

The FSC's controlled wood classification (CW) was introduced to allow more FSC material mixed with non-certified material to be labelled, and to provide an intermediate step to move its wood suppliers or its own forests to full FSC forest management certification. However, many companies are just using controlled wood as a permanent solution to having their products labelled as FSC.

The majority of the FSC's controlled wood supply is screened by companies through risk assessments to avoid controversial wood from "uncontrolled" sources, such as illegal logging, conversion of forests to plantations or non-forest uses, high conservation value (HCV) forests, social conflict areas, and genetically modified organisms (GMOs). Currently, there is little consistency in, or accountability for, how companies conduct their own risk assessments. This results in weak risk assessments without sufficient proof of low risk, but with a high potential for controversial wood to enter the FSC system.

This case study describes an FSC chain-of-custody (CoC) certificate - held by Resolute Forest Products - that isn't consistent with FSC's CoC standard for sourcing controlled wood, and presents a liability to the FSC reputation and brand.¹ The case study shows how the company is using "controlled wood" that does not respect key FSC principles related to the maintenance of HCVs and the rights of indigenous peoples.

Resolute is the largest logging company in Canada by area, and the largest FSC-certified logging company in the world.² Resolute exemplifies how some companies are misusing the FSC's CW system. Resolute has FSC CoC certification for 19 pulp and paper mills and 14 sawmills and wood plants in Canada and the US. Resolute is able to process or supply FSC CW from these mills for the purpose of mixing or linking it with FSC-certified material, provided it originates from non-controversial sources that meet the FSC's CW standard(s) and/or from forests with an FSC forest management certificate.

Resolute's risk assessment for its Thunder Bay mill complex, located in Northern Ontario, claims all wood comes from a vast area described as all Central and Midwestern Canadian Shield and Great Lakes forests, and is low risk from an ecological and social perspective. The blanket assessment covers more than 120 million hectares of forest³; an area roughly the size of France, Germany and the UK combined. In reality, there are multiple areas of high risk in this vast region.

In determining the district of origin for the Thunder Bay mill complex as low risk, both Resolute and its certification body (CB) – QMI-SAI – have disregarded well-documented threats to the at-risk woodland caribou (*Rangifer tarandus caribou*)⁴, HCV forests and intact forest landscapes, as well as ongoing conflicts between indigenous peoples and resource companies, including forestry companies.

UNDER THREAT

HIGH CONSERVATION
VALUE (HCV) FORESTS

RARE, THREATENED,
AND ENDANGERED
SPECIES

INDIGENOUS PEOPLES'
RIGHTS

ECOREGIONS IN RESOLUTE FOREST PRODUCTS' CONTROLLED WOOD DISTRICT OF ORIGIN

Woodland caribou habitat
 Source: Environment Canada, June 2012

Aboriginal communities (2009)

Terrestrial eco-regions
 Central Canadian Shield forests
 Midwestern Canadian Shield forests
 Western Great Lakes forests
 Source: WWF

Map produced by Greenpeace Canada, May 2013

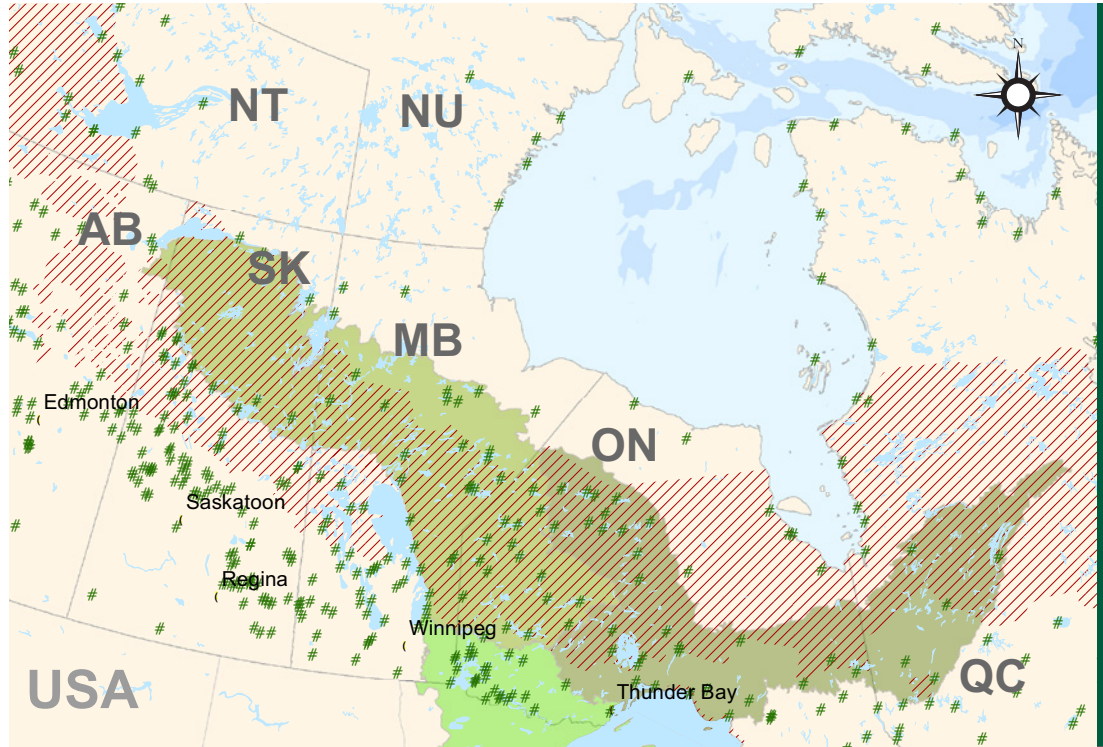


image: Resolute Forest Products is able to source controlled wood from a large landbase including where key woodland caribou habitat and the traditional rights of several First Nations are under threat.

RESOLUTE FOREST PRODUCTS (TSX:RFP; NYSE:RFP)

Case study FSC certificate #	QMI-COC-001505001505
FSC licence code	FSC-C111866
Certifying body	QMI-SAI
Country of operations	Canada, US, South Korea
Total FSC forest management (FM) area certified	14,157,177 hectares (ha)*
Controlled Wood (CW) district of origin identified in company risk assessments	Central Canadian Midwestern Canadian Shield forests, and Western Great Lakes forests (including Minnesota)
Number of FSC chain-of-custody (CoC) facilities	19 pulp and paper mills, 14 sawmills, 2 engineered wood facilities, 2 re-manufactured wood facilities, 2 sawmill partnerships in Canada and the US
FSC area covered by this case study	120 million ha
FSC products	Pulp, paper, lumber
Markets for FSC products	Global
FSC complaint(s) on certificate(s) by stakeholders	Yes
FSC corrective action requests filed	Yes
Public availability of permits, forest management plans, detailed maps	No

* According to FSC Canada and information available at info.fsc.org

image: There is a high risk that wood on this truck destined for the Thunder Bay mill comes from threatened woodland caribou habitat.
© Greenpeace



RESOLUTE'S FAILURE TO SAFEGUARD KEY FOREST VALUES

For a wood or fibre source area to be deemed non-controversial, the FSC's CW standard requires that eco-regionally significant HCVs are not threatened, either due to the absence of threats or the existence of a protected area system that ensures the HCVs' survival.⁵ However, across much of Northern Ontario, woodland caribou – a HCV – is on the decline due to ongoing habitat loss from the impacts of logging.

Woodland caribou in northern Ontario, and in most regions of Canada's Boreal forest, are under severe strain, resulting in their federal designation as a "threatened" species.⁶ With forestry cut blocks identified in particular as an activity "likely to result in the destruction of critical habitat,"⁷ it defies logic to identify wood sourced from woodland caribou habitat as "low risk".

Surely, the majority of intact forest landscapes (IFLs) left in the managed Boreal Forest should be deemed HCV because they encompass critical habitat for the species.⁸

image: The threatened woodland caribou is being pushed to extinction because of destructive logging practices and other industrial developments.
© Markus Mauthe / Greenpeace



In Ontario, where the Thunder Bay mill complex is located, there are insufficient protected areas in place to prevent the decline of the majority of woodland caribou herds. In fact, Ontario does not contain a single protected area that is large enough to ensure long-term caribou survival.⁹ The Government of Ontario's own Woodland Caribou Science Panel found the province's approach to conserving caribou populations was "bound to result in failure to recover caribou populations," including its failure to adequately protect habitat areas.¹⁰

"Ontario's latest 'current development approach [as outlined in its Caribou Conservation Plan] ... is bound to result in failure to recover caribou populations and prevent further loss of range. [The province must] test the de facto hypothesis that caribou will re-occupy logged areas."

Report of the Ontario Woodland Caribou Science Review Panel: The Path Forward, 2008¹¹

However, Resolute's risk assessment ignored such information in concluding that HCVs are not at risk.¹² Instead, the company relied on conservation studies that were not designed as HCV assessments, and which covered much smaller areas than the Thunder Bay mill complex's vast district of origin sourcing area.¹³ The company's risk assessment did cite the percentage of Canadian provinces that had protected area status, but ignored the percentage of managed Boreal Forest *per se* in such areas, and whether they are sufficient for conserving caribou, other threatened species and other HCVs.

image: An example of a clearcut carried out on Grassy Narrows First Nation traditional land without consent in 2006
© FreeGrassy.net/
Earthroots.org



INDIGENOUS PEOPLES

The Resolute risk assessment also deems the district of origin to be an area that is low risk in terms of violations of traditional rights. However, this is clearly not the case and there are many documented cases of conflicts between aboriginal peoples and resource extraction companies and government over land rights. For example, the Grassy Narrows First Nation has called for a logging moratorium in its territory as part of a decade-long conflict over tenures and forestry practices with companies and government, and has an active logging blockade in place. In addition, the Nishnawbe Aski Nation (NAN), a political territorial organisation representing 49 First Nation communities within northern Ontario and a total landmass covering two-thirds of Ontario, has repeatedly challenged the province's forestry laws for failing to respect aboriginal rights. Recently, NAN challenged Ontario's Forest Tenure Modernization Act (2011) for failing to "allow for community-managed forests, nor does either allow for the consultation and accommodation of First Nations rights and interests and challenges the right of the free, prior and informed consent as clearly laid out in the United Nations Declaration on the Rights of Indigenous Peoples."¹⁴

Resolute has disregarded these ongoing issues by pointing to the existing legal and constitutional processes that are designed to protect indigenous rights relating to land use. Numerous indigenous groups, however, disagree that these processes are adequate, especially in the context of current Canadian resource extraction practices. FSC International has affirmed this in recent guidance: "... the Organization should check if the consultation process of the state fulfils the FPIC requirements of the FSC P&C. If that is not the case, the Organization still has to implement its own FPIC process or parts of it."¹⁵

image: Grassy Narrows First Nation and supporters rally in Toronto against logging without consent on their traditional territories. June 2012
© Kevin Konnyu



Resolute has clearly ignored two main low-risk indicators related to the CW social category wood, including: (i) a recognised dispute resolution process by affected parties to resolve conflicts of substantial magnitude pertaining to traditional rights; and (ii) there is no evidence of violation of the ILO Convention 169 on Indigenous and Tribal Peoples taking place in the forest areas in the district concerned.

Yet despite the evidence, any wood from the Central Canadian shield, an area encompassing lands where these conflicts are occurring, has been deemed low risk, and Resolute is allowing controversial wood from these areas to enter into the FSC supply chain.

“The [Canadian] government is acting in equal and unremitting defiance of its international law obligations to First Nations. Some of these obligations and norms have been codified in the United Nations Declaration on the Rights of Indigenous Peoples (2007) . . .”

– Stan Beardy, Ontario Regional Chief representing 134 First Nations in the province of Ontario, 20 December 2012

“Ontario continues to make plans behind our backs for destructive clear-cut logging on the lands we have always used and cared for. This must stop.”

– Grassy Narrows Chief, Simon Fobister, March 27, 2012

image: Resolute's Thunder Bay mill is able to mix or link controversial wood with FSC-certified material, putting the integrity of the FSC label at risk.
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CONCLUSION ON RESOLUTE'S “UNCONTROLLED” WOOD SOURCING

Operators like Resolute are jeopardising the FSC's integrity by allowing “uncontrolled” wood to enter the system from operations that negatively impact intact forests, biodiversity, and may be in conflict with the traditional rights of First Nations. The FSC must immediately revoke the FSC trademark licence of Resolute until it has cleaned up its supply, so that it is not sourcing wood from practices that are in violation of traditional First Nation rights and from threatened HCV forests.

In addition, the CB must properly verify risk assessments to ensure that no “high risk” wood obtained by violating traditional rights or from threatened HCV areas is entering Resolute's supply chain. QMI-SAI has failed to practise adequate due diligence in verifying the information provided by the company. It has also failed to provide FSC with the most up-to-date documents relating to the certificate, and the information available on the FSC website related to the risk assessment is two years out of date. Accreditation Services International (ASI) should immediately investigate QMI-SAI's poor performance. Moreover, FSC must immediately clarify its rules for certifying bodies assessing its controlled wood standards to ensure a consistently rigorous approach is taken.

KEEPING THE FSC CREDIBLE

While Greenpeace continues to support the FSC, we cannot indefinitely endorse a system that is not globally consistent in its certification of forest management and controlled wood.¹⁶ Along with other FSC members across its chambers, we are working to achieve the following key improvements in FSC operations and procedures so that the environmental and social values of forests are maintained under the FSC seal of approval.

FSC members, certification bodies, stakeholders and consumers must hold FSC accountable to ensure its standards and policies are strengthened, consistently applied and met to ensure that the ecological and social values of forests managed under the FSC seal of approval are maintained.

FSC must:

- 1) Support the conservation of Intact Forest Landscapes (IFLs) and other HCVs via the International Generic Indicators (IGI) process, and provide guidance on HCV identification and on their maintenance and enhancement.
- 2) Establish safeguards for FSC certification in “high risk” regions facing rampant social conflict and human rights violations, including prioritising the development of a robust Policy for Association due diligence approach – which ensures the disclosure of a company’s ownership, including parent, sister and subsidiary companies – and compliance guidance.
- 3) Tighten the controlled wood system by: increasing the scope and rigour of National Risk Assessments (NRAs) and its control measures, requiring field verification in the absence of a NRA, and implement measures for transition to full forest management certification including a phase-out of CW by 2018;
- 4) Improve on the ground performance by holding certification bodies (CBs) accountable for meeting the FSC’s standards. Also, increase FSC’s level of transparency by requiring that Accreditation Services International (ASI) and CBs publish all assessment reports, including the location of forest management units, HCVs and protected areas.
- 5) Increase its support for smallholders and community forest managers to achieve FSC certification across the FSC network, including swiftly implementing the Modular Approach Programme standard.

To review the FSC’s progress on Greenpeace’s recommendations, please visit: www.greenpeace.org/international/FSC-at-risk

REFERENCES

- 1 FSC Standard for Company Evaluation of FSC Controlled Wood, FSC-STD-40-005 (V2-1) EN, October 4, 2006. <https://ic.fsc.org/standards.340.htm>
- 2 Resolute Forest Products. <http://www.resolutefp.com>
- 3 See World Wildlife Fund Ecoregions, for descriptions and sizes of these ecoregions.
<http://worldwildlife.org/ecoregions/na0602>
<http://worldwildlife.org/ecoregions/na0609>
<http://worldwildlife.org/ecoregions/na0416>
- 4 See Environment Canada's species-at-risk registry. http://www.sararegistry.gc.ca/species/speciesDetails_e.cfm?sid=636
- 5 FSC Standard for Company Evaluation of Controlled Wood FSC-STD-40-005, p. 19.
- 6 See Environment Canada's species-at-risk registry. http://www.sararegistry.gc.ca/default_e.cfm
- 7 Environment Canada (2012). Recovery Strategy for the Woodland Caribou (*Rangifer tarandus caribou*), Boreal population, in Canada. Species at Risk Act Recovery Strategy Series. Environment Canada, Ottawa. xi. p. 36.
- 8 For a comprehensive review of woodland caribou habitat needs, see Environment Canada (2012) op cit.
- 9 See Vors L et al. (2007). "Woodland Caribou Extirpation and Anthropogenic Landscape Disturbance in Ontario". *The Journal of Wildlife Management*. Volume 71, Issue 4, pages 1249–1256, June 2007
- 10 Suffling R, Crichton V, Ray JC, Schaefer JA & and Thompson ID (2008). Report of the Ontario Woodland Caribou Science Review Panel: The Path Forward. Report to Hon. D. Cansfield, Ontario Minister of Natural Resources. Waterloo, Ontario, Canada.
- 11 Ibid.
- 12 Resolute's public summary risk assessment report. <http://info.fsc.org/Detail?id=a024000000A7M04AAF>
- 13 Controlled Wood Public Summary Risk Assessments Report. QMI-SAI Global Reviewed by: Martin Litchfield. Report reference number: R317.11.03 Rev.02 and Resolute FSC CoC Risk Assessment, reviewed 2013. Resolute's conclusion that the sourcing areas are "low risk" is based on those areas not being found in the WWF list of "Global 200 Eco-Regions" or the Conservation International "Global Hotspots" list. However, neither source was ever intended to serve as a FSC HCV assessment; the two studies were not based on the FSC's international or national definitions of HCVs, nor were they conducted at the district-of-origin scale These data sets are listed in the FSC CW standard Annex 2 as examples of sources of information that could be referenced. Furthermore Resolute chose to ignore the other example data sets listed for assessing risk for HCVs such as regions identified by the World Resources Institute as a Frontier Forest Intact Forests Landscapes, as identified by Greenpeace (www.intactforests.org); if they had done so the CW areas in question would be considered initially as "unspecified" risk for HCVs invoking further investigations by Resolute and its CB including field audits and stakeholder consultation (Annex 3 FSC-STD-40-005 v2). Moreover, WWF does in fact consider the Canadian Boreal to be an important eco-region, with the Midwestern and Central Canadian Shield areas being considered "vulnerable" to forestry and other sources of habitat loss. The company has HCV reports for its own tenures in the region and says that it conducts additional HCV reports for additional areas that it sources from. However, the risk assessment covers a broad geographic area where there are known risks, and Resolute is permitted to access fibre from this broad area under the current controlled wood system.
- 14 <http://www.nan.on.ca/upload/documents/com-2011-05-19---nan-continues-opposition-to-bill-151---stressing-the-importance-of-community-forestry.pdf>
- 15 FSC Guidelines for the implementation of the right to Free, Prior & Informed Consent, November 2012
- 16 <http://www.greenpeace.org/international/en/campaigns/forests/solutions/alternatives-to-forest-destruc/FSC-at-Risk/>



image: The threatened woodland caribou is extremely sensitive to disturbances such as clearcuts and roads
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