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**REVIEW OF ACTIVITIES IN 1999/2000 AND INTEGRATED PROGRAMME OF WORK FOR
2001 TO 2005**

EUROPEAN FOREST SECTOR OUTLOOK STUDIES (EFSOS)

(Item 10 of the Provisional Agenda)

Secretariat Note

This document contains an overview of the activities in European Forest Sector Outlook Studies, EFSOS. This information is complemented by the Description of EFSOS tasks, which is set out in the annex. Furthermore, in document to TIM/2000/7/Add. 2; FO:EFC/00/9 Add. 2, the following papers are reproduced:

- EFSOS activities 1999/2000 (annex 1);
- Working program for 2000/2001 (annex 2); and
- Report of the core group meeting (annex 3).

The joint session is invited to review the activities on outlook studies, provide its comments and guidance and endorse the programme with any modification considered necessary.

European Forest Sector Outlook Studies

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1. After the completion of the previous European outlook study in 1996, a new European forest sector outlook study (ETTS VI) was launched in 1999. In May 1999, the Joint FAO/ECE Working Party on Forest Economics and Statistics asked the secretariat to start the work by consulting the Timber Committee, the members of the core team, the bureaux of the Working Party and of its parent bodies, as well as others in a position to contribute.
2. The Timber Committee in September 1999 discussed options proposed by the secretariat and indicated its preferences. The secretariat collected, compiled and analysed comments from the Timber Committee, the European Forestry Commission and the Joint Working Party.
3. It also reconstituted a core group of specialists, based on the members of the core team of ETTS V and on proposals from the Timber Committee. The first meeting of the core group took place in Geneva on 20-23 March 2000. The meeting was attended by 23 specialists from the European forestry and forest products sector, representing governments, research organisations and private forest products industry. The meeting proposed to organise the outlook study work as a permanent task of the Timber Section. It suggested to change the title of the outlook activities to "European Forest Sector Outlook Studies" (EFSOS), reflecting the increasing importance of non-market benefits from forestry.
4. The core group defined the objectives of EFSOS activities as an analysis of the future development of the forest and forest products sector. Future work will start with the elaboration of a baseline study (European Timber Trends and Prospects), based on the objectives and approach of the last outlook study (ETTS V), improvements of the latter will depend on the availability of resources. The baseline study will describe the development of the forest sector in a "business as usual" scenario. The baseline study will be complemented by more specific studies, analysing the impact on the sector of changes in policy, market innovations and exogenous factors (e.g. climate change). The core group agreed on ex-post approach analysis of the forest sector in order to describe the influence of driving forces in the past. Considering the limited resources of the Timber Section the core group defined funding activities as one of the key issues for a successful EFSOS work. The core group proposed to organize EFSOS activities as a permanent Timber Section task.
5. The Description of EFSOS tasks is reproduced in the annex to this document. The following documents are reproduced in Addendum 2 to TIM/2000/7; FO:EFC/00/9:
 - EFSOS activities 1999/2000 (annex 1);
 - Working program for 2000/2001 (annex 2); and
 - Report of the core group meeting (annex 3).
6. The results of the core group meeting were presented to the Timber Committee and the European Forestry Commission bureaux in May 2000. The bureaux welcomed the outcome of the first core-group meeting. The bureaux focussed the discussion on the policy oriented complementary studies, stressing the applicability of the results of such studies. It attached high priority to the following study subjects:

- Competitiveness of European timber products in the frame of increasing globalisation;
- Economical stabilisation in countries in transition, restitution of forest land to private owners, influences to European timber markets; and
- The bureau approved the programme presented to them and authorised the secretariat to implement it without awaiting the formal approval by the parent bodies.

7. Based on recommendations of the core group, in June 2000 the secretariat asked Timber Committee heads of delegation to nominate national correspondents. The team of national correspondents will follow and overlook the Timber Section outlook activities and provide comments in order to rule the work in the direction agreed by the parent bodies.

8. The joint session is invited to review the activities on outlook studies, give its comments and guidance and endorse the programme.

ANNEX

EUROPEAN FOREST SECTOR OUTLOOK STUDIES

Description of tasks

Based on the results of a meeting of the core group in March 2000 this paper presents the status of objectives, approaches and requirements for further EFSOS activities, which will include a baseline study "European Timber Trends and Prospects" (ETTS VI) and complementary policy oriented studies. The timetable and the depth of work will depend on the availability of resources and on the efficiency of their use. In order to enlarge available resources the Timber Section will start with funding and public relation activities. An information network will be organised in order to focus available outlook information (input data, methods and results) and to earn synergy effects.

The Timber Committee and European Forestry Commission bureaux meeting in early May will review this paper. Work will be initiated as decided by the bureaux. In October 2000 the revised paper will be presented to the Timber Committee and the European Forestry Commission for review and comments.

Based on the decisions of these two bodies the paper will represent a medium-term strategic document for EFSOS activities at the Timber Section.

1. Experience and Tradition

ETTS stands for European Timber Trend Studies, a process in existence since 1952 aiming to describe the development of, and outlook for the European forest sector, mainly the forest resources and the timber markets. Up to now reports have been published at roughly 10-year intervals titled "European Timber Trends and Prospects". Under the auspices of the Food and Agriculture Organisation (FAO) and the Economic Commission for Europe (ECE) these reports were prepared by the Timber Section in Geneva with the participation of forestry and wood industry specialists of Timber Committee member countries.

The first outlook study was published in 1953. The main subject of this study was to analyse the impact of shortages in timber supply after the war. Later outlook studies focused on the development of forest resources and timber production, trade and consumption. The latest European outlook study represents a set of reports. In 1996 the main results of these studies were published in a summary report "European Timber Trends and Prospects: into the 21st Century" (ECE/TIM/SP/11). This study described the future development of timber production and trade depending on the outlook of the Gross Domestic Production in the frame of a scenario "business as usual", as well as a number of alternative scenarios.

So far European Timber Trend Studies have been highly evaluated by the ECE member countries as well as by various actors of the European forest sector, such as scientists and representatives from the forest products

industry and forest owners.

2. Challenges and Uncertainties

The present situation of the European forest and forest products sector is a result of the market demand for forest products, the competitiveness of European producers, the structure of policy frames, reflecting, notably, the non-market demands of the society, and the influence from exogenous factors, e.g. climate change.

Today the forest sector represents a significant part of natural resources. Especially in the Scandinavian countries the forest sector is also an important element of national economies. Forests and timber use have become a factor of increasing importance for the sustainable and successful development of the modern society in general. Challenges and uncertainties in the future development of the forest sector are recognisable, which should be considered during further outlook activities.

Forests have expanded significantly during the last decades. Forestry as a land use is characterised by many environmental advantages in comparison to most forms of agriculture and other forms of land use. Unfortunately, this fact plays only a minor role in the policy discussion about the future of the forest sector. Despite the influence of depositions by the industry to some forest stands, most of them represent well-functioning ecosystems with the potential to produce not only timber but also important non-market benefits.

Wood is a material and energy source with various advantages: The main advantage being its renewability. The use of forest products coming from sustainable managed forests has important non-market benefits, in comparison with fossil fuels the sustainable use of wood and wood residues for energy generation influence the carbon cycle in a neutral way.

At the same time the forest sector is increasingly a subject for policy concerns. In some areas, more intensive silviculture has reduced the biodiversity of the forested area. There is concern about the conditions of forests in some areas. The influence from exogenous factors, such as climate change, on forests leads to uncertainties in the further sustainable development of forest resources. Society's needs for non-market benefits from forestry (e.g. recreation, bio-diversity, carbon storage) are increasing, which leads to a pressure on the incomes of forest owners.

Technical and technological innovations are available for creation of new forest products and for use of more efficient production processes, which might increase the future competitiveness of wood on the material and energy markets respectively, if they would become reasonable from the economical point of view.

3. Outlook Objectives

In view of the necessity to analyse not only the supply and demand for forest products but also the whole variety of non-market benefits and non-timber products, the scope of future forest sector outlook activities will be broadened under the title “European Forest Sector Outlook Studies” (EFSOS).

The objective of further EFSOS activities will be to analyse the development of the forest and forest industry sector, considering challenges and uncertainties of varying policies, market developments and the influence of exogenous factors. This should encompass forestry land use and all stages of forest product use, from the forest to the final consumer. The aim is to assist policy and investment decision making. The main target groups of EFSOS are policy makers, entrepreneurs and the academic community of the forest and forest products sector and the public as well.

A user survey of the actual and potential users of ETTS and their expectations will provide guidelines for further outlook activities.

There is an unchanged need for periodical baseline studies of “European Timber Trends and Prospects” along the lines of earlier studies. As in the past they will be mainly oriented towards a description of the development of, and outlook for forest resources and timber production and trade in the mode of a scenario “business as usual”.

These periodical studies will be complemented by more specific studies, analysing the impact of changes in policy, market framework and exogenous factors on the forest sector. As far as possible, these outlooks will use a quantitative approach, producing results consistent with the baseline study.

EFSOS activities will proceed as a permanent task in the frame of the mandate of Timber Committee. The Timber Section as co-ordinator of EFSOS will organise the activities transparently, trying to organise close co-operation between target users and study developers.

The EFSOS activities will reflect the development at the national and European level, analysing the countries as far as possible in a consistent way, considering the European developments as a part of the global forest and forest products sector.

The geographic scope of the various EFSOS studies will reflect the interests of the participating countries and their possibilities to provide necessary data. At the same time the geographic scope will consider the importance of different countries for the development of timber production and trade in Europe as a whole. The base scenario will cover all European countries, including the European countries in transition. The forest sector of Russia, which is very important for the long-term outlook, will be addressed as available data will allow. Complementary policy studies may only cover case-study countries. In general the studies will be strongly determined by the data and methodology availability and the resources as well.

4. Activities

4.1 Ex-post Analysis of the Forest Sector

The goal of the ex-post analysis is to define structural changes in the forest and forest products sector and to identify driving forces behind them. The aim of this analysis is to describe and, if possible, to quantify the impact from policy decisions, market behavior and exogenous factors on the evolution of forest resources and the developments of timber production and trade in the past. The results of this analysis will be a base for elaboration of complementary scenarios.

This analysis may identify gaps in historical statistical data series, e.g. in the end use of forest products or in the use of wood as a source for energy generation. Hence, one of the goals here is to define the availability of quantitative data for a description of the development of the forest sector depending on the policy and market frames. The finding of data lacks will be the base for conclusion about the efficiency in forest sector statistics. In the frame of EFSOS data gaps will give the justification for a limited, non-quantitative, qualitative oriented approach.

4.2 Baseline Study (ETTS VI)

The first and main step into EFSOS activities will be the elaboration of a new baseline report under the title "European Timber Trends and Prospects" (ETTS VI), based on the objectives, approaches and subjects of the last outlook study reports (ETTS V). This approach was developed during the last study round based on an intensive discussion process between the former core group, the national correspondents and the Timber Committee and the Forestry Commission respectively. It focuses a high level of already successfully used outlook knowledge.

As in the past this study will give a general overview about the future development of forest resources as well as production, trade and consumption of forest products in Europe. A comparison of ETTS V projections with the real development will be used for an evaluation of the former approach. The aim is to produce this baseline study by 2002.

Considering available resources, improvements will be mainly limited to:

- Forest resources description of the development of forest resources by a consistent age class model (for example EFISCEN, using calibrated TBFRA data) in consultation with national correspondents, considering different forest management approaches, description of forest resources by age classes, types of ownership and growth levels (according to the influence of exogenous factors), expansion of the outlook horizon (up to 50-60 years);
- Timber production, trade and consumption;
- Update of data;
- Re-estimation of elasticities;

- Estimation of demand/supply functions of “new” products;
- Revision of conversion factors;
- Cross-section/time series estimation for the countries in transition, based on cluster analysis;
- Describing the development of other important parameters (production capacities, working forces, investments etc);
- Analysing the European forest sector in a global context using existing global models (for example GFPM);
- Limitation of the outlook horizon (down to 10-15 years).

4.3 *Complementary Studies*

Specific policy oriented studies will be carried out in order to describe alternative scenarios and supplement the baseline study reports focussing on changes in policies and market trends and their influence on the development of the forest sector. The results of these complementary studies have to be comparable to the results of the baseline study.

This task includes an enlargement of the scope of the subject in the direction of non-market benefits from forestry, end use of forest products, wood use for energy generation and recycling of wood products. The influence of exogenous factor, such as climate change could be a study subject.

The baseline study report and the complementary policy studies will mutually influence each other. On the one hand the baseline outlook study will help to define interesting current policy issues, on the other hand the specific studies on alternative scenarios provide the work on the baseline study report with some new aspects in the development of the forest sector.

The studies will be developed within a network of forest sector experts (including all policy levels) and other specialists (general economy, demographics etc.) as well (identifying scenarios, relevant factors, and their translation into variables and assumptions).

Depending on the available resources for EFSOS activities, scenarios could be elaborated in some of the following areas:

- Competitiveness of European timber products in the frame of increasing globalisation;
- Consequences of international and European agreements in forestry (IFF, IPCC, pan-European agreements in the field of forestry and environments etc.) for the development of the forest sector;
- Forestry land-use in the light of changes in agricultural policy in Europe;
- Increasing demand for non-market benefits, protection of forests;
- Economical stabilisation in countries in transition, restitution of forest land to private owners, influences to European timber markets;
- Climate change and its influence on forest resources and their functions.

The alternative scenarios will be identified and discussed with the core group, the national correspondents and the Timber Committee and European Forestry Commission bureaux.

If EFSOS results are to be used as a base for discussion about the future policy frames of the European forest sector the methodology should whenever possible follow a quantitative approach. However, in case of data gaps the analysis might be based on qualitative analyses and defined assumptions.

The quantitative methodical approach of EFSOS will consider the specific aspects of a long term development of forest resources on the one hand and the dynamic influence of changes on timber markets and policy frames on the other hand. The adequate model system would consist of a forest resources model, describing the development of forest resources and the potential supply and a timber production and trade model, giving an expectation of the development in timber industry under different assumptions on frames.

4.4 *Information Network*

Considering the limited resources, the elaboration of EFSOS reports has to be organised in an efficient way co-operating with partners working on related to European forest sector outlook study issues.

Therefore, as a part of the EFSOS program existing knowledge tools, useful for European forest sector outlook studies, will be searched and collected in the frame of an information network. The results will be published in order to create synergy effects.

This task will start from an analysis of literature and web sources with the goal to find studies, with objectives and approaches comparable to EFSOS. This analysis will identify elsewhere-published data or methodological approaches useable for EFSOS activities. At the same time such an analysis will define some tools (policy studies, reports, quantitative scenario analyses etc.), which should be a part of EFSOS, but which are covered already by other organisations, experts and researchers. In such cases EFSOS will refer to the tools.

EFSOS activities will be organised in a framework of various bodies in close co-operation with specialists, representing national governments, intergovernmental organisations, NGO's and the private industry.

The most operational body is the core group (10-20 scientists, policy makers and entrepreneurs) which will meet 1-2 times a year to advise the secretariat on work directions, methodology, review of preliminary results, etc.

Further meetings of national correspondents, officially nominated by countries, will be organised to provide national data, comment on outputs, scenarios, etc. It is foreseen to meet every 1-2 years. National correspondents are the official direct partners of the ECE/FAO member countries for the Timber Section.

Both groups, which might overlap in membership, would be expected to contribute with time, travel expenses and possibly other resources.

Reports about EFSOS activities will be submitted to the regular official session of the Timber Committee, the European Forestry Commission and the Joint Working Party, who will be invited to decide on strategic issues.

4.5 Public relation activities

There will be various public relation activities organised in the frame of EFSOS, such as meetings, press releases and web sites.

The main channel for the transfer of EFSOS results to the public will be the intermediate, a la carte and final reports, published as hardcopies and on the Internet.

The Timber Section will prepare press releases on interesting EFSOS activities and reports.

The Timber Section will also organise specific EFSOS web-sites, including activities in the frame of EFSOS, current studies, background information, history of ETTS, timber outlook information network, guestbook etc.

5. Requirements and Funding

With regard to resources, given budgetary developments in both the ECE and FAO, it is unrealistic to expect significantly greater regular budget resources to be available than for former ECE/FAO European forest sector outlook activities.

Annual Timber Section regular budget resources are limited so far to 0.8 man-year of a responsible forest officer, 0.3 man-year of other professional staff and 0.4 man-year of technical staff, equipped with hardware, software, and travel budgets and also by \$10.000-20.000 for consultants.

However, the available resources should be significantly increased by contributions of potential EFSOS users as there are, country governments, intergovernmental organisations, NGO's, associations of forest owners and the private forest products industry, suppliers of forest sector requirements (capital, forestry and forest industry equipment and material, labour). Funding could be organised whether in the form of extra-budgetary funds, contributions in kind (hosting of meetings, covering travel expenses for core group members and national correspondents) or division of labour. The secretariat will start with fund raising activities immediately.

6. Schedule

The following schedule gives a rough overview as an orientation for the work of the Timber Section. It shows the main EFSOS tasks and meetings.

Based on the request of the Joint FAO/ECE Working Party on Forest Economics and Statistics in May 1999 some first ideas for the ongoing outlook activities were submitted to the Timber Committee in September 1999, which discussed the secretariat's proposals and indicated its preferences. Preparatory steps, undertaken so far are: "Survey of actual and potential users of European Timber Trend Studies and their expectations", the elaboration of a description of EFSOS tasks and the first core group meeting. They will be finished by the end of the first quarter of 2000.

The ex-post analysis of the driving forces for the development in the European forest sector will be carried out by June 2001 by the Timber Section in close co-operation with the national correspondents.

The elaboration of the above described baseline study will be the main part of EFSOS activities in the next years. The aim is to finish this report by the middle of 2002.

As the public relation activities the above described information network will be organised and co-ordinated as a permanent task of the Timber Section. The aim of the information network is to search for published information (data sources, approaches and study results) for the EFSOS purposes and to collect and to publish refers to these information sources, in order to create an broader public access to Forest sector knowledge's and to earn synergy effects.

The core group will meet normally once a year, the national correspondents every 1-2 years. The Timber Section will report about EFSOS activities to Timber Committee and European Forestry Commission and their bureaux meetings.

The speed and depth of the work on complementary, policy-oriented studies depends on the success in co-operation and funding activities. Until the work on the baseline study is finished, these activities will be carried out simultaneously, but with secondary priority. From the middle of 2002 the activities for complementary studies will be the main subject of EFSOS.

One of the most important tasks for the medium-term successful work on EFSOS is obtaining additional resources. Hence, this task will take a significant part of the present available resources of the Timber Section in the second and third quarter of 2000.


Planned Activities	1999	2000				2001				2002		
	VI	I	II	III	IV	I	II	III	IV	I	II	III
Preparatory steps												
Ex-post Analysis of the Forest Sector												
Baseline study (ETTS VI)												
Information Network / Meetings	T/F	CG	T/F b	T/F	NC, CG	CG	T/F b	T/F		NC, CG	T/F b	T/F
Public Relation Activities												
Complementary Studies												
Requirements and Funding												


NC - meeting of the national correspondents

CG - meeting of the core group

T/F - report to the Timber Committee/ European Forestry Commission

T/F b - report to the Timber Committee and Forestry Commission bureaux

 - permanent subtasks of EFSOS

 - non-permanent subtasks of EFSOS