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Seventy-second session

Kazan, 18-21 November 2014

Item 10 of the provisional agenda

Report

Report of the seventy-second session of the ECE Committee on Forests and the Forest Industry

Introduction

1. At the invitation of the Government of the Russian Federation, the seventy-second session of the ECE Committee on Forests and the Forest Industry (COFFI) was held in Kazan, Republic of Tatarstan, the Russian Federation, from 18 to 21 November 2014. More than 150 participants from the ECE region attended the session.

Attendance

2. Delegations from the following 31 ECE member States participated: Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Canada, Croatia, Czech Republic, Estonia, Finland, France, Georgia, Germany, Ireland, Italy, Kazakhstan, Kyrgyzstan, Montenegro, the Netherlands, Poland, Portugal, Romania, the Russian Federation, Serbia, Sweden, Switzerland, Tajikistan, Turkey, the United Kingdom and Uzbekistan.

3. The following United Nations bodies and agencies attended the session: Food and Agriculture Organization of the United Nations (FAO), Intergovernmental Panel on Climate Change (IPCC), United Nations Forum on Forests (UNFF), United Nations Statistics Division (UNSD) and the World Bank.

4. The following intergovernmental organisation was also present: the European Forest Institute (EFI).

5. Representatives of the following non-governmental organizations attended the session: European Network of Forest Entrepreneurs (ENFE), the Global Fire Monitoring Center (GFMC), International Forestry Students Association (IFSA), Nature and Biodiversity Conservation Union (NABU) and Québec Arbres.

6. Representatives of the following private sector companies and associations attended the session: Air Tractor Europe, Brantwood Consulting, Campbell Global, Finnish Forest

Industries Federation, Forestry and Hunting Management Magazine, Forestry Development Centre Tapio, Mondi Syktyvkar, Narat-K, the Forest-based Sector Technology Platform.

Opening of the meeting

7. Mr. Heikki Granholm (Finland), Chair of the Committee on Forests and the Forest Industry, welcomed the delegates to the seventy-second Committee session and expressed his appreciation to the Russian Federation for hosting the meeting.

8. Mr. Ivan Valentik, Deputy Minister of Natural Resources and Environment of the Russian Federation and Head of the Federal Forestry Agency delivered opening remarks on behalf of Mr. Sergei Donskoy, the Minister of Natural Resources and Environment, Mr. Sergey Naryshkin, the Chairman of the State Duma of the Federal Assembly of the Russian Federation, and himself. He stressed that the world was at a crucial moment in the international forest dialogue and there was a need to properly reflect on the role of forests in the global post-2015 development agenda, in particular while countries are going through the review of the United Nations Forum on Forests. He also recalled the leading role of ECE and FAO through their joint work on forests and the forest industry in the pan-European region. He welcomed the practice of holding joint ECE/FAO meetings and called for continued and strengthened partnership between these bodies and their governing structures.

9. Mr. Ildar Khalikov, Prime Minister, Republic of Tatarstan, the Russian Federation, on behalf of the Tatarstan President, Mr. Rustam Minnikhanov, highlighted the role of forests for the Tatarstan Republic and the increasing contribution of the forest industry to its economy. He also outlined the commitments of Tatarstan to increasing the contribution of the sector to a green economy, including through the use of new technologies and an increased emphasis on work in forestry.

10. The Deputy Executive Secretary of the United Nations Economic Commission for Europe (UNECE), Mr. Andrey Vasilyev, also delivered opening remarks. He expressed his gratitude to FAO for their cooperation through the joint ECE/FAO Forestry and Timber Section. He also stressed how forests are an integral part of the Russian culture and how the concept of Sustainable Forest Management has been at the centre of the forestry debate in Russia for centuries.

11. A message to future generations was delivered by Mr. Marat Zaynullin, the winner of the 11th International Junior Forest Contest, which took place this year from 9 to 11 September in St. Petersburg. The Contest had 48 young participants from 27 countries who presented their research projects on forests to a jury composed of 15 members representing various governments and international organisations; including a representative from the joint ECE/FAO Forestry and Timber Section.

12. Mr. Ivan Valentik delivered a presentation on the strategic directions being given to forestry development in the Russian Federation. He recalled the important and growing role that the forest sector plays in the economy (with 1.1 million workers and 60,000 enterprises). Recent forest-related developments in the Russian Federation include, for instance, the introduction of new chapters in the Forest Code; work on forest fires and related prevention; reforestation projects; as well as practical developments and plans for the use of biomass for energy production and for increasing the contribution of the sector to a green economy.

13. Ms. Renate Christ, Secretary of IPCC delivered a keynote speech based on the latest information from the IPCC Fifth Assessment Report. She focused on the interaction between forests and climate change based on the Report's key findings. There is clear evidence of the human influence on climate and severe, pervasive and irreversible impacts are expected. She stressed that governments have the means to act and that mitigation

actions are affordable. Acting on mitigation now might delay growth; however, in the longer term, unmitigated climate change would create even greater risks to economic growth.

14. The Chair underscored the key role that foresters have to play in mitigating climate change and the relevance of ECE/FAO work to this area, and in particular, pillar B of the Rovaniemi Action Plan for the Forests Sector in a Green Economy which focuses on “a low-carbon forest sector”.

I. Adoption of the agenda

Documentation: ECE/TIM/2014/1

15. The meeting adopted the provisional agenda as contained in document ECE/TIM/2014/1 and corrigendum ECE/TIM/2014/1/CORR.1

16. The delegate of Belgium, speaking in her capacity as Vice-Chair of the FAO European Forestry Commission (EFC), stated that, as this was a session of the ECE COFFI and as the main topics of the agenda of the session referred to activities undertaken jointly within the framework of the ECE/FAO Programme of Work, more clarity was needed in order to avoid misunderstandings and confusion with regard to the nature and implications of the discussions under the agenda items. As she had previously stated many times during the meetings of the joint Bureaux¹ the current Kazan ECE COFFI session should not take any decisions on joint matters. She thus proposed that, for each item and sub-item of the agenda, the chair recall (1) if the item is referring to ECE work or to the joint ECE/FAO work and (2) if it is a point for information or decision. She also asked to have this information reflected for each sub-item in the meeting report. The delegate of Portugal suggested to indicate the nature of discussions when topics are introduced and to reflect this in the report. The proposals of the Belgian and Portuguese delegates were supported by Germany and France. Delegations of the Netherlands, Switzerland, Ireland and the Russian Federation recalled the history of successful cooperation between COFFI and EFC, and reminded the meeting that the Programme of Work was “integrated” and invited delegates to continue deliberations in the same spirit of good cooperation. The secretariat proposed to provide the information requested on the nature of agenda items at the start of each discussion.

17. The secretariat also reiterated that, as previously indicated in communications to the joint Bureaux, and as in line with the annotated agenda for the meeting, most of the items on the COFFI agenda were for information and discussion only. If during the discussions, recommendations for decisions emerge, these would need to be considered at “Silva2015”, i.e. the joint session of ECE COFFI and FAO EFC, to take place in Engelberg in November 2015.

II. The Forest Sector in a Green Economy

A. Forest products markets discussion

Documentation: ECE/TIM/2014/3

¹ The joint ECE-FAO Bureaux consist of the Bureau of the COFFI and the Executive Committee of EFC.

18. The secretariat informed the meeting that the market discussion would result in a market statement to be adopted by this session of COFFI. The drafting committee discussed the final content of the market statement on the following day and it was adopted by the Committee (see annex).

19. Mr Jarno Seppälä, Head of Forest Industry Consulting and Bio-solutions at INDUFOR presented forest products markets in Europe. With the exception of sawn softwood markets and oriented strands boards, which showed moderate growth potential in 2014 and 2015, on average markets were flat although a few countries were experiencing strong growth. For those countries indicating a positive outlook, exports appeared to be the biggest driver and not consumption within the subregion.

20. The delegate from Turkey highlighted that housing starts were up by 10% in 2013 and that as good or better growth was expected in 2014. This development, along with the depressed value of the Turkish Lira, was having a positive impact on wood markets in Turkey.

21. Mr. Nikolai Ivanov, Vice President of the Union of Timber Manufacturers and Exporters of the Russian Federation, delivered a presentation on Russian forest products markets. He highlighted that the Russian Federation had experienced the most significant increase in new construction in at least 20 years, which was a very positive development for the forest products industry. The effect that the falling value of the rouble would have on the competitiveness of the Russian forest sector was less clear, although, in the recent past, such trends were, in general, beneficial for the sector.

22. Mr. Bruce Glass, Forest Economist for Campbell Global, LLC presented an overview of the forest products markets in North America. Mr. Glass highlighted that markets had improved substantially for most forest products, but that housing demand was still muted despite impressive improvements in employment, household debt and the inventory of unsold houses. This was a result of the more conservative lending policies that financial institutions had adopted, following the 2008 financial crisis, the lack of consumer confidence and the lack of growth in personal incomes.

23. In general, Mr. Glass felt that most of the pieces were in place for substantial growth in demand in North America over the near term, and that this development would change the dynamic of exports to the Asia Pacific region. For example, in the long term, increasing demand for wood in China would likely see an increase in their imports from the Russian Federation once the North American housing market improves, thus reducing the wood available for export from North America.

24. Mr. Richard Vlosky, Director of the Louisiana Forest Products Development Center and Program Leader of the Forest Products Program at the Louisiana State University Agricultural Center, School of Renewable Natural Resources, Baton Rouge, presented an overview of wood energy developments North America. Mr Vlosky highlighted the market vulnerability of wood-based energy in North America, both as a result of its dependence on subsidies and the currently low prices of other energy sources, in particular natural gas. At the current time, pellet manufacturing is the most positive market segment for wood energy, but it is almost entirely dependent on exports to the EU; and there are questions as to whether the citizens of the EU will continue to absorb the high energy costs that result from subsidizing wood energy.

25. Participants also mentioned that, across regions, the high volatility of oil prices was having both positive and negative impacts on forest products markets and, in particular, on wood energy products. For example, lower energy costs: reduced the competitiveness of wood energy products; for some products, reduced production costs; and, overall, increased disposable consumer income.

26. The ECE/FAO Forestry and Timber Section will continue providing information on market developments in innovative forest product markets, such as forest-based fibres, as part of the Forest Products Annual Market Review.

B. Follow-up to the Rovaniemi Action Plan for the Forest Sector in a Green Economy

Documentation: ECE/TIM/2014/4 and ECE/TIM/INF.1

27. Delegates were provided with several examples of the implementation of the Rovaniemi Action Plan (RAP) at the national and regional level. Kazakhstan, Poland, the Russian Federation and Turkey presented the experience of their forest sector in the transition towards a green economy. Delegates were also informed about the results of ongoing work in the region in support to the implementation of the RAP.

28. Mr. Kenan Kilic (Turkey) referred to Orman2011, the joint session of the Committee with the FAO European Forestry Commission where participants reviewed the first draft version of the RAP. He explained how Turkey is developing a comprehensive national action plan for its forest sector, making use of the structure and content of the RAP and adding national targets that then were included in the national development agenda. For each pillar, a governmental department was designated to coordinate the implementation of activities. Mr. Kilic also shared the lessons learned. The forest sector is the first sector in Turkey to benefit from such a national plan.

29. Mr. Janusz Zaleski (Poland) provided an overview of the Polish cross-sectoral approach, which is organized along three axes: infrastructure for sustainable growth, innovation for smart growth and activities for inclusive growth. Forestry is an integrated part of both the Polish Strategy for Environment and Energy Safety and the Strategy for Development of Rural Areas, Agriculture and Fishery. Activities for green growth are supported by the National Fund for Environmental Protection and Water Management. In addition, Poland is developing a new National Forest Programme, which will complement the State Forest Strategy adopted in 2013.

30. Mr. Maxat Yelemessov (Kazakhstan) briefed participants on the Kazakh forest-related objectives that contribute to the transition to a green economy. In particular, he highlighted the measures undertaken in order to: preserve and develop forest areas and their biodiversity; decrease illegal logging; reduce the impact of forest fires and pest and diseases; and to support the wood processing industry. Those measures are supported by a total of 700 million USD including state, regional, municipal contributions and international funds.

31. Mr. Alexander Panfilov (the Russian Federation) highlighted the strong links between the Russian Federation's State Programme for 2013-2020 for the development of forestry and a green economy. Out of the 62 measures of the RAP to be implemented by governments, the Russian Federation intends to take action on 48 of them. This programme aims to increase the share of the forest sector in the gross national product, to create a favourable environment for the population, while preserving biodiversity and forest services as well as securing livelihoods for forest dependant people. The federal law to combat illegal logging and increased forest inspection capacities also will contribute to achieve those objectives.

32. Ms. Marta Gaworska (Poland), leader of the ECE/FAO Team of Specialists on Forest Policy, informed delegates about the outcome of their September 2014 meeting in Krakow, Poland. That meeting focussed on the implementation of the RAP at the national level. Participants reviewed the RAP objectives, defining priority areas for work in forest policy and clarifying the assistance needed from the secretariat to address them. Then, they assessed different ways of developing policies for the forest sector in relation to a green

economy. Based on this input, the Team of Specialists on Forest Policy is developing its work plan, which will include exchanges of information between members on experiences as well as the development of tools for policy making.

33. Ms. Helen Goodland (Brantwood Consulting) presented the first results from a review of policies in the ECE region for the promotion of sustainable building materials that was being conducted in order to implement activity A.6.5 of the RAP. It appears that a prescriptive approach dominates current policies. However, there is a shift in some countries towards integrated, cross-cutting performance policies, a more systematic use of Life Cycle Assessment and the recognition of wood as low carbon material. Out of the 100 responses to the survey, 28 policies were selected to illustrate leading practices. For those who did not have the time to contribute to the survey, there was still an opportunity to provide new input up until the end of November, which could then be included in the final report which is expected in the spring of 2015.

34. Mr. Edgar Kastenzholz (European Network of Forest Entrepreneurs) presented the results of work on decent green jobs in the forest sector, which contributes to the implementation of activities C.0.1, C.1.2 and C.2.2 of the RAP. The main challenges for the forest work force are: ageing; a lack of young entrants; insufficient training and education; high accident rates and health risks; as well as low the profitability of forest operations which prevents companies from investing in better work force conditions. To assess progress in meeting these challenges, he proposed the development of a set of indicators to assess jobs in the forest sector including: employment by job categories, gender equality, safety and health, skills development, entrepreneurship, remuneration, social protection and dialogue. This assessment would require improved data from reliable sources of information as well as enhanced capacities for reporting.

35. Portugal underlined the need to take into consideration the existing framework and methodologies for reporting on decent green jobs and on employment issues and, in particular, by the International Labour Organization.

36. The secretariat thanked Sweden for funding the review of leading policies in the ECE region for the promotion of the use of sustainable building materials.

37. The secretariat read out a message from Mr. Marc Palahi, Interim Director of EFI. In this message, EFI reiterated its commitment, through its research and policy support activities, to supporting an informed dialogue on the role of the European forest sector in building a green, bio-based economy and to ensuring that European forest research results provide a sound scientific basis for better informed political decisions. EFI noted that the Rovaniemi Action Plan provides an appropriate basis for future cooperation. In this regard, the secretariat underlined the good cooperation with EFI on green economy matters and other issues of common interest.

38. France recalled the voluntary nature of the RAP and asked for clarification on the following sentence in the French version of the document ECE/TIM/2014/1 “le Comité pourrait donner des indications sur des travaux supplémentaires à entreprendre en vue d’exécuter le Plan d’Action de Rovaniemi”. The secretariat confirmed the voluntary nature of the plan, which is neither prescriptive nor binding. It also recalled that the plan invites and requires monitoring and reporting on the progress of the forest sector in supporting a green economy in the ECE region.

39. Some countries stated that reporting on implementation of the RAP would be premature at this juncture, as the plan had been adopted only in December 2013. Referring to the presentations on the development of a green economy in some countries, it was agreed that the exchange of experiences and information was very useful and that this form of interaction should continue. FAO also offered developing an online platform for

voluntary dissemination of countries' experiences and other information on green economy policies.

40. As a first step, Switzerland proposed to add, on a voluntary basis, a green economy component based on pillar A of the RAP to the market statement that is prepared by member States each year. This proposal was supported by several member States (Germany, Ireland, the Netherlands, Poland, and the Russian Federation) but could not be supported by France and Portugal who expressed reservations. Finally, the Committee encouraged the countries to add, if they wish to do so, on a voluntary basis, information on the role of the forest sector in a green economy as part of their policy measures chapter in their market statement. The Committee requested that the secretariat reflect this option in the outline for the market statement. The Committee also requested the secretariat, under the guidance of the joint Bureaux, to propose an outline, a methodology, and a format for possible future reporting on implementation of the RAP for consideration by "Silva2015".

C. Measuring and communicating the contribution of the Forest Sector to a Green Economy

Documentation: ECE/TIM/2014/5

41. The secretariat informed the meeting that under this agenda item delegates were expected to provide substantive input and guidance to the work of the ECE/FAO joint section. The secretariat recalled that the mandate for this items stems from activity E.2.3 of the Rovaniemi Action Plan and work area 1 of the Integrated ECE/FAO Programme of Work.

42. Mr. Christopher Prins, Forest Sector Consultant, introduced the work on measuring and communicating the contributions of the forest sector to a green economy. He started by presenting the background behind the process leading to a green economy, and related developments in the forest sector. This was accelerated by the endorsement of the Rovaniemi Action Plan. Mr. Prins also presented the objectives of the session as well as a proposal for the next steps to be undertaken

43. Mr. Andrea Bassi, CEO of KnowlEdge Srl, presented definitions of a green economy and its rationale as well as recent developments in the measurement of a green economy and related indicators. He also illustrated the concept of measuring progress towards a green economy, based upon a model that integrated a variety of indicators along the policy cycle. This technique makes it possible to integrate different issues, under different sectors, into one conceptual framework.

44. Ms. Alessandra Alfieri, Chief, Environmental-Economic Accounts Section, United Nations Statistics Division, presented the concept and processes behind the System of Environmental-Economic Accounting (SEEA), which is an international statistical standard to measure interactions between the environment and the economy. This system is expected to contribute to the reporting on the Sustainable Development Goals (SDGs). Many of the expected SDGs are likely to include forest related information. Ms. Alfieri informed delegates about the development of the SEEA Experimental Ecosystem Accounting for Agriculture, Forestry and Fisheries and invited the sector to contribute to the review process for this proposal.

45. Mr. Florian Steierer, ECE/FAO Forestry and Timber Section, delivered a presentation on the concept of the "cascade use" of wood. He also presented possible ways of constructing a relevant indicator for the cascaded use of wood based on the ratio between the volume of wood-based products and the supply of newly cut roundwood. In his presentation, Mr. Steierer highlighted the expected benefits as well as limitations of reporting in this area.

46. Mr. Evgeny Kuzmichev, Senior Consultant and Ms. Marina Smetanina, Coordinator of the FLEG-2 Programme of the World Bank Russia, presented the World Bank's work on forest governance monitoring in the Russian Federation. They informed delegates about the process of developing an assessment system based on a sub-set of the Montréal Process² indicators, based on the approach developed by FAO and PROFOR. The method had been implemented in selected regions of the Russian Federation, with the participation of stakeholders and civil society.

47. In conclusion, Mr. Christopher Prins briefed the meeting on the results of the round table on measuring and communicating the contribution of the forest sector to a green economy, held in Rovaniemi, during "Metsä2013". This included broad principles and areas for the development of possible measurements of the forest sector's contribution to a green economy.

48. The secretariat thanked the Government of the Netherlands for their financial support to this activity.

49. Delegates from Austria, Canada, Czech Republic, Finland, Germany, the Netherlands, Portugal, the Russian Federation, Sweden, Switzerland and the United Kingdom provided substantive suggestions for the continuation of work in this area, including the following:

- a) It is important that work reflects linkages with, and considers relevant developments in, other sectors and avoids a "silo" approach when looking at the forest sector in a green economy. Communication on this work with other sectors is critical;
- b) It is not appropriate to use monitoring of progress towards a green economy to pass judgement on the performance of individual countries;
- c) Consideration should be given as to which would be the best methodologies for reporting on the contribution of the forest sector to a green economy, and these might, or might not, include indicators;
- d) Green economy issues, as applicable to forest-related sectors, may go beyond sustainable forest management. When deciding on the elaboration of a set of indicators for measuring the role of forests in a green economy, a cautious, although proactive, approach should be embraced because the concept of a green economy is not yet mature and there is a need for a gap analysis taking into full account the existing SFM criteria and indicators.
- e) It is important that monitoring reflects all different aspects of the contributions of forests and forest-based industries to a green economy and indicators are not limited to the environmental accounting aspects and also reflect those aspects related, for instance, to: the industry, the expansion of use of the forest-based energy resources in the energy mix, the recycling sector, contributions to climate change mitigation, and silviculture;
- f) Work in this area should take into account, and be consistent with, other indicators developed under other processes, both at the regional level (e.g. Forest Europe, Montréal Process) as well as at the global level (e.g. SDGs);

² The Working Group on Criteria and Indicators for the Conservation and Sustainable Management of Temperate and Boreal Forests

- g) The areas of measurement proposed by the roundtable in Rovaniemi during “Metsä2013” were welcomed by several delegates, in principle, as a basis for future work;
 - h) It is important to work with statistical offices, both at the national and international levels, when developing indicators given their expertise in the area;
 - i) Existing data should be identified and used to understand the contribution of the forest sector to a green economy and any gaps in data should be identified.
50. Several delegates also noted that natural capital accounting was not a passing phase and the forest sector needs to be ready to provide its contribution to this important goal.
51. The delegations of Portugal, France, Belgium, Austria, Germany and the Czech Republic recalled that the Rovaniemi Action Plan indicates that Forest Europe is the leading actor in this activity and, as such, Forest Europe should be involved in this work.
52. The secretariat recalled that, as indicated by member States in the course of the discussions, the RAP is voluntary and non-prescriptive in nature, thus it cannot commit Forest Europe to activities if the process does not wish to implement them. However, the joint ECE/FAO Forestry and Timber Section has been mandated by its governing bodies to monitor the forest sector in a green economy.
53. The secretariat also reported that they had written to the Forest Europe Liaison Unit Madrid recently to offer cooperation on relevant work on indicators, but had been informed by the Liaison Unit that they were not in a position, at that time, to cooperate until the mandate for the updating of the SFM indicators had been confirmed by the Expert Level Meeting (ELM).
54. It was suggested by some delegations that the secretariat approach again the Liaison Unit to offer to present information on current work on monitoring forests in a green economy at the next ELM meeting in January 2015. In line with a suggestion from Portugal, the secretariat proposed that it invite Forest Europe to join forces in a workshop to be organized jointly, and in cooperation with other relevant processes and organizations.
55. The Russian Federation noted that while the joint ECE/FAO Forestry and Timber Section was acting under an agreed mandate, Forest Europe does not seem to have a clear mandate in this area. Thus Forest Europe delegates might wish to give a clear mandate to the Forest Europe process in order to join forces with ECE and FAO in implementing this activity.
56. Portugal suggested that the secretariat prepare a paper on how other processes are monitoring and measuring progress towards a green economy.
57. The Chair concluded that:
- a) Work on measuring and communicating the progress of the forest sector towards a green economy should be continued, in accordance with elements E.2.3 and E.5.1 of the Rovaniemi Action Plan and work area 1 of the Integrated ECE/FAO Programme of Work;
 - b) These issues are complex and have not yet been subject to an in-depth review, so they should be analysed carefully before making final decisions, in particular with regard to any new indicators that might be necessary;
 - c) It is, however, necessary to move forward rapidly, in full cooperation with partners including partners from other sectors such as the UN Statistics Division;
 - d) The available indicators, including the SFM criteria and indicators, should form the basis for further work and be examined in order to identify possible gaps and

contradictions with what is necessary in order to monitor progress towards a green economy, and then to determine the scope of future work.

- e) There is clear interest among delegates to explore this further, in the form of a meeting or workshop.
- f) This work should also be taken up by the Teams of Specialists and the joint ECE/FAO Working Party on Forest Statistics, Economics and Management.

D. The Forest for Fashion Initiative

Documentation: ECE/TIM/2014/6

58. The secretariat informed the meeting that discussions under this agenda item were to provide information on events organized in order to celebrate the International Day of Forests (21 March 2014) by the United Nations Office in Geneva (UNOG), on the initiative of the joint ECE/FAO Forestry and Timber Section, which this year took place under the theme of, “Forests for Fashion – Fashion for Forests”. Mr. Paolo Naldini, Director of Cittadellarte-Fondazione Pistoletto in Italy presented the “Forests for Fashion – Fashion for Forests” event focusing his intervention on an analysis of the challenges that the forest and fashion sectors face in order to operate in a more synergistic and sustainable way. Mr Naldini concluded by presenting an overall sustainability concept and recommendations on how the forest and fashion sectors could mutually support sustainable production and consumption patterns, given the growing market for wood fibres.

59. Mr. Lorenz Wied, Head of Strategic Projects at Lenzig AG in Austria, presented the practical/technical aspects of the products and concepts that were highlighted during the “Forests for Fashion – Fashion for Forests” conference last March. In particular, Mr. Wied’s presentation focused on the values underpinning businesses’ efforts to produce sustainably and on the practical steps undertaken by Lenzig AG to reach this objective. Furthermore, Mr. Wied provided a comparative analysis of different fabrics in terms of their environmental impact and Material Sustainability Index (MSI) score.

60. Mr. Eoin O’Driscoll (Ireland), the leader of the ECE/FAO Team of Specialists on Sustainable Forest Products, expressed his support to the initiative and to expanding, beyond traditional areas, the work on forest product markets.

61. In the following discussion, the key role of the fashion industry in setting consumer trends highlighted its capacity to move market demand down a more sustainable path.

62. The secretariat brought to the attention of the meeting a letter from the Programme for the Endorsement of Forest Certification (PEFC) to COFFI, stressing the importance of traceability of sustainably sourced forest fibres.

63. The Chair asked the secretariat to continue monitoring the textile fibre market within the Forests Products and Markets Report (FPMAR), as appropriate.

64. COFFI acknowledged the importance of wood-derived fibres in supporting the sustainable production of textiles and recommended exploring the development of traceability schemes for textile fibres, with a view to providing garment producers and retailers with a clear understanding of the sustainability of the textiles they produce and sell, thus supporting more sustainable choices by both producers and consumers. This should be undertaken by the relevant organizations, including ECE through its existing work on traceability, working in close cooperation with existing certification and traceability schemes such as PEFC.

65. The secretariat announced the theme for the International Day of Forests in 2015: “Forests for Food – Food for Forests,” to be celebrated by UNOG and the joint ECE/FAO Forestry and Timber Section and highlighting the visibility of the event and the opportunity

for member States to contribute to it. The aim of the, “Forests for Food – Food for Forests” initiative would be to raise awareness of the synergies and issues around forests and food industry.

III. Forest information, reporting and outlook

A. Global and regional reporting on forests and sustainable forest management

Documentation: ECE/TIM/2014/ INF.2

66. Mr. Roman Michalak, ECE/FAO Forestry and Timber Section, provided information about the two processes of data collection on forests and forest management in the ECE region. The joint ECE/FAO section supported national reporting for the global Collaborative Forest Resources Questionnaire/Forest Resources Assessment from countries of the pan-European region. In parallel, the section also led and coordinated the national reporting process for the Joint Forest Europe/ECE/FAO Questionnaire on quantitative indicators for SFM. He reported on the results of these processes, related developments and future plans for global and pan-European reporting on forests.

67. Mr. Peter Csoka, FAO, informed the delegates about the decision to upgrade the status of the FRA report from a FAO Forestry Paper to a publication in its own class and publish all related studies accordingly.

68. The Committee welcomed the information on the status of work in this area and appreciated the work done by national correspondents, the Team of Specialists on Monitoring SFM and the joint ECE/FAO Forestry and Timber Section. The Committee also took note of the good cooperation among the organizations involved and, in particular, with Forest Europe.

B. Contribution to the eleventh session of the United Nations Forum on Forests

Documentation: ECE/TIM/2014/INF.3

69. The secretariat informed the Committee that following the request by the “Metsä2013” meeting, the ECE/FAO Forestry and Timber Section had developed a study on progress towards the achievement of the global objectives on forests and Sustainable Forest Management (SFM), and on challenges for forests and the forest sector in the ECE region. The study will be a contribution to the 11th Session of the United Nations Forum on Forests (UNFF11).

70. Mr. Christopher Prins, in his capacity as Coordinating Lead Author for the study, briefed delegates on the objectives and preliminary results of the study and plans for its finalization and launching at UNFF11. He also briefed delegates on how the region had progressed towards the UNFF global objectives and about major challenges faced by countries in the ECE region.

71. Ms. Barbara Tavora-Jainchill, UNFF secretariat, congratulated the Committee on the study, which was timely and relevant to the UNFF review process. Responding to her question about the dissemination of the study, the secretariat reported that it plans to publish the study as soon as possible in order to allow UNFF delegates to read it well in advance of the UNFF session. The study will be presented at the official part of the UNFF11 and it is also planned to organize a side event dedicated to the study. Plans to release the preliminary results are also on-going, and the secretariat will get in touch with the UNFF secretariat on this.

72. In response to comments from France and Portugal, the secretariat explained that the study was produced with the use of existing data. National correspondents reporting to

global and regional studies, officially nominated by FAO member States, were invited to check these data. The secretariat explained that it has to use official contacts to verify data, as provided by members States. Verified data, as well as the revised draft of the study will be available to countries (COFFI and EFC delegates) for further review as soon as the next draft is completed.

73. On the issue of the geographic sub-regions used in the study, it was clarified that it covered the ECE region, according to the geographical regions distribution attributed to the United Nations Regional Economic Commissions. Data are, in any case, gathered by country, so should there be a need to aggregate them differently, this would be possible, including for the EFC sub-region.

74. The Committee appreciated the in-kind and financial support to the study offered by the countries of the region and, in particular, Finland, Germany, the Russian Federation, Switzerland and the United States. The delegates thanked the authors, the Team of Specialists on Monitoring SFM and other contributors for the excellent work and encouraged them to continue the effort to complete the study by January 2015.

C. Study on Forest Ownership in the ECE region

Documentation: ECE/TIM/2014/7 and ECE/TIM/2014/INF.4

75. Mr. Roman Michalak (ECE/FAO FTS) and Diana Feliciano (COST Action FACESMAP) briefed the delegates on the preparation of the Study on Forest Ownership in the ECE region. This was carried out by the ECE/FAO Forestry and Timber Section in close cooperation with the COST Action FP1201 “Forest Land Ownership Changes in Europe: Significance for Management and Policy” (FACESMAP).

76. They presented the main objectives of the study and the timeframe as well as the organizational framework of this project. The delegates were introduced to the most recent draft version of the Forest Ownership Questionnaire. The Forest Ownership Questionnaire is the main tool to collect data on forest ownership in the ECE region. It consists of two parts (quantitative and qualitative questions). The ECE/FAO Forestry and Timber Section is responsible for the quantitative part, while COST Action FACESMAP for the qualitative one

77. In response to the question from Belgium, the secretariat indicated that the study was a separate activity mandated by the Integrated Programme of Work, and independent from other reporting processes. However, all relevant information collected through other processes would be used, to the greatest possible extent. Portugal, expressed concerns about the ability of countries to provide the information requested in the new questionnaire, as it was extremely detailed.

78. The Committee welcomed the work done so far and, in particular, the cooperation between the ECE/FAO Forestry and Timber Section and the COST Action FACESMAP, and encouraged them to continue working on the next phases of the project and the production of the study.

D. Policy issues for the next round of outlook studies

Documentation: ECE/TIM/2014/INF.5

79. Delegates were briefed on the results of the consultations conducted by the Team of Specialists on Forest Sector Outlook on the possible policy issues to be considered in the next round of outlook studies (for detailed information refer to document ECE/TIM/2014/INF.5). The Committee was invited to provide input on the proposed policy issues by 15 December 2014. The United Kingdom underlined that these policy issues should be reviewed taking into account the results of the study presented under agenda item 2b.

80. The policy issues to be considered by the Outlook studies will be discussed again at the next meeting of the Team of Specialists in Ispra, which will take place at the Joint Research Centre on 22 and 23 January 2015 in order to discuss to which extent the available potential available data and models can answer the proposed questions.

81. The ECE region is covered by three main outlook studies: EFSOS for Europe, NAFSOS for North America and RUFOSOS for the Russian Federation. Delegates were informed that there are different options regarding the geographical scope of the next studies. In particular, the proposal to include the Russian Federation in the next EFSOS was mentioned and this would also be further discussed at the meeting in Ispra.

IV. The role of forests in the post-2015 agenda

Documentation: ECE/TIM/2014/8

82. Delegates were informed about developments in the government led process towards the Sustainable Development Goals by 2015, the outcomes of the ECE/FAO work in this area, and the review of the International Arrangement on Forests.

83. Mr. Christoph Dürr (Switzerland) presented the major forest-related goals and targets which had emerged from the United Nations Open Working Group (OWG) on Sustainable Development Goals (SDGs). Mr. Dürr also briefed delegates on the results of the ECE/FAO workshop on “Forests and Sustainable Development Goals: a regional view,” held at the request of “Metsä2013” in Geneva in two parts: on 22 and 23 January 2014 and on 16 June 2014.

84. The results of the first meeting were shared at the Open Working Group on Sustainable Development Goals in February 2014 in New York, while the outcome of the second was endorsed by the thirty-sixth session of the joint ECE/FAO Working Party on Forest Statistics, Economics and Management and presented at the twenty-second session of the FAO Committee on Forestry in Rome.

85. Mr. Simon Milledge, Principal Researcher Forest Team, Natural Resources Group, IIED explained how the current SDGs address forests and forest management and analysed their implications for forests and related policy frameworks. He stressed the relevance of existing frameworks in this regard, including SFM, sustainable landscape management, locally controlled forestry and forests in a green economy.

86. Ms. Barbara Tavora-Jainchill, UNFF secretariat, informed the meeting about the current process of the review of the International Arrangement on Forests (IAF). The Forum will consider a full range of future options, including a legally binding instrument on all types of forests, strengthening of the current arrangement, continuation of the current arrangement and other options. She underlined that the review of the IAF will also offer an important opportunity for shaping the post-2015 agenda, including the SDGs, given the inclusion of forests and sustainable forest management in the outcome of the OWG process. Delegates were informed about the IAF review process, which would be finalized at the 11th meeting of the Forum in May 2015. In preparation UNFF Members had agreed on a series of inter-sessional activities: (i) soliciting views and proposals on the IAF from member States and other relevant stakeholders; (ii) conducting an independent assessment of the IAF; and (iii) holding two meetings of the ad hoc expert group on the IAF. In this regard, delegates were encouraged to provide their views on the review of the IAF to the UNFF secretariat by the deadline of 5 December 2014.

87. Mr. Maxim Lobovikov, international consultant and member of the independent assessment team, provided a historical perspective and described the working modalities of the IAF independent assessment process. He informed the Committee about the main

conclusions of the IAF evaluation process from the perspective of the independent assessment team. In the course of the assessment process, the team identified possible options for the enhanced post IAF: (i) the current arrangement; (ii) a strengthened institutional approach; (iii) a complimentary pathway to SFM; and (iv) an approach based on regional-level agreements. To support implementation of the suggested options, the experts formulated proposals for institutional and financial systems of interconnected building blocks at the global, regional and national level.

88. In the following discussion, the Committee stressed the importance of ensuring that forests are properly recognised in the final SDGs. Member States underlined the important role to be played by national governments in the final phase of consultations that would lead to the intergovernmental agreement at the end of 2015. The Committee also recognized the need for sharing information about developments in the political process and to be engaged when appropriate. The secretariat was encouraged to continue to inform member States about the progress of intergovernmental discussions.

89. The secretariat thanked the Government of Sweden for the important role they had played in leading and supporting the ECE/FAO work on SDGs.

V. Reporting and implementation of the Integrated Programme of Work and reporting and implementation of related decisions

A. Report of the ECE/FAO Working Party on Forest Statistics, Economics and Management

Documentation: ECE/TIM/EFC/WP.2/2014/2

90. Mr. Johannes Hangler, Chair of the Joint ECE/FAO Working Party on Forest Statistics, Economics and Management (JWPSEM) presented the outcomes and decisions of the thirty-sixth Session of the JWPSEM held on 17 and 18 June 2014, including information on the first meetings and the work plans of the ECE/FAO Teams of Specialists that had been established in order to support the ECE/FAO Integrated Programme of Work 2014-2017.

91. The Committee was informed that the thirty-seventh session of the JWPSEM will be held from 18 to 20 March 2015 in Geneva.

B. Review of 2014 activities and planned activities for 2015

Documentation: ECE/TIM/2014/9

92. Delegates were informed about activities of the ECE/FAO Integrated Programme of Work 2014-2017 which were implemented in 2014 and activities planned for 2015, as contained in document ECE/TIM/2014/9. The Committee took note of the information provided and acknowledged and appreciated the work carried out in 2014. The Committee looks forward to the implementation of activities listed for 2015 as well as those activities that emerged from the discussions by the Committee during the session.

C. Biennial evaluation report

Documentation: ECE/TIM/2014/10

93. Delegates considered the biennial evaluation report 2012/2013, which was approved. The secretariat suggested to discontinue this type of formal reporting, which has become optional and has little added value if any for the work of the Committee. The secretariat explained that, in any case, the integrated programme of work is reviewed at the end of

each programme period, which gives the member States an opportunity to review the programme in 2017.

94. The Committee approved the discontinuation of the biennial evaluation. The Committee also took note of information provided by the secretariat regarding document submission compliance, which was for this meeting at 100%.

D. Implementation of the UNDA and Fire projects

Documentation: ECE/TIM/2014/11 and ECE/TIM/2014/INF.6

95. The secretariat reported on the UN Development Account Project in support of SFM that is being implemented by the ECE/FAO Joint Section in the Caucasus and Central Asia. The project includes a total of 46 SFM workshops (regional, national, local and coaching workshops). These workshops are conducted based on participatory training methods and in local languages. In three countries (Georgia, Kazakhstan and Tajikistan) the project includes assistance in the development of national action plans. The delegation from Uzbekistan then reported on this project's contribution to the understanding of SFM and a green economy in their country. The Armenian delegation reported that more than 100 people in their country had gone through the training. Both the Armenian and Uzbek delegations expressed the hope that, in the future, their countries, as well as the project's current three pilot countries, could also receive assistance for the development of national action plans.

96. The Committee expressed its desire to see these activities continued and, if possible, expanded.

97. Mr. Johann Goldammer reported on the final activities of the Team of Specialists on Forest Fire, their activities having been transferred to the global International Wildfire Preparedness Mechanism which is now cooperating with a wide range of international organizations as well as the ECE and FAO. He reported on a number of publications and meetings related to forest fires which had taken place during the past year. In particular, he reported on the regional forum on cross-boundary forest fires which took place in Geneva, Switzerland in November 2013 and for which a number of publications and documents had been prepared. Recommendations coming out of the Forum emphasized the need to take a cross-sectoral and global approach to forest fires. The Forum had also proposed moving from a purely voluntary to a more regulatory-based approach and the adoption of Fire Aviation Guidelines for fighting wildfires. He also proposed that if a legally binding agreement was reached at either a European or Global level, a protocol on forest fires be envisioned.

98. The Committee congratulated Mr. Goldammer on the great work on Forest Fires which had taken place under the aegis of the Committee and the EFC for 30 years and the wish of the Committee to continue to cooperate with the work now that it had moved to a global level.

99. The secretariat noted that the recognition of the global relevance of the work of this ToS was a sign of success. The German delegation thanked Mr. Goldammer and the ToS for their excellent performance in the area of forest fires. The Kazakh delegation also noted the importance of the work of the ToS as the foundation for current cooperation on fighting cross-boundary forest fires in the region.

100. Mr. Goldammer concluded by emphasizing that climate change has resulted in increased drought and incidence, intensity and severity of forest fires globally, which will only become worse in the future. Therefore, in this region, in the future, there may be a need also to look at how to "live with" fires (rather than focussing solely on suppressing fires).

VI. Rules of procedure for the Committee

Documentation: ECE/TIM/2014/12

101. In line with the 2013 review of the 2005 ECE reform, and in accordance with the Guidelines on Procedures and Practices for ECE bodies adopted by the Economic Commission for Europe (E/2013/37-E/ECE/1464, annex III, appendix III); delegates considered the draft Rules of Procedure proposed for the Committee by its Bureau. The draft modified by the secretariat in accordance with the comments made by member States and listed below will be forwarded for consideration and possible adoption by the Committee during “Silva2015”:

- a) Frequency of COFFI meetings (para 2): the possibility and desirability of having COFFI sessions every other year should be explored;
- b) Special attention should be given to the provisions of the Rules of Procedure as they relate to the joint sessions of COFFI and EFC;
- c) Timing for circulation of official documents (para 4): the deadline for circulation of official documents should be clearly specified;
- d) Participation of NGOs (para 9): NGOs, private sector and academia and other entities, which do not have consultative status with ECOSOC are welcome to participate in the sessions of the Committee if invited by the secretariat and approved by member States on the basis of no objection;
- e) Re-election of Bureau members (para 12): after their original election, Bureau members should be able to be re-elected for three additional terms;
- f) Geographical balance should be taken into due consideration when examining the candidatures of potential Bureau members;
- g) Contractual arrangements of Bureau members with UNECE (para 13): It was noted that this clause is very important in order to avoid conflicts of interest between a Bureau member, who should act and provide his or her views in an independent manner, and the organization, which should not enter into any financial contractual arrangements with the Bureau member or the organization/institute the Bureau member works for;
- h) Decisions taken by consensus (para 21): it was suggested to strengthen the formulation to indicate that the Committee should make all possible efforts to take decisions on the basis of consensus.

102. In response to a question of Germany on the compatibility of the Committee Rules of Procedure with those of EFC, the secretariat provided background information based on document ECE/TIM/2014/1/CORR.1.

103. With regard to para 13 of the document on procedures, regarding contractual arrangements and conflicts of interest, the Russian Federation noted that it is important that a similar approach be applied within the EFC Executive Committee, in order to guarantee a similar treatment of Bureau members in both bodies.

104. The secretariat also noted that the compatibility and harmonization of procedures between COFFI and the FAO EFC could be discussed at the upcoming meeting of the ECE/FAO Steering Committee expected to take place in Budapest on 10 December 2014 which the UNECE Executive Secretary has committed to attend in person. The joint Bureaux will be kept informed of discussions and will be consulted, as and when appropriate.

VII. Election of officers

105. The secretariat introduced the elections and explained the Committee's practices to the delegates. The following individuals were then elected to hold office until the end of the seventy-third session: Mr. Christoph Dürr (Switzerland) as Chair, and, as Vice-Chairs: Mr. Heikki Granholm (Finland), Ms. Marta Gaworska (Poland,) and Mr. Guy Robertson (United States).

106. Mr. Christoph Dürr thanked delegates for their trust and the secretariat for the support offered so far to his work. He was convinced that the ECE/FAO joint arrangements and the joint Programme of Work offer an excellent platform for future work and he is looking forward to working with delegates, members of the joint Bureaux and the secretariat in the coming months.

107. The Committee warmly thanked Mr. Granholm for his excellent service as its chair.

VIII. Date and place of the next session

108. At "Metsä2013", it was agreed that the next session of the Committee be organised jointly with the FAO EFC in 2015 and hosted by Switzerland in conjunction with the third European Forest Week. Mr. Christoph Dürr, on behalf of Switzerland, presented Engelberg where "Silva2015" will take place from 2 to 6 November 2015. He also shared with delegates some views on issues that he would like to have addressed by "Silva2015".

109. The representative of Poland, on behalf of the Ministry of Environment, informed the meeting of Poland's interest in hosting the next joint session of COFFI and EFC, should it take place in 2017. Poland will liaise with the secretariat in order to take care of related formalities and procedures with the understanding that no decision was taken at this session.

110. The secretariat also informed the delegates that there were on-going discussions with a member State on the possibility of hosting the seventy-fourth COFFI session in 2016.

IX. Any other business

111. Mr. Eoin O'Driscoll, Ireland, Leader of the ToS on Sustainable Forest Products informed the Committee about a capacity building workshop on markets and marketing for the Western Balkans that is expected to take place in Montenegro in May 2015. Support to the organization of the workshop would be highly appreciated.

112. The need for at least a day long market discussions was raised by Germany and was supported by many other delegations. The importance of having a good balance between housekeeping, policy and strategic issues and market related discussions at COFFI sessions was noted. The secretariat suggested continuing the practice initiated at "Metsä2013" to have one day (called 'the private sector day') in which relevant items are discussed. This proposal was welcomed by the Committee.

X. Adoption of the report

113. The Committee adopted the present report in session.

114. The Chair thanked delegates for their input to the report. The joint secretariat informed the participants that the final edited report would be issued in the coming days. The meeting also expressed their sincere appreciation to the Government of the Russian

Federation and the City and people of Kazan for their warm hospitality and excellent organization.

115. The meeting was closed on Friday 21 November 2014 at 1:35 am.

Annex

Forest products market statement

I. Overview of forest products markets in 2013 and 2014

1. Despite improving conditions in the five years since the economic crisis hit bottom in 2009, the production of major forest products in the UNECE Region (Europe, the Commonwealth of Independent States (CIS) and North America) is still 10-15% below the average annual output for the four years preceding the crisis (2004-2007).

2. The region holds 80% of temperate and boreal forests (40% of global forest) and supplies a majority of global wood and wood products. What can be said is that the industry has made many adjustments (cost cutting, consolidations and finding overseas outlets for products) which have contributed to a more stable and predictable market (a key element in attracting investment into the sector). In 2013, the consumption of forest products within the UNECE region has been uneven, with Europe stagnating and the CIS and North America showing modest growth.

3. Demand for many forest products has been deeply affected by developments in the key housing and construction sector. Recession, sovereign debt problems, low rates of household formation and lethargic economies continue to constrain Europe's housing construction market; with no improvement expected before 2015 or 2016. Housing completions in the Russian Federation achieved record levels in 2013, with a total of 912,100 new dwellings built, an increase of 10.3% over 2012 and the largest number of new dwellings built in a single year for more than 20 years. In North America, the US housing market remains in the early stages of recovery, although housing starts and new house sales are still at the lowest levels recorded since 1963.

4. Although recent developments in most forest products markets still do not warrant being labeled as a "recovery", the industry is looking forward to the promise of increased global demand, pent up domestic demand and the fact that wood products hold many solutions to improving the sustainability of the region's economy and the global environment.

Economic developments with implications for the forest sector

5. The International Monetary Fund and the World Bank project lacklustre economic performances for the United States and the Euro Area in 2014 and 2015. For the United States (US), they project GDP growth at 2.2 per cent in 2014 and 3.1 in 2015. The Euro area GDP growth is projected at 1.2 per cent in 2014, increasing to 1.5 per cent in 2015. For the OECD countries, GDP growth is forecast at 1.5 per cent in 2014, increasing to 1.9 per cent in 2015.

6. The World Bank has stated, "Developing countries are headed for a third consecutive year of disappointing growth below 5 per cent...the Euro Area is on target to grow by 1.1 per cent and the US by 1.9 per cent in 2014"³. In developed and high-income

³ World Bank, Global economic prospects: shifting priorities, building for the future. Volume 9. Available at: www.worldbank.org/content/dam/Worldbank/GEP/GEP2014b/GEP2014b.pdf.

regions such as Europe, growth is being restrained by fragile consumer and business confidence, high-unemployment in some member countries, continued banking-sector and fiscal restructuring, and lingering sovereign debt problems. In the Euro area, these trends are primarily due to the enduring after-effects of the 2008 financial crisis. In the US, the economy appears to be incrementally improving, but several of the same uncertainties expressed for the Euro area, particularly business uncertainty, also are affecting the US economy.

7. The prospects for Russia's economy were down-graded in 2014 by the IMF, with GDP growth estimated at 0.2 per cent for 2014 and 2.3 per cent in 2015.

Policy and regulatory developments affecting the forest products sector

8. Policies related to wood and forest product markets – from trade agreements to building codes – continue to influence wood use as a material across industries including building, energy and packaging and wood's overall contribution to economic development. The EU Timber Regulation, the new EU Forest Strategy and the developing Transatlantic Trade and Investment Partnership (TTIP) trade agreement are key developments.

9. The EU Forest Strategy, which was adopted on 20 September 2013, responds to new challenges facing the EU forest sector and to key policy developments in the EU. Key outputs of the EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, which marked its tenth anniversary in 2013, are voluntary partnership agreements (VPAs) between the EU and tropical timber-supplying countries.

10. A report published by the European Commission assessed the impact on deforestation of EU consumption of all products and services, not just those derived directly from forest management. The report estimated that worldwide, 33% of the deforestation embodied in crops and 8% of deforestation embodied in livestock products enter international markets. This implies that policy measures targeting the consumption of agricultural commodities would be at least as effective in reducing deforestation as those targeting timber products.

11. In May 2014, the major global certification schemes – the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) – reported a total gross area of 440.3 million hectares under their individual (endorsed) certification standards. The total certified area grew by 3.8% (16 million hectares) during the preceding year ending in May 2014, which was half the growth seen in the previous 12 month period. Estimated industrial roundwood production from certified forests increased by 20-30 million m³ per year between May 2011 and April 2014, reaching 524 million m³. Thus, about 30% of global industrial roundwood production (1.7 billion m³) was derived from certified forest.

12. The US Green Building Council (USGBC) approved version 4 of the Leadership in Energy & Environmental Design (LEED) green building standard in June 2013. In the Materials and Resources section of that standard, prescriptive measures have been replaced with credits related to life-cycle analysis based environmental product declarations, materials ingredients verification, and raw-material extraction.

13. The main carbon market, the EU Emissions Trading System (EU ETS), is still marked by uncertainty about its cost-efficiency and impact. In the first quarter of 2014, a record 2.8 billion European carbon allowances were traded on Europe's four main

emissions exchanges, an increase of 12% over the same quarter in 2013, despite a cut in supply.

Innovative wood-based products: textiles

14. Developments in the wood-derived fabric industry continue to support the status of wood as a preeminent sustainable source of fibre for the world's clothing. Wood-derived viscose in its various forms is already an important player, accounting for 6% of the world fabric market. It occupies third place in that market, after synthetics and cotton and ahead of wool.

15. Traditional viscose has its environmental downside because toxic chemicals are used in its production. However, various "closed loop" systems have ensured that such chemicals are re-used and not released into the environment, and second-generation wood-derived fabrics, such as produced by the Lyocell process, have strong green credentials.

16. Wood-derived fibres are a close substitute for cotton, which carries significant undesirable environmental consequences. Because there are land and water restrictions on the continued expansion of cotton plantations, it is expected that the production of wood-based fibres will increase over the next few years. Proximity to a competitively priced source of wood is a key variable driving production costs for wood-derived fibres; many countries in the UNECE region are well-placed to take advantage of this potential.

17. With this in mind, UNECE arranged the "Forests for Fashion – Fashion for Forests" event in Geneva in 2014, showcasing wood-based fabrics to designers and commentators in the fashion and related industries. The market for fashion and fabrics is highly dependent on demand and consumer preferences. Consumer demand for wood-fibre-based fabrics could imply a need for greater cooperation, both between producers of sustainable fibres and with other parts of the fabric production chain to ensure clear labeling and consumer confidence.

II. Summary of regional and subregional markets

18. The overall condition of forest products markets in the UNECE region is improving. However, markets in the European subregion are stagnant, but industry consolidations and increased exports (created by demand from China and other extra-regional export destinations) have helped much of the wood sector to diversify and adapt to the current market situation.

19. The CIS experienced moderate growth in most forest products in 2013, assisted by a strong year for construction in the Russian Federation and many of the other CIS countries. Investments in new plants and the recapitalizing of old plants were a sign of optimism and confidence. Exports have been a strong feature of growth in the subregion. There was a drop in the production and consumption of pulp and paper in the CIS in 2013; however, the reconstruction and restructuring of the Russian pulp and paper industry is now a priority and should help future prospects.

20. North America continued to show strong positive movements in markets for most wood products. This was a result of the recovery in the housing sector, an improved economic situation, and increased exports of products and roundwood to Asia and of wood pellets to Europe.

Wood raw materials

21. A worldwide rise in demand for forest products in 2013 resulted in the highest timber harvest in the UNECE region in six years. Removals of industrial roundwood reached 1 billion m³ in 2013, have been trending upward for five years and were more than 17% higher in 2013 than in 2009. Overall harvest levels increased by almost 2% in Europe and the CIS in 2013 (compared with 2012) and by 0.3% in North America.

22. The consumption of roundwood by the forest industry in the UNECE region was 984 million m³ in 2013, which was 1% higher than in the 2012. This was the fourth consecutive annual increase, with the manufacturing industries in all UNECE subregions consuming more logs in 2013 than they did five years ago. Europe recorded the biggest rise in roundwood production and consumption in 2013 compared with 2012, while roundwood production and consumption increased only slightly in North America.

23. Much of the higher demand for roundwood was the result of improved sawnwood markets. The production of sawn softwood increased by 3.3% in the UNECE region in 2013 to meet higher demand both in the region and in extra-regional markets such as China, Japan, the Middle East and North Africa.

24. The trade of industrial roundwood into and from the UNECE region increased by more than 8% in 2013, with net exports of 27 million m³. The largest increases in shipments in 2013 were in US exports of softwood logs to China; softwood log imports to Germany from neighbouring countries; imports of both softwood and hardwood logs to Finland from the Russian Federation; and exports of softwood logs from Norway to Sweden. The major global log trade flows continue to be driven by Chinese imports from New Zealand, the Russian Federation and the US, with New Zealand surpassing the Russian Federation in 2013 as the world's largest exporter of softwood logs.

25. The improving housing market in North America should lead to strong growth in domestic demand for forest products, leading to higher prices. Indirectly, this could encourage China to source more wood products from the Russian Federation, as it is the most logical supplier for China's ever increasing need for wood.

26. In addition to the removal of industrial roundwood, 194 million m³ of wood fuel was reportedly produced in the UNECE region in 2013. Most of this was consumed in Europe, which accounted for almost 60% of total wood fuel consumption in the UNECE region.

27. COFFI forecasts that industrial roundwood removals is expected to increase in the UNECE region at an annual rate of 1.1% in 2014 and 0.3% in 2015, with a subregional breakdown as follows: Europe +1.6% in 2014 and +0.2% in 2015; CIS +1.7% in 2014 and +0.8% in 2015; and North America at +0.3% in 2014 and +0.2% in 2015.

Sawn softwood

28. In line with generally improving but unsettled global economic trends, 2013 was characterized by recoveries in North America and the CIS countries and by varying conditions – from unsettled to improving – in Europe. Sawn softwood consumption increased by 5.2% in North America in 2013 due to gains in the housing market, and by 8.8% in the CIS. Europe recorded a 1.7% drop in apparent consumption, as some countries continued to struggle economically, but there were production gains in all the UNECE subregions: North America (5.2%); CIS countries (4.0%); and Europe (1.3%).

29. As European demand for sawn softwood stabilized and overseas exports increased, production in Europe grew slightly – by 1.3% – in 2013, to 97.9 million m³. This growth was due mainly to increased production in Finland, Romania and Poland, which collectively added 1.3 million m³ of production. In Europe and the Middle East, sawn softwood prices increased moderately in 2013 compared with 2012. Improved capacity utilization led to price increases, and sawmilling companies with export market exposure were able to improve their profitability. Most European mills made at least some profit in 2013, instead of the losses seen in 2012.

30. Apparent sawn softwood consumption in the CIS increased to 19.44 million m³, and production amounted to 35.78 million m³, an increase of 4.0% over 2012. Fuelled by strong export demand as well and the strength of the euro and the US dollar at the end of 2013 and early 2014, sawmills increased production and prices increased in 2013 compared with 2012. In 2013, Russian exports increased: to China (by 21.5%, to 7.5 million m³); Uzbekistan (by 28%, to 2.66 million m³); Azerbaijan (by 16%, to 1.0 million m³); Tajikistan (by 14%, to 955,000 m³); and dropped in Egypt (- 21% to 1.37 million m³).

31. Apparent sawn softwood consumption increased in North America by 5.2% in 2013, to 80.33 million m³. This was due to gains in new residential housing starts, repairs and remodelling. Apparent sawn softwood consumption increased in the US by 7.1% (to 65.95 million m³) in 2013, but it declined in Canada by 2.6% (to 14.38 million m³) due to a slowdown in its overheated housing market. US sawn softwood output was 51.05 million m³ (+4.7%) in 2013, and Canada's output rose at a faster rate (5.8%), to 41.55 million m³, despite negative domestic market growth.

32. China has become a key alternative market for producers: in 2013, record exports of sawn softwood were made by the Russian Federation (7.5 million m³), Canada (6.8 million m³), the US (875,000 m³) and Europe (1.3 million m³). Extremely bad weather in the eastern half of North America in the first quarter of 2014 and a port strike in Vancouver caused difficult logistical issues for sawmills, creating a surplus of lumber and eroding prices in key markets.

33. The outlook for sawn softwood for the remainder of 2014 is for improving prices in most key markets, including the US, China and Europe, but some markets – such as those in Japan, North Africa and the Middle East – may see prices soften due to excess supply.

34. COFFI forecasts that the production of sawn softwood is expected to increase in the UNECE region at an annual rate of 2.2% in 2014 and 1.7% in 2015, with a subregional breakdown as follows: Europe +3.0% in 2014 and +0.3% in 2015; CIS +2.0% in 2014 and +0.8% in 2015; and North America at +1.4% in 2014 and +3.5% in 2015.

35. Economic development in Europe, however, is expected to be uneven, with a few countries experiencing strong growth and others contraction. For those countries indicating a positive outlook, exports appear to be the biggest driver and not consumption in the subregion. Turkey highlighted that 2013 was better than expected, with housing starts up by 10% in 2013 and as good or better growth expected to continue through 2014, with positive implications for the forest-based industries there.

Sawn hardwood

36. There was a significant shift in sawn hardwood trade away from the UNECE region and towards emerging economies during the global financial crisis. This trend slowed in 2013 as demand in the UNECE region began to recover. Total apparent consumption of

sawn hardwood in the UNECE region was 31.5 million m³ in 2013, a 5.1% increase compared with 2012. The increase in consumption in 2013 followed two years of decline and was driven primarily by rising demand in the US.

37. Sawn hardwood production increased in North America and the CIS in 2013 but declined in Europe, due mainly to log shortages in parts of eastern Europe. The 2012 downturn in imports in the UNECE region continued into 2013, but at a slower pace

38. European consumption and production of sawn hardwood fell by about 4% in 2013, to 12.6 million m³. Declining consumption was due partly to a lack of supply as hardwood was diverted to more active markets in North America and to emerging economies.

39. Apparent consumption of sawn hardwood increased by 12% in the CIS in 2013, to 2.1 million m³. Production increased by 2%, to 3.1 million m³, while exports declined by 11.8%. Imports increased by 12.8% in 2013, but from a very low base. In the Russian Federation the increase in sawn hardwood consumption was 16.5%, driven by rising residential construction.

40. North American sawn hardwood consumption increased by 11.9% in 2013, to 17.0 million m³. Low mortgage rates, an improved job market and higher consumer confidence bolstered home sales. North American sawn hardwood production increased by 11.4%, to 19.5 million m³, due to rising domestic consumption and exports. Although US production stepped up again in the first half of 2014, several factors may begin to moderate the pace of growth. Profitability in the hardwood processing sector has fallen in part because high-margin “grade sawnwood” markets declined more than low-margin “industrial sawnwood” during the global financial crisis.

41. COFFI forecasts that the production of sawn hardwood is expected to increase in the UNECE region at an annual rate of 1.7% in 2014 and 0.7% in 2015, with a subregional breakdown as follows: Europe +1.7% in 2014 and +0.4% in 2015; CIS +6.5% in 2014 and +3.0% in 2015; and North America at +0.9% in 2014 and +0.5% in 2015.

Wood-based panels

42. Despite the mixed economic performance in the UNECE region in 2013, there was moderately strong growth in the consumption of wood-based panels in each of the subregions. North America had the strongest growth (5.4%), driven by the continuing recovery of the housing sector. The consumption of wood-based panels grew in Europe by 2.0%, despite the overall sluggish economy there. Wood-based panel consumption in the Russian Federation increased in 2013 (+3.9%), and oriented strand board (OSB) jumped by more than 20%.

43. The production of wood-based panels was up by just 1.3% in Europe in 2013, although there were major differences among specific panel products, with plywood production falling by 7.2% and OSB production jumping by 9.9%. Similarly, while overall panel production grew by 3.0% in the CIS in 2013, there was a 4.7% increase in plywood production and a 0.5% decline in medium-density fibreboard. Wood-based panel production showed moderate to strong growth in all product categories in North America in 2013, with the exception of plywood, which grew by a relatively low 1.4%. Overall, capacity utilization rates in the UNECE region remained quite low – below 80% in almost all product categories – in 2013.

44. Europe was the only UNECE subregion to report a trade surplus in wood-based panels in 2013, and this surplus is expected to increase in 2014. Both the CIS and North America reported trade deficits in 2013, and these deficits are projected to carry over into 2014. China remains an influential player in the global trade in wood-based panels, generating 34.3% of global plywood exports and 15.8% of global fibreboard exports. Regulations governing the legality of timber in both the EU and the US could have an impact on imports of tropical hardwood plywood in 2014.

45. COFFI forecasts that the production of wood-based panels is expected to increase in the UNECE region at an annual rate of 0.7% in 2014 and 0.9% in 2015, with a subregional breakdown as follows: Europe +0.5% in 2014 and +0.7% in 2015; CIS +2.4% in 2014 and +1.2% in 2015; and North America at +0.3% in 2014 and +1.3% in 2015.

Paper, paperboard and woodpulp

46. The pulp, paper and paperboard market remained in flux in 2013 as graphic paper capacity continued to be rationalized in Europe and North America – a development that has persisted now for a decade. Chemical market pulp capacity continued to expand in South America, with Southeast Asia being the favoured target market, despite a marked slowdown in investment in new paper and paperboard installations serving rapidly growing economies. These and other changes are resulting in a possibly unprecedented global shift in pulp and paper supply.

47. The global pulp, paper and paperboard industry faced another challenging year in 2013. Despite significant capacity closures across several pulp, paper and paperboard grades in Europe, Japan and North America, production capacity is still too high when measured against falling or static demand for some grades. Overall paper and paperboard production and consumption rose in North America while it fell in Europe. Graphic paper and chemical woodpulp output fell across all UNECE subregions.

48. The production of paper and paperboard weakened in the CIS in 2013. However, significant investments have been made in pulp and paper facilities in the region with an eye to taking advantage of future growth opportunities in both domestic and export markets.

49. Growth in China's gross domestic product slowed to a relatively weak 7% in 2012 (down from 9-10% in 2007-2011). It rebounded to 7.7% in 2013, however, following economic reforms that included stimulating domestic consumption and reducing money supply. As a result, global demand for pulp, paper and paperboard grew slightly in 2013.

50. Electronic communication via the internet and the use of smart phones continued to play a major role in the evolution of the pulp and paper segments, while paperboard benefited from increased online shopping.

51. In the pulp sector, expansions in bleached hardwood kraft capacity in South America were by far the most important factor influencing the market in 2013 and through to mid-2014. In the paper sector, the trend of converting production to paperboard and packaging grades continued.

52. Prices in the pulp sector generally rose in 2013 and into early 2014, but since then discounts continued to hamper the profitability of high-cost producers, leading to capacity rationalization in North America, Europe and even South America.

53. COFFI forecasts that UNECE region production of paper and paperboard is expected to change by an annual rate of -0.3% in 2014 and +0.1% in 2015, with a subregional breakdown as follows: Europe no change in 2014 and -0.5% in 2015; CIS +0.1% in 2014 and +0.1% in 2015; and North America with -0.7% in 2014 and -0.3% in 2015.

Wood energy

54. Wood energy markets continued to grow in the UNECE region in 2013. Although wood energy consumption in the industrial sector declined slightly, residential and power-sector demand expanded. Considerable growth in wood energy consumption is forecast in Europe and in the CIS, driven partly by renewable energy targets in the EU.

55. The EU is – and will continue to be – the world’s largest market for pelletized wood energy. Total wood-pellet imports into the EU27 from Canada, the Russian Federation, the US and the rest of the world reached 4.5 million tonnes in 2012. Nevertheless, trade within the EU27 was larger, at about 4.7 million tonnes in 2012 of wood pellets.

56. New and existing capacity in Canada, the CIS, southeastern Europe and the US should be able to match the growing demand. There are signs of excess capacity in wood-pellet manufacturing in North America and southeastern Europe, although investment in new plants continues to grow. New markets in Asia will also increase the consumption of wood fuels and could eventually create price pressures in the global wood energy market.

57. The Russian Federation’s domestic consumption of different kinds of wood energy for heat production is growing, including the use of sawmill co-products, firewood, wood briquettes and pellets. Russian wood-pellet production is reported to have increased by about 50% and may have reached 1.5 million tonnes in 2012. An estimated 96% of production was exported. Wood briquette production rose by 20% to approximately 300,000 tonnes, of which approximately 40% was sold domestically in 2012.

58. An increasing trend in domestic and foreign investment in wood-pellet manufacturing and combined-heat-and-power plants in the Russian Federation reflects growing confidence in energy markets.

59. Growth of wood energy production in Canada will continue to be linked to exports of wood pellets. Projections for the US show growth in wood energy use to 2030, but at a lower rate than previously forecast.

60. Wood pellet production capacities in North America are estimated at 11.6 million tonnes in spring 2013 and could soon reach 20 million tonnes, based on planned capacities. The actual wood-pellet production is estimated at 1.7 million tonnes in Canada and 4.0 million tonnes in the US in 2013.

61. A key issue for the further development of wood-pellet trading appears to be pending requirements for certification of the forests and wood used in pellet production. Clear regulations about financial support for renewable energy projects and renewable energy mandates will be a driving force for new investment in wood energy. Public policy debate on targets beyond 2020 will also affect developments and spur or limit investments, primarily in power generation projects.

62. Pellet manufacture is the most positive segment of the wood energy sector, but it is almost entirely dependent on the EU market, however, there are questions as to whether energy users in the EU will continue to absorb the high energy costs that result from

subsidizing wood energy. Crude oil and natural gas prices on the global markets are dropping and wood energy is becoming less competitive.

Value-added wood products

63. The value of global furniture production, most of which is wooden, was an estimated \$437 billion in 2013. China was by far the largest furniture-manufacturing country. Furniture trade continues to grow faster than consumption as manufacturing moves to lower-cost countries.

64. In 2013, markets for builders' joinery and carpentry continued to recover in the US, the UK and Germany and to decline in France. These markets are characteristically regional, with most imports originating from countries that are close-by. The exception is the US market, which Asian producers have penetrated strongly.

65. The profiled-wood market continues to recover in the US, fuelled by strengthening housing markets. Imports of profiled wood are growing steadily, with Brazil the largest exporter in the softwood mouldings market (36% of market share), followed by Chile (31%) and Canada (11%). European profiled-wood markets continue to stagnate.

66. Global laminate flooring production increased from 890 million m² in 2012 to 925 million m² in 2013. China produced 28% of global laminate flooring in 2012, replacing Germany (27% in 2012) as the main producer of this product; Germany's share declined further, to 26%, in 2013.

67. Engineered wood products comprise: glue laminated beams (glulam), laminated veneer lumber (LVL), wooden I-beams, finger-jointed timber and cross laminated timber (CLT) (and a few other relatively minor products). Most markets for engineered wood products are stagnant in Europe. The exception is CLT: the production and consumption of this product has grown impressively and growth is expected to be at well over 10% per year for the foreseeable future.

68. In contrast to Europe, the production of engineered wood products is increasing in North America, with most products experiencing 10-20% growth in 2013. CLT is now being produced in North America but is yet to make serious inroads into building construction there. Currently, the mining and oilfield industries consume a large percentage of the CLT produced in North America for use as equipment pads and platforms.

69. Engineered wood products have made inroads into areas where, before, concrete and steel formerly were used exclusively. Builders of bridges and large buildings (such as apartment complexes and sports venues), for example, are now considering wood for its natural beauty as well as its utility, cost-effectiveness and environmental credentials.

70. Building codes and construction regulations are slowly being amended to accommodate wood based on its performance, moving away from prescriptive standards which stipulate the materials that may be used. In addition, many governments are actively encouraging the use of wood. These developments could all be beneficial for the use of engineered wood products in the future.

Housing

71. In most of the eurozone (Germany being the exception), a robust housing recovery is being delayed by a number of economic factors. Some analysts believe that the value of

new residential construction in Europe will increase through 2016, from €232.13 billion in 2014 to €251.47 billion in 2016.

72. In North America, the US housing market is still in the early stages of recovery. Spending on private residential construction (single- and multi-family housing) continues to improve, but remodelling is decreasing slightly, as are public expenditures. Several housing analysts project that a robust US housing recovery remains several years away. The Canadian housing market is considered stable.

73. There were record housing completions in the Russian Federation in 2013. Along with setting a 20 year record for new dwellings, residential space construction totalled 69.4 million m² in 2013, an increase of 5.6% over 2012.

74. In the first quarter of 2014, 178,000 apartments were commissioned in the Russian Federation, with a total area of 13.6 million m². This is nearly 31% greater than the number commissioned in the same quarter of 2013, when 10.4 million m² were commissioned. In the first quarter of 2014, individual developers built 47,600 residential houses with a total area of 6.4 million m², an increase of 19.2% over the same period in 2013.
