

Combating Illegal Logging and Enhancing Biodiversity in Japan's Paper Industry

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University of Kyoto

Kiyoshi Kamikawa
Japan Paper Association

- In July 2005, at a G8 Summit held in Gleneagles, the U.K., developed countries around the world formed an agreement to create measures that address the problem of illegal logging.
- Following this agreement, the Government of Japan amended criteria concerning wood-based products under the Green Procurement Law.
- The amendment went into effect after April 2006, making the Law require timber suppliers of government institutions to supply timber that has been verified its legality.

- The EU also created “Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market” in 2010.
- Following the establishment of this Regulation, it is prohibited to sell illegally-harvested wood or forest products made from such wood within the EU from March 2013.
- In addition, Australia has passed “Illegal Logging Prohibition Bill”, very similar to EU Timber Regulation, at the national Parliament in 2012 and has come into effect from 2014.

- Furthermore, the United States has amended the Lacey Act in 2008, as part of its anti-illegal logging measures. Following the amendment, exporters of wood products, including paper, now have to make a declaration with regard to a country of origin where wood is harvested and tree species, as well as product name, price and quantity (However, the obligation of the declaration is not applicable to paper pulp at the point of writing this document).

Combating Illegal Logging

- Japan Paper Association (JPA) pledges to combat illegal logging, one of the major causes of deforestation worldwide.
- JPA set up the code of actions against illegal logging in 2006. (100% not illegal confirmed)
- Japanese paper companies set up their own codes of procurement and collect traceability reports from all suppliers.
- In addition, JAP audits Japanese paper companies' actions of confirming legality.

- Prior to this, Japan Paper Association developed “The Code of Action for” the Japan Paper Association Regarding the Illegal Logging Problem” in March 2006.
- The Code of Action is designed clarify the Association’s commitment to have the entire industry commit to the elimination of illegal logging.
- The Association also amended “The Voluntary Action Plan Regarding the Environment” in March 2007, incorporating the anti-illegal logging measures as part of the Voluntary Action Plan.
- In 2014, the Voluntary Action Plan was terminated and “ The Action Plan Regarding the Environment” has been newly set up, also incorporating the anti-illegal logging measures as part of it

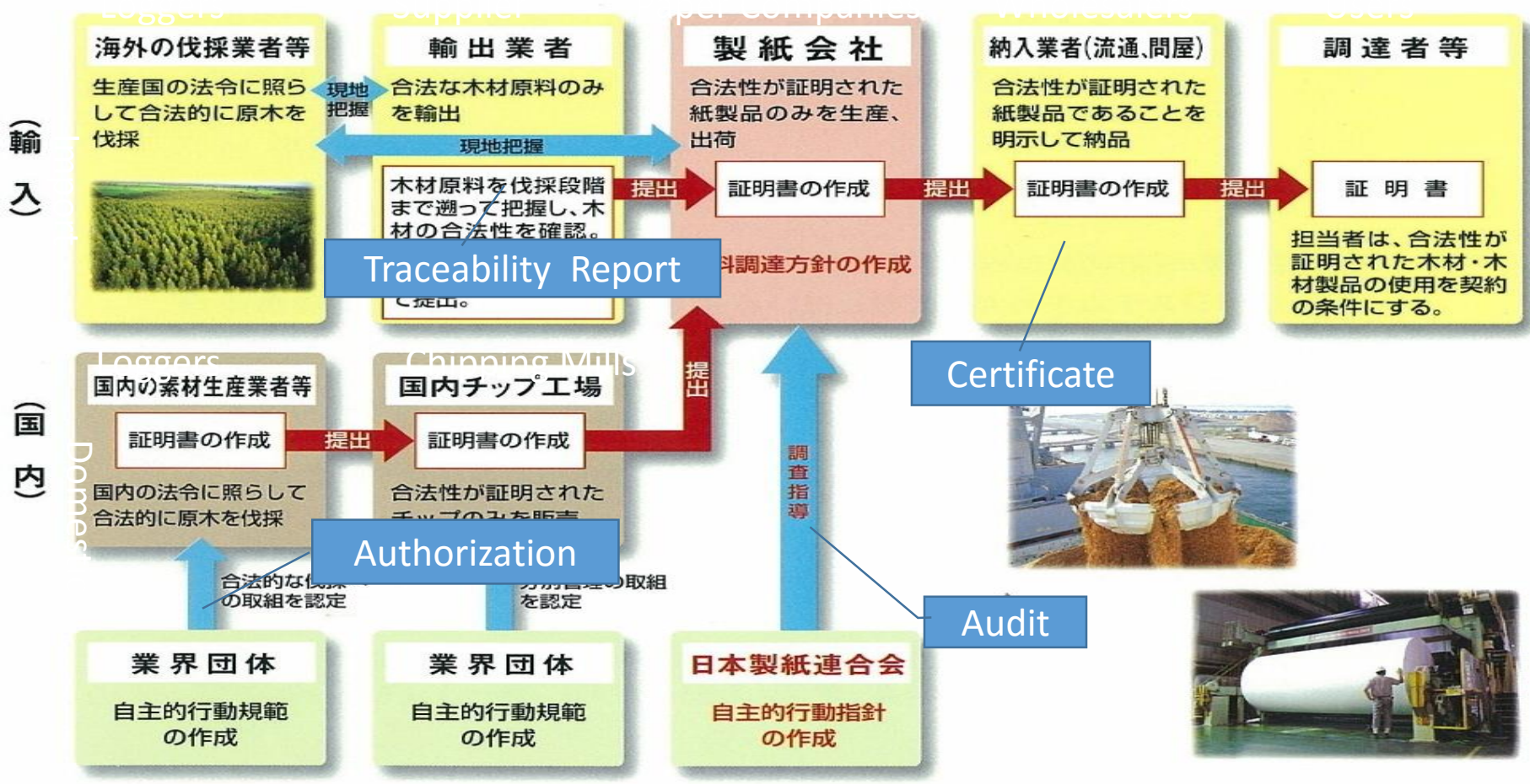
- The Forestry Agency issued the Guidelines , under the green procurement law, concerning verification methods of anti-illegal logging measures, which specifies the following three verification methods:
 - (1) “Verification method via forest certification system”
 - (2) “Verification method by company under the authorization of associations for forest owners, forestry or wood industries”
 - (3) “Verification method by original measure of each company”

Verification method by company under the authorization of associations for forest owners, forestry or wood industries (2014)

Categories	Domestic /Import	Total Volume (1,000m3)	Volume verified as legal (1,000m3)	%	Authorized companies
Round wood (production)	Domestic	12,100	8,578	71	1,910
Round wood (distribution)	Domestic	15,155	10,231	68	532
Forest products (production)	Domestic	25,286	14,527	57	2,957
Forest products (distribution)	Domestic	25,215	9,991	40	3,145
Others	Domestic	264	170	64	14
Round wood	Import	2,042	1,223	60	3
Forest products	Import	6,415	993	15	33

- The paper industry has adopted method (3) above (“Verification method by original measure of each company”), and since April 2006, member companies of the Japan Paper Association have been implementing their own measures for tackling illegal logging issues.
- For the implementation of verification method, some companies are using method (1) or (2) above at the same time ((1) “Verification method via a forest certification system”; (2) “Verification method by company under the authorization of associations for forest owners, forestry or wood industry”).

Legality Verification System of JPA



Associations
(Code of Action)

Japan Paper Association
(Code of Action)

- Furthermore, since 2007, the paper industry has been stepping up its effort to address the illegal logging problem by implementing the “The Monitoring Operation for Anti-Illegal Logging Measures”.
- This operation includes monitoring by the Japan Paper Association, for which guidance, advice and auditing are provided by a third-party committee consisting of academic experts, consumer groups, those involved with auditing corporations, and other similar groups.

Auditing Committee Members

Shin NAGATA	Professor, Graduate School of Tokyo University
Akihiro OHNUMA	All Japan Stationery Association
Kazuya KOUJITANI	Green Purchasing Network
Satoshi TACHIBANA	Associate Professor, Graduate School of Tsukuba University
Kyoko NOMURA	Price Waterhouse Coopers

- In February 2009, criteria concerning photocopy papers under the Green Procurement Law were amended.
- Prior to the amendment, the paper for public procurement had to come from 100% used paper, but as a result of this amendment, it can now include virgin pulp up to 30% provided that such pulp originates from wood from thinning operation, or certified wood.
- Other types of wood that was produced in a sustainable manner is also allowable.
- For these, paper companies decided to use “The Monitoring Operation for Anti-Illegal Logging Measures” mentioned above, whilst also confirming environmental and social superiority of relevant forests through the implementation of procurement policies or the production of traceability reports, in order to meet the criteria under the Law.

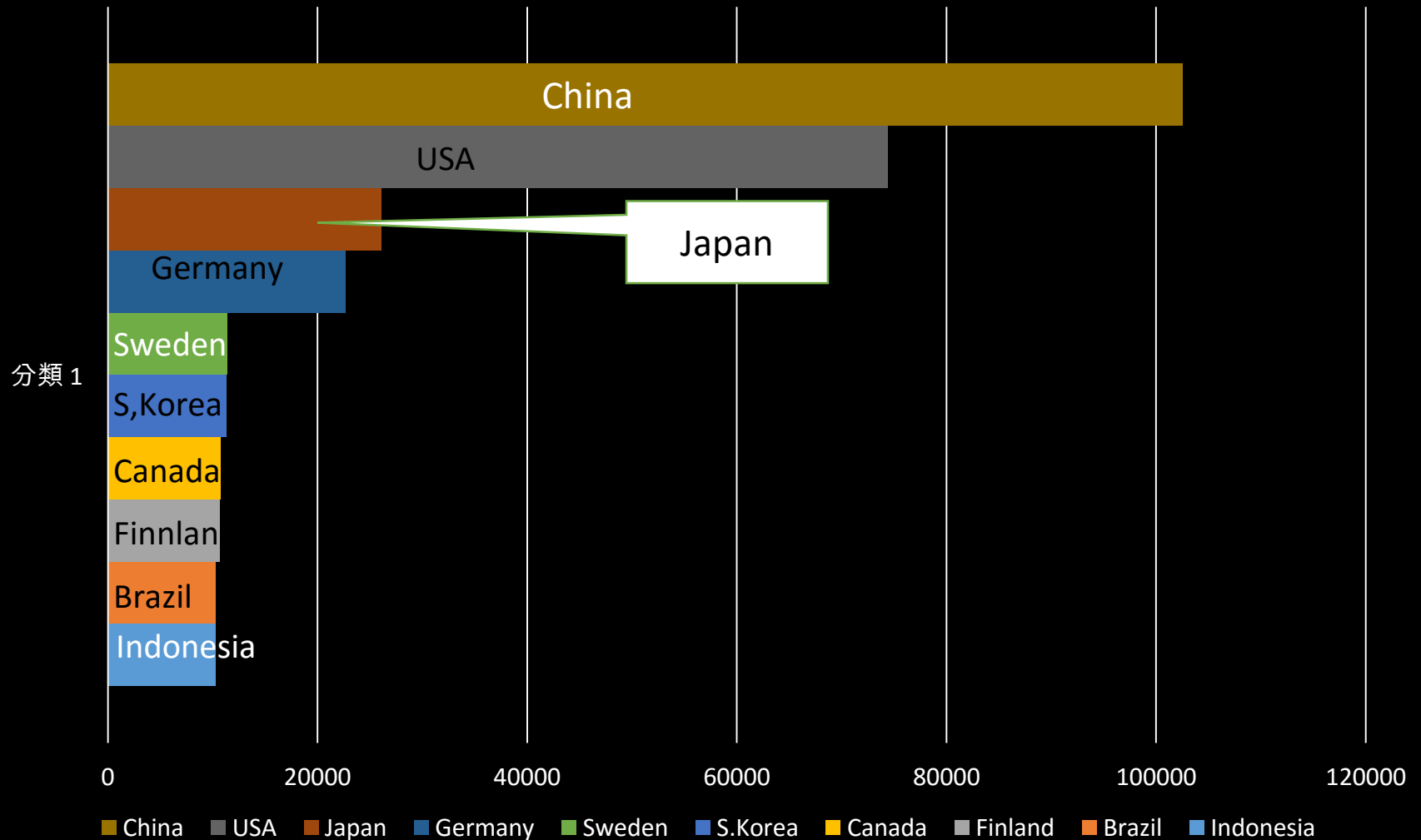
Future Development of JPA's Anti-illegal Logging Measures

- 10 years have passed since JPA has started its own anti-illegal logging measures.
- Besides, the law for the promotion of legal wood procurement (Japan's version of anti-illegal logging law) would be enacted soon before Ise-Shima Summit held in Japan coming May.
- JPA has now been considering the improvement of its anti-illegal logging measures, introducing "Due Diligence" system, so as to satisfy the requirements of EU Timber Regulation, Lacey Act and Australian anti-illegal logging law.

Paper and Paperboard Production of Japan

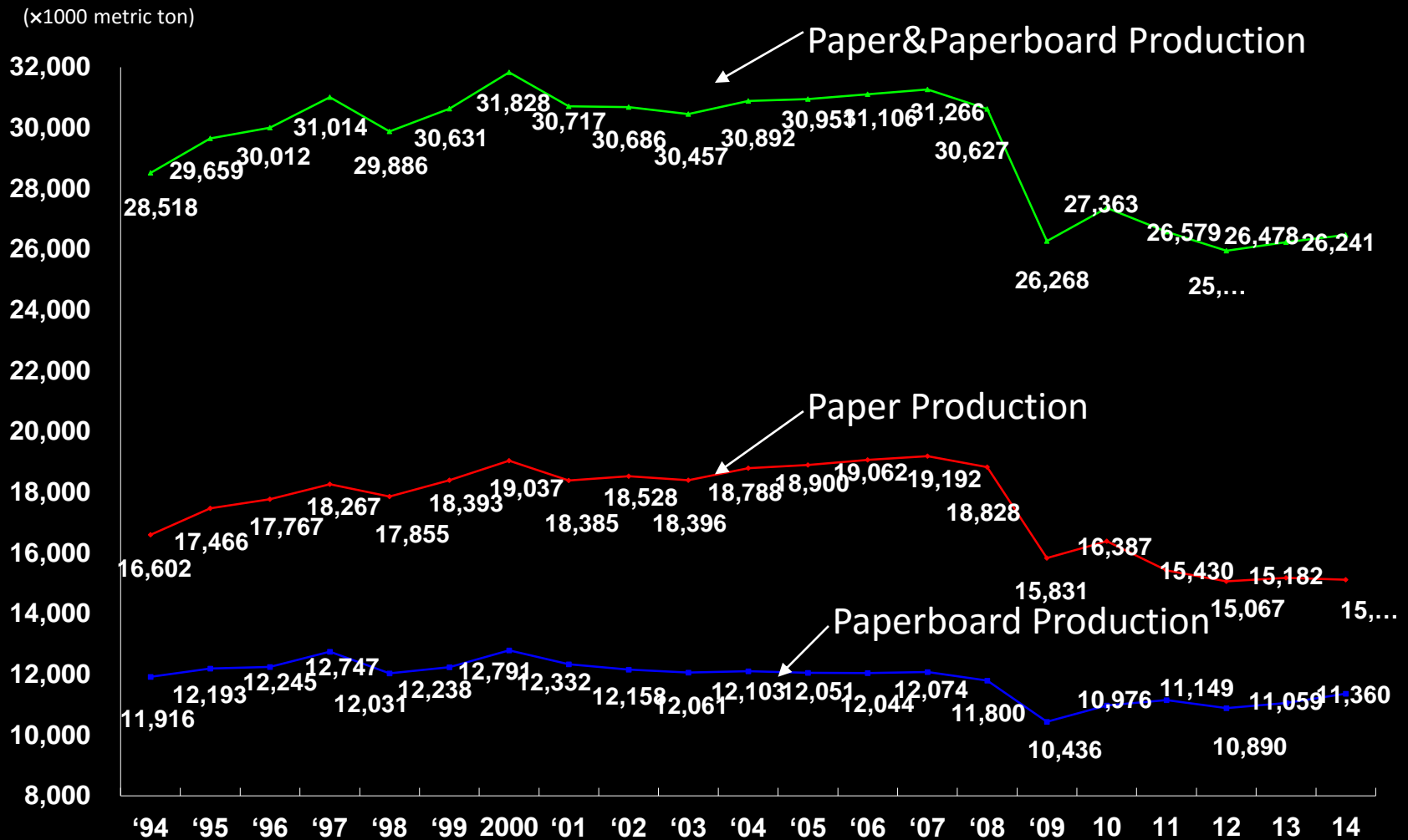
- Japan is the third largest paper and paperboard producing country in the world.
- Paper and paperboard production of Japan dropped by minus 14.2% from 30,625 thousand tons in 2008, to 26,268 thousand tons in 2009 due to Lehman shock.
- It was back to the level of a quarter of century (26 years) ago (1988).
- Since then, the level of paper and paperboard production has been floundering around 26 million tons (26,241 thousand tons in 2014).
- The production of paper continues to be decreasing due to IT revolution (15,118 thousand tons in 2014).
- On the other hand, the production of paperboard has been rather stable (11,360 thousand tons), in proportion to GDP.

World Paper & Paperboard Production in 2014



Source: RISI

Trends in paper & paperboard production



Source : Japan Paper association

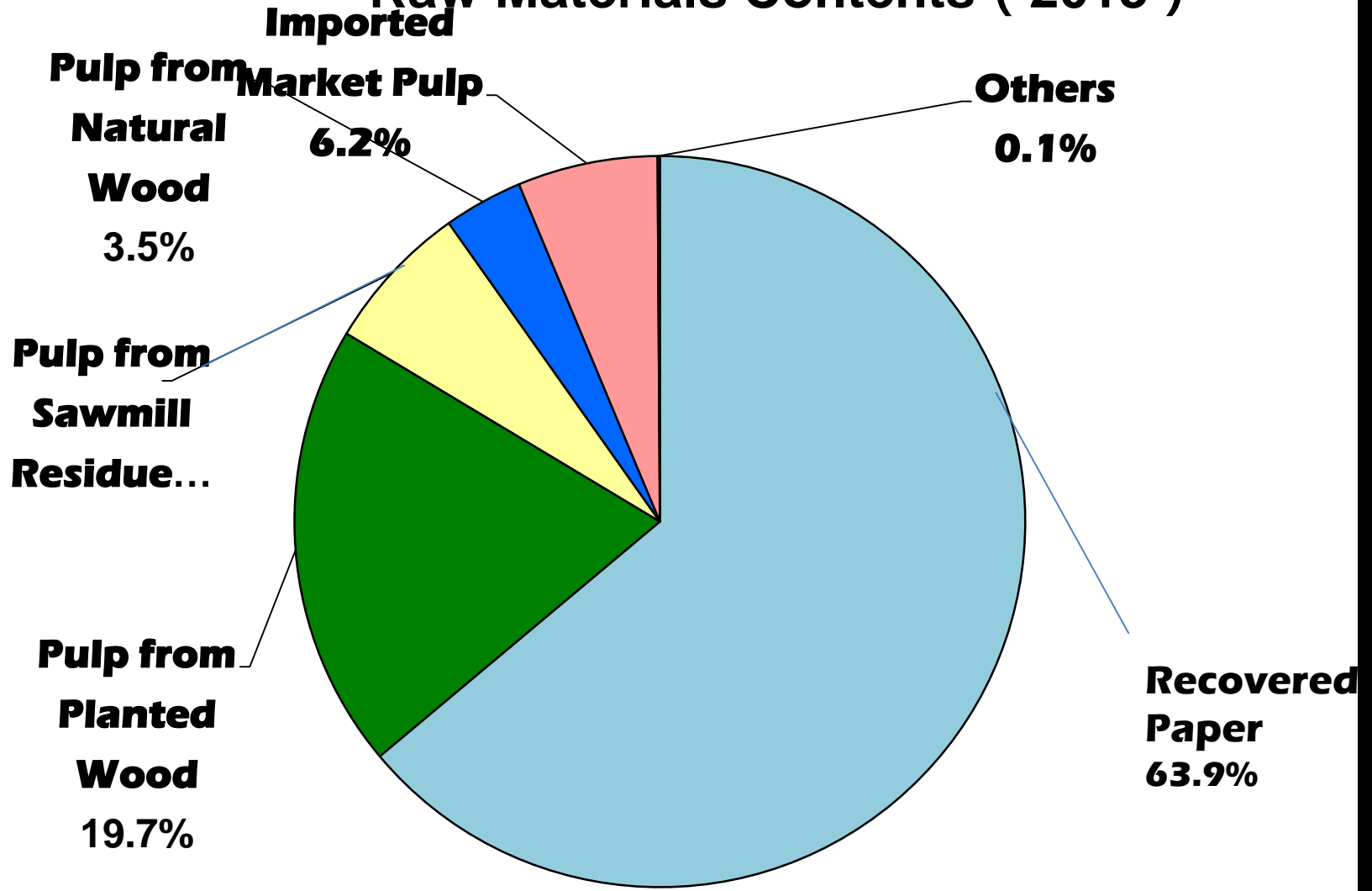
Paper and paperboard production by grades

(1000 metric ton : %)

	2008		2009		2014	
	Production	'08/'07	Production	'09/'08	Production	'09~'14
Newsprint paper	3,680	96.8	3,455	93.9	3,134	- 1.9
Printing and writing paper	11,501	98.6	9,120	79.3	8,491	- 1.4
Packaging paper	1,010	101.6	786	77.8	905	+ 2.9
Sanitary paper	1,805	102.0	1,776	98.4	1,766	- 0.1
Other paper	831	86.4	695	83.6	821	+ 3.4
Paper total	18,828	98.1	15,831	84.1	15,118	- 0.9
Container board	9,219	97.8	8,213	89.1	9,096	+ 2.1
Boxboard	1,879	101.0	1,637	90.0	1,593	- 0.5
Other paperboard	762	89.7	586	76.9	672	+ 2.7
Paperboard total	11,800	97.7	10,436	88.4	11,360	+ 1.7
Total	30,627	98.0	26,268	85.8	26,478	+ 0.2

Source : PRPC

Raw Materials Contents (2013)



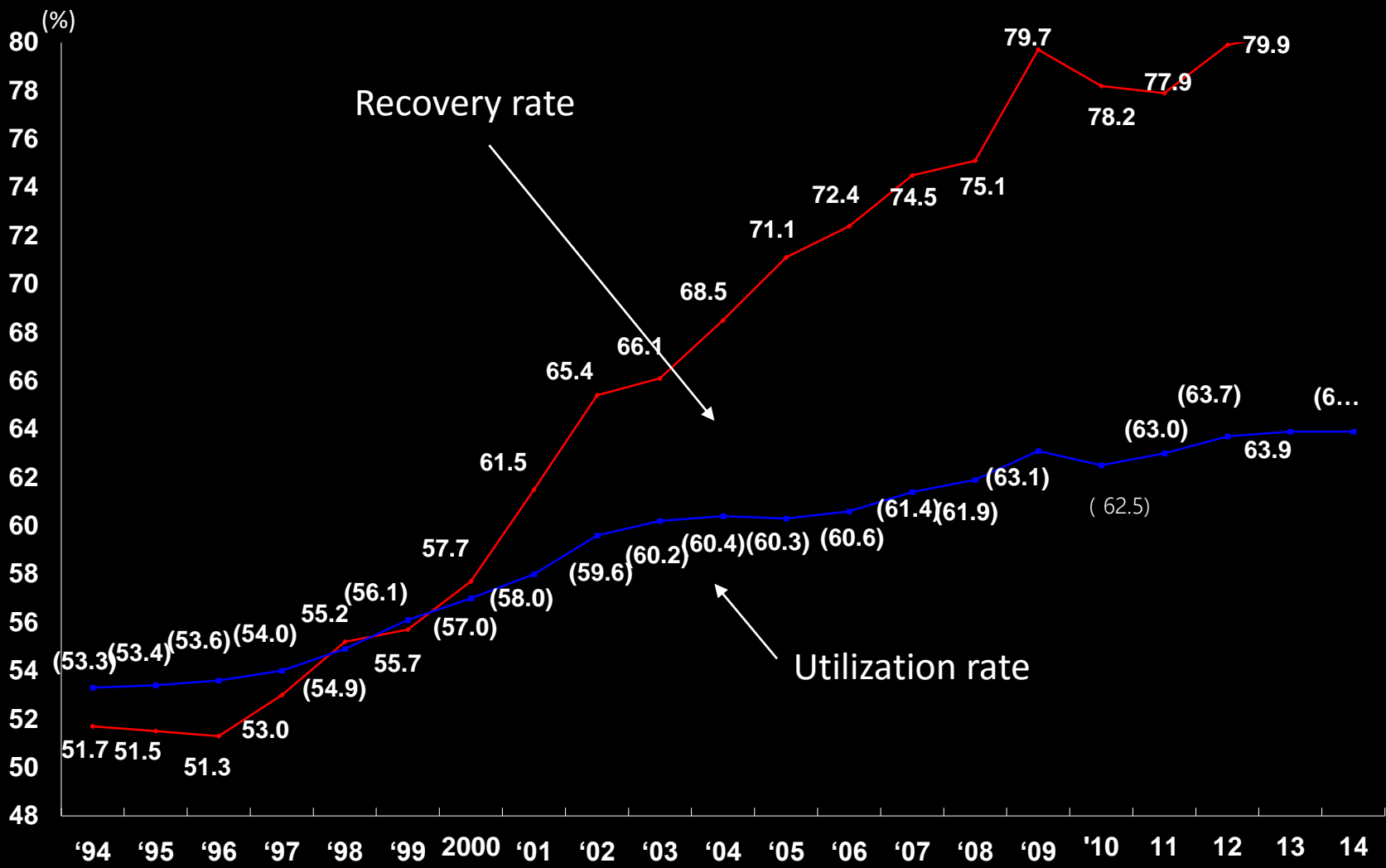
Consumption of Recovered Paper

- Japanese paper industry has achieved the highest level of recovered paper utilization rate in the world.
- Utilization rate in 2014 is 63.9% (paper 40.3%,paperboard 93.2%)
- Consumption of recovered paper is 17,224 thousand tons in 2014.
- Japan Paper Association (JPA) has set up the utilization rate target of 64% by the year 2015 in Environmental Action Plan with great efforts and almost achieved that target .
- JPA has been reviewing the existing target and now in the process of setting up the new target for the year 2020.

Recovery rate of Recovered Paper

- Recovery rate of recovered paper is also at the highest level of 80.8% in 2014, which is due to the effectively sorted collection system deeply rooted in the Japanese society.
- Collection of recovered paper is 21,751 thousand tons in 2014. We have a large amount of surplus of recovered paper and export a lot to China.

Recovery rate & Utilization rate of recovered paper



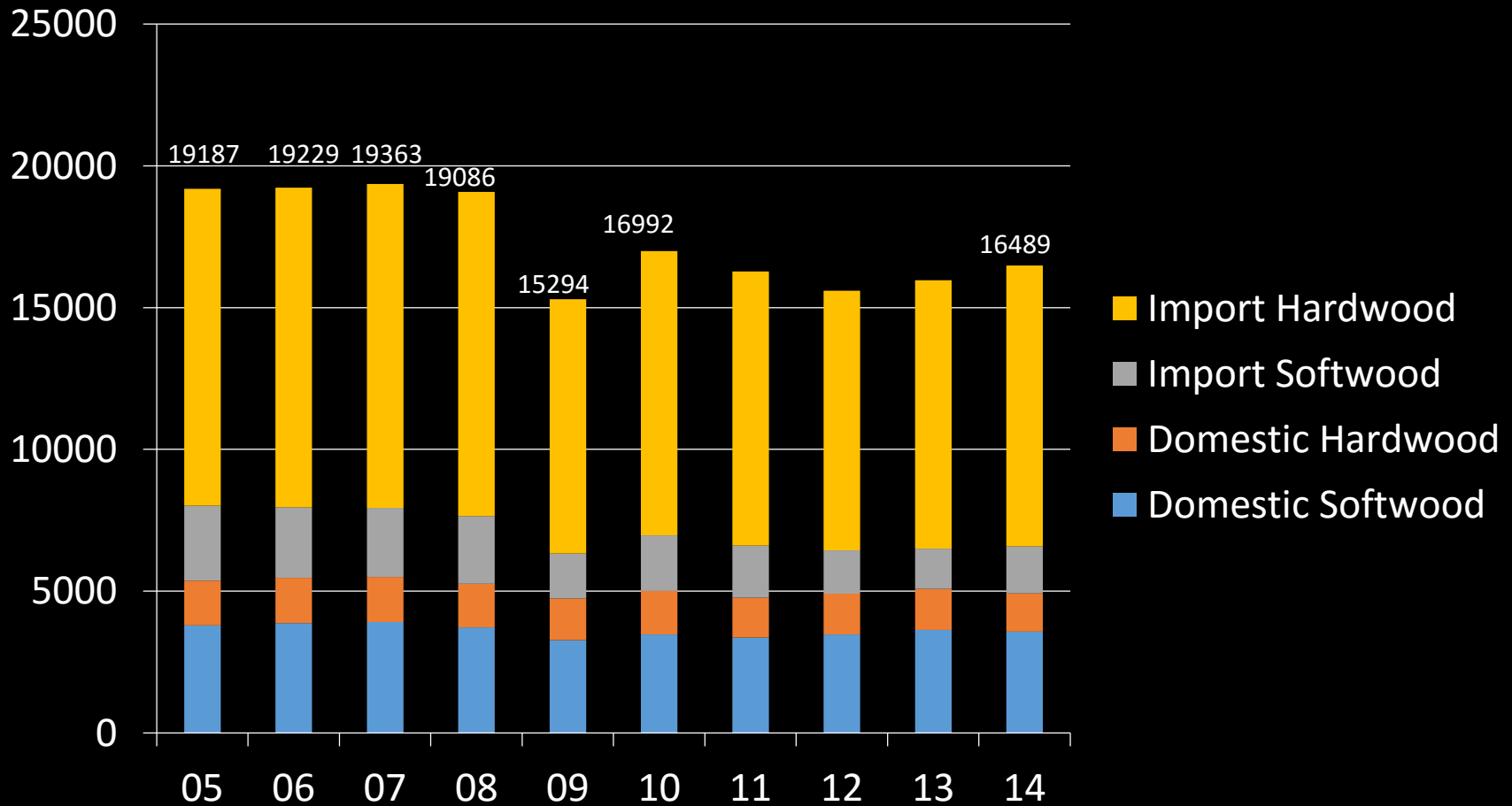
Source : PRPC

Woodchip Consumption of Japan

- Woodchip consumption of Japan dropped by minus 20% from 19,086 thousand tons in 2008 to 15,294 thousand tons in 2009 due to Lehman shock. (consumption of imported woodchips dropped by minus 23.6% to 897 thousand tons)
- Woodchip consumption of Japan recovered by 11% to 16,992 thousand tons in 2010.
- It went down again to 15,593 thousand tons in 2012.
- But it has increased a little by two consecutive years to 16,489 thousand tons in 2014, even though it is still at a rather low level.

Consumption of Woodchip

(thousand BDT)



Source: Japan Paper Association

Pulpwood Market Situation (2014)

(unit : 1000BDT、 % the ratio over the previous year)

items	consumption		domestic		supply		total	
		%		%	import	%		%
pulpwood total	16,488	103.3	4,909	97.0	11,409	107.5	16,318	104.1
softwood log	127	94.0	125	99.1			125	99.1
hardwood log	21	94.6	21	95.5			21	95.5
softwood chip	5,093	103.6	3,427	98.1	1,651	121.7	5,078	104.7
hardwood chip	11,247	103.2	1,336	93.9	9,758	105.5	11,094	103.9

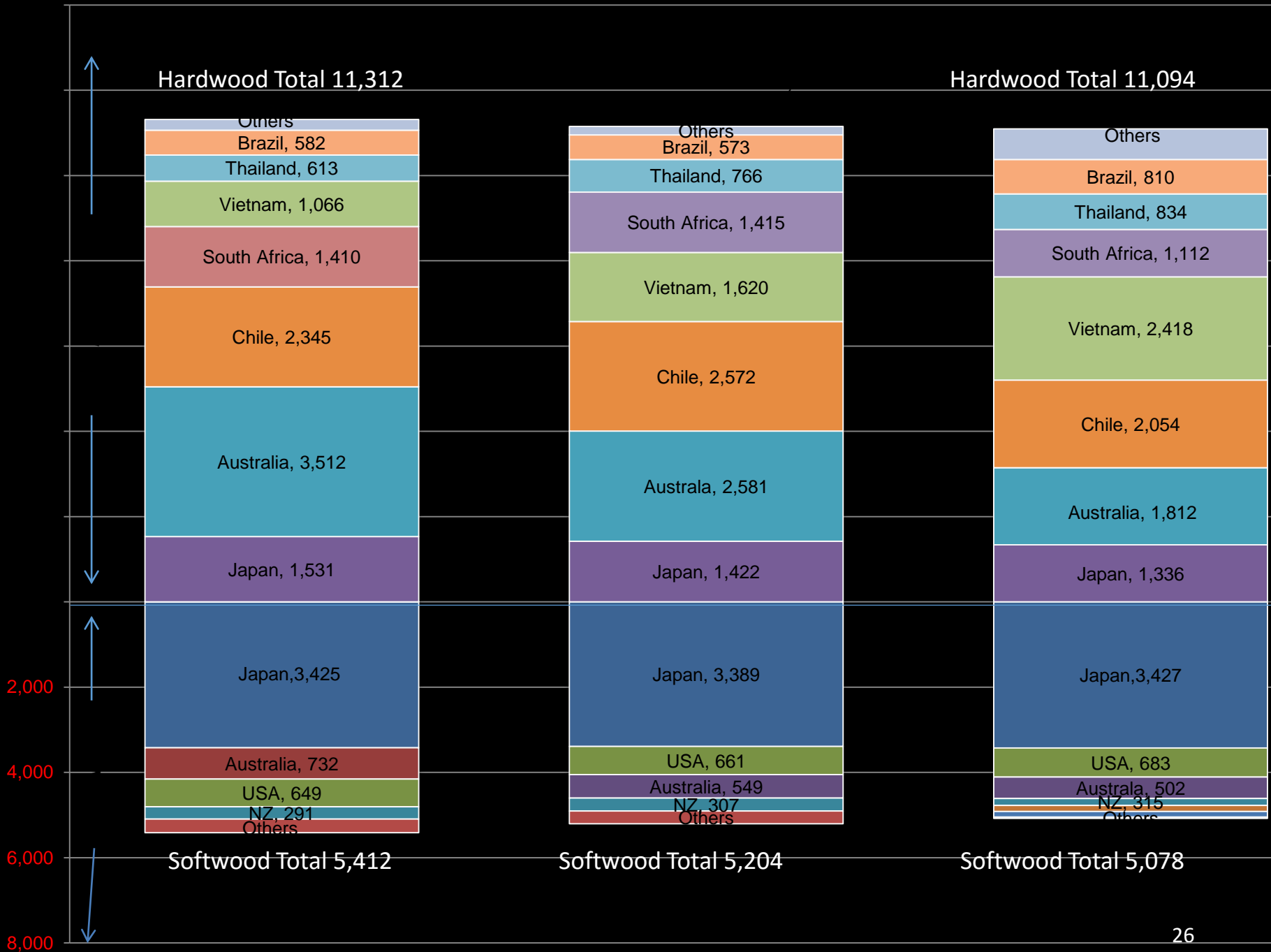
(reference)

consumption softwood ratio over the previous year : 103.3%
 hardwood ratio over the previous year : 103.2%

supply softwood ratio :
 31.9%
 hardwood ratio :
 68.1%

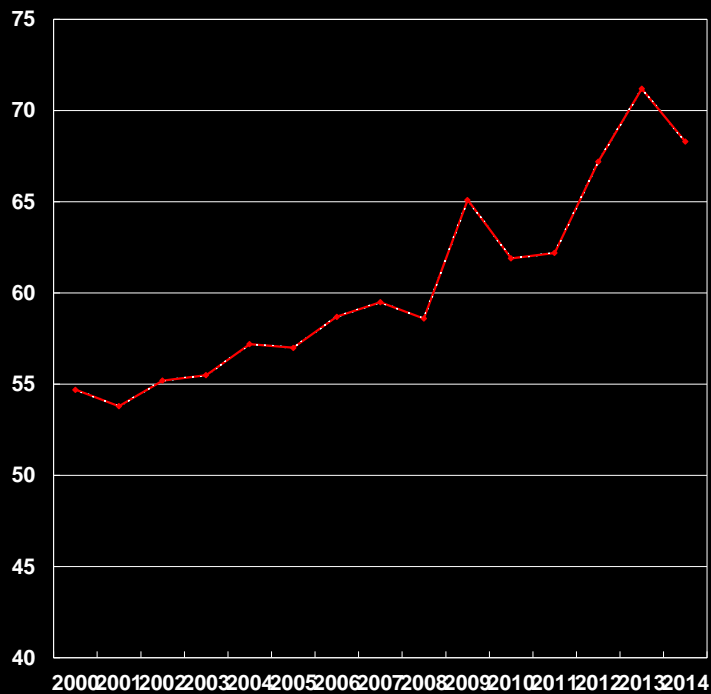
import ratio : 69.9% (softwood : 31.7% hardwood :
 87.8%)

Source : Japan Paper Association

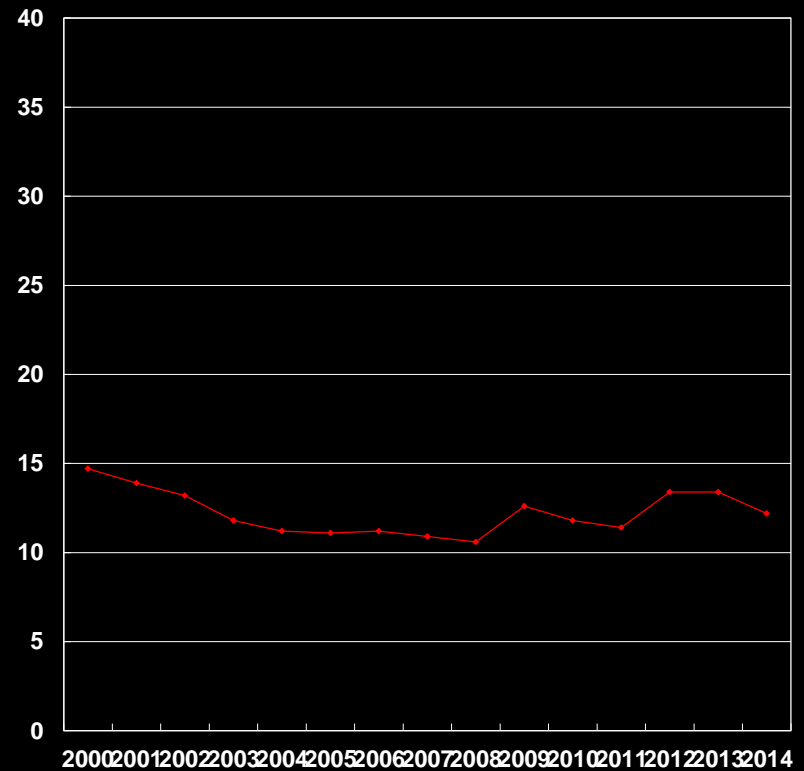


Trend of Self-Sufficiency Rate of Woodchip

Softwood



Hardwood



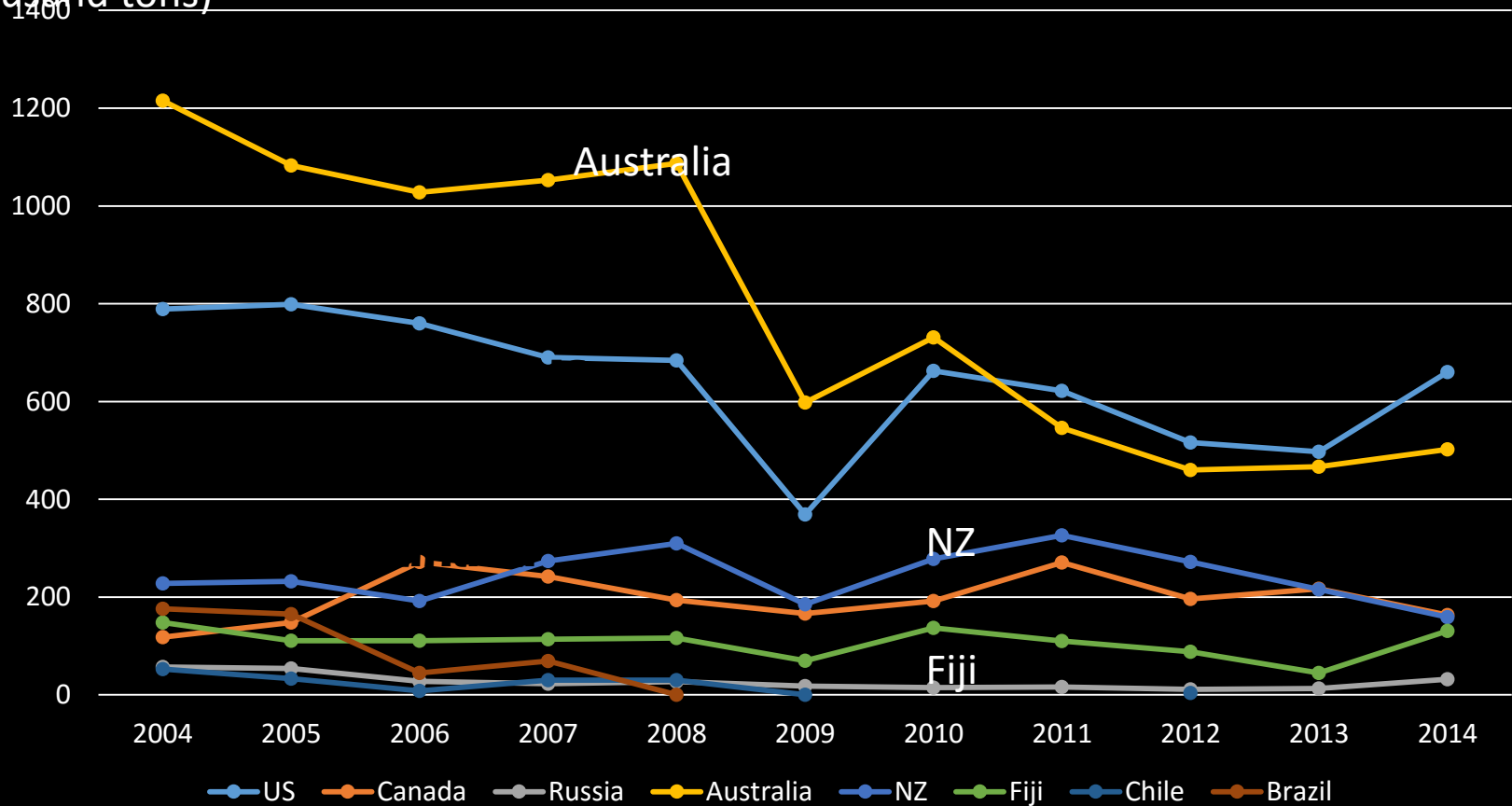
Source; Ministry of Economy, Trade and Industry

Imports of Woodchip by origin(softwood)

- The import from U.S. was 684 thousand tons in 2008, and sharply dropped to 369 thousand tons in 2009 , but bounced back to 663 thousand tons in 2010.
- It continued to decrease to 497 thousand tons in 2013 but bounced back to 660 thousand tons (39.1%) in 2014.
- The import from Australia was 1,087 thousand tons in 2008, and dropped to 598 thousand tons in 2009, but recovered to 731 thousand tons in 2010.
- It dropped again to 546 thousand tons in 2011, and decreased further to 460 thousand tons in 2012, but bounced back a little to 502 thousand tons (30.2%) in 2014.

Trend of Woodchip Imports by origin (softwood)

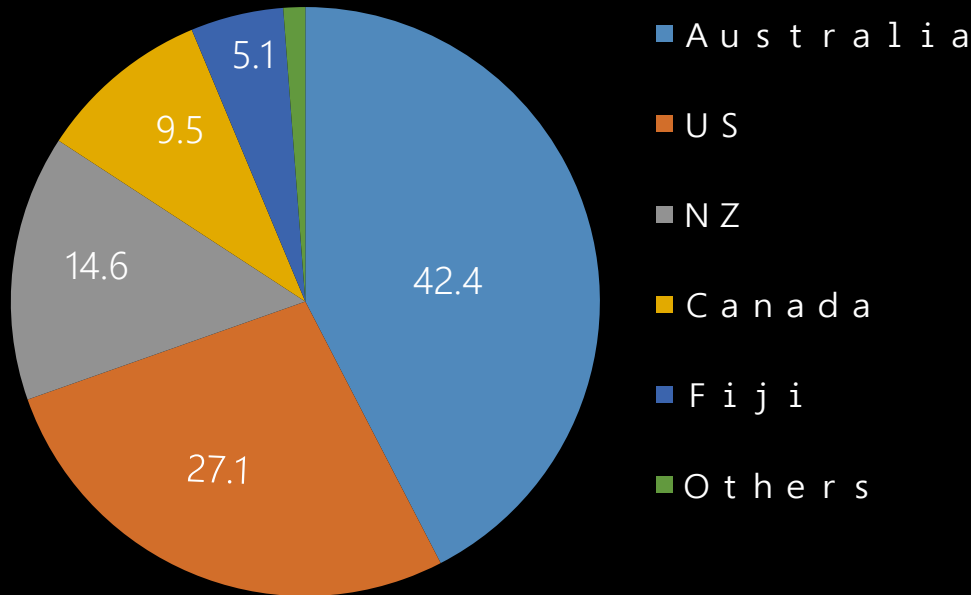
(thousand tons)



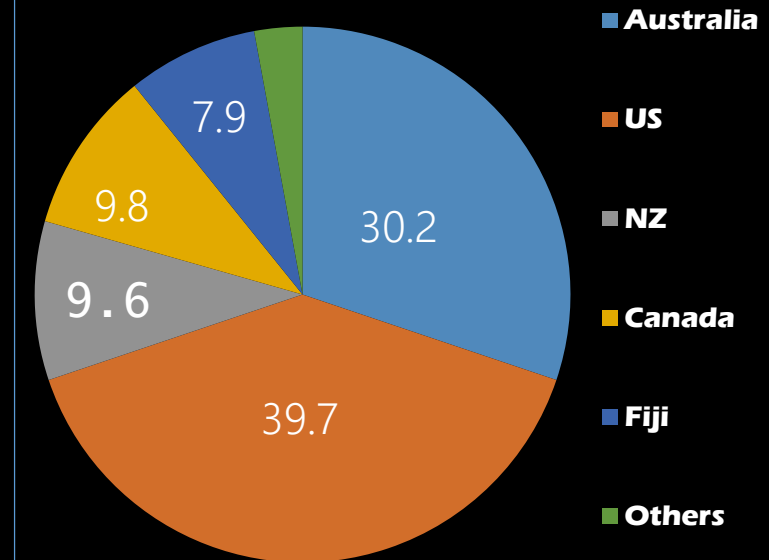
Source: Ministry of Finance

Woodchip Imports by Origin (softwood)

2009



2014 3>



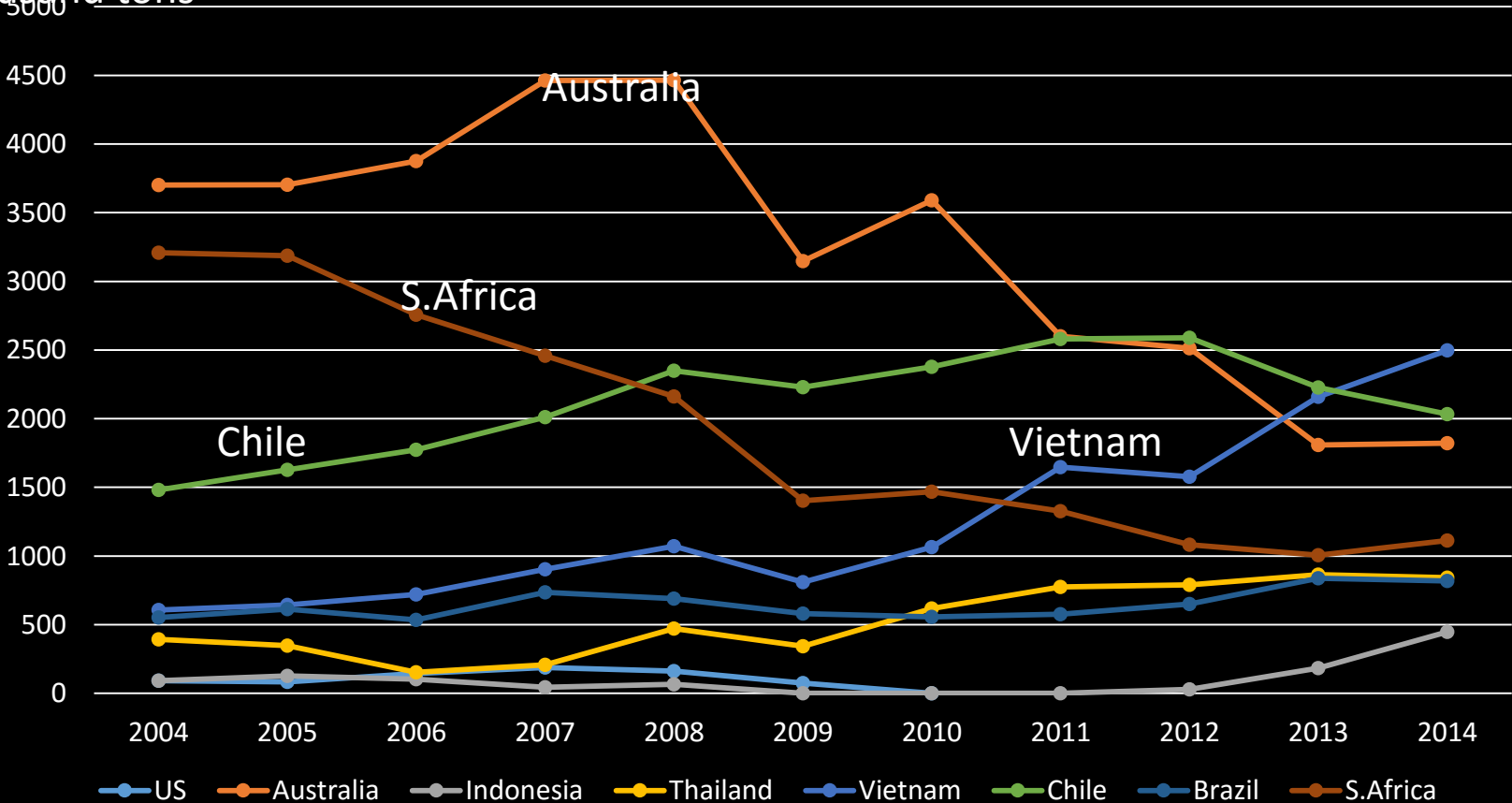
Source: Ministry of Finance

Woodchip Imports by Origin (hardwood)

- The import from Chili was 2.350 million tons in 2008 and dropped a little to 2.238 million tons in 2009 and up again to 2.377 million tons in 2010.
- It went up to 2.590 million tons (27.0%) as No.1 in 2012, but went down to 2,033 million tons (20.3%) as No.2 in 2014
- The import from Vietnam was 1.071 million tons in 2008 and dropped to 0.809 million tons in 2009 and up to 1.064 million tons in 2010.
- It jumped up to 2,498 million tons (25.0%) as No.1 in 2014.
- The import from Australia was 4.464 million tons in 2008 and dropped to 3.148 million tons in 2009 but could not recovered to 3.591 million tons in 2010.
- It continue to decrease to 1,821 million tons (18.2%) as No.3 in 2014.

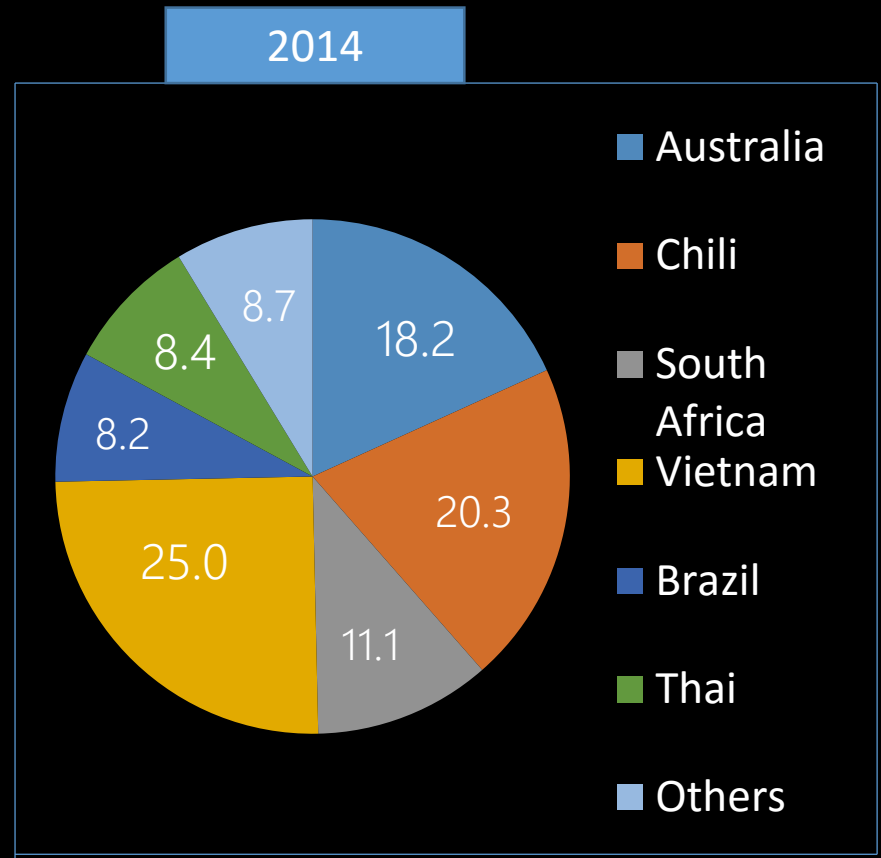
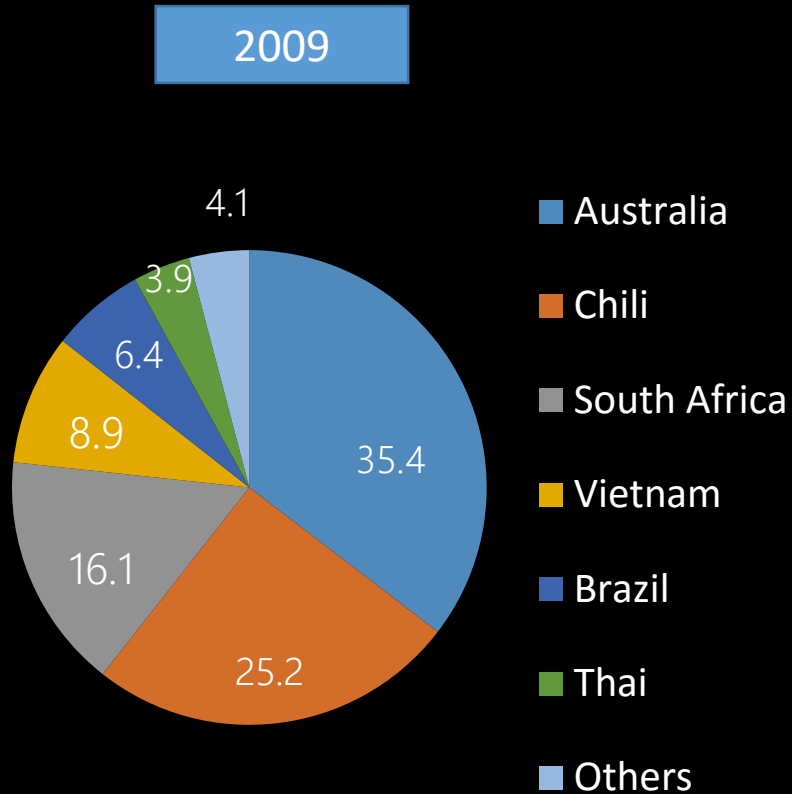
Trend of Woodchip Imports by Origin (hardwood)

(thousand tons)



Source: Ministry of Finance

Woodchip Imports by Origin (hardwood)



JPA's Code of Action for Conserving Biodiversity

- Japan Paper Association (JPA) has set up JPA's Code of Action for Conserving Biodiversity in 2014.
- In addition to setting up the code, JPA has done the monitoring survey of what member companies have actually done for conserving biodiversity in 2015 and will continue to do so annually in order to improve the performance of conserving biodiversity for each member company.

JPA's Code of Action for Conserving Biodiversity

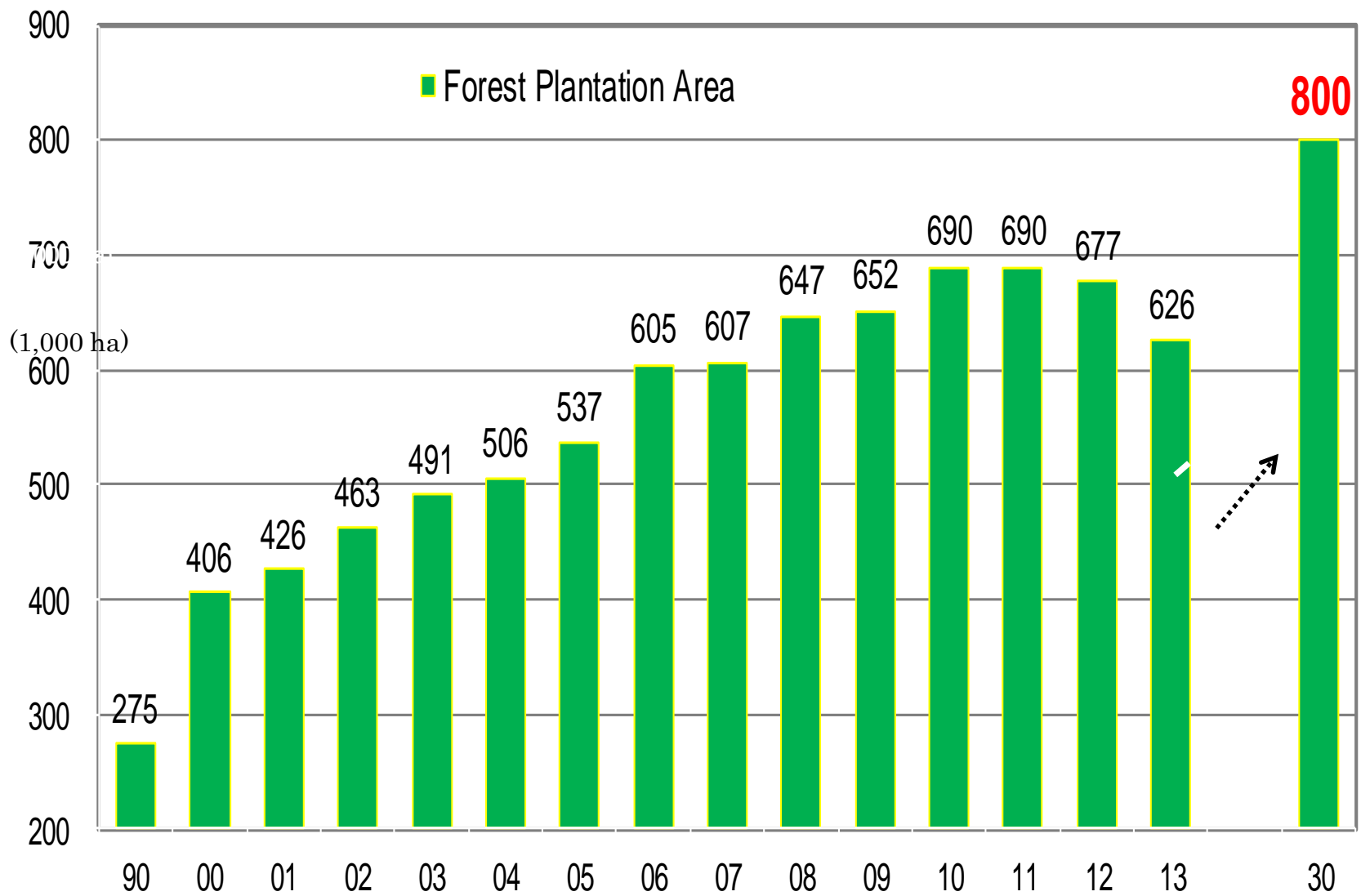
- Corporate Governance
- Sustainable Forest Management
- Responsible procurement
- Corporate Social Responsibility
- Social Cooperation

JPA's Initiatives for SFM

JPA's Environmental Action Plan (established in 2012)

- We have committed to promote SFM thorough forest certification
- We have target to expand forest plantation area owned or managed by JPA members at home and abroad to 800 thousand ha by FY2030 to ensure a stable wood supply, as well as to increase forest carbon sinks that help prevent global warming.

<http://www.jpa.gr.jp/en/>

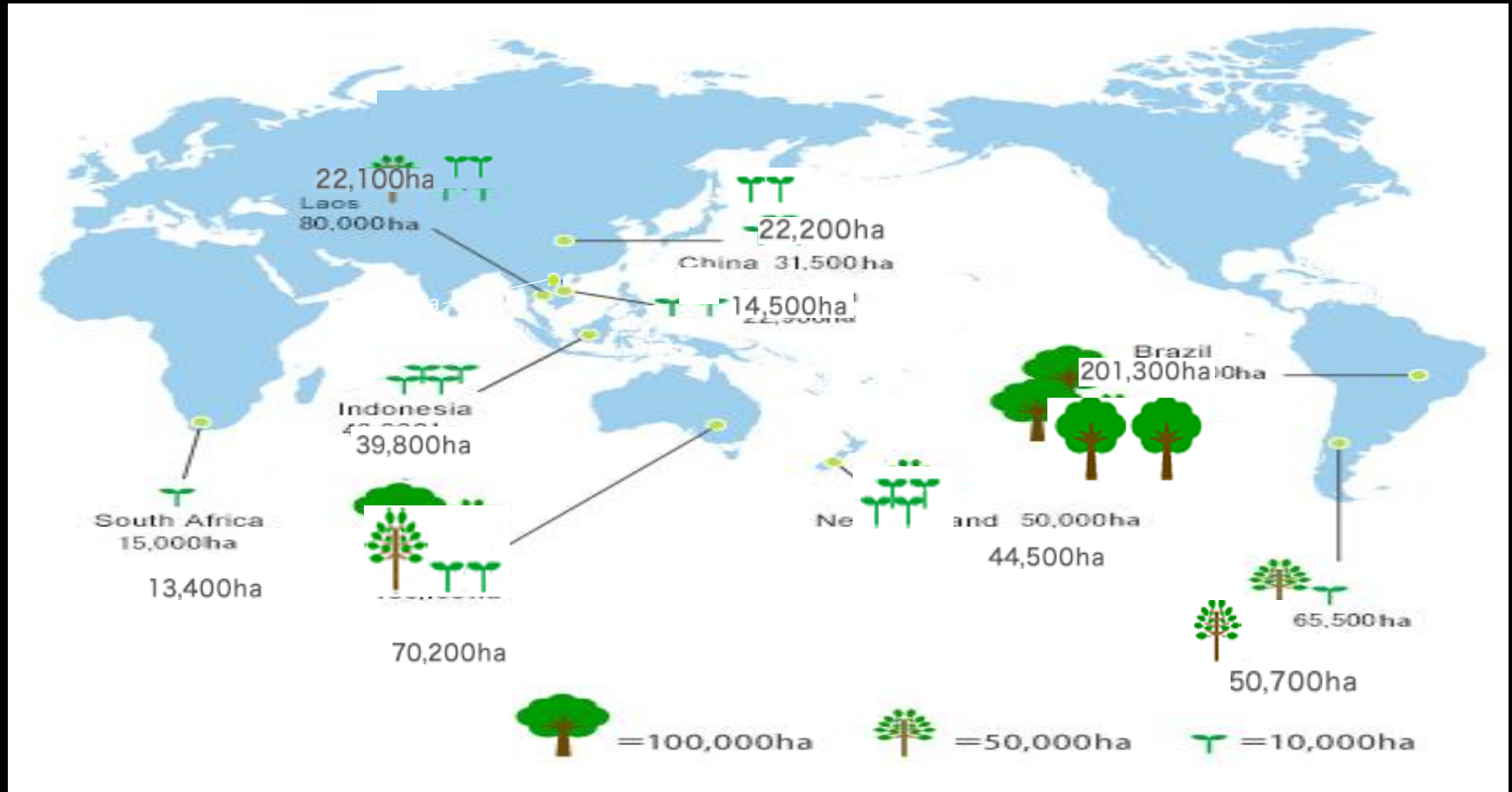


Promotion of Plantations Overseas

- JPA has set up the target of expanding the area of plantations owned or managed by Japanese paper companies to 0.8million ha in Japan and overseas by FY2030 under Environmental Action Plan .
- We have already established 0.479million ha of plantations overseas (34projects) In 10 countries In 2013.
- The total area of Plantation including domestic ones (0.147 million ha) was 0.626 million ha.
- The area of plantation overseas has decreased two consecutive years (in 2012 & 2013) due to the decreasing demand for woodchip and climate changes caused by global warming (fewer rain in Australia).
- Main planting species are Eucalyptus spp. and Acacia spp. with the rotation of 7~10 years.

Overseas Forest Plantations by the Japanese Paper Industry

Total: 479,000ha (as of the end of 2014)



Brief History of SGEC Certification Scheme

1. SGEC certification scheme established in 2003

Established as a forest certification scheme, consists of 74 members including forestry, forest industries, environmental NGOs, business societies, academics and so on.

2. Got a membership of PEFC as NGB in 2014

SGEC has accepted as a member of PEFC and has become the National Governing Body of Japan since 29th July 2014.

3. Application for mutual recognition with PEFC in 2015

Passing through necessary procedures, SGEC's application for mutual recognition with PEFC was submitted to PEFC 27th March 2015.

Waiting for the final decision of Board of Members of PEFC in coming June 2016.

- SGEC has established principles, indicators and guidelines of FM certification, in a fair and proper way, based on Montreal Process.
- SGEC has also established guidelines of CoC certification in accordance with those of PEFC.
 - At the same time, 3 certification bodies have already been engaged in certifying forests and forest products under SGEC scheme.

- Since then, SGEC has remarkably expanded the coverage of forest area certified by FM certification (1,310,663 ha in 2016, 5% of Japan's total forest areas) and the numbers of entities certified by CoC certification (351 in 2016), strongly supported by small-scaled forest owners and forest industries in Japan.
- This achievement of SGEC apparently surpasses that of FSC in Japan. FSC has 393,243 ha of forest areas certified by FM certification (2016) and 1,050 entities certified by CoC certification (2016) .
- But, FSC has a better recognition as forest certification among forest products users and consumers, because environmental NGOs such as WWF has strongly supported and campaigned.
- As SGEC has not been endorsed by PEFC (SGEC has applied for the endorsement of PEFC and would be done in coming June.) so far, PEFC has none of forest areas certified by PEFC, but has 190 entities certified by CoC certification in 2016.

Forest Certification in Japan

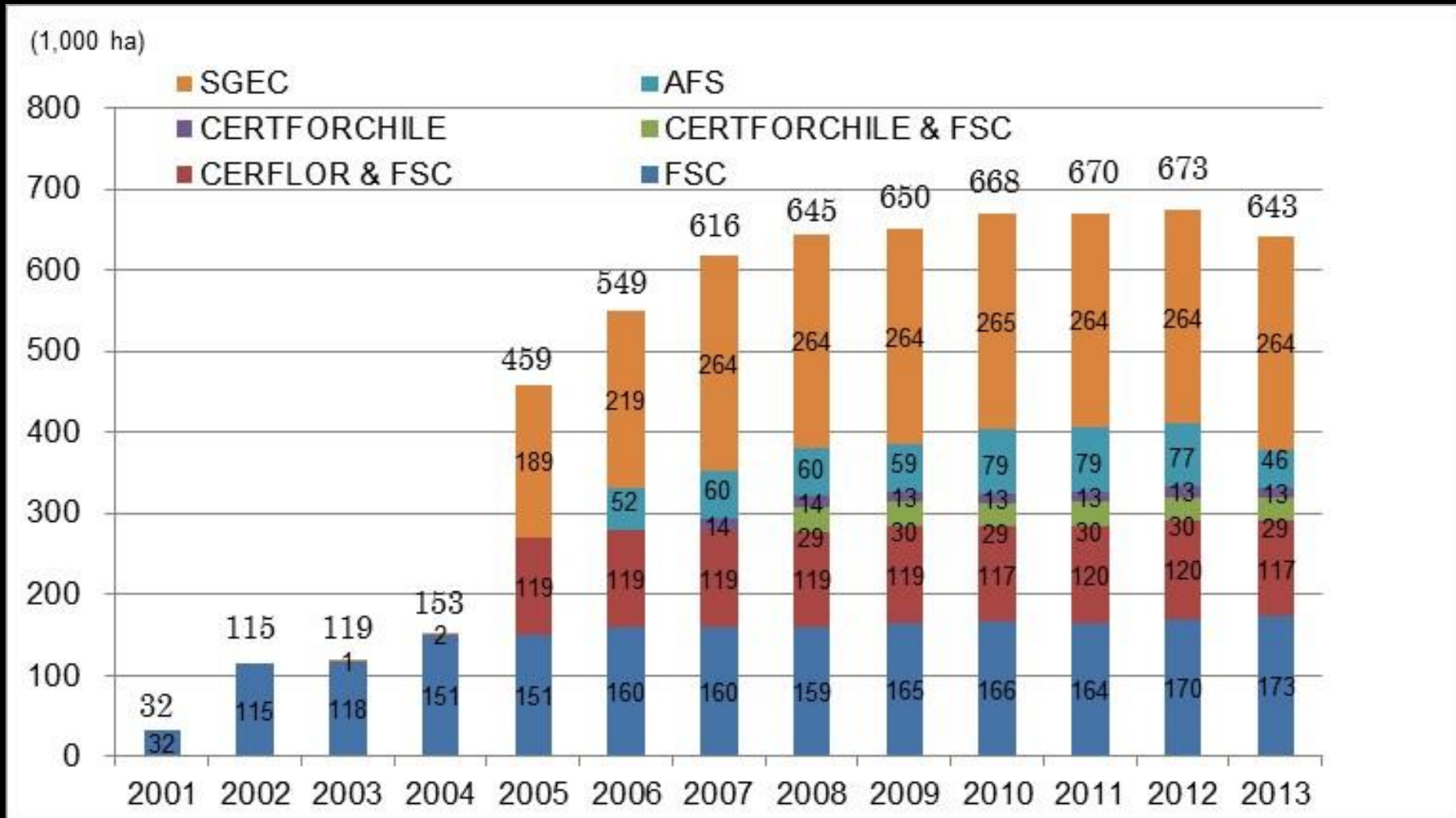
Certification Scheme	FM Certification (ha)	CoC Certification
SGEC	1,310,663	351
FSC	393,243	1,050
PEFC	---	190

(February 2016) ⁴³

Forest Certification in Paper Industry (2013)

- Japanese paper companies have 0.64million ha of their own forests certified by forest certification schemes such as FSC, PEFC and SGEC (independent, only in Japan) .
- Besides, 22.2% of woodchips consumed by Japanese paper companies is certified by CoC.
- Japanese paper companies choose each forest certification scheme according to its acceptance in each region.

Forest Certification Area owned by JPA Members



Source : Japan Paper Association

The amount of forest-certified woodchips (2013) consumed by Japanese Paper Companies

	Softwood	hardwood	total
D o m e s t i c	245	5	250
I m p o r t	616	2,610	3,226
T o t a l (f o r e s t c e r t i f i c a t i o n r a t e)	861 (17.3%)	2,615 (24.4%)	3,476 (22.2%)

Source: Japan Paper Association

Thank you for you kind attention!