

FSC Ecosystem Services Strategy

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Ecosystem services are the benefits people obtain from ecosystems.¹

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¹ Millennium Ecosystem Assessment (2005) *Ecosystems and Human Well-being: Synthesis*. Island Press, Washington, DC.

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DRAFT

Introduction

The 2005 Millennium Ecosystem Assessment – an assessment of the effects of human activity on the environment – concluded that over 60 percent of the world’s ecosystems have been degraded or are being used unsustainably.² This is, in part, symptom of a failure to place an economic value on the crucial services nature provides. The annual economic value of ecosystem services (ES), which include water purification, carbon storage, soil conservation, and maintenance of wildlife habitats,³ is estimated at US\$145 trillion.⁴

Payment for Ecosystem Services (PES) and other market-based instruments like taxes and subsidies, and sometimes certification, place monetary value on ES to create incentives for landowners to protect and restore ecosystems. According to Ecosystem Marketplace reports, between \$16.7 billion and \$18 billion of global transactions take place each year in the carbon, watershed services, and biodiversity markets⁵.

Forest Stewardship Council (FSC) forest management and chain of custody certification already provides businesses and consumers with an assurance that certified forest products have come from responsibly managed forests. ES certification would guarantee that forest management also maintains and/or enhances the provision of specific ecosystem services at the forest management unit level.⁶

In 2011, FSC, in collaboration with the United Nations Environment Programme, launched a five-year pilot project, Forest Certification for Ecosystem Services (ForCES), which aims to adapt FSC standards to emerging ES markets.

For FSC certification to be applicable to markets for biodiversity conservation and ecosystem services, it must verify and disclose information about the quality and/or quantity of specific ES provided by forests, such as the sequestration of carbon or the regulation of water flow.⁷

² Millennium Ecosystem Assessment, 2005. *Ecosystems and Human Well-being: Synthesis*. Island Press, Washington, DC.

³ World Bank (2002) *A revised forest strategy for the World Bank Group*. World Bank, Washington, DC.

⁴ Costanza R., de Groot, R., Sutton, P., van der Ploeg, S., Anderson, S.J., Kubiszewski, I., Farber, S. and Kerry Turner, R. (2014) Changes in the global value of ecosystem services. *Global Environmental Change* 26: 152–158.

⁵ Ecosystem Marketplace (2014) *Ecosystem services market study for the Forest Stewardship Council*. Unpublished. Ecosystem Marketplace, Washington, DC.

⁶ Definition adapted from: Savilaakso, S. and Guariguata, M.R. (2014) *Developing a niche for certification of ecosystem services: are we there yet?* Unpublished report.

⁷ Jaung, W., Putzel, L., Guariguata, M. and Savilaakso, S. (2014). *Forest certification for ecosystem services (ForCES): business model analysis*. Unpublished report. Center for International Forestry Research, Bogor, Indonesia.

Strategic Goal

Develop new tools for certificate holders to access emerging ES markets to strengthen the incentive for responsible forest management, forest conservation and the maintenance and enhancement of ecosystem services; and deliver greater value for certificate holders, communities, and other actors along the supply chain.

Analysis of strengths, weaknesses, opportunities and threats

Strengths (ranked)

1. **Strong existing certification framework** – FSC has a highly evolved framework of policies and standards, and a strong assurance model; this is a comprehensive foundation upon which to build new ES tools.
2. **Forum for dialogue**: FSC brings diverse interests together to develop forest solutions.
3. **Brand credibility** – In a survey of ES market actors, Ecosystem Marketplace found a relatively high level of trust in the FSC brand. There was also interest in FSC developing ES products, as long as transaction costs and duplication of efforts with other schemes can be kept low.⁸
4. **Holistic approach** – Social and environmental values are at the core of the FSC Principles & Criteria. These include the maintenance of ecosystem services, and free, prior and informed consent (FPIC), both of which are central to ensuring the credibility and positive impact of ES activities and payments.
5. **Active player** – Within the carbon market, FSC already plays a role safeguarding environmental and social values.
6. **Geographic reach** – With over 180,000 hectares of FSC-certified forest worldwide, new FSC tools for ES markets will have global reach and significance.
7. **Financial backing** – With five years of funding from the Global Environment Facility (GEF), and partners and pilot sites in four countries, the ForCES project provides an excellent foundation to develop and test an FSC-based approach for ES certification.
8. **Experienced personnel** – FSC forest management certificate holders have experience in biodiversity conservation, watershed protection and soil conservation and some have experience selling ES in markets for carbon storage, biodiversity conservation, water protection and ecotourism;⁹ some accredited certification bodies already have audit capacity in carbon sequestration and storage, biodiversity conservation, soil conservation and ecotourism.

Conclusion: FSC should base its new tools for accessing ES markets on the foundation of FSC's well-developed forum for dialogue and credible forest management standards and assurance model.

⁸ Ecosystem Marketplace (2014) Ecosystem services market study for the Forest Stewardship Council. Unpublished. Ecosystem Marketplace, Washington, DC.

Weaknesses (ranked)

1. **Not enough information** – The FSC system does not currently have any formal or consistent systems for quantifying ES or verifying the impact of forest management operations on the ES provided by a forest management unit (FMU). This is further exacerbated by the technical challenges of quantifying and valuing ES.
2. **Limited experience in ES markets** – FSC does not have established business models for delivering value from ES markets to its stakeholders.
3. **Costly and complex** – Additional FSC requirements for ES certification and measuring impact would add cost and complexity to the existing FSC system, when certificate holders – especially smallholders – are already requesting a reduction in cost and complexity.
4. **Low global South representation** – The extent of forest management certification is low in the global South, where many of the world's PES projects and programs are located.⁹
5. **Communities lack awareness** – Awareness of ES markets and technical capacity for evaluating impacts are limited at the community level, which could create a barrier for communities to access benefits from ES certification.
6. **Different scales** – Certification at the FMU level may not be a good fit with ES, which are often provided at the landscape scale.

Conclusion: FSC requires the expertise and systems for verifying the maintenance and/or enhancement of ES, business models for applying these systems to emerging markets, and tools that are accessible to certificate holders with low access to technical and financial resources.

Opportunities (ranked)

1. **New niche** – ES markets are still young, and because there are few established norms or systems for ES certification and few dominant players, there is an opportunity to influence the characteristics of ES certification.
2. **Potential for market entry** – Ecosystem Marketplace assessed the potential of twelve segments of the biodiversity, carbon and watershed markets for entry by FSC. Each segment was assessed for market potential, geographical scope, openness to additional certification criteria, and the existence of strong industry associations or organizations to promote uptake of standards. The best segments for ease of market entry were the payments for watershed services market and the voluntary carbon market (including non-carbon benefits). Commitments by large retailers and brands to sustainably-sourced commodities (including water, biodiversity and HCV protection) were also identified as a market with high potential for FSC ES certification.
3. **Existing market infrastructure and collaborators** – The Center for International Forestry Research (CIFOR) is committed to working with FSC to develop approaches for verifying the impact of forest management on ES. Opportunities also exist for building on existing infrastructure in water and carbon markets, such as carbon standards and registries.

Conclusion: FSC has good potential for entry in some ES market segments and has potential collaborators with experience in some ES.

⁹ Marx, A. and Cuypers, D. (2010) Forest certification as a global environmental governance tool: What is the macro-effectiveness of the Forest Stewardship Council? *Regulation and Governance* 4:408–434.

Threats (ranked)

1. **Brand confusion** – The branding and promotion of FSC-certified ES will have to be handled carefully to avoid the perception that ‘normal’ FSC forest management certification is somehow inferior.
2. **Reputational damage** – False claims, and unintended social and environmental impacts, in particular in the South, are risks associated with forest management certification; they are more acute for intangible services being delivered across a broad landscape (see Annex II).
3. **Demand uncertainty** – Despite best efforts to develop and promote credible ES products, market uptake cannot be assured. Investments made by FSC, certification bodies, certificate holders and communities may go unrewarded. The current low price of carbon contributes to this threat.
4. **Fragmented market** – Developing specific FSC ES products for a multitude of market segments – ranging from hyper-local (e.g. bilateral agreements) to global (e.g. the voluntary carbon market) – is not feasible, yet foregoing local segments would potentially sacrifice good opportunities for FSC certificate holders.
5. **Missed opportunity** – If FSC does not move quickly to offer certification options for ES, it may lose the space to competitor schemes.

Conclusion: FSC ES tools should be optional, and flexible enough to be applied to a multitude of market conditions. ES products must be credible, and must be carefully communicated to reduce the threat of brand confusion or damage.

Strategies

FSC forest management certification will be at the core of FSC's approach to ES certification. Based on the SWOT analysis, six strategies define this approach. The first two strategies address the required adaptations to FSC's existing assurance system: a small number of additional management requirements tailored to specific ecosystem services; and a new system of ES impact verification. The remaining strategies build upon these adaptations to achieve FSC's strategic goal for ES:

1. **Create an optional ES extension of FSC forest management certification**
2. **Develop practical methodologies for evaluating the impact of forest management and conservation on the maintenance and/or enhancement of ES**
3. **Capitalize on existing initiatives and form collaborative partnerships**
4. **Create tools for FSC certificate holders to access ES markets:**
 - 4.1 **Create a flexible system of FSC-verified ES promotional claims that can be used to access a multitude of ES market segments**
 - 4.2 **Create FSC-verified ES assets that can be directly sold within ES market segments with best potential for entry**
 - 4.3 **Drive demand for FSC-verified ES claims and assets**
 - 4.4 **Investigate how to deliver value along the supply chain**
5. **Ensure that the benefits derived from accessing ES markets are socially just and equitably shared**
6. **Create a model of on-going support for certificate holders to access ES markets**

1. Create an optional ES extension of FSC FM certification

FSC forest management and chain of custody certification already give businesses and consumers assurance that certified forest products have come from responsibly managed forests. For forest management organizations that wish to communicate to ES markets that they are managing to maintain and/or enhance particular ES, additional certification requirements have been developed.

These additional certification requirements for ES are built as an optional module to the existing framework of FSC forest management certification. This provides a credible basis for FSC ES certification and also ensures that additional requirements are not a burden for forest management organizations who do not see the market potential of ES certification. An ES Annex (Annex C: *Additional Requirements for Ecosystem Services*) has been incorporated into FSC's International Generic Indicators (IGIs).

The following ES, which have been the focus of testing within the ForCES project, are within the scope of Annex C:

- Carbon sequestration and storage
- Biodiversity
- Watershed services
- Soil conservation
- Recreational services.

These five ES categories were created based on market potential and foreseeable promotional claims. These broad, inclusive categories cover all ES as classified in the Millennium Ecosystem Assessment.¹⁰

The additional requirements are often built on existing requirements in the IGLs, but introduce an additional level of specificity that is important to one or all of the five ES. These additional requirements were developed by comparing the second draft of the IGLs with the scientific literature on ES and with the requirements of existing schemes for each of the ES indicators.

The additional requirements in the Annex apply only when the forest manager makes FSC promotional claims regarding the maintenance and/or enhancement of ES for improved market access to ecosystem service payments (see below).

The Annex also includes the requirement to produce a public *Ecosystem Services Certification Document* that describes the impacts of activities on the relevant ES.

As FSC adapts its certification system for smallholders and increases its use of risk-based certification approaches, an adapted version of additional ES requirements will also be developed to fit this new system.

Guidance will also be developed to assist certificate holders and certifying bodies to apply the requirements of the Annex.

Success criteria

- In March 2015, the FSC Board of Directors approved the IGLs, containing Annex C (*Additional requirements for ecosystem services*).
- By the end of 2015, Annex C of the IGLs is transferred into national and interim national standards through the transfer process.
- By June 2016, the *FSC Guidance for the Maintenance and Enhancement of Ecosystem Services* is completed and available for use.

2. Develop practical methodologies for evaluating the impact of forest management and conservation on the maintenance and/or enhancement of ES

Improved access to ES markets through FSC certification will require verification of the maintenance and/or enhancement of specific ES. This verification only applies when a forest manager wishes to make FSC promotional claims regarding the maintenance and/or enhancement of ES (see below).

Methodologies will be developed for verifying the impacts of FSC-certified responsible forest management on maintaining or enhancing the five ES defined in Annex C of the IGLs. These methodologies will be part of a new normative document, entitled *FSC Procedure for Demonstrating the Impact of Forest Stewardship on Ecosystem Services*. This will be developed by FSC – in collaboration with CIFOR, external experts and other certification organizations – in 2015–2016. This work will also be coordinated with the Transparent Forests project to ensure that the best opportunities for using remote sensing as part of the impact evaluation are identified and facilitated.

¹⁰ Millennium Ecosystem Assessment (2005) *Ecosystems and Human Well-being: Synthesis*. Island Press, Washington, DC.

One of the issues being addressed by the *ES Procedure* will be the question of additionality (i.e. whether the positive impacts of forest management on ES would occur without ES payments). Expectations of additionality will vary between different ES, and different ES market segments. In principle, FSC will look to acknowledge the additionality of FSC certification relative to business as usual practices, especially where associated costs are a barrier to certification.

Another issue that will have to be addressed in the *ES Procedure* is how ES can be bundled together or stacked for separate payments.

The development of methodologies will be prioritized, first focusing on carbon sequestration and storage, biodiversity conservation and watershed services. If market research demonstrates sufficient demand for soil conservation and recreational services, methodologies will be developed for these ES as well.

Success criteria

- By August 2015, the Board of Directors approves the proposal to develop the *FSC Procedure for Demonstrating the Impact of Forest Stewardship on Ecosystem Services*.
- By June 2016, the FSC Board of Directors approves the *FSC Procedure for Demonstrating the Impact of Forest Stewardship on Ecosystem Services*.

3. Capitalize on existing initiatives and form collaborative partnerships

FSC's many strengths will empower us within our collaborations, allowing us to take a leadership role in developing ES tools. FSC will adapt existing and emerging ES schemes and market infrastructure where it can to create FSC-verified ES assets (i.e. sellable ES products), rather than creating entirely new systems. For example, through its Memorandum of Understanding (MoU) with The Gold Standard Foundation, FSC has been providing input on methodologies and assessing approaches for joint application of standards.

External collaborations will allow FSC to redress some of its weaknesses in ES verification and markets. CIFOR is a partner in the ForCES project and will assist FSC technically in the development of protocols for verifying the impact of forest management and conservation on the maintenance and/or enhancement of ES.

To ensure credibility and minimize reputational risk, FSC will approve criteria for external certification schemes. FSC will only explore collaborations with qualifying schemes and only recommend these schemes for use by certificate holders. The ISEAL credibility principles and codes¹¹ and the WWF Certification Assessment Tool¹² will be used as resources in this activity.

FSC will also integrate its work on ES with other FSC initiatives, such as implementation of Motions 11 and 83 from the 2014 FSC General Assembly to adapt forest certification for smallholders, and the Transparent Forests project.

¹¹ <http://www.isealalliance.org/our-work/defining-credibility>

¹² [http://wwf.panda.org/what we do/how we work/businesses/transforming markets/news/?228430/WWF-Certification-Assessment-Tool-CAT](http://wwf.panda.org/what_we_do/how_we_work/businesses/transforming_markets/news/?228430/WWF-Certification-Assessment-Tool-CAT)

FSC will explore the extent to which the ES tools it develops can be applied at the landscape level across sectors and in partnership with other certification organizations.

Success criteria

- By the end of 2015, credibility criteria are approved for the assessment of external certification schemes.
- By June 2016, FSC will complete an assessment of possible collaborating schemes using credibility criteria.
- By June 2016, FSC has formed at least two partnerships with external ES schemes.
- By the end of 2016, FSC will recommend credible external ES schemes to certificate holders, where applicable.

4. Create tools for FSC certificate holders to access ES markets

FSC needs to provide certificate holders with tools to access ES markets. Two types of tools will be developed: verified promotional claims that can facilitate improved access to markets; and, new ES assets that can be directly sold by certificate holders (i.e. carbon credits). These tools will initially focus on voluntary markets because they are currently the largest markets and the most open to the application of additional certification standards. FSC will also work to develop demand within these markets for FSC-verified claims and assets.

4.1. Create a flexible system of FSC-verified ES promotional claims that can be used to access a multitude of ES market segments

FSC-verified ES claims will provide forest management certificate holders with a tool for improved ES market access. This improved access will result from improved confidence of potential buyers/supporters that ES are being maintained/enhanced and that social and environmental safeguards are being met.

FSC will develop ES claims that can be made if verified according to the impact evaluation described in the *FSC Procedure for Demonstrating the Impact of Forest Stewardship on Ecosystem Services*.

The transparency and credibility of verified claims will be supported by the public *ES Certification Document*. This document is analogous to a carbon project design document and will be verified by FSC-accredited certifying bodies. The ES certification document is required by Annex C of the IGIs, when the certified organization makes FSC promotional claims regarding the maintenance and/or enhancement of ES.

Verified FSC ES promotional claims could be used for any of the five FSC certified ES. A strength of this tool is that it is not tailored to any particular ES market segment and can therefore be applied to any segment where a certificate holder sees economic opportunity. Some examples of potential application include the following:

- A community uses an FSC-verified ES claim to demonstrate the water benefits of forest conservation and restoration efforts to a downstream water service provider.
- A forest manager uses an FSC-verified ES claim to demonstrate to the administrators of a jurisdictional REDD+ program that forest carbon stores are being maintained and/or enhanced in the forest.
- A community uses an FSC-verified ES claim to attract visitors through a tourism company.

- A retailer makes an on-product claim regarding biodiversity conservation based on the strength of an FSC-verified ES claim.

Market research will be conducted in 2015 to test the demand for and feasibility of different claims. Special attention will be given to market options for smallholders and community operations. The development of claims will be prioritized, first focusing on carbon sequestration and storage, biodiversity conservation and watershed services. If market research demonstrates sufficient demand for soil conservation and recreational services, demands will be developed for these ES as well.

This research will also assess the desirability of on-product claims. Rules for making verified ES promotional claims will be incorporated into the FSC requirements for trademark use.

Success criteria

- By June 2016, ES promotional claims for certified FSC ES are developed.
- By the end of 2016, rules for making verified ES promotional claims for certified FSC ES will be incorporated into FSC requirements for trademark use.
- By the end of 2017, FSC verified ES promotional claims have resulted in ES payments in ten FSC certified forests.

4.2. Create FSC-verified ES assets that can be directly sold within ES market segments with best potential for entry

For the market segments assessed by Ecosystem Marketplace as having the greatest prospect of market entry, FSC will pursue the development of FSC-verified ES assets that can be directly sold by forest management certificate holders.

4.2.1. Voluntary/Verified Emission Reductions

In order for a forest carbon project to generate Verified Emission Reductions (VERs), it must be verified under an external carbon scheme. FSC will develop a mechanism for attaching the verified ES impacts to VERs. A mechanism can be adapted from existing approaches; Verified Carbon Standard already employs such a mechanism for labeling VERs with additional certifications.

Demand for non-carbon benefits is high in the voluntary carbon market. FSC is already playing a role in demonstrating these co-benefits: roughly 20 percent of the of VERs (MtCO₂) traded in 2013 came from FSC-certified forests, and these credits traded for slightly more than VERs from land that was not FSC-certified. There is market demand for formalized protocols for the delivery of non-carbon benefits.¹³

FSC's credibility criteria for external certification schemes will be used to assess possible collaborating schemes and recommend credible carbon schemes to certificate holders.

¹³ Ecosystem Marketplace (2014) Ecosystem services market study for the Forest Stewardship Council. Unpublished. Ecosystem Marketplace, Washington, DC.

This approach is consistent with the Board-approved *Strategic Framework for an FSC Climate Change Engagement*¹⁴, which recommends that FSC not become involved in carbon offset quantification and verification, but at the same time calls upon FSC to:

- have systems in place assessing the social and environmental safeguards of forest carbon projects and programs at their design stage;
- be recognized by credible forest carbon schemes in order to facilitate and lead participants towards FSC certification;
- and ensure that FSC operations generating rewardable carbon claims comply with a defensible and credible carbon accounting standard.

To reduce the cost of dual certification (forest management and carbon) for certificate holders, FSC is also exploring measures for increasing the efficiency and decreasing the cost to certificate holders of being assessed against both FSC standards and external carbon standards.

Success criteria

- By June 2016, streamlined dual application of FSC certification and an independent carbon standard certification is tested.
- By September 2016, FSC will develop a mechanism for attaching the value of non-carbon ES benefits to VERs.

4.2.2. Water benefit certificates

FSC will explore opportunities for FSC-certified forest management organizations to sell water benefit certificates (WBCs).

Launched in 2014, WBCs quantify cubic meters of water that have been sustainably supplied, purified or conserved. WBCs are not offset credits, but they can be used by buyers to contribute to sustainability portfolios or to demonstrate the effectiveness of investments in water outcomes. The seller receives an annual results-based payment for results beyond business-as-usual to finance sustainable water management activities. The water benefit standard is managed, and the certificates issued, by The Gold Standard Foundation.

There are currently no forest-based methodologies for developing WBCs, but FSC will pursue this through its MoU with The Gold Standard Foundation. FSC will also explore recognition of FSC forest management standards and assurance for the issuance of WBCs.

Success criteria

- By the end of 2015, FSC and The Gold Standard Foundation confirm the possibilities for recognition of FSC forest management standards and assurance for the issuance of WBCs.
- By June 2016, a methodology is developed and approved to support the issue of WBCs for forests.

4.2.3. High Conservation Value (HCV) credits

¹⁴ FSC (2012) *Strategy Paper: Strategic Framework for an FSC Climate Change Engagement*. FSC International Center, Bonn.

FSC will test a hectare-based reward system for protecting high conservation values (HCVs). If the pilot test is successful, FSC will propose expansion of the system.

The HCV concept, created by FSC, has been widely embraced by other systems and in other sectors. Within FSC, HCV represents the promise of conservation for the most important environmental and social values of forests. However, avoided or modified harvest of these areas can represent a direct cost or an opportunity cost that can be financially challenging to forest managers.

Protection of HCV areas is a common component of low- or zero-deforestation commitments made by commodity and services industry. Fifteen of the world's largest companies have made commitments to FSC and to criteria that include protection of HCV areas. Some companies are seeking mechanisms and metrics to demonstrate that producers are satisfying these criteria.¹⁵ HCV credits could also be of interest to companies looking to demonstrate compensation of historical deforestation or HCV destruction, either within FSC or other systems.

FSC is currently implementing the HCV Reward Pilot Project to develop and test a mechanism for financially rewarding forest managers for protecting HCVs.

If the pilot project is successful, FSC will propose the development of hectare-based HCV credits as a new forest asset that could be sold by forest managers to compensate for the opportunity costs of HCV protection, and purchased by the private and public sectors to meet HCV protection commitments. Sale of HCV credits may also promote alternative models for forest management/conservation within intact forest landscapes, as required by Motion 65 of the 2014 FSC General Assembly.

One of the questions to be addressed by the pilot project is the feasibility of applying this approach to different categories of HCV and approaches to managing them. For example, HCV 6 (cultural values) is a poor fit with ES compared to HCV 4 (critical ES); outright protection of HCVs is also easier to monitor than other forms of management.

In developing this asset, FSC will assess the possibilities of extending its application to other commodity certification schemes.

Success criteria

- By June 2016, the HCV Reward Pilot Project is completed, including a market payment in support of HCV protection in two FSC-certified pilot sites.
- By the end of 2016, a proposal is developed to fully develop the HCV credits mechanism, based on the results of the HCV reward pilot project.

4.3. Drive demand for FSC-verified ES claims and assets

To address the threat of uncertain ES markets, FSC will work to develop demand for FSC-verified ES claims and assets. Although some opportunities are already known to us, our first step will be to do additional market research and prioritize sources of demand that have the greatest potential to deliver benefits to FSC certificate holders in strategically important regions.

¹⁵ Ecosystem Marketplace (2014) Ecosystem services market study for the Forest Stewardship Council. Unpublished. Ecosystem Marketplace, Washington DC.

Three areas of investigation are immediately apparent:

- **PES schemes:** Many national- or regional-level PES schemes exist or are in development. Through implementation of the ForCES project, FSC has commenced discussion with the managers of some of these schemes who have expressed an interest in exploring the use of FSC forest management certification and FSC ES claims and assets as a component of their programs. FSC will assess the developing landscape of PES schemes and promote FSC ES tools with those schemes that have the biggest potential impact for FSC.
- **Reducing emissions from deforestation and forest degradation (REDD+):** FSC certification can be an effective tool within national REDD+ programs for promoting improved forest management and reduced emissions. Responsible forest management as defined by FSC can also be a strong basis for national policy reform. In addition to these applications, FSC will assess the appetite among governments for applying FSC ES verification and other tools to demonstrate the delivery of carbon and non-carbon benefits and the meeting of social and environmental safeguards.
- **Investment sector:** The financial sector can have important impacts on responsible forest management through its direct investments in forests and through sustainable lending criteria. FSC certification is already used as a tool to mitigate investment risk, protect reputation and ensure traceability and legality. However, FSC's penetration of and uptake in this sector could be increased. There is also an increasing demand for new tools recognizing the non-timber values of forests, including the value of the ES they provide. FSC will assess the potential interest of this sector in FSC ES claims and assets and explore how FSC could meet this sector's needs.

Success criteria

- By the end of 2015, FSC has completed a situation analysis of sources of demand for FSC-verified ES and identify the best targets for promotion.
- By June 2016, a strategy is developed for delivering value and developing sources of demand for FSC-verified ES claims and assets.
- By June 2016, FSC has develop a proposed approach for how countries can use or adapt FSC tools to demonstrate the effectiveness of REDD+ programs at conserving and restoring forests, delivering non-carbon benefits and meeting environmental and social safeguards.

4.4. Investigate how to deliver value along the supply chain

FSC will explore innovative new ways of bringing value to companies along the supply chain. Companies with sustainable supply commitments that are sourcing FSC-certified materials are a possible source of demand for FSC ES products. However, to be widely taken up, these ES products need to deliver value and be more than a new cost for these companies.

Success criteria

- By the end of 2015, FSC has worked with the private sector to identify the most promising approaches to deliver value from FSC ES products along the supply chain.

5. Ensure that the benefits derived from accessing ES markets are socially just and equitably shared

To counter the threat of unintended social consequences, FSC will rely on its strong social safeguards including FPIC. Annex C of the IGIs has added some specifications that are particularly relevant for ES payments:

- demonstration of legal tenure to use and/or receive payments from the ES in question;
- culturally appropriate engagement, including access to and use of ES and benefit sharing where legal or customary rights exist.

The ForCES project includes some early work on benefit sharing, but this work needs to be further elaborated. FSC is also interested in exploring practices used in other certification schemes to ensure equitable benefits. For example, FSC could require minimum and premium prices for its FSC-verified assets, similar to the minimum and premium prices for commodities that Fairtrade International negotiates for suppliers.

Success Criteria

- By September 2016, FSC has tested the effectiveness of its social safeguards in the ForCES pilot sites and will report on the needs and feasibility of additional benefit sharing mechanisms.

6. Create a model of on-going support for certificate holders to access ES markets

FSC forest management certification at the smallholder and community level is often facilitated by technical and financial support. Similarly, ES projects are often supported by NGOs or other institutions. Increased revenues from access to PES markets may help make certification more affordable and sustainable, but the question remains of how certificate holders will attain the capacity and support required to develop the projects.

FSC will investigate a sustainable model of support for certificate holders wishing to access ES markets.

Success criteria

- By June 2016, FSC has developed a sustainable model for supporting certificate holders to access ES markets.

Annex I: Table of timelines for the FSC ES strategy

Timeline	Success criteria
March 2015	The FSC Board of Directors approved the IGIs, containing Annex C
August 2015	The proposal to develop the <i>FSC Procedure for Demonstrating the Impact of Forest Stewardship on ES</i> is approved by the Board of Directors
End of 2015	FSC has developed a fundraising plan for the continued development, testing and promotion of FSC ES certification.
End of 2015	FSC has completed a situation analysis of sources of demand for FSC-verified ES and identified the best targets for promotion.
End of 2015	Annex C of the IGIs is transferred into national and interim national standards through the transfer process.
End of 2015	Credibility criteria are approved for the assessment of external certification schemes.
End of 2015	FSC and The Gold Standard Foundation confirm the possibilities of recognizing FSC forest management standards and assurance for the issuance of WBCs.
End of 2015	A methodology is developed approved to support the issue of WBCs for forests.
June 2016	FSC will complete an assessment of possible collaborating schemes using credibility criteria.
June 2016	FSC has formed at least two partnerships with external ES schemes.
June 2016	A strategy is developed for delivering value and developing sources of demand for FSC-verified ES claims and assets.
June 2016	By June 2015, FSC has developed a sustainable model for supporting certificate holders to access ES markets.
June 2016	<i>FSC Guidance for the Maintenance and Enhancement of ES</i> is completed and available for use.
June 2016	Verified promotional claims for certified FSC ES are developed
June 2016	Streamlined dual application of FSC certification and an independent carbon standard certification is tested
June 2016	The HCV Reward Pilot Project is completed, including a market payment in support of HCV protection in two FSC-certified pilot sites.
June 2016	FSC has developed a proposed approach for how countries can use or adapt FSC tools to demonstrate the effectiveness of REDD+ programs at conserving and restoring forests, delivering non-carbon benefits and meeting environmental and social safeguards.
September 2016	The FSC Board of Directors approves the <i>FSC Procedure for Demonstrating the Impact of Forest Stewardship on ES</i> .
September 2016	FSC has tested the effectiveness of its social safeguards in the ForCES pilot sites and will report on the needs and feasibility of additional benefit-sharing mechanisms.
September 2016	FSC will develop a mechanism for attaching the value of non-carbon ES benefits to VERs.
End of 2016	FSC will recommend credible external ES schemes to certificate holders, where applicable.
End of 2016	Rules for making verified promotional claims for certified FSC ES will be incorporated into FSC requirements for trademark use.
End of 2016	A proposal is developed to fully develop the HCV points mechanism, based on the results of the HCV reward pilot project
End of 2017	FSC ES verified promotional claims have resulted in ES payments in ten FSC certified forests.

Annex II: Potential risks and mitigation measures associated with claims and rewards for ES maintenance certification¹⁶

Risk associated with ES certification claims	Possible mitigation measures	How to implement
Misleading claims	Robust, third-party accounting rules; strong system of assurance	- Procedure for FSC ES impact evaluation - Criteria for collaborating with external schemes - Third-party verification by independently accredited certification bodies. - Trademark rules for promotional claims
Benefits are not additional to what would have occurred without payment		
Environmental benefits are not permanent		
Double counting	Transparency through registries	- Creation of FSC ES certification registry
Complexity and costs	Simplicity of system design; support of communities and smallholders	- FSC IGIs - National forest stewardship standards - <i>FSC Procedure for Evaluating the Impact of Forest Management on Ecosystem Services</i> - Joint application approach for dual certifications - Smallholder program and fund - New approaches to community certification
Risk to other ES and other forest values	Safeguarding of environmental and social values; strong system of assurance; alignment of PES targets with other conservation priorities	- FSC IGIs - National forest stewardship standards
Green-washing	Third-party commitments to sustainability; strong system of assurance	- Requirement for FSC certificate holders to adhere to the FSC Principles and

¹⁶Based on a literature review carried out in response to Motion 10 of the 2011 General Assembly

		Criteria and related FSC policies and standards. - Third-party verification by independently accredited certification bodies.
Risks associated with ES payments	Possible mitigation measures	How to implement
Unintended social impacts	FPIC; benefit-sharing mechanisms	- FSC IGIs - National forest stewardship standards - FSC guidelines for the implementation of the right to FPIC
Overall increase of negative environmental effects through the use of offsets	Strong regulatory caps on greenhouse gas emissions (carbon); adherence to mitigation hierarchy (biodiversity)	- Mostly beyond FSC's control - Criteria for collaborating with external carbon schemes - Criteria for collaborating with PES schemes, ensuring commitment to mitigation hierarchy
Tax fraud and money laundering	Strong regulatory frameworks aligned at the international level	- Some mitigation can be achieved through certification bodies assessing compliance with laws