



The Bait and Switch of Forestry Certification

Overwhelming Evidence Finds Some Forest Certification Standards are Both Costly to Consumers and Fall Short of Promised Environmental Benefits

As consumers buy wood and paper products they have become increasingly aware that some products have eco-labels, which indicate that these products come from forests that are managed according to strict environmentally-sound and sustainable forestry practices. Some consumers appear willing to pay slightly more for these eco-friendly products, because they are advertised to the public as being less harmful to the environment. Yet, like a “bait and switch” tactic, some eco-labels are deceiving consumers into paying more for “not so eco-friendly” products. The consequences are substantial, as shown in this ConsumerGram, costing consumers tens of billions of dollars each year and ultimately resulting in the loss of nearly 800,000 U.S. workers.

Background

Certification has become an important trend in sound forestry management, because it balances economic viability with resource sustainability. Forest owners and manufacturers can voluntarily choose certification programs for their timber-based products by meeting the established requirements of one of dozens of organizations, thereby earning the right to put that organization’s eco-label on its products.

There has been growing efforts to make one major international standard headquartered in Germany, the Forestry Stewardship Council (FSC), the *de facto* certification standard in the U.S. These efforts have come from a number of activist groups, as well as adoption by the US Green Building Council for the LEED rating system, which solely favors FSC while treating wood from the other fifty certification programs as uncertified. The view of supporters of such a standard is simple: if you want to participate in the market for eco-products, then you must adhere to the one international certification program.

But, there is one problem – FSC standard is not a uniform standard – sometimes utilizing more lenient standards in less safe environmental areas, while stricter and more costly certification in safer forestry markets. The effect of various standards works to encourage less production in the U.S. and more production overseas. American consumers who look for the eco-label may believe FSC certified wood is all subject to the same standards and practices, but that is not necessarily the case. Ironically, there are other standards that may better balance sustainability with economic viability.

The Evidence

The lack of a consistent FSC standard could mean that consumers are paying more for wood harvested overseas from less environmentally safe areas. For instance, one FSC manager in Russia has admitted that there are gaps in FSC certification rules that put ancient forests at risk and stated that the standards are always based on “compromise.”¹ While American consumers may believe they are helping the environment when shopping for an eco-labeled product, they may be passing up wood harvested from well-managed forests in the U.S. in order to buy wood that comes from less protected (though certified) forests from abroad.

The empirical evidence demonstrates that heterogeneous standards compromise environmental benefits and distort consumer costs. A review of recent studies provides overwhelming empirical evidence that a *de facto* FSC standard disproportionately harms US consumers and jobs:

- According to a study by the American Consumer Institute (ACI), FSC certification in the US appears to be much more costly for American consumers, leading to an estimated consumer welfare loss of \$10 billion per year for wood products and \$24 billion per year for paper products markets;²
- A study written by Brooks Mendell, Ph.D. and Amanda Hamsley Lang found discrepancies in standard compliance, concluding “even auditors responsible for verifying landowners’ compliance with certification programs acknowledge how some standards, even if explicit, remain subject to interpretation for implementation;”³ and
- A subsequent study by EconoSTATS at George Mason University and the research group, Forisk, found excessive regulations by FSC standards would lead to higher costs, reduced wood production and the losses of tens of thousands of jobs in Oregon and Arkansas.⁴

These and other studies were summarized and discussed in a number of articles, including pieces written by the National Legal and Policy Center,⁵ my articles in Real Clear Policy and the Huffington Post,⁶ Watchdog.org,⁷ the Center for Individual Freedom,⁸ and EconoSTATS at GMU.⁹ The conclusions were clear – the adoption of an FSC *de facto* standard would lead to

¹ Ida Karlsson, “Ikea Products Made from 600-Year-Old Trees,” *Guardian*, May 29, 2012, available online at <http://www.guardian.co.uk/environment/2012/may/29/ikea-ancient-tree-logging>.

² <http://www.theamericanconsumer.org/wp-content/uploads/2012/10/Certification-Study-FINAL.pdf>.

³ <http://www.theamericanconsumer.org/wp-content/uploads/2012/12/Comparing-Certification-Standards.pdf>.

⁴ <http://econostats.org/wp/wp-content/uploads/2013/06/EconoSTATS-Comparing-Forest-Certification-Standards-in-the-U-S-Final.pdf>.

⁵ <http://nlpc.org/stories/2012/11/13/ethics-forest-certification-when-unintended-consequences-result>

⁶ http://www.realclearpolicy.com/articles/2012/10/01/the_pitfalls_of_green_wood_and_paper_302.html; and http://www.huffingtonpost.com/steve-pociask/environmentallyfriendly-forests_b_3464927.html.

⁷ <http://watchdog.org/67573/green-forest-scheme-would-strain-consumers-undermine-environment-study-says/>

⁸ http://cfif.org/v/freedom_line_blog/16041/new-study-forestry-stewardship-council-fsc-monopoly-threatens-american-consumers-jobs-and-industry/; and http://cfif.org/v/freedom_line_blog/16300/environmentalists-push-fsc-forest-certification-monopoly/.

⁹ <http://econostats.org/the-adverse-consequences-from-a-forestry-standards-certification-monopoly/>.

fewer jobs in the US economy, the reliance on wood products grown in foreign countries with less environmentally safe standards, and higher prices for consumers. Governors in Maine, Georgia, Florida, Oregon, Alabama, Mississippi and Tennessee have become concerned about FSC becoming a sole standard for forest certification, and have issued executive orders that, in general, permit the use of alternative certification standards to meet green-building credit requirements.¹⁰

Widespread Job Impact

While the earlier work by EconoSTATS study did find that FSC regulations would produce over 31,000 and up to 10,000 job losses in Oregon and Arkansas, respectively, there has not been a calculation of the total US job impact from an FSC-like *de facto* standard. Using the relative impact of based on the EconoSTATS study, the potential impact on the entire US economy can be estimated.

Assuming the study's average regulatory impact and multiplier effects, and using United States Bureau of Census employment data (consistent with the earlier study), the potential direct, indirect and total jobs lost from FSC-like regulations round out to be approximately 190,000, 595,000 and 785,000, respectively.¹¹ In other words, the full employment impact from these regulations would devastate the U.S. wood and paper industry, and it would add one-half of one percent to the unemployment rate of the US economy.

Because demand for wood and paper products is not falling, if a *de facto* standard makes it too costly to produce wood and paper in the US, the products will still be consumed by purchasing them from overseas. The consequence of FSC's disparity in standards across the globe ironically means that FSC may incentivize the harvesting of wood in more environmentally risky locations, areas with weaker enforcement, areas with the greatest threats of deforestation and pollution, and countries with high corruption. A standards bias for foreign wood would also lead to an increased importation of foreign wood, thereby adding transportation costs and creating other environmental harms. In addition, the higher costs of wood in the US could push consumers to substitute to less environmentally-friendly materials, such as metals, concrete and plastics. In other words, the environment will not necessarily

¹⁰ Suitable certification organizations have included the Sustainable Forestry Initiative, American Tree Farm System and Programme for the Endorsement of Forest Certification systems. The executive orders include: Georgia, <http://gov.georgia.gov/press-releases/2012-08-15/deal-order-expands-states-ability-use-georgia-forest-products>; Alabama, http://governor.alabama.gov/news/news_detail.aspx?ID=7763; Florida, <http://www.myfloridahouse.gov/Sections/Bills/billsdetail.aspx?BillId=49491>; Maine, http://www.maine.gov/tools/whatsnew/index.php?topic=Gov_Executive_Orders&id=323510&v=article_2011; Oregon, http://www.oregon.gov/gov/docs/executive_orders/eo_12-16.pdf; Tennessee, <http://wapp.capitol.tn.gov/apps/billinfo/BillSummaryArchive.aspx?BillNumber=HB1268&ga=108>; and Mississippi, <http://billstatus.ls.state.ms.us/2013/pdf/history/HB/HB0488.xml>.

¹¹ This estimate is based on the total forestry/logging (NAIC 1131, 1132 and 1133), forest support (1153), furniture (337), paper (322) and wood (321) manufacturing industry employment of roughly 1.1 million jobs, the EconoSTATS study's estimate of 17% employment loss from the imposition of regulation and the EconoSTATS study's estimate of roughly three indirect jobs per direct job.

benefit from the consumer of these products, although they stand to pay 15% to 20% more for them.¹²

A Bait and Switch

This *ConsumerGram* has shown that the US industry will lose substantial economic production and jobs if it continues to move to a single FSC-like standard. In addition, consumers will pay more for the eco-label, and do so while believing that they are doing something positive for the environment. It's a bait and switch and consumers deserve better.

Instead of adopting a *de facto* international standard, a better policy approach would be to maintain competition among certification programs, which would encourage US producers to more quickly adopt good forest management practices and produce more environmentally-friendly wood and paper products. Other standards are available that may better balance sustainability with economic viability. This would also push many certification organizations to achieve social and environmental benefits that are in balance with maintaining affordable consumer prices and job creation.

By striking a balance, American consumers will more easily embrace eco-products making them both affordable and expanding their use by consumers. It would also end the "bait and switch" confusion and give environmentally-conscious consumers what they want and deserve.

¹² <http://www.theamericanconsumer.org/wp-content/uploads/2012/10/Certification-Study-FINAL.pdf>.