



Forest Products: THE Climate Friendly Solution

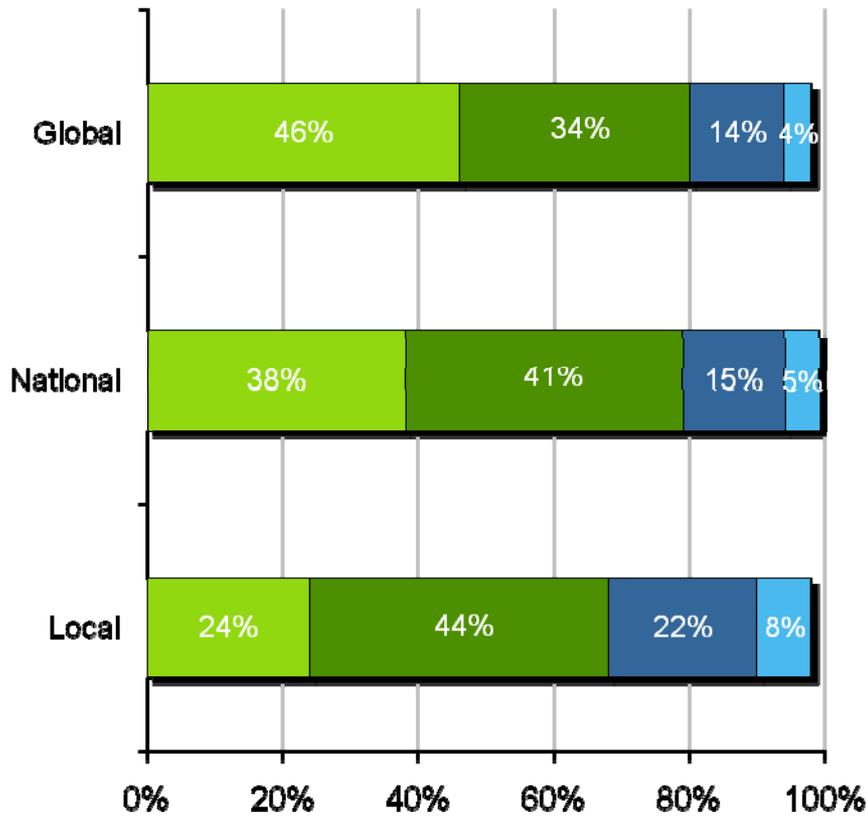
Jean-Pierre Martel
VP Sustainability

**SFI Conference
Minneapolis
September 25th, 2008**

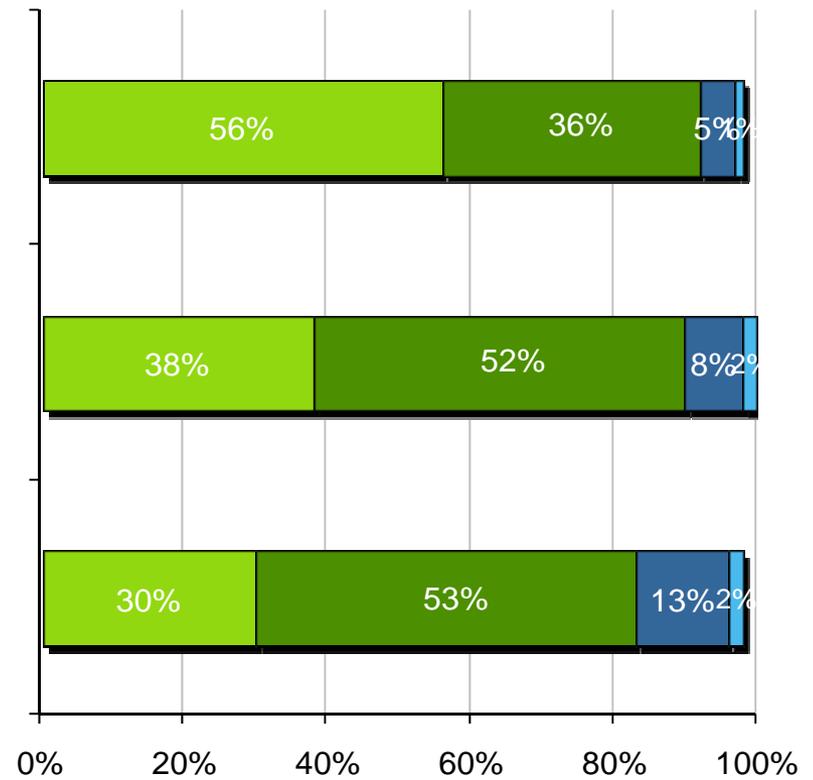
Environment: A Global Concern

New Environmentalism 2008 Harris Decima Survey

US



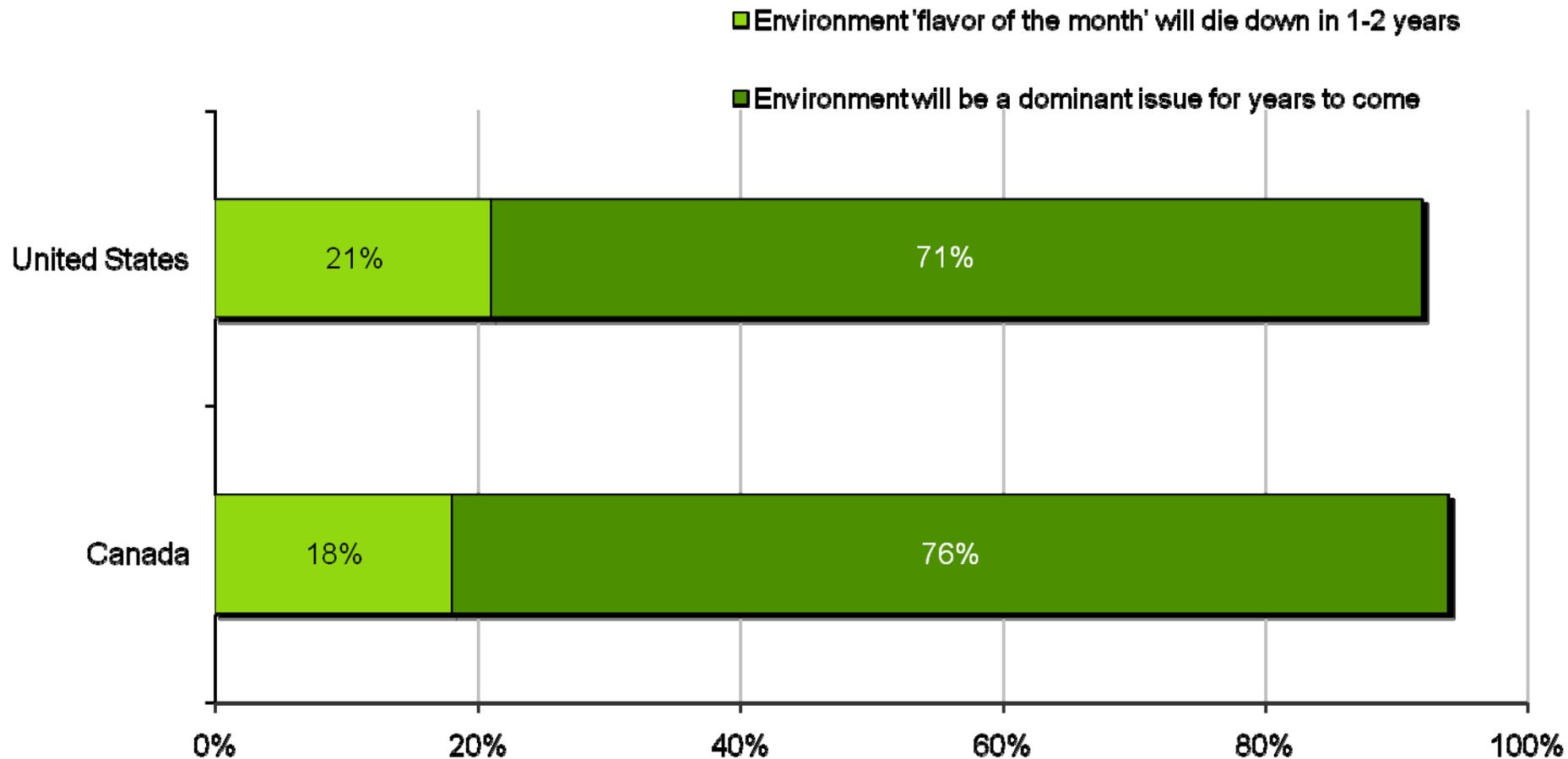
Canada



Very concerned Somewhat concerned Not too concerned Not concerned at all

The Staying Power of Environmental Issues

New Environmentalism 2008 Harris Decima Survey



How to Explain this New Wave?



- **Climate Change: Catalyst & Symptom**
- **Higher Energy Costs**
- **Aging Baby Boomers**
- **Personal guilt: A need to act**

Influence on Consumer Behavior : How Much ?

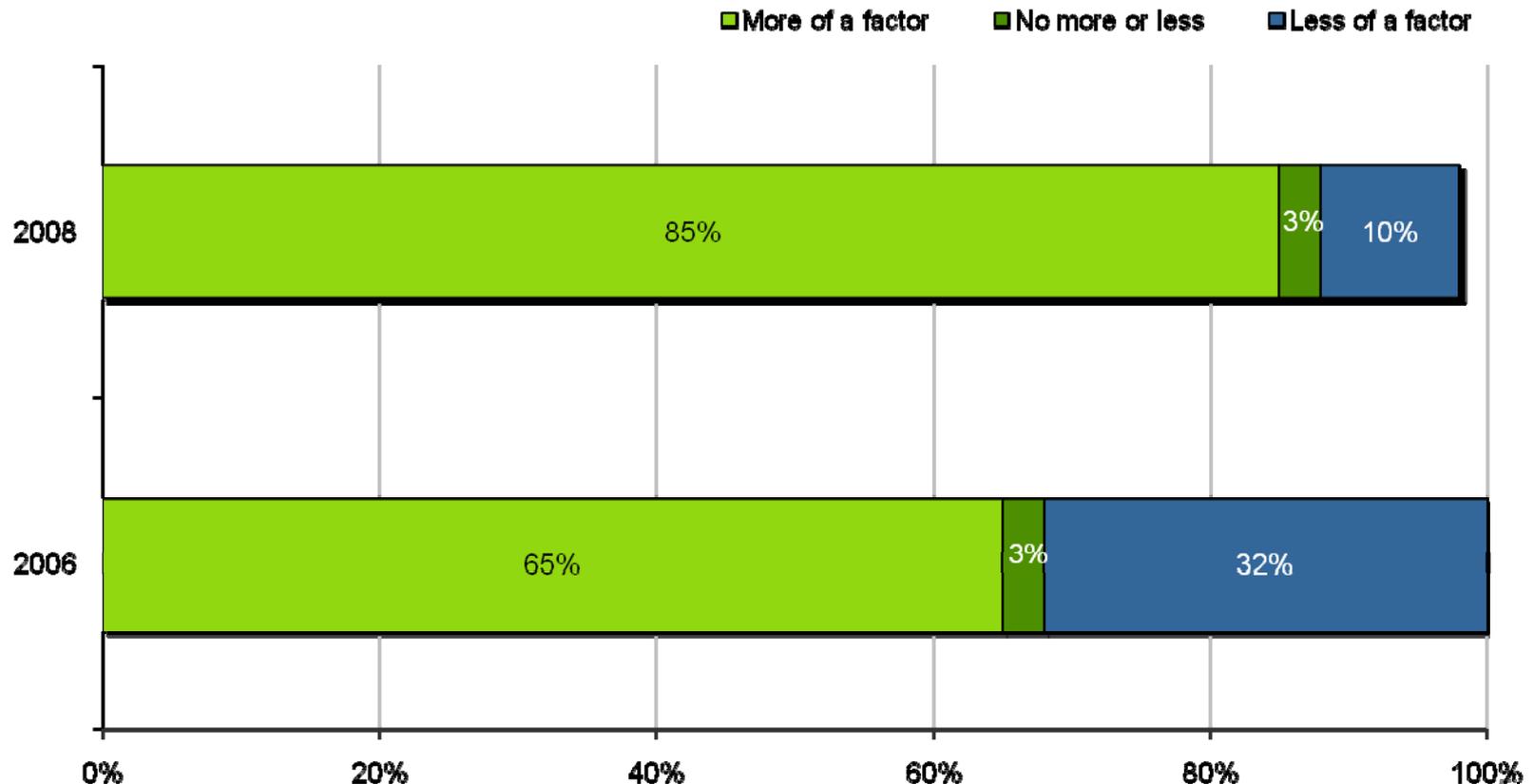
Environmental Considerations in Customers Purchase

Harris Decima 2008 Customers Survey

Forest Products
Association of Canada
fpac.ca

Association des produits
forestiers du Canada
fpac.ca

Are they more of a factor, less of a factor, or no more or less of a factor in purchase decisions than they were five years ago?



A Growing Global Economy

Growing Economy

- GDP to double to \$72 trillion by 2030
- Per capita incomes will triple in the developing world
- World population to reach 9 billion by 2050

Growing Demand for Forest products and Land

- World Demand for forest products expected to increase by 2% per year
- Competition for land to grow Fibre, Fuel & Food is increasing

Forest Sector Uniquely Positioned to Meet Growing Demand for Sustainable Products

- Sustainable Forestry:
 - Sustainable Forest Management Certification
 - No deforestation
 - Forest Regeneration
 - **Climate Friendly**
- Sustainable Processes
 - Cleaner processes
 - Renewable energy
 - Potential to become carbon neutral
- Sustainable Products
 - Recyclable
 - Low embodied energy
 - Renewable

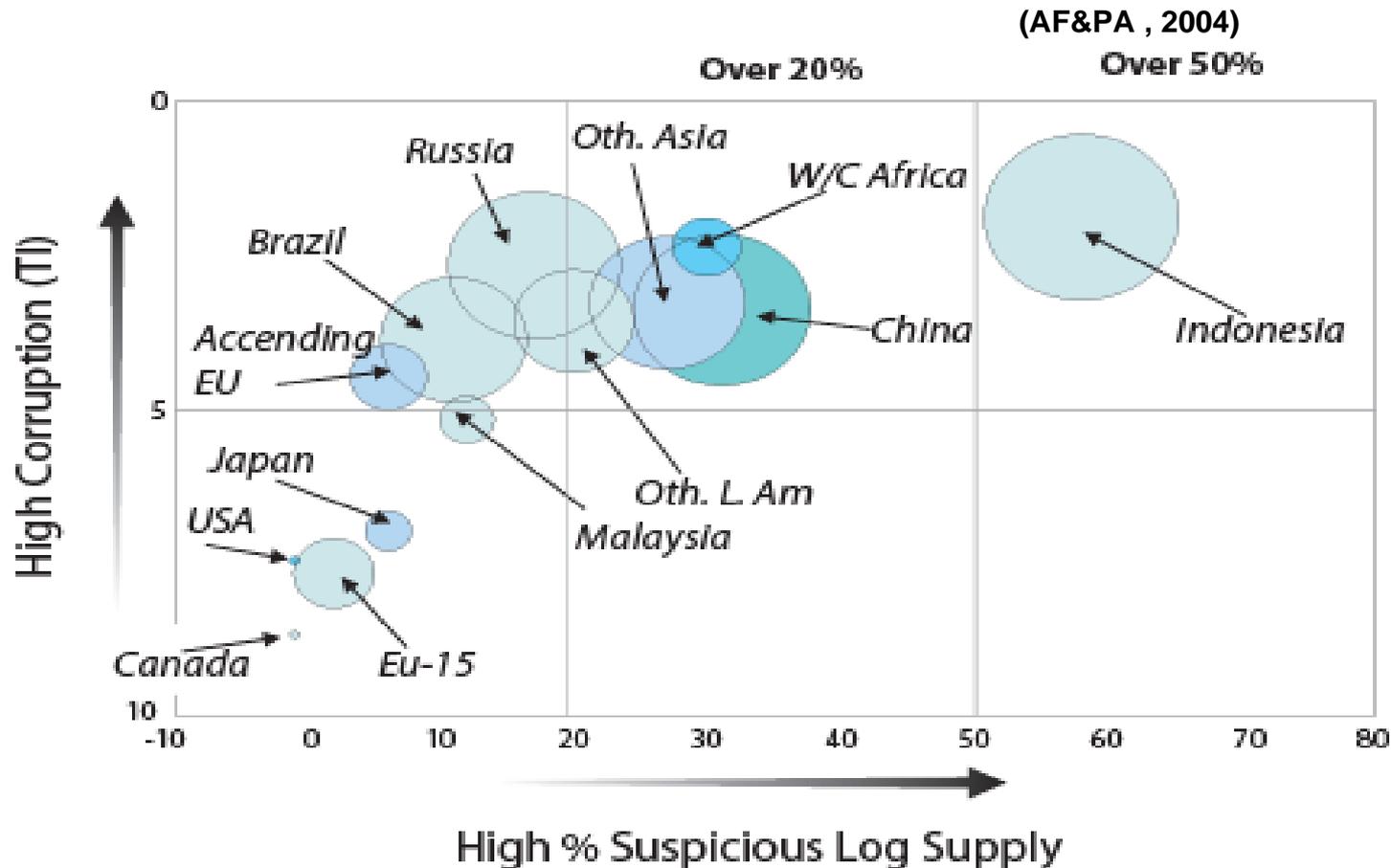
What do Consumers Want? Wise Use & Responsible Sourcing of Forest Products

Responsible sources are those that embrace the following 5 principles:

1. Harvest Legally
2. Regenerate Promptly
3. Welcome Independent Scrutiny
4. Promote Recycling and Recovery
5. Reduce Greenhouse Gases & Climate Friendly

Illegal Logging

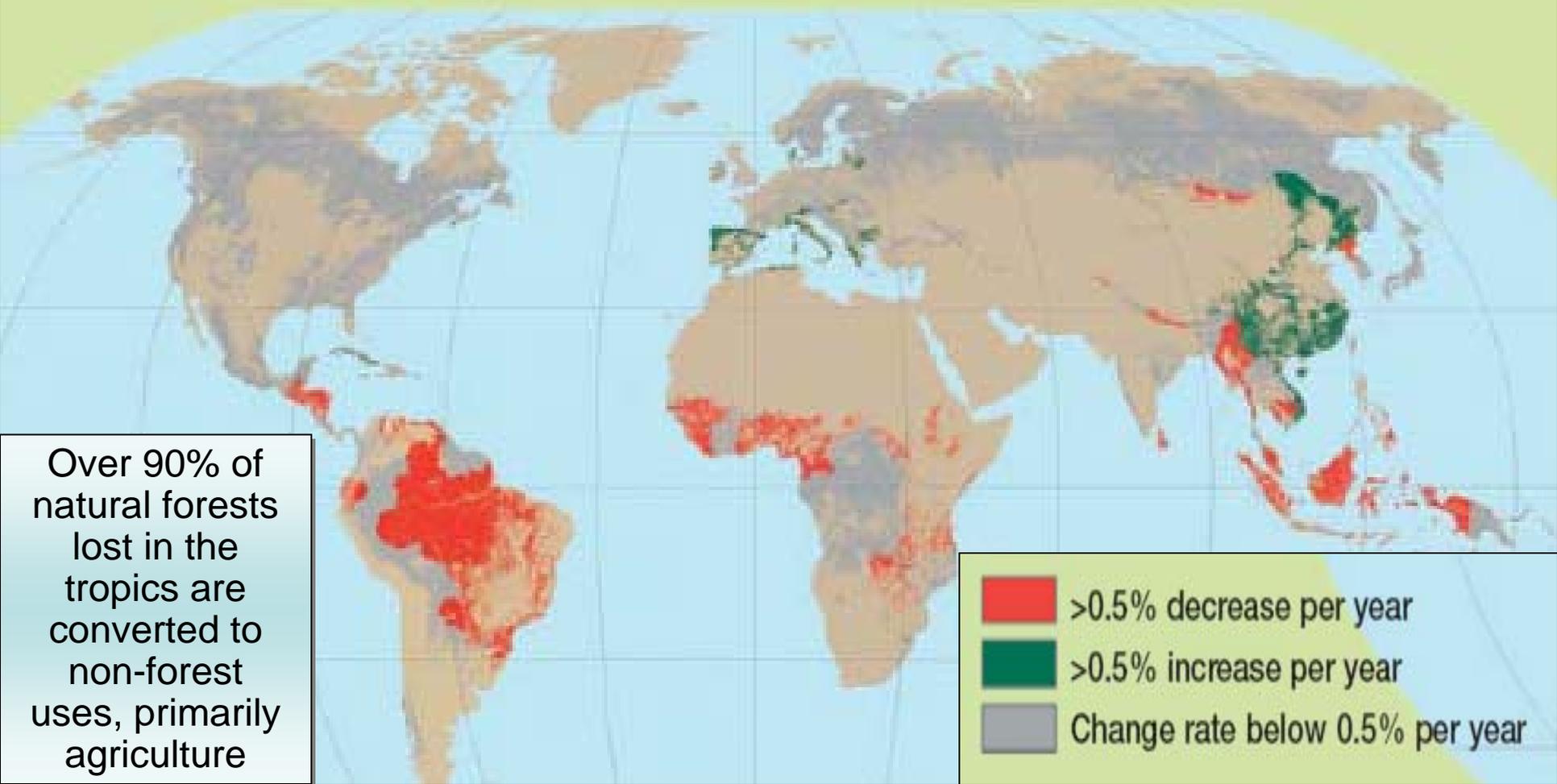
Corruption and Illegal Forest Activity



Note: Size of bubbles represents volume of suspect roundwood, including imports. Sources: Transparency International; WRI/SCA estimates of illegal logging, in American Forests & Paper Association 2004

Deforestation : 20% GHG Emission (IPCC 2007)

Countries with high net change in forest area, 2000–2005

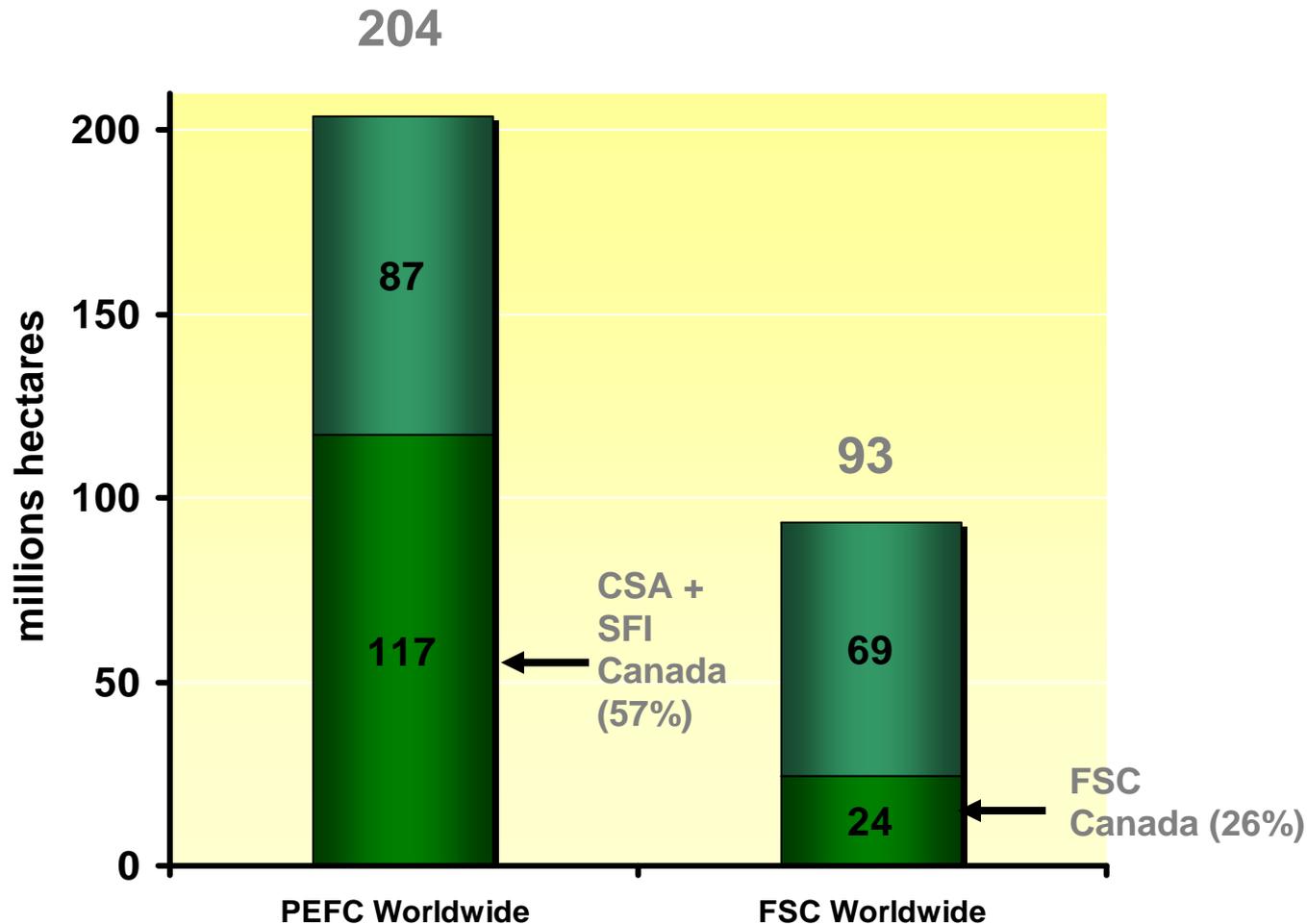


Over 90% of natural forests lost in the tropics are converted to non-forest uses, primarily agriculture

Transparency

Canada's Contribution to PEFC & FSC

millions of hectares certified – January, 2008



Over ½ of PEFC and ¼ of FSC worldwide certifications are in Canada.

Source: Canadian Sustainable Forestry Certification Coalition. January 2008

What do Consumers Want?

Wise Use & Responsible Sourcing of Forest Products

1. Harvest Legally

2. Regenerate Promptly

3. Welcome Independent Scrutiny

4. Promote Recycling and Recovery



- 40% reduction of landfill requirements since 1996
- Objective: no usable paper to landfill
- Recovery rate now 58% VS 52% in 2006

5. Reduce Greenhouse Gases & Climate Friendly

- 44% reduction of GHG for P&P
- 7 times Kyoto

A Unique Climate Change Commitment & Partnership

Forest Products
Association of Canada
fpac.ca

Association des produits
forestiers du Canada
fpac.ca

“ Industry-wide carbon-neutrality
by 2015 without the purchase
of carbon offset credits”



Joint FPAC/WWF Press Release
October 31st 2007

Forest Products
Association of Canada
fpac.ca

Association des produits
forestiers du Canada
fpac.ca

Strong Public & Market Support

SHIFTING INTO NEUTRAL THE ENVIRONMENT < NEWS

There will be more carbon risk than there is now. How much remains to be seen, but there will be more. And so you could get ahead of the carbon risk and mitigate against that, plus you can get efficiencies.

Julia Langer, director,
climate change programs
WWF-Canada

Forest industry to erase carbon footprint by 2015

Waiting for regulation won't get
it done, industry heads

Canada's forest industry CARBON 'Going beyond mill behaviour'

Forest industry eyes carbon-neutral plan

industry to turn over a new leaf



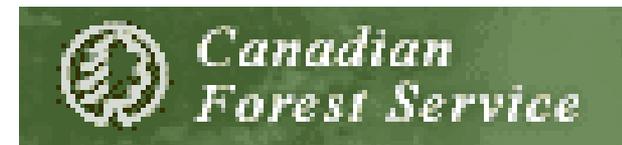
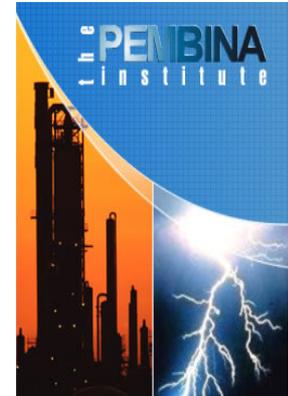
What's the Basis?

- Canadian assessment builds on global assessment performed by NCASI and Univ. of Washington
- Incorporates thinking and tools developed for WBCSD
- Analysis based on data and methods from IPCC, FAO, IEA, and national sources

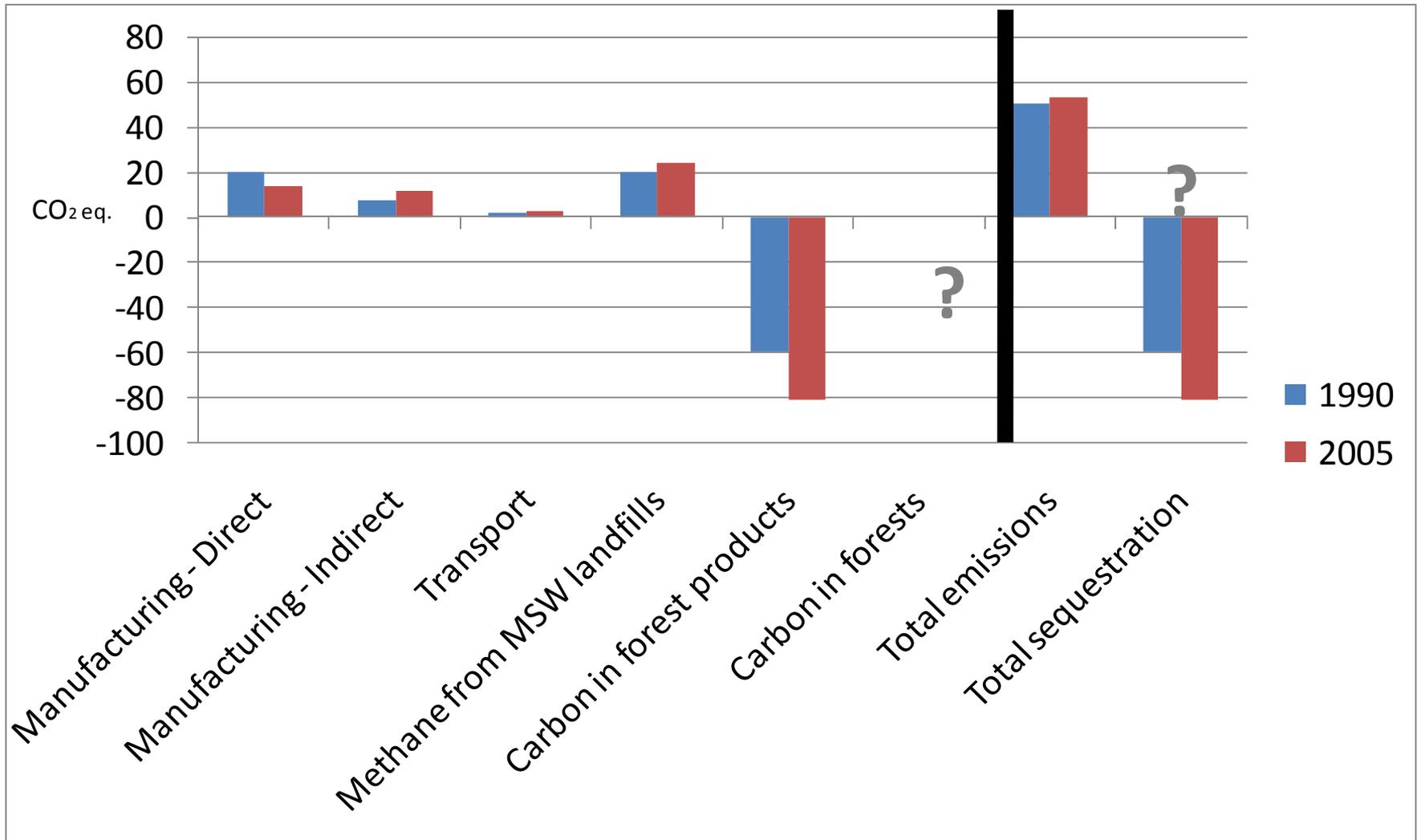
External Advisory Group

- World Wildlife Fund Canada
- World Resources Institute
- NCASI
- Pembina Institute
- CFS
- Prof. G. McBean - UWO
- FPInnovation - Paprican
- Rockefeller Brothers Fund

ncasi



What's the Big Picture?





From concept to reality:

CO2 Neutral Alliance

CO2 Neutral Alliance

An initiative to help businesses along the **forest products value-chain** lower their greenhouse gas emissions and achieve recognition for their leadership

Alliance's Approach

- Tackle **'cradle to grave' carbon life-cycle** of Canada's forest products, with goal of carbon-neutrality by 2015
- **Encourage & applaud** GHG reducing actions by actors up and down the value chain

Scope of Membership

Leading and committed organizations along the forest products value-chain:

- Primary manufacturers (FPAC members)
- Secondary Wood & Paper Product Manufacturers
- Printers & publishers
- Construction Industry and Developers
- Retailers and Wholesalers
- Waste Management Entities (e.g. waste to clean energy)
- Municipalities & other Governments

Member Commitments (draft)

- 1. Conduct an assessment** of the greenhouse gas emissions associated with the forest products they grow, produce, buy, sell, process or handle at end of life.
- 2. Set ambitious but achievable targets** for greenhouse gas reductions and an action plan to meet them.
- 3. Publicly report on progress** against established targets (supported by Alliance)

Benefits of Membership

The Alliance will support its members by:

- **Conducting outreach and communications** to the public, customers/consumers and governments on the efforts and achievements of the members
- **Sharing knowledge, information and best practices** among members
- **Marketing and advertising** to influence consumer behaviour in support of low-carbon lifestyles and preference for members' products
- **Supporting progressive policy** that aligns with CO2Neutral's mission and supports the activities of its members

Forest Products: THE Climate Friendly Solution

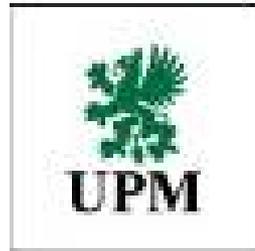
An opportunity for our sector:

- To be part of the solution
- To re-brand
- To harness power of the value-chain

Thank You!



Canfor Pulp Limited Partnership



White Birch Paper™



Catalyst



Kruger



STORAENSO



Strong Public & Market Support

SHIFTING INTO NEUTRAL THE ENVIRONMENT < NEWS

There will be more carbon risk than there is now. How much remains to be seen, but there will be more. And so you could get ahead of the carbon risk and mitigate against that, plus you can get efficiencies.

Julia Langer, director,
climate change programs
WWF-Canada

Forest industry to erase carbon footprint by 2015

Waiting for regulation won't get
it done, industry heads

Canada's forest industry CARBON 'Going beyond mill behaviour'

Forest industry eyes carbon-neutral plan

Forest industry to turn over a new leaf

Building on our Successes...

- **Fossil fuel use cut by 45% since 1990**
(2005, FPAC members)
- **56% of energy now self-generated from biomass and small hydro**
(2005, FPAC members)
- **Largest cogeneration capacity in Canada**
- **40% reduction in landfill requirements since 1996**
- **Zero Deforestation**

Project scope and Impact

- Demonstrate industry's collective climate change progress
 - Individual companies are not required to be carbon neutral
 - Companies pursue efficiencies driven by their operational and business circumstances
 - Individual company efforts in many cases already well aligned with industry-wide carbon neutrality objective
- ↓
- Create accountability throughout the value chain (e.g. recovery)

Primary Forest Products Sector

Actions in support of Alliance membership could include:

- Greater use of heat recovery processes
- Increase use of biomass & fuel switching
- Changes in forest management practices (e.g. reduce road widths)
- Increase sequestration

Paper Users (i.e. printers/publishers)

Actions in support of Alliance membership could include:

- Decrease material intensity
 - – lower paper weight, smaller page format, more efficient packaging
- Recycling and waste reduction (internal and via partnerships)

Waste Management Companies

Actions in Support of Alliance Membership could include:

- Implement landfill methane capture
- Increase diversion of paper products and scrap wood from landfills (to recycling)
- Increase use of next gen waste-to-energy technologies

Why Did We Do It?

- Increasing public & political interest
- Important to customers
- Positively focus climate change debate
- Science is on our side



Benefit to the forest sector:

1. Frame the climate change question
2. Vehicle to leverage GHG reduction performance
3. Ability to engage & influence the entire value chain
4. Positive positioning with govt. re: climate change regulation and policy

How is the Marketplace Reacting

Harris Decima 2008 Customers Survey

- Price, quality & reliability of supply
- Environmental credentials: becoming a pre-qualification, and a price of entry (rarely a tie breaker)
- 2/3 have detailed policies for sustainability and/or procurement from an environmental standpoint
 - Ten years ago < 10%
- General expectation that the trend will continue & grow,