



THE PINCHOT LETTER

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Outlook for New Developments in Sustainable Forest Management

What does the future hold for our forests? At a recent Pinchot Institute seminar, experts discussed global trends and what they could mean for sustainable forest management.

Major new economic, social and environmental trends are quietly reshaping the environment in which public, private and nonprofit conservation organizations are pursuing the goal of sustainable natural resource management. These major trends were the focus of a seminar held recently at the Pinchot Institute, featuring papers by several of the most insightful thinkers and leaders in forest conservation today. The purpose of these periodic “outlook” sessions at the Pinchot Institute is to examine important trends that are likely to influence future options in natural resource management, and to stimulate strategic thinking about how we as a community can best approach emerging issues and future challenges. An explicit goal is that these sessions catalyze further discussion across sectors, and reveal new opportunities for cooperation and collaboration to advance common goals in natural resource conservation.

Global Markets and Implications for Sustainable Forestry in the U.S.

In a paper developed with Scott Wallinger, member of the National Commission on Science and Sustainable Forestry and former Vice President of MeadWestvaco’s Forest Science Laboratory, Pinchot Institute president Al Sample discussed the major changes currently sweeping through global markets in the forest products sector. (Please see page 6 for his paper.) These global economic and demographic trends are changing the fundamental structure of the forest products industry and redefining future opportunities for sustainable forest management in the U.S., on both private and public forests. Most of the large, integrated forest products companies are rapidly divesting their timberlands and manufacturing facilities in the U.S. and re-

locating to emerging markets in South America and Asia. While these activities are reducing timber harvest pressures on many U.S. forests, the decline in economic values on private forest land is leading to increasing rates of fragmentation and conversion, and the loss of important conservation values and “ecosystem services” from forests.

Given these current trends, an overarching question remains: *with economic values from U.S. forests projected to remain flat or decline, how can the U.S. maintain its forested ecosystems to ensure the provision of important non-market and market values?* With support from foundations, individuals, and corporations, land trusts and other nonprofit organizations have been able to protect and conserve large areas of forest; however, economic pressures continue to threaten land conservation efforts, necessitating the development of new “market-based incentives” to improve the economic viability of forest management and slow the rate of conversion to non-forest uses. At the same time, though, we are beginning to see the development of a *de facto* conservation market for private forest lands. Further efforts are needed to find new and better ways to make private forest ownership and management financially viable.

Public lands also have the potential to play a primary conservation role. According to emerging methodologies that estimate the social and economic values of a forest’s ecosystem services, public forest lands protect a broad array of important conservation values at a minimal cost to taxpayers. However, long-standing opponents to publicly owned and managed lands threaten to limit any expansion of existing reserves. To make progress on this front, we will need to move beyond the political divisiveness that has

Leadership in Forest Conservation Thought, Policy and Action



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made adversaries out of organizations that really ought to see themselves as members of the same team.

While this situation might sound challenging, it is by no means bleak. There are important opportunities on both private and public forest lands to, first, ensure their conservation as forest land, and second, manage these lands in ways that are socially, ecologically, and economically sustainable. On private lands, wood production will have to focus on products and markets for which we have a natural competitive advantage. U.S. forests will have a difficult time competing in high-volume low-margin markets for commodity fiber products that can be produced far less expensively in Brazil. On the other hand, it will be difficult to substitute for high quality softwood and hardwood lumber, especially the kind that is in high demand in certified-only wood markets.

The rising cost of energy and new technologies for wood-based bioenergy are creating increasingly valuable markets for what was once wood waste. More efficient electrical co-generation technologies make it possible to meet virtually all of a sawmill's energy requirements, with surplus electricity that can be sold back into regional power grids. At least 22 states have recently established targets for increasing the percentage of energy that power companies are required to generate from renewable sources. The markets this is creating for bioenergy from wood are helping to enhance forest management and land conservation, while at the same time reducing greenhouse gases by substituting "carbon neutral" renewable resources for energy previously obtained from fossil fuels.

There is a growing recognition that private forest lands provide many public conservation values, and have done so for many years at little or no cost to the public at large. A great deal of research and creativity is now aimed at creating functional markets for these ecosystem services, making them a commodity for which private landowners can actually receive compensation. Further efforts are needed to find new and better ways to make private forest ownership and management financially viable.

Sustaining Forests, Sustaining Communities

Jeff Campbell, of the Ford Foundation's Communities and Resource Development Program, discussed the continuing challenges of sustainable natural resource development as a basis for alleviating poverty and improving socioeconomic well-being in local communities. Over the course of the last ten years, the Ford Foundation has in-

vested more than \$50 million in community-based forestry efforts in the U.S. This support has helped create a diverse network of practitioners, policymakers, and funders that is active in promoting the benefits of conservation at national, regional, and local scales. The strength of community forestry has been, and continues to be, its ability to link individuals across landscapes and economic sectors through creative, social webs that connect producers, consumers, and users of forests and forest products. Community forestry also links critical social and environmental justice components of sustainability to these economic and ecological drivers. Today, community forestry in the U.S. encompasses a unique spectrum of activities, including: community-owned forests, collaborative restoration, management and monitoring of public and private forest lands, and cooperative economic ventures.

While community forestry in the U.S. has made incredible progress over the past decade, a variety of obstacles remain. Thus far, the implementation of new stewardship contracting authorities and other rules applicable to restoration forestry on public lands has been slow and patchy. In addition, collaborative partnerships (the heart of community forestry) between land management agencies and outside groups continue to be hindered by frequent transfers and staff changes within agencies. These personnel shifts have significant consequences; experience has demonstrated that qualified and innovative field staff have a much greater impact on the ultimate success of a project than a clearly articulated plan for replication.

To ensure that community forestry efforts actually achieve their stated goals, locally led multiparty monitoring should be encouraged, which requires the development and implementation of new participatory tools and techniques. Such monitoring efforts will allow attentive land managers to adopt an adaptive management approach that takes monitoring results into account.

In terms of economics, rural communities need to be supported by a diversity of enterprises, to which local, forest-based enterprises remain central. By capitalizing on local branding, story telling, and strong producer-consumer connections, rural entrepreneurs should be able to build new markets that may ultimately help to ensure a steady flow of short-term financial benefits to landowners.

Another obstacle is the continued exploitation of mobile forest workers. Many of these workers are forest products harvesters, who represent some of the poorest and most forest-dependent members of rural communities. Despite community forestry efforts to draw attention to these issues,

*Local branding can help
rural entrepreneurs to
build new markets.*

these workers still face discrimination, violence, and fear; to counter these ongoing struggles, they need strong institutional capacity mechanisms to support them.

After ten years of work, there are still many opportunities and challenges for community forestry. An ultimate goal for the movement would be to convince policymakers that community organizing and local institution building are integral to land management. As a first step, we must urge policymakers to move beyond the pilot phase of action and invest in real, long-term projects. We must also work to decentralize traditional forest management structures and, potentially, strive for co-management of public lands.

Innovative Mechanisms for Financing Conservation

Bill Ginn, director of the Forest Conservation Program at The Nature Conservancy, discussed the need for closer cooperation among the public, nonprofit and private sectors to develop creative new approaches for conservation finance, and to put these approaches into action before it is too late. Addressing broad scale threats to ecological systems is extraordinarily challenging for conservation, in part, because many current problems require new skills and competencies beyond simple land acquisition. In the coming years, many NGOs will be required to think about people, their role in the landscape, the systems that hold us together as communities (governments, commerce, business), and the essential cultural and human values that control so much of how we use resources. For conservationists the message is clear: working at nature's scale is essential.

The nearly irresistible forces of capitalism in the U.S. currently dominate our culture, our politics, and even our natural environment. In response to the powerful forces of the new global economy, conservationists are increasingly exploring the use of various incentives to encourage a change in business practices and a greater commitment to sustainable resource management. Such tools rely not only on regulation, but also on growing customer expectations. New focus is being placed on green products harvested legally and in sustainable ways, on tax credits and deductions that reward investments in conservation, and on a new set of financial incentives designed to encourage business practices and investments that support biodiversity.

In other developments, dedicated business people turned environmental entrepreneurs and conservation-oriented investment bankers are pioneering a new set of market-based conservation tools in partnership with business. These practical visionaries have protected millions of acres of land, transformed the practices of entire indus-

tries, and inspired farmers, forest owners, and ranchers to adjust their management practices to sustain natural systems.

There are several ways in which conservation interests can and are partnering with business:

Conservation investment banking. Conservation investment banking is a new specialty that is focused on finding and deploying capital to obtain conservation results, while continuing to meet business needs. Arranging loans, merging and acquiring businesses, investing in or creating new companies and partnerships to take advantage of marketplace opportunities—all are tools of the investment banking trade.

New environmental markets. There are new markets for nature's goods and services that have been used to conserve millions of acres of land. The new markets include carbon credits to protect forests and natural resource-based "banks"—grassbanks, forest banks, and water banks—all deployed around land conservation objectives.

Conservation incentives. Some of the world's largest companies have moved into new conservation-oriented land management practices by responding to customer demand for green products that are sustainably produced. There are financial incentives for conservation—tax credits, deductions, and grants and payments linked to conservation management—that encourage companies and landowners to manage for endangered species and implement wildlife conservation practices.

Using tools such as these, we can change the direction of conservation *and* business in ways that will save our natural capital—land, water, biodiversity—while honoring the energy, creativity, and power of each.

Federal Natural Resource Agencies: New Roles, Broader Context

Sally Collins, associate chief of the USDA Forest Service, discussed the ways in which federal natural resource agencies are strategically restructuring themselves to meet a new set of challenges, and to better support and complement efforts in the private and nonprofit sectors. In looking at the national conservation issues of recent years, it seems that many of them have their roots in global trends and pressures. For example, the U.S. has witnessed a dramatic change within the forest products industry in the last 20 to 30 years. Current timber prices are largely being set globally, and it can actually be more economical for an American company to operate overseas and import the



wood than it is to operate in the United States and sell on our own markets.

Another striking global trend is the shift from largely centralized models of forest governance to more decentralized structures. In China, for example, state-owned forestry enterprises are inefficient and losing money. Discussions around the decentralization of power in forest management have risen to prominence in China, a country considering potentially devolving all forest ownership to local communities. Other countries are also in the midst of similar debates, including Brazil, Indonesia, and Russia. In some ways, these countries are where the U.S. was 150 years ago—trying to figure out how to set up state and federal systems of forest management.

Poverty is another pressing topic in discussions of forest management worldwide. Over 80 percent of the world's poor depend on forest resources, and close to a billion poor people live in the world's 19 biodiversity hotspots. What the Forest Service has learned from its international partnerships is that in order to protect biodiversity worldwide, we must offer local communities a stake in the management of their resources. More and more, governments are engaging communities in local forest management because they recognize that the best caretakers are those who know and depend on the land the most. This interest in community-based forestry has quickly become a significant global trend, with parts of Mexico, including Oaxaca, setting examples to be followed.

To capitalize on lessons learned, the Forest Service is beginning to re-educate its leaders on the global scale of certain forest management challenges through national leadership seminars. In these forums, participants discuss such topics as ecosystem service markets, certification, and community forestry. To date, 50 Forest Service employees have completed their "global" training.

While the current and emerging global challenges facing forest managers are immense, they can be addressed in a number of ways. For example, the development of viable markets for ecosystem services can provide economic incentive for conservation. This is already being done in a

number of places around the world. Among other services provided, the Forest Service's State and Private Forestry programs offer a variety of conservation incentives to private forest landowners. In order to increase overall effectiveness, these programs need to be better coordinated with similar rural development programs offered by the USDA Natural Resources Conservation Service (NRCS). With the increased parcelization of forests and a growing number of landowners owning smaller and smaller tracts of forested lands, are there incentives that can be offered to landowners so that they may act collectively to conserve forests across ownerships? Worldwide, about \$2 billion per year are spent in public subsidies for plantation forestry. Could some small percentage go to ecosystem services and restoration?

Alignment of Conservation Interests

The seminar highlighted the common interests and concerns that now unite segments of the forestry and conservation community that traditionally have operated separately from one another, and occasionally at odds with one another. The global market forces that are forcing a restructuring of the forest products industry in the U.S. are having potentially major secondary effects on forest land ownership. The resulting decline in the community-level economic infrastructure for carrying out forest management activities, in turn, could have serious implications for the ability of forests to continue protecting water quality, biodiversity, and other important public conservation values.

Fortunately, organizations from across the public, private and nonprofit sectors are increasingly recognizing these common interests, and are finding new ways to work together to achieve goals that serve not only their own interests, but those of the nation as a whole. Through seminars such as this, and through targeted follow-up projects that involve a diversity of interests, the Pinchot Institute will continue to catalyze partnership approaches to addressing future challenges in sustainable forest management. The presentations given at the seminar can be found at www.pinchot.org. For further information, contact Al Sample at alsample@pinchot.org.

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