

# SUMMARY OF THE STUDY OF REMEDY IN THE CONTEXT OF FOREST CONVERSION

March 2022



# BACKGROUND



# 1. Why did FSC commission the study?



## OWNERSHIP LOOPHOLE

The Motion 7 working group agreed on the majority of the elements stipulated in the Policy to Address conversion except on the requirements for Organizations not involved in conversion in the management unit, but that have acquired land converted between 1994 and December 2020.

## WHITE PAPER

FSC recruited a consultant to develop, in consultation with members and other stakeholders, a White Paper proposing ways forward for an approach to address what is commonly referred to as “the ownership loophole”.

## BOARD GUIDANCE

Considering the results of the study, the Board supported that:

- environmental and social remedy liability remain with the land and not with the organization, and
- fair and feasible remediation is required for these organizations.

A study on the economics of remedy in the context of forest conversion was commissioned to understand which are the feasible thresholds for a ‘fair and feasible’ remedy.

## FINANCIAL STUDY



## 2. Remedy concept for "fair and feasible remediation"

This concept was proposed by FSC as the starting point of the study:

Type of Organization	Remedy Requirements	Use of Restored Area
Organizations not involved in conversion in the management unit	30% - 50% <b>environmental remedy</b> (Exact percentage being determined based on the date when conversion happened, as well as on the size and the quality of the converted area)	At least 30% for conservation purposes
	Full remedy for the <b>priority social harms</b>	

# THE STUDY



# 3. Methodology



The study estimates the impact of various remedy scenarios:

- 0%, 10%, 30%, 50% or 100% environmental remedy, and full restitution for priority social harm.
- Plantations across Southeast Asia, Africa, and South America were studied.
- Studied plantations were 0-26 years.
- The study considers changes within a 25-year timeframe.

The Net Present Value (NPV) is calculated per hectare for each case, allowing for comparison across different types of plantation.

Data sources include plantation companies' data and academic literature.

Costs and benefits for the different scenarios are considered financially, environmentally, and socially.

# 4. General findings

1. Implementing the **minimum level of 30%** environmental remediation **could reduce NPV by around 40%**.
2. Results may vary depending on the company's levels of start-up investment and profitability.
3. Environmental remedy may provide long-term benefits through carbon credits, **but this will take more than 25 years**.
4. Partial social remediation needs to be considered **on a case by case basis**.
5. Through dialogue, rights holders and organizations could **develop ecological remedy plans** that include income-generating trees and shrubs that **could benefit all**.



# 5. Economics of conversion remedy: average remaining value across regions



- This summary displays the impact of environmental remediation on the overall business case:

- Green: low impact
- Yellow: moderate impact
- Red: high impact

- Feasible minimum threshold is shown to be 0-30%

Average remaining value across regions

Scenario	Remediation area (%)	Remaining value in %		
		Africa	South America	Southeast Asia
Remediation in 1 year	0%	100%	100%	100%
	10%	93%	91%	85%
	30%	58%	52%	60%
	50%	22%	12%	29%
	100%	-67%	-87%	-48%
Remediation in 1 rotation	0%	100%	100%	100%
	10%	97%	94%	86%
	30%	65%	52%	63%
	50%	33%	12%	34%
	100%	-45%	-88%	-39%

# 6. Negative outlook for the business case

## CAUSES

1. Establishing and maintaining restoration area may have high costs.
2. There is a decreased income from timber.
3. Restoration is slow: significant income will not be generated unless fast-growing native species are used.
4. 20% social remedy costs may exceed plantations NPVs.



# 7. Benefits from environmental remedy



## CARBON CREDITS

Restored vegetation has high carbon stock and can yield carbon credits. However, the study assumes this will take more than 25 years and doesn't include it in remediation income calculation.

## ECOSYSTEM SERVICES

Replacing a short rotation plantation with more natural vegetation will eventually allow the forest to play new environmental roles, like water holding and preserving genetic heritage.

## SOCIAL BENEFITS

Social benefits will be slow to develop, as the restored forest will need time to resemble the original. The process could be sped up through use of agroforestry.



**INCORPORATION  
OF THE RESULTS IN  
THE FSC REMEDY  
FRAMEWORK DRAFT**

## 8. FSC acknowledges some limitations of the study



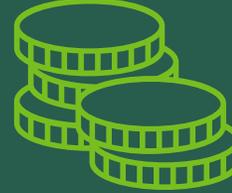
### PLANTATION AGE

This study does not break down results according to the age of the plantation. A brand-new plantation is treated the same as a 25-year-old one.



### EXCLUDED AREA

The restoration levels studied do not include the additional 10% Conservation Area Network (CAN) baseline required by the FSC IGIs, which means lower thresholds should be considered.



### DESIGN ASSUMES HIGH COSTS

The study sees relocation and compensation for lost wages as the main way to address high priority social harms, which is cost-intensive. Since doing so is mandatory and expensive, this study shows data for the upper limit of implementation costs, which would not be the case for all organizations.



### OUTCOMES MAY VARY

There is no one-size fits all threshold for determining environmental and social remedy liability. Prioritization of social harms is the result of specific engagement between Organizations and stakeholders. Environmental remedy varies between ecosystems.

# 9. FSC adaptations based on the study



For organizations not directly or indirectly involved in conversion, but that have acquired lands converted between 1994 and December 2020:

Before

## PROPOSAL PRIOR TO THE STUDY

- **Environmental remedy**

30-50% of land restored, with at least 30% of the converted area set aside for conservation

- **Social remedy**

Full remedy of priority social harms.

After

## PROPOSAL IN THE FSC REMEDY FRAMEWORK (CLAUSES 16.4 & 17.4)

- **Environmental remedy**

10% of land restored, with at least 10%\* of the converted area set aside for conservation.

- **Social remedy**

Full remedy of priority social harms, which already implies a case by case approach.

\*Additional to the at least 10% Conservation Area Network required by FSC Principles and Criteria and International Generic Indicators.

# Thank you



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