

THE FOREST PRODUCTS INDUSTRY: A SUSTAINABLE ENTERPRISE

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RATHER THAN BEING SELF-CONSCIOUS ABOUT OUR INDUSTRY, WE HAVE EVERY RIGHT TO BE PROUD OF IT, AND WE MUST BE WILLING TO TAKE OUR CASE TO THE PUBLIC.

THE FOREST PRODUCTS INDUSTRY PERCEIVES ITSELF—accurately—to be the target of a myriad of environmental forces—forces challenging its forestry activities, its manufacturing operations, and even its products.

We are growing accustomed to this condition, sometimes responding to particular challenges effectively, for instance with the rapid conversion to elemental chlorine-free (ECF) bleaching; however, in the process, we condition ourselves to be defensive about what we do. I argue that the industry's acceptance of this condition—apologetic almost to the point of having an inferiority complex—is not only misguided, it is wrong. This industry can be the most environmentally sound enterprise, supporting, as no other manufacturing process can, the human community's quest for a decent quality of life. Rather than being self-conscious or apologetic about our industry, we have every right to be proud of it, and we must be willing to affirmatively take our case to the public. But before I make the case, I will touch on the challenges that we face, for in understanding these challenges in context, we lay the foundation to turn the tables from being reactive to taking charge of our future.

OUR CHALLENGES

Without any pretense at originality, we can identify the sources of several forces directed at us:

- Government: domestic and increasingly international
- Environmental non-governmental organizations (ENGOS), now often considered to represent civil society
- Manufacturers of competitive products, especially plastics and steel.

As a major user, and historically often an abuser, of wood, water, and energy resources, our industry was among the earliest that faced the unfolding, in the 1970s

and 1980s, of the modern era of environmental protection in the United States. As a result, major changes occurred—in our investment, our attitudes, our management, and our practices. The record of achievement is impressive, but notwithstanding that record, we now face challenges bred of that very achievement.

The government is a reactive institution. Congress authorizes and the Executive Branch organizes to respond to conditions that have become of sufficient concern to a public that demands action. Political authority responds in those conditions—and ours did, enacting a significant array of regulations; the Executive then followed with various organizations, e.g., the EPA, to implement the statutes. The authority and the organizations not only continue, they have momentum—all in the direction that was first established.

But as many political scientists point out, governments—not just military organizations—are equipped to fight the last war. And so it is with state and federal environmental agencies. Beginning in the early 1970s, the EPA was organized and continues to address air, water, and waste media. It grew from a small agency of just over a thousand to a mega-agency of over 20,000, still focusing on these media. Congress directed the EPA to remove increasing amounts of pollutants in these media, even though we and others in industry have, ourselves, removed more than 90% of the pollutants from the environment. And so, we now face the onslaught of BAT, BACT, MACT, RACT, PSD, TMDLs, and so on. In our case, after spending US\$ 2+ billion on the Cluster Rules, we now face another US\$ 6–12 billion of expenditures over the next several years (see **Table I**). It's no wonder we feel beleaguered!

However, little of this momentum is now directed at real or perceived risk or environmental benefit. Sadly, with our divided politics, all efforts to equip the EPA to fight the next war—better known as regulatory reform—are caught up in the stalemate between (a) those (mostly

ENGOS) who consider regulatory reform to be a rollback of their gains and (b) those (mostly the far right) who seek to deregulate. As long as we allow the extremes to define the debate, we are not likely to see change going forward.

The ENGOS, especially those that are the most demanding, are relishing the emergence of “civil authority” and their reputation as the “most trusted” source by the public over the private sector and the government. And, the grant-making foundation community is fueling the ENGOS with a transfusion of money generated by a strong economy and the performance of major foundations’ portfolios. This explains why, for instance, that meetings convened to discuss Kyoto or forest policy, for example, are dominated by attendance from ENGOS and why private sector representation, especially from the forest industry, is very sparse.

The ENGOS are very good, and facing the stalemate in government policy and lawmaking, they are becoming very sophisticated in turning to the marketplace to achieve their objectives. This new tactic began when they learned to influence the market by having the government limit its procurement of products to those that they deem good, i.e., paper with recycled content. At about the same time, the Environmental Defense Fund assembled its ambitious Paper Task Force, which was an extensive effort to involve major corporate paper purchasers in developing guidelines for identifying “environmentally preferable” paper products.

Over the last 2 years, there has been a new wave of initiatives to influence our industry’s environmental practices through the marketplace. The opening shot was a full-page ad in the *New York Times* in December 1998. In that ad, a group called the Coastal Rainforest Coalition listed nearly 30 major corporations (who the Coalition said had agreed to its forest sustainability principles) that refused to buy wood products generated from sources in British Columbia. Efforts like the Coalition campaign are approaching our major corporate customers—especially those with acute exposure to upscale customers such as Patagonia, the Gap, and increasingly the “box” retailers such as Home Depot and Office Max—to influence everything from our forest policy to manufacturing processes to product use and consumption.

Another source of pressure results from some of our main alternative product competitors, especially plastic and steel. These industries saw, earlier than we did, the power of environmental claims, and now both have major public communication campaigns to portray their products as environmentally superior to wood fiber-based products. And we have been slow to react: Even though their environmentally superior product claims reflect chutzpah, our claims are real. If only we would make those legitimate claims more publicly.

Rule	Estimated capital costs, US\$ billion	Time frame for compliance
Cluster Rule (promulgated)	2.8	1998–2006
MACT II (as proposed)	0.3–0.4	2000–2003
MACT standards for wood products facilities (Wood MACT)	0.5–1.0	2001–2004
Industrial boiler MACT	0.5–1.0	2001–2004
Paper/building products coatings MACT	0.05–0.1	2001–2004
Compliance assurance monitoring rule	0.05–0.1	2001–2003
Revised ozone and particulate matter/ regional haze air stds.	?	2003–2008
22-state NO _x SIP call	?	-
Retroactive PSD capital cost	1.0–3.0	1999–?
Great Lakes water regulations/sediment quality issues	1.25	2006–2010
TMDL studies/ implementation	?	1999–2003
Remaining effluent guidelines (unbleached kraft, dissolving, recycled mills)	0.05	-
Maintain compliance with existing regulations (capital expense only)	0.5	-
Total	5.0–12.0	
Greenhouse gas emissions reductions*	6.0+	2008–2012

*Based on the National Council for Air and Stream Improvement (NCASI) study “Estimated Costs for the U.S. Forest Products Industry to Meet the Greenhouse Gas Reduction Target in the Kyoto Protocol,” June 1999

I. Capital demands on the U.S. forest products industry from environmental regulations

A CASE FOR SUSTAINABILITY

Here is my main point. The forest industry, and all who work in it, should be on the environmental and sustainability high ground. And those that seek to “shoot” at us should be firing uphill—not down on us as we are currently hunkered.

The starting point must be to claim as ours the real test of sustainable enterprise: providing for the aspirations of the soon-to-be 8–10 billion people to have a decent quality of life without degrading the life-support system, the biosphere. Against that test our industry stands—perhaps alone—as both theoretically and practically the only one that can meet those exploding future needs. We are uniquely an industry that draws its primary resource feedstock from renewable sources. Simply put, solar energy striking properly managed forest landscapes can provide the fiber to support the building products and packaging and communications needs—and potentially significant energy and chemical feedstock needs—of our population indefinitely.

TOTAL TIMBERLAND				Raw material supply source, % ^a
Land	Type	Acreage	%	
Public	-	131,494	27	4
Private	-	358,061	73	96
	Industrial ^b	70,455	-	20
	Nonindustrial ^b	287,606	-	80

^aTotal = 9,625,649 MCF
^bBreakdown of private timberland (line 2)

II. Timber grown on public and private lands

THE BASICS OF THE INDUSTRY

Let's look at the basic structure and function of our enterprise: forests, manufacturing, and products. The amount of forest cover on the earth's surface has varied in response to natural processes, for instance in response to the advance and retreat of ice sheets over thousands of years. The forest cover also has responded to human-induced changes, for instance the clearing of the north-eastern and southeastern forests of North America following the European settlement.

Figure 1 shows these changes. For our purposes, the key point is shown on the left-side graphic. In the United States, some 73% of forestland is privately owned; most of it is available to supply fiber to our industry. And most of that supply comes from lands returned to forest cover since the turn of the 20th century. There is more forest cover now than at any that time in our history, and a large measure of that is attributable to forest industry management and to the fact that our industry gives an economic value to those private landowners who seek to keep their land in forest cover.

Therein lies another key component of our story (see **Table II**). If one received all of his information about forest issues from the media—and most Americans do—the message is that the “lumber companies and loggers” are destroying our national forests, to say nothing of the tropical rain forests. But what are the facts? In this table, they are plainly presented. Less than 5% of wood fiber comes from public lands.

FOREST MANAGEMENT

What about our forest management practices? While it should seem axiomatic that owners of enterprises that depend on forest fiber would manage the lands to retain productivity, we have not made that case effectively until recent years. The adoption of the Sustainable Forestry Initiative (SFISM) and its rapid evolution in both governance and substance to include third-party verification is a powerful step, but we must be mindful of how we communicate its meaning:

- It means protection of soils and water quality. Simply put, of all human uses of the land, forest management has the lightest touch. It is the land use that does the most to maintain water quality. It is the land use that is most compatible with buffering and protecting those lands that society determines are worthy of full wilderness or park protection.
- It means protection of wildlife and endangered species. The forest industry has more habitat conservation plans to protect federally listed species than any other category of industry or landowner. Forestlands have the potential to provide the fiber that the human community needs, while at the same time providing biodiversity and amenities, including recreation.

By managing the land properly and bringing more land into forest cover, we can significantly contribute to efforts that redress climate change. All of this is made possible by managing forests for what they are: sustainable, solar-based systems that can provide renewable natural resources indefinitely. Cutting trees is not a bad thing; it is what gives us a renewable resource base while allowing retention of lands in forest cover with all the collateral benefits that forests provide.

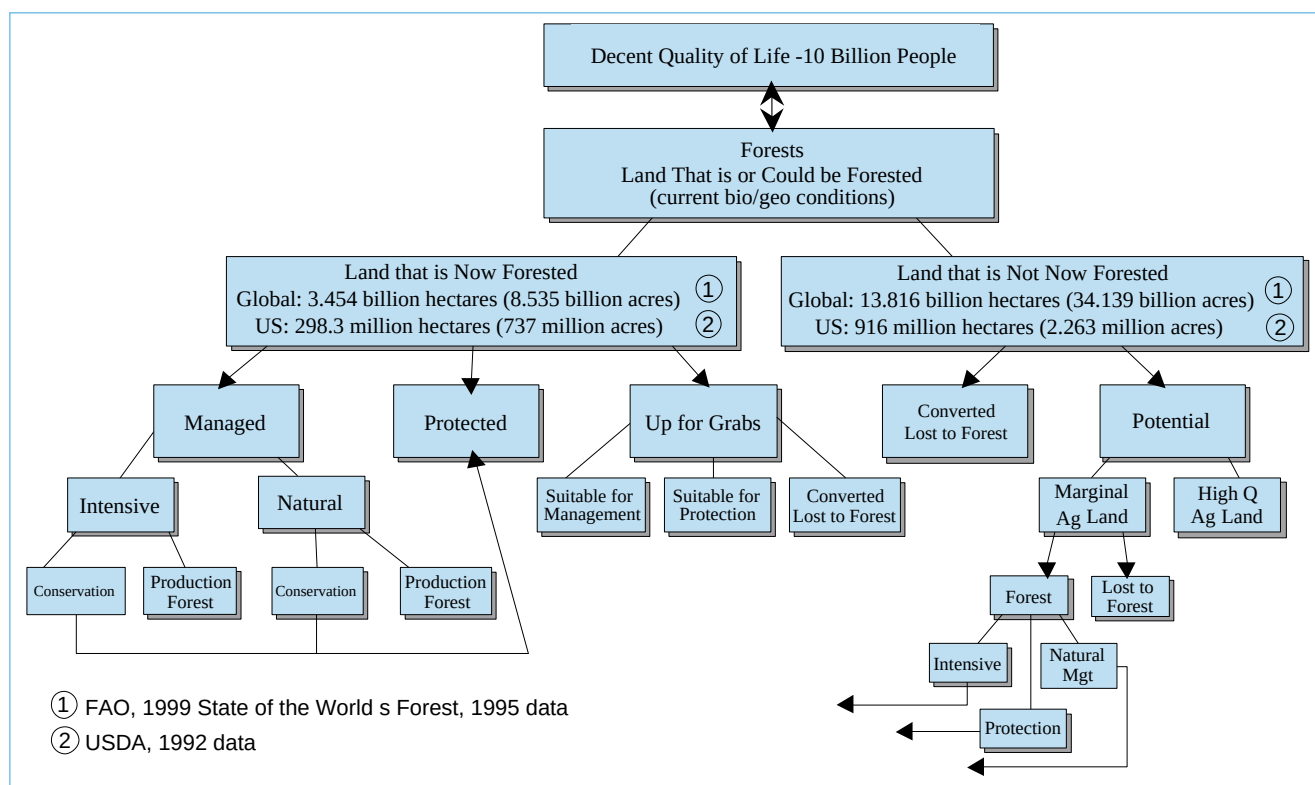
REDUCED EMISSIONS

Now let's follow the fiber to the mill: pulp and paper, and solid and engineered wood mills. Can we be proud of this stage of our enterprise? Decidedly yes, even while we admit that there is much room for continuous improvement. It is important to remember these facts:

- Pollutant loadings to receiving waters have been reduced by more than 90% in 30 years.
- Dioxin, furans, and other chlorinated compounds have been virtually eliminated.
- Air emissions have been greatly reduced.

All mills are now effectively in compliance with water and air ambient health and quality standards—most with growing margins of safety. The people associated with this industry deserve great credit for achievement; we now have a culture where continuous improvement is a byword. Water and energy use and, of course, our perennial odor are prime candidates for additional progress.

But there is more; this goes back to the definition of *sustainability*. The term can have significant meaning, and a renewable, biomass-based system can reinforce the meaning: a perpetual motion system based on the sun. Let's use carbon fluxes through our system as the metric and ask, “Are we a net carbon sequester or a carbon re-



1. Forests in the global landscape

leaser?" There is solid evidence, even with today's operations, that we are a net sequester of carbon over the span of the enterprise—forests to product fate and disposition. That is, more carbon is stored in the forestlands and in our products than is released by the energy system that powers our manufacturing processes. And if you remove emissions from biomass energy (about 60% of our total), we are a dramatic net gainer of carbon. No other industry can come close. Our enterprise can provide much of the goods needed for a decent quality of life and at the same time contribute to solutions to accelerating climate change. Shouldn't we feel proud? We can and will do better.

RECYCLING

That leads us to our products. We have become accustomed to the call for recycling, and we have responded: Our recovery rates are nearing 50%. No other industry, especially the nonrenewable resource-based products, comes close. In the United States, the recovery rate for plastics is 5.4%, for steel 35%, and for aluminum 28%. But we remain in the crosshairs of public attention, especially from schools and NGOs. We need to turn this attention to our advantage.

We start with a very important advantage: our products of solid wood and paper. They are basically composed of natural constituents. That means that even when they are improperly managed, they degrade to reenter bi-

ological cycles with no harm to the environment or health. But if properly managed, our products store carbon; they are recoverable, and those that can't be recovered can be a source of biomass energy. Again, competing products can't make these claims. And, of course, our products are natural. They are, in the vernacular of those who call for natural foods, organic.

SUMMARY

So this is my message: We have no reason to be apologetic for participating in our enterprises. We have every reason to be proud, proud of our contribution to improving the human condition, providing jobs, enhancing communities, making environmentally friendly products, and contributing to that improvement indefinitely. So let's emerge from our shell and go out there—go to schools, to community groups, to the NGOs, and to governments and, importantly, our customers. Engage the issue and spread our story. It is a good-news story and an optimistic story. And in the end, people respond to optimism. It is the engine that drives the important motivating impulse among people: Life can be better for our children. TJ

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