

Motions for the 2011 FSC General Assembly

No. / Title: 46) Clarify intent of Credit System and revise as necessary	Category: Policy
Original <input type="checkbox"/> Amended <input checked="" type="checkbox"/> New <input type="checkbox"/>	Submitted language(s): English <input checked="" type="checkbox"/> Spanish <input type="checkbox"/>
Vote by: show of cards	
Result: PASSED	
Proposed by:	
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Chamber: Economic North	
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1) Seconded by:	2) Seconded by:
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Chamber: Economic North	Chamber: Economic North
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MOTION:	
<p>FSC shall clarify the definition of "product groups", "quality of inputs" and "conversion factor" in the chain of custody standards in order to improve consistency of interpretation and application of these terms across certification bodies and chain of custody certificate holders as well as to assure the correct application of the transfer, percentage and credit systems throughout the system. If necessary, FSC-STD-40-004 V.2.1 shall be revised for this purpose.</p>	
Purpose and/or additional information:	
<p>The FSC Credit System is an accounting framework used to track the FSC certified and post-consumer reclaimed material that a company (operating against FSC-STD-40-004) has purchased as well as the FSC products the company has labeled or sold; credit material purchased and FSC products labeled or sold are tracked by each company-defined 'FSC product group'. A company accumulates credits for its account by purchasing FSC Pure, FSC Mixed, FSC Recycled and verified post-consumer reclaimed material and it withdraws credits from the account when it labels or sells products with an FSC claim. A company can sell only as much product with an FSC certified claim as it has credits in its account to do so (by weight or volume). Credits cannot be transferred across product groups so credits must be withdrawn by the product groups associated with each constituent material used in the product; no product group-specific credit balance can be negative. Any non-FSC credit wood/wood fiber (e.g., uncertified virgin wood or pre-consumer reclaimed wood) used in a product carrying a FSC claim must meet FSC Controlled Wood requirements.</p> <p>Depending on how a company defines its FSC product groups, credit systems can have a very significant impact on the availability of FSC product in the market place and the associated demand for FSC certification of forests and wood products they yield. The current requirement regarding FSC product groups for credit systems are as follows:</p> <p style="padding-left: 40px;">Product Group is defined as: A product or group of products specified by the organization, which share basic input and output characteristics and thus can be combined for the purpose of FSC Chain of Custody control, percentage calculations and labeling according to the FSC material categories: FSC Pure, FSC Mixed, FSC Recycled or FSC Controlled Wood.</p> <p style="padding-left: 40px;">(2.1.3) For product groups where a credit system is used, the organization shall ensure that all included products share similar specifications in relation to:</p> <p style="padding-left: 80px;">a) quality of inputs, b) conversion factors.</p> <p>A few examples of how varying interpretations of "quality of inputs" and "conversion factors" impact the quantity of FSC products on the market will highlight the current threats to the credibility of the FSC chain of custody system:</p> <p>What does "quality of inputs" mean?</p> <p style="padding-left: 40px;">A mill has a single credit account for high quality hardwood lumber including walnut and cherry. The company purchases walnut logs as FSC Controlled Wood (never as FSC certified), and purchases cherry logs sometimes as FSC certified and otherwise as FSC Controlled Wood. The company considers walnut and cherry logs to "share similar specification in relation to quality of input" and the conversion factor of turning logs to lumber for each of these species is also similar.</p>	

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<p>The company accumulates credit in its hardwood lumber credit account for the volume of FSC certified cherry it purchases, and then sells walnut and cherry lumber as FSC certified upon customer request, up to the available credit.</p> <p>Is it the intention of the credit system to enable companies to sell a species as FSC certified that is not available (to them or perhaps anyone else) as FSC certified (the walnut in this example)? What if a company was purchasing 8-foot white pine 2x4's as FSC certified and 12-foot white pine 2x4's as FSC Controlled Wood – could the company include the 8-foot and 12-foot 2x4's in the same credit account? The key question is what attributes define “quality” and thus which products can be included in the same credit account, allowing the products to be bought and sold interchangeably.</p> <p>What does “conversion factor” mean?</p> <p>Company A converts logs to lumber using a simple conversion factor of 80% (20% waste) so its log credits are all allocated to a single product group: lumber (e.g. 1500 bd. ft. logs = 1200 bd. ft. lumber). In practice, however, the company makes various grades and dimensions of lumber from each log.</p> <p>Company B uses a conversion factor that takes into account waste as well as the varying grades and dimensions of lumber that a log produces. This company's log credits are allocated to 3 different product groups: high, medium and low grade lumber (e.g. 1500 bd. Ft. logs = 1200 bd. ft. lumber: 200 high grade, 700 medium grade, and 300 low grade).</p> <p>The manner by which conversion factors are applied significantly impacts the quantity of FSC certified output available for each product specification. In the above example, Company A has the flexibility to apply its credits from the purchase of FSC certified logs to those products which its customer requests as FSC certified. Company A may apply all of its credit for FSC certified logs to its highest grade of lumber, even though the available quantity of FSC certified logs may not be sufficient to produce the desired amount of highest grade lumber. To meet the demand, Company A is, in effect, transferring low grade credits to the sale of high grade FSC-certified product. Company B has allocated credit to 3 different grades of lumber, which more accurately reflects the availability of product based on available input. If Company B takes a large order for a single grade of lumber, it will require more FSC certified logs to fill the order than Company A will need, and thus drive greater demand for FSC logs. Further, Company B is clearly operating at a competitive disadvantage relative to Company A.</p> <p>Currently, certification bodies are interpreting the Credit System product group requirements differently. This has created an uneven playing field for competing chain of custody certificate holders. Companies that have been approved to combine or substitute species, grades or dimensions, or to include several product lines in a single product group, have a competitive advantage over those that have not. This motion is calling for clarification of the intention of the credit system so as to assure consistent interpretation and implementation which, in turn, will enhance fairness, and restore the credibility of this element of the FSC system. In particular, FSC must provide clear guidance on what constitutes “similar” quality of inputs and conversion factors.</p>	
Document(s) to be revised / developed: FSC-STD-40-004 V2-1	
Timeline: Next version of FSC-STD-40-004, by mid 2012.	
Cost to FSC: 1 week of PSU staff time for this issue alone, as part of the standard revision process with a technical Working Group.	