

Public Forum :

LBMI INITIATIVE FOR ECO-LABELING OF DIMENSION LUMBER

Moderated by:
Valerie Hansen, LBMI Trustee
David B. Hattis, Building Technology Incorporated

*Sponsored by the Lumber and Building Materials Institute (LBMI)
and the National Lumber and Building Material Dealers Association (NLBMDA)*



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Public Forum, Kansas City, July 16, 2008

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AGENDA

- 10:30 a.m. Registration
 - 11:00 a.m. Welcome
 - 11:05 a.m. Session 1: Impact of Eco-Forest Management Certification Chain-of-Custody in Commerce—'Why' (or 'Why Not') Eco-Labeling?
 - 12:30 a.m. Break w/ Light refreshments
 - 1:00 p.m. Session 2: Implementation of Eco-Labeling of Dimension Lumber—Options for the 'When', 'Where', and 'How' of Eco-Labeling?
 - 1:45 p.m. Session 3: Development of a Consensus Eco-Forest Management Standard—'Who' should develop a standard and 'What' should be required for Eco-labeling?
 - 2:30 p.m. Session 4: Next steps—Roles, Assignments, and Schedules?
 - 3:00 p.m. Adjourn
- (REVIEW LEGAL LIMITATION ON DISCUSSIONS AT LBMI MEETINGS, Slide #24)



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Current Situation for 'Green' Lumber Products: Competing claims, uneven regulatory consideration, limited supply, cost, differing and complex 'chain-of-custody' requirements

Objective: Focus 'chain-of-custody' requirements for dimension lumber from 'sustainable forests' to mill/producer, eliminate 'chain-of-custody' requirements for new home building and consumer channels.

Strategy: Implement eco-forest management labeling for dimension lumber at the point of production (at the mill) to preserve 'commodity product' attributes and competitiveness of wood framing in housing

Purpose of this Public Forum: Gather industry and stakeholder perspectives, pro and con, regarding implementation of eco-labeling for reporting to prospective standards development and compliance accreditation organizations



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Session 1: Impact of Eco-Forest Management Certification 'Chain-of-Custody' in Commerce—'Why' (or 'Why Not') Eco-Labeling?

'Chain-of-custody' documentation must be maintained from the forest to the ultimate consumer (homebuyer) under all current eco-forest management certification programs. These requirements also impose the burden of maintaining separate and unmixed inventories of dimension lumber throughout the supply chain.

In contrast, the LBMI eco-labeling initiative would eliminate 'chain-of-custody' documentation from the mill to the consumer. The net result would be two dimension lumber inventories in commerce—one labeled to 'sustainable forests standard' and one with no label.

Should this proposal be implemented? Can it work? Why or why not?

What is the anticipated scale of 'chain-of-custody' costs in the supply chain?

What other (non-cost or indirect) industry impacts should be taken into account?



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For all purchasers and resellers of dimension lumber products, particularly distributors, the impact of eco-forest certification program 'chain-of-custody' requirements manifests in six ways:

- Restricted supply channels (resulting in higher cost of goods, perhaps shortages)
- Added scrutiny to verify/document all incoming supply
- Product segregation and tracking requirements in inventory
- Complexity in disaggregating and mixing supply shipments to meet customer needs
- Communication of documentation chain-of-custody to immediate purchaser
- Obligation to archive all records related to each purchase and sale for 5 years



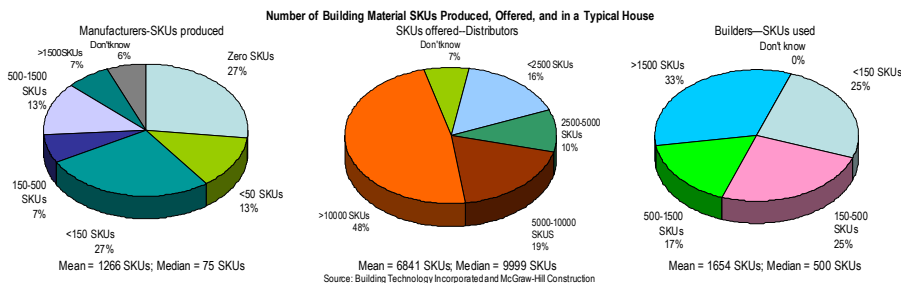
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An example of 'chain-of-custody' costs in the supply-chain— 'A, B, C'...

A. 'Chain-of-custody' requirements lead, minimally, to increased administration:

A typical building material distributor (lumber yard), presently stocks on the order of 100 SKUs of dimension lumber products. In the future, it could need to segregate and track purchase and sales history on 600 dimension lumber SKUs (100 for each current certification 'brand' and 100 for 'uncertified' lumber), or more. *This would represent a 200-600% increase in the number of lumber products to separately administer with no increase in product throughput or revenues.*



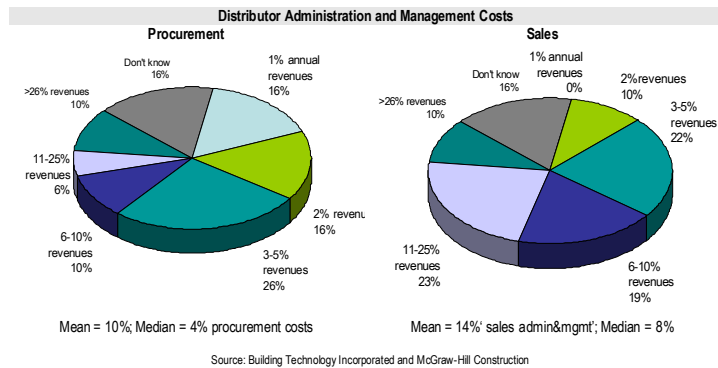
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B. Increased administration leads to increased cost throughout the supply chain:

Forest owners, loggers, producing mills, wholesalers, re-manufacturers, distributors, retailers, all add incremental costs as lumber products flow through the channel from forest to home-builder or consumer.

The goal is to focus on providing eco-sourcing certainty while minimizing costs to the end user.



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C. Price premiums levied to recover sustainable lumber 'chain-of-custody' costs:

Premiums: +3% to +38%?

Allocating increased costs to specific SKUs, distributors may need price premiums of 3% to 15% for high volume items, or as high 12% to 38% for project sales -- just to recover the additional administrative costs of 'chain-of-custody' requirements for eco-certified dimension lumber products. Producer, re-manufacturer, and reload impacts may be similar, remember costs are incremental to final user.

Observation: Price premiums are likely to be greatest in the 'early' market, damping consumer acceptance.

What other similar or different impacts do you foresee?



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Session 2: Implementation of Eco-Labeling of Dimension Lumber—Options for the ‘When’, ‘Where’, and ‘How’ of Eco-Labeling?

Preferred Option: A single universal eco-label encompassing all or most present eco-forest management certification programs, to be applied and managed by a single entity, fully accepted by all green certification schemes and regulatory authorities. (A new eco-grade for lumber.)

Possible Alternative Option-A: Distinct eco-labels for each eco-forest management certification program, to be applied and managed by a single entity, all recognized as equivalent in commerce and by all regulating authorities. (A new eco-grade for lumber.)

Possible Alternative Option-B: Distinct eco-labels for each eco-forest management certification programs, to be applied and managed by separate entities, with variable recognition in commerce and by regulating authorities. (No standard.)

What are the advantages and disadvantages of each of these options?

What other possible alternatives should be considered? Why?

What organization(s) should be considered to manage each option? Why?

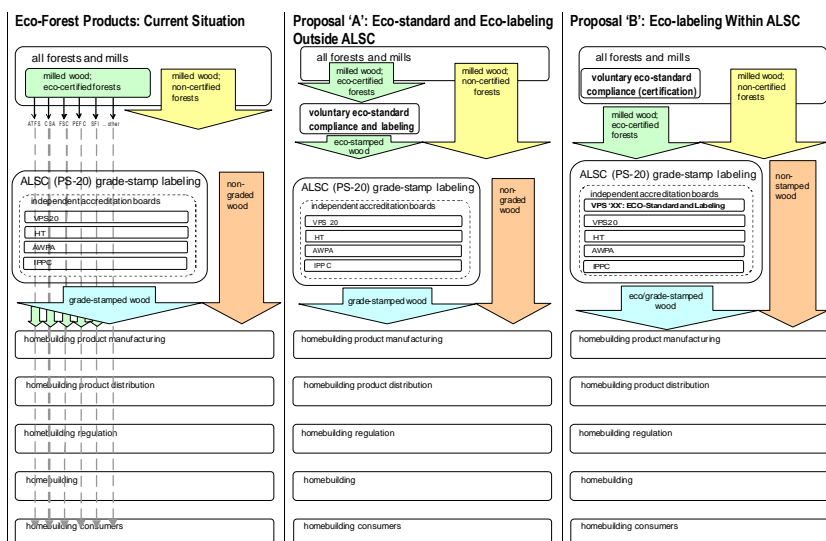


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Schematic diagrams of possible product and information flows under various management structures...



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Regulatory Authorities:



NAHB 'National Green Building Standard' Communication:

"The NAHB Model Green Home Building Guidelines as well as the upcoming National Green Building Standard are relatively neutral on the various green lumber certification programs...

"Clarity on product labeling would obviously be of benefit to builders. Verification services to the Standard could certainly benefit from a standard label and that could easily be incorporated into the certification protocol...

"The (*LBMI eco-labeling initiative*) proposal is being considered for formal discussion and comment by the Green Building Subcommittee, but that won't happen in time for the forum. In the meantime, NAHB is reviewing the proposal and sees clear benefits, though it cannot officially comment at this time."

Carlos E. Martin, PhD, Assistant Staff Vice President, Construction, Codes, & Standards
<cmartin@nahb.com>



USGBC/'LEED-HOME' Communication:

"The USGBC Materials & Resources Technical Advisory Group (MR-TAG) is presently investigating wood certification regimes...

The MR-TAG is developing a proposal for the USGBC membership for how wood certification programs may be recognized in LEED. Until this process is finalized, it is expected that no action will be taken on the LBMI eco-labeling proposal...

In the next few weeks USGB will be circulating a draft for comments on expanding the acceptance of products beyond FSC certification, provided the standards of forest management are similar to FSC's...

Edminster, Hall, Kedrich, Malin, Owens--USGBC



Session 3: Development of a Consensus Eco-Forest Management Standard—‘Who’ should develop a standard and ‘What’ should be required for Eco-labeling?

An eco-label for dimension lumber could logically develop the need for a single consensus standard for eco-forest management. ASTM Forest Subcommittee D07.08 is currently balloting a *standardguide* on forest management.

Is ASTM D07.08 an appropriate venue for development of an eco-forest management standard?

Should the current eco-forest management programs be the starting point for development of a consensus eco-forest management standard?

Will some or all of the current eco-forest management programs participate in the development of a consensus eco-forest management standard?



Relationship of eco-labeling to a consensus eco-forest management standard:

In the Dictionary of Forestry, the Society of American Foresters defines ‘Sustainable Forest Management’ as: “The practice of meeting the forest resource needs and values of the present generations without compromising the similar capacity of future generations. Sustainable forest management involves practicing a land stewardship ethic that integrates the reforestation, managing, growing, nurturing, and harvesting of trees for useful products with the conservation of soil, air, and water quality, wildlife and fish habitat, and aesthetics.”

‘Sustainable forest management’ may be evaluated from two related, but distinct, perspectives:

- National forest management policy (as established and described in the Montreal Protocol criteria and indicators)
- Forest management practices (as implemented at a particular forest site or through a particular forest certification program)

Should an eco-labeling program address itself primarily to the latter?



Possible 'criteria' and 'indicators' for eco-labeling at individual forest-level:

Criterion	Indicator/Plan/Practice	
1. Contribute to the conservation of biological diversity of the forest and the landscape in which it resides	A. Necessary expertise (consultants, state forestry, natural heritage program staff, etc.) has been utilized to assess the biodiversity contribution of the property	
	B. The forest's diversity, uniqueness and risks (pests, fire, weather, etc.) have been identified and are a consideration in management	
	C. Forest dynamics, major disturbances and catastrophic events are factored into biodiversity decision making	
	2. Maintain or improve productive capacity	A. The productive capacity of the forest has been mapped for timber and significant non-timber products have been identified
		B. Growth, mortality and harvest rates of the forest types have been determined
		C. Regeneration after harvest is planned and successfully implemented
		D. Long-term site capacity is maintained
3. Maintain the health and vigor of the forest and its landscape / watershed	E. Harvest, utilization and marketing are efficient	
	F. Loggers and other contractors that have been trained are used	
	G. Appropriate expertise is used regarding wildlife management	
	H. Habitats, including sites at environmental risk and with ecological/cultural uniqueness, are identified and a consideration of management	
	4. Protect soil and water resources	A. Tree species Selection, stocking levels, spacing, age-class distribution, regeneration methods, insect and disease outbreaks, fuel loads, and wildfires are managed to reduce risk and insure long-term forest vigor
		B. Fuel loads, insect and disease populations and overall forest vigor are addressed
		C. Approaches to monitoring, prevention and incident response are in place and include cooperation with local, state and federal agencies and neighboring landowners as appropriate
5. Consider carbon cycles	D. Grazing is managed to prevent negative impacts	
	E. Introduction and spread of invasive non-native flora and fauna is addressed	
	A. Current mapped data on soils and terrain is included in the plan and used in management	
	B. Storm dynamics are recognized and planned for	
	C. Soil stability, water quality and soil productivity are protected	
	D. Appropriate guides and plans are in place and followed in road placement, design, maintenance and retirement, especially at stream crossings	
	E. Fire use, management and response is appropriately planned and conducted	
6. Consider socio-economic benefits and impacts	F. State best management practices are understood and incorporated in plans and compiled with during all phases of management activities	
	G. Wetland hydrological function and aquatic habitat are a consideration in management	
7. Comply with laws and rules and implement applicable guidelines in states not using the regulatory approach	A. Carbon cycles are considered in the forest management plan	
	A. Sound economic approaches, considering both long-term and short-term goals are used when harvesting both wood and non-wood products	
	B. Available resources are used to identify, manage and protect unique forest features	
	C. Unique biological, ecological, geological and cultural sites are considered in the forest management plan	
	A. Local, state and federal laws, regulations, and state BMPs are followed	
B. Operations are planned, conducted, and comply with safety rules		
C. The impacts on neighbors and the community are considered during operations		
D. Aesthetics are considered in plans and operations		
E. Conversion to other land uses is only done according to local land use plans and ordinances		

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ATFS Communication:

"ATFS is participating in discussions with the PEFC Board that include the subject of eco-labeling within its membership of certification systems." (See revised statement on Slide #25)

Robert Simpson, National Director, ATFS



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CSA Communication:

"CSA would be interested in assessing joining forces with a US Standard Development Organization (SDO) such as ASTM in reviewing a potential North American joint lumber label standard, provided the Canadian Forestry Industry and all forestry schemes in North America support it and that there is funding support for the CSA development work.

"Please note that CSA has not contacted ASTM or any other SDO regarding the above. This will happen at a later stage if the above conditions are met."

Ahmad Husseini <ahmad.husseini@csa.ca>



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FSC-US Communication:

"FSC forest certification standards are developed in a consensus process, and FSC-US sees no need for development of additional standards. FSC-US is prepared to discuss ways to improve or streamline chain-of-custody requirements."

Karen Steer, FSC-US



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PEFC (Programme for the Endorsement of Forest Certification) Communication: to be developed in coordination with European discussions conducted July 15. (See revised statement on Slide #26)



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SFI Communication: to be provided at the forum...



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Session 4: Next steps—Roles, Assignments, and Schedules?

If ALSC will undertake the development of an eco-labeling program:

- Who else should participate?
- What form should this participation take?
- When should development begin?
- When should initial development be completed?
- What happens if the schedule slips?

If ALSC will not undertake the development of an eco-labeling program:

- What other organizations are candidates to manage such development?
- Who else should participate?
- What form should this participation take?
- When should development begin?
- When should initial development be completed?
- What happens if the schedule slips?



If ASTM D07.08 will undertake the development of an eco-forestmanagement standard:

- Who should participate?
- Who will participate?
- When should development begin?
- When should a first standard be available?
- What will be relied upon for eco-labeling accreditation in the interim?

If ASTM D07.08 will not undertake the development of an eco-forestmanagement standard:

- What other consensus standards organization should undertake such development?
- Who should participate?
- Who will participate?
- When should development begin?
- When should a first standard be available?
- What will be relied upon for eco-labeling accreditation in the interim?



Schedule/Next Steps

Update LBMI public forum attendees regarding:

- Survey results and forum summary...
- LBMI Trustees and NLBMDA Board actions...
- ALSC Administration & Finance Committee consideration and actions...
- ASTM Forest Subcommittee consideration and actions...
- ALSC Full-committee consideration and actions...
- Additional recommended actions, participants, offers to help



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Lumber and Building Material Dealers Institute Antitrust Compliance:

LEGAL LIMITATION ON DISCUSSIONS AT LBMI MEETINGS

A free exchange of ideas on matters of mutual interest to representatives of forest products manufacturers, distributors, retailers and others is necessary for the success of all LBMI meetings. Indeed, such an exchange of views is essential to the successful operation of every organization. It is not the purpose of this communication to discourage the exploration in-depth of any matters of legitimate concern to meeting participants. Nevertheless, to ignore certain antitrust ground rules, either through ignorance or otherwise, is to create a hazard individuals cannot afford. It is for these reasons that we provide you with a reminder that certain areas of discussion between competitors or between manufacturers and their customers must be avoided as posing potential antitrust problems.

Particularly sensitive are grading and certification activities. We should view LBMI's efforts in the area of certification as a privilege, as a private enterprise substitute for direct governmental regulation. LBMI's efforts regarding certification are not intended to confer a competitive advantage on anyone, but rather to educate the public as to the quality and merits of a wide variety of products, without regard to the impact on the market.

The law books are full of cases in which dominant members of industry organizations exert their influence to abuse and misapply grading or certification programs for competitive advantage. Such conduct jeopardizes not only those individuals but their companies and industry organizations as well. LBMI cannot afford to tolerate even the appearance of impropriety when it comes to grading and certification matters.

The Sherman Anti-Trust Act, the Clayton Act, the Federal Trade Commission Act, and the Robinson-Patman Act comprise the basic federal antitrust laws. These laws set forth the broad areas of conduct considered illegal as restraints of trade. In general, agreements or understandings between competitors that operate as an impediment to free and open competition are forbidden. The broad language of the Clayton Act suggests the scope of federal antitrust prohibitions by forbidding any "agreement or understanding...to substantially lessen competition or tend to create a monopoly in any line of commerce." An important point to keep in mind is that communications and discussions between competitors or between sellers and customers about matters which may be considered anti-competitive often comprise the evidence from which courts infer antitrust violations.

DO NOT SAY OR DO ANYTHING AT AN LBMI MEETING THAT YOU WOULD NOT SAY OR DO IN FRONT OF A JURY.



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ATFS Communication:

“With the pending PEFC endorsement expected in early August, ATFS will be offering PEFC C-o-C, thereby allowing ATFS certified wood to flow into SFI and CSA C-o-Cs when using the PEFC C-o-C process, creating the largest single certified inventory available in North America. North American lumber millers and manufacturers will have at their disposal over 365 million acres of inventory certified under one international system.

“AFF does not support development of new standards. AFF contends that creating a credible new system with market impact will take years, thousands of man-hours and potentially millions of dollars, with no success guaranteed.”

Robert Simpson, National Director, ATFS



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PEFC (Programme for the Endorsement of Forest Certification) Communication:

“PEFC has endorsed SFI and CSA standards and is in the final stage of endorsing ATFS. This process of mutual endorsement provides a common recognition between the three systems under the PEFC membership umbrella.” (This is over 360 million acres PEFC endorsed in North America, which is approximately 80% of the total certified area)...

“Regarding eco-labeling LBM should ascertain that consumers, specifiers, and procurement agencies will have a policy that accepts it.”

Ben Duneberg, Secretary General, PEFC



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tion or classification,

(h) Advising or recommending or seeking to induce public authorities to establish by law or administrative regulation any preference or requirement for the use of lumber which is identified by a lumber manufacturers' association grade mark or by a lumber manufacturers' association inspection certificate, or advising or recommending or seeking to induce any specifier or purchaser of lumber to require the exclusive use of such lumber; provided, that nothing herein shall forbid efforts to give preference to lumber identified by the grade marks or inspection certificates of inspection agencies determined by such impartial agency as may be established or designated with the approval of the Court, to be competent and to be rendering an adequate and non-discriminatory lumber inspection service;



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