

A Monthly Look at Successful Sustainability Initiatives

# Green Light

## Taking deforestation out of the supply chain – the Tropical Forest Alliance 2020

Global Agenda Council on Governance for Sustainability

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Editorial Consultant and Writer  
Robin Bowman

Managing Editor  
Jonathon Cini,  
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Forum Lead  
Dominic Waughray,  
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## Foreword



James Bacchus  
World Economic  
Forum's Global  
Agenda Council  
on Governance  
for Sustainability

Welcome to the sixth edition of Green Light, a monthly newsletter by the Global Agenda Council on Governance for Sustainability aimed at highlighting promising economic and environmental initiatives.

Our goal is not only to share green ideas, especially those on collaboration and public-private partnerships, but also to inspire people to replicate and even scale up similar initiatives wherever they are.

In this edition of Green Light, we look at the Tropical Forest Alliance 2020 (TFA 2020), which calls for coordinated action between the public and private sectors to end commodity-driven tropical deforestation. The initiative focuses on the big four commodities – pulp and paper, palm oil, soy and beef – which, between them, are responsible for as much as 40% of tropical deforestation.

We hope you enjoy this issue and that you will find it a source of inspiration for your work.

*James Bacchus*

James Bacchus is chairman of the World Economic Forum's Global Agenda Council on Governance for Sustainability. He chairs the global practice group of the Greenberg Traurig law firm and is an honorary professor at the University of International Business and Economics in Beijing.

# The Challenge

More than 1.6 billion people in some way rely on forests for their livelihood, according to the World Bank. It estimates that about 240 million people live in predominantly forested ecosystems and that roughly a quarter of the world's poor, and 90% of the poorest, depend substantially on forests for their livelihoods.

It calculates the value of forest products traded globally at around US\$ 270 billion and estimates that forest industries provide employment, both formal and informal, for approximately 50 million people.

Forests cover 31% of the earth's surface (just over 4 billion hectares) and play a vital role in mitigating climate change by acting as so-called "carbon sinks" – absorbing and storing carbon. The World Bank calculates the world's forests absorb around 15% of the planet's greenhouse gas emissions. When forests are cut down, not only do they no longer perform this role, but this stored carbon is released back into the atmosphere.

FRA 2010 – the United Nations' Global Forest Resources Assessment – estimated that the world's forests store 289 gigatons of carbon in their biomass alone.

According to the FRA report, "deforestation, degradation and poor forest management" have reduced carbon stocks in forest biomass by an estimated 0.5 gigatons each year between 2005 and 2010. Around 50% of the world's tropical forests have already disappeared.

An article in *Science* magazine, "High-Resolution Global Maps of 21st-Century Forest Cover Change" in November last year provided the most detailed assessment yet of the state of the world's forests by using earth observation satellites to map them. Comparisons revealed that between 2000 and 2012, there had been a loss of forests globally of 2.3 million square kilometres – approximately the area of the Democratic Republic of Congo – and a gain of 0.8 million square kilometres, the size of Turkey.

The data showed that loss of tropical forests was increasing by 2,101 square kilometres a year. While Brazil showed a dramatic reduction in deforestation, this was offset by the increased rate of forest loss in Indonesia, Malaysia, Paraguay, Bolivia, Zambia and Angola. The report's summary said the "intensive forestry practised within subtropical forests resulted in the highest rates of forest change globally."

As Nigel Sizer, Director of the World Resources Institute wrote in a blogpost, the imagery "provides the first high-resolution, global picture of annual forest cover change over the period 2000 to 2012, with the promise of timely annual updates starting in early 2014. Prior to this research, the world lacked up-to-date, globally consistent forest data – most information about forests is years out of date by the time it finds its way into policy-makers' hands."

If we are to find a way of dramatically reducing climate change and preserving the planet's delicate biosphere, as well as meeting the challenges set by the huge numbers of people dependent on forests directly or indirectly, it is clear that the world's forests must be better monitored, managed, conserved and regenerated.

# The vision – end deforestation by 2020

US President Obama's major announcement in June last year of a series of climate change initiatives, many focused on achieving concrete results by 2020, recognized the unique role forests play in the earth's ecosystem. It also focused on the severity of the problem of deforestation: "Greenhouse gas emissions from deforestation, agriculture and other land use constitute approximately one-third of global emissions. In some developing countries, as much as 80% of these emissions come from the land sector."

But it is also widely recognized that reducing and finally stopping the clearing, burning and conversion to agricultural use of tropical forests represents a practical and achievable action that can be taken relatively quickly.

Approximately half the deforestation in the world is a result of trade in commodities. The Tropical Forest Alliance 2020 (TFA 2020) – which the President referenced in his speech – is a response to the need for coordinated action. It involves public and private partnerships, and is aimed at ending this commodity-driven tropical deforestation. The initiative focuses on the big four commodities – pulp and paper, palm oil, soy and beef – which, between them, are responsible for as much as 40% of tropical deforestation.

Partners take action voluntarily, in concert with others or individually. TFA 2020 is open to governments, national and international businesses, international NGOs and influential national NGOs that not only share the TFA vision and ambition, but are willing to become actively involved in programmes and sharing their knowledge and expertise.

The initiative came about through the Consumer Goods Forum (CGF), a network of CEOs and senior managers from over 400 retailers, manufacturers and service providers across 70 countries, which has committed to achieving zero net deforestation by 2020.

Besides the CGF, initial partners of TFA 2020 include the governments of the United States, the United Kingdom, Norway and the Netherlands. NGO partners include Conservation International (CI), IDH (the Sustainable Trade Initiative), and the World Resources Institute (WRI). The first TFA 2020 workshop was co-hosted by the Indonesian government in June 2013.

As well as focusing on the four major commodity supply chains, TFA 2020 also emphasizes in particular the key regions of South East Asia, Central and West Africa and relevant regions of South America.

# How is TFA 2020 different?

There are a number of organizations and initiatives working to reduce and eliminate tropical deforestation. It is therefore important to ensure that work is not duplicated and that TFA 2020 has a unique role to play. Uniquely, and right from its inception, TFA 2020 was designed to bring together all three of the crucial players seen as vital in tackling supply chain deforestation – business, civil society and national governments. This is what makes it different.

TFA 2020 includes business-to-business collaboration along with private and public partnerships. Many other initiatives tend to focus on a sole commodity or address all of them at once. Instead, TFA 2020 aims to work at scale, helping to fill gaps between key parties and building on the work of others to transform entire supply chains.

There is also a clear determination, say those involved with the initiative, to be genuinely action-oriented, to be less about conferences, producing research and showcasing efforts being made, and much more about facilitating support and networking to get the job done on the ground.

# The TFA model – how to create scale

## Leverage the role of the consumer

The success of the supply chain approach to ending tropical deforestation will clearly be linked to the exercise of consumer power. Without this there will be far less incentive for big business to commit to action.



Nigel Purvis, President and CEO of the Washington-based consultancy Climate Advisers

Nigel Purvis, President and CEO of the Washington-based consultancy Climate Advisers, sees this as a vital ingredient, and one that has created the necessary partnerships:

“Consumer pressure is part of a broad and growing trend. Consumers want to know what they’re eating and how their lifestyles are contributing to making the world a better or worse place ... There’s a sense that the technology exists and therefore it ought to be possible for you to tell me what’s in this product I’m buying. And people increasingly want to know the carbon contribution of the food they’re eating

and products they’re buying. And it’s not only about climate – for example, palm is grown in an area of Indonesia that is tiger and orangutan habitat. People care increasingly about the unintended impacts of the choices they’re making.”

Businesses wanting to capture market share therefore need to respond to this demand for transparency.

Purvis believes that the prospects for eliminating supply chain deforestation are highly positive, with lots of progress already being made. He cites the examples of Nestlé, Unilever and Coca-Cola, who are already especially active in this area.

“There’s real evidence of corporate action at multiple levels of the supply chain,” he said.

Nestlé was one of the first to make a commitment to full traceability of products so that customers can know where their food comes from and how it’s made; along with this it has committed to remove deforestation from its supply chain. Unilever has also made commitments on deforestation with targets in place to source palm oil and soy sustainably.

The drive is also being reinforced by political will on the part of key countries.

“In Brazil the deforestation of the Amazon region has declined massively since its peak as a result of government policy primarily, but also because of other factors, such as market conditions,” said Purvis. “And the resultant decline of greenhouse gas emissions in Brazil exceeds the whole contribution made to climate protection by all developed countries under the Kyoto protocol.”

## Focus on the big players

Roughly half the deforestation in the world comes from trade in the four commodities selected by TFA 2020 – pulp and paper, palm oil, soy and beef – with the most important producers being Indonesia, Malaysia and Brazil.

This helps to raise hopes that strategies focused on supply chains can make a difference because the number of supply chains is small and there are strong and dominant players in each. Firm commitments from one major player can, therefore, have a dramatic effect and create critical mass that pulls in others.

The greatest recent success has been with palm oil. In December 2013, Wilmar, which controls approximately 40% of the global trade in the commodity, announced a new “No Deforestation, No Peat, No Exploitation” policy, which establishes “mechanisms to ensure that both Wilmar’s own plantations and companies from which Wilmar sources will only provide products that are free from links to deforestation or abuse of human rights and local communities.”

“So, right there, the world’s largest player in one of the commodities that is most associated with deforestation has made that commitment in response to its customers,” said Purvis. “Unilever, Nestlé and others are increasingly trying to source the kind of products that consumers and consumer goods companies are demanding. So, there is a growing momentum, even the beginnings of a cascade effect through the supply chains.”

## Harness technology

The monitoring power and affordability of technology is undoubtedly vital to the efforts of the TFA 2020 partners.

In fact, the kind of conversations businesses are able to have with suppliers and customers simply would not be possible without the technology revolution of the last few years.

“We live in an age when people expect this kind of input in their lives,” said Purvis. “The tech is there and it’s low cost and there is the ability for every company to be able to look at its operations and see what’s happening and there is also the ability of civil society to independently monitor what is going on.”

One example of the transformational way technology can be deployed is Global Forest Watch (GFW 2.0), a project being launched in February by the World Resource Institute and a number of partners. It combines near-real-time satellite imagery with on-the-ground data and crowdsourced information to provide a composite image of the state of the world’s forests, allowing harmful and illegal activities to be detected and stopped.

Thanks to these technologies, businesses are now able to make reasonable requests about the origin of products within their supply chain. And this increased expectation of transparency means there is a far greater requirement for good management of natural resources. This is all brought about by improved monitoring capabilities.

### Offer solutions

By developing focused partnerships that draw together the private sector with governments and NGOs working towards a common goal, TFA 2020 is able to take a multidimensional approach to tackling the deforestation challenge through supply chain solutions.

“In many places – and Indonesia is a perfect example – actually growing palm on degraded land, on lands that are not really carbon rich, in the medium term, can be more profitable than growing them in peatlands, which are some of the most carbon-rich lands in the world,” said Purvis.

Degraded land is forest that has already been cleared of high-value logs and the carbon content has already been disturbed, meaning it now contains low carbon stocks and low levels of biodiversity.

Smart land use policy can therefore actually be pro-growth and present a solution that reconciles the interests of all stakeholders.

The use of degraded land in particular offers enormous potential for expanding and enhancing food security and keeping food prices manageable.

The other part of the solution is that approximately 50% of cultivated land in the world is worked by smallholders whose agricultural productivity is far inferior to farming methods found in Europe, the United States and other developed agricultural countries.

By working to empower, train and support smallholders, productivity of existing cultivated land can be dramatically improved.

“A combination of moving to the use of degraded land instead of previously undisturbed landscapes and increasing productivity on existing lands should be perfectly adequate

to more than meet not only today’s food needs, but also those of tomorrow’s rising population,” said Purvis.

Using degraded land can be initially more expensive because clearing a natural forest to establish a palm oil plantation, for example, means profit is made from selling the cleared timber; using degraded land obviously cuts off that revenue stream.

But advocates of degraded land use believe this is not a significant deterrent.

“Land that has been degraded previously generally will, in the long run, have soils that will increase productivity,” said Purvis. “This is certainly the case in Indonesia. So, if you overcome the initial cost, over a 7- to 10-year period, and certainly over a 20-year timeframe, people would actually be better off.”

“Upfront costs exist in many cases, but usually they are small and manageable as long as we align public policy and secure access to affordable capital,” he added.

### Create partnerships

Bringing together TFA 2020 members to create partnerships is very much part of the mechanics of the initiative.

Those close to the alliance describe it as bringing together a company and a government where there was previously little dialogue, or “opening a door that wasn’t opening fast enough by creating senior-level political visibility.”

One example is the business partnership formed between the CGF and Indonesia’s Chamber of Commerce and Industry (KADIN). These parties have agreed a shared-agenda plan, whereby the CGF’s pulp, paper and packaging guidelines on the sourcing of materials will be adopted by the paper industry in Indonesia, so reducing the deforestation caused by that industry in the country.

However, those involved with the TFA 2020 see partnerships as far more than a sharing of technical information and best practices. While this is part of the process, Purvis points out that it is more about sharing the needs of each sector – countries, NGOs and companies:

“It’s about having a conversation about what each should be doing to achieve the common goal. So companies are challenging governments to help the producer countries to achieve their climate and sustainable development goals – to make pledges to green their public procurement as well as using trade agreements to create incentives for countries that are doing the right thing ... Meanwhile, countries are challenging companies to commit to full traceability and public information, as some already have; and it’s about challenging NGOs and asking how they can use their assistance programmes, their monitoring and public advocacy work to increase support for this initiative. So, it’s about sharing strategy – everyone asking: what do we need to do to win on this?”



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World Economic Forum  
91–93 route de la Capite  
CH-1223 Cologny/Geneva  
Switzerland

Tel.: +41 (0) 22 869 1212  
Fax: +41 (0) 22 786 2744

[contact@weforum.org](mailto:contact@weforum.org)  
[www.weforum.org](http://www.weforum.org)