NGO's in the Paper and Printing Industries

An analysis of private sector perspectives to inform environmental funding strategies

Key Findings

Prepared by TRUTHstudio
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TRUTHSTUDIO
PO Box 50089
Washington, DC 20091-0089
www.truthstudio.com

Executive Summary

Over the past ten years, significant shifts have occurred in the paper and printing industries. This briefing summarizes key findings from a research study of how private sector actors perceive the role that environmental NGO's have played in these changes. The research focused on two questions of interest to funders who have supported NGO's working in the paper and printing industries:

1) Looking back over the last ten years, what NGO strategies have worked to meaningfully improve the environmental practices of the paper and printing industries?
2) Looking forward to the future, what is going on now—or will be going on in the near future—that could affect how funders think about investing to achieve large-scale environmental goals?

The research results are based on interviews conducted with stakeholders along the paper and printing supply chains, supplemented by interviews with selected non-profit leaders, academics, and government officials. This abbreviated version of the full report summarizes key findings, which are listed below and elaborated on the following pages. The full report includes a series of charts that visually present key analytical conclusions of the research.

Drivers of Change

- Industry contraction has been the most significant driver of impact reductions.
- Regulation is the primary driver for changing practices.
- NGO advocacy campaigns are an important secondary driver for changing practices.

Effective Strategies

- Voluntary strategies that align with profitability are optimal.
- Collaboration will be the basis of most NGO market engagement.
- Certification offers a path to supply chain security.
- Strategy coordination through EPN has been critical.

A Changing Landscape

- Contraction of the industry alters the strategic landscape in North America.
- Increasing demand in the developing world affects North American strategy.
- Certification is here to stay.
- Bioenergy threatens to undo environmental progress.
- Consumer irrationality could be an opportunity for leverage.

System-Level Lessons

- Strategy and assessment depend on systems thinking at scale.
- Data availability is currently a barrier to strategic analysis and action.
- Research and development (R&D) activities are weak and/or lack visibility.

Opportunities for Investment

- EPN can be strengthened as a strategic information hub.
- NGO capacity could be expanded beyond forestry.
- Environmental accounting is an increasingly important area of influence.
- Data availability in supply chains is a constraint on progress.
- Alternative fibers merit further research.
- A more expansive dialogue on certification and illegal logging could be timely.

Unintended Consequences

- Advocacy for FSC (and against SFI) can backfire.
- Rebound effects of conservation efforts may simply displace the problem.
- Increased global demand for recycled content has created a bottleneck in supply.
- Increased domestic demand for FSC content has created a bottleneck in supply.

Drivers of Change

Industry contraction is the most significant driver of impact reductions.

Overall, interviewees cited the dramatic contraction of the forest products industry in North America as the most powerful factor in relieving industry demand pressure on forests and reducing overall environmental impacts. Some of this contraction is attributed to the recent economic downturn, but most is attributed to digitization, which has reduced consumption demand for paper and paper products. NGO's are not perceived to have played a significant role in this contraction,

Regulation is the primary driver for changing practices.

Regulatory changes affecting mill technology, including the tightening of emissions standards and boiler replacement requirements, were cited as the single most significant factor motivating changes in industry practice. Policy-oriented NGO's are seen as having played a major role in developing and advocating for these regulatory changes. Looking forward, because companies are now more comfortable working in collaboration with NGO's, there is an opportunity to collaborate with the private sector to seek regulations that will raise the bar for all. Tactically, investment in peer-reviewed scientific research that could be used by regulatory agencies to support action could also be a high leverage strategy.

NGO advocacy campaigns are an important secondary driver for changing practices.

After market contraction and regulation, interviewees typically cited NGO advocacy campaigns—and their role in encouraging major paper consumers to adopt progressive paper purchasing policies—as the next most significant factor affecting the environmental performance of the paper industry. While such advocacy campaigns typically aim at downstream paper consumers such as brand owners, retailers, or publishers, their influence is widely recognized by all participants in the supply chain. The interviews definitively verified: 1) that the perceived risk of being targeted by an advocacy campaign consistently plays a significant role in brand-owners' motivations to pursue more ambitious environmental goals, and 2) that the ability to articulate this risk to shareholders also helps senior management to justify their investment in more ambitious goals. These dynamics are supported by two enabling factors: 1) NGO leverage is enhanced by CEO's sensitive to brand reputation; and 2) businesspeople are 'licensed' or 'enabled' by campaigns to act in accordance with their personal and professional values. Looking forward, The success of previous campaigns has created a strong appetite for collaboration among corporate managers, who see constructive engagement with NGO's as an effective means to avoid being targeted with a campaign.

Effective Strategies

Voluntary strategies that align with profitability are optimal.

All interviewees—but particularly producers and to a slightly lesser extent consumers—emphasized that businesses will not take action on environmental issues if they do not how action will positively affect their financial bottom line, not least because prioritization of financial considerations is a legal requirement of their status as publicly held companies. For this reason—and NGO leaders clearly understand this well from their comments in interviews—any market-based environmental initiatives must be founded on an attempt to make action on environmental issues more profitable than inaction. Private sector interviewees typically referenced at least one of three factors affecting profitability: 1) an ability to recover costs through efficiency improvements; 2) changes in the regulatory environment that justify changes; 3) technology advances that shift market pricing and competition.

Collaboration will be the basis of most NGO market engagement.

A number of interviewees across all stakeholder groups expressed the opinion that market campaigns had 'run their course,' and that the most effective, positive changes in the future would emerge primarily out of collaborative, often multi-stakeholder engagements. This does not mean that market campaigns do not have a role, but many interviewees, both in the private and NGO sectors, felt that the mere possibility of a campaigns was typically now sufficient to encourage companies to engage constructively with NGO's without the campaign itself needing to be deployed. The strategy that seems to be emerging was perhaps best expressed by one NGO representative, who stated: 'We increasingly prefer to use the diplomatic corps, but it is important to keep a standing military available, just in case.' It was possible—and even preferable, in the past, for some organizations to choose a 'bad cop' role, while others played the 'good cop' role, but it will be difficult, in the future, to maintain this dynamic. The most effective organizations will likely open communications in a 'good cop' mode and switch to 'bad cop' only as a last resort. For funders and NGO's, this means an expanded opportunity for positive change, but also increased risk of cooptation.

Certification offers a path to supply chain security.

Securing access to fiber supply increasingly drives progressive policies. Producers and NGO's alike noted that, in some cases, and particularly in the context of international supply chains, companies were implementing environmental paper policies as a way to manage risk and secure access to stable source of fiber. As a result, these companies may choose to specify a rigorous certification standard such as Forest Stewardship Council (FSC) as a way to artificially construct a consistent regulatory environment within their own supply chain, even in the absence of a robust national regulatory environment in the countries where they source fiber. This reduces two types of risk: 1) the tangible risk that unsustainable forestry practices will exhaust the resource and disrupt their supply chain; and 2) the intangible risk that unsustainable supply chain practices will affect their social license to do business. Because these supply chains are inevitably global, NGO's must increasingly be aware of the nuances of international forestry, even if their work focuses primarily on North American markets.

Strategy coordination through EPN has been critical.

Particularly among paper consumers and NGO advocates, there was a strong sense that the Environmental Paper Network's role, over the past ten years, in helping to forge a closely coordinated environmental strategy across a range of NGO's, has been 'at the core of what drove change.' Interviewees noted two aspects of the Network's influence: 1) coordination to achieve policy goals; and 2) enhanced credibility from intellectual cross-fertilization. That said, not all EPN participants necessarily think of the organization as a platform for collective strategic planning and broad scale coordination. Funders could play a role in changing this.

A Changing Landscape

Contraction of the industry alters the strategic landscape in North America.

Private sector and independent analysts identify two relevant effects of the industry's contraction. First, because the industry is 'in survival mode,' companies are less likely to respond to 'non-essential' environmental imperatives. Second, as paper companies lose market strength, they may be unable to financially compete against other potential users of forest land. For example, as the demand for paper fiber declines, small landowners might sell their forest land for other purposes (e.g., pelletization for energy use; or conversion to agricultural or residential use). Funders and NGO's may increasingly be working alongside the forest products industry to support initiatives that preserves forests and livelihoods.

Increasing demand in the developing world affects North American strategy.

Numerous interviewees noted that global demand for paper is increasing, particularly in rapidly industrializing countries like China and India, with toilet tissue and newsprint cited as two of the largest components of this consumption demand. China was also repeatedly cited as the primary consumer of North American recycled paper. Detailed analysis of these changes is beyond the scope of the current study, but they are widely expected to have serious implications for the health of the world's forests. This means that North American funders and NGO's will increasingly need to engage their work in an international strategic context.

Certification is here to stay.

All stakeholders commented on the rapid growth of certification, and that certification will continue to be a powerful mechanism for improving the environmental profile of the paper and printing industries in North America. In general, all were supportive of certification, but attitudes varied by supply chain position. Producers were more likely to emphasize that, 'Any certification is better than none at all.' Consumers were most likely to express frustration over the ongoing conflict between certification schemes. Independent analysts were likely to note that certification was much more important in geographical regions where regulatory controls were weaker than in North America. All told, tensions between FSC and SFI may become less relevant as funders, NGO's, and companies become more focused on forestry issues in the context of the global forest resource, where distinctions between certified/legal fiber and uncertified/illegal fiber may be more relevant than distinctions between specific certification programs.

Bioenergy threatens to undo environmental progress.

Paper producers and some NGO's and analysts are concerned that a number of market forces may align to make forests more economically attractive as fuel sources than as raw materials for forest products. Private sector and NGO interviewees concurred that biomass energy could threaten to undo much progress made in forestry practices over the past decade. As one NGO representative put it, 'What good are responsible forestry practices once the forest is gone?' Ironically, the emergence of hydraulic fracturing ('fracking') as an efficient method of natural gas extraction may reduce the price competitiveness of biomass as an energy source, thereby reducing this potential pressure in the short term. In the long term, however, fracking is a dubious defense against biomass energy exploitation of forests, and an opportunity exists for NGO's to collaborate with the private sector to develop a long-term strategy.

Consumer irrationality could be an opportunity for leverage.

Several NGO's suggested that market engagement of individual consumers could be the next big opportunity for change, building on the success of campaigns that have targeted corporate consumers and exploiting the willingness of consumers to make irrational purchasing decisions. These interviewees interpret consumers' willingness to make impulse decisions as evidence that they are fundamentally less predictable and deliberate in their decision-making. Accordingly, some NGO's are developing strategies that will seek to harness the relative irrationality of consumer behavior to their advantage. This trend has yet to gain significant momentum, however, and evidence of its successful implementation was not available. While it may, indeed, be possible to steer irrational consumers toward environmentally preferable decisions, this remains, today, a necessarily risky and unpredictable strategy.

System-Level Lessons

Strategy and assessment depend on systems thinking at scale.

A systemic perspective is essential for understanding the relative scale of impact of NGO and funder efforts to reduce the environmental impacts of the paper and printing supply chains. Given the technical, environmental, geographic, economic, and social complexity of these supply chains and their interactions, it is necessarily difficult to trace causal relationships between individual NGO actions and large-scale systemic shifts. That said, with appropriate investment in system-scale research, it is possible to understand overall linkages, make use of existing data to understand the scale of the various systems involved, and analyze whether funder investments and NGO actions are commensurate with the scale of desired impact on the system as a whole. Moving forward, the activities of EPN and its partners will only be enhanced by continued efforts to connect the scale of individual NGO action with the scale of the larger systems, and to develop appropriate metrics that enable funders and NGO's, alike, to monitor those connections effectively.

Data availability is currently a barrier to strategic analysis and action.

Across the range of interviewees, there is a common frustration about the lack of common, reliable, centralized data about system-level scale, dynamics and impacts that could be used by all stakeholders to identify issues, assess strategies, measure progress, and undertake constructive dialogue. Currently, there is no systematic, comprehensive program of data collection and analysis for the North American fiber market that might be comparable to the industrial economics data collected by the governments of many other industrialized countries. This tends to discourage effective system mapping, prioritization of action, benchmarking of performance, and measurement of progress for companies, NGO's, and government agencies, alike. Looking forward, however, relatively small investments in data centralization, possibly in partnership with industry research providers like RISI (www.risiinfo.com), could enable much broader access to system-level understanding as the basis for strategic alignment and collaboration, among NGO's and between NGO's and the private sector. EPN could be a host for such work.

Research and development (R&D) activities are weak and/or lack visibility.

Producers and NGO's alike emphasized the need for more research activity, but with different emphases. Producers emphasized, in particular, technology research such as nanocellular innovation that could open up new high value markets for forestry products. NGO's emphasized systemic-level research, such as economy-level research on the potential environmental implications of a shift to alternative fibers for paper production. In general, two streams of research and development were identified: 1) short-term research studies, with questions framed in dialogue between NGO's and companies, that could open paths forward on key topics that currently present barriers to effective collaboration (e.g. carbon accounting, alternative fibers); and 2) long-term technology research that could yield unexpected opportunities for resolving current challenges.

Opportunities for Investment

EPN can be strengthened as a strategic information hub.

The Environmental Paper Network (EPN) has been a tremendously successful initiative, from the perspective of producers, consumers, NGOs, and analysts alike. Looking forward, EPN could be strengthened as a coordinating hub for overall strategy, perhaps organized by the *Common Vision*, but supplemented with general agreement on a clearly stated (and publicized) set of work streams, timelines, and priorities. EPN would also be an ideal host for centralizing system-level data and research that could be used for strategic planning and monitoring .

NGO capacity could be expanded beyond forestry.

There was general consensus among NGO's that forestry had dominated conversations within the advocacy community and in engagements with the private sector, but several NGO's felt that the narrowness of this focus could compromise the credibility of NGO's in the future. It would therefore be prudent to continue to build on the networking and cross-education that the EPN has afforded to enhance the ability of all NGO's to frame their work with the private sector in an equally holistic context.

Environmental accounting is an increasingly important area of influence.

Environmental accounting, i.e., the attempt to quantitatively measure and report environmental impacts along industry supply chains, plays an increasingly prominent role in private sector engagement on environmental issues. In general, all stakeholders would support inclusive conversations to gain consensus on the following topics: the use and misuse of LCA; accounting for pre- and post-consumer fiber; carbon accounting for biomass; the implications of thinking about biomass as a fuel source in GHG accounting; indirect land use change. Looking forward, more robust environmental accounting methods would enable more sophisticated conversations about relative benefits of different technology options for reducing the environmental impacts of paper production (e.g. biomass for energy, alternative fibers).

Data availability in supply chains is a constraint on progress.

The private sector increasingly engages environmental issues as part of a broader conversation about 'sustainability', and this conversation typically involves active engagement of supply chains. In this context, companies are anxious to find ways to track social and environmental data in their supply chains in order to better manage associated risks, and there is strong interest to standardize and enhance supply chain data reporting systems and frameworks. With the recent merger of CDP with the Forest Footprint Disclosure Project (FFD), a platform for common data reporting may be emerging, but its successful implementation will require the engagement and collaboration of a range of stakeholders, including many of the NGO's currently participating in the EPN. This is an area worth of further investigation and potential investment.

Alternative fibers merit further research.

Several NGO participants in the Environmental Paper Network have advocated for the use of alternative fibers in paper production, and a number of paper producers and consumers have experimented with alternative fibers at commercial pilot scale. However, most private sector interviewees, as well as a number of NGO interviewees, expressed reservations about alternative fibers as environmentally preferable. If alternative fibers are to be seriously considered as a strategy, the concerns of both private sector an NGO skeptics need to be taken seriously and addressed, and funders could support rigorous, scientifically robust, peer-reviewed research to understand and analyze the full range of concerns.

A more expansive dialogue on certification and illegal logging could be timely.

Every interviewee, whether producer or consumer, NGO or analyst, referenced the 'certification wars' between the Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative (SFI), and all perceived the conflict between these organizations as counterproductive. Numerous interviewees expressed interest and willingness to participate in any dialogue that could provide a framework for accommodating both FSC and SFI in the marketplace, particularly if that dialogue was sufficiently expansive to include consideration of the role of illegal logging in a global context.

Unintended Consequences

Advocacy for FSC (and against SFI) can backfire.

A number of private sector interviewees indicated that they supported the technical merits of the FSC program, but they sometimes found themselves unable to support the organization, either internally or externally, because of what they perceived as unprofessional, disrespectful business practices. Specifically, they saw FSC as: 1) monopolistic; 2) supportive of unfair and coercive tactics by other NGO's. Sustainability advocates within large companies were particularly irked by NGO claims about SFI that were inaccurate or based on outdated information. To the extent that NGO actions contribute to the above perceptions, they may compromise the success of FSC in the marketplace and could be counterproductive.

Rebound effects of conservation efforts may simply displace the problem.

Paper and printing supply chains, like all major commodity-based supply chains, exist in a global market environment, with the result that environmental actions in North America can have unpredictable consequences elsewhere in the world. For example, economists would note that, in a global marketplace, if conservation efforts to protect North American forests cause reduced supply and increased prices for North American forest fiber, the market may respond by substituting alterative products and practices that could, in the bigger picture, be even more destructive. Interviewees seems most concerned that a narrow focus on North American forests and forestry could increase the pressure on sensitive forests elsewhere in the world, and this underlines the increasing importance of a global perspective for all forests work.

Increased global demand for recycled content has created a bottleneck in supply.

Chinese demand for American recycled fiber has increased dramatically, and this has created a bottleneck in North American supply. All interviewees noted this dynamic and suggested that increased paper recovery would be a benefit to all. Unfortunately, most also noted that the current single-stream recovery infrastructure, while beneficial to waste management companies, does not serve well the needs of paper users. A number of interviewees noted the decreasing quality of recycled paper, which meant that a significant portion of the recovered paper was discarded or burned for energy, rather than being recaptured as useful fiber. Ideally, a more effective recovery infrastructure would address this issue.

Increased domestic demand for FSC content has created a bottleneck in supply.

Virtually every private sector interviewee who is a participant in the FSC supply chain noted the supply bottleneck for FSC fiber. While this is an encouraging sign of the increase in demand, it also poses a challenge for the program, particularly as FSC supporters advocate against the legitimacy of alternative certification schemes, such as SFI. It was apparent in interviews that companies were impatient that they had been encouraged, by NGO partners, to include 'FSC only' requirements in their paper purchasing policies, only to discover that they could not actually meet their targets due to limited supply. It is not clear whether this is a short-term problem or indicative of a longer-term structural challenge.