Chain of custody systems: claims and impacts

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worldsteel Open Forum, September 2023

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Content

Sugar bowl, Bristol, UK, 1820's

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1. Sustainability claims, impacts and chain of custody

1. What's the claim?
2. What's the implied sustainability impact?
3. How strong is the case?
4. Is the claim:
   1. True?
   2. Legal?
   3. Credible?
   4. Justifiable?

1. Sustainability claims, impacts and chain of custody

1. Production standard: "*well managed forests*", "*not made by slaves*"
2. Trace this attribute through a supply chain, as the product is processed, traded, transported, goes through wholesale, retail and is sold to the end customer:
   a) Segregation in space (e.g. separate production lines)
   b) Segregation in time (batch production)
   c) Physical identification
   d) Critical control systems
   e) Record keeping
3. Support attractive claims to customers and other stakeholders

1. Sustainability claims, impacts and chain of custody

ISO 22095: 2020 Chain of custody – General terminology and models

- Identity preserved
- Segregated
- Controlled blending
- Mass balance
- 'Book and claim'

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Friends of the Earth Good Wood Guide
"These timbers may come from either sustainable or non-sustainable sources. There is, as yet, no means of identifying the precise origin of commercially available supplies. It is only through the establishment of a clear labelling system that timber consumers will be able to ensure that supplies are not from forest destructive sources"

1988

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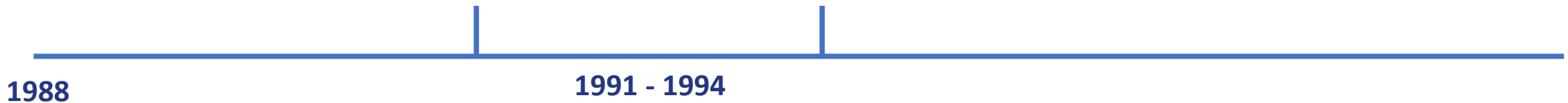
2. The Forest Stewardship Council (FSC) story…

FSC Principles and Criteria for Forest Stewardship
The goal of the FSC is to promote environmentally responsible, socially beneficial and economically viable management of the world's forests, by establishing a worldwide standard of recognized and respected Principles of Forest Management…

1988

1991 - 1994

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2. The Forest Stewardship Council (FSC) story…

FSC Draft Statutes

7.3. Certifiers must document their procedures for verifying the clear separation or demarcation of certified and non-certified forest products at all stages, including forest sites, processing, shipping, manufacturing, and wholesale/retail distribution stages…

1988

1994

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2. The Forest Stewardship Council (FSC) story…

"The wood used in making this product comes from the Tortworth Estate. The estate woodlands are well managed and have been independently certified in accordance with the rules of the Forest Stewardship Council"

1988   1994   1996

ISO 22095: 'Identity preserved' chain of custody model

2. The Forest Stewardship Council (FSC) story…

Challenges

- Timber yards can be big

- Timber catchment areas can be large and complicated

- Timber parcels may be swapped to reduce transport costs

- Timber may be graded before use

- Timber may need to be dried

- Forest products can be complex

- Wood is often a low value commodity

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2. The Forest Stewardship Council (FSC) story…
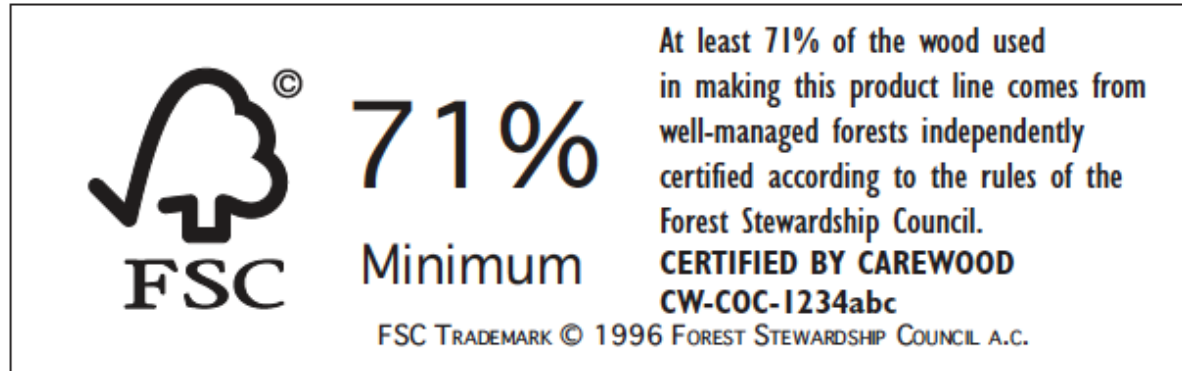
ISO 22905: 'Controlled blending' model

1998

- 100% FSC for solid wood
- "%-based claims"
  At least 70% FSC certified for composite products

2000

- "%-based claims"
  At least 30% FSC certified for chip/fibre products

2. The Forest Stewardship Council (FSC) story…

What about:
- the non-FSC certified wood?
- the challenges of separation and stock control
- the relationship with recycled wood and fibre?

➢ 'Controlled Wood'
➢ 'FSC credit' system
➢ 3 different labels
  - FSC 100%
  - 'Mixed Sources'
  - 'Recycled'

1998

2000

2007

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2. The Forest Stewardship Council (FSC) story…

➢ **Non-FSC wood inputs must be 'controlled' (or recycled/ reclaimed)**

'Controlled Wood' is *not*:

- Illegally harvested
- Harvested in violation of traditional and civil rights
- Harvested from forests where High Conservation Values are threatened
- Harvested from forests being converted to plantations or non-forest uses
- From forests in which genetically modified trees are planted

➢ **The 'FSC credit' system**

Labelling based on 'FSC credit', rather than physical content

70 tonnes of FSC-certified wood

Wood can be mixed and *traceability is lost*

70 % of products labelled as 'FSC Mixed Sources'

30 tonnes of 'controlled wood'

30 % of products are sold without a label

FSC
Mixed Sources
Product group from well managed forests and other controlled sources
Cert no.XXX0000000
www.fsc.org
© 1996 Forest Stewardship Council

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2. The Forest Stewardship Council (FSC) story…

ISO 22095: 'Mass Balance' model

70 tonnes of FSC-certified wood	→			70 % of products labelled as 'FSC Mixed Sources'	

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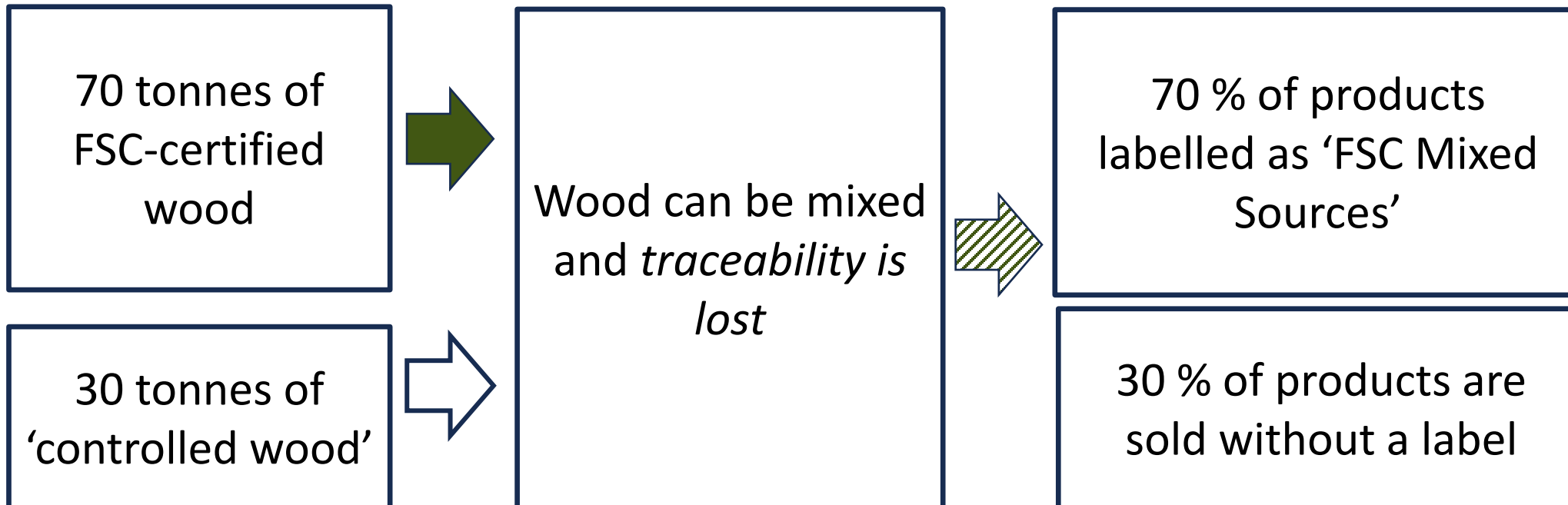
Complex rules for mixing and matching different materials, e g.:

- High value hardwood and softwood
- Minimum thresholds
- Pre- and post-consumer recycled fibre
- Time-based expiry of 'credits'

100% of the content, *in all cases* consists of some mixture of:

- Wood from FSC-certified forests
- FSC 'Controlled Wood'
- Recycled wood/fibre

Specific claims, depending on content

2022: updated labels with revised claims

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3. ISO Chain of custody terminology and models

ISO 22095: 2020 Chain of custody – General terminology and models

- Identity preserved   ✓
- Segregated   ✓
- Controlled blending   ✓
- Mass balance   ✓
- **'Book and claim'**   …

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ISO 22095: 'Book and Claim' model

Online trading platform
Certificate or credit is sold/traded

It is likely that the buyer of the certificate and the buyer of the product are two different companies (though it does happen that they are the same)

Buyer of certificate

Certified producer

Buyer of product

Production	Trade	Conversion	Trade	End use
30	30	30	30	30

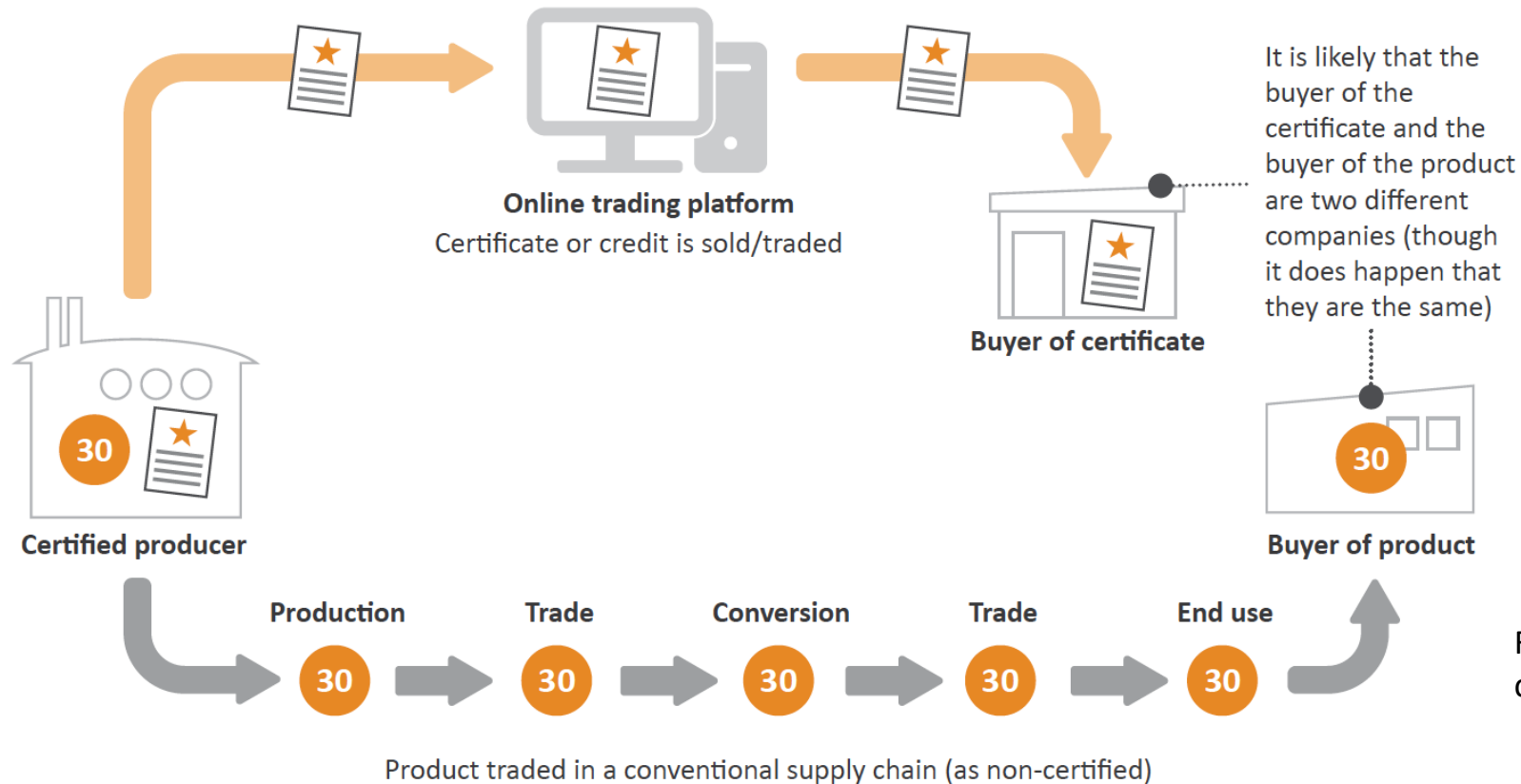Product traded in a conventional supply chain (as non-certified)

Figure from ISEAL chain of custody models and definitions

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3. ISO Chain of custody terminology and models

ISO 22095: 2020 Chain of custody – General terminology and models

- Identity preserved ✓
- Segregated ✓
- Controlled blending ✓
- Mass balance ✓
- 'Book and claim' ✓

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4. Pros, cons, critiques and the law

Green Claims Rules:

Typically covered by general consumer protection/ fair trading legislation

- Be honest and truthful – not 'misleading'
- Detail the specific part of the product or process it is referring to / whole life cycle
- Use language which the average member of the public can understand
- Explain the significance of the benefit
- Be able to be substantiated / verifiable

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4. Pros, cons, critiques and the law

Civil society favours physical traceability

"Perhaps one of the most obvious examples of FSC greenwashing is that it allows its name to be used for wood that is not FSC certified at all. Making minor changes to the text on its labels alone isn't good enough. It must immediately move away from the use of 'Controlled Wood' and 'FSC Mix' and only allow its logo to be used on wood that is 100% from FSC certified sources." NGO letter, 2021

"… They are misleading consumers…" Greenpeace, Destruction: certified (2021)

- Are claims about GHG emissions the same as claims about deforestation, child labour, or blood diamonds?
- What about claims about recycled content?

4. Pros, cons, critiques and the law

Public policy generally favours 'physical traceability' models over 'mass balance' or 'book and claim' models:

- *Green claims rules* often couched in terms of product content characteristics

- *Due diligence rules* are explicitly and inherently based on a physical traceability approach

- *Public procurement* typically focussed on product content characteristics

- *Trade-based approaches* likely to be based on some kind of product content characteristic (e.g. CBAM)

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4. Pros, cons, critiques and the law

Producers and manufacturers often favour mass balance/ book and claim type systems

- *Minimising traceability costs and constraints*
- *Stock control*
- *Matching orders to customers*
- *Matching 'green' claims to premium prices*

But consumer-facing brands often favour physical traceability…

- *Easier to communicate*
- *Stronger claims*
- *More value*

… though they don't want to pay for it

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4. Pros, cons, critiques and the law
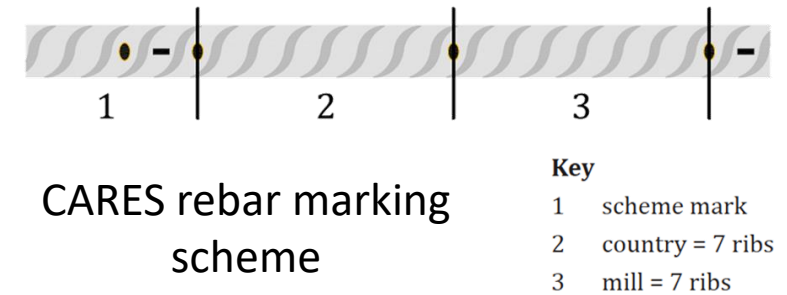
Mass balance is widely used, but not widely understood

- Forest Stewardship Council (FSC):
    - +/- 50,000 chain of custody certificates
    - 20 – 25% of global forest product trade
- Roundtable for Responsible Soy (RTRS)
- Roundtable for Sustainable Palm Oil (RSPO)
- Aluminium Stewardship Initiative
- FairTrade

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5. What about steel?

1. Steel is typically marketed 'business to business' rather than directly to consumers

2. Traceability is typically highly controlled already:
   - Quality specifications
   - Producer/ site / brand identification

3. ESG criteria becoming more important, and urgent

4. In relation to GHG different 'performance' measures are in play:
   - Recycled content
   - Carbon footprint
   - Decarbonisation progress
   - 'GHG reductions' (company/ site)
   - Decarbonisation targets

5. Performance measures/ claims may address different needs
   - Producer branding, marketing
   - Customer claims/ drivers/ specifications
   - Public procurement specifications
   - CBAM
   - Incentivise Decarbonisation

CARES rebar marking scheme

Key
1 scheme mark
2 country = 7 ribs
3 mill = 7 ribs

1   2   3

Certified steel?

Low GHG steel?

Carbon credit steel?

'Green' steel?

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5. What about steel?

Which model(s) work best for what kinds of claims about steel?

- Always focus on the mission

- What will drive uptake?

- What will have the greatest impact?

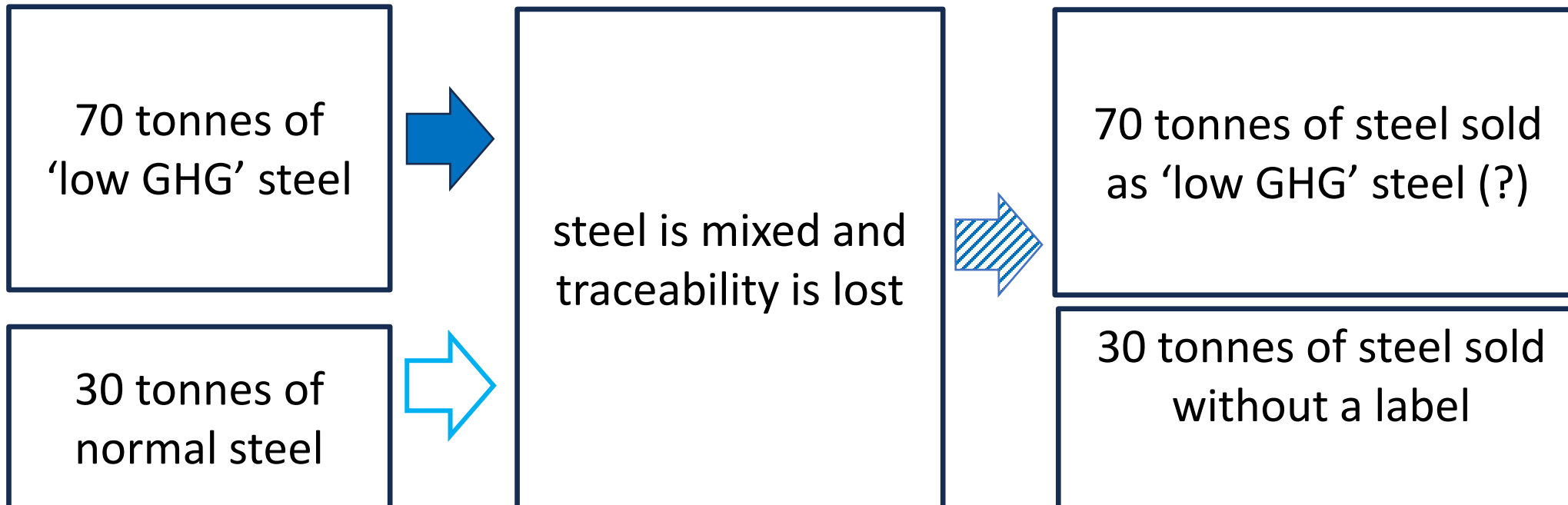Certified steel?

Low GHG steel?

Carbon credit steel?

'Green' steel?

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Thank you
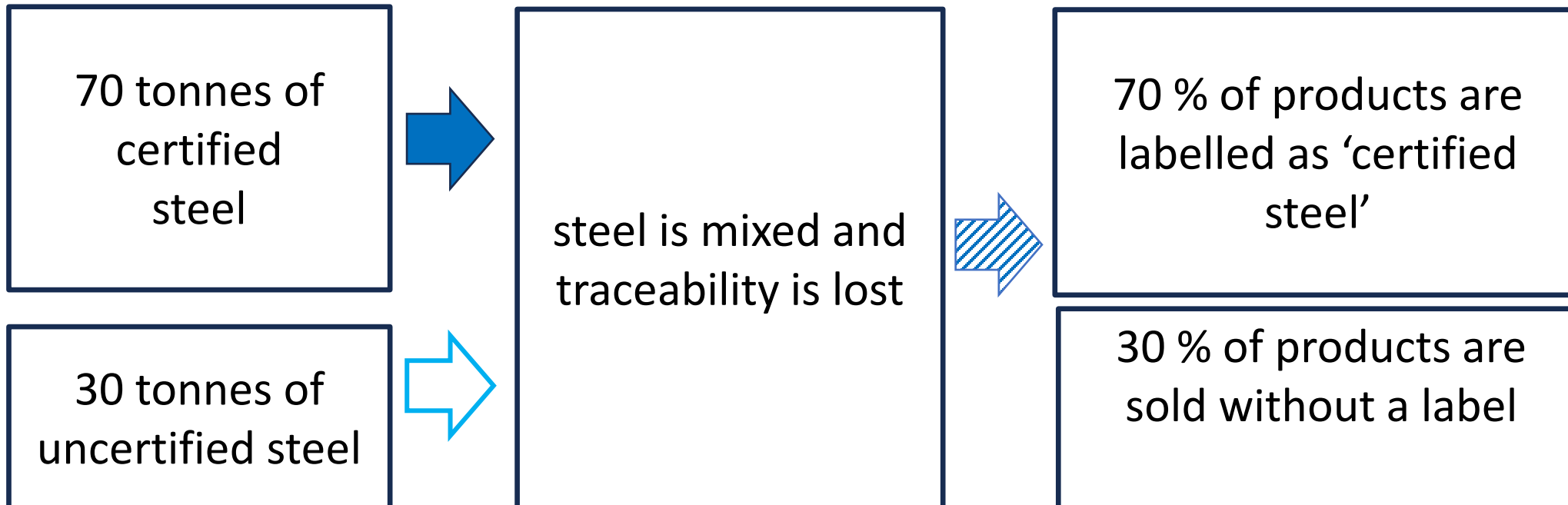
5. What about steel?

Mass Balance for 'low GHG steel'?

70 tonnes of 'low GHG' steel	steel is mixed and traceability is lost	70 tonnes of steel sold as 'low GHG' steel (?)
30 tonnes of normal steel		30 tonnes of steel sold without a label

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5. What about steel?

"Mass Balance" for GHG reductions?

X tonnes of 'GHG reductions'

Y tonnes of 'GHG reductions'

steel is mixed and traceability is lost

Z tonnes of steel sold with "GHG reductions' claim? Carbon neutral?

Steel sold without a label

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Recycled Gold

Fairtrade Gold

FAIRTRADE GOLD

"...it's imperative that you ensure it's conflict-free."
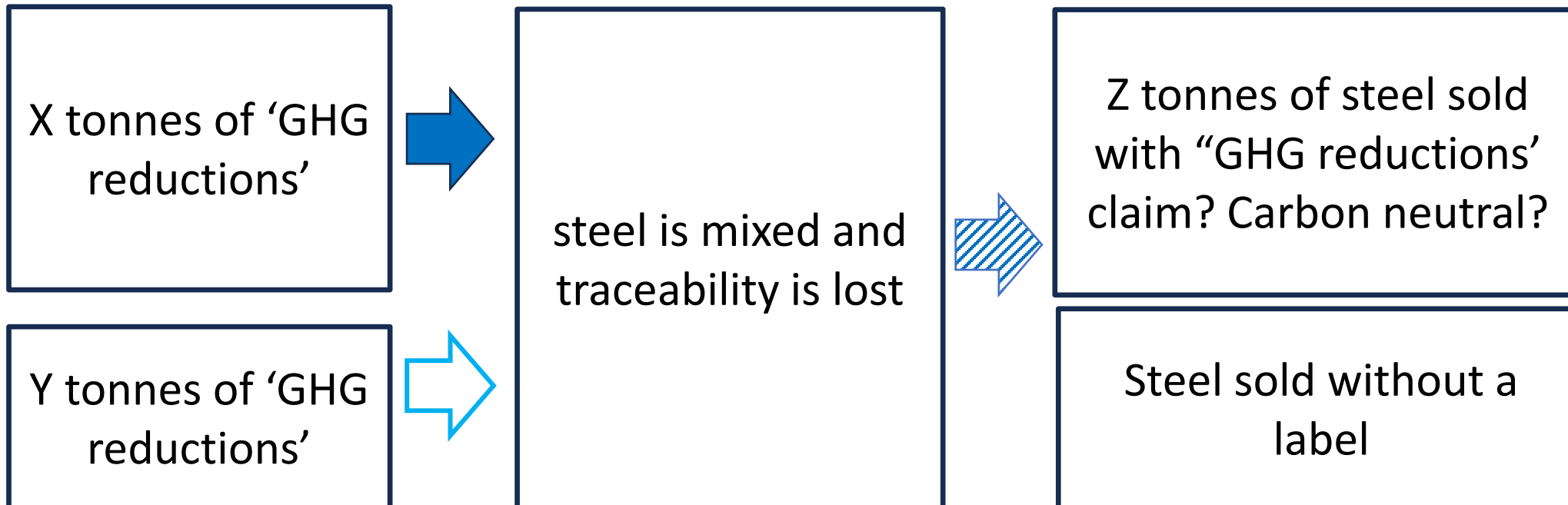
Buy New Diamonds

If you want to ensure your diamond is conflict-free, always buy a new diamond instead of purchasing a vintage or antique stone. Why? Countries around the world go to great lengths to ensure that blood diamonds are not sold. **Many countries, including the U.S., closely monitor diamonds** from the time that they are mined until they end up in a retailer's inventory to make sure that the diamond is not being sold to fund war or terrorism.