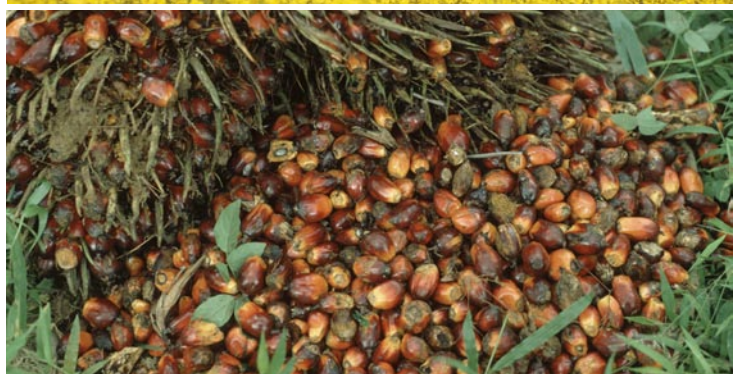




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## Options to develop a Global Standard-Setting Scheme for products derived from Natural Resources (NRS)

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# Content

Executive summary .....	4
Introduction .....	5
Structure of the paper .....	7
1 Objectives and vision .....	8
2 Benefits of a generic standard .....	9
2.1 Background: Drawbacks of current situation .....	9
2.2 Benefits and value added .....	9
2.3 Motivations and benefits for different stakeholder groups .....	11
3 General approach: meta-standard versus new generic standard .....	14
3.1 Meta-standard approach .....	15
3.1.1 Benefits of the Meta-Standard .....	17
3.1.2 Limitations of a Meta-Standard .....	17
3.2 New generic global standard approach .....	18
3.2.1 Benefits of the new generic global standard .....	18
3.2.2 Drawbacks of the new generic standard .....	19
4 Setting the standard .....	20
4.1 International requirements towards standard-setting procedures.....	20
4.2 Participation, structure and process.....	21
5 Different approaches towards the design of NRS.....	23
5.1 Scope of natural resources – Terrestrial biomass as a forerunner .....	23
5.2 Minimum or maximum standard.....	24
5.3 Type of standard .....	24
5.3.1 Terminology .....	24
5.3.2 Key impacts and key indicators .....	25
5.4 Selection of principles and key indicators .....	26
6 Conclusions and next steps .....	31
6.1 Building a broad alliance .....	31
6.2 Further development of the standard.....	31
6.3 Implementing the standard.....	32
6.4 Windows of opportunity for implementing the standard .....	32
7 Literature.....	34
8 Annex – Policy opportunities.....	36
8.1 Convention on Biological Diversity (CBD).....	36
8.2 International Panel on the Sustainable Use of Natural Resources .....	37
8.3 UN Commission for Sustainable Development (CSD).....	38
8.4 Marrakech Process .....	38

## Executive summary

This discussion paper intends to initiate a debate about the development of a Global Standard-Setting Scheme for Natural Resources (NRS). Its objective is to create a generic international standard whose implementation would equitably, transparently and measurably reduce the key social and environmental impacts of extraction or production of products derived from natural resources.

Against the background of the rapid growth and proliferation in the range of environmental and social standard-setting schemes for different natural resources, this paper looks at the potentials, but also the challenges, of combining those different approaches under one Global Standard-Setting Scheme. Since these standards are generally voluntary processes, and have a common need to agree on principles, criteria and (measurable) indicators for the key environmental and social issues, such a global scheme could build on similarities and synergies between these different standards.

The international discussions on the introduction of sustainability standards for bioenergy could be a promoter and a window of opportunity for the development of a respective Global Standard-Setting Scheme. Since globally grown bioenergy feedstocks cover a wide range of products which are not necessarily used exclusively for energy purposes, the discussion on standards for these products bears potentials for an even broader approach which would integrate a wide range of products derived from natural resources into one system.

This discussion paper outlines different options to design a standard-setting scheme that addresses these problems. However, as well as analysing the possible approaches, some assumptions regarding the target and scope of the standard have been made. The standard will:

1. be voluntary,
2. have a global application,
3. cover both social and environmental criteria
4. focus on (terrestrial) biomass,
5. address the key impacts around production/extraction,
6. orientate on best practice examples in setting requirements

The development and design of this standard would depend heavily on the stakeholders involved in the process. It would particularly address civil society organisations and the private sector, but may also include intergovernmental organisations and governments.

It will also be up to the participating stakeholders to decide how the standard will be implemented. Most importantly, it outlines the strength and weaknesses of the two main possible approaches: the meta-standard approach or the development of a new generic standard. Furthermore, the standard can be implemented in different ways:

- a certification scheme (visible (label) for the consumer or non-visible (business-to-business standard, etc.))
- reporting obligations,<sup>1</sup>
- a benchmark standard
- voluntary guidance on good practice
- agreements on rules for public procurement,
- regulation, intergovernmental agreements,
- trade guidelines, codes of conduct,<sup>2</sup> etc.

Although setting the standard and deciding on the implementing options will have interlinkage, it is important to see both steps as being to a certain degree separate ones; in this paper the emphasis will be placed on the process of developing the standard.

Given the considerable range of options, this discussion paper cannot at this stage provide a definitive answer to the question of which approach is the most feasible, but delivers arguments and initial recommendations. It intends to both initiate, and serve as a basis for discussions on the objectives, the scope and the possible approaches for implementing a Global Standard-Setting Scheme for Natural Resources.

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<sup>1</sup> For example the implementation of the UK Renewable Transport Fuels Obligation (RTFO) requires companies to report on the sustainability and GHG-performance of the biofuels they sell in the UK.

<sup>2</sup> A code of conduct is a set of rules outlining the responsibilities of, or proper practices for, an individual or organization.

## Introduction

The world's natural resources face increasing pressure due to rapid population and economic growth. The projected 50% growth in global population over the next 50 years will be a significant challenge for sustainable development.<sup>3</sup>

Ensuring sustainable use of natural resources will require on the one hand a reduction in resource use, and on the other the development of sustainability benchmarks that consider social and environmental aspects in the management of natural resources and their derived products.

There are a number of current policy initiatives that have been specifically designed to contribute to this objective. Among the range of policy instruments available, certification systems and standard-setting schemes can play a significant role. To date, many schemes based on these policies have been established, and they have successfully implemented sustainability standards for a wide range of products and activities (e.g. food, cosmetics, flowers, textiles, and forest products, as well as activities such as mining, fisheries, etc.).<sup>4</sup> However, many of these schemes do not operate at the scale at which global industries and agriculture are currently operating.

The world-wide growing demand for bioenergy, as well as the increasing concern about the sustainability of biofuel production, has led to the development of new initiatives for sustainability standards and certification schemes for bioenergy. These include the Roundtable on Sustainable Biofuels (RSB), the Global Bioenergy Partnership (GBEP), and others.<sup>5</sup>

The complexity of defining sustainability standards for bioenergy highlights the global nature of the problem. Due to the fact that bioenergy feedstocks can be numerous and can be used to create many products other than bioenergy (e.g. food, animal feed, cosmetics, building material), there is a big overlap between existing certification and standard-setting schemes.

The growing range of certification and standard-setting schemes that has developed in the last years indicates a growing corporate need to address environmental and social issues. However, it has also resulted in a significant degree of complexity that could limit the effectiveness of these schemes.<sup>6</sup>

Most importantly, due to the proliferation of standards it is becoming increasingly difficult for industry, civil society and consumers to follow, participate in, and implement all of these different approaches. A further proliferation of standards may lead to a loss of control, a loss of opportunity for meaningful participation, and substantial confusion of various stakeholders. In addition, poor performers could potentially hide within this confusing context.

On the other hand, there are many similarities and synergies among the different schemes. The schemes all agree on the need for principles, criteria, and (measurable) indicators for key environmental and social issues associated with their particular product or sector. In addition, there is in general a large degree of similarity in overall principles in the systems across products and sectors. Furthermore, the schemes are similar in that they are generally voluntary, and in that they involve buyers, producers, supply-chain partners, investors and NGOs. Moreover, the systems have a common need to ensure traceability and verification in the supply chains. They also need to establish bodies to manage the schemes and verify that any claims made about end-products can be substantiated if necessary.

The similarities of the approaches and common requirements of each system - particularly in the case of those systems currently being developed - suggest that there may be a way to capitalise on the apparent synergies for all products derived from natural resources, and to develop an effective and efficient, overarching global standard-setting approach. The current discussion on how best to implement bioenergy standards could be a forerunner to, and window of opportunity for, the development of a respective Global Standard-Setting Scheme.

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<sup>3</sup> World Population Prospects, Highlights — The 2004 Revision, United Nations, New York, 2005. See also EEA 2005.

<sup>4</sup> E.g. Forest Stewardship Council, Flower Label Program, Fairtrade, Banafair, Marine Stewardship Council, Fairtrade Labelling Organizations (FLO), etc.

<sup>5</sup> van Dam et al. 2007.

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<sup>6</sup> Sustainable Foodlab 2007.

This discussion paper aims to explore the vision of this “Global Sustainability Standard-Setting Scheme for Products Derived from Natural Resources” (abbreviated as NRS in the following), and to analyse the benefits that may arise from mobilizing synergies and collaboration between existing initiatives. It will outline the principles and requirements that a global scheme should consider, and identify potential approaches and next steps towards implementation. The paper is targeted at a wide audience of policy makers, civil society, business and industry, producer representatives, and members of existing standard-setting initiatives for natural resources and of those currently being developed.

It is important to note that the global standard-setting scheme approach, as outlined here, is a relatively new idea and a new approach to the global harmonisation of standards aiming to effect real social and environmental change. This discussion paper should serve as a first step to initiate a debate on the opportunity and usefulness of developing such an approach. The paper builds on work conducted under various initiatives, such as ISEAL, the “Responsible Commodity Initiative” of the Sustainable Foodlab, ISO, WWF, the bioenergy reporting/certification systems that are currently being prepared in the Netherlands, UK and Germany, and others.

While it does not claim to analyse all aspects of the NRS, it does provide an overview of the relevant aspects that need to be addressed. Interviews conducted for this paper with international experts from different standard-setting organisations, NGOs and research institutes have shown strong support for the idea of a Global Sustainability Standard-Setting Scheme for products derived from natural resources. However, this paper cannot and does not aim to be a substitute for a broader stakeholder discussion, which is encouraged and seen as an essential step to further develop this idea. It is hoped that the present report can serve as a basis to start discussions about the objectives, the scope, and the possible approaches for implementing a Global Standard-Setting Scheme for Natural Resources.



## Structure of the paper

This discussion paper outlines the idea and vision of a Global Sustainability Standard-Setting Scheme for products derived from Natural Resources (NRS).

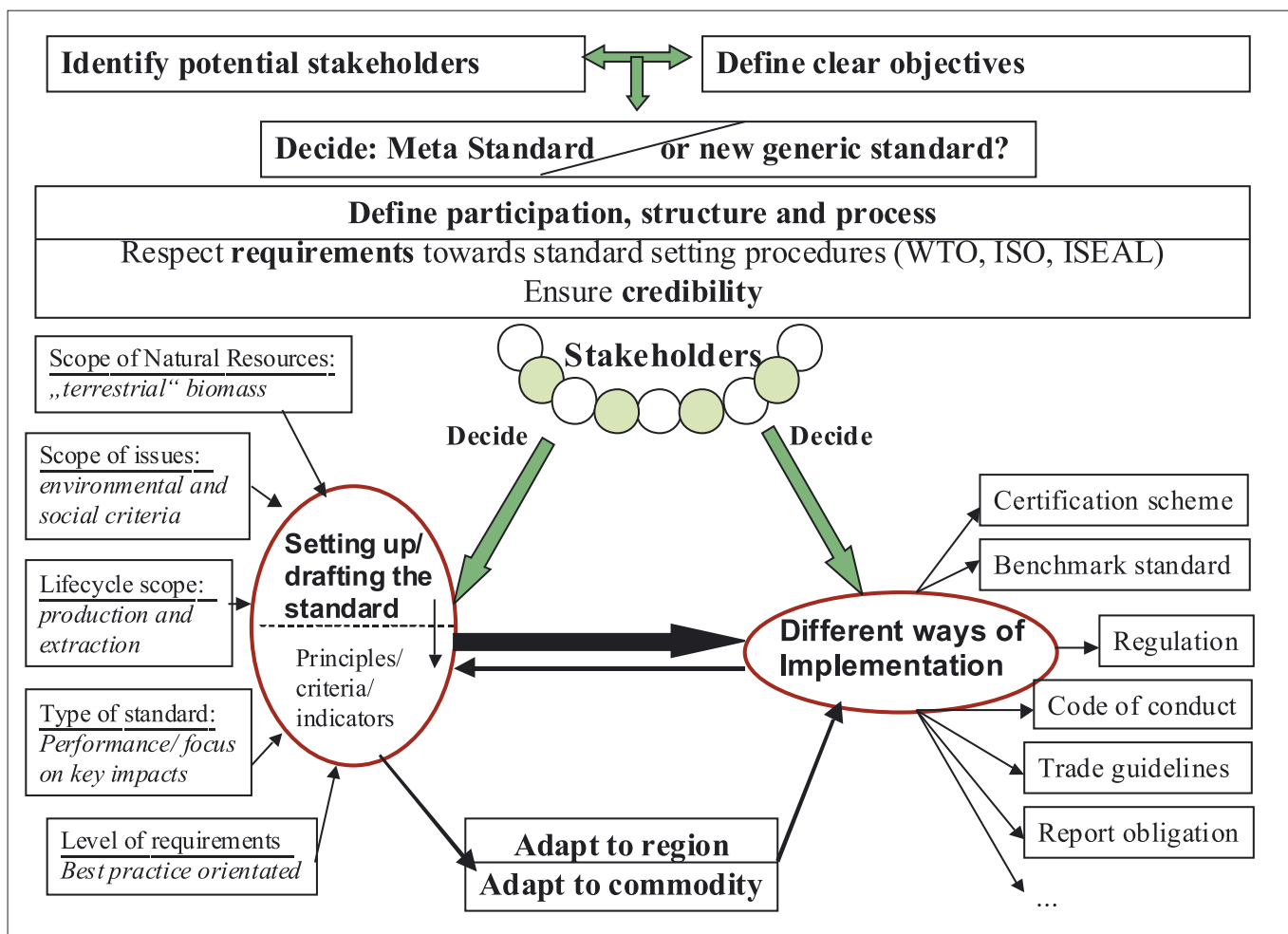
Starting with the description of the concept and objectives of the NRS, it will identify benefits that could arise from mobilising synergies and collaboration between existing initiatives, as well as the benefits and motivations for different stakeholders to participate in such a scheme. This will mainly depend on the approach used for the standard (meta-standard or new generic standard), and its relation to other existing standards. Therefore, opportunities and drawbacks of both approaches will be analysed.

The main focus however, is how the standard can be designed, with regard to scope, key indicators and

the requirements a credible standard has to meet. Although the setting of the standard and the decisions on implementing options will to a certain extent present interlinkages (e.g. a standard that is made for regulation looks different than one designed for certification), it is important to see both steps separately, giving priority to the process of developing the standard.

Finally, the paper describes implementation options and next steps with regard to the further development of the standard.

Figure 1 provides an overview about the initial steps in the NRS standard-setting and implementation process as they will be outlined in this paper.



**Figure 1:** Overview about initial steps in the NRS standard setting and implementation process

# 1 Objectives and vision

The objective of a Global Standard-Setting Scheme (NRS) is to create a generic international standard whose implementation would equitably, transparently and measurably reduce the key social and environmental impacts of extraction or production of products derived from natural resources.

More specifically, the scheme aims to:

- encourage socially and environmentally responsible business practices with regard to the extraction or production of products derived from natural resources, provide an impulse towards production patterns that are more sustainable, and reduce the key negative impacts generated by the actual use of natural resources.
- encourage a growing market segment to implement better management practices of natural resources in terms of environmental and social performance.
- provide a uniform standard that can be applied when evaluating the sustainability performance of a diverse array of products derived from natural resources.
- overcome limitations of current standard-setting schemes and exploit synergies between existing systems.



## 2 Benefits of a generic standard

### 2.1 Background: Drawbacks of current situation

Recent years have seen a proliferation of standard-setting, accreditation and certification schemes for social, environmental and economic aspects of the management of various natural resources (e.g. forests, generic agricultural standards, specific agricultural standards (cotton, coffee, oil palm, sugarcane, soy), wild and farmed fish, mining, etc.). Multiple systems exist for the same products (e.g. timber, coffee, banana), which, however, address partly different issues. As alone for sustainable forest management more than 13 standard systems exist with the FSC as the most known.<sup>7</sup> The environmental, social and economic standards developed by the different initiatives are used by the private sector in voluntary certification schemes, intergovernmental organisations in international dialogue processes, and by national, sub-national and local governments for both regulatory purposes and for public purchasing and codes of conduct. However, the growing range of certification and standard-setting schemes in recent years has also resulted in a significant degree of complexity. The lack of coherence and the considerable overlaps between standards, as well as insufficient cooperation between standard-setting bodies potentially limit the effectiveness of these schemes.

Moreover, many of the environmental and social standards apply to niche markets. Given the recent development that larger volume producers are capturing increasing market shares by aggregating production and distribution (a trend further accentuated by globalisation), the current situation requires environmental and social standards that reflect the speed of these changes.

As for certification schemes, many businesses have recently stepped up their efforts in this area (such as Home Depot, Wal-Mart, Whole Foods, Citi-Bank, Victoria's Secret, Domtar and others). However, they often prefer to promote their own companies' seals of approval on products<sup>8</sup>, rather than using existing certification systems. While these initiatives may seem promising in themselves, they create additional confusion on the marketplace. Moreover, some of these certification schemes are not subject to a third-party verification.<sup>9</sup>

Due to these developments, it is becoming increasingly difficult for civil society, industry and consumers to follow, participate in, and implement all of these different approaches. A further proliferation of standards may lead to the loss of control, the loss of opportunity for meaningful participation, and substantial confusion among these various stakeholders. In addition, poor performers could potentially hide in this confusing context.

Despite the drawbacks of the current situation, there are many similarities and synergies among the different existing schemes that can be exploited.

Many schemes, particularly in the case of systems currently being developed, have comparable objectives and common requirements regarding the design and the setting up infrastructure to manage these programmes. The conjunction of these factors suggests that there may be a way to exploit the synergies of the different schemes for products derived from natural resources management, and to develop an effective and efficient, overarching and global standard-setting approach.

### 2.2 Benefits and value added

The following section outlines some of the main characteristics and benefits of the standard to be developed, designed to be a simple, efficient and transparent standard.

The main advantages of the new standard would be:

- **Global application.** Many of the current standards have a limited regional scope or application. Ecolabels, for instance, are generally developed based on national environmental priorities and preferences (UNEP 2005). The life-cycle of product development has, however, become increasingly complex and global. To a growing extent, commodities are being traded at the global scale.<sup>10</sup> Different regional standards can pose difficulties for trade, as for instance in the organic sector. Trade liberalisation, supported by the WTO, has boosted trade flows between industrial, upcoming industrial and developing countries. While globalisation has led to some positive economic developments, these changes in global dynamics

<sup>7</sup> See: Simons, 2003

<sup>8</sup> Including Domtar, whose forest lands have undergone FSC certification but has created an in-house brand to market these products. Likewise, Home Depot's recent announcement that it will allow consumers to purchase a range of environmentally friendly products, will award its own environmental seal of approval on products.

<sup>9</sup> Cashore 2007a.

<sup>10</sup> For example, during the twenty-year period 1985 to 2004, world agricultural exports (excluding intra-EU trade) increased more than threefold from USD 123 billion to USD 393 billion resulting in an annual compound growth rate averaging 6.3% a year (see OECD-FAO Agricultural Outlook 2007-2016: <http://www.oecd.org/dataoecd/6/10/38893266.pdf>)

have also led to further depletion of natural resources. Indirect effects of natural resource use, such as “leakage”<sup>11</sup> or “displacement” effects, are difficult to control. Therefore, a global scope is required to create consistent standards.

- **Scaled, industry-wide application:** Many of the current schemes do not operate at the scale at which global industries and agriculture are operating. The development of one global standard with an industry-wide application would enable actors along the value chain to efficiently concentrate on implementing the standard, instead of developing ones themselves. Costs associated with being part of a broader effort could be offset by the much greater market penetration. A greater market penetration would again link to a greater effect in improving environmental and social performance.”<sup>12</sup>
- **Coverage of a broad range of natural resources.** Current systems refer to a large extent to individual commodities or sectors. However, not only are the underlying objectives<sup>13</sup> similar, but the issues are also often related to each other. The conversion of forests into palm oil plantations, for instance, shows the interlinkage of different commodities - in this case timber and vegetable oil. A system covering a broader range of natural resources can help overcome these limitations.
- **Coverage of both social and environmental criteria in one standard.** Although there are some standards that address both social and environmental issues, many are still limited to certain criteria usually either environmental or social in nature. This leads, for example, to situations where the consumer has to decide between a fairly traded product or one with an organic label. The NRS could help merge both demands.
- **Prevent a further proliferation of standards.** Due to the growing range of certification and standard-setting schemes, in recent years it has become increasingly difficult for different stakeholders to follow, participate in, and implement all of these different approaches. One of the side-effects is that big retailers and supermarkets are in the process of

developing their own sustainability standards and certificates (e.g. Marks and Spencer, Tesco, Home Depot). However, some of these certification schemes are not subject to a third party verification, and once again add to the problem of proliferation of standards. By providing one generic standard, the NRS bears the potential of stopping or at least restraining this unfavourable development. This development also shows that the window of opportunity for a new standard is rather time-sensitive. Once the retailers have established their own standards it is less likely that they will reinvest in a new standards system.

- **Exclude poor performers.** Labels/schemes with very low or immeasurable requirements may be (mis)used for “greenwashing” purposes by producers, companies or other actors in the value chain. Limiting the number of standard-setting schemes and certification systems on the market ensures that poor performers cannot hide as easily as a result of the confusion of different standards and the often insufficient control mechanisms.
- **Use of synergies between existing systems**  
In general there is a large degree of similarity in overall principles in systems across products and sectors:
  - Most of the existing standard-setting schemes for different natural resources (wood, vegetables, fruits, cotton, coffee, oil palms, sugarcane, soy, wild and farmed fish, mining, etc.) are very similar in their objectives – i.e. they aim to avoid unacceptable social conditions, to protect environmental media such as water and soil, and to avoid further loss of biological diversity, as well as improve economic benefits (e.g. access to markets) for products that comply with social and environmental minimum standards.
  - The schemes all agree on the need for principles, criteria and (measurable) indicators for the key environmental and social issues associated with their particular product or sector.
  - The schemes are similar in that they are generally voluntary and in that they involve buyers, producers, supply-chain partners, investors and NGOs in the process of developing standards.
  - The systems have a common need to ensure traceability in certification across whole supply chains. They also need to establish and mandate bodies to manage and verify that any claims made about end-products can be substantiated if so required.

<sup>11</sup> Defined as “activity-induced changes in land use that occur outside the area in which the activity takes place” (Faaj et al. 2005).

<sup>12</sup> See also Cashore 2007b.

<sup>13</sup> See section “Use of synergies between existing systems”.

- **Provision of a standard for new commodities and sectors.** In addition to the existing systems and those currently under development, there exist a range of products and sectors for which standards have not yet been developed, but which would have similar requirements. For example, *Jatropha*, *Miscanthus*, and other plants used as bioenergy feedstocks which have a better sustainability performance compared to other bioenergy crops are gaining in importance in the current debates on sustainable bioenergy. However, they still lack a sustainability standard. A generic standard for natural resources could serve as the basis for new, all-inclusive standard-setting initiatives.

## 2.3 Motivations and benefits for different stakeholder groups

The establishment of the NRS can have different benefits for a wide range of actors and stakeholders. An analysis of the different stakeholder interests, motivations and benefits is necessary for the formation of a broad alliance that would develop and support the standard.

An indicative list of major stakeholder categories is presented in Box 1<sup>14</sup>.

The following section will provide a first overview of different stakeholder motivations (focusing on civil society organisations, business/industry (including producers and retailers) and governments) and the potential benefits stakeholders might see in the development of a standard. However, it can only give initial arguments, since costs

and benefits for different stakeholders largely depend on the eventual characteristics of the standard.

### *Motivation and benefits for industry/producers*

A main benefit for industry will probably be related to a “one-stop shop” approach that focuses on one single standard, instead of the current range of different standards and labels. It would allow for more efficient structures, save costs due to better management practices, ease administration tasks involved with the many different standards/labels, make it unnecessary for current industry initiatives to create new, individual standards, and fulfil consumer demands for sustainable products at the same time. Costs derived of being part of a broader effort could be offset by a much greater market penetration. Businesses with Corporate Social Responsibility (CSR)<sup>15</sup> programmes could use the standard as one instrument to achieve their objectives.

Moreover, the implementation of sustainability standards could avoid some of the public campaigns against their companies and products, typically launched by NGOs and consumer groups in reaction to environmental and social dumping.<sup>16</sup>

A streamlined set of sustainability criteria could also be useful to the financial industry. Banks, project financiers, and shareholder activists could use a simple formulation of e.g. agricultural standards as conditions on loans and investments, similar to, or in conjunction with, the Equator Principles (a framework for financial

### Box 1: Broad Stakeholder Categories

⇒ producers	⇒ environmental NGOs
⇒ traders and trade associations	⇒ indigenous groups
⇒ retailers	⇒ government, local authorities
⇒ consumers	⇒ international organisations (OECD, UN, etc.)
⇒ trade unions	⇒ researchers and academic bodies
⇒ social NGOs	⇒ certification bodies

<sup>14</sup> ISEAL (2007a).

<sup>15</sup> Corporate Social Responsibility (CSR) is the concept that organisations have an obligation to consider the interests of customers, employees, shareholders, communities, and

ecological considerations in all aspects of their operations. This obligation is seen to extend beyond their statutory obligation to comply with legislation.

<sup>16</sup> Müller, Seuring 2006

institutions to manage environmental and social issues in project financing).<sup>17</sup>

However, because motivation of industry for the NRS has not yet been the subject of extensive research, a review of industries' motivations for participating in voluntary certification schemes is necessary to draw comparisons between sectors and derive conclusions from them.

For example, a study<sup>18</sup> analysing the impacts of environmental management systems (EMS)<sup>19</sup> in Switzerland concluded that the three most important reasons for companies' implementation of EMS were that: (1) 89% expected the enhancement of their corporate public image (2) 90% wanted to systemise their existing environmental activities, and (3) 85% wanted to achieve the ISO 14001<sup>20</sup>-certificate.<sup>21</sup>

Even if this study only analysed the particular motivation of Swiss businesses, it shows the general range of motivations for industry to take part in Environmental Management Systems. Moreover, it is illuminating that of the 15 possible reasons for implementing EMS, only two are concerned with environmental protection, and their importance ranked at positions 12 and 14.

Another incentive for industry may be the price premium that can be achieved if the product will be labelled and/or due to quality increases that command better prices. However, there are also non-monetary benefits of using standards. Voluntary self-commitments to standards can increase business credibility. The application of environmental and social standards may

also anticipate consumer demand and may avoid public regulations. Also, if application increases, the provision of third-party verification of sustainable practice can also support companies' risk management strategies<sup>22</sup>. Further important factors were identified in a survey of the Forest Stewardship Council (FSC), which not only pointed out the improvements in forest management, credibility and image, but also the enhanced community relations.<sup>23</sup> In general, benefits must outweigh costs, and the calculation to demonstrate this should be a part of the standards' development process.

### *Role of governments*

Although governments belong to the major constituency of traditional standard-makers, they are most of the time absent from standard-setting exercises. The current standard-setting initiative for sustainable bioenergy is one of the significant exceptions. However, as recent initiatives - such as governments' involvement in CSR (Corporate Social Responsibility) - show<sup>24</sup>, governments push for stronger influence in the standards' developing processes, in order to merge strategies of sustainable development into standards. Main policy strategies within the context of NRS are for example the Marrakech Process,<sup>25</sup> the EU "Thematic Strategy on the Sustainable Use of Natural Resources", the "Countdown 2010 - Save Biodiversity"<sup>26</sup> as well as national sustainability strategies and various other programmes (see also Chapter 6).

<sup>17</sup> Sustainable Food Laboratory, see <http://www.sustainablefoodlab.org/benchmarking-tool/>

<sup>18</sup> cf. Hamschmidt 2000: 4

<sup>19</sup> An EMS is a set of processes and practices that enable an organisation to reduce its environmental impacts and increase its operating efficiency. Certification may be a part of EMS but does not necessarily have to be one.

<sup>20</sup> ISO 14001 is one of a range of voluntary industry standards. The 14000 Series, to which ISO 14001 belongs, provides a framework for the private sector and others looking to manage their environmental issues. The standard focuses on organisational processes, not necessarily their products or environmental impacts (McInosh 2003).

<sup>21</sup> Those reasons being followed by risk minimisation, better market position/new customers, strengthening innovation, identifying cost reduction potentials, enhancement of employee situation, certainty of legal compliance, better relations to state authorities, better customer loyalty, support of ecological transformation of the line of business, prevention of new environmental legislation, support of environmentally friendly customer behaviour, and better conditions at banks and insurance companies (cf. Hamschmidt 2000: 4).

<sup>22</sup> cf. Taylor 2005: 137

<sup>23</sup> Cf. <[http://www.fsc.org/en/getting\\_involved/become\\_certified](http://www.fsc.org/en/getting_involved/become_certified)>, accessed 24 May 2007.

<sup>24</sup> On 22 March 2006, the European Commission launched its Second Communication on Corporate Social Responsibility inter alia announcing of a European Alliance on CSR. The alliance is a political umbrella for CSR initiatives by large companies, small and medium-sized enterprises, and their stakeholders. It is not a legal instrument to be signed by enterprises, but rather a vehicle for mobilising the resources and capacities of European enterprises and their stakeholders in the interests of sustainable development. See: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52006DC0136:EN:HTML>

<sup>25</sup> Process whereby a 10-year framework is being developed through a series of international and regional expert meetings to guide the transition to a sustainable global economy.

<sup>26</sup> Countdown 2010 is a network of active partners working together towards the 2010 biodiversity target. Each partner commits additional efforts to tackle the causes of biodiversity loss. The secretariat - hosted by the World Conservation Union (IUCN) - facilitates and encourages action, promotes the importance of the 2010 biodiversity target and assesses progress towards 2010.



Another relation between the setting of international standards and the role of governments refers to international trade. Standards, even if not prescribed by governments, may have significant impacts on international trade dynamics if they differ between markets. High standards could for instance have protecting effects on potential importers that can not meet the standards. Consequently, a globally harmonised system of sustainability standards for natural resources could enhance trade facilitation, resulting in benefits for governments representing exporting countries, while governments that are particularly interested in protection of domestic industries would possibly oppose such a system.

In terms of application, governments can use and implement the standard in different ways, e.g. through reporting obligations<sup>27</sup>, agreements on rules for public procurement<sup>28</sup>, regulations, codes of conduct, etc. Beside the direct benefit to achieve sustainability targets by a generic standard, it can also be taken up by governments as a guiding concept to substantiate their mostly general targets in different strategies on sustainable development. Within this context, it could allow policy makers to make better-informed choices about policy options and provide transparency to the assessment of progress in achieving policy objectives<sup>29</sup>. If standards are implemented it can also help to avoid costs incurred by mismanagement of natural resources, causing social and environmental damages<sup>30</sup>.

Governments can directly support the implementation of the standard, for example by investing in the infrastructure needed for the standard-setting or certification process and in capacity building, or indirectly through tax system changes or the easing of export restrictions.<sup>31</sup>

### ***Motivations and benefits for civil society organisations***

Given a common interest of civil society organisations to encourage social and environmental sound management of natural resources towards more sustainable production patterns, there should be support for a Global Standard-Setting Scheme for Natural Resources.

The most important benefit, particularly for civil society organisations (which usually have limited capacity due to limited funds), is that a generic standard or “one-stop shop” allows stakeholders to concentrate their efforts and contributions on one forum. It is therefore much less cost-intensive than participating in different roundtables and standard-setting schemes, which comes as a consequence of the current proliferation of standards. A streamlined stakeholder dialogue, including a broad range of different actors, is again much more likely to lead to a legitimate and accepted standard with broad application<sup>32</sup>.

However, support of certain stakeholders, particularly representatives of existing standards and labelling schemes, depends largely on the design of the scheme. A main issue will be the requirements chosen and if the standard will be developed as a meta-standard or new generic standard. In essence, if the standards’ requirements are rather low, the scheme is likely to be opposed by certain NGOs. In contrast, for a high standard it will be much more difficult to develop a new generic standard, given that participating standard owners would have to merge in the new standard.

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<sup>27</sup> For example the implementation of the UK Renewable Transport Fuels Obligation (RTFO) requires companies to report on the sustainability and GHG-performance of the biofuels they sell in the UK.

<sup>28</sup> Public Procurement laws regulate the purchasing by public sector bodies and certain utility sector bodies. EU-wide, 16% of GDP is spent by government on public procurement (COM 2007).

<sup>29</sup> See also COM 2005

<sup>30</sup> cf. e.g. FSC 2007: 1

<sup>31</sup> cf. FSC 1996: 13f

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<sup>32</sup> Concerning the broad involvement of all stakeholders, some authors even state that certification may contribute to democracy in emerging nations and so called developing countries (cf. Kern et al. 2002: 50).

### 3 General approach: meta-standard versus new generic standard

A generic standard could essentially be designed in two different ways: A meta-standard or a new generic standard (see Figure 2).

The question of which approach to choose is an important one, relevant both for the implementation of the standard as well as for the initial starting phase of the standard-setting procedure. This is due to the fact that a decision on the approach has implications on the governance and decision structure of the standard-setting body. Even more important are the consequences for the existing standard-setting schemes: a new generic standard integrates and replaces participating standard-setting schemes. In contrast, the central concept of the meta-standard approach is that compliance would be achieved through existing standards, thereby complementing existing and potential standards that do not consider the whole portfolio of criteria included in the meta-

standard. The choice of approach, and the concrete set up of objectives for the NRS, will therefore be the main factors influencing which standard-setting organisations and other stakeholders will support (or even oppose) the development of new generic standard. Theoretically, a combined, third approach is also possible. In this approach an initial meta-standard is developed, which later merges to form a new generic global standard.

Each approach has benefits and drawbacks. An initial evaluation of the pros and cons of the two main approaches is provided in the following section. However, which of the two or even three approaches is the most feasible heavily depends on the eventual design of the standard (see options in Chapter 5 and Chapter 6 for an outline of a possible way forward with regard to the design of the standard).

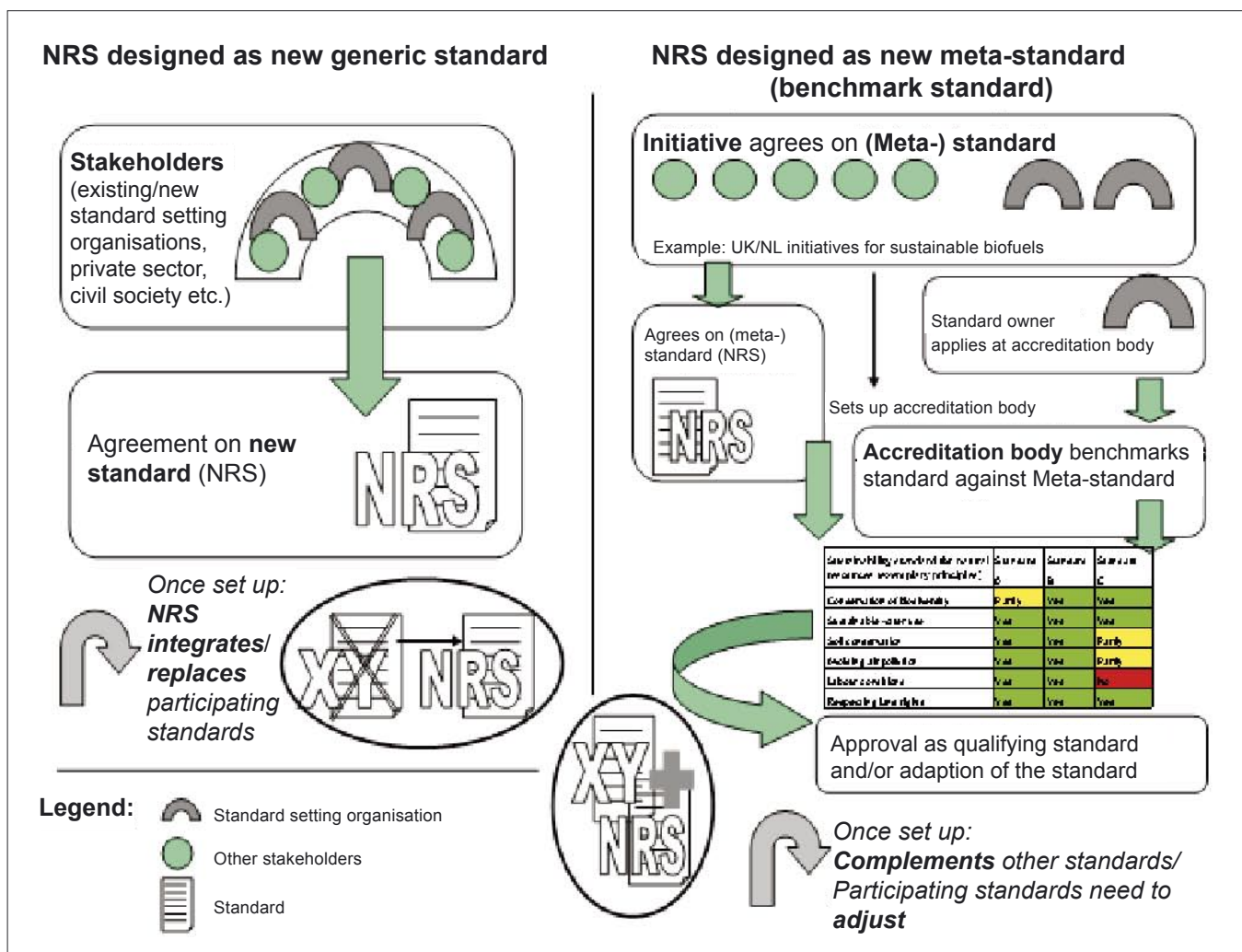


Figure 2: New generic standard versus Meta-standard approach



### 3.1 Meta-standard approach

The meta-standard serves as a benchmark standard. Instead of requiring producers to get certification for the meta-standard directly, compliance with the meta-standard is achieved through existing standards (such as FSC, Fair Trade, etc.). These would have to have proven that they provide a sufficient guarantee that (most of) the principles and criteria of the meta-standard are complied with. Existing standards that provide this guarantee are called ‘qualifying standards’ (see Table 1 and Figure 3).

The rationale behind a meta-standard approach for sustainably managed natural resources is given by the variety of already-existing standards, cover sustainable agriculture, forestry, food production, cosmetics, fishery, etc. It might therefore be unnecessary, or even undesirable, to develop yet another standard for which producers need to be certified. A more convenient approach could be to make maximum use of existing standards.

The meta-standard approach has been taken up by many standard-setting initiatives for biofuels and bioenergy that were developed recently in the UK, the Netherlands and Germany. A review of those three examples was

recently presented in a report by Ecofys Netherlands (2006 and 2007).<sup>33</sup>

In order to provide sufficient guarantee that principles and criteria of the meta-standard are met, a qualifying standard must meet two requirements (according to Ecofys (2007)):

1. The standard must sufficiently cover the sustainability criteria of the meta-standard. This is evaluated by benchmarking the principles and criteria of the existing standard against those of the meta-standard.
2. In order to determine whether the existing standard is actually complied with in practice, the standard must have procedures in place that guarantee audit and certification quality. Therefore, minimum quality requirements must be met with respect to auditing and certification.

It may not be necessary to comply with every meta-standard criterion from the beginning. In some cases, for pragmatic reasons, a limited number of gap-criteria may be permitted (for a limited period of time) for “qualifying standards”<sup>34</sup> (see table 1). If a standard has too many gaps, it can obtain the sustainability level of the meta-standard through supplementary checks.

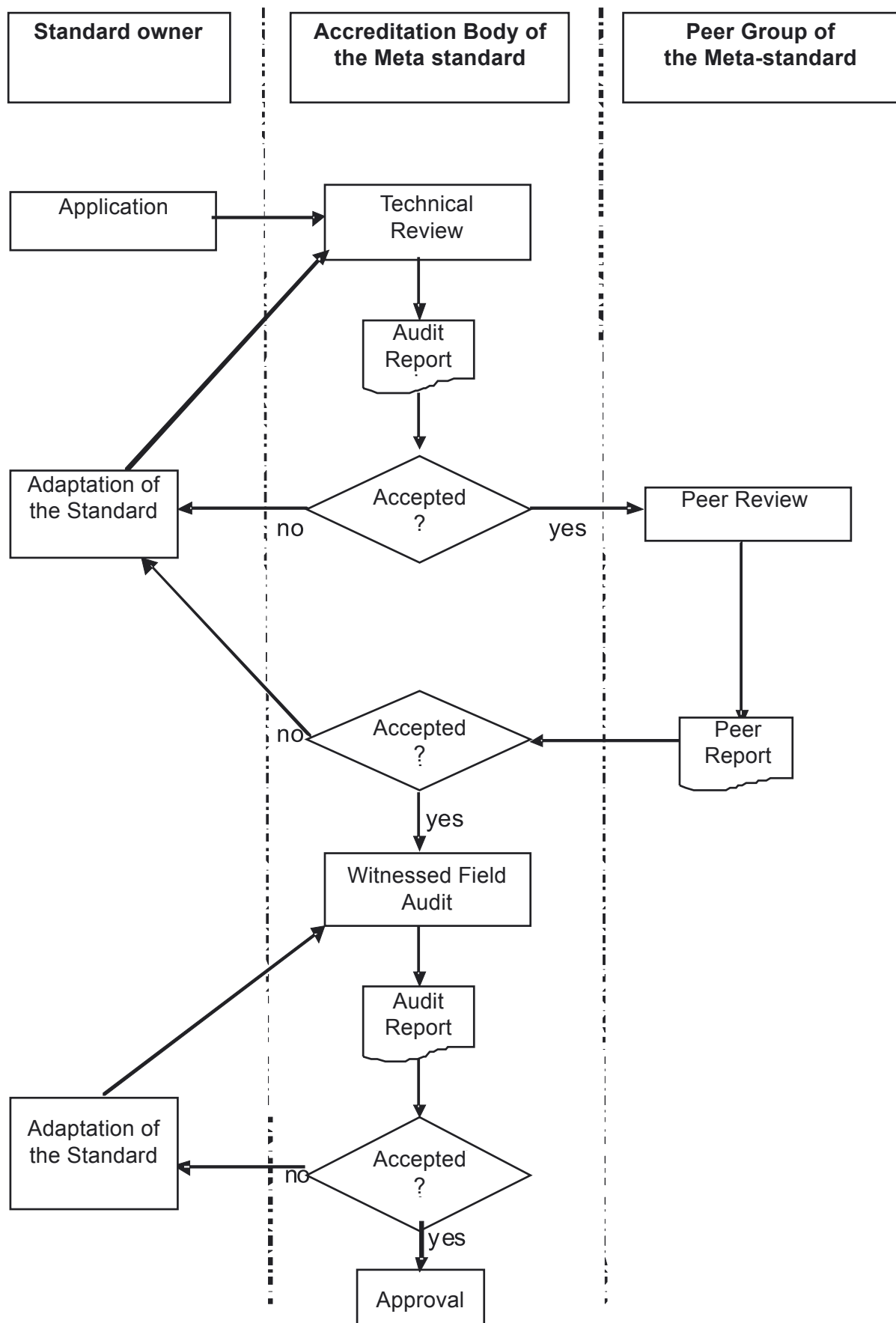
**Table 1:** Concept of the meta-standard approach: benchmarking the Sustainability Standard for Natural Resources (selected principles) against a selection of existing standards (Ecofys 2007)

Meta-standard (Benchmark standard)	Existing standards			
Sustainability standard for natural resources (exemplary principles)	<b>SAN / RA</b> Sustainable Agriculture Network / Rainforest Alliance	<b>RSPO</b> Roundtable for Sustainable Palm Oil	<b>IFOAM</b> International Federation of Organic Agriculture Movements	[other standards]
Conservation of biodiversity	Partly	Yes	Partly	
Sustainable water use	Yes	Yes	Partly	
Soil conservation	Yes	Yes	Yes	
Avoiding air pollution	Yes	Yes	Yes	
Labour conditions	Yes	Yes	No	
Respecting land rights	Yes	Yes	No	

Qualifying standard

<sup>33</sup> This chapter on meta standards is based primarily on the Ecofys Netherlands 2006 and 2007 reports.

<sup>34</sup> This also requires procedures and norms for benchmarking the audit and certification quality of existing standards against the requirements of the meta-standard, as well as implementing bodies that will be responsible for the above-mentioned norm-setting and benchmarking procedures.



**Figure 3:** Flowchart of procedure to accredit existing standards to the meta standard according to Ecofys (2007)

### 3.1.1 Benefits of the Meta-Standard

The main benefits of a meta-standard are<sup>35</sup>:

1. **Avoid duplication/re-inventing the wheel.** Today, many standards already exist (or are in development) that aim for sustainable management of natural resources (particularly agricultural biomass). Considering this, it is questionable whether it is useful to develop yet another standard. Since “international harmonisation and prevention of duplication” are also emphasised in the international codes for the development of standards by WTO, ISO and ISEAL, a meta-standard can avoid duplication as well as support international harmonisation among standards.
2. **Acceptance.** Producers, as well as other important stakeholders (NGOs, regional interest groups, consumer groups, etc.) know the existing or developing standards for different commodities, and have often played an important role in their development. Furthermore, these standards often take several years to develop and are a result of a lengthy multi-stakeholder process. A new standard may result in low acceptance, especially if such a standard is developed without the active involvement of those stakeholders. Allowing certain standards (that are part of existing or currently developed standard-setting schemes) as qualifying standards may improve the acceptance of an NRS designed as a meta-standard, particularly among existing standard-setting initiatives and already certified businesses. Moreover, if the standard is implemented as a consumer-orientated certification scheme, individuals that demand and support the specifics of each system could still ask for a particular label<sup>36</sup>.
3. **Availability in the short term.** For the reasons listed above, it might not be feasible to develop a credible new standard in the short term. By using existing standards, the meta-standard approach enables the sourcing of certified sustainable feedstock in a relatively short time frame. However, setting up the accreditation procedure and agreeing on a benchmark standard may take considerable time as well.
4. **Cost-effectiveness.** If producers are already compliant with an accepted “qualifying standard”, achieving compliance with another standard will incur costs and can be an obstacle to participation in a scheme for e.g. resource-scarce farmers such as smallholders. Avoiding double accreditation processes can therefore be a cost advantage.

5. **Influencing existing standards.** With a strong demand for sustainable products, the interest of producers in applying the benchmark standard may increase. The benchmark standard may go beyond many existing standards in some aspects (e.g. MSC to include social criteria, etc.); it may therefore assist in convergence of standards in the long term.

### 3.1.2 Limitations of a Meta-Standard

Weaknesses specific to the meta-standard approach include:

1. **Changes in the meta-standard do not apply directly:** Changes in a meta-standard (e.g. introduction of new criteria, changes in thresholds, etc.) will not take effect directly, because these changes will only be reflected indirectly through the “qualifying standards”. It is likely that changes to such an indirect process will take longer to materialise than in the case of a specific new standard, because the latter would not depend on the cooperation of other standards. In general, the interaction between feedstock producers and the organisation that administrates the standard system is more difficult in the case of a meta-standard.
2. **Qualifying standards cover more criteria than the meta-standard:** Most existing standards that may be considered as “qualifying standards” cover a large range of sustainability issues. For example, the general Sustainable Agriculture Standard run by Rainforest Alliance contains 90 criteria, whereas the Roundtable on Sustainable Palm Oil (RSPO) currently counts 39 draft criteria, and the LEAF<sup>37</sup> contains over 90 criteria. Clearly these standards cover more criteria than those required for the meta-standard, and receiving verification against any of these complementary standards may incur substantial costs, especially to smaller producers.
3. **Difficulties in mobilising synergies:** Given that the current standard-setting and certification schemes work in parallel and - although having similar objectives - may even compete against each other, synergies (e.g. combined efforts addressing the common target group, organisational infrastructure and stakeholder consultation) can hardly be exploited. A meta-standard will therefore not reduce the negative effects of proliferation of standards. Moreover, the list of “qualifying standards” cannot be finalised, because operational sustainability standards do not yet exist for some commodities.

<sup>35</sup>Based on Ecofys 2006 and 2007

<sup>36</sup> Cashore 2007b

<sup>37</sup> Linking Environment And Farming

Hence, new standards for these commodities with their own institutional infrastructure will need to be developed. In these cases, a new generic standard would be more advantageous.

4. **Qualifying standards do not cover all natural resources:** There is a range of products and sectors that have not yet developed standards. Jatropha would be one of these feedstocks without a commodity standard but with a growing potential, as for example recent Indian government plans show its intention to plant 14 million hectares of land with jatropha.<sup>38</sup> As for other feedstocks such as soy and sugarcane, the development of standards is likely to be finished in one or two years. The range of qualifying standards to achieve compliance with the meta-standard would therefore be limited to the scope of the existing standard-setting and certification systems.
5. **Scarcity of certified feedstocks:** Another drawback of the meta-standard - which does not relate specifically to the meta-standard approach in itself, but is rather a drawback of the current situation of “qualifying standards” on the market - is that the availability of feedstocks certified by a qualifying standard is very low. This is a bottleneck currently being felt particularly on the bioenergy market.

## 3.2 New generic global standard approach

The alternative to a meta-standard approach is the development of a completely new standard, with its own set of principles and criteria/key indicators according to which producers can become compliant. It would require establishing a non-governmental umbrella organisation composed of stakeholders of the existing or currently developing natural resources standard-setting schemes. Consequently, schemes participating in the NRS would need to agree to revise their standards to achieve full alignment with the new generic global standard, eventually merging into the new standard.

### 3.2.1 Benefits of the new generic global standard

The main benefits of a new generic global standard would be:

1. **Maximum use of synergies between existing standards.** Generally there is a large degree of similarity in the overall principles of systems across both products and sectors, which can effectively be addressed by agreeing on one single standard

for the sustainable production and extraction of natural resources. It is likely that one institution/standard-setting body would be more cost-effective for producers, processors, traders, manufacturers, and retailers, and would enable a more transparent, streamlined stakeholder dialogue with NGOs and (if so desired) with consumers. It would also be better positioned to address cross-cutting issues such as deforestation, small-holder participation, poverty reduction and food security that arise in agriculture, bioenergy feedstock production, forest management etc.

2. **Broad scope of regions and sectors.** Current standard-setting schemes often have a limited focus, either in terms of the region they cover, the commodities they apply to, the level they apply to (i.e. on the farm or after products leave the farm) and/or the issues and criteria they cover. A new generic standard offers the opportunity to reflect all issues in one standard.
3. **One-stop shop.** A single standard would reduce the complexity of current standards and certification schemes, and could be taken-up more easily by producers and buyers. It could also help in communications towards consumers.
4. **Direct application.** In contrast to the meta-standard, a new generic standard - once fully incorporated - would be directly applicable. Changes of principles, indicators, etc. would therefore apply directly and would not need to be reflected indirectly in the parallel-existing “qualifying standards” as in the meta-standard approach.
5. **Provision of a standard for new commodities and sectors.** Besides existing systems and systems currently under development, there are a range of products and sectors for which no standards yet exist, but which would, however, have similar requirements. A generic standard for natural resources would act as a standard even for those commodities and sectors, therefore making a new standard unnecessary.

<sup>38</sup> GRAIN 2007: Seedling. Agrofuels special issue, July 2007

### 3.2.2 Drawbacks of the new generic standard

Weaknesses specific to the new generic standard approach include:

1. **Unavailability in the short term.** One of the main requirements for achieving legitimacy of standard-setting schemes is proper stakeholder consultation. Because a global standard would need to align the existing schemes and encompass many resources and many countries, the potentially affected parties are numerous and the development process is likely to be slow. The time-consuming nature of credible standard development is also illustrated by the experience of existing standards or initiatives such as the Forest Stewardship Council (FSC) and the Roundtable of Sustainable Palmoil (RSPO), which took several years to develop. Another example would be IFOAM, which is in principle one global standard. Due to the IFOAM organisational structure, changes in standards are very time-consuming.
2. **Competition with existing standard-setting schemes.** Producers that are already compliant to a standard may be reluctant to change to a new standard. As for established standard-setting initiatives, it will depend highly on the specific design of the new generic standard if they are willing to join the initiative. As for very specific standards or ecolabels with particular priorities, it is rather unlikely that these will be willing to change their standards and agree to a consensus of less specific issues.

## 4 Setting the standard

### 4.1 International requirements towards standard-setting procedures

The creation of the NRS as a new, internationally legitimated standard in accordance with international trade disciplines will need to meet a range of requirements. Most importantly, it must be designed along the internationally recognised standard-setting procedures developed by the World Trade Organisation (WTO) within the Agreement on Technical Barriers to Trade (TBT), and by the International Organisation for Standardisation (ISO)<sup>39</sup>. Another important organisation that sets requirements for the introduction of international standards is the International Social and Environmental Accreditation and Labelling Alliance (ISEAL), an open-membership association for international social and environmental standard-setting and conformity assessment. Each of these organisations has established a ‘code’ by which its members should adhere (see Table 1). Because their membership encompasses the vast majority of states, the Codes of Good Practice, which were established both by ISO and WTO, are binding for international standard initiatives. Both codes address all standardisation bodies, governmental or non-governmental, from the regional to international scale. While the WTO’s TBT Agreement mainly focuses on the compatibility of standards with international trade, the ISO guide provides general advice on procedures for the development of standards and participation in the standards-development process.

In order to support international standard-setting initiatives that meet ISO and WTO requirements, and to enhance legitimacy of international standard-setting procedures, the ISEAL Alliance facilitated a multi-stakeholder dialogue that developed the “Code of Good Practice for Setting Social and Environmental Standards”. This code seeks to establish objective criteria for credible operating practices as a means to evaluate and strengthen voluntary standards, and to demonstrate their credibility on the basis of how they are developed.

The three codes, although provided by different institutions with different levels of authority, include many overlaps and similarities, and all aim towards an international unification of provisions of standards and development procedures. However, the ISEAL Code of Good Practice, first published in 2002 and revised in 2006, goes substantially beyond the ISO Guide (published in 1994) in terms of its requirements for due process, transparency, and active stakeholder involvement.

#### *Code requirements*

The requirements that have to be addressed under the WTO and ISO guidelines for standards and standard-setting can be summarised as follows:

- accordance with international free trade requirements,
- guarantee of a democratic process of standard-setting,
- co-ordination and publication.

**Table 2:** Overview of relevant institutions for international standardisation

Body	Agreement	Code	Issues addressed
<b>WTO</b> – World Trade Organisation	Agreement on Technical Barriers to Trade ( <b>TBT</b> )	Code of Good Practice for the preparation, adoption and application of standards	- Compatibility of standards in international trade - Procedural steps to be taken when adapting a new standard
<b>ISO</b> – International Organisation for Standardisation		Guide 59 - Code of good practice for standardization	- General advice on procedures for the development of standards and participation in the standards-development process
<b>ISEAL</b> – International Social and Environmental Accreditation and Labelling Alliance		Code of good practice for Setting Social and Environmental Standards	- General requirements for the preparation, adoption and revision of standards - Credible operating practices

<sup>39</sup> At the international level, voluntary standardisation processes are essentially co-ordinated under the auspices of the ISO in accordance with partner institutions (which are the International Electrotechnical Commission (IEC) and the International Telecommunication Union (ITU)).



An additional requirement of ISEAL is:

- effectiveness and structure of standards

The issue “accordance with international free trade requirements” will be discussed below. Process- and structure-related issues will be discussed in the following chapter: “Participation, structure and process”.

#### ***Accordance with international free-trade requirements***

The current debate on potential trade barriers that could result from the establishment of sustainability standards for biofuels illustrates the potential difficulties that may confront the NRS. Standards can be created for quality and composition of products, as well as for the way in which products are manufactured or processed and natural resources extracted and harvested (OECD 1997), the so called process and production methods (PPM). PPMs are also the main measure to compare products in order to classify them as ‘like products’ (comparable products). Intensive discussions are going on within the WTO if also non-physical differences such as environmental effects associated with the production of goods can be drawn to define ‘like products’.<sup>40</sup>

In principle, differing standards between ‘like products’ can become serious barriers to trade if an exporting country is not able to adhere to standards set by potential importing countries. The WTO therefore aims towards a unification of standards for all globally traded commodities.

The National Treatment (NT) and the Most Favored Nation (MFN) principles incorporated into the General Agreement on Tariffs and Trade (GATT) imply non-discrimination between domestic and imported goods; the Agreement on Technical Barriers to Trade (TBT Agreement), on the other hand, aims to ensure that regulations, standards, testing and certification procedures do not create unnecessary trade obstacles.

However, most of the discussion about standards for biofuels is driven by the assumption that they will be used as mandatory (technical) regulations, or under tax concession-linked conditions. Technical regulations basically refer to governmental activities on standardisation. If the NRS is voluntary, most of the trade issues will be irrelevant.

Although voluntary standards are not in the scope of WTO disciplines, they have to meet disciplines formulated by **Agreement on Technical Barriers to Trade (TBT)**, more precisely by the Code of Good Practice for the Preparation, Adoption and Application of Standards found in Annex 3 of the TBT. The Code of Good Practice was set for governments, non-governmental and industry bodies to prepare, adopt and apply standards in general. There are over 200 standards-setting bodies applying the code (WTO 2007).

The substantive provisions of the Code of Good Practice in the WTO’s TBT contain the following points:

- Standards have to be integrated in existing international standards, if possible.
- Standardising bodies shall contribute to the harmonisation of international standards.
- Duplication or overlaps with existing international, national or regional standardisation have to be avoided.

The Code also contains details on procedural steps to be taken when adopting a new standard, such as publication, consultation and integration of other member states.

As the NRS aims towards a voluntary and globally applied standard-setting scheme, threats in the form of trade barriers are not to be expected in the early stages. There should not be problems in meeting the procedural demands of the Code of Good Practice of the TBT if its routines, or those of the ISEAL recommendations on standardisation processes, are followed.

## **4.2 Participation, structure and process**

Unlike technical product standards that can be developed by a small group of experts, voluntary social and environmental standards have implications for public policy and the potential to affect a wide range of stakeholders. Ensuring that the interests of these stakeholders are properly represented in the standard-development process is crucial for realising a good standard. Achieving a high level of stakeholder participation is ultimately dependent on having a credible, inclusive and transparent standard-setting process and is critical for the legitimacy and long-term acceptance of the standard.<sup>41</sup>

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<sup>40</sup> See UNEP (2005)

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<sup>41</sup> ISEAL Alliance (2007a, 2007b), Müller and Seuring (2006), WWF/Earley, Sustainable Foodlab 2007

All codes of good practice provided by WTO, ISO and ISEAL demand a consensus-based process in the development of standards, implying a broad involvement of stakeholders.

Through a regular review process, all interested parties, public, and private entities should have the opportunity to comment on the standards during the standard-setting process. The standardisation body should consider the comments and respond to them. Moreover, the standardisation body must approve the mechanisms for dealing with and resolving complaints from participating parties and be sure that they are integrated in the procedures. Due to incorporating the opinions and expertise of all affected parties, the involvement of stakeholders should guarantee a substantive exchange about the relevant issues of the standard that can deliver essential contributions to its acceptance. An active and transparent process should be in place to resolve conflicts of interests and disputes.<sup>42</sup>

Transparency of the whole standard-setting procedure is another important concern. The standardisation approach and procedural details of the standard setting have to be made broadly available by appropriate publication. Changes in standardisation also have to be published directly after their implementation. A review of the standard setting should take place periodically,<sup>43</sup> with the same degree of participation as in the establishment process of the standardisation.

Standards can only be applied effectively when applicants fully understand the requirements they have to meet. The codes therefore propose that administrative requirements should be presented separately from the technical and performance requirements. Furthermore, standards should be expressed in terms of a combination of process, management and performance criteria, rather than in terms of design or descriptive characteristics.

Regarding the consistency of standards with political and economic conditions, ISEAL points out that relevant regulatory and market needs, as well as scientific and technological developments, have to be taken into account in the standard development process.

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<sup>42</sup> see also WWF/ Earley 2006, Sustainable Foodlab 2007.

<sup>43</sup> ISEAL proposes a review process to occur every five years.

## 5 Different approaches towards the design of NRS

The following chapter deals with the different ways the standard can be designed, giving initial evaluations on which approach seems to be most feasible. Two main approaches - the meta-standard and the new generic-standard approach have been outlined already. Other important factors that influence the impact of the standard are:

1. Scope of natural resources covered under the scheme
2. Selection of minimum or maximum standard
3. Type of standard
4. Selection of principles and sustainability criteria /key indicators.

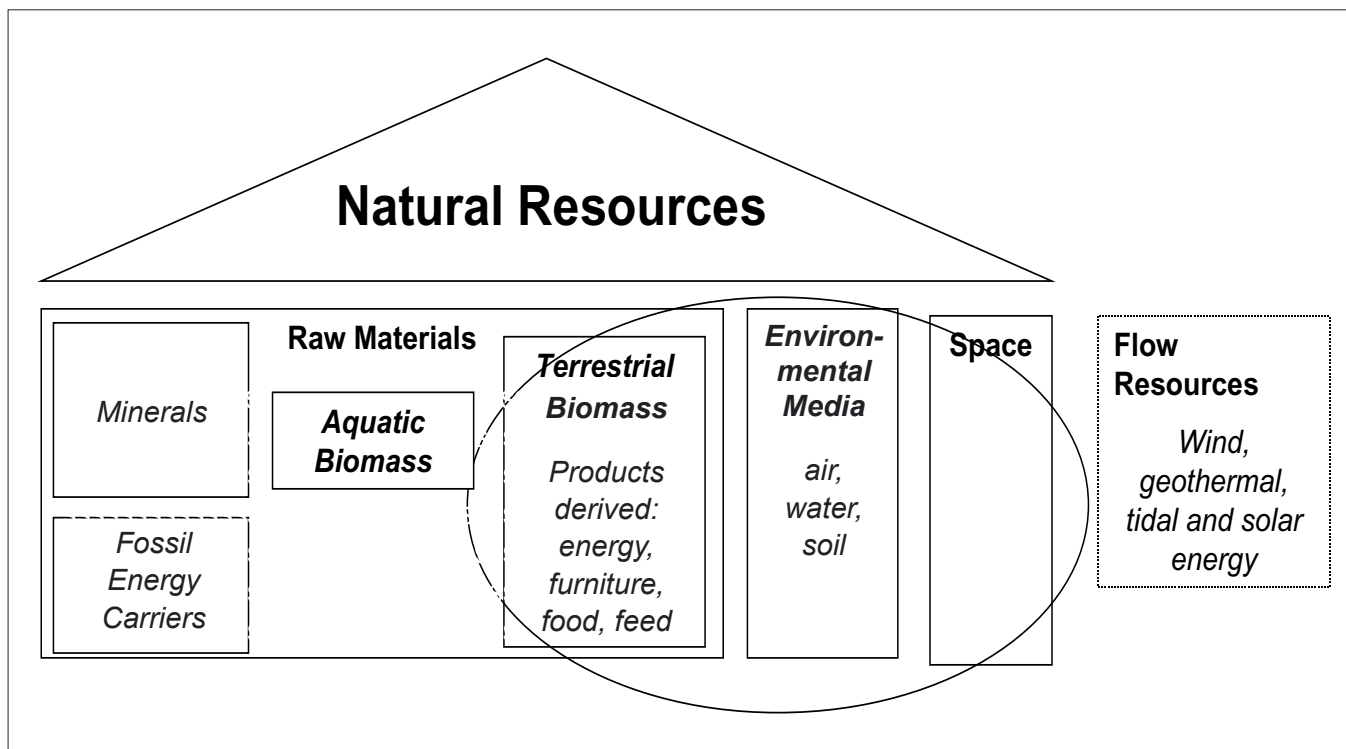
### 5.1 Scope of natural resources – Terrestrial biomass as a forerunner

Given the similarity of the threats natural resources face world-wide due to unsustainable use, the NRS should provide a uniform standard which can be applied when evaluating the sustainability performance of a diverse array of products derived from natural resources. However, natural resources cover an enormous range. According to the European Commission's definition<sup>44</sup>, natural resources include:

- raw materials (e.g. minerals, fossil energy carriers, biomass),
- environmental media (e.g. air, water, soil),
- flow resources (wind, geothermal, tidal and solar energy), and
- space (land use for human settlements, infrastructure, industry, mineral extraction, agriculture and forestry).<sup>45</sup>

Since the NRS aims to use as many synergies as possible between existing standard-setting schemes, and considering the high policy relevance of an increased use of bioenergy and the need for sustainability criteria, an initial focus on biomass is suggested (see Figure 4). It should, however, be expanded to address a broader scope at a later stage.

Following this initial focus, biomass resources under the NRS will be defined as (terrestrial) biomass, produced or extracted from agriculture and forestry (including forestry residues and agricultural residues), and products derived from these sources. Organic waste from other sources and marine resources (fish stocks, etc.) would not be included in the first stage of the standard-setting procedure.



**Figure 4:** Initial scope of natural resources covered under NRS

<sup>44</sup> They can also be classified on the basis of their origin as biotic and abiotic, or as renewable and non-renewable. Another classification scheme focuses on whether the resources are to be used for production or for direct consumption.

<sup>45</sup> COM(2005) 670 final.

Focusing the approach on biomass resources as outlined above would have several benefits:

- Sustainability standards for a sustainable use of biomass feedstocks are of high political importance, given the world-wide increasing demand for bioenergy.
- The standard developed under the NRS can serve as benchmark for new standard-setting initiatives. The current processes to develop sustainability standards for biofuels do not cover certain crops and feedstocks (e.g. *Jatropha*, *Miscanthus*, recycled cooking-oil, etc.).
- A standard which in a first stage only focuses on biomass would require less time for achieving agreement on a set of principles and criteria.
- It will probably be easier in this first stage to assemble stakeholders from the agricultural and forestry sector, rather than to start from the very beginning with stakeholders from different sectors (i.e. mining, fossil energy, etc.).
- The system can be tested and developed, and be further extended at a later stage if it proves successful.

## 5.2 Minimum or maximum standard

A crucial issue for the effectiveness, feasibility and potential of the standard, in view of encouraging a growing market segment to implement better management practices for natural resources, is how ambitious and demanding the standard should be. Different approaches can be chosen both for the selection of principles and criteria as well as for the choice of how demanding the principles and criteria will be.

Essentially acceptable and non-acceptable levels of impact would need to be defined. To promote improvements the standard could be defined in a way that demands continuous improvements over time right from the beginning (e.g. demanding the reduction of water use in % per year). Alternatively, classes within the acceptable category can be designed to promote improvements. For example gold (premium standard) and silver standards (baseline standard) of different quality can be developed, which could include a different number of criteria or demand different levels of rigour. Another way is to allow producers a “phasing-in” from baseline standards to premium standards over a certain period of time. However, and based on the FSC experiences, which showed the difficulties entailed in upgrading standards, this approach is not considered a feasible way to increase requirements at a later stage.

The main question, however, is where to set the bar for acceptable levels of impact. This is both crucial for the reduction of social and environmental impacts, as well as for the targeted market share and segment of production the scheme is aiming for (the lower the bar, the higher the market share).

With regard to the scheme’s objective to reduce the social and environmental impacts, best-practice standards with rather high requirements should be targeted; these would, however, be accompanied by an initially rather limited market share, even if it is likely that the demand would rise in the future.

Alternatively, and in order to target a higher market share, standards could be set in a way that e.g. 25% of producers can meet the requirements from the start. Given that this approach would aim to ensure compliance with a certain level of status quo management practices, this is not seen as a feasible approach. Instead, acceptable levels of impact should be agreed on, taking ecosystem capacity and social acceptability as basis.

A possible solution to this problem is to allow continuous improvement, starting from a certain acceptable baseline, and prescribe the increasing requirements in the standard right from the beginning. In this way the standard can have a high market uptake right from the start and will be able to enforce reduction of social and environmental impacts continuously.

## 5.3 Type of standard

### 5.3.1 Terminology

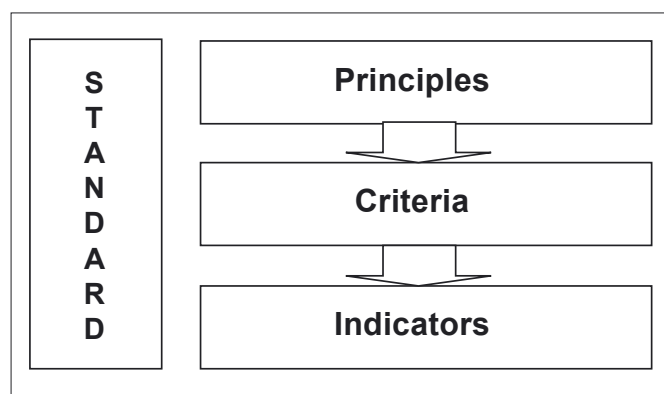
Defining the design of the NRS standard requires clarity with regard to concepts and definitions used.

In general, a standard is defined as a document that provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods, with which compliance is not mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method (based on Annex 1 of the WTO TBT Agreement).

Standards are usually structured in three levels: principles, criteria and indicators (see Figure 5).

Following a logical hierarchy, they allow to make a direct link between what is required in the field and the objectives that the standard seeks to achieve. This hierarchy usually follows from the objectives in a sequence of increasing detail and specificity<sup>46</sup>.

- **Principles** are fundamental statements about a desired outcome. They often provide greater detail regarding the objectives. The criteria and indicators derive from the principles.
- **Criteria** are the conditions that need to be met in order to achieve a principle.
- **Indicators** are measurable states which allow the assessment of whether or not associated criteria are being met. The most effective indicators are result based.



**Figure 5:** Structure of standards

In terms of the level of application, three types of standards can be differentiated (overlaps between approaches may occur):<sup>47</sup>

- **Product standards** define characteristics of products such as size, shape and components. They are mainly designed for consumer-protection purposes.
- **Process standards** define the procedures a company should put in place, such as how to conduct stakeholder dialogues, how to communicate with stakeholders, or how to develop management systems.<sup>48</sup> ISO standards are generally of this type, e.g. ISO 14001 for environmental management systems or SA 8000 for social accountability standards.
- **Performance standards** give exact guidelines on the results to be achieved, or on the behaviour that

has to be adopted by a company. They define what a company (or other entity) should achieve or do, such as provision of a living wage to workers, no discrimination, or no child labour.<sup>49</sup>

In addition, another differentiation can be made based on the application of a standard to a certain sector. Some standards are restricted to certain sectors, covering just a limited proportion of commodities or processes (e.g. MSC or FSC), whereas others do not focus on specific sectors or commodities but can be applied more widely (e.g. ISO 14001 or ILO standards).

### 5.3.2 Key impacts and key indicators

Most environmental and social standards apply process and performance standards. They are usually structured in three levels: principles, criteria and indicators. These standards have achieved demonstrable success in many contexts. However, their impact is not always easily measurable. A main reason for this is that process standards regulate how to do something (such as certain cropping methods or equipment that should be applied, in the case of biomass) leaving the actual result of the practice out of scope. Moreover, the number of criteria and indicators is usually very high and does not prioritize the most important environmental or social impacts of production.

For example, Eurogap (recently renamed GLOBAL GAP) certification is contingent upon completion and verification by the farmer of a checklist that consists of 214 questions or control points, 49 of which are considered “Major Musts” requiring 100% certification, and 99 of which are considered “Minor Musts” requiring 95% certification. Another 66 are classified as “Should”, which are recommended but not required practices.<sup>50</sup>

The high number of required indicators and unprioritised demands leads not only to a high complexity in measurement methods and to high cost expenses, but also results in lacks of transparency and thereby credibility of the standard.

<sup>46</sup> Explanations derived in large part from the Natural Resources Institute (NRI) project on Ethical Trade and Export Horticulture. ([www.nri.org/NRET/etexporth.htm](http://www.nri.org/NRET/etexporth.htm)). See ISEAL 2007a.

<sup>47</sup> See Macintosh (2003) and Müller/ Seuring 2006.

<sup>48</sup> e.g. ISO 14001, SA 8000.

<sup>49</sup> e.g. FSC and FLP

<sup>50</sup> according to WWF/ Earley 2006



A credible standard should therefore be a *performance standard* and focus on achieving outcomes by reducing the most serious key environmental and social impacts of agricultural production and extraction of natural resources rather than be exhaustive and attempt to address all impacts, or only prescribing processes or measures for reaching these outcomes. The idea of key impacts is that among the various environmental and social issues only few major impacts are selected and measured in metrics (by using key indicators). Key indicators are chosen to directly address the selected key impacts, thereby additionally covering other (related) impacts by one representative and meaningful indicator.

The focus on key impacts and indicators will reduce complexity and duplication of effort for stakeholders, which is also crucial for the cost-effectiveness and comprehensibility of the standard (which is particularly relevant for smallholders). Similar key indicators, measuring the same key impacts in different sectors, would also allow to directly compare the impacts of different production systems, e.g. GHG balances for bioenergy feedstocks produced in agricultural or forestry systems.

However, it needs to be assured that the standard is verifiable and provides robust evidence which can be used to report performance. This requires the definition of key metrics which are measurable, linked to impacts, and which can be aggregated over time.

However, there are many issues that remain to be addressed and are subject of much current research in the area of defining meaningful metric measurements for the objectives set, which operate effectively across a region, and are equally applicable to large and small producers.

Particularly regarding social goals, reporting achievements is difficult, since some goals such as payment of overtime wages can be verified, whereas others, such as child labour or discrimination, may be much more difficult to express metrically. It is therefore important to take into account the complexity of social auditing. Many commodity-specific metrics are already in use by many producers, even if they are not the subject of current certification programs.<sup>51</sup>

In the area of environmental concerns, for instance, key impacts can be measured by area-related metrics such as net carbon impact per hectare. This measure would serve as a footprint for a wide range of environmental issues (e.g. GHG-emissions, soil organic matter, input of fertilizer, etc.) and can therefore increase comparability between regions and standards by substantially reducing the number of indicators used in classical standards systems.

Consequently, this type of indicators would not serve for measuring one specific criterion but represent an index for more criteria and principles. Beside absolute values such as limit values, they can also be designed as relative measures to improve environmental performances, e.g. as a percentile reduction of water and fertiliser use per unit of production.

Key impacts would be defined on a sectoral level, such as agriculture. Alternatively, and if a meta-standard approach is chosen, key impacts can be defined on a global level and each standard will measure those impacts using indicators that are appropriate to their systems. Thereby, indicators would not necessarily be the same and not necessarily comparable, but would measure the same issue.

## 5.4 Selection of principles and key indicators

The selection of principles and measurable indicators, and the environmental and social issues they cover, is the backbone of every standard and will be crucial for the effectiveness of the system, both with regard to cost implications and to environmental and social performance.

Most standards apply the structure of principles, criteria and indicators to define the desired outcome. Alternatively, a key impact/key indicators approach, as outlined in chapter 5.3.2, can be applied.

Either the common principles/criteria/indicator or the key impacts/key indicators system can be applied to the NRS standard. However, considering the assets of focusing on key impacts with regard to cost effectiveness, practicability and credibility, this paper will further describe how a key impacts/key indicators approach may look like.

<sup>51</sup> See WWF/Earley 2006, SFL 2007, Müller/Seuring 2006



Both approaches are not necessarily contradictory, as they share the need to first define objectives or general principles to follow, and then to break them down into measurable indicators. The difference is that the traditional hierarchic three-level approach defines a number of criteria for each principle and again a number of indicators and verifiers for each criterion. On the other hand, the key impact/key indicators approach prioritises the main environmental and social impacts, and breaks them down into a number of measurable indicators, choosing those with relevance to more than one key impact and principle, and excluding those with no major relevance to the particular sector.

Given this common need to define key issues to be addressed by measurable indicators, a review of existing standards has been undertaken to show which issues are likely to be reflected in the NRS standard.

Most importantly, the following reports and standards have been reviewed as a basis for the NRS objectives:

- The draft principles (July 2007) developed by the Roundtable on Sustainable Biofuels (RSB), an initiative by the EPLF Energy Centre (Switzerland).
- The (draft) standards for sustainable biofuels that are currently developed in The Netherlands, the United Kingdom and Germany (as reviewed by Ecofys 2007).
- Draft standard of the Roundtable of Sustainable Palmoil (RSPO).
- The Forest Stewardship Council (FSC).

- The Sustainable Agriculture Standard (SAS) by the Rainforest Alliance.
- The Sustainable Agriculture Practice Standard by Scientific Certification Systems (SCS).

While the first three initiatives refer explicitly to the production of biofuels, the latter three are certification systems for different natural products from forestry and agriculture. FSC and SAS are standards that are already long-established on the market; SCS is a recently developed US draft national standard for trial use, which is however of particular interest due to its broad scope of issues, which cover food, fiber and bioenergy feedstocks.

The review showed that the initiatives have a high degree of commonality and overlap of issues covered under their environmental and social principles. An exemplary overview of two different standard principles is given in Table 3. In general, differences between the reviewed standards that occur on the principle level are mainly based on different systematics or emphasis, rather than on different objectives.

The following list indicates environmental and social principles and criteria drawn from common elements from the initiatives listed above<sup>52</sup>. It also shows that common principles can be found for all kinds of biomass use, regardless of whether it is in agriculture or forestry, or whether biomass is produced for energy purposes, food, fodder or material usage.

**Table 3:** Overview of FSC and SAS principles

Principles	
FSC	Rainforest Alliance (Sustainable Agriculture Standard – SAS)
1. Compliance with laws and FSC Principles	1. Social and environmental management system
2. Tenure and use rights and responsibilities	2. Ecosystem conservation
3. Indigenous peoples’ rights	3. Wildlife protection
4. Community relations and workers’ rights	4. Water conservation
5. Benefits from the forest	5. Fair treatment and good working conditions for workers
6. Environmental impact	6. Occupational health and safety
7. Management plan	7. Community relations
8. Monitoring and assessment	8. Integrated crop management
9. Maintenance of forests with high conservation value	9. Soil management and conservation
10. Plantations	10. Integrated waste management

<sup>52</sup> Some initiatives named “waste management“ as a principle. As this only becomes relevant when the standards cover the

whole chain of custody, this is not an issue for NRS.

It has to be mentioned that most standards consider “**Compliance with national and international regulations**”<sup>53</sup> as a crucial issue, which is often reflected in the criteria of each principle. It can however also be considered as a common principle.

As the selection of these issues must be the subject of stakeholder discussions, the following list of potential principles for the NRS should only serve as an exemplary outline.

#### **Principle 1. Conserve biodiversity**

- Avoid damage to or destruction of biodiversity.
- No production on areas of high conservation value.
- Protect land adjacent to cultivated land and of high natural value by establishment of buffer zones.
- Prohibit endangered and threatened species from being held in captivity.

#### **Principle 2. Reduce greenhouse gas emissions (GHG)**

- Maintain positive GHG balance along production chain and application.<sup>54</sup>
- Conserve below- and above-ground carbon stocks (e.g. forests and rainforests, peatlands, humus, etc.).

#### **Principle 3. Efficient use of inputs**

- Avoid contamination and depletion of water resources.
- Protect water bodies from pollution.
- Increase productivity per unit of fertiliser and pesticide applied.

#### **Principle 4. Soil conservation**

- Improve soil health.
- Prevent degradation.

#### **Principle 5. Avoid air pollution**

- No burning for land clearance, harvest or waste disposal.

#### **Principle 6. Ensure fair labour conditions**

- This principle covers a wide range of aspects which include for instance working hours, wages and payment, child labour, forced labour, discrimination, working contracts, and health and safety. Criteria

and benchmarks have to be created for these issues according to national and regional conditions, and in compliance with international standards defined by the International Labour Organisation (ILO).

#### **Principle 7. Respect land rights**

- Ensure that land ownership and land rights, including traditional or informal rights, are documented and recognised.
- Involve local people in planning processes concerning land-use changes.

#### **Principle 8. Boost local benefits**

- Assure contribution to well-being of communities, workers and rural populations.
- Ensure participation processes are a substantive part of every enterprise affecting land use and local population.

Applying an approach focused on key impacts/key indicators would consequently imply concentrating on a number of key environmental and social impacts for each sector. For example, the key environmental issues raised by most production agricultural systems are soil quality and erosion, water abstraction and pollution, habitat destruction, chemical use and pollution, and the cumulative effects of large-scale production systems. However, most programmes still require that producers pay attention to many other issues.<sup>55</sup>

The challenge of defining key indicators for key impacts is to select a number of measurable indicators/metrics that are of cumulative importance for different key impacts. This again needs to be done within a broader stakeholder discussion.

Below, some examples of relevant key environmental indicators will be briefly described to illuminate how the key impacts/key indicators approach may work. However, it needs to be noted that the development of metrics for key indicators still needs intensive research, in order to identify meaningful indicators and metrics that reflect cumulatively a broad range of environmental and social issues.

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<sup>53</sup> Comply with relevant national laws and regulations/Comply with relevant international conventions and their provisions.

<sup>54</sup> Ecofys 2006.

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<sup>55</sup> See also WWF/Earley 2006.

### **Example 1: Soil organic matter as key indicator**

An indicator focussing on soil organic matter allows drawing conclusions about the greenhouse gas emissions of agricultural practices. At the same time it is a good indicator for soil health and soil biodiversity. Moreover, if a standard sets a high level of soil organic matter it would create incentives for agriculture that does not use tillage. This would not only prevent carbon emissions, but also prevent erosion and nutrient runoff, thereby also protecting water resources. Even further expansion of this indicator might be possible since deforestation, peat land drainage and other forms of severe removal of carbon storage capacities have also evident impacts on soil organic matter.

### **Example 2: Energy productivity per hectare as key indicator**

Energy productivity per area unit would measure all kind of input on land, such as fertilisers, pesticides, energy requirements by machine use, etc., which would then be converted into energy units (e.g. Joule). This would be put in relation to the energy yield of harvested products (input per unit of output), regardless if used for energy, material or food purposes. This indicator therefore allows conclusions about greenhouse gas emissions from fuel consumption, sufficient input of pesticides and fertilisers, and harvest practices. If complemented by information about water used it would also be a meaningful indicator for “resource efficiency”.

As for **social impacts**, the definition of key indicators may have advantages as well. Most social standards translate and apply the full panoply of ILO Conventions to every situation where working conditions are addressed. But not all of these standards are equally important to every situation, and some of them miss important points. Effective standards would focus on what is important in the context in which they are to be applied.

However, defining social key indicators is even more difficult than defining environmental key ones, given the complexity of social auditing, the cumulative nature of issues such as “regional value added”, and the impact of the production system on the community. Moreover, some issues such as child labour, freedom of association or discrimination are difficult to express metrically. Other issues, such as workers salary compared to the local average income, permanence of employment, aspects of labour conditions and respect of land rights, may be easier to measure.

However, despite the different approaches that can be chosen, standards cannot replace, but only complement, regulation and legislation. In those cases where standards cannot define indicators for issues, such as in the case of food security, negative indirect effects of land use changes and other cumulative issues, these high importance subjects have to be addressed by other (policy) instruments.

### ***Adaptation of standards***

The standard should be applicable in a wide range of circumstances, and would need to be adapted regionally and vary between different sectors. This is independent from which approach (key impacts/indicators or three-level approach of principles, criteria and indicators) has been chosen. If criteria and indicators are intended for direct application and evaluation, then they need to be detailed enough to ensure consistent interpretation. At the same time, one of the main requirements of social and environmental standards and other types of standards is that they need to be flexible and relevant when applied in different social and environmental contexts. Taking the local social and environmental context into account it is critical to ensuring the fairness of the standard and to avoiding unnecessary barriers to trade.<sup>56</sup>

An example of how regional adaptation of principles can be carried out is given in the FSC system, with its structure of 10 globally applicable principles and 58 regionally adaptable criteria, as shown in Figure 6. Adaption of the world-wide similar principles is done by national working groups. For example the principle of protecting indigenous people may not be relevant in central Europe, just as the criteria for the principle “plantations” would not be relevant in Germany, since plantations (with some exceptions) will not be subject to FSC certification in Germany (for an overview of FSC principles see Table 3).

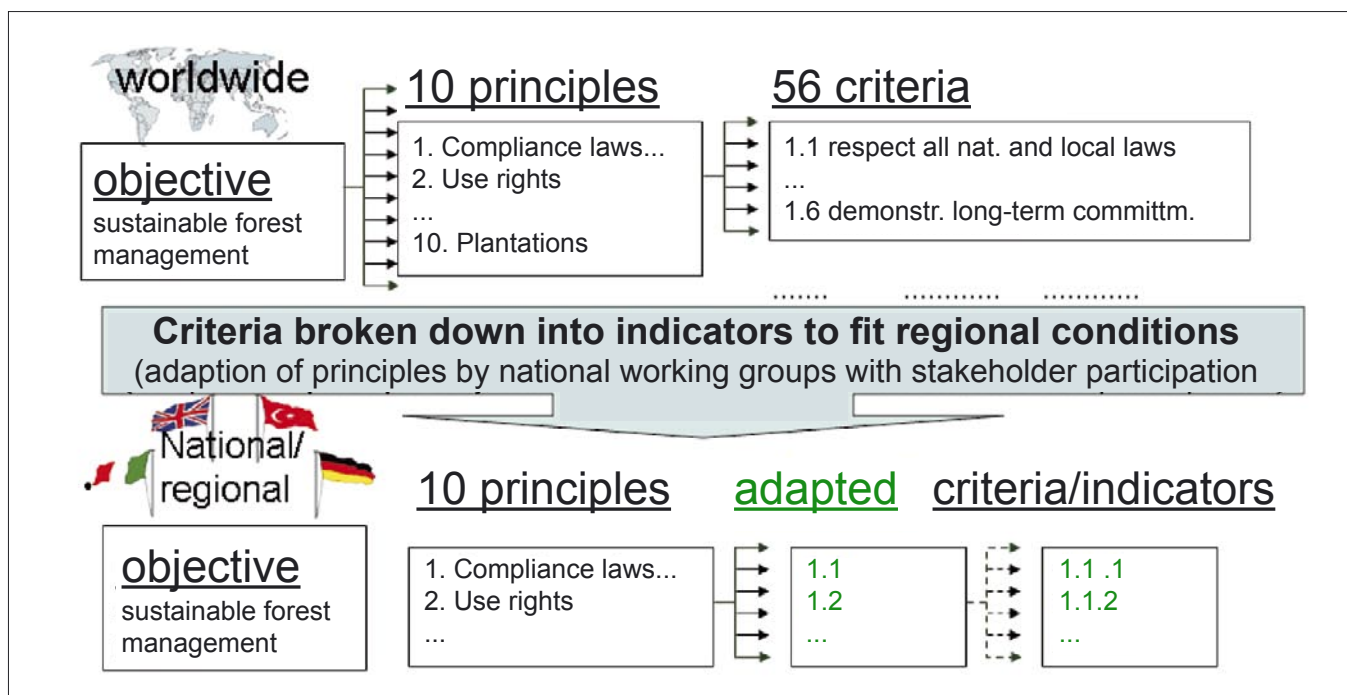
### ***Outlook on expanding the NRS to a broader array of natural resources***

The NRS could be expanded to cover an even broader scope of natural resources, such as aquatic resources, at a further stage of implementation.

However, overlaps of common principles/criteria and indicators, or the selection of key impacts, would show a considerably lower overlap (see Figure 7 for an overview of MSC principles) and comparability than those outlined above for terrestrial biomass.

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<sup>56</sup> See ISEAL 2007a



**Figure 6:** Regional adaption of FSC principles and criteria<sup>57</sup>

In principle, though, the NRS development process shall also be open for the inclusion of other resources, such as aquatic or non-renewable resources (e.g. mining) since extraction of these natural resources causes some similar impacts.<sup>58</sup>

#### Principles of the Marine Stewardship Council (MSC):

1. No over-fishing or depletion of the exploited populations
2. Maintenance of the structure, productivity, function and diversity of the ecosystem
3. Effective management system that respects local, national and international laws and standards

**Figure 7:** Principles of the Marine Stewardship Council<sup>59</sup>

However, a closer look at the MSC principles also shows possible junctures to the NRS approach, and can possibly provide ideas for an even broader indicator. The MSC follows a rather holistic approach by including all ecosystem functions in one principle (Principle 2). The ecosystem approach of MSC can therefore be taken as an opportunity to integrate impacts to be measured by an indicator “ecosystem health”. Metrics for this indicator still need to be defined; they would potentially make use

of global analysis of ecosystems and ecosystem services such as the Millennium Ecosystem Assessment.

Furthermore, key impacts of aquatic resources that would be comparable with those of terrestrial biomass include habitat destruction and impacts on biodiversity, with “reduction of by-catch in %” as a possible indicator). As for aquaculture, resource efficiency (input per unit output) may be a comparable key indicator, as “extraction of fish” is basically comparable to the extraction of terrestrial biomass. In the case of social issues (which are not covered by the MSC) the overlap with extraction or production of products derived from other natural resources may be even higher.<sup>60</sup>

<sup>57</sup>Schlegel 2007

<sup>58</sup> For an overview of principles for responsible mining see Miranda et al. (2005)

<sup>59</sup> Schlegel 2007.

<sup>60</sup> Labour conditions and local benefits could be easily merged into the marine standard. Land-use rights, which could be adapted as ‘rights for fishing in specific marine areas’, are also an important issue of the social dimension in international fishery.



## 6 Conclusions and next steps

### 6.1 Building a broad alliance

The previous chapters outlined the vision of a global standard-setting scheme (NRS) and the options available for the design of the standard, and hopes to serve as a first step in the analysis of what benefits, opportunities and challenges could result of such a standard. However, further development needs in-depth debate on the more detailed objectives of the NRS.

Interviews conducted for this paper, in which international experts from different standard-setting organisations, NGOs and research institutes were questioned, have shown strong support for the idea of a Global Sustainability Standard-Setting Scheme for products derived from natural resources. However, this paper cannot and does not aim to be a substitute for a broader stakeholder discussion, which is encouraged and seen as an essential step to further develop this idea.

The building of a broad alliance of supporters, developing and carrying forward a generic standard and a NRS standard-setting organisation or initiative, is therefore seen as a crucial step for the development of the NRS.

These stakeholders will need to be identified in civil society, private sector/industry and potentially (international) intergovernmental organisations and governments. Important partners also need to be found within the existing best-practice standard-setting schemes and initiatives (e.g. ISEAL members<sup>61</sup>, GLOBAL G.A.P.<sup>62</sup>, etc.), as these will be crucial for acceptance of the NRS. Also, from the very beginning, a balance must be established between industrialised and developing countries, and both must be involved from the early stages of the debate.

This also requires an analysis of how different stakeholders would position themselves regarding the

idea of the NRS, that is if they are likely to support or oppose it and what they consider as crucial for the success of the standard.

### 6.2 Further development of the standard

The formation and balance of different stakeholders in the NRS standard-setting scheme will essentially shape the standard's design.

For example, if it is more business orientated it will be more likely to target mainstream production, probably resulting in a better-practice standard.<sup>63</sup> In contrast, if e.g. ISEAL members would be the nucleus of the NRS initiative<sup>64</sup>, the scheme would probably aim for a best-practice standard. Moreover, in the latter case stakeholders may be more open to a meta-standard approach than to a new generic standard, given that a meta-standard would not require the revision of their (established and specialized) standards.<sup>65</sup>

Obviously, different issues in the standard-setting process are interlinked and may even lead to conflicts between different objectives of the scheme, e.g. the likely incoherency of a new generic standard and a best-practice focus. It may also be difficult to develop key indicators for different sectors under a new generic standard applicable in the short term, given that approaches targeting key impacts and key indicators still need to be developed.

Given these major implications of the standards design which depend on the NRS stakeholder formation, it is not possible to presume what approach will be either the most feasible or the more likely to be implemented. Likewise, a more detailed cost-benefit analysis for different stakeholders could not have been undertaken and was outside of the scope of this study. However, a cost-benefit analysis will be indispensable for stakeholder's evaluating if or if not to participate in the NRS.

<sup>61</sup> The International Social and Environmental Accreditation and Labelling (ISEAL) Alliance is an association of leading voluntary international standard-setting and conformity assessment organisations that focus on social and environmental issues. Its seven existing members, compliant with the ISEAL Code, are: Fairtrade Labelling Organizations (FLO) International, Forest Stewardship Council (FSC), International Federation of Organic Agriculture Movements (IFOAM), Marine Aquarium Council, Marine Stewardship Council, Rainforest Alliance, Social Accountability International.

<sup>62</sup> On September 7, 2007 EUREPGAP has changed its title to GLOBALGAP. GLOBALGAP is a private sector body that sets voluntary standards for the certification of agricultural products around the globe. It covers over 80,000 certified producers in 80 countries.

<sup>63</sup> This would imply staying below the possibilities of a best-practice standard.

<sup>64</sup> A number of ISEAL members as well as some external initiatives are also in the process of exploring various conceptions of a meta-standard or global coordinating process. ISEAL and its members will hold a high level strategic planning meeting on this issue in October 2007.

<sup>65</sup> Interview with Patrick Mallet, ISEAL, August 2007



### 6.3 Implementing the standard

This report has given priority to the design and development of a generic standard for the extraction or production of products derived from natural resources. Developing the standard needs to be seen separately from the actual implementation of the standard, which could be done in various ways. In particular the standard can be implemented by:

- a **certification scheme** (visible (label) for the consumer or non-visible (business-to-business standard, etc.)),
- **reporting obligations**,<sup>66</sup>
- a **benchmark standard**,
- **voluntary guidance on good practice**,
- **agreements on rules for public procurement**,
- **regulation, intergovernmental agreements**,
- **trade guidelines, codes of conduct**,<sup>67</sup> etc.

However, determining the end-use of the standard has significant impacts on what issues should be included in the standard and how the standard is to be set. A standard made for regulation looks different than one designed for certification. A consumer label usually means that more stakeholders will have an interest in being involved in its development. If demand for uptake of the standard is expected to be driven by retailers and producers, then their interest need to be represented by involving them as stakeholders in the standard-development process.

These decisions, again, influence how monitoring and reporting requirements are set, how the standard is audited and verified along the chain of custody, and thereby the impact of a standard.

### 6.4 Windows of opportunity for implementing the standard

The objectives of a global standard-setting scheme for products derived from natural resources can be linked to several ongoing debates and developments. This fact may imply a window of opportunity for the implementation of the NRS and may be used as a starting point for the development of a joint Global Standard-Setting Scheme.

Particularly due to the urgency and rising demand for **sustainability standards for bioenergy**, a generic standard for biomass may find a practical application.

Currently, many standard-setting initiatives are in place, coordinated by civil society organisations, the private sector and/or (inter-)governmental organisations that aim to develop standards for a sustainable production of biofuel feedstocks. One of the most promising standard-setting initiatives is the Roundtable on Sustainable Biofuels.<sup>68</sup> It has a transparent and open stakeholder discussion and proceeds rather quickly in the establishment of principles and criteria. Other initiatives include the Global Bioenergy Partnership (GBEP), national initiatives in Germany, UK, the Netherlands and other countries, and the EU Commission's current work on sustainability standards for biofuels.<sup>69</sup>

The NRS and the standard-setting schemes for biofuels have in common that they address a wide range of (biomass-based) natural resources. Both require a standard that goes beyond existing agricultural and forestry standards. Most importantly, the NRS can be an opportunity to widen the standards-setting's scope to cover biomass, given that almost all current initiatives are limited to biofuels only. Moreover, the NRS can be of interest because of the constantly new bioenergy feedstocks being evaluated (e.g. *Jatropha*); these are not yet covered under the bioenergy standard-setting schemes (due to the fact that most initiatives use a meta-standard approach) and/or are limited only to biofuels instead of bioenergy.

Many of these bioenergy standard-setting schemes are already consulting stakeholders, so that they can serve both as a platform to discuss the expansion of the scheme from biomass to a broader scope of natural resources, as well as be a starting point for the NRS.

<sup>66</sup> For example the implementation of the UK Renewable Transport Fuels Obligation (RTFO) requires companies to report on the sustainability and GHG-performance of the biofuels they sell in the UK.

<sup>67</sup> A code of conduct is a set of rules outlining the responsibilities of, or proper practices for, an individual or organisation.

<sup>68</sup> Although limited to biofuels, in their recently published draft of principles they note that "while we hope that the principles and criteria that we develop could be applicable for any biomass production, this first phase of the Roundtable's work will focus on the typical biomass feedstocks and supply chains used in transport fuel, as this is where much political and industrial activity is currently concentrated." (RSB 2007)

<sup>69</sup> More standards-setting initiatives for biofuels have been analysed in van Dam et al 2007. Recently a U.S. based initiative, launched by Friends of the Earth U.S. and the IATP, has also started to draft principles for sustainable biomass. (<http://www.sustainablebiomass.org/>)

Moreover, the NRS standard can be linked to **climate policy**, serving as a label for the Clean Development Mechanism (CDM), Joint Implementation (JI) and voluntary carbon offset projects. Thereby it can recognize best-practice projects (particularly with regard to renewable energy), fostering sustainable development without generating additional emissions.<sup>70</sup>

Further policy opportunities, focussing on a more sustainable use of natural resources/biomass, and which may support the initiative and anchor results are:

- The **COP 9/Convention on Biological Diversity** (CBD) in Bonn, 2008 (discussions on sustainability

standards and criteria for biomass production at the COP 9 in Bonn, 2008)

- The **International Panel on the Sustainable Use of Natural Resources**
- Input in the **CSD Forum** (UN Commission for Sustainable Development (CSD))
- The **Marrakech Process**

While many of these options are very promising, the range of synergies that can be exploited also depends on the set-up of the NRS initiative and its core objectives. Further descriptions on these processes and the opportunities they provide can be found in the Annex.

### The role of ISO standards for NRS

The International Organisation for Standardisation (ISO) is a federation of the national standard-setting bodies in 157 countries<sup>71</sup> that identifies which international standards are required by business, government and society; it also develops these standards with the sectors that will put them to use, adopts them, and delivers them to be implemented world-wide. ISO has also decided to move into the development direction of social and environmental standards.

The different approaches towards the NRS standard explored within this paper all respect the ISO codes of good practice. However, neither the creation of a separate ISO standard (as a new generic standard) for products derived from natural resources, nor the “greening of standards”<sup>72</sup> (which could then serve as qualifying standards), is seen as a suitable option for the NRS, since ISO standard-setting procedures do not meet all requirements of the ISEAL Code of Good Practice for Setting Social and Environmental Standards, seen as a basic requirement for the NRS.

Many stakeholders, including ISEAL, have raised concerns and criticism that the governance structure, membership priorities, business models and operational procedures of ISO are currently not suitable to meet the main requirements of environmental and ethical standard-setting. Most prominent among these concerns are the weak participation of disadvantaged stakeholders and a lack of transparency and access during the development of new standards.<sup>73</sup>

**Box 2:** The role of ISO standards for NRS

<sup>70</sup> A comparable standard (the gold standard) has already been developed by the Gold Standard Foundation, a non-profit foundation under Swiss Law, funded by public and private donors. (<http://www.cdmgoldstandard.org>)

<sup>71</sup> On 1 August 2006, see „ISO in Brief“ 2006, [http://www.iso.org/iso/en/prods-services/freedownloads/isoinbrief\\_2006-en.pdf](http://www.iso.org/iso/en/prods-services/freedownloads/isoinbrief_2006-en.pdf)

<sup>72</sup> I.e. to include a set of sustainability criteria in any standard.

<sup>73</sup> See ISEAL letter to ISO Secretariat and COPOLCO members, 10 May 2007.

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## 8 Annex – Policy opportunities

### 8.1 Convention on Biological Diversity (CBD)

Adopted in 1992 at the Rio Earth Summit and ratified by 190 countries, the CBD is dedicated to the conservation and sustainable use of biological diversity. It comprises all plant and animal species, their genetic variability, and all ecosystems, and is based on the three pillars of protection, sustainable use and benefit sharing. It is legally binding but contains no immediately enforceable obligations.

Given that the current unsustainable use of natural resources is one of the main drivers for the ongoing loss of biodiversity worldwide<sup>74</sup>, the convention assigns high importance to a sustainable use of natural resources<sup>75</sup>. The global sustainability standard-setting scheme for natural resources (NRS) could therefore be an instrument to achieve these objectives, and may be taken up by the Conferences of the Parties that take place every two years. The next Conference of the Parties (COP9) takes place on 19 to 30 May 2008 in Bonn, and may provide an opportunity to promote the vision of the global standard-setting scheme for natural resources.

Whereas it needs to be noted that products derived from natural resources are not within the convention's core objectives, the sustainable management of natural resources is indeed one of the concerns of the CBD. In the last 15 years there have been 12 decisions of the Conference of the Parties (COP) or the Subsidiary Body for Scientific, Technical and Technological Advice (SBSTTA) dealing with specific aspects of the sustainable use of natural resources.<sup>76</sup> Furthermore, in 2002 the COP6 adopted the Addis Abeba Principles<sup>77</sup> and Guidelines for the Sustainable Use of Biodiversity. A reference to certification and standard setting can be found in the expanded working programme on forest biodiversity, where objective 1(f) reads: *Encourage*

*implementation of voluntary third-party credible forest certification schemes that take into consideration relevant forest biodiversity criteria and that would be audited, taking into consideration indigenous and local community rights and interests.*

However, the issue of standard setting may play a larger role in the future. Principally there are four different ways to place this issue on the CBD agenda.

#### ***The COP meetings / MYPOW***

The thematic as well as the cross-cutting issues on the agenda of the COP meetings have been predefined in the so-called multi-year-programme-of-work (MYPOW) for the COPS. It has been agreed on until COP10 in 2010 in Japan. The process on the next term of MYPOW will take place mainly between COP 9 and 10 and has already started.

#### ***SBSTTA meeting***

SBSTTA (Subsidiary Body for Scientific, Technical and Technological Advice) is a subsidiary body of the Conference of the Parties (COP) and is to report regularly to the COP on all aspects of its work<sup>78</sup>. The agenda of the SBSTTA meetings is more or less synchronised with that of the COP. Even so, it is more receptive of issues that are still under discussion but not developed enough for political consensus.

Therefore, the chances to discuss at this level issues like standard setting or certification as an instrument towards sustainable management of natural resources is possible. The European position for the SBSTTA meetings is prepared in the so-called VILM meetings. It might be appropriate to contact the German organisers of these meetings or the Danish secretary of the SBSTTA.

#### ***Ad-hoc working groups / specific work programmes in thematic areas***

During the operation of the convention, several ad-hoc working groups for specific issues have been established under the convention. These are for example the AWGs on Article 8, Protected areas, ABS, or on the review of the convention's implementation. In these working groups the international experts discuss, among other issues, technical solutions for operation in specific areas. These groups report to the secretariat of the convention,

<sup>74</sup> Millenium Ecosystem assessment 2005

<sup>75</sup> Article 10 of the Convention

<sup>76</sup> The latest, at COP 7 in Kuala Lumpur in 2004(VII/12) respectively SBSTTA XI/13 in 2005.

<sup>77</sup> The Addis Abeba Principles and Guidelines for the Sustainable use of Biodiversity consist of fourteen interdependent practical principles, operational guidelines and a few instruments for their implementation that govern the uses of components of biodiversity to ensure the sustainability of such uses. The principles provide a framework to assist governments, resource managers, indigenous and local communities, the private sector and other stakeholders on how to ensure that their use of the components of biodiversity will not lead to the long-term decline of biological diversity.

<sup>78</sup> Its functions include: providing assessments of the status of biological diversity; assessments of the types of measures taken in accordance with the provisions of the Convention; and respond to questions that the COP may put to the body.



feed in to SBSTTA and present their results at the COPs. For some ecosystems or land use activities, specific working programmes have been set up. These include the programmes on forest biodiversity or agricultural biodiversity. Sustainability standards may also be discussed among the so called “cross-cutting issues”.

### ***National Biodiversity Strategies and Action Plans (NBSAPs)***

National Biodiversity Strategies and Action Plans (NBSAPs) should cover all ecosystems, all three objectives of the Convention – conservation, sustainable use and benefit sharing –, and all specific commitments. Not all contracting parties have adopted NBSAPs; only a few BSAPs have been implemented thus far. Even so, the NBSAPs play the main role in implementing the Convention. Therefore, it might be appropriate to link the idea of the NRS to the national implementation or review process of the NBSAPs.

### ***Opportunities at the COP 9, Bonn***

Whereas most of the issues for the COP 9 have been predefined in the so called multi-year-programme-of-work (MYPOW), there is still some room for new and emerging issues relating to the conservation and sustainable use of biodiversity to be put on the agenda. Their identification is one of the specific functions of the SBSTTA.

In consultation with the members of the SBSTTA Bureau, the Executive Secretary identified, among other issues, the interlinkages between biodiversity and biofuel production as a new and emerging issue for consideration by SBSTTA at its 12th meeting (2 - 6.7.2007) in the framework of the objectives of the convention and the 2010 biodiversity target. In preparation for this meeting, the Executive Secretary of the Convention has launched this electronic forum to gather information on the status and trends of biofuel production. Because one of the key questions raised was: “What are the existing solutions and recommendations to reduce the negative impacts and promote the benefits of biofuel production and use?”, the issue of standard setting and certification is likely to be raised. Moreover, sustainability standards and criteria for biomass production was one of the subjects of the Expert Meeting in preparation of the SBSTTA-12<sup>79</sup> in Vilm, April 10-14, 2007. The meeting’s report outlines two alternatives for a standard for the production and consumption of biomass. Alternative 1 requests and invites parties and other governments,

relevant international organisations, and the private sector to develop and apply standards and guidelines. Alternative 2 even suggests adoption of (those) international standards for biodiversity conservation and sustainable use of biomass production and consumption. The list of principles and criteria gives further insight in the requirements of a sustainable biomass standard from the point of view of biodiversity.<sup>80</sup>

In addition to the preparation of the SBSTTA meeting to be held in July 2007, the draft conclusions of the Council of the European Union for the preparation of the COP 9 (June 12, 2007) give further insight into the CBD preparations. The conclusions highlight the need for sustainability criteria for bioenergy<sup>81</sup> and stress the importance of sustainable management of forest and marine resources. It also emphasises the need for new measures, such as market incentives, and underlines the “positive role of public procurement and market-based certification schemes”.

Considering the biomass standard-related questions to be put on the CBD agenda, the COP 8 may provide a suitable forum to further promote and discuss a concept for a global standard-setting scheme for sustainable use of natural resources.

## **8.2 International Panel on the Sustainable Use of Natural Resources**

The International Panel on the Sustainable Use of Natural Resources was launched by the UN Environment Programme (UNEP) and the European Commission in 2006 to make progress towards the goal of decoupling resource use from environmental degradation. Pre-meetings were conducted in December 2006, and the inaugural meeting will take place in Fall 2007 (no date has been set yet). The Panel is comprised of an approximately 20-member board that will set the agenda,

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<sup>80</sup> The suggested standards and guidelines should contain minimum GHG saving thresholds, integrity of high biodiversity value habitats, the issue of leakage, maintenance or enhancement of biodiversity, integrity of water quality and supply, the maintenance or enhancement of soil quality, preventing the spread of invasive alien species, safe transfer, handling and use of living modified organisms, and ensuring food security and livelihoods of indigenous and local communities.

<sup>81</sup> HIGHLIGHTS the need to prevent and minimise potential negative impacts of bio-energy production on biological diversity; IS OF THE OPINION that COP 9 should endorse the principle that bio-energy production should not have negative effects on biological diversity and CALLS FOR COP 9 to develop, in co-operation with relevant stakeholders, biodiversity guidelines for standards and certification relating to the production and consumption of bioenergy.

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<sup>79</sup> Vilm, April 10-14, 2007.

and an approximately 20-member research panel that will provide scientific advice. The Panel will address production and consumption of both renewable and non-renewable resources by focusing on the material flow and life-cycle of resource use in product development. It is expected that meetings will not be held more than twice a year, but that working groups will be established to address issues in more detail. The Panel has three overall objectives:

1. to collect information and develop methodology to monitor global progress on resource use,
  2. to provide policy recommendations to reduce environmental impacts, and
  3. to support capacity building in developing countries.
- In addition, some members have suggested that “as a long term objective, the Panel may wish to consider presenting a global vision on alternative scenarios of future supply and efficient use of natural resources considering their socio-economic implications”.<sup>82</sup> The first two areas that will be addressed by the Panel include biofuels and global metal recycling, for which respective scoping studies are currently underway.

Although a direct line of communication between outside stakeholders and the Panel has not yet been established, the objectives of the NRS are closely aligned with the overall goals of the Panel. Effort should be made to promote the Scheme as part of the potential long-term global vision of the Panel.

### 8.3 UN Commission for Sustainable Development (CSD)

The UN Commission for Sustainable Development (CSD) was established following the 1992 Earth Summit in Rio, in order to assist in the implementation of Agenda 21 and the Rio Declaration on Environment and Development. The CSD is also responsible for implementing the Johannesburg Plan of Implementation, resulting from the 2002 World Summit on Sustainable Development, and is focused specifically on the Millennium Development Goals.

The CSD’s 53-member commission meets annually in New York to address thematic issues that are established up to 2017, according to a two-year cycle. The first year of the cycle is used to gather information and the second year is used to develop policy recommendations. The current 2006/2007 cycle focuses on energy for sustainable development, industrial development, air pollution/

atmosphere, and climate change. The 2008/2009 cycle will focus on agriculture, rural development, land, drought, desertification, and Africa. The CSD forum allows input from ‘Major Groups’, which include NGOs as one of seven broad categories.<sup>83</sup> Thus, there may be an opportunity to promote the idea of a Global Standard Scheme for Natural Resource products (especially with respect to agriculture) in the next cycle through the NGO Major Group ‘discussion paper’ in 2008 and ‘priority for action’ paper in 2009.

### 8.4 Marrakech Process

The Marrakech Process is a process whereby a 10-year framework is being developed - through a series of international and regional expert meetings - to guide the transition to a sustainable global economy. The Framework will be launched by the CSD in 2011. The development of this framework was called for in the Johannesburg Plan of Implementation resulting from the 2002 World Summit on Sustainable Development, and has been organised jointly by UNEP and UN Department on Economic and Social Affairs (DESA) Division for Sustainable Development. Contribution from ‘major groups’ is being used to develop ways to implement change at the national and regional levels. This process provides an avenue to discuss a global standard-setting scheme.

<sup>82</sup> [http://www.unep.org/pc/pc/graphics/RP\\_Flyer\\_Feb07\(General\)%20pdf.pdf](http://www.unep.org/pc/pc/graphics/RP_Flyer_Feb07(General)%20pdf.pdf)

<sup>83</sup> Major Groups CSD website: [http://www.un.org/esa/sustdev/mgroups/about\\_mgroups.htm](http://www.un.org/esa/sustdev/mgroups/about_mgroups.htm)





WWF is one of the world's largest and most experienced independent conservation organisations, with almost 5 million supporters and a global network active in more than 100 countries.

WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by

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- ensuring that the use of renewable resources is sustainable and
- promoting the reduction of pollution and wasteful consumption.

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