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on Forest Economics and Statistics

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Agenda item 5

GUIDANCE OF WORK AREA 3: FOREST SECTOR OUTLOOK STUDIES

Note by the Secretariat

This paper briefly presents the activities related to the work area 3: forest sector outlook studies, and presents some issues for discussion by the Working Party, notably in view of the third Strategic Review of the UNECE/FAO programme, which will be carried out in 2007-2008.

I. INTRODUCTION

1. The *European Forest Sector Outlook Study (EFSOS), Main Report*, was issued in 2005, along with copious background documentation – Discussion Papers and raw data (posted on the website). Since then, UNECE/FAO has focused on follow-up at the regional level, and in particular:

- a. presenting the results;
- b. stimulating discussion, especially among policy makers;
- c. analysing policy issues using EFSOS data, especially wood energy and the question of mobilizing the resource for raw material and energy;
- d. developing the cross sectoral dimension;
- e. monitoring trends in comparison with EFSOS scenarios.

2. At the same time, FAO:
 - a. has implemented the *Forest Outlook Study for West and Central Asia* (main report in press);
 - b. in autumn 2006 started *The Asia-Pacific Forestry Sector Outlook Study II*;
 - c. in 2006 started the *Global Forest Products Outlook Study*; ongoing and future components are the following:
 - i. wood supply from plantations;
 - ii. econometric modeling of demand;
 - iii. wood supply from other forests;
 - iv. global, regional, country projections (main report)
3. This paper briefly presents activities related to the work area 3: sector outlook studies and presents some issues for discussion by the Working Party, notably in view of the third Strategic Review of the ECE/FAO programme, which will be carried out in 2007/8, as this is the last Working Party session before the Strategic Review.

II. ACTIVITIES IN WORK AREA 3, 2006-2007

4. The French and Russian versions of the *European Forestry Sector Outlook Study (EFSOS), Main Report* were issued, in 2007 and 2006 respectively.
5. The secretariats continued to incorporate data and analysis from EFSOS into a wide variety of presentations (e.g. at the Swiss Forestry Association annual meeting).
6. A UNECE/FAO Geneva Timber and Forest Discussion Paper (currently in press) prepared by Fabian Schulmeyer compared the EFSOS scenarios to 2005 with recorded results. The Discussion Paper will be made available to Working Party delegates prior to the meeting in final draft form. Its main conclusions are that most of the real developments are quite close to the scenario. The major exception is the scenarios for wood energy, which as the study's authors acknowledged, are far removed from reality.
7. The quality of data and analysis on wood energy were recognised as major weaknesses by EFSOS. This, combined with a high level of policy interest, have led the secretariat to focus over the last year on improving the sector's capacity to monitor and analysis the wood energy issues. The main obstacles to better analysis may be summarised as follows:
 - a. weak, incomplete, even misleading data about the present situation (sources and uses of wood energy)
 - b. weak understanding of scenarios for future demand for wood energy, and how it will be influenced by public policy objective and measures.
 - c. Incomplete understanding of the potential of the European forest, as well as wood residues, recovered wood and trees outside the forest, to supply higher volumes and under what circumstances: recent year have seen a surplus and under use of wood, so this dimension had received rather less interest than in the past.

- d. weak understanding of the factors driving other sectors, notably energy, which are increasingly influencing, even determining demand for wood (this aspect was addressed at the workshop on cross sectoral dimension in Riga in 2005).
8. Finally, if the wood energy situation is to be properly understood, there is an urgent need for a comprehensive, quantified view of the overall supply–demand balance for wood (including wood for energy in a more adequate way than was possible in EFSOS) in the medium and long term – the basic *raison d'être* of outlook studies from the beginning. This appears particularly important at present given the strong policy interest and the appearance of many partial views, which could be considered misleading if taken out of context.
9. Needless to say, all this work must be: based on existing data and analysis; carried out with partners; carried out in consultation with national experts; and presented carefully to policy makers.
10. Measures carried out in 2006-2007 include:
 - a. an in-depth effort to improve the quality of the basic data on wood energy: the Joint Wood Energy Enquiry (discussed under agenda item 6); and
 - b. the Workshop on Mobilization of Wood for Raw Material and Energy held in January 2007 was not only an opportunity for an exchange of opinion and experience but also for analysis. A background paper attempted, on the basis of available information (including EFSOS and the study on wood energy), to start constructing a broad picture. Several other papers, including the keynote paper by Sten Nilsson also contributed to this analysis. The workshop strongly recommended that UNECE/FAO take the lead in developing this analysis.
11. The secretariat is contacting potential partners to implement the recommendation of the workshop: the Working Party will be informed of developments, and asked to review and guide the future work.

III. STRATEGY FOR OUTLOOK STUDIES IN 2008-2012

12. Strategic reviews of the UNECE/FAO integrated programme lay down the priorities and broad objectives for a four year period. Although the process has not yet formally started – it is scheduled for 2007-2008 – the secretariat suggests that the Working Party start discussion of the activities under work area 3.
13. It will be recalled that for 2004-2008, under the work area 3, the main activity was completion of EFSOS, presentation and follow up of its results. The Working Party has been invited to guide this work at its annual sessions. However, as of 2008, the analysis of EFSOS will be outdated (although published in 2005, most analysis was carried out in 2001-2003), and there is at present no firm plan for the future.
14. As a preliminary to the Strategic Review, Working Party delegates are invited to exchange opinions about future outlook study work. They may wish to address the following questions:

- a. Should another European forest sector outlook study be prepared?
- b. If so, what should be its format? Similar to EFSOS or should one or other dimension be reinforced?
- c. Could the policy relevance of the study be improved?
- d. Should a team of specialists be formed to guide the work?

IV. POINTS FOR DISCUSSION OF THE WORKING PARTY

15. *The Working Party is invited to:*

- a. take note of the activities under work area 3 in 2006/7;***
- b. provide guidance for future activities on assessing the supply demand balance for wood in the light of recent developments for wood energy;***
- c. share opinions on the shape of future work on outlook studies.***