Overview

1. Illegal logging
2. EU and illegal timber trade
3. The EU Timber Regulation
4. Due Diligence requirements
5. Addressing the challenge
1: Illegal logging
The problem of illegal logging

- Deforestation
- Greenhouse gas emissions
- Loss of government revenues
- Unfair competition
Chart 9: Global middle class in 2009 and prediction for 2030

Sources: OECD, Standard Chartered Research
A large-scale problem

Illegal timber = app. 20-40% of global industrial wood production worth $10 billion a year

Source: EU
Poor governance...

- Flawed policies and legal frameworks
- Poor law enforcement
- Corruption
- Insufficient data

..and high demands for illegal timber
Governmental responses

Policies
- EU FLEGT
- National timber procurement policies

Legislation
- EU Timber Regulation
- US Lacey Act
- Australian Timber Bill
Public timber procurement policies in the EU

<table>
<thead>
<tr>
<th></th>
<th>France</th>
<th>Germany</th>
<th>Belgium</th>
<th>Denmark</th>
<th>UK</th>
<th>Netherlands</th>
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</thead>
<tbody>
<tr>
<td>Current requirement</td>
<td><strong>Legal, sustainable preferred</strong></td>
<td><strong>Sustainable only</strong></td>
<td><strong>Sustainable only</strong></td>
<td><strong>Legal, sustainable preferred</strong></td>
<td><strong>Sustainable or FLEGT licensed</strong></td>
<td><strong>Sustainable only</strong></td>
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<tr>
<td>Criteria for scheme evaluation</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>


Growth in timber legality assurance

“The demand for legal and sustainably verified products is increasing rapidly. If we are not proactive in responding to these types of changes, we will lose our competitiveness”

Charlotte Korn
Managing Director, ScanCom Indonesia.
2: EU and illegal timber trade
EU’s role in illegal timber trade

Around 20% of all illegally harvested timber ends up in the EU

Share of timber product exports that go to EU:
- Russia: 30%
- China: 30%
- Brazil: 46%
- Indonesia: 28%

Sources: EU and UN Comtrade Database/LEI of Wagening University and Research Centre
FLEGT Voluntary Partnership Agreements
Ensuring Legal Timber Trade & Strengthening Forest Governance

Video Gallery

Illegal Logging: The Problem
(04:09 min). Play in FR ES

FLEG A ENGLISH -
The Problem: Illegal Logging
from Handcrafted Films on Vimeo.

Fighting Illegal Logging: FLEGT Voluntary Partnership Agreements
(04:24 min). Play in FR ES
EU FLEGT action plan

- Voluntary partnership agreements (VPAs)
- Shipments under the agreement must be accompanied by a FLEGT licence
- Capacity building in partnership countries
- Applies only to certain types of products (does not cover e.g. furniture and paper)
- Six VPAs in place (Cameroon, Central African Republic, Ghana, Indonesia, Liberia Republic of Congo (Brazzaville))
of 20 October 2010
laying down the obligations of operators who place timber and timber products on the market
(Text with EEA relevance)
3: Overview of the EU Timber Regulation
Sources Outside EU

Processors and manufacturers

EU Internal Market

- Prohibition on illegal timber
- Due Diligence
- Details of suppliers & customers
- Details of suppliers

Operators

Importer

Trader

Trader
“Operator” = “First Placer”
EU Timber Regulation in brief

1. Prohibition on the first placing of illegal timber and timber products on the EU market
2. Obligation of “Due Diligence” for “operators”
3. Basic traceability for internal traders
4. Covers nearly all products containing wood or wood fibre
Which products are covered?

Definition of legality

Legislation applicable in country of harvest:

- Legal right to harvest ★
- Taxes/fees linked to harvesting ★
- Compliance with timber harvesting laws ★
- Respect for third parties’ tenure/use rights ★
- Relevant trade and customs rules ★
EC = European Commission
CA = Competent Authority
MO = Monitoring Organization

**Country X**
- CA
- MO
- Operator
- Trader

**Country Y**
- CA
- MO
- Operator
- Trader

Flow的方向:
- Recognition
- Communication of the recognition
- Control
- Control & sanctions
- Monitoring & information
- Wood procurement in the internal market
Which penalties are expected?

- The Competent Authorities of member states will define the penalty range.
- Sanctions shall be effective, proportionate to the severity of the violation and have deterrent effect.
- Possible sanctions include fines/confiscations and suspension of trade permit.
Who is liable?

All "Operators" will be liable to prosecution and penalty under the Regulation.
Who needs to prove what?

Violation of the Due Diligence requirement:
• Competent Authority (Police investigation in special cases)

Violation of the ban on illegal timber:
• Competent Authority
• Police

The burden of proof rests with the authorities
Low awareness among operators

Survey in Denmark:
• 50% had heard about the regulation
• Less than 25% aware of key requirements
• Most expect increased bureaucracy and supply problems
Government Barometer on Illegal Logging and Trade:

- 17 of 27 member states fail to take sufficient action to address illegal timber trade

Source: http://barometer.wwf.org.uk/
Consequences

- Increased control by authorities
- Risk of penalty/sanction
- More transparent market
- No more unfair competition from illegal timber products
- Potential for “First mover” advantage
Timeline for enforcement

- **2 December 2010**: the Regulation was adopted
- **3 June 2012**: Detailed requirements to be released
- **3 March 2013**: In force across all Member States.
4: Due Diligence Requirements
Due Diligence Components

- Information
- Risk assessment
- Risk mitigation
Due Diligence Process

- Access supply chain information
- Material categorisation
- Risk assessment
- Risk mitigation

- FLEGTLicensed
- CITES licence
- Negligible Risk
- Risks mitigated
- Non-negligible Risk
- Unknown origin and un-verified
- Un-mitigated risks
Access to information

- Species
- Supplier
- Volume
- Legal Compliance
- Origin
  - Country, and if applicable:
  - Region
  - Concession
Risk assessment

Supply Chain

Species

Region
Risk: Origin

- Legal right to harvest and approved planning authorisations
- Taxes and fees
- Environmental and operational regulations
- Social regulations
- Trade and transport laws
Risk: Supply chain
Risk: Species

- Existing studies
- Known occurrence of illegal logging
- NEPCon risk list
Risk mitigation

- Implement legality verification program – e.g. LegalSource
- Carry out supply chain audits
- Ask for additional evidence

- Substitute risky material or sources
5: Addressing the challenge
NEPCon and the EU Timber Regulation

Competent Authorities
- Capacity building
- Monitoring of implementation

Monitoring Organisations and Operators
- LegalSource Program
- Forest Legality Perception Index
- Information meetings

Operators
- GAP Analysis
- LegalSource Certification
- Supply Chain Verification
- FSC/PEFC/VLC certification
- Training
LegalSource Program

Certification standard

Due Diligence system
LegalSource Certification documents that the organisation:

✓ Fulfills requirements of the EU Timber Regulation
✓ Has a public sourcing policy fulfilling minimum requirements
✓ Fulfills the sourcing policy
✓ Implements an adequate Due Diligence system
Product verification
System certification
1. We provide the LegalSource Due Diligence System and guidance

2. You implement the Due Diligence System

3. We conduct a LegalSource certification assessment

4. Your LegalSource certificate is issued
Steps to ensure compliance

1. Take stock – assess your risk
2. Address any identified risk
3. Set up a Due Diligence system
4. Decide on how to monitor system implementation
Thank you!

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NEPCon works to ensure responsible use of natural resources and secure sustainable livelihoods by transforming land-use, business practises and consumer behaviour.