

ANNEX 1.5 France country report

1 Summary

The French tropical hardwood import sector has traditionally been strongly oriented towards francophone African countries and imports from Asia have played a relatively minor role. Wooden seating was the main Malaysian wood product imported into France during 2006 valued at 17 million euro. This amounts to only 2% of imports into a market segment dominated by domestic and Italian production. Hardwood sawn lumber was the next most significant Malaysian product valued at 15 million euro and accounting for 15% of total French imports. The only other Malaysian products registering imports above negligible levels were doors and hardwood mouldings.

The French government has established a procurement requirement that all wood purchased by central government departments and agencies must be “legal and sustainable”. The policy would currently allow use of FLEGT VPA licenses as sufficient evidence that primary and secondary wood products meet this requirement. On the other hand, FLEGT VPA licenses are unlikely to fulfil the requirements for manufactured products for which it is necessary to provide either an official eco-label or a recognised forest certification logo.

Furthermore there are now plans to update the public procurement policy. Conclusions of the “Grenelle de L’Environnement”, a government environmental consultation process undertaken in the second half of 2007, state that “certified wood must be favoured in public building: 100% of wood products purchased by the state should be certified by 2010”. The French government has stated that it “proposes to strengthen the current policy within this new framework”, while also indicating that FLEGT VPA licenses will continue to be accepted after 2010. However whether FLEGT VPA licensing will be accepted as “equivalent” to private sector forest certification after 2010 or as a backup measure in the absence of such certification is not yet clear.

The process of developing timber procurement policies is still in the early stages at local and regional government level in France. Furthermore, knowledge and awareness of the FLEGT process is likely to be very limited at this level of government in France. Central government procurement policy together with the ICLEI Procura+ initiative are having some influence on the procurement behaviour of local and regional authorities, but equally important are the campaigning activities of NGOs (that are pushing an FSC-only agenda) and of domestic producers (that are pushing local wood with a PEFC certificate).

While interviews with government officials for this study indicate that they are generally supportive of the FLEGT VPA process, no specific measures – other than the existing procurement policy - seem to be underway to promote understanding of the process domestically. Lack of such promotion has potential to undermine market recognition and acceptance of FLEGT VPA licensed timber in France.

The potential long term impact of government procurement policy is significant in France. Public procurement is believed to account for up to 25% of national timber consumption and the French government is promoting the policy widely. On the other hand, the impact is currently constrained by lack of effective monitoring and enforcement procedures to ensure implementation.

Discussions about the possible introduction of additional legislation to control imports of illegal wood into France have been conducted as part of the follow-up to the "Grenelle de L'Environnement". A broad consensus has been reached in favour of legislation which would prohibit the placing of illegally harvested timber on the EU market. However views differ on where the burden of proof should lie. NGOs generally support legislation requiring that only legally harvested timber and timber products be placed on the market (timber supplier is obliged to demonstrate that wood is legal). The private sector favours the option prohibiting the trading and possession of timber harvested in breach of the laws of the country of origin (prosecution is obliged to demonstrate that wood is illegal).

LCB, the French trade association which represents an estimated 60 to 70% of total timber imports into France and at least 90% of all Malaysian timber imports (not including furniture), has established an Environmental Charter on Wood Purchases and Sales. The Charter will become compulsory for LCB members in 2008. The requirements of the Charter seem well adapted to creating market demand for FLEGT VPA licenses as a baseline requirement for tropical timbers, while at the same time still creating incentives for suppliers to move progressively to certification.

Malaysia is valued by French importers for its ability to provide high quality tropical hardwood products at a competitive price. Current perceptions amongst French importers of Malaysia's competitive ability to provide assurances of legal and sustainable forestry are mixed. Although many importers hold positive views, due largely to availability of MTCC certified wood, there are concerns over lack of market acceptance of MTCC and over forestry practices in Sarawak.

Private sector end-user demand for assurances of legal or responsible forestry is currently very limited in France.

Companies trading in Malaysian timber in France exhibit only partial awareness of the FLEGT VPA process. Most are in the early stages of implementing environmental timber procurement requirements.

However these companies also indicated that they would give preference to FLEGT VPA licensed timber from Malaysia over unlicensed timber from other sources. There was consensus amongst these companies that supplying Malaysian timber with a FLEGT VPA license would have a positive impact on Malaysia's market position in France. There was also some willingness to pay a price premium of between 3% and 10% for FLEGT VPA licensed timber.

Willingness to pay more significant premiums is constrained by lack of evidence of end-user demand for FLEGT VPA licensed timber in France.

There is no evidence to suggest that French importers would cease buying from Malaysia if she does not sign up to a VPA. They would resort to other forms of legality verification and certification where necessary.

2 Methodology

This report has been prepared jointly by Rupert Oliver, Director of FII Ltd, and Pierre Desclos, an independent consultant commissioned by FII Ltd. Attitudes to FLEGT VPA licences from Malaysia and environmental wood procurement practices in general in France are assessed using a combination of interview data and secondary sources. Interviews were conducted in November and December 2007 by Pierre Desclos. The interviews are highly representative of French sawnwood and

mouldings imports from Malaysia, the companies covered responsible for more than 90% of imports of these products from Malaysia. In most cases the CEOs of the companies answered personally. All the trading companies interviewed buy, sell or process wood or wood based products coming from Malaysia.

Interviews were also conducted with government, Le Commerce du Bois (LCB) the main timber trade association, and a range of NGOs. In each case the heads of the departments relevant to the project were interviewed. A total of 23 interviews were held with relevant interest groups (see Table 1).

Table 1: Number of organisations interviewed by interest category

Organisations	Number interviewed
Wood importing companies, distributors and merchants	14
Central government organisations	1
Regional/local government organisations	2
Trade Associations	1
ENGOS	5

It proved much more difficult to identify and interview relevant people in the French furniture and construction sectors. The furniture trade is part of a wider general import activity and there is no furniture importers association. Pierre Desclos contacted many companies importing furniture from Asia but none indicated they were importing any product from Malaysia. Only one company, France's leading forest products importer from Malaysia, reported any trade in furniture from Malaysia. Efforts were made to consult construction companies, but none seemed to know, or had any interest in, where the wood for their windows, doors and flooring comes from.

A key secondary source for this report is a report entitled "*Japan's public procurement policy of legal and sustainable timber: Progress, challenges and ways forward*" prepared by the Institute for Global Environmental Strategies (IGES) in August 2007. Although focusing on Japanese policy, the IGES report includes a detailed description and comparison of procurement policies in France, Netherlands, and the UK.

3 Current market position of Malaysian wood products in France

Table 2: Malaysia share of France wood product imports by product and growth trends

Product	Total import 2006	Malaysia import 2006	Malaysia share of total import	Total Import Trend	Malaysia Import Trend	Key competitors
	Million euro	Million euro	Million euro	% 05-06	% 05-06	
Wooden seating	769	17	2	4	18	Italy, Belgium, China, Poland, Vietnam
Hardwood sawnwood	277	15	5	-6	8	Brazil, Cameroon, Ghana, USA
Doors and their frames	57	4	6	6	32	China, Germany, Brazil
Hardwood mouldings	144	1	0	15	70	Brazil, Belgium, Italy, China, Indonesia

The French tropical hardwood import sector has traditionally been strongly oriented towards francophone African countries and imports from Asia have played a relatively minor role. According to Eurostat data, wooden seating was the main Malaysian wood product imported into France during 2006 valued at 17 million euro

(Table 2, Chart 4). This amounts to only 2% of imports into a market segment dominated by domestic and Italian production.

Hardwood sawn lumber was the next most significant Malaysian product valued at 15 million euro and accounting for 15% of total French imports (Chart 3). The only other Malaysian products registering imports above negligible levels were doors (€4 million – Chart 5) and hardwood mouldings (€1 million – Chart 6). It is worth noting that part of the French consumption of tropical plywood is imported from Belgium without statistical records.

Interviews for this study with sawn lumber and moulding importers indicated that meranti is by far the most significant species imported into France from Malaysia, with smaller volumes of bangkirai, mengkulang, kapur, white seraya, keruing, palapi, and urat mata also reported. In terms of volume (2006 figures) only a small minority (7%) of French imports of tropical sawnwood derives from Asia, the majority coming from Africa (45%) and Brazil (42%). Malaysia is the main supplier from Asia (19,440 m³ in 2006 on a total of 29,536).

Companies interviewed for this study identified Indonesia, for many evident reasons, as the traditional competitor to Malaysian sawnwood and mouldings in the French market. However competition from Africa has always been intense and is getting stronger, with species such as sapele and sipo providing direct substitutes for meranti in some applications. Brazil is also a significant competitor in the market for lighter joinery timbers and for decking. A large proportion of the Brazilian sawn lumber imported into France comprises tauari, a light non-durable joinery timber used for internal applications. Interviewees did not regard European or American hardwoods, or softwoods, as in any way competing with Malaysian timber in the French market, perceiving these to occupy different niches.

Chart 1

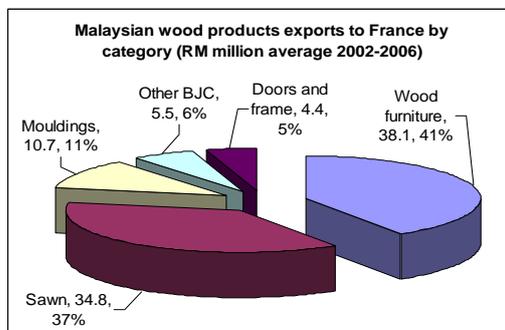
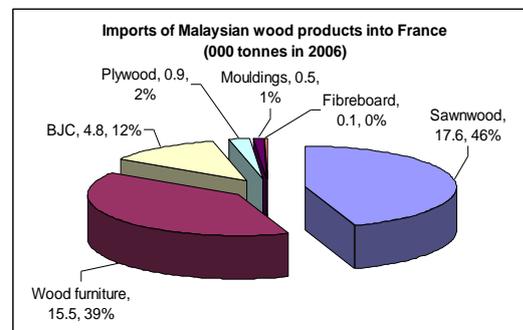


Chart 2



Although import volumes of Malaysian wood products are currently low into France, there are some prospects for increases, particularly in the furniture and mouldings sector. French imports of semi-processed and finished wood products have been rising rapidly in recent years. Recent large increases in French imports of wood doors and seating from Malaysia suggest it is benefiting from this trend.

Chart 3

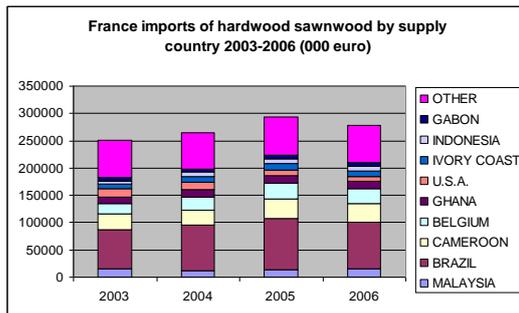
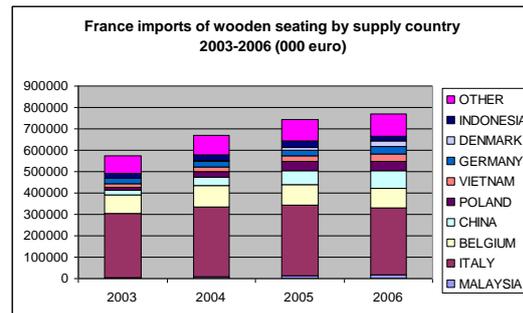


Chart 4



Interviewees trading in Malaysian timber were asked for their opinions on Malaysia's market position in relation to its competitors. Price is so dependent on other factors – such as exchange rates and short term availability – that it can be difficult for traders to make direct long term comparisons. Nevertheless, interviewees felt that prices for Malaysian timber were either “reasonable” or “slightly expensive”, although the weak dollar/euro exchange rate has meant that prices are currently more competitive. However there was consensus amongst all interviewees that Malaysia compared well against its competitors on product quality. With respect to availability and delivery time, a wide range of views were expressed depending on differences in loading ports, types of shipping (container or bulk), and the nature and condition of the products (certified, kiln-dried/green).

Chart 5

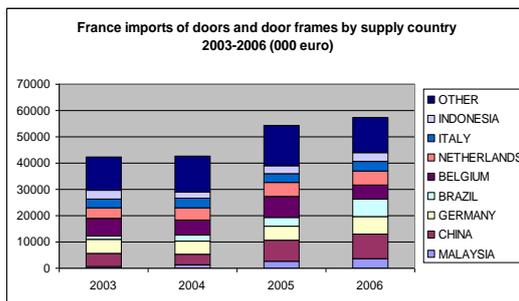
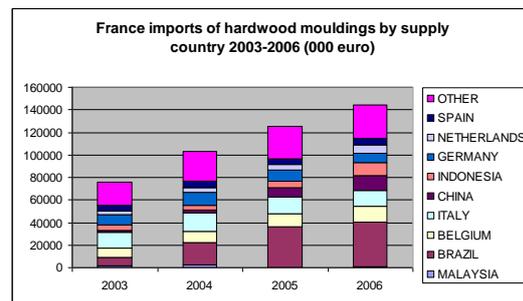


Chart 6



A variety of views were also expressed with regard to Malaysia's competitive ability to provide assurances of legality and sustainability. Of 14 importers and merchants interviewed, 9 expressed positive views on the quality of Malaysian forestry practices, a view supported by availability of MTCC and trade experience. However 5 interviewees expressed ambivalent or negative views for several reasons. These included lack of market recognition for MTCC, a perception of poor practices in Sarawak, and the “*difficulty of obtaining reliable documents*”.

There was lack of agreement on how well Malaysia compared with its competitors in the provision of legality and sustainability assurances. Some felt that MTCC gave Malaysia an edge in this area. Others felt that MTCC was not a sufficient assurance and that some suppliers in Africa and Brazil had an edge due to their commitment to FSC certification. Two interviewees suggested that while Peninsular Malaysia compared well against its competitors on sustainable forestry practices, Sarawak compared poorly.

4 France government policy

4.1 Central government procurement policy

In accordance with the Sustainable Development National Strategy Guidelines, the French government in March 2004 established a “Permanent Study Group on Public Procurement for Sustainable Development and the Environment” (GPEM-DDEN). This is composed of technical experts, professionals and public buyers, including representatives of local authorities. The main functions of the Permanent Study Group are to produce technical documents to guide public buyers and to make specific recommendations in order to further develop the policy.

On 7 April 2004, the government approved an Action Plan for Tropical Forests, which required the preparation of a prime minister’s advice note (circulaire) to public buyers, with the ultimate target of raising the share of wood from legal sources under sustainable forest management (or at least progressing toward SFM) of the total publicly procured wood/wood products to 50% in 2007 and 100% in 2010. The Action Plan acknowledged the difficulties with which the tropical producers are faced and therefore recommended progressive application of procurement requirements.

On 5 April 2005, the French prime minister approved an Advice Note on Public Wood Purchases for Sustainable Forest Management. This establishes a mandatory policy for central authorities, requiring that they demand evidence of the legality of the forestry activities and/or of sustainable forest management, with the proviso that there is sufficient potential supply. The policy is recommended to local authorities. The Advice Note consists of a letter signed by the prime minister and a technical annex, which includes specifications for public procurement. The Advice Note was formulated under the cooperation of three ministries: Finance; Agriculture (responsible for forest policy), and Ecology and Sustainable Development.

The Advice Note differentiates between two categories of products:

- Category I: timber (sawn and veneer products) and plywood
- Category II: all secondary-processed products (particle boards, windows, furniture and paper)

Suppliers who offer Category I products to public buyers must provide at least one of the following five certificates or an equivalent:

1. certificate delivered by the producer and verified by an independent body proving that timber was legally logged or, alternatively, a licence of legality delivered by the producer country, which must be verified in compliance with international agreements;
2. sustainable forestry management certification verified by an independent body;
3. document attesting to the existence of a forest management plan that was approved by a local authority and verification of its implementation by an independent body that has forestry experience;
4. document attesting that the forest manager or owner has subscribed to a code of conduct which includes legal and sustainable forest management commitments and which is regularly verified by an independent body, or
5. document attesting that the supplier subscribes to a code of good conduct which includes commitments of buying timber from legally and sustainably managed forests and which is regularly verified by an independent body.

Furthermore, for Category I products, suppliers must provide the following compulsory information: the commercial and botanical species name, the country of origin, and the name of the supplier.

Public buyers must reject any bid that fails to present evidence under one of the five modalities or an “equivalent”. A provision included in the Advice Note stipulates that an “equivalent” document to any of the five enumerated types has to be accepted and at least examined by public buyers.

With respect to Category II products, public buyers must require the detailed specifications set by an official ecolabel or a logo of a forest certification scheme. Suppliers, in turn, can either prove that the products they offer meet the environmental requirements set by the public bid by providing a certificate from a certifying body, or make self-declarations. The latter require an endorsement by an independent control body.

As things stand, the French government acknowledges the particular problems of certification in tropical forests and is being reasonably flexible with regard to acceptable forms of evidence that timber meets procurement policy requirements. Unlike the UK and Dutch policies, there is no effort to differentiate between evidence for “legality” and “sustainability”. According to current guidance, it seems FLEGT VPA licenses would be accepted as sufficient evidence that timber is “legal and sustainable” for Category I products. On the other hand, FLEGT VPA licenses do not seem to fulfil the requirements for Category II products for which it is necessary to provide either an official eco-label or the logo of a forest certification scheme.

The potential impact of this procurement policy is significant. The French Ministry of Agriculture quotes¹ the evaluation of CIRAD² according to which the share of the national timber consumption covered by public procurement is around 25%. While some experts believe this may be an over-estimate, there is no doubt that public procurement is a major component of the French market. The policy is being promoted widely by national government. A web site has been created to help the various departments and services in their green procurement practices³. To provide information and guidance on the new regulation, GPEM-DDEN produced a 30-page information brochure, which was distributed to all public authorities.

On the other hand, the French government has also noted the challenges of ensuring active and effective implementation of the policy. According to the Ministry of Agriculture, the French procurement policy does not require public institutions to conduct annual planning of their timber purchases, nor to report on these purchases.

Nevertheless, efforts have been made to improve systems of monitoring for public procurement activities at national level. As part of this effort, a specific enquiry to evaluate the extent to which the Advice Note on timber procurement is being implemented by the 200 central state public buyers is planned for 2008

There is now a strong possibility that the existing guidance on acceptable evidence of “legal and sustainable” timber will be amended from 2010 onwards with potentially significant implications for future acceptance of FLEGT VPA licensed timber. Shortly after his election, President Sarkozy ordered a comprehensive review of environmental policy in France. His government launched a “Grenelle de l’environnement”⁴ designed to bring together all stakeholders to discuss possible

¹ www.illegal-logging.info/presentations/200706/Merle.PPT

² www.cirad.fr

³ www.ecoresponsabilite.ecologie.gouv.fr

⁴ The term “Grenelle” derives from the Grenelle Accords negotiated during the May 1968 riots at the French Labor Ministry, located on the Rue de Grenelle in Paris. A “grenelle” has come to be associated

ways of working towards more sustainable development. The Grenelle comprised a public consultation, several thematic workgroups and a final round table in October 2007 chaired by the President himself. Local authorities, government members, NGOs, workers and businesses were represented.

The government has prepared a "general report" of the Grenelle summarizing the consensus that emerged. The general report is described by the government as a "*coherent framework for public action*". The government notes "*this document is a summary of the work, but is not a presentation of a program or a selection or prioritization of proposals, but rather the foundation of what could be a sustainable development strategy*". It is seen as an "*explanatory memorandum to the Bill which will program implementation of the Grenelle.*"

So although the measures proposed do not yet have the force of a formal sustainable development strategy, they will have a major influence on future government policy. In his speech on October 24 to Grenelle participants, the First Minister Francois Fillon "*solemnly*" urged "*that all conclusions specific, concrete and consensual be implemented*" and that where no consensus could be reached, the government would decide on an appropriate course of action. An evaluation committee will be established with responsibility for taking stock of the measures and developing implementation programs. The French Environment Minister has indicated that "*the Grenelle is a starting point. There will be workshops, legislation, commitments, and an ongoing process to monitor the results: at every stage Parliament and its committees will be fully involved*". Targets will be set and there will be annual public progress reports.

Conclusions of the Grenelle cover a wide range of environmental issues, including public sector timber procurement. The Grenelle agreement sets out a clear intent to strengthen existing requirements for timber procurement so that "certified wood must be favoured in public building: 100% of the wood purchased by the state will be certified by 2010". There are also proposals to favour local wood in local and regional development projects and to "*make certification of imported wood compulsory*".

The Grenelle agreement itself includes no acknowledgement of the role of FLEGT or of FLEGT VPA licences and implies that only certified wood will be accepted after 2010. However, the French government has subsequently indicated that the Grenelle Agreement "cannot be directly implemented for a lot of reasons" and that the reference to certification "must be understood as a recognition and acceptance of the FLEGT VPA licenses." The French government go on to note that "on the other hand, this agreement aims at encouraging the private sector to develop forestry certification schemes"⁵.

This seems to represent an attempt by the French government to balance the strong forest certification lobby that exists in France with those interests pushing for a phased approach to forest certification in the tropics. It should be noted that the availability of certified timber in France is relatively high, with all central state-owned and 60% of municipality-owned forests PEFC certified. Having made a significant investment to implement full certification, domestic producers are unlikely to be particularly receptive to arguments over the need for phased approaches to certification.

with a multi-stakeholder debate designed to unite representatives of government, industry, professional associations and civil society into a single position on a specific theme

⁵ Comments received from French government in March 2008 on first draft of this paper

However, the French government seems willing to interpret the reference of “certification” in the Grenelle agreement as including FLEGT VPA licenses as well as independent forest certification. Whether FLEGT VPA licensing will be accepted as “equivalent” to private sector forest certification after 2010 or as a backup measure in the absence of such certification is not yet clear.

While interviews with government officials for this study indicate that they are generally supportive of the FLEGT VPA process, no specific measures – other than the existing procurement policy - seem to be underway to promote understanding of the process domestically. Lack of such promotion has potential to undermine market recognition and acceptance of FLEGT VPA licensed timber in France.

4.2 Local government procurement policy

Unlike the UK and Italy, no secondary sources including systematic surveys of timber procurement practices amongst local and regional government organisations could be identified. However anecdotal comments derived from interviews for this study with government officials, timber traders and their associations suggest that there is increasing interest in this branch of government. Most main cities are now believed to have some form of green procurement policy. Some have joint meetings on environmental issues within the framework of “Agenda 21”. There are an increasing range of internet sites dedicated to these questions⁶. Five cities⁷ are members of the International Council for Local Environmental Initiatives (ICLEI) and are engaged in the Procura+ campaign⁸.

Two regional authorities were interviewed for this study to gain an insight into their procurement practices: Grand Ouest and Rhône-Alpes. One of the regional authorities indicated that they are working to conform to central government policy while the other indicated that they intend to introduce a procurement policy in the future. Neither of the interviewed regional government officials had heard of the FLEGT process. However, on hearing more, both interviewees said they would be willing to support it. One even suggested they would support legislation designed to prevent imports of unverified wood.

In addition, published information on the procurement policies of the Ile-de-France region (the region surrounding Paris) and the City of Lyon was reviewed for this study. The City of Lyons’ technical specifications requires all tropical timber to originate from certified sustainable forests to be assured by “FSC, PEFC or equivalent” certification.⁹ The Ile-de-France region developed its GPP policy in cooperation with Friends of the Earth¹⁰. As a result its rationale is slightly different: use more wood; prefer local wood; and when using tropical wood make sure it is FSC certified.

In short, this brief overview suggests the process of developing timber procurement policies is still in the early stages at local and regional level in France. Furthermore, knowledge and awareness of the FLEGT process is likely to be very limited at this

⁶ See www.achatsresponsables.com

⁷ Angers, Lille, Rouen, Saint-Denis, Sanary-sur-Mer

⁸ Procura+ is an initiative designed to help support public authorities across Europe in implementing Sustainable Procurement. See www.procuraplus.org

⁹ Guides d’achat durable : http://www.lyon.fr/vdi/sections/fr/environnement/guide_dachat_durabl/; <http://www.lyon.fr/static/vdl/contenu/environnement/Bois3.pdf>

¹⁰ Guide des achats publics de bois http://www.ecoresponsabilite.environnement.gouv.fr/IMG/101500-guide_version_soft-3.pdf

level of government in France. Central government procurement policy together with the ICLEI Procura+ initiative are having some influence on the procurement behaviour of local and regional authorities, but equally important are likely to be the campaigning activities of NGOs (that are pushing an FSC-only agenda) and of domestic producers (that are pushing local wood with a PEFC certificate).

4.3 Additional legislative options

Discussions about the possible introduction of additional legislation to control imports of illegal wood into France have been conducted as part of the follow-up to the “Grenelle de L’Environnement”. A broad consensus has been reached in favour of legislation would prohibit the placing of illegally harvested timber on the EU market. However views differ on where the burden of proof should lie. ENGOs generally support legislation requiring that only legally harvested timber and timber products be placed on the market (timber supplier is obliged to demonstrate that wood is legal). The private sector favours the option prohibiting the trading and possession of timber harvested in breach of the laws of the country of origin (prosecution is obliged to demonstrate that wood is illegal).

Several large French distributors (Castorama, Carrefour, and Lapeyre) signed the WWF-sponsored “FLEGT Industry Statement”¹¹

5. Private sector procurement policy and views on FLEGT VPA

5.1 Trade associations

LCB represents 170 trading companies, covering an estimated 60 to 70% of total timber imports into France and at least 90% of all Malaysian timber imports (not including furniture). At the LCB General Assembly in December 2005 the 120 attending members approved with unanimity its Environmental Charter on Wood Purchases and Sales (LCB 2005), which came into effect in June 2006. The Charter will become compulsory for LCB members in 2008, but they were free to adopt it earlier. 32 members of LCB were committed to the Charter by the end of 2007, including many of the largest importers.

The Charter covers trade in primary and secondary solid wood products (sawn lumber, veneer, plywood, panels, mouldings, decking, and cladding), but does not extend to joinery, furniture and other manufactured products.

The Charter includes detailed requirements for timber procurement. The Charter specifically requires that all wood supplied must be backed by a certificate of legality as a minimum. The Charter also requires year-on-year increases in timber originating from forests that have received a “*certificate of SFM or are moving towards SFM certification.*” Implementation of the Charter is backed by procedures for independent assessment of members’ progress, the results of which are made publicly available.

Charter participants are required to meet specific targets for procurement of sustainable timber dependent on region of supply. By 2010, certified sustainable timber should account for: over 30% of softwood sawn lumber; over 20% of hardwoods sourced from Asia, Africa and Latin America; over 30% of hardwoods from Eastern Europe and other temperate countries; and over 20% of panel products. Also by 2010, participants must ensure that over 75% of their products

¹¹ www.greenpeace.org/raw/content/international/press/reports/FLEGTIndustry.pdf

display the following information: commercial name botanical species name, country of origin, together with technical, mechanical and environmental characteristics. In tropical countries, where certification is not implemented, participants are required to give preference to suppliers that do not only operate in legally acquired concessions... but who are also “*applying a forest code, a forest management plan and/or a code of good practice or code of conduct verified by an independent 3rd party*”.

The requirements of the Charter seem well adapted to creating market demand for FLEGT VPA licenses as a baseline requirement for tropical timbers, while at the same still creating incentives for suppliers to move progressively to certification. The Charter is also inclusive with regard to forest certification systems, recognising as sustainable any system that conforms to international sustainability criteria and indicators, including FSC, PEFC, MTCC, Keurhout, PAFC, and LEI. Alternative evidence to SFM certificates will also be considered but it must be verified by an independent 3rd party.

When interviewed, LCB indicated their firm support for the FLEGT VPA process and said they are actively promoting the concept to their members. The Charter is being promoted throughout the trade and industry through a combination of seminars, public relations, advertising and other communication tools.

5.2 Trading companies

Interviews were held with 14 importing and distributing companies in France accounting for over 90% of the trade in Malaysian sawnwood and mouldings. Interviewed companies represent a combined trade volume of at least 39,500 m3 of Malaysian timber per year. The following conclusions with respect to market impact of FLEGT VPA licences for Malaysian timber in France can be drawn from these interviews:

- Of the 14 companies, 5 said they had no awareness of the FLEGT process, 5 said they were partially aware and 4 said they were very aware. Those that are very aware tended to be those directly engaged in LCB committees.
- Of the 14 companies, 7 (together trading in around 21,500 m3 of Malaysian wood product per year) are implementing an environmental timber procurement policy. 7 (together trading around 18,000 m3 of Malaysian timber each year) are not implementing a timber procurement policy.
- Of the 14 companies, 6 had chain of custody certification. 3 companies (accounting for annual trade in Malaysian wood of 12,000 m3 trade) had FSC only, 1 company (accounting for annual trade in Malaysian wood of 1,000 m3 trade) had PEFC only, and 2 companies (accounting for annual trade in Malaysian wood of 2,000 m3 trade) had both PEFC and FSC.
- Although only 50% of interviewees indicated that they had a formal environmental policy, all but one interviewee said they would prefer FLEGT VPA licensed products over unlicensed products. The only interviewee to state they would not prefer licensed products said that this was due to their policy of sourcing products from Tropical Forest Trust (TFT) projects. Another two interviewees said they would only consider giving preference to FLEGT VPA licensed timber if full certification was not available. They noted that

while FLEGT VPA licensing would be a positive and appreciated move, much more is needed.

- None of the interviewees indicated that they would stop buying from Malaysia if she does not sign up to the VPA. They would resort to other forms of legality verification and certification.
- All interviewees believed that supplying Malaysian timber with a FLEGT VPA license would have a positive impact on Malaysia's market position in the French market.
- 8 of the 14 interviewees (accounting for annual trade in Malaysian wood of 25,500 m3 trade) indicated that they would be willing to pay a premium for FLEGT VPA licensed timber with the level varying between 3% and 10%.
- Contrasting opinions were expressed with respect to the willingness of their clients to pay a premium. Only 4 companies (accounting for annual trade in Malaysian wood of 6,000 m3 trade) said that their customers might be willing to pay a premium, usually at a level similar to their own. 8 companies (accounting for 20,000 m3 of trade in Malaysian timber) stated categorically that their customers would not be willing to pay a premium for FLEGT VPA licensed timber.
- No interviewee was able to identify any wood product imports from third countries that they believed may contain Malaysian wood raw material. Most thought that the trend towards increasing imports through third countries, like China, was inevitable. However volumes are expected to be limited for various reasons, including continuing moves in Malaysia towards increased value-added processing and the cost of trans-shipment.
- With respect to the factors driving uptake of responsible procurement policies, most interviewees indicated that pressure from the NGOs is very significant, while pressure from public sector buyers is moderately significant. However pressure from customers and end-users in the private sector is perceived to be minimal. Most interviewees had difficulty answering the question on the influence of shareholders and investors as their own companies are not in a shareholding situation and few had heard of such pressure in the forest products trade and industry.

5.3 Wood manufacturing companies

The main association for French window manufacturers (including wood, PVC and aluminium) is the Union des Fabricants de Menuiseries Extérieures (UFME). An interview with a UFME representative indicated they are providing no guidance on timber procurement. Interviews were also held with two leading wood manufacturing companies in France. Neither company had a procurement policy with respect to timber.

5.4 Construction companies

The chief buyer for one of France's (and the world's) largest construction companies was interviewed for this study. Their attitude is believed to be typical of the larger French building companies. The does not import directly and instead buys from wholesalers/importers. The interviewee had only a nebulous idea of the origin of their

wood (“Asia”, “America” etc.). The company has a vague environmental charter in which wood’s broad environmental credentials are referred to without precise requirements. The company is clearly reactive rather than proactive, the interviewee noting that they seek to satisfy their client’s environmental requirements as necessary. They rely on their suppliers (importers/wholesalers) to cover the certification issue if and when requested. The interviewee had never heard of FLEGT but thought it could be a useful form of assurance.

An interview was also held with a timber framed house builder. The interviewee indicated that their company used tropical wood (5% of their supply) and appreciated their characteristics for many end-uses. Species used included meranti, although the interviewee had no idea of origin. The interviewee had never heard of FLEGT would be willing (“why not?”) to buy FLEGT products if this kept their clients happy.

5.5 HQE method

The French HQE method “Haute Qualité Environnementale” (“High environmental quality”) has been an important driver of interest in sustainable construction in France. Like BREEAM in the UK and LEED in the US, HQE is not a regulation but rather a volunteer system for integrating environmental issues into building projects. HQE® is a registered trademark that belongs to the Association HQE, an organization created to exchange information and develop sustainable practices.

The method may be used for any structure, from individual houses to educational buildings. It aims to promote construction of safe, comfortable and healthy buildings for which the environmental impact, evaluated throughout the Life Cycle, is reduced as much as possible. The method includes 14 criteria which are rather broad and vague, none of which actually cover material sourcing. The HQE approach also involves setting up an Environmental Management System (EMS), which includes an examination of the site, the objectives of the operation and the needs of the future users.

An interview was held with a leading French expert on HQE to gain an insight into the potential value or implications of FLEGT VPA licensing within the HQE method. The interviewee noted that wood is not expressly recommended in HQE but is recognized as one amongst several environmentally friendly materials if it is properly used. The HQE community is generally looking for timber to be certified and to be derived from local sources as a means of minimising energy use. On the whole, the interviewee noted that the HQE community is extremely reluctant to use any tropical wood with many practitioners calling for an out-right ban. It was suggested that serious dialogue would be necessary in order to encourage recognition of FLEGT VPA licenses within the HQE community. But as things stand, FLEGT VPA licensing is unlikely to be useful for ensuring compliance to the HQE method.

This interviewee suggested that there is growing interest in the HQE method in the French construction sector but could provide no details of the actual level of uptake or broader impact on the French construction sector.

6 Environmental groups

Five French ENGOS, including all the main groups campaigning on tropical forestry issues, were interviewed for this study. All indicated their support for the FLEGT VPA process, although two made a point of emphasising that it should not be seen as the final goal but rather as a means to promote sustainable forestry. Two ENGOS indicated that they are undertaking specific action that should increase market

demand for FLEGT VPA licensed timber. WWF is running a campaign under the heading "No to illegal wood". Greenpeace France has been very active in campaigns focusing on tropical timber. For example it has web pages dedicated to FLEGT¹² and to the protection of primary forests¹³. In May 2007 it ran a "Forest Day" under the heading "Citizens and consumers should not support the looting of African forests". Both WWF and Greenpeace have been actively lobbying for legislative measures to prevent imports of illegal wood.

Friends of the Earth France has published a specific manual to guide regional and local public procurement officers in their tendering/purchasing process. While acknowledging the ecological benefits of wood compared to other materials, it also places strong emphasis on local sourcing of wood and on FSC certification. The guidance suggests that all "exotic timber", which is taken to include any timber from a tropical or boreal forest, should be certified by FSC "or equivalent". Furthermore, the guidance suggests that if FSC (or equivalent) certified exotic timber is used, preference should be given to timber derived from community forests and from regions where there is a low risk of illegal logging.

¹² www.greenpeace.org/france/press/reports/dossier-de-presse-flegt

¹³ www.greenpeace.org/raw/content/france/press/reports/forets-et-climat-g8-2007.pdf