

Europe's "zero deforestation" policies: an opportunity for tropical timber?

Increasingly the twin concepts of "zero deforestation" and "embodied deforestation" lie at the heart of European policy making, both in the public and private sector, in relation to the trade in commodities from tropical countries. This has significant implications for the tropical wood products trade with potential impacts throughout the supply chain, from the forest through to the final consumer.

Policy decisions taken in relation to the so-called "Amsterdam Declarations" and an imminent EC "Communication on Stepping up EU Action against Deforestation and Forest Degradation" may be critical for the competitiveness of forestry operations and wood products in the European market, with wide-ranging, and unpredictable, effects filtering through into world markets.

The effects on wood industry competitiveness will act on at least two levels: at forest level, in relation to other commercial users of the land; and in finished products markets - construction, furniture, packaging, and energy production - where wood products from different regions and with various sustainability assurances and labels compete with each other and a wide, and growing, variety of non-wood products.

The two Amsterdam Declarations—one on deforestation and one on "sustainable palm oil" - were launched on December 7th, 2015 in the context of the Paris Climate Agreement and build on the New York Declaration on Forests' commitments. The two declarations have since been merged into one "Amsterdam Declaration Partnership (ADP) strategy". According to the "Partnerships For Forests" - which acts as ADP secretariat— the aim is to achieve "fully sustainable and deforestation-free agro-commodity supply chains in Europe by 2020". To date, Denmark, Germany, Netherlands, Norway, the United Kingdom, Italy and France have signed.

The ADP strategy is intended to stimulate private sector commitment and progress on agricultural commodities associated with deforestation (such as palm oil, soy and cocoa) for which Europe has a significant market share. The commitment by eight national food and feed industry alliances and three European federations (Caobisco, FEDIOL and IMACE) to support 100% sustainable palm oil in Europe by 2020 is closely linked to the strategy.

Encouraged by the signatories to the ADP strategy and numerous calls from NGOs and members of the European Parliament, in December 2018 the European Commission announced their intent to publish a Communication on stepping up actions on deforestation and degradation by June 2019 (now expected in July) following a wide-ranging consultation exercise.

The ADP strategy and work towards the EU Communication provide further confirmation, if any were still needed, that the level of European consumption of all products linked in any way to deforestation will increasingly require assurances of the "sustainability" of products.

Furthermore, relative competitiveness and the direction of trade with the EU will, to a large extent, be dependent on the ability of different suppliers to adhere to the specific standards for "sustainability" established for each commodity.

In some ways, the introduction of the ADP strategy and the EU Communication, are a welcome intervention for the tropical timber sector. Prior to these measures, Europe's trade policy interventions to "prevent deforestation" focused almost exclusively on timber, as the most visible forest-related commodity. They have at times been restrictive, through procurement policies favouring specific certification models that are technically and financially challenging to implement

in tropical countries. And they have generally neglected to consider the (often larger) role played by demand for other commodities to drive deforestation.

The ADP strategy and EU communication do show that the scope of policy action in the EU has been broadened to include non-wood commodities. Although the ADP strategy does not itself address timber, it provides a platform for the sector to demonstrate the considerable efforts made to define and provide assurances of conformance to sustainable forest management standards worldwide, the leadership role to foster better forest governance through organisations like ITTO and initiatives like FLEGT, and the implementation of pioneering due diligence legislation like the EUTR.

To recognise the powerful economic forces driving conversion from forest to commercial agriculture, the ADP strategy may provide a platform to argue for a level-playing so that “sustainability” standards for all “forest-risk” commodities in the EU market are as stringent as those imposed on timber products.

IDH: “28.5% of EU tropical timber imports certified sustainable compared to 74% palm oil”

These opportunities exist, but on the evidence of the event on “sustainable tropical timber” held on 12 June during the “International Sustainability Week” in Utrecht, they are some way to being realised. The event was organised by IDH, the Netherlands-based Sustainable Trade Initiative, as part of a more concerted effort to turn “pledges into action” and galvanise action in the context of the ADP strategy.

IDH began the session with the far-reaching claim that 74% of palm oil imported for food into Europe was “certified sustainable”. This was set against the claim that “still only 28.5% of natural tropical timber is sustainable in Europe”.

IDH was glowing about the achievements of the palm oil sector, noting in publicity material for the event that “currently, 99% of palm oil entering Europe is traceable to oil mill level. Over 84% of all palm oil imports is covered by company sourcing policies that focus on ‘No Deforestation, No Peat and No Exploitation’. Some 74% of palm oil imported for food into Europe was RSPO certified sustainable palm oil, an increase of 5% compared to the year before”.

These are significant achievements on the path towards “responsible sourcing”, certainly, but the metrics used to justify claims of “sustainability” in the palm oil sector (which after all requires at some point conversion of natural forest) are not comparable for an equivalent claim in the tropical timber sector. For example, RSPO palm oil requires only that “primary” forests, and those with high conservation values are not converted for new plantations. For timber, any form of conversion is treated as unsustainable.

There is also much reliance in the palm oil sector on trade in “sustainability credits”, rather than on systems requiring physical tracking. Such credit-based systems could have facilitated certification in the forest products sector, particularly amongst small holders lacking direct access to international timber markets, but their use has never been countenanced by environmental NGOs and other gatekeepers of European policy in relation to timber.

In contrast to the glowing report for Europe’s palm oil importers, IDH’s assessment of the situation in the tropical wood sector was miserly. Perhaps influenced by the Dutch government timber procurement policy, and the continuing inflexibility of a few NGOs and European trade and industry interests on this issue, the IDH figures for “sustainable” timber imports recognise only FSC and PEFC certified product.

A session at the Utrecht event was devoted to an update on a study commissioned by IDH from the Global Timber Forum and the Dutch consultancy PROBOS to assess the current volume of “certified sustainable” timber trade in the EU market. The final report of the study is expected to be published in July, but preliminary data was made available at the event.

In the absence of any direct monitoring of certified wood flows by either FSC or PEFC, the figures were derived by combining available data on EU trade flows and the percentage of production forest certified in each tropical timber supplying country, validated as far as possible by interviews with European importers.

The IDH figures indicate that the proportion of imports of primary tropical wood products (logs, sawn, veneer and plywood) likely to be certified varies widely by different countries, strongly dependent on the existence of either a government procurement policy or an association policy giving preference to these policies at national level in the EU.

The IDH data indicates that the proportion of tropical timber imports in 2018 that were “certified sustainable” according to their definition was 10% to 15% in France, 5% to 10% in Italy, 2.5% to 7.7% in Spain, 25% to 30% in Belgium, 30% to 35% in Germany, 40% to 45% in the UK, and 65% to 70% in the Netherlands.

Based on this analysis, it was noted that “only one or two markets in the EU have reached a tipping point where customers expect to see certified tropical timber; there are markets in southern Europe where the process is lagging”.

Extrapolating from the certified forest area data compiled as part of the study – which showed that around 6.5% of total production forest area in the tropics was FSC or PEFC certified in 2018 – IDH reckoned that if all EU tropical wood imports were certified, “an estimated additional 12.5 million ha of tropical forests can be positively impacted”.

FLEGT in IDH targets for “verified sustainable” tropical timber in European trade

The IDH figures do not include the around 11% additional imports of primary tropical products imported into the EU from Indonesia which has been FLEGT licensed since November 2016, although licensing is acknowledged in the IDH publicity material issued at the event as providing a “stepping stone towards sustainable tropical timber”.

There was no mention at either the Utrecht event, or in the IDH publicity material, of the fact that all timber products placed on the EU market, unlike all other “forest risk” commodities, have been subject since March 2013 to regulatory due diligence requirements through the EU Timber Regulation.

This is a strange omission when it is considered that some European environmental groups (such as EIA and FERN) are now actively lobbying for the extension of such regulations to other commodity sectors because they are seen as more effective than voluntary commitments like those promoted through the ADP strategy.

Apart from the question of comparability with other sectors, the apparent relegation of FLEGT licenses to a second tier in relation to FSC and PEFC certificates by IDH and other European agencies raises other, more immediate, questions of equity and effectiveness in the procurement approach now being promoted for timber, at least by some influential agencies in Europe.

For those tropical countries that have been encouraged to engage in the FLEGT VPA process with assurances of improved EU market access for their timber products, this relative lack of recognition for FLEGT-licensed timber may come as a shock. Particularly so, when the requirements imposed on products like palm oil seem so much less onerous and are voluntary.

Without having to say so explicitly, Mr Chris Beeko, Director for the Timber Validation Department of the Ghana Forestry Commission, made this point very eloquently in his presentation to the IDH event by spelling out what is required, in practice, to implement a FLEGT assurance system.

Mr Beeko highlighted that the system in Ghana covers all national timber production and exports, of which Europe currently only accounts for 11%, with around three quarters now destined for Asia and the Far East. He explained Ghana's original commitment to the VPA negotiations in 2006 was informed by the fact that, at that time, Europe accounted for around 60% of Ghana's exports.

While the direction of trade has changed, said Mr Beeko, Ghana has carried forward the FLEGT commitment as the initiative aligns well with Ghana's own forest policy to ensure all logging is sustainable and there is equitable sharing of benefits from forest use.

Although licenses have yet to be implemented, Mr Beeko explained that a robust assurance system is now fully operational which applies, unlike certification, to all companies engaged in the sector. The system ensures universal application of forest management prescriptions, which cover a wide range of environmental and social aspects as well as ensuring sustained timber yield and ensures these are transparent and measurable.

Mr Beeko said that in Ghana there is a tracking system which ensures near real time reconciliation of data gathered using handheld devices in the field. Discrepancies, for example between the volume of logs actually harvested and those transported which in the past would have only become apparent months later, are now identified within a matter of hours.

There is also a mechanism to exercise control at point of export of all wood products to ensure only compliant consignments enter the global market.

Data is gathered and made readily available on the results of field audits and this reveals that, as awareness of the level and intensity of scrutiny has increased amongst frontline staff and private operators, the number of non-compliances is falling. Another key outcome of the VPA is that civil society is now closely engaged both in the process of monitoring compliance and multi-stakeholder deliberations have become the accepted approach to policy implementation.

It would be interesting to compare the environmental and social requirements imposed under the VPA process in Ghana, and also in Indonesia where FLEGT licenses are already being issued, with the standards and mechanisms currently accepted by IDH and other supporters of the ADP strategy as sufficient evidence of "sustainability" in the palm oil sector.

IDH dialogue on differences and synergies of FLEGT and certification

Following the presentation of Chris Beeko, the Utrecht event scheduled a "dialogue on the differences and synergies of FLEGT and certification" with representatives of FSC and PEFC, alongside David Hopkins of the UK Timber Trade Federation.

Mr Hopkins was asked, effectively, to make the case for FLEGT as a metric requiring recognition in the IDH procurement policies and targets, reflecting the high profile that the TTF is giving to FLEGT in its own procurement policies and promotion material for tropical timber in the UK. This recognition

also extends to the UK government procurement criteria which gives FLEGT alongside FSC and PEFC certified product.

Mr Hopkins noted that while the TTF is a member of FSC and PEFC, it is also a very strong advocate of FLEGT. He explained the specific benefits of FLEGT, particularly the focus on governance and the development of licensing systems with full engagement at national level in the producer country which “brings scale into the assurance”.

John Hontelez of FSC did not disagree with this assessment and noted that despite some mutual “suspicion” from both sides, it was wrong to suggest that FLEGT and FSC are competing. Mr Hontelez observed that “both FSC and FLEGT are important and can support each other, legality for us is the number one priority, where there is law enforcement, certification becomes a lot easier”.

Mr Hontelez also praised “FLEGT’s strong focus on engagement” and noted that “NGOs play a very critical role in FLEGT”. He did note, however, that sometimes it is “more difficult to convince [FLEGT advocates] that FSC is relevant to their discussion”. He concluded that despite the merits of FLEGT, “certification is still the more immediate option to promote sustainable forest management”.

Reme Sournia for PEFC focused more on technical aspects in his comments, noting how certification and FLEGT differed, the most obvious contrast being between the voluntary status of certification and the mandatory status of FLEGT, noting that “FLEGT licensing offers a green lane for EUTR which is not available for certification”.

Mr Sournia observed that for PEFC, as for FSC, “legality is the first component of certification” and also contrasted the “international recognition” offered by certification compared to the EU-focus of FLEGT licenses.

Unfortunately, the discussion at the Utrecht event was too brief to reach any real conclusions on the question of if, and when, FLEGT licensed timber may be given greater acknowledgement in the procurement policies and targets now being promoted for timber products by IDH.

Nevertheless, some of the key issues were raised and views aired, with a strong call made for IDH to adopt the kind of pragmatic stepwise policies, which recognise progress within reasonable time frames and are economically viable, now being adopted in other commodity sectors.

And while the dialogue between FLEGT, FSC and PEFC is useful for the tropical timber sector, it cannot be allowed to stop there. The on-going attempt to consider the impacts of European trade in all “forest-risk” commodities is an opportunity for more cross-sectoral discussion and sharing of ideas.

The timber sector could learn from the innovative systems of sustainability verification now being applied to other sectors at landscape and jurisdictional level. These bring together regional assessments of the rigor of regulations and planning systems with new and improved data on land use and land use change from remote sensing and other sources.

Equally other commodity sectors could benefit from a stronger understanding of the role of the governance measures now being implemented in the timber sector through processes like the FLEGT VPAs and from due diligence regulations like EUTR.