



FOREST INDUSTRIES INTELLIGENCE LIMITED

**Report for AF&PA**

**Trade and Environment  
Program in Europe**

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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## Consultants commentary and highlights

The last few months have highlighted the extent to which the Forest Law Enforcement and Governance (FLEG) process now dominates European and wider international forest policy discussions. This process is playing an increasingly important role to drive the allocation of aid, the development of regulatory programs in tropical countries, public sector timber procurement in the developed world, environmental campaigns, and development of independent verification frameworks. The importance attached to the FLEG was driven home at a “FLEG update meeting” hosted by the Royal Institute of International Affairs in London on 19/20 January. At the meeting, a wide range of European Commission and government, industry and ENGO representatives from the UK, Netherlands, France, Germany, Belgium, Spain highlighted the priority now attached to efforts to ensure that illegal products are eradicated from the international wood trade.

In the EU, regulations to allow implementation of the FLEGT Action Plan were passed at the end of last year. The primary focus is now on negotiation of voluntary partnership agreements (VPAs) with a range of supplier countries. Countries entering into VPAs will be subject to legality licensing procedures involving full traceability to forest of origin and independent verification. At this stage it is not clear which countries will enter into VPAs, but the most likely candidates for early agreements seem to be Ghana, Malaysia, Cameroon, and Indonesia.

The development of public-sector procurement policy is another key area of debate. Developments in recent weeks include:

- The UK government is in the midst of a consultation process, looking again at their criteria for assessing forest certification schemes (Category A criteria) and also releasing the first draft criteria for assessing other evidence of “legal and sustainable” timber (i.e. not certification – Category B criteria). The UK government is also about to make an announcement relating to their continued acceptance of PEFC as evidence of “legal and sustainable” after another reassessment of the scheme.
- The “BRL” process in the Netherlands to develop a broad-based set of criteria and procedures for assessing certification schemes suffered a major upset in February when environmental groups decided to withdraw from the process.
- In France, the French timber trade association – Le Commerce de Bois – responding to the government’s policy of shifting progressively to green procurement has announced a new set of targets for members to ensure procurement of certified products.
- In Spain, an amendment to the country’s forest code favoring procurement of certified products is still awaiting approval by the senate.
- In Switzerland, the Federal Government has issued a procurement guideline giving preference to FSC, PEFC and the Swiss Q-Label scheme.
- Government representatives from several European countries, including the UK, Netherlands, and Denmark, have expressed a desire to move towards harmonisation of procurement policy across the EU, although all the indications are that this will be a challenging process.

Despite these policy initiatives, recent research work in the UK indicates that demand for certified products in Europe continues to develop only slowly. Where it exists, the major driver of demand seems to be the responsible purchasing policies of larger timber trading corporations that have recognised the marketing and other commercial advantages of moving over to 100% purchases of certified products. However these companies are well ahead of their own customers (including the furniture manufacturers, joiners, building companies, and general public), most of which are still uninterested in certified products.

In the certification arena itself, the story continues to be one of an ever-expanding area of certified forest, and rising uptake of chain of custody certification. With a large proportion of public and industrial forest land certified in Europe and North America, the focus of expansion has now shifted to Russia. There are also significant developments underway in tropical Africa, with the first FSC certificate expected to be issued to a large concession holder in the region before the end of 2006. And many large concession holders in tropical Africa supplying the European market are now implementing legality verification procedures.

In recent months various research reports have been issued comparing FSC and PEFC. These tend to suggest that there is much more variation within schemes in different regions (e.g. FSC in Scandinavia and FSC in North America) than between schemes within the same region (e.g. PEFC in Scandinavia and FSC in Scandinavia). The reports tend to confirm that simplistic notions regarding the relative merits of the two schemes (e.g. FSC provides a single international “gold standard”, PEFC standards are “more varied”) may well be misplaced.

## 1. Development of Forest Certification in Europe

### 1.1 Program for the Endorsement of Forest Certification (PEFC)

#### 1.1.1 Status and area

**Table 1: Latest Status PEFC (31/12/2005)**

	Certified forest area (ha)		Number of C-O-C certificates*		Number of PEFC logo users	
	30-Nov-05	31-Dec-05	30-Nov-05	31-Dec-05	30-Nov-05	30-Dec-05
Australia	5166190	5166190	1	1	5	5
Austria	3924000	3924000	290	290	143	143
Belgium	239338	244270	39	55	34	41
Canada	70918506	69209277	50	48	0	1
Czech Republic	1944560	1944560	206	206	162	162
Denmark	13617	13617	5	6	9	10
Finland	22367196	22367196	88	92	105	109
France	4004855	3980989	804	814	7233	7431
Germany	7024371	7024371	556	584	7295	7295
Hungary	0	0	0	1	0	1
Chile	1552420	1552420	5	8	4	6
Italy	356053	607345	22	26	39	40
Japan	0	0	10	10	7	7
Latvia	37860	37860	14	14	262	262
Luxembourg	16627	16627	2	2	3	3
Netherlands	0	0	3	7	1	3
Norway	9231700	9231700	6	6	17	17
PEFC Council	0	0	0	0	27	29
Portugal	50012	50012	1	1	0	1
SFI	na	54376769	na	0	na	0
Spain	384379	393498	38	38	102	103
Sweden	6648752	6648752	61	61	118	118
Switzerland	<i>suspended</i>	-	-	-	-	-
UK	9125	9125	104	120	33	35
<b>Total</b>	<b>133889563</b>	<b>186798508</b>	<b>2305</b>	<b>2362</b>	<b>15599</b>	<b>15822</b>

During 2005, the PEFC made significant ground to become the world's largest international framework for forest certification. Following endorsement of SFI and CSA, two thirds of the world's certified forest area now complies to the PEFC standards (187 million hectares of a total certified forest area of 260 million hectares). PEFC has endorsed certification schemes in 21 countries. Several additional schemes are either awaiting endorsement (Estonia) or have recently submitted applications to the PEFC Council (Lithuania, Poland and Slovenia).

In 2005, Finland and Germany passed PEFC's regular re-endorsement process, due every five years. The process to re-endorse schemes in Austria, Norway and Sweden is currently undergoing the final public consultation process.

The PEFC Council estimates that 2 more companies are seeking PEFC Chain of Custody certification every day. 2300 companies have gained CoC certification so far, the vast majority based in France (814) and Germany (584). However PEFC CoC certification is also becoming more widespread in Austria, the Czech Republic and the UK.

See also PEFC's Annual Report:

[http://www.pefc.org/internet/html/news/4\\_1154\\_64/5\\_1105\\_1286.htm](http://www.pefc.org/internet/html/news/4_1154_64/5_1105_1286.htm)

#### 1.1.2 UK government reassessment of PEFC

The UK government's Central Point of Expertise on Timber (CPET) is currently engaged in reassessing PEFC's conformance with their criteria for legal and sustainable timber. The assessment is being carried out to ensure that individual PEFC schemes have made changes to their standards and procedures in line with the demands of CPET. Individual PEFC schemes are

being reassessed to check that they have implemented additional requirements for public consultation during the certification process and for public availability of certification reports and standard setting procedures.

The PEFC Council has submitted to CPET their own assessment of national member schemes against the changes required by CPET. The assessment was carried out by the PEFC Council secretariat based on information and evidence provided by the relevant national governing bodies. According to the PEFC Council, only PEFC Switzerland (Q-Label) failed this internal assessment.

The PEFC Council report is available at:

[http://www.pefc.org/internet/resources/5\\_1184\\_1276\\_file.1456.pdf](http://www.pefc.org/internet/resources/5_1184_1276_file.1456.pdf)

Meanwhile CPET has just completed its own spot checks of national PEFC schemes in Australia, Brazil, Finland, France and Italy. Early reports indicate that all PEFC schemes have been given a clean bill of health with the exception of the Australian and French schemes. Both these schemes have subsequently submitted full comments to CPET responding to the initial CPET assessment. A final CPET verdict is expected sometime after a meeting of the CPET Reference Board on 6 March 2006.

### **1.1.3 Australian Government urges Greenpeace to accept PEFC and the national AFS**

The Australian Government has urged Greenpeace to accept PEFC and the national Australian Forestry Standard (AFS). The Government argues that the NGO's anti-PEFC bias may lead to more timber from unverifiable sources being imported, and may deter use of domestic timber from legal and sustainable sources.

The Australian government has also highlighted its efforts to prevent illegal timber being imported by the country, especially from neighbouring countries in South East Asia. Those actions include bilateral and multilateral discussions to promote credible certification systems in producer countries and engagement with national industry and NGOs.

See:

<http://www.mffc.gov.au/releases/2005/05244m.html>

## **1.2 Forest Stewardship Council**

**Table 2: Change in FSC certified area by region (in million hectares)**

	1 Dec 2004	1 March 2005	1 May 2005	1 Oct 2005	21 Dec 2005	% chg Oct-Dec	% chg Dec-Dec
N. America	9.7	10.1	12.3	20.8	21.2	2	119
W. Europe	12.7	13.3	13.9	13.9	13.9	0	9
E. Europe	12.4	12.6	12.6	12.6	14.4	14	16
Asia	0.4	0.4	0.8	1.1	1.1	0	175
S. America	6.4	6.8	7.2	7.8	8.1	4	26
Africa	1.9	1.9	1.9	1.6	1.7	6	-10
Russia	2.1	3.8	3.8	6.4	6.7	5	219
Oceania	1.2	1.2	1.2	1.3	1.3	0	8
<b>All</b>	<b>46.9</b>	<b>50.1</b>	<b>53.9</b>	<b>65.5</b>	<b>68.4</b>	<b>4</b>	<b>46</b>

**Table 3: Change in FSC chain of custody certificates  
(includes coc only and joint forest management/coc certificates)**

	Dec 04	Oct 05	Dec 05	No. change
<b>World total</b>	<b>4100</b>	<b>4907</b>	<b>5103</b>	<b>196</b>
<b>Europe</b>	<b>2263</b>	<b>2799</b>	<b>2911</b>	<b>112</b>
UK	419	448	469	21
Germany	341	443	453	10
Poland	306	342	351	9
Nethlds.	230	277	293	16
Switzld.	210	263	271	8
Sweden	125	121	128	7
Italy	90	133	137	4
Belgium	77	78	79	1
Latvia	89	91	93	2
Denmark	51	64	60	-4
France	66	93	99	6
Ireland	22	22	22	0
<b>America</b>	<b>1104</b>	<b>1241</b>	<b>1273</b>	<b>32</b>
USA	522	571	582	11
Brazil	218	241	244	3
Canada	132	156	167	11
Chile	37	41	41	0
<b>Asia</b>	<b>481</b>	<b>629</b>	<b>675</b>	<b>46</b>
Japan	221	301	314	13
Vietnam	67	80	84	4
China	80	114	132	18
Malaysia	46	57	61	4
Indonesia	28	32	32	0
<b>Africa</b>	<b>167</b>	<b>147</b>	<b>152</b>	<b>5</b>
S. Africa	145	126	129	3
<b>Oceania</b>	<b>85</b>	<b>91</b>	<b>92</b>	<b>1</b>
New Zld.	72	71	72	1

On the supply side, Russia has become a major focus for FSC development in recent months. 24 Russian companies - including big players such as Onega, IKEA Russia, Archangelsk, Cherepovetsles – have now gained FSC forest management or chain of custody certification. FSC is now represented in all commercial regions of Russia; Europe, Siberia, and the Far East. This year FSC Russia has established a specific objective to harmonise their standards with FLEGT and ENA FLEG requirements, and to strengthen links between Russia and China. FSC's Russian National Initiative has also signed an agreement with a national certification initiative which is supported by the World Bank – the Russian National Certification Council (RNCC). The joint FSC-RNCC initiative will focus on harmonisation of Russian forest legislation and certification requirements, and on developing possible links with the FLEG process.

On the demand side, FSC continues to promote aggressively its brand and values in Europe, for example:

- FSC UK has gained public funding to promote the FSC logo and mission (from a government budget line for environmental awareness raising).
- Retail sales of FSC-certified products in the UK during 2004, based on sales data from a selection of major retailers, have been calculated at £728 million (up from £351 million in 1999).
- In Italy, the biggest FSC certified retailer, Castorama Italy, has now formed a partnership with Greenpeace to raise awareness of the illegal logging issue and and promote FSC certified products using in-store video and radio.
- FSC Netherlands carried out a promotional campaign last year that included TV adverts and highlighted the social values and benefits of the scheme.
- Numerous large European print houses have now announced their intention to use only FSC certified paper. The number of FSC CoC certified printers has grown from 20 to 73 in the past two years.
- The biggest European railway company, German Deutsche Bahn AG, now displays the FSC logo on its self-service tickets. Over 30 million of the tickets are printed annually by vending machines.
- The FSC has established a national Steering Committee in France to develop the currently rather poor presence in the country. The organisation recognises the importance of France as a major consuming country, but also its strong links with francophone Africa.

As central priorities for 2006, FSC has said that it aims to develop a medium term and long term strategy and business plan, including an action plan to address potential risks to integrity, credibility and performance, and to review its governance model.

### 1.3 Demand, supply and price premiums for certified wood products in the UK

The UK Timber Trade Federation and Department for International Development have just released a third six monthly report on market demand and price premiums for certified wood products in the United Kingdom. The report is a valuable insight into the dynamics of the UK market for certified wood products, providing lessons relevant to the wider international market. Highlights from the report include:

- While NGO campaigns and government policy provided the initial impetus for certification demand in the UK, the major driver of demand for certified wood products in the UK now seems to be the corporate social responsibility policies of the large importers, distributors and builders merchants. Many of these companies have made commitments to shift as far as possible to 100% certified product as a means of protecting markets, counter-acting environmental criticism and minimising the costs associated with stocking distinct certified and uncertified product lines.
- However these purchasing policies are running well ahead of their own customers' interest in certified forest products. End-user demand still only represents a small proportion of the overall market for wood products in the UK – most companies estimate in the region 1% to 5%, with the latter figure typical of those companies that are actively seeking to market verified timber products.
- While central government is making firm and far-reaching commitments to procurement of verified legal and sustainable products, it is taking time for this to filter through to procurement officers and building contractors. Importers report that from their experience, the level of understanding of the issues and of government guidelines amongst procurement officers and contractors remains low. There is often little forward planning, with contractors only realising they were obligated to supply certified products at the end of a project.
- Continuing lack of end-user interest and demand remains the major obstacle to those companies trying to shift over to 100% certified product. This is not an issue in the softwood sector due to the very wide availability of certified timber products at no price premium. But in the hardwood and plywood sectors, particularly tropical, lack of consistent supply coupled with very high price premiums mean there are significant commercial risks associated with stocking certified wood products in the absence of end-user demand.
- But there has been some progress on the demand side, albeit from a small base. A representative of one of the UK's largest wood distributors and builders merchants said that the value of wood products sold by the company as "certified product" in response to customer requests registered a three-fold increase in December 2005 compared to the same period in 2004. The increase in demand is seen as a direct response to the new government procurement policy and to more widespread application of the BREEAM/Ecohomes framework. Some local authorities are increasingly making conformance with the Ecohomes standard a condition of planning permission when land is released for large housing development projects
- The supply situation for certified softwoods and panel products continued to improve during the second half of 2006. The large distributors contacted for the project all expressed very positive views of their continuing progress to ensure that a very high proportion of the softwood and panel products procured derive from certified sources of one form or another.
- Big shifts are underway in the plywood sector, some of which are seriously detrimental to the development of markets for verified product. The emergence of China as a major supplier has had a very significant impact. Chinese products are being sold into the UK at 25%-30% below the price of comparable Indonesian, Malaysian and Brazilian products. China has effectively forced down end-user price expectations for plywood in the UK. Meanwhile end user demand for certified plywood products in the U.K. remains very restricted. It is a very bold step for an importer to build up stocks of an expensive product for which there is little end-user demand.
- Nevertheless some larger companies remain committed to sourcing certified plywood products and are looking for more government support – either through more effective application of public-sector procurement policies or other regulatory means.

- Efforts to develop sources of “legal and sustainable” African hardwood sawn lumber began to show results in the second half of 2005. UK government procurement policy has encouraged the largest suppliers of African hardwood to the UK to develop systems and procedures for delivery of wood backed by independent assessment of chain of custody and an assurance of legal status to the UK market. Legally verified African hardwood products are now being sold into the U.K. with a market premium of around 2-3%. FSC certified African hardwoods are expected to be available later in 2006 from the CIB concession in Congo Republic, but at a significantly higher premium.
- Sourcing certified Brazilian hardwoods seems, if anything, to have become more difficult during the last six months, in line with the general deterioration in the Brazilian supply situation. A range of supply side and demand side factors have led to a dramatic decline in levels of Brazilian hardwood exports. Although some companies hold stocks of FSC certified hardwoods in the UK, these are very limited. Securing new stocks of certified material from Brazil is likely to take at least 5 months and require payment of a premium of at least 20%.
- Although overall availability of Asian hardwoods is tight, there are some positive indications in relation to availability of verified hardwood lumber from the region. MTCC certified meranti sawn lumber is now offered more-or-less as standard to U.K. buyers, with some UK contacts reporting that only a modest premium (around 2% on the UK delivered price) is required to secure stocks. At this price level, importers placing forward orders in the Far East are increasingly taking the MTCC stock. Small volumes of FSC certified meranti and bangkirai are available on an irregular basis and are achieving an 8% premium in the UK market.

#### **1.4 Comparison of FSC and PEFC certification in Northern Europe**

The Federation of Nordic Forest Owners Associations (NSF) has issued a comparative analysis of the effectiveness and efficiency of FSC and PEFC certification in Finland, Norway and Sweden. The study reveals that forest certification generally is strongly supported by both industry and private forest owners in the region, and that certification has improved standards of forest management. Certification is also contributing to some harmonisation of forestry practices between the countries of the region.

According to the study, the PEFC scheme is more effective in non-industrial private forests, whereas the FSC is more relevant to industrial forestry, especially in Sweden. Both systems place greater emphasis on environmental rather than social and economic criteria. The FSC standards are more detailed than the PEFC standards and repeat the normative regulations to a greater extent than PEFC. However the study indicates that on-ground differences in implementation of environmental, social or economic requirements of the two systems were not significant in any of the regions studied.

In terms of environmental criteria, the main difference between FSC and PEFC is related to set-aside areas. The FSC requires a minimum 5% of the certified area being taken out of production, whereas the PEFC only demands that valuable habitats are set-aside if they are present in the forest. The authors argue that set-aside areas in large-scale industrial forestry may be effectively planned to maintain high conservation values, but that a blanket set-aside quota in small-scale private forestry is not an effective measure to protect habitats at landscape-level.

Harvesting restrictions imposed by the certification standards can decrease stumpage revenues up to 15-20% according to the study, and have a major impact on the economy of a private forest owner. Audit costs may be a critical barrier for small scale forestry, but in large-scale forest units their role is marginal. However, the group certification arrangements offered by both schemes do allow audit costs to be kept reasonable within reasonable limits for small-scale forest owners.

In Norway and Sweden timber trading organisations and industry have paid price premiums to encourage small forest owners with good results. The study suggests that forest owners' organisations and sawmillers that have direct links to small scale private forest owners have been more willing to pay price premiums than the large-scale pulp and paper industry. From the forest owners' point of view, the study argues that industry should be much more proactive in its marketing efforts to develop demand for certified products.



The study was carried out by Savcor Indufor Oy and is available at <http://www.nordicforestry.org/>.

## **1.5 Another comparison of FSC and PEFC**

Another broader desk study to compare PEFC and FSC has been published at the CEPI Matrix [www.forestrycertification.info](http://www.forestrycertification.info) website. The report draws on research undertaken during development of the CEPI Matrix. It notes that together these two frameworks account for over 98% of forest independently certified around the world, and the majority of products bearing independently verified claims of good forestry practice.

The report highlights numerous similarities between the PEFC and FSC schemes, an inevitable consequence of two organisations striving to achieve the same ultimate objective (of sustainable forest management) using essentially the same mechanism (independent third party assessment of on-ground forestry practices against a set of forestry standards).

The report demonstrates that both schemes are promoting and reinforcing a similar concept of sustainable forest management. Both schemes recognise that forestry should aim to conserve the full range of forest functions – economic, social, and environmental. At the same time, both schemes acknowledge the need for trade-offs during the development of forestry standards. Both schemes seek to achieve an appropriate balance between environmental, economic and social objectives through a participatory, consensus-building approach.

An analysis of the content of the FSC Principles and the Pan European Operational Level Guidelines (PEOLG) that has so far provided the basis of the PEFC scheme, reveal numerous components which are essentially equivalent including those relating to: legal conformance; forest management planning; forest monitoring; forestry training; recognition of customary land rights; maintenance of forest cover and area; sustained yield production; controls on the use of exotic species; bio-diversity conservation; protection of special sites; rural employment opportunities; protection of soil and water courses; controls on use of chemicals; and health and safety issues.

The main differences in the PEFC and FSC forestry principles relate to the level of detail provided on different aspects of forest management, for example FSC is more explicit than PEFC in its requirements for public consultation during forestry operations, while PEFC is more explicit than FSC in its requirements for forest protection against pests and fire.

Certain key differences in the structure and operation of the two certification schemes are identified. For example, PEFC's role to endorse fully autonomous certification schemes operating at national level is contrasted with FSC's role to act as a global framework to accredit certification bodies. This in turn has led to responsibilities for various certification functions – accreditation, certification, standards-setting – being allocated differently by the two schemes. However, both schemes are seeking, at minimum, to ensure conformance with exactly the same set of international standards evolved by ISO. This has led to many areas of commonality in the procedures adopted for standards-setting and independent third party verification.

The report is available for download at:

[http://www.forestrycertification.info/phpprograms/Content/story\\_template.php3?txtid=documents](http://www.forestrycertification.info/phpprograms/Content/story_template.php3?txtid=documents)

## **2. International Agreements and institutions**

### **2.1 European FLEGT**

#### **2.1.1 Recent progress towards implementation**

The European Union is currently negotiating the terms of possible future Voluntary Partnership Agreements (VPAs) with timber supplying nations where illegal logging is considered a problem. VPAs are intended to provide the framework for evolution of "legality licensing" procedures for timber exported from producer countries into the EU. Germany is facilitating negotiations with Cameroon, France with Congo Brazzaville and Gabon; the Netherlands with Malaysia; UK with Ghana, and the European Commission (EC) with Indonesia. The European Commission has allocated €28 million for developing the VPAs.

Due to the sensitivity of negotiations, little information is yet being made available on the likely content of VPAs or on the countries expected to eventually make the commitment. Early reports indicate that concerns raised by potential VPA countries relate mainly to the costs of implementation of legality licensing procedures, and the likely impact on competitiveness. For example, it seems unlikely that Indonesia would not make the commitment unless Malaysia does the same. There is also much concern to avoid duplication of existing regulatory systems and verification programs. With this in mind, the VPA regulations allow for legality verification procedures to be based on existing “operator schemes”, including existing certification frameworks such as MTCC and LEI.

In addition to working on the first VPAs, the European Commission and several EU member states have expressed their determination to encourage full engagement of all 25 EU member states with the FLEGT process. In particular, efforts are being focused on encouraging member states to develop public sector procurement policies. So far only a few European countries have demonstrated real commitment in this area: the UK, the Netherlands, Denmark, France, Germany, Belgium and, most recently, Spain. The UK government, through the International Development Minister Gareth Thomas, recently expressed its determination to encourage harmonisation of public sector procurement policies across the EU. Thomas noted that a key objective of EU harmonisation should be to ensure reduced transaction costs for developing countries.

Generally the European private sector and NGOs have welcomed the FLEGT initiative, although concerns continue to be expressed in certain quarters over elements of the initiative:

- Most stakeholders are keeping a close eye on the VPA negotiation process, taking the view that “the devil is in the detail”.
- There continue to be widely expressed concerns over FLEGT’s likely impact on poverty alleviation.
- Some interests worry that the VPA process may fail to overcome problems of corruption in some partner countries.
- NGOs are concerned that the focus on legality may be at the expense of efforts to promote sustainability. They are demanding that partner countries should demonstrate that laws will deliver sustainable forestry as a precondition of VPA’s.
- Progressive European importing companies that are shifting over now to legally verified and certified products complain that the FLEGT initiative has yet to filter through into strong demand for these products.
- Both NGOs and certain importing companies continue to push for more far-reaching legislation banning imports of illegal wood into the EU. The European Commission continues to resist arguing that widespread acceptance of the existing FLEGT Regulations has been difficult enough to achieve. The Commission stresses that the existing regulations should be given time to bed down first before moving on to other legislative options.
- There continue to be widespread concerns over the extent of engagement by China in the FLEGT process. China’s co-operation is seen as key to ensure that circumvention of the licensing measures via third-countries will not undermine efforts within more committed partner countries.

### **2.1.2 Chatham House research on legislative options**

On behalf of the European Commission, Chatham House (the Royal Institute of International Affairs) have conducted a study on legislative options - in addition to the FLEGT timber licensing procedures – with the aim of excluding illegal timber from the EU market. The paper focuses on the potential to ban imports of unlicensed timber and compatibility of such measures with WTO rules; the potential to introduce criminal law similar the US Lacey Act in the EU; and the potential to expand the scope of international police and customs cooperation to cover illegal wood imports.

A second part of the study analyses current legislation that may be used to control imports of illegal timber in five European countries:

- There are a number of laws in the *United Kingdom* that in theory may be applied to illegal timber. However most were considered impractical because it is extremely difficult to prove that the timber that is known to be stolen is the same as the timber that is imported into the UK. It is also very difficult to prove that the importer knew that the timber was stolen. Of all the legislation

considered, the study concluded that 'money laundering' probably provides the greatest chance of prosecution, particularly where UK banks or other financial institutions are involved. Unlike the other forms of legislation considered, the money laundering laws do not require that the illegally logged timber is tracked. Furthermore the burden of prove linking the illegal logging activity and the money laundering offence is lower than for other offences. Nevertheless, the importer may still have a defence if the products were purchased at market value.

- In *Germany*, applicable legislation exists, but has not yet been applied in practice to combat illegal logging and the associated trade. Under German Law it is forbidden to receive, buy or otherwise make available or to sell, transmit or help to transmit a product originating from a criminal act, as long as the offender at least accepts that the product might derive from an illicit source. It is irrelevant where the preliminary offence was committed. Handling of stolen products is subject to a penalty of 5 to 10 years in prison. Timber may also be the subject of 'money laundering' offences as soon as the assets derived from a financial transaction are connected with illegal logging, even if the criminal act has been committed abroad. Anyone can report a concrete suspicion of money laundering to the local police station that is responsible for the suspected timber import in Germany. While these legal instruments may be used to tackle illegal wood entering Germany, the study concludes that actually achieving a conviction would be difficult due to the problems of establishing a reliable chain of evidence.
- In *Estonia*, the study concludes that under existing legislation it is not possible to hold people responsible for illegal actions committed outside Estonia. Estonian authorities have no legal means to detect the illegality of timber coming from foreign countries. It is not possible to apply the Estonian Penal Code to offences (i.e. illegal harvesting) committed in other countries (notably Russia).
- According to the *Italian study*, CITES is the only effective legal means for combating the import of illegal timber into Italy. A key problem to combat forest crimes in the international trade is a frequent lack of structured enforcement agencies in the timber's country of origin, with which Italy's national enforcement bodies could cooperate. But also national customs and enforcement bodies often lack staff, training and the expertise to conduct constant regular checks.
- In *the Netherlands*, current legislation does not provide many opportunities to prosecute companies that import illegally harvested wood. If the wood is illegal according to the laws of the country of origin but not under Dutch law, it does not by itself constitute sufficient grounds for criminal proceedings. The only offence with any real chance of leading to criminal proceedings in the Netherlands is 'the handling of illegally obtained goods'.

Although most of the laws existing in Europe are difficult to apply to illegal logging, the study notes that just a few test cases would have a significant impact on the industry. Merely highlighting the existence of these laws, and taking a few companies to court, would be sufficient to encourage most companies to change their behaviour, irrespective of the achievement of a successful prosecution. The studies can be found at [www.illegal-logging.info](http://www.illegal-logging.info)

## **2.2 African FLEG**

### **2.2.1 Progress towards a VPA in Cameroon**

A number of meetings have been held in Cameroon to implement a Voluntary Partnership Agreement with the European Union, mostly through the Comifac framework ([www.comifac.org](http://www.comifac.org)). Comifac is a regional Government initiative facilitating the implementation of international commitments such as CBD, CITES and FLEG in central and western Africa. The political commitment towards a possible VPA in Cameroon seems well advanced, with discussions now involving parliamentarians. However, lack of dialogue between the executive and legislative arm of the Government may be an key obstacle to further progress. Also there is a strong discrepancy between the political center and rural administrations in relation to awareness and engagement in the process. Comifac will shortly provide a support program to assist Cameroon and other countries in the region to engage in the VPA process.

## **2.2.2 Forest Law Enforcement Scoping study in Congo Brazzaville**

Since October 2005, the British consultancy firm REM ([www.rem.org.uk](http://www.rem.org.uk)) has been carrying out a scoping study on forest law enforcement in Congo-Brazzaville on behalf of the Congolese Government. As a first result of the study a number of logging companies moved out of Congo-Brazzaville into neighbouring countries. According to REM, a legal framework for effective forest law enforcement is in place in the country. In addition cooperation between enforcement officials in different Ministries at national level is good, but local level coordination is poor. The seizure of 26000 m<sup>3</sup> of illegally logged timber prior to the study taking place is seen as an indication that law enforcement is working to some extent. The report also indicated that forestry staff are very skilled. However, a significant barrier to improved enforcement is that the forest administration's staff depend on the logging companies to access the scoping areas.

REM will now prepare a three year implementation program for FLEG (IM-FLEG) in the country. REM is running a similar project in Cameroon.

## **2.3 Asia FLEG**

There continues to be progress towards a possible Voluntary Partnership Agreement (VPA) between Indonesia and the EU. Indications are that the country's central government now takes the issue of illegal logging extremely seriously, although problems of enforcement remain intense. Strong political will to tackle illegal logging has not yet filtered through into all relevant Ministries, but the President seems very committed.

A significant driver has been the FLEGT process, but pressure is also increasing from both Japan and the US. The US are negotiating a Memorandum of Understanding with Indonesia addressing illegal logging. Japan is progressing through the Asia Forest Partnership and direct cooperation with the Indonesian certification scheme – LEI - to acquire verified legal timber from the country.

NGOs are also now very actively engaged in Indonesia. The Nature Conservancy is drafting a log tracking system with the Ministry of Forestry, while the Tropical Forest Trust is facilitating direct technical support from worldwide buyers to Indonesian producers. A workshop last October brought together the region's custom authorities to improve cooperation and transboundary control.

A meeting of the East Asia Pacific FLEG Intergovernmental Task Force is planned for March in the Philippines. The task force includes governments, industry and civil society. The latter is being represented through The Nature Conservancy, WWF, and Indonesia's Telapak. The East Asia Pacific FLEG Secretariat, supported through the World Bank and the UK Department For International Development DFID, will co-ordinate the actions agreed by the task force. The Environmental Investigation Agency (EIA) has been given responsibility to co-ordinate an 'East Asia FLEG Advisory Group', which involves representation of a range of actors, including civil society and the private sector.

## **2.4 Europe and North Asia (ENA) FLEG**

### **2.4.1 Progress towards implementation**

Despite very wide participation of regional governments at the ENA Ministerial Meetings held in St. Petersburg at the end 2005, many commentators remain sceptical whether the political interest will be converted into substantive action to tackle illegal logging in the region. Of course Russia, which dominates the forest resources of the ENA region, has a pivotal role to play. But Russia is also renowned for its nationalistic tendencies. The Russian Federal government will not be inclined to engage in any far reaching measures demanded by timber consuming countries that do not align directly with their own interests.

At the same time, given the rising importance of Russian logs to supply burgeoning demand amongst wood product manufacturers in the Far East, the ENA FLEG process is central to the overall success of the international FLEG process.

On the positive side, the ENA FLEG Declaration agreed in St Petersburg does contain national, international and institutional-related commitments and a specific list of actions for producing countries in the region. Also the process is cross-sectoral (or inter-agency) and national action

targets are already being drafted. The wide range of groups already engaged in the process may help generate momentum. The private sector, especially the large Scandinavian industrial users of Russian wood, are already taking significant steps to eradicate illegal timber from their supply chains, and provide a model for future action.

On the down side, national action plans are not yet an integral part of the forest policy of most countries in the region. Also, in Russia a single national forest law and policy still does not exist and the provinces continue to depend on differing institutional frameworks.

#### **2.4.2 'Validation of Legal Timber Production' in Russian Far East**

The authorities of the Eastern Russian Khabarovsk province have contracted SGS to carry out a Validation of Legal Timber Production (VLTP) program, in line with future ENA and EU FLEG requirements. The Khabarovsk region is the 2nd largest timber producing region in Russia (73 million hectares of forests), with an annual harvest of over 9 million cubic meters, mostly exported as raw logs to North-Eastern Asian countries where they are processed and often re-exported to the EU, the US and Japan.

The SGS programme includes independent audits of harvesting and processing operations, spot-checks, chain of custody monitoring, and a step-wise approach towards certification. The programme is a collaborative approach between SGS and the Russian authorities, but other stakeholders such as local NGOs are engaged through a advisory committee and will approve the VLTP standards. The program started January 2006. The aim is to have a fully operational system in place that is operated by the regional government without the support of SGS consultants by January 2007.

#### **2.5 Latin American FLEG**

There are still no indications that a FLEG process for Latin America – the only major tropical timber producing region lacking such an initiative – is due to be launched. At the latest Chatham House 'illegal logging stakeholder update' in London, European Commission representatives stated that they would lobby hard to encourage such a process. Of Latin American nations, so far the EU has initiated a partnership process only with Bolivia (through the Spanish Ministry of Environment). But this process has been suspended due to the unstable political situation in the South American country.

The Chatham House update meeting also featured a presentation by Brenda Brito of the Amazonian research institute Imazon on forest law enforcement in the Brazilian Amazon. Brito reported that exports from the Amazon region have increased in recent years from 14% to 36% of production. Around 32% of exports are to the EU and 31% to the US. China is the third largest export market. A total of 24 million cubic metres of wood is being processed in 82 manufacturing centers. According to Imazon, logging of only 14 million cubic metres is authorised, so 43% of current production is illegal.

Imazon has carried out a study to explore how recent cases of alleged violations in the forestry sector against the Brazilian Environmental Crimes Law have been dealt with in Brazil. The study indicates that 22% of alleged violations were brought to court and resulted in prosecutions. However 78% of alleged violations did not result in cases being taken to court. Furthermore, 78% of fines imposed have not been collected. Constraint to effective enforcement include lack of human resources, poor communication between enforcement agencies and legal entities, insufficient laws, lack of transparency and poor performance of the courts.

A second study by Imazon indicated that quality, price, legality, delivery, and certification, in that order, are the prime criteria for international buyers in the Amazon region. Brito called on European interests to support industry initiatives in Brazil. She also suggested that individual companies wishing to check on the credentials of specific suppliers need only consult publicly available Government lists of environmental violators.

#### **2.6 International Tropical Timber Agreement**

Switzerland, 16-27 January 2006: The fourth round of the *United Nations Conference for the Negotiation of a Successor Agreement to the International Tropical Timber Agreement* (ITTA,

1994) reached consensus on the financial arrangements and the scope of the Agreement, and adopted the ITTA, 2006. Over 180 governments, international organisations and intergovernmental bodies negotiated outstanding text from the final working document that resulted from the third part of the UN Conference. There was a sense of urgency surrounding negotiations resulting from the fact that the current Agreement will expire at the end of this year.

Both Consumers and Producers of tropical timber managed to achieve consensus on an Agreement that, according to participants, reflects the evolving nature of the Organisation and the international dialogue on forest issues. Participants left the meetings confident that project work can continue without an interruption in funding. The new document includes explicit acknowledgement of the need to grapple with controversial topics such as illegal logging, certification, and sustainable forest management itself, which is now generally accepted as one of the two overarching objectives of the ITTA. The Agreement will be opened for signature on 3 April 2006.

The Preamble, ITTA, 2006:

- Recognises the importance of multiple economic, environmental and social benefits provided by forests, including timber and Non Timber Forest Products and environmental services in the context of SFM;
- Recognises the importance of collaboration among members, international organizations, the private sector and civil society, including indigenous and local communities and other stakeholders in promoting SFM and for improving forest law enforcement and promoting trade from legally harvested timber;
- Recognises the need for increased investment in SFM, including through reinvesting revenues generated from forests including from timber-related trade; and
- Recognises the need for enhanced and predictable financial resources from a broad donor community to help achieve the objectives of this Agreement.

The objectives of the ITTA, 2006 are to promote the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests and to promote the sustainable management of tropical timber producing forests by, inter alia:

- Contributing to sustainable development and to poverty alleviation;
- Developing and contributing towards mechanisms for the provision of new and additional financial resources with a view to promoting the adequacy and predictability of funding and expertise needed to enhance the capacity of producer members to attain the objectives of this Agreement;
- Promoting market intelligence and encouraging information sharing on international timber market with a view to ensuring greater transparency and better information on markets and market trends;
- Strengthening the capacity of members for the collection, processing and dissemination of statistics on their trade in timber and information on the sustainable management of their tropical forests;
- Encouraging members to develop national policies aimed at sustainable utilisation and conservation of timber producing forests and maintaining ecological balance, in the context of the tropical timber trade;
- Strengthening the capacity of members to improve forest law enforcement and governance, and address illegal logging and related trade in tropical timber; and
- Promoting better understanding of the contribution of NTFPs and environmental services to the sustainable management of tropical forests with the aim of enhancing the capacity of members to develop strategies to strengthen such contributions in the context of SFM, and cooperating with relevant institutions and processes to this end.

The Agreement should remain in force for a ten-year period. The producer members shall together hold 1,000 votes and the consumer members shall together hold 1,000 votes. Four committees will be established: Forest Industry; Economics, Statistics and Markets; Reforestation and Forest Management; and Finance and Administration.

Unlike ITTA 1994 in which many countries expressed serious doubts in relation to the Agreement, there seem to have been no serious objections to the ITTA 2006. While this suggests a successful

outcome, the overall relevance of the ITTO is now limited by funding. The ITTO budget has fallen from US\$25 million in the early 1990s to US\$10 million today. The number of countries pledging project funding through the ITTO has declined as well, as donors pursue other bilateral, multilateral, or NGO-based mechanisms.

### **3. National Procurement Policies**

#### **3.1 France**

The French Government's "White Paper" published in early 2005 has created a new legal framework for sales of timber products to French central Government departments. By 2007 the central Government aims to procure 50% of wood from suppliers that are independently verified or engaged in a process towards independent verification. The central government intends to procure only verified wood by the end of 2010. A wide variety of approaches to independent verification and certification are accepted.

Le Commerce du Bois, the French Timber Importers Federation, has responded to the French government's policy by introduction of a voluntary procurement policy "Responsabilité Sociale Environnementale" (RSE). RSE commits association members to continuously increase volumes of independently verified timber, both on the procurement and sales side. Improvements will be measured and third-party audited every second year. As an entry-level, the policy requires 3% of a company's turnover to be verified material, the current average for the French industry. From there on, scheme members gain a "leave" for each 10% share of verified timber. Companies are required to achieve at least 2 leaves by 2010. Signatories are also required to actively support their suppliers.

To facilitate implementation of the LCB approach, the association is currently working on a web-based service center for its members and their buyers, compiling information regarding acceptable verification for sustainable and legal timber. According to LCB, all certification schemes that are "based on internationally recognised criteria for SFM" may be provided as proof of sustainability, and in their absence, various other "credible programs" may be used as proof of legal origin. Examples of other credible programs include the SGS legality verification system, the Tropical Forest Trust legality verification procedures, and the procedures for modular implementation of FSC certification.

In addition, the LCB approach focuses on the promotion of timber as an environmentally friendly construction material. LCB members will voluntarily apply product labels including the commercial name, country of origin, and certification status, and advise clients of technical applications and recommend alternative species. More details: [www.lecommercedubois.fr](http://www.lecommercedubois.fr)

#### **3.2 Germany**

Since the late '90s, German federal government bodies have been advised to buy tropical timber 'if possible' with a credible forest management certificate. Due to the obvious practical difficulties, the guidelines have had little impact. The last federal government strongly supported an FSC only approach for all timber products and also proposed in 2005 an ambitious draft 'Virgin Forest Act'. This led to serious disputes with the German industry. The 'Virgin Forest Act', which required verifiable proof of the origin of timber, has now been suspended by the new coalition government. The new government coalition contract states that federal government entities shall seek to buy certified timber without naming any particular scheme.

For the last three years, the federal government has been developing a set of criteria against which international certification standards would be assessed, similar to the UK CPET approach. With support from the new government, the responsible Ministry now seems intent on developing a pragmatic approach, including recognition of the PEFC scheme. The criteria are expected to be published shortly.

#### **3.3 Spain**

The Spanish government and industry is becoming more active on the illegal logging issue, partly in response to NGO pressure and partly due to encouragement by the European Commission, which is keen to engage southern European countries more closely in the FLEGT initiative. Key

initiatives in the country include:

- The Spanish Ministry of Environment has taken the lead on FLEG negotiations with Bolivia.
- A number of high level meetings on the subject of illegal logging have taken place in Spain in recent months, including a WWF initiative 'Responsible Trade of Forest Products between Spain and Countries in Central Africa' and a Ministerial Conference on the Protection of Forests in Europe (MCPFE) last November.
- A revision to the country's forest code is still awaiting approval by the senate. The revision includes a new paragraph requiring regional administrations and municipalities to develop "instruments that give priority to certified timber products".
- WWF Spain is running a campaign for responsible purchasing of timber products targeting municipalities with population of over 20,000 ('Ciudades por los Bosques'). Three municipalities in the North-Eastern province of Cataluna have adopted the purchasing scheme including Barcelona. According to WWF other major cities such as Madrid and Zaragoza are likely to follow.
- The Governing Board of Spain's timber importing association - AEIM - approved a "Code of Good Practice" in March 2005. According to AEIM Director Alberto Romero, the Code is only a first step in addressing the issue of illegal logging. AEIM is currently negotiating with consultants to identify measurable targets for improvement and Code implementation. As a next step, feasible commitments for member companies will be defined that will have to withstand a third-party audit. In addition AEIM suggests that in the future agents should declare species, country of origin, and mill of production on the product, and that the invoicing company should be the same as the one signing the contract.

### 3.4 United Kingdom

#### 3.4.1 CPET review of Category A and B criteria

The Central Point of Expertise on Timber (CPET) is undertaking a review of its criteria and guidance for assessing Category A evidence (forest certification schemes). It is also developing procedures for assessment of other forms of evidence (i.e. not certification) to demonstrate legal and sustainable practice. Consultation documents have been made available at the CPET website ([www.proforest.net/cpet](http://www.proforest.net/cpet)) and comments should be with CPET by 18 March 2006.

Changes to the existing criteria for assessing forest certification schemes are mainly minor points of clarification, with the exception of those relating to chain of custody. The requirements for chain of custody (Section 4 of the criteria) have been substantially revised, according to CPET "*as there was some confusion in the use of the criteria in the first edition*". CPET suggest "*it is not the intention to change the actual requirements, simply to better express what was meant*".

Despite this claim, the new criteria seem to introduce a degree of flexibility in the method of conformance with the 70% content requirement. Specifically the criteria now states that "If mixing of certified and uncertified material in a product or product line is allowed and the proportion of uncertified material can exceed 30%, then the uncertified material must be covered by a verifiable system which ensures that it is from sustainable forest sources". In short, this change is some acknowledgement of the procurement systems approach pioneered by the SFI Program and subsequently adapted by FSC in their controlled wood standard.

The draft Category B criteria – although meant for assessing evidence other than certification – draw heavily on the Category A criteria and in some respects simply seem to require certification by another name.

For the sustainable option, the Category B criteria require that the sustainability definition is developed through a participatory process balancing economic, social and environmental interests. CPET note that "*although good management practices can be defined through other mechanisms, CPET does not have the resources to analyse the suitability of huge numbers of definitions of sustainable forest management from around the world and therefore uses the process*



*requirements as a proxy*". In other words, historical, scientific or other documentary evidence that forest management is sustainable – for example that provided through the USDA Forest Service regular forest inventories and sustainability reports – may not be regarded as suitable evidence under this criterion.

Also, the Category B criteria require that wood is traceable to forest origin. It is stated that *"The evidence must cover the whole supply chain from forest to the organisation submitting the evidence. Evidence may include invoices, sales documents, transport documents, official government documentation, chain of custody certificates or any other appropriate documentation."*

On the other hand, with regard to legality, the Category B criteria seem to borrow to some extent from the "risk assessment" approach now being applied by the Timber Trade Federation in their Responsible Procurement Policy. That is, there is some acknowledgement that the burden of proof should be higher for wood supplied from those countries and regions where the risks of illegal logging are greater. The criteria note that:

*"For timber or wood products originating from forests in countries where legal use rights are clear, forest governance is robust and there are functioning mechanisms for monitoring of compliance and public reporting of non-compliance, it may be sufficient to provide evidence of an absence of any substantive claims of non-compliance with the law relating to the forest area."*

*"For countries where legal use rights are unclear, forest governance is weak or there are not functioning mechanisms for monitoring and public reporting of compliance, evidence to provide assurance of legal compliance in the forest or forests of origin will be required. This evidence can take a range of forms – guidance will be produced by CPET as experience is gained – but may include such things as official documentation, audit reports or information from civil society groups."*

Similarly, with regard to establishing traceability: *"Where the supply chain is only in countries where governance is robust and supply chain documentation is reliable, it may be adequate to base evidence on transaction documents that show a clear chain of custody from final product to forest source. However, where the supply chain includes countries where governance is weak or there are substantive claims of illegal activities in the timber sector, the evidence will generally need to include independent tracking or verification."*

### **3.4.2 UK government looks again at social criteria**

Intense NGO criticism of the UK Government for excluding social aspects from the criteria for "legal and sustainable" timber has encouraged the UK government to look again at the issue. Initial comments by government officials indicate that if social criteria are to be applied to timber, it would be necessary for rules to be changed so that social criteria would have to be applied to all products procured by Government, not just timber. This is unlikely to be a realistic option for government. However the UK continues to discuss options with the Netherlands and Denmark.

### **3.4.3 British MPs call for a law banning imports of illegal timber**

In a second report on sustainable timber, the UK all party Environmental Audit Committee (EAC) called for legislation to prevent illegal timber being imported by British companies and is pushing for EU-wide adoption of legally binding measures. The EAC stated that "illegal timber is currently a fact of life within the UK timber trade". The EAC calls for central government procurement policy to allow only "sustainable timber" and to remove the option to supply "legal" timber within the next five years. The paper also recommends extending the UK central government's timber procurement policy to local governments and supports the FLEGT action targets, such as harmonising European purchasing policies.

The committee is appointed by the House of Commons to monitor the environmental impact of all Government departments. While the government is under no obligation to implement the recommendations of the EAC, the Committee can be a powerful influence over the future direction of policy. The EAC report 'Buying Time for Forests: Timber Trade and Public Procurement' is available at: <http://www.publications.parliament.uk/pa/cm/cmenvaud.htm>

### **3.4.4 TTF Responsible Purchasing Policy (RPP)**

The Timber Trade Federation's RPP is currently into its first annual audit, carried out by SGS Forestry. So far no major problems with the policy have been reported. The TTF estimates that the 32 RPP signatories cover around 30% of the total UK wood market by volume. Signatories are committed to undertaking a risk assessment of their suppliers environmental performance using a questionnaire survey and other tools, and to developing an action plan for a progressive switch from high to low risk suppliers. To support the policy and encourage the international trade to adopt the same approach, the RPP is being promoted at [www.ttfrpp.co.uk](http://www.ttfrpp.co.uk) and standard questionnaires are made available for free.

### **3.4.5 Independent 'Timber Industry Forum' vs. TTF**

The Timbmet Group, which left the Timber Trade Federation a few years ago, has initiated the 'Timber Industry Forum' as a rival representative body. The Forum currently consists of 25 members, including end-users, buyers and producers. The Group is the policy arm of the engaged companies as is calling specifically for stricter measures on illegal logging, such as legislative options banning the import of illegal material. At a recent multi-stakeholder conference, Forum representatives accused the Timber Trade Federation of allowing membership to companies that knowingly trade in illegal products.

The Timber Industry Forum has had some success lobbying the UK Government and bringing Ministers to the table to discuss their concerns. It was actively engaged at last year's G8 meeting in Derby and the UK Government's Commission for Africa. The Forum is also supporting WWF producer groups and similar initiatives to encourage conformance to the highest standards forestry standards – seen by the Forum as FSC. Further policy objectives include introducing transparency measures within the timber industry and greater regulation on the demand-side, for example through procurement policies. The Forum also wants to help "isolate rogue operators".

### **3.4.6 Timbmet's procurement policy**

A representative of Timbmet, the UK's largest hardwood importer, provided details of the company's procurement approach at a recent meeting in London. The company, which purchases 43% its timber from tropical suppliers, runs a risk-assessment procedure for all products, focusing on country- and species-related risk. Country-risk and species-risk factors are combined with purchased volumes to generate a final risk factor. So, for example, the total risk factor of a large supplier in a "medium risk country" may be higher than that of a small supplier in a "high risk country". North American and European suppliers are excluded from detailed assessment measures as they are generally considered as "low risk".

Timbmet follows a step-wise approach towards full (100%) FSC certification. Entry-level for the policy is "traceable and legal timber" verified by an independent third party. The Group reports time-bound targets to stakeholders and continuously increases the share of certified products. Timbmet has developed its own "progressing towards sustainable" logo, which is currently being used by 140 suppliers. The label is based on traceability, independent audits, legality and suppliers actively moving towards FSC, for example producers engaged with programs such as SGS certification program or Smartwood's Smart Step.

A major market constraint for certified products in the UK was the fact that "supply currently outstrips demand". A study of Timbmet suppliers revealed that a 10-25% price premium would be required to offset (FSC) certification costs in the tropics. The Group is currently paying 8-12% more for certified timber and most of its certified supply comes from Forest and Trade Network (FTN) Producer Groups.

## **3.6 Netherlands**

### **3.6.1 Government procurement policy**

In early February, the 6 environmental groups that had been participating in the process to develop the National Assessment Guideline (BRL) announced that they would withdraw from the initiative. The move came following a tortuous 4 year process initiated by the Dutch government in January 2002 designed to replace the Keurhout scheme – perceived by NGOs to be too dominated by industry – with a system with broader stakeholder support. Despite the move, Dutch government

has stated that it still intends to use the BRL as the basis for implementation of a public sector procurement policy.

The Dutch government issued a Government Mandate in June 2004, requiring all public institutions at national level to procure verifiably sustainable timber where possible, and public buyers to ensure legality of timber purchases. The Dutch Ministry of Economic Affairs subsequently stated that timber procurement is a high priority and that it intends to move towards 100% “green procurement” throughout central government by 2010, even if this implies greater cost. The Dutch government’s definition of legality draws on two main reference points, namely the UK government’s definition of legality that has already been utilised for reviewing certification schemes, and the definition that is documented in the Ninth FLEGT briefing note, issued by the EU. The Dutch government’s definition of sustainability would be based on BRL.

The BRL guideline was endorsed by Dutch stakeholders – including ENGOs - at the end of last year. The BRL criteria includes a number of elements: requirements for sustainable forest management; requirements for chain of custody systems; and requirements for certification bodies.

The environmental groups however withdrew their support from BRL in February 2006 on grounds that they are unhappy with the 50:50 split between industry and ENGOs in the decision making process. They demand a 3 way split between economic, environmental and social issues. The ENGOs also say that they have been advised by lawyers based in Geneva that, contrary to their earlier advice, governments may legitimately require that wood be certified to a single standard. They now think that a government policy requiring FSC-only would be defensible within WTO and European trade rules. Following this advice, the ENGOs say they no longer have any need for BRL and from now on will focus all their efforts on promoting an FSC-only policy in the Netherlands.

Before withdrawal of the environmental groups, the intention had been to use BRL in two ways. First, BRL would be used as the framework for a fully operational certification system – in much the same way as the existing Keurhout initiative. A Dutch multi-stakeholder organisation – the “BRL Foundation” would have been responsible for developing procedures to assess sustainable forestry and chain of custody directly against the BRL guidelines and to promote the BRL logo in the Netherlands. Second, a BRL Board of Equivalence would have been established to assess conformance of other certification frameworks against BRL. These schemes would continue to use their own logos in the Dutch market supported by a “statement of equivalence” to BRL.

Plans have changed following the ENGOs walk out. The Dutch government has told industry that it remains committed to implementing its procurement procedures by the end of 2006, and that these procedures will be based on BRL. They believe this is legitimate as the ENGOs were party to the agreement of the BRL Guideline in 2005. But the concept of a multi-stakeholder “BRL Foundation” has been shelved. It now looks likely that a consultant will be commissioned to carry out the assessment – essentially a similar approach to that adopted in the UK. The Dutch government wants the preliminary assessment of forest certification schemes to be carried out before the end of summer 2006.

Meanwhile the Netherlands Timber Trade Association continues to operate the Keurhout Foundation as an alternative private sector initiative to provide a framework for legality verification and for assessment against an earlier set of Dutch government sustainable forestry criteria agreed in 1997. Discussions are now on-going between the Dutch government and VVNH over the future of the Keurhout initiative.

### **3.6.2 Wijma’s experiences**

At a recent meeting in London, a representative of the Dutch Wijma company provided details of their experience to become the first FSC certified concession holder in tropical Africa. Wijma supplies heavy industrial and other tropical hardwoods into the European market. The company lost a major concession in the Cameroon following reform of the nation’s forest law in 1995. Today 50-80% of the company’s material input originates from newly acquired concessions in the Cameroon. Since 2002, Wijma has been working towards FSC certification in one concession in response to customer requirements, which they finally achieved in 2005. Wijma is now in the process of certifying a second concession in Cameroon.

Wijma is already seeing a lot of demand for FSC products, although this tends to be heavily focused on a limited range of species (particularly ekki which is widely used in Europe for sea-defence work).

The FSC certificate issued to the Wijma concession has been criticised by some social NGOs who claim that local indigenous people were not been sufficiently consulted. Following a corrective action request, Wijma issued a follow-up "community inventory" to assess potential impacts on indigenous groups. However, the study found no indigenous people would be affected by the company's harvesting activity.

### **3.6 Switzerland**

The Swiss Federal Procurement Commission has published a timber procurement guideline that is now being widely used for tenders by the federal and regional procuring agencies. For public contract specifications, the guidelines promote specifying the highest possible content share of certified timber (e.g. 100%), giving preference to the FSC, PEFC and the Swiss Q-Label. To use other certification labels, or other evidence of conformance to requirements equivalent to the three accepted schemes, procurement officers should get approval from the Swiss Procurement Commission. Suppliers to Government that do not comply to these contract conditions will be fined 10% of the contract value.

The guidelines are available in German and French at:

[http://www.bbl.admin.ch/bkb\\_kbob/publikationen/00631/index.html?lang=de](http://www.bbl.admin.ch/bkb_kbob/publikationen/00631/index.html?lang=de) ('nachhaltig produziertes Holz beschaffen')

## **4. Environmental campaigns**

### **4.1 'A Common Vision for Transforming the European Paper Industry'**

A wide range of NGOs signed a common statement for "Transforming the European Paper Industry" to coincide with the 'Paper World' industry event in Germany. The NGOs, including FERN, Forest Ethics, Friends of the Earth, Greenpeace, WWF, call for: reduced paper consumption; increased use of recycled fiber; social and environmental sustainability at the source of the raw material; and for an entirely sustainable industry ('zero waste, zero emissions'). More details are available at:

<http://www.greenpeace.org/raw/content/international/press/reports/a-common-vision-for-transformi.pdf>

### **4.2 Sami Reindeer-forests' dispute settled in Finland**

According to WWF, the dispute over old-growth forests in the Sami region between WWF and state enterprise Metsähallitus have been settled. An agreement has been achieved following a revision of Metsähallitus' conservation plan. The plan has been expanded to exclude an additional 55,000 hectares of state-owned land from all forest management operations in the region.

[http://www.panda.org/about\\_wwf/what\\_we\\_do/forests/index.cfm?uNewsID=61220](http://www.panda.org/about_wwf/what_we_do/forests/index.cfm?uNewsID=61220)

### **4.3 Greenpeace exposes failure of IBAMA and trade with fraudulent ATPFs and tax receipts**

A Greenpeace undercover investigation alleges widespread trade with fraudulent transport licenses (ATPFs) and tax receipts in the Brazilian Amazon. Greenpeace names three Brazilian producers that it alleges are involved in the document trade. More details:

<http://www.greenpeace.org/raw/content/international/press/reports/the-amazon-tree-saga-from-the.pdf>

## **5. Events**

**15<sup>th</sup> Session of the African Forestry and Wildlife Commission (AFWC):** The 15th Session of the AFWC will convene in Maputo, Mozambique, 29 March-1 April 2006. Participants will attend a special session on the implementation of sustainable forest management in Africa. For more information contact: Pape Djiby Koné; e-mail: [pape.kone@fao.org](mailto:pape.kone@fao.org); Internet: <http://www.fao.org/forestry/site/31088/en>

**21<sup>st</sup> Session of the Asia-Pacific Forestry Commission:** The 21st session of the Asia-Pacific Forestry Commission will convene in Dehradun, India, 17-21 April 2006. Participants will attend a special session titled Towards sustainable forest management in the Asia-Pacific. For more information contact: Mr Patrick Durst; e-mail: [patrick.durst@fao.org](mailto:patrick.durst@fao.org); Internet: <http://www.fao.org/forestry/site/31093/en>

**International Tropical Forest Investment Forum:** This Forum will be held from 25-27 April 2006, in a location to be determined. The Forum will be interactive, with the International Tropical Timber Organization (ITTO), Forest Trends, the Katoomba Group, Grupo Ecologico Sierra Gorda, and four branches of the Mexican Environment Ministry bringing together a wide range of stakeholders that can facilitate, access and operate mechanisms for increased investment in natural forest-based enterprises, including community enterprises. For more information, contact: Paul Vantomme, ITTO Assistant Director for Forest Industry; tel:+81-45-223-1110; fax: +81-45-223-1111; e-mail: [vantomme@itto.or.jp](mailto:vantomme@itto.or.jp); Internet: <http://www.itto.or.jp>

**33<sup>rd</sup> Session of the European Forestry Commission (EFC):** The 33rd session of the EFC will convene in Bratislava, Slovakia, from 23–26 May 2006. For more information contact: Kit Prins; e-mail: [christofer.prins@unece.org](mailto:christofer.prins@unece.org); Internet: <http://www.fao.org/forestry/site/31096/en>

**International Tropical Timber Council, 40<sup>th</sup> Session:** ITTC-40 and associated sessions of the Committees will convene from 29 May-2 June 2006, in Mérida, Mexico. For more information, contact: Manoel Sobral Filho, ITTO Executive Director; tel:+81-45-223-1110; fax: +81-45-223-1111; e-mail: [itto@itto.or.jp](mailto:itto@itto.or.jp); Internet: <http://www.itto.or.jp>

**17<sup>th</sup> Session of the Near East Forestry Commission (NEFC):** The 17th Session of the NEFC will take place in Larnaca, Cyprus, 5–9 June 2006. Participants will attend a special session on implementing sustainable forest management in the Near East. For more information contact: Hassan Osman Abdel Nour; e-mail: [hassan.abdelnour@fao.org](mailto:hassan.abdelnour@fao.org); internet: <http://www.fao.org/forestry/site/31113/en>

**24<sup>th</sup> Session of the Latin American and Caribbean Forestry Commission (LACFC):** The 24th Session of the LACFC will be held in Santo Domingo, Dominican Republic, from 26–30 June 2006. Participants will attend a special session on implementing SFM in Latin America and the Caribbean. For more information, contact: Carlos Marx R. Carneiro; e-mail: [carlos.carneiro@fao.org](mailto:carlos.carneiro@fao.org); Internet: <http://www.fao.org/forestry/site/31107/en>

**23<sup>rd</sup> Session of the North American Forestry Commission (NAFC):** The 23rd session of the NAFC will be held in British Columbia, Canada, in October 2006. For more information, contact: Douglas Kneeland; e-mail: [douglas.kneeland@fao.org](mailto:douglas.kneeland@fao.org); Internet: <http://www.fao.org/forestry/site/31118/en>