

Report for AF&PA

**Trade and Environment
Program in Europe**

April-May-June 2007 Report

**Rupert Oliver
rupert@forestindustries.info**

“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

VAT Registered No: 746311248 – Registrar of Companies for England and Wales Company No: 4689869

Head Office: The Little House • 18 Church Street • Settle • North Yorkshire • BD24 9JE • United Kingdom

Tel: +44 (0)7553 346410 / www.forestindustries.info

Contents

Consultants commentary and highlights.....	4
1. Development of Forest Certification	6
1.1 Program for the Endorsement of Forest Certification (PEFC)	6
1.1.1 Status and area	6
1.1.2 China office opens.....	6
1.1.3 Public consultation on American Tree Farm System.....	6
1.2 Forest Stewardship Council.....	6
1.2.1 Status and area	6
1.2.2 FSC develops new strategy	7
1.2.3 FSC prioritises small owners in the United States	8
1.2.4 Dutch companies promote FSC.....	8
1.2.5 Strengthening national initiatives	9
1.2.6 German FSC promotion	9
1.2.7 Awareness of FSC in the UK.....	9
1.2.8 FSC-watch critique	9
1.2.9 FSC combines with German eco-labelling scheme.....	10
1.2.10 Bolivia leading tropical exporter of FSC-certified wood products.....	11
2. International Agreements and institutions.....	11
2.1 European Union	11
2.1.1 FLEGT VPA Negotiations	11
2.1.2 EC guidance sought on social issues	12
2.1.3 Trade in ramin suspended	12
2.1.4 Biofuels commitment	13
2.2 UNFCCC.....	13
2.3 UNFF given a new lease of life.....	13
2.4 ITTC struggles to elect Executive Director.....	15
2.5 World Bank champions “avoided deforestation”	16
2.6 G8 builds consensus on climate change	16
2.7 Globe International G8+5 Legislators Forum	17
2.7.1 Illegal logging	17
2.7.2 Climate change	17
2.8 CITES focuses on timber species, although few changes are agreed	18
2.9 Comprehensive review of European sustainable forestry being prepared	19
3. National Procurement Policies	19
3.1 Denmark consults on timber procurement criteria	19
3.2 UK.....	20
3.2.1 Amendment to UK Government procurement policy	20
3.2.2 UK champions Lacey Act approach in Europe.....	21
3.2.3 CPET pilot study of construction projects	21
3.2.4 Greater London Authority moves away from FSC only policy	21
3.2.5 Conservative party opposition consults on forest policy	21
3.2.6 Code for Sustainable Homes.....	22
3.2.7 UK announces support for Congo forestry.....	23
3.2.8 Focus on CSR and certification in UK print industry	23
3.3 Germany	23
3.3.1 Germany introduces public procurement policy	23
3.3.2 German timber trade association announces Code of Conduct.....	24
3.3.3 German Paper Union calls for end to subsidies on wood used for energy	25
3.3.4 Interzum Furniture Fair, Cologne.....	25
3.4 Spain: green procurement off the radar screen	25
3.6 Portugal: little or no demand for certified wood products	26
3.7 Netherlands.....	27
3.7.1 Close to a quarter of all timber from certified sources	27
3.7.2 Keurhout recognition of MTCC under scrutiny	28
3.8 China plays down procurement role	28
3.9 Luxembourg announces development of inclusive timber procurement policy.....	29

4. National forest policies	30
4.1 Indonesian progress to crack down on illegal logging comes too late for donors	30
4.2 Brazil: policy environment encourages illegal logging.....	31
4.3 PNG announces intent to develop legality verification system	32
4.4 Russia: Federal government reports widespread illegal logging	32
5. Private sector initiatives	32
5.1 International Council for Forest and Paper Associations (ICFPA).....	32
5.2 European Timber Trade Action Plan (TTAP)	33
5.2.1 Role of TTAP	33
5.2.2 Progress to develop legality verification.....	33
5.2.3 Efforts to harmonise EU private sector timber procurement policies	34
5.3 Report raises prospect of increased Chinese commitment to responsible sourcing.....	34
6. Environmental campaigns	35
6.1 WWF publishes blacklist of German timber traders	35
6.2 WWF to track illegal timber origins using wood-isotopes	36
6.3 Greenpeace target wood from Congo DRC	36
6.4 HSBC under fire for dealing with Malaysian company	36
7. Events.....	37

Consultants commentary and highlights

The pace of forest certification seems to have slowed worldwide during the first half of 2007, now that the vast majority of the most accessible and best managed large industrial and state forests in the rich nations are certified. Only two countries have seen any significant growth in certified forest area this year – Russia under the FSC scheme and Australia under the PEFC scheme. In order to maintain the momentum, the major certification systems are now having to prioritise the challenging tasks associated with certifying forests in the tropical world, developing national certification capacity, and encouraging a much wider range of non-industrial forest owners to participate in the certification process. All these issues were highlighted in a draft strategy document put out by FSC for public consultation in the second quarter of 2007.

Two potentially significant events for certification of smaller owners in the United States were announced during the quarter. The American Tree Farm System (ATFS) has been put forward for PEFC endorsement which, if successful, will provide a new mechanism for international marketing of wood obtained from ATFS woodlands. At the same time FSC-US has established improved participation by family forest owners as a priority during the on-going process to review the US FSC regional standards.

While efforts are on-going to provide technical fixes to the problems of certification in challenging areas, including developing countries and regions where ownership is fragmented, the general patchiness of market demand and unwillingness to pay premium prices for certified timber products remain significant constraints. One solution, which is being pursued with particular vigour this year in a few North West European countries, is to seek to develop public and private sector procurement policies favouring certified wood. Key developments on this front during the second quarter of 2007 include: the announcement by the UK central government of their intent to buy only “legal and sustainable” wood from 2009 onwards; announcements in Germany that the Federal government will from only buy PEFC and FSC certified wood and that the timber trade association is implementing a Code of Conduct; signs that the new Italian government are taking a more active interest in public procurement policy; and preliminary efforts by European timber trade associations to work towards harmonisation of private sector procurement policies.

Despite these efforts, signs are that the market engine that is meant to be driving uptake of certification remains weak and unreliable. Even in the UK – which prides itself on being a leader in this field – market research indicates that the central government policy is not yet being implemented effectively, while large parts of the private sector still have little interest in certified products. And demand in other large timber markets remains negligible, a fact firmly brought home by the AHEC Executive Director’s recent commentary on the Construmat construction industry show in Barcelona.

With the timber market so ineffective as a driver of improvements in forestry practices, policy makers have been looking at other mechanisms. In particular, the recent rapid emergence of political concern over climate change may have arrived just in time for the international forestry sector. There now seems to be growing political momentum behind the concept of subsidising developing countries for “avoided deforestation”. At the same time, there is growing interest in the development of a wider and more effective international carbon trading scheme. One offshoot of this could be a potentially huge source of new income for sustainable forestry operations. These issues were highlighted during the wide range of inter-governmental meetings that took place in the second quarter of 2007, including the G8 Heads of State and UNFCCC meetings held in Germany, the UNFF meeting in New York, and the ITTO meeting held in PNG. Now the World Bank has announced its intention to establish a \$250 million investment fund to reward countries for avoided deforestation.

Meanwhile, policy makers in certain countries continue to look for regulatory fixes to the problems associated with the illegal timber trade. Moves by the United States to amend the Lacey Act to cover forest products have caught the eye of the UK government which is now championing introduction of a similar approach amongst European and G8 countries. There are however many

obstacles and, for the moment, Europe is pursuing a less ambitious program to develop legality licensing procedures through Voluntary Partnership Agreements with a limited range of “high risk” tropical countries. Nevertheless some interests, including a few European NGOs and the governments of those countries now negotiating VPAs, have yet to let go of ideas for an even more ambitious project – which must surely be unworkable – to develop a universal legality licensing scheme for wood products.

A potentially significant event in the second quarter of 2007, which crept through with very little media attention, was the agreement of an international Non-Legally Binding Instrument (NLBI) on the Sustainable Management of All Types of Forests. While not adding much in terms in international commitment to sustainable practices, the agreement of the NLBI - together with a detailed work program for the UNFF over the next 8 years - has effectively saved the UNFF from oblivion and should provide a platform to foster greater international co-operation on forests.

1. Development of Forest Certification

1.1 Program for the Endorsement of Forest Certification (PEFC)

1.1.1 Status and area

PEFC certified forest area stood at 196.0 million hectares worldwide at the end of April 2007, up only 2.3 million from 193.7 million at the end of 2006. The major increase occurred in Australia where certified forest area rose from 5.7 million hectares at the end of 2006 to 8.5 million hectares in April 2007.

The pace of uptake of PEFC chain of custody certification has remained high in recent months. The number of PEFC chain of custody certificates issued worldwide increased from 2901 to 3164 between the end of 2006 and April 2007. However the major increases were attributable to only two countries: Switzerland (up from 45 to 186), and the UK (up from 319 to 385).

There are now 31 countries from 6 continents which are part of the PEFC Council. National forest certification systems in 22 of these countries have been endorsed by the PEFC Council. Ten forest certification systems are currently undergoing the PEFC endorsement process. Lithuania and the American Tree Farm System have submitted their forest certification systems for PEFC endorsement and Latvia and Switzerland for re-endorsement. Public consultation for the assessment of systems for Estonia, Gabon, Italy, Poland, Slovenia and the United Kingdom has just ended.

1.1.2 China office opens

PEFC has opened a China Office in Beijing to provide market support and information on PEFC certification for Chinese government and industry. The PEFC China program builds on an existing presence in Japan, and extends PEFC's reach into Asian markets. PEFC China's newly-appointed Director, Mr Benson Yu, previously worked for IKEA as the Forestry Manager for the People's Republic of China and the Wood Procurement Manager for the Northern China area.

The occasion of the opening of the office was used to present PEFC to senior representatives of the Chinese State Forestry Authority in Beijing. At the opening Mr Li Dongsheng, Executive Deputy Director General of the Science and Technology Development Centre of the State Forestry Administration of China, said *"China would like to communicate and cooperate with all forest certification schemes of the world, especially with the main international forest certification schemes. We want to learn and introduce the experiences made by them and establish China's own forest certification scheme to promote Chinese sustainable forest management and development."*

1.1.3 Public consultation on American Tree Farm System

The American Tree Farm System is currently undergoing its assessment for international PEFC endorsement. ITS Global has been appointed by the PEFC Council to assess the system. Part of the assessment is a 60-day public consultation period for all interested stakeholders which is due to end on 9 August 2007. The American Tree Farm System documentation can be reviewed at: http://www.pefc.org/internet/html/members_schemes/4_1120_59/5_1246_326/5_1123_1647.htm

1.2 Forest Stewardship Council

1.2.1 Status and area

FSC certified forest area stood at 90.8 million hectares at the end of May 2007, up from 84.2 million hectares at the end of 2006. Nearly all the increase is attributable to Russia where certified forest area rose by 5.5 million hectares in the five month period to reach 17.8 million hectares.

Russia now hosts the second largest area of FSC certified forest after Canada (18.2 million hectares). FSC certified area has remained stable in all other regions.

FSC chain of custody certificates (including combined forest management and CoC certificates) increased from 6275 at the end of 2006 to 6464 at the end of May 2007. The main increases were in UK (up 100), the United States (up 85) and China (up 65). These increases were offset by some minor declines in a range of countries.

1.2.2 FSC develops new strategy

FSC is developing a new Global Strategy as it seeks “to prepare for a future defined by extraordinary new demands on our forest resources, from supplying basic fuel wood to stabilizing global warming”. The FSC Board of Directors with input from FSC members have identified five major goals around which FSC intends to focus its organizational energy:

- Continue to lead in globally responsible forest management.
- Ensure equitable access to the benefits of FSC Systems.
- Secure the integrity, credibility and transparency of FSC Systems.
- Create business value for FSC products in the marketplace.
- Strengthen FSC Global Network to deliver on Goals 1 through 4 and achieve alignment between FSC's mission, values and goals.

A series of more specific targets for the next 5 years have been drafted in accordance with these broad goals. FSC proposes to contribute to the conservation of at least 20% of the remaining natural forest blocks under threat and to increase the FSC certified land base from 82.5 million at the end of 2006 to 170 million by 2011. There is a strong focus in the draft strategy on addressing the lack of progress made to certify forests in the tropics. A proposed objective is to raise certified forest area in the tropics from current levels of around 10 million hectares to 30 million hectares.

There is also recognition of the need to encourage greater participation by small private and community forestry sector, both of which are seriously under-represented in the FSC framework. One suggestion is that FSC creates “*market differentiation for small scale community forestry from larger scale forests products*”.

Other proposals are to develop an “*FSC Fair Trade*” certification model, and to link FSC to the development of other forest services such as carbon sequestration, eco-system services, sustainable tourism, and sustainable biomass production.

The strategy has already generated debate. Critics of FSC running the www.fsc-watch.org website complain that there is too much emphasis on continued fast growth when the main concern should be to improve the quality of existing certification practices. They suggest that the ambitious target to double certified forest area is arbitrary and not based on a realistic assessment of what is potentially certifiable. They also suggest that “*there is a huge omission from the plan: there is no reference whatsoever as to how FSC plans to sustain itself financially in the coming years. The FSC is already struggling to properly manage its existing 'portfolio' of certificates, let alone coping with twice as many which, if the organisation's credibility is to be maintained, will have to be much more strictly controlled than at present.*”

The draft strategy was subject to a 6 week public consultation period ending on June 15th. The FSC Board of Directors intend to finalize the Strategy at their summer meeting in late June 2007. A copy of the draft strategy document can be downloaded at:

http://www.fsc-watch.org/docs/FSC_global_strategy_Draft_April_20_2007.pdf

1.2.3 FSC prioritises small owners in the United States

A process to revise the FSC US regional standards is currently on-going. The aim of accommodating family forests has been established as a priority in the process.

The revision process builds on research commissioned by FSC-US last year. The research undertaken by Phil Guillery examined the current relationship between FSC and family forest owners in the US. It was published in February 2006 in the paper "*Family Forest Program and Small Low Intensity Forests as a Cross Cutting Issue in the Standard Review Process*". The paper highlighted that FSC-US has been operating a Family Forests Program since 2004 which essentially draws on the FSC International procedures for Small and Low Intensity Managed Forests (SLIMF). However it stated that so far, the strategic direction set by FSC-US has not focused on increasing participation in Family Forests Program. It also noted that development of this Program has been inhibited by the existing FSC regional standards for the US which were developed primarily for larger operations. The paper highlights that "*the current regional standards are generally not approachable from the perspective of the family forest owner or manager. The standards are also difficult to audit or implement on small properties.*" The paper recommended that these issues should be addressed during the process to revise the standards either through the development of specific family forest standards or by providing explicit guidance on certification of family forests in any revised standards.

Guillery's paper also highlighted the constraints to group certification of small owners in the US. It notes that to date only a few relatively small groups - usually comprising less than 100 individual forest parcels - managed by consulting foresters or small forestry associations have been certified. It is noted that "*certification costs are still deemed high by many participants and seen as an obstacle to participation. This is illustrated by the high turnover rate of group certificates in the U.S. Many group certificates only function because they receive some type of subsidy from individual family forests to participate in the FSC system.*"

However the paper also noted that expanding markets for FSC products is starting to create interest in the development of very large groups made up of potentially thousands of owners and millions of acres under one certificate. "*While no certificates this large presently exist, state programs such as Wisconsin DNR, the State of Minnesota and Georgia Pacific are all researching the possibility...any revision of regional standards or development of family forest standards must consider the potential for very large groups*".

A methodology for the process to revise the FSC-US regional standards was issued in May 2007. A subcommittee will be assigned to develop specific indicators and a guidance document for family forest certification, working under the direction of the FSC-US Standards Committee. The aim is to complete the process by end 2007.

1.2.4 Dutch companies promote FSC

An FSC public awareness campaign has just been completed in the Netherlands. The yearly campaign is run to increase Dutch consumer recognition of the FSC brand. On completion of the campaign, a market survey testing brand recognition of the FSC trademark will determine whether there is an increase from the current recognition of 55%. The campaign ran until the end of May during the 'gardening season', a time in when large volumes of garden chairs and furniture are sold carrying the FSC trademark. The campaign was launched with a press event hosted by the Dutch Prime Minister in the Dutch parliament square at The Hague on March 29th. The event received much media interest including coverage on national TV. The campaign also includes a web-site promoted through electronic mailings and banners on FSC partner websites, and the provision of promotional materials to retailers selling FSC products. The DOEN Foundation, the Ministry of Housing, Spatial Planning and Environment, and the Ministry of Foreign Affairs have been supporting the campaign.

Meanwhile, in an effort to boost supplies of FSC certified tropical wood products, a large Dutch delegation of leading timber and construction companies, FSC timber purchasers and customers, housing associations and NGOs, have been visiting Indonesia. At the end of March, the Dutch delegation signed a "declaration of commitment" to purchasing FSC certified wood products from Indonesia during a four day FSC conference in Jakarta. The signatures of the declaration form part of the 'Building and Borneo' campaign which began in 2005. During the conference, the large Dutch contingency held talks with Indonesian forest owners, timber traders and concession holders and informed them about the increasing demand for FSC timber. The delegation was informed that 740,000 hectares of forest are currently FSC-certified in Indonesia, whilst the same area is preparing for certification. Signatories to the declaration include numerous timber importers, the Aedes Union of Dutch Housing Associations, WWF and FSC Netherlands.

1.2.5 Strengthening national initiatives

A Public-Private Partnership Project is underway to strengthen FSC National Initiatives in the Amazon region, Congo Basin and China. After 18 months of cooperation, public partner GTZ - the German Agency for Technical Cooperation in Development - and private partner FSC International Center in Bonn agreed on the principles, mechanisms and responsibilities to carry out a Public Private Partnership Project. More partners are in the process of joining, including IKEA which has signed a letter of interest. The three-year project will involve capacity building to enhance the ability of FSC National Initiatives to deliver services and generate revenues. Implementation should start in July 2007. An advisory board composed of representatives of the funding institutions and enterprises will provide guidance on strategic issues to the project management. More information: Peter Saile - p.saile@fsc.org

1.2.6 German FSC promotion

An FSC marketing campaign targeting German consumers has begun, and will run over the next two years. FSC Germany is offering three advertisements for magazines, newspapers and FSC companies to print in their media. Additionally, companies can buy posters and post cards with the new pictures and use them in their stores. The two partners involved are DIY companies Hornbach Baumarkt and Grundstücksgesellschaft Max Bahr Holzhandlung.

1.2.7 Awareness of FSC in the UK

FSC-UK recently commissioned a survey to establish the level of public awareness of FSC. The survey, carried out by GfK NOP, found that only one person in five (19%) has seen the FSC logo. However, the researchers indicated that once the scheme was explained, 54% of those questioned stated that they would "probably" or "definitely choose FSC products in the future". Of the 7% that would "probably" or "definitely not choose FSC products in the future" more than half (56%) didn't know why or stated that they did not buy wood products. The research showed that of those who had seen the logo before, the majority (85%) had shopped in B&Q, Homebase or Focus in the previous 12 months, all of which stock a range of FSC timber products. The research, which was part funded by DEFRA, will be repeated in early 2008.

1.2.8 FSC-watch critique

Over recent months, the www.FSC-Watch.org website, which has been set up by disgruntled FSC members from the environmental community to scrutineer FSC activity, has criticised FSC on a number of issues. These include:

- Certification of "frontier forests" in Russia. Drawing on an article from Svetlana Alekseeva, Chief Editor of a journal called "Forest Certification", FSC-watch suggest that large commercial interests in Russia are using FSC certification as an instrument to squeeze out their competitors, enabling them to consolidate their land-holdings and reduce their competitors' market share. Criticisms focus on the Russian company Terneyles, the leading

timber exporter in the Russian Far East, and on IKEA. FSC-watch also criticise WWF for their role in facilitating this process. They suggest that FSC certification is going ahead in Russia despite contradictions between FSC requirements and Russian law.

- Certification of forests managed by the Irish state forestry company, Coillte, in the absence of a consensus-based national FSC standard. This has resulted in complaints from the Irish environmental community that the standards applied by Coillte for the certification of 400,000 hectares of exotic species plantations do not adequately reflect their concerns. FSC-watch also suggest that the Soil Association Woodmark, the certification body issuing Coillte's certificate, have overlooked numerous non-conformities against the FSC Principles and Criteria.
- Criticism of the FSC complaints procedures. FSC-watch allege that "*FSC's handling of complaints has been abysmal for many years, but now it seems to be in total disarray*". The critique is targeted at FSC's 'Interim Dispute Resolution Protocol' adopted as policy by the FSC Board in April 1998. According to FSC-watch: "*The policy placed a massive burden on the complainants, was structurally weighted in favour of certifiers and their certified clients, and largely served to exclude small NGOs, businesses and communities from submitting complaints. FSC non-members were disallowed from submitting complaints altogether. The 1998 'Protocol' was also immensely time-consuming and slow.*" The FSC 2002 General Assembly passed a motion calling for an overhaul of the procedures in 2002. FSC-watch complain that this motion has not been acted upon.
- Criticism of all certification in natural tropical forests in countries where there is not a well developed regulatory framework on grounds that logging operations in such areas are inherently unsustainable. It is noted, for example, "*as some Brazilian experts have been warning for years, it may appear that any given logging company in the Amazon is 'compliant' with the FSC's Principles and Criteria, but this does not take into account the wider pattern of road-building that this operation might encourage, nor the patterns of immigration, settlement and land-use that might follow, nor the resulting overall increase in the forests' susceptibility to fire.... This all supports a growing sense amongst some FSC supporters that there are geographical regions in the world where FSC certification should not be permitted at all - because it serves to encourage and legitimise a model of 'forest development' that is simply not appropriate or sustainable in the wider context.*"
- Criticism of FSC's decision to allow Bureau Veritas (BV) to carry on certification activities in Gabon despite a prohibition against the company carrying on these activities in Cameroon following problems with its assessment of Wijma in that country. According to FSC-watch, BV has just started the process of trying to certify the large logging operations of Rougier in Gabon.
- Criticism of FSC-accredited certifiers being allowed to undertake "*legality verification*" work as well as FSC certification work. This on grounds that "*legality verification*" may perpetuate poor practices and undermine demand for sustainable forestry certification.
- Criticism of FSC's chain of custody standards which are described as "*an opaque, muddled and highly doubtful system*". FSC-watch suggest that the introduction of new procedures for multi-site certification will mean that FSC continues "*its seemingly inexorable slide into becoming a 'self-certification' system*" since "*FSC's accredited certifiers would not actually check all the relevant company facilities in order to issue a Chain of Custody certificate.*"

1.2.9 FSC combines with German eco-labelling scheme

FSC certified processing and trading companies in Germany are now able to make off-product use of the well-known Ökotest label. FSC certified forest operators may use the label both on- and off-product. 'Ökotest' is a magazine recommending ecofriendly consumer products, from french fries to cars. With a run of about 200,000, the magazine claims to reach over 2 million readers. Its label

is one of the best known ecolabels in Germany. The Ökotest label is applied to products which are assessed to be “very good” against a set of broad criteria. With respect to wood product label the criteria included use of pesticides, set-aside areas, use of clear cuttings, regular controls, on-site audits, and chain of custody.

Links (in German): www.fsc-deutschland.de/oekotest/, www.oekotest.de

1.2.10 Bolivia leading tropical exporter of FSC-certified wood products

Bolivia has for long been the largest exporter of FSC-certified tropical hardwood timber. Recent data indicates the extent to which FSC-certified material has become a mainstay of the country’s wood exports. Last year, Bolivia exported \$21.4 million of FSC-certified wood products, 22.3% of total wood exports. Certified wood products averaged a 19% annual compound growth rate from 2002 to 2006, compared with 15% for non-certified wood products. In terms of area, certified forest grew at an average of 19% a year in 2002-2006. The upward trend of exports of certified wood products is expected to continue strongly this year. Preliminary data for the first quarter of 2007 in Santa Cruz and La Paz (about 80% of national total) showed a 102% increase in the export of certified wood products to \$11.6 million, compared with the same period in 2007.

2. International Agreements and institutions

2.1 European Union

2.1.1 FLEGT VPA Negotiations

The main focus of the European Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan is now on negotiation of Voluntary Partnership Agreements between the EU and various “high risk” countries. A VPA aims to promote sustainable forest management by addressing the problem of illegal logging in the partner country and promoting legally-harvested and sustainable forest products on European markets. A key part of the agreement will be a licensing system that assures that exported timber products have been legally produced.

Formal negotiations towards a VPA are currently underway with Indonesia, Malaysia, and Ghana. Such negotiations are expected to begin with Cameroon in the near future. Other countries showing an interest in the VPA process are Liberia and Ecuador. Negotiations with Bolivia regarding a possible VPA have stalled since the election of President Evo Morales’s left wing government in December 2005.

News of substantive progress has emerged from Indonesia and Ghana in the last two months. The first formal negotiations between Indonesia and the EU took place at the Indonesian Ministry of Forestry headquarters in Jakarta from 29 to 30 March 2007. Processes for verification of legal production and tracking products from forest to export, as well as the monitoring to guarantee the credibility of the system were discussed. It was agreed that where possible, these would be built on existing mechanisms in Indonesia. The Indonesian delegation expressed their hope that the VPA would not become a new non tariff barrier for Indonesia’s timber product, but would enhance the market for Indonesian timber in the EU. It was agreed that two working groups should be established to identify and formulate recommendations on necessary steps towards the conclusion of the VPA. These working groups will work on the harmonization of the legality standard as well as capacity building and incentive measures. Issues such as timber laundering and legal matters will also be addressed in the negotiation. A third working group will work at a later stage on legislation and protocol matters. It is foreseen that the delegations will meet again early in July to review progress and agree on next steps.

Meanwhile Ghana has released further details of their preparations towards development of a VPA. Ghana completed its first session of negotiations with the European Commission on 2 March 2007. Ghana committed itself to meeting certain milestones and confirmed a roadmap for concluding a VPA with the EU by the end of 2007. The process is based on five deliverables to be

developed through a process of consensus building among stakeholders. The five deliverables include: the legal standard/definition; a system of verification of legality; a Chain of Custody (log tracking) system; an independent monitoring system in a wider institutional setting; and impact assessment and mitigating measures. A multi-stakeholder committee, the VPA Steering Committee, has been established to oversee and collate views on the consultative process. Stakeholders are being consulted on each of the deliverables. The development of the verification system has already involved a number of stakeholder consultations since 2005, while the chain of custody (log tracking) system is already at an advanced stage. Other country deliverables are at national policy level and will therefore require ministerial (or higher) adoption. The second round of formal negotiations between Ghana and the EU is expected in June 2007 when there will be a focus on the Chain of Custody system, the legal definition and the Verification System. The third formal negotiation session is agreed for September. The negotiation at that meeting will focus on the potential impacts of the VPA and the measures necessary to mitigate those impacts. Inter-session meetings will be arranged as and when necessary.

2.1.2 EC guidance sought on social issues

A debate is on-going in Europe over whether social criteria may be included in government timber procurement policies, alongside environmental criteria, under the terms of European and WTO trade law. To date, the UK government has interpreted EU law as not allowing the inclusion of social criteria. However the Dutch and Danish governments have taken a different stance and have included social criteria.

To address this anomaly, the UK has requested specific guidance from the European Commission. The request refers to the inclusion of criteria relating to the recognition and respect of legal, customary and traditional rights; forest peoples' access to dispute resolution mechanisms where commercial operators are felt to have transgressed those rights; and the freedom of workers to organise and negotiate.

In a paper issued to the European Commission, the UK government notes that "*the EU procurement Directive 2004/18/EC (applicable to public sector purchases) neither explicitly permits nor prohibits the inclusion of social criteria in product quality standards, though the Commission's current guidance clearly indicates that the protection of forest-dependent people is not a relevant matter for public sector contract requirements. However, other European states, including the Netherlands and Denmark, have included social criteria and there are several recent legal opinions that suggest it may be possible to do so.*"

The paper identifies two arguments for the inclusion of social considerations. The first is that the failure to include them would leave Member States and the EU as a whole open to the accusation of policy incoherence, specifically as regards a failure to actively pursue their international commitments on sustainable forest management. The second relates to security of supply – detailing situations where a failure to respect social protections has resulted in disruption and conflict.

The European Commission is considering the UK Government's paper and a response is expected soon.

Consultant's comment

To some extent the issue of social criteria in EU government procurement policy is a red herring. The UK policy already explicitly requires that sustainability standards must be developed in line with international sustainable forestry principles (ITTO, Pan-European, Montreal, FSC) all of which do indeed include social criteria. Nevertheless, the UK government has been pushed into making the approach to the EC by environmental groups who believe that the inclusion of more detailed social criteria will strengthen FSC's position in relation to other schemes.

2.1.3 Trade in ramin suspended

The EU has suspended imports of ramin timber from all Malaysian territories. The EU Scientific Review Group on Trade in Flora and Fauna (SRGTFF) made the decision that ramin imports be suspended in mid-April 2007. The basis for this decision was that trade in the species "*is likely to have a harmful effect on the conservation status of the species or the extent of the territory occupied by the species*". The report of the SRGTFF also stated that requested information regarding quota establishment for the species had not been received, nor has a report outlining their non-detriment findings on the previous quota. The EU will urge Malaysia to provide this information. There has been considerable pressure on the trade in ramin for a number of years. It is currently on CITES in Appendix II, listed as a vulnerable species in which trade is allowed subject to appropriate licensing.

2.1.4 Biofuels commitment

At the Spring Council meeting in Brussels on 8–9 March 2007, EU Heads of State adopted a binding minimum target of 10% to be the share of biofuels in overall EU transport fuel consumption by 2020. Despite the Council qualifying the binding nature of the target by making it '*subject to production being sustainable*', the target was criticised by NGOs concerned about its potential impact on rural livelihoods and biodiversity in countries from which the EU imports biofuels such as Indonesia and Brazil. There is a fear that the target may simply fuel further forest conversion in order to increase land available for biofuels.

2.2 UNFCCC

At the latest meeting of the United Nations Framework Convention on Climate Change (UNFCCC), 7-18 May, Bonn, Germany, the importance of conserving the world's forests for combating climate change was emphasised. According to the Global Carbon Project, loss of tropical forests alone causes the emission of about 1.5 billion tons of carbon dioxide per year, equivalent to 20% of the emissions caused by all human activities. A reduction of 50% of the predicted decline in the global forest cover by 2050 would save 50 billion tons of the greenhouse gas emissions. The UK Government's Stern Report on the Economics of Climate Change, has also suggested that the opportunity cost of forest conversion, accounting for 70% of global emissions from land conversion, could be US\$5 billion annually

The Bonn meeting did not result in any formal commitments on the issue. However it was agreed that "*saved emissions from deforestation in developing countries*" should be on the agenda at the next UNFCCC conference in Bali, Indonesia. Various policy options will be up for discussion. One option has been proposed by a coalition of developing countries led by India. This would involve tropical forest countries agreeing to set aside forest land that would otherwise be cleared in exchange for payment from industrialized countries looking to reduce their carbon emissions. Another more flexible option has been proposed by a range of Latin American countries led by Costa Rica proposing that tropical forested countries should be offered a basket of complementary incentives to avoid deforestation which are designed to address the different dynamics of deforestation in developing countries. These options for avoided deforestation may eventually be translated into policy instruments under the Kyoto Protocol, as eligible activities under the Clean Development Mechanism (CDM) or a new flexible mechanism, or under the UNFCCC via a new Protocol.

2.3 UNFF given a new lease of life

The Seventh Session of the United Nations Forum on Forests (UNFF7) announced that it has adopted a Non-Legal Binding Instrument for sustainable forest management on all types of forests (NLBI). The session, which concluded in New York on April 28, had the specific aim of having the instrument adopted. The NLBI is a substitute for a legally-binding instrument, which members agreed last year they would not consider until at least 2015. The NLBI was welcomed by all member states, scientific bodies, the UN Food and Agriculture Organisation and the World Bank, but was heavily criticised by NGOs at the Session. NGOs argued that the Instrument does not tackle the "*underlying causes of deforestation including the need for the reduction of consumption.*"

In addition, the meeting succeeded in negotiating a Multi-Year Programme of Work (MYPOW) for the UNFF during the period 2007-2015. During the meeting, delegates also participated in two Multi-Stakeholder Dialogues, a panel discussion with member organizations of the Collaborative Partnership on Forests (CPF) and the launching of preparations for the International Year of Forests 2011.

Both the NLBI and MYPOW came out of general recognition of the critical need to strengthen the UNFF after a long history of talk shops had produced numerous recommendations but few steps towards implementation. Strong disagreement among participants as to whether an NLBI or a MYPOW was the best way to address this need for strengthening the UNFF resulted in having both documents tabled at the meeting

The main implication of the agreement of the NLBI and MYPOW is that they give the UNFF a new lease of life. Fears have been eased over the long-term future of this multi-lateral policy organisation following its earlier failure at UNFF5 to negotiate a decision on future arrangements for global forest policy. This earlier failure reflected the huge division that exists in the global forest policy community between those that believe that there should be a single international forest convention establishing legally enforceable sustainability targets, and those that believe such an instrument is inappropriate in the forest sector (with some interests concerned over sovereignty issues, some fearing that a global forest convention would set standards at the lowest common denominator, and some believing forests are better covered under other conventions).

In the end, the winning formula to bridge this divide took the form of demanding a non-binding instrument: one that would look as much as possible like a binding one and therefore could be potentially transformed into a binding agreement in 2015, when the next review of the UNFF is scheduled to take place.

The NLBI draws on four “Global Objectives” for forest management, that is:

- To reverse the loss of forest cover worldwide through sustainable forest management
- To enhance forest-based economic, social and environmental benefits, including by improving the livelihoods of forest dependent people;
- To increase significantly the area of protected forests worldwide and other areas of sustainably managed forests, as well as the proportion of forest products from sustainably managed forests;
- To reverse the decline in official development assistance for sustainable forest management and mobilize significantly increased new and additional financial resources from all sources for the implementation of sustainable forest management

The NLBI places great emphasis on the development and implementation of national forest programs in accordance with international principles of sustainable forest management. With respect to international cooperation, the main focus is on increasing the political priority attached to forests, providing positive incentives for sustainable forest management in developing countries, and capacity building. Countries are encouraged to voluntarily report on their progress. However UNFF is not established as the Secretariat, it is only required to “*address, within the context of its multi-year programme of work, the implementation of this instrument*”.

While the NLBI has provided a baseline for further development of global forest policy and has effectively ensured the survival of UNFF, it is debateable whether it has added anything substantive to the content of existing agreements. The four Global Objectives which form the core of the document were already agreed at UNFF5 and are taken verbatim from another resolution negotiated at UNFF6. The final text includes no reference to provisions that various parties were pushing earlier on in the negotiation process, for example to establish quantitative and timebound targets for achieving SFM, combating illegal trade, promoting secure land tenure, defining the SFM concept, and establishing the UNFF as the governing body of the instrument and the UNFF Secretariat as the NLBI’s secretariat. The provision on international financing, while not dropped altogether, was left deliberately vague to be worked out in negotiations at UNFF8.

Eventually the MYPOW may be recognised as the more significant outcome of UNFF7. This effectively establishes the UNFF as a functioning organization until 2015. It identifies themes and tasks for the next four biennial sessions of the UNFF with the aim of ensuring that it contributes to the work of those directly involved in combating deforestation and promoting SFM. As one participant noted during the heated NLBI debate, *“the UNFF can get along fine without an NLBI but to actually work, it needs a MYPOW”*.

In some respects, the MYPOW resulting from UNFF7 is more ambitious than that agreed to at UNFF1. New issues are identified for discussion, such as the links between forests and climate change. In addition, the MYPOW contains language on the UNFF as a *“platform for dialogue”* that will focus on information sharing, stakeholder participation, and exchange on best practices. Now, rather than simply consolidating country reports, the UNFF Secretariat will prepare analytical reports based in part on voluntary country reports in order to assess overall progress on implementing the NLBI and achieving the four Global Objectives. This could give a basis for more objective assessment of what is being done well – or poorly – and what more is needed. It is hoped that the MYPOW will transform UNFF’s function from being a forum burdened with an intricate negotiating task into an institution that generates useful information and facilitates cooperation among the various regional and international bodies involved in SFM implementation.

The session documents are available at <http://www.un.org/esa/forests/session.html>

2.4 ITTC struggles to elect Executive Director

The forty-second session of the International Tropical Timber Council (ITTC-42) took place from 7-12 May 2007, in Port Moresby, Papua New Guinea. By all accounts, the session was dominated by heated debate over the selection of the new Executive Director of the ITTO, which divided Consumer and Producer groups, and caused regional rifts within the latter. At one point, Malaysia and several other Asian producer countries left the meeting in protest over the decision to take a special vote on the matter after it became clear that consensus was not forthcoming. At the eleventh hour, a withdrawal by the Consumer-backed Swiss candidate allowed for consensus in support of the Producer-backed Cameroonian candidate, Emmanuel Ze Maka.

There were many potentially significant initiatives on the table that were overshadowed by the political wrangling. For example, one of these, concerning the link between deforestation and climate change, is designed to expand the scope of the organization’s activities, make a link with the UNFCCC, and attract related funding. While the Council was presented with a report on this issue, there was little discussion or direction forward, due in no small part to the Executive Director selection process.

The meeting was also significant for the intensity of ENGO campaigning focusing particularly on forestry practices in Papua New Guinea, the host country. Greenpeace unfurled a giant banner against the windows of the conference hotel, urging ITTO to “Stop forest destruction,” as the President of Papua New Guinea opened the Council session. Greenpeace allege that as much 90% of logs harvested in PNG derive from illegal sources and were keen to promote this claim to the international community.

But to some extent, Greenpeace were pushing on an open door. ITTO is already working with PNG, which was evidenced in reports on forest law and governance in PNG and on the recent diagnostic ITTO mission to PNG, which were officially presented at ITTC-42. Indeed, the report of the diagnostic mission was welcomed by members of the PNG civil society, one of whom noted that its recommendation fully bolstered what civil society groups in PNG have been saying for years regarding rampant forest destruction, and the fact that the ITTO has backed them up means the government is now listening. There was also unanimous support for a decision to fund a national forest inventory in PNG, strengthened to include the multiple purposes of forest resources. Through these, delegates were made aware of the numerous barriers to achieving SFM that PNG faces and were motivated to provide even greater support to PNG, including capacity building and

forest inventory work.

ITTO's annual market discussions focused on "*Trade in Secondary Processed Wood Products (SPWP): Trends and Perspectives*." Jairo Castaño, ITTO Secretariat, presented an overview of the trade in SPWPs. He described how ITTO producers have been increasingly switching from exports of primary products to exports of SPWPs. He noted that Asia-Pacific (69%) and Latin America (31%) account for the bulk of SPWP exports while the US (45%), EU (29%) and Japan (10%) are the main importers. He also drew attention to China's rapidly increasing share of these main markets over the last decade. There were also presentations on the national situation with regard to SPWP from China, Vietnam, and PNG, together with a panel discussion on regional perspectives. During the latter, the Malaysian delegation raised the issue of illegalities in SPWPs, commenting that the chain of custody was easily broken and legality seldom questioned.

The next ITTC is scheduled for 5-10 November 2007 in Yokohama, Japan.

2.5 World Bank champions "avoided deforestation"

According to a report in the Wall Street Journal Europe, the World Bank is planning to start a \$250 million investment fund to reward countries such as Indonesia, Brazil and Congo for 'avoided deforestation.' Benoit Bosquet, a Senior Natural Resources Management Specialist at the World Bank who is leading efforts to develop the project, is quoted as saying that it is a response to the growing realization by policy makers that they can't ignore the effect of deforestation on climate change. According to Bosquet, the details of the project have yet to be worked out, but the World Bank hopes the G8 will supply most of the \$250 million.

2.6 G8 builds consensus on climate change

The leaders of the G8 group of the world's 7 richest industrialised nations and Russia reached agreement on a number of issues with a bearing on the forest policy debate at their meeting in Heiligendamm in Germany during May. Climate change was a major focus for the discussions, but there was also consideration of international markets for raw materials, the fight against global corruption, and international trade.

According to the Chair's summary of proceedings, the G8 leaders acknowledged that combating climate change is "*one of the major challenges for mankind*" which "*has the potential to seriously damage our natural environment and the global economy*". They also stated that they are "*convinced that urgent and concerted action is needed*". They agreed to "*consider seriously the decisions made by the European Union, Canada and Japan which include at least a halving of global emissions by 2050*" and that "*the UN climate process is the appropriate forum for negotiating future global action on climate change*". They called on all parties to actively and constructively participate in the UN Climate Change Conference in Indonesia in December 2007 with a view to achieving a comprehensive post 2012-agreement (post Kyoto-agreement) that should include all major emitters. The agreement noted that "*technology, energy efficiency and market mechanisms, including emission trading systems or tax incentives, are key to mastering climate change as well as enhancing energy security*".

The G8 agreement strived to bridge the gap between the US position on the one hand, and the EU, Canadian and Japanese position on the other. As such it improves the prospects for successful negotiation of a successor agreement to the Kyoto Protocol which may be backed by broad international support. A key condition of US support for any successor agreement would be that, unlike the existing Kyoto Protocol, it imposes controls on the emissions of newly emerging industrialised nations. Immediately after the G8 statement was announced, the five major emerging nations including China and India issued a joint statement to the effect that they would play their part to limit climate change on condition that any global accord gave them "*flexibility*". These countries called on all parties to '*actively and constructively participate*' in negotiations in Indonesia in December to find a successor to the Kyoto Protocol...

With respect to “Responsibility for Raw Materials - Transparency and Sustainable Growth”, the leaders of the G8 agreed to “*support increased transparency and build good governance in developing countries with social and environmental standards*”. There was particular support for the Extractive Industries Transparency Initiative which promotes improved governance in resource rich countries through the full publication and verification of company payments and government revenues from oil, gas and mining. Partially building on experience in the forestry sector, there was a proposal to establish a certification pilot project for the international mining sector.

There was a statement of commitment to “*full implementation of our obligations under existing international agreements created to combat corruption, particularly those of the United Nations and the Organisation for Economic Cooperation and Development (OECD)*” and a call to “*intensify our common efforts to effectively combat corruption worldwide*”. This seems to reinforce existing policy commitments by G8 countries to help tackle illegal logging.

The G8 leaders also stressed the need for achieving an “*ambitious, balanced and comprehensive Agreement*” on the on-going Doha Development Round of World Trade Organization negotiations.

2.7 Globe International G8+5 Legislators Forum

2.7.1 Illegal logging

Immediately in advance of the 2007 G8 Summit in Germany, the German Bundestag hosted the G8 Illegal Logging Dialogue to facilitate discussions between around 200 legislators from around the world on the issue of illegal logging. The forum included officials from the G8 and other key timber consuming markets, and representatives of key timber producing countries in the developing world, such as Brazil, Mexico, Cameroon, Congo DR, Ghana, India, Indonesia and Malaysia. A full report of this meeting, which was attended by a representative of the T&E consultant as an observer, is attached. The discussion seems to have been broad and enlightening, with some good interventions. However the agreements for proposals to be put forward to the G8 meeting in Japan next year raise some issues - particularly with respect to the proposed level of public sector intervention in the international timber trade. As in other fora, much of the policy discussion seems to be driven by concerns about problems in high risk countries without sufficient consideration given to the impact of measures on the larger trade with low risk countries.

2.7.2 Climate change

In addition to the illegal logging legislators’ forum, Globe International convened a similar forum covering climate change in Bonn in advance of the G8 summit. According to Globe International, this forum was attended by around hundred legislators representing a broad cross-section of political parties from G-8 countries and major emerging economies such as Mexico, Brazil, China, India and South Africa. The forum issued a statement generally supporting recent political moves in G8 countries designed to tackle climate change. The statement included specific proposals to mitigate carbon emissions resulting from deforestation.

According to the statement: “*it is critical that the G8, at Heiligendamm, demonstrates leadershipto convey a vision for a post-2012 UN framework in line with the five elements put forward by Chancellor Merkel: i) a long-term stabilisation goal; ii) promotion of a global carbon market; iii) increased support for technology research, development, deployment and transfer; iv) increased support for adaptation, particularly in developing countries; and v) measures to reduce deforestation.*”

With regard to the last element, the statement calls on the G8 to:

- “*Commit to support the establishment of a Forest Carbon Partnership dedicated to create and test performance-based instruments to reduce emissions from deforestation in developing countries, while generating income for the local population, in support of and*

- without prejudice to ongoing UN climate change discussions.*
- *Continue to support existing processes to combat illegal logging, such as FLEGT, voluntary partnerships, government procurement and other legislative measures.*
 - *Remain engaged in supporting developing countries to achieve their self-commitments for halting forest loss and to implement sustainable forest management, as stated in various regional initiatives, e.g., the Congo Basin and the Asian Forest Partnerships.”*

2.8 CITES focuses on timber species, although few changes are agreed

The 14th Conference of the Parties (COP-14) to CITES, held in the Netherlands in early June, placed a special focus on timber. However, those interests pushing for the introduction of further controls on certain tropical hardwood species came away disappointed.

Delegates considered proposals for listing five new timber species in CITES' Appendix II: Spanish cedar (*Cedrela* spp); Honduras rosewood (*Dalbergia stevensonii*); two varieties of cocobolo (*Dalbergia retusa* and *Dalbergia granadillo*); and brazilwood (*Caesalpinia echinata*). Such a designation would indicate that, while the species are not necessarily currently threatened with extinction, they may become so unless their trade is tightly controlled.

The proposal to list of Spanish cedar, put forward by the European Union, was by far the most significant from the perspective of the international wood trade. This hardwood found in Latin America and the Caribbean is the subject of extensive international trade. Peru alone exports about 45,000 cubic metres a year and Mexico tops the list as the biggest importer. Cedar is used primarily for cabinetry and flooring.

The EU proposal described cedar as site-sensitive, difficult to propagate, widespread but not common, and vulnerable to overexploitation. In support of their proposal, the EU stated that it would be prepared to provide support and capacity building to assist range states with implementation of the listing. However, the Latin American range states lined up against the proposal. Peru said the proposal was not based on sound science and did not include social considerations. Guyana argued that their cedar exports are minimal and forests are sustainably managed. Cuba said cedar is widely-grown and not endangered. Brazil and Columbia highlighted information gaps and recommended that range states consider an Appendix-III listing. As a result the EU was forced to withdraw its listing proposal, and delegates agreed that a working group would be established to look in more detail at the issue before next the CITES meeting.

Following the failure to list Spanish cedar, the EU agreed to withdraw their proposals to list the various *Dalbergia* species under Appendix II on condition that these species also be considered by the working group addressing cedar. However the proposal to list brazilwood, which came from Brazil, was successful. Brazil argued that the Appendix II listing was necessary due to the vulnerable nature of a species which is in demand for the manufacture of bows for musical instruments.

The meeting also featured a report by the Bigleaf Mahogany Working Group established to gather information on the status of the species and to develop specific actions to promote its conservation. The report highlighted the serious dearth of reliable data with respect to the distribution, population size, level of exploitation and trade in the species. The Working Group proposed, and it was agreed, that COP-14 should adopt an Action plan for the control of international trade in bigleaf mahogany. The action plan emphasises the need for range states to gather more information on distribution, harvesting and trade, and calls for the development of national and local management plans. It also calls for greater co-operation and information exchange between range states. It notes that CITES parties and international organizations should stress the importance of not authorizing any export without proof of legal origin of the timber. Importing countries should refuse mahogany shipments accompanied by CITES export permits issued under a court order, unless the importing country can confirm that a non-detriment finding has been made by the Scientific Authority of the country of origin.

2.9 Comprehensive review of European sustainable forestry being prepared

A comprehensive report is being prepared on progress towards sustainable forest management in Europe. The report is being prepared by the UNECE Timber Committee and FAO as background to the Fifth Ministerial Conference on the Protection of Forests in Europe to be held 5-7 November 2007 in Warsaw, Poland. The report aims to present the most recent, objective and comparable data on forest resources in Europe. It will be organized according to the pan-European Criteria and Indicators of sustainable forest management, including changes in forest cover, growing stock and increment, forest health and vitality, forest biological diversity and social/economic aspects. The basic data is derived from a survey of national experts undertaken in March 2006. This data has been validated and analysed by the UNECE/FAO team. In addition a special enquiry on private forest ownership in the region, the first in recent years, has been carried out. A first draft of the report is expected in June, while the final report will be issued in October/November.

3. National Procurement Policies

3.1 Denmark consults on timber procurement criteria

The Danish government has issued for public review a draft set of criteria for 'legal' and 'sustainable' timber, together with a set of criteria for assessment of certification schemes. The criteria are intended to be applicable to all kinds of timber and will, when finalised, replace those currently recommended in the Danish 2003 guidelines for public purchase of tropical timber. The criteria will form the baseline for technical specifications to 'legal' and 'sustainable' timber in the context of the Danish Policy for Public Procurement of Timber. The declared intent of this policy is that all public buyers should buy legal and sustainable timber. However the policy is currently voluntary and is provided as guidance for public buyers.

The criteria have been built around international principles of sustainable forest management, for example as set out in the 1992 UNCED Forest Principles and the ITTO criteria and indicators. They were developed in consultation with a broad range of stakeholders, with detailed input from an advisory Steering Committee comprising representatives from timber trade, social and environmental NGO's as well public purchasers. An effort has also been made to harmonise parts of the criteria with the UK requirements. The structure of the criteria therefore closely follow the UK criteria. Some criteria are identical to those used in the UK, while others are phrased differently. Some criteria have no corresponding UK criteria.

The Danish criteria differ from the UK criteria by including a set of "*socio-economic*" requirements alongside the environmental requirements. They also include an extra set of criteria focusing on the "*extent of forest resources*". Furthermore, unlike the UK criteria, the draft Danish criteria make a point of highlighting the importance of national and local level participation in standards-setting. The criteria specify that "*sustainability standards must be developed or adapted nationally or locally in a transparent and consultative process which encourage participation of and is open and accessible to all affected parties, including economic, environmental and social stakeholder groups*". This requirement would disallow FSC's use of certification bodies' generic standards in order to demonstrate sustainability and would favour timber from areas where a consensus-based national or regional standard has been developed.

The draft criteria do not reflect the consensus view of the Steering Committee which has been unable to agree a final proposal. The draft takes into account opinions expressed by the Committee but has been finalised by the Danish Ministry of the Environment, Forest and Nature Agency, without formal approval of the Committee. The draft has been made available for public commentary to be submitted to the Danish Ministry of the Environment, Forest and Nature Agency at timbercriteria@sns.dk. Next steps will be to finalise the criteria, to assess certification schemes against them and to provide improved and updated guidelines for public procurement of 'legal' and 'sustainable' timber.

3.2 UK

3.2.1 Amendment to UK Government procurement policy

In a move to increase purchases of sustainably produced timber, the UK Government formally announced in April that it will accept only sustainable or FLEGT licensed timber after April 2009. By accepting FLEGT licensed timber, the UK government hopes to encourage timber producing countries to become partners in the EU Forest Law Enforcement Governance and Trade forest product licensing initiative. However, as of April 2015, only sustainable timber will be accepted.

These commitments were made as part of the UK Government Sustainable Procurement Action Plan. The recently published document identifies a number of actions, including those related to timber, as part of a plan to deliver sustainable development goals over the coming years. Currently, legal timber is the minimum requirement for Central Government purchases, while suppliers are encouraged to offer sustainable timber. Timber from legal sources will continue to be accepted for the next two years, after which the minimum requirement will change.

Contacts with the UK Department for Food and Rural Affairs (DEFRA), the agency responsible for implementing the policy, indicate that the introduction of the new target dates was a Ministerial decision taken without wider consultation, either internally or with forest sector stakeholders. The policy change partly reflects the increasing availability of wood products available in the UK. However, there seems to have been little consideration of the uneven distribution of these products, which are still heavily focused on softwood. Many tropical hardwood producers that are working with the EC-funded Timber Trade Action Plan to develop legality verification procedures have expressed concern over the policy change. The policy change may also create difficulties for American hardwood suppliers, very few of which offer certified product due to the fragmented supply base.

In response to these concerns, DEFRA and the Central Point of Expertise on Timber (CPET) have announced that a consultation process will be launched on 5 July 2007 in London to consider implementation mechanisms. The consultation launch will include a speech by Barry Gardiner, the Minister for Biodiversity, Landscape and Rural Affairs, and a presentation by CPET, followed by an opportunity to start the discussion on potential issues and solutions related to practical implementation. All stakeholders will have an opportunity to submit comments and proposed potential solutions for implementation in practice. The consultation period will last 12 weeks. CPET will contact stakeholders informing them of this opportunity and will publish details of the process for contributing, on the CPET website.

CPET intends to prepare draft guidance for practical implementation based on information collected during the consultation. To date, issues identified by CPET as needing further discussion include:

- Complexity of using Category B evidence for sustainable sources
- Ability of small forest owners to demonstrate evidence of sustainability
- Potential for national legislation as evidence
- Threshold for content (currently 70% from certified sustainable forest sources is acceptable)

CPET invites stakeholders to identify practical solutions that will facilitate the implementation of the policy revision in 2009.

The consultation process seems to have been at least partly stimulated by AHEC which has raised concerns directly with UK government regarding the obstacles to U.S non-industrial forest owners demonstrating sustainability in accordance with the existing UK government criteria and procedures.

3.2.2 UK champions Lacey Act approach in Europe

Recent discussions with DEFRA officials indicate that UK government is very interested in the proposed Lacey Act amendment (so that it applies to wood products), believing it could provide a model for similar legislation in the European Union. However these discussions also suggest that UK government is realistic about the significant political obstacles to introducing such legislation in the EU. The European Commission are not keen on the idea of moving forward with new initiatives following the huge political challenge they faced to introduce the FLEGT Action Plan. The EC does not want to distract from their on-going efforts to develop Voluntary Partnership Agreements to tackle illegal logging in various high risk countries

3.2.3 CPET pilot study of construction projects

As a part of the ongoing programme to monitor implementation of the government timber procurement policy, Defra has initiated a pilot study and authorised CPET to examine ten Government construction projects and facilities management contracts. The focus is on the construction sector as it is a major consumer of timber. CPET will select the projects across departments and their agencies and assess the extent to which the policy is being implemented, what the costs, barriers and incentives are, and the scope for improving the current reporting arrangements. A wide range of contractors and suppliers to government will be involved, which will require support and co-operation throughout the supply chain. The study will draw from best practice examples and will provide insight into improving compliance of public sector buyers and Government contractors to the Government's timber procurement policy.

3.2.4 Greater London Authority moves away from FSC only policy

A recent report from the Timber Trade Federation indicates that following their lobbying, the Greater London Authority (GLA) has moved away from an FSC-only policy on timber procurement. The GLA's policy still aims for 100% sustainable timber but is now using the CPET guidance to determine sustainability (i.e. including recognition for PEFC, SFI and CSA alongside FSC). The TTF note that three very important and prominent clients (including UK central government, the Olympic Development Authority and the GLA) have timber procurement policies that essentially follow the same rules.

3.2.5 Conservative party opposition consults on forest policy

As part of their efforts to develop a much greener political profile, the UK Conservative party has issued a public consultation paper entitled "Forests for Life" setting out their ideas for forest conservation. The Conservative party could hardly avoid issuing such a paper now that, as part of a major rebranding exercise, they have replaced their "flaming torch" logo with a windswept tree.

The consultation paper is seeking views of the following policy proposals:

- make the possession of illegally logged timber an offence in the EU (i.e. a Lacey-type Act);
- seek sustainability as well as legality by pushing for an EU wide definition of sustainable timber;
- seek an EU ban for products which do not meet these criteria, to be phased to allow countries time to reach the required standard;
- negotiate revised EU government procurement rules to ensure that public procurement meets these criteria in the meantime, thereby guaranteeing a market for sustainable timber;
- develop and negotiate an accreditation scheme for biofuels covered by EU targets, to ensure proven carbon reduction and a local environmental impact assessment;
- put a price on ecosystem services provided by the Rainforests, for example by including emissions trading credits from Avoided Deforestation within the Clean Development Mechanism;
- ensure that a robust market for voluntary carbon exists until inconsistencies within Kyoto

and the EU Emissions Trading Scheme can be overcome.

Details of the consultation are available at:

http://www.conservatives.com/tile.do?def=news.story.page&obj_id=136828

All comments are to be addressed to Peter Ainsworth, c/o Tara Singh, Conservative Campaign Headquarters, 30 Millbank, SW1P 4DP and should preferably be submitted by 1 August 2007.

3.2.6 Code for Sustainable Homes

The Code for Sustainable Homes was published by the government in December 2006 and became fully effective (in England only) from April 2007. This is widely regarded as an important tool for achieving 'zero carbon' status in housebuilding. According to the Code, the definition of a 'Zero Carbon Home' is one which is both thermally efficient and which locally generates all its own energy requirements (eg using solar panels on the roof). The government has stated that it wants to see all new homes achieve zero carbon status by 2016. The Code is based on many of the principles contained within the Ecohomes scheme, which in the case of new housing it replaces.

The government has also made it clear that the Code signposts the direction that future changes to Building Regulations will take. In other words, the concepts, tools and standards in the Code will be encompassed in future changes to Part L of the England and Wales Building Regulations.

For now, the Code is a voluntary tool for both public and private housing developers. However, all public housing will need to achieve at least a 3 star rating if it is to obtain central government funding. The government also hopes that the Code, with its maximum 6 star rating scheme, will provide a marketing tool for private developers. The government hopes that by informing customers of the overall energy ratings of houses it will lead to positive changes in spending decisions.

Housing developments can achieve ratings from one to six stars. All star ratings are calculated on a 'points out of 100' basis across nine categories of environmental impact. Varying quantities of points are available in each of the nine categories. The lowest level, 1 star, demands a score of 36%. 6 stars requires a score of 90%. There is flexibility in how points may be achieved, but some performance aspects are mandatory. Mandatory standards cover energy efficiency, water use, embodied impacts of construction materials, surface water runoff, construction site waste management, and household waste storage facilities. The standards for responsible sourcing of materials, including wood, are not compulsory.

The allocation of points is heavily weighted towards meeting energy efficiency/carbon dioxide requirements (up to 36.4%), followed by health and well being (14%), ecology of the building site (12%), management (10%) and water use (9%). The materials section can deliver up to 7.2%. Of this, 4.5% is for the environmental impact of materials based on their rating in BRE's Green Guide (in which timber generally performs well). A further 2.7% may be obtained for "responsible sourcing".

In order to achieve any credits for responsible sourcing, all timber must as a minimum be accompanied by a signed declaration from the supplier that it is legally sourced and not a CITES listed species. The actual allocation of points for "responsible sourcing" requires a complex calculation based on the volume of responsibly sourced product used in each separate building element, in combination with the quality of the evidence provided. The highest scores are available only for timber which is certified under the FSC, PEFC, SFI, or CSA scheme. Lower scores are available for wood that is independently verified as legal and for non-wood products from suppliers demonstrating conformance to an environmental management system.

For further details see the document (214 pages) at:

http://www.planningportal.gov.uk/uploads/code_for_sustainable_homes_techguide.pdf

3.2.7 UK announces support for Congo forestry

The UK government has announced a contribution of £50 million to a new fund to help conserve the forests of the Congo Basin. However, it is as yet unclear who will manage the fund, or what the money will be allocated to. According to the UK Department for International Development (DFID) *'the new fund will support proposals made by ten central African countries to protect the Congo Basin rainforest from destruction'*. Nobel Prize winner Wangari Maathai and Canada's former Prime Minister Paul Martin, as Goodwill Ambassadors, will take the lead on establishing the fund. DFID stated that African leadership of the fund will ensure that local peoples' livelihoods and rights are protected while helping them to better manage the forest and find sources of revenue consistent with forest conservation. It is hoped that funds will be used first and foremost to clarify land rights and carry out land reform where needed to ensure that local people truly benefit

3.2.8 Focus on CSR and certification in UK print industry

A recent survey of the top 200 UK printers by independent organisation GI Direct indicates that 24% of the UK top 200 printing companies are certified to ISO 14001, while 14% have achieved chain of custody certification to FSC or PEFC. Slightly less than 5% of these firms have become independently certified as carbon neutral.

Efforts are being focused on promoting greater concern for environmental issues in the UK print industry. In May, print management specialists Etrinsic held a seminar in London involving around 70 delegates involved in commissioning and producing printed material. The seminar was addressed by Margaret Hodge, Minister of State at the Department of Trade and Industry and Minister for Corporate Responsibility. At the seminar, she outlined UK government policy on CSR:

"CSR and making money are linked and complementary." she said. "A company's success and its responsibility are two sides of the same coin. Commitment to sustainability can help promote a brand image and market position – it will become an intrinsic part of business purpose and our shared endeavour to conserve the planet. The role of the government is not to dictate to business but to create a regulatory framework that opens companies to public account and encourages them to think about CSR issues."

Among the areas considered were paper specification and recycling, waste management, sustainability and forest certification schemes plus environmentally-friendly print technology. Speaking on behalf of Waste & Resources Action Programme (WRAP), Jonathan Tame encouraged businesses to consider recycled paper where possible. *"The UK consumes approximately 12.5 million tonnes of paper and board per year. Circa 7.8 million tonnes of waste fibre is recovered, and creating demand for this waste is important,"* he commented. *"We recommend that businesses consider products with a minimum of 70% recycled content for copier/office paper and 50% for marketing and publications-type material. Organisations are increasingly concerned with sustainable procurement and buying recycled paper can be a quick win in reducing their environmental footprint."*

Tim Barker, Environment Manager from Robert Horne Group, explained that buyers and specifiers are becoming increasingly sophisticated in their choice of raw materials such as paper. *"This choice can reflect, support and enhance an organisation's CSR policies,"* he said. Illustrating his talk with his company's customer experiences, he provided practical advice on recycled paper, the FSC, PEFC and Chain of Custody.

3.3 Germany

3.3.1 Germany introduces public procurement policy

After almost three years of development, the German Government launched its public procurement policy in January 2007. All timber and timber products purchased by federal departments and agencies must now be proven legal and sustainable. Paper and paper products are excluded from

the regulation. At present, federal state bodies are advised to accept all FSC and PEFC certified products as proof that timber is legal and sustainable. In addition, suppliers can engage two officially appointed public institutes, to assess other products complying with standards that are comparable to local FSC or PEFC standards in the respective producer country. The costs for such assessment have to be covered by the supplier. The certification schemes approved for federal tenders will be re-assessed every four years.

The policy applies to the federal state level and currently there is no process to encourage implementation at district (i.e. 'Länder') level. It is estimated that consumption of timber and timber products by the federal (i.e. 'Bund') government is less than 5% of the total market. As a result, the policy development has not been a significant concern for the industry. Unlike the UK, there is little sign of the Bund government's policy becoming an important factor encouraging wider uptake of responsible timber sourcing policy in Germany. Trade observers in the country assume the policy will not have a significant impact on the market.

Unlike several other EU countries, where stakeholder dialogue has been an important part of the policy process, the German procurement policy was largely evolved internally by the Bund government. Details of the criteria against which certification schemes were assessed, and the assessment method itself, have not been made publicly available. According to Government officials, the FSC and PEFC standards were assessed at a country level, including a series of field visits. The responsible Ministry (Ministry of Food, Agriculture and Consumer Protection) has had some contact with other European governments developing procurement policies. However the signs are that it is not a keen supporter of efforts to harmonise public sector procurement policy in Europe.

The new policy has been intensely criticised by German green groups who dispute the recognition of PEFC certification schemes alongside FSC. In a joint statement, the NGOs suggest that by accepting all PEFC endorsed certification schemes, the Government missed a chance to establish their own minimum criteria and that they have accepted the "*lowest level of schemes embraced under the PEFC umbrella, such as the Australian, Swedish and Finnish Certification Councils, (soon) the MTCC, CSA, and the SFI*". The NGOs called on the Government to publish full details of the criteria and procedures used to assess the various certification schemes. Responding, PEFC Germany called on stakeholders to actively contribute to the positive development of certification schemes and to increasing the global area of certified forests.

Generally, NGOs have become increasingly disenchanted with the German government's approach to green procurement and illegal logging ever since the election of Chancellor Merkel and the removal of the green party from office as a coalition partner in 2006. This disenchantment is reflected in the position of Germany in the WWF's Government Barometer which rates European countries performance against a set of criteria on their handling of illegal logging issues and green procurement. In 2004, the German government was rated second amongst all EU countries by WWF. It is now in the middle of the table. NGOs were disappointed by the new Government coalition's rejection of the 'Virgin Forest Act' which proposed prohibitions on the possession and marketing of timber products illegally logged in virgin forests and which would have required traders to implement timber-tracking systems to provide proof of origin.

Link (in English):

http://www.bmelv.de/nn_750634/SharedDocs/Gesetzestexte/H/HolzbeschaffungErlassAnhangEN.html

3.3.2 German timber trade association announces Code of Conduct

At its annual meeting in mid-June, the German timber trade association, GD Holz, introduced a compulsory Code of Conduct for its members which addresses the issue of illegal logging and responsible timber sourcing. Details of the Code of Conduct have not yet been made publicly available. However, trade sources indicate that the code is designed to be acceptable to the majority of members within the conservative German trade body and that the commitments

required are not particularly onerous.

3.3.3 German Paper Union calls for end to subsidies on wood used for energy

The German Paper Union (Verband Deutscher Papierfabriken, VDP) is campaigning against government subsidies that are now being paid for the use of wood in energy production under the terms of the Government's Renewable Energy Bill. VDP argues that the subsidies are causing severe distortion of German markets for pulpwood. VDP is calling for a complete removal of the subsidies and for the introduction of sustainability certificates to document the origin of wood fuel. In addition, the organisation is proposing an alternative policy of promoting short rotation coppice for energy production on existing agricultural land.

3.3.4 Interzum Furniture Fair, Cologne

Reports from the Interzum Furniture Fair indicate that environmental issues are still a relatively low priority in the German furniture sector. This was reflected in a low turnout for a workshop at the show which presented the FSC certification scheme and the European importing industry's Timber Trade Action Plan. Nevertheless, about 30-40 exhibitors at the show were displaying FSC certified products and actively promoting the label. The PEFC label was also in evidence, although to a much lesser extent. A more immediate concern for the German wood sector is to ensure that consumers distinguish wood from wood-imitate veneers. The German veneer industry's 'veneer + nature initiative' was actively promoting a new label: '*veneer – authentic wood*' (= '*Furnier – Echt Holz*'). According to the initiative, over 500 furniture shops in Germany already use the label for promoting wood veneers.

3.4 Spain: green procurement off the radar screen

Recent reports suggest that environmental issues still play only a relatively minor role in the Spanish wood market. And although high-level government officials continue to express their support for the European Commission's FLEGT Action Plan, there is little or no interest in the development of a green wood procurement policy at national level.

A report from the Construmat construction industry show in Barcelona by Mike Snow of AHEC highlights the limited extent of environmental interest in Spain. The show featured a seminar on "The Building Industry and Responsible Wood Consumption" which was sponsored by WWF and FSC. Despite participation of some important speakers, including Spain's Minister of Environment and the Mayor of Barcelona, there was a complete lack of interest in the session. There were no more than 30 people in the room (and many of those were with the Minister's entourage) despite the fact that the meeting was well advertised and took place in the central pavilion at a building/construction show with more than 3,000 exhibitors and 250,000 visitors. This provided a vivid indication of the extent to which green procurement issues are off the radar screen in the Spanish market, despite the country being a significant importer of tropical hardwood.

The impression was solidified when the Minister of the Environment announced that the Spanish central government has decided not to impose a certified wood requirement for government procurement projects (much to the consternation and apparent surprise of the FSC and WWF reps who were hosting the session). The official reason she gave is that requiring certification "*would be unfair for small companies who are less able to afford the costs of certification*". She continued that it is possible for individual state or city governments to make their own procurement policies and suggested many are doing so.

However, independent sources suggest that very few state and city governments are effectively implementing timber procurement policies. The WWF has now been working for two years with municipalities and the major Spanish cities to assist implementation of procurement policies and to provide technical advice. But according to Spanish contacts, only Barcelona has taken steps to effectively implement its procurement policy. Indeed Barcelona recently signed an agreement with

Bolivia's major city in the tropical East, Santa Cruz de la Sierra, to assist the Latin American partner in implementation of a green public procurement policy. It's therefore ironic that during the Construmat seminar, the new Barcelona airport project (currently under construction) was singled out for criticism for using large quantities of uncertified teak.

At the Construmat seminar, there was much attention focused on the recent renovation of the Prado Museum in Madrid which was undertaken with FSC certified wood. The FSC accredited Certification Body Rainforest Alliance/SmartWood Program verified the source of the timber used throughout the project and concluded that well over half came from sources certified by FSC. Solid oak flooring throughout the building, birch plywood and yellow pine used in the floors, wall panelling and ceilings, door frames made in beech all came from FSC certified sources. Two of Spain's leading construction companies - Dragados S.A. and Constructora San Jose S.A. - which built the extension took the lead in sourcing FSC certified products.

3.5 Italy: slow progress towards green timber procurement

The Italian Government of Romano Prodi, elected last year and comprising a broad coalition of parties (including the green party), has promised greater engagement in the European FLEGT Action Plan than its predecessor. The Ministry for Environment has established a commission to improve implementation of the EC programme on illegal logging. The commission's main task is to look at options for development of a green public sector procurement policy for Italy. In this endeavour it has already supported two workshops, at Padua University and at the Cremona fair in early May, to provide an opportunity for initial stakeholder input of various procurement policy options.

While efforts to develop a timber procurement policy at national level are still in the early stages, there has been more activity at local level. Around 150 Municipalities in Italy are now committed to buying only recycled paper products and FSC certified timber. This is a result of ongoing lobbying by Greenpeace. However many Municipalities now face difficulties over implementation due to the restricted supply of FSC certified wood products.

There are also reports of growing commitment to certification in sections of the Italian paper industry, partly the result of a Europe-wide FSC marketing campaign targeting the paper industry and publishers. Around 8 publishing houses in Italy have committed to printing only on recycled or FSC paper including one of the largest printing companies in Italy. This is said to have had an immediate knock-on effect in the paper mills.

In contrast, contacts in Italy indicate that there has been little noticeable increase in either the demand or supply of certified solid timber products. The Italian industry does not see any incentives to deliver certified product to the domestic market, while there is no demand in many of its key export markets, such as Russia and Turkey. Italian traders report that demand for certified timber products derives almost exclusively from Western Europe and the US.

3.6 Portugal: little or no demand for certified wood products

Despite Portugal being a key market for tropical timber products, especially from the Amazon Basin, pressure on the Government to engage in the FLEGT process remains weak. The relatively weak NGO presence (neither Greenpeace nor the WWF have local offices in the country) focuses predominantly on domestic forestry issues relating to plantations and forest fires. There is no sign of the country taking a role in the FLEGT process, for example by coordinating Voluntary Partnership Agreements (VPAs) with producer countries, or developing a public procurement policy encouraging the domestic consumption of verified legal or certified products.

The limited demand situation for certified products in Portugal is evident from the restricted number of chain of custody certificates issued – only 16 for the FSC and 5 for the PEFC - nearly all in the paper sector. Although the PEFC endorsed a national certification scheme in 2005, uptake by forest owners has been very poor. Reports suggest that companies were disappointed by the

lengthy and cumbersome process to develop national standards.

3.7 Netherlands

3.7.1 Close to a quarter of all timber from certified sources

The Ministry of Housing, Spatial Planning and the Environment recently commissioned the independent research organisation Probos to carry out a baseline measurement of the volume of sustainable timber on the Dutch market in 2005. The research indicates that of the total volume of timber marketed in the Netherlands during that year, 13.3% carried a label while an additional 23.1% originated from certified forests, but had no label (see Table).

Table: Total volume of sustainable timber (sawn wood and panels) marketed in the Netherlands in 2005. All data m3 of Real Wood Equivalent

	FSC	PEFC	MTCC	CSA	SFI	Other*	Total	%
Total market							6,327,178	
With certificate	588,810	247,609	1,058	0	0	6,317	843,727	13.3%
From certified forest	183,836	1,142,700	16,914	11,348	5,975	94,662	1,455,435	23.1%

* 'Other' consists of imported timber bearing the Keurhout mark (from various developed countries, and Gabon) and timber which was sourced from certified forests but for which no certification scheme was specified.

The survey was undertaken to inform the process to develop the Dutch government's timber procurement policy which aims to promote sustainable forest management by substantially increasing the market share of sustainable timber in the Netherlands. The focus of policy is on developing an independent assessment procedure for sustainable timber (National assessment guideline or BRL), preventing illegal logging, and promoting sustainable procurement and tendering practices for timber.

The survey looked at the five main certification schemes and assessed the following product segments: roundwood products, sawn soft wood, sawn tropical and other hardwood, woodpanels, products, pulp and paper. Volumes were calculated using the results of a postal survey of all timber importers, paper producers, paper importers and processing plants for domestic roundwood. Probos received assistance from various industry associations and FSC Nederland. A total of 396 questionnaires were sent out, 237 of which were returned, a 60% response rate. Company visits were carried out to verify the data supplied.

The research revealed large differences between product segments. 53% of sawn softwood was sourced from certified forests, while 26% of panel products was from certified sources. However less than 12% for both sawn tropical hardwood and sawn temperate hardwood derived from certified sources.

In terms of volume of labelled product reaching the market, FSC is the largest certification scheme in the Netherlands. However, PEFC dominates in terms of the volume of wood reaching the market. The market share of FSC timber found in this survey (12.2%) corresponds with the results of a previous study by AIDEnvironment, commissioned by FSC Nederland (12.6%). PEFC's share is 22%, strongly dominated by timber without a label.

The authors suggest that the volume of FSC timber will continue to grow due to new voluntary agreements with a range of Dutch organizations in the building sector, growing demand and an expanding area of FSC-managed forests worldwide. The FSC-CoC certified businesses included in the Probos survey expected to see growth of 10% in the volume of FSC timber imported in 2008. However the authors suggest *"it is doubtful whether the share of PEFC timber on the market will grow. European PEFC forests produce large volumes of timber, but only a small volume is imported into the Netherlands with an accompanying certificate, and an even smaller part carries an on-product label when it reaches the end user. There are only a handful of PEFC-CoC certified businesses in the Netherlands. This certification scheme is used mainly for in the business-to-business market to provide assurance of sustainable timber sourcing, but the certificate is not otherwise used as a marketing tool"*.

3.7.2 Keurhout recognition of MTCC under scrutiny

The Keurhout system for assessing the credibility of wood labels used in the Dutch market has come under intense scrutiny in recent months over its acceptance of individual Malaysian Timber Certification Council (MTCC) certificates as a means of verifying legality.

Keurhout has had a checkered history. It originally began as a partnership between the Dutch government and the private sector. However, after it failed to achieve any support from the environmental community and due to funding problems resulting from lack of market demand for Keurhout products, Keurhout was subsequently taken on as an instrument of the Netherlands Timber Trade Association (VVNH). Timber from forests judged to be sustainable by the Keurhout Board of Experts can bear the Keurhout logo. Timber from legally verified forest areas recognised by Keurhout may be marketed on the Dutch market using the "Keurhout Legaal" logo. The Board of Experts acts entirely independently and autonomously and comprises mainly academic experts from a range of fields. A seat on the Board is left open for a representative of the environmental community which has, however, consistently refused to participate.

Dutch NGOs – which are generally committed to ensuring exclusive recognition for FSC in the Dutch market - have constantly criticised the system. Recently Greenpeace brought a claim to the Keurhout Board of Appeal stating that Keurhout had wrongly approved an MTCC certificate as a guarantee for legality. The Keurhout Court of Appeal ruled in favour of Greenpeace who then launched a publicity campaign using this as evidence of wider failings on the part of Keurhout to guarantee legality. Greenpeace suggest that Keurhout lacks transparency and argue that the ruling should prevent the Dutch government recognising MTCC as proof of legality.

The MTCC have issued their own commentary on the ruling, seeking to put it into perspective and suggesting that the major failings identified by the Board of Appeal occurred in the Netherlands and not in Malaysia. MTCC note that since August 2004, the Keurhout Board of Experts has been evaluating individual Certificates for Chain-of-Custody issued by MTCC to determine their compliance with, and eligibility to be admitted to the market in The Netherlands under the Keurhout Protocol for the Validation of Claims of Legal Timber (KH-LET). Beginning from September 2005 and up to 20th April 2007, a total of 27 MTCC certificates had successfully completed the evaluation process and been admitted under the KH-LET system. The BoA ruling nullified the decision with respect to only one of these 27 companies.

According to MTCC, the ruling was largely based on the claim that an independent accredited assessor did not verify the continuation of the MTCC chain-of-custody in the Netherlands. However MTCC point out that this part of the CoC should be covered by Keurhout's own CoC system within the Netherlands. They also note that SGS, responsible for the CoC assessment, are accredited under ISO Guide 66. Furthermore, it is noted that the MTCC system has now been adapted to extend CoC procedures to importers and manufacturers in importing countries (previously these procedures only covered the chain of custody to point of export from Malaysia).

3.8 China plays down procurement role

Recently, the Chinese government has made several moves to improve the environmental credentials of imported wood. However China has continued to firmly refute claims that the country's expanding wood industries are heavily dependent on wood from illegal sources.

In December last year the Chinese government announced a green buying initiative which requires the nation's central and provincial governments to prioritize their purchasing of environmentally friendly products and services. The policy will be fully implemented at all levels of jurisdiction starting in 2008. A "*green purchasing list*" specifying a range of recommended products carrying the China Environmental Label, China's only national eco-label for environmentally friendly goods and services, has been established. Government purchasers will be required to buy products from the list when these alternatives are available; otherwise financial authorities may refuse to pay for

the items. The current green purchasing list includes 859 products in 14 categories, ranging from vehicles, photocopiers, printers, and televisions to flooring, paint, and other construction materials. Inclusion on the list is dependent on compliance with a wide range of environmental criteria. Wood products are included on the list, but issues surrounding wood sourcing and illegal logging do not seem to be a high priority.

Of more direct relevance to sustainable sourcing, the Chinese government recently announced a “*sustainable forest plantations initiative*”. China has developed guidelines for the establishment of sustainable forest plantations abroad by Chinese firms. The State Forestry Administration will soon begin the process of selecting companies to implement the guidelines, which include bans on illegal logging and clearing of natural forests for plantations. The guidelines reflect China’s increasingly important role in resource extraction in forests around the world. Chinese firms are aggressively investing in oil palm plantations in Indonesia and logging operations throughout Asia and Africa.

In addition, recent press reports from the East Asian region indicate that China is cooperating with Myanmar to prevent timber smuggling and other illegal activities from the neighbouring country. Chinese firms and individuals have become heavily engaged in lumbering and timber businesses in Myanmar in recent times. The press reports, which are based on comments by a spokesperson for China’s State Forestry Administration (SFA), suggest that China is now discussing with Myanmar the possibility of a memorandum of understanding on forestry cooperation and a protocol on forest fire-fighting. Furthermore, the provincial government of Yunnan in southwest China, which neighbours Myanmar, has formulated policies on timber transportation and processing. In response to widespread allegations of poor practice and illegal activity, the provincial government has now ceased the approval of individuals and companies to lumber in Myanmar and import timber from Myanmar. The State Forest Administration spokesperson suggests that there has been a major crack-down on timber smuggling from Myanmar and that over 80 cases have been investigated since 2004.

In other press reports, Chinese Foreign Ministry spokeswoman, Jiang Yu is quoted as suggesting that logging and trading by Chinese companies with other countries should abide by laws and regulations there. She also said that the Chinese government has established a contact mechanism with neighbouring countries and taken effective measures to crackdown upon illegal logging and trading.

While these measures are being implemented, China has continued to contest claims that a significant proportion of imported wood derives from illegal sources. According to a report in the People’s Daily of China, a spokesperson for the SFA refuted statements made on May 6th by Greenpeace International that China imported large quantities of illegally felled timber from Papua New Guinea, Indonesia, and Gabon. The SFA claimed that Greenpeace’s statement has no factual basis. It was suggested that China is continuously developing its own forest resources in order to offset growing demand for imported timber. It was suggested that the State Administration of Forestry, the Ministry of Commerce, and China Customs all have strict regulations regarding the import of timber which are sufficient to tackle illegal activity. It was claimed that China’s wood import trade contributes to economic development in supplying countries providing the conditions for improved regulation in the future.

3.9 Luxembourg announces development of inclusive timber procurement policy

Luxembourg’s Interior Minister, Mr Jean-Marie Halsdorf, in a recent parliamentary response stressed the fact that - according to the European procurement directive - public procurement procedures must not introduce unnecessary technical barriers to trade. The minister indicated that no discrimination against specific forest certification labels is allowed and that these requirements will be taken into account during the development of a grand-ducal regulation on public purchasing in Luxembourg.

The Interior Minister’s statements were underlined by the Minister for Environmental Affairs, Mr

Lucien Lux, who during a recent press conference on forest certification announced that certified wood products should be requested by the government for public purchasing in the future. In recent months, the private forest owners' organisation in Luxembourg has repeatedly called on politicians to introduce a public procurement policy favouring certified wood products, a call strongly supported by PEFC Luxembourg and Luxembourg's State Forest Administration.

4. National forest policies

4.1 Indonesian progress to crack down on illegal logging comes too late for donors

A number of recent reports indicate that Indonesia has made significant strides to crackdown on illegal logging in recent years. However the moves may have come too late for many donors that have already turned their back on the Indonesian forestry sector.

The United Nations Environment Programme (UNEP) have made a point of congratulating the Indonesian Government on their efforts to tackle illegal logging. They have highlighted the seizure 70,000 cubic metres of processed wood in Nunukan in East Kalimantan province in an operation which led to the arrest of several people.

Another report suggests that the Governors of three of Indonesia's provinces have made far-reaching commitments to address deforestation and thereby mitigate climate change. The agreement between the provincial governors of Aceh, Papua and West Papua was reached at a World Bank sponsored meeting on climate change in Nusa Dua in Bali on 26 April. The governors expressed a determination to implement policies which are environmentally friendly, and pursue sustainable development and reduction of greenhouse gas emissions.

The Governor of Aceh committed to imposing a moratorium on all logging, pending the outcome of a review of the forestry industry. The Governor of Papua committed to revoking licenses of logging companies whose operations are not deemed to contribute to sustainable forest management. Both Aceh and Papua committed to relocating approximately five million hectares of conversion forest for carbon trading.

Despite such positive moves, there are claims that many donor organisations have turned their back on Indonesia following widespread concerns over illegal activity. In a letter published in the UK's Independent newspaper, the leader of a study into the EC-funded Illegal Logging Response Centre at the Ministry of Forestry in Jakarta wrote:

"The Centre was about to close after three years, despite having designed and piloted good new ways of tracking cases against illegal loggers through a notoriously corrupt and leaky prosecution system. I was astonished that the EC was closing down this successful initiative, but even more struck by the fact that the Indonesian government had started, for the first time, to take very seriously the rampant logging and deforestation of its national parks, especially those in Sumatra and Borneo that are homes to orang-utans.

The Indonesian authorities have been struggling frantically to protect these parks with extremely limited resources, using imaginative techniques such as microlight aircraft with global positioning systems and radios to guide enforcement teams to logging camps on the ground. These and other methods were being proved to work, but even as solutions were being found and morale was increasing, one by one the western aid agencies that should have been helping were withdrawing their assistance. This was a reaction to earlier events, in 1999-2003, when illegal logging seemed to be genuinely out of control, and before the Indonesian government had decided to act.

The slow-wittedness of donors and their inability to react quickly to new circumstances is now helping to create a catastrophic loss of biodiversity. What Indonesian park managers need right now is money for patrolling and enforcement in the field, money to plug gaps in their resources created when budgets take months to find their way into the forest areas far from Jakarta. What is needed, therefore, is emergency funding for the parks. Not necessarily a lot - 10,000 a year would

make a huge difference to enforcement efforts in a typical park - but it needs to be reliable, and it must get there very, very soon. Otherwise, your paper's obituary pages will shortly be filled with the names of extinct wild species, orang-utans among them".

4.2 Brazil: policy environment encourages illegal logging

Brazil could improve sustainable forest management, reduce illegal logging, and perhaps cut deforestation by introducing coherent policies for timber operations in the Amazon rainforest. However, successful implementation of sustainable timber production will require overcoming significant biological and political hurdles. This is according to a paper "Timber production in selectively logged tropical forests in South America" recently published in the academic Journal "Frontiers in Ecology."

Noting that South American rainforests will continue to be logged for the foreseeable future, the authors, led by Michael Keller of the International Institute of Tropical Forestry in Puerto Rico, say that the Brazilian government should aim for sustainable timber production, which would provide income for local people while at the same time preserving ecosystem carbon stocks and watershed protection.

While the timber industry is important in the Amazon--generating US\$2.3 billion of the region's \$28 billion in economic activity and 380 000 direct and indirect jobs--it is poorly managed. The authors cite a number of factors holding back more efficient and environmentally sound timber production, including loan policies, poorly articulated laws governing logging, and lack of training.

Regional loan policy may worsen deforestation in the Amazon by favoring cattle ranching and farming over logging. While logging results in forest degradation and at times leads to deforestation, both cattle ranching and industrial farming result in immediate deforestation. Because even logged forests retain higher levels of biodiversity than either cattle pasture or monocultures, current loan policy effectively reduces species richness in the region.

The researchers say a second problem stems from the difficulty of the timber industry in the Brazilian Amazon to comply with a myriad of government regulations. *"The laws and regulations are complex, so that, in addition to the transaction costs of complying with government bureaucracy, loggers are often faced with the choice of operating illegally or not at all,"* they write. *"Permits from the Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renovveis, the Brazilian federal agency responsible for oversight of logging, [can be] all but impossible to obtain."*

The authors imply that poorly articulated laws effectively encourage illegal--hence unregulated--logging. They also report that sustainable forest management in the Brazilian Amazon is hindered by a lack of trained personnel.

"Logging is often conducted in a haphazard manner with little or no planning. This leads to high costs and waste in equipment depreciation, fuel usage, timber recovery, forest damage, and, most importantly, in unsafe working conditions," they write. *"Overall, the lack of capital and the precarious regulatory environment leaves the logging sector in the Brazilian Amazon with inadequate technology, renders small- and medium-sized operations unable to take advantage of economies of scale, and promotes ubiquitous illegal operations."*

To succeed in bringing sustainable forest management to the Amazon, the government is going to have to improve transparency and reduce the costs of doing business, say the authors. Land tenure must be better organized and forest management practices should be made accessible to private landowners. The techniques of forest management should be demystified through the provision of information, outreach, and training to loggers. Only when these basic conditions of development are met can the application of ecological and silvicultural knowledge to tropical forests really be effective. Without them, unfettered and unsustainable forest exploitation, whether legal or illegal, will continue to dominate.

4.3 PNG announces intent to develop legality verification system

The Papua New Guinea Forest Industries Association (PNG FIA) has announced their intention to develop a system that independently verifies the legality of timber produced in PNG. Once the system is in place, PNG Forest Industries Association timber producers will be required to provide documentary evidence of the origin of logs and of official permits to log the forest. SGS will provide an independent audit of the authenticity of these documents to verify that timber products were legally produced.

4.4 Russia: Federal government reports widespread illegal logging

According to the Russian Federal Agency for Forestry, illegal logging remains a critical problem in several regions, particularly those bordering China. Experts estimate that up to 30% of the valuable timber cut in the Russian Far East is illegal, the figure being considerably higher than the average for the whole of Russia which is estimated at 12%.

In the Chita region, the Federal Agency for Forests estimates that the illegal timber turnover accounts for more than two million m³ a year and that annual losses resulting from illegal activities are around 126 million dollars. The agency notes that "*Chinese citizens are often employed in logging, who fell trees outside the bounds of the wood-cutting area.*" The illegal timber export from the region has reached and maybe even exceeds the level of official export. The agency suggests the region may be left without wood reserves in the economically accessible zone by 2012-13 if effective measures to control illegal harvesting are not implemented in the near future. Although 1,607 cases of forestry violations were reported in the region in 2006, fines were rarely imposed. And when fines are imposed, a significant proportion remain unpaid.

A similar situation prevails in Primorsky Krai in the Far East of Russia. This is the only region of the Russian Far East that has any significant hardwood resource – mainly ash, oak and linden (amur lime). It is also host to significant volumes of cedar. Large areas of these diverse natural forests are officially protected. However, according to a report in Vladivostok News, illegal harvesting is a regular activity. The report suggests that corrupt local officials are deeply involved. The forestry agencies will issue themselves with permission to cut timber and then sell the rights to firms. The illegally harvested timber is then registered at the local customs office and exported in log form for processing to China.

The Russian Federal government is responding to these concerns. President Putin has mandated the creation of a Russian National Action Programme (NAP) to prevent illegal logging and related crimes. The NAP aims to reduce illegal logging in Siberia and the Russian Far East by 20–30 % within the first two years through a broad array of activities constructed around five goals: improving legislation, ameliorating state governance, optimizing forest management, implementing targeted socio-economic mechanisms and fostering international cooperation.

One immediate outcome of the NAP is that a state forest inventory centre is to be set up in the near future to form a federal database and analyse information about timber volumes and transportation. Instead of inventory reports being prepared once every ten years, an annually updated database for the entire forest reserve territory will be created. The system is linked to the development of new systems for aerospace monitoring of the forest resource, including observation to identify illegal harvesting.

5. Private sector initiatives

5.1 International Council for Forest and Paper Associations (ICFPA)

At a meeting timed to coincide with the G8 Summit in Berlin in early June, the members of the International Council for Forest and Paper Associations (ICFPA) confirmed their commitment to further reduce greenhouse gas emissions. Industry leaders noted that the forest industry can contribute to mitigate climate change in a number of ways:

- Where communities can earn a living from the forest and sustain a livelihood, there is an incentive to keep, renew and expand the forest, thus avoiding deforestation and its negative impact on climate and biodiversity. This supports the industry's commitment to sustainable management of forests, which are a renewable resource.
- Forests and forest products provide excellent storage of carbon and wood has a preferable carbon footprint to alternative materials. Moreover, recycling of paper and wood reduces emissions from landfills.
- The industry is committed to innovative energy solutions that increase efficiency, reduce reliance on fossil fuels and expand the use of renewable energy sources.

The commitment was made at the 3rd CEO Roundtable of the ICFPA held in Shanghai, China. More than 70 CEO's and association leaders attended the meeting to address issues of common interest including sustainability, climate change and energy. The meeting also saw the launch of ICFPA's first "Sustainability Progress Update" which seeks to demonstrate that the industry has continuously improved its sustainability performance through a variety of initiatives.

The Update shows that ICFPA members have invested in certification systems ensuring sustainable forest management standards are met. They have also actively participated in initiatives to protect forests from illegal logging. Additionally, many ICFPA members have formally adopted paper recovery goals or signed on to broader multi-product recycling programmes to increase the amount of recovered paper available. The report is available at:

http://www.icfpa.org/ICFPA_sustainable_summary_update.pdf

5.2 European Timber Trade Action Plan (TTAP)

5.2.1 Role of TTAP

The EU Timber Trade Action Plan (TTAP) is a private sector initiative funded by the European Commission and managed by several timber trade federations (Belgian, Dutch and UK) to overcome trade in illegally logged timber in Europe. The Tropical Forest Trust acts as the Secretariat and undertakes much of the technical work. TTAP is one of six EU 'FLEGT' Action Plan projects and is the main focus of private sector activity under the Plan. There are essentially two aspects to its work: first to develop private sector systems of legality verification in high risk countries; and second to encourage more widespread implementation of environmental timber procurement policies by European timber importing companies.

5.2.2 Progress to develop legality verification

At the invitation of European companies and their producer country suppliers, TTAP will carry out gap assessments of specific points in their wood supply chain from the forest to the direct supplier of the European company. This will identify potential weaknesses in the forest management and factories that could allow illegal timber to enter the supply chain. TTAP will then draw up action plans to overcome these problems. In some cases, TTAP will provide training and financial support to help companies to put in place a full timber tracking system enabling them to trace wood from the supplying forest through to their processing factories.

So far, most of this work has been undertaken in Africa where TTAP reports that there has been an "incredible response" to the initiative. TTAP established a target to develop timber tracking systems for 15 supply chains in Africa by 2010. Already these systems have been developed for 6-7 supply chains. Most of the work is being undertaken in the Congo Basin. So far, Asian suppliers have been more reluctant to come on board, but work is now underway in China. The Indonesian plywood association (APKINDO) has also expressed an interest. TTAP will be visiting Latin America in July/August 2007 to promote the initiative in that region.

5.2.3 Efforts to harmonise EU private sector timber procurement policies

TTAP has begun a process with the aim of working towards harmonisation of European trade association timber procurement policies. The process was launched at a workshop hosted jointly with the European Hardwood Federation (UCBD) in Stockholm during June. The meeting, which was attended by the T&E consultant, involved discussions on the current state of play with respect to trade association procurement policy in European countries and a preliminary effort to identify areas of commonality.

The meeting indicated that while some European trade associations are heavily engaged in developing timber procurement policies for their members at national level, responding to national events, they are less comfortable with the idea of seeking to develop a harmonised European position. The overwhelming impression was that harmonisation of private sector procurement policy in Europe is likely to be a slow process.

The meeting began with a presentation of a report undertaken by TTAP which summarised EU timber trade federations' Codes of Conduct and Purchasing Policies. Of twelve associations assessed, eight already have a Code of Conduct including environmental commitments for their members. All eight codes share a common objective: to trade only in legal timber and to prefer sustainable timber. Five of the codes require defined actions (Belgium, France, Netherlands, Spain and UK) and three of the codes (UK, Netherlands, Spain) are binding on members (i.e. companies would be subject to sanction, including ejection from membership, if found to be non-conformant). Two of the codes (France, Netherlands) establish time bound targets for signatories (for example requiring a specific percentage of wood purchases to be certified).

The meeting then divided into two groups, one including representatives of trade associations that have already made significant strides to develop and implement procurement policies (Netherlands, UK), the other including trade associations still in the early stages (Spain, Belgium, Germany, Denmark, Norway).

The first group suggested that as a starting point the full UCBD membership should consider establishing a simple EU-wide target of requiring all member companies to demonstrate, based on objective evidence, that all wood traded derived from legal sources by 2010. It was also proposed that there should be a working group established, to meet in September in Brussels, to discuss appropriate forms of evidence.

The second group focused on gathering reports from the various national federations on the current status of their procurement policies. It was clear that there has been reasonable progress at national level. Belgium, Spain, Denmark, Norway and Germany are all now following in the footsteps of the UK and Netherlands to promote procurement policies amongst their members.

Despite the signs of progress, concerns were expressed by UCBD Secretariat over the extent to which it would be possible to reconcile the far-reaching policies developed in the UK and Netherlands with the current situation in southern Europe where there is much less interest in environmental issues. UK and Netherlands were asked whether they would be willing to accept a watering down of their policies in the interests of harmonisation. Both answered that they would be prepared to do so, but also indicated that it may be better for the harmonisation process to focus on procedures rather than targets. UCBD should focus on establishing a common framework (for example including requirements for risk assessment, recognising various certification schemes etc), leaving each national association free to establish appropriate target dates.

The meeting concluded without any formal agreement other than that discussions should be resumed at another workshop planned for September.

5.3 Report raises prospect of increased Chinese commitment to responsible sourcing

Responding to concern that China's massive appetite for raw timber is contributing to tropical

forest destruction worldwide, a report prepared for UK Department of Environment, Food and Rural Affairs (DEFRA) asserts that the situation is ripe for buyers in Europe and the United States to encourage Chinese firms to find sustainable sources of tropical wood.

The report, which was prepared by the Tropical Forest Trust (TFT), asserts that if European and US companies and consumers increase their demand for legally certified wood products, it will inspire a change in companies' wood purchasing practices in China. It suggests that if using legally-certified wood is viewed as advantageous in the market, it will be widely imitated in China. The challenge is on the technical side, helping Chinese companies that want to be part of the solution figure out how to implement transparent and sustainable wood control systems.

Drawing on their experience in China, TFT undertook an analysis of China's timber supply chain which paints a complicated picture of a surging Chinese wood products industry that now consumes 70 percent of hardwood exports from Southeast Asia and is aggressively seeking supplies from Central Africa. This process is helping to drive illegal logging in these environmentally sensitive regions.

According to TFT, the report differs from past efforts in this area in that the focus is not on assigning blame. Rather, the goal is to develop a much deeper understanding of the contemporary Chinese wood products industry and its supply networks and use this knowledge to seek market-based solutions rather than forest destruction.

TFT has opened an office in Beijing and will soon expand to Shanghai in an effort to ensure that China's growing role in Africa and other tropical regions supports rather than undermines the move to fight illegal logging. Its report for DEFRA is part of a broader effort that involves partnerships with the UK Timber Trade Federation, the Global Environment Institute, the TTAP and TFT member companies to develop timber purchasing projects jointly with Chinese manufacturers and their US and European customers.

The TFT report, however, cautions that the difficulty of verifying the source and legality of logs flowing into China from abroad should not be underestimated. It notes that the boom-time conditions in China's wood products industry have spawned an 'opaque' supply network in which timber passes through many 'hands' and 'supply cartels' as it moves from forests in places like Indonesia and Burma to factories in China. Meanwhile, the report notes, manufacturers in China are so busy trying to stay abreast of intense domestic and international competition they may lack the time and resources to focus on where their supplies are coming from.

However, TFT observes that "*markets are changing*" as major buyers of Chinese wood products, such as big retailers like Home Depot in the United States and B&Q in Europe, are now "*looking to establish legality and sustainability in their supply chains.*" Also, by working with groups like TFT, the report notes Chinese manufacturers are showing an interest in assuming more control over their supply chains. Ultimately, the key, according to TFT, is to pair market incentives with technical assistance.

The report entitled "*China Wood Product Supply Chain Analysis: Helping Chinese Wood Producers Achieve Market Demands for Legal and Sustainable Timber*" is available at: http://www.illegal-logging.info/uploads/TFTSupply_Chain_Analysis.pdf

6. Environmental campaigns

6.1 WWF publishes blacklist of German timber traders

The WWF has assessed about 260 German retailers and merchants on their approach to purchasing wood from potentially controversial sources and for their commitment to stocking FSC products. Each companies' performance has been ranked on the NGO's website. As in previous similar assessments, the German trade federation GD Holz called on its members to boycott the review. Of the 260 companies contacted, 190 did not respond to the WWF questionnaire.

6.2 WWF to track illegal timber origins using wood-isotopes

The WWF has developed a method to detect timber originating from controversial supply regions using isotope-analysis. The NGO is reported to have collected hundreds of wood samples from regions that are particularly vulnerable to illegal logging, notably in Russia. They claim that by analysing the isotope-compounds, any timber product may be checked to determine whether it originates from a sample region.

6.3 Greenpeace target wood from Congo DRC

Greenpeace activists recently boarded a ship in the Italian harbour of Salerno on route from Matadi, Democratic Republic of Congo. The shipment contained tropical lumber mostly destined for Italian manufacturers. With the action, the activists denounced '*the partition and destruction*' of the Congolese rainforests.

The action coincides with the release of a report entitled "*Carving Up the Congo*" which claims that over 15 million hectares of forest in the Congo region have been granted to international logging companies through 107 new contracts over the last five years, despite a 2002 government moratorium on such activity. Greenpeace claim that there have been "*serious lapses of governance*" in the region and that there is "*a massive lack of institutional capacity to control the forestry sector, widespread illegalities and social conflicts, as well as clashes with established conservation initiatives.*"

Greenpeace accuse several European-owned firms operating in the Congo of unscrupulous behaviour. It also criticises the World Bank for failing to enforce the 2002 moratorium on logging. The World Bank is currently conducting a legal review of titles to verify the validity of the new logging contracts. But Greenpeace allege that "*the legal review could become an exercise in laundering illegal contracts.*"

6.4 HSBC under fire for dealing with Malaysian company

The international banking institution, HSBC, has come under fire from Global Witness for its role in arranging a Hong Kong stock exchange listing for Samling, the Malaysian forestry company. Global Witness claim that this action was in breach of HSBC's environmental lending guidelines.

HSBC's forest sector guidelines state that the bank will not provide financial assistance to commercial logging operations in primary tropical moist forest and high conservation value forest. It prefers to deal with clients who are certified by FSC, but is prepared to work with customers that are "*following a credible path towards achieving compliance*".

Global Witness objected to Samling's heavy involvement in logging tropical moist forest in Guyana, Papua New Guinea and Malaysia. They also noted that a Samling subsidiary, Barama had its FSC certification suspended in January after an audit found that the company had failed to conduct appropriate environmental impact assessments, did not have a forest management plan, and was logging lands without the free and informed consent of local people.

Francis Sullivan, formerly of WWF but now HSBC's environment advisor, defended the bank's action by stating that the bank's forestry policy "*never said [our clients] have to be completely sustainable, or we're out ... there has to be a decision which are on a journey towards achieving compliance and which aren't*". It was also noted that HSBC have had a very close working relationship with Samling for over 60 years and have seen the areas in which they operate. Based on this knowledge, they are confident of the company's environmental commitment.

6.5 Global Witness accuse Cambodia's political elite of complicity in illegal logging

Cambodia has banned a damning report by Global Witness which accuses the kingdom's political elite, including the premier's relatives, of illegally logging the nation's forests. The ministry of

information said that they had asked the interior ministry to help them collect any copies of the Global Witness report. The information ministry claim the report "was a *personal accusation... to cause political conflicts in the country.*"

In the 95-page report titled "Cambodia's Family Trees", Global Witness accus the political elite in Cambodia of stripping the country of its natural resources, adding that relatives and business associates of Prime Minister Hun Sen and other top officials were acting "*with complete impunity.*" The report said Cambodia's most powerful illegal logging syndicate was run by people linked to Hun Sen, Agriculture, Forestry and Fisheries Minister Chan Sarun and Ty Sokhun, the director-general of the forest administration. The London-based watchdog urged action from the impoverished country's donors, who were due to meet in the capital Phnom Penh on 19-20 June.

Son Chhay, an opposition Sam Rainsy Party lawmaker, said he doubted that the attempts to ban and confiscate the report will be effective since it is available on the Internet in both Cambodian and English languages.

The report is available at:

http://www.globalwitness.org/media_library_detail.php/546/en/cambodias_family_trees

7. Events

Stakeholder meeting on the proposed Communication on Green public procurement:

Brussels, Avenue de Beaulieu 5, Room C, 25 June. The proposed communication is meant to cover all products, but timber may be used as an example to inform EU member states of how to approach of green procurement. Consultations may include a preliminary effort to harmonise an EU-wide approach to wood procurement. A danger of the process is that as wood is one of the few product groups for which member states have acquired any experience of green procurement, the communication will simply reinforce a tendency to impose conditions on wood that are not matched by other materials. But if handled well, the process could broaden the scope of green procurement to other materials and simplify procurement process for wood suppliers. The meeting will be attended by the T&E Consultant

Stakeholder meeting on the implementation of the UK government's revised timber procurement policy,

London, 5 July 2007. To be opened by the Minister for Biodiversity, Landscape and Rural Affairs at the start of a public consultation on the recent change of UK government procurement policy. The event will be held at Defra, Nobel House. The meeting will focus particularly on the problems of achieving the sustainability requirements for small owners (including in the United States. The meeting will be attended by the T&E Consultant and by AHEC.

Chatham House, Illegal logging update and stakeholder consultation No. 10, London, 9th and 10th of July. To be attended by the T&E Consultant, AHEC and Hardwood Federation.

Global Vision Of Forestry In The 21st Century: 30 September 2007 - 3 October 2007. Toronto, Canada. This congress will be organized under the themes of global challenges, responsibilities and leadership in forestry, frontiers of science and a healthy and diverse forest environment, and cultures, markets and sustainable societies. For more information contact: Shashi Kant, University of Toronto; tel: +416-978-6196; fax: +416-978-3834; Internet:

http://www.forestry.utoronto.ca/centennial/int_congress.htm

Second Latin American IUFRO Congress: 23 October 2007 - 27 October 2007. La Serena, Chile. Hosted by the Chilean Forestry Institute (INFOR), the International Union of Forest Research Organizations Congress will focus on three main subjects: forests, environment and society; forests and production; and arid and semiarid zones. For more information contact: Santiago Barros; tel: +56-2-693-0700; fax: +56-2-638-1286; e-mail: sabarrosvtr.net, seminarios@infor.gob.cl; Internet: <http://www.infor.cl>

Fifth Trondheim Conference On Biodiversity: 29 October 2007 - 2 November 2007. Trondheim,

Norway. Hosted by the Norwegian Government in cooperation with UNEP, this conference aims to provide input to the CBD and its preparations for the ninth Conference of the Parties (COP-9), to be held in Germany in 2008. Focus will be on the critical role of biodiversity and ecosystems in providing goods and services that are necessary for human well-being and security and for economic development. Its key objectives will be to: illustrate and highlight the role of biodiversity in poverty alleviation and in reaching the MDGs; consider progress on the 2010 target to significantly reduce the current rate of biodiversity loss; and provide insights and inspiration for enhanced implementation of CBD's Strategic Plan. For more information contact: Norway's Directorate for Nature Management; e-mail: postmottak@dirnat.no; Internet: <http://english.dirnat.no/wbch3.exe?p=2392>

Convention on Biodiversity COP-9: 19 May 2008 - 30 May 2008. Bonn, Germany. This conference is organized by the CBD Secretariat. For more information contact: CBD Secretariat; tel: +1-514-288-2220; fax: +1-514-288-6588; e-mail: secretariat@biodiv.org; Internet: <http://www.biodiv.org/meetings/default.shtml>