

Report for AF&PA

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Program in Europe**

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**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

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Summary and highlights

- At the UN Climate Change talks in Bali, governments around the world acknowledged the grave threat posed by climate change and formally accepted the need for deep cuts in emissions. However no agreement could be reached on the scale of cuts, or on who should shoulder most of the burden. A roadmap to reach consensus by 2009 was agreed.
- Forest issues took centre stage at the Bali meeting. Governments agreed to develop over the next two years a framework to provide financial incentives for avoided deforestation.
- Figures to end November confirm that global pace of forest certification slowed this year compared to the previous six years, emphasising again the challenges faced by the movement as it seeks to move into more difficult areas amongst smaller owners and in the developing world.
- However the pace of chain of custody certification has remained extremely rapid, particularly under the FSC scheme, with the UK and USA leading the way.
- FSC has finalised a new strategy which focuses heavily on expansion of certified area in the tropics and amongst small owners and on broadening the role of FSC to encompass much more than wood products – for example through certification of forests for carbon storage. The strategy also sends a strong signal to other certification frameworks that the emphasis will remain very much on competition rather than co-operation.
- The recent international policy focus on illegal logging combined with recognition of the challenges of achieving full certification in tropical countries has led to the emergence of numerous programs for phased certification and legality verification in the tropics in recent years. A review of these programs reveals that they have grown rapidly in recent years and now cover a significant area of tropical forest.
- A major new report on certification by ITTO raises numerous concerns with respect to the diversity of forest certification programs and public and private sector procurement policies which it argues threaten to create significant obstacles to trade. It calls for further moves towards harmonisation. It also recommends that certification programs should co-operate to develop a single framework standard covering chain of custody and legality verification.
- The European Commission is planning to issue a Communication on Green Public Procurement (GPP) in April next year which will identify wood as a priority product for GPP and contain guidance on appropriate specification clauses and on acceptable evidence for legal and sustainable timber.
- The Netherlands, the UK and Denmark have been intensifying efforts to co-ordinate development of their central government procurement policies.
- Public consultations on additional legislative options to prevent imports of illegal wood into the EU are nearing completion. As things stand, there seems to be stronger support in the EU for measures requiring legality licensing of all timber imports rather than for Lacey-style legislation. The EC is expected to deliver its detailed recommendations on this issue in May 2008.
- After years of debate, a set of criteria for EU Eco-labelling of wood furniture now seem to be close to completion. The criteria include far-reaching requirements for use of certified timber. However take-up of the eco-label is likely to be restricted, with the possible exception of office furniture supplied into the public sector.
- The UK government's CPET has been preparing the ground for the April 2009 deadline

whereby all wood used in UK government procurement must either be verified sustainable or covered under the terms of a FLEGT VPA license. A detailed response to comments received from stakeholders is being prepared and should be issued in January. New guidance for procurement officers is due to be published in February.

- In January, UK government will also launch a public consultation on possible new laws at national level to prevent illegal wood imports into the country. Unlike other European governments, the UK government seem to favour a Lacey-style Act over universal legality licensing, but this stance has yet to be finalised.
- Through a multi-participatory process, President Sarkozy's government in France has been developing a new strategy on the environment. The strategy looks set to favour wood, so long as it is locally produced or certified. The French government's current flexible approach to public sector timber procurement, allowing recognition of a wide variety of evidence of legal and sustainable timber, may well be tightened to allow certified only.
- A survey of public sector timber procurement policy in Italy reveals that while the central government has not yet formulated a policy, there is growing interest at local authority level. Interest to date has been driven primarily by a Greenpeace campaign, so the focus has been on FSC certified timber. The Italian government has also indicated that it intends to move forward on the issue. The UK government has been facilitating the process by making CPET guidance available in Italian to public authorities.
- According to UK government sources, both the Spanish and Portuguese governments have stated that they now intend to develop public sector timber procurement policies.
- European Timber Trade Federations continue their efforts to harmonise their environmental procurement policies. Reports from a recent harmonisation workshop in Brussels suggest that while there is a willingness to proceed, there is little sense of urgency.

1. Development of Forest Certification

1.1 Global trends

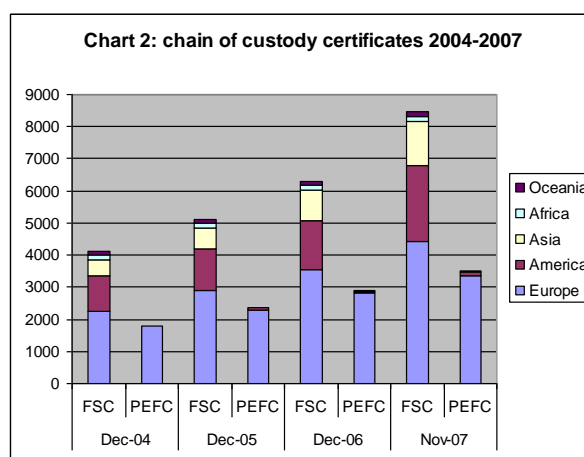
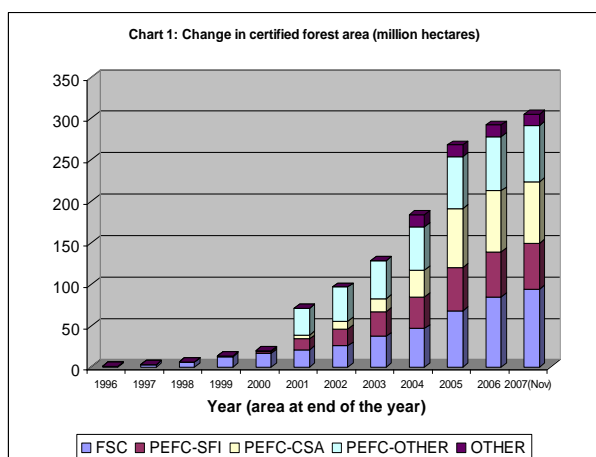
Table 1: Certified forest area by region (Million hectares in November 2007)

	North America	Europe	Russia	South & Central America	Oceania	Asia	Africa	Total
FSC	29.9	31.5	17.5	9.0	1.3	1.8	2.9	93.9
PEFC-SFI	55.8							55.8
PEFC-CSA	73.6							73.6
PEFC-Other		56.6		2.7	8.7			68.0
Other	9.3 ¹					4.8 ²	1.2 ³	15.3
Total	168.6	88.1	17.5	11.7	10.0	6.6	4.1	306.6
% Productive area	51	59	2	2	7	2	1	11

1. American Tree Farm System; 2. Malaysian Timber Certification Council; 3. Forests in Gabon certified by Dutch Keurhout initiative

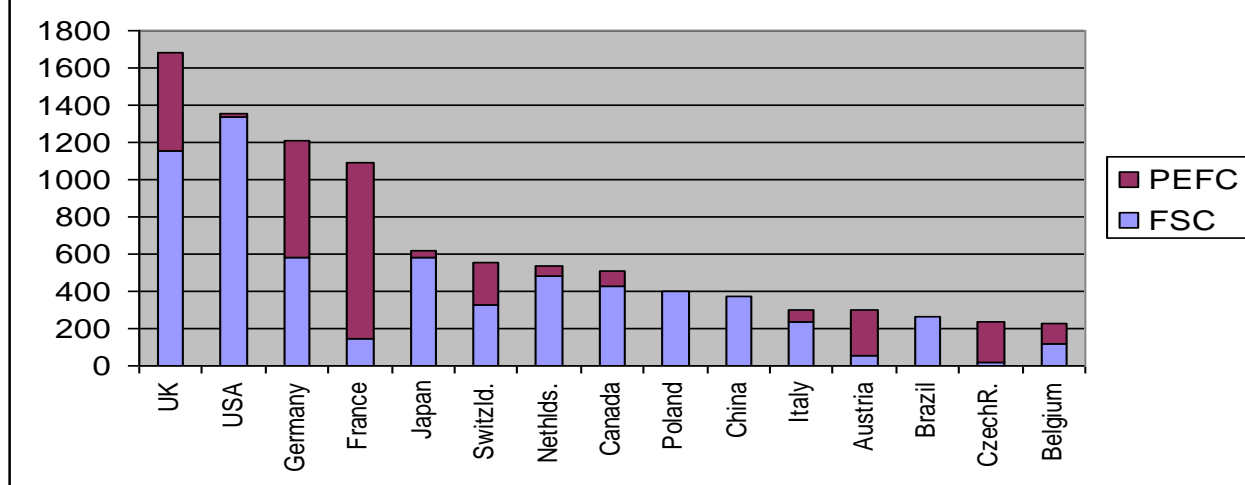
Total area of certified forest worldwide stood at 306.6 million hectares at the end of November 2007, declining slightly from around 309 million hectares in August 2007. This downward trend reflects a drop in the area identified as certified under the CSA scheme in Canada (down 7.6 million hectares) and the PEFC scheme in Europe (down 1.7 million hectares). These declines were partly offset during the four month period by: an increase in SFI and FSC certified forest area in North America (respectively up 1.5 million and up 1.7 million hectares); in FSC certified area in Russia (up 1.8 million hectares); in PEFC certified forest area in Latin America (up 0.8 million hectares); and in FSC certified forest area in Africa (up 0.6 million hectares). Overall, the signs are that the rate of uptake of forest certification has slowed significantly during 2007 (Chart 1).

A recent ITTO report estimates the potential roundwood supply from the world's certified forests at approximately 405 million m³ representing about a quarter of the total industrial roundwood supply in the world.



To date, most of the supply of certified timber has been sold without a label or reference to certification due to lack of market demand and the costs and complexities of chain of custody. However this situation may be changing. The pace of uptake of chain of custody certification has been rapid this year, particularly for FSC certification (Chart 2). Between the end of 2006 and end of November 2007, the number of FSC and PEFC chain of custody certificates issued worldwide increased by 31% from 9176 to 12061. Over the 11 month period, chain of custody certificates issued by FSC increased to 8537 (up 36%) and by PEFC increased to 3524 (up 21%). Growth has been concentrated in a limited range of countries, notably UK (up 65%), USA (up 87%), Japan (up 45%), Switzerland (up 57%), Canada (up 82%) and China (up 66%). The UK now hosts the largest number of chain of custody certificates in the world, followed by the USA, Germany, France and Japan. Together these five countries account for around half of all chain of custody certificates issued. The top 15 countries account for around 80% of all chain of custody certificates issued.

Chart 3: chain of custody certificates issued by country in November 2007



1.2 PEFC

The governing bodies of two national forest certification schemes – from Cameroon and Uruguay – recently became members of the PEFC Council bringing the total number of national scheme members to 33. Both members are now working to finalise a forest certification scheme that may be submitted for future PEFC endorsement.

13 forest certification systems are currently undergoing the PEFC endorsement process. The PEFC Council has received applications for the endorsement of two Russian schemes and the re-endorsement of the Latvian and Spanish schemes. Public consultation has just ended as a part of the endorsement process for certification systems from the USA (American Tree Farm System), Estonia, Gabon, Italy (poplar standard), and Poland and re-endorsement for certification systems from Belgium, Denmark, Switzerland and UK.

Full details of the process to assess these schemes, and other news from PEFC is available at: www.pefc.org.

1.3 FSC

1.3.1 New Strategy Published

Following a lengthy consultation process FSC has finalised and agreed a new strategy to drive future work. Five core goals have been identified, each backed by specific indicators of performance to help FSC measure its success and impact. The five goals are:

- To ensure equitable access to the benefits of FSC systems.
- To secure the integrity, credibility and transparency of the FSC system.
- Products from FSC certified forests to create more business value than products from non-certified forests.
- To strengthen its global network to deliver on Goals 1 through 4.

The finalised strategy contains some ambitious targets with respect to FSC expansion in the future. It targets a big increase in FSC certified forest area, with a particular focus on natural tropical forests. One indicator calls for the FSC certified land base to double within five years “*without compromising the integrity of the FSC system*”. Another indicator calls for a “*100% increase in certificates from natural tropical forests in the FSC portfolio*”.

A key focus of the strategy is to increase participation of small private and community forest owners in the FSC process. It notes that *“FSC has not made as much impact on small forest owners, community forests, or low intensity managed forests as was initially hoped. While such operations own an estimated 25% of the global forests, as of 2007 they account for less than 5% of FSC certified forests.”* With this in mind, the strategy sets a target of a *“100% increase in certificates in small and medium forest enterprises within the total FSC portfolio leading to at least 15% of total area certified”*. Another target is that *“the value of turnover (gross sales) of FSC certified products from small scale producers and community operations increases ten times by 2012.”*

The strategy sign-posts how FSC intends to meet these ambitious targets with respect to smaller owners. One indicator is that *“within two years, a modular program is in operation, targeted at achieving certification for small and low intensity managed forests within a 5-year time line with continuous improvements as a basic condition”*. Another indicator states that *“Within two years an ‘FSC Fair Trade’ model is developed, with its target being primarily smallscale, community-based and low intensity managed forests”*.

The FSC Controlled Wood standard, which establishes minimum requirements for the uncertified portion of % labelled products, also features in the new strategy. It calls for efforts to support implementation of this standard, including development of risk registries identifying low risk areas which are transparent, readily available and regularly updated.

The strategy emphasises the need for FSC to broaden its role well beyond certification of wood products. It calls for FSC certification to be *“recognized and used as a tool for evaluating all types of non-timber products and ecological services from forests (e.g. carbon sequestration or watershed management)”*. Specifically, it suggests that *“within two years, FSC will recommend to the membership an FSC system for verifying forest protection as carbon banks, and a system for verifying biomass and wood-based energy farms”*.

The strategy calls for measures to address the concerns of some stakeholders over FSC certification of intensively managed industrial plantations. The strategy establishes as an objective that *“FSC certified plantations are increasingly managed for multiple ecological purposes”*. It also wants *“FSC certified plantations to directly contribute to reducing pressure on local natural forests and to the conservation of nearby High Conservation Value Forests”*.

The strategy sends a strong signal to other certification frameworks that the emphasis will remain on competition rather than co-operation. There is no reference to the possibility of working with alternative certification systems. Instead, the strategy calls for FSC to be *“recognized as the most credible forest certification tool in the market place”*. It sets as targets that: *“market share of FSC relative to other certification systems increases in both volume and geographic distribution”*; there should be *“increasing support and acceptance from stakeholders for FSC in comparison to other forest certification schemes, as confirmed by independent surveys and position statements”*; and that *“the FSC label is recognized and promoted as the most trusted mark of responsible forest management for wood, paper and non-timber products throughout the supply and demand market place”*. To help ensure these outcomes, the strategy indicates that FSC will *“create dedicated capacity”* to ensure FSC is *“embedded in the buying policies of the twenty most powerful and influential companies in the world”*.

The strategy signals continuation of FSC’s recent efforts to make FSC chain of custody more flexible allowing a large proportion of certified wood raw material to reach the market as labelled product. One indicator requires that *“The ‘leakage’ of FSC product from the forest to the consumer is reduced such that at least 80% of FSC wood harvested is sold as an FSC product within three years”*. FSC also plans to use new technology to improve tracking systems.

The strategy includes a call for FSC to lessen its dependence on external grants and become more commercial in its approach. It requires that *“new fee-for-service models are developed, such that revenue from commercial services contributes at least 60% of FSC’s operating budget by 2012.”*

One issue not addressed in the strategy is FSC's continuing dependence on "generic" standards which are "locally adapted" from the FSC international principles and criteria by FSC accredited certification bodies with limited stakeholder input. This procedure, which has been used on around 50% of the area certified by FSC, diverges from certification best practice (as defined by ISO) which requires that certification is carried out against a standard developed through a fully participatory consensus based process. It has also been widely criticised by stakeholders concerned that standards developed by FSC at international level may not adequately reflect the needs and aspirations of local stakeholders. FSC members have voted at the FSC General Assembly on two occasions to phase out the use of these standards.

However the use of "generic" standards has played a key role in allowing FSC to expand into areas where standards-setting infra-structure is lacking and where political divisions in the forest sector make development of consensus-based standards difficult. So the phasing out of these standards is likely to conflict with other FSC strategic goals, particularly rapid expansion into tropical forest regions. Therefore the strategy is not explicit about the need to phase out generic standards, and instead attempts to deal more generally with concerns about lack of local participation in standards setting. It recognises that local stakeholders, communities, and indigenous people should have "*equitable access to the benefits of FSC certification*". It calls on FSC National Initiatives (NI's) to be "*strengthened in accordance with strategic criteria*" and for more certification bodies to be "*accredited at local and regional levels leading to more responsive provision of FSC services*".

1.3.2 Business Unit established

Already FSC is putting in place elements identified in the new strategy as necessary to take the organisation forward. In early December, FSC announced the establishment of a new business unit, 'FSC Global Development' at its headquarters in Bonn, Germany. The group aims to further develop and expand FSC markets whilst strengthening recognition and credibility of the FSC trademarks. The new unit will support certificate holders by offering additional tools to assist promotion of FSC products. The unit will also work on licensing of the trademark, increased trademark registrations and active resolution of trademark. Protection of the FSC brand will be another important component of the program. The unit will coordinate these activities with FSC National Initiatives, Certification Bodies and other partner organizations sharing FSC's goals.

1.3.3 Modular certification

In line with FSC's intent to provide greater access to FSC certification in developing countries, FSC is evolving a Modular Approach Program (MAP). The program recognises that in countries rife with illegal logging and corruption, conformance to the full set of FSC Principles and Criteria can be extremely challenging. In such circumstances, investments in long-term management plans are often perceived as high risk. To help overcome these problems, the idea behind MAP is that 'full' certification to the FSC Principles and Criteria is broken down into a number of steps. Forest managers would aim to achieve these steps in a sequence over an agreed time frame and would receive some credit for achieving earlier steps. However Companies could only take full credit when complying with the complete set of FSC Principles and Criteria.

In response to this problem, various FSC accredited certification bodies and other organisations are already developing systems of stepwise certification. Through MAP, FSC intends to establish a set of minimum requirements for recognition of credible stepwise frameworks. FSC first formulated a set of requirements in June 2005 when it launched its policy on modular approaches to forest certification (FSC-POL-10-003 Modular Approaches to Forest Certification). FSC is now proposing the inclusion of specific requirements on the topic within its standard 'Forest Management Evaluation with requirements for the FSC MAP (FSC-STD-20-007)'. This standard is currently under consultation (see www.fsc.org/en/work_in_progress/other_docs)

In addition to the standard laid out in FSC-STD-20-007, FSC expects to develop agreements with different stepwise schemes already in operation, together with requirements for business-to-business communication and a central point of information on the topic. The complete framework is expected to be finalized by mid 2008.

1.3.4 Chain of custody standard agreed

A new version of 'FSC Standard for Chain of Custody Certification (FSC-STD-40-004 V2-0)' was approved by the FSC Board of Directors in November 2007. The standard governs how companies in the FSC forest product supply chain can use certified and non-certified material for subsequent sales and promotion with FSC claims. A key objective of the new standard is to simplify implementation on the ground and to consolidate and update a number of CoC policies, standards and advice notes. The new standard will be mandatory for all organizations applying for FSC Chain of Custody certification from 2008 onwards. Existing FSC Chain of Custody certificate holders will be assessed against the new standard at the time of their 2009 audit.

Under the new standard, CoC certified operations now have three options:

1. With the new 'transfer system', companies identify the minimum claim from the input materials and use this for the product claim. This system is applicable for products made with only a single material (e.g. 'FSC Pure' product groups). It can also be applied for products made with several materials without needing to calculate the exact percentage or volume of certified material. For example, a printer using 'FSC Mixed 70%' paper for the inner pages of a book and an 'FSC Mixed 80%' cardboard for the cover could simply claim 'FSC Mixed 70%' for the total product. The transfer system created, complements the two existing systems for making FSC claims: the percentage system and the credit system.
2. Under the 'percentage system' (formerly the 'threshold system') all product within a product group can be sold with a percentage claim. The percentage indicates the proportion of FSC certified material used over the production period. For example, a paper manufacturer using equal amounts of 'FSC Mixed 70%' and 'FSC Mixed 80%' pulp would use an 'FSC Mixed 75%' claim for the final paper.
3. With the 'credit system' a proportion of products within a product group can be sold with a credit claim. The proportion corresponds to the quantity of FSC certified material used over the production period. For example, a paper manufacturer using 100 tons of 'FSC Mixed 30%' pulp could make the claim 'FSC Mixed Credit' for 30% of the final paper. Other than a percentage claim, a credit claim allows subsequent manufacturers to use the full quantity as FSC input for their own purposes.

Some of the main innovations offered by the new standard are:

- **Wider range of processes and products:** The new version is no longer restricted to manufacturers. All types of CoC operations from the forest to the final point of sale, including printers and traders, are able to use a single set of requirements. The three systems for making FSC claims outlined above can now be applied to both 'FSC Mixed' and 'FSC Recycled' product groups.
- **Revised labeling thresholds:** 'FSC Mixed' product groups no longer require a minimum of 10% of FSC certified materials. Claims can now be based on any combination of FSC certified and post-consumer reclaimed material used in the production. For chip and fiber products under a percentage system, companies can continue to apply the current reduced labeling threshold of 50%, as specified by the 'FSC Policy on Percentage Based Claims', until the end of 2009 when it will be raised to the general 70% threshold. Producers of 'FSC Recycled' products may now include up to 15% pre-consumer reclaimed material under a percentage system.

- **Controlling co-products:** Co-products - a secondary material produced during the process of primary manufacturing - will have to be classified depending on the material from which they are co-produced. This is a change from the previous version of the standard which specified their exemption from FSC Controlled Wood requirements. Uncontrolled co-products can still be used in 'FSC Mixed' product groups until end of 2009.
- **Verification of reclaimed material:** A new set of requirements for use of reclaimed material are included in a new standard 'FSC-STD-40-007 V1-0: FSC Standard for Sourcing Reclaimed Material for Use in FSC Product Groups or FSC-certified Projects'. This standard stipulates good practices for specifying, purchasing and verifying reclaimed materials. An organization must specify and implement a supplier audit program aimed at ensuring the authenticity of supplied reclaimed materials regarding their material quantity, quality and compliance with FSC definitions and examples.
- **Exceptions for minor components:** Some companies are unable to source FSC certified or controlled material for minor components of a product. In these instances, they can apply for an exemption from chain of custody requirements. A company must demonstrate the planned and existing activities that will lead to controlled sources.
- **New product classification system:** All CoC certified companies will have to classify their FSC products according to a new product classification system. This should help buyers source products more easily and is aimed to support market research and development.

The new standard is available to download from the FSC Document Center at: www.fsc.org/en/about/documents/Docs_cent/2,37

1.4 Phased certification and legality verification in the tropics

The recent policy focus on illegal logging combined with recognition of the challenges of achieving full certification in tropical countries has led to the emergence of numerous programs for phased certification and legality verification in the tropics in recent years. These programs are designed to provide incentives to forest managers during the 'improvement period' to reward the investment being made towards eventual certification. They allow buyers to differentiate between products from forests in the transition to certification and those from forests being poorly managed or even illegally harvested.

Phased certification programs tend to share similar characteristics, typically requiring that forest operators develop an action plan establishing certification as the ultimate objective and with progress audited on an annual basis. They require that forestry operators pass through various stages from provision of a basic assurance of tenure and harvesting rights, through a more comprehensive assurance of conformance to all relevant environmental and social laws, to eventual certification against a sustainable forestry standard.

Participation in phased certification schemes is becoming more widespread in the tropics (see Table 2). There are several schemes in operation:

- **SGS 'Timber Legality & Traceability Verification (TLTV)'**: TLTV is a company-level programme providing third party verification that the requirements for legality have been met at the forest source. TLTV provides a comprehensive assurance of legality covering: harvesting rights; approved planning authorizations; payment of fees and taxes for maintenance of rights; chain of custody; fulfilment of environmental regulations and social regulations; and control of unauthorized activities. The programme includes both a 'Legal Production' of source standard (TLTV-LP) and a Chain of Custody standard (TLTV-CoC). SGS publishes a list of organisations with valid verification statements. Evidence of timber from this programme also includes on-product stickers and an on/off-product mark.
- **Smartstep, VLO and VLC:** The Rainforest Alliance Smartwood organisation runs the

Table 2: Status of forest certification, stepwise programs and legality verification in tropical regions. All figures are thousands of hectares

Country	FSC certified	Other certified	Stepwise programs	Legally verified
Bolivia	1826		GFTN (520), Smartstep (100)	
Brazil ¹	2753		GFTN (1223)	
Cameroon	315		GFTN (1172), TFT (364)	TLTV (1344), OLB ²
Congo Republic	296		GFTN (1160), TFT (1291)	TLTV (3098), OLB ²
Gabon		Keurhout (1185)	TFT (634)	OLB ²
Ghana			GFTN (330), Smartstep (151)	
Indonesia	702	LEI (275)	GFTN (641), TFT (871)	VLO ²
Malaysia	98	MTCC (4800)	GFTN (240), TFT (225)	Keurhout (4318), VLO ²
Peru	389		GFTN (428)	
Vietnam	10		TFT (82)	
Other tropical	1981		GFTN (15), TFT (50)	
Totals³	8370	6260	GFTN (5729), Smartstep (251), TFT (3517)	TLTV (4442), Keurhout (4318)

1. FSC certified area in Brazil covers only natural forests. It will include natural forests outside tropical regions and exclude plantations in tropical regions

2. Accurate data on the scope of VLO and OLB with respect to countries and area covered was not available at time of this review

3. There will be significant overlap in the various totals for FSC certified, other certified, stepwise programs and legally verified as some forest areas are participating in more than one program

Smartstep Program which requires the development of an action plan towards FSC certification and regular audits to ensure progress under the plan. Smartwood also offers two legality verification tools: Verified Legal Origin (VLO) – a third party assurance covering the legal right to harvest, approved planning authorizations, payment of fees and taxes required to maintain rights, and chain of custody; Verified Legal Compliance – a third party assurance covering VLO plus fulfilment of all environmental regulations and social regulations and control of unauthorized activities.

- **Tropical Forest Trust:** TFT takes forest managers through a series of steps with the ultimate objective of achieving and maintaining FSC certification. A Gap Assessment is carried out to determine what actions are needed to achieve FSC certification. A Certification Action Plan is then developed based on the Gap Assessment findings. TFT assists the forest managers to implement Plan and link the forest products to TFT Member businesses. TFT will continue to monitor and support forest managers after certification to raise standards further and address any new problems.
- **WWF Global Forest and Trade Network:** GFTN requires forest operators to undergo a baseline appraisal to determine if FSC forest and chain of custody certification is feasible and to establish benchmarks for an agreed action plan to achieve credible certification. Applicants agree to regularly report on their progress toward FSC certification and allow GFTN coordinators to visit their company and operational sites. Forest companies must confirm that they are operating legally and commit to a time-bound action plan to achieve FSC certification of at least one forest management unit within 5 years and of all their forest management units within ten years. Participants are encouraged to use a Modular Implementation and Verification System (MIV) developed by Proforest which divides the various components of FSC certification into a set of standardised modules to allow for phased introduction.
- **Eurocertifor-BVQi Origin and Legality of Wood (OLB):** The OLB system, which provides a third party assurance of the origin and legality of forest products, is operated by Eurocertifor – BVQi, an independent accredited certification body specialising in the forestry sector. The system covers both verification of legality during forest management and the chain of custody. With respect to forest management, the assessment covers laws relating to tenure, harvesting, health and safety of employees and the environment.

- **Keurhout/NTTA Protocol for Validation of Legal Claims:** This Dutch-led program establishes a three step process towards SFM certification. The first step requires independent verification of Legal Origin (including chain of custody, harvesting rights and regulations). The second step requires verification of compliance with all other forestry related laws including labour and environmental standards. The third step involves independent verification against the Keurhout Sustainable Forest Management (SFM) standard. Timber delivered under the first and second steps is termed “Transition Timber”. “Transition” licence holders are expected to enter into a third-party verified programme for progressive realisation of SFM standards against agreed time-bound targets.

1.5 ITTO certification report

A new report on the “comparability and acceptance of forest certification systems” is being prepared for the International Tropical Timber Organisation (ITTO) by consultants Alan Purbawiyatna and Markku Simula. The main purpose of the study is to review and assess progress in comparability and acceptance of forest certification standards and systems in the public and private sectors, particularly in view of promotion of certification with respect to tropical timber.

The scope of the report, which is currently in draft form, is very wide and includes: the increasing uptake of certification and its use as a governance tool; synergies between certification and legality verification systems; the use of certification by financial institutions; the contribution of certification to SFM; the level of acceptance of different certification schemes in procurement policies; and the need to encourage consolidation between competing certification systems.

The report takes as its starting point the relative lack of uptake of certification in tropical countries, noting that developing countries account for only 7% of the total area of certified forests, about the same level as in 2002. The report notes that this is beginning to be felt in terms of market demand now that buyers in some key markets prefer certified wood. And even where national certification programs exist, they have not made much progress in gaining endorsement and market acceptance while resources for promotion tend to be limited.

The report also indicates that most of the world’s certified tropical forests (82%) are concessions or owned/managed by the private sector and these are mainly large forest management units. Smallholders’ and community forests share of certification in the tropics is very small. The report suggests that insufficient action has been taken to help these landowners implement forest certification.

In order to inform and facilitate future recognition of certification schemes appropriate to tropical forest conditions in both the public and private sector, the draft report includes a detailed comparison of various industry and NGO criteria defining criteria for credible or acceptable certification systems. Five sets of assessment criteria are compared in the study: (i) the International Council of Forest and Paper Associations (ICFPA) representing the global forest industry view, (ii) the WWF/WB Forest Certification Assessment Guide (FCAG) and the Performance Standards of IFC, (iii and iv) public procurement policies of Denmark and the United Kingdom, and (v) Keurhout Protocols for validation of certification systems as an example of private sector timber importers.

The draft report notes that different criteria and assessments have led to different conclusions on the acceptance of forest certification systems operating in tropical timber producing countries. For example, MTTC is recognized as a proof of legality but not sustainability in the Danish and UK procurement policies while it is referred to without such limitations in the Japanese and New Zealand policies.

The draft report raises a number of concerns with respect to evolving public procurement policies. It suggests that some policies are not transparent on how conclusions relating to acceptance was arrived at. Many policies are interim or under review, creating a situation where requirements are being progressively strengthened without giving producers adequate opportunities to conform. The

report also criticises the use of “vague provisions” concerning “comparable” or “alternative” evidence. Although well intentioned to allow flexibility for implementation, this creates uncertainty over how producers should be dealt with in the absence of a “recognized” certificate. In some instances, for example in the German and Belgian policies, comparability or “equivalence” is required with FSC or PEFC, but practical assessment of equivalence will be difficult. The report complains that public sector procurement practices generally make no provisions for an appeals procedure, noting that *“this is ironic because the policies tend to require that certification systems have an appeals procedure”*.

The draft report notes that proliferation of requirements established for certification systems is “a cause of concern” and asks *“to what extent these are truly justified for the purpose of ensuring credible certification”*. The report calls for harmonisation of these requirements while ensuring that *“the particular problems of the tropical timber producing countries in implementing forest certification [are] given due attention”*.

The draft report notes that requirements established for certification and legality verification established in the private sector are even more variable than in the public sector. And in the private sector, requirements for certification systems are not always transparent and it is unclear how the assessment of compliance has been carried out. The report suggests that private sector buyers should consider the “added value” of introducing their own set of requirements, noting that they may represent unnecessary additional costs or further hurdles for suppliers. Efforts should also be made to harmonise criteria in the public and private sector. The report notes that as public sector policies are often legitimized through transparency and participation of stakeholders, they offer a useful reference basis for private sector policies avoiding individual costly assessment work of certification systems.

The draft report also considers the prospects for harmonisation of forest certification schemes. It notes that such harmonisation would contribute to consistent treatment of certification schemes in procurement policies. The process of convergence between certification systems has been increasing, but is far from complete. Convergence to date has been due to expansion of PEFC, together with efforts within both PEFC and FSC to ensure conformance to ISO standards, and a trend towards dual FSC/PEFC certification in some countries. The report suggests that tropical countries have essentially two options to facilitate harmonisation of certification schemes: (a) to develop national systems that align to the PEFC; or (b) to develop national forest certification standards that lend themselves to endorsement by both PEFC and FSC.

The draft report talks about the synergies that exist between legality verification and sustainable forest management certification. At the same time it emphasises the importance of ensuring that a short term emphasis on legality verification does not detract from the long term goal of certification. Legality verification should not be seen as an end in itself but as a stage towards full certification.

A key proposal of the draft report, bringing together these various threads, is for the certification programs to work together to produce an international framework standard to serve as the basis for both chain of custody certification and legality verification. The draft report notes that *“in this field competing certification schemes have common interests which would justify a cooperative approach”*.

The report highlights the challenges of certifying small private and community forest owners in the tropics and suggests a range of measures to increase their access to certification, for example through provision of support for regional owners associations. It also notes that *“if timber and non-timber forest products markets cannot reward SFM and its certification, there should be other mechanisms which can ensure tangible long-term benefits for community enterprises”*.

2. International Agreements and institutions

2.1 European Union

2.1.1 EC Communication on Green Public Procurement

The promotion of more widespread adoption of green public procurement has been a EU priority in recent years. General provision for inclusion of both environmental and social criteria was made in the EU directives on public procurement when they were last revised in 2004, although no formal arrangements for their treatment were made at that time. Also in 2004, Green Public Procurement (GPP) was established as a priority action in the Environmental Technologies Action Plan for the EU.

In June 2006, the EU Council formally recognised the potential of GPP for achieving its sustainability goals. A renewed Sustainable Development Strategy was published which set a target for EU-wide implementation of green procurement. This target states that by the year 2010, the average level of GPP in the EU should be at the level of the best-performing Member States at the June 2006 reference date. This implies, with regard to timber, that by 2010 all Member States should have implemented GPP comparable to the current procurement policies of “first-movers” on this issue, which include Denmark, UK, Belgium, and France.

In line with the strategy EU member states have been encouraged to develop national action plans for GPP. 10 Member States have so far implemented national action plans for GPP, 7 have a draft plan, and the EC is working on development of such a plan with another 5 EU members.

As a priority action in 2007, the European Commission (EC) has been developing a new initiative on GPP designed to provide Member States with the necessary tools to raise the quantity and quality of GPP in the EU. An outcome of this initiative will be an EU Communication on Green Public Procurement.

Contacts with EC DG Environment indicate that the Communication is expected to be published in April 2008. The Communication will aim to promote legal compliance as an underlying baseline for GPP, together with respect of internal market principles and continuous improvement of the environmental performance of products and services.

To ensure EU members effectively implement GPP, the Communication is expected to describe mechanisms by which the EC will monitor both the quantity and the quality of green procurement. Monitoring quantity of GPP is likely to be achieved by counting the value and/or number of ‘green’ contracts compared to the overall value/number of public procurement. To measure the quality of green procurement, the Communication is expected to refine GPP definitions and to identify clear criteria defining environmentally friendly product groups, and to provide legal guidance for the tendering process and specification clauses.

The Communication is expected to identify forest products as one of 10 priority products and services for detailed consideration in GPP. In the short-term, the Communication is not expected to lead to a single system or set of GPP criteria for forest products applicable to all Member States. A common approach is complicated by the diversity of forest resources and trade patterns of the various EU member states.

Instead the Communication is expected to contain guidance on appropriate public sector specification clauses for forest products and to clarify the extent to which requirements for “legal” and “sustainable” timber may be included in government procurement. The Communication is planned to include sample specification clauses establishing legality of timber as a condition of contract while providing tenders with the option of offering sustainable timber as a variant. The Communication is expected to provide examples of appropriate forms of evidence of legality and sustainability.

The Communication will set out recommendations that may be voluntarily adopted by member states. The European Commission is also now in the early stages of a cost/benefit analysis to assess the potential for mandatory measures on GPP, but this is expected to be a long and complicated process.

2.1.2 Harmonisation of public sector timber procurement policy

While the EC is developing a top-down process that may facilitate eventual harmonisation of timber procurement policy across the EU, a bottom-up process is also underway involving co-operative action amongst member states. Following a recent meeting in The Hague, Netherlands, between Government representatives from UK, the Netherlands and Denmark, it was agreed to develop a common framework for policies. The UK government's Central Point of Expertise on Timber (CPET) has been commissioned to conduct an initial comparison of the three country's criteria with the goal of harmonising the language on those criteria deemed to be the same. This common framework will then be presented to other European member states as a basis for their own policies. Furthermore, the three countries agreed that a seminar should be held in Denmark in early 2008 to discuss the acceptability of social criteria in public sector procurement policies. This would be an open meeting with stakeholders from EU, National Government, NGOs and trade.

2.1.3 FLEGT VPA Negotiations

Continuing efforts are being made by the EU to negotiate Voluntary Partnership Agreements (VPAs) with high risk timber supplying countries as part of the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. Under the terms of VPAs, all wood imported into the EU from partner countries would be subject to strict legality licensing requirements. Ghana, Indonesia, Malaysia, Cameroon are all now engaged in formal negotiations. Ghana is likely to be the first to complete, expected early in 2008. Discussions with Indonesia and Cameroon are believed to be progressing well, but some obstacles are emerging in Malaysia (relating to indigenous peoples rights and lack of adequate NGO engagement). Other countries likely to begin formal negotiations in the near future are: Central African Republic, Congo Republic, Liberia, and Gabon.

2.1.4 Additional legislative options

An EC-commissioned impact assessment of various legislative options to prevent imports of illegal wood in the EU will be published shortly. The study, which has been undertaken by the Finnish consultancy Savcor Indufor Oy, follows on from an on-line public consultation on the same subject completed earlier this year. As part of the study, further stakeholder consultations were held at a series of national workshops inside and outside the EU. The data derived from a questionnaire issued to stakeholders at these workshops has been made available at the Indufor website¹. This study will form the basis for the Commission's Impact Assessment Report which will be taken into consideration by EU decision makers in political discussions on how to take the process forward.

A final communication on the impact assessment is expected in May 2008 setting out the European Commission's recommendations with respect to additional legislative options. What happens then will depend entirely on the nature of the recommendations. If any proposed new measures are judged to lie within the scope of the Commission's environmental competence, then they may be agreed relatively quickly by a decision of the Council of Ministers. On the other hand, if the proposed measures are judged to fall within the Commission's trade competence, they would be subject to a more lengthy process requiring a full parliamentary vote in addition to approval by the Council of Ministers.

Although the final results of the Indufor impact assessment have yet to be published, an indication of the level of apparent support within the EU for the various options can be derived from analysis of the EC's report on the public consultation combined with the data from the Indufor workshops.

¹ http://www.indufor.fi/flegt/Stakeholder_report.pdf

The situation can be summarised as follows:

- There seems to be strong support from all European interests – government, private sector and civil society – for not only continuing implementation of the VPA process, but also for its expansion to include a wider range of products and for the development of tighter procedures to prevent circumvention.
- There seems to be general agreement amongst all interests that private sector initiatives are a useful but insufficient measure to prevent illegal wood imports. Private sector initiatives should be developed in combination with other initiatives.
- There seems to be strong support from civil society and some minor support from private sector interests and government for an import ban on illegally harvested timber. However this option also drew significant concerns, particularly from government interests, over the technical challenges of implementation and potential WTO implications.
- There seems to be some moderate support from European private sector interests for legislation that would prevent the marketing of illegal timber in the EU and place the burden of proof on the interest claiming that wood is illegal. However there seems to be no support for this option amongst civil society and little support from Member State governments (the UK is an exception – see 3.1.2).
- There seems to be strong support from most Member State governments and civil society for legislation requiring that only legally harvested timber be put on the market placing the burden of proof on the supplier. However the private sector and the UK government have expressed concern that this approach would be disproportionate to the scale of the problem.

2.1.5 Eco-label for wood furniture

After years of debate, a set of criteria for EU Eco-labelling of wood furniture now seem to be close to completion. Efforts to develop a furniture ecolabel have had a chequered history. Criteria for such an eco-label have been under consideration by the EU bureaucracy since August 2000. The EU Ecolabelling Board rejected draft standards presented in December 2003. The failure partly reflected a desire to include too diverse a range of products, each with very different environmental impacts. To simplify the exercise, a decision was taken to reduce the scope of the label to cover only wooden furniture. The eco-labelling criteria have been drafted over the last 12 months and are due to be finalised by the end of 2007. The criteria are expected to be put before the Ecolabelling Board in early 2008.

This is a positive outcome for the wood sector. Under the previous criteria, the development of detailed requirements for wood use in furniture was not mirrored by equivalent requirements for alternative products with the result that wood would have been actively discriminated against. Now, only wood furniture is eligible for the ecolabel.

The new label is designed for wooden domestic, contract or outdoor furniture containing at least 90% wood or wood-based materials calculated by weight, with no non-wood material to exceed 3% of the product's total weight. This last restriction effectively excludes upholstered furniture, metal and plastic office furniture, and kitchen cabinets.

With respect to timber origin, the draft criteria require that all virgin solid wood from forests must originate from forests managed in accordance with inter-governmental sustainable forestry principles (including Pan European, Montreal, ITTO). In addition, at least 70% of solid wood, and 40% of wood-based materials, must come from independently certified forests.

The draft criteria for allowable evidence are phrased such that they should allow for recognition of a variety of certification programs, including PEFC, FSC, and SFI. The criteria state that

“certification standards must be compatible with SFM as defined through inter-governmental processes and certification systems must fulfil the criteria listed in paragraph 15 of the Council Resolution of 15 December 1998 on a Forestry Strategy for the EU”. This latter document requires that forest certification schemes be “comparable” and that performance indicators be compatible with *“internationally agreed principles of sustainable forest management”*. It also requires that certification schemes involve independent auditing of forestry practices and are voluntary, credible, transparent, cost efficient, openly accessible and non-discriminatory.

However, the criteria for the uncertified portion of the eco-labelled product lean more towards FSC, mirroring the requirements of the Controlled Wood standard. They require that any uncertified timber used should not derive from illegal harvesting, GM trees, or high conservation value forests. This would be verified through provision of *“appropriate declarations, charter, code of conduct or statement”*.

Drawing on previous experience, a representative of the UK’s Furniture Industry Research Association suggests that uptake of the Ecolabel, which is voluntary, may not be great. He notes that only 2 or 3 manufacturers throughout the whole of Europe have decided to promote an eco-label for mattresses. According to FIRA, the current level of market interest may well be insufficient to justify the extra costs for most manufacturers.

On the other hand, there is now a growing emphasis on green public procurement policies in the EU and the Eco-label is likely to be seen as a useful tool for implementation of these policies. If so, interest may rise in that part of the furniture industry selling product into the public sector – mainly mass produced office furniture and some kitchen furniture for the social housing sector.

2.2 UN Framework Convention on Climate Change

2.2.1 Bali Agreement

The UN Climate Change Conference, hosted by the Government of Indonesia, took place at the Bali International Convention Centre in early December and brought together more than 10,000 participants, including representatives of over 180 countries together with observers from intergovernmental and nongovernmental organizations and the media. The two week period included the sessions of the Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC), its subsidiary bodies as well as the Meeting of the Parties to the Kyoto Protocol. A ministerial segment in the second week concluded the Conference.

The key feature of the Conference were efforts to reach agreement on a global response to climate change post-2012 when the Kyoto Protocol is due to expire. The EU were determined to push for binding targets on industrialised countries to reduce emissions by 25-40 per cent of 1990 levels by the year 2020. The United States, Canada and Japan were equally determined to resist these targets in the absence of similar binding commitments by large developing nations such as China and India.

This stand-off was resolved at the last minute with the US and others agreeing that “deep cuts” in global emissions will be required to achieve the ultimate objective, avoiding mention of specific emissions targets. At the same time China, India and 130 developing countries resisted calls for them to limit pollution as their economies expand. Instead the agreement states that there will be *“consideration of nationally appropriate mitigation actions”* by developing countries.

However the language of the “Bali Agreement” also sets the tone for serious discussions that will formulate future emissions targets in the 2009 Denmark meeting. The Bali meeting made clear that for a new pact to emerge, the U.S. will have to persuade China and India to do more to curb pollution and overcome fear that doing so will hurt economic growth,

The responsibility for hard negotiation over the next two years has been delegated to a new subsidiary body under the Convention, the “Ad Hoc Working Group on Long-term Cooperative

Action under the Convention". This Group, which will meet regularly to ensure momentum is maintained, will present the outcome of its work to the Conference of the Parties for adoption at the 2009 Denmark meeting.

The real significance of Bali is the coming on board of all countries to confront the problem of climate change. How this would be achieved will be decided through dialogue and agreement by 2009. The universal consensus - backed by the IPCC's scientific analysis and projections - acknowledges that climate change is happening; that it is caused by dirty growth and that no country or region can afford to exclude itself from converting to sustainable development.

2.2.2 Forestry measures to mitigate climate change

The Bali meeting was also significant for the high priority attached to forestry-related measures to tackle climate change. On the opening page of the main text of the Bali Agreement, there is a reference to the need for "*policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries*".

A detailed decision was taken in Bali on "*Reducing emissions from deforestation in developing countries*". This emphasises the need for specific and innovative action to tackle deforestation. It mandates the UNFCCC's Subsidiary Body for Scientific and Technological Advice (SBSTA) to undertake a detailed programme of work to explore the various policy approaches and positive incentives designed to reduce emissions from deforestation including financial incentives for "avoided deforestation". Parties to the Convention are invited to submit their views by 21 March 2008 on how to address outstanding methodological issues surrounding such mechanisms. This will be followed by a workshop to be held in 2008 and the development of more detailed proposals.

While prospects have significantly improved for including recognition of sustainable forest management in any post-Kyoto agreement, the SBSTA has its work cut out to reach consensus on the best mechanisms. Numerous technical issues still need to be settled, particularly the problem of how to reliably assess the actual amount of deforestation that has been "avoided". Furthermore, key players have very different views on how to manage an international framework for avoided deforestation. For example, Brazil's leaders want a system to reward whole countries for bringing their deforestation rates down to pre-1990 levels and keeping them there. But as *The Economist* points out "*it so happens that Brazil may be the only nation that qualifies.*" Most other people back a more local project and market-based approach. Systems that rely too much on the honesty and power of governments are likely to run into problems. The decisions taken at Bali essentially allow for a couple more years of trial and error before finding the most effective and politically acceptable system.

2.3 ITTO progress dampened by future uncertainty

The forty-third session of the International Tropical Timber Council (ITTC-43) took place from 5-10 November 2007, in Yokohama, Japan. According to reports from the meeting, uncertainty over when the International Tropical Timber Agreement (ITTA) 2006 will enter into force affected the session's outcomes, putting on hold some of the important decisions needed to adapt ITTO's work to the changing international forest policy environment. For example, a new Action Plan for ITTO work under the ITTA, 2006 was left hanging.

The Council reviewed the status of the ITTA, 2006, which has only been ratified by four countries – the US, Malaysia, Switzerland and Poland – but which must be ratified by 10 consumer and 12 producer countries before it enters into force. Aside for this, discussion at the meeting mainly focused on issues concerning operational, project and policy work for 2008-2009, including CITES listing proposals by members, and the annual review and assessment of the international timber situation.

The Council approved 15 projects and three pre-projects, and pledged US\$5.6 million in project financing. The Council adopted the International Tropical Timber Organization (ITTO) Biennial Work Programme for 2008-2009, with a total budget of US\$9.2 million. Part of the funding announced at this session included US\$4 million targeted at Tropical Forest Law Enforcement and Trade, provided by a major contribution by the Netherlands coupled with Japan, the US, Australia, Norway and the Japan Lumber Importers Association.

The meeting also highlighted the value of some of ITTO's on-going work. There was a report of a far-reaching revision of ITTO's Guidelines on the Conservation and Sustainable Use of Biodiversity in Tropical Timber-Producing Forests, based on increasing knowledge gained since its first Guidelines were first produced in 1993.

ITTO's new Executive Director Ze Meka presented the draft Biennial Work Programme for 2008-2009 noting a number of planned workshops and conferences under the BWP, including on the promotion of intra-African timber trade, criteria and indicators (C&I) for SFM, and land tenure. He highlighted studies to be conducted, including on markets, national procurement policies and on environmental standards in major markets. He emphasized the importance of continuing information dissemination and outreach activities. On enhancing SFM, he observed that there would be continued work on C&I, assessments of the impact of technical missions and continued cooperation with the FAO for data collection.

On climate change, although there are still differences of opinion yet to be resolved on how the ITTO should incorporate climate change into its work, delegates agreed to put US\$300,000 into studying all aspects of the relationship between climate change and tropical forests, including interaction between the ITTO and the UNFCCC.

2.4 MCPFE emphasises need for increased use and mobilisation of wood

The Fifth Ministerial Conference on the Protection of Forests in Europe (MCPFE 5) was held from 5-7 November 2007 in Warsaw, Poland. The conference, which centered on the theme "Forests for Quality of Life," was attended by Ministers responsible for forests and high-level representatives of 44 European countries and the European Community, as well as representatives of 14 observer countries and 31 observer organizations. The conference provided an opportunity to discuss and take decisions on the future of the protection and sustainable management of forests in Europe.

Conference participants adopted the Warsaw Declaration and resolutions on "Forests, Wood and Energy" and "Forests and Water." Ministers also adopted Ministerial Statements on the Southern European forest fires and on declaring 20-24 October 2008 as the Pan-European Forest Week 2008.

The Warsaw Declaration includes a set of commitments on: benefiting the quality of life; tackling challenges; global-regional cooperation and partnerships; and putting MCPFE commitments into action. The Warsaw Declaration includes some positive statements from a wood marketing perspective. For example there is an emphasis on "*enhancing the use of wood as a renewable raw material and energy source from sustainably managed forests*". There is also a commitment to "*ensure that all wood production, including fast growing energy crops, is guided by the principles of sustainability to provide for fair competition between sectors*".

The first Resolution on Forests Wood and Energy includes commitments on enhancing the role of the forest sector in energy production and increased mobilization of wood resources in the EU. It emphasizes that forest biomass, wood processing residues and recovered wood represent important sources of renewable energy that can reduce greenhouse gas emissions by replacing fossil fuels. However it also notes the need to avoid undue distortion of competition between different end uses of wood; and recognizes the need to increase knowledge of the forest ecosystem's role in long-term carbon sequestration in the context of a post-2012 climate regime.

The second Resolution on Forests and Water includes commitments on: SFM in relation to water;

coordinating policies on forests and water; forests, water and climate change; and economic valuation of water-related forest services.

Copies of the Warsaw Declaration and Resolutions are available at:

<http://www.5th.mcpfe.org/documents.php>

2.5 Asia Forest Partnership receives new mandate

The Seventh Meeting Of The Asia Forest Partnership (AFP) was held 12 -15 November 2007 in Yokohama, Japan. The meeting formally concluded the first phase of the AFP, renewed its commitment to sustainable forest management and updated its key themes and functions in line with current international trends and opportunities.

By way of background, the AFP is a so-called "Type II" partnership which emerged as one outcome of the World Summit on Sustainable Development in Johannesburg in 2002. At that summit, these partnerships between governments, intergovernmental agencies and civil society actors were deemed necessary to ensure implementation of the "Type I" commitments between governments to a range of global environmental goals. AFP has 37 partners consisting of actors from different sectors of society including state and civil society, both from timber exporting and importing countries. Leading partners (The Government of Indonesia and Japan, Center for International Forestry Research - CIFOR, and The Nature Conservancy) have made a commitment to the advancement of the partnership, but do not have more authority or rights than other partners. AFP promotes sustainable forest management in Asia through addressing five issues: control of illegal logging, control of forest fires, rehabilitation and reforestation of degraded lands, good governance and forest law enforcement, and developing capacity for effective forest management.

At AFP's seventh meeting, partners evaluated the organisation's first phase (2002-2007) and the future of the Partnership. Following on from this, partners decided to renew AFP's mandate for a second phase of eight years (2008-2015), and in doing so have revised the Partnership's goals and functions. The Goal of the Asia Forest Partnership for this second phase is *"to promote cooperation and catalyze action among governments, civil society and business to achieve sustainable forest management in Asia and the Pacific and thereby maintain and enhance the provision of forest products and ecosystem services, and their contribution to human well-being."*

Reflecting the current international policy focus on illegal logging and climate change, AFP adopted two key themes in pursuit of this goal:

1. Reducing forest loss and degradation and enhancing forest cover to maintain the provision of forest products and ecosystem services, including mitigation of and adaptation to climate change, watershed and land resource protection, and conserving biological diversity
2. Combating illegal logging and associated trade.

A recent independent evaluation of the AFP² highlights that the partnership has *"made a difference at the process level by promoting good governance principles and improving the relationship of the participating actors"*. It has also proved useful to individual partners in a variety of ways that are not easily offered at other state-led forums. However, the evaluation also questions whether AFP has made any substantive contribution to solving the regions forest problems. It notes that *"the current function of the AFP is limited to an information exchange forum"* and that *"the initial reservation about the partnership approach - that of its limited contribution to actual problem solving - has not been removed"*. It concludes that *"an inter-sectoral partnership might indeed be a feel-good instrument that receives attention with its normative added value at the process level, while the problems remain unresolved"*. It recommends a more targeted approach backed by systems to report on and monitor progress.

² *Filling the Gap in Asian Forest Governance, An evaluative analysis of the Asia Forest Partnership (AFP)*, Yukina Jasmijn Uitenboogaart, February 2007

3. National level developments

3.1 United Kingdom

3.1.1 CPET prepares ground for April 2009 policy change

The UK government's Central Point of Expertise on Timber (CPET) have been preparing the ground for the April 2009 deadline whereby all wood used in UK government procurement must either be verified sustainable or covered under the terms of a FLEGT VPA license. There has been some criticism of the policy change, notably from the UK Timber Trade Federation and the EU sponsored Timber Trade Action Plan (TTAP) who have argued that it will unfairly discriminate against tropical suppliers of legally verified wood from non-VPA countries. However, UK government has made clear that the policy is written in stone and there is no prospect of it changing.

There has been some internal debate within UK government concerning the appropriate level of acceptance of FLEGT VPA licenses compared to verified sustainable wood. Current thinking is that verified sustainable timber will be given preference over all other timber after April 2009, with FLEGT VPA licensed timber being considered a back-up option where no verified sustainable is available. Nothing will be considered "equivalent" to FLEGT VPA licenses - so no preference will be given to any private sector legality verification schemes. This policy essentially amounts to acceptance by UK government of the EC idea that a FLEGT VPA license has a special status, not yet sustainable but better than just legally verified.

While the new policy apparently negates the use of the existing AHEC study of the risk of illegal logging in the US as a mechanism to demonstrate conformance to the UK government procurement requirements after April 2009, CPET have indicated that they are open to recognising a variety of approaches to verify sustainability. They are aware that a single-minded focus on certification may be construed as discriminatory against smaller private and community forest owners for whom there are still technical and economic barriers to certification. At recent meetings, CPET have repeated their earlier call for industry to be innovative and made a point of suggesting as a possible way forward AHEC's proposal to use risk assessments as a mechanism to verify sustainability for smaller owners. However it was also emphasised that no substantive decisions on this have yet been made.

A recent consultation on the policy change elicited a huge response – according to CPET a total of 282 comments were received. All these comments are currently being compiled into a report including a response by UK government. This report will be published in January or February. CPET are also drawing on the consultation to draft a new guidance document on policy implementation. CPET have indicated that this draft will be made available to interested parties sometime in January for a final round of comments before being put to the Reference Board at their next meeting in early February.

Meanwhile, CPET has nearly completed the first phase of a pilot study of construction industry supply chains. The aim has been to identify where major obstacles to policy implementation lie and what measures may be taken to overcome these. As part of the study, CPET has examined ten Government construction projects and facilities management contracts. A wide range of contractors and suppliers throughout the supply chain to government have been involved. The study draws from best practice examples to provide insights into improving compliance of public sector buyers and Government contractors to the Government's timber procurement policy. The final report on this study is expected in early January 2008. Recommendations for action are likely to include implementation of new central government monitoring and reporting procedures.

3.1.2 UK government consultation on additional legislation

While consultations are on-going at EC level on the potential of additional legislative options to control imports of illegal wood, the UK government has also begun to investigate the possibility of

introducing new laws at a national level. Efforts are being made to develop a cross-departmental consensus on this, although discussions with the UK's Department for International Development (DFID) indicate that not much progress has yet been made. DFID suggest that the role and impact of the range of legislative options is not well understood across government. A public consultation is expected to be launched in January 2008 to further inform the government's position.

At present, there seem to be various schools of thought within UK government on the issue. The UK Customs authorities are believed to be opposed to a Lacey-style act in the UK, worrying about the difficulties of enforcing such a law. Of the various legislative options, UK Customs are understood to favour a ban on imports of illegal timber. Under this approach, evidence of legality would have to be applied at point of import. UK Customs believe this approach may be easier to implement than a Lacey-style act, putting the onus on the overseas suppliers and not requiring investigative action on their part. On the other hand, Barry Gardiner, former Biodiversity Minister and now the UK Prime Ministers Special Envoy for Forestry, is understood to be a strong advocate within government for the introduction of a Lacey-style act in the UK. For their part, DFID suggest that options requiring proof of legality for all timber imports would be heavy-handed and disproportionate to the scale of the problem. At present DFID seem to be leaning more towards a Lacey-style act which is viewed as more proportionate to the scale of the problem and a potentially powerful mechanism encouraging the private sector to show due diligence with respect to their timber imports.

3.1.3 NextGeneration Initiative in the UK Housing Sector

A new benchmarking initiative has been launched in the UK construction sector which should provide an accurate and regular insight into the progress made by the industry to introduce sustainability criteria, including those relating to timber procurement. The NextGeneration initiative brings together many of the UK's top home builders with three key stakeholders: a major investor in the sector (Insight Investment), a non-governmental organisation (WWF-UK) and the public sector funder of social housing (The Housing Corporation). The initiative builds on and expands benchmarking studies undertaken in 2004 and 2005 through greater coverage of and ownership by the UK's leading construction companies. Eleven of these companies have been encouraged to become NextGeneration members, pro-actively supporting the initiative by participating in the development of assessment criteria and through provision of detailed information.

The first outcome of the NextGeneration initiative is the 2007 benchmarking study covering the UK's 20 largest home-builders (based on the number of units built during the 2005-2006 financial year), including the 11 NextGeneration members. The full report is available at: http://www.wwf.org.uk/filelibrary/pdf/next_gen_report.pdf

Overall the results of the survey suggest a significant increase in construction sector engagement in environmental issues in recent years. It notes that *"it is very encouraging to see many of the UK's largest home builders acknowledging the challenges ahead and coming together through the auspices of NextGeneration to benchmark their performance and share best practice. Some good practice is emerging. 70% of home builders report publicly on their approach to sustainability and 65% have published a corporate sustainability policy"*.

With respect to procurement, the study assesses construction companies using the following criteria:

- The company publishes a detailed environmental procurement policy or procedures which apply to all materials.
- The company states that it specifies the use of recycled/reclaimed materials, materials with low embodied energy, responsibly sourced materials and materials from suppliers who can demonstrate International Labour Standards compliance.
- It has a timber policy in place stating a preference for FSC-certified timber and requiring Chain of Custody Certification from all suppliers and contractors.
- It has its timber supply chain externally audited to trace all uncertified timber and/or paper products back to source.

- The company also includes environmental criteria in the selection of suppliers, monitors its supply chain in relation to environmental and social standards and provides examples of working in partnership with suppliers to address specific areas of environmental impact.

The assessment against these criteria concludes that *“Home builders’ performance in this section varied greatly. Procurement procedures rarely cover all items and only a limited number of home builders have environmental/sustainable procurement policies in place. But evidence suggests that while 12 home builders state a preference for sustainably sourced timber, only five have formalised policies and procedures in place to ensure this. Only Redrow – which is the only home builder member of the WWF Forest & Trade Network – has a fully audited timber supply chain and provided the most robust performance data related to supply chain management”*.

Another criterion addressing the extent to which companies are using, and are planning to use, the EcoHomes methodology to certify the private dwellings they build, also has an important bearing on the demand for verified legal and sustainable timber in the UK. While the Ecohomes standard does not establish any mandatory requirements for legality verification or sustainability of timber, additional credits can be achieved by supplying timber with such assurances.

The study notes that *“EcoHomes certification has primarily been driven by social housing funding and local planning requirements in the home building sector, resulting in many companies performing poorly against this criterion. The average score was 8.5%, with very little performance data disclosed across the sector and few targets being set. While home builders are rising to the challenge of meeting EcoHomes Very Good rating on grant-funded affordable housing, evidence from the benchmark suggests that few see any commercial benefit in seeking certification on their private units.”*

3.1.4 Future of the Code for Sustainable Homes

The Code for Sustainable Homes was first introduced as a voluntary standard in England in April 2007, following extensive consultation with environmental groups, the home building and wider construction industries. The aim of the Code is to improve the overall sustainability of new homes by setting a single national standard within which the home building industry can design and construct homes to higher environmental standards, and giving new homebuyers better information about the environmental impact of their new home and its potential running costs. The Code provides a framework within which home builders can be recognised for going beyond current Building Regulations on environmental performance. It essentially builds on (and now supercedes) BRE’s Ecohomes standard.

In July 2007 the Government consulted on proposals for making it mandatory for new homes to be rated against the Code. This would mean that, once introduced, all homes would either have to be assessed against the Code and given a certificate indicating the rating they had achieved or would not be assessed and would be deemed to have achieved a zero rating against the Code. In all instances as a result of the mandatory rating policy the purchasers of new homes would be given clear information about the sustainability of their home and house builders would have a clear and consistent basis on which to compare and market their products.

The UK government published a summary and a response to this consultation in November. The principle message is that as a result of consultation, the Government will be proceeding with the implementation of mandatory rating against the Code for all new homes. It is minded to introduce mandatory rating from April 2008, as proposed, although no final decision on the precise date has yet been taken.

As a result of this decision, there is expected to be a significant increase in uptake of the Code, which so far has not been widely used. The consultation indicated that only 202 Code assessments had been registered by July 2007 covering a total of 19,137 homes under, or anticipated to shortly be under development, across the public and private sectors.

Further details

<http://www.communities.gov.uk/publications/planningandbuilding/sustainablehomes>

3.2 France

3.2.1 Public sector procurement policy

France has already taken some significant steps to introduce environmental timber procurement policies, both in the public and private sector. Following a large stakeholder-consultation exercise aimed at identifying opportunities for integrating environmental concerns throughout French policy making, President Sarkozy's government looks set to increase the momentum.

In April 2005, President Chirac's regime passed a Decree (Circulaire) establishing guidelines for the public procurement of wood. The policy is mandatory for national departments and agencies while adoption by local authorities is also encouraged. The aim is to progressively increase in public procurement the share of wood supplied from verified legal producers that are committed to sustainable forest management (SFM). Targets have been established such that 50% of wood procured by the public sector should be legal and sustainable by 2007 and 100% by 2010.

Although the targets are ambitious, guidance provided to date on acceptable evidence of "legal and sustainable" timber has been rather generalised and flexible. An underlying principle has been that there should be independent verification of all evidence, although this may be provided both by a fully-fledged forest certification system or by a range of other evidence such as a legality license, an independent verification of a supplier's declaration, attestation of a forest management plan, or verification of compliance with a code of practice, and even existing custom documents.

3.2.2 Grenelle de l'Environnement

In the last few months, the new Sarkozy government has been promoting its green credentials by undertaking a "Grenelle de l'environnement"³ designed to bring together all stakeholders to discuss possible ways of working towards more sustainable development. The Grenelle comprised a public consultation, several thematic workgroups and a final round table in October chaired by the President himself. Local authorities, government members, NGOs, workers and businesses were represented.

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

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

³ The term "Grenelle" derives from the Grenelle Accords negotiated during the May 1968 riots at the French Labor Ministry, located on the Rue de Grenelle in Paris. A "grenelle" has come to be associated with a multi-stakeholder debate designed to unite representatives of government, industry, professional associations and civil society into a single position on a specific theme

be set and there will be annual public progress reports.

Conclusions of the Grenelle cover a wide range of environmental issues, including transport, energy efficiency and climate change, agriculture and forestry, and public procurement. Proposals will be funded through a significant investment in environmental issues (some reports suggest a figure of €1 billion), possibly financed by a partial shift from income to environmental taxes. These might begin with taxes on trucks travelling through France and an annual tax on the highest-polluting new vehicles.

The Grenelle proposals with respect to procurement of timber are far-reaching. Existing requirements for forest certification in public procurement will be strengthened. The aim would be that 100% of the wood purchased by the state would be certified by 2010. This implies that the government's existing flexible requirements for evidence of "legal and sustainable" timber will be tightened up to allow only certified wood. There is also a proposal to favour local wood in local and regional development projects. Even more startling however, is a Grenelle proposal to "*make certification of imported wood compulsory*".

Alongside this are proposals that would proactively favour use of wood in the construction process. One proposal is "*to promote wood as an eco-material in the construction industry within the framework of a national plan in favour of wood*". Another is to "*adapt construction standards to favour wood*" and "*to set up a label for the construction sector promoting projects that are realized with wood*". Proposals for new energy efficiency standards in construction should also indirectly favour wood. One proposal is to ensure "*construction of all new residences with very high energy performance by 2010 and with zero or positive energy by 2020*" and "*construction of public sector offices, buildings and equipment to standards for low or positive energy consumption by 2010*".

Interestingly, despite the many environmentally positive proposals coming out of the Grenelle, the French environmental movement is already in open rebellion. On 6 December, 80 associations (grouped the so-called "Alliance For The Planet") including WWF and Greenpeace, suspended their participation. Their immediate criticisms stem from dissatisfaction at the follow-up action being taken by the French government which they describe as "*unilateral and opaque*". They dislike the way the government has appointed 9 NGOs to officially represent the environmental movement during the follow-up program. But there are probably more deep-seated ideological issues underlying this rebellion, particularly French activists suspicion of Sarkozy's championing of market and science based solutions to environmental issues, including nuclear power, GMOs, and biofuels.

3.2.3 Le Commerce du Bois Environmental Charter

Meanwhile, the French timber trade association, Le Commerce du Bois (LCB), is now implementing an 'Environmental Charter' including detailed requirements for timber procurement. The Charter, officially launched in June 2006, is currently voluntary for members of the timber trade association but is expected to become mandatory in 2008. The 32 members of LCB already committed to the Charter are, in any case, believed to account for 90% of timber imports in France. The Charter specifically requires that all wood supplied must be backed by a certificate of legality as a minimum. It also requires year-on-year increases in timber originating from forests that have received a "*certificate of SFM or are moving towards SFM certification.*" Implementation of the Charter is backed by procedures for independent assessment of members' progress, the results of which are made publicly available.

Charter participants are required to meet specific targets for procurement of sustainable timber. By 2010, certified sustainable timber should account for: over 30% of softwood sawn lumber; over 20% of hardwoods sourced from Asia, Africa and Latin America; over 30% of hardwoods from Eastern Europe and other temperate countries; and over 20% of panel products. Also by 2010, participants shall ensure that over 75% of their products display the following information: commercial name botanical species name, country of origin, together with technical, mechanical and environmental characteristics. In tropical countries, where certification is not implemented,

participants are required to give preference to suppliers that do not only operate in legally acquired concessions... but who are also “*applying a forest code, a forest management plan and/or a code of good practice or code of conduct verified by an independent 3rd party*”.

The Charter is inclusive with regard to forest certification systems, recognising as sustainable any system that conforms to international sustainability criteria and indicators, including FSC, PEFC, PAFC, CSA, SFI, Keurhout, MTCC, and LEI. Alternative evidence to SFM certificates will also be considered but it must be verified by an independent 3rd party.

3.3 Italy shows some interest in environmental timber procurement

ICLEI, an international association of local authorities, recently completed a project to promote uptake of public sector timber procurement policy in Italy. The project was undertaken in association with the University of Padova, the Italian national Ministry for Agricultural, Food and Forestry Policies, and the Ministry for Environment. The project was sponsored by the UK Department for Environment, Food and Rural Affairs (DEFRA).

According to the final project report⁴, the purchasing power of the public sector in Italy is about 10% of Italy’s GDP. The report notes that despite these figures, Italy does not yet have in place a specific framework for sustainable timber procurement (such as a policy or strategy promoted by the national government). The Italian Environment Ministry is currently considering establishing minimum requirements and political observers suggest that the Government of Romano Prodi has every intention of advancing implementation. However discussions are still at a preliminary stage.

The ICLEI project involved a survey of the current level of uptake of timber procurement policy by local authorities in Italy. The survey was carried out at the end of 2006 by the Ministry of Environment, Ministry of Agriculture and the University of Padova. It involved the issue of questionnaires to 1200 local authorities in Italy of which 114 were returned. The survey revealed that:

- 44% of respondents have included environmental criteria in their tender documents.
- 95% of respondents that have a GPP policy include some form of specific requirement in tendering processes (either green or sustainability requirements) for wood and/or paper products.
- 59% of respondents that have a GPP policy use the FSC label for the procurement of timber products. This compares to 26% using the PEFC label and 48% using the EU eco-label for paper.

The results are believed to be strongly influenced by Greenpeace’ “Cities Friends of the Forests” campaign that has been running in Italy. Currently 124 local governments form part of the Campaign and have made a specific commitment to purchasing FSC certified products only. Greenpeace has also produced a practical guide for public authorities in Italian on purchasing timber and wood-based products.

While the Greenpeace campaign has established a early lead in providing guidance to local authorities in Italy, other organisations are now involved. For example, DEFRA’s sponsorship has allowed the on-line provision and promotion of the UK government’s CPET guidance in Italian, including guidance on how public bodies can best purchase legally and sustainably logged timber. CPET’s comparisons of national and international policies are also now made available in Italian.

So far Italy’s private sector has shown little inclination to develop formal environmental timber procurement policies. Italy’s main timber trade association, Fedecomlegno, has not chosen to develop such a policy for its members. It has adopted a different approach to tackle issues surrounding illegal logging involving direct cooperation with Greenpeace. The ENGO denounces

⁴ Sustainable procurement of timber and wood-based products in Italy Final Project Report Freiburg, 20 March 2007, by Amalia Ochoa and Peter Defranceschi, ICLEI European Secretariat

producers in tropical countries associated with illegal logging and any Italian importers dealing with these producers. In response, the TTF challenges the concerned member companies and facilitates meetings between these companies and Greenpeace to discuss possible action.

3.4 Spain and Portugal indicate intent to develop procurement policy

According to UK government sources both Spain and Portugal have decided to begin work on a central government timber procurement policy. This followed on from a visit to Portugal in October by Joan Ruddock, a UK government Minister, during which she delivered a presentation on the UK timber policy at a Biodiversity and Business Conference held in Lisbon.

If this report is correct, it represents a significant U-turn on the part of the Spanish government. At the Construmat construction industry show in Barcelona earlier in 2007, Spain's Minister of the Environment had indicated that the Spanish central government did not intend to impose a timber procurement policy on grounds that it "*would be unfair for small companies who are less able to afford the costs of certification*".

Although development of the Spanish procurement policy is likely to take time, early indications are that it will probably be inclusive with respect to evidence required for legal and sustainable timber. Spain's domestic forestry sector is characterised by large numbers of small owners that are likely to object vigorously to overly restrictive demands for particular types of forest certification. Furthermore, the Spanish Ministry of Environment has been very active in distributing information on PEFC certification to municipalities throughout the country.

3.5 Germany tightens energy efficiency stands

On 5 December 2007, the German Cabinet adopted a comprehensive package of measures on climate protection. It consisted of 14 acts and ordinances that expand renewable energies in the electricity, fuels and heat sectors. The energy standards for residential buildings are raised by 30%, and also apply to existing buildings. These measures are expected to bring Germany very close to its target of reducing carbon dioxide emissions by 40% by the year 2020 compared to year 1990. Independent studies calculated that a 36% reduction could be achieved.

3.6 Netherlands strengthens green procurement commitment

The Dutch government has set itself a 100% target for all goods and services procurement to meet sustainability standards by 2010, the Netherlands' environment ministry announced on 1 October 2007. Regional and local governments have been given a minimum 50% green procurement target by the same date, but with a view to also achieve the 100% target as soon as possible. Sustainability criteria will be published next year for 80 product groups including office furniture, paper, catering, energy, buildings, and construction work.

4. Private sector initiatives

4.1 Workshop on harmonising EU TTF Purchasing Policies

An EC-sponsored workshop was held in Brussels during November to further progress efforts by European Timber Trade Federations to harmonise their codes of conduct and environmental timber purchasing policies. The policy was hosted by the European Hardwood Federation (UCBD) and facilitated by the European Timber Trade Action (TTAP). TTAP is a joint program of the Dutch, Belgian and UK Timber Trade Federations co-ordinated by the Tropical Forest Trust and funded with a €7 million grant from the European Commission over 5 years.

The Brussels workshop followed on from a decision to work towards harmonisation by European Trade Timber Trade Federations at the UCBD Annual Assembly in Bordeaux during 2006. A UCBD workshop in June 2007, Stockholm, provided initial conclusions highlighting common ground and room for harmonisation.

As background to the workshop, Gunther Hentschel, a consultant to TTAP, had prepared a review of existing trade association green procurement policies in Europe and North America (the full report will be made available at the TTAP website www.timbertradeactionplan.info). The analysis covers 15 TTFs, 12 in Europe and 3 in North America (AF&PA, IWPA, Q-Web). The review indicates that nine of the 15 have now introduced codes of conduct covering timber sourcing (UK, Netherlands, France, Belgium, Germany, Spain, AF&PA, IWPA, Q-Web). Germany only recently introduced their code, while the Danish TTF is in the process of developing a code. Seven of the codes require that all wood must be from a legal source. Five codes are binding on all members, others are voluntary. There is now a clear tendency towards introduction of more codes in the private sector and towards tightening of these codes. Systems for monitoring company conformance vary significantly in their scope and intensity.

The review indicates that the numbers of signatories to existing trade association procurement policies has been rising rapidly. In France, 32 of the 160 members of Le Commerce de Bois have now signed the procurement policy, up from 24 last year. In the UK, 44 companies out of around 150 TTF members are now signed up, up from only 27 last year. The Belgian TTF claims that 98% of members are signatories (although the demands placed on signatories to this policy are less onerous than in France and the UK).

Reports from the Brussels workshop suggest that while there is a will to further the process of harmonisation, there is little sense of urgency. As at the previous Stockholm workshop, substantive discussion seems once again to have been deferred until another meeting scheduled for March 2008. UCBD is also understood to have indicated during the session that they would issue a statement in support of EU legislation to prevent imports of illegal wood. Following input into the discussions by AHEC, this may be subject to strong conditions on where the burden of proof should lie, aligning more closely with Lacey-style legislation than with the concept of universal legality licensing.

5 Events

Illegal Logging Update and Stakeholder Consultation Number 11, 17th January 2008, Chatham House, London. The eleventh in a series of update meetings coordinated by Chatham House and funded by DFID, the meeting will take place on the 17 and 18 January 2008. Details at: http://www.illegal-logging.info/item_single.php?item=event&item_id=124

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>

Eighth Session Of The UN Forum On Forests (UNFF-8): 20 April 2009 - 1 May 2009. United Nations (UN) headquarters, New York, United States of America. This session will meet at UN headquarters in New York. Agenda items include working to reach agreement on a decision on voluntary global financial mechanisms, a portfolio approach and a forest financing frame work. For more information contact: tel: +1 212 963 3160 / 3401; fax: +1 917 367 3186; e-mail: unff@un.org; Internet: <http://www.un.org/esa/forests/session.html>