Environmental Policies, Illegal Logging, Trade and the US Hardwood Industry

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Growing Importance of US Hardwood Exports:

Exports as a % of US Production

Source: Hardwood Review,
Driving force 1: international political processes

- EU Forest Law Enforcement and Trade Action Plan
- Voluntary bilateral agreements with producing countries, mainly in the tropics
- Legality licensing procedures for log, lumber, plywood, veneer imports
- Recommendation that EU governments adopt timber procurement policies
- Support for private sector initiatives
Driving Force 2: ENGOs

• Greenpeace targeting use of wood from “illegal sources” in high profile public sector construction projects
• European Commission Offices, UK Government Cabinet Offices, Buckingham Palace.
• WWF working with green party and other political allies in European and National Parliaments to agitate for more rapid change
Driving force 3: overseas domestic supply

- Over 60% of EU commercial forest area certified to either FSC or PEFC
- 9000 chain of custody certificates issued in Europe.
- Rising at rate > 1000/year over last 3 years
- European hardwoods now readily available FSC or PEFC certified with no need to pay a premium
- Availability of certified, or at least legally verified, tropical hardwoods improving
  - MTCC certified meranti can be obtained for 2-3% premium
  - Leading Ghanaian shippers committed to FSC
  - Major European-owned operations in Congo Basin developing legality verification procedures and committed longer term to FSC
  - Gabon national certification scheme aligned with PEFC
  - Indonesian producers shifting to FSC, with support from USAID
  - World Bank support for certification in developing & transition countries
Driving force 4: European domestic industry

- Easiest solution to environmental problems
- Reduce risks of association with illegal wood
- Return on investment in chain of custody
- High costs of mixing certified & uncertified stock mean there is a big incentive to shift over 100% certified material as supplies improve

- Trade association procurement policies
  - Risk assessment of suppliers’ environmental credentials
  - Favour wood from “low risk” suppliers
  - Support certification as the “best tool” to demonstrate legality and sustainability
    - UK, Spain, France, Netherlands, Belgium
Illegal Logging

- Illegal material depresses world prices for wood by up to 16%
- Severely undermines markets for legal operators
- Undermines reputation of the wood industry
Policy Options:

• Demand Certification?
• Green Building Initiatives?
• Public/Private Procurement Policies?

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There is no “one size fits all solution”
Distribution of certified forest

- MTCC
- PEFC
- ATFS
- CSA
- SFI
- FSC

N. America, Europe, Russia, S. America, Asia, Africa
World’s Leading Hardwood Lumber Exporters: 2007

Source: Global Trade Atlas
Labelling challenges
Green Building Rating Systems:

- BREEAM
- CASBEE 建築物総合環境性能評価システム
- Green Building Initiative グリーンビルディングイニシアチブ
- NAHB Green Home Building Guidelines
- HK-BEAM Society 香港環保建築協會
Green Procurement Policies:

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Timber procurement policies:

- Central and Local Government procurement policies coming online in several European and Asian countries
- Various European trade associations implementing Codes of Conduct
- Require wood to be verified legal and preferably from sustainable sources
Procurement Policy Limitations

- Only small percentage of illegally felled timber enters international trade
- Markets can easily shift and divert wood to less restrictive buyers
- Does NOT address root causes of deforestation
- Risk of widening gap between illegal and legitimate production
Is there a better way?

YES: Risk Based Assessment

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Perception that wood is scarce
Non-tropical forests are the main source of timber and are increasing in size.
A fence to the sun and back…

• During the 1990s, volume of wood standing in temperate and boreal forests increased by 21,000 million m³.

• That’s enough wood to build a 1m x 8cm fence to the sun and back (or 7500 times round the earth)
U.S. Hardwood Growth & Removals

Net Growth  Removals
Risk Assessment: A Sensible Approach

• Requirements established for legality verification and certification should be based on an objective assessment of the risk of illegal and unsustainable forestry practices in timber supplying regions
  – To prevent imposition of unnecessary controls on suppliers where there is little risk of poor practice
  – To ensure resources are focused on problem regions
  – To ensure the response is proportionate to the scale of the problem
  – To help prevent technical barriers to trade for timber from small relatively low intensity managed forests
Goal: Reduce the Cost Spread

Legitimate Material

Illegal Material + RISK

Cost

Source: Seneca Creek Associates, LLC
Sourcing of Non-Certified Wood

- SFI, PEFC and FSC have developed standards for using non-certified wood:
  - FSC Controlled Wood Standard
  - SFI Procurement Standard
  - PEFC Controversial Sourcing Standard

- CoC labeled products must meet sourcing standards
New EU Illegal Logging Legislative Proposal

• Requires “Due Diligence”
  – References to CoC removed from final proposal
  – Encourages risk assessment and due diligence
  – Only pertains to operators who “first place wood in the market”
  – Proportionate to the scale of the problem

• Must be passed by EU Parliament/Member States
  – ENGOs will vigorously oppose implementation
US Combat Illegal Logging Act 2008

- It is an offence within the U.S. to trade in a wood product that has been “taken, possessed, transported, or sold” in violation of any foreign law.
- An amendment to the U.S. Lacey Act which currently regulates trade in fish, wildlife and limited subset of plants.
- Burden of proof with the prosecution who would have to demonstrate that wood derived from an illegal source.
- Only likely to be applied to the worst offenders - importers with actual knowledge and intent to import illegal shipments.
- Does not establish detailed requirements for legality verification.
- Actively encourages importers’ risk assessment and greater diligence and action in regions of high risk.
While timber theft occurs and is of concern to private landowners, it is not believed or perceived to be a systemic problem, especially with regards to US hardwood exports.

US re-exports of temperate hardwoods relatively small and mostly sourced in Canada (similarly robust governance).

High regard for the rule of law, an effective environmental, labor and public welfare regulatory environment, and a low level of corruption.

Rights of timber ownership are well-established and respected.
For More Information:

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