

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

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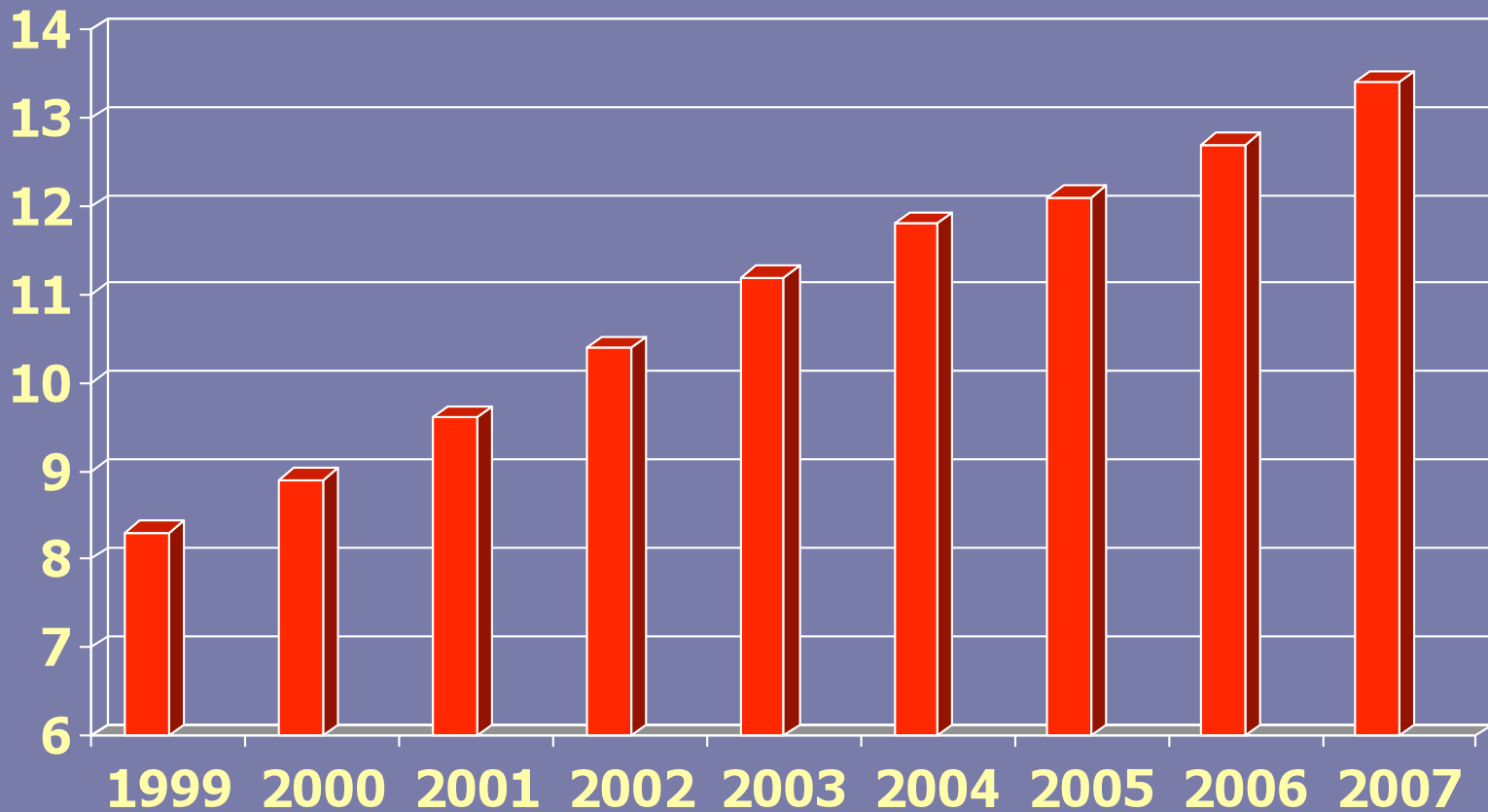


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Growing Importance of US Hardwood Exports:

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?



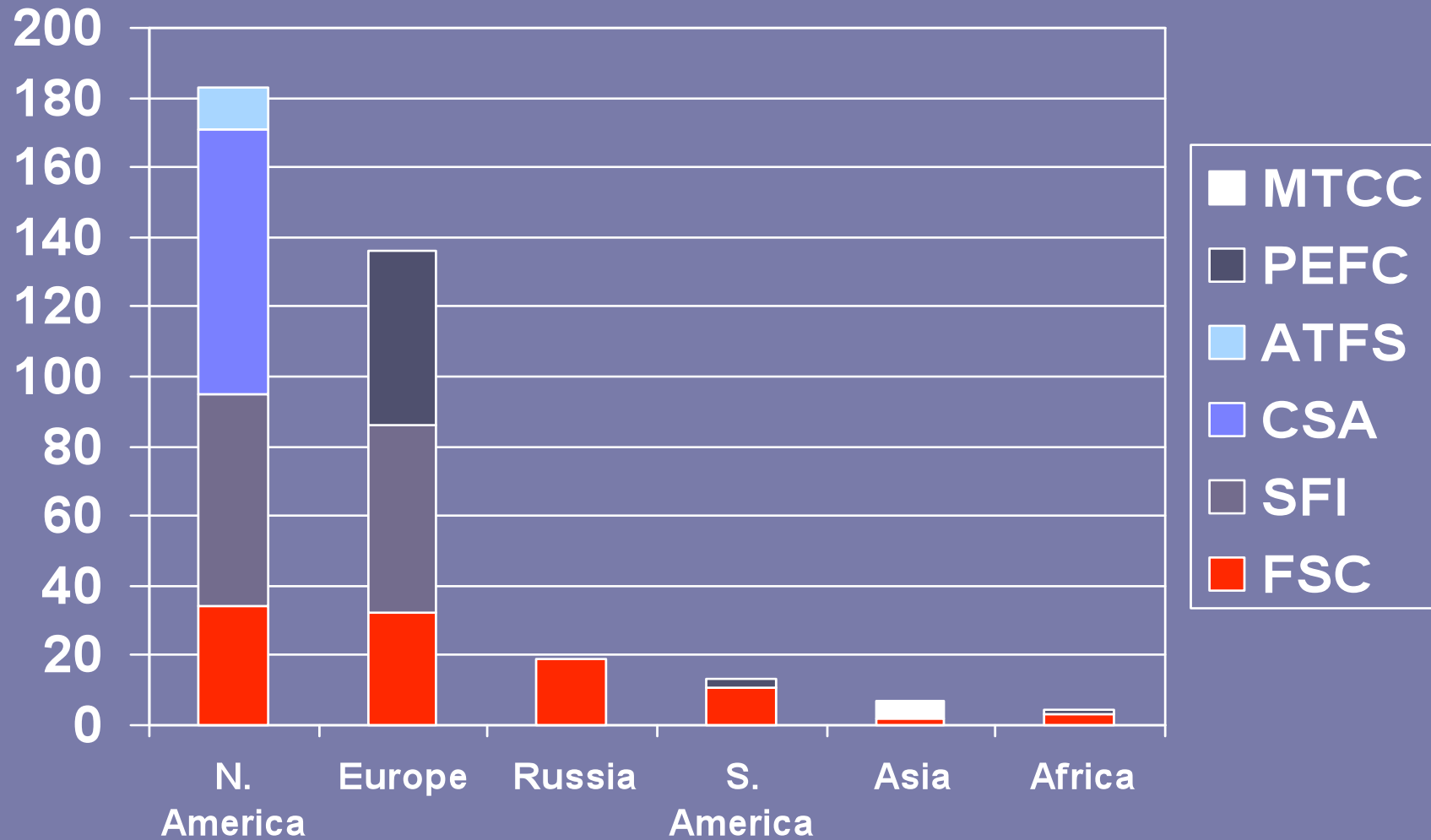
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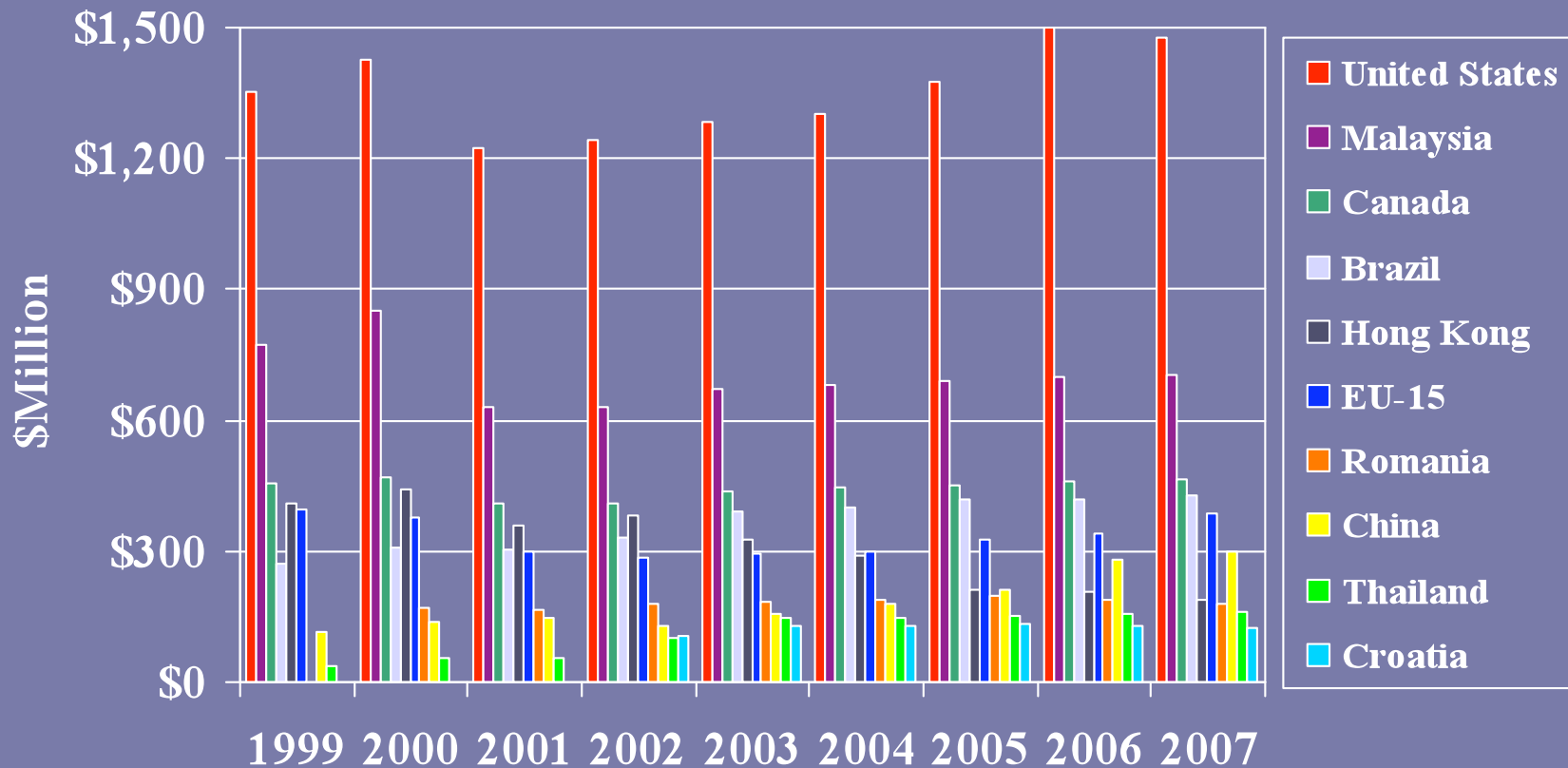
There is no “one size fits all
solution”



Distribution of certified forest

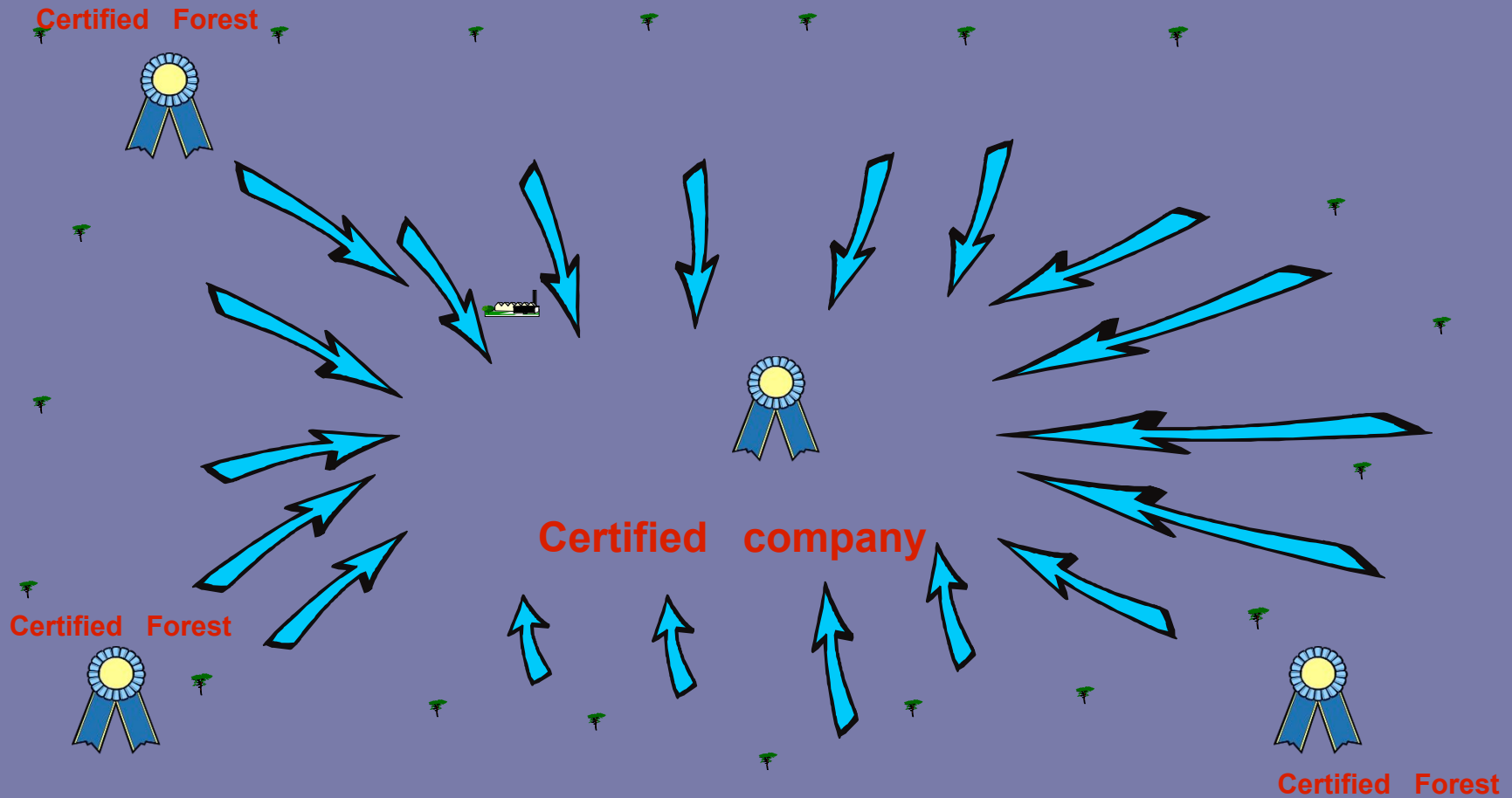


World's Leading Hardwood Lumber Exporters: 2007



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

Comprehensive Assessment System for Building Environmental Efficiency

GREEN
BUILDING
INITIATIVE™

BRINGING GREEN TO THE MAINSTREAM



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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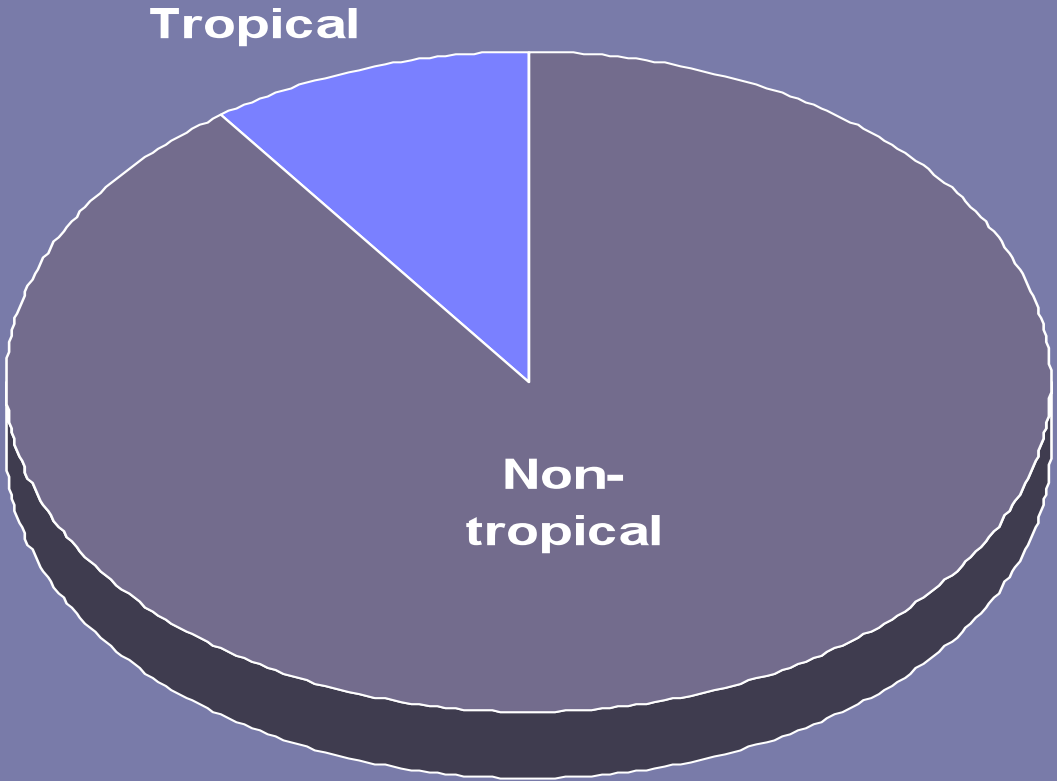
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Perception that wood is scarce



Non-tropical forests are the main source of timber and are increasing in size

Proportion of internationally traded industrial roundwood by forest type

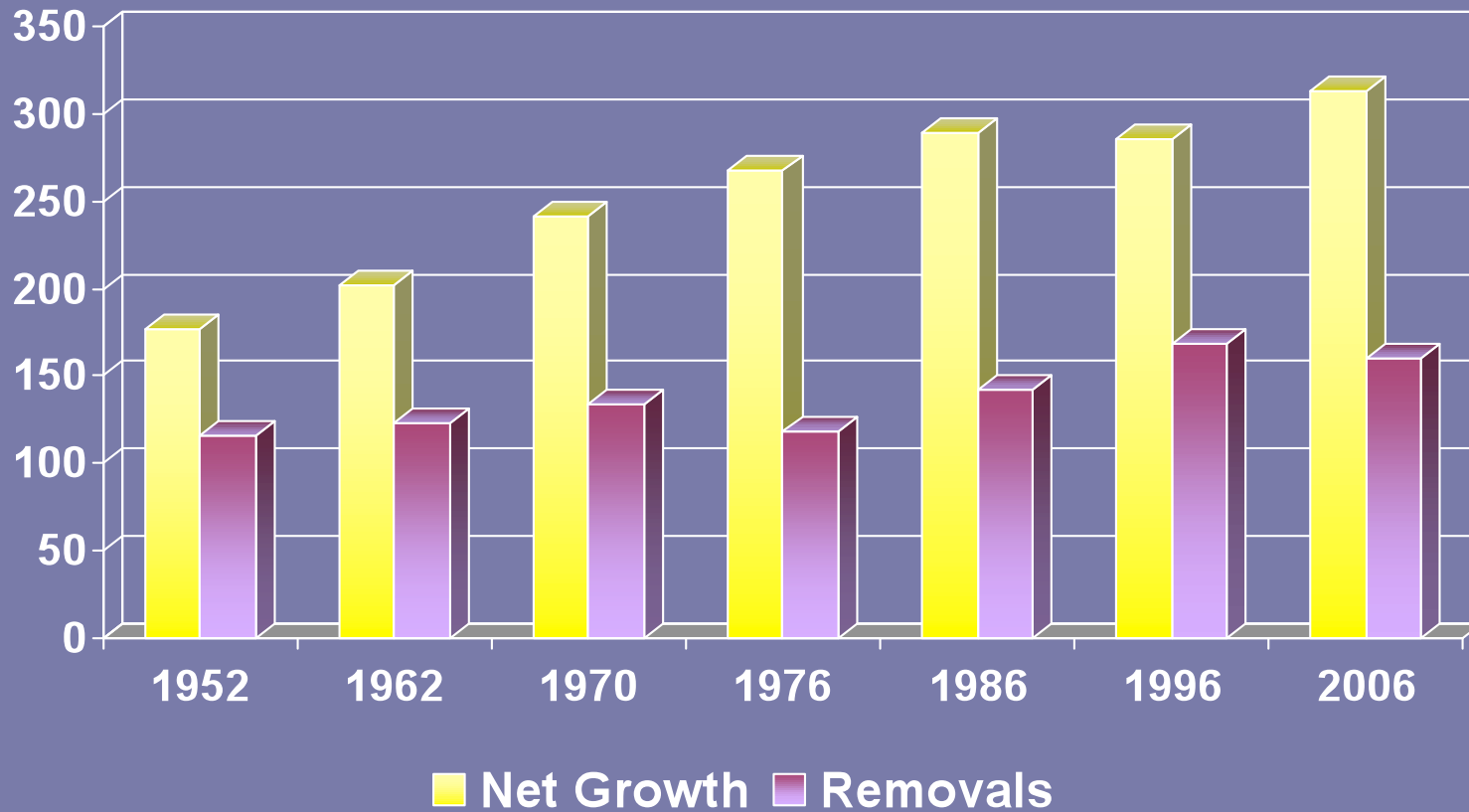


A fence to the sun and back...

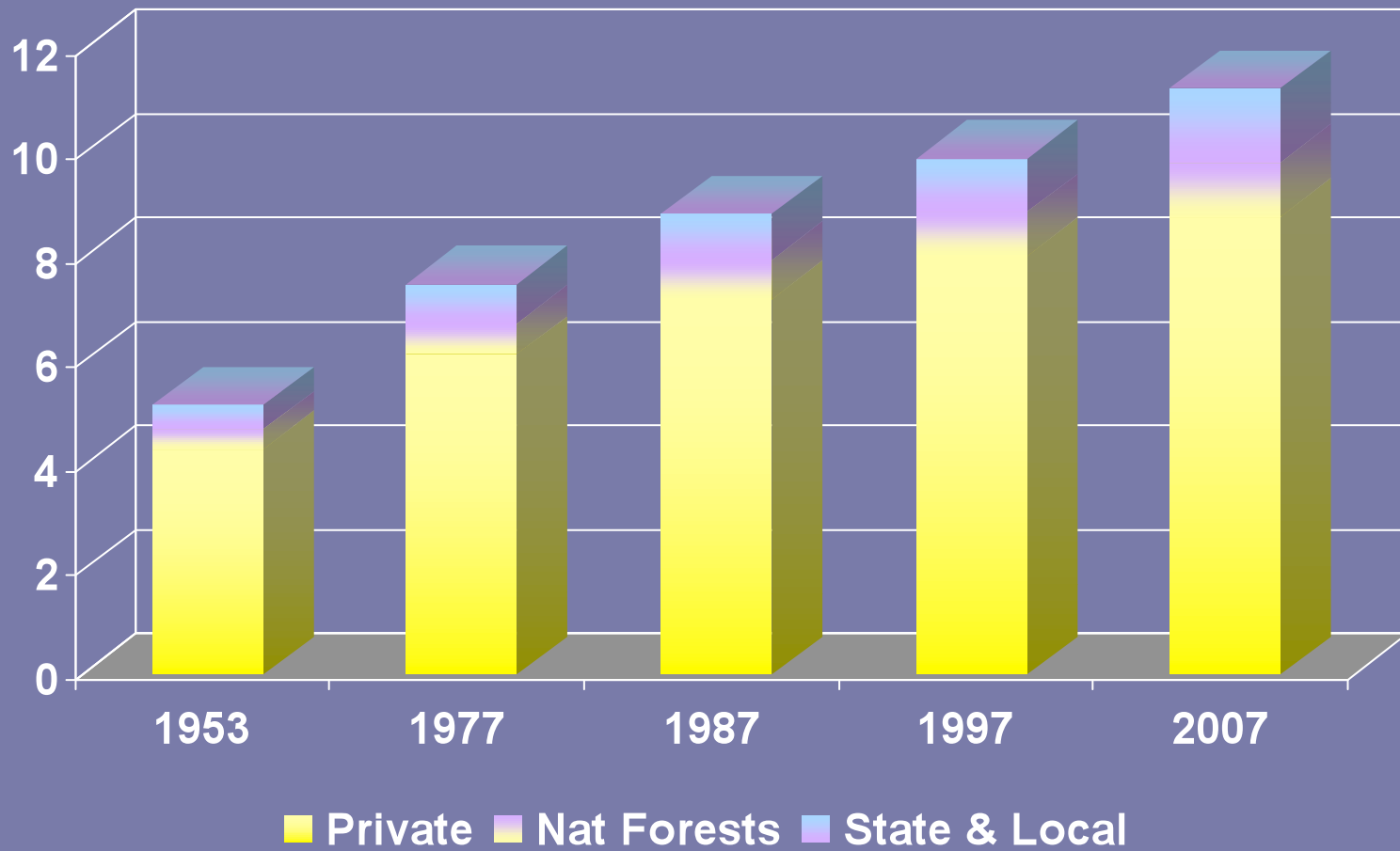


- During the 1990s, volume of wood standing in temperate and boreal forests increased by 21,000 million m³.
- That's enough wood to build a 1m x 8cm fence to the sun and back (or 7500 times round the earth)

U.S. Hardwood Growth & Removals



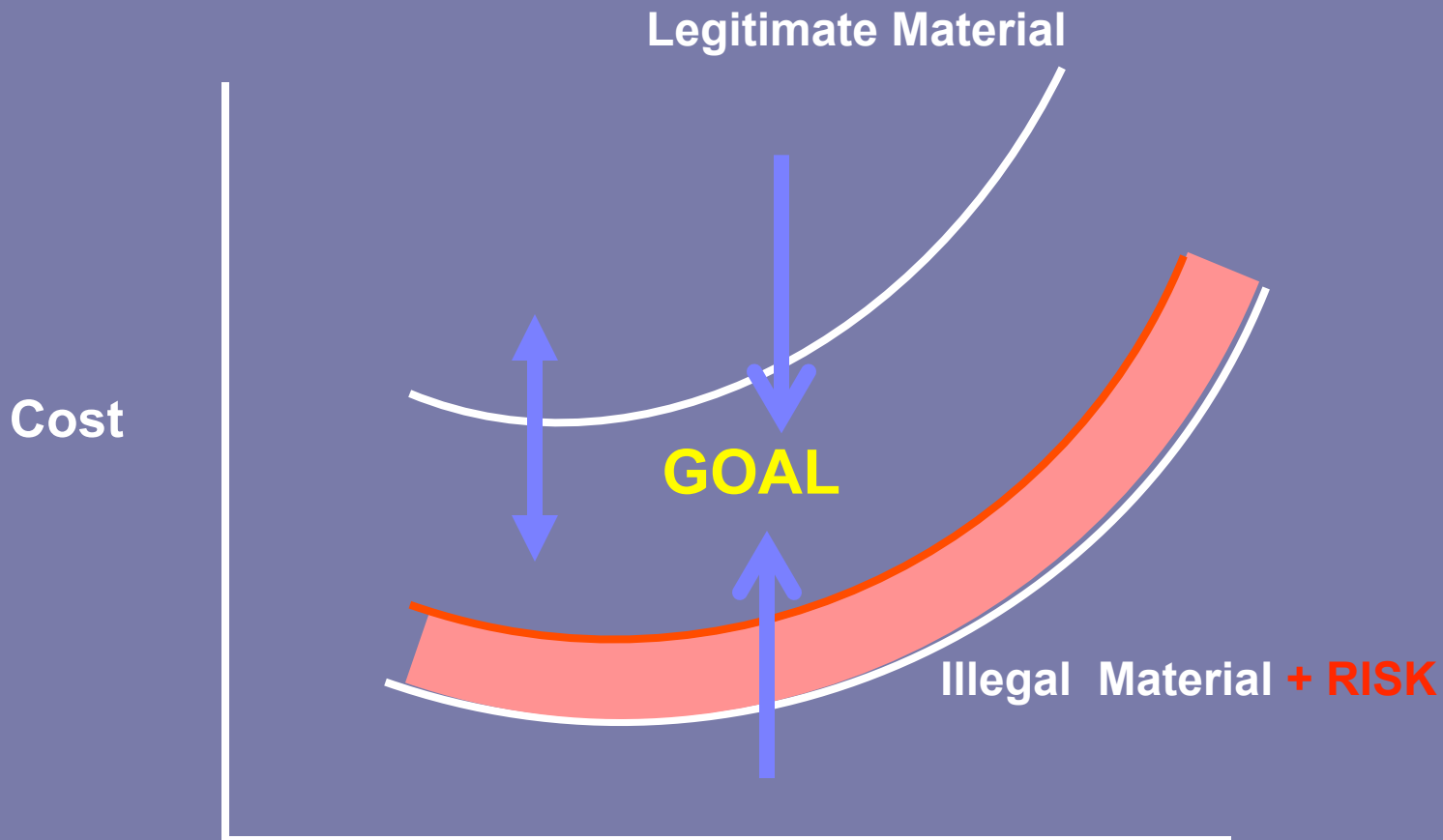
US Hardwood Inventory



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



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

AHEC/Seneca Creek Risk Assessment Findings – **Low 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.

American Hardwood Export Council



member no.

RPP Participant

For More Information:



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