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GOVERNANCE AND TRADE TEAM
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The market for timber and timber products and the EU FLEGT Action Plan

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Overview of this presentation

How can a FLEGT VPA help to access international timber markets?

- International Market Changes
- Policies against the trade in illegal timber in consuming countries
- Expected impact of market changes and policies
- FLEGT Promotion

The market sets the trend

- Critical end-users increasingly require legal and sustainable timber
- Larger timber traders need to manage corporate and reputational risk
- European trade federations develop systems to provide such guarantees
- Market changing rapidly with traders talking to their suppliers abroad

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Public pressure driving market changes



Reinforcing confidence in the diamond and gold supply chain



The Home Depot Wood Purchasing Policy



British supermarkets accused over
destruction of Amazon rainforest

guardian.co.uk, Sunday 31 May 2009



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World-wide developments

- 'Due diligence' expected of buyers in many commodity sectors.
- Many countries and retailers developing public procurement policies.
- US Lacey Act: Criminalizing the trade in illegally harvested timber products.

Political pressure in the EU

- Governments under pressure as a result of public concern with deforestation and climate change;
- Increasing emphasis on procurement policies and trade-related approaches to drive change;
- EU response: 2003 FLEGT Action Plan.

EU FLEGT Action Plan

- **FLEGT Voluntary Partnership Agreements**
- Member state public procurement policies
- Private sector voluntary action through responsible purchasing codes
- Financing and investment sectors
- Legislation to prohibit illegal wood in EU market – **Illegal Timber Regulation**

Voluntary Partnership Agreements

- A legally-binding agreement:
 - Bilateral trade agreements between EU (all Member States) – partner country (Timber producing or processing hub)
 - Commitment to trade only in legal wood
 - Export License assures market of legality of timber product

- Targets/objectives:
 - Work together to stop illegal logging
 - Strengthen governance & transparency
 - Improve control and ability to track & verify legal compliance
 - Improve revenue capture
 - Secure & improve market access
 - Build capacity to achieve the above

Illegal Timber Regulation

- Prohibits placing of illegal harvested timber or timber products on the EU market
- Penalties could apply including fines, seizure, or suspension to trade.
- Requires operators (first placers on market) have a **system** in place to monitor and minimize the risk of illegal timber entering their supply chain
- **FLEGT licensed timber** is considered to **fulfill** Due Diligence requirements

Due Diligence Systems

What needs to be included or provided by the system:

1) Access to information :

- product description including wood species & scientific name;
- country of harvest;
- Quantity
- name and address of supplier;
- name and address of internal trader to whom timber products have been supplied; and
- documents demonstrating compliance with applicable legislation in country of harvest.

2) risk assessment procedures – for first placers on the market

3) risk mitigation procedures.

Expected effects in the EU

- Legality verification a minimum requirement;
- Undercutting of legal trade reduced;
- Shift from high risk to low-risk suppliers;
- Increased demand for verified legal and certified sustainable timber products;

Trade promotion

- Promote the visibility of FLEGT licensed timber on the European market
- Emphasize the extent to which FLEGT timber complies with the EU Illegal Logging requirements
- Develop and resource a FLEGT visibility strategy in support of these aims.

Conclusion

- FLEGT an important mechanism to improve the position of timber and timber products on the European market

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Thank You

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