Illegality in forest conversion: A global perspective

Forest Trade and Finance

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Dominance of subsistence versus commercial drivers of degradation

Palm oil; pulp plantations

Soy; beef

→ EXPORT
Indonesia: area planted in oil palm in each year
Where is the wood going when the forest is cut down?

+ area for **pulp plantations**
timber harvested through deforestation

Conversion Timber

Forest Trends

Advanced REDD+ Finance
timber from logging concessions
total production (million cubic meters)

selective logging
land clearing

1991 1993 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013

Forest Trends
Advanced REDD+ Finance
Conversion Timber now $\frac{2}{3}$ of wood reportedly used from forests

Concern about sustainability of forests & forestry & livelihoods requires a focus on land use change

Reason to believe this underestimates situation
likely timber from deforestation
reported supply from conversion timber
Most of this land clearing is **illegal**

- Violations in permitting
  - No consent of communities
  - No **Social & Enviro-Impact Assessments**

- Violations in clearing
  - Use fire
  - Clear outside of concession
  - Launder the conversion timber

FRAUD, TAX EVASION \(\rightarrow\) CORRUPTION

+ area for pulp plantations
Most of this land clearing is illegal & for export-commodities.

- ~70% of oil palm exported
- ~40% of paper exported
How common is illegal land clearing for export-commercial agriculture?

Brazil:
- Stickler et al: 90% of clearing in Para illegal
  - Violates the *legal reserve*
- Karstensen et al: 30% of deforestation for export ag
How common is illegal land clearing for export-commercial agriculture?

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Cameroon:
- Greenpeace: Herakles Farms’ oil palm illegal timber entering trade...

Forest Trends: forthcoming...
Where is this unreported wood going?

Examine the reported supply chain & processing capacity
reported use of plantation-grown timber
area planted for pulp plantations
Selective logging supply and clearing plantation-grown
SUPPLY
Illegal gap

filled by conversion timber?
No unreported use (e.g., smuggling, tax evasion)

Industry self-reporting to MoF appears low
Production (million m$^3$ air-dry pulp) as reported by MoF
as reported by APKI

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Illegal gap

↑ 200 million m³ → >2x
Human Rights Watch estimates

$2 billion in tax loss > national budget for health

Fuels corruption

**No plausible deniability**

- Requires **enhanced due diligence**
Implications for conflict from the increase in plantations

President office (2012): 8,495 agrarian conflicts
- 2,002 were “likely to erupt into violence”

Government *Fact Finding Team*
- Review the legality of permits, especially where concessions overlap with communities
- Establish an independent body to address agrarian conflicts
role of international trade agreements & legality legislation

Use the VPA to reinforce regulations

SVLK = Legality Assurance system
Does not verify consultation/consent

P1. Certainty of area and use rights
   ◦ Legal documents related to business license

Does not verify compensation

K3.2 Permit holder has settled the payment of applicable fees
   ◦ Proof of deposit made for government taxes
Independent test

*Independent Forest Monitors Network*

- As of June 2013: of >600 audits, 25 reviewed
  - 15 complaints lodged
  - Only 2 resolved
    - 1 suspended
    - 1 cancelled

Believe auditors “hide failures”

*European Forestry Institute* SVLK evaluation

- unreleased
Difficult to obtain accountability

- Unwarranted restrictions on access to information about forest concessions and land claims
- Citizen oversight under threat from criminal defamation laws
- New regulations used to exert control over funding and activities of civil society
  - Restrictions of:
    - Free Speech
    - Freedom of Association
pressure continues → importance of governance
Thank you

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Implications of insufficient supply

Pulp mills operating at \(~70\%\) of capacity
- If at full capacity, illegal gap grows by a third

No new mills
- At least until a proven supply from plantations