

# Illegality in forest conversion: A global perspective



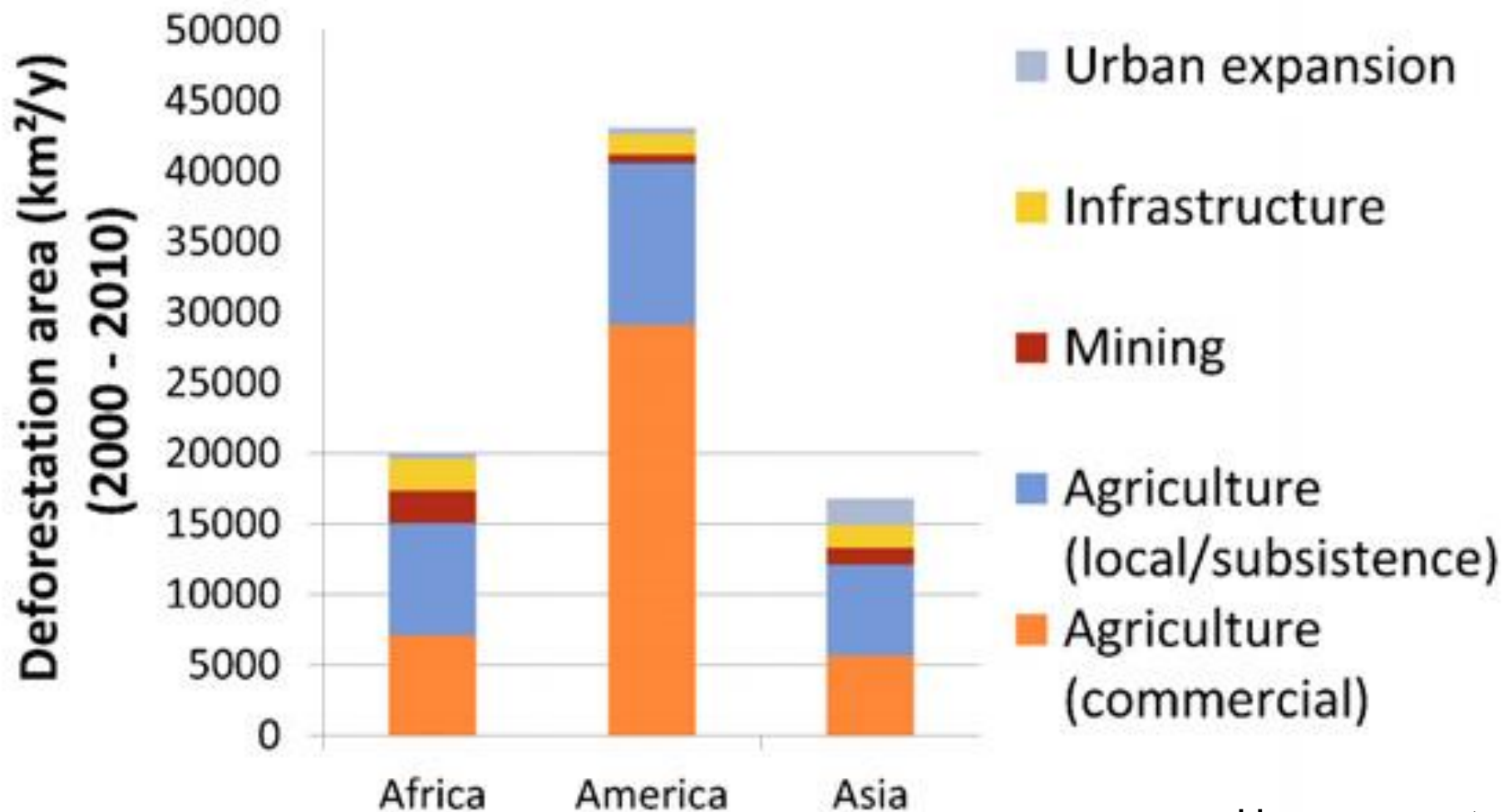
FOREST  
TRENDS

Forest Trade and Finance

July 2014





# drivers of deforestation 2000-2010



Hosonuma *et al*



## Dominance of subsistence versus commercial drivers of degradation

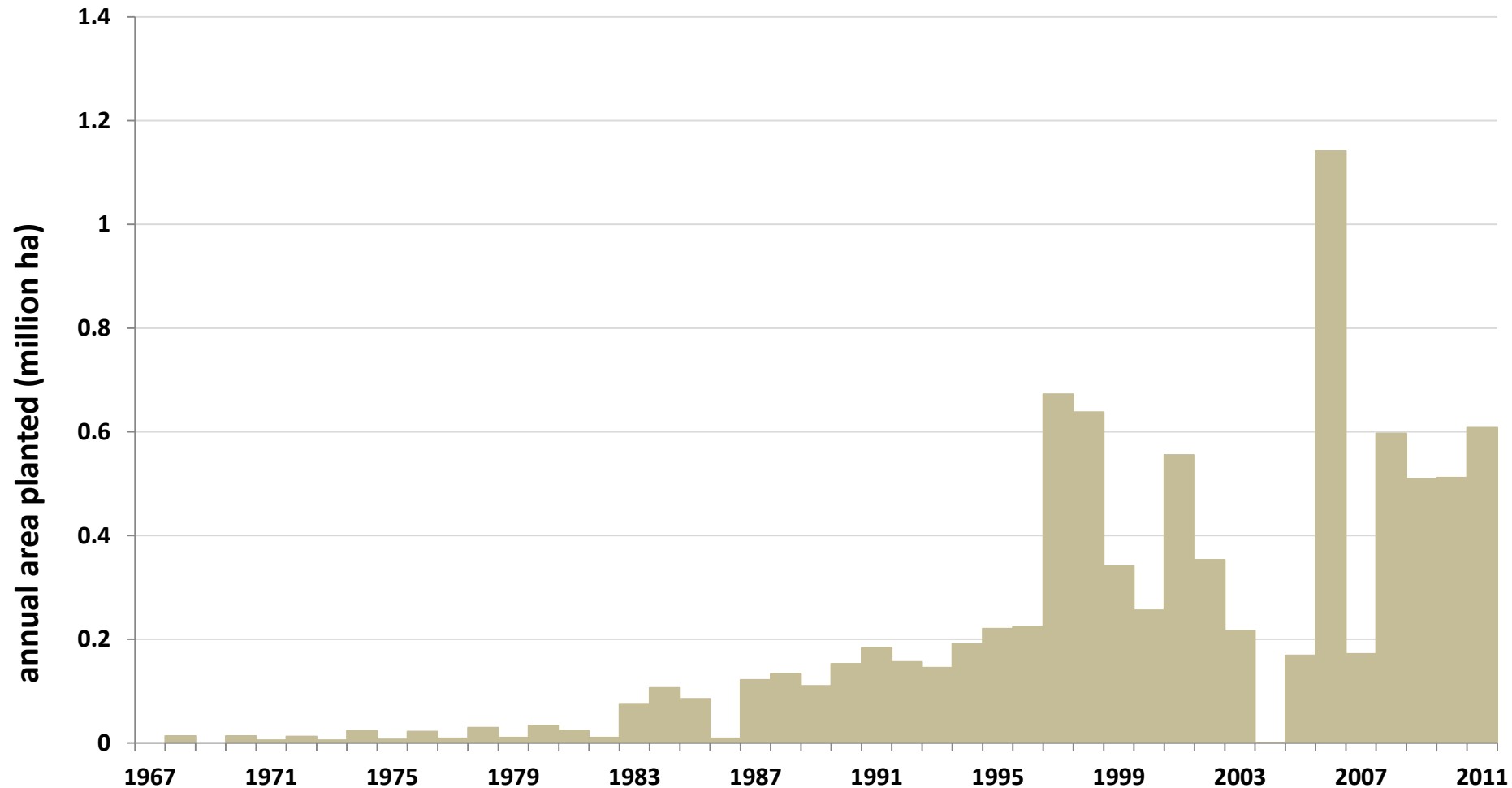
-  Subsistence degradation
-  Commercial degradation

Palm oil; pulp plantations

Soy; beef

→ **EXPORT**

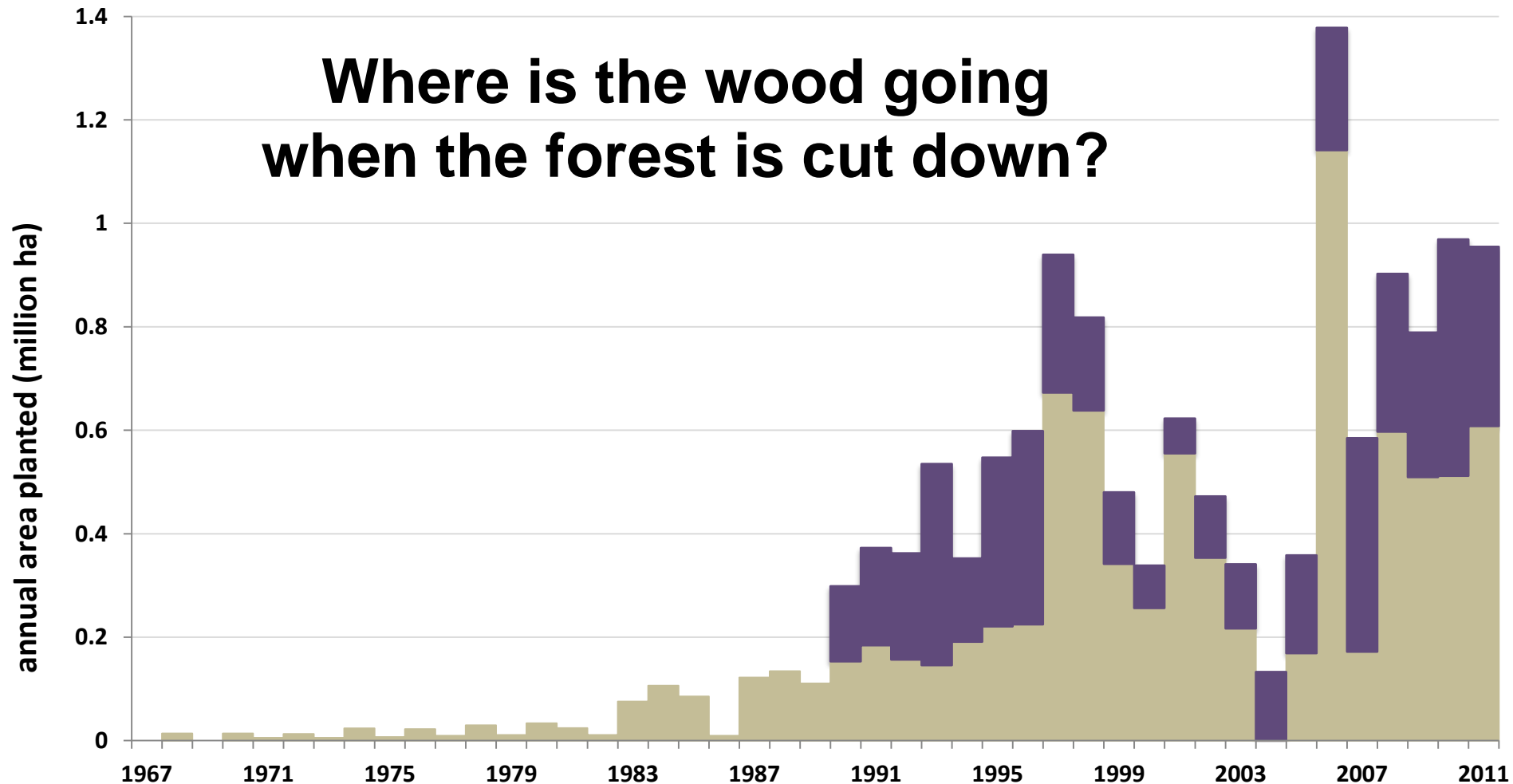
# Indonesia: area planted in oil palm in each year



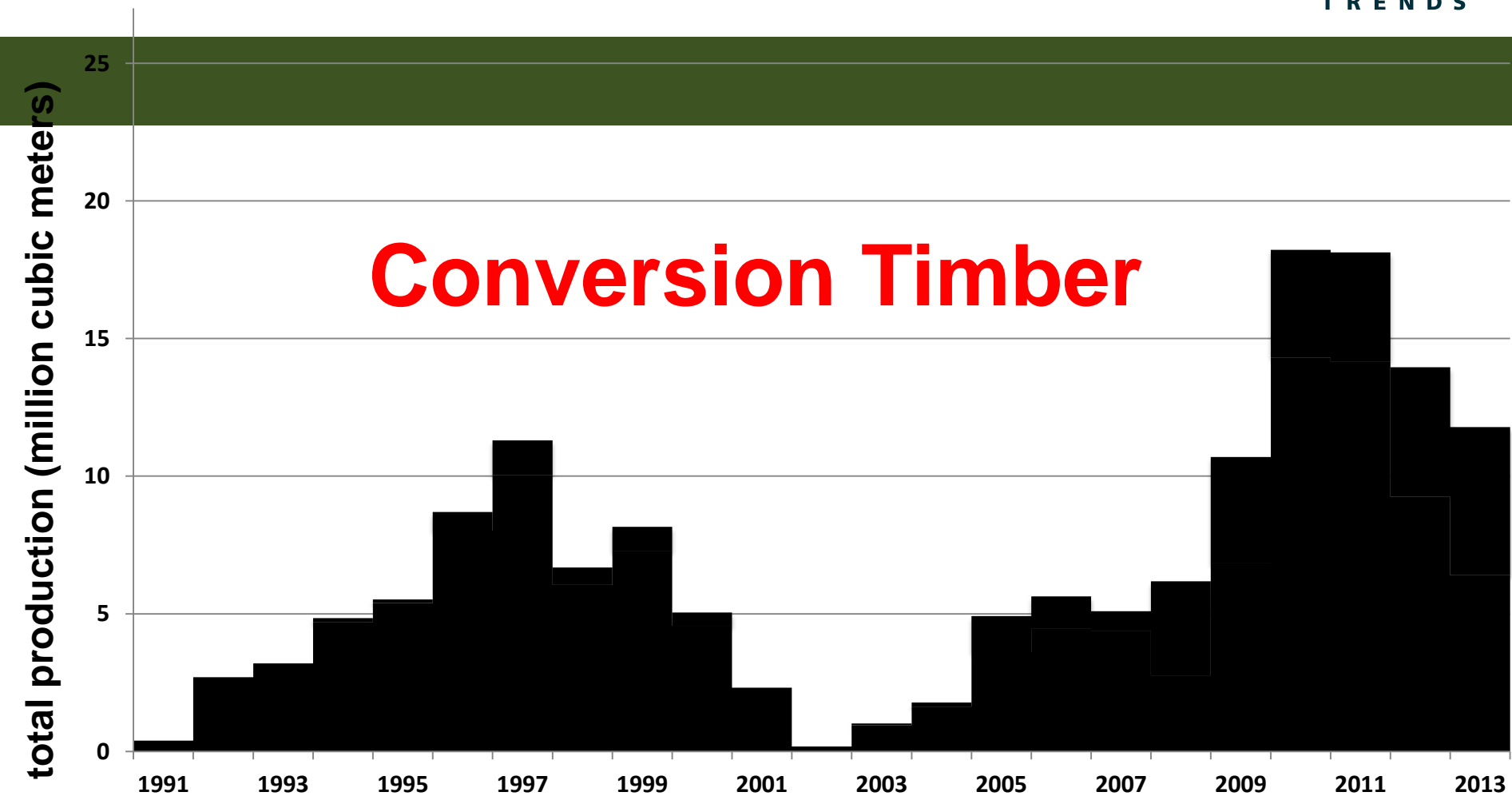
+ area for **pulp plantations**



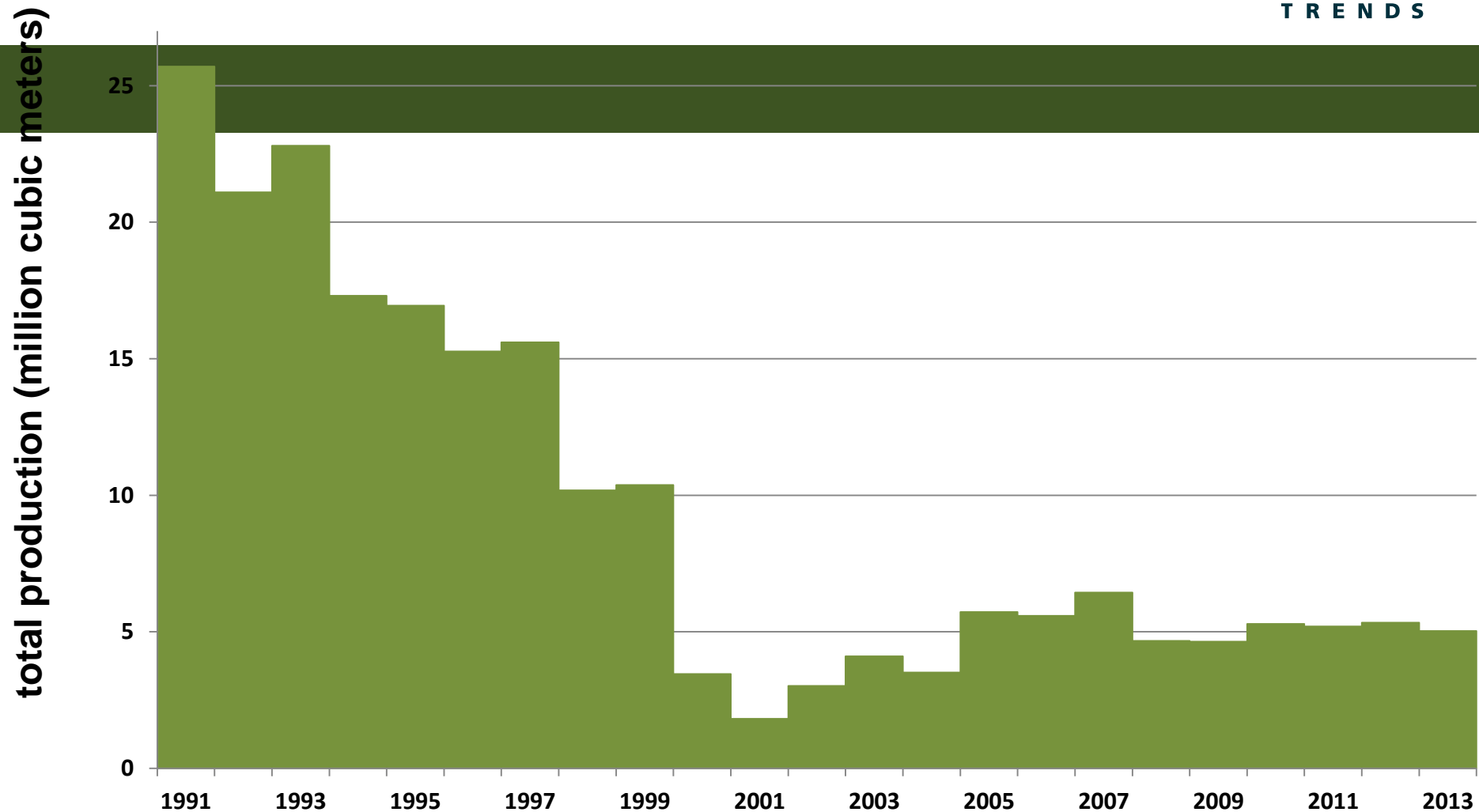
## Where is the wood going when the forest is cut down?

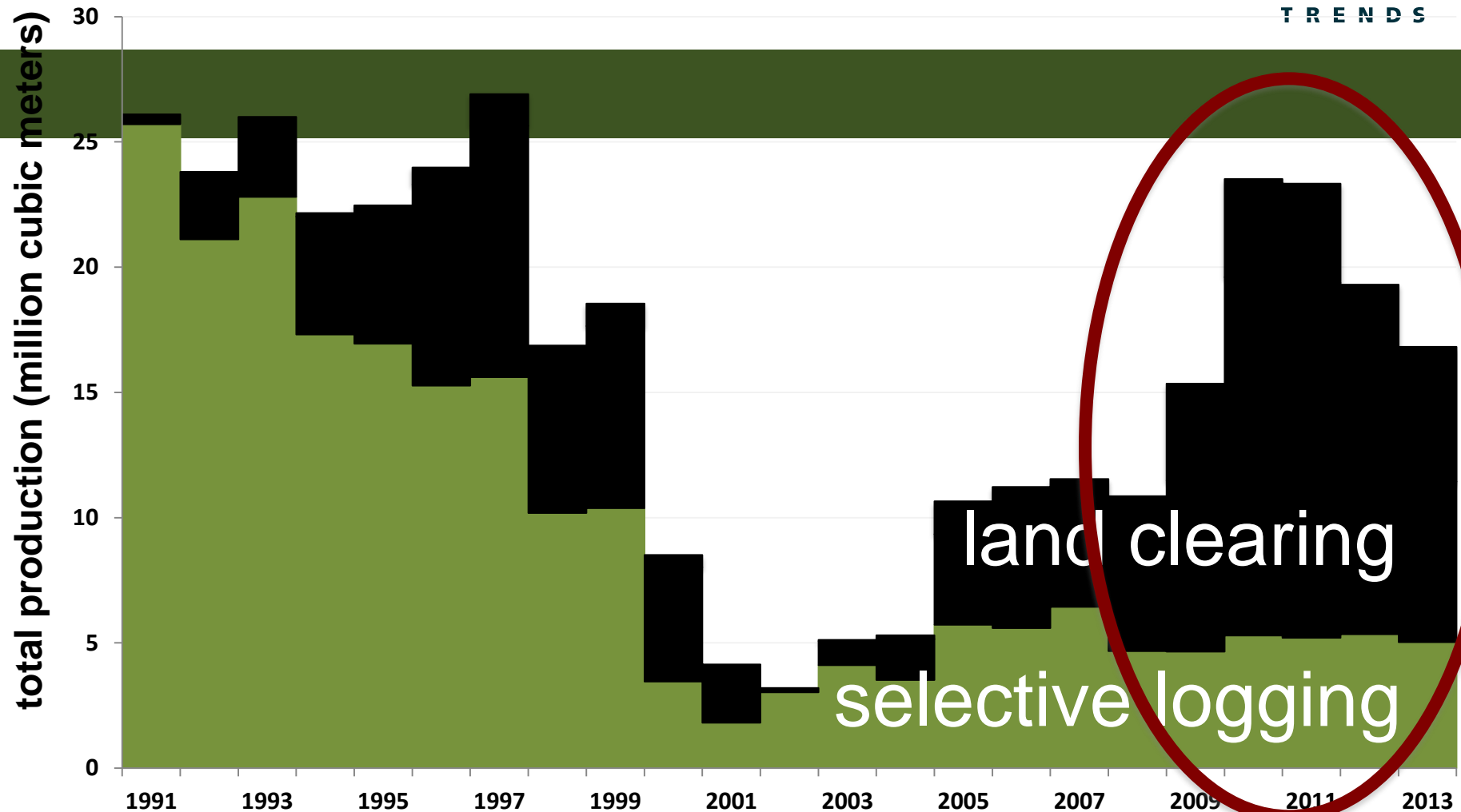


# timber harvested through deforestation



# timber from logging concessions





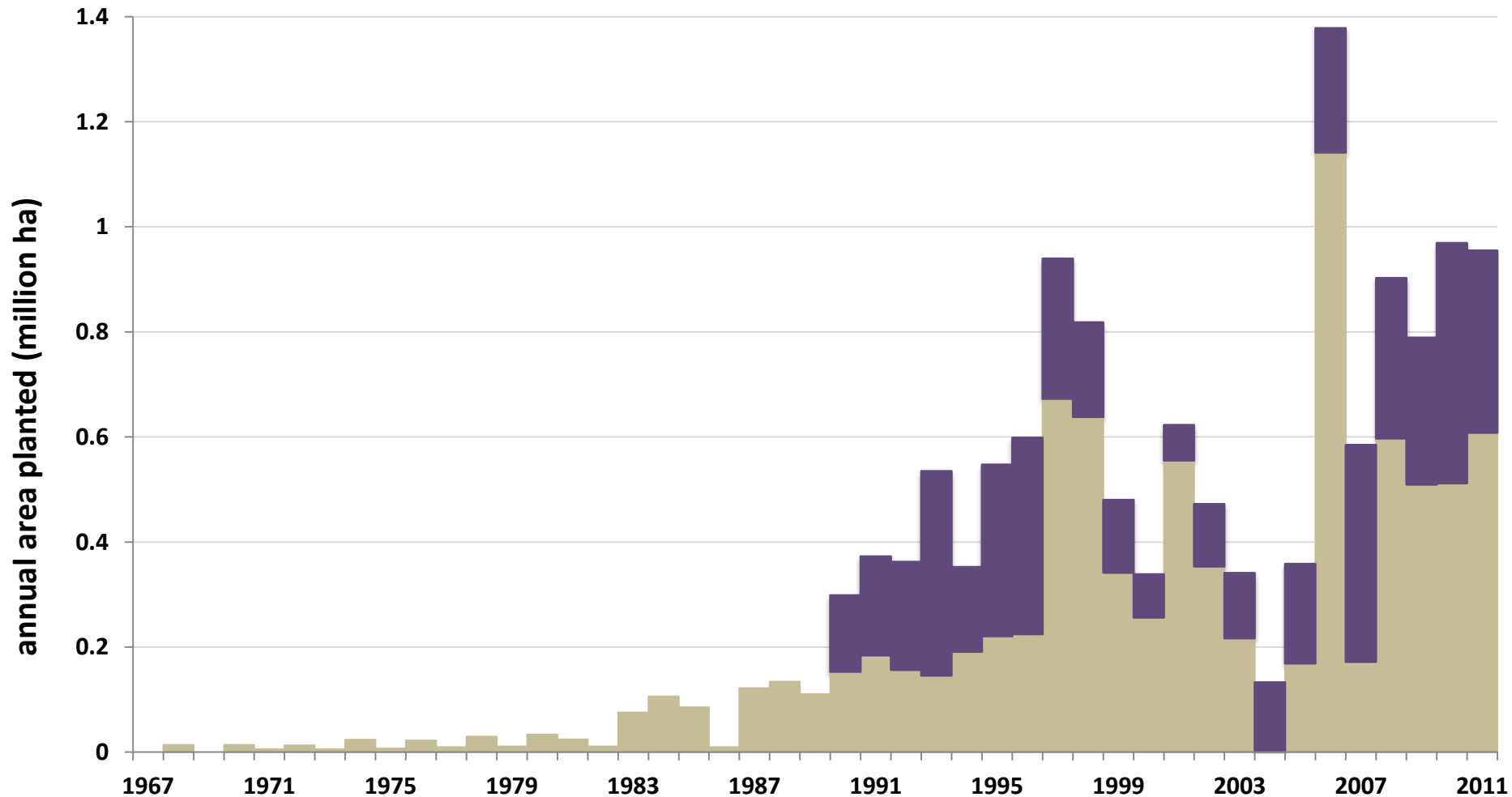


**Conversion Timber** now  $\frac{2}{3}$ <sup>rds</sup> of wood  
reportedly used from forests

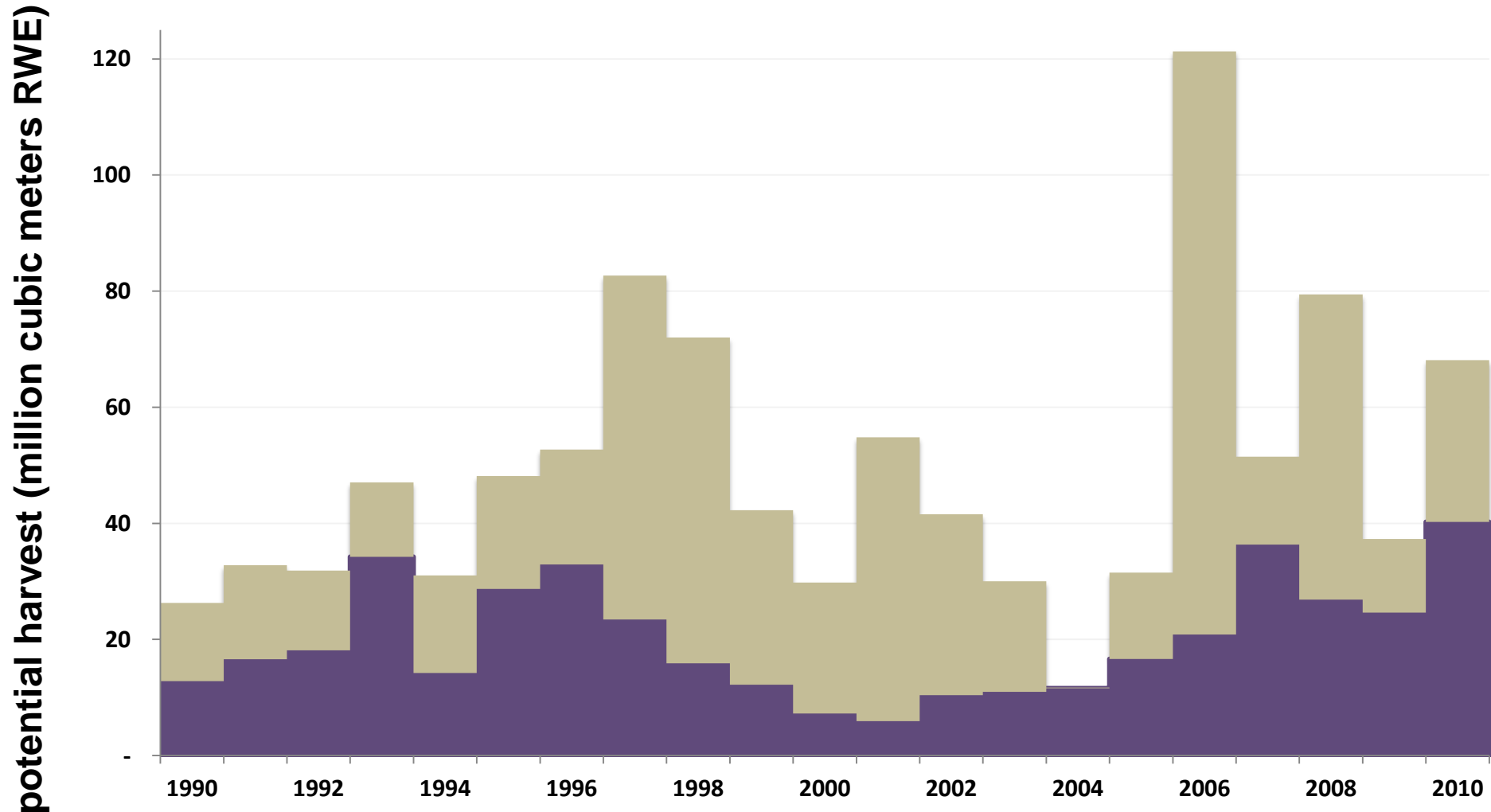
Concern about sustainability  
of forests & forestry & livelihoods  
requires a focus on land use change

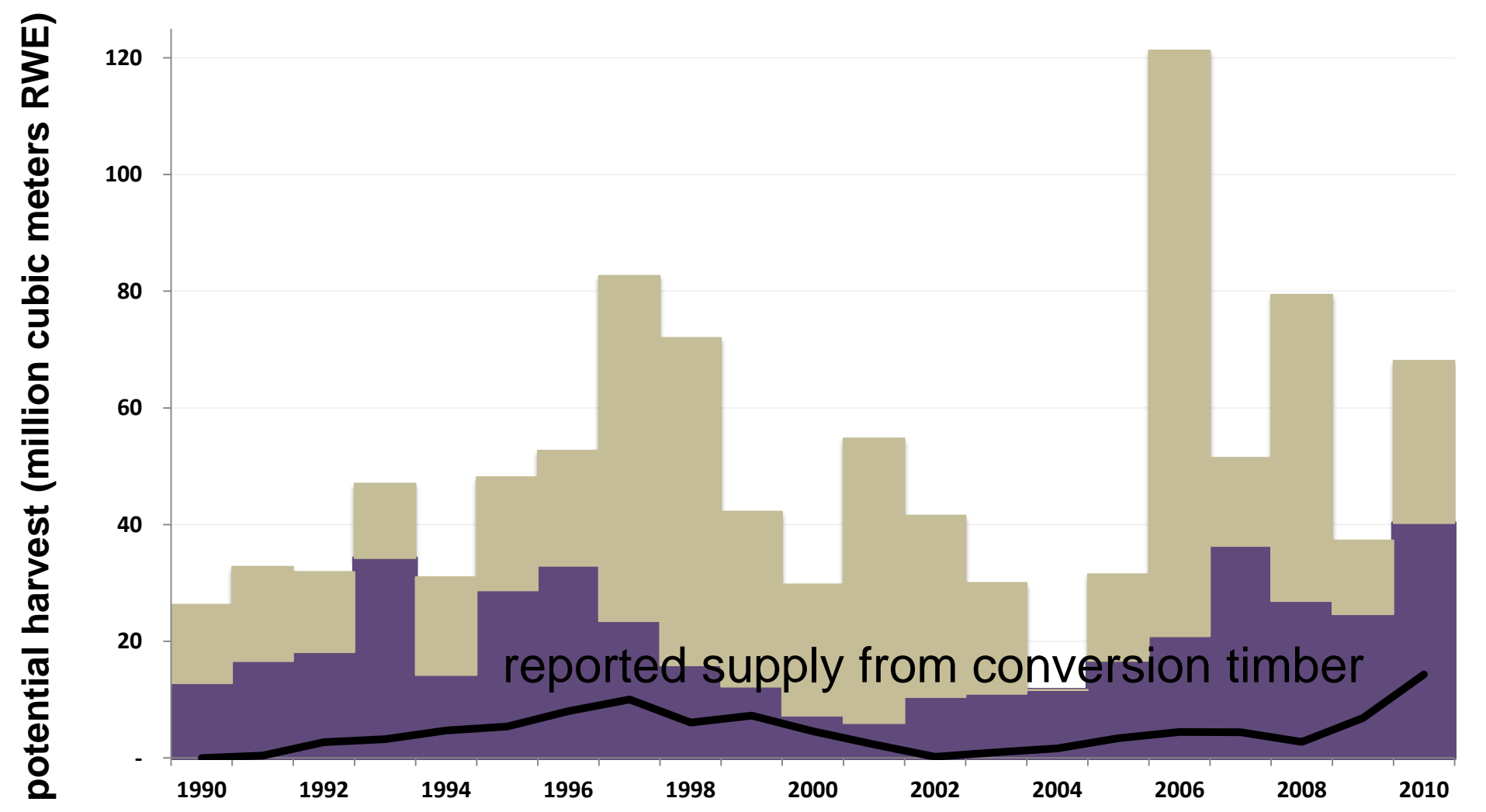
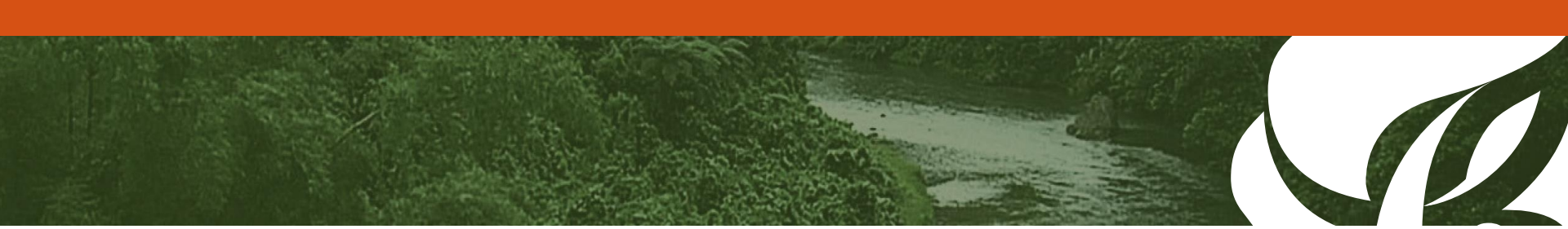
Reason to believe this  
underestimates situation

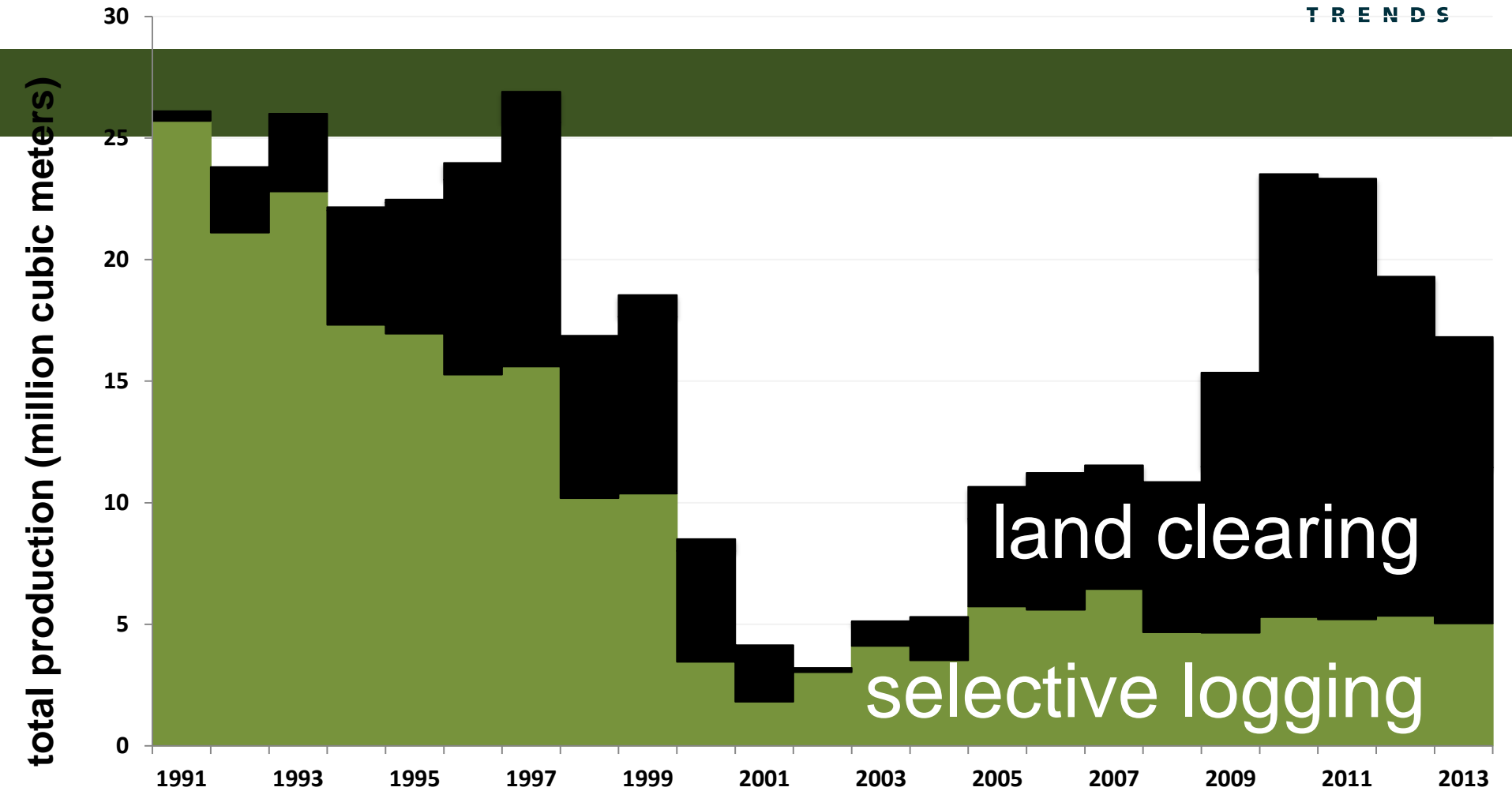
# area in plantations

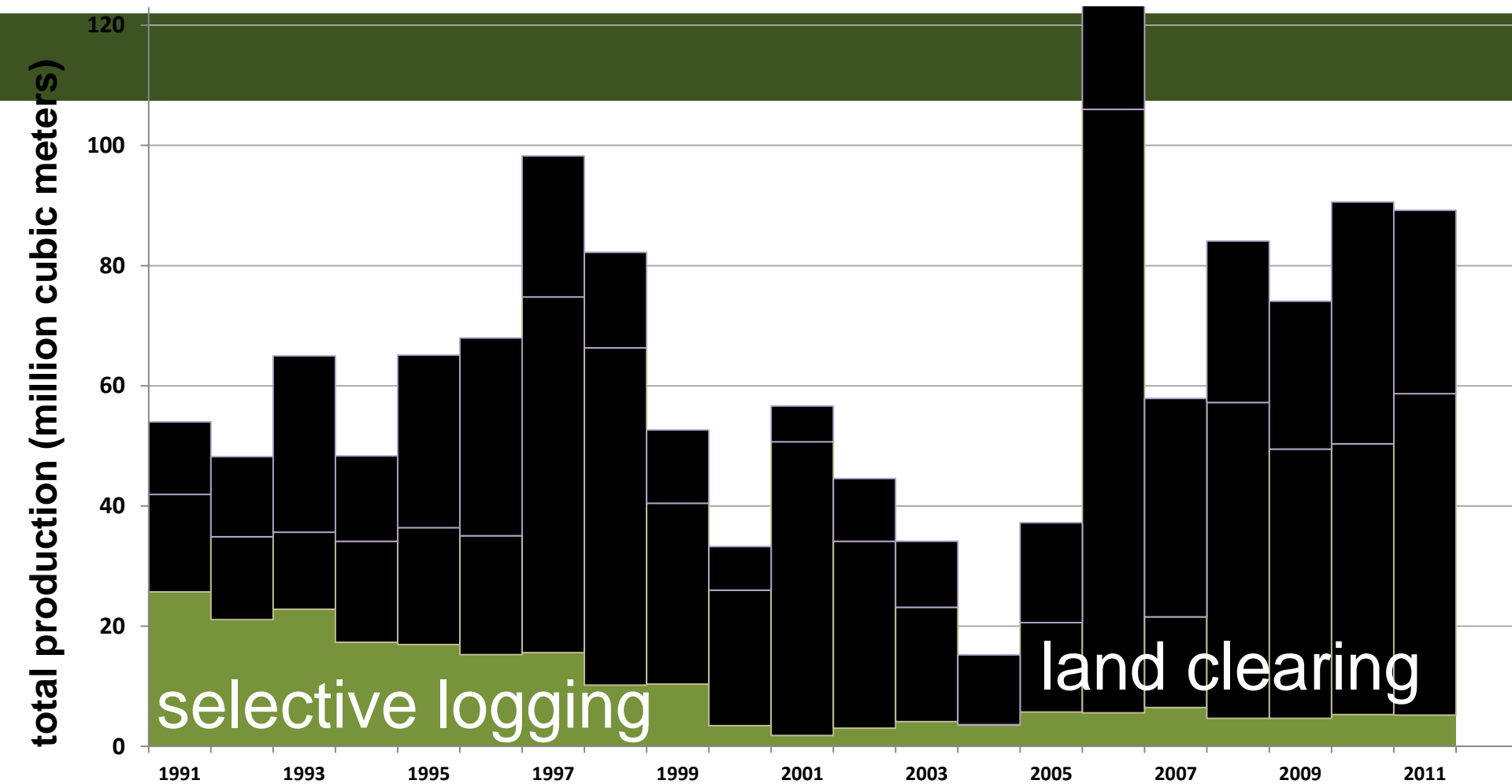


# likely timber from deforestation





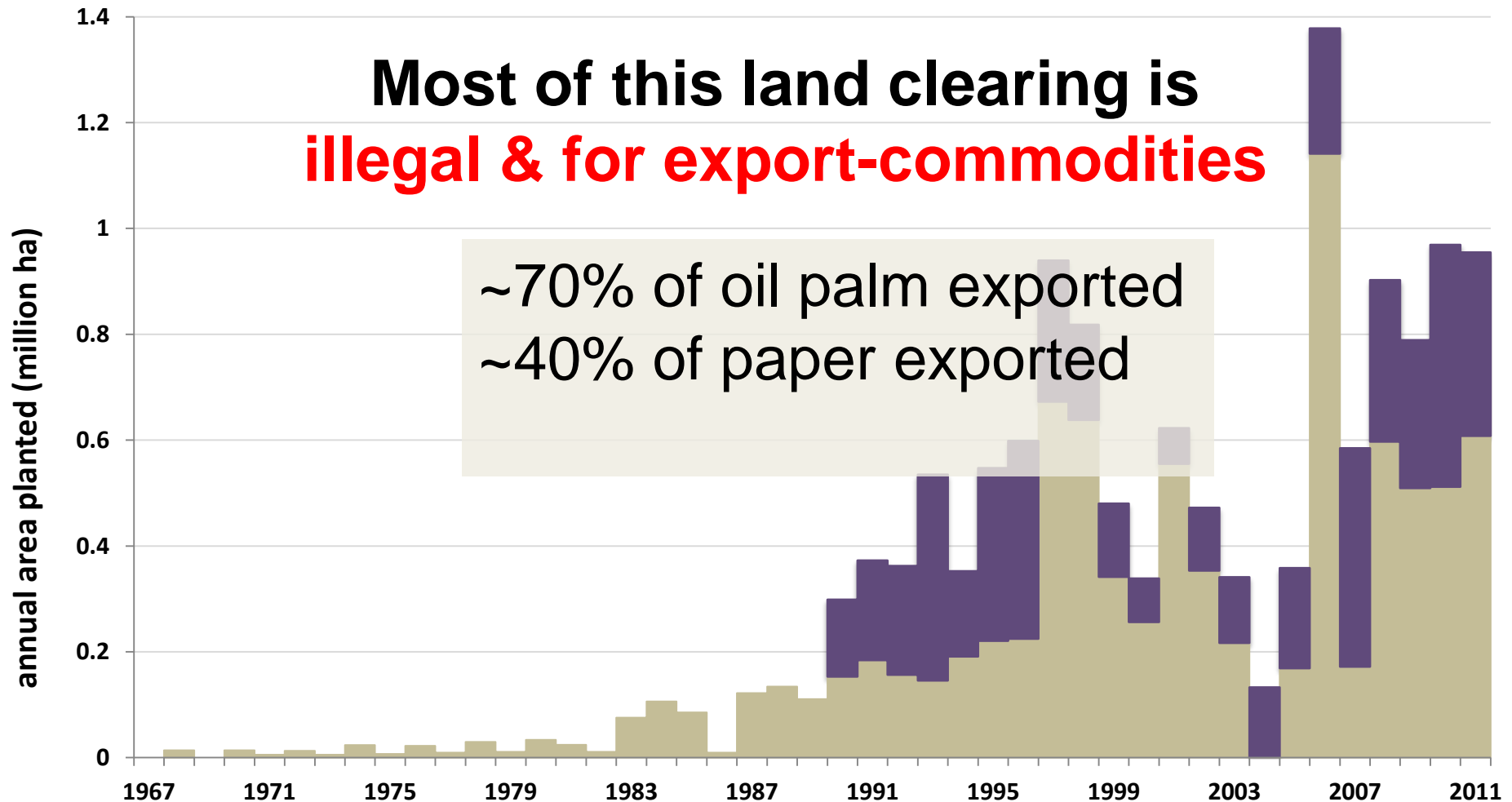




+ area for pulp plantations



+ area for pulp plantations



# 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  
export-commercial

Brazil:

- Stickler et al: 9
- Violates the
- Karstensen et al

Cameroon:

- Greenpeace: H

Forest Trends: forest

# Licence to Launder

How Herakles Farms' illegal timber trade  
threatens Cameroon's forests and VPA.

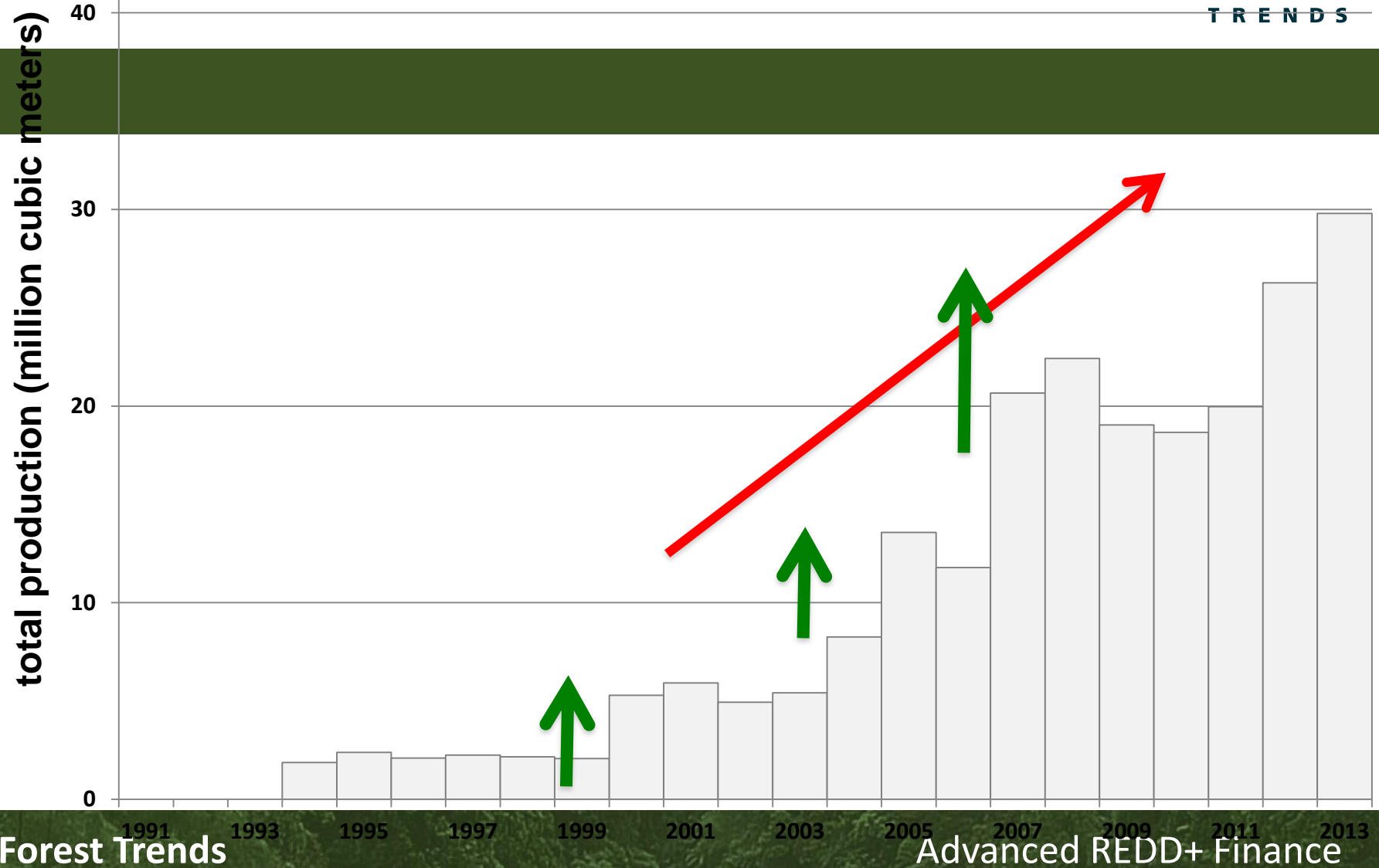
GREENPEACE



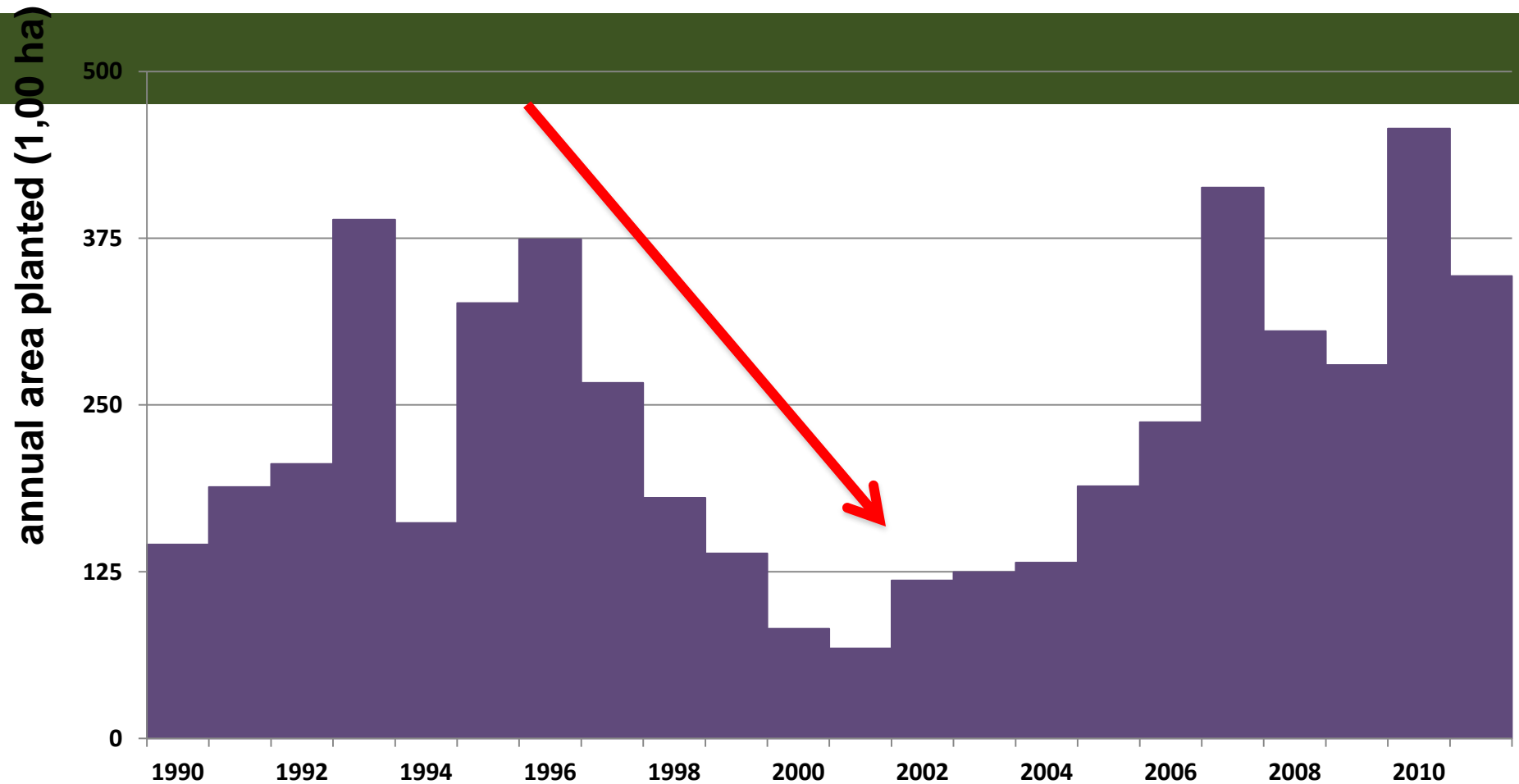
# Where is this unreported wood going?

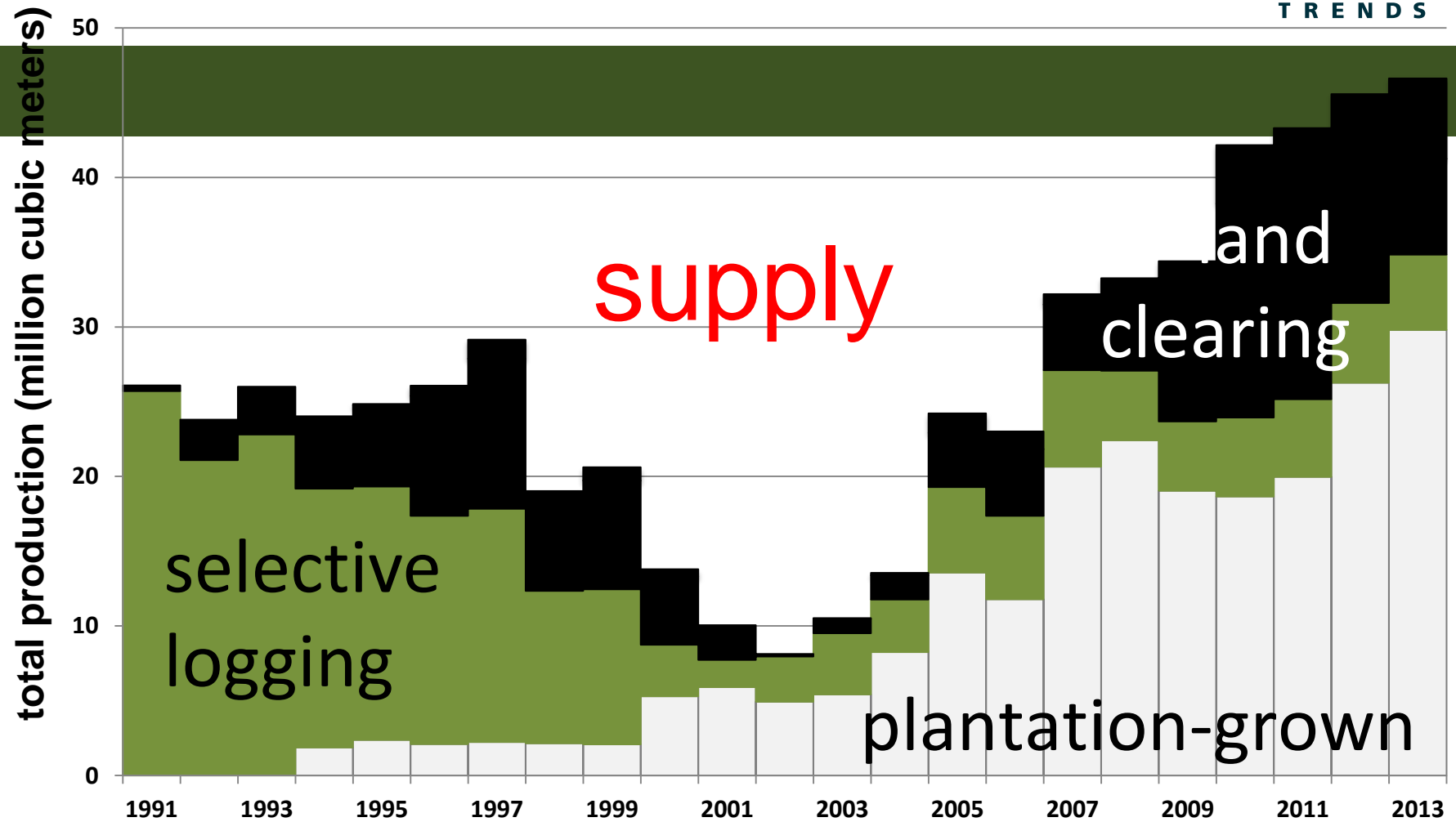
## Examine the reported supply chain & processing capacity

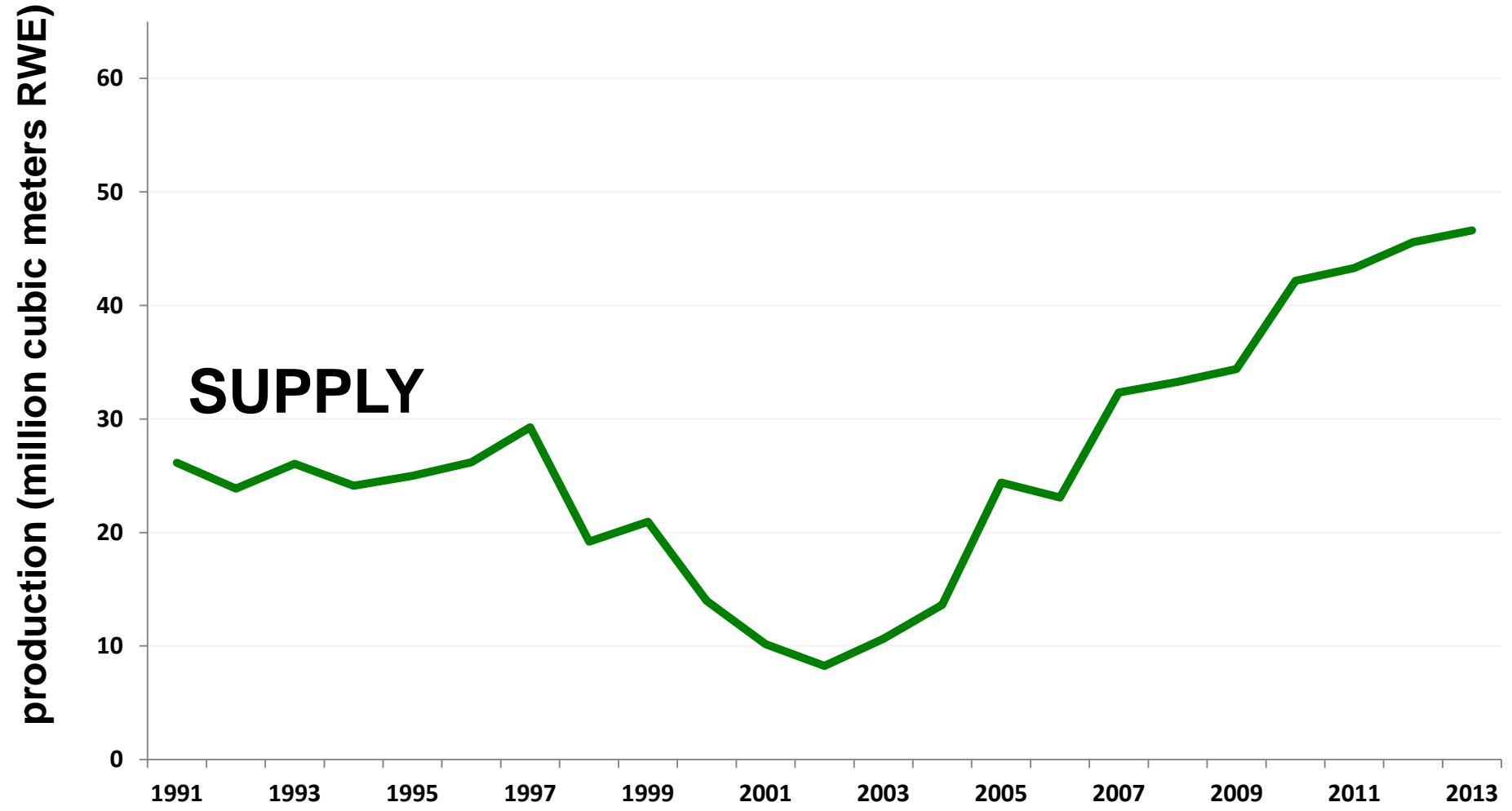
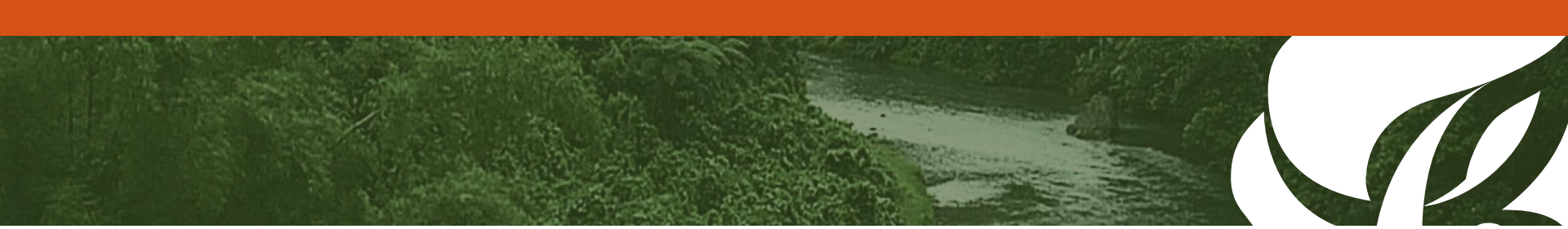
# reported use of plantation-grown timber

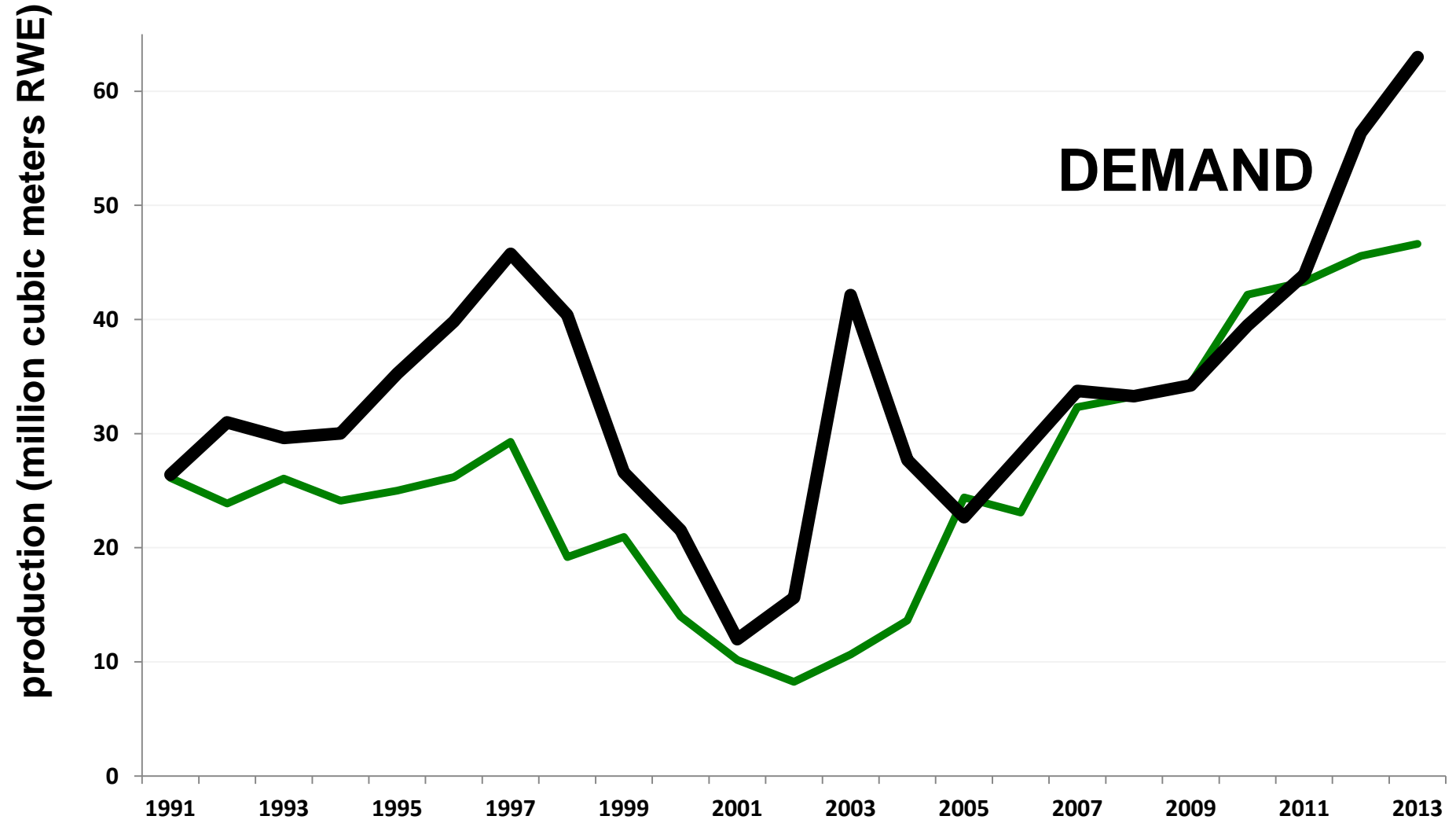
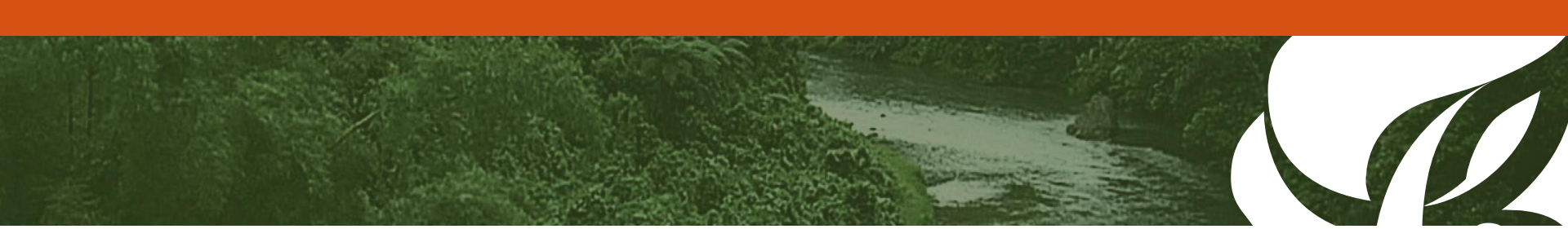


# area planted for pulp plantations

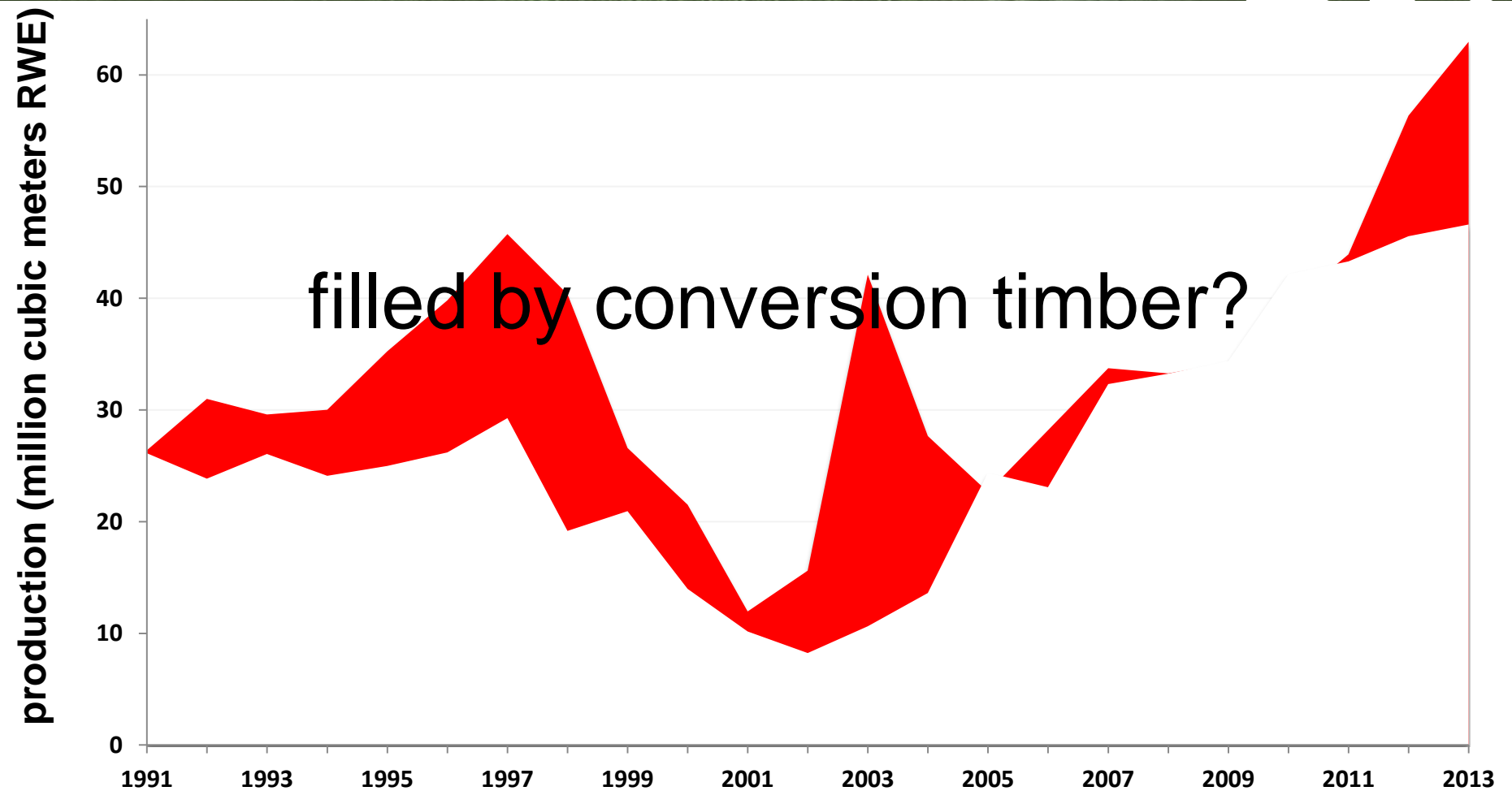








# Illegal gap

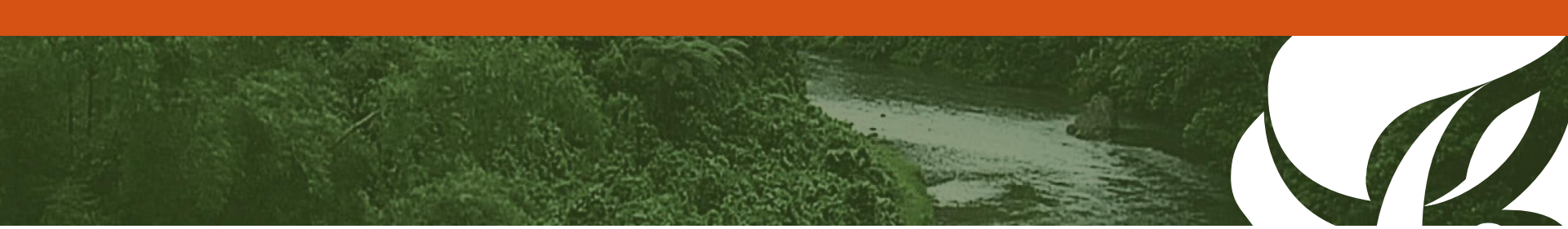




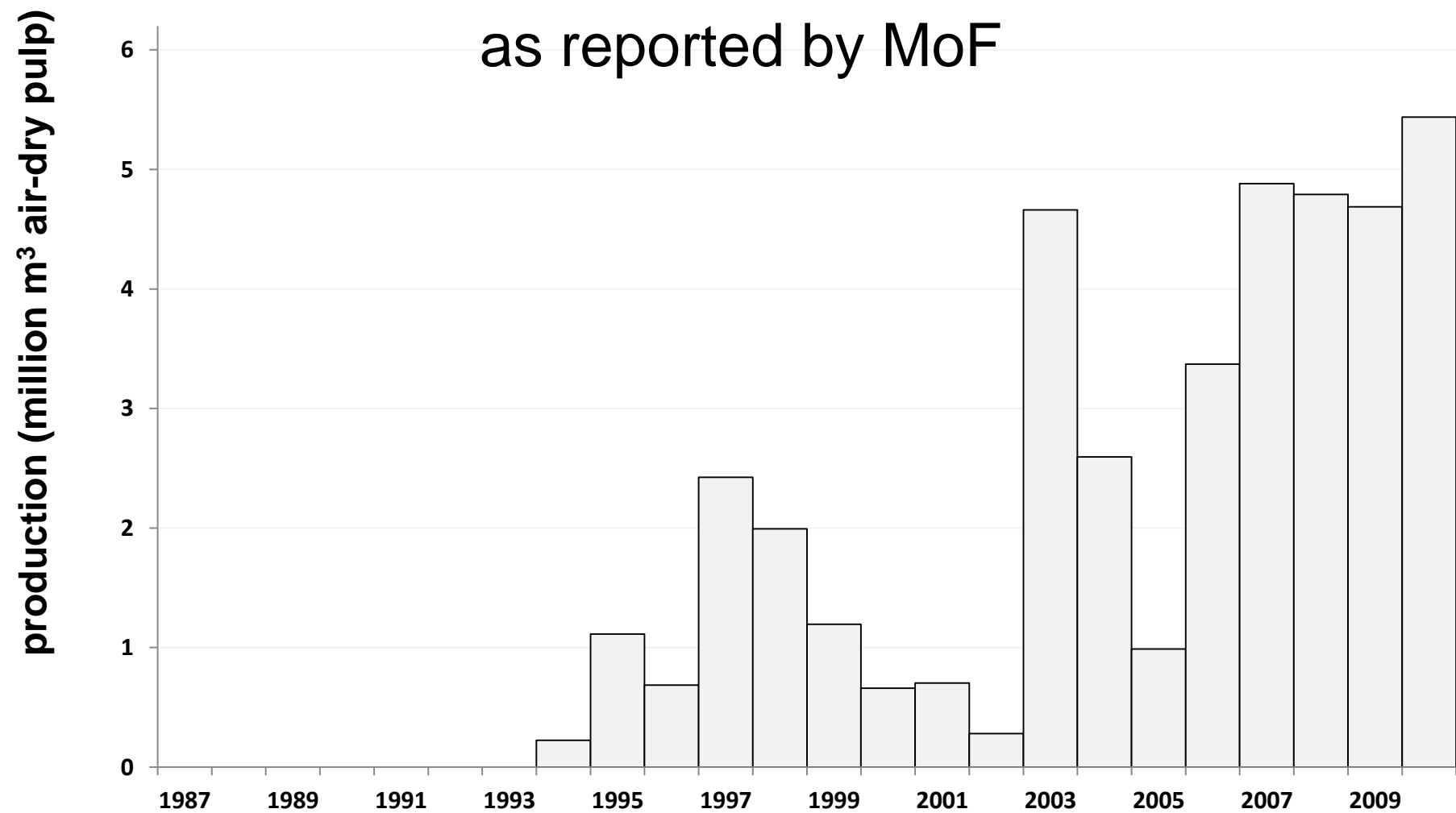
underestimate

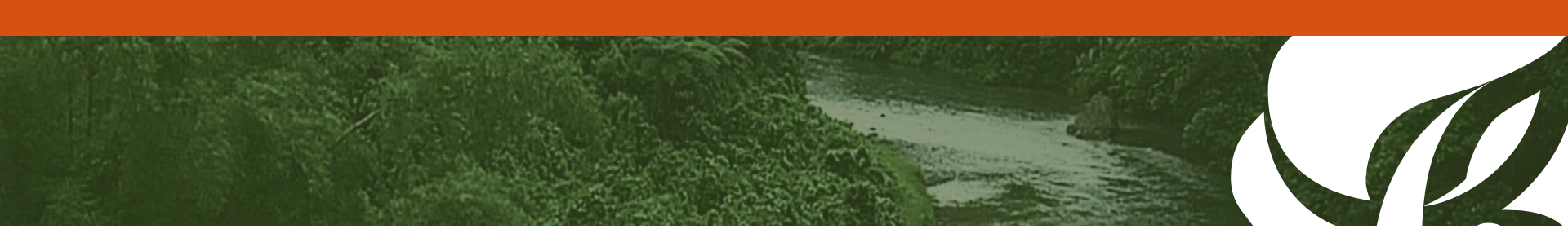
No unreported use (e.g., smuggling, tax evasion)

Industry self-reporting to MoF appears low

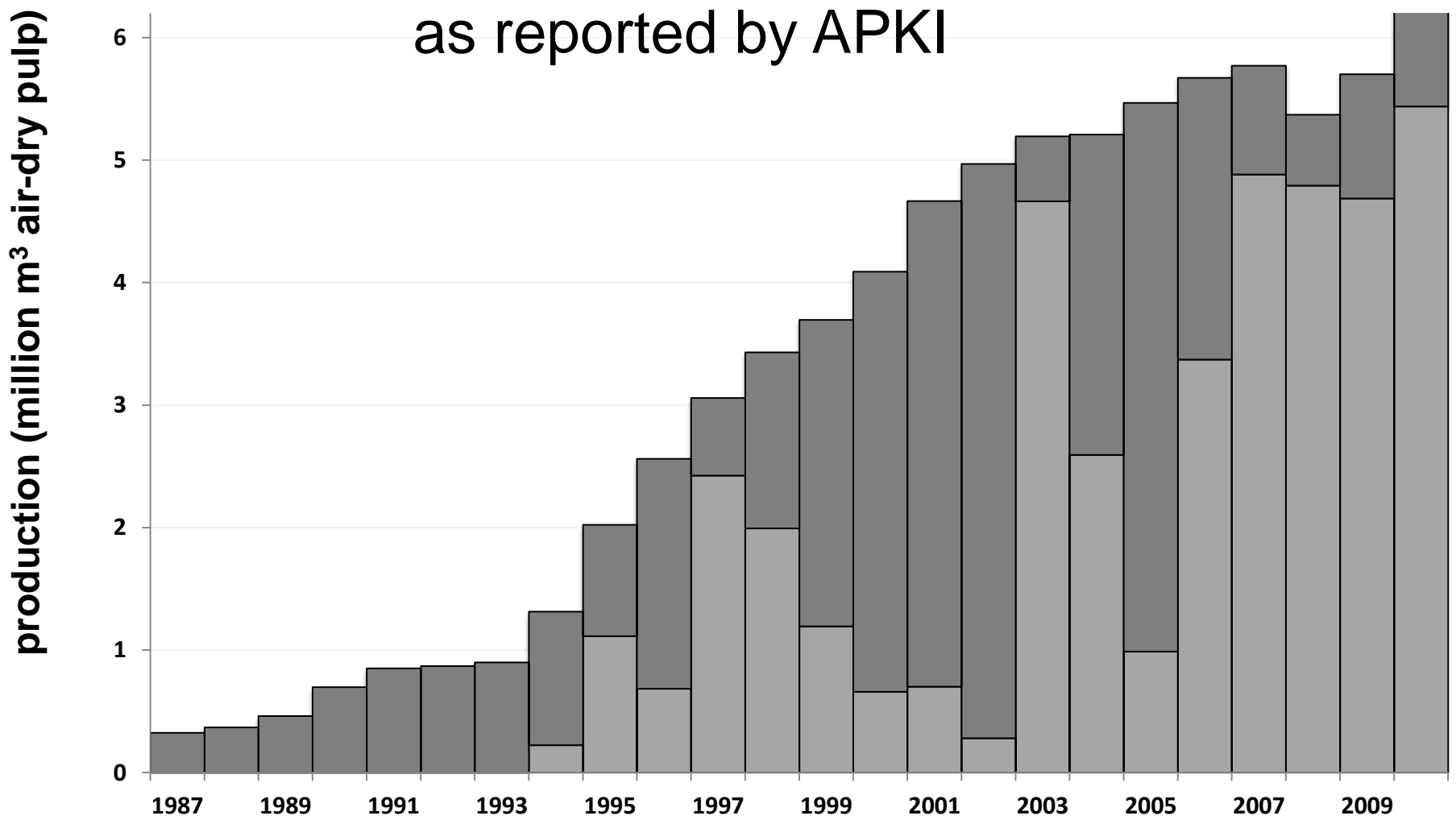


as reported by MoF



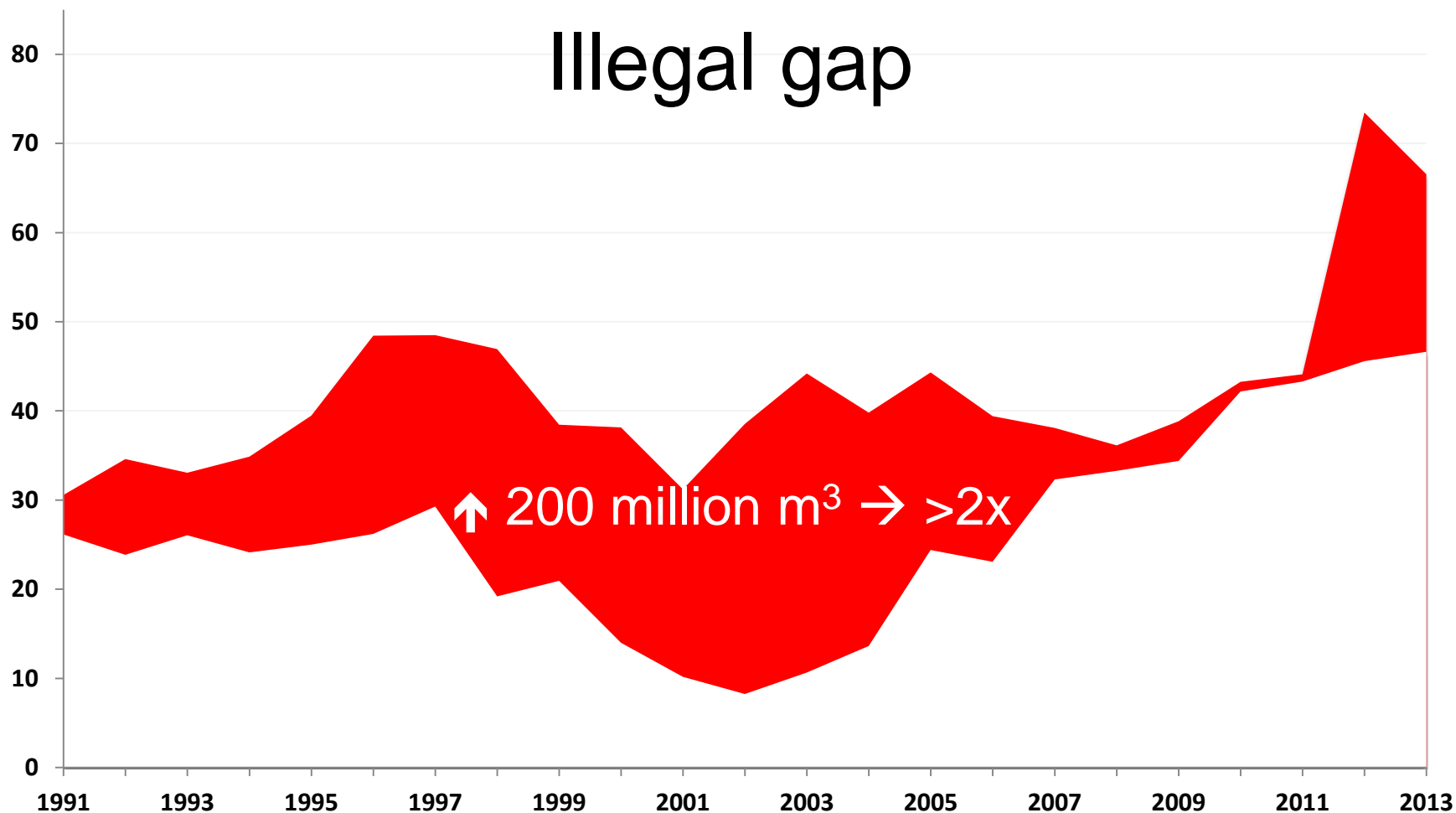


as reported by APKI



production (million cubic meters RWE)

Illegal gap



# Implications - Indonesia



Human Rights Watch estimates

**\$2billion 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

Forest Trends

## SVLK Flawed : An Independent Evaluation of Indonesia's Timber Legality Certification System



Anti  
Forest-Mafia  
Coalition



GAPETA Borneo



IWGFF



Sikalakari





### **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”

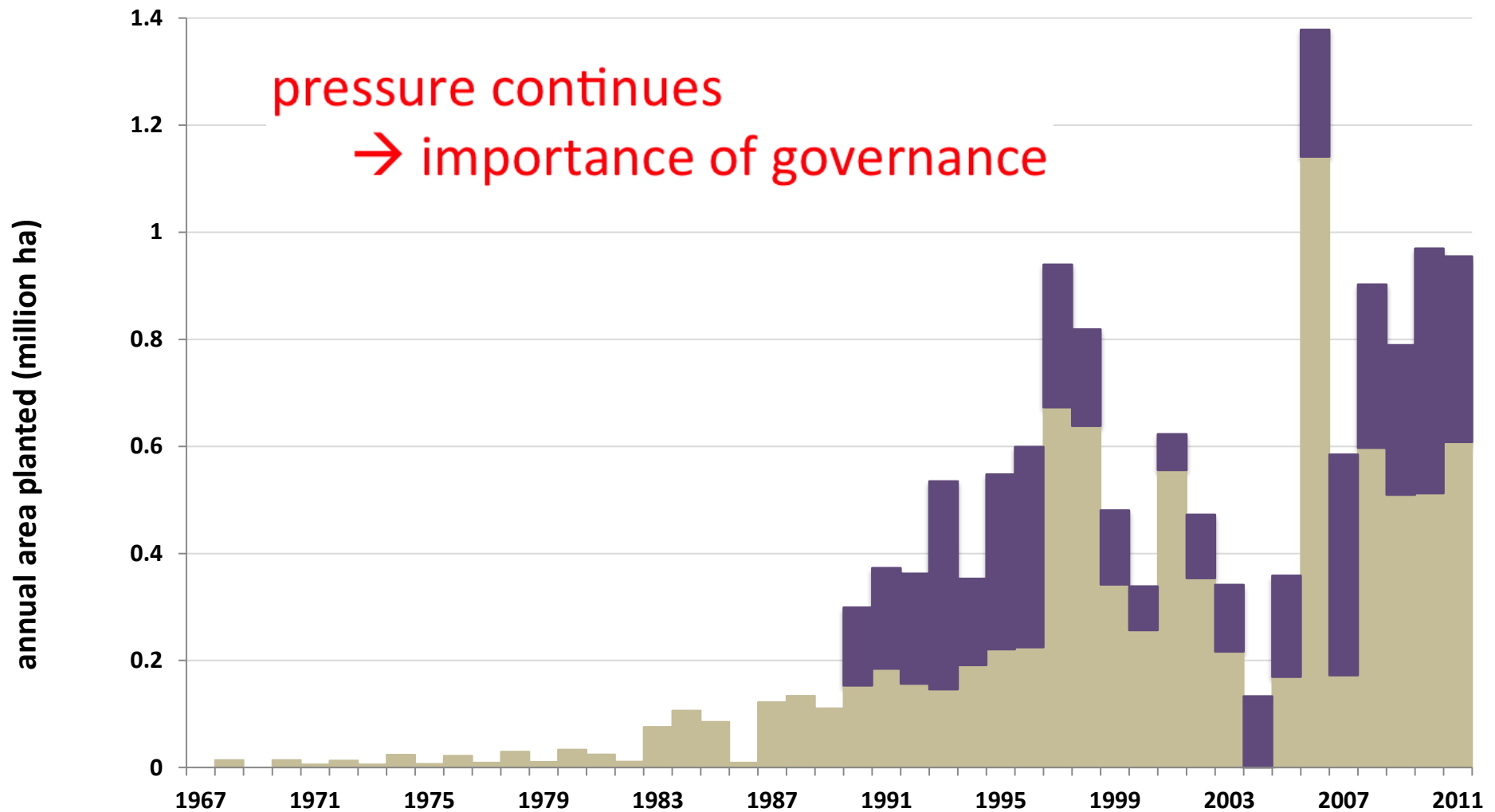
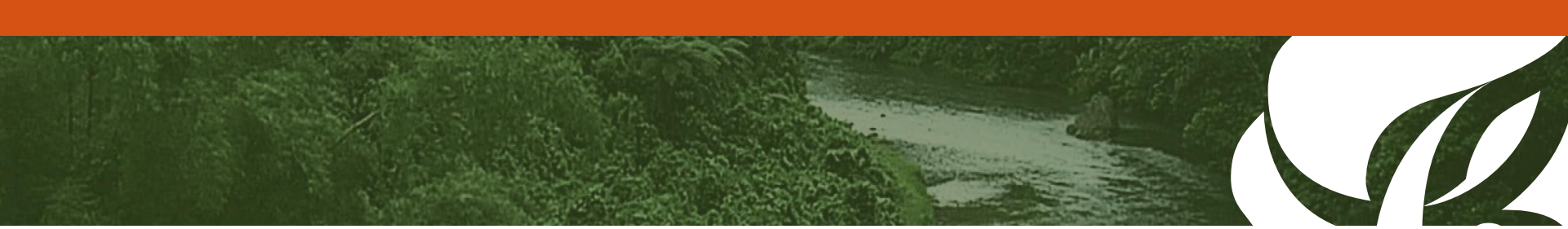
## *European Forestry Institute SVLK evaluation*

- 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***



Forest Trends

Advanced REDD+ Finance



# Thank you

Arthur G Blundell  
[art@naturalcapitaladvisors.com](mailto:art@naturalcapitaladvisors.com)  
[www.forest-trends.org](http://www.forest-trends.org)



# 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