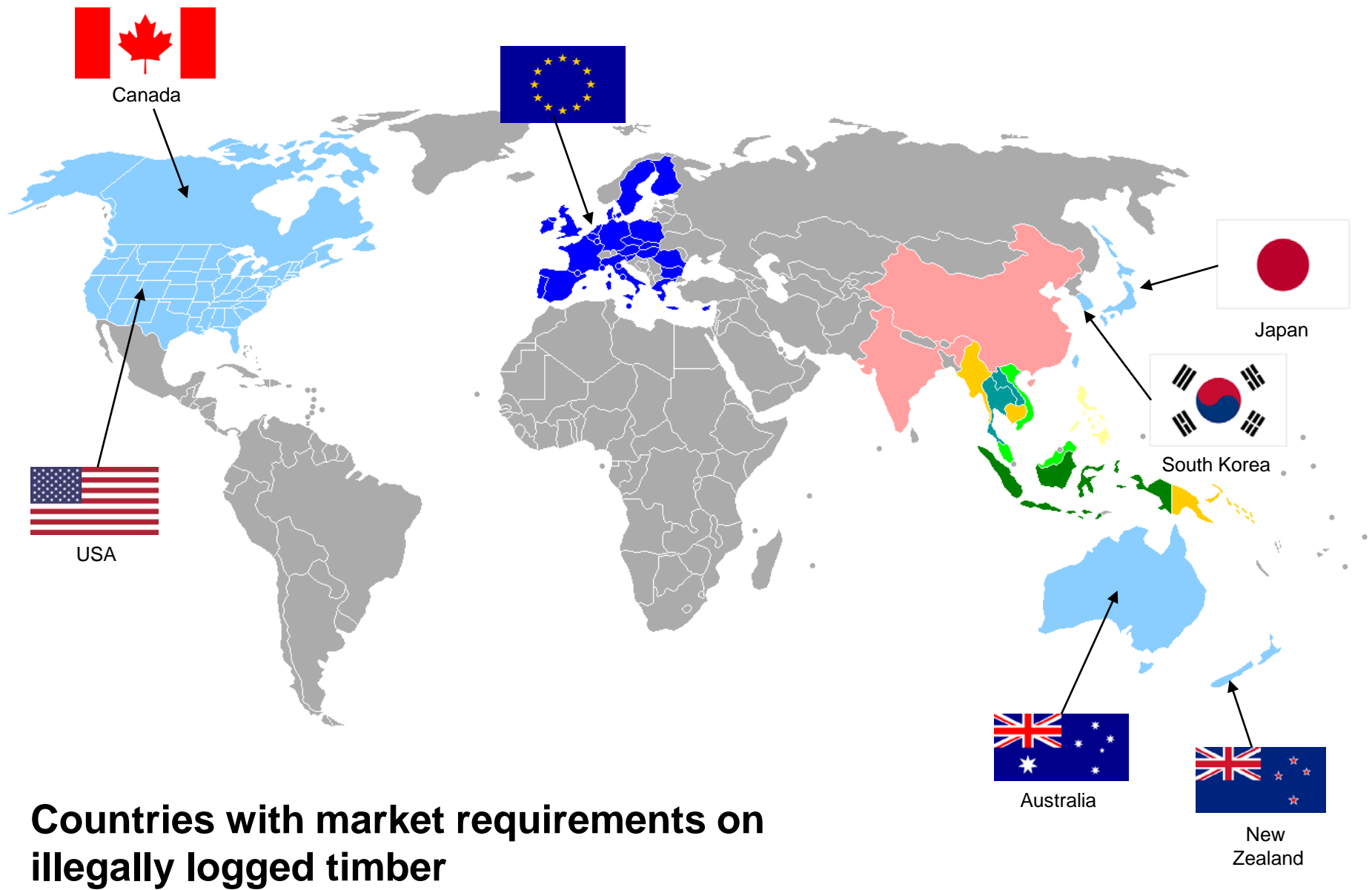




Overview of International Timber Legality Requirements

Suifenhe, 20 February 2014

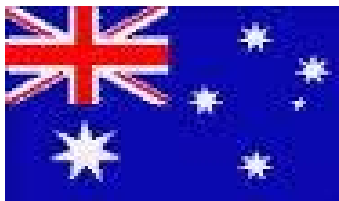




USA, Europe & Australia Illegal Logging Laws are aligning

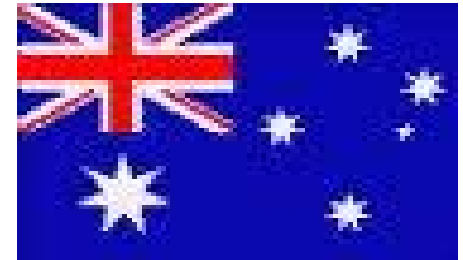
The liability is now on the domestic
harvester or importer

Information regulations NOT
documentation



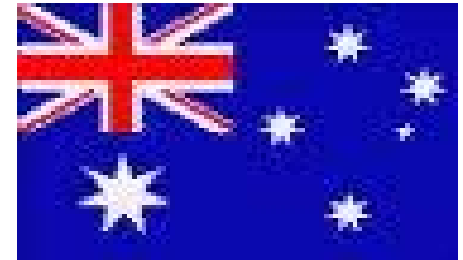
Illegal Logging Laws:

- **Focus on legality in country of harvest**
- **Prohibits import or selling of illegal timber/forest products**
- **Creates obligation to question the legality of the supply chain**



Differences?

- **Border Controls**
- **Terminology “due diligence” & “due care”**
- **Enforcement, different legal systems**



EU Timber Regulation

3 Key Obligations for 'operators' and traders in the EU

- 1** It prohibits the placing on the EU market of illegally harvested timber and products derived from such timber;
- 2** It requires EU traders who place timber products on the EU market for the first time to exercise 'due diligence';
- 3** Other traders further down the supply chain must keep records of their suppliers and customers.

EU Timber Regulation

What is Due Diligence?

1. INFORMATION

Operator must have access to information describing the timber and timber products, country of harvest, species, quantity, details of the supplier and information on compliance with national legislation.

2. RISK ASSESSMENT

Operator must assess the risk of illegal timber in his supply chain, based on the information in 1. and taking into account criteria set out in the regulation.

3. RISK MITIGATION

When there is a risk of illegal timber in the supply chain, the operator must mitigate that risk by requiring additional information and verification from the supplier.

Applicable legislation of the producing country/ country of harvest

- Legal rights to harvest
- Payments taxes and fees related to harvesting
- Timber harvesting laws including environmental and forest legislation
- Third parties tenure and use rights (affected by harvesting)
- Trade and customs

Risk assessment

- Complexity of supply chains
- Evidence of non-enforcement
- Known cases of illegal activities
- Known corruption
- Lack of information about source
- Lack of supply chain control
- Lack of transparency
- Poor quality information
- Tree species
- Unreliable documentation



What products are covered?

1

Covered (almost all):

- Solid wood products
- Flooring
- Plywood
- Pulp and paper

2

Not covered:

- Recycled products
- Musical instruments
- Printed matter including magazines, newspapers and books
- Some special products, like wooden toys

Most timber products are covered. The products covered may change in future.

EU Timber Regulation

Buyers will ask about the origin and legal compliance of timber and timber products

How to react?

- 1** **Negotiation of FLEGT Voluntary Partnership Agreements** between the EU and timber-exporting country
- 2** **Private sector initiatives** (e.g. voluntary forest certification and legality verification)
- 3** **Use other means** of providing information on legality

What is a Voluntary Partnership Agreement?

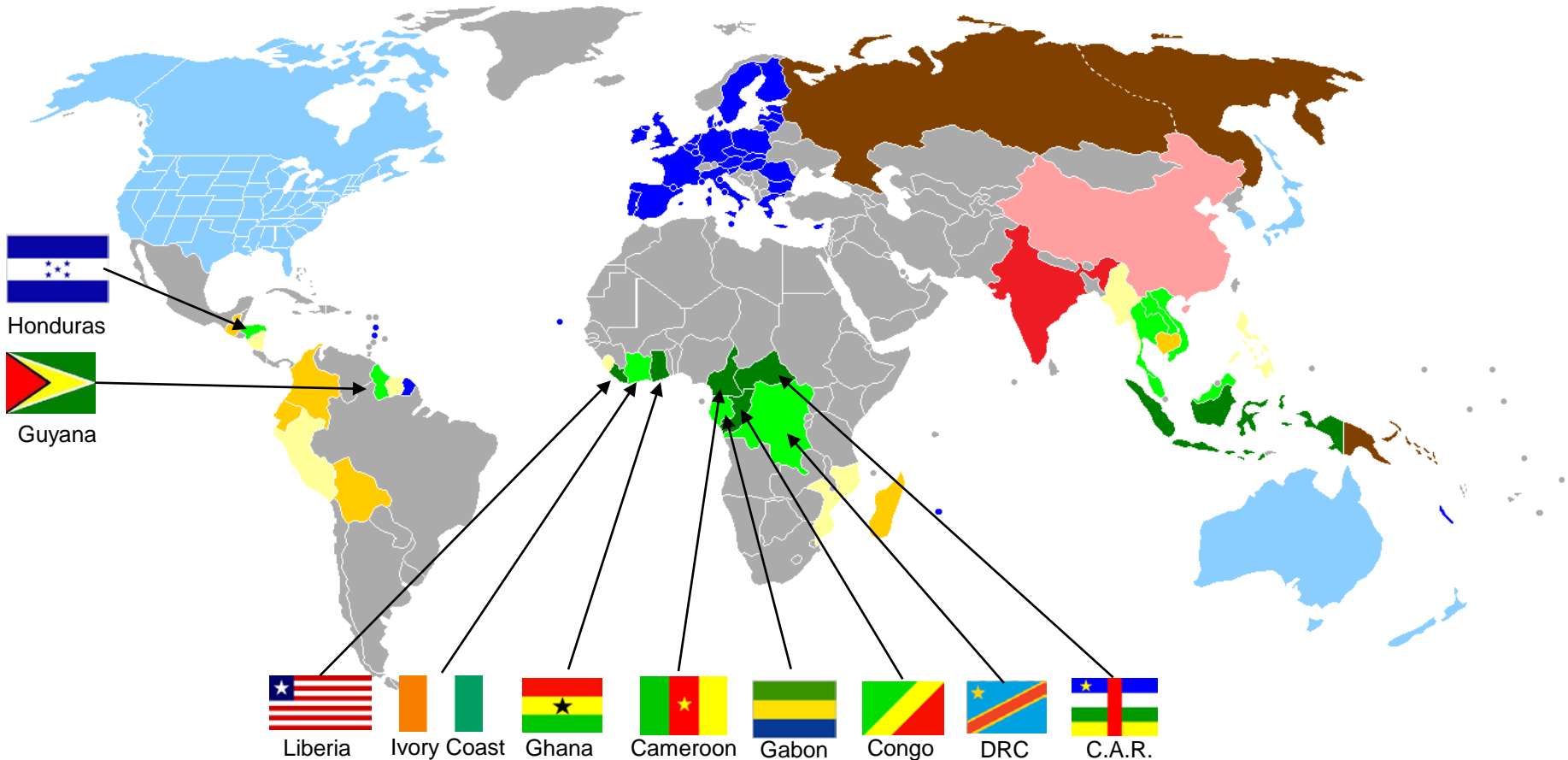
A VPA is a bilateral agreement between the European Union and a timber-producing country.

- The purpose of a VPA is to ensure that timber and timber products exported to the EU come from legal sources.
- The timber-producing country agrees to control and license its timber exports as legal.
- The EU agrees to accept only licensed imports from that country.
- Legality is assured through an agreed timber legality assurance system.

Once VPA is in full implementation, the partner country's exports to the EU carry a FLEGT-license, which indicates the legality status.

FLEGT VPA partner countries

- FLEGT licenses (not yet)
- System development
- Formal negotiations
- Entering into negotiations
- Preparation, in-country consensus building
- Introduction to VPAs
- Bilateral Coordination Mechanism (BCM)





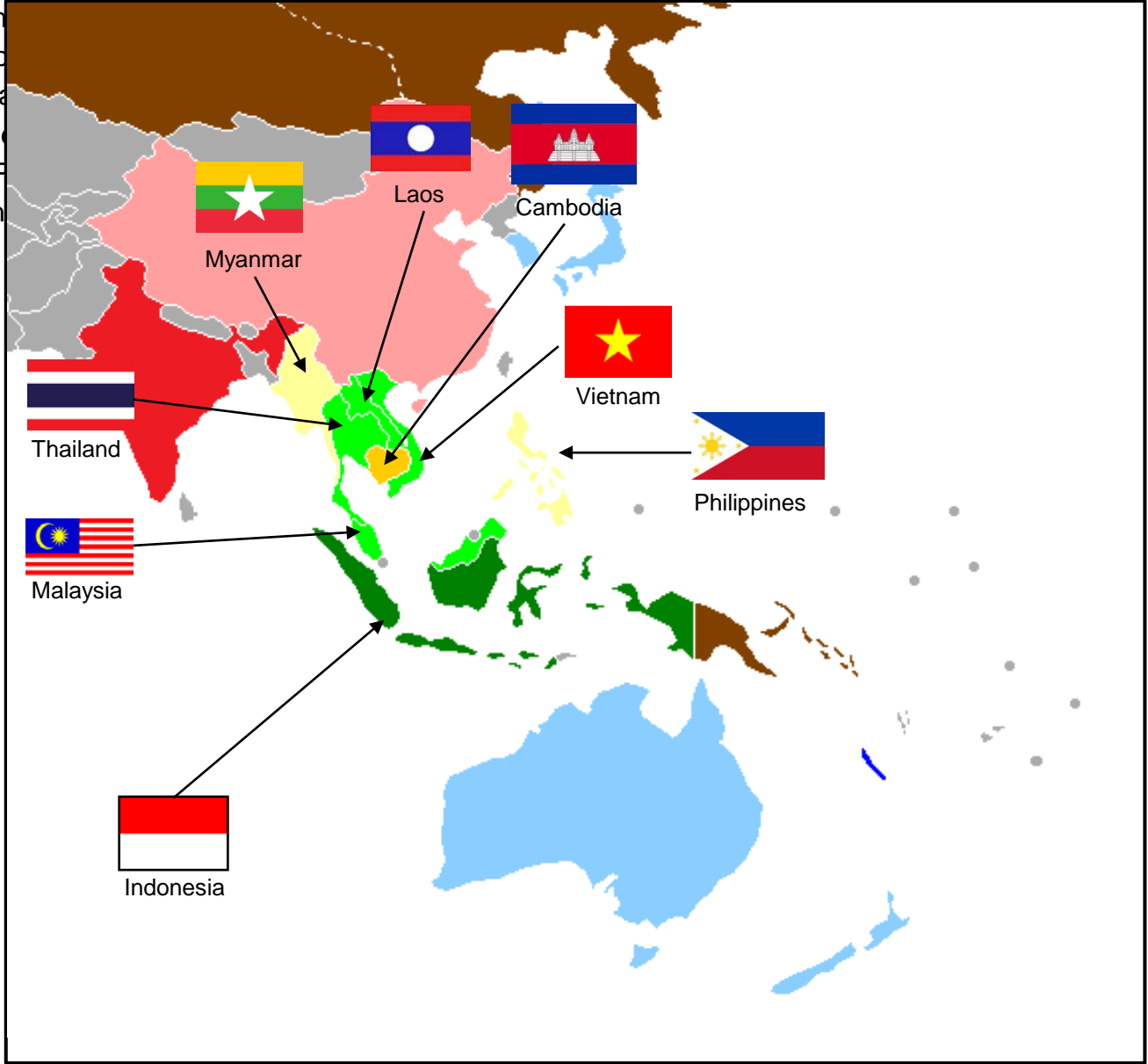
- FLEGT licenses (not yet)
- System development
- Formal negotiations
- Entering into negotiations
- Preparation, in-country consultations
- Introduction to VFA
- Bilateral Coordination Mechanism

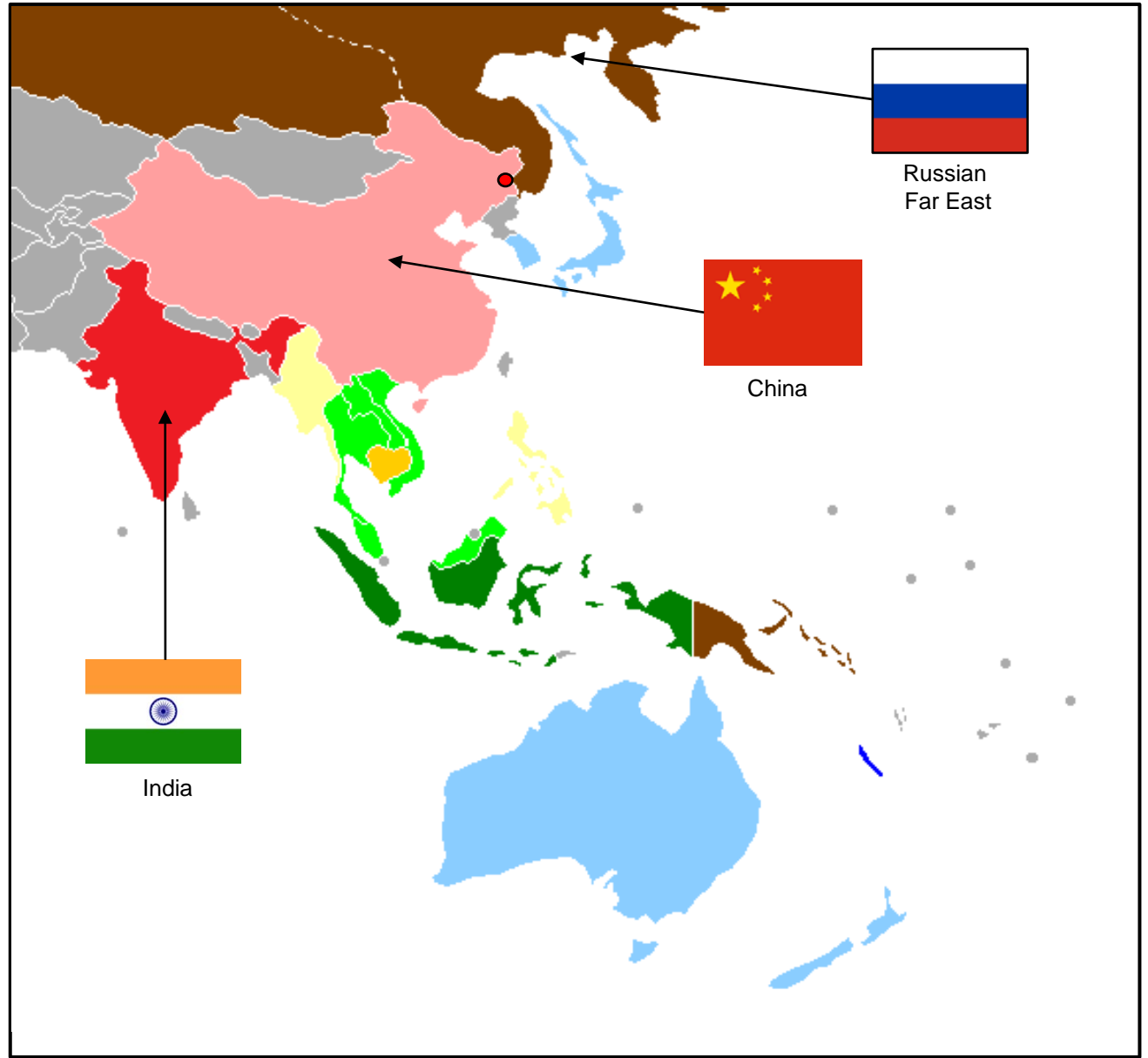
ASEAN





- FLEGT licenses (not yet)
- System development
- Formal negotiations
- Entering into negotiations
- Preparation, in-country consultations
- Introduction to VFA
- Bilateral Coordination Mechanism





EU Timber Regulation

Could the EU Timber Regulation affect your business?

Yes

If your product is covered by the regulation

Yes

If you export your product to the EU or your clients export your product or parts of it to the EU



Buyers from EU, US or Australia should be able to demonstrate that all timber in the product was legally harvested.



Timber for table top from Papua New Guinea

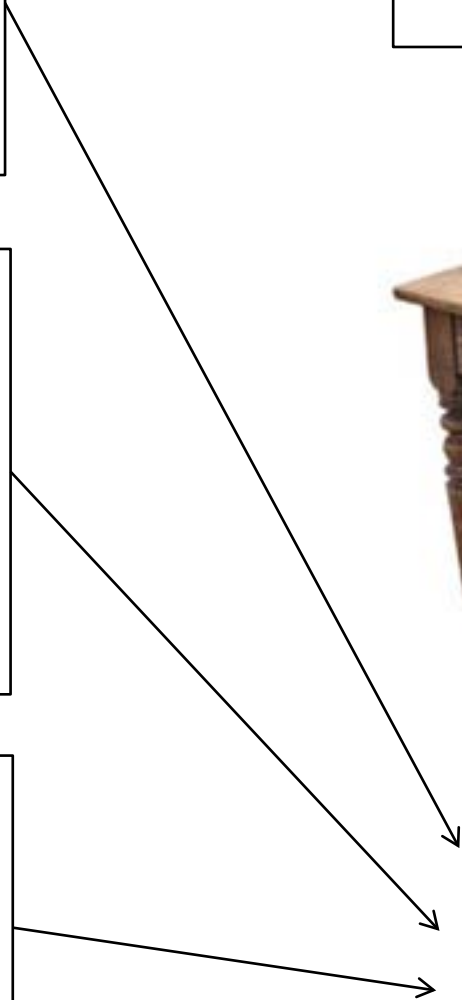


Timber for legs from Cameroon



Timber for side boards from Russian Far East

Production in China



EU FLEGT Facility

Ensuring Legal Timber Trade &
Strengthening Forest Governance



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c/o Embassy of Finland
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258, Jalan Ampang
50450 Kuala Lumpur, Malaysia
Telephone: +603-4251 1886

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Do you want more information?

European Commission website on EUTR for EU operators

<http://ec.europa.eu/environment/eutr2013>

EU FLEGT Facility website on VPAs and FLEGT-licensed timber

<http://www.euflegt.efi.int>

And more information

<http://ec.europa.eu/environment/forests/flegt.htm>

http://ec.europa.eu/environment/cites/home_en.htm

http://ec.europa.eu/environment/forests/illegal_logging.htm