



**EU FLEGT and
Voluntary Partnership Agreements
Potomac Meeting
Feb 2008**

EU Action Plan for Forest Law Enforcement, Governance and Trade

What is FLEGT?

- EU Forest Law Enforcement Governance & Trade Action Plan
- EU response to problems of illegal logging and associated trade. Our plan to carry forward international commitments to address illegal logging and poor forest governance
- Uses the power and interest of European consumer markets to reinforce governance reform in timber producing countries

The EU FLEGT Action Plan

Measures to influence both demand and supply.

- Partnership agreements with producer countries that support:
 - Governance reforms
 - Measures to regulate the trade in timber
 - Measures to improve confidence in legality of products
- Measures to increase demand for legally sourced timber:
 - Public public procurement policies
 - Private sector initiatives, eg Codes, tied contracts
 - Financing and investment, eg lending, risk ratings
 - Further legislative measures ?

Initiatives which influence EU market

- Member State public procurement policies: UK, NL, DK, Fr, Germany, Bel all require verified legal forest products; some require certified SFM. More in development; GPP Communication mid 2008 will highlight timber
- Responsible purchasing codes of Member State trade federations: eg UK, NL, B, Ger, Fr, Spain, Dk
- Trade networks for legal products & business to business partnerships create awareness for FLEGT & demand for verified legal; also useful trade federation are trade roadshows: Cameroon, Gabon, Ghana, Congo, China, Indonesia, Malaysia, Brazil, Vietnam

FLEGT Partnerships (VPA):

- binding agreement between the EU and Partner Country by which we undertake to work together to stop illegal logging and improve forest management
- will improve governance & include measures to build capacity, enhance transparency & measures to mitigate negative impacts on poor people
- will establish licensing for all exports to the EU based on legality verification. Legality = laws of partner country
- EU Customs will exclude timber with no FLEGT license

FLEGT Partnerships (2)

Will support efforts to improve governance, through measures that:

- improve control, that track and verify the legality of timber from forest to port
- better capture revenues and rents
- enhance transparency
- build capacity of govt, civil society & private sector
- support policy and legal reform
- secure and improve market share

Cornerstone of the VPA is a Legality Assurance system

FLEGT licensing requires a system that

- defines legally-produced timber
- verifies compliance with legal definition
- traces products from forest to export
- licenses exports
- Independent monitoring of all components

Guidance is now available on principles and criteria to guide development of Legality Assurance Systems.

Building FLEGT partnerships

A phased multistakeholder process

- introduce the opportunities of the FLEGT;
- focused debate and analysis of challenges/ opportunities;
- a structured negotiation framework,
- a legally binding agreement
- Joint implementation of agreement:
 - develop systems & capacities of government, civil society, private sector
 - Then FLEGT licenced legal timber products will follow later allowing time for upgrade of systems for trade

Where are we with VPA development?

- Introduction to stakeholders: on-going in many countries & led by different organisations
- Structured consultation & analysis to prepare for negotiations: ongoing in Liberia, Gabon, Central Africa Republic, Congo (Brazza) : all likely to start negotiations in 2008
- Formal negotiations: on-going in Malaysia, Indonesia, Ghana Cameroun – VPAs in 2008.

In negotiations....

- Now deep in discussion of legality definition, legality assurance systems. It can be sensitive w/divergent stakeholder positions
- How to handle imported timber in LAS?
- Unsure of positive incentives for VPA: market access and demand for verification are key
- Principle of Independent Monitor accepted- But Who? who pays?
- Concerned we may increase cost to industry who will still compete with producers from elsewhere that don't apply similar rigour
- How to introduce and phase in new systems that incorporate positive incentives from mkt for front runners?

Ideas arising in on-going negotiations

- FLEGT verification systems may apply to all exports
- Better regulation of informal sector/domestic market
- Product scope could be broad & include all exports
- VPA negotiations are providing effective platform for stakeholder input to policy debate
- Strong stakeholder involvement in negotiations leading to shift in relations between state & non state actors
- Growth in COC & company based legality verification- more to build from
- Partners expect VPAs to enable greater uptake of sustainable forest management certification
- Standards developed in the VPAs may influence private sector & other consumer markets such as Japan, China, US

Bigger picture

- China EU collaboration: Sept 2007 Wkshp positive, resulted in commitment to work together on illegal logging & develop common approach to legality verification systems for imports, more information exchange, foster business to business links
- Ministerial discussions planned in 2008 likely to raise profile: Central America, East Asia, East Africa
- Links to REDD & critical importance of good governance
- Further legislative measures

Further Legislative Measures

FLEGT Action plan acknowledges shortcomings of bilateral approach and asks us to explore other options

Considered use of existing Member State & EC legislation (see Chatham house website)-limited scope

New legislation? Public consultation in 2007 suggested strong interest in further measures

Impact Study completed. It studied 5 scenarios:

- ⇒ More coverage through VPAs
- ⇒ Stronger private sector actions
- ⇒ Ban on imports of illegally harvested timber
- ⇒ Legislation placing on the market of illegally harvested timber. Sub-options:
 - Prove illegality (like the Lacey Act amendment)
 - Require only legal products on market (require legality certification)

Next steps further measures

- IAS provided no clear frontrunner on options
- Internal EC discussions are on-going to prepare Impact Assessment & legislative proposal
- College will decide on proposal mid 2008
- This is then presented to Council (Member States) and European Parliament for debate
- Impact Assess study will be published

Conclusions

- ❖ VPA will introduce effective and credible legality assurance and improve forest governance in partner countries, but
- ❖ Negotiations (of stakeholder interests) takes time; building new structures & capacities more time still
- ❖ Negotiations are changing dynamic between stakeholders and demonstrating value of policy platform
- ❖ VPA approach targets resources effectively, further measures will need to complement and reenforce them;
- ❖ Voluntary engagement but legally binding applying to all exports to EU and all actors from partner country
- ❖ Addresses systemic problems and brings change across the whole sector
- ❖ But challenge whether possible to market FLEGT « license »
- ❖ US Lacey Act Amendment will help create more demand for legal verification and thus FLEGT ☺



Thank you

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New web address

<http://ec.europa.eu/development/Policies/9Interventionareas/Environment/forest>

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What is legal?

Proposed by producer country based on its law: no universal definitions

Definitions should incorporate laws that address the three pillars of sustainability: relevant economic, environmental, social objectives.

- Granting/compliance with rights to harvest within gazetted boundaries;
- Compliance with forest management rules, including relevant environmental, labour and community welfare legislation;
- Compliance with laws on taxes, import and export duties, royalties and fees directly related to timber harvesting and timber trade;
- Respect for tenure or use rights to land and resources that may be affected by timber harvest rights, where such rights exist;
- Compliance with requirements for trade and export procedures.

Chain of Custody

- Clear delineation of area & holders of rights.
- Effective mechanisms for tracing timber in supply chain from harvest to the point of export.
- Mechanisms for recording at each stage of chain, & reconciliation info with the prior and subsequent links in the chain
- Controls exclude material from unknown sources
- Controls exist for all imported products to ensure legally imported

Verification Systems

- FLEGT licenses will be issued on the basis of evidence of compliance that all the requirements of the legality definition have been met.
- This evidence will typically be provided through regular audits of forest management units and processing facilities to verify:
 - Compliance with legality & implementation of controls
- Verification must result in clear and credible evidence that can be presented to the Licensing Authority and Independent Monitor

Independent Monitoring

- independent of government forest sector regulatory bodies.
- aims to provide credibility to FLEGT licensing by checking that all aspects of a Legality Assurance System are operating as intended

Two types of FLEGT Licencing possible:

- Shipment-based (or consignment-based) covering individual shipments
- Market participant-based (or operator-based) covering all the exports to the EU of an operator whose control /legality assurance system has been authorised by partner as meeting their standard