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

FLEG 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
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
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.


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
EU Action Plan for Forest Law Enforcement, Governance and Trade
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