Update on China: timber legality verification scheme

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Potomac Forum
Meeting market requirements

- China sources timber from countries perceived as both high risk and low risk in consumer markets.
- China needs to demonstrate the legality of timber products as there are increasing demand and requirements on legal timber (US and EU accounted for 40% of China’s exports).
- Building from previous cooperation with the UK Government, the Chinese Academy of Forestry (CAF) has started a project on timber legality verification scheme, seeking to find ways to demonstrate legality.
Timber legality verification scheme

• Aims to develop recommendations for the Chinese Government on the establishment of a practical timber legality verification scheme

• Led by the Research Institute of Forestry Policy and Information (RIFPI) of the Chinese Academy of Forestry (CAF), in collaboration with Proforest

• Funded by UK and the Chinese governments, started in December 2009, aim to finish in July 2011 (possible extends to September)
Project activities

• Activity 1 market requirements for legal and sustainable timber (led by Proforest)
• Activity 2 review of timber legality verification schemes (led by Proforest)
• Activity 3 Draft recommendations on timber legality verification schemes for China (led by CAF)
• Activity 4 Pilot test (led by CAF)
• Activity 5 Workshop to discuss draft legality verification schemes with pilot test results (led by CAF)
• Activity 6 Development of policy recommendations (led by CAF)
Progress so far

- Proforest has produced the following two reports:
  - Market requirements for legal and sustainable timber, and the implications for Chinese suppliers (activity 1)
  - Review of timber legality verification schemes (activity 2)
- Await SFA approval, but now agreed to amend and publish these two reports that are non-specific to the project
- A briefing paper on an overview of legality verification schemes published
Progress so far

• CAF has produced draft legality verification scheme (activity 3), which was discussed in a workshop in December 2010, with stakeholders from SFA, China Customs, industry association, NGOs

• Have started activity 4 field visit: went to Gabon in March 2011. Next visit to Indonesia was scheduled in the end of April. CAF currently organising field visit to Papua New Guinea
What is the Chinese scheme?

• Note that the scheme is developed by CAF, Proforest and DFID only provided comments on their recommended scheme
• There are two options:
  • Government led where the Chinese government will sign bilateral agreement with timber producing countries
  • Industry association led where Chinese timber associations recognise legality verification systems developed by industry associations of timber producing countries
• Still in theoretical stage, not yet implementable
Government led approach

• Clarify the definition of legality
• Identify relevant laws
• Agree on the types of information and documents
Government led approach

• For domestic timber, Chinese government use the ‘three-certificate system’ (harvesting license, transport certificate and processing permit) to demonstrate legality. Companies can apply for legality certificate upon submission of these three certificates.

• Companies in the supply chain have to pass their legality certificate to the next companies down the supply chain.

• Companies want to export timber products can apply for legality certificate by providing relevant documents including the legality certificate, invoices, shipping documents.
Industry association led approach

- Industry associations in timber producing countries to set up their legality verification systems.
- Industry associations in China will reach mutual recognition of the systems used in industry associations in timber producing countries, to agree on the types of products covered in the legality verification systems of timber producing countries.
- Members of the industry associations in China then can use the documents provided by industry associations in timber producing countries to apply for legality certificate from the Chinese authority.
Issues from project perspectives

- Time-consuming to negotiate agreements with timber producing countries. What can Chinese companies do before agreements are signed?

- Timber traceability:
  - How do Chinese authority ensure that companies segregate timber from agreement countries and non-agreement countries within their facility? (traceability within an organisation)
  - How do the authority ensure that the timber from agreement countries are not being mixed or substituted? (traceability between organisations)

- What if a product is consisted of timber from agreement countries and non-agreement countries, can Chinese authority issue a legality certificate for export?
Issues from project perspectives

• Negotiating with industry association may be equally time-consuming
  • How to initiate an industry association to develop a timber legality verification if it currently does not have one?
  • More than one associations can develop their systems? Will the Chinese authority accept all systems developed by different associations in the same country?
  • Are there any guidance and requirements on developing legality verification systems?
• What are the linkage between the government led and industry led approaches?
Issues from project perspectives

- What will be the status of timber which does not come from agreement countries or industry associations? Unverified?
- There is no study being carried out in terms of the effectiveness of the ‘three certificate system’ for domestic timber production in China
Follow up and next steps

• This project is just the beginning, not an end. More works need to follow up

• One of the potential linkages will be the EU-China Bilateral Coordination Mechanism (BCM). Activities have been identified, e.g.
  • Awareness raising and training
  • Public procurement
  • Timber tracking and tracing in China
  • B2B approach to meet EU Timber Regulation
  • Small Medium Enterprises (SME) impact study
  • Clearing house mechanism on EU market requirements
Next steps (unofficial suggestions)

- Analysis of current ‘3 certificate system’ of domestically produced timber
- Study on existing timber tracking and tracing systems in China, and provide recommendations on best practices
- Work with industry associations to develop risk assessment procedure (e.g. China National Forest Products Industry Association is in the process of developing code of conduct)
- Alternative approach offered to companies export to EU and US markets
- Seek opportunities to work with countries who are negotiating/ have signed VPA with the EU
Thank you for your attention

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