





## Australian Government commitment

- *Restrict the importation of, and trade in, illegally logged timber and wood products, and to encourage the sources of these products from sustainably managed forests.*
- Multi-faceted approach
  - Domestic policy and regulatory options
    - Specific projects
  - Capacity building (illegal logging and SFM)
  - Bilateral agreements
  - Multilateral agreements



# Overarching policy framework

1. Build capacity within regional governments to prevent illegal harvesting
2. Develop and support forest certification systems for timber products sold in Australia
- 3. Identify illegally logged timber and prevent its import**
- 4. Require disclosure at point of sale**
  - **Species, country of origin, certification**
5. Support use of market-based instruments to reduce GHG emissions from deforestation and forest degradation



## 4 projects to support domestic policy

1. Regulation Impact Statement (RIS)
  - Assess economic impacts of different illegal logging regulatory options – unilateral to multilateral
2. Improved estimates of Australia's illegally-logged timber imports
3. Comparative analysis of legality verification systems
  - Key elements
  - Effectiveness
4. Code of Conduct for timber product importers



# RIS process

## Issues Paper (release in late March)

- Series of questions
  - Estimates of illegal logging imports?
  - Regulatory options to consider?
  - Potential costs and benefits?
  - Impacts (domestic and overseas markets, consumers and producers)
  - Capacity building requirements
- Options Paper (May)
  - Canvass at least 3 regulatory options
  - Economic assessment (costs and benefits)
- Consultants recommend policy option to Department
- Recommended regulatory option to Government



# RIS Issues Paper (1)

Series of questions - seek stakeholder input

- What is the size of the problem?
- Are estimates of illegally-logged imports credible?
- Extent of illegal logging in Australia?
- Strengths and weaknesses of forestry laws of Australia's trading partners?
- What concept of legality?
  - All laws?
  - Forestry + labour + social laws?
  - Forestry laws?
  - Rights to harvest?



# RIS Issues Paper (2)

What regulatory options to pursue?

- Due diligence approach of EU?
- Lacey Act amendments?
- Unilateral action?
- Multilateral action?

Where should compliance be checked?

- Point of sale?
- Point of entry?

What enforcement and penalties regime?

Substitution effects on timber trade flows and sources of wood?

**How certain can Australia be that implementing illegal logging measures will prevent imports of illegally logged timber?**



## Volume and value of illegally logged imports

Project in two stages

Stage 1 - methodology

- Improve accuracy and reliability of estimates
- Review credibility of previous estimates
- Examine alternative approach

Suggested 'mass balance' approach

$[(\text{imports} + \text{domestic wood supply}) * \text{conversion factors}] - \text{consumption} = \text{exports (RWE equivalents)}$

- Reconcile with export figures of supplying countries and import data of purchasing countries





# Methodology project outputs

- Analysis of existing methodologies
- Emphasis on effectiveness, reliability, accuracy
- Assess alternative methodologies
  - Product or product groupings
  - Gaps in data sources
  - Mass balance approach
    - Credibility
    - Potential problems
- Process to extrapolate from total country illegal logging exports to Australian imports
- **Determine whether to apply the methodology**



# Comparative analysis of LV schemes

Analysis of legality verification (LV) schemes in producer countries

- Key elements
  - Effectiveness
  - Identify best-practice standards
  - Determine capacity of exporting countries to comply with proof of legality requirements
- Australia may introduce



# LV scheme analysis

- Assess potential for using regulatory options to restrict importation of illegally-logged timber and wood products
  - No disadvantaging producer countries at an early stage of their governance systems development
- Assess capacity building needs of developing countries
  - Facilitate achieving compliance with LV schemes
- Promote international equivalence in LV schemes



# Comparative analysis LV schemes

## Summary of key elements

- Chain of custody, certification and similar schemes for verifying legal origins

## Develop a system to rank schemes using weightings

- Key elements
- Level of rigour
  - Extent of proof required
  - Level of compliance auditing
  - 1<sup>st</sup> party audit = low level of rigour

Weightings from benchmarking key elements and rigour against PEFC and FSC requirements

**Describe the range of products covered by each scheme**



# Draft industry code of conduct

Develop cross-sector code of conduct

- Domestic importers, suppliers and sellers of timber and wood products

Identify strengths/weaknesses + capacity to audit compliance

Identify gaps in existing industry codes, procurement policies

- Cover timber, timber products, paper, furniture
- Accommodate and build on existing codes and purchasing policies

Assist timber importers and domestic industry establish systems and processes for verifying legality



# Overall program of work

Identify regulatory options

Describe costs and benefits of implementation

Describe processes to verify legal origins

Improve estimates of illegally-logged imports

Establish compliance and enforcement regime

- Phased approach (likely)
- Products
- Verification requirements and assessment procedures
- Penalties regimes

Determine capacity building requirements

- Assist domestic and overseas industry sectors to verify legal origins