Implementing Australia’s illegal logging policy

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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
[(imports + domestic wood supply)*conversion factors] – consumption = 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
  - 1st 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