



## NGO advisory – EU timber legislation 06 July 2010

As one of the major markets for timber products, the EU recognised in 2003 that it needed to take effective action to tackle illegal logging and, in the process, protect our endangered forests and the biodiversity, ecosystems, and climate mitigation therein. Seven years later, a law to ban the trade in illegal timber on the EU market is finally nearing adoption.

After two years of difficult negotiations, representatives for the Spanish EU Presidency, Parliament (Satu Hassi, Finland), and the European Commission struck a compromise deal last month. The new law still needs the formal agreement of the full Parliament and agriculture ministers to officially enter into force and it will be another two years before it is applied. Parliament will vote first, followed by the Agriculture Council most likely in September.

Friends of the Earth Europe, Greenpeace and WWF call on the European Parliament to support the compromise deal and approve this landmark new legislation. This law is a significant step forward and promises to make the timber sector more transparent. Yet, more needs to be done to reduce the forest footprint of Europeans, which keeps growing, eating into forests that need to be protected to save biodiversity and curb climate change. Because of the importance of forests in regulating carbon in the atmosphere, global deforestation must end by 2020 if the world is to tackle climate change.

### Analysis of the law

**The Good:** The new law will send a clear signal to the market that illegal timber is prohibited. It is also expected to drive systemic changes in the forestry industry. Companies operating within the EU market, so called “internal traders”, will be required to establish a traceability system for wood products up to the first point of sale, whilst EU-based trading companies and forest owners will be required to trace the product down to the country of harvest and verify wood products considered at risk of being illegal. The combination of both will help to ensure the legality of timber from the country of harvest until the last point of sale. Offenders could be fined in proportion to the environmental damage and economic losses resulting from their infringement. Finally, the law will significantly strengthen the EU Forest Law, Governance and Trade program, a series of bilateral agreements between the EU and tropical countries to prevent the entry of illegal timber onto the European market.

**The Bad:** On the downside, member states opposed parliament's proposal to create minimum penalties and sanctions at EU level which could lead to an uneven playing field in the EU market. Among other deficiencies, printed materials have been exempted from the regulation for at least the next five years. According to the Confederation of European Paper Industries (CEPI), about €3.2 billion's worth of printed products are imported annually<sup>1</sup>. These products will not be covered under the new law. Finally the date the law will apply is too late, two years after the entry into force, and member states opposed amending the Environmental Crime Directive to add illegal logging and related trade to the list of environmental crimes which require criminal sanctions across the EU.

### Facts & Figures

<sup>1</sup> <http://www.cepi.org/Content/Default.asp>

*“Rather than promoting economic progress, poorly managed natural wealth can become a cause of bad governance, corruption or even violent conflict”.* 2, United Nations Office on Drugs and Crime, 2010

Illegal logging contributes to global deforestation and forest degradation, exacerbates the climate change problem, threatens species with extinction, undermines legitimate business by undercutting timber companies that act responsibly and causes social conflicts with local populations, as well as financial losses for forest-rich developing countries. Illegal logging is often linked to organised crime, money laundering and civil wars.

- The Indonesian president, Susilo Bambang Yudhoyono recently declared that organised crime was involved in illegal logging. The Indonesian forestry ministry estimates **financial losses** for **Indonesia** of at least Rp 30 trillion (US\$3 billion) per year due to illegal logging.<sup>3</sup>
- Illegal logging also takes place within the EU. The number of trees cut down illegally is on the rise in **Bulgaria**<sup>4</sup> where the head of a mafia gang involved in illegal logging activities was recently arrested after being suspected of acquiring property illegally and siphoning off EU funds.<sup>5</sup>
- According to a new report by the United Nations and Interpol,<sup>6</sup> illegal logging is one of the factors that could lead to the extinction of **gorillas in central Africa** in the next 15 years. The report calls for greater scrutiny of European and Asian companies using subsidiaries to extract timber and minerals from central Africa.
- According to **UNECE/FAO Forest products annual market review of 2006-2007**, the total share of illegal logging is estimated at 20-40% of total global industrial wood production and the volume of industrial wood from illegal sources (350-650 million m<sup>3</sup>/year) is estimated to be at least as high as the volume of wood from more sustainably managed forests (385 million m<sup>3</sup>/year).<sup>7</sup>
- In the EU, 75% of **citizens surveyed in 2009** by YouGov<sup>8</sup>, at the initiative of WWF and FOE, had doubts about the legality of wood products in shops, and 92% supported EU legislation to ensure timber products are legal.
- Between 2000 and 2003, some of the main European timber traders were exposed buying **conflict timber** from Liberia, which was used as a means of arming Charles Taylor's war on the people of Liberia, a war that cost over 250,000 lives.

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<sup>2</sup> The globalisation of crime: A transnational organised crime threat assessment, report by the UN Office on Drugs and Crime (UNODC), June 2010

<sup>3</sup> Mafia behind illegal logging case, 7 April 2010, [www.antara.co.id/en/news/1270649680/president-mafia-behind-illegal-logging-case](http://www.antara.co.id/en/news/1270649680/president-mafia-behind-illegal-logging-case)  
NGOs collect logging data for presidential taskforce, 9 April 2010,

[www.thejakartapost.com/news/2010/04/09/ngos-collect-logging-data-sby%E2%80%99s-taskforce.html](http://www.thejakartapost.com/news/2010/04/09/ngos-collect-logging-data-sby%E2%80%99s-taskforce.html)

<sup>4</sup> Pencho Dermendjiev, 5 April 2010, [www.focus-fen.net/index.php?id=n215522](http://www.focus-fen.net/index.php?id=n215522)

<sup>5</sup> Bulgaria Police Arrest 'Major Shady' Businessman in Lovech, 8 April 2010, [www.novinite.com/view\\_news.php?id=115028](http://www.novinite.com/view_news.php?id=115028)

<sup>6</sup> [www.grida.no/publications/rr/gorilla/](http://www.grida.no/publications/rr/gorilla/)

<sup>7</sup> UNECE/FAO, Forest Products Annual Market Review 2006-2007, [www.unece.org/timber/docs/fpama/2007/FPAMR2007.pdf](http://www.unece.org/timber/docs/fpama/2007/FPAMR2007.pdf)

A recent FAO report also found that, globally, around 13 million hectares of forests were lost each year between 2000 and 2010. South America and Africa had the highest net annual loss of forests in 2000-2010, with 4 and 3.4 million hectares respectively. Ancient forests have decreased by more than 40 million hectares since 2000 (An area the size of Germany and Denmark put together).

<sup>8</sup> 2009 poll by 'You Gov Plc' in 14 EU countries, [http://assets.panda.org/downloads/wwf\\_foe\\_poll\\_factsheet.pdf](http://assets.panda.org/downloads/wwf_foe_poll_factsheet.pdf)

#### **Contact:**

**Sebastien Risso** – Greenpeace EU forest policy director: +32 (0)2 274 19 01 (office), +32 (0)496 12 70 09 (mobile), [sebastien.risso@greenpeace.org](mailto:sebastien.risso@greenpeace.org)

**Anke Schulmeister** – WWF European Policy Office, Senior Forest Policy Officer, +32 (0)2 740 09 22 (office), +32 (0)485 84 31 44 (mobile), **email:** [aschulmeister@wwfepo.org](mailto:aschulmeister@wwfepo.org)

**Geert Ritsema** - Friends of the Earth Europe, Spokesperson International Affairs, +31 (0)20 5507 349 (office), +31 (0)6 21 829 589, e-mail: [geert.ritsema@milieudefensie.nl](mailto:geert.ritsema@milieudefensie.nl)

## ***Legislative action in other parts of the world***

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Australia is considering legislative options following a pledge from the ruling party leadership to ban illegal timber imports at the 2007 federal election. A decision seems imminent<sup>9</sup>. Meanwhile the United States is one step ahead, adopting their own legislation – an amendment to the U.S. Lacey Act – in May 2008, which prohibits the trade in illegal timber and timber products, and includes a stringent regime of sanctions and a robust enforcement mechanism. This legislation is now in force and was first used by the US at the end of 2009 when investigating timber suspected to have been illegally harvested in Madagascar<sup>10</sup>.

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<sup>9</sup> "Australia urged to ban illegal timber imports", ABC News, 28 May 2010, <http://www.abc.net.au/news/stories/2010/05/28/2912546.htm?section=justin>

<sup>10</sup> "Gibson guitar plant suspected of Lacey Act violations, Hardwood market report, November 2009, <http://www.hmr.com/Public/AnnouncementDetail.aspx?AnnouncementID=244&AspxAutoDetectCookieSupport=1>

### **Contact:**

**Sebastien Risso** – Greenpeace EU forest policy director: +32 (0)2 274 19 01 (office), +32 (0)496 12 70 09 (mobile), [sebastien.risso@greenpeace.org](mailto:sebastien.risso@greenpeace.org)

**Anke Schulmeister** – WWF European Policy Office, Senior Forest Policy Officer, +32 (0)2 740 09 22 (office), +32 (0)485 84 31 44 (mobile), **email:** [aschulmeister@wwfepo.org](mailto:aschulmeister@wwfepo.org)

**Geert Ritsema** - Friends of the Earth Europe, Spokesperson International Affairs, +31 (0)20 5507 349 (office), +31 (0)6 21 829 589, e-mail: [geert.ritsema@milieudefensie.nl](mailto:geert.ritsema@milieudefensie.nl)