

Rome, 23rd June 2011
Parallel Session
 Present and future role of forest resources in the socio-economic development of rural areas

Parallel Session 4
Competitiveness of the forest production sector: wood & non-wood products, supply chains, and strategies for a forest-based local governance

How to support the implementation of Due Diligence systems through the EU Rural Development Program: problems and potentials

Authors
 Florian D., Masiero M., Mavsar R., Pettenella D.

Corresponding author
 (Diego Florian)¹


¹INEA – Ist. Naz. Economia Agraria
florian@inea.it

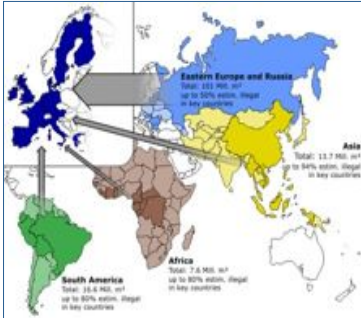
Outline

- Background: EU and illegal logging
- EU-Timber Regulation (Reg. EU 995/2010): purposes, actors, mechanisms
- EU-Timber Regulation potential effects: some “hot questions”
- Final remarks


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Background
 EU and illegal logging



- **EU: 16-19%** imported illegal wood (Hirschberger, 2008)
- **Including Eastern European Countries**
- **2005: Reg. EC 2173/2005 = FLEGT (Forest Law Enforcement Governance and Trade)**
- **Voluntary Partnership Agreements (VPAs): 6 countries (Ghana, Cameroon, RDC, Central African Republic, Indonesia and Liberia)**

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EU Timber Regulation (1/6)

Reg. EU 995/2010: general aspects

Obligations of operators who place timber and timber products on the market as well as the obligations of traders, to prevent illegally harvested timber to enter the EU market

- Approved on **October 2010**, secondary legislation expected in **March/June 2012**
- Into force from **March 2013**
- **All timber based products** (excl. Chapter 49 of the Combined Nomenclature)
- **Involved actors:** EC, operators, traders, Competent Authorities, Monitoring Organisations

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EU Timber Regulation (2/6)

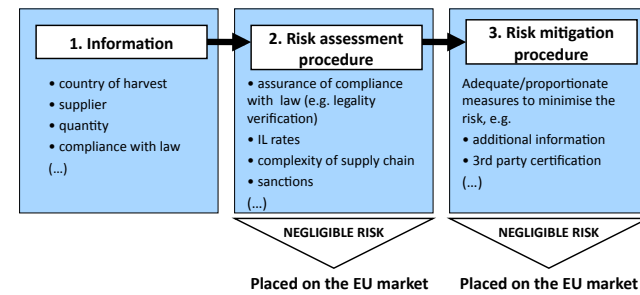
Reg. EU 995/2010: actors & their obligations

- **Operator:** any natural or legal person that places timber or timber products on the market
examples: EU timber importer, EU forest owner
- shall exercise **due diligence (DD)** when placing timber or timber products on the EU market
- What is a due diligence system?

EU Timber Regulation (3/6)

Reg. EU 995/2010: due diligence

Components of a due diligence system



Source: modified from Proforest, 2011

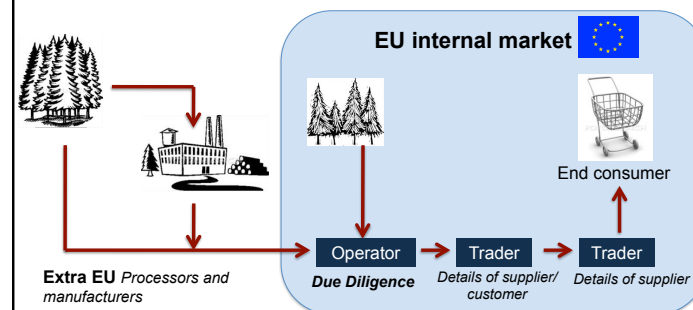
EU Timber Regulation (4/6)

Reg. EU 995/2010: actors & their obligations

- **Trader:** any natural or legal person who, in the course of a commercial activity, sells or buys **on the internal market** timber or timber products already placed on the internal market
examples: EU furniture producer
- **Traceability:** suppliers/customers (if traders) shall be identified
- Information available for 5 years

EU Timber Regulation (5/6)

Reg. EU 995/2010: operator/trader general scheme

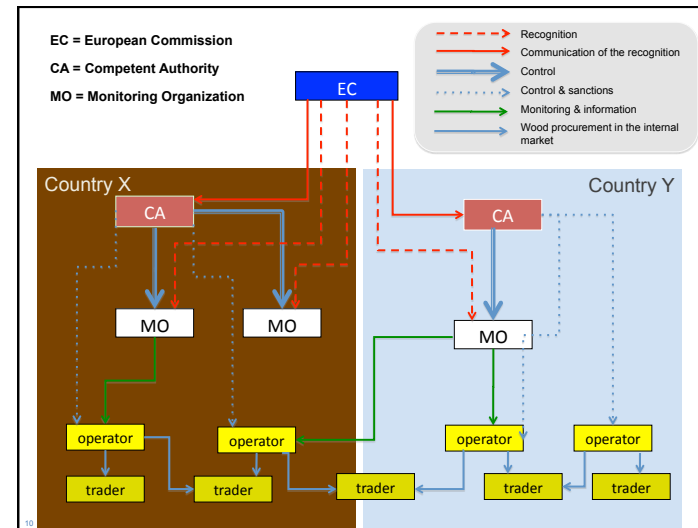


EU Timber Regulation (6/6) Reg. EU 995/2010: implementation & controls

- With regard to **Due Diligence** operators can:
 - **autonomously implement** their own DD system; OR
 - adopt a DD system developed by a **Monitoring Organisation (MO)**
- **Monitoring Organisations:**
 - recognised by EC (procedure to be defined)
 - legally established, appropriate expertise & capacity, no conflicts of interest
 - maintain and regularly evaluate DD, take action in case of failure
- **Competent Authorities (CAs):** 1 or more in each Member State, carry out checks at regular intervals on MOs and operators

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EU-Timber Regulation (EU-TR) potential effects: some “hot questions”

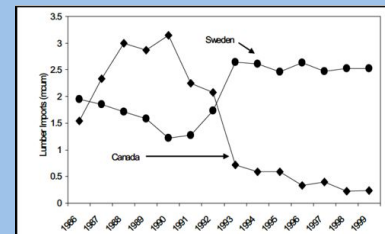
- Will the EU-TR represent a **new non-tariff barrier**? How much will the import of timber and timber products in the EU be affected by the EU-TR implementation?
- Will the EU-TR increase the **supply costs** for the EU wood producers?
- Will the EU-TR contribute to establish **new professional activities and services** in the sector?
- Which effects may the Regulation have on the development of **forest certification**?
- How the **Rural Development Plans (RDP)** should consider and adapt its measures to the EU-TR?

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Will the EU-TR represent a new non-tariff barrier?

- **EU-TR: reduction of the import of illicit timber but also support to legalization of forest production and timber trade => non-tariff barrier for non-EU imports?**



Effects of EU timber ban against Pinewood nematode in the 90s

Restructuration of Swedish timber industry: increased in number (of larger sawmills) and productivity (Cohen *et al.*, 2003).

Will EU-TR produce similar effects?

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Will the EU-TR increase the supply costs for the EU wood producers?

- EU-TR implemented also for wood and wood products harvested in the EU countries => **increased investments, i.e. management costs?**
- **Investments/costs depending on:**
 - Broader or narrower “illegality” definition (e.g. health and safety requirements)
 - Company size (medium small enterprises (SMEs) vs. big State or multinational companies)
 - Relevant role (and costs) of MOs for SMEs
 - Who will bear the costs?

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Will the EU-TR contribute to establish new professional activities and services in the sector?

- EU-TR will imply increasing **difficulties/costs** for forest enterprises and timber importing companies, BUT...
- **New professional/job opportunities** as well:
 - development of services for the forest-timber sector
 - human resources needed for big companies
 - MOs staff
 - increase in legality verification systems, forest certification (chain of custody) and related jobs

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Which effects may the Regulation have on the development of forest certification?

- **Forest certification is considered among the most suitable risk mitigation tools (Proforest, 2011) but some paradoxical effects may occur**
- e.g. what if a PEFC Regional certification system will be considered equivalent to a DD control system managed by a MO?
- since DD is compulsory, forest certification would be affected
- a “voluntary market tool” could be marginalized by a traditional “command and control” system => **a shift in current forest policy paradigms?**

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How Rural Development Policy (RDP) should consider and adapt its measures to the EU-TR?

- **2007-2013 EU Rural Development Policy includes measures concerning the responsibility and marketing initiatives in forest management (e.g. forest certification)**
- **Dedicated measures to be implemented for EU-TR?**
 - creation of MOs
 - training programs (operators, traders, MOs)
 - consultancy services on risk assessment and mitigation procedures
 - support in complying with “broad” legality (e.g. health and safety measures)
 - creation of CAs in Member States...

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Final remarks

- Expected positive effects on the **decrease of illegal harvested wood** on the EU market from EU-TR
- **Non-tariff barrier:** reduction of non-EU imports, restructuring of the EU timber industry. Effects on prices?
- Main effects expected on **SMEs** (forest and timber sector)
- Who will bear increased **production costs**? Lower income for producers or higher prices on the market?
- New **professional/job opportunities** (especially with MOs)
- Potential **effects on certification systems** especially when low perceived added value and differentiation on the market exist
- Big room for new **EU RDP** to **facilitate** the implementation of **EU-TR**

Thanks for your attention!