

**FLEGT
INDEPENDENT
MARKET MONITORING:
PILOT PHASE**

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PILOT PHASE LAUNCHED IN SEPTEMBER

- Consultants appointed in three European pilot markets

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SURVEY DOCUMENT DEVELOPED TO ESTABLISH BASELINE DATA

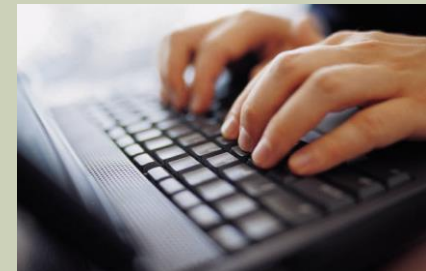
- How much tropical timber is being imported by the respective EU country?
- How much timber comes from VPA partner countries?
- What is the wood being used for?
- How do European importers rate the competitiveness of VPA partner timber?
- How many companies are importing directly?
- How aware are companies of the FLEGT VPA process?
- Would companies give preference to FLEGT licensed timber over unlicensed timber from competing sources?
- Are companies willing to pay a price premium for FLEGT licensed timber?
- Is FLEGT licensed timber likely to meet the minimum standard of voluntary environmental policies implemented by European companies?

INITIAL FINDINGS

Obtaining statistical information from importers is surprisingly difficult.

Possible reasons/reservations:

- Survey may be too long and time-consuming
- Companies don't see why we can't use official statistics
- Frustration with the duration of the FLEGT VPA process
- Reluctance to disclose disappointing figures
- Bad timing – everyone is very busy early in the fourth quarter
- Spain may be a particular problem as EUTR implementation - and possibly FLEGT awareness – lags behind



GENERAL FEEDBACK

- Most companies seem rather well aware of the VPA process and what it means
- Most companies urgently want FLEGT-licensed timber to be available as it will reduce their risk to zero
- Exercising Due Diligence for tropical timber remains time-consuming and costly in many countries, FLEGT-licensed timber would thus usually be given preference over unlicensed competing timber
- Most companies say they are willing to pay a small price premium (roughly 2%) – though some say they won't as VPA countries *“are only doing the minimum of what can be expected by proving their timber is legal”*

GENERAL FEEDBACK

- FLEGT VPAs are considered important by most market players as they can trigger far-reaching processes in timber-producing countries such as improved forest management, governance, transparency, civil society participation etc.
- FLEGT-licensing and the underlying LAS systems are considered important as various VPA countries decided to implement the standard for all exports, thus taking away the competitive disadvantage for European buyers.

SCEPTICAL FEEDBACK

- Some importers are frustrated by the duration of the process and also by the limitations of the current VPA spread. They want important suppliers like Brazil or China included
- EU market players want more information on what is going on in the different VPA countries in terms of the implementation of LAS systems and FLEGT licensing

“Flegt has got to be proven and seen to be credible (also by NGOs) and trade communication on that really has to be stepped up”.

„Indonesia still has a 34 point score on the Corruption Perception Index, so how can I trust an Indonesian-issued Flegt licence? Someone somewhere needs to explain that to the trade“.

POSITIVE COMMENTS

“If we can communicate that FLEGT motivates suppliers to maintain their forest and supports livelihoods that pass down the generations, that’s a really powerful message”

“Overall EUTR and FLEGT are critical to restoring the image and market share of tropical timber, a great resource.”

“Our customers pick up on social stories about supply chains. They associate with them and subsequent purchases mean more.”

EUTR COMPETENT AUTHORITIES ARE EXPECTING FLEGT-LICENSING TO HAPPEN

- German CA BLE and customs are prepared for FLEGT-licensed timber to arrive from Indonesia in January next year
- BLE is responsible for checking all original, paper-based FLEGT licenses
- Several copies of a FLEGT license will accompany each delivery, the original goes to BLE. They will check the license for certain indicators, e.g.
 - the authenticity of the stamp
 - the signature
 - the duration of the license
- BLE then gives the green light to customs and they check the delivered quantity against the document

EUTR COMPETENT AUTHORITIES ARE EXPECTING FLEGT-LICENSING TO HAPPEN

- BLE has had its own software programmed to register licenses and exchange information with customs, as the Commission's harmonised system is not yet available – EU system will probably be ready for use in the spring.
- Two middle-grade officers will initially be responsible for dealing with FLEGT-licensing and one higher-grade officer will dedicate one-third of his time to it. More staff will be employed when needed.

“Importers seem rather keen on FLEGT licenses. We get frequent phone calls from companies that want to find out if and when and from where FLEGT licenses will be available. There is still a lot of insecurity about EUTR compliance and Due Diligence. And the validity of documents is difficult to rate and verify in some countries”.

THANK YOU

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ITTO/IMM

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