Green Tropical Timber Supply Chains

-Legality, Sustainability, Profitability -

Executive Director
Gerhard Dieterle

INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)

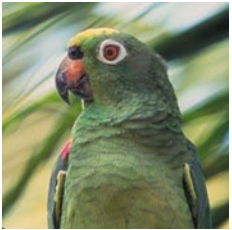# The International Tropical Timber Organization (ITTO)

ITTO is an intergovernmental organization promoting the sustainable management and conservation of tropical forests and the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests.
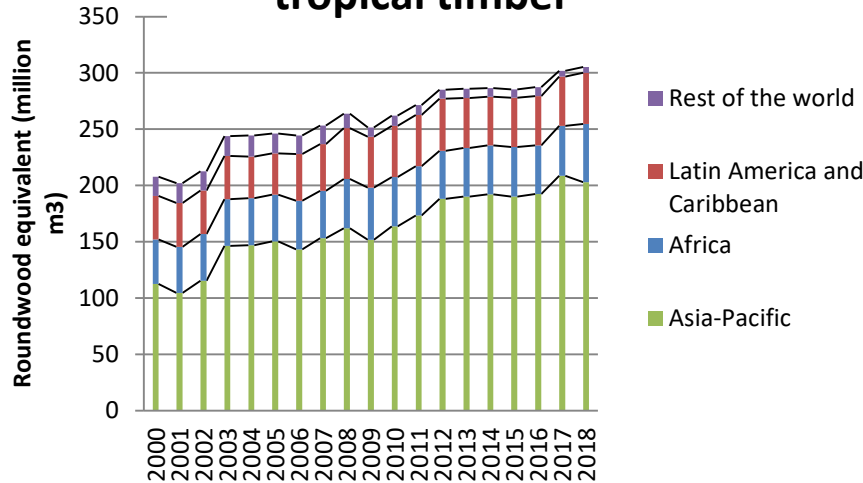

ITTO:

- Develops internationally agreed policy guidelines and norms to encourage sustainable forest management (SFM) and sustainable tropical timber industries and trade.

- Assists tropical member countries to adapt such guidelines and norms to local circumstances and to implement them in the field through projects and other activities.

- Collects, analyzes and disseminates data on the production and trade of tropical timber.

- Promotes sustainable tropical timber supply chains.

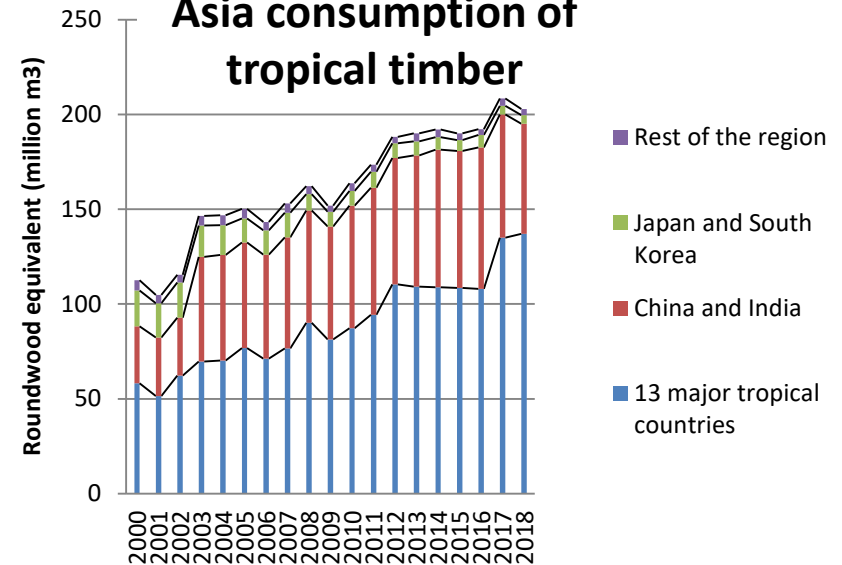- Helps develop capacity in tropical forestry.

Consumption of world industrial tropical timber

## World consumption of tropical timber

Roundwood equivalent (million m3)

Legend:
- Rest of the world
- Latin America and Caribbean
- Africa
- Asia-Pacific

Asia consumption of tropical timber

Roundwood equivalent (million m3)

Legend:
- Rest of the region
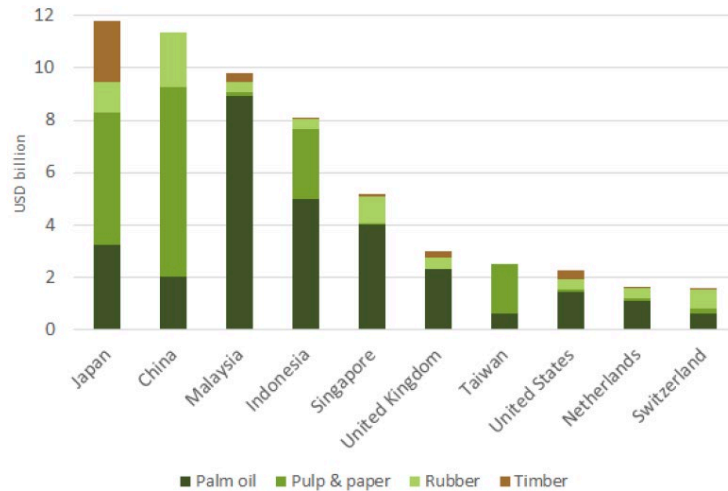- Japan and South Korea
- China and India
- 13 major tropical countries

Major Trade Flow of Tropical Industrial Roundwood

Import volume of all ITTO member countries totaled 17.7 million m3 in 2018

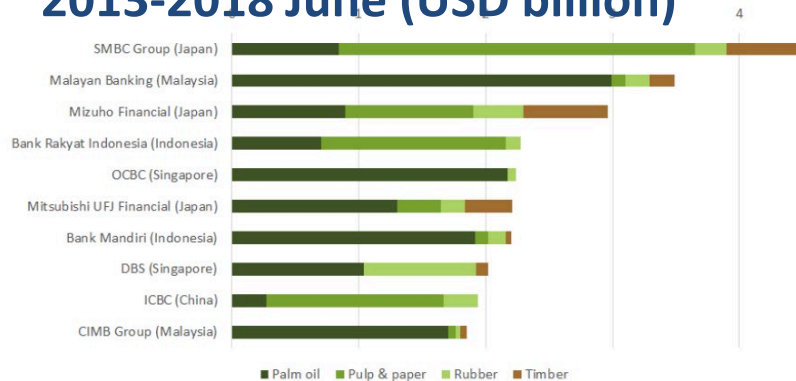WIDTH SCALE: Papua New Guinea - China = 3.7 mill. m³
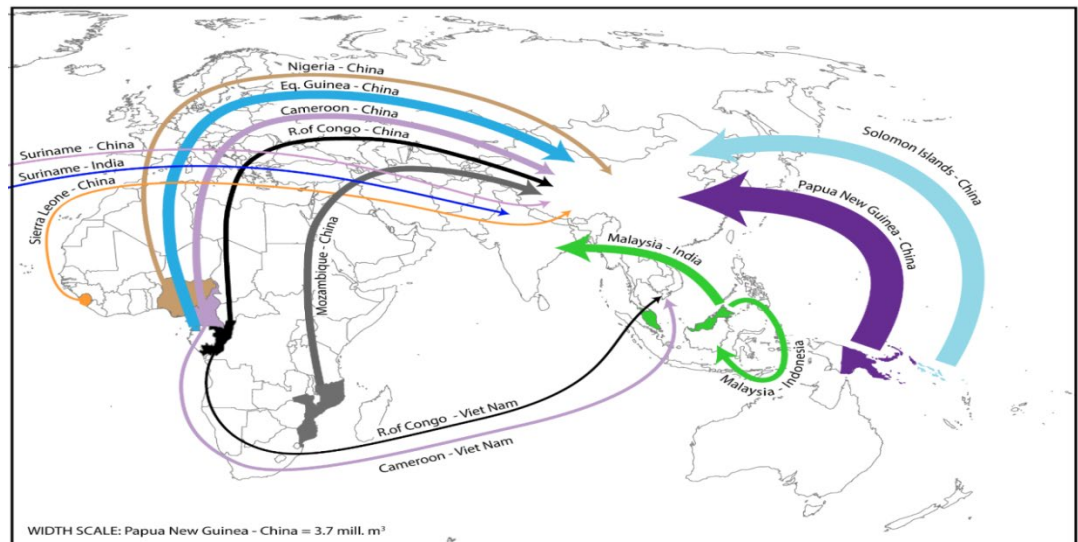
Loans & underwriting by investor country and sector, 2013-2018 (June) USD billion

## Japan among Top 10 Bondholders & Shareholders, July 2018 (US$ Billion)
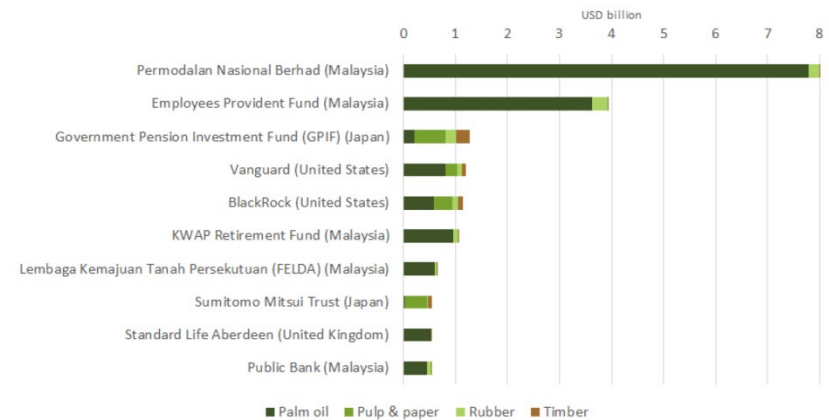
Top 10 Creditors & Underwriters, 2013-2018 June (USD billion)

Source: Rainforest Action Network, TUK Indonesia & Profundo via the Forest & Finance organization

Tropical forest degradation: geography of carbon density change

- **Tropical forests are a net release of carbon of 425.2 ± 92.0 Tg C yr−1** (losses of 861.7 ± 80.2 Tg C yr−1 and gains of 436.5 ± 31.0 Tg C yr−1 from forest growth)

- **Losses result from (i) deforestation and (ii) reductions in carbon density within standing forests (degradation) accounting for 68.9% of overall losses**
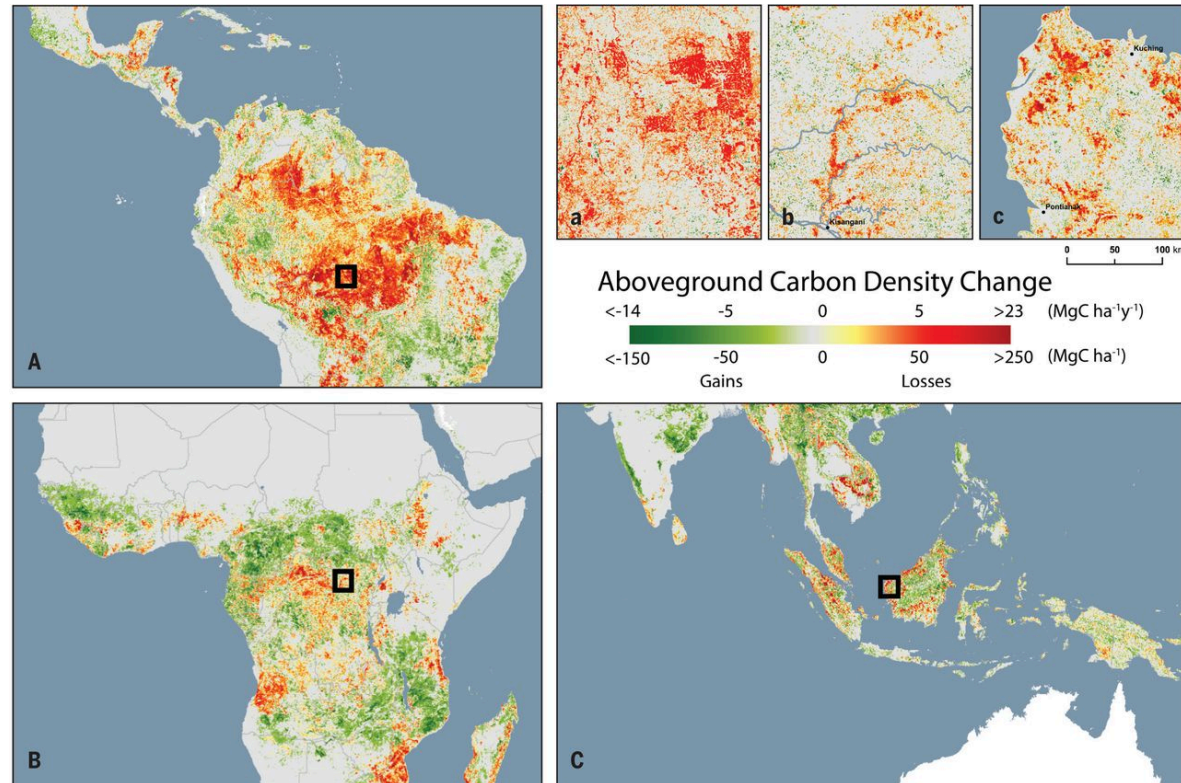
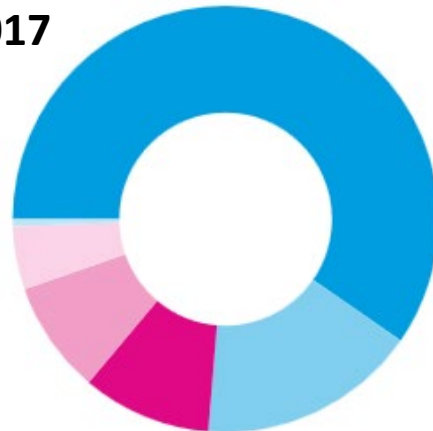A. Baccini et al. Science 2017;science.aam5962
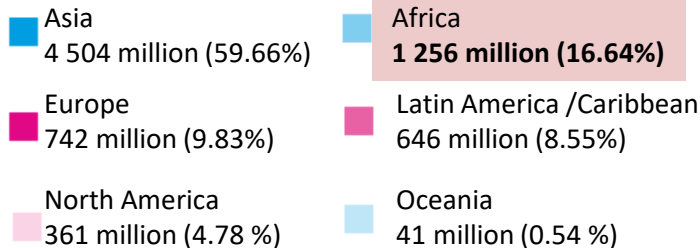
Africa: hungry for food, fuel, fiber and wood

Global population by region

2017

2100 (projected)

**Global population
7.55 billion**
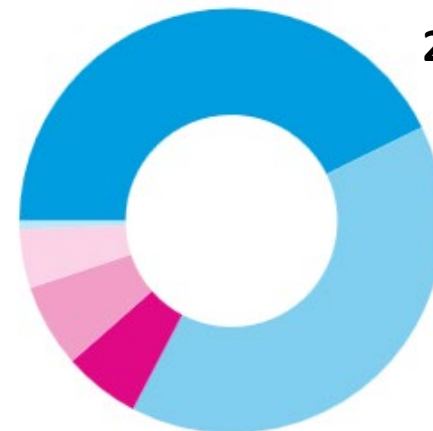
**Global population
11.18 billion**

■ Asia 4 504 million (59.66%)	■ Africa **1 256 million (16.64%)**
■ Europe 742 million (9.83%)	■ Latin America /Caribbean 646 million (8.55%)
■ North America 361 million (4.78 %)	■ Oceania 41 million (0.54 %)

■ Asia 4 780 million (42.74%)	■ Africa **4 468 million (39.95%)**
■ Europe 653 million (5.84%)	■ Latin America /Caribbean 712 million (6.37%)
■ North America 499 million (4.46%)	■ Oceania 72 million (0.64 %)

Grafik: Deutsche Stiftung Weltbevölkerung (DSW)
Quelle: Vereinte Nationen, World Population Prospects: The 2017 Revision

Increasing global wood demand

Increasing global demand for wood

Mill m3

Legend:
- Sawn Logs &Sheet1!$9:$9 Veneer Logs
- Energy Wood
- Household Energy Wood
- Total Wood Demand

WWF 2012
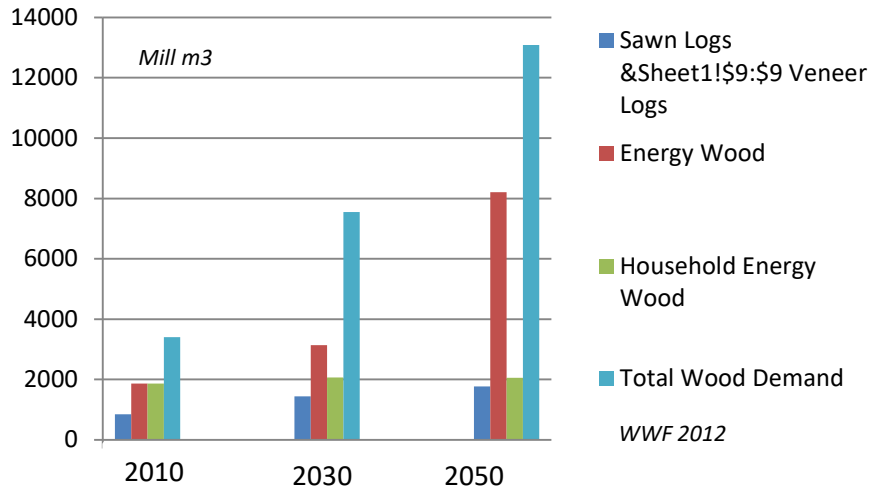
Increasing Gap for Industrial Roundwood

IFC 2013
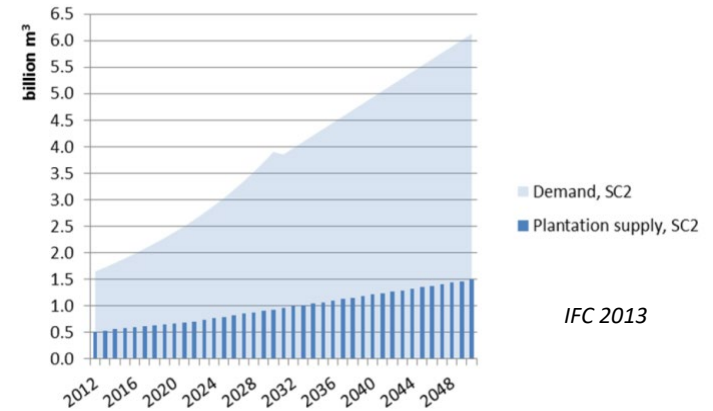
Demand in woodfuel and charcoal continues to increase

- 2.8 billion people will depend on traditional fuels in 2030
- Massive increase in demand for energy wood in industrialized countries

Primary energy supply in MTOE

- Traditional uses (wood)
- Production of heat and power
- Traditional uses (agricultural residues)
- Internal use in forestry and agricultural processing

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IFC/Dieterle et al. 2015
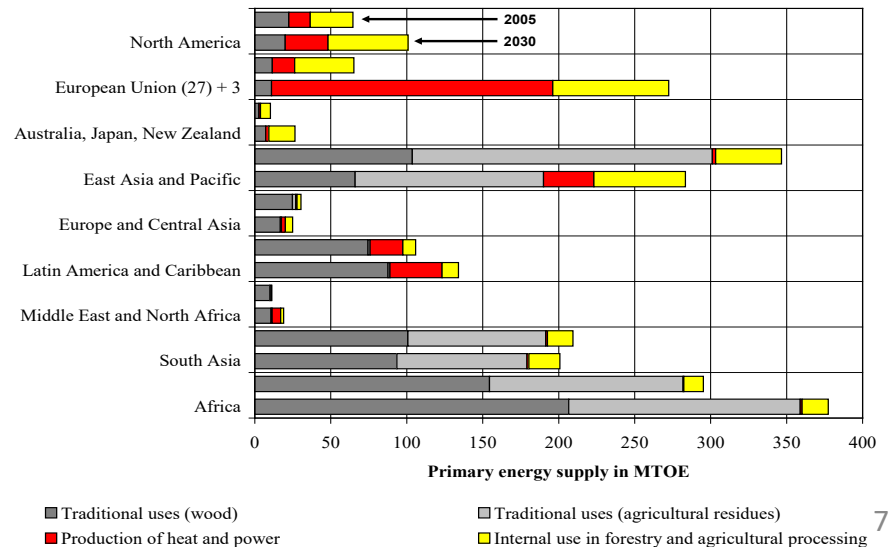
Projected HWP supply gap in 2040 under current conditions

- Supply gap in six case countries -
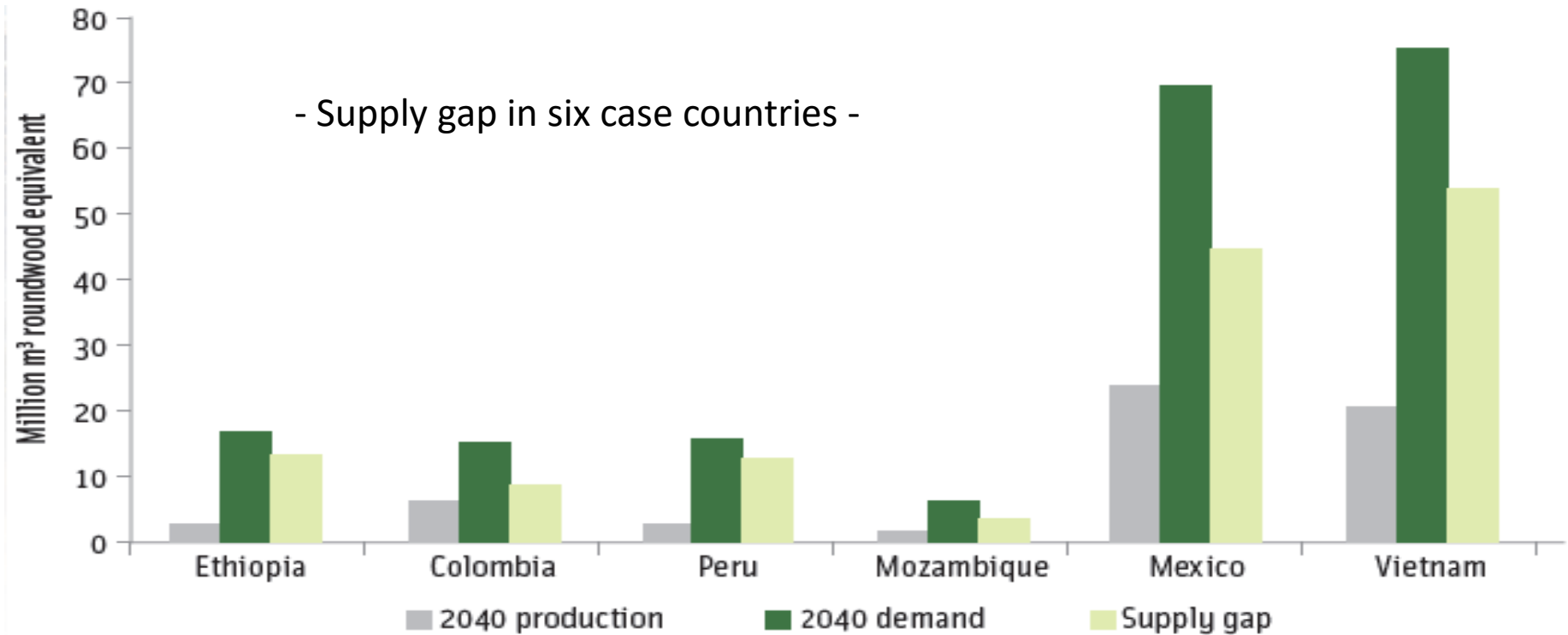
Note: HWP = harvested wood products; m = meter.

World Bank, 2015

Employment benefits of the Green Growth Scenario

- Six Case Countries -
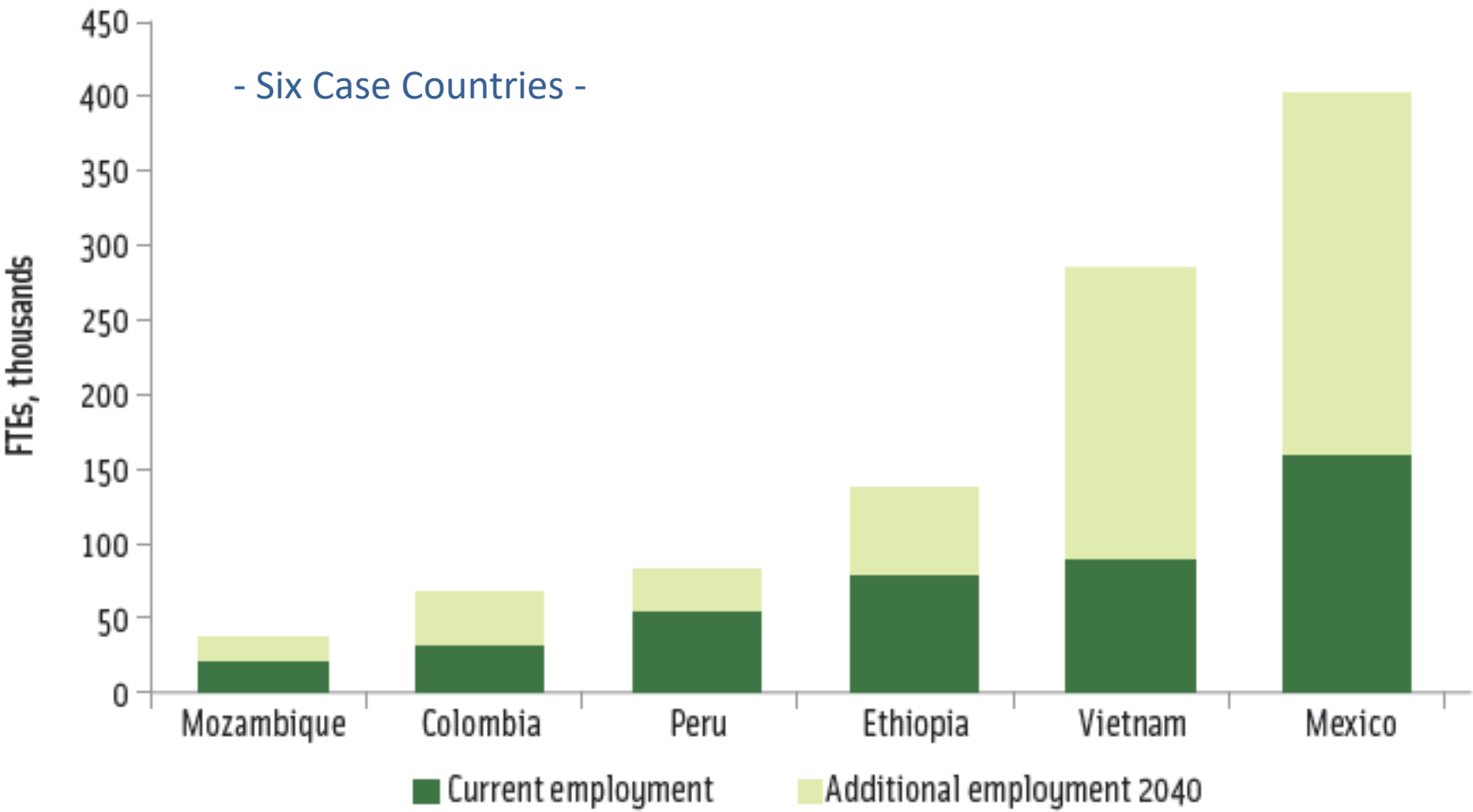
Note: FTEs = full-time equivalent workers.

Mitigation potential of Green Growth/Bio-economy Scenario

- Six Case Countries -
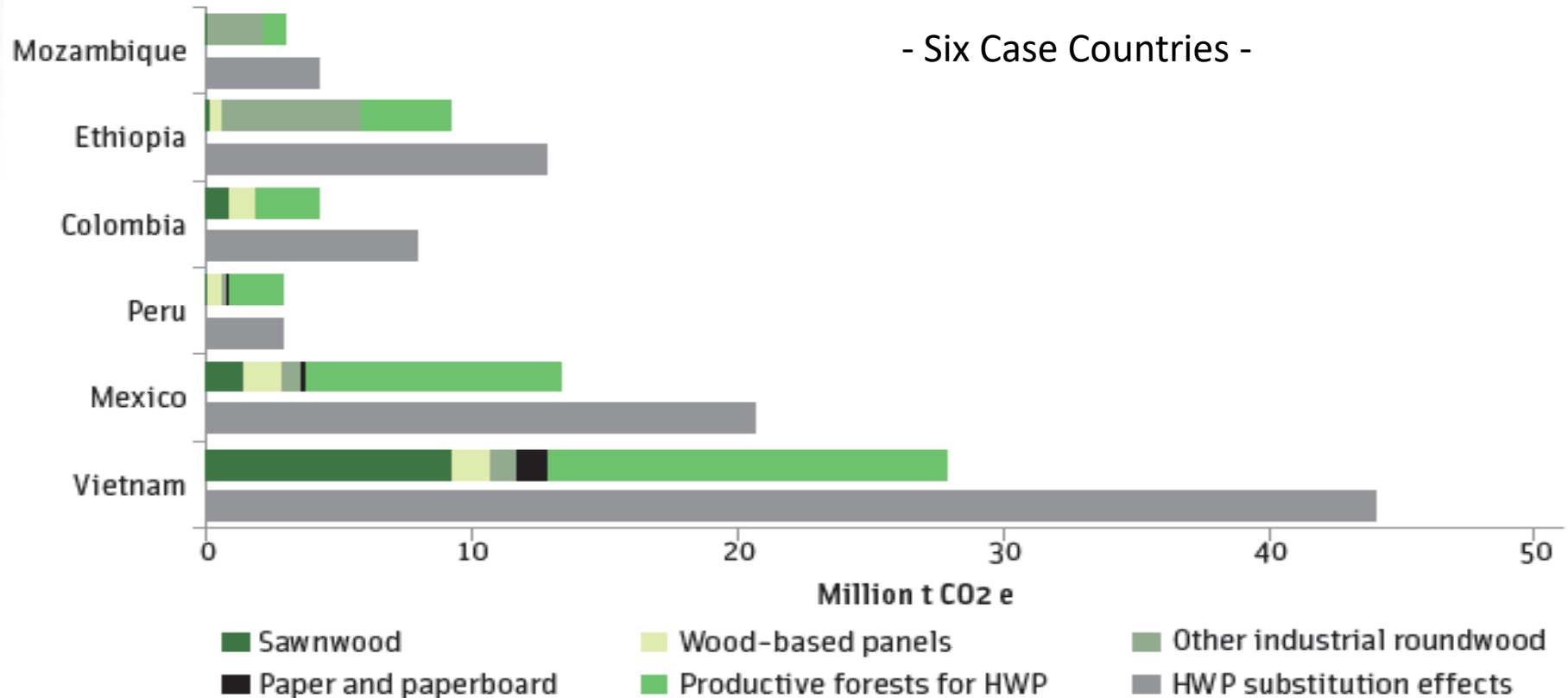
Note: HWP = harvested wood products; t CO2 e = tons of carbon dioxide equivalent.

The forgotten component in REDD+: Substitution

Fossil Fuel Substitution, Deforestation and Degradation, and Forest Carbon Storage in 2010 and 2050 (million tons carbon per year)
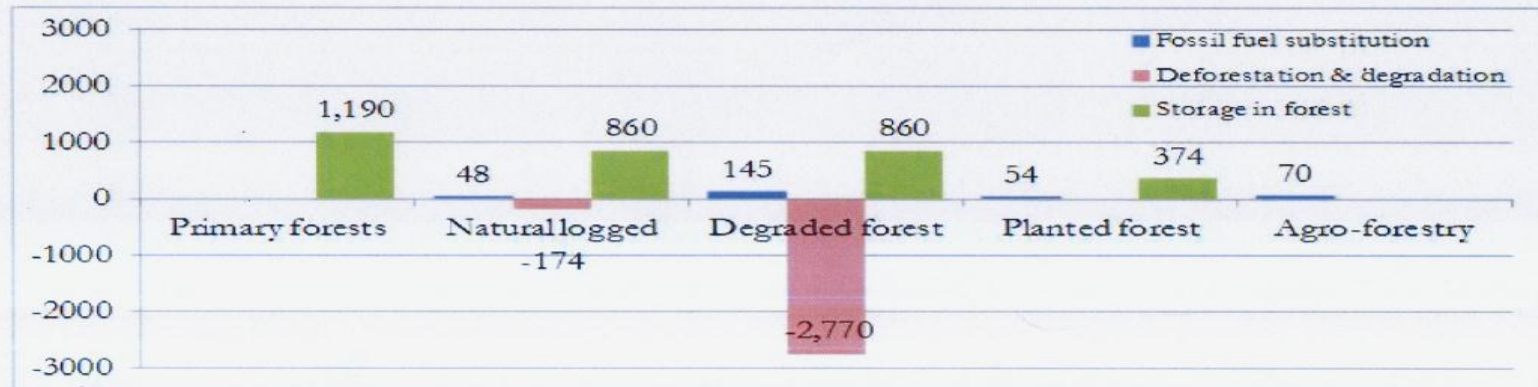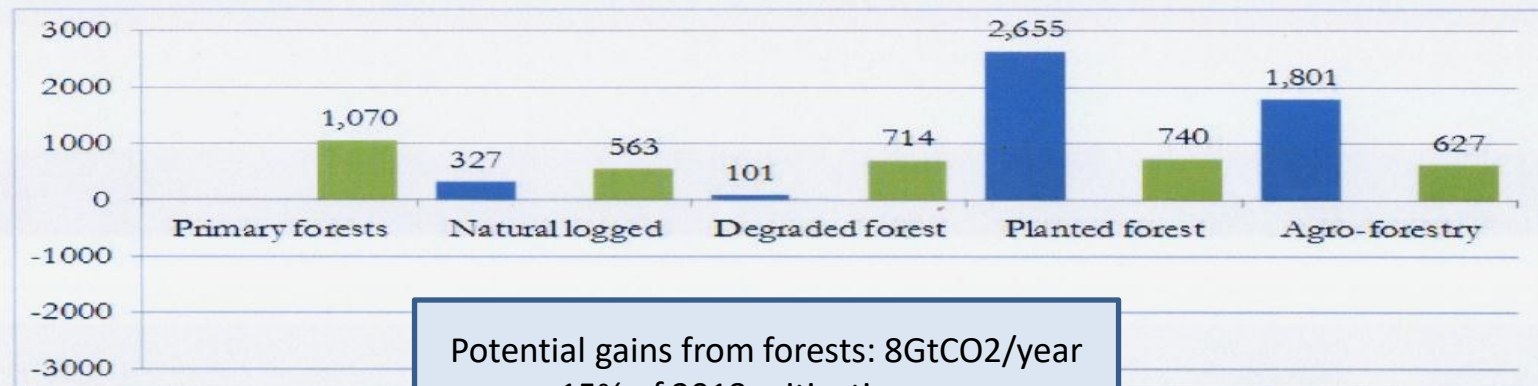
Potential gains from forests: 8GtCO2/year
15% of 2018 mitigation gap

Multiple wins from sustainable forest supply chains

- Economic growth
- Poverty reduction
- "Wood security"
- Additional climate mitigation benefits: Emission reduction + Co2 removals+ substitution + storage:

    Potential is up to 8GtCO$_2$/year, however accounting of substitution benefits unclear

- Increased environmental/biodiversity benefits
- Global water regime: *Rivers in the Sky*

Ingredients for Legal and Sustainable Supply Chains and good Forest Governance

Incentives and Finance	Access to Information & Data	Rule of Law/ Rights/Justice	Human Capacity
	• Remote sensing • Mapping • Planning tools • Information management systems • Timber tracking • DNA finger printing • International Data networks • Verification/ Certification systems • Market data	• Law enforcement (FLEG) • Eliminating corruption & informality • Access to resources • Land rights • Gender equity • International rules (CITES) • Fair "rules of the game"	• Education • Training • Knowledge • Infrastructure • Income • Health • Security

Venn diagram within Incentives and Finance:

Finanical Incentives (e.g. soft loans and grants, taxes, access to finance)

Administrative Incentives (e.g. extended permitting, favourable thresholds for obligations)

Reputational Incentives (e.g. voluntary certification, voluntary disclosure, natural capital accounting)

Key International Instruments and Processes

- **Sustainable Development Goals (SDGs)**

- **Paris Agreement – Nationally Determined Contributions (NDCs)**

- **European Timber Regulation (EUTR)**

- **EU Forest Law Enforcement and Trade Initiative and Voluntary Partnership Agreements (FLEGT/VPAs)**

- **US Lacey Act**

- **Japan Clean Wood Act**

- **Australia …**

- **Korea…**

- **China Global green Supply Chain Platform**

- **Forest Stewardship Council (FSC)**

- **Program for the Endorsement of Forest Certification (PEFC**

- **National Certification Schemes**

- **……………**

Legal and Sustainable Supply Chains – a complex task

International and National Legality and Sustainability Frameworks

SDGs, UNSPF, National Policies, Intl. Agreements, Proofs of Legality (Certification Schemes, Timber Tracking Systems,,)
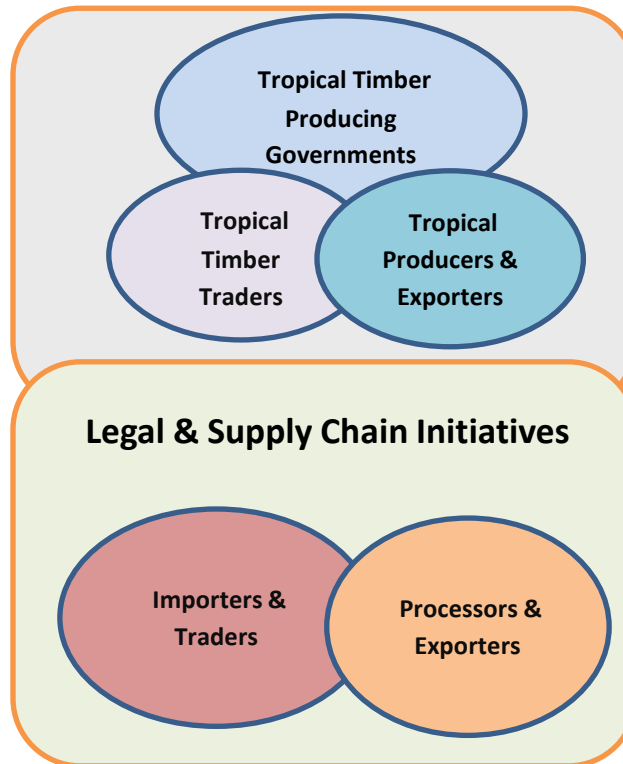
Role of ITTO & Partners

Policy & Regulatory & Institutional Frameworks, Capacity Building , Analysis, ...

Market Information, Guidelines, Capacity , Building & Training Field Projects, Access to Markets ....

Data Base, Intl. Connectivity, Expert Advice, Market Monitoring, Capacity Building & Training ....

Market Information, Intl. Outreach Capacity Building, Networks ....

Analysis, Information, Monitoring ...

Tropical Timber Producing Governments

Tropical Timber Traders

Tropical Producers & Exporters

Legal & Supply Chain Initiatives

Importers & Traders

Processors & Exporters

National, Regional and International Markets;

Consumers ; Advocacy Groups …..

Demand for legal and sustainable products

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

International Forum: Together Towards Global Green Supply Chains

22–25 October 2019, Shanghai & Huzhou, China

The forum will convene about 300 companies:

- highlighting the **importance of legal and sustainable wood products supply chains**

- **seeking commitment** from industries and governments

- promoting the **establishment of a joint platform**
  - ➢ to facilitate business information
  - ➢ exchange and collaboration between wood product producers, buyers, processing industries and wood product market representatives nationally and internationally.

http://www.youtube.com/user/ittosfm

@itto_sfm

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International Tropical Timber Organization

Thank you very much!

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