

# Tropical Timber Trade and ITTO Initiative on Legal and Sustainable Supply Chains

Executive Director  
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Meeting with Japanese Wood Industries and  
Associations

Tokyo, August 23, 2019



SUSTAINABLE DEVELOPMENT **GOALS**  
17 GOALS TO TRANSFORM OUR WORLD



— GLOBAL —  
**FOREST**  
— GOALS —

INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)

# The International Tropical Timber Organization (ITTO)

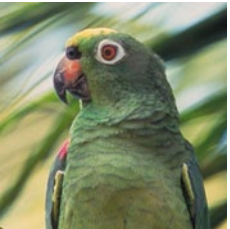


ITTO is an intergovernmental organization promoting the sustainable management and conservation of tropical forests and the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests.



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.



# Members of ITTO (74)

Covering 80% of the World's Tropical Forests and 90% of the Tropical Timber Trade

## Consuming countries (38):

Albania, Australia, China,

European Union: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom

Japan, New Zealand, Norway, Republic of Korea, Switzerland, United States of America

## Asia & Pacific (10):

Cambodia  
Fiji  
India  
Indonesia  
Malaysia  
Myanmar  
Papua New Guinea  
Philippines  
Thailand  
Vietnam

## Latin America (13):

Brazil  
Colombia  
Costa Rica  
Ecuador  
Guatemala  
Guyana  
Honduras  
Mexico  
Panama  
Peru  
Suriname  
Trinidad and Tobago  
Venezuela

## Africa (13):

Benin  
Cameroon  
C.A.R.  
Congo  
Cote d'Ivoire  
Democratic Republic of the Congo  
Gabon  
Ghana  
Liberia  
Madagascar  
Mali  
Mozambique  
Togo



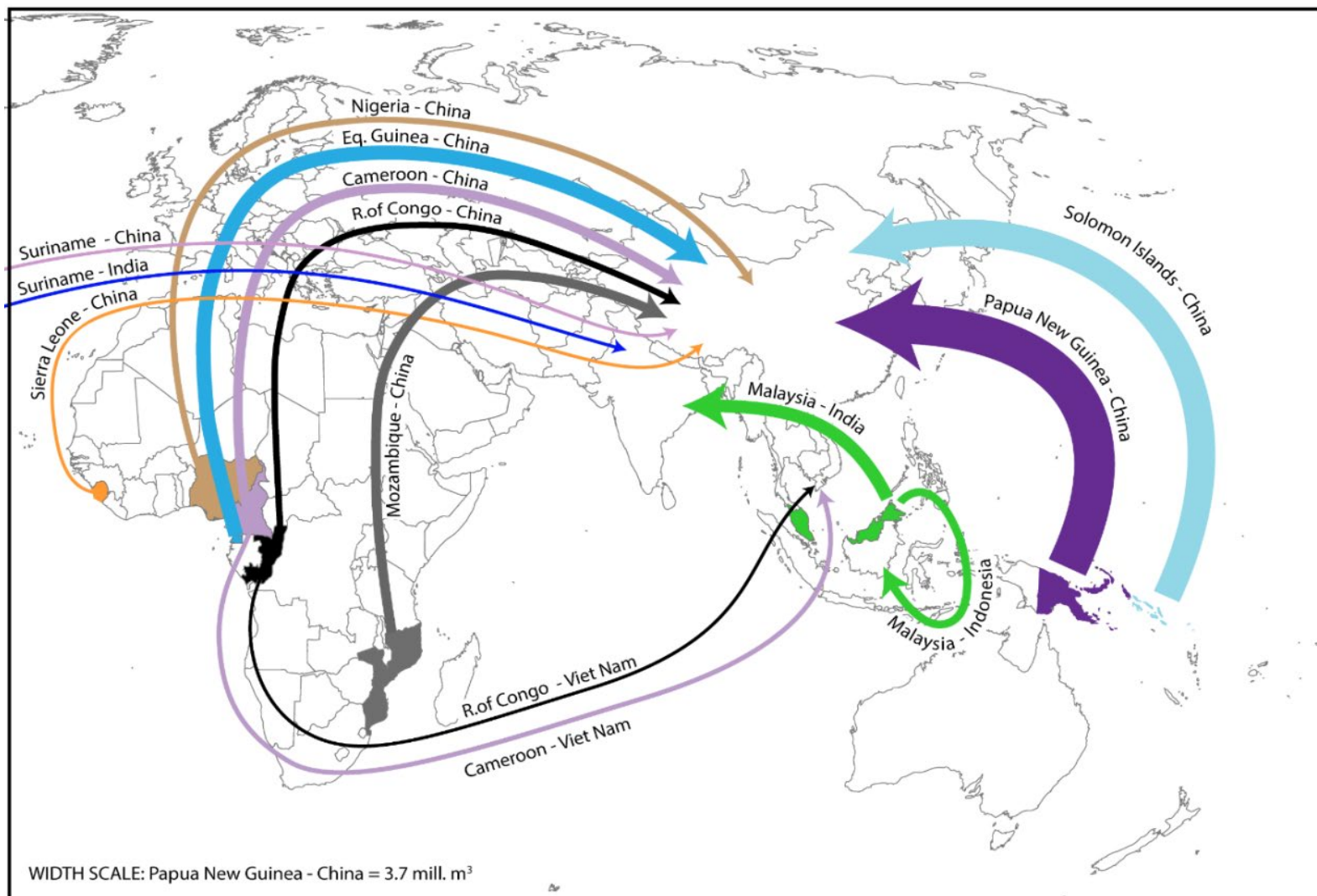
# Projects for putting policies and guidelines into practices on the ground



**More than 1000 projects, pre-projects & Activities financed through ITTO for an amount exceeding US\$400 millions**

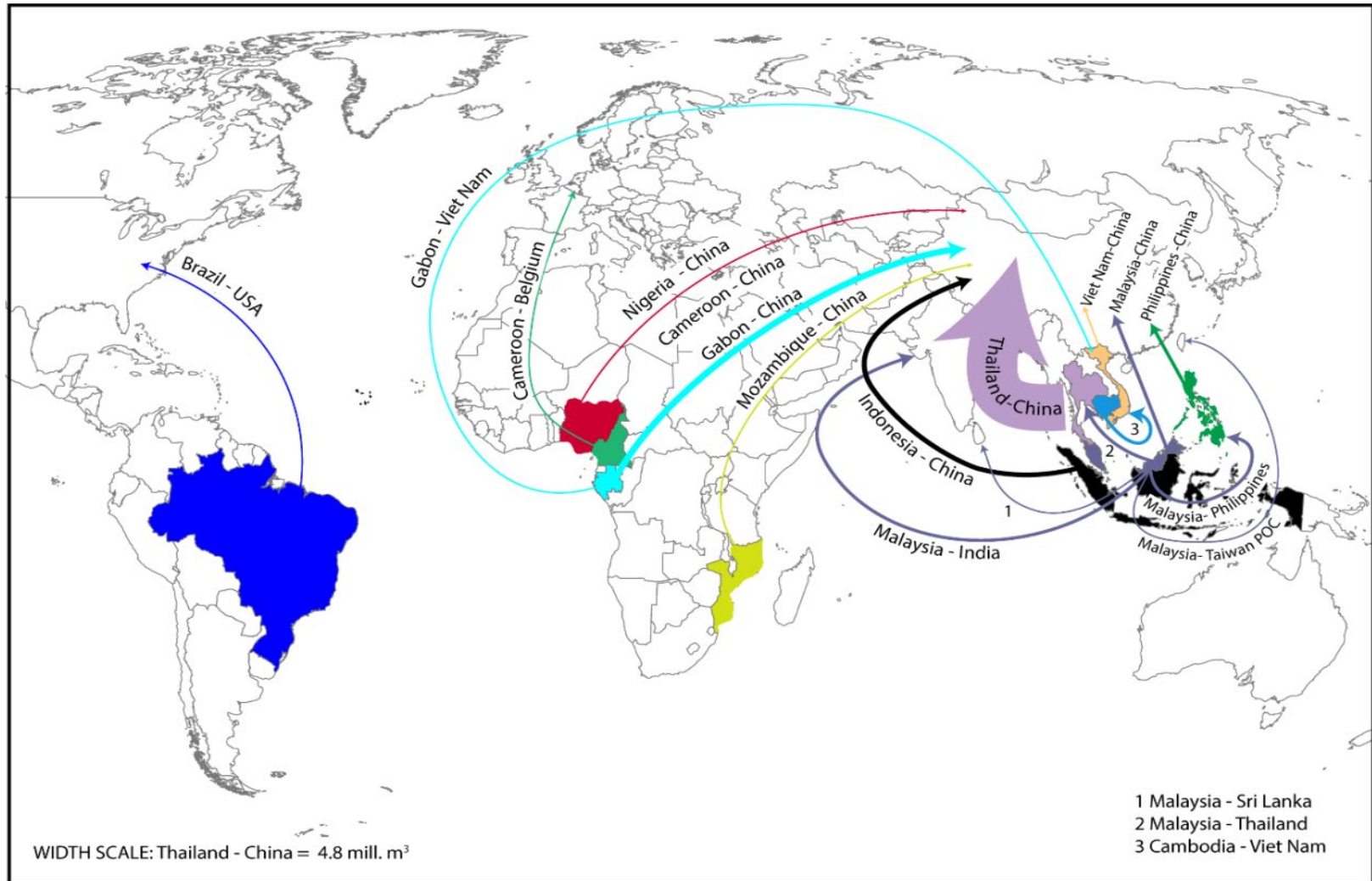
# Major Trade Flow of Tropical Industrial Roundwood

Import volume of all ITTO member countries totaled 17.7 million m<sup>3</sup> in 2018



# Major Trade Flow of Tropical Sawnwood

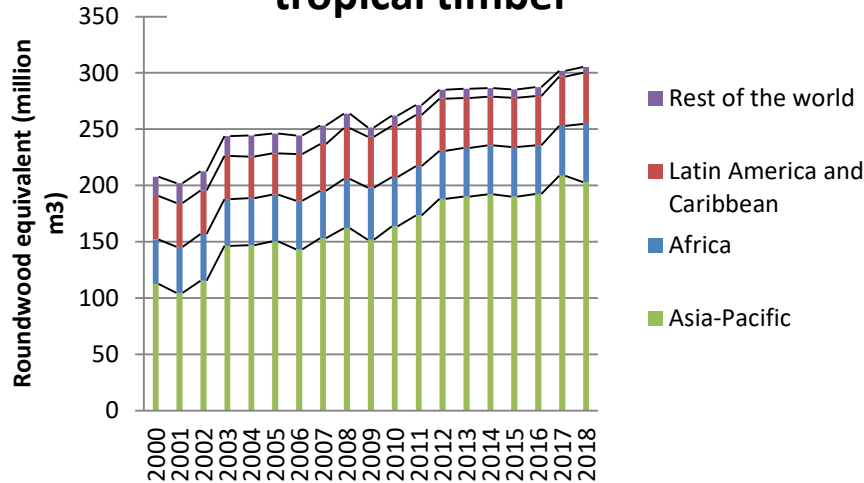
Import volume of all ITTO member countries totaled 11.0 million m<sup>3</sup> in 2018



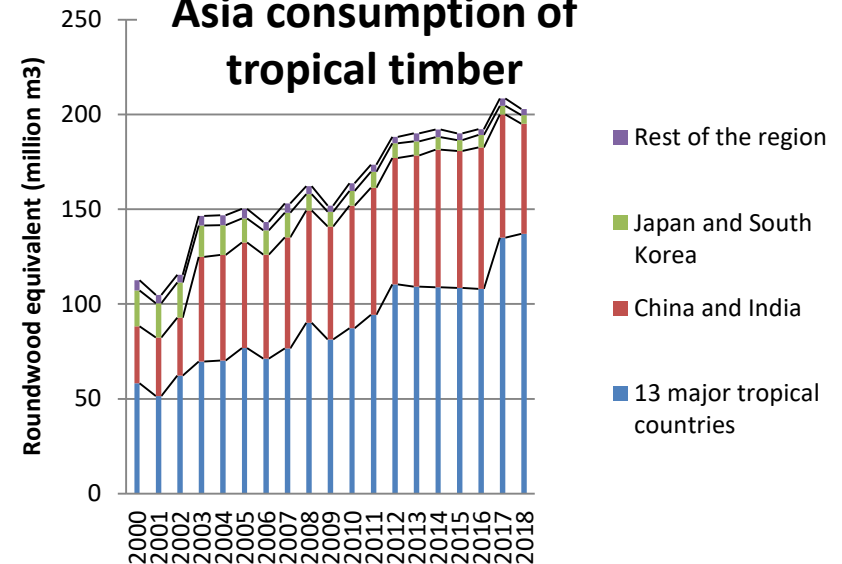
# Consumption of world industrial tropical timber



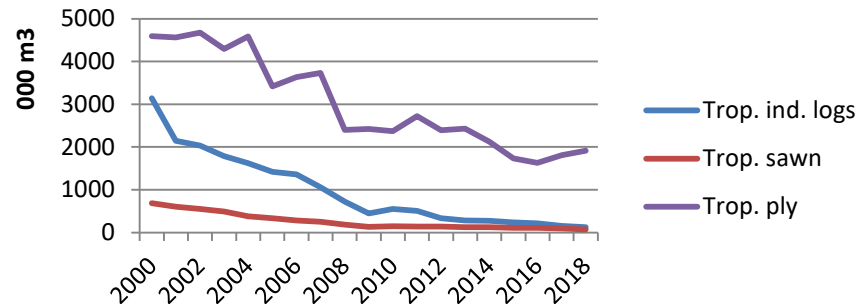
## World consumption of tropical timber



## Asia consumption of tropical timber

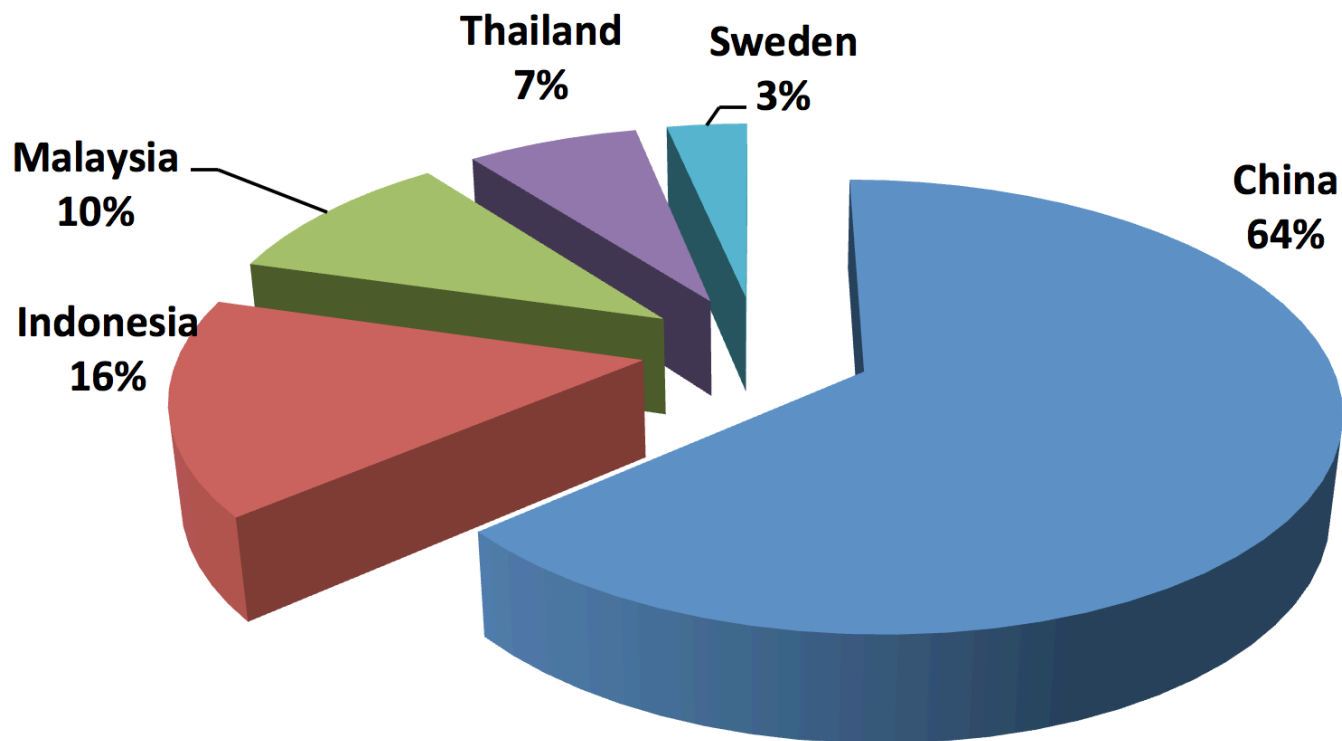


## Japan imports of major tropical timber products





## 90% of Japan's wooden flooring (HS441875) from 5 shippers

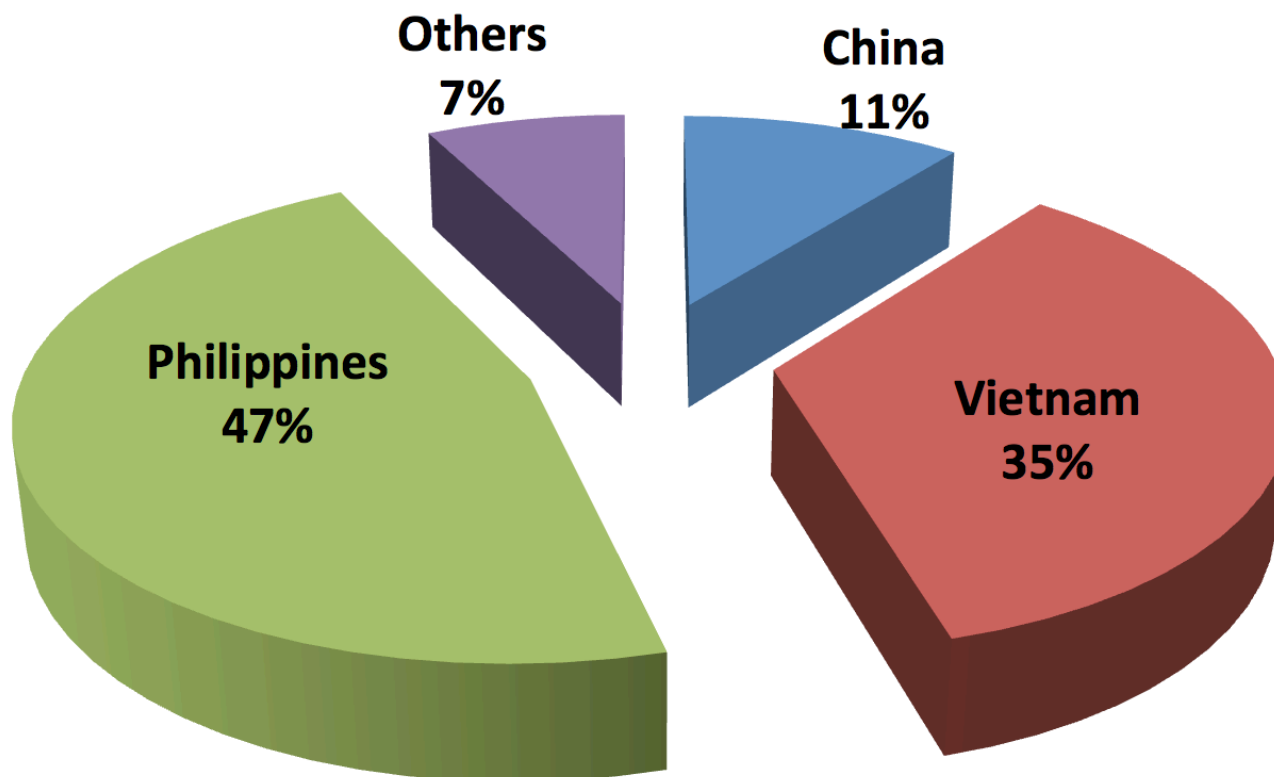


Source: Ministry of Finance, Japan



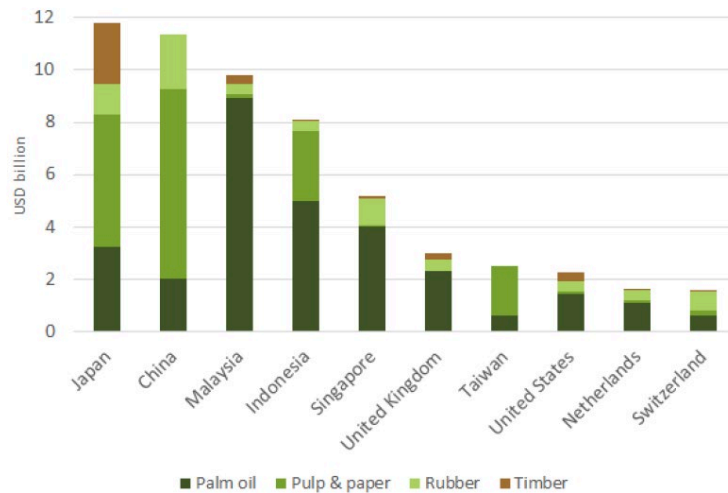


## 92% of Japan's wooden kitchen furniture from top shippers

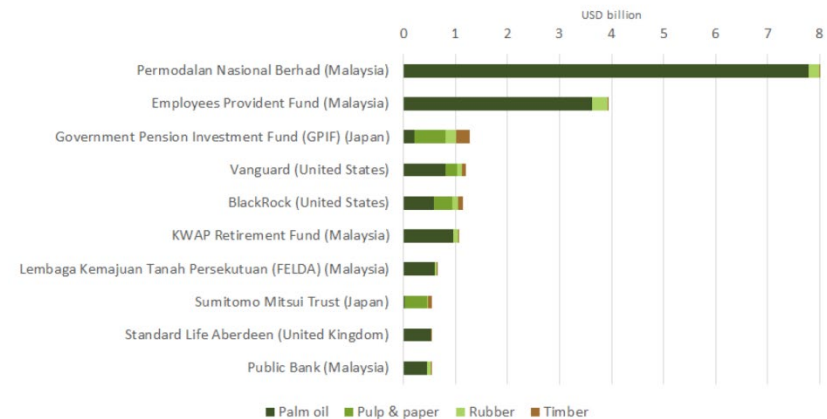


Source: Ministry of Finance, Japan

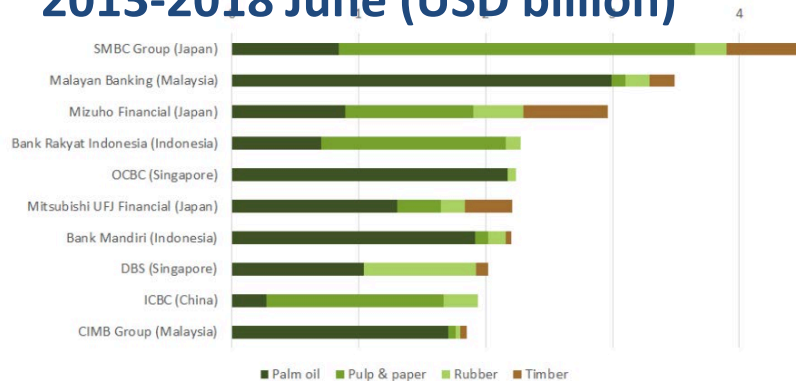
## Loans & underwriting by investor country and sector, 2013-2018 (June) USD billion



## Japan among Top 10 Bondholders & Shareholders, July 2018 (US\$ Billion)



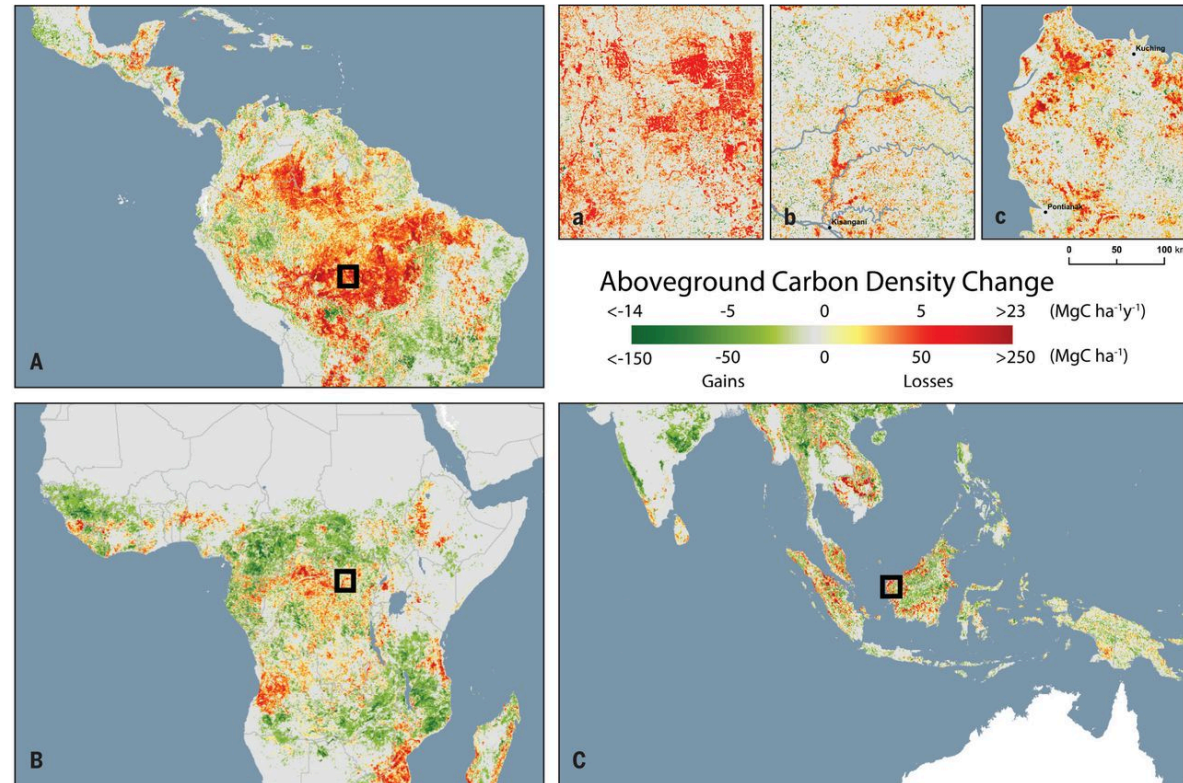
## Top 10 Creditors & Underwriters, 2013-2018 June (USD billion)



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  $425.2 \pm 92.0 \text{ Tg C yr}^{-1}$  (losses of  $861.7 \pm 80.2 \text{ Tg C yr}^{-1}$  and gains of  $436.5 \pm 31.0 \text{ Tg C yr}^{-1}$  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



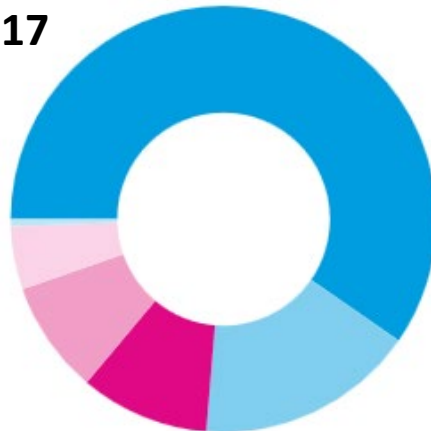
A. Baccini et al. Science 2017;science.aam5962

# Africa: hungry for food, fuel, fiber and wood



## Global population by region

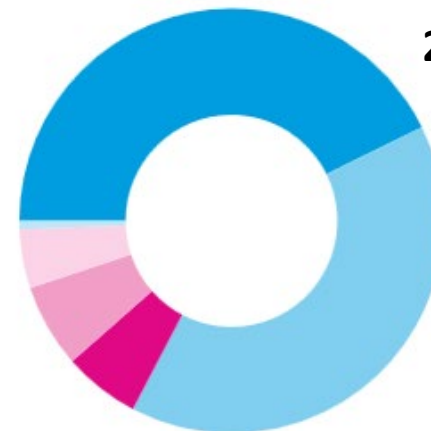
2017



Global population  
7.55 billion

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

2100 (projected)



Global population  
11.18 billion

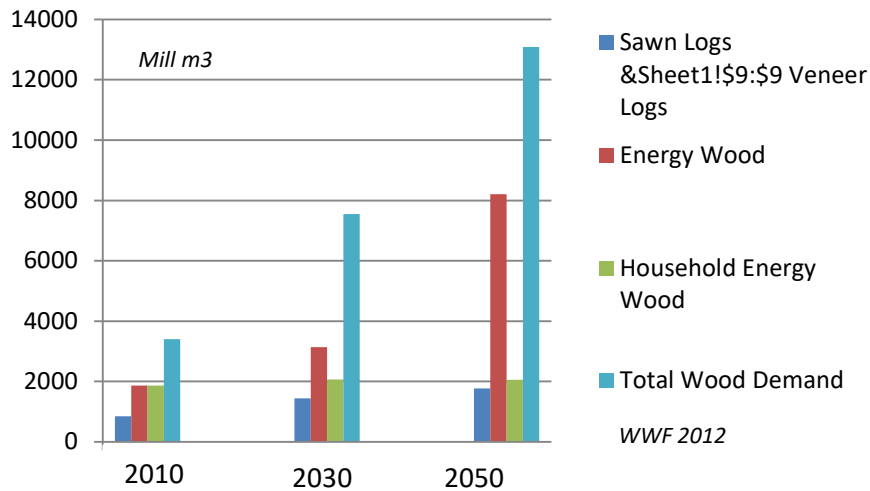
Asia 4 780 million (42.74%)	Africa <b>4 468 million (39.95%)</b>
Europe 653 million (5.84%)	Latin America /Caribbean 712 million (6.37%)
North America 499 million (4.46%)	Oceania 72 million (0.64 %)



# Increasing global wood demand



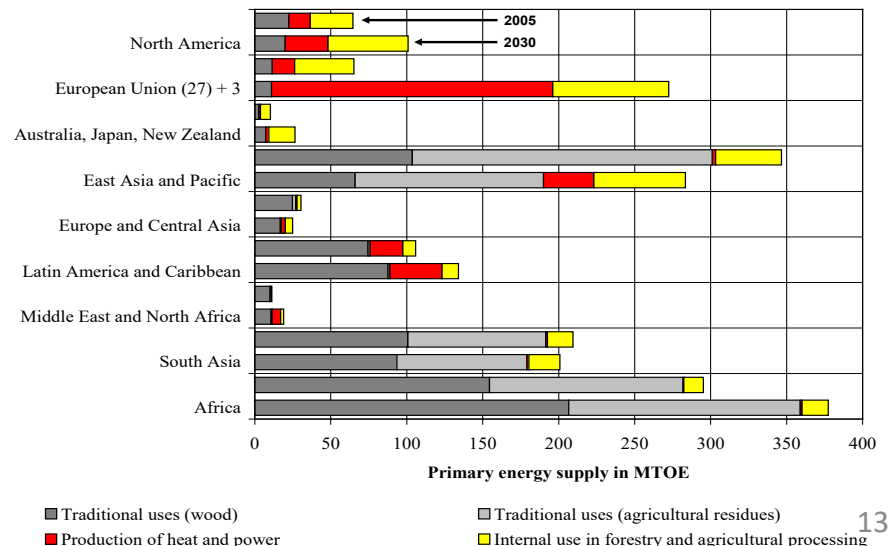
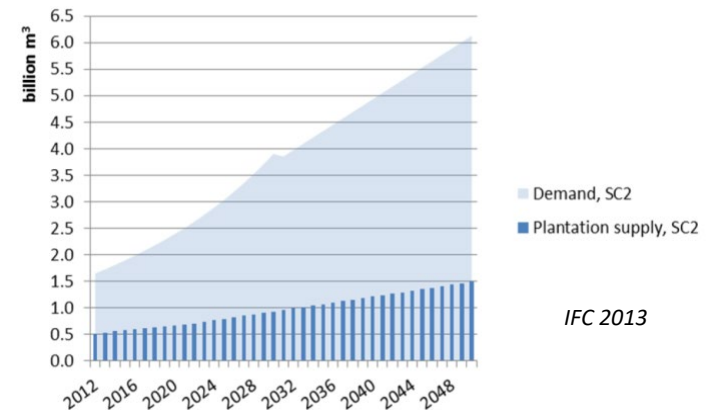
## Increasing global demand for wood



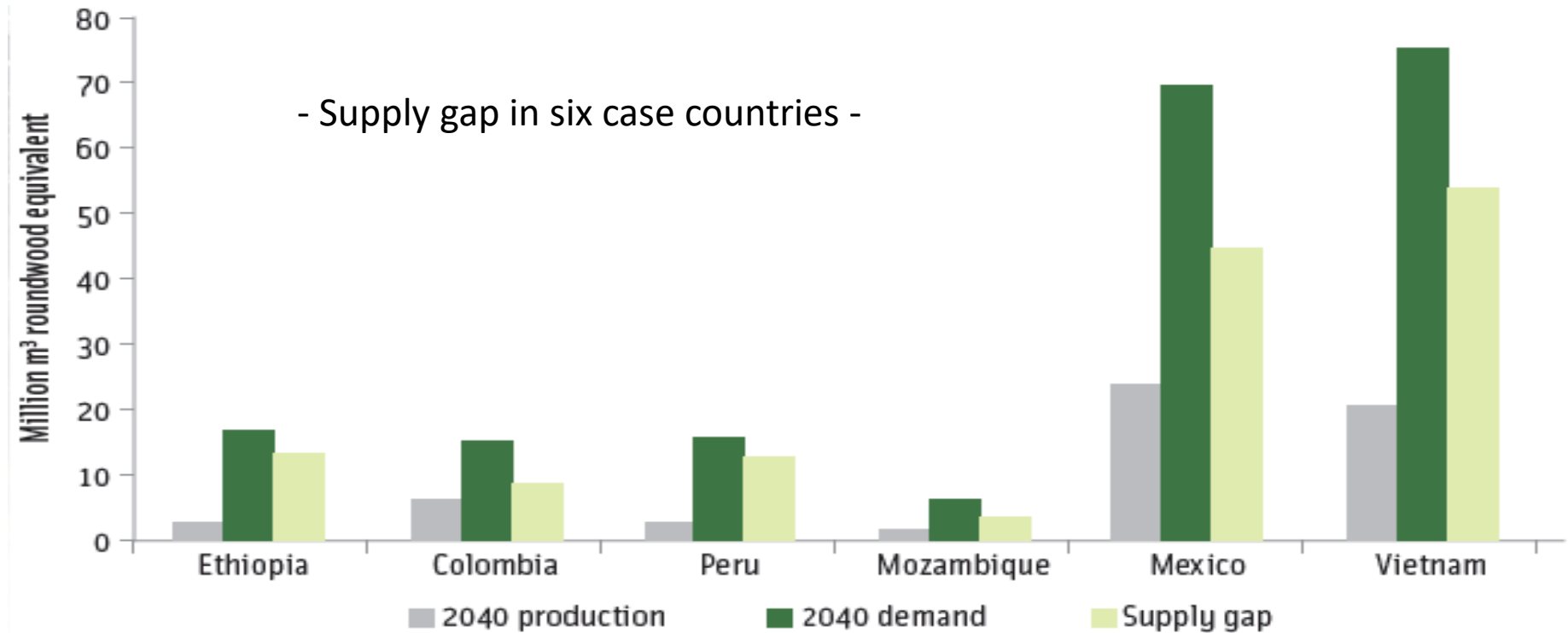
## Demand in woodfuel and charcoal continues to increase

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

## Increasing Gap for Industrial Roundwood

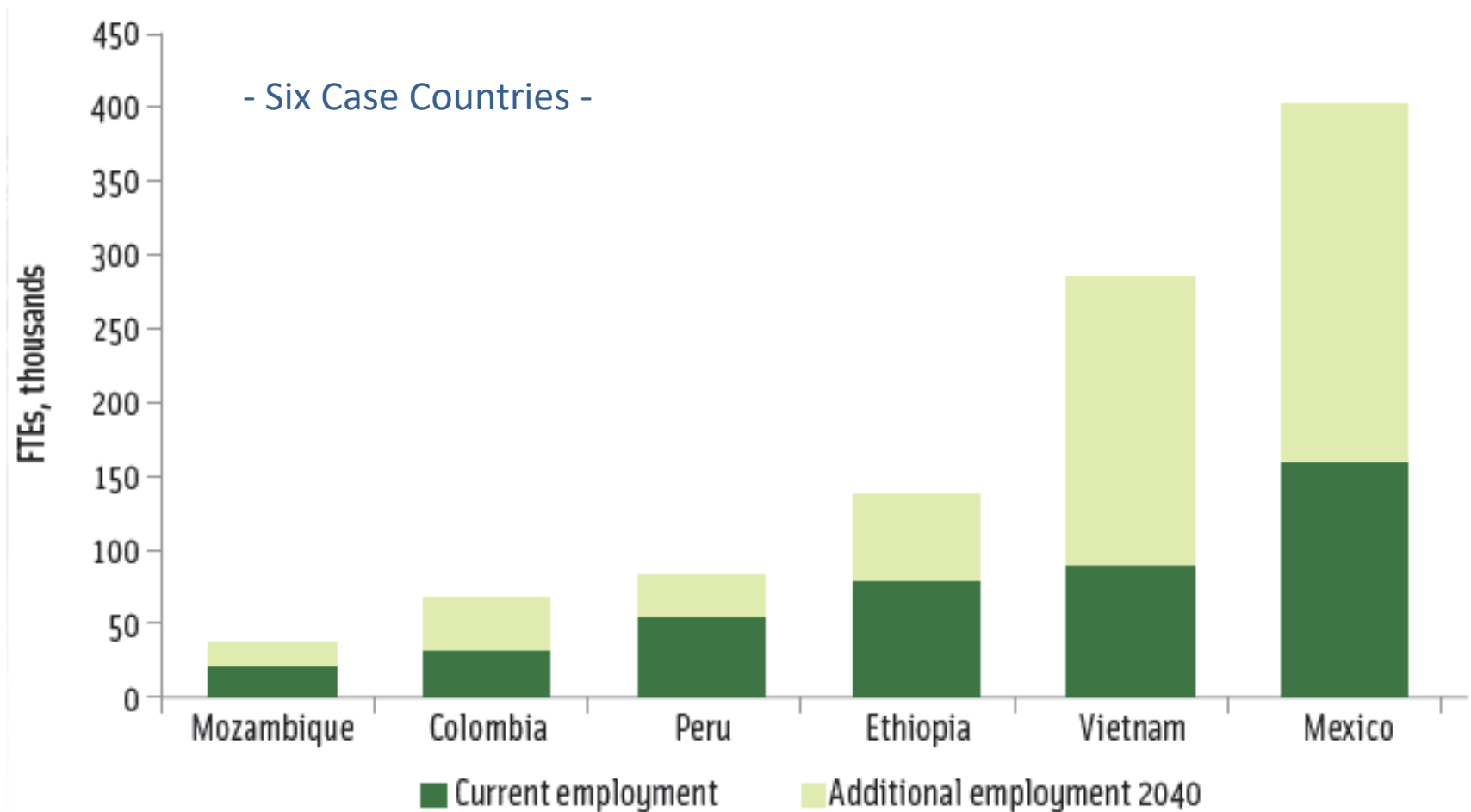


# Projected HWP supply gap in 2040 under current conditions



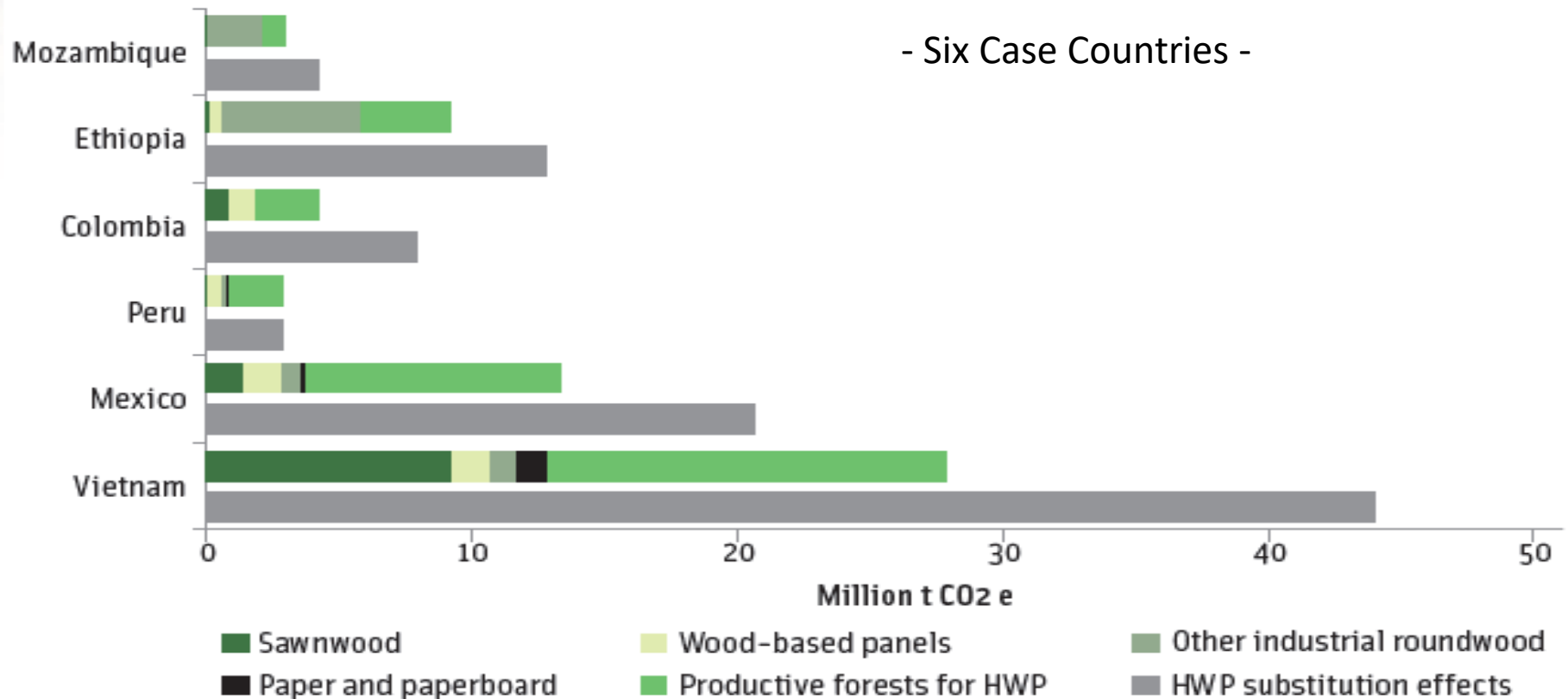
Note: HWP = harvested wood products; m = meter.

# Employment benefits of the Green Growth Scenario



Note: FTEs = full-time equivalent workers.

# Mitigation potential of Green Growth/Bio-economy Scenario



Note: HWP = harvested wood products; t CO<sub>2</sub> e = tons of carbon dioxide equivalent.

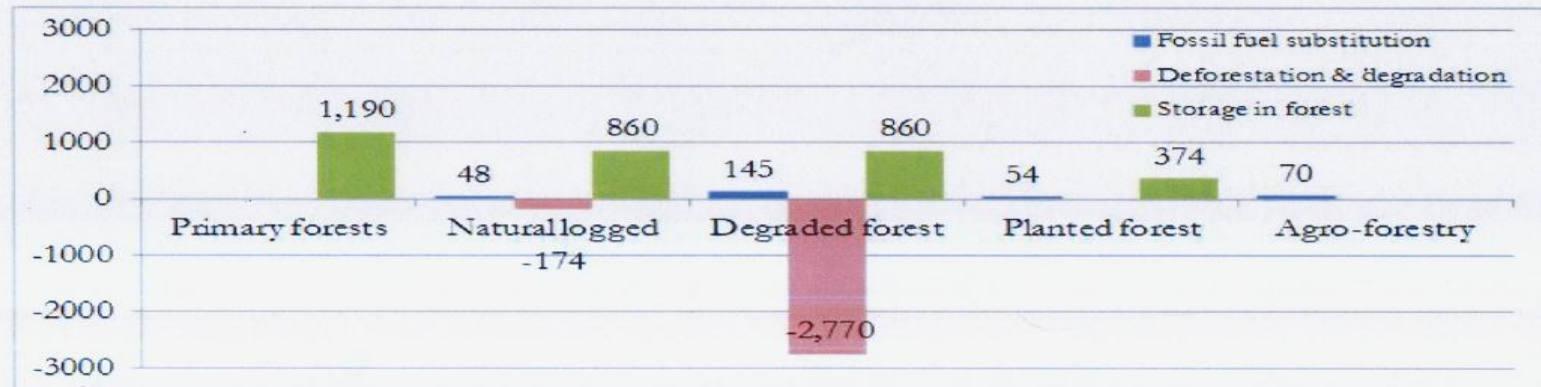


# The forgotten component in REDD+: Substitution

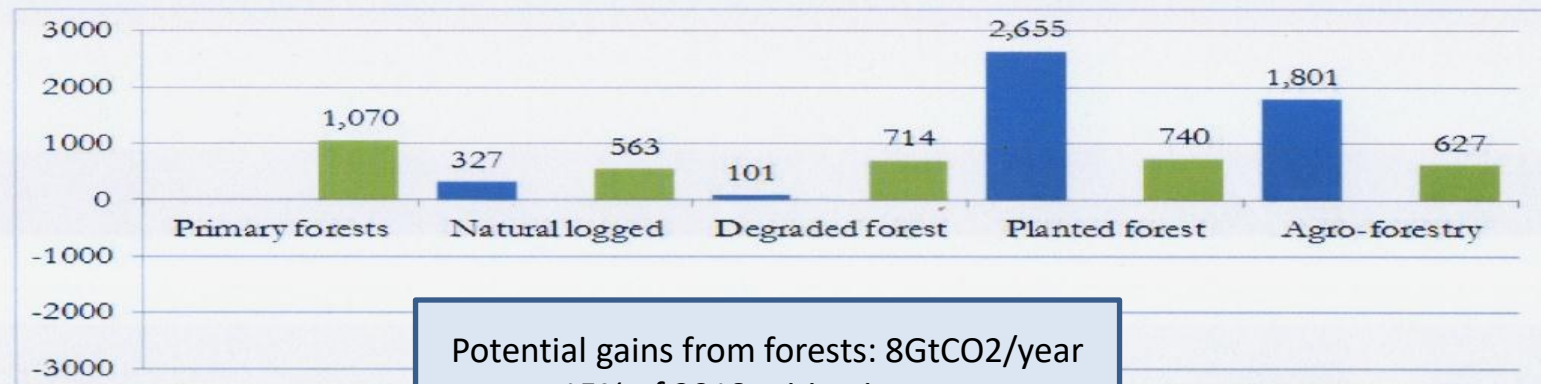


*Fossil Fuel Substitution, Deforestation and Degradation, and Forest Carbon Storage in 2010 and 2050  
(million tons carbon per year)*

2010



2050



Potential gains from forests: 8GtCO<sub>2</sub>/year  
15% of 2018 mitigation gap

# Multiple wins from sustainable forest supply chains

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- Economic growth
- Poverty reduction
- “Wood security”
- Additional climate mitigation benefits: **Emission reduction + Co2 removals+ substitution + storage:**  
Potential is up to 8GtCO<sub>2</sub>/year, however accounting of substitution benefits unclear
- Increased environmental/biodiversity benefits
- Global water regime: *Rivers in the Sky*

# What if?

## Why legal and sustainable supply chain initiatives are important

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### Developments in Consumer countries

- Foreign investment by progressive wood industry will **focus on “low-risk countries” and avoiding smallholders** to ensure legality and sustainability.
- Consumer countries will become increasingly **self-sufficient**: increasing North-South trade
- Market share **of chemically & mechanically modified softwood** (e.g. Kebony, acetylated wood, compressed softwood) eroding the demand and market share for tropical hardwood will decrease.
- **Eroding public and political acceptance** of tropical timber
- **Demand for verification of legality and sustainability will become the “norm”** in an increasing number of countries.
- **Global climate goals/REDD+ approach cannot succeed without pivotal role of productive forests**: meeting demand of growing population, biodiversity, water, bio-economy

### Implications for Tropical timber producing countries

- **Without addressing emerging domestic supply gaps of timber** and wood-based energy many tropical countries will
  - Depend increasingly on non-renewable materials (steel, concrete, fuels)
  - Risk of increased deforestation/degradation
  - Loss of biodiversity/primary forests and protected areas
  - Face trade deficits and loss of jobs/income from increasing dependence on wood imports
- **Reducing risks and improving governance** is essential for attracting foreign investment
- **Legal and sustainable supply chains do not work without incentives for investments and capacity building**
- **Risk of losing global market access** for tropical timber if not produced legally and sustainably;

# Key questions to be addressed in building Legal and Sustainable Supply Chains



- **How to assisting governments in building enabling institutional and policy frameworks** for promoting legal and sustainable supply chains and enabling business conditions for actors who operate in such chains,?
- **How to develop, promote and implement effective incentive mechanisms** for increased investments in legal and sustainable forest management and associated downstream supply chains
- **What are the needs for capacity building for sustainable forest management, production and trade** (tracking and documentation, voluntary legality verification and certification,?)
- **How to ensure transparent and fair marketing and trading of wood and forest products:** market information, strengthening tropical country trade associations and cooperative organizations, facilitating linking domestic and international buyers and sellers of legal and sustainable wood and forest products?;
- **How to ensure comparability and coherence among different national and international regulations and standards** related to legality and sustainability in order to facilitate compliance for suppliers of legal and sustainable wood products?
- **How to overcome informality in domestic trade and intra-continental trade** in forest developing countries though legal and sustainable supply chains?
- **What type of advocacy and awareness-raising among all stakeholder groups** is needed for promoting the role of productive forests and sustainable wood for economic, social and environmental development, climate change mitigation and adaptation, and the conservation of global biodiversity?



# Key International Instruments and Processes



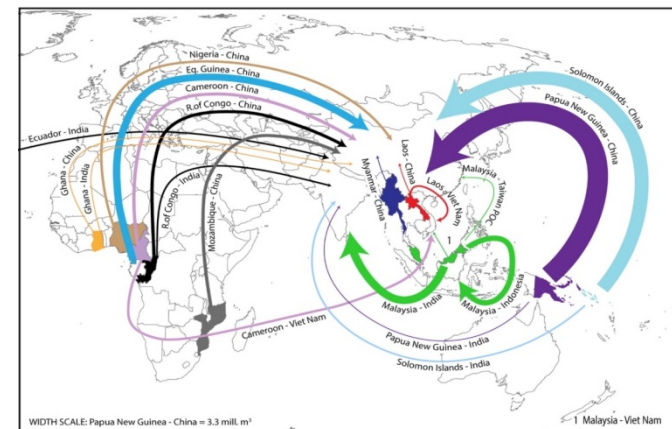
- Sustainable Development Goals (SDGs)
- Paris Agreement – Nationally Determined Contributions (NDCs)
- European Timber Regulation (EUTR)
- EU Forest Law Enforcement and Trade Initiative and Voluntary Partnership Agreements (FLEGT/VPAs)
- US Lacey Act
- **Japan Clean Wood Act**
- Australia ...
- Korea...
- China Global green Supply Chain Platform
- Forest Stewardship Council (FSC)
- Program for the Endorsement of Forest Certification (PEFC)
- National Certification Schemes
- .....

# Towards a Global Green Supply Chain Platform



Chinese Private Sector Initiative (GGSC) - Beijing, June 2018

- **GGSC members:** Currently 14 progressive Chinese wood importing and processing enterprises.  
Trade volume ~US\$ 14 billion
- **GGSC secretariat:** CINFT / NFGA (National Forest and Grassland Administration, previously SFA).
- **GGSC promotion committee:** GGSC secretariat, ITTO, China timber and wood products distribution association, Green carbon foundation, (open for enterprises to join).
- **GGSC expert group:** ITTO TAG, CINFT.
- **External stakeholders / supporters:** MOFCOM, GIZ Forest Policy Facility, TNC, DfID etc.



# International Forum: Together Towards Global Green Supply Chains



22–25 October 2019, Shanghai & Huzhou, China

The forum will:

- highlight the importance of legal and sustainable wood products supply chains
- seek commitment from industries and governments
- promote 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>



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International Tropical Timber Organization



Thank you very much!

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