FLEGT VPA Independent Market Monitoring (IMM)

International Tropical Timber Council, Lomé, Togo, December 2019

Independent Market Monitoring of FLEGT-Licensed Timber

Presentation Outline

- IMM Background/Methodology
- IMM 2019 Special Studies – Key findings
- IMM EU 2019 Trade Survey – Perception examples
- IMM Trade Consultations – European buyers’ purchasing priorities

IMM Background

Mandated by FLEGT VPAs

Funded by EC DG DEVCO & managed by ITTO

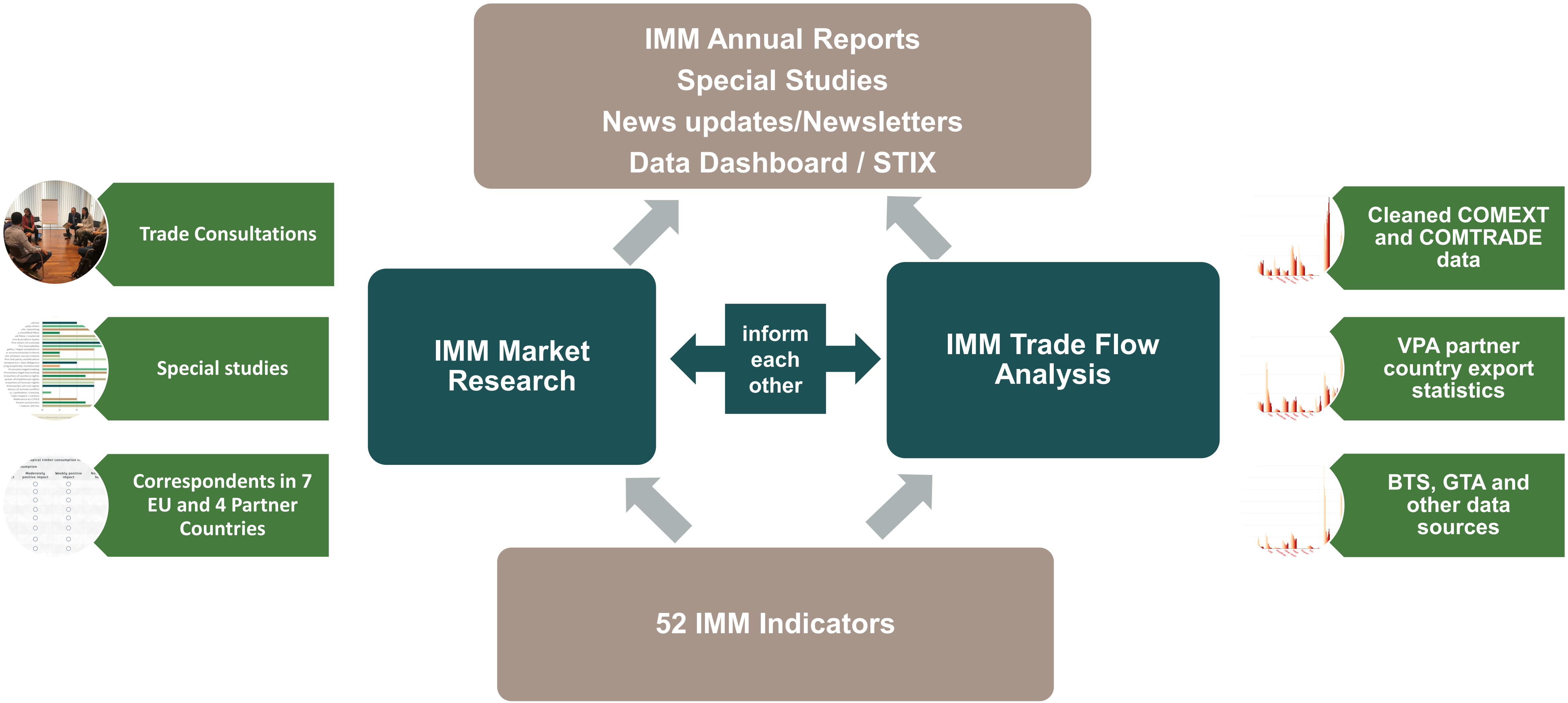
Project term extended to January 31, 2022

Objectives

- *Independently monitor FLEGT VPA market impacts*
- *Improve understanding of impacts on timber prices, trade and market trends globally*
- *Inform decisions by VPA Joint Implementation Committees by providing timely & accurate info on market impact*
- *Contribute to monitoring the impacts of the FLEGT Action Plan and to inform its implementation*

IMM has no mandate to promote FLEGT licenses, but can inform marketing strategies

IMM Methodology



IMM 2019 Special Studies - an overview

- European private-sector timber procurement policies
- EU MS public timber procurement policies
- EU Wood promotion and FLEGT
- Architects perceptions and experience with FLEGT licensing
- FLEGT impact on forest sector investment

All special studies can be downloaded at:
http://www.flegtimm.eu/index.php/reports/special-studies

Private-sector study - the timber procurement policy maze

Ratings systems
(driving policy content)

Public sector criteria
(driving policy content)

Certification system criteria
(requiring policy content)

Other guidance freely available
(promoting some policy elements)

Individual company policies

Other drivers
(promoting or requiring some policy elements)
- Shareholder demands
- Consumer demands
- ARCHITECTS

Private sector initiatives – Trade led
(requiring defined policy elements)

Private sector initiatives – CSO led
(requiring defined policy elements)

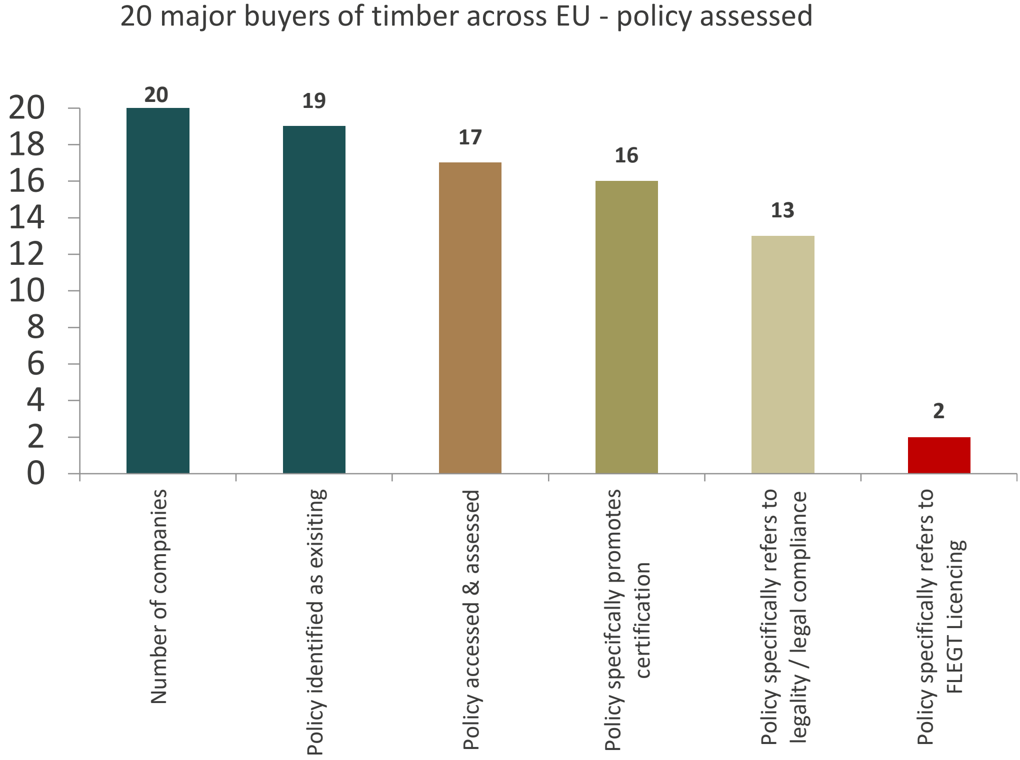
65 influences assessed: 70% support certification / 40% support FLEGT

Source: IMM Private-Sector Procurement Study

Private sector study – key findings

Many key “pace setting” companies & key influencers:

- do not often change policies or guidance which have become outdated;
- do not yet buy from Indonesia and have no experience of FLEGT licensing => few strong commercial voices advocating for FLEGT Licencing;
- do not yet value FLEGT Licencing other than for EUTR compliance when sourcing from Indonesia => knowledge of other values of FLEGT is still lacking;
- believe they "have gone beyond FLEGT licensing“ => FLEGT still widely seen as "legal", certification as "sustainable“;
- operate “step-wise” policies & are uncertain where FLEGT licenses sit: worse, as good as, or better than certification?



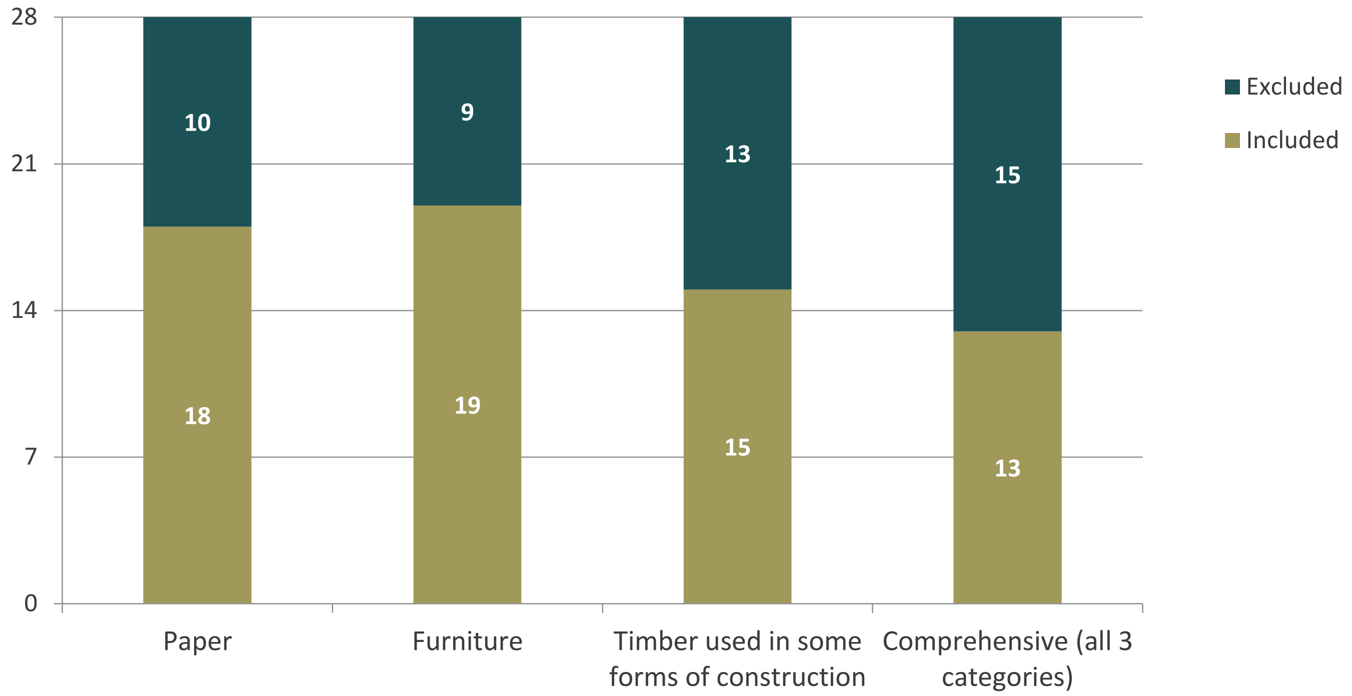
Source: IMM Private-Sector Procurement Study

Download the full study: https://bit.ly/2PXW8Br

Public procurement study – key findings

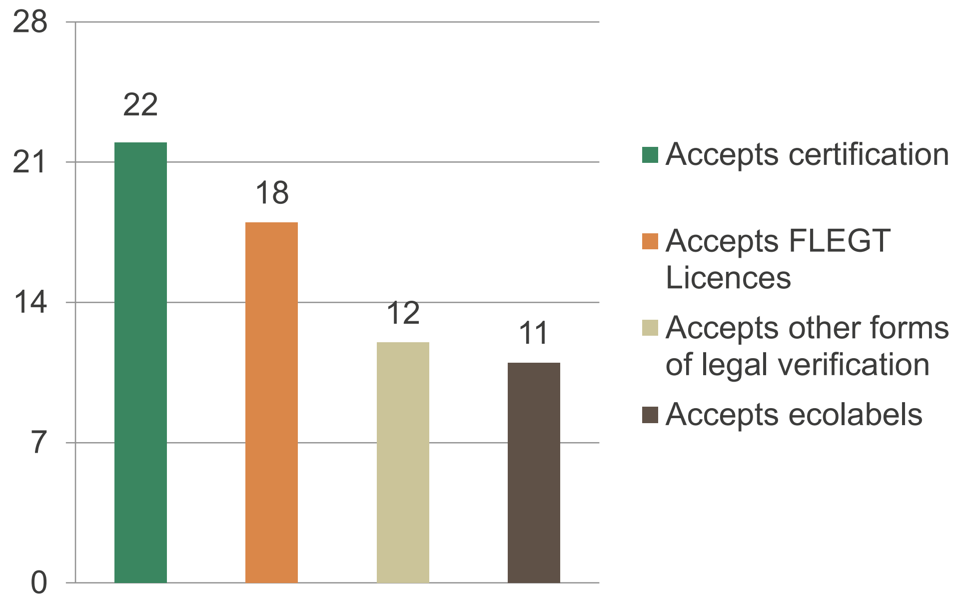
Source: IMM Public Procurement Study

- All 28 member states policies assessed for central & local government timber purchasing policies
- 22 out of 28 states have a government procurement policy
- Policy coverage varies!

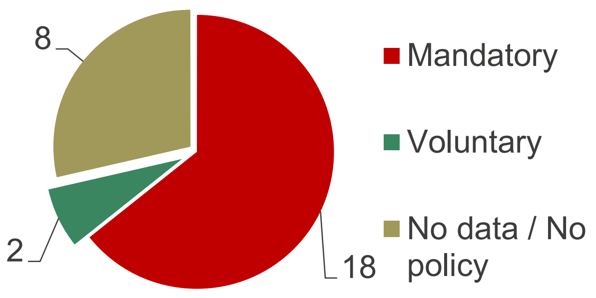


Public procurement study – key findings

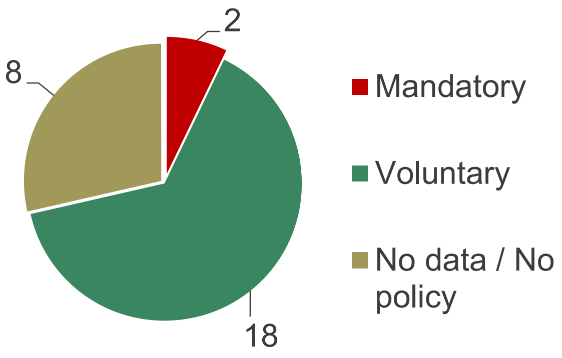
- The forms of "acceptable proof" vary
- 22 out of 22 accept certification
- 18 accept FLEGT licences in some capacity
- FLEGT is frequently not accepted as proof of sustainability due to lack of c-o-c system and because it is considered "just legal" by procurement policy makers
- Download the full study: https://bit.ly/2WPrnzH



Central Government Policy



Local Government Policy



70% of purchasing by value is done at local government level, where most polices are voluntary

Source: IMM Public Procurement Study

The disappearing cake…

The cake represents the EU market for tropical wood which could be used in Public Procurement contracts

There are Member States with **no policies for public procurement**

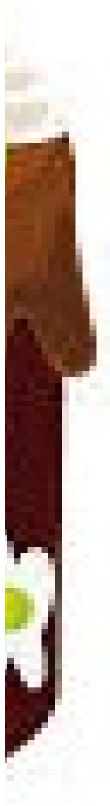
There are Member States with **no policies** for public procurement **that have any relevance** for tropical wood

There are Member States with policies for public procurement **that only include certified tropical wood**

There are Member States with policies for public procurement **that are voluntary**

There are Member States **do not monitor their performance**

70% of Public Procurement is done by Local Governments & Most of these only **follow the policy voluntarily – if at all**



Why public procurement policies are still important

A theory of change for public procurement policies was neatly characterised in 2015 as follows:

1) The large share of government expenditure in GDP will create a market for sustainable goods. The direct market effect.

2) Government should play a leadership role in inspiring consumers and responsible players in the private sector. The leadership effect.

3) The actions of government have knock-on effects, causing suppliers to simplify their supply chains around sustainable products. The supplier consolidation effect.

Source: IMM public procurement study

- Public procurement policies are not just relevant for the quantities of timber consumed directly by government agencies.
- Especially where tropical timber is concerned, the leadership effect is assume to be more important

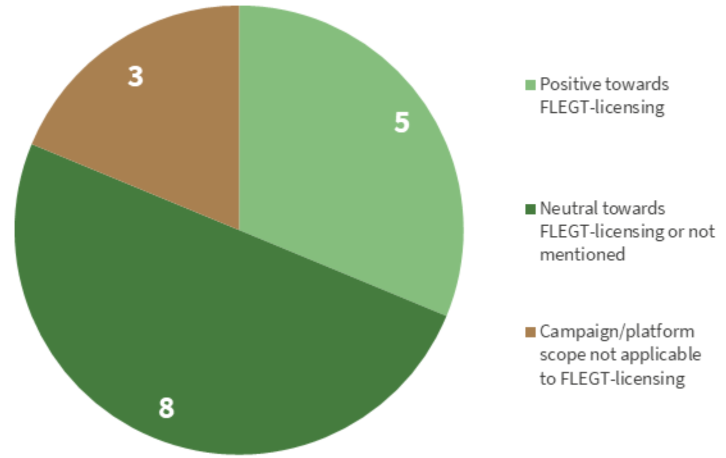
EU Wood Promotion and FLEGT – key findings

European Timber Trade Federations' position on FLEGT and certification

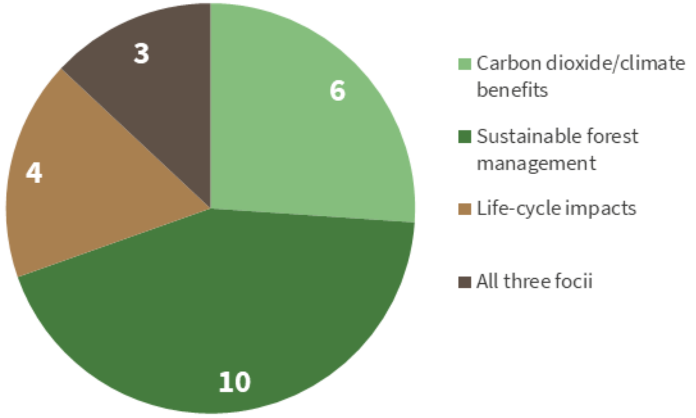
Position on FLEGT Licencing	Organisation
Mentioning FLEGT as evidence of legality and possibly sustainability (i.e. there are potentially aspects going beyond legality mentioned)	• Fedustria • UK Timber Trade Federation
Promoting EUTR compliance advantages / Promoting FLEGT as evidence of legality	• AEIM • CEI-Bois • Le Commerce du Bois • Fedecomlegno • Fedustria • GD Holz • UK Timber Trade Federation • VVNH
Promoting EUTR compliance advantages though cautious that FLEGT Licences might gain share from third party certification	• Le Commerce du Bois
Promoting third party certification	• AEIM • CEI-Bois • Le Commerce du Bois • Fedecomlegno • Fedustria • GD Holz • UK Timber Trade Federation • VVNH

Source: IMM Wood Promotion Study

Wood promotion campaigns' position on FLEGT



Focal areas of the campaigns and promotional platforms



EU Wood Promotion and FLEGT – key findings

- Timber trade federations in only two of the seven key EU tropical timber consumer markets promote FLEGT sustainability credentials and wider benefits of FLEGT – primarily the UK TTF

- The two main pan-European tropical timber promotion initiatives – ATIBT Fair & Precious and The Sustainable Tropical Timber Coalition – currently promote exclusively certified tropical timber:
  - *European companies have invested in market development of certified timber and some consider FLEGT-licensed timber competition*
  - *"fear" is that FLEGT will be seen as sustainable and therefore "good enough"*
  - *No homogeneity between VPAs is making it difficult to generalise about FLEGT*

- FLEGT and FLEGT-licensed materials are of interest to all of the stakeholders interviewed and in principle none of the organisations were negative to the FLEGT process, to the principle of VPAs or existence of FLEGT-licensed materials. However, this in-principle support has not led to widespread promotion.

- Download the full study: https://bit.ly/2pL4WQf

Recommendations from special studies (consensus by all studies)

All different stakeholder groups across all studies show (very) low awareness of FLEGT

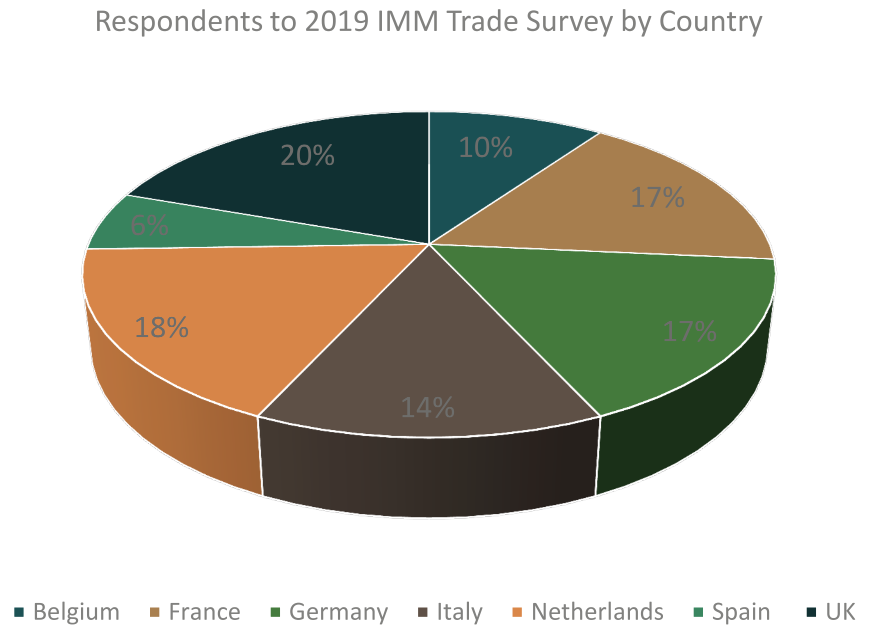
- Provide targeted information and evidence that FLEGT is working and of wider FLEGT benefits to support/inform/influence relevant stakeholders including:
  - *green building rating systems*
  - *investment community*
  - *timber promotion campaigns*
  - *procurement policy influences*
  - *procurement policy makers*
  - *procurement officers/managers*
- Research, consult widely and then clarify and communicate the status of FLEGT Licencing compared to third-party certification
- Increase recognition of FLEGT Licences by urging EU Member State governments to accept FLEGT licences on equal footing with certification in timber procurement policies

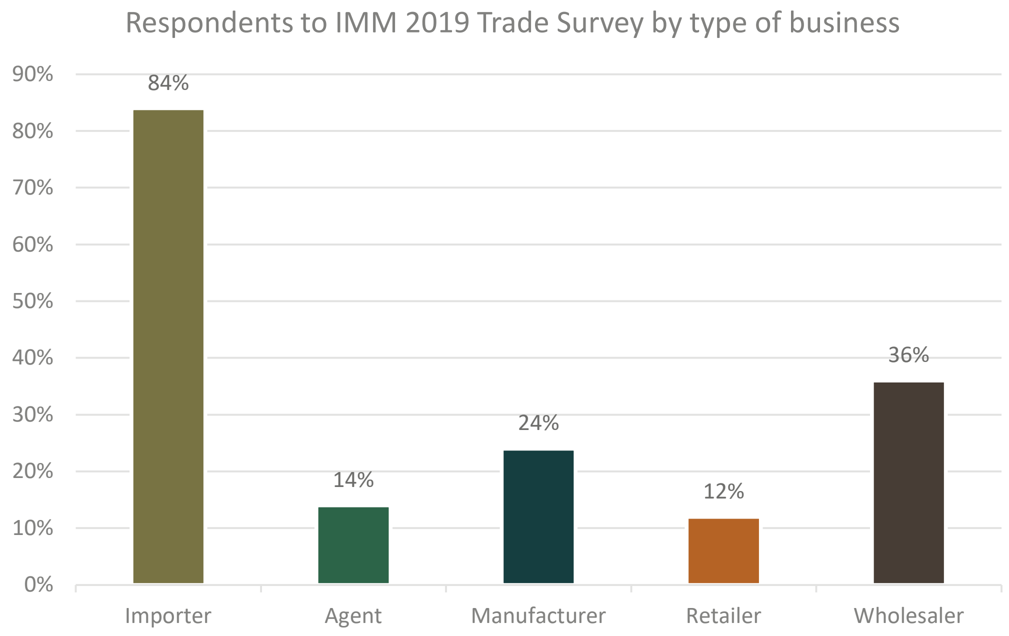
Recommendations from special studies (continued)

- Empower VPA signatory countries to lead the process of communicating VPA impacts, ideally as a part of a wider targeted timber promotion strategy for EU markets
- Increase availability of FLEGT-licenced timber for the EU market to make FLEGT-licensing as a concept more relevant to EU buyers
- Provide evidence of legal/sustainable tropical timbers’ low carbon footprint in spite of long transport distances (Architects’ Study)

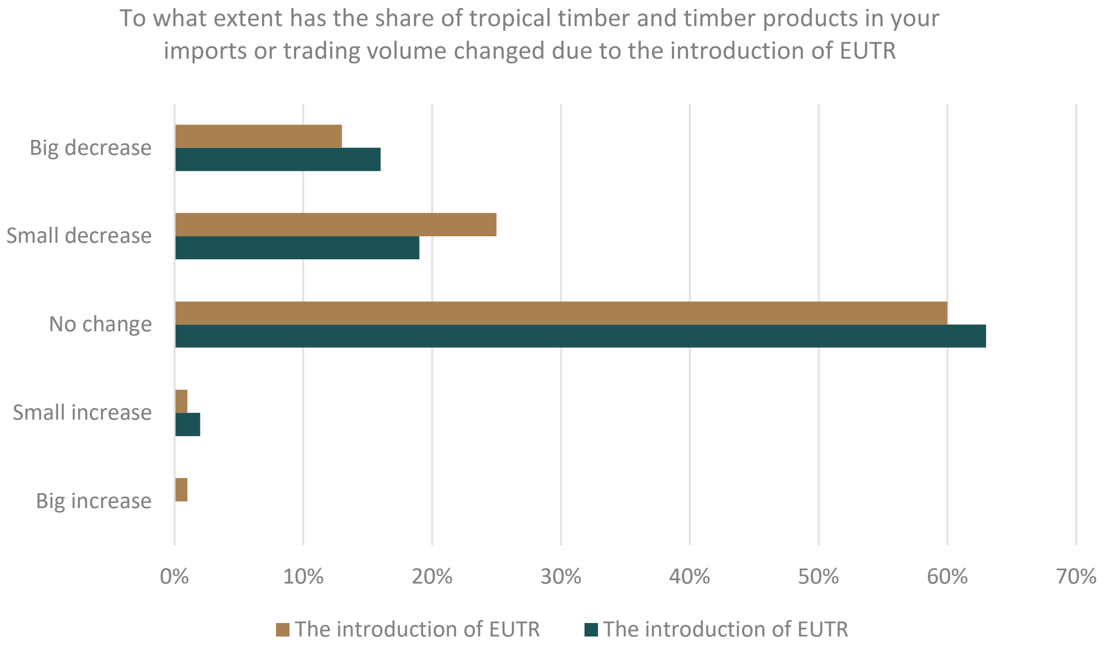
EU 2019 Trade Survey

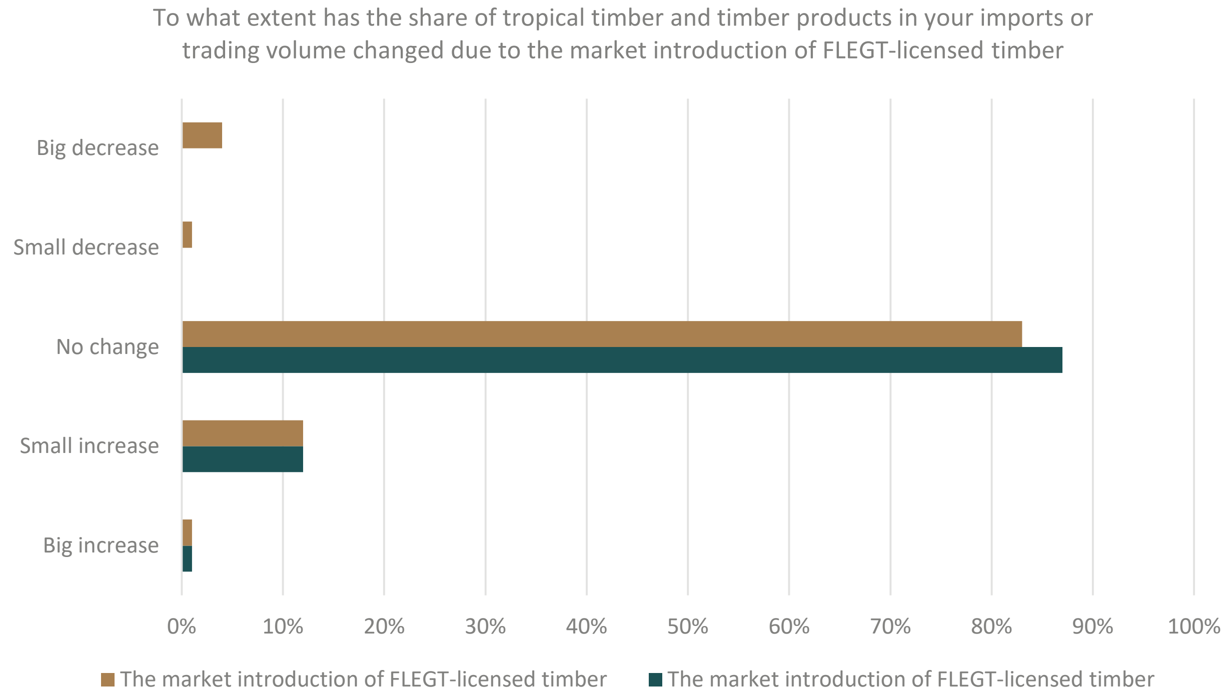
- Seven EU countries – Belgium, France, Germany, Italy, Netherlands, Spain, UK (83% of all EU imports of tropical timber and timber products)
- 109 respondents (estimated 15% - 65% of the key countries' total imports of HS 44 products, with high coverage (>50%) achieved in Germany, UK, Netherlands, and France and lower coverage 15-40% in Spain, Italy and Belgium.
- IMM also interviews associations, EUTR monitoring organisations and CAs. Associations/MOs interviewed in 2018 represented around 2700 members





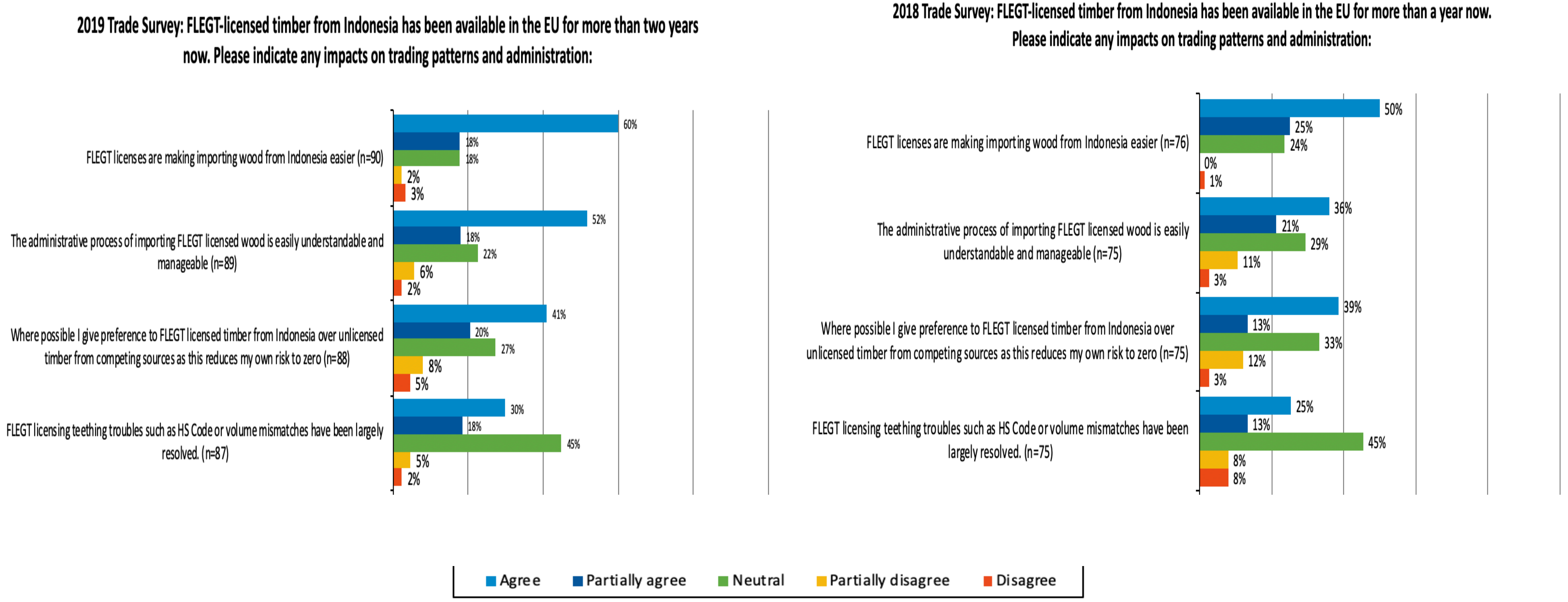
EU 2019 Trade Survey





- 4 companies reporting decline in tropical timber imports/trading volume due to FLEGT-licensing in 2019 were all from Germany
- Reason given: Market introduction of Licensed timber put tropical timber in the spotlight – increased fear of negative publicity.
- Note: German tropical timber market developed relatively poorly recently. Expressions of frustration likely. No such responses were recorded in 2018 or from any other country.

EU 2019 Trade Survey



IMM Trade Consultations – EU buyers’ purchasing priorities

Decision-making hierarchy:

- Price
- Quality
- Reliability (continuous availability of product in required quantities & quality)
- Logistics / delivery time

- European market preferences (wood species)
- For furniture/retail, design and flexibility to adapt to fashion play a major role

➤ Timber legality is a precondition in Europe, but companies only start looking into environmental credentials/legality after pre-selection according to the above criteria

Supply-chain relationships:

- Often very long-term, over decades
- Smaller companies tend to stop importing directly and use big importers as intermediates, rather than finding new suppliers (especially for HS44 products)

Thank you

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