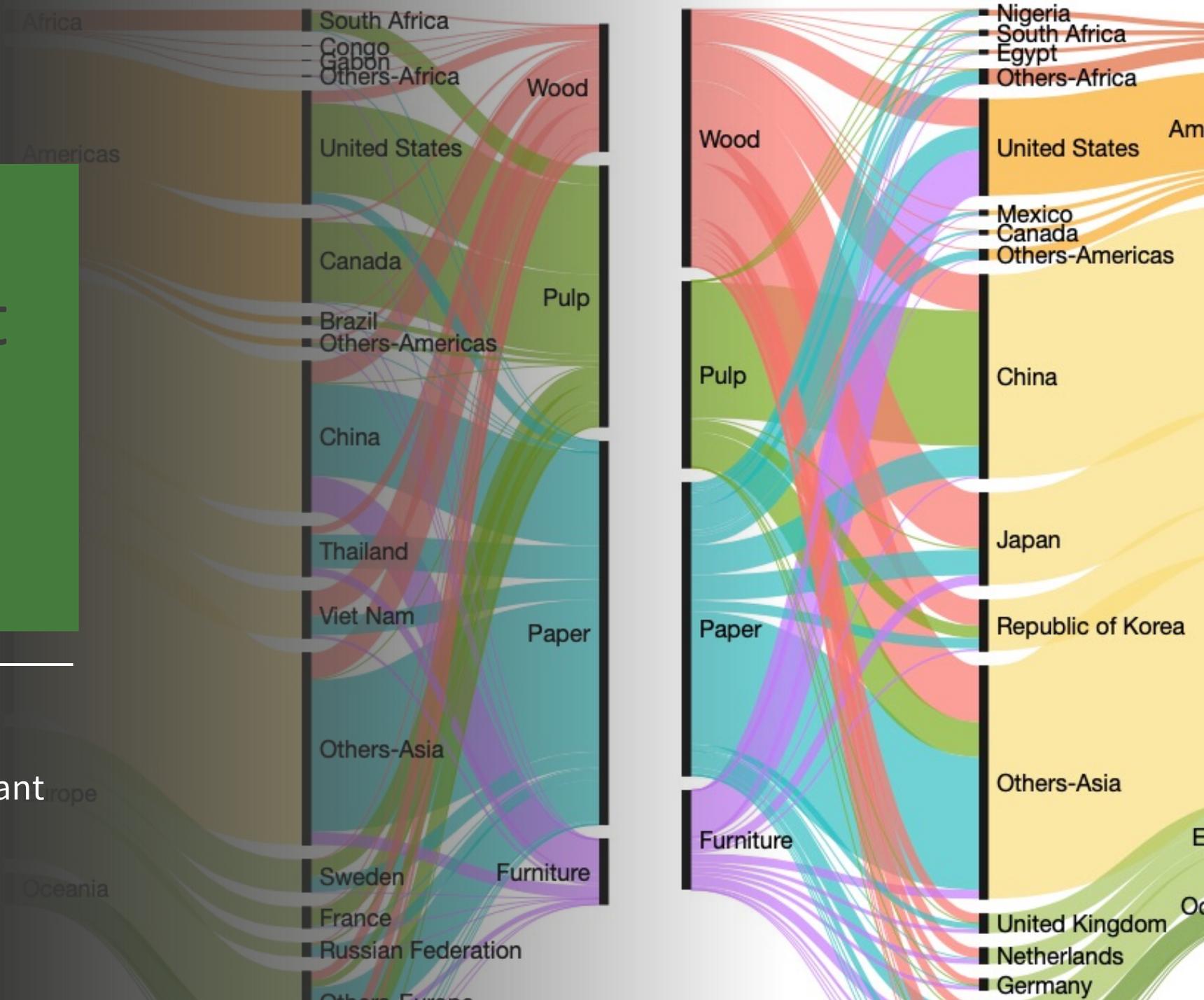


# FLEGT VPA Independent Market Monitoring (IMM)

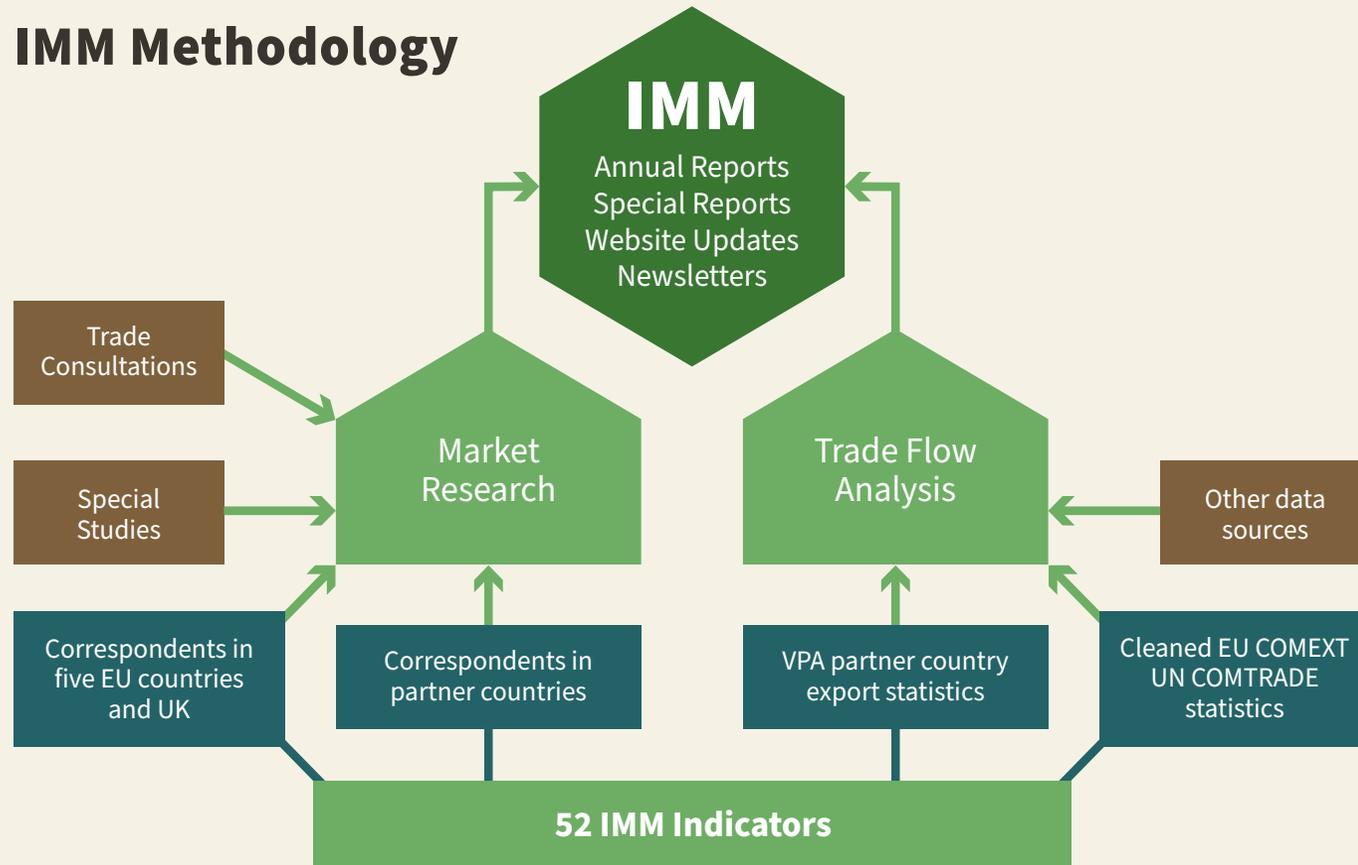
ITTC 2021

Sarah Storck, IMM Lead Consultant



# IMM mandate and methodology

## IMM Methodology



## Embedded in the EU-IND VPA:

### Article 15 b:

*“the Union, in consultation with Indonesia, shall engage the services of an Independent Market Monitor to implement the tasks as set out in Annex VII.”*

### Annex VII

#### 2. Scope:

*“IMM shall cover:*

- The release for free circulation of Indonesian FLEGT-licensed timber at points of entry in the Union;*
- The performance of Indonesian FLEGT-licensed timber in the Union market and the impact of market-related measures taken in the Union on the demand for Indonesian FLEGT-licensed timber;*
- The performance of non-FLEGT-licensed timber in the Union market and the impact of market-related measures taken in the Union on the demand for non-FLEGT-licensed timber;*
- Examination of the impact of other market-related measures taken in the Union such as public procurement policies, green building codes and private sector action such as trade codes of practice and corporate social responsibility.”*

# IMM outputs

## Resources

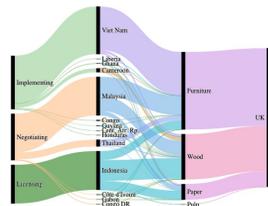
Explore in-depth analysis on trends in timber trade and FLEGT VPA

### Trade with VPA Partner Countries

#### Overview

The UK's imports of tropical timber products (HS44) and wood furniture from VPA partner countries fell 22% through the pandemic, from €583.6 million in 2019, to €366.7 million in 2020. However, this still leaves the country as the biggest European timber trader with these suppliers. The next largest, the Netherlands, imported €449.6 million in 2020.

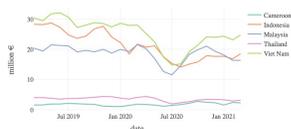
The UK mostly imports general/other furniture followed by joinery, seating, plywood and mouldings from Asian VPA countries. Where business with the African VPA partners is concerned, importers consider the UK a more conservative market than its European neighbours in terms of tropical species. The bulk of sales comprise sapele, sipo, iroko, ekki, framir to a diminishing degree, wawa, wenge, dark red meranti, keruing, yellow balsa and bangkirai decking, merbau, ipe, greenheart, plus jatoba, massaranduba, garapa and cumaru. Other varieties do sell, but in limited quantities and, say importers, it is a challenge to persuade end-users to try secondary or lesser-known species, despite environmental arguments in their favour. The UK's lead product from African VPA suppliers by some way is sawn timber, followed by logs, joinery, furniture and mouldings. From Honduras and Guyana imports are dominated by sawnwood, in very small volumes.



UK - VPA partner country trade January-December 2020 (in €)  
Source: IMM Data Dashboard

### Trade with Top 5 VPA Partners

UK trade with its top five VPA timber trade partners all contracted in May, when its lockdown rules were at their most rigorous. But, with some fluctuation, all showed improvement over following months as restrictions were relaxed, although, in December, while those from Cameroon were climbing, imports from Vietnam, Malaysia, Indonesia and Thailand showed some decline.



UK - top 5 VPA partner trade 2019-2020  
(3 month rolling averages; HS44, HS47, HS48, and HS94 products)  
Source: IMM Data Dashboard

#### FEATURED REPORT

### FLEGT VPA Partners in EU Timber Trade 2019

ANNUAL REPORT | November 2020

#### Report authors:

Sarah Storck (IMM Lead Consultant), Rupert Oliver (IMM Trade Analyst)

Edited by: Steven Johnson (ITTO Assistant Director Trade and Industry), Mike Jeffree (IMM UK Correspondent)



## News

Check out all the latest news on timber market, FLEGT, and our projects.

SUBSCRIBE

### Market News



Pandemic-related supply issues lead to loss of VPA partner share in rising UK market

Nov 3, 2021

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EU27 demand recovers but FLEGT licensed and VPA partner timber loses ground

Nov 3, 2021

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World of Wood Festival to highlight role of timber in creating a low-carbon future

Nov 3, 2021

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### Policy News



Rebranding to position SVLK as a green and sustainable solution



Raise the forest protection bar with EU FLEGT and Forest Partnerships



Minister Matondo speaks out for EU FLEGT

## Background Documents

#### IMM Global Indicators

24 November 2017

#### IMM Country-Specific Indicators

24 November 2017

## Annual Reports

FLEGT VPA Partners in EU Timber Trade 2019

November 2020

FLEGT VPA Partners in EU Timber Trade 2018

November 2019

FLEGT VPA Partners in EU Timber Trade 2017

November 2018

FLEGT VPA Partners in EU Timber Trade 2014 to 2016

October 2017

Europe's Changing Tropical Timber Trade 2004 to 2014

November 2015

## Special Studies

Study of EU public timber procurement policies, private sector policies and related guidance

September 2021

Assessing the impacts of timber legality on the European Union's wood-furniture sector and the associated VPA partner country timber trade

December 2020

The impact of FLEGT VPAs on forest sector investment risk in Indonesia and Viet Nam

December 2020

Forest sector investments in FLEGT VPA countries

September 2019

A study of EU public timber procurement policies, related guidance and reference to FLEGT

July 2019

EU wood promotion programmes and their recognition of FLEGT

April 2019

EU voluntary private sector timber procurement policies & the role of FLEGT licensing

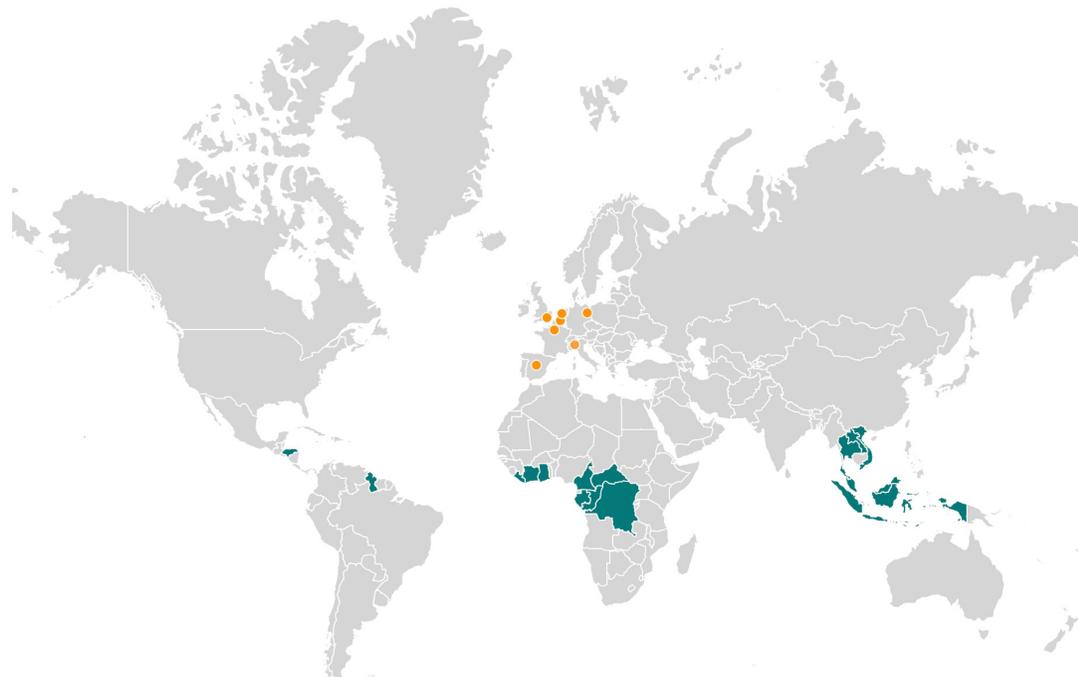
December 2018

Scoping study for assessing the impacts of timber legality on the European Union's wood-furniture sector and the associated tropical timber trade

October 2018



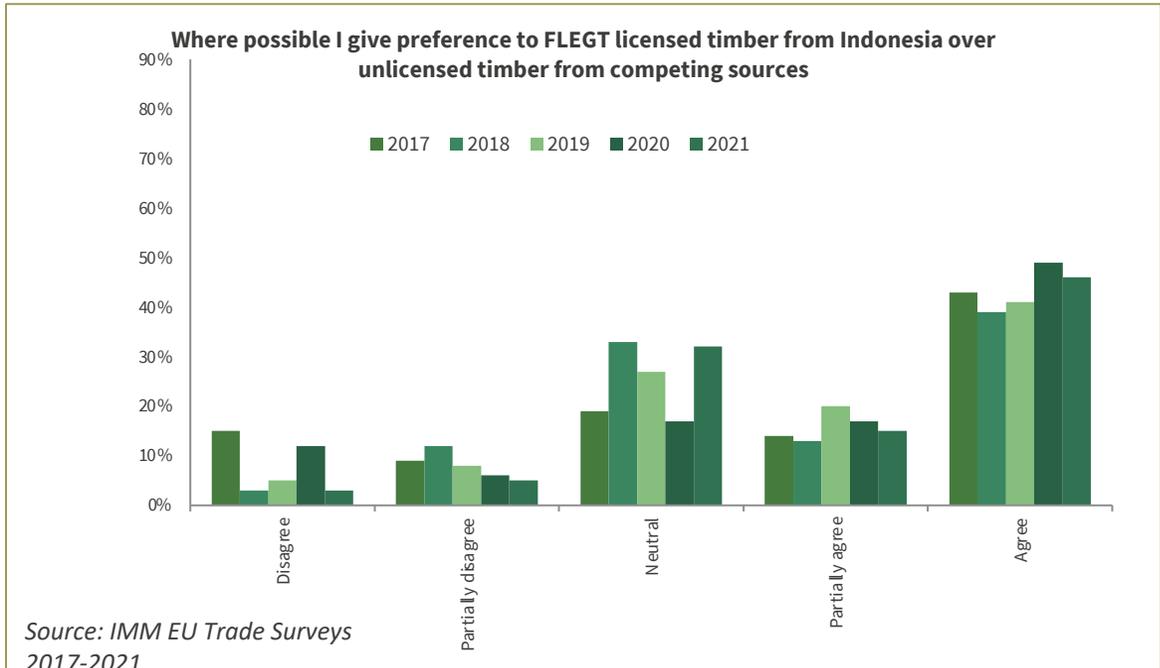
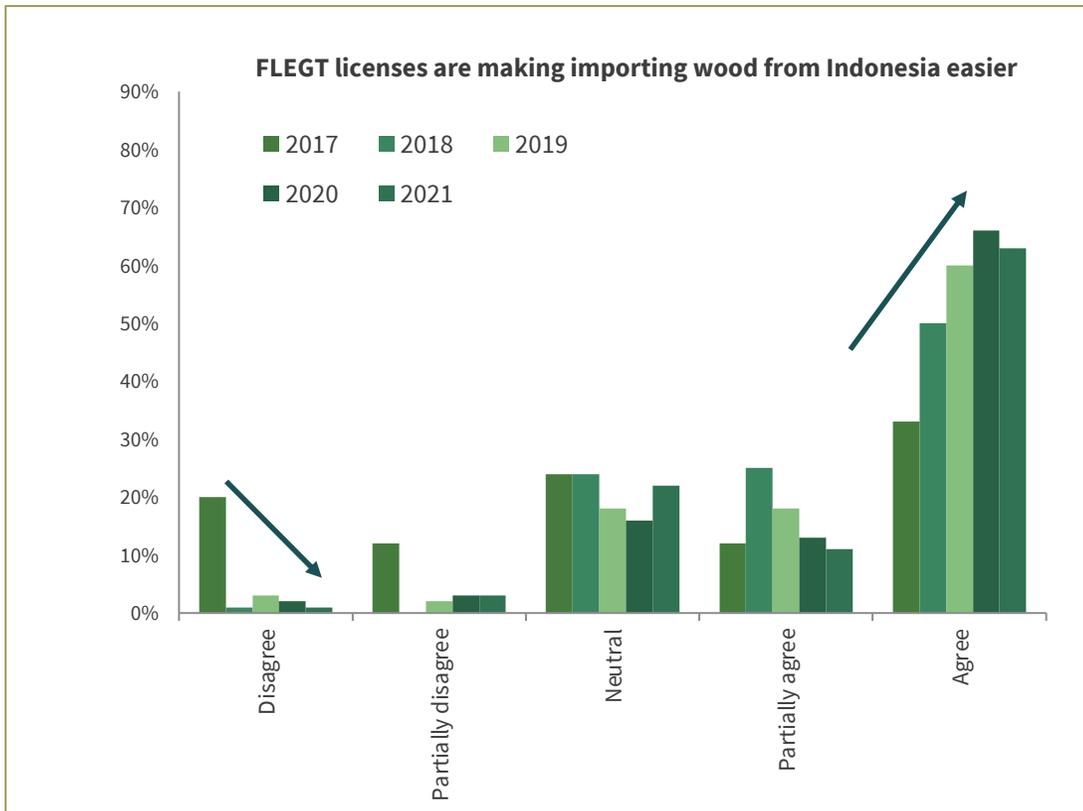
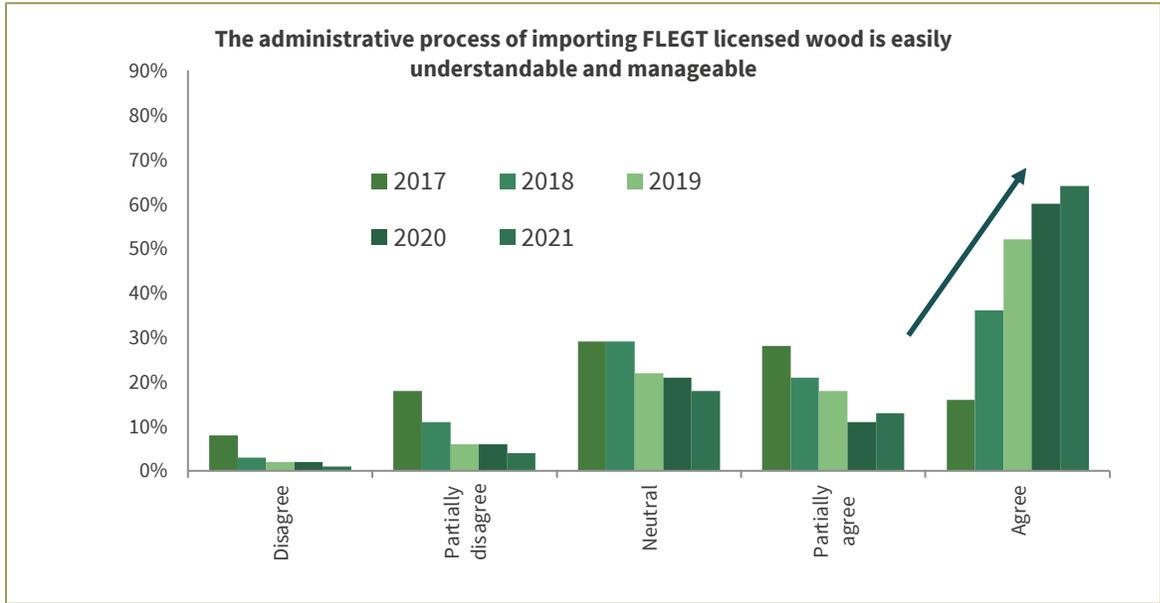
# IMM Surveys and Studies 2017-2021



- **700+ interviews with timber importers & traders** as a part of annual standardised surveys in key EU countries + UK between 2017-2021.
- **Interviews with 80+ furniture importers and traders** for the 2018 and 2020 furniture special studies.
- **Interviews with architects** for the 2020 special study on architects' perceptions of FLEGT and use of tropical timber
- **Interviews with finance and investment specialist** for the special studies on FLEGT impact on forest sector investment in 2019 and 2020.
- Annual standardised **interviews with Competent Authorities, associations and Monitoring Organisations.**
- **Direct consultation of 200+ timber imports & traders + other stakeholders** at IMM trade consultations in 2018 /2019
- In VPA partner countries: **interviews with 20-40 companies/year/country + associations, CSOs, government agencies.**

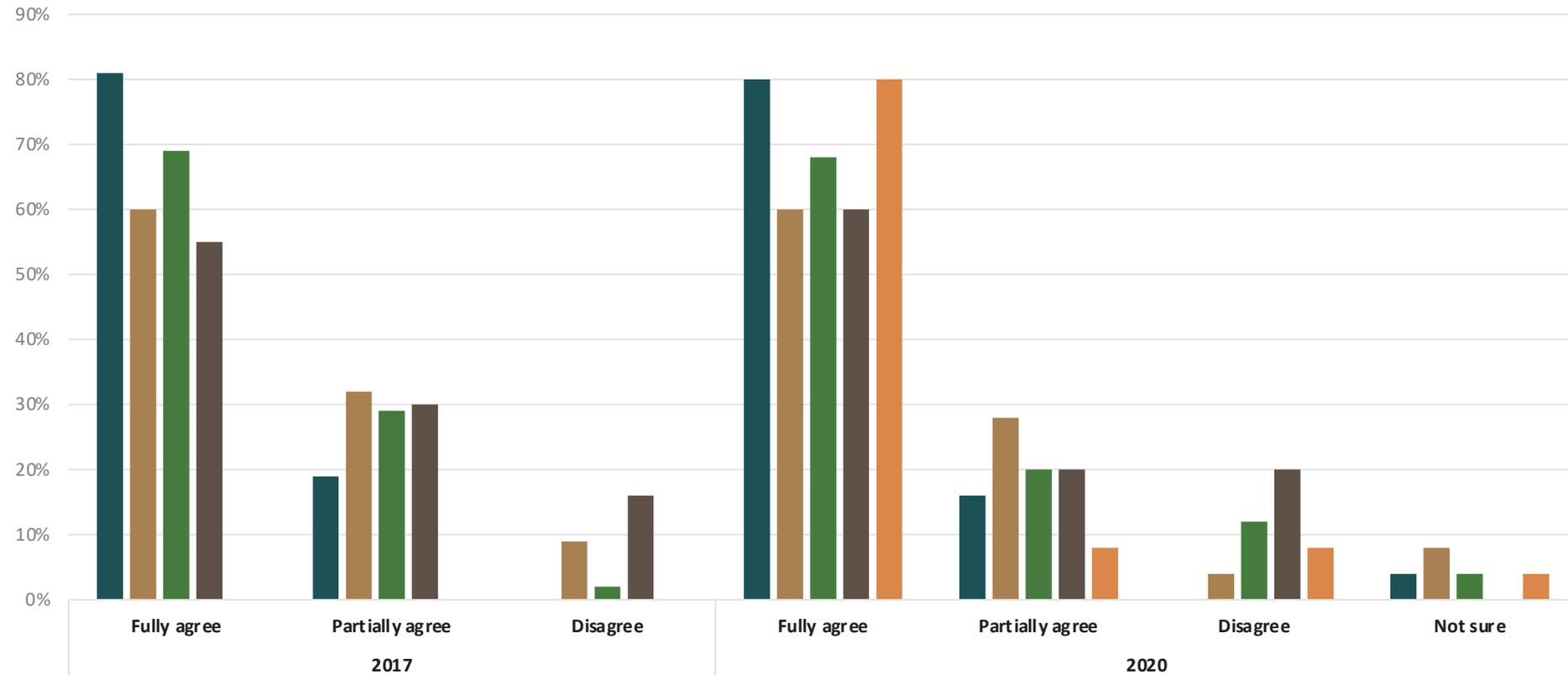
# Market advantages for FLEGT-licensed timber - IMM EU trade surveys 2017-2021

Strong evidence that FLEGT Licensing provides advantages in terms of reduced administration, bureaucracy and operators' own risk under EUTR.



Source: IMM EU Trade Surveys 2017-2021

# FLEGT: Perceptions IMM Indonesia Trade Survey



- FLEGT is helping to improve forest management
- FLEGT is helping to improve governance
- Implementing the VPA and getting SV LK certified has been worth the effort
- Exporting wood has become easier because of FLEGT Licensing
- FLEGT licensing is becoming more important now that more markets are regulated

Source: IMM 2020 and 2017 surveys in Indonesia

# 2017-2020 EU trade recommendations and concerns

## Ensure consistent and effective enforcement of the EUTR to:

- create an immediate market advantage for FLEGT-licensed timber;
- create a level the playing field at European level and;
- address environmental prejudice;
- prevent illegal timber from entering or circulating on the Union market.

## Endorsement/promotion of FLEGT-licensed timber including:

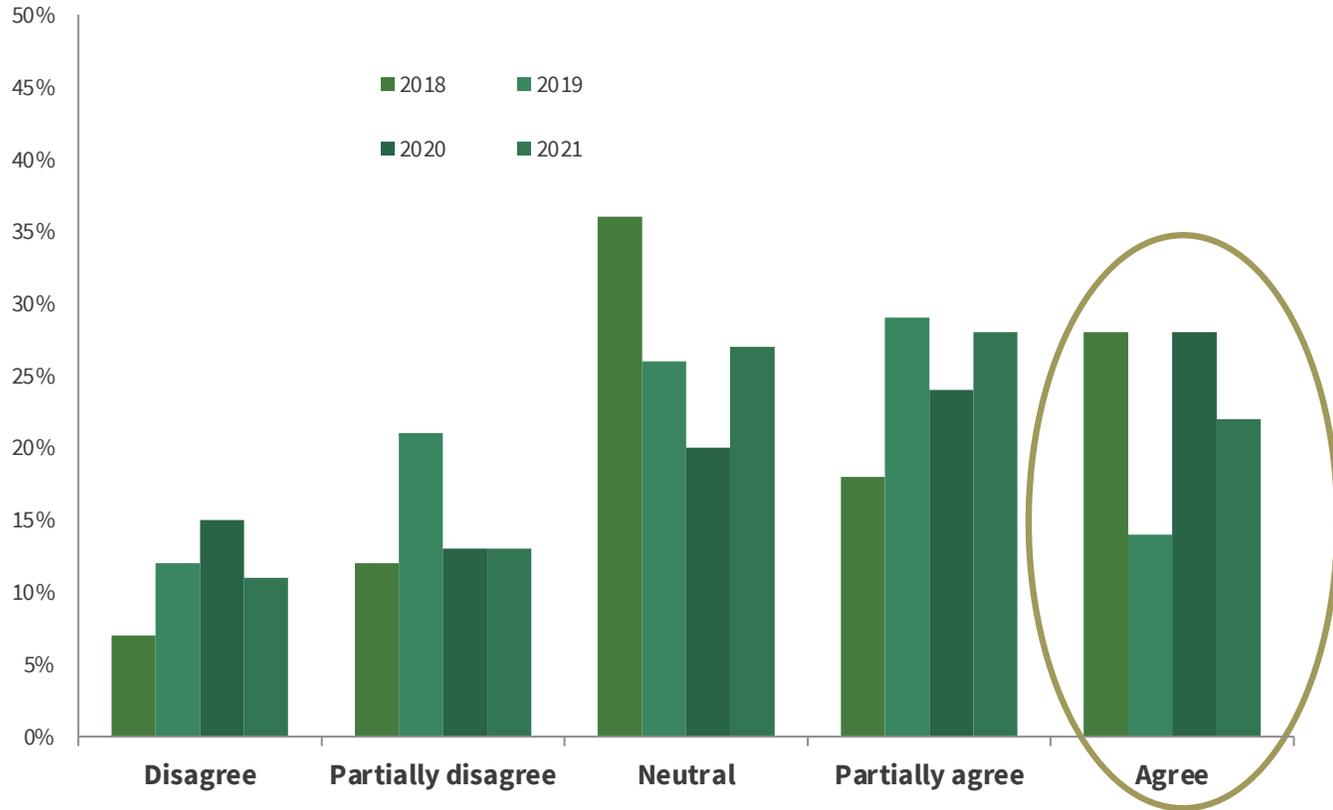
- acceptance of FLEGT-licensed timber on equal footing with certification in public procurement (and actually specifying it for public projects in practice);
- clarification of the status of FLEGT-licensing in the legality/sustainability hierarchy;
- measures to raise awareness;
- preferential treatment for FLEGT-licensed timber in green finance initiatives;
- measures to address environmental prejudice.

## Minimize bureaucracy involved in importing FLEGT-licensed timber as much as possible by:

- implementing e-licensing;
- handling application of different HS codes in Europe and Indonesia in an unbureaucratic manner;
- dropping fees for processing FLEGT Licenses (they don't hurt much financially in their current size, but send the wrong signal).

# Legality vs Sustainability

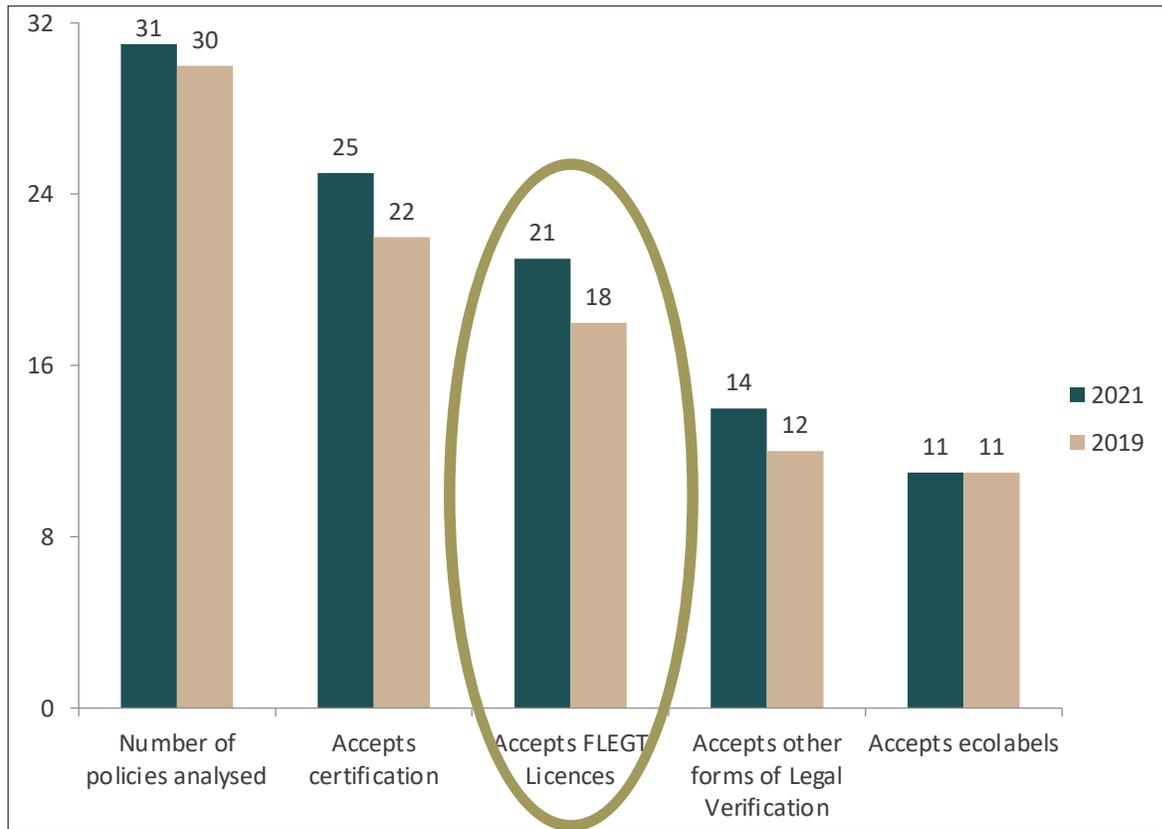
**FLEGT only means legal and has nothing to offer in terms of sustainability**



- European governments and companies have moved on from “legality” to “sustainability”.
- Level of awareness of wider benefits of VPA implementation is still too low.
- Contributions towards sustainability need to be communicated consistently to relevant target audiences.
- “Legality” is not a concept the trade wants to promote. It is considered a basic requirement rather than an add-on.

# Endorsement of FLEGT-licensed timber

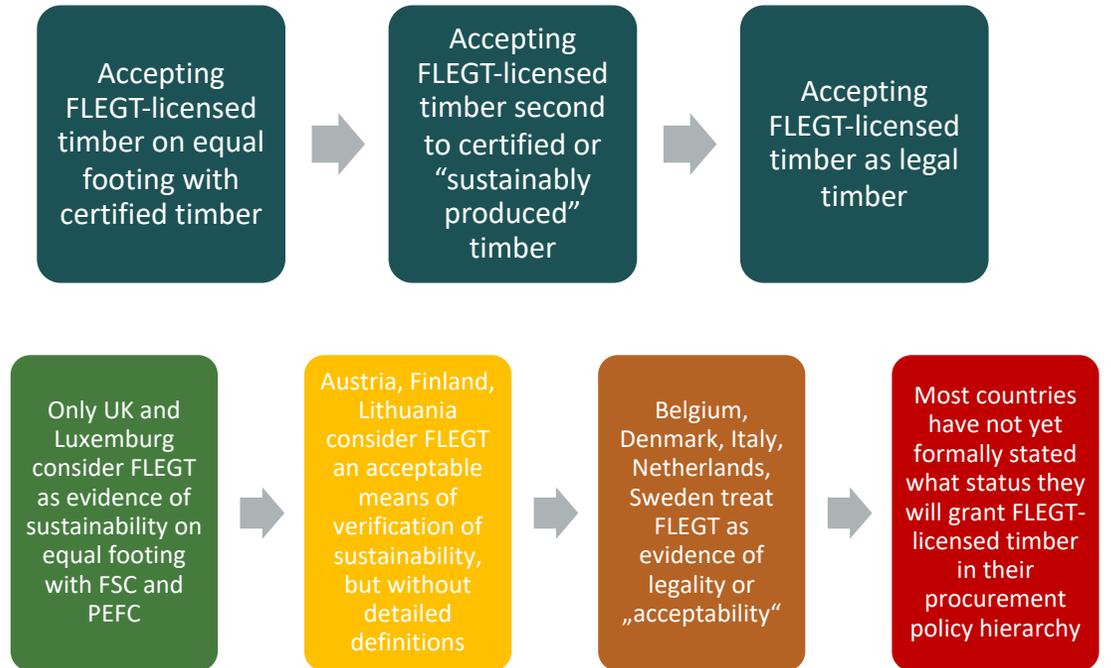
Variations in public procurement policy verification acceptance content across the 27 EU Member States & UK (IMM 2019 & 2021)



## In practice, this means:

- that FLEGT-licensed timber is hardly ever specified in public projects
- there is little positive leadership effect that would encourage others (private companies, ecolabels, green building codes...) to include and promote FLEGT-licensed timber as evidence of sustainability

IMM 2021 study identified three different scenarios when it comes to acceptance of FLEGT Licensed timber:



# Environmental prejudice & promotional activities

Survey respondents in all key EU countries + UK have flagged up **difficulties in maintaining and developing markets for tropical timber** due to lingering **environmental prejudice**. Currently all FLEGT Licensed and VPA partner timber comes from countries located in the tropics.

## “Use it or lose it”

### European wood promotion campaigns

- 2019 IMM study on promotion analysed **17 campaigns**, 13 of which have potential scope to promote FLEGT Licensing.
- **5 campaigns made a positive reference to FLEGT Licensing**, but none promotes explicitly
- Two dedicated tropical timber campaigns **STTC + F&P are positive towards FLEGT but focus primarily on FSC and PEFC certified timber**.
- STTC is addressing FLEGT at its annual conferences and counts it as **“evidence of responsible sourcing”** in its reports (below FSC/PEFC in hierarchy, which are called “verified sustainable”)

### Timber Trade Federations and FLEGT

- Federations have a **key role as market influencers** and communicators for the timber industry
- IMM study analysed positions on FLEGT of 8 TTFs in key EU countries + UK
- **Positions include:**
  - *Promoting FLEGT as **operating at scale necessary for sustainability** (1)*
  - *Mentioning FLEGT as **evidence of legality and possibly sustainability** (1)*
  - *Promoting **EUTR compliance advantage** (7)*
  - *Promoting **EUTR compliance advantages, though cautious that FLEGT Licences might gain share from certification** (1)*

### Dedicated promotion of VPAs and FLEGT-licensed timber in Europe

- UK TTF FLEGT promotion programme including activities such as:
  - design competition **Conversations about Climate Change (2020/2021)**, involving FLEGT-licensed timber and timber from VPA partner countries, including public exhibitions,
  - **Momentto (2019)** architectural design installation involving Indonesian FLEGT-licensed timber,
  - **World of Wood Festival** in November/December 2021.
  - **Tropical Timber Manifesto** calling for global FLEGT.



**Promotional activities for FLEGT-licensed timber have been stepped up in the UK since publication of IMM study on promotion of FLEGT-licensed timber in Q1/2019 + Indonesia is launching a communications strategy.**

# Conclusions

*Evidence from trade surveys, trade consultations and special studies suggests that:*

## Positive

- The green lane for FLEGT-licensed timber is making importing from Indonesia easier for EU operators;
- EU operators value the “zero risk” status of FLEGT-licensed timber and give preference where other commercial product criteria are equal;
- While IMM has not identified any significant FLEGT Licensing related growth in timber and timber product trade between IND and EU, FLEGT Licensing may have contributed to stabilising IND market share in a difficult and competitive environment;
- Indonesian private sector considers FLEGT to improve forest management and governance;
- Indonesian private sector sees an increasing role for SVLK/FLEGT Licensing at a global level due to the growing number of regulated markets.

# Conclusions

*Evidence from trade surveys, trade consultations and special studies suggests that:*

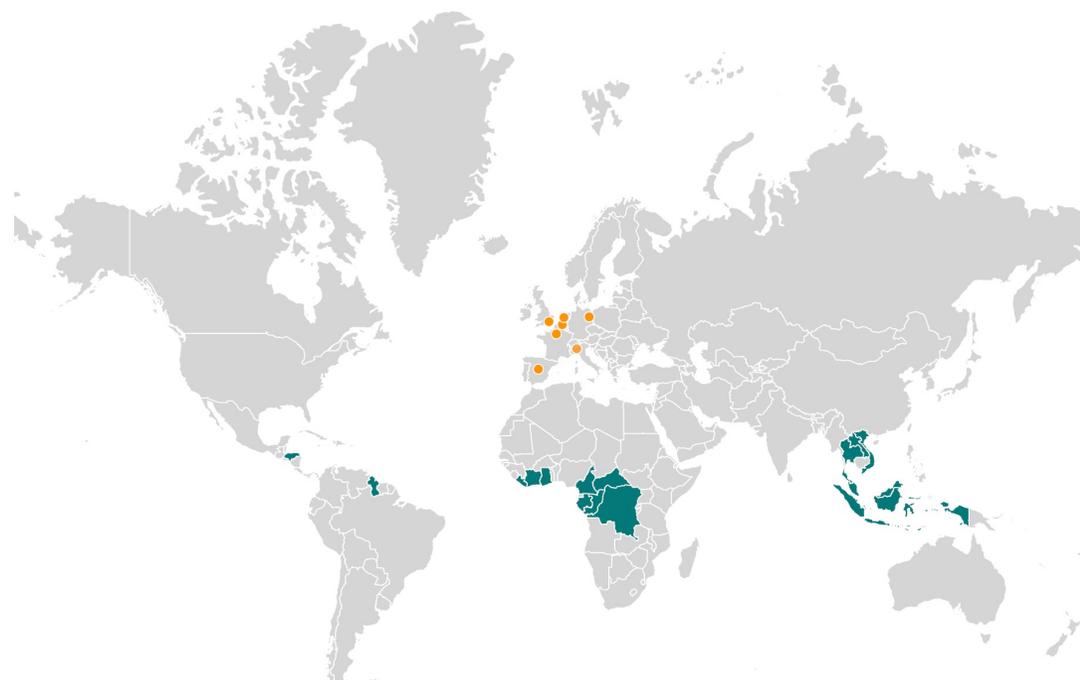
## Negative

- Inconsistent messaging and lack of endorsement and promotion has created confusion about the value of FLEGT Licensing and affected market development;
- Inconsistencies in EUTR enforcement may have created loopholes that may have weakened the green lane advantage;
- FLEGT Licensing so far being limited to just one country and a limited number of products has affected market development at various levels (e.g. uptake in procurement policies, green building codes etc, relevance for buyers, general level of awareness).



# IMM Priorities in 2022

Contract on IMM between EU and ITTO ends 31 December 2022



- **EU/UK: Survey + stakeholder consultations** to gather feedback on 5 years of experience with FLEGT-licensed timber and recommendations including on VPAs, EUTR + IMM's own work
- **VPA partner countries (Indonesia, Ghana, Viet Nam): Stakeholder consultations** on IMM's work in the last five years and recommendations for future market monitoring.

## Key outputs:

- **4 market reports** including trade data, survey results, policy developments and commentary on competitiveness of VPA partner countries.
- **Updates of key EU and VPA partner country profiles** on the IMM website.
- Continuous **news updates** on the IMM website.
- Report on stakeholder consultations with **recommendations for future independent market monitoring**

# Thank you

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Independent Market Monitoring of FLEGT-Licensed Timber

