

TAG Alert No. 1, 2022

These Alerts are produced in March and September each year, by Members of the ITTO Trade Advisory Group (TAG)¹ for information sharing with members of ITTO on current issues in the tropical timber trade and industry. For more information, TAG can be contacted at: ti@itto.int.

The following paper was prepared by the European Timber Trade Federation (ETTF), a TAG member, for members' attention where the concerns expressed are broadly supported by the majority of TAG membership.

EU proposal on Deforestation and Degradation.

The full reference of this proposal is: "Proposal for a regulation of the European Parliament and of the Council on making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010".

This new Regulation will cover timber, meat of bovine animals, cocoa, coffee, palm oil and soya beans. The European Timber Trade Federation (ETTF) has studied the proposal and commented as follows.

- a) The ETTF would like to raise its concern associated with the definition used in the proposal and measurement of '*forest degradation*' or '*degraded forest*', which are not supported by any international scientific consensus. There has been considerable debate on this in the context of the United Nations Framework Convention on Climate Change (UNFCCC) policy on Reduced Emissions from Deforestation and Forest Degradation (REDD+) where many contrasting views have been presented on this subject.

- b) The ETTF strongly supports voluntary forest certification schemes, such as PEFC or FSC, which give additional assurance on the wood producer's commitment and capacity to safeguard environmental and social values in forestry. In close relation to this, the ETTF would also note that, under the EU Timber Regulation and the FLEGT Regulation, which are currently in force, timber and timber products covered by the provisions of CITES are confirmed to be legally harvested and compliant with both Regulations. Therefore, wood and wood-based products covered by a valid FLEGT and CITES license should continue to be declared as fulfilling these requirements under the new Regulation.

¹ The Trade Advisory Group (TAG) was established in 2000 at the Twenty-eighth Session of the International Tropical Timber Council. It comprises representatives of timber trade associations, traders, manufacturers, importers and exporters; it provides inputs to the Council's policy development work and other activities relevant to the global timber trade. Among other things, TAG coordinates and hosts the ITTO Annual Market Discussion, which is a global forum held in conjunction with sessions of the Council to explore issues vital to a sustainable tropical timber trade.

- c) The ETTF does not support the expansion of due diligence requirements of operators to traders because it will certainly create confusion and error. On the one hand, operators are the business actors who first place timber or timber products on the EU market. Operators include importers of timber products and EU-based foresters. Already based on existing regulations, they must implement a due diligence system to assess any risk that their product contains illegally sourced timber. On the other hand, traders are business actors trading in timber or timber products that have already been placed on the EU market by the operators. Traders must receive the appropriate information from the operators.
- d) The ETTF expresses great concern also on the new requirement related to the provision of geo-localisation coordinates of all the plots of land where the relevant commodities and products were produced. The collection of geodata information may lead to numerous errors, especially when, for example, small forest enterprises are cooperatively linked in marketing, and therefore it is difficult or even impossible to collect precise coordinates over a wide area. Many companies in the wood processing industry buy wood from forests in different regions/areas with different structural sizes. In addition, the level of digitalization in the forestry and timber industry is not yet sufficient in some cases to collect the required amount of digital data and pass it on in the supply chain. Additionally, although chipboard, fibreboard, and other composite wood products are covered by the present draft Regulation, there are no explanations on how due diligence – especially the intended geo-localisation – can be implemented operationally for these products. For the implementation of the envisaged geo-localisation, provisions and guidance documents are necessary, especially for the handling of composite wood products.
- e) The Commission is planning a benchmarking system to assess a three-level classification for countries of origin. The future classification will contain countries of low, normal and high risk. In the current draft, nothing is mentioned on which criteria are to be used to meet this target. The ETTF is concerned that decisions on the classification system are only drawn by the Administration. There should be a comprehensive discussion with the affected industry (timber import) and the countries of origin where they should be given enough time to amend as appropriate their country status.
- f) Finally, given the complexity of the proposed Regulation, it can be challenging for companies to understand all the nuances of how legislative changes will impact their business. It is imperative that companies receive enough time and support to adapt to changes. Two years is therefore not a sufficient time frame to evaluate the implementation of the new Regulation, which why we propose a period of five years before the first review is conducted.

