

ATIBT Conference
LEGALITY, CERTIFICATION AND GLOBAL WARMING
RESPONSIBLE PURCHASE OF TIMBER
6 March 2017, Dubai

Your Excellency, distinguished guests,

- I welcome the opportunity for an open discussion on the links between forest governance and illegal logging, deforestation and climate change provided by this conference. This is important in the context of the implementation of the 2030 Sustainable Development Agenda and the Paris Agreement on Climate Change.
- According to latest FAO estimates (FRA 2015), around 7.6m ha of forests are lost every year at the global level. The associated environmental, economic and social impacts are significant. The livelihoods of more than 1.6bn people are estimated to be dependent on forest resources. Forests are not only an essential source of timber, food and fibre, but they are also home to most of the terrestrial biodiversity, are a major provider of various ecosystem services, and play a significant role in the global carbon cycle. Deforestation accounts annually for more GHG emissions than the total EU economy, and avoided deforestation represents about a fourth of the global mitigation potential 2005-2030.
- Forest loss and deforestation in the tropics are often the result of poor land-use governance. Poor land-use governance occurs when longstanding

challenges are not addressed, such as weak legal and institutional frameworks, weak law enforcement, conflict over forest access and use, limited technical and management capacities and corruption. It contributes to unsustainable and often illegal land use.

- Almost 80% of tropical and subtropical deforestation is driven by agricultural expansion for commodity production, and a significant portion of this conversion is estimated to be carried out illegally (existing numbers are inaccurate). The EU is an important consumer of agricultural commodities, including soy, palm oil, rubber, cocoa and beef/livestock products.
- Improving forest and land-use governance in the tropics is therefore essential to achieve REDD+ objectives, EU objectives on deforestation and climate goals defined in the Paris Agreement. However, the issue of forest and land-use governance tends to receive little attention in the context of global climate change policy. This was recently demonstrated by the limited number of countries that took the opportunity to address forest and land-use governance issues in the INDC process and increase the visibility of the issue in wider climate debates.

FLEGT

- The EU is strongly committed to tackling the issue of illegal logging and the associated trade through the EU Action Plan on Forest Law Enforcement Governance and Trade. This "FLEGT Action Plan" was adopted in May 2003

to address the growing problem of illegal logging and related trade. The Action Plan aims at reducing illegal logging by supporting governance reforms and capacity building in timber-producing countries and by working to reduce the trade in illegally harvested timber in the EU and ultimately in major consumer markets elsewhere in the world. The Action Plan is structured around seven action areas: support to timber-producing countries, trade in timber, public procurement, private sector initiatives, financing and investment, existing legislative instruments and conflict timber.

- A central element of the FLEGT AP is the Voluntary Partnership Agreements (VPAs) concluded between the EU and non-EU timber producing countries, where commitments and action are included from both parties to halt trade in illegal timber. The EU works with VPA partner countries to strengthen forest governance, promote better law enforcement and develop systems to assure the legality of their timber exported to the EU under a "FLEGT licence". To date such agreements have been concluded with six countries. Full implementation of the agreements has taken much longer than anticipated for both technical and political reasons. However, since November Indonesia is the first country to export FLEGT-licensed timber to the EU.
- Another key element of the Plan includes the EU Timber Regulation (EUTR) which prohibits the placing of illegal timber on the EU market and requires operators to exercise due diligence to minimise the risk of illegal timber in

their supply chain. FLEGT-licenced timber automatically meets the EUTR's requirements, thus saving companies the cost of due diligence.

- FLEGT has been the subject of two reviews in the past two years: the European Court of Auditors reviewed the EU support to the timber-producing countries while the overall performance of the Action Plan was independently evaluated. A basic finding is that FLEGT remains highly relevant, and that the work carried out so far under the Action Plan is delivering significant results: forest governance has improved, particularly in targeted countries, while demand for illegal timber in the EU has been reduced.
- Recently, we have seen the launch of FLEGT licensing in Indonesia – a major step forward – and one which we hope will be followed by Ghana soon.
- The review of the Court, and of the independent evaluation, have also highlighted important implementation challenges, and areas for improvement in the way the FLEGT Action Plan has been managed, particularly in relation to the support to third countries, and they have recommended adjustments. The Commission is currently working to address these recommendations in consultation with MS and stakeholders.
- As the Court's report found, the fundamentals of the FLEGT Action Plan are right. It is making an important contribution to mitigating climate change by keeping forests standing, by improving governance and by clarifying tenure rights. In particular the FLEGT experience can provide important lessons on approaches and challenges to improve forest governance:

- Multi-stakeholder, participatory and accountable approaches to forest management and legal logging are fundamental to the successful implementation of the post-Paris forest/climate regime;
- The focus on legality, with credible verification/due diligence, is becoming an accepted norm of international environmental and trade policy. Legality is defined according to the national laws and therefore respects sovereignty and increase country ownership, while answering international concerns
- Transparency underpins legal clarity, participation and accountability, and limits opportunities for corruption. Transparency of trade flows helps demonstrating the origin of commodities and asses forest-risk
- Voluntary Partnership Agreements engage public and private actors around the national legal and institutional framework and its implementation. It differs from a project or voluntary certification type of approach in that they are national processes that aim to improve the governance of a whole sector, rather than a specific supply chain of one or a few operators, and enjoy the support of the government.
- A nationally accepted legality definition and increased focus on law enforcement and legal compliance affects also smallholders that may not be able to live up to the standards or have no interest.

Preferential market access (usually important for big players) should therefore be complemented with technical assistance (e.g. REDD+ investments) to support capacity of smallholders to achieve the legal standards.

- Linking supply and demand side measures are important to create incentives (e.g. preferential EU market access) for commodity producing countries investing in improved governance and verification that their legal/green/zero-deforestation products will find their way to markets that appreciate these products.

DEFORESTATION

- But deforestation continues, and its consequences are potentially catastrophic at many levels; for the local communities that depend on forests, for the ecosystems they support, and at the global level, as we deplete one of the most effective carbon sinks we have. So we must continue this fight, both through our own actions, and in the new global dynamic of the 2030 Agenda and the Paris Agreement.
- That is why the Commission has been considering opportunities to scale up efforts to combat deforestation, through FLEGT, but also through other instruments such as REDD+. A study has been commissioned to consider the feasibility of a comprehensive EU Action Plan on Deforestation.
- Key lesson from the FLEGT AP include:

- the need to develop both demand and supply side measures and to use trade levers. The EU could work with commodity producing countries to help them respond to EU and international market demands.
- In producing countries, the EU could support the creation of an enabling environment for legal commodity production, e.g. improve land use governance, promote legal and sustainable investments in forest-friendly commodity production and ensure international recognition.
- Public-private partnerships have a higher probability to impact land-use governance than voluntary private sector approaches, as any lasting governance reforms need to be owned by the state
- Core elements of such an enabling environment include clear legal and institutional frameworks and enforcement, including tenure and use rights, defining zero (illegal) deforestation standards, genuine stakeholder engagement, monitoring capacity, access to information, transparency and accountability, mapping trade and supply chains and related forest risk, forest-friendly fiscal policies

With this in mind, I am looking forward to the discussion today.

Thank you.