

The Better Business: Sourcing legal wood

Susanne Breitkopf

Environmental Investigation Agency (U.S.)

EMAIL: sbreitkopf@eia-global.org



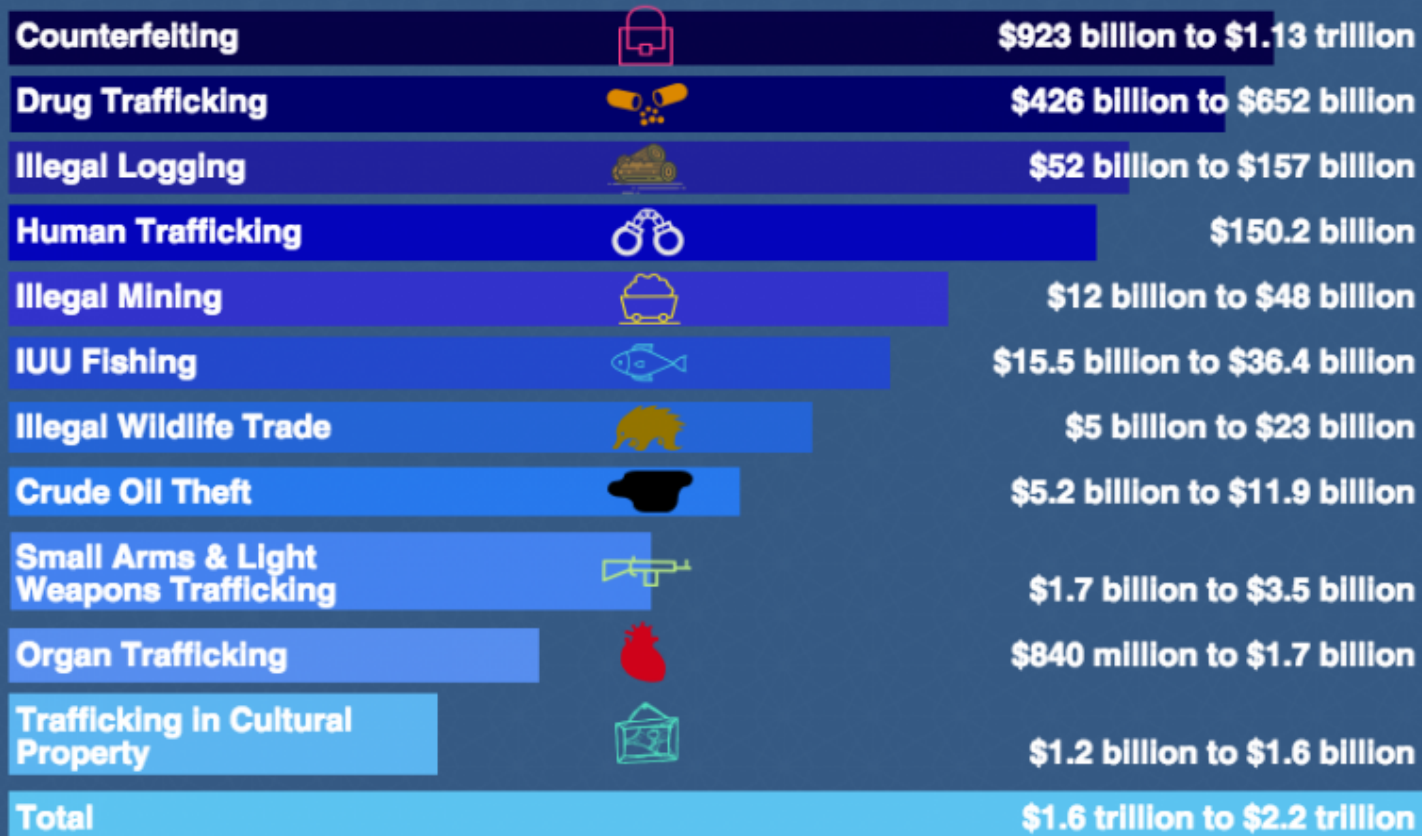
Protecting the Environment with
Intelligence

About EIA

- International organization with offices in Washington DC and London, since 1984
- Pioneering investigative techniques to expose and stop environmental crimes (illegal logging & wildlife trade)
- Strengthen intelligence-led enforcement
- Promote innovative policies in the U.S. & beyond
- Approach based on pragmatism and coalition building

Illegal logging is a transnational crime

The Retail Value of Transnational Crime



GLOBAL FINANCIAL INTEGRITY

Source: *Transnational Crime and the Developing World*

Illegal Logging (and other crimes)

- Illegal logging & trade: \$52-\$157 billion/year
- Organized crime, mafias, smuggling
- Forest destruction, species extinction
- Corruption, fraud, financial crime
- Fueling violence, conflict + murders



Cambodian forest defenders killed after confronting illegal loggers

Illegal logging: Cambodia's murderous problem

| Publication date 09 February 2018 | 08:20 ICT

Endangered Cambodian Journalist Flees to US



Brazil

“Since the start of 2015, 145 land and environmental defenders have died in Brazil: the highest number on Earth. Many of the killings were of people trying to combat illegal logging in the Amazon.” *The Guardian, April 2018*

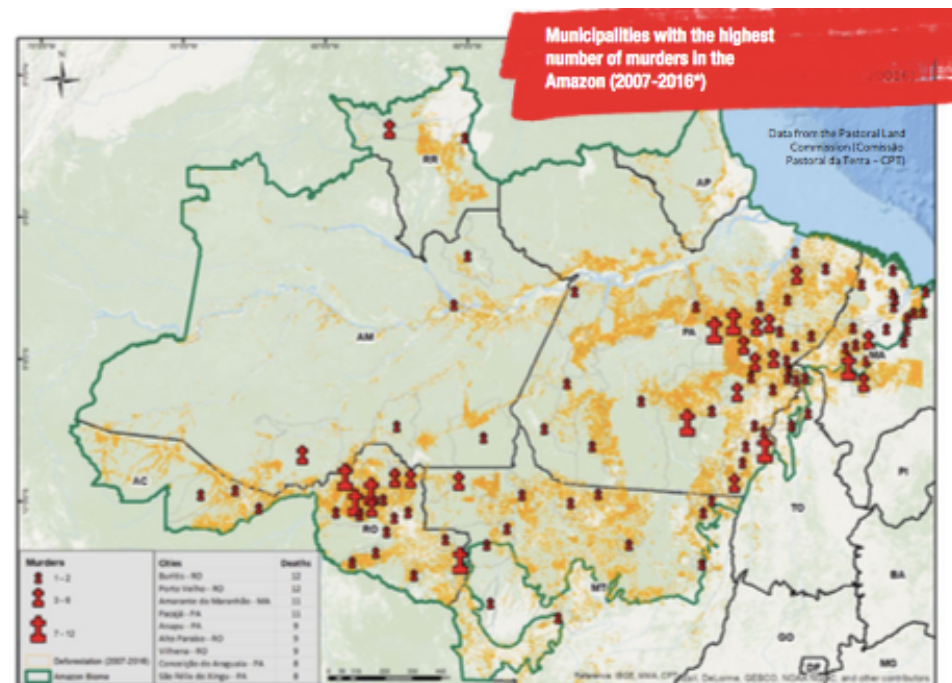
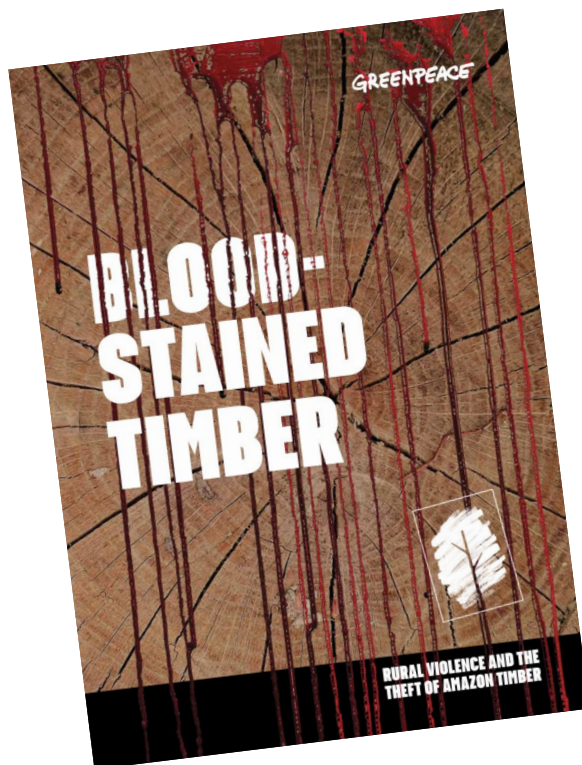


FIGURE 1. Relationship between deforestation (indicated in yellow)²⁴ and rural murders related to land conflicts²⁵ in the period 2007-2016

Illegal logging in Brazil

- Weaknesses in licensing or FM plans
- Excessive calculation of harvestable trees
- "Imaginary" high value timber added to inventories
- Subsequent issuing of credits for non-existent timber, which are then used by sawmills who process illegally logged timber (e.g. from indigenous reserves)
- Few and sloppy field inspections
- Enforcement process seems to have stalled

An aerial photograph of a dense tropical forest. A single tree with a thick, light-colored trunk and a large, rounded canopy of bright yellow flowers stands out against the surrounding green foliage. The forest floor is covered with various types of trees and plants, including palm trees.

“From March 2016 to September 2017, 37 American companies imported 10,170.845 cubic meters of Ipe wood from forest management plans with evidence of illegality, bringing the United States to the top of the list of countries importing Ipe wood from areas at risk”

Greenpeace March 2018

Sarawak/Malaysia

Reports of

- Lack of documentation/access to logging sites
- Systemic violations of rules incl. logging in river buffers, excessive clearance; severe environmental damage
- Abuse of annual allowable cut
- Bribery and intimidation of forestry officials



Satellite imagery
can help
assessment of
compliance with
logging code in
remote areas

December 2012

Google earth
Image Landsat

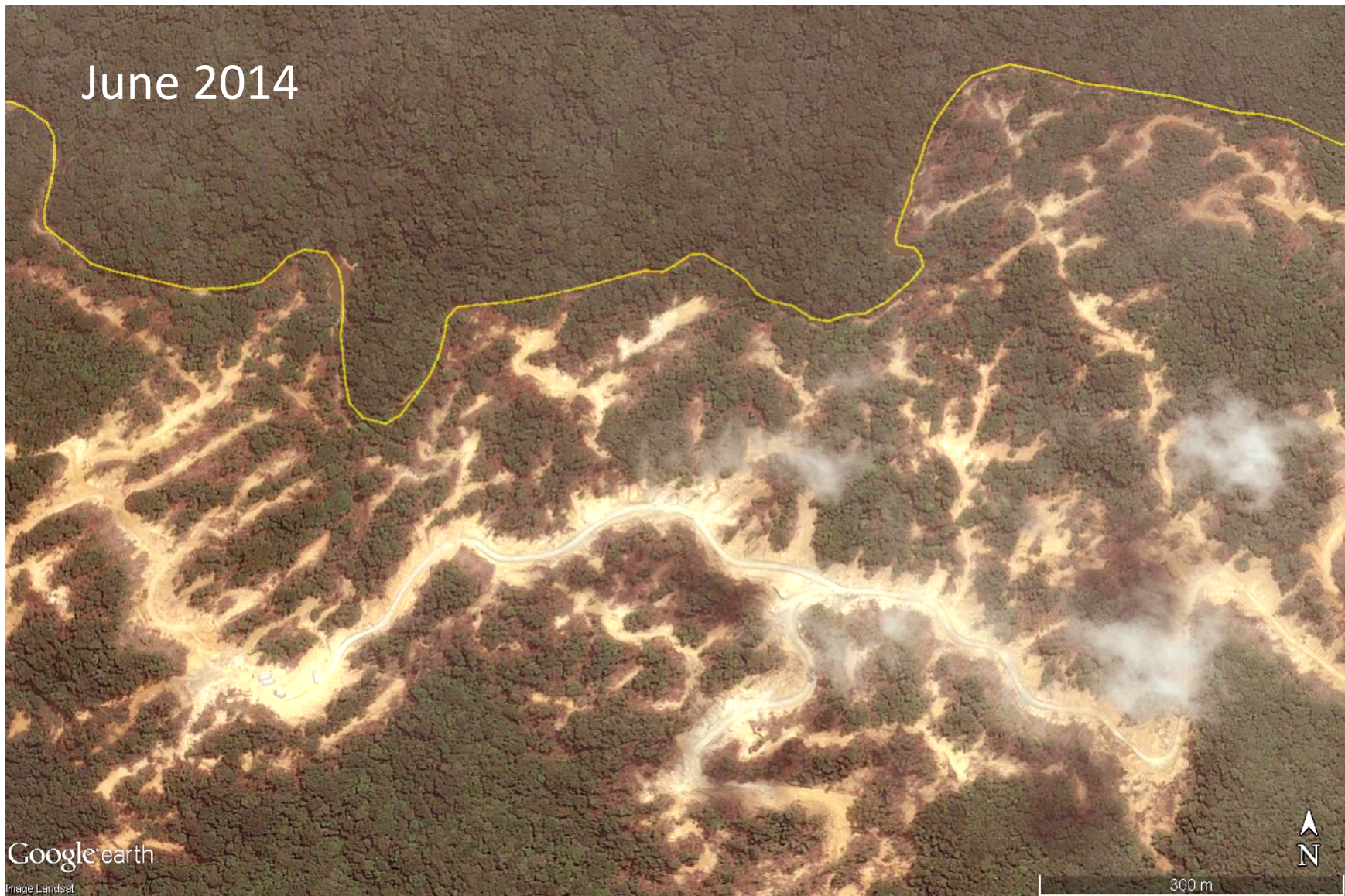
300 m



Global Witness

Intact rainforest in Heart of Borneo region of Sarawak





The same area shows intensive logging along a major river (yellow line) – Sarawak's logging code typically prohibits logging in river buffers

Source: Global Witness

Papua New Guinea

- World's largest exporter of tropical logs, China's largest supplier
- Bottom 20% on TI Corruption Perception Index (CPI)
- 12% of the land area leased to foreign-controlled companies using Special Agriculture and Business Leases (SABLs) since early 2000s
- Most SABL operations linked to Malaysian logging interests – some leases merely a front for logging, others used to clear rainforests for oil palm



Intact
rainforest in
SABL on New
Hanover
island, New
Ireland, PNG –
a tributary of
Min River
shown by blue
line

... and after



Global Witness



Papua New Guinea

- “Illegal practices are widespread, and the weight of available information ... suggests that the majority of timber production in PNG is illegal in some way.”

Chatham House, April 2014



Enforcement of the Lacey Act

Peru



Enforcement of the Lacey Act

- 2 shipments of timber from Peruvian Amazon, stopped and excluded in Houston (2015)
- 2016: Search warrant at Global Plywood
- January 2017: Popp Forest Products, 24 Pallets of wood destroyed, company covers all expenses for, transport, destruction and disposal.
- Finding corroborated by FWS Labs concluding samples from shipments were not the species authorized for harvest

Enforcement of the Lacey Act



Enforcement of the Lacey Act

- October 2017: Peruvian exporter Inversiones La Oroza banned by USTR from importing wood into the U.S. for three years
- (has FSC CoC)



Enforcement of the Lacey Act

YOUNG LIVING ESSENTIAL OILS/ illegal trafficking of rosewood oil

- harvested, transported, and distilled rosewood in Peru and imported into the United States through Ecuador.
- Bought app. 1,899.75 liters of rosewood oil, estimated value \$3.5 million \$9 million.
- \$760,000 in Fines, Forfeiture, and Community Service, five years probation with comprehensive compliance Plan
- Violation of Lacey Act and Endangered Species Act.

EUTR

- 2016: Dutch injunction against importer of suspicious timber from Cameroon after complaints
- 2017: Dutch court rejects appeal, risk assessment and mitigation inadequate
- Importers must supply documentary proof of compliance upon request
- CA can request full supply chain documentation including logging permits, transport documents and financial records
- Government paperwork is not sufficient in countries with high corruption and documented illegal logging
- Company had FSC CoC certificate

EUTR

Burma Teak

- EIA submitted 14 complaints to EU CAs in 2016
- Sweden, Denmark, Germany, UK + NL have ruled that teak imports from Myanmar are not compliant with EUTR DD requirements
- Italy, Spain pending
- Myanmar govt has announced forest reforms and stronger law enforcement

EUTR

March 2018:

- UK Importer fined for failing to exercise due diligence on Cameroonian timber imports
- Company was purchasing FSC certified timber



Lacey inspires the rest of the world

- Australia: Illegal Logging Prohibition Act (ILPA): Feb. 2018 Senate disallows “deemed to comply” for PEFC and FSC certification
- South Korea passed timber import law in 2017
- Mexico passed timber import law in April 2018
- Vietnam in development
- Other: Japan, Canada

Enforcement in Gabon

- Timber confiscated estimated \$5 million
- 6 Chinese loggers and businessmen arrested

| Exploitation essences interdites | | | | | | | |
|---|--------------|---------------------|----------------|----------------------|---------------|--|----------------------|
| Essence | Volume en m3 | Rendement | Volume de biés | Prix/m3 | Valeur | Cô t revient | Marge |
| Iroko | 688 | 50% | 344 | 500 000 | 172 000 000 | 49 880 000 | 122 120 000 |
| Izomé | 222 | 50% | 111 | 500 000 | 55 500 000 | 13 875 000 | 41 625 000 |
| Sipo | 4290 | 50% | 2145 | 500 000 | 1 072 500 000 | 268 125 000 | 804 375 000 |
| Tiama | 162 | 50% | 81 | 500 000 | 40 500 000 | 10 530 000 | 29 970 000 |
| Mukulungu | 296 | 50% | 148 | 300 000 | 44 400 000 | 21 460 000 | 22 940 000 |
| | | | | | | | 1 021 030 000 |
| Sur exploitation par rapport au PAO | | | | | | | |
| Essence | Volume en m3 | Prix de vente au m3 | Marge/m3 | Total | | Total marge | |
| Acajou | 11 | 65 000 | 35 000 | 385 000 | | | |
| Andoung | 98 | 65 000 | 35 000 | 3 430 000 | | | |
| Azobé | 370 | 65 000 | 35 000 | 12 950 000 | | | |
| Bilinga | 129 | 65 000 | 35 000 | 4 515 000 | | | |
| Bosé | 1 071 | 62 000 | 32 000 | 34 272 000 | | 2 773 718 000 À rembourser à l'Etat | |
| Dibetou | 548 | 62 000 | 32 000 | 17 536 000 | | | |
| Doussé | 363 | 100 000 | 70 000 | 25 410 000 | | | |
| Ebiara | 105 | 63 000 | 33 000 | 3 465 000 | | | |
| Wengé | 1 386 | 65 000 | 35 000 | 48 510 000 | | | |
| | | | | 1 752 688 000 | | | |

Market Transformation

- Feedback from U.S. industry
- DD standards (DHA), frequent trainings (“avoid Lumber Liquidators scenario”)
- Similar in EU, traders now avoid certain high risk areas
- China: U.S. importers are asking questions

Movement in China?

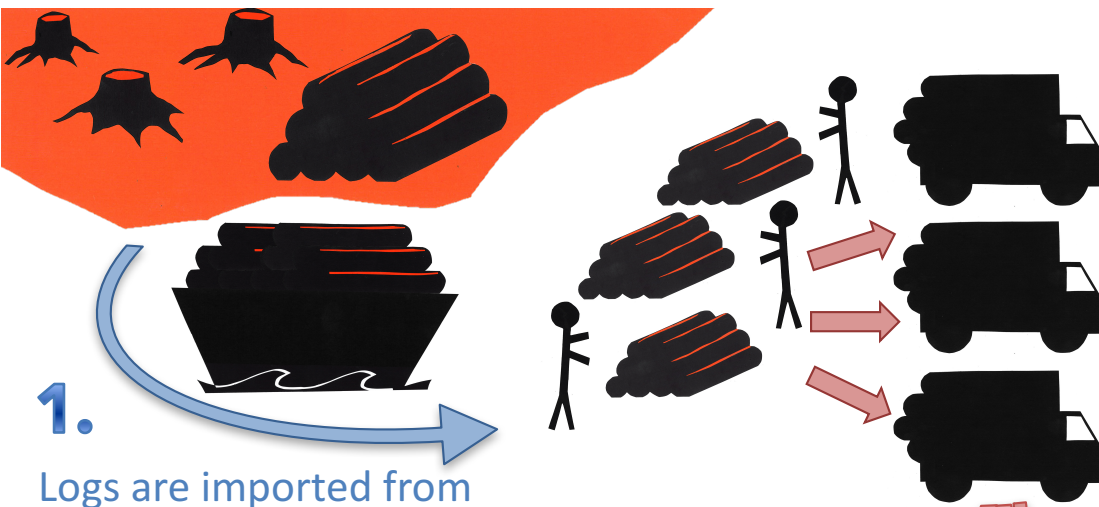
Chen Young, Deputy Director, Center for International Forest Product Trade, SFA, quoted in *Southern Weekly*, 2017:

“Step One, producing country-specific timber legality assessment guide whilst conducting training and capacity building for enterprises, with the aim to enhance legal operation of companies and raise awareness of self-discipline of the industry; Step Two, developing management measures by relevant supervisor in the industry to enhance the management and regulation of timber legality. If proven effective, these measures go into

Step Three: legislation. Legislation is important to combating illegal logging and supporting relevant trade measures.”

Beware: Blackbox China

- China imports two-thirds of all tropical logs on international markets
- Due diligence as required by the Lacey Act most often impossible

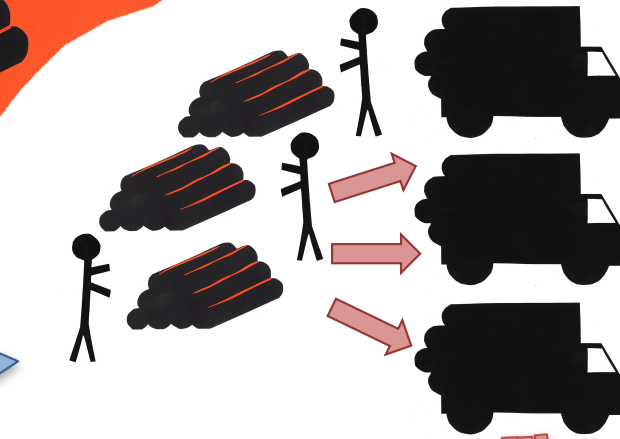


1.

Logs are imported from
producer countries

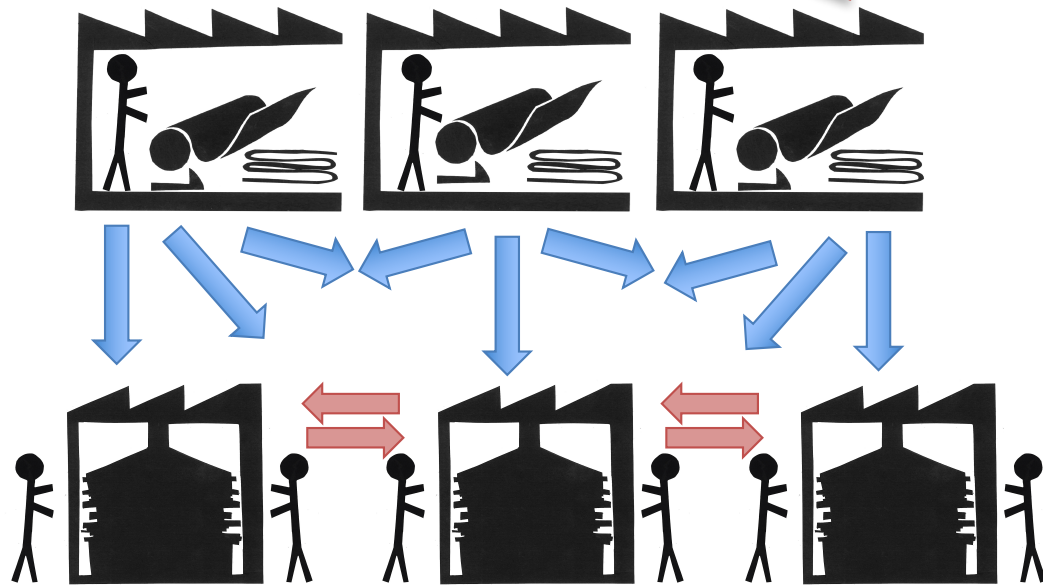
2.

Freelance traders buy logs from
importers and sell to veneer mills



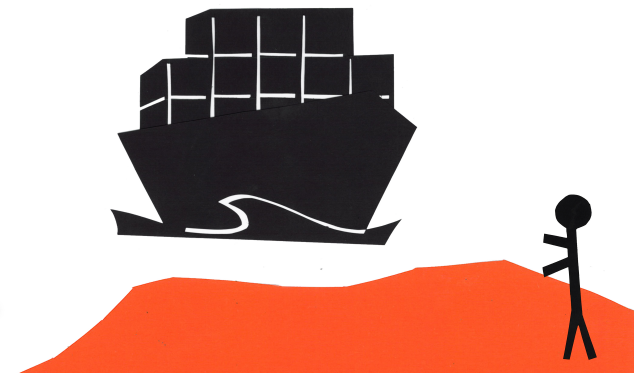
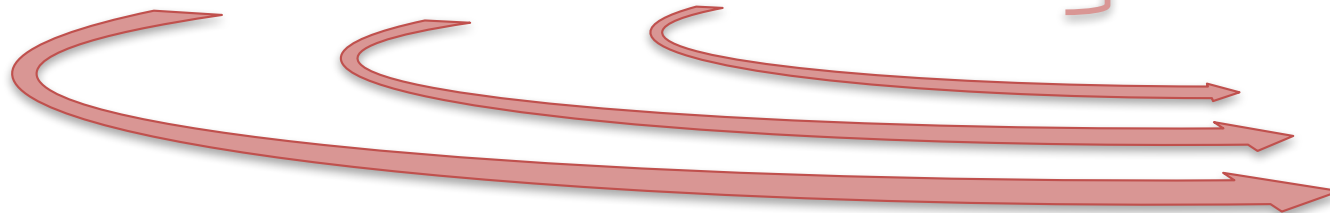
3.

Veneer mills sell to plywood factories
on a consistent and/or ad-hoc basis



4.

Plywood factories sell to exporters,
and buy and sell to each other as needed
to complete orders



Sourcing legal wood

- Know your source!
- Request traceability and supply chain documentation from your suppliers
- Avoid complex supply chains
- Technologies can help identify species and harvest areas
- Don't rely on certification
- In case of doubt, local wood trumps exotic stuff

Timber Tracking Technologies

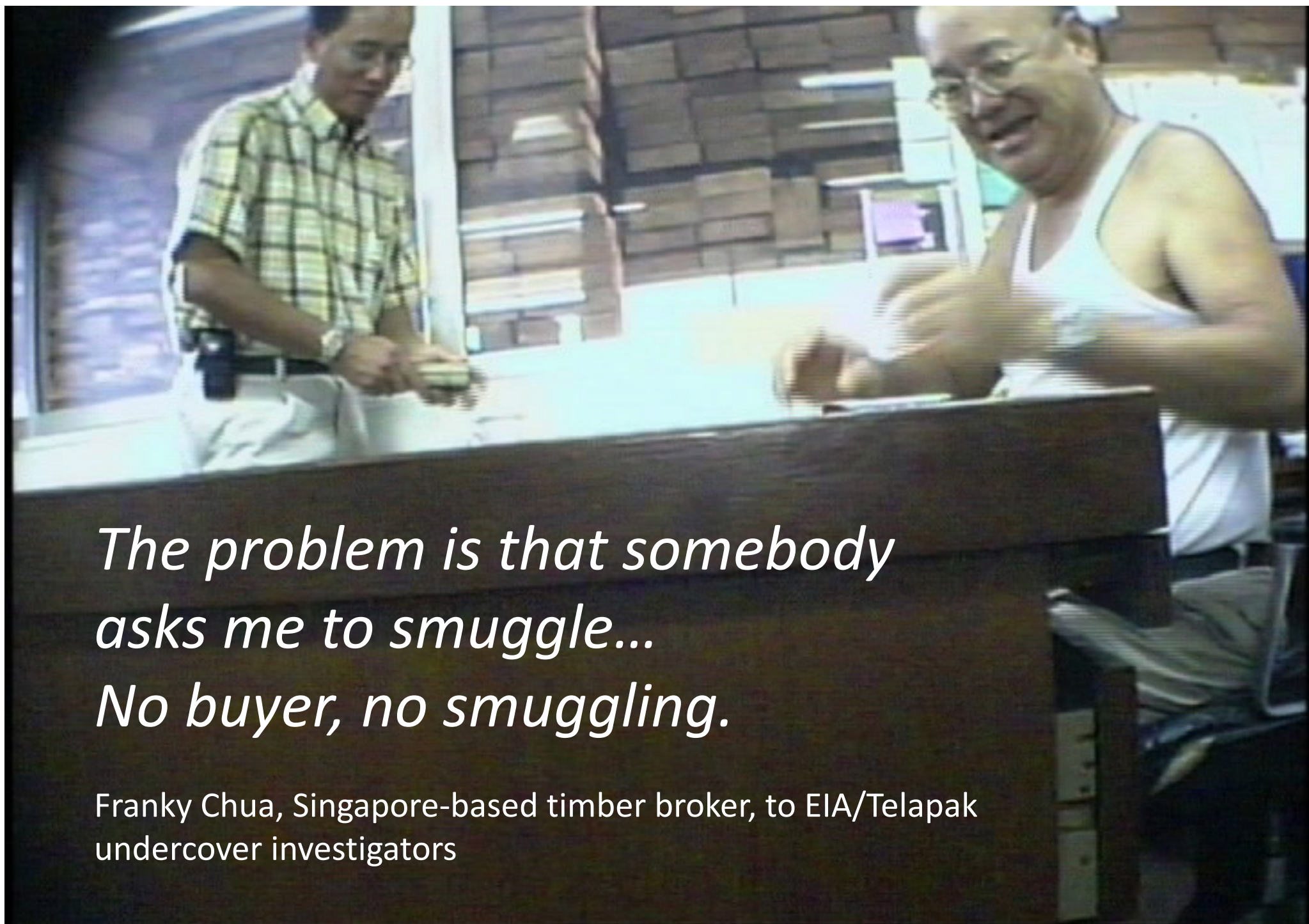
Testing oak flooring - possible for solid or engineered flooring:

- **Wood Anatomy** – Determine among strongly differentiated species – is it **red or white oak**?
- **DNA** – More precise determination of species - **European oak** (*Quercus robur*, *Q. petraea*), **American oak** (*Quercus alba*, *Q. macrocarpa*), or **Asian oak** (*Quercus mongolica*)?
- **Stable Isotopes** – Determine geographical origin – if *Q. mongolica*, did it grow in **Russia or China**?

Due Care

“FSC alone is no guarantee of having complied with legal process. It is the sole responsibility of importers to ensure compliance with the EUTR and that all relevant procedures are in place.”

David Hopkins, Managing Director of the TTF



*The problem is that somebody
asks me to smuggle...
No buyer, no smuggling.*

Franky Chua, Singapore-based timber broker, to EIA/Telapak
undercover investigators

Thank you

