



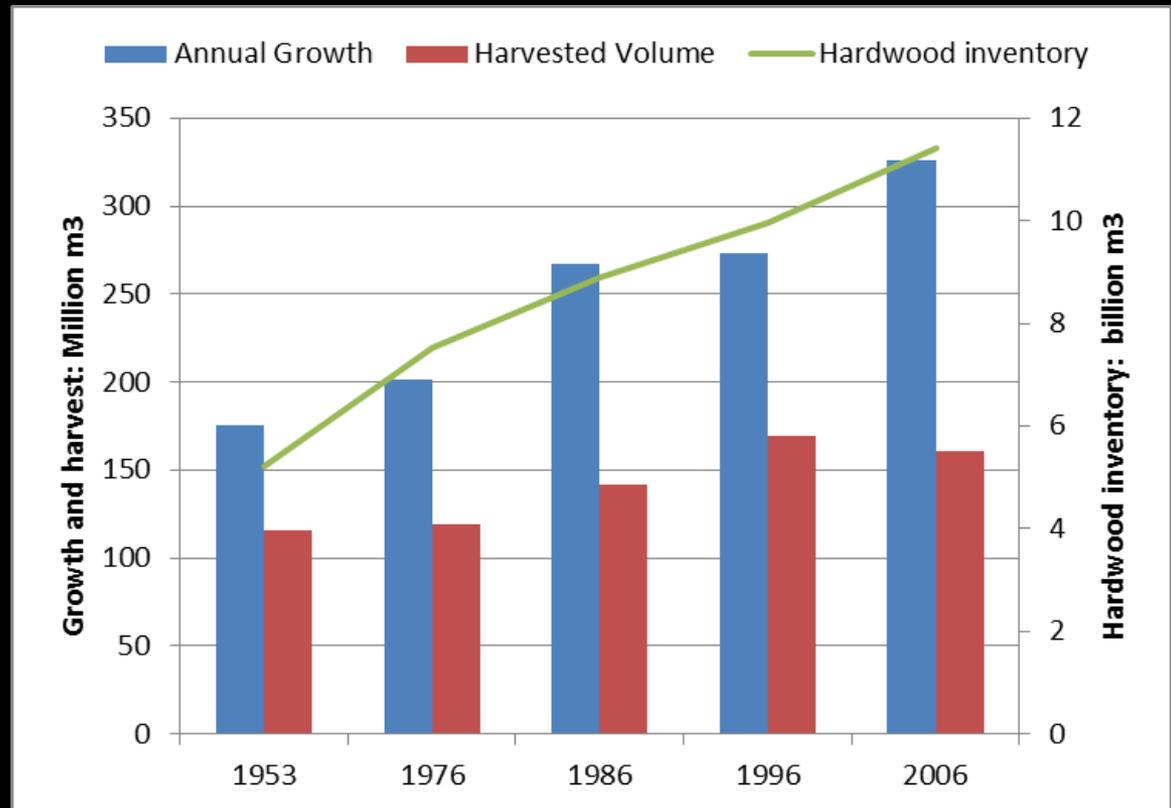
Risk analysis as a tool for legality - lessons from North America

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American Hardwoods Export Council (AHEC)

US hardwoods: an expanding resource

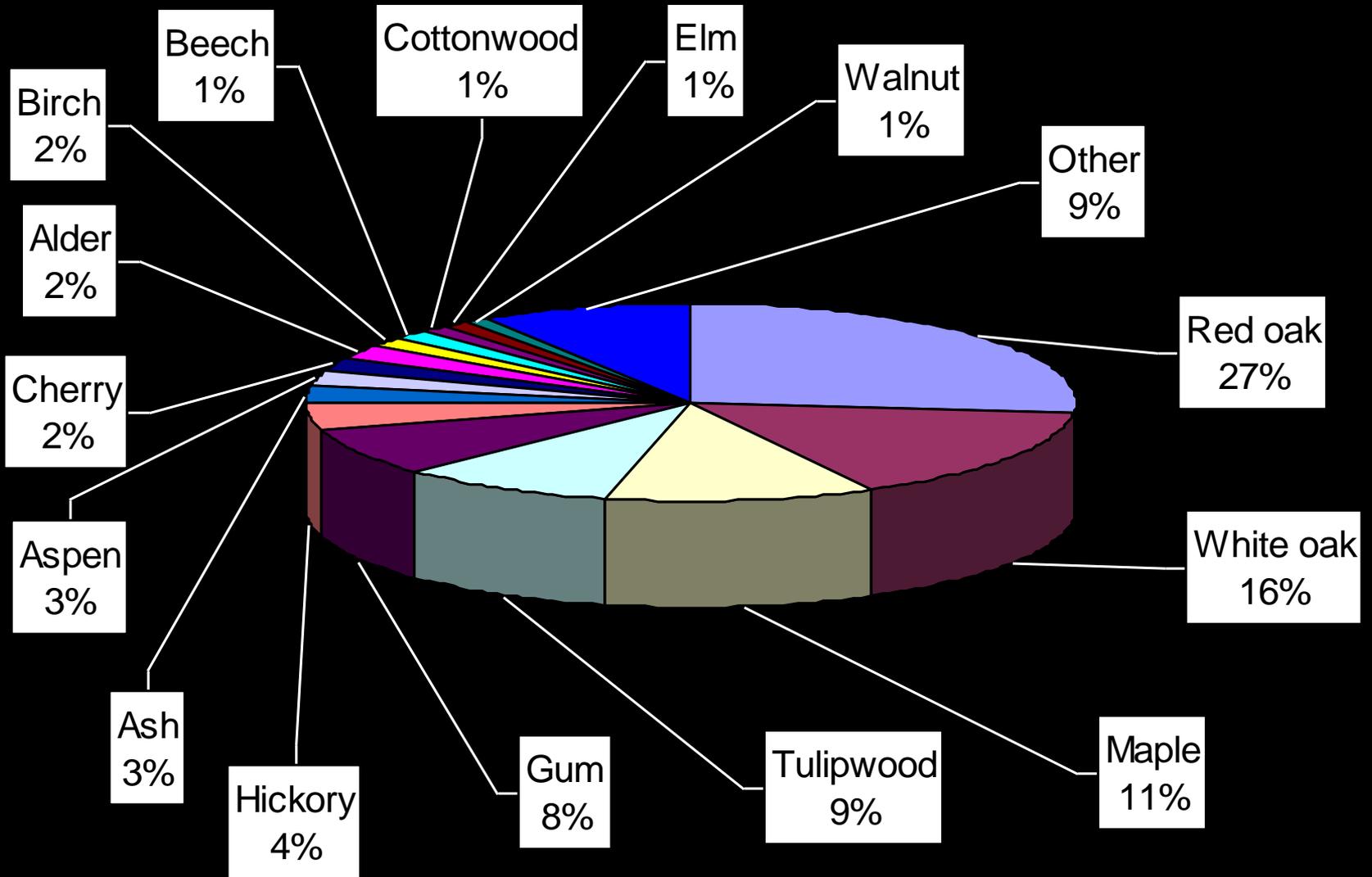
Between 1953 & 2006:

- Hardwood harvests well below annual growth
- Hardwood inventory increased from 5.3 billion m³ to 11.5 billion m³
- Area of hardwood forest types increased from 100 million ha to 120 million ha



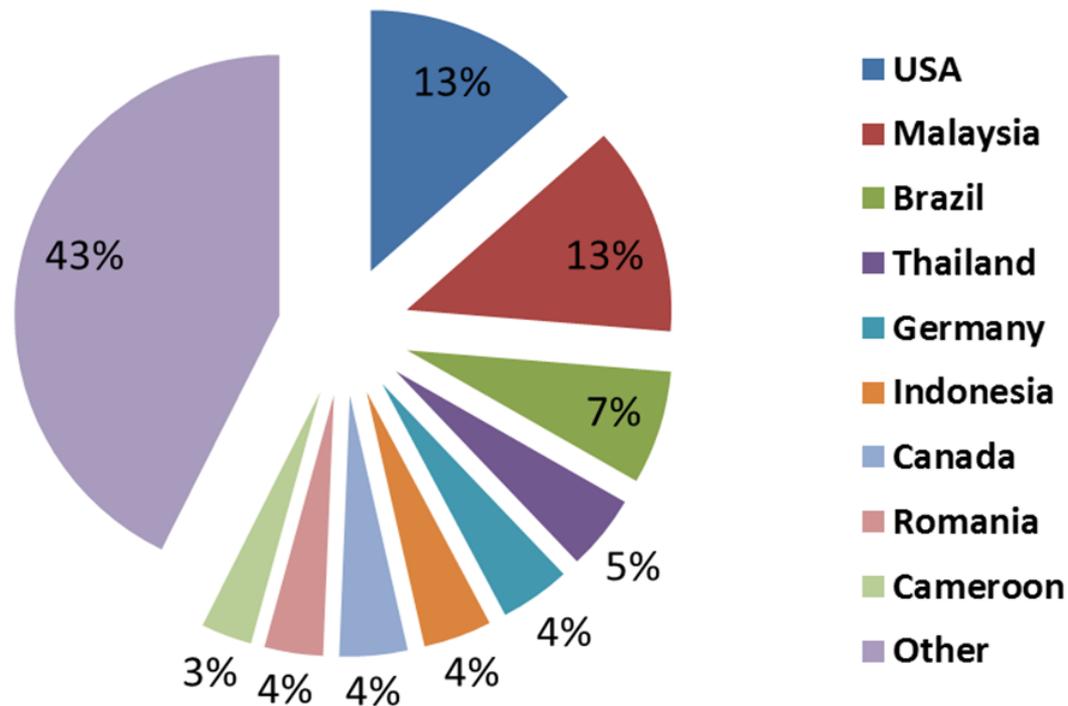
Source: USDA Forest Inventory & Analysis (FIA)

U.S. Saw and Veneer Log Harvest By Species 2006 (% volume)



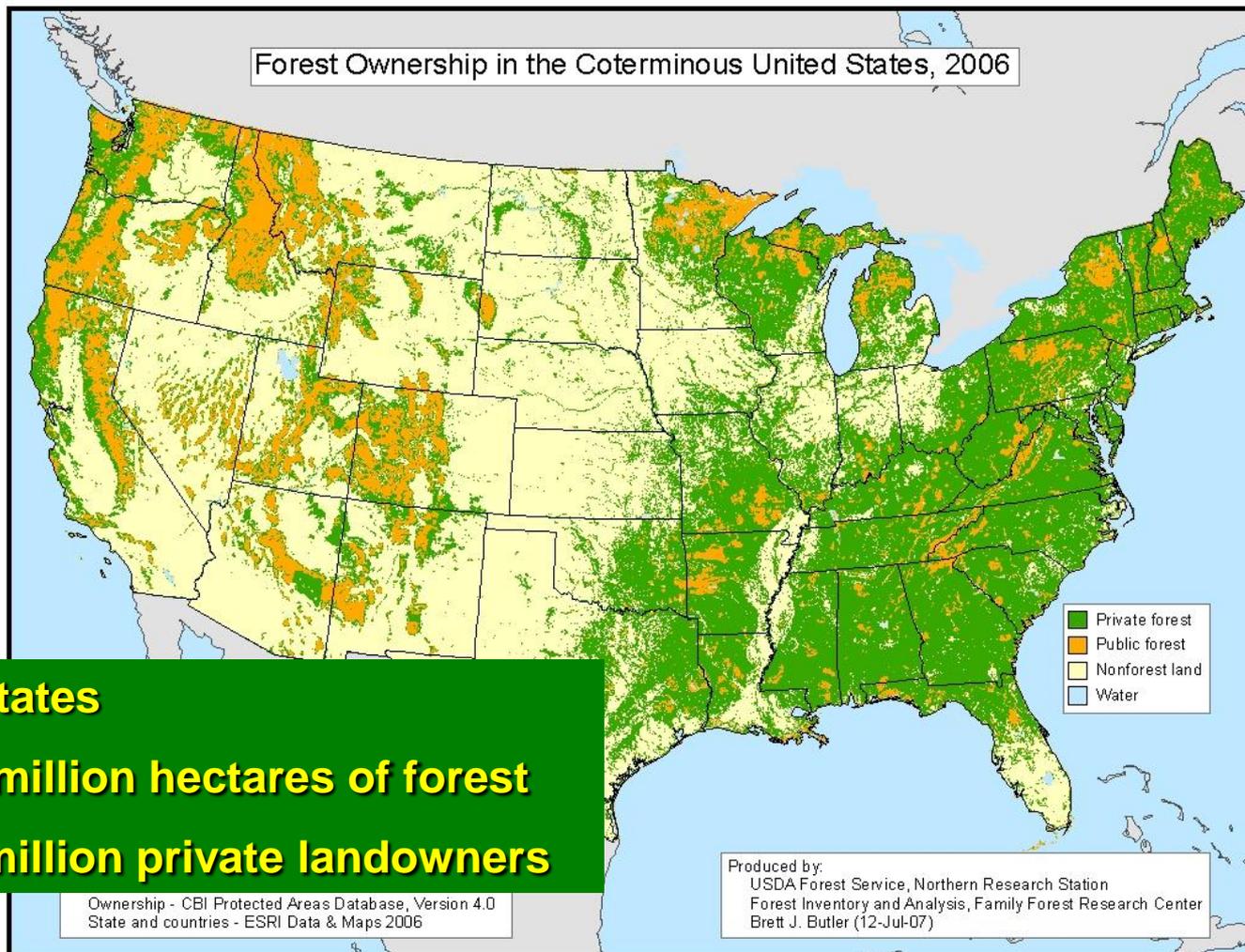
The U.S. is the world's largest exporter of hardwood lumber

Share of global hardwood lumber trade
2005-2009 m3



- World annual exports of hardwood lumber 2005-2009 = 19.45 million m3
- From the US = 2.6 million m3

US Hardwood Resource



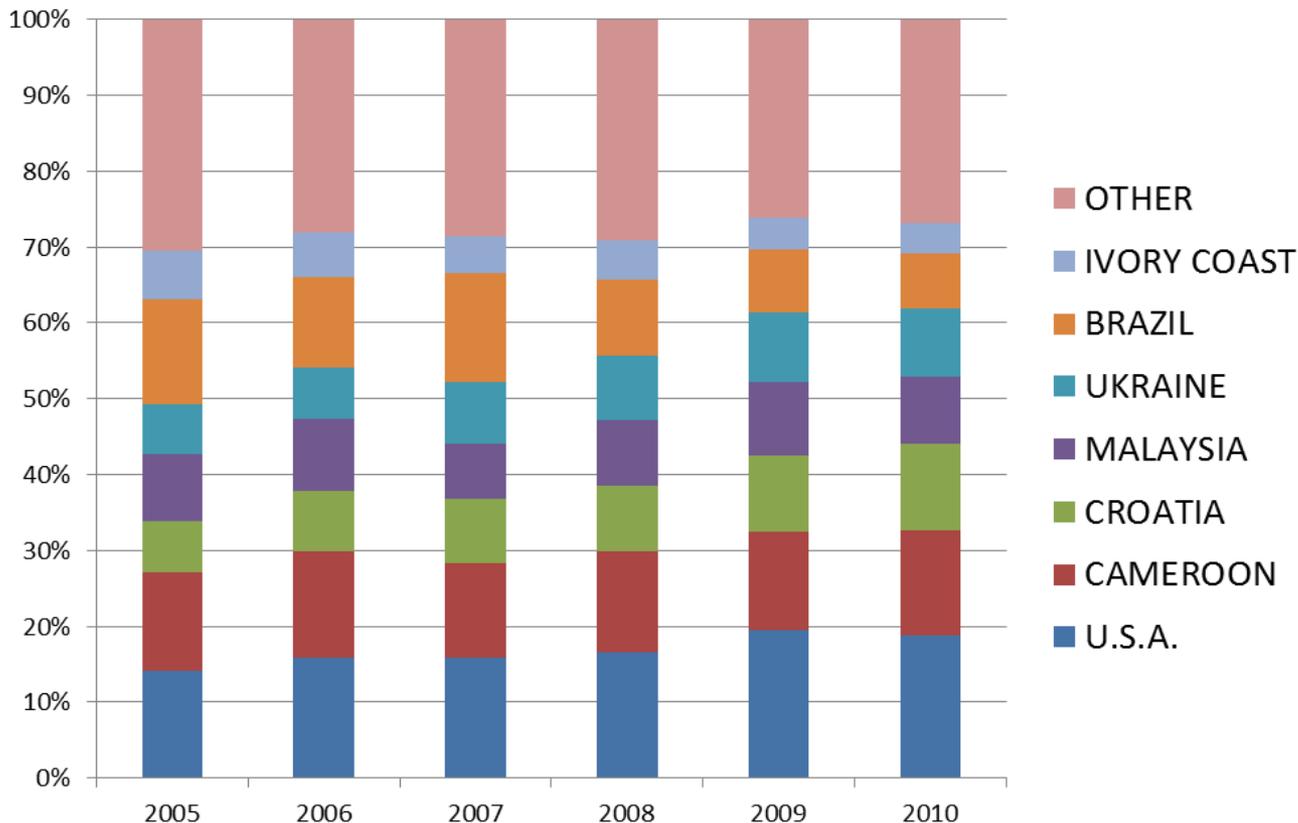
✓ 33 States

✓ 167 million hectares of forest

✓ 3.7 million private landowners

The U.S. is the EU's largest external supplier of hardwood lumber

Share of EU import of hardwood lumber (m3)



- EU average annual imports of hardwood lumber 2005-2010: 3.75m m3
- From the US: 635000 m3
- Share rising:
 - 2005: 14%
 - 2010: 19%

US industry support for legislation

- Close alignment of EU Timber Law and US Lacey Act
- Reinforce message: no place for illegal wood in international trade
- Proportionate and practical
- No reversal of the burden of proof
- Implies a central role for risk-assessment
- Builds on existing private sector initiatives

BUT

- Requires sensible interpretation
- Greater clarity from EC and EU MS

Risk-based approach essential

- Acceptance of credible risk assessment ESSENTIAL to avoid technical barriers to trade
- Risk assessment is central to the text of the EU legislation but this has not been communicated clearly
- e.g. press statement on EU's official website www.europa.eu on publication of the law in December 2011:
 - *“EU operators selling timber and timber products for the first time on the EU market – whether they come from the EU or are imported – will need to know where their timber is from”*
- Widely misinterpreted as a requirement for traceability to forest of origin

Traceability not an option

- Full traceability or provision of government "legality licenses" or "certificates of forest origin" NOT an option for American hardwoods
- Over 90% of American hardwood logs from private landowners
- US hardwood producing states have 3.7 million small family forest owners with average holding < 10 hectares
- Hardwood timber operators purchase from hundreds of different landowners each year, usually in small quantities.
- Sold through wood dealers that amass logs & lumber from many different sources over a long period of time (a year or more).
- Wood contained in a single parcel of graded American hardwood lumber or veneer exported to the EU derives from a small sub-set of a total population of 10s of 1000s of forest owners

American hardwoods & EU Timber Law

- "Prohibition" article
 - Places no obligation on operators to positively demonstrate legality as pre-requisite to placing timber on the EU market.
 - European authorities must prove timber derives from an illegal source to prosecute under this article of the law.
- "Traceability obligation"
 - Applies ONLY to downstream supply chains within the EU
 - Does not require importers to impose additional documentation requirements on overseas suppliers.

EU Timber Law requirements for due diligence system

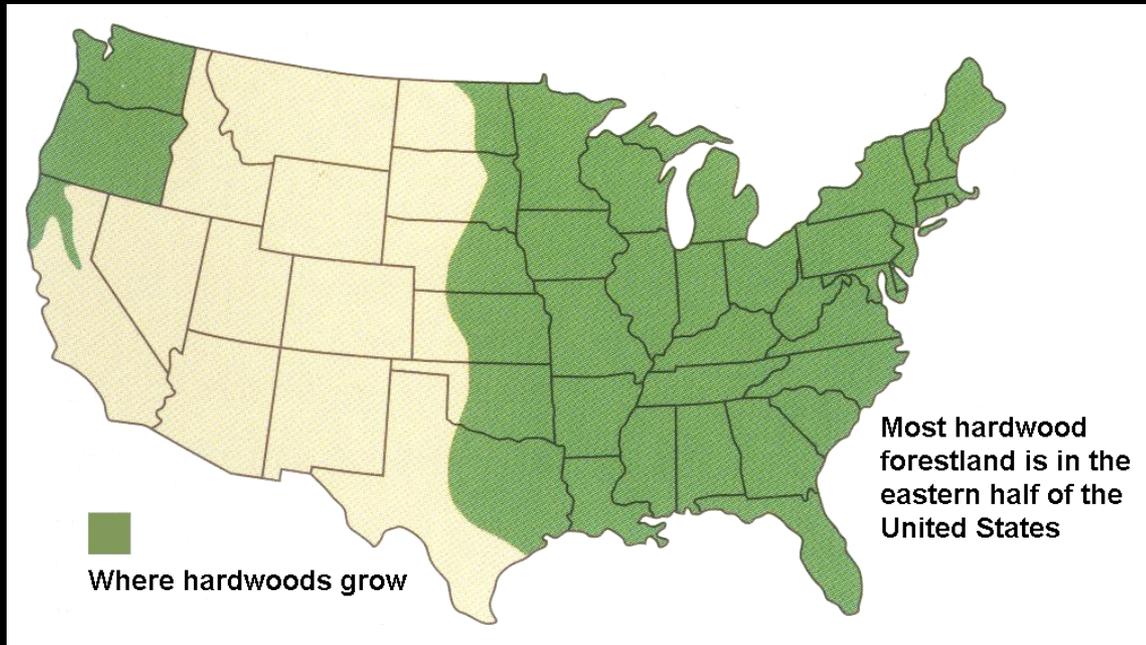
- Applicable only to "first placers" (importers & primary producers)
- Operators must have "access to information" on species, product type, quantity and source of timber and timber products
- Satisfied for US hardwoods through:
 - Shippers invoice - describes goods, value and identifies exporter.
 - Phytosanitary certificates for most shipments - exporter's name, statement of U.S. origin, species scientific name, shipment quantity.
 - Shipper Export Declaration Form (for shipments > \$2,500) - name of shipper & consignee, U.S. Employee ID, 10 digit numeric product code, quantity, value, U.S. state of origin.
- Operators must have access to "documents or other information indicating [legal] compliance"
 - Satisfied for US hardwoods by independent peer reviewed risk assessment demonstrating negligible risk of any US hardwood being illegally sourced

Seneca Creek Study 2008

- First and only sector-wide quantitative assessment of risk of "controversial wood" (including illegal) entering supply chains
- Data-based in line with FSC Controlled Wood standard
- Precautionary – all areas high risk until shown to be low risk
- Expert independent team: Dr. Paul Ellefson (Professor of Forest Policy, Univ. of Minnesota); Phil Guillery (Certification Consultant closely linked to FSC); Dr. Gary Dodge (Conservation Biologist); Scott Berg (Certification Consultant); & Alberto Goetzl (Economist)
- Issued for peer review to 35 organisations (forest research, government, environmental groups, trade associations)

US hardwood forests

- Total US timberland area: 205 million has.
- Hardwood and mixed hard/softwood forest: 120 million has
- 9.1 million family forest owners own 80% of hardwood types & account for 90% of hardwood supply
- Average 220,000 owners harvest every year



Seneca Creek Data Sources

- Forest Inventory & Analysis (USDA Forest Service)
- Canvass of state agencies
- Court cases and crime reporting statistics
- Literature review of illegal logging and timber theft
- International Governance indicators
- Survey & interviews with hardwood producers & traders
- Federal worker safety and labor statistics

Seneca Creek Associates, LLC

Assessment of Lawful Harvesting & Sustainability of US Hardwood Exports

Prepared for
American Hardwood Export Council

Collaborating Authors:

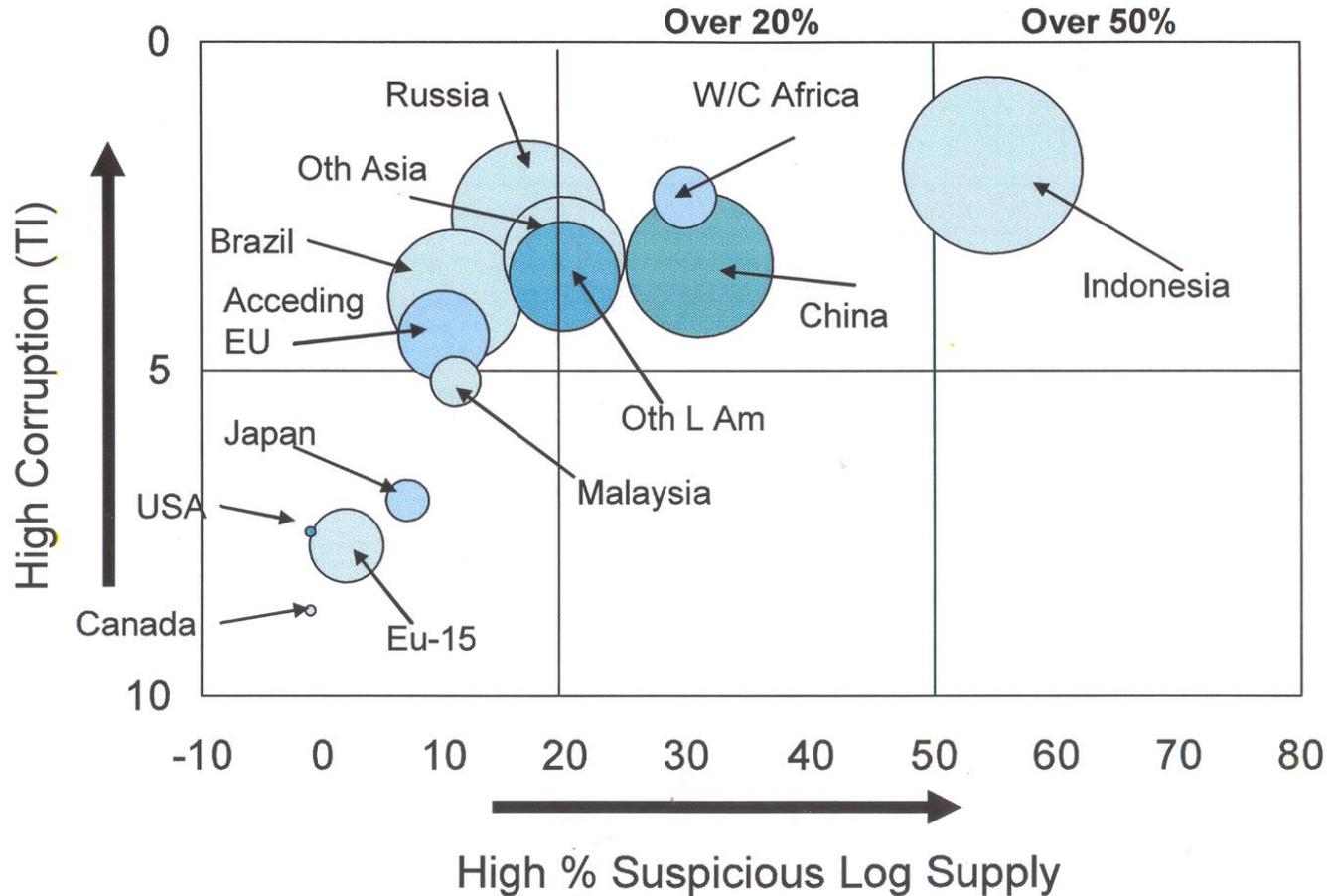
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Complex legislative framework

- In the U.S. primary responsibility for forest regulation is at state level not federal level
- State legislative programmes vary widely
 - Some states comprehensive forest practices acts with mandatory requirements for all owners
 - Other states rely on non-mandatory tax incentive and outreach programmes to promote SFM
- 100 distinct regulatory programs are implemented by state forestry agencies in US hardwood producing region (average of 3 per state)
- In any given state, multitude of agencies have jurisdiction for one program or another that influence use and management of hardwood forests
- Forestry agencies in some states have enforcement authority; otherwise state and county police

Corruption and illegal logging



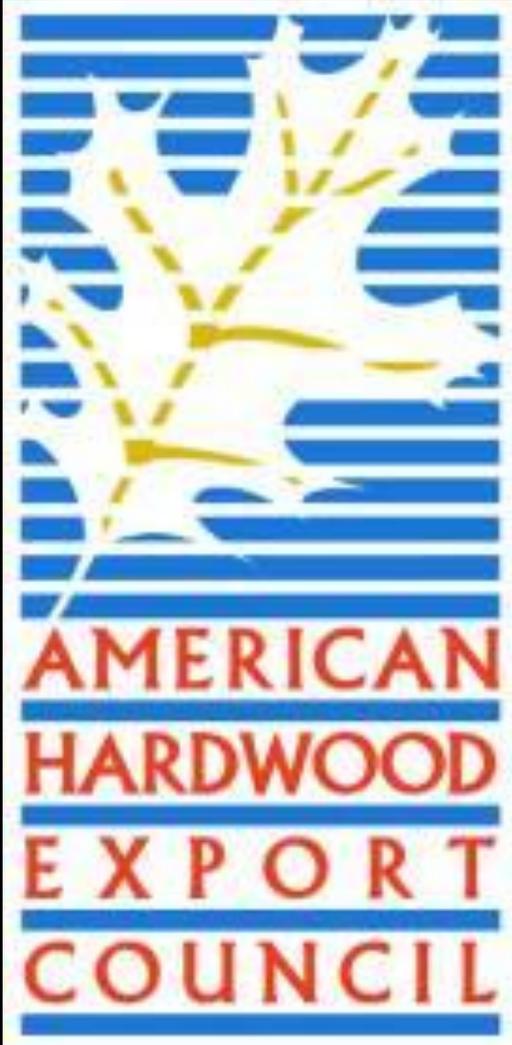
Source: Transparency International; WRI/SCA estimates

Seneca Creek Conclusions

- *"weight of evidence strongly indicates that there is very low risk that US hardwood exports contain wood from illegal sources"*
- *"high confidence that rights of timber ownership are well-established and respected"*
- *"on the order of 800 to 1,000 significant timber theft cases occur annually in the hardwood region, involving an estimated 20,000 to 25,000 cubic meters (including both softwood and hardwood). Even if half or more were hardwood trees, stolen timber would represent a very small portion of total US hardwood production – very likely less than 1%"*
- *"hardwood procured from anywhere in the Hardwood States could be considered Low Risk in all five risk categories of the [FSC Controlled Wood] standard"*

Key messages

- Certificates identifying specific forest of origin or verifying legality will not be available for US hardwoods
- Fragmented forest ownership and complex supply chains mean that demands for traceability to specific forest of origin cannot be met without incurring significant and unnecessary cost
- Where credible studies like Seneca Creek demonstrate negligible risk of illegal logging for specific products or supply regions, importers should be under no obligation to gather additional documentary evidence of legality
- Need for much greater clarity from European authorities in public statements and guidelines on the central role of risk assessment
- Based on consultations with the EC, AHEC has prepared detailed guidance for EU importers explaining how to meet their obligations with respect to American hardwoods under the Timber Law.



Thank you!

www.americanhardwood.org