



EUROPEAN FOREST INSTITUTE

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Scenario Analysis of the Impact of Potential Measures to Prevent Import of Illegal Wood and Wood Products

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Acknowledgements:

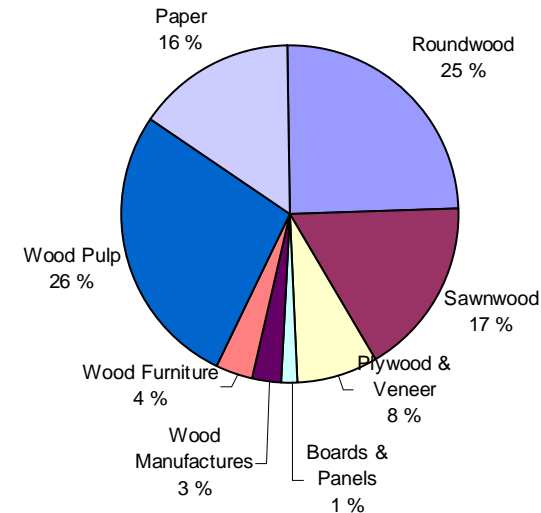
This analysis was part of the study commissioned by EC DG Environment and coordinated by INDUFOR: “Assessment of the Impact of Potential Further Measures to Implement FLEGT Regulation” (2007)



Basic facts:

In 2005, all imports of wood products from all countries to the EU were about 142 million m³ roundwood equivalent (RWE).

The basic VPA products, roundwood, sawnwood, plywood and veneer accounted for 50 percent of the total.





Estimates on illegal roundwood production and exports of wood products

Region	Estimates on illegal share in 2005, (%)		
	of roundwood production*)	of roundwood exports*)	of sawnwood and plywood exports
Russian Federation	18	25	16
Indonesia	60	100	60
Malaysia	5	10	5
China	30	30	30
Brazil	19	30	20
Africa excl. South Africa	30	30	30
Other Latin America	8	8	8
Other Asia excl. Japan	25	25	25
Acceding EU**)	10	10	10

*) Sourced from natural forest and plantations

***) Average for Bulgaria, Estonia, Latvia, and Slovakia, information on other acceding Member States was unavailable

Source: adapted from Turner & al (2007,) Indufor 2004, WWF 2005a, 2005b



Estimated illegal roundwood production in 2005

Region	Production of industrial roundwood	Estimated production of illegal industrial roundwood	
	million m ³ /a	million m ³ /a	% of total
High or moderate risk countries/regions			
Africa excl. South Africa	45	14	30
Asia excl. Japan	221	66	30
Latin America	187	28	15
Russia, Former USSR & Balkans	162	28	17
<i>Sub-total</i>	<i>615</i>	<i>136</i>	<i>22</i>
Low risk countries/regions			
EU27	368	3	1
Norway & Switzerland	13	-	-
South Africa	18	-	-
Japan	16	-	-
USA & Canada	632	-	-
Australia & New Zealand	46	-	-
<i>Sub-total</i>	<i>1 093</i>	<i>3</i>	<i>0</i>
Total World	1 709	139	8

Source: FAO 2007, Turner & al. 2007, Indufor 2004, WWF 2005a, 2005b



EFI-GTM model description

- Global Forest Sector Model
- Partial equilibrium model
- Several regional agents maximize their profit/welfare under perfect competition
- Recursive model
- Dimensions:
 - 36 products (6 wood, 4 rec.paper, 26 forest industry products)
 - 61 regions (31 in Europe)
 - 1–3 existing production technologies + new technologies from investments





Options (scenarios):

- (i) **Baseline Scenario** – VPAs are made between EU and 6 countries: Indonesia, Malaysia, Ghana, Cameroon, Gabon, and Congo Brazzaville. It is assumed that there are no direct exports of illegal wood products from these countries to the EU starting from year 2009 when the licensing system applying to ex-ports to the EU is introduced. In addition, improvements in law enforcement in VPA countries start increasingly to limit the supply of illegal wood products from year 2011 onwards. It is assumed that improved law enforcement will eliminate all illegal logging by 2020.
- (ii) **Option1** - VPAs are made between EU and 12 countries. In addition to the six countries included in the baseline scenario, VPA agreements are made with six additional countries: Brazil, China, Russia, Ukraine, Belarus and Vietnam. It is assumed that there are no direct exports of illegal wood products from these countries to the EU starting from year 2009 when the licensing system is introduced. In addition, improvements in law enforcement in VPA countries start increasingly limit the supply of illegal wood products from year 2011 on-wards. It is assumed that improved law enforcement will eliminate all illegal logging by 2020.

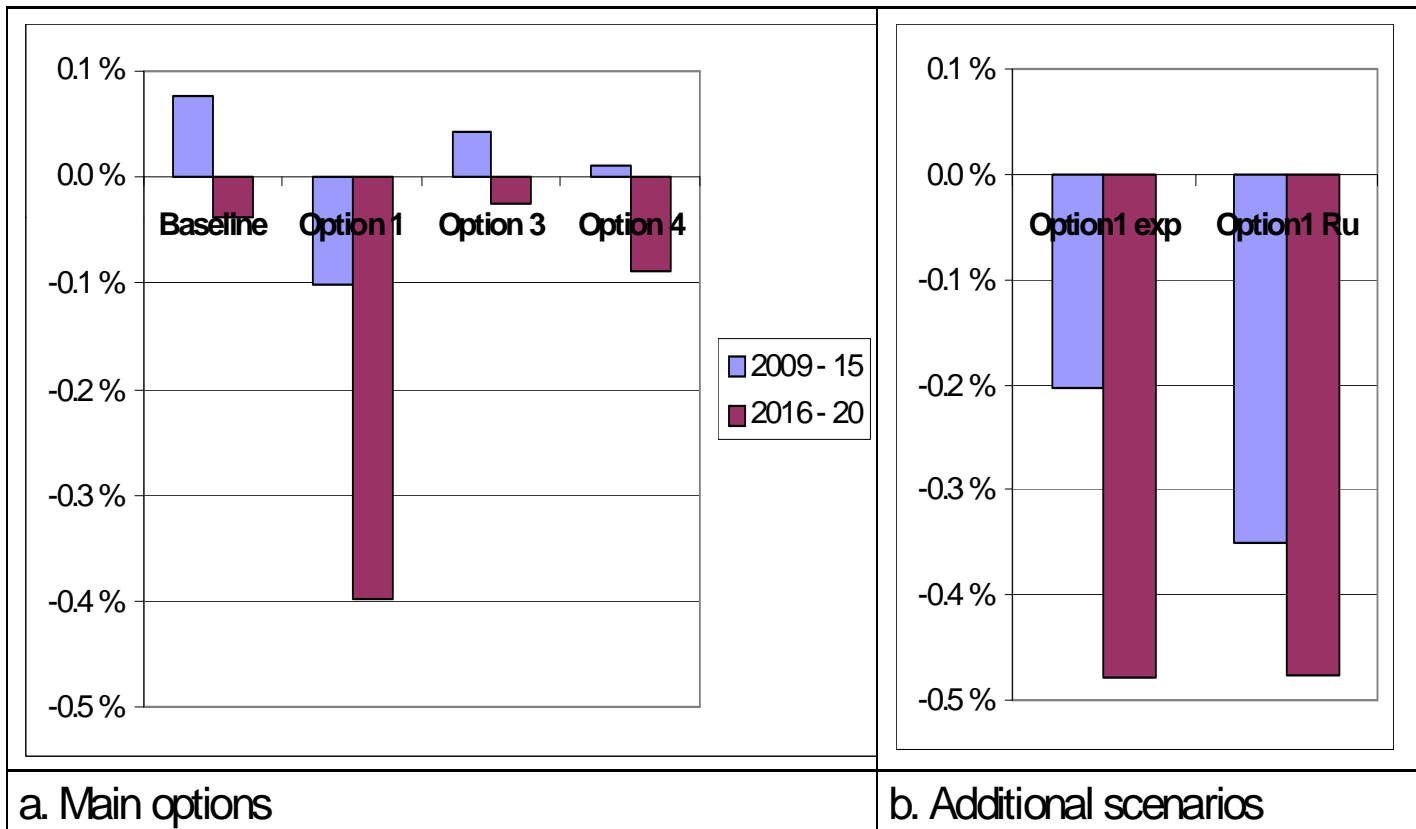


Options (scenarios):

- (iii) **Option 3** - It is assumed that all illegal imports from all non-EU countries to the EU are eliminated starting in year 2009 when the import ban is introduced.
- (iv) **Options 4** - It is assumed that all illegal imports from all non-EU countries to the EU as well as illegal logging within the EU are eliminated starting from year 2009 when the measures preventing the placing of illegal goods on the EU market are introduced.
- (v) **Option 1 exp** - The impact of additional options would be strengthened if other consumer countries developed their regulatory environment in a similar manner, where expanded VPA (option 1) were combined with the introduction of similar measures in the US, Japan and China.
- (vi) **Option 1 Ru** - The impact of options 1 (with expanded VPA)would be strengthened if Russia were to introduce high export tariffs for logs in 2008-2009 (reaching 50 euro per m3 in 2009)

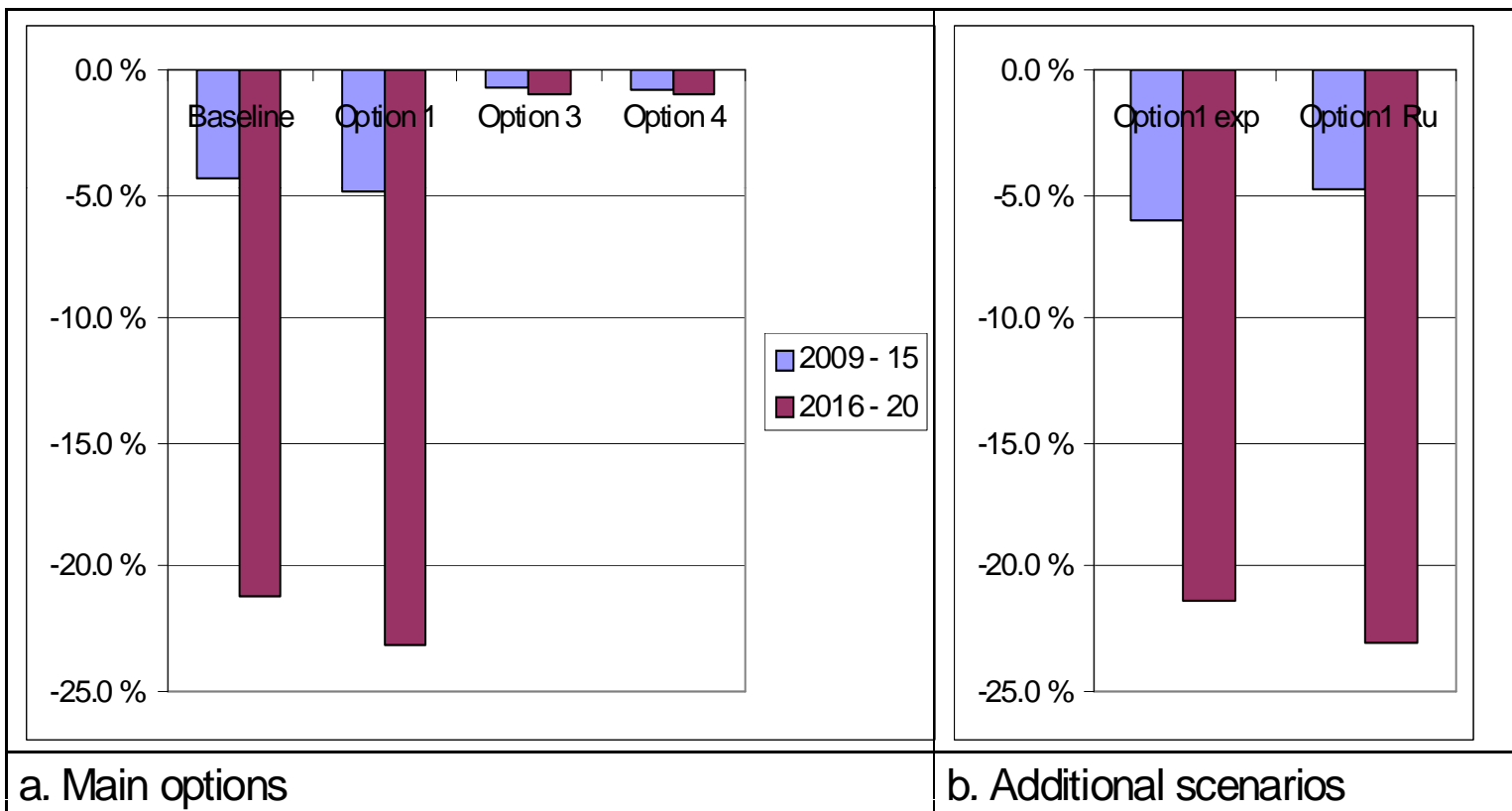


Changes in the Global industrial roundwood harvests compared to business as usual scenario



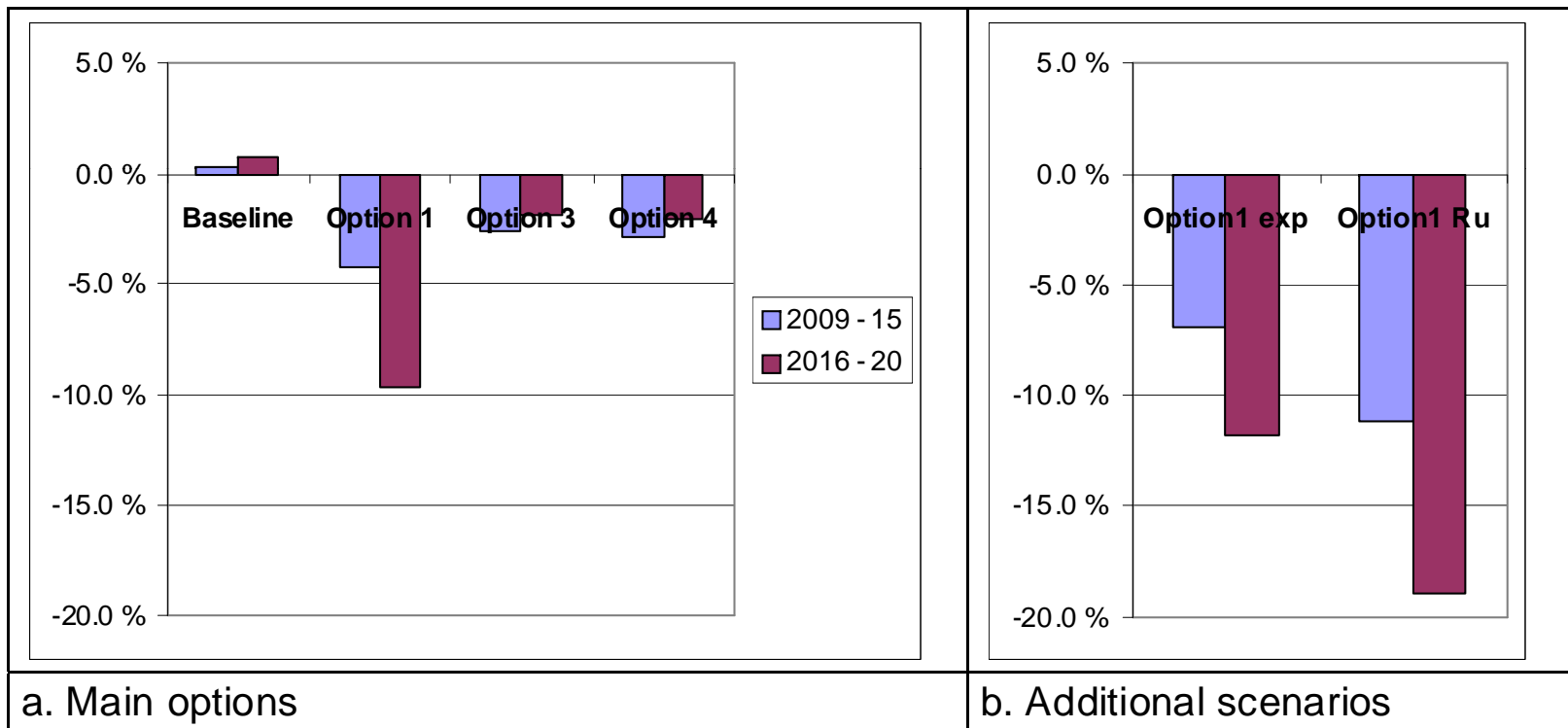


Changes in the Baseline countries of the industrial roundwood harvests compared to business as usual scenario



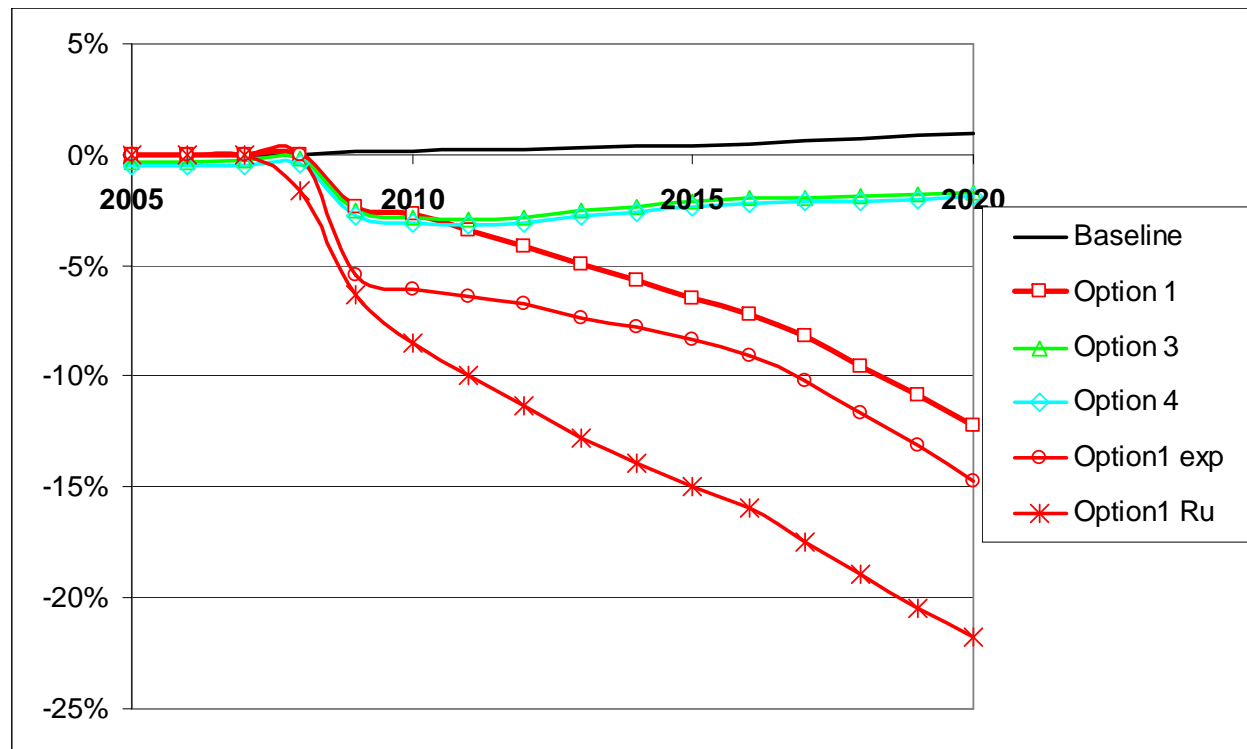


Changes in the expanded VPA countries of the industrial roundwood harvests compared to business as usual scenario



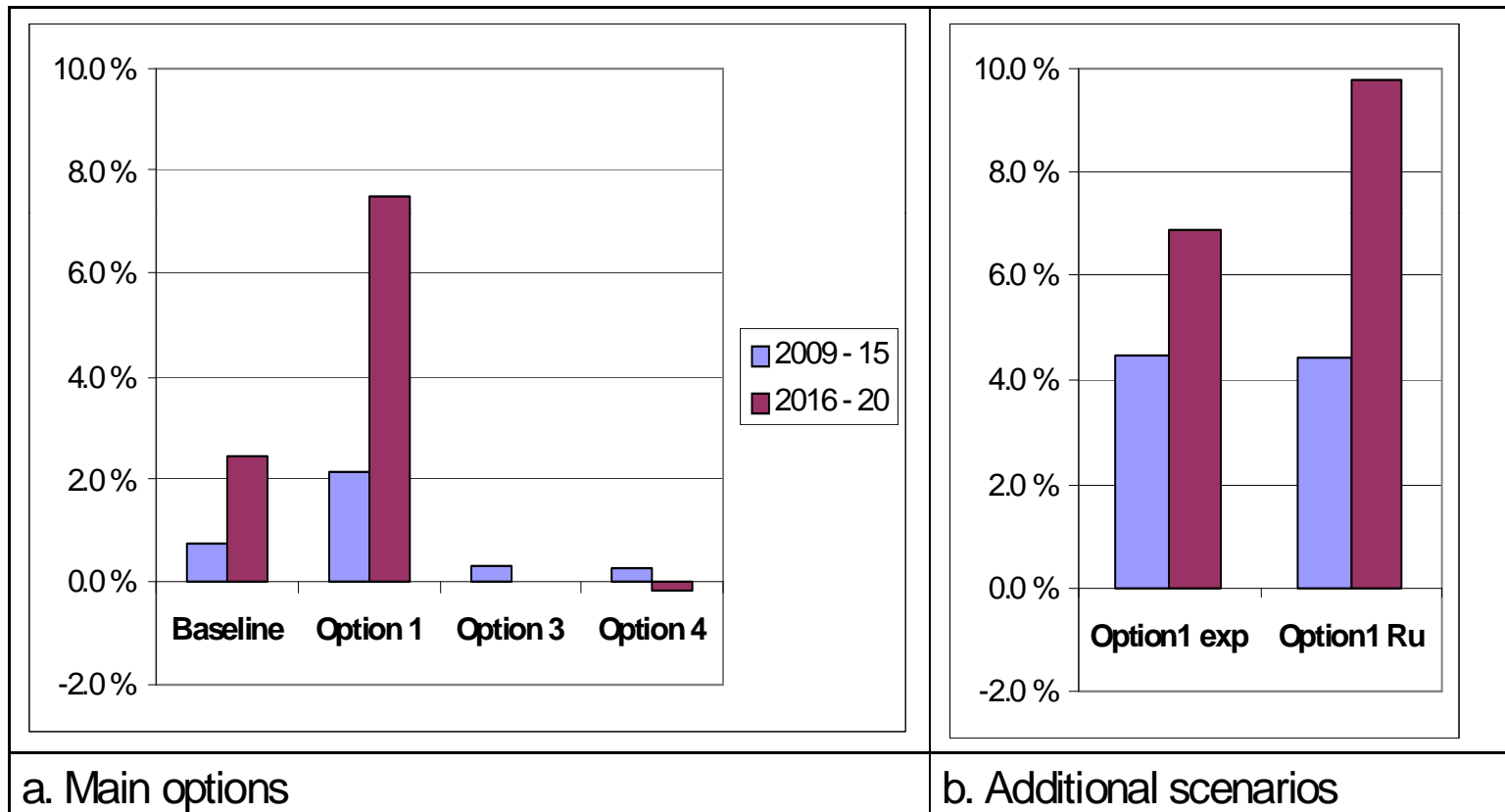


Time trends in the expanded VPA countries of the industrial roundwood harvests compared to business as usual scenario



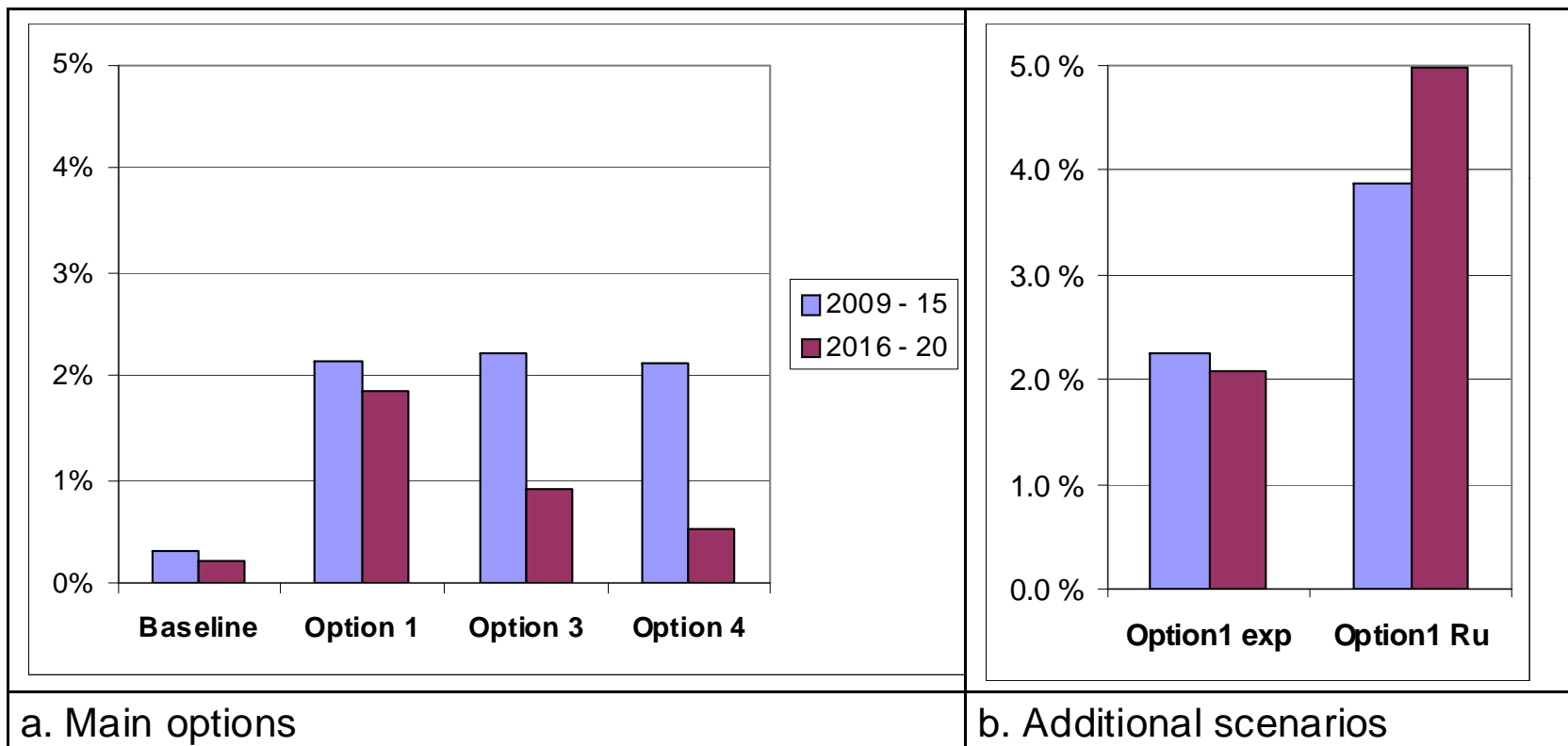


Changes in other high/moderate risk countries of the industrial roundwood harvests compared to business as usual scenario



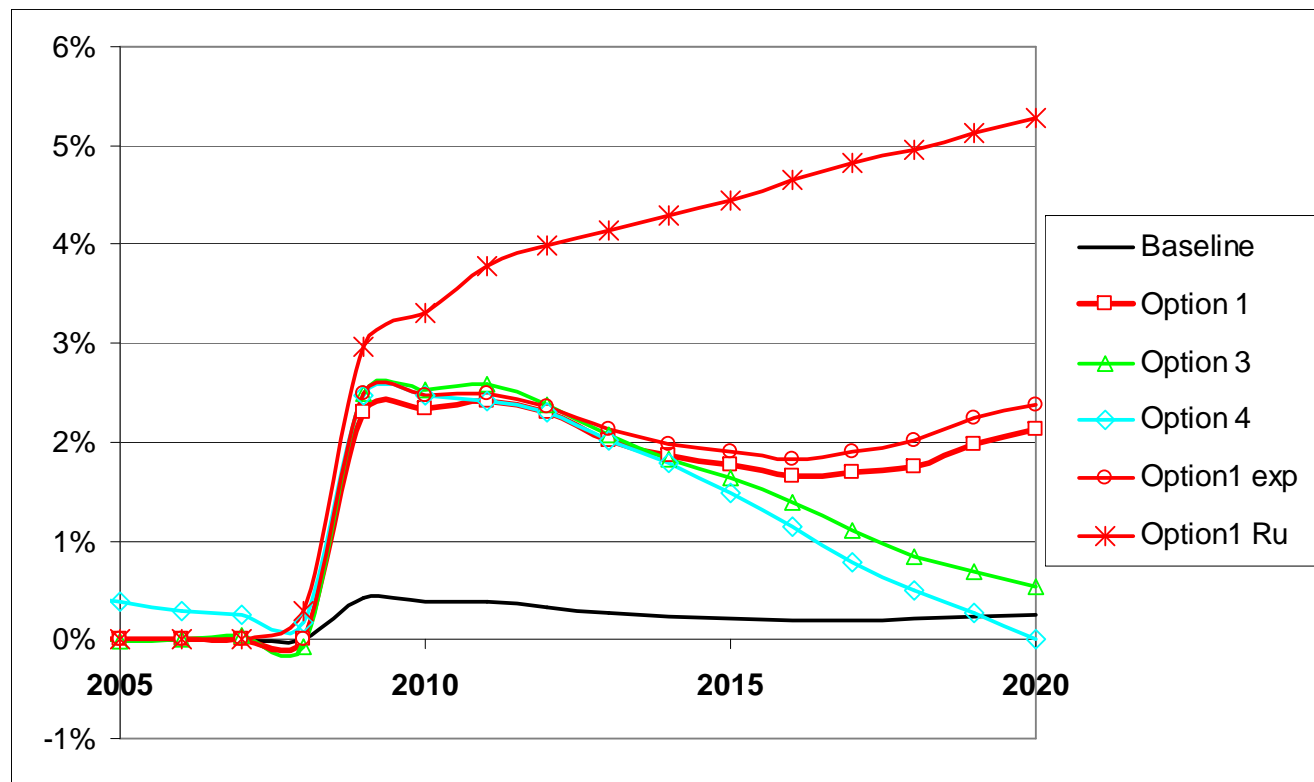


Changes in the EU27 of the industrial roundwood harvests compared to business as usual scenario



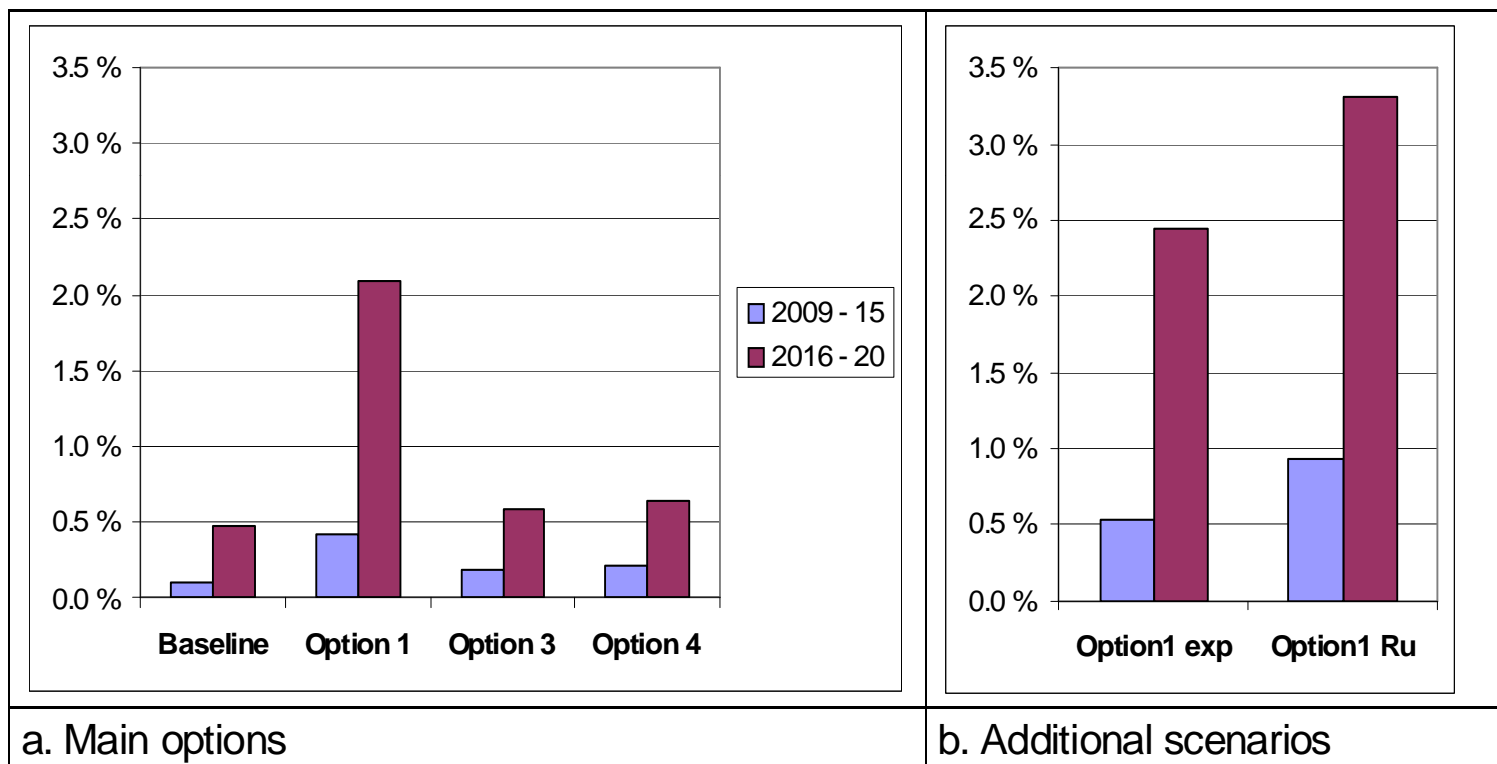


Time trends in the EU27 of the industrial roundwood harvests compared to business as usual scenario



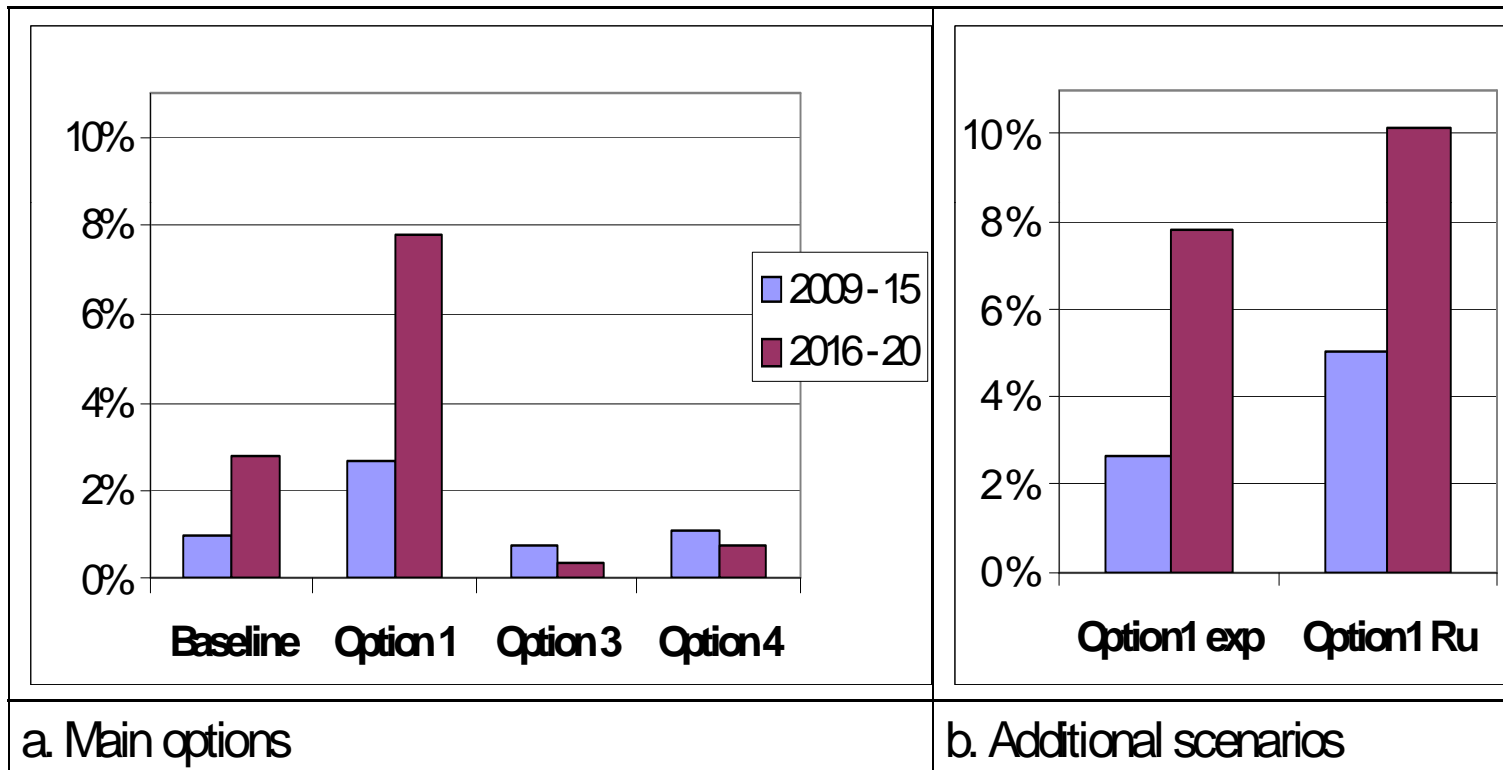


Changes in USA of the industrial roundwood harvests compared to business as usual scenario



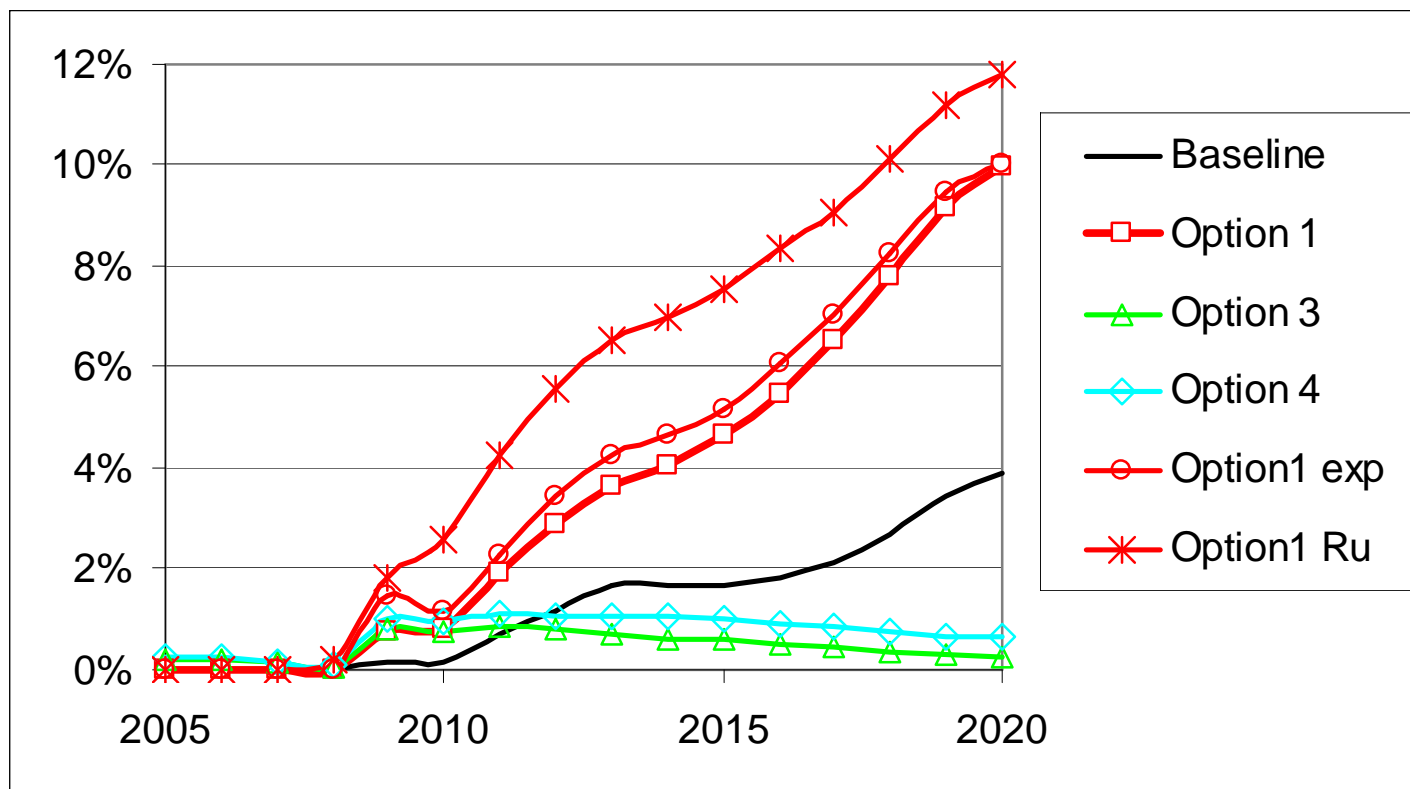


Changes in the Global industrial roundwood prices compared to business as usual scenario



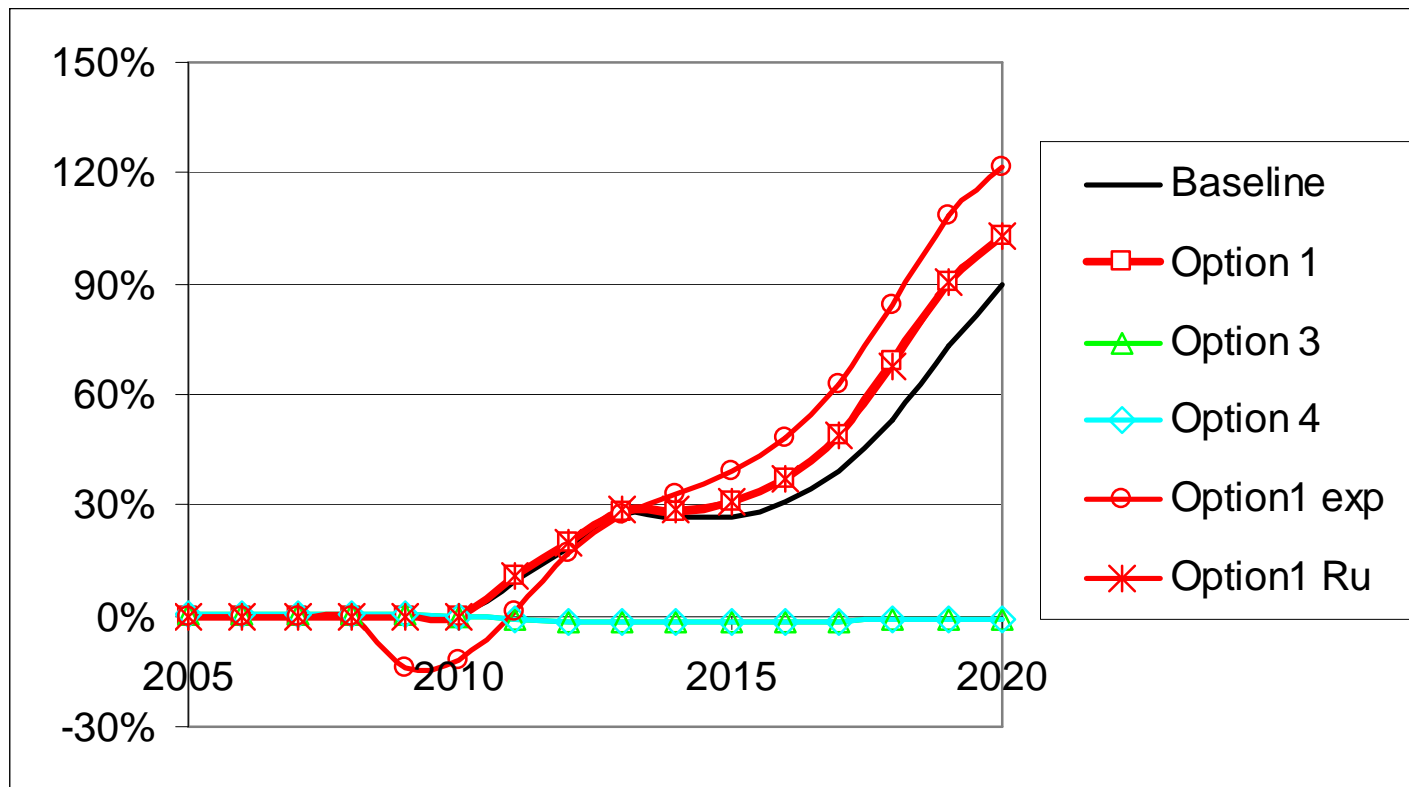


Time trends in the Global industrial roundwood prices compared to business as usual scenario



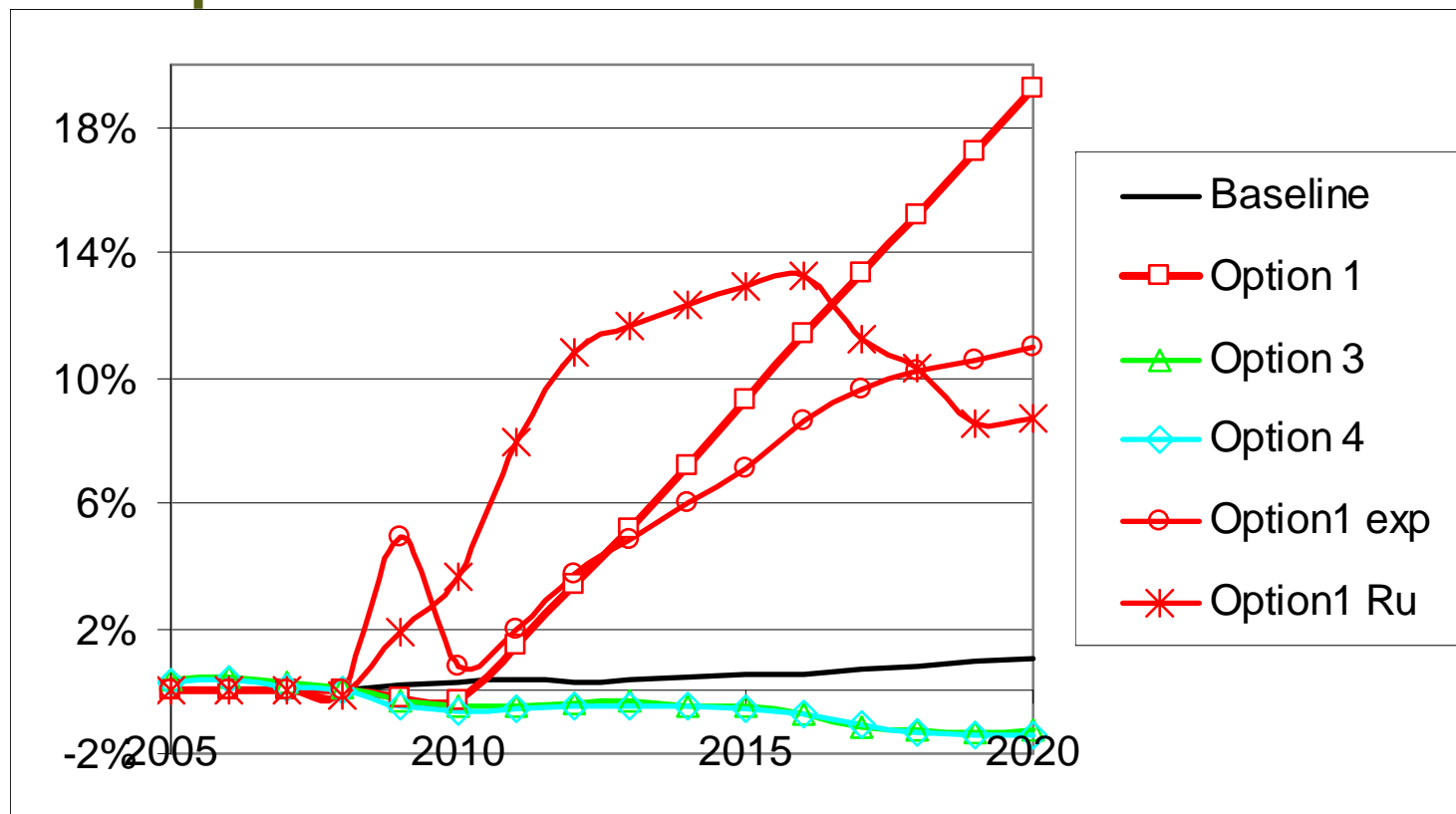


Time trends in the Baseline countries of the industrial roundwood prices compared to business as usual scenario



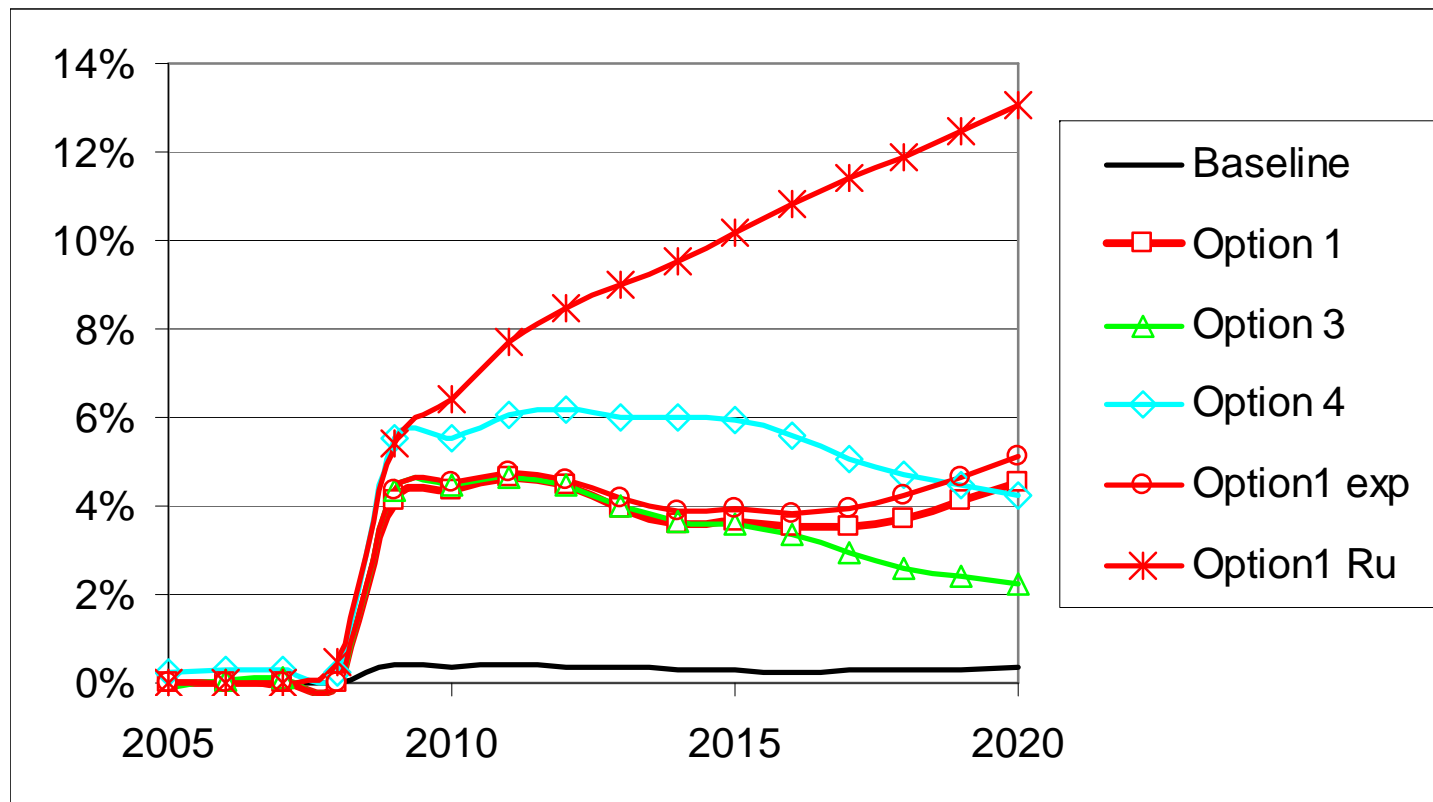


Time trends in the expanded VPA countries of the industrial roundwood prices compared to business as usual scenario



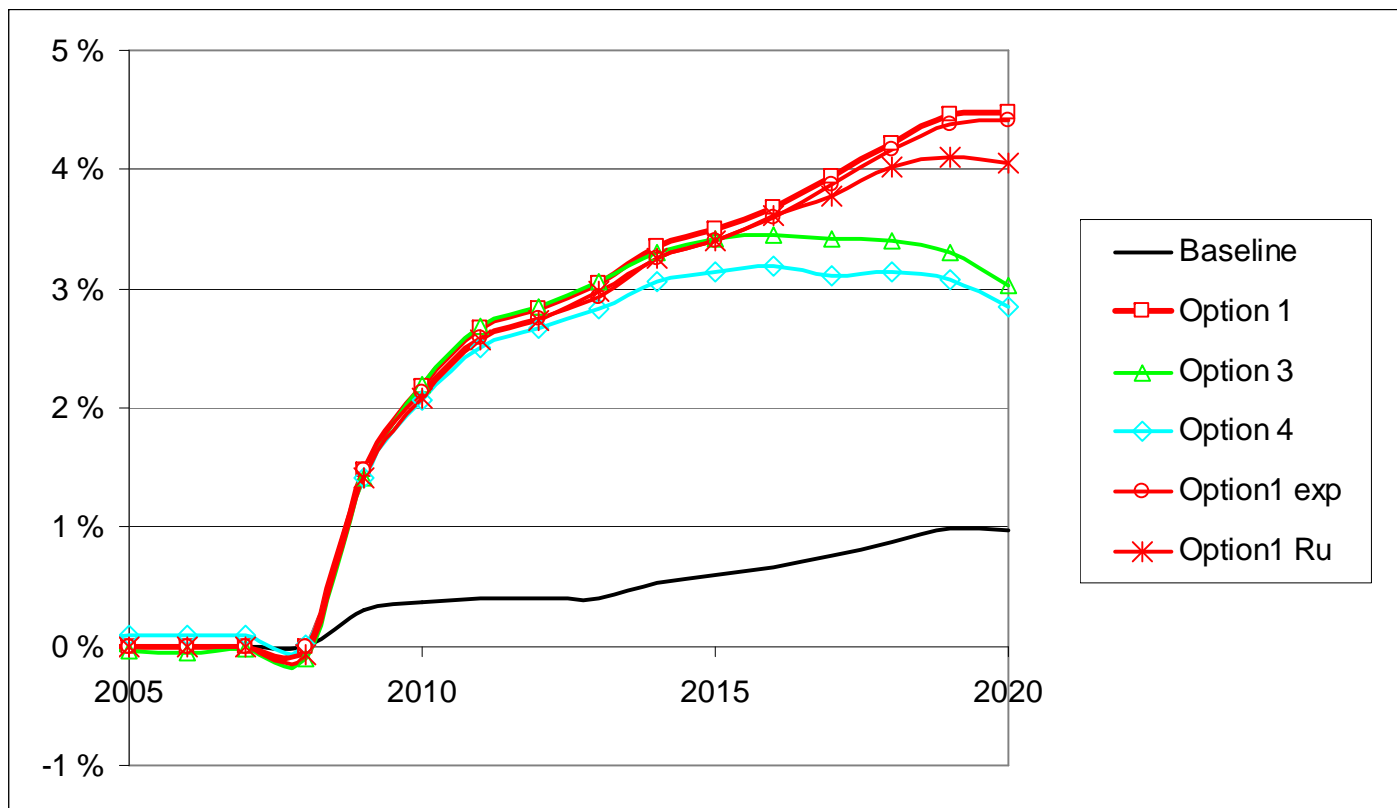


Time trends in the EU27 of the industrial roundwood prices compared to business as usual scenario



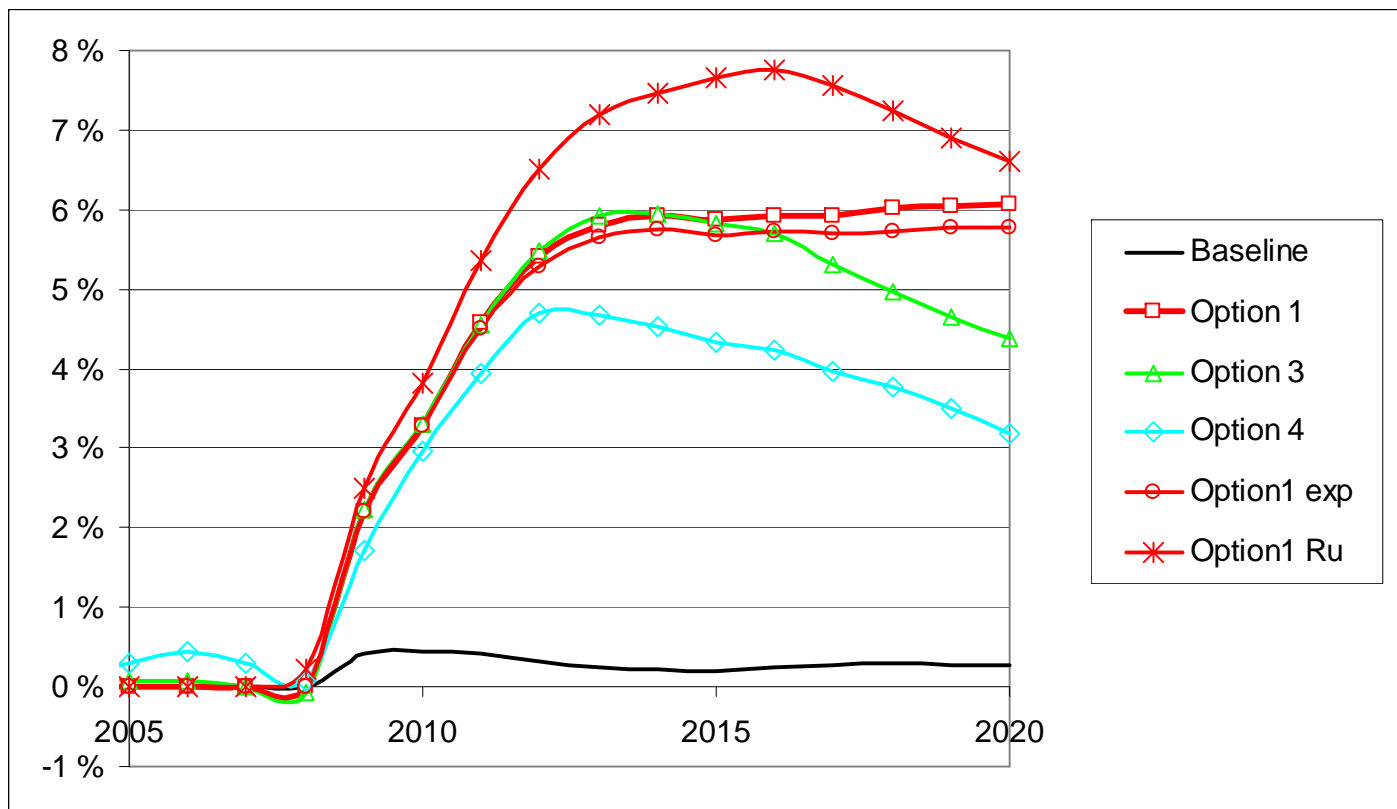


Time trends in EU27 of sawnwood & plywood production compared to business as usual scenario



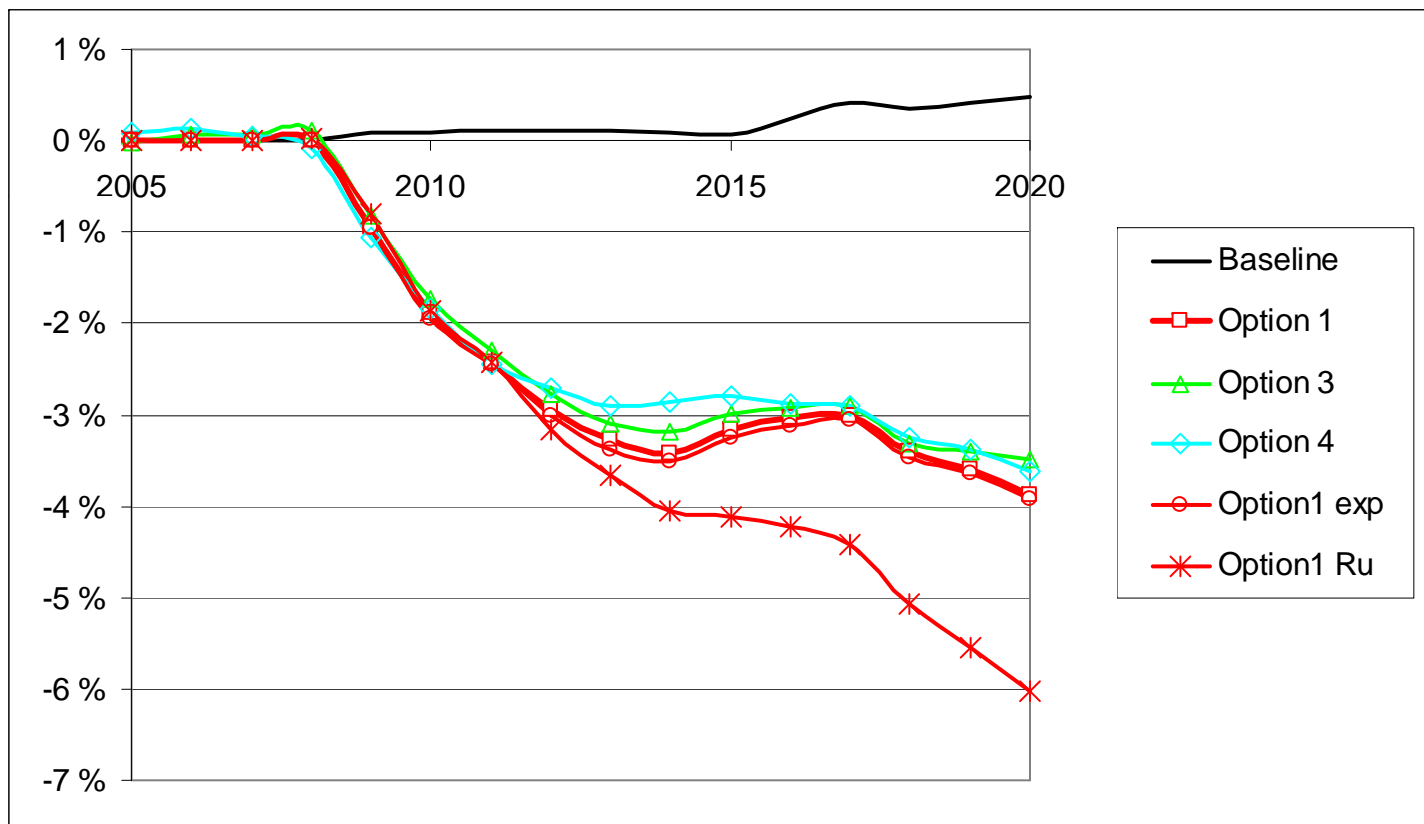


Time trends in the EU Nordic countries sawnwood & plywood production compared to business as usual scenario



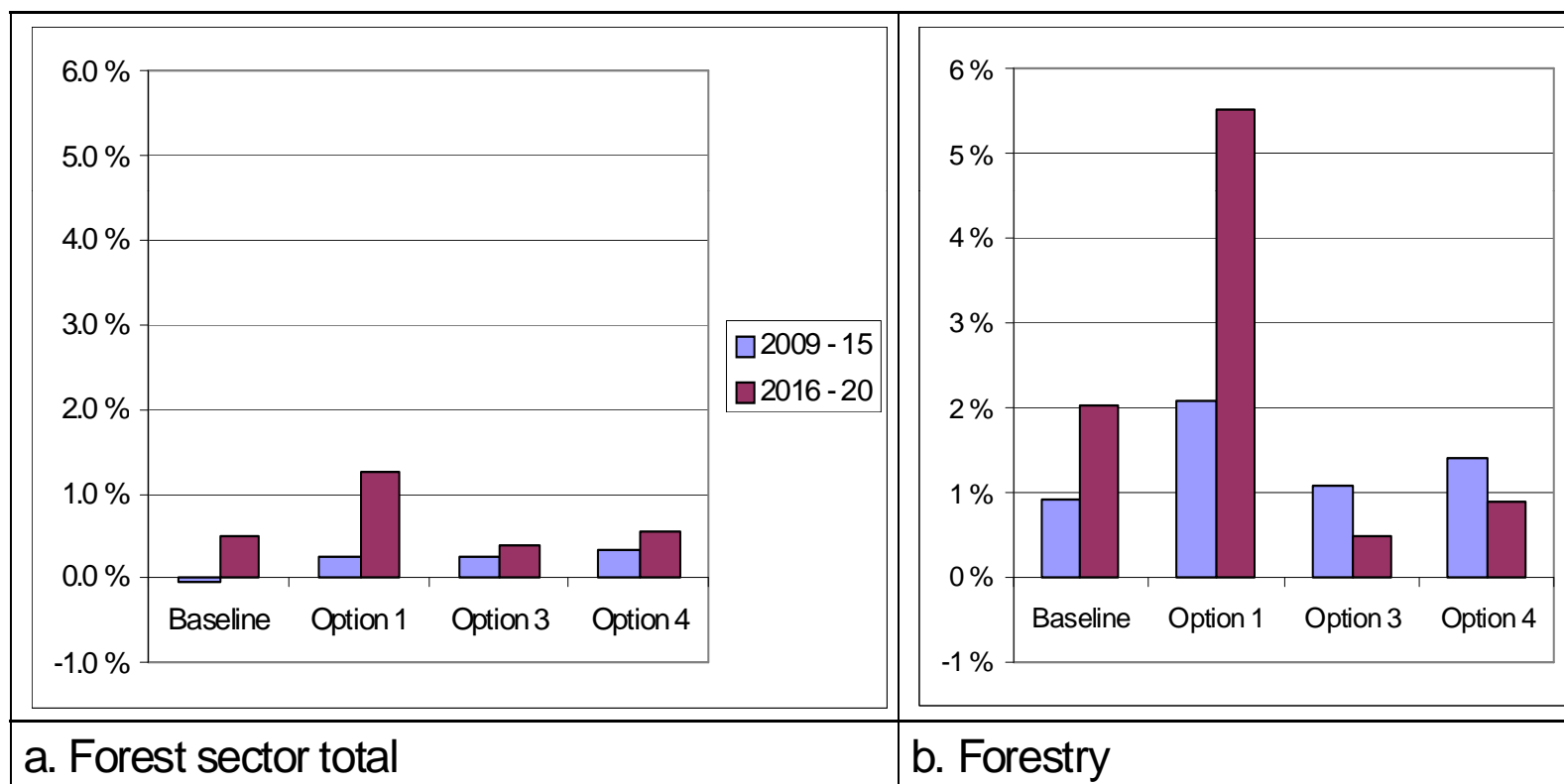


Time trends in the EU Nordic countries of Pulp & Paper production compared to business as usual scenario



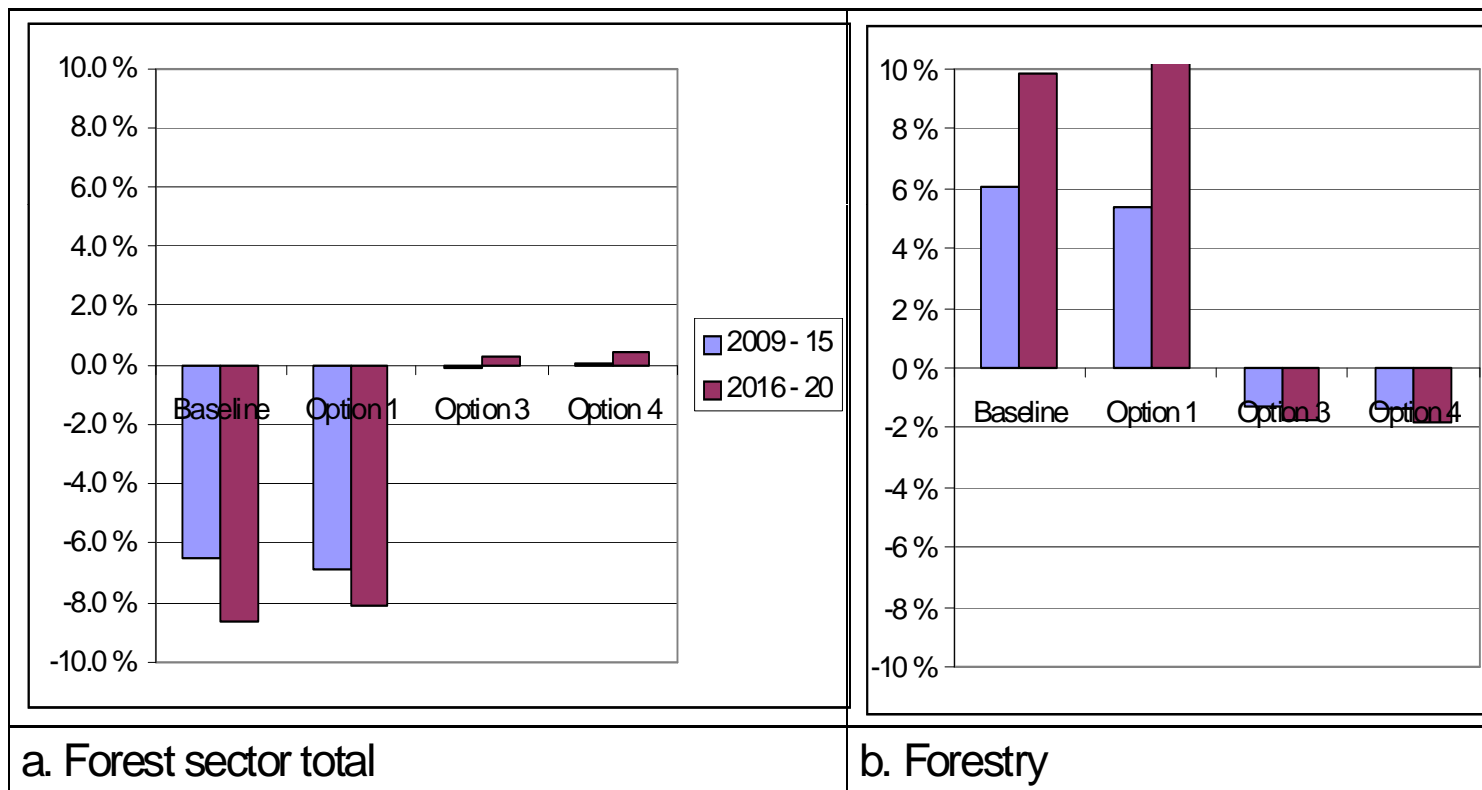


Changes in the Global forest sector value added compared to business as usual scenario



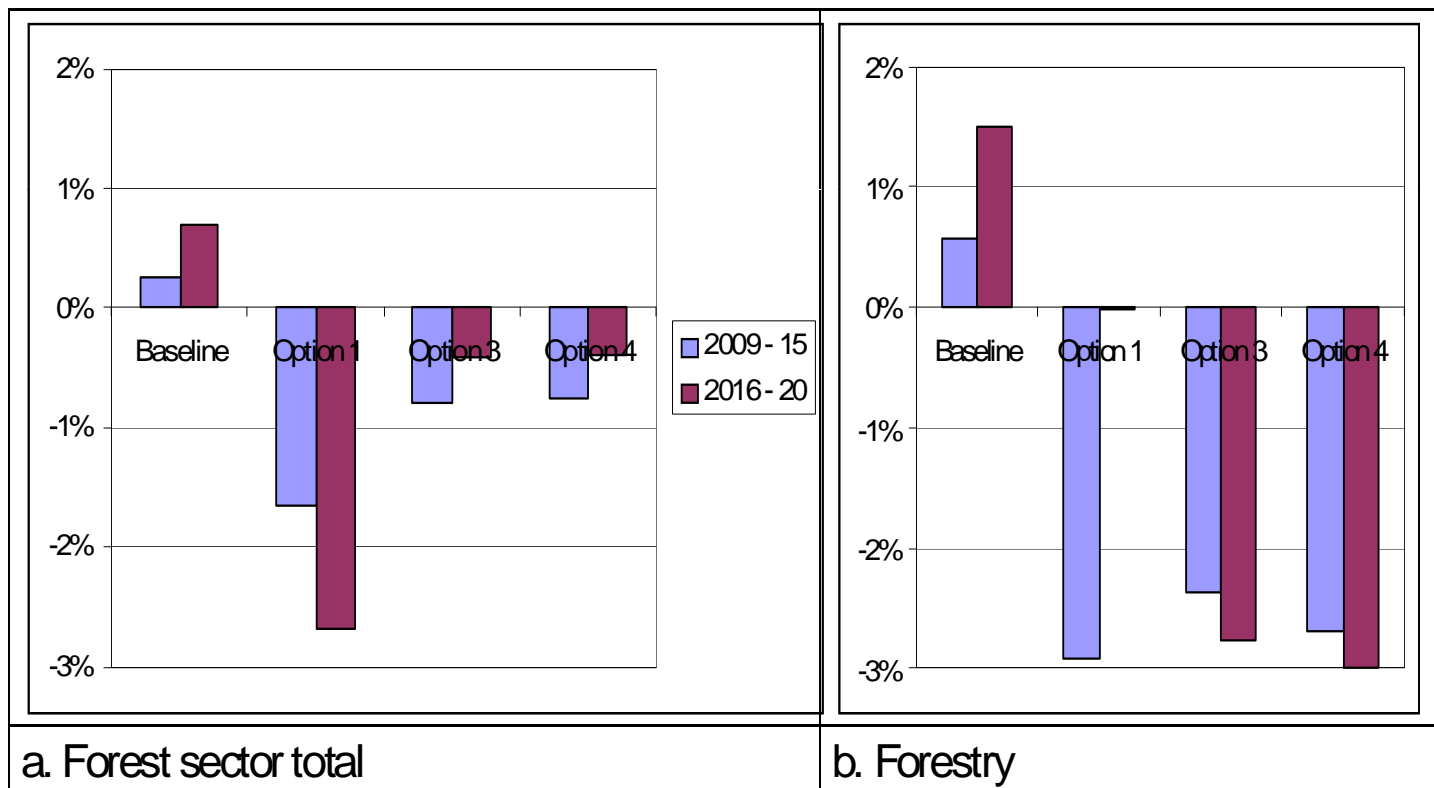


Changes in the Baseline countries of the forest sector value added compared to business as usual scenario



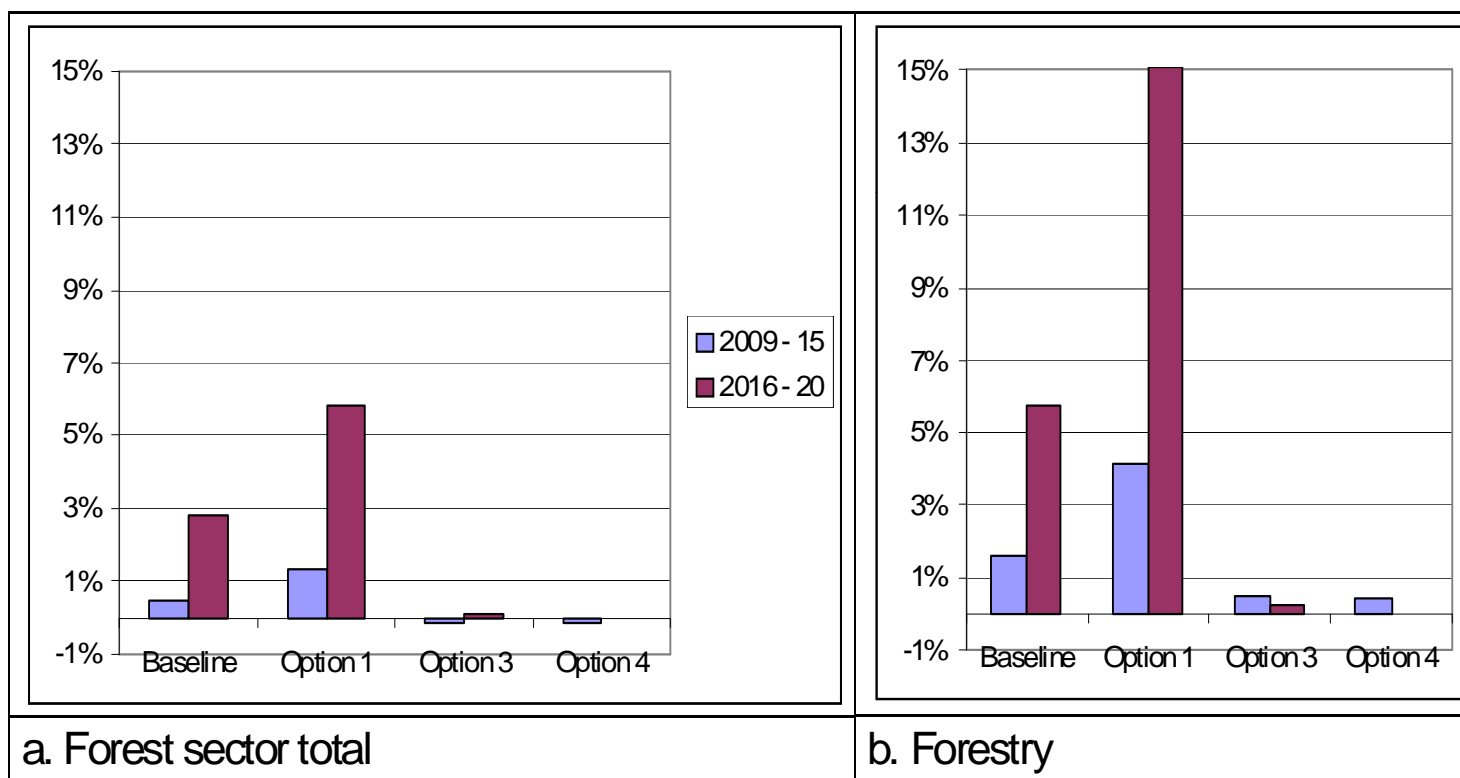


Changes in the expanded VPA countries of the forest sector value added compared to business as usual scenario



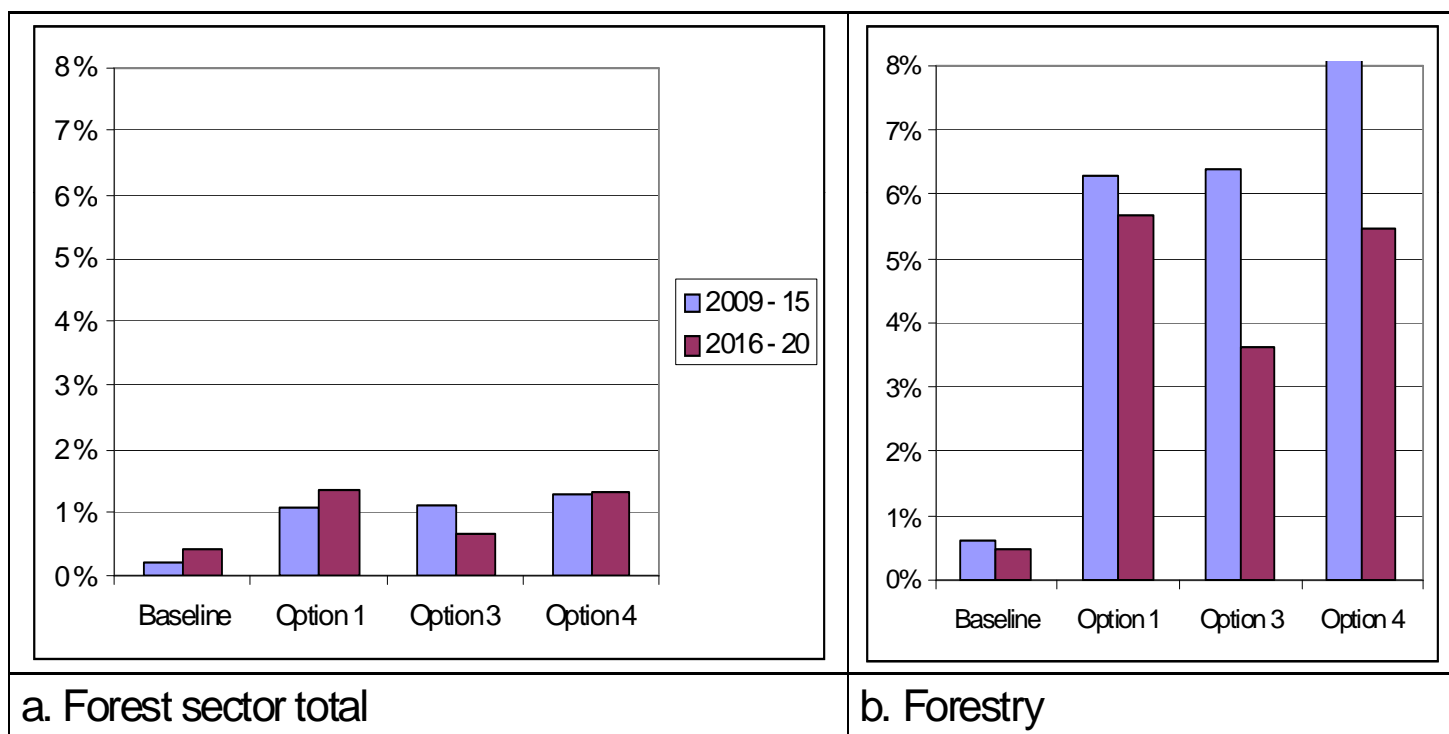


Changes in other high/moderate risk countries of the forest sector value added compared to business as usual scenario





Changes in the EU27 countries of the forest sector value added compared to business as usual scenario





Conclusions

EU made their own Impact Assessment on the basis of INDUFOR assessment. Option 5 was added on the list of options (“due diligence” system).

October 2008, EU makes a legislative proposal (EU Directive).

The October 2008 legislative proposal asks operators to take concrete steps to minimise the risk of putting illegally harvested timber and timber products on the EU market. Operators will use the due diligence system, thus enabling them to ascertain the legality of the products. The proposal requires responsible and pro-active behaviour by operators. The proposed regulation will make it an obligation for traders to identify the country of origin of their timber, and ensure that timber they sell has been harvested according to the relevant laws of that country.

Project report (590p) and the EU’s assessment and legislative proposal can be found on EC site at:

http://ec.europa.eu/environment/forests/illegal_logging.htm