

## Briefing Note for the Competent Authorities (CA) implementing the EU Timber Regulation January - February 2019

### EIA REPORT ON HIGH-LEVEL CORRUPTION BEHIND MYANMAR'S TEAK TRADE

EIA's 'State of Corruption' report details a two-year investigation which identifies a deceased trader reported to have been a key player at the centre of a web of connections implicated in the illegal trade of teak (*Tectona grandis*) from Myanmar. He is accused of bribing senior military and Government officials in Myanmar, to establish a secret off-the-books system of fraudulent trade in teak, alongside legal trade administered by the State-owned Myanmar Timber Enterprise (MTE). This included the profitable practice of systematically under-declaring the grades of harvested teak logs, paying artificially low prices to MTE and bypassing the auction system, then selling these high-grade logs internationally at top prices. The report also details the persistence of illegal timber trade from Myanmar into China, some of which is being imported into international markets in contravention of the EUTR and US Lacey Act. The report calls for greater enforcement of existing laws in Myanmar, the EU and the US.

### ENFORCEMENT OF EUTR



#### Hungarian CA provided updates of checks on operators and traders (March 2019)

The Hungarian CA uses a risk-based approach to check operators and traders, based on official databases, information from national partner authorities and other substantiated concerns. According to Hungarian law, the legal origin of all timber consignments or stocks must be proven by both traders and operators. Previous checks conducted by the Hungarian CA show that 80% of infringements occurred among traders and a significant amount of illegal timber or timber products entered the supply chain resulting from the activities of traders. In 2018, 80 operators and 220 traders violated the EUTR a total of 1275 times. An extract of the Hungarian CAs decisions and legal sanctions applied are published on their [website](#).

Hungary considers that effective control throughout the timber supply chain is needed to ensure adequate implementation of the EUTR, including traceability of timber products during the activities of traders. The Hungarian CA has submitted a [proposal](#) to the European Commission regarding strengthening effective monitoring of the activities of traders.

#### German CA inspect the 200 largest German operators (February 2019)

During the second half of 2018, the German CA focused on checking operators who import large amounts of EUTR-regulated products, but which had not yet been inspected by the CA. By the end of 2018, the 200 largest German operators had been inspected, which together import >70% of all EUTR-regulated products into Germany by value.

#### Finnish CA merges with other authorities to form the Finnish Food Authority (January 2019)

On 1 January 2019, the Finnish Competent Authority – the Finnish Agency for Rural Affairs – merged with the Finnish Food Safety Authority and a part of the National Land Survey of Finland's Centre for ICT Services, to form the Finnish Food Authority. Contact persons related to the EUTR and FLEGT enforcement remain the same.

#### Swedish CA provided updates on actions taken to enforce the EUTR (February 2019)

The Swedish CA has begun inspections, with two traders and one operator already inspected. Due to decreased

resources in the December 2018 government budget, the number of planned inspections in 2019 has been reduced from 40 to 25 inspections.

Decisions have been made on the Ahlberg-Dollarstore AB court cases<sup>1</sup>. The Administrative Court of Appeal have fined the company SEK 640 000 (~EUR 64 000), which has not been appealed. A second verdict by the Administrative Court stated that the company must fulfil the requirements of the EUTR by no later than 29 April 2019. The company has not appealed this verdict.

#### **UK CA provided update on actions taken to enforce the EUTR (February 2019)**

The UK CA continue to host their EUTR workshops to assist business to identify and mitigate risk. They will be hosting two workshops in February (in London and Manchester) aimed at the retail sector. The UK will also be hosting the upcoming Timber Regulation Enforcement Exchange (TREE) meeting in London 13-15 March 2019, facilitated by Forest Trends.

## **ILLEGAL LOGGING & TRADE**



#### **Illegal timber from Myanmar seized in Trieste, Italy (February 2019)**

An operation conducted by officials of the Trieste Customs and Monopoly Agency (ADM) and police (Carabinieri Forestali Corps) led to the seizure of 380 tons of illegally imported teak from Myanmar, worth an estimated 4-6 million Euros in Trieste, Italy. This followed a report by the Environmental Investigation Agency (EIA) received through the Ministry of agricultural food, forestry and tourism policies (MIPAAFT). According to the investigation, 10-20% of illegal timber was added to legal shipments from Yangon, Myanmar. The cargo arrived in the free port of Trieste, via China and Malaysia, under “foreign state” status, awaiting import into Italy and Europe. The investigation identified a Trieste-based company specialising in importing tropical timber from Myanmar [as detailed in EIA’s ‘[State of Corruption](#)’ report].

#### **Article released on ‘greenwashing’ of illegal timber in China (January 2019)**

A report by Sixth Tone, an online publication providing coverage on China, has expressed concern over what it terms ‘greenwashing’, whereby illegal timber is given false certification status to avoid scrutiny and enter restricted markets. In 2018, Sixth Tone conducted an investigation that identified seven Chinese companies manufacturing wood products for export to Europe with fraudulent FSC logos and certification, despite them acknowledging that their goods do not meet FSC standards. The risk of being caught was reportedly considered negligible, due to inadequate checks by buyers and regulators of the authenticity of certification. It is believed that European importers are aware of the fraudulent activity.

#### **Global Witness released report on widespread illegalities in Peru’s timber sector (January 2019)**

The new Global Witness report, ‘The Forest Avengers’, states that illegal logging in Peru is “still widespread and systematic” with forest crimes committed with impunity. Illegal timber is reportedly avoiding detection as logging companies have found ways of passing it off as legal or are laundering it through various channels. For example, declaring fake tree locations and illegally cutting trees elsewhere, or seeking weak links in the supply chain – locally run forests, private or communal plantations or land cleared for agriculture – and declaring timber originates there. Peru’s forest inspection agency, OSINFOR, is responsible for monitoring and overseeing the legal exploitation of timber in Peru and has been at the forefront of efforts to tackle illegal logging. Global Witness call for Peru’s government to protect and extend OSINFOR’s powers and restore its independence, to maximise its ability to protect the forest.

#### **New tool released to help tackle illegal deforestation in Brazil (December 2018)**

The new tool called MapBiomias Alert was developed in partnership by MapBiomias Network and IBAMA (Brazilian Institute of the Environment and Renewable Natural Resources) and launched on 21 December 2018 in Brasilia, Brazil. Three existing deforestation warning systems, Deter, SAD and GLAD, will identify forest loss in near real time and be validated by high-resolution images. It is hoped that the tool will enhance surveillance by speeding up the often lengthy

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<sup>1</sup> Also featured in the [February-March 2018](#) and [September-October 2018](#) EUTR briefing notes.

process of validating forest loss, avoiding the need for verification on the ground. The satellites cover all biomes in Brazil.

# LEGISLATION & POLICY



## European Union

### **The FLEGT/EUTR Expert Group met in Brussels (February 2019)**

At a meeting in Brussels on 14 February 2019, the Expert Group discussed updates on the implementation of the EUTR. A position on imports of timber from Ukraine is underway. UNEP-WCMC presented information on support services for implementing the EUTR and FLEGT Regulation, including publication of the [Overview of CA Checks December 2017-June 2018](#), development of an online trade dashboard and testing of the EUTR national reporting template. An update was provided on the preparations towards a *Communication on Stepping up EU Action on Deforestation and Forest Degradation*, where experiences of implementing the EUTR and FLEGT are considered to be highly relevant. The draft guidance document on Conflict Timber was also discussed. A presentation on the [Open Timber Portal \(OTP\)](#) was provided by the World Resource Institute (WRI). The OTP incentivizes legal timber trade by improving access to information about the legality status of forest operations in producer countries. Updates were provided on the Voluntary Partnership Agreement (VPA) negotiations with Viet Nam, Ghana and Guyana. Updates were also provided by MS on FLEGT Regulation implementation, and on the publication of the FLEGT Annual Synthesis Report 2017.

A [report](#) was discussed at the Joint CITES and EUTR Committee Meeting in Brussels on 13 February 2019, looking at the interplay between the EU Timber Regulation and the EU Wildlife Trade Regulations. The report reviews approaches to verifying the legality of timber entering the EU under these two Regulations, and provides a comparative analysis of the CITES verification of legal acquisition and the EUTR due diligence. Suggestions were presented regarding increased cooperation and sharing of information to strengthen the coordinated implementation of the two approaches, leading to a number of [action points](#).

### **European Commission (EC) launched public consultation on deforestation and forest degradation (January 2019)**

The consultation took place between 14 January and 25 February 2019, with individuals and organisations with an interest in deforestation and forest degradation invited to complete the online questionnaire. It aims to address the link between deforestation and agricultural expansion, acknowledging that as a major importer of agricultural commodities, the EU is part of the problem but is well placed to help address the issue. The overall aim is to step-up EU action by increasing the coherence of existing EU policies and tools, taking advantage of synergies across policy areas and better mainstreaming deforestation considerations throughout relevant EU policies.

### **New FLEGT licensed timber webpage launched (January 2019)**

The new webpage, created by the EU FLEGT Facility, is part of the [FLEGT licence information point](#). The webpage aims to increase awareness among timber buyers - along with a wide range of stakeholders - of the social, environmental and economic benefits of trading in FLEGT-licensed timber. It explains what FLEGT licences are and the benefits to EU buyers and timber producer countries, through text, pictures and animated films.

### **UK provides advice to UK timber importers and exporters in case of no deal Brexit (January 2019)**

The Department for Environment, Food and Rural Affairs, in preparing for a no deal scenario, has asked timber importers and exporters to consider the needs of their business in such an event. In a no deal scenario, businesses importing timber and timber products from the EU and European Economic Area and placing it on the UK market would need to carry out due diligence from day one of EU Exit. There will be no change to the current requirements of operators to carry out due diligence when importing from outside the EU, after the UK passed a statutory instrument entitled '[The Timber and Timber Products and FLEGT \(EU Exit\) Regulations 2018](#)'. The statutory instrument ensures that the UK replicates EU regulations on timber trade (the EUTR and FLEGT Regulation) after leaving the EU.

## International

### **Progress report released on implementation of Ghana-EU VPA (December 2018)**

The report, produced jointly by Ghana and the EU, provides an update on progress 2013-2017. The report summarises key achievements on a year-by-year basis. Recent developments include: completing the rollout of the wood tracking system to all districts; successfully carrying out a shipment test to assess the suitability of Ghana's licensing procedures and licence format; and the adoption of the new Timber Resource Management and Legality Licensing Regulations, 2017. Ghana is also close to finalising its VPA impact monitoring framework.

### **Joint annual report released on the implementation of the VPA in Cameroon (January 2019)**

The report, produced jointly by Cameroon and the EU, outlines progress made in implementing the VPA that entered into force in December 2011. Noting that progress had been somewhat slow in 2017, the report provides an update on progress made in the legality assurance system (LAS), where the majority of developments have occurred. An Annex is provided highlighting a number of projects conducted by civil society and the private sector.

### **Annual report released on the implementation of the Central African Republic (CAR)-EU VPA in 2017 (February 2019)**

The report, produced jointly by CAR and the EU, details the progress made in implementing the VPA that entered into force on 1 July 2012. Highlights in 2017 include: the introduction of mandated independent observation of forest law enforcement; funding obtained by WWF to carry out a second project on private sector capacity-building; the introduction of obligatory clearance certificates for all exporting logging companies; reinstating the Mobile Inspection Brigade to control forest, wildlife and fishing activities; and the development of a collaborative database within the VPA Permanent Technical Secretariat (STP), which will enable the monitoring of timber movement from all logging companies, as well as of the related taxes.

### **ClientEarth launch new online resource with legal information on national forestry sectors (February 2019)**

The 'Forest Logbook' has been produced by ClientEarth to provide up to date information on forestry laws in a wide range of timber producing and importing countries. It focuses on timber legality and provides links to resources published by organisations and institutions, selected due to their impartiality or on their official status. It is intended to assist a variety of users including NGOs, importers, logging operators and regulators.

### **New Ukrainian law to prevent illegal logging comes into force (January 2019)**

The new law "on amendments to certain legislative acts of Ukraine on the preservation of Ukrainian forests and preventing the illegal export of raw timber" came into force on 1 January 2019, aimed to ensure better forest governance and minimise illegal logging. The punishment for illegally exporting restricted timber or timber products has been set at 3-5 years imprisonment, with longer sentences for repeat offenders or those committed by an organised group or on a particularly large scale. The fines and prison terms imposed for illegal felling have also increased. The law amends the Code of Ukraine on Administrative Offenses, the Criminal Code of Ukraine and the law "on the peculiarities of state regulation for activity of business entities related to the sale and export of timber".

### **Central Island province in the Solomon Islands acts to end logging (January 2019)**

Mongabay report that the province has made the decision to not issue any new business licenses to logging and mining companies. Due to provincial governments lacking the legislative power to ban logging they have acted to target licensing. This comes after a local petition and reports detailing the risks present in the logging sector, including a Global Witness report entitled **paradise lost**, published in October 2018, that found timber was being harvested unsustainably with a high risk of illegality.



Developed by UNEP-WCMC as a consultant of the European Commission in close cooperation with the EU Member States Competent Authorities.

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