



## Accord de Partenariat Volontaire

Application des réglementations forestières, gouvernance et échanges commerciaux



# FLEGT VPA Independent Market Monitoring (IMM)

**Rupert Oliver, IMM Specialist Trade Analyst, 21  
November 2018**





## IMM Background



- Mandated by FLEGT VPAs (Indonesia, in particular)
- Funded by EC DG DEVCO & managed by ITTO
- Project term extended to January 31, 2022
- Objectives
  - Independently monitor FLEGT VPA market impacts
  - Improve understanding of impacts on timber prices, trade and market trends globally
  - Ensure VPA countries & EU provide reliable stats and info on FLEGT timber trade and acceptance in their reporting
  - Inform decisions by VPA Joint Implementation Committees by providing timely & accurate info on market impact
  - Contribute to monitoring the impacts of the FLEGT Action Plan and to inform its implementation



**IMM**





## IMM Methodology

- Framework of 52 indicators for quantitative assessment of market impacts
- Reliance on data published by or purchased from other agencies when available, primary research where there are gaps

Elements for inclusion in an IMM	Indicators	Means of Verification			
		Source of Information	Primary data	Secondary data	Purchased data sets
<b>i. EU Timber Regulation</b>	Application of EUTR compliant due diligence systems by operators in EU Member States	Publicly available reports from EUTR competent authorities (CAs) and Monitoring Organisations (MOs). EC are preparing a template for standard reports by CAs. Reports of ENGOs. Depending on scope of these reports, IMM may undertake structured interviews with CAs and MOs	✓	✓	
	Sanctions imposed on non-compliant operators in EU Member States	As above	✓	✓	
	Prosecutions of non-compliant operators in EU Member States	As above	✓	✓	
	Recognition that FLEGT VPA licensed timber meets EU TR and needs no further risk assessment or mitigation action, through reliable and consistent communication .	As above. As required IMM may undertake additional review of formal guidance issued by EUTR Competent Authorities and MOs.	✓	✓	
	Volume and value of EU imports of wood products from non-VPA countries considered potentially high risk from perspective of illegal logging	Eurostat/FII Ltd, ENGO/trade country risk assessments	✓	✓	





## IMM Annual Reports & Special Studies

- IMM 2017 annual report to be published in November 2018
- Draft IMM 2018 annual report to be produced by June 2019
- IMM furniture sector scoping study published  
<https://www.itto.int/resources/view/id=5782>
- IMM study of EU wood promotion programmes and their recognition of FLEGT (due Dec 2018)
- IMM study of EU private sector green timber procurement policies and sustainability definitions and their recognition of FLEGT (Due 2018)
- Study of FLEGT impact on forest sector investment (commissioned by Dec 2018)



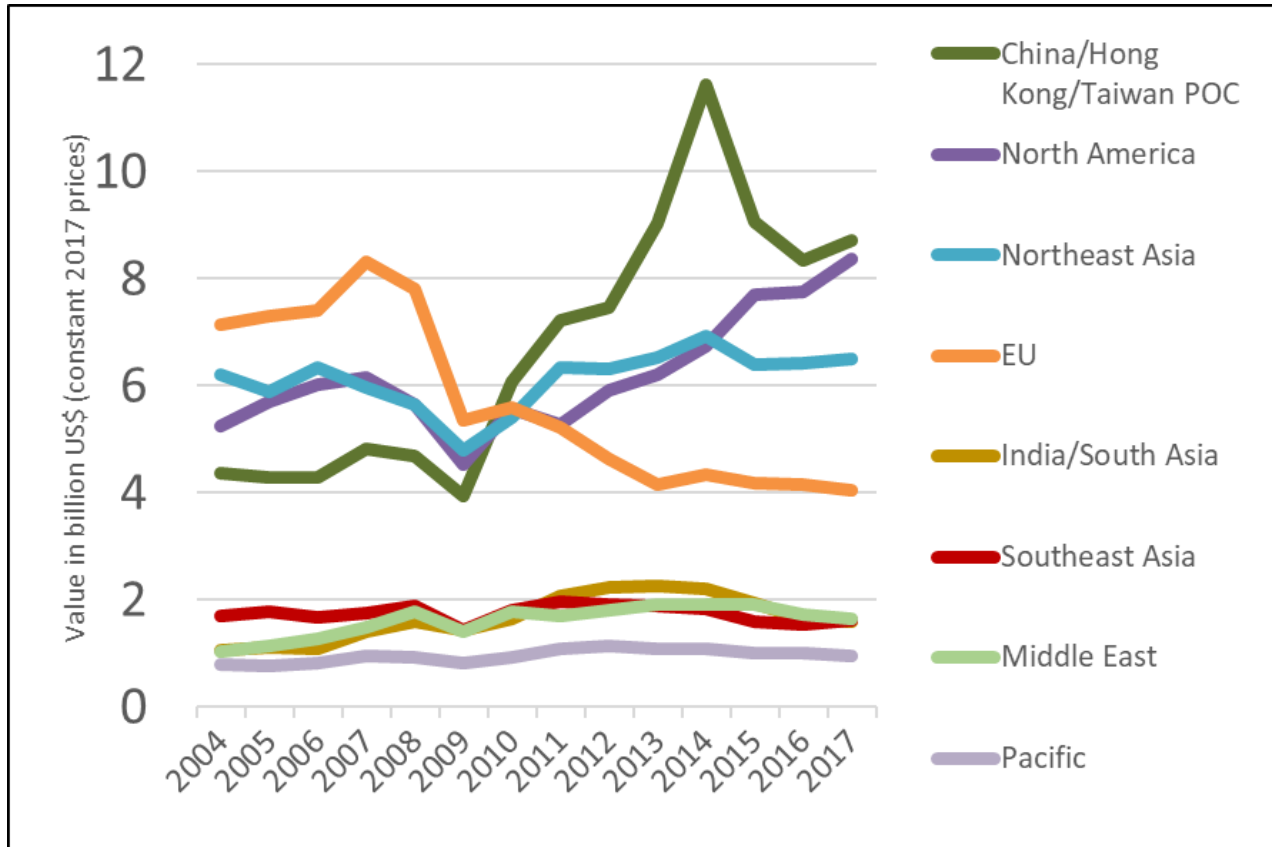


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## Global tropical wood-product trade by region of import



Source: ITTO IMM analysis of Eurostat COMEXT, UN COMTRADE, BTS Ltd data and Global Trade Atlas



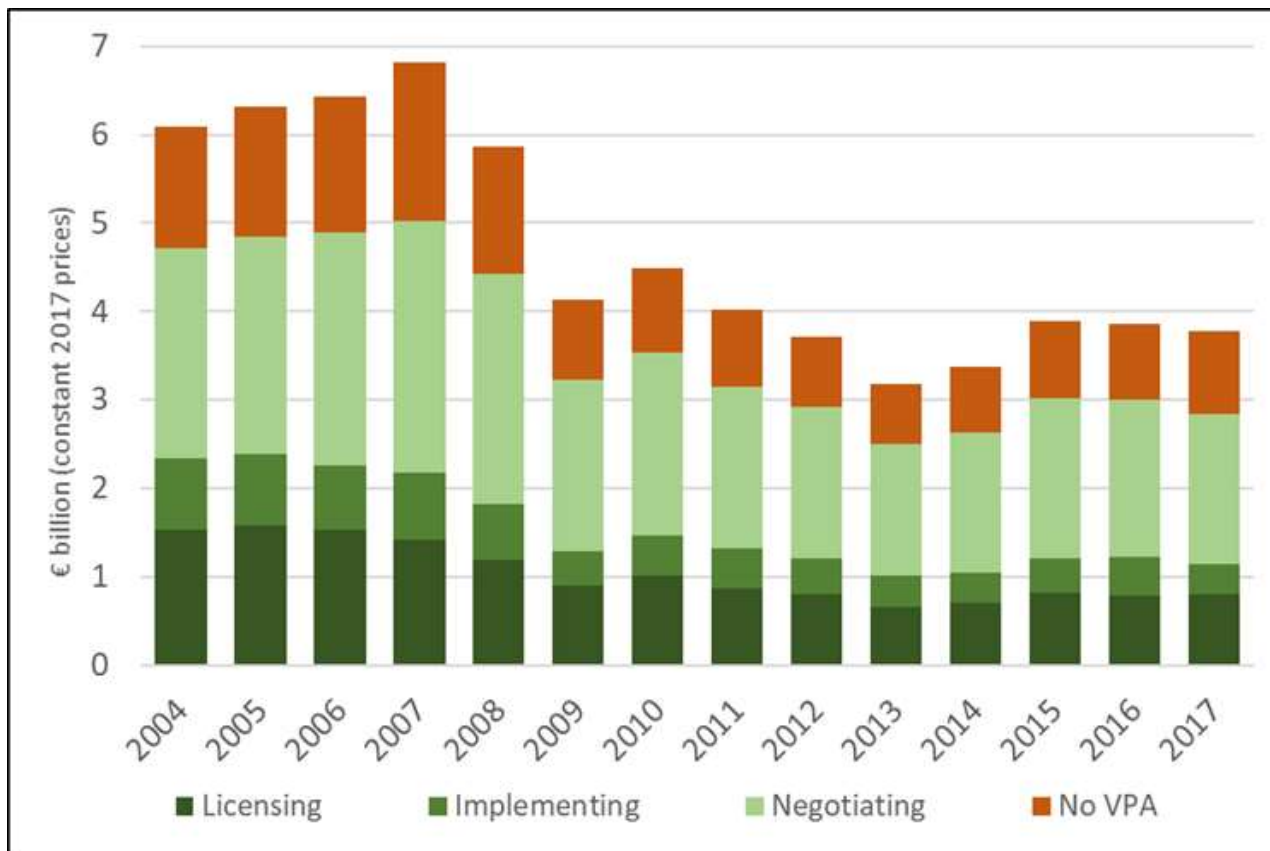


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## Value of EU imports from the tropics, by VPA status



Source: ITTO IMM analysis of Eurostat COMEXT



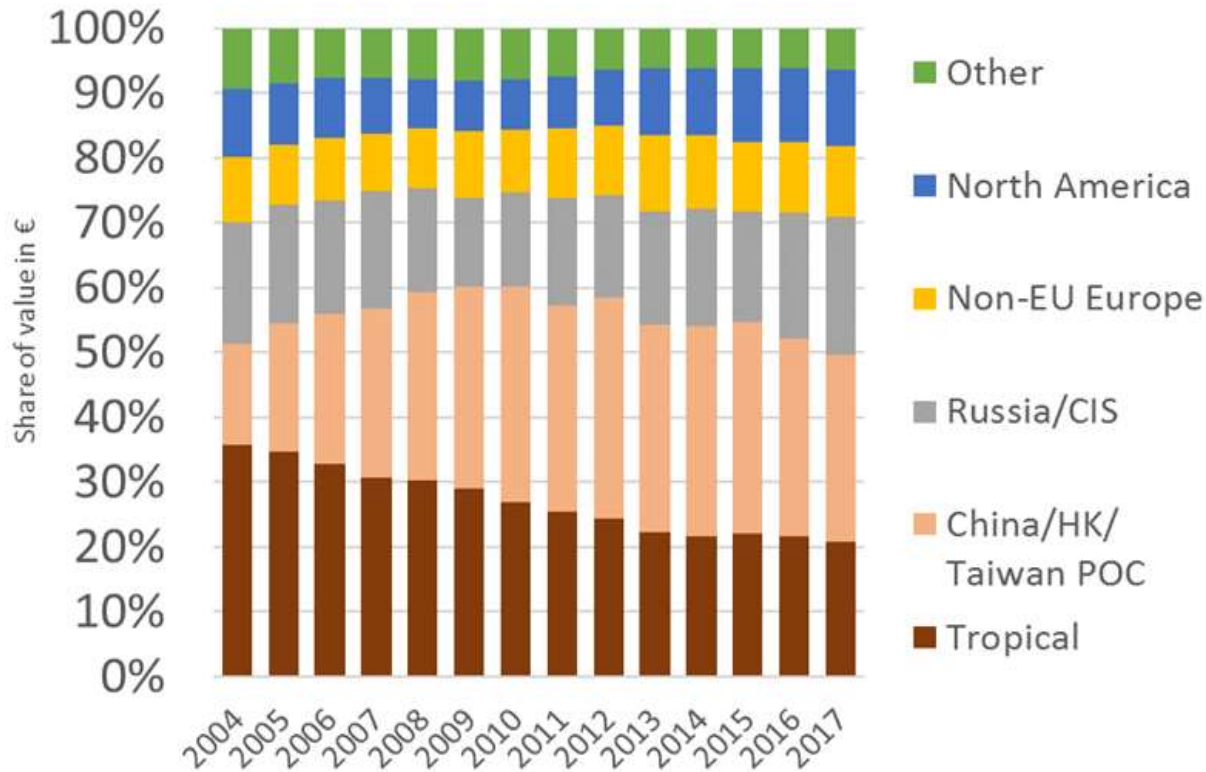


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## Share of EU wood imports by supply region 2004 to 2017



Source: ITTO IMM analysis of Eurostat COMEXT

Source: ITTO IMM  
analysis of Eurostat  
COMEXT





## IMM Market Monitoring Surveys in EU

- Target importers, distributors and retailers
- 7 EU countries accounting for > 90% of all EU tropical wood imports (Belgium, France, Germany, Netherlands, Italy, Spain, UK)
- Structured interviews with 150 companies across the EU in 2018
- IMM Correspondents with industry knowledge in each country
- Additional insights from national trade consultations (so far UK, France, Germany)







# Insights from 2018 Survey & trade consultations (cont)

Numerous factors driving decline in EU tropical timber imports:

- Economic downturn 2008-2013 followed by slow economic recovery 2013-2018
- Diversion of supply to other markets
- Import and financial sectors aversion to commercial risk
- Just-in-time favours more regular & less volatile supply
- Substitution by modified temperate wood, composites and non-wood materials.
- Prefabrication (switch from adaptable utility woods to tightly specified material)
- Challenges of acquiring EUTR assurances of negligible risk of illegality
- Environmental prejudices and uncoordinated marketing





## EC Monitoring of EUTR Implementation

- 2<sup>nd</sup> EU Biennial Report published October 2018
- Almost all EU countries comply with formal EUTR requirements
- Significant increase in checks on EU operators & sanctions applied
- Efforts needed to ensure more uniform & effective application across countries
- EC to supplement EUTR guidance & explore tools to improve implementation



Brussels, 5.10.2018  
COM(2018) 668 final

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL

Regulation (EU) No 995/2010 of the European Parliament and of the Council of  
20 October 2010 laying down the obligations of operators who place timber and timber  
products on the market (the EU Timber Regulation)

Biennial report for the period March 2015 - February 2017

[http://ec.europa.eu/environment/forests/eutr\\_report.htm](http://ec.europa.eu/environment/forests/eutr_report.htm)





# Feedback from IMM surveys & consultations on EUTR

- 35% of IMM 2018 survey respondents attributed decline in tropical timber imports partly to EUTR
- In absence of FLEGT licensing, demonstrating EUTR conformance is challenging for timber from countries with “non-negligible” risk of illegal harvest
- This is true even for FSC/PEFC certified timber
- EUTR reinforces trend to prefer internal EU suppliers
- Increasing concentration of EU import trade in large distributors close to EU ports
- Increasing reliance on limited range of tropical exporting companies committed to due diligence





# Insights from 2018 Survey & trade consultations

- Focus on FLEGT licences from Indonesia (issued from November 2016)
- EU operators now accustomed to FLEGT-licensed import procedures.
  - In 2018 compared to 2017, much higher proportion of importers found FLEGT import procedures easily manageable and much lower proportion report difficulties.
  - In 2018 only 1% perceived that licensing made importing from Indonesia more complicated, compared to 30% in 2017.
- In 2018, nearly all EU operators agreed that FLEGT licensing simplifies importing process for Indonesian timber





## IMM Concluding Comments

- FLEGT Licensing not a ‘magic bullet’ to solve all competitiveness issues
- However, FLEGT licensing will greatly simplify EUTR conformance & provide foundation for wider market development strategy
- FLEGT licensing helps ensure more equitable market access for tropical wood in the EU
- IMM assessing new opportunities: e.g. linkage to other tropical wood marketing initiatives (ATIBT “Fair and Precious” & STTC), recognition in government & private sector green procurement, new investment
- IMM provides essential data in support of effective marketing



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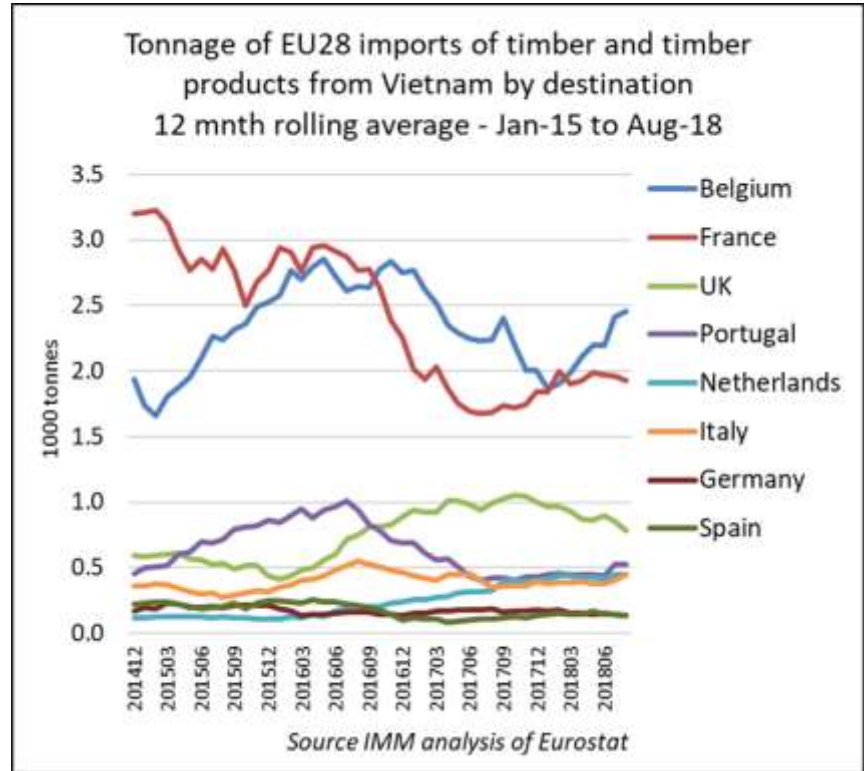
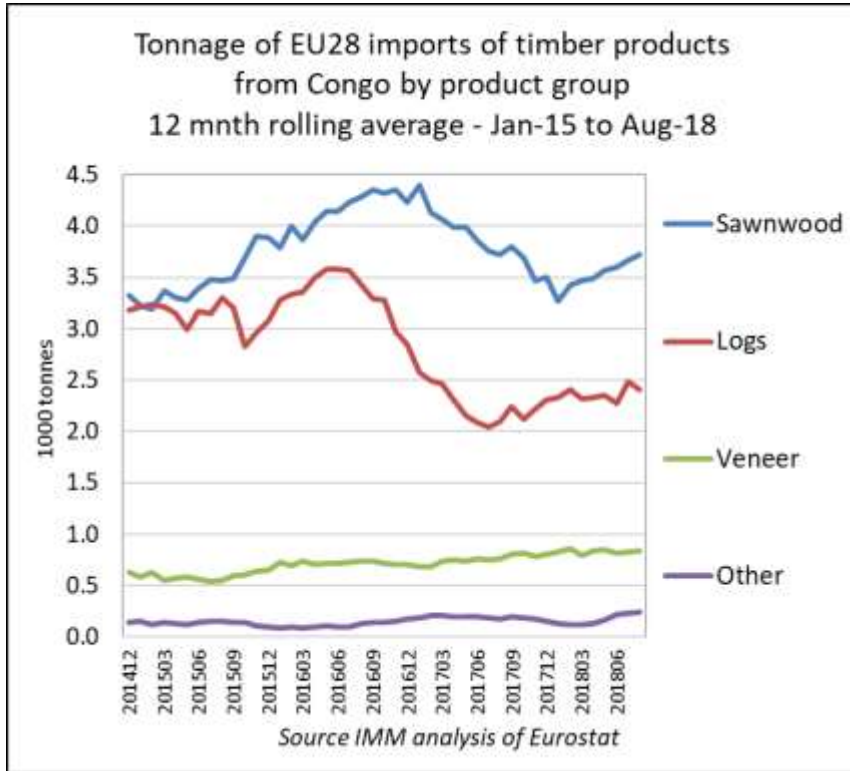
IMM information sources & communications:

[www.flegtimm.eu](http://www.flegtimm.eu), newsletters, data [www.stats.flegtimm.eu](http://www.stats.flegtimm.eu)





# Real-time EU import monitoring





- IMM needs to better understand supply situation
  - IMM access to Congo data on production & exports?
  - Need for IMM Congo Country Correspondent?

Figure 4. Volumes des produits exportés par destination continentale

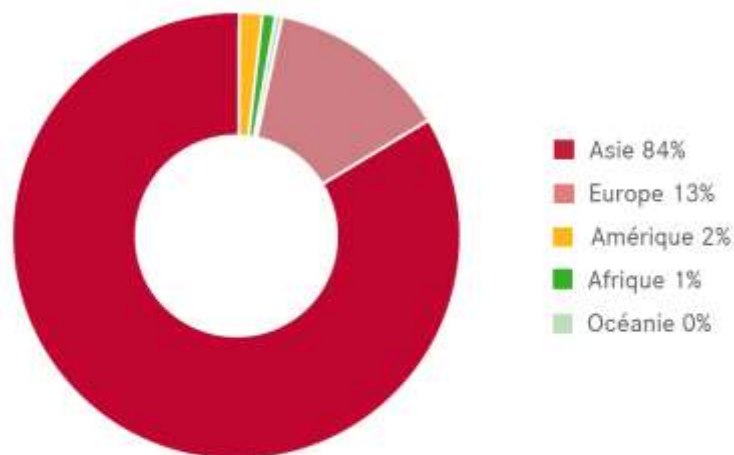
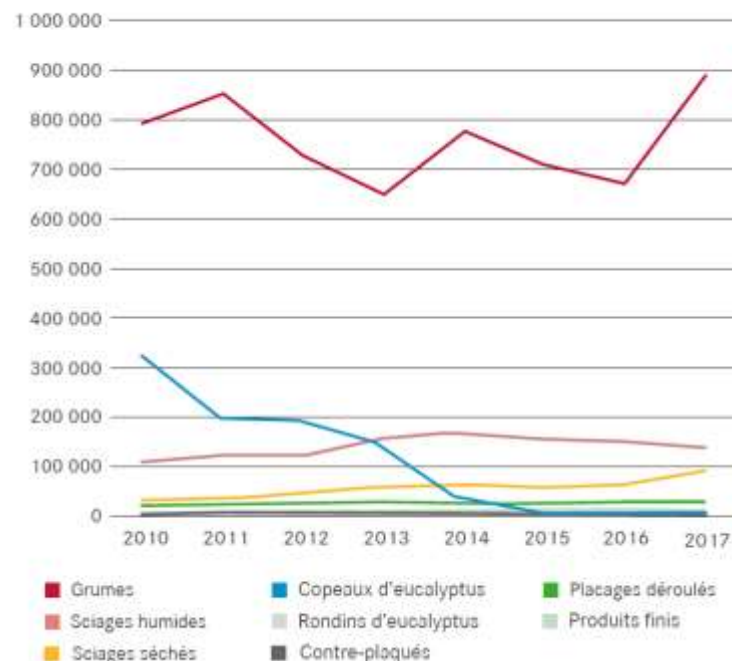


Figure 3. Évolution des exportations par catégorie de produits depuis 2010



Rapport annuel conjoint: République du Congo - Union européenne 2017







# Thank you

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