

*Timber recycles carbon*

## TIMBER QUEENSLAND GUIDELINE

### Ensuring legality of imported timber

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#### Background

Trade in illegal and unsustainable timber distorts trade, suppresses prices, reduces revenue to governments and forest-reliant communities, encourages corruption and causes major irreversible damage to the environment. It is estimated that between 5 and 10% of timber and wood products imported into Australia is of suspicious origin (The Centre for International Economics, 2010). With ever-increasing limitations on native forest availability and in spite of expanded timber plantations, the Queensland timber industry can only meet 70% of Queensland's timber demand. Much of the remainder is met by timber imported from South East Asia and the Pacific. Brisbane is a major gateway for imported timber and rapid population growth is driving up demand and heightening concern about the issue of illegal and unsustainable timber imports in this market.

Timber Queensland views continued importation of timber into Australian markets from illegal and unsustainable sources as bad for Queensland processors and the public at large. Dubious importing practices are already contributing to job losses in Queensland where local producers are arguably being unfairly undercut. Meanwhile, a lack of public confidence in imported timber damages the good reputations of the vast majority of legitimate importers. Timber Queensland has an important role to play in meeting the public's reasonable expectation and a right to know that the timber they use comes from legal and sustainable sources.

Timber Queensland supports actions by the Commonwealth Government to ensure that only timber of legal origin is imported into Australia and call upon the Government to fulfil its 2007 election promise to prevent the importation of illegal forest products into Australia. However, in the interim this Guideline outlines a range of matters that should be given consideration, and Timber Queensland's recommended approach to members for ensuring the legality of imported timber.

#### Definition of Illegal Timber

There are a range of issues associated with legality of logging and various definitions. A commonly cited definition of illegal logging is that of WWF:

*"when timber is harvested or traded in violation of relevant national or sub-national laws or where access to forest resources or trade in forest products is authorized through corrupt practices."*

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The three key elements associated with this definition are:

- **Illegal harvesting** - Timber is cut or removed without the required license or in breach of a harvesting license or law. This includes timber that is stolen.
- **Illegal trading** - Timber, or a product containing timber, is bought, sold, exported, or imported and processed in breach of the laws, including laws implemented under the Convention on International Trade in Endangered Species (CITES).
- **Corruption** - Authorization to harvest or trade logs or timber products is secured through corrupt application of laws or administrative procedures.

### Countries of Concern

Although the problem of illegal logging is generally associated with some tropical forests, the issues also extend to some developing countries and economies in transition. Illegal logging takes place in many countries on a small scale and has limited impact on the environment or society in general. However in a number of countries, illegal logging is such that it poses a serious threat to the forests, communities and the environment.

The potential negative impacts include loss of revenue to governments, loss of long term income for forest-reliant communities, displacement of forest-based communities, encouragement of corruption, land degradation and unfair trade.

The table below identifies the risk ratings of the countries exporting timber to Australia, providing a guide as to which countries require the most stringent checks of legal origin.

### Risk Rating

A country's risk rating is a function of the following two measures:

- Corruption Perception Index (CPI) score (produced by Transparency International). The CPI ranks countries with scores ranging from 0 (highly corrupt) to 10 (highly clean); and
- Worldwide Governance Indicator (WGI) score (used by the World Bank). The WGI assesses countries over six indicators with higher scores indicating better governance.

The country's risk rating is determined by the lowest of the two indicators, where:

Risk Rating	Lowest score
Low risk	CPI 6.7-10 and WGI 67-100
Medium Risk	CPI 3.4-6.6 or WGI 34 - 66
High Risk	CPI 0-3.3 or WGI 0 - 33

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### Risk rating of top 20 source countries for timber imports to Australia 2006-07

Source Country	Corruption Perception Index *	Governance Indicator **	% of Imports	Total Volume ('000 m3)
New Zealand	9.4	97	40.4%	340.2
Canada	8.7	93	9.9%	82.9
Malaysia	5.1	60	8.5%	71.6
Czech Republic	5.2	76	8.3%	69.9
Indonesia	2.3	33	7.2%	60.4
Germany	7.8	91	6.0%	50.3
China	3.5	36	3.3%	27.6
Chile	7.0	83	2.6%	21.9
Papua New Guinea	2.0	27	1.5%	13.0
Finland	9.4	98	1.4%	11.4
Estonia	6.5	82	0.9%	7.9
United States	7.2	84	0.7%	5.8
Philippines	2.5	36	0.5%	4.2
France	7.3	85	0.4%	3.6
Solomon Islands	2.8	34	0.4%	3.6
Brazil	3.5	50	0.2%	1.8
Ecuador	2.1	20	0.2%	1.7
Russia	2.3	26	0.2%	1.4
Austria	8.1	94	0.2%	1.3
Italy	5.2	70	0.1%	1.0
Singapore	9.3	86	0.1%	1.0
Lithuania	4.8	73	0.1%	0.9
Peru	3.5	40	0.1%	0.7
Sweden	9.3	97	0.1%	0.7
Ghana	3.7	55	0.1%	0.6
Fiji	nd	39	0.1%	0.5
United Kingdom	8.4	90	0.1%	0.5
Cameroon	2.4	20	0.1%	0.5
Thailand	3.3	44	0.0%	0.3
India	3.5	47	0.0%	0.2
Other / Unknown	na	na	6.4%	54.1
<b>TOTALS</b>			<b>100.0%</b>	<b>841.5</b>

#### Risk

Low	6.7 - 10	67-100	61.7%	520
Medium	3.4 - 6.6	34 - 66	21.7%	183
High	0 - 3.3	0 - 33	10.1%	85
Other	na	na	6.4%	54

Sources:

\* Transparency International – Corruption Perceptions Index 2007

\*\* World Bank Institute - 2007 Worldwide Governance Indicators (average of 6 indicators)



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### **Forest Certification**

Forest certification aims to demonstrate the sustainability of the forest management, which includes the legality of forest operations. Certification schemes include an associated chain of custody certification system to ensure that the wood being supplied has in fact been sourced from forests grown under the appropriate certification rules.

There are two main international certification schemes, the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification Schemes (PEFC). FSC is an international scheme in its own right, with forests certified in over 80 countries, and national FSC standards developed for almost 20 countries. PEFC accredits independent certification schemes as meeting their standards for sustainability and legality, and have endorsed certification schemes in 28 different countries, including the Australian Forestry Standard.

Legality and sustainability are considered to be demonstrated for any wood certified under FSC or under a scheme accredited by PEFC, although care is required to ensure that the wood delivered is compliant with the chain of custody requirements, particularly where product is derived from mixed sources.

### **Legality Checks**

Where certified wood is not available, then different compliance checks can be used to establish legality. WWF recognise two levels of compliance checks on legality.

#### **Full legal compliance check - verified legal timber**

- Timber was legally harvested.
- Charges were paid.
- Timber was legally traded (including compliance with CITES laws).
- Third-party audit of legal compliance was conducted and chain of custody verified.

#### **Basic legal compliance check - known licensed source**

- The purchaser knows where the timber was grown and can identify the harvesting entity.
- The harvesting entity has a legal right to harvest (has a harvesting permit and authorization from the forest owner).
- The chain of custody is unbroken.

After certified wood, a preference should be given to verified legal timber, followed by timber from a known licensed source.

#### **Further Information:**

Australian Government Illegal Logging website:  
<http://www.daff.gov.au/forestry/international/illegal-logging>

Global Forest and Trade Network guideline on keeping illegally harvested timber out of the supply chain:

[http://assets.panda.org/downloads/keep\\_it\\_legal\\_final\\_no\\_fsc.pdf](http://assets.panda.org/downloads/keep_it_legal_final_no_fsc.pdf)



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The following steps outline the proposed hierarchy of controls, and steps involved in checking legality of imported timber.

1. **Seek certified wood in the first instance** This is the simplest means and preferred mechanism for ensuring the legality (and environmental credentials) of imported wood.
2. **Check the risk associated with the country of origin** Those countries with a high level of governance and management capacity and a low corruption perceptions index at this stage require limited further follow up.
3. **Seek self-declaration and verification from suppliers.** For suppliers in countries with any significant risk of illegality, a self-declaration that the supplied wood has been legally sourced should be sought in the first instance. Further to this, suppliers should be surveyed to provide information, and where possible documentation, covering all aspects of legality, including:
  - Chain of custody detailing all parties in the supply chain;
  - Harvesting rights and tenure details as demonstrated by licences and permissions - including start and finish dates, maps, etc. for the products being supplied;
  - Harvesting prescriptions, including limitations on tree size, species, harvesting levels and intensity;
  - Legality of processing facilities and licensing of contractors and forest operators
  - Payment of royalties / prices and any Government charges.
4. **Risk assessment of suppliers.** A risk assessment of suppliers should consider the country of origin, and likelihood of illegal timber entering the supply chain. Outside of suppliers from low risk countries and those supplying certified wood, suppliers can be considered a low risk where government or non-government verification can be demonstrated, or where verifiable documentation clearly identifies all suppliers within the supply chain, the forest management unit of the supply origin, and includes evidence of compliance with legal requirements.
5. **Concentrate purchases from low risk suppliers.** Purchases should focus on those suppliers assessed to be of low risk.
6. **Pursue further verification from higher risk suppliers** Further documentation or other evidence of legality should be sought from purchasers considered to be high risk. Where an organisation has received reliable reports from customers or external parties of controversial timber supplies, then these supplies should be considered high risk until disproved by the organisation's own investigation. Purchases from these suppliers should be avoided until further investigation or verification procedures reduces their risk profile.
7. **Seek ongoing improvements in CoC documentation.** The procedures outlined above simply commence the process of improving legality of timber supplies. Organisations should strive to purchase wood with the highest level of certainty about its legal origin and the underlying forest management. Suppliers should be encouraged to seek certification of the forests that supply the wood and obtain the associated chain of custody.