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**COMMISSION STAFF WORKING DOCUMENT**

*accompanying the*

**Proposal for a**

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**determining the obligations of operators who make timber and timber products  
available on the market**

***Summary of the Impact Assessment***

**Report on additional options to combat illegal logging**

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Lead DG: DG ENV

Other involved services: DEV, AGRI, ENTR, SJ, SG, TRADE, MARKET

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The report commits only the Commission's services involved in the preparation and the text is prepared as a basis for comment and does not prejudice the final form of any decision to be taken by the Commission

## EXECUTIVE SUMMARY

This report presents possible options with respect to further policy or legislative options for measures to address the introduction of timber and timber products to the EU market originating from illegal logging.

The European Community policy regarding illegal logging and related trade was set out in the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan which includes a number of measures to ensure that timber and wood products imported into the EU have been legally harvested or manufactured from legally harvested timber.

One of the key measures proposed by the Action Plan is a licensing scheme for the prevention of illegal logging and related trade coming into the European Union (EU). The licensing scheme would be implemented as part of the Voluntary Partnership Agreements (VPAs), which are being negotiated with a number of countries.

The VPA approach is considered promising but it is recognized that it may have limitations. The EU FLEGT Action Plan therefore makes provisions for an analysis of additional measures, which could enhance the EU's efforts to eliminate imports of illegally harvested timber and timber products to the EU market. A total of five options have been identified, compared to the "baseline" scenario (continuation present FLEGT VPA approach).

- (1) Expansion of the FLEGT VPA approach
- (2) Voluntary measures by the private sector further developed
- (3) Border measures to prevent the importation of illegally harvested timber
- (4) Prohibition on the placing on the EU market of illegally harvested timber
  - Sub-option 4A: Legislation which prohibits the trading and possession of timber and timber products harvested in breach of the laws of the country of origin (i.e. where trees harvested)
  - Sub-option 4B: Legislation which requires that only legally harvested timber and timber products be placed on the market
- (5) Legislation which requires due diligence by all timber traders to ensure that they trade in legally harvested timber.

The report defines the problem of illegal logging and the important economic (loss of revenues for third countries or unfair competition to the industry), social and environmental damage (loss of forests and biodiversity, other environmental impacts). It furthermore gives an overview of the production of timber and timber products globally and within the EU as well trade figures globally and imports into the EU. Estimates have been made on the proportion of illegally harvested timber (being not harvested in accordance with the applicable legislation) and the associated trade.

The impact of all policy options on the reduction in illegal logging in the EU and non-EU countries have been assessed as well as the economic impacts (in particular regulatory costs involved for the government sector), costs for the private sector and trade impacts in both EU

and non-EU countries) and social (employment, other social factors) and environmental impacts.

The largest impact on a reduction in illegal logging, assuming that the measures are implemented effectively, can be found in options 4A, 4B and 5. The unit costs of legality control (in Euro/m<sup>3</sup>) are rather low in all options, the differences are attributable to the variation in implementation arrangements (e.g. third-party verification may be included or excluded). Option 4b prohibiting the placing of illegal timber on the EU market involves in particular high costs for the private sector, while the regulatory costs are the highest in option 3.

The report indicates that the latest option 5 "due diligence", developed by combining the positive elements of option 2 (voluntary measures by the private sector) and options 4A and 4B (enforceability through the need for burden of proof) would be most effective of the options assessed. It would result in a reduction in illegal logging without the introduction of a high cost systematic control system and considerable enforcement problems which might be expected under several other options (in particular options 4A and 4B). It will serve as well as an incentive for sourcing of timber from countries with FLEGT Voluntary Partnership Agreements or for timber covered by valid CITES (Convention on International Trade in Endangered Species) permits, since this would provide a high degree of certainty for operators and exporting countries involved.