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Bringing Down the Axe on Illegal Logging – A Practical Approach

This submission, on the Discussion Paper *Bringing Down the Axe on Illegal Logging – A Practical Approach*, is made on behalf of the plantation products and paper industry by A3P.

Summary

A3P supports the Australian Government's decision to address the supply of illegally logged forest products into Australia. A3P endorses the majority of the actions outlined in the Discussion Paper, but A3P requests a number of changes, the two most significant being:

- Greater clarity in the definition and interaction of the terms 'legal', 'sustainable' and 'certified'.
- More rigour in the proposed development and implementation of codes of practice including consideration of mandatory codes and Government provision of information that facilitates a risk-management approach.

Background

A3P is the peak body for Australia's plantation products and paper industry, representing each of the three industry sectors – plantation growing, sawmilling and paper manufacturing.

A3P member companies create and sell more than \$4 billion of product each year and employ more than 13,500 people in plantation operations, sawmills and paper manufacturing plants, mainly in rural and regional areas. The companies produce 12 million tonnes of wood annually and process it into products including three million tonnes of pulp & paper and more than two million cubic metres of sawn timber.

In addition to the domestic production of paper and plantation products, some A3P members import forest products, either as in input to their own production, such as pulp for a paper mill, or as final products for marketing, including from their own operations overseas.

While some A3P members import forest products, all members of the plantation products and paper industry compete in markets that are impacted by the supply of illegally logged products. A3P's position therefore covers both importers of forest products and domestic producers who compete in the same market as imported products.

A3P welcomes the Australian Government's commitment to work with major forest product importers, wholesalers and retailers to examine options consistent with international obligations to encourage sourcing of forest products from sustainable forest practices. Forest products sourced from illegal logging currently compete in the marketplace against Australian products legally sourced from sustainably managed forests.

The approach outlined in the discussion paper has clearly been developed with an understanding of the realities of international trade agreements, available information and the difficulty in defining and proving legality (or otherwise). A3P commends the pragmatic approach taken by the Government. Other than increased clarity in some areas, A3P's most substantive comment is to request a stronger attempt to exclude illegally logged forest products rather than simply assisting the market to avoid them.

A3P's comments on the Discussion Paper are presented below. They include overarching comments on the structure and presentation of the Australian Government's response followed by specific comments on each of the proposed measures.

In response to concerns about illegal logging, A3P has developed Member Guidelines for *Stopping the supply of illegally logged forest products to Australia*. These guidelines (attached) deliver on the action proposed in the discussion paper to "Develop and implement a voluntary code of conduct and procedures to help Australian importers use assurances from exporters to gauge the legality of imported forest products". Importantly, the guidelines can be applied to all timber products, whether imported or domestically produced and they propose a risk management approach that goes further than relying on assurances from exporters.

The guidelines are provided as part of A3P's comments on the Discussion Paper and we encourage the Australian Government to refine its approach to complement our initiative.



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Objective

It is a constant frustration for the Australian plantation products and paper industry that legitimate scrutiny and review of domestic forest management and harvesting practices usually fail to place it in an international context.

Practices within our industry can, and will, evolve and improve over time. However there can be little impartial dispute that standards of environmental management within the Australian plantation products and paper industry are world class.

These standards are not easy or cheap to meet, yet the market does not currently reward an Australian producer, through either price or access, for meeting these costs compared to overseas production that fails to meet basic standards or that meets lower standards at lower cost.

A3P is unashamedly interested in seeing Australian Government policy prevent illegally logged forest products from being sold in Australian markets, as it reduces the price, available market and reputation for legally produced forest products. We imagine that importers of legal forest products have similar interests.

The objective of Government policy on illegal logging should be to *exclude* illegally sourced product from Australian markets.

Legal, Sustainable and Certified

The Discussion Paper necessarily presents information about sustainable forest management and certification in addition to demonstrating legality. It would be beneficial if the definitions of these terms were clearly presented early in the document and, more importantly, the interaction between them made clear.

For example:

- Legality is an essential prerequisite for sustainability and in most cases other elements of sustainability cannot be demonstrated until the entire production chain is completely legal.
- Despite complexities in definition, legality is a binary measure. A product has either been produced by legal means or not.
- Sustainable forest management requires more than simply abiding by laws. It requires consideration of a full range of environmental, social and economic values.
- Sustainability can be described as a journey rather than an end point, or an outcome with varying levels of achievement. It is best measured along a continuum rather than by simple yes or no measures.



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- Because of the “beyond legal” nature of sustainability and the difficulties in definition and measurement, it is usually addressed through market-based schemes such as certification and labeling.
- Demonstrating the sustainability of a forest *product* requires certification of the sustainability of the forest management and demonstrated control of the chain of custody.
- Certifying the sustainability of a forest product is one way, but not the only way, of demonstrating legality.
- Legality may also be demonstrated using the chain of custody components of a credible certification scheme or by other means.
- Forest products may be legal, and sustainable, even though not certified.

Most consumers would expect that if a product is openly sold in the market that it is legal. They would not assume the sustainability credentials of all products in the market are equal. If interested, they may seek information and be willing to pay a price premium.

It follows that a reasonable expectation on Government is to ensure that products sourced from illegal logging are not available in Australia and to support market mechanisms that allow consumers to differentiate products based on sustainability criteria.

The proposed approach from the Government uses (and confuses) voluntary and market based measures to address legality. That is, the Government is proposing to take a “market” approach to legality rather than an “exclusion” approach.

This does not meet the expectations of the public or the market. In the Discussion Paper, legality is presented as a desirable feature of forest products that producers and importers may voluntarily choose to demonstrate. The Government's approach should be more forceful in ensuring legality. The market should be structured to allow choice (including on the basis of sustainability credentials) from a range of products, *all* of which are *legal*.

A voluntary code of conduct does not present an effective barrier against the supply of illegally logged forest products. It should be assumed that those who supply products at the low cost end of the market would simply choose not to participate and those that purchase the products would continue to base their purchasing decisions on price alone.



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There are clearly difficulties in an “exclusion” approach such as defining legality, burden of proof, and trade issues. However it is incumbent on Government to do more than simply “work with industry to develop voluntary measures”.

The Government should explore options to make adherence to codes of conduct mandatory such as a co-regulatory approach as outlined in our comments under Measure 3, below. A3P assumes that such a possibility has at least been explored but the Discussion Paper provides no information as to why it is not pursued or presented as an option.

Whether voluntary or mandatory, the Government should encourage suppliers to take a risk management approach – identifying suppliers and areas with a greater risk of illegal operations and focusing information gathering and collaborative work on those suppliers to ensure that forest products are legal. Given their significant resources compared to most importers, the Government could also support this approach with the provision of information and guidance. See the attached A3P Member Guidance for more information on how such an approach could operate.

Environmental credentials

Experience suggests that most purchasers do not differentiate between the different types of environmental credentials such as legal, sustainable, certified, plantation, greenhouse neutral, etc and may be satisfied by any form of environmental assurance about the product.

One of the consequences of using a market, rather than exclusion, approach to legality is that imported product that can demonstrate legality - whether or not sustainable - could be mistakenly interpreted as a premium green product rather than simply meeting minimum standards.

This would be avoided if an exclusion approach was taken to illegally logged product, leaving the field clear for labeling to demonstrate sustainability. Failing this, it is essential that all mechanisms to demonstrate legality are available to domestic producers as well as importers.

Competition with Non-wood products

Competition in the market place occurs, not only between legal and illegally sourced forest products, but also between forest products and non-wood alternatives such as plastic, steel, concrete, etc.

It is important that the Australian Government response to illegal logging does not taint the market perception of legal and sustainable forest products. As well as being clearly superior to illegally sourced forest products, these products have environmental qualities such as levels of embodied energy, renewable resource, etc that cannot be matched by non-wood alternatives. Actions such as “raise market and consumer awareness about illegal logging” must be done



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in a way that clearly differentiates legal and sustainable forest products and ensures there is a shift towards these sources rather than to non-wood sources (which currently have no sustainability or legality requirements).

Measure 1 – Raise market and consumer awareness

A3P supports the two actions described under Measure 1 in the discussion paper with the following comments:

- Part of raising awareness and understanding by importers and wholesalers should be information that identifies sources of forest products with a high risk of illegality to assist a targeted response by industry.
- Raising awareness of illegal logging amongst consumers must be done in a way that promotes increased use of legal and sustainable forest products and not the use of non-wood alternatives. Care should be taken in implementing this action until other elements of the proposed package are in place.

Measure 2 – Foster and develop the domestic industry

A3P supports the actions outlined under Measure 2, particularly expansion of the plantation sector and increased focus on long rotation plantations to produce structural timber. The strong support and contribution from the Australian Government for the Plantations 2020 Vision is acknowledged and A3P looks forward to continuing this cooperative partnership.

Measure 3 – Voluntary measures to gauge legality

Measures used by importers to assess legality are the core of any effective approach to stopping illegally logged product entering the market. As noted above, A3P believes this measure needs to be more rigorous. The voluntary nature should be changed to a mandatory approach consistent with trade obligations.

It may be possible to employ a co-regulatory approach where industry commits to a code of practice and Government passes legislation that provides significant disincentives for parties to operate outside the code. A similar approach is used elsewhere by Government, particularly in extended producer responsibility schemes.

Mechanisms for demonstration of legality in the marketplace must be available to domestic producers as well as importers. There is no suggestion that any domestically produced timber is illegally logged, however it is important that imported legal timber or paper is not interpreted as a premium product against domestic product.



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A3P has developed Member Guidelines for *Stopping the supply of illegally logged forest products to Australia* (attached). These guidelines provide a method for our members to ensure their operations do not contribute to the supply of illegally logged products. However they have been written in a way that could be adopted by any party involved in the supply of forest products to the Australian markets. We would expect any code of conduct (whether voluntary or mandatory) to be at least as prescriptive and comprehensive as our guidelines.

Measure 4 – Develop voluntary certification and chain-of-custody schemes

In the absence of any mechanisms that exclude illegal product, A3P's Member Guidelines also support certification and chain-of-custody as effective methods of demonstrating legality in Australian markets.

A large proportion of A3P members are currently certified under either the Australian Forest Certification Scheme or the Forest Stewardship Council. It is important to acknowledge that certification under either scheme provides ample proof of legality.

Measure 5 – Develop purchasing guidelines for the private and public sectors

If product sourced from illegal logging continues to enter Australian markets, the development of purchasing guidelines by the largest private and public purchasers (at all levels of Government) will help to reduce the market access for that product.

Purchasing guidelines are already being developed and implemented to deal with a wide range of environmental, economic and social issues. To address illegal logging, Government should focus on providing definitions, mechanisms and information that can be incorporated into existing and new purchasing policies so that they effectively exclude illegally logged products.

Measure 6 – Work with other countries to improve forest management practices

Measure 7 – Increase collaboration with countries in our region

Measure 8 – Promote policies and strategies at international forums

A3P supports the international measures and actions outlined in the discussion paper. While it is difficult to diplomatically express it in a Government document, it must be understood that the problem of illegal logging is inextricably linked to issues of institutional capacity in other countries and problems of poverty and corruption that are broader than the forest industry.

A3P again commends the Australian Government for taking action on this important issue and for providing the Discussion Paper for comment. A3P would

welcome the opportunity to work further with the Australian Government on the actions that flow from this initiative. If you have any questions regarding this submission please contact me.

Yours sincerely



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