

**Sustainable Procurement Conference
Brisbane
18-19 September 2008**

Title: Purchasing Legal and Sustainable Timber

Presenter:

Jim Burgess
Resource and Environment Manager
Timber Queensland
PO Box 2014
Fortitude Valley BC 4006

Abstract:

There are two key issues of interest when considering sustainable timber procurement – legality and the management of the forest from which the timber is harvested.

Legality is only a significant consideration for timber imported into Australia, and then from countries with relatively low governance and enforcement capacity, largely being developing and emerging economies.

The sustainability of forest management is the second key area of interest when procuring wood. Sustainability involves the management of forests to maintain their biodiversity and productivity, as well as their potential to deliver ecological, economic and social functions into the future.

Associated with legality and sustainability, suppliers may need to institute mechanisms to demonstrate that timber is derived from the claimed source.

Forest certification and attendant chain of custody certification provide the simplest mechanism for ensuring the legality and sustainability of timber supplies.

Model contract provisions that incorporate risk assessment processes for wood from different sources are proposed to ensure priority is given to those suppliers that can best demonstrate the legality and sustainable management of the forests from which their timber and wood products are sourced.

Keywords:

Timber procurement, legal timber, sustainable forest management, forest certification, chain of custody.

Purchasing Legal and Sustainable Timber

Introduction

This paper seeks to provide guidance to timber specifiers on some simple mechanisms for ensuring the legality and sustainability of timber supplies. Although the majority of timber available in Australia is legally sourced from well managed forests, specifiers are increasingly seeking assurance of timber's credentials.

Legality is only a significant consideration for timber imported into Australia, and then from countries with relatively low governance and enforcement capacity, largely being developing and emerging economies. Risk assessment methods can be used to limit unnecessary scrutiny in relation to legality issues.

The sustainability of forest management is the second key area of interest when procuring wood. Sustainability involves the management of forests to maintain their biodiversity and productivity, as well as their potential to deliver ecological, economic and social functions into the future. There are a range of indicators of sustainability, with forest certification under an internationally recognised certification scheme being the simplest means of ensuring sustainability.

Appendix 1 contains model contract specifications that can be adapted for inclusion in procurement documents. These specifications seek to provide a simple means of ensuring that timber is sourced from suppliers that can provide the highest level of assurance of the legality and sustainability of their timber products.

Legal timber

Around 88% of sawntimber used in Australia comes from Australian forests, and of the remaining 12% of wood supply being sourced from imports (ABARE 2008), more than half comes from countries with very low levels of corruption and high levels of governance capacity, including enforcement of regulations.

However, it is recognised that trade in illegal timber is an issue of concern for Australia. Estimates of the scale of the problem are difficult to obtain however Jaako Pöyry (2005), in a report for the Australian government estimated that up to 9% of Australia's forest product imports were from potentially illegal or suspected illegal sources. Jaako Pöyry considered that many of these were manufactured wood products, such as furniture and doors, however sawnwood and other construction products were identified as having a significant risk of being illegally sourced.

Trade in illegal timber distorts trade, suppresses prices for legally sourced timber, reduces revenue to governments and forest-reliant communities, encourages corruption and causes major irreversible damage to the environment. Continued importation of timber into Australian markets from illegal sources is bad for legitimate processors who are arguably being unfairly undercut. In addition, a lack of public confidence in imported timber damages the good reputations of the vast majority of timber suppliers; of both domestically sourced and imported timbers.

The Queensland timber industry currently meets only 70% of Queensland's sawntimber demand. Much of the remainder is met by softwood timber imported from New Zealand, Canada and Europe, and tropical hardwoods 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 imports in this market.

Timber procurement procedures can play an important role in meeting the consumer's reasonable expectation and a right to know that the timber they use comes from legal sources.

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

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 developed countries and economies in transition.

A risk assessment can be used to identify countries that may be of concern, and thereby establish the level of scrutiny that should be applied to their timber. The following risk assessment is based on similar criteria utilised by Jaako Pöyry (2005).

The proposed risk assessment uses two readily available and independent indicators of corruption and governance; being:

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

Table 1 details the CPI and WGI scores that define the risk of any country, with the lowest score for either indicator determining the risk. A table of the top 20 source countries for timber and their most recent scores is reproduced in Appendix 1. Both indices are readily available on the internet and can be applied to any country of origin. Both indices are also reviewed annually, so scores for different countries can and do change from year to year.

Table 1 Risk categories as determined by Corruption Perception Index and Worldwide Governance Indicator scores. Total volume of timber imports in 2006/07 and their relative percentage by each risk category is also reported.

Risk	Corruption Perception Index *	Worldwide Governance Indicator **	% of Imports	Total Volume ('000 m3)
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

Proposed Legality Risk Assessment

The model contract provisions (Appendix 1) recognise three levels of risk are identified in relation to legality. Timber sourced from Australia, low risk countries and other countries where timber is accompanied by a chain of custody from a recognised certification scheme are deemed to be low risk, requiring limited further verification.

Where timber is imported from countries that are rated as medium or high risk, further evidence of legality should be sought. In particular, a statement can be sought from the supplier that the timber was sourced from forests managed within the legislation, regulations and codes of practices of the country of origin. Suppliers should state the policies and processes they have in place and the evidence available to verify this statement. Preference should be given to processes / evidence that have been verified by an independent third party

Sustainability

The Food and Agriculture Organization (FAO) has adopted the following definition of sustainable forest management, which was first developed by the Ministerial Conference on the Protection of Forests in Europe:

Sustainable forest management is the stewardship and use of forests and forest land in a way and at a rate, that maintains their biodiversity, productivity, regeneration capacity, vitality and their potential to fulfil now and in the future, relevant ecological, economic and social functions, at local, national and global levels and does not cause damage to other ecosystems.

Despite debate about various aspects of forest management in developed economies such as Australia, Australia and most other developed countries have highly developed planning processes, operational procedures and compliance regimes in place to deliver sustainable forest management. Other countries have elements of these regimes in place.

Detailed analysis of the sustainability of the forest management practices for every timber source is impractical. Forest certification is one of the mechanisms used by forest owners, the timber industry and environmental groups to provide consumers with confidence that the forests from which timber is being sourced are being well managed.

Forest Certification

Forest Certification schemes are voluntary and involve independent assessment against criteria that ensure sustainable forest management. Certification schemes have specific provisions that generally address:

- A commitment to planning and monitoring
- Adherence to laws and rights to the land
- Consideration of indigenous, community and worker rights, values and benefits
- Protection of environmental and ecological values
- Assurance of the sustainability of production.

Compliance with certification schemes is assessed on an ongoing basis by independent auditors to ensure the desired forest management outcomes are being achieved. Certification also requires forest managers to monitor and report on their environmental performance on an ongoing basis.

Although there are numerous certification schemes internationally, the two operating in Australia are the Forest Stewardship Council (FSC) and the Australian Forestry Standard AS4708 (the AFS). The AFS is a recognised Australian Standard® that has international status via mutual recognition with other national certification schemes, granted by the Programme for the Endorsement of Forest Certification Schemes (PEFC).

PEFC has recognised a number of other national certification schemes including those in Canada, Czech Republic, Germany and the US – major timber importing countries for Australia. PEFC is also currently assessing the Malaysian forest certification scheme for recognition.

Both the FSC and the AFS demonstrate that forests are being legally and sustainably managed, and both plantations and native forests can be certified under either scheme. Almost 8 million hectares of Australian plantations and native forests are certified under the AFS and over half a million hectares of Australian plantations are certified under the FSC, along with a small area of native forests.

Although most international certification schemes are considered to verify legality, their delivery of sustainability has been scrutinised by a range of different parties. The UK government has evaluated five international certification schemes, and their Central Point of Expertise on Timber (CPET) rates these in relation to legality and sustainability. Their CPET rating is reproduced in Appendix 2.

Other sustainability credentials

Where certified timber is not available to meet a project's needs, other indicators of legality and sustainability can be used.

Suppliers progressing towards certification are recognised by the WWF as preferred over other suppliers (White and Sarshar, 2006). Under these circumstances, the supply must be from a known licensed source and the supplier a participant in a time-bound process of progressing toward credible certification with third party verification.

For Australian native forest timber, Queensland has the South East Queensland Forests Agreement (SEQFA), while the rest of Australia has 10 Regional Forest Agreements in four states. These are 25 or 20 year plans for the conservation and

management of forests within the region. An important element of the SEQFA and the RFAs is the establishment of a Comprehensive Adequate and Representative reserve system to protect the environmental and heritage values of forests through national parks and other reserves, as well as providing for complementary ecologically sustainable forest management outside reserves. Plantation-sourced timber is generally considered non-controversial.

For timber that does not meet any of the above criteria, adherence to the country of origin's forest management requirements is clearly a critical first step towards sustainability. For imported timber from medium or high risk countries, sound evidence of compliance should be presented to satisfy this criteria.

Recycled Timber

Post-consumer recovered timber (i.e. recycled timber) is broadly recognised as a sustainable source. Though recycled sawntimber is unlikely to be imported, care needs to be taken if purchasing composite wood products such as particleboard claiming recycled content due to different interpretations of 'recycled' in different countries.

Evidence of origin

Chain-of-custody certification provides a simple mechanism to track timber or forest products from a certified forest throughout the supply chain to an end user. Most international forest certification schemes have associated chain of custody schemes. Having a chain of custody system allows processors to apply certification logos to their products and invoices etc., giving purchasers the highest level of confidence that the timber they are procuring originates from certified sustainably managed forests.

Despite the obvious advantages of certification, there has only recently been significant progress towards full chain of custody certification in Queensland, meaning that availability of wood with chain of custody certification and associated labelling can be limited.

Where timber with chain of custody certification is unavailable or where timber is not being sourced from certified forests, then alternative evidence may be required to ensure that wood comes from the stated source.

Independent verification of the source of timber can be used as evidence of origin. Under these circumstances, a third party that is autonomous from the supplier and with recognised qualifications in product tracking or certification can be used to verify the origin of the timber. In particular, the third party should seek to validate the production controls used to track the timber from the source, through all processing activities and any other parts of the supply chain prior to delivery.

In the absence of chain of custody certification or third party verification, a statement from the supplier detailing where the timber was sourced and any steps in the supply chain can be used. This statement should include the processes in place, and the evidence available, to verify this statement. Although the Trade Practices Act prohibits companies from making false or misleading claims (including website claims, invoices, published policies etc), a statement from the supplier will have greater credibility and legal weight if supported by a Statutory Declaration.

Supply Contracts

In developing supply contracts, specifiers are faced with the task of including suitable provisions to ensure timber is supplied from legal and sustainable sources.

Forest certification and attendant chain of custody procedures are currently being put into place both in Australia and internationally. This is the simplest mechanism for ensuring the legality and sustainability of timber.

However in the interim contract specifications seeking to ensure the legality and sustainability of timber sources should adopt preferential clauses to seek the highest level of certainty about legality and sustainability.

Appendix 1 contains model contract provisions that can be adopted within supply contracts to ensure timber is from legal and sustainable sources.

Importantly, the model provisions seek to ensure that there are mechanisms that allow suitable timber to be supplied. The prioritisation of different measures provides viable options for meeting contract requirements for those suppliers that are not as well advanced in relation to certification.

Users of the specifications are encouraged to consider which elements are most critical to supply, and individual elements can be extracted from the proposed specifications. At minimum, where timber is likely to be imported from uncertain origins, then legality clauses are recommended.

Conclusions

Whilst timber should remain the building product of choice due to its practicality, cost effectiveness and unmatched carbon profile, measures can be put into place to further enhance the legality and sustainability of supplies.

Forest certification and attendant chain of custody certification provides the simplest means of demonstrating legality and sustainability. In developing supply contracts, this is identified as the preferred measure. Where certified timber is unavailable, a series of model contract clauses have been developed to ensure that timber with the highest environmental credentials can be supplied.

References & Further Reading

Australian Government (2007) *Bringing Down the Axe on Illegal Logging – An Australian Government policy to eliminate trade in illegally sourced forest products*
http://www.daff.gov.au/__data/assets/pdf_file/0018/408501/DAFF-Illegal-Logging-Policy.pdf

Australian Timber Importers Federation (2008) *Code of Ethics*.
http://www.atif.asn.au/index.php?option=com_content&task=view&id=23&Itemid=42

Central Point of Expertise on Timber Procurement (CPET)
<http://www.proforest.net/cpet/evidence-of-compliance/category-a-evidence/approved-schemes>

Forest Stewardship Council (2006) *Standard for Company Evaluation of FSC Controlled Wood*, FSC-Std-40-005 (Version 2-1) En
http://www.fsc.org/fileadmin/web-data/public/document_center/international_FSC_policies/standards/FSC_STD_30_010_V2_0_EN_Controlled_Wood_standard_for_FM_enterprises.pdf

Jaako Pöyry Consulting (2005) *Overview of Illegal Logging*
http://www.daff.gov.au/__data/assets/pdf_file/0009/37593/illegal_logging_report_16sept05.pdf

Miller, F., Taylor, R. & White G. (2006) *Keep it Legal - Best Practices for Keeping Illegally Harvested Timber Out of Your Supply Chain*, WWF Global Forest and Trade Network
http://assets.panda.org/downloads/keep_it_legal_final_no_fsc.pdf

PEFC (2007): *Implementation of requirements for the avoidance of the procurement of raw material from controversial sources*.
http://www.pefc.org/internet/resources/4_1334_1225_file.1692.pdf

Timber Trade Federation (UK) Responsible Purchasing Policy
<http://www.tfrpp.co.uk/members/questionnaires/index.asp>

Transparency International (2007) Corruption Perceptions index
http://www.transparency.org/policy_research/surveys_indices/cpi/2007

White, G. & Sarshar, D (2006) *Responsible Purchasing of Forest Products*, second ed. WWF Global Forest and Trade Network
http://assets.panda.org/downloads/rpg_nopapercredit12sept2006.pdf

World Bank Institute (2007) Worldwide Governance Indicators
<http://info.worldbank.org/governance/wgi/index.asp>

Appendix 1 Model Contract Specifications - Legal and Sustainable Timber -

Timber used for building construction and fit-out should only be sourced from legal and sustainable sources. Timbers are considered acceptable where there is a high degree of certainty that they are from forests, either native or plantation, that are legally harvested and sustainably managed, or where they are recycled timbers.

Timber

In this contract 'timber' is deemed to include any new or recycled round or sawn solid timber or wood product such as particleboard, plywood, medium density fibreboard hardboard or oriented strand board. 'Recycled' timber is further defined below.

1. Legal Source

The contractor is required to submit evidence that new timber supplied under this specification has been obtained from a legal and authorised source. In order of preference, evidence of legal sources includes:

- 1.1. Statement, and if requested physical evidence, that the timber is:
 - a) sourced from Australia; or
 - b) imported from a *low risk country*; or
 - c) where imported from other countries, Chain of Custody (CoC) Certification from an *internationally recognised forest certification scheme*.
- 1.2. For timber imported from a country other than a *low risk country* where timber does not have CoC certification, a statement that the timber was sourced from forests managed within the legislation, regulations and codes of practices of the country of origin. Suppliers will state the policies and processes they have in place and the evidence available to verify this statement. Preference will be given to processes / evidence that have been verified by an *independent third party*.

Low Risk Country

In this contract, a country's risk is a function of these two measures:

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

A low risk country is defined as one with a CPI in the range 6.7-10.0 and with a WGI average across the six indicators in the range 67-100.

The risk profile of the 20 major source countries is contained in Annex 1.

2. Sustainable Source

The contractor is required to supply timber from a sustainable source. Preference will be given to timbers that have a higher level of certainty of their sustainability credentials.

In this contract new timber is considered to be sustainable if sourced from native or plantation forests that meet one or more of the following criteria, in order of preference:

- 2.1. Certified to meet the requirements of an *internationally recognised forest certification scheme*, or
- 2.2. Any one of the following:
 - a) Progressing towards certification to meet the requirements of an *internationally recognised forest certification scheme* in a time-bound process;
 - b) Are from a forest which is part of an Australian (Regional) Forest Agreement area approved for timber production;
 - c) Are from a plantation; or
- 2.3. From a known source that meets the country of origin's sustainable forest management requirements. Preference will be given to suppliers with processes / evidence that have been verified by an *independent third party*.

In this contract *recycled timber* is deemed to be from a sustainable source.

Internationally Recognised Forest Certification Schemes

In this contract 'Internationally recognised forest certification schemes' include:

AFS – Australian Forestry Standard

FSC - Forest Stewardship Council

PEFC – Other international schemes endorsed by the Program for the Endorsement of Forest Certification

Recycled Timber

In this contract 'recycled timber' means post-consumer recovered timber that prior to being supplied had an end use as a stand alone object or as part of another structure.

3. Evidence of Origin

The contractor is required to provide evidence of origin for all timber supplied. In order of preference, the evidence of origin will be:

3.1. Chain of Custody Certification

3.2. Third Party Evidence of Origin.

3.3. Statement of Source in a Statutory Declaration.

Chain of Custody Certification

In this contract 'Chain of Custody Certification' means timber that has chain of custody certification that conforms with the requirements of an internationally recognised forest certification scheme.

Third Party Evidence of Origin

In this contract 'Third Party Evidence of Origin' means formal verification by an independent third party of the product tracking which links the timber product back to source.

'Independent third party' in this context means an autonomous organisation with recognised qualifications in product tracking / certification.

'Product tracking' in this context means the production controls used to track the timber from the source, through all processing activities and any other parts of the supply chain prior to delivery.

'Source' in this context means the forest or forests where the trees were grown and harvested which provided the raw material for the timber product.

Statement of Source

In this contract 'Statement of Source' means a Statutory Declaration detailing where the timber was sourced and any steps in the supply chain. Suppliers will state the processes in place, and the evidence available, to verify this statement.

Annex 1

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
TOTALS			100.0%	841.5

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)


Appendix 2 – Five certification schemes assessed by CPET and their status in relation to legal and sustainable timber

Logo	Certification Scheme	Legal	Sustainable
	Canadian Standards Association (CSA)	Yes	Yes
	Forest Stewardship Council (FSC)	Yes	Only products or product lines containing >70% certified or recycled raw material.
	Malaysian Timber Certification Council (MTCC)	Yes	No
	Programme for the Endorsement of Forest Certification (PEFC)	Yes	Only products or product lines containing >70% certified or recycled raw material.
	Sustainable Forestry Initiative (SFI)	Yes	Only products or product lines containing >70% certified or recycled raw material.

Note: Only these five schemes were assessed by CPET, after identifying those most commonly encountered in the UK wood supply chain.

Source: Central Point of Expertise on Timber Procurement (CPET) Approved Schemes (December 2006)

Note that the Australian Forestry Standard is endorsed under the Programme for the Endorsement of forest Certification (PEFC).

	Australian Forestry Standard (AFS)	Yes	Only products or product lines containing >70% certified or recycled raw material.
---	------------------------------------	-----	--