



## **ENFE Position on a Due Diligence Systems to combating trade and processing illegal timber**

**Statement to the Proposal for a Regulation of the European Parliament and of the Council laying down the obligations of operators who place timber and timber products on the market**

### **Specific Conditions of SMEs in forest operations**

The current deliberations in the European Parliament and Council on endorsing the Regulation laying down the obligations of operators who place timber and timber products on the market to enforce combating trade and processing illegal timber in the EU Member States calls for attention of the enterprises in European forestry. Contractors' responsibilities in the forest value chain are becoming more and more important due to outsourcing of direct employed work force to contractors. Forestry contractors (forest entrepreneurs) are a large and heterogeneous group of mainly small and medium enterprises, which mainly offer services for forest owners and/or forest industries in various tasks in forest operations (cutting, forwarding, chipping/crushing, planting, road construction, long distance transport etc.). Like the structure of forest ownership, round wood markets, forest- and environment legislation, and forest certification differs from country to country, the forestry contractors sector is very heterogeneous throughout Europe. Many contractors (even if their main business is offering services) are to some extent involved in timber trade, by either regularly or discontinuously buying standing timber, harvesting, and selling it to markets. Trade can be either a core or a niche segment of a business. However, it can be assumed that the vast majority of timber traded by these contractors is from EU sources, where the thread of placing illegal timber on the markets is rather marginal and if occurs, can be combated effectively by EU Member States' legislation and authorities, and by forest certification schemes..

Therefore ENFE has a continuing concern about the concept of legally imposing a system to prove due diligence for all enterprises in forestry and wood processing who are to whatever extent involved in timber trade. The Due Diligence concept in fact will shift unduly the burden of proof for legal sources of timber down the chain to processors and operations.

### **Voluntary CoC certification is an effective tool for tracing timber sources**

Enterprises which are involved in timber trade and which are dealing with certified timber already today have CoC (Chain of Custody) certificates in place which should be compatible with the requirements of DD. With respect to abiding to forest laws



those that are certified chain of custody holders can demonstrate an extra third party guarantee upon the legality of the timber they've harvested and sold. But the share of CoC holders (PEFC and FSC) among forestry contractors is still rather low. (See CoC databases of FSC and PEFC.) If the forests are not certified, the SME would have to implement by itself a credible documentation on the legality of the wood he has harvested and sold. This of course would cause an undue administrative burden, whereas no additional benefit for a contractor could be envisaged.

The cost of a DD system cannot be easily estimated in advance. But e.g. in Finland the cost of establishing a CoC certificate for PEFC certified timber is about 2000-4000 euros per company. Maintenance costs are the license fees plus direct and indirect costs for additional administration efforts. To bear these costs until now is a voluntary business decision for a contractor who wants to trade certified timber. Legally imposing a DD system (which form administrative and financial burden seems to be equivalent to such CoC certificates) would implicate that a DD system would have to be implemented by every company in the wood chain.

To our understanding it is up to the EU Member States to effectively enforce their respective forest laws. As an EU citizens and businesses in the European markets we must rely on a effective policing and enforcing of laws and regulation, but can not accept a shift of the burden of proof to enterprises who without own offence are confronted with goods and commodities of suspect origin.

### **Voluntary Certification of Good Practice is an effective way to prove legality**

Contractors' responsibility in the wood chain is vitally important. In the wake there is demand for higher professionalism in this sector. Many contractors or their associations in Europe have already implemented some kind of quality management systems to guarantee the quality of their services to their clients. More and more a general understanding of criteria for good and viable forestry service providers is emerging. ENFE has launched an initiative to define umbrella criteria for forest entrepreneurs' good practice in Europe (EFFECT – European Forest Entrepreneurs Certificate). The objective is to establish a European Forestry Contractors frame certificate, which will offer prove of professionalism and of course legality in forestry operations in a cost effective, and not at least market driven way. It is necessary to construct a system compatible with existing and established systems to avoid overstressing the capacities of SMEs.

### **Conclusion**

**Generally, proving that timber comes from legal origin is crucial for the image of forestry and good for fair competition. But it is requested to avoid too much administrative efforts. This would lead to a situation, where only large organisations could survive in the markets, small enterprises, which still are the majority in forest operations and are an important factor of sustaining viable rural areas will get smashed under the financial and administrative burdens.**