China's Exploration and Practices to Establish Timber Legality Verification System

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Part 1

Background
China in the global forest product trade

- China is ranking the 1st for importing, 5th for the exporting, and 1st for the trade of forest products in the world (FAO, 2017)

- China is in the middle of global supply, and around half of the wood materials rely on the importing

- China can/should play an active role in global forest governance and addressing the illegal logging

Country share of forest products trade volume in 2017

Source from FAOSTAT 2018
Opportunity and Challenge for Sustainability

Chinese government is concerned about sustainable development, and the legislative framework improvement propels Chinese companies to emphasize the legal and sustainable timber processing and trade.

The public in China set sustainable requirements on the timber product consumption as the economy is growing.

Chinese companies are under the pressure of self-adjustment and restructuring with the new requirements from the government and the public.
Opportunity and Challenge for Sustainability

The world economic growth is slowing down and the market purchasing power is dropping, which weaken the export of timber and timber products.

The increasing limitations and bans on log export in many producing countries forces the implementation of sustainable forest management and utilization.

Acts on legality from the EU, America, Australia, Korea and Japan draw attention to the legality and even sustainability requirements.

US increase of standard of formaldehyde release for plywood, wooden furniture and engineered flooring add new elements to sustainability.
How Chinese companies react to legality requirements

Impact of these regulations on forest products international trade in China

- Big impact: 53%
- Certain impact: 30%
- No specific impact: 15%
- Not clear: 2%
How Chinese companies react to legality regulation

What measures have been taken against market requirements

- Carrying out third party forest certification: 102
- Provide information/evidence about supply chain and wood legality: 98
- Establishing your own timber supply chain management system: 73
- Developing the green procurement policies: 54
- Adjusting the supply chain, choosing low-risk countries or suppliers: 53
- Participating in the NGO initiatives: 18
- Carrying out third party timber legality verification: 17
- Carrying out timber legality checks of EU monitoring organizations: 15
- No responding measure: 7
- Others: 6
How Chinese companies react to legality regulation

Key challenge of company addressing these market requirements?

- Supply chain is too complex to trace to wood source: 65%
- Too high costs: 56%
- The legality of evidence is difficult to obtain: 46%
- Do not know how to meet international market demands: 46%
- The needs of different markets are inconsistent, difficult to...: 38%
- Do not know the requirements of international market: 31%
- Difficult to choose in face of too many methods and tools: 10%
Part 2

Exploration and Practices
1 China Timber Legality Verification Scheme

- CTLVS standard
- CTLVS management procedure
- CTLVS label management measures
- CTLVS auditing guide
- CTLVS operational guidelines
- China timber legality due diligence guidelines
China timber legality due diligence guidelines

- DDS Procedure guidelines
- Risk identification guidelines
- Risk mitigation guidelines
- Supplier auditing guidelines
China timber legality due diligence guidelines

M1: Responsible purchasing policy
M2: CDDS Procedure Manual
M3: Supplier risk management form
M4: Supplier information form
M5: Supply chain information form
M6: Supplier consent letter
M7: Risk specification form
2 Accelerate the application of CTLVS in enterprises and associations
Officially setup of China-FRA

33 organizations as the initiating organizations

2016.4.21 SHANGHAI

China-FRA website
3 Increase intergovernmental cooperation in combating illegal logging and associated trade
Develop strategic partnership
4 Capacity Building
Part 3

Effect and Impacts
More stakeholders have got involved in China's timber legality work and the two-way communication has been set up. Companies have their awareness, attitude, skills and practices on legal trade significantly increased. More enterprises attach importance to timber legality by establishing DDS or adopting other third-party verification systems, and accordingly they changed their operation behaviors. Government has fully listened to the suggestions of the project team in developing the administration measures, which will guide enterprises to better engage in the legal and sustainable trade.
Next-step work
Next-step work

- Provide expert supports for the drafting and release of Administration Measure on Strengthening the Legality of Imported Wood;
- Promoting the implementation of group standards for timber legality in the association Enterprises;
- Use the developed timber legality tools to provide enterprises with service in their due diligence and “going global”;
THANK YOU

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