Briefing Note Number 04

FLEGT Briefing Notes

Forest Law Enforcement, Governance and Trade

Control of the supply chain: Wood tracing systems and Chain of Custody

1 Background

A key component of the EU FLEGT Action Plan is the development of Voluntary Partnership Agreements between the EU and producer countries (see Briefing Note 6). An important part of such agreements is the establishment of a licensing scheme to ensure that only timber products that have been produced in accordance with the national legislation of the exporting country may be imported into the EU. Under the licensing scheme, import into the EU of timber exported from a Partner Country will be prohibited unless the timber is covered by a valid license.

The issuing of licenses will require implementation of a legality assurance system (LAS) (see Briefing Note

The titles of the eight briefing notes in this series are:
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2. What is legal timber?
3. A timber legality assurance system
4. *Control of the supply chain: Wood tracing systems and chain of custody*
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3). Under such a system, in order to issue a license, the Licensing Authority will need to have evidence to confirm that the timber was legally produced and that it can be traced to known legal origins[1]. This requires three things:

- A definition of legally-produced timber (see Briefing Note 2);
- A mechanism for control of the supply chain (e.g. wood tracing system or chain of custody);
- A means for verifying that the requirements of the legality definition and the supply chain have been met so this information can be presented to the Licensing Authority to allow the license to be issued (see Briefing Note 5).

This paper describes the second of these components – requirements for control of the supply chain – by means of series of principles and associated criteria. These have been designed to describe outcomes that must be achieved, rather than prescribe the means for achieving the outcomes. This provides scope for Partner Countries to determine the best way to achieve compliance within their particular national context.

2 Principles and criteria for control of the supply chain

2.1 Use rights

There is clear delineation of areas where forest resource rights have been allocated and identification of the holders of those rights.

2.1.1: There is sufficient information about the location and holders of use rights to allow checks that all harvesting is by authorised users.

2.2 Production and processing

There are effective mechanisms for tracing timber throughout the supply chain from harvesting to the point of export.

2.2.1: Each link in the supply chain has been identified and, for each link, there are controls to ensure traceability of timber or timber products.

2.2.2: Standing timber: There is a mechanism for checking the location of standing timber to be harvested and confirming it is consistent with the areas for which use rights have been allocated

2.2.3: Logs in the forest: logs or log loads are clearly identified and documented prior to being transported. This includes logs from forested areas being converted to other land-uses, using appropriate methods of identification and documentation.

2.2.4: Transport: Identification, documentation and other information for legally-produced material is maintained whenever it is transported. No mixing with material from illegal or unknown sources is allowed during transport or at insecure interim storage locations.

2.2.5: Secure interim storage: There are adequate controls at secure interim storage facilities, such as timber terminals, to ensure that material from legally verified sources is kept segregated from material from all other sources or, if mixing is allowed, that material from unknown sources and material which was harvested without legal harvesting rights is excluded from the facility (see also P2.4)

2.2.6: Arrival at primary processing facilities: There are adequate controls to ensure that all wood accepted into processing facilities is from legally verified sources or, if mixing is allowed, that material from unknown sources and material which was harvested without legal harvesting rights is excluded from the facility (see also P2.4).

2.2.7: Control within processing facilities: If mixing is allowed then there are adequate controls to ensure that segregation or mass balance approaches are properly implemented.

2.2.8: Arrival at point of export: All material (logs, log loads or processed timber) arriving at the point of export is accompanied by the documentation necessary to confirm that it has been legally verified.

Explanation: Although the approach used to identify material can vary (for example use of labels for individual items, or reliance on documentation accompanying a load or batch), the system should suit the type and value of material and the risk of contamination of legal material with illegal or unverified material.

2.3 Quantities

There are robust and effective mechanisms for measuring and recording the quantities of timber or timber products at each stage of the supply chain, including reliable pre-harvest estimates at appropriate accuracy of the volume of standing timber in each harvesting site. All data are recorded in a way which makes it possible to reconcile them with the prior and subsequent links in the chain in a timely manner. Reliable reconciliation is carried out for the entire supply chain.

2.3.1: Information on quantities of legally-produced material is reconciled in a reliable and timely manner throughout the entire supply chain. The approach used and the frequency of reconciliation should be such that any failures will be identified in a timely manner.

2.3.2: Standing timber: Prior to harvest commencing, a reliable estimate of standing timber volume is made at an appropriate level of accuracy for each area to be harvested, including areas being converted to other land uses. These estimates are recorded in a way which makes it possible to compare quantities of standing timber in an area with the actual volume cut.

2.3.3: Logs in the forest: Information on the volume or weight of harvested timber, together with any other appropriate data, is collected and recorded and is sufficiently detailed and in a format which makes reconciliation with estimates of standing timber and with subsequent stages in the chain possible.

2.3.4: Transport and interim storage: Information on the quantity of material being transported or stored is recorded and is sufficiently detailed and in a format which makes reconciliation with prior and subsequent stages in the chain possible.

2.3.5: Arrival at primary processing facilities: Information on the origin and quantity of all material which is delivered to the facility is recorded and is sufficiently detailed and in a format which makes reconciliation with prior and subsequent stages in the chain possible.

2.3.6: Control within processing facilities: Information on the quantity of raw material and final product from legally-verified sources is recorded and a reliable calculation of the conversion ratio is made. Based on these figures, there is regular reconciliation to ensure that the quantity of legally-verified product produced does not exceed the amount which can be reasonably expected to be produced from the quantity of legally-verified raw material used. Where conversion ratios used exceed industry averages this must be adequately justified.

2.3.7: Arrival at point of export: All material (logs or wood products) arriving at the point of export is accompanied by appropriate identification and documentation stating the quantity and origin (ie last point of transformation) of the material. This information is collected and recorded in a form which makes reconciliation with prior stages in the chain possible and which can be used to support issuance of a legality license.

Explanation: No more timber can be claimed under the LAS than has been produced from legally-verified sources. At each stage of the processing chain, the volumes of timber claimed to come from legally-verified sources can be readily cross-checked with the volumes produced at each source. This means that records must be maintained for the inputs and outputs from each stage of production, including both forest source and timber processing facilities. These records must be up to date and data must be gathered and analysed sufficiently quickly to allow discrepancies to be identified.

2.4 Mixing of legally verified timber with other approved timber

If mixing of logs or timber from verified legal sources with logs or timber from other sources is allowed, there are sufficient controls in place to exclude material which is from unknown sources or which was harvested without legal harvesting rights.

2.4.1: Segregation is preferred, but mixing may be allowed for a defined fixed period (e.g., 4 years) if there is a justification for its need and criteria 2.4.2 – 2.4.4 are met.

2.4.2: Mixing may only occur in processing facilities and interim storage or timber terminals where there are adequate security controls to ensure that unknown or illegal timber is excluded. It is not permitted in the forest, during transport or at roadside or other insecure storage.

2.4.3: There is a system in place to ensure that material from unknown sources and material which was harvested without legal harvesting rights is not being accepted into processing facilities or secure interim storage facilities where mixing is allowed.

2.4.4: There is a system in place to ensure that the quantity of product of a particular quality and species which is eligible to be licensed as legally verified does not exceed the proportion of the total product as the quantity of raw material of the same quality and species from verified legal sources used in the production process for that product type.

Explanation: This specifies the conditions under which timber from legally-verified sources within the LAS may be mixed with other approved sources of timber. This could be legally-imported timber (see P2.5 below) or timber from areas where harvest rights have been issued and are in the process of legality

verification. It requires that there are controls in place that allow this to occur, but excludes any timber from unknown sources, or from sources for which harvest rights have not been allocated.

2.5 Imported wood products

There are adequate controls to ensure that all imported wood products have been legally imported[2].

2.5.1: There is a system in place to ensure that any imported logs or wood products have been imported legally.

2.5.2: If agreed with the Partner Country, there is a system in place to ensure that imported logs or wood products were legally produced in and exported from the country where the timber was harvested .

Explanation: Timber imported to a Partner Country from a third country can be included in the Partner Country's LAS. It will be necessary, however, for the Partner Country to ensure any imported timber to be included in the LAS can be traced to legal export documentation from the country of origin. The Partner Country may implement a system to ensure that all imported timber that is destined for re-export under the LAS has been legally produced in the country of origin (e.g. by developing a system of verification in conjunction with the producer country). However, such a system is not mandatory under the LAS.

1. It will not always be necessary to maintain traceability for a log, log load or wood product back to the specific forest of origin, but this level of traceability will be needed between the forest and the first point there is adequate control of mixing (e.g. a timber terminal or processing facility).
2. Partner Countries will be encouraged to develop legality assurance schemes which include a requirement for each operator to ensure that all timber, domestic or imported, is from a legal source.

FLEGT Briefing Notes are prepared by an expert group convened by the European Commission and are intended to inform discussion of the EU FLEGT Action Plan. They do not reflect official positions. They are intended to provide useful information for potential FLEGT Partner countries and others with an interest in the initiative. (March 2007)