

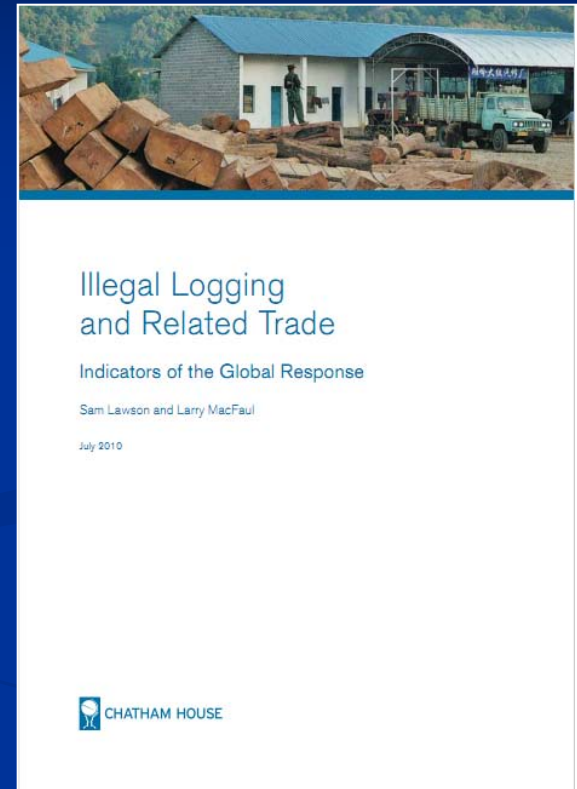
Illegal logging in Sarawak, Malaysia

Implications for Lacey Act Implementation



CH Study on Illegal logging & associated trade

- Major report by Chatham House, 2010
- Scale of problem & change in 12 countries (producer, processor and consumer)
- Overall conclusions positive – IL reduced by 50-75% in Brazil, Cameroon and Indonesia
- BUT still major problem (line of logs 10x round world/yr)
- Main drivers of past reductions reaching limits => new demand side drivers like Lacey, EU FLEGT are crucial for further improvements
- Some early indications that Lacey Act amendment is beginning to have an effect in prod & proc cties



CH study: findings & implications for US

FINDINGS

- Est \$4 billion of IL wood prod imports, 2008 – imps doubled between 2000 & 2006, but fallen by a quarter since
- $\frac{3}{4}$ of US imps of IL wood arrive indirectly (mostly via China), and $\frac{3}{4}$ are processed products (eg furniture, pulp and paper, mouldings)
- Verifying legality for wood prods from China proving v difficult
- Unlike new law in EU, Lacey does not have associated due diligence requirements or network of VPAs with producer countries

IMPLICATIONS / RECOMMENDATIONS

- “[Lacey] alone cannot prevent consumption of illegal wood [in the US].”
- Also need more formal, bilateral coop with prod & proc countries
- Federal govt procurement policy could add value
- More action by government in China also crucial

Sarawak & Forests

- Northern part of island of Borneo
- Around 90% of forests logged at least once
- Highest rate of deforestation in world
- Past ests of illegal logging v low
- Allegations of timber-related corruption by Chief Minister and his family
- Most logging controlled by six very large, listed logging companies (commonly with links to CM)



Background on Samling & Norway

- **Samling Global** – largest logging company in Sarawak; one of largest multinational logging companies in the world
- Involved in illegal logging in the past in Cambodia, PNG and Guyana
- Long history of conflicts with native communities in timber concessions in Sarawak
- **Norwegian Government Pension Fund** – largest sovereign wealth fund in world; investments in many listed companies around world
- Were largest single non-Malaysian shareholder of Samling
- Have Ethical Guidelines, inc on ‘severe environmental damage’
- Commissioned Earthsight to investigate ethical performance of Samling’s activities, esp. legality of logging in Sarawak

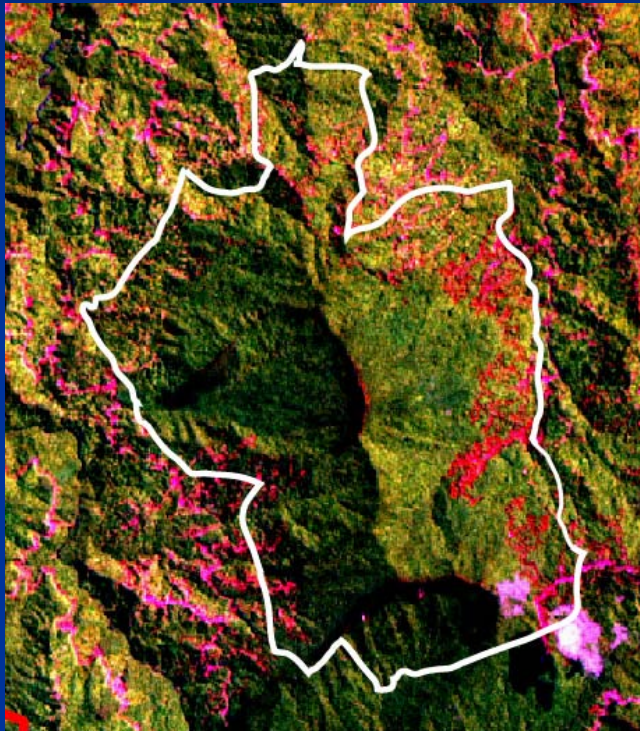
Methodology

- No assistance from Samling
- Concession maps and plans obtained and compared with satellite images
- Field investigations of current and recent logging sites

Results

- Evidence of systematic illegal logging stretching back many years
- *“breaches of regulations appear to be part of normal operations”*
- Multiple illegalities found in all 5 concessions examined
- Many illegalities occurring within areas which are part of ‘Heart of Borneo’
- Pension Fund disinvested from Samling for breach of ethical guidelines

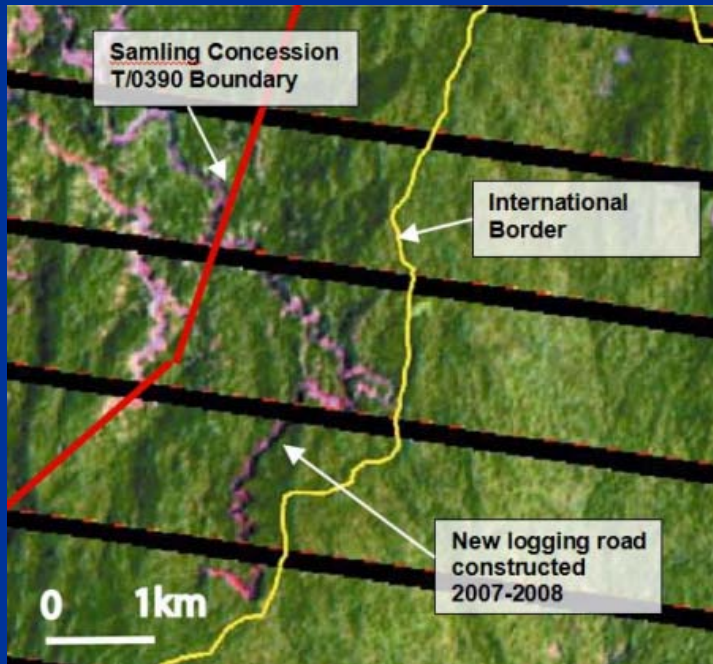
Types/Examples of Illegalities Identified



Logging in area declared as National Park

- Samling subsidiary Ravenscourt, logging licence T/0294
- Part of licence area (Batu Lawi mountain) defined by Forest Department as 'reserved' for extension of Pulong Tau National Park, 2005; logging not permitted
- Formally declared as part of National Park, 2008
- YET - Sat images show Samling carrying out intense logging in the area 2008/2009

Types/Examples of Illegalities Identified



Logging outside concession boundary



Logging in prohibited steep slope areas

Types/Examples of Illegalities Identified



Clear-cutting along logging roads



Cutting undersize & protected trees

Types/Examples of Illegalities Identified



Polluting streams



Cutting in river buffers

Buyer connections

- Timber from most concessions examined being used to produce plywood in Samling mill near Miri (Samling Plywood Baramas)

UK

- Jewson – builders' merchant chain; WWF Forest & Trade Network member
- Started buying plywood from Samling Plywood Baramas, 2003
- Halted purchases in 2009, but was never aware of illegalities exposed by Earthsight in 2010

US

- Weyerhaeuser – giant US timber retailer
- Was buying plywood from Samling Plywood Baramas, Oct 2009-June 2010
- Probably other prods imp by other companies via other countries

Other Malaysian companies

- Evidence emerging of similar levels of illegality by other major Sarawak logging companies and plywood suppliers

Implications for Lacey

- All logs leaving Samling timber concessions had proper tags, taxes paid; products exported legally; likely would have passed as independently VLO-verified
- Jewson's efforts and WWF FTN's assistance proved unable to prevent illegal wood entering supply chain
- Identifying the illegalities was difficult, expensive and time consuming and required specialist skill sets; source country auths unlikely to be cooperative
- Q: Could Lacey auths have detected that relevant imports were illegal? Even if provided with firm predicate offence evidence by a third party, would the auths have been able to build a strong enough case for a seizure or prosecution?
- Demonstrates difficulty for US importers to ensure legality and for US officials to prove illegality
- Why does this matter?...

Implications for Lacey

- The easiest cases to prove (eg. product banned from export, CITES listed species) – are exceptional
- Almost all illegally-sourced wood in US supply chains was laundered into 'legal' wood in country of harvest prior to export
- The majority of this will likely have been sourced from or laundered through licensed harvest areas
- **US buyers and enforcers cannot do this alone.**
- **US buyers cannot solely rely on things like FTN membership and VLO verification to ensure Lacey compliance.**
- **Buyers and enforcers need formalised co-operation with source countries and compulsory legality assurance systems (LAS) of the kind being established in source countries under FLEGT VPAs. There is also a case for 'due diligence' legislation and/or federal procurement policies to bolster Lacey.**

Further Information

- Earthsight website – www.earthsight.org.uk
- Chatham House report, briefing document, country report cards at www.illegal-logging.info (under 'Indicators of Progress')
- Ethical Council report on Samling available at <http://www.regjeringen.no/pages/13897161/Samling.pdf>
- Additional Samling supply chain information including on Jewson purchases (research for WWF by Earthsight) http://assets.wwf.org.uk/downloads/what_wood_you_choose_feb11.pdf
- My contact:
samlawson@earthsight.org.uk