

Note: This Powerpoint version without pictures for reference and not delivery.

Some Key Challenges to 2020 for the Private Sector

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My framework

- *APFSOS 2 guidelines*
- Introduction
- Three Key Challenges:
 - (1) Payment for Environmental Services (PES)
 - (2) Governance of the trade
 - (3) Planted Forests
- Conclusion

APFSOS 2

Organisers' guidelines:

- Enhance awareness of **long term** changes
- Understanding **emerging** opportunities and challenges
- Asia-Pacific vis-à-vis Global context

And they want it brief and straight to the point!

Firstly ...

A need to understand the Private Sector:
things are not as they seem.

Profit is the main driving force

Sometimes, the only driving force

Introduction

- Intense attention on Tropical Rainforests
- Temperate Forests escape scrutiny
- This paper focus only on tropical aspects
- Many challenges for tropical timber trade

(1) Environmental Services

- Tragedy of the commons & market failures (Payment for Environmental Services, PES)
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- Trade recognises only one use of the forests
- Other values of the forests do not accrue back to trade

PES

- Private Sector must be engaged in development of new markets for PES
- Non-timber forest products (NTFPs)
- “Carbon” can be very significant signal
- Reducing emissions from forest degradation and deforestation (REDD)
- Management of watershed, wildlife, etc

(2) Governance

- Producers and Consumers equally accountable
- Mainstream trade is legal and responsible
- 90 – 95% global timber trade legal
- However, we must recognise that illegal activities form a small minority

Restrictions & Bans

- Restriction/Ban on use of tropical timber by some companies , local governments and central governments
- Worrisome

Mitre 10 Tropical Timber Procurement Policy

Mitre 10 NZ Ltd is a member of the New Zealand Imported Tropical Timber Group (ITTG) which comprises representation of NZ Tropical Timber Importers, Timber Merchants, Environmental and Conservation Groups.

Mitre 10 NZ Ltd supports the Charter of Understanding of the ITTG as attached.

- 1 Mitre 10 (NZ) Ltd agrees to use the definition of "sustainable management" of tropical forests as determined by the ITTG.
- 2 Mitre 10 (NZ) Ltd will not source Tropical Timber from Sabah or Sarawak until timber from these countries can be sourced from sustainably managed forests.
- 3 Mitre 10 (NZ) Ltd will not knowingly advertise or otherwise promote Tropical Timber decking that is sourced from unsustainably managed forests.
- 4 Mitre 10 (NZ) Ltd will seek sources of Tropical Timber and Tropical Timber Products from certified sustainably managed forests. Initially Mitre 10 will request that suppliers identify the chain of custody of Tropical Timber using independent Chain of Custody Certification from credible organisations such as the Tropical Forest Trust (TFT) or FSC.

As suitable sources of Sustainably Managed Timber become available Mitre 10 will give precedence to supply from certified sources

Step backwards

But, “logging ban might contribute to increased levels of illegal operations”

FAO Forestry Paper 145, 2005

Procurement policies

- Procurement policies driven by NGOs
- Mostly point towards FSC certification
- Forest Law Enforcement, Governance and Trade (FLEGT)
- Voluntary Partnership Agreement (VPA) can be a big ***disincentive***

VPA concerns

One example of concern to Producers:

“All 25 member countries of EU must influence their local governments to implement their national procurement policies, so as to ensure fair trade.”

Trade Advisory Group, ITTO
May 2006, Merida, Mexico

(3) Planted Forests

- Global push towards planted timber
- Environment friendly c/f old growth?

Planting for solids

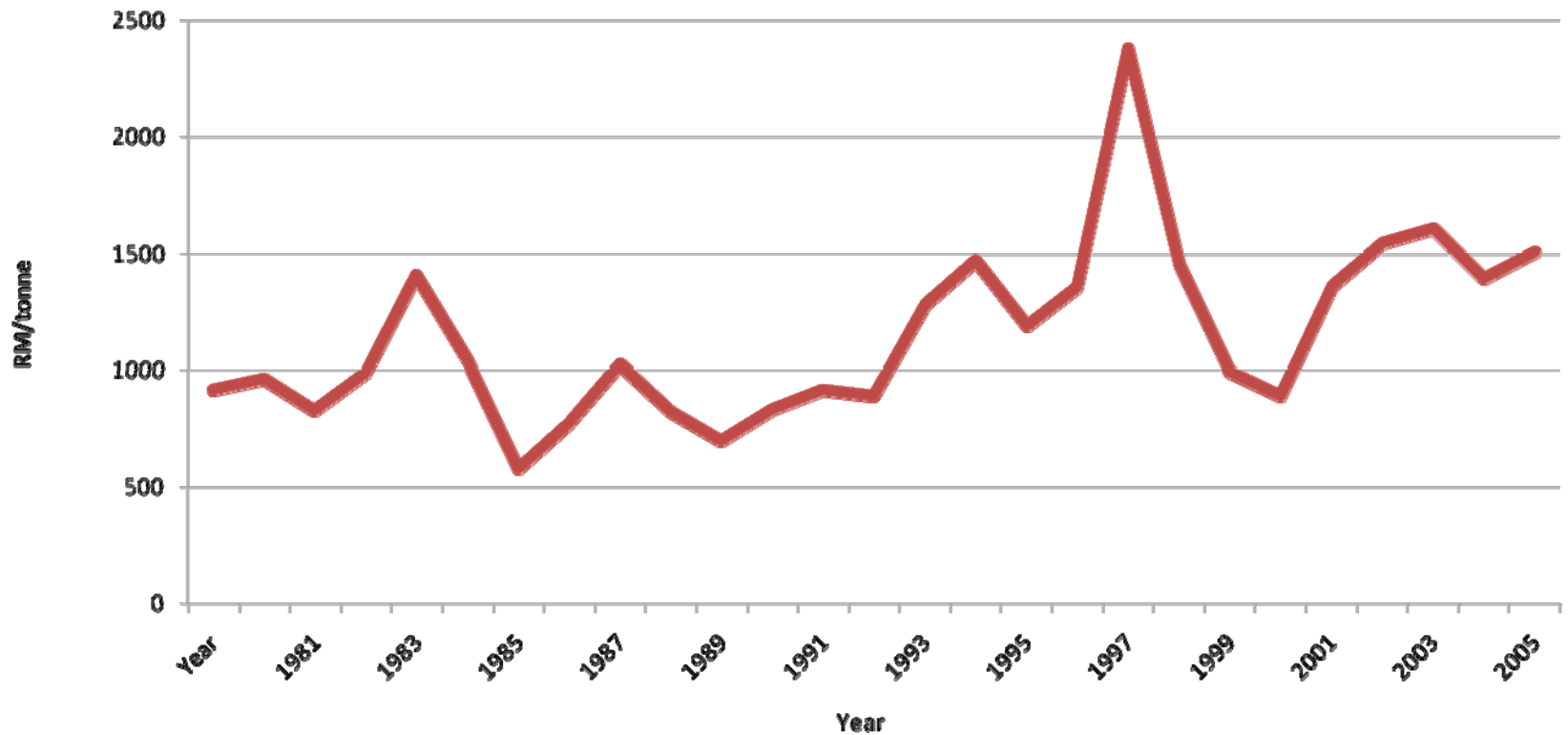
Economics of
logging vs
plantation

Trees vs Agri-crops

- Agri-conversion more profitable?
- Palm oil very efficient bio-fuel/ha
- High price of petroleum is an incentive

Stable market

Average CPO Local Delivered, 1980 – 2006 (RM/tonne)



Source: MPOB

Conclusions

Recalling ...

- **long term** changes
- **emerging** opportunities and challenges
- Asia-Pacific focus

Conclusion 1

Payment for Environmental Services (PES)

- Fluid and emerging at the moment
- Can be vital SFM instrument
- Private Sector must be engaged in PES discussions

Conclusion 2

Non-tariff barriers

- Legality issues
- FLEGT

Conclusion 3

Planted forests

- Economics will push trade towards planted material
- Agri-conversion, especially bio-fuel, will be a threat

Thank you