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#### **OUTCOME OF PROCEEDINGS**

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Subject: Forest Law Enforcement, Governance and Trade  
- Council conclusions (28 June 2016)

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Delegations will find in [Annex](#) the Council conclusions on the above-mentioned subject adopted by the Council at its 3479<sup>th</sup> meeting held on 28 June 2016.

**Council conclusions**

**Forest Law Enforcement, Governance and Trade**

The COUNCIL OF THE EUROPEAN UNION

- (1) RECALLS the Council conclusions on Forest Law Enforcement, Governance and Trade of 13 October 2003<sup>1</sup>;
- (2) RECALLS the recent Council conclusions of 14 March 2016 on Special Report No 13/2015 of the European Court of Auditors entitled “EU support to timber-producing countries under the EU FLEGT Action Plan”<sup>2</sup>;
- (3) WELCOMES the independent evaluation report entitled “Evaluation of the EU FLEGT Action Plan (Forest Law Enforcement, Governance and Trade), 2004-2014. Final version, 27 April 2016” and TAKES NOTE of the report’s key findings and recommendations;
- (4) WELCOMES the Report of the Commission to the European Parliament and the Council entitled “Regulation EU/995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market (the EU Timber Regulation)” and the Report of the Commission to the European Parliament and the Council “on the exercise of the delegation conferred on the Commission pursuant to Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market (the EU Timber Regulation)” and TAKES NOTE of the report’s conclusions and recommendations;

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<sup>1</sup> OJ C 268, 7.11.2003, p. 1

<sup>2</sup> Doc. 7084/16

## **The EU FLEGT Action Plan**

- (5) EMPHASISES that one of the identified strengths of the EU FLEGT Action Plan is its innovative approach bringing demand-side and supply-side measures together in a mutually reinforcing way, as confirmed by the evaluation report;
- (6) ACKNOWLEDGES that the implementation of the EU FLEGT Action Plan has led to two major pieces of legislation, namely (1) the FLEGT Regulation (Council Regulation (EC) No. 2173/2005)<sup>3</sup> and (2) the EU Timber Regulation (Regulation (EU) No. 995/2010)<sup>4</sup>;
- (7) WELCOMES the evidence presented by the evaluation on the contribution of the EU FLEGT Action Plan towards a decrease in EU imports of illegal timber;
- (8) RECOGNISES the importance of private sector engagement in the implementation of the EU FLEGT Action Plan in relation to actions on both the demand and the supply side and STRESSES that its continued and increased involvement in future implementation is crucial to the success of the EU FLEGT Action Plan as a whole;
- (9) NOTES recent progress under the EU Accounting Directive (2013/34/EU)<sup>5</sup> and STRESSES that more attention needs to be paid to finance and investment safeguards by public and private investors, banks and financial institutions, as investments leading to illegal logging and its associated trade are detrimental to the EU FLEGT Action plan;
- (10) STRESSES that Voluntary Partnership Agreements (VPAs) have proved to be a valuable instrument in promoting and improving forest governance, especially through the establishment of effective multi-stakeholder participation processes, clarification of legal frameworks, policy reforms, increased transparency and accountability and awareness raising;

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<sup>3</sup> Council Regulation (EC) No 2173/2005 of 20 December 2005 on the establishment of a FLEGT licensing scheme for imports of timber into the European Community (OJ L 47, 30.12.2005, p. 1).

<sup>4</sup> Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market (Text with EEA relevance) (OJ L 295, 12.11.2010, p. 23).

<sup>5</sup> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Text with EEA relevance) (OJ L 182, 29.6.2013, p. 19).

- (11) RECOGNISES that VPAs generate a wide range of benefits that materialise prior to FLEGT licensing and provide the governance foundation needed for the broader aims of achieving sustainable forest management and wider sustainable development objectives, such as halting deforestation;
- (12) WELCOMES the contribution of the EU FLEGT Action Plan to the strengthened trade and development cooperation with third countries where the EU and its Member States are active in supporting capacity building for governance and democratic processes, thus contributing to sustainable development;
- (13) NOTES with concern that despite all efforts, no FLEGT licensed timber is on the market yet. Nonetheless, APPRECIATES that VPA partners have charted comprehensive and ambitious reforms, which resulted in complex and time consuming challenges. Implementation of existing VPAs and ongoing and future VPA negotiations should reflect realistic expectations about the time necessary to fully operationalise the improved forest governance systems that are applied at national level and across entire countries. They should also better anticipate scale and nature of the challenges to be addressed in different national contexts;
- (14) RECOGNISES the challenges identified by the evaluation on VPA implementation, and CALLS ON the Commission together with Member States to reflect on the technical aspects identified and find ways to improve effectiveness and efficiency. In particular, RECOGNISES the need to improve monitoring of VPA results to better communicate and support efforts of partner countries that have embarked on reforms to transform forest sector governance;
- (15) WELCOMES the significant progress in implementation of the EU-Indonesia FLEGT VPA and the recent announcement about the readiness of Indonesia to start FLEGT licensing. STRESSES the importance of this first VPA to move to FLEGT licensing and EXPRESSES THE WISH that this will serve as a valuable example for other countries;

- (16) APPRECIATES the existing coordinated financial and human support to 46 timber-producing countries, including the 15 involved in VPA processes, provided by the EU and its Member States and STRESSES THE POINT that continuation and enhancement of FLEGT development support, including improved coordination, is essential. ACKNOWLEDGES that current human and financial resources within the Commission and Member States are limited and that prioritisation of activities, especially regarding the VPAs, is urgently needed;
- (17) STRESSES the importance of SMEs and smallholders, operating in domestic markets in producer countries;
- (18) TAKES NOTE of the concerns raised by the private sector in the framework of the evaluation that the focus on illegal logging has had unintended negative consequences on the image of timber as raw material in general. STRESSES that the EU and its Member States should continue to aim to promote legally and sustainably produced timber, regardless of its origin, as an environmentally friendly green product for multiple uses that contributes to sustainable forest management and can help mitigate climate change, in line with the Paris Agreement;
- (19) NOTES that Public Timber Procurement Policies have sent strong market signals and have contributed to the exclusion of illegal timber from EU markets and the promotion of sustainable forest management.

### **The EU Timber Regulation**

- (20) ACKNOWLEDGES that since the Regulation entered into force on 3 March 2013, the two year period covered by the review of the EU Timber Regulation (EUTR) is too limited to perform a comprehensive assessment of its performance, but that the report nonetheless provides indications about the state of the application of the Regulation in the EU and its effectiveness in achieving its intended objectives;

- (21) EMPHASISES that some first positive results have been achieved by the EUTR, such as increased awareness among the general public and market operators about the issue of illegal logging, as well as gradual changes in market behaviour of operators who are increasingly scrutinising their supply chains and HIGHLIGHTS that action by the EU and its Member States has had a catalysing effect, encouraging other consumer countries to expand their national legislation with similar legislative acts or to start considering measures with similar objectives;
- (22) NOTES with concern that the Commission report identifies challenges to the effective application of the EUTR, including amongst others the insufficient human and financial resources allocated to the Commission and competent authorities, the limited number of checks, and the lack of uniform understanding and coherent enforcement of the Regulation throughout the EU;
- (23) NOTES initial delays in applying the Regulation in some Member States, but RECOGNISES that significant progress in this respect has recently been achieved; UNDERLINES that further efforts and adequate resources are needed from Member States to step up implementation and achieve effective and a more coherent application and enforcement of the EUTR throughout the EU, in particular with a view to ensuring a level playing field and effective controls throughout the internal market;
- (24) EMPHASISES that effective implementation of the EUTR will have a reinforcing effect on VPA implementation and will thus add value to the EU FLEGT Action Plan and URGES Member States to contribute to this;
- (25) STRESSES that the EUTR already covers a considerable part of the timber and timber products that are placed on the EU market. NOTES concerns about reported gaps and inconsistencies in the products covered by the Regulation, which may affect the effectiveness of the Regulation and may create inequalities in the playing field both amongst EU market operators and between EU and foreign market operators. ADVISES the Commission to consider a possible adjustment of the product scope in order to address gaps and inconsistencies. INSISTS that any consideration of a possible adjustment of the product scope has to be subject in advance to a thorough impact assessment;

- (26) STRESSES the importance that future reviews of the functioning and effectiveness of the EUTR, according to article 20, paragraph 3, of the Regulation, also aim at gathering deeper insights in the impact of the Regulation on the EU timber market, including across different timber product groups and on the market operators.

### **The way forward**

- (27) UNDERLINES that illegal logging continues to cause major damage, environmentally, socially and economically, as well as hampers efforts to address wider sustainable development objectives, and CONFIRMS that the EU FLEGT Action Plan remains an important contribution to addressing challenges in this context;
- (28) REITERATES that the EU FLEGT Action Plan should be explained in the framework of efforts to achieve sustainable forest management globally and STRESSES that legal requirements for forest management form the basis for sustainable forest management and so effective law enforcement is a precondition for sustainable forest management;
- (29) REAFFIRMS its commitment to continue tackling the issue of illegal logging and associated trade in a collaborative and coordinated way at multilateral level<sup>6</sup> and with consumer and producer countries, the private sector and other stakeholders;
- (30) STRESSES that more focus is needed on forest-related international cooperation, specifically with other states with similar demand-side legal regimes in place and on engaging with other major importing countries through international and bilateral dialogue to address global illegal logging and associated trade, in an even more efficient way;
- (31) URGES the Commission, the High Representative of the Union for Foreign Affairs and Security Policy, and the Member States to intensify and coordinate the political dialogue with countries exporting large volumes of timber and related products to the EU, but which are not engaged in a VPA, with a view to combatting illegal logging and associated trade and promoting legally and sustainably produced timber;

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<sup>6</sup> As explained in the section 4.2.2 of the EU FLEGT Action Plan.

- (32) REQUESTS the Commission to further enhance facilitating information exchange from relevant sources and cooperation between competent authorities, inter alia with the view to improving access to official and independent information on national legislation and legal and illegal logging in third countries. REQUESTS the Commission to provide, in close coordination with Member States' competent authorities, further guidance, where appropriate, in order to realise a more efficient, coherent and coordinated application of the EUTR;
- (33) NOTES that the political and global economic context has changed significantly in the last decade. STRESSES that important policy developments, such as the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs), the Paris Agreement, the International Arrangement on Forests beyond 2015, and the CBD Aichi Targets should inform future priority-setting under the Action Plan to ensure its coherence with current and emerging policy challenges;
- (34) NOTES with great concern that deforestation and forest degradation in the world still remain a substantial problem and that forests are under pressure. The reasons for this are complex and include agricultural expansion. ENCOURAGES the Commission to examine options to tackle the drivers of deforestation and forest degradation in the world and examine how the EU FLEGT Action Plan can continue to contribute to address these challenges and maintain its focus;
- (35) RECOGNISES that the overall design of the EU FLEGT Action Plan has been innovative, comprehensive and forward looking, and its objectives and intervention logics, as well as its main pillars and action areas remain relevant. However, a shift in priorities and approaches within and between actions areas is required, notably with regard to VPAs, including the monitoring of their impact. STRESSES the need for clear strategies to deal with VPAs that are continuously failing to meet agreed expectations;
- (36) As envisaged in the Action Plan, INVITES the Commission, in close cooperation with the Member States, to develop a detailed and coordinated work plan that reprioritises current areas of activities, gives clarity on objectives, establishes milestones to track progress, and facilitates monitoring, while avoiding duplications of efforts. The work plan should describe the roles and commitments of the Commission, EU-delegations, and Member States, and leave some room for flexibility.