



2016

POSITION PAPER

# The EU Timber Regulation and Product Scope

The European Union Timber Regulation (EUTR) aims to prevent products that derive from illegally sourced wood being sold in the EU. However, not all products containing wood are included within the scope of the EUTR. This means that EU businesses and consumers may still be contributing to illegal logging, which causes serious environmental, social and economic impacts. WWF is calling for the EUTR to be strengthened and extended to include all wood-based products to make sure illegally-sourced wood cannot be traded in the EU.

## Could the EUTR be improved?

As one of the world's largest timber consumers, the **EU has recognised that it has a responsibility to tackle the issue of illegal logging.**

The EUTR came into force in March 2013 in order to prevent illegally logged timber and timber products from being sold on the European market. Operators importing products made from wood are required to carry out due diligence to ensure the wood in their supply chains can be traced to a legal source.

However, **not all wood-based products are covered by the legislation.** These include major product categories associated with a risk of illegal logging, including musical instruments, printed materials, seating and charcoal, as well as many other products that may be wholly or partially made from wood.

The regulation is currently undergoing a review. This gives us **a chance to improve it so it covers all wood-based** products being traded in the EU.

## What is WWF's position?

Our position is simple: **we advocate an “all-in” approach**, so that the EUTR covers all products that are or may be made of wood, and that contain or may contain wood. We believe this is the simplest and most effective way to ensure that no wood from illegal sources is sold in the EU. It will create a level playing field for businesses, and provide assurance for European consumers who don't want to unwittingly buy products made from illegally logged timber.

## What evidence is this position based on?

In 2014, WWF-UK commissioned Newleaf Sustainability Practice to carry out an in-depth analysis to determine how effective the EUTR is in reducing the risk of illegal wood entering the EU market. The research showed that 51% of 934 CN codes (which are used to classify the types of products traded in the EU) are outside the scope of the regulation, equating to 59% of imports by value.

Newleaf has now published a follow-up report, using updated trade figures and a more accurate methodology which has identified further product groups that may contain wood. The new report confirms that, although the EUTR currently covers a significant majority of wood-related imports by quantity, **only a third of imports in terms of value is covered**. While many of the products in these categories may contain only small amounts of wood, the risk remains that this could be of illegal origin.

The report finds that:

- 371 relevant CN codes (52%) are out of scope, and 326 in scope.
- The value of out-of-scope imports rose from €43.1 billion (2013) to €46.6 billion (2014).
- The value of in-scope imports rose slightly from €21.7 billion to €23.1 billion.
- By value, just 33% of products that may contain wood were covered by the EUTR, while 67% were out of scope.
- By volume, 86% of wood-related products are covered by the regulation.

### Important out-of-scope product groups include:

- printed publications
- cellulose
- rosin and resin acids
- feminine hygiene products
- seats with wooden frames
- charcoal
- fireworks
- artificial yarns
- toys and games
- musical instruments
- furniture
- ships and boats
- tools
- umbrellas

## Isn't volume more important than value?

The fact that the large majority of imports by volume is covered by the EUTR is encouraging. However, if high-value items containing wood remain out of scope, then **the EU will continue to provide a lucrative market for illegal loggers.**

Some of these out-of-scope product categories present a high risk: for example, musical instruments which are often made from **endangered tropical timber** species strongly associated with illegal logging. In addition, high-value products have often been highly processed, making traceability more challenging: this increases the risk that illegal timber may have entered the supply chain.

## How do our findings compare with those of others?

Newleaf also reviewed other recent research on the scope of the EUTR by the UK Department for Environment, Food & Rural Affairs (Defra) and the Thünen Institute of International Forestry and Forest Economics.

In a submission to the European Commission, **Defra** proposes the immediate inclusion in the EUTR of a list of CN codes which it believes cover products that are either made of wood or definitely contain wood. It also provides a longer list of codes which may cover products containing wood for further consideration.

In total, these two lists have a value of over €47.5 billion – slightly higher than the value of out-of-scope products identified in our analysis, as Defra included a number of product categories (such as plastic furniture, watches and stuffed toys) which we didn't consider relevant. However, its **priority list for immediate inclusion covers only €7.3 billion** of this total, and misses a number of significant wood-based product categories, such as fireworks, cellulose, transfers, paper yarn and viscose.

A report by the **Thünen Institute** states that the EUTR covers 90% of imports by quantity and 74% by value. However, **this report has a relatively narrow focus** on the “forest-based sector”, and excludes a large range of products containing wood, particularly more processed articles. Products not considered in the analysis include matches, musical instruments, pencils, nappies, sanitary towels and wooden puzzles to name but a few.

## How would an all-in approach work in practice?

We believe that **an all-in approach is the only reliable way to iron out loopholes** in the EUTR, and also the simplest to implement. It would make due diligence processes more consistent, fairer and more efficient.

The Newleaf report looks at the practical implications of bringing all relevant product categories into scope. CN codes are broad, and a number contain product groups that clearly do not contain wood, along with others that do. **Newleaf recommends using annotations**, or explanatory notes, to differentiate products that contain wood from products that don't, within the confines of the current CN codes. This is a simpler solution than the one put forward by Defra, which recommends changing certain CN codes.

The use of annotations has precedence in international law (for example in CITES, which is referenced in the EUTR). They can be as simple as a note saying “where these are made from or contain wood” added to the product category in question. The Newleaf report contains a number of case studies showing how annotations could be used to give **clarity to approximately €21 billion of imports** which are currently out of scope.

Newleaf also identifies **an “enhanced list” of products that need to be brought into scope**. It includes key CN codes, products that use high-risk species (such as tropical timber), products where the use of wood could be specifically covered by using annotations, and products recommended by other stakeholders. This enhanced list accounts for €26.7 billion (58% of out of scope products by value) and 5.9 million tonnes (62% by quantity). While we strongly believe that the EUTR should be extended to cover all products containing wood, **this list provides useful risk-based guidance** both for business and for the authorities responsible for implementing and enforcing the EUTR.

Bringing more product groups within the scope of the EUTR will mean more industries having to do due diligence on their supply chains. This includes the food and beverage sector, fashion, cosmetics, chemical producers, general manufacturing, ship building, pyrotechnics and handicrafts. However, Newleaf’s analysis concludes that the large, well-resourced businesses that dominate these sectors are likely to be aware of the issues and **fully capable of managing any new obligations**.

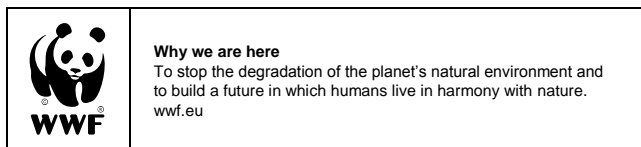
### For further information:

Julien Tavernier  
EUTR Policy Officer  
WWF European Policy Office  
169 Avenue de Tervurenlaan Box 20  
1150 Brussels  
Belgium

Tel +33 (0)6 22 63 68 10  
Email [jtavernier@wwf.eu](mailto:jtavernier@wwf.eu)

**Wwf.eu**  
**@WWFEU**

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WWF European Policy Office, 168 avenue de Tervurenlaan, Box 20, 1150 Brussels, Belgium. Tel. +32 2 743 88 00. For contact details and further information, please visit our website at [www.wwf.eu](http://www.wwf.eu)