About FERN

FERN is a campaigning organisation that works to preserve forests and protect the rights and livelihoods of people who live in them. We work closely with local communities and civil society partners, mainly in the global South and the European Union (EU). We have a particular focus on the policies and practices of the EU which affect forests. FERN is strong in advocacy and research, but we see our main role as working collaboratively with partners to create the conditions for often marginalised forest communities to have their voices heard. We help build strong coalitions as we believe that they are best placed to bring about lasting reforms.

Working towards improved forest governance and a stronger say for forest communities is central to our work, but FERN also runs highly effective campaigns on issues important for the long term protection of the forests, including illegal logging, biodiversity offsetting, export credit agencies, carbon trading and bioenergy.

In 2013-14, FERN had a budget of 1.6 million euros. It has offices in Brussels and the UK and employs around 15 staff, many of whom spend considerable time with partner organisations in Africa and South East Asia. Our donors include the EU, foundations and Member State governments.

FERN’s priorities and campaigns change as the world changes. Over the coming years, while continuing with our existing campaigns, FERN will be devoting more attention to emerging threats including the destruction of forests to make way for agricultural commodities such as palm oil, soya and beef. We will be looking for ways to reduce the EU’s runaway consumption of forest risk crops and to strengthen the land tenure rights of existing forest dwellers.

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The FERN team

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Gianni Valentini: Belgian Office Manager
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Richard Wainwright: Communications Manager
Linde Zuidema: Export Credit Agency Campaigner

In 2013–14 FERN’s Board comprised
Ramy Bulan: specialist in law, indigenous issues – Malaysia (incoming)
David Kaimowitz: specialist in forest politics and economics and community rights – Nicaragua
Jacques Lauruol: specialist in financial issues and financial training – UK
Kyeretwie Opoku: specialist in forest governance and democracy and tenure issues – Ghana (outgoing)
Elisa Peter: specialist in forest politics and UN institutions – France
Fred Pearce: specialist in communications, climate change and land grabs – UK
Sian Pettman: specialist in EU policies and fair trade – UK
Silas Siakor: specialist in community rights and natural resource management – Liberia
Welcome

2013 has been a year of progress for FERN’s campaigns, sometimes dramatic, sometimes grindingly slow. More than a decade of campaigning for legislation to stop illegal timber entering the EU was finally rewarded this year with the implementation of the European Union Timber Regulation (EUTR). Those in the EU who now trade in illegally sourced timber can face criminal charges. Meanwhile the Voluntary Partnership Agreements (VPAs) the EU is developing with 13 wood producing countries, mean that local communities in those countries can at last have a say in the decisions affecting their lives. These historic legal frameworks – which FERN helped to shape – have led to concrete achievements over the past year in the countries where we work.

In 2013 we supported our partners to make real steps towards improving forest governance. In Vietnam where, until recently, civil society organisations have been unheeded, NGOs are having a say in determining the country’s forest policy. And in Liberia, local communities are poised to receive a financial windfall from timber concession holders who are legally bound to pay them a percentage of their land rental fees. A new policy has also been adopted which will see roughly half of the country’s land revert to community ownership when it becomes law. Transparency in the forestry sector is improving across the board.

These successes have been helped by the building of a communications team at the heart of FERN which has already led to a doubling of visitors to our website.

FERN has taken a strong stand against biodiversity offsetting, an idea that has gained traction across the EU with governments looking for ways of permitting commercial development in environmentally sensitive places. We see biodiversity offsetting as a deeply flawed concept that can create “a license to trash nature”, which rides roughshod over communities’ interests. To begin with we felt like we were swimming against a strong tide. However, over the last year FERN has successfully drawn media attention to our side of the argument, and we have played a leading role in developing a powerful consensus amongst European environmental and social NGOs that biodiversity offsetting will do more harm than good. This effort has drawn on our strengths as a coalition building organisation.

As well as being an opportunity to look back, we are also using this report to look forwards. To this end, the report concludes with an essay by Fred Pearce looking at the EU’s enormous forest footprint and how to reduce it.

The FERN Team
Carbon trading

To the European Commission, climate change is “one of the greatest environmental, social and economic threats facing the planet”. The UN recently stated that global warming is “severe, pervasive and irreversible”. Despite near universal concern, EU efforts to reduce emissions focus on the trading of carbon. This has proven ineffective for a number of reasons, including that the cap has been set at a meaninglessly low level and that companies are offered the opt-out clause of being able to pay others to make the emissions reductions for them (known as offsetting).

The main global carbon trading scheme is the EU Emissions Trading System (EU ETS), and FERN has been analysing it for more than 10 years, collating the conclusions into publications such as Trading Carbon: How it works and why it is controversial, which continue to get viewed up to 2000 times per month. It is regularly updated on FERN’s carbon trading related blog: www.fern.org/book/trading-carbon

Our year

FERN advised the makers of the film Carbon Crooks which outlines not only the continual failure of the EU ETS to achieve its aims, but also the terrifying levels of corruption it harbours. On its launch FERN hosted a showing of the film in Brussels for NGOs and interested parties from the Commission. For more information visit: carboncrooks.tv

FERN also produced Carbon Discredited: Why the EU should steer clear of forest carbon offsets, which looks at an EU supported offset scheme in Mozambique. The report found that the project failed to identify, measure, or monitor social indicators, and neither demonstrated significant community involvement nor management. The project was also based on some unlikely assumptions regarding permanence such as signing a contract with a seven-year payment period and relying on the contracting party to maintain the trees for an additional 93 years after payments have ended. The report concludes that the EU should not direct any further funding to this endeavour.

FERN’s report, Misleading numbers: The Case for Separating Land and Fossil Based Carbon

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1 http://eeas.europa.eu/delegations/mozambique/eu_mozambique/tech_financial_cooperation/rural_dev_agric/climate_change/index_en.htm
2 http://www.bbc.co.uk/news/science-environment-26810559
4 http://www.fern.org/nhambita
5 http://www.fern.org/misleadingnumbers

Emissions looked at recent scientific investigations into measuring carbon emissions from fossil fuel and forests. It found that there is still confusion about the nature of the global carbon cycle and how land based emissions reductions are calculated. Given the continuing problems associated with measuring carbon in forests, the report recommends that policy makers focus on measuring forest loss, rather than emissions from that loss. Such an approach will be of direct and certain benefit in the fight against global warming. No matter what clever tricks policy makers come up with to try to bypass the hard realities of cutting emissions, it is clear that greenhouse gas emissions will only be reduced by radically curtailting fossil fuel use and leaving carbon safely below ground. This is what EU policies must focus on.
Bioenergy

Whilst the need to reduce our use of, and dependence on fossil fuels is clear, we must be careful that ‘solutions’ don’t exacerbate problems. Biofuels have already had a dramatic and negative effect on the environment, indigenous peoples and communities who live in areas where they are produced. Wood (woody biomass) used to generate electricity in EU power stations often causes more emissions than the fossil fuels it replaces and the harvesting of such biomass can have a devastating effect on biodiversity levels.

Our year

FERN has been campaigning against electricity being produced in the EU through burning old growth forests shipped in from the US. As part of this, FERN helped facilitate a round of meetings with the Commission and US NGOs making it clear that their forests aren’t fuel. Their message was plain – conversions of large coal-burning power plants to wood (co-)firing in Europe have resulted in the explosive growth of wood pellet exports from North America. Enviva, the South USA’s largest exporter of wood pellets, currently leads this market and has some of the most biologically diverse and valuable forest ecosystems in the US in its sights.

FERN believes that if biomass for heat and power is to be part of efforts to reduce carbon emissions, there first needs to be understanding about its limited supply, and agreement about how to ensure production does not harm the environment and local communities; what distance it is desirable for precious resources to travel; and how to ensure biomass is only burnt once it has been used for all its other useful functions.

The EU is discussing introducing biomass sustainability criteria, but, whilst these have a role to play, they will only work in a policy context that recognises that supply is limited and biomass needs to be used efficiently.

FERN presented this position directly to the EU Standing Forest Committee along with our vision on sustainable forest management criteria. We also raised the issue in public debates and in letters to relevant EU Directorate Generals. Discussions on biomass sustainability criteria have now been postponed to 2020.

Biodiversity offsetting

Existing EU policies to address biodiversity loss have been insufficient and the picture in EU forests is particularly stark; 27 per cent of EU forest-dwelling mammals, 10 per cent of reptiles and eight per cent of amphibians are threatened with extinction.6

Action is needed, but new EU plans could do more harm than good. The idea being touted around EU environment ministries is ‘biodiversity offsetting’.

This relies on the premise that biodiversity lost in one place can be replaced in another, achieving ‘no net loss’. This ignores the difficulty of restoring or recreating ecosystems, and overlooks how unique and interconnected biodiversity is. It also disregards the importance of nature for local communities who lose access when a harmful development project goes ahead.

Before and after biodiversity offsetting
Our year

In 2013, FERN worked with a number of local NGOs across Europe to understand the impact that offsetting is having on the ground. We also worked with lawyers to understand the impact stand alone legislation on offsetting would have on existing EU nature protection laws. A campaign was launched to document and expose the effects of biodiversity offsets on nature and communities. The Commission has already begun to take notice, as the three FERN briefings released (see publications) have led to comment pieces in influential media outlets such as the Guardian⁷ and the Ecologist.⁸ We will continue to work with civil society directly affected by offsetting projects across the EU and the European Institutions to ensure new biodiversity policies aspire to no biodiversity loss.

FERN was also elected to be the coordinator of the European Habitat Forum Working Group on No Net Loss, meaning that NGOs have been able to deliver a louder and more coordinated critique of the EU’s No Net Loss Initiative. This has led to more open and deliberated scrutiny of the pros and cons of offsets in the Commission’s official communication. Their recently published report ‘Policy options for an EU no net loss initiative’ has clearly taken NGO concerns on board.⁹

Publications

FERN started 2014 with a series of briefings outlining the basic issues at the heart of the biodiversity offsetting debate. The first explains the importance of biodiversity to our everyday lives. The second looks in more detail at EU attempts to rework its biodiversity strategy since targets to halt the loss of biodiversity by 2010 were missed. It explains why any introduction of biodiversity offsetting is likely to cause more problems than it solves. The final briefing looks at biodiversity offsetting in practice and finds that the picture is far from rosy. All are available at: www.fern.org/campaign/biodiversity-offsetting

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Export Credit Agencies

TACKLING EXPORT CREDIT AGENCIES: THE SHADOWY SUBSIDISERS OF CLIMATE CHANGE

Although few would be able to name their country’s Export Credit Agency (ECA), they are an essential part of world trade patterns, used to offset the risks corporations take when building and investing internationally. ECA support is available for among others mining, petrochemical, energy and aircraft industries. As such they act as an unofficial subsidy to these environmentally/climate destructive industries, many of whom are behind the production of huge amounts of greenhouse gases.

Despite nearly ten per cent of world trade being supported by ECAs, little is known about their activities, and attempts to access even basic information are blocked by “client confidentiality” or “competition regulations.” For more than a decade, FERN has been working with the ECA-Watch network and specifically European ECA-Watch to not only monitor the most damaging ECA activities such as dams and pipelines, but also push for regulation to minimise their damage.

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⁷ http://www.theguardian.com/environment/blog/2014/jan/15/biodiversity-offsetting-housing-ancient-woods-environmentalism
⁸ http://www.theecologist.org/campaigning/2145394/biodiversity_offsetting_an_end_to_environmental_protection.html
Our year

In 2013 we worked to ensure that NGOs monitoring ECAs in Member States were able to share information and build on each others’ campaigning. At the EU level, ECA-Watch pushed for strong implementation of the 2011 “EU Regulation on the application of certain guidelines in the field of officially supported export credits”. This Regulation which FERN and the network worked hard to get adopted means that Member States are now obliged to annually report to the Commission on the practice of their ECAs. Without NGO vigilance, there are concerns that ECAs only minimally report on their practices and don’t sufficiently comply with EU obligations and objectives.

Publications

The November 2013 publication of Still exporting destruction: A civil society assessment of Export Credit Agencies’ compliance with EU Regulation (PE-CONS 46/11) assessed ECA practices in relation to transparency, public accountability and compliance with the EU’s objectives on external action. The report highlights case studies of concern and presents options for the EU Institutions to reduce the harm done by ECAs. For more information visit the ECA-Watch website: www.eca-watch.org

10  http://www.fern.org/stillexportingdestruction

Illegal logging

THE BATTLE AGAINST ILLEGAL LOGGING

This year, FERN’s largest campaign continued its ongoing focus on reducing illegal logging and improving forest governance. Large-scale illegal logging and its associated trade are responsible for environmental degradation, significant loss of government revenue, impoverishment of local communities, high carbon emissions and violent conflicts. But in order to stop it, the underlying causes of illegal logging need to be tackled. These include lack of good governance and lack of clarity over who has rights to the forests.

Making use of the EU Forest Law Enforcement, Governance and Trade (FLEGT) Programme, FERN has worked for ten years with partner organisations to re-define legality to ensure that what is legal is also just. Enforcing unjust forest laws has a negative impact on forest peoples’ livelihoods and forests.

When communities have control over the forest and land they depend on, destructive logging, conflict, and carbon emissions are reduced. To gain control, local NGOs and communities must first have the opportunity and ability to influence the decisions that affect them.

FERN campaigns to ensure local NGOs have a say over policy decisions that impact them, specifically in the negotiation of a Voluntary Partnership Agreement (VPAs). VPAs are legally binding trade agreements to control illegal logging and improve forest governance. The EU has agreed six VPAs and is negotiating a further eight under the FLEGT scheme.

Once a VPA has been agreed, FERN works with local NGOs to improve community control over forest resources, by making use of the text of the signed and binding Agreement.

In the ten years since the adoption of the FLEGT Action Plan, local organisations have been strengthened, communities are claiming the benefits owed to them, legal reform processes to increase community control are ongoing, transparency in the forestry sector is increasing and coalitions among NGOs in country and regionally have been built. Much has been achieved, but the threats to forests and people remain.

With less forest left in some countries and rules being tightened, the allocation of ‘official’ logging concessions for ‘export’ has effectively stopped in most countries. Instead ‘shadow permits’ have
become a significant source of commercial timber. In Liberia, Ghana, Democratic Republic of Congo (DRC) and Cameroon, timber companies in collusion with governments are using loopholes in the law – and in the VPA – to continue business as usual.

On top of this, as explained in detail in Fred Pearce’s closing essay, “the EU Forest Footprint and how to reduce it”, increased demand for agricultural commodities has meant that in VPA countries a large and growing percentage of timber is now coming from conversion rather than from logging. E.g. 30 per cent in Cameroon to 70 per cent in the Republic of Congo. Hence, it is important to not only campaign for the effective implementation of the VPAs including the closing of loopholes like shadow permits and conversion timber, but also to widen the scope of EU Action from the forestry sector to the agricultural sector.

To find out more about FLEGT and VPAs see this short presentation which was launched in December 2013: www.fern.org/improving-forest-governance-presentation

**Our year**

The above map shows where VPAs are being negotiated or implemented. In most of these countries, FERN is working in close partnership with local NGOs, often as part of a local or national network. FERN believes partnerships are two-way processes. Close contact with local organisations ensures our work is grounded in reality. It also enthuses us with a drive to make change happen. In 2013, FERN and our partners recorded some notable successes in creating space for civil society and achieving community control over forests and resources:

In **Cameroon**, FERN and our partners highlighted how local communities were facing repression for fighting land grabbing, illustrated by the Herakles Farms palm oil project which is destroying forests and undermining peoples’ rights. In January 2014, FERN and other NGOs raised concerns that local NGOs were being criminalised. These concerns were presented to the EU, which addressed the case at a high level in Cameroon. FERN will continue to support the local NGOs in their battle.

In **Gabon**, where the Government has blocked VPA negotiations since 2012, FERN has been working with ‘GabonMaTerreMonDroit’, a platform for local communities and NGOs which is raising awareness of the problems of large scale agribusiness plantations and fighting against a Sustainable Development Law whose offset-approach would negatively impact tenure security.

In **Ivory Coast**, FERN has supported a new and young platform to work on Reduced Emissions from Deforestation and Degradation (REDD+) and VPA processes. The platform’s priorities include land and tree tenure security for local communities; improved access and benefit sharing with regards to forest exploitation; and sustainable management of the remaining forests. The participatory and inclusive nature of the VPA process does not yet come naturally to the government, which will require continuous advocacy from civil society to allow them to influence these two processes.

In **Liberia** FERN has worked with the Sustainable Development Institute (SDI) and the Foundation for Community Initiatives (FCI) towards ensuring communities will get the benefits owed to them
linked to industrial logging. They are also halting the encroachment of palm oil companies, like the UK palm oil company EPO (Equatorial Palm Oil) on community land and monitoring the impact of the existing forestry framework. Local resistance, supported and highlighted by local NGOs and FERN led the President to announce a withdrawal of EPO from community owned land. The story was covered in AlertNet.11 A positive development is the adoption of a new land policy, which recognises customary rights to land. This is a paradigm shift and if translated into law, would mean that roughly a third of Liberia would be community owned.

While the implementation of the VPA moves slowly in the Republic of Congo, a legal forest reform process to strengthen communities’ rights to land is ongoing. FERN has been working closely with the local NGO coalition ‘Plateforme pour la Gestion Durable des Forêts’ (PGDF) and Client Earth, to enable civil society and forest communities to participate as effectively as possible in the revision of the forest code and implementing decrees.

In Laos, non-profit associations’ (NPAs, the term used to refer to NGOs in Laos) are becoming interested in what a VPA could do for the communities they work with and for the status of Lao NPAs themselves. FERN has been facilitating and supporting the initiative, raising awareness and discussing what can be achieved given the nature of the Lao regime. In the intimidating political context in Laos, FERN will have to be strategic about how best to support NPAs. Those defending the interests of Lao forest communities put their personal security at risk, and it is all to easy for local organisations to be co-opted by vested interests to lend credibility to their cause.

In Vietnam the government is now actively seeking the opinion of the Vietnamese NGOs and inviting them to contribute to VPA negotiations when previously it was questioning their mandate to do so. This has only been possible by being persistent, and pressure needs to be kept up to ensure this progress is not reversed.

**Publications**

**Securing community land and resource rights in Africa: A guide to legal reform and best practices.**12 This report draws on examples from across Africa to explain key aspects of law and explore ways of identifying, creating and making the most of opportunities for positive legal reform. The key issues have been extracted and turned into a PowerPoint which has been viewed more than 3,000 times: [www.fern.org/securing-resource-rights-ppt](http://www.fern.org/securing-resource-rights-ppt)

**Exploring credibility gaps in Voluntary Partnership Agreements: A review of independent monitoring initiatives and lessons to learn.**13 Independent forest monitoring has been a feature of international efforts to improve forest governance and reduce illegal logging since the 1990s. This study considers the role of independent monitoring, involving civil society, in the context of VPAs.

Two [FLEGT VPA Updates](http://www.fern.org/FLEGTUpdateNov13) were released in May and November 2013. Sign up to ForestWatch to receive these six monthly updates looking at the present situation with regards to countries involved in FLEGT and VPAs: [www.fern.org/get-involved/forestwatch](http://www.fern.org/get-involved/forestwatch).

11  [http://www.trust.org/item/20140320153254-aep4f/](http://www.trust.org/item/20140320153254-aep4f/)


14  [http://www.fern.org/FLEGTUpdateNov13](http://www.fern.org/FLEGTUpdateNov13) and [http://www.fern.org/MayVPAUpdate](http://www.fern.org/MayVPAUpdate)

### Money laundering

All would agree that illegal products should not be on sale, and the EUTR, which forms part of the FLEGT Programme, is doing something about this by making it a criminal offence to put illegally sourced timber on the EU market.

FERN believes that financial institutions can be powerful instruments of change if they are made aware of problems and realise it is in their best interest to address them. We are not alone in this belief, the World Bank ’Justice for Forests’ report highlights how enforcement of anti-money laundering measures could lead to the annexation of assets and deter future crime.

### Our year

In 2013-14, FERN studied money laundering and other financial crimes to see what (joint) NGO efforts could be made to tackle the profits of illegal logging and illegal land conversion head-on. In the upcoming year this scoping will bear fruit as we begin to target those who profit from illegal logging and agricultural conversion with our new agricultural deforestation campaign.
Agricultural deforestation

The EU’s forest footprint and how to reduce it

THE PROBLEM  Around the world forests are being cleared to make way for large scale agriculture. This has emerged as the biggest cause of deforestation and Europe is a major culprit. Through rising consumption of products such as palm-oil, soya and beef, the European Union has been responsible for more than a third of global deforestation due to land conversion – twice as much as China and Japan combined. Addressing this issue will be one of FERN’s key areas of work in 2014.

FERN’S SOLUTION  Plans already unveiled such as the EU’s Resource Efficiency initiative have a valuable role to play. However, FERN believes something much bolder is required if the EU is to achieve its stated target of halving deforestation by 2020, and eliminating it altogether by 2030. While there is no single silver bullet solution, real progress can be made by co-ordinated action on several fronts. These include reducing food waste, eliminating subsidies for forest risk products, new consumption taxes, measures on trade and investment and extending mechanisms the EU has developed for curbing illegal logging to include agriculture.

FURTHER ANALYSIS  Here FERN board member Fred Pearce, a distinguished science writer, explains why tackling the issue of land conversion is so important for the survival of the forests and ensuring social justice for forest communities.

In Liberia, a major European company stands accused of forging the thumb-print of a village chief to gain land where it can plant more oil palm. In Cambodia, displaced rice farmers take to the streets of the capital Phnom Penh to demand the return of land taken by senior politicians to grow sugar cane for supply to Europe. At a port in France, journalists track down timber illegally logged in the Republic of the Congo and shipped to Europe in contravention of new EU rules.

These three instances from the past year represent the tip of a very large iceberg of illegality, deforestation and abuse of community land rights that can be traced back to the demands of European consumers -- and the ruthlessness of corporations in feeding that demand. They give a glimpse into a world very different from the narrative usually heard in European capitals, in which the European Union is on the front line protecting forests, defending community rights,
fighting climate change, and banging the drum for sustainable development.

Recent studies have revealed that the countries of the EU are, through their imports of agricultural commodities, collectively the largest single cause of deforestation worldwide. The gap between rhetoric and reality is a growing threat to the EU’s reputation worldwide.

The EU’s climate change objectives include a goal of halving tropical deforestation by 2020 and ending it by 2030. Its main mechanism for achieving this is offering developing countries rewards for protecting forests, for instance through REDD+. But it is hypocritical and self-defeating for rich European nations to fund forest protection while driving deforestation through their own purchases.

The EU is taking steps to make its imports of timber environmentally and socially sustainable. But there has so far been no parallel action on agricultural commodities, even though they are a much bigger cause of deforestation. FERN believes this policy black hole must be filled urgently. It requires more than market pressure from concerned consumers, more than campaigning by NGOs, and more than piecemeal corporate commitments. It requires smart and rigorous regulation from the world’s largest market for tainted agricultural commodities that destroy nature and wreck lives – the EU.

Footprint the size of Portugal

In past centuries, Europe cleared most of its natural forests. Overall deforestation within the EU is now negligible, though loss of old-growth forests remains a concern. Instead, Europeans deforest other nations by consuming crops and livestock products produced on cleared forest lands. This is known as “embodied” deforestation.

According to a study conducted last year for the EU, between 1990 and 2008, the 27 then members of the EU were responsible for 36 per cent of all deforestation embodied in internationally traded crops and livestock products. This was much higher than any other region of the world. The EU deforestation footprint over the two decades covered nine million hectares, an area the size of Portugal.15

Such a figure is surely unacceptable when the EU is home to just seven per cent of the world’s population. It fatally undermines any claim the EU might make to be a force for good on deforestation. It reveals the hidden hand of Europe’s consumers in driving the clearance of forests round the world. A comparison with China is telling. Despite having less than half the population of China, the EU’s contribution to embodied deforestation has been twice as great.

A handful of major imports dominate the EU’s forest footprint. The biggest are soy from Brazil and

Argentina, and palm oil from Southeast Asia. Also important are coffee, cocoa and rubber. Largely because of soy imports, almost half of the EU’s forest footprint is in Brazil.

By comparison, the permanent loss of forests embodied in the EU’s imports of wood and wood products was much smaller, equivalent to just 200,000 hectares over the same period. So, while the EU’s recent efforts to make its wood imports legal and sustainable are laudable, they only scratch the surface of its overall contribution to global deforestation.

Urgent action is essential if the EU is to fulfil its promises to help halt global deforestation.

Not so long ago, deforestation was blamed on the logging industry or (wrongly) on poor farmers in search of land. It is now abundantly clear that both contributions are dwarfed by the role of commercial agriculture — much of it for export. In the past decade, more than half of global deforestation has been for growing agricultural commodities. The figure rises to around 70 per cent in the tropics, as commercial agriculture moves from its tropical heartlands in the Amazon and Southeast Asia to places like the Congo basin and Papua New Guinea. And the biggest buyer is the EU.

**Regulation required**

There is an overwhelming case for action to check Europe’s hidden hand in deforestation, FERN believes. It is made more compelling because a substantial part of the deforestation that fills the shelves of European stores is illegal. Around 35 per cent of all soy and palm oil in international trade comes from illegal forest clearance. Illegality is the norm in Brazil and Indonesia — which together account for over half of the EU’s embodied deforestation.

The reasons for the illegality vary. In Brazil it is mostly breaches of the Forest Code, which says farmers must keep some forest land. In Indonesia, crimes include blatant corruption, land grabbing from communities and planting on deforested peat bogs. But the bottom line is that, as the largest importer of products from these lands, Europe is complicit in massive and frequently illegal deforestation that impacts the lives of hundreds of millions of people who live in and rely on forests.

As the biggest beneficiary of this illegality, the EU should be taking a lead in combating it, but so far the only attempts have been voluntary. The pressure of concerned consumers, often mediated through the campaigns of NGOs, has influenced the growers of oil palm and some other commodities. It has resulted in industry codes of conduct, certification schemes and internal policing initiatives such as the Roundtable on Sustainable Palm Oil (RSPO). Some major manufacturers and retailers see commercial advantage in legalising and “greening” their supply chains. Several have committed to achieve zero net deforestation from their global activities by 2020.

All this is well and good. But zero net deforestation is not enough. It would encourage monocultures of acacia or eucalyptus to replace old-growth forests. Moreover, addressing environmental concerns fails to give attention to justice issues, in particular the land and resource rights of forest communities. Ultimately, only the protection of the rights of these communities can ensure environmental objectives. Abundant research shows that strengthening tenure rights of local communities is the best way to protect forests. Moreover, without customary land rights being secured, conflicts over forest lands will intensify.

The world knows about conflict diamonds and conflict gold. It is likely to hear more about conflict timber, conflict coffee and conflict palm oil.

Relying on corporations to burnish their public images through developing cleaner and more just supply chains will never be enough. Promoting the good is valuable, but it must be accompanied by sanctions against the bad — both to ensure that the “good” products are not undercut in the marketplace and to curb demand when it exceeds sustainable supply.

Addressing these deep-rooted problems, and reducing the EU’s gargantuan forest footprint, requires regulatory action. The governance systems of the EU, as the biggest consumer and deforester, are both equipped for the job and vital to its success. Smart and effective regulation can end the “race to the bottom” in the world’s forest lands, and start a “race to the top” in which high standards are rewarded.

**Ending illegality and injustice**

What form should this regulation take? Public procurement is an obvious place to start. As major purchasers of products containing embodied deforestation, public bodies should be barred from buying illegally sourced produce. The EU also needs to block access to its markets for such contraband, and to take action against companies that trade in them. But legality is not enough if the laws themselves are unfair. Indeed, the enforcement of unjust laws itself brings injustice and conflict, for instance by criminalising the activities of traditional forest communities and indigenous peoples.

Commendably, the EU has already shown a way forward here. In 2013, it for the first time required those placing timber onto the EU market to demonstrate that the timber was logged legally. As a short cut,
it offers supplier countries the chance to enter into Voluntary Partnership Agreements (VPAs) with the EU. The agreements would give them automatic access to EU markets in return for programmes of forest and land reform, including improved social justice.

Local NGOs, and in some cases forest communities, are involved in drawing up the agreements, which empower communities to make decisions about their own forests. The VPAs thus neatly encapsulate three important goals: the pursuit of legality, the easing of trade restrictions and the promotion of reform and justice in the forest sector.

The VPAs so far cover only a handful of countries. Five African nations and the Southeast Asian timber giant, Indonesia, have signed up, although a number of other countries in South America, Africa and Southeast Asia are in negotiations. Nonetheless, the voluntary partnership model could be adopted to address the much bigger problems now emerging from deforestation for commercial agriculture. It could be applied to sectors such as animal fodder, vegetable oils, coffee, cocoa and beef raised in forest zones.

An important first step could be to ensure that VPAs on timber products fully cover timber “salvaged” from the conversion of forests to commercial agriculture. This is an increasing black hole, with salvage timber probably accounting for more than half the global timber trade. Another advance could be agreements under which countries supplying agricultural commodities to the EU comply with the UN Committee on Food Security’s voluntary guidelines on land tenure – aimed at curbing land grabbing.

Another way to build consensus for action would be to amalgamate social and land-use objectives with existing EU schemes such as the Resource Efficiency Initiative, which aims to help members “shift towards a resource-efficient, low-carbon economy to achieve sustainable growth”. Its purview includes climate change, energy, transport, industry, raw materials, agriculture, fisheries, biodiversity and regional development. This is potentially a good fit for addressing the damage done to forests and their inhabitants by commodity supply chains.

The stakes are high, and time is short. The EU talks a lot about promoting sustainability and social justice in other parts of the world. But, through its consumer-driven commercial activity, it is today the largest single driver of deforestation in the world, and a major force for illegal land and resource grabs. Achieving Europe’s climate change goals will depend crucially on eliminating clearance of forests for commercial agriculture.

If the EU wants to maintain its reputation for addressing the emerging environmental and social agendas behind sustainability, then serious and savvy regulation of its corporate and consumer behaviour, to curb its hidden hand in deforestation is essential. The forest dwellers of Liberia, Cambodia, Congo and elsewhere will be watching.
FERN’s finances

(INCOME)

<table>
<thead>
<tr>
<th>Core funding</th>
<th>Campaign funding</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public institutions (6)</td>
<td>157,199</td>
<td>930,421</td>
</tr>
<tr>
<td>Private institutions (including NGOs) (5)</td>
<td>12,094</td>
<td>445,158</td>
</tr>
<tr>
<td>Other sources (including interest and reimbursements)</td>
<td>104,632</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td><strong>273,924</strong></td>
<td><strong>1,375,578</strong></td>
</tr>
</tbody>
</table>

(EXPENDITURE)

<table>
<thead>
<tr>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
</tr>
<tr>
<td>Grants to partner organisations and networks</td>
</tr>
<tr>
<td>Travel and meetings</td>
</tr>
<tr>
<td>Administration and other costs</td>
</tr>
<tr>
<td>Publications</td>
</tr>
<tr>
<td>Consultants</td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
</tr>
</tbody>
</table>

Income: core funding

- Public institutions (6)
- Private institutions (including NGOs)
- Other sources (including interest and reimbursements)

Expenditure by category

- Staff
- Grants to partner organisations and networks
- Travel and meetings
- Administration and other costs
- Publications
- Consultants

Income: campaign funding

- Public institutions
- Private institutions (including NGOs)

Expenditure by campaign

- Core costs €137,419
- Bioenergy €39,079
- Export Credit Agencies €177,758
- Biodiversity offsetting and carbon trading €24,198
- Agricultural deforestation €235,862
- Illegal logging €1,005,686*
- Money laundering €21,540

* ‘Illegal logging’ includes work related to both REDD and FLEGT

To see FERN’s fully audited accounts, please visit: www.fern.org/about-us/audited-finances
Once FLEGT licences are issued in countries such as the Ivory Coast, the EU will no longer accept illegally logged timber on its markets.

Photo: An Bollen

Front cover: Local communities’ livelihoods are being undermined by industrial logging concessions such as this one in northern Congo. Reform is badly needed to ensure the sector benefits communities and improves forest management.

Photo: Indra Van Gisbergen

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