

Indonesia ends timber legality rule, stoking fears of illegal logging boom

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- *Indonesia's trade ministry has scrapped a requirement for wood exporters to obtain licenses verifying their wood comes from legal and sustainably managed sources.*
- *The SVLK verification system took a decade to develop and implement and has been accepted by some of the most stringent market regulators for timber legality, including the EU.*
- *Scrapping the licensing requirement constitutes a major setback for Indonesia's timber industry and could open the door to more illegal logging, experts warn.*
- *The forestry ministry, which oversees the logging industry and the SVLK system, was not consulted about the trade ministry's decision, and says it will ask for the new rule to be revised.*

JAKARTA Environmental experts have warned of a resurgence in illegal logging in Indonesia after the government declared that wood exports would no longer have to comply with a stringent legality check that took a decade to put in place.

Under the new regulation issued by the Ministry of Trade in February, Indonesian timber companies won't have to obtain export licenses that certify the wood comes from legal sources. The policy scrapping the so-called v-legal ("verified legal") licenses takes effect May 27.

"The black market [for illegally logged timber] is opened up again" with the scrapping of the v-legal license, said Soelthon Gussetya Nanggara, the executive director of the environmental NGO Forest Watch Indonesia (FWI).

"There might be greater impacts for our forests, [with] deforestation and illegal logging increasing," he told Mongabay.

The government's decision follows years of lobbying by furniture producers, who complained that obtaining the v-legal license was costly and time-consuming, and hurt their business.

The licensing requirement had been developed over the course of a decade as the integral part of Indonesia's timber legality verification system, or SVLK, which was first rolled out in 2009. The SVLK system was meant to ensure all parties in the timber supply chain obtain their wood and timber products from sustainably managed forests and conduct their trading operations in accordance with existing laws and regulations.

Today, 100% of timber from both natural forest concessions and plantation forest concessions are SVLK-certified, although a small amount of timber from illegally logged areas still enters the supply chain. The SVLK system also helped improve the reputation of Indonesian timber, for decades widely known to come largely from illegal logging. In 2016 the European Union, one of the key markets for Indonesian timber and finished wood products, approved the SVLK as the basis for importing timber into its market. That made Indonesia the first country in the world to have its timber legality system recognized by the EU.



Abandoning this painstakingly developed system constitutes a “massive setback,” said Togu Manurung, a forestry economics expert from the Bogor Institute of Agriculture (IPB).

“This is a regression and could make the origin of timber unclear once more,” he said. He warned that without certified verification, potential buyers had every reason to suspect that timber now coming from Indonesia might be illegal, “stolen from Indonesian forests that have been battered.”

“So if this [regulation] is implemented, it's a massive setback and will tarnish Indonesia's image,” Togu said. Legal and illegal logging add to carbon emissions not only via the removal of the cut trees' carbon storage capacity, but also by fragmenting forests. Forest edges release more carbon than undisturbed forest. Image by Rhett A. Butler/Mongabay

Checks along the entire supply chain

A key feature of the SVLK system is that it aims to verify the provenance of timber at every point along the supply chain, using independent third-party certification agencies to issue the v-legal licenses. Buyers in importing countries can then trace the origin of every piece of wood on the Indonesian government's SVLK information platform. All wood exporters in Indonesia are currently obliged to obtain v-legal licenses, even if they're shipping to countries that don't require legal verification for the origin of the wood.

But with v-legal documents no longer required for timber export products, there'll be no SVLK system in place at the downstream level to make sure that there's no illegal timber mixed with legal timber in the process.

The Indonesian Furniture and Craft Association (HIMKI) has been at the forefront of the lobbying efforts to drop the SVLK requirement for producers of finished wood items. It argues that if a piece of timber has already been legally certified at the logging stage, then there's no need to continue with legality checks further on down the line, including for exporters.

But proponents of the SVLK system, including the association of Indonesian pulpwood plantation companies (APHI), say the system must be thoroughly implemented from upstream to downstream to ensure that illegal timber isn't laundered into the supply chain.



"While we're not exporters, the SVLK system is important in many aspects," said APHI vice executive director Herman Prayuti. "Our hope is for the system to keep being strengthened. Is it sufficient [to certify] only at the upstream level?"

Proponents of the SVLK system also acknowledge flaws in some verification stages, such as certification agencies that are less than credible and can be bribed to pass off illegally sourced timber as legitimate.

Last year, the Ministry of Environment and Forestry seized more than 400 containers of illegally logged timber in a series of busts, with some of the wood traced back to SVLK-certified companies. This problem would be much worse under a regime in which v-legal licenses aren't required, said Syahrul Fitra, a legal researcher with the environmental NGO Auriga.

"Illegal timber is always mixed in with legal timber, such as in Papua," he told Mongabay, referring to Indonesia's easternmost province, which holds the largest swath of virgin rainforest in the country. "That's still happening when v-legal documents are mandatory. The system can be tricked. So that flaw should be fixed. But instead of fixing it, the government is scrapping the whole thing altogether."

Herman, the pulpwood industry representative, agreed that there were "a lot of stages that we have to monitor" to ensure there were no gaps along the supply chain where illegal timber could enter the system. An illegally logged tree in Central Kalimantan, Indonesian Borneo. Habitat loss played a critical role in reducing rhino populations, but most experts now believe the species' low birth rate is a more pressing problem. Photo by Rhett A. Butler/Mongabay.

'Irrational' policy

Syahrul also questioned the trade ministry's rationale that the SVLK requirement posed an unnecessary hurdle to companies seeking to export their products to countries without timber legality requirements. That defeats the purpose of ensuring that all wood products leaving Indonesia, regardless of its destination, is legal.

"Even if you want to export timber to countries like India, which don't require certification, you should still have v-legal documents," Syahrul said. "That's the strength of the SVLK system. While we can't say that the system has truly stopped the illegal timber trade, it has slowed it down."

Trade Minister Agus Suparmanto said the decision to scrap the v-legal requirement was taken to boost timber exports amid an economic slowdown caused by the COVID-19 outbreak. "With the relaxation of the policy [SVLK], it's hoped that the export of Indonesian timber products can increase," he said.

Syahrul said this was just an excuse to justify weakening environmental protections.

“The coronavirus is being used as a reason to pass an agenda that would otherwise be quite difficult [to pass],” he said.

Mardi Minangsari, from the NGO Environmental Investigation Agency (EIA), said it was hard to believe that the new regulation was genuinely based in response to the coronavirus outbreak, noting that efforts to exempt furniture producers from having to obtain v-legal licenses had been going on for years.



In 2015, the trade ministry waived the requirements, but only for small and medium furniture and handicraft exporters. It duly backtracked after widespread criticism, including from the EU, and reinstated the v-legal requirement industrywide.

Syahrul argued that if the government wants to stimulate the economy through timber exports, it should end the smuggling illegal timber to countries that don't required certification.

“Indonesia should make sure that there's no untaxed revenue [from timber exports],” he said. “That way Indonesia can profit from the timber trade. With the v-legal documents being scraped, our revenue potential will decrease. We'll lose state revenue because the illegal timber trade will become more rampant.”

Syahrul said this demonstrated that the trade ministry regulation was misguided.

“They've responded to the economic downturn caused by the coronavirus with an economic stimulus that opens up the market to illegal timber,” he said. “That's irrational.”

Illegal logging is still rampant in Aceh's forests and sometimes the perpetrators use weapons to fight back law enforcers. Image by Junaidi Hanafiah/Mongabay-Indonesia.

'Left out of the loop'

Another criticism of the trade ministry's decision is that it didn't consult with the Ministry of Environment and Forestry before issued the regulation.

The environment ministry oversees the logging industry and the SVLK system, and had been drafting a revision to the certification scheme to make the requirements less onerous for exporters, in response to lobbying by HIKMI and others. That revision, however, doesn't call for scrapping v-legal licenses, Syahrul said.

A source close to the matter told Mongabay that the environment ministry didn't know the trade ministry would issue its regulation last month, and was caught off-guard by the scrapping of the requirement. The two sides had earlier agreed the trade ministry would issue technical guidelines to make it easier for exporters to comply with the SVLK, while the environment ministry would come up with a permanent revision, all while retaining the v-legal requirement, the source said.

Zulfikar Adil, the executive director of PT BRIK Quality Services, one of the third-party agencies authorized to issue v-legal licenses, said a client had called him to express bewilderment over the recent decision.

"I got a phone call from my client who's confused about why the government could be like this, not involving the environment ministry," he said. "My client's market is the U.S. and they said the SVLK system is already on the right track."

The environment ministry's secretary-general, Bambang Hendroyono, said his office would send a letter to the trade ministry to discuss the possibility of revising the recently issued regulation. He said there was still time to do so before the regulation comes into force in late May.

Syahrul said the trade ministry should have involved all stakeholders in its decision, including civil society groups that serve as independent observers of the SVLK system.

"How can they make a regulation, trigger a public uproar, and then [possibly] revise it?" he said. "That's not the right policymaking process. It's a waste of state funds and will incur more cost to revise. The trade ministry should have involved [all stakeholders] from the very beginning."

Wiradadi Soeprayogo, the deputy chairman of HIMKI, acknowledged that HIMKI had been lobbying for the past four years to get furniture exporters exempted from the v-legal requirement.

"We believe the SVLK system is a form of discrimination against the furniture industry because when we want to export to Malaysia, Singapore, and Timor Leste, we still need to use the SVLK system," Wiradadi told Mongabay. "Besides being complicated, the cost is also quite high. This system is a shackle for the furniture industry because the EU only applies this to Indonesian products, but not from other countries."

He added that most furniture producers sourced their timbers not from natural forests, but from state-managed forests, with a low risk of illegal logging. But he said even he was surprised at how far-reaching the trade ministry's regulation was, applying not just to exporters of furniture but all wood products.

"When you dissect the trade ministry regulation, it turns out that all forestry commodities are freed from the SVLK system, not just furniture," he said. "Our fight is only for furniture at the downstream level."

Syahrul said it was unfortunate that lobbying by a small proportion of the timber industry had derailed the entire timber legality system built up over the course of a decade. It has also given rise to confusion among companies planning to export their products to countries that require legal certification.

"Now there's legal uncertainty in terms of exports from the forestry industry," Syahrul said. "And this creates confusion among businesses who still want to be certified."

SOURCE:- <https://news.mongabay.com/2020/03/indonesia-timber-illegal-logging-legality-license-svlk/>