

## **How to tackle illegal logging in Russia? European Union Timber Regulation and its implication on export-oriented companies – case study from northwestern Russia**

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Russian forest resources accounts for over 20% of the world forests, however its proportion in the world's wood products trading is below 4%. Unprocessed roundwood and semi-processed sawntimber comprise up to 54% of its wood exports. Domestic market consumes 61% of wood production; while remaining 39% are exported. As of 2010, Russia exported 37% to European Union (EU) and Asian countries (49%) with the rest of the countries covering only 14%. Russia faced many domestic reforms in the post-Soviet period, including decentralization of responsibilities in forest management to the regional level and changing of the tenure rights from the state-owned forest management units (*leskhoz* in Russian interpretation) to privately owned forest leaseholders up to 49 years. Existence of illegal logging is a major threat to sustainable forest management in the country and continuous partnership with environmentally sensitive markets, such as EU, North America, Australia and Japan. Depending on the source of information, illegal logging may vary from 1 up to 20-30% in Siberia and Far East. Majority of Russian export-oriented companies joint the forest certification such as Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) in order to ensure the legality of their wood origin and continue the supplies to EU countries. However, in March 2013 European Commission enforced Regulation (EU) 995/2010 (EUTR), which required compulsory declaration of all the wood imports coming from non-EU countries. Thus, Russian companies since March 2013 had to be prepared to work with EU partners in new circumstances, which will fulfill the requirements of EUTR and the pre-condition set up by European consumers (operator) of non-EU suppliers in form of due diligence system (DDS). Apart from EUTR, the Russian government adopted Federal Law 415 in December 2013, which regulates relationships of wood trading outside of forests, and requires accounting of total volumes of logged roundwood to be also in line with the legislation of EU. The responsibility and position of the company (operator) according to EUTR requirement presented in Table 1.

*Table 1. Responsibilities of the actors according to EUTR requirements*

Actor Responsibility	Actor Responsibility
Operator	Maintenance, update, and evaluation of DDS (except DDS developed by MO).
Competent authority (CA)	Control over EUTR implementation in EU member state, verification of performance of MO.
Monitoring organization (MO)	Development, maintenance and evaluation on regular basis of MO's DDS; provision of DDS to operators, verification of DDS implementation by operators; reporting to CA in cases of operator noncompliance.
Trader	Maintenance of basic information on its supplier and buyer to enable the traceability of timber and its products, provision of such data to CA upon request.

The study is assessing a chosen company's DDS as an operational tool to ensure the origin of wood coming from northwestern Russia. Company exports majority of its wood in form of roundwood to EU countries. The company's DDS consists of statement of origin, geographical information, and field verification audits. The DDS of the chosen company is assessed against EUTR. It requires the implementation of a DDS by operators, which contains three key areas: access to information on operator's supply of timber or timber products placed on the market, risk assessment, and risk mitigation. The workflow of assessment of conformity with the requirement included literature review, statistical and field data collection, and further analysis of the requirements. Although the EUTR was enforced almost two year ago, the information and actual experience of key actors are almost absent in the research field. The results of the studied DDS system in chosen company revealed the high functionality of existing components (Table 2) that correspond with general requirements of the publicly available standard developed by non-profit organization Nature Ecology and People Consult (NepCon) recognized as MO (see Table 1) in European Commission.

*Table 2. Conformance of company's DDS with the EUTR requirements*

Areas of DDS Components Conformance	Areas of DDS Components Conformance	Areas of DDS Components Conformance
1. Legal procedures and commitment	Official commitment to legal sourcing	+/-
	Procedures	+/-
	Self-performance monitoring	+/-
	Scope of supply chain	+/-
2. Supply chain	Forest management level	+
	Supplier level	+
	Supply level	+
3. Risk assessment	Documentation on legality	+
	Information on suppliers	+
	Species	+
	Volumes	+
4. Risk mitigation	Identification of measures	+
	Implementation of measures	+
	Control	+

The introduced DDS ensures the legality of wood origin is functioning far beyond the Russian legislation and taking into account the requirement FSC certification along with the requirements of the EUTR. At the same time attempts for full harmonization are needed to be in accordance with EUTR legislation. However, major obstacles persist in legislation implementation by EU member states. They still interpret the requirements differently by competent authorities, questions of prosecution and fine system is not unified, and the role of third-party evidence is still unclear.

Key words: EUTR, DDS, FSC, FL 415, operator, Russia.