The Borneo Initiative.

INTERNATIONAL PLATFORM FOR SYLK/PBPL AND FSC FOREST CERTIFICATION INITIATIVES IN INDONESIA

BOOSTING FSC TIMBER TRADE

CONFERENCE REPORT
JAKARTA FSC® BUSINESS ENCOUNTER 2012
Jakarta, June 12 – 13, 2012
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I. INTRODUCTION

The Borneo Initiative is a foundation established in 2008. Its mission is to prevent the loss of tropical forests deforestation and over-exploitation. The Borneo Initiative intends to contribute directly to the increase of certified natural forest areas in Indonesia from 1 million hectares in 2010 to 5 million hectares by the end of 2014, and to grow to 9 million ha by 2016. When achieved, this means that just over 50% of all operational forest concessions are under sustainable forest management regimes, putting FSC well into the mainstream.

Forest products are one of Indonesia’s 10 major commodities according to the statistics from Indonesia’s Ministry of Trade. The export of wood products valued around USD 3 billion in 2011 from a total USD 162 billion of non-oil and gas exports (2.1% of total 2011 export share). The Netherlands is an important destination, but well after Japan, United States, China and a few other countries.

Most importantly, The Borneo Initiative offers forest management units a subsidy of US$ 2/ha. Currently, The Borneo Initiative supports 31 forest concessions with 3.3 million ha with their FSC certification process. So far 7 forest concessions achieved FSC-certification with 806.400 ha. By 2016, we are aiming for 70 companies with 5 million ha to be FSC-certified. Once the 5 million ha target is achieved, an estimated 300.000 cu.m. of plywood and 700.000 cu.m. of sawn wood products will be available on the market (refer graph 1).

Since most of this production is aimed for exports, The Borneo Initiative wants to assist the FSC certified forest concessions with the establishment of new market links in FSC-minded markets like Europe and USA. A previous effort to bringing together market party and demand was initiated in March 2007 when WWF-ID and FSC-NL organised a first business encounter together in Jakarta. Now, given the rapid progress with FSC certification, it became timely to organize a second trade fair with overseas buyers. Thus, the second Jakarta FSC Business Encounter took place in the Four Seasons Hotel Jakarta on June 12 – 13, 2012, organized by The Borneo Initiative together with its partner organization Asosiasi Pengusaha Hutan Indonesia/Association of Indonesian Forest Concession (APHI). Under the motto ‘Boosting FSC Timber Trade’, the meeting’s objective was to bring together buyers and suppliers in one place and to facilitate meetings, to result in new business contacts.

This report summaries the meeting programme, its proceedings, its follow-up plus a set of recommendations for a next event.

Graph 1. FSC output expected from The Borneo Initiative

<table>
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<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Forest area (ha)</td>
<td>1,100,000</td>
<td>1,529,430</td>
<td>2,056,066</td>
<td>3,861,831</td>
<td>4,661,831</td>
<td>7,161,831</td>
<td>9,161,831</td>
</tr>
<tr>
<td>Logs (cu.m.)</td>
<td>387,200</td>
<td>538,359</td>
<td>723,735</td>
<td>1,359,365</td>
<td>1,640,965</td>
<td>2,520,965</td>
<td>3,224,965</td>
</tr>
<tr>
<td>Sawnwood &amp; other (cu.m.)</td>
<td>69,696</td>
<td>96,905</td>
<td>130,272</td>
<td>244,686</td>
<td>295,374</td>
<td>453,774</td>
<td>580,494</td>
</tr>
<tr>
<td>Plywood (cu.m.)</td>
<td>162,624</td>
<td>226,111</td>
<td>303,969</td>
<td>570,933</td>
<td>689,205</td>
<td>1,058,805</td>
<td>1,354,485</td>
</tr>
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</table>

Source: ©The Borneo Initiative 2012
II. PROGRAMME

The programme consisted of a seminar and subsequent match-making sessions. Day 1 (June 12) started with a half-day plenary session. More than 200 participants from forest concessions, sustainable forest certification coaches, sustainable forest certification bodies, government officials, and other partner organizations attended the seminar. There were several keynote speakers from government, partner organizations, buyers and suppliers who addressed the audience to discuss market developments in general, and the market potential for FSC wood products in particular.

The programme included the following sessions:

- Opening remarks by partner organisations and officials.
  - APHI - Asosiasi Pengusaha Hutan Indonesia
  - WWF Indonesia
  - Ministry of Forestry
  - Coordinator of Ministry of Economic, Finance and Industry
  - Ministry of Trade
  - The Borneo Initiative

- Presentation by partner organisations and market parties.
  - FSC International
  - FSC the Netherlands
  - Maxeda DIY Group (The Netherlands)
  - Toyo Materia (Japan)
  - Euro Group (Indonesia)

In the seminar, The Borneo Initiative also welcomed the new group 5 into the FSC-certification programme. This fifth group consists of the following five forest concessions: PT Bina Balantak Utama, PT Mitra Pembangunan Global, PT PT Telagabhakti Persada, PT Manokwari Mandiri Lestari and Perum Perhutani KPH Banten.

We also celebrated the companies that achieved FSC certification. As a token of appreciation, we handed over wooden statues of the FSC logo to representatives from PT Suka Jaya Makmur, PT Belayan River Timber, PT Roda Mas Timber, PT Sarmentio Prakantja Timber and PT Kemakmuran Berkah River.

Donors and Valued Friends of The Borneo Initiative were also part of the celebration. Adessium, IDH and Steffex were honoured as our donors. Mr. Umar Hadi, Mr Bert van Veldhuizen, Mr Untung Iskandar and Mr Art Klassen were named as Valued Friends for the support to the programme.

The second half of day 1 (June 12) and the whole of day 2 (June 13) were dedicated to match-making. Prior to the event we requested the participants to fill in a form on their business details. Then we asked their business preference on this meeting i.e. what kind of timber product they are looking for or companies they would like to meet. Next, we paired their preference with our members so far. Based on that we set up 22 (twenty tables) based on the registered foreign buyers to be matched with the local producers and suppliers of TBI members. Some 37-market parties participated in the match making sessions with 121 business meetings conducted among them, within one and a half day meetings. Day 1, buyers were the table hosts waiting for the suppliers and producers to meet them based on the schedule. Day 2, we reversed this such that the forest concessions and industries were the table hosts. We created a time slot of 15 minutes of each business meetings based on the schedule we prepared and distributed among the participants.
Graph 2. Indonesia Forest Production

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
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<tbody>
<tr>
<td>Pulp</td>
<td>4,881,966</td>
<td>4,784,733</td>
<td>4,687,038.78</td>
<td>5,437,724.42</td>
<td>6,178,359</td>
</tr>
<tr>
<td>Chipwood</td>
<td>1,103,506</td>
<td>278,320</td>
<td>1,012,705</td>
<td>1,270,651</td>
<td>1,788,435</td>
</tr>
<tr>
<td>Veneer</td>
<td>299,202</td>
<td>427,257</td>
<td>687,510</td>
<td>736,654</td>
<td>816,091</td>
</tr>
<tr>
<td>Plywood</td>
<td>3,454,350</td>
<td>3,353,479</td>
<td>3,000,950</td>
<td>3,324,889</td>
<td>3,302,843</td>
</tr>
<tr>
<td>Log wood</td>
<td>32,197,046</td>
<td>32,000,786</td>
<td>43,320,536</td>
<td>42,114,770</td>
<td>47,429,335</td>
</tr>
</tbody>
</table>

**Source:** Statistic book of Ministry of Forestry of Republic of Indonesia 2012
III. SEMINAR PROCEEDINGS

Indonesian forest concessions are facing numerous obstacles in their daily operations. According to Mr. Benjamin Rahardjo, Vice Chairman of APHI, problems include e.g. price depreciation of the logs in the domestic market, low harvest volumes, uncertainty in the working environment and, most importantly, difficulties with security of land tenure. The lack of trust in Indonesian timber products is also one of the obstacles since Indonesia is known as one of the countries with the biggest rates of deforestation.

Indonesia is now actively trying to combat deforestation. Aside of establishing policies at the national, regional and international levels, the government is also actively working with international institutions and organisations to protect the forest from disappearing and to protect the national economy interest. A new national regulatory system for legality or SVLK was created and it is based on the consultation of a multitude of stakeholders and is now a mandatory regulation for all timber production in Indonesia.

The synchronization of FSC certification and SVLK was called for by some of the speakers. This collaboration, said Andy Novianto (Deputy Assistant for Forestry Division of Coordinator of Economic, Finance and Industry) could increase the motivation of stakeholders to work together in protecting the productive capacity of Indonesia's natural forests.

Mr. Nazir Fouad of WWF also mentioned that the certification of sustainable forest management is not only functional to gain the confidence of the buyers. It also forges better relations with the financial institutions such as banks. One of Indonesia’s banks is considering lowering its credit interest rates for its clients who implement sustainable forest management practices e.g. via forest certification. In the analysis of the bank, a company that has achieved certification in sustainable forest management is prevented from NGO allegations, or from community conflicts that would affect its productivity. Domestic consumers also are gaining awareness about certified wood products following a survey conducted in major cities in Indonesia. In addition, Jesse Kuiper of The Borneo Initiative too emphasized the effect of forest certification on the intrinsic productivity and the business potential of the forest industry.

The figures of FSC forest certification worldwide are around 150 million ha. Despite the crisis in Europe and United States buyers are still indicating that they need more supply of FSC timber from Indonesia. Markets become more and more convinced of the need for legality and sustainability requirements. In order to further increase the commitment to sustainable sourcing of timber products, FSC NL aims to sign new covenants with several leading retailers in The Netherlands. This corporation will put the non-FSC timber products at a disadvantage, said Bert van Veldhuizen, then the Director of FSC The Netherlands.

Many retailers are waiting for sustainable wood products. Maxeda DIY for example depends on timber for 10-20% of their total turnover worldwide. Erwin Roertert van Steenbruggen convinced the audience that Maxeda DIY is committed to support sustainable forestry management as reflected in its partnership with FSC The Netherlands in 2012. However, the price differential between FSC-certified products and other timber products is a serious impediment to increasing their sales, even when consumers say they prefer sustainable products. Maxeda DIY tries to keep the margins as low as possible. In contrast, another major company, Eurogroup has a policy that all wood products must have FSC certification.

Not only Europe is looking for sustainable forest products from Indonesia but the rest of the world as well. Robbie Hirooka of Toyo Materia stated that the Japanese market is also in need of FSC certified wood. The company has difficulty in sourcing enough FSC supply from Indonesia. Therefore, they are attending this event so they can meet new business contacts.
IV. CONCLUSIONS AND RECOMMENDATIONS

In November 2012 we dispatched a very concise survey to the participants of the event for their opinion and feedback. We had 36 respondents (35% from Indonesian forest concession, 21% from Indonesian wood industry, 21% from overseas buyers or trading companies and 26% are from partners organizations). Refer annex 3 for the list of recommendations from the participants, which we summarise below.

It must be understood that most buyers (51%) were already well familiar with Indonesia. Even so, 49 % of respondents indicated that the FSC Business Encounter generated new business contacts. The business encounter was useful for a first introduction, while further business potential was discussed in separate meetings after the event in June. A few respondents said that they are waiting first for the forest concessions to obtain FSC certification after which they will renew the dialogue about trade opportunities.

In the survey we asked whether the participants have the intention to attend a similar event in the near future. 92 % or almost all respondents said they are interested to do so. Buyers appreciate the concept i.e. to have a location where they can visit the TBI members in a short time period. They indicated that it works best when the forest concessions and industries act themselves as the table hosts. Others requested to have more buyers from various countries, buyers asked for a higher presence of forest concessions. Some also asked for interpreters during the business meetings. All wanted a short opening seminar only, in order to maximize the time available for the business meetings.

V. ANNEXES

1. Programme of the Jakarta FSC Business Encounter 2012
2. Recommendations from participants
3. List of registered participants
4. IDH – Adessium workshop
## ANNEX 1 – Programme of the Jakarta FSC© Business Encounter 2012

**JAKARTA FSC© BUSINESS ENCOUNTER 2012**  
June 12 -13, 2012  
Four Seasons Hotel Jakarta

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>08.00 – 08.45</td>
<td>Registration</td>
<td>Ballroom</td>
</tr>
<tr>
<td>08.45 – 09.00</td>
<td>Opening</td>
<td>Ballroom</td>
</tr>
<tr>
<td>09.00 – 09.10</td>
<td>Opening remarks by APHI</td>
<td>Ballroom</td>
</tr>
<tr>
<td>09.10 – 09.20</td>
<td>Opening remarks by WWF-ID</td>
<td>Ballroom</td>
</tr>
<tr>
<td>09.20 – 09.30</td>
<td>Remarks from Coordinator Ministry of Economic, Finance and Industry</td>
<td>Ballroom</td>
</tr>
<tr>
<td>09.30 – 09.40</td>
<td>Opening remarks by Ministry of Forestry</td>
<td>Ballroom</td>
</tr>
<tr>
<td>09.40 – 09.50</td>
<td>Remarks by Ministry of Trade</td>
<td>Ballroom</td>
</tr>
</tbody>
</table>
| 09.50 – 10.20 | **Signing Ceremony 1**  
Remarks from TBINL  
Signing Group V  
Hand-over FSC certificate  
Celebration of new donors | Ballroom  |
| 10.20 – 10.50 | Coffee break and Press conference                                       | Ballroom  |
| 10.50 – 12.20 | **Presentation:**  
1. Presentation by APKINDO  
2. Presentation by FSC International  
3. Presentation by FSC the Netherlands  
4. Presentation by Maxeda  
5. Presentation by Woodbank  
6. Presentation by Toyo Materia Corp.  
7. Presentation from Eurogroup | Ballroom  |
| 13.30 – 14.00 | Q&A and Discussion                                                      | Ballroom  |
| 14.00 – 14.10 | Announcement of match making                                            | Ballroom  |
| 14.10 – 15.00 | Lunch                                                                   | Ballroom  |
| 15.00 – 17.00 | Match making                                                            | Ballroom  |
| 17.00 – 19.00 | **IDH/ Adessium Side Event**                                            | Ulos Room  |
ANNEX 2 – Detailed recommendations from participants

- Prefer one-day seminar than to have business-to-business meetings.
- Mutual recognition of standards (i.e. mandatory SFM certification and legality verification) both natural forest and commercial planted forest management should be publicly/ transparently accepted by FSC.
- Time to be extended for business meetings.
- Invite more buyers from different nationalities.
- No government representative.
- Reach out to traders, retailers and financiers in Asia Pacific region. Use it as platform to connect the strong market links already operating in Asia and create a new value chain of certified and sustainability produced wood products.
- Less issues and a more simple approach.
- To get more interactive discussion by provide translator.
- More time to meet buyers.
- Next event to be held in Surabaya.
- Sharing the real conditions of each participant in terms of FSC certification progress.
- Be more specific concerning the details for the regulations concerning legality.
- Use the opportunity to develop secondary species.
- Invite more foreigner participant for more business opportunities.
- Less formal discussion. Contacts are made in the time standing around drinking coffee.
- Invite potential buyers that have high reputation with wood manufactures/industries.
- Organize abroad perspective market or at least let us know such events occur for us to participate.
- More organize and give interesting events and invite the right people as speaker since last time many speakers were not really following the event points.
- Less issue and more simple approach.

Note:
We selected some of recommendations that we consider proper for this report.
### ANNEX 3 – List of registered participants

<table>
<thead>
<tr>
<th>Name</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stephan Teutelink</td>
<td>Jongeneel</td>
</tr>
<tr>
<td>Hans van Heerden</td>
<td>IDH</td>
</tr>
<tr>
<td>Esther Bosgra</td>
<td>IDH</td>
</tr>
<tr>
<td>Johannes Dede</td>
<td>Euro Group</td>
</tr>
<tr>
<td>Riny Jansen</td>
<td>Stolk Internatio</td>
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<tr>
<td>Dian Pramala</td>
<td>Seng Fong MP</td>
</tr>
<tr>
<td>R. J. Trooster</td>
<td>TTC</td>
</tr>
<tr>
<td>Hendrat</td>
<td>Perhutani</td>
</tr>
<tr>
<td>Kees de Ruiter</td>
<td>ICCO</td>
</tr>
<tr>
<td>Lars Blomkovist</td>
<td>Woodmark</td>
</tr>
<tr>
<td>Renny D. Viverianna</td>
<td>ATC NL</td>
</tr>
<tr>
<td>Andi Novianto</td>
<td>Kementerian Perekonomian</td>
</tr>
<tr>
<td>Bastian Smit</td>
<td>Timbrian NV</td>
</tr>
<tr>
<td>Ad de Heij</td>
<td>Jongeneel</td>
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<tr>
<td>J. F. Bastiaanse</td>
<td>Control Union Certification</td>
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<tr>
<td>D. Bergman</td>
<td>Jeweret</td>
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<tr>
<td>Oscar Smeet</td>
<td>Oscar Timber Products</td>
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<td>Richard van Aalst</td>
<td>Precious Woods</td>
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<td>Yan Yason</td>
<td>Rodamas</td>
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<td>Redy H.</td>
<td>APHI</td>
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<td>Tio Kok May</td>
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<td>Neneng</td>
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<td>Kementerian Kehutanan</td>
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<td>Tirta Mahakam</td>
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<td>Sandrawati Wibowo</td>
<td>APHI</td>
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<tr>
<td>Halim Rusli</td>
<td>PT. Integra</td>
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<tr>
<td>Andreas Nugroho</td>
<td>PT. Narkata Rimba</td>
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<tr>
<td>Samuel Vinson</td>
<td>CV. KDU</td>
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<td>Tjingsheng K.</td>
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<td>Jony S.</td>
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<td>Anwar</td>
<td>WWF</td>
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<td>Hendro</td>
<td>Intertrend</td>
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<td>Hermudananto</td>
<td>Mutu/Woodmark</td>
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<td>Achmad P.</td>
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<tr>
<td>Herman</td>
<td>KLI</td>
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<tr>
<td>Tjahyo M.</td>
<td>PT. Indexim Utama</td>
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<tr>
<td>Nassat Idris</td>
<td>USAID</td>
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<tr>
<td>Irtamazati Husna</td>
<td>PT. Sumalindo Lestari Jaya</td>
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<td>R. Dwipartanto</td>
<td>PT. Kemakmuran Berkah Timber</td>
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Untung Iskandar  
PT. Belayan River Timber

Gatut Surjotedjo  
PT. Belayan River Timber

Rahajeng Pratiwi  
IFC

Aditya Buyananda  
GFTN

Helen L. Gaol  
IFC

Sukadi  
PT. Kemakmuran Berkah Timber

Syahrani  
PT. Kemakmuran Berkah Timber

Taufik Margani  
Mutu/Woodmark

Agung Nugraha  
Wang Abrea

Cecep Hermawan  
Perhutani IKG

Gavin Rostron  
Wood United

Jan Petra Mulder  
J. M. Hout Import

Canecio Muños  
Sinarmas Forestry

Bunoadi  
KLI

Tang Yiu Kan

Elis Nurhayati  
TNC

Gerrit Jan Morssinkhof  
vан Dam Bunnik

Willem Smid  
Steffex

Bambang P.  
Rodamas

Didik J. Iskandar  
Mitra Global

Murdiansyah A.  
PT. Gema Hutani Lestari

Steen Bach  
DLH Indonesia

Aras Agus  
Perhutani

Iwan K Permadi  
APCS

Loy Jones  
APCS

Bart van Assen  
Gaia Commoditas

Bobwani  
Intraca

Retya  
PT. Mutu Agung Lestari

Gerben Voorhost  
Felix Clerx

Megasari  
PT. Seng Fong MP

Khoe Paul  
Antex Furnesia

Stephen Chew  
PT. Jaya Raya

Bambang Santoso  
PT. Dwimajaya

Tabonar Aruan  
Jeld-Wen Indonesia

Kiswara Santi  
ICCO

Julian Nierentz  
FSC Int

Herlina  
PT. Tanjung Timberindo Industry

M. Sopi  
Jeld-Wen Indonesia

Mark Saunders  
Marks & Spencer

Yoga  
ICCO

Jeff Hunt  
Earth Source Forest Product

Michael Norton  
The Woodbank

Charles Marlisa  
ATC NL

Bambang Diapantra  
dipantara

Andika Zulkarnae  
PT. Jatim Sentra

Deddy  
Mutu Agung Certification
Amin Suar
Fajar
Florist van Hest
Langlang
Hartono Prabowo
Nofri Iswandi
Randy
Paul Gijsbert
Nev Kemp
Ryan Permadi
Agus Saputra
Gandy Wibisono
Ananda Artono
Purwadi S.
Nadin
Robby Hiroka
Aurelia Micko
Dicky Yuana Rady
Isyana Rahayu
Jurianto
Rizki Pandu Permana
Dya Yossie
Haris Tri W.
Maidiwaro
Kenichi Shono
Fairus Mulia
Retyana
Nazir Foead
Timothy Paul
Haris
Eman Hidayat
Thesis Budiarto
Sumardi
Hadianto
Adam Tamasek
Rudi Gunawan
Robertus Agung
Robert Tetenburg

PT. Gema Hutani Lestari
APHI
Adessium
Rainforest Alliance
TFT
TFT
Rainforest Alliance
Jeweret
USAID
Kemakmuran Berkah Timber
Multistrada Agro
Tirta Mahakam
Perhutani
APHI
Majalah Tropis
Toya Materia
USAID
Perhutani
Perhutani
Kemakmuran Berkah Timber
IFC
IFT
Perhutani Kebon
BUK
PT. Hatfield Indonesia
Bios and Kandelia Alam
TUV
WWF
Wood United
PT. Dwimajaya
KLI
PT. SCS Indonesia
Perhutani
Alas Kusuma Group
WWF
PT. Sumalindo Lestari Jaya
Kwas Jogja
Leary
ANNEX 4 – IDH – Adessium workshop

Dear Participants of the workshop “Recommendations from Indonesia for enhancement of sustainability”,

It was a real pleasure to have you all join the workshop in June last year in Jakarta. It has been more than half a year since the meeting took place and we would like to use the opportunity of the write up of the conference to share some of the next steps that IDH and Adessium Foundation have taken. You can also find attached a selection of the slides we have used in our presentation.

What obviously was reaffirmed during the meeting was that there are no easy solutions to halt deforestation in Indonesia and Borneo. However a couple of common conclusions on threats and solutions emerged from the meeting. Underneath you can find the respective next steps IDH and Adessium have taken based on these conclusions.

IDH - Using the momentum legality legislation creates to boost SFM in Indonesia.

1. It was recognized that harmonization of (both voluntary and mandatory) standards is a great opportunity but careful consideration is needed on the practicalities, such as the sensitivities between national and international standards, the role of the auditors and potential conflicts of interest between combining voluntary and mandatory systems.
2. Production from community forestry needs to be further explored since community forestry produces significant supplies; however, for TBI community forestry can only work through association of or cooperation among community foresters since TBI needs scale and quality.
3. Land use policy and the lack of property rights is one of the largest drivers of deforestation in Indonesia; sustainable trade can help to give additional value to the forest and through that mechanism play a role in halting deforestation.

In close collaboration with the Dutch Ministry of Economic Affairs and other partners such as FSC, PEFC, GFTN, ETTF, Atib, ICLEI and others, IDH has convened the EU Sustainable Tropical Timber Coalition (EU STTC). In this EU STTC private sector companies, local authorities (cities, municipalities, etc.) and national governments will work together on a common ambition to accelerate demand for certified or licensed timber from sustainably managed tropical forests through bundling demand and creating synergies between legality measures and sustainability efforts. Participants in the coalition will each contribute to the overall ambition within their own sphere of influence, ranging from ambitious sourcing practices to development, implementation and monitoring of public policies, and have access to co-funded support to realize their individual ambitions. On September 23 2013, the EU STTC and all its participants will formally kick-off at an international event in the UK. For more information about the EU STTC and opportunities for participation, please check www.idhsustainabletrade.com/timber.

Adessium Foundation - How can demand for FSC timber from Indonesia and Borneo be stimulated to match the growth in supply?

1. Government interventions such as regulations comparable to the EUTR and the Lacey act can make big changes towards SFM, there seems to be some momentum in Japan and even in China; however the role of Western based NGOs should be considered carefully.
2. No demand for certified wood expected from the Indonesian consumers in the short term; there could be opportunities in the large corporate market, especially Western companies with offices in Indonesia, through their CSR standards.
3. For large scale changes government intervention is needed but match making events like the TBI event in June 2012 are useful to connect buyers and sellers and can increase trade in sustainably produced wood.
Being a Dutch based foundation, Adessium saw limited opportunities to contribute to initiatives aiming to address points 1 and 2 of the above. As for the stimulation of demand in Western Markets Adessium Foundation has granted TBI an additional grant to allow TBI to promote the uptake of FSC certified wood in the USA from TBI related concession holders. This will be done in close cooperation with a fitting US based partner. There are numerous opportunities to increase the demand for FSC certified wood from Indonesia and Borneo in the USA such as the size of the market, the recent uptake of the construction sector (will it last?) and the implementation of the Lacey act.

Once again, thank you for your attendance to the workshop. If you have any questions you can contact Marieke Abcouwer from IDH and Floris van Hest from Adessium Foundation.

**Picture 1.** IDH – Adessium workshop power point presentation

**Recommendations from Indonesia for enhancement of sustainability**
Side event Jakarta, June 2012

**MSC is gaining momentum in the Netherlands**
As is sustainably produced wood

Dutch market shares of certified wood, %

Note: strong growth of PEFC mainly due to increase of procurement of PEFC certified sawn softwood

Source: ProCos

Demand for tropical FSC certified timber in the Netherlands is increasing but not "mainstream"

% of FSC certified tropical timber

Source: FSC; Houtwereld
The original goal of certification was sustainable management of tropical forests until now EU and NA forests have been main beneficiaries.

Percentage of certified forests: 2010-2011

Source: FAO, UNECE (United Nations Economic Commission for Europe) annual market review forest products 2010-2011

Supply of FSC certified timber from Indonesia and Borneo is growing largely through partners of The Borneo Initiative

Supply, FSC Million m³ per year

1. Assumption: 1 ha provides 0.5 m³ wood per year and all plans of TBI materialize
2. Note: Total production Indonesia 34 M m³ KWE = of which 23% from natural forests total production Malaysia 17.8 M m³ KWE
3. Note: 2014-2020 non TBI number based on 1.1 ha in Indonesia and 1 M ha in Sabah
4. Source: TBI, FAO, Forests

Total Dutch use of Tropical timber was 0.7 M m³ (KWE) in 2010
Trade flows - direct exports from Indonesia and Malaysia

These are direct exports – in addition direct exports to Asia can result in indirect exports to e.g. EU and the USA!

1. Anecdotal evidence: China accounts for one fifth of tropical furniture exports; 21% of the value of China’s exports go to the EU
Source: WWF, PWC Heart of Borneo green economy report

So what could be the next steps to further increase SFM in Indonesia?

1. Accelerate from legality to SFM in Indonesia

How to further increase SFM in Indonesia?

2. Increase sustainability through consumer countries

Other
## EU timber regulation and other legality regulations: an opportunity or threat?

The EU Timber Regulation enters into force in 2013 in all EU member states. It will prohibit the placing of any illegally harvested timber on the EU market. Similar legislation is being implemented for other export markets. In Indonesia, this the legality legislation is implemented through SVLK.

<table>
<thead>
<tr>
<th>Positive Impacts</th>
<th>Negative Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Regulation and SVLK could strengthen overall controls on forest management.</td>
<td>1. Producers may feel legality is what is most important for market access, so may neglect certification.</td>
</tr>
<tr>
<td>2. It might raise the performance bar across the industry, those pursuing certification could see less negative impact on competitiveness from illegal logging.</td>
<td>2. Discourages toward importing tropical timber</td>
</tr>
<tr>
<td>3. Could even engage China in a greening of the supply chain as the Regulation covers secondary producers.</td>
<td>3. Due diligence requirement for certified imports</td>
</tr>
</tbody>
</table>

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## How can we use the momentum legality legislation creates to boost SFM in Indonesia?

- **National standards**
  - Accelerate from SVLK to PHPL
  - Integrate/Harmonize PHPL and FSC nat st.

- **Technical Harmonization SVLK / FSC**
  - Harmonization of audits SVLK - FSC
  - Harmonization of social components
  - Harmonization of biodiversity components

- **Legality negotiations / implementation**
  - More SFM principles in VPA/FLEGT + other
  - FSC as Green Lane for due diligence

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Source: PuC analysis
How can demand for FSC timber from Indonesia and Borneo be stimulated to match the growth in supply?

- Install or upgrade government policies
- Increase local Indonesian demand for sustainable timber
- Consumer and private sector initiatives towards sustainability
- Timber regulations

Where
- China
- Australia
- Japan
- Other

- Japan
- US
- Other

EU
- US
- Japan
- China/other

Appendix
Indonesia is a large consumer of tropical wood itself

Indonesia, Million m³ 2006

Source: FAO 2011, state of the world’s forests report