



Indonesia FLEGT Licensing - Information and Guidance for Operators

In preparation for the arrival of FLEGT-licensed timber and timber products from Indonesia, this paper explains more about scheme, how it affects operators, and answers some common questions.

Background to FLEGT licensing

The FLEGT Regulation is a key piece of legislation under the [EU's Forest Law Enforcement Governance and Trade \(FLEGT\) Action Plan](#). The regulation controls the entry of timber into the EU from countries who enter into a legally binding bilateral agreement with the EU known as a [Voluntary Partnership Agreement](#) (VPA). Once fully implemented a VPA means the producer country exports timber under what is known as a FLEGT Licence. Operators importing FLEGT-licensed timber to the UK market are exempt from the [European Union Timber Regulation](#) (EUTR) requirements for due diligence, because this timber has undergone the necessary checks in the country of export.

Indonesia FLEGT licensing

The FLEGT Indonesia-EU VPA, officially signed in 2013, has strengthened forest governance in Indonesia by increasing transparency, accountability and stakeholder participation in decisions about forests. In 2002, just 20% of Indonesia's timber was legal. Today, over 90% of Indonesia's timber exports are from independently audited factories and forests under Indonesia's Timber Legality Assurance Scheme (TLAS) or 'SVLK'.¹

On 9 August 2016 it was announced that Indonesia will become the first country to export FLEGT-licensed timber to the EU.

Following the announcement, the European Commission amended the [regulation](#) to include Indonesia and its Licensing Information Unit as their designated licensing authority. In doing so, the EC formally recognised Indonesia's licensing scheme for exports of verified legal timber to the EU, acknowledging that Indonesia has fulfilled the requirements of VPA and is therefore able to export FLEGT-licensed timber and timber products. The amendment also includes Indonesian timber and timber products covered by the FLEGT licensing scheme.

The regulation will enter into application on 15 November 2016, meaning this is the earliest date that Indonesia can begin to issue FLEGT licences. The first shipments of licensed timber are expected to arrive in December 2016.

¹ http://ec.europa.eu/environment/pdf/21_04_2016_en.pdf



Information for operators likely to be affected by the Indonesian FLEGT licensing regime

The process for importing Indonesian FLEGT-licensed timber

1. Operators will receive a FLEGT Licence from their supplier prior to the export of the product.
2. Operators will need to submit the electronic FLEGT licence they receive from their suppliers (exporters) to their respective member state competent authority for verification before the shipment arrives in the EU and before any customs declaration is made.

This can take place as soon as the FLEGT licensing authority has issued the licence and the details are confirmed in the export declaration in the country of dispatch. Operators in EU member states therefore do not need to wait until the shipment has reached the EU before sending copies of FLEGT licences to competent authorities.

Individual EU Member State Processes for FLEGT Licensing

Please check the relevant Member State's legislation (or the Competent Authority) for the exact procedure to be followed.

The EC has created an IT system (FLEGIT) to enable EU operators to submit FLEGT licences to Competent Authorities electronically. FLEGIT will be open for user registration from 31 October 2016. Users will be able to submit licences from 15 November 2016.

FLEGIT is available [here](#).

However, respective member states will have established their own electronic system for Operators to submit their licences through. If your country has set up a national site for submitting FLEGT licences electronically you should only use the national site of your country.

The United Kingdom's FLEGT Licensing Process

If you import FLEGT-licensed timber, you will be required to submit the electronic FLEGT licence for verification to the Regulatory Delivery's portal before the timber arrives in the UK. The details for the process are yet to be released.

The fee for this is **£9.60**. This is a cost recovery fee to cover the costs of the Government agencies involved in validating and processing FLEGT licences in the UK.



3. Competent authorities in EU member states will verify that consignments of timber, which fall within the VPA product scope from the VPA partner country are covered by valid FLEGT licences. If such products are not covered by a valid FLEGT licence, the competent authorities will not permit their import to the EU.

Competent authorities will do two kinds of checks:

- Documentary checks to ensure FLEGT licences are in the correct format, have the correct date and are valid and authentic.
- Physical checks, according to the normal procedures of customs authorities in EU member states, to ensure shipments are consistent with accompanying licences.

Where there are concerns as to whether a shipment conforms to its corresponding FLEGT licence, a competent authority can seek further clarification from the VPA partner country. The release of a shipment could be suspended and the shipment detained if there are doubts about the validity of the FLEGT licence.

Issuing FLEGT licences

FLEGT licensing authorities issue FLEGT licences. In Indonesia, these authorities are registered with the Ministry of Environment and Forestry and are listed on the [SILK website](#). All licences issued by licensing authorities are registered on SILK, which is linked to Indonesia's online trade and customs systems to allow for fast approval of export and clearance of consignments. Competent authorities in EU member states have access to SILK, as regulated in the VPA.

FLEGT licences are issued at the point at which the consignment is consolidated prior to export.

To obtain a FLEGT licence, the exporter applies in writing to the licensing authority with which it holds a contract. The exporter attaches the following documents to demonstrate that the timber raw materials in the product originate only from verified legal sources:

- A summary of the transport documents for all timber raw materials received by the factory since the last audit (up to maximum of 12 months)
- Summaries of Timber/Raw Material Balance-Sheet Report, and Processed Timber Balance-Sheet Report since the last audit (up to maximum of 12 months)

The licensing authority verifies the validity of the operator's legality certificate by reconciling the data provided and, where necessary, conducts a field visit to ensure consistency with the information to be specified in the FLEGT licence.

For the licensing authority to issue a FLEGT licence, all suppliers in the exporter's supply chain that make up the consignment must have been covered by a valid legality or sustainable forest management certificate, or a Supplier's Declaration of Conformity.

The lead time is three days for a licensing authority to issue a FLEGT licence after an application by an exporter, as set out in the SVLK Guidelines. Note that the licensing authority can only issue export licences (V-Legal Documents or FLEGT licences) to exporters that are SVLK certified.



If the operator complies with legality and supply chain requirements, the licensing authority issues a FLEGT licence in the format presented in Annex IV of the VPA.

If an operator does not comply with the legality and supply chain requirements, the licensing authority will issue a non-compliance report instead of a FLEGT licence. The non-compliance report halts the movement of the corresponding timber and/or timber products.

Indonesia follows the same procedure to issue V-Legal Documents² for exports to non-EU markets for the products covered in the VPA.

For full details on how FLEGT licences are issued please refer to [Annex V](#) of the Indonesia-EU VPA.

FAQs

Will I need to continue conducting due diligence under the EUTR on my timber products coming from Indonesia?

Timber and timber products covered by a valid FLEGT licence are considered to comply with the requirements of the EU Timber Regulation (EUTR), so you do not need to exercise further due diligence.

Do my products need to have a FLEGT licence when coming from Indonesia?

If the products you want to place on the EU market from Indonesia are listed on the product scope of the VPA between the EU and Indonesia, they are required to have a FLEGT licence. If products are listed in the product scope of the VPA but are not covered by a FLEGT licence, then you are not allowed to import the products.

If the products you want to place on the EU market are outside the product scope of the Indonesian-EU VPA, they can enter the EU market, but you will need to exercise due diligence as required by the EUTR if within scope of the regulation.

What timber products do FLEGT licences cover?

Each VPA agreement between the EU and a timber producing country includes an annex that describes procedures for processing FLEGT licences. These explain EU border control measures and the procedures that EU member states must follow when FLEGT-licensed shipments arrive from VPA partner countries.

FLEGT licences cover timber products exported to the EU and are listed in the annex on product scope of a Voluntary Partnership Agreement between the EU and a partner country outside the EU.

Some VPA product scopes exceed the product categories for which the EUTR requires due diligence. Some VPAs also list products that cannot be exported from the VPA country and so can never be FLEGT-licensed.

² <http://euflegt.efi.int/web/flegt-licence/v-legal-documents>



Please note that the product scope of Indonesia's VPA changed after the EU and Indonesia ratified the VPA. The revised annex on product scope is [here](#).

You can check the products covered by the EUTR [here](#).

You can download concluded VPAs and consult their annexes on product scope [here](#).

If FLEGT-licensed timber is processed in another country, will it still hold a FLEGT licence?

If the 'processing country' does not also issue FLEGT licences, then the products manufactured with FLEGT-licensed timber in the processing country cannot be FLEGT licensed. Timber exports from Indonesia to non-EU countries will be done so under a V-Legal licence.

For example, if FLEGT-licensed logs were processed in China to make a table, the table would not be FLEGT licensed.

Operators can however refer to the FLEGT-licensed status of some or all of the raw materials and to the supply chain controls in the country of harvest in their due diligence reports. However, any process in a non-VPA country must be covered by the due diligence.

If FLEGT-licensed timber is transported to the EU from a VPA country through a third country, is a FLEGT licence affected?

If the FLEGT-licensed shipment is only transported through a non-VPA country, and does not become mixed with any other products in the process, the validity of the FLEGT licence is unaffected.

Is timber harvested in another country and then imported to Indonesia for manufacture before being exported to the EU covered by FLEGT.

Yes. The Indonesian importer has to ensure that the wood they imports into Indonesia comes from legal sources. This applies for the product scope of the VPA, including logs and sawn timber. To demonstrate legality the importer conducts due diligence, before import, using the Indonesian's Ministry of Environment and Forestry's SILK system to upload relevant documentation.

Information submitted by the importer includes; product category, importer and exporter details, bill of lading, country of origin and port of export, country of harvest and relevant documents as proof of legality.

The Ministry of Environment and Forestry checks on the due diligence applied and, if satisfied, issues an 'import recommendation' to the Ministry of Trade.

The final product will be FLEGT licensed if (i) the product is covered by Annex I of the VPA, (ii) the exporter holds an SVLK certificate, and (iii) the exporter can demonstrate the legality of the sources in their supply chain, including imports.



All product types listed in Annex I of the VPA, and exported to the EU, will be FLEGT-licensed. Products that are not listed in Annex I of the VPA will not require a FLEGT licence for export to the EU. For such products, the EU Timber Regulation will apply.

Are there consequences for an EU operator if they place FLEGT-licensed products on the market but later learn, through NGO reports for example, that the products originated from illegal sources?

If the operator has placed the products on the market without knowledge of their illegality or reason to suspect illegality, it can be recognised that the operator acted in good faith. However, if competent authorities have evidence that the operator was aware of the illegality, penalties may be issued.

If anyone suspects or knows that illegal products have been given FLEGT licences they should contact the competent authorities in the recipient EU member state and the FLEGT licensing authorities in the exporting country.

What if customs prevent an EU operator from placing timber on the market because of a problem with a FLEGT licence? If costs are incurred, who pays?

Normal customs procedures will apply. If the FLEGT licence is [not consistent with the shipment](#), any costs will be borne by the importer, except where the EU member state concerned determines otherwise (*art. 5 para. 7 of Reg 2173/2005*). Importers should check the relevant member state's legislation. The onus is on importers to ensure all documents are in order and ready for checks by customs. In the case of routine checks by customs in the absence of problems with a FLEGT licence, the related costs will be borne by customs.

For more information about the FLEGT licence process see the European Commission's full FAQs on their [website](#), contact your national competent authority or email S.Hickman@tft-earth.org