



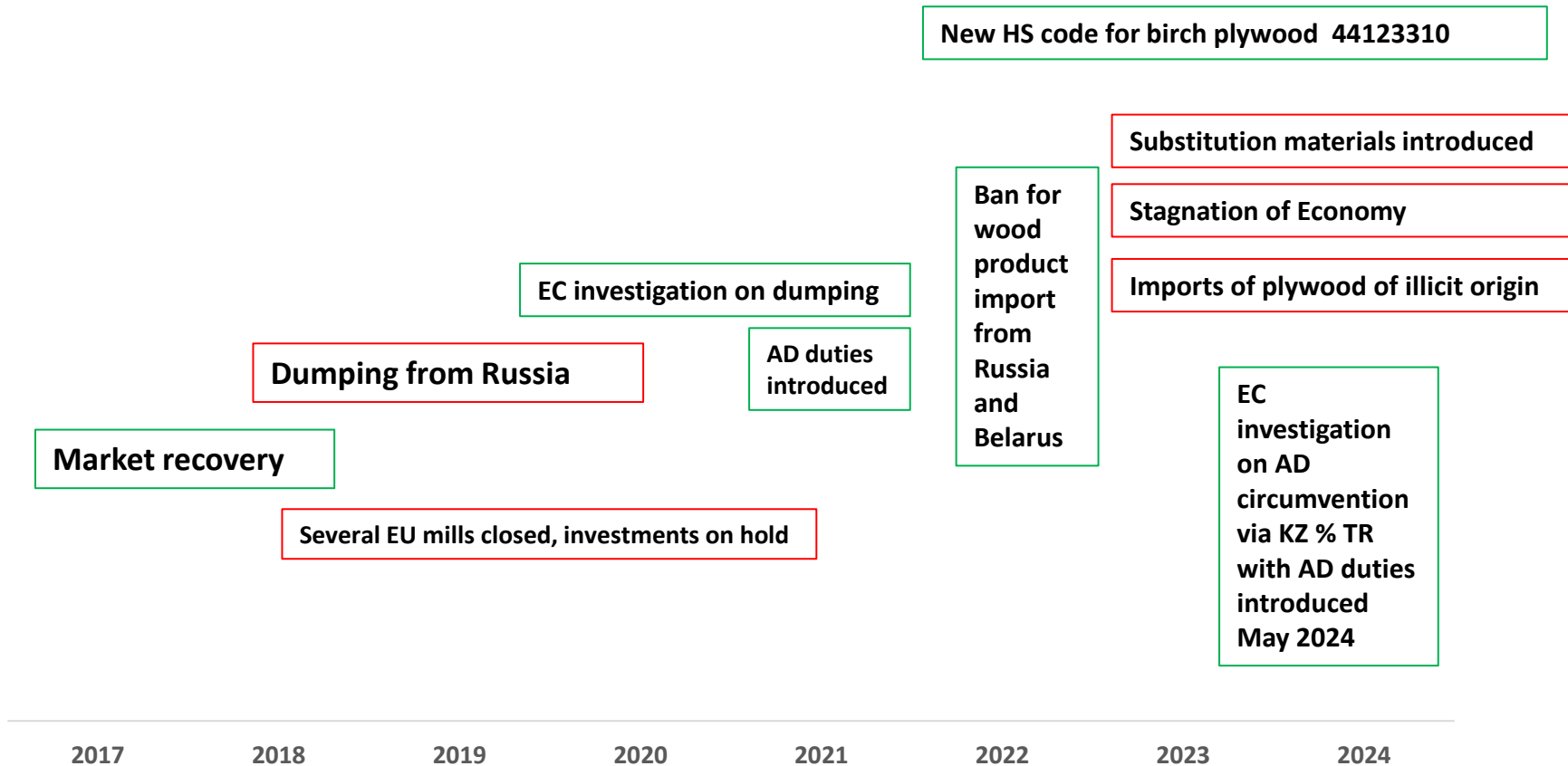
**EUROPEAN PANEL FEDERATION**  
WOOD - BASED PANELS



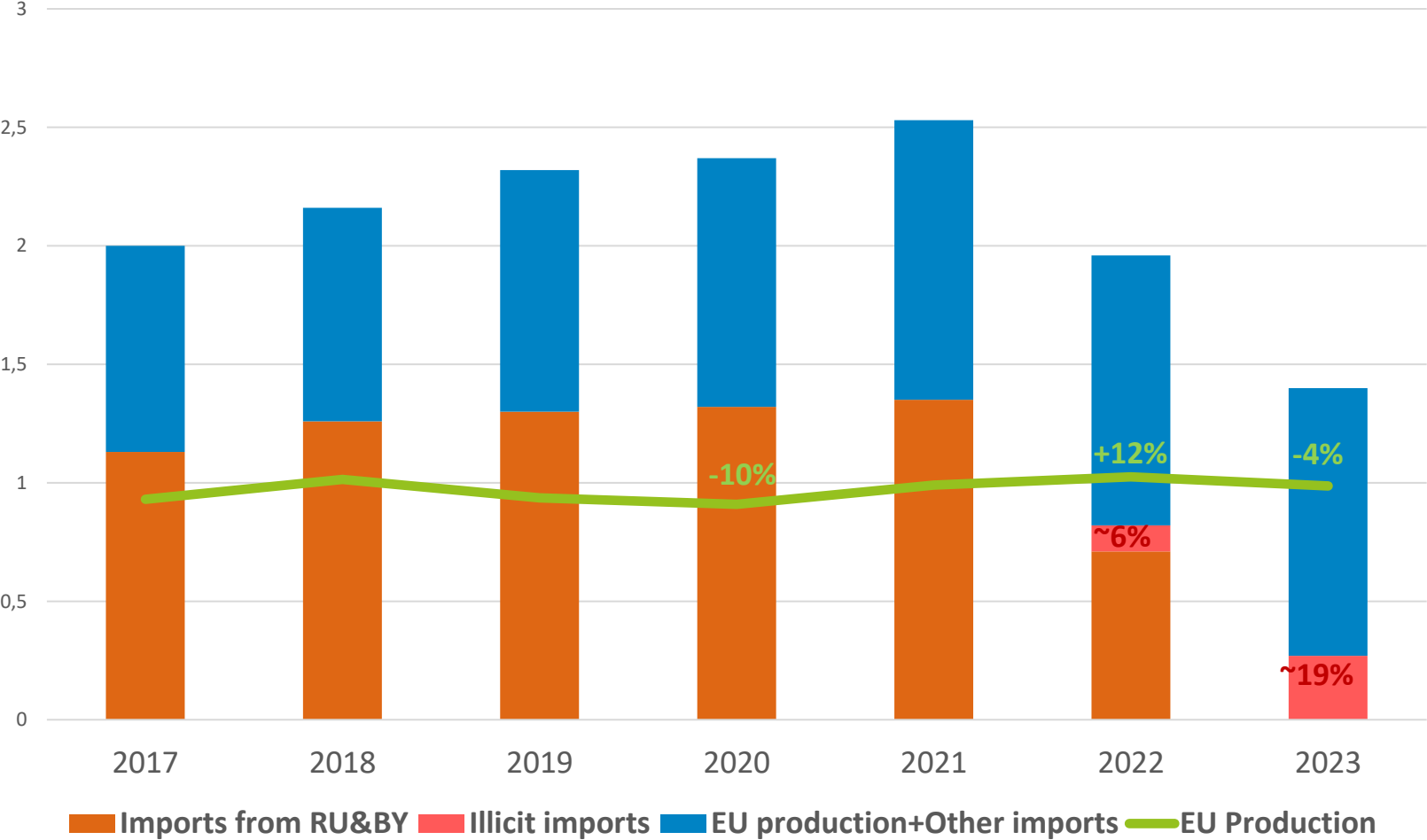
*Responsible Sourcing: Risks and Consequences of Purchasing Sanctioned Plywood from Russia and Belarus*

## **Current State of Illegal Plywood Imports in Europe and its Impacts**

# Key Events Influencing Birch Plywood Market EU&UK



# Birch Plywood Market Development in EU&UK, million m3

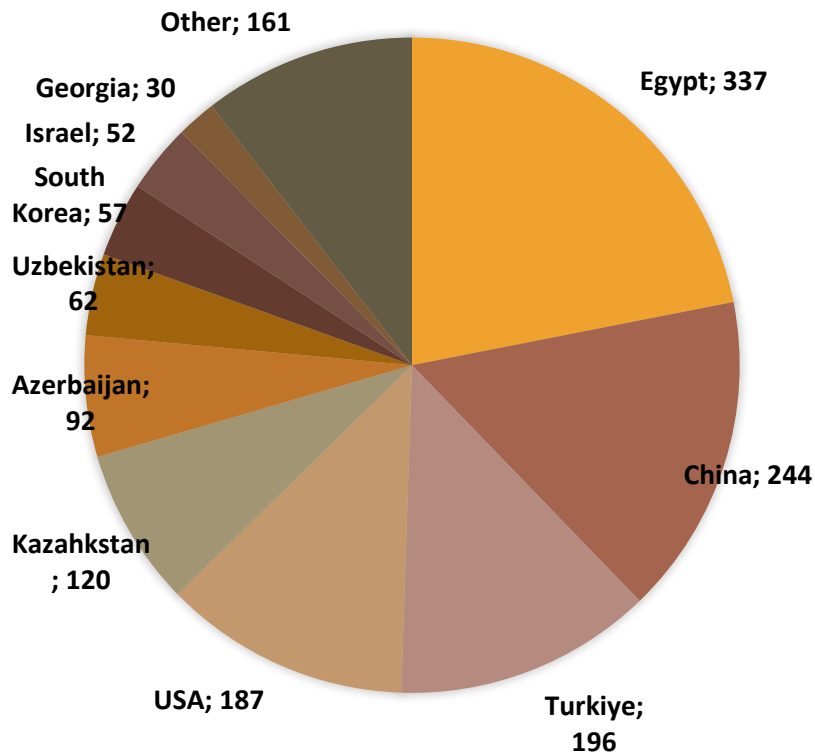


# Sanctions on Russia and Belarus triggered new import trade flows of birch plywood

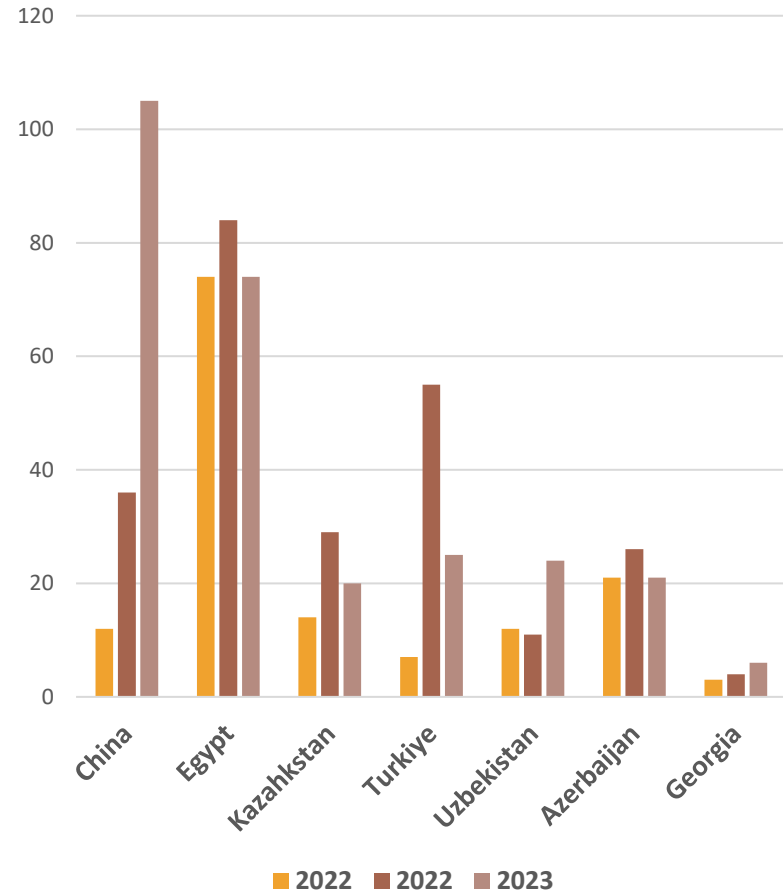
- From countries **producing birch plywood but on limited amounts** – capacity and raw materials (Kazakhstan, Moldova)
- From countries producing plywood but **do not have sufficient birch log resources** locally (Türkiye, Georgia, China, Vietnam, Morocco, Ghana and others)
- From countries **without any plywood production** (Uzbekistan, Egypt, Armenia)
- Same time birch plywood exports to some above mentioned countries from Russia **skyrocketed**

# Plywood Export From Russia (95% is birch), th.m3

TOTAL 2023

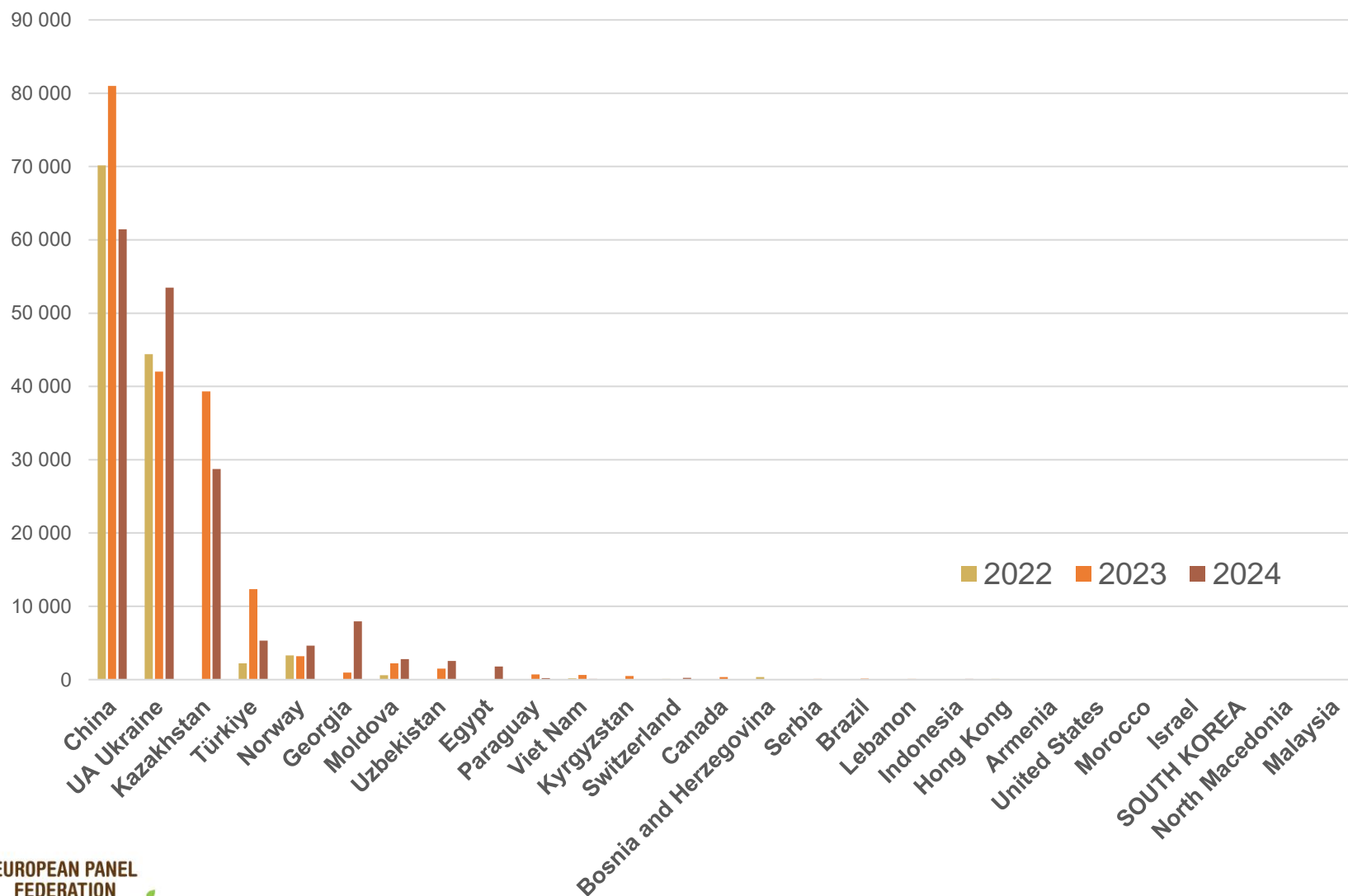


Development Q1 2022-2024



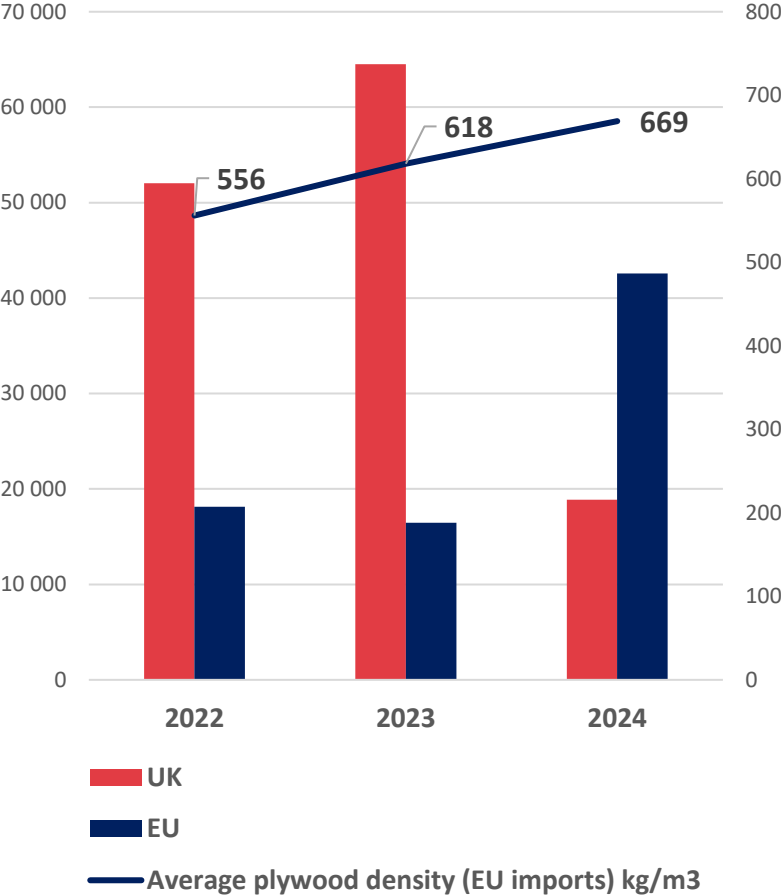
Data source: Rosstat, Russian Timber Journal

# Jan – Apr Imports of Birch Plywood 2022-2024 EU+UK, th.m3



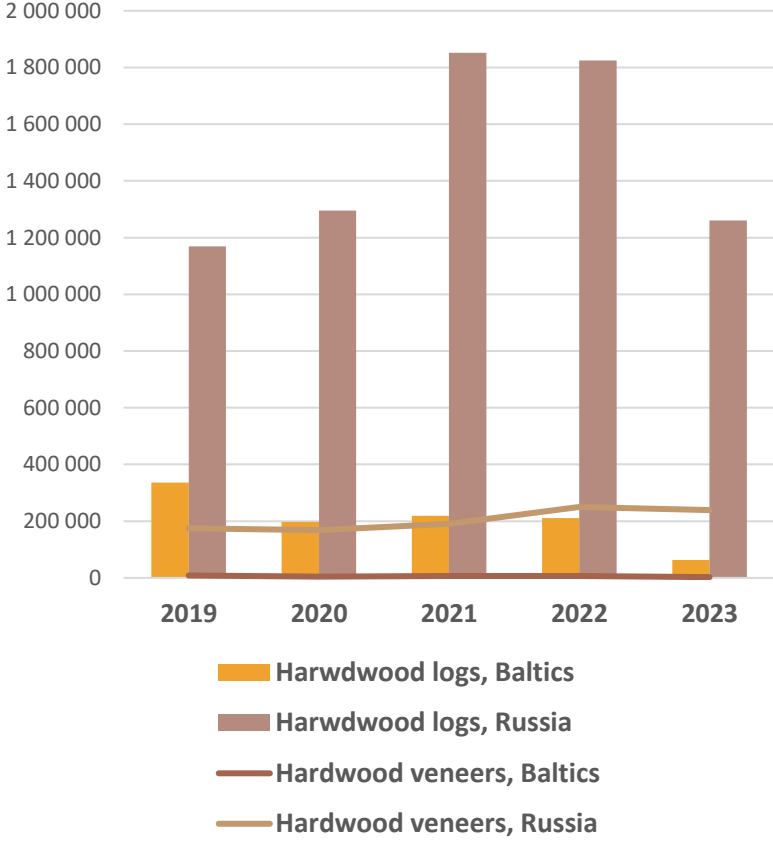
# China – Major Exporter of Birch Plywood to EU&UK

Import of Birch plywood, m3



Data source: Eurostat, HMRC, recalculated density, expert's estimation

Import of Hardwood (birch) raw materials in China, m3



Data source: Trade Map, Commtrade

# 2024 Actual Challenges

---

- While imports from Kazakhstan and Türkiye reducing imports from other countries increasing
  - China (average density of plywood is increasing)
  - Georgia claims higher production
  - Egypt, Uzbekistan – no explanation!
- Share of illicit plywood in the market is still high 16% (19% 2023)



# 2024 Actual Challenges

---

- Some countries claiming birch raw material originating from EU (Baltics / Latvia), but there is no solid ground for such volumes
  - Innovative methods are available to determine origin
- Plywood producers are helping to clarify log supply chain compliance to interested parties
  - Investigation started in Latvia
- There is “unsaleable” stock of KZ and TR birch plywood what is “marketed” under EU producers' trademarks

# Concluding Remarks

---

- Dumping by Russia made negative effect on European plywood industry: ~ 150 th.m3 in shut down capacity and further investment for development froze for three years
- 19% share in 2023 of illicit plywood imports represents 175 million Eur turnover and majority of money ended in Russia (supporting war!) not to producers supporting fair trade
- Consumers are mislead about correct origin of goods
- Due to lower prices of illicit plywood some of consumers have unfair advantages vs. their competition
- Further 5% drop of birch plywood production recorded Q1 2024 in Europe pushes down capacity utilization close to 80% - risk of loosing jobs
- European birch producers are forced to spend their resources to defend fair trade instead investing in the future

Actions against  
circumvention and breach of  
EU trade-defence, sanctions  
and EUTR rules on imports of  
plywood into the EU with links  
to Russia and Belarus

Yuriy Rudyuk, Partner | Van Bael & Bellis

Warsaw, 10 September 2024

**MY THREE MAIN TOPICS:**

**1. EU ANTI-CIRCUMVENTION INVESTIGATION OF BIRCH PLYWOOD IMPORTS FROM KAZAKHSTAN AND TURKIYE**

**2. CURRENT EU SANCTIONS AND EUTR REGIME ON WOOD PRODUCTS FROM RUSSIA AND BELARUS**

**3. LATEST EXAMPLES FROM DIFFERENT MARKETS OF THE EU**



## 1. ANTI-CIRCUMVENTION INVESTIGATION BY THE EUROPEAN COMMISSION – CASE STUDY

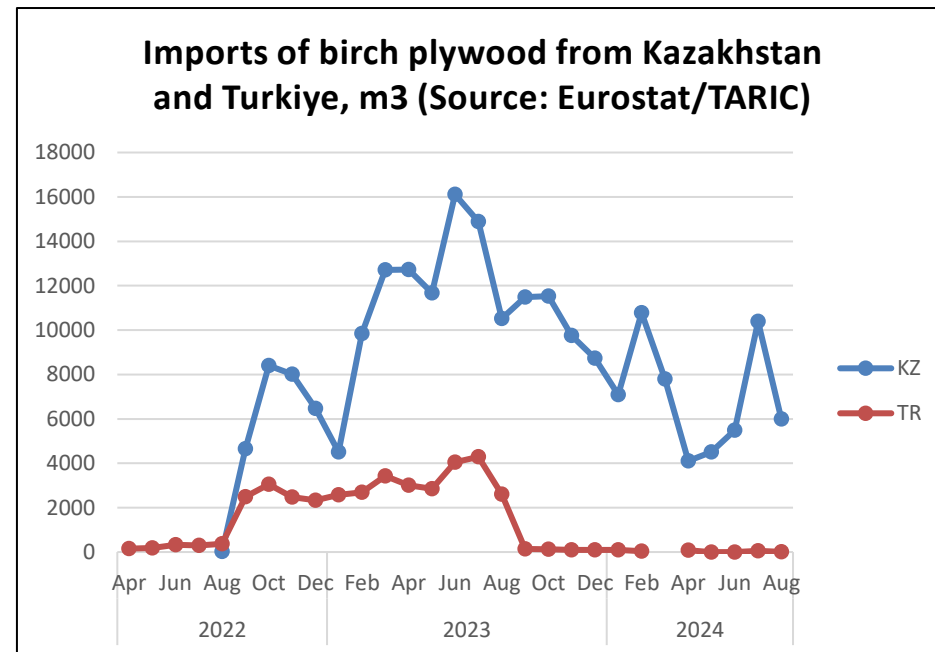
### Main features of the investigation

- **Who requested:** Original complainants from the 2021 Russian birch plywood anti-dumping case (Paged Group and Latvijas Finieris Group) supported by several other EU leading producers and their national associations;
- **Type of measure:** investigation by DG Trade into imports from Kazakhstan and Türkiye;
- **Investigation:** objective and detailed 9-months' assessment by the Commission's team; on-spot verifications and audit in both countries,
- **Commission's conclusion:** None of the investigated KZ and TR producers managed to prove that they were not involved in circumvention practices with Russian-origin plywood and/or raw materials (logs).

## 1. ANTI-CIRCUMVENTION INVESTIGATION BY THE EUROPEAN COMMISSION – CASE STUDY

### Key takeaways and what was achieved

- The maximum original AD duty for Russia (**15.80% *ad valorem***) expanded on ALL imports from Kazakhstan and Türkiye irrespective of producer and origin;
- Imports registered during the investigation (August 2023 to May 2024) was subjected to **retroactive collection of 15.80% duty** from European importers, estimated for a total of almost **10 million Euro** (or **1 million EUR** for each month of the investigation).
- Imports from both countries **significantly reduced** following the investigation and Commission's findings. In Poland alone (largest importer in the EU), it is 47% lower in January-August 2024 vs same period in 2023.



## 2. CURRENT SANCTIONS REGIME IN THE EU AGAINST RUSSIA CONCERNING WOOD PRODUCTS

### COUNCIL REGULATION (EU) 2022/576 of 8 April 2022 (original import ban of Russian products):

- Article 3i: *“It shall be prohibited to purchase, import, or transfer, directly or indirectly, goods which generate significant revenues for Russia thereby enabling its actions destabilising the situation in Ukraine, as listed in Annex XXI into the Union if they originate in Russia or are exported from Russia.”*
- This includes the entire **Chapter 44** of EU Combined Nomenclature: **“Wood and articles of wood; wood charcoal”**.

### COUNCIL REGULATION (EU) 2024/1745 of 24 June 2024 (new circumvention clause):

Circumvention of EU sanctions against Russia now strictly prohibited for EU operators once they know (are aware) that the wood products (e.g. plywood) may have Russian origin:

- Article 12: *“It shall be prohibited to participate, knowingly and intentionally, in activities the object or effect of which is to **circumvent prohibitions in this Regulation**, including by participating in such activities **without deliberately seeking** that object or effect **but being aware** that the participation may have that object or effect and accepting that possibility”*.

## 2. CURRENT SANCTIONS REGIME IN THE EU AGAINST RUSSIA CONCERNING WOOD PRODUCTS

### WHAT ARE THE (CURRENT) LIABILITIES FOR SANCTIONS VIOLATION IN THE EU?

- ❑ Vary among EU Member States
- ❑ Can be administrative, criminal, or both
- ❑ Examples of liabilities:
  - **Administrative:**
    - **Fines** between up to 4.000.000 EUR (for example, in the Netherlands) for natural persons and up to 10.000.000 EUR for legal persons (for example, in Germany).
    - Possible **confiscation** of the object of the breach (for example, in Italy).
  - **Criminal:**
    - **Prison sentences** vary and can reach 6 years
    - In addition, a criminal **fine** up to and 900.000 EUR (for example, in the Netherlands).



## 2. CURRENT SANCTIONS REGIME IN THE EU AGAINST RUSSIA CONCERNING WOOD PRODUCTS

### WHAT ARE THE HARMONISED LIABILITIES UNDER THE EU DIRECTIVE (EU) 2024/1226 OF 24 APRIL 2024?

#### ❑ Individuals (natural persons):

- Offences related to providing **financial services, trading goods, or enabling designated persons' entry into Member States** must be subject to a maximum term of imprisonment of at least five years.
- Offences involving **funds or economic resources valued at EUR 100,000 or more** may lead to imprisonment from up to 1 to 5 years (depending on the offence).
- Plus, accessory penalties including **finances, disqualification from certain corporate activities, or temporary bans on running for public office**.

#### ❑ Companies (legal persons):

- **1% to 5%** of the total worldwide turnover;
  - or specific monetary amounts from **EUR 8 million up to EUR 40 million**.
- Transposition of the new EU Directive (EU) 2024/1226 into the MS' national legislation should take place by May 2025.

## 2. CURRENT SANCTIONS REGIME IN THE EU AGAINST RUSSIA CONCERNING WOOD PRODUCTS

### EU TIMBER REGULATION (EU Parliament and Council Regulation (EU) No 995/2010 of 20 October 2010) – EUTR:

1. Recital (3) of EUTR: Illegal logging can be linked to armed conflicts.
2. Article 6(1)(b) of EUTR: Operators' due diligence systems must incorporate relevant risk assessment criteria to analyse and evaluate the risk of illegally harvested timber being placed on the EU market, including consideration of the prevalence of armed conflict and the presence of sanctions imposed by the UN security council or the Council of the European Union on timber imports or exports.
3. Both Forest Stewardship Council (**FSC**) and the Programme for the Endorsement of Forest Certification (**PEFC**) have suspended their operations in Belarus and Russia.

→ **The EU operators cannot therefore carry out a full risk assessment and effectively mitigate the risk of acquiring illegally harvested timber from Russia and Belarus. Thus, impossible to legally import and place on EU market under EUTR rules.**

#### Liabilities under EUTR:

- ❖ **Administrative – Fines** (e.g., between 2.000 EUR and 10.000.000 EUR depending on Member States and types of violations).
- ❖ **Criminal – Prison sentences** (e.g., between three months and six years) + fine.
- ❖ **Other types of sanctions:**
  - Seizure (confiscation) of products;
  - Immediate suspension of authorization to trade.

## 2. CURRENT SANCTIONS REGIME IN THE EU AGAINST RUSSIA CONCERNING WOOD PRODUCTS

Commission's Expert Group/Multi-Stakeholder Platform with a focus on implementation of the EUTR and FLEGT Regulation, meetings in March and April 2022:

“Placing onto the EU market of products covered by the EU sanctions [against Russia and Belarus] or the Russian Federation's export ban **will be considered illegal** for the purposes of the EUTR”

“Due to present circumstances (including the ongoing suspension of third-party verification schemes in Belarus and the Russian Federation), it is **impossible for operators to carry out full risk assessments** or to **effectively mitigate the non-negligible risk of acquiring illegally harvested timber**”

“EU operators **must refrain from placing on the EU market all timber and timber-derived products originating from Belarus or the Russian Federation**, including timber and timber products exported via third countries”

### 3. LATEST EXAMPLES OF SANCTIONS' ENFORCEMENT IN THE EU

#### Rotterdam District Court, “Rowood” case (April 2024)

- Dutch trader “**Rowood**” supplied several batches of birch concrete plywood to two Dutch customers but denied to provide information about the origin of plywood at their request.
- Court’s finding:

*Rowood wrongly **failed to comply with the information obligation** incumbent on it in the present case **regarding the origin of the wood** and the deliveries of birch plywood manufactured with it **in light of compliance with the EUTR Regulation** and the **Sanctions Regulation** (EU Regulation concerning restrictive measures in response to Russia's actions destabilising the situation in Ukraine). The **buyers had a legitimate interest in Rowood complying with the information obligation** and were therefore also **allowed to suspend their payment obligations** and eventually **terminate their purchase agreements** with Rowood, without penalties.*



### 3. LATEST EXAMPLES OF SANCTIONS' ENFORCEMENT IN THE EU

#### Latvia's National Forest Service (VMD) first public enforcement of EUTR (May 2024)

- VMD imposed **10.000 EUR fine** and a **trade ban for 1 year** against an undisclosed company due to its non-compliance with EUTR for supply of birch plywood from Türkiye.
- The penalty has been imposed for due diligence checks that do not comply with the EUTR requirements, allowing for the risk of placing timber originating in Russia or Belarus on the market.
- Presentation of documents such as **certificates of origin** and **felling authorisations** are not considered by the VMD as an appropriate risk mitigation measures when a high-risk product is imported from a high-risk country. Such documents **do not reflect the entire supply chain, may contain false information and their use does not reduce the risk** of high-risk timber in the supply chain.

### 3. LATEST EXAMPLES OF SANCTIONS' ENFORCEMENT IN THE EU

#### Gdańsk District Prosecutor's Office and other authorities raid one of the largest traders in Poland of birch plywood from Kazakhstan (July 2024)

- In July 2024, Polish authorities raided warehouses of one of the largest Polish traders of birch plywood.
- During the raid, the authorities seized plywood, computers, servers and vehicles belonging to the trader. Samples of plywood were also taken for further testing.
- Investigation is currently pending. According to the District Prosecutor's Office in Gdańsk, it *“is conducting proceedings regarding the violation of the ban on acquiring and then transporting to the European Union wood and wood products originating from Belarus”*.



## CONCLUDING REMARKS

- A growing network of tools against sanctioned plywood products (now also in combination with trade defence circumvention measures) is rapidly evolving in the EU;
- Circumvention of sanctions practices are now defined more clearly making it impossible for operators to rely on “*we were not aware and could not suspect*” defence. Harmonization of liabilities and introduction of criminal liability for sanction violation under the new EU Directive on the EU-wide level will have been completed in all Member States soon.
- More effective compliance of both sanctions and EUTR regimes is now taking place with first cases publicly reported on birch plywood imports in several EU Member States with links to Russia and Belarus;
- EU Member States customs authorities and Anti-Fraud Offices (OLAF) are now more actively involved in identifying suspicious shipments and using the broad *Search and Cease* powers at their disposal;
- New IT and origin identifying tools and technologies are now becoming more commonly used and will facilitate identification for compliance and enforcement purposes.

# Thank you

---

## Brussels

Glaverbel Building  
Chaussée de la Hulpe 166  
Terhulpesteenweg  
B-1170 Brussels  
Belgium

T+32 (0)2 647 73 50  
F+32 (0)2 640 64 99

## Geneva

26, boulevard des Philosophes  
CH-1205 Geneva  
Switzerland

T+41 (0)22 320 90 20  
F+41 (0)22 320 94 20

## London

5, Chancery Lane  
EC4A 1BL London  
United Kingdom

T+44 (0)20 7406 1471



---

# Innovative Solution for the Verification of Timber Origin

Dr Victor Deklerck - Director of Science



**COLLECTION & ANALYSIS**



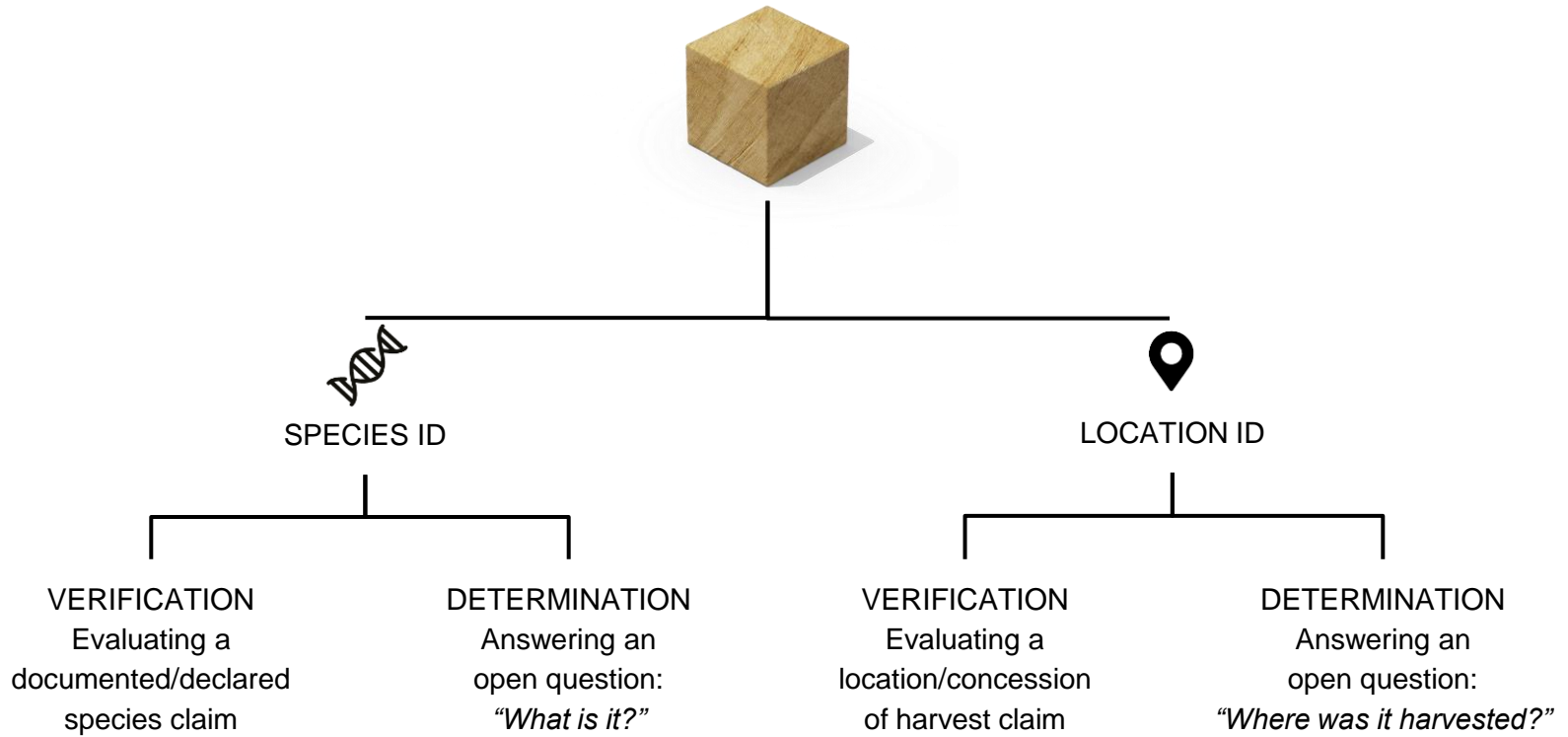
**DATA MODELING**



**COMPARISON**

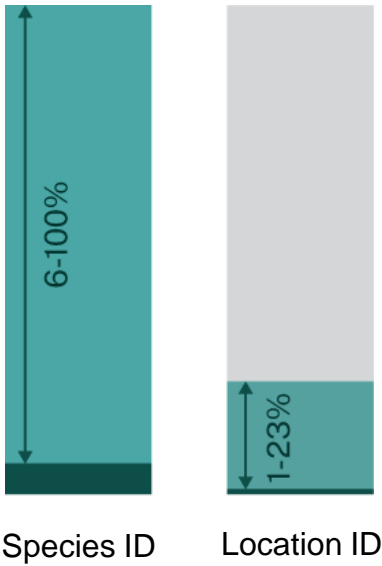
---

## Wood identification

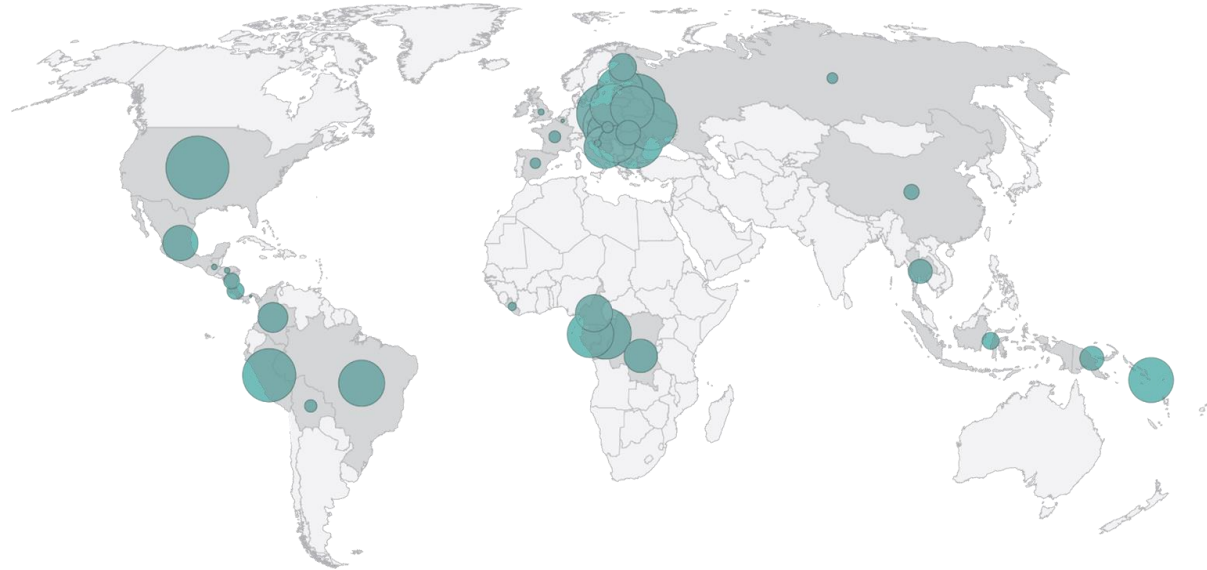


# Filling the gaps for robust reference material

Existing reference material for priority species\*



Trees sampled by World Forest ID globally and available for all techniques



\*Low, M. et al. (2022). Tracing the World's timber: The status of scientific verification technologies for species and origin identification. IAWA Journal.. 2022:1-22.

---

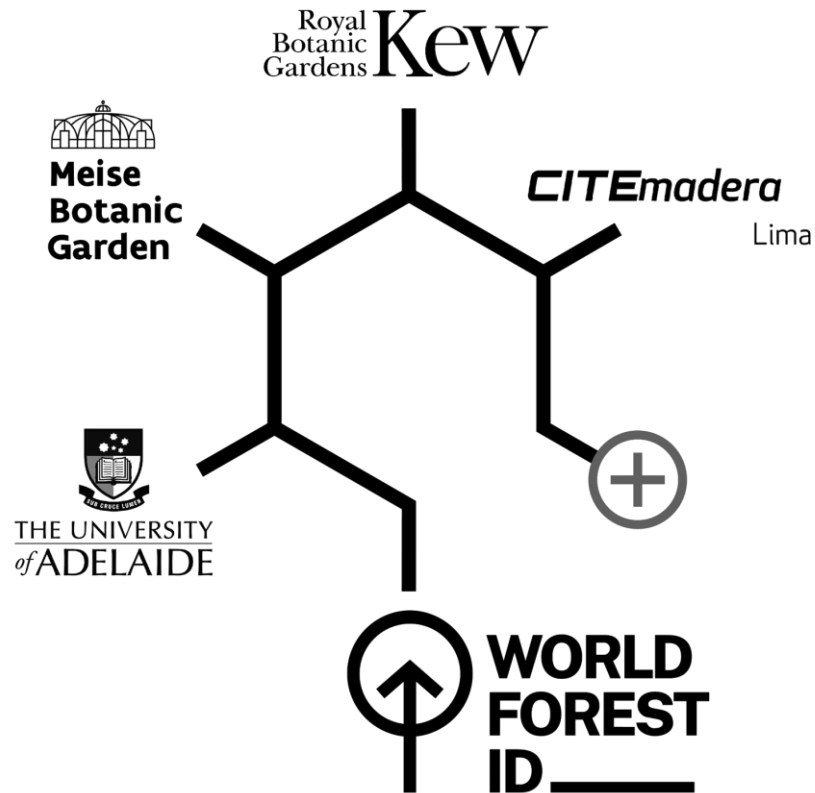
## What is World Forest ID?

US nonprofit that acts as a central data hub and facilitator to a growing global consortium of public scientific institutes.

1. Focused on creating data and tools to scrutinise traceability / geolocation claims in forest-connected supply chains.
2. Creates unique non-proprietary reference material for enforcement of environmental laws.
3. Uses existing public data in innovative ways / combines them with our data to create new actionable knowledge.
4. Works with enforcement agencies and government scientists to establish protocols and norms for use of science in enforcement.

---

## The World Forest ID Consortium



# Eastern European Conflict Timber

**AMBITION:** To create the most comprehensive dataset possible to identify stolen Ukrainian timber and/or Russian and Belarusian conflict timber in trade.

## SAMPLES COLLECTED

As of Jan 2023

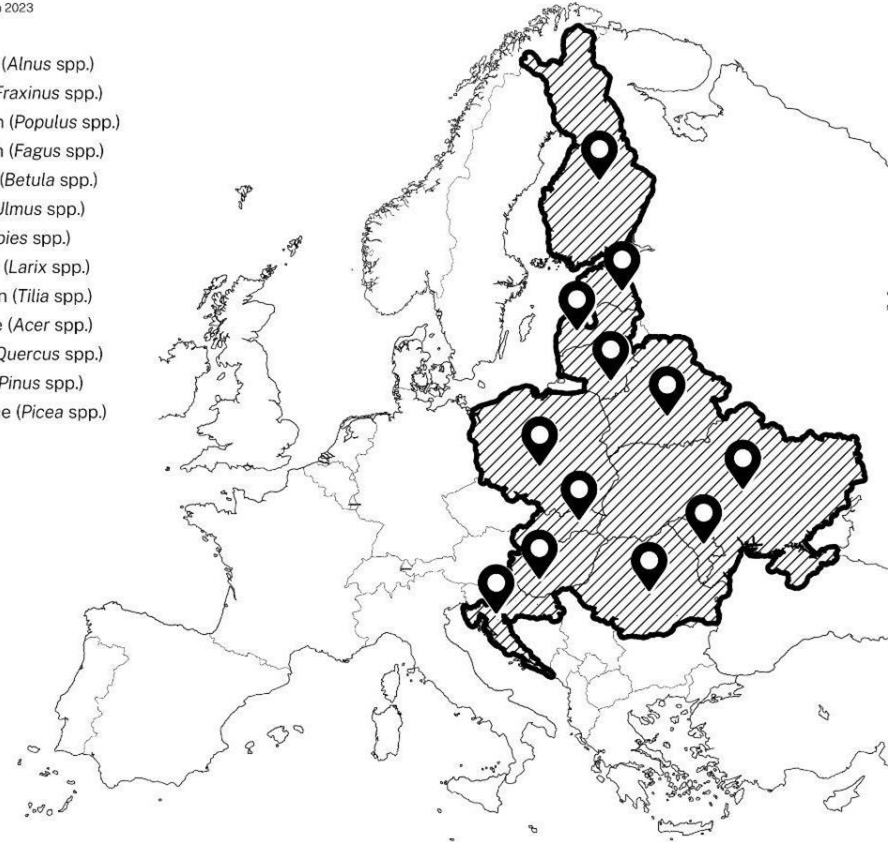
Belarus	542
Croatia	296
Estonia	349
Finland	125
Hungary	345
Latvia	310
Lithuania	324
Moldova	99
Poland	590
Romania	622
Slovakia	498
Ukraine	453

**TOTAL 4,553**

## SPECIES COLLECTED:

As of Jan 2023

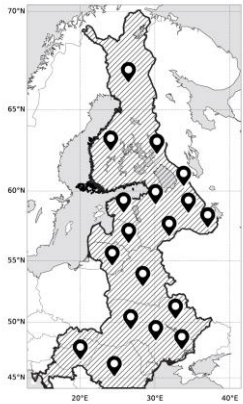
Alder ( <i>Alnus</i> spp.)
Ash ( <i>Fraxinus</i> spp.)
Aspen ( <i>Populus</i> spp.)
Beech ( <i>Fagus</i> spp.)
Birch ( <i>Betula</i> spp.)
Elm ( <i>Ulmus</i> spp.)
Fir ( <i>Abies</i> spp.)
Larch ( <i>Larix</i> spp.)
Linden ( <i>Tilia</i> spp.)
Maple ( <i>Acer</i> spp.)
Oak ( <i>Quercus</i> spp.)
Pine ( <i>Pinus</i> spp.)
Spruce ( <i>Picea</i> spp.)



---

# Sampling

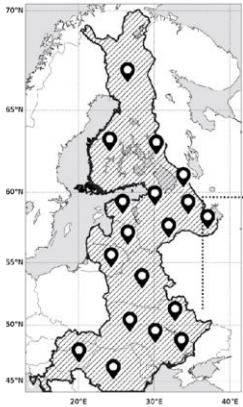
## REFERENCE DATA



---

# Measurements

## REFERENCE DATA



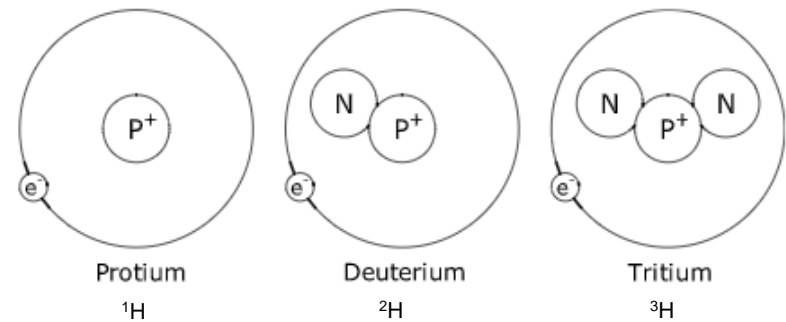
**WOOD SAMPLE**  
Stable Isotope Ratios &  
Trace Element Ratios





## Measurements — Stable Isotope Ratio Analysis (SIRA)

- Isotopes are atoms with the same number of protons but different numbers of neutrons
- Can be stable or unstable/radioactive
- The bioelements C, H, O, N, and S occur in nature as mixtures of stable isotopes
- All organic material consists of a mixture of stable isotopes and reflects where an organism lived



Three naturally occurring hydrogen isotopes.  
 Werner et al. (2022) in *Stable Isotopes in Tree Rings*

---

## Measurements — Stable Isotope Ratio Analysis (SIRA)

$\delta^{18}\text{O}$  (ratio between  $^{18}\text{O}$  and  $^{16}\text{O}$ )

$\delta^{13}\text{C}$  (ratio between  $^{13}\text{C}$  and  $^{12}\text{C}$ )

$\delta^{15}\text{N}$  (ratio between  $^{15}\text{N}$  and  $^{14}\text{N}$ )

$\delta^2\text{H}$  (ratio between  $^2\text{H}$  and  $^1\text{H}$ )

$\delta^{34}\text{S}$  (ratio between  $^{34}\text{S}$  and  $^{32}\text{S}$ )

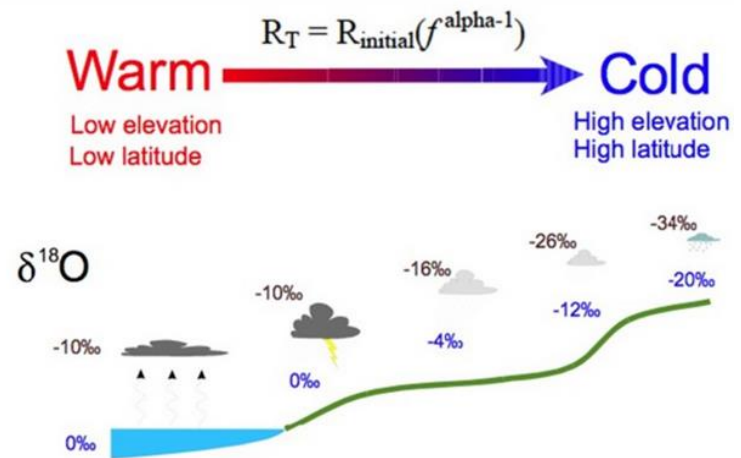
Expresses ‰ difference in isotopic composition of the sample to a standard

- If a number is more positive = more heavy isotope
- If a number is more negative = less heavy isotope

## Measurements — Stable Isotope Ratio Analysis (SIRA)

Environmental factors such as humidity, rainfall, temperature, and soil composition affect the **presence and ratio of various isotopes** in organic matter.

-> -> The quantity of these elements in a given species and location then creates a unique "fingerprint"

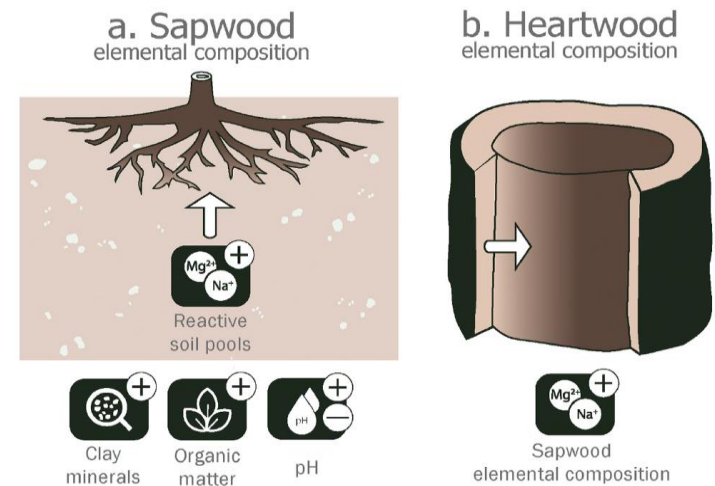


University of Washington

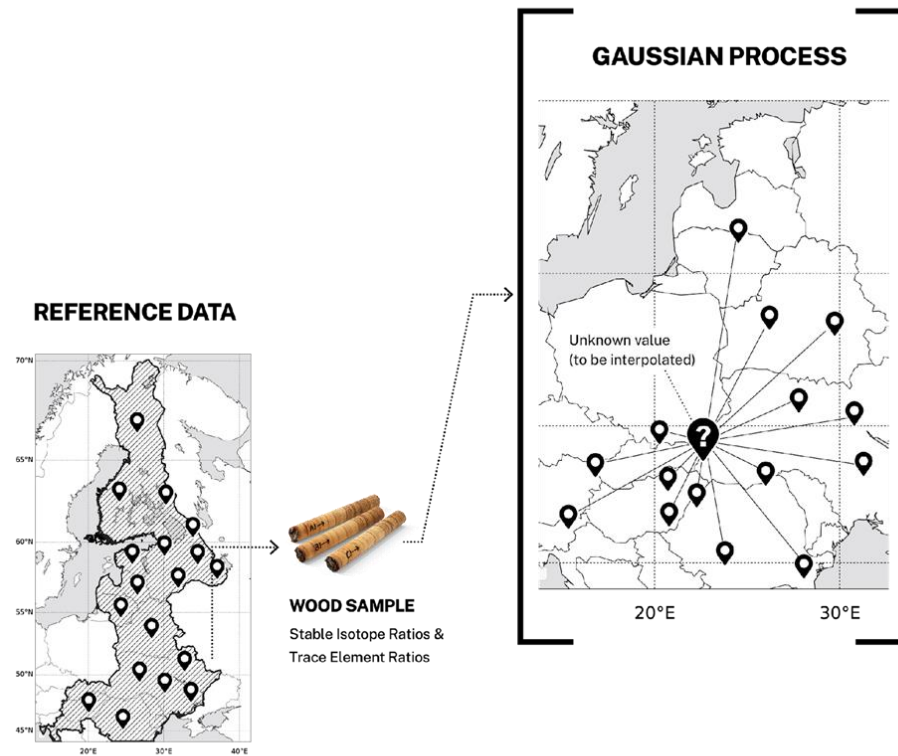
## Measurements — Trace Element Analysis (TEA)

Trace element analysis enables scientists to measure **small quantities of chemical elements in a sample**. Trace elements are ubiquitous in the environment and different plant species absorb different amounts of these elements from the **soil**.

-> The quantity of these elements in a given species and location then creates a unique "fingerprint"

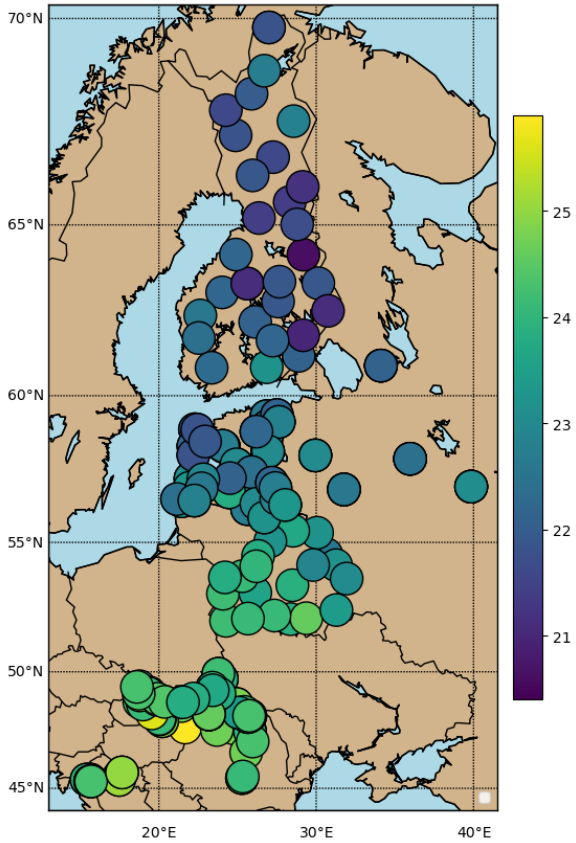


# Modeling

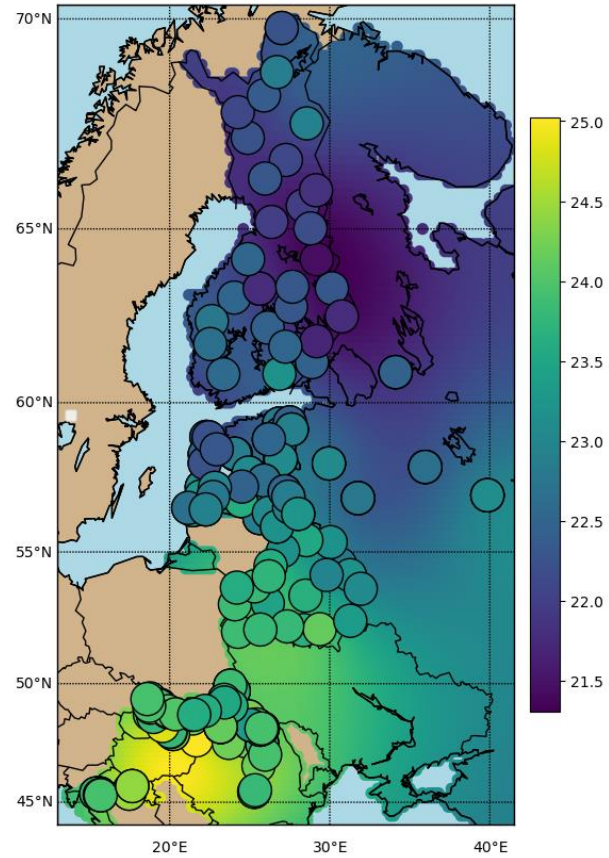
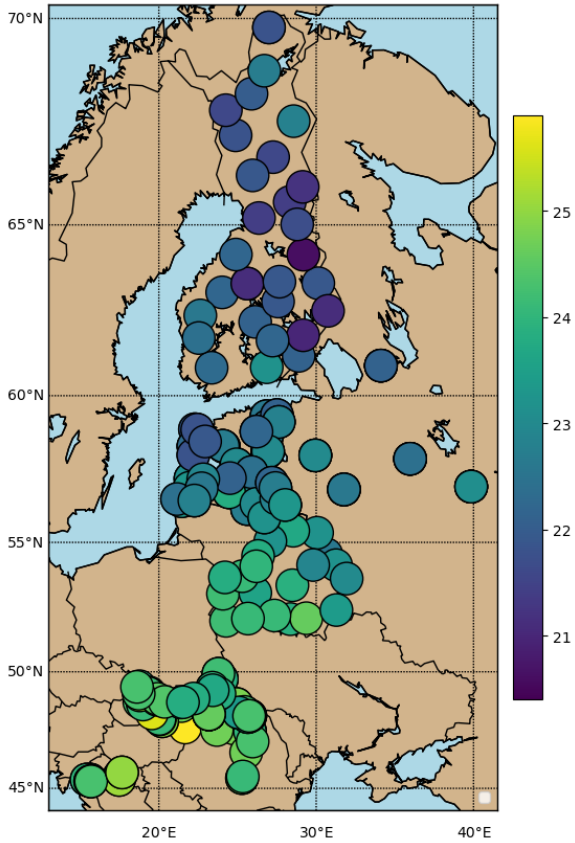


---

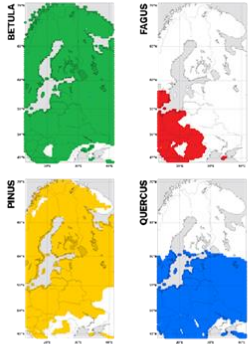
## Gaussian Process



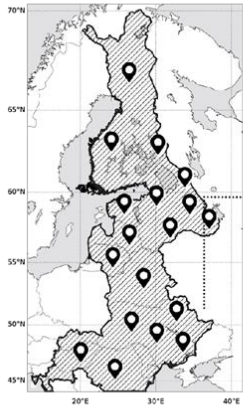
## Gaussian Process



## GENUS DISTRIBUTION

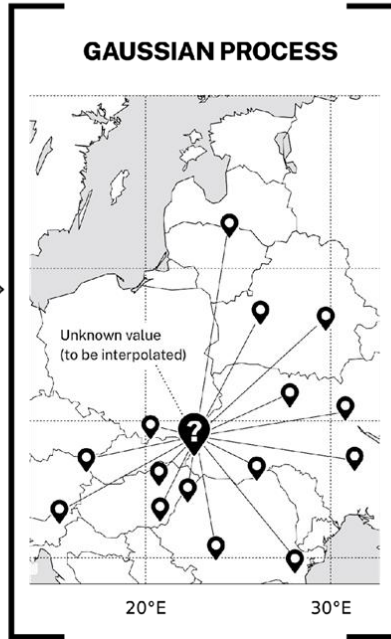


## REFERENCE DATA



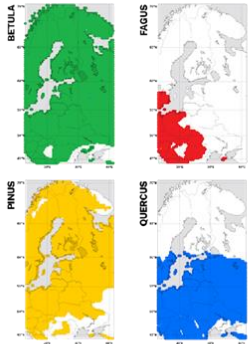
**WOOD SAMPLE**  
Stable Isotope Ratios &  
Trace Element Ratios

## GAUSSIAN PROCESS

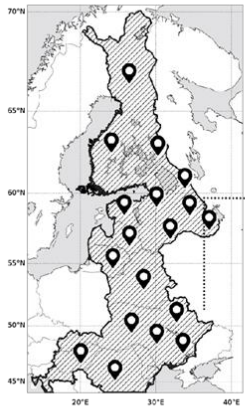




## GENUS DISTRIBUTION

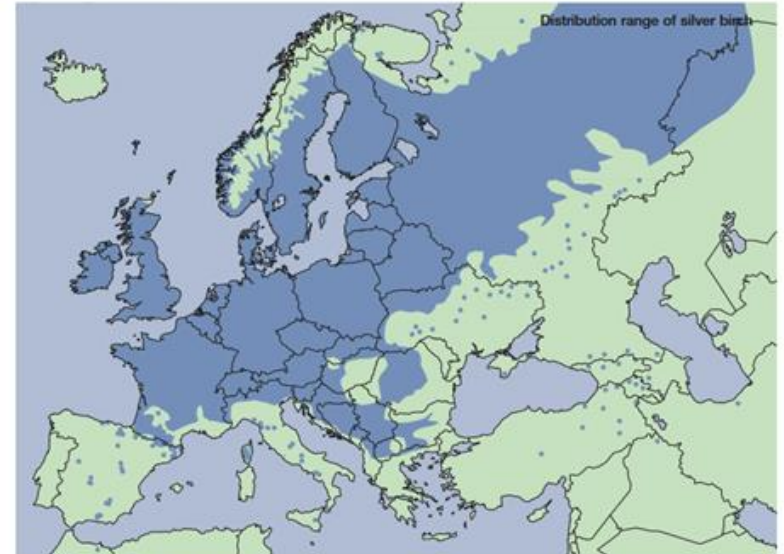
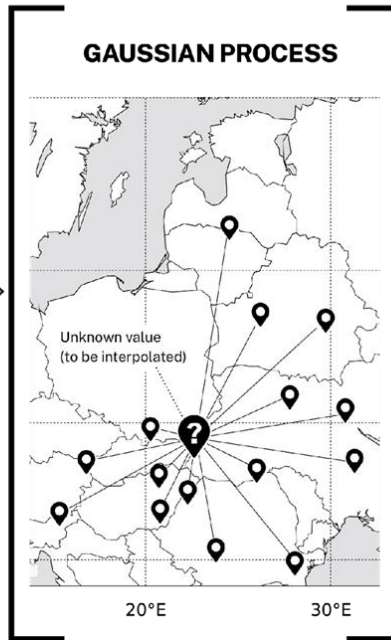


## REFERENCE DATA

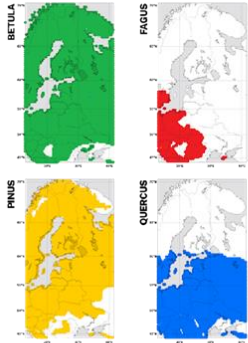


**WOOD SAMPLE**  
Stable Isotope Ratios &  
Trace Element Ratios

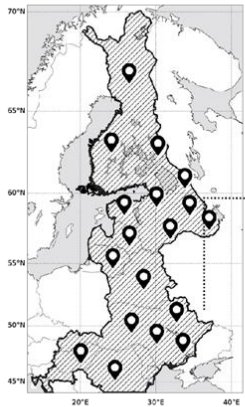
## GAUSSIAN PROCESS



### GENUS DISTRIBUTION

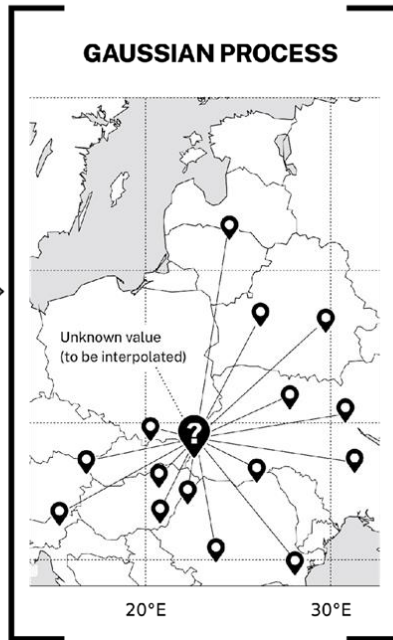


### REFERENCE DATA

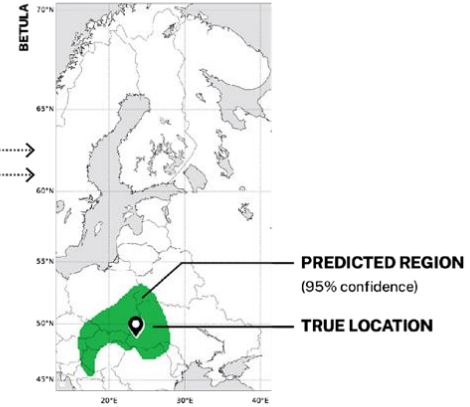


**WOOD SAMPLE**  
Stable Isotope Ratios &  
Trace Element Ratios

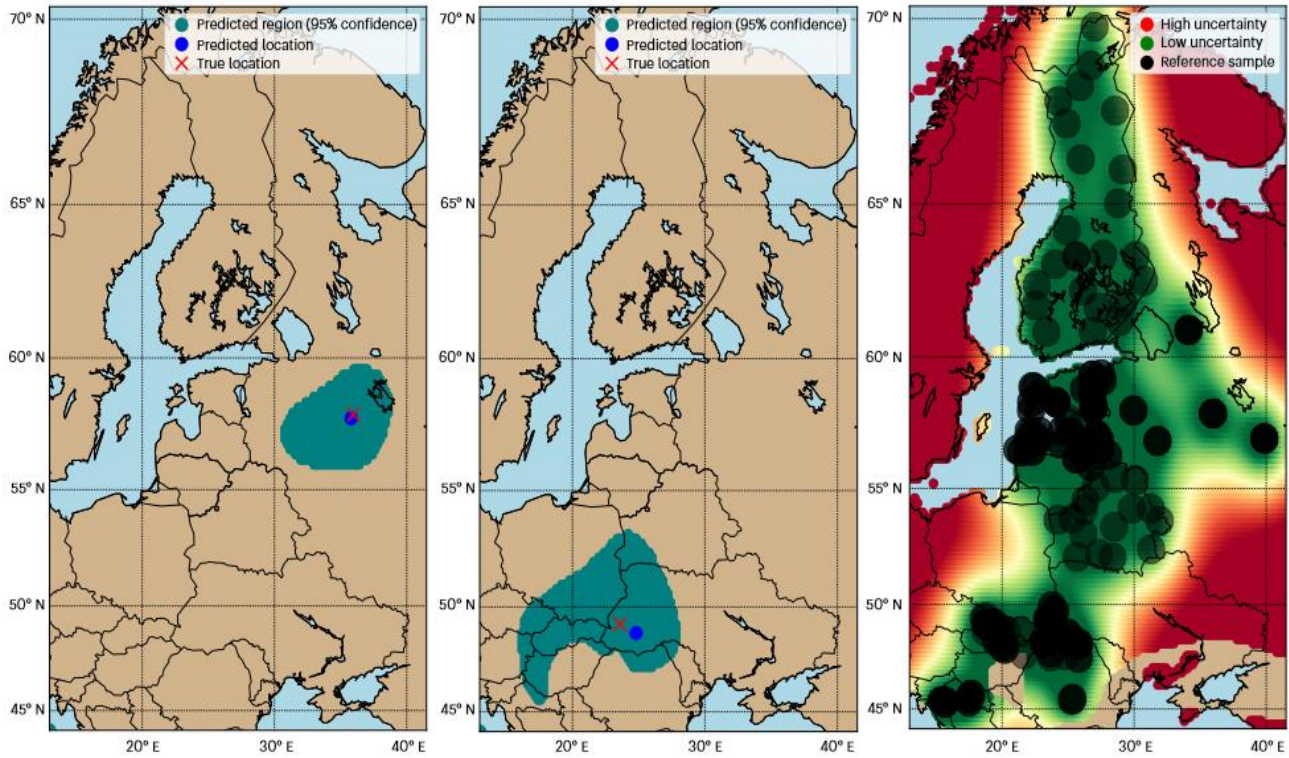
### GAUSSIAN PROCESS



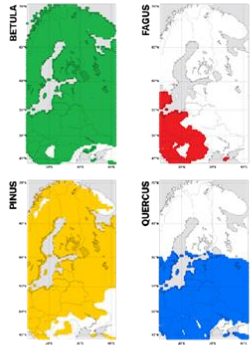
### DETERMINATION



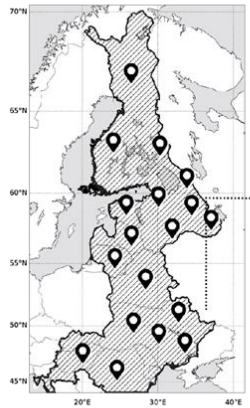
# Determination Birch (*Betula*)



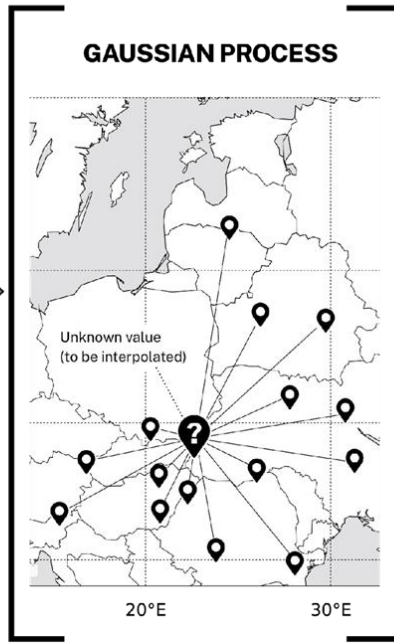
### GENUS DISTRIBUTION



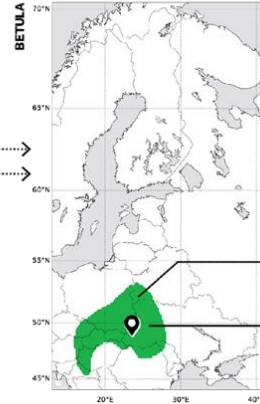
### REFERENCE DATA



**WOOD SAMPLE**  
Stable Isotope Ratios &  
Trace Element Ratios

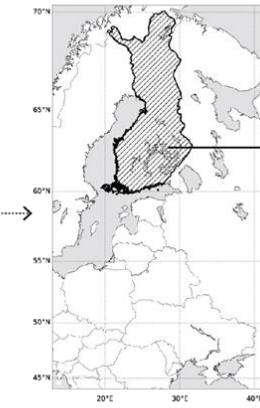


### DETERMINATION



**PREDICTED REGION**  
(95% confidence)  
**TRUE LOCATION**

### VERIFICATION



**TRADED SAMPLE**  
Claimed origin Finland

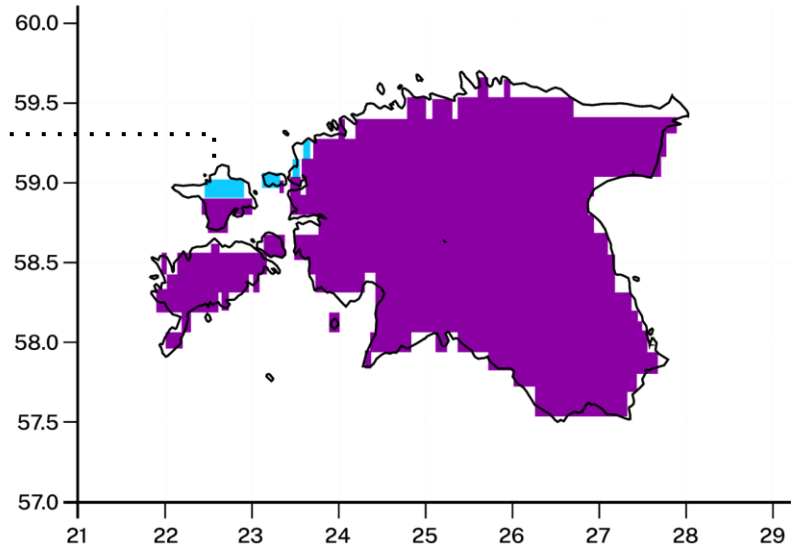


## Verification Birch (*Betula*)

Claim - South Estonia, *Betula pendula*,  
solid timber. 4 Stable Isotope Ratio (SIR)  
values given.

*Blue areas are the only areas we cannot  
reject as potential origin.*

Our model indicates the claim of  
South Estonia is not plausible.



---

How do we work?

- (1) Send your question to us
- (2) We will tell you which lab to send the sample to
- (3) Tell the lab that the result must be cross-checked with the World Forest ID database and models

## Media

### Keeping Sanctioned Russian Timber Out of the EU Is Tricky. This Nonprofit Has a Solution.

Mapping chemical signatures of wood could help companies like IKEA keep illegal timber shipments out of bookcases and bed frames

By [Dylan Tokar](#) [Follow](#)

June 10, 2024 5:30 am ET

[Share](#) [Resize](#)

[Listen](#)



WSJ

A World Forest ID team member extracts a wood core sample during an expedition in the Amazonas region of Peru. PHOTO: UNITED NATIONS OFFICE ON DRUGS AND CRIME

### New Method That Pinpoints Wood's Origin May Curb Illegal Timber

The study could help identify wood from Russia, which has been banned by many countries because of the war.

[Share full article](#) [Share](#) [Bookmark](#)



Timber being moved down the Angara River in the Krasnoyarsk region, in Russia. Alexey Malgavko/Reuters

The New York Times

---

# World Forest ID Funders





—  
Thank you.  
Any questions?

*victor.deklerck@worldforestid.org*

NATIONAL  
GEOGRAPHIC

The 'timber detectives'  
on the front lines of  
illegal wood trade

**The New York Times**

New Method That  
Pinpoints Wood's Origin  
May Curb Illegal Timber



**BBC**

Is your wood from a  
legal source? This test  
can tell