EUROPEAN PANEL FEDERATION
WOOD-BASED PANELS

PRESS RELEASE

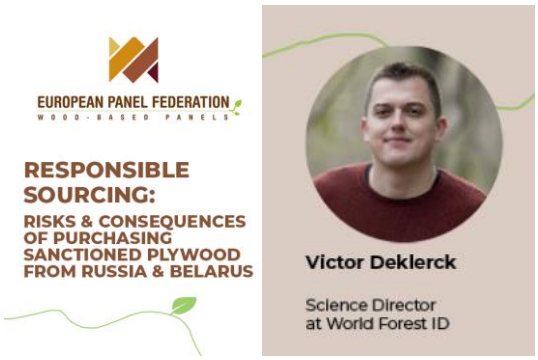
Successful EPF Webinar Sheds Light on Responsible Sourcing in the European Plywood Industry

Brussels, 10 September 2024

The European Panel Federation (EPF) successfully co-hosted the Webinar **'Responsible Sourcing: Risks and Consequences of Purchasing Sanctioned Plywood from Russia and Belarus'.** The event attracted a strong international audience, counting 366 online participants from more than 30 countries. It provided its active participants with in-depth insights into the current challenges the plywood industry is currently facing, particularly in light of ongoing sanctions on Russian and Belarusian wood products.



Mrs Kicińska (Paged), Mr Michniuk (Paged), Mr Lācis (Latvijas Finieris), Mr Rudyuk (Van Bael & Bellis) before the launch of the Webinar held on 10 September 2024 – Mr Deklerck (World Forest ID) speaking remotely



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Key Topics and Presentations

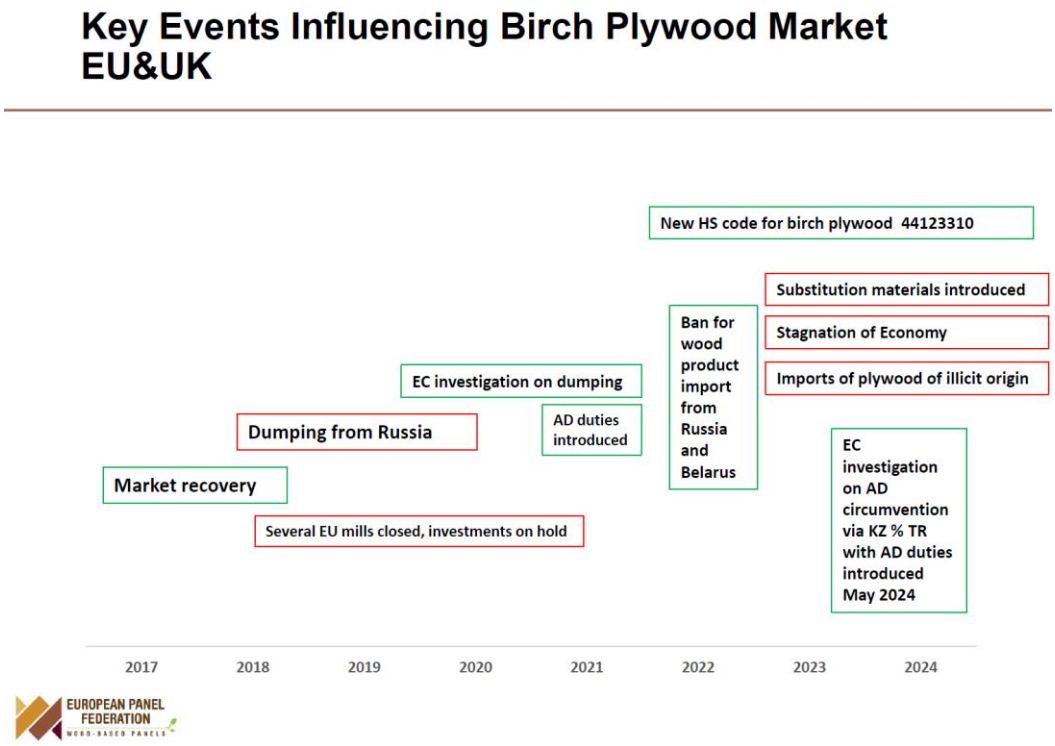
Current State of Illegal Plywood Imports

Mārtiņš Lācis of **Latvijas Finieris**, EPF Managing Board Member and Chair of the EPF Plywood Product Group, presented a detailed and data-rich analysis of the illegal birch plywood imports disrupting the European market. Since sanctions were imposed on Russian and Belarusian wood products, **illicit imports have captured 19% of the EU and UK market in 2023**. He noted that although the European Union's sanctions halted direct imports from these countries, significant volumes of **Russian plywood are still entering the EU** through countries like **Kazakhstan, Türkiye, and China**.

Striking figure-related data presented by Mārtiņš Lācis included:

- In 2023, **19%** of the plywood market consisted of illicit imports, which accounted for **175 million euros in turnover**, most of which went to Russia.
- Analysis and market research show that share of birch plywood with doubtful origin dropped to 16% in 2024 – which remains significant.
- The **negative impact** on European producers, pointing to a **5% drop in European birch plywood production** in Q1 2024 what comes on top of 4% drop in 2023 may end up in lost work places in EU.

Furthermore, the sanctions have altered global trade flows, with **China** becoming the major exporter of birch plywood to the EU, while sourcing a significant amount of raw materials from Russia. '**Lower prices** of illicit plywood give some European companies an unfair advantage, leading to unfair competition and further damage to law-abiding businesses', the speaker emphasised.



Legal Risks of Non-Compliance with EU Sanctions and EUTR

Yuriy Rudyuk, Partner at **Van Bael & Bellis**, provided the audience with a detailed examination of the **legal framework** surrounding EU sanctions and the **European Union Timber Regulation (EUTR)**.



He explained how companies failing to comply with these regulations face significant risks, including fines and trade bans. Several key regulations were highlighted :

- **EU Sanctions (Council Regulation 2022/576 and 2024/1745)**: These prohibit the import, purchase, or transfer of wood products originating from Russia or Belarus. The regulations also forbid any circumvention practices, whereby products are routed through third countries like Kazakhstan and Türkiye to disguise their origin.
- **European Union Timber Regulation (EUTR)**: This regulation requires operators to implement rigorous **due diligence systems** to ensure that illegally harvested timber does not enter the EU market. Rudyuk explained that the suspension of **FSC** and **PEFC** certification systems in Russia and Belarus makes it nearly impossible to legally verify the origin of timber from these regions.

Case studies illustrating enforcement of these laws, including:

- **Anti-Circumvention Investigation**: The **European Commission's** investigation into imports from Kazakhstan and Türkiye found that companies in these countries were circumventing the measures applicable in the EU on the Russian-origin plywood. The investigation resulted in the imposition of a **15.8% duty** on all plywood imports from these regions.
- **Rotterdam District Court Case**: The court ruled against the Dutch company for failing to provide the necessary proof on the actual origin of its birch plywood, leading to the termination of its contracts by buyers.
- **Latvian Enforcement of EUTR**: Latvia's National Forest Service fined a local company **10,000 euros** and imposed a one-year trade ban for non-compliance with EUTR due diligence standards.
- **Poland's Gdańsk Prosecutor Raid**: In a major enforcement action, Polish authorities raided a large plywood trader, seizing materials suspected of being sourced in violation of the applicable sanctions.

These examples underscore the increasing enforcement and **severe penalties** for companies that fail to meet EU sanctions and timber regulations, making strict compliance and transparency in sourcing essential.

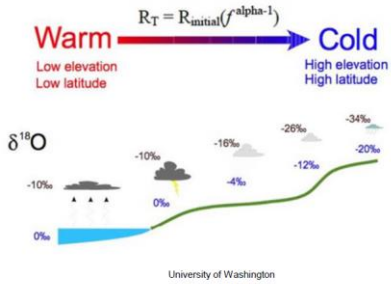
Innovative Solutions for Timber Verification

Dr. Victor Deklerck, Director of Science at **World Forest ID**, introduced the latest **scientific methods for timber verification**, presenting **Stable Isotope Ratio Analysis (SIRA)** and **trace element analysis**. Both methods allow scientists to precisely determine the geographic origin of wood.

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"

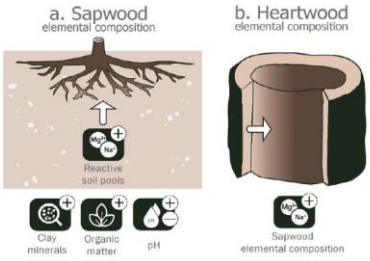


University of Washington

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"



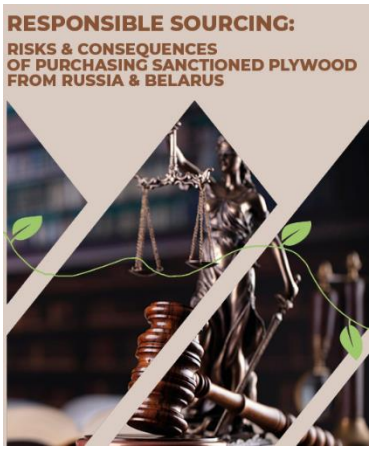
Boeschoten et al. (2022)

SIRA works by analysing the isotopic signature of organic materials within the wood, which reflects the specific environmental conditions (such as rainfall, temperature, and soil composition) where the tree grew. Trace element analysis measures the presence of chemical elements absorbed by the tree, providing a unique „fingerprint" that helps in tracing the wood's origin. **World Forest ID's cooperation with Agroisolab Gmbh**, a laboratory specialising in isotopic and trace element testing allows the cross-referencing of timber samples with World Forest ID's vast database, offering a reliable way to verify the authenticity of timber origins. A crucial development in timber verification has been the integration of **AI-driven models** that assist in identifying discrepancies in origin claims by analysing trade patterns and customs data, identifying potential risks of fraud and illegal logging.

One significant success story involved the **detection of 261 tonnes of Russian timber** in Belgium, achieved by cross-referencing isotopic data with World Forest ID's database. This case demonstrated the powerful impact of combining **cutting-edge science** with AI-assisted analysis to enforce EU sanctions and prevent the laundering of conflict timber through intermediary countries.

These advanced techniques and their AI-driven support are paving the way for more effective enforcement of environmental and trade regulations, ensuring that only legally sourced and sustainably harvested wood enters the European market.

About the Webinar: Engagement, Purpose and first steps towards local Exchanges



This session was hosted by EPF and SPPdwP (the Polish national association) member, Paged co-organised with the EPF Plywood Product Group and partners including World Forest ID and the legal firm Van Bael & Bellis. The working group preparing the seminar has included Mr Muñoz (Garnica Plywood), Mr Michniuk (Paged), Mr Geoffroy (Joubert Plywood), Mr Lācis (Latvijas Finieris), Mrs Lembo (Federlegno Arredo), Mrs Strohmeyer (VHI) and Mrs Kicińska (Paged). It aimed at sharing knowledge with plywood company customers, including distributors from France, Germany, Spain, Italy and the UK, about the impact of illegal Russian and Belarussian plywood imports on the European industry, economy, sustainability, and ethics.

The webinar, attracting a wide audience (366 online participants, more than 400 registrations) coming from more than 30 countries, aimed at establishing a first step to further local country-wise sessions organised by local Plywood/Timber/Wood Processing Associations.

About EPF - the European Panel Federation has members in 30 European countries and represents the manufacturers of particleboard, MDF, OSB, hardboard, softboard and plywood. The EU wood-based panels industry has an annual turnover of about 25 billion euro and creates over 100,000 jobs directly.

Contact us at info@europanels.org, or go to www.europanels.org.