

The end of the Transition Period

Upcoming changes and ways to prepare

The UK left the EU in January this year and is currently in the transition period, which is coming to an end on 31st December. From January 2020, the UK and EU will embark on a new relationship. In addition, we recognise that businesses have been responding to an unprecedented pandemic. Whilst many businesses would have been preparing for EU Exit since last year, we recognise the impact the pandemic will have had on their ability to prepare and plan. Our new relationship will involve a series of changes and opportunities for businesses. Many of these changes will be required regardless of the agreement we reach with the EU on our future trade relationship as the UK will be leaving the single market and customs union. With this in mind, the forestry industry needs to be prepared for these changes as explained below.

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As discussed by the law firm Brodies in this magazine's June edition (www.confor.org.uk/media/247809/june-legal-matters.pdf) the end of the transition period will mean the end of freedom of movement between the EU and the UK. There is expected to be a significant impact on sectors within forestry that rely on EU seasonal labour, particularly nurseries and planting & establishment businesses. Confor's July labour survey (www.confor.org.uk/news/latest-news/confor-draws-government-attention-to-dependence-on-eu-and-foreign-labour-in-vital-forestry-jobs) highlighted some businesses source over 50% of their seasonal labour from the EU and that the domestic workforce is likely to find it difficult to fill these positions in the short term. On top of this, a weak Sterling and the impacts of EU exit and Covid-19 present a risk factor that some EU seasonal workers do not stay in the UK.

There has also been ongoing work to ensure that forest machine operators and



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EU citizens in the UK will have until June 2021 to apply for settled status. Businesses should ensure that current EU employees have applied for settled status and support them in the application process where necessary, including acting as visa sponsors. Businesses understand that hiring from outside the UK into these roles will be more challenging from January and make alternative arrangements where possible.

forestry managers can continue to be hired from outside the UK. The forestry industry has written to the Migration Advisory Committee to request the inclusion of these roles in the shortage occupation list, which would make hiring from outside the UK easier, however there is no guarantee that this request will be accepted.

EU TIMBER REGULATIONS

The Government's 25-Year Environment Plan sets out our ambition to support and protect the world's forests, support sustainable agriculture and work towards zero-deforestation supply chains.

The UK was instrumental in the EU's adoption of the EU Forest Law Enforcement Governance and Trade (FLEGT) Action Plan, which aims to improve forest governance, reduce illegal logging and encourage trade in legally sourced timber.

This consisted of two regulations:

- a) The EU Timber Regulation (EUTR), a demand side measure, which prohibits the placing on the UK market of illegally harvested timber. Businesses must exercise due diligence on timber imports to demonstrate legality of harvest when products are placed on the UK market for the first time.
- b) The FLEGT Regulation, a supply side measure to improve the supply of legal timber. Once a timber producing country has agreed a Voluntary Partnership Agreement (VPA) with the EU and has subsequently met sufficient standards, they can issue

FLEGT licences to verify legality of timber harvest.

The UK Government will maintain its commitment to tackling the trade in illegal timber and accordingly the Timber and FLEGT regulations will become retained EU law within the UK, while because of the Northern Ireland Protocol EU regulations will apply directly in Northern Ireland.

The only country that currently has an operationally approved FLEGT Licensing system is Indonesia. The UK has replicated this agreement bilaterally with Indonesia to ensure that we can continue to accept their FLEGT licenced timber post transition period. The UK will continue to replicate VPAs with other producer countries as they become capable of issuing FLEGT licences.

The Timber Regulations and FLEGT will continue to have the same requirements and operate in the same way after the transition period ends. Further guidance relating to the requirements of the Timber Regulation and FLEGT can be found at www.gov.uk/guidance/eu-timber-regulation-guidance-for-business-and-industry

IMPACT OF BREXIT ON TIMBER TRADE

Currently, the UK imports the majority of sawn softwood, particleboard, fibreboard, and paper and paperboard from EU countries; sawn hardwood and wood pulp from a range of both EU and non-EU countries; and the vast majority plywood and wood pellets from non-EU countries. The Forestry Commission does not think that things will change significantly in this flow of trade from January. However, stakeholders should be aware of a few points:

The value of Sterling against the Euro and Swedish Kroner will continue to influence prices and relative competitiveness of UK and imported timber.

Timber prices remain strong in the UK, standing sales prices are up 132% in real terms (177% nominal terms) when compared with prices realised 10 years ago

Import and Export

The Northern Ireland Protocol: This will be implemented from January 2021 and will require tariffs to be collected on goods at risk of entering the EU's Single Market at



ports of entry, rather than at the land border between Northern Ireland and the Republic of Ireland (to avoid a hard border). The island of Ireland will remain a Single Epidemiological Unit for food and animal health purposes.

Exports: There will be an increase in the volume of Phytosanitary Certificates and regulatory checks required on regulated forestry material exported to all EU countries, as well as to Northern Ireland.

Imports: Currently, the UK imports regulated wood and wood products under the plant passports which do not require checks from the EU. From January 2021 this regulated material will require phytosanitary certification and checks before entering the UK. This will be in addition to the 400,000m³ of third country wood and wood products which is currently inspected annually by the FC. From January 2020 only high-risk materials will require pre-notification and import checks, with full phytosanitary checks being phased in from April and from July 2021. It is assumed that the EU will implement checks in the same way as it does now for third country material.

Tariffs: The UK Global Tariff, which replaces the Common External Tariff, will come into force from January 2021. The main changes are liberalisation, where tariffs have been removed completely, and simplification, where tariffs have been reduced.

IMPORT TARIFFS

The following products will no longer have tariffs:

- Live forest trees
- Fresh Christmas trees
- Certain types of sawn and chipped: mahogany; virola, imbuia and balsa; maple, cherry, birch, poplar and aspen
- Wood sawn or cut lengthwise excluding those listed above and coniferous, oak and tropical wood
- Sheets for veneering made of: coniferous wood; a number of exotic woods;

The following products will have reduced tariffs:

- Various types of particle board
- Oriented strand "OSB"
- Waferboard and similar, including of exotic species
- MDF
- Fibreboard
- Plywood
- Cases, boxes, crates, etc. of wood
- Cable drums of wood
- Pallets & pallet collars of wood
- Box pallets & other load boards of wood

EXPORT TARIFFS

Export tariffs to the EU and other destinations are unknown until ongoing negotiations are concluded.

FORESTRY REPRODUCTIVE MATERIAL (FRM)

The UK will continue to be part of the OECD Forest Seed and Plant Scheme after the transition period ends. However there remains a risk that the EU does not immediately recognise OECD certified FRM as equivalent to their required standards, meaning the FRM sector may not be able to export to the EU for some time after the transition period. A request for agreement of equivalence has been submitted by De-



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Businesses that are able should export FRM to the EU before the end of the transition period, fulfilling orders earlier if possible, as a mitigating action.

fra, but there has been no response yet from the EU.

WOOD PACKAGING MATERIAL (WPM)

Under a UK-EU relationship based on WTO terms it will be a legal requirement for all wood packaging material moving in both directions between UK and the EU to be compliant with a treatment and mark as specified in the International Standard for Phytosanitary measures No 15 (ISPM15). The UK will continue to take a 'targeted approach' to enforcement for WPM imported



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The WPM sector needs to fully understand the potential risks of non-compliance with ISPM15 requirements.

into the UK from the EU, adopting a phased approach to checks.