

Maximizing Value: Can Papua New Guinea finally end the export of unprocessed tropical logs?

Abstract

Papua New Guinea's tropical rainforests have enormous local, national and international importance but are under threat from a variety of sources including commercial logging.

Papua New Guinea's commercial logging industry is dominated by foreign-owned logging companies who harvest and export unprocessed round logs, predominantly to China. The industry is beset with allegations of unsustainable and illegal logging and human rights abuses.

This Paper looks at the history of government attempts to reduce the level of unprocessed round log exports and analyse whether current government policies to end log exports by 2025 are likely to be successful.

Introduction

The Papua New Guinea government has committed to end the export of unprocessed round logs harvested from the nation's tropical forests by 2025. In its place the government wants the forestry industry to re-focus solely on domestic processing and value adding.

To ensure its 2025 deadline is met, the government has issued two proclamations. First, no new log export licenses are to be issued to any foreign owned logging companies¹ and second, no new timber permits or permit extensions are to be granted for export logging.²

It is though very unclear whether these policies are being implemented by the PNG Forest Authority and, if they are, whether they can be sufficient to ensure an end to the export of unprocessed round logs by 2025.

The uncertainty around the implementation and effectiveness of the government's policies is due in large part to the complete lack of transparency and absence of available public information on the management of forest resources and the operations of the logging industry.

Section 103 of the Forest Act requires the PNGFA to maintain a Public Register of critical information relating to the commercial use of forests, yet no such register exists and there is no information on current logging operations that is publicly available from the PNGFA.

¹ 'Export licence only for locals: PM', The National, January 20, 2022 - <https://www.thenational.com.pg/export-licence-only-for-locals-pm/>

² 'PM: Stop issuing new permits', The National, September 15, 2021 - <https://www.thenational.com.pg/pm-stop-issuing-new-permits/>

Despite these difficulties, by using public sources of information and historical records, this paper examines the history of previous attempts to end the export of unprocessed round logs from PNG, whether stopping new timber permits can be an effective measure to bring export logging to an end and examines the evidence on whether new export licenses are still being issued.

Methodology

The information and analysis presented in this Paper is based on a review of internet available data on forest management and large-scale logging operations in Papua New Guinea, published reports and media articles.

Previous deadlines not met

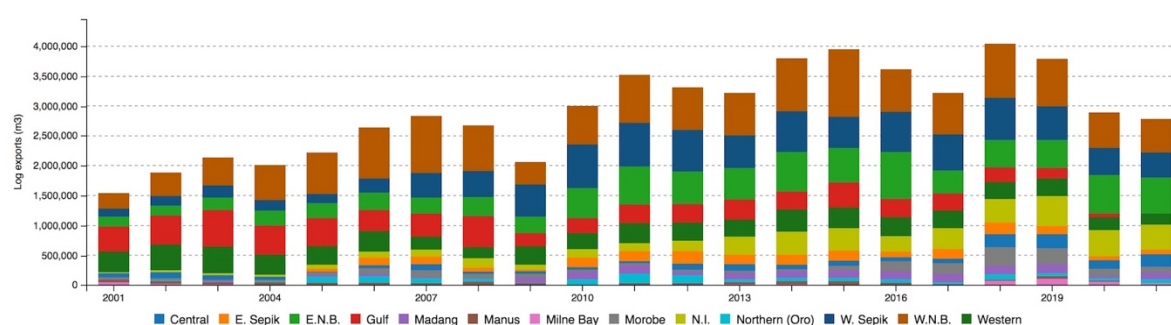
Commitments to end the export of unprocessed round logs from PNG’s forests have been given a number of times over the last two decades but successive governments have not even come close to delivering on those promises.

In 2008, the government announced exports would end by 2010.³ This commitment was written into the government’s long term plan, Vision 2050, but it was not realized. In 2015, a new deadline of 2020 was set.⁴ After national elections in 2017, 2020 was re-affirmed as the cut-off point,⁵ but again this deadline was not met.

Instead, through this period what was actually witnessed, rather than a decline in log export volumes, was a steady increase.

Indeed, since 1991, when a new *Forestry Act* was supposed to herald a new era of sustainable and responsible forest management, PNG has risen to be the world’s largest exporter of tropical logs.

Graph 1: Papua New Guinea log export volumes 2001-2021.



Graph reproduced from <https://www.pngiforests.org/>

³ 'Papua New Guinea to ban log exports by 2010', Mongabay, March 17, 2008 <https://news.mongabay.com/2008/03/papua-new-guinea-to-ban-log-exports-by-2010/>

⁴ 'IUNC 'PNG round log study consultant' terms of reference', 2015 - https://hrms.iucn.org/iresy/index.cfm?event=vac.offline.download&offline_vacancy_id=220

⁵ 'Round log exports to stop by 2020', The National, July 31, 2018 - <https://www.thenational.com.pg/round-log-exports-to-stop-by-2020/>

In 1993, PNG exported 2.9 million cubic metres of unprocessed logs. Although that annual volume initially fell, to a low of 1.545 million cubic metres in 2001, from there it rose fairly steadily to a peak of just over 4 million cubic metres in 2018.

In the three years since 2018 there has been a decline in export volumes, to just under 2.8 million cubic metres in 2021, but this could be as much a response to tax increases and the impacts of the COVID pandemic as any imposition of government policy on export volumes, particularly as the number of export operations has not diminished in this period

The government has now committed to end unprocessed log exports by 2025, but will its prohibitions on new export licenses and on new timber permits and permit extensions be sufficient to drive down log export volumes to the point they end completely by 2025?

Five different logging approval frameworks

All commercial timber harvesting operations in PNG must be approved by the PNG Forest Authority.

There are five different legal frameworks under which current timber harvesting operations are authorized and managed. These are the Timber Rights Purchase (TRP), Local Forest Agreement (LFA), Forest Management Agreement (FMA), Timber Authority (TA) and Forest Clearance Authority (FCA). Only the first three types of agreement involve the issuing of a Timber Permit.

The Timber Rights Purchase framework was introduced in the 1950s as a mechanism for the State to acquire timber rights from local landowners. These rights could then be allocated to a logging company through a government issued Timber Permit.

The *Forest (Private Dealings) Act (1971)* introduced the concept of Local Forest Areas. Once an LFA was declared by the Minister, the landowners were authorized to sell the rights to harvest their timber direct to a logging company, without the state acting as an intermediary.

Both the TRP and LFA concepts were replaced in the *Forestry Act (1991)* with a new framework, the Forest Management Agreement.

The Act was introduced as a response to the 1989 Commission of Inquiry into the Forestry Industry which found widespread corruption and unsustainable forest management.⁶ The Commission called for increased state control and planning in the forestry sector.

Like the TRP, an FMA is an contract between the State and local landowners under which the State acquires rights to manage a forest area. It is the State who then selects a logging company to harvest the timber. The company is issued with a Timber Permit (as under the old TRP system).

Although the 1991 Act was meant to usher in a new-dawn of sustainable forest management under the new FMA regime, the Act did allow previously signed TRPs and LFAs to continue until they expired, and all LFA agreements were deemed to be Timber Permits granted under the new law.⁷

The 1991 Act also introduced two other types of timber harvesting consent, alongside the Timber Permit; Forest Clearance Authorities and Timber Authorities.

⁶ The reports of the Commission of Inquiry can be accessed at - <https://pngforests.com/barnett-inquiry-3/>

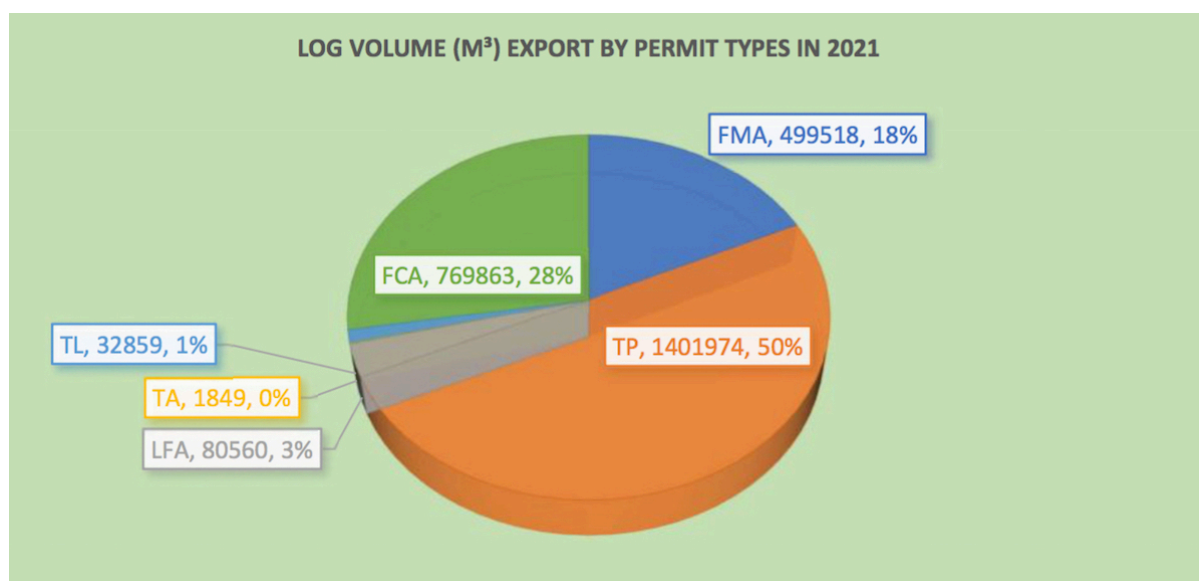
⁷ S.137 *Forestry Act 1991* as amended

Timber Authorities are designed to allow small areas of forest (less than 50 hectares) to be completely cleared, either for a new road to be built or the establishment of an agricultural plantation.

Forest Clearance Authorities have more stringent approval processes than the TA and are used for larger forest clearances, more than 50 hectares or 12.5 kilometres in the case of a road-line.

Today, some thirty-years after the 1991 Forestry Act mandated their replacement, the majority of logs being exported from PNG are still being harvested under TRP agreements.

Graph 2: Papua New Guinea log export volumes by permit type 2021.



Graph reproduced from SGS Log Export Monitoring Monthly Report for December 2021, ©SGS.

In 2021, unprocessed round logs were harvested and exported from 77 harvesting operations located in twelve different Provinces.

The highest proportion of export logging operations, twenty-eight out of seventy-seven (36%) were in designated TRP areas. Ten of the export logging projects operational in 2021 were governed under LFA agreements (13% of the total). Only six of the export logging operations were in FMA areas (8% of the total). Of the remainder, twenty-three (30%) were governed by FCAs and four (5%) under a TA. The framework type for five logging operations are not known and one seems to have been operating under a Timber License.

These numbers are also reflected in the log export volumes when analysed by permit type, as shown in the graph above. In 2021, 50% of total log exports came from forest areas managed under a TRP and 3% from LFA areas. A further 28% of log exports came from areas governed under an FCA. Only 18% of exports were from areas sustainably managed under an FMA.

Timber Permits account for 71% of log exports

Export logging under TRP, LFA or FMA must be authorized through a Timber Permit issued by the PNGFA. In 2021, the volume of logs exported under these three types of agreement accounted for 71% of all log exports by volume (see graph above).

If all these existing Timber Permits are due to expire in or before 2025, and none are renewed or extended as the Prime Minister has indicated,⁸ then the volume of log exports could fall by over two-thirds.

This would be a very significant decrease, but not sufficient of itself to bring an end to log exports by the 2025 deadline.

There is also the potential problem in the underlying TRP, LFA and FMA agreements. Do the terms of these agreements grant logging companies a right to export unprocessed logs until they expire and does the Forest Authority have the legal power to refuse to issue or renew a timber permit that would allow further log exports?

Agreement expiry dates

Although the amount of data that is publicly available on the expiry dates of forest acquisition agreements is sketchy, there is some information available.

This information includes the start dates of all but seven of the thirty-one TRP agreements under which logs were exported in 2020. These agreements were all signed between 1966 and 1992. The length of their original terms varied between 10 and 40 years. Fourteen of the original agreements have already expired and have therefore presumably been extended as logging is still continuing. There are nine agreements (shown in the Table below) whose original terms are still current. None of these agreements are due to expire until after 2025, and the longest surviving will not end until 2031 and 2037.

Table 1: Timber Rights Purchase agreement terms and expiry dates.

Name	Type	Start date	Term	Expiry
Ormand Lako	TRP	1988	40	2028
Modewa Gawa	TRP	1988	40	2028
Wawoi Guavi Blocks 1-3	TRP	1981-89	40	2029
Rai Coast	TRP	1989	40	2029
Inland Pomio (Galae)	TRP	1989	40	2029
Vailala Block 1	TRP	1989	40	2029
East Kikori (Urama Gopera)	TRP	1990	40	2030
Makapa	TRP	1991	40	2031
Umboi (Island) Blocks 1-3	TRP	1976-97	40	2037

⁸ 'PM: Stop issuing new permits', *ibid.*

To summarize, of thirty-one TRP agreements under which logs were exported in 2020, fourteen have already been extended beyond their original expiry date, none are known to be expiring before 2025 and the nine for which we have expiry dates all extend beyond the 2025 deadline.

The eighteen LFA agreements under which logs were exported in 2020 were all originally entered into between 1974 and 1992. Their original terms ranged between 10 and 20 years. The last expired in 2005. As export logging still continues in these areas it must be presumed the LFAs have all been extended but the new expiry dates are not known.

Of seven FMAs under which logs were exported in 2020, six were signed between 1995 and 1999 and one in 2003. Each is for a term of 50 years so the earliest expiry is not until 2045.

Table 2: Forest Management Agreement terms and expiry dates.

Name	Type	Start date	Term	Expiry
Turama Extension	FMA	1995	50	2045
Wipim Tapila	FMA	1996	50	2046
Buhem Mongi Busiga	FMA	1996-97	50	2047
Amanab Blocks 1-4	FMA	1997-99	50	2049
Rottock Bay Consol.	FMA	1996-99	50	2049
Aitape-Lumi Consol.	FMA	1997-05	50	2055
Amanab Blocks 5-6	FMA	2003	50	2053

In summary, of fifty-six logging agreements under which logs were exported in 2020, none are known to be expiring before 2025 and all sixteen agreements for which the expiry date is known are set to end after 2025.

The sixteen TRPs and FMAs for which the expiry date is known represent over 25% of all the TRPs, LFAs and FMAs that exported logs in 2020. Therefore, even in the unlikely event they are the only ones that will still exist beyond the 2025 deadline, they could still put a serious hole in government aspirations to end all unprocessed log exports.

It is not just Timber Permits though that could undermine the government's plans for an end to unprocessed log exports.

Export not governed by a Timber Permit

Another potential problem for the government is that not all the current log export operations are governed by a Timber Permit.

In 2020, some 29% of export logging operations were operating under FCAs, TAs and, in one instance, a Timber License. There were also four operations where the permission type is not currently known.

If these export logging operations continue or if new FCAs or TAs continue to be issued, as appears to have been happening throughout 2020 and 2021, PNG could still be exporting large volumes of unprocessed logs well beyond the government’s 2025 deadline.

In 2020, over 800,000 cubic metres of unprocessed round logs were exported from operations authorized under FCAs and TAs. Some of these existing agreements are not set to expire until after 2025 and one will be in effect until 2042. In addition, in 2020 and 2021 there were at least 16 new operations which commenced logging.

New log export operations still being authorized

As was noted earlier, the government says that no new log export licenses have been granted to any foreign owned logging companies since 2020.

The available evidence from the government’s own log export monitoring appears to contradict this claim.

An examination of the Log Export Monitoring data gathered for the PNGFA by the private company SGS reveals eighteen new foreign operated log export operations that have started exporting logs since 2020.

Seven of these operations exported their first shipment of logs in 2020 and eleven more started exports in 2021. The most recent operations exported their first logs in December 2021.

These new logging operations were responsible for over 20% of all unprocessed log exports in 2021.

Table 3: New foreign operated logging operations 2020/21

Name	Province	First export
Idam-Saiwi Inter Agri Project	West Sepik	Mar. 2020
East Awin Umuda Island	Western	Mar. 2020
Aliai-Sisimi-Hargy Consolidated	West New Britain	Apr. 2020
Dengnenge B Agro Forestry	East New Britain	July 2020
Pakalua Agri. Forestry	West New Britain	Oct. 2020
Lower Musa Agro.	Oro	Nov. 2020
Lak	New Ireland	Nov. 2020
Cloudy Bay	Central	Mar. 2021
Bonua Magarida	Central	April 2021
Sapo Agroforest Dev Block 8A	West Sepik	May 2021
Utnari Land Agro-Forestry	East New Britain	July 2021
Wagana Wagasu	West Sepik	Aug. 2021
Morevona Agro Forestry	West New Britain	Aug. 2021
Ulewun Kamarere Woodlot	West New Britain	Oct. 2021
Ania Integrated Agriculture	East New Britain	Dec. 2021
Kamdaru-Siaman-Lamasa	New Ireland	Dec. 2021
Wasu Cattle Farm	Morobe	Dec. 2021
Suikol Integrated Agro	East New Britain	Dec. 2021

Conclusion

The export of unprocessed raw logs from PNG's valuable tropical forests means the nation misses out on potential income, jobs and investment while depleting a vital ecological and social resource and carbon sink for the lowest possible economic return.

The government has stated its determination to end the exports by 2025 and has announced two policies intended to effect this change, an end to new timber permits and permit renewals and an end to new log export licenses for foreign owned logging companies.

While these policy commitments, if implemented, have the potential to substantially reduce log export volumes by 2025, they will not deliver the government's stated objective of a complete end to unprocessed log exports. This is because many existing permits and agreements have expiry dates well beyond 2025.

Even more concerning is the evidence that new log export operations continue to be licensed in defiance of the government's stated policies. These new operations are already responsible for a significant proportion of total log exports and there is no evidence to suggest more operations will not be licensed in the future.

For decades there has been a lack of critical public oversight of large-scale forest management in PNG, in large part because of the lack of basic information on decision making that affects forest resources.

None of the information used in the compiling of this research paper is publicly available from the PNGFA. This is despite Section 103 of the Forest Act requiring the PNGFA to maintain a Public Register of critical information relating to the commercial use of forests and the general freedom of access to information enshrined in the National Constitution.

Compliance with Section 103 could greatly assist the government in ensuring its policies are implemented and assist landowners and civil society in monitoring the performance of the PNGA in achieving sustainable forest management.

Recommendations

The PNG Forest Authority should immediately establish a public register of critical information relating to the commercial use of forests in accordance with Section 103 of the Forestry Act and should make the information accessible to the public via the internet.

The Forest Authority should also publicly signal its support for the ending of unprocessed round log exports by 2025 and commit to implementation of the government's prohibitions on new log export licenses for foreign owned logging companies and new timber permits or permit extensions for export logging.

May 4, 2022.