Case study „Sailing Yacht A – Why traceability Approaches Fail“

Dr. Emanuele Novelli, Meo Carbon Solutions
Russian Billionaire Melnichenko is the owner of the biggest sailing yacht worldwide: Yacht A

- Andrey Melnichenko
- Belorussian; living in Russia
- Ranked #89 in Forbes Worlds Billionaires list
- Owner of Motor Yacht A (£240m)
- Commissioned a team of yacht builder to construct the world's biggest sailing yacht: Sailing Yacht A
The boat was constructed by German company Nobiskrug in Kiel. Total costs for constructing was about 400 million Euro

- Sailing Yacht A:
  - Eight floors
  - Helicopter pad; submarine boat (?)
  - Three spa pools
  - 42 - 54 crew members
  - Underwater observation room
  - Teak wood used for the construction of the deck and interiors
- Total costs about 400 m Euro
- Build in Kiel, Germany by Nobiskrug
Yacht A is about 140 m long and its pylons are about 100 m high.
Because of its outstanding attributes like high resistance to rod and low shrinkage, teak wood from Myanmar was used for the interior of the yacht.

- Today, teak mainly produces in plantations; only few “natural” teak forest exist.
- Natural teak forests only in four countries worldwide (Myanmar, India, Laos & Thailand).
- 75% originate from Myanmar forests.
- Teak wood:
  - High resistance to rod
  - Low shrinkage
  - Strength
  - Ease of working with teak
  - Fast growing tree species

➢ Luxury wood working industry: e.g. yacht/boat building, gardening furniture.
Teak from Myanmar comes along with a well documented high risk of illegality

... Illicit logging practices have been widespread (in Myanmar)“ EU-founded project ALARM

... Most of the timber Myanmar produces is illegally harvested or traded, or comes from natural forests being managed or converted without regard for broader conservation values“ WWF

... The overall high level of risk of corruption and issues with timber throughout supply chain means sourcing low risk timber from Myanmar is basically impossible“ NEPCon

„85 % of all Myanmar timber exports are illegal“ UN Office on Drugs & Crime

Source: EIA (2016)
EIA published a report on teak exports from Myanmar used for constructing sailing yacht A in October 2016.

- Environmental Investigation Agency (EIA) – UK based NGO
- Report „Overdue Diligence“ published October 2016
- Result of two months investigation on teak exports and its utilisation in the EU
- Focus on Burmese teak from Myanmar
  - Several shipments of illegal Burmese teak
  - Violations against European Timber Regulation (EUTR) in five countries (IT, NL, BE, DK, GER)
  - Teak destined for sailing yacht „A“ included

Source: EIA (2016)
The information on illegal wood were handed over to German authority BLE which started an investigation at Nobiskrug in November 2016

• BLE started investigation regarding violations against existing laws (EUTR) and carried out an audit at Nobiskrug in November 2017
• Nobiskrug provided information on wood origin from government-run trading company MTE (Myanmar Timber Enterprise)
• MTE does not provide further information on “wood origin” (e.g. forest holding, area of wood harvest)
• BLE stated that documents from Myanmar’s government are not sufficient to proof legality. Further documentation on legality are needed
• BLE took samples of the wood. The samples were analysed by the Thünen Centre of Competence on the Origin of Timber
• The result of the analysis was that the wood does not originate from plantations but were naturally grown. This increase the suspicion on the illegality of the wood
At the beginning of March 2017, German public prosecution started investigations in order to find out, if Nobiskrug was aware of the illegal origin of the wood.
Documentation on wood origin is only available starting at the MTE in Myanmar. Information on wood origin at forest holding level was not available.

- MTE is a government-run trading company
- Company is banned by different national authorities in the EU (e.g. DK)
- Does not provide further information on wood origin
Denmark is the European “frontrunner“, starting to sanction the entire industry sector in Myanmar

**Denmark sanctions entire Myanmar teak industry**

By Mizzima

15th March, 2017

Denmark sanctions entire Burmese teak industry

PEAK TEAK

Myanmar’s teak export ban could knock the floor out from under the yacht industry —literally

**Myanmar Timber Enterprise to respond to Danish teak sanctions**

**Swedish Court rules Myanmar timber documentation inadequate for EU importers**

by Forest Trends, 15 November 2016
But the effectiveness of such sanctions and bans is questionable. Teak traders have implemented counter measures.....

- EIA investigated teak trading companies uncovering their measures to circumvent sanctions:
  - Timber is exported from potentially banned countries before the beginning of sanctioning
  - .....
…via stockpiling illegal and banned wood outside the respective country…

- EIA investigated teak trading companies uncovering their measures to circumvent sanctions:
  - Timber is exported from potentially banned countries before the beginning of sanctioning
  - Long-term storing timber outside of sanctioned country
  - Countries with teak stockpiles: Malaysia, Singapore, Thailand, India and China

Source: EIA (2017)
...in order to market these timbers. Timberlux, a teak trading and processing company was convicted by EIA to circumvent sanctioning this way

- Timberlux: Indian timber trading and processing company
- Strong focus on teak wood and products
- Based on company homepage, teak wood originates from China and India
- A representative from Timberlux “explained” there system for purchasing teak from Myanmar in a conversation with anonymous EIA member

Source: EIA (2017)
Traceability can only be ensured, if documentation and verification starts at the forest holding level

- Traceability along the supply chain: ensuring that all relevant elements of the supply chain, including companies on forest holding level, submit adequate and credible documents
- These documents must be transferred through the whole supply chain and verified
- Securing traceability e.g. via verification by competent authorities (at the end of the supply chain) or credible certification scheme (along the whole supply chain)
Conclusions

• „Yacht A“ is public case showing that illegal timber is still a major problem for European wood traders and processors

• Teak purchasers were not able to provided complete documentation on wood origin back to forest holding level. Traceability along the whole supply chain was not ensured

• European countries react with sanctioning or banning of teak from Myanmar. However, investigations by EIA showed that traders and processors already implemented measures to counteract these bans: The respective timber is already brought out of Myanmar and stockpiled in other countries. These warehouses will be used to purchase illegal wood in the future

• The case shows that ensuring traceability along the whole supply chain is crucial in order to fight illegal wood
Exkurs: Different methods can be used analysing wood origin and using this information for the verification of available documentation on timber

- Microscopic analysis: Identification of tree species or origin (e.g. plantation) via specific vessel attributes (e.g. size, form)
- Required: Reference library
- Verification / cross check with existing documentation on wood origin
- Further options for verifying wood origin:
  - DNA analysis
  - Isotope analysis
  - Remote-sensing tools (e.g. GRAS), satellite pictures

Source: BMEL (2017)