

Statement of Danzer Group responding to the Greenpeace Report “Carving up the Congo”

Introduction

There are fundamental differences of opinion regarding the future of the CONGO BASIN rainforest. Can the forest be rescued from destruction through sustainable utilization and conservation or mainly by conservation with little or no industrial activity?

Our opinion is, of course, that of an industrial forest management company. Our views, however, are also shared by important environmental NGOs (non governmental organizations). We believe there is no alternative to sustainable use of the resource while a smaller part of the forest is set aside for conservation:

- At all times and on all continents, the timber resource of forests has been used in an industrial way. In Europe, the timber industry was one of the main engines for economic and social development throughout the centuries. African governments and peoples naturally insist on the same right of utilization.
- Sustainable forestry, which respects the other uses of forests by the local population, protects flora and fauna. These activities also assist in overall sustainable development by harvesting mature trees only and processing them in local industries. Exporting these products fosters local economic initiative and increases income at all levels.
- By quoting unproven claims that there is lack of contribution to local development by forest industry companies, Greenpeace ignores important achievements. In fact, some forest industry companies have succeeded in continuously investing into social infrastructure and human resources over more than 30 years.
- A conservation scenario based on permanent subsidies from donor countries is certainly not a viable proposition because it would paralyze economic activities at all levels. Such a scenario would result in a never-ending dependence by CONGO BASIN nations on donor countries.
- We all recognize that important changes must be made if we are to realize sustainable forest management and overall sustainable development on a wide basis. Main obstacles are poor governance and often-inefficient administration. However, these factors will also hinder any concept that focuses on conservation only.
- It seems to be more realistic to steer the current suboptimal economic reality into a sustainable one. This would be more desirable than making a paradigm change to conservation. Banning all economic activity in the forest would allow only a subsistence economy, which would be strongly opposed at all levels and only strengthen poor governance.

Greenpeace refuses to accept industrial use of the forest resource. By taking this black-and-white attitude and ignoring the complex situation in the forest countries, the group tends to blackmail the economic operators.

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We have opted to make our activities in Africa transparent and have cooperated with interested and constructive NGOs. As such, we have also given reports to Greenpeace that are now being misused. The information contained in these reports is reproduced incorrectly and incompletely. In doing so, Greenpeace creates an overall negative picture of what we are doing.

Much of Greenpeace’s argument is based on the “MORATORIUM,” which intended to exclude the attribution of new concessions or even letters of intent in this respect.

This “Arreté” holds as date May 14, 2002 but was only published on July 15, 2004. It is referring to the old forest code of 1949. However the old forest code was cancelled when the new forest code was published on August 29, 2002. As a consequence the “Moratorium” was cancelled because the new Forestry Code stipulates rules of attribution at new concessions.

This sequence of events illustrates the uncertain legal framework the private forestry sector is working in.

Greenpeace suggests that companies have infringed upon this “Moratorium.” It turns out, however, that due to late publication of the “Memorandum” and legal inconsistencies, this Moratorium has always failed to have a legal basis.

Here are our detailed responses to the Greenpeace accusations:

Page	Greenpeace Report	Danzer Group’s answers
3-4	<p><u>Abiding by the moratorium:</u></p> <p><i>“As this report reveals, foreign companies including Danzer group (Siforco), ITB, the NST group (CFT, Forabola, Sodefor, Soforma), Olam, Sicobois and Trans-M have all had new contracts signed after the May 2002 moratorium. The majority have therefore benefited from the World Bank’s failure to ensure that the moratorium it negotiated with the transitional DRC government and other forestry sector reforms have been enforced. [...] Both NST group companies and the Danzer group (Siforco) – which between them hold more than 5 million hectares of rainforest – redefined many of their contracts and title boundaries after the moratorium was decreed in 2002 and in advance of the legal review. [...] This is a critical issue because many companies (eg Sodefor and Siforco) handed back forest</i></p>	<p><i>In the case Danzer Group’s SIFORCO subsidiary in the Democratic Republic of Congo, all logging titles were obtained before 2002. Remapping took place in 2004 (including the six titles mentioned in the tables on page 66 and 82/83), but only reducing the forest concession area. No expansion was obtained after 2002.</i></p> <p><i>The outcome of a legal review (“Conversion process”), controlled by an independent observer (World Resources Institute – W.R.I.), will eventually prove the legality of SIFORCO’s titles. In the documentation rendered by SIFORCO to the “Commission Interministerielle de Conversion des Titres Forestiers,” reduction of SIFORCO’s forestry area is shown in full transparency. SIFORCO carried this out in full compliance with the relevant laws.</i></p>

<p>22</p>	<p><i>post-2002 when taxes were set to increase. They may have been granted new (updated) contracts at this stage to reflect the change and may have taken the opportunity to redraw their boundaries. This means that companies will have had the opportunity to effectively launder new forest holdings through the legal paper review (no on the ground checks have been possible).</i></p>	
<p>6 / 61-63</p>	<p>Poaching in the concessions: <i>“Companies such as Trans-M and the Danzer group (Siforco) have contracts for areas inside Maringa-Lopori-Wamba landscape, now a critical stronghold for some of the last viable populations of wild bonobos in the DRC. Bonobo populations have been decimated by the illegal trade in bush meat, and from being hunted as a source of food during the recent wars.” [...] “Once open, Siforco’s holdings are likely to end up as ‘empty forest’, devoid of large animals like other areas which logging has opened up to poaching and other forms of exploitation.”</i></p>	<p>SIFORCO is currently not harvesting in the concessions Greenpeace refers to and is not “opening” the forest with roads. Nevertheless, hunting is also ongoing in this area and environmental NGOs have no means or logistics to tackle the problem. An effective control on hunting could be accomplished through collaboration of the state, a forest concessionaire committed to sustainable forest management and environmental NGOs.</p>
<p>6 / 68-71</p>	<p>Climate impact of timber production <i>“Using satellite images, Google Earth and published scientific studies, Greenpeace has calculated the predicted CO2 emissions from a 170,000 hectare area of forest formerly logged by the Danzer group (Siforco). Our calculations show that logging roads and other infrastructure (currently not part of international IPCC calculations on ‘Land Use Change and Forestry Emissions’) produce a level of emissions 3.5 times [on page 68 2.5 times is mentioned] greater than that from the extraction of the commercial timber itself (currently the only aspect of industrial logging operations included in estimates of the DRC’s emissions).”</i></p>	<p>This calculation is exaggerated because it does not take into account the fact that most of these logging roads are not maintained. After harvesting, they become rapidly populated with pioneering tree species. These new trees close the gaps and, in part, restore the carbon stock lost because of harvesting and road construction. When flying over areas where trees have been logged selectively (on average 1 tree /1.5 ha), observers can see that the forest canopy remains intact and roads are overgrown. Greenpeace should prove its claims through scientifically sound studies conducted by climate experts.</p> <p>Greenpeace should acknowledge the role of timber as an important renewable resource used for building materials. Compared with plastics, steel, aluminum or concrete, its emissions of carbon as greenhouse gas CO2 during its life cycle are significantly lower. A recent assessment shows that whole lifecycle of a wooden window frame emits 9 kg CO2. The same frame made from PVC emits 46 kg CO2, made from</p>

<p>71</p>	<p><i>“Between 1981 and 1998, 170,000 hectares of lowland rainforest was logged in the Siforco’s K7 forest holding in Equateur Province. The logged area has since been returned to the DRC State. Within the returned area of K7, logging roads are estimated to cover a total length of 740 kilometres with an average width of 50 metres, including verges. This correlates with Siforco’s planned logging roads for its K8 forest holding, which are between 50m and 60m wide.</i></p>	<p>aluminum 126 kg CO₂¹. Another study concludes that making one cubic meter of lumber releases 15 kg CO₂ (logging, transportation and sawmills), while producing one cubic meter of aluminum releases 22,000 kg². In addition, one metric ton of dry building timber stores roughly 500 kilograms of carbon for the usage period of 20-200 years.</p> <p>Only primary roads are, on average, <u>40 metres</u>, 50 metres to maximum 60 metres wide. Secondary roads (accounting for about 60% of the road network³) have a maximum width of only 30 m. All secondary roads are taken over by forest regeneration immediately after the end of harvest, and the effect of carbon release is in part temporary and reversible. Only a few permanent roads remain open after harvesting (about 10% to 20% of roads).</p> <p>In the case of the returned part of the K7 forest, roads have been recovered by forest regeneration and the carbon release will be compensated in the near future.</p>
<p>20</p>	<p><u>Tax payment</u></p> <p><i>“In July 2005 the Ministry of Finance publishes how much area tax had been collected for the year 2004. About 45% of area tax (annual tax on the land area) is unpaid by logging companies, which suggests that contracts covering many millions of hectares are being held by operators who fail to comply with the terms of their contracts.90 Companies included on the published list of defaulters include Trans-M, Siforco, and Soforma (NST). [...]</i></p>	<p>SIFORCO paid all taxes due to the government in 2004. The ministry granted tax reductions for one concession that could not be operated due to the activity of armed groups. . The list that has been used by Greenpeace does not correctly reflect all taxes paid. In addition, the mistakes on this list have been acknowledged by the Congolese administration (DGRAD) upon publication.</p>

¹ Scheer, Feil, Zerwer (2006): Nachhaltigkeit im Bereich Bauen und Wohnen – ökologische Bewertung der Bauholz-Kette, ZUFO Arbeitsbericht No.8, Institut für ökologische Wirtschaftsforschung (IÖW) 2006, download from: http://www.zufo.de/downloads/ZUFO-Pap_Nr8_Scheer.pdf

² NAFI (Australia’s National Association of Forest Industries) (2002): Timber as a Building Material, download from: <http://www.nafi.com.au/library/>

³ IFO, Danzer Group concession in the Republic of Congo on a 100.000 ha of harvested forest area.

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<p>40-41</p>	<p><u>Answer to the accusation of conspiracy with the MLC rebels on page “LOGGING IN REBEL-HELD TERRITORY – PAYING THE ADMINISTRATION”</u></p>	<p>During the civil war unrest from 1998 to 2002, SIFORCO was forced to discontinue its activities in the concessions. This deprived the company of its wood source. Nonetheless, SIFORCO’s parent company, the Danzer Group, decided not to abandon the company. Instead, Danzer invested considerable sums to at least keep operations at the mill in Maluku/Kinshasa alive at a low level. During this period, Danzer Group lost several million euros in the Democratic Republic of Congo.</p> <p>The company kept in touch with employees at its forestry concessions in Equateur. Danzer Group’s goal was to motivate employees to take care of its assets in the best possible way so a restart at a later date would not become completely impossible. The Group also managed to provide employees with some basic medical care.</p> <p>Various rebel groups concluded a peace treaty that was promoted by the international community. The groups agreed to form a joint transitional government that would include the rebel group MLC. In January 2002, the Federation des Entreprises du Congo (FEC), MONUC, the UNITED NATIONS’ local peace corps, representatives of rebel groups, the central government and the companies located in Equateur Province toured the affected regions. The objective was to determine how resuming economic activity could foster political stability in this region. All parties agreed that economic activities, including shipping traffic on the Congo River, should be resumed with the support and protection of MONUC.</p> <p>The General Manager of SIFORCO traveled to Bumba (Equateur Province) in June 2002 to examine the state of the company’s machines and installations. He also wanted to explore ways to resume production. The central government in Kinshasa approved this trip.</p> <p>He was well received by the employees, whose entire hope rested on resumption of activities. Employees in one location had made efforts to protect company property but were unable to prevent the theft of vehicles, spare parts and other materials by occupying MLC troops. Parts from large</p>
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	<p>Caterpillar tractors were also dismantled.</p> <p>SIFORCO sent the first ships to Bumba in July 2002. Resumption of ship traffic on the Congo during 2002 was dealt with in several UN Security Council resolutions (e.g. Resolution No. 1355/2001) as well as specific direction from the MONUC. All SIFORCO activities were closely coordinated with MONUC. UN observers and representatives of the MLC were on board. All subsequent ship tours were approved by MONUC.</p> <p>SIFORCO gradually began logging again in November 2002 under difficult circumstances. During this start-up period, the Danzer Group invested additional funds to finance necessary machine repairs and operating expenses such as wages and fuel.</p> <p>These investments created jobs and a sustainable basis for income among the 1,200 local employees and their families within the concessions in Equateur Province as well as the factory in Maluku near Kinshasa. This helped fight local poverty in one of the world's poorest countries.</p> <p>The local population welcomed these efforts, primarily because SIFORCO was the only organization willing to build and repair roads, schools and small clinics. The company provided aid wherever it could, even though such assistance should have been a government responsibility. The civil war had greatly destroyed the basis of living — jobs, infrastructure and social facilities — among the local population. Without the resumption of activities and investments by Danzer Group, the local population would have had no aspirations to hold on to.</p> <p>Resumption of economic activities, such as by SIFORCO in 2002, was expressly recommended by the UN Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo. The experts concluded in their final report that the rebuilding of economic structures was an important part of the peace process in the Democratic Republic of the Congo.</p>
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<p>41</p>	<p><u>Paying wages of state environmental officers</u></p> <p><i>“As elsewhere in the DRC, institutional capacity is grossly inadequate. Monitoring and inspection staff are under-equipped and poorly paid by the authorities. In order to maintain ‘some semblance of operational administration’, officials are paid directly by Siforco according to a formal scale when they come to inspect its operations ranging from €50 for the highest grades (provincial environment coordinator) to €5 for the lowest (police officer).”</i></p>	<p>DRC, as well as other African countries, lacks institutional capacity. Officials are often not paid their salaries. In such a situation, they must rely on companies to make a living</p> <p>This is a fact for many private companies in all sectors. This is referred to as “Facilitation Payment” in the OECD guidelines. Such payments are made in a very transparent way with the knowledge of the local administration. We follow the OECD guidelines in such cases. Danzer Group’s African companies are audited regularly by SGS (Société Générale de Surveillance) to ensure legality and transparency. Both companies have successfully passed the audits and received a Legality certification, called LVT, “Legality Verified Timber,” from SGS.</p>

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<p>41</p>	<p><u>Society and Forest Management Companies</u></p> <p><i>“This state of affairs illustrates perfectly how in the chaos of the country’s grossly under resourced forestry environment, lack of capacity can shade into corruption, aided and abetted by the logging industry. As with NST, Siforco has significant influence beyond the rainforest it controls, via all sort of partnerships (including subcontracting in all but name).”</i></p>	<p>A well-functioning and good-working private company like SIFORCO can indeed have a positive impact on an entire region. The company makes consistent social contributions, such as providing employment, while constructing agricultural roads outside the concession area and maintaining roads in the city. The company also builds schools and hospitals, and provides and logistical support to farmers. This influence is definitely positive and contributes to rural development.</p>
<p>48-49</p>	<p><u>‘Social responsibility contracts’</u></p> <p><i>The loggers buy social peace by negotiating benefits in kind with the local elites (official and traditional authorities⁹ and local communities. This relation has often been depicted as “wood for beer and a football pitch” (Confidential report on SIFORCO, 2006).</i></p> <p><i>Once social responsibility contracts are signed, the communities concerned have little or no leverage to ensure compliance, and there is currently no legal mechanism for conflict resolution. Even when contracts are respected, the paternalistic terms in which they are framed do little to empower communities or promote genuine development – as a report into Siforco’s operations observes: ‘The contribution of forestry exploitation to local development remains confined within the sterile bounds of a relation of near total dependence.</i></p>	<p>This Greenpeace line of arguments is strange. Our economic activity and social investments obviously foster local development. It seems strange to think that a company could operate without the local population’s consent over a period of more than 30 years.</p> <p>SIFORCO has invested about US\$1 million in social projects within the territories of Bumba and Aketi since the company restarted its activities in 2002.</p>
<p>62-63</p>	<p><u>Sustainability of Siforcoc activities</u></p> <p><i>“Its [Siforcoc] current logging operations take no account of sustainability parameters: timber production is dictated in response to industrial demand of Danzer’s sawmills. [...]</i></p>	<p>This claim is not correct. A consulting firm (FRM, France) has completed a detailed study to assess the preliminary long-term sustainable production capacity of the current forest concessions. As is done in all sustainable forest management planning, this is then correlated with the industrial capacity and long term development needs of SIFORCO in DRC. This has been the only basis used to calculate the</p>

<p>63</p>	<p><i>Siforco's logging activities are currently within the most productive intact forest areas within its titles, which hold the highest densities of valuable hardwood. Titles have been logged solely with a view to efficient extraction of key species. In 2005, just three species – sapele, iroko (Milicia excelsa) and sipo (Entandrophragma utile) – made up 63% of the total volume logged.</i></p>	<p>necessary forest concession area and has resulted in retrocession of part of the concession area.</p> <p>Based on a cautious estimate, Siforco is currently harvesting only 45% of the sustainable forest production capacity.</p> <p>The principle of sustainability is observed both on a higher level as well as the species level. About 15 species are currently harvested. The high proportion of the previously mentioned species is due the natural abundance and proportion of these species as indicated by many studies on the natural distribution and density data of these species in DRC and other Central African countries⁴. It is assured within the sustainability concept that a given species will be reconstituted by means of the juvenile trees remaining in the forest. Promotion of other species is ongoing and we are introducing new species into the market as the market allows.</p>
<p>63</p>	<p>Public funding/ biodiversity:</p> <p>Page 63: “French and German government funding for Siforco to meet statutory commitments would give the company a competitive advantage, and facilitate the expansion of industrial logging operations into intact forest landscapes. This would contribute to undermining the future potential of the DRC to protect its biodiversity and its continued provision of global climate services.”</p>	<p>In terms of direct impact, biodiversity as a whole is not usually affected negatively by harvesting. Ecological studies by environmental NGOs and biologists on the influence of logging on tropical forest ecosystems and wildlife show that harvesting can have positive and negative effects. This depends mainly on the tree and animal species.⁵ For example, the density of gorillas and elephants is known to be higher in disturbed forest ecosystems.⁵ In addition, the disturbance of a mono-specific forest can increase biodiversity. In general, the highest biodiversity exists in moderately disturbed ecosystems. It is also clear from above-mentioned studies as well as forest management projects in Central Africa that uncontrolled hunting and poaching can negatively effect the animal population. On the other hand,</p>

⁴ Among others in the central area of the Congo Basin: CTFT, 1970ies, Systematic inventory of northern Republic of Congo; SPIAF, 1970ies, "Inventaire National" in DRC; FRM (Forêt Ressources Management), oral communication, Forest Management Inventories in Rep. Congo, CAR & DRC ; FRM, IFO, MEFE, 2005, Rapport d'inventaire de l'UFA Ngombé, République du Congo.

⁵ Weber W., White, Lee J.T; Vedder Amy & Naughton-Treves Lisa, 2001, African Rain Forest Ecology and Conservation, Yale University Press, New Haven and London, funded by WCS (Wildlife Conservation Society), 588 p.

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		<p>uncontrolled hunting and poaching also exist without forest harvesting. This is the case within the DRC's national parks, which lack institutional capacity. The main goal and recommendation in all studies is to tackle uncontrolled hunting and poaching. This can be accomplished by cooperation between environmental NGOs and the forestry sector.</p> <p>Sustainable forest management takes into account conservation of the whole forest ecosystem as well as biodiversity. This concept has been recognized as the best protection of a forest against alternative land uses, such as clearance of a forest for agriculture.</p> <p>Many necessary conservation activities go far beyond the capabilities of a private company and are usually undertaken and financed by the public administration. There is a lack of these activities on the side of the DRC's government. Contributions by donor nations to the preservation of biodiversity in forest concessions are definitely a positive use of taxpayers' money. The long-term presence of the private sector in the forest area will have a long-term sustainable effect.</p> <p>SIFORCO will not gain any competitive advantages as other forestry industry companies are waiting for support in this field and are not financing such activities on their own.</p>
	<p><u>Referring to supply timber from the companies ITB and Sicobois</u></p> <p><i>Example: "Timber from ITB is imported into European countries including Belgium, France, Italy and Portugal. Interholco (Danzer's trading branch) is a client of ITB."</i></p>	<p>Danzer Group systematically checks the legal right of harvest among its suppliers. The company also examines their environmental and legal performance. All such examinations are based on Danzer Group African Procurement System certifications under ISO 14001. Suppliers that have not subscribed to the conversion process have systematically been refused. The outcome of the conversion process will decide on the legality of the current forest titles. In the meantime, within the Danzer Group African Procurement System, these titles are regarded as valid as</p>

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		<p>1) they where issued by the National Government Administration and legal harvesting permits have been granted, respecting all relevant legislation, and</p> <p>2) the legal validity of the moratorium is questionable (see introduction). The legal complexity cannot be simplified by Greenpeace, which just says that this moratorium had a legal validity going back to 2002.</p> <p>All suppliers are checked on the basis of <u>documents</u> and data they must provide (e.g. concession and logging permits). We also judge suppliers based on general knowledge of these companies. Certain suppliers in DRC have not been approved as a result of our analysis. One supplier is wrongly quoted by Greenpeace as being our supplier.</p> <p>In addition, certain suppliers have been checked by field audits, either internally or by SGS.</p> <p>Our suppliers obviously disagree with the accusations of Greenpeace as being incorrect. We leave it to them to publically respond. As a principle, we encourage our suppliers to be independently certified.</p>
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April 27, 2007