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Japan Designates First 5 Clean Wood Act Registration Organizations

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Wood Products

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Report Highlights:

On October 27, 2017, the Forestry Agency announced the names of the first five “Registering Organizations” that will register companies’ policies for compliance with the Clean Wood Act. The first company to become a registered Wood-Related Entity (RWRE) was reported on November 22, 2017.

Keywords: JA8002, Forest Products, Softwood, Hardwood, Wood Pellet, Green Purchasing Legislation, Lacey Act, EU Timber Regulation

General Information:

On May 20, 2017, the government of Japan (GOJ) implemented the Act on the Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (hereafter, the Clean Wood Act) (see [JA7080](#)). The Clean Wood Act is a voluntary norm of conduct and is applied to all Japanese wood-related business entities. Unlike the U.S. Lacey Act, the Clean Wood Act does not penalize the purchase, possession, transportation or sale of illegally sourced wood products. Rather, the GOJ intends to create an environment that rewards companies for making an effort to distribute legally harvested wood. As the Clean Wood Act states “business operators shall endeavor to use legally-harvested wood when they handle wood and wood products (Article 5)”, the Clean Wood Act is considered a mandatory effort to promote legally harvested wood products in Japan.

The primary function of the Clean Wood Act is a registration program for the review and approval of measures to secure legally-harvested wood and wood products. Although the Clean Wood Act was enacted on May 20, 2017, the Ministry of Agriculture, Forestry and Fisheries (MAFF) Forestry Agency accepted the first applications for registering organizations (ROs) on September 15, 2017¹. On October 27, 2017, the Forestry Agency designated the five companies in Table 1 as “Registering Organizations (ROs).” ROs evaluate the measures proposed by companies to demonstrate compliance with the Clean Wood Act. These companies, once approved, are then permitted to use the name “Registered Wood-Related Entity (RWRE)”. Participation in the registration program is voluntary.

Table 1: Registering Organizations

ID	Name of RO	Registration	Wood Products	Construction	Biomass
001	Japan Plywood Inspection Co.	Type1 & Type 2	X	X	X
002	Japan Housing and Wood Technology Center	Type 2	Building Materials	X	
003	Japan Gas Appliances Inspection Association	Type1 & Type 2	X	X	X
004	Japan Forest Technology Association	Type1 & Type 2	Domestic Only		Domestic Only
005	Japan Testing Center for Construction Materials	Type1 & Type 2	X	X	X

Three of the ROs (the Japan Plywood Inspection Co, the Japan Gas Appliances Inspection Association, and the Japan Testing Center for Construction Materials) are accepting applications from all parties. The Japan Forest Technology Association is accepting applications only from domestic wood products and biomass WREs. The Japan Housing and Wood Technology Center (HOWTEC) is only accepting applications from Type 2 WREs that handle building materials and are involved in the construction industry (see below for information on Type 1 and Type 2 WREs). ROs may set up different

¹ There is no closing date for subsequent applications. Any organization can apply to be a RO at any time after September 29, 2017.

registration fees and offer different services, in addition to restrictions based on industry sector.

Mandatory Diligent Effort on the Clean Wood Act

“Wood (lumber)” and “value-added wood products, such as furniture made primarily of wood and paper products that are specified by ministry ordinance (hereafter, wooden furniture and paper products)” are subject to the Clean Wood Act. More specifically, wood (lumber) includes logs, lumber, boards, wood sheets, wood veneer, engineered wood (plywood, glulam, LVL, *etc.*), wood pellets, wood chips and wood particles.

Wooden furniture includes (but is not limited to) chairs, desks, shelves, cabinets, low partitions, coat hangers, umbrella stands, bulletin boards, blackboards, whiteboards, and bed frames where the components are made primarily of wood.

Paper products include (but are not limited to) copier paper, paper used for forms, coated paper for ink jet color printers, uncoated printing paper, coated printing paper, tissue paper and toilet paper made from wood pulp.

Wood pulp, wooden flooring, wooden cement board and wooden siding boards are also subject to the Clean Wood Act. In addition, any intermediate products of the products listed above are subject to the Clean Wood Act.

On the other hand, other products not on this list (*e.g.*, wood pallets, particle board, fiber board, OSB, firewood, bamboo, charcoal, palm kernel shell, *etc.*), used furniture, recycled paper products, recycled wood, and wood products made from recycled wood are not subject to the Clean Wood Act at this time.

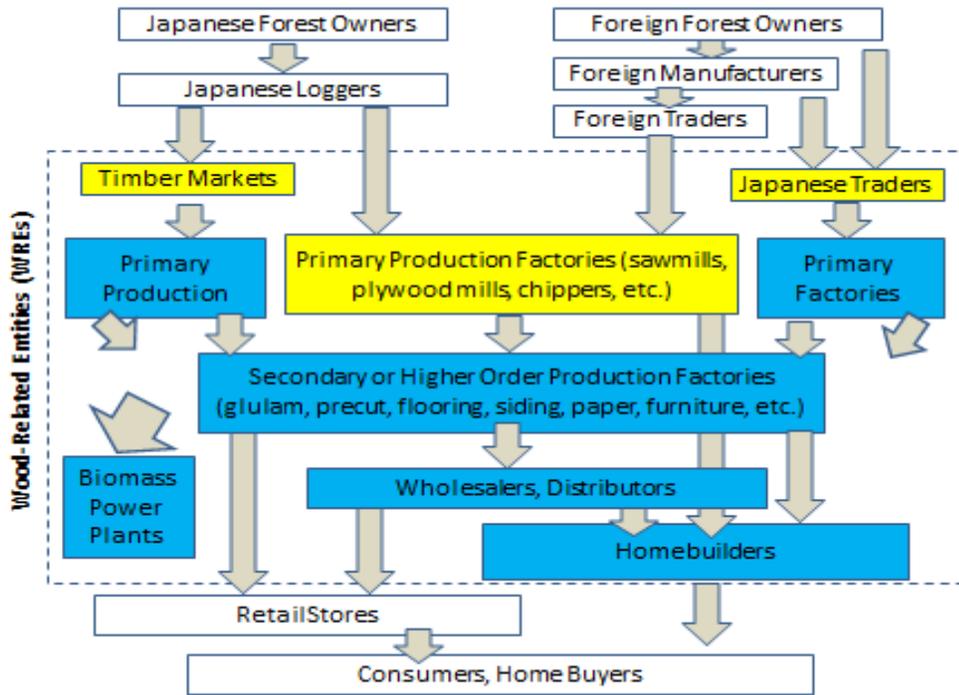
Figure 1 illustrates the supply chain of Japanese wood products. The eligible companies that can register to ROs are the Japanese intermediate wood products companies (within the dashed line box in Figure 1) and are referred to as Wood-Related Entities (WREs). Operators that are not qualified as WREs are outside the scope of the Clean Wood Act (*i.e.*, Japanese log producers, forest owners, loggers, *etc.*). Foreign companies that do not have a Japanese office (including foreign log producers, foreign wood manufacturers, and foreign traders) are also outside the scope of the Clean Wood Act. Therefore, such operators are ineligible to register. Furthermore, retail stores or those that sell forest products directly to consumers are not WREs.

WREs fall into one of two categories, depending on the location of their activities in the supply chain in Figure 1. Type 1 WREs are those who initially place product in the supply chain (shown in the yellow boxes in Figure 1). They either receive logs from domestic logging companies (*e.g.*, sawmills, the log markets, plywood mills, pulp mills) or import forest products from foreign suppliers. The Clean Wood Act requires Type 1 WREs to confirm if the wood material they receive is harvested legally.

Type 2 WREs are those operators that further distribute forest products in the supply chain, but are not retailers (shown in the blue boxes in Figure 1). They receive forest products from Type 1 WREs or

other Type 2 WREs, and distribute those products to other Type 2 WREs or retailers. As they do not place new product on the market, they must review the documents that previous handlers of the products have generated or provide that verify legality.

Figure 1: Type 1 and Type 2 Wood Related Entities



How to check that wood products are legally harvested

The Basic Plan of the Clean Wood Act sets expectations for WREs’ confirmation that wood products are legally harvested. Type 1 and Type 2 WREs have different responsibilities to confirm the legality of wood products. However, each WRE is expected to use their own judgement to verify legality, whereas the GOJ provides the basic guidelines for evaluating if those verifications meet the requirements of the Clean Wood Act.

Since Type 1 WREs directly receive domestically harvested logs or foreign forest products in Japan, they are required to procure the following information from their suppliers:

- species name
- country of origin
- quantity
- name of forest owners (or foreign suppliers)

In addition, they must prepare documentation that demonstrates that the wood is legally harvested. If such documentation is unavailable, Type 1 WREs are required to undertake due diligence – that is, take reasonable steps to demonstrate legality. Each WRE is to use their own judgement to determine if the

forest products are from legal sources. The Clean Wood Act strongly recommends that WREs rely upon a variety of information, including the laws of the country where the wood was harvested, and other relevant information. If the WRE was unable to confirm legality, Type 1 WREs are discouraged from handling the wood products.

If a Type 2 WRE receives wood products from a Type 1 WRE, the Type 2 WRE is required to check the documents that the Type 1 WRE provides. If a Type 2 WRE receives wood products from another Type 2 WRE, the receiver needs to check the documents provided, or at least check that the supplier conducted a check for legality. A Type 2 WRE can also procure supporting documentation about wood products from a company that participates in a similar programs (*e.g.*, Green Purchasing Legislation), or a company that is certified by a third-party (*e.g.*, chain-of-custody certification, CoC). Unlike Type 1 WREs, Type 2 WREs are not required to take additional measures to check the legality of the wood products.

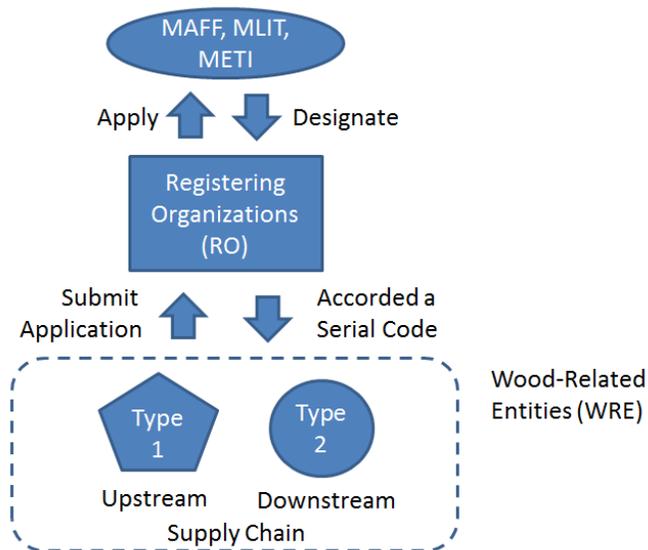
To assist in determining legality, WREs may choose to rely on:

- 1) third-party forest and CoC certification programs (*e.g.*, FSC, SFI, ATFS)
- 2) industry certification by forestry or forest products associations (*e.g.*, [AHEC](#))
- 3) unique, reasonable efforts by an individual company, or
- 4) a forest certification system provided by a prefecture that proves the legality of the forest products.

Voluntary Registration System

WREs may seek to become a registered WRE (RWRE) by submitting their measures and policies to verify legally-harvested wood and wood products to a RO. The Forestry Agency expects that the market can distinguish RWREs from other non-registered WREs in the supply chain. However, it is important to emphasize that the Clean Wood Act does not contain provisions for the labeling of wood products (whether legally harvested, registered, or otherwise). MAFF, the Ministry of Economy, Trade and Industry (METI), and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) are each responsible for an aspect of the Clean Wood Act. Specifically, MAFF and METI are responsible for furniture, paper products and wood-based energy products. MAFF and MLIT are responsible for building products (*e.g.*, lumber, plywood, engineered wood). The Forestry Agency hopes that multiple, capable organizations that do not have conflicts of interest in these sectors will become ROs, and that each RO will oversee each sector of specialized products (*e.g.*, lumber, paper, furniture, and engineered wood). Figure 2 depicts the registration system. The Forestry Agency based this registration system on the selection process of Registered Certifying Bodies found in the Japanese Agricultural Standard (JAS).

Figure 2: The voluntary registration system of the Clean Wood Act



If a WRE chooses to register to a RO, they need to plan and demonstrate how their processes of verifying legality meet minimum requirements of the Clean Wood Act. RWREs are expected to collect and keep records of the documents regarding the legality for a minimum of five years. RWREs must submit reports to ROs annually that describe how they verify legality, and plans for improving their verification process. ROs are then required to summarize their reviews of RWRE policies in annual reports for submission to the Forestry Agency. ROs are authorized to cancel the registration of RWREs that are found to not be in compliance with these requirements.

Distribution of Wood Products

Although, the Clean Wood Act and related ordinances request that all Type 1 WREs ensure the legality of the wood products and their handling, it does not prohibit, restrict or penalize the import, distribution, or sale of wood or wood products that are not verified as legally harvested. WREs are expected to segregate the products that are verified legal from unidentified wood products. Type 2 WREs must also separate legal wood products from unidentified wood products, and maintain records for distribution with legal wood products. The RO can revoke registration of a RWRE for noncompliance. However, the Clean Wood Act does not provide civil penalties for the false distribution of unverified wood products².

Green Purchasing Act

On May 2000, the Ministry of the Environment implemented the Act on the Promotion of Procuring Eco-Friendly Goods and Services by the State and Other Entities ([Green Purchasing Act](#)) to ensure that construction projects funded by the GOJ utilize legally harvested forestry products.

² The Clean Wood Act penalizes companies who claim falsely to be a RWRE with a fine of not more than 300,000 yen (approximately \$3,000).

Government agencies and public institutions (excluding local governments)³ are required to purchase wood products made from legally-harvested wood. At this time, registering to the Clean Wood Act solely does not satisfy the Green Purchasing Legislation. The Forestry Agency hopes to integrate the Green Purchasing Legislation and the Clean Wood Act at some point in the future.

The Clean Wood Navi

The Forestry Agency maintains a frequently asked questions page on the official webpage of the Clean Wood Act at <http://www.rinya.maff.go.jp/j/riyou/goho/index.html>.

The Forestry Agency provides country specific data on foreign legal wood legislation/programs at the Clean Wood Navi website, and the information on the U.S. is found [here](#).

³ Local governments are encouraged, but not required to use wood products made from legally-harvested wood.