

## THE IMPACT OF LEGISLATION ON THE WOOD PROCESSING INDUSTRY

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### RESEARCH ARTICLE

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#### Abstract

*Conformity to the Community normative act has generated a series of obligations for European economic operators, obligations that have influenced various aspects of economic-commercial operations and business strategy.*

*The compliance of economic operators with the legal obligations mentioned above generates bureaucracy and requires costs. The relatively high amount of costs can be of its nature to alter commercial competition, favoring larger and financially stronger companies. From the perspective of the final consumer/beneficiary, the high costs of the producer will be reflected in the increase of the final price of the purchased products.*

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#### INTRODUCTION

The importance of wood in the economy is indisputable. Wood is a versatile and durable building material, used in the construction of houses, furniture, and other structures. It is preferred for its aesthetic and ecological properties.

Wood and derived products such as pellets and briquettes are important sources of renewable energy.

The use of wood for heating and energy production contributes to reducing dependence on fossil fuels and implicitly to protecting the environment. Wood is therefore a crucial element in the economy, having a significant impact on various industries and on sustainable development.

However, trade in wood of unregulated origin can have multiple risks and negative consequences: illegal deforestation and implicitly a harmful impact on the environment and human health.

These risks underscore the importance of strict regulation of the timber trade to protect the environment, the economy and public health.

Illegal logging – harvesting timber in a way that violates the laws or regulations of the country of harvest – has a serious economic, environmental and social impact on some of the world's most valuable forests and the communities that depend on them. It leads to loss of income, undermines the efforts of legal operators, and is associated with deforestation, biodiversity decline and greenhouse gas emissions, as well as conflicts over land and

resources, along with the disempowerment of indigenous communities.

#### MATERIAL AND METHOD

The materials used in writing this paper are composed of legislation and web sites. The methods used are legal, namely the formal method, the comparative method, the logical and sociological method, the analytical method. The use of these methods has the role of performing a systematic analysis of the information from the studied sources in order to elaborate the points of view and the conclusions.

#### RESULTS AND DISCUSSIONS

Illegal logging – harvesting wood in a way that violates the law – has a positive economic impact on the profitability of the beneficiary company, but a serious social and environmental impact on the countries from which the wood was harvested.

Compared to the higher financial possibilities, the companies from the countries of the European Union were among the final beneficiaries of the export of illegally exploited wood in the countries of origin.

In this context, in 2003 the European Union published the Forest, Law, Enforcement, Governance and Trade (FLEGT) Action Plan in 2003, with the aim of consolidating the sustainable management of forests and promoting the trade in wood of legal origin.

As part of FLEGT, on 3.03.2013 the EU Timber Regulation came into force (EUTR - [Regulation (EU) no. 995/2010], a document that prohibited European operators from

introducing illegally harvested wood or products obtained into the single market from this one.

Compliance with the Community normative act has generated a series of obligations for European economic operators, respectively

- access to information describing wood and wood products, country of harvest, species, quantity, supplier details and information on compliance with applicable national legislation.

- keeping records of suppliers and their clients

Being a member of the European Union since 2007, the aforementioned Regulation has acquired direct applicability in national legislation, imposing changes in domestic law, in order to harmonize secondary legislation with the Community normative act. In this context, several internal normative acts have undergone changes and/or entered into force, respectively Law 46/2008 Forestry Code, GD no. 497/2020 regarding the origin, circulation and commercialization of wood materials, to the regime of storage spaces of wood materials and round wood processing facilities, as well as those regarding the origin and circulation of wood materials intended for the owner's own consumption and some measures to apply the provisions of the Regulation (EU) no. 995/2010 of the European Parliament and of the Council of October 20, 2010 establishing the obligations of operators who place wood and wood products on the market, Law 171/2010 on forestry contraventions.[3,1,5,4]

The normative acts mentioned above are essential for protecting forest resources and for ensuring a sustainable industry and have the merit of conforming national legislation to international standards.

However, the same normative acts had a significant impact on the industry, influencing various aspects of economic-commercial operations and business strategy.

**I.** The compliance of economic operators with the legal obligations mentioned above requires additional costs

Specifically, it is necessary to:

1. contracting legal consulting services in special legislation

2. the specialization of employees or the employment of employees already specialized in the application of special legislation and the monitoring of how it is applied at the company level.

3. Thinking, drafting and operationalizing a monitoring and subsequent reporting system requires the contracting of specialized software programs, on a subscription basis

4. Companies are motivated to obtain sustainability certifications to demonstrate compliance with international standards. (eg FSC - Forest Stewardship Council) [6]

**II.** The application of legislation on the wood processing industry generates bureaucracy.

Beyond the costs, the implementation of the special legislation implies the adoption of complex administrative procedures, consuming resources and time.

A concrete example, in this sense, would be the Methodology for the application of the environmental assessment for forestry facilities (approved by Decision 236/2023 for the approval of the methodology for carrying out the environmental assessment procedure for forestry facilities). [2]

The assessment includes the analysis of potential effects on protected natural areas of community interest and the integration of conservation objectives into forest management plans.

Even if this procedure is important not only for compliance with national and European legislation, but also for the protection of natural resources in the long term, it generates costs and bureaucratic procedures, of the nature of delaying the completion of forestry facilities and implicitly the exploitation of wood material.

The environmental assessment for forestry facilities involves several essential stages, and has, as main steps:

- a) Initiation of the procedure.

- b) Evaluation of potential effects: The impact on protected natural areas and biodiversity is analyzed.

- c) Public consultation: The public has access to the information related to the forestry facilities since the first version was developed.

- d) Issuance of the regulatory act: The procedure is completed with the issuance of the environmental approval, after which the forestry management is approved in the Technical Forestry Approval Commission.

**III.** The cumbersome procedure of the environmental assessment and, implicitly, of the completion of forestry management, requires time, and this is likely to generate a crisis of the existing wood mass for sale.

The lack of wood has the immediate effect of increasing the price of the raw material, i.e. an additional difficulty for smaller economic operators (from the field of wood processing) and an additional risk, for them, of closing/restructuring their activity.

**IV.** Companies that invest in compliance and sustainability can become more competitive in the long term by attracting customers who value social and environmental responsibility.

**V.** Strict regulations can stimulate innovation in woodworking processes, leading to the development of more efficient and greener technologies.

### CONCLUSIONS

It is as obvious as possible that the existing regulation is essential to ensure the sustainable management of forest resources and to prevent illegal logging. It is equally obvious, however, that the implementation of legal obligations is likely to generate additional costs, throughout the economic chain, from the operating company to the final beneficiary/consumer.

The high costs required for compliance and the conditioning of access to important markets by following these expensive and bureaucratic procedures can affect competition, in the sense of supporting large companies with high budgets and important human resources. Expensive procedures can create market distortions by favoring companies that already have a dominant position. These companies can use their financial resources to comply with regulations, while newcomers are de facto excluded.

In addition, in the context of limited budgets, high costs can discourage innovation, as small companies, which are often important sources of innovation, cannot afford to invest in the development of new products or technologies due to the financial burden imposed by expensive procedures.

The disadvantages for small companies, on the other hand, are genuine opportunities for large companies that, by escaping the competition and quickly adapting to the new

regulations, can benefit from competitive advantages and access to new markets.

The costs of implementation, monitoring, purchase of wood material will ultimately generate an increase in the price of the entire production chain, generating a higher final price for the final beneficiary.

To address these issues, regulators can simplify procedures and reduce associated costs by ensuring that regulations are proportionate and do not create undue barriers to competition.

### REFERENCES

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