

MACE
DO ■ ■
VITO
RINO

MARQUET PERSPECTIVES

THE PORTUGUESE FORESTRY

CONTENTS

- 04 INTRODUCTION
- 05 LEGAL FRAMEWORK
- 06 OPERATORS
- 07 TRADERS
- 08 FOREST PRODUCERS'
ORGANIZATIONS & FOREST FUNDS
- 10 FOREST CERTIFICATION PEFC
- 11 CHAIN OF CUSTODY
CERTIFICATION PEFC
- 13 FOREST SUSTAINABLE
MANAGEMENT CERTIFICATION
FSC
- 14 FSC CHAIN OF CUSTODY &
CONTROLLED WOOD
CERTIFICATION
- 15 BIOTIC AND ABIOTIC RISKS

M A C E
D O ■ ■
V I T O
R I N O

CONTENTS

17 FINANCIAL SUPPORT

19 FLEGT LICENSE

20 OTHER CASES

21 NEW FORESTRY CONTROL
MEASURES

22 NEW REGULATION

24 MARKET PLAYERS

25 PERSPECTIVES

26 ABOUT US

INTRODUCTION

Forestry industries have a strong export orientation, creating a positive trade balance. Exports are facing a significant growth worldwide and mainly for EU countries.

Forestry activity and its products are of significant economic importance to Portugal due to their contribution to GDP and employment.

The sector is mainly supported by national raw materials. More than 60% of Portuguese continental territory is made up of forest areas, 84.2% being private property, 13.8% community lands and only 2% public areas.

Nowadays, the forestry sector is facing important challenges, such as: (i) globalization of the market and economy; (ii) sustainability of resources and the quality of products with consequences in forest management certification and forest products chain-of-custody

certification; (iii) greater susceptibility to pests, diseases and fires; and (iv) competition in the use of national forest raw materials.

Despite several potential uses for each forest species, eucalyptus row is used on the pulp and paper industry, pinus pinaster row is used on the wood and furniture industry and cork oak row is typical on the cork industry, for corks, acoustic and thermal insulation material or as fashion accessories.

Portugal imports lumber, veneer, plywood, and firewood into the industry, as well as more than two million cubic meters of logs annually.

Imported wood logs come mainly from Spain (more than 85% of imported timber), and France (more than 9% of imported timber).

Registration by economic activity indicates that companies are usually involved in forest exploitation (352 registrations), followed by an activity on other outer garments in series (274 registrations). Trade services of raw wood and products of primary processing of wood have 265 registrations, followed by wood sawing.

The following study is intended to provide readers with an overview of the forestry sector in Portugal. It aims to demonstrate the risks, obligations, organization and capacities of the Portuguese forestry sector.

LEGAL FRAMEWORK

The placement of timber and timber products in the internal market follow a procedure known as due diligence system.

On March 2013, the EU timber regulation (“EUTR”- Regulation (EU) no. 995/2010 of the European Parliament and of the Council of October 20 2010) came into force. This regulation lays down the obligations for the placement of timber and timber products in the internal market for the first time, as well as the obligations of traders. Decree-Law no. 76/2013, of June 5 2013 (“Timber Law”), transposed EUTR in Portugal.

For the purposes of EUTR, wood and derived products are those listed in its Annex to EUTR, which covers several timber products, specifically densified wood products, flooring panels, plywood, pulp and paper.

Recycled products, wicker, bamboo and printed paper, wood products or components of such products made from wood or derived products which have completed their life-cycle and would otherwise be disposed of as waste are not included.

EUTR is applicable to timber and timber products imported, and to those produced domestically.

Placing in the market includes supplying by any means, regardless of the selling technique used, whether by way of direct placing on the internal market or for use during a commercial activity, whether in return for payment or free of charge. It also includes the supply by means of distance communication. The supply in the internal market of timber products derived from timber or timber products already placed in the internal market is not included.

Placing illegally harvested timber or timber products derived from such timber, in the EU market, is prohibited and subject to fines, set out in the Timber Law, from € 1.000 to € 3.700, in case of natural persons, or € 10.000 to € 44.000, in case of legal persons.

In Portugal, the Institute for Conservation of Nature and Forestry (“ICNF”) acts as the forestry supervisor being the competent authority to enforce the application of the EUTR and the of the Timber Law.

OPERATORS

In June 2018, 4.761 operators were registered in the initial operator registration system, out of which 4.571 operators had an active account: the largest number is registered in the Oporto district.

Operators are forestry off-takers that place (sell) timber and timber products in the EU internal market. Operators must: (i) register as an operator and (ii) put in place a due diligence system.

In Portugal, operators shall register at ICNF where they fill a form with identification data and mention the products they intend to place in the market. They must only register once, but any data alteration should be notified to ICNF.

Failure to register is a legal infringement, subject to the following fines of the Timber Law: from €50 to €500, if committed by natural persons, or from €250 to € 5,000 if committed by legal persons.

The due diligence system contains three elements. The first one is information about the trade name and type of product, its quantity, country of harvest, name and address of the supplier and other relevant information.

The second element are the risk assessment procedures that enable the operator to analyze and evaluate the risk of illegally harvested timber or timber products derived from timber being placed in the market. If the risk identified is significant, risk mitigation procedures must be adopted, involving a set of additional actions that minimize the risk and which may include requesting additional information or documents and/or third-party verification.

Operators may create their own due diligence system or use a system created by a monitoring organization that creates, maintains and regularly evaluates due diligence systems in order to be used by EU operators. In the first half of 2018, 17 supervision proceedings occurred in Portugal and no infraction was found.

The supervision procedures of due diligence systems used by operators involve: (i) sheets for the supervision of operators and traders; and (ii) models to support the assessment of due diligence systems and the identification of supply chain of traders.

TRADERS

A trader is a natural or legal person that, as a business, sells or buys timber or timber products already placed in the internal market.

Traders have the obligation of traceability, including the identification of the distribution chain. As a result, companies must identify the operators/traders to whom they have purchased and supplied products from. When companies, to whom traders supply timber and timber products, exercise their activities in the EU market, they must assure the traceability obligations, collecting all necessary information

Therefore, all market traders must:

- (i) keep information about operators or traders who have supplied timber and timber products for at least five years and, when applicable, information about the traders/clients/purchasers to whom they have supplied timber and timber products; and
- (ii) provide this information to ICNF, if requested.

Traders who exclusively transact timber and timber products, which have already been subject to a previous commercial transaction in the EU internal market, are exempt from registration. However, during an inspection, they must prove timber origin using documents that certify its acquisition and subsequent transmission, if applicable.

FOREST PRODUCERS' ORGANIZATIONS & FOREST FUNDS

Forest owners can subscribe the fund's shares trading them for their properties, with the option to take back their properties on the term of the forest real estate investment fund.

Forest producers' organizations represent the interests of the owners and associated forest producers and provide decentralized services such as counselling and support for them. In addition, they ensure the operationalization of important components of various public programs about promotion and protection of forest resources and areas, such as from fires and biotic agents. They are categorized in: (i) associations and cooperatives at national, regional or local level; (ii) associations and cooperatives federations; and (iii) national confederations. According to the Ordinance no. 119-A/2009, their registration stands for five years and may be renewed for successive equal periods if the initial conditions remain.

Forest real estate investment funds intend to transfer the property of forest areas, under small forest-owners responsibility, to a larger number of small investors. This investment allows turning properties, currently administrated by small forest-owners, into common forest management.

Since forestry investments are long-term, their appreciation can be understood as a valorization of the land, reflected in the fund's quotation.

As a result, forest real estate investment funds intend to: (i) increase the value of forest areas; (ii) promote sustainable management in the areas under its administration; (iii) ensure competitive returns, and (iv) promote the profitability of forestry projects. Forest real estate investment funds are a financial product composed by a limited number of shares, which represent a properly managed forest heritage.

These funds are regulated by Decree-Law no. 294/95 of 17 November 1995. Real estate assets are valued each year and their daily quotation obtained on the stock exchange.

In Portugal, Floresta Atlântica, whose function is the management of real estate investment funds, has the following funds under management: (i) First Atlantic Forest Fund; (ii) Iberia Capital; and (iii) Iberian Forest Fund.

FOREST PRODUCERS' ORGANIZATIONS & FOREST FUNDS (CONT.)

The land's management may also be granted to a forest management company. Usually, medium or long-term management or lease agreements are made with those companies, under which the company pays rent to the landowner. As a result, these companies ensure the land's management, and the owner can still make some profit from it. In Portugal, FLORESTGAL is the public company responsible for this.

FOREST CERTIFICATION PEFC

The Program for the Endorsement of Forest Certification Schemes (“PEFC”) is the world's largest forest certification system with 300 million hectares of certified forests.

PEFC Portugal is the Portuguese certification system for sustainable forest management. This program provides Portuguese forest producers with good practice in the forest and ensures that timber and non-timber forest products are produced with respect for the highest ecological, social and ethical standards. An independent third party recognizes the responsible management practiced by producers.

PEFC certification ensures that forest owners and managers have access to the global market for certified products. Obtaining a sustainable forest management certification demonstrates that: (i) biodiversity is preserved; (ii) food, fiber, biomass, wood and cork are created; (iii) chemicals are replaced by natural alternatives or its use is minimized; (iv) basic rights of workers are protected; (v) local employment is encouraged, and (vi) activities take into account the applicable law and follow the best available practices.

The Portuguese standard NP 4406 "Sustainable forest management systems- Application of pan-European criteria for sustainable forest management" determines the necessary requirements to get a forest certification.

Key stages required to obtain the certification PEFC include: (i) to make a formal application for sustainable forest management certification with the certification body; (ii) to receive a proposal, including a cost estimate: costs of PEFC sustainable forest management certification are fixed by individual certification bodies, prices may vary by country, certification body and certification option chosen; (iii) to provide all relevant documentation as requested by the certification body; (iv) a field visit by auditors from the certification body, including visits to selected sites in the forest and further documentation reviews, and interviews with relevant staff; and (v) resolution, if necessary, of any non-compliance issues.

If management practices are found to be compliant with certification requirements, a PEFC certificate will be issued. The certificate is usually valid for a period of three years. However, it will be required to submit forests for an annual verification audit to ensure that operations continue to comply with requirements. In order to renew certifications upon expiry, it will be required to undergo a new certification audit.

CHAIN OF CUSTODY CERTIFICATION PEFC

Chain of custody certification offers companies access to markets demanding eco-friendly products and market advantage in relation to companies with uncertified products.

Chain of custody certification is an international technical standard which defines requirements for the traceability of certified raw materials from the forest through to the final product. To get a certified product, all entities in the supply chain must have a PEFC chain of custody certificate. Certification is made by accredited certification bodies. There are two different mechanisms to implement traceability: (i) in the percentages model, products can be labelled as certificates in the same proportion of certified wood quantity; and (ii) in the model of physical separation of wood, wood bundles from certified forests must be separated from the remaining wood.

Chain of custody certification includes a due diligence system to exclude wood from unknown, illegal and controversial sources, establishing three steps to minimize this risk: the collection of information, risk assessment and management of supplies of significant risk.

As a result, companies can provide assurances that their products comply with European timber regulation. In order to obtain the certification, some requirements must be fulfilled: (i) the management systems in place outlining procedures must ensure compliance with the PEFC standard; (ii) the personnel responsible for performing the tasks which will affect the implementation and maintenance of the chain of custody must be identified, briefed and trained; (iii) the necessary checks need to be implemented to verify that sourced material is certified; (iv) the records to prove that all systems comply with requirements must be properly maintained; and (v) internal audits must be conducted on an annual basis, in addition to external third-party audits.

To obtain chain of custody certification it is necessary to: (i) set up the chain of custody system and train staff; (ii) ensure compliance with PEFC's strict requirements; (iii) locate an independent certification body to check if all requirements are fulfilled; (iv) make a formal application with the certification body; (v) receive a proposal, including a cost estimate; (vi) have a field visit by auditors from the certification body; and (vii) resolution, if necessary, of any non-compliance issues.

CHAIN OF CUSTODY CERTIFICATION PEFC (CONT.)

If management practices are found to be compliant with certification requirements, a PEFC certificate will be issued. The term and renewal of the certificate are subject to the same regime as PEFC forest certification.

FOREST SUSTAINABLE MANAGEMENT CERTIFICATION FSC

Certification of forest sustainable management- Forest Stewardship Council (“FSC”)-currently represents over 190 million hectares of certified forest, in over 80 countries worldwide.

In Portugal, this regulation is the responsibility of the responsible forest management association, which ensures the promotion and implementation of this certification. FSC Portugal is organized in three chambers: environmental, economic and social, constituted according to the interests of its associates. FSC principles and criteria define the best practice and help forest owners and managers to work towards that goal.

FSC issues three different types of certificates: forest management, chain of custody and FSC controlled wood. FSC forest management certification can be acquired by forest owners and managers whose management practices comply with FSC principles and criteria.

This certification confirms that the forest is being managed in a way that preserves the natural ecosystem and benefits the lives of local people and workers.

To get a certification, an assessment carried out by an FSC-accredited certification body, is necessary, with forest management conformity assessed against the FSC principles and criteria.

The certification is valid for five years, subject to annual checks and ensuring that FSC requirements are continuously met.

Following a brief initial pre-assessment, which aims to reveal any potential areas of non-conformity that could prevent certification, the evaluation process consists of an in-depth review of forest management processes and their environmental, social, and economic impact.

FSC has a program to support small forest enterprises through simplified certification requirements, technical guidance, specialized training and other resources. See the [*New Approaches Initiative to Smallholder Certification.*](#)

FSC CHAIN OF CUSTODY & CONTROLLED WOOD CERTIFICATION

FSC chain of custody certification verifies that FSC-certified material has been identified and separated from non-certified and non-controlled material as it makes its way along the supply chain.

If forest owners or managers intend to sell FSC-certified products, they will also need an FSC chain of custody certification. To get a chain of custody certification, the business must meet the FSC-STD-40-004 chain of custody certification standard.

FSC controlled wood certification ensures that companies do not include categories of inadmissible timber in FSC products.

There are four categories of unacceptable material that cannot be mixed with FSC certified materials: (i) illegally harvested wood; (ii) wood harvested in violation of human rights; (iii) wood harvested in forests in which high conservation values are threatened by management activities, and (iv) wood from forests in which genetically modified trees are planted.

Controlled wood meets the requirements of the two main FSC controlled wood standards: FSC-STD-40-005 V3-1 FSC Requirements for Sourcing FSC Controlled Wood and FSC-STD-30-010 V2-0 FSC Controlled Wood Standard for Forest Management Enterprises.

Controlled wood is material from admissible sources that can be mixed with FSC-certified material in products that carry the FSC mix-label.

To get the certification it is necessary to contact an FSC accredited certification body in order to receive the first estimate regarding cost and time. The certification body will provide information about the requirements for FSC certification.

It is also necessary a certification audit to assess the company's qualifications.

Finally, after working with the certification body, towards achieving full FSC requirements compliance, operators will receive their FSC certificate. FSC certificates are valid for five years and annual surveillance audits will be made to verify continued compliance with FSC certification requirements.

BIOTIC AND ABIOTIC RISKS

The national database registered, in the period from January to September 2018, 9.725 rural fires and 38.223 hectares of burnt area, between settlements, forests and agriculture.

Portugal, with approximately 6% of the total forest area of southern European countries, is the most affected by forest fires. Forest fires are a threat to sustainable development of forestry activity in Portugal.

In the last few years, quality of production has declined and economic activity responsible for significant agroforestry areas has been largely abandoned. Uncontrolled and large fires create a negative impact on ecosystems, causing desertification, soil erosion, loss of water retention capacity and economic loss. Forest fires are usually caused by human-related action.

The risk of another extreme year of fires continues to increase to a 20% probability. This increase is caused by climate changes, biomass accumulation and inability to significantly reduce ignition.

After a forest fire it is advisable to: (i) install soil cover, cutting the burned vegetation and planting or sowing seed mixture; (ii) depending on the species, cut the trees affected, removing the logs or placement according to the contour lines; (iii) implant carbonized "walls of vegetation"; and (iv) minimize soil movements. In forest areas burned by fires it is prohibited, for a period of 10 years from the date of fire, in particular: (i) the execution of urbanization works; (ii) new construction works for habitation, industrial or tourist purposes; (iii) construction, remodeling or reconstruction and demolition; and (iv) new agricultural, industrial, tourist activities or others that may have a negative environmental impact.

All entities responsible for lands included in rural areas must proceed with fuels management, creating and maintaining the horizontal and vertical discontinuity of the fuel load - vegetal biomass - by modifying or removing this biomass.

BIOTIC AND ABIOTIC RISKS (CONT.)

In Portugal, part of the forest loss is caused by biotic agents, specifically action of a reduced number of agent species. In addition to pests and diseases, some wild animals can cause the deterioration of forest stands, especially cervids and wild boars. The forest health operational program establishes prevention and control measures and actions in order to reduce the risk of introduction, dispersal and damage caused by harmful biotic agents.

FINANCIAL SUPPORT

Most of the funds come from the European Agricultural Fund for Rural Development, which finances rural development programs in the Member States and regions of the Union.

There is a great deal of financial support for development and protection of the forest sector. In relation to the Rural Development Program for Forest and Agroforestry Space Management, there are funds for modernization and training of forestry companies. Particularly for investments in the extraction, concentration and commercialization of cork and timber products, including forest biomass. Funds for multifunctional management support the promotion of a range of activities such as aromatic plants production and medicinal plants that, associated with the forest, value the sustainable production of non-timber products. There are also contributions provided to forest stands management.

Rural Development Program 2014-2020 provides support to forest prevention against biotic and abiotic agents, including forest fires, natural disasters and catastrophic events.

The beneficiaries are the owners of public and private forest areas that fulfil access conditions. The selection of applications regards forest management certification, areas susceptible to desertification, classified areas and the forest regime.

There are also funds for the reestablishment of forest affected by biotic and abiotic agents of catastrophic events such as: support for recovery of damaged protection infrastructures and signaling infrastructures; support for emergency stabilization actions after fires, natural disasters or catastrophic events in order to minimize the risk of erosion, contamination of water lines and reduction of biodiversity in areas identified by the competent authorities. Support is also provided for improving the economic value of forests, including investments in forestry technologies.

Beneficiaries are the owners of private forest areas that comply with access conditions. Selection's criteria are the same as the previous ones.

Financial support is granted in the form of subsidies or non-refundable incentives.

FINANCIAL SUPPORT (CONT.)

Finally, support to afforestation of agricultural and non-agricultural land, to agroforestry systems installation and to the improvement of the resilience and environmental value of the forests, is regulated in Ordinance no. 274/2015, amended by Ordinance no. 205/ 2018 of 11 July.

FLEGT LICENSE

Imports into the Community of timber products exported from partner countries are prohibited unless the shipment is covered by a FLEGT license - Council Regulation no. 2173/2005.

The EU Action Plan for Forest Law Enforcement, Governance and Trade (“FLEGT”) as a first step towards tackling the urgent issue of illegal logging and associated trade is governed by a Council Regulation.

Council Regulation no. 2173/2005 of 20 December 2005 establishes a set of rules for the import of certain timber products for the purposes of implementing the FLEGT licensing scheme. This regime shall apply only to imports from partner countries.

The licensing is based on partnership agreements: agreements between the Community and a partner country by which they undertake to work together in support of the FLEGT action plan and to implement the FLEGT licensing scheme.

These requirements are applicable to timber and timber products covered by the regulation’s annex and defined in each agreement.

FLEGT license is a shipment-based or market participant-based document of a standard format which is to be forgery-resistant, tamper-proof, and verifiable, and which refers to a shipment as compliant with the requirements of the FLEGT licensing scheme, duly issued and validated by a partner country’s licensing authority. As a result, any operator importing products defined on these agreements may only introduce them into the EU if they have the aforementioned license. Import of timber products with FLEGT license issued to a market participant is accepted so far as the market participant’s license remains valid.

For each shipment of timber products, a FLEGT license shall be submitted to the competent authorities and the customs declaration for that shipment is presented for release for free circulation in the Community.

Timber products of species listed in annexes A, B and C of Council Regulation (EC) no. 338/97 of 9 December 1996, on the protection of species of wild fauna and flora by regulating trade therein, shall be exempt from the requirements referred.

OTHER CASES

Documents will be issued if compliant with requirement conditions and must be presented to customs before a shipment authorization is given to enter or leave the EU.

The introduction into the Community of specimens of the species listed on the annexes of Council Regulation (EC) no. 338/97 of 9 December 1996 shall be subject to completion of the necessary checks and the prior presentation, at the border customs office, of an import and export permit issued by a management authority of the Member State of origin and destination.

It involves issuing licenses, certificates or notifications for trade-in importing, exporting and re-exporting specimens of animal or plant species (or parts or derivatives thereof) covered by regulations' annexes.

The exporting country should issue a CITES export permit and the importer, with the license copy, should request the issuance of an import permit granted by the ICNF or the regional administrative authority.

Internal trade in EU, inside a Member State and between the Member States, does not imply border control. As a result, products can circulate and be sold freely. No licenses or certificates are required for circulation of specimens of a species covered by the annexes. Although, the Member States may restrict the possession of certain types of specimens. These matters are covered by Council Regulation (CE) no. 338/97 of 9 December 1996 and Commission Regulation (CE) no. 865/2006 of 4 May 2006.

Regarding imports within the EU, once arrived at customs, the initial operator registration number is required, according to the official letter. Without this registration, imported products cannot enter. It should be noted that operators, from Portugal or another country of the EU, place timber or timber products on the internal market, are subject to this registration. They also should exercise due diligence when placing timber or timber products on the EU market.

Regarding to customs control, it is necessary: (i) if the importation of timber or timber products covered by the annex refers to a CITES country or species or product covered, the presentation of CITES license; and (ii) if it comes from a third country covered by a partnership agreement, the presentation of the FLEGT license. If subsequently, the product is sold in an EU country, it is necessary to adopt a due diligence system.

NEW FORESTRY CONTROL MEASURES

The Portuguese government published five regulations on the 21st of January 2019 imposing new obligations and control measures on the forestry sector.

Decree-Law no. 16/2009, of January 14, recently amended by Decree-Law no. 11/2019, of January 21, establishes the legal regime of programs and plans of management, and intervention related with the forestry sector. There are regional forest management plans (“PROF”), forest management plans (“PGF”), and specific forest intervention plans (“PEIF”).

PROF establishes specific rules for intervention and exploitation of forest areas, assessing their potential and defining the critical areas from a perspective of fire risk. Forest land-owners and tenants are required to: (i) prepare a forest management plan; (ii) respect the intervention standards in forest areas, and (iii) respect the limits of the area to be occupied by eucalyptus. PGF is an instrument for the management of forest areas which, according to the guidelines stated in the PROF, establishes cultural interventions and exploitation of resources.

PEIF is a specific instrument for intervention in forest areas which establishes actions of a cultural nature, aiming at the prevention and control of biotic and abiotic agents.

Decree-Law no. 96/2013 of July 19, recently amended by Decree-Law no. 12/2019 of January 21, establishes the legal regime applicable to afforestation and reforestation actions.

All afforestation and reforestation actions are subject to the authorization of the ICNF, regardless of the forest species involved. The authorization shall be valid for a period of two years. If afforestation or reforestation are not carried out correctly, the responsible land-owner or tenant must remove the illegal plantations within a maximum period of 180 days. The ICNF is now responsible for controlling all areas planted with eucalyptus.

Decree-Law no. 205/2003, of September 12, recently amended by Decree-Law no. 13/2019 of January 21, obliges forest plant traders to notify the ICNF, 10 days in advance, of the start, location and end of harvesting of forest materials. A statement with the quantity collected must also be submitted to the ICNF in order to be issued a certificate. The licensing and certification process are subject to mandatory fees. The entire procedure is done electronically on the ICNF website.

NEW REGULATION

Properties that are considered as having unknown ownership will be taken over by the Portuguese State and managed by the government's Forest Management Company.

Decree-Law no. 124/2006, amended by Decree-Law no. 14/2019, regulates building in areas bordering forest areas. It particularly establishes the requirement of a favorable opinion from the Municipal Forest Defense Commission for the construction in areas classified as having a risk of rural fire.

Regarding the lands' preservation, the owner must ensure it when the vegetation is occupying or is being harmful to the public road or to the neighborhood. Residues which constitute or may constitute a fire or public health hazard shall be prohibited. In addition, in accordance with Portuguese law, the cleaning of lands located in rural areas may be mandatory depending on its location. Properties confined to buildings or inserted in areas where population clusters are nearby forest areas must be cleaned by removing the plant biomass. In those cases, the landowner is responsible for maintaining and cleaning the land.

The identification, recognition, registration and administration of rustic or mixed properties with agricultural, forestry or silvicultural ability has a new regime established by Decree-Law no. 15/2019 of January 21. According to this Decree-Law, the Registry and Notary Institute ("IRN") is responsible for identifying lands of unknown ownership and proceeding with the publication of a notice. If no claim is submitted or if it is found to be unfounded, the land is considered of unknown ownership and will be temporarily registered in the name of the State for a period of 15 years. During this period, the land is managed by the government's Forestry Management Company.

In the meantime, the owner can prove their ownership, thereby obtaining the restitution of the land and receiving from the State all that has been obtained from third parties in relation to the properties' management. As a result, provisional registration is converted into a definitive registration in the name of the landowner. If the land is being leased or assigned to a third party, the owner succeeds to the State in the contractual position. If within a period of 15 years from the date of the provisional registration, no one proves the ownership of the property, it will be published a definitive acquisition register in the name of the Portuguese State.

NEW REGULATION (CONT.)

This procedure aims to exploit the productive capacity of rustic or mixed properties that have agricultural, forestry or silvopastoral ability.

MARKET PLAYERS

Some of the most important companies on the forestry sector in Portugal are The Navigator Company, Altri, Sonae Indústria, LusoFinsa, Palser, Europac & C and Gesfinu.

The Navigator Company is an integrated forest producer, whose end products are pulp and paper, tissue, and energy. Navigator is the Portugal's third largest exporter and the largest national added value generator, accounting for approximately 1% of GDP, about 3% of all Portuguese exports of goods and near 6% of Portuguese containerized cargo.

Altri is a portuguese forest-based company specializing in euca pulp production and one of the most efficient European producers. 90% of its productions are exported, providing large domestic economic value to Portugal.

Altri has three pulp mills – Celbi, Caima and Celtejo – with a technical capacity to produce above 1,000,000 tones per year. Apart from the biomass, the company also has a strong focus on cogeneration.

Sonae Indústria is one of the largest Portuguese manufacturers of wood-based panels.

The Amorim Group is one of the largest and dynamic multinationals of Portuguese origin. Corticeira Amorim is the largest producer and supplier of cork stoppers worldwide.

The Floor and Wall Coverings Business Unit is the world leader in the production and distribution of cork floor and wall coverings. The Amorim Group is also focused on the production of acoustic and thermal insulation agglomerates and composite cork.

ICNF is a Portuguese public organization whose mission is contributing to the valorization and conservation of forest resources and nature and biodiversity in Portugal.

ICNF is the national forest authority and the national authority for the conservation of nature and biodiversity.

ICNF's responsibilities include: (i) the management of public forest areas; (ii) the implementation of national policies for the conservation of nature and biodiversity, forests, hunting and desertification; and (iii) application of EU legislation in Portugal and international agreements and conventions on forests and nature conservation.

PERSPECTIVES

Portugal is one of the world's leading producers of cork and cork products and one of the main exporters in Europe of pulp and paper and has the highest biodiversity in its forest ecosystems.

Until the 30th of June 2019, the largest number of active operators registered was in Oporto district (994), followed by Lisbon (954) and Braga (673). In the end, these districts represent 57% of the operators. Azores and Madeira have 3% of the total registered active operators and 2% of the operators are from other countries.

Regarding the type of product placed on the market, the operators usually place paper and paperboard (2,560 registrations, 37%), followed by raw wood (1,047 registrations, 15%), firewood, wood in the form of chips, particles, sawdust, wood waste and scrap (759 registrations, 11%) and wood furniture (561 registrations, 8%).

Unfortunately, forest fires remain as a major threat to the forestry sector as a result of the high number of occurrences and the corresponding high burnt area.

According to the data on the European Parliament's website, Portugal is fortunate enough to be the "only country in the European Union to reap a surplus from its wood sector".

The timber processing industry is highly developed, buoyed by strong production from the artificially-created forest. Portugal is a huge cork producer and the sector weighs heavily in the economy.

Several economic, social and environmental indicators confirm that the forestry sector is strategic for the future of the country.

In order to face a cycle of changes, it is fundamental to redefine the role of the forest in the society, in the economy and in the country.

Over recent decades, 37.000 hectares of dunes have been planted along with 300.000 hectares in mountain areas, demonstrating a public and private commitment to developing the forest stands.

Now, a lot of uncultivated land and marginal agricultural areas are to be gradually abandoned, which bodes well for potential forest growth.

MACEDO • VITORINO

ABOUT US

WHO WE ARE & WHAT WE DO

ABOUT US

MACEDO VITORINO is a leading Portuguese law firm. We advise domestic and foreign clients in a wide range of business sectors, including banking, distribution, industry, energy, TMT and projects. We are known for our professional and client oriented approach to complex and difficult matters.

Since the foundation of our firm in 1996 we have been involved in several high profile transactions in all of the firm's fields of practice, including banking and finance, capital markets, corporate and M&A, etc.. We have also acted on many complex disputes and restructurings.

We have strong relationships with many of the leading international firms in Europe, Asia and the Americas, which enable us to handle cross-border transactions effectively.

The firm recognised by The European Legal 500, IFLR 1000 and Chambers and Partners for its work in its main practice areas.

Our team is committed, hard working, accessible and friendly. We believe in collegiality, teamwork, trust and loyalty. Clients value our team approach, the good management of time and our focus on their business goals.

We advise:

- NATIONAL AND MULTINATIONAL COMPANIES
- BANKS AND OTHER FINANCIAL INSTITUTIONS
- FUNDS
- BUSINESS AND SCIENTIFIC ASSOCIATIONS
- FOREIGN EMBASSIES
- INDIVIDUAL ENTREPRENEURS
- PRIVATE EQUITIES
- START-UPS
- PRIVATE CLIENTS

MACEDOVITORINO.COM

M
A
C
E
D
O
▪
▪
V
I
T
O
R
I
N
O