

## Sector update

## Wood Panel

## INDIA

# Plywood Industry

## Review application of NGT order also dismissed

The National Green Tribunal (NGT) has also rejected the two recently submitted review forms by the Uttar Pradesh (UP) government against the NGT order on the matter of setting up of new wood-based industry (WBI) in UP. It may be recalled that the tribunal had passed a similar judgement on 18<sup>th</sup> Feb'20 which was then challenged by the state by filing a review application. The tribunal, in its current order, clarified that the main issue was the actual availability of timber in the state which was never ascertained by the state and that the state was moving forward on the basis of estimates that were not scientific. The current dismissal of review application of the NGT order impacts the future of 1,215 WBIs which were given provisional licences in Feb'19 of which 632 units have already been established and are ready to run. This, we believe, is sentimentally positive for (existing) plywood industry, which may not see such excessive supplies coming in near to medium term.

- ▶ **The future of 1,215 WBIs in UP remains uncertain with the current dismissal of review application.** The NGT has recently quashed the review application submitted by the UP government for establishing new wood-based industries in the state on the ground of lack of timber in the state. It may be recalled that in the notice issued on 1<sup>st</sup> Mar'19, the UP government had proposed to issue licences for 1,215 new wood-based industries (including 615 saw mills, 89 veneer units, 344 plywood presses, 75 veneer and plywood units, 83 standalone chippers, 3 particle board units and 6 MDF/HDF + Particle board units). With the current dismissal of review application, the future of these WBI units (632 out of 1,215 WBI provisional licence holders have already invested huge capital in machines, land acquisition and other infrastructure while others are also in the advance stage of establishment) remains uncertain. Therefore, the status quo granted by the tribunal may cause irreparable hardships to these units.
- ▶ **The evaluation process of available timber by UP was the major impediment.** In an affidavit filed on behalf of the state of UP, it was stated that the total potential availability of timber per annum in the state is 8.03mn CBM which includes majority coming from trees outside forests (TOF) and from 22 different species. The tribunal observed that 1) out of 22 species, there are 10 species which are prohibited from felling which contribute 2.075 mn CBM; and 2) of the rest species, major contribution is from eucalyptus (2.8mn CBM) and poplar species (15 lakh cubic meter), total of which is 4.3mn CBM. This has been arrived at using Von Mantel formula, which takes into account species wise growing stock and rotation age. At the national level survey, the standard error percentage calculated is around 5%, at state level around 15% and at district level it is 25–30%. The tribunal observed that for species-wise estimates, standard error seems considerably higher and unacceptable. In view of this, the tribunal observed that a) eucalyptus and poplar that will be actually available for WBI in UP will not be 4.3 mn CBM, as assumed by the state, but only about 3.2 mn CBM and b) the availability of other species will not be more than 1-1.2mn CBM.
- ▶ **Probable impact of the dismissal of the review application (of the NGT order) on the existing plywood industry.** Plywood (organised as well as unorganised) industry has been going through a tough phase over the past 3-4 years. This was due to muted demand for plywood and excess plywood capacities in the country. The dismissal of the review application of the NGT order submitted by UP may be sentimentally positive for (existing) plywood industry which may not see such excessive supplies coming in the state in near to medium term. The dismissal too has come at a time when plywood demand is gaining traction particularly led by pent-up demand and improving secondary real estate sales in the country post Covid-19 breakout.

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**Table 1: Chronology of development in new WBI licensing process in UP**

Timelines	Developments
Jun'18	UP Govt invites online application for new WBI licences in 8 categories such as 1) saw mill, 2) veneer, 3) plywood, 4) veneer and plywood, 5) standalone chipper, 6) MDF/HDF, 7) particle board, and 8) MDF/HDF
Jul'18	This was the last date of submission of application and govt received 15,000 applications.
Nov'18	After scrutiny, forest department found only 13,433 applications authentic.
Dec'18	UP forest dept granted 815 licences for wood units in different categories such as saw mills: 636, veneer: 90, veneer and plywood (veneer + press): 76, particle board: 5 and MDF/HDF + particle board: 8.
May'19	NGT asks UP government to submit the basis of issuing licences.
Jun'19	UP forest department constituted a committee to prepare the report.
Jul'19	The committee submitted detailed report to NGT.
Aug'19	First hearing - NGT was not satisfied, directed UP to review.
Oct'19	Second hearing - NGT directed UP government to maintain status quo; NGT asks to submit the compliance report.
Dec'19	Ordering of data justifying availability of timber (species wise) to justify setting up of new WBI in the state.
Jan'20	Affidavit filed by Divisional Director of Forest, Hathras with district-wise data of existing WBI and the availability of wood species wise for the said saw mills.
Feb'20	Opinion of MoEF & CC that UP state has followed WBI (Establishment and Regulation) guidelines, 2016 and that the State Level Committee (SLC) may approve setting up of new industries in the state if it is satisfied that sufficient timber is available legally to run new WBI.
Dec'20	NGT quashes the notice issued by UP state for establishing WBI and all provisional licences given in pursuance there off.

Source: NGT order

Item No. 01&02

Court No. 1

**BEFORE THE NATIONAL GREEN TRIBUNAL  
PRINCIPAL BENCH, NEW DELHI**

Review Application No. 40/2020  
IN  
Original Application No. 313/2019

State of U.P. & Ors. Respondent(s)  
State of UP ..... Review Applicant

## WITH

Review Application No. 41/2020  
IN  
Original Application No. 335/2019

State of U.P. & Ors. .... Respondent(s)  
State of UP ..... Review Applicant

Date of hearing: 02.12.2020

**CORAM: HON'BLE MR. JUSTICE ADARSH KUMAR GOEL, CHAIRPERSON  
HON'BLE MR. JUSTICE S.P. WANGDI, JUDICIAL MEMBER  
HON'BLE DR. SATYAWAN SINGH GARBYAL, EXPERT MEMBER  
HON'BLE DR. NAGIN NANDA, EXPERT MEMBER**

## **IN CHAMBER BY CIRCULATION**

## ORDER

1. These two Review Applications have been filed by the State of UP against common order of this Tribunal dated 18.02.2020 in O.A. 335/2019, *Samvit Foundation v. State of U.P. & Ors.* and O.A. No. 313/2019, *Uday Education & Welfare Trust v. State of U.P. & Ors.*

2. The issue considered by this Tribunal was validity of decision to establish more wood-based industries, without correctly determining availability of timber to sustain the same, as required in terms of judgments of Hon'ble Supreme Court inter-alia in *State of H.P. v. Ganesh Wood Products*, (1995) 6 SCC 363, *T.N. Godavarman v. U.O.I.*, (1997) 2 SCC 267, (2006) 1 SCC 1, (2009) 16 SCC 398 and (2012) 12 SCC 297.

3. The Tribunal considered the matter after giving due opportunity to the State and the affected wood based industries. The Tribunal considered the affidavit dated 22.01.2020 filed by the Divisional Director of Forest, Hathras, on behalf of the State of UP, giving data of the existing saw mills/wood-based industries with their number, capacity and availability of wood species wise for the said saw mills for the period of three years. The Tribunal also considered written note filed on 18.02.2020 on behalf of State of UP, referring to India State of Forest Report (ISFR) 2019 to the effect that there is increase of 'Forest and Tree Cover'. The note also mentioned that provisional licenses have been given to 1215 WBIs in February 2019 before the order of status quo, granted by this Tribunal. 632 WBIs have already established their units.

4. Justification for permitting the new industries as per the stand of the State of UP was:-

"a. xx

xx

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b. *Eucalyptus and Popular are the main species used in WBIs, which is grown mainly by farmers on their land. Eucalyptus and Popular are exempted species in all the districts of the State. It may be submitted, with emphasis, that Eucalyptus and Popular constitute 43.02 lac cubic meter per year out of total timber requirement of 53.94 lac cubic meter per year for all categories of WBIs, which constitutes about 80% of the total timber requirement.*

c. *It is also submitted that Timber of other species to be used by the WBIs also come mainly from private and farmer's land.*

- d. *It may be noted that the wood production in the State is much higher than the present capacity of existing WBIs in the State. The same is also reflected from the fact that Large quantity of wood (unsawn timber) which is part of the surplus timber i.e. 38.74 lac cubic meter per year is being exported daily from U.P. to WBIs of other States, mainly Haryana, M.P., Uttarakhand and even Punjab.*
- e. *The felling of trees from private and farmer's land is regulated by U.P. Protection of Trees Act, 1976 (as Amended). The scope of the Act is also important to be kept in hindsight and the same is provided in Section 2 of the Act. It has already been placed before this Hon'ble Tribunal in modification application filed by the State and therefore the same is not reproduced here for sake of brevity. The felling permits are being issued for non-exempted species as per provisions of the Act. It is necessary to bring to the knowledge of this Hon'ble Tribunal that the State government has issued a notification dated 07.01.2020 in exercise of the powers under Section 21 and 23 of the Uttar Pradesh Protection of Trees Act, 1976 read with Section 21 of the Uttar Pradesh General Clauses Act, 1904. The said notification is annexed herewith and marked as Annexure No. 10.*
- f. *That from the perusal of the said notification, it would be evident that felling of 29 species of trees has been prohibited and other species situated on individual cultivated and uncultivated holding have been exempted. It is further provided in the notification that the tree owner shall plant and maintain 10 trees in place of each tree felled. Furthermore, security amount for planting 10 trees is deposited by the farmer with the Forest Department at the time of permission.*
- g. *That as per the Govt. of India Agro Forestry Policy, 2014, India imports about 7-8 billion dollar per year worth of WBIs produce. With the establishment of new WBIs, the imports will reduce thus saving precious foreign currency.*
- h. *That it may be noted that the farmers in U.P. are not getting remunerative price and are forced to sell their produce at very cheap rate mainly to middlemen. Moreover, the large-scale daily transportation of wood from U.P. to other States is causing lot of vehicular, noise and air pollution besides heavy expenditure on transportation.*
- i. *That it is relevant to point out that the trees in Govt. Forest are felled, as per the provisions of Working Plans duly approved by the Government of India and the directions of the Hon'ble Supreme Court in T.N. Godavarman (supra) case.*
- j. *That there would be expected investment of about Rs. 3,000 crore in the State with the establishment of new WBIs and employment generation of 80,000 people, mostly in the rural areas of the State. Apart from above, total expected annual*

turnover is Rs. 1200 Crore, which would be recurring in nature.

k. That 632 out of 1,215 WBIs Provisional License holders have established their units and ready for operation. Such units have been established after huge investments and by taking loans from the banks etc. Apart from the above 632, many other Provisional License holders are also in advance stage of establishment.

Therefore, the status quo granted by Hon'ble Tribunal in order dated 01.10.2019 will cause irreparable hardships to these Provisional License holders."

5. On due consideration, the Tribunal observed:-

"14. We have given due consideration to the rival contentions and analyzed the data furnished on behalf of the State.

15. **It is well settled that wood based industries/ saw mills can be allowed only after ensuring timber and raw material availability to sustain such industries. This has to be determined in actual terms and not on mere assumption. In the present case, we find it difficult to accept the stand of the State of Uttar Pradesh that there was availability of timber/raw material to sustain new WBIs/saw mills.** In the Affidavit filed on behalf of the State of Uttar Pradesh, in compliance of order of this Tribunal dated 18.12.2019, it has been stated that total potential availability of the Timber per year in the State of Uttar Pradesh is 80.30 lakh cubic meters, which includes 2.56 cubic meters from the Government Forest and 77.74 lakh cubic meters from Trees Outside Forest (TOF). Out of 80.30 lakh cubic meter 71.8 lakh cubic meters is stated to be available from 22 different species and 8.50 lakh from the other species. **Out of 22 species, there are 10 species which are prohibited from felling from individual and uncultivated holdings as per the Government of Uttar Pradesh Notification of 07.01.2020 which contribute 20.75 lakh cubic meter. Out of the rest of the species, the major contribution is from Eucalyptus (28 lakh cubic meter) and Popular species (15 lakh cubic meter) total of which is 43 lakh cubic meter.** When FSI report says 77 lakh cubic meter of industrial wood is potentially available in the State of UP from Trees Outside Forests (TOF), it means that on the basis of the inventory of trees outside forests, 77 lakh cubic meter can be available annually, if the farmers harvest them. Thus, the figure is not actual but presumptive. It does not exclude the timber which may not be harvested immediately or in the near future. The potential volume of wood provided is not, thus, actual production. **This has been arrived at using Von Mantel formula which takes into account species wise growing stock and rotation age. At the national level survey<sup>1</sup>, the standard error percentage is around 5%, at State level around 15% and at the district level it is 25 – 30%. For species wise estimates,**

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<sup>1</sup> INDIA STATE OF FOREST REPORT 2019

**the standard error is still higher. Such standard error has not been kept in mind in the report filed by the State. In view of this, the Eucalyptus and Poplars that will be actually available for wood based industries in UP will not be 43 lakh cubic meter as assumed by the State of U.P., but will only be about 32 lakh cubic meter and other species not more than 10 to 12 lakh cubic meter.** Therefore, the total timber available for consumption every year from all the species including those from Government Forest will be of the order of 40 to 45 lakh cubic meter per year, as against assumed availability of 80.30 lakh cubic meter. Our comments remain the same with respect to the ISFR 2019 filed today.

16. Based on satellite data of October – December 2015, the total growing stock in TOF as per FSI report of 2017 was 88.340 lakh cubic meter and potential production of industrial wood from TOF was 70.6 lakh cubic meter and total production from Government Forests during 2015-2016 was 2.11 lakh cubic meter. During the period between 2013 and 2017, TOF has gone up by 7.82 percent, therefore, the potential availability of industrial wood from TOF should be assumed to be about 76 lakh cubic meter. In our view, potential availability of 77.74 lakh cubic meter from TOF as given in affidavit appears to be overestimation. **In order to arrive at accurate assessment of timber that will be available for consumption by the industries, it is necessary to have District wise, species wise and diameter-class wise inventory.** Such a study, if not already done, can be assigned to FSI who have undertaken similar studies for many States like Punjab and Maharashtra and others. It is only after such credible study and assessment that any further decision ought to be taken.

17. It has been mentioned in the Affidavit of the State that during 2019 there were 6,686 saw mills/wood based industries operating in the State of Uttar Pradesh and the capacity of these units is 41.5 lakh cubic meter per year. **Therefore, the total Timber that will be actually available for new industries as per the data given in the Affidavit of the State is not going to be more than about 2 lakh cubic meter per year.** It, therefore, appears that the Timber that has been allotted for new wood based industries by the State Level Committee (SLC) of wood based industries which is 18 lakh cubic meter appears to be absurdly unrealistic. In view of our above comments, such allotment will be against the tenets of principle of sustainable development, precautionary principle and public trust doctrine. Allowing more number of saw mills/ WBIs, than the carrying capacity, will, in the given facts and circumstances, undermine these principles.

18. We are, therefore, satisfied that there will be hardly any industrial wood actually available for new wood based industries, based on above data made available by the State. In these circumstances, if new industries are allowed to open, based on wrong estimation of availability of timber, a situation may arise when there may not be any timber to be allotted to the unit or the industry may resort to illegal means to procure round timber in order to keep its unit afloat. Such a situation may not be allowed to come up in view of 'Precautionary' principle of environmental law. State

*should therefore make an inventory species wise and district wise and also have species wise consumption data of all the wood based industries and their capacity to utilize them and not proceed with the present proposal till further exercise of making inventory and assessment of actual availability of timber / raw material is done.*

*19. In view of above, we quash notice dated 01.03.2019 issued by the State of UP for establishing new wood based industries/ saw mills and all provisional licenses given in pursuance thereof.”*

6. The Review Applicant filed *Civil Appeal Diary No. 12004 of 2020, State of U.P. & Ors. etc. v. Uday Education and Welfare Trust & Anr. etc.* before the Hon'ble Supreme Court in which following order dated 26.10.2020 was passed:-

*“Ms. Aishwarya Bhati, learned Additional Solicitor General, seeks leave of this Court to withdraw the appeals with liberty to file review before the National Green Tribunal.*

*The appeals are dismissed as withdrawn with liberty as sought for. Delay in filing the review shall not come in the way.*

*Liberty to approach this Court against the main order and the order passed in review, if so advised.”*

7. In the Review Application, following submissions have been made:

- 1) Hon'ble Tribunal overlooked district wise, species wise and diameter class wise assessment of timber done by State of Uttar Pradesh.
- 2) Hon'ble Tribunal wrongly excluded timber from prohibited (non-exempted) species for the availability of timber while Hon'ble Supreme Court has accepted and settled in year 2007 its inclusion.
- 3) Incorrect value of Standard Error taken by Hon'ble Tribunal.
- 4) Hon'ble Tribunal concluded incorrect value of total timber available for WBIs.

- 5) MoEF&CC opinion not taken into cognizance by Hon'ble Tribunal.
- 6) Availability of timber of Eucalyptus and Poplars.
- 7) Timber available in the State is in actual terms and not on mere assumption.
- 8) Growing Stock (Volume of timber) is not over estimation.
- 9) Export of round timber daily from U.P. to other States.
- 10) NEW WBIs are essential for the economy and to save farmers from the clutches of middlemen.
- 11) FSI view not heard by Hon'ble NGT before rejecting FSI 2018 timber assessment report.
- 12) Large scale employment by establishing new Wood Based Industries.
- 13) 632 out of 1215 units have been set up after issuance of Provisional License and are ready to run.
- 14) Large Scale Plantation and Increase in availability of timber for WBIs in the future.
- 15) Continuous Increase in Forest & Tree Cover of Uttar Pradesh from 2013 to 2019
- 16) Increase in volume of timber (growing stock) in U.P.

8. We have considered the above submissions which are repetition of the arguments already dealt with by this Tribunal. Main issue was actual availability of timber which was never ascertained by the State. The State was proceeding on estimate basis which was not scientific. Thus, the Tribunal directed assessment of timber available for consumption which was not reflected in the species wise assessment of timber availability. There is, thus, no merit in the contentions in the review application. The Tribunal held that prohibited species being not available, had to be

excluded from availability of timber. The standard error taken was based on the view of the FSI itself. The opinion of MoEF&CC is only that agroforestry should be encouraged. The opinion is based on availability of wood, assessed by the State, which assessment was found to be unscientific. Thus, the opinion of MoEF&CC could not be accepted without authentic unscientific data. The other points are based on inferences without any foundation.

9. We, thus, do not find any merit in the Review Applications and the same are dismissed.

Adarsh Kumar Goel, CP

S.P. Wangdi, JM

Dr. S.S. Garbyal, EM

Dr. Nagin Nanda, EM

December 02, 2020  
Review Application No. 40/2020  
IN Original Application No. 313/2019  
(I.A. No. 397/2020) & other connected matters  
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