

Global Deforestation, EU Consumption & the EU Deforestation-free Products Regulation

An opportunity for a new direction

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Outline

1. Background: Global deforestation & the role of EU consumption.
2. An opportunity for a new direction: The EU Deforestation-free Products Regulation (EUDR).
3. Next steps: Implementation of the EUDR in Slovenia and other EU Member States.



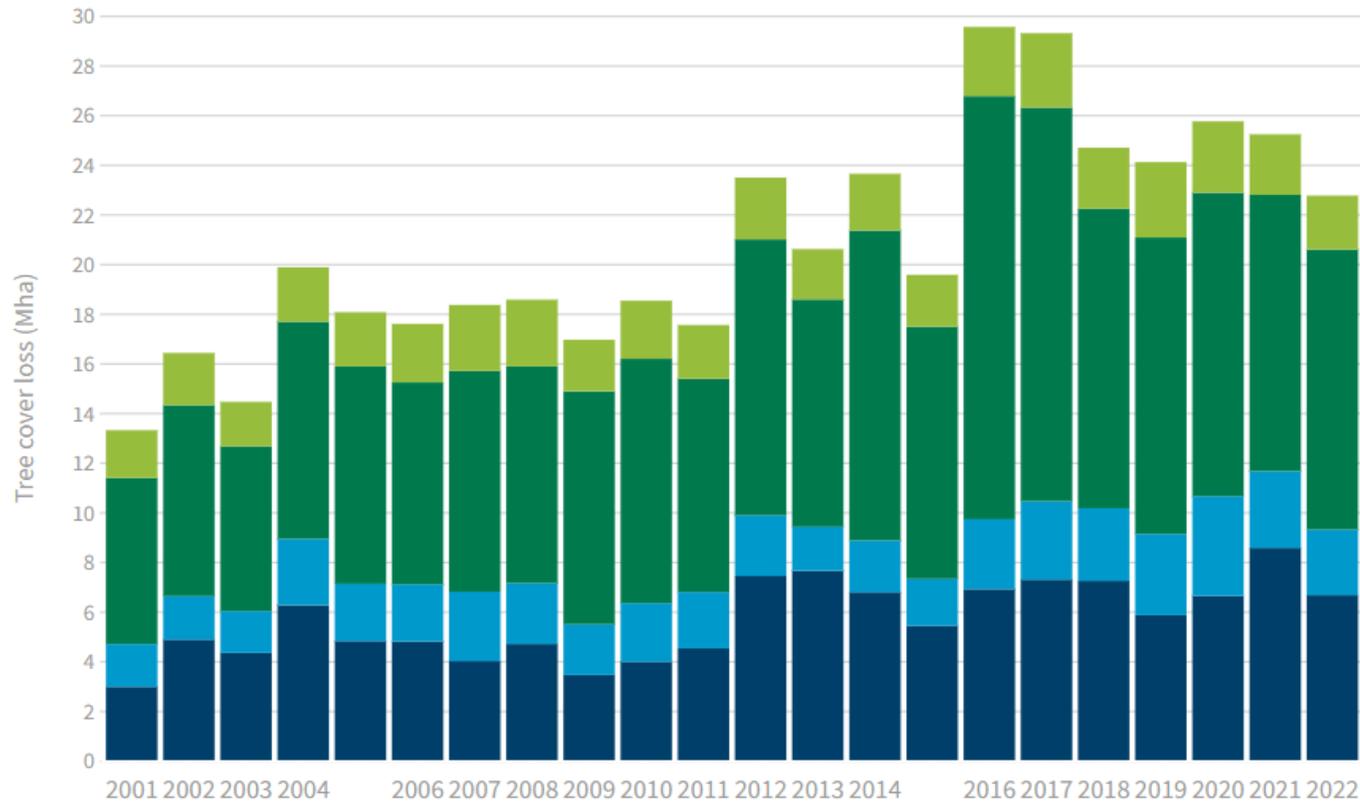
Background: Global Deforestation

Deforestation has been increasing since 2000

- Boreal
- Temperate
- Tropical
- Subtropical

Gross tree cover loss by ecozone

Boreal Temperate Tropical Subtropical



All figures calculated with a 30 percent minimum tree cover canopy density.



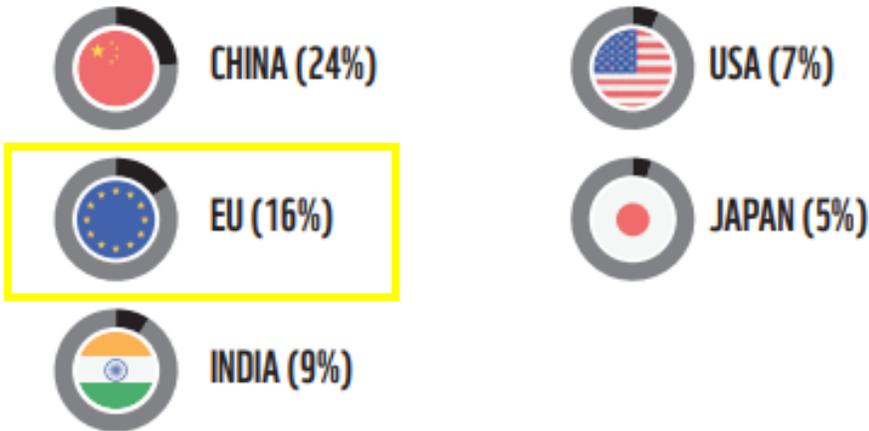
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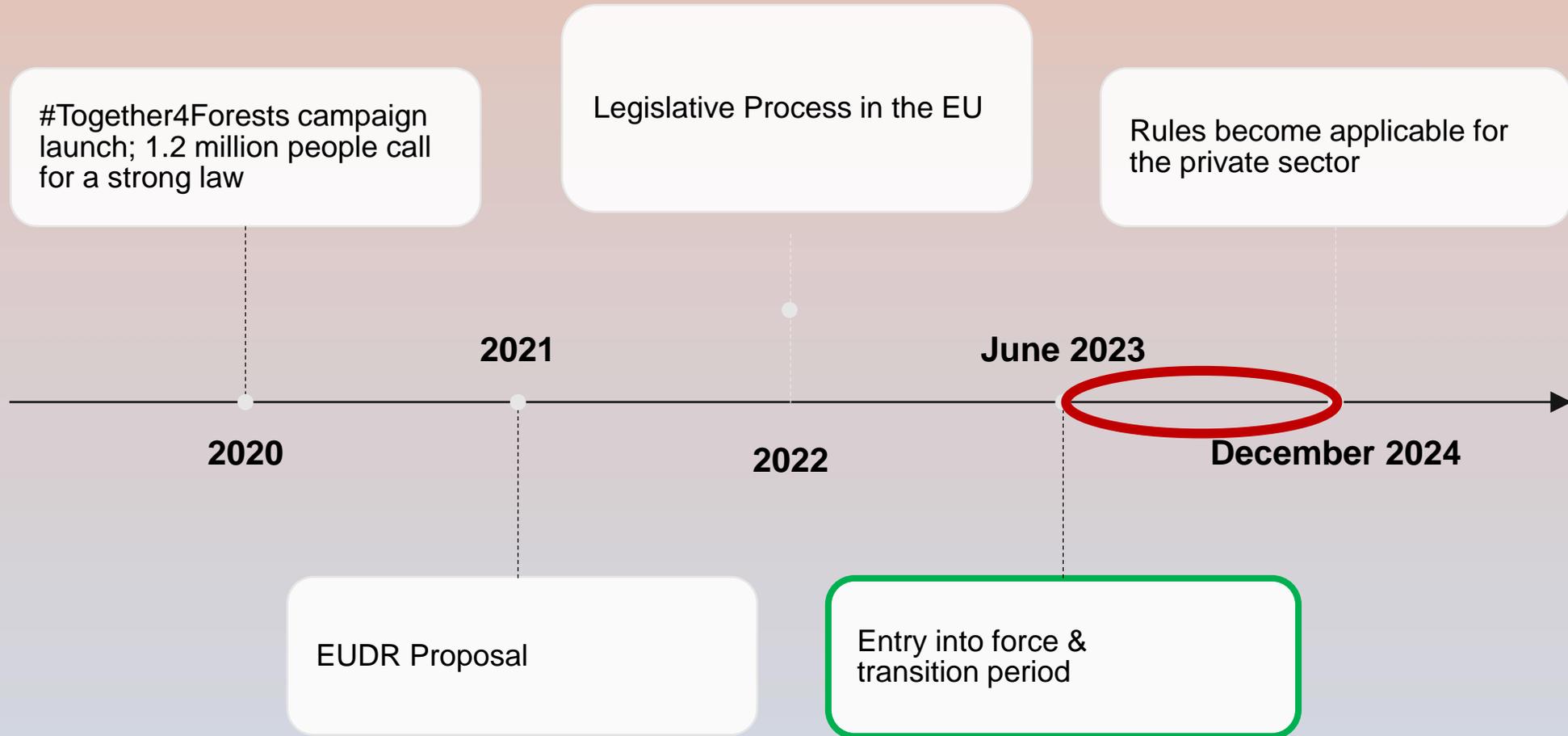
Why this EU law is important

The EU is the 2nd largest importer of tropical deforestation in the world

Over 80% of tropical deforestation 'imported' into the EU is contained in just six commodities

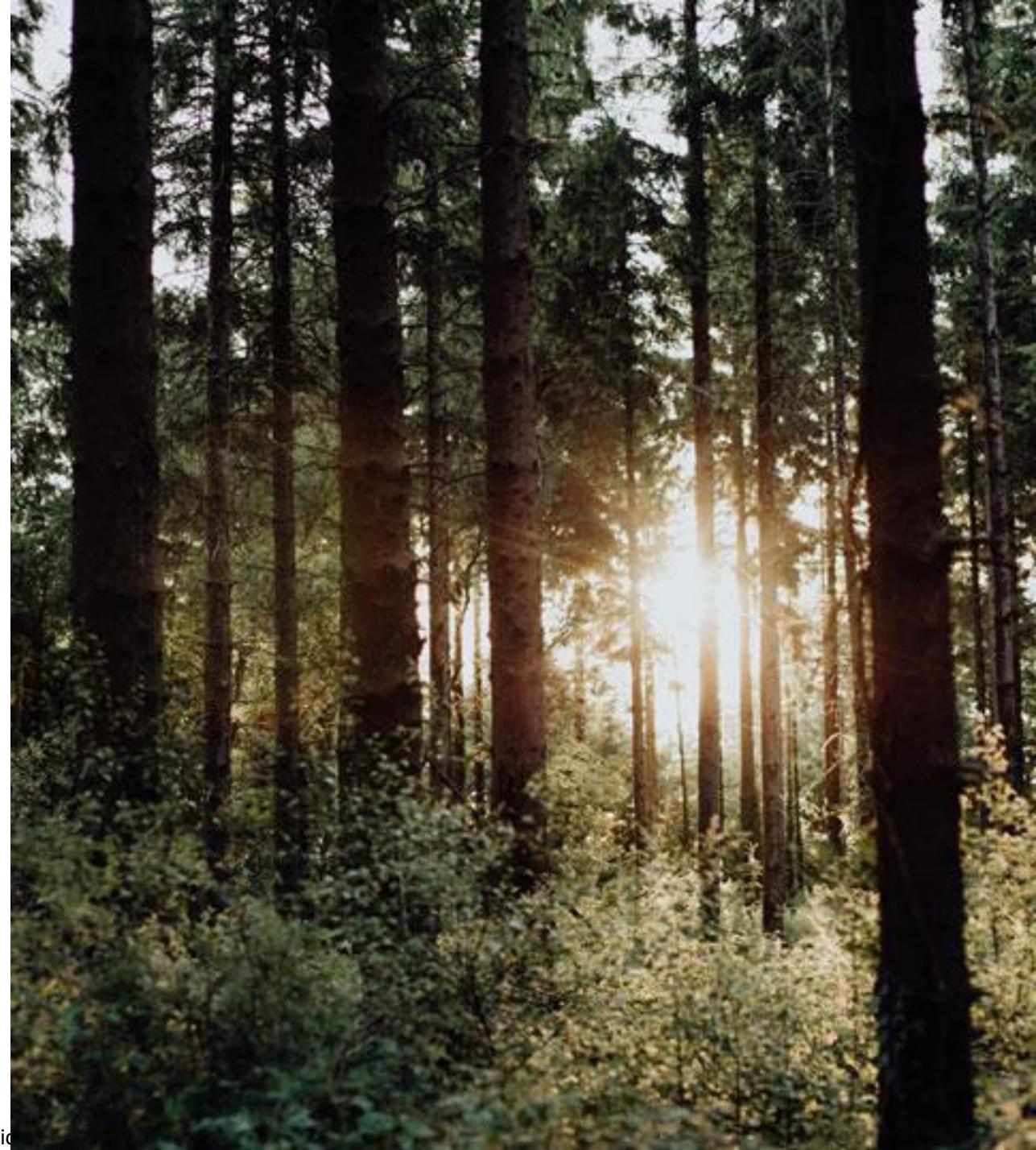
DEFORESTATION ASSOCIATED WITH INTERNATIONAL TRADE





EUDR Overview

- Minimise deforestation and forest degradation linked to EU consumption.
- Standards for products entering/leaving the EU:
 - Must be legal and “deforestation-free”
- Specific products made from cattle, soy, palm oil, cocoa, coffee, wood and rubber.
- Obligations on actors trading in the EU.
- Supply chain traceability and due diligence.
- Builds on existing EU rules on illegal timber.
- Part of multiple measures to address global deforestation.



Key requirements: deforestation-free and produced legally

1. “Deforestation-free”: no deforestation or forest degradation after 31 December 2020.

- “deforestation”: conversion of forest to agricultural use.
- “forest degradation”: conversion of primary or naturally regenerating forest to plantation forest or “other wooded land” + conversion of primary forest to planted forest.

2. Produced in compliance with “relevant legislation of the country of production”:

- domestic laws applicable to production that cover land rights, human rights, FPIC, environmental protection, labour rights, tax, trade and anti-corruption.
- applies to all areas (forests, OWL, savannahs, other ecosystems)

Supply chain due diligence

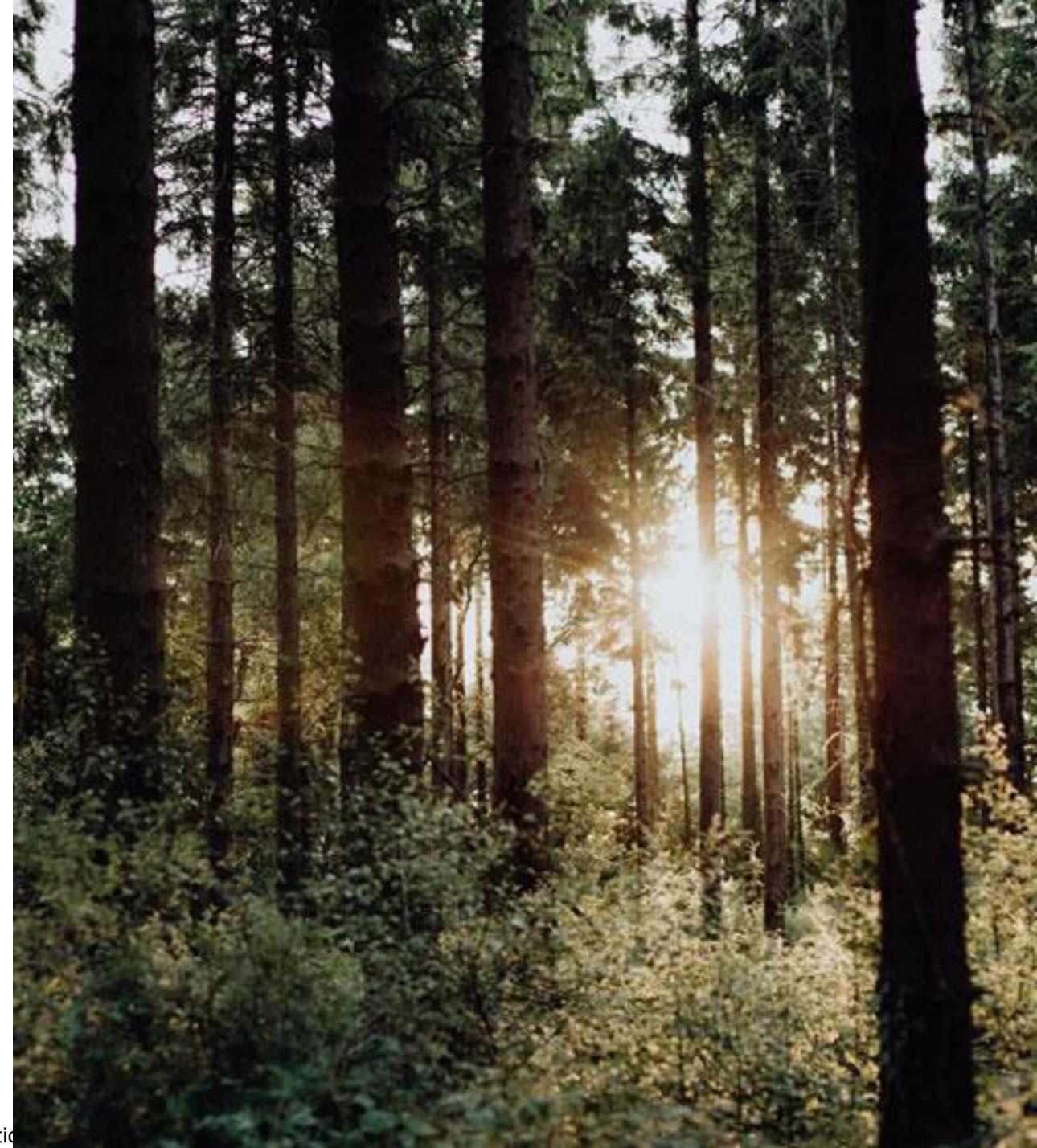
- **Information** required on each shipment from each supplier:
 - Product, supplier and buyer;
 - Geolocation of the land where the relevant commodities were produced + date or time range of production;
 - Note: not supply chain transparency or product traceability.
 - Adequately conclusive and verifiable information that the relevant products are deforestation-free;
 - Adequately conclusive and verifiable information that ‘relevant legislation...’ was complied with, including any arrangement for the right to use the land.

Supply chain due diligence

- **Risk assessment**
 - Rate of deforestation;
 - Presence of indigenous peoples and any land rights claims;
 - Consultation and cooperation in good faith with indigenous peoples;
 - Source, reliability and validity of collected information;
 - Concerns about corruption, document falsification, lack of law enforcement, violations of international human rights;
 - Complexity of the supply chain;
 - Risks of circumvention and mixing with non-compliant products;
 - Complaints;
 - Country benchmarking assessment.

Clear outcomes required

- Incomplete due diligence = no compliance.
 - Complete due diligence + No or negligible risk = compliant.
 - Risk of non-compliance = risk mitigation.
- + Submission of a Due Diligence Statement.



Enforcement in EU

- Annual checks by authorities in EU countries (9%, 3%, 1%).
- Cooperation with customs agencies and other enforcement authorities.
- Possible cooperation with non-EU agencies.
- Applying penalties.
- List of non-compliant companies.



Complaints

- “Substantiated concerns”.
 - Assessed by Competent Authorities;
 - Potential compliance checks;
 - Potential interim measures;
 - Follow-up within 30 days.
- Access to Justice: Right of administrative review of competent authority actions, decisions and omissions.



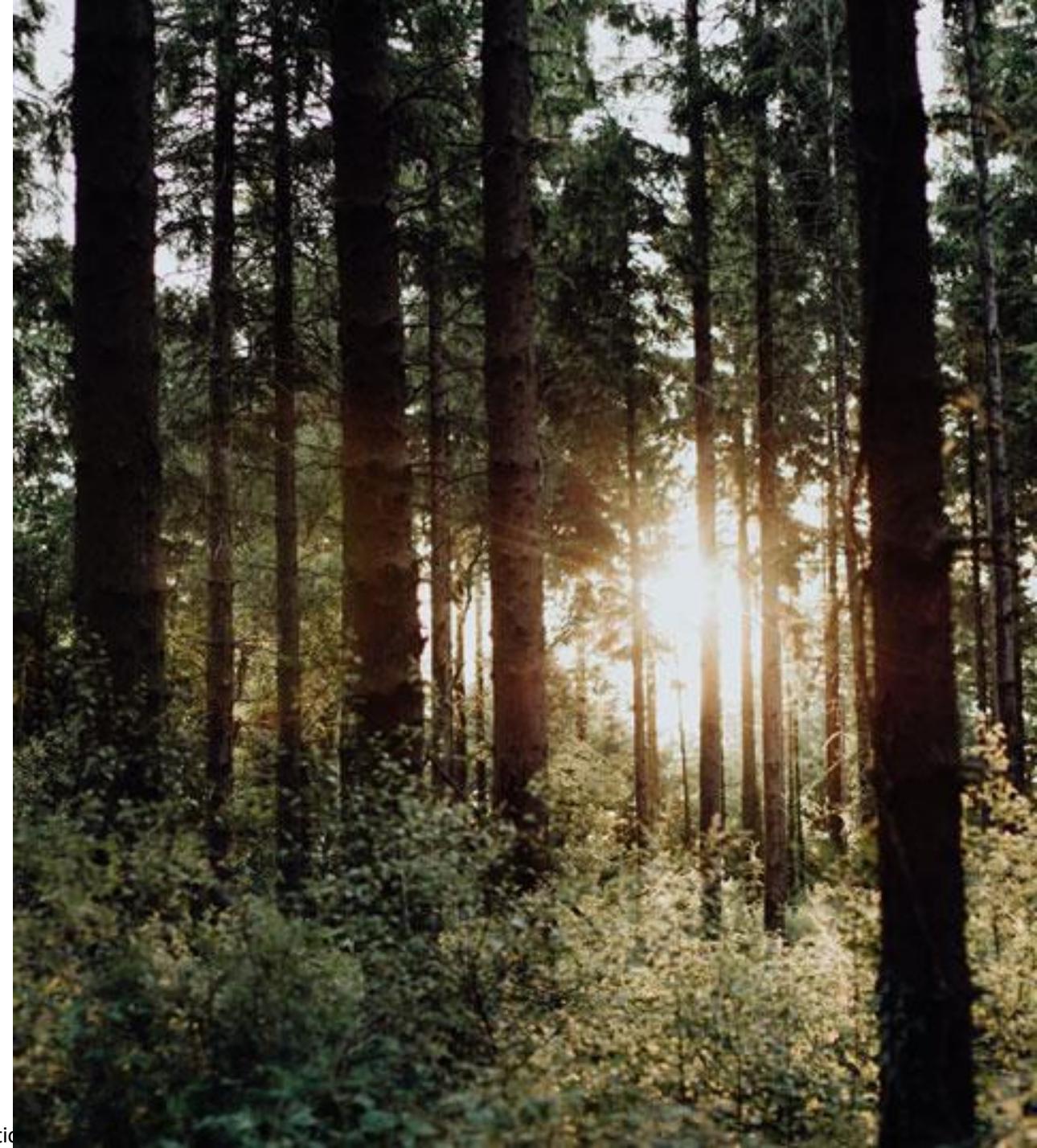
Country Benchmarking

- Three-tier system: standard, high and low risk;
- Determines number of checks and informs the due diligence procedure;
- Mandatory assessment criteria:
 - Deforestation rate,
 - Expansion of agricultural land,
 - Production trends;
- Additional assessment criteria



Expanding the scope

- Greater environmental coverage:
 - 1 year: “Other Wooded Land”.
 - 2 years: Other natural ecosystems (grasslands, wetlands, peatlands).
 - 5 years: “forest degradation”
- More commodities: 2 years
- More products: 2 years
- Finance sector: 2 years



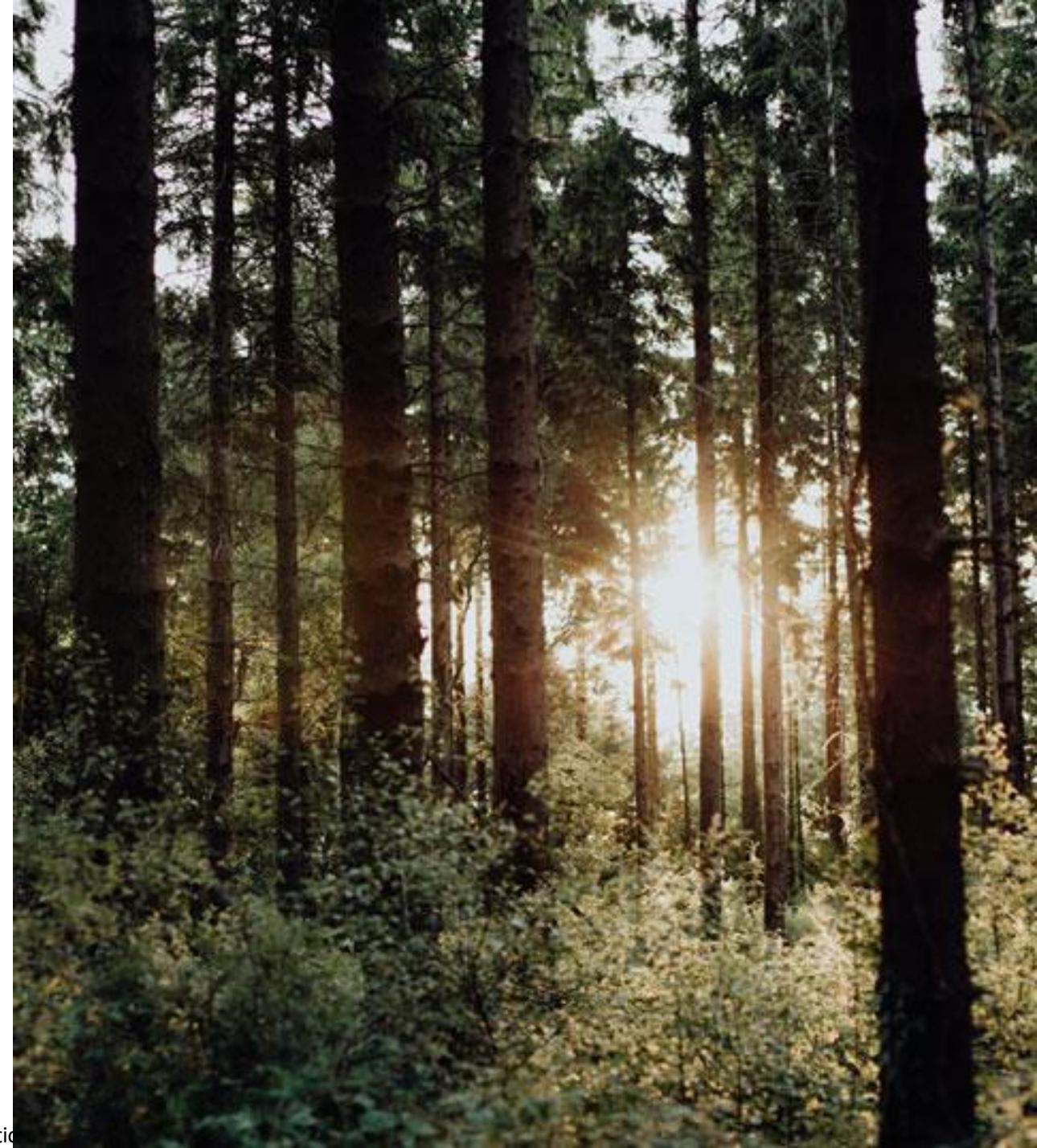
Opportunities

- Fulfill EU's environmental commitments.
- (Global) paradigm shift.
- Long overdue step away from voluntary market-based mechanisms to binding due diligence obligations.
- Followed by other consumer markets.
- Drive positive change in production practices around the world.



Implementation by Member States

- **Designation of Competent Authorities** by 30 December 2023 latest.
 - Adequate powers;
 - Functional independence;
 - Resources to fulfill their functions.
- **Enforcement infrastructure:**
 - National rules on penalties;
 - Annual plans for risk-based checks.
 - Procedures for customs authorities to control / suspend shipments in coordination with CAs.
 - Procedures for substantiated concerns, access to justice & public access to records of checks.
 - Cooperation, coordination, information sharing, monitoring trade patterns, public reporting.



Implication for Slovenia

- In 2021, Slovenia imported 1.9 million MT of commodities from non-EU countries.
- Slovenia's largest contribution to EU imports from non-EU countries was made in soy products (top 5 recipient of soy oilcake from Brazil).
- In 2022, Slovenia was amongst the top 10 recipients of:
 - Cocoa beans from Ghana;
 - Coffee from Brazil, Vietnam and Uganda;
 - Soy oilcake from Brazil and Argentina;
 - Leather from Brazil.
- 3rd largest increase of roundwood production in the EU in the last two decades (85%).





Thank you!

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