



Proposal for a Regulation on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/201

*European Commission
DG Environment*

Context

- **420 million hectares** of forest worldwide - **an area larger than the EU** - have been lost between 1990 and 2020 (FAO).
- Deforestation and forest degradation are important drivers of climate change and biodiversity loss
- 90% of deforestation is provoked by the **expansion of agricultural land** (FAO), which is linked in particular to a series of commodities.
- The **EU is a major consumer of commodities** associated with deforestation and forest degradation.

Political commitments

European Green Deal 2019

Announcing measures, both regulatory and otherwise, **to promote value chains that do not involve deforestation and forest degradation.**

Communication on Stepping up EU Action to Protect and Restore the World's Forests (2019) announcing to:

1. Reduce the EU consumption footprint on land and encourage the consumption of products from deforestation-free supply chains in the EU
2. Work in partnership with producing countries.
3. Strengthen international cooperation.
4. Redirect finance in support of more sustainable land-use practices.
5. Support research, innovation and access to information.

EU Biodiversity and Farm to Fork Strategies 2020

“The Commission will also present, in 2021, a legislative proposal and other measures **to avoid or minimise the placing of products associated with deforestation or forest degradation on the EU market.**”

Legislative proposal - Process

- **Open Public Consultation:** 2nd most popular in EU history with 1.2 million respondents
- **Multi-stakeholder Platform on Deforestation:** Workshops and feedback collected and taken into account
- **Resolutions of EP and Council:** Support for EU measures against deforestation
- **Fitness Check** of EUTR/FLEGT and **Impact Assessment** of the new legislative proposal approved
- **Adoption: 17 November**
- Presentations to the European Parliament and the Council

Fitness Check and Impact Assessment

EU Timber Regulation / FLEGT Regulation Fitness Check

EUTR: Improvements in raising awareness and transparency in the supply chains. DD can be implemented regardless of operator size. Challenges in implementation, including on operators' ability to validate information obtained from their supply chains.

FLEGT VPAs: Positive in terms of multi-stakeholder dialogues and governance reforms, however long, complex and resource-intensive. After more than 15 years, only one country out of 15 has an operating licensing system in place (covering 3% of relevant trade).

Impact Assessment

Process: Scientific analysis. Stakeholder meetings. **Multi stakeholder platform on deforestation** with more than 250 participants (stakeholders, researchers, partner countries and international organisations); targeted interviews.

High support for binding measures. Analysis of approximately 20 options resulted in the selected option: **Mandatory due diligence with country benchmarking**

Objectives of the Regulation proposal

GENERAL

Minimise the EU's contribution to deforestation and forest degradation worldwide
(thus reducing EU-driven GHG emissions and biodiversity loss)

Specific

Minimise the risk that products coming from supply chains associated with deforestation or forest degradation are placed on the EU market

Increase EU demand for and trade in legal and 'deforestation free' commodities and products

Main elements [1]

- **Commodities selected**: Palm oil, soy, wood, cattle, cocoa, and coffee and some derived products (e.g. leather, chocolate, furniture)
- Non-discriminatory approach - the Regulation applies both to **domestically produced and imported commodities** and derived products
- **Progressive scope** - Initially covering selected commodities and derived products; to be updated regularly
- **'Cut-off date' of 31 December 2020**: Commodities not allowed to enter the EU market if produced on land subject to deforestation after that date

Main elements [2]

- **Mandatory due diligence** rules for all operators placing the commodities and products on the EU market or exporting them from the EU
 - Only products that are both **deforestation-free and legal** allowed to be placed on or exported from the EU market – need to be covered by a **due diligence statement**
 - Based on **existing definitions** (coming from international work esp. FAO and EU legislation i.e. RED)
 - Main obligations applicable to **operators and non-SME traders**
 - **Strict traceability** linking the commodity to the plot of land where it was produced
 - **Information system** to host due diligence statements and related information to facilitate enforcement by Member States

Main elements [3]

- **Benchmarking system** that allows to assign risk to countries according to the level of risk of deforestation [low, standard, high]
- **Tailored obligations for operators and Member State authorities:** Simplified due diligence for low-risk (operators need to collect information but are exempt from assessing and mitigating risks) and enhanced scrutiny for high-risk (MS required to conduct a higher number of inspections)
- **Minimum level of inspections** for Member States authorities to perform
- **Effective, proportionate and dissuasive penalties**

Main elements [4]

Cooperation with partner countries:

- Imports of the commodities and products covered - **EUR 60 billion / year**
- **No ban** against any country or commodity; non-discriminatory approach
- The Commission will **step up cooperation programs** to ensure that EU partners are able to reap the benefits of new EU rules on deforestation
- E.g. **Forest Partnerships, cocoa dialogue**
- The Commission will also intensify engagement with consumer countries such as China and USA as well as in international fora.

Expected results

Benefits:

- At least **71,920 hectares of forest saved** from EU-driven deforestation and forest degradation annually
- At least **31.9 million metric tons of carbon fewer emitted** to the atmosphere due to EU-driven deforestation annually (monetized into economic savings of at least **EUR 3.2 billion**)

Policy coherence

- Complementary with the legislative initiative on **Sustainable Corporate Governance (SCG)**
 - The SCG initiative will be a Directive based on a horizontal approach, addressing business operations and value chains in general regarding environmental and human rights obligations
 - This Regulation focuses on specific products and product supply chains and will apply as *lex specialis*
- Reporting obligations will be aligned with those to be established under the future Corporate Sustainability Reporting Directive (CSRD) (proposal to replace the Non-Financial Reporting Directive (NFRD)) and future EU legislation (SCG) – to avoid double reporting for operators

Learn more here:

https://ec.europa.eu/environment/publications/proposal-regulation-deforestation-free-products_en