



EUDR implications for soy and palm oil supply chain's

ISCC Conference 22 February 2023

Nathalie Lecocq
Director General

Outline

1. Brief introduction
2. Main provisions of the EUDR
3. Timeline of implementation and reviews
4. Addressing uncertainties – accelerating preparation
5. Likely consequences of inadequate preparations
6. Concluding thoughts

1. Brief introduction

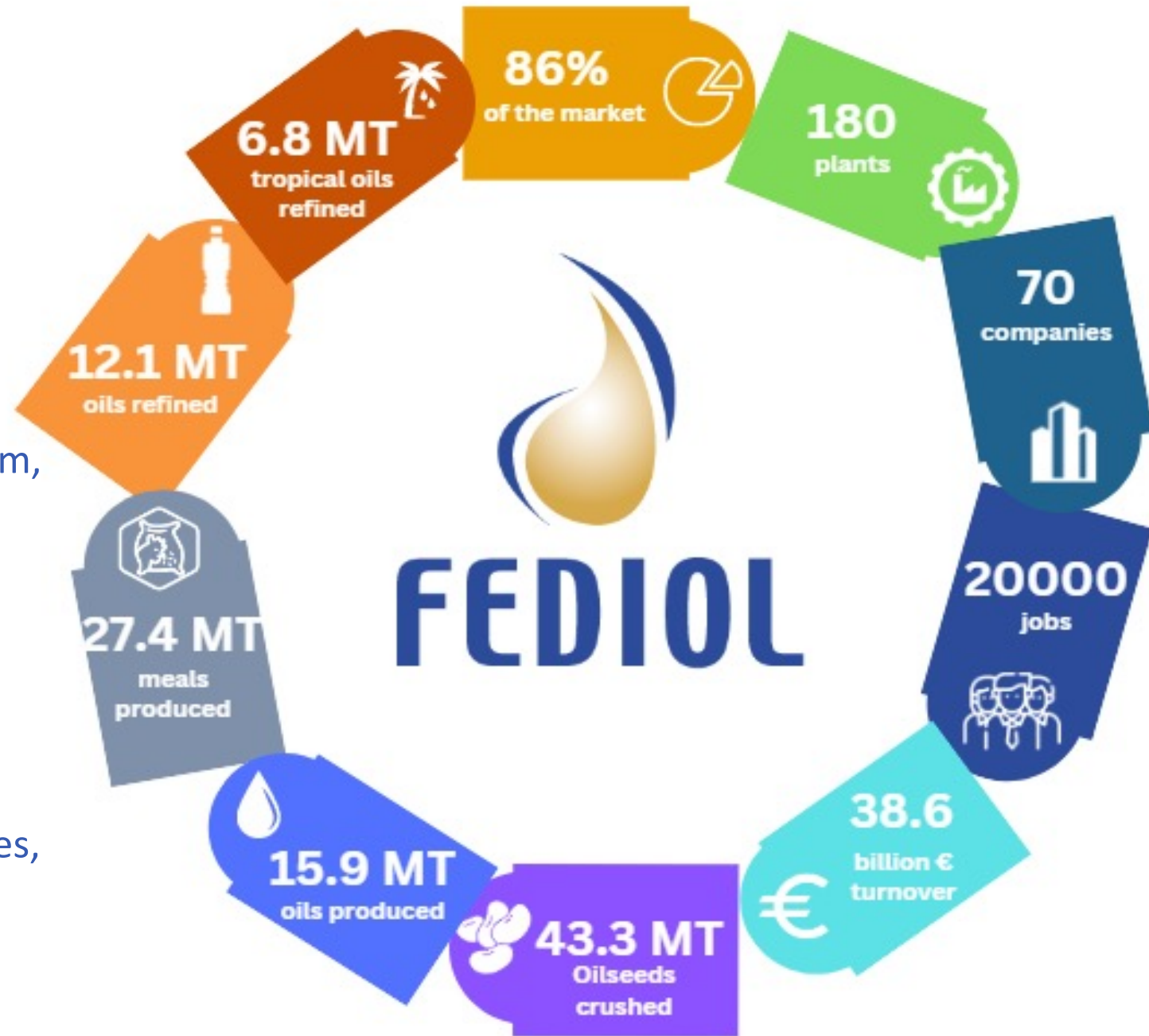
10 EU National Associations + UK
& corporate members in 7 MS

Industry crushing oilseeds, refining and
bottling vegetable oils

Processing of rapeseed, sunflower seed,
soybeans, palm oil, coconut oil, maize germ,
linseed, ...

- +/- 35% raw material imported
- Supplying food, feed, oleochemical,
biofuel, bioenergy markets

Dealing with food & feed policy, labelling,
nutrition, environmental legislation,
sustainability, trade and supply chain issues,
ag policy, biofuels, bioeconomy



2. Main provisions of the EU Deforestation Regulation

Prohibition to market non-compliant EU and non-EU products



Cut-off date for legal deforestation/forest degradation:
31 December 2020



EU Commission to set up an **information system** (register) for DDS to be filed

Scope: cattle, wood, **palm oil, soy, some palm oil derivatives**, cocoa, chocolate, coffee, rubber, printed paper, ...



Main obligations for Operators and Large Traders:

Carry out Due Diligence (set up a system)

Information requirements (EU domestic & 3rd country)

- Submit a **DDS** per shipment in register
- Product description, volume, country of origin
- **Geolocation/polygon of all plots of land** + date or time range of production
- Name, email and address of all suppliers of the relevant commodities
- Adequately conclusive and verifiable information that the relevant **products are deforestation-free**
- Adequately conclusive and verifiable information of **compliance with relevant legislation of the country of production**

Risk assessment (standard and high risk)

Risk mitigation (standard and high risk)



Country partnerships:

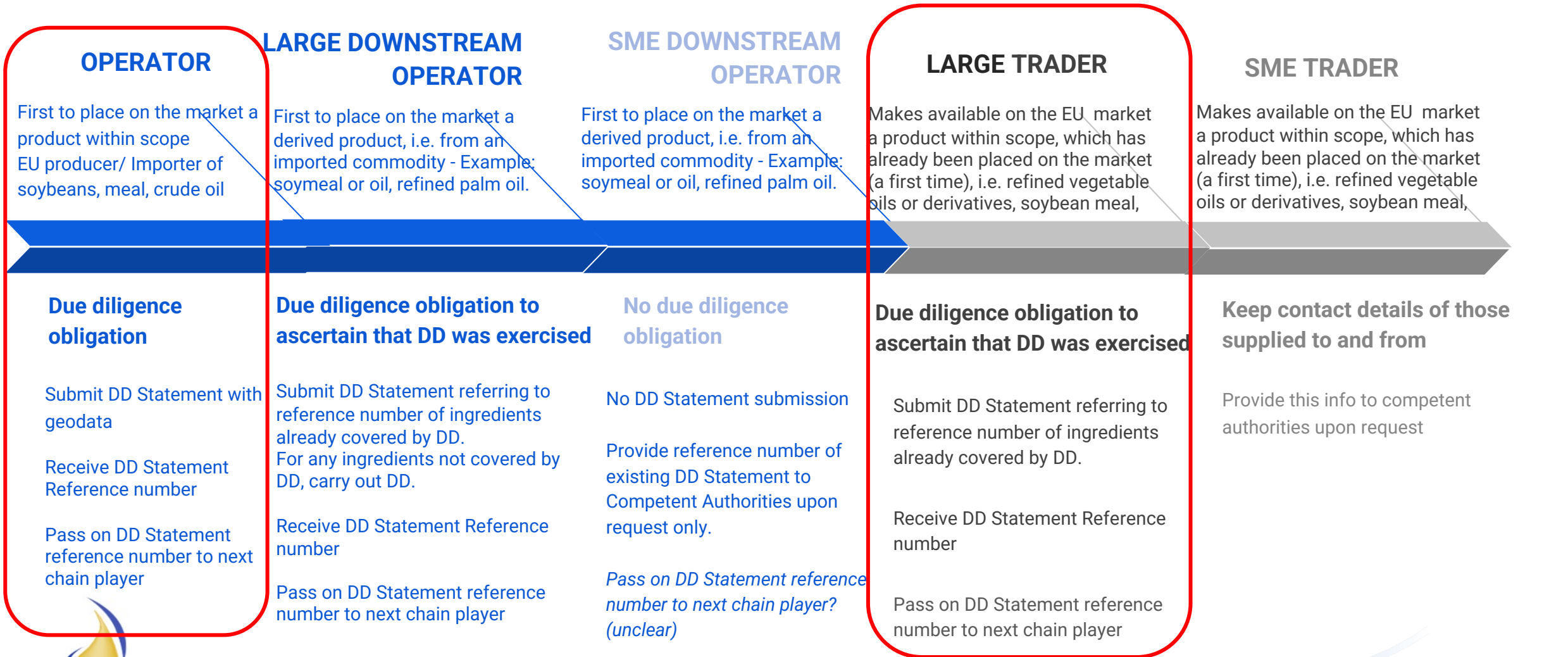
- The Commission to develop a comprehensive EU strategic framework for **engagement with producer countries** and consider mobilising relevant EU instruments.



Country benchmarking:

- All countries: standard from entry into force
- **Standard risk** – 3% checks (on operators)
- **High risk** – 9 % checks (operators & volume)
- **Low risk** – simplified due diligence - no risk assessment + mitigation and 1 % checks (on operators)

2. Main provisions : obligations for operators and traders



Legislation applies (only) to all 7 commodities and products listed under Annex 1 of the EUDR

2. Main provisions - Scope

Annex I

Soy and derived products

- 1201 Soya beans, whether or not broken
- 1208 10 Soya bean flour and meal
- 1507 Soya-bean oil and its fractions, whether or not refined, but not chemically modified
- 2304 Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya-bean oil

Palm oil and derived products

- 1207 10 Palm nuts and kernels
- 1511 Palm oil and its fractions, whether or not refined, but not chemically modified
- 1513 21 Crude palm kernel and babassu oil and fractions thereof, whether or not refined, but not chemically modified
- 1513 29 Palm kernel and babassu oil and their fractions, whether or not refined, but not chemically modified (excluding crude oil)
- 2306 60 Oilcake and other solid residues of palm nuts or kernels, whether or not ground or in the form of pellets, resulting from the extraction of palm nut or kernel fats or oils
- ex 2905 45 Glycerol, with a purity of 95 % or more (calculated on the weight of the dry product)
- 2915 70 Palmitic acid, stearic acid, their salts and esters
- 2915 90 Saturated acyclic monocarboxylic acids, their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives (excluding formic acid, acetic acid, mono-, di- or trichloroacetic acids, propionic acid, butanoic acids, pentanoic acids, palmitic acid, stearic acid, their salts and esters, and acetic anhydride)
- 3823 11 Stearic acid, industrial
- 3823 12 Oleic acid, industrial
- 3823 19 Industrial monocarboxylic fatty acids; acid oils from refining (excluding stearic acid, oleic acid and tall oil fatty acids)
- 3823 70 Industrial fatty alcohols

2. Main provisions - Due Diligence Statement & Register

- Submit a **Due Diligence Statement (DDS)** in the **Information System** before marketing (import clearing) (Annex 2):
 1. Operator's name, address and, if appropriate, the Operator's Registration and Identification (EORI) number
 2. HS code, free-text description, trade name and, where applicable, the full scientific name, the quantity of the relevant product
 3. Country of production and the **geolocation of all plots** of land where the relevant commodities were produced
 4. Reference number of an existing due diligence statement
 5. Operator confirmation that due diligence was carried out and that **no or only a negligible risk** was found.

Companies' feedback on EUDR Information System, TRACES (Register) after pilot testing phase

- Very basic, not up to level of complexity in supply chains
- Too many manual (costly & risky) steps, incompatible for API/EDI
- No mass handling of data (automation)
- Geoformat used incompatible with industry standards
- Fundamental overhaul needed !
- New test phase 2 after upgrading.

3. EUDR timeline of implementation and reviews



4. Addressing uncertainties – accelerating preparation

Topic	Issues to address before implementation
Understanding the definition	<p>Delineation of a plot: What does a plot refer to exactly? Single-crop production area within a real estate property? Which single data point to use ?</p> <p>Negligible risk</p>
Compliance with relevant laws of producing countries	<p>What evidence (which documents?) is necessary to prove legality : (land use rights; environmental protection; third parties' rights; labour rights; tax, anti-corruption, trade, customs regulations 11 criteria in total.</p>
Information system (register)	<p>TRACES not workable. Too many manual data entry steps prone to risk & inflationary to cost. Ultimately how will the system work and when will it be up to standard?</p>
Information transmission	<p>How to “ascertain” that due diligence was carried out and only negligible risk found? What information has to be transmitted downstream?</p>
Due Diligence Statement & bulk commodities	<p>What volumes to declare per due diligence statement? How to manage the exponential increase of data per due diligence statement due to continuous processes (silo/tank topping up, mixing during processing, etc.)?</p>
Data sensitivity	<p>Issues with personal and commercial data.</p>

4. Addressing uncertainties – accelerating preparation

- Up-date FAQs and clarifications
- Guidance: agricultural land use, certification, legality
- Information System needs fundamental overhaul
- Coordinate CA implementation
- Implementing acts

- Set up capacities
- Coordinate with other CA for harmonized implementation
- Guidance for operators
- Seek connection between information available under CAP and those relevant for EUDR

EU
Commission

Operators &
Traders

Competent
Authorities

3rd
Countries

- Set up due diligence system
- Geolocation data & seek solutions where needed
- Segregation where logistics and compliance allow
- Workable practical solutions
- Adapt business management systems
-

- Support producers (geolocation and legality)
- Engage EU Commission
- Solutions adapted to national situations

5. Likely consequences of inadequate preparation

- Exclusion of farmers/smallholders (unable to comply with certain provisions; competing legislation in origine country)
- Exclusions of production areas (cost of segregation; data sharing issues)
- Excessive administrative burden acting as deterrent for EU and 3rd country farmers
- Problem to source certain products (palm kernel oilb PKO, palm kernel expellers,...)
- Supply failure due to more limited compliant sourcing regions (no alternatives)

=> Inflationary spiral due to scarcity



6. Concluding thoughts

- Commission's non-binding FAQs are helping, but still many uncertainties remain, which slows down preparations and makes concluding futures contracts difficult
- Information system, central to the EUDR (TRACES), is not fit for purpose nor operational, too manual, incompatible geofomats, etc.
- The provisions that are clear require considerable preparation, good will of many players in the supply chain and intervention from 3rd country public authorities
- Commission/EU public authorities need to step up clarification exercise and support to 3rd countries
- Implications and practical consequences on supply chain players are considerable and disproportionate to the actual deforestation risks
- EU supply certainty in key commodities after implementation are uncertain

Thank you for your attention!

nlecocq@fediol.eu

