

# **SIPPO**

## Swiss Import Promotion Programme

EU Deforestation Regulation

Speaker: Juliane Lemcke

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## New Regulation on Deforestation – Why?

- **420 million ha** of forest worldwide lost between 1990 and 2020 (FAO)
- **Significant share** of forest loss is **legal** (Forest Trends)
- Deforestation and forest degradation important drivers of **climate change and biodiversity loss** (IPCC: 11% of GHG emissions)
- **90%** of deforestation provoked by **expansion of agricultural land** linked specifically to series of commodities (FAO)
- **EU is a major consumer of commodities** associated with deforestation and forest degradation

# EU Policy Approaches

- **EU Green Deal:** Set of policy initiatives - make Europe climate-neutral by 2050, promote sustainable economic growth, improving health and quality of life through reduction of environmental pollution
- **Forest strategy:** "Protecting and Restoring the World's Forests" - promote sustainable forest management, protect biodiversity, combat climate change, and ensure sustainable timber trade.
- **EUDR:** Part of the European Green Deal's initiatives – increase environmental sustainability and reduce deforestation
- **FLEGT Action Plan:** Key components EUTR and VPAs - combat illegal logging and associated trade, promote sustainable forestry and enhance forest governance

## GENERAL

- **Minimize EU's contribution to deforestation and forest degradation worldwide**
- **Reduce EU's contribution to greenhouse gas emissions and biodiversity loss**

## Specific

1. Minimise risk that products from supply chains associated with deforestation or forest degradation are placed on the EU market or exported from it

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

# Products and Commodities



**WOOD** including wooden furniture, plywood, paper and other derived products



**CATTLE** live animals, meat, preparations and leather



**COCOA** including chocolate and other derived products



**COFFEE** including husks, skins, coffee whether or not roasted or decaffeinated



**PALM OIL** including palm nuts, oil, certain chemicals and other derived products



**RUBBER** vulcanised and unvulcanised including tyres and other derived products

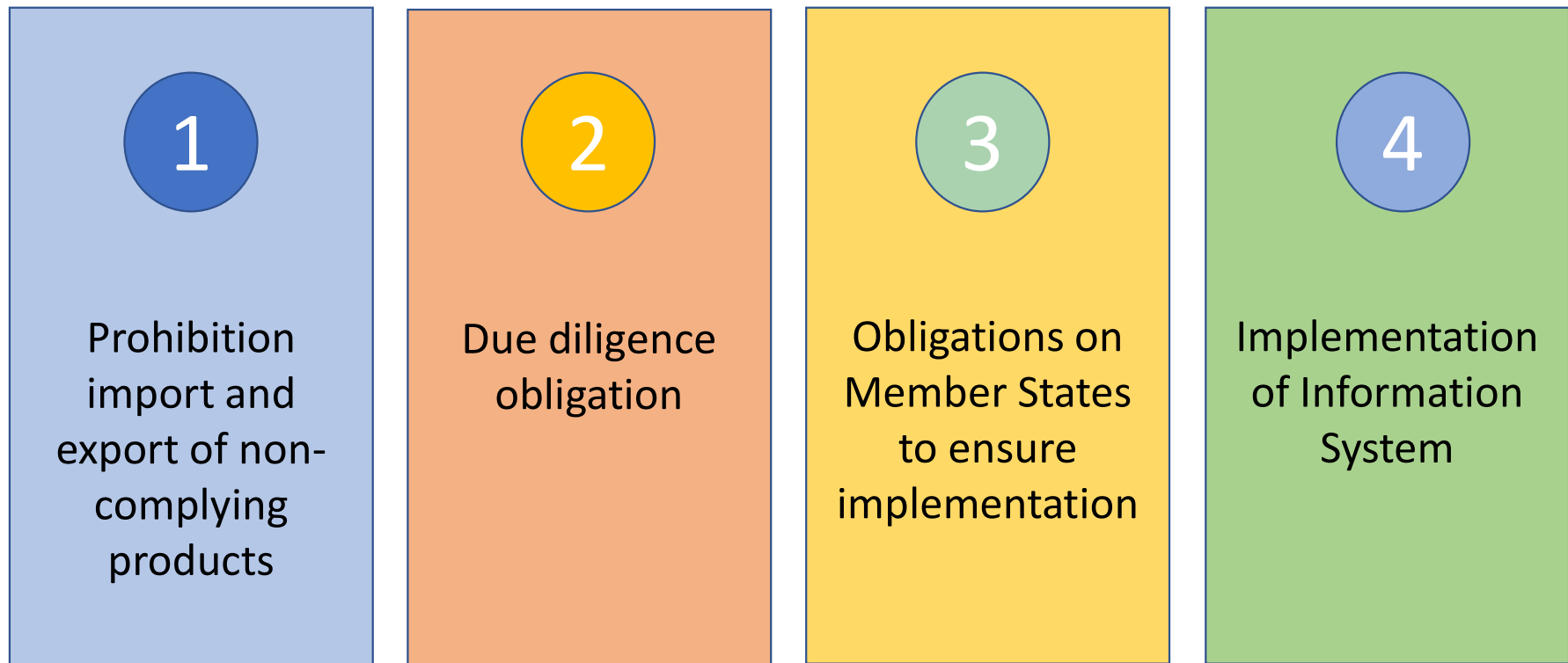


**SOYA** beans including oil and other derived products

\*Detailed scope based on the EU “Combined Nomenclature” (custom codes) in Annex of EUDR

\*\*Scope may be expanded over time

# Key components



# Main actors



European  
Commission



Member States  
(Competent Authorities)



Custom  
Authorities



Industry  
(Operators and  
Traders)

Due diligence  
obligation



Prohibition to place on  
the EU market or **export**  
non-complying products



# Obligations of Operators

## 1. Prohibition

- Prohibition to place on the EU market (or export these) if they do not meet the following:
  - they are **deforestation-free**
  - they have been **produced in accordance with the relevant legislation of the country of production**
  - they are covered by a **due diligence statement**

## 2. Due Diligence

- Operators must exercise **due diligence** prior to **placing** products on the EU market or **exporting** them out of the EU, using both a system and procedures, and **must first submit a due diligence statement**.
- Operators must **provide their due diligence information** to other operators and traders **further down the supply chain**.
- Each year, they must **publish a report** on their due diligence.
- **SMEs are exempt** from:
  - due diligence if the products have already been subject to due diligence
  - the publication of a report on their due diligence



# Obligations of Traders

<b>Trader which are SMEs*</b>	<b>Non-SME Traders</b>
<ul style="list-style-type: none"><li>• Must <b>collect and maintain</b><ul style="list-style-type: none"><li>• information on buyers and suppliers</li><li>• Reference numbers of the due diligence statements associated with products</li></ul></li><li>• <b>Keep information for at least 5 years</b></li><li>• cooperate with the competent authorities</li><li>• Provide information to Competent Authorities</li></ul>	<ul style="list-style-type: none"><li>• <b>Large</b> traders (non-SMEs) are subject to the <b>same due diligence requirements as large operators</b> (no more “shell” companies).</li></ul>

\*SMEs mean enterprises as defined in [Directive 2013/34/EU33](#)

## Authorised representatives

Operators or Traders may choose to give mandate to a „**Authorised Representative**“ to make available the due diligence statement on their behalf.

- The Operator or Trader retain the responsibility for the compliance of the relevant commodity
- The Authorised Representative shall, upon request, provide a copy of the mandate to the Competent Authorities.



## What is ‚deforestation-free‘?

### “Deforestation-free” means

- a. that the timber products are sourced from timber produced on land that **have not been subject to deforestation\* after 31 December 2020**, and
- b. specifically for **wood-products**, that the wood was harvested from the forest **without inducing forest degradation\*\* after 31 December 2020**.

\*“**Deforestation**” means the conversion of forest to agricultural use, whether human induced or not

\*\*“**Forest degradation**” means structural changes to the forest cover, taking the form of a conversion of primary forests or naturally regenerated forests into plantation forests or other wooded lands, or conversion from primary forests into planted forests

# Legality Definition

## Compliance with “relevant legislation” in the country of production, in terms of:



land use rights



human rights protected under international law



environmental protection



third parties' rights



forest-related regulations



principle of FPIC, including as per UNDRIP

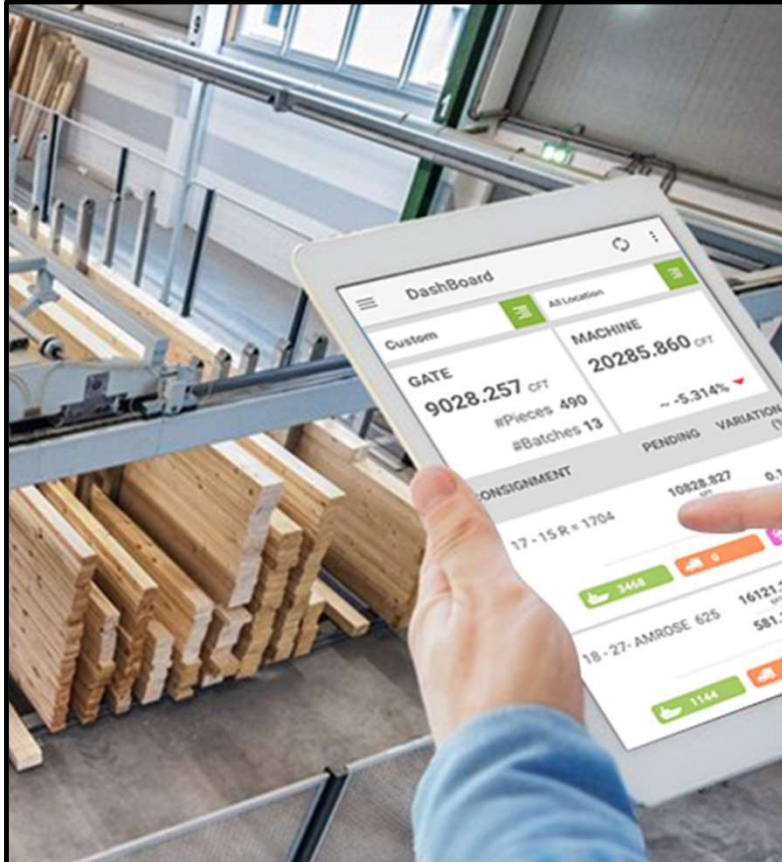


labour rights



tax, anti-corruption, relevant trade and customs regulations

# Due Diligence Obligations



- Due Diligence, i.e., collection of information, risk assessments and risk mitigation
- A Due Diligence Statement must be made available to the Competent Authorities via online Information System prior to placing on the market or exporting
- No import or export without a prior Due Diligence Statement submitted on the Information System and indicating compliance
- Includes requirements for public reporting on due diligence implementation (annually)

# Due Diligence - framework of procedures

## Gathering of Information

- description of product (trade name/scientific name)
- quantity and customs code
- country of production
- names and contact, details of both the supplier and buyer
- Verifiable evidence that product is produced in compliance with relevant legislation
- **evidence** that there is **no deforestation or forest degradation**
- the **geolocation** of production plots of land and the dates/periods of production

## Risk Assessment

- EC's **risk assignments** to relevant country of production
  - Forest presence in country/area
  - Prevalence of **deforestation or forest degradation**
  - Presence of, consultation + cooperation with and land right claims by **indigenous peoples**
  - **Corruption** and **falsification** concerns
  - Risk of **mixing products**
  - EC **expert panels'** conclusions
- To be documented and assessed at least once a year.

## Risk Mitigation

### When risk non-negligible

- require additional information or documentation
- conduct independent **inspections or audits**
- apply **other measures** depending on information that is gathered
- **enhance capacities and investments**

Checks, measures and procedures must be in place **prior the products are placed on the market.**

To be documented and evaluated at least once a year.

# Simplified Due Diligence



For commodities or products from a country that has been assessed as low risk by the EC, Operators are allowed to conduct 'simplified due diligence':

- Must still **collect information** demonstrating that the relevant commodities and products are deforestation-free and legal
- Can **avoid** carrying out the second and third step of the due diligence process (i.e., **risk assessment and risk mitigation**)

# Due Diligence tools

## European Commission (EC) will conduct risk assessments by country

- EC will publish list of low and high-risk countries (EU and other countries)
- Results will be available via the EC's "Information System"
- System has 3 country assessment levels: low, standard or high risk

## Role of certification/FLEGT

- Operators shall take into account information provided by certification schemes or by other third-party verification systems (does not replace due diligence responsibility)
- Timber products covered by FLEGT licence are deemed legal (only)

## European Commission (EC) establishes information system (register)

- Operators to submit their due diligence statement and verify existing statements
- Register will be interconnected with customs authorities (to conduct checks)
- Competent authorities and customs cooperate – customs will check DD statements



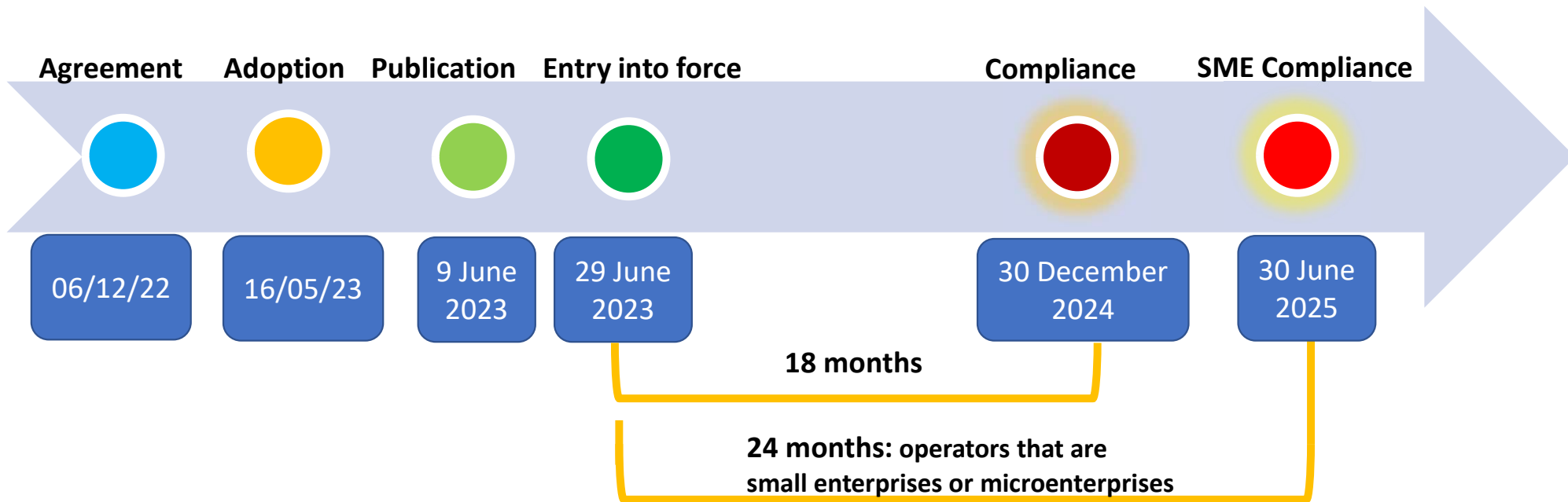
## Other important facts of the EUDR

### Competent authorities, Corrective Actions and Penalties

#### Competent authorities

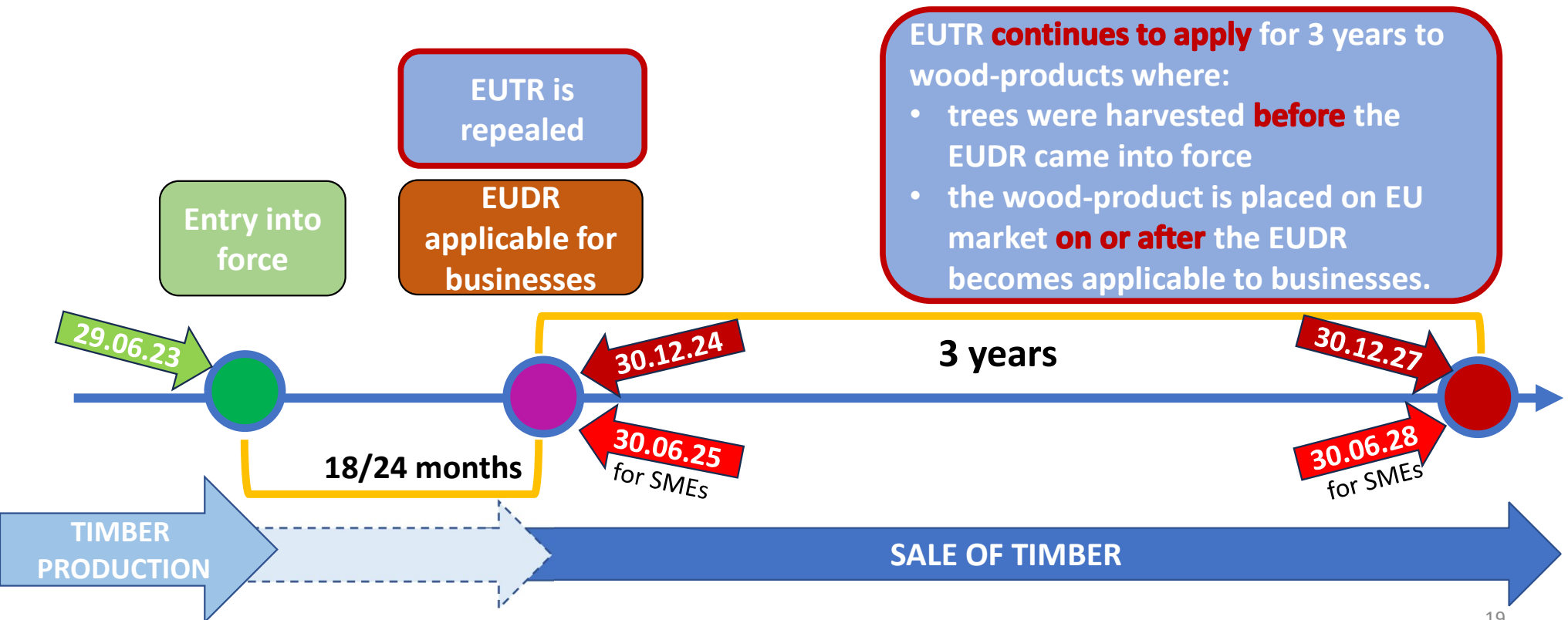
- are responsible for implementation of rules by operators
  - carry out minimum number of checks (depending on risk category of origin) on operators using a risk-based approach based on Information System and on substantiated concerns provided by third parties
  - report to public and EC annually on activities and plans for checks
- Regulation defines corrective measures that competent authorities can require from operators
  - Penalties much stricter - like sanctions, fines, confiscation, exclusion from tenders, ban to market or suspension

# Timeline - EUDR Implementation



# What will happen to the EU Timber Regulation?

➔ The EU “Deforestation Regulation” will replace the EU Timber Regulation



# Summary



## EU's new law on deforestation

- prevents companies from selling products linked to deforestation
- replaces EU Timber Regulation (EUTR)
- is more comprehensive & specific

## Expansion of scope & requirements

- soy, beef, palm oil, wood, cocoa, coffee, rubber & derived products
- publicly reporting on annual basis
- geo-localisation from production site
- due diligence statement
- EU country evaluation + online database

## Timelines

- adopted 16.05.23
- entry into force 29.06.23
- Implementation 20.12.24 or 30.06.25

Questions, comments, discussion



## VPA between EU and Indonesia

The VPA ensures legally sourced timber exports from Indonesia to the EU, adhering to environmental and social standards.

### Key aspects:

1. Legality Assurance System: development and implementation of Timber Legality Assurance System in Indonesia – known as **SVLK**
2. Licensing Scheme: enables timber products verified under SVLK to receive **FLEGT licenses**, verifying their legality allowing EU market entry without further due diligence checks under the EU Timber Regulation
3. Monitoring and Reporting: independent monitoring and regular effectiveness reviews by EU and Indonesia ensure transparency, accountability, and adaptability

Issuing its first FLEGT licenses in November 2016, Indonesia became the first and only country to achieve this milestone in combating illegal logging.

# European Timber Regulation (EUTR)

## Regulation (EU) No 995/2010

- was put into effect in March 2013
- prohibits the placement of illegally harvested timber and timber products on the EU market
- is part of the EU's broader strategy to combat illegal logging and associated trade globally

## Main points

- **Due Diligence** - requires operators who place timber or timber products on the EU market for the first time to exercise 'due diligence'
- **Traceability** - obligates traders to keep records of their suppliers and customers to ensure the traceability of timber products
- **Prohibition** - to place illegally harvested timber, or products derived from such timber, on the EU market
- **Competent Authorities** - designated by EU member states to enforce the EUTR
- **FLEGT and CITES** - recognizes FLEGT licensing scheme and the CITES permits as evidence of compliance

## EUTR – EUDR relationship

- EUDR will replace EUTR, which currently only addresses timber and wood products
- Similarities and differences in due diligence and business obligations between EUTR and EUDR
- EUDR expands scope beyond timber to include other agricultural commodities, marking significant changes
- EUTR will still apply to wood products for three years after the deforestation regulation applies, specifically for trees harvested before 30.12.24 but placed on EU market or exported thereafter



# EUTR versus EUDR

<u>EUTR (11 pages)</u>	<b>Legal base: Art. 192.1 TFEU</b>	<u>EUDR (41 pages)</u>
Wood & derivatives Placing on EU market	<b>Scope</b>	wood + cattle, coffee, cocoa, palm oil, rubber, soya Placing on EU market + export from it
“Best efforts”, no legal engagement; available for <i>ex post</i> checks by CAs	<b>DDS</b>	Signed commitment <u>actively submitted <i>a priori</i></u> to CAs; SMEs may use existing DDSs; detailed geolocation of production
Timber rights & payments; forest, environment & biodiversity laws	<b>Relevant legislation</b>	+ Labour, Human & Indigenous peoples’ rights; Free, Prior, & Informed Consent (FPIC)
Must be retained for 5 years	<b>Information</b>	Idem
Monitoring Organisation provide, assess & remedy DDS	<b>Technical Support</b>	Authorised Representative must be mandated but can have a wider role
Based on evolving knowledge	<b>CA checks</b>	Based on <i>a priori</i> producer-country risk %
FLEGT Committee (EC & MS)	<b>Governance</b>	Committee + Multi-stakeholder Platform

# Purpose of the EUDR

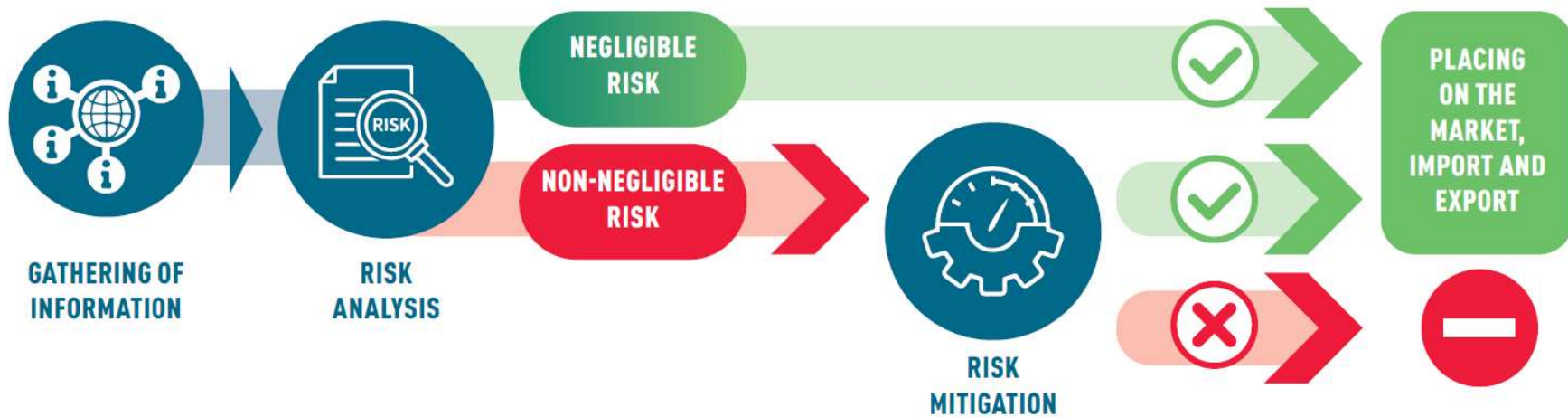
## EU's Deforestation Regulation

- proposed in November 2021, is part of the European Green Deal
- aims to address climate change and biodiversity loss by reducing EU-driven deforestation
- supports global sustainable land use and trade
- blocks deforestation-linked products from EU market
- mandates due diligence for EU market traders
- targets commodity-driven land expansion
- targets commodities specifically due to their high impact on deforestation and forest degradation globally

Between 2011 and 2015, 90% of deforestation occurred in tropical regions due to agricultural expansion.

# Due Diligence

**Before placing timber products on the market or exporting them, operators shall carry out due diligence**



## Definition of SMEs Directive (2013/34/EU)

Article 3 of the Accounting Directive (2013/34/EU) defines categories of undertakings according to their size:

<b>Enterprise</b>	<b>Employment</b>	<b>Net turnover (EUR)</b>	<b>Balance sheet total (EUR)</b>
Micro	≤ 10	≤ € 700,000	≤ € 350,000
Small	≤ 50	< € 8,000,000	< € 4,000,000
Medium	≤ 250	< € 40,000,000	< € 20,000,000

Definition of SME and non-SME Operators and Traders	Criteria qualifying operators and traders			Requirements and timelines
	Placing commodity or product in scope on the market	Exporting commodity or product in scope	Member of supply chain of operator	
<b>Non-SME Operators</b> any natural or legal person placing/exporting relevant products on the market.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<b>2025: Full due diligence (Article 8)</b>
<b>Non-SME Traders</b> any person in the supply chain other than the operator placing/exporting relevant products on the market.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<b>SME Operators</b>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<p><b>2025*</b>: Full due diligence requirements only for parts of products that have not been covered by a due diligence procedure.</p> <p>For products already subject to due diligence (by other legal persons), the SME operator is exempt from due diligence obligations.</p> <p><b>*Applicable from mid-2025 for small and microenterprise Operators</b></p>
<b>SME Traders</b>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Exempt from due diligence obligations.</p> <p><b>2025</b>: Record keeping obligations: information of suppliers and client - name, registered trade name or registered trademark, the postal address, the email, a web address.</p> <p><b>*Applicable from mid-2025 for small and microenterprise Operators</b></p>

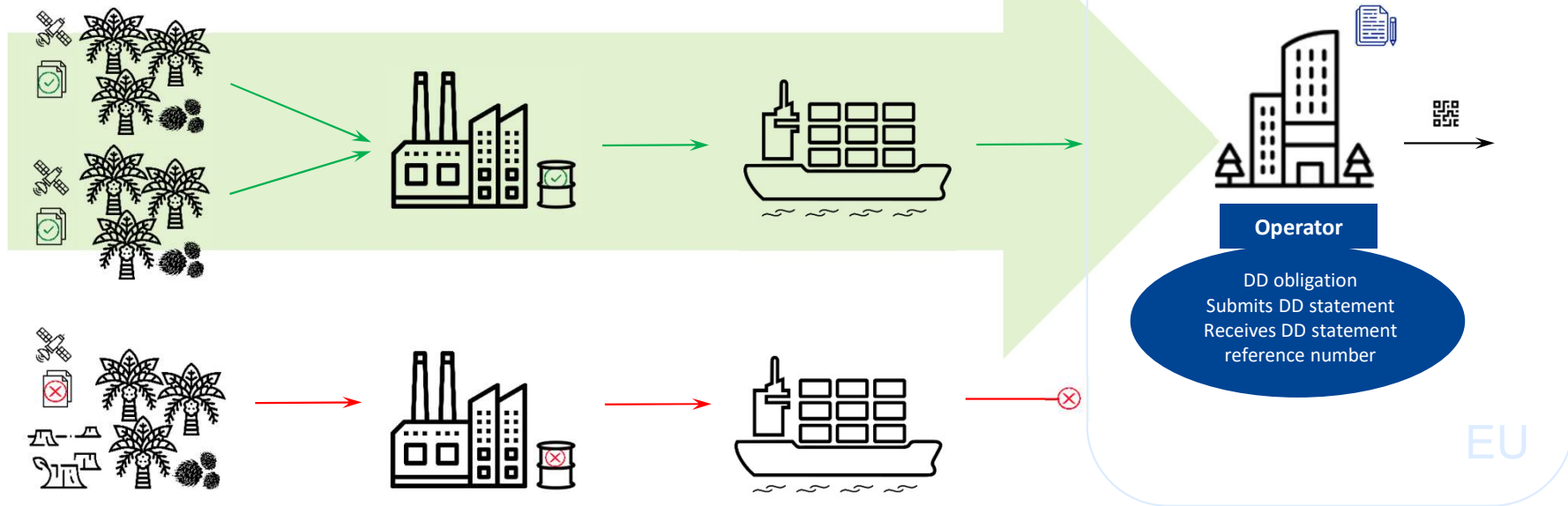
# EU company sourcing palm oil

1. Some palm oil plants in producer country are grown on deforestation-free plantations and some on deforested land

2. Palm fruits from confirmed deforestation-free and other plantations are processed separately, although deforestation-free fruit from different plantations can be mixed

3. The deforestation-free palm oil is kept segregated during transport. Geolocation of all plantations contributing to the shipment is required

4. EU importer places the deforestation-free palm oil on the market



# EU chocolate brand traceable cocoa supply chain

**1.** Cocoa farms are mapped, and their geolocations are assessed to ensure deforestation-free

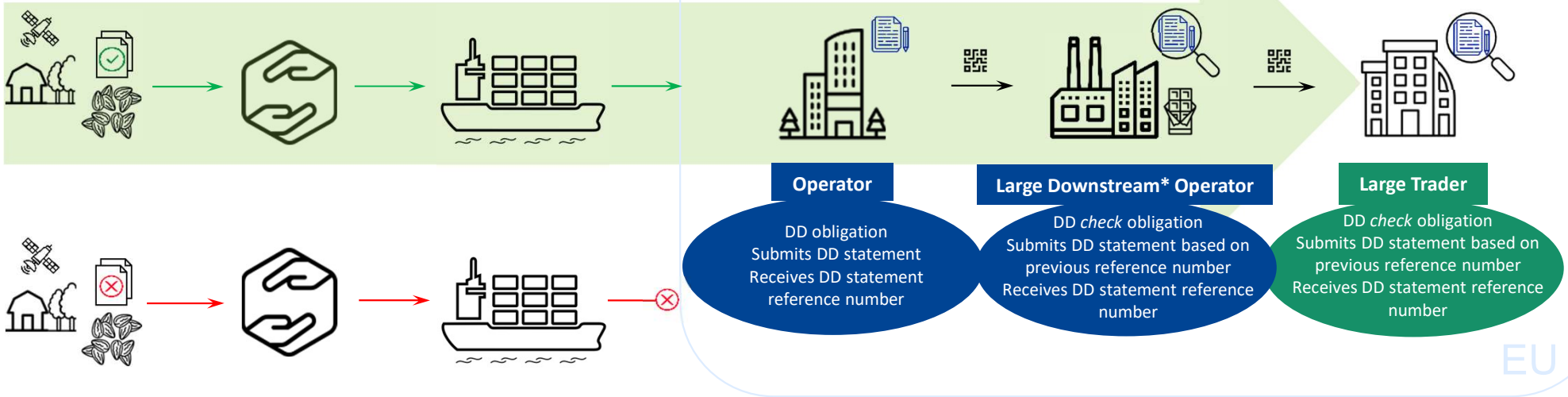
**2.** Farmers deliver deforestation-free cocoa beans directly to cooperatives, where they are kept segregated

**3.** Beans from deforestation-free farms kept segregated during export to EU

**4.** Importer in EU Member State buys deforestation-free beans and places them on the market

**5.** Chocolate manufacturer in the EU processes cocoa into chocolate bars and places them on the market

**6.** Large EU retailer sells individual chocolate bars to consumers, making the chocolate bars available on the market



EU

\*Downstream is used for “operators and traders further down the supply chain”, as per Article 4(8), 4(9), and 4(9a), and Article 4a(2)

Please note that infographic shows an example of a potential supply chain scenario and is not representative of all supply chains

# Domestic timber exported from EU as furniture

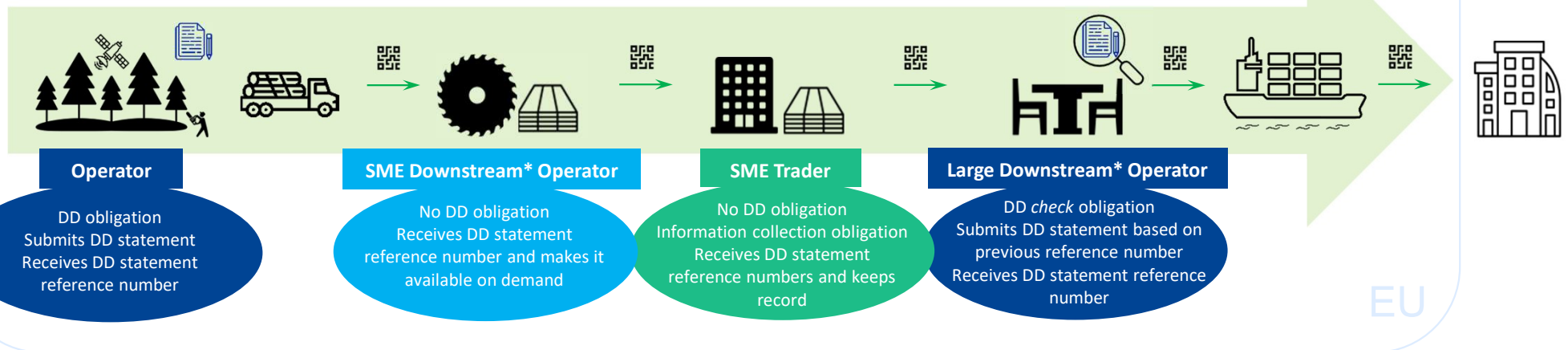
**1.** EU forest owner harvests trees. The timber is placed on the EU market at point of harvest

**2.** Tagged logs are transported to sawmill

**3.** Sawmill only accepts deforestation-free timber for processing. Places sawn wood on the EU market

**4.** Small timber merchant buys from several mills. Makes sawn wood available on the EU market

**5.** Furniture maker buys from several timber merchants, ensuring compliance of all wood used for the furniture. Exports furniture from EU



\*Downstream is used for “operators and traders further down the supply chain”, as per Article 4(8), 4(9), and 4(9a), and Article 4a(2)

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# Sourcing of livestock feed made from certified soybeans

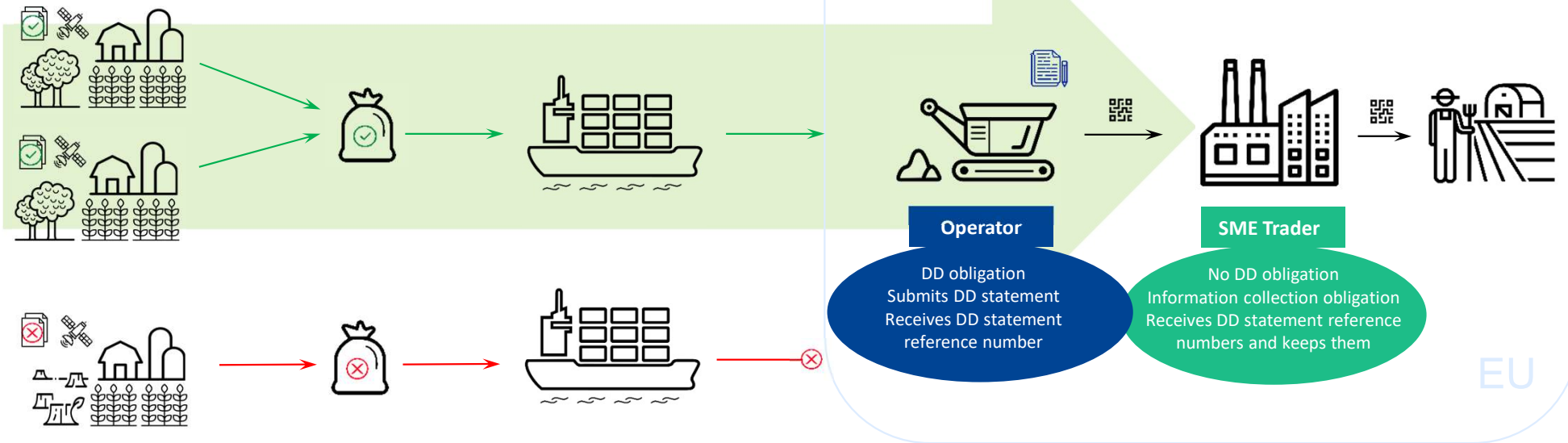
**1.** Soybeans from certified farms (geolocated as deforestation-free by certification body) kept segregated from beans sourced from elsewhere throughout storage and transport

**2.** Deforestation-free soybeans kept segregated during export to EU. Geolocation of all farms contributing to the deforestation-free shipment is required

**3.** EU operator imports soybeans from deforestation-free farms, and combines and crushes them into soymeal in the EU. Operator places the soymeal on the EU market

**4.** SME trader buys soymeal and resells it to farmers, making it available on the EU market

**5.** EU pig farmer buys the soymeal



Please note that infographic shows an example of a potential supply chain scenario and is not representative of all supply chains