

# EU Action Plan to Halt Deforestation in Supply Chains



**amfori recommends that the EU provides an action plan to halt deforestation worldwide. The action plan should gather a smart mix of measures, including a regulation on deforestation due diligence in the supply chain that focuses on commodities placed on the EU market.**

Tackling deforestation is key to reducing a company's environmental footprint. 12% of the global greenhouse gas emissions are due to land-use and land-use change, making it the second biggest cause of climate change after burning fossil fuels. Forests host 80% of the world's biodiversity, regulate the water cycle and hold strong environmental, social, and cultural value, especially to indigenous communities<sup>1</sup>. Forests also provide renewable materials in many essential areas of consumption. For these reasons, companies have taken actions to identify the deforestation hotspots in their supply chains and reviewed their sourcing policies to end deforestation in their products.

Yet, despite commitments from the EU, the international community, and private organisations to end deforestation by 2020, deforestation and forest degradation is still increasing. In 2019, 11.9 million hectares of tree cover were lost, including 3.8 million hectares of tropical primary forest<sup>2</sup>. It is now urgent to protect forests worldwide in an effective way by **tackling embodied deforestation**. EU-embodied deforestation, which refers to deforestation caused by the supply chain of EU-consumed products, represents 10% of global deforestation<sup>3</sup>.

For amfori, the issue is of particular importance. Our mission is to enable each of our members to enhance human prosperity, use natural resources responsibly and drive open trade globally.

The European Green Deal's ambition of making Europe carbon neutral by 2050 includes a commitment to protect the world's forests from deforestation and forest degradation. The European Commission is therefore set to propose new regulatory and non-regulatory measures to support deforestation-free value chains. The European Parliament has approved a legislative initiative against embodied deforestation<sup>3</sup>. Learning from the steps the EU has taken so far to tackle deforestation in specific sectors, amfori recommends that the EU provides an action plan to halt deforestation worldwide. The action plan should gather a smart mix of measures including a regulation on deforestation-free due diligence in the supply chain that focuses on commodities placed on the EU market.

1. Stepping up EU Action to Protect and Restore the World's Forests (COM(2019) 352 final)

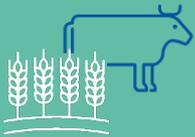
2. Global Forest Watch

3. [https://www.europarl.europa.eu/doceo/document/TA-9-2020-0285\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2020-0285_EN.html)

## amfori key recommendations for an Action Plan that helps companies implement due diligence against deforestation:



1. Provide clarity in the definitions and scope of the action plan and detail due diligence requirements



2. Focus on key commodities responsible for the majority of the EU's embodied deforestation



3. Contain an EUTR-like regulation going beyond legality and with a carding system indicating the risk in sourcing regions



4. Adopt a due diligence approach for continuous improvement in the supply chain rather than the complete banning of at-risk products



5. Be complementary to horizontal corporate due diligence legislation covering social and environmental issues



6. Contain non-regulatory measures such as collaboration with third countries through partnership agreements with sourcing countries, dialogue with other main consumer markets, and specific clauses in free trade agreements with trading partners



7. Provide guidance and tools for companies and especially SMEs such as a mapping of private initiatives that can help with their due diligence, training for them and their suppliers and requirements against embodied deforestation in Green Public Procurement Policies

# 1. What should a product-based regulation against embodied deforestation look like?

## 1.1. Scope of the regulation

### A definition of deforestation

A clear and simple definition of deforestation and forest degradation, as well as a cut-off date, will be essential to a successful implementation of the action plan.

Acting against embodied deforestation requires **the inclusion of forest degradation**<sup>4</sup> in the scope of the regulation. The deforestation and forest degradation impacts of a product are important in tropical rainforests, but also in other carbon sinks and high biodiversity eco-systems such as other types of forests, mangrove, and savannahs.

### Key commodities for EU's embodied deforestation

A due diligence regulation on embodied deforestation and forest degradation should cover some **key commodities** (soy, palm oil, beef, maize, rubber, cocoa, and timber) identified by the European Commission<sup>5</sup> since their production is responsible for most deforestation worldwide. By-products and other commodities might also be indirectly impacted by such a regulation, so it is better to leave them out the scope of the due diligence regulation and enable companies to focus efforts most effectively. To identify which products containing these key commodities are in scope, a **threshold** should also be agreed upon for each of the commodities with the help of business. Without a threshold, the regulation would risk losing efficiency by making requirements ill-adapted to products which may contain a very small quantity of a commodity and by making administrative burden disproportionate to companies.

However, if the commodity is above the threshold in a product, it is important to trace the commodity to provide information on its origin so the entire supply chain would require more transparency.

## 1.2. Lessons learnt from other regulations

### Lessons learnt from the EU Timber Regulation

There are several existing examples of due diligence legislation to learn from. The EU Timber Regulation (EUTR) is one of them. It focuses on avoiding or minimising the placing on the EU market of products associated with deforestation or forest degradation and is integrated within the broader Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. The EUTR requires the operator to have access to information on the timber used in their product, to assess the risk of illegal harvesting and to mitigate the identified risk. All information collected, risk identified, and mitigated should be documented. Although implementation of the regulation is uneven across Member States, positive practices have been mainstreamed by companies making sure that the timber in their products is legally harvested and EUTR has improved the access to data for companies who now have more transparency in their supply chains. This, in turn, encourages improvement of forest management practices and sustainable sourcing.

### Using a carding system

However, the due diligence requirements in EUTR were not defined precisely enough, and this lack of clarity creates uncertainty on companies' side, never being sure of their compliance, and complicates enforcement by competent authorities. A new due diligence regulation should therefore also include elements from the well-established EU regulation on Illegal, Unreported, and Unregulated fishing (IUU) such as a carding system to flag sourcing regions with high risk of deforestation and attaching specific due diligence requirements to the different risk levels. A carding system updated by the EU Commission, in partnership with sourcing countries would not ban products from high-risk areas but would enable companies to prioritise the risks they address and prove their compliance more effectively. The IUU carding system has enabled a better dialogue and cooperation with third countries, to encourage them to reform their system to prevent unsustainable sourcing.

4. Forest degradation can be generally defined as 'the reduction of the capacity of a forest to provide goods and services', FAO, 2011, Assessing forest degradation. Towards the development of globally applicable guidelines. Forest Resources Assessment Working Paper 177. Rome, December 2011.

5. Stepping up EU Action to Protect and Restore the World's Forests (COM(2019) 352)

## Going beyond legality towards more sustainability

A regulation tackling embodied deforestation should also differ from the current EUTR by going beyond legality. Harvesting legally will prevent most of deforestation, but other principles should also complement legality. A few **sustainability criteria could be included** which would cover the environmental and social impacts of the commodity, to match the engagement already taken by businesses through voluntary commitments. Sustainability criteria need to be carefully selected and defined for clarity. Making objective criteria explicit will help companies setting up due diligence in their supply chain and provide more confidence that their system is appropriate for the due diligence legislation.

## The importance of including the regulation in an action plan

An EUTR-like legislation is possible for other commodities, on the condition that this legislation is part of a broader Action Plan with non-regulatory measures to facilitate the implementation of due diligence in supply chains. Regulating market access would only create an incentive for producers to rethink their practices if there are also measures offering the right support in third countries for sustainable forest management.

## 1.3. What kind of due diligence is needed?

In amfori's view, it becomes crucial that any EU-wide legislative system supports and encourages **continuous improvement** by allowing companies to be transparent about how they perform their due diligence, without resulting in exposure to increased risk of litigation, consumer retaliation, or reputational damage.

### Continuous improvement

For products linked to deforestation, **a due diligence approach to tackle the issue rather than a complete ban on the EU market** is essential<sup>6</sup>. A complete ban would risk dropping high-risk suppliers instead of working with them to continuously improve their practices. Such a ban would eventually lead these products from deforestation to be sold in other markets whereas **a due diligence approach would foster continuous improvement through a gradual process in which the company is given time to mitigate the risks of its supply chain and address them**. Not all challenges in supply chains can be overcome immediately, especially when it comes to transforming the business model of most companies and affecting the livelihood of the population in some sourcing areas.

### Due diligence principles

To drive all the efforts the same way and be efficient, due diligence legislation should follow already acknowledged principles, such as the **OECD Guidelines**<sup>7</sup>. The guidelines take a holistic approach to due diligence by encouraging businesses to take responsibility for their social and environmental impact and remediate adverse impacts.

A regulation against embodied deforestation would not only bring benefits to the environment but **also to human rights**<sup>8</sup>. It would protect the land rights of indigenous people and local communities whose livelihoods depend on forests. It could also protect women, who are disproportionately affected by deforestation<sup>9</sup>. To ensure that sustainability requirements are met it will be important to involve civil society, especially locally.

### Coherence with a corporate governance initiative

Given the specific nature of the issue, product-based due diligence requirements for deforestation-free supply chains would be **complementary to a broader horizontal corporate due diligence framework** such as the EU cross-sectorial social and environmental due diligence legislation currently under discussion. Addressing deforestation requires special measures which are not necessary for products in all sectors. To ensure the complementarity of legislation, the EU regulators should explain how the different policies work together and the regulations could reference one another. Coherent and harmonised regulations will enable an easier implementation and enforcement of each piece of legislation individually. Coherence will also be needed with other measures such as the non-binding guidelines of the Non-Financial Reporting Directive or the Taxonomy Directive applicable to financiers and investors.

6. Due diligence here is understood as in the [UN Guiding principles on Business and Human Rights](#): 'identify, prevent, mitigate and account for actual or potential adverse human rights impacts a company may be involved in through its own activities or business relationships'.

7. [OECD Guidelines for Multinational Enterprises](#)

8. See amfori's position on [Human Rights Due Diligence](#)

9. "Rural women in developing countries are still largely responsible for securing food, water, and energy for cooking and heating. Drought, deforestation, and erratic rainfall cause women to work harder to secure these resources" Changing the Climate: Why Women's Perspectives Matter. Women's Environment and Development Organisation Information Sheet 2007, p2

## 2. What can the EU do to support companies?

For companies who do not know where to start and for SMEs who do not have the time, resources, knowledge or purchasing power to collect quality information, exercising due diligence in the whole supply chain will come with challenges. The more complex the supply chain is and/or the more it is based outside the EU, the more difficult it will be for the importer to report on their due diligence. Today, the EUTR is still lacking compliance because SMEs using timber as part of other materials in a product are not aware of the law and do not know how to comply.

Not only would the companies need better visibility of their supply chain, but they would also need to understand the situation in the producing country to assess if the commodity has a negative impact or is breaching local legislation. As part of a deforestation Action Plan, the EU can adopt measures to create the right environment for sustainable businesses to thrive such as partnership agreements and tools for companies.

### 2.1. Create the right business environment through cooperation

#### Partnership agreements

Aside from facilitating the identification of risks in sourcing regions through a carding system, the EU has a strong role in collaborating with other countries, through partnership agreements with sourcing and producing countries. Learning from the Voluntary Partnership Agreements under FLEGT, similar forest agreements could provide **development assistance which supports the changes needed** (such as strengthened enforcement of the law, a land register and land-use planning).

#### Bilateral agreements with other consumer markets

The collaboration with third countries could also go through bilateral agreements or **dialogues with other major consumer markets**, such as China, India, the United States and Brazil, to share lessons learnt, align on deforestation-free requirements and mainstream responsible consumption.

#### The role of trade policy

Additionally, the EU should **strengthen its free trade agreements (FTAs)** and investment agreements with specific clauses on deforestation and on the enforcement of the sustainability clauses. The signing of FTAs could also be conditional on Nationally Determined Contributions (NDCs) of the Paris Agreement that are in line with the 1.5-degree target and specific NDCs in countries where deforestation is increasing.

### 2.2. Provide accompanying measures for operational implementation

#### Voluntary sectorial initiatives

When necessary, voluntary sectorial initiatives, such as the sustainable cocoa initiative<sup>9</sup>, could be developed by the European Commission in collaboration with the private sector. Some commodities such as cocoa, coffee and palm oil might benefit from an add-on to the product-based due diligence regulation and would **address specific challenges** these sectors face, especially regarding the social and economic consequences that tackling deforestation could provoke.

#### Tools the EU could provide

For a better understanding and enforcement of due diligence requirements, the EU could provide tools in the action plan for companies to help them with their due diligence process, such as **training** for them and their supply chain and clear **guidance** on what is expected from them.

Due diligence requirements for all businesses will mean that companies, and especially SMEs, will need to count on existing mechanisms and private initiatives to help them in their due diligence. A **mapping of the different initiatives**, performed by the EU Commission, could be helpful to know where to start. Larger companies could also be encouraged to disclose sourcing through a platform for investors.

---

9. [https://ec.europa.eu/international-partnerships/system/files/2020901\\_eu\\_multistakeholder\\_dialoguepublic\\_final\\_with\\_banner.pdf](https://ec.europa.eu/international-partnerships/system/files/2020901_eu_multistakeholder_dialoguepublic_final_with_banner.pdf)

## Green Public Procurement requirements

Green Public Procurement would also boost the market for deforestation-free commodities. The EU should adopt a deforestation clause as part of the sustainability public procurement criteria. amfori encourages the Commission to quickly make progress in the work on mandatory Green Public Procurement criteria and target sectoral legislation as well as launching the sustainable procurement criteria.

## Conclusion

COVID-19 has postponed the Climate COP 26 and Biodiversity COP 15 and has cast a shadow on the SDGs. We are now in the decade of action for the SDGs. The EU now only has a few months to take the lead on tackling climate change and biodiversity loss in international dialogues. This should be done by creating an action plan that will drastically enhance the ambition of the global negotiations, including reaching a legally binding agreement on biodiversity and increasing the Nationally Determined Contributions of the Paris Agreement.



The momentum is high for a due diligence legislation across all sectors on social and environmental impacts. An Action Plan to tackle global deforestation and forest degradation and its regulation against embodied deforestation to be proposed early 2021, would provide further guidance on how to implement sound due diligence for imported forest-based products.

### amfori BEPI Timber Due Diligence Programme

#### *Map your Timber and Take Action*

The [amfori BEPI Timber Due Diligence Programme](#) sets an in-depth, step-by-step approach for companies to become compliant and gain a greater understanding of their interaction and supply chain with the EU Timber Regulation (EUTR). The amfori BEPI Timber Due Diligence Programme is a four-stage process that allows companies to:



**[For more information, please visit our website or contact us:](#)**

**Email:** [florence.sarrazin@amfori.org](mailto:florence.sarrazin@amfori.org)

**Phone:** +32 (0)2 739 4 831

[www.amfori.org](http://www.amfori.org)