



### Questions and Answers on new rules for deforestation-free products

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#### Why is the EU acting on global deforestation and forest degradation?

The main driver of deforestation and forest degradation is the expansion of agricultural land, which is linked to the production of commodities we import such as soy, beef, palm oil, wood, cocoa and coffee. As a major economy and consumer of these commodities linked to deforestation and forest degradation, the EU is partly responsible for this problem — and it wants to answer the strong call of European citizens to lead the way to solve it.

The Commission therefore proposes a [Regulation to minimise EU-driven deforestation and forest degradation](#). By promoting the consumption of 'deforestation-free' products and reducing the EU's impact on global deforestation and forest degradation, the new rules are expected to bring down greenhouse gas emissions and biodiversity loss.

The [Open Public Consultation](#) launched by the Commission for this legislative proposal gathered more than 1.2 million responses, the second most popular in the history of the EU, and showed overwhelming support from European citizens for EU action to tackle deforestation and forest degradation. Furthermore, the [Standard Eurobarometer Survey of Spring 2021](#) shows EU citizens place the environment and climate change among the most important issues that their countries and they themselves personally face. This initiative will provide a guarantee to EU citizens that the products they consume on the EU market do not contribute to global deforestation and forest degradation.

The proposal is part of a broader plan of actions to tackle deforestation and forest degradation first outlined in the [2019 Commission Communication on Stepping up EU Action to Protect and Restore the World's Forests](#). The European Parliament and the Council of the European Union too asked the Commission to swiftly come forward with effective legislation [references in footnotes]. The EU pursues a comprehensive approach in which supply- and demand-side measures complement each other. It also involves, among other measures, multilateral engagement and dialogue with consumer and producer countries. Combatting deforestation will go hand in hand with creating incentives for a transition toward more sustainable use of the natural resources, contributing to preserving more intact forests, boosting market opportunities for sustainable products, and eliminating unfair competition from unsustainable producers exporting to the EU market.

The Commission will also step up its dialogue with other big consumer countries join multilateral efforts to help halt global deforestation and forest degradation.

#### How serious is the problem of deforestation?

Deforestation and forest degradation are important drivers of global warming and biodiversity loss — the two key environmental challenges of our time. The Food and Agriculture Organization of the United Nations (FAO) [estimates](#) that 420 million hectares of forest — an area larger than the European Union — were lost to deforestation between 1990 and 2020. In terms of net area loss (the difference between area of forest cleared and new surface of forests planted or regenerated), the FAO estimates that the world lost around 178 million hectares of forest cover in the same period of time, which is an area triple the size of France.

The Intergovernmental Panel on Climate Change (IPCC) [estimates](#) that 23% of total anthropogenic greenhouse gas emissions (2007-2016) come from agriculture, forestry and other land uses. About 11% of overall emissions are from forestry and other land use, mostly deforestation, while the remaining 12% are direct emissions from agricultural production such as livestock and fertilizers.

#### What are the main actions proposed in the Regulation?

The Regulation sets mandatory due diligence rules for operators which place specific commodities on the EU market that are associated with deforestation and forest degradation—soy, beef, palm oil, wood, cocoa and coffee and some derived products, such as leather, chocolate and furniture. Its purpose is to ensure that only deforestation-free and legal products (according to the laws of the

country of origin) are allowed on the EU market.

Operators will be required to collect the geographic coordinates of the land where the commodities they place on the market were produced. This strict traceability is meant to ensure that only deforestation-free products enter the EU market – and that enforcement authorities in Member States have the necessary means to control that this is the case.

A benchmarking system operated by the Commission will identify countries as presenting a low, standard or high risk of producing commodities or products that are not deforestation-free or in accordance with the legislation of the producer country. Obligations for operators and authorities will vary according to the level of risk of the country or region of production, with simplified due diligence duties for products coming from low-risk and enhanced scrutiny for high-risk areas.

In addition, the Commission is committed to work with partner countries, including with governments, academia, private sector and civil society, to address deforestation and forest degradation.

The Commission will also engage in international bilateral and multilateral discussion on policies and actions to halt deforestation and forest degradation, including in multilateral fora.

### **What would be the main benefits from this Regulation?**

The aim of the new rules is to prevent deforestation and forest degradation. This would also mean a reduction of at least 31.9 million metric tons of carbon emissions to the atmosphere every year due to EU consumption and production of the relevant commodities, which could be translated into economic savings of at least € 3.2 billion annually.

### **How was the scope of the Regulation defined?**

Six commodities – beef, wood, palm oil, soya, coffee and cocoa – and some of their derived products – for example leather, chocolate or furniture – are included in the scope. These have been proposed based on the findings in the Impact Assessment of the initiative. This analysis aimed to select, building on scientific data and previous research, the commodities through which European production and consumption has been contributing the most to global deforestation and forest degradation. Based on the findings a cost-benefit analysis was conducted to further reduced the selection and define where an EU policy intervention could be more efficient. This selection was done objectively, treating equally commodities produced anywhere in the world, within or outside Europe.

The Commission proposes a progressive scope of the commodities to be regulated, reviewing and updating the list regularly, taking into account new data. This will allow adapting it to changing deforestation patterns.

### **Why is it important to tackle legal deforestation next to illegal?**

The initiative is groundbreaking, showing that the EU wants to lead by example: it takes a decisive step forward by moving beyond illegal deforestation to address any deforestation driven by agricultural expansion to produce the commodities in the scope of the regulation. The reasons are manifold.

First, available evidence confirms that a part of deforestation is legal land use conversion according to the laws of the country of production.

Second, focusing only on legality would make the Regulation rely on the stringency of third countries' rules, potentially encouraging a race to the bottom in countries highly dependent on agricultural exports that may be tempted to lower their environmental protection with a view to facilitating the access of their products to the EU market.

Third, establishing a deforestation definition could facilitate the implementation of the rules and increase their effectiveness.

### **How will the new rules be implemented, enforced and monitored? What is the role of geolocation?**

Companies placing the relevant commodities and products on the market will be required to put in place and implement due diligence systems to prevent the placing on the EU market of products linked to deforestation. They will be monitored and held accountable by enforcing authorities if they fail to comply with the requirements of the Regulation. Companies will need to submit a statement to a European information system confirming that they have successfully exercised due diligence and that the products they place on the market are compliant with EU rules. This statement will also provide essential information for monitoring, namely the geographical coordinates of the farm or plantation where the commodities were grown.

## **How will the due diligence system work in practice?**

The new rules will require operators that place relevant commodities or products for the first time on the EU market to exercise due diligence in order to be able to ensure that:

- a) Those commodities and products have not been produced on land deforested or degraded after 31 December 2020;
- b) they have been produced in accordance with the laws of the country of production.

Not meeting either of the two requirements will result in a prohibition to place those products on the EU market.

As part of their due diligence systems, operators will have to go through three steps.

As step one, they would need to ensure access to information on, amongst others, the commodity, quantity, supplier, country of production, etc. A key requirement, in this step, is to obtain the geographic coordinates of the plots of land where the commodities they place on the market were produced. As deforestation is linked to land-use change, monitoring deforestation requires a precise link between the commodity or product placed on the EU market and the plot of land where it was grown. Using geolocation coordinates is the simplest and most cost-effective way of obtaining the necessary geographic information for authorities to be in a position to check whether products and commodities are deforestation-free. Combining geolocation with remote monitoring via satellite images is expected to boost the effectiveness of the Regulation.

In step two, companies will need to use the information on the plots of land used for producing the commodities to analyse and evaluate the risk in the supply chain.

In step three, they will need to take adequate and proportionate mitigation measures.

## **What impact will the new rules have on European companies?**

The Regulation sets common rules for any company – from the EU or from abroad – placing the products covered by the scope on the EU market. The Impact Assessment backing the proposal estimated the costs of compliance for companies to set up and operate their due diligence systems. These costs are lower than the expected benefits of the policy intervention. In addition, the proposal foresees long adaptation periods for enterprises, and specifically micro-enterprises, to be able to adapt to the changes required.

Economic operators will be subject to the same requirements in order to clean up their supply chains from products provoking deforestation and forest degradation, fostering fair and sustainable market competition. The benchmarking system will facilitate the job of the operators by identifying low risk countries. Sourcing from those will only require simplified due diligence.

## **What will the new rules mean for producers outside the EU?**

The Regulation will guarantee that domestic and imported commodities are measured by the same standards. There will be no ban of any country or any commodity. Sustainable producers will continue to be able to sell their goods to the EU. Demand for 'deforestation-free' products is expected to grow in the EU – thereby boosting sustainable businesses and business models across the world. 'Deforestation-free' is defined as the condition of the goods produced on land that has not been subject to deforestation or forest degradation after December 31, 2020.

Moreover, the new Regulation will be implemented hand in hand with other measures including support to producing countries. The Commission is proposing [Forest Partnerships](#) to help partner countries improve forest governance and create socio-economic opportunities for the populations through sustainable value chains.

## **What will be the role of Member State competent authorities?**

EU Member States will be responsible for effective enforcement, ensuring that companies implement the Regulation properly. The proposal sets minimum inspection levels – higher in the case of high-risk countries – dissuasive sanctions, mandatory exchange of information between customs and other authorities, and an obligation for enforcing authorities to react to substantiated concerns raised by civil society.

Member States authorities will be able to use a new digital system ('the Register') which will centralise relevant information on the commodities and products placed on the EU market, such as geographic coordinates and country of production, with a view to increasing the effectiveness of the policy intervention. Anonymized data of this system will be available to the wider public in order to foster transparency.

## **How will the Commission support partner countries abroad to ensure the uptake of the new rules?**

Commission's approach to forests and forest communities is holistic and comprehensive, and advances sustainable development.

The Commission has pledged € 1 billion to facilitate protection, restoration and sustainable management of forests in the partner countries, for the benefit of people, climate and environment. The Commission is committed to help partners to reduce deforestation and forest degradation, by supporting them to strengthen forest governance, develop legislation and foster capacities. The Forest Partnerships, a new development cooperation tool, will tackle deforestation as one of its objectives. Acknowledging that one size does not fit all, Forest Partnerships will be tailor-made for partner country needs.

Attention will also be paid to increase the transparency of supply chains, while taking into account the rights of forest dependent communities and indigenous peoples as well as smallholders' needs.

In addition, the Commission will engage in bilateral and multilateral discussion on policies and actions to halt deforestation and forest degradation.

### **For more information**

[Press release](#)

[Factsheet](#) on Deforestation

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