

Position Paper on stepping up EU action on deforestation and forest degradation

INTERHOLCO welcomes the European Union's willingness to develop a more coherent and comprehensive approach to combat deforestation and forest degradation, and the ongoing public consultation open to 'all individuals and organisations'.

Maintaining natural forests is not just everyone's choice but also, everyone's responsibility, bearing consequences for biodiversity, climate change, the rights and livelihoods of forest inhabitants (local communities and indigenous peoples), rural development, economic growth and many other aspects holistically integrated and addressed in the United Nations Sustainable Development Goals (SDGs).

Hundreds of millions of people depend in their livelihood directly or indirectly on forests. Forests thus comprise not only an important *environmental* landscape, but also a major *social* landscape and an *economic* landscape able to deliver towards the expectations of a broad range of local, national, regional and international constituents.

The contribution of forest concessions in which SFM is certified to occur, extends far beyond a bio-geographical landscape to include:

- **forest landscapes**, in which precious biodiversity and globally crucial environmental services are safeguarded;
- **social landscapes**, in which local communities and indigenous peoples enjoy social benefits and human rights, including the implementation of Free, Prior and Informed Consent and the ability to present grievances via an established mechanism; stable, peaceful communities are less likely to join migration flows, which, depending on scale, may turn into humanitarian crises;
- **economic landscapes**, in which business is viable, sustainable, responsible and based on renewable resources such as, timber;
- **regulatory landscapes**, in which product information is traceable, transparent and publicly available as well as mindful of existing legal frameworks and international conventions.

Focus on deforestation-free supply chains alone is far from being the solution: surging commodity demand would ultimately lead to deforestation taking place ('leakage effect') in other countries and by producers and companies that are not as sensitive to deforestation and forest-degradation.

Equally difficult is to compromise one landscape for another, i.e. conserving the environmental landscape based on a bio-geographical definition, at the expense of the *social* landscape (employees, local communities, indigenous peoples, each with their rights); the *economic* landscape (regional, EU and global markets relying on accountability and transparency to meet consumer demand) and/or, the *regulatory* landscape (respect of governance and rule of law).

Intact forests can only be protected, managed, rehabilitated and ultimately maintained if all landscapes (i.e. environmental, social, economic, development and regulatory) are considered, promoted and implemented equally, and more importantly if implementation of different landscapes in forests is more valuable to all constituents than alternative land uses.

In Focus: clear political, financial and economic incentives

Forests, forest protection, forest rehabilitation and forest management are less attractive for development to local, national, regional and/or international constituents than alternative land uses.

In other words, forests can only be protected from land use conversion if they are made substantially more attractive for all constituents – not only environmentalists but also people living in and from forests and economic actors (forest managers, investors, market partners, etc.); and if at the same time alternative land uses are made less attractive.

An example may illustrate this. Currently, it is quite easy to raise investment for land use conversion and alternative land uses, and find well-paying markets worldwide for agricultural products such as soy, palm oil and/or beef. At the same time, it is practically impossible to locate investment for, and re-finance sustainable management in natural forests, especially in the tropics and/or find well-paying markets, which reward its social, environmental and economic compliance and the wide range of development benefits it provides, along with maintenance of the forest estate.

Therefore, any approach by the EU to combat deforestation and forest degradation must provide **clear political, financial and economic incentives** for forest protection,

for forest rehabilitation and most importantly for socially, environmentally and economically compliant forest management and products.

Key areas for action

Management of forests – especially natural forests and especially tropical forests – is environmentally and socially superior but economically inferior to any other land use. In a world economy which is measuring viability almost exclusively as return on investment, this economic inferiority of managed forests vis à vis other land uses, is the key challenge which must be addressed and reversed if forests are to be maintained for future generations at a relevant scale.

Management of forests for protection, rehabilitation and/or timber or non-timber forest products must be made politically and economically more valuable, so that it can compete with other land uses on a level playing field.

For optimal impact of the EU's contribution to reducing deforestation and forest degradation, INTERHOLCO:

- a. Recommends the EU to treat Sustainable Forest Management¹ as a priority instrument to protect and rehabilitate forests and manage for timber and non-timber forest products.** Forest concessions where SFM is certified, help prevent illegal logging and irreversible forest loss (deforestation) arising from forest conversion to other land uses, such as plantations, agriculture, pasture for cattle grazing. According to the Food and Agriculture Organization of the United Nations (FAO) approx. 80% of all deforestation, especially in tropical countries, is due to conversion of forests to alternative land uses; less than 10% are the result of mining, urbanisation and infrastructure development.

Any approach to reduce deforestation and forest degradation needs to be (1) based on clear commitments and strategies to enable investment in and re-financing of forest management – i.e. forest protection, forest rehabilitation and management for timber and non-timber forest products, and (2) complemented with clear commitments and strategies to promote products and services from forest management in local, national, regional and international markets.

¹ The United Nations describes SFM as: “[a] dynamic and evolving concept [that] aims to maintain and enhance the economic, social and environmental values of all types of forests, for the benefit of present and future generations”. Source: <http://www.fao.org/forestry/sfm/85084/en/>

Strategies (1) and (2) above need to be complemented with clear commitments and rigorously enforceable approaches to discriminate in the market place against forest products/services, which are not socially, environmentally and economically compliant.

In light of which, INTERHOLCO:

- b.** Recommends the EU to promote 'sustainable' (not merely 'deforestation-free') value chains by supporting sustainability certification of accountable and transparent companies. Third-party assurance remains the most credible approach to validate claims related to achieving sustainability outcomes and is essential for substantiating deforestation-free claims or in other high-risk situations. Public disclosure requirements across a number of significant categories and against commodity-relevant indicators could be adopted as a reference framework to increase credibility.
- c.** Recommends legislative action, in which EU countries lead by example from due diligence regulation of products on the EU market to public procurement policies preferring products that give value to more dimensions/more landscapes than one (as described under point **a.** above).
- d.** Recommends a system of accountability that can deploy both incentives and disincentives for key commodities, for instance market bans, restrictions, taxes and sanctions, based on the degree of forest-risk; or market access facilitation, financial incentives, tax reduction/exemption, based on the number/breadth of environmental, social, economic and regulatory benefits yielded across the sustainability spectrum.
- e.** Encourages a shift to reduced meat and dairy product consumption towards healthier, more balanced diet regimes, hence to reduce deforestation, as the need for land is much higher if agricultural products are used for animal production.
- f.** Supports renewable energy provision, which is not based on agricultural commodities or produced on agricultural lands, which in the tropics often occurs on deforested areas – for instance, 50% of all palm oil imported in the EU is used for bio-fuels.

Critical in the approach suggested to the EU above is that not only products/services are addressed, but that strategies include approaches to address investment and financial streams.