

FEDIOL position on how to address deforestation

1. Background and issue from a crushers and refiners perspective

In the fight against climate change, it is of major importance to restrict global warming to 2°C above the pre-industrial levels, as well as to preserve biodiversity and wildlife habitats and protect forests. The scale of deforestation and forest degradation, in particular tropical and rain-forests have drawn considerable attention and legitimate concerns regarding the future of the planet. The drivers of deforestation and forest degradation include illegal logging and mining, urban sprawl, land speculation, agricultural expansion, inadequate land and forest management rules, wildfires and natural diseases. Tropical oils, such as palm and coconut oils, but also soybeans and their derived products, have come under the spotlight of deforestation allegations.

Three years after the initial discussion based on the commissioned study released in 2013, the European Commission has put deforestation back on its agenda with the launch of a feasibility study on a possible deforestation action plan.

Conscious of their role, private sector actors have engaged in the issue over the decade by trying to set objectives and define criteria for good practices for their supply chains in order to preserve land considered of high value for biodiversity and carbon storage. The EU vegetable oils and protein meal industry uses on average¹ the following imported raw materials:²

- about 6 million tonnes of tropical oils (palm oil, palm kernel, coconut oils) that are refined by FEDIOL companies;
- 8 million tonnes of soybeans from Brazil and Paraguay, out of the 14 million tonnes of soybeans imported and crushed in Europe to complement EU demand.

2. EU 2013 study and assessment of deforestation based on 1990-2008 data

The study commissioned by DG Environment and issued in 2013 assessed the situation with regard to deforestation as well as the drivers and acknowledged that “*no one-to-one relationships exist between drivers of deforestation and deforestation, and neither do these kinds of relationship exist between deforestation and the consumption of food and non-food commodities and manufactured goods*”.

¹ 5-year average

² It is clear that the leverage lies increasingly in other parts of the world: for instance, as regards soybean, China represents the largest share with more than 80 million tonnes of imported soybean, covering more than 60% of global soybean imports - a figure which is almost six times higher than EU's imports (Oil World, 2015)

Building on the deforestation statistics of the period between 1990 and 2008 and assuming that historical trends are simply continued, the study arrived at the conclusion that the cultivation of vegetable oil crops plays a decisive role in deforestation. In trying to quantify at commodity level the impact of the EU consumption on deforestation, the study suggested certain policy measures and offers a long list of policy proposals aimed at reducing deforestation.

Decisions should be taken on the basis of up-dated facts and knowledge with regard to drivers of deforestation in the origin countries.

The situation has drastically evolved over the last 8 to 10 years, in terms of changed legal framework and enforcement, leading in certain cases to an inconsistency between the EU allegation of deforestation and the actual situation. This is problematic with regard to the efforts undertaken by third countries and can lead to misperception and discrimination. Over the same period, many initiatives from the private sector, including moratoria, sustainable sourcing etc. have been introduced, which should be acknowledged (see annex II). FEDIOL would call for either an up-date of the deforestation study or at least an integration of more recent deforestation data in EU language.

3. FEDIOL's views on how to drive changes in our supply chains: constraints and opportunities

a. Sustainability objectives are best addressed by the development and enforcement of local environmental laws

Addressing the EU's responsibility in global deforestation is best possible through encouraging the development, effective implementation and enforcement of environmental laws and regulations in third countries. Preventing deforestation and protection of biodiversity falls under the jurisdiction of each country, where the EU could do more by engaging in dialogue with third countries to help them develop capacities and implement good agricultural practices and environmental land use criteria. Indeed capacity building for national legal enforcement is a necessary step to ensure prevention and conservation. EU development cooperation should offer appropriate support to assist partner countries improving the situation on the ground, but requires a better coordination of aid and cooperation programmes.

b. The use of forest mapping and real time satellite imagery with monitoring can help fighting illegal deforestation and degradation

Forest administrations are struggling to retain influence, and reconcile conflicting maps of forest and agricultural cover. Initiatives such as from the World Resources Institute (WRI), by the Global Forest Watch or by Global Risk Assessment Services (GRAS) combine satellite technology, supply chain information, online registration platforms and new analytical methods to measure forest change. These tools can be extremely effective for private sectors to assess deforestation risks and drive sourcing decisions and for government administration to identify illegal activity and act immediately upon clearing alerts.

c. Certification schemes can be useful to kick-start or speed up the transition towards a 'new normal' of sustainable mainstream supplies, but cannot represent a long-term or a generally applicable solution

Multi-stakeholder platforms, like RSPO and RTRS, which have developed into certification initiatives, as well as private companies' sustainability schemes, have played a role in improving the sustainability of supply chains and in increasing the consciousness of all actors involved.

Nonetheless, changes in a supply chain take time and driving change through niche market developments is not necessarily the most cost-efficient way forward for our supply chains and for the EU consumers. The goal for commodity processors, like the vegetable oil industry, is to achieve change in mainstream supply by establishing a 'new normal'. Experience has shown that certification schemes can help build an initial trust but should not be adopted as a long-term market solution by a government as they may have a detrimental impact, by increasing the operational costs and reducing the economic viability of agriculture in some cases. This is especially true for certification schemes designed for a single crop. Moreover, without a sufficient number of farmers signing up to the sustainability criteria of the schemes, it proves difficult to make the private initiatives successful or supply chains more sustainable. Indeed, certification schemes are frequently not accessible to smallholders, who however make up a consistent proportion of the farm sector.

A more effective measure could be the application of a landscape approach over specific areas, aimed at assessing the overall impact of different activities such as agriculture, mining and other productive land uses including all relevant stakeholders (industries, sectors, municipalities, governments).

d. The issue of deforestation is best and more effectively tackled in a comprehensive approach rather than with a "crop-wise" approach

The 2010 report on deforestation in Indonesia found that "large scale industrial logging and illegal logging operations are mainly to blame for deforestation in Indonesia"³. However, once the forest land is cleared by illegal logging, it is left open for agriculture to expand or local populations to settle, making the identification of drivers of deforestation indistinct.

Ideally, it requires the setting of a legal framework and enforcement of environmental legislation taking into account all other agricultural activities as well as other drivers of deforestation, such as from non-agricultural activities and industries, including illegal logging and mining. The upscaling of landscape approaches could be explored as an effective alternative.

e. What works in one supply chain may not be appropriate for another supply chain

The one-size-fits-all approach is likely to prove inappropriate, considering the complexities of different supply chains and of the situation in origination countries. We should beware of extrapolating positive experience in one sector to all sectors.

f. Use closer trade relations to promote a value-based agenda

The approach outlined in the *Trade for All* Commission Communication of 2014 highlighted the importance of using trade policy to promote social and environmental pillars of sustainable development. Trade and Investment agreements should include a chapter on sustainable

³ 2010 Report by Greenpeace: <http://www.greenpeace.org/usa/Global/usa/report/2010/2/indonesian-deforestation-facts.pdf>

development and the conservation of national resources. Similar to the GSP+ approach acting as an incentive, the benefit from preferential access could be provided to countries implementing laws for the protection of forests.

g. Informing the consumer about the environmental performance of a product is burdensome for the chain and ineffective

Obliging products to bear information about their alleged impact on forests would require goods to be accompanied by specific information throughout the supply chains. This would mean identity preservation of the goods from farm to fork, with heavy implications on the costs throughout the supply chains and the final products of consumers. It would fundamentally affect the whole supply and logistic model of our industry by introducing inefficiencies. The chain would become substantially less effective in responding to market demand, in dealing with inevitable supply variations. But more importantly, it would not be effective in addressing the real issue. Actions on the European market cannot replace enforcement authorities; they can only complement up to a certain extent the actions at a local governmental level.

h. Introducing mandatory sustainability requirements for food products would not necessarily have an effect on the root cause of the problem and would put all burden on all supply chain players

Complying with sustainability criteria would require proving sustainability, probably through certification. This would have heavy implications on the whole supply chain, increasing costs and administrative burden.

The setting up of a baseline for sustainable crops has been suggested, yet we are still missing definitions on a number of important concepts, such as “forests” and also “deforestation”. There are numerous sustainability systems in place reflecting different degrees of advancement on the path to sustainability, but also different definitions for forest protection. While we are aware of the initial idea of a baseline, we would worry about the fact that, if several different baselines were established, this might cause confusion.

Annex I to this position paper provides FEDIOL’s quick preliminary assessment of many different policy measures that have been raised in this context. This can be the basis for further engaging in discussions with stakeholders and authorities.

4. Conclusions

FEDIOL welcomes the European Commission further reflection on the feasibility of a deforestation action plan and believes that decisions should ideally be based on up-dated facts and knowledge with regard to drivers of deforestation in the origin countries.

FEDIOL firmly believes that sustainability objectives are best addressed by the development and enforcement of local environmental law and the issue of deforestation more effectively tackled in a comprehensive approach rather than with a "crop-wise" approach. Overall, potential policy measures should be assessed on their effectiveness to addressing the issue and on their impact on supply chains.

Annex I – Preliminary assessment of possible policy measures

This preliminary assessment of potential options to support a deforestation agenda identify the objective, describe how to achieve this, possibly provide a short comment and gives an assessment of whether FEDIOL considers the measure to be helpful to sustain efforts that are made.

	Measure/objective	Comment/How	How helpful
1	Support legal framework in origin country	Through development aid and cooperation programmes	+++
2		Through regulatory cooperation on the concept and basic definitions related to “sustainable production” and “forests”	++
3		By putting emphasis on the legality of products that are used and exported <i>This allows for a comprehensive approach rather than crop specific</i>	++
		Through the use of payments for environmental services and REDD+ financial means as incentives to improve the forest and land-use governance	+++
		Through extension of FLEGT to include other crops <i>It would have to be assessed whether crops are suitable for such system; the legality aspect is positive, but the third party certification would be problematic</i>	+/-
4	Use trade agreements to support sustainable development	Formulate a sustainability chapter in trade and investment agreement	+++
5		Link trade liberalisation to the achievement of non-deforestation objectives either through legal compliance	+++
6		Explore large-scale landscape approaches as a possible alternative to legislation	++
7		Provide tariff reduction or suspension to products meeting a specific standard - <i>This has the inconvenience to discriminate products from the same origin and its would rely on endorsing certification schemes</i>	NO
8	Mandatory sustainability criteria for food	By extending mandatory sustainability criteria of biofuels to food Through certification of all food crops along the sustainability criteria – <i>This approach makes no sense as it would require certification throughout all supply chains; and foods would have to meet emissions reductions criteria and would be benchmarked towards fossil fuels;</i>	NO
9		Through introduction of specific sustainability criteria for food certification of food crops – <i>It would be particularly heavy to require all food crops to certify that they are sustainable</i>	NO
		Through turning voluntary schemes into mandatory requirements	NO

		<i>Same problems as above</i>	
10	Inform on forest footprint or environmental performance	Through introduction of mandatory labelling provisions to be put on the product - <i>This will oblige a crop and product to carry information throughout the chain with heavy implications on costs and efficiency of the supply chains</i>	NO
11	Defining a baseline for sustainable crops	Would require agreement on key definitions first <i>It could be a useful reference</i>	+
12		(Develop and) use and promote internationally agreed definitions and concepts	++
13	Public procurement	Through EU wide guidelines that are implemented in MS <i>It requires definition of "sustainable"</i>	++
14	Support to voluntary initiatives (roundtables)	Through public awareness raising of initiatives in form of a private-public partnership (along the Amsterdam declaration) <i>Can be helpful, but again promoting certification schemes is not necessarily the prime objective for authorities and is not sufficient to effectively tackle deforestation</i>	+
15	Mapping of zones	Through satellite imagery - <i>This would help companies undertaking a deforestation risk assessment for their sourcing, in the absence of a fully enforced forest protection legislation</i>	++
16	Taxation and de-taxation	Through different taxes applied upon marketing of a sustainable or non-sustainable product in the EU <i>This is discriminatory, raises questions as to the definition and has limited effect on actual deforestation</i>	NO
17	Moratorium	Through company driven ban of products entering the supply chain <i>This proves effective as long as law is not fully implemented, but only on that crop and it entails heavy management</i>	+/-
18	Origin labelling	Through indication on the product <i>This makes no sense as the origin does not provide for the moment any guaranty of the sustainability</i>	NO

Annex II – Recent trends in specific supply chains

Soybeans - Brazil deforestation figures in the Amazon Biome

In Brazil, deforestation associated with soy production in the Amazon Biome has considerably reduced since 2006, due to coordinated action of public authorities and private initiatives. The implementation of the Soy Moratorium helped stop deforestation related to the cultivation of soybeans. Monitoring of the Moratorium shows that between 2007 and 2015, only 0.84%⁴ of the accumulated deforested areas in the Amazon Biome were planted with soybeans. In 2012, Brazil adopted a national law⁵ that explicitly prohibited illegal deforestation in the Amazon and provides tools to ensure that this does not occur.

**SOY MORATORIUM
MONITORING - DATA ACCUMULATED 2008-2015**

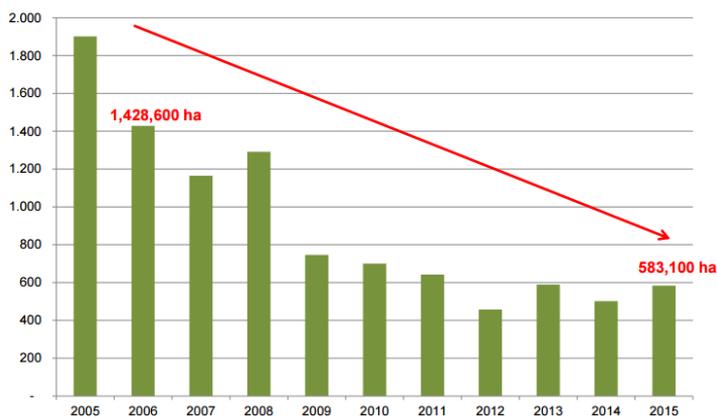


STATE	2008/2015 (ha)
MATO GROSSO	21,887
RONDÔNIA	1,159
PARÁ	5,722
TOTAL	28,768

In the 2014-2015 crop soybeans have been identified on 28,768 hectares of accumulated deforestation since 2008.

These 28,768 hectares in non-conformity with the Soy Moratorium correspond to 0.84% of Amazon Biome deforestation.

Deforestation rate in the Amazon Biome over the last ten years, in 1,000 hectares

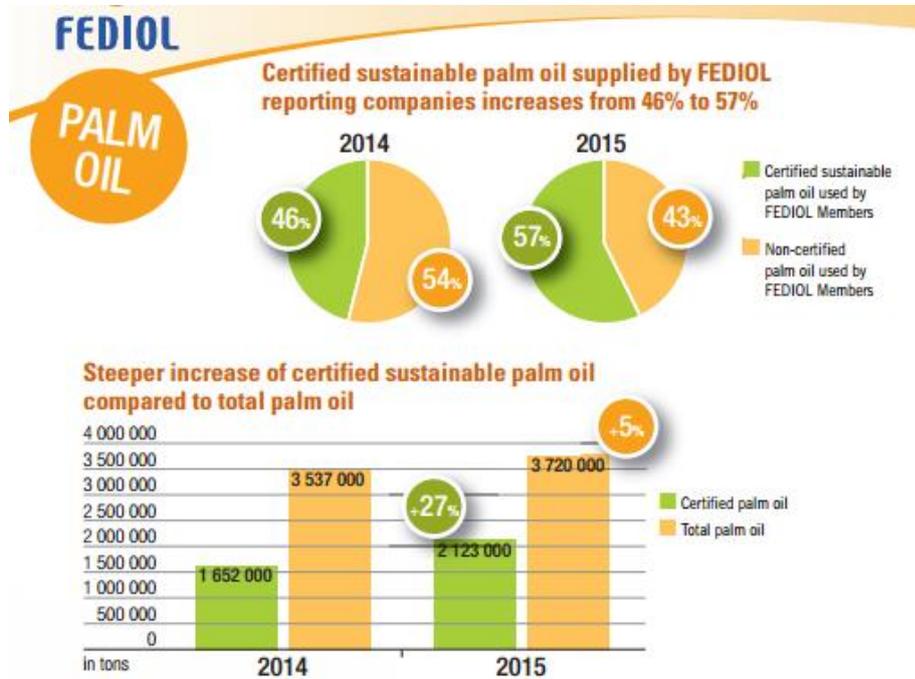


Source: INPE, 2014

⁴ ABIOVE – insert reference
⁵ Brazil National Forest Code

Palm oil – Trends in the EU and in one origin country as example

FEDIOL has started monitoring the share of certified sustainable palm oil used by the refineries in the EU, which reached 57% in 2015.



In South East Asia, tropical forests and biodiversity came under the threat of deforestation with the demographic and economic developments in the region. There are remarkable differences in deforestation and environmental protection within the region. Malaysia, as a major palm oil producing country, is one of the emerging examples of improving sustainability and natural habitat protection. The Malaysian National Agricultural Plan allocates plantations permits to investors and farmers for palm oil production, which are regulated by over 15 socio-environmental laws. Moreover, in 2012 Malaysia stepped up its efforts to protect tropical forests by becoming a partner of the UN-REDD Programme.