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FEDIOL contribution in light of discussions around a potential deforestation action plan

1. Introduction

Reducing and halting deforestation is a critical objective for meeting climate change and biodiversity objectives.

For over a decade, FEDIOL members have been contributing to efforts to move supply chains towards more sustainable practices, mainly in the palm oil and the soybean sectors. These efforts show positive results, but need to be sustained more broadly and reinforced to achieve the change and impact needed to achieve climate, forests and biodiversity objectives.

Currently, when certain actors call on the European Commission to come up with an action plan, FEDIOL reflects on those tools that could support voluntary business initiatives effectively.

For FEDIOL, this action plan can and should be in line with the Sustainable Development Goals. Ending deforestation is key to a number of these goals, together with the need to work towards valuable and sustainable supply chains and bearing in mind the socio-economic benefits this can bring to producing countries as well.

2. Industry's voluntary activity

The vegetable oil and protein meal industry is actively engaged in initiatives and commitments aiming to remove products at risk of causing deforestation from its supply chains. Over the last decade, in the absence of enforced local forest protection laws, many corporate pledges have been made mainly with a view to providing a response to the deforestation and peat land expansion problem.

- Companies active in Latin America have been involved in setting up the Soy Moratorium in the Amazon Biome. They have also adopted specific soy sourcing strategies that exclude deforestation from their supply chains (for example, through "go/no go approaches"). They regularly engage in discussions in multi-stakeholder fora such as the Brazil GTS (Soy Working Group) on how to achieve a balance between agricultural production and conservation in the Brazilian Cerrado.

- Companies active in South-East Asia have implemented sustainability criteria to meet the standards set for palm oil according to RSPO or ISCC certifications codes. Many are implementing NDPE policies (No Deforestation, no Peat, no Exploitation) in response to requests made across the chain to suppliers to refrain from clearing forests and peatland for new oil plantations.

It should be highlighted that certifiable standards can provide assurances as to the compliance with sustainability criteria. These systems are relevant in driving and accelerating change in a supply chain, but they have their limited reach. Other approaches are being developed which can serve certain countries' and markets' situations and can reach the necessary objectives.

Corporate no-deforestation pledges are delivering positive results. Since the implementation of the Soy Moratorium in 2006, deforestation due to soy production has reduced considerably and represents cumulated only 1% of the deforested area in the Amazon Biome¹. Palm oil imported into Europe for further refining and processing is increasingly certified sustainable and traceable². Companies applying NDPE policies in Malaysia and Indonesia operate a combined total capacity per year which represents 74%³ of the total capacity in these countries and in the rest of the world NDPE policies are estimated to cover 65% based on refinery counts. This being said, the palm and soy supply chains have important differences, making an equal treatment or approach inappropriate.

Implementation of certification schemes and corporate initiatives to reduce or eliminate deforestation can be effective within areas of influence but, in presence of different drivers of deforestation, commodity-specific actions cannot solve this at the scale needed across current and future production areas and cannot ultimately substitute governments' ability to change production practices.

The role of the EU could be to accelerate the numerous existing private initiatives by setting momentum and designing a policy framework focused on a coherent design of different policy tools. One of the critical questions today is about how to provide incentives for owners of forests and intact habitats land and owners of degraded habitat land to combine efforts to intensify agriculture in the degraded areas and both expand/retain agricultural production potential without destroying pristine habitats.

Responding to today's challenges would be particularly supportive of both governments and private players to shape a sustainable future. Public authorities have a role to play in driving or accompanying this fundamental change.

¹ ABIOVE presentation at 25 October Roadshow in Brussels. NB: INPE estimates the 2017 overall deforestation in the Legal Amazon region to be 6.624 ha, down 16% from the previous year and down from 12.000 in 2008

² 2016 FEDIOL palm oil monitoring showing that 60% of the approximately 3.6 million tons of palm oil getting into European refining plants of FEDIOL and the volumes of palm oil and palm kernel oil that were traceable reached 96%.

³ Chain Reaction Research as a collaborative effort of Aidenvironment, Climate Advisers, Profundo, "Unsustainable Palm Oil faces Market Access Risk: NDPE sourcing Policies Cover 74% of Southeast Asia's Refining Capacity", November 1, 2017,

3. Elements for EU action to tackle deforestation

3.1 Cooperative approach is needed

It is important to understand that tackling deforestation requires cooperation and joint efforts between governments and public administration in origin countries and in destination markets. With the involvement and active support of authorities, actions engaged by private players can reach more comprehensive and lasting results and benefit from a multiplier effect, achieving better visibility and gaining momentum.

In origin countries, this implies enacting the right type of legislation for promoting production and also protection of natural habitats. This also requires, at the same time, that legislation be set up and enforced and governments have the power, the capacities and the tools to act effectively against offenders.

In destination markets, this entails a strong voluntary cooperation of all players in the chain including governments around shared objectives and responsibilities, enhanced visibility, but also political support to create and sustain the commitments to change.

A government-to-government discussion is needed and can take place bilaterally and in international fora around an agenda that should be adapted to each country. Ultimately, if the EU considers that the local rules in a producer country are not appropriate, simply imposing stricter rules on the trade flows that reach the EU market may only trigger a shift in trade flows, while doing little to improving the rules and conditions of production overall. On the contrary, there is need for the European Commission to engage in a dialogue allowing sustainability to be discussed, but also to work with governments on other aspects that are more prominent on their agenda, such as poverty alleviation and economic development.

FEDIOL considers that the priority should be set on legal compliance with national or local rules as an imperative step in countries of origin. In case no legal framework exists, the setting of regulatory requirements may have to be supported. Depending on the stringency of local laws with regard to land-use changes, we recognize that this may require chain players to apply stricter rules and to go beyond legality. Different approaches are already being pursued, such as in landscape or jurisdictional approaches, but the involvement of other players, ideally all the players concerned, is again imperative. As highlighted in a recent letter of support to the Cerrado Manifesto⁴, companies involved cannot achieve this on their own and need governments, other supply chain actors,

⁴ 23 global companies including Ahold Delhaize, M&S, McDonalds, Nando's, Tesco, Unilever and Walmart launched on 25 October a [‘statement of support for the objectives of the Cerrado Manifesto’](#) and commit to working with local and international stakeholders to halt deforestation and native vegetation loss in Brazil's Cerrado.

investors and civil society to share these goals and develop the policies needed to steer all actors towards a more sustainable land use pathway.

3.2 Support producer countries through financial aid and know-how

It is most effective to act at origin, as broad scale as possible, for addressing deforestation. The objective is to ensure that appropriate legislation, notably on environment, is not only designed but also implemented and enforced.

However, the situation may vary considerably from country to country. Hence, the specific countries' needs should be taken into account and may trigger different types of support, such as for economic and social development of rural populations, technical or legal assistance, support to improve the governance and the capacity of relevant public authorities, etc.

In countries involved in the enforcement phase, like in Brazil, the availability of sophisticated tools to monitor implementation can be of interest. Satellite imagery, for instance, represents one of the innovative and effective tools allowing to monitor land-use situations and observe, in nearly real time, land-use changes that are taking place. This has been used as a basis for governments to proceed against unlawful behaviour and for private companies to verify compliance with no-deforestation pledges. Support by the EU in this field could prove beneficial, as these systems are costly to set up and require capacity both for data processing and to enforce legal environmental provisions.

Chain actors in countries or regions wishing to apply even stricter land-use rules, beyond legality, find it difficult to provide the means for compensating farmers for maintaining the natural habitat and not converting it into usages that deliver revenues. Attempts to create appropriate systems able to remunerate non-conversion based on criteria such as carbon sequestration or enhanced biodiversity are being developed and would spur further advancements in this area.

3.3 Ensure that sustainability objectives and tools across the different EU policies are coherent

The EU has a comprehensive set of policy initiatives targeting climate and sustainable development objectives further to other goals, such as those related to consumer protection and health, that EU laws are pursuing. Existing initiatives and policies including those around the Common Agricultural Policy, the European strategy for the promotion of protein crops, the Renewable Energy Directive, the Product Environmental Footprint, GMOs, Plant Protection Products, the Waste Framework Directive, the Trade for All strategy and sustainability requirements in free trade agreements - for instance - all have a role in tackling deforestation and setting sustainable sourcing objectives.

Within this very complex framework of initiatives, proposing a distinct new legislation focused exclusively on deforestation and commodities would only introduce restrictions on imports to the European Union and raise the question

as to the proportionality of these measures and their effectiveness in achieving the policy objective. Moreover, an EU regulatory framework with mandatory provisions would put the whole burden of compliance on the chain players, while hardly having the desired and required impact in origin countries; it would make products more expensive for Europe, without solving the problem, since the global demand for that commodity would continue and other players would simply fill in the gap.

Governments should build on and ensure coherence between different existing policy tools, such as public procurement, trade agreements and policy, development cooperation, etc, to integrate more systematically the concept of reducing/avoiding deforestation impacts. This would support private initiatives and strengthen sustainable supply chains.

3.4 EU Commission's role in achieving internationally agreed definitions

Rather than setting new definitions, the Commission could support the existing work and push for achieving and making use of internationally accepted definitions for sustainable land management, forests, forest degradation and deforestation. This would avoid disputes over the use of different concepts which are creating confusion and distrust.

4. Conclusion

Based on the extensive experience of its members in enhancing sustainability across their palm oil and soybean supply chains, FEDIOL recognises that tackling deforestation requires collaboration, joint efforts and dialogue between all parties involved, including governments and public administration. FEDIOL would support an EU action plan to tackle deforestation, if that could provide value added to the already existing private and public initiatives. This could include:

- A government-to-government discussion with key producer countries, in a collaborative mode, rather than as a confrontation. Considering the impact of any action taken at the level of production, such dialogue should take place around an agenda that should be adapted to each country's needs and situation;
- Visible commitments from public authorities and, where possible, support for actions engaged by private players in order to achieve more visibility and help gain momentum more comprehensively towards those chain players who feel less concerned by the issue at the moment;
- The development of or the contribution to innovative fiscal measures that would offer land-owners an alternative to clearing pristine forests;
- A screening of main EU policies to assess whether they support deforestation reduction objectives, with a view to ensuring coherence between different policies;
- A support for international convergence and recognition and use of relevant concepts and definitions.