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## **EURACTIV op-ed: How can the EU Contribute to Global Deforestation Reduction?**

**EU action on tackling deforestation is urgently needed, as rising demand for commodities is exacerbating pressure on land worldwide. To have an impact on deforestation rates, the EU cannot act alone nor focus exclusively on cleaning its own supply chains.**

In 2021, the European Commission took the important step of responding to the European Parliament's call to address EU driven deforestation by adopting a Proposal for a Regulation on deforestation-free supply chains. Yet if the EU wishes to make a difference in driving global deforestation rates down, it will need to engage with producing countries to address the root causes of deforestation, from forest governance to poverty. Just as importantly, to have meaningful impact on halting deforestation the EU must look beyond the cleaning of its own supply chains and ensure there are accompanying measures in place to maintain positive action in producer countries.

As the EU co-legislators work towards reaching an agreement on this Regulation, many critical points need to be properly understood and addressed if the Regulation is to be successful in delivering benefits to the environment, producers, and consumers alike. Ultimately, the Regulation should contribute to halting deforestation worldwide, ensure that high risk regions and vulnerable actors are not left behind, and promote sustainable long-term food security.

### **Traceability: an end or a means to an end?**

The Commission has made geolocation to plot the cornerstone of its proposal, making it mandatory for companies to collect the geolocation data of every plot of land sourced from. While this can and has already been done for large and legally recognised and registered farms and plantations, industry players with long-standing sustainability sourcing commitments have warned that where smallholders are concerned, this is easier said than done. This is no small matter, considering that smallholders represent a large part of the production of the targeted commodities.

Why then is it a challenge to collect the geolocation data of small farmers and what would be needed to overcome such challenges?

Firstly, in commodity sectors like palm oil, there are millions of smallholders, and the majority supply mills indirectly through middlemen. Most EU companies have little to no direct relationship with smallholders, so they use other tools to ascertain that their supplies are deforestation-free. For example, in the palm oil sector, the standard traceability is to the mill. Companies monitor the area around the mill to ensure that no deforestation is linked to the mill's supplies and in this manner, smallholders who are not causing deforestation can continue to supply the mills. This has worked well without being perfect and companies are now trying to implement traceability to plot.

Secondly, many governance and legal issues, from outdated and incomplete farm registration, weak land tenure regulation, connectivity problems, and data ownership protection, will lead to incorrect data input on geolocation to plot, undermining the reliability of the EU Regulation's traceability system.

While the industry is working to get to traceability to plot, smallholders risk being excluded from EU supply chains if the EU's law fails to provide all the necessary conditions to make this feasible, including: sufficient time for implementation; robust forest partnerships with producing countries with timebound action plans and support to remove legal and governance-related obstacles to smallholders' compliance; the setting up of rigorous and accurate national traceability systems in producing countries; and multi-stakeholder public-private programmes and initiatives to enable the compliance of smallholders with traceability to plot.

We must put the horse before the cart if we want to achieve the goal of halting deforestation.

## **It takes a village: public and private partnerships**

It is important to note that since most EU companies do not have a direct relationship with smallholder suppliers, support to smallholders must be undertaken in collaboration with local authorities, NGOs, and local supply chain actors. Furthermore, the Commission needs to facilitate this through targeted funding and formal structural support. These challenges must be addressed before making traceability to plot a requirement. Leaving the issues for later, would be detrimental to smallholders and affect the credibility of the EU's intentions.

## **Clean supply chains versus forest-positive action**

Another contentious point, particularly for the soy industry, has been the Commission's implied requirement for segregation of deforestation-free supply chains. This essentially means that the existing system of resource and time-efficient pooling of logistics and sharing of infrastructure by all soy supply chain actors would have to be dismantled.

Segregated flows will not have an impact on stopping deforestation but could trigger the inverse. Segregated flows are most cost-effectively organised in low-risk areas. Supply flows into the EU are expected to switch from high-risk to low-risk areas and be considerably reduced. As a result, positive engagement and incentives to farmers to halt deforestation in high-risk areas would be abandoned.

Mass balance, an accounting system ensuring that the volumes of deforestation-free products sold correspond to the volumes of deforestation-free products produced and processed, has supported demand for deforestation-free production in high-risk areas and incentivised good practices that halt deforestation. By not allowing for deforestation-free sourcing through mass balance, demand for deforestation-free soy in high-risk areas will drop, and so deforestation will increase. Furthermore, it has been pointed out that the important investments required to build new infrastructure to accommodate for segregated flows, which represent a niche market at global scale, should rather be directed at providing farmers with an economic alternative to deforestation, such as through productivity and sustainability assistance.

If we keep in mind that the goal should be halting deforestation, cleaning supply chains should not be undertaken without consideration for those players that are adopting good practices in countries of production.

## **Conclusion**

Having deforestation-free products in the EU's supermarkets should go hand-in-hand with positive action in producer countries rather than shifting sourcing to low-risk areas. To this end, EU rules should ensure active multi-stakeholder engagement with producers, forest partnerships among consuming and producing countries, and incentives to halt deforestation on the ground, especially in high-risk countries and areas, where sustainable transformation is most needed.