



No Deforestation Regulation

1. Anticipated impacts

- 1. Supply shortages in the EU leading to high prices** and resulting risks to EU food and feed chain resilience and competitiveness;
- 2. Lack of impact on deforestation reduction** due to lack of leverage and incentives to transform practices on the ground;
- 3. Exclusion of the majority of smallholders and certain mills supplied by smallholders** from supply chains, affecting engagement with third countries; and
- 4. Disproportionate administrative and logistical burdens** for operators and competent authorities and insufficiently differentiated to actual risk.

2. Main Issues identified – For palm oil

1. Traceability to Plantation (TTP) and “implied” chain of custody - in particular the geolocalisation of individual plots

- 40 % smallholder would mostly be excluded;
- Large volumes and challenges in data collection and transmission.

2. Information requirements not compatible with governance issues

- Consistent GPS coordinates are problematic when land tenure and ownership are not correctly regulated and frequently change.
- Local government registrations of GPS coordinates of precise plots are not always complete or updated.
- Commodities produced by smallholders are often collected through collectors/middlemen. The latter do not share from which smallholders they are buying and therefore do not share GPS coordinates. When the mill buys directly from smallholders, it is somewhat easier to start that process of collecting their data but note that with millions of smallholders this will take years.
- In some countries, the situation is not clear on whether geolocation to plot and concession maps can be shared electronically. In Indonesia, sharing of geolocation data is restricted (i.e. cannot be shared in a shapefile format & cannot be shared at all under NDAs); while identity of plantation owner is protected; Sharing of concession maps is only permitted as a PDF or JPEG (i.e. the data cannot be handled).

3. Workable chain of custody and traceability approach for palm

Traceability	Chain of Custody
<ul style="list-style-type: none">• TTP (Traceability to Plot), and• TTM (Enhanced Traceability to Mill + 50 km radius supported by checks on the ground), => both informed by operators' monitoring systems, to be considered valid + 3rd party audit of due diligence system.• 5 year review of Regulation - Commission to assess whether smallholders are technically and legally able to comply with TTP. TTP to become mandatory for smallholders only once they are able to comply.	<ul style="list-style-type: none">• For TTP: segregated volumes from plots of production (for e.g. via RSPO SG) (traceable volumes from these plots can be mixed), meaning geolocation data to groups of deforestation-free plots.• For TTM: segregated volumes from complying mills (traceable volumes of these mills can be mixed), meaning geolocation data of groups of mills sourcing deforestation-free.

4. Main Issues identified – For soy

1. Traceability and implied Chain of custody in particular the “implied” segregated/identity-preserved Chain of custody

- Sustainable soy provided through traded certificates – very limited segregated flows;
- Soy supply is built of thousands of farms with several dozens of plots, hundreds of first collectors, country elevators, transporters, port facilities,....
- While soy is traded in mass balance, the chain does not have the logistics and capacity to “switch” to a segregated chain of custody provide meaningful flows of segregated 100% deforestation-free flows

2. Information requirements

- Excessive burden to administer geolocalisation and plot-and-product-specific information collection and ensure transmission throughout the chain

5. Workable chain of custody and traceability approach for soy

Traceability	Chain of Custody
<p>Based on annual land mapping of production areas (complemented by satellite monitoring and checks on the ground) operator's risk assessment to provide in an annual report, audited by 3rd party:</p> <ul style="list-style-type: none">• Assessment of deforestation since 2020 in soy production areas• Traceability of zero deforestation soy (according to risk assessment):<ol style="list-style-type: none">1. traceability to production areas / plot;2. traceability to the farm or municipality +*;OR<ol style="list-style-type: none">3. traceability to province or state +*. <p><i>*+ annual geo-mapping of production, supporting tools, evidence and on the ground checking when appropriate</i></p>	<p>Enhanced mass balance at site level + transition period:</p> <ul style="list-style-type: none">• Entry into force: an analysis of how non-compliant soy has been handled and an action plan on how to exclude non compliant production from the EU supply chain.• 2030: physically segregated deforestation-free supply chain to Europe.

6. Proposals to achieve deforestation-free EU supplies

- 1. Traceability and chain of custody requirements adapted to the specificities of the different commodities and their logistical and market functioning** instead of a one-size-fits-all approach: sector-specific EU guidelines/rules for the implementation of the general principles (traceability, due diligence system, information, and evidence to be used) would be required through guidance and/or secondary legislation.
- 2. Traceability requirements inclusive of smallholder farmers and compatible with local laws,** instead of requiring filing geolocation coordinates, which goes against data privacy right laws in third countries and would entail large data volumes and challenges in data collection, triggering farmers' opposition.

7. Proposals to achieve deforestation-free EU supplies

- 3. Operator responsibility for their risk assessment and mitigation, verified by audits and controlled by competent authorities** instead of guided by an inaccurate country benchmarking.
- 4. Annual audits on all operators' due diligence systems and compliance with the deforestation-free supply chain requirement** instead of statements per shipment.
- 5. Responsibility for full due diligence on all first placers of goods on the EU market (operators)** instead of both operators and large EU traders to avoid duplication of efforts.