



# Joint position & proposals on the regulation on deforestation-free supply chains

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# Principle remarks

1. We support curbing deforestation and forest degradation provoked by EU consumption as well as improving transparency across the supply chains;
2. Considerable efforts have been made, and voluntary action has initiated changes – and we are concerned that an ill-designed one-size-fits-all approach will have negative impact on what has been achieved so far
- 3. We want the regulation to be successful and we need traceability and chains of custody requirement that are workable for each commodity and region;**
4. Avoid stigmatisation and exclusion: negative impact on smallholder farmers and negative effect on the engagement with producer countries;
5. Avoid reducing the influence EU operators and authorities can have in these countries, leading to resumed deforestation for lack of leverage.

## Anticipated impacts of the deforestation-free regulation

**Supply shortages in the EU** resulting in risks to EU food and feed chain resilience and competitiveness;

**Miss real impact on deforestation reduction** for lack of leverage and incentives to transform practices on the ground (e.g. disengagement from high-risk areas);

**Exclusion of the majority of smallholders and mills supplied by smallholders** from supply chains, affecting engagement with third countries;

**Disproportionate administrative and logistical burdens** for operators and competent authorities and insufficiently differentiated to actual risk.

# Main Issues identified – For soy

## 1. Traceability and implied chain of custody in particular the “implied” segregated chain of custody

- Today certified sustainable soy is dominated by traded certificates (4.5m MT annually);
- Other chains of custody– segregated flows are niche and will remain niche; **the soy chain does not have the logistical capacity to “switch” to a segregated chain of custody** (i.e. provide segregated 100% deforestation-free flows);
- Soy supply is built of thousands of farms with several dozens of plots, hundreds of first collectors, country elevators, long transport routes with **mixing at every step**, large port facilities serving the global market at max capacity,....

## 2. Information requirements

- Impossible to administer and maintain geolocalisation and plot-and-product-specific information collection and ensure transmission throughout the chain.

# 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 3<sup>rd</sup> party:</p> <ul style="list-style-type: none"><li>• Assessment of deforestation since 2020 in soy production areas</li><li>• Traceability of zero deforestation soy (according to risk assessment):<ol style="list-style-type: none"><li>1. traceability to production areas / plot;</li><li>2. traceability to the farm or municipality +*; OR</li><li>3. traceability to province or state +*.</li></ol></li></ul> <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"><li>• <b>Entry into force:</b> 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.</li><li>• <b>2030:</b> physically segregated deforestation-free supply chain to Europe.</li></ul>

# Summary of our proposed approach

Proposals	Comment
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 general principles (traceability, due diligence system, information, evidence) through guidance and/or secondary legislation.
2. Traceability requirements inclusive of smallholder farmers and compatible with local laws, instead of systematic request for geolocation coordinates	Geolocation not compatible with data privacy right laws, entails large data volumes and challenges in data collection
3. Operator fully responsible for the risk assessment and mitigation, verified through audits and controlled by competent authorities	Country benchmarking is of no help for risk assessment and sends wrong signals to countries and market players
4. Annual audits on all operators' due diligence systems and compliance with the deforestation-free requirement	Can deliver the same certainty without the statements per shipment practical implications
5. Responsibility for full due diligence on <u>all</u> first placers of goods on the EU market (operators)	It makes no sense to duplicate efforts by asking large EU traders to carry out the same due diligence.

**For information**

# Main Issues identified – For palm oil

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

- Consistent GPS coordinates are problematic when **land tenure** and ownership are not correctly regulated and frequently change;
- Therefore, Smallholders (40% of producers) would mostly be excluded as they cannot provide the TTP data;
- Enormous data collection and transmission process;
- Leads to supply shortages.

## 2. Information requirements not compatible with local laws

- Goes against **data privacy** right laws in third countries; and
- Illegal to share **concession maps**.



# Workable chain of custody and traceability approach for palm

Traceability	Chain of Custody
<ul style="list-style-type: none"><li>• <b>TTP</b> (Traceability to Plot), and</li><li>• <b>TTM</b> (Enhanced Traceability to Mill + 50 km radius supported by checks on the ground), =&gt; both informed by operators' monitoring systems, to be considered valid + 3<sup>rd</sup> party audit of due diligence system.</li><li>• <b>5 year review of Regulation</b> - 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.</li></ul>	<ul style="list-style-type: none"><li>• <b>For TTP:</b> 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.</li><li>• <b>For TTM:</b> segregated volumes from complying mills (traceable volumes of these mills can be mixed), meaning geolocation data of groups of mills sourcing deforestation-free.</li></ul>