

Deforestation

Executive Summary

- Deforestation is a major **global problem**, leading to biodiversity loss, climate change and poverty. There is a wide consensus that **European imports** of some commodities contribute to deforestation in third countries (*“embodied deforestation”*).
- EuroCommerce members take deforestation very seriously; many retailers and wholesalers are **already actively involved** in a number of national and global initiatives to tackle it.
- Deforestation is a complex challenge. Forest-risk commodities are often sourced from complex **global supply chains**; this makes it difficult for retailers and wholesalers to gain full transparency on their supply chains back to origin.
- The **involvement of all players** in the supply chain **at global level**, combined with increased **consumer awareness**, is key to tackle the issue.
- We believe that the EU should put in place a **broad and multi-commodity strategy** to tackle embodied deforestation. This could include:
 - **Trade measures** that encourage changes in producer countries by offering incentives or setting conditions for countries importing into the EU; however, trade sanctions are not the most effective measures.
 - Facilitate **engagement, transparency, and due diligence** by providing guidance and funding to multi-stakeholder initiatives; applying due diligence is an important aspect, but experience has shown that implementation of mandatory due diligence can be very difficult.
 - Better collaboration with, and recognition of, **certification schemes** in EU to incentivise sourcing risk commodities from non-forest sources.
 - Use **its influence with key regional (Amsterdam Declaration) and global forums (UN, OECD)** in advocating stronger commitments at global level and active collaboration with governments and other public sector partners.

EuroCommerce’s detailed position on the topic is set out in the next pages.

What are we talking about? A clear and consistent definition

The issue of deforestation has to be clearly and consistently defined to identify the right challenges and accurately assess progress. Depending on the definition used, the commodities involved and regions affected differ. EuroCommerce tends towards the definition used in the [Accountability Framework](#) that **deforestation is the permanent conversion of natural forest to another land use**. It is to be noted that the Accountability Framework recommends that companies extend their approach on deforestation to cover other natural ecosystem conversions (e.g: savanna like in the Cerrado region in Brazil).

Two further definitions need to be taken into account to frame the discussion:

- **Zero Deforestation versus Zero Net Deforestation:** Zero deforestation means that no forest areas are converted, while zero net deforestation means that forest can be converted in one area as long as an equal area is replanted elsewhere.
- **Legal vs. Illegal Deforestation:** Deforestation can also be legal or illegal, depending on whether or not it complies with established legal frameworks.

What are the main drivers of deforestation?

There are several deforestation drivers mentioned in the European Commission's public consultation. According to most research, and the experience of our members, our view is that **agricultural expansion**, and in particular, large scale agriculture, is one of the main drivers of deforestation which the policy needs to address.

It is commonly acknowledged that **soy, palm oil, wood (in particular for pulp and paper) and cattle** are the main commodities driving deforestation. Other commodities like **cocoa, coffee, cotton and rubber** are also significant contributors. As far as retail and wholesale are concerned, a distinction can be made between the commodities that are directly used by retailers/wholesalers (palm oil, timber, cocoa, coffee, cotton, rubber) and the ones on which the sector can only have an indirect influence (soy used in animal feed, for example). An effective strategy should address both.

Deforestation is focused particularly on tropical countries. According to the latest Global Forest Resources [Assessment](#) of the FAO (2015), Brazil, Indonesia, Myanmar and Nigeria have reported the greatest annual net loss of forest area between 2010 and 2015.

Finally, it is also important to note that the increasing uptake of bio-based materials, in particular in relation to biofuels and bioplastics, is also a challenge and carries the risk of deforestation, especially as several sectors are switching at the same time. While EuroCommerce supports bio-based materials from secondary raw materials and by-products, it is important to carry out a full life-cycle-assessment, covering the potential environmental and social consequences of using bio-based materials that originate from primary raw materials having an impact on deforestation.

How is the retail/wholesale sector contributing to the fight against deforestation?

Many retailers and wholesalers have signed up to **voluntary initiatives** to tackle deforestation. These include:

- [CGF Resolution](#) - zero net deforestation by 2020
- [NY Declaration on Forests](#) - halve deforestation by 2020 and to end it by 2030
- [Statement of Support for the Cerrado Manifesto](#) - commitment to halt forest loss in the Cerrado region (Brazil)
- Commodity-based initiatives such as [Palm Oil Transparency Coalition](#), soy projects undertaken by retail companies (Brazil)

- Some national initiatives such as:
 - [Duralim](#) – A French collaborative charter for sustainable feed since 2016 or French soybean responsible working group
 - German Forum for Sustainable Palm Oil ([FONAP](#)) & German Initiative on Sustainable Cocoa ([GISCO](#))
 - [DASPO](#) - a Dutch Alliance for Sustainable Palm oil
 - German Forum for more Sustainable Protein Feed
 - Swedish Soy Dialogue ([Svenska Sojdialogen](#))
 - Danish Soy Dialogue
- Various certifications schemes (see later)

Retailers/wholesalers usually choose to **focus on a number of commodities** in their horizontal commitments. Commodities are usually selected on the basis of their impact on deforestation and the sales volume they represent.

It should be noted that the **situation is more advanced for some commodities than others**. For example, sectors covering **wood products** and **palm oil** have had a longer sustainability history. Palm oil RSPO certification is built on solid criteria that have evolved over time. For wood products, there are different tools, such as the FLEGT Action plan and the EU Timber Regulation that cover questions of legality, which is not the case for other commodities. These effective tools and the implementation of those especially on national level in origin countries should be continued and improved. For example through harmonised implementation of the Timber Regulation and speeding up the signing of FLEGT Voluntary Partnership Agreements (VPAs) with high-risk countries.

What are the tools used by retailers and wholesalers?

Certification systems play an important role in the sourcing strategies of retailers and wholesalers. FSC and PEFC (Timber), RSPO (Palm Oil), RTRS or ProTerra (Soy) and BCI (Cotton) are the most commonly used.

Requirements for suppliers and **external audits** are regularly performed.

Traceability systems, based on harmonized and international standards put in place by retailers and wholesalers, are an important tool to ensure transparency throughout the value chain and to identify illegal and unsustainable practices.

Multi-stakeholders panels are put in place by retailers in order to receive **feedback on action plan development and sectoral trends**.

What are the difficulties faced by retailers and wholesalers?

- **Lack of transparency throughout the whole supply chain:** Forest-risk commodities are sourced globally and therefore linked to long and complex supply chains. It is a significant challenge for retailers, at the very end of the chain, to have transparency throughout the supply chain, from plantations and forests through production to retail. Having transparency throughout the supply chain is equally challenging for wholesalers, who face the problems of being in the middle of the supply chain. The supply of these commodities typically involves forest/plantation owners, processors, importers, wholesalers, and several other players, before the commodity reaches the store. This gets even more complex for commodities indirectly present in supply chains, such as soy used in animal feed to produce products such as eggs or dairy that can, in turn, be used as ingredients in other end-products.
- **Need of engagement from other players:** Systemic change in the sourcing of forest-risk commodities can only be achieved if there is strong buy-in from the government in the origin

country and the entire supply chain across the globe. In addition to retailers and wholesalers, producers and manufacturers also have a key role to play in the shift towards more deforestation-free products. Retailers' and wholesalers' efforts only will never be enough to drive significant change at global level.

- **Inappropriate local or national management in the sourcing countries:** The root causes of deforestation can vary widely, depending on the country or even the region from which products are sourced. In some cases, local legislation is insufficient to effectively fight deforestation, in other cases, even if legislation is in place, implementation and enforcement are poor.
- **Limited consumer awareness:** Consumers are often not aware of the impact on deforestation of their purchasing decisions, especially when the impact is indirect and not obvious (soy for feeding animals for example). Moreover, sustainability is often not the first criterion that determines a consumer's purchasing behaviour.
- Other criteria such as price, quality and availability often come first. Growing consumer demand for deforestation-free products would catalyse the necessary changes across the entire supply chain, including policy-makers in EU and third countries.

What actions could be considered at EU level?

Tackling deforestation will require a mix of actions addressing different aspects of the problem.

- **Trade measures:** Trade agreements can play an important role in encouraging change in producer countries. Through its commercial relationships, the EU could **prompt the producing countries to put in place solid legal frameworks as well as the monitoring and compliance systems necessary to avoid deforestation**. These systems should include compliance checks including inspections. When relevant, provisions on deforestation could be included in trade agreements. Those trade measures should be **incentive-based**, and the EU should support the producing country financially and through knowledge-sharing. Trade-sanctions-based mechanisms, under which sanctions can be applied if the country does not fulfil its obligations, are not the most effective option for tackling the issue.
- **Transparency and accountability:** EuroCommerce is not in favour of mandatory disclosure of companies' policies in these areas, but believes that it is good practice to apply **due diligence** when it comes to checking supply chains. **This can only be effective, however, when such measures are designed and implemented efficiently without imposing excessive administrative burdens**. The EU should encourage multi-stakeholder initiatives, based on due diligence, by providing guidance and incentives. Mandatory due diligence can prove difficult: the experience of the EU Timber Regulation has shown that the implementation of such a measure can involve burdensome administrative requirements for companies, while doing nothing to address the root problem of inadequate legal frameworks and enforcement in the producing countries. We would therefore encourage the European Commission to build on past experience and reflect, together with different key stakeholders, on the best way to **ensure due diligence from companies without imposing excessive burdens**. The EU could also engage and provide support to **relevant public-private stakeholder forums, transparency initiatives, standards and certification bodies** to encourage lesson-sharing, collaboration and reporting whilst ensuring that deforestation is adequately included in standards and that they are effectively enforced. This could include funding for capacity building, networking events and stakeholder participation. **Certification standards should also gain better recognition for their role in EU policies**.

- **Encouraging and rewarding good practice:** The EU could encourage the uptake of deforestation-free or otherwise certified products. As mentioned above, buy-in is needed from more players in global supply chains to have a real impact. Companies should **be incentivised to source alternatives to forest-risk commodities** (i.e: local vegetable proteins) **or certified commodities**. An adapted taxation encouraging this sourcing could be envisaged. Member States could also consider **awareness campaigns** to encourage consumers to choose products that are less harmful to the forests.
- **Stepping up EU's influence in international forums:** The involvement of players at global level is necessary to tackle the issue. The EU, on its own, can only have a limited impact. This is why the EU should be at the forefront of the global fight against deforestation, using existing platforms such as the UN or the OECD to advocate global commitments against deforestation, and continuing to work with initiatives such as the Amsterdam Declaration to support international action. EU should consider how to share lessons learned from FLEGT VPA's with non-VPA countries and other forest risk commodities. The EU could also be more involved in well-recognised private certification schemes such RTRS, RSPO, FSC and PEFC hence contributing to setting standards in line with EU policy objectives. Finally, this international collaboration has to involve both public and private sectors.

To conclude, the retail and wholesale sector remains fully committed to tackling the issue, and we are looking forward to supporting the Commission in its reflection on how best to address the problems surrounding deforestation.
