

Position Paper

on European Commission Communication on Deforestation

IDH supports the efforts of the European Commission; the Commission clearly appreciates the impact that European consumption has on the world – both positively and negatively; as is made clear by the following statement in the Communication:

While...the EU imports products such as palm oil, meat, soy, cocoa, maize, timber, rubber, including in the form of processed products or services. When looking at deforestation embodied in total final consumption, the EU consumption represents around 10% of the global share²⁵.

What we consume matters, it generates an impact on the many producing countries. Our legislation and sourcing practices should serve as an example to other large markets. IDH is pleased to see that a partnership approach between consuming and producing countries and business and civil society is a cornerstone in the strategy. On a more detailed level, IDH also very much appreciates the fact that under Priority 1, the EU aims to further strengthen the implementation of the EUTR, as this is legislation that could serve as an example for many commodities. IDH is also working on activities relating to all priorities.

Below, IDH provides suggestions for measures the EU should explore, indicate actions we are missing in the Communication and advise caution relating to one activity.

Explore the following options:

1. Priority 2 is about partnerships with producing countries and priority 4 is about financing. In IDH's [Urgency of Action report](#) (full report will follow this fall), priority countries have been indicated based on deforestation related to agriculture. In these countries, there are then a few priority regions. IDH recommends to:
 - especially increase investment in mainstreaming sustainable production in these priority regions. This can be a combination of (inter)national public money and investment by supply chain companies + (impact) investors.
 - Mobilise European sourcing towards the priority areas: by pooling market demand the collective demand for commodities from the hotspots will cover most production and thus offer a real incentive and reward to mainstream sustainable production, protect forest and support farmers to increase and diversify their income.
 - IDH also encourage the EU to focus its work and action more on the land owners and users. Only by working together and offering the right incentives we can change the business as usual development trajectory in forested areas.
2. This Communication is specifically non-legislative, and IDH recognizes that the Commission will explore further regulatory and non-regulatory demand side measures. IDH therefore strongly suggests exploring the following legislative measures:

- a. As also set out in our position paper during the public consultation, as a non-competitive convener, an issue that IDH runs into frequently are the limitations of the WTO trade rules and the possibilities for the private sector to collaborate on sustainability. It should be explored how to broaden competition compliance legislation to promote innovation for sustainable supply chains. This innovation is not done in splendid isolation but requires collaboration by multiple parties in supply chains.
- b. Besides competition compliance legislation, closer collaboration between DG Envi and DG Trade should be explored. How can trade agreements be set up in such a way that sustainable production and imports are promoted, and the requirements for imports are enforced?

Missing

1. In the introduction of Priority 1, **public procurement** is mentioned as an important tool. However, we know that sustainable public procurement of all countries is lagging, in some cases severely so. We are therefore missing an explicit activity on improving public procurement, perhaps even making it obligatory for national governments to only source sustainable products. Let Member States set the good example by fully mainstreaming sustainable public procurement and communicating. Food service providers to governments – which also covers hospitals, schools and universities - are large parties that are lax in the sustainability requirements towards suppliers. The spillover effects will be considerable.
2. We miss the dialogue with other big markets: EU, China, India. We recommend the EU to include forests and sustainable development in the dialogue to team-up and together support forested countries.
3. Likewise, in the introduction of Priority 5, a better **monitoring of trade flows** is mentioned as a prerequisite for sustainable sourcing. A concrete action on this is missing. We recommend encouraging trade flow transparency by supporting the gathering of sustainability data in pre-competitive space and including sustainability data into trade statistics.
4. There is no real emphasis on creating incentives for land owners and users. The EU should focus its efforts on creating those incentives. For example by:
 - a. mobilizing EU demand to forest frontier areas, so there is a market pull;
 - b. investing in REDD finance in these same forest frontier areas;
 - c. investing, through the European Investment Bank and other vehicles, in mainstream sustainable production
 - d. providing finance to de-risk investment in sustainable production, lowering the risk to investors to crowd them in by providing concessional finance, guarantees, first loss guarantees, etc to embrace conservation commitments in exchange for production intensification on already converted land

- e. mobilize more substantial funds than the 500M EUR for forest protection. This is hard to finance with donations and investment, it requires long-term bilateral partnerships with countries and agencies
5. IDH believes the communication should pay specific attention to smallholders and why inclusion of them is critical. Palm oil is a crop dominated by smallholder producers, but also the beef supply chain in the Amazon critically depends on small-scale calf suppliers. These smallholder producers often operate in an informal economy where deforestation takes place, but their produce enters into the formal supply chains of corporates with zero-deforestation commitments. In other words, private sector players need to “resolve” the smallholder issue for delivering on their anti-deforestation commitments, and this is exactly where the EU can support with technical assistance and innovative finance for de-risking.
6. The communication mentions national platforms which indeed have important roles to play. Yet it is clear from recent years that sub-national government and PPP coalitions at landscape level (state or province) have provided powerful responses to deforestation, as the landscape is effectively the appropriate level where jurisdictional authority and supply chains intersect and can develop meaningful public and private policy innovations. A multi-stakeholder agreement on sustainable land-use at landscape level is a very powerful way for reducing risks for investors and market off-takers to engage in that landscape. Multiple corporates as well as the CGF have endorsed this approach.

Caution

IDH advises great caution on this activity under Priority 1.

Actively support the development and dissemination of information and educational materials to help reduce demand for products whose supply-chains may involve deforestation, and at the same time increase the demand for products from deforestation-free supply chains.

Almost all supply chains involve deforestation. Is this about illegal deforestation, or all deforestation? Creating a no-palm oil movement, for example, is not the answer; this distracts from actually improving the situation on the ground. Moving away from supply chains that have issues will not create impact, it merely displaces the problem. All efforts that the EU undertakes should focus on creating an incentive for continuous improvement in production. Part of this incentive is indeed increasing demand.