Deforestation Regulation

2021/0366(COD) - 17/11/2021 - Legislative proposal

PURPOSE: to curb deforestation and forest degradation that is provoked by EU consumption and production.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: deforestation and forest degradation are taking place at an alarming rate. The Food and Agriculture Organization of the United Nations estimates that 420 million hectares of forest – about 10% of the world's remaining forests and an area larger than the European Union – have been lost worldwide between 1990 and 2020. In addition, deforestation and forest degradation contribute to the global climate crisis in multiple ways. Most importantly, they increase greenhouse gas emissions through associated forest fires, permanently removing carbon sink capacities, decreasing climate change resilience of the affected area and substantially reducing its biodiversity. Deforestation alone accounts for 11 % of greenhouse gas emissions.

The existing EU legislative framework focuses on tackling illegal logging and associated trade and does not address deforestation directly. Therefore, this new draft regulation set out measures to address Union-driven deforestation and forest degradation.

CONTENT: this proposal aims to **curb deforestation and forest degradation** that is provoked by EU consumption and production. It lays down rules regarding the placing and making available on the Union market, as well as the export from the Union market, of cattle, cocoa, coffee, oil palm, soya and wood ('relevant commodities') and products, as listed in Annex I, that contain, have been fed with or have been made using relevant commodities ('relevant products), with a view to:

- minimising the Union's contribution to deforestation and forest degradation worldwide;

- reducing the European Union's contribution to greenhouse gas emissions and global biodiversity loss.

The definition of deforestation-free sets a cut-off date of 31 December 2020. This means that no commodities and products in the scope of the regulation would be allowed to enter or exit the EU market if they were produced on land subject to deforestation or forest degradation after that date.

Due diligence and enhanced scrutiny

In order to achieve the objective of minimising the EU's contribution to deforestation and forest degradation, the proposal lays down a tiered, mandatory due diligence system, relying on a deforestation-free definition, combined with a **benchmarking system** to assess countries and their level of risk of deforestation and forest degradation driven by the commodities in the scope of the regulation. The benchmarking system will assign each country or parts thereof one of three possible levels of risk: low, standard and high risk. The objective of this system is to incentivise countries to ensure stronger forests protection and governance, to facilitate trade and to better calibrate enforcement efforts by helping competent authorities to focus resources where they are most needed, and to reduce companies' compliance costs.

Competent authorities should carry out the risk analysis of due diligence statements by electronic data processing techniques integrated in the information system.

When relevant commodities and products are sourced from a country or parts thereof that has been assessed as high risk according to the country benchmarking system, they are subject to enhanced scrutiny by the relevant competent authorities. Competent authorities should ensure that the checks they carry out on an annual basis cover at least 15% of the operators, as well as 15% of the quantity of relevant commodities and products produced in high-risk countries or parts thereof.

The proposal also stipulates that operators should collect the **geographic coordinates** of the land where the commodities they place on the market were produced. This strict traceability is meant to ensure that only deforestation-free products enter the EU market – and that enforcement authorities in Member States have the necessary means to control that this is the case.

Penalties

The proposal establishes the obligation of Member States to lay down rules on penalties applicable to infringements of this Regulation. These may include fines, the confiscation of the relevant commodities and products as well as the confiscation of revenues, the suspension or prohibition of relevant economic activities and the exclusion from public procurement processes for the operators and traders that violate the Regulation.

Reporting

Member States should make available to the public and the Commission, at the latest by 30 April of each year, information on the application of this Regulation during the previous calendar year. This information shall include their plans for checks, the number and the results of the controls carried out on operators and traders, including the contents of these checks, the volume of relevant commodities and products checked in relation to the total quantity of relevant commodities and products placed on the market, the countries of origin and of production of relevant commodities and products as well as the measures taken in case of non-compliance and the costs of controls recovered.

The Commission services should make publicly available, on an annual basis, a Union-wide overview of the application of this Regulation.

Budgetary implications

A total budget of EUR 16 519 000 is foreseen for the setting up and implementation of the Regulation during the first five years of operation (provisionally foreseen from 2023 to 2027.) This includes a budget of EUR 6 650 000 under Heading 7 of the Multiannual Financial Framework (MFF) for human resources and other administrative expenses. It also includes a budget of EUR 9 869 000 under Heading 3 of the MFF. The latter is linked to support various implementation tasks related to the legislative provisions that will be carried out by Commission services from 2022 to 2027, including procurement and potential administrative arrangements.