UNPACKING THE EUROPEAN UNION DEFORESTATION REGULATION (EUDR)

Factsheet

August 2024

Introduction:

This factsheet presents the main components of the European Union Deforestation Regulation (EUDR), its origin, the main elements of EUDR implementation and the core concepts and due diligence obligations.

What is the European Union Deforestation Regulation (EUDR)?

The European Union Deforestation Regulation (EUDR) is a policy framework passed by the European Union (EU) to address and mitigate the environmental impacts of deforestation. The EU asserts that deforestation and forest degradation are taking place at an alarming rate with over 420 million hectares lost globally between 1990 and 2020. It is an integral part of the EU Green Deal aimed at achieving climate neutrality by 2050.

The EUDR constitutes a key element of the EU's green deal and global gateway strategy which aligns with the EU approach aimed at achieving climate neutrality by 2050. Considering the far-reaching impact on global deforestation, the EUDR aims to play a pivotal role in curbing deforestation, greenhouse gas emissions, and global biodiversity loss.

The legal production requirement mandates that, in addition to being deforestation-free, relevant products placed on or exported by the EU must have been grown, harvested or obtained in accordance with the relevant legislation of the country of production.

What does the EUDR entail?

The European Deforestation Regulation (EUDR) will require any company importing or exporting the selected commodities from the EU to prove that the products are deforestation-free. This applies to any company, regardless of whether they are EU-based or not, and for legal and illegal sources of deforestation in Europe and overseas. The Regulation defines a product as deforestation-free when the product itself, its ingredients or its derivatives were not produced on land subject to deforestation or forest degradation after the cut-off date of 31 December 2020. This cut-off date has been suggested to minimize disruption to international supply chains.

Once adopted by Member States, the respective authorities for each Member State are responsible for enforcing the Regulation through inspections and sanctions, where necessary. To support Member States, an online system will be set up to facilitate the exchange of information on products placed on the EU market.

While much attention has been given to the EUDR's deforestation-free and traceability requirements, there is another important clause that has not been as widely discussed: the legal production requirement. This clause offers opportunities for producing countries to bolster their own environmental and sustainable development priorities and position themselves favorably for trade in commodities covered by the EUDR.

Companies wishing to import or export these products will be required to perform proper due diligence. The EU Deforestation Regulation suggests including the following three key steps;

1. Gather geographic information (i.e. satellite imagery) on the plot of land the commodities were sourced from;
2. Assess the risk of non-compliance to the EU Deforestation Regulation; and
3. Mitigate risks to negligible levels.

Practical actions in preparation for the EU Deforestation Regulation:

- Analysing the internal available data (spend analysis) to improve visibility and traceability throughout the value chain.
- Prioritizing (product) categories weighing the importance to the business and the products' footprint.
- Evaluating compliance of the existing supplier base in accordance with the new Regulation; and
- Optimizing the screening and onboarding process for new suppliers.

What commodities and product scope are under the EUDR?

EUDR is applicable to both domestically produced and imported commodities and products, from and to the EU. The initial product scope covered six commodities, representing largest share of EU-driven deforestation: palm oil (34%), soy (33%), wood (9%), cocoa (8%), coffee (7%) and cattle (5%); rubber added as 7th commodity at a later stage during debates;

The cut-off date for deforestation set out under the regulation is 31st December 2020.

When does the EUDR enforcement come into effect?

On 5th December 2022, the European Parliament approved the EUDR. These came into force on June 29, 2023, with an 18-month transition period for operators and traders and June 30th 2024 for micro and small enterprises. The transition period ends on 31st December 2024. Therefore, by 1st January 2025, any product entering the EU market must be subject to the regulation.

For SMEs, compliance becomes obligatory 24 months after the Regulation's initial enforcement specifically by June 30, 2025.

Objectives of the Regulation

The EUDR is presented as part of the Green Deal. It confirms to the following objectives;

(1) Reduce global deforestation and Forest degradation;

(2) reduce GHG emissions;

(3) Minimizing Biodiversity loss; and

(4) promoting sustainable consumption and production patterns in the EU.

EUDR requirements

The Regulation under Article 3 provides that products shall not be placed or made available on the market or exported, unless all the following conditions are fulfilled:

(a) they are deforestation-free;

(b) they have been produced in accordance with the relevant legislation of the country of production; and

(c) they are covered by a due diligence statement.

What steps can be taken to become EUDR compliant?

To achieve compliance with the EU Deforestation Regulation (EUDR), operators and traders can follow a structured three-step process:

1. Information Gathering and Data Collection: There is need to ensure that all necessary information is obtained by conducting thorough data collection to support subsequent steps effectively.

2. Verification and Risk Assessment: Assess the quality of field data and conduct a comprehensive risk assessment. This includes evaluating variables such as country risk level, proximity to forests, presence of indigenous peoples, prevalence of deforestation, corruption levels, law enforcement, human rights violations, supply chain complexity, and risk of circumvention.

3. Risk Mitigation: Address any identified medium, high, and critical risks through appropriate risk mitigation measures, as indicated by the findings from the verification and risk assessment phase.

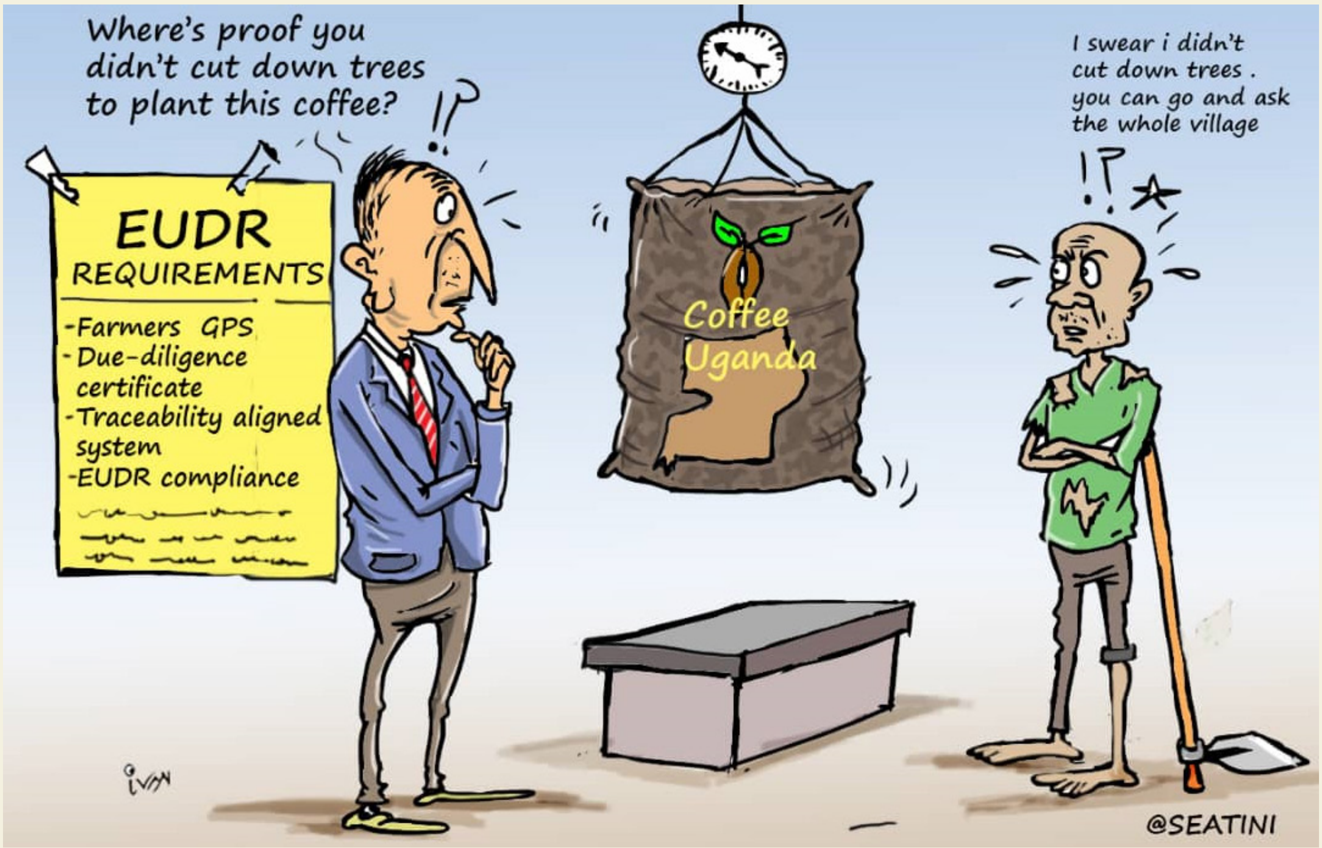
By diligently completing these steps, operators and traders must demonstrate that the products originate from land not deforested after December 31, 2020, ensuring compliance with the EU Deforestation Regulation.

Penalties

Penalties for non-compliance could include fines of up to 4% of company turnover within the EU, temporary exclusion from public procurement/access to public funding, and confiscation of goods.

Conclusion

The EUDR presents both challenges and opportunities for Uganda's coffee sector. While compliance may be demanding, the potential benefits of implementing and developing effective legal and policy frameworks, sustainable farming, improved market access, and enhanced reputation are significant. Success will depend on coordinated efforts from the government, industry stakeholders, and international partners to support the transition to sustainable and deforestation-free coffee production.



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