

# International Trade Centre

Navigating EUDR

Opportunities & Implications  
for Mauritius Sustainable  
Trade

7 September 2023

# Navigating EUDR

## OPPORTUNITIES AND IMPLICATION ON MAURITIUS SUSTAINABLE TRADE

- Shaping Sustainable Trade
- ITC's role as agency of United Nations
- EUDR: why, what and how?
- EUDR Scope, key terms, obligations
- Still a few open questions...
- Due diligence accompanying measures
- EUDR opportunities and challenges
- Priorities to consider in ST, MT and LT
- Policy measures to prepare to EUDR



# Shaping Sustainable Trade

- ❖ Deforestation must be tackled and sustainable forest management practices promoted to **limit global warming** to 1.5 degrees Celsius;
- ❖ The **Glasgow Leaders' Declaration** aims to halt deforestation by 2030, restore degraded land, and increase finance for sustainable land use;
- ❖ Building blocks such as **REDD** National Forest Monitoring Systems, Forest Reference Levels, and National Strategy and Action Plans are needed to reduce carbon emissions – inter alia from deforestation;
- ❖ Regulations intended to promote sustainability should be developed and implemented in a manner that does not create **trade barriers** for developing countries, and MSMEs in particular.

# ITC's role as agency of United Nations

- ❖ Support MSMEs in developing countries to adopt **sustainable business practices**, including deforestation-free measures;
- ❖ Share with importer markets stakeholders the actions and **lessons learned from MSMEs** in developing countries that have already adopted sustainable business practices, including deforestation-free measures;
- ❖ Promote full integration and value addition by inter alia bringing together producers and buyers through its **multistakeholder networks** to;
- ❖ Offer **technical assistance and tools** to develop sustainable production strategies, market intelligence, and market access, enabling companies to compete based on sustainability credentials;
- ❖ Provides training to policymakers to combat deforestation and promote **sustainable production and trade** practices through policy development, technical assistance, and awareness-raising.



# New EU Deforestation-free supply chains Regulation (EUDR) – why, what and how?

## ➤ WHY?

EU imports are driving agricultural expansion, increasing risks of deforestation globally

## ➤ WHAT?

**Initial scope:** six commodities, that represent the largest share of EU-driven deforestation: palm oil (33,95%), soy (32,83%), wood (8,62%), cocoa (7,54%), coffee (7,01%) and cattle (5,01%);

**September 2022:** suggestion by European Parliament to include meat from swine, poultry, sheep and goats, rubber, maize, paper and charcoal;

**December 2022:** Triologue between EU Commission, Council & Parliament – political agreement reached – confirmed inclusion of rubber in scope of the regulation

**June 2023:** EUDR comes into force (**transition period starts 18 to 24 months**)

## ➤ HOW?

Traceability & geo-location, transparency, supply chain  
Due diligence requirements: “results based” global policy



# EUDR – Scope

## Commodities:

- Palm oil, soy, wood, cattle, cocoa, rubber and coffee, as well as some derived products (e.g. leather, chocolate, furniture etc.);
- Progressive coverage of additional products after reviews of scope: After one year: maize and biodiesel; After 2 years: potential inclusion of financial institutions; General review after 5 years: other products may be added.

ANNEX I

**Relevant commodities and relevant products as referred to in Article 1**

The following table lists goods as classified in the Combined Nomenclature set out in Annex I to Regulation (EEC) No 2658/87 that are referred to in Article 1 of this Regulation.

Except for by-products of a manufacturing process, where that process involved material that was not waste as defined in Article 3, point (1), of Directive 2008/98/EC, this Regulation does not apply to goods if they are produced entirely from material that has completed its lifecycle and would otherwise have been discarded as waste as defined in Article 3, point (1), of that Directive.

Relevant commodity	Relevant products
Cattle	0102 21, 0102 29 Live cattle ex 0201 Meat of cattle, fresh or chilled ex 0202 Meat of cattle, frozen ex 0206 10 Edible offal of cattle, fresh or chilled ex 0206 22 Edible cattle livers, frozen ex 0206 29 Edible cattle offal (excluding tongues and livers), frozen ex 1602 50 Other prepared or preserved meat, meat offal, blood, of cattle

Cocoa	1801 Cocoa beans, whole or broken, raw or roasted 1802 Cocoa shells, husks, skins and other cocoa waste 1803 Cocoa paste, whether or not defatted 1804 Cocoa butter, fat and oil 1805 Cocoa powder, not containing added sugar or other sweetening matter 1806 Chocolate and other food preparations containing cocoa
Coffee	0901 Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion



# EUDR – Application, cut-off date, benchmarking

## **Application:**

- Both domestically produced and imported commodities and derived products, also exported out of Europe;

## **Cut-off date:**

- 31 December 2020

## **Country benchmarking:**

- Three-tier system to assign risk to countries or parts thereof according to risk of deforestation (Low / Standards / High) based on rate of deforestation and forest degradation, rate of expansion of land for agricultural commodities, production trends, national laws and laws enforcement, etc.
- All countries start off as “standard risk”, the benchmarking system need to be defined within 18 months upon entry into force.



# EUDR – Key terms & definitions (article 2)

## **Ecosystems covered:**

- Forests as defined by FAO - i.e. “Land of 0,5 ha or more with trees higher than 5 meters, canopy cover of more than 10%”

## **Deforestation:**

- “The conversion of forest to agricultural use, whether human-induced or not”;

## **Degradation:**

- “Harvesting operations that are unsustainable and cause a reduction or loss of the biological or economic productivity and complexity of forest ecosystems”;

## **Geo-location requirement:**

- “Latitude and longitude **of all plots of land** where the relevant commodities and products were produced (polygon requested for plots of land > 4ha) ; Date or time range of production; Information to be provided in due-diligence statement”;





# EUDR – Due diligence & controls

## **Due diligence obligation:**

- Applicable to all operators and traders who place commodities and products on the EU market.

## **Due diligence process:**

- Collect information on:
  - Legality compliance
  - Deforestation-free (via geo-location data)
  - Risk assessment of potential non-compliance
  - Risk mitigation
- Submit a due diligence statement / declaration to EU Competent Authorities;

## **Differentiated approach:**

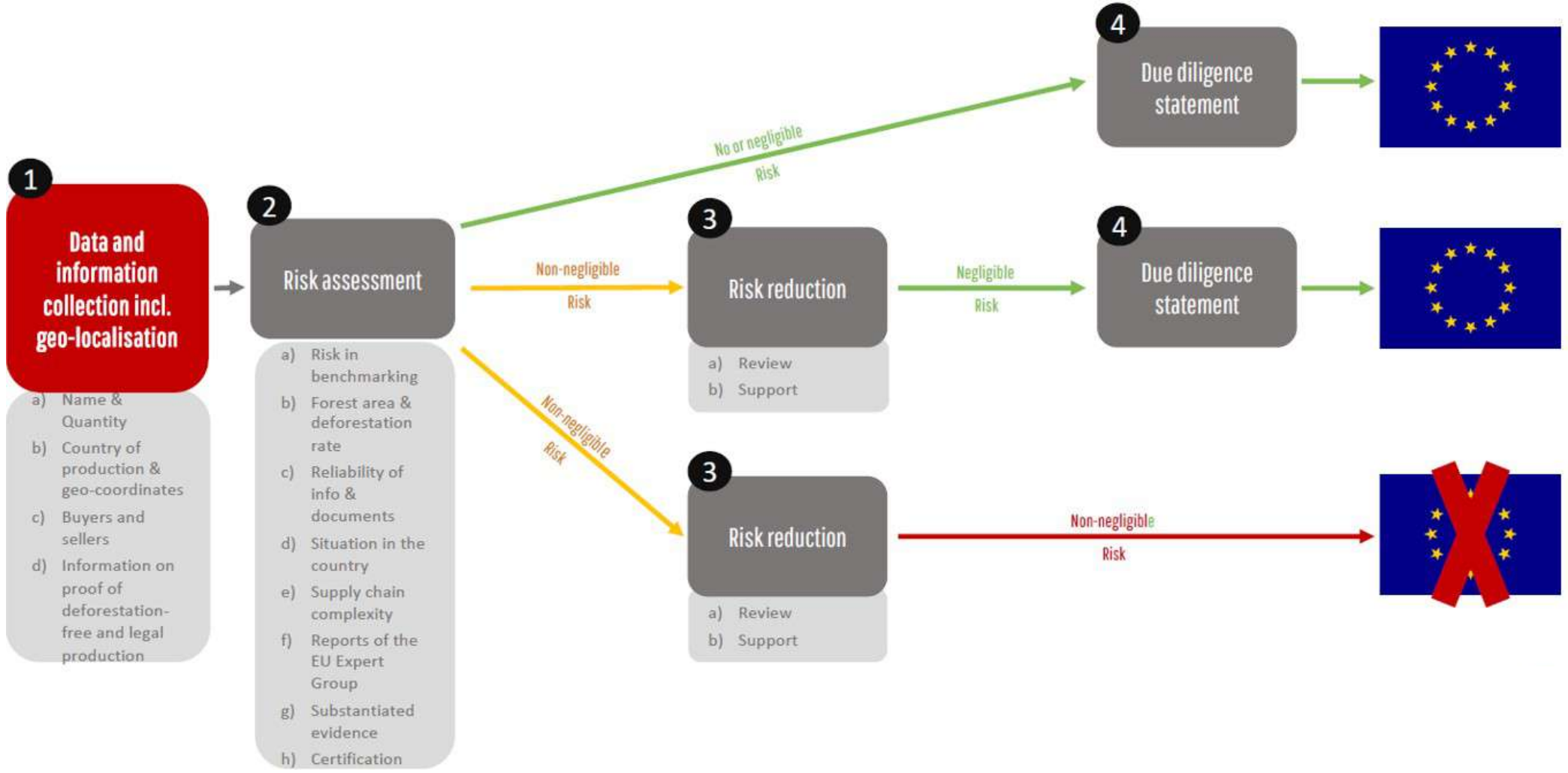
- Simplified process for low-risk countries (or parts thereof), enhanced process for high-risk countries (or parts thereof);

## **Mandatory controls:**

- Checks of operators by EU Member States competent authorities – effective, proportionate and dissuasive penalties
- Minimum level of inspections for EU Member States authorities to perform depending on the level of risk (9%, 3% and 1% for high, standard and low risk).



# Due Diligence Obligations under EUDR



# EUDR – still a few open questions (as of September 2023)

- **Country classification/ benchmarking:** The EU regulation envisages a three-tier classification of countries, or parts thereof (low, standard or high risk), implying different compliance criteria. It is still unclear, which data this system will be exactly based on (i.e. “range of criteria that reflect both quantitative, objective and internationally recognised data on deforestation rate, forest degradation, expansion of production land for agriculture, national standards, policies and legislations, etc”);
- **Non-compliance:** “operators failing to comply with the obligations under this Regulation are liable and obliged to compensate for the harm that the exercise of due diligence would have avoided;” Possibility of product recall, fines and sanctions;
- **Forms of technical assistance** and support towards implementation;
- **Partnership models** to support high risk countries.



# EUDR – online resources

L 150/206

EN

Official Journal of the European Union

9.6.2023

## REGULATION (EU) 2023/1115 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 31 May 2023

on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010

(Text with EEA relevance)



<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R1115>

## FAQ – EU deforestation Regulation

### Deforestation

This document is a working document drafted by the Commission services intending to provide information to national authorities, EU operators and other stakeholders for the implementation of Regulation of the European Parliament and of the Council on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010 (referred to in this document as ‘the Regulation’, ‘this Regulation’ or “EUDR”).

This document only reflects the views of the Commission services. It is not legally binding and does not engage the Commission’s liability.

[https://environment.ec.europa.eu/system/files/2023-06/FAQ%20-%20Deforestation%20Regulation\\_1.pdf](https://environment.ec.europa.eu/system/files/2023-06/FAQ%20-%20Deforestation%20Regulation_1.pdf)



# Accompanying measures to support EUDR implementation

- ❖ Accompanying measures are necessary to support effective implementation and mitigate unintended consequences and potential negative impacts of policies – especially for MSMEs;
- ❖ Several types of accompanying measures must be contemplated, of which five priorities have been identified for successful implementation of the new EUDR:

Mapping of  
practical  
tools for  
supply  
chain  
managemen  
t

Global  
policy  
dialogue  
and  
research

Industry  
collaboratio  
n &  
stakeholder  
engagemen  
t

Producers'  
capacity  
building &  
empowerme  
nt

Investmen  
t and  
supply  
chain  
finance

- ❖ Accompanying measures along these five priority areas are found essential to promote conservation and sustainable use of forests while avoiding potential exclusion of MSMEs from global value chains.

# EUDR: opportunities and challenges

Five rounds of ITC Roundtables held from March 2022 until June 2023:

Round 1: Producing countries considerations to deforestation-free products

Round 2: Industry responses to deforestation: methodologies & approaches

Round 3: Policy implications of the proposed EU regulation on deforestation-free products

Round 4: Paving the road for deforestation-free chains

Round 5: Towards implementation of EUDR



Readouts, recordings and further details on our website:

<https://sustainabilitygateway.org/deforestation-roundtables/>

## ITC Roundtables: key messages

- Business as usual is NOT an option, change requires time and resources and should leverage existing approaches.
- Legislation is welcome, but it needs to be “the right” legislation. There needs to be balance scale & impact locally and robust governance. Central legislation cannot be implemented locally. Define the “what” – we [local stakeholders] can achieve the “how”, one-size-fits-all approaches will not work.
- Trade requirements are necessary but need to enable countries to implement adherence to health, safety, environmental needs and more.
- Ensure support / technical assistance to MSME.



## ITC Roundtables: key messages

- Poverty is the biggest root cause of deforestation, therefore lifting small producers out of poverty is a fundamental need.
- Integrated options are needed to achieve the right outcomes and ensure a practical and achievable approach.
- Traceability needs a landscape approach and monitoring of unintended consequences (trade diversion).
- Collaboration across the entire value chain critical, there needs to be shared responsibility and accountability and alignment of private and public standards is needed.
- Governments, DFIs and multilaterals, need to provide sufficient resources.





## ITC Roundtables: key messages

- ❖ **EU Imports of some commodities might decrease** with the risk of leaving Small and Medium producers and SMES out of the market because they cannot comply with the traceability or documentation requirements. The only effective short mitigation measure available for EU operators and traders might be excluding those suppliers who cannot substantiate formal compliance with the EUDR
- ❖ **Trade Deviation** towards less stringent markets
- ❖ The **commodities that are highly reliant on the EU market** (cacao, coffee and to a lesser extent palm oil) seem to be the most vulnerable value chains, but the situation may vary across producing countries;



## EUDR: opportunities and challenges

### **Identified Potential Challenges for MSMEs**

- Growing diversity and number of environmentally friendly regulations and sustainability standards
- Increasing requirements (quantity and quality) for producers and businesses along the value chains
- Pressure of climate change related effects on MSME production and global value chains
- Lack of transparency and support specifically for MSMEs to comply with new requirements?
- Reputational risk increasing for companies that would not embrace environmentally friendly business practices

# EUDR: opportunities and challenges

## Identified Potential Opportunities

- Enhanced competitiveness of MSMEs and improved access to international markets:
  - Value creation responding to consumers' demand;
  - Increased productivity and reduced costs of production;
  - Enhanced access to finance and new technologies.
- Increased resilience of MSMEs to external shocks in global value chains
- Growing transformation power of private sector industry initiatives and expansion of market share globally
- New potential for creating Unique Selling Points in specific markets and “stand out” against traditional competitors

# Priorities in short, medium and longer-term

## Short to medium-term

**Private - Public Partnerships and Dialogue:** Facilitate public-private dialogue through global and regional consultation events. Amplify MSMEs' voices through tailored sessions focusing on industries, commodities, specific countries and regions. Address topics like the interplay between new regulation on deforestation-free products and bilateral/regional trade agreements, and preference schemes.

**Profiling National Efforts:** Facilitate mapping of national policies that combat deforestation and make them globally accessible. Currently mapping palm oil standards in Malaysia, Indonesia, and Colombia, and ready to expand profiling to other commodities like rubber, soy, and beef.

**Collaboration with EU Delegations:** Partner with EU delegations in producing countries to support policymakers, enhance MSME capabilities, and provide training for priority sectors and countries.

**South-South Cooperation:** Promote south-south cooperation and align initiatives on deforestation-free supply chains with National Forest Monitoring Systems, Forest Reference Levels, Safeguards and Safeguards Information Systems and National Strategy and Action Plans.



# Priorities in short, medium and longer-term



## Medium to longer-term

**Identifying Leveraging Points:** Better coordinate financial incentives and monitoring across different value chains and territories to avoid deforestation leakage. Leverage NDC frameworks to enable policy implementation and territory-based approaches.

**Integrating Due Diligence and Monitoring:** Support existing monitoring systems in global value chains including safeguards information systems to protect the interests of vulnerable stakeholders such as traditional communities and indigenous people.

**Developing Successful Partnerships:** Leverage ITC's expertise in market analysis, trade promotion, and sustainability to engage with importer companies and promote deforestation-free products. Facilitate collaboration between private sector companies and producing countries and promote South-South cooperation.

**Technical Support for MSMEs:** Based on field experience best practices and build in participatory manners, provide training and coaching for individual MSMEs to comply with deforestation-free value chain requirements on the producing country level.

# Policy measures that can be explored at national level to prepare for EUDR

## 1. Legal Framework and Enforcement:

- Highlight existing laws and regulations related to deforestation.
- Enhance enforcement mechanisms to prevent illegal logging and land clearance.
- Implement strict penalties for violations of deforestation policies.

## 2. Land Tenure and Rights:

- Clarify and secure land tenure rights for indigenous and local communities.
- Ensure that land use decisions are made with the involvement and consent of affected communities.
- Establish mechanisms to recognize and protect traditional land management practices.

## 3. Sustainable Forest Management:

- Promote sustainable logging practices and reforestation efforts.
- Encourage responsible forest management certifications to demonstrate adherence to sustainable practices.
- Develop incentives for businesses to adopt sustainable supply chain practices.

# Policy measures that can be explored at national level to prepare for EUDR

## **4. Transparency and Traceability:**

- Establish robust systems for tracking commodities from production to market.
- Implement technologies like blockchain to ensure full traceability and prevent products from deforested areas from entering the supply chain.

## **5. Economic Diversification:**

- Support the development of alternative, sustainable livelihoods for communities dependent on forest resources.
- Invest in new promising sectors of the economy such as eco-tourism, non-timber forest products, and other sustainable economic activities.

## **6. Cross-Sector Collaboration:**

- Facilitate collaboration between government agencies, private sector, NGOs, and local communities to address deforestation holistically.
- Create multi-stakeholder platforms for dialogue and coordination.

# Policy measures that can be explored at national level to prepare for EUDR

## 7. International Cooperation:

- Engage in bilateral and multilateral partnerships to share best practices, technical expertise, and resources for sustainable forest management.
- Explore opportunities for joint initiatives with European countries to meet market requirements

.

## 8. Capacity Building and Training:

- Enhance the skills and knowledge of law enforcement, and relevant stakeholders in sustainable land management practices, including national bodies that can support / deliver EUDR inspection services in the country;
- Provide technical training on advanced tracing technologies and sustainable supply chain management.

## 9. Research and Data Collection:

- Invest in research to gather accurate and up-to-date data on forests, forests degradation and/or deforestation rates, causes, and impacts.
- Using scientific evidence to inform policy decisions and monitor progress.





# Stay connected!

[www.intracen.org](http://www.intracen.org)

@ITCnews

@ITC\_sustainable

Mathieu Lamolle, senior advisor

E: [lamolle@intracen.org](mailto:lamolle@intracen.org)

