

Demand-side measures: Potential interventions

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Draft feasibility study contains 12 demand-side interventions to reduce EU consumption of forest risk commodities (FRCs):

- 1. Measures to discriminate between sustainably / legally produced and unsustainably / illegally produced commodities –**
 1. Support for business initiatives (1)
 2. Provide information and transparency (4)
 3. Government action and regulation (5)
- 2. Measures to reduce total level of consumption (2)**

Introduction (1)

Interventions based on and apply to –

1. Approaches

1. Legality
2. Sustainability
3. (Zero deforestation / zero net deforestation)

2. Products

- Soy, palm oil, beef, cocoa, maize, coffee, rubber, timber, pulpwood, wood pellets, biodiesel, bioethanol, (sugar)

- Encouragement for private-sector initiatives to source legal / sustainable FRCs (6.2.6)
- Many already under way: CGF, NYDF, Amsterdam Commitment, national task forces, individual companies, etc.
- Possible Commission and member state support includes:
 - Private-sector involvement in design of other interventions
 - Provision of forum for stakeholders from public and private sectors and civil society / support for existing forums, e.g. CGF, TFA2020
 - Encourage establishment of national commodity alliances (already exist for palm oil in eight member states)
 - Support activities by EU business federations to promote sustainable sourcing
 - Finance studies and analyses

Supporting business initiatives

Improve information and transparency on legal / sustainable FRCs

- **Support for sustainable agri-commodity trader platform (6.2.5)**
 - Internet-based exchange for sellers, traders and buyers of sustainable FRCs
 - Increase information and market liquidity
 - EU could fund research, support public-private partnerships
- **Strengthen and expand existing transparency platforms (6.2.7)**
 - Encourage, provide support for, open-access transparency platforms like TRASE (supply chain overview) or WRI's Open Timber Portal (timber legality, independent monitoring, etc.)
 - Encourage, provide support for, voluntary reporting by companies of exposure to FRCs in supply chains, like CDP forest disclosure project

Information and transparency (1)

- **Consumer information campaign (6.2.8)**
 - Build awareness of issues amongst consumers, aiming to increase demand for deforestation-free / sustainable FRCs
 - Partnership with NGOs and private sector
- **Incubating new certification schemes (6.2.9)**
 - Where certification schemes very low or non-existent: beef, maize, rubber
 - EU could finance background reports, support establishment of roundtables, support early certification efforts
 - Needs involvement of industry and NGOs

Information and transparency (2)

Government action to support sourcing of legal / sustainable FRCs

- **Due diligence regulation for forest risk commodities (6.2.1)**
 - Modelled on EUTR, IUU fishing regulation, conflict mineral regulation
 - Including prohibition and due diligence requirements
 - Applied to single or several FRCs
 - Based on legality, not sustainability?
 - Risk-based approach: risk highest where lack of clarity over land tenure or use rights, likelihood of forced labour, etc.
 - But, are agricultural commodities grown on illegally cleared forest land themselves illegal? Illegality relates to conversion, not production
 - Would need to apply to EU production (all vegetable oils?) – though compliance with CAP Pillar I could be considered as ‘legal’
 - Possible reinforcement to partnership agreements for FRCs

Government action & regulation (1)

- **Public procurement policies for forest risk commodities (6.2.2)**
 - Public sector major purchaser of food and catering services
 - Public procurement policies for food common (though UK palm oil only deforestation-related)
 - Criteria probably based on sustainability, use existing certification systems – so palm oil, cocoa, coffee, tea best candidates
 - Voluntary EU GPP criteria for food and catering – latest revision includes encouragement (though not requirement) for sustainable palm oil
 - May not be necessary if private-sector initiatives cover entire national market – though can act as encouragement to private sector
 - Could also potentially apply to cleaning products and services

Government action & regulation (2)

- **Lower import duties for sustainably produced commodities (6.2.3)**
 - Lower import duties for FRCs produced sustainably
 - Impact depends on price differential
 - Current import duties for many commodities low but not zero, except for poorest countries (not including Argentina, Brazil, Indonesia, Malaysia)
 - Agreement on criteria for sustainability and means of proof could be complex
 - Compliance with WTO rules would be controversial and contested ...
 - ... though inclusion of environmental and social criteria for timber in EU's 1998 GSP was not challenged (though also proved ineffective)

Government action & regulation (3)

- **Promotion of trade in legal / sustainable FRCs through free trade agreements (6.2.11)**
 - Several new FTAs include clauses promoting trade in sustainable FRCs, including information exchange and multi-stakeholder dialogue
 - Could also include encouragement for using public procurement policy and reducing import and export duties for sustainably produced FRCs as priority
- **Encouragement for similar actions by other consumer countries (6.2.4)**
 - Impact of interventions greater if other consumer countries take action – particularly China
 - Options include raising issue in bilateral dialogues; supporting TFA2020; raising topic in G7, G20, FAO; NYDF follow-up; etc.

Government action & regulation (4)

Reduce total level of consumption of FRCs

- **Encouragement for lower consumption of FRCs in food (6.2.10)**
 - Reduce food waste: actions under EU Circular Economy package
 - Reduce consumption of FRCs linked with health problems: meat (beef), sugar
 - EU could encourage member states to adopt national dietary guidelines, possibly taxation; spread examples of best practice, provide forum for discussion
 - Reinforce message on health with arguments on deforestation and climate change

Reducing total consumption (1)

- **Sustainability criteria for bioenergy feedstocks (6.2.12)**
 - Renewable Energy Directive 2009 contains sustainability criteria for liquid biofuels (e.g. palm oil, soybean oil); several member states have sustainability criteria for solid biomass (e.g. wood pellets)
 - Aim to reduce GHG emissions, ensure legal and sustainable production
 - 2015: additional rules aiming to reduce share of biofuels from crops grown on agricultural land – capped at 7%, reduce to 3.8% (of transport fuel use in member states)
 - Included in new proposed Renewable Energy Directive, along with new criteria for solid biomass
 - Certification schemes often used as evidence of compliance with criteria (though European Court of Auditors critical report in 2016)
 - Key part of argument is over impact on GHG emissions, whether direct or through land use change – *not* about legal/sustainable production

Reducing total consumption (2)

- **Supporting business initiatives (6.2.6)**

Interventions summary (1)

- **Information and transparency**
 - Support for sustainable agricultural commodity trader platform (6.2.5)
 - Strengthen and expand existing transparency platforms (6.2.7)
 - Consumer information campaign (6.2.8)
 - Incubating new certification schemes (6.2.9)

Interventions summary (2)

- **Government action and regulation**
 - Due diligence regulation for forest risk commodities (6.2.1)
 - Public procurement policies for forest risk commodities (6.2.2)
 - Lower import duties for sustainably produced commodities (6.2.3)
 - Promotion of trade in legal and sustainable forest risk commodities through FTAs (6.2.11)
 - Encouragement for similar actions by other consumer countries (6.2.4)

- **Reducing total consumption**
 - Encouragement for lower consumption of FRCs in food (6.2.10)
 - Sustainability criteria for bioenergy feedstocks (6.2.12)