European Deforestation Regulation

Key opportunities and risks

Matthew Spencer

ADP meeting,10th May 2023

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transforming markets

What could the wider wins be from EUDR?

When production countries feel respected and supported to be partners in implementation

Enforcement of National forest laws gets stronger

- Indonesia and Brazil have both demonstrated the huge positive effect that this can have, and the benefits cover non-EU commodity markets
- Poorer forest rich nations will need further support to strengthen monitoring and enforcement

Land titling programmes are accelerated

- Small farmers can prove their D-free status with land title and land registration
- This activity is delivered by national or regional govt but co-funding from companies and donors can accelerate land titling in critical sourcing landscapes

New accessible and cheap traceability solutions become the norm

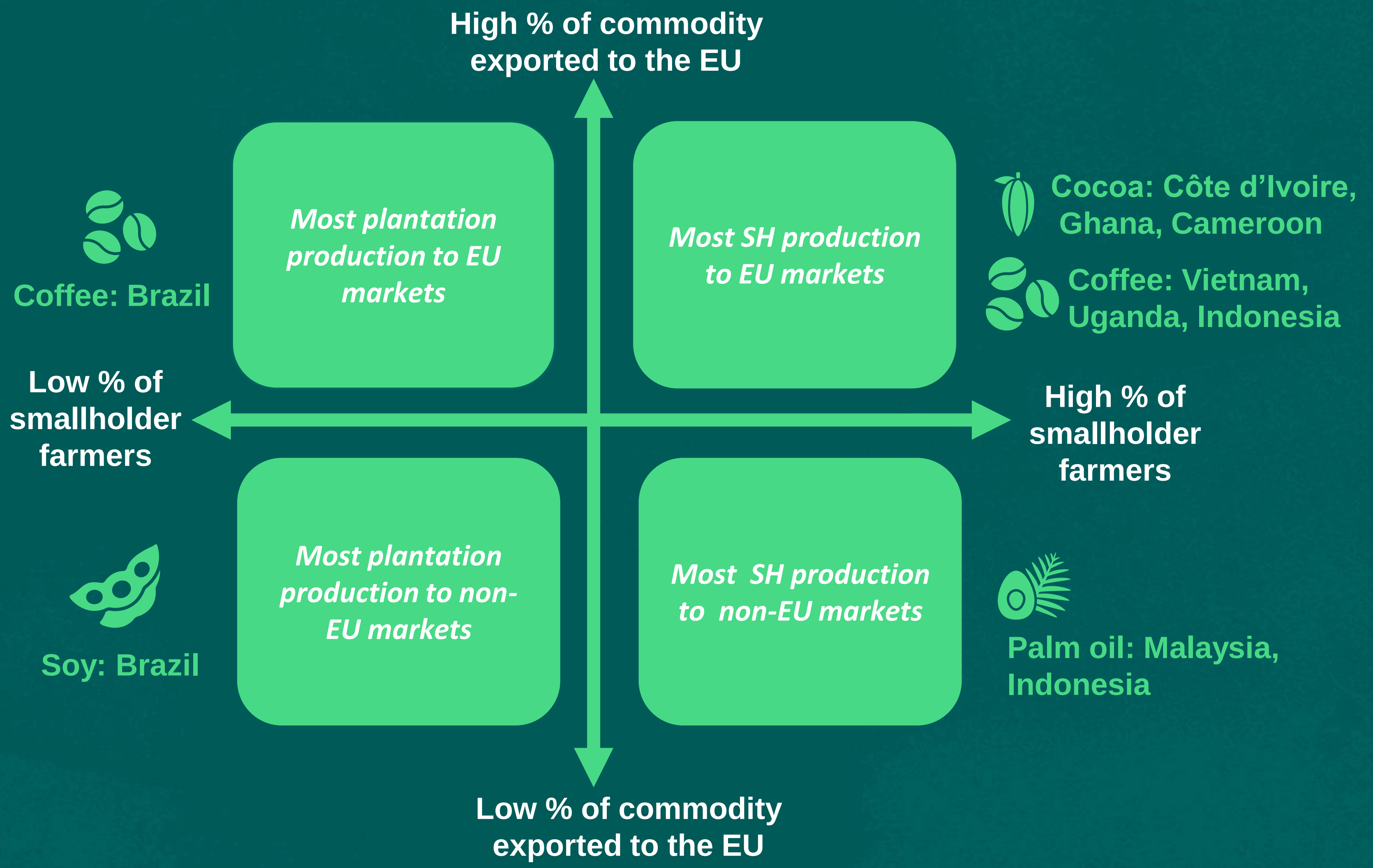
- The costs will come down faster with pre-competitive collaboration to establish data and technology norms
- Integration of SH in direct supply chains through formalization of trade links with intermediaries
- SH access to their own data can be a requirement from the start and can be a condition of regulations and funding

Key factors determining EUDR effect on commodity production markets

In producing countries, the effect of the EU regulation on deforestation-free products will depend on two key factors:

- The **share of volume** exported to the EU
- The **share of smallholder farmers** compared to large scale farmers / plantations

**Deforestation risk and price differentials will determine market dynamics within these segments*



The potential effect of EUDR on commodity production

→ The biggest opportunities are where small farmers dominate and the EU is the biggest buyer e.g Cocoa and coffee from Africa

→ The biggest risks are where smallholders dominate but the EU is not a dominant buyer e.g Palm in SE Asia

High % of commodity exported to the EU

Low % of commodity exported to the EU

Low % of smallholder farmers

High % of smallholder farmers

Coffee: Brazil

Plantation/ranch traceability accelerates

Biggest opportunities for forests and small farmers

Companies stay engaged and invest in longer term farm mapping/traceability where forest risk is lowest

Cocoa: Côte d'Ivoire, Ghana, Cameroon

Coffee: Vietnam, Uganda, Indonesia

Soy: Brazil

Markets likely to adapt quickly via switching or trade segregation

Different scenarios based on costs:
1. Switch to other producing countries
2. Invest in soy segregation if cost is lower
3. Substitute to other feed (e.g. maize)

Biggest risks to SH inclusion and EU facing companies investing in forest hot spots

Palm oil: Malaysia, Indonesia

- **Switch to sourcing from plantations within their own supply chain**
- When volume from plantations is not enough, invest in traceability for smallholders, in areas that are the easiest to reach / far from forests

How can Landscapes Approaches help?

By facilitating ‘horizontal’ collaboration across key production areas

Enforcement of National forest laws gets stronger

- Experience in Brazil and Indonesia shows that provincial/state and district authorities can be very effective at responding to forest alerts and aligning local stakeholders to combat deforestation
- Landscape governance platform encourages collaboration to verify deforestation alerts, identify deforestation drivers and mitigate risks amongst local landscape stakeholders

Land titling programmes are accelerated

- It is possible to speed up registration in key sourcing regions with support from landscapes partners in state and federal authorities
- Pre-competitive co-funding of land titling programs by sourcing companies and public sector (e.g. grants/lower registration fees/simplified processes)

New accessible and cheap traceability solutions become the norm

- Pre-competitive collaboration on traceability between offtake business at landscape or jurisdictional level
- Pilots with small farmers and intermediaries at landscape level to test data accessibility/ security and interoperability