

# Position paper on the proposal for a Regulation concerning certain commodities and products associated with deforestation and forest degradation

## Summary of key recommendations

- The Regulation should focus on the problem of deforestation.
- Definitions established by the FAO should be used as far as possible. Definitions should ensure legal clarity and be implementable.
- Due diligence should incorporate third party certification as a valid tool for risk assessment and mitigation.
- The geolocation requirement is a challenge that may disrupt the confidentiality of business transactions in the supply chain and proves to be unfeasible for the industry while alternative safeguards exist
- The product scope of the Regulation should cover all relevant wood and paper products, including printed products.

The European pulp and paper industry fully supports efforts and initiatives contributing to halt deforestation around the globe and recommends the EU to take effective and proportionate action to counter this phenomenon. Global deforestation has detrimental impacts on climate change and biodiversity loss, as it reduces carbon sink capacity and the overall provision of forest ecosystem services, including the delivery of raw materials.

The pulp and paper industry has a strategic imperative to keep forests healthy, resilient and growing, and is committed to sustainable forest management to ensure that forests fulfil multiple environmental, social and economic functions now and in the future. Since decades the industry supports the use of third-party certification to prove responsible forest management, which now covers 78% of the wood supply. Although pulp and paper production is not a driver of deforestation, undue associations continue to put a shade on industries that work with forests in a sustainable way and contribute to climate change mitigation by providing alternatives to fossil-based and CO<sub>2</sub> intensive materials. Since the introduction of the EU Timber Regulation<sup>1</sup> the industry also has gained considerable experience in setting up due diligence systems to prevent the placing on the EU market of illegally logged timber.

However, effective and proportionate action at EU level should focus on the real drivers of commodity-induced deforestation: according to the most recent estimates<sup>2</sup>, approximately 90% of global deforestation is caused by the conversion to agricultural land, followed by urban expansion, infrastructure development and mining<sup>3</sup>.

Cepi puts forward the following recommendations and concerns in the light of the recent adoption of the proposal for a Regulation concerning certain commodities and products associated with deforestation and forest degradation:

## 1) The Regulation should focus on the problem of deforestation

The Regulation should focus all the efforts on halting deforestation and not divert away from this problem and its root causes, namely agricultural expansion on former forest land. The pulp and paper industry acknowledges the concerning issue of forest degradation, and considers that it should be rather tackled via the support to enhanced adoption of sustainable forest management – a dynamic concept – at pan-European and international level. While the EU can and should step up the efforts to motivate trade partners to improve their forest governance and management practices, the proposed Regulation is not the right tool to address the problem, and forest degradation should not be included in the definition of “deforestation-free” commodities and products. Several reasons justify this position.

Forest degradation is not defined in the FAO Forest Resource Assessment, which refers to national definitions and criteria only. The assessment of forest degradation as the reduction of the capacity of a forest to provide goods and services ultimately depends on the weighting given to different criteria (e.g., species diversity, production capacity, protection capacity), which is context- and country-dependent. Moreover, many indicators of a forest’s capacity to

provide goods and services vary over time within a stand without implying forest degradation. Furthermore, a temporary reduction of forests functions may be caused by natural causes such as biotic (pest outbreaks) and abiotic disturbances (fires, storms, windthrows).

The definition of forest degradation proposed in the Regulation ultimately reduces a complex phenomenon to a single list of management practices defined as “unsustainable harvesting operations”, which is highly problematic. First, such definition ignores the concept of sustainable forest management as a dynamic balance of social, environmental and economic functions.

Secondly, it is impossible to apply a single definition of “sustainable harvesting operations” to the different management systems of the wide variety of forests in different biogeographical regions within and outside Europe. This would unduly overstep the competence of Member States on forest management and ignore the need for silvicultural practices adapted to local conditions.

Thirdly, if included in the Regulation, the definition may ultimately target sustainable forest management practices, while the problem is conversion to other land uses. The inclusion of forest degradation in the Regulation would create legal uncertainty and put a disproportionate burden on operators in the forest sector without tackling real drivers of forest loss.

Finally, the definition of “deforestation-free” should make clear that the production of relevant commodities is not causing nor contributing to deforestation. For example, if forest clearing is triggered by agricultural expansion, logging of wood may occur but would not be the cause itself of deforestation.

## **2) Definitions established by the FAO should be used as far as possible. Definitions should ensure legal clarity and be implementable.**

When setting requirements on the EU legal framework to tackle global deforestation and forest degradation, it is crucial to endorse internationally agreed, well-established definitions. In particular, key terms should be defined as in the Terms and Definitions of the [Global Forest Resources Assessment](#) by the Food and Agriculture Organization of the United Nations. This approach would facilitate enforcement and would ensure consistency within the large set of EU legal and policy framework.

Cepi welcomes that the definitions of forest, planted forest and plantation are fully aligned with FAO, and that the definition of deforestation is based on the FAO definition, but focusing clearly on conversion of forests to agricultural use. Deviation from these definitions would result in misalignment with international agreements and other areas of EU policy, for example the climate legislative framework, where forest plantation counts as forest land in GHG accounting categories.

## **3) Due diligence should incorporate third party certification as a valid tool for risk assessment and mitigation**

Due diligence requirements imposed on operators should follow a risk-based approach in accordance with WTO rules. Existing global forest certification systems, such as FSC and PEFC are key tools in the industry's risk management and risk mitigation procedures. Third-party verified forest management certification helps demonstrating that forests are managed in line with environmental, social and economic requirements, and it is complemented by chain of custodies certification. As such, their scope is much broader than legality and deforestation. A recent study<sup>4</sup> confirmed that certification remains a key tool as it safeguards a higher degree of assurance to operators compared to non-certified material or supply chains. This supporting role in deforestation-risk assessment should be maintained under the new framework.

## **4) The geolocation requirement is a challenge that may disrupt the confidentiality of business transactions in the supply chain and prove to be unfeasible for the industry**

The new information requirements present substantial implementation challenges compared to the requirements of the EU Timber Regulation. More specifically, operators are asked to collect the geographic coordinates of all the

plots of land where the relevant commodities and products were produced, which is a new requirement compared to EU TR. This may force operators and large traders to disclose confidential information along the value chain, which may lead to wood market distortions.

Furthermore, the identification of "geo-location coordinates" of plot of harvest is not feasible for finished products. It is possible to follow the raw material from the felling site to industry, but after that the parts of the decomposed log can no longer be connected to a specific felling area. Legislation must therefore focus on a scale other than "plots of land".

Chain of custody systems in use by third-party certification provide a more sustainable model, which should be acknowledged as one way to prove sustainability. A chain of custody system includes measures that define the responsibility for the custody of materials and products when these are transferred from one organisation to another within the relevant supply chain without the need for physical segregation. Its purpose is to ensure that specified characteristics (e.g. that the product is certified) are indeed the ones that are actually delivered in the output.

## **5) The product scope of the Regulation should include all relevant wood and paper products, including printed products**

At the time of the introduction of the EU Timber Regulation, several wood-based products were left out of the scope of the Regulation and are still not included in the scope of the current proposal on deforestation. Cepi believes that the scope of the Regulation is inconsistent as it includes wood and paper products only up to a certain step in the supply chain (chapters 47 and 48 of the combined nomenclature for pulp and paper), but does not include manufactured products further down the value chain, for example printed products (chapter 49 on printed products).

In line with past recommendations on the EU TR, Cepi believes that the non-inclusion of printed products can lead to circumvention: there is a risk that finished products based on wood that is not deforestation-free, instead of being traded to the EU in the form of wood, pulp or paper, are traded to countries with less stringent rules on deforestation before being imported in the EU in the form of printed products. Due to this risk of circumvention, the problem the regulation is trying to address may remain in the countries of origin, while manufacturing jobs are delocalised from the EU to countries with less stringent rules on deforestation. It is therefore recommended to include products of chapter 49 in the Annex I of the Regulation.

Cepi is the European association representing the paper industry. We offer a wide range of renewable and recyclable wood-based fibre solutions to EU citizens: from packaging to textile, hygiene and tissue products, printing and graphic papers as well as speciality papers, but also bio-chemicals for food and pharmaceuticals, bio-composites and bioenergy. We are a responsible industry: 86% of our raw materials are sourced from within the European Union and 78% of the wood comes from certified forests, 92% of the water we use is returned in good condition to the environment. We are the world champion in recycling at the rate of 73.9%. At the forefront of the decarbonisation and industrial transformation of our economy, we embrace digitalisation and bring 18.5 billion value addition to the European economy and €4.5 billion investments annually. Through its 18 national associations, Cepi gathers 495 companies operating 895 mills across Europe and directly employing more than 180,000 people.

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<sup>1</sup> Regulation (EU) No 995/2010.

<sup>2</sup> FAO, Global Forest Resources Assessment 2020 Remote Sensing Survey. [First results](#) presented on 8 November 2021.

<sup>3</sup> FAO, Global Forest Resources Assessment 2020.

<sup>4</sup> Preferred by Nature (2021), Report: Study on Certification and Verification Schemes in the Forest Sector and for Wood-Based Products.