THIS IS A
Cepinar

6 March 2024

Update on EU Deforestation Regulation implementation

europeantissuesymposium
THE EUROPEAN TISSUE PAPER ASSOCIATION

FEFCO
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Competition rules reminder

Before attending Cepi meetings please ensure you read carefully the Guidelines for Compliance with EU Competition Rules

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DOs and DON'Ts in Cepi meetings

One of the fundamental driving values of Cepi is to ensure that all its activities are conducted in strict compliance with the relevant EU competition law. The present checklist must be kept in mind by all persons involved in Cepi meetings so as to ensure full integrity of these meetings, in accordance with competition law as well as the Cepi Guidelines for Compliance with EU Competition Rules.

DOs

Before attending Cepi meetings make sure that you have read carefully the Guidelines for Compliance with EU Competition Rules and have this checklist at hand for quick reference in any Cepi conference or meeting.

Supervision/Procedure

- Consult in advance the written agenda describing the subjects of the meeting.
- All agendas should be available to all member companies well in advance of the meeting.
- A staff representative of the association should be present at each meeting.
- Limit meeting discussions to topics on the agenda.
- Consult the Cepi secretariat if you have questions in relation to competition

DOs:

- Supervision/procedure
- Recordkeeping
- Vigilance

DON'Ts:

- Pricing information
- Costs and production
- Market information
- Investment, divestment and future plans

A full copy of the guidelines is always available for our members in the meeting rooms or on Cepi's Members Area → Resource Centre

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Agenda

10.00 Welcome address
Jori Ringman, Director General of Cepi

10.05 Key requirements of the EUDR and clarification on the scope of the regulation for paper products.
Ulrich Leberle, Raw Materials Director, Cepi

10.25 Latest developments on EUDR implementation
Margherita Miceli, Forest Policy Manager, Cepi

10.40 Insights on the EUDR Information System platform
Sakari Suuriniemi, Senior Manager, Global Forest Affairs, UPM

10.55 EUDR implementation in the European sawmilling industry
Silvia Melegari, Secretary General of EOS

11.10 EUDR implementation in the European printing industry
Laetitia Reynaud, Senior Policy & Economic Advisor, Intergraf

11.25 **Q&A**

Cepi

Key requirements of the EUDR and clarification on the scope of the regulation for paper products.

Ulrich Leberle
Raw Materials Director, Cepi

About Cepi

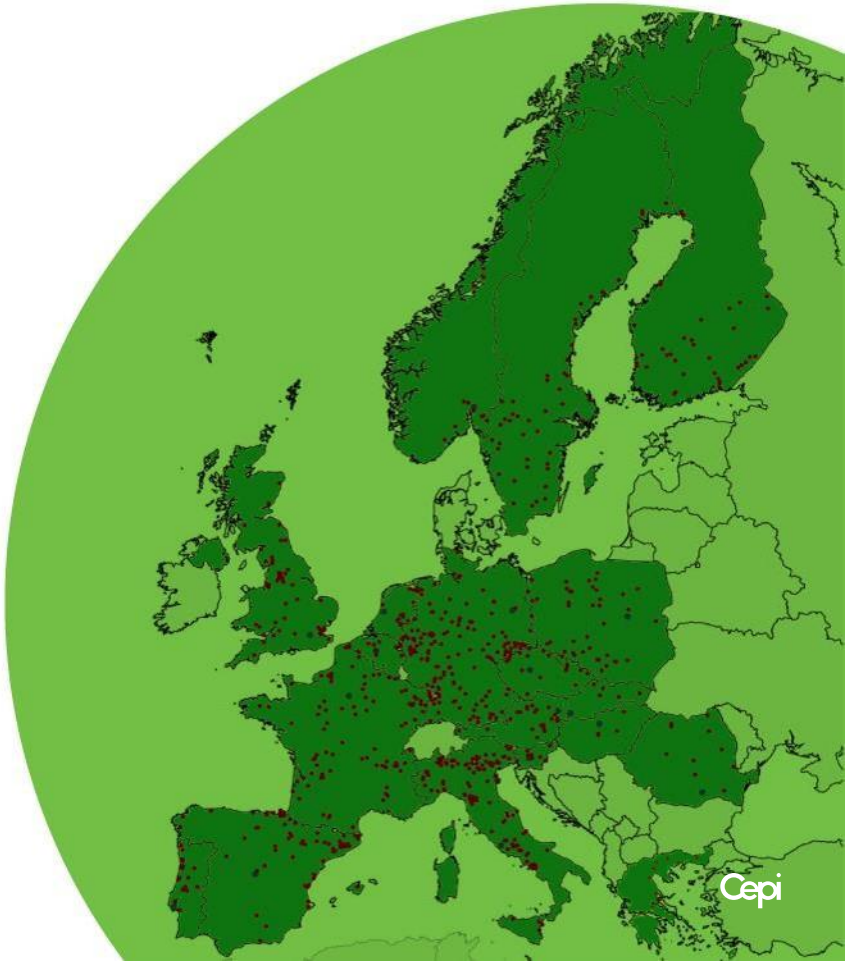
Represents in Brussels
500 pulp, paper and board producing companies
895 mills across Europe of which **139** biorefineries
180000 people employed directly
19 member countries

Engaged in international fora (UN, FAO, WTO)
to defend our **21.7 %** share of global production

Working across the value chains –
from forest owners to converters

Chair: **Marco Eikelenboom, CEO Sappi**

A staff of **24** industry, policy and public affairs experts



EU Deforestation Regulation - Reg.(EU) 2023/111

Goal: minimise the risk that products coming from **supply chains associated with deforestation or forest degradation** are placed on the EU market or exported from the EU market

Obligations for operators and traders of risk commodities and derived products:
cattle, cocoa, coffee, palm oil, soy, wood and rubber

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Scope - Annex I. Relevant chapters of Combined Nomenclature:

Ch.44 Wood and articles of wood

Ch.47 Wood pulp

Ch.48 Paper and paperboard, articles of paper pulp, of paper or paperboard (incl. packaging)

Ch. 49 Printed books, newspapers, pictures and other products of the printing industry

Exceptions:

bamboo-based and recovered (waste and scrap) products;

products falling into the code 9619 (sanitary towels and tampons, diapers, napkin liners)

Timeline

The Regulation entered into force on 29/06/2023

31 December 2023

Member States nominate **Competent Authorities**

30 December 2024

EC Information System is active; **Country benchmarking** in place

Obligations for **Competent Authorities** enter into application

Obligations for **non-SMEs operators and traders** enter into application

30 June 2025

Obligations for **SMEs operators and traders** enter into application

Main obligation: **place** on the EU market / **export** from EU market products only if

they are **deforestation** and **forest-degradation free**

they have been produced in accordance with **legislation of the country of production**

they are covered by a **due diligence statement (DDS)**

The DDS includes geolocation information of harvesting sites

→ **Due diligence obligation** to ensure compliance

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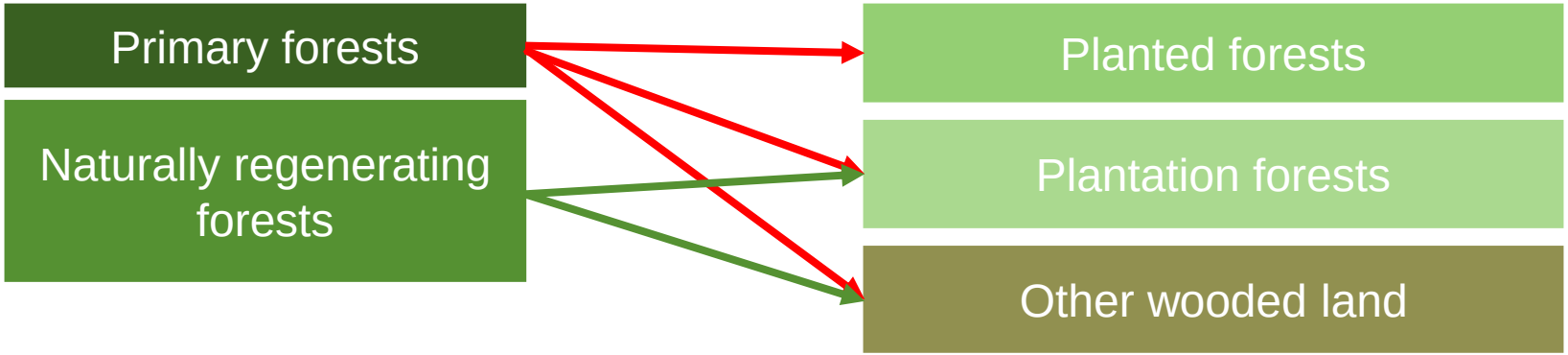
Deforestation =
conversion of forest to agricultural use, whether human-induced or not

Forest Degradation =
structural changes to forest cover, taking the form of conversion of:



Cut-off date: 31 December 2020

Due Diligence requirements

Collect information

- **Description** of the product (trade name, species, quantity etc.) and information about the **supplier** (name, address etc.)
- **Country of production** and **geolocation** of all plots of land where the wood was harvested and **time and date range** of production

Risk assessment

- Assess the risk of illegal harvesting, deforestation and forest degradation
- Operators can use complimentary information supplied by **certification or third-party verified schemes**

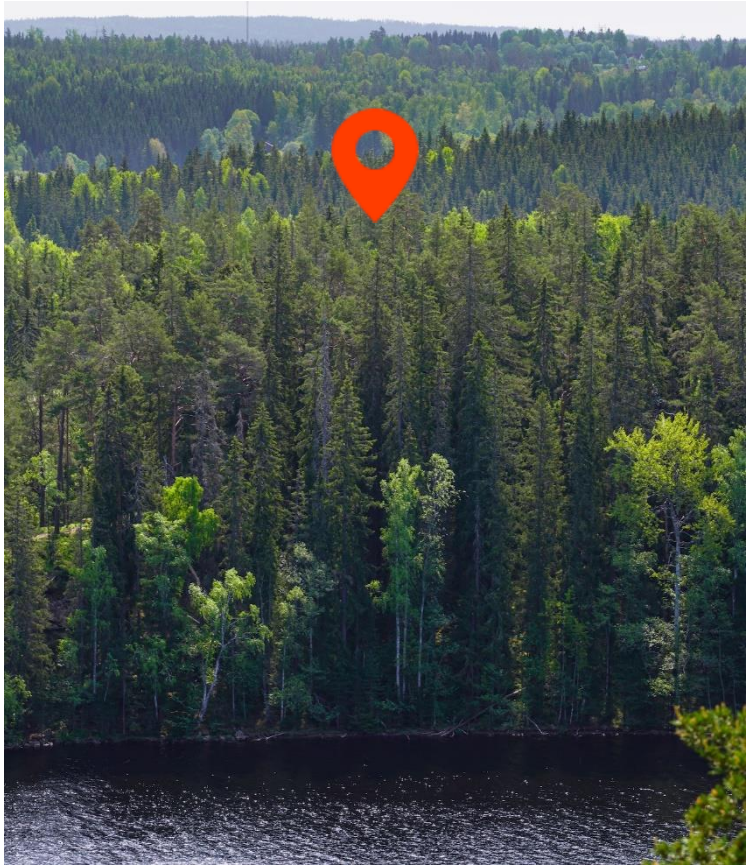
Risk mitigation

Carry out independent audits, appoint compliance officer, etc

Geolocation requirement

Geolocation of all plots of land where the relevant commodities were produced, as well as the **date or time range of production;**

NB: ***if the product is made out of wood coming from different sources, the geolocation of all different plots of land shall be included***



Country benchmarking

Benchmarking developed by the Commission and applied to countries or regions according to risk of deforestation and degradation.

Low risk	Simplified due diligence: obligation of collection of **information only** (**including geolocation**)
Standard risk	Obligation of collection of **information**, **risk assessment** and **mitigation**
High risk	

Simplified due diligence applicable only if the operator has assessed that there is no or negligible risk of circumvention of the Regulation or of mixing with products of unknown origin or from standard or high risk country.

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Due Diligence Statements and EU Information System

- **Completing a Due Diligence Statements can only be done via the Information System** developed by the European Commission.
- National Competent Authorities will be able to check the DDS of operators and share information among themselves
- Built on existing EU system “Traces NT”

Clarification on the status of recycled paper under EU DR

EUDR and recycled paper

- Operators must comply with the requirements of the EUDR

→ **There are exceptions for recycled material**

- Some stakeholders have interpreted that pre-consumer material would not fall under the exemption.

- **However, in Cepi's view, the Commission FAQ does make clear that for both post- and preconsumer recycled material the obligations of the regulation do not apply**

- **Cepi is seeking for confirmation by the European Commission suggesting to clarify even further as it has done for the EUTR**

EUDR and recycled paper

Annex 1 on the scope of relevant commodities reads as follows:

"*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.*"

EUDR and recycled paper

Question 33 of the European Commission FAQ:

“Does all recycled paper/paperboard fall under the scope?

Most recycled paper/paperboard products contain a small percentage of virgin pulp or pre-consumer recycled paper (for example, discarded paperboard scraps from cardboard box production) to strengthen the fibres.

Annex I states that the 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 Directive 2008/98/EC. So, no obligation applies under the Regulation in respect of the recycled material.*

On the contrary, ***if the product contains a percentage of non-recycled material, then it is subject to the requirements of the Regulation*** *and the non-recycled material will need to be traced back to the plot of origin via geolocation*.”

EUDR and recycled paper

FSC gives a good overview of what is pre-consumer, post-consumer and mill broke

Forest Stewardship Council

FSC STANDARD

Sourcing reclaimed material for use in FSC Product Groups or FSC Certified Projects

FSC-STD-40-007 (V2-0) EN

ANNEX II: Examples of reclaimed PAPER material

Post consumer paper sources		Post consumer paper material	Not accepted as reclaimed paper material
Domestic; Distribution, retail and industrial;	→	Commercial transport packaging Computer print-outs Magazines, direct mail, home office materials, and boxes Old magazines from residential or office collections Old newspapers from residential or office collections Reclaimed household scrap paper and packaging, including old newspapers Reclaimed office waste paper Used corrugated boxes Used tabulating cards	Materials that are discarded by a manufacture process but that has properties allowing it to be reused on site by being incorporated back into the same manufacturing process that generated it. Examples: Dry paper trimmings from production or on-site sheeting and converting operations; Faulty paper at the mill; Mill broke, trim and scrap re-used onsite in the same manufacturing process; Obsolete inventories at the mill; Wet paper removed from the paper machine
Pre-consumer paper sources		**Pre-consumer paper material**	
Secondary and subsequent manufacture; Distributors Merchants	→	All scrap generated during the intermediate steps in producing an end product following *primary manufacturing* (i.e. post-mill); Bindery trim and scrap; Forms conversion scrap; Merchant return stock; Obsolete inventories from distributors, printers, converters and others beyond the original manufacturer; Over-issue publications; Printers' scraps, pre-printing, make-ready, overruns, errors, rejections; Publisher overruns and returns; Scrap from product manufacturing, including bag, box and carton manufacturing; Scraps from converters, mail order houses, others in value-added chain; Sheeting scrap from converters	

Latest developments on EUDR Implementation

Margherita Miceli
Forest Policy Manager, Cepi

Support for implementation: Commission's Guidance and FAQs

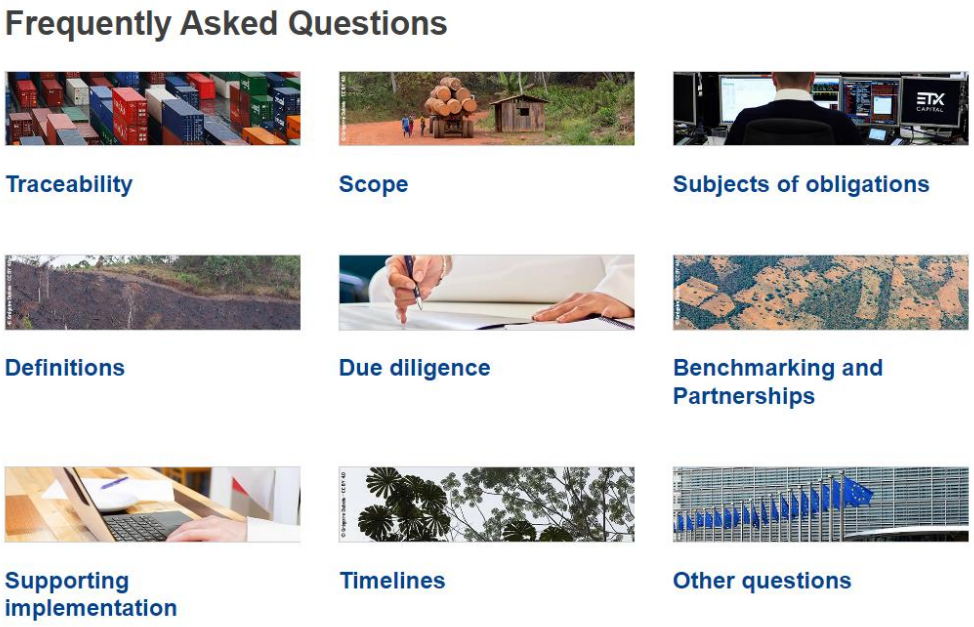
FAQs available at

https://green-business.ec.europa.eu/deforestation-regulation-implementation_en

And in PDF **here**

NB FAQs regularly updated, next update should be at the end of March

NB2: FAQs help with interpretation, but **not legally binding**



Commission's Guidance

Date of release TBC likely in Q2 2024

Guidance on interpretation of the text

- Definitions of **placing and making available on the market, export, operator** etc.
- **Timelines** and entry intro application
- **Legality:** relevant legislation of the country of production
- **Risk assessment and negligible risk**
- **Product scope**
- Role of **third-party verification schemes**,
- Definition of "**Agricultural use**"

Based as much as possible on EU Timber Regulation Guidance of 2016

Country benchmarking – Legal procedure

Implementing Act :

There must be a consultation of Committee of Member States;

Stakeholders consultation of 4 week may be opened

- **29 June 2023**: all countries are standard risk

- **31 December 2024**: Commission adopts **Implementing Act** with low- and high-risk countries (**or regions**)

- The Commission shall engage in a dialogue with all countries that are classified or risk being classified as "**high risk**" → **Notification to country**, additional evidence can be sent by the interested country

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Country benchmarking

- The classification can be done at **subnational level** – e.g. high-risk region in a standard risk country
- The classification will **not** be differentiated by commodity
- Classification based on:

Rate of deforestation and forest degradation

Rate of expansion of agricultural land for relevant commodities

Production trends of relevant commodities

Update from Member States

- At the moment 14 Countries appointed Competent Authorities
- 13 missing Countries:

Cyprus, Croatia, Estonia, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Romania, Slovakia

List available here
https://circabc.europa.eu/ui/group/34861680-e799-4d7c-bbad-da83c45da458/library/15b78f75-8f4e-4b3e-ab84-15f162311749/details?download=true

Cepi

(Few) questions from the pulp and paper sector still unsolved despite FAQs

- ? Practical implications of requirement to **“ascertain” the due diligence of the supplier**;
- ? Practical implications of requirement to **list all the “potential” plots of land linked to the final product**: is it possible to use mass balance systems, provided that all sources are compliant and of known origin?
- ? Due diligence statement must be produced for **each shipment**: what is that exactly?
- ? How to deal with **delayed timeline for SMEs**?

Insights on the EUDR Information System Platform

Cepinar 6 March 2024

Sakari Suuriniemi

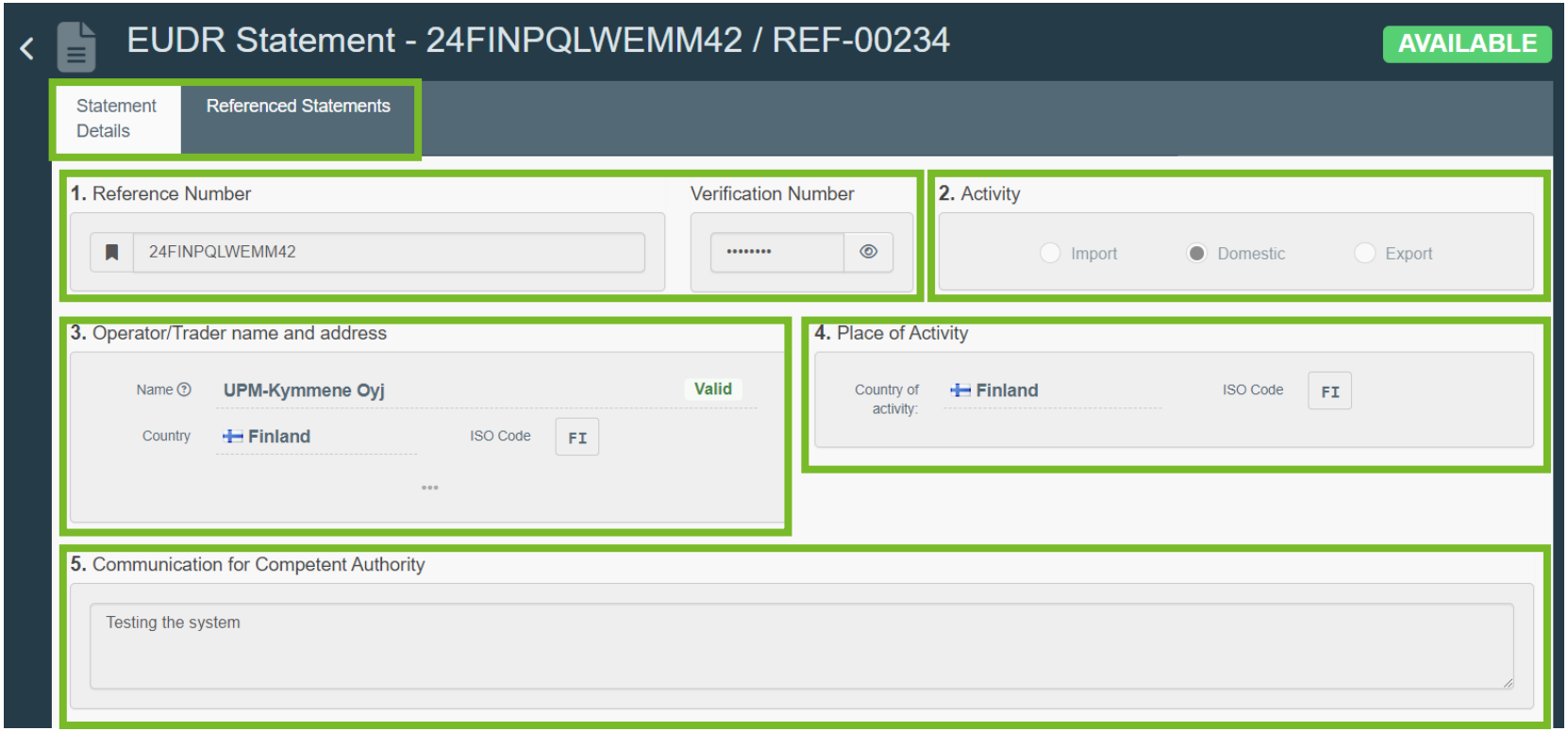
UPM

UPM BIOFORE – BEYOND FOSSILS

EUDR Information System (TRACES NT)

- Before placing relevant products on the market or exporting them, operator needs to make available a due diligence statement to the competent authorities through the **information system**
- By making available the due diligence statement to competent authorities, the operator shall assume responsibility for the compliance of the relevant product with Article 3 (deforestation-free)
- TRACES pilot
  - The pilot period was from 18 December 2023 until 31 January 2024
  - UPM was among the companies that were selected for the pilot

Information System Pilot - functionality



Information System Pilot - functionality

6. Commoditiy (ies) or Product(s)

1

44 WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL

4403 Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared

Commoditiy (ies) or Product(s) Description *	Net Mass (Kg)	Volume (m3)	Supplementary Units
Roundwood		350	

	Scientific Name	Common Name
1	Pinus sylvestris	Scots pine

Export

1

Producer Name: UPM

Producer Country : *

#	Production Place Description	Area *	Type *	Actions
1	345-577-2-9	4.53 ha	Polygon	

Information System Pilot - feedback

- System is rather simple and easy to use
- Access to the system was through web portal and information needed to be filled in manually, no API available. This is a major issue as the volume of DDS is very high, and the reference numbers connected to a single DDS might be huge.
- Visibility in the system
- The Traces system could provide relevant information that operator can use for ascertaining that the product is deforestation free.

Information System Pilot - feedback

- Time is running out
  - The Information System is not finalized, and a second pilot testing round would be absolutely needed to e.g. test the needed API integration.
  - Operators should not be forced to establish manual intermediate solutions to handle the DDS
  - The final version of the system should be available well in advance before the end of the transition period

Due Diligence Statement vs. Information Requirements (Article 9)

- The information content of DDS is limited compared to the full Information Requirements (article 9)
- We would urgently need clarification what additional information needs to be collected from the upstream, and provided further down in the value chain outside of the system
- There is lot of different interpretations among companies, and this is causing confusion. We are not able to design our systems & processes without having the information.

What’s next

- Commission will add Application Programming Interface (API) to the system. This will enable the submission, amendment and withdrawal of DDS.
- The updated system will be available in the summer. Commission has declared that there will be a testing of the API in July 2024, but did not foresee a second round of pilot testing by companies.
- In September-October Commission plans to offer training opportunities to all companies wishing to do so, and to allow registration of companies in the final system in November 2024.

UPM BIOFORE
BEYOND FOSSILS

Implementation of the EUDR
European Sawmill Industries prospective

Disclaimer: This presentation is focused only on some of the concerns related to the EUDR implementation and collected by EOS from its Members.

The European Sawmill industries reality

The EU Sawmill Industry: micro: 85,5% Small: 12,5%, Medium: 1,9% and Large: 0,2%

As per Article 4 paragraph 8, "By way of derogation from paragraph 1 of this Article, operators that are **SMEs ('SME operators')** shall not be required to exercise due diligence for relevant products contained in or made from relevant products that have already been subject to due diligence and for which a due diligence statement has already been submitted. In such cases, SME operators shall provide the competent authorities with the reference number of the due diligence statement upon request….."

1. While they **must still collect internally the DDS reference numbers** from his upstream suppliers when buying commodities or products under Annex II, SMEs **don't have to verify** the information in the DDSs they collect.
2. When selling their own new products (with new HS codes), as long as these products contain only upstream material covered by upstream DDSs, SMEs **do not need to submit their own DDSs**. However, **they do need to "forward" the initial upstream DDS reference numbers** to their non-SME downstream clients.

The European Sawmill industries reality

Although this exception seems to make it easier for SMEs to comply with the obligations of the regulation (by simply forwarding the collected DDS reference numbers upon request), if an SME sells its products to a non-SME downstream operator, the latter is nevertheless obliged to not only collect the DDS reference numbers but also to verify the information on the basis of additional documentation that the SME may have not collected due to the SME exemption.

Request for a clarification from the EU Commission => stating that whenever an SME is placing on the market products that have already been subject to due diligence in accordance with paragraph 1 of this Article 4, this SME will only have to provide to his non-SME downstream operator the DDS reference numbers he collected. Any additional documentation needed by the non-SME downstream operator should be obtained by this directly from the initial issuer of the DDSs in question. Moreover, this should not lead in practice to discriminatory practices against SMEs by non-SME downstream operators due to the former's legitimate and absolutely necessary exemption.

The workload disproportionally to the actual risk

The Information System (and the legislation) was created with the main orientation of covering agricultural imports, which are subject of Customs procedure at delivery level, and where additional declarations can be integrated into the process without significant difficulties.

The Information System does not reflect the significant differences between wood products and other agricultural products, as 90% of the yearly wood volume processed in EU comes from intracommunity sources (500 million m3), contrary to an imported 40 million m3, of which only approximately 5 million m3 are imported from countries significantly exposed to deforestation. Legality risks in most cases go hand in hand with deforestation risks, and in some cases, coordinates will not help to reduce the legality risk.

Therefore, the workload of low-risk material versus high-risk material is 100:1.

EUDR derogation and transition period:

The EUDR (Article 37.2) offers a derogation for timber, allowing the placement on the market until 31.12.2027 of timber and timber products that were produced before 29 June 2023 in compliance with the EU Timber Regulation (EUTR), without the obligation to submit due diligence statements (DDSs) and geolocation information.

The scenarios presented as a reply to Question 80 of the updated EUDR FAQ: *If a commodity is placed on the market during the transitional period, i.e. before the entry into application of the EUDR, when placing on the market a derived product the obligation of the operator (and of non-SME traders) will be limited to gathering adequately conclusive and verifiable evidence to prove that the relevant commodity (rubber) used to produce such relevant product (tyres) was placed on the market before the entry into application. This is without prejudice to article 37.2 with regard to timber and timber products.*

There is a need to confirm that this interpretation is indeed correct as no alternative solutions would be possible: secondary legislation from the legislators' side needs to confirm that timber and timber products that were produced in compliance with the EU Timber Regulation (EUTR) between 29 June 2023 and 30 December 2024, and that were placed on the market from 30 December 2024, shall also be deemed compliant with the EUDR (with no geolocation information obligations).

EUDR derogation and transition period:

- What kind of proof is needed to prove to the customs and the customers that, for the timber and timber products falling under the derogation and the transition period, the EUDR is not applicable, and that no DDS is necessary in order to import/export?

- Once supply chain operators will become EUDR-ready and the internal IT systems and logistics will be automatised in this sense, is there a risk that existing EUTR-compliant material will no longer be desirable, given that it will no longer be compatible with the new EUDR-ready IT and logistics systems (for example, no geolocation information) or because the EUTR-compliant material will be perceived as more risky - not necessarily in terms of legality/deforestation/forest degradation, but in terms of not being able to resell it downstream. How will this impact the wood market?

- How to handle the submission of new DDSs in the Information System when dealing with timber originally supplied by SMEs which have a longer transition period (until June 2025)? During this transition period for SMEs, how it is possible to conduct tracing as per EUDR rules when SME suppliers are not required to communicate all necessary information to downstream suppliers?

Questions related to DDs, transfer and verification of information, and protection of confidential information:

- All companies along the entire supply chain need legal certainty as to the point in time, frequency, and quantities for which they must submit DDSs. At what point in time (purchase, processing or sale) should this take place? Should a DDS be submitted for every delivery, for each contract or for a specific assortment of sawn timber over a certain period of time?

- Need for guidance regarding the preparation of DDSs in the case of logging due to calamity. After huge calamities, large amounts of wood are often being piled and stocked for some time until they can be sold due to collapse of the roundwood market. Such wood is harvested but has not been placed on the marked. The connection to the exact place of origin has been lost in the pile. How do DDSs work under such circumstances when the wood is finally being sold?

- When performing the due diligence, to which extent do operators need to check that labour rights, human rights and the rights of indigenous people are respected and what would constitute reliable proof? What should be done if no official documents exist to prove compliance with these aspects?

Questions related to due diligence, due diligence statements, transfer and verification of information, and protection of confidential information:

- Downstream operators and not-SME traders are obliged to verify and determine whether due diligence has been exercised and that no or only a negligible risk was found. Checking all upstream suppliers and their DDSs is not feasible in practice due to time constraints alone. There should be an alternative solution to avoid unnecessary downstream checks after the initial placement on the market in the form of raw wood.

- If geolocation is required to be shared in the supply chain (including via the DDSs), companies must get confirmation that the sharing of this information (which can also easily lead to the identification of suppliers) does not breach EU Competition Law nor GDPR.
    - The upcoming guidelines should specify standard information and documentation to be collected, verified, and shared during the due diligence process in order for operators and traders to uniformly and accurately comply with the EUDR.

Information System:

If operators refer to existing DDSs in their own DDSs (for example, when creating a new DDS for sawn wood products or sawmill by-products), they must provide the reference numbers of these existing DDSs. Due to the mixing problem in the log yard of a sawmill, hundreds or even thousands of existing DDSs (of all potential origins) have to be referred manually into the Information System, which is an impossible task without automation.

- Will the Information System carry out the automatic risk analysis? If so which criteria will be used?
- What information will be made available to customs to enable them to issue their notices of release for free circulation?

Need of reducing workload: the system is missing functions for downstream operators. In order to facilitate the checking of large quantities of reference numbers, e.g. in a sawmill, it should be possible to upload suppliers' reference numbers. This should serve to

- check the validity of a reference number
- download the information contained in the due diligence statement (volume, species etc.)

EUROPEAN ORGANISATION OF THE SAWMILL INDUSTRY

Thanks for your attention!

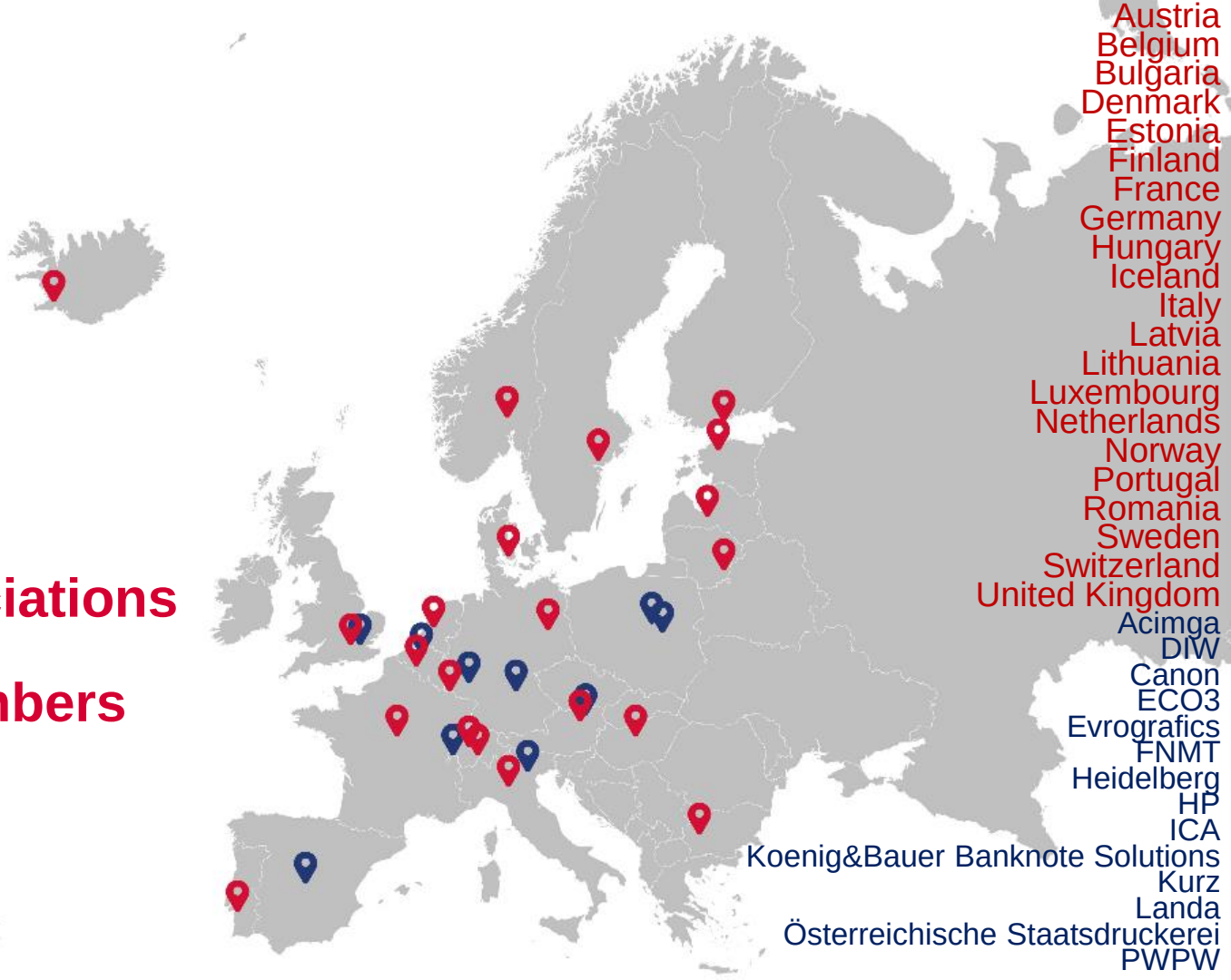
EU Deforestation Regulation – Perspective from the printing industry

Laetitia Reynaud, Intergraf

INTERGRAF

Intergraf membership.

22 Member Associations in 21 countries
14 Associate Members



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BELGIQUE

Local Honey
WILD ROOT
MATTE LABEL

PASSPORT

INTERGRAF GUIDANCE DOCUMENT ON DEFORESTATION REGULATION.

VERSION 1
(DECEMBER 2023)

INTERGRAF

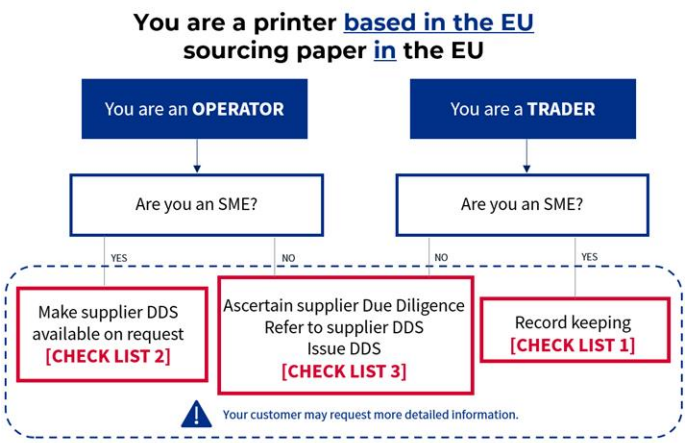
Scope.

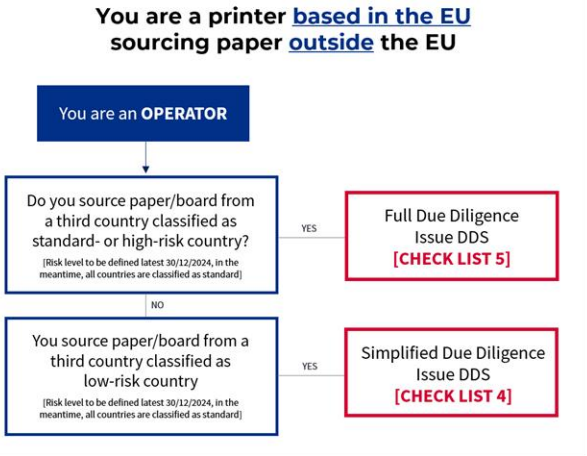
- CN Chapter 48 - paper and paperboard

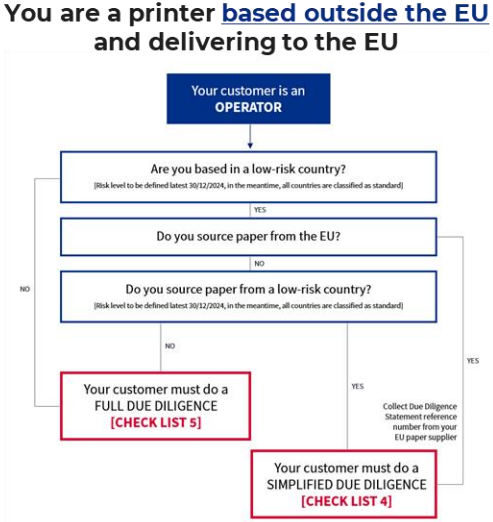
- CN Chapter 49 – printed products

- Printed packaging

Obligations.







Placer on the market.

Printer vs print buyer ?

Waste Framework Directive (EU) 2018/851

Article 8a: Extended Producer Responsibility schemes
*“producers of products **placing products on the market**…”*

Print buyer is deciding on the design and technical specifications of the product
→ Print buyer is producer and placer on the market

Placer on the market.

‘Placing on the market’ = ‘the first making available of a relevant commodity or relevant product on the Union market’

‘Making available on the market’ = ‘any supply of a relevant product for distribution, consumption or use on the Union market in the course of a commercial activity, whether in return for payment, or free of charge’

- Decisive is the change of HS code: ‘companies that transform one product of Annex I (which has already been the object of due diligence) into another product of Annex I’
- ‘For the first time’: importance of the sequence
- Intention of the legislation: make all actors in supply chains accountable
- Relevance of the ownership of the paper: if print buyer brings the paper, printer is a service provider, ie a trader

Concept of shipment.

Obligations are not applicable by product but **by shipment**.

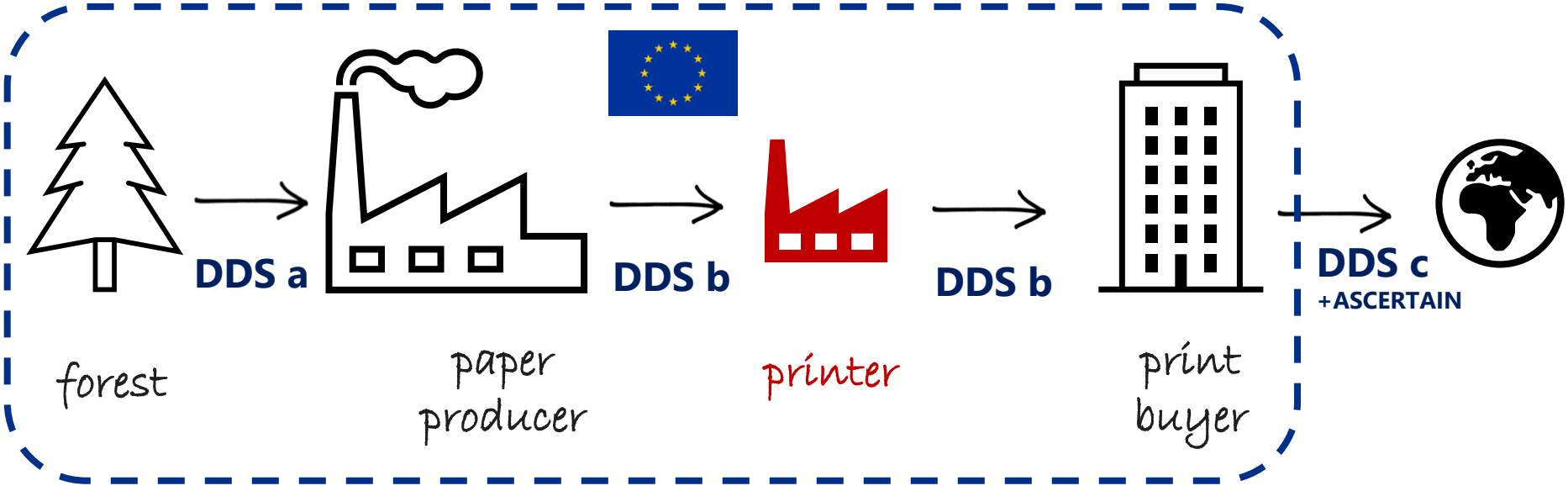
Definition of a shipment?

A shipment = **a customer order** in most cases

For printed products, **an order** can imply **several shipments** (weekly advertising leaflets, daily newspapers, reprint of books)

→ Need clarification

SME break in value chain.



Thank you for your attention

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