EUDR, A NEW TOOL TO PREVENT DEFORESTATION

Report EUDR Seminar VTB 2024

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SUMMARY

The European Union Deforestation Regulation (EUDR), aimed at curbing deforestation in supply chains like palm oil, soy, cocoa, coffee, and rubber, has seen its implementation delayed to 2025. Experts at the seminar addressed the implications of this delay, its potential effectiveness, challenges, and implications for stakeholders.

Speakers highlighted the EU's limited global influence, given the dominance of markets like China and the US in sectors such as Brazilian beef exports. Additionally, technical and administrative hurdles, such as insufficient preparation time and lack of consultation with producing countries, necessitate the postponement. Implementation challenges include complex traceability systems, the need for detailed geolocation data, and significant financial and technical barriers for smallholders.

Smallholders, comprising a significant portion of the coffee, cocoa, and rubber sectors, face substantial challenges in meeting EUDR requirements due to their remote locations, limited resources, and lack of support. Many risk exclusion from supply chains, with companies potentially shifting to larger producers or other markets. Concerns were raised about the regulation exacerbating market concentration, particularly in cocoa and coffee, where EU dependence is high.

Speakers urged the EU and companies to invest in capacity building, traceability systems, and financial support for smallholders. Collaborative partnerships between buyers and suppliers were seen as critical for ensuring compliance and equitable cost distribution. Suggestions included integrating compliance costs into Corporate Social Responsibility (CSR) strategies, and investments from the financial sector.

While the EUDR marks a significant step toward reducing deforestation, its success hinges on international cooperation, sector-specific adaptations, and long-term partnerships. Broader market engagement, particularly from China and the US, remains essential to achieving meaningful impact.

Introduction

On 6th December, the Activiteitencommissie of the Vereniging Tropische Bossen (Association of Tropical Forests or VTB) organised a seminar in Utrecht on the European (Anti) Deforestation Regulation (EUDR). This regulation will apply to the supply chains of oil palm, soy, cocoa, coffee, rubber, beef, wood, and their derivative products.

Initially, the regulation was set to be implemented on 30th December 2024 for large companies and 30th June 2025 for small and medium-sized enterprises (SMEs), and we were preparing for a calm discussion about the regulation’s potential effectiveness in preventing deforestation and its advantages and disadvantages However, during the organisation period, a proposal emerged to postpone the EUDR’s effectuation date by one year. Additionally, content-related amendments were made, which could potentially weaken the regulation. This transformed the discussion into a more dynamic and uncertain debate, as the framework and implementation date became unclear.

Fortunately, the speakers—experts from science, business, and NGOs—could shine their lights on the topic. The speakers were Jelle Behagel (Wageningen University & Research), Edward Mulundo (Bio Uganda), Marten de Groot (PEFC), Mark Smit (Daarnhouwer), and Heleen Blesgraaf (Solidaridad).

Postponement and Effectiveness

Jelle Behagel (WUR), as first speaker, informed us about the latest news that the EUDR would indeed be postponed by one year, but it would not be weakened. While some argue that postponement is highly detrimental, others believe it is necessary. Jelle reflected on this debate, from an environmental, bureaucratic and political perspective.

From an environmental perspective, Jelle concludes that it is uncertain whether the delay will significantly impact nature loss. He tempered expectations about the regulation's overall effectiveness, noting that the ***EU has only limited influence on a global*** scale. For instance, in Brazil's beef sector, only 3% of production is exported to Europe, while 60% goes to China. Moreover, the Brazilian beef industry appears to be reserving specific areas of land for Europe that are indicated as deforestation-free, while continuing deforestation practices elsewhere. Therefore, the support of other major players like China and the United States is crucial.

From a bureaucratic standpoint, postponing the regulation is likely beneficial. The information system for those implementing the EUDR was only made available on 4th December 2024, and the implementation guidance was published shortly before that date. Additionally, the EU's country-level risk classifications, which will determine the required level of effort for compliance, are ***not yet ready***. An additional year could provide the EU and stakeholders more time to prepare, potentially resulting in a smoother process.

Finally politically, postponement also appears to be the right choice. The EU failed to consult with key production countries, instead passively informing them about the regulation. This left producers and production countries unpleasantly surprised, as the EUDR will impose significant demands on them. A ***more diplomatic approach*** in the coming year could ease tensions and foster better cooperation.

Jelle emphasised that the EUDR alone will not suffice to prevent deforestation. Other measures, such as investments by the financial sector and capacity building in production countries (already partially supported by EU programmes), will also be necessary.
For information on capacity-building for producers in affected supply chains, he recommended the non-commercial alliance Emma4EU, which can be accessed at www.emma4eu.eu.

An audience member highlighted that Voluntary Partnership Agreements (VPAs) between the EU and certain countries serve as a complementary tool. Although difficult to implement, VPAs have shown some effectiveness in improving transparency and reducing deforestation, depending on the governance situation in each country. For example, transparency improved in Liberia, and progress was observed in halting deforestation in Cameroon. However, VPAs are also costly to implement.

Another audience member remarked a major risk remains that production countries may also simply shift their exports to non-EU markets, negating any impact on deforestation within those countries.

Effect on Livelihood in Uganda

Edward Mulundo (Bio Uganda), speaking via video call, has been exporting coffee and cocoa from Uganda to Europe for 20 years.

He described the efforts exporters already make to meet EU market demands, including compliance with organic production and fair-trade certification schemes. He expressed concern that it seems EU clients and the EU don't realise the required additional efforts to prove their products are deforestation-free will cost a lot of time and money. Many exporters are small or medium-sized enterprises, and they are unsure how they can comply with the EUDR, as well as the CSRD (EU sustainability reporting) and CSDDD (EU sustainability due diligence). For many, compliance might be impossible, cutting off their access to the EU market.
Coffee, Edward noted, is not consumed locally in Uganda, and there are no directly available alternative markets for these products. With limited alternative livelihoods available, the situation is difficult. The regulation risks devastating the income and livelihoods of Uganda's coffee producers. Therefore, Edward urged ***EU importers to engage in co-production efforts with exporters*** to share the burden of compliance.

He also questioned why the regulation targets commodities like coffee and cocoa while ***ignoring industries like gold mining***, which cause significant environmental harm. In contrast, coffee and cocoa cultivation, especially when combined with shade trees, closely resembles a forest ecosystem. He added that much of Uganda's deforestation results from the use of wood as fuel for cooking.

An audience member asked about the proportion of Uganda's coffee exports that go to the EU. Edward estimated this figure at around 65%, indicating that the EUDR will have a significant impact.
Another question concerned whether EU clients had provided clarity about the evidence required to prove that products are deforestation-free. Edward explained that they had not. He stressed the need for information and training to help exporters comply with the regulation. Another member of the audience suggested that certifications for organic coffee could assist with EUDR compliance.
We wished Edward success with his business and encouraged continued dialogue with EU clients.

Complications with the Implementation of the EUDR

Marten de Groot (PEFC) explained how the EUDR works. First, one has to determine their role in the supply chain according to the definitions in the EUDR (and one might fulfil multiple roles). These roles include trader, operator, and second operator. The specific requirements depend on the role and the size of the company. Subsequently, one must prove that no deforestation has occurred. Depending on their role, entities must establish a more or less extensive due diligence system (including a risk assessment) and generate and pass on reference numbers.

Previously, the EUTR—aimed at preventing deforestation but focused on transparency regarding legality—applied only to the wood sector. The EUDR, however, extends to other sectors, such as oil palm and soy. Nevertheless, even for the wood sector, which has some experience with such a regulation, the EUDR's requirements are far more extensive and complex.

To comply with the EUDR, entities must answer 15 questions, requiring a significant level of detail. ***Providing information about the geolocations of the place of origin is particularly challenging***. Wood, like other products that must comply with the regulation, is traded globally. This can mean that a piece of wood is traded between multiple countries and mixed with other wood. Subsequently, if -for example a chair- factory requires wood, they must now indicate which specific identification numbers of the places of origin of the wood are used in a particular chair. This significantly increases administration requirements for resource material storage, as previously, bundles of wood were identified from a direct supplier only, rather than individual pieces with information on the whole supply chain. The geolocations requirement applies not only to locations outside the EU but also to European production forests. Owners of these forests must provide this information as well.

Another complication is the scientific names that must be specified for each piece of wood. While most traders know they are dealing with "oak" (Quercus), this tree genus includes many subspecies, such as *Quercus robur* (English oak or European summer oak), *Quercus petraea* (European winter oak), and *Quercus rubra* (American red oak).

To facilitate compliance with the EUDR, PEFC and FSC certification organisations have introduced additional modules specifically for the wood sector.

Finally, Marten indicates several questions regarding the implementation of the EUDR remain unanswered. These include issues around recycled material, the required mitigation measures for identified risks, the format for the annual reporting obligation, and the handling of stocks that fall under the EUTR requirements but might be sold after the effectuation of the EUDR. Furthermore, there are uncertainties about the relationship between the EUDR, the CSRD (EU sustainability reporting), and REDII (EU Renewable Energy Directive) requirements.

A question from the audience was whether wood with a FLEGT licence (part of the EU plan on Forest Law Enforcement, Governance, and Trade) will also have a green lane under the EUDR, as was the case with the EUTR. The answer was no: wood with a FLEGT licence is not compliant with the EUDR since FLEGT focuses only on legality and not on deforestation. However, legality still needs to be proven, which is the responsibility of the "first operator" in the supply chain.
A discussion followed on methods to prove place of origin and legality. Wood fingerprint analysis (pattern of annual rings/dendrochronology) is already known as an effective technique. Additionally, chemical analysis of wood was mentioned as a new method.

The audience also discussed the need for an additional module (representing an ‘extra 10%’) in PEFC and FSC certification to fulfil EUDR obligations. An extra requirement is transparency regarding geolocations, which was not previously included in PEFC and FSC standards. Additionally, definitions within the EUDR differ from those in earlier voluntary certification requirements, necessitating updates and additions.

Various methods for conducting risk assessments are now available—initially, only three methods were in use, but this number has grown to 200. While innovation is welcome, there is concern that the availability of multiple methods might lead some to choose the "easiest route," potentially undermining the regulation’s goals. A similar issue was previously experienced with REDD (the UN's programme for reducing emissions from deforestation and forest degradation in developing countries).

Challenges in Data Collection in Ghana

Mark Smit (Daarnhouwer) conducted an investigation into the cocoa supply chain in Ghana as part of his Master's in Supply Chain Management at RSM. He identified several challenges to improving traceability in the cocoa supply chain to fulfil EUDR requirements.

Firstly, staffing challenges are significant: 40% of Ghana's population is illiterate. Collecting data requires trained individuals, necessitating education and training efforts. Secondly, while mobile phone ownership has increased, many areas lack internet connectivity, posing technical challenges.
Furthermore, the cocoa supply chain is complex, comprising multiple links—cocoa is never purchased directly from farmers. Enhancing traceability requires coordination and control across these links, as well as investment in monitoring systems. ***Financial costs***, particularly those associated with first-mile traceability present significant barriers to EUDR compliance.

Other practical issues to take into account include the ***mapping of farms, which, though straightforward, is laborious*** and requires validation and correction, incurring additional costs. Additionally, development of IT tools is crucial but not always available. Mark also discovered that ***geolocations are not accurate enough***—on small farms (the average size in Ghana is 1.1 hectares), so geolocations can inadvertently include neighbouring farms.

Mark's recommendations include increasing financial investments, providing development support, facilitating software and analysis, establishing data-sharing systems, and developing traceability systems for the first mile.

The systemic challenges to meeting EUDR requirements are significant for cocoa producers in Ghana. Mark warned that these challenges could lead to the ending of their business by small farmers and further concentration in the already highly concentrated cocoa market in Ghana. From a business perspective, this is detrimental to competition and innovation.
He also questioned whether the EU had adequately considered the potential unintended consequences of the EUDR, such as producers shifting to other markets or commodities.

During the audience Q&A, questions arose about consultation methods during the investigation. Mark explained that he mapped farms by employing local youth to gather data, but he did not consult informal structures such as chiefs or conduct public consultations.
He observed that most people did not understand the regulation on deforestation, as they perceived cocoa trees to be part of the forest.

Opportunities for Long-Term Partnerships to Guarantee Traceability

Heleen (Solidaridad) emphasised that the EUDR does ***not adequately consider the interests of smallholders****.* Meeting the regulation's requirements is particularly challenging for them. The proportion of smallholders varies by sector: in coffee, cocoa, and rubber, they account for 60–95%; in palm oil, 40%; and in beef and soy, only a small percentage (20% and 10%, respectively). Cocoa is particularly dependent on the EU market, with 60% of its exports destined for Europe, followed by coffee (30%) and leather (20%).

Heleen corroborated the information presented by Edward and Mark, noting that smallholders are generally remote, use low-tech methods, and lack the financial resources to invest. So, how can they provide the data required for the EUDR?

This challenge highlights the opportunity to establish longer-term partnerships between buyers and suppliers to ensure the availability of traceability data. However, there is a risk that companies may avoid sourcing from high-risk countries or smallholders due to the additional efforts required. Currently, ***smallholders are often expected to bear the cost of data collection and provision***, which they cannot afford.

Solidaridad runs programmes across various sectors that also address the EUDR, and they have grouped the gaps as follows:

- Lack of knowledge and capacity among farmers.
- Insufficient support for production countries.
- Limited smallholder-inclusive solutions from Europe (Article 30 of the regulation is inadequately implemented).
- Lack of adequate tooling tailored to smallholder contexts, particularly in terms of accuracy and accessibility.

The audience asked Heleen how Solidaridad envisions addressing the costs associated with compliance. She argued that companies purchasing resources from smallholders should bear these costs, as they benefit from the traceability data and have access to financing. Another participant suggested that companies incorporate this responsibility into their Corporate Social Responsibility (CSR) strategies, rather than shifting their supply chains to larger producers or other countries.

The approach appears to vary by sector. In cocoa and coffee, where there is a supply shortage, there is a stronger incentive for companies to engage with smallholders, cover costs, and develop partnerships. In contrast, palm oil production is abundant, leading companies to relocate their supply chains to other countries instead of investing in smallholder partnerships.

Conclusion

The implementation of the European Union Deforestation Regulation (EUDR) presents significant challenges for all stakeholders. Smallholders face considerable disadvantages, with the potential for production to shift to other countries or larger producers. This seems to depend on the degree of availability of resources in the respective sectors. The regulation's impact on reducing deforestation is likely to remain limited without the participation of major global markets such as China and the United States, though this also varies by sector depending on the EU's market share.

Nevertheless, history shows that perseverance and sustained effort yield results. Step by step, we can achieve the ultimate goal: the preservation and sustainable availability of healthy forests for all.