

# Deforestation Regulation

2021/0366(COD) - 25/07/2022 - Committee report tabled for plenary, 1st reading/single reading

The Committee on the Environment, Public Health and Food Safety adopted the report by Christophe HANSEN (EPP, LU) on the REPORT on the proposal for a regulation of the European Parliament and of the Council on making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

## Subject matter and enlarged scope

This proposal lays down rules regarding the placing and making available on the Union market, as well as the export from the Union market, of cattle, cocoa, coffee, oil palm, soya and wood (relevant commodities) and products, as listed in Annex I, that contain, have been fed with or have been made using relevant commodities (relevant products), with a view to minimising the Unions contribution to deforestation, forest degradation and forest conversion worldwide and contributing to a reduction in global deforestation.

The report also stipulated that the proposed Regulation should also lay down obligations for financial institutions headquartered or operating in the Union that provide financial services to natural or legal persons whose economic activities consist, or are linked to, the production, supply, placing on or export from the Union market of the relevant commodities and products.

As regards the scope, Members want to include pigmeat, sheep and goats, poultry, maize and rubber, as well as charcoal and printed paper products, and bring the cut-off date one year forward, to 31 December 2019.

The report called on the Commission to evaluate, no later than two years after the entry into force, whether the rules need to be extended to other goods such as sugar cane, ethanol and mining products, and how feasible this is. Members also wanted them to cover other natural ecosystems such as grasslands, peatlands and wetlands, if deemed appropriate by the Commission, within one year after the entry into force.

## Prohibition

Members included a new article stipulating that financial institutions should provide financial services to customers only when the financial institutions conclude that there is no more than a negligible risk that the services in question potentially provide support directly or indirectly to activities leading to deforestation, forest degradation or forest conversion.

## Due diligence obligations of operators

While no country or commodity will be banned, companies placing products on the EU market would be obliged to exercise due diligence to evaluate risks in their supply chain. This due diligence information, which will be provided in a harmonised and digital manner via a due diligence statement, will then be passed on to the other operators and traders in the supply chain. They can for example use satellite monitoring tools, field audits, capacity building of suppliers or isotope testing to check where products come from. EU authorities would have access to relevant information, such as geographic coordinates. Anonymised data would be available to the public.

The operator assumes responsibility for the compliance of the relevant commodity or product with the requirements of this Regulation. Operators should therefore undertake reasonable, documented efforts to support the compliance of smallholders with the provisions and requirements set out in this Regulation. They should keep record of the due diligence statements for 5 years from the date of making available via the Register Information System and share the due diligence statements with subsequent operators and traders in the supply chain.

Due diligence should also be strengthened to consider international human rights and the rights of indigenous people.

## Checks and assessment of countries

Members considered that the Commission should classify countries, following a transparent and objective assessment process, into low, standard or high risk within six months of entry into force of the proposed Regulation.

Each Member State should ensure that the annual checks carried out by their competent authorities cover at least 10 % of the operators placing, making available on or exporting from the Union market each of the relevant commodities and products on their market as well as 10 % of the quantity of each of the relevant commodities and products placed or made available on or exported from their market. For commodities or products from countries or parts thereof categorised as low-risk, Member States should reduce the annual checks to 5 %.