



COCOA TALKS

EU VIRTUAL MULTI-STAKEHOLDER ROUNDTABLES ON SUSTAINABLE COCOA

SUMMARY REPORT: Information session on the EU Regulation on Deforestation-Free Products. Online, 14 February 2023

On February 14th 2023, the European Commission (EC) hosted an information session of the Cocoa Talks, the multi-stakeholder dialogue on sustainable cocoa, on the EU Regulation on Deforestation-Free Products. This online session was set-up for information purposes and it also included a time for Questions and Answers.

Ms. Carla Montesi, Director for Green Deal and Digital, EU Commission Directorate- General for International Partnerships, opened the meeting by highlighting the state of play of the Sustainable Cocoa Initiative with a reference to the Alliance for Sustainable Cocoa and the Roadmap. She referred to the different strands of work outlined in this document, among other:

- The focus group on prices and markets has advanced its work under the leadership of the Côte d'Ivoire-Ghana Initiative. The group is developing recommendations towards a more sustainable price mechanism in the long term, and eventually a more equitable income for farmers.
- The National Dialogues on Sustainable Cocoa took place in Côte d'Ivoire and Ghana, and are currently ongoing in Cameroon.
- The support to partner countries regarding the cocoa sector reform in 2022 the EC have also mobilized technical assistance and budget support through our Sustainable Cocoa Programme worth EUR 25 Mill, complemented by additional resources from our EU Delegations and from the German cooperation.
- Important financial resources from Team Europe with Member States commitments are supporting the objectives of the Alliance.

Ms Montesi concluded that combating deforestation is one of the key objectives of the Sustainable Cocoa Initiative, referring to the info session as an opportunity for the EC to provide stakeholders with the latest updates on development of EU legislation.

Ms Astrid Ladefoged, Head of unit for Planetary Common Goods, Universal Values & Environmental Security, EU Directorate-General for Environment presented the new regulation.

She first highlighted that 420 million hectares of forest worldwide have been lost over the last 30 years. A very significant share of deforestation is legally deforested. Deforestation and forest degradation are



important drivers of climate change and biodiversity loss. 90% of the deforestation is linked to the expansion of agricultural land. As the EU is a major consumer of commodities that are closely associated with deforestation and forest degradation the European Commission decided to step in with a communication and a regulation on deforestation. The objective of the EU deforestation regulation is to minimise EU contribution to deforestation and forest degradation. Specifically, the regulation aims at i) minimising risks that come with products from supply chains associated with deforestation and at the same time ii) increasing the EU demand for and trade in deforestation-free commodities and products.

The regulation went through a fast legislative process. The proposal was put forward at the end of 2021. The Council agreed on a general approach in summer 2022, while the Parliament agreed on the proposal briefly afterwards. In December 2022, the regulation received the preliminary political agreement of both these institutions. From January until May-June 2023, the regulation will go through the legislative check and translation. The likely entry into force of the regulation will be in May or June 2023. As per the text, the entry into application of the obligations for the operators will happen 18 months after publication, which brings us towards December 2024. For small enterprises, the entry into application of the obligations will be in June 2025 (i.e. 24 months after entry into force).

What does this new law entail?

In the main elements, this mandatory due diligence rule will apply to all operators that wish to place products on the EU market or export them from the EU. Only products that are deforestation-free and legal would be allowed on the EU market or exported from it. These products would be accompanied by a due diligence statement. The regulation is based on internationally agreed definitions, mainly from FAO. There is a strict traceability requirement that links each of the commodities to the plot of land where it has been produced. The products will also need to be declared legal according to the laws of the country of production including applicable human and labour rights as well as free, prior and informed consent.

The commodity selected are palm oil, soya, wood, cattle, cocoa, coffee, rubber and some derived products. The regulation is applying both to what is domestically produced in the EU and what is imported. The law shall have a progressive scope, which means that the EC will need to be carefully keeping an eye on major trends and changes related to the selected commodities so that it can adapt it over time.

The “cut-off” date is the 31st of December 2020, aligning with that of UNSDG 15.2. This cut-off date aims at minimizing disruption for smallholders and facilitate satellite monitoring.

Another main element of this regulation is the benchmarking system. This system is going to assign a level of risk to countries or regions according to the risk of deforestation. There will be three levels of risk: Low, standard, and high. “Standard risk” will be assigned by default to all countries. According to the level of risk, there will be specific applications for operators. There will be simplified due diligence for the lower risk countries or regions: operators will still be required to collect information but there will not be the same level of assessment and risk mitigation. There are minimum levels of inspections



for Member states authorities that will have to perform respectively 9%, 3%, or 1% checks depending on the level of the risks to ensure a proportionate action of measures.

A review of the regulation is foreseen i) after one year when the EC will look at other wooded land; ii) after two years when the EC will look at other ecosystems, commodities, products, and financial institutions, and iii) after five years when the EC will look at issues relating to smallholders, trade facilitation tools, forest degradation, and circumvention.

An important element of the regulation, which is linked the *Sustainable Cocoa Initiative*, is the cooperation with partner countries. The regulation is part of a much broader set of policies laid out in the 2019 Communication on “*Stepping up EU Action to Protect and Restore the World’s Forests*”. It is clearly set in the regulation that cooperation with partner countries will play a major role in its implementation. The EC estimates to about 85 billion per year the value of imports of commodities and products that are covered under the regulation. It is important to underline that the regulation implies no ban against any country or any commodity. The EC wants this law to work for all and to increase the trade in share of sustainable products. Stepping-up cooperation will be one way to ensure that the EU and partner countries are all able to reap the benefits of this new rule. The EC will also intensify its engagement with consumer countries such as China and the US and will continue to engage in various international fora.

In terms of implementation tasks ahead, the Commission will work actively on setting up a dedicated IT system. It is also going to work on the benchmarking system and translate it into an implementing act by the time the regulation enters into application. There is also a number of guidelines that the EC has been asked to prepare for operators, traders and competent authorities. The EC will also work on certain definitions. Finally, as mentioned above, there is a review clause with deadlines after one, two and five years.

What the EC is hoping to achieve with this new regulation is a response to EU citizens’ request to no longer consume products that contribute to forests destruction worldwide. The law will guarantee that such products will no longer be on EU markets. This will also significantly contribute to the fight against climate change and biodiversity loss. The EU wants to encourage all partner countries to step up actions to protection forests via the cooperation programmes, the benchmarking system, and the market incentives of the regulation. The EC is also looking at creating new business opportunities for sustainable farmers around the globe.

Ms Ladefoged concluded with some key take-aways: the regulation will have an impact on suppliers whether in the EU or abroad. The most relevant players will need to be ready for entry into application by end 2024. The EU is ready to work closely with partner countries to ensure that this will happen smoothly. The regulation is based on the principles of transparency, accountability, and scientific evidence. The regulation is consistent with EU commitment already agreed internationally, notably halting deforestation as of December 2020 in line with SDG 15. Finally, the regulation is non-discriminatory, as it equally treats domestic and imported commodities and products and covers both imports and exports.



For more information:

https://ec.europa.eu/environment/publications/proposal-regulation-deforestation-free-products_en

<https://data.consilium.europa.eu/doc/document/ST-16298-2022-INIT/en/pdf>

After the Questions and Answers session, **Ms Urszula-Maria Stepkowska, Deputy Head of Unit for ACP countries, Overseas Countries and Territories, EU Directorate-General for Trade**, concluded the info session by informing the participants about the first meeting of the focus group on traceability and standards planned for mid of March. She also invited stakeholders to the conference on sustainable cocoa planned mid of the year. She highlighted that there is a policy dialogue on cocoa sustainability issues with Côte d'Ivoire, Ghana and Cameroon in the framework of the Economic Partnership Agreements Committees. At the end of November 2022, in the EPA Committee with Ghana, a significant part of the agenda concerned the implementation of the Roadmap on sustainable cocoa. The next EPA Committees with Cote d'Ivoire and Cameroon are planned for May/June 2023.