

New EU Regulation on Deforestation-free Products



Members in the European Parliament Reached a Deal with EU Governments on New Legislation to Ban Products Causing Deforestation.

The new legislation is expected to produce direct impact on fighting climate change and preserving biodiversity by banning the import and sale in the EU market of goods and commodities that have contributed to deforestation or forest degradation anywhere in the world after 31.12.2020.



As a pre-condition to sell their products to the EU, companies will issue a due diligence statement that goods placed on the EU market have not led to deforestation and/or forest degradation as of 31.12.2020.



Companies are also asked to confirm compliance with domestic legislation of the country of production and respect the indigenous peoples' rights.



The legislation prohibits all operators placing the relevant products on the market, including EU and non-EU companies, irrespective of their legal form and size.



The legislation covers cattle, cocoa, coffee, palm-oil, soya and wood, and the relevant products that contain, have been fed with or have been made using relevant commodities; e.g. chocolate, furniture, paper.



Member States shall designate competent authorities, who will be authorised to carry out checks to establish compliance and whether the relevant commodities and products placed or made available on the EU market or exported therefrom are compliant with the requirements of the legislation.



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The European Commission will introduce a country benchmarking by classifying them as low, standard or high risk, which will be important to determine the proportion of checks and controls.



The penalties for non-compliance are set as (i) fines, (ii) confiscation of goods, commodities and revenues, and (iii) temporary exclusion from public contracts. The fines shall be proportionate to the environmental damage and the value of the relevant commodities or products concerned, with gradual increases for repeated infringements; maximum amount of fine being at least 4% of the annual turnover of the relevant company generated in the EU.

Critiques



The law is criticised for -not including in its scope any ecosystems other than forests-, such as wooded savannahs, which is an important source for soya from South America, and which risk being the next hub for agricultural plantations that will no longer be placed in forests. Exclusion of **banks and financial institutions** also hinders the effectiveness of the law by enabling investments that lead to deforestation.

What's Next?

After the European Parliament and Council will formally approve the agreement, the new legislation will come into force 20 days after its publication in the EU Official Journal, with some articles becoming applicable 18 months afterwards.



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