



Webinar on Brazilian timber legality risks and the EU Deforestation Regulation

Webinar: 22 June 2023



LIFE - Support EUTR II - LIFE18 GIE/DK/000763

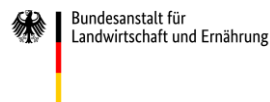
LIFE Legal Wood

LIFE Legal Wood

EUTR knowledge, tools and training

The LIFE Legal Wood project is funded by the European Union's LIFE programme

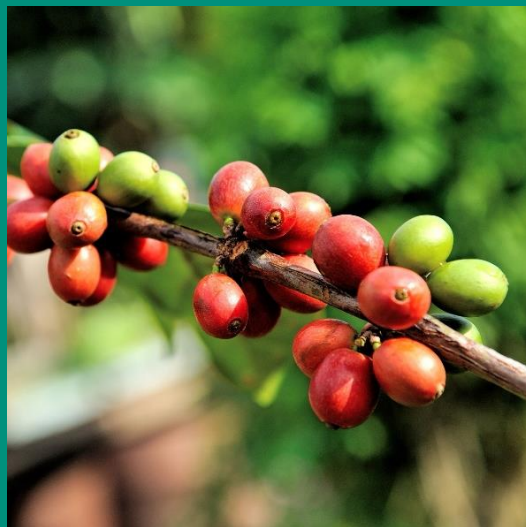
LIFE Legal Wood



LIFE - Support EUTR II - LIFE18 GIE/DK/000763

About Preferred by Nature

Mission
driven,
international
non-profit
organisation



350+
full-time staff
in
30+ countries



Working on solutions
for managing lands
and businesses
more sustainably
for **25** years

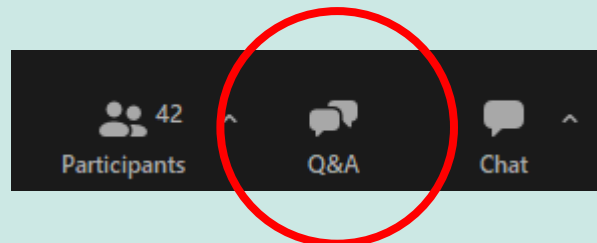


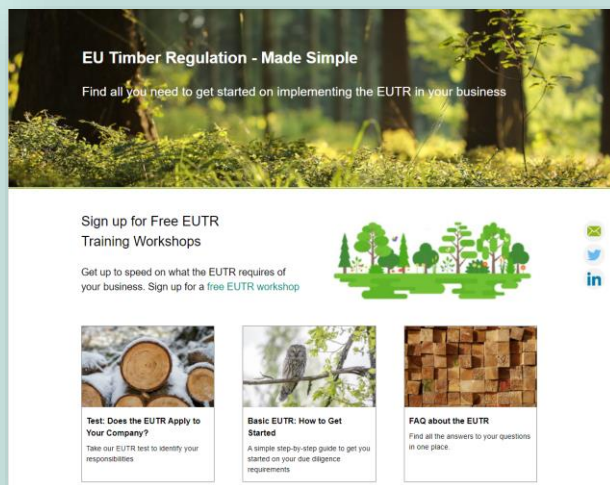
Work in
100+ countries
across 10
programmes

- The recorded presentation and slides will be made available after the webinar.
- The Webinar will be recorded – we will only publish recordings of the presentations.
- Questions or comments made by participants during the workshop will not be made publicly available.
- In case of technical problems or questions regarding Zoom Webinar please contact Julie Thirsgaard Hansen:
jhansen@preferredbynature.org



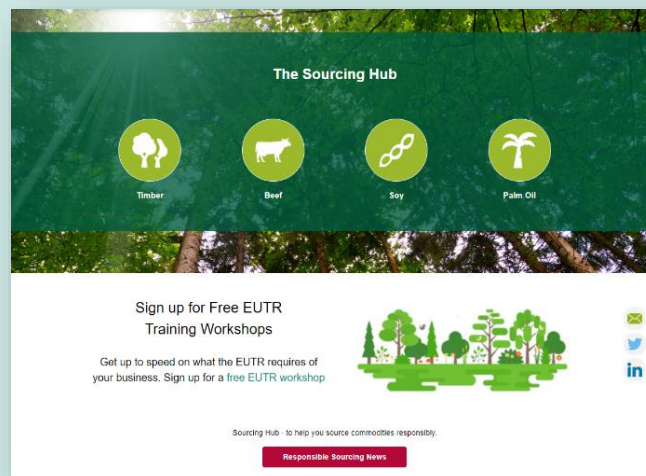
- All attendees are in "listen only" mode.
- You may ask questions in writing via the "Q&A function" during the webinar.
- We'll do our best to answer as many questions as possible during the Q&A session.





www.EUTR.info

- Visit the Project website for:
- access to tools and useful information
 - info on upcoming training workshops
 - the latest news and guidance on EUTR & EUDR



www.preferredbynature.org/sourcinghub

- Visit the Sourcing Hub to:
- Access commodity risk assessments.
 - Risk mitigation toolkits



www.preferredbynature.org/sourcinghub/info/sourcing-hub-updates

- Subscribe to the Newsletter to:
- Stay updated on the latest news and announcements related to EUDR, EUTR, responsible sourcing and LIFE Legal Wood project activities



Understanding the requirements of the EU Deforestation Regulation (EU) 2023/1115

Webinar: 22 June 2023



LIFE - Support EUTR II - LIFE18 GIE/DK/000763

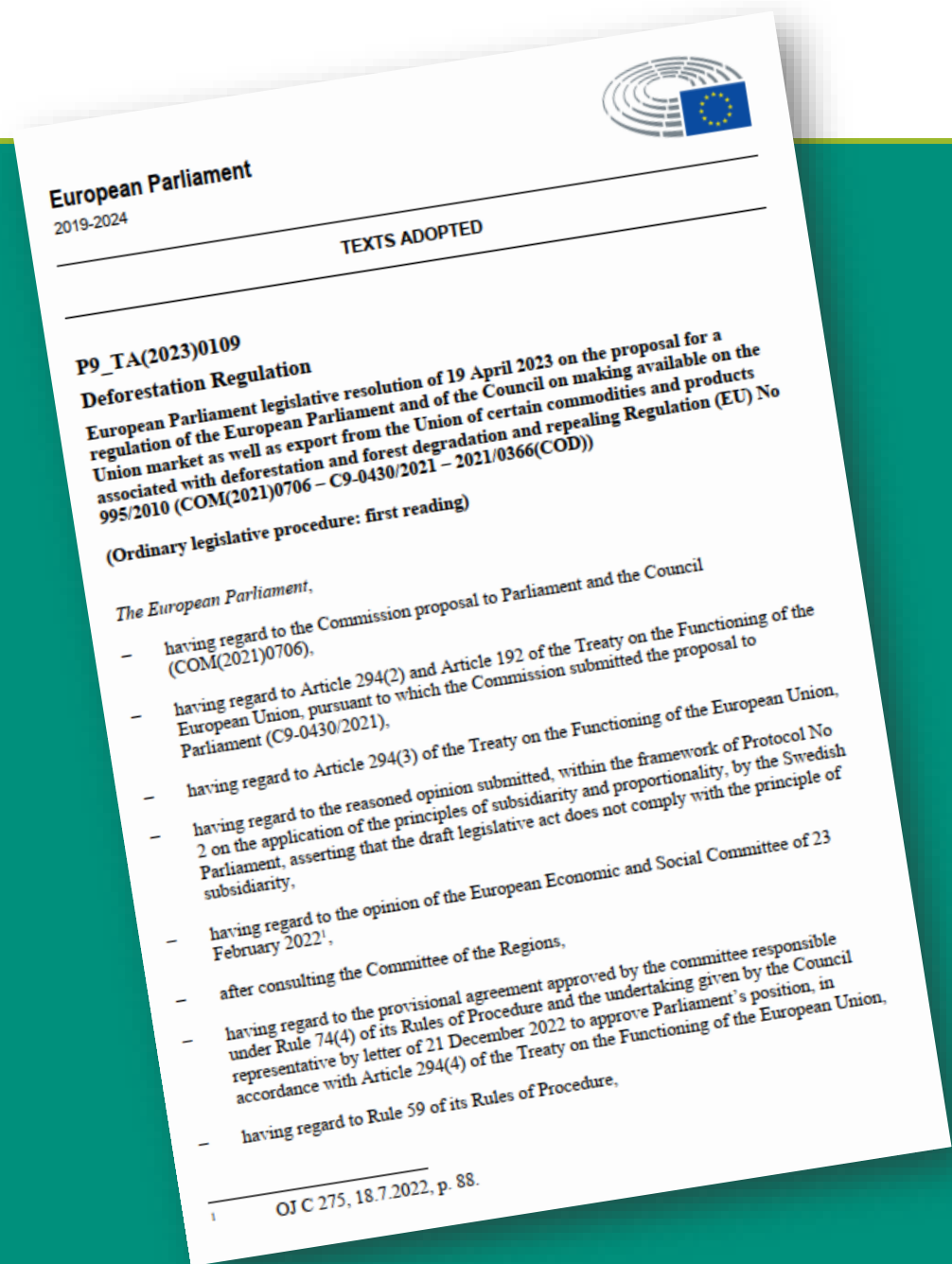
LIFE Legal Wood

Objectives of the regulation

Places requirements on EU industries in order to:

“..**minimise consumption** of products coming from supply chains associated with deforestation or forest degradation -

and **increase EU demand** for and trade in legal and ‘deforestation free’ commodities and products.”



Timelines for implementation

European Commission, Council, and European Parliament agreed on one single version, out of three (Trilogue)



Company size according to:
Directive 2013/34/EU

Where EU companies need to be in 18 months

Have in place a fully-functioning – and compliant - due diligence system to avoid sourcing products (1) associated with deforestation, (2) forest degradation and (3) legal non-compliance during production



EUDR: comes into force

29JUN2023

18 months

Applicable to businesses

24 months: operators that were established as small or microenterprises enterprises before 30/12/2020 – all products except those in EUTR scope

Key components

1

Prohibition
import and
export of
non-
complying
products

2

Due diligence
obligation

3

Obligations on
Member States
to ensure
implementation

4

Implementation
of Information
System

Commodity scope

The following commodities are within the scope of the proposed regulation:



Wood



Soy



Rubber



Beef



Coffee



Palm oil



Cocoa



Derived products such as leather, chocolate or furniture, printed paper, charcoal...

Detailed scope based on the EU “Combined Nomenclature” (custom codes) in Annex I to regulation.



Scope of products expands beyond the EU Timber Regulation

Products containing paper, cardboard, wood fibre or wood + Printed materials, charcoal products, tools, wood wool/flour, coffins, all types of seats...

Exclusions:

- a) **Waste**, material that has completed its life cycle and would have been discarded as waste (Directive 2008/98/EC), is considered out of scope of this Regulation.
- b) **Packing material** used exclusively as packing material to support, protect or carry another product placed on the market (paper, pallets, boxes USED as packing material).



Actors

Main actors of the regulation...



The European
Commission



Member States
(Competent Authorities)



Custom
Authorities



Industry
(operators and traders)

Due diligence
obligation

2

Prohibition to place on
the EU market or
export non-complying
products

1



'Operator' means any entity which, in the course of a commercial activity, **places** (=for the first time) **relevant products on the EU market** OR **exports** them from the EU market

- **“Traders”**: any natural or legal person in the supply chain other than the operator who, in the course of a commercial activity, makes relevant products available on the EU market





Obligations on Operators & Traders



Obligations: Operators (Article 4)

- 1** Prohibition to place on the EU market (or export these) if they do not meet the following:
 - they are **deforestation-free**;
 - they have been **produced in accordance with the relevant legislation of the country of production**
- 2** Exercise **due diligence** through a system and procedures
- 3** Submit **due diligence statement** prior to placing on the market or exporting

Obligations: Traders (Article 5)

“Traders” which are SMEs

- 1** Must collect and maintain:
 - Information on buyers and suppliers
 - Reference numbers of the due diligence statements associated with products
- 2** Keep information for at least 5 years
- 3** Provide information to competent authorities

“Traders” which are not SMEs

**Must meet the obligations
of non-SME Operators**

‘SMEs’ mean micro, small and medium-sized enterprises as defined in [Directive 2013/34/EU](#)

What is deforestation free? Two requirements a) + b)

'**deforestation-free**' means that the relevant products **contain**, have been **fed with** or have been **made using** commodities:

(a) that were produced on land that has not been subject to **deforestation** after **December 31, 2020**
and

(b) ONLY for **wood-products**, that forest has been harvested **without inducing forest degradation** after **December 31, 2020**

FAO Forest definition:
cover >10%

Deforestation:
to agricultural use



Definition of “forest degradation”



Not included in “forest degradation”

Not included in “forest degradation”

Planted Forest

- Trees established through planting

Plantation Forest

- Planted forests with intensive management, 1-2 species planted in rows, etc.

Obligations on Operators – legal requirements

Legality is defined as compliance with “relevant legislation” in the country of production, in terms of:



land use rights



human rights protected under international law



environmental protection



third parties' rights



forest-related regulations



principle of FPIC, including as per UNDRIP



labour rights



tax, anti-corruption, relevant trade and customs regulations

A photograph of a dense forest with many tall, thin trees. The trees have light-colored, vertically textured bark. The foliage is green and dense at the top. The ground is covered in brown leaves and some green plants. A dark green horizontal band is overlaid across the middle of the image, containing white text.

Due Diligence requirements

The Regulation includes due diligence requirements, comparable to those found in the EUTR:

Collection
of
information

Risk
assessment

Risk
mitigation

Due Diligence Statement

Step 1 - Information requirements (Article 9)

- Description of product (trade name AND scientific name)
- Quantity
- Country of production/harvest
- **Geolocation** of all **plots of land** where the relevant commodities were produced, as well as **date or time range of production**
- Supplier name
- Buyer name
- **Verifiable evidence** that product is “deforestation free”
- **Verifiable evidence** that product is produced in compliance with relevant legislation



Geolocation of all plots of land

Less than 4 ha

- latitude and longitude coordinates corresponding to **at least one latitude and longitude point**

Greater than 4 ha

- **polygons**, meaning sufficient latitude and longitude points to **describe the perimeter of each plot of land.**

Step 2 - Risk assessment (Article 10)

Operators shall verify and analyse information collected for the purposes of evaluating risk.

Risk assessments shall be:

- documented, with justified risk conclusions
- reviewed at least on an annual basis and made available to the competent authorities upon request.



Step 2 - Risk assessment (Article 10)

Risk assessments shall take special account of the following risk assessment criteria:

- assignment of risk to country by the European Commission.
- concerns in relation to corruption, document and data falsification,
- lack of law enforcement, violations of international human rights, armed conflict or UN or EU-imposed sanctions.
- complexity of the relevant supply chain.
- substantiated concerns (article 29)
- the existence of **duly motivated claims** by indigenous peoples regarding the **use or ownership of the area** used for the purpose of producing the relevant commodity

Country benchmarks by the EC (Article 29)

The EC will develop a central database of risk assessments:

- EC will publish **list of low and high-risk countries**, based on delegated regulations (to be developed)
- The results will be available through the EC "Information System"
- **Three-tier system** for the assessment of countries - Low, standard or high risk*

High

Standard

Low

* *unless identified as low or high, a country will be assigned "standard" risk*

Step 3 - Risk mitigation (Article 11)

Operators shall:

- have in place adequate and proportionate policies, controls and procedures **to mitigate and manage risks**
- adopt **risk mitigation procedures** and measures that are adequate to reach no or negligible risk **PRIOR** to placing on the market or exporting

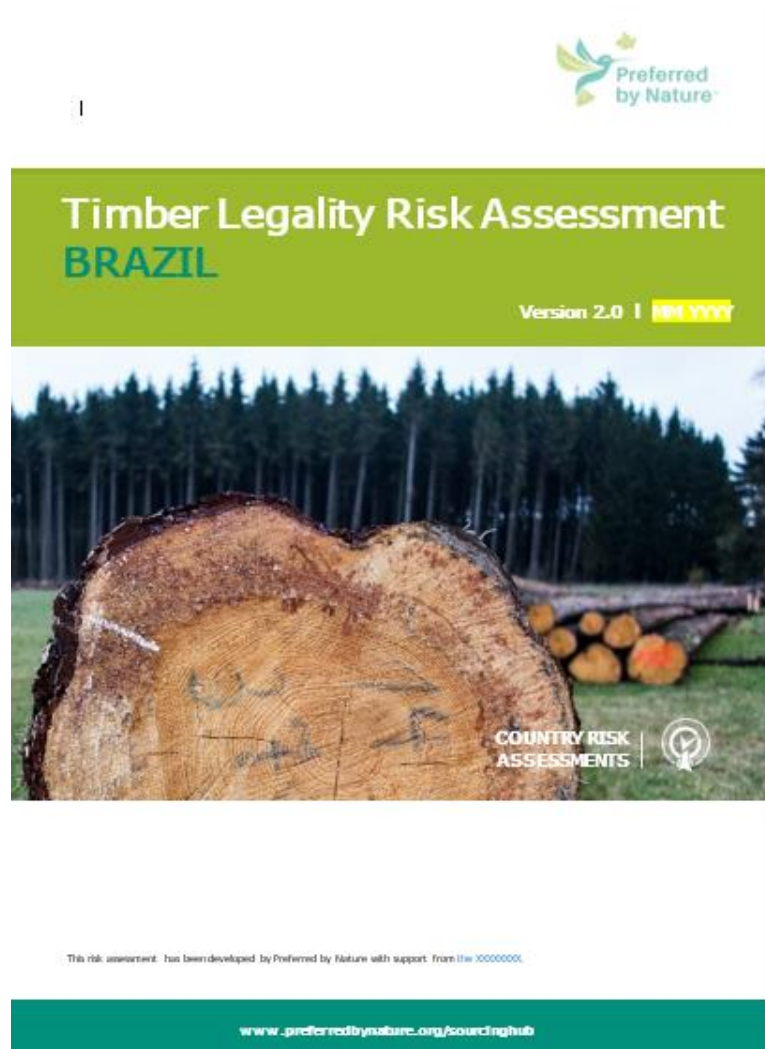


How does the EUDR affect Brazilian wood producers

- Traceability
- Geolocalisation
- Risk per type of forest
- Communication
- Verifiable evidence
- Sanctions







- Since 2007, PBN has been working on Timber Legality Risk Assessments in partnership with various organizations in 60+ countries;
- Risk Assessment are developed in **collaboration with local experts** in forest legality and use and assessment methodology jointly developed by the FSC and PBN;
- In Brazil, **Imaflora** is the institution responsible for generating and updating the assessment in Brazil;
- In the second version, generated in January 2022 updates were made to the national, regulatory and forestry production context since version 1.1 (May 2017).

How can Risk Assessment help the fight against illegality?

- Publish **verifiable** and **comparable** risk categories and metrics associated with logging chains;
- Assist producers and traders in verifying the criteria for each risk category;
- Position the relevant players in the forestry sector on the points of attention regarding compliance with the Law;
- Complement the procurement policies and due care processes of public and private market operators.



Management of Natural
forests in Private Areas

Management of Planted
Forests

Management of Public
Natural Forests (Concessions)



- Brazil contained in 2020 ~508M hectares of forests (60% of the national territory) (Mapbiomas)

- Amazon = 330 million hectares of forests

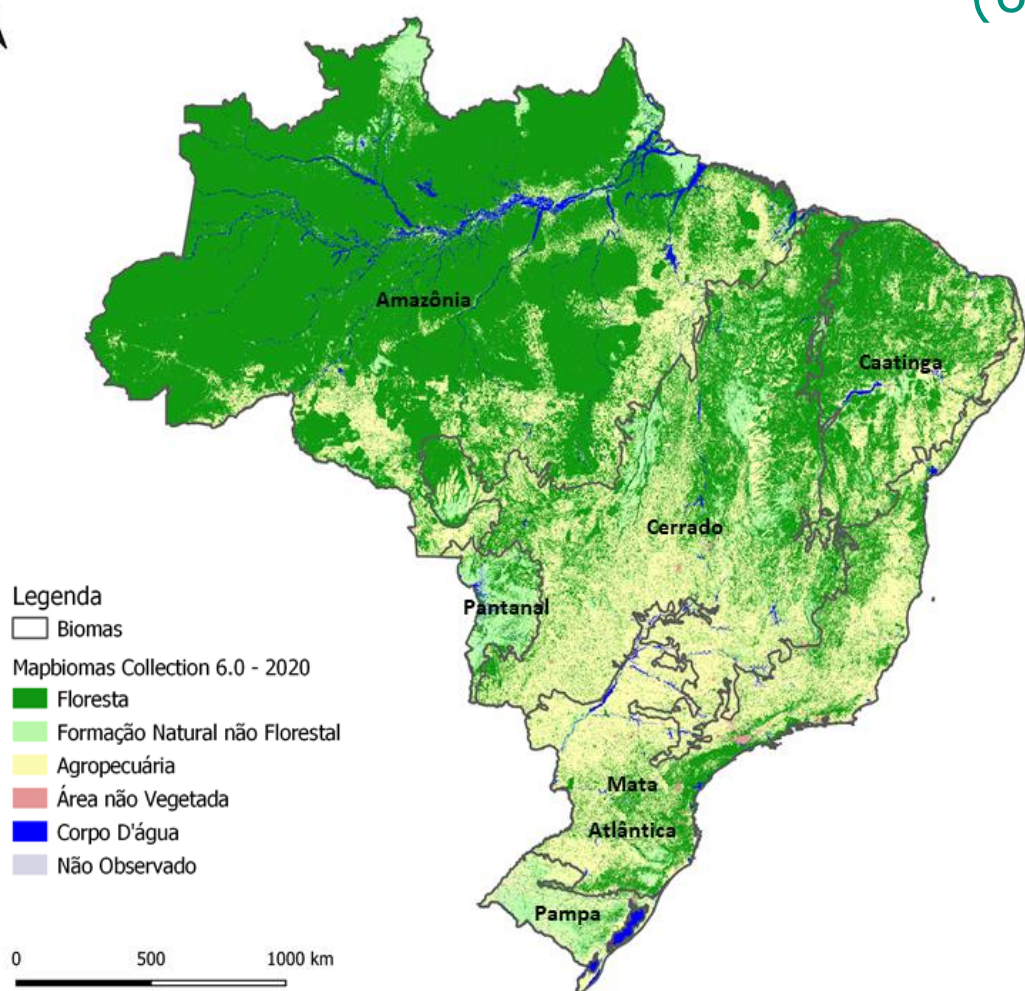
- Data from IBÁ (2020), indicate an area of forest plantations of 9.55 million hectares for industrial purposes

- 3.73 million hectares (39%) are certified commercial plantations

- 88% are concentrated in the south and southeast regions

- 78% of the area is made up of eucalyptus cultivation (7.47 million hectares) and 18% of pine (~1.7 million hectares).

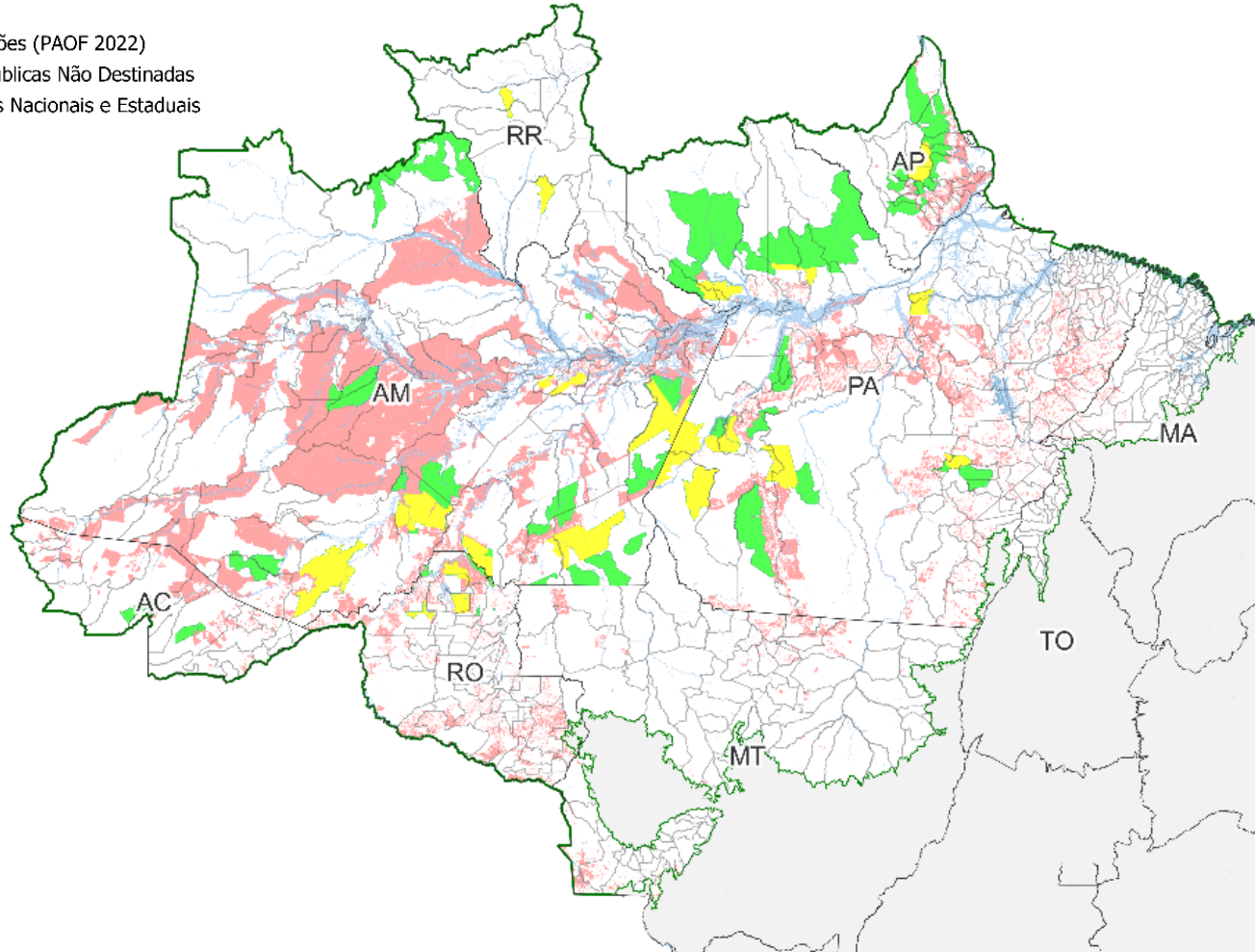
- In addition, 382 thousand hectares of other species, such as rubber tree (*Hevea brasiliensis*), acacia (*Acacia mangium*), teak (*Tectona grandis*) and paricá (*Schizolobium amazonicum*).



Overview of the forestry sector in Brazil

Legenda

- Bioma Amazônia
- Municípios
- Hidrografia
- Estados
- Concessões (PAOF 2022)
- Áreas Públicas Não Destinadas
- Florestas Nacionais e Estaduais



- Assessed status: 18 concession contracts (~1.05M hectares)
- At the state level, Pará has eight contracts (433 thousand hectares) and Amapá has only one contract, with 67.5 thousand hectares.
- The existence of different instances of control, inspection, and monitoring involved with the concessions strongly influenced the results of the risk assessment.

What did we do?



We compile and update current legislation



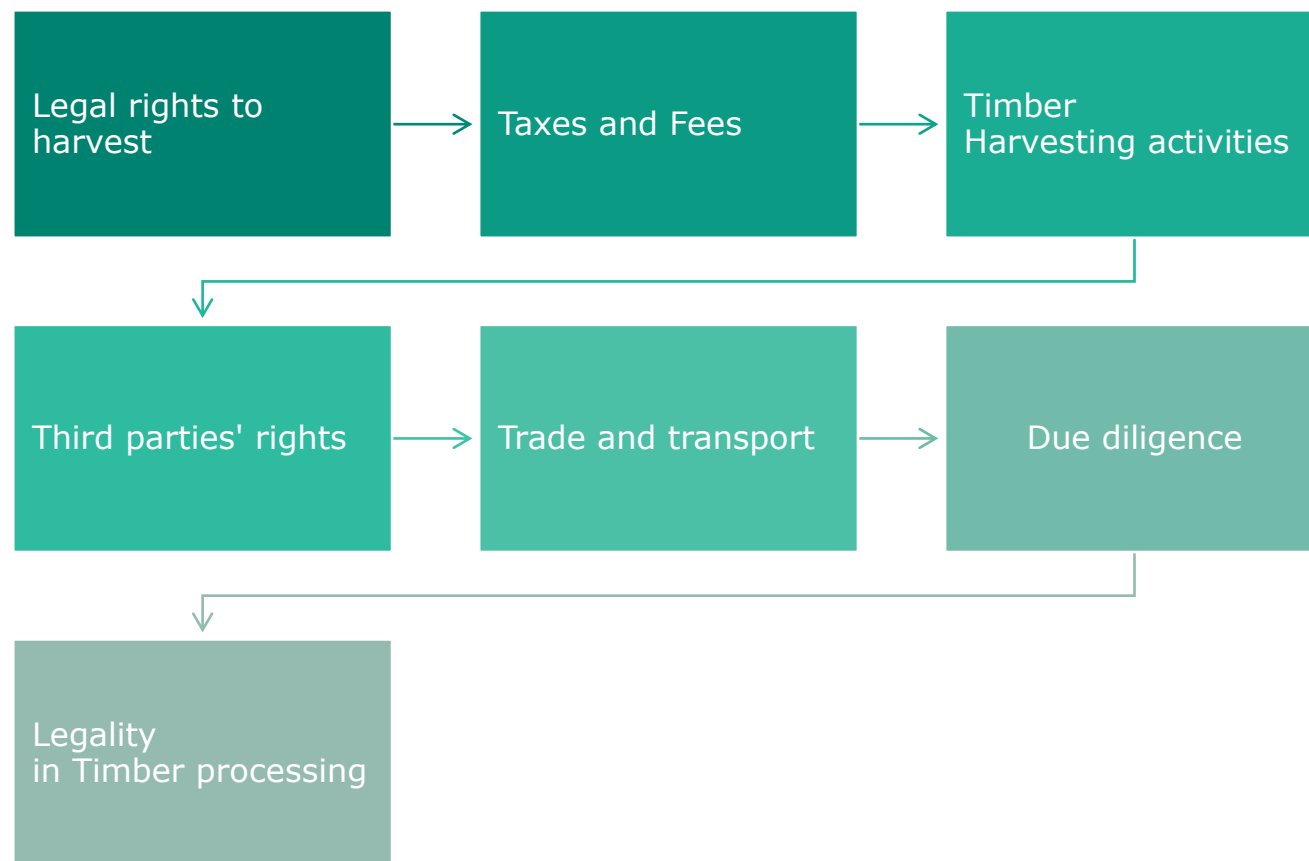
We analyze published data and reports



We conducted interviews with key actors associated with governments, production, market, and civil society

The risks were classified as **low**, **specified** and not defined, in case of lack of legal requirements

Evaluated categories



- Evaluates whether legal issues related to access to land and forest resources, in addition to due licenses, are being suspended

- It includes 4 subcategories:

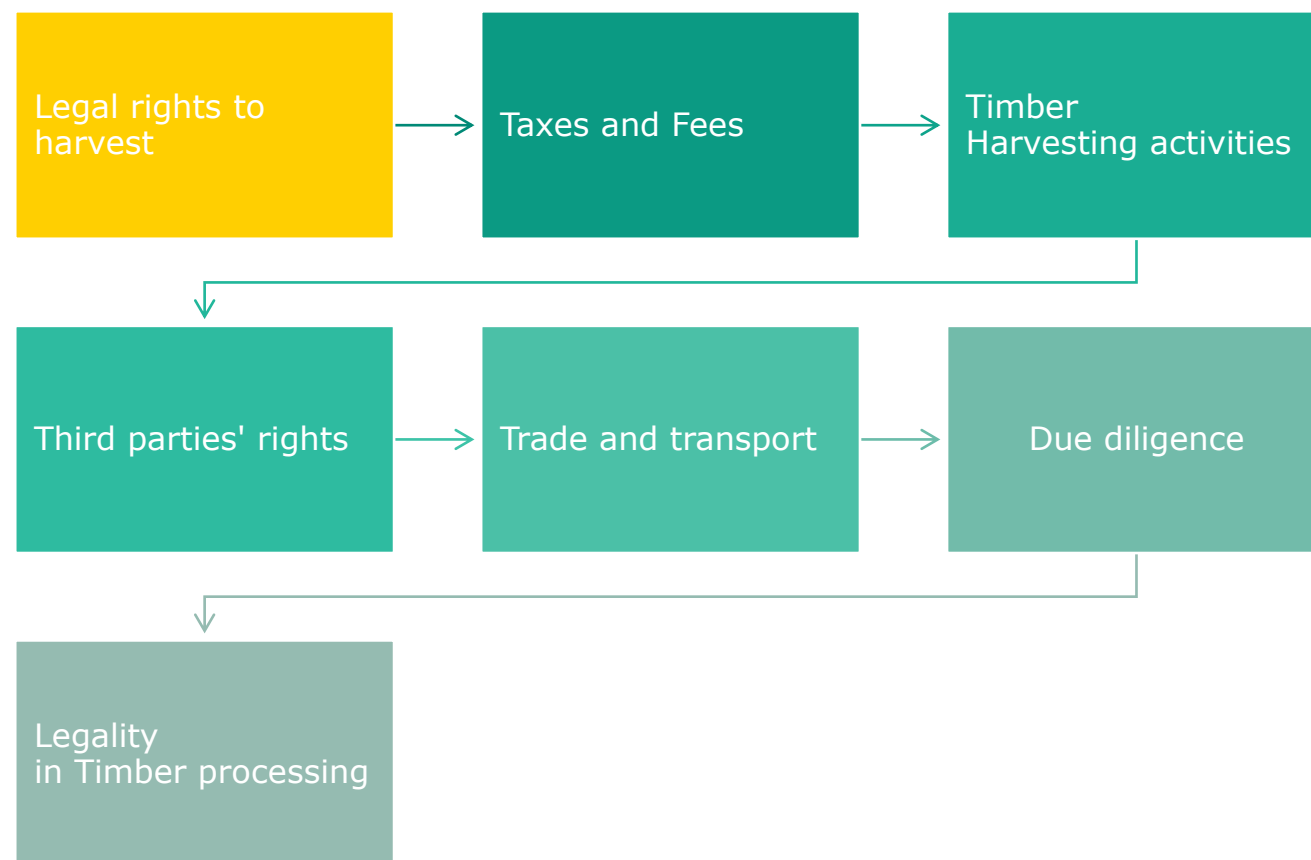
- Legal logging and harvesting rights

- Use concession licenses

- Management and harvest planning

- harvest licenses

Evaluated categories



- Evaluates whether taxes and fees applicable to forest management and harvesting are paid in a manner consistent with the Law

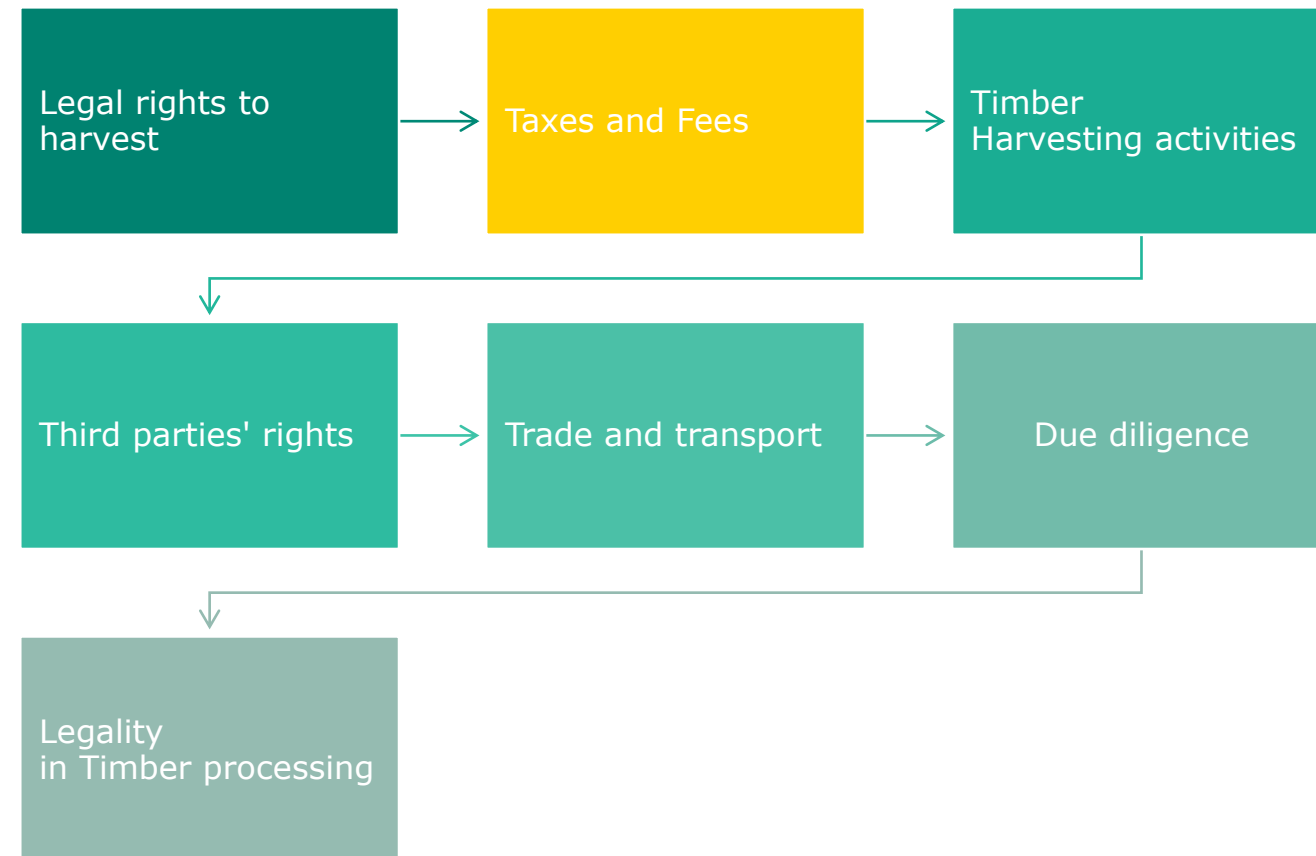
- Includes 3 subcategories

- Payment of royalties and harvest fees

- Value-added and other sales taxes

- Income tax and profit

Evaluated categories

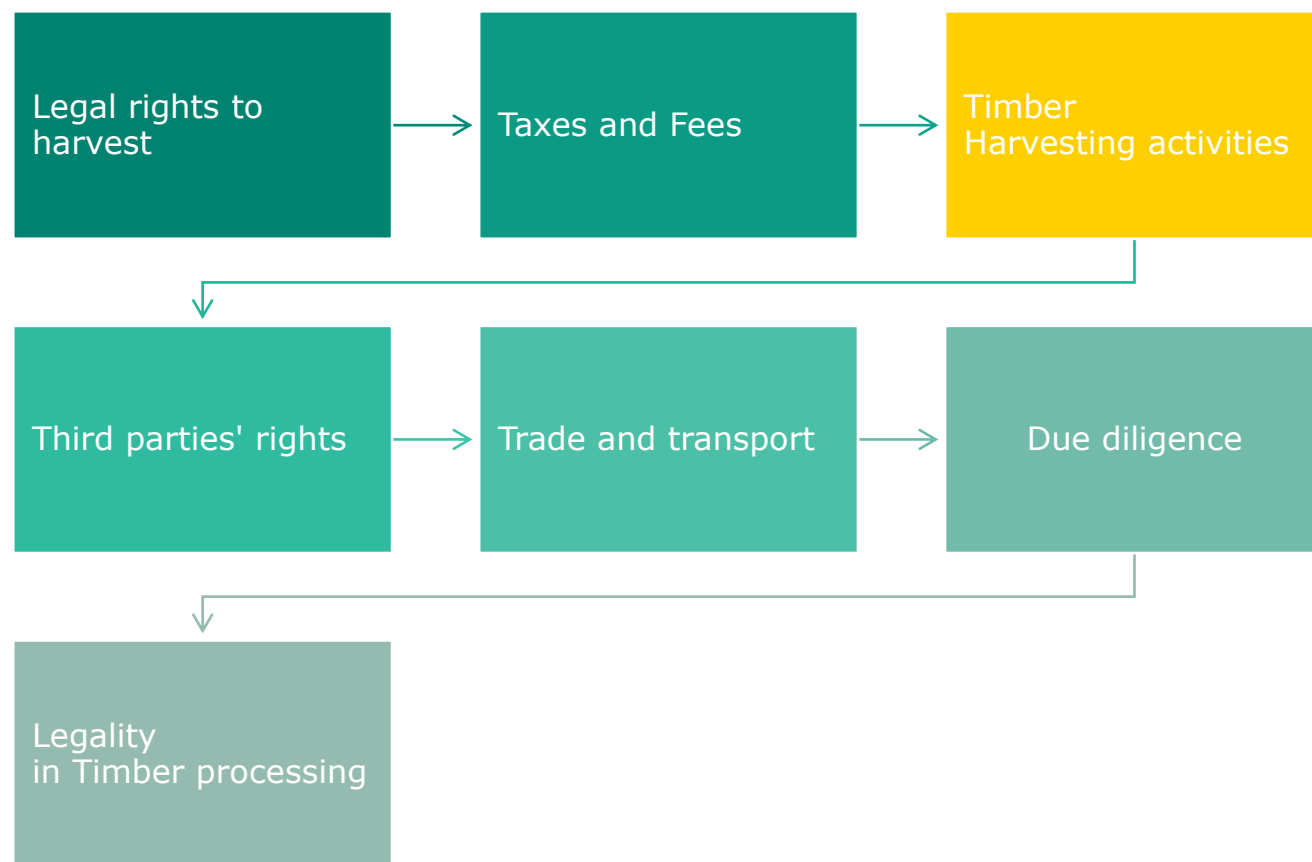


- Evaluates whether the environmental legislation related to planning and harvesting activities, as well as conservation and labor requirements, are being complied with

- Includes 4 subcategories

- Timber harvesting regulations
- Protected sites and species
- Environmental requirements
- Health and safety
- Legal employment

Evaluated categories



- Evaluates whether the rights of local and traditional populations in the management and/or harvesting areas are legally enforced

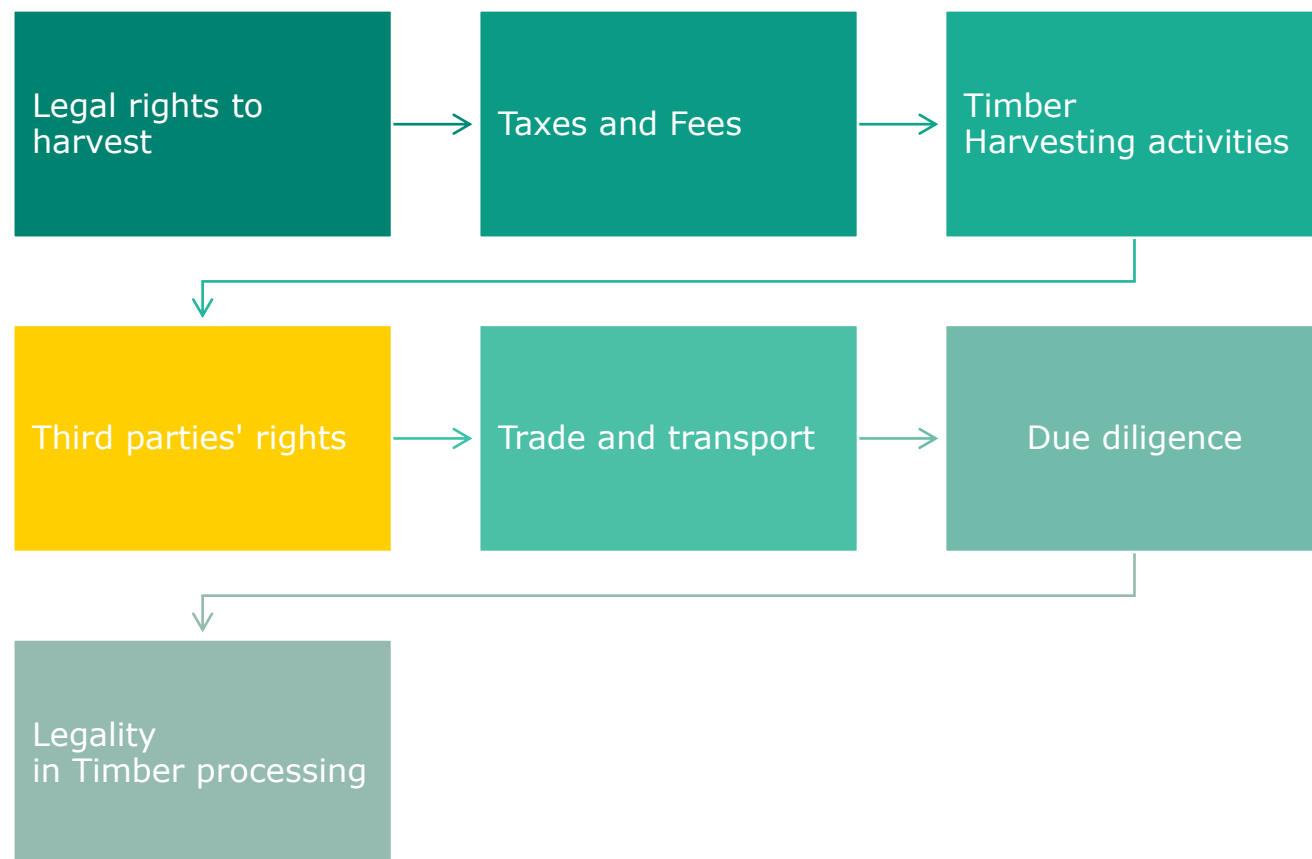
- Includes 3 subcategories

- Customary rights

- Free, prior and informed consent

- Rights of indigenous and traditional peoples

Evaluated categories

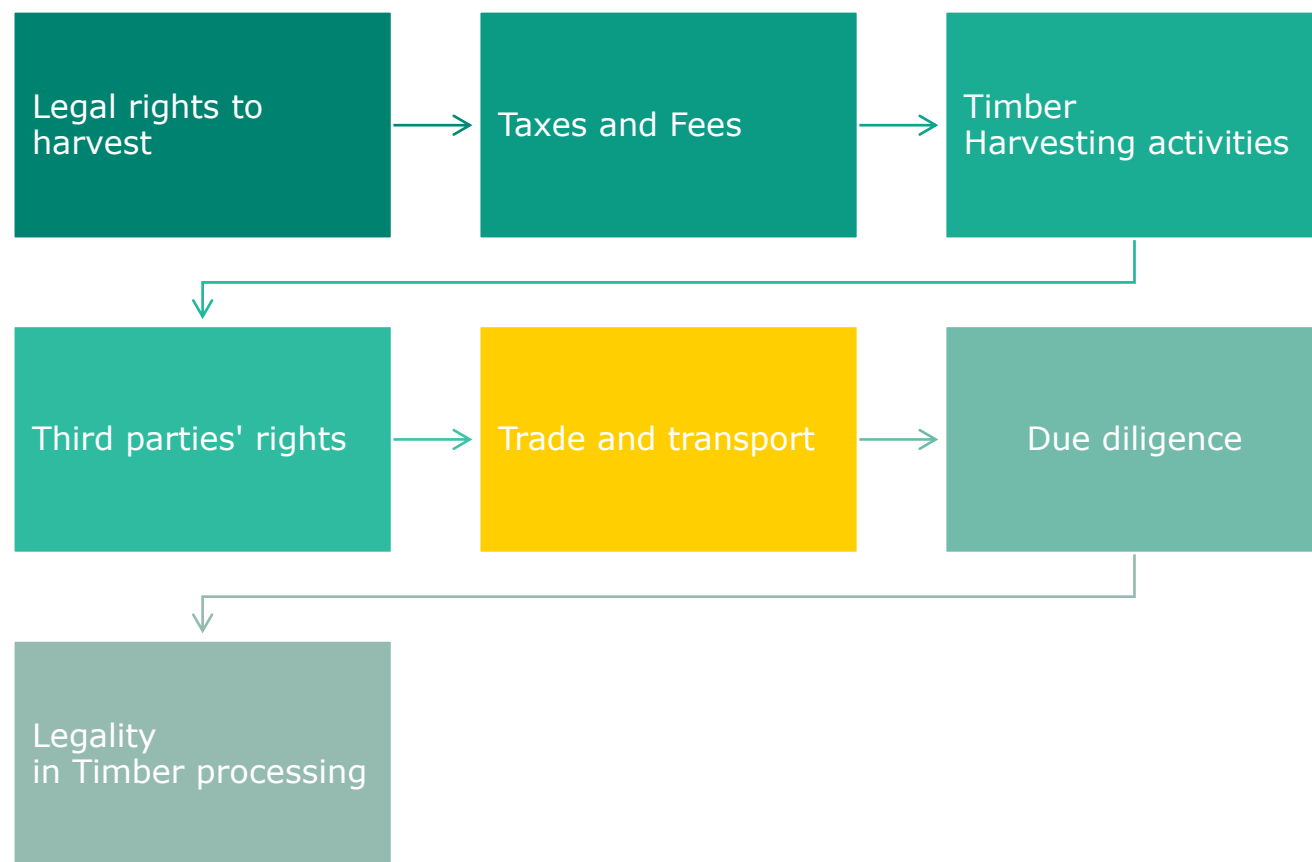


- Evaluates whether, along the portion of the chain that includes the transport and trade of wood products, whether the applicable regulations are being complied with, as well as the risks of contamination of the products

- Includes 5 subcategories

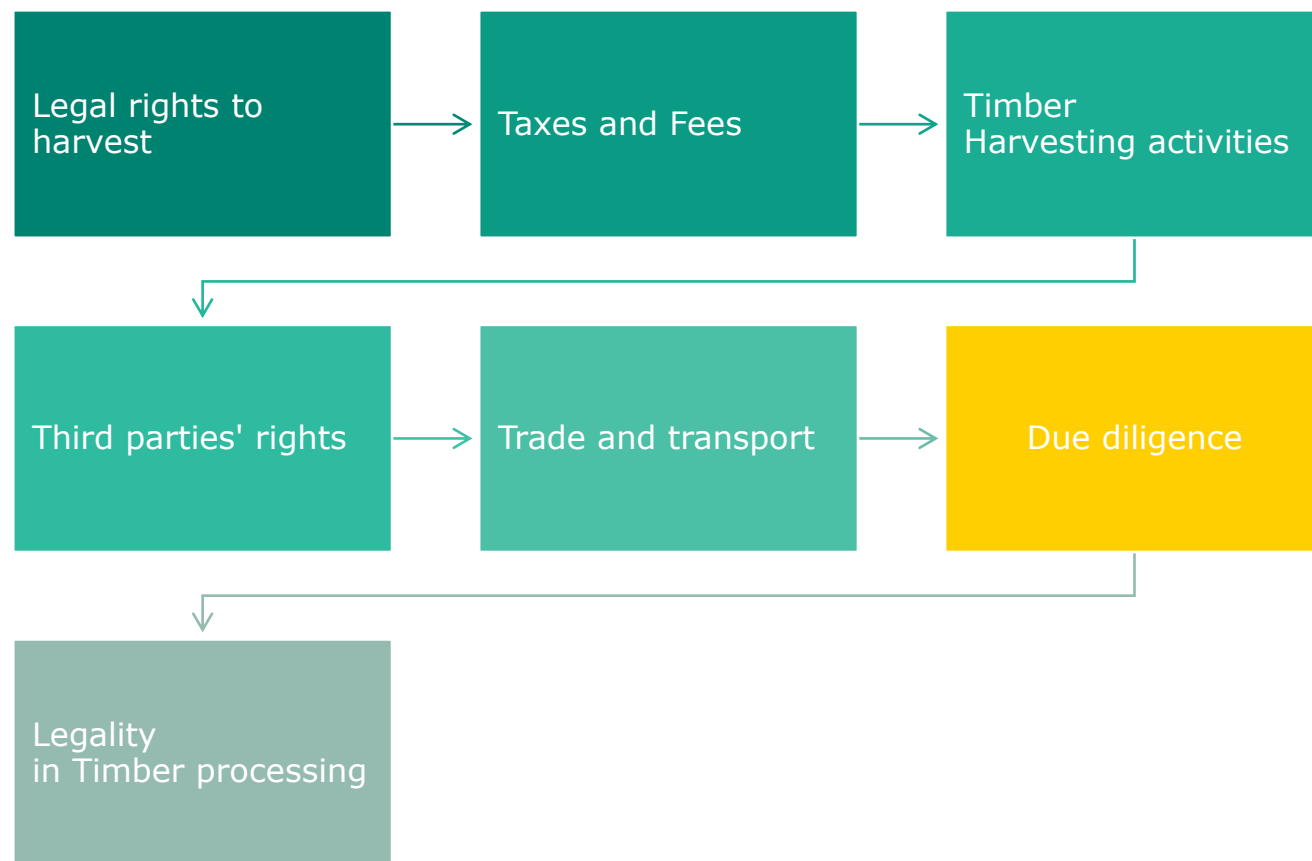
- Classification of species, quantities and qualities
- trade and transport
- Offshore trading and transfer pricing
- Customs regulations
- Quotes

Evaluated categories



- It essentially assesses whether there is specific legislation that requires the adoption of due diligence procedures

Evaluated categories

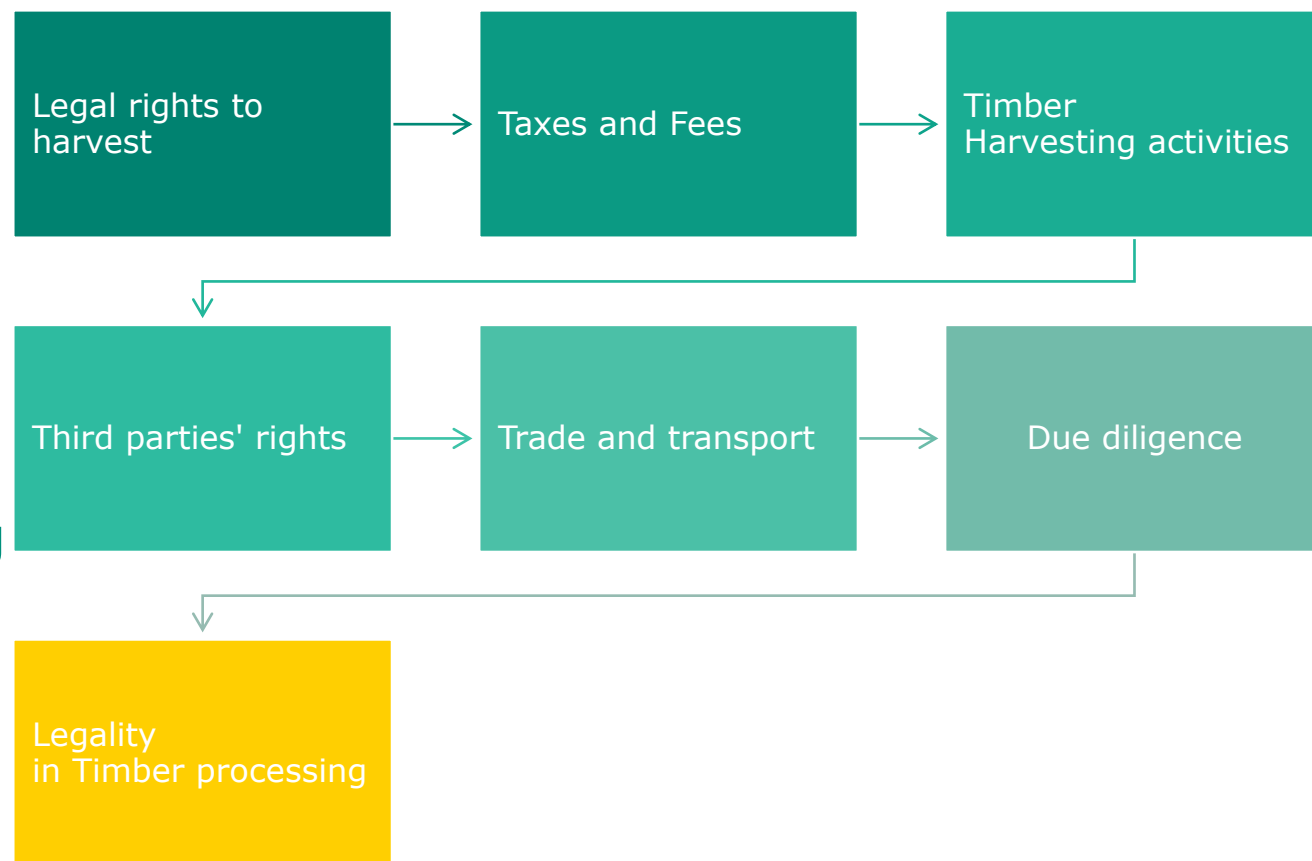


- Evaluates whether along the production chains and/or supplies the applicable legislation, including environmental and labor aspects, is being complied with.

- Includes 5 subcategories

- Legal registration of the enterprise
- Environmental requirements in wood processing
- Legal requirements of wood processing
- Health and safety in the wood processing industry
- Legal employment in the wood processing industry

Evaluated categories



RISK

Management of Natural forests in Private Areas

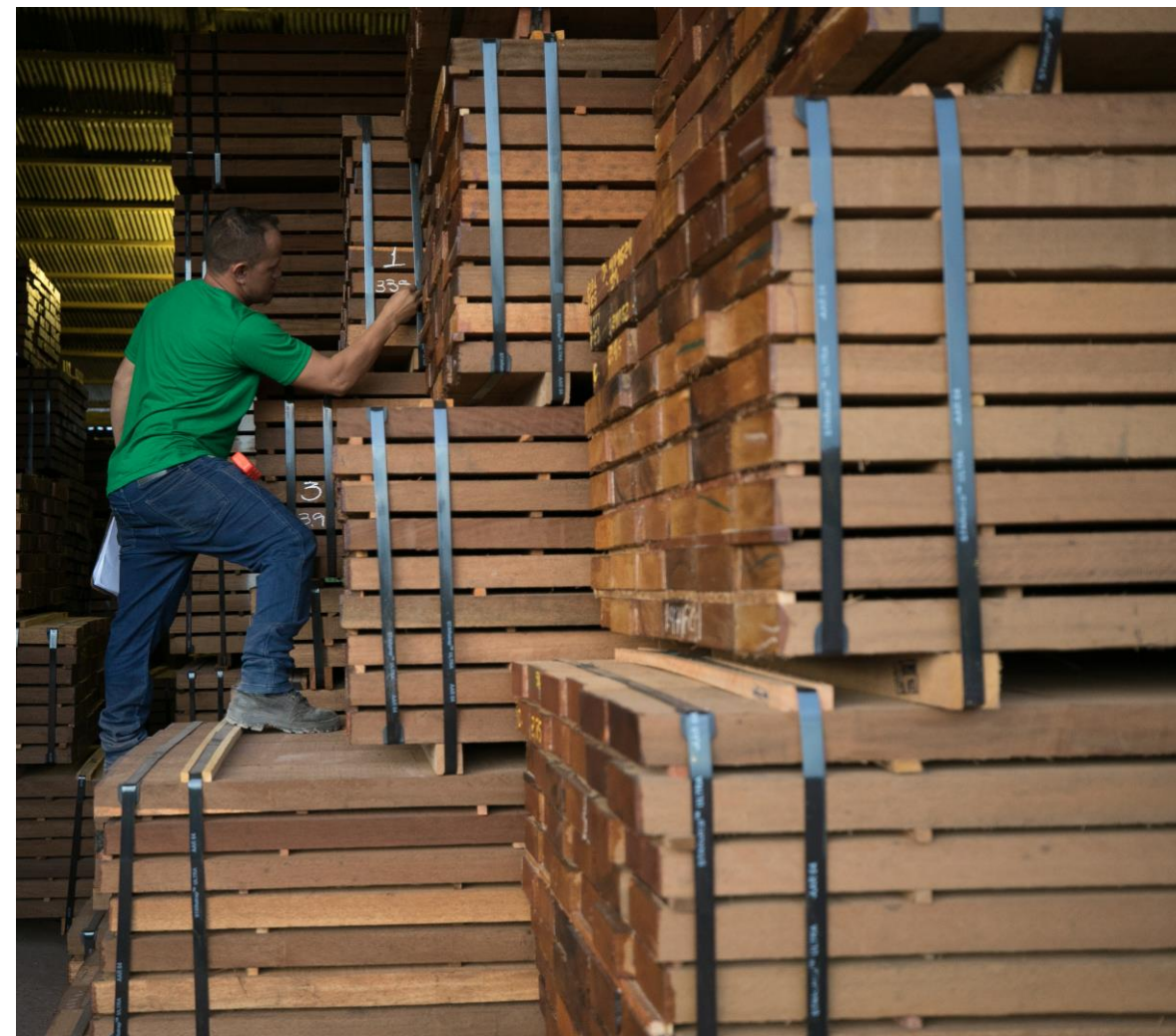
- Specified risk for 19 sub-categories.
- Low risk for 4 sub-categories.
- No legal requirements for 3 sub-categories.

Management of Planted Forests

- Specified risk for 15 sub-categories.
- Low risk for 6 sub-categories.
- No legal requirements for 5 sub-categories.

Management of Public Natural Forests (Concessions)

- Specified risk for 11 sub-categories.
- Low risk for 13 sub-categories.
- No legal requirements for 2 sub-categories.



CATEGORIES	SUB-CATEGORIES	Risk Conclusion		
		Management of Natural forests in Private Areas	Management of Planted Forests	Management of Public Natural Forests (Concessions)
Legal rights to harvest	1.1 Land tenure and management rights	Specified risk	Specified risk	Low risk
	1.2 Concession licenses	NA	NA	Low risk
	1.3 Management and harvesting planning	Specified risk	NA	Low risk
	1.4 Harvesting permits	Specified risk	Specified risk	Low risk
Taxes and Fees	1.5 Payment of royalties and harvesting fees	Low risk	Low risk	Low risk
	1.6 Value added taxes and othes sales taxes	Specified risk	Specified risk	Specified risk
	1.7 Income and profit taxes	Specified risk	Specified risk	Specified risk

CATEGORIES	SUB-CATEGORIES	Risk Conclusion		
		Management of Natural forests in Private Areas	Management of Planted Forests	Management of Public Natural Forests (Concessions)
Timber Harvesting activities	1.8 Timber harvesting regulations	Specified risk	NA	Low risk
	1.9 Protected sites and species	Specified risk	Specified risk	Low risk
	1.10 Environmental requirements	Specified risk	Specified risk	Specified risk
	1.11 Health and safety	Specified risk	Specified risk	Specified risk
	1.12 Legal employment	Specified risk	Specified risk	Specified risk
Third parties' rights	1.13 Customary rights	Specified risk	Specified risk	Specified risk
	1.14 Free prior and informed consent	NA	NA	NA
	1.15 Indigenous/traditional peoples' rights	Specified risk	Specified risk	Specified risk

CATEGORIES	SUB-CATEGORIES	Risk Conclusion		
		Management of Natural forests in Private Areas	Management of Planted Forests	Management of Public Natural Forests (Concessions)
Trade and transport	1.16 Classification of species, quantities and, qualities	Specified risk	Low risk	Low risk
	1.17 Trade and transport	Specified risk	Specified risk	Low risk
	1.18 Offshore trading and transfer pricing	Low risk	Low risk	Low risk
	1.19 Custom regulations	Low risk	Low risk	Low risk
	1.20 CITES	Specified risk	Low risk	Low risk
Due diligence	1.21. Legislation requiring due diligence/due care procedures	NA	NA	NA

CATEGORIES	SUB-CATEGORIES	Risk Conclusion		
		Management of Natural forests in Private Areas	Management of Planted Forests	Management of Public Natural Forests (Concessions)
Legality in timber processing	1.22. Legal Registration of business	Specified risk	Specified risk	Specified risk
	1.23. Environmental requirements for processing	Low risk	Low risk	Low risk
	1.24. Processing requirements	Specified risk	Specified risk	Specified risk
	1.25. Health and Safety in the timber processing sector	Specified risk	Specified risk	Specified risk
	1.26. Legal employment in the timber processing sector	Specified risk	Specified risk	Specified risk

- According to the experts and stakeholders consulted, public forest concessions have the lowest legality risks (low risk in 13 subcategories)
- Social issues, such as health and safety at work, labor legislation and the rights of traditional populations, represent specific risks both in the forest and in the production chain
- Risks in the most downstream areas of the chain, more distant from the forest, tend to present a greater specificity



Preferred by Nature's Sourcing Hub

Identify and mitigate risks in your supply chains from a well-researched global resource

Country Risk Profiles

Country Overview

View Risk Profile

Select a commodity, a country of harvest and a transiting country (optional) to view risk profile. Check the box to view risk profiles at a past date.

Choose a date to see past risk assessments

Commodity ⓘ *

Select one

Country of harvest ⓘ *

Select one

Transit country (optional) ⓘ

Select one

[Add another transit country](#)

[View Details](#)

- The Timberflow platform (www.timberflow.org.br) presents a set of tools and information that can help public and private market operators in their due diligence efforts and in the selection of potential suppliers.
- In the second half of 2023, a new tool will be launched to also help map production chains, including the geolocation of producers.

