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AFF – HLG Monthly Monitoring of EU Forest Value Chains

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This monthly newsletter, produced by the HLG on Forestry & Biomaterials with support from SAPPI, aims to stimulate joint thinking on the research and development of a climate-neutral bioeconomy.

The High-Level Group on EU Policy Innovation: Forestry and Biomaterials (HLG-FB) is one of the independent public-private think tanks which operates as advisory body for the European Union institutions. A partnership involving the HLG-FB and the African Forest Forum (AFF) is evolving.

The AFF is an association of individuals who share the quest for, and commitment to the sustainable management, use and conservation of the forest and tree resources of Africa for socio-economic wellbeing of its peoples and for the stability and improvement of its environment.

SAPPI, a leading company in woodfibre-based renewable materials in Africa, is dedicated to advancing the bioeconomy and promoting sustainable forest management. With a focus on innovation and sustainability, SAPPI is committed to foster a thriving, biobased circular economy by prioritising responsible processes.

This partnership aims to provide a framework of cooperation and understanding and to facilitate collaboration between the Parties to further their shared goals and objectives regarding African forestry and its support to socio-economic wellbeing of Africa's peoples and for the stability and improvement of the environment.

As a first token of this cooperation, AFF members will receive in future a regular newsletter from the HLG on Forestry and Biomaterials, with the purpose to stimulate joint thinking about the research and development of a climate neutral bioeconomy.

European Parliament, Plenary Session, Brussels, May 2023 /Photo credits: © European Union 2023 - Source : EP.

WITH THE SUPPORT FROM SAPPI

Additional details regarding our initiatives to the advancement of a sustainable bioeconomy can be accessed through the following websites: https://www.sappi.com & https://www.highlevelgroup.eu/forestry-biomaterials

EUROPEAN UNION REGULATION ON DEFORESTATION-FREE PRODUCTS (EUDR) - LATEST DEVELOPMENTS

European Commission proposes One-Year Delay for EUDR Implementation amid Stakeholder Concerns

On 2 October, the European Commission announced a proposal to delay the entry into force of the EU Deforestation Regulation (EUDR) from 30 December 2024 to the end of 2025. This proposed extension does not affect the objectives or substance of the law, as previously agreed by the EU co-legislators.

The postponement follows protests from key stakeholders, including countries in Latin America and North America—major suppliers of raw materials and products—as well as from affected European industrial sectors and international organisations such as the FAO and WTO.
Their primary concern was the infeasibility of accessing the European Union's ***Information System***, which companies must use to generate and register Due Diligence Statements. The planned launch of the system in mid-December 2024 would have required due diligence statements for hundreds of thousands of products to be developed and uploaded within a few weeks. Since products cannot be placed on the market without these declarations starting from 30 December 2024, this process would have been practically impossible to complete in time.

In addition, the Commission has issued further ***guidance documents*** to provide clarity for companies and enforcement authorities in applying the rules. These documents include updates on penalties, explanations of key definitions such as 'forest degradation', 'operator' within the scope of the law, and 'placing on the market'. The guidance also addresses the functionalities of the Information System and provides additional clarity on traceability obligations. It is divided into 11 chapters covering diverse topics, including legality requirements, application timeframes, agricultural use, and clarifications on product scope, all supported by tangible scenarios.
The latest ***FAQ,*** featuring over 40 new responses, addresses questions raised by a wide range of stakeholders.

Additionally, the Commission has published the ***principles of the methodology*** it will use in the EUDR benchmarking exercise, which will classify countries as low, standard, or high risk. This classification aims to facilitate operators' due diligence processes and enable competent authorities to monitor and enforce compliance more effectively. Under this methodology, most countries will be classified as 'low risk', allowing collective efforts to focus on regions where deforestation challenges are more acute.

Council agreed on EC's proposal to postpone EUDR

On 16 October, the Council of the European Union endorsed the Commission's proposal to delay the implementation of the EU Deforestation Regulation (EUDR). The decision now moves to the

European Parliament, which will either confirm the postponement or uphold the original timeline for implementation in December 2024.

If the European Parliament agrees, the obligations under the regulation will become binding from:

- 30 December 2025 for large operators and traders
- 30 June 2026 for micro- and small enterprises

This postponement would provide legal certainty, predictability and adequate time for the smooth and effective implementation of the rules, including the establishment of due diligence systems for all relevant commodities and products. These systems will help identify deforestation risks in supply chains and ensure compliance through monitoring and reporting measures.

CEPI supports EUDR postponement

The Confederation of European Paper Industries (CEPI) welcomed the European Commission's proposal to delay the implementation of the EU Deforestation Regulation (EUDR). CEPI Director General, Jori Ringman, stated that "The EUDR is too important to risk getting wrong. We fully recognise the environmental crisis and climate emergency it seeks to address, and our industry is not a source of deforestation. Deforestation poses a significant reputational risk for any sector, and our industry depends on healthy forests for its future." Ringman stressed the need for additional time to properly develop a deforestation-free system.

CEPI has also strongly advocated for a suitable transition period for the EUDR. It was pointed out that while it is common for EU legislation to allow medium-to-long transition periods, such as the three-year period granted under the simpler EU Timber Regulation (EUTR), the EUDR initially proposed only a one-year adaptation phase.

Concerns were raised due to the EUDR's requirement to track information across complex supply chains, particularly challenging in industries like paper, where materials from different sources are mixed. The postponement is expected to allow for better implementation and ultimately strengthen the regulation’s impact on reducing deforestation.

International Criticism of EUDR Postponement

The European Commission's proposal to delay the implementation of the EUDR has faced criticism. Twenty-five civil society organisations have already signed a letter titled "Every Second Counts to Protect Global Forests and Ecosystems," expressing their opposition to the postponement.

The organisations called for a strengthened implementation of the regulation, highlighting the potential for leveraging existing monitoring and reporting frameworks used in other countries to support EUDR compliance.

The letter particularly emphasises Brazil's leadership in monitoring ecosystems and land use, a system overseen by the National Institute for Space Research (INPE) since 1988. Brazil is also recognised for its traceability initiatives in agricultural supply chains, notably in the soy and livestock sectors, which have been operational in the Amazon since 2006 and 2009, respectively.

Rainforest Alliance concerned about EUDR Delay

The Rainforest Alliance has expressed deep disappointment with the European Commission's proposal to delay the EUDR by 12 months, viewing it as a stark contradiction to the EU's commitments to halt biodiversity loss and climate change. It is believed this decision could set a dangerous precedent by potentially reopening other key regulations under the EU Green Deal.

The Rainforest Alliance also noted that this delay unfairly penalises companies and producers that have already made significant investments to comply with the EUDR. Having supported the regulation from its inception, they have consistently opposed any postponement. The EUDR represents a long-overdue response to deforestation after decades of inaction.

In response, the Rainforest Alliance has fast-tracked updates to its certification program and is developing a Deforestation Risk Assessment Tool to assist non-certified supply chain actors and farmers in meeting EUDR requirements.
They also call on the European Commission, member states and companies to ensure smallholder farmers receive adequate support so that compliance costs are not passed onto them, potentially excluding them from the EU market.

Nonetheless, the Rainforest Alliance welcomes the recent publication of guidance and FAQs and urges companies to increase their efforts to comply, even if the transition period is extended.

Official Requests for EUDR Implementation Delay

As noted in previous editions of this newsletter, German Chancellor Olaf Scholz and Italian Agriculture Minister Lollobrigida have formally requested a one-year delay in the EUDR implementation, citing concerns about potential disruptions to the soy supply chain that could impact the agri-food sector. Additionally, German MEP Peter Liese, representing the European People's Party (EPP), has openly supported this call.

The appeal for a delay has also garnered support from WTO Director General Ngozi Okonjo-Iweala, who urged the EU to reconsider the regulation in light of compliance uncertainties and trade concerns raised by the United States, as well as various Latin American and Southeast Asian nations. Agricultural organisations such as COPA/COGECA and FEFAC, along with approximately 20 other stakeholders in the EUDR value chain, have echoed these concerns, advocating for a postponement to address issues related to the availability of soybean meal.

More about the regulation and potential issues (under discussion)

The EUDR, which mandates strict due diligence requirements to curb deforestation, will start being applied from December 30, 2024, for large and medium enterprises, and from June 30, 2025, for micro and small enterprises. It specifically targets a list of commodities outlined in Articles 38(2) EUDR, including cattle, cocoa, coffee, oil palm, rubber, soya, and wood, and demands comprehensive traceability from the point of origin to processing and distribution. Operators are required, under Article 3, to ensure that commodities exported are:

- deforestation-free;
- produced in accordance with the relevant legislation of the country of production;
- covered by a due diligence statement.

Pursuant to Articles 3, 4, and 8 of the Regulation, due diligence statements must be submitted to the designated authorities via the information system delineated in Article 33 before placing products on the market. This electronically transmitted due diligence statement must include the details specified in Annex II and affirm that the operator has conducted due diligence, identifying no or negligible risk.

Expected developments

In response to these challenges, the Commission has planned updates to the Frequently Asked Questions (FAQ) document, a non-binding working file released by the Commission, aimed at supporting National authorities and economic operators on the text, context, and purpose of the EUDR, to achieve its uniform application across the European Union.

An additional document, the Guidance on EUDR, is set to be published by the mid of July to further explain various aspects of the regulation, *inter alia*:

- clarifications on placing and making available on the EU market;
- legality;
- risk assessment;
- product scope; and
- the role of third-party verification schemes.

A reassessment of the risk categorization of countries based on deforestation metrics is also anticipated, aiming to mitigate the negative impacts on smallholder producers in developing regions. This decision is a response to concerns raised by developing countries about the negative implications of being classified as "high risk," which can lead to operational reductions or a preference for larger producers with advanced technological capabilities.

GREEN DEAL, THE IMPLEMENTATION OF THE SECOND PHASE OF THE EU'S CARBON BORDER ADJUSTMENT MECHANISM (CBAM) IS POISED TO BEGIN.

CBAM's Second Transitional Phase officially started in July 2024

The second transitional phase of the EU's Carbon Border Adjustment Mechanism (CBAM) commenced on July 1, 2024, and will conclude at the end of 2025. During this period, EU importers are required to collect and disclose actual embedded emissions data for their imports from non-EU manufacturers, moving away from reliance on default values.

The transition to a CBAM-based system began on October 1, 2023, with importers of specific products—including steel, aluminium, cement, fertiliser, hydrogen, and electricity—mandated to report their embedded carbon emissions. The initial quarterly reports were due by January 31, 2024; however, compliance was low, with only a minority of companies meeting the deadline.

To ensure adherence, EU importers must conduct thorough screenings of the emissions data received from non-EU manufacturers. This process involves verifying that the data accurately reflects actual emissions according to CBAM's greenhouse gas accounting principles and requesting necessary documentation, such as calculation templates and supporting evidence.

To enhance the accuracy of carbon accounting, importers are advised to:

- Cross-verify data against multiple sources for consistency.
- Conduct audits to evaluate data quality and identify discrepancies.
- Validate the accuracy of calculations and measurements used.

Until the end of 2024, the Implementing Regulation on reporting requirements allows some flexibility regarding the values used to calculate embedded emissions during the transitional phase. Companies may choose from three reporting options: (a) full reporting according to the new EU methodology, (b) reporting based on an equivalent method, or (c) reporting using default reference values (valid only until July 2024).

Starting January 1, 2025, only the EU methodology will be accepted, and estimates (including default values) may only be applied to complex goods if they represent less than 20% of the total embedded emissions. The Commission published default values on December 22, 2023, based on a report from the EU's Joint Research Centre (JRC).

Upcoming default values' Deadline: 31 October

From 31 October 2024, the use of default values will no longer be permitted, except for 20% of emissions, where default values may still be applied. Instead, actual data—specific measurements of greenhouse gas emissions generated during the production of a given product—must be used.

This data will be sourced directly from production processes and includes both direct emissions from the manufacturing of the product and indirect emissions associated with the energy required for its production. Importers and producers will have to provide this data through systems that monitor actual emissions throughout the supply chain.

This deadline marks the next phase of the EU Carbon Border Adjustment Mechanism (CBAM) transitional period for products imported into the EU from 1 July 2024. Businesses must collect and submit actual embedded emissions data for all imports entering the EU during the quarter from 1 July to 30 September 2024.

The EU has outlined the methodology for calculating embedded emissions, which broadly falls into two categories that must be included in each CBAM declaration:

1. Calculation Approach: This determines the emissions of EU CBAM products based on source streams and activity data through measurement systems at the production site, combined with laboratory analysis or standard values. It encompasses both combustion and process emissions.
2. Measurement-Based Approach: This assesses emissions based on the emission source through continuous measurement of greenhouse gases at the installation, utilising specified disaggregation formulas aligned with international ISO standards on source emissions.

However, certain derogations from the EU's prescribed methodology are still permitted for the declarations due on 31 October 2024 and 31 January 2025, including the use of embedded emissions data captured as part of an existing carbon pricing or emissions monitoring scheme in the product's country of origin. Nonetheless, from 1 January 2025 onwards, only the EU's methodology may be employed.

The obligation to report using actual data will remain in effect until the end of the transitional period.

CBAM sparks concerns in Ukraine

The implementation of the EU Carbon Border Adjustment Mechanism (CBAM) is causing significant apprehension in Ukraine. As companies facing substantial CBAM payments in the EU seek alternative markets for sales, competition in regions without similar mechanisms is expected to intensify.

Recent research by the GMK Center, titled "How EU CBAM Could Weaken the Economy of Ukraine," suggests that the scope of CBAM could be expanded to encompass all sectors covered by the EU Emissions Trading System (ETS). Currently, CBAM applies to a limited range of products, including iron and steel, aluminium, hydrogen, cement, fertilizers, and electricity.

Concerns about the potential expansion of CBAM are reinforced by its linkage to the EU ETS, where the price of CBAM certificates is determined by the carbon price within the EU ETS. It is also anticipated that CBAM will eventually replace free allowances currently granted under the EU ETS.

With the expected tightening and expansion of CBAM regulations, there are fears that global supply chains may need to be restructured, especially if European trade partners are not prepared to meet increased climate ambitions. This shift could reduce access to the European market for companies from third countries while heightening competition in markets lacking their own CBAM initiatives.

EC considers CBAM Extension to Processed Products

The European Commission's Directorate-General for Taxation and Customs Union (TAXUD) is evaluating the potential extension of the Carbon Border Adjustment Mechanism (CBAM) to processed products.

A stakeholder survey, open until October 25, 2024, aims to gather insights on administrative burdens and costs related to this expansion. The goal is to address carbon leakage risks, as EU-based companies may shift production to non-EU countries with looser climate regulations, accessing carbon-intensive materials without incurring costs.

Expanding CBAM would also limit evasion by redirecting trade towards processed goods not currently covered but containing significant amounts of basic goods under CBAM. This move could incentivise non-EU producers to reduce greenhouse gas emissions.

African countries call for a moratorium from EU

African nations are being urged to take a unified stand against the European Union's Carbon Border Adjustment Mechanism (CBAM), which is expected to impose tariffs on imports based on their carbon emissions. Speaking at the Africa Oil Week in Cape Town, Dr Omar Farouk Ibrahim, Secretary-General of the African Petroleum Producers Organisation (APPO), warned that the CBAM could severely impact Africa's industrial and economic development by increasing trade barriers for carbon-intensive products.

He highlighted the potential risks of CBAM at the upcoming COP29 energy conference in Azerbaijan, calling for African leaders to strongly oppose the mechanism. Ibrahim argued that the CBAM would stifle growth in developing countries, shifting the burden of climate action onto Africa, which contributes far less to global emissions than developed nations. Moreover, it was emphasised that wealthy nations, historically responsible for the bulk of emissions, should focus on addressing their legacy pollution rather than introducing measures that could hinder Africa's access to global markets.

PACKAGING & PACKAGING WASTE REGULATION (PPWR) DEVELOPMENTS

European Parliament approved a revised version of the Packaging and Packaging Waste Regulation (PPWR)

On April 24, 2024, the plenary session of the European Parliament cast votes to advance the EU Packaging and Packaging Waste Regulation (PPWR) toward its final stages of legislative enactment. This regulation, designed to be directly applicable across all EU member states, aims to pre-emptively reduce waste generation through stringent reuse requirements, restrictions on market practices, obligations for deposit-return schemes, and additional regulatory measures.

Following disagreements on recycled content origins and plastic materials' focus, the decisive vote on April 24 sets the stage for the new Parliament and Council, elected in June 2024, to give their final endorsement in late 2024. Thus, the Packaging and Packaging Waste Regulation (PPWR) is expected to be implemented by 2026.

Under this new regulatory framework, companies involved in manufacturing and distribution will be compelled to:

- Undertake significant modifications to their packaging solutions, product designs, and logistical operations to accommodate mandated reuse systems and enhance sustainability.
- Specifically, entities providing takeaway food and beverages must enable consumers to use their own containers and establish dedicated collection systems for single-use plastic (SUP) bottles and metal beverage containers.
- Augment the recycled material content within their plastic packaging configurations.
- Implement reduction strategies by eliminating superfluous packaging elements, minimizing void space within packaging, reducing material thickness, and incorporating refill options.

To facilitate this transition, the adoption of prevention and eco-design strategies—already mandatory in several jurisdictions—will serve as an effective methodology to fulfil and exceed these regulatory demands, thereby fostering a more sustainable industrial ecosystem.

What will be banned starting January 2030? - Background of the proposed PPWR Regulation

The PPWR, pivotal for the forestry value chain, especially for entities manufacturing paper-based packaging, prescribes substantial reductions in packaging materials by the years 2030, 2035, and 2044. The regulation prohibits the use of detrimental chemicals such as per- and polyfluoroalkyl substances (PFAS) and bisphenol A (BPA) in food packaging and advocates for the utilization of sustainable materials sourced from responsibly managed forests, with a strong emphasis on the recyclability and reusability of packaging.

Commencing in January 2030, prohibitions will include:

- Single-use plastic packaging for unprocessed fresh fruits and vegetables, and for consumables in bars and restaurants.
- Single-use items such as condiments, sauces, sugar, and cream.
- Small-scale hotel products like shampoo and shower gel.
- Plastic wrap for suitcases at airports.

However, exemptions apply to milk cartons, disposable compostable plastic packaging, and packaging for fruits and vegetables weighing less than one and a half kilograms, necessary to prevent food deterioration.

The regulation sets packaging reduction goals of 5% by 2030, 10% by 2035, and 15% by 2040, with MEPs advocating for a 20% reduction in plastic packaging by 2040. It also mandates a maximum empty space ratio of 50% in various packaging types to minimize waste, and stipulates that manufacturers and importers ensure minimized packaging weight and volume, except where protected packaging designs are already established.

Additionally, the MEPs call on EU member states to ensure that 90% of materials used in packaging are collected separately by 2029, reinforcing the regulation’s role in promoting environmental sustainability and a circular economy within the EU packaging sector.

UPDATES ON THE EUROPEAN COMMISSION 2024-2029

Jessika Roswall has been nominated by Ursula von der Leyen as Commissioner for Environment, Water Resilience and a Competitive Circular Economy (DG ENVI).

On Tuesday, 17 September, the newly elected European Commission President, Ursula von der Leyen, unveiled her team of Commissioners, including Roswall, Finland's candidate. In her mission letter, von der Leyen stressed the importance of enhancing Europe’s natural capital and advancing the circular bioeconomy. Key objectives include updating the bioeconomy strategy, introducing incentives for nature-positive actions, and better aligning with international bioeconomy commitments.

Strong coordination is anticipated between DG Environment and other departments, particularly with EC Vice-President Teresa Ribera (DG Competition; portfolio: Clean and Just Transition), Commissioner Wopke Hoekstra (DG Clima; portfolio: Climate, Net Zero, and Clean Growth), and Commissioner Dan Jorgensen (DG Energy; portfolio: Energy and Housing).

Roswall's next step is to pass a hearing before MEPs in the coming weeks, where she will need to secure their approval.

Commissioner Hearing Set for 5 November: Focus on Environment, Water Resilience, and Circular Economy

A hearing has been scheduled for 5 November at 18:30 to assess the nomination of Jessika Roswall, the Commissioner-designate for Environment, Water Resilience, and a Competitive Circular Economy. The session will cover a wide range of critical topics, from Roswall's qualifications to her plans for implementing key EU policies.

The European Parliament has submitted a detailed questionnaire to Roswall, addressing her competence, European commitment, and independence. Roswall will be expected to outline how she plans to promote the European interest, implement the Commission’s political guidelines, and integrate gender and youth mainstreaming into her portfolio.

Key questions from various committees include Roswall's approach to water resilience, particularly how she intends to address water scarcity, pollution, and risks under the European Water Resilience Strategy. There is also a strong focus on the Circular Economy Act, with questions about how she plans to create market demand for secondary raw materials, establish a single market for waste, and ensure the competitiveness of the EU while reducing its environmental footprint.

The Committees are also seeking concrete measures on the zero-pollution action plan, the bioeconomy strategy, and the Clean Industrial Deal, including how she intends to address PFAS and implement the REACH revision to ensure enhanced protection of health and the environment.

OPPORTUNITIES FOR THE SECTOR

Horizon Europe Research Call: Mission 6

New calls for proposals for the 2024-2025 Horizon Research Programme are anticipated to be announced by the end of the year. As part of Mission 6, "A Soil Deal for Europe," new funding opportunities are expected to feature an expanded scope, incorporating countries beyond the EU.

As the initiative enters its third consecutive year, the mission aims to establish 100 living labs and lighthouses to spearhead the transition towards healthier soils by 2030. Key objectives include reducing desertification, conserving soil organic carbon stocks, halting soil sealing while promoting the reuse of urban soils, decreasing soil pollution, and enhancing restoration efforts. Additionally, the mission seeks to prevent soil erosion, improve soil structure to bolster biodiversity, minimise the EU's global footprint on soils, and increase soil literacy within society.

Background of Horizon Europe

Horizon Europe is the EU's main funding program for research and innovation, boasting a budget of €95.5 billion for the period 2021-2027. It aims to address climate change, support the achievement of the UN’s Sustainable Development Goals, and enhance EU competitiveness and economic growth. The program fosters collaboration and amplifies the impact of research and innovation in shaping, supporting, and implementing EU policies while addressing global challenges. It plays a crucial role in generating and spreading excellent knowledge and technologies.

Moreover, Horizon Europe is instrumental in creating jobs, engaging the EU’s full talent spectrum, promoting economic expansion, bolstering industrial competitiveness, and maximizing the impact of investments under a revitalized European Research Area.

Distinctive features of Horizon Europe that set it apart from its predecessor, Horizon 2020, include:

-European Innovation Council (EIC): The EIC supports high-risk innovations with breakthrough potential and disruptive nature, primarily targeting SMEs with 70% of its budget.

- Missions: Horizon Europe introduces missions aiming to achieve bold, inspiring, and quantifiable objectives within specific timelines, encompassing five primary mission areas.

- Open Science Policy: The program enforces mandatory open access to research publications and applies open science principles across all activities.

- Revamped Partnerships: Horizon Europe fosters more strategic and ambitious partnerships with industry to support EU policy goals, emphasizing objective-driven collaboration.

UPCOMING EVENTS

Global Bioeconomy Summit 2024, 23-24 October 2024

The Global Bioeconomy Summit 2024 (GBS) is set to take place in Nairobi, Kenya, from 23 to 24 October, marking the first time the event will be hosted outside Europe. This year's summit will serve as a crucial platform for addressing global bioeconomy challenges and highlighting the sector's role in promoting sustainable development.

GBS 2024 will unite bioeconomy experts and high-ranking officials from politics, science, civil society, and business from around the world. The focus will be on resilient and sustainable food systems, with an emphasis on the bioeconomy as a vital model for transitioning to less fossil fuel-dependent economies. Additionally, discussions will centre on biodiversity conservation and leveraging innovation to create new economic opportunities, particularly for young people.

As a forum for diverse stakeholders, GBS aims to facilitate dialogue, share best practices, and identify avenues for global innovation and collaboration. Initiated in 2015, the summit has evolved into an inclusive global event. This fourth edition will specifically address the sustainable bioeconomy as a key driver for decarbonisation and the development of green economies, both urban and rural, while tackling health challenges and reversing biodiversity loss.