



The EU Deforestation Regulation (EUDR): a bureaucratic monster ahead of us

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Introduction



We all want to avoid this

Introduction

- It's the reason why a new EU regulation has been published on the Official Journal of the EU on 9 June.
- This regulation will enter into force on 29 June. Companies will have to comply with it 18 months after (29 December 2024).
- But is this new Regulation a proper tool to curb deforestation? And what consequences for the pulp sellers and buyers?

Content of the presentation

- Overview of the Regulation on Deforestation of the EU (EUDR)
- Main questions triggered by the EUDR
- Some personal reflections

Overview of the EUDR

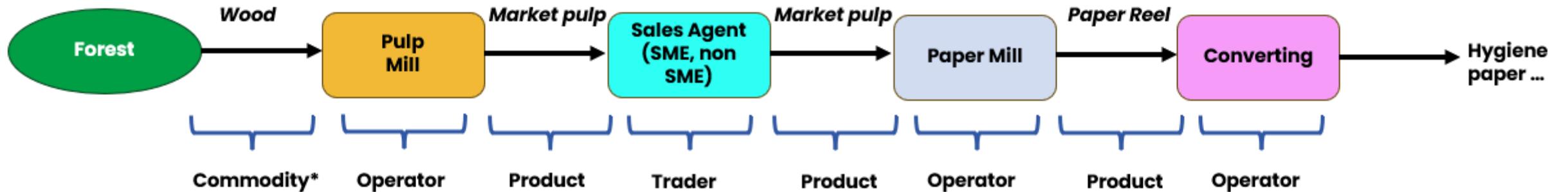


Do you see the links between these 4 pictures ?



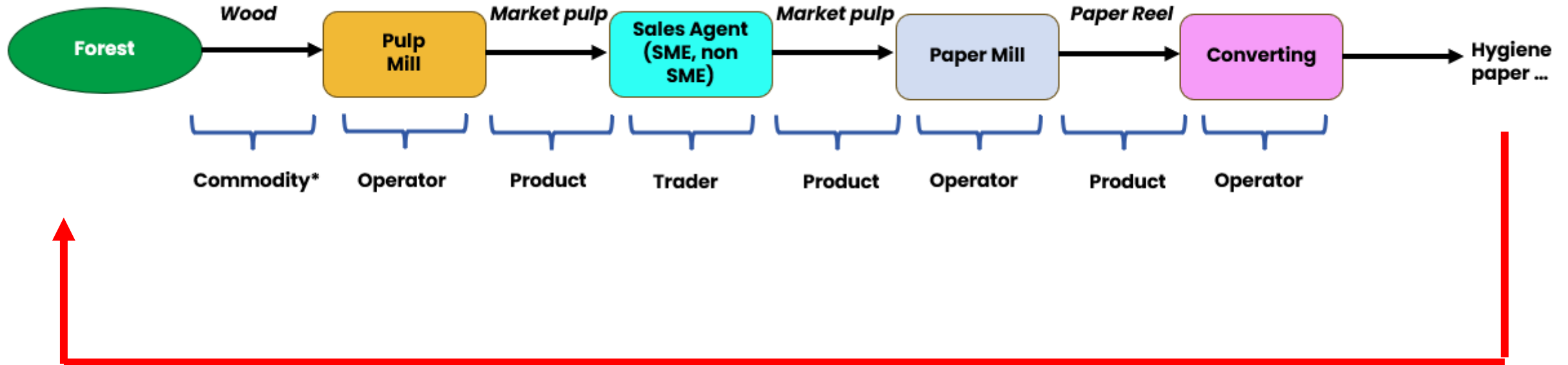
Overview of the EUDR

- New principle for the fiber-based industry: full traceability of the fibers, from the forests to the end products (office paper, packaging, hygiene paper, book, magazine ...)
- As an intermediate product, market pulp is in the scope of this full traceability.



* Other commodities: cattle, cocoa, coffee, oil palm, rubber, soya ...

Overview of the EUDR



Has this given product contributed to deforestation?

Overview of the EUDR

- Commodities (pulpwood) and products (market pulp, reels, paper products) shall not be placed or made available on the market (or exported), unless all the following conditions are fulfilled:
 - They are deforestation free;
 - They are produced in accordance with the legislation of the country;
 - They are covered by a Due Diligence Statement (DDS).

Overview of the EUDR

- A Due Diligence Statement (DDS) is a document issued by an operator after he has exercised a Due Diligence.
- The due diligence shall include, for each product:
 - The collection of information;
 - Risk assessment;
 - Risk Mitigation.

Overview of the EUDR

- Collection of information for each sold product:
 - Name of the product
 - Name of the wood species used to make the product
 - Quantity
 - **Geolocation of all forest plots and time range of production** (=sale?, harvest?)
of pulpwood
 - Name and address of the suppliers
 - **Name and address of the clients**

Overview of the EUDR

- Obligations of Operators:
 - Operators shall exercise due diligence prior to placing products on the market (or exporting them).
 - Operators shall submit a Due Diligence Statement to the national Competent authority via an Information System (= digital platform).
 - Operators shall communicate to downstream operators and traders the DDS of the sold products.

Overview of the EUDR

- Obligation of traders
 - Traders that are not SMEs: same obligations as operators.
 - Traders that are SMEs: the only obligation is to be in possession (and keep for at least 5 years) of:
 - Name and address of the suppliers;
 - Name and address of the clients.

Main questions triggered by the EUDR

- #1 How to handle a so huge amount of data?
- #2 How large is the risk of breaching the EUDR?
- #3 What is the commercial/legal risk of entering sensitive data in the information system?

Main questions triggered by the EUDR / #1

- The geolocation from the forest (or the plantation) to the wood yard is not a big problem. Many pulp companies already collect this information.
- The problem is to establish a link between the forest plots and one (or several bales of pulp) as the pulping process is:
 - A continuous process
 - Mixes raw materials at various stages (wood yard, digester, mixing chest)
 - Uses as a raw material chip from sawmills = fibers already coming from many plots
- Based on actual cases, **one pulp bale is associated to thousands of plots.**
- How to handle in a cost-effective manner so many data?

Main questions triggered by the EUDR / #1



Main questions triggered by the EUDR / #1



When French fries are in your plate, you cannot know the potatoes they are coming from!

Main questions triggered by the EUDR / #2

- One pulp bale is associated to many bales.
- But symmetrically, one plot is associated to many bales.
- If one plot, during a control, is considered as illegal, all the bales associated to this plot are illegal. This “risk spreading” puts at risk many clients.
- Remark: it will be interesting to see how the pulp producers mitigate that risk. Will one DDS apply to one bale or to many bales?

Main questions triggered by the EUDR / #3

- The submission of sensitive data (volume, grades and clients) to the EU information system will create commercial risk in case of leakage (for whatever reason).

Personal reflections

- All repeated messages of the trade associations to EU and national authorities on the “workability” of the EUDR have not been heard by the European Commission.
- We now enter a phase of discussion with the public authorities on the implementation of the EUDR. Most of the discussions will be focused on the information system.

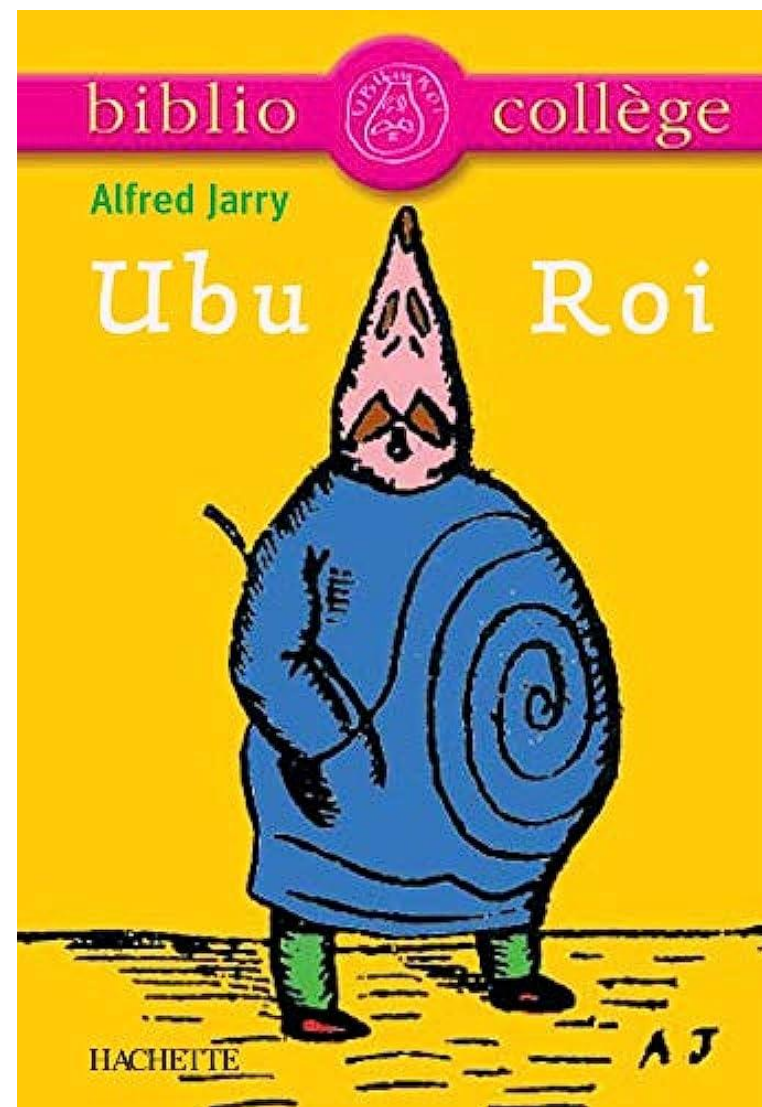
Personal reflections

- For EU companies, the bureaucratic workload seems gigantic compared to the environmental benefit (as there is no deforestation in the EU).
- The pulp and paper industry (and the wood-based industries) have received a “lost bullet” on this file. The EUDR primarily aims the agricultural commodities, that are the real cause of global deforestation.

Personal reflections

- Moreover, preventing the imported deforestation was already possible thanks to the EU Timber Regulation (EUTR).
- Besides the many “technical” and “legal” uncertainties that remain, there are also many uncertainties regarding the modifications of the trade flows. How many global pulp producers will implement the EUDR? What about paper reels and end-products (the more downstream a non-EU company will be in the value chain, the more it will be difficult for it to cope with the EUDR provisions).
- I’m ready to bet that many problems will be unsolved at the 2024 AFVP event!

This summer on the beach, we advise you to read ...





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