# **UNEP-TESS**

Roundtable on trade and deforestation: options for enhancing inclusive international cooperation

State of play of recent policy developments

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### **Trade and deforestation:**

# Emerging policy developments and initiatives



#### 2019 China, National Forest Law

- Aim: forbids any enterprise or individual from handling timber known to be "illegally or indiscriminately felled".
- Scope: domestically produced (e.g. exported) timber only

#### Glasgow Leaders' Declaration on Forests and Land Use (UNFCCC COP26)

#### 2021

- Countries: 145
- Aim: high level political declaration to halt and reverse forest loss and land degradation by 2030; <u>facilitating trade and development policies</u>, internationally and domestically.

## Forest, Agriculture and Commodity Trade (FACT) Dialogue (UNFCCC COP26)

- Co-Chairs: Indonesia and UK
- **Aim**: government-to-government dialogue, bring together the largest producers and consumers of internationally traded agricultural commodities to protect forests, promote trade, development.

# World Trade Organization, Trade and Environmental Sustainability Structured Discussions (TESSD)

- **Aim:** +70 WTO Members, best practices, challenges, opportunities for sustainable trade.
- **Scope:** 4 WG, priorities linked to deforestation sustainable supply chains, trade-related measures, subsidies.

#### **WTO Committee on Trade and Environment (CTE)**

#### **UK Environment Act 2021**

- Aim: prohibits use of products derived from "forest risk commodity" (FRC), unless in compliance with relevant local laws in producer countries
- **Scope:** illegal deforestation only, imports from all UK trade partner countries, whole UK supply chain but for large businesses only
- **Status:** FRC implementing provisions and timelines for implementation to be agreed in secondary legislation

#### Forest and Climate Leaders' Partnership (FCLP), (UNFCCC COP27)

- **2022** Countries: 26
  - Aim: follow up to Glasgow Leaders' Declaration. Scaling up action to halt and reverse forest loss and land degradation by 2030, with 6 action areas

#### European Union, <u>Deforestation-free products Regulation</u>

- **Aim:** only deforestation- and forest degradation-free products, produced in accordance with local legislation, are allowed on the EU market
- Scope: deforestation and forest degradation (illegal and legal), all EU businesses, EU production, imports from all EU trade partner countries
- Status: political agreement reached Dec 2022, entry into force 2023

### **Trade and deforestation:**

### Policy and trade-related measures involved





# PRODUCER COUNTRY





INFORMATION TOOLS: national ecosystem assessments, trade impact assessments, systems to ensure traceability and transparency

BUSINESS DUE DILIGENCEvoluntary or mandatory, for producing business REGIONAL TRADE AGREEMENTS:

preferential access (exports), regulatory cooperation to reduce barriers for sustainable trade, monitoring trade impacts

**REGULATIONS AND STANDARDS**: product or production related requirements to comply with, set by importing countries and/or supply chain actors (e.g. business). Can be mandatory or voluntary

POLICIES. MEASURES AND INSTITUTIONAL FRAMEWORKS THAT SUPPORT SUSTAINABLE PRODUCTION: environmental regulation, government support for sustainable practices (e.g. subsidies), areabased protection measures, spatial planning etc. → implementation and enforcement of policies and measures



BUSINESS DUE DILIGENCE:

voluntary or mandatory, for importing businesses

STANDARDS AND LABELS:

voluntary product or production related requirements, set by supply chain actors (e.g. business) REGULATIONS: mandatory product or production related requirements, set by governments

BORDER MEASURES: preferential access for sustainably produced products or trade restrictions / bans

INFORMATION TOOLS: trade

impact assessments, customs information, systems to ensure traceability and transparency TECHNICAL ASSISTANCE
AND CAPACITY: Aid for Trade

REGIONAL TRADE AGREEMENTS: preferential access (imports), safeguards to mitigate deforestation footprint of imports, monitoring trade impacts

**Government of Indonesia**: Indonesian Sustainable Palm Oil (ISPO) certification mandatory requirement for all oil palm growers and millers operating in the country.

**Update:** Indonesian palm oil companies must be ISPO accredited by 2023. Henry, D. (2021)

**Government of Gabon:** forestry permits conditional on Forest Stewardship Council (FSC) certification by 2022. **Goal:** increasing forestry exports and their contribution to GDP.

**Achievement:** the FSC Forest Management certificates covered more than 2 million hectares of forests by December 2019, almost 10% of the total forest area in Gabon. <u>UNFSS</u> (2021)