



# EU DEFORESTATION-FREE REGULATION (EUDR)

## Effective and Inclusive Accompanying Measures

### CONTEXT

The European Union's (EU) regulation on deforestation-free supply chains constitutes a key element of the EU Green Deal, aligning with a wider EU approach aimed at safeguarding global forests.

This new regulation is closely connected to the measures introduced by the EU Timber Regulation and the Forest Law Enforcement, Governance, and Trade (FLEGT) Regulation, which primarily address deforestation resulting from unauthorized timber harvesting. In contrast, the new EUDR encompasses a more comprehensive range of traded goods.

EU imports impact forest ecosystems, as they generate demand for products that may be linked to deforestation or forest degradation.

**IN THE TIME FRAME SPANNING FROM 1990 TO 2008, IMPORTS INTO THE EU WERE HOLD RESPONSIBLE FOR A SUBSTANTIAL 36% OF DEFORESTATION LINKED TO CROP PRODUCTS AND AN ADDITIONAL 25% OF DEFORESTATION TIED TO RUMINANT LIVESTOCK PRODUCTS!**



The primary goal of the EUDR is to address deforestation and forest degradation that stem from the European Union's imports. As a general principle, it's essential for new regulations and related accompanying measures to be contextualised within the broader context of international efforts to combat deforestation, lower greenhouse gas emissions, and halt the worldwide loss of biodiversity, recognizing its profound influence on the global issue of climate change.

1. *The impact of EU consumption on deforestation: Comprehensive analysis of the impact of EU consumption on deforestation* ([European Union, 2013](#))

## EUDR AT A GLANCE<sup>2</sup>

Published in EU Official Journal on 9th June 2023, the EUDR (regulation 2023/1115<sup>3</sup>) entered into force 20 days later, on 29 June 2023. The main obligations will be applicable after the transition period of 18 months (30 December 2024), or 24 months for MSMEs (29 June 2025).

EUDR scope encompasses seven distinct commodities (**namely cocoa, coffee, soy, palm oil, wood, rubber, and cattle**) along with their by-products, and extends to goods manufactured using these commodities (for instance, leather, cosmetics, chocolate, etc.).

**UNDER THE EUDR, ANY BUSINESS OPERATOR ENGAGED IN IMPORTS OR EXPORTS OF THESE PRODUCTS MUST SUBSTANTIATE THAT THEIR PRODUCTS ARE FREE FROM DEFORESTATION.**



As outlined in EUDR, a product is considered to meet the criteria of deforestation-free if neither the product itself, its components, nor its byproducts have been manufactured on land that experienced deforestation or forest degradation subsequent to the designated cutoff date of 31 December 2020<sup>4</sup>, encompassing both legal and illicit origins of deforestation, whether occurring within Europe or abroad.

## HOW WILL EUDR WORK IN PRACTICE?

Companies seeking to engage in the import or export of the commodities that fall in the scope of EUDR will be required to undertake thorough due diligence, either independently or through proficient external parties. The regulation outlines a set of essential steps for compliance:

<sup>2</sup>This "At a Glance" section has been prepared using the latest information available as of 25 September 2023. Please note that certain details may be subject to change as further developments and clarifications regarding the new EUDR emerge.

<sup>3</sup><https://eur-lex.europa.eu/eli/reg/2023/1115>

<sup>4</sup>The relevant commodities and products placed on the EU market cannot be of unknown origin or/ and from areas deforested or degraded after the cut-off date.



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## Essential steps

- ✓ Acquire geographical information, such as satellite imagery, pertaining to the specific land parcels where the commodities originated.
- ✓ Evaluate the potential risks for non-compliance with the EUDR regulation.
- ✓ Implement measures to reduce identified risks to minimal levels.

In preparation for complying to the EU deforestation-free regulation, practical measures include:



## Practical measures

- + Enhancing visibility and traceability along the value chain by analyzing available data.
- + Prioritizing categories (of products) based on their significance to the business and the ecological footprint of the products.
- + Assessing the compliance status of the current supplier base in alignment with the new regulation.
- + Streamlining and refining the process of screening and onboarding new suppliers



## WHAT IS EUDR BENCHMARKING SYSTEM?

The EUDR introduces a benchmarking framework that involves categorizing countries, both within and beyond the EU, based on the degree of risk associated with deforestation and forest degradation.

**These risk levels, categorized as low, standard, or high,** will consider factors like

agricultural expansion for the cultivation of the seven specified commodities and their derived items, national policies and forest protection measures, among others. The obligations imposed on companies will vary depending on the determined risk level of the country of production of the commodities.

## WHICH DUE DILIGENCE OBLIGATIONS FOR COMPANIES?

The due diligence obligations outlined by the EUDR requires the fulfillment of three core aspects:

- 1 Information requisites
- 2 Risk evaluation
- 3 Risk alleviation

All of which are complemented by reporting obligations.

Companies are requested to conduct due diligence, with varying criteria for small and medium-sized enterprises (SMEs) and traders:



## Criteria

- ✓ Starting in 2025, operators and traders are mandated to perform due diligence, providing evidence that products falling under the scope of the EUDR and introduced to or exported from the EU market are free from deforestation.
- ✓ Within the supply chain, operators and traders are tasked with substantiating that the products are manufactured in compliance with the legal requisites of the country of origin and are covered by a due diligence statement.
- ✓ In cases of reasonable doubt, any uncertainties regarding a product or commodity necessitate operators to conduct a risk assessment to establish that there is no risk of deforestation.
- ✓ Products produced on land subjected to deforestation after 2020 are prohibited from entering the EU market.
- ✓ SME operators are mandated to implement comprehensive due diligence requirements for components of products not already encompassed by a statement, starting in 2025; while small and microenterprises are required to adhere to these regulations by mid-2025.

## WHAT IS THE TIMELINE OF IMPLEMENTATION OF EUDR?



# EFFICIENT AND INCLUSIVE ACCOMPANYING MEASURES

ITC has extensive experience in the agri-business sector working closely with producers and farmer organisations, MSMEs, and European industry stakeholders across various value chains<sup>5</sup>. As the joint technical assistance agency of the United Nations and World Trade Organization, this places ITC uniquely positioned to offer specialised support in the context of EUDR implementation.

ITC has served as a trusted partner convening public private dialogues on a range of green transition issues. In anticipation of new emerging regulations, these dialogues featured a series of Roundtables on Deforestation-free supply chains since early 2022.

ITC is well equipped to partner with producing countries to respond to the requirements of the EUDR, with a view to mitigating potential impact of EUDR on smallholders and small businesses in the value chains of focus.

ITC proposes the following accompanying measures as key to an effective and inclusive approach:



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## 1. Awareness raising

Sensitization workshops and dialogues to raise awareness among stakeholders about the EUDR, its implications, and strategies to mitigate potential impacts. These events can serve as platforms for sharing knowledge, best practices, and strategies for businesses to navigate the changing regulatory landscape and facilitate compliance to EUDR.



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## 2. Analysis and research

ITC's sophisticated trade intelligence and market analysis tools provide a strong foundation for in-depth analysis and research. This can include analysis of specific challenges and opportunities arising from the EUDR, as well as providing precise insights for producing countries, SMEs, and policymakers.

With ITC's research capabilities the exposure rates of various sectors and producing countries to the EUDR can be evaluated, latest market trends tracked, and trade trends assessed through a blend of quantitative and qualitative analysis. Additionally, ITC's business survey methodologies can be deployed to assist businesses and policymakers in comprehending potential implications of the EUDR, and support evidence based decision-making and targeted measures.

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5. ITC's ongoing collaboration with the European Union and the Organization of African, Caribbean and Pacific States (OACPS) Secretariat, as part of the EU-OACPS Rapid Response Window under the ACP Business Friendly Program, has provided valuable insights through practical case studies on Accompanying Measures that will be effectively leveraged in the context of EUDR.



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### 3. Policy advice

ITC provides specialised policy guidance to producing countries, facilitating the development of enabling policies that support MSMEs in adapting to regulatory changes in the context of EUDR but also beyond its compliance. ITC's policy guidance includes an evaluation of the interactions between EUDR and existing national or regional legislations.

Moreover, ITC also monitors emerging regulatory frameworks, including those from regions such as the USA, UK, and China, with a view to aligning accompanying measures with national and regional strategies, facilitating a smooth transition not only towards EUDR compliance but also in the broader context of promoting a just green transition in light of rapidly evolving regulations globally.



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### 5. Tools and platforms

In response to the demand for practical solutions, ITC provides a number of digital platforms and resources. These efforts are centered on streamlining supply chain management, simplifying risk assessment, and easing reporting processes for SMEs. Existing digital tools and sustainability platforms, which have been collaboratively developed with and for producing countries, can be tailored to address EUDR-specific needs. These user-friendly tools aim to facilitate data collection, traceability, and geolocation requirements, empowering SMEs to effectively showcase their compliance efforts.



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### 4. Capacity building

ITC's strategic plan identifies capacity building of MSMEs, Business Support Organisations (BSOs) and policymakers as a core priority. The following three-fold approach is tailored to the EUDR:

#### **Compliance with EUDR and Due Diligence**

**Obligations:** Supporting MSMEs in their journey to meet EUDR compliance and fulfill due diligence requirements, and policymakers to assess interplay between EUDR and national or regional legislations.

**Sustainable agroforestry practices:** Training and coaching of farmers and producers, equipping them with the knowledge and skills to ensure not only compliance with EUDR but also promote environmentally responsible production.

**Access to new markets, technology, and finance:** Facilitating businesses' access to new markets, climate technologies, and financial resources to improve competitiveness and resilience the changing trade landscape.

*For more information and request for support, please contact ITC focal point at the Division of Sustainable and Inclusive Value Chains:*

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