

ITC Roundtables on Deforestation-free Global Value Chains

Summary - 9 June 2022

Implications of the proposed European Union (EU) regulation on deforestation-free products

Executive Summary

Fighting against global deforestation and forest degradation at the international level has become a worldwide priority, and the EU is developing a proposal for a new regulation on “deforestation-free” products. The International Trade Centre (ITC), an agency of the United Nations (UN) based in Switzerland, is convening four rounds of private-public consultations and development of concrete plans of actions for “Deforestation-free Global Value Chains” in priority commodities sectors, such as soy, cocoa, and coffee.

The first two roundtables offered the opportunity to confirm the views of producing countries and value chain operators, traders, manufacturers, and retailers to hear more on what works in practice and reflections on legislative initiatives. The 3rd ITC roundtable provided a platform to discuss the European Commission’s (EC) proposal with representatives from the EC’s Directorate-General for Environment (DG ENV), Proforest, Palladium, the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organization (WTO). Comments from the Brazilian Coffee Growers, CECAFE, as well as Fedepalma, complemented the discussions with views from the coffee and palm industries on deforestation policies. A fourth and final in person roundtable is planned for autumn 2022.

This document provides a summary of the key insights and messages from the third roundtable panel, as well as more detail from the discussions themselves. The statements made are those of the panel and its speakers and do not represent views of ITC or the co-organizers.

As keynote speaker, Dr. Mike Senior, Deputy Director – Conservation and Land Use at Proforest, shared his experience of impactful practices and recommendations for deforestation-free policies. While there was consensus for tackling deforestation overall, the panellists also highlighted that there is a need to ensure all requirements can be adapted to local cultural and jurisdictional needs, that continued progress can be made by applying and scaling many of the solutions and approaches that already exist, and that funding, resourcing, and a stepwise approach are key.

Within all stakeholder groups, there is a desire to find answers and solutions to support deforestation-free Global Value Chains building on experiences supporting practical ways forward.

The panellists offered the following key views and messages:

- **There needs to be greater alignment of standards.**
 - **For business, for legislators, for financial services providers and for the farmers and the producers,**
 - **OECD’s Due Diligence Guidance for Responsible Business Conduct can provide an international framework for alignment.**
- **The EC is aiming at an integrated approach working with public and private value-chain partners.**
 - **To achieve the right outcomes and ensure a practical and achievable approach.**
- **According to WTO, trade standards are necessary, but should be properly calibrated.**
 - **These do not limit trade as such, but instead enable countries to implement adherence to health, safety, environmental needs and more.**
- **Governments, Development Finance Institutions (DFIs) and multilaterals, can provide the resources to speed the transition to more sustainable land-use models.**
 - **There is a need for concessional capital, but this is currently scarce.**
- **Lifting small producers out of poverty is fundamental.**
 - **Leave no-one behind should be a universal premise for success.**

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Implications of the proposed regulation: Key messages for all stakeholders

In July 2019, the EC adopted an EU Communication on stepping up EU action to protect and restore the world's forests by setting out five priorities:

- Reduce the footprint of EU consumption on land and encourage the consumption of products from deforestation-free supply chains;
- Work in partnership with producing countries to reduce pressures on forests and to "deforest-proof" EU development cooperation;
- Strengthen international cooperation to halt deforestation and forest degradation, and encourage forest restoration;
- Redirect finance to support more sustainable land-use practices;
- Support the availability and quality of information on forests and commodity supply chains, the access to that information, and support research and innovation.

There needs to be greater alignment of standards.

For business, for legislators, for finance and for the farmers and the producers there is a need for a common approach to methodology, language, and metrics. OECD's Due Diligence Guidance for Responsible Business Conduct can provide an international framework for aligning Due Diligence policies and regulations as well voluntary standards and certification. Whilst there is no "silver-bullet" and there is a need for local adaptability of any chosen standard, a common approach ensures a most efficient and effective approach and use of resources and funds.

The EC is aiming at an integrated approach working with public and private value-chain partners.

The EC looks to ensure confidence that products in the EU market are fully deforestation-free. Support to producing countries, dialogue with other consumer countries and cooperation at international level, especially in the relevant multilateral fora is built in.

The proposal sets mandatory due-diligence rules, for specific commodities, soy, beef, palm oil, wood, cocoa and coffee and some derivatives. It is based on strict traceability requirements, with geographic co-ordinates, for the products either produced in or imported into the EU market. There is also a proposed benchmarking system – operated by the EC – to identify countries or regions with low-standard or high-risk commodities.

The proposed regulation is not intended to screen-out regions, but rather to help focus efforts to work with and drive further improvements and link to the commitments to work with partner countries.

Many bodies within the EC have been working in partnership with local producers and other partnerships for many years. The EC will step up cooperation to ensure that EU partners are able to reap the benefits of new EU rules on deforestation through e.g. Forest Partnerships or the Cocoa Dialogue. The EC will also intensify engagement with consumer countries such as China and the USA as well as in international fora.

According to WTO, trade standards are necessary, but should be properly calibrated.

Mandatory standards such as Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT) enable countries to implement adherence to health, safety, environmental needs and more. Protection of the environment is a specific policy objective that is recognized as a right for countries to take even if there are consequences on trade.

WTO ensures there is a disciplined approach to such mandatory standards initiatives to avoid discrimination, and to help imbed these standards in domestic regulations.

Governments, DFIs and multilaterals, can provide the resources to speed the transition to more sustainable land-use models.

There is a need for concessional capital¹, but this is currently scarce. Governments are in the position to take on higher risks because their resources are serving a purpose of developing, supporting and ultimately demanding sustainable, deforestation-free commodities value chains.

The finance sector, and much of the wider business community, is risk averse, which is a challenge for funding initiatives against deforestation. Capital is needed to enable changes in practices – from training, use of technology, and patient capital to cope with the time it takes to move to sustainable production systems. Concessional capital, once in place, can support the testing of new production and farming models, increase overall land-use and governance practices and foster solutions to deforestation. Concessionary capital also plays a key role in leveraging the much larger pool of private investment needed to address the size of the deforestation challenge.

Lifting small producers out of poverty is fundamental.

Leave no-one behind should be a universal premise for success. Beyond unilateral measures, collaboration from all parties around common goals is needed.

Both developing and developed countries should equally propose and implement solutions. For example, local standards can be leveraged, taking a stepwise approach, building from a small group of deforestation-free products and solutions before attempting wider-scale product adoption.

Keynote speech

Dr. Mike Senior, Deputy Director – Conservation and Land Use is a global focal point for Proforest’s landscape work, with a particular focus on conservation and land use aspects. He shared his practical experience of what works on the ground, and his recommendations on how to foster deforestation-free value chains. Connecting the dots is key in this context.

Proforest welcomes the approach for due diligence (DD) regulation. This is an opportunity to stop the import of commodities that cause deforestation and support the transition to forest positive production landscapes.

The regulation can support continuous improvement approaches, and support transitional jurisdictions that are improving forest and land governance. Furthermore, Mr. Senior believes that we now have an opportunity with the legislation to take a more collaborative approach by empowering local stakeholders and global companies to work together. Finally, by leveraging European supply chains to protect forests and support rural livelihoods, the EU can show leadership and build upon the existing work of the EU Forest Partnerships with producer countries.

Mr. Senior indicated that traceability could support and demonstrate the progress needed, but it needs careful consideration and application. He highlighted the following:

- Traceability and satellite monitoring are important tools, but used in a vacuum they can accelerate supply chain inequalities and unintended outcomes;
- Traceability needs to be combined with support for farmers, (e.g., land titling);

¹ Financing providing more favourable terms than commercial capital; which can be for example grants or loans at below-market rates.

- Technology can bring cost savings, but must not be a substitute for investment in tackling the root causes of deforestation;
- Special consideration must be given to the issues of data control, governance, and ownership. Currently there is no common agreements or understanding on the data issue.

There are many good practices in place today, at the sector specific, jurisdictional, national, and global levels that can be applied, endorsed, and scaled. At a macro level, deforestation is driven by global supply chains, but most decisions to deforest are made locally. Solutions must be locally owned and address root causes. There are no short cuts, it takes time and proactive investment. Proforest and the Sustainable Trade Initiative (IDH) are proposing that regulation recognizes “transitional risk” jurisdictions that have a time bound action plan in place to eliminate deforestation working with multiple stakeholders, and that information collection requirements could be adjusted for these areas.

²

The proposed EU Regulation does not prevent deforestation; but rather would stop products entering the EU market that are contributing to deforestation.

The proposed EU regulation can encourage action at the jurisdictional level rather than the farm level. The legislation can incentivize companies to help protect forests outside their supply chains and recognizes progress towards deforestation.

Engagement and investment must occur across the supply chain. Throughout the supply chain, investments into programmes beyond an individual company’s supply chain are growing significantly. The Consumer Goods Forum Forest Positive Coalition Landscape Strategy³ is one such example of this with an ambition to transform the production landscape into a forest positive landscape.

Other solutions need support and endorsement. Established and emerging tools and approaches should build on the proposed regulations while setting clear and transparent criteria recognising existing good practice (e.g. certification, monitoring and traceability systems, landscape/jurisdictional and sectoral approaches).⁴

Scale, speed, and collaboration are critical ingredients for fostering deforestation-free supply chains with impact and efficiency. To do this, supply chain actors must address deforestation *before* it enters individual supply chains. Funds should be made available to support forest protection and livelihoods. For example, investments need to be made in national forest monitoring and traceability systems as opposed to each lead firm developing their own siloed system. The EC regulation should recognize these producer country systems and incentivize local companies to work with their national governments. Without this collaborative approach, efforts will remain scattered and difficult to scale.

Is it possible to make the scale of change needed?

According to Mr. Senior, voluntary schemes have struggled to make progress at scale. National schemes and sector schemes are often not adopted globally or more widely. Nascent efforts are happening in the palm and cocoa sectors. Proforest, IDH and many others are working with governments to scale up these efforts and achieve wider impact.

Regulation at a production level is what will likely drive change. National schemes could be a first step towards deforestation-free supply chains.

²[EU Regulation on Deforestation-Free Products - Proforest](#)

³[Forest Positive Coalition - Create a forest positive future for the planet. \(theconsumergoodsforum.com\)](#)

⁴ For further details on Proforest projects, please refer to the Annex.

Ms. Sophia Gnych, Policy Analyst, Centre for Responsible Business Conduct (RBC), Organisation for Economic Cooperation and Development (OECD) explained that there is a growing interest from stakeholders to understand if existing standards can support compliance with emerging regulation. The OECD Centre for Responsible Business Conduct (RBC) has therefore set up an “alignment assessment” practice to better understand the similarities and differences between various standards, schemes, and initiatives, including national level schemes (particularly in the garment sector), and the OECD’s own DD guidance.

Ultimately, the alignment assessment practice aims to:

- Promote comparability;
- Improve the quality of initiatives;
- Reduce inefficiencies and costs; and
- Strengthen positive outcomes.

As a result, the alignment assessment is very thorough and not only looks at the standards the initiative develops, but also the initiative's monitoring, oversight, and accountability mechanisms as well as how the initiative is governed.

Alignment assessments are traditionally very resource intensive and involve a focus on transparency, through extensive stakeholder interviews and shadow assessments. Alignment assessments are particularly useful for business, but they also can benefit policy makers. The work that OECD’s Centre for RBC is doing with ITC’s Standards Map⁵ is seen as a vehicle to provide more efficiency and offers an online DD checker for the self-assessment of companies’ sustainability initiatives.

Panel discussion

There needs to be greater alignment of standards.

Alignment supports the interests of business, legislators, financial institutions, farmers, and producers.

The RBC Centre is the guardian of OECD instruments on responsible business conduct, which include the:

1. **Guidelines for Multinational Enterprises:**⁶ The Guidelines are a “soft law” instrument which enshrines recommendations from governments on how businesses should contribute positively to sustainable development while mitigating adverse impacts on people and the environment. Today the Guidelines are the leading international, authoritative instrument on what constitutes responsible business behaviour. The Guidelines are backed by 50 governments globally (including and going beyond OECD member countries) and have been informed and progressively developed by business, trade unions, non-governmental organizations (NGOs) and governments since 1976 when they were first issued;
2. **Due Diligence Guidance.** Businesses are expected to carry out risk-based DD on their operations, supply chains and business relationships to identify and address any adverse impacts they may be causing or contributing to. To support businesses in carrying out due diligence, OECD has developed DD guidance for specific sectors and at a cross sector level. This guidance promotes a

⁵ [StandardsMap](#)

⁶ <https://www.oecd.org/corporate/mne/>

risk-based approach which means that the greater the severity and likelihood of the risk, the greater the DD that the company has to undertake.

The OECD Guidelines focus on environmental protection but also include wider considerations of disclosure, human rights, employment, industrial relations, consumer interest, science and technology. Further practical tools are in development with sector specific handbooks including deforestation risks in agricultural supply chains. This builds on Due Diligence Guidance for Responsible Agricultural Supply Chains, developed in collaboration with the United Nations Food and Agriculture Organization (FAO) and has become a leading global framework for agri-businesses and investors. It is seen as a leading global framework for business and investors, considering how to manage risks and investments in agricultural supply chains through due-diligence systems and multi-stakeholder collaboration and interlinks with structural developmental challenges including land rights, Greenhouse Gas emissions, and food security.

Given their positioning as an authoritative and internationally agreed standard, there has been increasing interest and demand for stronger engagement on the role of RBC instruments in the context of environmental objectives. Especially given the integration of environmental supply chain DD into various voluntary and mandatory regulations and policy initiatives around the world – for example, the latest EU Corporate Sustainability Reporting Directive.

The handbook on Deforestation and Forest Degradation that is being developed in partnership with the FAO is not new guidance or regulation. Instead, it leverages solutions and knowledge that already exists and offers practical solutions on deforestation-free value chains and mitigation. The handbook was developed by a technical Multi Stakeholder Working Group – including businesses, industry associations and certification groups, Civil Society Organizations (CSOs), Governments (e.g., Brazil, Colombia, Indonesia, Malaysia, United States, United Kingdom), as well as representatives from the EC, including DG ENV and the Directorate-General for International Partnerships (DG INTPA) among others.

How can the OECD support the EC's legislation? The handbook and OECD's DD approach remains relevant in the context emerging legislative proposals around the world. Even though there are some key differences and distinctions, the DD approach in the handbook provides a relevant pathway to implement a robust process, but it does not support the implementation of or compliance with any specific regulation.

Ms. Gynch cited some important differences between the OECD RBC approach and the EC's deforestation legislation:

The OECD RBC approach supports prioritization of the most salient risks and impacts – which helps business manage trade-offs and ensure that social safeguards are in place when addressing environmental issues.

The concept of negligible risk is also key. Under the OECD DD Guidance there is a focus on a risk-based DD approach with progressive improvement (in line with the approach from Proforest and recommendations on continuous improvement and transitional approaches). The higher the risk, the greater the activity undertaken by the company (monitoring and mitigation).

As currently understood, the EC's deforestation legislation emphasizes risk-free supply chains and the political drive seems to be firmly towards risk-free claims. There is a lot of support for product guarantees and outcomes in this context which will force businesses to move away from progressive improvement as it could be viewed as an excuse for inaction. But risk-free claims about products can be difficult when it comes to DD. Supply chains are very dynamic and often product or sector specific. Traceability of highly commodified blended supply chains can result in investments in traceability as opposed to addressing adverse impacts on the ground. Supply chains characterized by informal production are high risk by their very nature. Many of these informal sectors include smallholders and de-risking implications can lead to unintended outcomes such as trade diversion, a point touched upon in the previous roundtable.

Given the above, legislating a DD approach is not easy, and guarantees and assurances are not easy to confirm. There is, however, the potential to integrate risk mitigation approaches to allow market access, albeit with time-bound mitigation defined. This may allow for more transitional approaches.

The EC is aiming at an integrated approach working with public and private value-chain partners.

To achieve the right outcomes and ensure a practical and achievable approach. **Ms. Astrid Ladefoged, Head of Unit for Planetary Common Goods, Universal Values & Environmental Security, in DG Environment at the EC** explained the drivers behind the regulation proposal and activities the EC is leading.

EU citizens want to curb EU-driven deforestation and forest degradation, and to ensure confidence that products in the EU market are fully deforestation-free.⁷ The regulation aims to enhance trade in products from "deforestation-free" supply chains, creating more sustainable supply chains. The regulation proposal, proposed in November 2021, is part of a wider set of initiatives, as has been highlighted.⁸

The EU's proposal sets mandatory due-diligence rules for specific commodities, soy, beef, palm oil, wood, cocoa and coffee and some derivative products, based on an assessment of these being main drivers on deforestation and related consequences for climate and biodiversity. The EU currently consumes 19% of these commodities globally. This list is dynamic and will be adjusted over time.

It is based on strict traceability requirements, with geographic co-ordinates, for the products produced and taken into the EU market. It is non-discriminatory, as it equally treats domestic and imported commodities and products and covers both imports and exports. There is also a proposed benchmarking system – operated by the EC – to identify countries or regions with low-standard or high commodities. Perhaps more uniquely the legislation aims to address "legal deforestation" which is happening at a large scale.

⁷ An Open Public Consultation carried out by the EC in 2020 received nearly 1.2 million contributions and showed that a majority of stakeholders agreed on the need of an EU-level intervention to reduce the EU's contribution to global deforestation and forest degradation. Most stakeholders also agreed on setting out an EU deforestation-free definition as a requirement of the policy intervention. In terms of policy measures, the OPC showed stronger support for legally binding options (deforestation-free requirement, mandatory due diligence, mandatory public certification, etc.) than for soft, voluntary measures like voluntary due diligence, voluntary labelling or voluntary private certification. For further details please see: *SWD(2021) 326 final PART 2/2 COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT REPORT minimizing the risk of deforestation and forest degradation associated with products placed on the EU market Accompanying the document Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010*

⁸ [Proposal for a regulation on deforestation-free products \(europa.eu\)](https://european-council.europa.eu/media/en/press-communications/infographic/infographic_deforestation-free_products_en.pdf),

The proposed regulation is not intended to screen-out regions but rather to help ensure where to put in more efforts to work with and drive further improvements and link to the commitments to work together with partner countries. However, this is often not best held within a document, hence the EC works across different partnerships, such as the Forest Partnerships, already mentioned, and across different parts of the EC. There are strong, long-standing co-operations with producing countries in many areas and on specific topics and challenges such as the Cocoa Dialogue⁹. The EC will step up cooperation to ensure that EU partners are able to reap the benefits of new EU rules on deforestation. The EC will also intensify engagement with consumer countries such as China and USA as well as in international for a.

Social concerns and a need for a farmer-centric approach are messages from earlier roundtables. How is this being considered for this regulation? The EC is keen to build its traceability schemes on leading examples and first movers in this space. Concerns that small holders cannot meet the needs is a strong narrative from multinationals, but some smaller organizations and local community groups say they welcome this requirement.

Mr. Marcos Antonio Matos, CEO, Brazilian Coffee Exporters Council - CeCafe shared views on the social needs and wider challenges facing the coffee industry in Brazil. As with many regions and commodities there is a strong commitment to deforestation-free outcomes and a welcome of the approach for DD. Europe is a critical market as it represents 50% of Brazilian coffee exports. 21% of Brazilian coffee exports to the EU are differentiated with a 45% premium price. The existing national forest code in Brazil protects an area of over 1.25 times size of Switzerland. The risk assessment methodology – country, region, or commodity - is a critical question. Of the 300,000 coffee farmers in Brazil, 72% of famers are below 20 hectares and 78% access rural support for family agriculture.

Certification and traceability come at a cost, which translates into price premiums. The risk methodology is a key component to address to ensure compliance. There is no one-size-fits-all solution, which is a challenge even within just coffee as a sector in Brazil or when looking to other commodities in Brazil or coffee in other regions.

Often, when approached, some smallholder communities do see greater traceability and transparency of markets as positive as it provides greater visibility for pricing, but in some areas, such as palm, it is not the smallholders themselves, but more their access to market that is key. The many traders that exit between the producer and the mill and how they are linked to the local economy and politics also have major implications on deforestation.

Costs are also a key concern.

The discussion revealed that the realities in specific jurisdictions are very nuanced. However, the cost of the product and what consumers are prepared to pay is a key question. There may be some commodities that can demand a consumer premium, but for many, especially embedded commodities, premiums are challenging.

Transparency and traceability to validate adherence are often suggested through mapping of the supply chain up to the farm level. Mapping one farm is not necessarily a high cost, but the wider need of a full segregation of supply chains does imply a financial burden. Therefore, it is key to understand consumer willingness to pay price premiums.

⁹ [EU multi-stakeholder dialogue for sustainable cocoa | International Partnerships \(europa.eu\)](https://europa.eu/european-council/en/multi-stakeholder-dialogue-for-sustainable-cocoa)

According to WTO, trade standards are necessary, but should be properly calibrated.

These do not limit trade as such, but instead enable countries to implement adherence to health, safety, environmental needs and more.

Mr. Erik Wijkström, Head of TBT Section, Trade and Environment Division, WTO shared an overview of the role of the WTO and how the trade in forest products is handled within the organization. At the outset Mr. Wijkström noted that considering legislation (standards and regulation) in the WTO context, there was often a view that trade barriers should be removed, but these are often necessary to achieve environmental objectives. He stressed that the WTO is a governmental body and works directly with member states' trade ministries. The WTO is not a standard setting organization and hence the WTO is often involved later, when regulations are closer to finalization or already published.

The role of WTO is to ensure that standards and regulations work for all parties. For example, it is important that standards are "fit for purpose"; that they achieve the (environmental) objectives whilst not unnecessarily disrupting trade. Protection of the environment is a specific policy objective that is recognized as a right for countries to take even if there are (negative) consequences on trade from the exporter perspective.

There are three broad areas where discussions on forestry have come up at the WTO:

1. **Monitoring of existing agreements:** For example, the Committee on Trade and Environment (CTE), a WTO standing body, has had preliminary discussions on the planned EU regulations in the area of forestry. In discussions on the planned regulations addressing the risk of deforestation and forest degradation, some concerns have been raised by WTO member states. When discussions become more specific – often because a draft regulation has been notified to the WTO – discussions will move to the Committee for TBT which is the body in the WTO that deals with standards and regulations. The debate then may, for example, be about the failure to use an internationally recognized standard, or about the costs for testing and certification. These discussions tend to be detailed and affect specific products, for example, furniture, wood pellets, or paper products.
2. **Disputes:** Where matters cannot be resolved at the TBT Committee level, delegations have the right to use the formal dispute settlement mechanisms of the WTO. This has been the case for palm oil and illegal logging.
3. **Negotiations:** The WTO is also involved in negotiations on new trade agreements. On forestry, one example is a proposal on forestry products that was tabled by New Zealand during the stalled negotiation on non-agricultural market access (NAMA¹⁰) in 2011. This proposal was essentially about promoting more alignment of standards for construction material.

Mr. Wijkstrom cited some learnings that can be considered when drafting new trade agreements:

1. Measurements and metric matter. How do you measure deforestation? Or, put differently, how do you best assess the risk of non-compliance with new rules intended to minimize deforestation? What metric would be used? It is important to ensure that whatever the metric, it does not unreasonably penalize some countries. Using an international standard, for example, could help avoid fragmentation and reduce costs. An agreed upon standard would also facilitate the right messages to communicate to consumers and other stakeholders;

¹⁰ [WTO | Doha Development Agenda | Briefing notes - Non-agricultural market access \(NAMA\)](#)

2. Existing and well understood options such as Forest Stewardship Council (FSC) can provide a good baseline to build on;
3. Verification, irrespective of the standard, is a common challenge. Countries often do not have the procedures in place (certification, inspection, monitoring, etc.) to demonstrate compliance. In this context having the right “quality infrastructure” – such as certification, standards bodies, certification bodies etc. is essential.

Ms. Tatiana Alves, Director - Sustainable Finance and Selva Fund Manager, Palladium Group offered insights from the finance sector and an overview of Palladium’s Selva Fund as an example of Innovation in this field.

Governments, DFIs and multilaterals, can provide the resources to speed the transition to more sustainable land-use models.

Concessional capital is needed but it is scarce. Governments are in the position to take on higher risks because their resources serve the purpose of developing/supporting and ultimately demanding sustainable, deforestation-free value chains.

The finance sector has a history and a growing leadership with environmental, social, and governance (ESG) and on environmental concerns, but throughout, risk is a key concern. Deforestation occurs in areas that are considered “risky” by traditional capital providers. Risk is associated with insecure land tenure, lack of guarantees, remoteness, and lack of infrastructure and areas where illegal crops could be grown. This is all part of why deforestation is happening and ultimately there are few incentives to operate differently.

Traditional, commercial capital providers, such as commercial banks and other asset managers will not provide loans if they do not have enough information from borrowers, or if borrowers lack sufficient collateral. The same applies to traditional asset management companies, with fiduciary duties to comply with and as such, also have little incentives to take on such risks.

Palladium is a global impact consulting company, working for over 50 years at the intersection of corporate growth and social and environmental benefit. Present in over 90 countries. Palladium is committed to “Positive Impact” and helping public and private clients to implement programs that have lasting economic, social and environmental outcomes. Ms. Alves is the Director of Sustainable Finance in Latin America and the Manager for the Selva Fund, a USD 75 million impact fund, that will focus on the Amazon region with the goal of financing enterprises that promote, support or implement sustainable commodities production and/or bioeconomy-based products.

With a presence in the Amazon Region of Brazil, Colombia, Peru and Ecuador, Palladium has deep on the ground expertise in the region in partnership with Bamboo Capital Partners, and long-term experience managing impact funds that operate in underserved developing countries globally. The Selva Fund intends to address the lack of medium- to long-term finance for micro, small and medium enterprises (MSMEs) operating in the Amazon region whose activities protect, restore, decrease deforestation pressures and/or create value from existing forests. Many of these MSMEs operate in commodities supply chains, with new business models that are being structured to holistically address the barriers on the ground to prevent the implementation of more sustainable practices. Such

practices include restoration and protection practices and sustainable agriculture and livestock practices that decrease deforestation pressure and restore degraded lands and promote carbon sequestration and biodiversity. The Selva Fund will maintain a close relationship with its borrowers by the technical assistance side car that delivers additional technical support to its borrowers and, as such better monitors the activities of the companies in its portfolio and, at the same time helps to decrease overall risk.

As an impact fund, Selva will have a blended capital structure, with both concessional and commercial capital providers using a waterfall structure to enhance the risk/return profile of the overall fund to commercial investors, leveraging their participation in a portfolio of companies in the Amazon that otherwise they would not be financing.

It is important to note that although some of the business models that the Selva Fund could finance could also potentially be replicated in other regions of the world, and moreover such business models would ideally be nested into landscape/jurisdictional approaches, there is no silver bullet and no models that will replicate and scale everywhere. The needs are people centric and location specific, as commodity value chains are implemented differently in each country reflecting each country's laws and regulations, cultures, and geographical characteristics.

Patient capital is needed to enable those changes in practice – from training to use of technology. Once in place, patient capital can support testing of new models or practices and can foster solutions to deforestation linked to commodities consumed globally. Patient capital also plays a key role in leveraging a much larger pool of private investments, providing the scale needed to address the size of the deforestation challenge.

There are investments with funds committed to specific areas or issues. Is this moving the needle? Is or is fundamental change required to achieve the scale and speed needed? Where does that come from? Is it legislation first then actions to comply with the legislation or are there wider considerations to manage and perhaps wider opportunities?

Ms. Alves indicated that current investments are moving the needle, but at a very low speed, compared to the level of urgency required to address deforestation and reduce CO2 emissions. This slow pace is due the following:

- There is no one size fits all kind of solution – even in the Amazon Basin countries, livelihoods for those deforesting come from different land-use incentives, and financing mechanisms to create alternatives will vary based on the context
- Only in the last 2-3 years has action come from large off-takers and commodity traders. Palladium has changed the way it operates with new business models developed to better structure supply chains, working across the whole value chain to reach producers and support them with better practices
- The standard practice with commodities is that traders/off-takers will not pay more to producers for better practices. At a minimum, providing deforestation-free, sustainably produced commodities demands investment and training. Producers cannot afford the investment or training costs on their own. Rather, consumers should pay a higher price, but this has wider implications. Conditions will not improve without technical and financial support provided via grants or direct investments.

There is no single silver bullet for tackling deforestation. A concerted, coordinated effort involving the largest buyers, traders, importing countries, producing companies, and technical support suppliers is needed. This also poses challenges. There needs to be a different “landscape” engagement model and investment outside of the direct value chain. Perhaps this is the role the finance sector can lead.

Jurisdictional/landscape approaches that provide opportunities and incentives offer potential solutions. But it takes time to get alignment on common denominators with the many actors and interests involved. Consistent long term political will is needed to make progress and often difficult given election cycles.

It is often referenced that funds are available to cover the costs of moving towards more sustainable practices. Is this true? And if so, are the available funds sufficient? How are these funds accessed and put to use?

There are large amounts of privately held resources available for investment, but those funds will not be concessional or “patient” in nature. Capital with appetite for risk is needed in order to drive change.

To access larger pools of institutional private capital, the capital that could give scale to solutions on that front, concessional capital is crucial. Concessional capital providers should be sensitive to the time it takes to access the capital but also the time it takes to repay the capital invested. Capital alone, however, will not be sufficient. Technical support on the ground is critical to make lasting change. There is a crucial need here for resources, in the form of grants alongside investments that generate sustainable, permanent change.

How does business best engage and ensure it is part of the solution?

The type of engagement will always depend on context: what location and what commodity, Mr. Senior explained. In-kind support closer to the ground, allows for capacity building and monitoring. Downstream businesses can co-fund activities but a clear value proposition for this support is needed.

Concessional funding is beginning to scale. Starting small, getting quick wins, and then confirming what success looks like will unlock more financing.

Ms. Ladefoged explained that with this regulation, the EC expects that those who have already made good progress towards deforestation-free can easily meet the regulation, but others will need to pay higher costs to make the transition. The finances to cover the cost of these change should flow through the open market economy. The regulations are linked to wider work within the EU on financial transparency as with the Sustainable Disclosure Regulations¹¹. This will ensure more comparable transparent data for the private and public sector investors who want to play a role here.

Mr. Andres Felipe García, Director of Sectorial Planning and Sustainable Development at Fedepalma reinforced Fedepalma’s commitment to the greater well-being of producers, their families and the environment. Fedepalma’s main concern is that the proposed regulations would not lead to a levelling

¹¹ [Sustainability-related disclosure in the financial services sector](#)

global playing field. Instead, the regulations may lead to less co-responsibility, greater exclusion, and additional technical obstacles which will negatively impact producers.

Lifting small producers out of poverty is fundamental

Leaving no-one behind should be a universal premise for success.

More than unilateral measures, collaboration from all parties around common goals is a must. Both developing and developed countries must be considered when seeking solutions. Local standards and approaches should be endorsed via a graded approach, building on the bare minimums for deforestation-free products and solutions in order to support greater adoption.

Mr. Felipe Garcia explained that in Colombia, deforestation is mainly driven by illicit farming activities. There is potential to increase agricultural production without further impact on forests or affecting areas of high conservation. The EU approach should not cover these illicit crops.

Only 20% of oil palm produced globally is sustainably certified and only 50% of that is traded as certified. There is a lack of co-responsibility from traders and consumers to properly compensate producers which discourages the adoption of best practices. As an origin for oil palm, Colombia does receive a premium based on progress made on sustainable farming practices. When the certified standards become the baseline requirement instead of a premium, the incentive for continual improvement for more sustainable production across countries, will cease to exist.

Ultimately, farmers will bear all the burdens related to implementing sustainable practices. For developing countries, such as Colombia, and for small and medium-sized producers, the regulations will make it very difficult to access the EU market. International support to help MSMEs comply with the regulation is needed. For example, geolocation requirements proposed in the regulations have challenges. A more general approach, and not a specific one, is needed, with clarity on the cost, scale and level of detail required. The regulation must be inclusive, with shared responsibility and shared value. As has been highlighted by other panellists, the regulation must be linked to producer and country risk assessments. Country benchmarking alone will not lead to more deforestation-free products in the EU market.

Appendices

Appendix 1: Reference Materials

Proforest – exemplary projects:

- Regional/National: APOI¹² & CFI¹³, national standards; (see examples in appendix)
- Landscape/jurisdictional: Mato Grosso¹⁴, Riau, Aceh, Sabah¹⁵, Asunafo-Asutifi,¹⁶
- Local/village: Indonesia, e.g., S Linau¹⁷ / Siak Pelalawan¹⁸

European Commission guidance and reference materials

[Forestry and forestry partnerships](#)

[Sustainability-related disclosure in the financial services sector](#)

Examples of national/regional standards

https://members.wto.org/crnattachments/2020/TBT/GHA/20_6088_00_e.pdf

Indonesian national action plan on sustainable oil palm: <http://foksbi.id/en/activities>

Commentary from Coffee and Palm producers



Cecafé - Brazilian
Coffee Production, Ex

<https://web.fedepalma.org/conferenciainternacional/>

IUCN Small holder briefing paper

<https://www.iucn.nl/app/uploads/2021/09/Briefing-paper-Including-smallholders-EU-action-21092021.pdf>

¹² <https://www.proforest.net/resources/publications/the-africa-palm-oil-initiative-highlights-from-2020-2021-14177/>

¹³ <https://www.worldcocoaoundation.org/initiative/cocoa-forests-initiative/>

¹⁴ <http://pci.mt.gov.br/>

¹⁵ https://www.tropicalforestalliance.org/assets/Uploads/Sabah_Case_study-July2021-Final.pdf

¹⁶ [The Asunafo Asutifi Landscape Programme - Proforest](#)

¹⁷ <https://www.proforest.net/resources/publications/aligning-company-sustainability-initiatives-with-government-agenda-on-peat-restoration-14062>

¹⁸ <https://www.siakpelisalawan.net/>

Appendix 2: Speaker Profiles

WELCOME ADDRESS



Ms. Vanessa Erogbogbo
Chief - Green and Inclusive Value Chains
International Trade Centre (ITC)

Vanessa Erogbogbo is Chief, Green and Inclusive Value Chains section at the International Trade Centre and a member of the Management Action Group. She has over 20 years of experience in trade and private sector development having worked in both international development and the private sector. She oversees ITC's work on sustainable value chains, comprising the Alliances for Action, Trade for Sustainable Development, and Trade and Environment programmes, as well as driving the sustainability agenda of ITC including through mainstreaming.

Vanessa is a member of the advisory board of the Geneva Trade Platform housed within the Geneva Graduate Institute's Centre for Trade and Economic Integration, a member of the steering committee of the Forum on Trade, Environment and the SDGs, a member of the advisory board of the Ford Foundation Plus Fund Initiative. She founded ITC's SheTrades initiative and was chair of ISO/IWA 34 on women's entrepreneurship.

She previously held positions at the International Finance Corporation, Standard Chartered Bank, and as an entrepreneur. She holds an MBA from London Business School, an MSc Information Technology and a B.Eng. Hons in Civil Engineering from Loughborough University, and an executive certificate of Climate Change Policy: Economics and Politics from the Harvard Kennedy School.

KEYNOTE ADDRESS



Mr. Mike Senior
Deputy Director – Conservation and Land Use
Proforest

Mike is global focal point for Proforest's landscape work, with a particular focus on conservation and land use aspects both at landscape and other scales. He works particularly with Proforest's regional offices in Southeast Asia and W/C Africa. This work involves using tools like the High Conservation Value and High Carbon Stock approaches and working to adapt them to be practical for smallholders and landscape level.

Mike has also led Proforest's global conservation policy engagement, for example, with multi-stakeholder initiatives such as the Accountability Framework and High Carbon Stock Approach to drive effective strategies for addressing deforestation in commodity supply chains.

Mike has a background in applied tropical forest ecology and conservation biology and has a PhD in Tropical Forest Ecology from the University of York.

MODERATION



Mr. Adrian Greet
Director & Owner - A. Greet Co. Limited
Senior Advisor - Cambridge Institute for Sustainability Leadership

Adrian is a sustainability practitioner who recognizes that true success for sustainability is achieved through collaboration, transparency and innovation. Currently supporting a range of organizations as they develop and progress their own key business and sustainability challenges.

Working to support Cambridge Institute for Sustainability Leadership (CISL) as a Senior Advisor, Adrian is providing support to CISL's Business and Nature portfolio objectives including the Business and Nature Leadership Group, "Investing in Nature" projects with We Mean Business and UKRI CGRF Trade, Development and the Environment Hub (Trade-Hub).

As a member of the Executive Committee for over seven years and then as President, Adrian led the work on SAI Platform's [Vision, Mission and Strategies](#). In the role of Director General, Adrian drove these strategies and developed the organization in support of member value and growth, and towards a sustainable future for agriculture on a global scale.

During a career of over 33 years with Mars Incorporated, Adrian has led positive change across various areas and in many roles: most recently as one of the leading architects of the [Mars Sustainable in a Generation Plan](#). He is an experienced public speaker and a highly experienced manager, who takes a value-driven approach to creating a culture, ethos and team that thrive on improvement and empowerment.

Adrian holds a BSc. Honours degree from London University in Mathematics and Physics. He has worked as a member of the board of governors for the [Dairy Sustainability Framework](#), the Advisory Board for the [Quantis Geofootprint Tool](#) and remains an active support to the [Surrey University Practitioner Doctorate in Sustainability](#).

PANEL



Mr. Erik Wijkström
Head of TBT Section, Trade and Environment Division
World Trade Organization

Erik Wijkström joined the WTO in 1995. He has broad experience in several areas of trade policy relating to standards and regulations, including agriculture, sanitary and phytosanitary measures (SPS Agreement), trade and environment, as well as trade and health. He is currently Head of the Section for Technical Barriers to Trade (TBT) in the Trade and Environment Division of the WTO. Mr. Wijkström has a master's degree in agriculture and economics from the Swedish University of Agricultural Sciences, in Uppsala (Sweden).



Ms. Astrid Ladefoged
Head of Unit for Planetary Common Goods, Universal Values & Environmental Security
DG Environment at the European Commission

Astrid Ladefoged is Head of Unit for Planetary Common Goods, Universal Values & Environmental Security within DG Environment at the European Commission. The unit aims to enhance the understanding of the environment equity-stability-peace nexus and its link to resource management and pursues a better integration of the importance to protect the natural resource base in both EU and global policy responses on climate, energy, development, trade, and foreign and security policy. This includes promoting sustainable forest management and combating illegal logging. It also comprises work on the UNECE water convention and, more broadly, with the International Resources Panel and other bodies aiming to enhance the science-policy interface and to support international initiatives for resource efficiency and an international uptake of circular economy.

Ms Ladefoged has more than 20 years of professional experience working on the EU's policies including at national level in a ministry, at European level in a think-tank and finally for more than 15 years in the European Commission in various departments and in a cabinet.



Ms. Sophia Gnych
Policy Analyst, Centre for Responsible Business Conduct
Organisation for Economic Cooperation and Development

Sophia Gnych is a Policy Analyst at the OECD's Centre for Responsible Business Conduct (RBC), where she supports the Centre's work on Environment and Climate Change. She has extensive experience working on environmental policy, market-based certification standards and corporate commitments to sustainability in the land use sector. Prior to joining the OECD, Sophia was a consultant for International Finance Corporation (IFC) in Indonesia, addressing access to technology, finance and markets for smallholder farmers and preparing them for certification. She also spent many years with the CGIAR's Centre for International Forestry Research, conducting research on the environmental impacts of tropical agricultural commodities and building their work programme on private sector "Zero Deforestation" commitments. Sophia holds a BSc in Biology and a Masters in Global Environmental Change and Policy from Imperial College London.



Ms. Tatiana Alves
Director - Sustainable Finance and Selva Fund Manager
Palladium Group

Awarded in 2021 by Época Negócios as one of the 50 climate innovators in Brazil, Tatiana is a senior finance and ESG professional, working on the intersection between finance and sustainability with a focus on climate. With more than 25 years of work experience in the finance and climate space, working for 10 years in the Brazilian financial sector as a correspondent banking manager and a trade finance products specialist attending to corporate clients in the food, agribusiness, energy, pharmaceutical and auto sectors. In 2006 she re-directed her career to then work on the climate space, designing and implementing financial products and mechanisms alongside socio-environmental programs that channel investments to key sectors and activities leading to a sustainable, equitable and low carbon economy. Tatiana holds a bachelor's degree in Economics and a master's degree in finance from the University of SP, Brazil and a Master of Int'l Affairs focusing on Environmental Finance from Columbia University in NYC. She speaks fluent English, Portuguese and Spanish.



Mr. Andres Felipe García
Director of Sectorial Planning and Sustainable Development
Fedepalma

Andres Felipe García is an economist by training from Universidad de Los Andes, Magister Scientiae in forest management and conservation from the Tropical Agricultural Research and Higher Education Center, CATIE, in Costa Rica. He has extensive experience in management positions in the agricultural and environmental sectors, such as: Vice Minister of Agriculture and Rural Development of Colombia, Delegate Ombudsman for Agrarian and Land Affairs, Delegate Ombudsman for Collective and Environmental Rights in the Ombudsman's Office, Vice President of Trade and Corporate Affairs of the Society of Farmers of Colombia, SAC, Director of Sustainable Rural Development of the National Planning Department, Head of the planning office of ICA, Planning Coordinator of National Natural Parks of Colombia, advisor to IDEAM, among others.



Mr. Marcos Matos
CEO
Brazilian Coffee Exporters Council-Cecafé

Marcos Matos has more than 20 years of experience in agribusiness. He is a post-graduate professor at the “Luiz de Queiroz” College of Agriculture (ESALQ/USP), besides representing Brazil at Global Coffee Platform and being part of the Board of Counselors at the Superior Agribusiness Council Cosag/Fiesp). He was Executive-Director of the Brazilian Agribusiness Association (Abag/RP). Also worked in the Project Management Area of Getúlio Vargas Foundation and in the Government Affairs Area of Bayer S.A. He received a BSc degree in Agronomic Engineering and his M.Sc. degree in Biosystems Engineering, both from the University of Sao Paulo, “Luiz de Queiroz” College of Agriculture (ESALQ/USP). He has published around 70 articles in journals and newspapers and presented papers in several conferences.