Photo: Nasawali Phame/IISD

Trade-Related Environmental Regulations:

An overview of EUDR

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International Institute for Sustainable Development

State of Sustainability Initiatives

Outline

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2. Unpacking EUDR
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About IISD

Who we are and what we do

- Established in 1990, the International Institute for Sustainable Development (IISD) is an award-winning, **independent think tank** aiming to accelerate solutions for a stable climate, sustainable resources, and fair economies.
- IISD has a 20-year history in international trade, working on reforms to the WTO's rules and members' ability to engage in those processes. At the sectoral level, the team has explored options for frameworks on agricultural trade, the energy transition, and the broader climate agenda.
- IISD's State of Sustainability Initiatives has been advancing sustainable and inclusive value chains by providing credible and solutions-oriented research, dialogue, and strategic advice for decision-makers about voluntary sustainability standards (VSSs) and other supportive initiatives.

The Value of Forests

Background

- About 33 million people – 1 percent of global employment – are estimated to work directly in the formal and informal forest sector.
- One-third of the global population (about 2.6 billion people) relies on wood and other traditional fuels for household cooking.
- An estimated 4.17 billion people – 95 percent of all people outside urban areas – live within 5 km of a forest, and 3.27 billion live within 1 km.

Sources: IUCN, 2021; FAO, 2024

The Value of Forests

Background

- Forests are essential to our lives, they provide:
  - Clean **oxygen**
  - Safe **water** supply
  - Soil health and fertility for growing our **food**
- Forests are critical for climate mitigation:
  - They store 2.6 billion tonnes of carbon annually = **1/3 of CO_2** released from burning fossil fuels
- Forests are home to **80%** of terrestrial **biodiversity**

Source: FAO, 2024

International Trade, Global Value Chains, and Deforestation

Background

- Commodity-driven deforestation (cattle, oil palm, soy, cocoa, plantation wood fiber) accounted for **57% of global tree cover loss (2001–2015)** (WRI, 2024).
- Illegal forest clearing is widespread; illegal logging alone is valued at **USD 50–157 billion annually** (8–27% of global forest product exports in 2022) (OECD & FAO, 2023; World Bank, 2019).
- Trade and consumption of agricultural and forest commodities drive **~25% of forest loss in tropical areas** (Pendrill et al., 2019; Ritchie, 2021).
- Countries increasing forest cover often displace land use abroad; for example, **39% of Vietnam's forest regrowth (1987–2006)** came from timber logged in other countries (Hoang & Catacutan, 2014; Ayers Butler, 2009).
- **26% of deforestation (2005–2013)** was linked to international demand, of which 87% was tied to exports to Europe and Asia, partly explaining their forest gains (Pendrill et al., 2019).

Measures Used in International Trade to Preserve Forests and Reduce Deforestation

Public-led

- Regulations and policies in producing countries (i.e., Costa Rica, Gabon, Rwanda, Peru, Indonesia)
- Regulations in consuming countries (i.e., EUDR, UK Environment Act, proposed US FOREST Act)
- Multilateral instruments (i.e., free trade agreements, New York Declaration on Forests, Glasgow Leaders' Declaration on Forests and Land Use, Kunming-Montreal Global Biodiversity Framework)

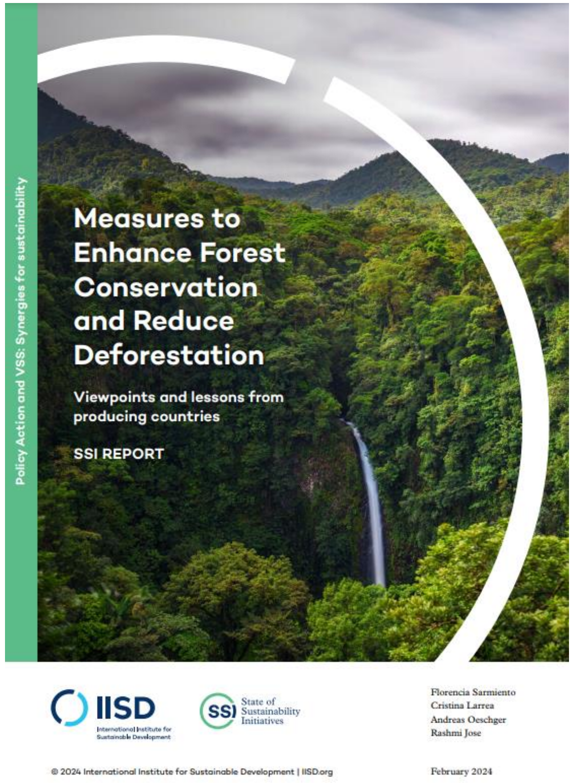
Private-led

- Voluntary Sustainability Standards (VSSs) (i.e., Rainforest Alliance, FSC, RSPO, Organic)
- Technology-traceability systems (i.e., remote sensing, Global Information Systems)
- Corporate pledges

Public and private partnerships

- Cerrado Manifiesto (Brazil)
- Cocoa and Forests Initiative (West Africa)

Regulations in producing countries



Source: [IISD, 2024]

Unpacking EUDR

What is EUDR?

- The EU Deforestation Regulation is a mandatory due diligence regulation that entered into force on 29 June 2023.
- Compliance with the obligations is expected from 30 December 2025.
- Products of the six key forest-risk commodities covered may only be placed on or exported from the EU market if they comply with certain due diligence and legality requirements.
- In case of non-compliance, there is possibility of seizure and/or confiscation of the relevant products, temporary prohibition from placing products in the EU market, and fines.
- The regulation considers deforestation (and forest degradation) that occurred after 31 December 2020.
- EU Member States' competent authorities carry out checks to monitor compliance.

Unpacking EUDR

What is the scope?

- Article 3 states that: "relevant **commodities** and relevant **products shall not be placed** or made available **on the market or exported unless** all of the following conditions are fulfilled:

  (a) they are **deforestation-free**;

  (b) they have been **produced in accordance with the relevant legislation** of the country of production, and

  (c) they are **covered by a due diligence statement**"
- Covered commodities include **coffee, cocoa, rubber, cattle, palm oil, soy, wood**, and their **derivatives**.
- The HS codes for specific commodities are provided in Annex 1 of the regulation.

Unpacking EUDR

Who must comply with EUDR?

- Companies that import or export from the EU market the commodities covered, regardless of EU or non-EU origin.
- This includes “operators” who sell the product for the first time and “traders” who resell it.
- Obligations and implementation starting dates vary depending on whether operators are SMEs:
  - SMEs do not need to check or submit due diligence statements for products that have been subject to due diligence further up the supply chain (BUT indirectly will be requested to provide information).
  - SMEs benefit from deferred entry into the application of the EUDR (June 2026).
  - SMEs are not required to publish annual reports about their activities to comply with the EUDR requirements.

Unpacking EUDR

What are the requirements?

Due Diligence System

- **Data collection**
- **Risk assessment**
- Negligible risk*
- **Risk mitigation**
  if needed

Prove that the relevant products are:

- deforestation-free
- legally produced

Due Diligence Statement

↓

EU Market

*Note: If, after conducting risk assessment and any necessary risk mitigation, a risk of non-compliance remains, the relevant products cannot be placed on or exported from the EU market.

Source: Author's elaboration based on the EUDR's requirements.

EUDR requirements

Risk assessment

- Involves collecting and assessing product-related information to establish whether there is a risk that the relevant products intended to be placed on the market or exported are non-compliant.
- Key criteria for risk assessment (Article 10):
  1. Country risk assignment and forest/Indigenous presence
  2. Consultation/cooperation in good faith with Indigenous people
  3. Existence of claims by Indigenous peoples regarding the use or ownership of the area used for production
  4. Reliability of information
  5. Concerns related to the country of production
  6. Traceability challenges and risk of mixing products with unknown origin or non-compliant.
- The risk assessment must be reviewed at least on an annual basis.

EUDR requirements

Risk mitigation

- Implementing measures to mitigate identified risks, to achieve no or only a negligible risk.
- Examples of such measures include:
  1. Collecting additional information, data, documents
  2. Carrying out independent surveys/audits
  3. Taking other measures related to information collection
  4. Model risk management practices, reporting, record keeping, internal control, and compliance management, including appointing compliance officers at a management level
  5. Independent audit function to check the internal policies, controls, and procedures.
- These measures need to be documented and reviewed on an annual basis.

EUDR requirements

Due diligence system and statement

- Establish a due diligence system and review once a year.
- Operators shall not place or export products on the market without prior submission of a due diligence statement through the EU Information System.
- The operator/trader must collect, organize, disclose, and keep for five years the following information with evidence:

1. Supplier and buyer details.
2. Details of the product, including HS codes, scientific names, and quantity.
3. Country of production and geolocation of all plots of land where the commodities were produced to show that no deforestation occurred.
4. Deforestation-free products evidence and proof of legal compliance with the country of production’s relevant legislation.
5. Risk assessment and risk mitigation measures taken.

EUDR requirements

Traceability

- Geolocation means the geographical location of a plot of land described using latitude and longitude coordinates and at least six decimal digits.
  - For plots of land of more than four hectares used for the production of relevant commodities other than cattle, this shall be provided using polygons with sufficient latitude and longitude points to describe the perimeter of each plot of land.
  - In the case of cattle, the geographical location of each of the establishments where the cattle were raised, is needed.
- Collect geographic coordinates of the plots of land where the commodities were produced to demonstrate that there has been no deforestation at the specific location of production.
- This can be done via mobile phones, handheld Global Navigation Satellite System, and digital applications.
- Product segregation: At every step of the supply chain, commodities placed on the EU market or exported need to be segregated from commodities of unknown origin or from non-deforestation-free commodities.

EUDR requirements

Legality

- Relevant commodities and products can only be placed on the EU market if they comply with the relevant legislation of the country of production.
- Operators must ensure:
  - Compliance with laws applicable in the country of production covering land use rights, environmental protection, forest-related rules, human rights, labor rights, rights of Indigenous people, tax, anti-corruption, trade, and customs regulations.
  - Collect and submit verifiable and conclusive information supporting compliance.

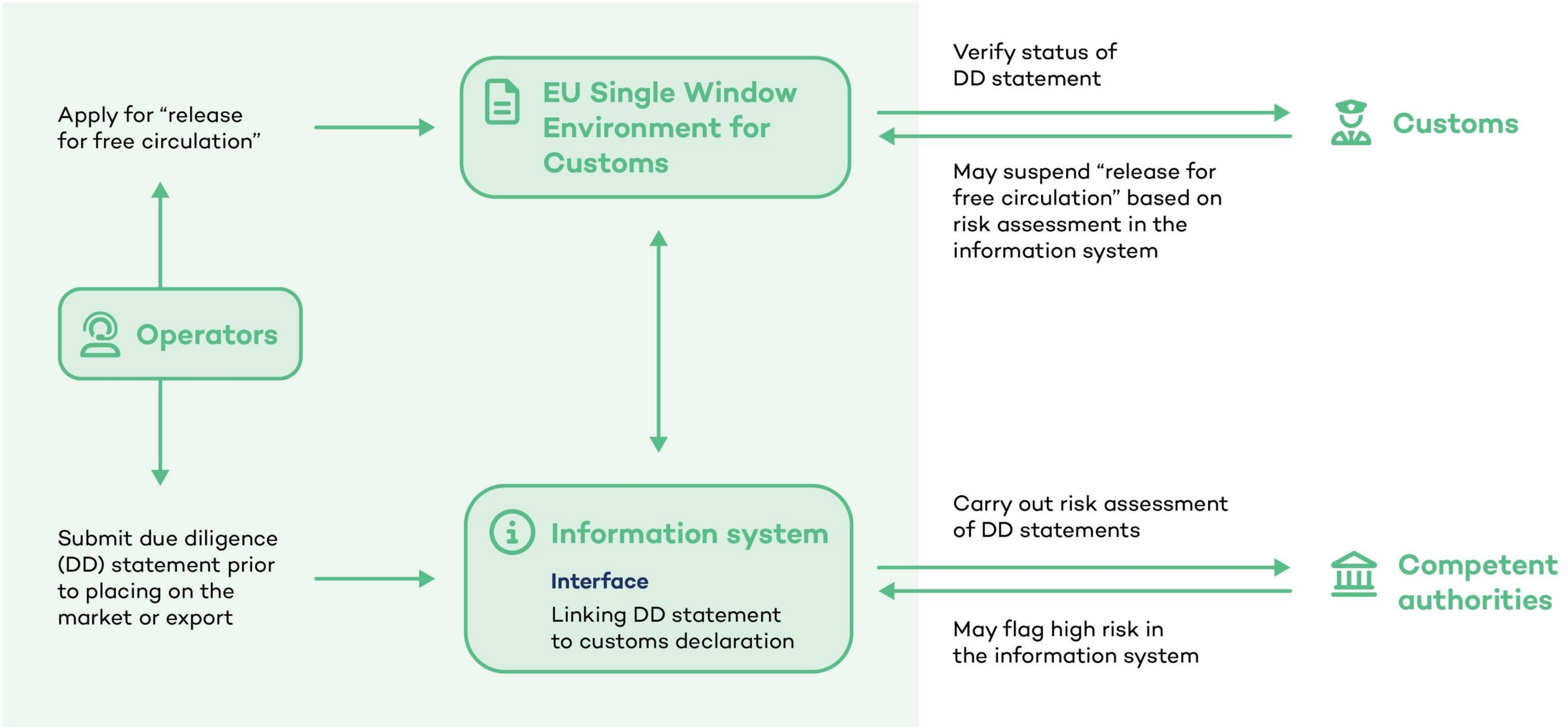
EUDR requirements

Accountability

- Accountability is understood as enforcement mechanisms specifying consequences for non-compliance.
- Penalties can include:
  - Fines proportionate to the environmental damage,
  - Confiscation of revenues gained by the importer, and
  - Temporary prohibitions from exercising the simplified due diligence option or placing relevant commodities onto the market.
- EU Commission may publish on its website the list of final judgments against legal persons for infringements of the regulation and the penalties imposed.

Evidencing compliance

- Due diligence statements must be submitted electronically to the deforestation registry created by the European Commission.
- Statements will be checked in the registry and by Member States' authorities based on country a benchmarking.
- Customs authorities oversee customs declarations of products entering/exiting the EU and reference numbers for due diligence must be shared with customs pre-release.
- Products flagged for checks have release suspended pending compliance.
- Cleared or resolved products are allowed for free circulation or export.


Apply for "release for free circulation"
EU Single Window Environment for Customs
Verify status of DD statement
Customs
May suspend "release for free circulation" based on risk assessment in the information system
Operators
Submit due diligence (DD) statement prior to placing on the market or export
Information system
Interface
Linking DD statement to customs declaration
Carry out risk assessment of DD statements
Competent authorities
May flag high risk in the information system

Unpacking EUDR

What support is available for compliance?

To facilitate compliance, the EU provides several resources that are subject to update, including the following:

- a frequently asked questions document, regularly updated to clarify key provisions of the regulation;
- a guidance document clarifying certain key aspects of the EUDR implementation, such as the definition of "agricultural use";
- a document on compliance, to be read together with the FAQs and the guidance document, giving additional details;
- a factsheet on compliance, laying down an overview of how the obligations apply and providing supply chain-specific scenarios as examples;
- the EU observatory on deforestation and forest degradation, a free tool that provides access to forest maps, supply chain data, and scientific insights on how deforestation links to EU commodity demand.

Unpacking EUDR

Next steps in implementation

- In May 2025, the EU Commission published the country benchmarking classification.
  - Only four countries are considered high-risk: Belarus, Myanmar, North Korea, and Russia.
- In June 2025, 18 Member states sent a letter to the Commission urging a delay and simplification fo EUDR.
- In July 2025, the European Parliament formally rejected country classification and the call for a no-risk category.
- Implementation is still expected as of December 2025.

The role of the private sector

Commitments and gaps

- Many companies have pledged to remove deforestation from supply chains (WWF, 2018; CDP, 2023).
- However, 43% of Forest 500 companies have no deforestation commitment, and 63% lack evidence of implementation (Global Canopy, 2024).
- Companies combine certification with other tools: satellite monitoring, PES, nature-based solutions, landscape/jurisdictional approaches, and community partnerships.
- Voluntary action alone is insufficient to drive systemic change.

Concluding remarks

- Deforestation is an increasing global concern, driving action across both public and private sectors.
- Public and private initiatives are shaping trade and market access by promoting deforestation-free commodity production.
- There is a need for **more effective, collaborative, and lasting solutions** among public and private sector actors (including government, standard-setting organizations, and commodity buyers) to reduce deforestation and enhance market access for producers, farmers, and SMEs.
- There is a need to strengthen existing measures (public and private), promote peer-learning and sharing of best practices from governments, VSSOs, and private sector actors to reduce deforestation and increase market access.

Thank You!

For more information:

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