



5.6 Scaling up deforestation-free production and trade with jurisdictions

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Introduction

Agricultural commodities move along complex supply chains, exposing thousands of public and private institutions worldwide to the risks of unsustainable land-use practices and deforestation. A handful of forest-risk commodities — including palm oil, beef, soy, and pulp and paper — account for more than 70% of all deforestation in tropical forests (WRI 2015). This article outlines steps to facilitate the wider implementation of deforestation-free commitments at the jurisdictional level. A jurisdiction is understood here as the geographical area corresponding to a political authority, such as countries and their sub-national administrative provinces, districts, municipalities and other areas.

An unprecedented number of companies have made corporate commitments to remove commodity-driven deforestation from their supply chains. By 2016, hundreds of companies with a total market value of over €3.5 trillion had joined the Consumer Goods Forum, which is committed to achieving zero net deforestation in major supply chains by 2020. The actions of civil society organizations, increasing consumer awareness and corporate leadership are vital in establishing zero deforestation as a new global business norm. However, recent data indicates that the implementation of such commitments is slower and more difficult than expected (Rautner et al. 2015).

In particular, deforestation-free commodity production is hindered by weak law enforcement, lack of land-use planning, and insufficient monitoring (Streck and Lee 2016). Deforestation caused by the production of globally-traded commodities shows no clear sign of diminishing (Kissinger, Herold and de Sy 2012; Hansen et al. 2013).

To improve this situation, governments in both consumer and producer countries have also stated their intentions to stop deforestation in major commodity supply chains (New York Declaration on Forests 2014; Amsterdam Declaration 2015). In 2008, the European



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Union (EU) pledged to at least halve tropical deforestation by 2020, compared to 2008 levels. In the Amazon, Colombia aims to achieve zero net deforestation by 2020, and Brazil pledges to eliminate illegal deforestation by 2030. In addition, more than 45 tropical countries are developing jurisdictional programs to reduce emissions from deforestation and forest degradation (REDD+). There is now a global community of influential actors, public and private, southern and northern, calling for eliminating deforestation and favouring so-called deforestation-free products. But the 2020 targets are less than three years away.

Scaling up implementation

Public and private actors are debating how to implement deforestation-free supply chains. There are significant challenges but also new opportunities to facilitate larger-scale implementation of zero-deforestation commitments. This article outlines a three-step process for action within jurisdictions.

Step 1. Determine commodity origins

Although there has been tremendous progress in the use of satellite imagery to monitor deforestation and the situation on the ground, commodity trade flows continue to be difficult to track and untangle. Supply chain routes and actors provide only a fraction of the global trade in commodities such as certified products. Just knowing the country of origin is not enough when assessing deforestation risks, and municipal- or district-level information is crucial in order for actors to take effective actions in terms of sourcing deforestation-free commodities and making deforestation-free investments.



Companies that source and trade commodities such as beef, palm oil and cocoa face challenges in systematically identifying the areas where these commodities are produced. Investors and governments that try to encourage responsible trade also struggle to monitor the impacts of businesses whose exposure to high-risk supply chains is unknown. Although the business case for mitigating deforestation risks related to reputation and securing access to sustainable

supplies is increasingly well-understood, the limited availability and transparency of information on complex supply chains is a critical barrier to action.

The information needed to track commodity movements does exist in many countries. Most import-export transactions are systematically recorded by customs authorities, if only for fiscal purposes. This information is not easily accessible or usefully compiled, but new transparency initiatives such as Trase (Box 1) have the potential to change this. Tracking in near real time of who trades forest-risk commodities internationally, and when and where they do so, is becoming possible through data analysis of import-export transactions at the port level. With the help of customs authorities, unprecedented levels of transparency in global supply chains could be achieved before 2020.

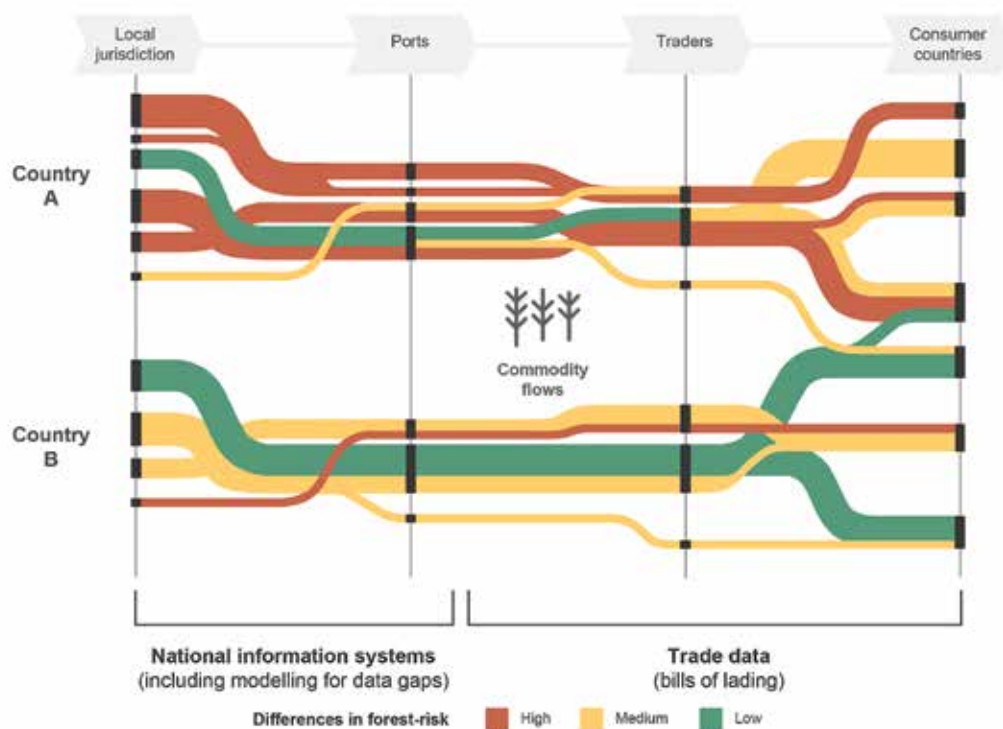
Box 1. The Trase initiative

Transparency for Sustainable Economies (Trase) is the first initiative to obtain and compile a critical mass of previously untapped data on production, trade and customs, including databases of import-export commercial documents and maritime bills of lading, in a way that is useful to the sustainability community. This reveals how forest-risk commodities navigate international trade routes and link specific actors such as trading companies, ports and consumer-goods companies to local areas of production such as municipalities and districts. Trase also provides information on environmental and social risks, and on sustainability performance associated with production localities, and allows that information to be linked to the various actors who comprise a supply chain. The initiative's aim is to report at least 70% of global trade in forest-risk commodities by 2021, and potentially 100% if additional data can be obtained from a handful of key customs authorities. It also aims to provide frequent updates to track the implementation of zero-deforestation commitments and other aspects of responsible trade. The initiative is led by the Stockholm Environment Institute and the Global Canopy Programme. The European Forest Institute, also a partner in Trase, helps develop innovative applications tailored to the needs of governments, trade and customs authorities to monitor forest-related risks and opportunities in commodity production and trade.

National information systems that monitor production, trade, legal and fiscal compliance, among other issues in commodity value chains, are largely untapped sources of fine-resolution data for tracking forest-risk commodity flows. They range from specific supply-chain systems managed by producer associations (such as Côte d'Ivoire's Natural Rubber Association) to comprehensive land registration systems maintained by governments (such as Brazil's Rural Environmental Registry). They also include legality assurance systems developed during bilateral trade negotiations, such as those for timber supply chains in countries that negotiate a Voluntary Partnership Agreement with the EU. Linking these systems to global commodity-tracking platforms offers huge potential to increase and continuously improve the quality of information on the origin of forest-risk commodities and to link local producers to downstream supply-chain actors. See Figure 1.

Step 2. Assess risks and opportunities

Risks associated with forest-risk commodities vary considerably, depending on where the commodities are produced and who the actors involved are. Once the local origin of the traded commodity has been established, examining detailed deforestation rates in the local area of production is the first risk assessment that any commodity buyer can make. This should use data for the smallest possible geographical area. Publicly available tools — such as those that Global Forest Watch use — help to assess deforestation risks in commodity production, although users should bear in mind the uneven quality of deforestation data across the world. And assessing deforestation rates is only the starting point for comprehensive due diligence in commodity sourcing and investment.

Figure 1. Tracking the flows of forest-risk commodities

Source: EU REDD Facility

Looking beyond deforestation rates

To develop or maintain responsible business relationships with the many parts of the world that experience significant deforestation, more sophisticated risk assessments are needed. These require information on local drivers of deforestation and on other land-related issues, such as biodiversity, local crop diversity and food security. Impacts on smallholder farmers are emerging as an important issue in this context; companies could reduce the number of smallholder suppliers in an effort to implement and monitor zero-deforestation sourcing.

A risk-based approach can also identify examples that could encourage and sustain progress, such as supply-chain networks that have decoupled from deforestation rapidly and with few recorded conflicts. Although private companies may focus on fully dissociating their products from deforestation, governments should pursue a broader approach to managing risks and opportunities in trade. This could include identifying local jurisdictions that are most rapidly reducing deforestation and still have important forest cover, rather than focusing on those jurisdictions that have no deforestation, possibly because they have very little or no forest left. Governments should also focus on those jurisdictions with a high potential for improving farm productivity in non-forested areas.

Clarifying jurisdictional-level zero deforestation

The different deforestation risks in varying contexts pose challenges that cannot be resolved with better monitoring technologies alone. Definitions of forest and legality aspects are context specific, and attributing deforestation risks to specific commodities and supply chains raises political and technical questions. A balance between the general concept of zero deforestation and local socio-political realities has to be found.

This balance is evident, for instance, in the high carbon stock methodology aimed at mapping forests areas for deforestation-free agriculture. The methodology recommends that the results of remote sensing should be aligned with the priorities of local stakeholders through participatory land-use planning. Governments and local stakeholders can proactively clarify what deforestation-free agriculture means in their jurisdiction. Interpreting global standards in the context of local socio-political circumstances is a key opportunity for national stakeholders to define the criteria for legal, deforestation-free commodity production in their jurisdictions through participatory processes. Mainstreaming such discussions in major commodity-producing countries would help responsible trade partners to understand how and where to source legal, deforestation-free commodities from specific jurisdictions according to local priorities and circumstances.

The power of information

The information needed for finer and more comprehensive assessments that consider local drivers and indicators of deforestation is still scarce, but is expected to become increasingly available through further advances in forest, land-use and REDD+ monitoring, combined with rapidly developing supply chain transparency platforms such as Trase (see Box 1). The online availability of data also creates new incentives for private companies to disclose more information, and the burden of proof may shift to other actors, encouraging them to cooperate to reduce their collective risk exposure in relation to specific places and supply chains.

Step 3. Encourage jurisdictions to support zero deforestation

The increased transparency and reliability of forest-risk assessments will bring to light high-risk places and actors, and thus encourage jurisdictions to support legal and deforestation-free sourcing. At the same time, more transparency offers committed national and local governments an opportunity to promote ongoing efforts to improve forest governance by communicating progress. In time, consolidating and sharing critical supply-chain and land-use information with independent third-party observers will help monitor progress and support effective action.

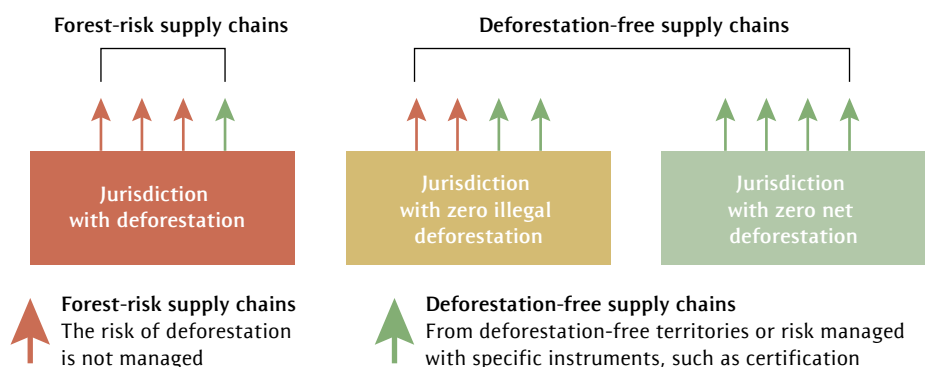


Most tropical countries are officially seeking to reduce deforestation, but few commit to fully eliminating it, so zero-net deforestation may be a medium- to long-term prospect. And while a strict zero-deforestation target has been adopted by some companies, the

more flexible zero net deforestation objective might be more adaptable to jurisdictions, although it still requires specific attention to the definition of “forest.” In order to engage, national and sub-national authorities have agreed to performance measures at the jurisdictional level, ranging from zero illegal deforestation (as put forward by Brazil for the whole of its Amazon region by 2030) to net gains in forest cover. These measures will help all committed governments to end deforestation. Empowering national stakeholders to strengthen the governance of supply chains and land use are other key steps. There is ample experience of this in the forest sector from Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreements.

Achieving zero illegal deforestation could be a major step on the path to zero net deforestation, providing an enabling environment that stimulates further action by the private sector toward zero deforestation (Figure 2). According to Forest Trends (2014), nearly half of all recent tropical deforestation is the result of ongoing illegal clearing of land for commercial agriculture. Targets for zero illegal deforestation continue to be debated by the governments of the main forest countries (FAO 2014).

Figure 2. Jurisdictional paths to zero net deforestation



Source: EU REDD Facility

Conclusions

Analysis of trade, customs and production data is starting to uncover information about the global flows of commodities that present risks to forests. This removes a key barrier faced by public and private actors in implementing deforestation commitments. But measuring the success of deforestation-free supply chains is context-dependent, and ultimately, success will be linked to the implementation of sustainable land-use planning in the jurisdictions where commodities originate. Producer countries that seek preferential access to emerging deforestation-free markets can be proactive in clarifying the criteria for deforestation-free commodity production within their jurisdictions.

To trigger a change from business as usual in the commodity sectors, there need to be significant incentives for jurisdictions that are taking action to improve land-use governance and phase out deforestation. This requires a coherent combination of supportive policies and incentives; these include “green” investments, REDD+ performance payments, preferential market access for deforestation-free products resulting from public procurement policies, tax exemptions, and simplified import procedures. In addition, and importantly, fiscal cooperation between trading partners is important in the combination of incentives. Renewed efforts against tax avoidance in international commodity trade on the basis of this increased transparency could greatly reinforce governments’ willingness to cooperate and support this movement towards higher transparency and accountability in the production and trade of forest-risk commodities.

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