## COUPLED POLICY BRIEF

# Three principles for the EU to reduce imported deforestation

The European Union is currently a major contributor to tropical deforestation through import of forest risk commodities such as palm oil, soybeans, cocoa, and coffee. But this can change. We have analyzed over 1,000 policy proposals for how the EU can reduce imported deforestation, finding options that have both broad support among stakeholders and are potentially impactful, such as mandatory due diligence and multi-stakeholder fora. We also identified three key principles to forge an effective EU response: (i) Implement policies based on clearly elucidated and proven theories-of-change; (ii) Use policy mixes to create synergies and increase effectiveness, (iii) Work with stakeholders in key supply-chains and regions, broadening scope over time.

**KEY MESSAGES** —————————

■ Implement policies based on clearly elucidated and proven theories-of-change

■ Use policy mixes to create synergies and increase effectiveness

■ Work with stakeholders in key supply-chains and regions, broadening scope over time

More than half of tropical deforestation is linked to the production of food and animal feed commodities, some of which European countries import in large quantities. This makes the EU one of the largest importers of embodied deforestation, estimated to nearly 200,000 hectares of cleared forests annually. To date, no EU policy specifically addresses imported deforestation, but in 2021, the EU Commission plans to present legislative proposals for reducing deforestation caused by European consumption.

The question is, what can the EU actually do to help reduce deforestation? This brief aims to inform policy makers and stakeholders about this, by compiling over 1,100 policy proposals from public consultations and grey literature. These were summarized into 86 unique policy options for reducing imported deforestation that were assessed for feasibility and impact. Most prevalent were measures to support producer governments and supply-chain actors—technically, financially, or procedurally. Regulatory and information-based policies targeting supply-chain actors also emerged as a dominant theme.

## WHAT WE DID

In this study, we summarized 1,141 policy proposals into 86 policy options, based on the actors targeted by the policy and type of instrument suggested. Each option was assessed for political feasibility across three dimensions:

- the level of support across groups of stakeholders (advocacy);

- the procedural and technical complexities of implementation (institutional setting);

- the economy-wide costs incurred (costs), see table.

Furthermore, we mapped the theory-of-change (TOC) of each option, to assess the ability of the proposed policies to reduce deforestation (see figure). TOCs make explicit how a given policy intervention achieves change by detailing "who will do what differently and why." In addition to identifying problematic assumptions and potential barriers, a clearly elucidated TOC can support policy legitimacy by engaging stakeholders in a discussion on how to achieve a shared goal. As most proposals lacked a discussion of the underlying TOC, mapping was inferred by the authors to extrapolate conflation of the policy means (e.g., increase transparency) with the ends (i.e., reducing deforestation).

## What is feasible? What is effective?

For a policy to actually reduce deforestation, it must firstly be politically possible to implement; secondly, once implemented, it must be likely to affect actual change for deforestation. We assessed these aspects by analyzing the political feasibility and theory-of-change of the 86 policy options. The table shows the political feasibility assessment for the most proposed policies,

based on policy type. Unsurprisingly, more strict market-based and regulatory policies, such as taxes or trade-regulations, face more feasibility barriers than information-based or cooperative policies, such as knowledge and awareness raising, or capacity building measures.

Three-quarters of all options relies on reduced demand for forest land as a means of reducing deforestation, applying one of three general approaches: reducing overall demand for forest-risk commodities (FRCs), increasing the demand for deforestation-free FRCs, and increasing the supply of deforestation-free FRCs (see figure). Only a tenth of the policies aims to reduce deforestation by protecting existing forests, either by increasing capacity among local authorities and stakeholders or by providing financial incentives to preserve forests. To some extent, this finding is expected, as tropical forest protection is not within the purview of EU policy, while factors influencing the demand for land for FRC production are. Finally, for about an eighth of the policies, it is unclear how their implementation would reduce deforestation, as the stated policy means ability to address the desired ends can be only vaguely or indirectly inferred.

Overall, we find a trade-off between political feasibility and impact: the most feasible policies generally have weak TOCs, and vice versa. For instance, most information-based policies—such as general awareness raising or increased supply-chain transparency—exhibit high political feasibility across our three dimensions, but there is strong evidence that these measures are likely to have limited impacts of shifting or reducing forest-risk commodity demand (i.e., the first link in the theory-of-change displayed in the figure for these policies are weak).

### Promising policies

However, two policy options stand out as being both politically feasible and having a strong TOC affecting its ability to reduce deforestation. The first is to make importers of FRCs responsible for the deforestation in their supply chains by requiring them to carry out due diligence. Due diligence holds companies accountable by requiring them to assess the risk of deforestation in their supply-chain. France and England have implemented similar systems to avoid human rights violations in supply-chains, showing that this is a credible and feasible approach – both politically and practically. Our survey also revealed that this measure enjoys broad support from many different types of actors. If carefully designed, due diligence can have an impact on deforestation through targeting relevant companies and providing sanctions and liability measures.

The other promising policy is creating platforms where corporate, governmental and civil society stakeholders can jointly establish accountability criteria for forest destruction. Previous successes, such as the 2006 Amazon Soy Moratorium, offer examples of what such multi-stakeholder fora can achieve. In this instance, actors including Greenpeace and the WWF gathered with producers and exporters of soy to agree to cease trade of soy produced on recently deforested land in the Brazilian Amazon. Multi-stakeholder platforms can be readily adapted to the relevant areas or regions, expanding the likelihood of support. By creating a space for involved parties to craft and design each stage of the intervention, policy acceptance and potential impacts are promoted.

Table. The top-three most suggested policies (frequency in our full sample is indicated by No.) across four types of policies: information-based, cooperative, market-based, and regulatory. The political feasibility of each policy option (1, low; 2, medium; 3, high feasibility) is displayed for the three determinants of: advocacy, institutional setting, and cost.

| Policy option | No. | Feasibility |
|---|---|---|
| *Information-based policies:* | | |
| Increase knowledge, research and data collection | 31 | 3 / 3 / 3 |
| Increase citizens' awareness to reduce consumption of meat & forest-risk commodities, and promote local, vegetable-based diets | 28 | 2 / 3 / 3 |
| Encourage reporting, transparency, and public disclosure and access to information | 24 | 2 / 3 / 3 |
| *Cooperative policies:* | | |
| Support multi-stakeholder fora, partnerships, and processes (jurisdictional or commodity roundtables, moratoria, etc.) | 61 | 3 / 3 / 3 |
| Support capacity building for good governance, policy coordination and enforcement of existing laws and regulations | 59 | 3 / 3 / 2 |
| Provide access to technology, technical support, and training for better practices, sustainable intensification, climate-smart agriculture, and sustainable forest management | 43 | 3 / 3 / 3 |
| *Market-based policies:* | | |
| Reform economic incentives (e.g., taxes & subsidies) for forest-risk commodities based on sustainability impacts | 28 | 2 / 2 / 1 |
| Reform EU Common Agricultural Policy to reduce imported deforestation and promoting sustainable agricultural production | 18 | 2 / 2 / 1 |
| Lower/raise import tariffs for sustainably/ unsustainably produced commodities | 14 | 2 / 2 / 1 |
| *Regulatory policies:* | | |
| Mandatory Due Diligence regulation for companies importing forest-risk commodities | 60 | 3 / 2 / 2 |
| Include sustainability criteria and complaint mechanisms in current and future trade agreements | 32 | 2 / 1 / 1 |
| Limit EU bioenergy demand and/or strengthen sustainability criteria on bioenergy | 30 | 2 / 2 / 1 |
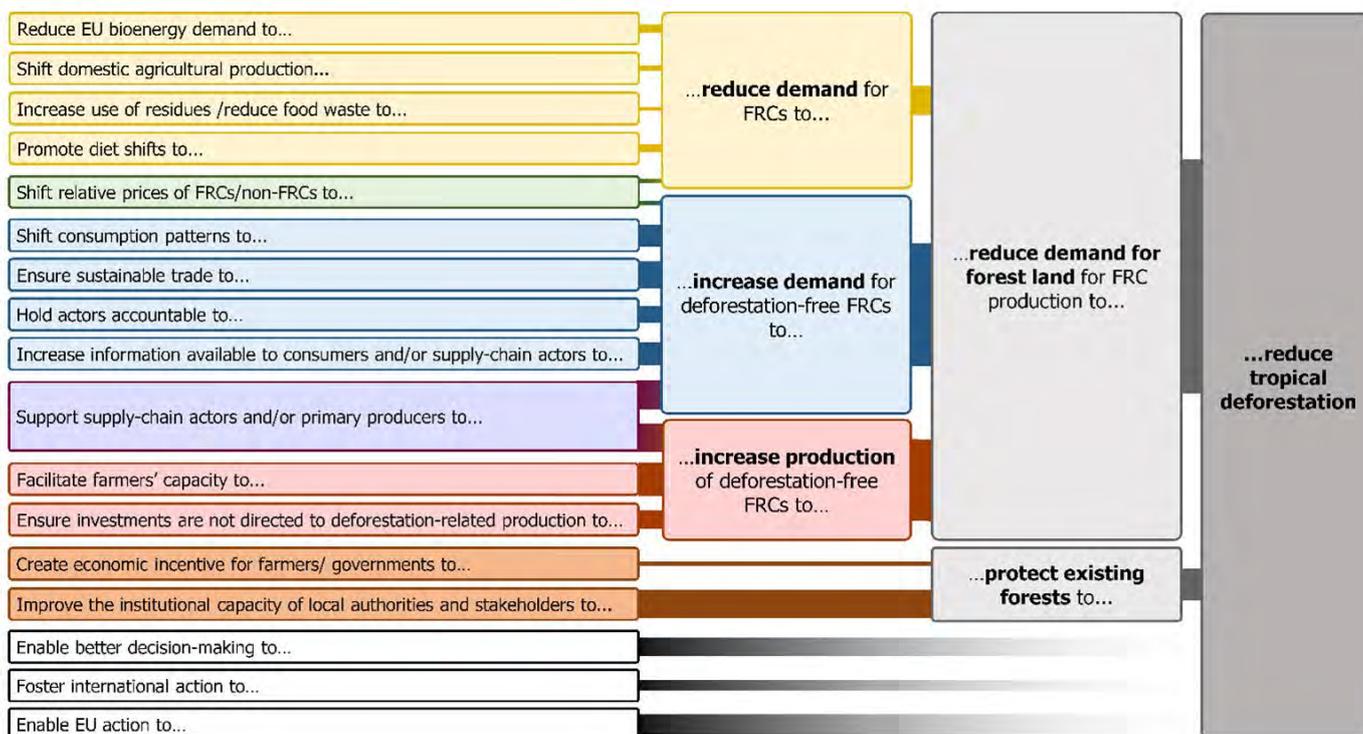


Figure: Inferred theories-of-change (TOCs; see text box for explanation) for our 86 policy options, showing the causal mechanisms for how the policies could help achieve the aim of reducing deforestation. For some policies (white boxes at the bottom), it is unclear exactly how they would help reduce deforestation. Colors represent different common strategies for reducing deforestation and the width of the lines linking measures to reduced deforestation reflect the prevalence of a given TOC in our sample of 1,141 policy proposals. FRC = forest-risk commodities, such as palm oil or soybeans.

## Principles for balancing impact and feasibility

While mandatory due diligence and multi-stakeholder fora hold promise for addressing deforestation, alone they are unlikely to solve the problem. To forge a comprehensive action plan against deforestation, we suggest the following principles to mitigate the policy trade-offs between feasibility and impact:

### 1. Implement policies based on clearly elucidated and proven theories-of-change

Policy-makers should employ policies proven to be successful in addressing deforestation and tailor policy design to the context, as the drivers of deforestation—and thereby the most optimal response—are affected by location, commodity production system, forest type, as well as the socio-economic, technical and cultural context.

### 2. Use policy mixes to create synergies and increase effectiveness

Understanding how different policy options complement and reinforce each other is critical for achieving effective policy action on deforestation. This perspective is largely missing from existing policy proposals. Combining policy options of different types and targeting different actors can help create synergies that improve both the political feasibility and the overall impact. For instance, trade regulations risk hitting producing countries hard, but can be combined with targeted aid

for more sustainable production. Such measures would allow farmers to increase yields without having to resort to deforestation. A synergistic approach reduces the risk of leakage which diverts goods produced on deforested land to other markets when access to the EU market is altered.

### 3. Work with stakeholders in key supply-chains and regions, broadening scope over time

EU's deforestation footprint arises from imports of just a handful of FRCs, so targeting these is likely have the most significant immediate contribution to reducing deforestation and increases policy legitimacy. Broad political and financial support in these producer countries is necessary to build the foundation for strong policy action and effective implementation of deforestation policies in consumer markets. Gradually extending regulations to other FRCs and regions over time, a process known as 'policy sequencing', and coordinating efforts with other consumer countries can mitigate the risk of deforestation leakage to other commodities or regions.

## Conclusion

This study provides EU policy makers and stakeholders with a broad toolbox for addressing imported deforestation. While we show that not all tools are equally effective, or likely to be used, there are plenty of tools in the box that—if combined and employed wisely—can help reduce our pressure on the worlds remaining tropical forests.
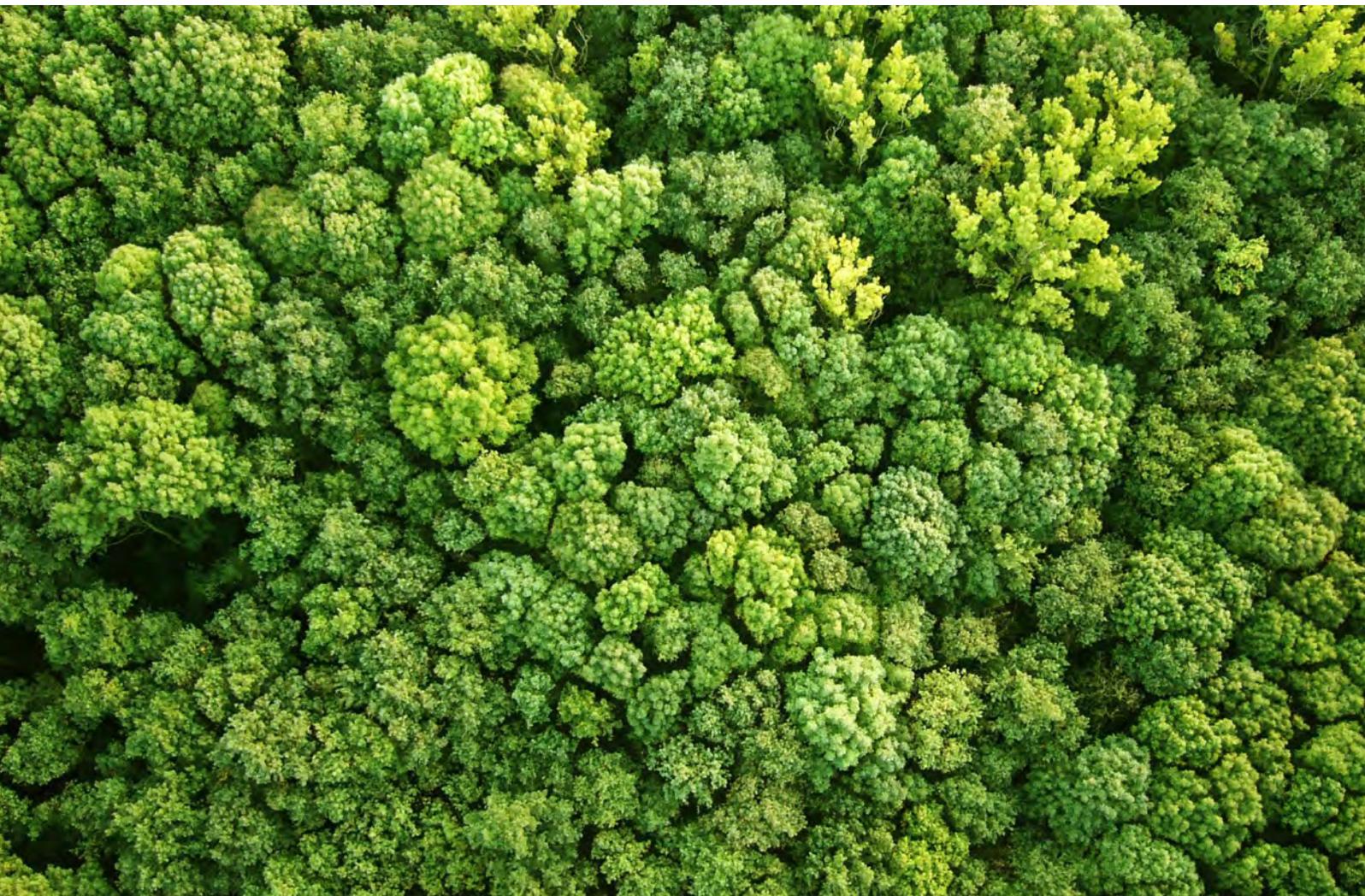
## THE AUTHORS ─────────────

### Simon Bager

Université catholique de Louvain
simon.bager@uclouvain.be

*Simon Bager is an early stage researcher in COUPLED. This policy brief is part of Simon's research project on "How can private companies promote sustainable land use through their supply chains".*

### Martin Persson

Chalmers University of Technology
martin.persson@chalmers.se

*Martin Persson is Associate Professor for Physical Resource Theory at Chalmers University of Technology.*