

# TFA EU DEEP DIVES

## GEOLOCATION & TRACEABILITY SESSION 1

### JULY 2022

#### KEY TAKEAWAYS:

##### Promoting smallholder inclusion:

The proposed EU DDD legislation must be implementable and not lead to any negative side effects, such as the exclusion of smallholders from the European supply chain.

One of the key challenges associated with the proposed legislation is the lack of a clear protocol for the collection and release of information concerning geolocation of smallholder suppliers, who for example, represent 40% of palm production and almost 100% of production for cocoa and 90% for rubber.

In the context of certified palm oil, while materials certified under the identity preserved and segregated models include a level of traceability which would comply with the requirements set by the legislation, the current mass balance (MB) and credit models will require additional due diligence to demonstrate that the conventional material in the mix is legal traceable and deforestation free.

While some groups of smallholders are very well organised and could comply with the EU requirements, the vast majority of smallholders for the focus commodities are not certified and these represent millions of smallholders who do not yet have systems in place to reach compliance.

- » The latest draft of the EU regulation does make some exceptions for smallholders, but could consider clarifying exactly what is expected, for example, introducing clearer and longer timelines to allow smallholders to build capacity to comply with the EU DDD requirements.
- » Additionally, the EU regulation could do more to encourage or incentivise buyers to invest with their upstream buyers to tackle capacity gaps within smallholder communities. The cost should be shared between upstream and downstream actors as smallholders are typically lack the technical and financial means to meet traceability requirements on their own.

##### The need for clearer baselines and recognition of existing tools by the EU:

A key challenge is the recognition and use of adequate tools to provide traceability data and then prove there has been no deforestation. There are numerous existing tools available that could be recognised or built on to avoid duplication of efforts, and the EU should set clear, but practical criteria on data needs that recognise some real world limitations in data collection. Polygon mapping is currently considered the best type of geolocation information, but there are challenges around the availability of this data especially for smallholders, the differences in granularity (e.g. point or polygon, traceability to plot of land, farm, processing or aggregation point) depending on the type of tools used and resources available, given that collecting this data can be very resource intensive.

This risks false positive and negative results when identifying areas of potential deforestation as well as inefficient duplication of efforts.

- » The EU should set clearer and differentiated baseline criteria on data needs and seek to recognise tools which companies may utilise to adapt or build their own systems around.

### Incentivising positive impacts in high risk areas:

The proposed EU DDD should carefully consider its approach towards the exclusion of areas with high risks of deforestation. In the context of certification for example, we already see that farms with high deforestation risks are often being excluded, thus limiting the opportunities for creating positive impacts within these areas.

- » The proposed EU DDD could consider ways by which high risk areas can be included and real impacts are achieved.
- » This could include, for example, allowing purchasing from high risk areas in cases where the producers or buyers can also show that there have been concrete positive impacts or are time-bound plans in place to reach compliance.

### Fostering collaborative approaches:

The biggest opportunity may be the development of opportunities of private sector collaboration to create and align systems for traceability that complement one another rather than working in parallel.

Opportunities for collaboration between EU-level actors and national governments would also strengthen the legislation by creating a set of more realistic and standardized systems taking into considering some of the challenges present in producing countries. This is particularly important when considering indirect sourcing activities, which are challenging for individual companies to have leverage over, and also for some commodities, such as cocoa, comprises of volumes that are regulated by governmental institutions.

The EU legislations should also address the farmers point of view by engaging with national governments, producer organisations, civil society and other local stakeholders in producer countries, so that farming communities are properly informed that these legislations are taking place and understand the implications of evidence of deforestation on their land. This also includes collaboration and investment from the EU and downstream companies to support farming communities make the shift towards sustainable agricultural practices.

- » The EU legislation could act as a catalyst for further private sector collaboration to facilitate the alignment of resources, tools and systems for traceability.
- » Governmental bodies could also be better included as key actors for the implementation of the legislation, especially through government-buyer and government-producer collaboration.