



Forests

From Risk to Responsibility

EIA's recommendations to tackle the UK's role in global deforestation and supporting producer countries

November 2024

Introduction

In 2023, the world lost 3.7 million hectares of tropical primary rainforest, which is equivalent to losing about 10.7 House of Commons chambers, every minute.

Approximately 90 per cent of deforestation is driven by land-use change to agriculture to produce forest-risk commodities (FRC) including cattle, soy, palm oil, cocoa, rubber and coffee².

Other drivers include mining, which since 2000 has increased 52 per cent due to burgeoning demand for coal, iron, nickel, other metals and minerals. Between 2001-20, mining activities led to the direct loss of nearly 1.4 million hectares of forest³. Additionally, mining often leads to additional forest degradation and indirect deforestation through the development of infrastructure such as roads and settlements, which can further exacerbate forest loss.

EIA welcomes the UK Prime Minister's commitment, announced last week at the United Nations Framework Convention on Climate Change (UNFCCC) CoP29 summit, to reduce emissions by 81 per cent by 2035.

Additionally, we commend the Foreign Secretary's announcement that the UK will ensure £11.6 billion in climate finance, £3 billion for nature and, within that, £1.5 billion for forests⁴.

As CoP29 wraps up and the UK re-instates its commitment to protecting forests, it is essential to address our significant environmental footprint, particularly regarding FRC and deforestation. The UK is estimated to consume 21.3 million hectares of land, equivalent to 88 per cent of the UK's land area, each year to satisfy the UK's demand for just seven FRC (beef and leather, cocoa, palm oil, pulp and paper, rubber, soy and timber⁵).

Even more alarmingly, despite being the 15th largest contributor to tropical deforestation in the world, the intensity of UK consumption (measured in footprint per tonne of product consumed) is higher than that of China⁶. This consumption has dire consequences for global biodiversity and climate stability.

UK policy

EIA calls on the new Government to seize this opportunity to surpass the standards drafted by its predecessor and establish strong, effective regulations and partnerships which ensure our consumption practices are both sustainable and accountable.

In 2019, the UK launched the independent Global Resource Initiative (GRI) taskforce, bringing together leaders from business, finance and civil society to tackle commodity-driven deforestation in UK supply chains.

In 2020, the GRI recommended mandatory regulatory measures for businesses and financial institutions⁷. UK retailers have since been consistently urging the Government to regulate supply chains, seeking a level playing field and access to other already regulated markets such as the EU⁸.

Almost three years ago to the day, in November 2021 the former UK Government passed the Environment Act, under which businesses will be required to establish and implement a due diligence system to ensure FRC they use are legally produced, yet we are still waiting for the necessary secondary regulations which would operationalise and bring that FRC due diligence legislation into effect.

The Environmental Audit Committee (EAC) launched an official inquiry into the issue in 2022⁹ to further understand and address how UK supply chains contribute to global deforestation via FRC and timber, most of which the UK imports. EIA contributed evidence to the inquiry¹⁰. In January 2024, the EAC published its findings¹¹ and in March 2024 the previous Government issued a response¹². EIA subsequently remarked on the former Government's persistently slow progress¹³.

The UK has an opportunity to make a meaningful and collaborative contribution to global efforts in tackling deforestation. In this context, EIA presents six key recommendations for the new Government.

1. Develop robust secondary regulations for FRC under Schedule 17 of the Environment Act:

Secondary legislation is needed to define the scope, reporting requirements, enforcement framework and timelines. To strengthen the UK's commitment to reducing its environmental footprint, we urge the Government to develop and lay this urgently needed legislation without delay – robust secondary regulations pertaining to forest risk commodities. The following measures are essential:

- **full traceability:** To determine if something is produced in compliance with local laws, it is essential to know its origin. Regulations must ensure the traceability (via geolocation) of commodities back to the specific plot of land where they were produced, reared or harvested, in line with the EU's Deforestation Regulation (EUDR¹⁴). This information is already gathered by some of the world's largest traders. For example, Wilmar, the world's biggest palm oil trader, has achieved traceability to plantation for more than 90 per cent of its global supply chain¹⁵. UK cattle imports are already subject to traceability requirements under existing regulations for phytosanitary reasons (to stop potential diseases in meat entering UK, e.g. Cattle Tracing System¹⁶). This process is not additional but a continuation of existing practices. Several traceability initiatives for different FRC already exist or are in development around the world (e.g. cocoa in Cameroon¹⁷, cattle in Brazil¹⁸). Regulation is essential to advance robust, transparent traceability systems that include independent verification and engage multiple stakeholders – governments, civil society, smallholders and businesses

- **go beyond certification schemes:** Market-based certification schemes are widely used but are not able to guarantee legality or sustainability. Deforestation and illegalities can exist in certified produce due to weak standards and assessments, fraudulent audits, a lack of penalties for complying with voluntary standards and conflicts of interest, as detailed in reports by EIA and others¹⁹, including the EU Commission²⁰. Severe limitations of certification schemes are widely documented for several commodities such as (but not limited to) palm oil, (EIA 2015²¹; EIA 2018²²; EIA 2019^{23,24}) timber^{25,26} and soy²⁷. The Roundtable on Sustainable Palm Oil (RSPO), the most well-known certification scheme for palm oil, has itself said its standards "do not extend to enforcing or confirming the legal standing of a company's use of land (which is a mandate only held by the national authority)"²⁸
- **prohibit mass balance systems:** Mass balance systems obscure accountability and allow the mixing of produce that comes from illegal sources. For example, a palm oil mill that is RSPO certified under the mass balance model can source from both uncertified and certified plantations. The uncertified plantations can be illegally operating²⁹. In line with the EUDR, mixing of commodities of known origin where all possible sources have been produced in compliance with the regulation should be allowed. A chocolate bar may contain cocoa from multiple farms worldwide, but all potential sources are verified as legal and compliant
- **require due diligence to negligible risk:** Companies must implement due diligence that achieves negligible risk of illegality in their supply chains. The former Government instead proposed an "As Low As Reasonably Practicable" (ALARP) standard. ALARP is an exercise of subjective judgement and introduces a cost-benefit analyses. A company might be able to argue it wasn't reasonably practicable to trace X product. Arguments of profitability can be pitched over sustainability, undermining the spirit of the regulation. EIA urges the new Government to use negligible risk instead. Negligible risk has more than a decade of legal precedence in the UK (EU Timber Regulation 2013 and then corresponding UKTR 2021³⁰) and in 27 member states of the EU (EUTR and EUDR). An unpublished review by a UK law firm for WWF concluded that negligible risk based on a qualitative criterion (as formally defined in the EUDR), is the highest risk assessment threshold already enshrined in law. It also has the additional advantage of helping address the Northern Ireland border issue (WWF unpublished 2024³¹)
- **broad scope of laws and partnerships with producer countries:** It is not clear which "local relevant laws" need to be followed. It is crucial that the scope of laws the legislation covers is made clear and is as wide as possible – a suggested list of the types of laws is in Annex I. The guidance must provide a working definition of the category of laws that constitute a relevant local law and set out examples. It must also clearly set out the need for businesses to follow laws related to indigenous peoples and local communities' (IPLC's) rights to land, territories and resources. EIA applauds the UK's renewed commitment at CoP29 to supporting communities through the \$1.7 billion IPLC Forest Tenure Pledge, alongside a new 10-year pledge to curb illegal logging and strengthen support for forest communities. Engaging in dialogue with stakeholders from producer countries is essential for developing inclusive regulations that reflect local contexts and challenges. There needs to be a clear multi-stakeholder process to support and strengthen good forest governance in countries. The Government must clearly set out its partnership approach beyond just providing funding packages and include a wide range of civil society representation, including IPLCs, in all stages of the process, from development to implementation
- **comprehensive commodity coverage:** The former Government anticipated the regulations to cover cattle (beef and leather), cocoa, palm oil and soy, which would only cover 52 per cent of UK-linked deforestation^{32,33}. These should be expanded to encompass a wider range of commodities such as coffee, rubber and mined commodities to ensure that all relevant actors are held accountable. Ideally these would match and go beyond the existing scope of the EUDR
- **comprehensive company coverage:** This year, EIA submitted two Freedom of Information requests to the Department for Environment, Food and Rural Affairs (DEFRA) to provide clarity and the data behind its proposed financial threshold of more than £50 million turnover. Shockingly, their response stated: "... our evidence demonstrates that setting a global turnover threshold at £50m would capture approximately **0.44 per cent of all UK businesses in scope of the regulations**"³⁴ ...where all businesses in scope refers to a company identified to be using at least one FRC. In other words, the regulation is anticipated to cover very few companies that use FRC – making the proposed threshold a major loophole. Instead, we recommend that all companies that use FRC are covered. Additionally, we recommend that regular reviews are conducted with transparent public consultation to periodically assess the scope of both companies and commodities covered by the legislation
- **data sharing and transparency:** We welcome that companies will need to submit an annual report on their due diligence systems. However, this is understood to likely be high-level information on the type of approach they are using. The former Government did not respond to the EAC's recommendation to promote international data disclosure, including disclosing UK customs and industrial data. Information must be made openly available for civil society to support enforcement, lending credibility to the law and promoting transparency.

2. Finance should be regulated:

As London is one of the world's largest financial centres, the UK faces criticism for failing to address the financing risks to forests and human rights. Between 2016-20, UK financial institutions invested \$16.6 billion in companies linked to deforestation³⁵. Additionally, two out of every £10 in UK pensions are tied to deforestation³⁶.

Labour's manifesto pledged to "make the UK the green finance capital of the world"³⁷ and EIA urges the new Government to take meaningful action.

As mandated by the Financial Services Act 2023³⁸, the Treasury must promptly review whether UK financial regulations are effectively preventing funding for illegal deforestation. This review should be thorough and assess the strength of current financial crime and anti-money laundering laws.

The previous Economic Secretary Andrew Griffith has committed to deforestation due diligence standards for the UK financial sector³⁹. The new UK Government must remain steadfast in its commitment by enacting legislation to require financial institutions to ensure their investments do not contribute to deforestation or related human rights abuses.

3. Updating the UK Timber Regulation (UKTR):

Logging causes both deforestation and severe forest degradation. The first cut is the deepest – once logging roads are opened, forests become vulnerable to illegal mining, hunting and speculative land-grabs and subsequent clearing for agriculture. Wood products are regulated under the UK Timber Regulation (based on the previous EU Timber Regulation). DEFRA, we understand, is currently looking at a review of the UKTR:

- **full traceability:** UKTR currently requires traceability but just to the country of harvest and "where applicable" to the sub-national region and concession of harvest (Article 6)⁴⁰. This must be extended to full traceability (geolocation point of harvest) for all timber products. Geolocation is already widely used in the forestry sector worldwide to support forest inventory and compliance with national forest management regulations
- **expand timber HS codes to biomass wood pellets:** The UKTR should incorporate additional HS codes in line with the EUDR, including wood pellets for biomass, to broaden the scope of regulated products (*see below*)
- **minimum percentage checks on timber imports:** Implementing mandatory checks on a specified minimum percentage of incoming timber products is essential for ensuring compliance with sustainability standards
- **transparency in complaints:** A transparent mechanism for reporting on and responding to complaints received regarding non-compliance is urgently needed.

4. Ensuring truly sustainable bioenergy sources:

The UK must ensure that green energy, particularly biomass and biofuels, are genuinely sustainable and do not contribute to the destruction of old-growth forests. Burning wood pellets releases more carbon per unit of energy than coal⁴¹.

Drax in the UK, Europe's largest biomass power plant, receives substantial public subsidies, totalling £893 million in 2021 alone – equivalent to more than £2 million per day – while also contributing to rising energy bills across the UK⁴². Drax's direct supply chains are widely documented to have caused illegal logging of old-growth forests in the USA, Canada and Europe^{43,44}.

A report published by the UK Government a decade ago had already concluded that burning forest biomass from whole trees would increase carbon emissions relative to coal and natural gas for decades⁴⁵. Ending subsidies to Drax is essential to reduce carbon emissions, deforestation, degradation and hazardous air pollution.

5. Update and broaden public procurement policies:

The Government Buying Standards need to be urgently revised. Some, such as those on procuring food and catering services, have not been updated for 10 years. In line with the 2024 EAC report,⁴⁶ we urge that they are expanded to cover all FRC, are mandatory for all public sector bodies and must ensure production is legal and sustainable and not rely on certification.

6. Increase resource allocation for enforcement:

To guarantee effective implementation, the Government must adequately invest and resource enforcement authorities of these regulations. Lessons from the EU Timber Regulation (EUTR) and UK Timber Regulation (UKTR) have highlighted areas in need of improvement⁴⁷.

Limited resources hindered compliance checks and businesses in scope of the regulation often misunderstood their duties. Increased staffing and outreach on risk assessment and traceability would address these gaps⁴⁸. Clearer transparent guidelines would also improve accountability, particularly for repeat offenders.

Penalties were often set too low to deter violations, so higher fines are needed to improve compliance. Lastly, structured cross-border cooperation through joint inspections and shared best practices would strengthen enforcement efforts internationally⁴⁹.

Conclusion

By tackling its own consumption and by developing strong international multi-stakeholder partnerships, the UK has a critical opportunity to lead by example in global environmental governance.

Through implementing strong regulations on timber and other forest risk commodities, we can significantly reduce our environmental footprint, protect vital ecosystems and uphold our international commitments to climate change and sustainable development.



References

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Please can you provide your definition of "all UK businesses in scope of the regulations" in this context? Does this refer to all UK businesses or only those using/trading in the Forest Risk Commodities (FRCs)? If so, which FRCs were assessed as part of this?
In this context "all UK businesses in scope of the regulations" refers to UK businesses using/trading FRCs. This considers cattle sectors (beef and leather), palm oil, soy and cocoa.
How many businesses does the 0.44% figure (companies with a £50m global turnover) represent?
This represents an estimated ~4,500 businesses.
It should be noted that this total value likely overstates the number of businesses, as the analysis considers each commodity sector individually. Therefore, businesses using multiple commodities are counted each time (e.g. Tesco may use all regulated FRCs and is therefore counted 5 times).
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