

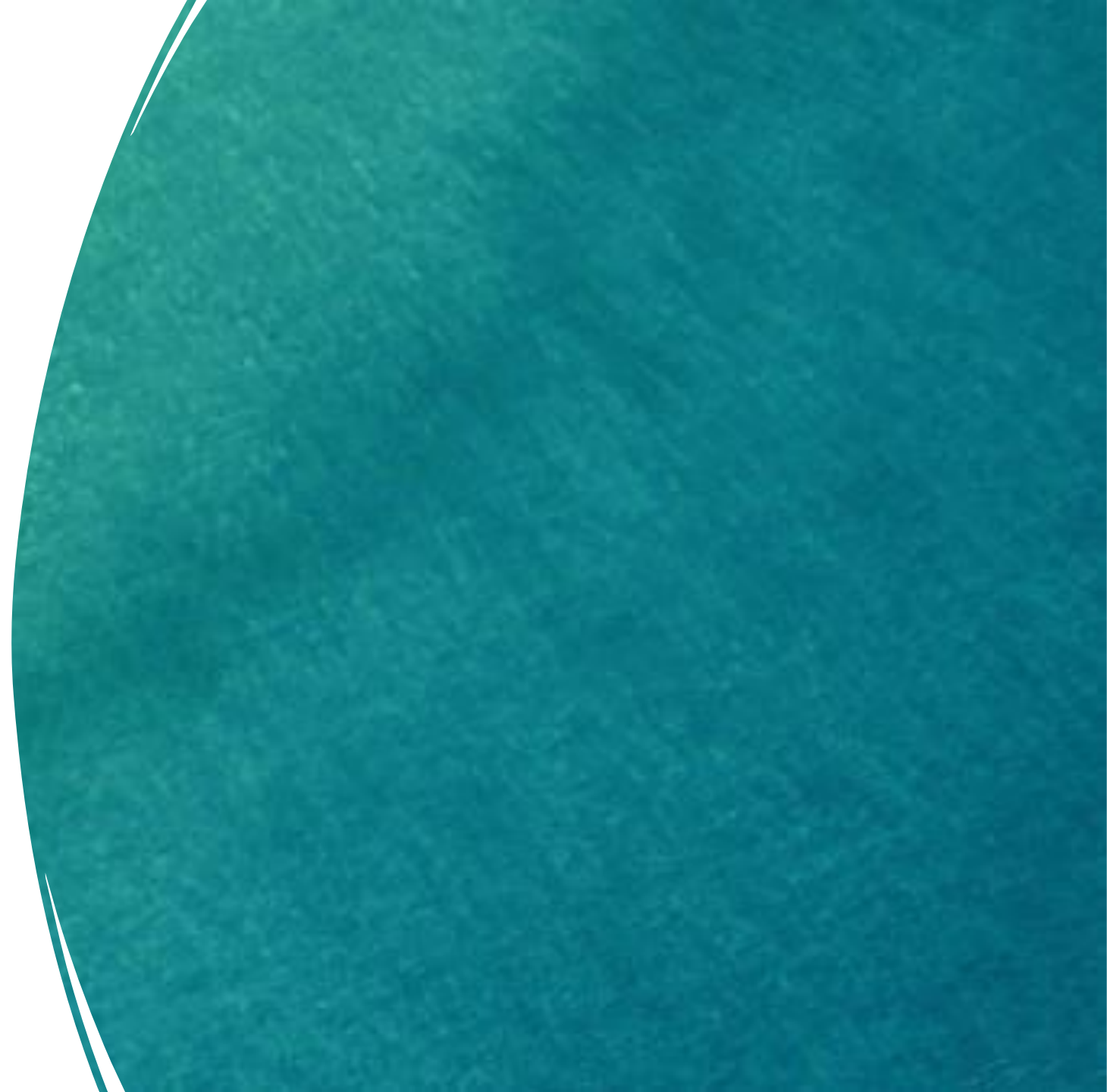
Sustainable agriculture and trade: a policy snapshot outside the WTO

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Sustainable Agriculture and Trade: A Deep Dive Roundtable

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Climate /
UNFCCC



Glasgow Leaders' Declaration on Forests and Land Use (COP26)

- [Glasgow Leaders' Declaration on Forests and Land Use](#), adopted at UNFCCC COP26 in 2021
- Endorsed by 145 countries, not legally binding
- % of global forest covered by endorsers: 91%
- **Aim:** high level political declaration by countries to work collectively to halt and reverse forest loss and land degradation by 2030 while delivering sustainable development and promoting an inclusive rural transformation. Including, *inter alia*, facilitating trade and development policies, internationally and domestically, that promote sustainable development, and sustainable commodity production and consumption, that work to countries' mutual benefit, and that do not drive deforestation and land degradation.
- **Status:** no official monitoring process or accountability framework adopted as part of the Declaration that would allow estimating progress by countries. Followed up by [Forest and Climate Leaders' Partnership](#) (FCLP) at COP27 (*See next slide*)

Forest and Climate Leaders' Partnership (COP27)

- [Forest and Climate Leaders' Partnership](#) (FCLP), launched at UNFCCC COP27 in 2022
- Joined by 26 countries, not legally binding but has an agreed accountability process (see below)
- % of global forest covered by countries joined: 33%
- **Aim:** follow up to the [Glasgow Leader's Declaration](#) aimed at scaling up action to halt and reverse forest loss and land degradation by 2030 while delivering sustainable development and promoting an inclusive rural transformation. Members are committing to play a leadership role to drive forward at least one of the FCLP's action areas, which are: 1) international collaboration on the sustainable land use economy, 2) mobilising public and donor finance to support implementation, 3) shifting the private finance system, 4) supporting Indigenous Peoples' and local communities' initiatives, 5) strengthening and scaling carbon markets for forests, and 6) partnerships and incentives for preserving high-integrity forests.
- **Status:** launched at COP27 in 2022, with an accountability process involving annual meetings and publishing annual Global Progress Reports that include independent assessments of both global progress toward the 2030 goal, and progress made by the FCLP.

FACT dialogue

- Forest, Agriculture and Commodity Trade ([FACT](#)) Dialogue, launched at UNFCCC COP26 in 2021
- Co-chaired by UK and Indonesia, not legally binding
- **Aim:** government-to-government dialogue aiming to bring together the largest producers and consumers of internationally traded agricultural commodities (e.g. palm oil, soya, cocoa, beef and timber) to protect forests and other ecosystems, while promoting trade and development.
- **Roadmap:** [FACT roadmap for action](#) (2021) identifies key areas of work central to achieving the aim of the dialogue. These include trade and market development, smallholder support, traceability and transparency, and research, development and innovation.
- Roadmap supported by Belgium, Brazil, Cameroon, Canada, Colombia, Côte d'Ivoire, Democratic Republic of the Congo, Denmark, the EU, France, Gabon, Germany, Ghana, Indonesia, Italy, Japan, Liberia, Malaysia, Netherlands, Nigeria, Norway, Peru, Republic of the Congo, Republic of Korea, Spain, the UK, the US and Uruguay (27 countries + the EU).
- **Status:** framework and processes for cooperation established in 2022, with 3 to 5 years horizon. See [FACT Progress Report](#) 2022 for more details and concrete planned outputs.

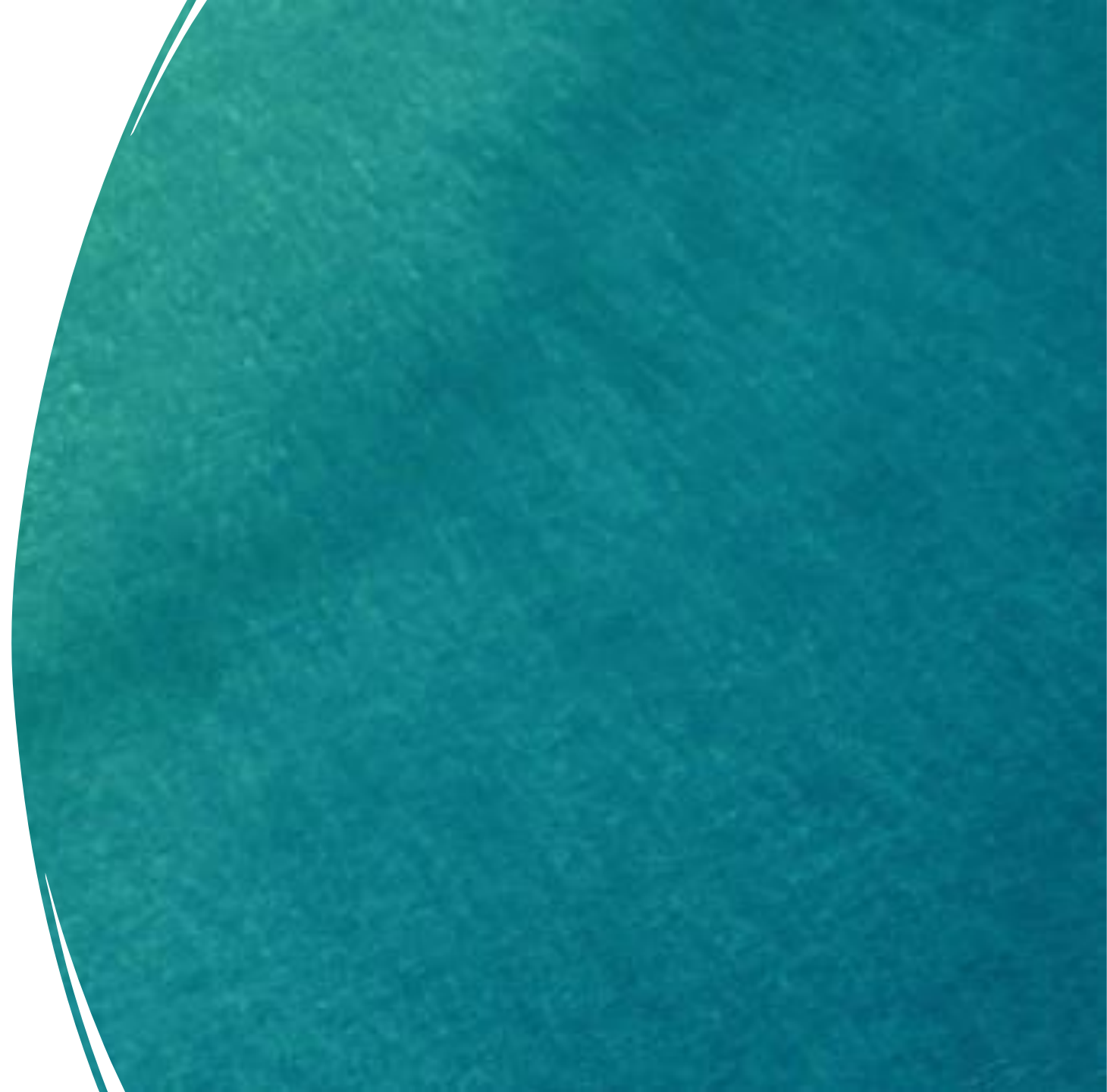
UNFCCC formal negotiations

- Increased acknowledgement of trade interlinkages, but no dedicated / explicit track related to climate and trade (inc. sustainable agriculture)

However, discussions related to agriculture / deforestation (e.g.):

- [Koronivia Joint Work for Agriculture](#) (KJWA)
 - Formal UNFCCC workstream for climate action on agriculture and food security (est. 2017)
 - At COP27 agreement reached on “joint work on implementation” of climate action, agriculture and food security
 - “ ... agriculture took more meeting time than any other item at COP27” ([Carbon Brief](#))
- [REDD+](#)
 - Reducing emissions from deforestation and forest degradation in developing countries
 - Around 60 developing countries are already implementing REDD+ activities
 - At COP27, general renewed political and financial commitment towards climate action and forest seem as positive sign for REDD+
- **Questions moving forward**
 - If / how will the UNFCCC formal negotiation topics link to trade rules, policies and measures?
 - How concrete results will be UNFCCC “adjacent” initiatives on sustainable supply chains and trade deliver (e.g. FACT)?

Biodiversity: UN CBD post-2020



Post-2020 biodiversity framework

- Currently being negotiated in Montreal ...

What we know:

- Trade continues to be seen as a crosscutting issue
- As in previous frameworks, no dedicated target on sustainable trade but ...
- Many targets have concrete trade policy links and, in principle, trade policies and measures can support delivery of all targets (directly or indirectly)
- Targets with key sustainable agriculture relevance (e.g.):
 - Sustainable management and use (inc. areas under agriculture) (Target 10)
 - Business and biodiversity, i.e. assessment and disclosure of biodiversity and human rights impacts by businesses and financial institutions (e.g. in supply chains) (Target 15)
 - Reform of subsidies harmful for biodiversity (Target 18)
- **Question moving forward:** how integral will trade policies and measures become for countries to deliver post-2020 biodiversity objectives?

Supply chain measures and initiatives

Supply chain measures: mandatory

- Several domestic regulations have been recently adopted or are underway to limit deforestation associated with international supply chains.
- These address key globally traded commodities associated with deforestation and aim to ensure the sustainability of supply chains by putting in place requirements for businesses (e.g. due diligence processes)
- For example
 - **Indonesia:** Indonesian Sustainable Palm Oil (ISPO) certification was adopted in 2011 as a mandatory requirement set by the government (*domestic production*)
 - **EU:** Deforestation-free products Regulation, agreed Dec 2022, stipulates that only deforestation- and forest degradation-free products, produced in accordance with local legislation, are allowed on the EU market (*domestic production and imports*)
 - **UK:** UK Environment Act 2021 prohibits the use of products derived from “forest risk commodity” (FRC) unless relevant local laws in producer countries have been complied with (*domestic production and imports*)
 - **US:** US Forest Act, proposed in 2021, prohibits the import of products connected to illegally deforested land (i.e. in violation of law in the producer country) to and establishes roadmaps for countries that need to strengthen environmental regulations (*imports*)

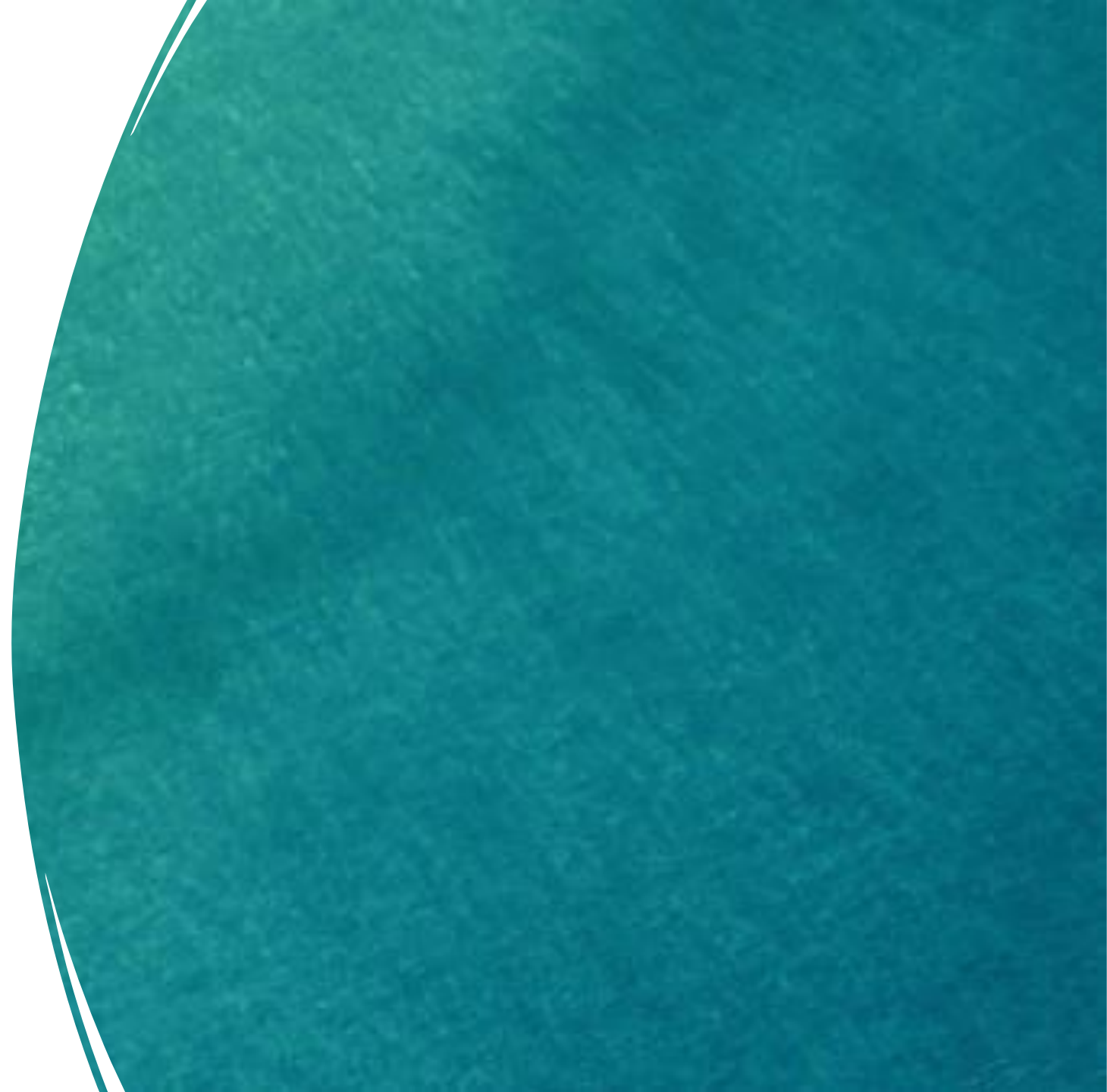
Supply chain measures: voluntary

The screenshot shows the ITC Standards Map App interface. At the top, there are navigation icons for 'Identify', 'Compare', 'Trends', and 'Self-assess'. Below this is a dark blue header with the word 'Identify'. The main content area has a light blue background with a search bar and filter options. The search bar contains the text 'Type to search...'. To the right of the search bar, there is a red circle around the text 'Showing 166 of 322 standards'. Below the search bar, there are two filter sections: 'Filter by Sustainability' and 'Filter by Environment'. The 'Filter by Sustainability' section has a 'Theme' button and a 'Pillar' button. The 'Filter by Environment' section has a list of checkboxes for 'Soil', 'Water', 'Biodiversity', 'Forest', 'Input', 'Waste', 'Energy', 'Climate', and 'Animals'. The 'Filter by Social' section has a list of checkboxes for 'Human Rights', 'Labour rights', and 'Local communities'. The main list of standards includes: ABNT Ecolabel, ADM Responsible Soybean Standard, ARSO - Agriculture – Sustainability and eco-labelling, ARSO Sustainable Cocoa, ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry, and Agricultura Orgánica - Unión Europea.

Questions moving forward (e.g.):

- How harmonize standards and help their recognition between jurisdictions?
- How will voluntary standards be recognized / built upon by the emerging mandatory frameworks?

Regional trade agreements



Regional trade agreements (RTAs)

- There is a growing trend to include environmental and social provisions in RTAs, with direct relevance also for the agricultural sector.
- These are commonly part of RTA Chs on Trade and Sustainable Development / Trade and Environment (e.g.).
 - Obligations based on existing international agreements
 - Obligations related to existing domestic regulations
 - Possible aspirational clauses / cooperation referring to higher levels of protection
- Some RTAs include provisions for promoting trade in sustainable agriculture products (e.g.)
 - [EFTA-Indonesia FTA](#) preferential tariff for sustainable palm oil
 - [New-Zealand-UK FTA](#) environmental goods with liberalised tariffs, including sustainable agriculture
- RTAs can also integrate more comprehensive approaches on sustainable agriculture (e.g.)
 - [EU – Chile Advanced Framework Agreement](#), negotiations concluded 9 Dec 2022, includes a dedicated Ch on Sustainable Food Systems, with the objective of making food supply chains more sustainable and resilient
- **Question moving forward:** integration of sustainability consideration (inc. agriculture) into RTAs likely to continue, but how concrete / comprehensive will it be?

Summary: EU – UK – US regulations

	EU (agreed)	UK (in force)	US (proposal)
Overview	Commodities or products in scope cannot be placed on EU markets unless they are <u>deforestation- and forest degradation-free</u> (after 31 December 2020), have been produced in accordance with local legislation, and are covered by a due diligence statement.	Prohibition on using <u>deforestation-linked commodities</u> and their derivatives that have <u>not been produced in accordance with local laws</u> relating to the ownership and/or use of land. No specific cutoff dates currently defined.	Unlawful to import any product made wholly or in part from a commodity in scope that is produced from land that undergoes <u>illegal deforestation</u> after the date of enactment.
Commodities in scope	Soy, cattle, palm oil, timber, rubber, cocoa and coffee, and related products (e.g. beef, furniture, chocolate, charcoal) List of commodities regularly reviewed and updated, taking into account new data such as changing deforestation patterns	Cattle (beef & leather), cocoa, coffee, maize, palm oil, rubber and soy could all be within scope, but TBC with secondary legislation	Products "made wholly or in part from" palm oil, soybeans, cocoa, cattle, rubber, and wood pulp
Businesses in scope	All operators placing in-scope goods on or exporting them from the EU market. However, reduced due diligence requirements and longer compliance periods for MSMEs.	Only large companies, with the turnover threshold to be set in secondary legislation. Will apply to any large companies using in-scope commodities in the UK no matter their supply chain position. Exemptions for companies handling small volumes.	Applicable to all importing companies
Domestic commodity production coverage	Yes; production within EU markets, including for exports, is within scope	Requirement for compliance with local laws suggests domestic commodity production would be in scope	No; applies only to imported material
Due diligence expectations	Establishment of a system to identify and obtain information about commodities, assess risk and mitigate. Operators must make available to competent authorities a due diligence statement confirming that the due diligence was carried out and that there is no or negligible risk of non-compliance.	Requires the establishment of a system to identify and obtain information about commodities, assess risk of non-compliance with local laws and mitigate risk. Exact details to be outlined in secondary legislation.	Importers must take "reasonable care" (an existing principle in US customs law) to assess and mitigate risks that commodities were produced on illegally deforested land. Customs and Border Protection to provide guidance on what constitutes reasonable care.
Risk benchmarking	Yes; countries will be assessed as low-, standard- or high-risk of producing commodities that are deforestation-free. Simplified due diligence processes for low-risk areas, enhanced checks on operators / traders for high-risk regions. Benchmarking at sub-national level also envisaged.	No indication that benchmarking will be used	Yes; default and high risk, with simplified import declaration requirements for default-risk countries
Traceability	Geolocation of plot-level points of production required for sourcing across all risk levels	There is no express provision for traceability beyond the due diligence requirements	Import declaration with point of production for designated commodities from high-risk countries

For more detailed analysis / source: [Trase](#) Policy Briefing (2022), with updates to the EU Regulation based on the [political agreement](#) (6 Dec 2022)

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Thank you!