

Draft

**European Coffee Federation position paper
Stepping up EU action to reduce EU-driven deforestation
(November 2020)**

The European Coffee Federation and its members welcome the publication of the new EU Biodiversity Strategy for 2030 and share the objectives of the European Commission to protect and restore the world's forests in a sustainable way. Stepping up EU action, including through the adoption of regulatory and non-regulatory measures to avoid or minimise the placing of products associated with deforestation or forest degradation on the EU market, can contribute to tackle global deforestation and alleviate the incidence of agricultural commodities production on ecosystems.

Each year, about 8.8 million hectares of forest land are lost worldwide. One of the main drivers for deforestation is the conversion of forests into farmland. In the European Commission Feasibility study on options to step up EU action against deforestation, coffee is included in the list of key forest risk commodities. While it is recognised that coffee plays a relatively small role in global deforestation, models predict an increase of the global demand for coffee. At the same time, climate change is forecast to modify the landscape of coffee growing regions; it could lead to a reduction by half of the global area suitable for coffee production by 2050, causing potential disruption of coffee supply or deforestation in suitable areas for coffee cultivation in higher altitudes. While research is ongoing to assess the potential for coffee-driven deforestation in the future, we are committed to anticipating and managing risks of adverse impacts on the environment that would arise from such changes to prevent loss of biodiversity and of natural resources.

Escalating agroforestry as well as crop diversification are identified as key drivers for better land management and reforestation in coffee producing countries. Over the years, the coffee sector has engaged in private projects, different certification schemes and industry-wide voluntary initiatives. However, as commodity-driven deforestation continues to increase, we do recognise that voluntary measures need to be upscaled and complemented by regulatory measures to tackle effectively deforestation.

We advocate for thorough impact assessments and support the objectives set out to better mainstream deforestation considerations throughout relevant EU policies, to promote collaboration and exchange of good practices, as well as building up on actions already carried out by governments and the private sector. The EU imports are dominated by agricultural food

and feed products, giving the EU a prominent role to play to tackle global deforestation. We are therefore calling on the EU for:

1. A smart mix of measures harmonised at the EU level

The EU should adopt an approach that encompasses all sectors associated with commodity imports, but that contains specific enough provisions to address the particularities of some sectors, such as the coffee sector. We would like to highlight the complexity of the coffee supply chain. Coffee is grown in more than 70 countries, and more than 80% of the coffee is produced by smallholder farmers, some of which are facing poverty. The future policy framework should be EU-wide – rather than country by country – to increase legal certainty, promote a level playing field and avoid unfair competition from countries with different standards. It should also rely on existing standards and a stronger application of the OECD-FAO Guidance for Responsible Agricultural Supply Chains by European companies and companies operating in the EU.

The EU legal framework should include mandatory due diligence requirements in order to level the playing field for industry, increase supply chain transparency and push businesses to implement impactful actions on the ground to guarantee sustainable and deforestation-free supply chains for products placed on the EU market. The due diligence requirements should be proportionate and complementary with the future initiative on sustainable corporate governance addressing human rights and environmental duty of care and due diligence. It should also allow for a step-by-step implementation approach to give companies sufficient time to establish or strengthen their due diligence processes. We support an EU-wide mandatory due diligence approach as part of a holistic policy framework promoting resilient supply chains through dialogue with all stakeholders and collaboration with coffee origin countries to ensure the resilience and long-term sustainability of the coffee supply chain, from farm to cup, as indicated in our position paper on due diligence published in June 2020.

2. An approach based on collaboration with all stakeholders, including in the producing countries

We welcome the creation of a transparent and inclusive multi-stakeholder platform at EU level to find appropriate and proportionate solutions to address the challenges related to forests. We strongly believe that a successful EU initiative against deforestation and forest degradation that supports the coherence and improvement of existing commitments can only be achieved through dialogue and sharing of best practices with all relevant stakeholders.

The EU approach should provide for the negotiation of framework agreements with governments of producing countries, including time-bound deliverables to complement the EU due diligence system and promote sustainable forest management and deforestation-free

supply chains for agricultural commodities. Such framework agreements could take the form of VPA-type agreements and should cover the provision of technical and capacity-building assistance from the EU in implementing these deliverables.

3. Financial support to encourage the transition towards sustainable forest management and land-use practices

The EU should promote “green investments” and sustainability-linked loans by encouraging banking institutions to take social and environmental commitments and contribute to sustainable forest management and deforestation-free supply chains. This should be complemented by due diligence requirements for EU financial institutions to guarantee that the latter are not linked either directly or indirectly to deforestation.

The EU approach should provide for financial aid to partner countries to support them in developing and implementing national frameworks on sustainable forest management. It should also include financial and technical aid to smallholders who are usually excluded from the financial system, resulting in a lack of investment in their farms and increased pressure on forests and natural ecosystems (e.g. forest clearance to cultivate agricultural commodities). This could be done by mobilising public-private partnerships and by recognising and supporting the sustainability initiatives carried out by the private sector in order to promote transformational solutions to guarantee biodiversity sustainability and social responsibility.

4. Measures that support trade and the import of commodities in order to meet the demand in a smart and sustainable way

Each year, the EU imports over 3 million tons of green coffee from the different coffee origins. Sustainability conditions should be embedded in trade agreements with producing countries. Those sustainable development chapters should be based on internationally agreed conventions, be legally binding as well as enforceable. They should put a strong emphasis on the protection of social rights and the environment so that they can contribute to the improvement of responsible business conduct and have a positive impact on human rights and the environment.

Third-party certification schemes are playing an important role in achieving progress on the social, environmental and economic challenges in agricultural commodity supply chains. The coffee trade and industry rely on independent third-party certification schemes to demonstrate compliance with sustainable sourcing standards. The EU approach should strengthen existing certification schemes for forest-risk commodities with more robust verification rather than developing a new EU label or certification scheme. Robust certification and sustainability standards should be used as complementary tools to assess environmental sustainability

criteria and compliance with the due diligence requirements. Independent monitoring mechanisms should also draw on advanced and updated satellite tools to support deforestation assessment, mapping and monitoring on the ground.

5. An approach that scales up demand for deforestation-free and sustainable products

Consumer demand for products that are produced and manufactured in a sustainable way is on the rise. Dialogue and cooperation with other demand-side countries should be enhanced in order to mainstream and scale up demand for sustainable commodities to drive transformational change along supply chains. It is important for consumers to make an informed choice and not to be misled. Nevertheless, the EU approach should not allow for sustainability to become a marketing tool. Communicating on sustainability should be part of a due diligence approach and reflect commitment and efforts towards responsible business conduct.

We welcome the initiatives to step up EU action to protect and restore the world's forest and support an open stakeholder dialogue – including with producing countries – in which we can share our expertise and experience to find an appropriate and proportionate EU approach to reduce EU-driven deforestation and to promote more sustainable business practices.

The European Coffee Federation (ECF) is the representative organisation for the European coffee trade and industry, speaking for over 700 companies ranging from SMEs to internationally operating companies, representing approximately 35% of the world coffee trade volume. ECF offers its members a forum for exchange, identifying industry-wide issues of common interest in the areas of food safety, sustainability and international trade.