

Implementation of the EU Deforestation Regulation (EUDR): Challenges and demands for decision-makers at national and European level | February 2024

The wood-based value chain Forst-Holz-Papier has long been committed to the sustainable use of wood and therefore also supports the EUDR's goal of halting global deforestation. Although due diligence systems have already been comprehensively implemented under the EU Timber Regulation (EUTR) or sustainability certifications such as PEFC or FSC, affected companies still face considerable challenges, particularly due to the currently unclear requirements of the EUDR and the tight timeframe for implementation.

The requirements of the EUDR regulation impose a disproportionate and unmanageable bureaucratic and administrative burden for businesses, which results in enormous additional human and financial resources and negative effects on international competitiveness. The additional benefit of these excessive regulations is not apparent, particularly for "low-risk countries", which already have effective and efficient enforcement of forest conservation laws.

In its current form, the EU information system provided by the EU is by no means manageable in operational practice, in particular due to the lack of automated input options via data interfaces, as the pilot phase that took place in January 2024 clearly showed.

The content of the EUDR is to be completely revised and adapted to practical requirements.

The deadline must be extended in any case.

In the short term, the Commission must take supply chain processes and operational practice into account when updating the FAQs as well as drafting the guidelines and interpret the outstanding questions accordingly.

Challenges in detail:

• **Legal certainty - lack of legally certain answers to fundamental questions about the EUDR:**

The complexity and unclear wording of the EUDR requirements create considerable room for interpretation, which means that fundamental questions cannot be answered with legal certainty. The affected companies need clarity in a timely manner for EUDR-compliant implementation. The FAQ document published by the EU Commission only offers limited added value for implementation. Although the Commission has announced a guideline, it is still pending. The ministry responsible in Austria (BML) and the corresponding national authority (Federal Forest Office) currently consider the EU to be responsible and are therefore unable to provide any information at this time that would provide legal certainty for those subject to the law.

Issues to be clarified - examples:

- Responsibility and information transfer limits between suppliers and customers
- Imperative flexibility in submitting the due diligence declaration per harvest, delivery or contract
- Documents or information that must be forwarded in the supply chain

- Ensuring data protection across the supply chain
- Dealing with mixtures at the timber yard or in production
- Revision loop/rolling method
- Verification of suppliers for non-SME companies
- Summarisation of reference numbers or installation of interruption thresholds
- Consequences of "non-compliant reference numbers" for the supply chain

• **Administrative burden in practice:**

In order to fulfil the requirements of the EUDR, companies have to deal with an enormous amount of administrative work. In addition to the practical realities of timber harvesting, felling, temporary storage and loading in forests and the problems of GPS and internet availability in remote regions, no account was taken of the fact that thousands of reference numbers have to be forwarded due to mixing at the timber yard and during production in the sales assortments. (Example: delivery of 200 lorries per day, storage of 3 months in the plant, i.e. 200x60 working days = 12,000 reference numbers). This in turn is multiplied in the subsequent processing stages. Analyses from France show that a single book placed on the market by a publisher has up to 300,000 plots deposited.

Without automated input via an interface, this cannot be handled operationally or only with disproportionate effort. It is also of no use to those next in the supply chain to know that the wood comes from one of 12,000 deliveries. Managing and passing on these huge volumes of data is also not expedient due to a lack of serious verifiability. A practical solution must be found for the processing industry. The use of mass balance systems must also be made possible.

The introduction of a rolling method is also considered necessary so that companies do not find themselves in a daily revision loop, as new reference numbers come in every day due to changes in the supply chain. Pragmatic solutions for companies are essential here.

• **EU information system: Technical implementation in practice**

Results of the pilot phase:

In January 2024, the EU information system was available to some companies for testing. The findings are unanimously disastrous. The EUDR information system, the "core element" of data collection, only offers basic functions and does not correspond to the current state of the art. The participants in the pilot phase firmly reject the existing system. There is an urgent need for adaptation and modernisation, as even simple supply chains cannot be mapped.

In the case of complex supply chains, there is no basis for visualisation within the information system. Interfaces (APIs) are absolutely essential for the timely processing of large volumes of data, as otherwise the administrative workload cannot be managed. In day-to-day operations, time-consuming manual input is not possible. Enormous additional human resources would otherwise be required.

A well-founded assessment of system quality proves to be challenging, as fundamental questions of interpretation cannot currently be answered with legal certainty. This applies not only to the beginning of the value chain. There is also a lack of clarity regarding the transfer of relevant data. Furthermore, without a finalised information system, it is not possible to adapt and design industry-specific digital solutions to the new requirements. Due to the urgent need for improvements to the EUDR information system and the unresolved issues, it is simply impossible to implement the obligations of the EUDR by the end of the year.

Supplier and data protection:

Land and forest owners, the processing industry and also traders affected by the EUDR have considerable concerns about data protection and expect negative effects on their business models. The introduction represents an intervention in the existing market and to some extent also in fundamental rights and requires both confidence-building and time to create the necessary awareness of the obligations in the value chain. In order to be compatible with data protection regulations and the protection of sensitive business data, the transfer of data as part of due diligence must be limited to the respective stage across the supply chain, while the controlling authorities have full insight.

System crash:

It is also unclear what happens in the event of a system crash. With up to 200 deliveries per day, separate storage or subsequent manual documentation is not feasible. In addition, the panel and paper industries in particular work "just in sequence", i.e. deliveries go directly into production.

Back-up solutions and the introduction of certain tolerances are therefore essential so that the entire European industry does not come to a standstill in the event of a system crash, which would lead to enormous economic consequences.

• **Low-risk countries: fundamental reconsideration**

There is already an effective and efficient enforcement of forest conservation laws in our legal system. In Austria

and Europe, both forest area and wood stocks have been on the increase for decades. In Austria, forest conversions are subject to strict official authorisation procedures and every form of use is linked to the strict obligation to reforest and thus to the EUDR's goal of preventing deforestation or forest degradation. Control is carried out by the responsible forestry and nature conservation authorities. In our view, it is therefore completely disproportionate and not expedient to create a bureaucratic monstrosity at the expense and to the displeasure of those subject to the law in order to control something that requires no additional control.

Conclusion and demands

The content of the EUDR must be completely revised and adapted to practical requirements.

The unnecessary bureaucratic hurdles should not apply to countries with a proven stable or increasing forest area, demonstrably sustainable forest management and functioning law enforcement across the entire value chain. The focus must be placed primarily on imports into the EU in order to expose the actual perpetrators of deforestation.

The deadline must be extended in any case.

There is currently no way that the requirements of the EUDR can be implemented by 30 December 2024 without prompt clarification of the fundamental content issues and without a technically mature EU information system, even with the most intensive efforts on the part of the affected companies.

Although the requirements of the EUDR pursue an objective that is supported in principle by our industry, the specific regulations do not take into account the processes in practice. **In the short term, the Commission must take supply chain processes and operational practice into account when updating the FAQs as well as drafting the guidelines and interpret the outstanding questions accordingly.**