



Imported deforestation and biomass-related trade issues

Bodil Harder¹, Jette Bredahl Jacobsen¹, Ulla Blatt Bendtsen¹, Jonas Allerup², Aaron Goater³, Michel Colombier⁴, Corinne Le Quéré⁴

1. Danish Council on Climate Change, 2. Swedish Climate Policy Council, 3. UK Climate Change Committee, 4. High Council on Climate, France

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Overview

Deforestation and forest degradation are major contributors to global warming and loss of biodiversity. A large part of the tropical deforestation is driven by demand for agricultural land. Consumer countries play an important role in driving tropical deforestation through imports of forest risk commodities (FRC) such as beef, palm oil, soybeans and also wood.

According to analyses of the planet's boundaries, the future food production for 9–10 billion people in 2050, must not use more land than today, if we are to stay within the boundaries.¹ Nevertheless, as **Figure 1** shows, global tree cover loss and deforestation is still at an alarmingly high level. In order to combat climate change, it is necessary to halt and reverse this development.

Increasing demand for food, fodder and biomass can lead to an increased need for land area and further pressure on biodiversity. For example, when the EU phases out fossil energy, the demand for biomass for energy and materials will likely increase,^{3,4} while the current energy crisis in Europe puts pressure on biomass. Biomass can be cheaper than natural gas and provide materials, fuels for aviation,

ships and road transport and electricity and heat when solar cells and wind turbines do not. In addition, bioenergy with carbon capture and storage (BECCS) is increasingly suggested as a key component for meeting climate targets, as it can provide negative emissions. The demand for biomass resources for this purpose alone has the potential of increasing competition with food production and can potentially induce large-scale land-use changes.⁵

Countries import biofuels and biomass from other countries in order to meet their demand and their territorial climate targets. CO₂ emissions from the use of biomass for energy are not included in the climate accounts of the country that burns the biomass, as, according to UN rules, it should be included in the LULUCF sector of the country where the biomass originates. Thereby it counts as a zero-emission fuel in the import country, because potential deviation from this assumption is included in another country's account. However, the inclusion of the LULUCF sector in meeting climate targets is characterized by methodological differences, large annual fluctuations and major uncertainties. The inclusion of the LULUCF sector does not necessarily provide an incentive to avoid deforestation. This makes the real climate effect of using a given biomass more

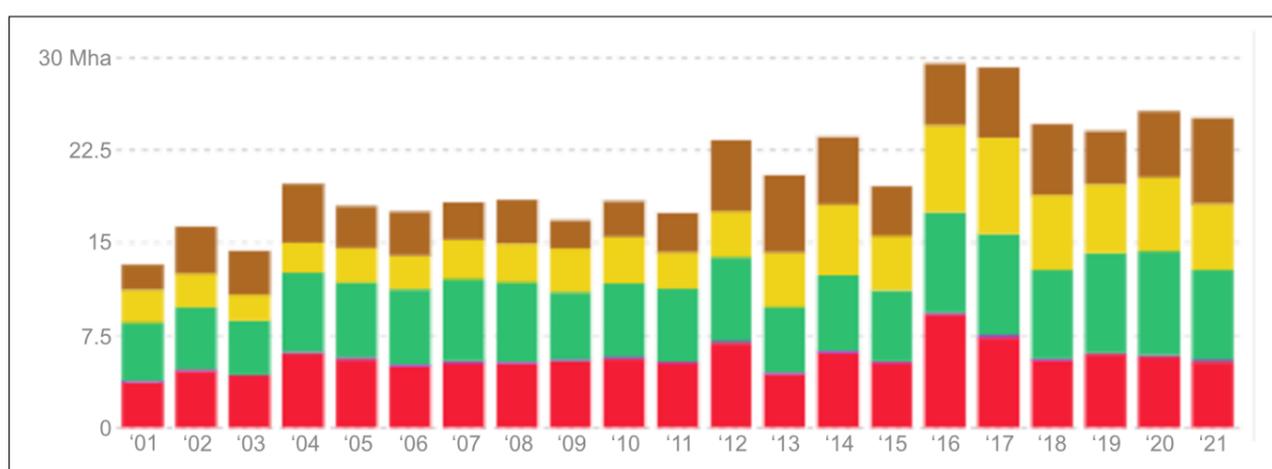


Figure 1. Global annual tree cover loss by dominant driver, 2001–2021. Source: Global Forest Watch.² Note: Red: Commodity Driven Deforestation. Purple: Urbanization. Green: Forestry. Yellow: Shifting agriculture. Brown: Wildfire. Only a part of the tree cover loss is permanent. The main driver of permanent deforestation is commodity driven deforestation in the tropics, while forest degradation mainly occurs in temperate countries.



questionable. Overall, uncertainties associated with the LULUCF sector may lead to either insufficient accounting of emissions or insufficient climate targets.⁶

Limiting the global consumption of land area will be an increasing challenge until 2050, when we are expected to be 9–10 billion people and most countries have to meet net-zero targets.

Policy options

Policy options in consumer countries to address deforestation include⁷:

- *Informational* instruments, such as voluntary certification and labelling schemes.
- *Economic* and *market-based* instruments, such as import tariffs or carbon pricing.
- *Regulation*, such as mandatory due diligence regulation for companies importing FRC or mandatory sustainability criteria.
- *Cooperative* and *supportive* instruments, such as capacity building, monitoring and research.

Consumption-based GHG targets might also be a possibility in order to limit broader effects of bioenergy and imported deforestation. However, as emissions from LULUCF are usually not taken into account in calculations of consumption-based emissions, consumption-based targets fail to handle this issue at the moment.

Approaches

The **European Union** has, in the new Renewable Energy Directive (REDII), introduced sustainability criteria that apply to all biomass used for energy in the EU, regardless of where the biomass comes from. The sustainability criteria regulate the type of biomass that can be counted as renewable energy under the REDII and the land from which biomass can be taken. The criteria are intended to ensure, that trees are legally felled and replanted, forest carbon stocks and sinks are preserved and biodiversity is taken into account. The EU has also introduced the concept of high-ILUC (indirect land use change) feedstocks, consisting of caps on how much of a high ILUC feedstock an EU member-state is allowed to count as renewable energy, covering also imported biomass for energy.

The EU has proposed a new regulation of import and export of commodities and products associated with deforestation and forest degradation.⁸ The objective is to curb deforestation and forest degradation that is provoked by EU consumption and production. This, in turn, is expected to reduce GHG emissions and global biodiversity loss. Furthermore, the EU has proposed a new directive on Corporate Sustainability Due Diligence.⁹ If adopted, the core obligations for companies will be to identify, prevent, mitigate

and account for negative environmental impacts and other risks in the company's operations and value chain.

In the **United Kingdom** the UK Climate Change Committee undertook analysis of biomass sustainability criteria as part of a wider review on *Biomass in a low-carbon economy*, in 2018. More recently they commissioned work on establishing and assessing *trade policies in agriculture and deforestation*. Both reports have informed recommendations to the UK Government relating to both imported deforestation and biomass sustainability, including in their *2022 Progress Report*.¹⁰

In **Denmark**, the Danish Council on Climate Change published, in 2018, a report on the use of biomass in the green transition.¹¹ This report concluded that biomass is not "carbon neutral" and that Denmark consumes such large amounts of biomass for energy that the country cannot be considered a pioneer for the green transition, in this respect. In its latest status report from 2022, the Council warned against the increasing demand for carbon from biomass, in order to deliver on targets for emission reductions, power-to-x, biofuels and negative emissions from BECCS.¹²

Denmark has, in 2021, implemented stricter sustainability criteria for woody biomass than the criteria in the REDII directive. The Danish government has also launched an action plan against deforestation. According to this plan, the soy and palm oil imported to Denmark in 2025 should be verified and documented deforestation-free. This means that production must not have led to illegal or legal clearing of forest. This can be met via certification schemes requiring that the production area was not forest in eg. 2008 or later.

Ways forward

There are regulatory policies and action plans implemented by different countries and the EU in order to promote sustainable use of biomass, responsible and deforestation-free supply chains. However, these initiatives are still insufficient to deal with the global challenge.

Therefore, Climate Councils could set out recommended principles for Governments, such as to:

- Strengthen their efforts to put in place policies that can address deforestation – both imported and local – and avoid further pressure on agricultural land.
- Support regulatory policies and action plans to promote sustainable use of biomass and deforestation-free supply chains.
- Develop policies aimed at reducing the demand for forest risk products, for example



- through national taxes, quotas or informational instruments.
- Develop climate requirements, building on mandatory sustainable criteria and certification schemes, in public procurement and trade agreements.
 - Where relevant, promote regrowth of previously deforested areas.
 - Put in place regulation that motivates actors to minimize deforestation and keep and increase the carbon stock in forests and soils.
 - Secure the production and publication of data on imported biomass, which is not yet included in consumption emissions.

Furthermore, international cooperation is required, as it is difficult for individual countries to handle the challenge within the current international set of rules. The needed international cooperation should seek to change the incentives that drive deforestation and to limit the global consumption of forest risk commodities to a long-term sustainable level. Two points to have a specific focus on in this regard, are coping with the uncertainty associated with measuring carbon stock changes, and alignment of agreements with incentive structures among both consumers and producers across borders.

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The International Climate Councils Network (ICCN) was launched in 2021 as a forum for climate councils from around the world to share experiences, discuss common challenges and support one another in their work.

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