

# EU DEFORESTATION REGULATION: IMPLICATIONS FOR THE PALM OIL INDUSTRY AND SMALLHOLDER FARMERS



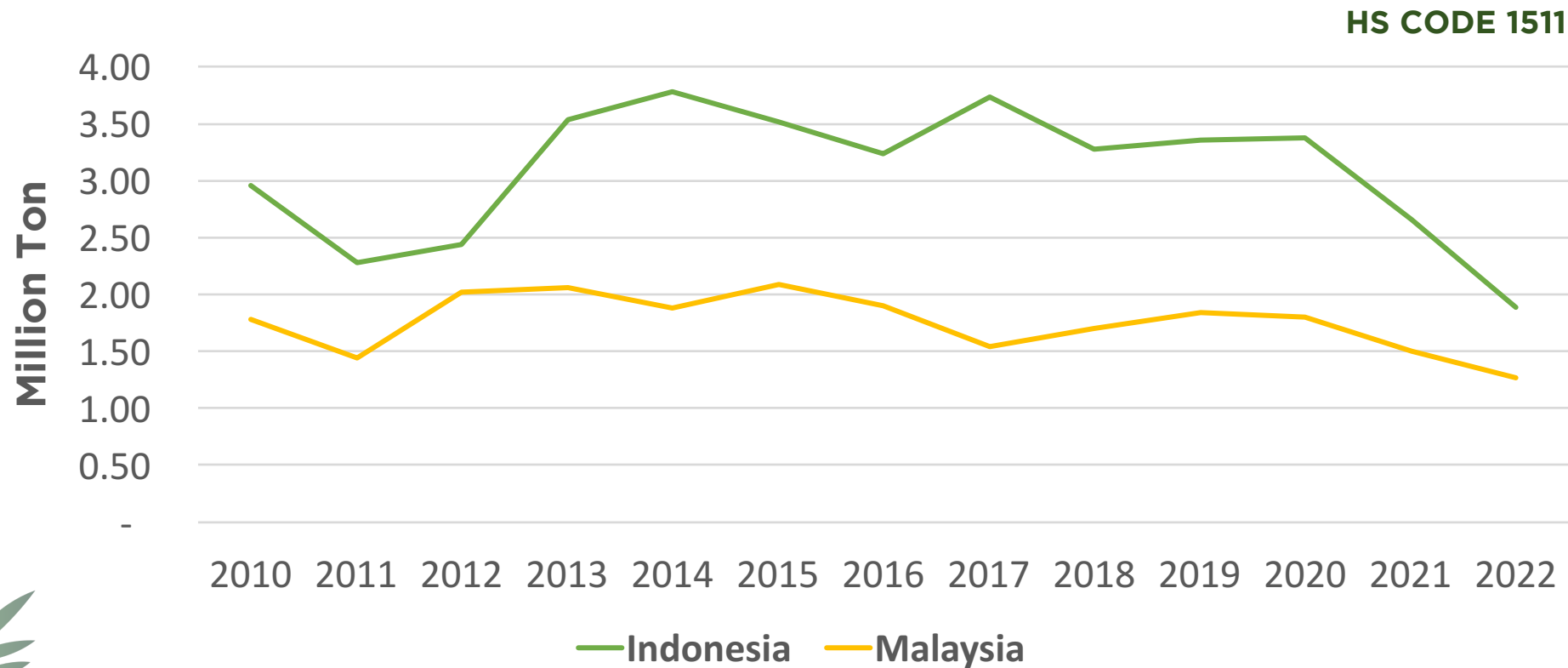
**Fadhil Hasan**  
Indonesian Palm Oil  
Association



**FEEDING  
& ENERGIZING  
THE WORLD**

HANNOVER MESSE 2023

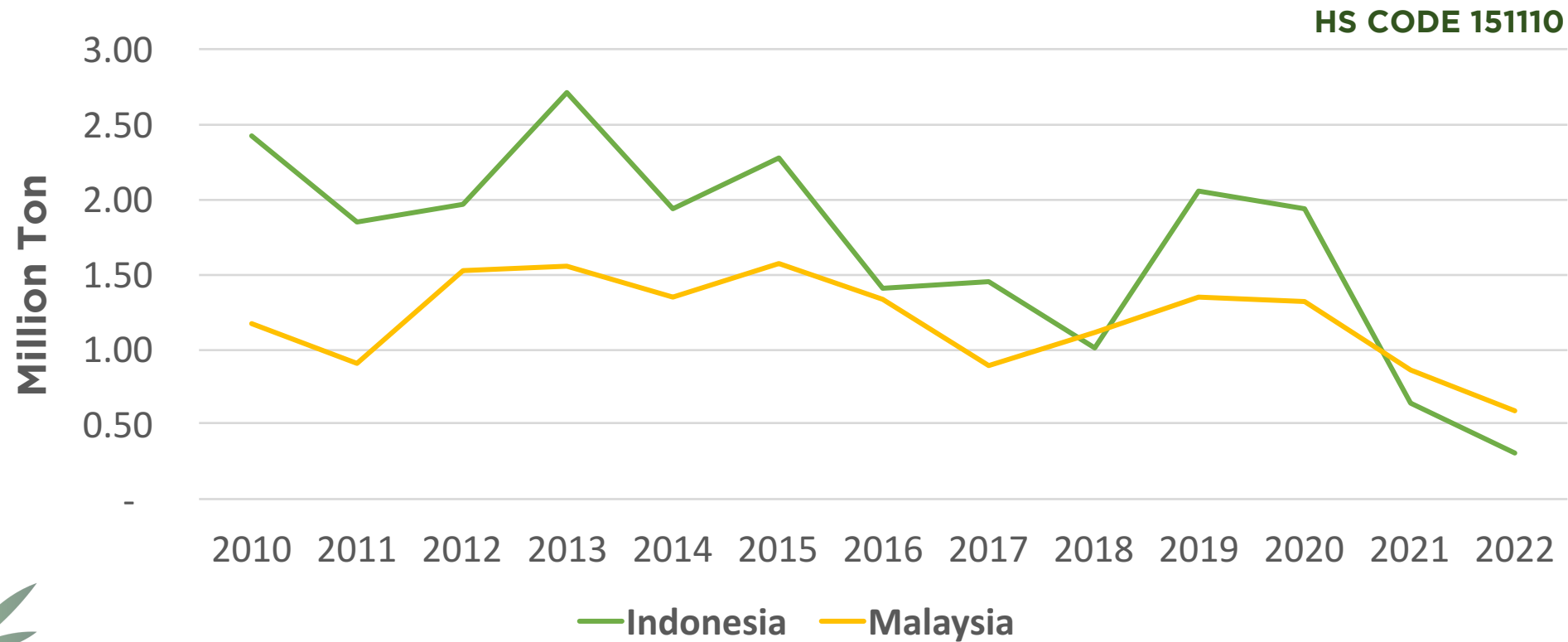
# EUROPEAN UNION IMPORTS FROM INDONESIA & MALAYSIA (HS CODE 1511)



Source : UN Comtrade, 2023



# EUROPEAN UNION IMPORTS FROM INDONESIA & MALAYSIA (HS CODE 151110)



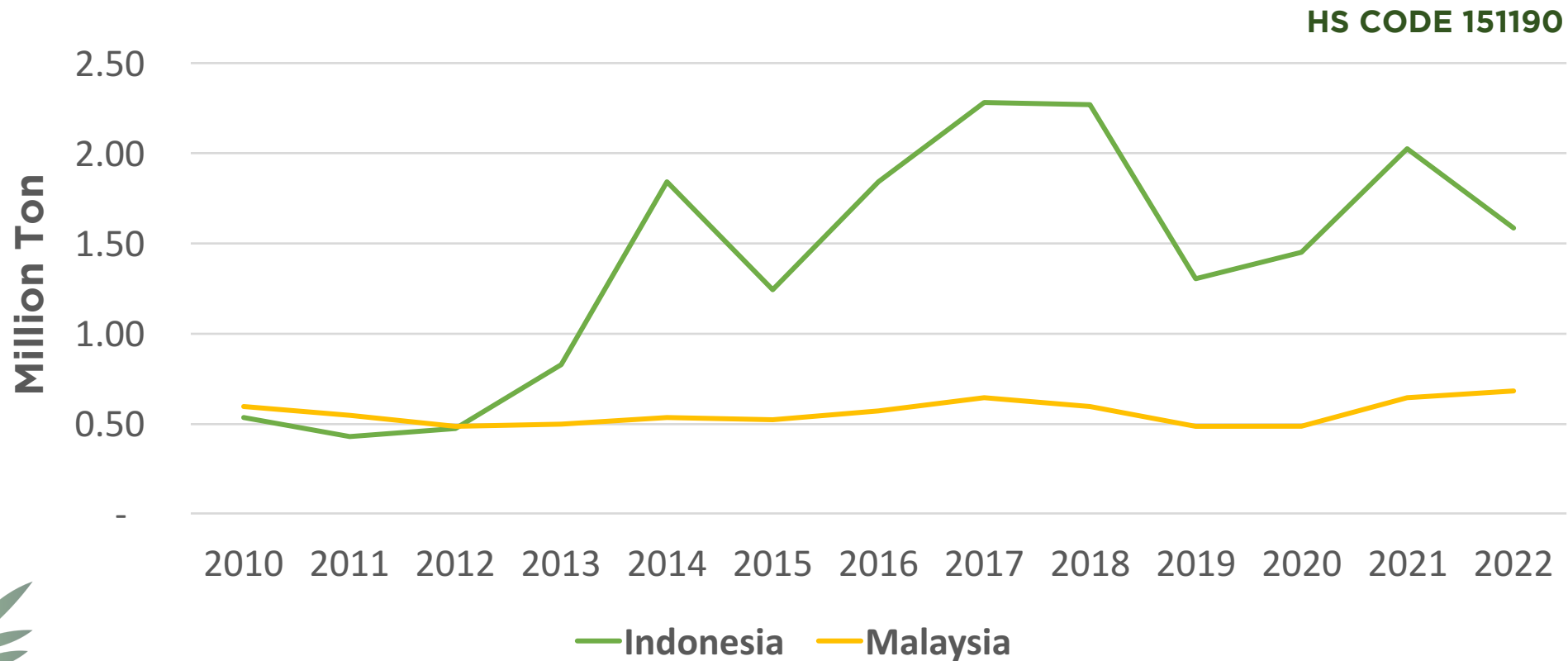
2



Source : UN Comtrade, 2023



# EUROPEAN UNION IMPORTS FROM INDONESIA & MALAYSIA (HS CODE 151190)



3



Source : UN Comtrade, 2023



# KEY ISSUES IN EUDR

Agreement reached between three EU institutions



- 1. Cut-off date**  
for deforestation of  
December 2020
- 2. Implementation Period**  
of 18 months
- 3. Traceability requirements**  
include polygons for all  
plantations (including  
small farmers)
- 4. New EU list**  
including “High-risk” or  
“low risk” designation
- 5. Exemption**  
for small farmers is only 4ha



# IMPLICATIONS: EUDR PROVISIONS



**Geolocation:** polygons and coordinates are a major new burden for proving land coordinates

**Traceability requirements** adds expense and costs for Indonesian exporters

**Segregation requirements** are challenging – sometimes impossible – for small farmers

5



# IMPLICATIONS: EUDR IMPLEMENTATION

Implementing Regulations will be decided over the coming 18 months

EU Commission DG ENVI will write and proposed these regulations

- EU Commission will decide '**High Risk**' designation and which countries are on the 'high risk' list
- How to address national standards (**e.g. ISPO**) is a question that should be addressed
- Can the EU rethink its approach on small farmers and give a **broader exemption**?



6



# PROTECTIONIST PRINCIPLES

1

**The Deforestation Regulation** is a unilateral, and protectionist, attempt to erect trade barriers and add cost burdens for Indonesian palm oil small farmers and exporters.

---

2

**It does not affect EU oilseeds**, but is deliberately targeted at Indonesia and other palm oil producers.

---

3

**This is unacceptable.** Indonesian has gone to the WTO over similar principles in the past

7





# DETAILS



**Scope:** It will apply to palm oil, beef, timber, coffee, cocoa, rubber, and soya beans. Palm oil - and palm kernel oil-based derivatives are also included. EU oilseeds, such as rapeseed and sunflower, are not included, meaning they do not suffer from the costs & burden



**Geolocation & Traceability:** There will be an obligation to precisely provide the geo-location of the plot of land involved in the production/farming of the products & commodities, for each shipment. Small farmers are included in this requirement unless their plot is under 4ha.



**Small Farmers:** Will be required to submit to all additional bureaucracy, costs and technical requirements under the Regulation. Any supply chains including small farmers could potentially be at risk of non-compliance and therefore subject to being ejected from the EU market.



**Free Prior and Informed Consent (FPIC):** Commitment to FPIC has been included in the Due Diligence requirements under the EU Regulation.



**Sanctions:** The entry of products linked to deforestation will be prohibited and all products linked to deforestation will be withdrawn if they are already present on the EU market. Fines will be imposed - a minimum of **4%** of the annual turnover of the operator in the EU.



# INDONESIA'S POSITION



- **Indonesian small farmers** of palm oil could be blocked from the EU market by EUDR.
- **The EU Regulation will increase poverty**, decrease sustainable development, and undermine decades of progress for rural communities and exclude vulnerable groups.
- **The EU Deforestation Regulation** demands on geolocation, traceability and segregation are non-tariff barriers **designed to shut small farmers out of the EU market.**



# KEY QUESTIONS

- Will the government impose new restrictions on selected EU exports, in response to the trade barriers against palm oil contained in the EU Deforestation Regulation?
- Is there already a list of European products that would be targeted in retaliation for the Deforestation Regulation?
- Is there a chance for a WTO challenge if the EU Deforestation Regulation becomes law?
- Does Indonesia still consider the EU as a friendly country, following the Deforestation Regulation's efforts to block palm oil from the EU market?
- Will the government work with other ASEAN nations, especially Malaysia, to slow down EU integration into ASEAN?
- Will the government work with Malaysia to aggressively oppose the EU Deforestation Regulation ?

10



# EU DEFORESTATION REGULATION: IMPLICATIONS FOR THE PALM OIL INDUSTRY AND SMALLHOLDER FARMERS



**Fadhil Hasan**  
Indonesian Palm Oil  
Association



**FEEDING  
& ENERGIZING  
THE WORLD**

HANNOVER MESSE 2023

# THANK YOU



**Fadhil Hasan**  
Indonesian Palm Oil  
Association



**FEEDING  
& ENERGIZING  
THE WORLD**

HANNOVER MESSE 2023

