



Brazilian Environmental Policies and the New European Union Regulation for Deforestation-Free Products: Opportunities and Challenges



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On May 31, 2023, the European Union (EU) took an important step forward in its environmental agenda with the publication of a new regulation on deforestation-free products, known as the European Union Deforestation-Free Regulation (EUDR).¹ This legislation aims to ban the import and trade in the EU of products derived from certain commodities—cattle, soy, oil palm, coffee, cocoa, wood, and rubber—from areas deforested after December 31, 2020.

The EU is an important trading partner for Brazil, so the EUDR will have a significant impact on Brazilian agribusiness.² The EU is the main destination for Brazilian coffee exports, the second-largest destination for Brazilian soybeans and oil palm and their derivatives, and the third-largest for Brazilian cattle and wood and their derivatives, as well as cocoa and rubber.³ Exports of products covered by the EUDR are estimated to have reached US\$ 17.5 billion in 2022.⁴

Bearing in mind that the EUDR is already in force and that the requirements imposed on the import of Brazilian commodities will be enforceable as of December 30, 2024, **researchers from Climate Policy Initiative/Pontifical Catholic University of Rio de Janeiro (CPI/PUC-Rio) have analyzed how existing Brazilian environmental policies dialogue with the European Union Regulation for Deforestation-Free Products and have identified some of the main opportunities and challenges this legislation presents for Brazil.**

1 The official name of the regulation is Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010. Learn more at: bit.ly/44Nh4Oh.

2 Delegation of the European Union to Brazil. *The European Union and Brazil - Trade Relations*. 2021. Access date: August 28, 2023. bit.ly/468Uv84.

3 CNI. "Regulamento da União Europeia condiciona importação de determinadas commodities agrícolas e seus derivados a due diligence de desmatamento". *Análise de Política Comercial* 2, no. 10 (2023): 1-7. bit.ly/48hN4wU.

4 Ibid.

Main Takeaways

Brazil has a sophisticated framework of public policies for the conservation of its forests and other forms of native vegetation, deforestation control, and sustainable agricultural production.

The objectives of the EUDR and Brazilian environmental policies are aligned in their aims to reduce deforestation, lower greenhouse gas (GHG) emissions from land use conversion and protect biodiversity.

Brazil also has technological tools that can help European operators gather information when conducting due diligence process on Brazilian products, including: (i) the Rural Environmental Registry (*Cadastro Ambiental Rural - CAR*), with georeferenced information on forested areas and areas used for agriculture, which can be used for the geolocation of products to be exported; (ii) advanced deforestation monitoring systems, such as the Project for Monitoring Deforestation in the Legal Amazon by Satellite (*Projeto de Monitoramento do Desmatamento na Amazônia Legal por Satélite - PRODES*), and the Real-Time Deforestation Detection System (*Sistema de Detecção do Desmatamento em Tempo Real - DETER*); and (iii) traceability, monitoring, and certification initiatives for the cattle commodity chain, such as Meat TAC and Green Seal, and for the soybean commodity chain, such as the Soy Moratorium and the Roundtable for Responsible Soy.

The EUDR thus presents an opportunity for Brazil to move forward in its implementation of the Forest Code and especially the CAR; to strengthen policies combatting deforestation and meet its goal of zero illegal deforestation by 2030; and to develop national systems for commodity chain monitoring and traceability. The effective implementation of Brazilian environmental policies can serve as a certificate of sustainability for the country's agricultural production, which can guarantee a greater share of Brazilian products in the European market and help open new markets.

Along with these opportunities, **the EUDR also presents a number of challenges**. The rules will be enforced as of December 30, 2024, which **gives Brazilian producers little time to prepare to meet the due diligence requirements of European importers**. The technological tools that could be used for due diligence are at different stages of development and implementation in Brazil's states and biomes. Moreover, the **additional costs incurred during the due diligence process** will have an unequal impact on smallholders and traditional communities compared to medium and large-scale producers.^{5,6} Finally, it should be noted that the European Commission has not yet finished classifying countries by risk of deforestation, so **there is uncertainty as to how Brazil will be classified and whether this classification will be regionalized and/or differentiated by biome**. Brazil's classification will determine how much the EUDR impacts Brazil's agricultural sector and which due diligence procedures are required.

⁵ Zhunusova, Eliza et al. "Potential impacts of the proposed EU regulation on deforestation-free supply chains on smallholders, indigenous peoples, and local communities in producer countries outside the EU". *Forest Policy and Economics* 143, no. 102817 (2022). [bit.ly/45PtKyN](https://doi.org/10.1016/j.fpe.2022.102817).

⁶ Oliveira, José Carlos. *Diante de impactos comerciais, Brasil pode recorrer à OMC contra lei europeia sobre desmatamento*. Portal da Câmara dos Deputados. 2023. Access date: August 28, 2023. [bit.ly/45XID92](https://www.camara.gov.br/legislacao/comunicado/102817).

This document describes (i) the context in which the EUDR was adopted and criticisms of the EU's unilateral stance on combatting deforestation; (ii) the main rules of the EUDR; and (iii) how Brazilian environmental policies dialogue with the EUDR, considering the opportunities and challenges of the Forest Code, policies to control and combat deforestation, policies for sustainable agriculture, and initiatives for commodity chain monitoring and traceability.

Background of the EUDR and Criticism of the EU's Unilateral Stance on Combatting Deforestation

The EUDR fits into the context of the European Green Deal, a climate transition plan that includes a series of industry strategies to achieve the goal of GHG emissions neutrality by 2050. A standout piece of the Green Deal is the *Farm to Fork* agricultural strategy. It aims to promote sustainable agri-food systems and is expected to reduce European agricultural production and, consequently, increase commodity imports, impacting international markets.^{7,8} To minimize the EU's contribution to deforestation, GHG emissions, and biodiversity loss from the production of imported commodities, the Green Deal also relies on international trade policies such as the EUDR to reach its objectives.

The EU has been criticized for not using multilateral spaces to coordinate with commodity-producing countries—many of which are developing countries—on the best ways to reconcile food production with environmental protection.⁹ The EUDR has been presented as a unilateral and prescriptive regulation for the EU's trading partners, raising concerns about whether the regulation is compatible with the multilateral rules of the World Trade Organization (WTO).^{10,11,12}

Recently, 17 countries from Latin America and Caribbean, Africa, and Asia sent a letter to European authorities, expressing their concerns about the implementation of the regulation. Furthermore, they requested that European officials adopt more effective cooperation processes and establish meaningful and open dialogues with the producing countries. These countries emphasize the direct impacts on smallholders. Therefore, they appeal to the European Commission to consider differentiated compliance and due diligence regimes, specifically for products and commodities originating from smallholders in developing countries.¹³

Moreover, the EUDR ends up favoring countries that have expanded agricultural production at the expense of their natural vegetation. Brazil is one of the world's largest food producers and exporters, yet it has still conserved 64% of its native vegetation.¹⁴ The new EUDR rules impose additional demands and costs on producers in countries that have to reconcile increasing

7 Beckman, Jayson et al. *Economic and Food Security Impacts of Agricultural Input Reduction Under the European Union Green Deal's Farm to Fork and Biodiversity Strategies*. U.S. Department of Agriculture. 2020. bit.ly/45PdioF.

8 Henning, Christian and Peter Witzke. *Economic and Environmental impacts of the Green Deal on the Agricultural Economy: A Simulation Study of the Impact of the F2F-Strategy on Production, Trade, Welfare and the Environment based on the CAPRI-Model - Executive Summary*. 2021. bit.ly/48itmko.

9 WTO. *Joint Letter - European Union Proposal for a Regulation on Deforestation-free Products*. 2022. bit.ly/45Q9MKZ.

10 CNI. "Regulamento da União Europeia condiciona importação de determinadas commodities agrícolas e seus derivados a due diligence de desmatamento". *Análise de Política Comercial* 2, no. 10 (2023): 1-7. bit.ly/48hN4wU.

11 Munhoz, Leonardo. "Medidas Ambientais e Comércio Internacional". *Agroanalysis* 43, no. 6 (2023): 27-28. bit.ly/46gwXxP.

12 Oliveira, José Carlos. *Diante de impactos comerciais, Brasil pode recorrer à OMC contra lei europeia sobre desmatamento*. Portal da Câmara dos Deputados. 2023. Access date: August 28, 2023. bit.ly/45XID92.

13 Ministério das Relações Exteriores. *Nota à imprensa nº 377: Carta de países em desenvolvimento a autoridades europeias sobre a entrada em vigor da chamada "lei antidesmatamento" da União Europeia*. 2023. Access date: September 10, 2023. bit.ly/48kmxPh.

14 MAPBIOMAS. *Infográficos*. nd. Access date: September 27, 2023. bit.ly/3ZvZuxd.

agricultural production with the protection of their forests, but they do not reward producers for the sustainability of their commodities. To minimize the risks, European operators can favor products from countries that do not face the same challenge. The EU itself recognizes, in the EUDR risk assessment, that the regulation could have a negative impact on Brazil and favor the United States.¹⁵ In this sense, the regulation does not necessarily help countries that need to conserve forests, because it does not reward them for doing so.

Understanding the European Union Regulation for Deforestation-Free Products

Scope

The EUDR concerns the import and trade, within the EU, of products derived from cattle, soy, coffee, cocoa, oil palm, wood, and rubber. These products must be “deforestation-free”, that is, they must not come from areas that were deforested or degraded after December 31, 2020. The commodities and derived products that fall within the scope of the regulation are those listed in its Annex 1, including cattle/beef, soybean/soybean meal and oil, coffee, cocoa/chocolate, wood/furniture, and others. The regulation also provides for the possibility of adding new products in the future, either from the same commodities or from new ones.

The scope of application of the EUDR is limited, as it covers deforestation or degradation¹⁶ exclusively of forests. The regulation defines a forest as land with an area greater than 0.5 hectares, trees taller than five meters, and forest cover greater than 10%. The conversion of other forms of native vegetation for commodity production is thus not covered. In the future, however, the scope of the EUDR could be extended to cover “other wooded land” and even other natural ecosystems, following a legislative proposal.¹⁷

¹⁵ European Commission. *Impact Assessment - Minimising the risk of deforestation and forest degradation associated with products placed on the EU market*. 2021. bit.ly/3rjSAOH.

¹⁶ *Forest degradation* is defined in the EUDR as the conversion to plantation forests of primary forests or natural regeneration. This definition differs from the concept adopted in Brazil and, as a result, the regulation leaves out several areas threatened by forest degradation, which are those that maintain part of the primary forest but suffer from the gradual removal of vegetation and, consequently, the loss of their biomass. Learn more at: Gandour, Clarissa et al. *Forest Degradation in the Amazon: Public Policy Must Target Phenomenon Related to Deforestation*. Rio de Janeiro: Climate Policy Initiative, 2021. bit.ly/ForestDegradation.

¹⁷ The EUDR provides for the possibility of submitting a legislative proposal, by June 30, 2024, for the inclusion of “other wooded lands”, and for the submission of a legislative proposal by June 30, 2025 for the inclusion of other natural ecosystems.

Due Diligence Procedure

Operators¹⁸ and large traders¹⁹ in the European Union will need to conduct due diligence to prove that their products are deforestation-free before making them available on the European market. Due diligence will involve three elements: (i) information gathering, (ii) risk assessment, and (iii) risk mitigation when a risk is deemed significant. The statement of due diligence must be submitted to the competent European authorities via an information system at the moment the product enters the EU.

The information gathering stage will include the geolocation of every plot of land where a commodity is produced, taking into account the entire commodity chain. It will also be necessary to obtain information, data, and documents proving that a product comes from an area free from deforestation, and that it was made in accordance with the legislation of the country of origin, including the protection of the rights of indigenous peoples and traditional communities.²⁰

System for Classifying Countries by Risk of Deforestation

The EUDR establishes a benchmarking system to classify countries, as a whole or by region, as being at high risk of deforestation, medium (standard) risk, or low risk, using criteria such as deforestation rates, agricultural or cattle expansion, commodity production trends, and others. This classification, which will be finalized by December 30, 2024, will mean different due diligence procedures. The procedure will be simplified for countries classified as low risk, requiring only the information gathering stage. But countries classified as medium or high risk will have to complete the entire process, including not only information gathering, but also risk assessment and mitigation.

Penalties

Finally, the EUDR establishes a series of penalties in case of non-compliance. These penalties include fines proportionate to the environmental damage and amounting to at least 4% of the operator's total annual turnover, confiscation of products and their associated revenues, and a temporary prohibition on the import and trade of products covered by the regulation.

¹⁸ The EUDR defines an *operator* as any natural or legal person who places products covered by the regulation on the EU market for the first time, as in the case of importers.

¹⁹ The EUDR defines a *trader* as any person in the supply chain, other than the operator, who, in the course of a commercial activity, makes products available which are subject to the regulation. Retailers, distributors, and processors can be classified as traders. Only traders who are not considered micro, small, or medium-sized enterprises (SMEs) are obliged to conduct the due diligence process. Traders classified as SMEs need to maintain a record of information related to operators or other traders. This includes: (i) those who supplied them with the products, along with the reference numbers of the due diligence statements associated with these products; and (ii) those to whom they sold the products.

²⁰ Operators who on December 31, 2020 were classified as micro or small enterprises will have until June 30, 2025 to adapt to the requirements of the EUDR.

How Brazilian Environmental Policies Dialogue with the EUDR: Opportunities and Challenges for Brazil

Brazil has comprehensive legal and environmental policy frameworks, which are in the process of being improved to better meet the challenges of combatting climate change and preserving biodiversity while also guaranteeing food security and productive inclusion in rural areas. Considering the umbrella of public policies, three stand out in the context of the EUDR. These include the Forest Code, policies to monitor and combat deforestation, and policies to promote sustainable agriculture, including systems for commodity chain monitoring and traceability.

The Forest Code and the CAR as a Certificate of Sustainability for Brazilian Agricultural Production

The Forest Code (Law no. 12.651/2012) is the main national policy for conserving forests and other forms of native vegetation in private areas, establishing limitations on the use and occupation of land on rural properties. The law adopts two conservation instruments: Permanent Preservation Area (*Área de Preservação Permanente* - APP) and Legal Forest Reserve, in which native vegetation must be preserved. Although they have different implementation rules and environmental functions, APPs and Legal Forest Reserves share the common goal of conserving biodiversity.²¹ The Forest Code also establishes rules for removing native vegetation in areas of alternative land use, areas outside APPs and Legal Forest Reserves in which deforestation is allowed in the pursuit of economic activities. Legal deforestation requires authorization from the competent authorities and must be offset by forest replacement, which can be understood as an environmental compensation mechanism for authorized deforestation.

More than just a tool for protecting Brazil's remaining forests, the Forest Code, and its conservation instruments, can help accelerate the intensification of land use by providing incentives for expanded agricultural or cattle production through productivity gains rather than by the opening of new areas. Estimates suggest that food production in Brazil could be doubled just by increasing productivity and expanding into degraded areas, without the need for any additional deforestation.²²

The Forest Code also introduced an important instrument for managing and monitoring rural properties, and for accompanying their environmental adaptation—the CAR. The CAR is a public database that stores georeferenced data about APPs, Legal Forest Reserves, and remnants of native vegetation, along with data on degraded areas and areas used for agricultural activities. All rural properties are required to register with the CAR. European operators will be able to use geospatial data from the CAR during the due diligence process, when they will have to report the geolocation of every plot of land where commodities are produced. CAR data can also be cross-referenced with satellite images to prove that products are free from deforestation, that is, that they do not come from areas deforested after December 31, 2020.

21 APPs are sensitive areas that are necessary for the preservation of essential environmental services, such as water supply, regulation of the hydrological and climatic cycle, maintenance of biodiversity and geological stability, and soil protection. APPs include strips of vegetation along watercourses; areas around springs, lakes and lagoons; hilltops; areas at altitudes above 1,800 meters; sandbanks; and mangroves. A Legal Forest Reserve is a percentage of the total area of a rural property in which native vegetation cover must be maintained, ensuring that natural remnants of each biome is preserved. The percentage of Legal Forest Reserve varies from 20% to 80%, depending on the type of vegetation and geographical region of the country. The law allows the sustainable economic use of the Legal Forest Reserve's natural resources.

22 Antonaccio, Luiza et al. *Ensuring Greener Economic Growth for Brazil*. Rio de Janeiro: Climate Policy Initiative, 2018. bit.ly/GreenerEconomic.

In addition, the National Rural Environmental Registry System (*Sistema Nacional do Cadastro Ambiental Rural - SICAR*), which integrates and manages environmental information on all rural properties, also includes information on the regularization and environmental monitoring of APP and Legal Forest Reserve liabilities. **CAR/SICAR could thus potentially be used as a national certificate of sustainability for Brazilian agricultural production, proving not only that a rural property and its production comply with the rules of the Forest Code, but also that they meet the requirements of the EUDR due diligence process.** This would save European operators the arduous task of having to gather information on the production of commodities and derived products, or having to hire private consultants or certifiers to do it for them. It would also keep these potential additional costs from being passed on to Brazilian producers and placing even more burden on production.^{23,24}

However, the effective implementation of the CAR still faces several challenges. The property registration stage is a success, with almost seven million registrations. But since the CAR is a self-declaratory registry, the information supplied by producers needs to be analyzed by the competent state agencies and, if necessary, corrected by the landowners. The data analysis stage of the CAR is currently the biggest bottleneck in the implementation of the Forest Code. The difficulties with data analysis include (i) a high number of registrations; (ii) the low quality of registrations; (iii) insufficient cartographic databases to support analyses; (iv) trouble communicating with landowners to request corrections and additional information; and (v) absence of an in-house team dedicated to analysis, or a reduced technical team for this function.²⁵ Despite these challenges, the adoption of automated CAR analysis tools—such as São Paulo’s streamlined analysis system, and CAR 2.0, recently adopted in Pará—show that it is possible to gain scale in analysis.

When the CAR analysis indicates that the area has liabilities in APP and Legal Forest Reserves, the producer needs to join the PRA and propose a recovery plan. The regularization parameters depend on the date of deforestation and the property’s size. Deforestation that occurred before July 22, 2008, is subject to more flexible criteria, and small properties receive differentiated treatment. The implementation of the PRA and the restoration of liabilities in APP and Legal Forest Reserve are criteria for assessing compliance with the Forest Code. It is essential that federal and state governments move together toward the effective implementation of the Forest Code, especially the CAR and the PRA, since these can be used for the EUDR due diligence process.

23 Oliveira, José Carlos. *Diante de impactos comerciais, Brasil pode recorrer à OMC contra lei europeia sobre desmatamento*. Portal da Câmara dos Deputados. 2023. Access date: August 28, 2023. bit.ly/45XID92.

24 CNI. “Regulamento da União Europeia condiciona importação de determinadas commodities agrícolas e seus derivados a due diligence de desmatamento”. *Análise de Política Comercial* 2, no. 10 (2023): 1-7. bit.ly/48hN4wU.

25 Lopes, Cristina L., Lourdes Machado, and Joana Chiavari. *Onde Estamos na Implementação do Código Florestal? Radiografia do CAR e do PRA nos Estados Brasileiros - Edição 2022*. Rio de Janeiro: Climate Policy Initiative, 2023. bit.ly/OndeEstamos2022.

Policies to Control and Combat Deforestation

Land use change through the conversion of forests and other forms of native vegetation has always been Brazil's main source of GHG emissions and are currently responsible for almost 50% of the country's emissions.²⁶ Controlling deforestation is thus essential to Brazil's climate policy.

In 2004 the Brazilian government adopted the **Action Plan for the Prevention and Control of Deforestation in the Legal Amazon (Plano de Ação para Prevenção e Controle do Desmatamento da Amazônia Legal - PPCDAM)** with the goal of combatting deforestation and promoting sustainable development in the region. PPCDAM established a new approach to protecting the Amazon rainforest, adopting various strategies and policies, including (i) satellite monitoring of deforestation in near real time; (ii) priority action in municipalities with recent deforestation; (iii) strategic expansion of protected areas; and (iv) making subsidized rural credit contingent on compliance with environmental requirements.²⁷

Six years earlier, in 1998, the country implemented the **Project for Satellite Monitoring of Deforestation in the Legal Amazon (Projeto de Monitoramento do Desmatamento na Amazônia Legal por Satélite - PRODES)**, which monitors vegetation cover and publishes the annual deforestation rates that are used by the Brazilian government to establish public policy.²⁸ The launch of the system for the **Detection of Deforestation in Real Time (Detecção do Desmatamento em Tempo Real - DETER)** in 2004 represented a major leap forward in the country's capacity to monitor the Amazon, through daily deforestation alerts that guide command and control efforts and enable enforcement agencies to act effectively. PRODES and DETER are systems of the National Institute for Space Research (*Instituto Nacional de Pesquisas Espaciais* - INPE), and their transparency and methodological consistency are recognized.²⁹

The PPCDAM contributed to a drop of over 80% in the annual deforestation rates in the Amazon between 2004 and 2012.³⁰ The Brazilian government expanded this policy to other biomes with the PPCerrado in 2010 and the Environmental Monitoring Program for Brazilian Biomes (*Programa de Monitoramento Ambiental dos Biomas Brasileiros* - PMABB) in 2015. Deforestation rates in the Amazon have been on the rise again since 2012, with a sharp increase between 2019 and 2022, when the country experienced a period of environmental setbacks, especially with regard to command and control policies.³¹ In 2023 the new government implemented the fifth phase of the PPCDAM, with a target of zero deforestation by 2030,³² and a new phase of the PPCerrado is being developed.³³ The Brazilian government's renewed efforts to curb deforestation in the Amazon are already having an effect. From January to July 2023, the region saw a 42% drop in deforestation compared to the same period last year.³⁴

26 SEEG. *GEE Brasil 2021*. 2021. Access date: August 28, 2023. bit.ly/3ZICml2.

27 Climate Policy Initiative. *Proteção Florestal Baseada em Evidência*. Ferramenta de visualização de literatura acadêmica. 2021. bit.ly/ConjuntoDeEvidencias.

28 OBT/INPE. *Monitoramento do Desmatamento da Floresta Amazônica Brasileira por Satélite*. nd. Access date: August 28, 2023. bit.ly/3zV4C3e.

29 OBT/INPE. *Excelência de dados do INPE é destaque no SBSR*. 2019. Access date: August 28, 2023. bit.ly/44R15A2.

30 Santos, Daniel, Manuele L. dos Santos, and Beto Veríssimo. *Fatos da Amazônia: Meio Ambiente e uso do solo*. Amazônia 2030, 2022. bit.ly/3sOXGmK.

31 Ibid.

32 Ministério do Meio Ambiente e Mudança do Clima (MMA). *Plano de Ação para Prevenção e Controle do Desmatamento na Amazônia Legal - PPCDAM: 5ª Fase (2023 a 2027)*. 2023. bit.ly/3Zyult7.

33 Prizibisczki, Cristiane. "Plano de controle do desmatamento no Cerrado começa a sair do papel". *O Eco*. 2023. Access date: August 28, 2023. bit.ly/3Pllzsk.

34 Serviços e Informações do Brasil. *Desmatamento na Amazônia tem queda histórica de 66% em julho*. 2023. Access date: August 28, 2023. bit.ly/3sVBjvS.

It should be noted that in the PPCDAM, *zero deforestation* refers to halting illegal deforestation and offsetting the legal removal of native vegetation and resulting GHG emissions. This target is in line with the Forest Code, which allows deforestation for agricultural use on land outside APPs and Legal Forest Reserves, as long as it is authorized by the competent authorities and offset by forest replacement. In addition, the PPCDAM provides economic incentives for the conservation of areas vulnerable to deforestation. As the EUDR prevents the sale of products from deforested areas regardless of whether the deforestation is legal or illegal, this poses a challenge for making the European regulation compatible with Brazilian legislation. Approximately 99% of deforestation in Brazil shows signs of illegality, and only 1% is legal.³⁵ This figure for legal deforestation may be underestimated, since there is not adequate transparency and access to data on authorizations to suppress vegetation.

Another difference between European and Brazilian policy is that Brazilian policies aim to protect and combat the deforestation of *all* forms of native vegetation, while the EUDR only deals with the conversion of forest into agricultural areas or pasture. The EUDR may therefore have a limited impact on reducing deforestation in Brazil, since it does not cover deforestation in the Cerrado or Pantanal (at least in non-forested areas).

In addition, the literature shows that mining, illegal mining, and land grabbing/speculation are also important drivers of deforestation.^{36,37,38} Therefore, restrictions placed only on the international trade of agricultural commodities and timber may not have the desired effect of reducing deforestation in the Amazon.

Despite these considerations, the EUDR presents an opportunity for Brazil to strengthen its policies combatting deforestation and achieve its goal of zero illegal deforestation by 2030.

Sustainable Agricultural Policies and Initiatives for Commodity Chain Monitoring and Traceability

Over the last 40 years, Brazil's agricultural production has expanded by replacing extensive cultivation techniques, which require large amounts of land, with techniques that are more intensive in science, technology, and innovation. This has enabled agricultural expansion through productivity gains and intensification. Over this period, agricultural production has increased by 385%, while the area used for agriculture has increased by only 32%.^{39,40}

35 MAPBIOMAS. *Relatório Anual de Desmatamento 2022*. 2023. bit.ly/3Jnt0hQ.

36 Risso, Melina et al. *O ouro ilegal que mina florestas e vidas na Amazônia: uma visão geral da mineração irregular e seus impactos nas populações indígenas – Sumário Executivo*. Rio de Janeiro: Instituto Igarapé, 2021. bit.ly/46cujsU.

37 Lima Filho, Francisco Luis, Arthur Bragança, and Juliano Assunção. *The Economics of Cattle Ranching in the Amazon: Land Grabbing or Pushing the Agricultural Frontier?* Rio de Janeiro: Climate Policy Initiative, 2021. bit.ly/AmazonLandGrabbing.

38 Moutinho, Paulo and Claudia Azevedo Ramos. "Untitled public forestlands threaten Amazon conservation". *Nature Communications* 14, no. 1152 (2023). bit.ly/48f5huO.

39 Assunção, Juliano. *The Next Step Towards Climate Change Mitigation: Improving Productivity of Brazil's Agricultural Lands*. Rio de Janeiro: Climate Policy Initiative, 2017. bit.ly/AgriculturalLandProductivity.

40 MAPA. *Diretrizes para o Desenvolvimento Sustentável da Pecuária Brasileira*. 2020. bit.ly/3rdpnoG.

By continually investing in research, development, and innovation and improving public policies, Brazil can keep strengthening both its rural economy and environmental protections. The promotion of sustainable agriculture is gaining momentum, mainly through the rural credit policy and the alignment of the financial system with the objectives of sustainable production.⁴¹ A new part of this agenda is the adoption of commodity chain monitoring and traceability systems.

Various initiatives have been developed by state governments, industry, and civil society organizations to monitor commodity chains and guarantee their transparency. Monitoring and traceability systems are being developed primarily in the soybean and cattle commodity chains, but there are initiatives for other commodities as well, such as coffee.⁴²

Brazil has a successful track record for tracing individual animals in the cattle chain for health purposes. Data from the Brazilian Cattle and Buffalo Chain Traceability System (*Sistema Brasileiro de Rastreabilidade da Cadeia de Bovinos e Bubalinos - SISBOV*) and the Animal Transit Guide (*Guia de Trânsito Animal - GTA*) is used in domestic and international trade.

More recently, private and industry initiatives have been undertaken for environmental monitoring and traceability. The Meat TAC, created in 2009, is the first commitment between the Federal Prosecutor's Office and meatpackers to buy cattle exclusively from farms that have been deforestation-free since 2008.⁴³ But the Meat TAC has limited reach, since it only allows verification of the last establishment the cattle passed through, or of the entire cattle chain, and only for a small number of supermarkets or slaughterhouses.⁴⁴

In 2021, the government of Pará implemented the Green Seal (*Selo Verde*) platform, which cross-references data from the CAR, GTA, and satellite images and certifies the environmental compliance of producers, indicating whether production is taking place in areas not deforested after 2008.⁴⁵ Meatpackers can use this program to evaluate both their direct suppliers (who fatten the cattle for slaughter) and their indirect suppliers (who raise and breed the cattle),⁴⁶ and can choose to buy exclusively from suppliers with the Green Seal if they want to guarantee a deforestation-free cattle chain. With this initiative, Pará became the first state in Brazil to implement a public cattle traceability system.^{47,48,49} The state is studying the possibility of

41 Stussi, Mariana, Priscila Souza, and Wagner Oliveira. *Fortalecimento ambiental e da sustentabilidade no Brasil: o papel do BNDES*. Nexo Políticas Públicas. 2023. Access date: August 29, 2023. bit.ly/45RAXVs.

42 The Coffee Exporters Council (*Conselho dos Exportadores de Café - Cecafé*) is developing a coffee traceability platform. Learn more at: BrasilAgro. *Café ganha sistema de rastreamento socioambiental*. 2023. Access date: August 28, 2023. bit.ly/44TVcAl.

43 Due to the difficulty in implementing the TACs, evidence on the impacts of these agreements is still limited. Learn more at: Climate Policy Initiative. *Proteção Florestal Baseada em Evidência*. Ferramenta de visualização de literatura acadêmica. 2021. bit.ly/ConjuntoDeEvidências.

44 De Tulio, Francisco G. and Maria Clara Nascimento. *A pecuária no Brasil: o papel dos mecanismos de rastreabilidade para garantir uma produção sustentável e a proteção das florestas*. Carbon Disclosure Project, 2022. bit.ly/3RtYqYq.

45 Ibid.

46 Beef cattle production in Brazil involves three phases: breeding, rearing, and fattening, which may be conducted as isolated activities or combined together, usually entailing complex networks of actors covering various segments and combinations of the phases. Learn more at: GTFI. *Cadeia da carne no Brasil*. nd. bit.ly/48rHisG.

47 Prizibiszki, Cristiane and Fernanda Soares. *Após um ano de testes, Pará formaliza plataforma de transparência de dados da pecuária*. O Eco. 2022. Access date: August 29, 2023. bit.ly/458Hj1T.

48 Brabo, Bruna. *Pará lança plataforma Selo Verde em apoio à agropecuária sustentável e à rastreabilidade da cadeia produtiva do Estado*. Agência Pará. 2021. Access date: August 29, 2023. bit.ly/3PiaZ6K.

49 Borges, André. *Pará vai dar 'selo verde' para pecuarista que criar gado em área sem desmatamento*. Estadão. 2021. Access date: August 29, 2023. bit.ly/46gs1sF.

expanding the Green Seal to other agricultural commodities,⁵⁰ and other Brazilian states are looking into similar initiatives. Minas Gerais, for example, is developing its own Green Seal platform, with the support of the European Union's AL-INVEST Verde program.⁵¹

There is a similar situation for soybeans in Brazil. The Soy Moratorium is a voluntary zero-deforestation agreement for soy production in the Amazon biome, signed by the private sector and civil society, and also endorsed by the Ministry of the Environment (*Ministério do Meio Ambiente* - MMA). The aim is to get companies to make a commitment not to sell, buy, or finance soy from areas in the Amazon biome deforested after July 2008.⁵² The Soy Moratorium was first instituted in 2006, and ten years later it was renewed indefinitely. Other private sector and civil society initiatives have also been developed for soy,⁵³ such as the Round Table on Responsible Soy (RTRS).⁵⁴

Despite the initiatives at state, industry, and civil society levels, Brazil does not have a national system for commodity chain monitoring and traceability. It is not feasible to implement traceability for the entire cattle sector—which has over 220 million head of cattle⁵⁵—within 18 months (when the EUDR becomes enforceable, and when operators must begin the due diligence process). For products traded in bulk, such as soybeans, coffee, and cocoa, operators must identify every plot of land involved in a shipment and ensure that commodities have not been mixed with others of unknown origin. This also applies to products derived from grains, such as soybean meal and soybean oil. This means that each product in Brazil must have its own logistics chain for production, storage, processing, and transportation. Such systems for monitoring, traceability, and certification can lead to higher production costs, placing an excessive and disproportionate burden on small producers.⁵⁶

50 Nannini, Guilherme. *Novo Selo Verde é lançado no Pará em parceria com a Amazon*. Planeta Campo. 2023. Access date: August 29, 2023. bit.ly/46hSYMw.

51 AL-INVEST Verde. *Apoio a Minas Gerais (Brasil) na rastreabilidade da cadeia do café*. 2023. Access date: August 29, 2023. bit.ly/3PpCZoO.

52 Although there is no solid causal evidence on the impacts of the Soy Moratorium on reducing deforestation, its effects may be relevant for regional standards and for considering possible indirect effects of the industry agreement. Learn more at: Climate Policy Initiative. *Proteção Florestal Baseada em Evidência*. Ferramenta de visualização de literatura acadêmica. 2021. Available at: bit.ly/ConjuntoDeEvidências. Access date: August 29, 2023.

53 Large companies usually have their own policies, but their approaches and methodologies vary according to their priorities and interests. Learn more at: IMAFLORA. *Políticas corporativas de não desmatamento das principais empresas comercializadoras de soja no Brasil: ambição e comunicação*. 2022. bit.ly/3LuaULU.

54 RTRS. *Produtores - Padrão RTRS de Produção de Soja Responsável*. nd. Access date: August 29, 2023. bit.ly/3Rrz39R.

55 Belandi, Caio. *Em 2021, o rebanho bovino bateu recorde e chegou a 224,6 milhões de cabeças*. Agência IBGE Notícias. 2022. Access date: August 29, 2023. bit.ly/48ILPgc.

56 Lima, Camila T. and Rita Pereira. *Rastreabilidade de bovinos: qual o custo de cada boi abatido no Brasil?* Food Connection. 2023. Access date: August 29, 2023. bit.ly/48iRvHA.

Conclusion

Brazil has policies and technological tools that promote deforestation-free agricultural production and expand production while simultaneously contributing to the conservation of natural resources and food security. This framework of government policies can help foster more efficient use of productive and natural resources and guarantee the country a leading role in supplying a growing population with consumer habits that value sustainability and transparency about the origin of products.

Protecting Brazil's forests and their ecosystem services is essential to the country's agribusiness, which depends on rainfall, pollinators, and a stable climate. It is therefore in Brazil's national interest—not just Europe's—to combat deforestation.

Given the alignment between Brazilian environmental policies and the EUDR, this regulation can be seen as an opportunity for sustainable Brazilian agricultural production to gain scale and a greater share of the European market. To this end, we must work toward the effective implementation of the Forest Code and the CAR, expand policies that help combat deforestation, and develop national systems for commodity chain monitoring and traceability.

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