



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, within the European bloc, of products derived from certain commodities — cattle, soy, oil palm, coffee, cocoa, wood, and rubber — originating from deforested areas 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 primary 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 for the import of Brazilian commodities will be enforced from 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 key 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.

There is alignment between the objectives of the EUDR and Brazilian environmental policies that aim to control deforestation, reduce greenhouse gas (GHG) emission from land use conversation, and protect biodiversity.

Brazil also has technological tools that will assist European operators in gathering information when conducting the 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 exported products; (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 livestock commodity chain, such as Meat TAC and Green Seal, and also in the soy 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 monitoring and traceability systems for commodity chains. The effective implementation of Brazilian environmental policies can serve as a certificate of sustainability for the country's agricultural production, potentially ensuring greater participation of Brazilian products in the European market and help open new markets.

Despite the opportunities, **the EUDR also presents a number of challenges.** The rules will be enforced as of December 30, 2024, **a deadline that is too short for Brazilian producers to organize themselves to meet the due diligence requirements, which will be carried out by European importers.** The technological tools that could be used in this process 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 finalized the classification of countries in terms of deforestation risk, so **there is uncertainty as to how Brazil will be classified and whether this classification will be regionalized and/or differentiated by biome.** Depending on the adopted classification and the required due diligence procedures, the impact on the exporting agricultural sector could be greater or lesser.

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/proposicoes-de-lei/134720).

This document describes (i) the context in which the EUDR was adopted and the criticisms regarding the EU's unilateral approach to combat 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, as well as initiatives for monitoring and traceability in the commodity chain.

Background of the EUDR and Criticism of the EU's Unilateral Position to Combat Deforestation

The EUDR fits into the context of the European Green Deal, a climate transition plan that includes a series of sectoral strategies to achieve the goal of GHG emissions neutrality by 2050. In this scenario, the Farm to Fork agricultural strategy stands out, aiming to promote sustainable agri-food systems and is expected to lead to a reduction in European agricultural production and, consequently, increasing the importation of commodities and impacting international markets.^{7,8} To minimize the EU's contribution to deforestation, GHG emissions, and biodiversity loss caused by the production of imported commodities, the Green Deal also relies on international trade policies such as the EUDR as one of the ways to achieve 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 perceived as a unilateral and imposing 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 producer countries. These countries emphasize the impacts on small producers and ask to the European Commission to adopt differentiated compliance and due diligence regimes, specifically for products and goods originating from smallholders in developing countries.¹³

Moreover, the EUDR ends up favoring countries that have expanded agricultural production at the expense of converting their natural vegetation. Brazil is one of the world's largest producers and exporters of food, yet it has still conserved 64% of its native vegetation.¹⁴ The new EUDR rules impose diligence and additional costs on producers in countries that need 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, without offering a reward for the sustainability of their commodities. To minimize the risks, European operators may prefer products from countries that do not face the same challenge. The EU itself acknowledges, 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 regulates the import and trade of products derived from commodities — cattle, soy, coffee, cocoa, oil palm, wood, and rubber — within the European bloc. These products must be “deforestation-free”, meaning they cannot originate from areas of deforested or degraded forests after December 31, 2020. The commodities and derived products falling under the regulation’s scope are those listed in its Annex 1, including cattle/beef, soybean/soybean meal and oil, coffee, cocoa/chocolate, wood/furniture, among others. However, the regulation allows for the possibility of future inclusion of new products from the same commodities or products from new commodities.

The scope of application of the EUDR is limited, as it covers deforestation or degradation¹⁶ exclusively of forests. The regulation defines forest as lands with an area greater than 0.5 hectares, trees taller than five meters, and forest cover greater than 10%. Therefore, the conversion of other forms of native vegetation for commodity production is not covered by the European standard. However, the EUDR’s scope may be expanded in the future to include “other wooded land” and even other natural ecosystems, based on 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 major traders¹⁹ in the European Union will need to conduct due diligence process to demonstrate that products are free from deforestation before making them available on the European market. Due diligence comprises three stages: (i) information gathering, (ii) risk assessment, and (iii) risk mitigation when a risk is deemed not insignificant. The due diligence declaration must be submitted to the competent European authorities via an information system at the moment the product enters the bloc.

Information gathering involves the geolocation of every plot of land where commodities were 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 produced 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, either as a whole or by region, into categories of high, standard, or low deforestation risk. Criteria for this classification include deforestation rates, agricultural or livestock expansion, commodity production trends, among others. This classification, to be finalized by December 30, 2024, will result in different due diligence procedures. For countries classified as low risk, the procedure will be simplified, requiring only the information gathering stage. For countries classified as standart or high risk, the due diligence must be comprehensive, including not only information gathering, but also risk assessment and mitigation procedures.

Sanctions

Finally, the EUDR establishes a series of penalties in case of non-compliance with the rules. Sanctions include fines proportionate to the environmental damage, with the amount corresponding to at least 4% of operator's total annual turnover, confiscation of products and respective revenues, and a temporary ban on the import and sale of products falling under 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 that has been continuously improved to address current challenges in combatting climate change and preserving biodiversity while also ensuring food security and productive inclusion in rural areas. Considering the umbrella of public policies, three stand out in the context of the EUDR: the Forest Code, policies to monitor and combat deforestation, and policies promoting sustainable agriculture, including monitoring and traceability systems in the commodity chain.

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 public policy for conserving forests and other forms of native vegetation on private properties, 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 distinct implementation rules and environmental functions, both APPs and Legal Forest Reserves share the common goal of conserving biodiversity.²¹ The Forest Code also establishes rules for suppression of native vegetation in alternative land-use areas, i.e., areas outside APPs and Legal Forest Reserves in which deforestation is allowed for economic activities. Legal deforestation requires authorization from the competent authorities and must be offset through reforestation, serving as an environmental compensation mechanism for authorized deforestation.

More than just a tool for protecting Brazil's remaining forests, the Forest Code, through its conservation instruments, can expedite land use intensification, providing incentives for the expansion of agricultural or livestock production through productivity gains rather than opening new areas. Estimates suggest that it is possible to double food production in Brazil solely by increasing productivity and expanding onto degraded areas, without any additional deforestation.²²

The Forest Code also introduced an important instrument for the management, monitoring, and environmental adaptation of rural properties — the Rural Environmental Registry (CAR). CAR is a public database that stores georeferenced data about APPs, Legal Forest Reserves, remnants of native vegetation, and degraded areas and areas with agricultural activities. Registration with the CAR is mandatory for all rural properties. The geospatial data from CAR can be used in the due diligence process by European operators who need to provide the geolocation of all land plots where commodities were produced. Moreover, CAR data can also be cross-referenced with satellite images to prove that products are free from deforestation, that is, 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 for all rural properties, also includes information on the regularization and environmental monitoring of liabilities in APP and Legal Forest Reserve. **Thus, CAR/SICAR has the potential to serve as a national certificate of sustainability for Brazilian agricultural production, proving not only the adequacy of rural properties and production to Forest Code rules, but also compliance for the EUDR due diligence process.** This would exempt European operators from having to collect a series of information about commodity production and derived products that are not readily available or having to hire private consultants/certifiers. These additional costs could be passed on to Brazilian producers, further burdening production.^{23,24}

However, the effective implementation of the CAR still faces several challenges. The step of registering rural properties with the CAR is successful, with almost seven million registrations. But since it is a self-declared registration, the information provided by producers needs to be analyzed by the competent state agencies and, if necessary, corrected by the landowners. The data analysis stage of CAR is currently the major bottleneck in the implementation of the Forest Code. Challenges in this stage include: (i) a high number of registrations; (ii) low quality of registrations; (iii) insufficient cartographic databases to support analyses; (iv) difficulties in communicating with landowners to request corrections and additional information; and (v) a lack of dedicated staff or a reduced technical team for this analysis function.²⁵ Despite these challenges, the adoption of automated CAR analysis tools — such as the dynamic analysis implemented in São Paulo and CAR 2.0, recently adopted by Pará — show that it is possible to scale up in analysis.

When the CAR information analysis indicates that the area has liabilities in APP and Legal Forest Reserves, the producer must join the Environmental Compliance Program (*Programa de Regularização Ambiental - PRA*) and propose a plan for recovering the areas. Regularization parameters depend on the date of deforestation and the property's size. Deforestation occurring before July 22, 2008, is subject to more flexible criteria, and small properties receive special treatment. Adherence to PRA and the restoration of liabilities in APP and Legal Forest Reserve are criteria for assessing compliance with the Forest Code.

It is crucial for the federal government and state governments to advance together in the effective implementation of the Forest Code, especially CAR and PRA, as these can be used for the purposes of 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 the primary sector contributing to greenhouse gas emissions in Brazil and is currently responsible for almost 50% of national emissions.²⁶ Therefore, controlling deforestation is 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 introduced a new approach to protecting the Amazon rainforest, adopting various strategies and public policies, including: (i) satellite monitoring of deforestation in almost real-time; (ii) prioritized 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

Since 1998, the country has had 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 produces annual deforestation rates in the region used by the Brazilian government to establish public policies.²⁸ The launch of the **Real-Time System for Detection of Deforestation (Detecção do Desmatamento em Tempo Real - DETER)** in 2004 represented a major leap forward in the country's capacity to monitor the Amazon, providing 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*), recognized internationally for their transparency and methodological consistency.²⁹

PPCDAM contributed to a reduction of over 80% in the annual deforestation rate in the Amazon between 2004 and 2012.³⁰ The Brazilian government expanded this policy to other biomes with the Cerrado Action Plan (PPCerrado) in 2010 and the Environmental Monitoring Program for Brazilian Biomes (*Programa de Monitoramento Ambiental dos Biomas Brasileiros - PMABB*) in 2015. Since 2012, the deforestation rate in the Amazon has been rising again, 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 PPCDAM, with a target of zero deforestation by 2030,³² and is developing a new phase of PPCerrado.³³ The Brazilian government's renewed efforts to curb deforestation in the Amazon are already showing results. From January to July 2023, there was a 42% decrease in deforestation in the region compared to the same period the previous 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 Prizibiczki, 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 is important to note that *zero deforestation* under PPCDAM refers to the elimination of illegal deforestation and offsetting the legal removal of native vegetation and the greenhouse gas emissions resulting from it. This target is aligned with the Forest Code, which allows deforestation for agricultural use on land outside APPs and Legal Forest Reserves, provided it is previously authorized by the competent authority and compensated through reforestation. In addition, PPCDAM provides incentives for the conservation of areas vulnerable to deforestation through the use of economic instruments. Since the EUDR prohibits the sale of products from deforested areas without distinguishing between legal and illegal deforestation, this poses a challenge for the compatibility of the European regulation with national legislation. It is estimated that 99% of deforestation in Brazil shows signs of illegality, and only 1% is legal.³⁵ However, this number 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 policies is that Brazilian policies aim to protect and combat the deforestation of *all* forms of native vegetation, while the EUDR only addresses the conversion of forest into agricultural or pasture areas. In this sense, the impact of the EUDR on reducing deforestation in Brazil may be limited, as deforestation in the Cerrado or Pantanal, at least in non-forest areas, will not be covered by the European standard.

Furthermore, literature indicates that gold mining, illegal mining, and land grabbing/speculation are also important drivers of deforestation.^{36,37,38} Therefore, restrictions imposed on international trade in agricultural commodities and timber may not have the expected effect on reducing deforestation in the Amazon.

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

Sustainable Agriculture Policies and Commodity Chain Monitoring and Traceability Initiatives

Over the last 40 years, the expansion of Brazilian agricultural production has been achieved by replacing extensive cultivation techniques, which require a large amount of land, with more intensive practices incorporating science, technology, and innovation. This has enabled agricultural expansion through productivity gains and intensification. During this period, agricultural production increased by 385%, while the agricultural area 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.

Through continued investment in research, development, and innovation (RDI) and the refinement of public policies, Brazil can further strengthen its rural economy and environmental protections simultaneously. The promotion of sustainable agriculture has gained momentum, especially through rural credit policy and the alignment of the financial system production sustainability goals.⁴¹ A new step in this agenda is the adoption of monitoring and traceability systems in the commodity chain.

Various initiatives have been developed by state governments, private sector, and civil society organizations to monitor and ensure transparency in commodity chains. Monitoring and traceability systems are being developed primarily in the soy and cattle commodity chains, but there are also initiatives for other commodities, such as coffee.⁴²

The individual traceability of animals in the livestock chain, for sanitary purposes, has a successful history in Brazil. The country has the Brazilian System of Traceability of the Cattle and Buffalo Chain (*Sistema Brasileiro de Rastreabilidade da Cadeia de Bovinos e Bubalinos - SISBOV*) and the Animal Transit Guide (*Guia de Trânsito Animal - GTA*), whose data are used in domestic and international trade.

More recently, private and industry initiatives have been undertaken for monitoring and traceability with environmental purposes. The Meat TAC, created in 2009, is the first commitment between the Federal Prosecutor's Office and some meatpackers to purchase cattle only from farms free of deforestation after 2008.⁴³ But the Meat TAC has a limited scope, as it allows verification only at the last establishment where the cattle passed, or throughout the livestock chain but 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 CAR, GTA, and satellite images, certifying producers regarding environmental suitability, indicating whether production is taking place in areas without deforestation after 2008.⁴⁵ Thus, meatpackers can use this program to evaluate both their direct suppliers (those who fatten the cattle for slaughter) and their indirect suppliers (those who raise and breed the cattle),⁴⁶ and purchase only from those 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 considering the possibility of expanding the Green Seal to other agricultural commodities,⁵⁰

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/ConjuntoDeEvidencias.

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 SeloVerde em apoio à agropecuária sustentável e à rastreabilidade da cadeia produtiva do Estado*. Agência Pará. 2021. Access date: August 29, 2023. bit.ly/3PiaZ6K.

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

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

A similar situation is observed regarding soybeans in Brazil. The Soy Moratorium is an agreement for zero deforestation in soy production in the Amazon biome, established between the private sector and civil society, endorsed by the Ministry of the Environment (*Ministério do Meio Ambiente* - MMA). The goal is to ensure that companies commit not to trade, acquire, or finance soybeans from areas deforested in the Amazon biome after July 2008.⁵² The Soy Moratorium was first instituted in 2006, and indefinitely renewed a decade later. Other private sector and civil society initiatives have also been developed for soybeans,⁵³ such as the Round Table on Responsible Soy (RTRS).⁵⁴

Despite state, private sector, and civil society initiatives, the country lacks a national monitoring and traceability system for the commodity chains. It is not feasible to implement traceability for the entire livestock chain — which involves more than 220 million head of cattle⁵⁵ — within 18 months (start of EUDR enforcement and the deadline for operators to begin due diligence). In the case of bulk-traded products like 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 oil. This implies that products in Brazil must be produced, stored, processed, and transported through a dedicated logistics chain. Such systems for monitoring, traceability, and certification can lead to higher production costs, placing an excessive and disproportionate burden on small-scale producers.⁵⁶

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.

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Conclusion

Brazil has public policies and technological tools that promote deforestation-free agricultural and livestock production while expanding production, contributing to the conservation of natural resources, and ensuring food security. This framework of government policies can encourage more efficient use of natural and productive resources, positioning the country prominently in supplying a growing population with consumer habits that value sustainability and transparency in product origin.

The protection of Brazilian forests and their ecosystem services is crucial for the national agribusiness itself, which depends on rainfall, pollinators, and a stable climate conditions. Hence, combating deforestation is a matter of national interest, not just European.

Given the alignment between Brazilian environmental policies and the EUDR, this regulation can be seen as an opportunity for the sustainable production of Brazilian agriculture to gain scale and a larger share in the European market. To this end, there is a need to advance the effective implementation of the Forest Code and the CAR, expand deforestation control policies, and progress in national monitoring and traceability systems for commodity chains.

Authors

CRISTINA LEME LOPES

Senior Research Manager, CPI/PUC-Rio

cristina.leme@cpiglobal.org

JOANA CHIAVARI

Research Director, CPI/PUC-Rio

MARIA EDUARDA SEGOVIA

Junior Legal Analyst, CPI/PUC-Rio

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Contact CPI/PUC-Rio: contato.brasil@cpiglobal.org

www.climatepolicyinitiative.org



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