# GLOBAL WITNESS ANALYSIS: UK FOREST FOOTPRINT OPTIONS PAPER
## THE CUMULATIVE DEFORESTATION IMPACT OF THE OPTIONS PROPOSED BY GOVERNMENT TO REGULATE FOREST RISK COMMODITIES

**This paper should be treated as supplementary evidence to the consultation on Implementing Due Diligence on Forest-Risk Commodities.**

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## INTRODUCTION AND SUMMARY

The UK government is currently consulting on the regulations that will support implementation of its new Environment Act. The consultation document and details can be found here: Implementing Due Diligence on Forest-Risk Commodities. As part of the consultation – question 27 – the government has asked consultees to choose between a series of options with regard to which forest-risk commodities government might regulate, over what time frame.

Global Witness undertook a brief analysis to gain a greater understanding of what the UK's total contribution to deforestation risk in key commodities could be under the different policy options. The figures are estimates only, based on the options proposed under the current UK consultation. It also seeks to

incorporate factors and data points that were not considered in the initial Impact Assessment. This is also in view of the UK's commitment to the COP 26 Glasgow Leaders Declaration on Forests and Land Use to halt and reverse forest loss and land degradation by 2030.

The analysis below shows that even the most optimistic interpretation of the three options presented by government (assuming perfect compliance for example) will allow tens of thousands of hectares of deforestation to be caused through UK consumption between 2023 and 2030. It shows that the options presented by UK government will not even achieve a halving of our cumulative deforestation footprint between 2023 and 2030.

Global Witness's view is that these options do not measure up to the scale or urgency of the challenge, and we propose that all the major forest-risk commodities discussed in the consultation should be regulated within 12 months. At minimum, at least 5 commodities (or 6 if beef and leather are counted separately) are regulated within 12 months of the passing of the regulations.

## KEY FINDINGS FROM ANALYSING SCENARIOS ARISING UNDER OPTION 1, 2 AND 3

If the UK took no action at all, based on the latest JNCC figures, between now and the end of 2030 it would be exposed to **162,584 hectares** of deforestation risk through its consumption of key commodities: cattle and

buffalo products (i.e. beef and leather), palm oil, soy, rubber, cocoa, coffee and maize.

Based on the assumptions outlined above, even in a scenario of 100% company compliance starting 12 months before legal obligations took force:

> **Option 1** would still see the UK contributing over **100,000 hectares of deforestation risk** between 2023 and 2030 just in agricultural consumption alone. Worse still, if the regulation doesn't cover beef the figure would be **upwards of 120,000 hectares**.

> Similarly, even the most optimistic application of **Option 2** – i.e. the most exposed commodities, a 3-year rather than 4-year timeline – would see the UK contributing around, or even above, 100,000 hectares of deforestation risk between 2023 and 2030 just in agricultural consumption alone. If beef is not regulated, the figure will likely be close to **125,000 hectares** of deforestation risk.

> The most optimistic application of **Option 3** would still see the UK contribute over **90,000 hectares** of deforestation risk between 2023 and 2030. A less optimistic application i.e. fewer commodities and a longer timeline would see it contribute over **110,000 hectares** or higher.

**Global Witness's view is that these options do not measure up to the scale or urgency of the challenge.**

Global Witness also explored an alternate option — where the UK **matched the 12-month**

**implementation timelines** for commodities proposed under the <u>EU legislative proposal</u> on forest-risk commodities and the <u>US FOREST Act (S.2950)</u> before Congress. Both of these propose to regulate 6 of the 8 commodities discussed in the UK consultation survey – or more accurately 5 commodities, as cattle products are considered a single commodity from which both beef and leather are derived, as discussed in the Impact Assessment.

**If eight commodities were regulated within 12 months** (or seven if cattle and its derivatives beef and leather are counted as a single commodity, which is the definition provided in the Impact Assessment) – UK exposure to deforestation between 2023 and 2030 – assuming perfect compliance and no exemptions – could be brought down to **48,774 ha**.

**If six commodities were regulated within 12 months** (or five if cattle and its derivatives beef and leather are counted as a single commodity) – **beef, leather, palm oil, soy, cocoa and rubber** – UK exposure to deforestation between 2023 and 2030 would be **66,745 ha.**

Global Witness is calling for a *minimum* of 5 commodities and their derived products (cattle, palm oil, soy, cocoa and rubber) within 12 months of the secondary regulation passing; or 6 products if beef and leather are counted separately.

# ANNEX: HOW WE GOT THESE FIGURES

## 1. Underlying assumptions and proxies assigned when analysing the UK's contribution to deforestation in key commodities between 2023 and 2030 under each Option presented

This section seeks to outline the assumptions that have underlined Global Witness's estimates of the UK's contribution to deforestation risk under each Option. It also outlines some of the key assumptions and data points used in the government Impact Analysis.

### Assumptions behind the Global Witness analysis:

> Secondary legislation is enacted by the end of 2022. Regulation of a commodity coming into effect within two-years would start 1 January 2025, 3-year 1 January 2026 etc.

> Business will exclude problematic products from supply chains 12 months before regulations take full effect (i.e. 1 January 2024 for a two-year start).

> Government will choose to regulate commodities starting with the commodities that are the largest contributor to deforestation risk by hectares, unless otherwise stated,

> A percentage of regulated commodities linked to deforestation risk in UK supply chains will not be covered, as this is linked to legal deforestation not covered by Schedule 17. A proxy estimate of 30% has been applied – inspired by the Forest Trends data that 69% of land conversion in tropical agricultural production is in contravention of local law, assuming that 31% is legal. *Global Witness would welcome further analysis with more specified or differentiated proxies.[1]*

> For the purposes of this exercise, this unrealistically assumes 100% compliance – i.e. no leakage of illegal commodities due to lack of enforcement etc. *Global Witness*

*would welcome any analysis that could suggest a viable figure for how to model or capture leakage.*

> All commodities linked to illegal deforestation in use in the UK are covered i.e. no exclusions have been made related to exemptions based on thresholds, turnovers or company size.

> Analysis is based on 2017 data for annual deforestation risk per commodity and UK consumption in the https://commodityfootprints.earth/ (JNCC) figures. These are the latest figures, and more up to date than what is used in the impact assessment.

> The JNCC data defines cattle and buffalo products as a single category – so does not differentiate between meat and leather.

> Global Witness's analysis has not incorporated any trends for individual commodities to increase/decrease in exposure to deforestation. The RSPB and WWF's Riskier Business research found a 15% increase in the land footprint of UK consumption of forest-risk commodities in 2016-2018 compared with 2011-2015.

> Global Witness's analysis does not incorporate any data to understand the likely carbon emissions of these policy options, but notes that JNCC does reference the methodology they use.

> The Impact Assessment outlines that the top eight forest-risk commodities account for 65% of the UK's overseas deforestation footprint.[2] This analysis only examines the 8 commodities listed in the consultation questions.

In its analysis, Global Witness did not consider the impacts of certain companies being exempt under legislation. The Environment Act does not state that companies should be excluded from obligations on forest-risk commodities. However, the consultation questions do not provide the option of ensuring all companies are covered. In fact, the closest option it provides for this would be to exclude companies up to an annual turnover of £50 million (and suggests excluding companies

up to 4 times this size). This would exclude many importers – and even UK law typically describes 'large' companies as having a turnover of £36 million. The consultation also poses options of excluding volumes of commodities up to 1,000 tonnes. The consultation does not state that thresholds will apply to company group i.e. including a parent company and its subsidiaries – but only discusses companies. This incentivises companies to restructure their business to have the smallest possible UK footprint – and under some parameters the UK operations of some of the world's largest traders would not be covered.

The Government [Impact Assessment](#) for the current consultation also provides some limited data, however Global Witness has observed:

> The Impact Assessment does not outline what various policy options mean for the UK's ongoing exposure to deforestation risk through the commodities it chooses *not to regulate.* It only includes an annual figure of the potential deduction in deforestation of regulating a number of commodities, not cumulative figures indicating the UK's total exposure to deforestation by the end of 2030.
> The Impact Assessment uses JNCC figures for *all deforestation* and assume that *all deforestation* would be covered by regulation – i.e. they do not exclude a portion of deforestation that would be legal. (footnote 15, p. 61)
> The Impact Assessment data on the impact of policy options treat beef and leather as a single commodity – however the consultation survey treats beef and leather as separate options. This inflates figures on the impact of policy options in the impact assessments. For example, the estimate that Option 1 (2 commodities regulated within two years) would see a reduction in annual exposure to deforestation of 'almost 11,000 ha' cited in the impact assessment is

based on prior JNCC data for all cattle and buffalo products and oil palm.
> The Impact Assessment uses the mean value for deforestation for years 2013-2017 (p.61) – rather than the most recent figures i.e. 2017.
> The Impact Assessment does not use the latest JNCC data – which has a higher deforestation contribution for cattle and buffalo products and a lower contribution for soy than prior figures.
> The Impact Assessment does not account for any trends in annual increase/decrease in the UK's deforestation footprint.
> Note: the options as listed in the consultation (1,2,3) are different from that in the Impact Assessment.

## 2. Scenarios

Using the assumptions outlined above, Global Witness has created some example estimates of the UK deforestation-risk footprint between 2023-2030. This poses different scenarios ie. based on choice of commodities regulated and timeframes, that would apply under Option 1, 2 and 3 posed in the consultation – comparing them with the scenario of regulating the highest contributing commodities to deforestation within 12 months.

**Option 1:** Regulate 2 commodities within 18-24 months

Scenario: 2 commodities regulated ('come into effect') within 24 months.
A: Beef + palm oil
B: Palm oil + soy

|  | Cattle/buffalo | Palm oil | Soy | Rubber | Cocoa | Coffee green | Maize |
|---|---|---|---|---|---|---|---|
| 2023 | 7,373 | 5,495 | 3,084 | 483 | 679 | 1,401 | 1,808 |
| 2024 | 14,746 | 10,990 | 6,168 | 966 | 1,358 | 2,802 | 3,616 |
| 2025 | 22,119 | 16,485 | 9,252 | 1,449 | 2,037 | 4,203 | 5,424 |
| 2026 | 29,492 | 21,980 | 12,336 | 1,932 | 2,716 | 5,604 | 7,232 |
| 2027 | 36,865 | 27,475 | 15,420 | 2,415 | 3,395 | 7,005 | 9,040 |
| 2028 | 44,238 | 32,970 | 18,504 | 2,898 | 4,074 | 8,406 | 10,848 |
| 2029 | 51,611 | 38,465 | 21,588 | 3,381 | 4,753 | 9,807 | 12,656 |
| 2030 | 58,984 | 43,960 | 24,672 | 3,864 | 5,432 | 11,208 | 14,464 |
| Adapted 2030 total for a regulated commodity Based on an estimated 70% reduction in deforestation exposure in regulated commodities (i.e. illegality) (green) starting 12 months before regulations take force (blue). | 22,856 | 17,034 | 9,560 |  |  |  |  |

UK exposure to deforestation between 2023 + 2030:

*Scenario A:* Applies to beef + palm oil. The contribution to deforestation is **99,530 ha** – but the figure will be even higher if cattle products are differentiated so that the regulation only applies to beef and the contribution of leather etc is factored out.

*Scenario B:* Applies to palm oil + soy as the selected commodities. This would see the contribution to deforestation by 2030 be **120,546 ha**.

**Option 2:** Regulate 3-4 commodities within 3-4 years

**Scenario: 3 commodities regulated within 3 years**

> beef, palm oil + soy
> palm oil, soy + cocoa
> beef, leather + palm oil

| | Cattle/buffalo | Palm oil | Soy | Rubber | Cocoa | Coffee green | Maize |
|---|---|---|---|---|---|---|---|
| 2023 | 7373 | 5,495 | 3,084 | 483 | 679 | 1,401 | 1,808 |
| 2024 | 14746 | 10,990 | 6,168 | 966 | 1358 | 2,802 | 3,616 |
| 2025 | 22,119 | 16,485 | 9,252 | 1,449 | 2037 | 4,203 | 5,424 |
| 2026 | 29,492 | 21,980 | 12,336 | 1,932 | 2716 | 5,604 | 7,232 |
| 2027 | 36,865 | 27,475 | 15,420 | 2,415 | 3395 | 7,005 | 9,040 |
| 2028 | 44,238 | 32,970 | 18,504 | 2,898 | 4074 | 8,406 | 10,848 |
| 2029 | 51,611 | 38,465 | 21,588 | 3,381 | 4753 | 9,807 | 12,656 |
| 2030 | 58,984 | 43,960 | 24,672 | 3,864 | 5432 | 11,208 | 14,464 |
| **Adapted 2030 total for a regulated commodity** Based on an estimated 70% reduction in deforestation exposure in regulated commodities (i.e. illegality) starting 12 months before regulations take force. | 28,017 | 20,881 | 11,719 | | 2580 | | |

UK exposure to deforestation between 2023 + 2030:

*Scenario A:* Applies to beef, palm oil and soy. The contribution to deforestation is **95,585 ha**. However, the figure will be even higher once the data on cattle products is differentiated so that the regulation only applies to beef (+ the contribution of leather etc is factored in).

*Scenario B:* Applies to palm oil, soy and cocoa as the regulated commodities. The contribution to deforestation is **123,700 ha**.

*Scenario C:* Applies to beef, leather and palm oil as the regulated commodities. This would see the contribution to deforestation by 2030 be **108,538 ha**.

**Option 3:** Regulate 5-7 commodities within 4-5 years

**Scenario: 7 commodities regulated within 4 years**

*Note: 7 commodities – assume beef and leather are treated as separate commodities and the lowest contributor (cocoa) excluded. The Defra consultation discusses 8 commodities with beef and leather separate, rather than derived from a single commodity (cattle).*

|  | Cattle/buffalo | Palm oil | Soy | Rubber | Cocoa | Coffee green | Maize |
|---|---|---|---|---|---|---|---|
| 2023 | 7,373 | 5,495 | 3,084 | 483 | 679 | 1,401 | 1,808 |
| 2024 | 14,746 | 10,990 | 6,168 | 966 | 1358 | 2,802 | 3,616 |
| 2025 | 22,119 | 16,485 | 9,252 | 1,449 | 2037 | 4,203 | 5,424 |
| 2026 | 29,492 | 21,980 | 12,336 | 1,932 | 2716 | 5,604 | 7,232 |
| 2027 | 36,865 | 27,475 | 15,420 | 2,415 | 3395 | 7,005 | 9,040 |
| 2028 | 44,238 | 32,970 | 18,504 | 2,898 | 4074 | 8,406 | 10,848 |
| 2029 | 51,611 | 38,465 | 21,588 | 3,381 | 4753 | 9,807 | 12,656 |
| 2030 | 58,984 | 43,960 | 24,672 | 3,864 | 5432 | 11,208 | 14,464 |
| **Adapted 2030 total for a regulated commodity** Based on an estimated 70% reduction in deforestation exposure in regulated commodities (i.e. illegality) starting 12 months before regulations take force. | 33,179 | 24,727 | 13,878 | 2,173 |  | 6,304 | 8,136 |

**UK exposure to deforestation between 2023 + 2030:** Could be **93,829 hectares** by the end of 2030.

## Option 3: Regulate 5-7 commodities within 4-5 years

### Scenario: 5 commodities regulated within 5 years

*Note: 5 commodities – assume beef and leather are treated as separate commodities and the lowest contributors (cocoa, coffee and rubber) are excluded. The Defra consultation survey discusses 8 commodities with beef and leather separate, rather than derived from a single commodity (cattle).*

|  | Cattle/buffalo | Palm oil | Soy | Rubber | Cocoa | Coffee green | Maize |
|---|---|---|---|---|---|---|---|
| 2023 | 7373 | 5,495 | 3,084 | 483 | 679 | 1,401 | 1,808 |
| 2024 | 14746 | 10,990 | 6,168 | 966 | 1358 | 2,802 | 3,616 |
| 2025 | 22,119 | 16,485 | 9,252 | 1,449 | 2037 | 4,203 | 5,424 |
| 2026 | 29,492 | 21,980 | 12,336 | 1,932 | 2716 | 5,604 | 7,232 |
| 2027 | 36,865 | 27,475 | 15,420 | 2,415 | 3395 | 7,005 | 9,040 |
| 2028 | 44,238 | 32,970 | 18,504 | 2,898 | 4074 | 8,406 | 10,848 |
| 2029 | 51,611 | 38,465 | 21,588 | 3,381 | 4753 | 9,807 | 12,656 |
| 2030 | 58,984 | 43,960 | 24,672 | 3,864 | 5432 | 11,208 | 14,464 |
| **Adapted 2030 total for a regulated commodity** Based on an estimated 70% reduction in deforestation exposure in regulated commodities (i.e. illegality) starting 12 months before regulations take force. | 38,340 | 28,574 | 16,037 |  |  |  | 9402 |

**UK exposure to deforestation between 2023 + 2030:** Could be **112,857 hectares** if this covers beef, leather, palm oil, soy and maize by the end of 2030. The figure will be even greater if government commodity choice isn't based on largest exposures.

**Alternative Option:**

This assumes that the UK matches the timelines and ambition outlined in the EU legislative proposal and the US FOREST Act (S.2950) currently before US Congress. These propose regulation taking effect in 12 months of a commodity being regulated. The EU proposal would cover cattle (beef and leather), oil palm, soy, cocoa and coffee as well as wood products. The FOREST Act (S.2950) would cover palm oil, soy, cocoa, cattle (beef and leather) and rubber as well as wood pulp.

**Scenario:**

> 8 commodities regulated within 12 months (or seven, if cattle and its derivatives are counted as a single commodity)
> 6 commodities regulated within 12 months (or five, if cattle and its derivates are counted as a single commodity)
>> Beef, leather, palm oil, soy, rubber and cocoa

| | Cattle/buffalo | Palm oil | Soy | Rubber | Cocoa | Coffee green | Maize |
|---|---|---|---|---|---|---|---|
| **2023** | 7373 | 5,495 | 3,084 | 483 | 679 | 1,401 | 1,808 |
| **2024** | 14746 | 10,990 | 6,168 | 966 | 1,358 | 2,802 | 3,616 |
| **2025** | 22,119 | 16,485 | 9,252 | 1,449 | 2,037 | 4,203 | 5,424 |
| **2026** | 29,492 | 21,980 | 12,336 | 1,932 | 2,716 | 5,604 | 7,232 |
| **2027** | 36,865 | 27,475 | 15,420 | 2,415 | 3,395 | 7,005 | 9,040 |
| **2028** | 44,238 | 32,970 | 18,504 | 2,898 | 4,074 | 8,406 | 10,848 |
| **2029** | 51,611 | 38,465 | 21,588 | 3,381 | 4,753 | 9,807 | 12,656 |
| **2030** | 58,984 | 43,960 | 24,672 | 3,864 | 5,432 | 11,208 | 14,464 |
| **Adapted 2030 total for a regulated commodity** | 17,695 | 13,188 | 7401 | 1,159 | 1,630 | 3,362 | 4,339 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Based on an estimated 70% reduction in deforestation exposure in regulated commodities (i.e. illegality) starting 12 months before regulations take force. | | | | | | | |

*Scenario A:* Eight commodities are regulated within 12 months. UK exposure to deforestation between 2023 and 2030 would be 48,774 ha.
*Alternately, this could be counted as seven commodities – if beef and leather are treated as derivatives of a single commodity – cattle.*

*Scenario B:* Six commodities – beef, leather, palm oil, soy, cocoa and rubber are regulated within 12 months. UK exposure to deforestation between 2023 and 2030 would be 66,745 ha.
*Alternately, this could be counted as five commodities – if beef and leather are treated as derivatives of a single commodity – cattle.*

# ENDNOTES

[1] The Forest Trends figures also appear to align with broader observations on commodity fraud by Sourcemap – which it has found to be 15-20%: https://sourcemap.com/traceability

[2] Note, the Impact Assessment referred to 'seven commodities' but this covered a single category for cattle and buffalo products, rather than separating them as undertaken in the consultation survey.