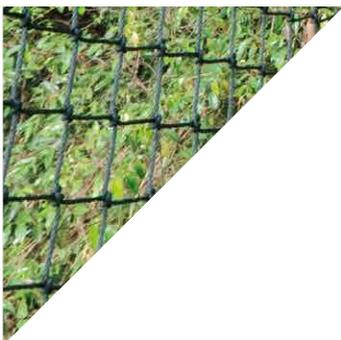
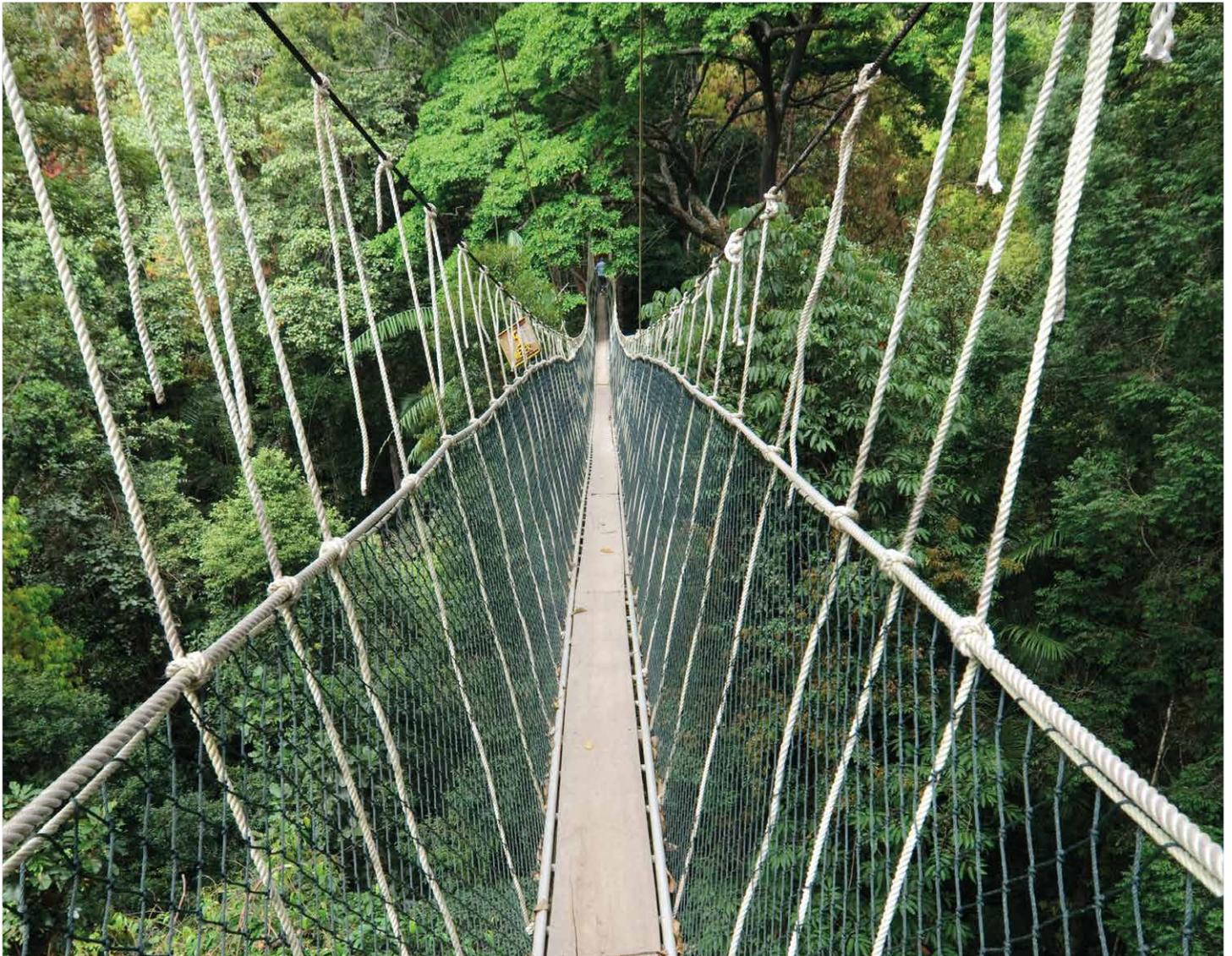


# Transforming supply chains for the future:

Demand-side approaches to deforestation

Note for policy makers



## Note for policy makers

### **Each year, an average of 8.5 million hectares of forest disappears.<sup>1</sup> Yet tackling forest degradation and loss could provide up to a third of the carbon emissions mitigation needed annually to keep global temperature rises in check.<sup>2</sup>**

Consumer markets play a significant role by creating demand for the agricultural commodities that drive a large proportion of deforestation. For example, 30% of the carbon emissions associated with deforestation in Brazil over the last decade were exported to demand-side markets in supply chains, embedded in soy and cattle products whose export from Brazil to third countries continues to rise.<sup>3</sup>

Without a transformative approach, supply chains into demand-side countries will not be ready for the transition to a low carbon economy. Furthermore the opportunities associated with preserving standing

forests, both environmental and socio-economic, will not be realized.

The potential to reduce emissions from deforestation and forest degradation (REDD+) has long been a feature of the international climate change negotiations. In order to realize this potential, policy in consumer markets should support and strengthen the commitment to deforestation-free supply chains already being shown by the private sector to ensure there is a strong state-to-state demand side signal for deforestation-free commodities.

# 180

companies with over US\$3 trillion in market capitalization respond to CDP on deforestation risk.

# 70%

of reporting companies have committed to reduce or remove deforestation and forest degradation.

### **What is the private sector doing?**

CDP's latest findings, as reported in the 2015 Global Forests Report 'Realizing zero-deforestation: Transforming supply chains for the future', demonstrate that although global companies have made visionary commitments to zero-deforestation business models, many do not yet have robust plans in place for engaging their supply chain to realize this transformative change.

**We need to see bold action from consumer country governments to match the strong level of commitment from business. And we need all actors to fulfil their commitments.**

[...] governments in both the forest producer and forest product consumer nations have an obligation and a role to support voluntary initiatives and to create an ethical base-line grounded in well written legislation.

Kingfisher, FTSE 100 company

1 <https://www.sciencemag.org/content/342/6160/850>

2 <http://www.pcfisu.org/wp-content/uploads/2015/04/Princes-Charities-International-Sustainability-Unit-Tropical-Forests-A-Review.pdf>

3 <http://iopscience.iop.org/article/10.1088/1748-9326/8/2/024005/pdf>

## Progress on implementation of private sector deforestation commitments is slow

Across commodities, % of manufacturers and retailers:



26%

running workshops or training for their suppliers on supplying sustainable commodities.



13%

working on joint projects with their supply chain

### What can policy-makers do to catalyze the required change?

One of the most frequently cited barriers to securing sustainable supply of forest risk commodities is that of associated costs; this results from mixed policy environments and enforcement regimes in demand-side countries which create an uneven playing field for companies that are doing the right thing.

The global market needs policy incentives in demand-side countries that favor future-fit supply chain strategies. The private sector will only get so far in tackling deforestation under a Business As Usual scenario unless there are incentives to use sustainably sourced products and the playing field is levelled so that less sustainable supply chain participants cannot benefit from market access.

There are actions that policy makers can be taking now to support the transition to deforestation-free supply chains, and these are critical for preventing dangerous climate change and achieving sustainable development.

#### We need governments to provide incentives for deforestation free supply chains:

- ▼ Demand side countries should finance international performance-based payments to forest countries for reducing emissions from deforestation and forest degradation (REDD+) in order to increase the rewards for successfully managing drivers of deforestation;
- ▼ They should introduce properly enforced import restrictions to prevent the use or sale of illegal and unsustainably sourced products within demand-side countries so as not to provide perverse incentives which would allow companies to profit from illegal deforestation in producer countries and undermine performance-based payments under REDD+; and
- ▼ Demand side governments should send signals to the market to incentivize better practice on the ground. These could include public procurement policies for the commodities driving deforestation, or commodity tariffs that are aligned with sustainable practice so as not to favor unsustainable production.

**In summary**, the world's forests are a critical part of the climate change solution but as long as incentives remain that encourage market actors to destroy and degrade them, this potential opportunity is not being fully realized.

Despite momentum from the private sector committing to act on deforestation in their supply chains, individual companies cannot effectively meet this challenge alone. Governments need to provide incentives, as outlined in this briefing, as well as deterring illegal practices that undermine leadership efforts and create an uneven playing field.

Opportunities exist for governments to engage in new partnerships in order to find multi-disciplinary solutions, such as the Tropical Forest Alliance 2020. This could include national governments working together to set minimum standards, e.g. across the EU. By doing so, key environment, development and economic goals can be achieved while keeping global forests standing.

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