

EUROPEAN TYRE INDUSTRY

The European Tyre & Rubber Manufacturers Association (ETRMA) and its members count around 4.400 companies in the EU employing directly about 370.000 people. ETRMA tyre corporate companies represent globally 73% of world sales and 7 out of 10 world leaders are our Members. We have strong presence in the EU and candidate countries with 93 tyre-producing plants and 16 R&D centres.

Introduction

ETRMA would like to use this document to better qualify some of the answers of the Deforestation and Forest Products Impact Assessment questionnaire.

Further information can also be found in ETRMA's position paper regarding due diligence in the supply chain as an instrument to reduce the impact of products placed on the European market with regards to deforestation and forest degradation. It can be found at this [link](#).

The questionnaire

Preliminary questions regarding (voluntary) pledges or commitments

ETRMA has been actively involved in initiatives aimed at supporting sustainable natural rubber:

- **The Sustainable Natural Rubber Initiative (SNRI):** Under the leadership of ETRMA, an industry voluntary and collaborative activity was initiated in a pilot phase in 2015. The objective of this initiative was the securing of a global sustainable natural rubber economy. This was specifically requested and supported by the Industry Advisory Panel of the International Rubber Study Group.
- **The Global Platform for Sustainable Natural Rubber (GPSNR):** ETRMA is a member of the Tire Industry Project's GPSNR. The GPSNR was initiated by CEOs of the World Business Council for Sustainable Development's (WBCSD) Tire Industry Project (TIP) in 2018 and driven by a Working Group of TIP member companies.

It is a multi-stakeholder initiative with members from the natural rubber value chain: Producers, Processors, and Traders; Tire Makers and Other Natural Rubber Makers/ Buyers; Car Makers, Other Downstream Users, and Financial Institutions; Civil Society, and – since late September 2020 – also the category of Smallholders is part of the GPSNR.

GPSNR will work with its stakeholders to define and implement guidelines for companies to achieve a sustainable natural rubber supply chain. To achieve that, the GPSNR will work to harmonize standards to improve respect for human rights, prevent land-grabbing and deforestation, protect biodiversity and water resources, improve yields, and increase supply chain transparency and traceability.

For more information, please visit: <https://www.gpsnr.org/> .

Q1.3: Which (conglomerations of) commodities contribute to deforestation and how much.

Whilst ETRMA does not have any direct information on the impact of deforestation of the chosen conglomerate of commodities, there are several studies that were carried out by both EU Institutions ([European Commission's public consultation](#) and [European Parliament's EPRS](#)), international organisations (such as [FAO](#)) and NGOs (eg. [WWF](#)).

All of these studies indicate that commodities such as cattle, soy beans and palm oil contribute to the bulk of deforestation (40% according to FAO).

Furthermore, the summary report of the public consultation in the context of the Communication on stepping up EU action against deforestation shows that rubber is considered as a low risk commodity.

This information is also supported by the [EPRS study](#), which underlines that crops, such as rubber, sugar, coffee and cacao account for less than 5% of total deforestation.

Available data suggest there is a strong correlation of the “supply and demand” market situation with the most salient sustainability risks in the natural rubber supply chain. In periods of strong natural rubber demand (e.g. 2009 – 2013) the deforestation of rain forests to expand production areas have set environmental risks into focus. In the current period of strong supply and comparably low demand, the deforestation risk has strongly decreased and social risks predominantly of smallholders come into focus. Any regulation for risk-based due diligence must account for risk prioritization changes based on the global supply and demand situation. Most positive impact can be achieved by building capacity (incl. but not limited to Good Agricultural Practices, productivity increases, strengthening local communities, ...) at the smallholder level in order to create a resilient natural rubber value chain. This can only be achieved if all relevant players of the value chain incl. governments cooperate.

With regard to the **work of the industry**, as said above, ETRMA and several of its members are participating stakeholders in The Global Platform for Sustainable Natural Rubber (GPSNR) (<https://www.gpsnr.org/>).

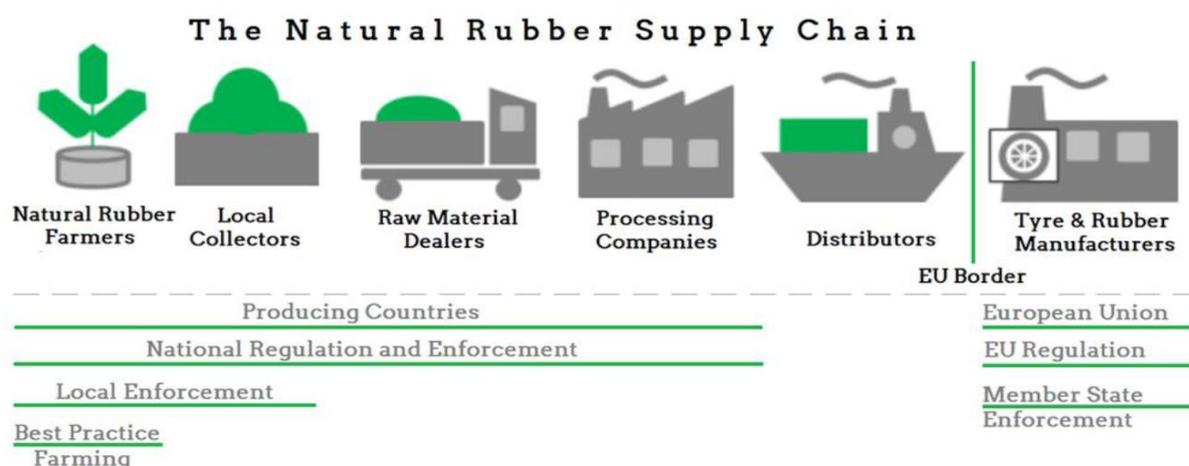
In the context of its work, **GPSNR has issued a tender to carry out a study on Environmental impacts, and risks, in the global Natural Rubber value chains**. This should help clarify some of the questions listed in this consultation and ETRMA will be happy to share with the European Commission relevant outcome when available.

Q1.4: which **factors** contribute to the consumption of products linked to deforestation and forest degradation

The options proposed in this question take as a given certain assumption that are not so obvious for products made (also) of natural rubber:

- Assumption that, even if aware, **consumers would base their purchases on whether a product contributes or not to deforestation**. This should not be taken for granted. The experience of our industry with the tyre label has proven that even when essential, clear and objectively tested information on product performance is offered to users, they often disregard it in favour of price or brand considerations. Hence, when it comes to consumers, the contributing factor is not so much an issue of awareness, but one of sensitization on the importance of performances – both with safety and environmental impact – d over price.
- The questions regarding the definition of “**deforestation-free products**” assumes that in the market there is availability of such products. This is not the case for rubber products. This is due to several factors, including very limited traceability in the natural rubber supply chains due to structural reasons. Natural rubber's processor supply base zones are extensive. 80% of the raw material comes from a radius of 150-200 km of the processor location, 15% comes from 200-500 km, and 5% comes from >500 km. For comparison: pulp and wood is no more than 100 km, and palm oil is no more than 50/75 km as fruits need to be proceed within 24 hours of harvesting.
Furthermore, there are **many layers between the farmers and the product manufacturers**: natural rubber is a vital agricultural product or commodity playing a major role in the socio-economic fabric of many developing and newly industrialised countries. Up to 20 million families are fully or partially dependent on rubber cultivation for their basic source of livelihood often dominated by small-hold and micro farming.

After collecting the latex sap, the raw natural rubber is refined to convert it into a refined raw natural rubber product. This is done by a high number of producers and local, regional, national and international processors and traders before arriving at the final industrial user making the rubber products.



This is why any measure should take into consideration the peculiarities of each value chain.

- With regards to the possibility that “**commodities are too cheap to reflect social/environmental externalities**”, it should be noted that the fact that price remains the main driver for consumers’ choice, competitors that do not take responsibility for their environmental and social externalities have a competitive advantage over those that behave more responsibly.
- On the fact that “regulations do not restrict the sale of **goods associated with deforestation**”, it is not clear what “associated with deforestation” might mean. That is why ETRMA prefers not to express any opinion on this option.
- On the assumption that “**deforestation-free products**” would be marketed at a higher price, ETRMA prefers not to answer, specifically because as of today no natural rubber product on the market is labelled “deforestation-free” and thus it ignores if this could attract a higher price.

Q1.5 with regards to the **problems** that contribute to deforestation and forest degradation

The main issue with the approach taken in this consultation is that it looks for EU actions that should have an impact on countries on which the EU does not regulate and on which the EU has no control on.

It is for this reason that the work should be done locally – in the producing countries – or globally.

Specifically for the natural rubber supply chain, it should be noted that, given the very limited diversification of natural rubber supply and the high and growing level of consumption from other regions, in the absence of local or global policies, rubber manufacturers have very little choice on whether (or where from) to source natural rubber.

This is why dialogue with producing countries is key.

In this context, the main issues that may influence deforestation and forest degradation from the point of view of the natural rubber value chain are the following:

- Absence of **sound policies at the global level** contributing to deforestation and forest degradation;
- **Absence of sound policies** at the **national/sub-national level** that minimize the contribution to deforestation and forest degradation in **non-EU Member States**.
- **Lack of enforcement** of existing policies in **non-EU countries**: this is certainly an issue as rubber products manufacturers have no control on whether their suppliers (so small and diverse) comply with local legislation.
- **Lack of investments** in sustainable land management in countries experiencing deforestation and forest degradation in **non-EU countries**

- **Corruption** in public institutions in **non-EU Member States**. The consultation takes for granted that corruption exists both in EU and in third countries. However, we believe that the impact on deforestation – at least from the natural rubber value chain – is higher in the case of non-EU Member States.
- **Lack of interest and/or political leadership** on the issue in **non-EU countries**. The local interest, commitment and ownership of the need to tackle deforestation is key to change the local approach and to turn talk into action.

Q2.1: Responsibility for decision-making

The potential to effectively tackle deforestation and forest degradation lies primarily with the producing countries of commodities identified as bearing risks for deforestation. This potential for action and political responsibility is particularly relevant in the case of natural rubber, for which the EU is fully dependent on imports.

The role of EU is that of forging with producing countries international agreements with elements on sustainability and also observing the proper application of these agreements creating a fertile territory in producing countries to better devise and implement their local legislation to achieve agreed objectives regarding to deforestation and forest degradation.

Q3.1: Consumer side measures – influence on consumers purchasing decisions

With regards to tyres, our experience in the EU over the last decade shows that, even when product information is made available, clear, and provable with official standards (e.g. the mandatory EU tyre label), the consumers still tend to base their purchasing decisions on the basis of price and brand.

In this context, before considering the option of introducing deforestation-related information on products, ETRMA recommends that the legislator should conduct very thorough ex ante impact assessments, including studies on consumer interests, preferences and de facto purchasing behaviour.

Q3.2: Range of products to be covered by the future EU policy measures

ETRMA supports the call to act on products that have “the most proven impact”, through specific measures designed to meet the specificities of each products’ value chain, on the condition that such impact is carefully studied in terms of recent and current developments.

This focused approach should help ensure both highest impact and enforceability of any measure that would be developed.

Q3.3: Issues related to the origin of products in focus

Forest-related sustainability should be required as long as this is defined at international level.

The “buy-in” from the producer countries is key and it would be difficult for this to happen only on the basis of EU-determined requirements. On the other hand, an effective fight against deforestation and forest degradation at the global level would be best achieved with international norms and standards.

In relation to the origin of products (commodities) in focus of the upcoming EU legislation on deforestation, we support both their legality and their forest-related sustainability. The former being understood as compliance with rules in the country of origin as relates to forestry and land use. The latter being understood as compliance with **internationally agreed standards and requirements (compliant with WTO rules and building on international commitments)** as relates to forestry and land-use change based on an international definition of “deforestation-free”.

Q3.5 Compensation of forest clearances by tree planting

Compensation in its current form usually focusses only on the CO2 emission impact. Other factors such as loss of biodiversity are usually not compensated. While for plantation or naturally regenerated forests compensation

can be a model, the compensation of deforestation of primary forests by new trees may work in terms of CO₂ but will cause non-compensable losses

Q3.6: Most suitable measure to address deforestation and forest degradation

ETRMA would like to better qualify its rating of the options proposed.

ETRMA evaluated the suitability of each option through the lenses of “level of impact” and “feasibility” and considered as “most suitable” those that met both criteria.

Other options that might appear suitable because, if applied correctly, could have a high impact in deforestation received a low score, if these options seem to be impossible to be enforced.

Conversely, options that seem of easy implementation, but that would have a low impact on deforestation, also received a low grading.

Finally, it should be reminded that all these opinions were looked from the perspective of the natural rubber value chain.

1. A deforestation-free requirement or standard that commodities or products must comply with to be placed on the EU market (prohibition to enter the EU market for commodities that do not respect these rules): this measure is not considered feasible for the natural rubber value chain. Nearly all of the natural rubber used in the EU is imported. Moreover, 91% of the sourcing of this raw material comes from only five countries on two continents– most of which in South East Asia. On the other hand, globally there are many natural rubber consumer countries. If the EU was to impose very rigid rules on natural rubber sourcing on its market, on a global scale this would have no or little effect on halting deforestation, but would bear severe consequences on the European economy and on the competitiveness of EU-based industries dependent on natural rubber.

As a result, this option could be favored in terms of impact, **on the condition that an international definition of deforestation-free products could be agreed upon with adjacent enforceable rules on deforestation-free commodities, and only if producing countries would ensure its implementation and enforcement.**

Given the difficulties linked with the implementation of this option, ETRMA rates as low the suitability of this option.

2. Voluntary labelling and mandatory labelling: in both cases objective criteria appropriate across value chains would have to be defined and agreed upon. This would be difficult to achieve.

Also in terms of impact, we have serious doubts that any kind of labelling would really make the difference in consumers’ behavior – at least with regards to tyres. This aspect would further need a thorough exploration by the legislator - well before policy decisions are made.

A mandatory label would be both difficult to establish and implement as well as achieve a low impact.

A voluntary label would be easier to implement as the decision to use it would be left to the choice of each manufacturer. However, the impact of this measure would remain low.

It should be noted that, any voluntary label should still be based on objective criteria and not be a “commercial” or “arbitrary” label.

3. Public national legality verification schemes, prohibited operators list, country carding system and export ban to the EU: in the case of natural rubber, our industry’s serious doubts with regards to the feasibility of this option are similar to those expressed for the case of compliance with deforestation-free requirements and standards (option 1). The country carding system would make the implementation of the system even more difficult and put at risk EU’s economy and competitiveness.

4. Voluntary due diligence and mandatory due diligence: these options appear to be the most feasible and fairly impactful measures. However, both would largely depend on the definition of due diligence as well as the way it would be implemented for each value chain.

It should be noted that in the case of a due diligence approach the responsibility of manufacturers should be limited to what they are de facto able to control –i.e. their own operations and their B2B, limited to their tier 1 suppliers. However, the potential and need for action at the level of deforestation-risk commodities producing countries would not be captured by EU policies relying only on due diligence. In the case of the due diligence option – whether voluntary or mandatory – the industry would have limited enforcement instruments, particularly given the many layers between the natural rubber producers and the manufacturers of natural rubber goods, the limited choice of producing countries and, conversely, the great variety of consuming countries.

- Local governments are key actors in ensuring that due-diligence is applied and industry cannot take their place in doing so. The processes and resources implemented in a due diligence activity should be proportionate, effective and define the liability of both EU-based enterprises and of importers;
- It should be the role of the EU to ensure a dialogue with producing third countries on best practices and implementation on international human rights and environmental engagements. All levers of the European Union in terms of cooperation and trade with third countries should contribute to this evolution.

Furthermore,

- The consequences on small farmers should also be thoroughly considered when building a mandatory due-diligence system. It would be very difficult and burdensome for them to declare compliance through a mandatory due-diligence system with very rigid and disproportionate (reporting) obligations. As a consequence, if due-diligence obligations were to be applied only to product manufacturers, there would be a risk of distortions in the natural rubber value chain as purchasing natural rubber only from big estates would not be sufficient to meet the needs of the tyre and rubber sector. This may have ultimately major adverse effects throughout the entire natural rubber supply chain. Therefore, rules to halt deforestation and forest degradation should cover the whole supply chain, but be tailored proportionately and effectively to each group of operators across the value chain
- Attention should be given to the involvement of stakeholders on risk assessment and mitigation measures

Any due diligence obligation should focus on the genuine positive impact on the ground rather than on reporting *per se* and should be risk-based to account for risk prioritization changes based on the global supply and demand situation of each supply chain. Most positive impact can be achieved by building capacity (incl. but not limited to Good Agricultural Practices, productivity increases, strengthening local communities, ...) at the smallholder level in order to create a resilient natural rubber value chain. This can only be achieved if all relevant players of the value chain, including governments, cooperate.

That is why any due diligence legislative proposal should ensure:

- that it is risk-based: what matters is to base any assessment on risk rather than on exhaustiveness;
- that it focuses on continuous improvement through mitigation measures which are what is really needed in order to ensure a positive evolution within the value chain.
- Effective international agreements between the EU and the natural rubber producing countries, in complementarity to a possible due diligence legislation.

5. Private certification systems: if already in place, these should be maintained. However, the industry is skeptical on the impact that such certification systems alone might have, all the more so as such certification does not exist for natural rubber.
6. Build benchmarking or country assessments showing which countries are exposed to and combat deforestation for information purposes: whilst expressing doubts with regards to the effectiveness of this measure alone, industry welcomes the comparatively easier implementation. Furthermore, compared to

other options, this would not result in any risk of shortage of natural rubber for EU producers and robust information is always essential to design any possible further legislative step.

7. **Promotion through trade and investment agreements: this is the essential and non-negotiable measure that would enable most of the other suggested options, including and especially the one on due diligence.**
8. Mandatory disclosure of information (including corporate non-financial reporting): whilst this option would be of relatively easier implementation, the level of impact risks to remain low.
9. **Development and cooperation assistance to producing countries**: together with the role of trade and investment agreements, this option is key to ensure the involvement and effective operational commitment of producing countries.
10. Consumer information campaigns in the EU: ETRMA cannot evaluate either the feasibility or the effectiveness of this measure.
11. **Green diplomacy: this option is in line and complementary to those regarding to the external action of the EU – trade and investment agreements and development and cooperation assistance.**

Q3.16: Effect of the measures on halting deforestation

The considerations above analyse both the possible impact and the feasibility of each proposed measure.

Those measures whose impact is considered potentially high, but which believe could not be correctly implemented and enforced, still get a low score in this question as we deem that without implementation, these measures would have no effect.

On the contrary, those measures that we believed more easily enforceable, but with a lower impact, get here a lower score – as the feasibility does not weight in the scoring.

Q3.18: Possibility of supply-chain divergence

It is difficult to assess whether there would be any supply chain divergence, particularly as the tyre industry is a global one that produces for very different markets. Furthermore, EU measures on the demand side would have absolutely no consequence on non-EU producers manufacturing for other markets, who would have no incentive to invest in deforestation-free natural rubber .

Furthermore, as outlined in some of the previous answers, there is high competition for the supply of natural rubber.

As a result, if measures designed to halt deforestation would be applied ONLY on the demand side, there might be a concrete risk of shortage of “deforestation-free” natural rubber on the international market.

In this sense, “supply-chain divergence” might not be a consequence of a choice, but rather of impossibility for all to source this kind of rubber.

This is why, ETRMA considers that, in the case of natural rubber, no measure can be effective without concrete work on the “supply side”.