

# GUIDE

# EU DEFORESTATION REGULATION (EUDR)



The European Union Deforestation Regulation (EUDR) aims to prevent deforestation linked to the production and trade of certain commodities, including cattle. Enacted in June 2023, this regulation requires companies placing products on the EU market to prove that their goods are **"deforestation-free"** and **compliant with relevant laws in their country of origin.**

*The service is developed within the project Ecosystem Builders | Boosting Support for MSMEs in Albania, is funded by BMZ and implemented by GIZ Albania, within the ProSEED 2.0 program, and enacted.*

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# What: Presentation of the Law

## Introduction to EUDR

The European Union Deforestation Regulation (EUDR) aims to prevent deforestation linked to the production and trade of certain commodities, including cattle. Enacted in June 2023, this regulation requires companies placing products on the EU market to prove that their goods are **"deforestation-free" and compliant with relevant laws in their country of origin.**

To comply with the EUDR products must meet three key criteria, they must be:

- Deforestation-free
- Legally produced: produced in accordance with the relevant legislation of the country of production. This means the laws applicable in the country of production concerning the legal status of the area of production.
- Covered by a due diligence statement: product must be covered by a due diligence statement filed by the company placing the product on the market. A due diligence procedure includes three steps: Collecting information about the product(s) / Carrying out a risk assessment for each product / Conducting risk mitigation (if relevant).





## Key Definitions:

- **Deforestation-Free:** Products must not originate from land deforested after **31 December 2020**.
  - **Geolocation Requirement:** Companies must provide GPS coordinates of grazing land to ensure full traceability of leather supply chains.
  - **Legal Compliance:** Ensuring that all raw materials comply with the legal requirements of the country of origin.
  - **Due Diligence Statement:** A document proving compliance with EUDR requirements, including risk assessments and mitigation measures.
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## Why is EUDR Important?

- **Climate Change Mitigation:** Prevents carbon emissions from deforestation.
- **Biodiversity Protection:** Ensures forests remain intact for ecosystem stability.
- **Global Environmental Footprint:** Reduces the EU's impact on global deforestation.
- **Sustainable Trade:** Encourages responsible sourcing and supply chain transparency.

Scope of the Regulation EUDR applies to a wide range of products, including wood, palm oil, soy, beef, coffee, cocoa, rubber, and leather-related goods. Businesses should refer to Annex I of Regulation (EU) 2023/1115 for the HS codes of all commodities subject to EUDR requirements.

# Who: Who Is Concerned by the Law?

## Businesses Covered by EUDR

The regulation applies to two main categories:

- **Operators:** Entities placing relevant products on the EU market for the first time (importers, manufacturers, and producers). They bear full responsibility for due diligence compliance.
- **Traders:** Businesses reselling products already placed on the EU market. However, if a trader directly imports products into the EU, they are considered operators and must comply with full due diligence requirements.
  - If they are larger than SMEs, traders must still exercise due diligence. However, since they are sourcing products that have already been through the due diligence process, they must satisfy themselves that due diligence has been exercised in accordance with the EUDR.
  - If they are SMEs, traders only need to keep a record of who they buy the product(s) from, the details of the accompanying due diligence statements, and who they sell to.

### → SME-Specific Provisions

EUDR also applies to micro-, small-, and medium-sized enterprises (SMEs) based on the following definitions:

- **Micro:** <10 employees and <€2 million turnover.
- **Small:** <50 employees and <€10 million turnover.
- **Medium:** <250 employees and <€50 million turnover.

### → Key Deadlines for Compliance

- **30 December 2025:** Deadline for large operators and traders.
- **30 June 2026:** Deadline for micro-, small-, and medium-sized enterprises.

# How: What Exactly Should Companies Implement?

## EUDR Compliance Requirements: The 3-Step Procedure

### Step 1 Provide Geolocation Data

- Companies must supply **GPS coordinates** of land used for raw materials.
- **Plots larger than 4 hectares** require polygon coordinates.
- Data must prove that the land was **not deforested after 31 December 2020**.

### Step 2 Conduct Risk Assessments

- **Low-Risk Countries:** Only Step 1 (geolocation data collection) is required.
- **High-Risk Countries:** Companies must complete all three steps, including risk assessments and mitigation measures.
- Risk assessments evaluate deforestation risks, illegal sourcing, and supplier compliance.

### Step 3 Implement Mitigation Measures

- **Preferred Approach:** Work with suppliers to improve compliance.
- **Enhance Traceability:** Strengthen monitoring of raw material sourcing.
- **Independent Audits:** Conduct supplier verifications.
- **Last Resort:** Switch suppliers only if compliance improvements fail.



## Examples of Practical Tools for Compliance

- **EU Information System for Deforestation Regulation (ISDR):** Centralized reporting platform for geolocation and compliance data.
- **Satellite-Based Monitoring Tools:** Such as Satelligence for real-time tracking of sourcing practices.
- **EU Benchmarking Tools:** Categorizing countries into low, standard, or high risk to guide due diligence levels.

## Penalties for Non-Compliance

**Enforcement mechanisms:** The EUDR mandates that EU member states appoint competent authorities responsible for monitoring and enforcing compliance. These authorities must conduct regular checks on companies based on the deforestation risk level of the countries from which they source products. Customs agencies also play a crucial role in monitoring due diligence statements and can suspend products from entering or exiting the EU if they are found non-compliant.

### Financial Penalties

- Fines up to 4% of annual EU turnover.

### Operational Penalties

- Product confiscation.
- Suspension from the EU market.

### Reputational Damage

- Loss of customer trust.
- Negative impact on brand image.

## Practical Steps to Avoid Penalties

- Implement robust compliance systems.
- Implement "full traceability", tracking products back to their origin to ensure they are not linked to deforestation or forest degradation
- Conduct regular audits.
- Train staff.
- Engage with stakeholders.
- Stay informed.



## → How AIDA Supports SMEs

- **Training Workshops:** AIDA organizes training to help SMEs understand EUDR requirements and implement due diligence practices.
- **Guidelines and Templates:** Providing access to tools like supplier questionnaires, risk assessment templates, and GPS mapping guidance.
- **Technical Assistance:** Helping SMEs establish geolocation tracking and due diligence systems.

## → Additional Resources

- **LWG Guidance:** Comprehensive document tailored to the leather industry.
- **EU FAQ on EUDR:** Answers to common questions about the regulation.
- **EUDR Legal Text:** Full regulation details available at EUR-Lex.

## → Annexes

### Annex I: HS Codes for Products Covered Under EUDR

Annex I of the EUDR lists the Harmonized System (HS) codes for products that fall within the scope of the regulation. These HS codes help businesses identify whether their products are subject to EUDR compliance requirements. Companies must carefully check the HS codes applicable to their goods to determine their obligations under the regulation. The list includes key commodities such as cattle, soy, palm oil, wood, cocoa, coffee, and rubber, along with their derived products. Ensuring accurate classification under these HS codes is crucial for operators and traders to meet EUDR requirements.

### Annex II: Due Diligence Statement Template

Annex II of the EUDR provides a detailed outline of the information that must be included in the due diligence statement. This statement serves as a self-declaration by operators, confirming that the listed products comply with EUDR requirements. It is not certified by customs authorities but is subject to verification by competent authorities. The annex specifies the key details that must be documented, such as product descriptions, geolocation data, risk assessment findings, and mitigation measures undertaken. Operators should refer to Annex II to ensure that their due diligence statements contain all the necessary elements for compliance. There is no specific template for the due diligence statement, but Annex II of the EUDR provides the necessary information.

## Notes:

- **Operators (or non-SME traders)** who place cattle products on the market must geolocate all establishments associated with raising the cattle (birthplace, farms where they were fed, grazing lands, and slaughterhouses).
- **Country risk assessment** will be edited by the EU commission by June 30th, 2025.
- **Operators** sourcing products from **low-risk** countries will be subject to a **simplified due diligence procedure**, which only includes Step 1 (Collecting information) of the 3-step procedure (thus, there is no need to perform the risk analysis and mitigation steps).
- An operator's due diligence statement is not certified by the local customs authority; it is a self-declaration. Customs agencies are required to examine the status of the due diligence statement.

# Contact Information

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