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**COMMISSION STAFF WORKING DOCUMENT**

**On the methodology used for the benchmarking system**

*Accompanying the document*

**COMMISSION IMPLEMENTING REGULATION (EU) .../...**

**laying down rules for the application of Regulation (EU) 2023/1115 of the European Parliament and of the Council as regards a list of countries that present a low or high risk of producing relevant commodities for which the relevant products do not comply with Article 3, point (a)**

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## COMMISSION STAFF WORKING DOCUMENT

### On the methodology used for the benchmarking system

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### COMMISSION IMPLEMENTING REGULATION (EU) .../...

#### **laying down rules for the application of Regulation (EU) 2023/1115 of the European Parliament and of the Council as regards a list of countries that present a low or high risk of producing relevant commodities for which the relevant products do not comply with Article 3, point (a)**

Article 29 of Regulation (EU) 2023/1115 on Deforestation-free products (EUDR) requests the European Commission to classify countries or ‘parts thereof’ that present a low, standard or high risk of deforestation by means of an implementing act no later than 30 June 2025.

This document explains the methodology underpinning the three-tier country classification system as reflected in this Implementing Act.

The aim of the risk classification system is twofold. First, it aims to allow Member States Competent Authorities to define and plan their annual compliance checks, namely 1% for low-risk countries, 3% for standard risk countries and 9% for high-risk countries as part of a risk-based approach. Second, it aims to give clarity for operators regarding simplified due diligence when sourcing from low-risk countries. It also serves as an incentive for producers to enhance the sustainability of their agricultural production systems and to minimize their deforestation impact, and enables the European Commission, European Union Member States and other partners to target their support measures.

The country classification system is primarily based on an assessment of the criteria set out in Article 29(3) of the EUDR (hereinafter ‘quantitative criteria’) and may take into account criteria outlined in Article 29(4) (hereinafter ‘qualitative criteria’).

#### **1) Quantitative criteria Article 29(3) methodology**

Article 29(3) states that the risk classification shall be based on an objective and transparent assessment by the European Commission, taking into account the latest scientific evidence and *internationally recognised sources*. It also establishes that the classification shall be based primarily on the following quantitative assessment criteria:

- (a) rate of deforestation and forest degradation;
- (b) rate of expansion of agriculture land for relevant commodities;

(c) production trends of relevant commodities and of relevant products.

### **Data sources for the quantitative assessment**

For the deforestation rate set out in Article 29(3) (a), the source of data used is the Global Forest Resource Assessments (FRA) as developed by the Food and Agriculture Organization of the United Nations (FAO) as this is the main internationally recognized source. It is based on reporting made by FAO Member States. The most recent available dataset is from 2020; therefore, this assessment is based on FAO FRA 2020. Next assessment from the FAO FRA 2025 is expected to be published in October 2025. Hence, to ensure the latest available scientific data is taken into account, a first review of the country classification is envisaged in 2026, within a reasonable timeframe after the publication of the next FAO FRA dataset. This follows the approach stated in Article 29 (2), defining the country classification as a dynamic process, regularly up for revision.

FAO FRA data on forest types to map forest degradation is currently not sufficient, as country reporting for primary forest and for other data sources allowing to define forest degradation is not comprehensive enough. Therefore, this criterion has not been integrated in the methodology at this stage, but it is planned to be integrated in the next review of the classification, following the publication of the next FAO FRA dataset.

For the two other criteria, expansion of agricultural land (Article 29(3) (b)) and production trends (Article 29(3) (c)), the FAOSTAT database is relevant and is the basis for assessing these criteria. Land use statistics for crop commodities are the best indicator for agricultural land expansion of the relevant commodities. For cattle and wood, production data is used since there are no direct statistics on land use for these commodities.

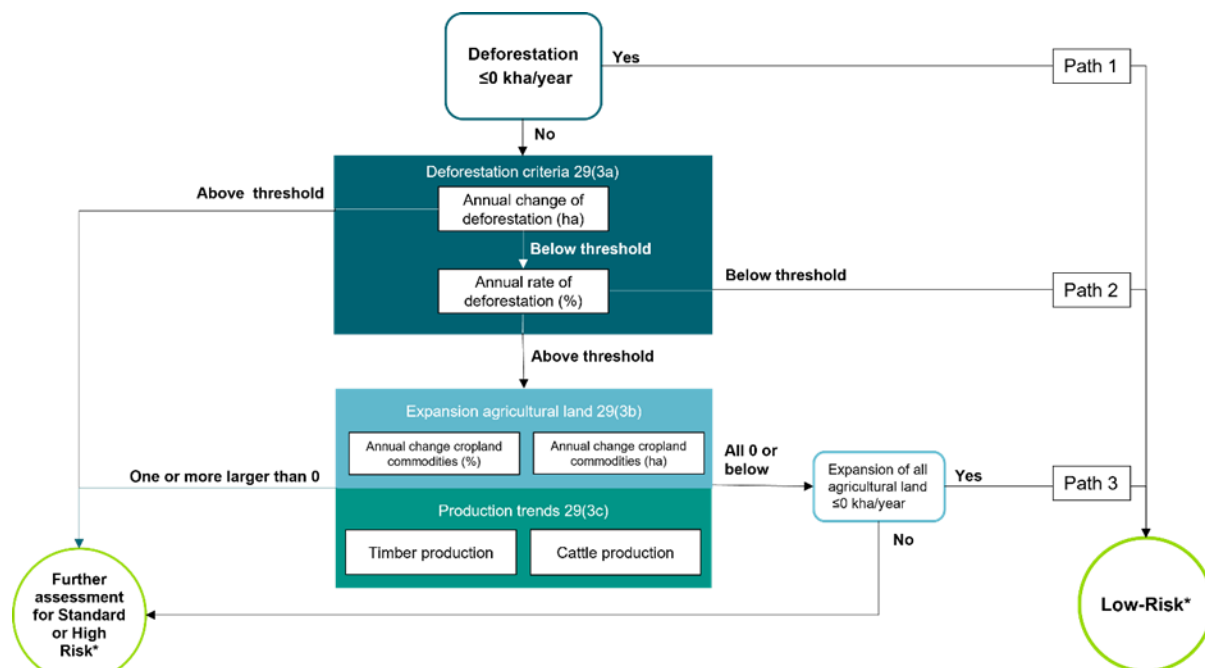
For this exercise, the United Nations official list of countries is considered.

### **Identification of low-risk countries**

Three paths have been set to define whether a country to be classified as low risk based on Article 29(3). These different paths are the basis of the risk classification list presented in Annex of the Implementing Act (see figure below).

- The first path is considering whether there is net forest loss between 2015 and 2020 in a given country, meaning that countries with no deforestation during that timeframe will automatically be classified as low risk (criterion in Article 29(3) (a)).
- Then a second path is considering whether the level of deforestation in a given country is below a certain threshold (on absolute and relative level) (criterion 29(3) (a)). The relative threshold is set at 0.2% of annual forest area loss, calculated as the average of yearly deforestation rates between 2015 and 2020. In this methodology, each yearly rate is based on the proportion of forest area lost compared to the total forest area of the preceding year. The absolute threshold is set at 70,000 hectares of forest area loss per year. A country needs to fall under both thresholds to be classified as low risk.

- In addition, a low-end absolute threshold of 1,000 hectares of absolute net forest area loss per year is also included. Countries below this threshold, regardless of their relative level, will be categorized as low risk. This allows to take into account the situation of small countries that, despite having a low absolute level of deforestation, appears to have high deforestation rates due to a significant relative level.
- The third path is to assess countries that were not classified in the low-risk category during the two previous steps based on the criterion in Article 29(3)(a). The objective here is to identify countries with a certain level of deforestation that is caused by other factors than those covered by the EUDR (the criteria in Article 29(3) (b) and (c)), such as urbanization. The level of cropland expansion for oil palm, rubber, cacao, coffee and soy (Article 29(3) (b)) is then identified, as well as the level of production for timber and cattle (Article 29(3) (c)). Furthermore, a layer is added to identify if countries have expansion of total agricultural land. Here FAOSTAT is used as data source.
- Countries that have no expansion of the agricultural land associated with the EUDR crop commodities, no increase in the level of production of timber and cattle commodities and no expansion of overall agricultural land are classified as low risk.



\*This categorization is not final, and a further assessment according to the criteria listed in Article 29(4a-e) is possible.

### *Quantitative assessment under Article 29(3)*

### **Identification of standard risk countries**

Countries not classified as low or high risk fall into the standard risk category.

### **Countries close to the thresholds**

The benchmarking methodology allows to have a specific approach to the countries which are at the lower or higher end of the risk category. For the first implementing act, this methodology identifies countries comprised within +25% of the low-risk absolute and relative thresholds.

Countries in this category are subject to a qualitative assessment (see section 2 below), including through a consultative process with the Commission, to complement the quantitative analysis, considering Article 29(4) assessment criteria to identify the appropriate level of risk of producing a relevant commodity that is not deforestation free. Information and further data provided through the consultation process are taken into account in the qualitative assessment.

## **2) Qualitative criteria (Article 29(4)) methodology**

### **Scoring system**

Article 29(4) provides for a possible complementary assessment to the quantitative data with qualitative criteria. It applies for the first implementing act to those standard countries at the lower end of the category, as mentioned above.

With regard to the collection of data and information as outlined in Article 29(4), criteria set out in points (a) to (d) are addressed through a comprehensive and operational approach. This is achieved by categorizing each criterion into a combined list of elements which encompass existence of mechanisms, instruments etc. Those elements are evaluated on a scale of '1' to '5'. The average score is then calculated by combining these scores, resulting in a final score for the assessed criterion. For example, if one parameter receives a score of '5' and the second parameter receives a score of '2', the overall score for that criterion would be '3,5'.

To calculate the total score for the country, the sum of all scores per criterion from the previous steps is then divided by the total number of criteria, which is four. This results in a total score that ranges from '1' to '5', providing a comprehensive assessment of the country's performance.

For threshold countries assessed, a change to a lower risk category would be triggered if the total average minimum score across all four criteria (29 (4) (a) to (d)) is equal to or above 3 out of 5. This means that it is not sufficient for a country to score 3 out of 5 on just one individual criterion; rather, the average score calculated from all four criteria must meet or exceed this threshold

### **High risk countries**

In line with Article 29(4) (e), all countries are checked against relevant sanctions. Countries subject to UN Security Council or EU Council sanctions on imports or exports of the relevant commodities and relevant products are automatically classified as high risk as it is impossible to conduct due diligence along the value chains in these countries.