

Regulatory Alert

Global Chemical, Environmental, Social, and Governance Regulations, Policies, and Standards

Alert 36



European Union Deforestation Regulation

Region: Europe

WHY IS THIS ALERT IMPORTANT?

The European Union (EU) has adopted the [Deforestation Regulation](#) (Regulation (EU) 2023/1115), known as the EUDR, to ensure that certain commodities and products placed on or exported from the EU market are deforestation-free, legally produced, and traceable. While the regulation primarily targets agricultural commodities, it may affect aerospace and defense (A&D) companies, especially those involved in maintenance, repair, and overhaul (MRO) or manufacturing that use materials such as rubber, leather, wood, palm oil, soy in aircraft parts, oils, solvents, and paper (e.g. packaging, manuals, or inserts). The EUDR uses Combined Nomenclature (CN) codes to specify which products are subject to its compliance requirements.

Under the EUDR, companies placing certain commodities or their derivative products on the EU market, or exporting them from the EU, must meet three core requirements. They must ensure the products are deforestation-free, meaning they were not produced on land that was deforested after 31 December 2020. Companies must also ensure the products comply with all relevant laws in the country of origin, including those related to land use, environmental protection, labor rights, and human rights. And companies are required to submit a due diligence statement through the EU's information system before placing the products on the market or exporting them. This statement must confirm that the company has conducted thorough checks to verify the product's compliance with the deforestation and legality criteria. These requirements will apply starting 30 December 2025, for large and medium-sized enterprises, and 30 June 2026, for small and micro-enterprises.

Non-compliance carries significant legal, financial, and reputational risks.

INTENDED AUDIENCE

This Regulatory Alert is intended for IAEG members and their suppliers who intend to place or export rubber, leather, wood, paper, or other applicable commodities or products on the EU market.

EXECUTIVE SUMMARY

The EUDR requires companies to ensure certain products sold in or exported from the EU are deforestation-free, legally sourced, and traceable. Applicability of commodities and products is determined by CN codes; if a product matches a listed code, it must comply with the EUDR requirements. Companies selling applicable commodities or products in the EU or exporting them from the EU must prepare to submit due diligence statements starting in late 2025 to remain compliant.

BACKGROUND ON REGULATION

Global deforestation has accelerated over the past three decades, with forest loss exceeding the total land area of the European Union—driven primarily by agricultural expansion. This loss of forests contributes significantly to

climate change and biodiversity loss. The EU itself plays a notable role, consuming around 10% of globally traded commodities linked to deforestation. In response, the EU introduced the EUDR, officially Regulation (EU) 2023/1115, which entered into force on 29 June 2023. The regulation complements other sustainability policies such as the Corporate Sustainability Due Diligence Directive (CSDDD), which focuses on human rights and environmental due diligence across value chains, and the Corporate Sustainability Reporting Directive (CSRD), which mandates comprehensive sustainability reporting. Together, these regulations create an integrated framework for corporate environmental responsibility. The EUDR targets seven high-risk commodities—cattle, cocoa, coffee, palm oil, rubber, soy, and wood—along with their derivative products. These were selected based on their strong links to deforestation and relevance to EU trade. A key feature of the regulation is the requirement for geolocation data to trace commodities back to the exact plot of land where they were produced, enabling satellite-based verification. By enforcing these measures, the EUDR seeks to promote sustainable supply chains, protect ecosystems, and support global climate and human rights commitments.

APPLICABILITY

The EUDR applies to seven high-risk commodities linked to deforestation: cattle, cocoa, coffee, palm oil, rubber, soy, and wood. It also covers derived products such as rubber-based components (tires, seals, hoses), wood-based materials (cabin interiors, cargo pallets, packaging, paper), and leather (used in seating or trim), all of which could be relevant to the A&D industry. [Annex I of the EUDR](#) provides a full list of in-scope products. If a product is made from the in-scope natural commodities but is not listed in Annex I, the regulation is not applicable. Similarly, if the in-scope product is not made from in-scope natural commodities targeted by EUDR, then the regulation is not applicable.

Operators (manufacturers, producers, distributors, and importers) and traders (retailers and wholesalers) placing covered commodities or products on the EU market or exporting them from the EU are subject to the EUDR regulation. Large- and medium-sized enterprises will be required to demonstrate full compliance, including due diligence and reporting obligations. Small and micro enterprises (SMEs) will be subject to simplified compliance obligations. Companies that fulfill two out of the following three criteria will be classified as SMEs:

- » average number of employees during the financial year not exceeding 250
- » net turnover of less than €50 million
- » balance sheet of less than €25 million total

RELEVANT DATES

EUDR requirements effective dates:

- » large- and medium-sized enterprises: 30 December 2025
- » SMEs: 30 June 2026

These dates reflect a 12-month postponement from the original December 2024 deadline, formalized through Regulation (EU) 2024/3234.

REGULATORY OBLIGATIONS

Commodities and products covered by the regulation may only be placed on the market, made available, or exported if they meet all of the following conditions: they are deforestation-free, produced in accordance with

the relevant legislation of the country of origin, and accompanied by a due diligence statement submitted for the respective product that includes geo-localized data on where the in-scope commodity was grown.

Operators and traders must implement a documented and verifiable due diligence system that includes three pillars:

- » Information Collection: Operators must gather detailed data for each batch of product:
 - quantity and description of the product
 - geolocation coordinates of the land where the commodity was produced
 - harvest or production date of the natural commodity used
 - name and contact details of relevant suppliers and customers
 - adequate and verifiable data that the covered products are deforestation-free (land must not have been deforested after December 31, 2020) and produced in accordance with relevant legislation of the country of production
- » Risk Assessment: Based on the information collected, operators must establish that there is no or only negligible risk that the relevant product is:
 - linked to deforestation or forest degradation
 - illegally produced
 - Risk assessments must be reviewed and documented at least annually and be made available to authorities upon request.
 - Another key component of the EUDR is the country benchmarking system, which classifies countries that produce regulated commodities based on their risk of deforestation and forest degradation. The European Commission assigns countries to low, standard, or high risk categories using criteria such as historical deforestation, legal frameworks, enforcement, and transparency. This risk designation directly affects the due diligence requirements for EU companies importing these commodities, with simplified checks for low-risk sources and enhanced requirements and inspection frequencies for high-risk sources. The first set of country risk classifications was published earlier this year but will be reviewed and updated periodically.
 - Sourcing from low-risk countries entails simplified due diligence obligations for operators and traders, meaning they would not be required to assess and mitigate risks.
 - Operators sourcing from standard and high risk countries are required to complete full due diligence, including risk assessment and mitigation.
- » Risk Mitigation: If any risk is identified, companies must take proportionate mitigation measures before placing the product on the market:
 - conducting independent audits
 - collecting additional documentation
 - switching suppliers if necessary

Due diligence statements must certify that all checks have been completed, include geo-localized data for traceability, and be made accessible to EU customs and competent authorities. All due diligence documentation must be retained for 5 years. Non-SME operators must publish an annual report on their due diligence system. Reporting obligations can be met by including the required information when reporting in the context of other EU legislation (e.g. CSRD).

SMEs have simplified obligations:

- » no requirement to submit a due diligence statement if already submitted by an upstream operator
- » no mandatory annual reporting on due diligence systems
- » reduced risk mitigation obligations
- » lower frequency of checks by authorities
- » option to appoint an authorized representative down the supply chain to submit due diligence statements on their behalf
- » SME traders do not need to exercise due diligence or submit a due diligence statement, but must collect relevant information regarding the operator's due diligence statement reference number, supplier and customer names and addresses, product, keep the information for a duration of five years, and provide it to Member States' authorities upon request

RISKS TO AEROSPACE AND DEFENSE

Companies found to be in violation of the EUDR may face fines of up to 4% of their annual EU turnover, confiscation of goods and profits, withdrawal of non-compliant products from the market, and temporary bans on market access or use of the EU's digital compliance system. In addition to EUDR administrative penalties, Member States may impose criminal sanctions under Directive 2024/1203 for intentional violations or gross negligence involving environmental harm. In severe cases, this could include imprisonment for responsible individuals under national law.

USEFUL LINKS

[Deforestation Regulation implementation - European Commission](#)

[Traceability and geolocation of commodities subject to EUDR - European Commission](#)

[The Information System of the Deforestation Regulation - European Commission](#)

[EUDR Country Classification List](#)

[Factsheet for SMEs - European Commission](#)

[FAQ - Deforestation Regulation](#)

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