

INCEPTION IMPACT ASSESSMENT

Inception Impact Assessments aim to inform citizens and stakeholders about the Commission's plans in order to allow them to provide feedback on the intended initiative and to participate effectively in future consultation activities. Citizens and stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to make available any relevant information that they may have, including on possible impacts of the different options.

TITLE OF THE INITIATIVE	Sustainable food system framework initiative
LEAD DG (RESPONSIBLE UNIT)	DG SANTE Farm to Fork/ DG AGRI/DG ENV/DG MARE
LIKELY TYPE OF INITIATIVE	Proposal for a Regulation of the European Parliament and the Council
INDICATIVE PLANNING	Q4 2023
ADDITIONAL INFORMATION	Farm to Fork Strategy (COM(2020) 381 final)

The Inception Impact Assessment is provided for information purposes only. It does not prejudge the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described by the Inception impact assessment, including its timing, are subject to change.

A. Context, Problem definition and Subsidiarity Check

Context

The "European Green Deal" resets the Commission's commitment to tackling climate and environmental-related challenges. It is a growth strategy to transform the EU into a fairer and more prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050. It aims to protect, conserve and enhance the EU's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. The Commission's response to the dramatic and unprecedented effects of the COVID-19 crisis also highlights that the recovery plan² must guide and build a sustainable, more resilient and fairer Europe for the next generation.

In this context, the European Commission adopted a comprehensive Farm to Fork Strategy³ for a fair, healthy and environmentally friendly food system and the Biodiversity Strategy⁴ to bring nature back into our lives. The two strategies are mutually reinforcing, bringing together nature, farmers, business and consumers for jointly working towards a sustainable future.

More specifically, the Farm to Fork Strategy addresses comprehensively the challenges of sustainable food systems⁵ and recognises the inextricable links between healthy people, healthy societies and a healthy planet. It acknowledges that "a sustainable food system will be essential to achieve the climate, biodiversity and other environmental objectives of the Green Deal, while improving the incomes of primary producers and reinforcing the EU's competitiveness". The strategy is also central to the Commission's contribution to achieve the United Nations' Sustainable Development Goals (SDGs).

A shift to a sustainable food system can bring environmental, health and social benefits, offer economic gains and ensure that the recovery from the crisis puts us onto a sustainable path. The Farm to Fork Strategy has launched numerous individual actions, which should contribute to the reduction of greenhouse gas emissions, preservation of biodiversity and rural livelihoods, reduction of pesticides use

¹ COM (2019) 640

² COM (2020) 456

³COM/2020/381 final

⁴ COM/2020/380 final

⁵ To address these challenges that strategy also sets targets to increase land under organic farming and to reduce the use and risk of chemical pesticides, fertilisers and antimicrobials for farmed animals.

and risk and pressure on water quality, and better consumer information and animal welfare. At the same time, the Strategy recognises that the above-mentioned individual actions neither alone, nor in combination with each other have the potential to fully ensure policy coherence at EU and national level, mainstream sustainability in all food-related policies and strengthen the resilience of food systems. For this reason, the Farm to Fork Strategy has announced the adoption of a horizontal framework law, so as to accelerate and facilitate the transition and ensure that foods⁶ placed on the EU market increasingly become sustainable. Such an EU level intervention aims to establish new foundations for future food policies by introducing sustainability objectives and principles on the basis of an integrated food system approach.

The Strategy also announces a proposal for a sustainable food labelling framework to empower consumers to make sustainable food choices, which should be part of the EU level intervention.

Problem the initiative aims to tackle

Although the transition to sustainable systems has started, feeding a fast-growing world population remains a challenge with current production patterns. Food production results in air, water and soil pollution, contributes to the loss of biodiversity⁷ and climate change⁸, and consumes excessive amounts of natural resources⁹, while an important part of food is wasted. At the same time, unhealthy diets contribute to obesity and non-communicable diseases, such as cancer.

Furthermore, the overall EU food system is characterised by different approaches and analyses at Union, national and sectoral levels vis-à-vis sustainability aspects ¹⁰. Where sustainability aspects are addressed at those different levels, they lack a common approach and are not always comprehensive. This results in divergences, inconsistencies and even some gaps, jeopardising the achievement of the European Green Deal and Sustainable Development Goals. Consequently, there is a significant risk that a number of concrete and well-known problems will persist.

In some sectoral legislations, such as the Common Fisheries Policy (CFP) and the Common Agricultural Policy (CAP), the objectives of sustainability are already the guiding principles¹¹ and the transition has

Any references to 'foods' must be understood as comprising 'feed' as well.

Food and agriculture are one of major driver of biodiversity loss – Moreover, biodiversity loss is a major concern for global food security and nutrition, as it can undermines the critical contribution of biodiversity for food production. In addition, promoting and safeguarding agro-biodiversity is critical to secure the productivity and the resilience of agricultural systems to threats such as pests, pathogens and climate change: Global Assessment Report on Biodiversity and Ecosystem Services: https://ipbes.net/global- assessment.

The food system is responsible at global level for around 21-37% of total greenhouse gas emissions, Special Report on *Climate Change and Land*, IPCC (2019); In the EU, agriculture alone is responsible for approximately 11% of EU greenhouse gas emissions, Reflection paper. *Towards a sustainable Europe by 2030*. European Commission (2019); EU-27 greenhouse gas emissions from livestock have not decreased between 2010 and 2018. Feed digestion accounts for 78% of livestock emissions while manure storage is responsible for the remaining 22%. Emissions from beef and dairy cattle account for 77% of livestock emissions, European Court of Auditors, Special Report 16/2021, Common Agriculture Policy and Climate: Half of EU climate spending but farm emissions are not decreasing; The use of nitrogen in agriculture leads to the emissions of nitrous oxide to the atmosphere. In 2017, N2O emissions from agriculture accounted for 43% of agriculture emissions and 3.9% of total anthropogenic emissions in the EU (EEA (2019), Annual European Union greenhouse gas inventory 1990-2017 and Inventory report 2019).

Agriculture uses almost half of the world's vegetated land, is responsible for up to 80% of global deforestation and also accounts for nearly 70 % of global freshwater withdrawals and as much as 90 per cent in some arid countries (Sources: IPCC Special Report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems; Council conclusions on the Communication on Stepping Up EU Action to Protect and Restore the World's Forests (16 December 2019)).

For example organic production addresses several sustainability considerations. This is why the Farm to Fork Strategy foresees quantitative target of 25% of agricultural land to be reached by 2030 for this production method. However, such sector specific approaches are not sufficient to address the more general challenges and make the paradigm shift to sustainable food systems.

Article 2 of the Regulation (EU) No 1380/2013 of the European Parliament and of the Council of 11 December 2013 on the Common Fisheries Policy states that the CFP "shall ensure that fishing and aquaculture activities are environmentally

started at production level, but similar objectives do not yet exist for the whole food system. The Fitness Check of the General Food Law Regulation concluded in 2018 that the current legislative framework governing the Union food chain is less adequate to address sustainability in general¹² as it is sector based and its main objectives are to ensure a high level of protection of human health and consumers' interests in relation to food, taking account of, where appropriate, the protection of animal health and welfare, plant health and the environment as well as the effective functioning of the internal market.

While the Union food system has achieved high levels of food security, food safety and a wide consumer choice, there is currently no horizontal regulatory instrument in place at Union level, which could act as a guiding framework instrument that coordinates and drives changes across the food systems as well as an operational tool within and across its different sectors to overall improve the sustainability of the EU food system.

The following regulatory, and where applicable, market failures, are drivers of the above problems:

- the uptake of sustainable production practices by primary producers is not linear or even across the EU, with negative impact on climate change and the environment;
- lack of incentives (e.g. financial, research and innovation) for actors of the food system to produce/place sustainable food on the EU market;
- due to various reasons, such as but not limited to the affordability of sustainable foods, consumption decisions are taken on the basis of short-term costs, disregarding long-term/real costs and impacts;
- negative environmental and social, including health, externalities are not effectively reflected in the
 price or cost of foods creating market distortion favourable to unsustainable food products and related
 food operations;
- lack of an overarching cross-sectoral sustainability objective and of a common understanding for Union and national measures in relation to sustainability of food and food systems on the single market;
- insufficient reduction of food loss and waste across the food value chain, including at consumption stage;
- insufficient allocation of cross sectoral responsibilities to the different actors of the food system for transitioning towards sustainability;
- imperfect competition (imbalances in market power in the food chain);
- lack of sustainability assessment for food products: the current risk analysis on food safety based on Regulation (EC) 178/2002¹³ and other related specific legislations does not or not fully cover this aspect;
- lack of clearly defined, commonly agreed and used requirements and synergies with sectoral legislations, e.g. the relation between food safety and sustainability of the food system;
- insufficient transparency on sustainability aspects across the food system, including, but not limited to reliable and relevant sustainability-related information for consumers enabling them to make sustainable food choices;
- lack of general provisions to consider sustainable food and food systems aspects in relation to exports and imports;
- in addition, dietary behaviour influenced by various factors (social, economic, cultural etc.) can result in unsustainable purchasing decisions and consumption patterns.

sustainable in the long-term and are managed in a way that is consistent with the objectives of achieving economic, social and employment benefits, and of contributing to the availability of food supplies".

SWD(2018)38, p.77.

Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety, OJ L 31, 1.2.2002, p. 1.

The problems have an EU and international dimension as food system actors operate across borders. Food systems are transnational and failures are systemic.

Basis for EU intervention (legal basis and subsidiarity check)

The issue is of EU magnitude: a harmonised transformational change is needed at EU level to address the comprehensive challenges the food system is facing and achieve the climate and environmental objectives of the European Green Deal. In the absence of harmonised rules directly applicable in Member States aiming at ensuring the sustainability of food systems and of food, different national approaches will continue to be put in place and will lead to further fragmentation of the market. The overall aim is to make the Union food system sustainable, whilst ensuring the integrity of the single market and promote a global transition based on common objectives and sustainability criteria.

In the event of a legislative intervention at EU level, the proposed legal bases are to be considered:

- Article 43(2) of TFEU, which gives the EU the competence to adopt the provisions necessary for the
 pursuit of the objectives of the common agricultural and fisheries policies. These objectives, listed
 in Article 39 of TFEU, are to increase agricultural productivity, to ensure a fair standard of living for
 the agricultural community, stabilisation of markets and availability of supplies, while ensuring that
 supplies reach consumers at reasonable prices;
- Article 114 of TFEU, which gives the EU the competence as regards the functioning of the internal market;
- Article 168(4)(b) of TFEU, which gives the EU the competence to adopt measures in the veterinary and phytosanitary fields having as direct objective the protection of public health, contribution to the achievements of the objectives mentioned in Article 168 TFEU;
- Article 192(1) of TFEU, which gives the EU the competence as regards actions to pursue the objectives of the Union policy on the environment.

The final list of legal bases will depend on the choice and design of the measures.

B. Objectives and Policy options

In line with the objectives of Farm to Fork Strategy, the overall objective is to ensure that all foods placed on the EU market increasingly become sustainable. This implies building a socially responsible food value chain that progressively reduces the environmental and climate footprint of the Union food system, and ultimately transform the EU food system into a positive contributor to the health of people, of the economies and of the planet. This will strengthen the food system's resilience and ensure lasting food security in the face of climate change and biodiversity loss. Food products, processes and consumption patterns need to change, while maintaining or improving high standards of human health (including food safety), plant health, animal health and welfare, as well as improving the incomes of primary producers, favouring bio-based solutions and reinforcing the EU's competitiveness.

In relation to these overall objectives, the following sub-objectives are to be considered:

- to ensure an enabling environment for future policy and legislation, placing it at the heart of the Union and national decision-making processes and of the Union food system in general by raising the political and legal profile of the sustainability, including climate neutrality concepts of the food system;
- to ensure that a favourable food environment makes it easier to choose healthy and sustainable diets providing benefits for consumers' health and contributing to the reduction of the environmental footprint of the food system as well as attracting investments into sustainable production methods;
- to avoid externalisation of unsustainable practices and to raise global standards, while remaining within planetary boundaries;
- to optimise the production, distribution and consumption of food, so as to increase resource efficiency and reduce food loss and waste;
- to address the entire food system, going beyond the linear food supply chain approach;

- to ensure that when producing/placing food on the Union market, sustainability considerations are taken into account beyond the food safety-based considerations that already apply;
- to ensure transparency for sustainability purposes;
- to ensure coherence with all EU food related policies (e.g. agriculture, fisheries and aquaculture) in terms of sustainability objectives, including biodiversity and climate objectives;

To test how these objectives can be best met, the impact assessment will assess the **following policy options**:

- ➤ Option 1 Baseline: In this baseline scenario, in the absence of any new EU level policy intervention, mainstreaming sustainability in the food system in a systematic way and providing a common basis for sector-specific approaches, continued progress towards a Union sustainable food system will be pursued in the context of the implementation of existing legislation. In particular, it will be assessed whether the said implementation will allow EU food system to reach its full sustainability potential consistently with the objectives of the Farm to Fork Strategy, taking into account the possible multitude of approaches to sustainability of food systems by Member States and stakeholders, as well as EU relevant initiatives which are already agreed upon which may also ultimately affect the effective functioning of the single market. Similarly to other options, this option will also assess the effects on food security, climate, environment and producers' income in case of status quo policies.
- ➤ Option 2 Voluntary approaches: This scenario will assess whether and to which extent voluntary approaches through soft-law instruments can contribute in the long term to the transition towards a Union sustainable food system in light of the objectives of the Farm to Fork Strategy, while considering their level of ambition.
- ➤ Option 3 Reinforcing existing legislation: This scenario will consider whether a comprehensive transition towards a Union sustainable food system, in light of the objectives of the Farm to Fork Strategy, can be achieved by having a number of targeted sectoral EU level interventions through existing Union acquis.
- ➤ Option 4 New comprehensive framework legislation on the sustainability of the Union food system: This scenario will look at the impact of a new Union comprehensive framework legislation, which could serve as a *lex generalis*, applying to all actors of the food system. It would set out the common basis composed of general objectives, definitions, principles and requirements for ensuring that sustainability considerations, beyond the already applicable safety-based requirements, are taken into account when food is produced/placed on the Union market, taking into account EU international trade obligations. This common basis will serve as an integrated general approach for *lex specialis*, when addressing specific sustainability considerations, including in the context of the sustainability assessment of regulated products, throughout the food value chain. In that respect, a legal obligation for a progressive adaptation of the sectoral Union law could be considered. Furthermore, this new framework legislation could also include a combination of "push" provisions, laying down minimum requirements for food products and related operations and "pull" provisions setting incentives for food systems' actors to go beyond the minimum requirements.

When exploring the above-mentioned policy options, the following indicative **elements**, including but not limited to, **and combinations thereof**, could be considered:

- **sustainability principles** and **objectives**, providing a common understanding as goals to be achieved;
- **general minimum standards** to be met for foods produced or placed on the Union market and related food operations, which could be linked, amongst others, to environmental and social aspects¹⁴;

Some of the social sustainability aspects could build on work already done in ILO and OECD context and would need to be coherent with the sustainable corporate governance initiative addressing human rights, environmental duty of care and mandatory due diligence across economic value chains as announced in the Farm to Fork Strategy.

- responsibilities of food system actors;
- horizontal elements for sustainability analysis in relation to regulated products in the food chain¹⁵. complementing the existing 'risk analysis' principle. In this context, consideration will need to be given to (a) the envisaged relation and interaction between the sustainability analysis and the risk analysis, (b) the consequences of the sustainability analysis for a given product and (c) the body best placed to carry out such sustainability analysis;
- legitimate and proportionate requirements on sustainability for imports of food, in compliance with EU international commitments, particularly in the WTO;
- processes to ensure synergies and mechanisms, including incentives, to facilitate the transition towards sustainable food systems;
- provision of information on the sustainable performance of the food (sustainable labelling), while ensuring consistency with other relevant EU labels (e.g. organic) and taking into account other relevant ongoing Union initiatives;
- minimum mandatory criteria for sustainable food procurement in schools and public institutions;
- governance mechanism(s) of the Union sustainable food system, e.g. appropriate cross-sectoral coordinating mechanisms for joint actions between governments, civil society and the private sector, including with third countries;
- actions to mitigate impacts that the transition towards a Union sustainable food system might have on food systems' actors;
- **EU wide monitoring framework(s)** for evaluating progress towards the Union food sustainability objectives.

C. Preliminary Assessment of Expected Impacts

Likely economic impacts

In the short term, introducing sustainability requirements for foods and food-related operations is expected to bring about extra costs for manufacturers, retailers, the food service sector, and particularly primary producers. This could result in higher prices for public authorities (e.g. in the context of public procurement) and consumers and/or reduced margins for food system actors. The impact is expected to be lower in some sectors of agriculture, fisheries and aquaculture, where sustainability has guided EU policy for some time. Attention therefore needs to be paid to ensuring a just transition as envisaged in the Green Deal, to supporting the transition via Common Agricultural Policy, Common Fisheries Policy and new business models, such as carbon farming, and to clear communication with consumers, as well as with all the other actors along the food chain.

- In the longer term, through an enabling environment with common objectives and principles, improved knowledge, awareness raising and innovation in sustainable food systems, combined with the right incentives at the EU level (and through national measures and assuming a domino effect on trading partners):
 - > consumption and production patterns are expected to change: the demand for sustainable foods for private and public uses is expected to increase and sustainable foods and production methods should become more widely used with positive economies of scale for sustainable production methods. This is expected to result in a competitive advantage for those who have gone through the transition;
 - due to the changes in the consumption and production patterns high value innovative products are likely to be developed leading to increased exports and associated benefits for growth and jobs;

Regulated products in the food chain are those, which are subject to pre-authorisation/pre-approval procedures – mainly on their safety aspects - prior to their placing on the EU market and are pertinent for food-related operations, e.g. food additives.

- > sustainable production methods are expected to reduce overall costs of the food system, in part due to lower negative environmental externalities and improved resilience with possibly positive food security effects;
- reduced costs could positively impact the affordability of sustainable diets for consumers.
- Optimising the production, distribution and consumption of food so as to increase resource efficiency and reducing food loss and waste has the potential to bring economic benefits for food system actors.
- In broader terms, by ensuring a common understanding of the sustainability concept and related objectives, public and private investors will find it easier to search for, identify and assess investments supporting sustainable food systems. This initiative would help steer private and public financial flows towards sustainable food value chain activities.
- Mitigation measures will aim at reducing, where possible, the impacts of the transition, in particular for SMEs, including primary producers.
- Better information along food value chain is expected to facilitate enforcement by public authorities.
- Affordable healthy diets would benefit people's health and quality of life and contribute to reducing health-related costs for society and individual citizens.

Likely social impacts

- The creation of a sustainable food environment and an increased awareness of sustainable food across society will make it easier to choose healthy and sustainable diets¹⁶...
- Currently, sustainable foods are often more expensive and therefore less affordable for some socioeconomic groups. The framework legislation has the potential to change this trend by introducing
 provisions leading to systematic changes ensuring that sustainable food placed on the EU market
 becomes mainstream for all parts of society.
- Tackling food loss and waste and the recovery and redistribution of surplus food, that is fit for human
 consumption and would otherwise be wasted, has an important social dimension for those who cannot
 afford to purchase food and are in need.
- The value of food is expected to increase for society leading to higher appreciation of the farming and fishing sector, influencing positively the reputation of the farming and fishing occupation and making this more attractive for the next generation. This in turn could positively influence the development of rural and coastal areas.
- Sustainable food systems could positively affect the welfare of farmed animals including fish and reduce the use of antimicrobials, thus also contributing to the fight against antimicrobial resistance. At the same time it should be acknowledged that animal welfare has the potential to have crosscutting impacts, not only social, but also environmental and economic.
- Improved sustainability of the food system and food is expected to boost the local business structure
 and food production and processing in rural areas with positive implications for society and food
 security.
- Improved sustainability of the EU's food system is expected to maintain and further enhance the positive reputation of Europe's rich culinary and food culture.

Likely environmental impacts

This initiative would contribute to:

- fighting climate change, by reducing greenhouse gas emissions along the food chain and by creating carbon sinks, with particular attention paid to the risk of leakage;
- reversing biodiversity loss and fostering the efficient use of resources;
- preserving the quality of natural resources and preventing pollution (water, soil, air, etc. by reducing pesticides use and risk and supporting efficient use of fertilizer);

Eurostat, Obesity rate by body mass index, https://ec.europa.eu/eurostat/databrowser/view/sdg_02_10/default/table?lang=e; FAO, Sustainable and healthy diets guiding principle, Sustainable healthy diets (fao.org)

- reducing and managing waste;
- reducing pressure from the food system as a whole, such as the pressure resulting from use of vegetated land, deforestation and freshwater withdrawals due to agriculture.

Likely impacts on fundamental rights

The initiative may have the potential to – directly or indirectly – contribute to achieving a number of objectives of the Charter of Fundamental Rights of the EU such as those relating to fair and just working conditions, child labour, environmental as well as consumer protection and sustainable development.

Likely impacts on simplification and/or administrative burden

Sustainability and information requirements on foods and food operations are likely to have an administrative burden on economic operators involved in placing foods on the EU market. Furthermore, the baseline also assumes the progressive introduction of varying national measures. Taking these measures at EU level may lead to simplifications for food system actors active on several national markets and preserve a level-playing field for all actors. It will also help promote European standards in the food system internationally. Ensuring coherence between EU food policies and clarifying potential conflicting provisions in different pieces of EU legislation will contribute to simplification. The implementation costs for companies and Member States authorities will also largely depend on the availability of IT tools, data, training for relevant skills and education.

D. Evidence Base, Data collection and Better Regulation Instruments

Impact assessment

An impact assessment will be undertaken according to the European Commission's Better Regulation Guidelines to support the preparation of this initiative and to inform the Commission's decision.

The impact assessment will quantify the possible administrative burden linked to the policy measures to the extent possible and identify, where appropriate, the possibilities for minimising and mitigating it, for example with digital solutions or increased collaboration amongst the actors.

Evidence base and data collection

There is a large evidence base, which will be mapped in detail in the context of the study supporting the impact assessment.

In addition the following actions will provide additional evidence on specific topics:

- JRC Policy Lab on sustainable food systems;
- Forthcoming JRC's work on mandatory criteria for sustainable food procurement;
- Forthcoming study supporting the impact assessment on food waste reduction targets;
- Forthcoming JRC's work on establishing a monitoring framework for the Farm to Fork Strategy;
- Food systems related research and innovation through Horizon Europe, and in particular the Horizon Europe Partnership "Safe & Sustainable Food Systems Partnership for People, Planet and Climate"; the Soil Health and Food and Climate Adaptation Missions, amongst others.

Furthermore all relevant impact assessments and supporting studies carried out in relation to the actions listed in the Farm to Fork Strategy and in other relevant initiatives under the European Green Deal will provide additional evidence.

Consultation of citizens and stakeholders

A consultation strategy will be developed. It will include a 12-week internet-based public consultation. The public consultation will aim to receive input from a broad range of citizens and stakeholders from EU and third countries, in particular primary producers, companies and traders working with the food system, EU Member States, European Parliament, civil sector organisations and third countries. Small-and medium-sized enterprises will be consulted as well. The questionnaire will be translated into all official EU languages and available on the 'Have your say' website. A series of events, such as

workshops, targeted consultations and the annual Farm to Fork conference, will also feed into the results of the process.

Will an Implementation plan be established?

The framework legislation will affect existing principles and procedures in the area of food policy at EU and national level and can result in the need to adapt these in order to comply with the legislation. Where applicable, an implementation plan will help Member States successfully transpose and implement the possible future legislation. This could include bilateral/multilateral expert meetings with Member States, interpretative/guidance documents, etc.