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## Glossary

Term or acronym	Meaning or definition
SDG	Sustainable Development Goal
GHG	Greenhouse Gas
GDP	Gross domestic Product
SME	Small and medium-sized enterprise
CAP	Common agricultural policy
CFP	Common fisheries policy
UTP	Unfair trading practices
GPP	Green public procurement
SPP	Sustainable Public Procurement
SRPP	Socially-Responsible Public Procurement
FOPNL	Front-of-pack nutrition labelling
EGD	European Green Deal
TSD	Trade and Sustainable Development
HO.RE.CA	Hotel/Restaurant/Catering. Sector of the food service industry that consists of establishments which prepare and serve food and beverages.
JRC	Joint Research Centre
FSFS	Legislative framework for a Union sustainable food system
EU	European Union
NCD	Non communicable disease
MS	Member States
FBOs	Food business operators
GI	Geographical Indication
OPC	Open public Consultation
WTO	World Trade Organisation
FIC	Food Information to Consumers

Term or acronym	Meaning or definition
TFEU	Treaty on the Functioning of the European Union
OCR	Official Controls Regulation (Reg 2017/625)
GNDP	Global New Products Database
NGO	Non-governmental organisation
RSB	Regulatory Scrutiny Board



## 1 INTRODUCTION: POLITICAL AND LEGAL CONTEXT

This impact assessment considers the framework for facilitating and accelerating the transition to an EU sustainable food system. It assesses the need for, and possible means of implementing, the framework for a sustainable food system initiative ("FSFS") announced in the Farm to Fork Strategy. This impact assessment analyses the social, including health, economic and environmental impacts, as well as the administrative burden of different measures to increase the overall sustainability of food related operations. It also examines ways in which sustainable food choices, by consumers and public authorities, could be incentivised.

The **food system** is understood to be the conjunction of actors and activities involved from the production to the consumption of food products from agriculture and forestry, fisheries and aquaculture, including food governance actors<sup>1</sup> and institutions and the interactions with neighbouring systems (economic, ecological, social, etc.)<sup>2</sup>.

A **sustainable food system** "provides and promotes safe, nutritious, and healthy food of low environmental impact for all current and future EU citizens in a manner that itself also protects and restores the natural environment and its ecosystem services, is robust and resilient, economically dynamic, just and fair, and socially acceptable and inclusive. It does so without compromising the availability of nutritious and healthy food for people living outside the EU, nor impairing their natural environment<sup>3</sup>."

The Union has set itself the objectives of becoming climate-neutral by 2050 and of delivering on the **United Nations Sustainable Development Goals**<sup>4</sup> (SDGs). These commitments cannot be achieved without a transformation of the food system, which has a substantial climate and environmental footprint, a key role in meeting fundamental human needs, and major socio-economic functions. Therefore, these commitments cannot be achieved without changing the way in which we produce, process, distribute, consume and dispose of food. Because of its horizontal nature, the FSFS will contribute directly or indirectly to several goals of the United Nation's 2030 Agenda for Sustainable Development: SDG 2 (Zero hunger), SDG 3 (Good health and well-being), SDG 4 (Quality education), SDG 6 (Clean water and sanitation), SDG 8 (Decent work and economic growth), SDG 11 (Sustainable cities and communities), SDG 12 (Responsible consumption and production), SDG 13 (Climate action), SDG 14 (Life below water), SDG 15 (Life on land) and SDG 17 (Partnership for the goals). This is also in line with the 8<sup>th</sup> Environment Action Programme which calls for reduction of environment and climate pressures related to production and consumption, also in the area of food systems, by 2030.

The **Farm to Fork Strategy**<sup>5</sup> is at the heart of the European Green Deal<sup>6</sup>, where the Commission committed to tackling socio-economic, climate and other environment-related challenges, leaving no one behind, while generating new business opportunities. It comprehensively addresses the

<sup>1</sup> E.g., public authorities, international organisations, civil society, private sector actors

<sup>2</sup> Drawing from conceptualisations by relevant expert groups at the global and European level (UNFSS, HLPE, SAPEA)

<sup>3</sup> SAPEA, 2021, a sustainable food system for the European Union ([sustainable-food-system-report.pdf \(sapea.info\)](#))

<sup>4</sup> The EU is committed to implementing the global 2030 Agenda and the 17 SDGs (see "Delivering on the UN's Sustainable Development Goals – A comprehensive approach", SWD (2020) 400). Commission Reflection Paper "Towards sustainable Europe 2030, (January 2019)

<sup>5</sup> COM (2020) 381 final

<sup>6</sup> COM (2019) 640 final

challenges of sustainable food systems and recognises the inextricable links between healthy people, healthy societies and a healthy planet, in accordance with the One Health Approach. The adoption of the Farm to Fork Strategy by the Commission was welcomed by the European Parliament and the Council, who also endorsed a systemic approach to food (from production to consumption) in the EU, and welcomed a legislative initiative aimed at improving food systems' sustainability in Europe<sup>7</sup>.

While the Union food system has achieved high levels of **food safety**, current socio-economic and environmental trends paint a worrying picture for the future viability and resilience of our food system. Resilience is the ability of a system to anticipate, prepare, deal with and absorb direct or indirect shocks and change. If a system lacks resilience, shocks cascade – multiplying their effect through a system and disproportionately affecting those most vulnerable.

The core objective of the food system is to provide **food security**, across the four identified pillars (see expansion and definition of food security in Annex 9): availability, access (physical and economic), utilization and stability. Each pillar has short and long-term aspects and dependencies, with drivers of food security influencing and exerting pressure in an interconnected way across the pillars. Resilience is the underlying factor in ensuring food security; without a balanced and well-functioning food system, the different pillars can be negatively impacted, and the overall stability and viability of the system threatened. It is important to note that food security is not static; it is a constant goal depending on ever changing contexts and drivers. The transition to sustainability is therefore fundamental: it ensures the ability of food systems to provide food security in a way that does not compromise the economic, social, and environmental bases that generate food security for future generations.<sup>[1]</sup>

Recently, different **crises** have once again revealed the risks and systemic vulnerabilities in our food system. As shown by the Russian invasion of Ukraine and the Covid-19 pandemic, the EU food system is dependent on the smooth functioning of supply chains and is heavily interconnected internationally both in terms of imports and exports. The new normal of climate change, with increasing recurrence of severe droughts, floods and wildfires, has resulted in market volatility and dwindling yields in the EU and globally, serves as a very tangible reminder of the dependency of society on natural resources and the environment. Such crises reverberate throughout the value chain amplifying other related problems, drivers and impacts. Failure to act now would risk the future competitiveness, viability and resilience of the EU food system, making shocks more likely, limiting our ability for recovery and future growth potential.

A **systemic approach** is needed, which is capable of embracing this complexity and helps build the capacity to act comprehensively. Policy has a critical role to play in guiding, supporting and managing the food system. To enable the conditions for the transition to sustainability, strengthen of the resilience of the EU food system and grasp the opportunities sustainability presents, this framework initiative aims to mainstream sustainability in all food-related policies by sectorial approaches taken so far and promote policy coherence at EU and national level. It will also consider instruments to help raise the uptake of sustainable practices and operations, a food sustainability

<sup>7</sup> Council Conclusions on the Farm to Fork Strategy (19 October 2020) and European Parliament resolution of 20 October 2021 on a Farm to Fork Strategy for a fair, healthy and environmentally friendly food system (2020/2260(INI))



labelling framework that seeks to empower consumers to make sustainable food choices and to, incentivise operators to produce more sustainably, as well as provisions to best catalyse sustainable food procurement. Working in combination, such measures can aggregate critical (market) mass<sup>8</sup> for sustainability and accelerate the transition in a conducive fashion.

Because of its horizontal nature and its scope encompassing the three dimensions of sustainability (environmental, social, including health, and economic), the FSFS will contribute directly or indirectly to several goals of the United Nation's 2030 Agenda for Sustainable Development: SDG 2 (Zero hunger), SDG 3 (Good health and well-being), SDG 4 (Quality education), SDG 6 (Clean water and sanitation), SDG 8 (Decent work and economic growth), SDG 11 (Sustainable cities and communities), SDG 12 (Responsible consumption and production), SDG 13 (Climate action), SDG 14 (Life below water), SDG 15 (Life on land) and, SDG 17 (Partnership for the goals).

The sustainable food systems' framework initiative will work in synergy with other initiatives announced in the Farm to Fork Strategy or implementing the European Green Deal. These include, but are not limited to:

- Proposal for a Regulation on deforestation-free products

The proposal aims at minimising the Union's contribution to deforestation and forest degradation worldwide. It covers products and commodities that are relevant for the food system and ensure traceability by introducing specific requirements for operations along the value chain concerning those products and commodities.

- Proposal for a Directive on corporate sustainability due diligence

The proposal aims to improve the corporate governance framework by requiring companies, also in the food industry, to integrate sustainability into corporate strategies. As part of their due diligence, companies will have to identify and (where necessary) prevent, end or mitigate various adverse impacts resulting from their operations.

- Proposal for a Directive on green claims

This proposal will establish a full set of rules for the substantiation, communication and verification of environmental claims, with the aim to make these claims reliable, comparable and verifiable, fight greenwashing, create a level-playing field for operators and enable consumers to make informed choices.

Together, these initiatives will help to foster the objectives of the Farm to Fork Strategy, and the European Biodiversity Strategy under European Green Deal.

## **2 PROBLEM DEFINITION**

At its core, the production and consumption of food is not sustainable in the long term, and existing EU regulation insufficiently enables food system actors to realise a transition towards a sustainable food system. Although there is no legal definition of what constitutes a "sustainable food system", various definitions have been developed at European/global level conceptualising food system sustainability as encompassing environmental, social and economic dimensions - as also reflected

in the F2F strategy and the SAPEA report, which for the purposes of this impact assessment are considered as a basis.

Whereas this main problem encompasses the overall challenges of sustainability, this initiative, by being an enabling framework, seeks to address particular issues that prevent food system actors from producing and consuming sustainably:

- Food system actors do not systematically realise sustainable operations.
- The food environment predisposes to a large extent consumers and other food system actors to unsustainable choices.
- Incoherencies and fragmentation in the EU regulatory system do not support the sustainability transition.

Stakeholders across all groups expressed strong agreement with this analysis in the open public consultation, sharing a common understanding that sustainability is fundamental for a resilient food system that guarantees food security, and recognising the strong interplay between the three dimensions of sustainability (environmental, social, economic).

The Joint Research Centre of the European Commission (JRC) has provided extensive support to the present impact assessment (IA), through interdisciplinary analysis and in line with Better Regulation rules, including the integration of Foresight approaches as well analysis of the impacts on SDGs. The JRC study on “Scientific and technical support for the preparation of an Impact Assessment on the legislative framework for a Union sustainable food system – IA – FSFS” (annexed to the present document) bring core contributions to the IA include the substantiation of the problem definition and intervention logic as well as desk research, development of the methodology, data collection and analysis of the impacts of the policy options. Therefore, the below sections, in particularly 2 and 6 (and relevant annexes) draw extensively on this study.

## **2.1 What are the problems and their underlying drivers**

### **2.1.1 Problem context**

While the food system in the EU has functioned well so far with regards to its supply and safety<sup>9</sup>, it is challenged by various environmental, social and economic trends in the EU and globally. Those challenges are related, but not limited, to climate change, biodiversity loss, overfishing, high dependency on agricultural inputs (fertilisers and pesticides), unfair income distribution along the value chain, limited diversity of crops and varieties, food poverty, poor working conditions, unsustainable and unhealthy diets, waste, imbalances in market power (briefly recalled below, and presented in more detail in Annex 9). These trends and challenges directly impact the resilience of the food system and can be identified as drivers of food (in)security.

Importantly, many of these challenges are interrelated and produce cascading effects, impacting food security. Climate change is a powerful example of this [example visual in Annex 9]. The food system strongly depends on the environment and on climate for the production and consumption of food. It is also a major contributor to GHG emissions at global level<sup>10</sup>. Food systems contribute to and are vulnerable to ongoing climate and environmental changes that threaten their sustainability. Climate change will further increase pressures on ecosystem services that support food systems

<sup>9</sup> SWD (2018) 37, final,

<sup>10</sup> The food system is responsible for around 30% of total greenhouse gas emissions, at global level. See Special Report on *Climate Change and Land*, IPCC (2019)



with negative effects on air, soil, water quality and availability, with direct impacts on yields<sup>11</sup>. The potential impact of climate change on the production drives economic and social impacts, which affects livelihoods of the various actors. A cascade of impacts from climate change outside Europe may affect the price, quantity and quality of products, and consequently trade patterns, which in turn may affect income in Europe for food producers and attractiveness of young generations.

These interrelated challenges threaten the long-term viability and resilience of the food system as they reduce its future capacity to face, respond and adapt to disturbances and shocks<sup>12,13</sup>, which also jeopardizes food security across the four pillars and in particular the stability pillar<sup>14</sup> (short-term instability can lead to acute food insecurity, and medium- to long-term instability can lead to chronic food insecurity; climatic, environmental, economic and social sustainability challenges can all be a source of instability). A vast majority of respondents to the open public consultation agree that sustainability is fundamental for the viability and resilience of the food system.

#### Main environmental issues

In 2020, with food estimated to represent about 45% of the **environmental impacts** of EU consumption<sup>15</sup>, the EU food system alone transgresses several planetary boundaries<sup>16</sup>, by significant orders of magnitude of several times (e.g., 3.5 times for climate change; see Annex 9 for more details). Despite the efforts so far, environmental impacts due to EU food consumption have increased around 20% since 2010<sup>17</sup>. Environmental damage in terms of biodiversity loss has also increased over the last decade, with the main drivers of biodiversity loss being land use (around 45%), climate change (around 30%) and environmental pollution (around 25%).<sup>18</sup> Land degradation, overexploitation of biotic resources and waste are other important environmental challenges. At the same time, there are potential positive externalities generated by agriculture in terms of carbon sequestration, maintenance of landscape and rural areas.

#### Main social issues

From a **social perspective**, the food system plays an important role in terms of culture and heritage, livelihood and jobs, and is a key factor influencing human health, given the strong link between diets and health.

<sup>11</sup> Bezner Kerr et al., 2022

<sup>12</sup> Smith, E., McInroy, G. R., Smith, P., d'Angelo, C., Knack, A., & Bertscher, A. (2019). Insights into global food system risks and opportunities and their implications for the FSA. RAND Corporation. <https://doi.org/10.7249/RR2830>

<sup>13</sup> UNFSS. (2021). COVID-19 and Food Systems: Rebuilding for Resilience.

<sup>14</sup> For example, current environmental pollution trends interact negatively with food security. Overall, there is robust evidence that ozone air pollution causes a 5-10% reduction in EU staple crop yields (Mills, 2022; Van Dingenen, 2009; Mills, 2018; Sampedro, 2020).

<sup>15</sup> EC-JRC, 2022; Sala & Sanyé Mengual, 2022

<sup>16</sup> The Planetary Boundaries framework ([The nine planetary boundaries - Stockholm Resilience Centre](#)) defines science-based thresholds (safe operating space for humanity) of nine ecological processes. Beyond this limit, ecological processes might reach tipping points with negative consequences for humanity.

<sup>17</sup> EC-JRC, 2022; Sala & Sanyé Mengual, 2022

<sup>18</sup> EC-JRC, 2022



Poor working conditions, exploitation of migrant and seasonal workers<sup>19</sup>, non-observance of workers' rights<sup>20</sup>, unfair remuneration, gender inequality and low generational turnover<sup>21</sup> are reported as most prominent social issues in the food system<sup>22</sup>. Moreover, the increasing role of technology and automation of operations, poses a challenge in terms of skills and training of workers in the entire food sector.

From the **health perspective**, diets of EU citizens are not in line with national and international dietary recommendations – driving the high prevalence of diet-related diseases, with negative impact on the quality of life and life expectancy of citizens, national health and social systems, government budgets and the productivity and growth of the economy<sup>23</sup>, as well as the future working force. At the same time, affordability of healthy diets, especially by low-income households, remains an increasing problem, aggravated by the current economic situation in the EU.

Unsustainable habits also have a negative impact on the environment. The excessive use of antimicrobials both in public health and in animal rearing, including aquaculture, which contributes to antimicrobial resistance<sup>24</sup> is a risk for animal and human health. Animal welfare aspects in the EU livestock sector raise ethical issues, but also have implications for the diffusion of diseases, the safety of food products, farm productivity and in turn agricultural income.

#### **Main economic issues**

From an **economic perspective**, the current food system is affected by conditions that generate **imperfect competition and imbalances in market power in the food chain**, with important implications on its long-term sustainability<sup>25</sup>. There is an uneven distribution of power, influence, knowledge and information among food system actors, across different dimensions: sectorial – for instance between primary producers and their upstream and downstream counterparts (providers of inputs for primary production, or food processors); size – for instance between larger companies active in the food system and smaller ones; geography – for instance concentration of companies in the retail sector is three times more prominent in some Member States than in others. These imbalances in market power and in particular in bargaining power can have distortive effects beyond prices and quantities, potentially leading to a range of issues, including unfair distribution of added value or unfair trading practices (UTPs), with adverse implications for economic and social sustainability of the food chain and the ability to invest in more sustainable practices by the operators of the food system with the least market power (in particular farmers).

The global dimension of food systems adds to the complexity<sup>26</sup>. Current food systems are highly globalised, due to international input sourcing, foreign direct investments and the development of

<sup>19</sup> According to ISTAT, in 2019 almost 15% of full time equivalent jobs in the agriculture, forestry and fisheries sector was undeclared (*Declared and undeclared employment by industry and population : Rate of undeclared work (istat.it)*). Multiple reports indicate workers' exploitation in EU agriculture, e.g. *italian tomato production report.pdf* ([ethicaltrade.org](http://ethicaltrade.org))

<sup>18</sup> ETI, 2015; ISTAT, 2022

<sup>21</sup> For example, only 11% of all farm holdings in the European Union are run by farmers under the age of 40 – and persuading more young people to begin farming remains a significant challenge.

<sup>22</sup> *Social sustainability tools and indicators for the food supply chain: A systematic literature review - ScienceDirect*

<sup>23</sup> It is estimated that in the EU over 950,000 deaths and 16 million years of life lost are attributable to unhealthy diets per year. Overweight and obesity alone are responsible for removing up to 4.5 percentage points of GDP growth and consuming up to 8.4% of health budgets.

<sup>24</sup> *Antimicrobial Resistance | Food and Agriculture Organization of the United Nations (fao.org)*

<sup>26</sup> EEA. (2017). Food in a green light. <https://www.eea.europa.eu/publications/food-in-a-green-light>

complex and global food supply chain mechanisms. The EU is a net exporter of high-added value agri-food products, but is also a net importer of specific products, for example feed protein or fisheries and aquaculture products. Dependency on a limited number of trade partners for specific imported products, together with high imported input costs, such as fertilisers and fossil energy, is causing production challenges for primary producers and risks driving up food prices.

### 2.1.2 Problem 1: Food system actors do not systematically realise sustainable operations

Currently, **market dynamics fail to encourage food system actors to engage in sustainable food operations**. The degree to which each dimension of sustainability is taken into account by food system actors varies widely and a holistic approach to sustainability is generally lacking. At the same time, the capacity to influence the food system varies among actors, but the systemic nature of the sustainability challenges calls for a coherent and comprehensive response, that does not look at actors in isolation.

**Despite the existence of a number of targeted incentives** (being market based, non-market-based or a combination thereof) **to produce, process and distribute sustainable food in the EU market**<sup>27</sup>, these are often inadequately targeted at least in three directions: (i) in terms of addressing specific sustainability issues and related trade-offs; (ii) with respect to addressing relevant actors of the supply chain and (iii) with respect to capturing both short- and long-term costs and benefits of externalities<sup>29</sup> on environment, social and health aspects. Despite substantial changes taking place both in the private and public sectors in the recent period<sup>30</sup>, the sustainability improvements that the current food system can bring are therefore largely limited to those that are demanded by consumers and can be profitably supplied, (e.g., stimulated by price premia for sustainable food, reputational benefits and public recognition)<sup>31</sup>, whereas many **externalities** are left out from the incentive structure and do not influence actors' behaviour. These inadequately targeted **incentives** also lead, in a number of cases, to **incomplete markets**, where the provision and attractiveness of goods and services enabling the shift towards sustainability is still insufficient<sup>32</sup>. This is also an issue in the upstream part of the food supply chain where supply and demand for more sustainable inputs (e.g., pesticides) are too low to efficiently support the adoption of sustainable practices by farmers. This also applies for food systems' actors involved in international trade, where, despite some positive effects (e.g., business growth, food security) and some recent positive developments (e.g., Carbon Border Adjustment Mechanism<sup>33</sup>) social and

<sup>27</sup> Instruments which promote behavioural change by providing economic incentives through market signals, such as taxes, subsidies, compensations, income transfers and marketable permit systems.

<sup>28</sup> Non-market-based (or command-and-control) instruments impose obligations or establish non-monetary incentives to induce behavioural change. This often involves government setting standards (e.g., minimum/maximum standards, bans and permits) which requires controlling, monitoring and enforcing the adherence to standards.

<sup>29</sup> Hendriks et al., 2021 The True Cost and True Price of Food. [https://sc-fss2021.org/wp-content/uploads/2021/06/UNFSS\\_true\\_cost\\_of\\_food.pdf](https://sc-fss2021.org/wp-content/uploads/2021/06/UNFSS_true_cost_of_food.pdf); Piñeiro et al., 2020 reference missing from JRC report.

<sup>30</sup> Such as the proliferation of private sustainability standards and initiatives, consumers led initiatives, enhanced public support for sustainability (e.g., in the context of the Common Agricultural Policy, Common Fisheries Policy).

<sup>31</sup> E.g. driven by price premia for sustainable food; socially responsible investing; firms' reputational benefits and public recognition from adopting sustainability initiatives which allows firms to increase prices, increase market share, offer differentiated products

<sup>32</sup> For example, between 2000 and 2018 the share of global climate finance in the agriculture and land-use sector has decreased, passing from an average of 45 percent of the total flows at the beginning of the millennium, to 24 percent in 2013 where it has since stayed.

<sup>33</sup> On 13 December 2022, the Council and the European Parliament reached a political agreement on the implementation of the new CBAM. The CBAM will initially apply to imports of certain goods and selected precursors whose production



environmental externalities are not internalised in market prices. Although since 2011, all EU trade agreements include a Trade and Sustainable Development (TSD) chapter providing grounds for dialogue with EU trade partners and for the initial identification of TSD priorities and opportunities, and more recently a food-dedicated Sustainable Food Systems (SFS) chapter<sup>34</sup>, improvements on this matter are still needed.

As a general trend, although food systems actors are represented by mainly small and medium enterprises (99%), **power appears to be concentrated in progressively fewer and larger private sector** organisations, in particular in some segments of the food chain: global players in seeds, chemicals, fertilizer, farm equipment and commodity trading; food manufacturers and retailers – some of which appear to exert a strong influence on both producer and consumer choices. This concentration of actors can generate power imbalances with negative consequences on value added distribution along the food chain (e.g., impacting rural livelihood), and on the strength of smaller operators (in particular farmers) to contribute to the overall sustainability of the food system, by limiting their market access and their capacity to innovate. Despite increased commitments towards sustainability of the largest companies over time, their scope has been too limited to improve the overall sustainability of the food system. Bargaining power imbalances can emerge also as effect of informational asymmetries, uneven costs of contract enforcement, incomplete contracts, switching costs of suppliers/buyers, or relationship-specific assets or investments. Although, to prevent some of the effects of power imbalances, such as unfair trading practices (UTPs) the Commission has already introduced a number of initiatives, the persistence of the above-described issues indicates that the overall situation can still be substantially improved.

In addition, finance actors have a growing influence on the governance of food systems and could provide opportunities for mobilising financial resources to support operators in the transition. On the other hand, excessive speculation, instead of contributing to the correct functioning of markets by increasing market liquidity and bearing some of the risk, distorts price dynamics and can contribute to high food prices. **Inefficiencies generated in the food supply chain** are also resulting in food losses and food waste, with substantial environmental impacts and social costs, and direct consequences on food security. Causes of food loss and waste range from inadequate storage conditions, processing and packaging of food, transport infrastructure to excess buying by consumers, influenced by portioning and promotion, confusion over labels, or inadequate in-home storage. Cultural eating habits and attitudes towards food waste may also drive consumers' behaviour<sup>35</sup>, as well as socio-demographic characteristics. The Commission is currently working on a thematic legislation to address food waste. In support of this, positive food environments, better information to consumers and sustainable public procurement can substantially contribute to limit food loss and waste in the EU.

Increasing evidence shows that externalities (**environmental, socio-economic, health**) are not effectively reflected in the price or cost of foods, creating market distortion favourable to unsustainable food products and related operations. While the exact value of externalities in

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is carbon intensive and at most significant risk of carbon leakage, such as fertilisers. Under the political agreement, the CBAM will enter into force in its transitional phase as of 1 October 2023. More information at Carbon Border Adjustment Mechanism (europa.eu).

<sup>34</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The power of trade partnerships: together for green and just economic growth COM/2022/409 final

<sup>35</sup> Alonso, E. B., Cockx, L., & Swinnen, J. (2018). Culture and food security. *Global food security*, 17, 113-127. <https://doi.org/10.1016/j.gfs.2018.02.002>.

the food system is difficult to calculate, as many are not systematically measured or valued, the estimates in the literature suggest that they can be substantial. These externalities accrue environmental costs (e.g., GHG-emissions, soil degradation, pollinators decline, nitrogen, water pollution, air pollution), costs to human life (e.g., increased mortality related to non-communicable diseases) and economic costs (e.g., medical costs, informal care, lost working days due to various diseases) generated by the food system. Recent developments (such as regulatory initiatives<sup>36</sup>, technological innovations, proliferation of private standards, shift in consumers' preferences, alternative food networks) contributed to partially addressing some externalities, but they remain too marginal and insufficiently incentivised to address the systemic sustainability of the food system. Same applies to positive externalities (e.g., role of eco-system services) which are equally not internalised in the market price of food products.

Overall, such distortions make unsustainable diets more available and affordable than sustainable ones. The market has failed to deliver optimal health benefits for the population because commercial interests have often prevailed over public health.<sup>37</sup> Therefore, differences in income levels (alongside with other factors such as culture and ethnicity, education and employment), in and between EU countries, limit access to healthy and sustainable diets for many EU citizens<sup>38</sup> and lead to dietary and health inequalities<sup>39</sup>, with higher prevalence of Non-Communicable Diseases in lower-income groups<sup>40</sup>. More on the socio-economic side, workers are experiencing inadequate working and housing conditions throughout the food chain, and low wages remain a major problem in several Member States<sup>41</sup>. This is compromising the quality of life of many workers, including seasonal and migrant workers. By driving workers away from the sector (in particular in agriculture) it threatens the overall sustainability transition, including the resilience of food chains and food security.

### **2.1.3 Problem 2: Making sustainable choices remains difficult for consumers, procurers and food/feed business operators**

While many food system actors may be willing to go for more sustainable options<sup>42</sup>, their behaviour is determined by multiple aspects which in many cases are not conducive to sustainable choices. A majority of respondents in the open public consultation state that it is difficult or very difficult for primary producers and consumers to make such choices.

<sup>36</sup> Carbon Border Adjustment Mechanism adopted by the Commission in July 2021. Political agreement reached by Council and Parliament on 13 December 2022.

<sup>37</sup> Moodie R, Swinburn B, Richardson J, et al. Childhood obesity – a sign of commercial success, but a market failure. *International Journal of Pediatric Obesity*. 2011;1(3):133-138. <https://doi.org/10.1080/17477160600845044>

<sup>38</sup> Can low-income households afford a healthy diet? Insufficient income as a driver of food insecurity in Europe (repec.org);

<sup>39</sup> Mozaffarian D, Angell SY, Lang T, Rivera JA. Role of government policy in nutrition-barriers to and opportunities for healthier eating. *BMJ*. 2018;361:k2426. <https://doi.org/10.1136/bmj.k2426>

<sup>40</sup> Friel S, Hattersley L, Ford L, O'Rourke K. Addressing inequities in healthy eating. *Health Promot Int*. 2015;30(Suppl 2):ii77–88. <https://doi.org/10.1093/heapro/dav073>

<sup>41</sup> Hilmer A, Hilmer DC, Dave J. Neighborhood disparities in access to healthy foods and their effects on environmental justice. *Am J Public Health*. 2012;102:1644–54. <https://doi.org/10.2105/AJPH.2012.300865>

<sup>42</sup> Are Agri-Food Workers Only Exploited in Southern Europe? - Open Society Foundations

<sup>43</sup> For example, in the case of consumers: The European Consumer Organization – BEUC (2020). *One bite at a time: consumers and the transition to sustainable food*. <https://www.beuc.eu/publications/one-bite-time-consumers-and-transition-sustainable-food>



In the case of consumers, the 2020 Eurobarometer showed that taste (45%), food safety (42%) and cost (40%)<sup>43</sup> are the main factors that European consumers take into account when purchasing food<sup>44</sup>. The cost factor has even more importance today in view of the current food price inflation. These factors are nevertheless exerting their combined influence on the consumer not in isolation but in the context of the food environment, which is *“the physical, economic, political and socio-cultural context in which consumers engage with the food system to make decisions on acquiring, preparing and consuming food”*<sup>45</sup>. This includes food information, price, availability and accessibility of food products, personal and cultural preferences, and knowledge about the food system. Although the food environment is shaped by all actors in the food system, it is largely driven by commercial forces, which create demand, through intensive food marketing and catering, for consumers' innate or acquired preferences. It is also highly influenced by public authorities and policies (e.g., through institutional catering, education, taxation, urban planning).

Diets are shaped by the food system, and, in return, they affect its sustainability. In particular, consumer behaviour and dietary habits are constrained and formed by food environments which are currently predisposing **the vast majority of people to unsustainable food choices** and eating patterns. While dietary habits are influenced by complex factors that go beyond personal decisions and make them relatively resistant to change, food related policies can improve diet quality. The right food environment is needed to bring about a shift towards healthier, less resource intensive and more plant-based diets, but also reduce dietary inequalities. This is particularly important in a context where access to healthy and sustainable food is more difficult for low-income households and adds to socio-economic and health inequalities. Food environments are strongly influenced by actors in the middle part of the food chain (food service, wholesale, manufacturing, retail, advertisers, deliverers, public procurers), which mediates between consumers and producers.

Economic operators of the food system also face cognitive, social or dispositional biases that hinder the sustainable transition. For instance, there is evidence that farmers do not only act as profit maximisers being influenced by other factors such as attitudes or beliefs. Their perceptions of profit maximization can be biased. Farmers focused on economic objectives are less open to adoption of sustainable practices, mainly when it involves substantial changes such as organic farming<sup>46</sup>.

Lack of know-how, transparency, and reliable and comparable information also hampers the use of sustainability criteria in the procurement of food served in schools and public institutions. Many public authorities still award contracts predominantly based on purchasing costs alone. As a result, the sustainability of the food served in schools, canteens and other public establishments is not obvious.

In addition, **there is insufficient transparency on sustainability across the food system**. The information on the sustainability of food products which consumers have access to lacks clarity, consistency, comparability, comprehensiveness and reliability. Many-sustainability labels and claims, often based on certification schemes, exist for food products<sup>47</sup>, addressing varying aspects

<sup>43</sup> The total adds up of percentages presented exceeds 100% because the Eurobarometer question had multiple-choice answers.

<sup>44</sup> European Commission Eurobarometer (2020). Making our food fit for the future – new trends and challenges. Retrieved from: <https://eurropa.eu/eurobarometer/surveys/detail/2241>

<sup>45</sup> HLPE. (2017). Nutrition and Food Systems Implementation Plan. A Report by the High-Level Panel of Experts on Food Security and Nutrition of the Committee on World Food Security, October, 1–128. [www.fao.org/cfs/cfs-hlpe](http://www.fao.org/cfs/cfs-hlpe)

<sup>46</sup> Lapple & Kelley, 2015

<sup>47</sup> Sustainable food labelling: considerations for policy-makers | SpringerLink



of sustainability and based on different assessment methodologies. This risks to create greenwashing, opportunist behaviours by manufacturers and retailers<sup>48</sup>, and **information overload** for consumers, leading to apathy, confusion and mistrust. For European SMEs -including primary producers-, it also implies working with different production and processing standards, which increases costs, and limits their agency around food production and processing. Lastly, the use of digital tools, including modern IT-based systems (e.g., blockchain technology) faces some **barriers and resistances**. Their use is based on individual initiatives and a standardised approach on the information needed is lacking<sup>49</sup>.

Even in the presence of an enabling food environment, food system actors might still not undertake desired sustainable actions because of **behavioural biases**. For example, despite consumers declaring that sustainability and health are factors driving their food purchase behaviour, when it comes to real decisions, price and convenience take over as the main drivers, favouring short-term benefits over long term impacts.

The EU related policies playing a major role for food environments are the ones regulating food composition, labelling, promotion, prices and trade and are generally rated as weak<sup>50</sup>. At the same time, other important policies fall within the competence of Member States (e.g., some fiscal policy instruments, educational measures, licensing system for the HO.RE.CA business, installations of healthy food in proximity of schools, farmers' markets, food assistance programmes, etc.).

Unless these policies address the food environment more decisively, unhealthy and unsustainable food environments will continue to determine diets and much of the food system's unsustainable outcomes. In particular, action at Member State and territorial level, in their areas of competence, is needed to support a systemic transition towards sustainable food systems.

#### **2.1.4 Problem 3: The incoherence and fragmentation in EU food system regulation hinder sustainability transition**

The overall EU food system regulatory framework is characterised by different approaches and analyses at Union, national and sectoral levels vis-à-vis sustainability aspects. While the analysis of the current policies in place shows that the EU is increasingly embracing a sustainability perspective, where sustainability aspects are addressed at the different levels, they are not comprehensive and lack a common approach (e.g., there are no common sustainability definitions and objectives at EU level which potentially generates different interpretations across sectorial legislation).

The Union policies regulating the functioning of different parts of the food system (such as the CAP, the CFP, the GFL, vertical legislation on food safety, further regulation in the areas of environment, climate, health, research and innovation, trade and competition amongst others) have developed sectorially and in an ad-hoc fashion, often disconnected from each other, rather than governed by a coherent and integrated framework. Consequently, food governance in the Union tends to focus on individual parts/sectors of the supply chain and/or individual aspects of sustainability, and the regulatory structure addressing the domain of food has been described as a *"fragmented landscape of policy that [...] affect the functioning of the EU food system"*<sup>51</sup>.

<sup>48</sup> Stein & de Lima, 2021; Yokessa & Marette, 2019

<sup>49</sup> Aprile & Punzo, 2022; Ebinger & Omondi, 2020; Park & Li, 2021

<sup>50</sup> Policy Evaluation Network (PEN): The Healthy Food Environment Policy Index (Food-EPI), (March 2021):

<sup>51</sup> SAPEA, 2020, p.92

Also at Member State level, the majority of initiatives are sector-specific and overarching food strategies remain scarce and generally under prioritised<sup>52,53</sup>. In the absence of a harmonised legal framework enabling coherent action to drive the transition to food system sustainability, attempts to improve the overall sustainability (or parts of it) of the food system are being pursued individually by some Member States, leading to increasingly divergent national approaches (see Annex 17 for an overview of national initiatives). Though Member State initiatives are a positive sign of their engagement with sustainable food system related practices, they are leading to increasingly divergent national approaches, which is generating uncertainty for businesses and reduces the capacity to prepare for and react to food system shocks.

Fragmentation of the policy approach is also due to the different level of competences exercised by the EU and Member States when it comes to certain policies (e.g., conservation of marine resources within the CFP is an exclusive competence of the EU, while the environmental policy is a shared competence with MS).

In addition, existing food system related policies and measures lack coherence in targeting the supply chain actors, and horizontal fragmentation exists across policy fields. Depending on the policy field examined, more or less actors are addressed on average, and with few exceptions, the entire supply chain is rarely covered at once<sup>54</sup>.

The lack of a comprehensive approach to sustainability hinders the success of existing policies. For example, despite the incentives that some policies have aimed to establish for a sustainable business environment, market rewards for primary producers' sustainability efforts remain limited. The CAP aims to incentivise the uptake of sustainable practices with an increased environmental ambition and increased support for rural areas. The CFP establishes a set of binding rules on the conservation of marine biological resources and the management of fisheries and fleets exploiting them, it promotes sustainable aquaculture and additionally, it includes a fund that supports projects that contribute to the sustainable exploitation and management of aquatic and maritime resources. However, the fact remains that some sectors of the food system (e.g., primary production) lack attractiveness for young generations due to low incomes, difficult access to land and finance, lack of services in rural areas, which compromise the long-term viability of the food system.

The complexity and interrelatedness of the problems and the transformative action needed to address them requires a systemic perspective, for developing evidence-based policy interventions that can effectively support a sustainable food system transition. Neglecting systemic interactions may lead to unintended effects that are detrimental to the initial goal of the respective policy action. Policy interventions themselves would need to be designed in a coherent way where diverging policy objectives across different policy domains need to be integrated to foster policy coherence across all governance levels and to navigate the food system transformation<sup>55</sup>. Such integrated policy approaches need to carefully manage evident trade-offs inside the food system to ensure a fair, healthy and environmentally friendly food system.

The necessity to adapt the regulatory structure to support sustainability is also widely acknowledged by stakeholders, with almost all respondents to the open public consultation strongly or somewhat

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<sup>52</sup> Candel & Pereira, 2017

<sup>53</sup> SAPEA. (2020). A Sustainable Food System for the European Union. <https://doi.org/10.26356/sustainablefood>

<sup>54</sup> JRC, Scientific and technical support for the preparation of an Impact Assessment on the legislative framework for a Union sustainable food system – IA – FSFS, sections 3.5 and 3.6.

<sup>55</sup> Hebinck et al. 2021



agreeing that EU and national competent authorities should ensure that sustainability is mainstreamed in all food related policies.

It is also recognised by stakeholders that a more systemic approach will help to address issues (e.g., fair price, healthy diets, food waste and loss) that might be only partially addressed via sectorial legislation and whose effect might reverberate throughout the entire food system, amplifying problems, drivers and impacts in other parts of the food system. Overall, the current regulatory structure is limiting policy makers in their capacity to work with more comprehensive and coherent approaches, preventing to explore synergies and complementarities existing within the entire food system<sup>56</sup>.

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The analysis of the above-described problems attests to the appropriateness of a *systemic* approach in relation to food sustainability – in line with the political commitment of the Farm to Fork strategy. From a regulatory perspective, it confirms that existing approaches fail to sufficiently acknowledge the interrelations between the elements, actors and drivers that play a part in the sustainability challenges which currently undermine the resilience of the food system. These interrelations are complex and numerous, especially when considering indirect and cascading effects - as outlined also in the problem context. The existing food-related policies, which do not account for these aspects, result in gaps and inconsistencies, sometimes leading to the formulation of counteracting policy objectives (for instance, conflicting nutrition and agri-trade targets, and environmental and productivity goals<sup>57</sup>). In addition, the lack of a systemic approach does not allow to coherently reconcile, within policy interventions, short term problems (such as increase of energy prices due to the war in Ukraine) with long term needs of the transition to a more sustainable food system (such as the need to combat climate change).

## 2.2 How likely is the problem to persist?

The lack of sustainable food systems has been a well-recognised problem for many years. Initiatives have already been taken at international, European and national levels (Annex 17) to meet different challenges. Despite these efforts, the problems and their underlying drives are persisting.

In the absence of a driving force for coherence, the policy synergies (for example between several environmental objectives), in the area of food system sustainability, would remain untapped, and regulatory fragmentation and gaps would not be addressed while the capability of EU policy to address existing and potential future tradeoffs would be undermined.

The food system transgresses now already several planetary boundaries, and it is expected that if our production and consumption patterns continue, the environmental pressures of the food system are likely to intensify. Such pressures will cascade and compound the impacts on other dimensions and threaten the different pillars of food security.

The increasing transgression of the planetary boundaries puts in turn pressure on the food system itself. In recent years, the effects of climate change and environmental degradation have put food

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<sup>56</sup> SAPEA. (2020): *A sustainable food system for the EU – SAPEA*

<sup>57</sup> EEA, 2017; iPES Food, 2019

systems, including agricultural, fisheries and aquaculture production, under increasing strain all over the world and contribute to both acute and chronic food insecurity<sup>58</sup>. The stability and resilience of the system was further put under pressure by the Covid 19 pandemic and the war in Ukraine, exposing further food security vulnerabilities. Short-term shocks and long-term trends are inextricably intertwined and policy responses to short-term shocks must consider long-term consequences and goals<sup>59</sup>. thus, without a systemic approach, policy responses might be difficult to design.

The increasing globalisation of the food supply chains, high costs for primary producers and other actors in the food supply chain, as well as increasing market concentration upstream and downstream in the chain will further exacerbate the costs of sustainability efforts for the weakest operators in the food system (e.g., primary producers, SMEs) and thus undermine their ability to contribute to the sustainability transition. If the power relations within the food chain (and consequently in the distribution of risks and rewards) are not properly addressed, these issues will not be sufficiently mitigated in the transition.

From a social perspective, efforts to tackle existing problems such as poor working conditions, exploitation of migrant and seasonal workers, non-observance of workers' rights etc., both in the EU and globally, will continue being approached rather separately from the transition to a more environmentally friendly food system. This could have as a consequence the worsening of those problems, if no systematic consideration of social and economic aspects is implemented in the transition. The feedback loops between environmental and climate challenges and the socio-economic performance of the food system will also increase the risk of losses of jobs and sources of livelihood in the food sector.

Consumers will still not be able to compare sustainability performance of products across all food categories in a comprehensive and consistent manner. Opportunity to use public money to support the transition will be missed as there is no drive to take up sustainability-criteria in the public procurement of food. High prevalence of diet-related diseases will persist, and can be expected to grow further, also considering the EU's ageing population. In the absence of a favourable food environment that facilitates sustainable dietary choices and contributes to the utilisation pillar of food security, the negative impact of the food system on national health and social care systems, will continue and possibly worsen.

Therefore, without a coherent and consistent approach to the complex interactions within the food system, the problems and their underlying drivers will persist and worsen, putting in question the ability to ensure future food security in the medium and long-term.

### **3 WHY SHOULD THE EU ACT?**

#### **3.1 Legal basis**

The future legal instrument establishing a framework for a Union sustainable food system would be based on Article 114 of the TFEU. In addition to pursuing improvement of the conditions for the

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<sup>58</sup> Commission Staff Working Document, "Drivers of food security", 2023.

<sup>59</sup> Commission Staff Working Document, "Drivers of food security", 2023.



establishment and functioning of the internal market, whilst integrating environmental protection requirements, it seeks to pursue objectives of the common agricultural and fisheries policies (Art. 43(2) TFEU). Finally, Article 168 (4)(b) allows to adopt measures in the veterinary and phytosanitary fields having as direct objective the protection of public health.

### **3.2 Subsidiarity: Necessity of EU action**

The problems identified are European and to some extent global and Member States cannot tackle them effectively at national level. Given the cross-border nature of the problems – e.g., economic realities and environmental pressures and impacts – and supply chains that underpin the food system, a harmonised transformational change can only be effectively achieved at EU level. Moreover, considering the extra-EU dimension of the food system, the transition to sustainability requires promoting global ambition on this front as well - which cannot be sufficiently achieved by actions taken by Member States alone. Action at EU level enhances resilience; the ability and capacity to respond in a timely, effective and efficient fashion to systemic challenges, including those concerning different drivers of food security.

Moreover, research shows<sup>60</sup> that even if initiatives at international, EU and Member States level cover aspects of sustainability, they are characterised by a sectorial approach instead of addressing the food system in its entirety. This leads to exacerbating divergences and inconsistencies.

In the absence of harmonised rules directly applicable in Member States aiming at ensuring the sustainability of food systems and of food related operations, different national approaches will continue to be put in place, with varying levels of ambition. While bringing certain benefits at national level, they would inevitably create incomplete and inconsistent approaches to sustainability, fragment the internal market and create and deepen behavioural biases among businesses and consumers.

In order to ensure a level playing field for food business operators (for instance in terms of requirements to be met within their businesses and/or when placing products on the EU market, in terms of opportunities they benefit from when marketing sustainably produced food, or in terms of the sustainability information they would need to provide to consumers), it is essential to ensure a certain degree of harmonisation within the internal market. For these reasons, EU-level action is necessary.

### **3.3 Added value of EU action**

There is clear added value in a common approach to food sustainability at EU level. With minimum sustainability requirements and information provisions set at EU level, sustainably produced products, practices and business models will be promoted in all Member States, creating a larger and more efficient market and hence greater incentives for the industry to develop them, in turn accelerating the transition to sustainability.

Given the broad range of actions across many policy areas that must be coordinated and integrated, in order to transition to sustainability, also addressing existing and potential future trade-offs, an overarching EU approach is better suited. It allows for the systemic and efficient management of

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<sup>60</sup> JRC report Scientific and technical support for the preparation of an Impact Assessment on the legislative framework for a Union sustainable food system – IA – FSFS.



potential trade-offs and synergies inside the food system dimensions, including food security drivers, as all the complex interactions of the system can be accounted for. As such, it will enhance and build the capacity to act on acute and chronic food security considerations. Such a framework approach that mainstreams sustainability in all food-related policies is also needed for policy coherence at EU and national level.

All food system actors, including business operators, would benefit from reduced barriers and bottlenecks, legal clarity, stability and a level-playing-field including due to a less fragmented approach to sustainability (compared to a scenario where Member States would continue to put develop independent policies on this). This will facilitate the scaling up of sustainable food-related operations, services and produced foods to fully leverage the potential of the internal market and will ultimately improve the availability and accessibility of such food for consumers.

Furthermore, the internal market size provides a critical mass enabling the EU to influence global sustainability standards. Compared to individual action by Member States, EU intervention can ensure a strong European voice in policy developments at the global level on the topic of food systems.

A food system sustainability framework will therefore enhance the credibility of the European Union, towards its citizens as well as towards third countries.

In light of the above, EU intervention is both necessary and also adds value compared to national legislation.

#### 4 OBJECTIVES: WHAT IS TO BE ACHIEVED?

The pervasive and interlinked problems in the food system call for a comprehensive approach involving all food system actors, to accelerate the transition to a sustainable EU food system. The **overarching objective** of the initiative is therefore to **strengthen the resilience of the EU food system by setting the foundations for the systemic changes that are needed by all actors of the food system, including policy makers, business operators and consumers in order to accelerate the transition to a sustainable EU food system.** These foundations should be underpinned by building capacity and enabling policy to guide, act and respond to different interlinked challenges and drivers across the food system.

Related to the identified main problems, further general objectives can be identified as follows:

- **To enable food system related operations to become sustainable.** At a more granular level, this would entail the reduction of negative externalities (environmental, economic, social); improvement of natural resource management, resource efficiency & reduction of food loss and waste; promotion of global standards.
- **To facilitate sustainable choices by food system actors and establish a favourable and transparent food environment, which would entail:**
  - contribute to improved availability of and access to sustainable food
  - promote sustainable diets in institutional catering
  - facilitate sustainable (inc. healthy) food choices for consumers

- **To mainstream sustainability in all food-system policies and operations**, with the related objectives of setting an enabling environment for future policy and legislation; ensuring policy coherence at EU and national level.

Same as the problems they are responding to, these objectives are also interconnected – e.g., facilitating more sustainable choices can lead to increased demand for sustainably produced food, thereby incentivising operations to become sustainable, and the other way around – more sustainable operations should lead to an increased supply of sustainably produced food, which can enable shifts to more sustainable consumption patterns. Mainstreaming sustainability in all food-system policies can, given the high degree of integration of the internal market for food products, allow to foster such positive feedback loops between the supply and demand sides, and effectively address possible tradeoffs.

Taking into account this interconnected character of problems and objectives (the need for a systemic approach, as confirmed by the problem definition), and the outlined reasons for the necessity and added value of an EU intervention, it can be concluded that there is a need for a **legislative horizontal framework in order to achieve the objectives and provide the common basis** for assuring the sustainability of the Union food system.

Such a framework would enshrine a systemic approach, grounded in common definitions of sustainability and principles that would ensure more coherence and added value for all food systems' actors, leading sectorial legislation to be developed and revised accordingly. It would help govern EU food system policies through a centralised understanding of sustainability – with necessary mechanisms and flexibilities to account for context or specificities – and would help give the necessary impetus to fully materialise and/or accelerate the transition to sustainability, build capacity for action and function as a policy enabler to strengthen the resilience of the food system.

#### **Intervention Logic**

To achieve the objectives, the initiative for a framework is envisaged to contain several **building blocks**:

- Enabling elements, underpinning and accompanying the FSFS policy measures and potentially other future food policies:
  - Definitions to ensure a common understanding of the fundamental concepts related to the sustainability of food systems.
  - Overarching objectives and principles to provide a common basis for policy action.

They are not being impact assessed as such, as they are not expected to produce impacts on a standalone basis in themselves, but only through the means of the actual policy measures.

- Two categories of policy measures:
  - Interventions targeting the most unsustainable operations in the food system (setting out minimum requirements), which can also be described as “push” measures.
  - Measures setting incentives for actors to go beyond any minimum requirements. We refer to these as “pull” measures. The following have been identified as key areas of intervention where such pull provisions would be most feasible and effective:
    - Sustainability labelling: provision of information related to the sustainability of food products.



- **Sustainable public procurement:** market-based tool to improve the availability and price of sustainable food and promote sustainable diets in institutional catering.

These result in three building blocks of policy measures: minimum requirements, sustainability labelling, and sustainable public procurement, as depicted in the below intervention logic visual.



Not considered explicitly as an option, but central to the delivery of the policy options and the attainment of the overall FSFS objectives is the question of involvement and engagement of Member States and other food system actors. Governance tools would also be foreseen in the FSFS, to enable action at national and local level, that would complement and build on the sustainability objectives to be defined in the FSFS, mainly in areas of limited or no EU competence, and also to encourage voluntary engagement by food system actors (see annex 16 outlining the envisaged governance mechanisms).

## 5 WHAT ARE THE AVAILABLE POLICY OPTIONS?

### 5.1 What is the baseline from which options are assessed?

The general baseline scenario consists of a continuation of existing policies and legislation, taking into account ongoing parallel work on directly related regulatory initiatives (Annex ??). To ensure the feasibility of assessment, (qualitative) assumptions for the baseline will be based on initiatives that are legislative (co-decision) and directly related and/or comparable to the type of intervention examined. All the initiatives under the general baseline will count for all the building blocks. For the different building blocks, additional initiatives (*Annex YY*) will be taken into account in the baseline only for that particular area due to its specific relevance based on the intervention type that is to be assessed.

Under the baseline, **current trends of environmental and social impacts associated to the EU food system are expected to remain and even accelerate** (as explained also section 2.2).

### *Minimum requirements*

Existing and ongoing EU/MS initiatives<sup>61</sup> are expected to induce actors to adopt sustainability practices and thus generate changes in the food system to a limited extent.

More specifically, the EU Code of Conduct on Responsible Food Business and Marketing Practices is expected to have a rather small and uneven impact on sustainability, though increased future adherence to the Code may increase its sustainability effectiveness. Impacts are expected to come from the adoption of the Proposal for a revision of EU marketing standards for agricultural products, the Evaluation and revision of animal welfare legislation, the Proposal for a Regulation on the Sustainable Use of Pesticides, the Proposal for a Directive on Corporate Sustainability Due Diligence (CSDD proposal) and the Proposal for a Regulation on Deforestation-Free products on the EU market. These are expected to primarily contribute to the social and environmental dimensions of sustainability; however, their impacts on sustainability will largely depend on the actual sustainability standards that these proposals will put in place when adopted and their scope. For instance, the FSFS will apply to **the entire food system** and will go beyond the relevant sectors linked to food production/trade, identified in the CSDD proposal. Furthermore, the ongoing revision of the Regulation on Food Information to Consumers is expected to better inform consumers on the nutritional quality of food products and encourage reformulation of food towards better nutrition profiles, supporting healthier food choices and healthier food environments. Vulnerable populations will however continue to be exposed to food products of lower nutritional quality and health inequalities will likely persist.

An uneven uptake of sustainability across operators and food chain stages as well as misaligned coherence between them will prevent achieving greater sustainability impacts in the baseline. The impacts of existing and ongoing initiatives, in the absence of further policy initiatives, are expected to be heterogeneous across sectors and stages of the food chain due to their fragmented nature and limited coherence in the area of sustainability<sup>62</sup>.

### *Sustainability labelling*

The **baseline** for sustainability labelling is “business as usual”, with no additional measures to promote sustainability labelling reliability, harmonisation and development across sectors. Presently, most sustainability-related information to consumers is provided through claims on food products indicating that the product, and/or an ingredient within, and/or its packaging has been following certain production and trade standards. These claims can include pictorial cues (signalling/positive or grading/scoring labels) and/or verbal cues (text claims) highlighting sustainability attributes of the food product, with the aim to promote them. The mapping of sustainability-related food labels (others than nutrition-related and organic) resulted in the identification of 210 labels displayed on the EU market, including 102 labels covering both environmental and social sustainability, 52 labels covering only environmental sustainability and 56 labels covering only social sustainability. Sustainability-related labels have increased in recent

<sup>61</sup> Positive impacts are expected to come, for example from the Common Agricultural Policy 2023-2027, the adoption of the Proposal for a revision of EU marketing standards for agricultural products, the Evaluation and revision of animal welfare legislation, the Proposal for a Regulation on the Sustainable Use of Pesticides and the Proposal for a Regulation on Deforestation-Free Product, or the ongoing revision of the Regulation on Food Information to Consumers.

<sup>62</sup> Galli et al., 2018; Zidianaki, 2013.



years<sup>63</sup>. Extracted data<sup>64</sup> highlight the increase in share of labelled products both for the different product categories and the different national markets. The results show that the general level of market uptake in the EU of sustainability-related labels is 13.8% for 2021, showing a steady increase compared with previous years (1% in 2010 and 7% in 2015). Sustainability-related labels are increasingly present mostly within few product categories, such as coffee, tea, chocolate, prepared meals, and fish and seafood. While some MS show a consistent increase in sustainability labelled products since 2010 reaching 20% of new product launches<sup>65</sup>, others show a more contained development<sup>66</sup>. 97% of the labels are labels signalling particular sustainability aspects of the food products and only 3% are labels scoring/grading the performance on sustainability aspects of the products, the latter type having been recently introduced on the market. More globally, in 2022, 50% of food products are estimated to bear a sustainability-related claim (pictorial (label) and/or a verbal (text claim)).

Under the baseline, voluntary pictorial or verbal claims on the EU market addressing sustainability aspects will coexist with the following EU labelling instruments: front-of-pack nutrition label and animal welfare label, rules on nutritional and environmental claims, origin labelling, organic labelling and GI labelling. On one side, the introduction of rules framing environmental sustainability claims through the Green Claims Initiative will trigger a decrease in the uptake of these claims. On the other side, the number of sustainability-related claims other than environmental and their uptake on the market will continue to increase in line with observed trends and mainly driven by FBOs and certification bodies, although more slowly than in previous year as the increasing trend is plateauing. In 2030, 51% of food products are assumed to bear a sustainability-related claim<sup>67</sup>. In particular, the market uptake of grading/scoring sustainability labels should increase as several major market players have announced that they are intending to develop these on their products. The claims will continue focussing on varying sustainability aspects, without, in most cases, reflecting the full sustainability performance of products, and based on different assessment methodologies. Also, important asymmetries across food categories and MS will persist or even increase. Many food products with low sustainability performance will not be covered by sustainability labelling while others will selectively provide sustainability information that do not fully reflect the overall three dimensions of sustainability performance of the product.

Under the baseline, the resulting multiplicity of pictorial and verbal claims, partial and varying coverage of sustainability aspects and products, and limited comparability of the information will not empower consumers to make globally sustainable food choices, generate confusion and mistrust and lead to a marginal increase in demand of sustainable food products depending also on their affordability.

#### *Sustainable Public Procurement*

Directive 2014/24/EU sets the rules for public procurement in the EU and allows procurers to integrate social and environmental considerations in the procurement procedures. The Commission

<sup>63</sup> Dietz et al., 2022

<sup>64</sup> Data extracted from the Mintel GNPD

<sup>65</sup> NL, DE, BE, AT, IE, DK, SE

<sup>66</sup> HR, CZ, HU, IT, FR, EL

<sup>67</sup> Including food products bearing an organic label but excluding food products bearing the harmonised front-of-pack nutrition label



issued guidance on Green Public Procurement (GPP) criteria for food, catering services and vending machines<sup>68</sup> and on Socially-Responsible Public Procurement (SRPP)<sup>69</sup>.

The EU school scheme, defined by Regulation 1308/2013<sup>70</sup>, supports the distribution of fruits and vegetables to nurseries, pre-schools or primary or secondary-level educational establishments and accompanying educational measures with the objective of increasing consumption of these products and shaping healthier diets.

The EU GPP and the Buying Social initiative have a low uptake and will probably remain so if nothing is done. Due to the expected lack of growth in the uptake, the volume of procured sustainable solutions is foreseen to remain insufficient to fully materialise the positive impacts that can be expected from public procurement measures.

The analysis of GPP criteria shows that the coverage of environmental impacts is focused on specific aspects which are directly addressed: climate change, particulate matter, land use, biotic resources (depletion of fish stocks), food waste, waste generation, biodiversity loss. However, the current GPP framework is voluntary and **contracting authorities are free to decide which criteria to adopt (selection) and the threshold of each criterion (strictness), which leads to a high level of inconsistency on GPP implementation** addressing specific environmental impacts rather than a horizontal approach.

Public procurers are reluctant to include sustainability criteria in tenders fearing that they will be **legally challenged**. On the other hand, criteria can be introduced – under the guise of sustainability – that for instance unfairly favour certain local products and producers.

The Europe-wide Joint Action “Best Remap” (2020-2023), which seeks to improve the quality of menus in the kitchens of public institutions and to prepare an EU Framework for action for public procurements of foods identified a number of issues with the current setting:

- public institutions are “forced” to choose the cheapest offer;
- employees have difficulties in writing a tender material and specifying all the goods;
- the documentations are too demanding for local/small providers;
- there are problems with the inclusion of locally produced/processed food (insufficient number of local providers, too high price, poor food supply, insufficient amount of food according to the needs of institutions).

Similarly, the Buying for Social Impact (BSI) project<sup>71</sup> identified five challenges that hinder the uptake of social clauses in public procurement:

- variations in the transposition of Directive 2014/24/EU into national law,

<sup>68</sup> Commission Staff Working Document EU green public procurement criteria for food, catering services and vending machines (SWD (2019) 366 final)

<sup>69</sup> Buying Social – A guide to taking account of social considerations in public procurement – Second edition 2021/C 237/01

<sup>70</sup> Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007

<sup>71</sup> [Buying for social impact - Publications Office of the EU \(europa.eu\)](https://ec.europa.eu/easip/)

- lack of knowledge of the new provisions of the Directive among public authorities responsible for awarding contracts,
- difficulty implementing the social aspects of the EU Directive,
- an underdeveloped social economy ecosystem,
- lack of public sector awareness of social economy enterprises.

The contribution of the Buying Social initiative in supporting healthier and socially responsible procured meals is so far uncertain and likely limited.

## 5.2 Description of the policy options

### 5.2.1 Policy options: minimum requirements

The policy options for the minimum requirements are summarised in Table X

Options	Specification		
<b>1. Voluntary approaches</b>	Voluntary approaches that go beyond existing legal requirements, such as policy guidelines and/or private initiatives, such as codes of conducts. No legislative initiatives.		
<b>2. Setting legally binding principles/objectives to be operationalised with detailed requirements in thematic/sectoral legislation, following review/alignment or introduction of new legislation</b>	The proposed instrument (Regulation) would lay down a set of legally binding general principles and objectives pertinent for the EU food system law and for the entire EU food system, to be subsequently operationalised with <u>detailed requirements</u> in the relevant thematic/sectoral legislation (revision of existing/establishment of new legislative initiatives) in relation to food-system operations and where appropriate and justified to relevant products.		
<b>3. Primary responsibility of food system actors (strengthened due diligence) for sustainability purposes</b>	Introduction of a general primary responsibility (strengthened due diligence) for food system actors for sustainability purposes, so as to ensure that their internal operations/ processes and/or products, within their businesses and under their control satisfy any existing sustainability-related requirements of EU/national law and to verify that such requirements are met.		
<b>4. Phasing out? from the Union market of the least sustainable</b>	<table border="1"> <tr> <td><b>4A. Operations relating to products produced in the EU (including exports)</b></td><td><b>4B. Products produced and placed in the EU (including imports and exports)</b></td></tr> </table>	<b>4A. Operations relating to products produced in the EU (including exports)</b>	<b>4B. Products produced and placed in the EU (including imports and exports)</b>
<b>4A. Operations relating to products produced in the EU (including exports)</b>	<b>4B. Products produced and placed in the EU (including imports and exports)</b>		



food system operations by setting minimum sustainability requirements based on the 'do no harm principle'	Minimum sustainability requirements, based on the 'do no significant harm' (DNSH) principle, requiring food system actors to ensure that <b>their operations on the EU territory relevant for the production of food and feed in the EU (including operations for the production of food/feed for export purposes)</b> do not significantly harm identified sustainability objectives, focusing on certain "non-negotiable" qualifiers around the three dimensions of sustainability.	Minimum sustainability requirements, based on the 'do no significant harm' (DNSH) principle requiring food system actors (EU and non EU) to ensure that their operations <b>relevant for the production of food and feed which is to be placed on the EU market</b> do not significantly harm identified sustainability objectives, focusing on certain "non-negotiable" qualifiers around the three dimensions of sustainability.
5. Combination of Options 2 (sectoral alignment), 3 (primary responsibility) and 4 (minimum sustainability requirements for all food system actors)	Cumulative options 2, 3 and 4A.	Cumulative options 2, 3 and 4B.

As regards option 4, the following objectives would be considered:

- **Environmental objectives:** climate change mitigation; climate change adaptation; water resource management and conservation (water efficiency and sustainable management and withdrawals); circular economy and waste management; pollution prevention and control (pollutants to and in air, land, water and sea) and reduction of noise impacts; and healthy natural habitats (protecting and enhancing land & marine habitats and biodiversity).
- **Social objectives:** compliance with defined rules stemming from the EU Charter of Fundamental rights; animal welfare; decent work (including value-chain workers); adequate living standards, inclusive and sustainable communities and societies; unacceptable impacts on healthy diets (including on the right of children or other vulnerable groups to a healthy food environment) and taking into account, as appropriate, food culture/heritage;
- **Economic objectives:** e.g., affordability of food; fairer distribution of returns in the supply chain, in particular by ensuring a fair price for SMEs (including farmers and fishers); transparency and accountability across the supply chain; responsible business practices.

### 5.2.2 Policy options: sustainability labelling

The policy options for the sustainability labelling are summarised in Table X

Options	Specification
1	Development of voluntary approaches that go beyond legal requirements:



Options	Specification			
<b>Voluntary instruments</b>	<ul style="list-style-type: none"> <li>• <b>EU guidelines</b> on voluntary sustainability labels covering more than one sustainability dimension or component, and/or</li> <li>• <b>EU code(s) of conduct</b> with sustainability labelling and monitoring commitments of food business operators, and/or</li> <li>• <b>Memoranda of understanding</b> by sectors on sustainability labelling covering more than one sustainability dimension or component.</li> </ul> <p>National or other private initiatives would remain possible and develop within the framework of applicable legislation and above soft-law instruments.</p>			
<b>2 Reinforcement of existing legislation</b>	<p>Inclusion of <b>sustainability labelling provisions</b> related to more than one sustainability dimension or component in <b>sector specific legislation</b> (e.g., marketing standards for fishery products, marketing standards for agri-food products).</p> <p>National or private initiatives would remain possible in sectors other than those covered by the above sector specific legislation.</p>			
<b>3 and 4 Framework for sustainability labelling and sustainability label</b>	<b>Establishment of a general framework</b> (scope, definitions, objectives, general rules) for sustainability-related food information to consumers applicable to all foods and covering all food information (in the form of pictorial claims (labels) and/or text claims) related to the environmental, social and/or economic dimensions of sustainability	<b>3 Introduction of a voluntary harmonised sustainability label</b> reflecting the three dimensions of sustainability	<b>A</b>	Voluntary label applicable to EU and imported food products of higher sustainability performance (positive/signalling label)
			<b>B</b>	Voluntary label applicable to all EU and imported food products regardless of their sustainability performance (which becomes mandatory when sustainability-related food information to consumers is voluntarily provided on the food product <sup>72</sup> ) (grading/scoring composite label or grading/scoring aggregated label)
		<b>4 Introduction of a mandatory harmonised sustainability label</b> reflecting the three dimensions of sustainability	<b>A</b>	Label mandatory for all EU food products and voluntary for imported food products (grading/scoring composite label or grading/scoring overall label)
			<b>B</b>	Label mandatory for all EU and imported food products (grading/scoring composite label or grading/scoring aggregated label)

<sup>72</sup> This does not apply to the organic label and GI labels.

Under Options 3a, 3b, 4a and 4b, positive/signalling sustainability-related labels (other than the harmonised one of Option 3a) can remain on the market. Under options 3b, 4a and 4b, grading/signalling sustainability-related labels other than the harmonised one cannot remain on the market (this however does not apply to imported products under Option 4a which can bear such labels). Verifications will be carried out by the competent authorities within the framework of the Official Controls Regulation (OCR)<sup>73</sup>. Under Options 3a, 3b, 4a and 4b, specific provisions related to the **substantiation** and **presentation** of the harmonised sustainability label will be established later in subsequent acts. These will for instance specify the methodologies to be used for the evaluation of the sustainability dimension/component performances and the type of label (i.e., composite label (indication of individual sustainability dimension/component performances side by side) or aggregated/overall label (indication of the aggregated/overall sustainability performance), or mixed label (both)).

### 5.2.3 Policy options: sustainable public procurement (SPP)

Public authorities can use public procurement in a strategic manner, to obtain better value for public money spent and to contribute to a more innovative, sustainable, inclusive and competitive economy.

**Sustainable Public Procurement** can be defined as a process whereby public authorities seek to procure goods, services and works of increased sustainability compared to goods, services and works with the same primary function that would otherwise be procured.”

There is an opportunity to enhance the positive role that sustainable public procurement of food and catering services can play in schools and public institutions in supporting the food systems transition. This can be an inspiration for all those wanting to integrate sustainability into their procurement projects.

The policy options for the sustainability public procurement are summarised in Table X.

Options	Specification
1	The existing Commission staff working document on EU green public procurement criteria for food, catering services and vending machines (GPP).

<sup>73</sup> Regulation (EU) 2017/625 of the European Parliament and of the Council of 15 March 2017 on official controls and other official activities performed to ensure the application of food and feed law, rules on animal health and welfare, plant health and plant protection products, amending Regulations (EC) No 999/2001, (EC) No 396/2005, (EC) No 1069/2009, (EC) No 1107/2009, (EU) No 1151/2012, (EU) No 652/2014, (EU) 2016/429 and (EU) 2016/2031 of the European Parliament and of the Council, Council Regulations (EC) No 1/2005 and (EC) No 1099/2009 and Council Directives 98/58/EC, 1999/74/EC, 2007/43/EC, 2008/119/EC and 2008/120/EC, and repealing Regulations (EC) No 854/2004 and (EC) No 882/2004 of the European Parliament and of the Council, Council Directives 89/608/EEC, 89/662/EEC, 90/425/EEC, 91/496/EEC, 96/23/EC, 96/93/EC and 97/78/EC and Council Decision 92/438/EEC (Official Controls Regulation) *OJ L 95, 7.4.2017, p. 1–142*



Options	Specification
<b>Voluntary instruments</b>	<p>provides guidance to make it easier for public authorities to purchase goods, services and works with reduced environmental impacts. The Green Public Procurement criteria (GPP) for food and food services would be extended to cover all three dimensions of sustainability, including environmental, social – health and economic criteria. These would then serve as guidance for sustainable public procurement of food, with impactful criteria that are of direct use and cannot be challenged.</p> <p>The Commission would continue to facilitate the process of elaboration of the voluntary approaches based on the EU Code of Conduct on Responsible Food Business and Marketing Practices.</p>
<p><b>2</b></p> <p><b>Mandatory provisions to support local authorities to procure sustainable food</b></p>	<p>The framework Regulation would introduce general provisions and requirements that raise awareness and improve skills and knowledge of SPP procurement among procurers and tenderers, thus supporting local authorities in using public procurement strategically with technical and organisational support.</p> <p>The Regulation will require the development and adoption of a number of implementing tools:</p> <ol style="list-style-type: none"> <li>1. Guidance for sustainable public procurement of food as described under option 1, including digital tools to increase transparency and to optimise the uptake.</li> <li>2. EU network of food procurement professionals, with a view to exchange experiences, best practices, market information etc.</li> <li>3. Centralised Member States focal points that will allow purchasers to obtain information in an easily accessible manner, taking into account the situation in the Member States.</li> <li>4. Member States to set up national action plans to increase the uptake of SPP.</li> <li>5. Monitoring of the uptake of SPP by the Member States and the need to report to the Commission at specific time periods.</li> </ol>
<p><b>3</b></p> <p><b>Mandatory general and specific requirements</b></p>	<p>A general mandatory requirement of procuring sustainably with a clear reference to the environmental, social-health and economic dimension of sustainability of food products and some related operations.</p> <p>In addition to the implementing tools required under option 2, the Commission would be empowered to adopt tertiary legislation, which would make the use of the sustainability criteria mandatory in a flexible and feasible way. This would include:</p> <ul style="list-style-type: none"> <li>– Minimum mandatory criteria (award criteria or technical specifications) established with technical and scientific support of the JRC that will be assessed for their impact, taking into account the situation in the Member States and the need for food markets and suppliers to gradually adapt to the situation, in particular as regards the availability of sustainable food and to avoid adverse impacts on competition.</li> </ul>

Options	Specification
	<ul style="list-style-type: none"> <li>– Monitoring and reporting requirements of the uptake of SPP for the Member States and the European Commission.</li> </ul>

For more detailed description of the options, see Annex 10.

### 5.3 Options discarded at an early stage

#### 5.3.1 Minimum requirements and sustainable public procurement:

*The establishment through the FSFS of measurable and time-bound targets for the different sustainability objectives*

The possibility of setting quantified targets for some, or all objectives of the initiative was considered, also in view of calls by certain categories of stakeholders (in particular NGOs) who were supportive of such a course of action. However, this option was discarded, as several impediments appeared to render it unfeasible. In particular, the complexity of the food system and also particularities at national or even regional level throughout the EU would not allow the setting of EU-wide targets that would be conducive to meeting the objectives consistently throughout the EU. Also, the need for a robust sustainability framework for EU food policies being a pressing one, it was concluded that attempting a definition of quantified targets would lead to unacceptable delays of the initiative. The broad, three-dimensional approach to sustainability that is the starting point of this initiative implies that a multitude of targets that would have had to be formulated for a diversity of economic sectors, with a very high administrative burden, for both Member States and economic operators.

#### 5.3.2 Sustainability labelling

*A harmonised sustainability label mandatory for all EU or all EU and imported food products of higher sustainability performance*

As a harmonised label signalling a higher sustainability performance of a food product to consumers is valorising that product and therefore of interest for the food business operator, there is no need nor added value in making such a label mandatory. Therefore, only the voluntary option of such a label has been considered (see Option 3a).

## 6 WHAT ARE THE IMPACTS OF THE POLICY OPTIONS?

### 6.1 Introduction

The analysis of the main impacts of the policy options under the three main building blocks of the initiative is presented in this section: minimum requirements, sustainability labelling and sustainable public procurement, respectively. A more detailed version of the impact analysis is provided in Annex 11.



To structure the analysis, a set of main relevant economic, environmental as well as social and health impact categories have been identified for each building block and are systematically looked at by the impact assessment (see Table 1 in Annex 9).

The systemic nature of the problems as well as the framework nature of the policy measures analysed lead to the specificities and limitations of this analysis. Firstly, the methods used for the analysis are predominantly of a qualitative nature (such as extensive desk research, literature review, theoretical illustrative models, targeted consultations)<sup>74</sup>. These provide indications on the order of magnitude and expected direction of the impacts. Secondly, impacts across the economic, environmental and social dimensions are closely interconnected and interact with each other, with resulting synergies and trade-offs. Thirdly, the time dimension plays a key role. Some of these impacts would occur in the short to medium term, others in the long term. This is acknowledged throughout the analysis where possible.

In addition, it should be underlined that, since they refer to ex-ante analysis, impacts are to be **considered as potential, or expected only**. The actual impacts will depend on the implementation of the policy measures. Given the framework nature of the initiative, this will also depend on the specifications of the subsequent related legislation (in particular for minimum requirement Options 2, 4 and 5, for sustainability labelling Options 3a, 3b, 4a and 4b, and for procurement, Option 3). Details on the limitations to the analysis are presented in Annex 4.

Food security, like sustainability, is taken into account in the assessment in a holistic way. The components and impacts relating to the different pillars of food security are not weighted or prioritised, as all impacts assessed contribute and affect food security in an interlinked way. This holistic methodological approach is justified by the complex interlinkages between drivers, the identified objectives and the primarily enabling and capacity building nature of the intervention envisioned. It is essential in particular for capturing the stability<sup>75</sup> pillar of food security which (as shown in the section 2) strongly correlates with food system resilience (an overarching objective of the initiative).

## 6.2 Minimum requirements

Importantly, for the purpose of the present impact assessment, impacts are assessed in terms of direction and magnitude, while a more precise quantification is not possible. In general, intensity of impacts will largely be proportional with the stringency of sustainability requirements to be set.

### 6.2.1 Economic impact

*Direct costs for businesses*

**Option 1** is expected to have minimal impacts on direct costs.

<sup>74</sup> Wherever feasible and possible, qualitative methods are complemented by quantitative ones (namely, econometric analysis and Life Cycle Assessment modelling). For quantitative methods, the assumptions made are transparently presented (including how the policy options translate into numerical assumptions for the simulations) and should be carefully taken into account for the interpretation of the results. In addition, results are always complemented by extensive desk research and expert advice

<sup>75</sup> Stability is the condition by which the dimensions of availability, access and utilisation are sufficiently met, and in which the whole system is stable, thus ensuring that households are food secure at all times

**Commenté [S(1)]:** nothing on costs/challenges to set sustainability standards to all fish marketed in EU, i.e. on the one supplied from outside??? from RFMOs, from waters under national jurisdiction of third countries? Who will assess, against which benchmarks, what will be the cost for enforcement, MS or COM?

In **Option 3**, Operators are expected to face **additional direct costs** related to the introduction of the strengthened due diligence obligations, because the primary responsibility approach in Option 3 requires operators to ensure that they verifiably satisfy sustainability-related requirements of EU/national laws.

For **Options 2 and 4**, as a trade-off of higher sustainable food production and consumption, direct (operational and compliance) costs to operators are expected to moderately increase in the short-term. In the medium- to long-term horizon the costs increase is expected to be alleviated by efficiency gains and adoption of cost-reducing innovations and new technologies<sup>76</sup>. Cost increases are expected to be heterogeneous across operators, sectors and food chain stages, for example smaller for sectors where sustainability requirements already exist, and more adverse for SMEs and importers from sectors that have not yet taken sustainability. The foreseen application of support measures and flexibility mechanisms for SMEs may alleviate the costs increase for these operators. Importers (including their suppliers) will also be affected in Option 4b but not in Option 4a.

In **Option 5**, the cumulative effect of Option 3 and Options 2/4 is expected to generate a significant additional direct (operational and compliance) cost to operators from the food chain. The additional impact of Option 2 may further increase direct costs in Option 5, if Option 2 ensures the coherence of exiting thematic/sectoral requirements and if it introduces stricter new sustainability requirements compared to Option 0.

#### *Competitiveness in the internal market*

**Option 1** is expected to lead to a marginal increase or improvement in competitiveness. Additional voluntary approaches are expected to be adopted in Option 1 primarily by operators that are most efficient in sustainability provisions and that already implement similar initiatives. Therefore, operators will increase their adoption to the extent that they can gain from them (e.g., higher price premiums, reputation) and to the extent to which they will be able to profitably supply products with enhanced sustainability attributes.

In **Option 3**, higher additional direct costs are expected to be partially offset by a greater product attractiveness, new market opportunities and/or efficiency gains that may emerge because of the reinforced compliance with the existing sustainability requirements. This will have slightly adverse implications for the competitiveness of EU operators in the internal market.

As regards market actors' transaction costs associated with heterogeneous and incoherent EU/national regulations and firm specific private standards, these are not expected to be significantly altered in **Options 1 and 3** as compared to the baseline, as these options do not introduce a mechanism to ensure coherence of the sustainability requirements in the existing EU/national regulations. Moreover, in **Option 3**, dependence of weaker operators resulted from the use of firm specific private standards by stronger operators is expected to be marginally increased because option 3 will lead to a proliferation of private standards (within EU and with non-EU suppliers) to ensure the reinforced compliance<sup>77</sup>.

**Commenté [S(2)]:** direct costs for suppliers could be critically higher for all targeting fish from unsustainable stocks. Consequent impact by means of reduced supply on importers hence on all consumers in short term, the heterogeneous impact in fisheries as statement is not supported by any data / evidence.

<sup>76</sup> Herrero et al., 2020; Risitano et al., 2022; Ross et al., 2015; Solano-Hermosilla et al., 2022a

<sup>77</sup> Fulponi, 2006



In **Option 2 and Option 4b**, the competitiveness of EU operators in the internal market is expected to marginally improve as additional costs are expected to be more than offset by gains from higher product attractiveness, new market opportunities and/or efficiency gains, in particular in the medium- to long-run. The effect of different pressures on the competitiveness will vary over time in these options. The economic gains from sustainability will be realised over a long time period, whereas direct costs will emerge in the short run. Some vulnerable operators (e.g., some SMEs) may have difficulty to fulfil new sustainability requirements and thus potentially experience a reduction in sale volume, market share, or profitability. Some operators may cease to be viable.

**Commenté [S(3)]:** reference to SME (EU or in general ?), but if stocks targeted by world fish suppliers to EU are unsustainable, any such measure could have an impact in terms of supplies hence on prices and even product availability...

While the above-described effects on competitiveness in Options 2 and 4b also apply to **Option 4a**, in **Option 4a**, the competitiveness of EU operators in the internal market is expected to be reduced because of the added element of a stronger competitive pressure from imported products.

In both Options 2 and 4 (in particular in option 4b), greater coherence of EU sustainability standards is expected to generate positive economic impacts for several aspects, such as reduced information costs, improved market transparency and lower transaction costs associated, improved coordination and business relationships in the supply chain and greater consumers' trust. A reduction of commercial dependence (including reduction in unfair trading practices) between operators with market power and weaker actors would also be expected in Options 2 and 4 (to be stronger in option 4b than 4a).

The cumulative effect of Option 3 and Options 2/4 is expected to generate a very marginal improvement in the competitiveness of EU operators in the internal market in **Option 5**.

#### *Market transparency*

**Option 1** is expected to bring a minor contribution to the improvement of market transparency and traceability in the food supply chain.

**Option 3** is expected to improve overall market transparency with respect to the implementation of the existing sustainability requirements in the existing EU/national legislation, it will result in asymmetric change of the transparency within the food chain (as more regulated sectors and food chain stages will need to deliver a greater effort than less regulated sectors and food chain stages).

The remaining options are expected to contribute to the improvement of market transparency and traceability in the food supply chain: slightly in the case of **Option 4a** and more substantially in the case of **Option 2 and Option 4b**.

In **Option 5**, the cumulative effect of Option 3 and Options 2/4 is expected to generate a significant improvement of market transparency and traceability in the food supply chain.

#### *Production and consumption of sustainable food*

The analysis shows that production and consumption of sustainable food could register limited gains in **Options 1** and marginally increase or experience minimal change in **Option 3**.

By contrast, **Options 2 and 4** would be expected to generate a significant increase in sustainable food production (and consequently sustainable food consumption as well) caused by the food system-wide introduction of the new specific sustainability requirements. Under Option 4, the

increase in sustainable production and consumption will be greater in Option 4b than in Option 4a, as in Option 4b imported products will also need to meet the minimum sustainability requirements.

Apart from following the trend in production, the consumption of sustainable food in Options 2 and 4 may also be stimulated by the improved transparency, traceability and consumers' trust in relation to sustainability attributes of food offered on the EU market.

In **Option 5**, the cumulative effect of Option 3 and Options 2/4 is expected to lead to a significant increase in sustainable food production and consumption.

#### *Food prices*

Food prices are expected to experience an insignificant increase in **Option 1** because of minimal impacts of this option on direct costs, competitiveness, market transparency, production and consumption.

In **Option 3**, as a result of the above mentioned higher additional direct costs induced by the introduction of the strengthened due diligence, food prices are expected to moderately increase.

In **Options 2 and 4**, some food prices are expected to increase because of direct cost increases, in particular for products that are less exposed to (regulated or private) sustainability requirements in the baseline, as they will need to undertake a greater effort to fulfil new requirements – which would lead to greater costs mainly in the short term. Within Option 4, this effect would be more pronounced in Option 4b than 4a. Also, price premiums of products with higher sustainability than prescribed by the thematic/sectoral legislation (e.g., private standards) are expected to decrease in Options 2 and 4 (but more in Option 4b than in Option 4a) because product differentiation possibilities reduce. Prices of less sustainable products are expected to increase more in Option 4b because cheaper (less sustainable) imported products and their competitive pressure on prices of EU produced food are absent in this option as compared to Option 4a. In both Options 2 and 4, the higher price of some foods could lead to a decrease in their consumption, while consumers will substitute them with products for which prices increase less or remain stable (different types of substitutions being possible – see also analysis under social/health impacts). Options 2 and 4 may potentially contribute to some reduction of food price instability which will be beneficial for both consumers and operators.

In **Option 5**, the cumulative effect of Option 3 and Options 2/4 is expected to lead to a significant increase of food prices.

#### *Competitiveness on international markets*

Additional voluntary standards in **Option 1** are expected to have a slight positive impact on EU operators' competitiveness on international markets.

**Option 3** would have slightly adverse implications for competitiveness in international markets, as in the short run (and without significant technical change), strengthened due diligence might imply a slight decrease in EU food production due to direct cost increase. This might be partially offset by a greater product attractiveness, new market opportunities and/or efficiency gains that may emerge because of the reinforced compliance with the existing EU/national legislation in Option 3.



The competitiveness of EU operators on international markets may decrease in **Option 2 and Option 4 (more in Option 4a than in Option 4b)**. While EU products may become more attractive and access international market segments with higher value added, this may be offset by more expensive EU products and the displacement of some EU products on international markets by cheaper products from other destinations that do not need to follow higher sustainable standards. The magnitude of the decrease cannot be estimated at this stage, as it depends on how stringent standards for EU products become, and at the same time on how sustainability standards evolve globally.

In **Option 5**, the cumulative effect of Option 3 and Options 2/4 is expected to decrease the competitiveness of EU operators on international markets.

#### *Third country access to EU markets and global standards*

Additional voluntary standards in **Option 1** are expected to have low (positive) effect on third countries access to EU markets and may marginally contribute to higher food prices in developing countries.

**Option 3** may reduce the third countries access to EU markets as importers also will face additional costs as well as they may pass on the implied obligations on their non-EU suppliers through greater proliferation of private standards. Option 3 is not expected to have a significant impact on global standards.

The impact of **Option 2 and Option 4b** on third countries access to EU markets is expected to be rather negative, in particular for small suppliers (e.g., farmers) in developing countries, especially those less involved in the formal food sectors, and less well-resourced to introduce and meet any new requirements. Also, global food prices may slightly increase. On the other hand, Option 2 and Option 4b may contribute to higher global standards as exporting countries will have incentives to raise their sustainability standards to access the EU market.

In **Option 4a**, the third countries' access to EU markets will increase because imports are excluded from applying the minimum requirements. Some global food prices may slightly increase in Option 4. Option 4b may contribute to higher global standards because exporting countries will have incentive to raise their sustainability standards to access the EU market. Option 4a is expected to have a smaller positive impact on the global standards because of the exclusion of imports from meeting the minimum requirements.

In **Option 5**, the cumulative effect of Option 3 and Options 2/4 is expected to decrease the third countries access to EU markets and world market prices. Option 5 will lead to the increase of global sustainability standards, driven primarily by Options 2/4.

### **6.2.2 Social impact**

#### *Diet quality, public health and health inequalities*

**Option 1** might bring minor improvements for diet quality and health. While EU guidance and facilitation could support the alignment of approaches in specific sectors and reduce coordination costs, likely increasing the number, speed and uptake of such voluntary initiatives, this is unlikely to affect nutritional quality of the food offer, diet quality or public health to a large extent.

In **Option 2**, as regards health impacts, food products of lower nutritional quality could be (progressively) substituted by healthier ones, for example through innovation and food reformulation towards more sustainable and healthier food products. This option can also promote dietary shifts through price effects that would incentivise consumers to prefer healthier and sustainable foods. The extent of these effects will depend on the requirements introduced, the level of the minimum requirements and the scope and speed of implementation of the sectoral legislation targeted (or newly developed) as well as the share of imported products to which the criteria apply.

Overall, health gains to the whole population are to be expected, stemming from improvements in diets (that can reduce the burden of non-communicable diseases) and from the expected environmental benefits (e.g., on particulate matter) than can improve public health, for example by reductions in cardiovascular disease incidence, prevalence, mortality and morbidity.

As regards **Option 3**, it is not expected that it will significantly affect the nutritional quality of foods offered or EU diet quality as it deals mostly with operations and processes of the sustainability of the food system and not necessarily with food composition or measures that may affect it in the long run. Due to cost effects, more expensive foods could slightly increase the inequality gap; however, environmental benefits and modest public health gains can eventually compensate for this.

In **Option 4**, from a health perspective, minimum requirements may result in a healthier food offer that can influence healthier food choices and improve diet quality. This could reach all consumers (in particular those with less access to healthy diets), thereby promoting health gains and reduction in health inequalities.

Improvements in food offer and diet quality in both Options 4a and 4b and a closer alignment with current dietary recommendations will undoubtedly lead to further reductions on the burden of non-communicable diseases. The expected environmental benefits (e.g., on air quality and particulate matter levels) are also expected to improve public health, for example by leading to reductions on cardiovascular disease incidence, prevalence, mortality and morbidity.

The potential price increase in some foods (at least in the short term, transition period), caused by efforts from operators to meet the minimum requirements, can have stronger impacts in lower income households with slightly different consequences in Options 4a and 4b. If imports are not subject to these minimum requirements (Option 4a), a lower share of the market will be covered, and health gains will be weaker. Under 4a, unhealthier and unsustainable alternatives from imports that do not meet the minimum requirements may compete with lower prices and be preferred by specific population groups contributing to widening health inequalities. In contrast, Option 4b which includes imports is likely to be more effective in reducing health inequalities.

Low-income households and vulnerable groups will be affected disproportionately but to a different extent across EU MS<sup>78</sup>. As the cost of diets increases, it is possible that lower income households may need to make substitutions. These could result either in increases in the consumption of

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<sup>78</sup> On consequences of food prices inflation see in particular Commission Staff Working Document, "Drivers of food security", 2023.; Regmi and Meade 2013, EIB 2022). P99



healthier and sustainable foods including fruit, vegetables or legumes, promoting diet change leading to additional impacts on health, or in shifting consumption to less expensive food and potentially of lower nutrition quality and sustainability. Beyond price considerations, this consumer choice can be driven by the overall food environment – which will also be potentially reshaped by policy choices under this initiative (see below analysis on labelling and procurement).

In **Option 5**, the cumulative effect of Option 3 and Options 2/4 is expected to generate positive effects on diet and health, with a magnitude of the impacts at least equal to impacts expected for Options 2 or 4b when implemented individually.

#### *Fundamental rights*

**Option 1** might bring minor improvements for fundamental rights.

**Option 2** has the potential to influence the market towards a more ethical food system, respectful of fundamental human and children rights. Requirements that apply to imported products have the potential to shape markets, food offer, child and social protection and welfare in third countries too. Requirements that cover a wide range of imported products will enforce human rights considerations (including gender equality, equal treatment of all workers, fair compensation of workers, health and safety, child labour, human rights due diligence in the supply chain for those trading with the EU)<sup>79</sup>.

As regards **Option 3**, since it strengthens the compliance with social sustainability targets, it has the potential to promote human rights, contribute to a more trustful and ethical food supply chain, support safe and healthy working conditions, child rights and, in general, reinforce fundamental rights principles in the food system.

Finally, **Option 4** (and in particular option 4b) could promote fundamental rights across food systems globally. There is potential for minimum requirements to apply to issues such as fair trade, working conditions, child labour, animal welfare and if applied to imports these can shape the global food system. While Option 4a ensures fundamental rights will be met by all food products produced in the EU, limited impacts are expected in food products produced in 3rd countries (e.g., cocoa, coffee, tea and other herbs, seafood).

In **Option 5**, the cumulative effect of Option 3 and Options 2/4 is expected to generate positive effects on fundamental rights.

#### *Employment and working conditions*

**Option 1** might bring minor improvements for employment and working conditions.

The effects of **option 2** will be mixed on employment and working conditions. This policy option has the potential to improve employment and working conditions across the supply chain either from benefits created from the policy, improvement of the work environments and as a result of an increased transparency. At the same time, negative effects on employment and working conditions might arise as a result of increased production costs.

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<sup>79</sup> Meemken et al., 2021

**Option 3** has the potential to generate positive impacts on employment and working conditions, as new jobs related to reporting and compliance could be generated. At the same time, increased reporting and compliance costs of this option might also destroy some low skilled jobs offsetting the positive impacts on employment. The impacts will be heterogeneous, where smaller firms may face larger cost set-up and run the food sustainability compliance/management system, as compared to larger companies with more available human capital.

**Option 4** is expected to generate mixed effects in employment and working conditions: additional direct costs resulting from new requirements may negatively affect total employment in the supply chain, while at the same time, introducing minimum standards has the potential to improve working conditions, i.e., minimum wages. However, the effects of Option 4a are expected to be lower on working conditions as a result of the reduced transparency across the supply chain and the reduction of employment on certain activities (i.e., the least sustainable productions) that will be more likely produced elsewhere. Option 4b is likely to increase the transparency of the supply chain thus potentially contributing to better working conditions on business in the EU and other regions.

In **Option 5**, the cumulative effect of Option 3 and Options 2/4 is expected to generate mixed effects on employment and working conditions. Negative effects can result from the increased production costs across the firms, introducing incentives for restructuring the working force and capital substitution. At the same time, positive effects might arise from an increased transparency on the working conditions in the food supply chain.

### 6.2.3 Environmental impacts

For the environmental dimension, voluntary approaches **Option 1** are not expected to generate significant benefits due to a limited uptake of sustainable food production and consumption. Only small changes in current environmental impacts of the EU food system are expected, and environmental impacts will be dealt in an inconsistent way.

As regards **Option 2**, outcomes for environmental impacts depend to a large extent on the level of effort requested in each sector. However, the overall effect is expected to be significant and positive leading to decreased environmental impacts.

It is expected that option 2 addresses current inconsistency in addressing environmental impacts in the whole supply chain, as well as the involvement of all actors. However, there could be potential temporal mismatches across the sectors/policy fields in the uptake of sustainability principles, leading to environmental impacts not being addressed within the same time horizon.

As a result of the increase in production and consumption of sustainable food, improvements are expected in the environmental impacts that are related to primary production, such as eutrophication, eco-toxicity, water use, biodiversity loss, biotic resources (overfishing), particulate matter, ozone depletion and mineral resources. Positive environmental impacts are also likely to occur related to actors beyond primary production, in areas such as, for example, water use (related to food processing), ozone depletion (related to refrigeration), and particulate matter (related to fuel consumption). Waste reduction targets, including food waste, set in sectorial legislation could contribute to the reduction of emissions leakages to non-EU countries by reducing imports explained by the need to substitute reduced domestic production.

Option 2 covers imports as included in sectoral/thematic legislation and in alignment with WTO agreements. For this reason, environmental impacts of traded products are expected to be lower than in the baseline. This aspect is more relevant for specific impacts related to trade (e.g., climate



change, ozone depletion) or to regional impacts that would be otherwise delocalised to third countries (e.g., land use, water use, biodiversity loss).

In **Option 3**, the effects on environmental aspects would be limited. While an increased awareness of environmental impacts of operations is expected to have a positive effect on reducing environmental impacts, such effect is expected to be marginal, since current legislation is already implemented.

The effects of Option 3 are expected to be extremely heterogeneous as they highly depend on which sector will be addressed and on what type of sustainability-related requirements it will be requested to meet. Option 3 is targeted at addressing business operators, thus risking excluding relevant actors of the food systems, such as consumers.

With a higher accountability and monitoring of food waste along supply chains, Option 3 is expected to have a positive effect in preventing food waste generation, as often measuring helps operators identify where food waste occurs and can be reduced.

**Option 4** is expected to have positive environmental impacts. However, differences are foreseen between Option 4a and 4b. Larger benefits could happen when all products in the EU market are addressed (Option 4b) which is predicted to prevent leakage of environmental impacts through the supply-chain in third countries.

On a positive side, given that Option 4 sets minimum requirements across the entire food system, it will ensure coherence across actors and sectors acting with a single framework legislation. Option 4 would address horizontally environmental impacts covering all actors, thereby benefiting to a greater extent those impacts related to actors beyond primary production.

In option 4a, the potential cascading effect of minimum requirements being in place in the EU alone could lead to a decrease in EU production and to a relative increase in imports to satisfy the market demand. Increased imports could partly offset environmental benefits in the EU domestic production with food products from non-EU territory with lower environmental standards, thereby leading to leakage through the supply-chain in third countries. The environmental impacts related to imported food products could increase. For this reason, impacts of traded products are expected to be higher than in Option 4b.

In option 4b, establishing minimum requirements for all products in the EU market can have a positive global effect in sustainable food production and consumption. Potential changes in trade flows triggered by the minimum requirements in the global food market might result in environmental impacts on land use and deforestation, with consequences on other specific impacts related to trade (e.g., climate change, ozone depletion) or to regional impacts that would be delocalised to third countries (e.g., land use, water use).

As a result of the increase in production and consumption of sustainable food, improvements are expected in the environmental impacts that are related to primary production, such as eutrophication, eco-toxicity, water use, biodiversity loss, particulate matter, ozone depletion and mineral resources.

**Option 5**, from combining Option 3 with either Option 2 or Option 4, will generate cumulative effects. In particular, this is true if Option 2 introduces stricter new sustainability requirements than Option 0. Further, Option 4 will ensure coherence of minimum requirements, while in addition Option 2 will ensure the coherence of requirements in thematic/sectoral legislation (including for imports) in Option 5. Following this, the magnitude of the impacts in Option 5 on most

environmental indicators will be at least equal to impacts expected for Options 2 or 4b when implemented individually.

#### 6.2.4 Stakeholder views

There are different views between and sometimes within categories of stakeholders concerning the introduction of minimum sustainability requirements. In the open public consultation, most respondents deemed necessary to translate EU-wide general objectives for the sustainability of the food system into specific requirements by sector, where such requirements do not currently exist. In all consultation activities, there was broad agreement among NGOs, consumer and social organisations that establishing mandatory minimum sustainability requirements is a critical tool for facilitating the transition of the EU food system. Economic operators had more nuanced positions on the preferred policy options, with some (in particular most respondents to the targeted surveys) clearly preferring voluntary initiatives (option 1) and others (some primary producers in the context of targeted interviews) supporting regulatory intervention. Views on the best policy option differ significantly between the consulted public authorities as well, ranging from voluntary approaches to mandatory requirements. Most authorities agree that minimum sustainability requirements should be kept general while addressing all relevant sustainability dimensions. If implemented, all actors agree that minimum requirements should apply to all products placed on the EU market (including imports). Regional authorities and international organisations who participated in the consultations largely support the introduction of mandatory minimum sustainability requirements.

Annex XX includes more detailed analysis on stakeholder feedback on impacts – in particular economic ones.

#### 6.3. Sustainability labelling

The estimated total market shares in 2030 under the different sustainability labelling options of food products bearing any sustainability-related claim (i.e., pictorial (label) and/or a verbal (text claim), including where relevant a harmonised sustainability label) and those bearing a harmonised sustainability label are presented in table X.

As described in section 5.1, in 2030, 51% of food products are estimated to bear a sustainability-related claim under the baseline. Under **Option 1**, no harmonised sustainability label is introduced and, given the non-binding nature of the instruments in this option, the uptake of sustainability-related claims is expected to be only slightly higher than for the baseline (52%). For **Option 2**, the assumptions are that for two thirds of the 40% food products under sectoral legislation, sectoral rules framing sustainability-related claims and sectoral harmonised sustainability labels will be introduced, that around 30% of the sustainability-related claims on these products will not comply with the new sectoral rules, and that the consequential decrease of sustainability-related claims in these sectors will not entirely be compensated by the dynamic triggered by the introduction of the harmonised sectoral sustainability labels. In the sectors without new harmonised sustainability labels and labelling rules, the evolution will be comparable to the baseline. The overall uptake of sustainability-related claims is therefore assumed to be slightly lower than under the baseline (50%). As regards the harmonised sectoral sustainability labels, the assumption is that half of the sectors introducing one will introduce voluntary grading/scoring labels and the other half signalling/positive labels. The market share of food products bearing a harmonised sectoral sustainability label is therefore assumed to be around 8% (higher if some sectors introduce grading/scoring labels of mandatory nature). Under **Options 3a and 3b**, the market share of food products bearing a sustainability-related claim is assumed to be higher (60%) as the dynamic



triggered by the introduction of the harmonised sustainability label is assumed to surpass the decrease of sustainability-related claims due to the introduction of the general rules framing them. Under **Option 3a**, a relatively low uptake of the harmonised sustainability label (9%), at least in the short term, is expected. Indeed, the numerous competing signalling/positive labels related to sustainability on the market, some of them benefiting from relatively high consumer awareness and trust such as the organic logo, can make it difficult to position and develop the harmonised sustainability label. The consequence can be a lowered interest from FBOs to use the harmonised sustainability label. For **Option 3b**, the uptake of the harmonised sustainability label is assumed to be significantly higher than in Option 3a (47%), as it will be a label of grading/scoring type (therefore not directly competing with the multitude of positive/signalling labels related to sustainability on the market) and probably generate a higher interest among FBOs (in particular retailers) to use it, in line with the current trend (i.e., the increase of products bearing a grading/scoring label). Furthermore, all products carrying a sustainability-related claim will have to bear the harmonised sustainability label (at the exception of those bearing the organic label or a GI). Under **Option 4a**, all food products produced in the EU (around 87% of all food products) will bear the harmonised sustainability label and, in line with current trends, half of imported food products (e.g., coffee, chocolate or tea) will bear a sustainability-related claim of which it is assumed that half will bear the harmonised sustainability label<sup>80</sup>. Under **Option 4b**, all food products on the market (100%) will bear the harmonised sustainability label i.e., a sustainability related claim.

Option	0 (baseline)	1	2	3a	3b	4a	4b
Total market share in 2030 of food products bearing a sustainability-related claim (pictorial claim (label) and/or a verbal claim (text claim), including the harmonised sustainability label)	51%	521%	50%	60%	60%	93.5%	100%
Market share in 2030 of food products bearing a harmonised sustainability label	0%	0%	8	9%	47%	90%	100%

### 6.3.1 Economic impacts

#### *Direct costs for FBOs and food prices*

<sup>80</sup> Under Option 4a, the presence of a sustainability-related claim on an imported food product will not trigger the obligation to affix the harmonised sustainability label on that product.

In general, FBOs will incur different **direct one-off adjustment costs** related to the **familiarisation** (understanding of the new rules and their implications for their products and processes) and **product assessment** (collection and management of information/data and assessment of the sustainability of their products). These costs will strongly depend on the complexity of the assessment methodologies on the one hand, and the availability of mitigation measures (e.g., IT tools, trainings, use of publicly available secondary data) on the other hand. In addition to these, FBOs will incur **direct one-off administrative costs**, which are the costs of **relabelling** (modification of the labels and incorporation (or removal) of elements on the labels). This entails changing designs, printing and packaging costs. Most FBOs “refresh” their label designs on a regular basis as standard practice. The majority - typically 65% to 75% - of food product labels are reviewed at least once every three years. The relabelling costs can therefore be largely mitigated by a sufficient transition period. As the specific levels of familiarisation and product assessment costs depend on the rules related to the substantiation of the sustainability dimension/component performance(s) that will be specified in subsequent legislation, the below assessments are based on the estimated share of products in each option concerned by the harmonised sustainability label. Costs incurred by the FBO only due to the choice of the FBO to affix voluntarily the harmonised sustainability label on its products, or to the decision to change its products and/or processes in order to be able to affix the positive/signalling harmonised sustainability label or to raise along the grading/scoring ladder of the harmonised sustainability label, are not included in the direct costs as they depend on the choice of the FBO to do so or not. Similarly, only the impact of these direct costs on food prices are considered here. The impact on food prices of costs due to above mentioned choices of FBOs (to change their processes/products, etc.) are not assessed. Under **Option 1** (guidelines, and/or codes of conducts and memoranda of understanding by sectors), the direct costs for FBOs will remain unchanged compared to the baseline given the non-binding nature of this option. As a consequence, no direct impact on food prices is expected for this option. Under **Option 2**, FBOs will incur direct costs in the regulated sectors where a mandatory harmonised sustainability label (similar to the one in Options 4a or 4b) or a voluntary harmonised sustainability label becoming mandatory under certain conditions (similar to the one in Option 3b) is introduced. However, globally the direct costs will remain low as the total market uptake of the latter two kind of labels is assumed to be less than 8% and the direct impact on food prices will be marginal as FBOs are expected to absorb important parts of the direct costs. Indeed, no evidence has been identified in literature indicating that food prices increased with the implementation of any nutritional label. A review of products using a nutritional grading/scoring label (Nutri-Score) in France in 2018 found no significant difference in price between food products making use of the label and those that were not<sup>81</sup>. No cost increases are assumed for **Option 3a** given the purely voluntary nature of the harmonised sustainability label signalling a higher sustainability of a food product. As a result, no significant direct impact on food prices is expected. Under **Option 3b**, all products carrying a sustainability-related claim will need to bear also the harmonised sustainability label. The direct costs for FBOs will be higher than for the previous options as 47% of the products are assumed to keep their sustainability-related claim and will therefore also have to adapt to bear the harmonised sustainability label. The direct impact on food prices will however be marginal as FBOs choosing to keep the sustainability-related claims and to affix the harmonised grading/scoring label on their products are expected to absorb important

<sup>81</sup> Oqali (2020), Suivi du NUTRI-SCORE par l'Oqali, Analyse à trois ans, Edition 2020. Available online at: <https://www.oqali.fr/actualites/suivi-du-nutri-score-par-l-oqali-analyse-a-trois-ans/>.



parts of the direct costs incurred here too. Due to the mandatory nature of **Options 4a and 4b** leading to a market uptake of the harmonised sustainability label of respectively 90% and 100%, the direct costs for FBOs will be higher compared to all previous options. The same goes for the food prices even if important parts of the direct costs will be absorbed by FBOs. **Option 4b** will be the costliest with the highest impact on food prices since the sustainability label will also be mandatory for imported products and all FBOs producing in the EU and exporting to the EU will incur direct costs.

The types of costs and burdens affecting SMEs – which represent 99% of FBOs in the EU – are similar to those experienced by other FBOs. However, their relative magnitude is expected to be greater due to their lower capacity to absorb additional costs and burdens.

#### *Direct costs for public authorities*

For **Option 1**, public authorities are not expected to incur direct costs due to the non-binding nature of the instruments. Under **Option 2**, cost and human resource increases are expected in the regulated sectors, the magnitude of which depends on the labelling provisions in these sectors (in particular on the introduction or not of a sectoral harmonised sustainability label of mandatory nature). Marginal costs and human resource increases are expected, depending on the level of uptake of the voluntary harmonised sustainability label in **Option 3a**. Under **Option 3b**, the cost and human resource increases will be higher compared to the previous option because of the sustainability label becoming mandatory under certain conditions. For **Option 4a**, significant administrative, personnel costs and training costs are expected due to the compulsory use of the sustainability label on domestic products. These costs will be the highest under **Option 4b** since the harmonised sustainability label will be on all products, domestic and imported ones.

#### *Competitiveness on internal markets*

For **Option 1**, no change in the competitiveness on internal markets is foreseen, with no changes in costs, food prices and the current landscape of sustainability-related claims on the market compared to the baseline. Under **Option 2**, a moderate increase of the competitiveness on internal markets can be expected due to the lower diversity of sustainability-related claims in several regulated sectors because of sector-specific rules framing them and the introduction of sector specific harmonised sustainability labels, and enhanced consumer trust following the development of these labels by public authorities<sup>82</sup>. The low uptake of the harmonised sustainability label in **Option 3a** will lead to a globally positive impact on competitiveness on the internal market (mostly for the products carrying the harmonised sustainability label). A higher positive impact will occur in **Option 3b**, because of the harmonised sustainability label becoming mandatory under certain conditions and a higher uptake of the label in this option compared to Option 3a. For **Option 4a**, the competitiveness will globally be negatively impacted, due to food products from third countries of low sustainability not being labelled as such on the internal market. The impact will however vary depending on the product category and the share of imported food products in the category. On the contrary, the competitiveness on the internal market will be highest for **Option 4b** as there will be a perfect level playing field between all products and FBOs, which will have to bear the costs of labelling, with comparisons only driven by sustainability.

<sup>82</sup> De-Magistris et al., 2017; Nohlen, Bakogianni, Grammatikaki, Ciriolo, Pantazi, Dias, et al., 2022.

#### *Competitiveness on international markets*

Under **Option 1**, the competitiveness of EU products on international markets will not change due to the absence of impacts on direct costs, food prices and supply of sustainable products compared to the baseline. The low direct costs for FBOs and the marginal increase food prices in **Option 2** is not expected to particularly affect the competitiveness of EU products on international markets. Under **Option 3a** the competitiveness on international markets will not be affected due to the absence of increase of direct costs and food prices. Under **Option 3b**, because of the basically voluntary nature of the harmonised sustainability label and the marginal increase of food prices, the competitiveness of EU products on international markets is not expected to be particularly affected. With the highest impacts on direct costs and food prices, Options 4a and 4b will slightly affect the competitiveness on international markets.

#### *Third country access to EU markets and global standards*

With no requirements in place for products produced outside the EU under **Option 1**, no impact is foreseen on third countries access to EU markets and labelling standards outside the EU and globally. For **Option 2**, depending on the labelling provisions in the regulated sectors and in particular where mandatory sectorial sustainability labels on imported products are introduced, the access for third country products to these sectoral EU markets will be impacted and impacts on (sectoral) labelling standards in third countries or globally can be expected. As under **Options 3a and 3b** there are no direct mandatory requirements for imported products produced outside the EU, there will be no impact on market access for third country products. Furthermore, because of the voluntary nature of the harmonised sustainability labels, these options are expected to have no impact on the development of standards outside the EU and globally. Under **Option 4a**, third countries will still be able to market products on the EU market without the harmonised sustainability label. Therefore, this option is not expected to lead to changes in third country access to EU markets, nor particularly in standards in third countries and globally. For **Option 4b**, the mandatory requirement for imported products to carry the harmonised sustainability label will limit the access of third country products to EU markets. However, for third country products with a higher sustainability performance, this can be an advantage as they can differentiate themselves on the internal market. This option will have an impact on the development of third country and global standards as all third countries willing to export to the EU will have to implement the harmonised sustainability label.

#### *Geographical indications (GIs) and organic production*

**Option 1** will have no particular impact on GI and organic products compared to the baseline given the purely non-binding nature of this option. Under **Option 2**, the impact on GI and organic products will vary from one sector to another and depend on the nature, the typology and the ambition of the sectorial sustainability labelling provisions (in particular on the introduction or not of a sectoral harmonised sustainability label of mandatory nature). Under **Options 3a and 3b**, the harmonised voluntary sustainability label may have a positive impact at least in the short term. Indeed, as only GI and organic products of higher sustainability will bear the sustainability label<sup>83</sup>, the latter will

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<sup>83</sup> As specified in the description of Option 3b, the presence of a GI or organic label does not trigger the mandatory affixing of the harmonised sustainability label under this option.



work as a supplementary reward<sup>84</sup>. In the longer run, a growing share of the products bearing the harmonised sustainability label may however act as a substitute to products with organic labels. **Options 4a and 4b** will have a significant negative impact on GIs and organic products due to the risk of confusion and/or disappointment of consumers confronted with GI or organic products with lower sustainability grades/scores.

### 6.3.2 Environmental impacts

The spectrum and magnitude of the covered environmental impacts will depend on the nature, the typology and the ambition of the sustainability labelling measures. The environmental impacts considered are climate change, ozone depletion, land use (including deforestation and soil health), water use, eutrophication, ecotoxicity, particulate matter, mineral and metal resources, biodiversity loss, waste and food waste generation, and biotic resources (see table X in Annex X).

**Option 1** will have no particular impact on the production and consumption of sustainable products compared to the baseline, due to the marginal additional trust of consumers and simplification of the labelling landscape. This option is therefore expected to have no effect on the environmental impacts compared to the baseline.

Under **Option 2**, the higher transparency and the simplification of the labelling landscape in the regulated sectors, and the increased trust in the sectorial harmonised sustainability labels will bring additional consumers to purchase sustainable products in the regulated sectors, which can lead globally to a marginal increase in production of sustainable products compared to the baseline. Option 2 will consequently have marginal positive effects on the overall environmental impacts of the EU food system<sup>85</sup>. However, the spectrum of the covered environmental impacts and the magnitude of their variation will depend on the the ambition of the sectorial sustainability labelling provisions (i.e., in particular on the voluntary or mandatory nature, the signalling or grading/scoring typology of the harmonised sectoral sustainability labels and the sustainability aspects covered by these labels). The harmonised sustainability labels under this option are likely to focus on the most relevant environmental impacts in each sector, and thus to mostly affect actors where these impacts occur. This option will however not influence food waste generation, which is more affected by other types of information (e.g., date marking). Under this option, a mandatory grading/scoring label may be introduced for fishery products, covering fishery-specific environmental sustainability aspects. Positive impacts on biotic resources are therefore expected.

Under **Option 3a**, the impact on the consumption of sustainable food products will be positive, but weak as the uptake of the harmonised sustainability label is expected to be low. Also, as most of the FBOs affixing it will already be mostly in line with the label requirements, the increase of the production of sustainable products will be marginal. Option 3a will therefore have a marginal positive effect on most environmental impacts of the EU food system compared to the baseline (see Table 15).

As under **Option 3b** the harmonised label will be a grading/scoring one (i.e., consumers will not only tend to consume more labelled products with grades/scores indicating a higher sustainability

<sup>84</sup> In the targeted survey, 73% of the FBOs were of the opinion that Option 3b would have a positive impact on organic products.

<sup>85</sup> Such as climate change, ozone depletion, land use, water use, eutrophication, ecotoxicity, particulate matter, resource minerals and metals, biodiversity loss, biotic resources, waste generation.

but also move away from labelled products with lower grades/scores<sup>86</sup>) and its prevalence will be higher than in Option 3a, the impact on the consumption of sustainable food is expected to be higher too. Production of sustainable food will therefore increase more than under Option 3a as a response to this demand shift and with FBOs being incentivised to raise along the grading/scoring ladder. Thus, Option 3b will have a higher positive effect in reducing the environmental impacts of the EU food system compared to Option 3a<sup>87</sup> (see Table 15).

Due to the widespread presence of the label on the marketplace and the fact that the grading/scoring typology of the label allows consumers to move towards more sustainable products and away from less sustainable ones, the increase of the consumption of sustainable products under **Option 4a** will be higher compared to Options 2, 3a and 3b. However, the potential impact of the harmonised label towards less consumption of less sustainable products will only be partly exploited, as consumers will still be able to find similar products from third countries of low sustainability without the harmonised sustainability label. The moderate increase in the production of sustainable products will be mainly limited to the EU production sold on the domestic market. This will concur in reducing the overall negative environmental impacts of the EU food system. However, a harmonised sustainability label only on EU products may also conversely stimulate the demand for non-labelled less expensive imported products, likely characterised by lower environmental sustainability performances. The increase in demand for non-labelled imported products of lower sustainability will lead to higher environmental impacts associated with increased trade and transportation (climate change, ozone depletion, particulate matter) and with the shift of the burden on third countries, which will need to increase and/or intensify food production, not necessarily following sustainable practices (leading in particular to land use changes, due especially to deforestation, and to increased water use) and generating negative environmental impacts outside EU borders<sup>88</sup>. Depending on the environmental impact, the reduction is therefore expected to be marginal to low.

Under **Option 4b**, the consumption of sustainable products will increase more significantly as will do the production of sustainable food in response to the higher demand. Option 4b is expected to produce benefits for most of the environmental impacts assessed. The increased sustainable production will concur to the highest reduction of the overall environmental impacts of the EU food system compared to the other options. As this option covers also imported products, it will prevent the increase of consumption of imported products with higher environmental impacts and the delocalisation of production to third countries with lower sustainability standards resulting in a leakage of environmental impacts to these countries. This option will lead to environmental benefits also in third countries, mitigating the current pressure exercised by the EU food system. However, trade-offs will occur for specific environmental impacts<sup>89</sup> due to the projected lower production yields obtainable from sustainable practices and their possible cascading effects.

### 6.3.3 Social impacts

#### *Market transparency*

<sup>86</sup> Crosetto et al., 2020

<sup>87</sup> In particular on climate change, eutrophication, ecotoxicity, mineral and metal resources, biodiversity loss, biotic resources and waste generation due to an increase in production of sustainable products, less on ozone depletion, particulate matter and land use more associated with international trade.

<sup>88</sup> Fuchs et al. 2021

<sup>89</sup> E.g., land use, water use.



**Option 1** will increase market transparency due to the alignment of existing and new sustainability labels with the guidelines regarding content of the labels and methodologies used, but only to a marginal extent given the non-binding nature of this instrument. Under **Option 2**, transparency will increase slightly more than in Option 1, as it is expected to increase homogeneity in terms of scope and requirements of sustainability labelling in the regulated sectors even if these could differ between sectors. Under **Option 3a**, the expected low uptake of the harmonised sustainability label by FBOs will lead to a weak positive impact on market transparency. Under **Option 3b**, the label will be homogenous across all product categories and products, developed by a public body and benefit of a higher market uptake, leading to a higher market transparency than in Option 3a. Under **Option 4a**, market transparency will significantly be increased due to the mandatory nature of the sustainability label and the consequential cleaning up of the market from sustainability-related claims, as well as increased consumer understanding, trust and use of the label. Under **Option 4b**, market transparency will be the highest compared to all other options as consumers will be able to compare all products sold on the EU market.

#### *Consumer understanding and purchasing decisions*

Studies on FOPNL suggest that scoring/grading labels perform better in informing consumers than other types of labels<sup>90</sup>. According to numerous studies, a clear grading label appears to lead to better consumer understanding across different population groups<sup>91</sup>. Also, consumer understanding of a label usually increases with the prevalence of that label<sup>92</sup>. **Option 3b** will therefore have a higher positive impact on consumer understanding than **Option 3a**, as a signalling label appears to be less effective in informing consumers compared to a grading/scoring label<sup>93</sup>. **Option 4b** followed by **Option 4a** will have the highest positive impacts. The impact of **Option 2** will depend on the breadth of the sectors covered, the nature and typology of the harmonised sectoral labels (in particular on the introduction or not of sectoral sustainability labels of mandatory nature and of grading/scoring typology) and the level of consistency of the presentation and sustainability scope of the different sectoral labels. However, given the estimated total market uptake of the sectoral sustainability labels, the impact on consumer understanding will be lower than in previously mentioned options. Given the type and nature of its instruments, **Option 1** will not have any particular impact on consumer understanding compared to the baseline, and this option is not expected to lead consumers to make more sustainable food choices. The proliferation of sustainability labelling initiatives and the lack of recognition by consumers will likely continue to undermine their trust, awareness and attention to the labels<sup>94</sup>.

A review of scientific studies on FOPNL and purchasing behaviour indicates the potential of FOPNL schemes, in particular grading/scoring ones, to improve the nutritional quality of the

<sup>90</sup> Andreeva et al, 2021; Fialon et al, 2020; Packer et al, 2021

<sup>91</sup> Nohlen, H., Bakogianni, I., Grammatikaki, E., Ciriolo, E., Pantazi, M., Alves Dias, J., Salesse, F., Moz Christofolletti, M., Wollgast, J., Bruns, H., Dessart, F.J., Marandola, G. and Van Bavel, R., Front-of-pack nutrition labelling schemes: an update of the evidence, EUR 31153 EN, Publications Office of the European Union, Luxembourg, 2022, ISBN 978-92-76-55032-7, doi:10.2760/932354, JRC130125; Storcksdieck Genannt Bonsmann, S., Marandola, G., Ciriolo, E., Van Bavel, R. and Wollgast, J., Front-of-pack nutrition labelling schemes: a comprehensive review, EUR 29811 EN, Publications Office of the European Union, Luxembourg, 2020, ISBN 978-92-76-08970-4, doi:10.2760/180167, JRC113586.

<sup>92</sup> Studies have shown that front-of-pack nutrition labels that cover a greater proportion of food products improve information and knowledge among consumers overall (Nohlen et al, 2022).

<sup>93</sup> Fialon et al., 2020; Nohlen, Bakogianni, Grammatikaki, Ciriolo, Pantazi, Alves Dias, et al., 2022; Packer et al., 2021

<sup>94</sup> EIT Food, 2020

shopping basket and to positively impact consumers' diet and health<sup>95</sup>. In addition, labels that involve an evaluation and colour-coding have been found to have a positive impact on understanding and on directing food purchases of vulnerable socio-economic groups<sup>96</sup>. These findings are supported by an online experiment<sup>97</sup> with EU consumers which found that grading sustainability labels are the most effective to steer consumer toward more sustainable purchase decisions. Therefore, **Option 4b**, followed by **Options 4a** and **3b**, will have the highest positive impacts on consumers purchasing behaviour. As in Option 4a, but potentially to a larger extent, the shifts in consumption expected under Option 4b will likely increase the consumption of those foods that are not only healthier (and labelled as such with FOPNL) but also of good/high social and environmental performance. However, it is important to note that consumer behaviour is largely variable and purchasing decisions are influenced by other situational and personal factors such as habits, price or expected tastiness<sup>98</sup>.

#### *Diet quality, public health and health inequalities*

Given the absence of positive effects on production and consumption patterns, **Option 1** will have no particular impact in improving diet quality and public health or in reducing health inequalities beyond the baseline. Under **Option 2**, the increase in production and consumption of sustainable products in regulated sectors will globally not have any additional impact on diet quality, public health and health inequalities beyond what can be achieved with FOPNL, compared to the baseline. However, the impacts will depend on the breadth of sectors covered by the labelling provisions and the nature, typology and ambition of these provisions. **Option 3a** will bring marginal positive impacts in diet quality beyond what can be achieved with FOPNL, as it may mostly impact on the food choices of a proportion of the EU consumers, more sensitive to the environmental and/or overall sustainability value of food products and many of the most environmentally sustainable foods are also among the healthier and more nutritious foods<sup>99</sup>. This will contribute, together with reductions in environmental risk factors (such as air pollution), to marginal positive impacts on public health. The higher prices of the food products with the harmonised label signalling food products of higher sustainability can marginally widen health inequalities, as certain population groups may be less prone to change towards more sustainable food choices and lower income households may make less use of these labels<sup>100</sup>. Under **Option 3b** it is expected that more food products will display the harmonised graded label compared to Option 3a, which is likely to increase consumers' understanding, awareness and trust of the sustainability impacts of their food choices. Because of the higher increase in production and consumption of sustainable products compared to option 3a, higher positive impacts on diet quality can be expected. Also, other long term public health gains could be derived from the effects this option will have on the environment. Option 3b will have no negative impact on health inequalities as the marginal increase in food prices will be offset by the effectiveness of a graded harmonised label in making food choices easier to some population groups. The extended presence on the market of the harmonised label due to its mandatory nature in **Option 4a** may lead to healthier food choices even among the most vulnerable populations. As in Options 3a and 3b, it is possible in Option 4a that a proportion of the population

<sup>95</sup> Storcksdieck Genannt Bonsmann et al., 2020.

<sup>96</sup> Storcksdieck Genannt Bonsmann et al., 2020.

<sup>97</sup> Dessart, F.J., Marandola, G., Hille, S.L. and Thøgersen, J., Comparing the impact of positive, negative, and graded sustainability labels on purchase decisions, European Commission, 2021, JRC127006.

<sup>98</sup> Storcksdieck Genannt Bonsmann, et al., 2020; Nohlen et al., 2022.

<sup>99</sup> Clark et al., 2022, Full reference to be added.

<sup>100</sup> Nohlen et al., 2022



will be further encouraged to change their dietary choices for environmental reasons and, as a result, improve their diet quality and health<sup>101</sup>. Other long-term public health gains may be derived from the effects this option will have on the environment, although the relocation of less sustainable practices/processes in third countries is expected to reduce public health benefits at global level. Also, as not labelled imported products of lower sustainability sold at lower prices will be favoured by poorer households, the health inequality gap will be widened marginally. The introduction of a harmonised mandatory sustainability label to be displayed on all products sold in the EU under **Option 4b** will ensure the widest scope of labelled products adding consistency and systemic action when compared to the other options. Option 4b will cover imported foods and has the potential to impact on how products are produced in third countries in a more coherent manner; it can empower consumers to make food choices aligned with better social standards<sup>102</sup>. The benefits to public health from an increase in the consumption of vegetables, legumes, fruits, wholegrains and other healthy and environmentally sustainable products would be higher under this option; they would be reflected in further decreases in overweight and obesity, cardiovascular diseases, diabetes type II, diet-related cancers diets<sup>103</sup>. As Option 4b covers the highest share of the food market compared to the baseline and previous options, it is the most effective one helping EU consumers to make sustainable food choices. Option 4b could also reinforce awareness towards the consumption of foods widely promoted within national dietary guidelines and better align food choices to support a reduction in the burden of disease related to diets<sup>104</sup>. Therefore, Option 4b incurs the highest positive impacts on diet quality and public health with the potential to spill over to markets in third countries, the latter also indirectly through its positive effects on the environment.

#### *Fundamental rights, employment and working conditions*

Given the absence of positive effects on production and consumption patterns, **Option 1** will have no particular impact in improving employment and working conditions or fundamental rights in the EU and globally, compared to the baseline. Under **Option 2**, sectoral labelling measures that promote employment and working conditions and fundamental rights will have a marginal positive impact in ensuring and promoting these conditions and rights both in the EU and outside its borders, depending on the breadth of the sectors covered and the nature, typology and ambition of the provisions. As such, any sectoral legislation that addresses food products where protection of workers or other social issues are pertinent (e.g. agricultural products such as fruits or vegetables) can provide an increase of the social performance of these sectors<sup>105</sup>. **Option 3a** will also marginally promote fundamental rights and employment and working conditions, as it will lead only to a limited increase of sustainable production and consumption. The fact that under **Option 3b**, the label will apply to all products carrying any type of sustainability-related claim and encompass social aspects other than health will bring more benefits in promoting fundamental rights and employment and working conditions than in previous options. Under this option, these aspects will have to be assessed and displayed consistently, contributing to raise awareness and exposing unacceptable practices. As the social performance will be displayed on all EU food products under **Option 4a**, higher impacts on fundamental rights, employment and working conditions can be expected for foods produced in the EU. However, this option will fail to promote these aspects

<sup>101</sup> Alae-Carew et al., 2022; Clarys et al., 2014; Costa Leite et al., 2020; World Health Organization. Regional Office for Europe, 2021 – reference. Full references to be added.

<sup>102</sup> Statistical Office of the European Union, 2021; WWF, 2022

<sup>103</sup> European Commission, 2019

<sup>104</sup> Costa Leite et al., 2020; Springmann et al., 2021; Willett et al., 2019

<sup>105</sup> Mancini et al., 2022

outside the EU contrary to **Option 4b**. Under the latter option, the shift in consumption will increase the consumption of foods of higher social performance. Outside the EU, a mandatory sustainability label that covers a wide range of imported products has the potential to prompt human rights considerations (e.g., labour conditions, childhood labour) for those trading with the EU. Examples of relevant products are cocoa, tea, coffee, fruits, legumes and cereals<sup>106</sup>. Therefore, Option 4b will lead to the highest improvement of fundamental rights and employment and working conditions.

#### 6.3.4 Stakeholder views

Respondents to the OPC generally embraced the idea of a harmonised sustainability label but expressed a diversity of views on the preferred option: citizens and NGOs were in favour of introducing a mandatory label with the widest scope, while FBOs were more in favour of a voluntary label identifying food products of higher sustainability (see Annex 2). During targeted consultations, public authorities and NGOs preferred option 4b whereas FBOs preferred voluntary approaches (in particular option 1). However, in the case of a mandatory harmonised EU sustainability label, FBOs preferred Option 4b to ensure a level playing field between foods produced in the EU and imported products.

#### 6.4 Sustainable public procurement

The public sector, which is the one liable to be influenced by SPP principles, is estimated to be worth EUR 55 billion. Of this around EUR 19 billion EURO are direct catering contracts. The overall value of the public social foodservice sector is around 33 billion EURO in food purchases. The sector represents 67 million consumers served every day and delivers approximately 6 billion meals each year.

The economic, environmental and social-health impacts of sustainable public procurement is directly linked to the uptake and use of the different sustainability criteria by public procurers.

Potential trade-off may proportionally increase. However, this can be taken into account when drawing up advice, guidelines and the mandatory criteria in order to prevent, minimise or reverse possible negative impacts.

##### 6.4.1 Economic impacts

Option 1 will have a moderate positive impact. Experience with the EU Green Public Procurement (GPP) and the Buying Social initiative indicates that extending the GPP to cover all three dimensions of sustainability will have a marginal effect due the voluntary approach. As result of the expected lack of growth in the uptake, the volume of procured sustainable solutions is foreseen to remain insufficient to fully materialise the positive impacts that can be expected from public procurement measures.

In **Option 2**, provisions would be put in place to address, to an important extent, the public authorities' concerns as skills and knowledge improvement and capacity building could reduce concerns related to administrative burden and legal challenges. Strategic procurement could face concerns about market availability, competition and price increase. Information and experiences can be exchanged on how the cost of public procurement of food and services can be reduced.

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<sup>106</sup> Mancini et al., 2022; WWF, 2022



The uptake levels would be expected to increase to a higher degree compared to Option 1, but as the option remains voluntary, the demanded volume for sustainable solutions would still depend on the motivation of the procurer, on the priorities of the management and/or on the local political context.

Awareness raising and knowledge building addressed to SME's would offer them opportunities to participate with a better guarantee of a level playing field, with criteria that can be adapted taking into account the local market situation.

Option 2 is coherent with the communication from the Commission on Making Public Procurement work in and for Europe (COM/2017/0572 final), which recommends using procurement more strategically to contribute to a more innovative, sustainable, inclusive and competitive economy and calls for a broad partnership with and between Member States' authorities at all levels of government and other stakeholders, with clear mutual commitments.

**Option 3** would have the strongest positive impact as it creates a maximum potential for demands for products and services that are more sustainable than the market standard. This new demand will be met by suppliers by creating and placing on the market alternatives that are more sustainable than the norm. Having been created in order to meet the demand set by SPP, the availability of these alternatives will increase on the market and can be chosen more easily by all consumers at large. This increased demand can then additionally stimulate the supply of sustainable alternatives, thus creating a virtuous cycle that will in effect shape the production and consumption trends and relative price change between sustainable and less/non sustainable alternatives are expected to decrease.

If the requirements are set as targets, then the setting up of an effective, robust and reliable monitoring scheme becomes an absolute necessity.

Option 3 is coherent with Directive 2014/24 that allows to set mandatory objectives and targets to use public procurement in support of sustainable growth. The possibility to set mandatory technical specifications, selection criteria, award criteria, contract performance clauses, or targets is foreseen in the proposal for a Regulation establishing a framework for setting ecodesign requirements for sustainable products (SPI proposal, COM (2022)142).

#### 6.4.2 Environmental impacts

Option 1 which aims at further promoting current GPP criteria through guidelines and complementing them with social criteria addressing healthy diets, would have a rather marginal positive effect on the environmental impacts of the EU food system. Being a voluntary measure, GPP uptake will still be heterogeneous among Member States. Contracting authorities remain free to decide which criteria to adopt and the threshold of each criterion. This can lead to a high level of inconsistency addressing specific environmental impacts rather than a horizontal approach.

The reluctance to include sustainability criteria in the tenders will be less given the reduced risk of legal challenges. On the other hand, there is a risk for green washing with cherry picking of the easiest criteria whose contribution to sustainability will be limited.

While promoting diet changes would show a more relevant effect compared to current GPP criteria in environmental benefits, on a voluntary basis, the contribution to reducing the environmental impacts of the EU food systems would have a rather marginal effect.

In terms of potential effect on environmental impacts, this option would still lack a monitoring system, without which it would be difficult to assess and compare the situation across countries

Option 2 would have a moderate positive effect on the overall environmental impacts. Improving skills, awareness and capacity building would support public authorities towards more sustainable choices. A higher uptake of SPP criteria is expected, thanks to the requirement for Member States to set up National Action Plans. Following the moderate positive effect, Option 2 is expected to generate greater sustainability improvements across most environment indicators – such as climate change, ozone depletion, eutrophication, biodiversity loss, biotic resources, particulate matter. However, since the uptake would still be dependent on public authorities' engagements, the results would be significantly heterogeneous among environmental impacts, EU countries and food products.

Option 3 could have a relevant positive impact in reducing environmental impacts of EU public food consumption. The effectiveness of this measure would depend on the definition of thresholds/compulsory elements. Mandatory targets for public procurement could influence food consumption and production patterns. This option could lead to a more homogeneous uptake of SPP criteria across countries and to a greater shift towards a healthier plant-based diet.

Potential trade-off might still occur (e.g., food waste, land use, water use) due to other sustainability aspects (higher consumption of fruit/vegetables, higher demand of water and land use). This could be tackled, for instance, by including food waste reduction criteria in the SPP.

Mandatory public procurement requirements may incentivise the use of sustainability labels.

#### **6.4.3 Social and health impacts**

Option 1 is therefore expected to have little impact in improving the nutritional quality of food services, diet quality or any additional public health benefits, including reduction on health inequalities compared to the baseline. Based on available information, and despite the potential of food public procurement, this voluntary option is expected to provide a limited response across the EU beyond the baseline and the current efforts from Member States (Best-ReMap).

Option 2 promotes more efficacy for the public procurement of healthier and more sustainable food and food services. The uptake may nonetheless vary considerably (both in their content and the speed of implementation) between sectors and Member States. Some countries may introduce healthier and sustainable criteria in their procurement processes aligned with national food based and nutrition guidelines while others may face challenges or be slower in integrating SPP guidelines in their national context and public institutions.

Good practice from the cities of Copenhagen and Ghent, as examples, show that food procurement approaches that include a diverse range of stakeholders in the planning phase from along the supply chain - starting with food producers, caterers to canteen/kitchen staff - are critical to reach ambitious health and sustainability targets, and ultimately result in more resilient food regions.

Monitoring and reporting will provide insight into the extent to which the various criteria are taken up and to mitigate where needed. A common methodology for monitoring and reporting will make it possible to compare Member States and if considered useful to give appropriate support and recommendations.

Option 3 ensures a more coherent approach to improve nutritional quality of public procured foods and meals by setting health-related and nutrition standards across the EU. Targets can be progressive and can be adapted to the regional context, national food policies and food based dietary guidelines. Option 3 could have a relevant positive impact in reducing the health inequalities gap



and ensuring vulnerable populations (e.g., children) have access to healthy and sustainable diets through public procured services.

Given enough time, reductions in the incidence of non-communicable diseases like obesity, cardiovascular disease, diabetes, diet-related cancers and better oral health, can be expected along with a reduction of related healthcare costs that can amount to more than 600 billion euro in the EU every year. Investing in healthy meal provision will pay off at other levels; public institutions can echo and be consistent with their own governments' health-promoting messages.

#### 6.4.4 Stakeholder views

Economic operators agree that **sustainable public procurement of food and catering services** is an important measure to drive the desired transition, particularly because it may benefit specific groups of the population such as children and the youth.

Voluntary measures under option 1 are only acceptable for food manufacturers, retailers and contract-caterers as they consider that public buyers are not prepared to strengthen the sustainability of their procurement activities, mainly owing to the implications that this might have on the financial resources. Public authorities see value in this option as a first step to be progressively strengthened towards mandatory targets.

Option 2 is considered beneficial by all stakeholders. Consumer and social organisations emphasise also dialogue between stakeholders in this option, arguing for social conditionality to be included in SPP to make a real difference in raising social standards in the food chain.

Most economic operators agree that option 3 setting a mandatory approach with general and specific sustainability public procurement requirements would largely help food system actors make healthy, fair, environmentally friendly, and sustainable choices.

### 7 HOW DO THE OPTIONS COMPARE?

To compare the options in terms of effectiveness, efficiency and coherence, first the various impacts of economic, social and environmental nature were attributed a score, based on the impact analysis as reflected in section 6. The impacts are assessed with a qualitative scale, as follows: ---, negative impact; --, moderate negative impact; -, weak negative impact; 0, no impact; +, weak positive impact; ++, moderate positive impact; +++, positive impact. The detailed impact scores are explained in Annex 12.

#### 7.1 Minimum requirements

##### Effectiveness in achieving the specific objectives:

Based on the analysis in section 6 and annexes 11 and 12, a qualitative score was assigned to the various options, reflecting the extent to which the objectives are likely to be achieved based on these options. The "minimum requirements" building block is expected to contribute mainly to the first objective of enabling food related operations to become increasingly sustainable, and the third one, to mainstream sustainability in all food-system policies and operations. To address these objectives, all options perform better than the baseline.

Options 4b perform best, followed by option 5 and 3 (see table below), generating positive environmental impacts in all aspects considered, and also positive social impacts, in particular as regards diets and health. From an economic sustainability perspective, while all options (except

option 1) entail (at least in the short term) some costs, hence a negative impact for businesses, the analysis shows they also generate some benefits, such as improving market transparency and reducing transaction costs associated with inconsistent sustainability rules and improving the level playing field – in particular in options 2, 4 and 5.

#### Efficiency:

Based on the analysis in section 6 and annexes 11 and 12, EU businesses, citizens and Member States will incur costs for the implementation of the policy options. Direct (operational and compliance) costs to operators are expected to increase to different degrees, at least in the short-term, in options 2,3,4, and 5. In the medium- to long-term horizon the costs increase is expected to be alleviated by efficiency gains and adoption of cost-reducing innovations and new technologies. Cost increases are expected to be heterogeneous across operators, sectors and food chain stages, for example smaller for sectors where sustainability requirements already exist. For Member states, implementation and enforcement costs are likely to occur in options 2, 4 and 5, for verifying compliance with minimum requirements. However, given that the concrete measures (actions and responsible actors) would not be defined in this initiative (at least for options 2, 4 and 5<sup>107</sup>) but in subsequent legislation, a precise quantification of costs is not possible at this stage for neither of the categories of actors, but only an estimation of their existence and relative intensity when comparing one option to the other.

#### Coherence:

Based on the analysis in section 6 and Annexes 11 and 12, a qualitative score was assigned to the various options, reflecting the extent to which the options are likely to increase coherence of sustainability requirements in the EU food system. Options 2 and 4b would lead to notable improvements in the coherence of minimum sustainability requirements in the EU, while in Option 5 their combined effect on coherence would manifest (as Option 4 would ensure coherence of minimum requirements, while in addition Option 2 would ensure the coherence of requirements in thematic/sectoral legislation that go beyond minimum requirement, including for imports).

The table below summarises these qualitative scores:

	Option					
	1	2	3	4a	4b	5
Effectiveness in delivering specific objectives	0,+	++,+++	0,+	+,++	++,+++	+++
Efficiency <sup>108</sup>	0,-	--	-	--	--	---
Coherence	-	++	-	+	++	+++
Overall economic impacts	0,+	-	0,-	--	-	-
Overall environmental	0,+	++,+++	0,+	+,++	++,+++	+++

<sup>107</sup> These options would produce concrete effects only on the basis of subsequent legislation being developed on the basis of the FSFS, while option 3 could be immediately applicable, upon entry into application of the legislative framework.

<sup>108</sup> Assessed here from the perspective of the expected costs associated to the different policy options



	Option					
	1	2	3	4a	4b	5
impacts						
Overall social impacts	0,+	+,++	0,+	+	+,++	+,++

## 7.2 Sustainability labelling

### Effectiveness in achieving the specific objectives:

Based on the analysis in section 6 and Annex 9, a qualitative score was assigned to the various options, reflecting the extent to which the objectives are likely to be achieved with each option. The “sustainability labelling” building block is expected to contribute mainly to the specific objective to facilitate sustainable food choices for consumers. To address this specific objective, all options perform better than the baseline. Option 4b performs best, followed by options 4a and 3b (see table X below). Option 4b ensures that all food products are labelled with a harmonised sustainability grade/score.

### Efficiency:

Efficiency considers the extent to which businesses, competent authorities and other stakeholders incur costs. Given that the concrete measures (such as those related to the substantiation and presentation of the harmonised sustainability label under Options 3b, 4a and 4b) will not be defined in this initiative but in subsequent legislation, a precise quantification of costs is not possible at this stage, but only an identification of the different direct costs and relative intensity when comparing one option to the other. The costs for FBOs entail familiarisation with the new rules, product assessment, both depending on the requirements set out in subsequent legislation, as well as relabelling. Although costs affecting SMEs are similar to those experienced by other businesses, SMEs are expected to be relatively more affected by the policy options than their larger peers as a result of the ratio of costs to turnover, with such an impact expected across all options. For competent authorities, compliance monitoring is likely to form the most substantial part of the costs incurred by them. These will increase proportionately with the prevalence of the harmonised sustainability label(s) and the voluntary/ mandatory nature of that label. Option 1 scores best, followed by Options 2, 3a and 3b, while Options 4a and 4b are the costliest ones for all stakeholders, including for competent authorities. A qualitative score was assigned to the various options, reflecting their efficiency (see table X below).

### Coherence:

The sectorial and partial approach of Option 2 is the least coherent with regard to EU policies, current legislation and upcoming initiatives, as it would lead to sectorial sustainability labelling rules differing in nature, typology and ambition (*i.e.*, general rules framing sustainability-related claims, and/or voluntary or mandatory, positive/signalling or scoring/grading sectoral harmonised sustainability labels). Options 3b, 4a and 4b are the most coherent ones (see Annex X on the articulation with existing legislation and initiatives). First, the general rules framing all kind of sustainability-related claims will complement the horizontal rules on voluntary food information in the Food Information to Consumers (FIC) Regulation, the specific rules framing nutritional claims

in the Regulation on Nutrition and Health Claims, the specific rules not allowing some environmental and social claims in the proposal Empowering Consumers for the Green Transition, and the specific rules framing environmental claims in the Green Claims initiative. Second, the harmonised grading/scoring sustainability label will encompass the methodologies developed for the harmonised nutrition and animal welfare labels and possibly their presentation. A qualitative score was assigned to the various options, reflecting the extent to which they are likely to increase coherence (see table X below).

	Option					
	1	2	3a	3b	4a	4b
Effectiveness in delivering specific objectives	0	0, +	0, +	+	+, ++	++
Efficiency	0, +	0, -	0, -	-	--	--
Coherence	0, +	-	+	+++	+++	+++
Overall economic impacts	0	0	0	0	0, -	0, -
Overall environmental impacts	0	0, +	0, +	+	+	+, ++
Overall social impacts	0	0	0, +	+	+	+, ++

### 7.3 Sustainable Public Procurement

#### Effectiveness in achieving the specific objectives:

The economic, environmental and social-health impacts of sustainable public procurement is directly linked to the uptake and use of the different sustainability criteria by public procurers. The uptake will remain limited with option 1 due to the voluntary nature of the approach and the expected unawareness of the criteria and their potential. Option 2 can deal with a number of limitations and concerns and increase the uptake of sustainability criteria. Maximum positive impact will be achieved with Option 3 that introduces mandatory general and specific requirements.

The increased uptake of sustainability criteria by public procurers will create and stimulate the market for products and services that are more sustainable than the market standard.

#### Efficiency:

Increase of costs could be expected due to the higher price for more sustainable food. However, this can be managed by introducing sustainability criteria that reduce the costs, such as more plant-based food, prevention of food losses and short supply chain. Furthermore, information and experiences can be exchanged on how the costs of public procurement of food and services can be reduced. The stimulation of the market for products and services that are more sustainable than the minimum standard, will affect the relative price difference between sustainable and less/non sustainable alternatives, which is expected to decrease.

Also with these options, increased administrative burden for public authorities can be prevented and reversed by providing well considered guidance documents that increase know-how and by



exchanging best practices via an EU network of food procurement professionals and centralised MS focal points. Preparatory works within and between a number of Member States are already ongoing in the context of the Europe-wide Joint Action “Best Remap” (2020-2023).

There are no direct costs for businesses.

#### Coherence:

Options 2 and 3 are coherent and consistent with the recommendations of the Commission to use public procurement more strategically in support of a more sustainable economy and with Directive 2014/24 on public procurement that allows to set mandatory objectives and targets to use public procurement in support of sustainable growth. Option 2 and 3 will also support the school schemes for distribution of the fruit, vegetables and milk laid down in Regulation 1308/2013<sup>109</sup>.

Comparison table of the analysed impacts of the policy options (more details are presented in Annex 10)

	Option 1	Option 2	Option 3
Effectiveness in delivering specific objectives	0	+	+, ++
Efficiency	0	+	+
Coherence	0	++	++
Economic impacts	0	0, +	+
Environmental impacts	0, +	+	+, ++
Social and health impacts	0, +	+	++

## 8 PREFERRED OPTION

For a detailed description of the preferred options and how they work together within the framework initiative (including illustrative examples) please refer to Annex 13.

### 8.1 Minimum requirements

Based on the assessment and comparison of options and their impacts, the preferred option is a **combination of option 4b and option 2**. The introduction of a **set of overarching principles and objectives** pertinent for the entire EU food system (option 2), in conjunction with the **gradual establishment of minimum sustainability requirements for food system operations** based on the DNSH principle (option 4) will ensure both coherence of the regulatory framework and a comprehensive coverage of sustainability-related issues, through a common denominator of minimum sustainability across the food system.

**The set of overarching principles and objectives for the sustainability of the EU food system (as explained in section 4)**, would be applicable to the EU and MS policy-makers, so that they would **be operationalised** through **Union sectoral or national legislation** (implementation of elements of option 2 of the minimum requirements building block). Those principles will guide the

<sup>109</sup> Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007

evaluation and, if needed, revision of sectoral legislation with the aim to establish new requirements or further adapt existing requirements to these principles, for specific sectors (or sub-sectors) and sustainability dimensions, taking into account the scope of that legislation. Sectoral legislation the revision of which has recently taken place as part of the Farm to Fork Strategy should not be considered as a priority for (re-)evaluation.

The establishment of **minimum sustainability requirements based on the DNSH principle, to be operationalised through delegated acts** (implementation of **option 4b** of the minimum requirements building block), following a phased approach, would complement the implementation of principles and objectives in sectoral legislation, by ensuring that the least sustainable operations in the food system are addressed in a coherent manner and that gaps are covered. In principle, minimum requirements will be set where there is no sectoral legislation. Where sectoral requirements exist and address FSFS objectives or elements thereof, the FSFS delegated acts would elaborate and build upon the sectoral requirements to address aspects not specifically covered by the scope of that sectoral legislation, functioning as a horizontal “safety net” in a complementary manner. In terms of practical obligations for business operators, these would materialise when FSFS minimum requirements established through the delegated acts enter into force, after dedicated impact assessments, consultations and adoption procedures. While practical implications for businesses in the food system will only materialise once tertiary legislation is developed for their respective sector (and not directly at the coming into force of the FSFS), the overarching requirement in the FSFS will already give a sense of direction, enabling businesses to start integrating or reinforce sustainability considerations in their activities.

Without prejudice to the Commission’s decision on the legal proposal and to the legislators’ decision on the final legislative text, the future FSFS initiative would comprise the following elements (see Annex 13 for more details):

- Common definitions to ensure a common understanding of the fundamental concepts related to the sustainability of food systems in food system law, as well as common overarching objectives across the three dimensions of sustainability and general principles to underpin future policy action and provide a common basis for regulatory change.
- A horizontal requirement for business operators active in the food system to cause no significant harm to the identified environmental, social and economic objectives (minimum sustainability requirements), to be gradually operationalised by means of delegated acts;
- An empowerment for the Commission to establish the operationalising requirements of “no significant harm” via delegated acts and following impact assessments, for specific sectors (or sub-sectors) and sustainability dimensions. These operational requirements could indicatively relate to:
  - o Practices, including marketing and advertising, supporting /encouraging/promoting unsustainable food consumption patterns in the EU, in particular in terms of (a) malnutrition and diet related non communicable diseases and (b) environmental footprint of food consumption;
  - o Internal processes, such as sourcing of materials, and waste management systems causing unjustified waste, including packaging waste and food waste, across the value chains in the food system;
  - o Energy use/energy inefficiencies, water use/water inefficiencies, net emissions, during production/manufacturing/processing/distribution cycles in food related operations;
  - o Working conditions and occupational health and safety risks with suppliers throughout value chains in the food systems;



- Commercial practices and relations between business operators throughout the food system.
- Given that the operational requirements will be gradually established, a prioritisation exercise would need to be set up so as to maximise the impact of the legislation in the shortest possible time (i.e. intervening first where it makes the most impact for achieving sustainability objectives) and address policy priorities; this prioritisation would take the form of a work programme, with the aim to organise the Commission's work and inform stakeholders for their own anticipation and involvement. The FSFS would therefore include a set of criteria for the prioritisation of sectors (or parts thereof) for which the DNSH operational requirements would be established in a first phase. Criteria such as the following would be considered in a cumulative manner<sup>110</sup>:
  - a) EU added value, by producing results beyond what would have been achieved by Member States acting alone.
  - b) Potential contribution to meeting environmental, social and economic sustainability objectives laid down in the FSFS;
  - c) Existence of the sectoral legislation and its scope as regards aspects of sustainability requirements already covered or potentially to be addressed as part of evaluation and alignment of that legislation with FSFS principles;
  - d) The economic weight of the sector(s) (e.g., volume of sales and trade, value added) and the characteristics of the sector and its actors' role in the food system (e.g., concentration, market power dynamics);
  - e) Significant social impacts throughout the food system including at consumer level (e.g., on diets and affordability);
  - f) Political priority in terms of strategic relevance for the EU (e.g., policy documents such as SOTEU, Green Deal Communication, 8<sup>th</sup> Environmental Action Programme, as well as other EU strategies);
- The establishment of appropriate procedures and framing for the empowerment, including a set of substantive conditions, to underpin the preparation of delegated acts (for example, that delegated acts would need to be based on available scientific evidence, and take into account any relevant existing Union legislation, and self-regulation/voluntary measures – see Annex 13 for a more developed list of potential conditions).

The delegated acts will be **impact assessed** to ensure the operational requirements are appropriate, proportionate and verifiable. More specifically:

- The preparation of impact assessments when minimum requirements are developed for a specific sector/sustainability dimension will gather all the information and data needed (on the technical and market characteristics of the activities in the respective sector, environmental, social and economic impacts of activities where requirements would be introduced, costs and benefits to be expected from regulation), opinions and input of stakeholders, so as to define the technical requirements in a co-creation process, and impact assess different options.
- Impact assessments will also investigate the existence of potential policy trade-offs. Should such trade-offs be identified, these should be presented transparently, and the most appropriate solution pointed out, while providing clear information on the pros and cons of alternatives.

<sup>110</sup> This is an indicative list, as more preparatory work is needed before developing a full list of criteria for prioritisation.

- The assessment phase – in particular given that it will include targeted consultation with relevant stakeholders – will be key for identifying optimum ways forward in these cases. This analysis and evaluation will yield the most beneficial option, including trade-offs between sustainability objectives, and will be reflected in the impact assessments of the delegated acts.

In developing the operational requirements in relation to environmental and certain social (health and animal welfare) objectives (e.g. requirements on process and production methods), due attention should be given to **imported products** so as to ensure WTO compatibility. Each case would need to be carefully analysed on its own merits. This case-by-case analysis would also need to take into account the technical and economic feasibility of control mechanisms. Where the operational requirements would concern methods of production or processing in a third country, the feasibility and proportionality of adequate means to control and enforce their application in third countries would need to be assessed in relation to costs and benefits of doing so.

The FSFS will require that delegated acts also include, where relevant, provisions to assist businesses, and in particular SMEs, to alleviate burden, especially in the short term. While in the medium- to long-term horizon the costs increase resulting from minimum sustainability requirements is expected to be alleviated by efficiency gains and adoption of cost-reducing innovations and new technologies, in the short term many businesses will likely face costs that would have to be assessed in detail in the impact assessments accompanying the delegated acts. To help businesses minimise and manage these costs, the introduction of minimum requirements would be accompanied by support mechanisms including for example targeted and specialised training, or specific assistance and support, including financial, or flexibility mechanisms in relation to the implementation of requirements (in particular for SMEs).

There are three main reasons for this phased approach (i.e., starting with a regulation, followed by a series of delegated acts - covering gradually the DNSH to sustainability (environmental, economic and social) objectives of the food system. First, such gradual development allows for the careful selection of food system related activities that would need to be tackled on the basis of the prioritisation criteria. Second, the phased approach would allow for the timely adoption of delegated acts on objectives that require more urgent action, enabling the EU to reach some of its sustainability goals more swiftly. Third, this phased approach ensures sufficient flexibility for revisions to reflect future scientific, technological and market developments.

## 8.2 Sustainability labelling

Based on the analysis, Option 3b (establishing a general framework for sustainability-related food information and introducing a voluntary harmonised grading/scoring sustainability label for all foods, imported and domestic) and 4b (establishing a general framework for sustainability-related food information and introducing a mandatory harmonised grading/scoring sustainability label for all foods, including imported ones) are the best ranked options<sup>111</sup>. However, as Option 4b has the highest direct costs for all stakeholders due to the mandatory nature of the harmonised sustainability label, Option 3b emerges as the preferred option. The total direct costs (familiarisation, product assessment and relabelling costs) under Options 4b and 3b are estimated to be around 20 667 and 9

<sup>111</sup> Under both options, specific provisions related to the substantiation and presentation of the harmonised sustainability label will be established later in subsequent acts.



713 million Euros respectively (see Annex X). A significant market uptake of a harmonised sustainability label is expected under Option 3b due to the likely interest of many FBOs to use it and of the obligation to affix it on all products where sustainability-related claims are provided voluntarily, with costs that will only be triggered by the choice of operators to put such claims on their food products.

### 8.3 Sustainable Public Procurement

Option 3 (mandatory general and specific requirements) clearly emerges as the preferred. The FSFS would introduce a **general requirement of procuring food sustainably** in public institutions, including food services and vending machines, **with a clear reference to the environmental, social-health and economic dimensions** of sustainability.

Through **tertiary legislation and following impact assessments**, the Commission would subsequently establish the mandatory criteria, on the basis of technical and scientific support of the JRC and elaborated after consultations with Member States' experts and input from stakeholders.

The following structures and mechanisms would be set up to support and accompany the implementation of the mandatory criteria:

- An EU network of food procurement professionals, to exchange experiences, best practices, market information etc.
- A requirement for the Member States to set up one or more centralised focal points that will allow purchasers to obtain easy access to information that can be used locally,
- A requirement for the Member States to design national action plans to increase the uptake of SPP,
- Provisions relating to the monitoring of the uptake of SPP by the Member States, including regular reporting. To this end, the Commission would develop a common methodology for reporting and monitoring, taking into account the need to minimise administrative burden.

Given the possible impact on the availability and the price of food and food services, and on consumer habits, it will not be appropriate to impose all criteria at the same time and the same level. Member States may also have different views and priorities and potential trade-off might still occur (e.g., food waste, land use, water use). Setting appropriate criteria and flexibility about their application will be needed. The criteria can be introduced step-by-step and adjusted so that food markets and food service providers can gradually adapt to the situation (for example, to take into account the production, supply and availability of sufficient quantities of products from organic farming). Price increases due to procurement of more sustainable food products can be limited or possibly avoided, by introducing criteria that reduce costs such as short supply chains, reduction of food waste, more plant-based foods and adapted portions.

Awareness raising and knowledge building will also be of assistance to SME's, whose participation can further be supported by proposing criteria that can be adapted to local situations.

### 8.4 Interaction between building blocks

The options chosen under the different building blocks are expected to support and enhance each other, working in synergy in the context of the overall horizontal framework, and in conjunction

with the enabling elements of the framework (definitions, overarching objectives, governance). The combined positive effects of the policy options would emerge in multiple ways, for instance:

- While the DNSH operational requirements would introduce a minimum common denominator in terms of sustainability, the existing acquis would be aligned, over time, with the objectives and principles laid down by the FSFS, taking into account sectoral specificities, thus raising the applicable standard in sectoral legislation, where needed, beyond the horizontal DNSH minimum requirements.
- The general mandatory requirement of procuring sustainably will create more market demand for sustainably produced food, and hence provide business opportunities and incentives for operators that go beyond minimum requirements in terms of sustainability.
- Sustainability labelling will incentivise business operators to go beyond minimum sustainability requirements, in order to raise the grading/scoring ladder of the harmonised sustainability label and/or to benefit from potential price premia for more sustainable food products. Labelling will also facilitate sustainable public procurement (as offers of products carrying the label could be more easily evaluated by procurers as regards their sustainability profile).
- The potentially higher chances of success in sustainable procurement tenders could in turn further incentivise business operators to use the harmonised sustainability label, thereby increasing its market uptake. The demand created by sustainable public procurement will increase supply of more sustainable food that can be chosen easier by all consumers. This can then additionally stimulate the shift towards more sustainable alternatives.
- New and sustained market incentives, boosting demand for sustainably produced food, can in turn further stimulate the conversion to sustainable operations for businesses. Coupled with the accelerated uptake of sustainable operations due to higher standards, these would lead to efficiency gains and economies of scale and provide critical mass for the transition to sustainability.

Furthermore, appropriate, facilitating and complementary multilevel governance provisions in the FSFS (of which Annex 16 gives an overview) would allow the Commission and Member States to engage with all parts of society and stakeholders representing different sectors, to enable and empower them to participate in the process for achieving the objective of a sustainable and resilient food system.

Overall, the FSFS toolbox, with a wide array of possible interventions, across the value chain, will increase the capacity of policy makers to guide and coordinate coherent and consistent policy, to respond to sustainability challenges. This enabling mechanism will allow reconciling synergies and potential trade-offs between different sectoral policy strands or food system components and shaping the transition to a sustainable EU food system that can also better deliver on the different pillars of food security in both the short and long term.

For example, for example, DNSH minimum requirements might lead to a higher price in some foods, driving a possible decrease in their consumption and consequently substitutions of those products by consumers with products for which prices increase less or remain stable. Policy measures for improving the food environment (labelling, procurement) would contribute to steering such substitutions towards the most sustainable choices (also in terms of nutritional quality/health), thereby leading to a combined effect where despite some price increases for certain products, consumers (and society at large) can overall reap long-term benefits and see improvements in food security.

Another example could relate to improved fairness in market relations throughout the food system, that could be brought about by minimum requirements on aspects such as transparency, combined



with the reinforcement of relevant sectoral legislation around fairness in commercial relations. While this might lead to additional short term costs for some businesses, it would improve long-term viability and resilience of the food system by allowing a more diversified landscape of businesses, including SMEs, to thrive.

To conclude, by i) mainstreaming sustainability and aligning definitions, objectives and principles for sustainability, progressively throughout food policies, ii) setting minimum DNSH requirements, and iii) creating market incentives for even higher sustainability ambitions (through sustainability labelling and sustainable public procurement), the framework initiative will strengthen the resilience of the EU food system and enhance capacity for action and policy conducive to sustainability. On that basis, the EU food system will also be able to better deliver on the different pillars of food security in both the short and long term.

### **REFIT (simplification and improved efficiency)**

#### *Minimum requirements*

In terms of the overall regulatory burden, the financial costs and benefits of minimum requirements will depend on the FSFS minimum requirements that will be put in place through delegated acts or via sectoral legislation. Overall, there will be additional costs for business from complying with the new requirements and these could translate in some cases into higher costs for citizens, however as shown in chapter 6, higher costs for businesses should be offset over time by efficiency gains, and a reduction of food price instability would result from the measures, which benefits all actors. The preferred option also notably includes a prioritisation process and adoption of delegated acts setting out specific requirements for particular actors over time, which should ensure that potential burdens materialise only gradually.

Furthermore, as the delegated acts will be based on impact assessments carried out in line with the European Commission's Better Regulation Guidelines means that there will be in each case a systematic a priori analysis of administrative costs generated for businesses, citizens, and administrations. Administrative costs for businesses and citizens will be considered as part of the Commission's 'one in, one out' programme along with the possibility of their offsetting. Clearly, administrative costs will vary across sectors and businesses, but the impact assessments for the delegated acts will aim to minimise these costs and ensure they are proportionate (for example if they are necessary to generate significant benefits).

#### *Sustainability labelling*

The preferred sustainability labelling option (Option 3b) will provide a comprehensive and consistent general framework for sustainability-related food information. Horizontal rules for sustainability-related food information to consumers applicable to all foods will frame all kind of food information (pictorial claims (labels) and verbal claims (text claims)) related to the environmental, social and/or economic dimensions of sustainability. The option introduces also a harmonised sustainability label with expected significant market uptake. Both will lead to a simplification of the sustainability labelling landscape.

Given that the concrete measures such as those related to the substantiation and presentation of the harmonised sustainability label will not be defined in this initiative, but in subsequent legislation, a precise quantification of costs and uptake is not possible at this stage. However, under this option,

the expected direct costs for food business operators related to the implementation of the voluntary sustainability label are moderate.

#### *Public procurement*

Currently, insufficient know-how, high administrative burden and possible legal challenges are major obstacles for contracting authorities who want to introduce sustainable public procurement (SPP) schemes.

Minimum mandatory criteria for sustainable public procurement of food and food catering services, that will build on developed general provisions and requirements to improve skills and knowledge of SPP and support authorities to use public procurement strategically, will minimise these obstacles. The EU network of food procurement professionals, centralised Member States focal points and well considered guidance documents prepared by the Commission can improve efficiency by reducing the administrative burden and the concern about legal challenges. This approach is more efficient compared to uncoordinated national, regional and local initiatives that are prepared on individual basis.

### **8.5 [Application of the 'one in, one out' approach]**

The overall costs and benefits of the policy measures package will depend on the implementation of the FSFS measures in subsequent legislation and will therefore be assessed in the respective impact assessments underpinning the measures.

## **9 HOW WILL ACTUAL IMPACTS BE MONITORED AND EVALUATED?**

Given this initiative established an *enabling framework*, it is important to distinguish between the monitoring of the FSFS itself, and the monitoring of the tertiary legislation that will emanate from the FSFS and of the cascading effects thereof.

For the *monitoring of the FSFS*, in order to evaluate its success in enabling the transition to sustainability over time, several process indicators would be used by the European Commission:

- The degree to which the work programme mentioned in section 8.1 has been achieved (work programme implementation).
- The number of evaluations of relevant legislation where alignment with FSFS definitions, objectives and principles has been analysed.
- The increase in cross-sectoral engagement from all actors and collaboration across all governance levels.

For the DNSH *minimum sustainability requirements* that would be put in place through delegated acts, specific monitoring requirements would be indicated in the relevant delegated acts.

As regards *sustainability labelling*, following monitoring parameters have been identified to evaluate the impact of the preferred option on the objective facilitate sustainable (inc. healthy) choices for consumers: uptake on the market of the voluntary harmonised sustainability label (analysis of market data and business research), consumer perceptions and use of the label and purchasing behaviour changes (consumer research), as well as FBO product compliance with the rules of the general labelling framework (MS implementation reports).



As regards sustainable *Public Procurement*, an obligation in the framework regulation for monitoring uptake of SPP criteria and reporting will be introduced with the general and specific requirements for sustainable public procurement of food and catering services (SPP). A common methodology for monitoring and reporting will be prepared in tertiary legislation. This will allow to evaluate the extent to which the various criteria for SPP are taken up by the Member States, to compare the uptake between Member States and if considered useful to give appropriate support and recommendations.

In general, for the long-term monitoring of the overall progress of the transition to sustainability in the EU food system, a tool that will be used is the Monitoring Framework of the Farm to Fork Strategy<sup>112</sup>, which will comprise a set of indicators planned to cover the three dimensions of sustainability, across the food value chain. A first version is being designed (planned to be completed in the course of 2023). Over time, this monitoring framework would be revised to also reflect the outputs of the specific monitoring mechanisms stemming from the delegated acts and sectoral legislation where relevant.

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<sup>112</sup> According to the Communication on the Farm to Fork Strategy, the Commission “will monitor the transition to a sustainable food system”. In order to act on this mandate, the Commission, with its Joint Research Centre, is developing a monitoring framework, to take the form of an online dashboard that will monitor this transition.