

The 7 Advantages of a Retail-ETS

An EU ETS for (large) retail and food services in comparison to the downstream option for slaughterhouses and dairy factories

1. **Less Resistance:** There is much less resistance expected from farmers, and thus much less political resistance! Many slaughterhouses and dairy factories are owned by or closely linked to livestock farmers. Farmers would feel more resistance to an Ag ETS for slaughterhouses and dairy factories compared to an ETS for supermarkets and foodservices, who will pass the additional costs of an ag-ETS on to consumers.
2. **Greater Climate Impact:** With an ETS for retail/food services, the additional costs will more often or fully be passed on to the consumer, with the advantage of stronger behavioural change (due to the expected stronger price increase in meat and dairy compared to the downstream option, consumers will buy less: greater climate gains).
3. **More GHG included:** With an ETS for retail/food services for scope 3 food emissions, many more greenhouse gas emissions will fall under an ETS compared to the downstream model, where only about half of all agricultural greenhouse gas emissions are included (namely only those from livestock emissions farming on-farm).
4. **More effective:** Supermarkets and food services have more power in the food chain compared to food processors and can reduce greenhouse gas emissions more effectively than slaughterhouses/dairy factories through strategies like advertising, pricing, cross-subsidies, shelf placement, packaging, climate-neutral food, fair farmer payments, customer communication, banning certain products, plant-based options.
5. **Easier Monitoring:** An ETS for (large) retail/food services has a lower administrative burden as these companies already track greenhouse gas emissions under the CSRD. It initially covers larger businesses meeting certain criteria, excluding small ones. GHGs included under CSRD are scope 1, 2, and 3.
6. **Easier Policy Steering:** An ETS for retail/food services allows the EU to better steer supermarket food policies towards EU policy goals (farm income, Farm to Fork Strategy, SFSF, Health, Organic Food and Animal Welfare goals etc), through exemptions and incentives for meeting desirable conditions, such as fair farmer payments, organic food market share, and promoting healthy and sustainable food. In Exemptions or free allowances could be given for organic pork, chicken and eggs, to prevent a potential reduction in these product sales due to higher climate footprints.
7. **No CBAM Necessary:** An ETS for retail/food services removes the need for CBAM import tariffs as imported and EU-produced foods are treated equally. If European farmers prove lower greenhouse gas emissions, supermarkets will favour European meat and dairy, benefiting farmers and aligning with climate goals. FAO data shows for instance European food has lower GHG emissions than South American food, justifying higher taxes on high-footprint imports, raising import tariffs on meat, dairy, eggs, and soy, supporting and rewarding climate measures in EU livestock farming.