

TAPP Coalition Position Paper

Public Consultation on an EU Sustainable Food System Framework

What are the most important obstacles in the transition to more sustainable practices?

The most important obstacle for sustainable food practices is that the EU and EU member states promised 50 years ago (!) that the polluter pays principle will be applied for environmental policies, but for food and farming environmental policies nothing has happened. Consumer food prices do not reflect environmental costs per kg food product. According to a FAO report in 2015, food prices would be two times more expensive on average, if all environmental and health costs should be included in food prices. If prices tell the truth, market actors will automatically choose the most sustainable option because this is the cheapest option, but now it's the opposite. Pigouvian taxes can correct this market failure, or including livestock in the ETS system for instance. Agriculture is the only sector not part of any CO₂/GHG emission tax scheme. This has to change. If food prices will become too expensive for low income groups in this way, governments and the EU should support low income groups, for instance with a Social Food Fund comparable with the Social Climate Fund, by giving compensation payments to vulnerable groups, reducing taxes for healthy food products or giving food stamps for buying sustainable and healthy food.

A paradigm shift towards more plant-based food systems and a reduction of meat and dairy consumption is also critical to tackle the urgent climate, environmental, food security and public health challenges we are facing. However, the livestock sector in the EU receives 50% of all EU agriculture subsidies, while meat and dairy cause 80% of EU food related GHG-emissions.

The Common Agricultural Policy (CAP), the EU promotion programme and the EU School Scheme, as well as 2) taxation incentives (e.g. VAT rates) don't take into account the climate and environmental impact of those products, distorting their final price and making them more affordable than plant-based alternatives. Such asymmetrical measures hamper access to more sustainable foods, and are not in line with the objectives of the EU carbon neutrality goal, the Farm to Fork Strategy and the Beating Cancer Plan to enable a shift towards more plant-based diets. To address this hurdle, the environmental and social dimensions of sustainability need to be considered as key criteria in fiscal taxation, climate policies and in assigning funding and granting fiscal incentives.

The EU lack of action is an obstacle in itself. In the [Farm to Food Strategy](#) (EU Green Deal for food & farming), announced tax incentives that could reduce consumption of food with high environmental footprints. The EU Commission wrote: "Tax incentives should also drive the transition to a sustainable food system and encourage consumers to choose sustainable and

healthy diets. The Commission's proposal on VAT rates (currently being discussed in the Council) could allow Member States to make more targeted use of rates, for instance to support organic fruit and vegetables. EU tax systems should also aim to ensure that the price of different foods reflects their real costs in terms of use of finite natural resources, pollution, GHG emissions and other environmental externalities". But in terms of real policy proposals, no follow up action started for the tax shift mentioned in the last sentence. The EU parliament asked the Commission for more action and ambition;

In October 2021 the EU Parliament majority supported an amendment 27 to the Farm to Fork strategy about changing "Food Environment and Food Prices" with a [VAT tax reform](#), saying: "Underlines that food prices must send the right signal to consumers; considers that true food prices, reflecting the true cost of production for farmers and also for the environment and society, are the most efficient way to achieve sustainable and equitable food systems in the long term". Amendment 27 says the EU parliament "supports giving Member States more flexibility to differentiate in the VAT rates on food with different health and environmental impacts, and enable them to choose a zero VAT tax for healthy and sustainable food products such as fruits and vegetables, as is already implemented in some Member States but not possible for all at this moment, and a higher VAT rate on unhealthy food and food that has a high environmental footprint". (We all know meat products are food products with the highest environmental footprint per kg).

However, the only reply from the side of the Commission was announcing a new report. The Commission will carry out a [study](#), to be published end 2023, to assess the polluter pays principle in relation to agriculture greenhouse gas emissions. Too little, too late? The EU commission wrote in the Farm to Fork strategy that in an EU Code of conduct for retail, should include a stop on selling meat at (too) low prices. But the EU Code did not include this important goal.

What incentives would be most effective in stimulating sustainable production/processing /distribution/consumption methods and techniques?

Based on clear and aligned definitions and targets, pull and push measures could be used to effectively set a baseline on which all food actors should align, while providing incentives for more ambitious actions. Alongside regulatory measures, financial and fiscal incentives are crucial to make sustainable foods consumers' default option. Transparent communication on products' sustainability via food labelling is also essential, enabling comparison between products on a function-based approach. These measures should be complemented by awareness-raising activities to educate the public on sustainable consumption.

In catering locations (e.g. public bodies, schools), 50% GHG-emission reduction can be met by offering less or no meat and more vegetables, fruit and plant based protein food. Setting minimum mandatory criteria for sustainable public procurement (e.g. a minimum threshold for plant-based foods) would also facilitate access to nutritious and environmentally friendly food in public settings. Another mandatory criteria for public procurement should also be: the lowest 'true price' calculation for food as a winning criteria. All parties who apply for public procurement in food catering can be asked to make true price calculations based on a public available, harmonized, specific method (eg. True Price, Netherlands), including 8 criteria like GHG-emissions, nitrogen, land use, water use, under paid farmers/living wage,

water pollution, soil degradation, and biodiversity loss. Catering company Hutten and Rijkswaterstaat in the Netherlands have experience how to do this kind of 'true pricing food' public procurement.

Existing EU legislation contravenes the shift towards more plant-based diets. The recent IPCC report (April 2022) stresses the need for favorable policies to enable a dietary shift towards less meat and more plant based protein. GHG-emission taxes on food products are mentioned too. The report states with high confidence that balanced diets featuring plant-based and sustainably produced animal-sourced food "present major opportunities for adaptation and mitigation while generating significant co-benefits in terms of human health" (pp 153). Moreover, the authors who worked on the report state that taxing GHG emitting foods, such as meat and dairy, would be 'low in cost, feasible, environmentally effective and have great "transformational potential"' (pp 157).

Denmark and Belgium recently announced to start CO2 taxation for all sectors including agriculture. This is an option, but we prefer consumer taxes on meat and dairy based on environmental cost calculations per kg food product.

The Sustainable Food Systems Framework provides the opportunity to update the current EU agri-food legislation, which is not aligned with the EU food sustainability goals. In terms of governance and monitoring, the Sustainable Food System Law (SFS law) should include 3 items:

1) An obligation for EU supermarkets/retail/large restaurants and catering companies to calculate their annual food related GHG-emissions, make them transparent in annual reports by 2024 and oblige them to reduce the reported GHG emissions with 2 % per year until 2040/2050. If they fail to do so, they have to pay 80 euro /ton CO2 equivalent penalty for the CO2 equivalents not reduced in line with the goal of the new directive.

2) An obligation for EU supermarkets/ largest restaurants/catering companies to calculate true prices for food products including all environmental costs (best in a harmonized way advised by Wageningen University or FoodCost, the new EU research project on true pricing of food products) and make the calculations transparent for consumers: price labels in supermarket shops, online sales etc., starting with GHG-emissions costs per kg meat and dairy. The SFS law obliges the largest EU supermarkets / retail companies by 2025 to implement the calculated 'true price' including GHG emission costs per kg food product, so consumers pay a little more, and the selected food selling companies have to make sure farmers receive the additional GHG emission payment to reduce farm level GHG emissions towards climate neutral food products. EU supermarkets/ retail companies have to make the calculations and price adjustments only for the food products causing 80% of food related greenhouse gas emissions: meat & dairy (source: figure 13 of EU court of auditors report: <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=58913>). This obligation is similar to EU member state developments like the Danish CO2 -food labeling initiative and similar to catering and supermarket projects in The Netherlands where consumers have to pay the 'true price' for food or meat products: <https://www.nycfoodpolicy.org/food-policy-snapshot-denmark-climate-label/>

<https://tappcoalition.eu/nieuws/18501/-catering-project-advocating-for-a-higher-meat-price-and-0-vat-for-healthy-food-at-universities->
<https://www.newyorker.com/business/currency/how-much-do-things-really-cost>

3) Include an obligation for EU member states to apply a 0% VAT rate on vegetables and fruits, plant based meat and dairy alternatives and organic products and the high (standard) VAT products for meat products, and other food products with negative impact on the environment or on health (e.g high in sugar, fat or salt content), in line with the Majority Vote of the EU parliament for the Farm to Fork Strategy:

<https://tappcoalition.eu/nieuws/16969/eu-parliament-majority-asks-for--true-pricing-food-products--and-highest-vat-tariff-for-products-like-meat>

The EU Commission wrote in the Farm to Fork Strategy, published 20th May 2020 that 'EU tax systems have to ensure that food prices reflect the real costs of pollution, greenhouse gas (GHG) emissions, and deforestation'. The Commission proposed a 0% VAT tariff for (organic) vegetables and fruits. See more details: <https://tappcoalition.eu/nieuws/14050/eu>. A majority of the EU Parliament agreed with the Commission proposal on tax systems and food prices to reflect real costs of pollution and GHG emissions in October 2021, so now it's up to the EU member states and EU Commission to act.

4) Include livestock in the ETS system, like New Zealand will do by 2025, but with higher tariffs for GHG-emissions compared to New Zealand. In the same time introduce a carbon border adjustment mechanism for meat, egg, and dairy imports to the EU, with similar GHG emission import taxes. The GHG emission tax can be collected at the level of dairy factories and slaughterhouses and importing companies from outside the EU.

We also want to mention 5 other policy options that can be included in the Sustainable Food System Law (more details, see here: <https://tappcoalition.eu/policy-proposals>)

- 1) EU Directive on the Promotion of the use of plant based proteins in food ('New minced meat directive').
- 2) EU Directive for the Reduction of food related greenhouse gas emissions ("Supermarket directive").
- 3) EU facilitation EU member states to introduce true pricing mechanisms for animal protein products (including CO₂eq taxes)
- 4) EU Directive on agriculture based methane and nitrous oxide (non-CO₂ greenhouse gasses into the EU Emission Trading System ETS or a separate reduction scheme).
- 5) Reducing EU subsidies for food products with the 50% highest climate footprint.
- 6) A global system for reducing greenhouse gas emissions from meat and dairy sectors (define an emission cap, with climate neutral growth in 2021-2025 and 1-2% reduction per year of emissions in 2025-2050).