

## **Agri-food ETS – future climate action?**

### **Benefits, risks, alternatives**

**Brussels Monday 17th February 15-17.30 h**

**Location: Ace Events, Avenue d'Auderghem 22 Brussels**

### **1. Introduction & Context**

The Agri-Food ETS event, organized by the TAPP Coalition, Rabobank and FoodDrinkEurope, focused on the implementation of an Agri-Food Emissions Trading System (ETS), alternatives and its implications for climate action. With growing concerns about the agriculture sector's climate footprint, this discussion aimed to evaluate whether an ETS system would be effective in reducing greenhouse gas (GHG) emissions while considering its economic and social impact on farmers, consumers, corporations, and policymakers. Another reason for the dialogue was to discuss the risks and challenges and possible alternatives that exist to an Agri-food ETS. The idea of putting a price on agricultural emissions has been received with mixed reactions by the different stakeholders in the agricultural industry and food processing sector: some positive, some negative and other open. Stakeholders from the European Commission, Danish Ministry of Taxation, Nestlé, Rabobank, Vion, FoodDrinkEurope, Copa-Cogecga and other advocacy groups and thinktanks shared their views, often differing on the feasibility and fairness of carbon pricing in agri-food sectors. The event coincided with broader EU discussions on agriculture policy and the upcoming climate targets for 2030 and 2050.

### **2. Key Participants & Their Positions**

#### European Commission (Valeria Forlin, Deputy Head, DG Climate)

- Stressed the need for structured incentives for farmers rather than punitive measures.
- Advocated for a sustainability benchmarking system that would help farmers measure and compare their emissions efforts, as proposed by the EU strategic dialogue.
- Acknowledged that the agri-food sector has underperformed in reducing emissions over the past decade, and needs to become more climate and nature friendly.
- Stated: “Farmers are managers of the land; they understand ecosystems”. However, the current business model doesn’t reward farmers for their ecological efforts.

#### Danish Ministry of Taxation (Louise Wandahl Tavares, Fiscal Attaché)

- Denmark will implement an agricultural GHG-emission tax starting by 2030, with most of the revenue reinvested into sustainable farming projects, thereby creating the right incentives.
- Half of Denmark’s GHG emissions are concentrated in livestock production.
- Explained that livestock farming, particularly cattle, is the largest emitter and should be the primary focus of taxation.
- Other industries created pressure on the Danish government to start with taxing the agricultural sector too. “By taxing all sectors equally, we ensured fairness and secured industry support.”

- The implementation framework needed to be considered fair from the point of view of the farmers. Due to the historic collection of data this was possible in the Danish context.

#### Nestlé (Bart Vandewaetere, Vice President ESG Engagement)

- Stated: “Our dairy suppliers, like Bruce, a UK farmer, have seen improved soil health through regenerative agriculture, reducing input costs while enhancing yield.”
- Highlighted Nestlé’s partnerships with farmer cooperatives in reducing emissions via soil health improvements and lower fertilizer use.
- Dairy constitutes 25% of Nestlé’s emissions. Achieving net-zero emissions for dairy is incredibly challenging, but Nestlé already reduced 20% of its dairy related emissions compared to 2018.
- Farmer engagement is key, and so is changing animal feed and manure management.

#### TAPP Coalition (Jeroen Remmers, Director)

- Advocated for an Agri-ETS system on dairy and meat processors, making large corporations responsible for emission reduction.
- When meat and dairy becomes more expensive, the consumption of meat and dairy will decrease. This is beneficial for the climate and public health (especially for red and processed meat).
- The Agri-ETS scheme simultaneously generates money to assist farmers in decreasing their emissions. Some food companies with relative low GHG-emissions will earn in the ETS system, when they can sell credits to other companies. Agri-ETS combines EU Competition goals with EU climate goals because ETS is a market-based flexible mechanism with relative low costs for companies.
- EU policies are needed to direct agricultural systems of production to climate neutrality.
- Not applying ETS on agricultural is not fair towards other industries who are already falling under ETS 1 or ETS 2 (transport, buildings, by 2027).
- Reducing livestock will free up large areas of land that can be used for instance for reforestation or biomass production to replace fossil fuels. Agri-ETS can help in this process.
- Downstream Agri-ETS will probably not lead to opposition by the farmers. Fair prices for farmers are an essential part of any successful Agri-ETS. The EU needs special policies to safeguard it.
- Stated that meat and dairy from organic livestock farms and from very small scale farms should be excluded.

#### Copa-Cogeca (Amanda Bjorksell, Chair Working Party on Environment & Climate)

- Opposed a mandatory ETS, arguing that it would disproportionately hurt small-scale farmers.
- Explained: “Agricultural emissions are biogenic, unlike industrial emissions. Treating them the same way is unfair.”
- Increased prices of EU agricultural products will harm competitiveness on the global market.
- Proposes tailor-made policies on national level and market driven solutions, emphasizes farmers as partners in climate action.

(Fact-check: Biogenic emissions are different from industrial ones, but methane's impact on climate change is well-documented, and reducing livestock farming remains one of the most effective mitigation strategies)

#### Rabobank (Alex Datema, Director Agri & Food)

- Supports financial incentives over taxation, stating that if farmers are given grants, they will make changes. Penalizing them will increase food prices.
- In a few years measurements will be accurate enough to tax agricultural emissions.
- More money is needed for investments to reduce agricultural emissions. Main concern: does Agri-ETS bring more money into the system?
- Explained that banks like Rabobank already measure their emissions and guide clients toward sustainability.

#### Think Tank Experts (Torsten Hasforth, Chief economist, Green Danish Thinktank Concito)

- Agriculture in the EU has been unsuccessful in reducing its emissions thus far.
- Argued for mandatory climate standards too, next to Agri-ETS, warning that a voluntary approach would be ineffective. Concito wrote a publication on downstream Agri-ETS.
- As soon as you start with Agri-ETS implementation, things start to consolidate and turn concrete.
- Similar to the energy sector, an ETS that seemed strange in the beginning is very obvious now. So we should not be afraid for an Agri-ETS.
- Emissions pricing only works if it's ambitious. Half-measures will not achieve the necessary reductions.
- Supported an ETS model but emphasized that it must not incentivize further industrialization of farming.

#### European Environmental Bureau (Mathieu Mal, Policy Officer for Agriculture)

- Preventing climate change is in the best interest of the agricultural sector.
- Currently the EU agricultural sector is nowhere near being on track for climate neutrality.
- Technological innovation is not a panacea. Instead, these tech fixes lock us further into a system of unsustainability that is built on external toxic inputs and deforestation.
- Nature friendly farming is not an oxymoron. By decreasing the number of livestock farming can be done in a sustainable and resilient way.

#### Panel and Q&A with audience

During the panel discussion representatives from FoodDrinkEurope, Vion Food Group, Trinomics and TAPP Coalition discussed different topics and agreed on most issues.

More information and video's can be found here: <https://tappcoalition.eu/nieuws/23381/agri-food-ets-conference-brussels---future-climate-action--benefits--risk--alternatives->

### **3. Main Takeaways**

- The agri-food sector lags behind in emission reductions, making new policies essential to meet climate targets.
- Agri-ETS could be effective but must be carefully designed to avoid disproportionately harming small farms.
- Corporations support sustainability but tend to be skeptical of obligatory pricing measures, preferring voluntary approaches. In case an ETS can be designed in a way it will bring in additional money transfers into the agri-food sector, there is more enthusiasm.
- Parallel to the implementation of the ETS in the energy sector, in the beginning many stakeholders had objections, but today everyone takes the ETS in the energy sector to be an obvious policy instrument to lower GHG emissions.

#### **Quote from Nina Schindler, 18<sup>th</sup> February at another conference by FoodDrinkEurope**

At another climate event of FoodDrinkEurope in Brussels on 18<sup>th</sup> February, Nina Schindler, CEO of the European Alliance of Co-operative banks said about Agri-ETS: “We also find the Agri-ETS a promising way to generate revenues. The carbon market mechanism tools like the emission trading scheme for agriculture could have a significant effect and boost the EU agriculture sector. It could provide as well a source of new revenues for farmers. Certainly that is in the focus of our members as well.”