

**Joint position**  
**from COPA-COGECA, FoodDrinkEurope and PFP**  
**on the revision of the EU ETS Directive**  
**for the period 2021-2030**

COPA-COGECA is the united voice of farmers and agri-cooperatives in the EU. Together, they ensure that EU agriculture is sustainable, innovative and competitive, guaranteeing food security to half a billion people throughout Europe. Copa represents over 23 million farmers and their families whilst Cogeca represents the interests of 22,000 agricultural cooperatives. They have almost 70 member organisations from the EU member states.

FoodDrinkEurope is the umbrella organisation of Europe's food and drink industry. The sector is an indelible part of Europe's social, economic and cultural fabric. FoodDrinkEurope brings together national associations, European sector-specific federations and individual companies to help the industry, policy-makers and civil society work together to ensure that Europe continues to have one of the highest quality and safest foods in the world, as well as to drive prosperity and ensure quality jobs.

PFP represents the European primary food processing industries. It provides the link between agricultural raw materials and final products (secondary processors in the food, feed and non-food sectors). PFP members process approximately 220 million tons of raw materials (cereals, sugar beet, rapeseeds, soybeans, sunflower seeds, cocoa beans, crude vegetable oil, starch potatoes...) employing over 120 000 people in the European Union.

One key specificity of the agri-food chain is that it provides economical activities and jobs in many EU rural areas as well as overall food and nutrition security, while ensuring environmental benefits provided by the agricultural sector in the form of carbon sequestration and opportunities to use renewable raw materials to supply sustainably and efficiently biomass and fuels. Therefore, the Agri-food chain is concerned that in an increasingly globalised trade environment, market failure and distortions prevent the agricultural and forestry sectors' adaptation and mitigation potential from being fulfilled.

Climate change affects the food and drink sector, both in terms of production and price stability, of the agricultural raw materials it transforms. Food production will come under increased pressure in the future. Europe's agri-food sector is actively working to try to mitigate and adapt to climate change through actions such as investing in low-carbon technologies and proactively engaging with our consumers and partners along the supply chain'.

Paris COP 21 agreed on a new global Climate Change framework. Europe is also at a key turning point as the actions to implement the agreed 2030 EU Climate and Energy Framework are being defined, such as the review of the EU Emissions Trading Scheme (ETS). The European agri-food chain is key to Europe's food security and supported the 2014 Council conclusions on climate and energy with relation to food security<sup>1</sup>. The EU should be aligned with EU's obligations under the

<sup>1</sup> <http://data.consilium.europa.eu/doc/document/ST-169-2014-INIT/en/pdf>

Paris Agreement to increase “the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development in a manner that does not threaten food production”<sup>2</sup>.

The European agri-food chain faces many global challenges in addition to climate change: food production for a growing population; an emerging bio-economy; increasing expectations regarding environmental protection; and last but not least the critical situation in the European market that is affecting present and future viability of a number of agri-food sectors. In order to fulfil the potential of agri-food operators to address equally those challenges, we need strong farming communities in rural areas, secure markets for agricultural commodities and therefore engaged processing facilities, in particular in (remote) rural areas.

Today, several sectors of the agri-food chain are directly covered by the EU ETS: Dairy, Distilled spirits Cocoa, Flour milling, potato, fruit and vegetable processing, Pig meat, Horticulture, Fishmeal, Dried fodder, Starch, Sugar, Vegetable oil and protein meals. Because of the seasonality of some activities after the harvesting of products (like vegetables, sugar, fodder drying, mills, etc) and the market volatility of some commodities (like milk), high quantities of raw material have to be processed in a short period of time due to their characteristics. Therefore their installations need to count with high dimensions with high nominal power in their equipment to be able to cope with these high processing volumes. These plants are therefore affected by the ETS inclusion criteria because of the high variability in time and volume of their processing operations. Such is also the case of the industrial green fodder production, currently excluded by the carbon leakage risk list.

For these reasons it is important that the competitiveness of food chain operators from farmers to food producers, vis à vis the global market, is properly protected in the framework of the future EU ETS, as is mostly the case now.

In this light, the signatories call for the following to be taken into account when revising the EU ETS Directive for the period 2021-2030:

- The Carbon Leakage list should continue to be the basis for sectors and activities of the agri-food chain that are impacted by the EU ETS. In this sense we welcome the Commission proposal for a revision of the EU ETS Directive with regards to the assessment of the risk of carbon leakage (“in or out” approach). Nevertheless, we would like to express our concerns regarding some alternative approaches proposed such as the so-called “tiered approach” for the establishment of the carbon leakage list (CLL).
- In addition, in Commission Decision 2014/746/EC<sup>3</sup> (determining the current list of sectors and sub-sectors deemed to be at risk of carbon leakage) some products beyond NACE-4 level are, justifiably, already included (among others “concentrated tomato puree and paste”, “skimmed milk-powder”, “frozen potatoes, prepared or preserved”, etc.). Also, the statistics used to calculate the carbon leakage risk should cover only the installations included in the ETS.
- The signatories believe that the emission- and trade-intensive agri-food products (aforementioned categories) should continue to be in the carbon leakage list, as there is a clear risk of carbon leakage for numerous food products which are manufactured in Europe. This poses a great risk for the continuation of those activities in Europe, thus it is important to take a more global view in the simplification of the NACE-4/Prodcom list<sup>4</sup>. Possibilities for

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<sup>2</sup> UNFCCC COP 21 PARIS AGREEMENT. Article 2.1.b (<https://unfccc.int/resource/docs/2015/cop21/eng/lo9.pdf>)

<sup>3</sup> COMMISSION DECISION of 27 October 2014 determining, pursuant to Directive 2003/87/EC of the European Parliament and of the Council, a list of sectors and subsectors which are deemed to be exposed to a significant risk of carbon leakage, for the period 2015 to 2019

<sup>4</sup> Different policies exist, and will continue to exist to reduce carbon emissions. It is of importance that the incentives given by different policies are coherent.

receiving carbon leakage compensations should be maintained at Prodcom 6 and 8 levels, as this is relevant to target compensation to those sectors that are at risk.

- In addition, the revised EU ETS Directive should not be designed in a way that results in a decreased protection of sectors recognised at significant risk of carbon leakage, by reducing the availability of free emission allowances for these sectors. For this reason, the signatories call for the establishment of effective benchmarks, and measures to avoid the need for a Cross-Sectoral Correction Factor and for the harmonisation, at EU level, of compensations for indirect EU ETS costs. These would remain valid until an international agreement is reached on carbon price, and a global level playing field is set on climate mitigation measures.

In view of the particular situation and potential of the Agri-food chain in climate change mitigation, the signatories call for EU legislators to address the concerns expressed above.

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