Briefing for Maciej Golubiewski

Meeting with FEFAC - Experts in Animal Nutrition

13/12/2022 12:00-13:00

HoCs office

Contents

SCENE SETTER

FEFAC represents, defends and promotes the interests of the European compound feed industry. It develops professional rules and good manufacturing practices that ensure the quality and the safety of compound feed. One of their objective is to safeguard conditions of free access to raw materials.

FEFAC represents 28 national associations in 27 EU Member States as well as associations from Norway, Turkey, Serbia, Russia, United Kingdom and Switzerland with observer/associate member status. The European compound feed industry employs over 100 000 persons on approximately 3 500 production sites, often in rural areas.

You requested a briefing on the following subjects:

- Topic 1: Energy crisis' impact on feed security;
- Topic 2: Circular feed contributions to Sustainable food systems & update on Green feed labelling guidance (implementation of NSP);
- Topic 3: Feed vs Bioenergy sector competition for co-products (Biomass);
- Topic 4: Joint EU & US feed industry reflection paper on strengthening feed sector resilience through enhanced feed trade (CPA & TTC).

Personal data redacted, **DG AGRI E.4 (CdF unit and Topic 2) -** Personal data red

Personal data redacted **DG AGRI E.1 (Topic 1) -** Personal data redacte

Personal data redacted **DG AGRI B.2 (Topic 3) -** Personal data red

Personal data redacted **DG AGRI G.2 (Topic 4) –** Personal data redac

TOPIC 1: Energy crisis' impact on feed security

SPEAKING ELEMENTS

- The extraordinary surge of natural gas price in Europe has given rise to concern about the affordability of fertilisers and, as you know, fertilisers play an essential role in crop yield, including feed crops.
- EU producers of nitrogen fertilisers temporarily shut down production of ammonia as it proved uneconomical; early September only 30% of the production was fully operative. Ammonia and nitrogen fertilisers' imports picked-up in compensation. Currently the production is partially restarting but this trend is still fragile.
- Fertiliser prices increased considerably over the last year. As the winter months draw in and with uncertainty surrounding the gas price, there is prevailing anxiety within the fertilisers market. Buyers avoid committing to fresh sales despite the industry' efforts to lower prices. As a consequence, EU farmers are buying less than usual for the moment.
- This could imply a decrease of the EU output of grain crops through **lower yields and quality hitting the whole agri-food sector**.
- On 9 November, the European Commission adopted a Communication on the availability and affordability of fertilisers. It sets out short-term measures to address the immediate crisis and describes longer-term opportunities aiming to accelerate the transition to a more sustainable fertiliser production and use.
- We aim **to scale up investments into renewable and low carbon ammonia solutions and into the production of biomethane to reduce the dependence on fossil fuels of our fertilisers**. We also target more recycling of organic animal and vegetal waste streams to increase the availability of organic fertilisers.
- **The production of sustainable, waste-based, biomethane will contribute to these objectives** as the solid residual from biomethane production, the digestate, can contribute to reduce the application of mineral fertilisers.
- The Commission has considerably invested in research and innovation and continues to fund programs to promote the technical

validation, demonstration, and implementation of a sustainable fertiliser production in the EU to provide farmers suitable alternatives to mineral fertilisers, while **closing nutrient cycles and creating new value chains**.

- All over, we need a green transition of our food systems, of our agriculture and of our fertilisation practices, to the benefit of all our farmers and agri-food sector.

DEFENSIVES

What are the specific financial instruments available to EU farmers and industry to face the current energy crisis?

EU Member States have the possibility to make use of numerous financial instruments:

- First and foremost, farmers and the fertilisers or the food industry can benefit of extended State aid possibilities:
  - Taking into account the feedback received from October's consultation with Member States, the Temporary Crisis Framework for State aids (TCF) was prolonged until end of 2023 and, inter alia, increased ceilings for farmers and companies have been adopted.
  - The revision of the Temporary Crisis Framework for State aids increases flexibility and support possibilities for companies affected by rising energy costs. Depending on the applicable conditions of each instrument, the windfall and solidarity levies of the energy package or the Recovery and Resilience funds could be mobilised in this difficult situation.
- More specifically for farmers, the Commission tabled an extraordinary support package of EUR 500 mio in March 2022, mobilising the crisis reserve for the first time ever. This resulted with national top-ups in up to EUR 1.2 billion of exceptional support to farmers most affected by the fall out of the war in Ukraine and the energy crisis. The Commission announced in the November Communication on availability and affordability of fertilisers it does not discard using again the agricultural reserve in 2023. This is currently discussed with MS, including yesterday at the AGRI-FISH council.

Concerning more sustainable use of fertilisers, what are the main elements highlighted in the Commission Communication?

- Reduce nutrient losses by 50% by 2030 will allow reducing the use of fertilisers by 20%, without threatening our production, as point out in our Farm to Fork strategy. All EU Member States CAP strategic plans contain interventions of different nature that address nutrient efficiency and soil fertility, through eco-schemes, investments or agri-environmental and climate management commitments. The Commission will welcome and support amendments to national strategic plans as deemed necessary.

- Our strategic autonomy cannot be ensured without a strong domestic production. Upscaling industrial infrastructures of sustainably produced mineral fertiliser (using renewable energy) requires significant investments. The European Commission is facilitating the process with the newly established European Hydrogen Bank, which will invest EUR 3 billion into kick-starting a hydrogen market in EU and set up the regulatory environment.

- Another promising solution to reduce dependencies on synthetic fertiliserss is to increase the availability of organic fertilisers. For example, through biomethane production. REPowerEU calls for a production target of 35 bcm by 2030. Biomethane production by-product (the digestate) offers a new supply stream of organic fertilisers.

- The Commission Communication also promotes larger use of organic fertilisers, through recycling different kind of organic waste streams (like livestock manure, sludge and other organic waste streams and urban waste).

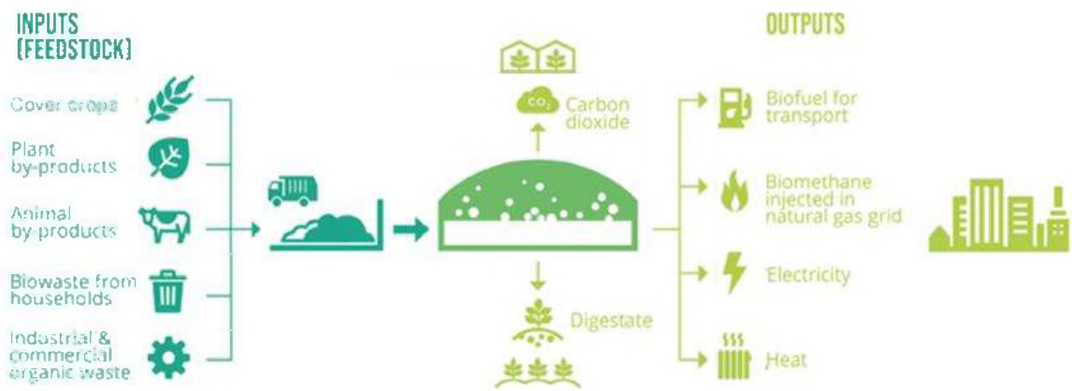
BACKGROUND

Fertiliser production

Green energy and organic fertiliser production from anaerobic digestion

Biogas is produced from the decomposition of organic materials, such us manure or municipal and commercial/industrial bio-wastes. These residues are placed in a biogas digester in the absence of oxygen. With the help of a range of bacteria, organic matter breaks down, releasing a blend of gases: 45 – 85 vol% methane (CH_4) and 25 – 50 vol% carbon dioxide (CO_2).

The **output is a renewable gas, which can be used for multiple applications, while digestate can be used as an organic fertiliser**. This creates additional business models in the farming sector, making it more cost competitive, and promotes sustainable farming.



Source: https://www.europeanbiogas.eu/about-biogas-and-biomethane

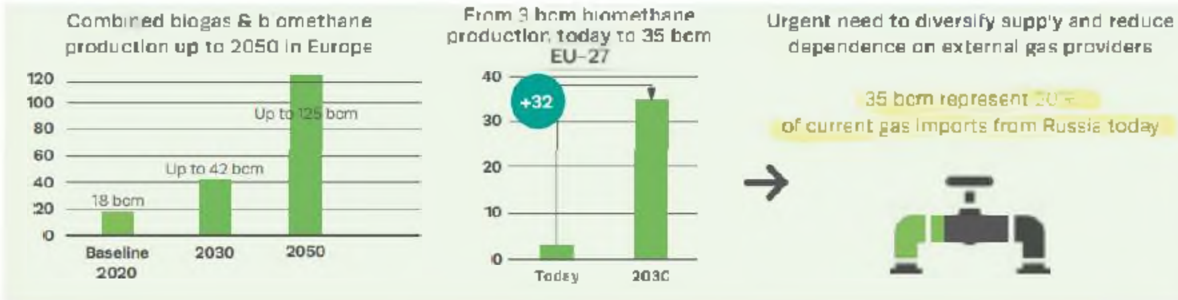
Digestate is technically not compost although it is similar to it in physical and chemical characteristics. Compost is produced by aerobic digestion-decomposition by aerobes. This includes fungi and bacteria which are able to break down the lignin and cellulose to a greater extent.

Biogas plants make more energy than they consume to operate.

According to Anaerobic Digestion and Bioresources Association, 1 tons of artificial fertiliser replaced with digestate saves 1 tons of oil, 108 tons of water and 7 tons of CO_2 emissions.

In 2020, 18 billion cubic meters of biogas and biomethane were produced in the EU. Upgrading existing biogas facilities to produce more biomethane and expanding production capacity will provide the EU with a more resilient and sustainable energy system.

It should be noted that, composting requires an energy input to carry out the process. The energy is used in the power needed to turn the compost piles during composting.



Source: EBA, European Biogas Association

Production –mineral fertilisers

The European Fertiliser Industry has more than 120 production sites across Europe. Production of fertilisers in the EU is distributed geographically among Member States, so that they can quickly serve their main clients (farmers): very few MS do not have production sites on their territory (Ireland and smaller MS like Malta, Luxemburg and Malta). The main producers are DE, PL, FR and ES.

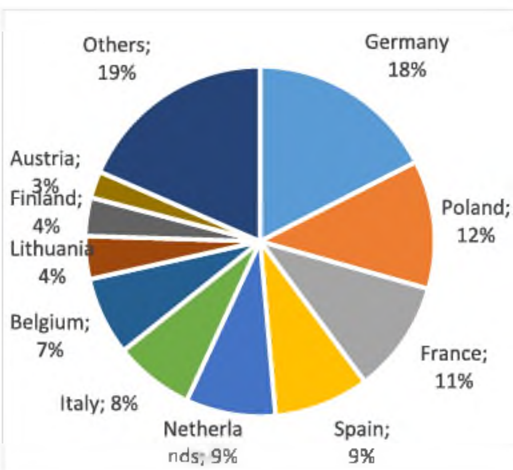


Figure 1: Share in value of fertilisers production in the EU (2020), source: Eurostat, strutcural business statistics

Ammonia is a key ingredient in the manufacture of nitrogen fertiliser. Ammonia production occurs early in the production process and is used further downstreams in the process to produce a range of niotrogen fertilisers and other nitrogen compounds (ie technical ammonia, AdBlue, etc.). Ammonia plants are also well dstributed in the EU territory.

When gas prices increase, like it was the case during the October-November 2021 peak, and then since July 2022, companies either take decisions to close their plants or to reduce their level of production. In September 2022, such decisions affected up to 70% of the EU ammonia production capacity, currently we have indication that about 50% of ammonia production site are still curtailed.

Most of the prodcution capacity temporary reduction affects the production of ammonia and nitrogen fertilisers.

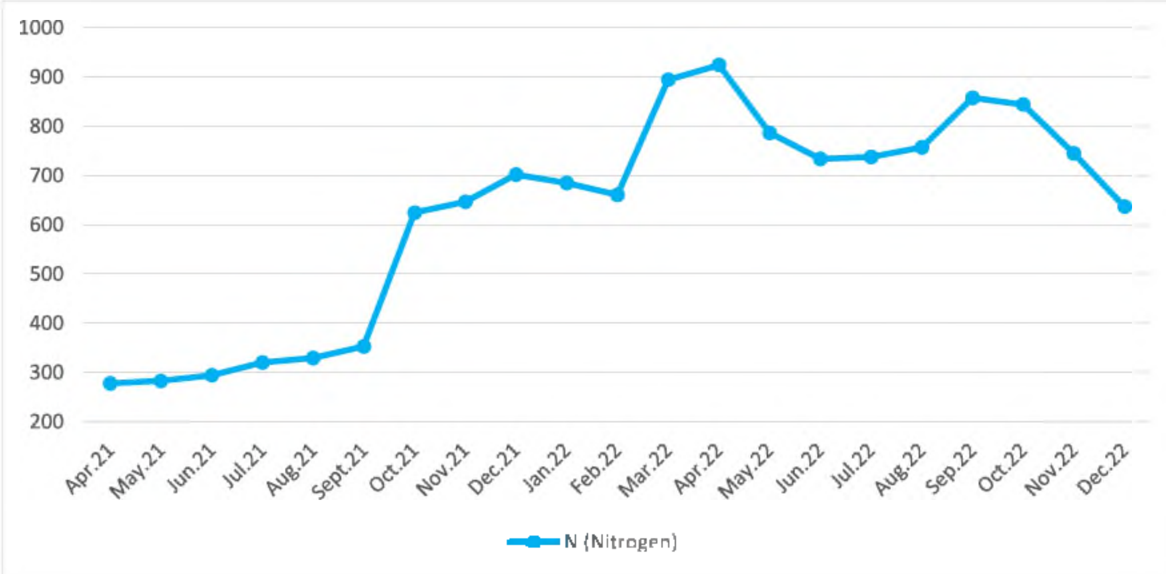
This has not yet resulted in a significant shortfall in nitrogen fertiliser supply as this shortfall is compensated by higher imports from abroad, including from subsidiaries of European producers and from other trading partners (Morocco, Canada, Egypt and Algeria).

High fertiliser and energy prices – impact on farmers

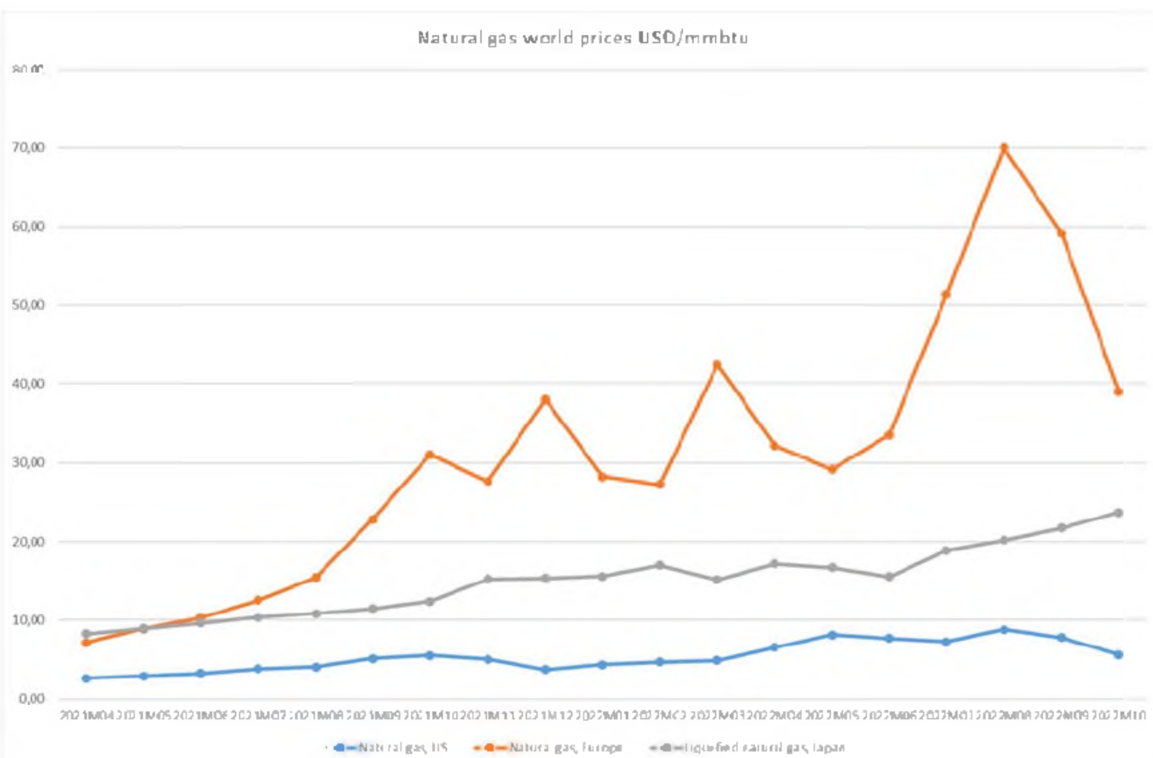
In Europe, nitrogen fertiliser prices have increased 149% in one year between September 2021 to September 2022. Prices of nitrogen fertilisers increased strongly in two instances, first in October 2021, following the first peak of natural gas prices, reaching twice the price of summer 2021 at the end of the year, and then a second time when Russian started the war with Ukraine. In April 2022, nitrogen fertilisers' prices in the EU reached a level three times that of the year before. Prices decreased slowly in Spring, thanks to moderation in natural gas prices and a lower demand by EU farmers who fertilised slightly less than the year before (around -5% according to experts). Since June, with skyrocketing prices for natural gas, prices started to increase again reaching a plateau in September 25% above the level of early July 2022 and only 10% below the April peak. The price of mined fertilisers also increased by respectively 59% and 90% over the same period.

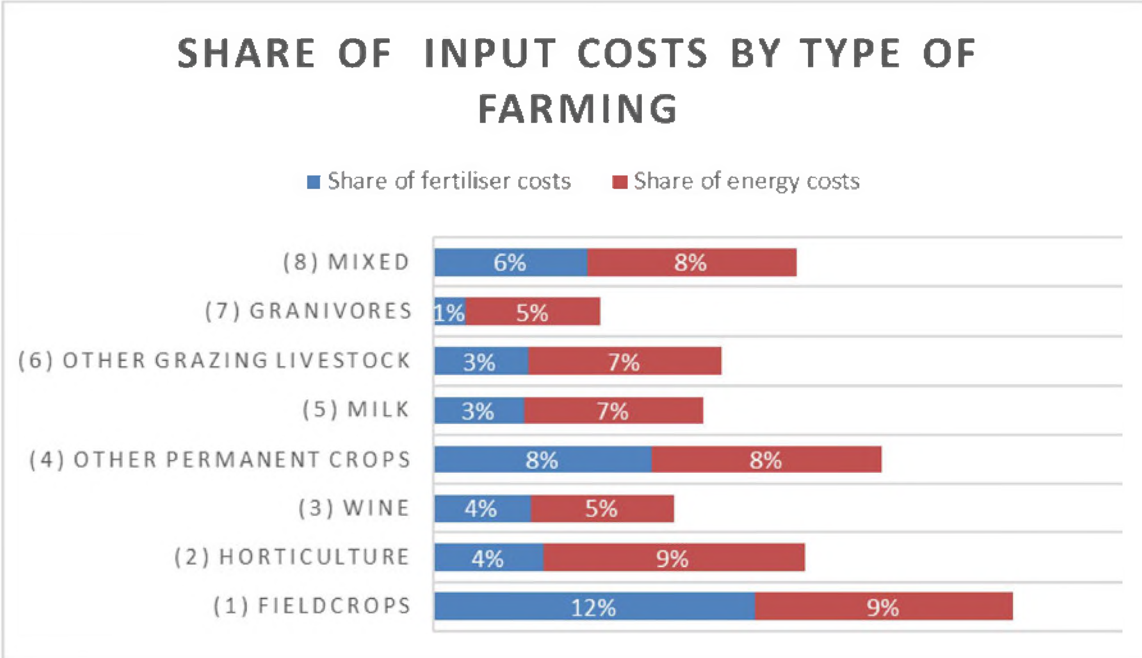
Global fertilisers' prices were marked by a certain decreasing trend since September 2022, with buyers increasingly reluctant to commit to forward shipments and rather taking a wait and see approach. As the winter months draw in and with uncertainty surrounding the gas market, there is prevailing anxiety within the market, which has further deterred buyers from committing to fresh sales. Most buyers believe that time is still on their side and that rising inventories will continue to force suppliers to accept even lower prices. The nitrates market is understood to be well covered for at least part of the first application and, with spring application a number of months away yet, demand is expected to remain slow in the short term.

Average Nitrogen price EU - €/t



High and unstable fertiliser prices are a challenge for our farmers, as they represent a high share of their costs, adding themselves to energy costs:





Source: FADN data

The increasing costs influence the farmers' decision on when to buy and on what stocks to hold. Usually, farmers are already constituting in summer stocks for the upcoming crop season, taking advantage of the cash they received by selling their new crop. Currently, many farmers appear to have delayed their purchase and are not buying as much as in previous years, down by 20 to 50% depending on the regions and crops, waiting for better pricing conditions and/or adjusting their planting and fertilisation decisions. **Farmers are also concerned that output prices might not keep up with their input prices, squeezing their incomes**. Some experts think that the magnitude of the reduction could be around 20% for the whole year.

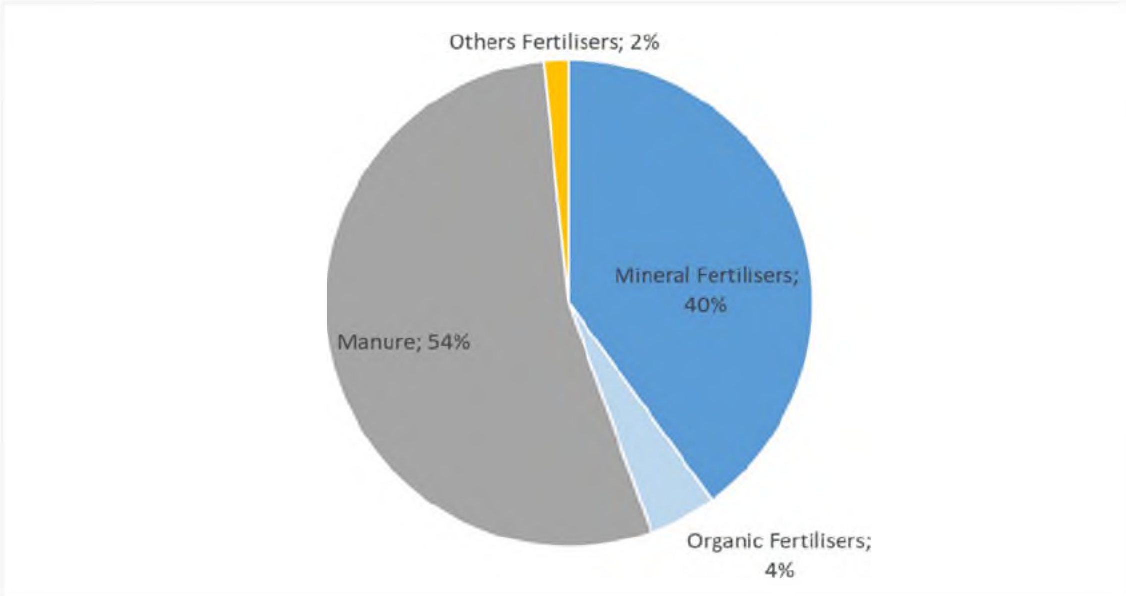
If confirmed, this entails the risk of lower yields, some experts talking of 3 to 7 % decrease. However, the sowing conditions and weather until the harvest in summer 2023 will be a far more larger driver of the size of the harvest next year. This could influence on prices of food (cereals, meat, dairy, fruits and vegetables) affecting budgets of European families and contribute to food inflation maintaining itself higher than expected.

Fertiliser Use

Mineral fertiliser Over 10 million tonnes of nitrogen mineral fertiliser are used in EU agriculture. Nitrogen fertilisers are by far the type of fertiliser most consumed, followed by potash and phosphate.

The highest nitrogen consumption per fertilised utilised agricultural area amounts can be observed in the Benelux countries, the Czech Republic and Denmark, accounting for over 100 kg/ha. The lowest values, with less than 60 kg/ha, were reported in the Baltic countries, Italy, Malta, Austria, Portugal and Romania. Those differences are due to the different types of crops, soils, and agricultural practices.

Farmers are supported to optimise the use of fertilisers under the Common Agricultural Policy (CAP). All Member States considered the need to reduce the impact of fertilisers and proposed measured to better address this problem.



Organic fertilisers

Replacing mineral nitrate based with organic fertilisers is arithmetically possible, however the reprocessing capacity of straw, manure and digestate from biogas plants is currently relatively limited and **90% of manure is directly re-applied to soil**:

Fertiliser	**million tonns /y**	
Manure produced million tonns/y	1400	
Manure directly applied million tonns/y	1260	89%
Processed manure million tonns/y	108	8%
Composting (EU27 + CH, NO and UK)*	21	1%
Digestate (EU27 + CH, NO and UK)*	14	1%
Mineral fertiliser applied million tonne/y	11	1%
Total estimated (assuming contribution of other organic fertilisers negligible)	1414	

*estimated based on 2019 – 2020 production according to European Compost Network data

In this respect the EU invest considerably in research and innovation to foster the fertiliser production based on the valorisation of residue and waste streams and ongoing projects aim to provide farmers suitable alternatives to mineral fertilisers, while closing nutrient cycles and creating new value chains on a regional level.

TOPIC 2: Circular feed contributions to sustainable food systems & update on Green feed labelling guidance (implementation of NSP)

SCENE SETTER ON TOPIC 2

In view of this meeting, FEFAC submitted a memo (available in background) on **Circular feed contributions to sustainable food systems**. The paper announced that FEFAC will list recommendations addressing the key challenges faced by farmers in the transition to more sustainable livestock production practices and will discuss them in detail at the next FEFAC Congress in June 2023 at Ystad (Sweden).

FEFAC also recalled its memo on 'Circular Feed' from earlier this year[1], explaining how the feed industry is using secondary raw materials[2] from the circular economy. In its memo, FEFAC regrets that only two Member States (BE and PT) set up interventions in sustainable animal nutrition in their CAP Strategic Plan.

On **Green feed labelling guidance**, FEFAC submitted another memo (also available in background) for setting up a communication strategy on sharing the information on the environmental performance of feed. It covers feed manufacturers and farmers (B2B) to enable a relevant and reliable communication by food producers on green/environmental claims towards consumers. In view of achieving a good communication between feed manufacturers and farmers on the environmental performance of feed, FEFAC plans also to upgrade the Copa-Cogeca / FEFAC Code of Good Labelling practice.

[1] https://fefac.eu/newsroom/news/fefac-publication-on-circular-feed/

[2] Secondary raw materials refer to materials produced from other (industrial) processes that are geared towards the production of a different product.

SPEAKING ELEMENTS

Circular feed contributions to sustainable food systems

- The Commission agrees with FEFAC that animal nutrition will bring solutions to key challenges faced by farmers in the transition to more sustainable livestock production practices.
- Through Horizon 2020 and Horizon Europe, the EU is investing in research and innovation projects on livestock which embed many topics dealing with animal nutrition and feeding strategies.
- Those projects cover, among other topics, alternative sources of proteins for feed, feeding techniques to optimise the potential of the feed, microbial ecosystems in the intestinal flora to improve animal digestion or feed alternatives to antimicrobials.
- Alone, the Horizon 2020 programme dedicated over 300 million euros to work on different aspects of livestock production.
- Animal nutrition can also be covered by CAP Strategic Plans, even though only two Member decided to include it within their eco-schemes.
- I welcome your initiative to draft a list of recommendations addressing the key challenges faced by farmers in the transition to more sustainable livestock production practices. I wish you very fruitful discussion on it during your Congress in June 2023 in Ystad (Sweden).

Green feed labelling guidance

- In its Farm to Fork strategy, the Commission expressed its intention to examine ways to harmonise voluntary green claims.
- It is important that claims on the environmental performance of companies and products are reliable, comparable and verifiable across the EU. Reliable environmental information would allow market actors – consumers, companies, investors – to take greener decisions.
- As you have noticed the Green Claim package was yet not part of Circular Economy package adopted by the college on 30 November

2022 that covered EU rules on Packaging and Packaging Waste and a Communication on a policy framework for biobased, biodegradable and compostable plastics.

- The precise timing for the adoption of specific legislative proposal for substantiating green claims made by companies still needs to be clarified.

- FEFAC was already active in this field by developing a Product Environmental Footprint Category Rules (PEFCR) methodology covering feed production for food-producing animals and the setting up of the Global Feed LCA Institute (GFLI) database[3].
- We value the initiatives of FEFAC in this field and, in particular, your intention to upgrade your common Code of Good Labelling practice with Copa-Cogeca where you plan to foster transmission of information on environmental performance of feed along the B2B chain.
- Those tools will enable feed manufacturers to communicate on the environmental performance of the feed and ensure a level playing field.

[3] The Global Feed LCA Institute (GFLI) is the product of an international consortium that was formed to establish a database that would serve as the leading reference for information about the environmental performance of feed ingredients.

BACKGROUND

FEFAC memo on animal nutrition solutions, sent to DG AGRI on 30/11/2022:

Background

Since 2016, FEFAC has been promoting animal nutrition as key leverage to address the challenges of the EU livestock sector. In 2016, FEFAC issued a vision paper 2030 on Animal Nutrition providing general elements regarding the potential contribution of animal nutrition solutions to support animal health & welfare, reduce the need for antimicrobial treatment, reduce environmental emissions and improve nutrient efficiency. In the design of the 5 ambitions of its Sustainability Charter 2030, FEFAC highlights also the potential of animal nutrition solutions to provide part of the solution.

However, although animal nutrition solutions were eligible to specific interventions / support, a quick scan of CAP national strategic plans has shown that only 2 EU Member States (Belgium and Portugal) have decided to invest in animal nutrition to address sustainability challenges. In practice, feeding is still primarily perceived as part of the problem and there is little recognition by authorities of the ability of feedings strategies to support the transition to more sustainable livestock production and little appetite to grant specific support to research and implementation by farmers.

To increase visibility, the FEFAC Board decided to draft generic professional species-specific recommendations with concrete examples of animal nutrition solutions addressing the key challenges faced by farmers in the transition to more sustainable livestock production practices. The ambition is to put emphasis on some of these recommendations in the context at the next FEFAC Congress in June 2023 at Ystad (Sweden) with 3 species-specific roundtables on i) sustainable fish feed for sustainable development of EU aquaculture, ii) reduction of methane emissions for ruminants, iii) climate neutral feeding systems for pig and poultry.

The objective is to draw up a broad non-exhaustive list of animal nutrition solutions around key thematics (environmental emissions, resource efficiency, animal health, animal welfare) and have a focus on top priorities, illustrated by concrete examples of solutions (mode of action, efficiency, etc.).

Roadmap

The 20-pages brochure will be drafted along the following roadmap:

- By mid-December 2022: Inventory of challenges and examples of animal nutrition solutions
- Questionnaire to Member Associations on priority challenges at national level and animal nutrition solutions promoted by the Association
- Literature review
- By mid-January 2023: selection of challenges and examples of animal nutrition solutions to be mentioned in the brochure
- By mid-March 2023: Discussion on the first version
- By end of May 2023: final version

FEFAC memo on voluntary B2B environment related communication ("green labelling"), sent to DG AGRI on 30/11/2022:

Background

A key policy objective of the Green Deal is to stimulate the transition to a greener economy via informed choices of consumers. To this end, the EU Commission objective is that claims on the environmental performance of companies and products are reliable, comparable and verifiable across the EU.

A relevant and reliable B2C communication lays primarily in an appropriate B2B communication along the chain, in particular between feed manufacturers and farmers as far as the livestock chain is concerned.

In the Farm to Fork strategy, the Commission commits to examine ways to harmonise voluntary green claims and to create a sustainable labelling framework that covers, in synergy with other relevant initiatives, the nutritional, climate, environmental and social aspects of food products.

The revised Common Agriculture Policy encourages Member States to integrate in National Strategic Plan, specific measures eligible to financial support for the implementation by farmers of practices that contribute to the improvement of the sustainability of EU agriculture.

Interest of "green" labelling in the feed and livestock chain

The EU livestock sector is among the priority sectors that are asked to improve their sustainability. This is also one of the sectors where innovation can contribute significantly to reduce the environmental footprint. A substantial part of the improvement lays in the feeding system / strategies and may relate to one or several of the following areas:

- The environmental footprint of feed production, from the production of feed ingredients until delivery of the compound feed to the farm:

  On 16 December 2021, the EU Commission issued a recommendation [4] to authorities, operators and associations that, when communicating on the life cycle environmental performance of products, they should use PEF and PEFCR as methodologies of reference. EU organizations of the feed chain have for several years contributed to the development of tools to facilitate communication on the life cycle environmental performance of feed production (PEFCR Feed for Food-Producing Animals, EC Feed LCA database and GFLI Feed LCA database, promotion of calculation tools) as specified in this recommendation.

- The environmental footprint of feed use:

  This concerns emissions from animals linked to the digestion of the feed by animals (ammonia, methane, nitrous oxides, nitrates, phosphates, metals, etc.). The Agriculture Modelling Working Group of the Technical Advisory Board of PEF is defining guidance on how to modelise farm emissions.

  This concerns also the contribution of the feed to the livestock performance against indicators such as feed efficiency, fertility, health status that can all impact on the life cycle environmental performance of the livestock farm;

- The characteristics of certain types of ingredients:

  Certain feed ingredients are produced in accordance with specific sustainability / environment requirements, e.g. fish meal or soya meal produced in accordance with private sustainability standards (FEFAC Soy Sourcing Guidelines version 2021) or having undergone a specific process (e.g. rumen protected), or contributing to circular economy (e.g. co-products).

---

[4] Recommendation C(2021) 9332 final

The ability of feed business operators to inform their feed customers on these different levels of environmental performance will be key to allow farmers to make an informed choice. It is a key driver for the development of innovative feed products, strategies and technologies/processes. Green feed labelling will be a key tool to stimulate the transition towards more environmentally friendly livestock farming practices. This information may also become a prerequisite for farmers to access to specific support measures under the new CAP reform identified in National Strategic Plans and Eco-Schemes for the transition towards more sustainable practice.

The relevance of communication of information on the performance of the feed on the use side may also require collection of data from the user side as a validation parameter for the EF of the feed use. The use of digitization for the transmission of information is therefore of paramount importance, in full compliance with the Code of Conduct for agricultural data sharing by contractual agreement.

EU legal framework for green feed labelling

The EU Commission intends to submit a legislative proposal laying down horizontal requirements for green labelling (including PEF) of products whatever they are, including food and feed. The intention of the EU Commission is to encourage operators to provide meaningful information to customers while avoiding green washing. Pending the adoption of this legal framework, the EU Commission recommends the use of the Product Environmental Footprint (PEF) methodology [5] and, whenever available, PEF Category Rules, as a way to substantiate and communicate information on the EF of products. Such PEF Category Rules have been defined for feed for food producing animals [6,7] (referred to hereafter as PEFCR Feed).

The EU Commissions is also developing a new Sustainable Food Systems Framework legislation, including "pull" measures such as sustainability labelling to empower consumers to stimulate transition towards more sustainable practices/products. This labelling scheme will be Business to Consumer (B2C) targeted and a proposal is not expected before Q3 2023.

The communication of information from feed manufacturers to farmers falls clearly in the B2B concept for which the notion of labelling and claims are already defined in the existing EU feed legislation. The following legal framework shall be considered:

- Feed materials and compound feed: Regulation 767/2009 establishes rules for voluntary labelling (article 22) and the use of claims for compound feed and feed materials (Art 13). As foreseen by Article 25 Copa-Cogeca and FEFAC have jointly delivered a Code of Good Labelling Practice to improve the appropriateness of labelling, including a detailed section of claims, which was positively assessed by the EU Commission.
- Feed additives and premixtures: The ability to make claims for feed additives or premixtures is not foreseen yet by EU Regulation 1831/2003. It is expected that the existing provisions for claims laid down in Regulation 767/2009 will be transposed into the future EU legislation on feed additives (proposal expected in 2023).

FEFAC roadmap for green feed labelling

Voluntary green feed labelling is a key tool to stimulate the transition towards more sustainable feed and livestock chain. Operators need guidance as soon as possible. FEFAC proposes the following roadmap:

- Q4 2022 (ongoing): Drafting in consultation with other partners of the chain a general framework to foster transmission of information along the chain. This general framework

[5] Commission Recommendation (EU) 2021/2279 of 15 December 2021 on the use of the Environmental Footprint methods to measure and communicate the life cycle environmental performance of products and organisations

[6] PEFCR for feed for food producing animals – version 4.2.

[7] The validity of the PEFCR for feed for food producing animals, like for many other PEFCR, expired on 31 December 2021. An update of this version is in development and is expected to undergo validation within the next months. Meanwhile, it is recommended to use the present PEFCR for communication of PEF information on feed.

will be based on Regulation (EC) No 767/2009 (feed labelling) and Recommendation C(2021) 9332 final;

- Q1 2023: submission to Standing Committee on Plants, Animals, Food and Feed of a proposal for an upgrade of the Copa-Cogeca / FEFAC Code of Good Labelling practice integrating these concepts;
- Q2-Q4 2023: Implementation and collection of feedback / Adjustment of the Code of Practice where needed.

TOPIC 3: Feed vs Bioenergy sector competition for co-products (Biomass)

SCENE SETTER ON TOPIC 3

Following the invasion of Ukraine by Russia, food and energy security have become even more important in the EU.

On one side, energy prices have increased drastically, creating difficulties in many agricultural sectors.

On the other side, the food and feed sectors are facing possible scarcity of raw materials in the EU with prices going up. FEFAC fears that, in the near future, animals would not have enough feed. This scarcity would even be accentuated should feedstocks used for feed purposes be now incentivised to produce biogas/biomethane. Incentivising such feedstocks for energy purposes would thus create important disturbance in the food/feed market and would have a negative impact on the EU food/feed security as the sector would be even more dependent on imports.

The recast Renewable Energy Directive (Directive (EU) 2018/2001 – RED II), in addition to setting specific targets for the use of renewable energy by 2030, foresees several dispositions in order to guarantee that the priority is given to food and feed uses over energy uses.

The Commission is currently undertaking two revisions that could have an impact on the food/feed versus energy sectors, namely:

- The revision of Annex IX of REDII, updating the list of feedstocks for advanced bioenergy: ENER has now revised its proposal (see in background) and launched the public consultation on 5 December 2022[8] for an adoption beginning of 2023;
- The revision of RED II within the framework of the Fit for 55 package and the REPowerEU communication: this revision is now under the trilogue negotiations as both the EP and Council have drafted their opinion. ENER is following these negotiations. An agreement should be found mid-December for an adoption end 2022/beginning of 2023.

[8] https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13484-Biofuels-updated-list-of-sustainable-biofuel-feedstocks_en

SPEAKING ELEMENTS

- The Commission is aware that, following the invasion of Ukraine by Russia and the new Commission targets in terms of renewable energy[9], there is some fear that potential market distortions could occur between the feed/food and energy markets.
- Should these distortions occur, they would indeed have a negative impact on the EU food security as the sector would be even more dependent on imports.
- In particular, in its communication "Safeguarding food security and reinforcing the resilience of food systems", the Commission calls on Member States to scale up the production of renewable energy without undermining food production.
- The REPowerEU action plan for reaching the 35 billion cubic meter biomethane objective by 2030 also mentions that the production of sustainable biomethane should be waste-based, avoiding the use of food and feed feedstocks.
- The Commission will continue to be particularly vigilant to this interlink between food/feed and energy, notably within the framework of the revisions of the recast Renewable Energy Directive (RED II).
- Specifically, the Commission has paid particular attention to the revision of Annex IX of REDII, updating the list of feedstocks for advanced bioenergy. The revised annex has now been finalised and is published for public consultation since 5 December 2022 for an adoption beginning of 2023. The Commission encourages you to participate in the public consultation when available.
- The revision of RED II is also of particular relevance to this issue. As you know, this revision is now under the trilogue negotiations. An agreement should be found mid-December for an adoption end 2022/beginning of 2023.

[9] New proposed Renewable Energy Share of 45% and Sustainable Biomethane Production to reach 35 bcm by 2030

- The Commission would be happy to receive any data/examples illustrating such market distortions should they occur and reiterates the importance of relying on solid and exhaustive data inventory regarding the various cycle at stakes (incl. energy, nutrients, feed).

How can the energy and food security objectives be compatible?

- Biofuels have a key role to play in reinforcing EU energy security and substituting fossil sources while providing additional incomes to farmers.
- Biofuels can be produced from food-based biofuels but also from waste, residues and by-products of the agricultural sector. It is to be noted that some food productions are only economically viable because their by-products/waste/residues are used to produce biofuels.
- Biofuels should follow the dispositions of RED II, which sets the sustainability criteria applicable to both agricultural and forest biomass used for energy production, and a cap for food-based biofuels to ensure that the pressure on land used for the production of biofuels would be limited.

Why is the Commission not suspending biofuels mandates to increase the availability of grains and oilseeds on the EU market?

- Grains and oilseeds are used essentially for food and feed purposes but as well as production of biofuels or industrial products such as bio-plastics or bio-chemical products.
- The split between these different uses of cereals and oilseeds depends on the relative prices of them compared to other crops and on the elasticity of the demand for each use. Food use will be the use that is less elastic, meaning that demand for food will decrease less than others for the same price increase. In the current situation of price increase of cereals in particular, but also oilseeds, the demand for such feedstock for biofuels is likely to decrease.
- Other drivers will play, in particular the price of fossil fuels as a possible alternative to biofuels. The policies in place in terms of renewable energies with targets for their share in different sectors of the economy such as transport will also interfere.
- There are different blending mandates (imposed shares of biofuels in fuel for transport) in place, which have an impact on the demand for biofuels and limit the reallocation of feedstocks to other uses.
- As mentioned in its Communication on "Safeguarding food security and reinforcing the resilience of food systems"[10], the Commission calls on Member States to scale up the production of renewable energy without undermining food production.

[10] https://ec.europa.eu/info/sites/default/files/food-farming-fisheries/key_policies/documents/safeguarding-food-security-reinforcing-resilience-food-systems.pdf

- In particular, it supports Member States in using possibilities[11] to reduce the blending proportion of biofuels which could lead to a reduction of EU agricultural land used for production of biofuel feedstocks, thus easing pressure on the markets for food and feed commodities.
- Moreover, it is to be noted that the recast Renewable Energy Directive (RED II)[12] sets the sustainability criteria applicable to both agricultural and forest biomass used for energy production so as introduces a stricter cap and additional limits for food-based biofuels to ensure that the pressure on land used for the production of biofuels would be limited. Under the requirements of RED II, the Commission supports sustainable conventional biofuels as well as the further market uptake of advanced biofuels and biogas as an option for the decarbonisation of the transport sector.
- In the new CAP, Member States are being given a much higher flexibility in designing and implementing their Strategic Plans, enabling them to design specific combination of interventions based on the assessment of their needs and their national priorities, notably for reducing emission from agriculture so as promoting renewable energy, but also in full consistency with the national energy and climate plan, and environmental legislation.
- With the Russian invasion on Ukraine, the context has changed and the Commission is calling on Member States to carefully consider planning interventions in their CAP Strategic Plans which will increase the sustainable generation and use of renewable energy, including biogas; as well as to plan interventions which will reduce energy consumption.

[11] As foreseen under Article 26 of the recast Renewable Energy Directive 2018/2001
[12] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02018L2001-20181221

BACKGROUND

1. Sustainability criteria under RED

- Biofuels, bioliquids and biomass fuels should always be produced in a sustainable manner. Biofuels, bioliquids and biomass fuels used for compliance with the Union target laid down in RED II, and those which benefit from support schemes, should therefore be required to fulfil **sustainability** and **greenhouse gas emissions saving** criteria.
- These criteria are laid down in Art. 29 of REDII and include the following:
  - Biofuels, bioliquids and biomass fuels produced from **agricultural biomass** […] shall **not** be made from raw material obtained from land with:
    - a high biodiversity value (e.g. from primary forest and other wooded land, highly biodiverse forest and other wooded land…)
    - high-carbon stock (wetlands, continuous forested areas etc.)
    - was peatland in January 2008, unless evidence is provided that the cultivation and harvesting of that raw material does not involve drainage of previously undrained soil. They should also meet land-use, land-use change and forestry (LULUCF) criteria.
  - Biofuels, bioliquids and biomass fuels produced from **forest biomass** […] shall meet specific criteria to minimise the risk of using forest biomass derived from unsustainable production. They should also meet land-use, land-use change and forestry (LULUCF) criteria.
  - The **greenhouse gas emission savings** from the use of biofuels, bioliquids and biomass fuels […] are set according to the date of operation of the installation used to produce them. Some conditions are also set according to the thermal input of installations.
- Member State should use a **mass balance system** to verify compliance with the sustainability and greenhouse gas emissions saving criteria.
- In addition, an **implementing act on rules to verify sustainability and greenhouse gas emissions saving criteria and low indirect land-use change-risk criteria** has been adopted in 2021.
- An **implementing act establishing operational guidance on the REDII sustainability criteria for forest biomass** is to be adopted by the end of 2022.
- In addition, RED II introduces a **stricter cap** (up to 7%) **and additional limits for food-based biofuels** to ensure that the pressure on land used for the production of biofuels would be limited. Member States can use possibilities foreseen in RED II to further reduce the blending proportion of biofuels which could lead to a reduction of EU agricultural land used for production of biofuel feedstocks, thus easing pressure on the markets for food and feed commodities.
- The RED II revision (RED III), currently under discussion in the EP and EC, foresees the **extension of the biomass sustainability criteria to forest biomass** as well as to **existing and smaller heating installations**.
- The EP is proposing to exclude all woody biomass in RED II.
- Several MS and stakeholders are concerned that this would hamper the further development of the bioeconomy and bioenergy.

2. REPowerEU Action Plan

- The Commission has published on the 18 May 2022 the **REPowerEU Plan**[13], including various dispositions relevant to agriculture. The main ones are as follow:
    - Communication REPowerEU Plan COM(2022)230[14]:

      Referring to the scaling up of biomethane, the Commission stresses that "the focus should be on sustainable production, ensuring that biomethane is produced from **organic waste and forest and agricultural residues, to avoid impacts on land use and food security**. Bioenergy makes up 60% of the renewable energy in the EU. It is a domestically available and stable energy source but **sustainable sourcing is key**. Current estimates show a moderate but steady increase of biomass use until 2030. **Prioritizing use of non-recyclable biomass waste and agricultural and forest residues** will ensure a sustainable energy production that can contribute to the REPowerEU objectives."

      In addition, to face possible energy disruption, the Commission is proposing to issue "guidance on the prioritisation criteria of non-protected customers, in particular of industry. The guidance will focus, on the one hand, on the identification of national and cross-border value chains of key and critical importance which, if disrupted, could negatively impact on security, **food**, health and safety at European and global level."

    - Proposal to amend the directive on RES promotion and the EPBD COM(2022)222[15]:

      Recital (17) states that "**Multiple use of space** for renewable energy production and other land and sea uses (such as food production or nature protection or restoration) alleviates land and sea use constraints. In this context, spatial planning is an important tool to identify and steer synergies for land and sea use at an early stage. Member States should explore, enable and favour the multiple uses of the areas identified as a result of the spatial planning measures adopted.". Moreover, the proposed Article 15c defines renewable go-to areas mentioning that to designate such areas, "**Member States shall give priority to** artificial and built surfaces, such as rooftops, transport infrastructure areas parking areas, waste sites, industrial sites, mines, artificial inland water bodies, lakes or reservoirs, and, where appropriate, urban waste water treatment sites, as well as **degraded land not usable for agriculture** […]".

[13] https://ec.europa.eu/commission/presscorner/detail/en/IP_22_3131
[14] https://energy.ec.europa.eu/communication-repowereu-plan-com2022230_en
[15] https://energy.ec.europa.eu/proposal-amend-directive-res-promotion-and-epbd-com2022222_en

- Communication EU Solar Strategy COM(2022)221[16]:

  This strategy supports the development of solar energy through the promotion of the **multiple use of space**. Indeed, "Multiple use of space can contribute to mitigating land constraints linked to competition for space, including for environmental protection, **agriculture and food security**. In particular, under certain conditions, the agricultural use of land can be combined with solar generation in so-called agrivoltaics (or agri-PV). The two activities can establish synergies, whereby PV systems can contribute to crop protection and yield stabilisation, with agriculture remaining the primary use of the land area."

- According to the Commission proposal, Member States will also have the **possibility to transfer up to 12.5% of their allocation under the European Agricultural Fund for Rural Development to the Recovery and Resilience Facility**. Delivering part of the Common Agricultural Policy financing under the Recovery and Resilience Facility speed up implementation of relevant projects, allowing farmers to receive the necessary financial support to reduce the use of synthetic fertilizers and increase the production of sustainable biomethane or renewable energy.
- The Guidance on recovery and resilience plans in the context of REPowerEU mentions that "the additional investments and reforms contemplated for the revised RRP should focus on REPowerEU objectives". In the REPowerEU Plan, biomethane is outlined as representing a significant future opportunity to boost renewable energy.
- The proposal for a Regulation on REPowerEU chapters in recovery and resilience plans stipulates in article 21b that "resources allocated under Article 81a of Regulation (EU) 2021/2115 shall support measures in Article 21c(1)(b) of this Regulation **for farm investments for the benefit of farmers or groups of farmers**, in particular to contribute reducing the use of synthetic fertilisers, increasing production of renewable energy and sustainable biomethane, and boosting energy efficiency." As a consequence, any investments done within this framework should comply with this provision.

3. Biomethane target

- The REPowerEU doubles the objective of Fit for 55 for **biomethane** leading to an objective of **producing 35 billion cubic metres (bcm) per year by 2030**.
- Referring to the scaling up of biomethane in its Communication REPowerEU Plan[17], the Commission stresses that "the focus should be on sustainable production, ensuring that biomethane is produced from **organic waste and forest and agricultural residues, to avoid impacts on land use and food security**. Bioenergy makes up 60% of the renewable energy in the EU. It is a domestically available and stable energy source but **sustainable sourcing is key**. Current estimates show a moderate but steady increase of biomass use until 2030. **Prioritizing use of non-recyclable biomass waste and agricultural and forest residues** will ensure a sustainable energy production that can contribute to the REPowerEU objectives".

[16] https://energy.ec.europa.eu/communication-eu-solar-strategy-com2022221_en
[17] https://energy.ec.europa.eu/communication-repowereu-plan-com2022230_en

- More specifically, the **REPowerEU Plan SWD**[18] explores the **actions** that could be envisaged to achieve this target of 35 bcm annual biomethane production by 2030. The proposed actions would aim at both supporting production to a **sustainable** maximum potential volume of biogas with the aim to further upgrade it to biomethane, as well as direct biomethane production **from waste and residues**. The actions could also aim at creating the preconditions for sustainable upgrading and safe injection of biomethane into the gas grid.
- The production of sustainable biomethane should be waste-based, **avoiding the use of food and feed feedstocks that would lead to land use change problems**. In addition, by 2024, Member States have to collect separately organic waste, which can be valorised in anaerobic digestors. This is an opportunity to upscale the production of biogas and biomethane sustainably, creating income opportunities for farmers and foresters."
- As regards RND&I gaps, it mentions that "Special focus should be given to improving technological efficiency and cost effectiveness of **small-scale solutions that would not hamper EU food and feed production**, as well as to environmental and socio-economic sustainability and looking for alternative materials where today scarcity might block scaling up." It also mentions that, to further support the expansion of the sustainable biomass potential to ensure availability of resources for reaching the biomethane production target, "this action should seek ways to enlarge the sustainable biomass feedstock for achieving the 2030 target for biomethane **without hampering food security**."
- One of the action included in the SWD is to create a **biogas and biomethane industrial partnership/ forum** promoting their sustainable production and use.
- The overarching goal of the partnership/ forum is **to support the achievement of the EU target on biomethane production for 2030** and **to create the preconditions for a further ramp up of its potential towards 2050 through closer involvement of stakeholders**.
- The partnership would create a **platform** for strategic discussion among **key stakeholders along the whole value chain** on how to best support the production and use of biogas and biomethane.
- This would promote **stakeholder engagement** and **public acceptance**.
- The partnership would provide effective support for identifying, further developing and mainstreaming of best practices in policy making and support to the production of biogas and biomethane, and related to that infrastructure development, projects and infrastructure financing and promotion.
- The partnership could also discuss policy gaps at EU level and identify support needs as regards infrastructure and RND&I projects.
- In this endeavour, the platform should take into consideration and create synergies with ongoing complementary work, in particular the work of the European Technology and Innovation Platform Bioenergy (ETIP Bioenergy), the SET Plan Action 8 Integrated Workgroup on Bioenergy and Renewable Fuels (IWG 8) and international cooperation.
- Possible actors of this partnership would include representatives of the EC, MS, industry representatives, NGOs, ETIP Bioenergy, representatives of primary producers.

[18] https://energy.ec.europa.eu/implementing-repowereu-plan-swd_en

4. Undergoing revisions of RED II

LTT on possible beet pulp inclusion in Annex IX of RED II and further changes in Annex VI of RED II :

- Note for the File and its attachments including FEFAC letter to the Commission and Commission reply to FEFAC letter (Ares(2022)7844599).
- Annex IX of REDII published for the public consultation on 5 December 2022 (https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13484-Biofuels-updated-list-of-sustainable-biofuel-feedstocks_en)

TOPIC 4: Joint EU & US feed industry reflection paper on strengthening feed sector resilience through enhanced feed trade (CPA & TTC)

SPEAKING ELEMENTS

- Thank you for your letter of 8th November setting out your recommendations on strengthening feed sector resilience between the European Union and the United States.
- I note you have attached a joint statement with recommendations for strengthening the resilience of the feed sector in the US and the EU, and that you have shared this statement with Secretary Vilsack.
- I fully appreciate the paramount importance of the feed sector to EU agriculture by linking crop production and imports with animal production We want to bolster market stability and avoid supply chain disruptions.
- The Ukraine crisis has shown the key role of the feed industry to secure the stability of our markets. With the Solidarity Lanes and through the support to other related initiatives, the Commission has shown its political determination to minimise the impact of the war in traditional grain exchanges where EU feed manufacturer and users are main players.
- Thank you for your interest and active support of the Collaboration Platform on Agriculture (CPA) which is becoming an important route for exchange between the European Union and the United States with the view of improve the understanding of each one's policies and approaches to the global challenges of agriculture.
- I am told of your active participation of your organisations during several CPA events this year. In particular the event on minimising GHG emissions from livestock and the stakeholder event to which you were invited. I count on your engagement for future activities
- Finally, I took note of your proposal for a "Permanent Feed Trade Dialogue Mechanism" including its objectives key feed input

availability, innovative animal nutrition strategies and identifying SPS issues and other technical barriers.

- Several of these issues fall under the remit of Commissioner Kyriakides and I would suggest you to get in touch with her services to present your ideas.

BACKGROUND

FEFAC ASIA position paper

Asbjorn Borsting, FEFAC President

Constance Cullman, AFIA CEO and President

There is substantial export in animal feedstuffs soya, corn by-products, from the US to the EU and a modest trade of pet food in the other direction.

In the interest of the US and EU livestock farmers that this should be as un-interrupted and predictable as possible.

The US, in particular through the USTR have always pushed to facilitate this trade which in their eyes is hampered in particular by European regulatory requirement e.g. GMO and possibly in the future new breeding techniques.

The USTR and USDA initially pushed the Trade and Technology Council (TTC) as a conduit for this dialogue. They saw the CPA as less ambitious as regulatory (SANTE) issues were expressly put to one side.

Nevertheless has gained more momentum on agriculture issues than the CPA they enquire to what extent the CPA can help them meet their objectives.

The paper calls for a "Permanent Feed Trade Dialogue Mechanism". The main topics being

- Key feed input availability
- Animal additives industry
- Identifying SPS issues and other technical barriers that are outside the CPA remit

The paper also emphasises a new concern in the sustainability definition and labelling that the Commission is currently developing. They want to be in on that discussion.

The US AFIA has members who manufacture and supply additives and micronutrients which is not the case for GFEFAC, so this joint paper is more heavily slanted to those issues than would be the case of a FEFAC only paper.

DG AGRI assessment is that we welcome their interest in the CPA. They have a contribution to make e.g. in the reduction of methane emissions from animals. However many of the issues they seek to address in the Permanent Feed Trade Dialogue Mechanism are SANGTE's responsibility and already covered in existing regulatory dialogue structures managed by SANTE.

A draft reply from the Commissioner to a joint letter from AFIA and FEFAC to both the Commissioner and USDA secretary Vilsack has been prepared along these lines.