

CIAA Contribution to the Commission Stakeholder Consultation on the EIPRO Full Draft Report

In the framework of the Commission Communication on Integrated Product Policy a full draft report of the study “Environmental Impact of Products” (EIPRO) was published on 29 April 2005. The aim of this study is to identify the products with the greatest environmental impact from a life-cycle perspective and to set the stage for a second phase in which the potential for environmental improvement of these products will be assessed.

The EU food & drink industry– as represented by CIAA – would like to seize the opportunity of the current stakeholder consultation on EIPRO to address several important considerations regarding the distinctive position of food & drink products vis-à-vis the general IPP framework and to express concerns regarding the methodological shortcomings of the EIPRO draft report (see Annex).

Summary:

1. For many years, the EU food & drink industry is firmly committed to a **pro-active approach towards sustainability** and has launched numerous voluntary initiatives, measures and partnerships to improve the environmental performance of products and processes. The considerable efforts made by European food & drink companies resulted in a continuous improvement of their environmental performance.
2. **Shared responsibility** between all life-cycle partners – including suppliers of agricultural raw materials, producers, retailers, consumers and public authorities – is indispensable to optimise the sustainable management of each stage in the complex food supply and consumption chain. Despite that, the F&D industry has launched voluntary initiatives reaching beyond its direct sphere of responsibility to help life-cycle partners to improve their environmental performance.
3. The **EIPRO study** with its numerous methodological shortcomings adds **little valuable information** to already existing knowledge and confirms that IPP has to remain a voluntary business tool. While at the high level of aggregation important consumption categories have been known for many years, the EIPRO methodology at the low level of aggregation proves too weak to provide reliable information on the impact of specific products and the relevance of specific actors along the food supply and consumption chain (see Annex).
4. Given the **specific characteristic of food & drink products** – ingested by consumers – compliance with highest safety, nutrition and health requirements constitutes the overriding responsibility of food and drink producers vis-à-vis the consumer. Any interference with these core objectives or with existing legislation safeguarding them is therefore unwarranted. In addition - unlike with other consumer goods – no justifiable distinction can be drawn between “green” and “non-green” food and drink products. Since a balanced combination of all food and drink products constitutes an undisputed element of any healthy diet, a distinction based on strictly environmental considerations would unduly compromise the primary goal of providing the consumer with diversified and healthy foodstuff. The inherent character of mandatory IPP tools – to discourage the consumption of individual products – is therefore unsuitable for food and drink products. Food and drink products should therefore be excluded from the scope of mandatory IPP tools.
5. Looking ahead, the paramount strategy towards sustainable production and consumption lies in the **continuous optimisation of all stages in the food supply and consumption chain**. Therefore, each actor along the life-cycle has to further improve the environmental performance in his direct sphere of responsibility.

1. Continuous improvement of the environmental performance of the food and drink industry

The European food and drink industry is firmly committed to the continuous improvement of its product and process performance along the principles of sustainable development, including economic, environmental and social dimensions.

- Taking into account the central role that food and drink products play in the daily lives of 460 million EU citizens in terms of health, nutrition, life-style and cultural identity,
- considering the resulting major share of food and drink products in EU-wide consumer spending,
- and keeping in mind the reliance of the food and drink industry on the supply of raw materials from agricultural production,

the EU food & drink industry is fully aware that food products – like other products - generate environmental implications along their life-cycle. The EU food and drink industry is therefore firmly committed to a **pro-active approach towards sustainability** and has applied life-cycle thinking already for many years as a voluntary business tool to ensure the continuous environmental improvement of its products and processes. In addition to extensive legislation covering food and drink products, the EU food & drink industry has launched **numerous voluntary initiatives, measures and partnerships** with other actors of the food supply chain. Examples for voluntary action include the Sustainable Agriculture Initiative, Efficient Consumer Response (ECR), the Partnership with the European Commission on Sustainable Production, eco-efficiency in production, optimisation of product end-of-life, and Integrated Resource and Waste Management.

The considerable efforts made by European food and drink companies resulted in a **continuous improvement** of their environmental performance as shown in the CIAA Environment Review. The 2000-2002 data on the use of resources and management of waste indicate that the EU food & drink sector has been able to achieve a decoupling between its economic growth and its environmental impact in several areas. This is illustrated by the decrease in water consumption, the stabilisation of energy use and the reduction in disposed waste per tonne of product. In addition, the industry's approach to packaging waste management has resulted in an increased recovery rate. Looking to the future, the industry is committed to building on these improvements.

2. Sharing responsibility to optimise the complex food supply and consumption chain

The food supply chain is characterised by a high complexity of different actors and processes involved during the supply of agricultural raw materials, food processing, distribution, retail, consumption and disposal. The **sharing of responsibility between all actors involved along the supply-chain** must therefore be an integral part of any life-cycle oriented action. Besides food & drink producers, the decisions of agricultural suppliers, retailers, consumers and public authorities can make a major difference in the environmental life-cycle of food products. Therefore, the EU food & drink industry is seeking **active cooperation with all stakeholders** along the supply-chain to ensure the continuous integration of life-cycle thinking into product and process management. The following characteristics of the food supply chain must thereby be taken into account:

Impacts along the life-cycle:

In the life-cycle of food products, a critical share of environmental impacts arise in agriculture and during the consumption phase. The F&D industry has launched voluntary initiatives reaching beyond its direct sphere of responsibility to help agriculture to improve its environmental performance and to assist other life-cycle partners, including consumers, in making environmentally responsible decisions. These voluntary initiatives add to extensive legislation covering food products and to additional voluntary efforts by the food & drink industry to further improve the sustainability of food and drink production.

a. Supply with agricultural raw materials

The food & drink industry relies on the long-term supply of agricultural raw materials for its business. Environmental impacts arising from agriculture must be addressed through best agricultural practices which are independent from the subsequent stages in the life-cycle and from the final product.

Sustainable Agriculture Initiative:

The Sustainable Agriculture Initiative (SAI) is a voluntary food industry initiative founded by Unilever, Nestlé and Danone and is today comprising 19 leading food & drink companies. SAI aims to support and promote worldwide the development of sustainable agriculture including all three pillars of sustainable development. Its activities are open to stakeholders of the food chain including farmers whose involvement is crucial to the successful design and implementation of sustainable agricultural practices. The key activities of the SAI Platform are articulated around three areas:

- ✓ Developing knowledge on sustainable agriculture based on research and activities taken by member companies, the SAI Platform and external stakeholders.
- ✓ Raising awareness on sustainable agriculture.
- ✓ Initiating working groups aimed at developing sustainable agricultural practices.

Example: SAI Working Group on Dairy

Building on the long experience of SAI members, the SAI Working Group on Dairy developed Sustainable Dairy Principles and Practices on the basis of the International Dairy Federation (IDF) and FAO "Guide to good dairy farming practice". These are now about to be tested through pilot projects and to be further revised on the basis of the projects' findings and a new stakeholder consultation at the end of 2005. Campina, Fonterra, Friesland Foods, Danone, Kraft Food, Nestlé and Unilever are SAI Platform's active members of the Working Group on Dairy.

b. The food processing phase

The direct sphere of responsibility of the food and drink industry is already covered by extensive regulation. In addition to existing legislation, the F&D industry has launched voluntary initiatives on sustainable production.

- **Heavy existing regulation:** Due to the given specificities of food & drink products, they are already subject to extensive legislation covering food safety, food hygiene, additives, food composition, consumer information, and others. For this reason, food & drink products are already excluded from the EU eco-labelling scheme. Additional mandatory IPP tools would run the risk of interfering with existing legislation at the expense of the consumer.

- **Eco-efficiency:** Food producers are increasingly adopting Bests Available Techniques (BATs) to conserve natural resources and to reduce waste generation. In the EU framework on Integrated Pollution Prevention and Control (IPPC) last steps have been taken in early 2005 to finalise the BREF document for the food, drink and milk sector. This BREF document was developed with active participation from the F&D industry which strongly supports the proliferation of best practices throughout the EU food and drink industry.
- Voluntary partnerships: Another example demonstrating the food & drink industry's strive for continuous improvement is the **Partnership with the European Commission on Sustainable Production**. This voluntary initiative aims to identify food-sector-specific environmental challenges and to address them in the most cost-effective manner. Sector-specific issues of particular importance for the food & drink industry in this partnership include, among others, packaging source reduction, waste management and sustainable use of water.
- Another example for the pro-active approach taken by the food & drink industry is the initiative on **Integrated Resource and Waste Management** involving both DG Enterprise and DG Health & Consumer Protection, EuroCommerce, FEFAC, COPA-COGECA, UNEP, ASSURE and other stakeholders. The aim of this initiative is to improve the efficient use of resources (including food by-products) by clarifying the distinction of product vs. waste in the food industry.

c. Transport and supply chain logistics

Among the major challenges stemming from an enlarged internal market and an increasingly integrated global economy is the sustainable management of transport and supply chain logistics. Whereas the free circulation of goods is one of the cornerstones of the European Union, it is crucial to ensure the efficiency of supply chains to minimise environmental and social pressures caused by transport.

In the EU food and consumer good sector, the joint industry and trade body **ECR Europe** (Efficient Consumer Response) was launched in 1994 to promote the removal of inefficiencies from the supply chain. Participation in ECR projects is open to retailers, wholesalers, manufacturers, suppliers and logistics operators. Among other projects, ECR Europe seeks to establish best practices and techniques to make best use of available transport capacity by maximising vehicle fill and productive time, whilst minimising empty runnings. ECR participants include – among many others – Unilever, Kraft Food, Nestlé, Coca Cola, Danone, P&G and retailers such as Carrefour, Delhaize and Kaufhof.

While voluntary industry initiatives are an important contribution to an efficient management of transport and supply chain logistics, the level of efficiency feasible by industry depends strongly on the quality and availability of **European infrastructure networks**. European policy makers should therefore take the responsibility to complete and improve trans-European transport networks to allow an environmentally and socially sustainable circulation of goods within the European Union.

d. Consumption and end-of-life

- The food and drink industry supports the objective of assisting the consumer in minimising the environmental impact of food consumption through appropriate product information on optimised efficiency in food conservation and preparation (e.g. storage, required quantities, cooking time, temperature, etc.).
- What remains from a food product after its consumption is used packaging since the product itself is digested. The packaging prevention, recovery and recycling phase of packaged goods is already heavily regulated and good progress has been made over the last years. Statistics confirm that packaging use has grown only moderately since 1998 (less than 1 % annually) whereas tonnes of waste recovered and tonnes of material recycled have both grown much faster with 21% and 20 % respectively between 1998 and 2002. Producers, local authorities and the waste management industry succeeded in decoupling the environmental impact of waste from economic growth and product use. The food & drink industry is making continuous efforts to reduce food packaging and food waste through tailor-made packaging solutions. The promotion of the recently published CEN standards on packaging and packaging waste will be a central element of future efforts by the food and drink industry in this field.

3. Life-cycle thinking as an industry-led management tool

- Given the demonstrated **complexity** of the food supply chain,
- the necessary **sharing of responsibility** between actors along the food chain,
- the **highly interrelated nature of food and drink products** making one food product an ingredient of another food product both at the production and consumption phase of the life cycle,

it is evident that the **EIPRO study adds little valuable information** to already existing knowledge and industry practice. At the **high level of aggregation**, the importance of functional areas such as transport, housing and food consumption has been known for many years as these areas cover the main categories of human activity. At the **low level of aggregation**, the EIPRO report – due to its numerous methodological weaknesses – proves incapable of providing scientifically valid information on the environmental impact of specific products and the relevance of individual actors along the food supply chain. If one assumes that EIPRO-report with all its methodological shortcomings is the best available research tool currently available, it becomes evident that the academic approach towards IPP – as currently applied by the Commission – does not help to further improve environmental performance of food and drink products and processes.

The EIPRO study proves once more that life-cycle-related initiatives remain best placed with industry which has for many years demonstrated continuous environmental improvement of products and processes. The EIPRO-study hence confirms that IPP has to remain a voluntary and business-driven management tool.

For a detailed CIAA comment on the EIPRO methodology please see the Annex.

4. Unsuitability of mandatory IPP tools for food & drink products

While the food & drink industry supports the continuous integration of life-cycle thinking into business management, CIAA considers that - due to the **specificity of food and drink products** – mandatory IPP tools are an unsuitable public policy instrument for addressing food & drink products:

- Given the specific characteristic of food & drink products – ingested by the consumer – compliance with highest safety, nutrition and health requirements constitutes the overriding responsibility of the food & drink industry vis-à-vis the consumer. Any interference with these principle objectives is therefore unwarranted.
- The specificity of food & drink products is reflected in extensive legislation covering food products at the EU and national level (regulations on food safety, hygiene, contaminants, additives, GMOs, etc.). Mandatory IPP tools would run the risk of interfering with already existing legislation at the expense of the consumer.
- Unlike with other consumer goods, no justifiable distinction can be drawn between “green” and “non-green” food and drink products. Since a balanced combination of **all** food and drink products constitutes an undisputed element of any healthy diet, a distinction based on strictly environmental considerations would unduly compromise the primary goal of providing the consumer with diversified and healthy foodstuff. The distinctive characteristic of mandatory IPP tools – to discourage the consumption of individual products – is therefore unsuitable for food and drink products.

In order to avoid the interference of IPP tools with the overriding objectives of health, safety and nutritional needs of the consumer, CIAA considers mandatory IPP tools as unsuitable instruments for addressing the complex food supply and consumption chain. **Food and drink products should therefore be excluded from the scope of mandatory IPP tools.**

5. The way ahead: Continuing the optimisation of all stages in the food supply and consumption chain

The EU food and drink industry is firmly committed to the further application of life-cycle thinking as a voluntary tool to ensure the continuous improvement of its products and processes including environmental performance. To this end, each actor along the food supply-chain has to further improve the environmental performance in his direct sphere of responsibility. Whenever possible, coordination between life-cycle partners may be supportive. A voluntary and business-led approach as applied by the food and drink industry already for many years is the paramount strategy for continuous progress towards the objective of sustainable production and consumption.

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CIAA is the voice of the European food and drink (F&D) producers, the leading industrial sector in the EU with over € 600 billion of production and € 145 billion of added value. CIAA's members represent the Union's third-largest industrial employer with over 2.6 million employees and a leading exporting sector with a total of € 45 billion in exports and a positive trade balance.

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Annex:

CIAA comment on the methodology of the EIPRO draft report

Based on an interpretation of seven existing studies with very diverse methodologies (indicators, aggregation, product groups, time, region, etc.) and an additional own study based on a Europeanised version of a US research model, the EIPRO draft report presents specific consumption areas and product groups as having significant environmental impacts along the life-cycle.

Despite its ambitious intentions, the EIPRO study does not add valuable information to already existing knowledge and industry practice on food & drink products. At the high level of aggregation, the importance of functional areas such as transport, housing and food consumption has been known already for many years as these areas cover the main categories of human activity. At the low level of aggregation, the EIPRO draft report – due to its numerous methodological weaknesses – proves incapable of providing scientifically valid information on the environmental impact of specific products and the relevance of individual actors along the food supply chain.

Due to the numerous methodological shortcomings of the EIPRO draft report, most of which are admitted by the report itself, CIAA considers that no scientifically valid conclusions can be drawn from this study for further work on IPP. The following main concerns have to be raised:

- The inconsistent mix of different methodologies, levels of aggregation, environmental indicators, product groups, regional and time boundaries produces a fragmented and unreliable patchwork of data.
- As admitted by the EIPRO study and further confirmed by an external review, the existing seven studies show significant methodological shortcomings (see e.g. the ERM review of the Belgian product study). Therefore, no scientifically valid conclusions can be drawn from these studies.
- Moreover, in its interpretation of the results of the seven studies, the EIPRO-report draws unjustified and misleading conclusion on the importance of food and drink products.
- Furthermore, EIPRO's own analysis (the CEDA-EU25 model) shows additional methodological weaknesses which are admitted by the EIPRO-team itself.
- CIAA also raises concerns regarding the general EIPRO-approach of identifying high-impact categories of products. This approach neglects not only the economic and social pillars of sustainable development, but also all other important characteristics of a product, including quality, health, nutritional value, safety, convenience, consumer choice, etc.

a) General methodological shortcomings:

- The conclusions of the study are based on a patchwork of seven existing studies with widely varying methodologies and an additional analysis of the EIPRO-team (the CEDA-EU25 model). The EIPRO-report itself admits that the *"existing studies show important differences in methodologies, goal, scope and system boundaries (region, time perspective, range of products and economic activities considered)."* A comparison of studies with such different methodologies does therefore not allow coherent and sound conclusions.
- More specifically, the different studies apply a different level of aggregation of products which leads to major differences in the size and number of product groups. These groups are hardly comparable and even the EIPRO-report itself admits that substantial *"adaptations"* were necessary to *"improve comparability"*. Given the risk involved in adapting assumptions of existing studies and taking into account the considerable differences remaining in the level of aggregation, no reliable conclusions can be drawn.

- In addition, the EIPRO-report itself admits that *"the used environmental indicators and the way in which they are considered show important differences."* The EIPRO-report states that these indicators are only *"more or less comparable"* since some environmental aspects are covered by all or most of the studies, others only by few or single ones. Even in the comparison of common aspects *"the used indicators are not necessarily identical"*. Given this shady mix of indicators, definitions and methodologies, no valid comparison can be drawn.
- In addition, the scope of covered products differs significantly from study to study. For example, not all studies consider 'food production' as a separate product category. The EIPRO draft report admits that: *"The modelling of food in the study by Labouze et al. (2003) is rather limited compared to that of the other studies. In the study by Nemry et al. (2002) food is not included."* Consequently, conclusions have to be drawn from a smaller number of remaining studies, which again differ in aggregation and environmental indicators. It is clearly impossible to draw scientifically sound findings from this remaining patchwork of data.
- Furthermore, the used studies constitute a mix of bottom-up and top-down approaches based on different methodologies and assumptions.
- Summing up, the EIPRO-study draws on a comparison of studies that are incomparable in their basis characteristics and/or incomplete. On the basis of this methodological patchwork, the drawn conclusions are of marginal scientific value and are thus an unsuitable basis for public policy making.

b) Methodological shortcomings of the seven existing studies:

As admitted by the EIPRO report and as further confirmed by an external review, the existing seven studies show significant methodological shortcomings:

- External Review of the Belgian Product Study:
In its "Review of the Belgian Product Study" (i.e. Nemry et al. (2002)), the external consultancy ERM concluded in 2003: *"The results of the study cannot be described as robust on the basis of the information contained in this report. Consequently the same holds true for the conclusions drawn on the basis of these results (...). The combination of qualitative and quantitative analysis for defining the highest impact categories is inconsistent and to some extent arbitrary (...). This casts a shadow over the conclusions and questions the methodology used for arriving at the final results (...). Concluding we believe that the study is too ambitious, and that in practice too many compromises have had to be made due to lack of data and resources to render the results of this study useful"*.
- Weaknesses admitted by EIPRO: The EIPRO-report itself lists several serious shortcomings related to each study. Two citations further illustrate this point:
 - Study by Dall et al. (2002):
Products: *"For food and beverages, the production is based on simple and quite incomplete model."*
Methodology: *"Generally, the same limitations apply as for the other bottom-up LCA studies: data gaps in process modelling, data missing for some products/services, so assumptions need to be made, adding up substantial uncertainties."*
 - Study by Kok et al. (2003)
Method: *"The applied methodology brings about several uncertainties and, as noted in the report, most of the results have a considerable margin of error and should only be treated as indicative."*
- Additional weaknesses are admitted by the EIPRO-team for three other studies, which adds up to at least six studies out of seven with serious methodological shortcomings. It is therefore impossible to draw scientifically valid conclusions from these studies.

c) Unjustified interpretation of existing studies:

In addition to the general methodological shortcomings of the seven existing studies, the EIPRO-report undertakes unjustified interpretations of the importance that these existing studies attach to food and drink products (F&D). Whereas in certain impact categories of existing studies, the F&D-related data is either incomplete, contradictory or ambiguous, the EIPRO-study in its interpretation (of these studies) ranks F&D products among the clearly most dominant contributors. This inconsistency in interpretation can be demonstrated on the following example:

Acidification: Existing studies produced the following data: :

- Nijdam and Wilting: Food (animal and non-animal): 31% and ranking first;
- Moll et al.: Food products and beverages: only 6% (ranking only 5th)
- Weidema et al.: Meat purchase: 3,4%
- Labouze, 2003: Vegetables: 3%

Despite this ambiguous data, EIPRO concludes that *"agreement exists on the following product groups: personal cars, heating, building structure and food"*. Similar irregularities can be found under the categories resources, energy and smog.

- CIAA disagrees with this misleading interpretation of existing studies, which is then used to draw more general conclusions on the impact of food products. EIPRO tries to suggest agreement where no agreement exists. CIAA insists that the seven existing studies produce contradictory and incomplete data which do not allow scientifically valid conclusions on the importance of products.

d) Methodological shortcomings of EIPRO's own study:

In addition to the shortcoming of the seven existing studies and their interpretation, EIPRO's own analysis (the CEDA-EU25 model) shows additional methodological weaknesses, most of which are admitted by the EIPRO-report itself. The report states that *"because of the difficult data situation and the time limitations of the study, deviations from the ideal model were necessary in the practical implementation"*. EIPRO also admits that *"there is a number of aspects in which CEDA-EU25 model is lacking still and can be improved."* More specifically, the report itself admits the following main methodological problems:

- Technology transfer from the US to the EU: The EIPRO-study states that *"the need to rely on US data which have to be transformed into Europeanised data makes the analysis complicated and detracts from validity and reliability."*
 - Technology transfer from the EU15 to the EU25: EIPRO states that *"the upscaling of EU15 to EU25 is covered with many doubts on how to adequately model the new countries."*
 - *"The main validity problem resides in the lack of precision in the definition of the CEDA categories (low level of aggregation) combined with the lacking correspondence with COICOP-classification (high level of aggregation)".* Solving this problem *"could improve the validity of the model substantially."*
 - Insufficient coverage of the use stage;
 - Insufficient coverage of the waste stage;
 - The lack of data on government expenditure and the need to estimate demand via extrapolation from consumer expenditure.
- Given the numerous admitted weaknesses of the CEDA-EU25 model, it is obvious that this model constitutes an unreliable tool, from which no scientifically valid conclusions can be drawn for public policy making.

e) Generic deficiencies of EIPRO:

Besides the methodological problems and the lack of reliable data, CIAA raises additional concerns regarding the general unsuitability of EIPRO as an information tool for public policy making. The following main problems are inherent in the EIPRO-approach:

Unjustified distinctions:

CIAA raises concerns regarding the general EIPRO-approach of identifying “green” versus “non-green” products. This limited approach neglects not only the economic and social pillars of sustainable development, but also all other important characteristics of a product, including quality, health, nutritional value, safety, convenience, consumer choice, etc.

Lack of valuable data on specific products and actors:

The over-ambitious scope of the EIPRO study in combination with a mix of different questionable methodologies produces a shady patch-work of data that fails to identify environmental impacts of specific products and the relevance of individual actors along the food supply chain. EIPRO thereby disregards the fact that the food supply and consumption chain consists of numerous actors and different spheres of influence and responsibility. The appropriate allocation of responsibility to each stakeholder involved in the supply chain is an essential element that the EIPRO-study completely fails to address due to its methodological weaknesses. The EIPRO-approach is therefore incapable of producing the product-specific information required for concrete policies or industry action. The EIPRO-report itself admits that the model is “*lacking in detail required for specific policies*”.

f) Conclusion:

If one assumes that EIPRO-report with all its methodological shortcomings is the best available research tool currently available, it becomes evident that the academic approach towards IPP – as currently applied by the Commission – does not help to further improve environmental performance of food and drink products and processes.

The EIPRO study proves once more that life-cycle-related initiatives remain best placed with industry which has for many years demonstrated continuous environmental improvement of products and processes. The EIPRO-study confirms that IPP has to remain a voluntary and business-driven management tool.