

Position Paper

Considerations of the German Food Retail Sector on a Voluntary System for Labelling the Environmental Impact of Food Products

Key messages:

- Labelling should be applied to the product and throughout Europe.
- It should be regulated at European level through a voluntary obligatory approach.
- An administrative body should be created and be able to act in the languages of the market.
- A multi-level grading and colour-coded labelling is supported.
- Special solutions should be created for small product packaging.
- Further information could be accessible online, for example.
- The sustainability dimension of an overarching approach should be "ecology".
- The PEF methodology provides a good basis, but should be further developed.
- The environmental performance of organic products should be recognised accordingly.
- In addition, a bonus-malus point system should be established for other relevant aspects (biodiversity, soils, plant protection, sustainability standards, environmental practices of the states, animal feed, regionality, packaging).
- Special categories could be highlighted, for example, via a score value.
- In principle, it should be possible to use secondary data.
- It should be possible to use own primary data to map improvements.
- Comparability and transparency of data should be ensured independently.
- A staged process should allow sufficient time for the transition.

Political background

Initiated by political initiatives at the EU level, such as the Green Deal and the Farm-to-Fork Strategy, concrete projects are on the agenda in Brussels over the coming years. In particular, the creation of a framework for sustainable food systems and the development of sustainability labelling for food are to be mentioned here. A legislative proposal on substantiating environmental claims (green claims) is also to be presented shortly.

Further activities are already underway in EU member states: the French government, for example, is working with partners on a public national measurement and possibly labelling system, a combination of Eco-Score, Planet-Score and Enviroscore. The approach is intended to support consumers in choosing sustainable products and at the same time stimulate more sustainable production. The Dutch government has commissioned Wageningen University to carry out a project with the aim of obtaining an overview of practical experiences with different systems or approaches in order to gather and share this knowledge with the EU Commission as a basis for future harmonisation.

At the national level, the expert opinion of WBAE (German Ministry for Nutrition and Agriculture's scientific advisory board for agricultural policy, nutrition and consumer health protection) and its proposals for the creation of a public federal sustainability label ("umbrella label") should be mentioned. The new WBAE chairperson recently spoke out once again in favour of the creation of a state-run climate label. In addition the coalition agreement of the new German government explicitly mentions and supports the development of criteria for an ecological footprint of food. At the German retail level, one company is already testing the Eco-Score. Individual industrial companies have joined the initiative "Together for Carbon Labelling".

Discussions at food retail sector level

Starting in 2020, initial discussions were held within the committees of the German Food Retail Association (BVLH) on the possibilities of an overarching sustainability label with representatives from the food retail sector. These were followed by the first exploratory talks with representatives of individual German federal ministries (Nutrition and Agriculture (BMEL), Environment and Consumers (BMUV)).

In autumn 2021, BVLH started a structured internal dialogue process with food retail companies on the issue. It was agreed to continue the discussion in detail in-depth working meetings; the aim being to develop a common understanding and agreement on a single approach, scope and methodology (incl. possible data basis) and, if necessary, on the further procedure through an open exchange.

At the most recent meeting, the overarching aspects of sustainability were examined and the large number of criteria critically analysed and reviewed. After clarifying the relevance of the various aspects, the following initial focal points were identified for the project, which are explained in detail below:

From process to relevant dimension

First of all, the process was agreed upon in order to work through the extremely complex topic in a structured and goal-oriented way. Comparing existing approaches (such as Planet-Score, Eco-Score, M-Check, Eco Impact) and considering the comments of the European Consumer Organisation (BEUC) on the topic, the individual sustainability dimensions were first discussed and examined for relevance.

Looking at the major dimensions of sustainability (economy, ecology and social issues), it should first be noted that the dimension of "social issues" should be excluded from an overarching sustainability label, as there are a wide variety of legal requirements at national, European and international level that must always be complied with. In addition, there are voluntary standards, such as Fairtrade, which are used in particular for agricultural commodities from the global South. To include additional criteria in this context would overburden the approach aimed for. However, individual companies are in favour of the possibility of identifying social components as a voluntary option, e.g. with the help of an add-on approach. This could complement labelling in relevant cases.

The topic of "health" has also already been addressed in many ways. While nutritional information is now compulsory for most packaged foods, more and more products are also showing the Nutri-Score label in addition. This voluntary system, which is increasingly being used, enables to compare the nutritional values of foods at a glance. The EU Commission has also already announced that it will present a uniform, mandatory labelling system on this topic. It is therefore to be expected that the topic will be implemented in a harmonised manner throughout the EU.

As far as the topic of "animal welfare" is concerned, this has already been introduced across all sectors in Germany through the *Initiative Tierwohl* (Animal Welfare Initiative). For example, the well-known husbandry compass on animal products (www.haltungsform.de) already offers consumers good orientation when shopping.

As a result of the analysis, it is clear that some of the central dimensions of sustainability, including individual sub-topics, are already regulated or have been taken up and implemented through strong voluntary approaches and initiatives. What remains as an essential dimension of an overarching approach is the "ecology"-pillar with its aspects and thematic fields, which have so far not yet been taken into account entirely.

From methodology to criteria

Once the relevant dimension "ecology" has been identified, the next step is to work out the necessary system elements, approaches and relevant criteria. When considering ecology, the focus is on correlations but also on material cycles. The methodical approach of a Life-Cycle Assessment (LCA) has become established as a common and effective way of looking at these in more detail.

The Product Environmental Footprint (PEF) is also based on the LCA approach. The PEF is still a relatively new method for measuring sustainability performance, which was developed by the EU Commission in cooperation with experts. The PEF - also called "environmental footprint" - stands for a method for life-cycle-based modelling and assessment of the environmental impacts of products through occurring material and energy flows as well as the associated emissions and waste streams.

The PEF impact categories include: Climate Impact (Global Warming Potential), Ozone Depletion, Toxic to Humans: Carcinogenic, Toxic to Humans: Non-Carcinogenic, Particulate Matter, Ionising Radiation, Photochemical Formation of Ozone, Acidification, Eutrophication Land, Eutrophication Freshwater, Eutrophication Marine, Ecotoxicity, Land Use, Water Use, Raw Material Consumption: Minerals and Metals and Fossil Fuel Use.

As already announced the planned EU regulation on green claims is likely to make the PEF approach the basis for specific sustainability claims, which would once again strengthen the importance of the approach. For this, however, it is necessary to close the existing gaps in the Product Environmental Footprint Category Rules (PEFCR). The EU Commission should draw up a roadmap for this. In particular, it should be examined whether EU funding can speed up the drafting process.

Companies in the German food retail sector also consider the PEF approach to be relevant. However, it must also be noted that the PEF method has some shortcomings, i.e., when it comes to the evaluation of products from organic production. The latter in particular are performing worse under PEF in some cases than products from intensive agriculture, which is due to the higher yields per hectare. This example shows that there are still some obstacles to achieving a multidimensional understanding and evaluation of sustainability.

Since the PEF is supported in principle, the question arises as to how additional criteria can be taken into account in order to ensure a more holistic assessment of ecological impacts.

On the one hand one option is to revise and expand the PEF approach, but this would take a lot of time, if not years. If this path is chosen, a close exchange with the actors in France should definitely take place, as reflections are already taking place there to complement and revise the PEF method. In the case of a future EU-initiative, attention should then be paid to uniformity and harmonisation learning from the experiences made with the Nutri-Score-system. On the other hand, additional criteria could also be taken into account via a bonus-malus point system in order to ensure an optimal weighting of the PEF score, the latter being able to be implemented much quicker.

Such a bonus-malus point system would also offer retailers (as well as manufacturers) additional incentives and design options for improving the ecological impacts of their products. In addition, individual criteria which are covered, for example, by private standards stand on their own, are difficult to integrate into the PEF and could be integrated via such a system.

In the end, however, policy-makers, especially at the EU level, must decide how they want to proceed in a meaningful way. Therefore, BVLH and its members decided to focus their current reflections for the time being to specifying the additional criteria needed and are open to further discussions.

Eco-impacts - supplementary criteria

When considering possible criteria that are not yet or not comprehensively enough covered by the PEF, it becomes clear that, from a retail perspective, the first criterion is the climate impact of products. Even if the PEF already covers this in part through categories such as global warming potential and fossil resource use, it should be examined whether other criteria can be added and whether the weighting (e.g. through bonus points) can be increased due to their importance.

The supplementary criteria should definitely include organic production. On the one hand, there are product standards according to the EU requirements for organic production. On the other hand, there are numerous organic farming associations (such as Bioland, Demeter) whose requirements go beyond the EU specifications. Against this background, standards such as EU organic and those of the national organic farming associations should be taken into account. The latter should be classified as of higher value, e.g. within the framework of a bonus system. This is necessary above all because in the classic PEF calculation organic products perform worse than conventionally produced products. This poses challenges for consumer communication in particular.¹

In addition, further criteria complementing the PEF are seen as being relevant, which also contribute to organic farming, but which may have been taken into account by other farming systems and methods. These include measures that protect and improve biodiversity and have positive effects on soils (such as soil health, carbon storage). The reduced use of pesticides should also provide additional bonus points on top of organic farming, as a consideration of these aspects under PEF has so far rather seemed to be indirect. On the other hand, the criterion of fertiliser use is already considered to be sufficiently covered by the PEF with its different impact categories to prevent eutrophication.

Besides organic, however, there are other standards that should be used as supplementary criteria, as they provide additional positive sustainability benefits. These include the Marine Stewardship Council (MSC) for wild fish and the Aquaculture Stewardship Council (ASC). They serve to counteract overfishing, conserve stocks and avoid depletion of biological resources. Other standards are Fairtrade and Rainforest Alliance, whereby in each case only the environmental aspects of the standards (such as the preservation of biodiversity), which are applied in particular in countries of the global South, should be positively included in the assessment.

As far as the consideration of environmental practices of states is concerned, this criterion is rated as relevant and easy to implement (data available). A corresponding list (e.g. via Yale EPI; <https://epi.yale.edu>) is compiled by independent third parties.

If feed is used - whether soy meal from South America, palm oil from the Far East or European protein feed crops - this can have a considerable impact on ecosystems and the climate. There are various standards in use in this context, which contribute to good agricultural practice and, for example, also combat deforestation. Even if their use is limited to livestock production and are already partly covered by the PEF, additional commitment in these fields should definitely be taken into account or merit bonus points.

Currently, the working group "Sustainability of feed in the QS scheme" has been established at national level by the German QS standard body (<https://www.q-s.de/qs-system/qs-system-start.html>). The working group is pursuing the goal of enabling the use of "deforestation-free" soy and palm oil by QS participants in a possibly staged process. It would be conceivable that QS goods could be positively considered as "fed without deforestation" in the future. The

¹ The problem is illustrated by an example from the PEF Dairy Pilot: the cow with pasture grazing scores worse in the PEF than the cow in the modern barn without pasture grazing, which is kept under lower animal welfare criteria. The consumer would be told that the PEF value of organic milk from the German husbandry system (Haltungsform) level 4 („premium“) is worse than that of conventional milk from the lower husbandry system level 2 („indoor housing +“).

QS scheme is also active in the field of antibiotics monitoring, which only has an indirect impact on ecology, but should also be considered in principle.

The criterion of transport or transport distances is essentially already covered by individual PEF impact categories (such as global warming potential, fossil fuels). The aspect of air transport should not be considered separately for the time being, as only sub-areas in the product range (fresh fruits and vegetables, fish) are affected by this. Transport distances could have a positive impact on the assessment, especially in the case of regionality (mono-products or ingredients of regional origin) and lead to an upgrading of the relevant products. At the same time, regionality can also have positive effects on biodiversity (e.g. regional breeds and varieties), which may speak in favour of additionally rewarding regionality with short transport distances.

Packaging is also classified as relevant. Even if partial aspects are already covered by the PEF, the type of packaging - in terms of its recyclability (e.g. as recyclable) - should be mapped and find an additional upgrading (e.g. via bonus points) in the system.

From system elements to ownership

While it still needs to be clarified in principle how the PEF can be supplemented with additional criteria in the sense of a holistic view or whether, if necessary, the introduction of a supplementary bonus-malus system is purposeful, there are further system issues that need to be highlighted.

As far as data are concerned, they should be collected independently and scientifically based and made accessible through a transparent process. Depending on the origin of the goods, corresponding data should be collected regionally, nationally, European or globally.

As far as the role of own data (primary data) and external data (secondary data) is concerned, it should be noted from a retail perspective that for cost reasons alone - due to the considerable breadth and depth of the product range in food retail stores - secondary data should be accepted as a source for information and evaluation. These should be available in sufficient volume and at an adequate detail level, and should of course also be accessible to SMEs.

In addition, food retailers would support having the option to incorporate primary data in order to be able to map improvements in their own supply chains. In this context, it must be clarified how such a calculation should be made. This requires an independent authority to release the primary data, which ensures that the PEFs calculated and modified in this manner are plausible.

In this context the question of possible transparency or possible use of the data and calculations used is crucial. When disclosing details of the primary data, however, care should be taken to ensure that business secrets are protected and, for example, recipes do not have to be disclosed.

In terms of breadth of application, comparability of data should be possible both between product categories (e.g. meat, fruit) and within product categories (e.g. apples, pears). However, it should also be possible to achieve improvements over time in each category (e.g. meat), e.g. in order to create incentives for producers to optimise their products and produce ecologically.

For this purpose, it may also be necessary to make comprehensible differentiations within a category. For example, a concrete score value as the result of calculations could be helpful. This would also allow showing improvements that have been achieved in a transparent manner.

The question of data ownership remains to be discussed. A system owner should be independent and if possible (depending on the system's scope) European and/or national. An administrative body necessary for this should be able to act in all languages. Publicly provided data should of course also be freely accessible. The costs of calculating the secondary data should possibly be borne by the public as relevant for society in general.

Voluntary labelling of environmental impacts

Once the dimensions and criteria have been defined from a German retail perspective, the system elements identified and the ownership determined, the next step is to discuss possible options for labelling the environmental impacts of food. In this context the food retail businesses' focus is particularly on their own brands, for which they have special design options.

From the food retail sector's point of view, it can be stated that possible labelling should be voluntary obligatory and harmonised at European level in order to give companies (users) legal certainty throughout the EU. It would be desirable to have an adaptive system that can ideally be updated or adapted quickly and cost-effectively. Labelling on the product can be helpful to offer consumers more transparency and a choice for more sustainable consumption.

Existing approaches (such as Eco-Score and Planet-Score) offer initial templates for a visual design of the labelling with its respective multi-step approaches and colours, which are supported in principle. The calculation method for determining the sustainability score should be verifiable and comprehensible.

In addition, with regard to the labelling, it can make sense to highlight special categories and to show their degree of fulfilment, for example, via a score value and/or a colour scale.

Also, possible improvements within the sustainability categories of the product could be illustrated, also in case they lie below the main levels. Additional options, such as highlighting a specific improvement, could provide further incentives for manufacturers to make improvements.

It should be noted that an appropriate label may be a challenge due to space constraints. This is also because the label may have to share space on the packaging with other labels. Depending on the size of the score label chosen, it may also not be possible to apply it to every package. For example, the Planet-Score label currently has a width of 4.5 cm. Certain special solutions must therefore be created and defined for small product packaging.

It would be conceivable to make further information accessible via an additional level. Interested consumers could then access this information via a QR code or an app, for example from a website. The effort involved should not exceed the potential benefit, as the information has only been accessed very cautiously up to now.

As far as the introduction of a corresponding labelling system is concerned, this should be done in a gradual multiple stage process and harmonised at European level in order to give the participating companies sufficient time for the implementation, especially of their own brand products. With regard to the necessary transparency and trustworthiness, explanations of the system should be provided by national and European authorities. It should also be explained that sustainability labelling only provides a rough orientation that can never cover all aspects. The value of the organic label should also be maintained.

With regard to labels on other topics, such as the Nutri-Score, a coexistence of the systems should be permissible. They should neither be mutually exclusive nor should there be an obligation to apply both systems to the product. The use of other labels and logos should not be ruled out either.

Concluding remarks

With this contribution, the companies of the German food retail want to present initial considerations on a voluntary labelling system for the environmental impact of food, which should be implemented in a harmonised manner at European level. They see these considerations as a basis for further exchange with political actors at European and national level as well as upstream and downstream.