



The Vital Link in the Food Chain

Mrs Mairead McGuinness
European Commissioner for Financial
Stability, Financial Services and the
Capital Markets Union
Rue de la Loi 200
1049 Brussels

15 December 2020

Dear Commissioner,

Primary Food Processor's position on the Taxonomy Regulation's draft delegated act on climate-related objectives and its annexes

The Primary Food Processors would like to express their deepest concerns following the Commission's publication of the first [draft delegated act and its annexes](#) supplementing [Regulation 2020/852 establishing a framework to facilitate sustainable investments](#), which pose a serious threat to the competitiveness of their sectors and to their ability to contribute towards climate change mitigation and adaptation.

In this letter, we respectfully ask you to remove the references made to the uses of agricultural raw materials for industrial and energy applications such as plastics, biofuels for transport, biowaste and organic chemicals, stating that a key criterion is that *"Food or feed crops are not used as bio-based feedstock for the manufacture"* of these biobased products and ingredients, a key economic activity of the Primary Food Processors.

1. An introduction to the Primary Food Processors value chains

Primary Food Processors (PFP) is an alliance composed of six trade associations, representing manufacturers of sugar, starch, wheat flour, vegetable proteins, cocoa, and vegetable oil and protein meal products, respectively. The principal activity of PFP members is to process agricultural raw materials into a range of commodities and ingredients that are purchased by secondary processors for food, feed, and industrial and energy uses. The primary food processing industry uses around 220 million tonnes of agricultural raw commodities annually, directly employs over 120,000 people in the EU and provides one million indirect jobs.

The unique position of the PFP sectors as a key link in the supply chain puts PFP at the centre of a number of major developments that will shape the future of the primary food processing industry itself, and also of EU agriculture. To achieve the EU green deal target of climate neutrality by 2050, it is key not only to end fossil fuel use but also to step out of use of fossil



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carbon for the production of consumer goods. Replacing fossil-carbon by plant-based carbon is both a sustainable and a very cost-effective option to contribute to the EU Council's 55% reduction target of GHG emissions. PFP products substitute fossil-based ingredients with renewable ones, and hence contribute to the development of the EU bioeconomy.

Striving for resource efficiency, PFP have a long history of processing agricultural raw materials and of separating all of their valuable components for use in food, feed and industrial applications, thereby producing no food waste. PFP processes optimise the valorisation of raw materials by producing a wide range of products, whose industrial applications include e.g. detergents, cosmetics, bioplastics, lubricants, fuels, paper, paint and pharmaceuticals.

We would like to point out that biorefineries are the cornerstone of the EU bioeconomy valorising biomass, by- and co- products and waste feedstocks into added-value bio-based products that substitute fossil resources. In the bioeconomy, land use and food security are optimised through a sustainable, resource-efficient and almost zero-waste utilisation of Europe's renewable raw materials, therefore contributing significantly to a circular economy. The bioeconomy offers huge potential to tackle societal challenges such as resource efficiency, climate change, enhancing European sustainability and value creation. According to the Commission's Joint Research Centre's fact sheet, "the European bioeconomy generates a turnover estimated at around 2 trillion euros and employs more than 17 million of persons"¹. It plays an important role in boosting Europe's competitiveness by revitalising rural areas, thus providing growth and jobs over the next decades.

2. Consistency with other EU policies

EU Regulation 2020/852 itself, which is intended to be supplemented by the delegated act, also states that when establishing and updating the technical screening criteria, the Commission should take into account "relevant Union law".

Despite this, we note the following inconsistencies and contradictions between the consequences of this draft delegated act if no changes are made, and EU statements and policies:

- In February 2019, the EU Commission's [long-term strategy for decarbonisation](#) highlighted the essential and increasing role the EU bioeconomy must play in reducing greenhouse gas emissions. Today, the officials from DG Climate Action are emphasizing the role of bioeconomy when climate neutrality is achieved in 2050. Our concern is that, by setting parallel standards in the taxonomy regulation for bioeconomy activities, the whole sector will not be able to fulfil the role the Commission is planning for it in 2050.

¹ Page 2, [The Bioeconomy in the European Union in numbers, Facts and figures on biomass, turnover and employment](#)

- In March 2020, the Circular Economy Action Plan highlighted “supporting the sustainable and circular bio-based sector through the implementation of the Bioeconomy Action Plan”: the 2018 Commission’s communication to the European Parliament, the Council, ECOSOC and Council of the Regions was entitled [A sustainable Bioeconomy for Europe: Strengthening the connection between economy, society and the environment](#).
- On the same day of the publication of the draft delegated act, the Commission published its Factsheet about [How the bioeconomy contributes to the European Green Deal](#), presented as follows: “The bioeconomy, as a catalyst for systemic change, tackles the economic, social and environmental aspects of the Green Deal, seeking new ways of producing and consuming resources while respecting our planetary boundaries and moving away from a linear economy based on extensive use of fossil and mineral resources.”
- In addition, we note that the draft is in contradiction with existing EU policies dealing with sustainability:
 - The current and future Common Agriculture Policy, where taxonomy adds another layer of criteria to the various environmental impact indicators that Member States will have to deliver on as part of the post-2022 CAP
 - The developments under the Farm to Fork Strategy
 - The Renewable Energy Directive post-2020 (RED II)
 - The [Bio-Based Industries Joint Undertaking](#) – the €3.7 billion Public-Private Partnership between the EU and the Bio-based Industries Consortium with a impressive success rate in structuring bioeconomy value chains with e.o. SMEs and academia – and its continuation into Circular Biobased Europe as from 2021.
- Furthermore, we have additional concerns about the usability of the criteria, and the availability of data necessary for the implementation of the draft delegated act.

3. Better regulation – the draft delegated act goes beyond its supplementing role

Considering the Better Regulation principle that “*the delegated act cannot change the essential elements of the law*”, we clearly perceive that the Commission is misusing its power, to regulate issues of high importance and to determine whether or not, for investment purposes, an economic activity is sustainable or does significant harm to the environment.

We would like to underline that the recommendations that are included into the delegated act derive from the work of the Technical Expert Group (TEG) which lacked technical and legislative knowledge of EU sectors. We also regret that PFP sectors are not represented in the newly-

created advisory body, the EU Platform for Sustainable Finance, despite a high level of interest and an application put forward on 15 July 2020.

PFP would like to express their deepest concerns that none of the agri-food supply chain associations or their bioeconomy outlets are considered relevant enough to have a voice in the debate that will affect their members in two ways: access to finance and access to the supply of EU agricultural raw materials. By way of reminder, in its annexes, the TEG report clearly identifies “the potential for agricultural production to enable substantial mitigation in other sectors”, notably the bioeconomy and asks the future platform “to consider this aspect further to determine whether and under what circumstances these or alternative criteria for (some) agricultural production or producers might be appropriate in light of potential substantial contributions they can enable in downstream economic activities that are part of the bioeconomy”².

All the outlets of the bioeconomy are instrumental in preserving the competitiveness of its industries and their suppliers; blocking the use of renewable raw materials in some of them, puts the entire value chain at stake. Sustainability with its three pillars - environmental, economic and social - has for long been central and reflected in the Union project, the Treaty on European Union and the Treaty of the Functioning of the European Union (TFEU). This is also stressed in the Regulation (EU) 2019/2088 on the establishment of a framework to facilitate sustainable investment. The absence of PFP sectors’ representatives within the TEG and the EU Platform is both unacceptable and detrimental to a correct legislative formulation of the delegated act and the ones that will follow.

4. Our assessment of the draft delegated act’s impact on the PFP supply chains

Our assessment of the impact is that large parts of the EU bioeconomy risk being considered as unsustainable for taxonomy purposes, even though their primary purpose is to produce, process and add value to renewable resources as feedstock for making innovative, value-added everyday products and materials. The bioeconomy does not fall under one particular NACE code; instead, its sectors fall either wholly or partly under various NACE codes. Annex I of the draft delegated act refers to the uses of agricultural raw materials for industrial and energy applications such as plastics, biofuels for transport, biowaste & organic chemicals, stating that a key criterion is that “*Food or feed crops are not used as bio-based feedstock for the manufacture*” of these biobased products and ingredients.

² Page 104, [Technical annex](#) to the Taxonomy report of the Technical Expert Group on Sustainable Finance, issued in March 2020

This is of great concern to PFP because of the repercussions such wording would have in terms of investments and forthcoming policies. Indeed, we see taxonomy being referred to as a tool by many, either on a voluntary or mandatory basis. While this could be considered initially as a positive development, as we believe the bioeconomy to be instrumental in achieving the European Green Deal objectives, the eradication of those bioeconomy outlets from the positive taxonomy is problematic.

In this spirit, we would be grateful if you could share some elements of the impact assessment that led to the consideration that the use of renewable raw materials (e.g. food and feed crops) are detrimental per se, and where the alternatives to fossil-based feedstock lie to deliver circularity in materials.

For all the afore-mentioned reasons, PFP asks to delete the following sentences in Annex I of the draft delegated act:

- **Page 89 (Manufacture of organic base chemicals): “Food or feed crops are not used as bio-based feedstock for the manufacture of organic base chemicals”**
- **Page 95 (Manufacture of plastics in primary form): “Food or feed crops not used as bio-based feedstock for the manufacture of plastic in primary form”**
- **Page 126: “Food and feed crops are not used in the activity for the manufacture of biofuels used in transport”**
- **Page 164 (Anaerobic digestion of bio-waste): “such other input material may not include food or feed crops”.**

We hope that our concerns on the first [draft delegated act and its annexes](#) supplementing [Regulation 2020/852 establishing a framework to facilitate sustainable investments](#) will be taken on board.

Yours sincerely,



Christophe Rupp-Dahlem
Primary Food Processors President

Copy: Commissioners Breton, Gabriel, and Wojciechowski