

## REPORT & RECOMMENDATIONS

### (virtual) 6<sup>th</sup> MEETING

20 April 2021

The tripartite, independent High Level Group on Biosphere Economy Innovation continued to ‘think outside-the-box’ on how to innovate agriculture and forestry policy-making in the EU. This task was given to these public-private sectors’ think tanks, set up following an initiative in the Competitiveness Council.<sup>1</sup> The High Level Groups are an ‘open innovation’ approach between governments, business and academia, to inject innovative policy ideas into the EU system.<sup>2</sup>

The chairman José Silva Rodriguez welcomed a large attendance, and in particular a couple of new members and the experts introducing the discussion topics. He presented the two key topics, which are more related than it may appear at first sight: the meat production sector and the forest sector, both with introductory presentations, which were much appreciated. Both sectors pose specific challenges to the biosphere and climate and the solutions cannot be seen independently.

Regarding forestry, it should be seen as increasingly more important due to its global contribution to biodiversity, the public health benefits and climate change mitigation. The HLG notes that a new forest strategy is being developed in Europe and it should be a holistic one, taking fully into account new contextual conditions.

## RECOMMENDATIONS

### Meat Sector

- When regulating the meat sector, it is essential to consider the whole process of public policy from design to implementation, evaluation and revision.
- Climate-neutral production and maintenance of nutritional standards for consumers can be both achieved through increased research and technology development, and through speeding up the introduction of the technologies in the market. The EU should set technical standards and then facilitate the internal use and export of the technologies themselves, instead of seeing the technological knowledge migrate to its competitors.

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<sup>1</sup> Council of the EU, 5-6 December 2011, Presidency Note.

<sup>2</sup> Members participate in their personal capacity. All recommendations for action and all ideas for further consideration have not always been agreed on by all members, but advice is based on a very wide consensus. The final version is written under responsibility of the chairman and the secretary general.

- the implementation of the Farm to Fork Strategy should give greater importance to this by amending financial instruments. Member States can help farmers by adapting their financial and fiscal architecture.
- The EU trade policy should take more account of internal strategic objectives. It will be impossible to internalise external costs unless distorting market conditions for EU producers facing international value chains are simultaneously addressed. European farmers should be able to benefit from global market evolutions without compromising public goods in Europe.
- A key issue is the use of land. The legal division of competences in the EU should not prevent a coherent and comprehensive discussion during policy preparation. A peer review mechanism, modelled on the semester evaluation in the Eurozone, can be helpful to align the strategic directions without infringing on existing competences.
- The legislation on novel molecular breeding technologies should be reviewed in the light of experiences in other continents and taking into account the rapid evolution of biosciences and green tech and the potential benefits of their scale-up in Europe. Public values must be protected without creating unnecessary constraints to innovations in Europe.

### **Forest strategy**

- The review of the forest strategy needs to be done taking into account the interconnectivity in the entire biosphere and based on scientific evidence: a short-term focus on minimizing deforestation should not prevent a long-term approach which includes in a fair and balanced way the whole complexity of forests and their multiple roles including their socio-economic functions.
- Forestry is rapidly becoming such an important inclusive sector that the Commission should consider seriously setting it up under a new directorate general, like for agriculture and fisheries. The fact that competences are shared should not be an obstacle. A peer review mechanism, modelled on the semester evaluation in the Eurozone, can be helpful to align the strategic directions without infringing on existing competences.
- To halt global deforestation, the EU needs to conduct a comprehensive review of existing policies and to re-design them as needed, rather than duplicating efforts. This must be done in cooperation with stakeholders (the open method of coordination/community governance method), including the economic operators which have deep practical insights into the value chains in global markets.
- The space satellite monitoring technology development under the Copernicus program offers opportunity for the evidence-based future forest policy and transparency globally. Regulations based on scientific evidence such as provided by Copernicus can better ensure appropriate handling of public goods with high cost-effectiveness.
- The forest strategy should serve as contribution also for African countries (or the AU under the Malabo Declaration) wishing to develop their own forest strategy, taking into account their own needs and conditions for sustainable management and biodiversity.

## **Challenges to the meat sector**

In order to design effective public policies, it is necessary to consider the multiple dimensions of people's diets (e.g., nutrition, impacts on climate, biodiversity, ecosystems, natural resource use, health and welfare of people and animals, livelihoods and inclusive development). How should one use incentives and disincentives in the food system to achieve desired outcomes, in the face of uncertainty about consumer reactions and the complex impacts which these interventions may have. In addition, different social-cultural influences play a role, as well as ethical considerations about animal welfare and future generations.

Consumers cannot be expected to make everyday choices by deliberating on scientific evidence, but policy makers should. Therefore, it is essential to consider all stages of the policy process from design to implementation, evaluation and revision; however, given the multi-layered and multi-sector EU system and its overlapping policy processes, this poses particular challenges for coordination and coherence.

It is essential to stimulate the use of available new technologies to maintain public goods and achieve public values as well as to invest in further research for these purposes. Through accelerated adoption of technological and social innovations for the various species of agricultural animals, meat producers should be able to meet new societal needs and more demanding standards while still making a realistic return on investment (RoI). Such focus on innovation in animal production can go hand in hand with supporting other roles of agriculture, such as landscape and biodiversity conservation, as shown for example in Switzerland. The EU should set technical standards and then facilitate the internal use and export of the technologies and methods, instead of seeing the technological knowledge migrate to its competitors. Declining technology costs and a coordinated support structure would also create more favourable conditions for family farms.

Unfortunately, the introduction of new technologies in the EU is often delayed by the rigidity or complexity, or both, of the regulatory architecture. While the ultimate goal is that technological solutions and framework conditions need to enable innovation, the value chain from research to innovation is still not functioning as fluently as in competitor economies (USA or China), and the leakage of research results continues, for various reasons, not least the lack of venture capital.

Another essential element is to frame the discussion about the sector's future in the right way: how can external costs be internalised without distorting market conditions for EU producers facing international value chains and competition. Whereas meat demand in Europe may decline, it is increasing in the rest of the world, which has also an effect on feed production. Reduction of meat production in Europe will only lead to increase of production elsewhere, often with lower standards of animal welfare and higher emissions.

Globalisation of trade bring benefits, but there should be evenly distributed over all stakeholders. Over time it is unavoidable/necessary that the price of meat incorporates all costs. This will require careful thinking about social inequality inside the EU and about reciprocity in international trade.<sup>3</sup>

The role of public goods is another important dimension. There are hidden costs in the price of meat, such as pollution by nitrates. But methane should equally be feared, because it leads to short-term effects on global warming (and melting of ice) and it is therefore potentially more dangerous than the long-term effects of CO2 emissions. Decision making in biosphere matters is complex and requires a good analysis of the contextual conditions and scientific evidence to identify areas where technology could help.

It is the role of legislators to take care of public goods, but in a way which does not disfavour own meat producers or fuels distortions outside the EU. The location of production is not automatically identical to the locations of harm from emissions; these are global. To ensure a level playing field, it is important to use a consistent measurement system. All this is a task for legislators, it is not useful to overload consumers with information about these issues.

The biosphere interlinkages must lead to a focus on land. There is increasing competition between its various uses, not just for biodiversity, agriculture, or forestry, but also for energy (for example wind farms), in addition to its uses for infrastructure and building. But there are growing gaps between the economic performance of land for these various uses.

An ecologically sustainable biosphere economy in Europe is made more difficult by the application of GMO regulation to novel technologies based on new biosciences which were not known at the time of legislation. The ECJ decision to subsume new molecular breeding technologies creates significant barriers to their application in the EU; while it may have been legally correct, it was a result of too slow adaptation of regulatory frameworks to scientific evolution. A more pragmatic framework that protects the public interest while avoiding multiple negative collateral effects is urgently needed. The EU should be more in tune with the evolution in the Member States, including the views of stakeholders across the political spectrum.

Among the unintended effects of the current regulation is the conflict between the environment and economies of scale. Large farms can more easily afford new technologies. But if these technologies would spread more widely, the price could decline and small, family farms could become more competitive. A more pragmatic framework should ensure that Europe can play a leading role in promising innovations, for example cultured meat.

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<sup>3</sup> The HLG on Trade Policy Innovation argued in its 2019 report to the EU Trade Policy Committee that the collateral effects of trade need to be taken into account better, including ecological and social ones, and benefits should not accrue to just one set of stakeholders.

## **The forest sector and Europe's forest strategy**

The HLG had brought the meat and forest sectors together in the meeting to emphasize the interconnectivity in the biosphere economy and therefore the need for scientific evidence at the one hand, overcoming silo thinking, and policy making at the other. A short-term focus on minimizing deforestation should not prevent a long-term approach which includes in a fair and balanced way the whole complexity of forests and their multiple roles, including their socio-economic function.

The new strategy should strive to protect but also to restore forests in order to ensure the benefits of forests throughout the EU. It should also protect the remaining primary forests globally. In addition to prevention of disasters (such as fire, climate stress, diseases and pest pressure) and illegal exploitation, the future policy must include an integrative one-health dimension. However, public good objectives must go hand in hand with sustainable management of forests which have multiple productive functions, from biomaterials to recreation and job creation in rural areas.

The realisation of a comprehensive and coherent policy for Europe's forest can be hindered by the tension from the current and future division of competences between the EU and the Member States. It is important therefore to give equal importance to objectives and delivery, and establish trust among the stakeholders. This may require seeking a clever combination of the two methods of governance currently available (the so-called Community method and the Open Method of Coordination) and to modernise them with the help of new digital technologies.<sup>4</sup>

The preparation of a new EU forest policy is making a first step in the direction of becoming more inclusive by involving three different Commission's directorates general. This is probably not enough, however, as research and technology investments are at least as important for innovation and problem solving than regulation to protect the forests. Indeed, while there are some innovation gaps inside the EU (for example in recycling market organisation), in the forest one the industry is leading in terms of sustainability.

Given the global value chains, trade aspects should not be overlooked either. Sustainable use of forests is a key element for the bioeconomy (a concept which has become too much associated with 'bioproducts'), as they are fundamental for biodiversity protection and to achieve climate neutrality; therefore, forest restoration must also be included as priority on the agenda.

While there is some reforestation in Europe, the rate of deforestation of tropical forests, driven by land use for grazing, for feed or biofuel production, is truly alarming, with roughly 30 soccer fields of forest lost every minute. The EU, after China, is the second largest contributor to global deforestation.

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<sup>4</sup> HLG workshop on public sector innovation, 2016

To halt this global deforestation, one needs to re-visit existing policies and re-design them as needed rather than duplicating efforts. The proposed due diligence requirements to be announced shortly as legislative proposal of the Commission need to take stock of the EU Timber Regulation (EUTR) which can work well and be extended to other areas.

Satellite images show clearly the link between agriculture expansion, infrastructure development and the rise of deforestation in many territories including increasingly in central Africa. Satellite technology development under EC's and ESA's Copernicus program with mainly environmental and security purposes offers much opportunity for the evidence based future forest policy and enhanced transparency and accountability for critical forest and land use changes, not only in the EU but globally. This requires effective measures in trade agreements and a comprehensive approach in the future Partnership with Africa. What can be measured, can be indeed managed and regulated. Regulations based on scientific evidence can more easily combine the need of ensuring public goods with cost-effectiveness.

The forest sector is not only key for the environment, but also a very large direct job creator, in particular in rural areas where often few alternatives exist. Forest policy should therefore combine the two goals of a healthy ecology and a competitive economy, and clever combinations of research and technology with forward looking regulation can achieve such double win. This is even more important because there is a shift to wood as a more ecologically friendly material than fossil fuel derived materials. But this poses a supply problem and risks to drive deforestation even more unless a new sustainable model is guaranteed. The Sustainable Forestry Management is universally applicable and needs to be increased from the current cover rate of area in Europe (around 60 percent) and globally (around 40 percent).

In addition, the question arises how to deal with trees in food production systems, which traditionally are not seen as forests but which share similar positive functions. This is another reason to strive for inclusive policy making, focussed on targets to be achieved, not on pre-existing procedures such as the funding methods of the CAP. This raises again the issue of territoriality and the need to take more account of geographic diversity, which the HLG addressed previously.<sup>5</sup>

Also, when comparing the framework conditions of 2013 when the previous EU forest strategy was announced, and today, we experienced a systematic change, which puts forests under consideration alongside regional and rural areas and there needs to be involvement of a large number and array of stakeholders to build the needed trust, backed by new types of regional advisory services.

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<sup>5</sup> HLG on Biosphere Economy, report of 11 December 2019

The link to the proposed Farm to Fork Strategy and the Biodiversity strategy are therefore important, but their different elaboration timescales should not lead to incoherence in targets and methods. One should not shy away from 'strategic agility,' and adapt each of these strategies whenever needed. This will help to take proper account of the social and indeed cultural dimensions of these policies.

One should also not overlook the increasingly important role of forests for public health. This HLG mentioned before that many recent epidemics and pandemics originate from deforestation. There is scientific evidence that landscape degradation and mass deforestation are important causal drivers of Emerging Infectious Diseases (EIDs). Since 1960, around 60% of EIDs have originated in animals, e.g. typically zoonotic (cross-species) viruses that can be shared and transmitted to humans.<sup>6</sup> Biodiversity decline plays a key role in human health risk increase. Forest health itself is under threat, due to monoculture and deteriorating climate conditions, although the former has been now increasingly replaced by diverse forests under the SFM. In addition, forest restoration should enable the multiple functions of forests and the next decade should become one of social and ecological restoration – the importance of the social and cultural dimension of forests cannot be underestimated.

However, the objective of a circular economy needs transition mechanisms and funding. This is essential, as is the goal to avoid economic and employment disturbance or investment and production leakage. The effective social transition mechanisms of the ECSC can provide inspiration for new contemporary models to manage the collateral effects of deep transition.

However, the best way to avoid disruption is to ensure that ecology and economy are intelligently combined, with the help of new technologies, new business models and social innovations. Carbon farming can become an interesting model, provided that there is a sufficient return on investment. In any case, enhancing forest sinks should not deviate attention from the primary goal of reducing emissions from fossil fuels. It should be seen as an additional goal, and much needed to achieve the Paris Climate agreement goals.

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<sup>6</sup> HLG on Biosphere Economy, report of 11 June 2020, [www.highlevelgroup.eu](http://www.highlevelgroup.eu)

INDEPENDENT & TRIPARTITE

High Level Group

**Biosphere Economy Innovation**