

The EU Green Deal - How will it impact my business?

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Climate change and biodiversity loss are a threat to life on this planet. To tackle this dire situation, the European Commission launched the European Green Deal (EGD) in 2019. The EGD is a set of proposals that aim to reduce greenhouse gas emissions and minimise the use of resources while achieving economic growth. This means that products sold on the EU market will need to meet higher sustainability standards. If you export to the EU, you will want to be informed about the possible impacts of the EGD on your businesses and prepare yourself.

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1. What is the European Green Deal?

The European Green Deal (EGD) is the European Union's (EU) response to the global climate emergency. The EGD is a [package of policies](#) that define Europe's strategy to reach net zero emissions and become a resource-efficient economy by 2050. All sectors of the economy will be affected by the EGD, including agriculture, industry, services, energy, finance, transport and construction. As such, the EGD includes key policies and measures such as the Farm to Fork Strategy and the New Circular Economy Action Plan.

The EGD policies will likely change the way goods are produced and consumed. This means that goods sold on the EU market, including imports from third countries, will have to meet higher environmental and sustainability standards. Many policies have already been passed since the launch of the EGD, and some important decisions will be made in the coming year. Still, little is known about how and when the implementation of these policies will take place, but it is nonetheless important to learn about the objectives of the EGD to be prepared to comply with higher standards.

A blueprint for a carbon-neutral Europe

The EGD is a far-reaching plan to make Europe climate neutral by 2050. The first step to achieve this is reducing greenhouse gas (GHG) emissions by at least [57% by 2030 \(compared to 1990 levels\)](#) to improve the well-being and health of citizens now and for future generations. The EGD outlines investments needed and financing tools available to achieve a climate transition. In some areas, the EGD is also proposing new and improved policies to ensure this transition.

Ambitious goals

One of the aims of the EGD is to protect European citizens against the impacts of climate change. To do this, the EGD has set ambitious goals to preserve, maintain and improve the EU's natural resources, land, and ecosystems. To achieve those goals, the European Commission has set up the European Green Deal Investment Plan (EGDIP) (also known as the Sustainable Europe Investment Plan - SEIP). It aims to [mobilise at least €1 trillion](#) in sustainable investments before 2030.

Another goal of the EGD is to make Europe a frontrunner in global climate action. To achieve this goal, the EU is engaging its allies and trade partners worldwide. Moreover, the EU recognises that there will be some regions, industries and workers that will find it more difficult to make this transition. To mitigate these impacts, the Commission has issued [policy guidance](#) to complement the package on delivering the EGD.

Key elements of the EGD

On [11 December 2019](#), the European Green Deal was presented by the European Commission and on 14 July 2021, the [first set of legislative proposals](#) was launched. These proposals include both binding and voluntary measures, ranging from a [European Climate Law](#) to establishing and developing cross-cutting strategies to catalyse the transition in aspects of economic importance such as aviation, energy, industry, mobility, land use, forestry and agriculture.

Key elements of the EGD

The EGD consist of the following [policy areas](#):

1. A higher level of EU climate ambition for 2030 and 2050.
2. Achieve zero pollution in an environment without toxic substances.
3. Clean, affordable, and safe energy supply.
4. Preservation and restoration of ecosystems and biodiversity.
5. Industry mobilisation for a clean and sustainable economy (Circular Economy Action Plan).
6. Achievement of a fair, healthy, and environmentally friendly food system (Farm to Fork strategy).
7. Efficient use of energy and resources in construction and renovation.
8. Acceleration of the transition to sustainable and smart mobility.

2. What is the Farm to Fork Strategy?

The Farm to Fork Strategy (F2F) is a set of regulatory and non-regulatory initiatives to make Europe climate neutral by 2050. F2F seeks to address the climate crisis by championing a fair, healthy and environmentally-friendly food system for all Europeans.

F2F was launched on 20 May 2020 for the purpose of reducing the environmental and climate footprint of Europe's food system, and to reverse biodiversity loss. To achieve this goal, F2F will implement actions to reduce food waste and ensure that there is a sufficient and affordable supply of foods for Europe's citizens, while also securing the EU's global competitiveness and assuring that food producers get a fair price for their products (Figure 1).

Figure 1: The Farm to Fork (F2F) strategy in short



Source: European Commission (n.d.)

Main targets of the F2F

F2F has set 5 main targets to be reached by 2030:

- Reduce the use and risk of chemical pesticides by 50%.
- Reduce nutrient losses by at least 50%.
- Reduce fertiliser use by at least 20%.
- Reduce sales of antibiotics for farm animals by 50%.
- Organic farming area is to reach at least 25% of the total arable land.

The actions required to realise the objectives of F2F include revising many existing regulatory instruments for the food and agriculture sector, as well as the creation of new rules and the improvement of coordination tools within the EU (Table 1). The Commission also proposed promotion programmes that establish a sustainable food labelling system (Table 2 and Table 3), a public procurement of organic products and the adoption of an [Organic Action Plan 2020-2026](#).

Table 1: Sustainable food production actions to deliver the Farm to Fork Strategy

Relevant implementation actions	Timeline	Impacted CBI sectors
EU Guidelines on Aquaculture	Published: Q2 2021	Fish and seafood
The new Common Agricultural Policy	Adoption: Q3 2021 Transitional period: 2021-2022 Implementation: Q1 2023	Agricultural and Forestry sectors
Biopesticides – approval criteria for microbial active substances	Adoption: Q3 2022	Agricultural sector
Revision of the existing animal welfare legislation, including on transport and slaughter	Adoption: Q3 2023	Apparel, home decoration and home textiles
Revision of Sustainable Use of Pesticides Directive	Adoption: Q2 2022	Agricultural sector
EU Strategy on Algae (Blue bioeconomy)	Adoption: Q4 2022	Natural ingredients and Fish and seafood sector

Action plan for integrated nutrient management to reduce pollution from fertilisers	Adoption planned: Q4 2022	Agricultural and Forestry sectors
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Note: "Relevant policies and legislation" means relevant to the CBI sectors covered in this research and relevant to production/trade in non-EU countries

Table 2: Ethical food production actions to deliver the Farm to Fork Strategy

Relevant implementation actions	Timeline	Impacted CBI sectors
Initiative to improve the corporate governance framework (integrate sustainability into corporate strategies)	Adoption delayed: Q2 2022	Agricultural, Fishery and Forestry sectors
EU Code of Conduct on Responsible Food Business and Marketing Practices	Implementation: Q2 2021	Tourism, Agricultural, Fishery and Forestry sectors
Revision of EU geographical indications scheme (to tackle food fraud)	Adoption delayed: Q2 2022	Agricultural, Fishery and Forestry sectors

Note: "Relevant policies and legislation" means relevant to the CBI sectors covered in this research and relevant to production/trade in non-EU countries

Table 3: Nutrient content, food safety and labelling actions to deliver the Farm to Fork Strategy

Relevant implementation actions	Timeline	Impacted CBI sectors
Revision of rules on information provided to consumers	Adoption delayed: Q4 2022	Agricultural, Fishery and Forestry sectors
Proposal for harmonised mandatory front-of-pack nutrition labelling to enable consumers' health-conscious food choices	Publication delayed: Q4 2022	Agricultural, Fishery and Forestry sectors

Revision of EU marketing standards for agricultural, fishery and aquaculture products (ensure uptake and supply of sustainable products)	Feedback on adoption delayed: originally planned for Q2 2022	Agricultural, Fishery and Forestry sectors
Revision of EU legislation on Food Contact Materials (food safety and environmental footprint)	Q2 2023	Agricultural, Fishery and Forestry sectors
Set nutrient profiles to restrict promotion of high salt, sugar or fat content	Q4 2022	Agricultural, Fishery and Forestry sectors
Revision of legislation for plants produced by certain new genomic techniques	Q2 2023	Agricultural and Forestry sectors

Note: “Relevant policies and legislation” means relevant to the CBI sectors covered in this research and relevant to production/trade in non-EU countries

From tropical fruits and spices, to grains, oils and animal feed; the EU food system depends on global supply chains. Therefore, to realise the objectives of F2F, EU trade policy will [boost cooperation](#) with countries outside the EU to improve nutrition and to alleviate food insecurity by strengthening the resilience of food systems to climate change and reducing food waste.

Areas of international cooperation will include:

- Food research and innovation; with particular reference to climate change adaptation and mitigation;
- Agroecology;
- Sustainable landscape management and land governance;
- Conservation and sustainable use of biodiversity;
- Inclusive and fair value chains;
- Prevention of and response to food crises, especially in fragile contexts;
- Resilience and risk preparedness;
- Integrated pest management;
- Plant and animal health and welfare;
- Food safety standards,
- Antimicrobial resistance; and
- Sustainability embedded in humanitarian and development interventions.

Moreover, the EU’s cooperation strategy in the context of F2F will focus on obtaining ambitious commitments from third countries in key areas such as animal welfare, the use of pesticides, and the fight against antimicrobial resistance.

Laws and initiatives of relevance to CBI sectors have been proposed since F2F was published. To date, these are:

New Common Agricultural Policy (CAP)

The New Common Agricultural Policy (CAP) will enter into force in 2023. Building on the existing Common Agricultural Policy, the aim of the New CAP is to promote sustainable and competitive agriculture that can support the livelihoods of farmers and provide healthy and sustainable food for society. Compared with the previous CAP, the New Common Agricultural Policy sets stricter goals to deliver the objectives of the EGD:

- An obligation to set higher ambitions on environment and climate action;
- Alignment of national CAP strategic plans with the targets of the EGD;
- EU farmers entitled to subsidies will have to meet stronger mandatory requirements (such as a higher percentage of arable land dedicated to biodiversity);
- At least 25% of the budget for subsidies will be allocated to eco-schemes, providing stronger incentives for climate and environment-friendly farming practices and approaches as well as animal welfare improvements;
- At least 35% of funds will be allocated to measures to combat climate change and support biodiversity, the environment and animal welfare;
- In the fruit and vegetables sector, operational programmes will allocate at least 15% of their expenditure towards the environment (compared to 10% in the previous CAP);
- 40% of the CAP budget will have to be climate relevant and strongly support the general commitment to dedicate 10% of the EU budget to biodiversity objectives.

The New Common Agricultural Policy will be tailored by EU Member States into national programmes, and these will be guided by the Farm to Fork Strategy and the Biodiversity Strategy. Like the previous CAP, the New Common Agricultural Policy is focused on the EU agricultural sector – although EU agriculture impacts the agricultural sector globally. As such, the impact of this policy on SMEs in developing countries will be related to the regulations and actions of F2F and other relevant policy areas of the EGD. In this context, SMEs exporting to the EU will have to lower their use of pesticides and chemical fertilisers, improve the conditions of farmed animals, and comply with stricter labelling regulations.

Tip:

Read the UN's view on the potential [positive impacts of EU policies on African farmers](#).

New organics legislation

The new Regulation on Organic Production and Labelling of Organic Products (also called the new organics legislation) entered into force on January 1, 2022. Apart from the general labelling requirements that exist for all food products, additional rules apply to labelling of organic products and raw materials.

The aim of the new organics legislation is to strengthen the control system, helping to further build consumer confidence in the EU organics system. It is supported by the action plan for organic production in the EU, which was launched by the European Commission in March 2021. The requirements of the New EU Organic Regulation will apply to imports from third countries with a 1-1.5-year delay, compared to the EU.

The EU regulations on organic farming are designed to provide a clear structure for the production of organic goods across the whole of the EU. This is to satisfy consumer demand for trustworthy organic products while providing a fair marketplace for producers, distributors and marketers.

Imported organic food is also subject to control procedures to guarantee that it has been produced and shipped in accordance with organic principles.

In this context, changes to the new organics legislation include:

- The scope of production rules has been expanded to include secondary agricultural products such as beeswax, sea salt, wool and others.
- Engineered nanomaterials are not allowed in organic products.
- Mandatory models are to be followed, for both EU and non-EU operators, to obtain an organic certificate.
- New rules apply for group certification. These new rules are very detailed with some significant changes for operators in developing countries.
- The rules on 'Labelling' in the new organics regulation will not only cover the label on the product, but apply to all statements, indications, trademarks, trade names, pictures or signs concerning a product on packaging, documents, signs, labels, rings or bands accompanying or referring to that product.
- Using terms such as organic and ecological (or shorter terms like 'bio' and 'eco'), will only be permitted if the product is certified organic. Likewise, producers must observe that product packaging design is not too similar to the colours (green and white) and shapes (leaf) of the EU Bio logo, as this could mislead consumers into believing a product is organic.
- Labels for organic products entering the EU market must include the code number of the control body to which the producer is subject and the place where the agricultural raw materials of which the product is composed were grown (e.g., EU/non-EU agriculture and whether the product and its raw materials were partially or entirely produced in third countries).

Tips:

Learn about the main changes brought by the new organics regulation by reading [this article](#) by IFOAM.

Read [CBI's article](#) on the implications of the EU Organic Regulation for exporters of grains, pulses and oilseeds.

Biopesticides - approval criteria for microbial active substances

Reducing dependency on chemical pesticides is one of the aims of the EU's 'farm to fork' strategy. This includes making it easier to place biological active substances on the market, including microorganisms.

This initiative specifies approval criteria for microbial active substances in Annex II to Regulation (EC) No 1107/2009. The aim is to reflect the particularities of these substances, which are different from chemical substances. With the initiative's approval in June 2022, permission for the use of more than 60 microorganisms in the EU was obtained. The Annex to the Regulation entered into force in November 2022.

For SMEs in the agricultural sector exporting to Europe, this means that they will have to adopt other agricultural practices that do not include microbial active substances (for example, using pest-fighting companion crops) or apply different products that are within the allowed chemical thresholds or that do not include microbial substances (thus, new investments and to involve technical experts as well as some degree of experimentation). For processors of agricultural products, this might mean closer involvement with their suppliers to assist them in adopting different agricultural practices that comply with the biopesticide initiative.

Tips:

[Tradin Organic](#) offers technical support globally to farmers who would like to switch from conventional to organic agriculture.

Check out the website of the [Integrated Pest Management \(IPM\) Coalition](#), which provides several

resources aimed at helping farmers worldwide reduce their use of hazardous pesticides. These resources include a [pesticides database](#) and the 'Pesticides & Alternatives' app, a free telephone application to learn about the toxicity levels of over 700 pesticides as well as measures to prevent and control almost 3,000 agricultural pests without the use of chemicals. The app can be downloaded from [GooglePlay](#) or the [iTunes app Store](#) and is available in English, Portuguese or Spanish. Once you have downloaded it, you will be able to use it offline.

EU Code of Conduct on Responsible Food Business and Marketing Practices

The EU Code of Conduct on Responsible Food Business and Marketing Practices is one of the first deliverables of the Farm to Fork Strategy and an integral part of its action plan. It sets out the actions that the actors 'between the farm and the fork', such as food processors, food service operators and retailers, can voluntarily undertake to improve and communicate their sustainability performance. These actions can be implemented within a company or in collaboration with industry peers and other food system stakeholders (such as farmers and consumers). The Code entered into force on 5 July 2021 and constitutes a voluntary industry initiative, but it will be revised and maybe turned into a law if the European Commission decides that voluntary commitments are insufficient.

The Code includes 7 aspirational objectives, each with its own set of targets and actions aimed at making healthy and sustainable food choices easier for European consumers. Actions in major areas can be expected together with an agreement to move towards higher levels of ambition within a defined timeframe. For the more advanced companies that wish to step up their commitments, the Code also includes a framework for more ambitious, measurable actions.

For companies exporting to Europe, this might mean more strenuous traceability requirements, as well as corporate social responsibility (CSR) policies.

Tip:

Read CBI's [market information](#) on requirements for food exports to the EU (select the sector that applies to your product), including code of conduct and CSR policies. When selecting a sector, check out the information published by CBI on trends and opportunities for healthy and sustainable food choices for EU consumers.

Figure 2: F2F will change the type and number of inputs used in agriculture



Source: [Pixabay](#)

Other relevant regulations

There are other regulations with potential impacts for exporters from countries outside the EU that will enter into force in the short and mid-term. For example, the [Action plan for integrated nutrient management to reduce pollution from fertilisers](#), which is expected to be adopted at the end of 2022, includes considerations of impacts of fertilisers not only on human health, but also on the environment. New limit values for contaminants

in fertilisers will likely be introduced, as well as restrictions about the type and amounts of chemical fertilisers used in agriculture. This will have consequences for the business model of enterprises under a conventional agriculture regime both in Europe and abroad.

We still know very little about the requirements that new or revised regulations will entail. It is likely, however, that these new rules will bring changes in:

- The types of materials used to package raw materials and specially processed products;
- The type of practices allowed in animal farming;
- The type and level of pesticides allowed in agriculture;
- The type of genetic technologies allowed in plant breeding and cultivation;
- The nutrient content of food products;
- The type of information provided to consumers, including front-of-pack labelling and other marketing standards.

Tips:

Read about informative sessions on [Pesticides](#), [New Genomic Techniques](#) and [Veterinary medicine](#) that have been held since 2020 for Embassies and Missions of non-EU countries as part of the F2F strategy. Visit the European Commission's [event page](#) periodically to keep an eye out for informative sessions on topics you find interesting.

Learn about [Maximum Residue Levels](#) by exploring [this webpage](#).

Check the European Commission's [F2F page](#) regularly for upcoming informative events.

3. What is the Circular Economy Action Plan?

The EU's [Circular Economy Action Plan \(CEAP\)](#) was adopted in March 2020 as one of the main elements of the EGD. The CEAP is a package of laws and initiatives which aim to transform the design, production and consumption of products so that no waste is produced. This means that the materials in circulation are used and re-used in a way that reduces the need for natural resources. The CEAP initiatives target many different sectors such as packaging, technology, vehicles, and textiles.

What is a Circular Economy?

The [circular economy](#) is a model of production and consumption that advocates keeping materials and products in our system as long as possible. This will mean sharing, leasing, reusing, repairing, refurbishing and recycling in ways that ensure that waste is reduced to a minimum. The idea is that a product should be designed in such a way that when it reaches the end of its life, its materials are productively used again and again, thereby creating further value.

This is different to the current, linear economic model, where materials are transformed into products, often consumed for short periods of time, and then thrown away. This model relies on large quantities of cheap, easily accessible materials and energy, and is not sustainable in the long term.

Sometimes, people refer to CEAP as the 'new CEAP' because it builds on the [first CEAP](#) adopted in 2015. The 'new' CEAP is more coherent and includes more products and materials than the previous CEAP.

Measures that are being introduced under the new CEAP aim to:

- make sustainable products the norm in the EU,
- empower consumers and public buyers in the EU,
- focus on the sectors that use most resources and where the potential for circularity is high, electronics, textiles and furniture
- ensure less waste,
- make circularity work for people, regions and cities,
- lead global efforts on circular economy.

The first CEAP resulted in some [significant steps](#) towards developing a resource-efficient economy, including a [Directive on single-use plastics](#) and mandatory [EcoDesign requirements](#) for energy-related products like household products, motors and power supplies. However, many of the measures proposed in the first CEAP remained voluntary with [few entering official legislation](#) by the beginning of 2019.

Figure 3: A circular economy



Source: [Parliament News \(2021\)](#) “Circular economy: definition, importance and benefits”

The new CEAP is made up of many different legal and non-legal initiatives for implementing the circular economy concept throughout the EU’s economic, manufacturing and trade activities. This means, for example, updating the rules on pollution from waste, or revising what types of materials can be used for the construction sector. The CEAP measures that are relevant to SMEs from developing countries in the agriculture, food, apparel and home textiles sectors (Table 4), saw some progress in 2022, but also significant delays.

Table 4: Summary of relevant actions by the European Commission to implement the CEAP

Relevant implementation actions	Timeline	Impacted CBI sectors
EU Strategy for Textiles	Adopted March 2022	Apparel, Home Textiles
Proposal for empowering consumers for the green transition	Published Q1 2022	Apparel, Home Textiles
Proposal for a new Ecodesign for Sustainable Products Regulation	Published Q1 2022	Apparel, Home Textiles
Proposal for a regulation on substantiating green claims	Delayed: Q1 2022	All
Regulation on reducing packaging waste	Delayed: Q1 2022	All

Source: Profundo summary based on the European Commission announcements. Note: “Relevant policies and legislation” means relevant to the CBI sectors covered in this research and relevant to production/trade in non-EU countries.

Laws and initiatives of relevance to CBI sectors have been proposed since the CEAP was published. To date, these are:

EU Strategy for Sustainable Textiles

The aim of the many initiatives under this strategy is to make textiles more durable, repairable, reusable and recyclable, to tackle fast fashion, textile waste and the destruction of unsold textiles, and ensure their production takes place in full respect of social rights.

Figure 4: Environmental impact of EU consumption of textiles



Source: [Textiles Factsheet](#)

This strategy will have an impact on many different laws, as it will integrate considerations of textiles circularity into other EGD laws and initiatives that are being proposed. [For example](#), the strategy promises to set new design requirements for textiles under the Ecodesign for Sustainable Products Regulation, and will implement EU rules on extended producer responsibility (see box below on extended producer responsibility) for textiles as part of the Waste Framework Directive in 2023.

Other impacts of a European circular textiles economy on SMEs in third countries include:

- Demand for recycled content in textiles (in the short-term, likely to be mostly recycled polyester, as this is the most available), including designing less complex material combinations to make textiles more recyclable;
- There is a trend of reshoring formerly outsourced supply chains. This will mean that EU retailers will want to cut down supply chain costs that are determined by proximity between R&D, product development and manufacturing, time to market and increased wages in offshoring destinations (such as China, Philippines and India);
- Growing secondary material market in Europe that is focused on reuse, repair, and return. In theory, this means there will be more availability of quality second-hand textiles products and materials, less consumption of new products, which may translate to decreasing demand for newly produced textiles from outside of Europe; and
- Implementation of extended producer responsibility (see box below) in promoting sustainable textiles and in the treatment of textile waste.

Tips:

Read the CBI study on [sustainable transition in apparel and home textiles](#) for more information.

Watch this [webinar](#) by the Flanders District of Creativity and learn about the possible impacts of the EU strategy for sustainable and circular textiles on global textile supply chains.

Extended Producer responsibility (EPR)

EPR is a policy that makes a producer responsible for what happens to a product after it has been consumed, when it becomes waste. The idea is to encourage producers to take environmental considerations into account during the design and manufacturing of products, and ultimately support an

economy that reuses and recycles materials as much as possible.

This approach is already being applied in some sectors. For example, in the EU, producers of products like batteries and vehicles are responsible for paying for the collection, recycling and disposal at the end of life of the product.

The same is being implemented for packaging waste. By the end of 2024, all EU countries will have to have an [EPR scheme in place for packaging waste](#). This means that producers and importers will have to pay fees to have packaging waste collected, sorted and recycled according to the rules in each country.

Tips:

Read the [EU Factsheet on the Textiles Strategy](#) and the [Questions and Answers](#)

Participate in the creation of the [Textiles Ecosystem Transition Pathway](#)

Watch this [webinar](#) by the Flanders District of Creativity and learn about the possible impacts of the EU strategy for sustainable and circular textiles on global textile supply chains.

Look at the UK Government's advice for producers on [how to prepare for EPR for packaging](#).

Proposal for empowering the consumer for the green transition

The proposal [for empowering the consumer for the green transition](#) consists of making changes to existing laws and will help consumers in the EU to make informed and environmentally friendly choices when buying products. The proposal still needs to be reviewed by Parliament and the Council before being adopted and turned into law.

The [new proposed rules](#) will require traders to provide much more information about the durability, repairability and sustainability of the product being sold. It will also protect consumers from early obsolescence in the products that they buy (see box below), and permit only the use of verified sustainability labels.

Early Obsolescence

The concept of early obsolescence, also called planned obsolescence, refers to the practice where manufacturers create a product in such a way so that it can only be used for a short amount of time. This may take the form of bad design, or, in the case of electronics, the use of updates that are incompatible with older models. This strategy is used so that consumers are forced to buy products again and again, instead of being able to repair them, or use them for a long time.

Proposal for a new Ecodesign for Sustainable Products Regulation

This initiative aims to make products placed on the EU market more sustainable. This builds on a law which already exists called the Ecodesign Directive, which focused on energy-related products and allowed each EU country to implement their own rules. The [new proposal](#) covers all products manufactured except for food, feed, medicines, plants and animals, and some key changes include:

- Ecodesign requirements: for different product groups, new rules will be made which take into account all

stages of the life cycle, and minimum criteria will be set to ensure that products are durable, reliable, reusable, repairable, energy efficient and have recycled content. These requirements will also guide the possibility to remanufacture, recycle and/or recover materials, and will aim to limit environmental impacts and the waste produced as a result of the use of the product.

- Product Passport: all products will be accompanied by a digital 'product passport' which contains relevant information that will be determined by the sector and product group.

The proposal for a new Ecodesign Regulation was adopted in March 2022 and is now being reviewed by Parliament and the Council before it is approved as a law. Once it is approved, it will immediately enter into force in every EU country, but the details of how the law applies for each product will be determined by the delegated acts. Thirty new delegated acts are expected to be developed by 2030.

A working plan will outline all of this and is due to be published at the end of 2022. The plan will also include the priority products for which laws will be developed first (the list currently includes textiles and furniture).

Tips:

Watch this [webinar](#) on the Sustainable Product Policy. It discusses concrete ways to make products in the EU more sustainable and resource efficient.

If you are able to, consider contacting [a specialist](#) to understand the specific risks and opportunities to your business, and conduct a Life Cycle Assessment to understand the main impacts of your supply chain on circularity.

Impact of the CEAP for you

None of the CEAP actions have become law yet. Proposals are still being adopted by the European Commission, and those that have already been adopted must still be approved by the European Parliament and Council, and then implemented by each EU country within 2 years of the law being approved. This means that in the short term (1-2 years) there will be no official changes in the way European companies import goods and services.

There are however some changes happening in the market, as companies are having to respond to shifting practices and expectations from consumers in the EU. Already, there are signs that buyers want more recycled packaging, more recycled textiles, and generally more information from suppliers about sustainability aspects in the supply chain.

More and more, companies in the EU are also being called out for greenwashing. In 2022, the [Netherlands Authority for Consumers and Markets \(ACM\)](#) requested that large chains Decathlon and H&M remove unproven sustainability claims from their products. This means that even though the law has not yet been passed, companies in the EU are having to be more careful about the claims they make about their products, and may be more careful about sustainability claims made by suppliers.

Figure 5: There are indications that EU buyers want more recycled textiles



Source: CBI

In the long-term (3-10 years), more and more laws and regulations will be put in place to determine how products are made, packaged and reported on in the European market, but it is still impossible to say what the timing and exact content of the laws will look like. The main things that SMEs exporting to Europe will need to

adapt to are:

- Requirements that minimise waste throughout the life cycle, or in the process of making your product
- Limits on how much packaging and what type of packaging you can use for your products
- Demands for more information on how your product is made and whether it complies with the new Ecodesign requirements. There will also be increased information required from you so that buyers can make 'green claims' and European consumers can be informed about their purchasing choices.

See the section below on extra requirements suppliers may have to comply with. It provides more information on other potential laws which may emerge from the CEAP and tips for how to deal with them.

Tips:

Watch [this introduction video](#) to the Masterclass on the EGD.

Read the sections below for more information on other potential laws which may emerge from the CEAP and tips for how to deal with them.

4. How does the European Green Deal impact imports to Europe?

The EGD will impact imports into Europe in different ways. Not only will the EGD require higher sustainability standards in primary production and industrial processes, but SMEs from third countries will have to provide more information about the products they export to Europe. In the short term, this could mean that production and export costs will increase. In the long term, it could mean increased competitiveness in a sustainable global market.

The European Green Deal will change existing norms to make businesses and supply chains more sustainable. The following impacts can be expected on imports to Europe:

- Stricter social and environmental sustainability requirements in the production and processing of goods and services

Even if laws and regulations do not change, or do not come into practice for many years, European consumers' demand is growing for products that do not harm the environment and respect human rights and animal welfare. This is pushing buyers, especially larger companies, to source goods that are produced, processed and packaged using high social and environmental standards. The [Make Fashion Circular initiative](#) brings together major garment industry players (including H&M, Lacoste, Primark and Ralph Lauren) to scale up circular solutions.

Most of the large food and beverage brands have committed to sourcing agricultural products responsibly. The fisheries sector is starting to follow this trend. Likewise, some of the major European retailers are [publicly committing](#) to creating a sector that avoids food waste and that raises the standards for animal welfare, amongst other sustainability commitments. For example, Dutch supermarket Albert Heijn has committed to ensure that [at least 60% of the protein it sells by 2030 is plant-based](#). To do this, the supermarket is offering plant-based meat alternatives at the same or cheaper price than conventional products.

All of this means there is an increased demand for sustainably produced goods and services. The EGD policies and initiatives will only drive this demand up further. This could be a great opportunity for SMEs that are already producing food and textiles in conformance with high sustainability standards, like organic.

- Increased demand for information about practices used in the production of commodities

The EGD seeks to increase the responsibility of European manufacturers and retailers to be transparent about where and how goods are being produced and their impact on people and the environment. To meet these objectives, new laws are in the making, including a law on [human rights and environmental due diligence](#), as well as [regulations on non-financial reporting](#).

But the growth of voluntary sustainability initiatives such as certification schemes and companies' own initiatives has also increased the availability of information about goods that are marketed as sustainable. Today, in some sectors, sustainable-certified goods occupy a significant portion of the market (Figure 6). Coffee has been sustainable-certified the longest, [for over 30 years](#). Other certified commodities have seen their share in their markets grow in the last 10 years. In some cases, this growth started even earlier. Seafood production, from both wild catch and aquaculture, is also increasingly expected to [comply with basic sustainability standards](#).

Source: FiBL-ITC-IISD (2021)

These trends could mean that SMEs exporting to Europe will need to adjust to providing more and more information about how goods are produced and will potentially be audited on this information. For SMEs, this may mean putting in place systems for collecting information from your suppliers about production and labour practices and justifying where your goods are coming from (also called traceability). It may also mean becoming compliant with a voluntary sustainability standard, whether a certification scheme or a company's own initiative.

Tip:

Read [CBI's study](#) on the current offer and future trends in social certifications.

What is traceability?

Traceability is the ability to track down all processes involved in a product cycle: from procurement of raw materials to production, consumption, and disposal. The purpose of traceability is to clarify where the product was produced, in what time period, and by whom.

For animal products and by-products imported to the EU, there are already some [traceability requirements](#) in place for food and safety reasons. More and more, traceability is required by buyers with high social and environmental sustainability standards for all types of products, including agricultural products, fisheries and raw materials for textiles.

- In the short term, transitioning to new models of sustainable production will likely increase costs

Transitioning to more sustainable processes and operations implies costs for recycled materials, energy-efficient and waste minimising processes, setting up traceability systems for products and ensuring adequate auditing of these processes.

While the implications of the EGD are slowly becoming clear, it is still not known how it will affect the investments that producers exporting goods to the EU will need to make, as well as the impact on costs of those goods. With the EU's promise of a just transition, it is possible that support will be deployed to mitigate the impacts on small businesses and the people they employ and that there will be time to adjust to the costs of

transitioning. This might also mean the EU will create support programmes through supply chains or in bilateral/cooperative funding agreements with countries. Notably, in Africa, several green [cooperation programmes](#) exist already.

- In the long term, the EGD will make exporters more competitive in the sustainable global market

Europe is not the only important market taking steps to increase the sustainability of its economic activity. For example, the UK passed a Modern Slavery Act requiring companies to report on the risk of forced labour in supply chains, and the US has a ban on imports of forced labour goods. With more countries setting net-zero goals and society demanding respect for human rights, the environment and animal welfare, supply chains will be impacted everywhere. With growing demands from society, it will not be long until every market mainstreams sustainable production of materials, goods and services.

The European Commission acknowledges that achieving the objectives of the EGD will require stepping up efforts beyond EU borders. It has stated that “[...] [circularity goals are unlikely to be met without ensuring that suppliers in developing countries also adopt circular business practices.](#)” Not only does the EU need and want goods and services from outside its borders, it also knows that the impacts of climate change, inequality and environmental degradation are global. With this in mind, the EU has committed to ensuring a just transition that positively impacts small businesses and the production of sustainable goods outside of Europe. In the short term, SMEs exporting to Europe could benefit from different forms of support. In the long term, they need to be prepared to compete in a sustainable global market.

Tips:

Get to know the main sustainability certification schemes and standards relevant to your sector. The [State of Sustainability Initiatives](#) has good summaries for many products, including bananas, coffee, cocoa, cotton, palm oil, soybean, sugar, tea, timber, wild catch and aquaculture.

Refer to [this briefing from Proforest](#) for more information on how to obtain traceability in your supply base and what types of information your buyers are looking for.

5. What extra requirements must suppliers to the EU comply with at what time?

The EGD aims for ambitious GHG emissions reductions by 2030 and climate neutrality by 2050. But to achieve those goals, it is necessary to act much earlier. Some policies that will likely affect your business were already introduced in 2020, and more policies will be announced in the coming 2 years. This is what to look out for.

Timeline of upcoming EU Green Deal policies

Figure 7: European Green Deal timeline, including the main goals



Source: [EU Parliament](#) (n.d.), “Legislative Train Schedule. A European Green Deal”

Regulations planned for 2022-2023

Substantiating ‘green’ claims

This initiative will require companies that claim that their products are ‘green’ or environmentally sustainable substantiate or prove those claims. [Specific objectives](#) include creating a standard for providing reliable

environmental information, as well as reducing and simplifying the administrative burden of collecting this information, especially for SMEs. This will build on the previous Single Market for Green Products Initiative, which developed and tested [Environmental Footprint](#) methods in various sectors between 2013-2018.

A proposal for a regulation on substantiating green claims has been much delayed. The proposal was planned to be adopted by the Commission in Q2 2021 but has not yet been released and is now listed as planned for Q1 2022 (however, as of Q4 2022, no updates to this planning have been made). There will be a public feedback process on the proposal, after which it will need to be reviewed and approved by Parliament and Council to become a law.

The EU believes that the further development of common and global standards for circular goods is necessary, whether this is through a regulated certification scheme or voluntary, '[soft standards](#)'. It is not yet clear if and when this law will happen, but there are two main options being considered to change how things are done now:

- a voluntary system where companies chose to make standardised green claims alongside existing methods (e.g., sustainable certification schemes); or
- a mandatory EU-wide legal framework requiring companies [making 'green' claims](#) to do so in a standardised and verified way.

The Commission claims that any proposed regulation will consider world trade [rules on fair competition](#). This means that, for example, any labelling/information tool should result in no less favourable treatment of imported products compared with EU produced goods.

Tips:

Read the Hungarian Consumer Authority's [rules of thumb for making green claims](#).

Read the Dutch government's [rules for sustainability claims](#).

Revision of the existing animal welfare legislation, including transport and slaughter

The welfare of farmed animals is one of the [action areas](#) of the EGD in the context of agriculture. In revising the existing animal welfare legislation, the EU aims to update the rules that affect the wellbeing of farmed animals. It does so by increasing the role of recent science-based analyses, broaden their scope and make them easier to enforce. Specifically, the Commission is planning to revise the following policy instruments:

- Directive on the [protection of animals kept for farming purposes](#);
- Four Directives laying down minimum standards for the protection of [laying hens](#), [broilers](#), [pigs](#) and [calves](#);
- Different regulations on the protection of animals [during transport](#) and [at the time of killing](#).

The first step after the announcement of this revision in May 2020 was the evaluation of the current legislation ("Fitness Check") and the publication of the policy options to be evaluated, including animal welfare at farm level, during transport, at slaughter, and animal welfare labelling. These options were open for public feedback until 24 August 2021. In September 2022, the Fitness Check was concluded. Its results confirm the need to revise and modernise the EU animal welfare legislation. The revision is to be concluded and adopted by Q3 2023.

The revised animal welfare legislation will raise the standards for animals and animal products sold on the European market. Product ingredients or components of animal origin (such as leather and fur, fats, bone meal and char, feathers, etc.) could be subject to stricter regulations including traceability requirements.

Sustainable corporate governance

[The sustainable corporate governance initiative](#) aims to improve the EU regulatory framework on company law and corporate governance. It aims to help companies to better manage sustainability-related matters in their own operations and value chains as regards social and human rights, climate change, the environment, etc.

The initiative acknowledges that voluntary action has not resulted in large-scale improvement across sectors. To address this situation, the Directive will implement incentives for businesses operating in the EU to respect human rights and the environment in their own operations and throughout their value chains. To do this, European companies will be required to identify, prevent, mitigate and account for their adverse human rights impacts and environmental impacts, and have adequate governance, management systems and measures in place to achieve this.

In particular, the proposal for a Directive calls for:

- Improving corporate governance practices and the mandatory integration of risk management and mitigation processes of human rights and environmental risks and impacts, including those happening in upstream segments of their supply chains;
- Increasing corporate accountability for adverse impacts, and ensuring coherence for companies regarding obligations under existing and proposed EU initiatives on responsible business conduct;
- Improving access to remedies for those affected by adverse human rights and environmental impacts of corporate behaviour.
- A cross-sectoral approach that applies to all companies, regardless of their size.

While the Directive's adoption is delayed, likely until Q1 or Q2 2023, it could be that companies may be required to actively trace the conditions under which production processes further up the supply chain take place. For SMEs exporting to the EU, this might mean more rigorous traceability mechanisms.

Reducing packaging and packaging waste

At present, the European Commission is reviewing the basic requirements laid out in an existing [Packaging Directive](#) in order to improve the design of packaging for reuse, to promote high-quality recycling, and strengthen the enforcement of the rules. These measures will require producers to make sure that, by 2024, all packaging is reusable or recyclable and that they reduce the complexity of packaging materials, including the number of materials and types of plastics used.

If you sell products on the EU market that require a lot of packaging, or a special type of packaging, these rules will apply to you and to your buyers in Europe. You may need to find ways to reduce the amount of packaging and/or use different materials that are, for example, lighter, have more recycled content, have no plastic content or can be reused.

[Feedback on a draft proposal for a directive](#) on reducing packaging and packaging waste is planned for Q4 2022. Once the consultation period is closed, the draft will be reviewed and approved by Parliament and the Council to become a law.

Tip:

Visit [Glopack's](#) page for links for ongoing EU projects developing innovative packaging solutions, or join its [stakeholder's platform](#) to connect with innovators developing sustainable packaging.

Figure 8: The EGD calls for a drastic reduction of packaging and packaging waste



Photo: Pixabay

6. What are the main obstacles to export caused by the EU Green Deal?

In the short term, there will be uncertainties about the content of EGD regulations

- The coming two years will continue to see a lack of consistent information about emerging EGD rules and policies. This will be an important challenge for SMEs in their countries and also for their EU-based buyers who will be struggling with this uncertainty during this period.
- Buyers currently have different systems for collecting sustainability information from their supply chains. This often means that SMEs exporting to the EU must meet different demands for similar sustainability information, following diverse formats and using different platforms. It is likely that until there is a harmonised system, the growing need for sustainability reporting for EU buyers under the EGD will increase this burden in the short-term.
- It is likely that there will be an increase in costs due to transitioning to more sustainable processing/production operations through the adoption of technologies and materials that meet standards from the EGD. It is also likely that this may include, for example, potentially high prices of materials with recycled content and/or costs associated with certification and auditing for 'green' claims, such as hiring an independent auditor. It is still not clear who will bear those types of costs.
- EU-based producers will benefit from institutional support (subsidies, inclusion in R&D programmes) and will likely adopt regulations faster than producers in non-EU countries. This will increase competition between EU-manufactured products and imports from third countries. While collaboration with and support for non-EU producers is also being considered as part of the EGD, the budgets destined for programmes overseas are much lower than those planned for EU-based enterprises.

What can businesses do to overcome the obstacles of the EGD?

- Many EGD policies will still be defined in the coming one to two years. If you want your perspective be taken into account, submit feedback during the consultation processes. There are various times you can do this throughout the process of making a law. You can also channel feedback during the consultation process through your sector association, exporter association or government. On the [Welcome to Have your say](#) page of the EU, you will find an overview of new policies and existing laws that offer the opportunity for input. Some of the upcoming opportunities to provide feedback on EGD-related policies and regulations include:
 - [Revision of EU rules on food contact materials](#) (Q4 2022 - Q1 2023)
 - [Reducing packaging and packaging waste](#) (please note that the feedback period is not yet open, but expected between Q4 2022 - Q1 2023)
 - Likewise, you may [share your ideas](#) to make existing EU legislation simpler, less burdensome, and future-proof. To [add your suggestion](#), you will need to register (or log in, if you already have an account).
- Step up your traceability efforts and start gathering information and consider sharing this information with your buyers so that, together, you can identify and address potential gaps. You can refer to [this briefing from Proforest](#) for more information on how to obtain traceability in your supply base and what types of information your buyers are looking for.

7. What opportunities to export does the EU Green Deal offer?

In the short term, your business can benefit from increased partnership opportunities

- Businesses in Europe will be responsible for the compliance of the products they bring into the EU [with Green Deal](#) principles. Buyers with sustainability commitments are already looking for ways to form partnerships with suppliers in third countries. The purpose of these partnerships is to improve environmental and social practices along the supply chain. Because, by law, the buyer needs to comply with higher sustainability

standards, they will be willing to help you to make the transition to adapt to their needs. For example, the Olam Group, launched the [AtSource](#) platform in 2018 to help its customers in the food ingredients and agricultural sector collect sustainability information from their supply chains.

- Likewise, SMEs could benefit from the EU's increasing efforts for international cooperation on research and innovation, as both are central elements of the EGD and of the F2F and CEAP. The European Commission has published a list of [Green Alliances and Partnerships](#) to achieve the goals of the EGD through international trade.

In the long term, improved sustainability performance will give SMEs a global competitive advantage

- As more EGD regulations and initiatives are adopted, the EU will start devising support programmes, in collaboration with institutional stakeholders in third countries, with some of them directed at SMEs, for a smoother transition. Keep an eye out for updates on this from the national export support agency or the EU representative in your country.
- As knowledge grows about the implications of the EGD on trade, more tools and mechanisms will become available to provide information on your product and improve your processing/production practices in a harmonised way. One of those tools is the EU Digital Product Passport (DPP), which has been proposed as part of the Ecodesign for Sustainable Products Regulation[A1] . DPPs [can help you](#) comply with a multitude of information requests from your different buyers.
- Many of the policies and legislative measures of the EGD are improvements to existing regulations that current exporters to Europe already comply with (of course, future exporters to Europe will have to comply with these regulations too). Incorporating sustainability standards in your operations will give you the opportunity to conduct business with Europe. It could also give your business a competitive advantage in other international markets.

Tips:

Read [this article](#) by Circularise to familiarise yourself with digital product passports (DPP) and learn how you can implement a DPP system.

Watch [this webinar](#) organised by European Circular Economy Stakeholder Platform to learn from the experience of frontrunners using DPPs in their operations.

How can my business seize these opportunities?

- Reach out to the EU delegation in your country and enquire about the support they offer to SMEs. EU Delegations and Offices overseas have been working through different regional cooperation programmes on disseminating information about the EGD, as well as through the governments of the Central and South American and East and West African countries in order to provide information about the new policies. The European Union External Action Service has published [a list of its Delegations and Offices worldwide](#) that you can contact for further information.
- Ask your buyers in the EU about their plans on implementing EGD regulations in their supply chains and discuss the possibilities for support. Some of the large EU businesses are providing their suppliers in countries outside the European Union with information about EGD developments and how this could potentially affect them.
- If you are a member of sector association or a sectoral initiative on sustainability, discuss how you can confront the challenges together and with other supply chain actors. Likewise, find out whether your sector association is a member of [Enterprise Europe Network](#) (EEN). Some of EEN's regular brokerage events cover policy developments in the EU that affect SMEs, including the EGD.
- Inform yourself about relevant sustainability certifications in your sector to understand what high sustainability standards for production and processing of your goods may entail and what might be

needed to comply with future buyers' expectations and/or EU regulations. Click on the relevant sector on [CBI's market information](#) webpage to find information on certification schemes that apply to your sector. Likewise, read [CBI's sectorial studies](#) and learn about the trends and growing demand for environmentally and socially sustainable products.

8. What more should I know about the EU Green Deal?

Other important EU Green Deal policies that will impact SMEs from developing countries that export to Europe include the Directive on Corporate Sustainability Due Diligence and the Biodiversity Strategy for 2030. As of yet, it is not clear whether the Carbon Border Adjustment Mechanism (CBAM) will affect imports of products from the different CBI sectors, but it is good to keep an eye out for the planned adjustments to this initiative.

Directive on Corporate Sustainability Due Diligence

While a proposal for a Directive on Corporate Sustainability Due Diligence has [been published](#) in February 2022, this is not technically linked to the EU Green Deal. However, it will complement many of the measures proposed for ensuring that companies comply with their due diligence obligations and provide supply chain information on environmental performance and human rights, including voluntary mechanisms of F2F such as [the EU Code of Conduct on Responsible Food Business and Marketing Practices](#). CBI has written a piece about its implications for your business in a news article on its website with the title: [The European Due Diligence Act](#).

The Biodiversity Strategy for 2030 and the legal framework to halt and reverse EU-driven deforestation

- A crucial goal in the development of a sustainable and fair food system is biodiversity conservation. In acknowledgement of the need to protect nature and reverse biodiversity loss, the European Commission has published the [Biodiversity Strategy for 2030](#). Like F2F, the Biodiversity Strategy seeks to build society's resilience to future threats such as zoonotic diseases (i.e. diseases that spread between animals and humans and result from deforestation and wildlife trade), food insecurity, the impacts of climate change, and forest fires. The Biodiversity Strategy will establish a larger EU-wide network of protected areas on land and at sea. To restore degraded land and sea ecosystems, the Biodiversity Strategy will aim to increase organic farming and biodiversity-rich landscape features on agricultural land, halting and reversing the decline of pollinators and reducing the use and risk of pesticides by 50% by 2030.
- In a [resolution](#) published in June 2021 on the EU Biodiversity Strategy for 2030, Parliament asked the Commission to include the Directive on Corporate Sustainability Due Diligence. This Directive will require that corporations ensure that their supply chains are sustainable and that products or commodities placed on the EU market do not result in or derive from deforestation, forest degradation, ecosystem conversion or degradation or human rights violations.
- The Commission published a [Proposal for a regulation on forest-free products](#) in November 2021. This proposal sets mandatory due diligence rules for companies selling specific commodities on the EU market that are associated with deforestation and forest degradation. This includes soy, beef, palm oil, wood, cocoa and coffee, and some derived products, such as leather, chocolate and furniture. The Council of the EU adopted its position in June 2022 and two months later the European Parliament did the same. After making a number of changes to the proposal, including an enlargement of the scope of application, Parliament and the Council approved it on December 6, 2022. The law should be adopted in Q2 2023 and enter into force 20 days later. After entering into force, it will apply to large and medium-sized companies after 18 months, and to small and micro-sized enterprises after 24 months.

The Carbon Border Adjustment Mechanism

- The EGD recognises that if Europe wants to become carbon neutral by 2050, it will need the cooperation of its suppliers in Africa, Latin America and Asia. Without this cooperation, European businesses could move their operations to countries with less strict regulations on GHG emissions. This is called carbon leakage. The [Carbon Border Adjustment Mechanism](#) (CBAM) aims to discourage carbon leakage by putting a carbon tax on imports of certain goods from outside the EU.

- In this context, EU importers will buy carbon certificates corresponding to the carbon price that would have been paid if products had been produced under the EU's carbon pricing rules. Likewise, once a non-EU producer shows proof that it has already paid a price for the carbon emitted during production in a country outside the EU, the EU importer does not have to pay the corresponding costs. To provide businesses and non-EU countries with legal certainty and stability, the CBAM will be implemented in gradual steps and will initially apply only to a selected number of goods at high risk of carbon leakage.
- SMEs exporting their products to the EU should keep in mind that while CBAM will initially apply only to fertilisers, iron, steel and energy, there is a possibility that other goods will be included later on. Likewise, there is no clarity regarding the applicability of CBAM to fertilisers used in the production of imported agricultural goods. In terms of opportunities for SMEs in third countries, there are concerns that CBAM will increase costs for agricultural producers in Europe, which could give agricultural imports a competitive advantage.


How can I stay informed of future developments related to the EU Green Deal?


- Visit the [EU webpage](#) 'Delivering the European Green Deal' to keep up with the latest developments and sign up to receive notifications about proposals and laws that are relevant to your operations.
- Check out [CBI's 2021 webinar](#) for more information on the EU Green Deal impacts on your sector.
- [Sign up for CBI newsletters](#) to get the latest news relevant to your sector


This study has been carried out on behalf of CBI by Diana Quiroz and Jasmine Arnould from [Profundo](#).

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