

Decarbonising the agri-food sector

How low-carbon regulations and other environmental considerations will affect companies

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8 Executive Summary

Declarations of intent concerning businesses' carbon impact have grown rapidly in recent years. They have progressively been incorporated into European and, subsequently, French legislation, imposing an increasingly stringent regulatory framework on private-sector businesses. Companies must now submit transition plans to the Paris Agency for Ecological Transition (ADEME), considering both their direct emissions (scopes 1 and 2) and their indirect emissions (scope 3).

Given these requirements, management teams must analyse their business portfolio, rethink their operating model across the entire value chain and re-examine the partnerships they have forged with their suppliers. In some cases, they may dispose of or acquire assets to improve their company's profile. The adoption of a strategic and operational transition plan therefore becomes a key factor in enabling companies to remain competitive or gain competitive advantages, particularly in the agri-food sector, which is faced with high consumer expectations and generates significant levels of carbon emissions.

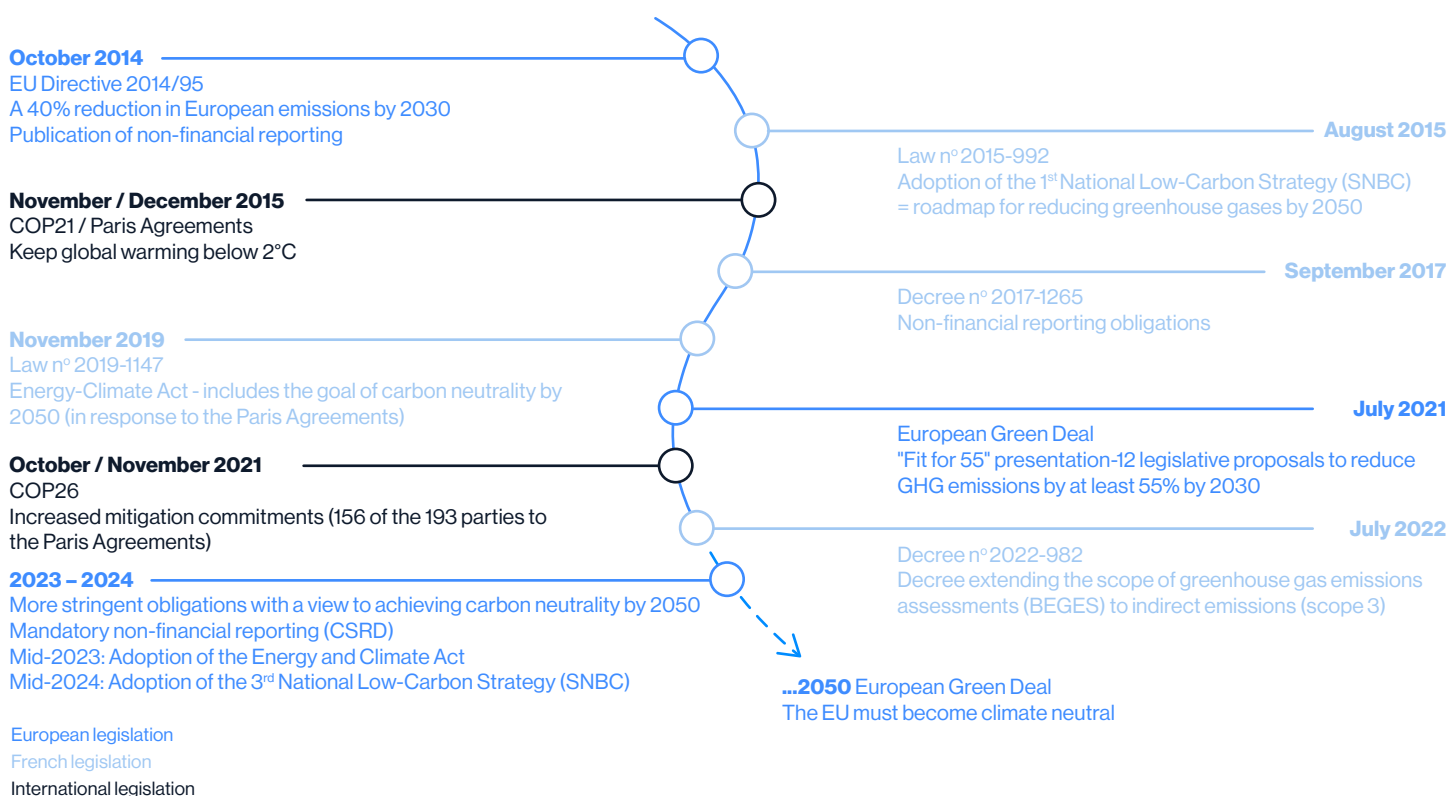
In response to these major changes, we can lend our expertise to management teams, assisting them from strategy definition to execution, particularly in the context of mergers and acquisitions, (re)financing, performance improvement and cash generation. The aim of this article is to highlight how these changes in low-carbon regulations - and more generally, environmental challenges - affect the strategies and activities of the agri-food sector and the related management of business portfolios in this sector.

1. An Increasingly Stringent Regulatory Framework

1.1 | From Declarations of Intent to European and Subsequently National Regulations

Declarations of intent (COP21, COP24, COP28) have gradually found their way into the European and French legislative systems.

Changes in International, European, and French Regulations (2014-2024)



Source: Eight Advisory

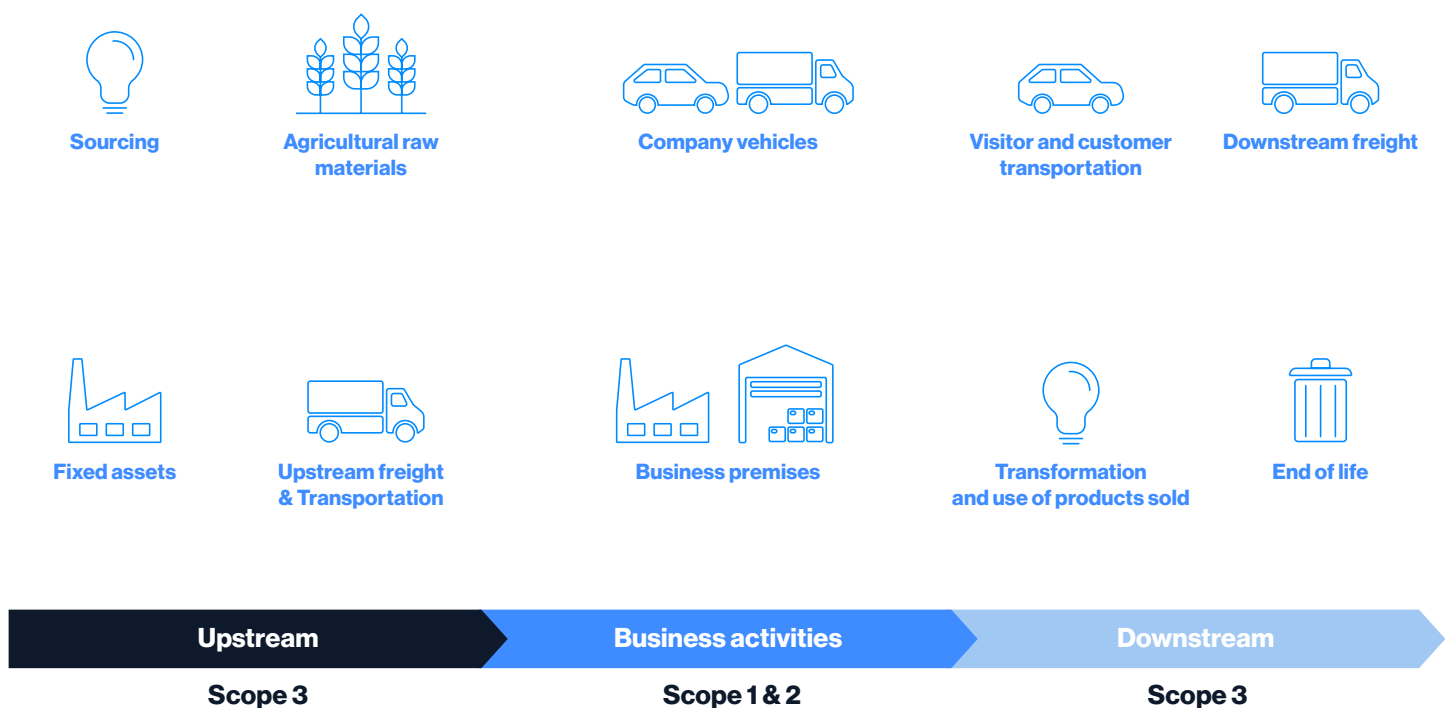
These regulations impose new obligations on companies in the fight against climate change. Companies with more than 500 employees, are subject to the BEGES system ("Bilan d'Emissions de Gaz à Effet de Serre", Greenhouse Gas Emissions Assessment). Regulated by the French Ministry for Ecological Transition, the purpose of this assessment is to define an action plan for each sector or branch of activity, setting out targets for improvement from one year to the next, along with the deployment of resources and the monitoring of results. The CSRD (Corporate Sustainability Reporting Directive), the first elements of which were published at the end of 2022, will also toughen non-financial reporting obligations. At the same time, the introduction by the European Union in 2022 of the "European Taxonomy", which classifies economic activities that have a favourable impact on the environment, is helping to steer investment towards these activities. This further strengthens companies' needs to analyse their operations and their impact on biodiversity, ecosystems, and the use of terrestrial resources.

1. An Increasingly Stringent Regulatory Framework

1.2 | New Approaches and Standards: the Necessity of a Carbon Footprint Assessment and a Decarbonisation Action Plan

Central to the debate is the notion of a carbon footprint assessment, based on the principle that a company, through its operations, either generates directly (scopes 1 and 2) or indirectly causes the generation (scope 3) of carbon emissions for which it can be held accountable.

Carbon Footprint Emissions - Scopes 1, 2 and 3



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Source: Eight Advisory

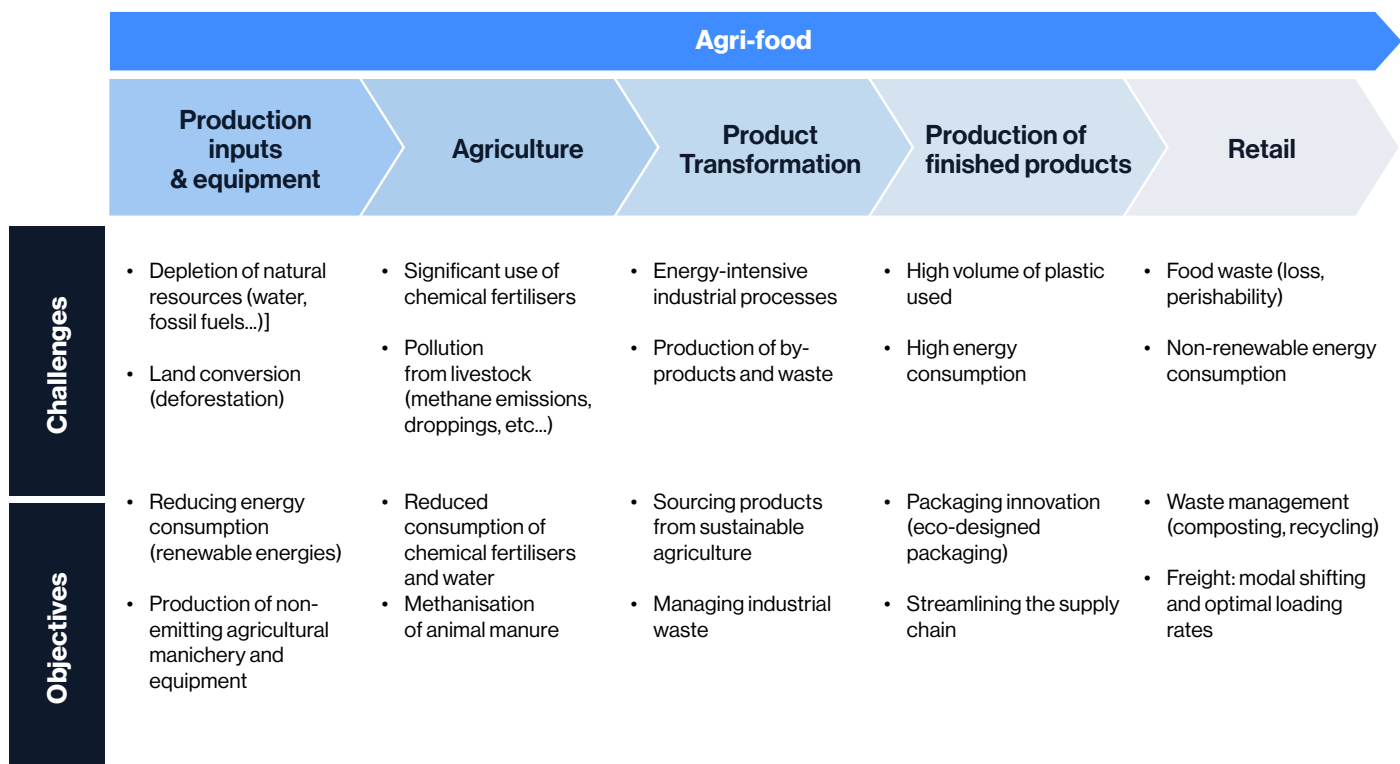
Two standards are generally used to conduct carbon footprint assessments: the "Bilan Carbone" methodology developed by ADEME and the "GHG Protocol" methodology. Carrying out a carbon assessment should enable the company to identify its main sources of emissions, resulting in the development and implementation of a decarbonisation action plan. Several standardisation initiatives have also emerged in this area. For example, the SBTi (Science Based Target Initiative) is a global initiative that encourages companies to set reduction targets across all scopes by providing rigorous, harmonised criteria and methodologies that are compatible with the objectives of the Paris Agreements (keeping global warming below 1.5°C). Adopting a strategic and operational approach to this plan therefore becomes a key priority for companies in terms of competitiveness and attractiveness. This is particularly true in the agri-food sector, which is faced with heightened consumer expectations (quality, diversity, transparency, environmental and social impact, according to Kantar Insights Food 360 Study, 2022) and which accounts for a significant source of emissions. In addition to the carbon issue, there are other planetary concerns that need to be considered (notably water, biodiversity, natural resources).

2. Strategic and Operational Changes Related to Transition Plans to Be Implemented

2.1 | Implications for the Entire Value Chain

The entire value chain needs to be analysed in order to take into account the emissions from all the parties involved. For the agri-food industry, this means rethinking the operating model, from the production of agricultural raw materials to consumption at the end of the chain. This involves managing cross-functional projects within companies, which necessarily will require a high level of coordination and conviction to bring them to completion..

Findings and Challenges Facing the Agri-food Sector Value Chain



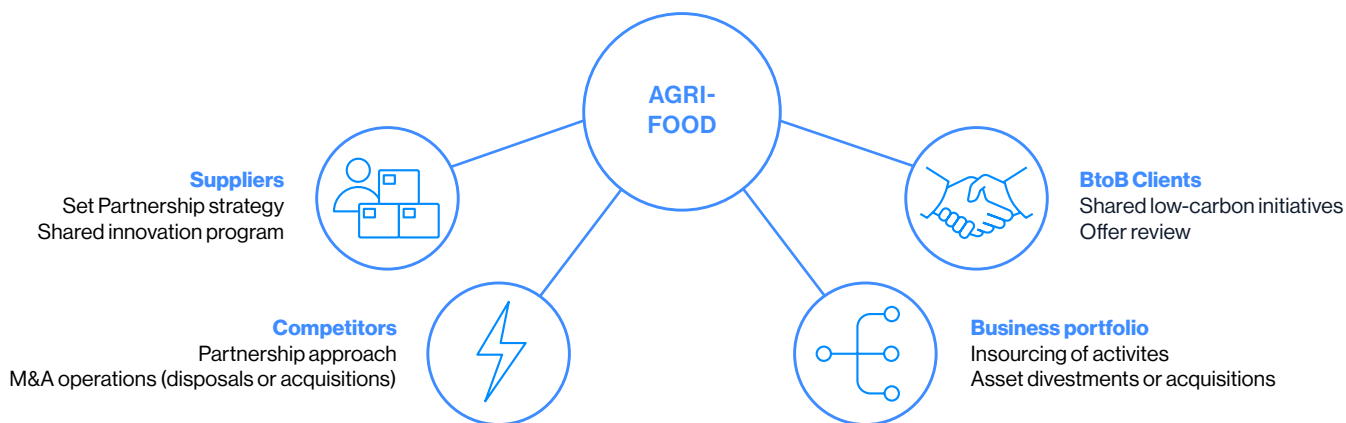
Source: Eight Advisory

2. Strategic and Operational Changes Related to Transition Plans to Be Implemented

2.2 | Partnership and Value Chain Strategy

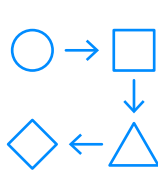
By making each player responsible for the emissions within its value chain, agri-food sector companies are driven to develop partnerships and control mechanisms along with portfolio reviews and divestment and acquisition strategies. Since the key levers are at the supply chain level, this collaborative approach must be based on sharing best practices, by pooling resources and by bringing suppliers and competitors on board..

Stakeholders and Strategies Related to the Transition Plan



Source: Eight Advisory

3. Recommendations and Expert Opinions



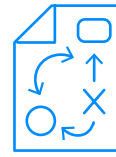
Strategy

- Review the business portfolio in the light of the transition plan
- Convert transition plan into strategic and operational projects
- Consider acquisitions and disposals to support the transition plan
- Set up industry partnerships with decision-makers



Governance & Leadership

- Get managers on board and transform it into a corporate project
- Make the management committee aware of the challenges and objectives involved in the transition
- Integrate transition plan criteria into governance and manager appraisals
- Secure the transition plan within the company's decision-making bodies



Transition plan

- Define the goals and objectives of the transition plan
- Map the company's main sources of carbon emissions and track relevant KPIs
- Use previously unexploited data to enhance the value of the transition plan's actions
- Integrate "transition" performance indicators into existing reporting systems



Financing

- Allocate investment budgets to the transition plan
- Implement innovative financing methods
- Use subsidies with dedicated internal and external resources

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Source: Eight Advisory

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