

ACT

**ROADTEST
LAYMAN REPORT**

Assessing low-
Carbon Transition

**Agriculture &
Agrifood**



May 2022

1. CONTEXT OF THE ROAD TEST

AGRICULTURE & AGRIFOOD SECTOR

The land sector is responsible for 10-12 Gt CO₂e/year of net greenhouse gas (GHG) emissions – approximately a quarter of global GHG emissions. Half of these are driven by agriculture, while the rest derive from land use, land-use change and forestry. The largest contributions from agriculture arise from enteric fermentation, manure from ruminant livestock production, crop-related fertilization practices and soil GHG emissions. Therefore, it is clear that in order to decarbonize the agriculture & agrifood sector, the largest GHG emissions reduction will need to be achieved at the agricultural production phase.

CONTRIBUTING TO ACT: NEW SECTOR DEVELOPMENT

Since 2015 and COP21, ADEME and CDP have been working together on developing the 'Assessing low-Carbon Transition' (ACT) initiative, a mechanism for assessing companies that have set climate commitments and want to take climate action in line with the Paris Agreement.

The ACT methodologies use a holistic approach to assess a company's climate strategy and determine its readiness to transition to a low-carbon economy.

The Agriculture & Agrifood Methodology considers four segments of companies covering most companies with an activity in the food and beverage value chain: agriculture, agrifood, integrated, and food and beverage services (see Figure 1). Integrated companies are companies with activities in both agricultural production and food processing.

GOALS OF THE ROAD TEST

The project's objectives were the following:

- Testing the consistency of a new methodology (including data requirements from a company perspective) and online tool that have been previously drafted;
- Testing the new indicators specific to the Agriculture & Agrifood methodology;
- Identifying and keeping track of challenges and gaps in data availability;
- Reviewing feedback from all stakeholders (companies and assessors) and suggesting solutions;
- Updating the methodology.

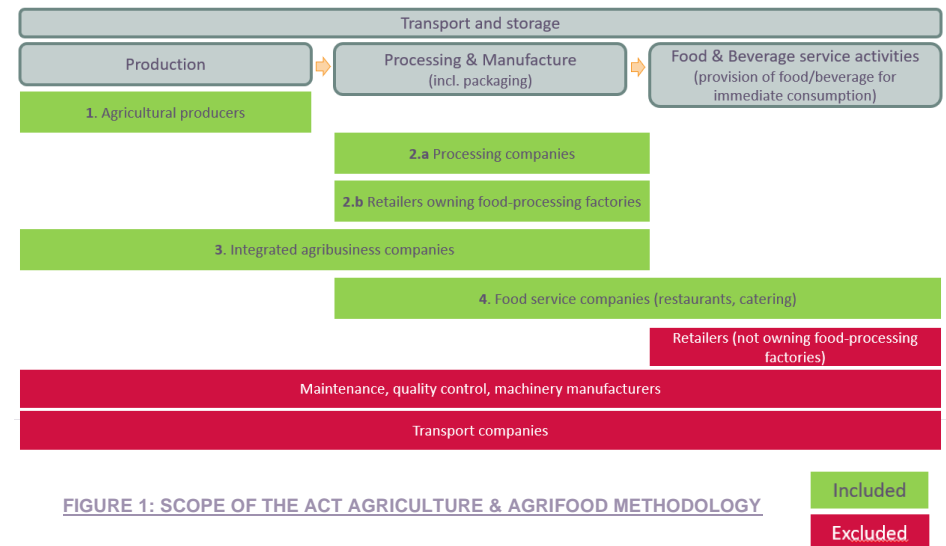


FIGURE 1: SCOPE OF THE ACT AGRICULTURE & AGRIFOOD METHODOLOGY

ASSESSED COMPANIES

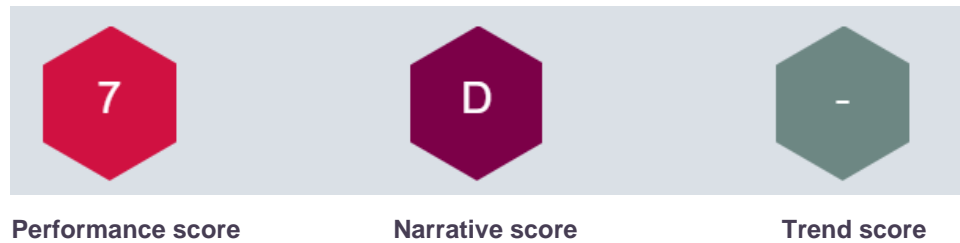


+
5 companies assessed using publicly available data

FIGURE 2: VOLUNTARY COMPANIES PARTICIPATING IN THE AGRICULTURE & AGRIFOOD ROAD TEST

2. RESULTS OF THE COMPANY ASSESSMENTS

OVERALL RESULTS



PERFORMANCE SCORE

The average sector performance score is 7, with a minimum score of 2 and a maximum score of 13. This gap in the performance score underlines the different levels of maturity that were observed in companies' climate strategies. With relatively minor improvements to formalization and GHG reporting, less mature companies can improve the quality of their response. For example, priorities could be given to the comprehensive formalization of their climate strategy regarding supplier and client engagement, or the definition of consistent GHG reduction targets. The deployment of ambitious action plans to reduce their products' footprint and transform the business models would also allow companies to obtain better overall performances.

NARRATIVE SCORE

The narrative scoring is calculated by combining five criteria, some from the ACT framework and others added specially for the agriculture & agrifood sector. The average narrative rating is D. 80% of the results are C and D and no company reaches A. Figure 4 shows the average score obtained by the companies of the panel per criteria.

TREND SCORE

The average trend score is mainly negative (83% of the companies got a "minus" trend score). This trend score was automatically calculated by the online tool, and so may not match the general impression of the analyst. Following this road test, the trend scoring is likely to be changed to allow the analyst to adjust the automatically calculated score if it does not match their general impression.

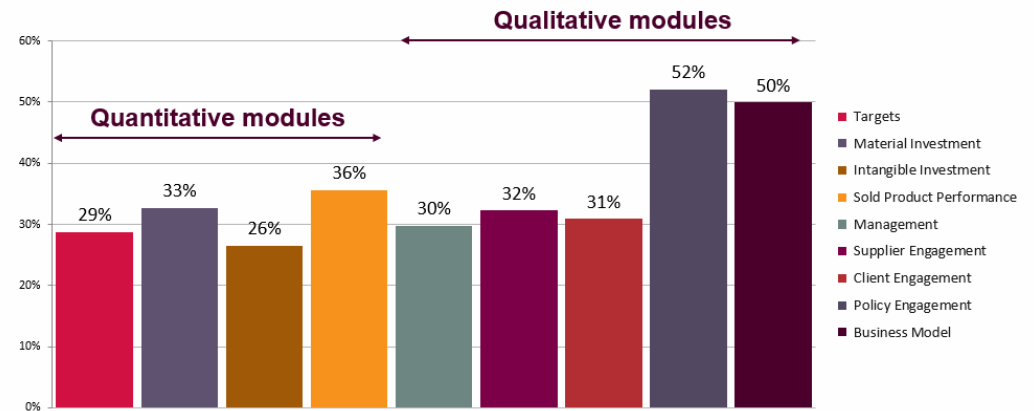


FIGURE 3: AVERAGE RATING PER MODULE FOR THE PERFORMANCE SCORE

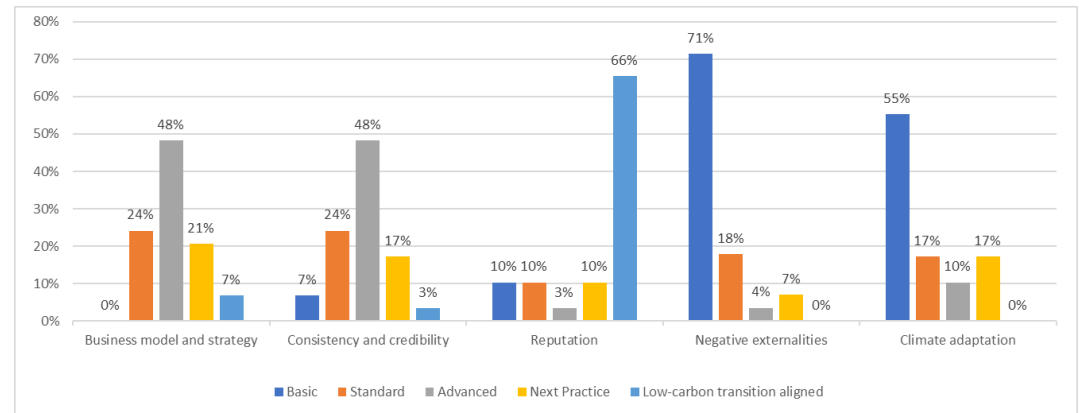
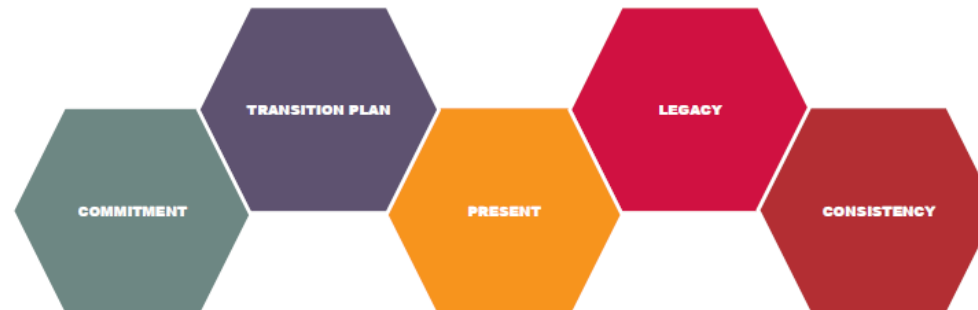


FIGURE 4: AVERAGE RATINGS PER CRITERIA FOR THE NARRATIVE SCORE

OVERALL PROFILE OF THE 5 ACT DIMENSIONS

The section below presents the state of participating companies in the road test for the agriculture & agrifood sector to the five guiding questions of ACT.



1

Most of the companies have started to set GHG reduction targets varying with different parameters: heterogeneous time horizons, differences in overall ambition, scopes (1+2 vs 3) and target types (absolute or intensity). Also, having intensity targets per product is not common practice so far. In general, target development processes should be more robust for companies to ensure a science-based low-carbon trajectory, for example by aligning with standards (such as those of the SBTi, which is currently developing specific guidance for the Forest, Land use and Agriculture sector).

2

Several companies already have mature low-carbon strategies. However, few have specific emission factors or detailed product-level emissions. Most companies are currently undertaking actions to reduce the carbon footprint of their activities, but fewer have established a detailed and formalized action plan to reduce their GHG emissions and achieve their targets. Others are currently in the definition stage of their action plan and are not mature enough to present a robust transition plan. Though most of the companies acknowledge that adaptation and negative externalities are important for the agriculture & agrifood sectors, few have concrete strategies in these areas.

3

Most companies have integrated GHG emissions in their reporting, which is a prerequisite for being assessed by ACT. However, the robustness of GHG emissions inventories needs to be improved for some companies, especially for Scope 3, product-level emissions intensity. Some companies do not follow the same metrics used by ACT and the sector benchmark, making it difficult to directly compare their activity to the benchmark: for example, confusion can appear between scope 3 (global indirect emissions) and the distribution of emissions along the value chain (upstream scope 3 - i.e., indirect farm-level emissions- and downstream scope 3). Most companies are currently undertaking actions to reduce the impact of their activity, though these often need to be formalized in a transition plan.

4

Very few have consolidated and robust data to measure their trend in emissions intensity along the value chain for more than three years. The use of generic data is often chosen and thus it makes it difficult to assess the overall trend in emissions in past years.

5

Companies are aware of the necessity of integrating climate into their business model and sometimes reach a deep transformation to be compatible with a low-carbon trajectory. Targets and transition plans exist for most companies but overall, robustness can be improved to ensure comparability and avoid burden-shifting, i.e., avoid transferring impacts from one category to another one. Despite this positive trend, the present and legacy show that the agriculture & agrifood sectors need to be more mature in terms of data, good practices, business model transformation and investments. Adaptation to climate change and its consequences in the agriculture & agrifood sector is key and the participating companies identified this challenge and associated risks.

3. CONCLUSIONS AND RECOMMENDATIONS:



SUCCESSSES OF THE ROAD TEST

- 29 assessments were completed.
- The data collection phase was well conducted with multiple meetings between the companies and the analysts. This ensured a good understanding of the companies' activities and helped the companies build a broader understanding of the methodology.
- The online tool was significantly improved as a result of the road test.
- The results were generally aligned with the companies' expectations. The final presentations and feedback reports were communicated effectively to the companies, who indicated that they found the assessment useful.



LIMITATIONS OF THE ROAD TEST

- There were significantly more Agrifood companies (16) and Integrated companies (6), compared with Agriculture companies (3) and Food and Beverage Service companies (4).
- Many challenges arose in terms of lacking data as well as difficulties in interpreting some modules for specific sub-sectors.
- Technical issues with the online tool caused delays.
- The methodology is still relatively difficult to apply consistently, mainly linked to possible interpretation of some questions.

RECOMMENDATIONS TO IMPROVE THE AGRICULTURE & AGRIFOOD METHODOLOGY AND EXTEND IT TO THE REST OF THE SECTOR

To finalize the methodology and make it relevant for the whole sector, it is considered important to make some modifications to the methodology. Listed below are several aspects that should be taken into account:

1. **Ensure the applicability of the methodology to an as-wide-as-possible range of activities within the Agrifood sector by including:**
 - A relevant benchmark (i.e., emission intensity and decarbonization pathways) for most of the segments and types of companies (i.e., the segment "Agricultural producers" covers both agricultural production and is associated with the processing stage).
 - An extended list of products available in the product mix (raw materials, half transformed products such as starch, processed, other, etc.) or guidance to fill in (i.e., convert processed product into simple product).

2. Clarify key elements of the methodology to ensure it will be recognized by the sector:

- Provide details and justifications about how decarbonization scenarios are applied by subsectors for the 4 segments of companies covered by the methodology. The global and regional decarbonization pathways/curves for each product and each parameter could be presented (in an appendix): agricultural product and processed product. This is already available for bovine meat for processed product, and this would provide more transparency for other products.

3. Concerning the deployment of the methodology among the sector, in its whole diversity (activity, size of companies, maturity, etc.), it is important to consider these aspects:

- Ensure that the aim and scope of the methodology are well understood by companies, especially SMEs, by using the quiz on the ACT website to help them understand which approach would be the most appropriate for them according to their level of maturity: <https://actinitiative.org/>
- As the number of agriculture and food companies joining the SBTi is growing, it is important to clarify the similarities, differences and links between SBTi and ACT (absolute vs intensity targets, mid-term vs long-term targets, etc.) to encourage the deployment of ACT in the Agrifood sector.
- A prerequisite for companies could be, not having only one, but at least two GHG assessments to conduct an appropriate ACT assessment, in order to get a trend. Furthermore, another prerequisite could be added on the quality of the GHG emissions inventory which is very important to perform an ACT assessment (e.g. using specific emission factors, covering the entire value chain, i.e. Scope 3, defining appropriate metrics, communicating uncertainties). This should be discussed with companies before launching the assessment, to be sure that the results will be coherent and representative. This would ensure consistency and robustness of the assessment and enhance the analysis of low-carbon strategies and trajectories, especially on the product level.

CONCLUSIONS AND KEY LEARNINGS FROM THE ROAD TEST

ACT ASSISTS COMPANIES TO STRUCTURE AND CATALYZE THEIR GHG MITIGATION STRATEGIES

As highlighted in feedback from participating companies and analysts, the approach allows relevant questions to be asked, to highlight priorities and to perform a proper analysis of a company's ability to integrate climate issues into its strategy. Short- and medium-term actions can be identified, and consequently, progress against targets. For the most mature companies, the Agriculture & Agrifood ACT assessment allows them to challenge their low-carbon strategy in the perspective of a 1.5°C trajectory and to identify areas for improvement. For the least mature companies, the assessment is a good start to dive into the topic of a low-carbon strategy and embrace its complexity. For all companies, ACT can be the backbone of a low-carbon strategy, bringing a clear and holistic structure with concrete indicators and objectives.

ABSOLUTE EMISSIONS PERSPECTIVE NEEDS TO BE FURTHER STRENGTHENED

So far, the ACT Agriculture & Agrifood methodology only assesses companies regarding their emissions intensities. The benchmarks translate the mitigation potentials from the IPCC into decarbonization curves in kgCO₂eq/kg of product. However, this does not prevent companies from continuing to increase their absolute emissions while reducing emissions intensity, causing the carbon budget for the food sector to be greatly overshoot. Consequently, there is a need to ensure that companies are also aligned with the carbon budget of the sector by adding an indicator to score the company's absolute emissions.

THE DIVERSE COMPLEXITY OF AGRICULTURE & AGRIFOOD SECTORS

The sector is complex because it concerns the interaction between human and animal food production with biodiversity and ecosystems. There are many factors influencing the carbon footprint at the farm gate. Moreover, agriculture has a role in carbon mitigation, but also a role in negative emissions (sequestration) to achieve carbon neutrality in 2050. Because of this complexity, it is challenging to compare the carbon footprint of different companies and products in the agriculture & agrifood sector. The inclusion of additional features (such as biodiversity, adaptation, sequestration, and other negative externalities) that go beyond decarbonization is important for the agriculture & agrifood sectors and was considered during the road test of this methodology.

ADAPTATION TO CLIMATE CHANGE

Companies in the A&A sector are highly vulnerable to climate change and must consider ways to adapt to the changing climate over the long term in order to stabilize and enhance food security. However, companies are not mature when it comes to climate adaptation.

ADEME is working on the creation of an ACT Adaptation framework. During the A&A road test, various adaptation concepts were included in the methodology to test their integration with ACT. In particular, additional criteria were added to some indicators within the performance score, and an additional full criterion was added to the narrative score. The next step could be to have an additional ACT score related to physical climate risks and adaptation, using a separate ACT Adaptation methodology.