

CMA CONSULTATION ON MISLEADING GREEN CLAIMS

RESPONSE FROM OATLY UK

SUMMARY

Oatly welcomes the opportunity to contribute to the CMA consultation on the Draft guidance on environmental claims on goods and services.

Oatly welcomes the initiative and actively supports the overall objectives of the CMA's proposed guidance on misleading green claims. We believe it is instrumental that consumers are empowered with clear, scientifically based and comparable information on product's climate footprint, for UK to reach its target of being climate neutral by 2050 and to promote clean growth.

We are acutely aware of the need for emissions in the production of food - and across all sectors - to be radically reduced. The issue is extremely urgent, and relies hugely on better transparency for consumers, so they can choose products from companies actively pursuing carbon reductions and other environmental improvements.

We generally support the guidance put forward, but we think there are three areas where the CMA could go even further:

1. Make publishing Carbon footprint declaration on products mandatory for all food and beverage companies.
2. Expand the guidance to fully apply to B2B relationships.
3. We believe it is paramount to engage all sectors to decarbonise the economy.

ABOUT OATLY

We are the original Swedish oat drink company built on the idea of change. Our mission is to make it easy for people to eat better and live healthier lives without recklessly taxing the planet's resources in the process.

In the late 1980s, a research group at Lund University in Sweden set out to create a plant-based, nutritious and delicious drink similar to cow's milk for people who couldn't have dairy or who just didn't like it. Today, our products are in almost 30 countries across Europe, Asia, Australia and North America. In UK, Oatly had 99% growth in 2020 year-over-year and is now the highest selling brand in the oat category by retail sales value, which is

the largest category within dairy alternatives in the UK. In 2020, Oatly drove 49% of plant-based milk growth in the United Kingdom.¹

We're a sustainability company - our aim is to contribute to a positive change in society. Today, food production accounts for 25% of the world's total greenhouse gas emissions. Milk and meat production, which globally provides only about 18% of human's energy intake, accounts for 60% of these emissions. By offering plant-based products that can replace dairy products, we are contributing to the reduction of greenhouse gas emissions globally. Today's food system is broken and as a food company, we have a responsibility to change it for the better. We want to help driving the societal shift towards more plant-based consumption and production to tackle urgent global challenges linked to climate change and public health.

PRE-CONSULTATION QUESTIONS

This consultation response has been submitted by Cecilia McAleavey, Director of Public Affairs, on behalf of Oatly UK, though it represents the wider view of Oatly as a global company. We've only answered questions we're best placed to answer and reflect our position.

This is a public response and can be published in full. Please contact cecilia.mcaleavey@oatly.com if you have any questions about our response.

CONSULTATION QUESTIONS

3.1 Does the draft guidance cover all the important consumer protection law issues relating to the making of environmental claims? If not, what else should this guidance include and why?

We support the guidance put forward, but we think there are two areas where the CMA could go further:

1. Provide guidance and/or recommendations to ensure companies measure Life Cycle Assessments (LCA) in standardised ways,
2. Make publishing carbon footprint on products mandatory for all food and beverage companies.

We believe there should be standardised approaches to conducting Life Cycle Assessments that are relevant to each sector and overseen by the government.

We'd like to see standardised approaches to calculate life cycle impacts included in Principle 5 - "Claims must consider the full life cycle of the product". We appreciate the short time frame between now and the new guidance coming into force, and we don't have time for new standards to be

¹ according to Nielsen and IRI Infoscan

created and implemented if we stand a chance of cutting global emissions by 50% by 2030. Companies must act on climate now – and being transparent about the climate impact of their products and services is a crucial part of that.

There is already enough public data for companies to calculate LCAs and make this data public as a tool for helping consumers make more informed choices. So, in the meantime, the CMA could provide a framework and/or point businesses to guidance to help them conduct LCAs in more standardised ways. These should be relevant to each sector, and it is essential that all products within sectors should be comparable. For example, in the food industry, data should be calculated using a kgCO₂ per kg of food functional unit.

It's important CMA provides this guidance as it's likely many companies don't have sustainability departments, the in-house skills or capacity to out-source this knowledge. Many simply won't know where to start. And we can't afford to wait for any companies to be left behind, or risk publishing incorrect data due to lack of knowledge. Therefore, the CMA should consider creating guidance to help them along by pointing to scientifically robust methodologies.

The CMA should look to engage with the Government (ideally BEIS or DEFRA) to create wider standards around this in the longer-term. It is key that the calculation system is objective and science-based and allows for the consumer to compare climate footprint. Oatly uses the term climate footprint declaration, because we believe in declaring the climate footprint of products in carbon dioxide equivalents (CO₂e) in absolute numbers per weight (kg).

It should be both feasible for the producer and clear as well as understandable for the consumer.

We think the CMA should consider making it mandatory for all food and beverage companies to publish LCA data on their products for the following reasons:

- It is transparent and we view the climate declaration and consumer demand as a potentially powerful incentive for the food and beverage sector to decrease its climate impact.
- It would make it easier for consumers to make informed choices. We know that consumers are requesting information so that they can make these choices and the climate footprint declaration is a concrete way of empowering the consumer to achieve this.
- Today, climate footprint numbers on products don't mean much on their own as so few companies choose to make this data public. If made mandatory, as food companies start labelling their products, consumer awareness and understanding of the numbers will increase. It then becomes easy for consumers to compare numbers – just as you can compare prices.

- We believe that it is a consumer's right to know the climate impact of the product they're buying.

Crucially, we believe that by using absolute numbers (rather than an e.g. a traffic light system) the consumer can compare and calculate their own climate footprint. This can increase awareness and contribute to a change in behaviour promoting sustainable consumption.

At Oatly, we have made the climate impact of all our products visible on our packs. There are more details in our case study answering question 3.6).

3.2 The draft guidance applies to business-to-consumer relationships, and to a more limited extent, to business-to-business relationships. Is it helpful to cover both?

Yes, the guidance should apply to B2C and B2B relationships.

We need consistency across the board to level the playing field. We don't support limiting the guidance to consumer-facing communications to this extent as proposed by the CMA. Businesses are made up of people – and those people make decisions on behalf of their businesses. Therefore, it's crucial businesses have transparency over what they're buying, and which suppliers they choose to work with, too. This is imperative if we're going to create visible, sustainable supply chains, which we need to meet the UN Sustainable Development Goals ([UN SDGs](#)) and [Paris Agreement targets](#).

At Oatly, most of our direct customers are businesses, including large supermarkets and coffee chains. There is a lot of engagement around sustainability issues that needs to happen B2B if we're going to create the change we need to reach the UN SDGs and the goals of the Paris Agreement. Businesses are increasingly recognizing the value that sustainability can add, beyond traditional financial value, to their supplier partnerships. Expanding the guidelines to cover B2B will help to promote healthy competition amongst companies to aim for 'best-in-class' transparency on their environmental claims.

Let's look at an example to explain what we mean. Imagine Oatly is looking to secure a long-term agreement with a large supermarket. We leverage the fact we publish the climate impact on our products too, which helps us stand out amongst our competitors, and we secure the contract. Over time, another food producer, Company X, recognizes they're losing out on contracts and decide to follow suit by adding climate disclosures to their products. But Oatly and Company X aren't required to follow all of the CMA's guidelines. So, our approaches to accuracy, LCA calculation, etc. are different. The supermarket now wants to use Oatly's and Company X's climate data to help measure their own carbon impact – their scope 3 emissions. For that, they need to know the data is accurate, honest, and substantiated. The supermarket then makes their scope 3 emissions public. This information is eventually communicated to the consumer, but it isn't in line with CMA guidelines, and therefore the CMA principles don't fully

achieve what they set out to do. Expanding the CMA guidelines to cover B2B will reduce the risk of unsubstantiated, inaccurate environmental claims ending up with the consumer anyway.

3.3 The draft guidance, and UK consumer protection law itself, applies across all sectors of the economy and to all businesses selling goods and services. Are there any sectors which require special treatment either in the draft guidance or separately? If so, which sectors and why?

Answer: We believe it is paramount to engage all sectors to decarbonise the economy.

We need a level playing field across the board, so consumers understand what they're buying. Today, consumers can be confused by different definitions and claims. It's essential that products and services across all sectors should be easily comparable, as it risks being highly confusing or misleading to consumers if products are comparable only within their category.

That being said, and given all research reports showing that a change in the food system and a shift to an increased production and consumption of plant-based food is urgently needed to tackle challenges linked to climate change we believe it essential to speed things up within the food sector. We elaborate further on this under question 3.9.

In an ideal world, all companies (not only food companies) should have to declare the climate footprint of their products and services, to truly empower the consumer.

3.4, 3.5 The guidance sets out six principles for business compliance with consumer protection law to avoid 'greenwashing'. Are these principles the right principles under consumer protection law? If not, what other principles would help businesses comply with consumer protection law.

We strongly support expanding the existing guidance under Principle 5 to ensure standard approaches to measuring LCA, in particular the functional unit used.

We believe it is important that all product and service providers declare their climate footprint in absolute and comparable numbers to empower consumers. We can only speak to our experience as a company in the food and beverage industry. We strongly support a standard approach to LCA in the food industry to ensure CO₂e is measured and presented in a coherent and comparable way to facilitate for consumers to make informed choices. Oatly uses the term climate footprint declaration, because we believe in declaring the climate footprint of products in carbon dioxide equivalents (CO₂e) in absolute numbers per weight (kg).

Nutritional value, contents, and pricing per volume/weight already exists and is well established for consumers. Adding information on climate impact per product and kg/product in the same way would make sense from a communication and consumer's point of view.

We would argue strongly against relating climate footprint of foods to calories, proteins or other nutrition factors. This is because a product's CO2e-footprint is something completely different from its nutritional content. To relate a product's climate footprint to is misleading and counterproductive. Information on nutrition is a complex issue and today's nutritional declaration works well.

The climate footprint should be added in "its own right". Especially considering that the price of food does not take climate impact into account. A climate footprint declaration is therefore an essential step of internalizing externalities in the product information.

We recommend the CMA should consider if other sectors would benefit from a standard approach to level the playing field and help consumers make informed decisions.

3.6 To help businesses engage with the principles, guidance and consumer protection law compliance more generally, we have included a range of case studies. Would further case studies be helpful? If so, please suggest topics for these case studies and, if possible, provide examples of when these issues would arise.

We are acutely aware of the need for global emissions in the production of foodstuffs to be radically reduced. Global food consumption accounts for 25% of the planet's greenhouse gas emissions. So any changes consumers make to what food they choose will collectively make a huge difference. But the part where everyone knows precisely how to make the changes, or even where to begin, still seems to be missing. The issue is extremely urgent.

For this reason, as a leading producer and distributor of oat-based drinks and dairy alternatives, we have declared our climate footprint on our products since 2019. In calculating our climate footprint from farm to market, we use an independent third party called Carbon Cloud, which base their methodology on over 20 years of research. By declaring the climate footprint on our products in carbon dioxide equivalents (CO2e), absolute numbers, we wish to make it easier for consumers to make informed choices. We know that the food system needs to be transformed to tackle climate change and we also know that consumers are requesting this kind of information so that they can make more informed choices. The climate declaration is a concrete way of giving the consumers the tools and power to make those informed choices - in a time where people are calling out for action and political willpower, faced with an existential climate threat. See more about our calculations on our website: <https://www.oatly.com/uk/climate-footprint>

We think climate declaration ought to be mandatory for food companies. Just like it is mandatory today to declare a food product's nutritional content. Today, food producers are legally required to label the nutritional content of a product. Labelling climate footprint shouldn't be any different. The problem with all these numbers is they don't really say much if there's nothing to compare them with. That's why we need regulators, legislation, and advertising guidelines to insist that all producers make the climate impact of their products public. So, in September last year, we presented the case for making CO2e food labels a law at the Bundestag, after receiving almost 60,000 signatures on our petition. You can read more about the campaign on our website: <https://www.oatly.com/de/hey-bundestag-english>

3.7 Which, if any, aspects of the draft guidance do you consider need further clarification or explanation, and why? In responding, please specify which Chapter and section of the draft guidance (and, where appropriate, the issue) each of your comments relate to.

Answer: Overall we think the guidance is sufficiently comprehensive. However, we think the CMA should consider providing a list of definitions.

There are many confusing environmental terms being used by companies today - carbon neutrality, net zero, climate positive/negative, resource positive/negative. The CMA guidance on this is vague. We don't think it should be left up to individual businesses to interpret. It's likely many companies don't have sustainability departments, the in-house skills, or the capacity to out-source this knowledge. Many simply won't know where to start with defining these confusing terms. And we can't afford to wait for any companies to be left behind, or risk making false or misleading claims due to lack of knowledge.

We strongly support points 3.67 and 3.68 in the guide, and if anything we believe this could be further reinforced. We believe terms like 'carbon neutral' or 'carbon offset' should be declared separately from the climate footprint declaration of a product, and in a transparent manner. Climate compensation is not a solution in and of itself to the climate crisis - nor should it be depicted as such. Scientists agree we must reduce emissions in line with 1.5°C global temperature rise above pre-industrial levels to avoid the most catastrophic impacts of climate change.

So, we need state-set definitions so consumers can be clear on what they're buying. For example, many businesses today claim to be net zero, when in fact they are carbon neutral. Consumers are liable to be misled into thinking the products or processes themselves generate no emissions. The CMA needs to make the definitions much clearer. For instance, by creating a glossary or list of definitions of common environmental phrases, claims and words that businesses can refer to.

3.9 Are there any other comments that you wish to make on the draft guidance

A **shift towards more plant-based diets** is a key element of the transition

towards [sustainable food systems](#).² Research³ shows that a change in the food system and a shift to an increased production and consumption of plant-based food is needed to tackle challenges linked to climate change, biodiversity loss, fresh water and public health as well as to manage to feed the growing population. Plant-based alternatives to traditional dairy and meat products have a considerably lower carbon footprint compared to their animal-based counterparts. For the UK to live by its commitments under the Paris Agreement and to achieve its long-term commitment to decarbonise its economy, it must address the issue of GHG emissions produced from the agricultural sector, particularly livestock.^{4 5}

A shift to a plant-based diet is a key prerequisite to decarbonising the UK economy.⁶

A societal shift is taking place, with consumers [shifting to plant-based diets for a number of reasons](#)⁷ including ethics, medical and health concerns and not least concerns regarding the impact of animal-based diets on the environment.

A report published by Imperial College London in October 2019 points out: “Plant-based meat and dairy replacements or analogues have an important role to play in shifting to sustainable diets as they reduce the complexity of plant-based eating and are highly compatible with existing food habits (both associated with rapid innovation adoption).”⁸

² [Food system impacts on biodiversity loss | Chatham House – International Affairs Think Tank](#)

³ IPCC, “Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse gas fluxes in Terrestrial Ecosystems”, IPCC, 2019

(<https://www.ipcc.ch/site/assets/uploads/2019/08/Fullreport-1.pdf>); Clark, MA et al., (2019) “Multiple Health and Environmental Impacts of Foods”, PNAS; 116 (46); 23357–23362

[Food system impacts on biodiversity loss | Chatham House – International Affairs Think Tank](#)

[Food in the Anthropocene: the EAT–Lancet Commission on healthy diets from sustainable food systems \(thelancet.com\)](#)

⁴ Springmann M. et al., “Health and nutritional aspects of sustainable diet strategies and their association with environmental

impacts: a global modelling analysis with country-level detail”, The Lancet, October 2018, 451-461.

⁵ Joint Research Centre, “Evaluation of the livestock sector's contribution to the EU greenhouse gas emissions (GGELS)”, Administrative Arrangements AGRI-2008-0245 and AGRI-2009-0296.

⁶ Poore J. and Nemecek T., “Reducing food’s environmental impacts through producers and consumers”, Science 360, June 2018, 987-992; Rööös E., *The sustainable farm – does it exist?*, SLU Future Food: A research platform for a sustainable food system, The Swedish University of Agricultural Sciences, 2017 (Uppsala), 10-17. Springmann M., Wiebe K., Mason-D’Cruz D., Sulser T.B., Rayner M. and Scarborough P., “Health and nutritional aspects of sustainable diet strategies and their association with environmental impacts: a global modelling analysis with country-level detail”, The Lancet, 2018 (2), 451-461; Willet W. et al., “Food in the Anthropocene: the EAT-Lancet Commission on healthy diets from sustainable food systems”, The Lancet, January 2019, 1-147; Clark M.A. et al., “Multiple health and environmental impacts of foods”, PNAS, October 2019, 1-6; Springmann M. et al., “Options for keeping the food system within environmental limits”, Nature, October 2018, 519-525.

⁷ [beuc-x-2020-042 consumers and the transition to sustainable food.pdf](#)

⁸ “Behaviour change, public engagement and Net Zero”, A report for the Committee on Climate Change

October 2019, Dr Richard Carmichael, Centre for Energy Policy and Technology (ICEPT) and Centre for Environmental Policy (CEP), Imperial College London

Oatly maintains that introducing mandatory climate footprint declaration for the food sector offers an unmissable opportunity to support this vital shift, whilst at the same time increasing the competitiveness of UK agriculture, encouraging innovation within the plant-based sector and offering new economic opportunities and employment to benefit the planet, people and future generations.
