International Platform of Insects for Food & Feed (IPIFF)

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IPIFF Position Paper

European Commission Consultation on EU funding for competitiveness

I. Who are we?

The International Platform of Insects for Food and Feed (IPIFF) is the umbrella organisation of the European insect-producing sector towards European institutions. Bringing together 75 members – most of which are European insect-producing companies - IPIFF promotes the use insects and insect-derived products as a top-tier source of nutrients for human consumption, animal feed and plant nutrition.

II. About this Position Paper

IPIFF therefore aligns with the European Commission's identified challenges in this consultation paper, which resonate with the EU insect producing sector. By addressing these challenges effectively, better financial allocation under the EU budget can be achieved and thus, improve EU's innovative competitiveness.

We believe that such can be best achieved by supporting start-up sustainable and innovative sectors with a mix of public funding and public-private financial mechanisms, complemented by policy and regulatory incentives.

The European Investment Bank's Thematic Study, 'Scale-up Gap: Financial Market Constraints Holding Back Innovative Firms in the European Union,' **perfectly highlights the obstacles faced by the EU insect production sector.** It reinforces the urgent need for EU institutional support for innovative sectors like ours, particularly regarding financial resources and regulatory frameworks.

> *'Closing the gap in finance for scale-up companies is essential for the European Union to maintain its edge in technology and thrive amid the green and digital transitions.* ***European innovators grapple with significant constraints when seeking investment, particularly as they transition from startups to growth-stage companies. This often compels promising firms to seek financing abroad or even relocate their operations overseas****. Europe needs to bolster its support for innovation by deepening capital markets and nurturing the venture capital scene.* ***Removing investment barriers and implementing targeted public interventions can generate a virtuous cycle, redirecting investments from institutional investors to this strategic market segment****.'*

III. Ensure investment in innovative sectors which can contribute to the decarbonisation and environmental sustainability of strategic sectors

- ✓ Insect proteins have a lower carbon footprint compared to conventional livestock production. Integrating this alternative protein source can help the EU achieve its targets for reducing greenhouse gas emissions and combatting climate change.

- ✓ Farming insects for protein production can alleviate pressure on natural ecosystems and reduce habitat destruction associated with conventional agriculture. By minimising the demand for land and water, the insect sector can support the Farm to Fork Strategy's objectives of protecting biodiversity and ecosystems.
- ✓ Insect farming requires minimal land, water, and feed compared to traditional livestock. Therefore, embracing insect farming enhances the EU's commitment to sustainable food production and resource efficiency.
- ✓ A true circular agricultural economy can be achieved thanks to insects, with the use of organic waste streams and by-products to feed insects. This protein source, with its circular practices close nutrient loops and valorises food waste. We can easily affirm that insect farming is inherently aligned with the Farm to Fork Strategy's vision of creating a circular and more sustainable food system.

IPIFF considers **that EU policy makers should make greater commitments to support innovative and sustainable sectors**, especially since those can contribute to achieving the EU's ambitious targets for carbon reduction of our food system. To this end, we consider that EU public authorities could **take examples from previously developed support measures** targeted at **sectors** which were considered of **strategic importance for the domestic economy.**

- ➢ We therefore plead for the establishment of an **ambitious set of policies** or **policy frameworks** – **accompanied with adequate financial support measures** – to **stimulate** and **harness the multifunctional benefits of insect farming/production activities.**

IV. EU funding must address the excessive dependence of the EU on non-EU countries for critical inputs and the need to Increase focus of funding on key current and future strategic priorities

The diversification of protein sources through insects can enhance the resilience of the EU's food system. By reducing dependence on a limited range of protein sources, the EU becomes more adaptable to disruptions and challenges, fostering food system resilience, as emphasised in the 'Farm to Fork Strategy'. By producing protein locally through insect farming the EU can reduce its reliance on imported protein for animal feed and food production.

Insects offer a protein production alternative, which is complementing and non-competing with conventional sources, with proven beneficial effects even at low inclusion rates, providing an additional solution to reducing the dependency of the EU on animal feed, soil fertiliser, or even food production. By incorporating this alternative protein source into the food supply chain, the EU can reduce its reliance on resource-intensive livestock production, contributing to the Farm to Fork Strategy's goal of promoting more sustainable and climate-friendly food systems.

Along that line, IPIFF has previously stressed the need to **recognise such new food and feed sources under EU strategic frameworks'**[1], emphasising the need to stimulate the production of innovative products, such as insects, algae, microbial culture, fermentation products. Notably, we highlighted the importance of ensuring **coherence between the 'Farm to Fork' strategy** and other **EU or national initiatives,** such as EU or national protein plans, the Horizon Europe research framework programme, the Common Agricultural Policy or the EU industrial policy.

The EU sets forward the objective to become more resilient and less dependent on critical inputs such as animal feed, soil fertilizer or energy. Innovative sustainable sectors such as insects provide solutions to these challenges, but still face **regulatory delays, difficulty accessing the market and lack of public and private investment.**

Over the last years, IPIFF has actively contributed to the shaping of EU regulatory standards applicable to insect producers in Europe, creating the legislative framework for business operators, while providing them with the necessary visibility to plan their investment and marketing activities.

Yet, we consider that this EU regulatory framework remains incomplete, as the full potential of the insect sector is being hampered due to the 'restrictive' categorisation of insects and their by-products as food or feed by the EU legislator. For instance, the classification of invertebrates as 'farmed animals' under the EU animal by-products legislation prevents operators from upcycling underused biomasses, including through the reintroduction of food losses containing meat and/or fish into the food chain, consistently with the EU Food Waste Pyramid.

The European insect sector faces challenges from regulatory delays, and restrictions on using broader substrates and insect products and by-products like frass. These barriers hinder scaling production, cost reduction, and circular economy contributions. Reforms enabling expanded market access, such as using food losses from supermarkets and agri-food industries as substrates and promoting insect-based products for feed, food, and fertilisers, are crucial for maximising the sector's potential.

- IPIFF pleads for engaging **the necessary reforms towards broadening the range of biomasses currently authorised in insects' diets**, thereby maximising the bio-conversion potential of insects and effectively addressing the issue of food waste at European level.
- Moreover, **European insect producers urge the European Commission services to step up efforts to achieve progress on EU policy reforms that would open viable outlets for the different insect by-products**, notably through the effective upcycling of insect frass.

Anticipating significant output growth, the **European insect sector** is currently investing **in building the necessary capacities** and **tailored production standards** in view of its **commercialisation** as **fertilising product** on the EU market, in line with the EU regulatory standards adopted in 2021 – i.e. standards embedded in Annex XI, chapter I, section 2 to Regulation (EU) No 142/2011[2].

In this context, the expected future **registration** of **processed frass** - frass subject to a heat treatment process of at least 70° for at least one hour as above-mentioned - **under the EU fertilisers' legislation**

[1] See IPIFF Regulatory brochure (July 2020): IPIFF's Policy Priorities towards 2025 (July 2020) - document available on the IPIFF website through the following link.

(i.e. through its inclusion under CMC 10 of Regulation (EU) 2019/1009) would be **instrumental to ensuring the viability and competitiveness** of **European insect producing companies**, especially at a critical time of the ramping up of our industry. Moreover, such reform would contribute to supporting the European Commission's endeavours to increase the availability of EU bio-based fertilisers and accelerate the transition to a fully decarbonised economy[4].

IPIFF calls the attention of the European Commission to the potential contribution of the EU insect sector towards these objectives, which can be achieved through an amendment to Regulation (EU) No 142/2011, with the view of clarifying the possibility to use processed frass, as 'starting material for composting or biogas transformation'.

The aforementioned reforms are indeed instrumental to ensure the competitiveness of companies active in insect production activities through the reduction of input costs and the effective valorisation of the insect by-products (e.g. insect frass), both within and outside the food and feed chains, in line with the principles of the Circular Economy.

V. The innovation and technological gap for the EU in strategic products and technologies, with respect to key competitors globally: EU to become a World leader in bioeconomy market

EU sets forward the objective to become world leader in the bioeconomy market. Nevertheless, is already lagging far behind its major world partners.

The Vision for Agriculture and Food sets forward the objective of accelerate the commercialisation of bio-based circular solutions, scale up biobased solutions and bridge investment gaps. For such an ambition to become a reality, we plead for the adoption of a true inclusive approach in the frame of the CAP Post-2027 to promote innovative sectors, such as insect farming. Our sector not only boosts EU's positioning in the World bioeconomy market but also can supply current needs to reduce dependency in imported animal feed and soil fertilizer. Thus, offering diversification/additional income opportunities for farmers, without mentioning that due to the production of a diverse set of products (animal feed, food, soil fertilizer, biogas), our sector creates thousands of highly skilled green jobs and entrepreneurship opportunities in rural regions across the EU.

➔ **Concrete financial support must thus be envisaged in the CAP Post-2027.**

While the European Commission's Strategic Guidelines on Aquaculture acknowledge the need to shift towards sustainable aquafeed options like insects and algae, concrete financial support is notably absent. Aquafeed constitutes a significant burden, accounting for approximately 80% of aquaculture's environmental footprint and 70% of production costs.

Given the EU aquaculture sector's limited competitiveness, representing less than 1% of global production, supporting the development of sustainable, EU-sourced aquafeed is essential. This support would enhance resilience against imported feed dependency, improve environmental sustainability, and potentially reduce future production costs. Integrating insect-based aquafeed, which offers functional benefits with a small incorporation rate, also helps mitigate the volatility of existing aquafeed prices. Produced in controlled environments, insect-based feed is less vulnerable to climate-related events and geopolitical instability.

The European Maritime, Fisheries and Aquaculture Fund allocates €1 billion under objective 2.1, "Promoting sustainable aquaculture activities, especially strengthening the competitiveness of aquaculture production while ensuring that the activities are environmentally sustainable in the long term." Despite this, no funding is specifically directed towards diversifying EU-produced sustainable aquafeed.

➔ **The EMAF must have allocate specific funding towards the development of sustainable aquaculture feed production.**

The EU Net Zero Industrial Act sets forth the objective of accelerating industrial decarbonisation while maintaining high environmental standards. The potential of insects for biogas production offers a critical pathway to achieve this. Furthermore, the Industrial Decarbonisation Act proposes the objective of leading markets for low-carbon products by promoting industrial products with low carbon intensity.

➔ **We therefore encourage the European Commission to propose targeted policy support and funding, in line with these initiatives, specifically to promote clean technologies like biogas produced from insect frass biomass.**

VI. MFF must address the need of access to finance for small businesses to scale-up from research to manufacturing: EU is incapable of translating innovation into marketable products

The EU insect sector has over 150 production facilities across Europe, predominantly SME's and Start-ups. The sector has passed a critical threshold and has set its mark to be commercially interesting. Production is scaling up to meet the needs of food-feed-plants markets, while building know-how. **The EU insect sector is responsible for 3,500 jobs created until today (incl. above 1,000 direct jobs) and expected to deliver up to 30,000 jobs by 2030.**[2] At the same time, there is a great diversity in types of farms, operational sizes and production models (e.g. 'full liners' vs. decentralized models) and higher level of integration with several other production systems (e.g. 'colocation' with agro-industries, partnerships with farmers**).**

With the reforms achieved over the last few years ((i.e. EU novel food authorisations as from 2021, insect proteins approval as feed in aquaculture in 2017, authorisation expanded to pig and poultry markets in 2021), the European insect sector has reached a critical threshold on the path to achieving industrial and commercial maturity, as evidenced by the figures.

Yet, Europe is struggling to empower its own innovations. **If we want a prosperous investment environment that puts end-customers at the centre, regulations need to follow suit.** European agri-food players are committed to addressing consumers' demands for affordable and high-quality products while reducing the pressure on available resources and our ecosystems.

[2] Please see the IPIFF Brochure: *'Perspectives on the evolution of the European insect sector towards 2030: current EU regulatory status, existing opportunities and prospects for development'*

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The European insect sector has entered a new phase, reaching important milestones in its efforts to achieve the required level of scalability to realise its full potential. These recent developments go along with the mutations and challenges that are traditionally faced by 'novel' and capital-intensive industries: **Operators are focusing on further innovations, attracting capital, reducing cost prices, increasing production capacities, and advocating for regulatory changes, all with the objective to become profitable.** Recently, these challenges have been exacerbated by difficulties operators face when attracting capital, in the context of ever-scarcer financial resources.

According to IPIFF, stronger and more targeted policy and public support is indeed essential to unlock the industry's full potential. By acting in a timely and strategic manner, Europe can showcase a unique global success story in line with the EU Green Deal and the EU Industrial Strategy ambitions—creating jobs, revitalising industry, and delivering groundbreaking solutions to the sustainability challenges of our food systems.

The European insect sector's strategic vision revolves around three pillars:

- **Improve competitiveness:** Remove regulatory barriers, such as restrictive classifications of insects and insect-derived products, to unlock the sector's potential in upcycling food waste and reducing costs, aligning with circular economy principles.
- **Promoting demand:** Open markets for diverse insect-derived ingredients and incentivise consumers or food and feed buyers to prioritise their use,
- **Catalysing financing:** Europe needs robust EU policies and funding mechanisms, including public-private partnerships, to attract investments and support alternative proteins.

VII. Lack of investment from institutional investors and insufficient private financing (e.g. by de-risking private investment)

Alternative proteins require significant amounts of capital to research and produce at scale. Nevertheless, **private capital for alternative proteins lags other sectors**. While securing public funding is key to supporting fundamental research and pilot projects (e.g. R&I funds), we consider that a **dual public-private funding approach** is **critical** to build **market confidence in alternative protein companies** (e.g. through public-private partnerships to fund infrastructure that supports alternative protein production and distribution).

Against this background:

- We are supportive of the EU policy efforts towards **recognising green/sustainable sectors** - such as the insect sector and other innovative and alternative proteins - **under EU official classification systems** facilitating **access to private** and **public funding** that is specifically targeting at sustainable businesses, 'green investments and climate-friendly solutions, e.g. opportunities opened **the EU sustainable finance framework** towards channelling private capital/investments to sustainable initiatives.

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- We recommend exploring other existing **EU policy instruments,** which would **incentivise the adoption of climate-friendly solutions** by consumers and European farmers. For instance, **the extension of emission trading scheme to agricultural activities** is an option which our organisation strongly supports by pricing GHG emissions from agricultural activities, in particular producers and importers of animal feed ingredients, such as insect producers who are upstream of farms in the value chain, the best-performing actors **would be financially rewarded** for reducing their environmental footprint.

VIII. Demand-side public initiatives for innovation and strategic technologies (e.g. procurement, standards)

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1. Public Procurement Directives could support the scale up of our startups

Public procurement is a significant driver of investment in the EU economy, accounting for €2.4 trillion, or 14% of EU GDP. This spending fuels various sectors providing essential goods and services. However, the benefits are not universally shared, with the insect production sector, being excluded.

The 2020 Circular Economy Strategy proposed mandatory green procurement objectives, including sector-specific targets. We urge the inclusion of these proposals in the 2025 EU Revised Public Procurement Directives to support innovative and sustainable biobased sectors like insect production. Similarly, we recall the objective for the setting of a sustainability and resilience criteria for procurement, as proposed in the EU Industrial Decarbonisation Act.

Public procurement has the potential to create lead markets for clean and strategic products like insects, algae, and yeast. This can be achieved by establishing binding sustainability standards for protein ingredients purchased through public procurement. Specifically, by setting a minimum percentage procurement requirement for alternative and sustainable protein sources, such as insects, in certain products such as food and animal feed, which would foster the growth of the EU biobased economy.

2. Enabling the access of insect producers to the Agrifood Programme can boost their potential to upscale

The competitiveness of our sector largely depends on the capacity of opening new markets, promoting their products and making it available to consumers. The Agrifood promotion policy could be an instrumental policy to promote insects' sustainable and healthy products and enable a broader acceptance by EU consumers.

Furthermore, the Agrifood Promotion Policy can potentiate the growth of our sector in the Internal market and even make the EU a world leader of insects' food products, with the high EU food quality standards. The EU insect is an emerging sector. The lack of available information and wide availability of these products to the consumer makes it difficult for business to remain competitive. Investment in these sectors are high, and the return are still low.

The inclusion of insects as part of the EU Agrifood Promotion Policy can further support the endeavours of the EU insect sector to establish in EU food labelling legislation a mandatory origin/provenance indication in insect food products.

3. Policy Proposal: Integration of Sustainable Protein Targets in EU Animal and Aqua Feed Usage

Drawing inspiration from the EU's ReFuel Aviation Initiative, which mandates increasing targets for Sustainable Aviation Fuel (SAF) usage at EU airports (2% by 2025, 5% by 2030, and 63% by 2050), this proposal advocates for a parallel policy within the European Union's agriculture and fisheries sectors.

Just as SAF targets are crucial for decarbonising aviation, setting binding targets for Sustainable Animal Feed and Aquafeed is essential for fostering a more sustainable food system. Therefore, we propose that the Common Agricultural Policy (CAP) and the Common Fisheries Policy (CFP) be amended to include minimum mandatory incorporation rates of sustainable protein in animal feed and aquafeed, with the following targets: 3% by 2027; 5% by 2030; 50% by 2050

These targets represent a progressive approach to transitioning towards more sustainable feed sources, contributing to environmental protection, resource efficiency, and the long-term viability and resilience of the agricultural and aquaculture sectors.

IX. Conclusion

While various EU policy strategies – including the EU Start-up and Scale-up Strategy, Bioeconomy Strategy, Vision for Agriculture and Food, Industrial Decarbonisation Act, and Innovation Act – **acknowledge the need to support innovative and sustainable start-ups, concrete financial mechanisms for scaling up remain insufficient.**

We emphasise the critical need for political commitment to stimulate private investment and facilitate the transition from innovation to marketable products in sectors such as insect production.

The EU already possesses the resources to fund and finance the scaling of innovative, decarbonisation-contributing sectors. However, this requires better alignment and a cross-sectoral approach across different policies and related funding mechanisms, such as:

- ➔ Common Agricultural Policy funding mechanisms
- ➔ European Maritime Fisheries and Aquaculture Fund
- ➔ Industrial Decarbonisation Act promotion policies
- ➔ Innovation Fund

Simultaneously, the EU has existing policies and tools to facilitate market access and stimulate demand for innovative and sustainable products. Thus, a better usage of existing tools can speed up the competitiveness of innovative sector. These include:

- ➔ Public Procurement Directives
- ➔ Agrifood Promotion Policy
- ➔ Existing policy and regulatory initiatives like ReFuel Aviation, which can serve as a model for incentivising the adoption of sustainable animal feed and aquafeed.