

Covenant on the Environmental Impact of Potting Soil and Substrates

THE PARTIES

Central government

1. The Minister of Agriculture, Nature and Food Quality (*Landbouw, Natuur en Voedselkwaliteit*), acting in the capacity of an administrative authority and representing the State of the Netherlands, represented in this matter by Mr P. Adema, hereinafter referred to as 'the Minister of LNV';
2. The Minister for Climate and Energy Policy (*Klimaat en Energie*), acting in the capacity of an administrative authority and representing the State of the Netherlands, represented in this matter by Mr R. Jetten, hereinafter referred to as 'the Minister for KE'.

Industry

3. The Netherlands Association of Potting Soil and Substrate Manufacturers (*Vereniging Potgrond- en Substraatfabrikanten Nederland*), acting as a trade association, represented in this matter by Mr T. Vollebregt, chairperson, hereinafter referred to as 'the VPN';
4. The Netherlands Agricultural and Horticultural Association (*LTO Nederland*) Department of Mushroom Cultivation and Department of Trees, Perennials and Summer Flowers, acting as a trade association, represented in this matter by Mr. H.P.L. Van den Heuvel, executive director, hereinafter referred to as 'the Mushroom Cultivation Department and the Trees, Perennials and Summer Flowers Department';
5. Greenhouse Horticulture Netherlands (*Glastuinbouw Nederland*), acting as a trade association, represented in this matter by Ms A. Bom-Lemstra, chairperson, hereinafter referred to as 'Glastuinbouw Nederland';
6. *Plantum*, acting as a trade association, represented in this matter by Mr N.P. Louwaars, director, hereinafter referred to as 'Plantum NL';
7. *Tuinbranche Nederland*, acting as a trade association, represented in this matter by Mr F. van der Heide, director, hereinafter referred to as 'Tuinbranche Nederland';
8. The Dutch Association of Biowaste Processors (*Branchevereniging Voor Organische Reststoffen*), acting as an industry association, represented in this matter by Mr A. Brinkmann, director, hereinafter referred to as 'the BVOR';
9. The Dutch Association of Wholesalers in Floricultural Products (*Vereniging van Groothandelaren in Bloemkwekerijproducten*), acting as a trade association, represented in this matter by Mr M. Mesken, director, hereinafter referred to as 'the VGB';
10. The Dutch Flower Auctions Association (*Vereniging van Bloemenvellingen*), acting as a trade association, represented in this matter by Ms E. Herben, director of EU Public Affairs, hereinafter referred to as 'the VBN';
11. The Dutch Fruit Growers Organisation (*Nederlandse Fruittelers Organisatie*), acting as a trade association, represented in this matter by Mr F. Bunt, chairperson, woody soft fruit product group, hereinafter referred to as 'the NFO'.

Quality marks and knowledge organisations

12. The RHP Foundation (*Stichting RHP*), acting as a knowledge centre and quality mark management organisation, represented in this matter by Mr M. Zevenhoven, interim director, hereinafter referred to as 'RHP';

13. The RPP Foundation (*Stichting RPP*), acting as a quality mark management organisation, represented in this matter by Mr H. Boon, director, hereinafter referred to as 'RPP'.

NGOs

14. The Peat-Free Foundation (*Stichting Turfvrij*), represented in this matter by Mr P. Gramlich, chairperson, hereinafter referred to as 'Turfvrij'.

hereinafter collectively referred to as 'the parties'.

WHEREAS

The Netherlands is a global player in the horticulture and propagation materials sector;

Potting soil and substrates play an indispensable role in the cultivation of food and floriculture and the greening of both private and public space, and thus the well-being of people;

Peat is one of the most important components of potting soil, and that during the extraction and use of peat CO₂ is released;

That CO₂ is captured during the restoration of peatlands and the growth of trees and plants;

The Netherlands imports approximately 4.7 million m³ of peat per year, making it a major importer of peat in Europe;

The average content of primary components in Dutch growing substrates for the professional market amounts to approximately 72%, of which approximately 60% is peat. The level of primary components in the consumer market is approximately 56%, of which approximately 50% is peat (2020, source VPN).

The average content of renewable raw materials in the professional market is therefore approximately 28%, and in the consumer market approximately 44% (2020, source VPN);

There are also policy plans in neighbouring countries to reduce and in some cases eventually phase out the use of peat. The Netherlands is also increasingly critical of the use of peat and the environmental impact of substrates;

In July 2021, the House of Representatives agreed by a large majority to a motion (Parliamentary Papers 21 501-32, no. 1324)* to work towards entirely peat-free potting soil for private individuals and to investigate, in cooperation with municipalities and parties from the horticultural sector, how and within what timeframe the use of peat and peat products in the professional sector can be phased out and replaced by alternatives, for in any event municipalities and floriculture;

International peatlands have an important social value for biodiversity conservation, and also capture CO₂ when the areas are properly managed. In addition, non-drained, natural peatlands, should be left untouched to prevent carbon emissions.

The considerations in Appendix 3 form an integral part of this covenant.

* See Appendix 1, and the Cabinet's response in Appendix 2.

In brief, these concern:

- the importance of high-quality substrates. Among other things, substrates are essential for food production and green, liveable cities;
- social challenges, partly because the world population and demand for food will sharply increase as we head towards 2050;
- the commodities market for substrates. Due to economic growth and disruption in (transport) markets, the international raw materials market for substrates has been under considerable pressure for several years;
- the professional use of substrates. Peat forms an important high-quality, safe and stable substrate base;
- the private market for substrates. Substrates for the private market include peat in addition to significant proportions of renewable raw materials;
- quality, safety and sustainability. There are no legal regulations for substrates, but there are privately established quality criteria. The basic principle here is that the materials must be (phytosanitarly) safe and comply with quality criteria and export requirements;
- responsible peat extraction. Peat that will be used for substrates in the future should be produced responsibly;
- knowledge and insight: research and innovation are needed to make residual streams available as a renewable raw material in high-quality substrates;
- decentralised government authorities. The municipal market for growing substrates is largely supplied by landscaping companies commissioned by local governments. Decentralised government authorities can therefore impose conditions in connection with the use of substrates.

ARE AGREED AS FOLLOWS:

Article 1 Definitions

In this covenant (and its accompanying appendices) the following terms are defined as stated below:

The ministers: The Minister of Agriculture, Nature and Food Quality (LNV) and the Minister for Climate and Energy Policy (KE).

Circular raw materials: In a circular economy there is no waste and raw materials are constantly reused. Residual flows from one sector form the raw materials for another sector.

CO₂ emissions of peat: 250 kg CO₂ per m³ of peat (Alterra 2013, WUR).

Consumer market: The market in which potting soil, substrates and (packaged) soil improvers are used by private users.

Casing soil: Mushrooms grow on mushroom substrate (composted organic rich manure), which is covered with a layer of casing soil (peat) of up to 5 cm. The casing soil serves, among other things, as a moisture buffer, and the mushroom draws the necessary moisture from this.

Cultivated Sphagnum: Sphagnum moss, which is intentionally grown and harvested in a paludiculture and can be used as a renewable resource.

Resource transition: A movement towards the use of more renewable resources with the aim of reducing the environmental impact of substrates.

Renewable raw materials: Inexhaustible, or almost inexhaustible raw materials, whose supply can be restored in a short period of time (usually 50 years). In this covenant bark, coconut, wood fibre, compost, foamed earth, rice chaff, cultivated sphagnum, biochar, cork and recycled substrate, among other things, are considered as renewable.

LCA: A method to calculate the environmental impact of a material or product, whereby all life stages of that material or product – extraction of raw materials, transport, production process, application, use, disposal and reuse – are taken into account.

Environmental impact: Also known as the environmental effect or environmental burden, is the (negative) influence that human activity has on the natural environment and the Earth's ecosystems.

Primary raw materials: Raw materials produced by the earth and used by humans to produce materials and products. In this covenant peat, sand, clay, perlite and basalt are regarded as primary raw materials.

Potting soil: Growing medium for cultivating plants, herbs and vegetables in a pot or other durable container.

Professional market: Professional users of substrates, such as horticulture, agriculture, public green spaces, gardeners etc.

Sphagnum moss: Also known as peat moss, one of over 150-300 species of plants in the subclass Sphagnidae, of the division Bryophyta, comprising the family Sphagnaceae, which contains one genus, Sphagnum.

Substrates: Also known as growing media, these are compositions of organic and/or mineral materials and are used for professional horticulture, public areas and private gardens intended for growing plants or mushrooms.

Peat: Peat is peat moss (Sphagnum) decomposed under low-oxygen conditions, and consists of at least 30% (dry weight) of dead organic matter.

Peatland: An area with or without vegetation with a naturally accumulated peat layer on the surface.

Article 2 Objectives

General

1. The aim of this covenant is to reduce the environmental impact of substrates in the chain. To achieve this reduction, efforts by the parties will include encouraging concerned entrepreneurs to (a) make more use of renewable raw materials and (b) use only certified peat. Besides the environmental impact, this also concerns nature restoration and the biodiversity of peatlands. This aim and the associated principles are further elaborated in Appendix 4, which forms an integral part of this covenant.
2. To this end, this covenant sets specific targets for 2025, 2030 and 2050.

Targets for 2025

3. For the period up to 2025, the ambitions of the VPN (Netherlands Association of Potting Soil and Substrate Manufacturers – *Vereniging Potgrond- en Substraatfabrikanten Nederland*) are applied. These deal with the use of renewable raw materials in organic substrates, such as bark, coconut, wood fibre, compost and foam soil on the one hand, and the use of responsibly extracted peat on the other.
4. *Targets for 2025*
 - a. For the professional market, the aim is for organic substrate to consist of 35% renewable raw materials on average by 2025.
 - b. For the consumer market, the aim is for organic substrate to consist of 60% renewable raw materials on average by 2025.
 - c. For 2025, the aim is for substrates containing peat raw materials to carry the RPP label (or equivalent) 100% of the time. RPP certification ensures limited impact on local biodiversity and the environment, and contributes to the restoration of natural areas.
 - d. The members of the BVOR and VPN have set the objective of increasing the total amount of compost in substrates by 100% to 600,000 m³ by 2025.

Targets for 2030

5. Further agreements on the objectives for 2030 will be made by the end of 2023 at the latest, based on a wider independent study on renewable raw materials that is due to be initiated. This study should provide a sound rationale for the achievable percentage of renewable raw materials in the professional market in 2030.
6. Options for further differentiation of the targets for the professional market (food, floriculture and public greenery (landscaping)) and the consumer market ((packaged) substrates in retail) and/or objectives on various transition paths will also be considered in the run-up to 2030.
7. The targets for 2030:
 - a. The objective for the professional market is a percentage of renewable raw materials in organic substrate to be determined by the end of 2023, based on the wider research.
 - b. For the consumer market, the aim is a percentage of renewable raw materials in substrates of 85% on average by 2030.

Targets for 2050

8. The ambition of the European Commission is to make Europe a climate-neutral continent by 2050 at the latest. The Netherlands endorses this ambition.
9. The targets for 2050:
 - a. The use of substrates will not cause any negative environmental impact in the chain and will be CO₂ neutral.
 - b. To this end, the aim is for substrates to consist of at least 90% renewable raw materials on average over the total chain volume by 2050.

Article 3 Preconditions

Important preconditions for achieving the formulated objectives are:

- The renewable raw materials must be available in sufficient quantity and of sufficient quality.
- The parties should ensure a broad study, which should provide insight into the availability of these renewable raw materials by 2023. This will show whether the objectives are achievable or require adjustment.
- No unfair competition with the low-value application of bio-resources in energy production or agriculture. Central government has an important role in accelerating the phasing out of support on low-temperature heat from woody biofuels.
- An international level playing field, to avoid a situation where major efforts are made to use less peat in the Netherlands, while imports of substrates or products grown on substrates with a high peat content are still taking place.
- Sufficient locations (and permits) to produce renewable raw materials in the Netherlands or its immediate surroundings.
- Equal European standards for renewable raw materials.
- To enable the transition, the relevant ministers are proposing appropriate regulations in this respect.

Article 4 Acceleration of ambitions where possible

1. The transition to more responsible substrates does not start with this covenant, but was initiated by the substrate industry over 20 years ago. The parties express their continued commitment to realising these ambitions. The parties also express the ambition to investigate where acceleration of these ambitions is possible and what follow-up steps can be taken after 2025.
2. To this end, the parties will focus even more on knowledge sharing and knowledge assurance regarding the application of renewable raw materials and will set up structures for this purpose (VPN, RHP, customers, the scientific community, etc.).
3. In order to take further steps towards the transition to even more environmentally responsible substrates in the short term, the parties to the covenant will strengthen ongoing promising initiatives through a thematic approach with recognisable transition paths (articles 5 to 10).

Article 5 Renewable raw materials

The parties will encourage the following developments to emerge or be strengthened in the substrate sector:

- Invest in renewable resources through investment in production and processing facilities;
- Investment in reuse of used substrates;
- More fundamental research and development of substrates;
- Knowledge sharing and development;
- Evaluate and where possible adjust quality requirements for renewable raw materials to promote adoption;

Article 6 Responsible peat extraction

1. In 2023 the parties will initiate an investigation into whether, and if so how, the substrate industry can work towards the future with 'voluntary' carbon certificates and the possible link with RPP.
2. The parties call on RPP to broaden its platform to maximise the use of the extensive body of published knowledge and experience of the peat-producing industry by:
 - a. investigating the possibilities of contributing to the large-scale restoration of peatlands where greenhouse gas emissions are minimised and biodiversity is increased;
 - b. bringing about a change in the production of organic biomass grown under paludiculture conditions, such as Sphagnum species, using a step-by-step approach;
 - c. the rapid realisation of the after-use plan after the peat excavation has ended.
3. Further agreements on this will be made by the end of 2023 at the latest.

Article 7 Consumer information

1. The parties will strengthen communication and awareness concerning substrates towards the consumer market. Efforts will be made to inform employees in garden centres by offering a course on alternative growing media and other training.
2. The aim is to provide clear information on the composition of a product on the packaging. It is important that this information is readily available to consumers both in-store and online. The parties will take responsibility for this and elaborate on it further.
3. Tuinbranche Nederland will launch an awareness campaign for the private market in 2023. The focus will be on involving DIY stores, supermarkets and other retailers (level playing field).
4. The parties will investigate the possibilities of establishing independent labelling, on the basis of the LCA, which gives consumers insight into the integral environmental aspects of a particular substrate. This will involve considering a system of labelling or a QR code on packaging that gives consumers insight into the integral impact of a product.

Article 8 Innovation and research

The parties wish to invest in maintaining and expanding the Netherlands as a knowledge country and international leader in the fields of horticulture and renewable substrates.

The parties recognise that innovation and research projects are necessary to enable the transition to more renewable raw materials. This concerns both practical research shaped by public-private partnerships with market parties such as potting soil companies, compost companies and growers, as well as research into the quality of renewable raw materials by RHP, and more fundamental research into other cultivation systems.

Availability of raw materials

1. The parties will initiate an independent study on the future availability and potential of renewable raw materials in the potting soil and substrate sector in autumn 2022. This includes obtaining an EU overview of flows that are large enough to be of significance to the market (>100,000 m³/year), not only the existing ones, but especially those that are not currently in use and could only be suitable after some processing.
2. The results of this study will be available in autumn 2023 and, together with the monitoring of the 2022 targets (available in November 2023), will provide insight into whether further acceleration is possible.
3. The study will also provide input for the 2030 targets. These will be quantitatively established by the parties by the end of 2023.

Life Cycle Analysis (LCA)

4. The LCA (Growing Media Environmental Footprint Guideline)* as developed by Blonk Consultants (commissioned by GME) will serve as the basis for assessing the sustainability aspects of substrates. In this way informed steps will be taken in the use of renewable raw materials as the environmental impact becomes clear.

Article 9 Reuse

The parties see opportunities for the reuse of substrates after use for a specific crop (e.g. mushrooms or red fruit).

1. The parties are committed to including reuse in further research.
2. Reclaimed substrates (including peat-based ones) will be regarded as renewable in the monitoring.

Article 10 Associated government policy

1. The ministers concerned are committed to guiding, monitoring and encouraging the necessary transition. The Minister of LNV intends to make a financial contribution to a project proposal to support the implementation of this covenant.
2. To support the necessary transition, the ministers concerned are committed to policies that promote high-grade use of bio-resources (including residual streams) in substrates, and discourage low-grade use of these streams.
3. The Minister for KE aims to phase out the subsidy for low-temperature heat from woody biofuels.
4. The ministers concerned are making efforts to design the existing subsidy instruments for investments, knowledge transfer, research and innovation programmes in such a way as to enable the raw material transition for the substrate and horticulture sectors. In any event, the regulations below are important in this respect.
General / government co-financing:
 - Guidance and monitoring the covenant
 - Research (fundamental, practical)
 - Co-financiers of large-scale innovation projects

* The LCA was developed according to the Product Environmental Footprint Category Rules Guidance (PEFCR) methodology as established by the European Commission.

- Communication (propagating common goals) towards the House of Representatives and the European Commission, among others
- Co-financing the development of instruments and tools aimed at knowledge transfer etc.

At the company level:

- VAMIL and MIA schemes.
 - Special financing scheme
 - PPS Subsidies
 - VPB innovation box
 - WBSO
 - Collaboration between science (WUR) and industry
 - Research into a guarantee fund for damage caused by the transition.
5. The ministers concerned will use the covenant as a commitment for European pathways concerning the use of renewable raw materials for substrates and reducing the environmental impact of substrates.
 6. The parties are investigating whether new associated government policy is needed to further promote the transition.

Article 11 Financial obligations

1. The financial obligations arising from this covenant that relate to its implementation (chairmanship, secretariat, research, monitoring, consultation, training, communication to consumers, etc.) will be borne jointly and equally by the industry and ministers concerned, with the Ministry of Agriculture, Nature and Food Quality bearing the funding of the out-of-pocket costs and the other parties making their contributions in kind, as described in article 14 of this covenant.
2. The ministers will only contribute financially to the extent that this contribution does not constitute prohibited state aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union.
3. Further agreements on this will be made on the basis of a budget in the Action Plan.

Article 12 Steering group

1. The targets of this covenant will have an impact throughout the chain. However, not all parties have the same commitment to the covenant. A steering committee is therefore being set up with the ministers concerned (LNV and KE), the producers of substrates (VPN), the professional users (LTO Nederland/Glastuinbouw Nederland), the consumer market (Tuinbranche Nederland) and NGOs (Turfrij).
2. These parties have a key role in the realisation and communication of the covenant. The steering committee will hold consultations at least twice a year on realisation (including financing) and any additional actions.

Article 13 Expert group

1. Besides the parties in the steering group, a large number of parties are involved in the chain and from a specific role. These parties can also sign the covenant. By doing so these parties will indicate that they support the objectives and also want to help promote them.

2. The experts tend to have a more specific role in the covenant – contributing to areas such as knowledge, quality assurance, responsible peat extraction, innovation and research, knowledge transfer and education, consumer education and the reuse of raw materials – or a specific role in transition paths. These parties themselves have no decisive role in achieving the key aims of this covenant.
3. Each party will provide up to two experts for the expert group.
4. The expert group will meet together with the steering group at least once a year to discuss progress and follow-up actions in the approach and communication.

Article 14 Role of the parties

Name of party	Main role and activities
VPN	The members of the VPN shape and give form and content to the further transition to renewable resources and use of responsibly produced peat.
Tuinbranche Nederland	Information provision to supporters (garden retail) and shaping and implementing consumer education.
BVOR	Activities aimed at promoting the high-quality use of organic residues as raw materials for substrates.
LTO Nederland (trees, perennials and summer flowers), LTO Nederland (mushroom cultivation), Glastuinbouw Nederland, Plantum, NFO	Knowledge sharing in crop groups, communication to members. Broader provision of information to professional buyers of substrates.
VBN, VGB	Providing information to its own supporters. Communication towards (trading) parties in the product chain.
Minister of LNV Minister for KE	Commitment to guiding, monitoring and encouraging the necessary transition. Commitment to structuring the existing subsidy instruments for investments, knowledge transfer, research and innovation programmes in such a way as to enable the raw material transition for the potting soil and horticultural sector. Formulation of necessary associated policies.
Stichting Turfvrij	Communication to consumers. Critical driver of the transition process.
Stichting RHP	Knowledge of raw materials and substrates. Communication to participants in RHP and other parties. Assurance of quality and (phytosanitary) safety.
Stichting RPP	Responsible peatland extraction and peatland management platform.

Article 15 Competition and procurement

The application and elaboration of this covenant and/or measures resulting from it may not conflict with European and/or national competition and procurement regulations.

Article 16 Monitoring

Progress on the objectives as stated in this covenant is monitored on the basis of external verification of the annual VPN member survey.

Article 17 Reporting

1. The parties will publish the public report on the progress of the covenant for the previous calendar year by November of each year.
2. This progress report will in any event address:
 - a. Progress on the objectives based on monitoring.
 - b. Renewable raw materials.
 - c. Responsible peat extraction.
 - d. Consumer information.
 - e. Innovation and research.
 - f. Reuse.
 - g. Associated government policies.

Article 18 Communication

1. As stated in articles 16 and 17, progress will be monitored annually and an annual report on the previous year's progress will be published in November.
2. This report will form the basis for communication from the parties towards key external stakeholders, and will be discussed in the steering group and the expert group.
3. The parties will actively communicate on the progress of the covenant to their own supporters through the available channels (newsletters, meetings, magazines, social media, etc.).
4. The ministers concerned will refer to the covenant and the progress report in communications to the House of Representatives on peat and substrates.

Article 19 Evaluation

1. The parties will evaluate the ambitions of this covenant for the first time before 1 July 2024.
2. The evaluation will be conducted and a report will be prepared by the steering group with input from all stakeholders involved in the expert group.
3. If opinions differ within the steering committee on the evaluation or its outcomes, the report will state the different opinions.
4. The steering group will present its report to the parties by 1 July 2024 at the latest.

Article 20 Public-law collaboration

1. The parties undertake to each other to adopt or take the public law decisions required for the implementation of this covenant in such a way that its implementation is permitted under public law.
2. The parties will thereby promote as far as possible, with due observance of legal procedures and the care to be exercised towards third parties, the prompt completion of procedures for taking public law decisions.

3. In the event that the procedures referred to in the second paragraph result in it not being possible to implement the covenant, or at least not in the way envisaged by the parties when the covenant was established, the parties will consider whether this covenant requires amendment, or (partial) termination. Articles 22 and 24 will be observed in this respect.
4. The public law collaboration to be provided by the parties in the context of this covenant will not affect the public law position and powers of the parties.

Article 21 Changed or unforeseen circumstances

1. The parties will consult with each other if unforeseen circumstances arise that are of such a nature that unchanged maintenance of this covenant cannot be expected according to the standards of reasonableness and fairness.
2. The consultations referred to in the first paragraph will take place within 30 days of a party having expressed its intention in this respect to the other party in writing.
3. In the event that consultation has not resulted in agreement within 60 days, the provisions of articles 23 and 24 of this covenant may be invoked.

Article 22 Amendment

1. Each party may request the other party or parties in writing to amend the covenant. The amendment requires the written consent of all parties.
2. The parties will enter into consultations within eight weeks of one party notifying the other party or parties in writing of its intention in this respect.
3. The amendment and declaration(s) of consent will be attached to the covenant as an appendix.

Article 23 Termination

1. Any party may terminate the covenant in writing with the observance of a period of notice of eight weeks if a change in circumstances has occurred such that, in the interests of fairness, this covenant should be terminated at short notice. Such a change of circumstances will be understood to include expenditure cuts decided on by the Cabinet. The notification must specify the change in circumstances.
2. If a party terminates the covenant, the covenant will remain in force for the remaining parties insofar as its content and tenor do not dictate otherwise.
3. In the event of termination of the covenant by reason of cancellation, none of the parties will be liable to any other party for damages.
4. Prior to the termination taking effect, the steering group (including the terminating party) will hold consultations on the reasons for the termination and the consequences of any withdrawal for the covenant.

Article 24 Dissolution

1. Without prejudice to that which is stipulated in the covenant, each of the parties may dissolve the covenant in whole or in part by registered letter – extrajudicially – if the other party is in default or if compliance is permanently or temporarily impossible.
2. If one of the parties is unable to fulfil its obligations under this covenant during a period to be determined by this covenant as a result of force majeure, the other party will have the right to dissolve this covenant in whole or in part by registered letter with immediate effect – extrajudicially – without any right to compensation.
3. Force majeure will in any event not include lack of personnel, strikes, illness of personnel or shortcomings of engaged third parties.
4. In the event of force majeure, the parties will not proceed with dissolution until a period of eight weeks has elapsed, unless the parties agree on another period.
5. In the event of the dissolution of the covenant each party will remain responsible for the obligations entered into under the covenant, including the financial obligations attached to them, unless the other parties explicitly decide otherwise.

Article 25 Membership regulations

1. In order to maximise the participation of relevant stakeholders in this covenant, there is an opportunity for them to become parties during the term of the covenant. A party becoming a member must accept its obligations under the covenant.
2. A party becoming a member must make its request for membership known to the chair of the steering group in writing. Once the steering group has agreed to the request for membership in writing, the joining party will receive the status of a party to the covenant and this party will be subject to the rights and obligations arising for it from the covenant. In doing so, the content of this covenant will in principle not be amended.
3. The request for membership and the declaration of consent are attached to the covenant as an appendix.

Article 26 Enforceability

This covenant is not legally enforceable.

Article 27 Escalation mechanism

1. A party who believes that a dispute exists must notify the other party or parties of this in writing. The notice must contain a description of the dispute.
2. Within 30 working days of the date of the notification referred to in the first paragraph, each party will send its views on the dispute, as well as a proposal for its resolution, to the other party or parties.
3. Within 60 working days of the end of the period referred to in the second paragraph the parties will consult on resolving the dispute. Each party may be assisted by experts. If one of the parties expresses a wish to this effect within 10 working days of the expiry of the period referred to in the second paragraph, the consultations will be chaired by a chairperson appointed jointly by the parties or, in the absence of

- agreement within two days, by two thirds of the votes in the steering group.
4. If this solution does not lead to a resolution of the dispute, the steering group will seek an independent opinion from a person or committee appointed by the steering group.
 5. Each party will bear its own costs arising from the procedure described in paragraphs 1 to 3. The costs of the chairperson referred to in the third paragraph will be borne equally by each party.

Article 28 Invalidity

In the event that any provision of this covenant must be considered void, voidable, invalid, illegal or otherwise non-binding to any extent, that provision will, to the extent necessary, be removed from this covenant and replaced by a provision that is binding and legally valid and that approximates as closely as possible the content of the invalid provision. In such a situation the remaining part of the covenant will remain unchanged.

FINAL PROVISIONS

Article 29 Entry into force and duration

This covenant will enter into force from the day after its signature, and will end on 31 December 2030. The parties will enter into consultations on the continuation of this covenant no later than by 1 January 2029.

Article 30 Appendices

1. Appendices 3 and 4 to this covenant form an integral part of this covenant.
2. In the event of inconsistency between the provisions of an appendix and the covenant, the covenant will prevail.

Article 31 Confidentiality

The parties reciprocally undertake to keep the information exchanged or to be exchanged in the context of this agreement (and its implementation) confidential and not to disclose it, in whole or in part, to any third party, except insofar as an obligation of disclosure arises from the law, a court ruling or this covenant.

Article 32 Applicable law

This covenant is exclusively governed by the laws of the Netherlands.

Article 33 Publication in the Government Gazette

1. The text of this covenant will be published in the Government Gazette within four weeks of its signature.
2. In the event of amendments to the covenant, the first paragraph will apply mutatis mutandis.
3. Joining, withdrawal, cancellation or dissolution will be reported in the Government Gazette.

Article 34 Citation title

This covenant will be cited as the Covenant on the Environmental Impact of Potting Soil and Substrates.

Thus agreed and signed in duplicate,

On 18 November 2022, in De Lier,

The Minister of Agriculture, Nature and Food Quality, also on behalf of the State of the Netherlands,

Mr P. Adema.....

The Minister for Climate and Energy Policy, also on behalf of the State of the Netherlands,

Mr R. Jetten.....

The chairperson of the VPN,

Mr T. Vollebregt.....

The executive director of LTO Nederland,

Mr H.P.L. Van den Heuvel.....

The chairperson of Glastuinbouw Nederland,

Ms A. Bom-Lemstra.....

The director of Plantum NL,

Mr N. P. Louwaars.....

The director of Tuinbranche Nederland,

Mr F. van der Heide.....

The director of the BVOR,

Mr A. Brinkmann.....

The director of the VGB,

Mr M. Mesken.....

The director of EU Public Affairs of the VBN,

Ms E. Herben.....

The chairperson of the NFO woody fruit product group,

Mr F. Bunt.....

The operational director of RHP,

Mr M. Zevenhoven.....

The director of RPP,

Mr H. Boon.....

The chairperson of Stichting Turfvrij,

Mr P. Gramlich.....

Appendix 1 Bromet-Boswijk motion

House of Representatives of the States General 2

Session year 2020–2021

21 501-32 Agriculture and Fisheries Council

No. 1324 MOTION OF MEMBERS BOSWIJK AND BROMET

Proposed July 8, 2021

The House,

heard the deliberation,

noting that peat is one of the largest components of potting soil and that extraction and use of peat releases CO₂;

noting that we import 4.7 million cubic meters of peat per year in the Netherlands, meaning we are the largest importer of peat in Europe;

noting that the peat content in all of our growing substrates is 86%, while in other countries such as Switzerland, in bags of potting soil, this is only 4%;

calls on the government to work towards completely peat-free potting soil for private individuals;

requests the government, in collaboration with VNG and the horticultural sector, to investigate how and within what timeframe the use of peat and peat products in the professional sector, for in any event the municipalities and floriculture, can be phased out and replaced by alternatives;

requests the government to update the House on the current situation before the budget debate,

and proceeds to the order of the day.

Boswijk

Bromet

Appendix 2 Response of the Ministry of Agriculture, Nature and Food Quality to a motion dated 23 November 2021

In early November the Ministry of Agriculture, Nature and Food Quality held talks with a group of parties representing the production, trade and use of potting soil and other growing substrates made from peat, both to the private and professional markets. These parties indicate that they have been working for many years on the application of renewable raw materials and that the percentages of peat in substrates in the Netherlands in 2020 will be lower than are mentioned in the motion. For the period up to 2025, the VPN (*Vereniging Potgrond- en Substraatfabrikanten Nederland*) has translated its ambitions regarding the use of renewable raw materials in organic substrates, such as bark, coconut, wood fibre, compost and foamed earth, into the following measurable objectives in its policy plan:

1. For the professional market, organic substrate should consist of 35% renewable raw materials by 2025.
2. For the consumer market, organic substrate should consist of 60% renewable raw materials by 2025.
3. By 2025 100% of peat used should come from responsible extraction (RPP), which ensures limited impact on local biodiversity and the environment and contributes to the restoration of natural areas.

This large group of sector parties indicate that they wish to continue with these ambitions, but are also open to exploring where acceleration of these ambitions is possible and what further steps can be taken after 2025. These include raising awareness of the use of alternatives to peat, a broad independent practical study into the possibility of increasing the availability of (new) alternative raw materials and also wishing to include a Life Cycle Analysis, so that an alternative is also considered in terms of CO₂ impact. In addition, quality, safety, plant resistance and phytosanitary requirements for export are important aspects against which alternative raw materials will be tested. Furthermore, the initiation of a broad stakeholder dialogue to gain a better picture of social demands. Finally, the progress of the targets will also be (independently) monitored and reported on annually, so that developments in the sector can be reviewed annually, whereby the industry points out that the sufficient availability of raw materials will be a major challenge as international demand for substrates is expected to grow until 2050 due to increasing demand for food and liveable green cities.

The minister concludes the letter with: “I wish to develop this further in the form of a covenant with sector parties and other relevant stakeholders that can be presented to your House by 1 April 2022.”

Appendix 3 Considerations

Importance of high-quality substrates:

- Substrates are essential for food production and green, liveable cities.
- Substrates are essential for products that make our lives greener, healthier and more pleasant.
- Substrates can be used to achieve higher production and more efficient use of water, land, energy, nutrients and crop protection products.
- The Dutch sectors for substrates, horticulture and plant materials are global players that are at the forefront of innovation, quality and sustainability.
- Good substrates are essential to achieving the greening of towns and villages. In this respect the greening of public spaces as well as private gardens is important. This greening is necessary to deal with problems such as climate change (heat, drought, water storage) and to make a substantial contribution to the recovery and preservation of biodiversity through healthy soil and healthy plants. Sufficient and high-quality substrates are essential for this.
- Peat in substrates can be seen as a high-value application of peat.

Social challenges:

- The world population and demand for food will increase sharply towards 2050.
- Far-reaching urbanisation will take place, with a major challenge to the liveability of urban areas.
- The projected demand for substrates towards 2050 will quadruple worldwide and double in Europe.
- The climate issue will require even more attention, as will the other UN sustainability goals.
- Political and social attention to peat extraction is expected to further increase, both nationally and in the European context.
- This applies to CO₂ emissions from peatlands, the conservation of natural areas, subsidence, water management and biodiversity.

Raw materials market for substrates:

- Due to economic growth and disruption in (transport) markets, the international raw materials market for substrates has been under considerable pressure for several years.
- There is an increasing global demand for (renewable) raw materials for various sectors and therefore there are major challenges in the availability of almost all raw materials for substrates.
- In addition to this, sufficient availability of renewable raw materials of sufficient quality is a major challenge.
- There is major competition from other, sometimes subsidised, sectors and applications such as energy production and local sub-processing of raw materials.

The professional use of substrates:

- Peat forms an important and stable base of the substrate.
- Using more renewable raw materials in substrates requires a different method of cultivation, and therefore time to carry out cultivation research and adapt cultivation techniques.
- Insight into the sustainability (stability) and classification of the environmental impact of other raw materials is needed and should be investigated.
- The use of more renewable raw materials will result in an increase in the cost of products.
- Insight into the effects of substrates containing higher percentages of raw materials other than peat on plant resilience is still largely lacking.

- For mushroom cultivation, a layer of casing soil on top of the compost is essential.
- The use of peat in sowing and propagation (central to the horticultural sector), where sowing is done in a seed tray or each plant develops in a plug, is currently indispensable.

The private market for substrates:

- Substrates for the private market include peat in addition to significant proportions of renewable raw materials.
- The proportion of renewable and circular raw materials in substrates for the private market is growing steadily, as is the supply of peat-free alternatives.
- There is limited awareness among private buyers concerning the environmental aspects of potting soil and growing substrates sold in garden centres.
- Replacing peat in the private segment only will mean that more peat will be used in the professional segment in the short term, because there are fewer renewable resources available for the professional market (communicating vessels).
- The use of more renewable raw materials will require explanation to the customer in respect of the new product.

Quality, safety and sustainability:

- There are no legal regulations for substrates, but there are privately established quality criteria. The basic principle here is that the materials must be (phytosanitarily) safe and must comply with quality criteria and export requirements. These private quality criteria are established and managed by RHP, are nationally and internationally recognised, and have great added value in the trade channel.
- Choices for sustainability, responsible production and quality are not mutually exclusive.
- The Dutch substrate sector has been working for several decades to increase the use of renewable resources, and this resource transition is complex and takes time.
- The renewable raw materials available in the Netherlands without further processing are moderately suitable peat substitutes, due to, among other things, excessive salt load and low stability due to too rapid biodegradation. These renewable raw materials have phytosanitary risks and also require attention in connection with food safety.
- Substrates must be safe, and must meet quality criteria that ensure sustainable cultivation with limited use of nutrients and plant protection products, without contaminants, pathogens or weeds.
- Peat will be needed, at least in a transition period, to be able to operate safely and enable the transition.
- The use of more renewable raw materials makes it necessary to pay more attention to the risks of raw materials and the associated risks of (financial) damage.

Responsible peat extraction:

- Peat that will be used for substrates in the future should be responsibly produced.
- The Responsibly Produced Peat Foundation – a non-profit organisation that promotes responsible and transparent peatland production through a certified system that sets requirements and criteria for responsible peat extraction – was established in 2013. (www.responsiblyproducedpeat.org)
- The RPP principles and criteria make the difference for responsible peatland management in the context of certified peat extraction for substrates.

- This system focuses on biodiversity, responsible extraction and the restoration phase after extraction.
- The ambition is for all peat used in the Netherlands to be under RPP certification by 2025.

Knowledge and insight:

- Research and innovation are needed to make residual streams available as a renewable raw material in high-quality substrates.
- This requires research into new techniques that, among other things, improve water behaviour or the stability of growth media, greatly increasing the replacement value of various organic residual streams.
- There are several options that can be successful for the transition. The totality of partial solutions, reuse and renewable resources is badly needed.
- The use of renewable raw materials does however need to lead to actual environmental gains.
- To substantiate these environmental gains (broadly in the chain) and make them transparent, sound data and a Life Cycle Analysis (LCA) are important tools.
- This involves the use of an internationally scientifically accepted modelling approach (reference), which carries out a multipurpose analysis on climate, water use, ecotoxicity, human health and material reuse.
- An LCA that is regularly publicly reviewed and updated and is transparent enough for subject matter review without reference to underlying sources.

Decentralised government authorities:

- The municipal market for growing substrates is largely supplied by landscaping companies commissioned by local governments.
- Decentralised government authorities can impose conditions in connection with the use of substrates.
- Decentralised authorities also influence the availability of large streams of renewable raw materials processed by waste companies.
- In doing so, decentralised authorities can commit to the high-quality use of renewable raw materials.
- Central government can hold decentralised authorities accountable for sustainability, and set a good example in this itself.

Appendix 4 Principles

The aim of this covenant is to reduce the environmental impact of substrates in the chain. To achieve this reduction, efforts will include encouraging entrepreneurs to make greater use of renewable raw materials and use only certified peat. Besides the environmental impact, this also concerns nature restoration and the biodiversity of peatlands.

The substitution of primary raw materials that results in an increased environmental impact of substrates in the chain does not therefore contribute to this goal. The aim of this covenant is to reduce the environmental impact of substrates while maintaining the sales of substrates and the production of horticultural and ornamental crops.

The replacement of peat should also not result in lower quality and safety or reduced plant resilience. The aspects of quality and safety are dependent on the application.

This covenant is largely concerned with reducing the carbon footprint of substrates. This assumes that the peat used for this purpose is always oxidised. However, in horticultural applications, there is a certain nuance to this. Peat in plant substrates at field capacity does not oxidise to a great extent, if at all. The main nutrient for plants is CO₂, and plants return oxygen through the process of photosynthesis. In other words, plant growth means CO₂ reduction and oxygen (O₂) gain. This is also known as the short-term carbon cycle. In the controlled conditions of plant cultivation, peat is – almost always – similar to peat at field capacity, and plant growth affects the short-term carbon cycle.

This is in contrast to the burning of peat. This falls under the Paris accords because it affects the long-term fossil carbon cycle. A recognised compensation mechanism for this is, for example, woody growth in forests.

CO₂ may also be released in its application within horticulture. This takes place, for example, through the wilting of leaves, flowers and plants into humus, or when plants are eaten by humans and animals. The increase and decrease in CO₂ therefore has an equilibrium. Horticulture and its use of substrates operates within this balance. Subsequently, a plant has a lifetime with the end consumer and the substrate remains with the plant. A plant always comes together with the substrate; these cannot be considered separately.

Lettuce is eaten, the root ball goes into the green bin, a tree or garden plant reaches maturity and stores CO₂ in the long term in parts that do not wilt. Briefly put, there is a tension between the long-term and short-term carbon cycle in horticultural applications. Trees and plants make a positive short-term contribution to the climate issue.

A well-substantiated and transparent LCA provides insight into the environmental aspects of substrates and serves as a basis and foundation for a successful transition.

The LCA of GME was developed according to the Product Environmental Footprint Category Rules Guidance (PEFCR) methodology as established by the European Commission. This imposes various stringent conditions. Since the EC has not designated a formal trajectory for substrates, a so-called 'shadow trajectory' has been adopted. This means that although formally there is no PEFCR LCA, it is fully compliant in terms of content. In the preliminary process, various stakeholders were able to comment on the approach and information. This has resulted in further research and a variety of adjustments.

It is important that the parties all endorse the LCA used. This requires transparency, and further consultation will take place in this respect.

The focus of this covenant is on the Netherlands. Parties within the Netherlands have a responsibility to take steps towards more environmentally responsible substrates. However, the raw materials market for substrates is predominantly an international market, and this needs to be taken into account.

The focus here is on environmental rather than social aspects, because these are already included in regulations on corporate social responsibility. This aspect is also important but is thus already regulated in other ways.

In the motion a distinction is made between four markets for the application of substrates. In this covenant we take the professional market (food, floriculture and public greenery (landscaping)) and the consumer market ((packaged) substrates in retail) as our basic assumptions. These markets have different product requirements and specifications, and thus have opportunities to work with renewable raw materials. It should be noted, however, that the market for raw materials is the same.

Peat is also used for energy production (low-value application) in significantly larger quantities than for substrates (high-value application). Peat is not used for energy production in the Netherlands. This covenant is therefore not applicable to energy production, but this issue does require explicit (international) attention.

This covenant concerns organic substrates and not inorganic substrates (such as mineral wool, perlite and expanded clay granules). Figures on inorganic substrates are excluded from the target monitoring and reporting.