Study on low/no alcohol beverages

Final Report

Written by Areté

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LIST OF ACRONYMS AND ABBREVIATIONS

Acronym	
ABV	Alcohol By Volume (synonym: 'alcoholic strength by vol.')
AWP	Aromatised Wine Products
AWP Regulation	Regulation (EU) No 251/2014
B	Billion
CAGR	Compounded Average Growth Rate
CMO Regulation	Regulation (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products (as amended by Regulation (EU) 2021/2117)
CN codes	Combined Nomenclature codes
EBC	European Brewery Convention
EU	European Union
FIC Regulation	Regulation (EU) No 1169/2011 on food information to consumers
GI	Geographical Indication
K	Thousands
LNA	Low/no alcohol
LNA AWP (or low/no alcohol AWP)	Low/no alcohol beverages emulating AWPs
LNA spirit drink (or low/no alcohol spirit drinks)	Low/no alcohol beverages emulating spirit drinks
M	Million
MS/MSs	Member State/Member States
NCA	National Competent Authority
NHC Regulation	Regulation (EC) No 1924/2006 on nutrition and health claims made on foods
PDO/PGI	Protected Denomination of Origin/Protected Geographical Indication
ROI	Return On Investment
SKU	Stock Keeping Unit
Spirit Drinks Regulation	Regulation (EU) 2019/787
TFEU	Treaty on the Functioning of the European Union
UCPD	Unfair Commercial Practices Directive, Directive (EU) 2005/29

ABSTRACT

In the past few years, the offer of beverages with low or no alcoholic content marketed as substitutes to alcoholic beverages (“LNA beverages”) has increased. With the exception of (partially) de-alcoholised wines, there is currently no EU harmonised legislation covering LNA beverages. The study aims at providing a clear picture of the current and prospective market for LNA beverages (with special attention to those emulating spirit drinks and aromatised wine products - AWPs), and at identifying the main related threats and opportunities, also considering public health concerns, the integrity of the Single Market, the possible need for legislative initiatives at EU level and their potential repercussions on world trade. The study revealed a significant convergence among stakeholders on the need to ensure the conditions for a clearer description of LNA beverages through harmonised EU legislation (including on requirements related to alcohol content thresholds). The AWP sector would welcome harmonised legislation analogous to that introduced for LNA wines (distinction between “de-alcoholised” and “partially de-alcoholised” products). However, given the remarkable sectoral specificities, the elaboration of cross-sectoral harmonised legislation on LNA beverages, as well as of harmonised legislation on LNA spirit drinks, would present significant challenges, and require a stronger sectoral dialogue.

RÉSUMÉ

Au cours des dernières années, l'offre de boissons peu alcoolisées/non alcoolisées comme alternative aux boissons alcooliques (« boissons LNA » de l’anglais « Low / No Alcohol ») a augmenté. À l'exception des vins (partiellement) désalcoolisés, il n'existe actuellement aucune législation européenne harmonisée couvrant les boissons LNA. L'étude vise à fournir une image claire du marché actuel et futur de ces boissons (avec attention particulière pour celles qui imitent les boissons spiritueuses et les produits vinicoles aromatisés - PVA), et à identifier les principales menaces et opportunités connexes, en tenant compte des préoccupations de santé publique, de l'intégrité du marché unique, du besoin éventuel d'initiatives législatives au sein de l'UE et de leurs répercussions potentielles sur le commerce mondial. L'étude a révélé que les parties prenantes partagent une opinion commune sur la nécessité d'assurer les conditions pour décrire plus clairement les boissons LNA par le biais d'une législation européenne harmonisée (y compris sur les conditions liées aux seuils de TAV). Le secteur des PVA accueillerait favorablement une législation harmonisée analogue à celle introduite pour les vins LNA (distinction entre produits "désalcoolisés" et "partiellement désalcoolisés"). Cependant, en tenant compte des spécificités sectorielles remarquables, l'élaboration d'une législation harmonisée intersectorielle sur les boissons LNA, ainsi que d'une législation harmonisée sur les boissons spiritueuses LNA, présenterait des défis importants et nécessiterait un dialogue sectoriel plus forte.

SECTION A – INTRODUCTORY AND METHODOLOGICAL CHAPTER

1 INTRODUCTION

1.1 Context, objective and scope of the study

In the past few years, the offer of **beverages with no or little alcoholic content as substitutes to alcoholic beverages** has increased. These beverages include mainly low/no alcohol beer, but also beverages emulating spirit drinks, de-alcoholised wines, and beverages emulating aromatised wine products, among others. At present, there is no legal definition of an "alcoholic beverage" in the EU food law, and the regulatory framework for products within this category may vary significantly, together with the possibility of marketing low/no alcohol versions of such products. Legislation at Member State level may add a further layer of complexity to the overall legal landscape for the market. Against this background, considering the need to preserve the integrity of the Single Market, as well as the fact that the Commission is actively promoting the reduction of alcohol-related harm at EU level, DG Agriculture and Rural development has commissioned a study to investigate the market, in order to assess the extent of the offer of low/no alcohol beverages, the way they are produced and labelled, the consumer's overall expectations, acceptance and understanding, as well as potential future trends, in view of evaluating the possible need for harmonised EU legislation in this regard.

The **overall objective of the study** is to provide a clear picture of the current market situation concerning beverages with a lower alcohol content than the minimum alcoholic strength required for the alcoholic beverages they refer to, as well as a projection into hypothetical future production and consumption trends.

On such grounds, the study is set to identify the most relevant threats and opportunities provided by this new market trend, taking into account:

- public health concerns;
- the integrity of the Single Market;
- the possible need for legislative initiatives at EU level and their potential repercussions on world trade.

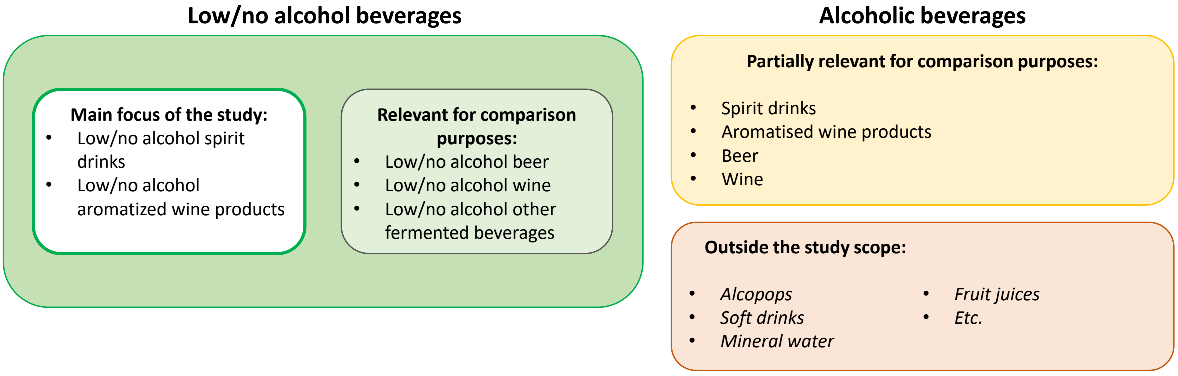
As for the **scope of the study**, it aims at covering primarily low/no alcohol spirit drinks and aromatised wine products. The study also focuses on LNA wine, beer and other fermented beverages (e.g., cider, perry and mead), with a view to performing a comparative analysis between these and the products of interest.

More specifically, the following product categories are covered by the study:

- **Low/no alcohol beverages**: de-alcoholised wine, partially de-alcoholised wine, as well as other low/no alcohol beverages emulating wine (produced with techniques other than dealcoholisation) ("low/no alcohol wine" henceforth); low/no alcohol beverages emulating aromatised wine products ("low/no alcohol aromatised wine products" henceforth); low/no alcohol beverages emulating spirit drinks ("low/no alcohol spirit drinks" henceforth); low/no alcohol beer; other low/no alcohol fermented beverages, including cider, perry and mead.
- The corresponding **alcoholic beverages of reference**: wine; aromatised wine products; spirit drinks; beer; other fermented beverages, including cider, perry and mead.

It should be noted that mixed beverages obtained by combining one of the aforementioned alcoholic beverages with other ingredients or beverages *other* than water (e.g., mixed spirit drinks and wine-based drinks, as well as alcopops), though having a lower ABV than the alcoholic beverage of reference are *not* included in the scope of the study. The definition of "LNA beverages" for the purpose of the study is provided at § 1.2.

Figure 1.1 – Product scope



Source: Areté, based on discussion with the European Commission

The main **geographical focus** is the EU market for the products of interest, with an in-depth focus on selected Member States (MSs henceforth) and/or on third countries (TCs henceforth) when relevant. The study covers all the relevant EU **agri-food stakeholders**, with a particular focus on beverage producers, retailers and consumers' representatives. National Competent Authorities (NCAs henceforth), sector associations and individual companies are also included in the scope, in order to provide a more comprehensive review of the current and prospective regulatory aspects influencing the sector, as well as of the national market situation and trends. The **examination period** covers a time span starting from 2011, with a specific temporal focus (past, current or forward-looking) in some of the study questions.

1.2 Definitions

For the purposes of the study, "**low/no alcohol beverages**" should be intended as "*any beverage whose market positioning recalls, mimics or evokes that of an alcoholic beverage, but whose alcoholic content is lower than the minimum required for the alcoholic beverage of reference, or equal to zero*".

Market positioning should be intended as the broad set of elements defining how the product is presented on the market, hence including:

- Legal and commercial/trade designations;
- Consumer information (ingredients, claims, country of origin, production techniques, etc.), whether provided on-label or off-label;
- Other alcohol-related claims and associated logos;
- Images and shape of the packaging;
- Advertising and other communication associated to the product.

It is worth underlining that no official definition of low/no alcohol beverages is provided by EU law. *The nomenclature and definitions used for the purposes of this study, unless otherwise stated, should be intended as working definitions only, and hold no legal value.*

1.3 EU-level legal framework

In the EU, currently there is no legal definition for "low/no alcohol" beverages. In fact, "alcoholic beverage" is not defined by EU legislation either. Only for its own purposes, the Union Customs Code defines the term "non-alcoholic beverage" as a beverage with an "alcoholic strength by volume" (ABV henceforth) not exceeding 0.5%, while an "alcoholic beverage" is a beverage with more than 0.5% ABV.

Regulation (EU) No 1169/2011 ('FIC' - Food Information to Consumer) bears some relevance for alcoholic beverages in that respect: according to Article 16(4) of that regulation, alcoholic beverages containing more than 1.2% by volume of alcohol are exempted from the obligation to provide a nutrition declaration and a list of ingredients.

In spite of that, this legislative reference cannot be considered a legal definition *stricto sensu* as it serves a very specific purpose, i.e., exempting alcoholic beverages from specific food information requirements. The FIC Regulation is currently under revision, notably to make the provision of nutrition declaration and list of ingredients mandatory also for alcoholic beverages with an ABV above 1.2%. In the context of this revision process, an inception Impact Assessment (IIA) on the labelling of alcoholic beverages was published by the European Commission in June 2021, followed by a public consultation; an external study to support the IIA was launched in August of the same year. The submission of a legislative proposal is expected by December 2022.[1]

Regulation (EC) No 1924/2006 ('NHC' Regulation - Nutrition and Health Claims made on foods - henceforth) also indicates 1.2% ABV as the threshold for the application of certain specific restrictions on the use of nutrition and health claims. Beverages with an ABV above 1.2% may not bear health claims. Only nutrition claims referring to low alcohol levels (e.g., "Light"), or the reduction of the alcohol content, or the reduction of the energy content are allowed for beverages with more than 1.2% ABV. The NCH Regulation does not contain specific provisions for the use of "no alcohol" claims. However, according to Article 4(4) of the same Regulation, "in the absence of specific Community rules regarding nutrition claims referring to low alcohol levels, or the reduction or *absence of alcohol* or energy in beverages which normally contain alcohol, relevant national rules may apply in compliance with the provisions of the Treaty". As already pointed out with regard to the FIC Regulation, also in the case of the NHC Regulation the taxonomy contained therein cannot be interpreted as a *general* legal definition of alcoholic beverage, as it is provided in the context and for the purposes of this specific Regulation only.

In a forward-looking perspective, it should be noted that the "Europe's Beating Cancer Plan" announces that the Commission will propose the introduction of health warnings[2] on alcoholic beverage products' labels before the end of 2023.

In the absence of an EU-wide harmonised definition, some MSs have established their own national definitions of what constitutes a (non) alcoholic beverage from a regulatory point of view (see SQ 11 in § 3.11).

At present, the alcoholic beverages regulated at EU level are spirit drinks, wine and aromatised wine products. The core regulatory framework for these beverages and the respective regulatory status for low/no alcohol beverages in each product category are presented below. Beer is not regulated by specific EU level legislation.

Spirit drinks

Spirit drinks are currently covered by Regulation (EU) 2019/787[3], which establishes, among others, categories of spirit drinks as well as rules for their protection as geographical indications (GI). In this respect, restrictions on the use of legal names for spirit drinks imply that beverages must not display a legal name or a GI if it does not meet the specific requirements applying to that category or GI product. Also, a legal name must not be accompanied by terms such as 'like', 'flavour', 'type', 'style' or 'made', so as to avoid associating protected legal names with beverages not complying with the set requirements. Therefore, the categories of spirit drinks set out in Annex I of the

[1] https://food.ec.europa.eu/safety/labelling-and-nutrition/food-information-consumers-legislation/proposal-revision-regulation-fic_en.

[2] Health warning labels are texts or pictograms that appear on beverage containers and provide information or recommendations about alcohol consumption (e.g., health risks associated with alcohol consumption).

[3] Regulation (EU) 2019/787 of the European Parliament and of the Council of 17 April 2019 on the definition, description, presentation and labelling of spirit drinks, the use of the names of spirit drinks in the presentation and labelling of other foodstuffs, the protection of geographical indications for spirit drinks, the use of ethyl alcohol and distillates of agricultural origin in alcoholic beverages, and repealing Regulation (EC) No 110/2008. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R0787.

Regulation - such as *gin*, *rum*, *vodka* and the like - cannot bear the claim "low alcohol" / "no alcohol" or similar claims. "No alcohol gin" and "Gin-flavoured drink" are examples of legal names for beverages that are currently not allowed in the EU. This topic is further discussed in § 3.16 (SQ 16) and § 3.21 (SQ 21).

Aromatised wine products

In the EU, aromatised wine products are covered by Regulation (EU) No 251/2014[4]. This regulation lays down, among others, rules on the use of sales denominations and of GI names of aromatised wine products, wine-based drinks and wine-product cocktails in their presentation and labelling. In a similar way to spirit drinks, protected names cannot be used if a product does not meet the category or the GI requirements, and cannot be accompanied by terms such as 'style', 'type', 'method', 'as produced in', 'imitation', 'flavour', 'like' or similar. Therefore, "low alcohol"/"no alcohol" claims are not allowed in beverages defined in Annex II of the Regulation. For instance, it is not permitted to market a beverage as "no alcohol *sangria"* or "low alcohol *Vermouth"* or *"Glühwein*-type beverage"*.*

Wine

EU wine policy is the result of the combination of horizontal measures, which are relevant for all agricultural sectors, and vertical measures, which target the wine supply chain.

The most recent reform of the CMO (Common Market Organisation) Regulation (EU) No 1308/2013 was adopted in December 2021. Regulation (EU) 2021/2117[5] introduced for the first time – as regards wine - definitions for the terms 'de-alcoholised' (actual alcoholic strength of no more than 0.5% by volume) and 'partially de-alcoholised' (actual alcoholic strength above 0.5% by volume and below the minimum actual alcoholic strength of the category before dealcoholisation). Only LNA wines produced through dealcoholisation fall within the scope of this Regulation and can thus be labelled as (de-alcoholised or partially de-alcoholised) "wine". For instance, wine whose fermentation is stopped to achieve a lower ABV is excluded from this possibility.

Partially de-alcoholised versions of PDO/PGI wines can also be marketed, if this possibility is expressly included in the product specifications for the concerned GI.

1.4 The market for low/no alcohol beverages in the EU: key indicators

The EU market of LNA beverages is estimated at around EUR 7.5 B and litres 2.5 B in 2021; within this aggregate, LNA beer accounts for over 93% in value and 97% in volume, while LNA spirit drinks, aromatised wine products and wine cover the remaining portion.

It is estimated that the EU LNA spirit drinks market in the same year accounts for around EUR 168 M and litres 20.5 M, with a share of the total spirit drink market of 0.3% in value and 1% in volume. The main national markets in the EU are France, Spain, Belgium and Germany.

As for the EU market of LNA aromatised wine products, its total value in 2021 is estimated at around EUR 16 M and litres 2 M; in this case, the share of the total EU AWP

[4] Regulation (EU) No 251/2014 of the European Parliament and of the Council of 26 February 2014 on the definition, description, presentation, labelling of aromatised wine products and repealing Council Regulation (EEC) No 1601/91. Available at: https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:32014R0251.

[5] Regulation (EU) 2021/2117 of the European Parliament and of the Council of 2 December 2021 amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products and (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2021.435.01.0262.01.ENG;

market is around 0.6% in value and 0.3% in volume. Although no official data are available on this specific segment, qualitative elements suggest that the main EU national markets might be France, Spain and Germany.

The EU market of LNA wine in 2021 is estimated on the basis of cross-comparison of different sources and is valued at around EUR 322 M and litres 42 M, for a share of the total EU wine market of 0.4% in both value and volume. Also in this case, no official data are available on the most important national markets in the EU, but it is plausible that Germany, France and Italy represent the biggest ones at present.

Finally, the EU LNA beer market is by far the largest one among the analysed product categories; it is valued in 2021 at approximately EUR 7 B and litres 2.5 B; its share in value (around 7.2%) and in volume (around 8%) on the total EU beer market is much higher than the one of the other product categories.

<u>The whole set of market analyses is included in the replies to SQ1 and SQ2</u> (see § 3.1 and 3.2, respectively).

2 STUDY METHODOLOGY

The overall approach to the study is structured around **four main tasks**: **structuring**, **observing**, **analysing** and **reporting**. The study methodology presented in this section was agreed with the European Commission: it is the output of the "*structuring*" task.

The **data collection strategy** used a combination of tools to gather from both primary and secondary sources ("*observing*") the evidence and insights needed to carry out the study. The combination included:

1. **desk research** (including a review of the relevant literature);
2. mining of relevant **datasets and databases**, including two proprietary ones[6];
3. **interviews** with sectoral stakeholders, competent authorities, other stakeholders (consumer associations, health NGOs, etc.) and independent experts, carried out at international, EU and national level (the latter in the framework of 12 case studies);
4. three **surveys** targeting respectively: i) business stakeholders (EU-level and national sectoral associations; individual companies); ii) national competent authorities (NCAs hereinafter); and, iii) individual consumers.

The collected evidence and insights were used to:

1. Develop the **introductory section** of the study (section B of this report).
2. Elaborate **replies to the 21 study questions** (section C of this report), by applying the related methodology ("*analysing*"). The key elements of the methodology for answering each study question (understanding; definition of key terms) are detailed in the related introductory sections. The study questions focused on such topics as the market for LNA beverages, consumer-related aspects, production and marketing of LNA beverages, relevant regulatory framework at EU and national level, mandatory and voluntary labelling, and trade.
3. Draw **conclusions on the challenges and opportunities** presented by a specific legislation on LNA beverages for EU agri-food producers and consumers, as well as the **possible need for legislative proposals in that respect at EU level**.

[6] Both databases were provided by Euromonitor International. *Passport* database contains data and reports on market size, consumption, distribution channels, trade, market growth, trends, and forecasting. *VIA* database contains information on products available for purchase through e-commerce channels.

Ten national case studies (some focusing on a specific category of LNA beverages, other focusing on 2 or 3 categories) allowed a deeper investigation of all the study topics where national specificities had a particular relevance for the assessment, whereas **two thematic case studies** enriched the evidence base needed for replying to specific study questions.

The **general approach to answering the study questions** was based on the following elements:

1. Interpretation of the study questions and of their key terms.
2. Indication of the judgment criteria allowing to answer the question and of the related set of indicators (as well as, wherever opportune, the quantitative level to be reached by such indicators).
3. Explanation of the validity of the quantitative and qualitative information used, and indication of the related limitations.
4. Description of the methods used for answering each question and indication of their limitations.
5. Detailed description of the reasoning followed in the analysis, indicating in particular the underlying hypotheses and validity limits.
6. ***Conclusions for each question***, which were drawn directly from the analysis through a reference to the relevant criteria.

The **scope** of the study and of individual study questions included a combination of:

- Aspects (e.g., market size, importance of marketing channels, etc.) that can be quantified, within the limits allowed by the availability of suitable data. In principle, the assessment of these aspects relied on quantitative indicators; in case of complete absence of relevant data, and/or wherever no reliable estimate could be made, qualitative indications were provided.
- Aspects that have a complex and/or "subjective" nature (e.g., views of stakeholders about the current regulatory framework, about the possible need for EU-level harmonised legislation for LNA beverages, etc.), and are hence unsuitable for being assessed through quantitative indicators.

As a consequence, an **in-depth qualitative appraisal of the perceptions of stakeholders** was performed in combination with the application of **quantitative assessment methods**, in order to grasp all the specificities and nuances that were relevant for the purposes of the study.

SECTION B – ANALYTICAL CHAPTER

3 REPLIES TO STUDY QUESTIONS

3.1 Q1: What is the quantity of low/no alcohol beverages currently on sale as compared to the products of the same category with a 'normal' alcoholic strength?

3.1.1 Understanding of the question and definition of key terms

The question asks for an appraisal of the quantity of low/no alcohol beverages currently on the market vis-à-vis the respective product categories with a normal alcoholic strength. The following key terms have been defined for replying to the question.

Key terms

Quantity: It is intended in terms of both "overall volume" of relevant products marketed within a certain category and "value" of the products marketed within the same category. To the extent allowed by the availability of suitable data, also the number of the different stock keeping units - "SKUs" - is considered.

Same category: the concept of "product category" is intended in its broader meaning, i.e., by considering the typical categories identified by consumers in their daily consumption habits and/or used by sellers to characterise their offer, rather than with regard to the (possibly) more detailed, or anyway different, categorisation provided by legislation (e.g., de-alcoholised or partially de-alcoholised wine).

Most of the analyses are based on Euromonitor International data (i.e., Passport DB and VIA DB); however, other important sources[7] have been used to fill in the gaps, especially for what concerns the estimates of the market of LNA aromatised wine products and LNA wine. Such additional sources were either independently collected through desk research, or provided by industry stakeholders during interviews[8].

3.1.2 Analysis

<u>*Estimated LNA beverages market in the EU*</u>

The use in parallel of data from proprietary databases, integrated by other sources, allowed to estimate the size of the EU market of LNA beverages (for the four main categories of interest for the study). The overall market size in the EU is estimated at around **litres 2.5 billion and Euro 7.5 billion**, with the largest part of both volumes and values being represented – as expectable – by low/no alcohol beer.

LNA beer is also the product category that has the highest importance versus its counterpart with "normal" alcoholic strength: 8% in terms of volume and 7.2% in value; it also weighs around 97% of the total EU LNA market in volume and 93% in value.

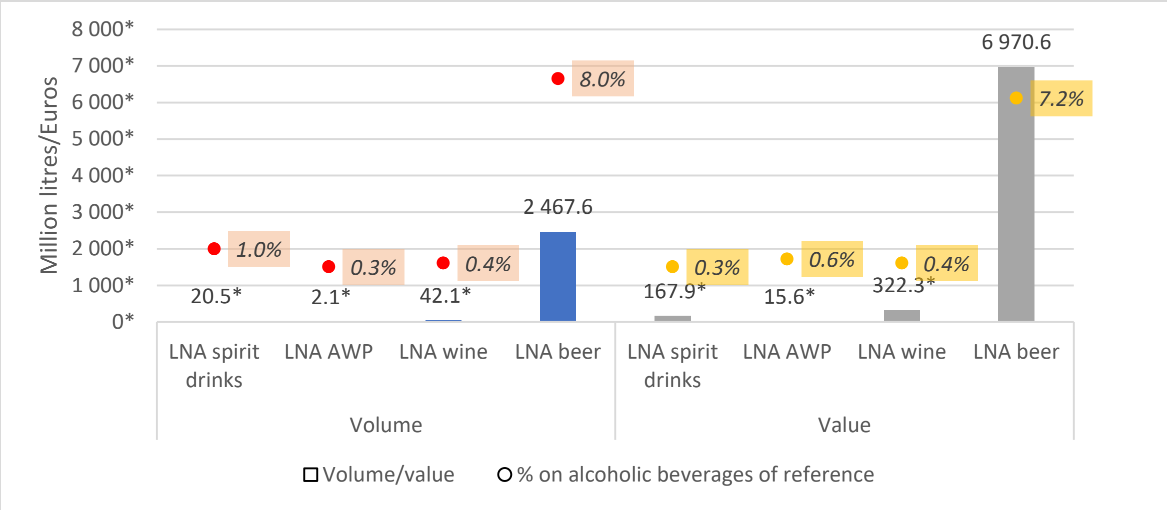
The other categories, especially LNA spirit drinks and LNA aromatised wine products (AWP) – i.e., the main focus of this study – still represent a very small fraction of the

[7] IWSR, Nielsen, estimates provided by industry participants through the survey of business stakeholders, desk research, national case study reports.

[8] It should be noted that, with the only exception of few selected data provided by Euromonitor International, all the other data sources have not been used "as they are" in the estimates; on the contrary, the study team analysed them to develop the necessary assumptions to fill the gaps existing in certain EU Member States and/or for certain product categories. Whenever certain data were not simply gathered "as they are" from independent providers, but estimated by the study team through a series of assumptions, their values are marked with an asterisk "*".

overall EU LNA beverages market, accounting for 0.8% of total in volume and 2.2% in value (LNA spirit drinks) and 0.3% in volume and 0.6% in value (LNA AWP).

Figure 3.1 – Estimated EU market size of LNA beverages (2021)



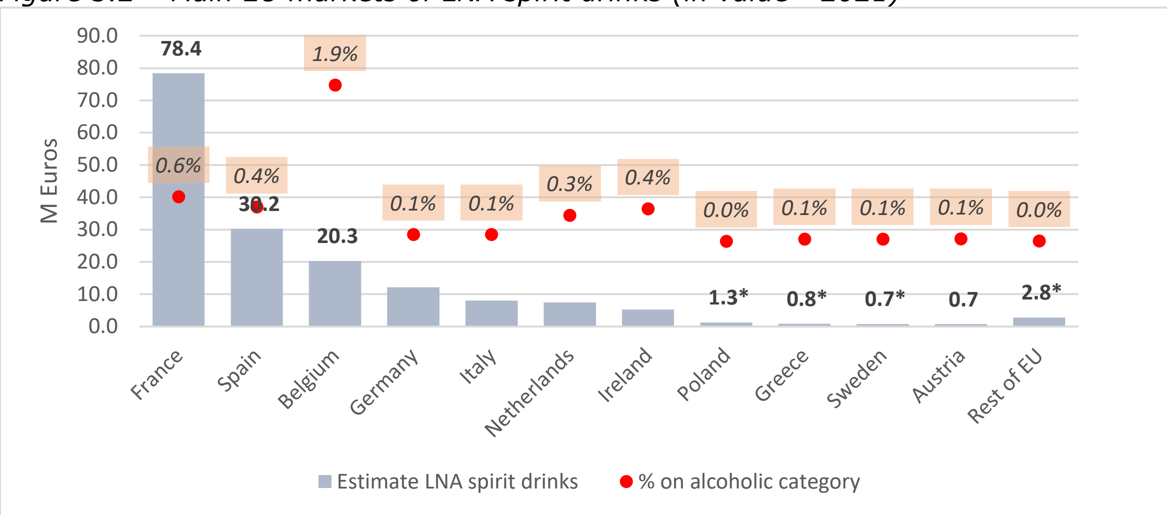
Source: Areté elaboration based on Euromonitor International data and interviews

Data for the EU market of LNA wine are estimated (similar to data for LNA AWP) by considering multiple sources and specific estimated shares of low/no alcohol wines in the two main wine market segments in the EU: sparkling wines and still wines. The EU market is estimated in 2021 as amounting to approximately litres 42 M and Euro 320 M, accounting for around 0.4% over the total wine market in both volume and value.

Main EU national markets for the different product categories

Since the vast majority of the EU market is represented by LNA beer, it is not useful to provide a ranking of the different EU Member States based on the sum of the four product categories considered: in fact, this would basically reflect the beer market alone. It seems more interesting to analyse how the individual markets of LNA spirit drinks, AWP, wine and beer are estimated to be split across the 27 EU MSs.

Figure 3.2 – Main EU markets of LNA spirit drinks (in value - 2021)



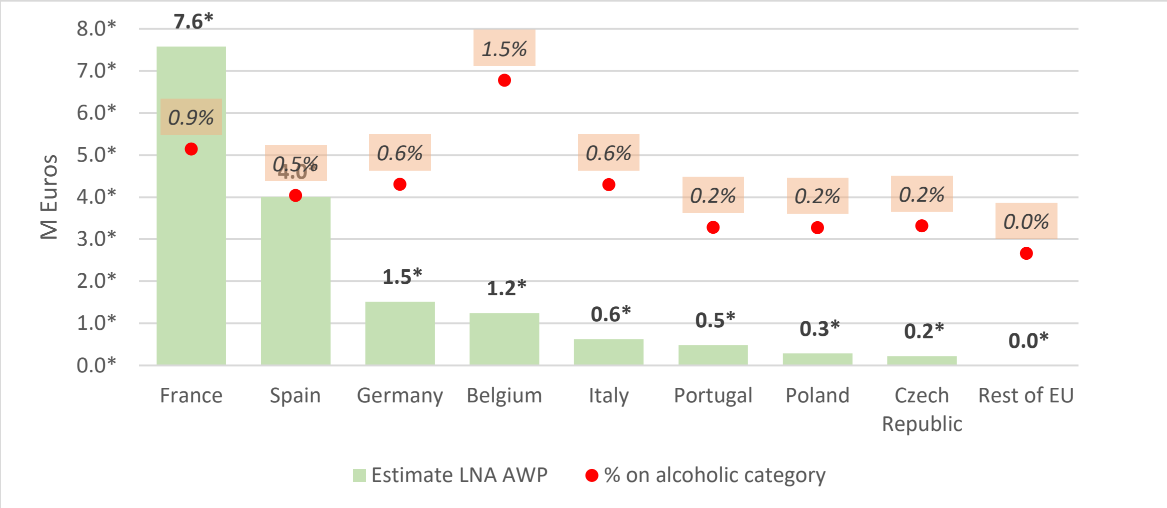
Source: Areté elaboration based on Euromonitor International data and interviews

France and Spain represent at present the biggest EU markets, with Euro 78 M and Euro 30 M, respectively; both countries have a similar importance of LNA spirit drinks versus their alcoholic counterpart, while Belgium – ranked third with a market value of around Euro 20 M – is the MS with the highest share of LNA spirit drinks, accounting for nearly 2% of the overall spirit drinks market, in value terms. *It is worth underlining that* *official data on the LNA spirit drinks market are only available for a subset of EU MSs: the gaps filled with the use of ad hoc assumptions are marked with a "*" in the graph above.*

LNA aromatised wine products are undoubtedly the product category for which the scarcest information exists; basically, no interviewed stakeholder was able to provide indications on this segment, and similarly no information exists in literature or on the main databases. That said, the availability of detailed information on the market size in the EU of "classic" aromatised wine products (mainly vermouth), allowed the study team to develop *ad hoc* assumptions to try to estimate both the EU market as a whole and the most important national markets. Such estimates were developed by taking into account the available share of LNA beverages on the sparkling wine and the spirit drinks sector, matching them with the actual size of the national markets of AWP[9].

Also in this case, France and Spain are estimated to be the largest EU national markets in value, with Euro 7.6 million and Euro 4 million, respectively, accounting together for more than 70% in value of the total EU market. The highest shares of LNA AWP in the overall market of aromatised wine products are estimated in Belgium (1.5%) and in France (0.9%).

Figure 3.3 – Main EU markets of LNA AWP (in value - 2021)



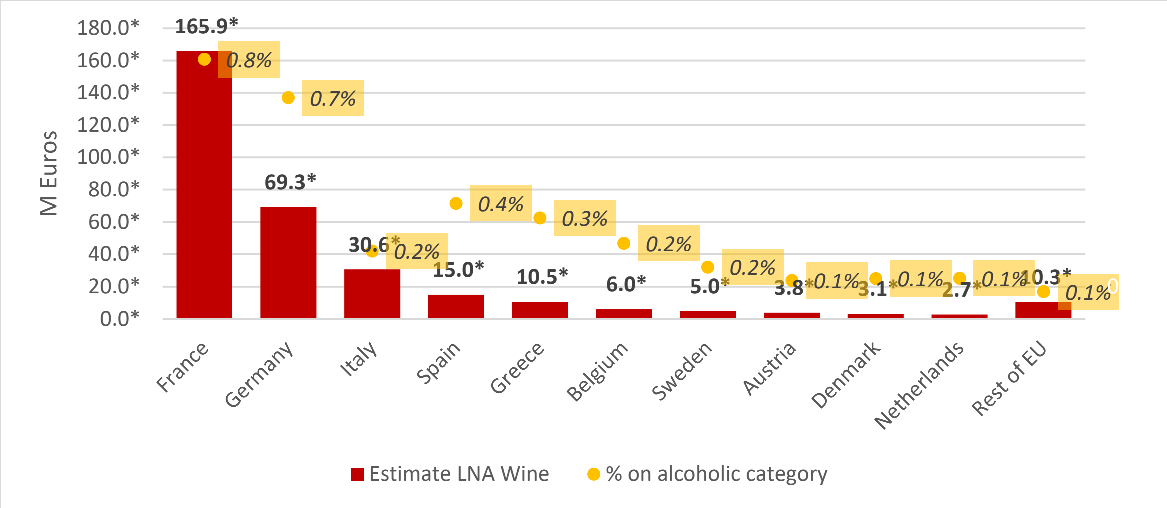
Source: Areté elaboration based on Euromonitor International data and interviews

Similar to AWPs, also for the EU market of LNA wine official information is often unavailable, especially at MS level. However, the cross-checking of multiple sources allowed to develop assumptions on the most important national markets. As a first element, it should be noted that out of the overall estimated EU market of LNA wine (Euro 322 M and litres 42 M), the vast majority is represented by LNA sparkling wine, which accounts for nearly 70% of both volume and value.

With a market value estimated at around Euro 166 M, France is also in this case the largest EU national market, followed by Germany (Euro 70 M) and Italy. France and Germany are also the EU Member States where the weight of LNA wine is estimated as being highest with respect to the overall wine market, both in value (as shown on next page) and in volume.

[9] The estimates were developed by assuming as the weight of LNA AWP on total AWP market a weighted average between: *i)* the share of LNA spirit drinks on the total spirit drinks market (70% weight); and, *ii)* the share of LNA sparkling wine on the total sparkling wine market (30% weight). *Ad hoc* adjustments were also made to exclude from the estimates the smallest EU national AWP markets, for which the size of the LNA AWP market was assumed to be negligible.

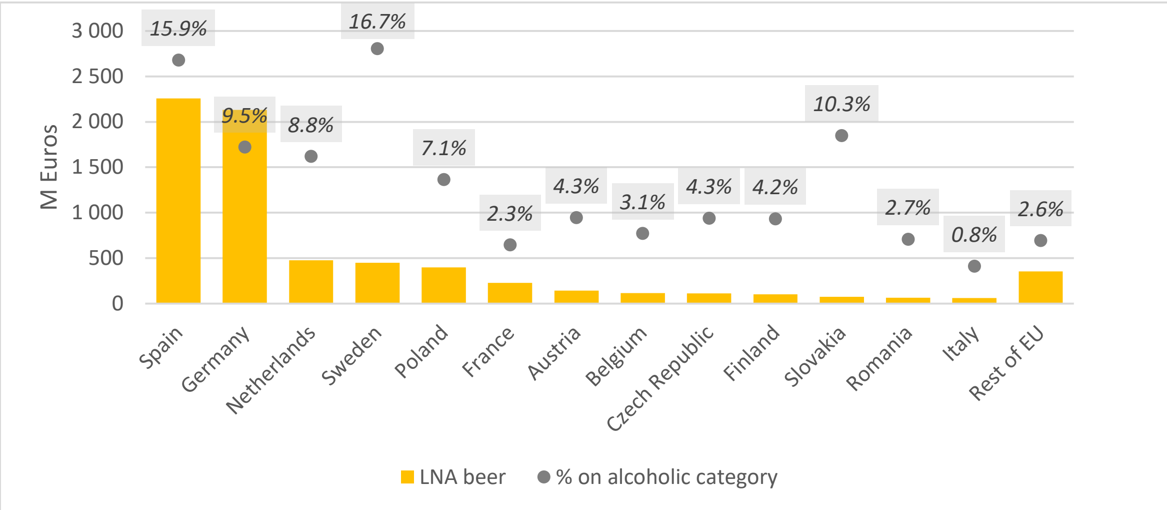
Figure 3.4 – Main EU markets of LNA wine (in value - 2021)



Source: Areté elaboration based on Euromonitor International data and interviews

Differently from the product categories analysed above, the LNA beer market is well monitored at both EU level and in all the main third countries/worldwide. This allowed to reduce the use of estimates by the study team, relying on official data provided in proprietary databases.

Figure 3.5 – Main EU markets of LNA beer (in value - 2021)



Source: Areté elaboration based on Euromonitor International data

The total EU market of LNA beer is valued at Euro 7.0 billion in 2021, with marketed volumes at litres 2.5 billion. The biggest markets in terms of both value and volume are Spain (Euro 2.3 billion and litres 596 billion) and Germany (Euro 2.1 billion and litres 974 billion, i.e., the leading market in volume in the EU). A more in-depth analysis of the weight (in value) of the LNA segment over the total beer market shows that in a number of EU Member States such segment is already well developed, with market shares over 10% in Sweden (16.7%), Spain (15.9%) and Slovakia (10.3%); other notable examples are Germany (9.5%), Netherlands (8.8%) and Poland (7.1%).

__Estimated LNA beverages market in selected third countries__

The current size of the main LNA beverages' sub-markets has also been investigated (and, where needed, estimated) for selected third countries that are part of the geographical coverage of the study, namely: Australia, Brazil, UK and US.

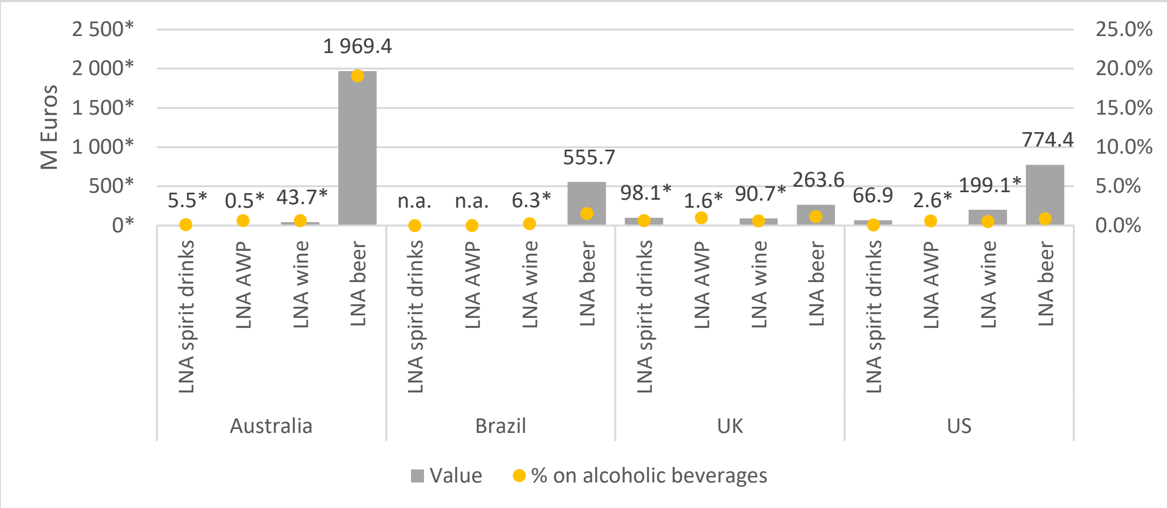
In this case, even scarcer information exists on certain markets, especially the LNA aromatised wine products and the LNA wine market. The study team adopted an approach that is consistent with the one applied for EU MSs, when developing the key assumptions to fill data gaps for these third countries.

Out of the four countries, the biggest LNA market is the Australian one, with over litres 380 M and valued at around Euro 2 B; the US follow, with slightly more than litres 250 M and valued at around Euro 1 B.

It should be noted that the study team did not feel in the position to develop sufficiently solid assumptions for the estimate of the Brazilian LNA market of spirit drinks and AWP: as a result, the overall volume of around litres 285 M and value of Euro 560 M only consider the LNA beer market and the estimates for the LNA wine market.

Finally, the UK market is estimated to have marketed volumes of around litres 78 M, and is valued at approximately Euro 450 M.

Figure 3.6 – Estimated market size of LNA beverages in selected third countries (in value – 2021)



Source: Areté elaboration based on Euromonitor International data and interviews

The very high value of the Australian market is explained by the remarkable popularity of low alcohol beer; it is estimated, in fact, that out of a marketed value of Euro 2.0 B, around 97% is represented by low alcohol beer, whose consumption boosted in the last ten years.

Among the additional sources identified, very few provided estimates for the above countries; one of them (Mason J., 2021), values the US market in 2021 at much higher levels (USD 3.1 B, approx. Euro 3.5 B), but since it is not possible to investigate what is actually considered as being part of "LNA beverages" (e.g., there is a risk that alcopops – not covered in the present study – are instead included in such figures) the study team prudentially adopted the lowest figure, which also allows a complete breakdown by product category.

As for the UK, some sources (Sandercock H., 2022) estimate the LNA market size at £ 90 M (approx. Euro 106 M) but this figure seems very low, especially considering that the sole LNA beer market is usually valued at over Euro 250 M.

<u>Number of LNA products marketed in the EU</u>

Although it is not possible to get a complete mapping of the stock keeping units (SKUs) of LNA beverages throughout the entire EU, an in-depth analysis was performed on the most important EU national markets, especially for LNA spirit drinks and LNA aromatised wine products – i.e., the main focus of the study - plus LNA wine.

The analysis focused on five Member States: France, Germany, Italy, the Netherlands and Spain; the following table summarises the relative importance of such national markets in the relevant product categories.

Table 3.1 – Key positioning of selected EU Member States for the analysis on SKUs

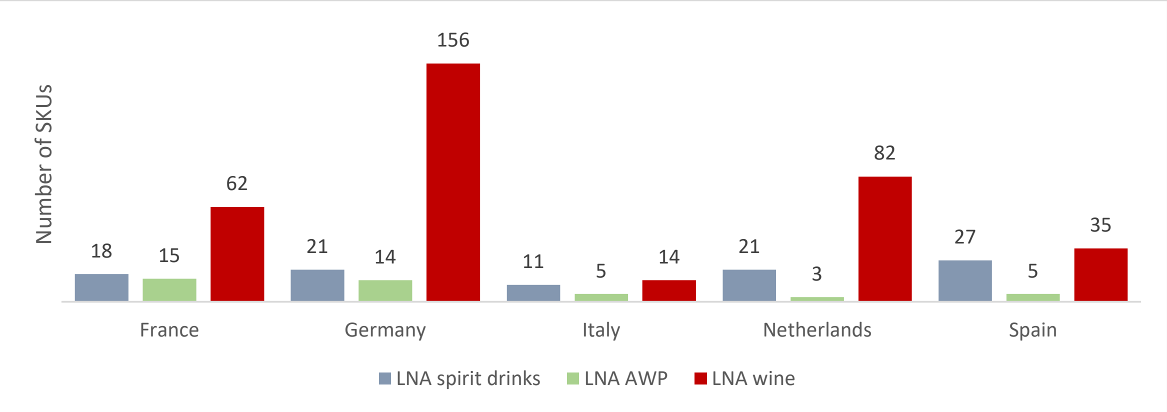
MSs	LNA spirit drinks	LNA AWP	LNA wine
France	1st in value and volume	1st in value and volume	1st in value, 2nd in volume
Germany	4th in value and volume	3rd in value, 4th in volume	2nd in value, 1st in volume
Italy	5th in value, 9th in volume	5th in value, 6th in volume	3rd in value and volume
Netherlands	6th in value and volume	*Below materiality threshold*	10th in value, 7th in volume
Spain	2nd in value, 3rd in volume	2nd in value, 3rd in volume	4th in value and volume

Source: Areté elaboration based on Euromonitor International data, interviews and other sources

The analysis is based on the offer of LNA beverages by a total of 72 online retailers in the five Member States, allowing to get a good understanding of the number of products available in the different categories.

Out of a total 717 LNA SKUs extracted, data cleaning and the exclusion of all the same products marketed in the same MS by different retailers, allowed to identify a total of **489 products**. Out of them, 98 are LNA spirit drinks (20%), 42 are LNA AWPs (9%) and 349 are LNA wine (71%).

Figure 3.7 – Available LNA SKUs online for spirit drinks, AWP and wine in selected EU MSs



Source: Areté elaboration based on Euromonitor International data

It goes without saying that the number of SKUs is not a good proxy to perform a direct comparison with the market size in the different Member States; however, LNA wines clearly emerge as the product categories with the highest number of different products on sale, followed by spirit drinks and AWP.

Useful information can also be retrieved through a more detailed analysis of SKUs: Table 3.2 summarises the key elements emerged from the analysis.

Table 3.2 – Key information on mapped SKUs

Macro category	Resembling…	FR	DE	IT	NL	ES	Total	AVG price (Euro per unit)
LNA spirit drinks (98 products)	Bitters	8	3	1	3	1	**16**	16.8
	Brandy			1			**1**	*n.a.*
	Cream-based Liqueurs					5	**5**	5.0
	Dark Rum	2			1		**3**	26.0
	Gin	3	13	4	12	11	**43**	22.4

Macro category	Resembling…	FR	DE	IT	NL	ES	Total	AVG price (Euro per unit)
	Other spirit drinks	5	5	5	5	10	**30**	*n.a.*
LNA AWP (40 products)	Vermouth	8	1	2	2	3	**16**	10.2
	Other AWP		1		1		**2**	5.8
	Wine-based cocktail	7	12	3		2	**24**	4.7
LNA wine (353 products)								
	Sparkling Wine	37	64	9	23	10	**143**	7.0
	Still Red Wine	8	33	2	20	10	**73**	5.8
	Still Rosé Wine	7	22		6	6	**41**	6.5
	Still White Wine	10	37	3	33	9	**92**	17.8
Total		**95**	**191**	**30**	**106**	**67**	**489**	

Source: Areté elaboration based on Euromonitor International

Although the figures presented above should be intended as purely indicative, it emerges how the most represented sub-categories within the LNA spirit drinks segment are gin-emulating products, followed by bitters, with the first category having a much higher average price per unit (bottles of 0.70 litres).

As for LNA wine, LNA sparkling wine is indeed the sub-category with the highest number of SKUs, followed by LNA still white wine, which also has an almost double average price per unit.

3.1.3 Summary

As of 2021, the EU Market of LNA beverages is estimated at around Euro 7.5 B and litres 2.5 B. The vast majority of the market is represented by LNA beer, accounting for over 97% of total volume and 93% of total value.

The EU market of LNA spirit drinks and LNA aromatised wine products – i.e., the main focus of this study – is estimated at:

- **LNA spirit drinks**: Euro 170 M and litres 21 M,
- **LNA AWP**: Euro 16 M and litres 2 M.

Finally, the EU market of **LNA wine** is estimated at around Euro 322 M and litres 42 M, with nearly 70% of both value and volume represented by LNA sparkling wine.

At EU level, the LNA product category with the highest importance versus its alcoholic counterpart is **LNA beer**, accounting for around 7% of the total beer market in value and 8% in volume; the relative weight of other product categories is estimated as being much lower, spanning from a minimum of 0.3% for LNA spirit drinks (in value), to a maximum of 0.6% for LNA AWP (in value).

At national level, the most important markets for LNA spirit drinks are France, Spain, Belgium and Germany; in all these four markets the relative importance of LNA spirit drinks on the total spirit drinks market is however always below 2% (in value, Belgium) and 6% (in volume, Belgium).

The market size of LNA aromatised wine products was entirely estimated by the study team on the basis of ad-hoc assumptions, due to a lack of official sources. The biggest national markets are France and Spain (in value), which together account for over 70% of the total estimated value for the EU.

Limiting the analysis to the combined market of LNA spirit drinks and LNA AWPs, France (47% in value), Spain (19%), Belgium (12%) and Germany (7%) together account for 85% of the total market value in the EU and for 95% of the total volume.

Finally, the market of LNA wine was also estimated by the study team: France, Germany and Italy are likely to be the largest national markets, even though with shares of the total market ranging between 0.2% (Italy, in value) and 0.8% (France, in value).

As for the number of stock keeping units (SKUs) marketed in five selected EU Member States, the analysis showed that the most represented product category is LNA wine, with over 230 SKUs in Germany and around 100 SKUs in France and in the Netherlands. LNA spirit drinks have a lower number of references, spanning from a minimum of 17 in Italy, up to a maximum of 35 in Spain. Finally, LNA AWP is the product with the lowest number of SKUs (4 in Germany, 16 in France) but it is also the product category that has the highest share of LNA SKUs over "normal" products, in those retailers that market both the categories. In terms of composition of the different categories, gin-emulating drinks are the most common product in the LNA spirit drinks group, followed by bitters; LNA sparkling wine dominates the LNA wine offer, followed by LNA still white wine.

3.2 Q2: How did the market share trend develop?

3.2.1 Understanding of the question and definition of key terms

The question requires a description of the evolution of the market of LNA beverages in the EU in the last years (ideally from 2011 onwards). In the first place, such a description should focus on the overall development of the market in the EU as a whole, then focusing, wherever possible, on specific national markets.

Another key element in the analysis is a systematic comparison between the size of the LNA beverages market and the respective alcoholic drinks market. The concept of "market share" is the key term to define in the question: it should be intended as "the relative weight of the first market segment (low/no alcohol) over the total market (LNA products + regular alcoholic products)".

Wherever possible, the above comparison is split by main product categories, in order to identify more mature markets for certain products vis-à-vis those where market development is still in its initial phase. In the largest national markets for the products of interest in the EU, an additional analysis of the development of the market shares of individual brands and companies is also performed for certain product categories (LNA beer; LNA spirit drinks). In the same question, for reasons of both consistency among topics and of overall simplification of the structure of the report, also the forecasts and expectations for the LNA market and its main product categories have been analysed and commented.

3.2.2 Analysis

The EU market of **LNA spirit drinks** is very young: this means that with very few exceptions[10] the vast majority of EU national markets started to be mapped and quantified on a regular basis only a couple of years ago. As a result, a much more complete comparison over the historical growth of such market can be made only from 2019 onwards.

In 2019, the EU market[11] of LNA spirit drinks was estimated at around litres 17.3 M, for a total value of Euro 121 M. Its CAGR in volume over the 2019-2021 period was hence

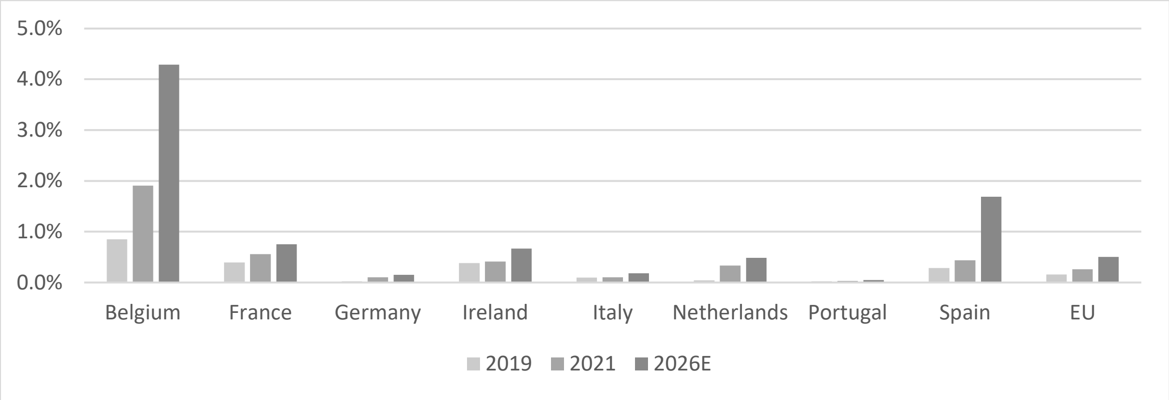
[10] The French market of LNA spirit drinks represents one of these exceptions. It was valued already in 2011 at Euro 44 M, for a total volume in the same year of around litres 11 M. This means that in ten years the market grew at an annual compound growth rate (CAGR) of 4.4% in volume and 6.0% in value, increasing its share over the total spirit drinks sector from 2.7% in volume in 2011 up to 4.4% in 2021.

[11] Based on data availability, EU market includes: AT, BE, FR, DE, IR, IT, LU, NL, PT, SK, and ES.

around +9% in volume and +18% in value, while its weight over the total EU spirit drinks market moved from 0.8% to 1.0% in volume, and from 0.2% to 0.3% in value.

For all the biggest EU markets, an increase of the weight of LNA spirit drinks versus their alcoholic counterparts is expected in the next five years, both in value – as shown above – and in volume.

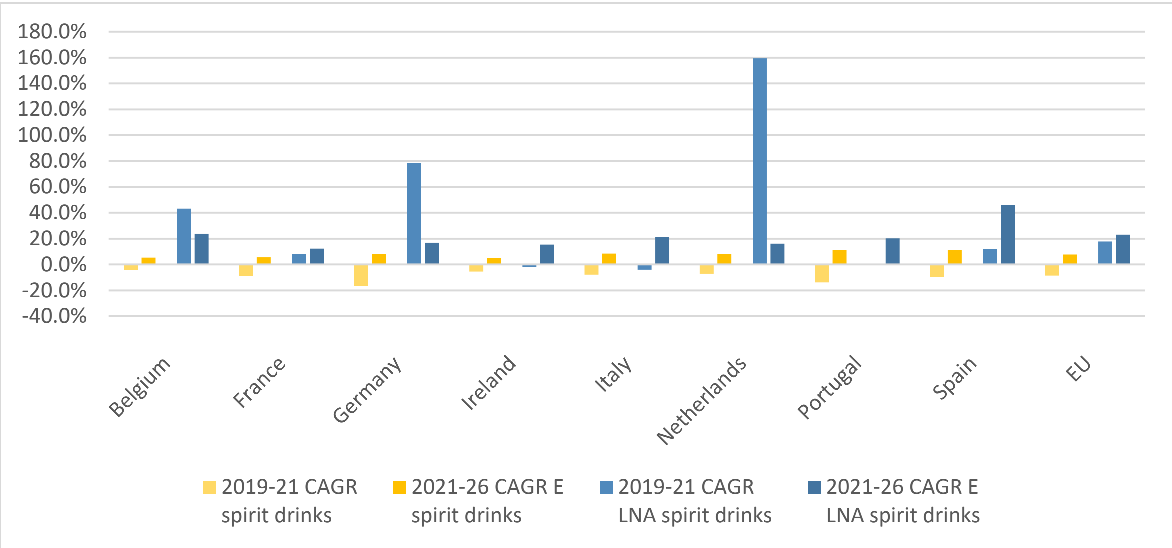
Figure 3.8 – LNA EU spirit drink market: historical and expected weight over the spirit drinks market in value for selected EU MSs (2019, 2021, 2026E)



Source: Areté elaboration based on Euromonitor International data

It is also interesting to compare the historical and expected CAGR of both markets, to see whether they developed along a similar path or not. Figure 3.9 reports both the CAGR historically observed in selected EU Member States, and those forecasted for the 2021-2026 period.

Figure 3.9 – EU spirit drinks and LNA spirit drinks markets: historical and expected CAGRs in value for selected EU MSs (2019-2021, 2021-2026E)

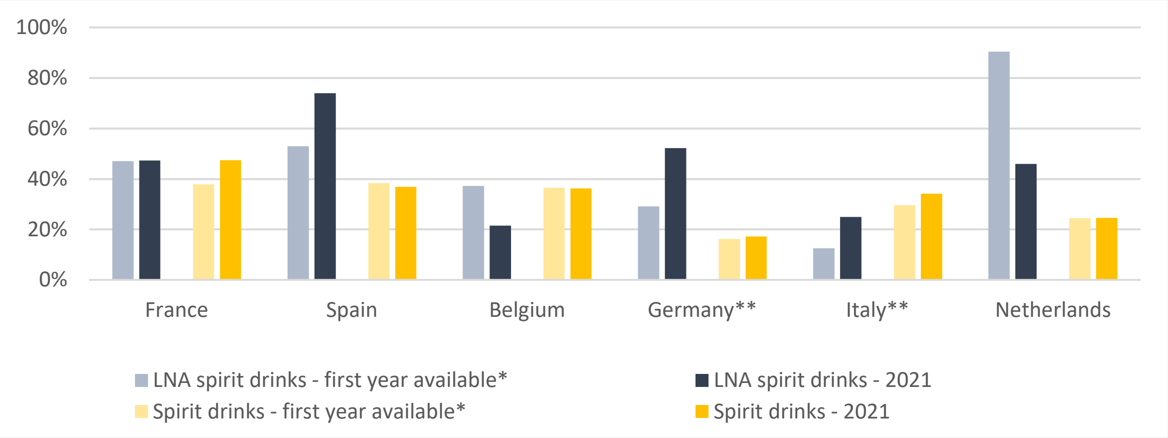


Source: Areté elaboration based on Euromonitor International data

The analysis confirms what also clearly emerged from the vast majority of interviews: in the last few years, the growth in the overall consumption of spirit drinks is slowing down, especially in mature markets; although the forecasts for the next five years are still positive in terms of value growth, those for the LNA spirit drinks market are generally much more positive, in most cases with growth rates of over 20% per year. Some key industry participants reported even higher historical growth rates, estimating that the LNA spirit drinks segment in the EU grew by around 33% in recent years.

To correctly understand how the LNA spirit drinks market is evolving in the main EU MSs, an analysis of the concentration of the market may also provide useful elements. Based on the reply to SQ1, the most important EU markets in value in 2021 are France, Spain, Belgium, Germany, Italy and the Netherlands; for these six MSs, the market share of the top-2 producers in 2021 was compared with the one of the top-2 producers in the least recent available year[12]. The analysis also includes a comparison with the market share of the first three companies in the spirit drinks sector.

Figure 3.10 – EU spirit drinks and LNA spirit drinks markets: historical and current market share of top 2 producers for selected EU MSs



Source: Areté elaboration based on Euromonitor International data
** France:2012, Belgium:2015, Germany, Italy, Spain and the Netherlands:2018*
*** 2018 data based on only one producer*

In four out of the six considered Member States, the LNA spirit drinks market apparently became more concentrated in the last years, with the top-2 producers consolidating their position. By contrast, the competition is apparently fierce in Belgium and the Netherlands, where the two strongest brands have been losing market shares to the advantage of their competitors.

The market of **LNA aromatised wine products** is estimated as the smallest among the four product categories covered in the study; this is also reflected into a general lack of available information, but also into clear perceptions/expectations by stakeholders on how the market developed in recent years or will develop in the coming ones. That said, some industry stakeholders reported that the LNA AWP market is growing fast, and that most of consumers' interest is for LNA vermouth, which is by far the best-known product within the category. More specifically, due to the already relatively low ABV of "normal" vermouth, the segment of no alcohol vermouth is expected to grow much faster than its corresponding low alcohol alternative.

For what concerns the **LNA wine market**, more information was provided by interviewees: some of them reported expected average growth rates (CAGR) of up to 25% in the EU for the coming years. As for historical growth, in the Spanish market LNA wine is estimated to have grown between 30% and 36% in the 2018-2022 period.

An interesting element potentially affecting the future evolution of both LNA AWP and LNA wine is the fact that taking into account the **oenological practices currently authorised for de-alcoholised wine**, it is probable that part of the initial production of de-alcoholised wine will actually become de-alcoholised aromatised wine products. In the views of some stakeholders, this is due to the fact that, after dealcoholisation, part of the aroma is lost, as this is carried by the alcohol itself. External wine-based aromas could eventually compensate for this loss, but if the legislation precludes the inclusion of external aromas in de-alcoholised wines to address the loss of aromas (a practice that is now widespread, especially in Germany), then all these products will fall under Regulation (EU) No 251/2014, and the market positioning will change, due to the re-

[12] 2012 for France, 2015 for Belgium, 2018 for Germany, Italy, Spain and the Netherlands.

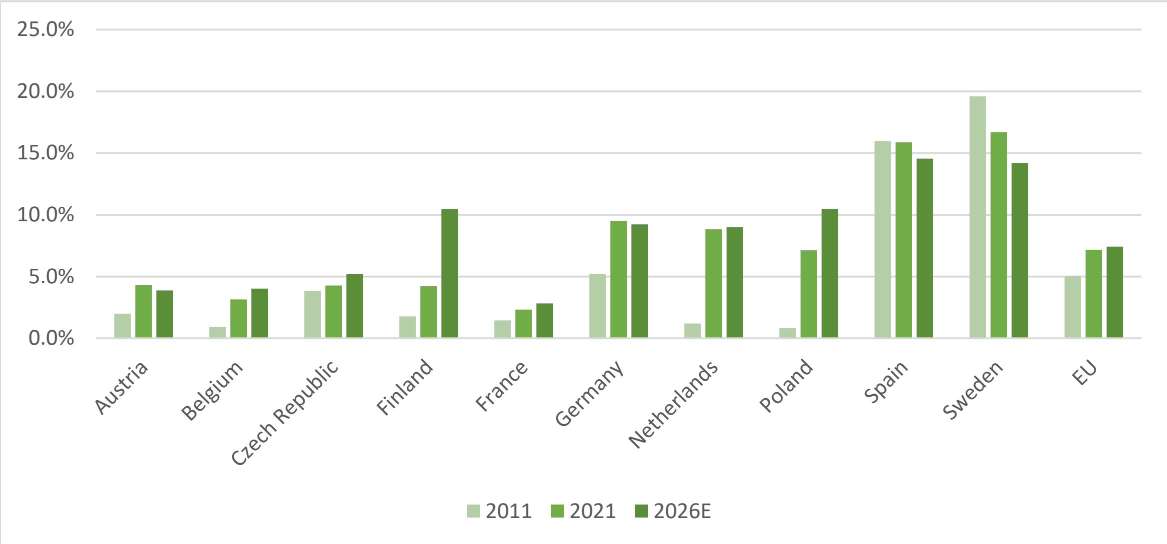
categorisation of products as de-alcoholised aromatised wine products (especially if such products are authorised).

As already reported in SQ1, the vast majority of the current EU LNA wine market is represented by ***sparkling wine***: an interviewed company reported that the weight in volume of the LNA sparkling wine over the total sparkling wine market increased from 1.7% in 2016 to 2.7% in 2020, while the weight in value moved from 1.0% in 2016 to 1.8% in 2020.

The EU **LNA beer market** has a much longer history compared to the LNA spirit drinks market; it is hence possible to extend the analysis over a longer period, starting from 2011. In 2011, the EU market of LNA beer was estimated at around litres 1.7 M, for a total value of Euro 5 B. Its CAGR in volume over the 2011-2021 period was hence around +4% in volume and +3.4% in value, while its weight over the total EU beer market passed from 5.2% to 8.0% in volume, and from 5% to 7.2% in value.

As already done for the LNA spirit drinks market, Figure 3.11 outlines the evolution of the weight in value of LNA beer on the total beer market for the main national markets in the EU.

Figure 3.11 - LNA EU beer market: historical and expected weight over the beer market in value for selected EU MSs (2019, 2021, 2026E)



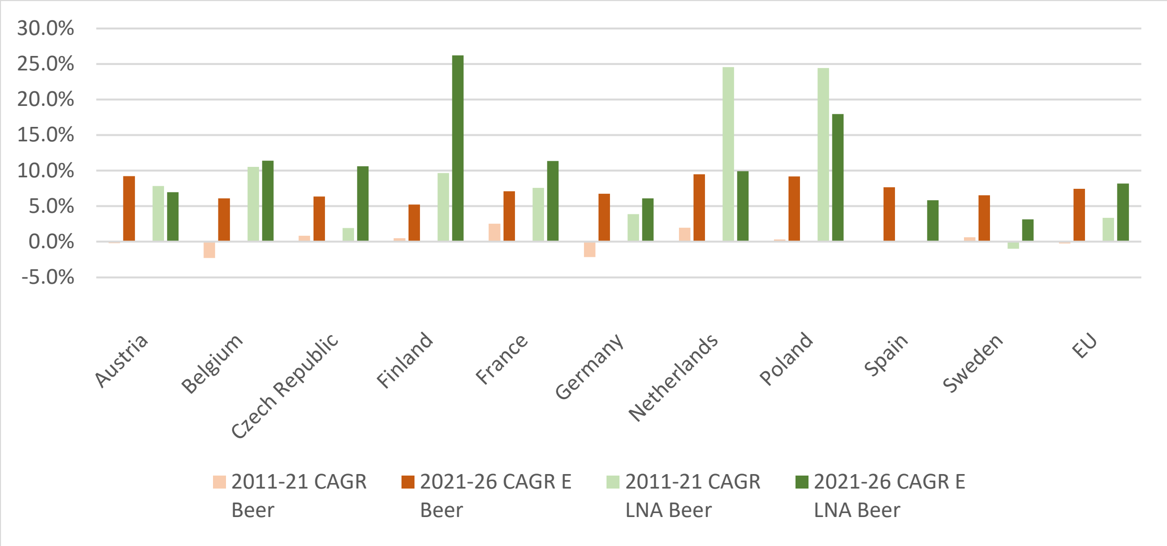
Source: Areté elaboration based on Euromonitor International data

Despite in some countries the expected weight in 2026 is slightly lower than the current one (e.g., Sweden, Spain, Germany), at EU level, as well as in other key national markets, the increased importance of the LNA segment, already observed in the 2011-2021 period, is expected to continue in the next five years.

Also in this case, it is useful to compare the historical CAGRs and the expected ones for the next years both for the LNA beer market and for the overall beer market in selected EU Member States.

As already observed for the LNA spirit drinks market, also in this case in the vast majority of the largest EU national markets the LNA beer segment recorded much higher growth rates than the beer market; similarly, also in the next five years expectations are for a more rapid growth of the LNA segment. The Spanish market is one of the few under analysis where "normal" beer value is expected to grow at higher rates than the LNA one; it should be however recalled that Spain is – together with Germany – the largest EU market, representing alone over 32% of EU value and 24% of volume: it is hence reasonably already in its maturity, with a slower expected growth with respect to the EU average.

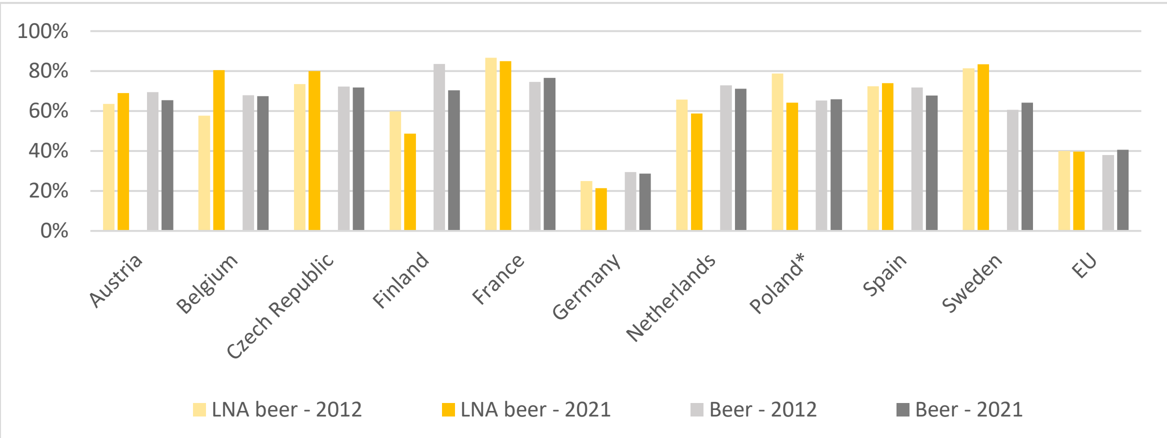
Figure 3.12 – EU beer and LNA beer market: historical and expected CAGRs in value for selected EU MSs (2011-2021, 2021-2026E)



Source: Areté elaboration based on Euromonitor International data

Also for LNA beer, an analysis on the concentration ratios of the sector was performed, comparing the current (2021) market share of the top 3 producers in the main EU MSs with both the market share of the top 3 producers of beer with normal alcoholic strength, and with the market shares recorded in 2012.

Figure 3.13 – EU beer and LNA beer market: historical and current market share of top 3 producers for selected EU MSs



Source: Areté elaboration based on Euromonitor International data
** data based on only two 2 producers*

In five out of the ten considered Member States, the LNA beer market consolidated in the 2012-2021 period. In these MSs (Austria, Belgium, Czech Republic, Spain and Sweden) the top three producers further increased their aggregated market share; by contrast, in Finland, France, Germany, the Netherlands and Poland the development of the market resulted in the rise of market shares of second-tier producers.

It is worth summarising the estimated growth rates for the main product categories under study: Table 3.3 reports both the ones estimated by the study team and those provided during interviews or collected through desk research.

Table 3.3 – Summary of estimated historical growth rates for the main LNA product categories in the EU

LNA category	**Study team**		**Other sources**	
	Vol CAGR*	**Val CAGR***	**Vol CAGR 16-20**	**Val CAGR 16-20**
Spirit drinks	+8.9%	+17.7%	+1%	+24%
AWP	n.a.	n.a.	n.a.	n.a.
Sparkling wine	n.a.	n.a.	+11%	+15%
Still wine	n.a.	n.a.	+19%	+24%
Beer	+3.9	+3.4%	+8%	+11%
Cider	n.a.	n.a.	+61%	+67%
Total	**n.a.**	**n.a.**	**+8%**	**+12%**

Source: Areté elaboration based on multiple sources
** For LNA beer: 2011-2021, for LNA spirit drinks 2019-2021*

Industry stakeholders provided additional elements on the market trends for LNA beverages in the survey dedicated to them. Generally speaking, the vast majority of respondents confirmed that a faster growth of the LNA sector took place in recent years vis-à-vis the growth of the alcoholic beverages market; similarly, the expectations for the near future are generally pointing towards a fast-growing market, as explained below.

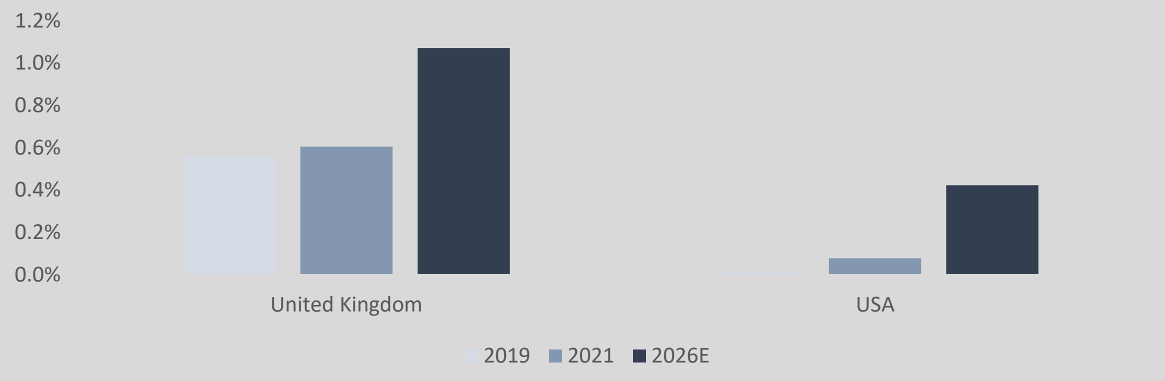
Out of a total of 69 respondents (16 for the LNA spirit drinks, 12 for the LNA AWP, 22 for the LNA wine and 19 for the LNA beer sectors), no surveyed stakeholder reported in the last year a decline in the market volume or value for its product category(ies): the majority of respondents indicated higher growth rates for LNA product categories than for their alcoholic counterparts.

- For **LNA spirit drinks**, 86% and 63% of respondents indicated a growth higher than the overall spirit drinks market, respectively in volume and value;
- In the **LNA AWP** segment, 67% and 25% reported a higher growth of the LNA segment (respectively in volume and value also in this case). An additional 67% of respondents indicated that the LNA AWP market in their country grew in value in line with its alcoholic counterpart;
- 86% and 55% of respondents in the **LNA wine** sector indicated a market growth (in volume and value, respectively) faster than the one recorded in the wine sector;
- Finally, 79% of stakeholders operating in the **LNA beer** segment estimated a growth rate of the respective national markets for LNA beer higher than the one for the overall beer sector, in both volume and value.

Elements on the historical and expected evolution of the LNA beverages market in selected third countries

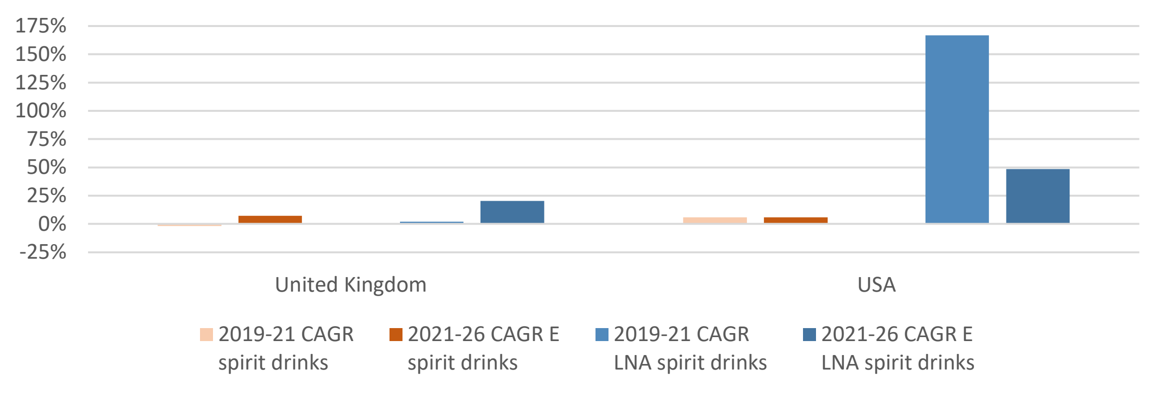
As a final analysis, a brief overview of the evolution of the LNA spirit drinks market and LNA beer market in selected third countries is presented in this section.

Figure 3.14 – LNA spirit drinks market: historical and expected weight over the spirit drinks market in value for selected third countries (2019, 2021, 2026E)



Source: Areté elaboration based on Euromonitor International data and interviews

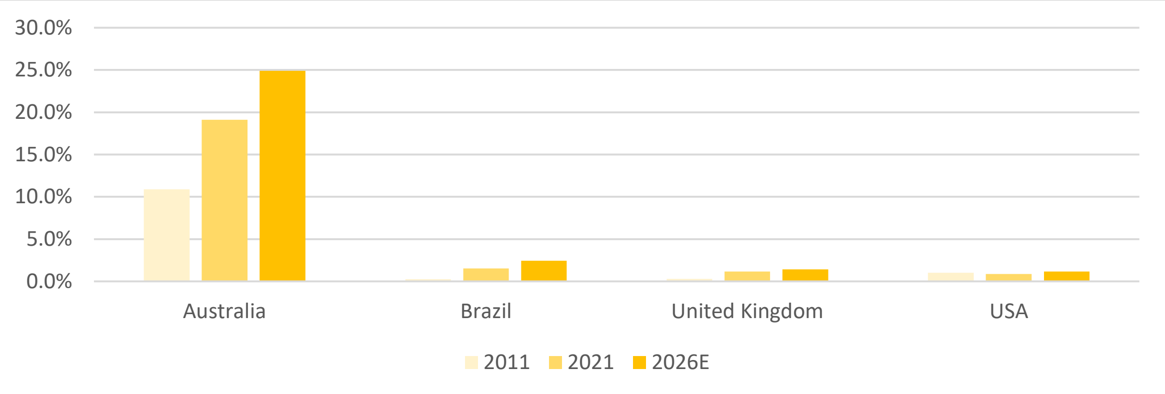
Figure 3.15 – Spirit drinks and LNA spirit drinks market: historical and expected CAGRs in value for selected third countries (2019-2021, 2021-2026E)



Source: Areté elaboration based on Euromonitor International data and interviews

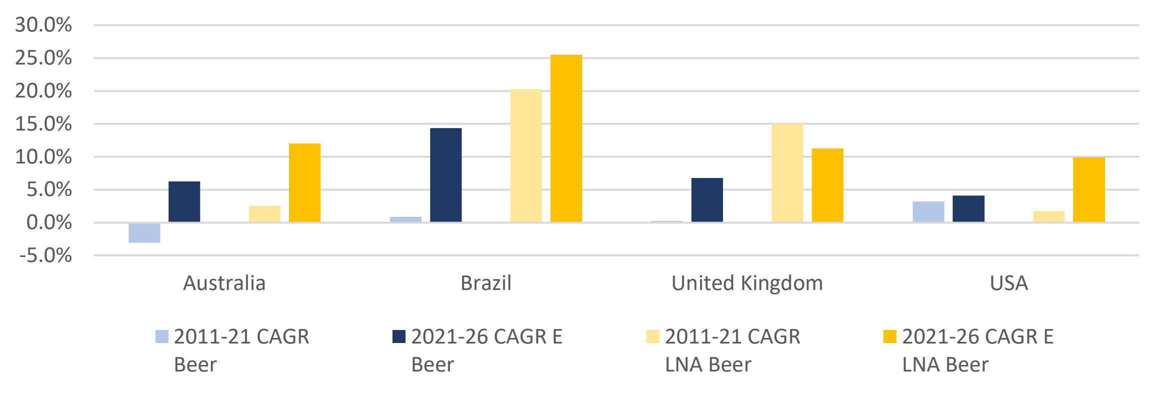
In both the UK and the US, the relative weight of LNA spirit drinks increased over the 2019-21 period, and the forecasts to 2026 point towards an even higher growth of the LNA share. This trend is also visible in the historical and expected CAGRs for the market value in the two countries: the projections for UK indicate a faster growth in the 2021-26 period compared to the 2019-21 one, while those for US are obviously lower than the 150%-plus annual growth rates recorded in the last two years.

Figure 3.16 – LNA beer market: historical and expected weight over the beer market in value for selected third countries (2011, 2021, 2026E)



Source: Areté elaboration based on Euromonitor International data and interviews

Figure 3.17 – Beer and LNA beer market: historical and expected CAGRs in value for selected third countries (2011-2021, 2021-2026E)



Source: Areté elaboration based on Euromonitor International data and interviews

As for the LNA beer market, in all the four third countries considered its weight in value over the total beer market increased over the last ten years (2011-2021), reaching a record value of nearly 20% in Australia. The US is the only third country considered where the LNA beer value grew less than the total beer value in the 2011-2021; however, in all the four countries the expectations for the 2021-26 period indicate a faster growth compared to the one recorded in the past ten years, as well as in comparison with the expected growth for the overall beer market.

3.2.3 Summary

Generally speaking, the LNA beverages market in the EU outperformed in terms of growth the market of alcoholic beverages in the last years. Growth rates in both volume and value are far higher for the different LNA product categories than for products with a normal alcoholic strength; as a result, also the relative weight of those LNA product categories on the overall reference market steadily increased.

While historical growth of spirit drinks recorded a stagnation or even a decrease in the last years, all the available sources reported positive historical growth rates and much higher growth rates for the next years with respect to those forecasted for the alcoholic segment for **LNA spirit drinks**: this applies to both the EU level and to all the major national markets. As for concentration in the sector, in four out of the six major EU national markets the LNA spirit drinks producers apparently consolidated their position in the last years.

The EU market of **LNA aromatised wine products** is by far the smallest among the considered product categories; scarce organised information exists about its development over the years. That said, some industry stakeholders reported that the LNA AWP market is growing fast, and that most of consumers' interest is for vermouth, which is by far the best-known product within the category, especially in its "no alcohol" variants.

For what concerns the **LNA wine market**, some sources report about expected annual growth rates (CAGR) in the coming years of up to 25% in the EU.

The **LNA beer** market is undoubtedly the most mature, with data consistently collected in all the major national markets in the last 10 years. Considering the much larger dimension of the LNA beer market compared to the other product categories, both the historical growth rates and the ones expected for the coming years are generally lower than those of LNA spirit drinks, AWP and wine. By contrast, the weight of LNA beer on the total beer market at EU level moved from 5.2% in 2011 to 8% in 2021 in volume, and from 5% to 7.2% in value, with Member States like Spain and Sweden above or close (Germany) to a 10% share of the total beer market. Despite the maturity of the market, also in this case both the historical growth rates and the expected ones for the next five years outperform those referring to the market of beer with "normal" alcoholic strength, with highest growth recorded in the 2011-2021 period in the Netherlands, Poland and Belgium, and the forecasts for fastest growth to 2026 recorded in Poland, Finland, Belgium and France.

3.3 Q3: How did consumers initially react to these new products?

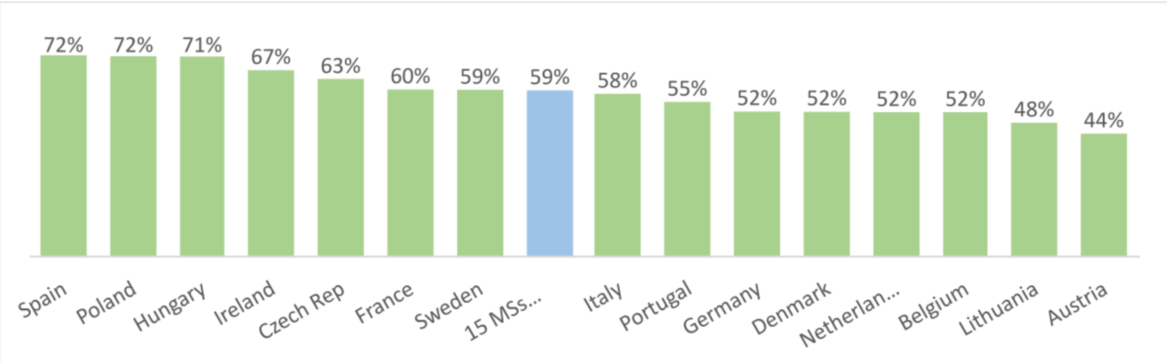
3.3.1 Understanding of the question and definition of key terms

SQ3 is the first one dealing with consumer-related aspects. The key term to define for an appropriate understanding of the question is the concept of **initial reaction by consumers to the appearance of low-no alcohol beverages on the market**. The **main focus of SQ 3** is on the characterisation of the **different determinants of such overall reaction:** personal tastes, attitude towards alcohol consumption, attention to health-related aspects, organoleptic qualities of the products vis-à-vis comparable alcoholic beverages, pricing of the products, image/branding/labelling of the products, etc.

3.3.2 Analysis

Consumers were asked what was their first reaction to LNA beverages, when they saw them on sale. In the 15 EU MSs covered (5 543 respondents), **59% of surveyed consumers reported a generally positive reaction**, with curiosity about such products; **35% indicated a neutral reaction**, and only 6% reported a negative reaction, with scepticism about LNA products. In the figure below, the percentages of positive reactions are reported for each EU MS covered and for the total of 15 MSs.

Figure 3.18 – EU consumers' first reaction to LNA beverages - % of generally positive reactions/curiosity about them



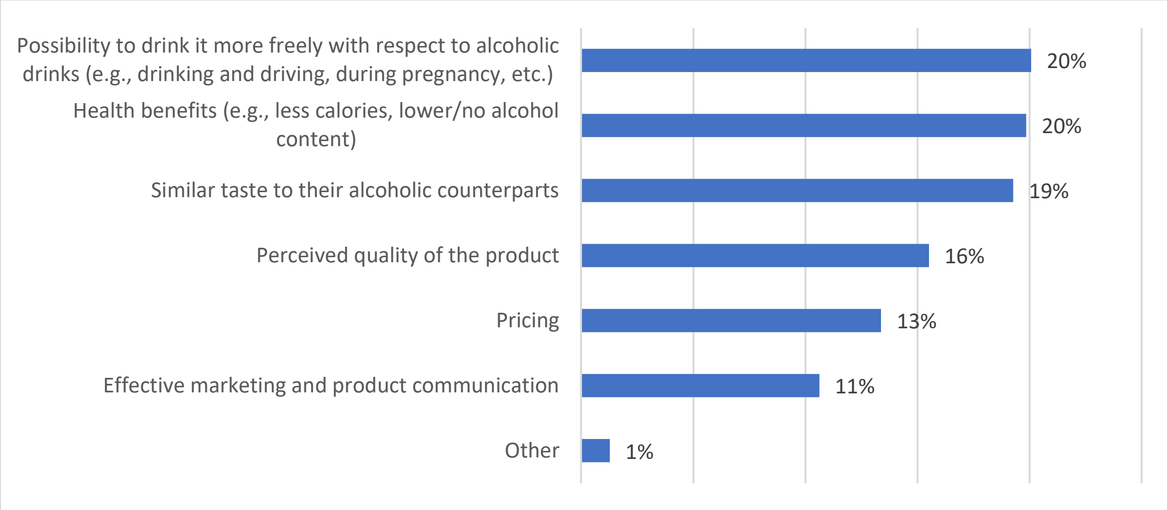
Source: Areté elaboration based on consumer survey's results

The only two surveyed MSs where the percentage of consumers with a positive reaction to LNA beverages falls below 50% are Lithuania and Austria; on the opposite, in five MS (Spain, Poland, Hungary, Ireland and Czech Republic), over 60%-70% of respondents reported a generally positive reaction.

Going more into details, the most important reasons that currently encourage to try LNA products are the possibility to drink them more freely, health benefits and a similar taste to the alcoholic product category of reference.[13] Pricing and marketing result to be less important in promoting at least a first experience with LNA beverages.

[13] In this question and in the following one on the reasons discouraging the consumption of LNA beverages, respondents were asked to provide a ranking of such reasons, the results are consequently shown on the basis of a weighted average (i.e., taking into account which options were selected as more important).

Figure 3.19 – EU consumers' main reasons encouraging to try LNA beverages



Source: Areté elaboration based on consumer survey's results

The above results are pretty much consistent with the elements highlighted by interviewees and collected through case studies: according to the vast majority of industry operators and sector associations, the drivers of consumer demand are health benefits in the first place, but all of them also highlighted the importance for a LNA beverage to ensure a similar taste to its alcoholic counterpart.

Figure 3.20 – EU consumers' main reasons discouraging to try LNA beverages

Source: Areté elaboration based on consumer survey's results

As for the reasons discouraging the consumption of LNA beverages, it clearly emerged – both from the consumer survey results and from interviews – the fact that, especially in relatively new product categories (namely LNA spirit drinks, AWP and wine) sometimes the taste is too different compared to the alcoholic beverages of reference. These elements are very well-known by producers, which in fact heavily invested in the last years to fill the organoleptic quality gaps vis-à-vis the LNA beer market, where such problem is perceived as basically already overcome. The perceived (low) overall quality of LNA products is another element potentially limiting their consumption; as a matter of fact, this element can be considered as strictly interlinked with the previous one, and the R&D activities carried out by producers in these years are basically aimed at ensuring satisfactory overall quality of the products (e.g., in by securing the extraction of alcohol from wine and AWP without losing aromas) and at offering products that emulate very well the alcoholic beverages of reference. Case studies also clarified that limited awareness and availability of LNA beverages in large-scale distribution is indeed another element currently limiting a more rapid growth in demand for these products.

3.3.3 Summary

Generally speaking, the EU consumers' initial attitude towards LNA beverages should be first of all differentiated by product categories; in fact, LNA beer is now a consolidated segment, and it is hence hard to capture initial reactions of consumers to this category, since it was introduced many years ago and it is now fully established in the consumption habits. By contrast, the initial reaction to LNA spirit drinks, AWP and wine – all of them much more recently introduced on the EU market – is apparently rapidly changing: scepticism prevailed a few years ago, especially in certain MSs like France and Italy, whose consumers were very attentive to quality and accustomed to traditional products. These trends, correctly intercepted by producers, led to increased investments in the improvement of the organoleptic quality of products, in increasing the similarity in taste of LNA beverages to their alcoholic counterparts, but also in promoting among consumers an image of quality and reliability of products.

As a result, EU consumers currently state a generally positive attitude towards LNA products in basically all the main national markets in the EU: Spain, Poland and Hungary lead the ranking, with over 70% of survey respondents indicating a positive initial reaction to LNA beverages, when they saw them on sale.

3.4 Q4: What is the overall level of consumers' acceptance of those products at the moment?

3.4.1 Understanding of the question and definition of key terms

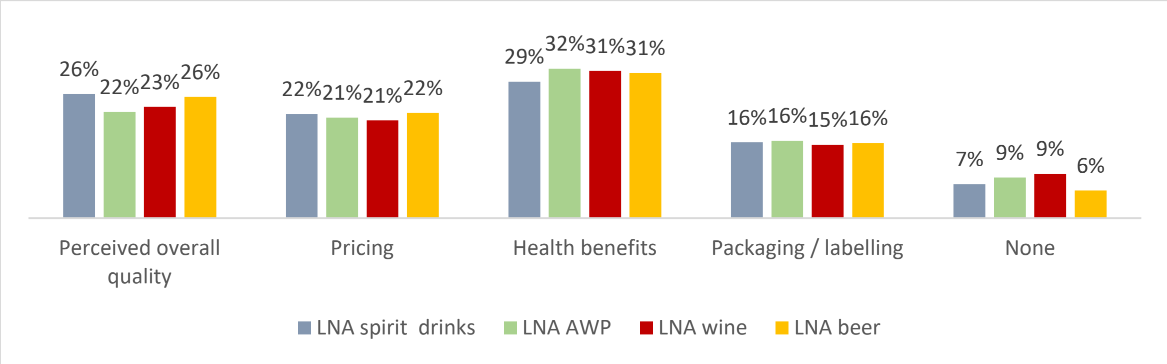
SQ 4 focuses on the level of acceptance of low/no alcohol products by consumers. The key term to define for a correct understanding of the question is the concept of "**consumers' acceptance**", which in the specific study context is intended as "the level of confidence with which the consumers look at the products"; in other words, the general feeling towards low/no alcohol beverages and the reasons why consumers are (not) or will (not) be interested in consuming them.

3.4.2 Analysis

The analysis of the current levels of consumers' acceptance for LNA beverages was designed to ensure a plurality of viewpoints. On the one hand, it is important to rely on what consumers actually reported on this topic, but it is also important, on the other hand, to consider the views of producers of LNA beverages and other stakeholders, since they have an up-to-date feeling of the market, and can provide elements to understand the evolution over time of the consumers' attitude. According to some interviewees, some groups of consumers may still be reluctant to switch to, or at least to try, LNA beverages; however, the overall attitude towards these products seems to be improving, also due to consumption trends linked to a healthier lifestyle. According to these stakeholders, it is reasonable to say that younger generations are increasingly aware of the advantages of a shift towards a reduced alcohol consumption.

Starting from the consumers' views on the most appealing aspects of LNA beverages (Figure 3.21), health benefits associated to these products emerge as the most important element for all the four product categories under analysis: all of them recorded over 25% of replies for this option. Perceived overall quality of the products follows, even though this aspect is more appreciated in LNA spirit drinks and beer rather than in LNA AWP and wine. Pricing is the third-ranked element, even though this should be carefully considered in relative terms, also given the results reported below about the less appealing aspects.

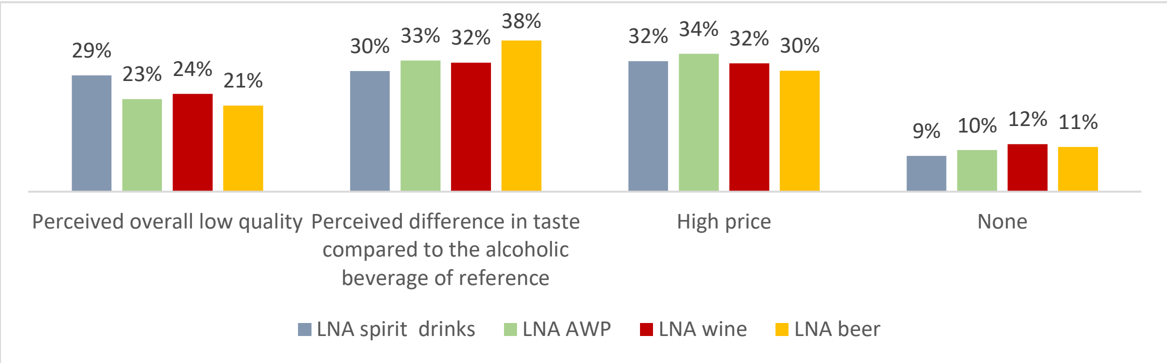
Figure 3.21 – EU consumers: most appealing aspects of LNA beverages



Source: Areté elaboration based on consumer survey's results

The less appealing aspects for EU consumers vary more across the different product categories: surprisingly, LNA beer is the category where the difference in taste with normal beer is seen as more important, while a perceived low quality of products is particularly felt for LNA spirit drinks. As mentioned above, it is not surprising that a high price is generally considered a negative aspect by around 25%-30% of respondents; around 15%-20% of respondents, on the contrary, consider it as an appealing element of LNA beverages (see Figure 3.21 above).

Figure 3.22 – EU consumers: less appealing aspects of LNA beverages



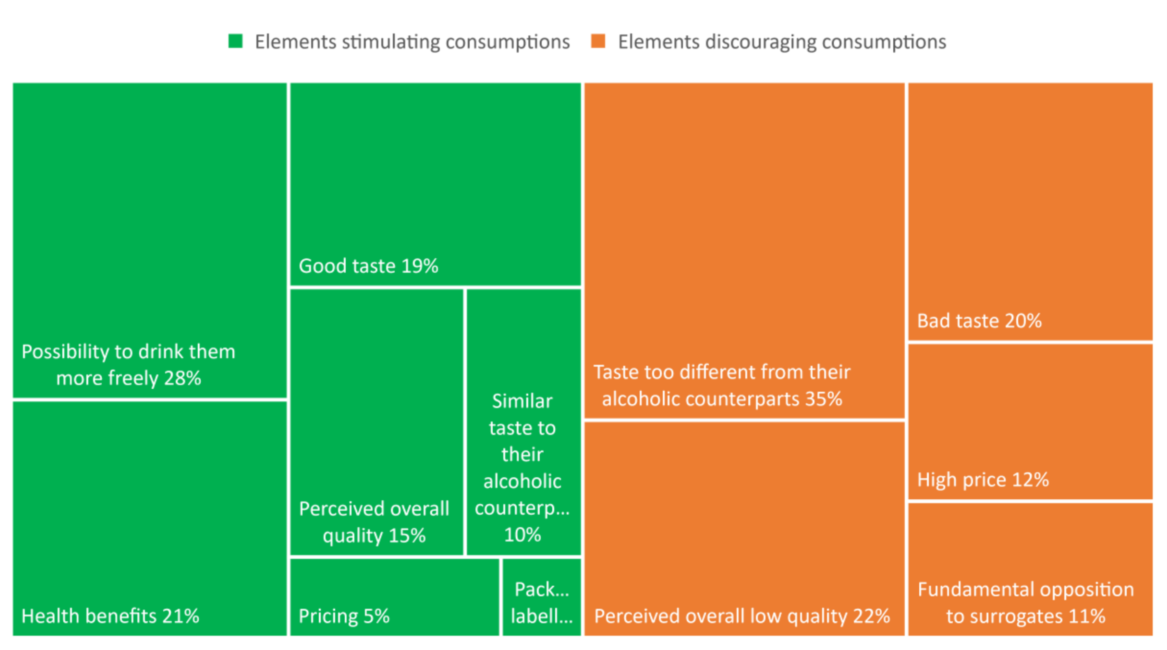
Source: Areté elaboration based on consumer survey's results

The above elements directly provided by EU consumers result to be fairly consistent with the ones indicated by industry operators and sector associations. Figure 3.23 reports the aspects stimulating or discouraging consumption of LNA beverages according to this stakeholder group.

Also in this case, the possibility to drink more freely and health benefits lead the reasons why LNA products are growing in popularity; on the negative side, a taste too different from the alcoholic counterparts and a perceived overall low quality are indicated by business stakeholders as the most important aspects to be closely monitored.

Interviews allowed to investigate whether the evolution of the EU LNA beverages market can be mainly attributed to a "push" approach, i.e., with producers placing products on the market and trying to drive consumers to try them, rather than to a "pull" approach, i.e., producers responding to an existing need or demand among consumers and reacting accordingly. The vast majority of the interviewed stakeholders acknowledge that the two approaches have coexisted: on the one hand, the increasing success of LNA beer has led producers to explore the possibility to extend the offer to other beverages (LNA spirit drinks, AWP and wine), well aware that an initial period of reluctance and lack of trust by consumers had to be expected. On the other hand, the increasing attention to healthier lifestyles, the continuously improving quality of these new LNA products and the consequently general acceptance of more innovative products, led to an increasing demand, not only in terms of quantity, but also in terms of depth of choice and flavourings ("pull" component).

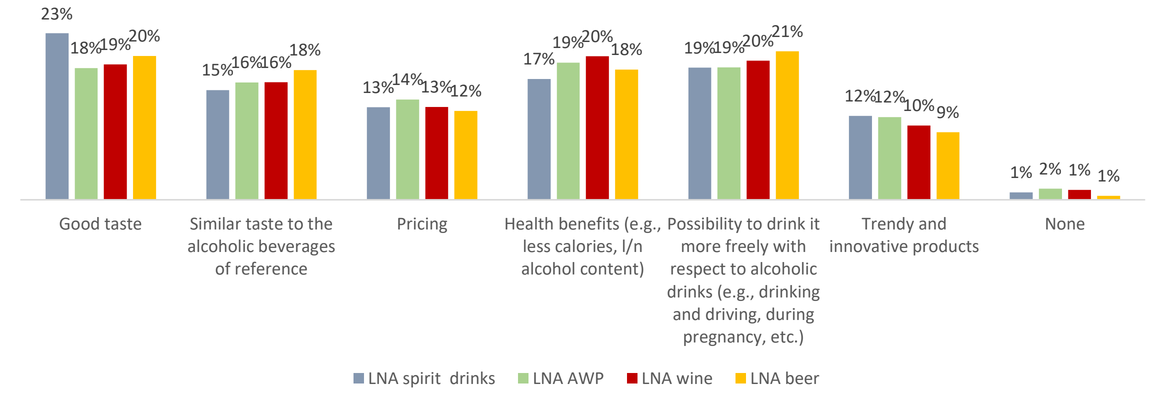
Figure 3.23 – Business stakeholders: elements stimulating and discouraging consumption of LNA beverages



Source: Areté elaboration based on the results of the business stakeholders' survey

Actual consumers of LNA beverages were also asked to indicate the key strengths and weaknesses of the different product categories[14]. The related survey results are reported below.

Figure 3.24 – EU consumers: key strengths of the tried LNA beverages



Source: Areté elaboration based on consumer survey's results

Despite no major differences emerged among the four product categories, it should be highlighted that good taste emerged as the most important factor for LNA spirit drinks among the consumers that actually tried these products. For LNA AWP and LNA wine, health benefits and the possibility to drink more freely emerged, while LNA beer results to be the product for which similarity with the alcoholic category of reference has the highest importance. Generally speaking, convenient pricing is the element less indicated as a key strength for such products, but it is also worth noticing that only 1-2% of surveyed consumers indicated no key strengths of LNA beverages.

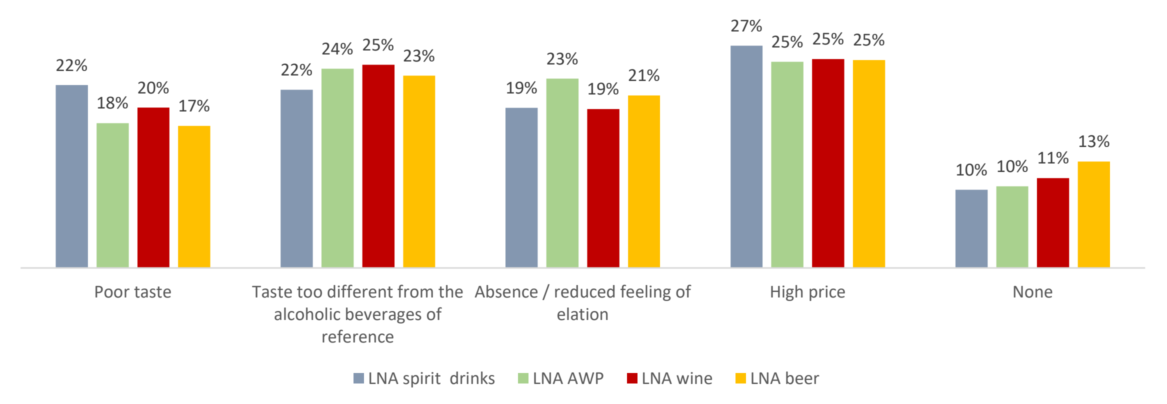
A key industry player reported that current consumers look at LNA products as an alternative to alcoholic beverages, and never compare them to soft drinks in their

[14] Each respondent was asked to judge only the LNA product categories that he/she actually consumed.

consumption habits. As a result, they look for a premium and healthier experience versus soft drinks and hence they expect or are generally willing to pay higher prices.

Moving to the key weaknesses identified by consumers, a high price emerges, especially for LNA spirit drinks; it is counterintuitive that the category of LNA spirit drinks is the one that has relatively less problems in emulating the taste of "classic" spirit drinks, but it is at the same time the category where a poor taste was more indicated by consumers.

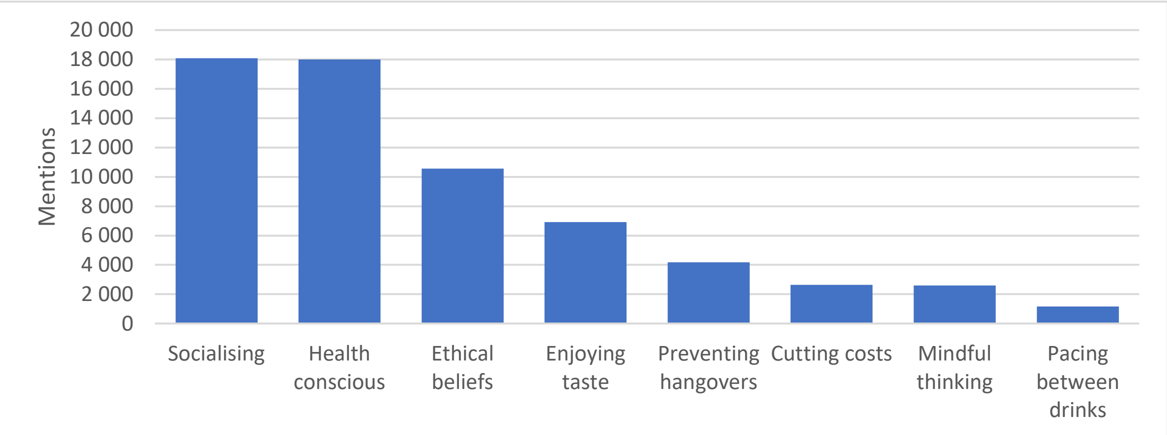
Figure 3.25 – EU consumers: key weaknesses of the tried LNA beverages



Source: Areté elaboration based on consumer survey's results

It is worth mentioning that – differently from what observed in SQ 1 about the actual size of the LNA beverages market – extensive literature and articles exist on the profiling of LNA beverages consumers. Generally speaking, the vast majority of these sources do confirm the elements collected independently for the study through the consumer survey, but it is however interesting to look at some additional elements. Figure 3.26 reports the consumer-related drivers of LNA beverages consumption as investigated by Pulsar.

Figure 3.26 – Consumer drivers behind choosing LNA beverages (mentions across social, news, web and forums)

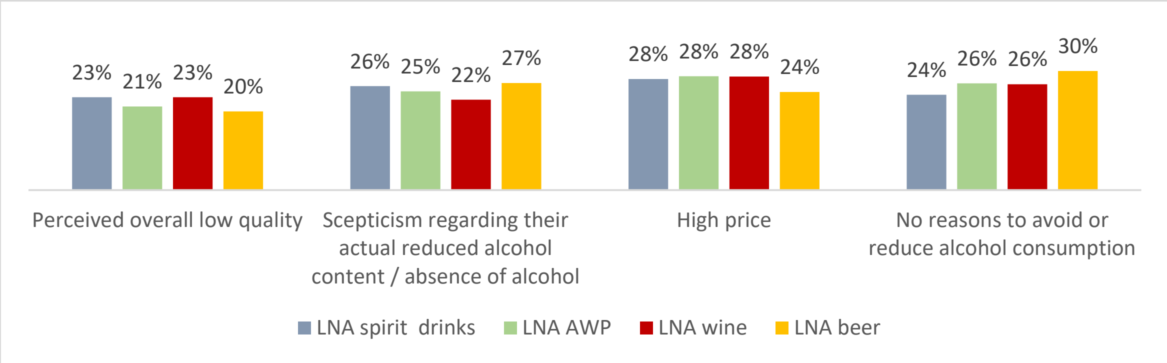


Source: Pulsar TRAC - https://www.pulsarplatform.com/blog/2021/unbottling-the-buzz-around-low-no-alcohol-beverages/

According to the analysis of mentions on social media, news, the internet and forums, socialising and health-conscious reasons lead consumers to choose LNA beverages, followed by ethical beliefs and taste. Such results are indeed confirmed by the elements emerging from case studies: in the majority of the covered EU MSs, it emerged that LNA beverages do represent a way of participating to social gatherings also for people that do not consume alcohol; similarly, religious-related consumption patterns are observed with interest by producers, potentially representing a fast-growing market segment.

The consumer survey also allowed to investigate the reasons behind the decision of not trying certain LNA beverages, by segmenting respondents based on the types of products that they saw on sale, but chose not to try. For LNA spirit drinks, AWP and wine, pricing results as the most discouraging factor, while the non-consumption of LNA beer seems related – more than for other categories – to the lack of necessity to reduce alcohol intake.

Figure 3.27 – EU consumers: reasons preventing from experiencing LNA beverages

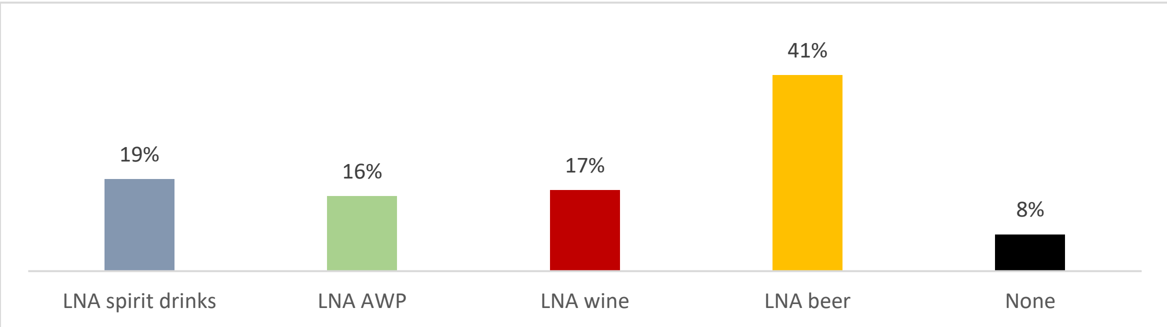


Source: Areté elaboration based on consumer survey's results

EU consumers were also asked to indicate which category of LNA beverages they deem to be the most appealing (Figure 3.28). LNA beer received the relative majority of preferences, mainly because of its much higher popularity and diffusion. LNA spirit drinks followed, with 19% of preferences, while LNA wine and AWP basically were indicated by very similar shares of respondents.

Such results are of course very general, and they simply help in having a broad view on how the different LNA beverages are judged by consumers. It might be more interesting to analyse them in comparison with different metrics.

Figure 3.28 – EU consumers: most appealing LNA beverages

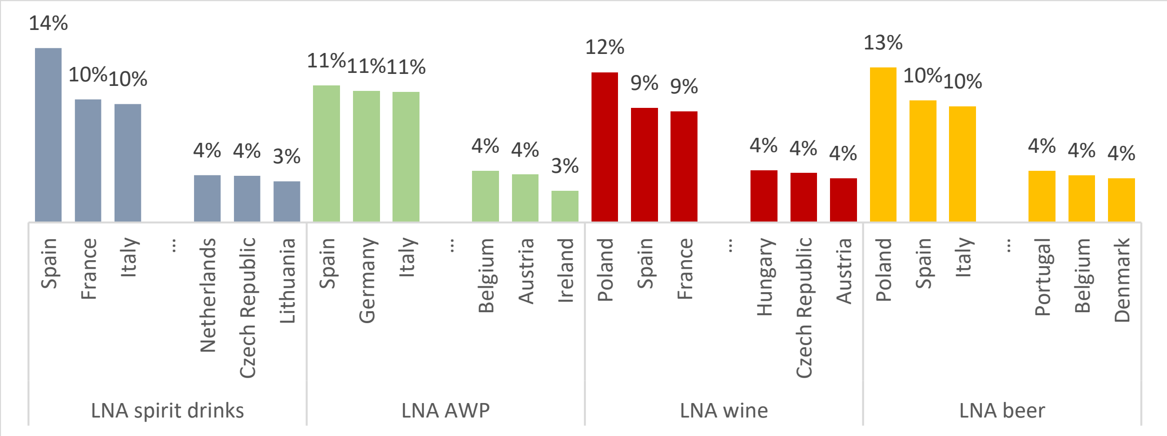


Source: Areté elaboration based on consumer survey's results

A split by EU MS helps to identify the most popular product categories across the EU, with LNA spirit drinks very much appreciated in Spain, France and Italy. As for LNA AWP, Spain, Germany and Italy emerge as the MSs with the highest percentages of preferences (all around 11%), while LNA wine emerges as particularly appealing in Poland, Spain, and France.

While there is a certain recurrence among the MSs mostly appreciating the different LNA product categories (Spain is among the top-3 MSs in all the four categories, Italy in three out of four, Poland and France in two), it is indeed useful also to consider the MSs less appreciating the different types of beverages. LNA spirit drinks record the lowest relative number of preferences in the Netherlands, Czech Republic and Lithuania, while LNA AWPs seem not to be very popular in Belgium, Austria and Ireland.

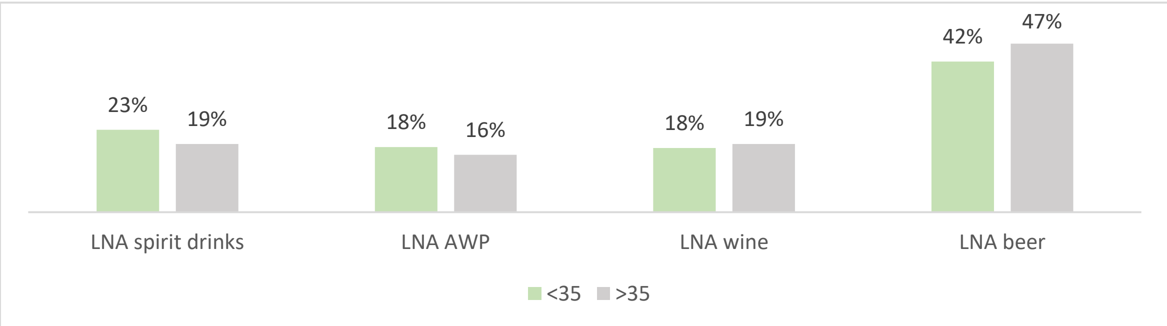
Figure 3.29 – EU consumers: most appealing LNA beverages, breakdown by MS



Source: Areté elaboration based on consumer survey's results

A further analysis is the cross-comparison between preferred product categories and age classes (Figure 3.30). Younger consumers (<35) result more interested in LNA spirit drinks and AWP, while older ones (>35) clearly indicated a strong preference for LNA beer. Such results seem to confirm that younger consumers are more willing to try less-established product categories, contributing to the increasing success of the LNA spirit drinks segment and the willingness of operators to further develop the LNA AWP segment. By contrast, older consumers do rely on LNA beer that is now established and accepted in all the main EU markets: it is easily available and has basically progressed beyond the vast majority of doubts about its quality and taste.

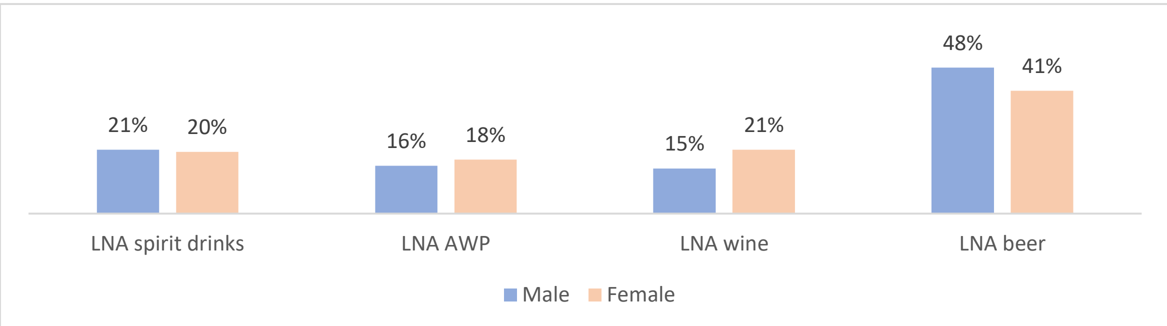
Figure 3.30 – EU consumers: most appealing LNA beverages, breakdown by age class



Source: Areté elaboration based on consumer survey's results

A breakdown of preferences by gender is provided in Figure 3.31. While there are no visible differences for what concerns LNA spirit drinks and AWP, female respondents result much more interested in LNA wine, while male ones clearly prefer LNA beer.

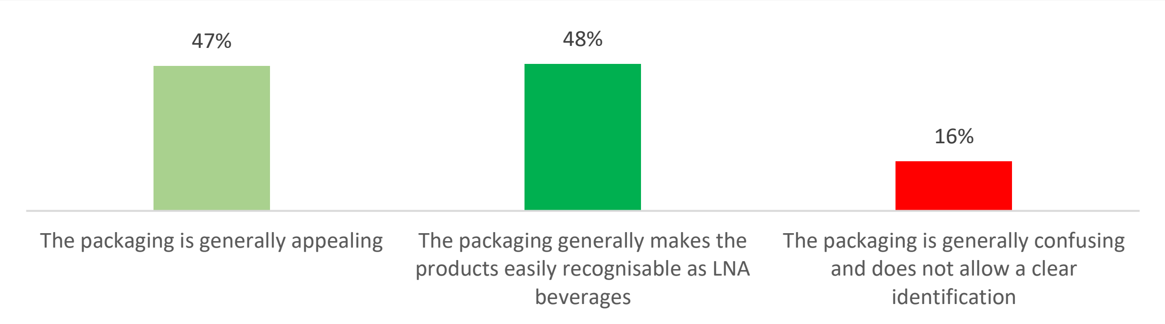
Figure 3.31 – EU consumers: most appealing LNA beverages, breakdown by gender



Source: Areté elaboration based on consumer survey's results

The analysis on the level of consumers' acceptance of LNA products also investigates the role of packaging in driving consumers' choice. Figure 3.32 reports the survey results on this topic.

Figure 3.32 – Consumers' view on the packaging of LNA beverages

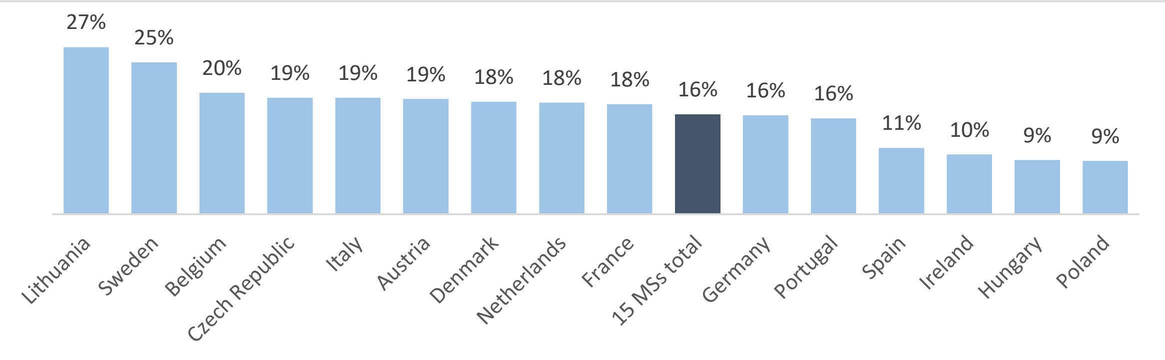


Source: Areté elaboration based on consumer survey's results
Respondents could select both the first two categories, for this reason the percentages do not sum up to 100%

Nearly half of respondents indicated that the packaging of LNA beverages allows a clear recognition of the product as a LNA one, while 16% indicated that the packaging is generally confusing, and creates problems in distinguishing the product from the ones with a normal alcoholic strength. This last piece of information is particularly useful in the context of the study: <u>a more detailed analysis on the understanding of **labels** is provided in SQ 17</u>.

Figure 3.33 provides a ranking of the 15 surveyed MSs, from the one with the highest incidence of consumers reporting problems with the packaging of LNA beverages (i.e., not allowing a clear identification as a LNA product) to the one with the lowest.

Figure 3.33 – % of EU consumers reporting that packaging is generally confusing and does not allow a clear identification, by MS



Source: Areté elaboration based on consumer survey's results

The main problems result to be experienced in Lithuania and Sweden, both with over one/fourth of respondents complaining about the clarity of packaging. Generally speaking, all the biggest EU national markets in terms of size except Sweden (see SQ 1 at § 3.1) report relatively low shares of consumers concerned by this aspect (Spain at 11%; Germany at 16%, i.e., in line with the EU average; France and the Netherlands at 18%; Poland at 9%); however, this element should be taken into account in the discussion about information to consumers.

3.4.3 Summary

The level of consumers' acceptance of LNA beverages is influenced by many factors and can hence be measured or analysed from multiple standpoints. Generally speaking, the general reluctance towards LNA beverages other than beer that existed until a few years ago is rapidly evolving into curiosity and willingness to try relatively new categories, namely LNA spirit drinks, AWP and wine. This is much more valid for younger consumers, whose attention towards healthier lifestyles is higher and who are generally more inclined to try new products and less bound to tradition. Together with health-related benefits, product quality is indeed the most important aspect influencing consumers' choices, and also the main focus of producers' investments and research. It is common understanding that managing and meeting consumers' expectations in terms of taste and quality is essential for the growth of the LNA beverages market; as a result, the overall quality is quickly improving, since the presence of non-satisfactory products could represent a threat to the market as a whole. In terms of quality, some sub-categories of alcoholic beverages emerged – in the views of some industry stakeholders – as particularly suitable to be replicated in a LNA declination. For LNA spirit drinks, such products are represented by gin-emulating ones, for LNA AWP by vermouth-emulating ones, and for LNA wine by LNA sparkling white wine.

As for consumers' preferences for the different categories of LNA beverages, LNA beer is still the most appealing product, LNA spirit drinks follow as second, while LNA wine and LNA AWP have today a very similar success among EU consumers. It is worth mentioning that important differences exist not only among Member States, but also according to age class (with younger consumers preferring LNA spirit drinks and AWP, and older ones preferring LNA beer) and gender, with women particularly appealed by LNA wine, and less by LNA beer.

3.5 Q5: What are the consumption patterns for those products? (More at home or outdoors? What is the likelihood of consumers drinking those products in public places/parties?).

3.5.1 Understanding of the question and definition of key terms

The question focuses on the characterisation of the consumption patterns for LNA products. The definition and scope of the key term "**consumption patterns**" is hence needed; in this context, two complementary definitions of "consumption patterns" have been considered:

i. a "strict" definition, only considering sales channels and places/occasions of consumption, as suggested by the sub-questions in the wording of SQ 5 (*More at home or outdoors? What is the likelihood of consumers drinking those products in public places/parties?*);
ii. a broader definition, also including additional elements that are useful in describing consumption habits, i.e., time and frequency of consumption, willingness to pay and brand loyalty.

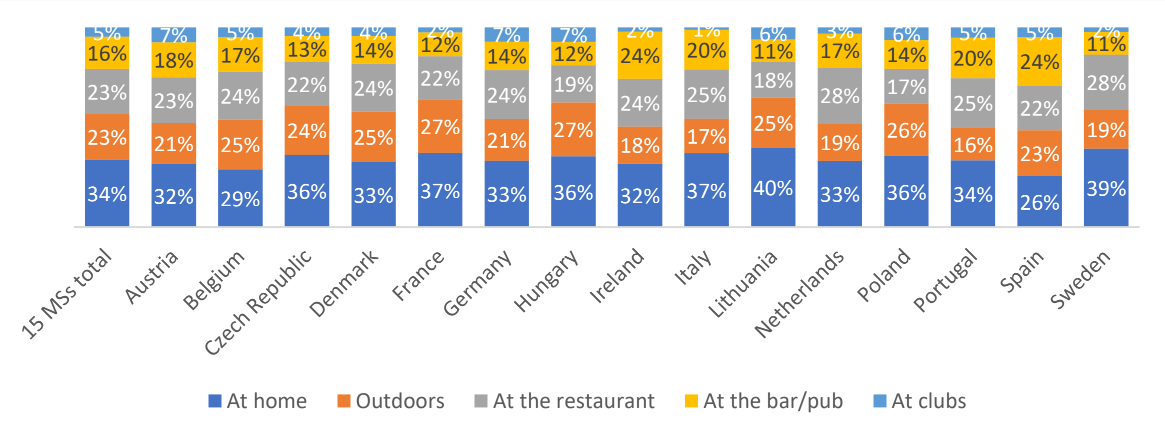
The broader definition allows for a more complete overall analysis of consumption habits, and is hence adopted as the reference one; this notwithstanding, specific attention is also paid to answering the aforementioned sub-questions.

3.5.2 Analysis

As a starting point for the analysis, around one third (34%) of EU respondents indicated that they usually consume LNA beverages at home; such share increases to around 40% in Sweden and Lithuania, while it is lower in Spain (26% only) and Belgium (29%).

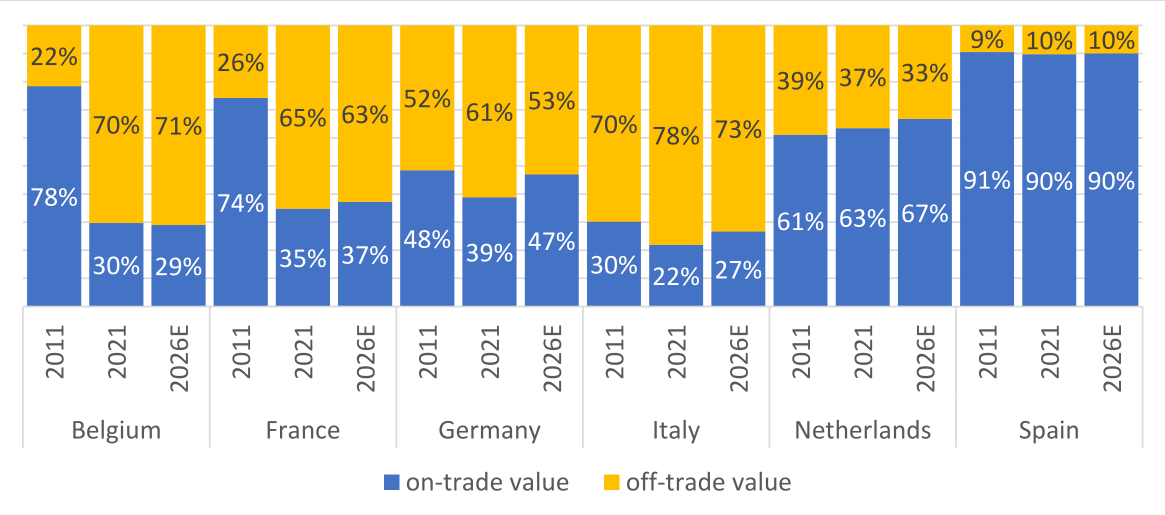
Consumption outdoors – 23% of total in the EU sample – is slightly higher in France and Hungary, while in Portugal and Italy it is well below the average. LNA beverages are relatively much more consumed in restaurants in Sweden and in the Netherlands, while consumption at bars and pubs is remarkably higher in Ireland and Spain.

Figure 3.34 – LNA beverages: places of usual consumption



Source: Areté elaboration based on consumer survey's results

Figure 3.35 – On-trade and off-trade value of LNA beer in selected EU MSs (2011-2021-2026E)



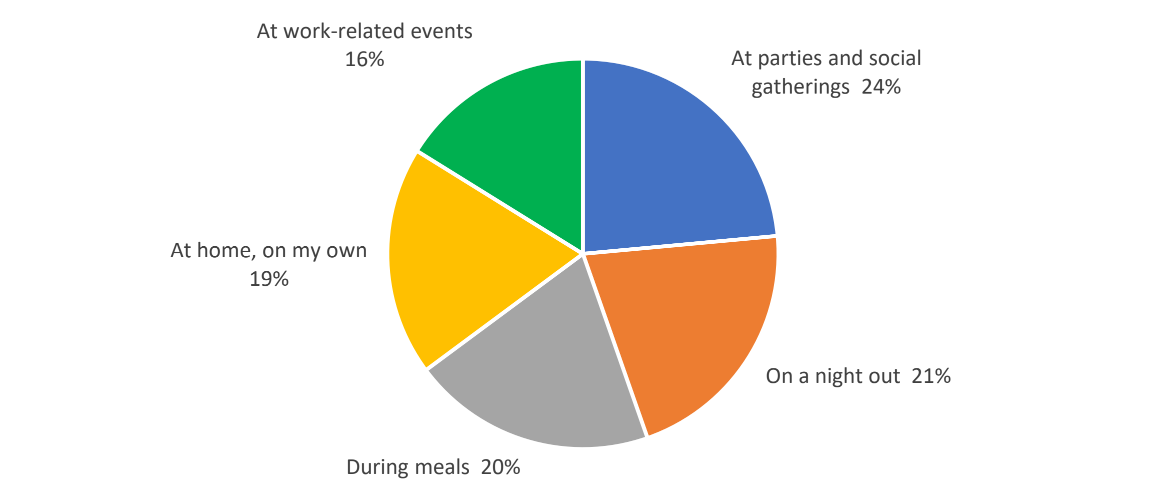
Source: Areté elaboration based on Euromonitor International data

Consumption patterns of LNA beverages and their evolution over time can also be understood through an analysis of off-trade versus on-trade values of the main EU national markets. The relative weight of the value marketed off-trade for LNA beer generally increased in the 2011-2021 period; only in the Netherlands and in Spain it remained basically the same over the last ten years. This can be interpreted as a natural development of the market, where consumers originally trying new products in bars and restaurants, more and more get used to purchase them for home consumption. Of course, the impact of the Covid-19 pandemic should also be taken into account in the 2011-2021 comparison, with the ho.re.ca. channels heavily impacted by lockdowns in all the analysed EU MSs.

Data on LNA spirit drinks do not allow a similar elaboration, but quantitative and qualitative elements point out great differences among EU Member States: while in countries like Italy and Spain the relative weight of the on-trade channel is very high, confirming that new products are basically promoted and "pushed" through cocktail bars, in other countries like France and Belgium the relative weight of the off-trade channel is indeed prevalent. In such MSs the development of private labels offering LNA spirit drinks can be one of the main factors behind this difference.

On the same aspect, it should be mentioned that all the major interviewed producers of LNA spirit drinks, some of them representing market leaders in this sector, explained that cocktail bars do represent the typical gateway to promote new products among consumers, also because it is crucial for LNA spirit drinks to be presented in the right way and to be mixed with the right other ingredients to perform at best. This is an element clearly consistent with the estimated strength of the on-sale channel in Italy and Spain, while it is in contrast with what is reported in France and Belgium. The case study on the Spanish market, in particular, clarified that outdoor consumption (in bars and restaurants) is inherent to the Spanish culture; LNA beer is often accompanied by food and served cold, which contributes to a positive consumer attitude towards LNA beer as a direct substitute for beer.

Figure 3.36 – LNA beverages: main occasions of consumption

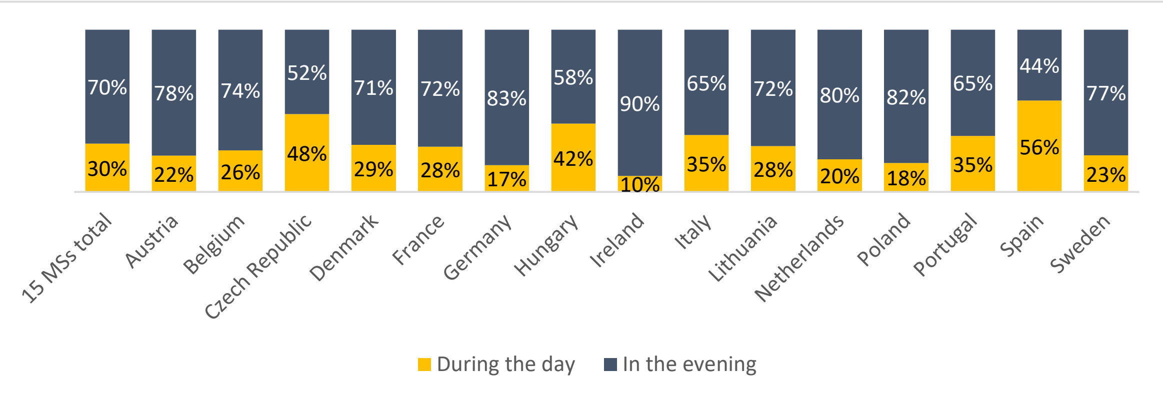


Source: Areté elaboration based on consumer survey's results

Consumption at parties and social gatherings leads the ranking of occasions of consumption of LNA beverages, followed by nights out. However, no major difference emerged among the different options: on the contrary, it seems that all the five considered occasions could be relevant in view of market development.

Results concerning time of consumption show that, on average, 70% of surveyed consumers usually drink LNA beverages in the evening. The differences between MSs are significant, with Spanish, Czech and Hungarian consumers being much more used to consume LNA beverages during the day, while consumption in Ireland, Germany and Poland is much more unbalanced towards evening hours.

Figure 3.37 – LNA beverages: time of consumption



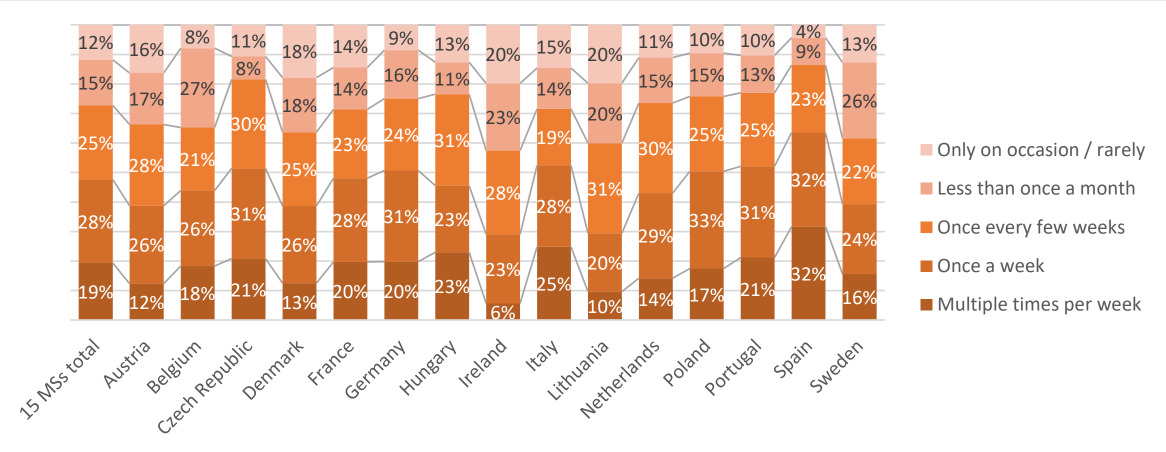
Source: Areté elaboration based on consumer survey's results

As for the frequency of consumption (Figure 3.38), more than half of respondents reported to consume LNA beverages once a week or once every few weeks, while 19% usually drink multiple times per week.

The analysis of the replies by MSs shows also in these case profound differences: Spain, Portugal and Italy are the MSs with the highest frequency (64%, 52% and 52% of consumption at least once a week, respectively), whereas Ireland, Lithuania and Sweden are the ones with the lowest frequency (43%, 40% and 39% of consumption less than once a month or only rarely, respectively).

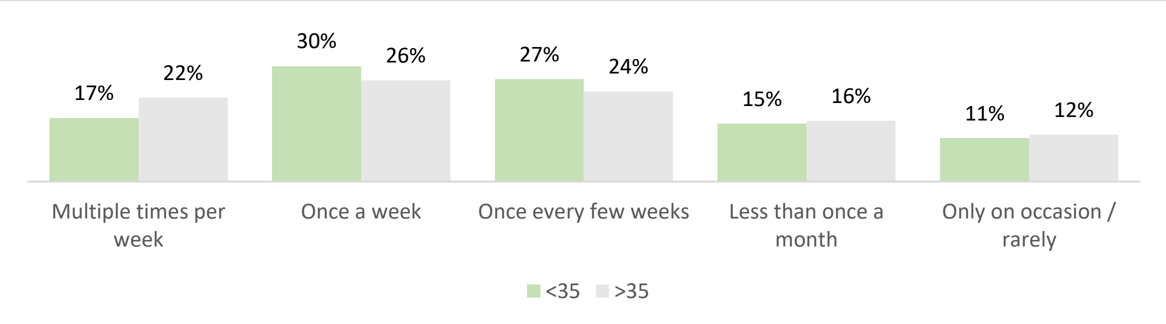
Frequency of consumption by age class (Figure 3.39) shows that over 35 respondents drink generally more frequently than younger ones (22% vs. 17% of consumption more than once a week); under 35 respondents mainly consume LNA beverages once a week or at least multiple times a month.

Figure 3.38 – LNA beverages: frequency of consumption



Source: Areté elaboration based on consumer survey's results

Figure 3.39 – LNA beverages: frequency of consumption by age class



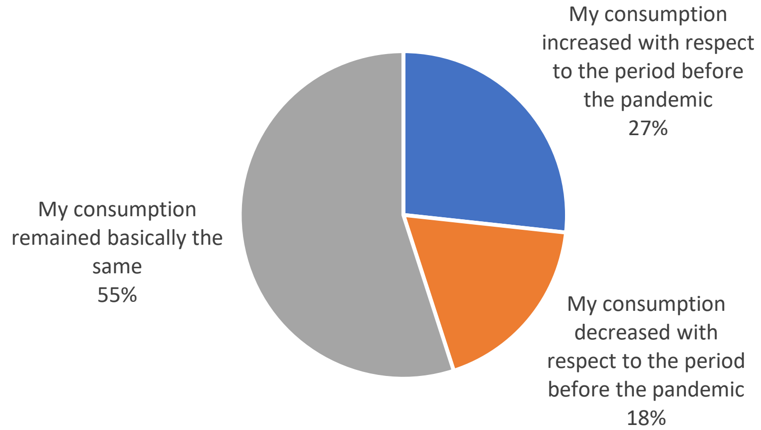
Source: Areté elaboration based on consumer survey's results

Additional elements helping to profile the current consumers of LNA beverages were provided by case studies, where two categories emerged as increasingly important: athletes, more and more willing to consume LNA beer after training in place of soft drinks, and consumers that do not consume alcohol for religious reasons.

It should be also noted that increasing consumption of LNA beverages is also strictly related to national campaigns promoted by governments against alcohol abuse, like the Dry January and other initiatives taking place at national level (e.g., *Aktionswoche Alkohol* in Germany, *Dranquilo* in the Netherlands).

More than half of respondents declared that their consumption habits did not change over the Covid-19 pandemic; out of the remaining 45%, 27% indicated an increase in the consumption of LNA beverages, and the remaining 18% a decrease.

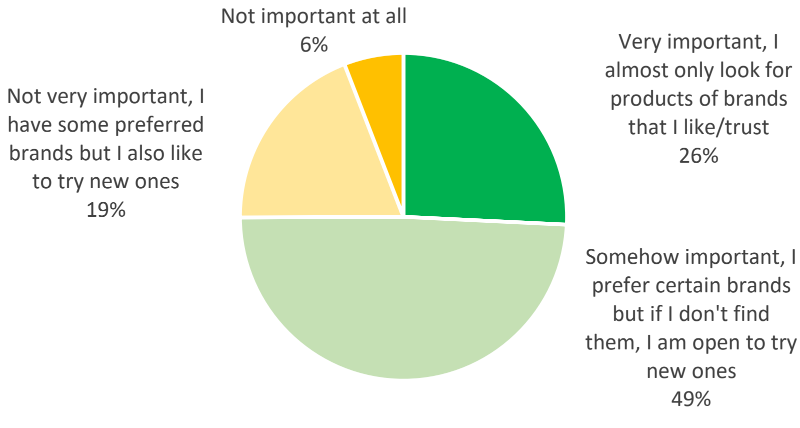
Figure 3.40 – LNA beverages: consumption during the Covid-19 pandemic



Source: Areté elaboration based on consumer survey's results

As a final element in the analysis of consumption patterns, an investigation was carried out on the importance of the brand in the choice of LNA beverages. Consistently with the trends in the alcoholic beverages market, also for the LNA beverages sector the importance of the brand seems high for the vast majority of EU consumers: more than one fourth of the surveyed ones reported that brand is very important in their purchasing habits, and that they almost only look for specific brands that they trust. Nearly half of respondents, however, recognised a certain importance of the brand, even though they are more open to try new ones in case they do not find their favourite one.

Figure 3.41 – Importance of the brand in the choice of LNA beverages

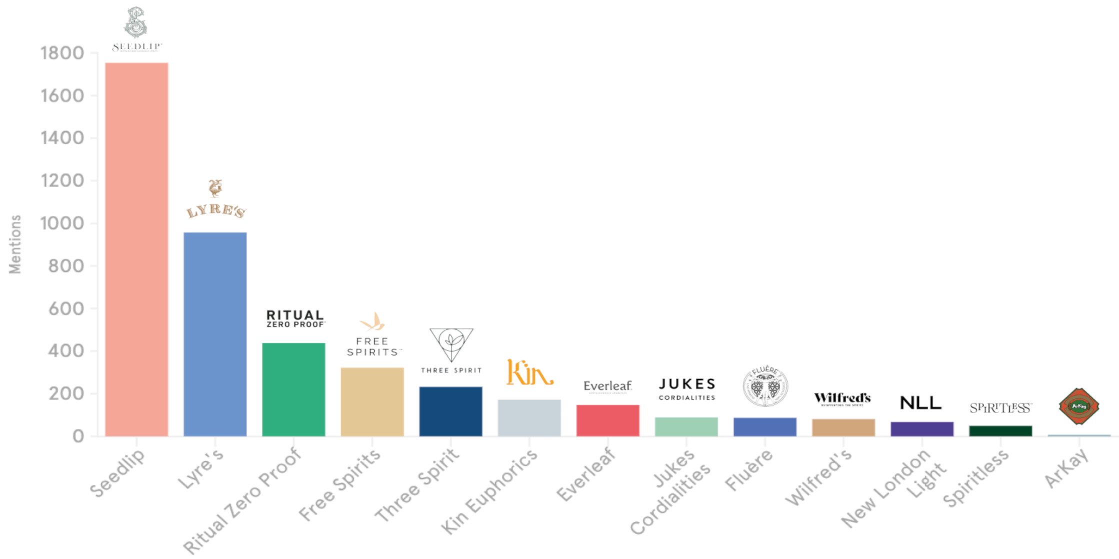


Source: Areté elaboration based on consumer survey's results

An interesting article of 2021 by Pulsar elaborated a ranking of the most mentioned brands across social media, news, the internet and forums in the LNA spirit drinks sector.

Seedlip, a first-mover in the sector, acquired by multinational group Diageo in 2019, leads the ranking, with almost twice as many mentions of Australian Lyre's. Ritual Zero Proof – a US company – ranks third. It must be underlined that the brands actually operating as market leaders in the EU might differ, at least in general, from the above ranking. According to the collected elements, ***Pacific, Seedlip, Mister Cocktail, Gordon's, GinSin, Siegfried Wonderleaf and Lyre's*** can be considered as the most important brands in the LNA spirit drinks sector in the EU.

Figure 3.42 – Most mentioned LNA spirit drinks brands (Jun 14 – Nov 9 2021)



Source: Pulsar TRAC - https://www.pulsarplatform.com/blog/2021/unbottling-the-buzz-around-low-no-alcohol-beverages/

3.5.3 Summary

Consumption patterns for LNA beverages can be analysed under multiple standpoints and, generally speaking, greatly differ from one EU MS to another.

Around one third of the surveyed EU consumers indicated that they usually drink LNA beverages at home; such share increases to around 40% in Sweden and Lithuania, and is much lower in Spain and Belgium. Consumption outdoors – 23% of total in the EU sample – is slightly higher in France and Hungary, while consumption in restaurants is high in Sweden and in the Netherlands, and consumption at bars and pubs is remarkably high in Ireland and Spain.

The sales of LNA beer generally shifted from the on-trade channel to the off-trade one in the last 10 years, confirming that once a product becomes more and more established, its presence in large-scale distribution increases. The situation is slightly different for LNA spirit drinks: in Italy and Spain the above trend seems somehow confirmed, even though on a much shorter timespan (2019-2021) and surely also impacted by Covid-19 and related lockdowns; in other EU MSs like France and Belgium, the presence of private labels for LNA spirit drinks results in a much higher share of off-trade over the on-trade channel. This is at least in part in contrast with what reported by all major interviewed producers, i.e., that cocktail bars do represent the typical gateway to promote new products among consumers, also because it is crucial for LNA spirit drinks to be presented in the right way and to be mixed with the right other ingredients to perform at best.

Around 70% of the surveyed consumers usually drink LNA beverages in the evening, even though Spanish, Czech and Hungarian consumers are much more used to consume LNA beverages during the day.

As for the frequency of consumption, more than half of respondents reported to consume LNA beverages once a week or once every few weeks, while 19% usually drink multiple times per week. Also in this case significant differences exist among MSs: Spain, Portugal and Italy are the MSs with the highest frequency of consumption, while Ireland, Lithuania and Sweden are the ones with the lowest one.

As for brand loyalty, this emerged as being very important in the LNA beverages market, consistently with what happens in its alcoholic counterpart: more than one fourth of surveyed consumers reported that brand is very important in their purchasing habits, and that they almost only look for specific brands that they trust. Nearly half of survey respondents recognised a certain importance of the brand, even though they are more open to try new ones in case they don't find their favourite one.

Overall, the analysis revealed consumption patterns that are quite different from one MS to another, depending on cultural differences, development of the market for the different product categories, but also on the age of consumers and on the popularity of brands (i.e., only premium brands vs. their coexistence with private labels).

3.6 Q6: What are consumers' expectations for the future? Are there elements leading to believe that the demand of such products will increase from now on?

3.6.1 Understanding of the question and definition of key terms

The two sub-questions within SQ 6 require to approach the reply from two (related, but partially different) standpoints: on the one hand, consumers' expectations, and on the other hand, future market demand. For this reason, SQ 6 partially builds on the findings of SQs 3 and 4 for what concerns consumers' expectations, but is also strictly related to SQ 2 for what concerns future market trends.

The two sub-questions hence allow to investigate and analyse:

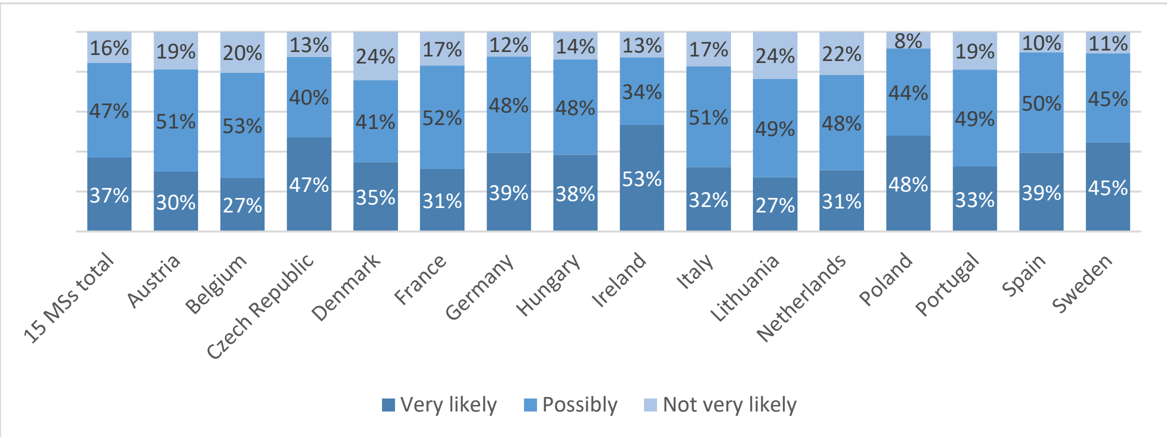
a. Consumers' expectations for the future, by focusing on more qualitative aspects and an analysis of primary data collected from stakeholders;
b. Future market demand, using a combined approach of both quantitative (market data) and qualitative inputs, also relying on the elements already provided in SQ 2, wherever opportune.

3.6.2 Analysis

Surveyed consumers who are aware of the existence of LNA beverages (i.e., who saw them on sale) but never consumed them, were asked how probably they would try such products in the future. Over one third of total respondents (37%) stated that this is very likely, while only 16% consider this possibility not very likely.

As already observed in other sections, also in this case the distribution of replies greatly differs from one MS to another, with Irish, Polish and Czech consumers emerging as those more willing to try LNA beverages, while Belgian and Lithuanian consumers appear to be the less inclined to do so (lowest shares of consumers indicating as "very likely" the chances to try LNA beverages). In other MSs the situation is quite polarised: e.g., Danish and Dutch consumers are somehow split in two groups, those who are definitely willing to approach this new market, and those who are much more reluctant.

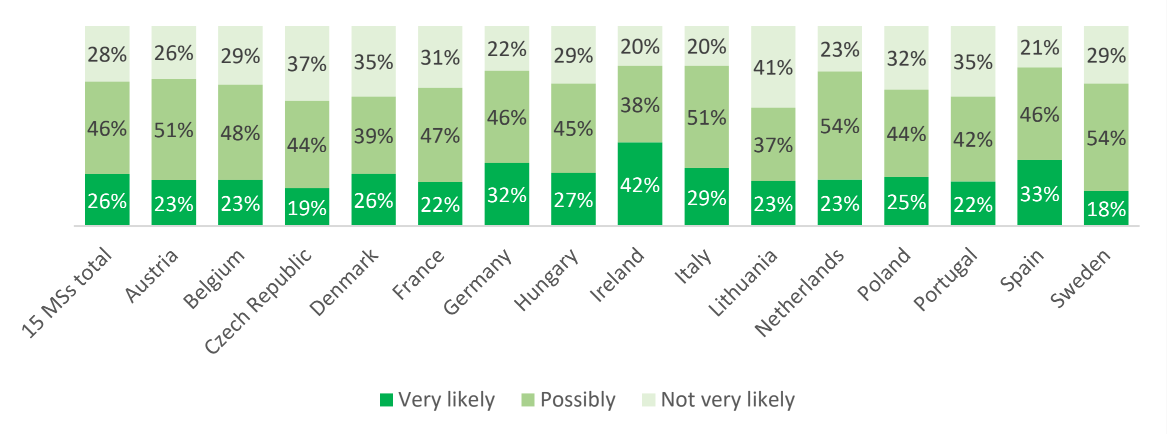
Figure 3.43 – Likeliness of future try of LNA beverages (for current non-consumers)



Source: Areté elaboration based on consumer survey's results

The previous elements need also to be read in connection with the intention of current consumers of LNA beverages to increase their consumption in the next few years. Starting from the aggregated survey results in the 15 MSs, one fourth of the respondents declared that such possibility is very likely, while 28% reported that this is not probable. Consistently with what observed in the replies to the previous survey question, Ireland is the country where an increase in the consumption by current consumers is most probable, followed by Spain and Germany. On the opposite, surveyed consumers from Czech Republic, Lithuania and Sweden stated that an increase in their current consumption is not very likely.

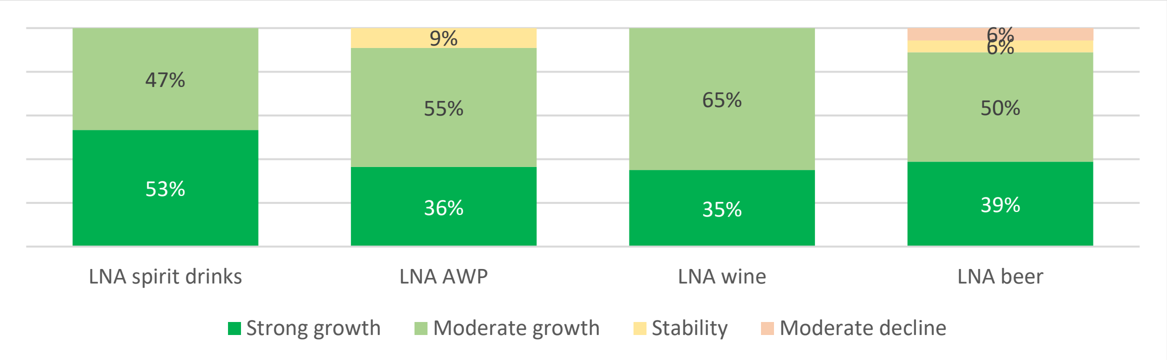
Figure 3.44 – Likeliness of future increase in the consumption of LNA beverages (for current consumers)



Source: Areté elaboration based on consumer survey's results

The intentions of EU consumers need to be analysed in combination with the expectations of business stakeholders regarding the evolution on the LNA beverages market in the next years. LNA spirit drinks are the product category where most of the sector's expectations are focused, with more than half of the surveyed business stakeholders expecting a strong growth in sales, and the remaining ones anyway envisaging a moderate growth. The expected evolution of LNA wine and AWP is somehow similar, even though a 9% share of respondents do forecast a stability in the sales of LNA AWP. The LNA beer sector is ranked second in terms of share of respondents expecting a further strong growth, even though 6% of respondents also indicated expectations for a stability of sales and a further 6% even expect a moderate decline in the market values.

Figure 3.45 – Expected evolution of sales in value for LNA beverages



Source: Areté elaboration based on the results of the business stakeholders' survey

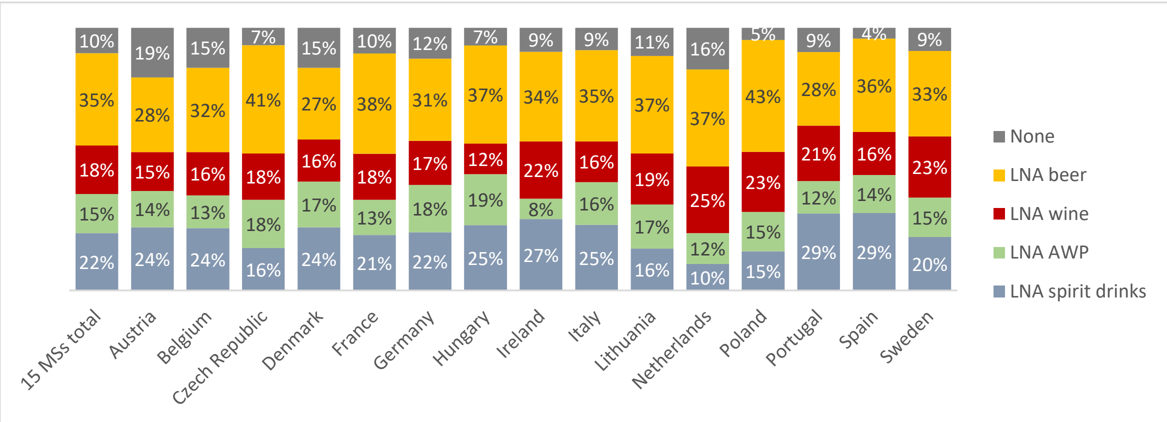
Apart from the above results of the business stakeholders' survey, it should be noted that many interviewees showed mixed feelings about the possible evolution of the LNA beverages market. On the one hand, there is the recognition of the already recorded growth and the importance of not losing opportunities related to a possible (or probable) further increase in the demand of these products. On the other hand, different companies and sector associations also reported a certain prudence in betting too much on the continuous growth of the market; in this respect the example of gin was provided as a long-term trend that deeply impacted the alcoholic beverages sector in the last 10 years. The sector is basically waiting for "the next big thing": LNA beverages might represent it or not, depending on too many factors to develop certain projections. The example of hard seltzers was made in the course of interviews: a product category that a few years ago was supposed to "revolutionise" the market, but whose actual growth resulted to be well below the initial expectations (see also the overview of the key elements of the LNA beverages market as identified by Euromonitor in the continuation of this section). Nevertheless, multiple sources agree that the LNA beverages market will continue to grow in the next coming years: IWSR reporting in the *No and Low Alcohol Strategic Study 2021* a growth over the 2019-20 of 32.7% of the LNA spirt drinks, with an expected CAGR until 2014 of 14% (Eads, 2021).

It is not surprising that the product category where most of the surveyed consumers would like to see more products in the future is LNA beer (Figure 3.46). Being the most established and common product, it is understandable that the highest shares of respondents focus their attention on LNA beer. Moving to the other categories, LNA spirit drinks lead the ranking of the less established products, with 22% of preferences, followed by LNA wine (18%) and AWP (15%). 10% of respondents in the 15 surveyed MSs indicated that they would not be interested in seeing new products in any of the four main product categories.

Expectations about new launches of LNA spirit drinks result to be particularly high in Spain, Portugal and Ireland, while in the Netherlands, Poland, Czech Republic and Lithuania relatively few consumers seem to be waiting for new products in this category.

Differences among MSs for LNA AWP do not seem very significant, ranging from a maximum of 19% of consumers in Hungary to a minimum of 12% in the Netherlands; on the contrary, new products in the LNA wine category are highly interesting for Dutch consumers (25%, highest share among the different MSs), as well as Polish and Swedish ones, while surveyed consumers in Hungary and Austria do not seem to be very interested in new LNA wine products.

Figure 3.46 – Product categories where the surveyed consumers would like to see more LNA products launched in the future



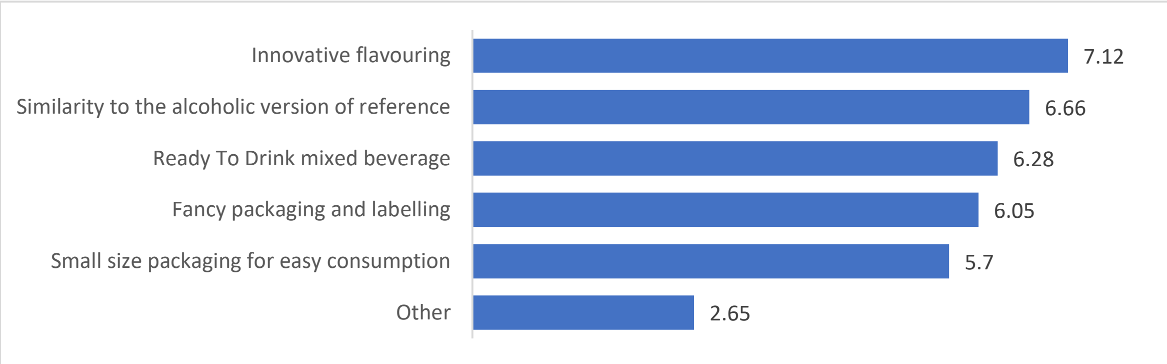
Source: Areté elaboration based on consumer survey's results

The differences between MSs constitute only one analytical dimension: results by age group show that new products in the LNA spirit drinks are relatively more interesting for younger consumers (<35 age, 24% of preferences) than for older ones (>35%; 20% of preferences); this is also true for LNA AWP, while expectations for LNA wine and beer are basically the same among the two age classes. However, 13% of over 35 respondents do not look forward to new products in any category, while this share falls down to 6% only for the under 35.

Interesting differences also emerge from the analysis by gender: while LNA spirit drinks collect basically the same interest among male and female respondents, women do indicate a higher interest than men for new products in LNA AWP and especially LNA wine (+3% and +6% over men, respectively), while new products in the LNA beer segment are indeed more waited for by men (+10% over women). These results are definitely consistent with the ones on the most appealing product categories, as illustrated in SQ 4.

Consumers' expectations do not only focus on new product launches, but also on the features that such new products should have to be considered appealing (Figure 3.47). Innovative flavourings emerged as the feature with the highest average score by consumers (7.12 in a scale from 1 to 10), followed by increased similarity to the alcoholic beverage of reference, and by ready-to-drink mixed products. Packaging and labelling appear to be not so important in the surveyed consumers' view, and even less so small sized packaging.

Figure 3.47 – Characteristics deemed important for a LNA beverage to be launched – surveyed consumers (average score in a scale from 1 to 10)



Source: Areté elaboration based on consumer survey's results

It should be noted that these results seem somehow to be contradicting evidence from other sources: according to T. Hasegawa (2022), only 11% of US consumers would be interested in trying unfamiliar flavours or ingredients in LNA beverages (referred to as "alcohol-inspired beverages"), which are the category at the bottom of this specific ranking, well below fruit juices, sodas, tea, juice drinks, sparkling water, sports drinks, coffee, energy drinks and still water.

Other sources (Eads, 2021), indicate the main expected trends in the coming years for the LNA beverages sector:

1) Development of savoury, sour and bitter flavours (e.g., Vermouth-like products);
2) Increasing use of concentrated, syrups and cordials, created to partner with non-alcoholic serves;
3) More and more traditional distilleries entering the LNA market;
4) Further development of wellness and clean drinking trend, with health-conscious products (e.g., vegan and gluten-free, with no added sugar, sweeteners or preservatives);
5) Finally, according to the article, the success of no alcohol beer will continue.

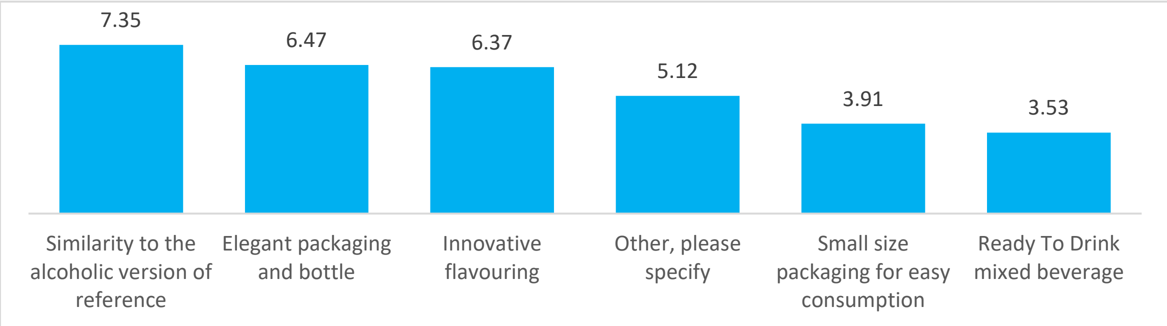
Other expected trends are outlined in an *ad hoc* study (Euromonitor Int., 2021) that investigates the future drivers of the LNA beverages sector. The following four key drivers are highlighted:

1) <u>LNA adult beverages coming to maturity</u>: *the Covid-19 pandemic acted as a catalyst and accelerant of the market development, bringing the segment under the spotlight. LNA beer has been the pioneer in innovation within the segment, but it is LNA spirit drinks that show the greatest dynamism at present.*
2) <u>New drinks focused on flavour, functionality and new occasions</u>: *the trends in lifestyle favouring health-driven moderation initiatives, "Generation Z"'s propensity for personal brand curation via social media and the demand for sophisticated alcohol alternatives are evolving into an interest in novel occasions, functional cues, ingredients and value-added formulations, which will represent the future of the market.*

3) <u>Moderating moderation, the downside risks faced by an intoxicatingly booming category</u>: *albeit the market of LNA beverages is undoubtedly developing fast, contextualising its performance and its limitations is essential. The segment still only accounts for statistically insignificant volumes across the vast majority of markets and while that underscores the untapped upside potential, it is also a reminder that any claims of it being an existential threat for alcohol are largely exaggerated.*
4) <u>Going green: cannabis-cross pollination?</u> *Cannabinoid infusion can provide a plethora of opportunities within the LNA beverages arena, becoming the next big thing for innovation bridging recreation and wellness while sidestepping alcohol's downside risks. While still in its infancy and facing inevitable "teething problems", non-alcoholic cannabis beverages can seize the mantle of functionality and lead the category to fresh heights.*

The above trends and elements, as identified by market analysts and sectoral experts, were also triangulated with the views of industry participants. In Figure 3.48, the most important characteristics for future LNA beverages in the views of the surveyed business stakeholders are presented.

Figure 3.48 – Characteristics deemed important for a LNA beverage to be launched – business stakeholders (average score in a scale from 1 to 10)



Source: Areté elaboration based on the results of the business stakeholders' survey

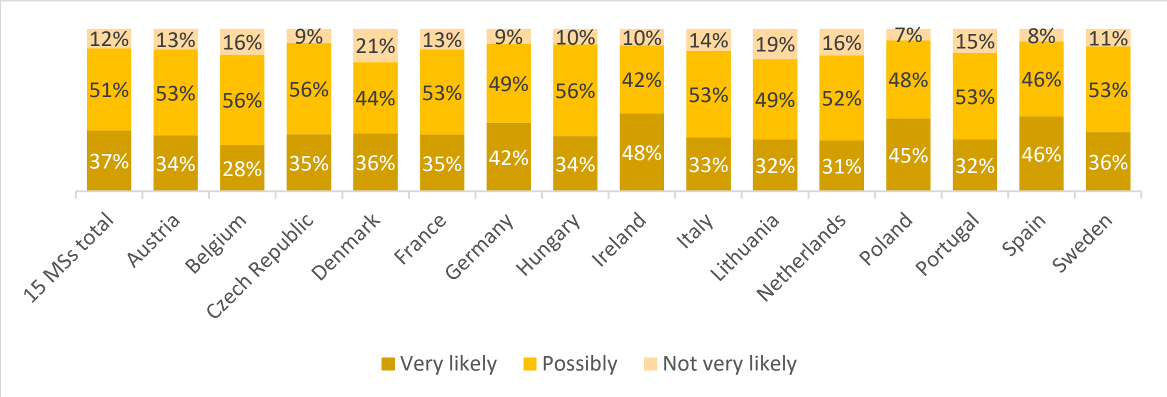
Differently from the consumers' view, innovative flavouring is only ranked third according to business stakeholders, while increased similarity with the alcoholic beverage of reference is the most important aspect on which producers are focusing. The attention to packaging seems more urgent for producers than for consumers, while both the categories tend to agree that small-sized packaging may not be an essential element for new products to be introduced on the market. Different views emerge with respect to ready-to-drink mixed beverages, which are seen as interesting by consumers but the least important way of innovating by producers.

More specific elements on this aspect were also collected through interviews; some companies reported that – in their view – consumers expect a wide range of flavour profiles that mimic alcoholic beverages or have inspiration in them, and look for complex taste. According to the same sources, a demand for a wider choice of nutritional features and ingredients is also stepping up the pace, together with the request for new formats, including ready-to-drink ones. Another interviewee explained that, however, the organoleptic qualities of most LNA beverages cannot fully imitate the complexity of an aged spirit: alcohol is a taste carrier, therefore several traits are tightly linked to the presence of alcohol in the original beverage. Based on that, there is the belief that the LNA category should grow into being good enough by virtue of its own innovation rather than relying on the emulation of products. According to the same stakeholder, some companies are leveraging on the originals to launch new LNA products through the association with well-established brands and/or traditional spirit drinks (i.e., gin, etc.), but consumers must not be misled to assume that each LNA beverage is perfectly analogous to the conventional spirit drinks that it tries to emulate.

The likeliness of surveyed consumers trying such <u>new</u> LNA products in the future (Figure 3.49) is generally high, with a 37% share indicating a high probability and a 51% share indicating a possible approach to these products in the future; the most "open" consumers are Irish, Spanish and Polish ones, while Belgian and Dutch ones revealed fewer chances to try LNA products with new features in the future.

As expectable, the same results are also very different when the age of the respondent is taken into account: 43% of under 35 respondents indicated that a future try of new LNA products is very likely, versus a 33% share of over 35 respondents. Similarly, younger respondents considering "not very likely" the approach to new products are only 7%, versus 16% of the older ones.

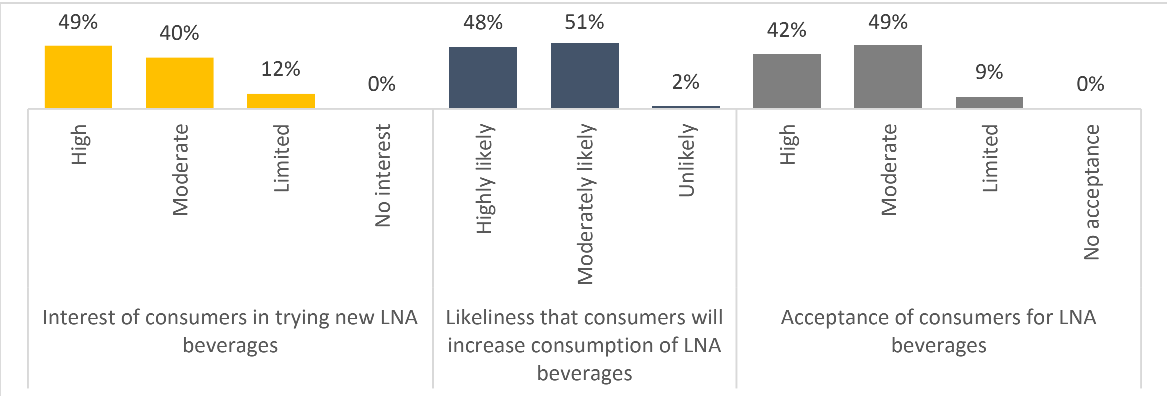
Figure 3.49 – Likeliness of trying new LNA products in the future



Source: Areté elaboration based on consumer survey's results

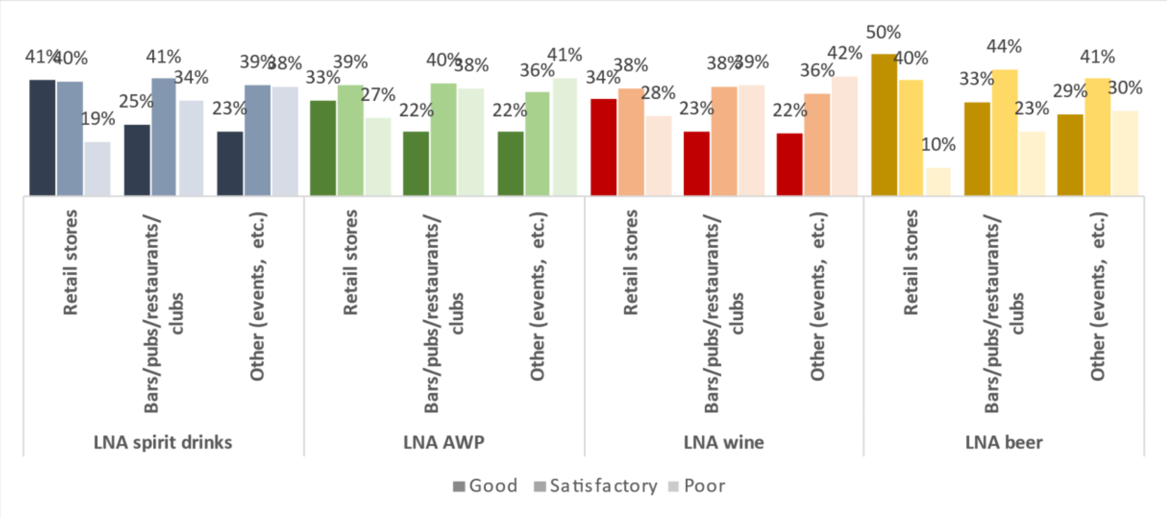
Nearly half of the surveyed business stakeholders believe that consumers have a high interest in trying new LNA products, and none of them believes that there is no interest in the market for innovation. In addition, slightly less than half of the surveyed industry participants consider an increase in the consumption of LNA beverages to be "highly likely", while the other half thinks that such development is moderately likely. Finally, with regard to the perceived consumers' acceptance of LNA beverages, half of producers and sector organisations indicated that acceptance is moderate, while 42% of them consider it to be high; also in this case, a minor share of respondents indicated limited acceptance, and no respondent indicated no acceptance at all by consumers.

Figure 3.50 – Assessment of business stakeholders on consumers' attitude towards LNA beverages



Source: Areté elaboration based on the results of the business stakeholders' survey

Figure 3.51 – Current availability of LNA beverages categories in different sales places[15]



Source: Areté elaboration based on consumer survey's results

Strictly related with the analysis of consumers' expectations for the LNA beverages market is the assessment of how easily such products can be currently found on the market. Figure 3.51 reports the results of the consumer survey on the current availability of LNA beverages in different sales places.

Starting from the two product categories that are the main focus of the study, around 40% of EU consumers believes that the availability of LNA spirit drinks in retail stores is good, while another 40% assesses it as satisfactory. The situation is not as good in the on-trade channel, with only one fourth of respondents reporting good availability of LNA spirit drinks, and 34% lamenting poor availability.

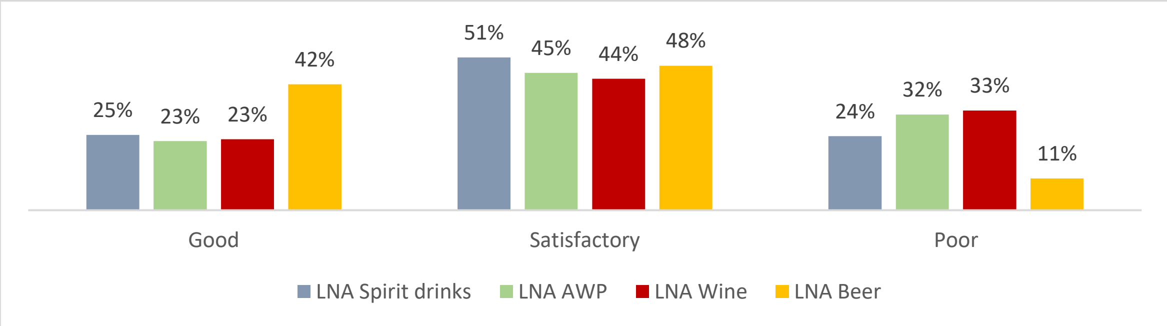
As for LNA AWP, their availability in retail stores is seen as generally slightly worse than that of LNA spirit drinks, while it is basically in line with LNA spirit drinks for what concerns on-trade channels. The judgment on LNA wine availability in retail stores is fairly similar to the judgment on LNA AWP, with 34% of respondents indicating a good availability and 38% a satisfactory one. Also in this case, the offer in the ho.re.ca. channel emerges as more problematic, with only 23% of consumers rating it as "good", and nearly 40% rating it as "poor".

As expectable, the situation of LNA beer is very different from the one observed for the other three product categories; half of respondents indicate good availability in retail stores, and 33% good availability in the on-trade channels. The possibility to find LNA beer in other places like events, concerts, etc. is also rated as rather good, especially if compared with the results of the other product categories.

The analysis of consumers' expectations ends with a view on the current depth of choice of LNA beverages, as reported in Figure 3.52. A good depth of choice is acknowledged to LNA spirit drinks by one fourth of respondents; this share slightly decreases for LNA AWP and wine, while it is much higher for LNA beer. Consistently with these findings, the share of surveyed EU consumers considering that the current choice of LNA spirit drinks is "poor" is 25%; it increases to 32%-33% in the case of LNA AWP and wine, respectively, and it falls to 11% only in the case of LNA beer.

15 Even though respondents had the chance to select "I do not know", the ones selecting this option were excluded from the analysis, and % shares were recalculated on the resulting subtotals of replies.

Figure 3.52 – Current depth of choice of LNA beverages categories



Source: Areté elaboration based on consumer survey's results

Detailed results by MS (Figure 3.53) show that Germany and Lithuania are the countries with the best perceived depth of choice, being among the top-3 by share of respondents indicating good depth of choice in the three product categories.

Other MSs whose consumers judged as adequate the depth of choice of LNA beverages are Poland (LNA spirit drinks), Spain (LNA AWP), Czech Republic (LNA wine and LNA beer), Sweden and Austria (LNA beer). On the opposite, Italian and Belgian consumers generally consider the depth of choice of LNA beverages in their countries as not satisfactory for all the four product categories; in addition, Irish respondents generally provided negative feedback for LNA spirit drinks and LNA AWP, while Austrian and French consumers lamented poor choice for LNA wine and LNA beer, respectively.

Figure 3.53 – Current depth of choice of LNA beverages categories, breakdown by top MSs (best and worst choice according to consumers)*

** "good choice" = availability of a wide variety of LNA products; "poor choice" = availability of a limited variety of LNA products*

Source: Areté elaboration based on consumer survey's results

3.6.3 Summary

Defining consumers' expectations for the LNA beverages market is not easy, since not only multiple variables need to be considered, but also multiple standpoints; it is in fact preferable to cross-check the elements directly provided by the surveyed consumers with information coming from desk research as well as with inputs provided by industry participants. This is even more valid when focusing on the possible growth of market demand for LNA beverages.

Generally speaking, consumers' attitude towards LNA beverages is very positive: the majority of current non-consumers of LNA beverages is optimistic on the possibility to try such products in the near future, even though with some differences among EU MSs.

As for the expectations about the increase of consumption by current consumers, they are slightly less optimistic, but however pointing towards a probable constant increase of marketed volumes and values. These elements are confirmed by the expectations indicated by business stakeholders, even though companies, sector associations and market analysts generally agree that the LNA beverages market is still moving forward from its very initial phase (with the partial exception of the LNA beer segment), and that any excessive enthusiasm should be avoided: it is advisable to be prepared to a growth in demand without expecting radical shifts in consumption patterns in the short term.

New products in the LNA spirit drinks and LNA AWP segments are more interesting for younger consumers (<35 years) than for older ones (>35 years), while expectations for LNA wine and beer are basically the same for the two age classes. Women are generally more interested than men in new products in the LNA wine and AWP segments, while men result to be much more focused on innovations in the LNA beer segment.

The analysis of the key features that new products in the LNA beverages market should have to be successful, proved that views are rather different, according to who is consulted: consumers favour innovative flavourings and similarity with the alcoholic beverages of reference; producers acknowledge the latter request by consumers, and usually tend to focus on trying to replicate the taste of alcoholic beverages as much as possible, albeit also investing in new packaging, which is apparently not so important for consumers.

It is hard to predict what the key trends of the LNA beverages market will be in the coming years: some market analysts foresee the growth of LNA spirit drinks and vermouth-like products (i.e., LNA AWP), together with an increasing interest for functional beverages and well-being. Other interesting and extremely new trends include the demand for concentrates, syrups and cordials to be used in conjunction with non-alcoholic serves, as well as the whole segment of LNA products containing cannabis.

The current availability of LNA beverages greatly differs from one product category to another: LNA spirit drinks availability is somehow considered good in retail stores, while it still has to improve in the on-trade channels. While availability of LNA beer is generally considered very good in all the sales places, for LNA AWP and LNA wines the situation is slightly worse than that of LNA spirit drinks.

Finally, the current depth of choice of LNA beverages is perceived very differently in the various EU MSs covered by the consumer survey: respondents in countries like Lithuania and Germany generally report a good depth of choice for the majority of the product categories; on the opposite, the situation in Italy, Belgium and Ireland appears to be problematic for both relatively new products like LNA spirit drinks, AWP and wine, and for established ones (LNA beer).

3.7 Q7: What was the main reason for the producer decision to develop such new products and place them on the market in the first place?

3.7.1 Understanding of the question and definition of key terms

SQ 7 is the first in a series of four dealing with different aspects of producer decisions to bring to the market low/no alcohol beverages. SQs 7 to 10 are therefore treated as a continuum, in order to ensure consistency in addressing them and to avoid overlaps. The analysis under SQ 7 is aimed at identifying the main reasons underlying the "**initial producer decision**" to develop and place low/no alcohol beverages as a new product on the market.

A starting premise in exploring the "**main reason**" behind such a decision is that producers reacted in response to an **identified market opportunity**. Such an opportunity may have been **created by a combination of drivers**, including: consumer trends, technological advances, legislative and policy developments and other factors. This implies that the relative importance of each driver needs to be assessed, in order to identify the critical drivers that contributed the most to shape the overall producer decision.

In addressing SQ 7, defining the time dimension and related market entry strategies is important. **Companies are expected to have entered the market segment of low/no alcohol beverages at different points in time**, with some companies qualifying to be considered as ***'early adopters'*** of the new market trend, and other companies as ***'followers'***. It is hence important to assess how the identified main reasons may be different for 'early adopters' versus 'followers', and what the characteristics of companies falling under each of those typologies are.

3.7.2 Analysis

<u>Identification of the main reason(s) underlying the initial producer decision</u>

The following factors were identified as potentially underlying the producers' initial decision to develop and place on the market low/no alcohol products:

- **Consumer trends**: increase in consumer demand for low/no alcohol beverages and underlining factors determining consumer reaction to such products.
- **Technological**: developments and advances such as, e.g., in terms of ingredients, processing methods, etc. allowing new product development.
- **Regulatory**: legislative and policy developments (provisions laid down at EU and/or national level) allowing and/or encouraging this product to be placed on the market.
- **Competitiveness**: strategic considerations determining how to enter the market for such products to ensure competitiveness, including whether competitors are already active in the low/no alcohol beverages market.
- **Financial**: investment required in production and/or marketing to enter the low/no alcohol beverages segment vs. the expected financial return.

According to the majority of industry stakeholders consulted for this study, all the above identified factors clearly played a role as a driver in the initial producer decision. **Consumer trends and technological developments are clearly the leading drivers** in the case of all product categories, explaining why producers decided to launch low/no alcohol beverages on the market, followed by strategic considerations to enter this market segment to ensure competitiveness. **Regulatory developments have also been a key driver, underpinning consumer trends.** Financial considerations play an important role according to the majority of consulted companies, particularly in the case of low/no alcohol wine, AWP and fermented beverages other than beer.[16]

The consulted industry stakeholders (at both EU and national level) generally agree that the **launch of low/no alcohol wines, AWPs and spirit drinks has largely been inspired by the success of low/no alcohol beers** and the decline in demand for soft drinks as the classic alternative to alcoholic beverages. Although parts of Europe have a long history of tradition in producing and consuming low/no alcohol beer products,[17] consumers' desire for the taste of beer without the effect of alcohol emerged about 20 years ago and has been rapidly growing in the last 5-10 years. In most of the reviewed markets – including, e.g., Spain, France, Germany and the UK - the low/no alcohol beer market has grown substantially in recent years to the point that it is eroding the position of soft drinks in the aperitifs market. Wine producers were largely not present in this market (with the exception of Germany, where there is a tradition of low/no alcohol wine), but recognised the opportunity by observing the success of the low/no alcohol beer sector. Furthermore, the decline in wine consumption (particularly red wine) in wine-growing countries led producers to try to diversify their product range by responding to new consumer trends seeking healthier alternatives to alcohol drinks.

The following developments were identified to **drive growing consumer demand** for low/no alcohol beer and other low/no alcohol beverages:

- **Growing consumer interest in reducing alcohol consumption**: this is in response to initiatives increasingly taken by national public health authorities both to encourage responsible attitudes towards drinking and driving, as well as more generally to promote consumer awareness and interest in the link between nutrition and health. Amongst interviewees the consensus is that initially (i.e., two decades ago or more) low/no alcohol beers were brewed for drivers, in response to growing government initiatives to curb driving under the influence of alcohol.[18] In the past five years, the customer base for low/no alcohol beers has widened. This is in response to growing efforts by public health bodies to curb excessive alcohol consumption and promote awareness of alcohol consumption as part of a healthy diet – including initiatives such as a 'dry' month and stricter regulation on advertising, minimum age, licencing to sell/serve, etc. Therefore, the main drivers for encouraging consumer interest in lowering alcohol consumption were **regulatory and non-regulatory developments in the field of alcohol consumption and safety/health**[19]. The evidence collected during the study suggests that these initiatives have played an important role in establishing the consumption of low/no alcohol beverages as an alternative to alcohol to become a lifestyle trend that fits all social occasions and moments of the day.
- **Improved range of products on offer**: technological advances in terms of processes and ingredients, particularly in the last five years, have allowed the production of low/no alcohol beer with improved organoleptic characteristics,

[16] Financial considerations are not considered an important driver by industry associations, except in the case of spirit drinks. Given the direct exposure of companies to the financial aspects of the decision to enter the low/no alcohol market segment, the perspective of companies rather than industry associations is retained here.

[17] This tradition existed within Europe (e.g., table beers in Belgium and other countries), but also followed the US in the development of LNA beer during prohibition (1920-1935). This was called 'near-beer'; Anheuser-Busch (an American brewing company which since 2008 is part of AB InBev AB, now the world's largest brewing company) was one of the first companies to develop a brand for this type of beer.

[18] Although 'drink and drive' limits are not fully harmonised across the EU, they range from 0.0% to 0.5% in the various Member States; as such, they are considered an equally important factor driving the demand for LNA drinks in all Member States. https://etsc.eu/issues/drink-driving/blood-alcohol-content-bac-drink-driving-limits-across-europe/.

[19] These drivers are also extensively described in literature, e.g., Anderson P. et al (2021).

particularly taste and appearance; and, the availability of low/no alcohol beer for a growing range of different types of beer. The poor taste of low/no alcohol beer, and the limited availability to lager styles, were in the past a major hindrance to stimulating consumer demand, with consumers often turning to the safer choice of a soft drink as the alternative to alcohol. The evidence collected during the study suggests that these constraints have now been largely overcome, and that consumption of low/no alcohol beer and other drinks is evolving into a positive choice rather than carrying a stigma (e.g., low/no alcohol beer was previously consumed mainly by designated drivers and carried the negative connotation of an obligation that deprived the drinker of enjoying the social moment). Similarly, in the last five years there have been many product innovations in the spirit drinks sectors, which were born out of the typical experimental side in craft distilling: many spirit drinks are derived through "experiments" in distillation techniques or in mixing ingredients, and a similar approach was followed by producers of low/no alcohol alternatives, which also contributes to creating an effective storytelling around the product/brand. Therefore, the main drivers for encouraging consumer demand for low/no alcohol products were **technological developments - involving both processes and ingredients - that allowed an improved taste and more choice of products**. The production techniques currently used are discussed further in SQ 13 (see § 3.13).

From the evidence collected during the study, the following observations can be made on the **producers of low/no alcohol beverages** across all the main product categories:

- Both companies that could be characterised as **early adopters <u>and</u>** those that could be characterised as **followers** can be successfully present in the low/no alcohol market segment.
- Both **companies with existing activities in the alcohol beverages sector <u>and</u> start-ups** with no previous activities in that sector can be successfully present in the low/no alcohol market segment.
- As in the case of alcohol beverages, generally, **companies present in a product category do not operate in another category:** e.g., producers in the spirit drinks sector do not generally operate in the beer or wine sector and *vice versa*.

This evidence suggests that **strategic considerations have played an important role** in formulating producers' approaches to market entry in the low/no alcohol beverages market segment:

- Producers' initial decision to enter the market is driven *inter alia* by a **quest to diversify the product range on offer**, in response to the decline in consumption of some alcoholic beverages (e.g., red wine, some categories of spirit drinks) and/or stagnating consumption of others (e.g., beer). As a result, producers are forced to seek alternative, new/innovative product segments.
- Awareness of issues surrounding alcohol consumption has increased also amongst producers. Companies increasingly understand that they have a **social responsibility** to ensure that alcoholic beverages are consumed sensibly and not excessively; responding to this driver, it has been important to add low/no alcohol beverages in the product range. A company with an LNA beverage in its product portfolio is likely to be perceived as modern, innovative and as a trend-setter.
- **The largest companies tend to be early adopters**, launching low/no alcohol versions under some of their most famous brands at the starting phase of the observed consumer growth (see SQ2 at § 3.2). Examples include Brasseries Kronenbourg (which launched no alcohol versions for two well-established beer brands, and expanded the range of no alcohol products for a third well-established no alcohol beer brand in the 2013-15 period) and AB INBEV.
- **Smaller companies tend to be followers**, i.e., entering the market once consumer trends are well-established. Hence, the last five years have seen a

proliferation of smaller and even micro-companies, as well as (initially small) start-ups with no previous activities in the alcohol beverages or food/drinks sector.

- Overall, the **beer sector can be characterised as being the early adopter** of the low/no alcohol market trend in terms of identifying and responding first to the opportunity in this market. The **other sectors (wine, AWPs and spirit drinks) have followed** once the trend has been well established through the development of the low and in particular the no alcohol beer market.
- **Operating in the alcohol beverages sector is not *per se* a criterion for companies to enter the low/no alcohol beverages segment** in any product category. A growing number of start-ups with no previous activities in the alcohol beverages or in the food and drinks sector have launched themselves in the production of LNA beverages.
- **For companies with existing activities in a category of alcohol beverages, entering the LNA market allows** them to **expand the range of products** on offer, while using – to the extent possible - existing equipment, logistics, know-how and distribution channels. Furthermore, if the company uses an existing well-established brand, it can take advantage and build on the reputation of the brand (see SQ 8 at § 3.8). This is also observed more recently with large corporations in the soft drinks sector (e.g., Coca-Cola) entering the *hard-seltzer* market.

Selected examples of key drivers that have influenced the initial producers' decision in the various LNA beverage categories in the case study MSs are listed in Table 3.4 below.

Table 3.4 - Main factors driving producers' decision to enter the LNA beverages market, as identified in the case study MSs (selected examples)

Member State	LNA beverage category: key drivers [(a)]
Austria	**Wine:** • Follow the strong growth of LNA beer in the domestic market, which was expected to replicate in the case of de-alcoholised wine. • Decline in wine consumption led producers to try to diversify by responding to new consumer trends seeking healthier alternatives.
Belgium	Responding to increased consumer awareness on 'drink and driving', and generally increased attention to the link between improved nutrition and health (fostered by the success of an annual campaign designating February as a 'dry month' - https://tournee-minerale.be/) **Beer**: • Strong domestic consumer base, loyal to the taste/quality image of Belgian beer as fostered by the Belgian Beer Decree. • Improvements in technology/know-how allowed a more diversified range of beer types to seek developing LNA alternatives. • Increased awareness by brewers of their social responsibility to ensure that alcoholic beverages are consumed sensibly and not excessively. **Spirit drinks:** • Success of LNA beer in the domestic market, as a high-quality alternative to alcohol consumption, increased competition for spirit drinks.
France	**Beer/wine/spirit drinks/AWPs** Responding to increased consumer awareness on health and nutrition fostered by initiatives such as Nutriscore (the nutrition labelling system created by the French Public Health institution), and the 'Dry January' campaign.

Member State	LNA beverage category: key drivers [(a)]
Germany	**Beer**: • Strong domestic consumer base, loyal to the 'healthy' image of German beer as fostered by the German Purity Law. • Responding to health trends targeting alcohol consumption, e.g., "sober curious" movement and the "*Aktionswoche Alkohol*" campaign.
Italy	**Spirit drinks/AWPs:** • Responding to consumer demand for LNA alternatives in export markets and, over time, also in the domestic market. • Development of a LNA product range fits into the companies' Corporate Social Responsibility (CSR) agenda for promoting responsible drinking (e.g., large corporations such as Campari Group, Bacardi, etc.).
The NL	**Spirit drinks:** • Success of LNA beer in the domestic market. • Responding to increased consumer demand for LNA drinks, following also successful launches of LNA beer, and increased consumer awareness on health and alcohol through the 'Dry January' (Dranquilo) campaign. • Distillers increasingly perceive the development of LNA alternatives to their traditional spirit drinks as part of their corporate social responsibility.
Poland	**Beer**: • Strong domestic consumer base for beer, with increased demand for alternatives to alcohol. • Efforts to diversify product range in view of stagnating demand for beer.
Portugal	**Wine**: • Responding to consumer demand for LNA wine in export markets. • Testing the market (for both export and domestic markets).
Spain	**Beer:** • Strong domestic consumer base for beer, seeking LNA alternatives. • Change in the legal denomination of the product to 'no alcohol beer' in 2000 (prior to this, the product was called '*malta*') • Technological advances allowing major improvement in taste. **Spirit drinks:** • Follow the success of LNA beer in the domestic market. • Positive corporate social image for a company entering the LNA segment. • Stagnation in the consumption of alcoholic beverages pushed companies to seek diversification into LNA beverages as a new/innovative product segment.

(a) Consumer demand in response to **'Drink and drive'** campaigns is not listed separately because it is **a common driver** that can be seen across the EU. This driver was particularly important at the start of the development of the LNA beverages market (e.g., for LNA beer).

Source: case studies

3.7.3 Summary

Overall, the placing on the market of low/no alcohol products was **driven by a dynamic balance between supply and demand factors**. Awareness of issues surrounding alcohol consumption has increased both amongst consumers and amongst suppliers. There has been an increased awareness of consumers on the effects of alcohol and efforts to curb alcohol consumption, with awareness shifting from issues such as 'drink and drive' to the link between food/nutrition and health, more generally. There has also been increased understanding by producers of their social responsibility to ensure that alcoholic beverages are consumed sensibly and not excessively; responding to this driver, it has been important to add low/no alcohol beverages in their product range.

Consumer trends and technological developments (in terms of ingredients and processing methods allowing an improved range of products on offer) **were clearly the leading drivers** in the case of all product categories, while regulatory and non-regulatory developments in the field of alcohol consumption and safety/health have been a key driver underpinning consumer trends. **Strategic considerations**, in particular the need to remain competitive, have played an important role in formulating producers' approaches to market entry in the low/no alcohol beverages segment. These factors have **initially driven the low/no alcohol beer sector**, while the **launch of low/no alcohol wines, AWPs and spirit drinks has largely been inspired by the success of low/no alcohol beers**.

3.8 Q8: What marketing strategies did the producers initially use to make consumers' aware of new products and gain market share?

3.8.1 Understanding of the question and definition of key terms

SQ 8 is aimed at identifying the initial marketing strategies used by producers to make consumers aware of their new products, so as to establish a position in this market segment and gain market share. In the context, the focus is on the **key relevant marketing strategies** that producers used to accompany their **initial product launch.**

A priori, marketing strategies followed by producers include two broad areas of action: on the one hand, consumer-oriented strategies (B2C) aimed at making consumers aware of and willing to buy their new products; and, on the other hand, market-oriented strategies (B2B) and decisions aimed at positioning products on the market and making the other market players in the supply chain (notably, distribution) aware of and willing to market their new products. In addressing SQ 8, it is important to identify whether strategies adopted by producers to make consumers and the supply chain (notably, distribution) aware of their low/no alcohol beverage products and gain market share were markedly different from those followed for marketing new alcoholic beverages.

3.8.2 Analysis

Identification of key relevant marketing strategies used by producers

The following marketing strategies were identified as potentially relevant for producers to follow initially so as to make consumers aware of their new low/no alcohol products and gain market share:

- **Consumer-oriented strategies (B2C):** actions taken by producers to raise consumer awareness of the products and promote them to consumers, including in the period immediately before and immediately following the product launch**.** Such actions include in particular: consumer research; advertising; and, awareness raising/promotion activities.
- **Market-oriented strategies (B2B)**: actions taken by producers to position themselves on the market, raise awareness of the products and promote them along the supply chain, including in the period immediately before and immediately following the product launch. Such actions include in particular: geographic and product diversification (e.g., identifying opportunities for specific products and product segments, and for specific countries); product presentation and market positioning (e.g., identifying labelling and presentation/packaging modalities, establishing appropriate distribution channels, selling offline vs online, and price positioning; and, awareness raising/promotion activities targeted at the retail and catering sector).

According to the majority of industry stakeholders consulted for this study, **both consumer and market-oriented strategies clearly played an important role** in promoting low/no alcohol beverages in the initial product launch phases. Consumer-oriented strategies were used by a slightly higher majority of producers than market-oriented strategies, across all product sectors. Amongst consumer-oriented strategies, all of the identified actions were followed by a majority of respondents, with **consumer research** used by a leading majority of companies**.** Amongst market-oriented strategies, the **product presentation and market positioning** clearly stand out as the actions taken by the leading majority of companies; while awareness raising/promotion targeted at the catering sector is the least used action across all product sectors.[20]

The **mix of marketing strategies** followed **depends on the company, brand, product, and market/consumers**. The following overarching observations can be made:

- **Both large and small companies** with established brands have followed a generally cautious strategy of entering the LNA market, with **progressive launches** of **LNA versions for some of their well-established brands**. This strategy can clearly be seen in the case of the market leaders for beer (Kronenbourg-Carlsberg Group; AB INBEV), and for smaller companies (e.g., Belgium speciality beers); as well as, for spirit drinks and AWPs (e.g., large companies such as Martini, Gordon's, etc.) and smaller companies operating in a niche market with loyal consumers (e.g., Belgium, France).
- The possibility to produce **LNA beers and spirit drinks** with an **acceptable/good taste has boosted the development of LNA versions for established, well-known brands** which can be increasingly seen on the market (e.g., Brand X 0.0%). It is noted that brands which are well-established have achieved their reputation *inter alia* through extensive promotion; the use of the brand for an LNA product therefore allows the company to benefit from the outcome of previous marketing and promotion efforts for the brand *per se*. Conversely, the difficulty to achieve an acceptable taste has largely hindered the development of de-alcoholised/partially de-alcoholised wines and AWPs; due to this, wine/AWP producers do not generally engage in the production of de-alcoholised/partially de-alcoholised wines/AWPs (but some recent attempts to launch such products are noted, e.g., Martini aperitif drinks).
- **Small companies and start-ups that do not have established brands** have opted either to create a LNA version for an existing brand or to create a new brand altogether for their LNA product(s). The evidence collected during the study identifies many examples where both strategies have been successful.
- Even companies with **established brands may opt for a separate brand identity for their LNA drinks.** This strategy has been seen in many large companies with established brands (e.g., Campari Group) and is another indication of the cautious approach taken by companies with a view to protect the company, brand and product reputations. The creation of separate brands/lines for LNA beverages is thus justified as a way of establishing a clear, non-confusing communication on the product and the brand towards consumers, distinguishing it more clearly from the reference alcohol beverage.
- Although a mix of consumer-oriented (B2C) and market-oriented strategies (B2B) tends to be followed by the owners of both renowned brands and less well-established brands, typically the **first step has been to focus on the strategies aimed at the B2B channel**. Given that LNA beverages (particularly LNA spirit drinks, wines and AWPs) are a 'new' product, this is the most challenging step. This is **particularly challenging for companies with**

[20] According to industry associations, this action was used almost as much as other market-oriented strategies. Given the direct exposure of companies to the marketing actions that were actually taken, the perspective of companies rather than industry associations is retained here.

less well-established brands which need to increase awareness both of their brand and of their product.

- Producers of LNA beverages have generally had to **differentiate the distribution channels from those used for the reference alcohol beverages sales.** This is particularly the case for LNA wines/AWPs and spirit drinks, for which the **hospitality sector** (bars, restaurants etc.), **online sales, and speciality (premium) retailers** (e.g., gourmet/delicatessen stores, organic stores, etc.) were identified as the **most promising alternative channels** for marketing those products; **social media channels** such as Instagram and the use of influencers as 'brand ambassadors' are also **increasing in popularity** as a promotional tool, and their importance is expected to grow particularly as they reach younger generations. Although this is particularly the case for less well-known brands, even well-known brands had in many cases to seek alternative channels for their LNA beverages. On the other hand, **supermarkets/ hypermarkets and mainstream food retailers** are an important distribution channel **only for LNA beer**; while **specialist merchants, e.g., cellars of alcohol beverages** (wine, spirit drinks etc.) are **largely opposed/reluctant to stock LNA beverages** across all categories. Thus, with the exception of LNA beer, LNA beverages have up to now only limited access to large-scale retailing and therefore to a large number of consumers.

Based on the evidence collected through the case studies, the following observations can be made on the manner by which **LNA beverages are typically positioned on the market:**

- **As close as possible to the reference beverages** (beer, wines, spirit drinks). This is most difficult to achieve in the case of spirit drinks due to the legislation restricting the use of the protected name. Thus, in most cases, producers present/position their LNA spirit drinks as alternatives to specific spirit drinks, so that consumers know what the beverage is intended to be used as an alternative to; e.g., a low/no alcohol beverage that can be used as an alternative to gin. Thus, LNA spirit drinks tend to be positioned as providing a complete equivalent to spirit drinks, i.e., to be consumed at the same social occasion as spirit drinks.
- As a **"premium" product**. Interviews with manufacturers of spirit drinks highlighted that most of the companies (whether large or small) producing low/no alcohol versions for their famous brands position these as premium or super-premium in their range. The premium positioning allows these products to make a clear distinction from fruit juices and soft drinks (e.g., Pernod Ricard; DeCort Unplugged).
- As a **distinct alternative to juices, soft drinks and other drinks containing no alcohol**. The occasion of the consumption of an LNA drink is purposedly promoted by manufacturers in their consumer awareness-raising activities to distinguish it from competing alternatives. Examples include: the 'mocktail' culture which is widely promoted as the no-alcohol alternative to an alcohol cocktail across Europe, thus promoting the low/no alcohol version of spirit drinks; promoting the isotonic properties of low/no alcohol beer after exercise to replenish depleted electrolytes (e.g., Deutscher Brauer-Bund, 2022; Kwaremont beer, Belgium), thus providing an alternative to, e.g., juices or energy drinks.

Promoting consumer awareness to raise interest in the product **has relied on a combination of both pull and push strategies**:

- Consumer interest exists and is actively pursued due to the growing consumer trend of seeking alternatives with a view to reducing alcohol consumption, and marketing efforts simply respond to this trend **('pull strategies')**: and/or, consumers are aware of an LNA brand and/or a traditional product. In this case, marketing and promotion efforts do not necessarily need to be extensive, as consumer interest and knowledge already exist to some extent. For example, the strong brand image of a well-established brand of beer or spirit drinks or wine is generally considered fairly sufficient as a 'pull' factor to promote the LNA product using the same brand, because the brand acts as a guarantee of quality for the product. Also, the distribution sector (online and offline) may well already be familiar with the product and/or brand and convinced to distribute it, therefore less effort may be required for promotion/awareness at their end. Many examples have been identified in the case studies of well-established brands and/or traditional alcohol beverages across all product categories, which follow this 'mirror' approach to the reference product (use of the brand logo, bottle, etc.) to market their low/no alcohol version as a quality product, but in a way to avoid any confusion with their well-known alcohol beverages among consumers (e.g., *"this is a completely different product, but you can expect the same high organoleptic quality of my brand"*).

- Consumer interest may exist but is not actively pursued and/or awareness of products/brands is low. In this case, marketing and promotion efforts tend to be relatively more extensive, as interest and knowledge of both consumers and the distribution sector need to be raised **('push strategies')**. This is the case for example with 'new' product concepts and brand launches, such as LNA wines, aromatised wine products and LNA spirit drinks, particularly of less established brands, which can be consumed as a basis for 'mocktails'. The new concepts and/or new brands involved in this case need to be more actively promoted, both at the consumer end and at the distribution end.

The mix between 'push' and 'pull' strategies therefore depends both on the product category and the brand, and is dynamic. **As the product/brand becomes more established, the emphasis may shift from 'push' strategies to 'pull' strategies**. Ultimately, increased consumer demand for a brand/product becomes a 'pull' factor for the distribution to be willing to distribute it.

The use of 'push' vs. 'pull' strategies will also depend on the extent of competition on the market and whether the market is still new or has reached 'maturity' and/or become saturated; in the latter case, a shift to more aggressive 'push' marketing strategies may be needed even by those product categories/brands which are well established on the market. The LNA beverages market in the EU is largely considered to be still at a young phase, given that its main development only spans the last 5-10 years.

Across all sectors, a **prerequisite for the success of any marketing strategy is achieving the organoleptic characteristics that consumers expect, particularly in terms of taste**. Without a good product, no marketing strategy or mix of strategies can deliver a successful outcome. The importance of taste is illustrated in the case of wine: as the taste characteristics expected by consumers of wine cannot at present be met by de-alcoholised/partially de-alcoholised wines, there is limited availability on the market of those products, and mainstream wine producers are reluctant to move into the LNA wine market segment, which is typically occupied by non-wine producers (as seen for example in the Austrian case study).

Price promotion appears to play a secondary role across all product categories. This may well indicate that the market is still at a young phase, i.e., that there is strong demand, competition is not extensive and producers have faith in the product quality and/or brand awareness; it also reflects the high costs of production which do not allow sufficient margin for price promotions. Price promotion therefore takes place mainly in the form of short-term offers and discounts, aiming mainly to raise awareness in the product and/or the brand.

Selected examples of key marketing strategies/tools for the promotion of LNA beverages in the different product categories covered in the case study MSS are listed in Table 3.5 on the next page.

Table 3.5 – Main marketing strategies/tools for the promotion of LNA beverages, as identified in the case study MSs (selected examples)

Member State	LNA beverage category: main marketing strategy/tool
Austria	**Wine**: Large-scale advertising campaigns for de-alcoholised wine have been launched in the past few years as expectations on its market potential were high. However, low and stagnating sales have led to advertising measures being largely discontinued.
Belgium	**Spirit drinks**: As in the case of spirit drinks, companies' marketing for LNA spirit drinks is focused on highlighting the 'premium' position of the product, especially by promoting the image of the production process, i.e., the notion of the distillation and/or combination with selected herbs and other ingredients, thus reflecting the same approach to the narrative as presented to the consumer, e.g., in the case of 'premium' gin. This approach is successfully followed by large and small producers, including start-ups.
France	**Spirit drinks**: LNA spirit drinks are mainly promoted as premium products with marketing efforts focused on their distribution in specialised retail stores, such as bars, gourmet/delicatessen and wine cellar stores.
Germany	**Beer**: The German Brewers' Association draws attention to the growth of LNA beer with a major online campaign (www.unserbier.de) which aims to increase the visibility of the low/no alcohol beer category in Germany, promoting the low-calorie aspect of low/no alcohol beer via Instagram, YouTube, Facebook and Twitter under the motto "Feel Free". The social media campaign has attracted wide interest, with its clips achieving more than 16 million clicks during the first four weeks after launch.
Italy	**Spirit drinks; AWPs**: LNA beverages are mainly promoted as premium products with marketing efforts focused on their distribution in the hospitality sector and online promotion/sales.
Spain	**Spirit drinks; beer**: Individual companies have focused on communication and promotion campaigns (e.g., sponsoring of sports events), both in online and offline channels; business associations as well as individual companies have focused on social responsibility campaigns.

Source: case studies

3.8.3 Summary

Both consumer-oriented (B2C) and market-oriented (B2B) strategies played an important role in promoting low/no alcohol beverages in the initial product launch phases. The mix of marketing strategies followed depends on the company, brand, product, and market/consumers. Both large and small companies with **established brands** have followed a **generally cautious strategy** of entering the LNA segments, with progressive launches of LNA versions for some of their well-established brands, or even opting for a separate brand identity for their LNA beverages. Small companies and start-ups with less well-established brands have opted either to create a LNA version for an existing brand or to create a new brand altogether for their LNA product(s), with both strategies proving apparently successful.

Typically, the first step has been to focus on the strategies aimed at the B2B channel, which is the most challenging step, particularly for companies with less well-established brands. Producers generally had to differentiate the distribution channels for LNA beverages from those used for the reference alcohol beverages sales.

LNA beverages are typically positioned on the market as close as possible to the reference beverages (beer, wines, spirit drinks); as a "premium" product; and, as a distinct alternative to juices, soft drinks and other beverages containing no alcohol. Promoting consumer awareness to raise interest in the products has relied on a combination of both pull and push strategies, but as the product/brand becomes more established, the emphasis may shift from 'push' strategies to 'pull' strategies. Across all sectors, a **prerequisite for the success of any marketing strategy is achieving**

the organoleptic characteristics that consumers expect, particularly taste; **price promotion** appears to play a secondary role.

3.9 Q9: Do producers who have not yet done so, envisage starting this type of production in the future?

3.9.1 Understanding of the question and definition of key terms

SQ 9 is aimed at capturing the **intentions of *potential* producers not yet actively involved in this market, i.e., not producing low/no alcohol beverages**. This distinguishes them from those producers that may already have some production lines in this market segment (i.e., specific products/product types), which are the focus of SQ 10 (see § 3.10).

Reference to **"the future"** sets out the time dimension to consider for answering SQ 9. Given that business strategies are usually defined at a sufficient level of precision by companies on an annual basis, the term is understood as "**the foreseeable future from a business perspective**, that is, the **short to medium-term (i.e., 1 to 3 years)"**. Consideration of a longer time frame (4-5 years and beyond) to address the question could only be made at a more general/less specific level.

3.9.2 Analysis

Extent and type of potential producers who may envisage starting production of low/no alcohol beverages in the foreseeable future (short to medium-term)

According to the results of the business survey:

- Of the 26 companies that responded to the survey (all of which are producers of alcohol beverages), 9 companies are not currently producing any LNA beverages.
- Of the 9 companies not currently producing any LNA beverages, 7 have expressed their intention to do so in the foreseeable future (of which, 3 companies definitely and 4 companies likely/most likely).

The proportions indicated above (companies currently not producing LNA beverages, out of all companies that responded to the survey; and, companies intending to produce LNA beverages in the future, out of all companies not producing) cannot be taken as an indication of the actual extent of involvement in the LNA segment of companies across the alcohol beverages sector, as primarily companies that are currently involved in the LNA segment, or plan to become involved, are expected to have replied to the survey due to their interest in this segment.

Based on the in-depth consultation of business stakeholders during the interviews, and case studies in different MSs, the following observations can be made on the current extent of operator involvement in the LNA beverages market and aspirations for future involvement per product sector:

- **Beer**: The prospect of entering the LNA segment is nowadays certainly in the mindset of every operator in the beer industry, whether a small or large company and across most types of beer. The growing number of start-ups exclusively operating in the LNA beer segment (as already observed in SQ 7) is an indicator of the interest in this segment. Underlying this trend, key driving forces are the success of the market and staying competitive amidst growing competition from those companies that are already involved in this segment.
- **Spirit drinks**: The success of the LNA beer market is inspiring operators to enter the LNA spirit drinks market. Again, this interest is identified within both large and small companies, and both companies operating in the spirit drinks sector and start-ups with no existing activity in this sector. At the same time, two major differences can be identified from the beer sector:

i. The prospect of entering the LNA spirit drinks segment is not in the mindset of every operator or every product segment across the spirit drinks industry. Producers of gin are expected to be the most interested in the LNA segment, due to the promising prospects of consumer demand for LNA beverages emulating gin as the base for mocktails; followed more recently by rum. On the contrary, the interest is lower amongst most other segments. The team came across operators and product segments in the spirit drinks sector that are against any prospect of involvement in the LNA segment; the Cognac industry in France is such an example.
ii. Operators envisaging to enter the LNA spirit drinks segment are generally more cautious than operators in the LNA beer segment, as the LNA spirit drinks market is still evolving and its potential outlook is less clear or guaranteed compared to the LNA beer market.

- **Wine/AWPs**: Again, the success of the LNA beer market has been an inspiration for operators to enter the LNA wine/AWPs market. However, to date, operators have been very cautious and very few have started producing LNA wines/AWPs. Again, these operators include both wine/AWP producers, and start-ups with no previous involvement in the wine/AWPs market (e.g., Vintense, Belgium). A key stumbling block appears to be the relatively weak organoleptic profile of LNA wine/AWPs. Therefore, the available evidence suggests that most operators in the wine/AWPs sector are not currently involved in the LNA segment and there is widespread reluctance to get involved. An exception may be AWPs in France, where the Federation of aperitif wines identifies an opportunity for the generally innovative companies involved in this sector to expand their product range to the LNA segment.

The reasons underpinning producers' decision to enter the LNA beverages market are examined further below.

Identification of the critical reasons shaping the overall producer intention to start producing low/no alcohol beverages

A starting point for the analysis of the critical reasons shaping the overall producer intention to enter the LNA beverages segment is the identification of the reasons why potential producers have not started producing LNA beverages to date. *A priori*, producers may not yet have started producing these products for a range of reasons, which evolve around two themes:

- Limited awareness or limited (commercial) interest in the market opportunity.
- Interest in the opportunity exists but there are constraints in place. In this case, overcoming the constraints is key for determining whether producers may decide to respond to the opportunity and become producers of LNA beverages in the future.

A positive evolution in outlook could be triggered by the same range of factors that would make producers decide to produce LNA beverages in the first place, as already considered in SQ 7, i.e.:

- Positive consumer trends identified within the EU and/or in other developed markets.
- Technological advances such as in terms of ingredients, processing methods, etc., allowing new product/recipe formulation.
- Legislative and policy developments allowing the placing on the market of low/no alcohol products.
- Other factors, such as strategic considerations and competitive outlook.

Although the factors shaping this decision would be similar to those considered in SQ 7, their impact and relative importance may have evolved since these products were initially launched (e.g., an evolution in technology may facilitate the launch of new products in the future when this has been a constraint in the past).

According to the results of the business survey:

- For most of the 9 companies not currently producing any LNA beverages, the main reasons why this is the case are: technological constraints (current technology constrains new product/recipe formulation); insufficient consumer interest/demand; competition from competitors already active in the low/no alcohol market segment; and, financial (the significant investment required vs. the expected financial return). On the other hand, regulatory constraints *per se* are not considered to be an important barrier by most companies.
- All of the identified aspects (technological; consumer trends; competitiveness; and, financial) would become important drivers underlying the decision of 7 of those 9 companies to start producing low/no alcohol beverages in the foreseeable future.

Interviews with the industry and the information collected during the case studies shed more light on:

a) the reasons why companies are not currently producing any LNA beverages; and,
b) the factors that would drive non-producing companies to enter this market in the foreseeable future.

Starting with the **reasons why companies are not currently producing any LNA beverages**, the following observations can be made from the collected evidence:

- **Technological constraints**. Entering the LNA market requires considerable know-how, which is built up over a period of time and following extensive trial efforts. This factor acts as **an important barrier across all product categories, although to varying extents**. Even in those product sectors where the technology and know-how have significantly progressed to reach the desired organoleptic characteristics, particularly in terms of taste (e.g., LNA beer and spirit drinks), a period of 2-3 years may be required for product development before reaching the stage of launching a new product on the market. Hence, manufacturers are reluctant to engage in the LNA segment, despite the strong growth and promising potential outlook. The product type also plays a role; e.g., Belgium has a large range of specialty high alcohol content beers (Trappists) and it is more difficult to develop a low/no alcohol variant for this type of beer. In the **LNA wine** segment, where consumer expectations on taste are largely considered not to be met with the present technology/know-how, there is **even more reluctance by producers** to enter this product segment (as seen for example in the case of wine producers in Austria, Portugal, France).
- **Insufficient consumer interest/demand**. This factor is **mostly present in the wine/AWP** product category. Lack of demand for LNA wine/AWPs reflects limited consumer awareness (AWPs), and/or a negative perception on the product (wine) which to some extent is due to the technological constraints limiting the achievement of the desired organoleptic characteristics for this product. As a result, the distribution sector (retailers; the hospitality industry) are reluctant to stock these products, constraining their availability/visibility to consumers, which further accentuates the limit in consumer demand. An indication of operators' cautious approach is that communication to consumers about LNA wine/AWPs tends to be more discreet/low profile (e.g., conducted mostly online) when compared for example to communication on LNA beer.
- **Financial considerations.** Such considerations stem from the impact of technological constraints and the cost of the required investments (as explained above, these constraints are present across all LNA beverages sectors to some extent) versus the expected return on investment (ROI). The ROI is related *inter alia* to product quality and consumer demand (factors particularly affecting the wine/AWP sectors), but also the extent of competition (a factor affecting particularly the low/no alcohol beer and spirit drinks sectors). These considerations tend to affect more the ability of smaller producers to undertake the required investment, although this also depends on the sector and market.

For example, in Spain until now only medium and large companies already well established in the spirit drinks market are ready to enter the LNA segment; while, in many other countries (e.g., Belgium) a number of small start-ups are present in the LNA segment. Also in the beer sector, in most countries, both smaller and larger operators have entered the LNA segment. Ultimately, a producer needs to ensure the ROI to enter the LNA market: generally, for smaller companies, less known brands and market followers (rather than leaders, or early market entrants) it is more difficult to ensure the ROI.

- **Competition from competitors already active in the low/no alcohol market segment**. On closer examination with business stakeholders, this factor does not play such an important prohibitive role and is certainly not the first or second order consideration that is currently discouraging operators to enter the market. This is particularly the case in the LNA wine and AWPs sectors due to the relatively limited current presence of competition in this market. It could play a more important role in the LNA beer and spirit drinks segment, due to growing competition in terms of consumer choice within each segment (especially *vis-à-vis* the reputation of well-known brands, given that both large international players and smaller local companies are competing in this market) as well as between segments (e.g., between LNA beer and 'mocktails'). At the same time, the involvement of competitors in the LNA market segment is also identified as being an element influencing the operators' strategic consideration to enter the LNA beverages segment (see below).

In terms of the **factors that would drive companies to enter the LNA beverages market** in the foreseeable future, the following observations can be made from the collected evidence:

- **Technology improvements**. This factor **would play an important role** in convincing more companies to enter the LNA beverages market **across all product categories**. It would be a crucial development for all categories, and the **number one factor driving companies to start producing LNA wine**. For instance, the case study in Austria has revealed that wine companies not currently producing LNA wine outsource dealcoholisation and bottling to German companies; this indicates that lack of technological facilities/know-how (rather than insufficient consumer interest) is currently the most significant constraint for the development of the LNA wine segment in Austria, and companies are actively looking for ways to overcome this constraint. Similarly, in the case of spirit drinks, some companies are currently opting to outsource the production of LNA spirit drinks to other companies with existing know-how in this kind of production.
- **Growth in consumer acceptance/demand**. This factor is inextricably linked to technology improvements. As already observed in SQ 7 in the case of LNA beer, technological advances that led to the improvement of taste and other organoleptic characteristics have stimulated growth in consumer demand to the point that it has transformed the LNA beer market within the past decade, as well as the market outlook in the foreseeable future. It can therefore be reasonably assumed that improvements in the technology/know-how for the production of LNA spirit drinks, AWPs and wine that can lead to improvements in organoleptic quality can also drive growth in consumer acceptance/demand in those product segments.
- **Financial considerations.** Given that, as explained above, such considerations stem from the cost of the investment versus the expected return which *inter alia* is related to product quality and consumer demand, any improvements in these underlying factors would improve the expected return on the investment (ROI). This in turn would encourage more companies, especially smaller producers, to enter the LNA drinks segment.
- **Competitiveness considerations**. Growing competition may also play a positive role in driving companies to enter the LNA beverages segment: the more companies start producing LNA beverages and gaining a reputation as suppliers

of a complete diversified range of products, the less the remaining companies can afford to stay out of this segment.

- **Regulatory aspects**. Several aspects were identified that can play a positive role in encouraging more producers to enter the LNA beverages segment:
  - Regulatory, as well as non-regulatory, initiatives to **curb alcohol consumption** and more generally to **improve nutrition and health** are expanding in all Member States. Typical examples include: the launch of campaigns designating a 'dry' month in the year; and, rules on the advertising of alcohol products, minimum age of consumption, etc., which are generally becoming stricter. These initiatives, whether taken by governments, civil society or by the industry itself, play an important role in creating a space for low/no alcohol drinks and encouraging producers to enter this market, as explained in SQ 7 (Table 3.4).
  - Changes in **nutrition labelling** rules - in particular the ongoing revision of the EU FIC Regulation to include nutrition labelling for alcohol beverages, as is currently the case for beverages containing up to 0.5% ABV - are also expected to play a positive role in allowing consumers to make a choice in favour of the generally healthier nutritional profile of LNA beverages (in terms of lower energy content than the reference alcohol beverages).
  - AWPs: according to the French Federation of aperitif wines, **clearer rules on LNA AWPs** could provide an incentive for more producers to enter this segment, where currently very few companies are present due, *inter alia*, to the lack of clarity in the regulatory framework.

It is noted that both the interviews and the case studies have discerned **very limited, if any, interest** to date amongst **food and drink manufacturers** other than producers of alcohol beverages **to enter the LNA beverages** segments that are in the scope of this study. According to the representatives of the EU soft drinks industry, **soft drinks are a rather separate sector from LNA beverages**, which are more typically produced by the respective alcohol beverages producers (e.g., LNA beer by the respective beer producers, LNA spirit drinks by the respective spirit drinks producers; although start-ups also exist). One part of the supply chain where the two industries sometimes work together is bottling, e.g., in Finland, soft drinks are sometimes packaged by brewers.[21]

It is not clear how likely it is that soft drinks producers would move into the LNA beverages segment in the foreseeable future. It would though seem reasonably likely or fairly likely that some soft drinks producers may consider entering this market at some point in the future. The current positioning in the market keeps the sectors separate. However, it may be easier for beer to the extent that in some markets they can possibly use the same packaging/bottling, and there could be some synergies in distribution/logistics. Nonetheless, the soft drinks industry representatives noted that, from a marketing and competition point of view, the boundaries of the different sectors are increasingly blurred. Some 'typical' soft drinks producers are increasingly positioning some of their products more in the adult beverage category as alternatives to alcohol (e.g., "Virgin Mojito") but not necessarily as LNA products (i.e., those in the scope of the study); such products could perhaps directly compete with no alcohol 'spirit drinks' used as a base for 'mocktails'. Also, the case studies identified examples of companies from the soft drinks sector, including the leading multinational corporations (e.g., Coca Cola), recently launching products in the '*hard-seltzer'* category.

[21] It is understood that although this practice exists, it is not widespread. In Finland, for example, three large beer producers which are members of the local soft drink and beer association also have some production of their own soft drinks and bottle for soft drinks companies.

3.9.3 Summary

Producer intentions to enter the LNA beverages segment in the future depend on the sector:

- In the **beer** sector, in view of the success of the market and the need to remain competitive, the prospect of entering the LNA segment is in the mindset of every operator in the beer industry, whether a small or large company and across most types of beer.
- In the **spirit drinks** sector, the success of the LNA beer market has been an inspiration for operators, but producer interest ranges from high - in gin - to low in most other categories, and is non-existent for some products (e.g., Cognac). Interest is determined *inter alia* by consumer demand in the product category.
- In the **wine/AWPs** sector, although again the success of the LNA beer market has been an inspiration for operators, these have been very cautious, to date, and very few have started producing LNA wines/AWPs, mainly due to the relatively weak organoleptic profile of LNA wine/AWPs.

3.10 Q10: Do producers who have already such production lines ongoing envisage increasing them or even creating new such products in the future?

3.10.1 Understanding of the question and definition of key terms

SQ 10 is the second question dealing with producers' intentions in the low/no alcohol market segment and future business outlook. While SQ 9 (see § 3.9) focused on capturing the intentions of potential producers not yet actively involved in this market (i.e., not producing low/no alcohol beverages), SQ 10 is focusing on the intentions of **existing producers already involved in the production of low/no alcohol beverages**.

The same time dimension defining "**the future**" applies here as in the case of SQ 9: "**the foreseeable future from a business perspective**, i.e., the **short to medium-term (1 to 3 years)"**. Similarly, consideration of a longer time frame (4-5 years and beyond) to address this question may only be made at a more general/less specific level.

3.10.2 Analysis

<u>Extent and type of existing producers of low/no alcohol beverages who may envisage to increase production and/or create new products in the foreseeable future (short to medium-term)</u>

According to the results of the business survey:

- Of the 26 companies that responded to the survey (all of which are producers of alcohol beverages), 17 are already producing LNA beverages.
- Nearly all of these (15 companies) have expressed their intention to expand their production of LNA beverages in the foreseeable future; of these, 10 companies indicated they would definitely do so and 5 likely/most likely; while 2 companies did not indicate their intentions.

The proportions indicated above (companies already producing LNA beverages, out of all companies that responded to the survey; and, companies intending to expand their production of LNA beverages in the future, out of all companies already producing) cannot be taken as an indication of the actual extent of involvement in the LNA segment of companies across the alcohol beverages sector, as primarily companies that are currently involved in the LNA segment, or plan to become involved, are expected to have replied to the survey due to their interest in this segment.

Based on the in-depth consultation of business stakeholders during the interviews and case studies in different MSs, similar observations as in the case of SQ 9 (see § 3.9) can be drawn per product sector on the potential extent of the operators' interest to expand their ongoing production of LNA beverages in the future:

- **Beer**: Given the success of operators that have already entered the LNA beer segment and continuing strong consumer demand, it can reasonably be expected that operators are generally contemplating expanding their production. Some of the larger companies have expressed clear commitments in this direction: e.g., the statement made by the ex-CEO of AB INBEV that by the end of 2025 at least 20% of its global beer volume will consist of low/no alcohol beers. It is also noted that the availability of LNA beers on draught, as innovations continue to make it more feasible, and technological innovations allowing improvements in the organoleptic characteristics of LNA beer across different beer types, are both expected to expand demand, thus leading to more production.
- **Spirit drinks**: A more cautious strategy is identified by operators in the LNA spirit drinks category, when compared to LNA beer, with many operators still being at an experimental 'test the market' phase. Reflecting this, both market entry and expansion strategies are more progressive than in the case of LNA beer. Nonetheless, the ongoing involvement of some leading multinational groups in the spirit drinks sector in the LNA segment increases competition between existing producers and may accelerate progress in the expansion of LNA spirit drinks production.
- **Wine/AWPs**: As in the case of entering the LNA wine/AWPs market segment, the available evidence suggests that those operators already present in this segment are moving very cautiously. For example, in the case of Portuguese LNA wine and Italian LNA AWP the main stimulus for the expansion in production would come from export prospects. An exception again may be France, where according to the French federation of aperitif wines there is an opportunity for companies already producing LNA AWP to expand their product range.

Identification of the critical reasons shaping the overall producers' intention to expand production of low/no alcohol beverages

A priori, producers' intention to expand production in the LNA market segment would be driven by the same motivations as those at play when they first decide to start production, i.e., **in response to a market opportunity**. A positive evolution in the outlook could be triggered by the same range of factors that would make producers decide to produce in the first place. As outlined in SQ 7 (see § 3.7) and SQ 9 (see § 3.9), these include: positive consumer trends identified within the EU and/or in other developed markets; technological advances such as, e.g., in terms of ingredients, processing methods, etc., allowing new product/recipe formulation; legislative and policy developments allowing the placing on the market of low/no alcohol products; other factors, such as strategic considerations and competitive outlook.

According to the results of the business survey, all of the identified aspects (regulatory, technological, consumer trends, competitiveness, and financial) would become important drivers underlying the decision of those companies to expand their production of LNA beverages. Nonetheless, according to the feedback provided by the associations that responded to the survey, the regulatory and financial aspects are not important drivers in considering the expansion of production in the case of beer.

Interviews with the industry and the information collected during the case studies shed more light on the factors that would drive companies already producing LNA beverages to expand their production in the foreseeable future.

- **Technology improvements**. This factor would play an important role for those companies that are currently still at experimental stage and/or outsourcing the production of their LNA beverages. As outlined in SQ 9, this is more prevalent in the case of LNA **wine and spirit drinks**. Also, an identified technological improvement that would lead to the expansion of production in LNA **beer** is the development of innovative methods of serving it **on draught**.

- **Growth in consumer acceptance/demand**. As already observed in SQ 7 (see § 3.7) and SQ 9 (see § 3.9), this factor is inextricably linked to technological advances that may lead to the improvement of a product's organoleptic characteristics (particularly taste), thus stimulating growth in consumer demand, as has been the case for LNA beer. This factor would therefore play an important role for the expansion of production **across all product categories**; not only for LNA spirit drinks, AWPs and wine (which, due to low consumer awareness/acceptance, currently record lower market growth rates and/or from a lower base than market growth for LNA beer), but also in the case of LNA beer (as confirmed by many of the interviewed breweries in the case study MSs).
- **Financial considerations.** Such considerations (i.e., the cost of the required investment versus the expected return, ROI) generally play an important role in a producer's decision to start producing rather than the decision to expand production. Nonetheless, in considering the expansion of current production, they are particularly important for those companies that are currently at the experimental stage and/or outsourcing the production of their LNA beverages (wine and spirit drinks sectors); and, for smaller producers.
- **Competitiveness considerations**. Growing competition may also play an important role in driving companies to expand their production of LNA beverages, with a view to remaining competitive and consolidating their presence in this market segment.
- **Regulatory aspects**. Several areas of regulatory (and non-regulatory) initiatives were identified in SQ 9 (see § 3.9) as having the potential to encourage more producers to enter the LNA beverages segment: initiatives to curb alcohol consumption and more generally to improve nutrition and health; nutrition labelling rules. A change in these areas can also play an important role in encouraging current producers of LNA drinks to expand their production.

3.10.3 Summary

The interest of producers who already produce LNA beverages to expand their production in the future depends on the product sector, and is driven by the same considerations that underpin the producers' decision to enter the LNA segment (SQ 9, § 3.9). In the **beer** sector, the **interest is strong** and is driven not only by continuing demand growth but also by technological advances (e.g., allowing improvements in taste across beer types and the availability of LNA beers on draught). In the **spirit drinks** sector many operators are still at an experimental 'test the market' phase, therefore both market entry and expansion strategies are more progressive than in the case of LNA beer. In the **wine/AWPs** sector operators are even more cautious, although there is enthusiasm on the prospects of AWPs in terms of demand growth in some countries (e.g., France).

3.11 Q11: To what extent are producers currently supported by legislation at national level?

3.11.1 Understanding of the question and definition of key terms

Providing an answer to this question essentially implies establishing whether and to what extent LNA beverages are currently regulated at national level.

In this context, this study question is aimed at:

i) Mapping LNA beverages' legislation (including general and specific legislation for wine, beer, spirit drinks, aromatised wine products and other fermented beverages) at national level; and,

ii) Assessing whether producers are currently supported by such legislation.

This being said, the correct framing of this question depends notably on the interpretation that is made of the terms 'legislation' and 'supported by legislation'. Box 3.1 provides the interpretation of such terms that informed the analytical work carried out by the study team.

Box 3.1 – Meaning of 'Legislation' and 'supported by legislation' for the purpose of SQ 11

'Legislation' - For the purposes of SQ 11, the notion of 'legislation' includes the following regulatory sources:

- Laws, decree-laws, regulations and the like as well as other secondary / implementing legal acts proposed and formally adopted by national governing bodies vested with legislative competence;
- Guidance documents and other similar acts of *soft law* that provide authoritative interpretation of specific regulatory issues, developed and issued by NCAs and addressed to, or relevant for, business operators and/or enforcement authorities;
- Case-law; and,
- Self-regulation initiatives, including guidance documents, code of conducts or any equivalent shared approach promoted and/or coordinated by national associations or bodies representing the alcoholic beverages sector.

'Supported by legislation' – Establishing whether producers are 'supported' by national legislation in the area covered by the study cannot merely result in establishing whether or not such legislation exists at national level. There are in fact other elements to be taken into account that should help provide an answer to this question. These include:

- Whether and to what extent national legislation is drafted and interpreted in such a way that it responds effectively to the current needs of producers of LNA beverages in terms of legal certainty, fairness in trading practices and equal conditions of competition in the relevant market, and, if not, what changes would be desirable in the future;
- Whether and to what extent national legislation is drafted and interpreted in such a way that it allows innovation, effectively and to a satisfactory extent, in the market segment represented by LNA beverages, with a view to achieving product differentiation while meeting new or emerging consumer demands, and, if not, what changes would be desirable in the future; and,
- Whether and to what extent national legislation is appropriately applied or enforced- i.e., it allows the prevention and/or early detection of unfair and other illegal business practices and their effective sanctioning – thereby ensuring the desired level-playing field among business operators as well as an adequate level of consumer protection in the market considered.

3.11.2 Analysis

Under this section, a detailed overview of national legislation that was identified through data collection is provided. Such an overview covers:

i) Beverages that are regulated at EU level (notably, wine, spirit drinks and aromatised wine products); and,

ii) Beverages that are <u>not</u> regulated at EU level (namely, beer and other fermented beverages).

Beverages under ii) are analysed in more detail in the context of SQ 18 (see § 3.18), whose focus is the national legislation in place in the various MSs for alcoholic beverages that are currently not subject to EU harmonisation.

<u>Existence of national legislation on LNA beverages</u>

The following paragraphs provide an overview of national legislation relevant to LNA beverages, be of general scope or product-specific.

General legislation - In 6 MSs (namely, **Belgium**, **Czech Republic**, **Denmark**, **Ireland**, **Italy** and **Sweden**), general legislation relevant to LNA beverages is currently in place (Table 3.6). By general legislation, it is meant national legislation that defines LNA beverages, including legislation distinguishing between alcoholic and non-alcoholic beverages.

For instance, Denmark (through national guidance), Ireland and Czech Republic (through national laws) have established that a non-alcoholic beverage is a beverage that does not exceed 0.5% ABV. In Sweden, an alcoholic beverage is defined as a beverage with an alcohol content of more than 2.25% ABV. Finally, Belgium and Italy have defined in their national legislation that a soft drink/non-alcoholic beverage cannot contain more than 5 g of alcohol per litre and 1% ABV, respectively.

Table 3.6 – Existing general national legislation relevant to LNA beverages

MS	***General legislation relevant to LNA beverages***
Belgium	National legislation defines soft drinks as beverages containing ≤5 grams of ethyl alcohol per litre.
Czech Republic	National legislation establishes that a non-alcoholic beverage is a beverage containing no more than 0.5% by volume of ethanol measured at a temperature of 20°C.
Denmark	According to national guidance, the term 'no alcohol/alcohol free' may be used in beverages that do not exceed 0.5% ABV to ensure that consumers are not misled.
Ireland	Irish law considers that all beverages with an alcohol content <0.5% ABV can be defined as 'alcohol-free' products. Although there is no legal definition of low alcohol products in Ireland, state activity in this market suggests that alcohol content <1.2% ABV can be considered to be a low alcohol product.
Italy	National legislation sets for soft drinks a maximum allowed ABV of 1%.
Sweden	Swedish alcohol legislation states that an alcoholic beverage is a beverage with an alcohol content ≥ 2.25% ABV.

Source: desk research and survey of NCAs

Moreover, evidence gathered through national case studies indicates that *ad hoc* definitions of alcoholic beverages may exist at national level. Such definitions are often set out with the objective to ensure the application of sectoral rules, including in the following areas:

- **Advertising** (e.g., in Italy, Ireland and Poland);
- **Taxation** and **pricing** (e.g., in the Netherlands and in Poland); and,
- **Sales and licensing** (e.g., in France and Poland) of alcohol beverages.

Product-specific legislation - Table 3.7 provides the number of MSs that have currently specific legislation in force for the different LNA categories in scope, as well as the number of MSs that intend to adopt specific legislation in the near future.

Of the 25 MSs analysed during the study, to date 7 MSs have not regulated any category of LNA beverages, i.e., **Bulgaria**, **Denmark**, **Estonia**, **Finland**, **Latvia**, **Luxembourg** and **Romania**.

Table 3.7 – MS with specific legislation on LNA beverages and plans for future legislation

Product category	**MS with *ad hoc* legislation**	**MS with plans for future legislation**
LNA wine	6	5*
LNA spirit drinks	1	None
LNA aromatised wine products	1	1
LNA beer	16	3**
Other fermented beverages (cider, perry, mead, etc.)	4	2

** 3 MS are planning to review existing national legislation to ensure alignment with EU legislation.*
*** Amendments of existing national legislation.*
Source: desk research and survey of NCAs

The following paragraphs describe in more detail the relevant national legislation for each LNA category in scope.

Wine - Currently, LNA wine is regulated in 6 MSs, i.e., **Austria**, **Czech Republic**, **Germany**, **Lithuania**, **Portugal** and **Slovenia**, in accordance with the specific definitions provided in Table 3.8. It is important to note that, according to some interviewees, legal definitions may be superseded by Regulation (EU) 2021/2117 amending Regulation (EU) No 1308/2013 (e.g., in Austria).

Overall, all MSs established that a **no alcohol wine** is a wine that contains less than (or equal to in some cases) 0.5% ABV. With regard to **low alcohol wine**, some slight differences can be noted across the MSs analysed. In the case of Austria, Czech Republic and Slovenia, low alcohol wine may contain up to 5% ABV, while in Germany the maximum threshold is 4% ABV.

Portugal is the only MS that has provided a definition of '*partially de-alcoholised wine'*, which is overall in line with that introduced with the 2021 reform of the Common Market Organisation for agricultural products (Regulation (EU) No 1308/2013). National law has defined it as a wine with acquired alcohol content of more than 0.5% vol. and lower than the acquired alcohol strength established for the category of product concerned.

Table 3.8 – Existing national legislation on LNA wine

MS	Alcohol content of no alcohol / de-alcoholised wine	Alcohol content of low alcohol / partially de-alcoholised wine
Austria	«*Entalkoholisierter Wein*» (de-alcoholised wine) ≤ 0.5% ABV	«*Alkoholarmer Wein*» (low alcohol wine > 0.5% and < 5.0% ABV
Czech Republic	«*Odalkoholizované víno*» (de-alcoholised wine) ≤ 0.5% ABV	«*Nízkoalkoholické víno*» (low alcohol wine) > 0.5% and < 5.0% ABV
Germany	«*Alkoholfreier Wein*» (no alcohol wine) < 0.5% ABV	«*Alkoholreduzierter Wein*» (low alcohol wine) ≥ 0.5% and < 4% ABV
Lithuania	«*Nealkoholinis vaisių ir (ar) uogų vynas*» (no alcohol fruit and/or berry wine) < 0.5% ABV	-
Portugal	«*Vinho sem álcool*» (no alcohol wine) ≤ 0.5% ABV	«*Vinho parcialmente desalcoolizado*» (partially de-alcoholised wine) > 0.5% ABV and lower than the acquired alcohol strength established for the category of product concerned.
Slovenia	«*Brezalkoholno vino*» (no alcohol wine) < 0.5% ABV	«*Nizkoalkoholno vino*» (low alcohol wine) ≥0.5% and < 5.0% ABV

Source: desk research and survey of NCAs

Besides specific denominations for LNA wines, certain MSs laid **down specific production and/or labelling requirements.** For instance, in Austria, national law currently prohibits to make reference, on the labels of LNA wines, to wine variety, vintage designations as well as to narrower geographical designations of origin than the State of harvesting of the grapes.

In terms of future legislation, according to feedback gathered from NCAs, **Croatia** and **Slovakia** expect to adopt legislation on LNA wine, while Italy, Slovenia and Germany plan to ensure alignment of national legislation with EU legislation.

Aromatised wine products - Currently, only one MS has regulated this LNA category, notably **Lithuania**. This MS has defined through national legislation that the notion of 'no alcohol fruit and/or berry wine' includes also beverages produced from fruit and/or berry wine preparations not exceeding 0.5% ABV (see the full definition in Table 3.9).

Table 3.9 – Existing national legislation on LNA aromatised wine products

MS	Legislation on LNA aromatised wine products
Lithuania	According to national legislation, «*Nealkoholinis vaisių ir (ar) uogų vynas*» ('no alcohol fruit and/or berry wine')» is a no alcohol beverage produced from fruit and/or berry wine and its preparations, the fermentation of which has been stopped or its ethanol content has been reduced by permitted methods in such a way that the alcohol strength by volume does not exceed 0.5 % vol. According to national legislation, water, sugar and/or their syrups and honey may be added to a fruit and/or berry wine preparation.

Source: desk research and survey of NCAs

Furthermore, in **Croatia** national legislation on LNA aromatised wine products is under development and is expected to be adopted in 2022.

Spirit drinks – Similarly to what observed in relation to aromatised wine products, only one MS has regulated LNA spirit drinks, notably Ireland. Ireland has national guidelines in place that state that terms such as 'low alcohol' or 'no alcohol' should not be used in the labelling or marketing of a gin (Table 3.10).

Table 3.10 – Existing national legislation on LNA spirit drinks

MS	Legislation on LNA spirit drinks
Ireland	According to national guidelines for marketing and labelling of Irish Gin: "*Other marketing terms such as 'low alcohol' products that do not meet the legal definition of gin may not bear the word 'gin' on the label or in the marketing, except for sloe gin and gin liqueurs*."

Source: desk research and survey of NCAs

Beer – Beer is by far the most regulated LNA product category across EU MSs. Currently, 16 MSs – **Austria**, **Belgium**, **Croatia**, **Czech Republic**, **France**, **Germany**, **Greece**, **Hungary**, **Italy**, **Lithuania**, **Netherlands**, **Portugal**, **Slovakia**, **Slovenia**, **Spain** and **Sweden** – have specific legislation in place for LNA beer. In addition to being the most regulated, it is also the LNA category that presents the major differences in legislation between MSs. As mentioned earlier on, a detailed analysis of national legislation on LNA beer is provided in the context of SQ 18.

Other fermented beverages - **Germany**, **Lithuania**, **Poland** and **Spain** have established specific legislation for other fermented beverages. Germany has set specific legislation for wine-like and sparkling wine-like products, Lithuania for mead, Poland for fruit wine and aromatised fruit wine, whereas Spain for cider. Also for this LNA product category, a more detailed analysis of national legislation is provided under SQ 18.

Stakeholders' views about the extent to which national legislation on LNA beverages supports producers of this sector

Almost half of the economic operators consulted through the business stakeholders' survey referred that national legislation supported producers of LNA beverages to a **very low** or **low extent** (n=19 out of 41 respondents). Accordingly, few of them pointed out to the existence of tax barriers for LNA beverages that can undermine the growth of this market segment. These barriers generally result from the application of excise duties to those products by MSs, with EU legislation (notably Directive 92/83/EEC[22]) allowing the application of reduced rates in case of alcoholic beverages with lower alcoholic strength (for instance in the case of beer, still and sparkling wine, etc.).

[22] Council Directive 92/83/EEC of 19 October 1992 on the harmonization of the structures of excise duties on alcohol and alcoholic beverages, OJ L 316, 31.10.1992, p. 21–27.

As a result of different national approaches, the excise tax on LNA beverages:

- is often higher than that applicable to alcoholic beverages (e.g., in Finland); or
- may vary from one country to another, for instance, depending on the sugar content - i.e., the higher the sugar content, the higher the excise tax as currently foreseen by French legislation, which, according to some business stakeholders, would penalise imported beers that are normally higher in sugars than those produced domestically.

Conversely, in few MSs LNA beverages enjoy a **more favourable fiscal treatment**. Based on the information gathered in the relevant national case study, this is the case in the Netherlands where, unlike alcoholic beverages with more than 1.2% ABV, LNA versions are exempted from excise duties, while LNA spirit drinks are subject to reduced VAT rates.

In addition, national case studies singled out examples of national provisions that, to some extent, would be hampering the market development of LNA beverages. For instance, in **Austria** certain business stakeholders who were interviewed do not agree with the current restrictions set by national law that prohibit to indicate specific particulars (e.g., wine variety, vintage designations etc.) on bottles of LNA wines. Notwithstanding that, there are several cases in which business stakeholders interviewed referred to be overall satisfied with:

- Current national legislation on LNA beverages (e.g., LNA beer in Belgium, France and Spain; LNA beer and wine in the Czech Republic; LNA wine in Portugal etc.);
- Specific aspects of national legislation on LNA beverages (e.g., denominations for LNA wines in Austria); or
- The lack of national provisions for certain LNA beverages (e.g., in the case of LNA spirit drinks in France as the regulatory void would allegedly foster innovation in a market segment that is still in its infancy).

Furthermore, over a third of the operators consulted via the business stakeholders' survey consider that **there are shortcomings, loopholes** or **problems** arising from the existing national legislation on LNA beverages (n=16 out of 41 respondents).

One issue raised by a few respondents concerns the regulation of **LNA beer** in the **Netherlands**. According to national legislation, only beers with a maximum ABV of 0.1% are allowed to be marketed as 'no alcohol' ones. This requirement applies only to beers brewed in the Netherlands, while beers produced in other EU MSs do not have to comply with that ABV limit. Allegedly, this would give a competitive advantage to beers brewed in other EU MSs (see more details at § 3.19).

Divergences in alcohol limits set by national legislation for LNA beverages were also singled out during some in-depth interviews at EU level as a trade issue for producers operating in different jurisdictions across the EU. However, evidence collected in various national case studies (e.g., for LNA beer in Czech Republic and Belgium; LNA wine in Austria and Portugal; LNA beer and spirit drinks in Germany; all LNA categories in France, Italy and Spain) indicate that at present divergences in national legislation regulating specific LNA categories **do not constitute major barriers** to the trade of those products within the EU market. For most LNA beverages, one of the justifications provided is that intra-EU trade of these products is still limited and that the principle of mutual recognition is applied correctly at MS level. A specific analysis on LNA beer in this respect is provided under SQ 18 and SQ 19 at § 3.18 and 3.19.

Interviews conducted with stakeholders in the context of national case studies helped identify additional shortcomings, gaps or problems, including the following:

- In **Spain**, national legislation on LNA beer currently does not regulate the conditions for the use of claims such as "*Cero Cero*" or "*0,0*" or equivalent. According to a consumer organisation, at present such claims would be used on all LNA beers indiscriminately, while they should be reserved only to no alcohol beer. A similar situation has been reported in **Germany** where, in accordance with current national practice, no alcohol beer has ≤ 0.5% ABV. In order to avoid any consumer misunderstanding on the residual content of alcohol in the final product, national stakeholders agreed, on a voluntary basis, to label such products with the claim "Alc. < 0.5 % vol." or equivalent formulations. Also, in **France** national legislation on LNA beer provides for a definition of no alcohol beer with a relatively high alcohol threshold (≤ 1.2% ABV), which makes it difficult for economic operators of this market segment to communicate properly to the consumer about beers with no actual alcohol content (for instance, when and how to use the claim "*0,0*");

- In **Ireland**, certain interviewees consider that national legislation regulates LNA beverages in an inconsistent way insofar as there are advertising restrictions in place for these products whilst there are no specific legal limitations for their sale in the on-trade channel;

- In **France**, LNA beverages are not covered at all by national legislation regulating selling licenses for beverages in public places such as cafés and restaurants;

- In **Germany**, some business stakeholders operating in the LNA spirit drinks segment consider that government support for such products as an alternative to their alcoholic counterparts is quite weak at present and should be strengthened in line with EU and national objectives to reduce excessive alcohol consumption.

In general, as regards the marketing of LNA beverages, consumers are protected by Articles 7 and 36 of the FIC Regulation. Among others, the FIC Regulation sets out the general principle whereby the provision of food information must not mislead the consumer about the characteristics of the product, including its production method, or by suggesting that the food possesses special characteristics when, in fact, all similar foods possess such characteristics. However, the absence of EU harmonised rules on the maximum alcohol content allowed in LNA beverages is considered by some consumer groups as potentially confusing and/or misleading, as consumers can find different types of products in the same country.

Furthermore, Article 4(3) of the NHC Regulation prohibits the use of health claims on alcoholic beverages with an ABV >1.2%. As far as nutrition claims are concerned, only those referring to low alcohol content (e.g., light/lite), or reduced alcohol content (at least 30%), or reduced energy content (at least 30%) for beverages containing more than 1.2 % by volume of alcohol are permitted.

In addition, Article 4(4) of the NHC Regulation allows MSs to adopt national legislation as long as there are no specific EU rules regarding nutrition claims referring to low alcohol levels, or the reduction or absence of alcohol or energy in beverages that normally contain alcohol.

Finally, some economic operators who responded to the business stakeholders' survey (n=23 out of 43 respondents, i.e., 53% of the sample analysed) or who were interviewed in the context of national case studies would welcome specific legislation for other LNA product categories (e.g., in the Netherlands for LNA beverages other than beer, in Spain for spirit drinks and aromatised wine products). Overall, this legislation would guarantee that operators of those market segments are subject to the same rules in terms of product definition, composition, presentation and labelling and, therefore, that they compete on a level-playing field.

From the perspective of **NCAs**, almost one third of the authorities consulted through the NCA survey shares the views that national legislation has shortcomings, loopholes or problems (n=7 out of 25 respondents). Justifications provided to substantiate such responses vary from one case to another and include, among others, the lack of specific legislation for no alcohol spirit drinks, and the fact that national legislation does not cover all LNA categories.

The vast majority of stakeholders consulted during the study consider that the **existing national legislation does not significantly constitute a barrier to innovation** for the production of LNA beverages. However, some barriers were identified, such as in the case described above concerning the Netherlands. According to some Dutch stakeholders, for small brewers it is difficult to produce beers with a maximum of 0.1% ABV. Another Italian stakeholder dealing with LNA spirit drinks indicated that the current lack of clear definitions and rules (labelling, distribution, etc.) may impact innovation.

Regarding enforcement, more than half of the NCAs surveyed are of the view that the **existing national legislation is sufficient to carry out proper enforcement** (n=14 out of 25 respondents), although NCAs of some MSs (e.g., Spain, Poland and Denmark) indicated that a harmonised framework at EU level would be necessary. In this respect, national case studies show that, in certain MSs (e.g., Belgium) it would be not the legislation to pose problems but rather its enforcement, mostly owing to the limited resources that are available to NCAs for the purposes of official controls.

Also, a majority of the NCAs surveyed reported that, in general, producers of LNA beverages were compliant with national legislation to a **high** or **very high extent** (n=17 out of 25 respondents). Nonetheless, the NCA survey and national case studies show that some non-compliances are detected from time to time, including the following examples:

- In **France**, there are cases where the term "alcohol-free" is used inappropriately;
- In **Poland**, in the enforcement activities carried out in 2020-2021, irregularities related to the labelling of LNA beverages were detected, including: i) beers declared as "alcohol-free", when Poland has no legislation in this area; and ii) the use of the designation "cider" on a no alcohol product when under Polish law that legal name is reserved to an alcoholic beverage;
- In **Denmark**, some problems were detected with imported beer from non-EU countries that claimed 'alcohol free' with higher content than 0.5% ABV, i.e., above the maximum alcohol content set by Danish national guidance for this product category;
- In **Belgium**, for producers of LNA spirit drinks it is often difficult to ensure full compliance with EU legislation on spirit drinks, given its complexity and in spite of the existence of guidance documents that should facilitate its interpretation and application; and,
- In **Sweden**, some cases were detected where the claim 'no alcohol' appears on the label alongside the alcohol content provided in numbers, which, however small, can be misleading for consumers.

From the perspective of business operators, one fourth of the stakeholders surveyed indicated shortcomings or problems arising from the enforcement of the existing national legislation on LNA beverages. These mainly relate to the lack of national provisions regulating legal names and other aspects of LNA beverages, which, in certain instances, makes the proper categorisation of the product difficult and gives raise to different interpretations even across enforcement authorities of the same MS.

3.11.3 Summary

In general, the most regulated LNA category at MS level is **beer** (16 MSs), followed by wine (6 MSs). On the contrary, **spirit drinks** and **aromatised wine products** are the least regulated categories at national level (only 1 MS in each case). Regarding **other fermented beverages**, 4 MSs have regulated to date different LNA products. National legislation in this area generally provides for ABV-related requirements for specific LNA beverages, whereas additional requirements governing composition and/or labelling are occasionally set out.

At present few MSs are considering the adoption of national legislation on LNA beverages in the near future. In some cases, this results from the need to ensure proper alignment with EU rules (e.g., for LNA wine). In other cases, updates and modernisation of existing legislation is needed (e.g., for LNA beer).

For several business operators and some NCAs, national legislation supports producers of LNA beverages **only to some extent** as there are some shortcomings, loopholes or problems arising from its design and application. Reasons provided vary from one case to another but include differences in how MSs regulate a given LNA product category (e.g., beer), the fact that national legislation does not lay down provisions for all LNA beverages, as well as the lack of specific provisions regulating claims relevant for LNA beverages (e.g., in the case of no alcohol beer). In spite of that, there are other business stakeholders who consider that the current national legislation on LNA beverages or some specific aspects regulated by it fully meet their expectations.

In general, producers of LNA beverages are reported to comply with the legislation applying to them in the different national markets to a large extent. While specific non-compliances are detected occasionally, at this point in time national legislation is considered by most NCAs as **fit for enforcement purposes**.

3.12 Q12: How would more specific legislation in that field influence their planning?

3.12.1 Understanding of the question and definition of key terms

This study question essentially aims at assessing the potential impact that the introduction of more specific legislation regulating LNA beverages might have on producers of such products in the EU. Based on this premise, in order to provide a reply to this study question, from a methodological point of view, consideration was given in particular to the following aspects:

- Whether and to what extent more specific legislation on LNA beverages would be needed at national or EU level; and,

- Whether and to what extent the adoption of more specific national or EU legislation on LNA beverages would impact the business activity and the planning of producers of those beverages.

3.12.2 Analysis

Extent to which more specific legislation on LNA beverages is needed

As far as the need of more specific legislation on LNA beverages is concerned, more than half of the respondents in the business stakeholders' survey (n=23 out of 43 respondents) indicated that such a legislation would be indeed desirable for LNA categories that at present are *not* subject to either national or EU legislation.

In this respect, several respondents singled out **aromatised wine products** as a LNA category that would benefit from the adoption of more specific rules. This finding is overall in line with the views expressed during in-depth interviews at EU level by representatives of the wine sector as well as in interviews with stakeholders in the context of the national case studies (e.g., in France and Spain), where calls for a harmonised legal framework for LNA aromatised wine products at EU level were made. In particular, according to some EU and national stakeholders representing this sector, LNA aromatised wine products should be regulated as products made from wine and not from other products (e.g., water, sugar). These products should not be therefore associated with (LNA) spirit drinks. In addition to the definition of LNA aromatised wine products, some interviewees would favour the introduction of rules allowing the possibility to use wine stabilisation molecules as well as the addition of water and flavourings to such products.

Conversely, only few respondents in the business stakeholders' survey indicated the need to regulate LNA versions of **spirit drinks**, **sparkling wine** or **beer**. Indeed, in the case of **beer**, according to one stakeholder who was interviewed at EU level, there are concerns that further legislation - and notably EU harmonisation - would have a negative impact on the LNA segment, resulting in the disappearance from the market of well-established products and brands at national level, and thus limiting consumers' choice. On the other hand, national case studies show that certain business stakeholders are in favour of EU harmonisation of LNA categories other than aromatised wine products: this is the case, for instance, of LNA spirit drinks in the Netherlands and Germany.

Moreover, a few respondents in the business stakeholders' survey indicated that any future legislation in this field should be adopted at **EU level** - rather than at national level - to ensure full harmonisation of production and labelling practices across the EU market. Some of the in-depth interviews carried out with business stakeholders representing certain alcoholic beverages (e.g., wine) or specific stages of the agri-food chain (e.g., primary production) also confirmed the preference for the development, in the future, of rules on LNA beverages through EU legislation rather than under national law. Finally, according to some stakeholders, any future legislation regulating LNA beverages should ensure that such beverages are subject to the same set of regulatory requirements (e.g., food information, claims etc.) that apply to soft drinks, i.e., the product category with which LNA beverages are more likely to compete directly. Based on the evidence gathered through national case studies, this is in fact what already happens for certain LNA beverages in some MSs (e.g., beer in Germany and all LNA beverages in Poland).

Considering the results of the NCA survey, there does not seem to be consensus across NCAs on the need to introduce further rules for LNA beverages that are currently <u>not</u> regulated at national or EU level.

On the one hand, for a group of respondents (n=10 out of 25 respondents), **spirit drinks** are the LNA category for which specific rules would be needed, followed by **aromatised wine products** and **other fermented beverages** (in both cases, n=6 out of 25). In this respect, a few respondents referred that any regulatory intervention should be carried out at **EU level** to ensure the definition of harmonised rules and the same level of consumer protection across the EU market. On the other hand, for another group of respondents (n=10 out of 25 respondents) at present there would be no need to have further legislation regulating specific typologies of LNA beverages.

With regard to LNA beverages for which either national or EU legislation already exists, almost half of the respondents to the business stakeholders' survey (n=21 out of 43 respondents) indicated that there was no need to lay down further rules for LNA beverages. Amongst the respondents who indicated, instead, that further legal requirements were needed, most of them singled out **wine** as the product for which, following the adoption of specific rules for '*de-alcoholised wine*' and '*partially de-alcoholised wine*' under Regulation (EU) No 1308/2013 (as amended by Regulation (EU) 2021/2117), EU secondary legislation was needed to adjust existing production and marketing rules for wine to the LNA versions of this beverage (for instance, oenological practices and labelling).

Conversely, for around half of the respondents to the NCA survey (n=12 out 25 of respondents), the definition of further legal requirements would be to some extent desirable for LNA beverages that are already regulated at EU or national level. Issues that could be addressed by additional rules vary to a great extent across the responses provided and include:

- The definition of oenological practices in the case of LNA wine;
- The application of all rules established at EU level for LNA wines also to wines protected as PDO/PGI;

- Authorised practices for the extraction of alcohol; and
- An EU horizontal definition of 'alcoholic beverage' for quality and labelling purposes. According to a consulted NCA, a definition of 'alcoholic beverage', ' no alcoholic beverage' and 'low alcoholic beverage' should be laid down in the FIC Regulation in order to better protect consumers.

Questioned over the benefits that the adoption of more specific legislation on LNA beverages may bring, most respondents in the business stakeholders' survey (n=27 out of 43 respondents) indicated that such legislation may guarantee **greater legal certainty** as well as **fairer conditions of competition** in the EU market for all concerned business operators. Similar results are expected by respondents also in terms of the **level of consumer protection** guaranteed, which would be higher than it is currently the case (n=24 out of 43 respondents).

According to some respondents, such benefits would be apparent, in particular, in the case of the **wine** and **aromatised wine products sectors**: as such sectors mostly consist of small and medium-sized companies, the latter normally need a clear legal framework to be able to operate and explore the opportunities offered by the current LNA market.

Interviews with representatives of the **spirit drinks sector** at EU level also pointed out to the need of a clearer regulatory environment as a starting point for the development of the LNA segment, and as long as the protection provided by EU law to names reserved to traditional spirit drinks is ensured. This is particularly true for **specific labelling aspects** of LNA spirit drinks, including sales denominations, other descriptors, claims and, more in general, information that can be conveyed to final consumers, which, being an unchartered territory, have proved to be particularly challenging for producers of those new beverages. This is also one the main reasons why the European spirit drinks sector has recently developed industry guidelines in this area.

Conversely, a majority of respondents in the business stakeholders' survey indicated that no significant benefits should be expected from the introduction of further legislation on LNA beverages in terms of **international trade** and **innovation** (respectively, n=23 and n=22 out of 43 respondents). In-depth interviews conducted at EU and national level confirmed in part this finding to the extent that in certain sectors:

- The regulation of certain aspects of LNA beverages is regarded as a potential barrier to innovation (e.g., production techniques of LNA spirit drinks); and,

- LNA beverages offer market opportunities that, allegedly, only large operators would be in the position to seize, owing to the investments generally needed to implement relevant processing techniques (e.g., for beer in France).

Conversely, national case studies showed that, in some MSs (e.g., France, Spain), certain business stakeholders consider that regulating LNA beverages may generate export opportunities for businesses operating in this segment, both within and outside the EU.

Likewise, from the perspective of NCAs, the survey findings show that the most significant benefits that could derive from the introduction of more specific rules on LNA beverages would be, in order of importance, **fairer conditions of competition** on the EU market, **greater legal certainty** and a **higher level of consumer protection**.

Extent to which more specific legislation on LNA beverages might impact current business activities and future planning of concerned producers

Considering the **business impacts** that the introduction of more targeted EU or national legislation on LNA beverages may have, most respondents in the business stakeholders' survey (n=27 out of 39 respondents) indicated that their **current business activities** would be impacted either to a **high extent** or to a **very high extent**. Justifications provided to substantiate such responses vary from one case to another and include, among others, the need to reformulate products and labels as a result of the new rules that might be introduced and, in the case of spirit drinks, the fact that the sector has recently embarked in a self-regulation process for regulating LNA versions of such products. Similar views were voiced during in-depth interviews by the representatives of the different alcoholic beverages sectors at EU level (especially beer and spirit drinks).

In addition, survey results concerning the impacts that more specific legislation on LNA beverages might have on the **business planning** activities of the concerned producers are, overall, similar to those just described above, insofar as most respondents (n=25 out of 39 respondents) indicated that these might be either **high** or **very high**.

From the perspective of **NCAs**, the relevant survey showed, likewise, that, according to a slight majority of respondents (n=13 out 24 respondents), more targeted legislation for LNA beverages would have either a **high** or **very high impact** on current business activities and planning of concerned producers. For some respondents, the impacts are expected to be mainly **negative**, notably involving **costs deriving from product reformulation and changes in labels** to ensure compliance with applicable rules. However, for other respondents, impacts are expected to be largely **positive** to the extent that a more specific regulatory framework will ensure **increased quality of LNA beverages** to the advantage of producers and consumers alike, besides boosting innovation and creating new market opportunities.

Lastly, there seems to be no consensus across the NCAs surveyed on the impact that more specific legislation would have on their **enforcement activities**. For half of the respondents surveyed, the impact would be **high** or **very high**, taking into account all the preparatory work - e.g., national transposition in case new rules are enshrined in a EU directive; integration of LNA beverages into risk analysis and control procedures; training of staff; development of guidance documents; etc. - needed to plan and perform adequately official controls on such products, and the costs associated with such activities. Conversely, one third of the NCAs that took part in the survey predict the impact of more targeted legislation on LNA beverages on enforcement to be **low**. In this respect, some respondents considered that, even if such legislation may generate further administrative work for the NCAs of the different MSs, official control activities will be carried out in a proportionate way to the presence of LNA beverages on the market, which is at present rather limited.

3.12.3 Summary

Stakeholders' views on the need for further legislation on LNA beverages vary to a certain degree. For LNA beverages that are currently *not* regulated at EU level, overall, business stakeholders consider that LNA **aromatised wine products** should be regulated as a priority category in terms of definitions and technical aspects (e.g., addition of water and flavourings) and as products primarily made from wine rather than from other ingredients (e.g., water, sugar). Conversely, several NCAs seem to attach more importance to **spirit drinks** as a LNA category that would deserve specific legislation. In spite of these different views, generally the consulted stakeholders share the view that any future regulation should take place **at EU level** – rather than at national level - to ensure the proper functioning of the EU market.

Conversely, amongst LNA beverages that are already regulated, **wine** stands out as the product category for which additional legislation is needed to ensure proper implementation of the EU rules introduced by the 2021 reform of the Common Market Organisation, including the definition of oenological practices for LNA wine and the application of EU rules to wine protected as PDO or PGI.

Overall, stakeholders agree that further legislation on LNA beverages may bring valuable benefits for both economic operators (e.g., legal certainty, same conditions of competition) and consumers (e.g., higher level of protection). Conversely, only some business stakeholders consider that the introduction of additional legislation on LNA beverages might foster innovation in this market segment, or boost international trade of such products.

Finally, most business stakeholders and some NCAs consider that the **impact** of new legislation on LNA beverages is likely to be significant for the current and future activities of the concerned producers to the extent that it may require product reformulation and changes in labels, including in sectors where self-regulation has recently been introduced (namely, spirit drinks). However, for some NCAs, impacts caused by new legislation on producers of LNA beverages will not be all necessarily negative, business-wise, insofar as such legislation might contribute to improving the quality of those products and, ultimately, to the consolidation of this market segment.

Finally, there seems to be no agreement between the NCAs of the different MSs that were consulted during the study with regard to the impact that new legislation on LNA beverages may have on their **enforcement activities**. In this respect, while some NCAs consider that the related impact will be high or even very high in light of the preparatory work that will have to be carried out, for other authorities the organisation and the performance of official controls on LNA beverages will be overall quite limited taking into account the market size that those beverages have today and may develop in the future.

3.13 Q13: What production techniques are currently used?

3.13.1 Understanding of the question and definition of key terms

SQ 13 is the first in a series of three study questions (13 to 15) dealing with different aspects of the production process for low/no alcohol beverages. The focus of SQ 13 is on the "**techniques currently used**" in the EU for the production of low/no alcohol beverages. A **wide range of techniques** are used to produce low/no alcohol beverages, and these **differ among the four main product categories** considered in the study (i.e., wine, AWPs, spirit drinks, beer). A brief overview of the production process for the different product categories is provided below.

Fundamentally, low/no alcohol beverages are produced by following **one of two approaches**:

1. One approach uses the **same process as that followed for the reference alcohol beverage**. In fact, at least up to a certain point, i.e., as a first step, the recipe formulation/process used for the production of the LNA beverage is the same as that of the reference alcohol beverage. Then, in a second step, the alcohol needs to be removed. Although the concept of **dealcoholisation** is *a priori* the same across all product categories, there are numerous different techniques that can be used to remove the alcohol.
2. Another approach involves **techniques that use completely new recipes that do not produce/contain** any **alcohol** (or, produce/contain very little alcohol). In this case, the recipe formulation/process differs from that used for the production of the reference alcohol beverage from the start of the LNA beverage production process.

Production techniques for the various low/no alcohol beverage categories therefore present some differences. Furthermore, both the technological processes and ingredients have evolved substantially over time.[23] These processes can be completed by using various techniques and/or ingredients, and the methods chosen have implications in terms of cost and quality of the end product. The purpose here is not to make an exhaustive report of all methods used, but to **identify the main methods currently used and their relative advantages and disadvantages**.

[23] A review of the evolution in the techniques used for the production of LNA beverages over time is provided, e.g., in: Mangindaan D. et al (2018); Castro-Muñoz R. (2020).

3.13.2 Analysis

Production techniques currently used for each product group (wine, spirit drinks, beer)

Based on the evidence collected for the study (in particular, the feedback from industry stakeholders and literature review), an inventory presenting a synthetic overview of the production techniques currently used is provided in Table 3.11 per product sector.

Table 3.11 – Inventory of techniques currently used for the production of low/no alcohol beverages

<table>
<tr><th></th><th>Low alcohol</th><th>No alcohol</th></tr>
<tr><td rowspan="3">Wine</td><td colspan="2">dealcoholisation via distillation (vacuum method)</td></tr>
<tr><td colspan="2">dealcoholisation via membrane techniques (e.g., reverse osmosis)</td></tr>
<tr><td></td><td>use of de-alcoholised grape must</td></tr>
<tr><td>AWP</td><td colspan="2">use of (partially) de-alcoholised wine</td></tr>
<tr><td rowspan="3">Spirit drinks</td><td>dilution of a spirit drink with water</td><td>extraction of alcohol from a spirit drink (dealcoholisation)</td></tr>
<tr><td>distillation of botanicals with low use/production of alcohol</td><td>distillation of botanicals without use/production of alcohol/maceration</td></tr>
<tr><td></td><td>other: new recipes/ingredients imitating the characteristics of the reference alcohol product</td></tr>
<tr><td rowspan="4">Beer</td><td colspan="2">dealcoholisation via membrane techniques (reverse osmosis)</td></tr>
<tr><td colspan="2">dealcoholisation via other methods (thermal techniques; dialysis)</td></tr>
<tr><td colspan="2">controlled fermentation</td></tr>
<tr><td colspan="2">other: e.g., use of specific yeast strains</td></tr>
</table>

not common | very/fairly common

Source: elaboration based on information collected from literature review and industry stakeholders

A brief description is provided below, per product sector, of the main techniques used and their key characteristics, including technological, quality/sensory, economic, regulatory aspects and other considerations, with a view to highlighting the advantages/strengths and disadvantages/weaknesses of each technique.

Wine

The main techniques currently used to produce low/no alcohol wine essentially involve a choice between dealcoholisation via (vacuum) distillation[24] versus dealcoholisation via membrane technologies. Of these:

- **Vacuum distillation** is the technique that has been most used by wine producers. Its main advantage is that it is cost-effective and does not require significant investment in the installation of new equipment or its maintenance. However, operating energy costs can be considerable. The technique's main weakness is the quality of the final product in terms of organoleptic characteristics, as the distillation through heating and evaporation implies the loss of sensorial and organoleptic compounds, in particular aroma (although not

[24] Distillation via the **spinning cone column** method is less common, due mainly to cost; the reasons are explored below.

necessarily colour).[25] There is, however, depending on the equipment manufacturer, an option to separate the aromas from the alcohol to reincorporate them into the de-alcoholised product.

- **Membrane technologies,** including reverse osmosis, are generally less efficient than vacuum distillation and also present considerable challenges from a product quality/organoleptic perspective as well as from a technical point of view. A notable technical challenge is the so-called membrane fouling[26] which results *inter alia* in the relatively short lifespan of the membrane. On the positive side, there is a range of membrane technologies that can be used, including reverse osmosis, but also nanofiltration, dialysis, osmotic distillation, and pervaporation, and there is a growing body of research into all these techniques. As a result, the various methods are increasingly being refined and are becoming more mainstream. Thus, moving forward, **membrane methods present more promising prospects than thermal (vacuum) distillation in terms both of organoleptic advantages and cost efficiencies**, particularly as they allow easy scaling up of production. For example, literature suggests that wines de-alcoholised via reverse osmosis achieve higher acceptance by consumer panels than wines de-alcoholised via vacuum distillation;[27] it is though noted that this depends on many factors and the literature is not entirely conclusive. Other advantages of reverse osmosis identified in literature[28] is that it requires less energy than the thermal distillation process (unless the membrane fouling problem occurs) and that the feed wine or beverage can be processed at low temperatures (thus better preserving volatile compounds); additionally, the reverse osmosis process is considered a “clean” technology as it allows the recovery and subsequent use of the ethanol obtained during the dealcoholisation process. Several studies have been conducted into the technical challenges of membrane technologies, in particular the problem of membrane fouling, in order to better understand and to control this problem.[29]

AWPs

Low/no alcohol AWPs follow the same dealcoholisation process as wine, but producers have somewhat wider room for manoeuvre to address *ex-post* some drawbacks of dealcoholisation techniques, as aromas can be added back in (this process would normally be also followed for the alcoholic reference beverage). The **vacuum distillation** process tends to be used, rather than membrane techniques which, to date, according to the industry, do not provide a satisfactory solution in terms of quality/organoleptic characteristics for AWPs.

[25] As also suggested by literature, e.g., Sam, F.E. et al (2021a); Castro-Muñoz (2020); Motta S. et al (2017).

[26] Membrane fouling is the accumulation of substances on the membrane surface and/or within the membrane pores, which results in deterioration of membrane performance.

[27] Higher consumer acceptance is documented in Sam, F.E. et al (2021 and 2021a). The potential advantages of membrane techniques over conventional techniques are also documented in: El Rayess Y. and Mietton-Peuchot M. (2016); Ivić, I. et al (2022); Motta S. et al (2017).

[28] E.g., Sam, F.E. et al (2021).

[29] As documented in, e.g., El Rayess Y. and Mietton-Peuchot M. (2016).

Spirit drinks

According to industry feedback,[30] low/no alcohol beverages emulating spirit drinks can be produced in any of the following ways:

- Through **dilution** to reach a maximum ABV that is lower than the minimum required for the concerned spirit drink category.
- Through **extraction** to reach a maximum ABV that is lower than the minimum required for the concerned spirit drink category.
- Through **a recipe** aimed at producing a beverage **with lower alcohol content** than the minimum required for the concerned spirit drink category.
- Through **distillation of botanicals without production of any alcohol**.

The goal of all techniques is to reach the organoleptic characteristics (taste/aroma) that match as closely as possible those of the reference alcohol beverage. Although it is not possible to emulate the complexity of taste of an aged spirit drink with any of these techniques, interesting results can be reached by combining different elements (ingredients, technical solutions), which is supplemented by building an effective brand storytelling and marketing solutions.

In practice, the main techniques currently used to produce low/no alcohol spirit drinks involve **distillation of a non-alcoholic base/maceration of botanicals** in liquids other than alcohol or **dilution with water of standard spirit drinks**. It is also possible to use a combination of both these techniques.

Beer

There are many different ways to produce low/no alcohol beer, but the main production techniques can be classified in two broad categories:

- **Physical** methods that involve the **removal of alcohol** from fermented beer (dealcoholisation) through distillation, either by thermal methods (notably vacuum evaporation) or membrane methods (notably reverse osmosis); and,
- **Biological** methods that **restrict alcohol formation** by preventing/interrupting the fermentation process.

It is also possible to use a combination of the aforementioned techniques.

All processes affect organoleptic characteristics to varying extents, in particular taste. Generally, the lower the alcohol content level, the higher the impact; implementing the processes becomes particularly challenging for beer with an alcohol content ≤0.5% ABV.

Interrupted fermentation carries a relatively lower operating cost and less requirements for investing in new technology when compared to other methods. Notably, it allows the use of the same equipment through the appropriate adaptation of a beer plant already in operation.[31] Hence, this method was once widely used to produce low/no alcohol beers by using techniques based on temperature. However, these techniques are generally no longer able to offer products with competitive organoleptic characteristics compared to products produced through dealcoholisation, due to technological advances in the latter, particularly in the use of membrane technologies.[32]

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[30] As regards production techniques for low and no alcohol spirit drinks, interviewed industry stakeholders mostly referred to the recent spiritsEUROPE guidelines published in April 2022: https://spirits.eu/upload/files/publications/guidance%20document%20on%20low%20and%20no%20-%20high%20resolution.pdf . These guidelines refer specifically to ABV thresholds ≤0.5% ('non-alcoholic' or 'alcohol-free' products) and >0.5% / ≤1.2% ('low-alcohol' or 'low-alcoholic' products), but the definition here is extended to all products with ABV content lower than the minimum required by EU legislation for the concerned spirit drink category, to reflect the fuller range of products currently available on the market.

[31] E.g., Muller C. et al (2020).

[32] The improvement of methods for the production of low and no alcohol beer to achieve the desired organoleptic characteristics is explored in an extensive body of literature, including: Blanco C. A. et al (2016); Catarino, M. et al (2007); Ambrosi A.et al (2014); Muller C. et al (2020); Jackowski M. and Trusek A. (2018);

More recently, advances have been made in limiting the fermentation process through the use of other biological methods, notably the use of specific yeast strains for the limitation of fermentable sugars. Although such methods do not require additional specialist equipment, they require know-how to avoid organoleptic shortcomings, as well as research into the yeast strains, which is also subject to IPR restrictions. Thus, in the last few years there have been major breakthroughs in overcoming the organoleptic weaknesses of biological methods and in allowing alcohol content at ≤0.5% ABV or close to 0.0% ABV.[33]

Importance in uptake and reasons for the uptake of each production technique for each product group (wine, spirit drinks, beer)

The importance in the uptake of each production technique is already highlighted in Table 3.11 above, where the techniques most commonly used versus those not commonly used were identified. The following observations can be made:

- Overall, the **main production techniques** currently used for the production of LNA beverages are **common across the products** covered by the study. These range from physical methods involving either dealcoholisation or dilution with water of the reference alcohol beverage, to biological methods that prevent/interrupt the production of alcohol. Nonetheless, there are many variants of the main production techniques in each product category.
- **Dealcoholisation** of the reference alcohol product **plays an important role across all product categories.**
- The **importance of the main production techniques** used within each product category is **similar between low and no alcohol products** of that category; **except in the case of spirit drinks**, where techniques used for the production of low alcohol products differ from those used for the production of no alcohol products.
- **Several techniques are identified to be equally important**, i.e., commonly used **in each product sector (wine, spirit drinks, beer)**.

It is noted that operators, in particular those in the spirit drinks and beer sector, generally consider the exact method used to be commercially sensitive. This adds to the complexity of identifying the uptake of the main production methods, for which even the associations representing operators in each sector do not have information.

The reasons for the uptake of each production technique can be traced back to the advantages/strengths and disadvantages/weaknesses of each technique, as identified above – i.e., they include technological, quality/sensory, economic, regulatory aspects and other considerations. The main reasons most commonly identified by companies that responded to the business survey include, in descending order of importance: the product's organoleptic characteristics/quality; technical constraints (e.g., ensuring product preservation); cost; and, regulatory constraints. A closer examination of the identified reasons was made during the interviews and case studies, which clarified further the relative importance of each reason. Based on this more detailed feedback from the industry, the following observations can be made for each product category.

Wine

The consulted stakeholders in the wine industry confirmed that, currently, the main considerations shaping the choice of production method are the need to achieve the expected **organoleptic** characteristics versus **technological constraints** and **cost**. The cost of each technique can vary considerably, depending on the range of additional options that can be integrated in each technology and the level of sophistication. For

Brányik T. et al (2012); Salantă L. C. et al (2020); De Francesco G. et al (2014); Gernat D. C. et al (2020); Prestes Alves K. M. et al (2019); Nikulin J. et al (2021).

[33] The use of strains is increasingly explored by scientists, e.g., Nikulin J. et al (2021); Muller C. et al (2020); Pilarski D.W. and Gerogiorgis D.I. (2020).

example, the separation of aromas during the dealcoholisation of wine through vacuum distillation is an add-on option, but confers important advantages in terms of maintaining essential organoleptic characteristics in the final product. As these considerations are interrelated, the choice of the technology mainly depends on the individual circumstances (including product qualities, i.e., the base wine to be de-alcoholised and the intended level of alcohol reduction) and financial capacity of each operator. For example:

- In France, the consulted wine operators have identified vacuum distillation to offer advantages over the use of reverse osmosis, despite being up to ten times more expensive (cost difference will depend on the options used and level of sophistication). The advantages include: being more efficient in alcohol reduction and able to reach a low level of alcohol or even a fully de-alcoholised product (up to 0.02% ABV); and, depending on the technology, allowing the separation and recovery of aromas which can then be reintroduced in the de-alcoholised product, thus ensuring an improved taste quality. On the other hand, reverse osmosis is identified as being less expensive and more efficient, thus more preferred, for smaller alcohol content adjustments (e.g., reducing the alcohol content by 1% to 4% ABV).
- Distillation via the spinning cone column method is overall identified as being less frequently used, mainly due to the high cost of the equipment required for this method and alcohol losses.[34] Nonetheless, it can be important in some cases. For example, it was identified as the main method used by the single operator producing de-alcoholised wine in Portugal.
- For more limited quantities of production, cost and know-how considerations are also important factors underlying the operators' decision to outsource. For example, in Austria there are currently no plants for the dealcoholisation of wine because the throughput is expected to be too low to justify the investment. This factor is also considered to pose an important challenge to the entry of more winemakers to the low/no alcohol sector in France.

It is noted that there are many advances in the technologies currently used for the dealcoholisation of wine, especially in the use of membrane technologies (all methods, including the reverse osmosis method). The fact that the technology is advancing, and that the choice of the production method depends on the operator's individual circumstances, makes it impossible to draw definitive and conclusive observations on which method is mostly preferred by drawing on the relative advantages and disadvantages of each of the main production techniques currently used (i.e., vacuum distillation versus reverse osmosis).

In addition, the wine industry highlighted that producers of low/no alcohol wines face strict **regulatory constraints**, since techniques must be authorised by OIV and by EU legislation for wine. The OIV adopted oenological practices for dealcoholisation 15 years ago. Thus, new technological approaches cannot be used unless authorised at international (OIV) and EU level, and unless the product falls outside of the wine category. This constraint can be avoided only by marketing the product not as wine but as a "*beverage made from wine*".

AWPs

According to the consulted stakeholders, the reasons for the choice of the production method are similar to wine, given that de-alcoholised wine is the base product. The main consideration is the product's **organoleptic quality**, for which the most preferred dealcoholisation method is vacuum distillation.

[34] A major disadvantage of the spinning cone column technology, over the vacuum technology, is that it incurs more significant losses (of the order of 30%) in the extraction of alcohol; this level of losses was reported in the case study in France.

As in the case of wine, **regulatory constraints** – the oenological practices permitted by OIV and EU rules - also impact on the possible techniques for producing LNA AWPs.

Spirit drinks

According to the consulted stakeholders, operators currently use a range of the various techniques listed above, and there is no clear evidence on a preferred technique. Ultimately, the choice of the production method depends on individual circumstances and product specificities, as well as the profile of each operator (in particular, whether already active in the alcohol beverages sector or a start-up). In both cases, there is **extensive practical experimentation with the various techniques and even combinations of techniques**, and it is difficult to identify strengths and weaknesses of each, or to determine which technique prevails. The industry largely considers the information on the use of the techniques to be confidential. Also, literature on the production specifically of low/no alcohol spirit drinks is scarce and does not allow a comprehensive overview on the characteristics of the various techniques to determine their relative strengths and weaknesses.

Clearly **a key factor for the uptake of a production technique is cost**. Another key determinant factor is know-how to develop the method required to produce a product that has high-profile **organoleptic** characteristics, i.e., reaching the desired quality that is as close as possible to the reference alcohol product. The importance of taste is also reflected in the fact that, to date, the main product development with low/no alcohol beverages are those emulating gin (and, to a lesser extent, rum). On this basis:

- Dealcoholisation is extremely costly, as also highlighted by the processes followed in the wine and beer sector. Hence, this method is not really used for the production of low/no alcohol spirit drinks (e.g., the use of this method to maintain the taste and ingredients as close as possible to the reference product was reported in the case study on Germany).
- According to operators using distillation techniques (e.g., distillation of a non-alcoholic base/maceration of botanicals), this method requires existing know-how and a relatively large experimental phase. Those using distillation methods therefore consider that there is unfair competition on the market from products that are not distilled, but simply involve the addition of aromas, which is believed to be a widely applied technique for the production of low/no alcohol spirit drinks due to lower cost (e.g., in Belgium and Germany).
- Dilution with water as a method for the production of low alcohol spirit drinks is preferred by operators with existing lines of spirit drinks. This method is particularly applied in the case of gin, but it is difficult to achieve an acceptable taste at ≤1.2% ABV (i.e., a taste that is relatively close to the alcohol beverage of reference).

There are further specificities in production techniques for certain low/no alcohol spirit drinks. For example, a distinction is made between distillates and liqueurs, due to the different production methods used in each case, both for the reference alcohol beverage and for the low/no alcohol variant. While the spirit drinks market worldwide is dominated by distillates, in Italy and other MSs liqueurs and bitters are also quite important, with products linked to historic brands and traditional recipes following specific production techniques.

In view of the current experimental phase in the production of low/no alcohol spirit drinks and the fast-paced evolution of production techniques, sectoral stakeholders encourage an open approach for the production of these beverages at this stage of market development.

Beer

The consulted stakeholders in the beer industry confirmed that the main considerations for the choice of method are the need to achieve the desired organoleptic characteristics versus technological constraints and cost. The **prevailing consideration** in the case of beer is clearly **quality/sensory features**: the challenge of maintaining taste in beer containing <0.5% ABV is a particularly important consideration. The cost of the technology is a secondary consideration for the uptake of one technology over another. Ultimately, the choice of the technology depends on the individual circumstances (including product specificities, considering the extensive range of beer types across Europe) and financial capacity of each operator.

The dealcoholisation of fermented beer is currently the preferred approach over interrupted fermentation, despite the fact that dealcoholisation requires additional equipment and carries higher operating costs (which vary depending on the method used for the extraction). As in the case of wine, the dealcoholisation of beer through thermal methods (vacuum evaporation) incurs high initial investment, maintenance and operating (energy) costs, which makes it more expensive than dealcoholisation through membrane techniques (reverse osmosis). However, dealcoholisation methods generally offer a more competitive organoleptic result, in particular taste, when compared to interrupted fermentation. It is noted that this is not always the case; beers that are produced using interrupted fermentation tend to have a sweet taste due to the large amount of residual sugar which would otherwise be turned into alcohol. This process is therefore ideal for low/no alcohol wheat beers which aim to taste fruity and sweet.

Brewers have paid increasing attention in recent years to alternative approaches involving the use of special yeasts to control the fermentation process. This approach offers promising prospects (backed up by literature) in terms of organoleptic characteristics and costs. According to industry feedback, the larger brewers who first launched low/no alcohol beer on the market would have extracted alcohol, so the use of dealcoholisation techniques may still be widespread amongst longer standing operators. However, newer alternative techniques are now becoming more common and are used by both large and small breweries (e.g., in: Belgium; Czech Republic; Germany) as there is no need for investment into specialised equipment. Broadly, the costs of the investment required for using dealcoholisation methods can run into several hundred thousand Euros, when in comparison, a couple of thousand Euros can suffice for the use of specialist yeasts. However, for the moment, the use of specialist yeasts has some shortcomings including product stability, which affects shelf life. It is also hard to make the beer available in draught, as it is more susceptible to infections caused by micro-organisms due to the non-fermented sugar (these infections do not affect product safety, but they may spoil beer appearance, odour or taste).

It is noted that there are also mixed forms of interrupted fermentation and alcohol removal processes. For example, one of the largest private breweries in Germany uses a newly developed approach that combines both processes.

Regulatory constraints are not important in the case of beer. However, it is noted that some processes and yeasts, but not all, are covered by IPR rights/patents. There are also examples where larger producers may share know-how with smaller brewers, although generally they would not share knowledge with their large competitors. The brewing sector has a track record in sharing knowledge through the European Brewery Convention (EBC):[35] for example, the EBC leads the organisation of brewers' fora/symposia and these provide opportunities to share expert information and know-how on these techniques. The latest forum, on the occasion of the 75th anniversary of the EBC, took place on 1st June 2022 in Madrid and included, *inter alia*, sessions covering no-alcohol beer. It is noted that the EBC, which develops analytical laboratory reference

[35] The EBC, which is the scientific and technological arm of The Brewers of Europe, is an organisation representing the technical and scientific interests of the brewing sector in Europe. The EBC congress, which takes place every two years, is recognised globally as a significant meeting event for the world's brewing, malting and beer fermentation scientists and technologists. Furthermore, the EBC Brewing Science Group, which is a network of brewing scientists from breweries and academic research institutes, organises a technical meeting every two years where members have the opportunity of presenting their latest findings within an atmosphere of collegiality and confidentiality.

methods for the malting and brewing industry, has established methods on the determination of ethanol concentrations in low/no alcohol beers.[36]

3.13.3 Summary

Across all product sectors (wine; spirit drinks; beer), the main approaches for the production of low/no alcohol beverages involve either the removal of alcohol from the fermented alcohol beverage, or techniques that produce/contain reduced amounts of alcohol. There are numerous different techniques that can be used in either approach, while know-how and the technologies are also evolving. The main considerations shaping the choice of production method are the need to achieve the expected organoleptic characteristics versus technological constraints and cost; the choice of the preferred technique depends on the product sector as well as the individual circumstances (including product qualities/specificities) and financial capacity of each operator. Regulatory constraints also play a role in the choice of the specific technique for wine/AWPs, as techniques must be authorised by OIV and by EU legislation. Combinations in the techniques used are also possible, particularly for spirit drinks - where there is extensive practical experimentation with the various techniques - and beer.

Although no definitive conclusions can be drawn on the uptake of each technique, the **main methods currently used** per product sector are as follows:

- **Wine/AWPs**: dealcoholisation via (vacuum) distillation; dealcoholisation via membrane technologies (including reverse osmosis).
- **Spirit drinks**: distillation of a non-alcoholic base/maceration of botanicals in liquids other than alcohol; dilution with water of standard spirit drinks.
- **Beer**: (dealcoholisation) through distillation, either by thermal methods (notably vacuum evaporation) or membrane methods (notably reverse osmosis); preventing/interrupting the fermentation process, for which the use of specific yeast strains presents particularly promising prospects.

3.14 Q14: What are the market outlets for extracted alcohol when the beverage is produced by dealcoholisation? Is there a need for legislative provisions in this respect?

3.14.1 Understanding of the question and definition of key terms

SQ 14 is examining the **market outlets for extracted alcohol** and the **legal framework applicable to the extracted alcohol**. Alcohol is extracted as a by-product of the dealcoholisation process; SQ 14 therefore covers a sub-set of the total production of low/no alcohol beverages, obtained specifically through the **dealcoholisation process.**

Ethyl alcohol can be produced either industrially, or from a range of agricultural raw materials (such as cereals, sugar beet, molasses, potatoes, fruit and wine), for which it provides an important outlet. The processing of certain raw materials into ethyl alcohol is an important economic outlet for certain agricultural regions and areas. In the specific context of the study, the ethanol removed through the dealcoholisation process could be used in the manufacturing of other products.

[36] EBC (2014): *Ethanol in alcohol free and low alcohol beers by Gas Liquid Chromatography*. The method can be applied to low/no alcohol beers containing a maximum of 0.12% ABV. Beers with higher ABV levels can be analysed provided they are diluted to bring them within the specified range. https://doi.org/10.1002/jib.146.

With a view to the identification and characterisation of the **market outlets for the extracted alcohol**, it is important to consider technical and regulatory constraints affecting its potential use:

- **Regulatory constraints:** alcohol extracted from beer is not legally defined as 'ethyl alcohol of agricultural origin' and may thus not be used in the production of any alcoholic beverages; contrary to alcohol extracted from wine through distillation, which is defined as 'ethyl alcohol of agricultural origin' and may therefore be used in the preparation, e.g., of spirit drinks and AWPs.
- **Technical constraints:** such constraints may relate to the particular technique followed during the dealcoholisation process, which may affect the quality of extracted alcohol, and hence its potential to be marketed for different end uses.

3.14.2 Analysis

Market outlets currently used specifically for extracted alcohol: importance of market outlets and reasons why they are being used by producers of each product group (wine, spirit drinks, beer)

Based on the evidence collected for the study, a synthetic overview of the main market outlets currently used for the alcohol extracted from the dealcoholisation process, when this method is used for the production of LNA beverages, is provided in Table 3.12 per product sector. This evidence draws in particular on the feedback from industry stakeholders collected during the case studies and interviews, as the survey of business operators did not provide clear indications in this respect[37]. The large number of 'do not know' responses by survey respondents may reflect the fact that in many cases (as identified during the case studies) alcohol extraction and/or the use of alcohol is contracted out by the producers of LNA beverages, who then have little knowledge or control of the market outlets for the extracted alcohol.

Table 3.12 – Main market outlets for the alcohol extracted during the dealcoholisation process of the various categories of LNA beverages

Alcohol extracted from dealcoholisation of:	Market outlets for the extracted alcohol:
Wine	Alcohol beverages: mainly spirit drinks and fortified wines, e.g., brandies (high value market).
AWPs	*LNA AWPs produced with de-alcoholised wine ➔ see above: wine.* *Overall, low/negligible volume of alcohol extraction generated by LNA AWPs due to low volumes of production of LNA AWPs.*
Spirit drinks	*Low/negligible volume of alcohol extraction due to low use of dealcoholisation in the production of LNA spirit drinks.*
Beer	Detergents; cosmetics; pharmaceuticals; bioethanol/energy. No information on the current use (% share) of the main market outlets. The alcohol gels and disinfectants sector has been an important, unexpected outlet during the Covid-19 pandemic. Most market outlets restricted in Germany until end of 2017.

Source: case studies and interviews

[37] Due to the large number of 'do not know' responses provided by the industry respondents to the survey questions relating to the use of extracted alcohol, no robust conclusions can be drawn from the survey on these aspects.

The following observations can be drawn from this evidence:

- Identifying market outlets for the alcohol extracted through the dealcoholisation process is mostly **relevant in the case of low/no alcohol wine, AWPs and beer**, as the dealcoholisation method is mainly used in the production of these products and is scarcely used in the production of low/no alcohol spirit drinks (see SQ 13 at § 3.13).
- The main identified market outlets for the extracted alcohol from beer and spirit drinks are the sectors of: **detergents, cosmetics, medical products and biofuels/energy production**; and, **alcohol beverages/food in the case of alcohol extracted from wine**.
- No quantitative data could be obtained on the importance of the various identified market outlets; however, qualitative elements can be drawn on their importance for the various categories of drinks from which the alcohol is extracted.
- There is regulatory distinction between alcohol of 'agricultural origin' (e.g., extracted from wine through distillation) and alcohol of 'non-agricultural origin' (e.g., extracted from beer), which has important implications in terms of the permitted market outlets in each case (this legislation is analysed further in the second part of SQ 14). Due to relatively low volumes of production (dealcoholisation) of LNA wine, the **extraction of alcohol of 'agricultural origin'** is estimated to be **considerably lower in volume than alcohol of 'non-agricultural origin'** which is mainly extracted from the dealcoholisation of beer. However, this distinction has important implications in value terms, as the **market outlets for alcohol of 'agricultural origin'** (mainly the spirit drinks and fortified wines sector) **provide much higher value than the market outlets for alcohol of 'non-agricultural origin'** (which are industrial applications). Furthermore, an excessive supply of extracted alcohol of 'non-agricultural origin' risks not finding a market outlet, in which case it is counted as waste and incurs a disposal cost.
- As anticipated, **both regulatory and technical constraints/requirements are at play** in determining the possibility to use specific market outlets.
- On the other hand, no other specific requirements, e.g., quality specifications, volume required, etc. were generally identified to play an important role.

In particular, looking at the use of market outlets for the extracted alcohol per origin (product sector), the following observations can be drawn.

Wine

The alcohol extracted from wine through distillation, as an alcohol of agricultural origin, can be used for human consumption including in the production of alcoholic beverages and food. In practice, it is mostly used in the production of spirit drinks. It is particularly suitable for spirit drinks production as (depending on the dealcoholisation technique used) the extracted alcohol reaches 65-80% in ABV: normally, pot distillation produces distillation at 70-72% ABV (e.g., wine distillate for Brandy) so it falls perfectly in this range.

Thus, the **spirit drinks and fortified wines market** is identified by the wine industry to represent a significant market opportunity as the most profitable way to commercialise the extracted alcohol. Being an alcohol of agricultural origin, distilleries and spirit drinks production plants provide the best value for this alcohol, where it can be used, e.g., for the production of brandy. The case studies identified significant demand from the spirit drinks sector for this alcohol. For example, there is interest from the French brandy sector for the extracted alcohol from wine dealcoholisation which currently, due to the outsourcing of French LNA wine production to other countries, is mostly procured from other countries, notably Spain.

The alcohol extracted from wine may also find a potential market opportunity in the food, pharmaceutical and biofuels industry, but these are only considered secondary options of lower value.

Generally, as volumes of extracted alcohol are still limited (due to the relatively low demand for LNA wines, hence low volumes of production), no major problems or obstacles are identified to date by wine producers with the use of the alcohol extracted from the dealcoholisation of wine.

An indication of the low volumes is that some countries outsource their production of LNA wine to service providers in other countries: e.g., Austrian operators outsource to German operators; and French operators to Spanish, Belgian or German operators. In these cases, the extracted alcohol tends to be provided for free to these providers who sell it to market outlets they identify. Also, as operators who extract alcohol are subject to strict control by tax authorities, those that do not handle a significant amount of extracted alcohol are generally not interested in getting licensed to that effect and rather opt for selling the alcohol to an already licensed distiller (this happens, e.g., in Portugal).

It is noted that in Italy the national legislation on winemaking contains some provisions forbidding the detention of alcohol within the premises of the winery (Article 15 of Law n. 238/2016). This restricts the temporary storage of alcohol extracted from the dealcoholisation process in the production facility, before it can be disposed/sold for other uses.

AWPs

Since LNA AWPs are produced on the basis of de-alcoholised wine, the alcohol extracted from the wine dealcoholisation process is finding the outlets identified above for alcohol of agricultural origin, i.e., mainly destined to the production of spirit drinks.

However, overall, the current volume of alcohol extraction generated by the production of de-alcoholised wine used as the basis for the production of LNA AWPs is low, due to the low volumes of production of LNA AWPs.

Spirit drinks

Given that dealcoholisation is the least preferred method for LNA spirit drinks due to its higher cost compared to other methods (see SQ 13 at § 3.13), it is expected that the **volume of alcohol extracted** through the dealcoholisation process of spirit drinks currently is, and will continue to be, **relatively limited**, making this a market niche. Where dealcoholisation is practiced, the usual practice is that the alcohol extraction process, including the use of the extracted alcohol, is contracted out by companies.

Beer

The extracted alcohol, being of 'non-agricultural origin', can be used for industrial purposes that mainly include the production of **detergents, cosmetics, pharmaceuticals/medicinal products/disinfectants, and bioethanol/energy**[38]. In addition, **breweries also use this alcohol internally** to some extent to sterilise and clean their brewing equipment. There is no information on the relative importance of the various identified outlets – however:

- The **market outlets involving industrial applications are generally of low value**, i.e., much lower value than the outlets for alcohol of agricultural origin, namely spirit drinks and fortified wines.
- The hydroalcoholic gels and disinfectants sector has been an important, unexpected outlet during the Covid-19 pandemic.
- Demand from the biofuels/energy sector depends on the extent to which policy changes and the provision of subsidies encourage production in this sector as well as the search for alternative feedstocks[39]. In addition, some cases of internal

[38] These were the main uses reported by industry stakeholders. Other less reported uses included the paints/solvents sector and the animal feed sector.

[39] As also outlined by the biofuels industry in: https://www.epure.org/renewable-ethanol-mind-the-gap/. The importance of identifying alternative feedstocks is explored extensively in literature e.g., Tse T.J. et al (2021).

use by producers of the alcohol for onsite energy generation were identified (e.g., as biogas in Heineken breweries and as raw material for biofuels by AB InBev).

The dealcoholisation process is one amongst the methods used of the total production of LNA beers: this is currently considered to account for the majority of LNA beer production across the EU. Given the growing volume of production of de-alcoholised beer, the volumes of extracted alcohol are also growing. However, the importance of dealcoholisation is expected to decline in the future due to the advancement of alternative biological methods that prevent/interrupt the fermentation process (e.g., the use of special yeast strains, as outlined in SQ 13, § 3.13), which present significant cost advantages for the production of LNA beer. An increasing uptake of biological methods for the production of LNA beer is expected to reduce the volume of alcohol extracted through the dealcoholisation process of beer. Production methods other than dealcoholisation already play an important role in some countries – e.g., it is reported that production processes based on alcohol extraction are not used at all in the beer sector in the Czech Republic.

It is noted that in Germany, until the end of 2017, the spirits monopoly (*Branntweinmonopol*) was the national market organisation that had exclusive rights for the production and marketing of ethyl alcohol. According to the provisions of the national law of the spirits monopoly, as the ethyl alcohol extracted from beer was not of agricultural origin, its use was restricted not only in the production of alcohol beverages and food, but also in the production of medicines and cosmetics. Since January 1, 2018, following the abolition of the German spirits monopoly, there are no longer any national restrictions in the use of alcohol extracted from beer which go beyond EU legislation. Today, the alcohol extracted from beer is used in Germany to manufacture many products, from medicines to cosmetics and alcohol-based disinfectants. However, there are still in place other restrictions that affect the supply of extracted alcohol; e.g., the use of mobile systems for the dealcoholisation process is not allowed under German alcohol tax law, unlike other MSs (e.g., France), where mobile systems are allowed to come to the breweries and carry out the dealcoholisation process on site.

Extent to which legislative provisions are required concerning the marketing and use of alcohol extracted from dealcoholisation

The extent to which legislative provisions are required depends on any gaps/problems identified with any relevant legislative provisions that currently exist.

EU law currently limits to some extent the possibility to use the alcohol extracted from the dealcoholisation of certain LNA beverages in other alcoholic beverages.

In accordance with Article 6(1) and (3) of Regulation (EU) 2019/787, only **ethyl alcohol**[40] and **distillates of agricultural origin** can be used in the manufacture of **spirit drinks** and **any other alcoholic beverages**. Two conditions must be met for their use:

1. They need to be the product of **distillation** (not of other techniques, e.g., simple fermentation or membrane technology or reverse osmosis); and,
2. The raw material must be an **agricultural product included in Annex I to the Treaty on the Functioning of the European Union** (TFEU).

[40] The definition of the ethyl alcohol laid down by the abovementioned Regulation is currently being reviewed at EU level with the aim to clarify that it is obtained from the distillation, after fermentation, of agricultural products and to align the required residue limits with those actually used by producers and checked by laboratories. A draft delegated act was adopted by the European Commission in April 2022 (see https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13074-Spirit-drinks-amendment-of-definition-of-ethyl-alcohol-of-agricultural-origin_en). Based on the feedback received during the consultation period, the Brewers of Europe indicated to be against the proposal for lack of scientific evidence/data and due to costs of implementation (required investment in detection methods for furfural).

Chapter 22 of Annex I TFEU currently lists only some alcoholic beverages as products of 'agricultural origin'. This includes **wine** and **other fermented beverages** such as **cider**, **perry** and **mead**.

Conversely, **beer** is not included in such a list and, for this reason, has been traditionally considered as an **industrial product** rather than a product of agricultural origin.

The classification of beer as an industrial product essentially results in the prohibition of using alcohol extracted from that beverage in the preparation of spirit drinks and other alcoholic beverages. Alcohol extracted from beer is therefore currently destined to other **non-food market outlets**. Based on the information collected for the national case studies, such outlets vary according to the national context under consideration and include biofuels, energy, detergents, pharmaceuticals and cosmetics, among others.

While this EU prohibition is a long-standing one, evidence gathered during the study indicates that there is no consensus across stakeholders on whether it is still entirely justifiable today.

In the business survey, 6 out of 35 respondents identified current restrictions to use alcohol extracted from dealcoholisation for the preparation of spirit drinks, in particular, as a **regulatory constraint for brewers**. These views were echoed by various stakeholders interviewed at EU level and during the elaboration of national case studies, for instance, in **Belgium**, **France**, **Germany** and **Poland**, including producers in the beer and the spirit drinks sector as well as NCAs in some cases. For some stakeholders, it is questionable why currently beer is not regulated as an agricultural product pursuant to EU law when its main ingredients (notably, malt and hops) are in fact raw materials sourced from the agricultural sector. For others, the lifting of the prohibition to use alcohol extracted from LNA beer in spirit drinks would constitute a major business opportunity since it would allow to expand the range of market outlets to which alcohol extracted from LNA beer is currently channelled. For few stakeholders, allowing the use of alcohol extracted from beer in food and beverages in general is in line with the circular economy approach advocated in the Green Deal that promotes the valorisation of by-products.

However, these views are not shared by other stakeholders who were interviewed during the study. One of the main arguments put forward to maintain the current prohibition to use alcohol extracted from beer, namely in the production of spirit drinks, is the need to **protect and preserve the quality of spirit drinks** and the respective traditional production processes. It is also argued that allowing the use of alcohol extracted from beer dealcoholisation would provide a justification for the use in the manufacture of spirit drinks of other agricultural ingredients that are not *stricto sensu* products of agricultural origin pursuant to EU law (e.g., jam, old bread). Moreover, according to few interviewees, the removal of the existing restrictions could also lead to an oversupply of alcohol and, thus, result in undesired market imbalances. This is a concern that was also raised by various MSs within the Council during the negotiations that led to the adoption of Regulation (EU) 2019/787. Finally, the removal of the restrictions under consideration could result in beer being subject at EU level to legal requirements similar to wine and spirit drinks, a regulatory evolution that the brewery sector may not necessarily be in favour of.

As regards the **use of alcohol extracted from LNA spirit drinks in the preparation of other spirit drinks**, evidence gathered during the study is more limited as opposed to the beer case. In this respect, it can be noted that in **Italy** some interviewees deem that whether the alcohol extracted from spirit drinks through dealcoholisation is to be considered as of non-agricultural origin is to be assessed on a case-by-case basis. For instance, the alcohol obtained from the redistillation of a wine spirit may be considered as of agricultural origin and can be used in the production of other wine spirits or *brandies*. It is noted however that, as dealcoholisation is not really used as a method for the production of LNA spirit drinks, the quantities of alcohol extracted in this context are estimated by the industry to be very limited/negligible (Table 3.12).

Other regulatory issues that were identified by the consulted stakeholders to affect the supply and market outlets for extracted alcohol are:

- Alcohol in general is a product subject to excise duty, therefore operators who produce and store alcohol are subject to strict supervision by tax authorities. Given that the need to be registered with the authorities and licenced to this effect bears some costs, those operators that do not handle a significant amount of extracted alcohol are generally not interested in getting licensed and opt for contracting out this part of the operation. This requirement in itself is often perceived as a constraint by small-scale operators. Furthermore, in two Member States, the consulted stakeholders and NCAs reported some issues emanating from provisions laid down in **national legislation** relevant to **excise duties**. These issues pertain to defining how/where the extracted alcohol is produced and stored, which affects options for the products' dealcoholisation and management of extracted alcohol.
- Stakeholders in the beer industry also identified a potential risk, with the increase in volumes of production of LNA beer and resulting alcohol extraction, that REACH thresholds could be exceeded and brewers could then become subject to the burdens of the REACH legislation. In line with other sectors (food, medical) being exempted from REACH, brewers argue that they should not be classed as chemical producers.

3.14.3 Summary

The main sources of alcohol extracted from dealcoholisation, when this method is followed for the production of LNA beverages, are beer and wine. The distinction between these sources in terms of permitted market outlets in each case, i.e., between alcohol of 'agricultural origin' (extracted from wine) and alcohol of 'non-agricultural origin' (extracted from beer), was identified to have important implications in terms of the value of market outlets. Alcohol of 'non-agricultural origin' can only be destined to low value industrial applications (notably, the production of detergents, cosmetics, pharmaceutical/medicinal products and biofuels/energy), while alcohol of 'agricultural origin' is a high value product mainly destined to the production of spirit drinks and fortified wines. This is considered by some stakeholders as a serious regulatory restriction for brewers while, according to other stakeholders, there are legitimate reasons for the distinction, including the need to protect and preserve the quality of spirit drinks and the respective traditional production processes.

3.15 Q15: What are the current challenges in the production?

3.15.1 Understanding of the question and definition of key terms

SQ 15 is addressed as a continuum with the other study questions dealing with producer aspects (SQs 7 to 10, § 3.7 to 3.10) and the production process of low/no alcohol beverages (SQs 13 and 14, § 3.13 and 3.14). In particular, the approach for answering these study questions already aimed at identifying any constraints that explain why companies are not currently producing any LNA beverages (SQ 9 at § 3.9) and any shortcomings of the production techniques currently used (SQ 13 at § 3.13). These study questions examined a range of potential constraints, notably technological, quality/sensory, economic, and regulatory aspects (including any possible intellectual property restrictions).

A priori, the challenges that can be expected in the production of low/no alcohol beverages can be classified in a similar way, and are expected to stem – at least to some extent - from the disadvantages/weaknesses of the production techniques currently used.

3.15.2 Analysis

Current challenges in the production

According to the results of the business survey, the most important challenges currently identified in the production of low/no alcohol beverages, in all product categories (wine, AWPs, spirit drinks, and beer) are: economic, in particular the cost of production, ensuring cost efficiencies and the return on the investment (ROI); ensuring quality in terms of maintaining the product's organoleptic characteristics; other technological constraints, such as, e.g., product preservation; and, regulatory constraints. Restrictions posed by intellectual property rights (e.g., with regard to the production process, recipe formulation, registered names/denominations) are identified to be less important.

Interviews with the industry and the information collected in the framework of case studies shed more light on those challenges. Although not specifically identified in the survey, another major consideration reported by the consulted industry stakeholders to pose a challenge is ensuring the product's marketing through the available distribution channels.

Based on the in-depth consultation of business stakeholders during the interviews, and case studies in different MSs, as well as the findings reported in previous study questions, the main challenges that operators face in the production of low/no alcohol beverages across all product categories are **ensuring organoleptic quality** and the **relatively high costs of the R&D/technologies** involved.

In particular, the following observations can be made on the current challenges that operators face per product sector.

Wine/AWPs

Industry stakeholders stated that while all challenges play a role, the main challenges evolve around low consumer awareness/perception of the organoleptic quality of de-alcoholised wine, as well as economic and regulatory challenges. In particular:

- **Quality/technological challenges**: The main challenge with de-alcoholised wine is ensuring its organoleptic quality. The launch of de-alcoholised wine has been hampered by weak consumer acceptance due to its poor organoleptic performance. This has resulted in the development of a generally poor reputation for de-alcoholised wine. The choice of the wine is a key factor in achieving a suitable balance of taste once the wine is de-alcoholised. There are also technological challenges around making wines that do not require the addition of too much concentrated must (through the addition of sugar) to compensate for the loss of alcohol.[41] There are also challenges around recovering as far as possible the aromas of the wine that can be partly lost with the removal of alcohol.
- **Economic challenges**: The most advanced technologies also tend to be the most expensive; vacuum distillation may require investments up to EUR 2.5 million compared to membrane technologies (reverse osmosis) at a cost of around EUR 200,000.[42] In addition, EU wine growing tends to be very fragmented, making it difficult to fund the investments needed. In France, for example, where wine dealcoholisation is currently outsourced to operators in other Member States, appropriate solutions need to be found to facilitate access to these technologies in order to pool costs and/or to provide financial support

[41] This challenge is particularly identified for red wines. The addition of concentrated must works relatively well in terms of balance of taste for white and rosé wines, but it is more difficult for red wines (the risk is to taste like grape juice).

[42] These costs are indicative only and depend on the add-on options taken; they reflect an upper and lower limit, assuming respectively that the maximum and minimum of options are taken.

for investment in dealcoholisation facilities. Overall, considerable R&D efforts will be required in the development of the various techniques to address these challenges.
- **Regulatory challenges**: The possibility to produce de-alcoholised versions for wine with protected geographical indications is an ongoing challenge. Despite the regulatory changes made by Regulation (EU) 2021/2117, which opens new possibilities in this sector and which are welcomed by the wine industry, ensuring that the typical designation and character of wine under geographical indications is maintained is a challenge.
- **Marketing challenge**: Due to the poor organoleptic reputation of de-alcoholised wine, as outlined above, significant effort will be required to reverse the current negative perception of consumers. Positioning the product on the market in a way that it has a clear identity that separates it from other potential substitute products (e.g., products resulting from the dealcoholisation of wine versus products made from fermented grapes) is also a challenge.

Overall, the identified challenges appear to constitute significant barriers for the expansion of the de-alcoholised wine market, as both larger and smaller producers are reluctant to engage in this market segment. Nonetheless, more interest is noted in the AWPs sector, due to the promising prospects of consumer demand for LNA AWPs.

Spirit drinks

Although all challenges (quality/sensory, technological, economic, regulatory aspects) are recognised, know-how (i.e., the technology required to produce a product that has good organoleptic characteristics) and costs are the main issues. In particular:

- **Quality/technological challenges**: Ensuring sensory characteristics, in particular taste, is a major challenge in the production of LNA spirit drinks, and this is linked to other technological challenges. The main alcohol-free products currently produced are those emulating gin (and to a lesser extent, rum), as the current techniques available make it possible to use ingredients and processes that closely imitate the taste of those spirit drinks. Also, difficulties to communicate to consumers about the products (see 'marketing challenges' below) accentuate the low consumer perception/awareness of LNA spirit drinks as a product of acceptable quality/taste.
- **Economic challenges**: Apart from ensuring organoleptic quality, the other key factor that plays a determinant role in the uptake of a production technique is cost. For example, this factor explains why methods other than dealcoholisation are mainly used for the production of LNA spirit drinks. Overall, considerable trial and error efforts are involved in the development of the various techniques.
- **Regulatory challenges**: According to the industry, there are challenges for producers to understand whether certain marketing solutions used to communicate about the products to consumers - especially the use of product denominations, but also descriptors and other information items on labels - are in line with the legislation currently in force. For example, there have been several "trial and error" launches of products that eventually were found not to be compliant with the legislation in force.
- **Marketing challenges**: The inability to use category names for LNA spirit drinks means that producers find it difficult to explain to consumers what their products are, i.e., that their LNA beverage has similar flavour and functionality to the alcoholic spirit drink of reference (i.e., it can be used in a similar way, notably as a base to alcohol-free mocktails imitating the taste of alcohol-based cocktails). This affects the visibility of the product and hence consumer demand, which has repercussions for the willingness of the distribution sector to stock the product. This challenge is mostly a concern for less well-known brands, which tend to be those from smaller or niche producers. For example, some of the smaller producers amongst the consulted industry stakeholders had to redefine their strategy for marketing the product to consumers and to identify alternative distribution channels (e.g., gourmet/delicatessen stores) than those used for

spirit drinks and other alcohol beverages (food retailers, merchants of wines and spirit drinks).

Overall, despite the challenges, strong demand growth prospects in this sector and the expected return on investment (ROI) appear to encourage many companies, whether large or small, to enter the LNA spirit drinks segment.

Beer

Know-how and costs are the main challenges currently identified in the production of LNA beer. In particular:

- **Quality/technological challenges**: Historically, ensuring the **taste and other organoleptic characteristics** of LNA beer (particularly of beer containing <0.5% ABV) has been a major challenge for brewers and an obstacle to the development of this market segment. As outlined in SQ 13 (see § 3.13), these issues are considered to have been addressed with the advancement of the production techniques, as also evidenced by the strong growth in consumer demand for LNA beer. Nonetheless, research into improving the production techniques for LNA beer to ensure further quality improvements, as well as cost savings and cost efficiencies, continues to be a dynamic field. Ultimately, individual brewers - particularly smaller producers that are new entrants in the LNA beer market segment - continue to face the important challenge of identifying the optimal technology that will ensure the production of LNA beer of acceptable organoleptic quality at a competitive cost. **Other technological challenges** are also important, such as ensuring product stability (preservation), as well as adapting and developing the appropriate methods for producing LNA versions for specialty beers and to make available LNA beer on draught. Therefore, **know-how** more generally is a major challenge for brewers.
- **Economic challenges**: in line with ensuring that quality and technological considerations are addressed, the investment required was identified to pose a significant challenge for new entrants in the LNA beer market segment. These challenges particularly affect smaller breweries, due to the small volumes of production. For example, despite technological progress with using alternative lower-cost biological methods such as specialist yeasts, the general view is that a more guaranteed method for brewing no alcohol beer of good organoleptic quality is to ferment beer and then de-alcoholise it; this method results in advantages such as better product stability (preservation). However, this is a very expensive approach, as it requires specialist equipment and tight control of the process; generally, only breweries producing very large volumes can justify the cost of the investment involved. It is also noted that the lower cost option of using biological methods may not be always available, given that some biological processes and ingredients (e.g., yeasts) are protected by IPR restrictions. Overall, considerable R&D and 'trial and error' efforts need to be made in the development of the various techniques to address the various challenges.

Although the identified challenges make it relatively more difficult for smaller breweries to enter the LNA beer segment than for larger breweries, they do not constitute a major barrier. On balance, the evidence collected during the study suggests that strong demand growth and the expected return on investment (ROI) appear to outweigh the challenges. These factors tend to encourage many small brewers, and even new start-ups with no previous track record in the brewing sector, to enter the LNA beer segment.

Finally, the NCA of one Member State raised environmental sustainability in production as an additional challenge. Although this challenge also exists for the production of alcoholic beverages, the additional steps involved for low/no alcohol beverages (to the extent their production involves additional steps creating an environmental impact, e.g., for dealcoholisation) makes it more of a challenge for this kind of products. This challenge is more relevant for beer, as dealcoholisation is used more in the production of beer than in the production of low/no alcohol spirit drinks, while the production of de-alcoholised wine to date remains limited.

3.15.3 Summary

The main challenges that operators face in the production of low/no alcohol beverages, across all product categories, are to ensure organoleptic quality and to cover the relatively high costs of the required R&D/technology investment. Depending on the product, additional challenges are at play, in particular those associated with regulatory and marketing aspects (wine; spirit drinks). In the beer sector, and to a lesser extent in the spirit drinks sector, the identified challenges are not considered to pose significant barriers to new entrants in the LNA segment, in particular SMEs. It is different though in the wine sector, where the current challenges constitute a more significant barrier, both for larger and for smaller producers.

3.16 Q16: How are these products currently labelled?

3.16.1 Understanding of the question and definition of key terms

This question aims at exploring the main elements that appear on the label, the packaging and/or that contribute to the **overall presentation of beverages currently marketed as "low/no alcohol" in the EU market** and intended for the final consumer. The concept of "labelling" is broadly interpreted here, in line with the notion of "food information" currently laid down in point (a) of Article 2(2) of Regulation (EU) No 1169/2011 («*information concerning a food and made available to the final consumer by means of a label, other accompanying material, or any other means including modern technology tools or verbal communication*»).

3.16.2 Analysis

The analysis performed under this question moves from the need to ascertain how operators are labelling low/no alcohol spirit drinks and aromatised wine products, considering that EU legislation currently forbids the use of legal names of spirit drinks and sales denominations of aromatised wine products to label beverages with an alcoholic strength lower than the minimum prescribed by EU legislation for these categories. EU-level provisions on de-alcoholised and partially de-alcoholised wine were introduced by Regulation (EU) 2021/2117, which entered into force on 7 December 2021, so that the offer of low/no alcohol wine in the EU has only been regulated at national level (wherever national legislation is in place) until end of 2021. A brief overview of the rules and constraints set at EU level for these product categories can be found in § 1.3 of the Introductory chapter.

As regards the labelling of **spirit drinks**, Regulation (EU) 2019/787 regulates a number of aspects which are to be taken into account in the analysis that follows, especially as regards definition of and requirements for spirit drinks (including legal names).

First of all, the aforementioned Regulation **defines what a "spirit drink" is** by setting a list of requirements (e.g., related to the production, composition and other technical aspects) including the general rule according to which "a spirit drink is an alcoholic beverage which (…) has a minimum alcoholic strength by volume of 15%" (Article 2). Besides this general definition, Annex I to the Regulation lists specific categories of spirit drinks for which a definition, legal name and specific requirements are provided.

Conversely, although the term 'spirit' is part of legal names laid down for several spirit drinks categories and is often used in current language as an alternative name to the generic legal name 'spirit drink', the Regulation does not provide a definition of that term, which is currently the most used descriptor in the labelling of LNA spirit drinks. The implications of such a lack of definition are further discussed under question 21 (see § 3.21).

As a general rule, no reference to legal names of spirit drinks may be made on the labels of alcoholic beverages diluted by addition of water only, so that the final product has an alcoholic strength below the minimum strength required.

Secondly, the Spirit Drinks Regulation includes rules on the use of **compound terms** in the description, presentation and labelling of an alcoholic beverage produced by combining one spirit drink with one or more foodstuffs (Article 11). According to those rules, it is possible to use a legal name of a spirit drink (category or GI) on the label of such an alcoholic beverage under strict labelling provisions when:

- all the alcohol of the final product originates from the mentioned spirit drink;
- the spirit drink has not been diluted by addition of water only, so that its alcoholic strength is below the minimum strength provided for under the relevant category of spirit drinks (Annex I);
- without prejudice to legal names provided for spirit drinks, the terms 'alcohol', 'spirit', 'drink', 'spirit drink' and 'water' are not part of the compound term describing the alcoholic beverage.

Thirdly, Regulation (EU) 2019/787 regulates the possible use of **allusions** (i.e., the direct or indirect reference to one or more legal names provided for spirit drinks, whether category names or GIs) in the presentation and labelling of:

- a foodstuff other than a spirit drink;
- a spirit drink that complies with the requirements for liqueurs;
- a spirit drink other than a liqueur, which is produced by using another spirit drink as sole alcoholic base or that has been matured in wooden casks having previously contained another spirit drink[43];

by providing specific rules for each of these different cases (Article 12). One of the main common requirements is that the alcohol used in the production of the foodstuff or added to the alcoholic beverage or spirit drink "originates exclusively from the spirit drink referred to in the allusion".

Finally, the same Regulation provides rules on '**mixtures**', produced by mixing a spirit drink (that either belongs to a category set out in Annex I or to a Geographical Indication) with one or more of the following:

- other spirit drinks which do not belong to the same category of spirit drinks (as per Annex I to the Spirit Drinks Regulation);
- distillates of agricultural origin;
- ethyl alcohol of agricultural origin.

On the labels of such mixtures, legal names or GIs for spirit drinks may be indicated "only in a list of the alcoholic ingredients appearing in the same visual field as the legal name of the spirit drink". However, if a mixture complies with the requirements for one of the categories of spirit drinks set out in Annex I, that mixture shall bear the legal name provided for in the relevant category.

Mixtures, as well as the use of compound terms and allusions, represent well-regulated cases under Regulation (EU) 2019/787 and do not fall within the definition of LNA spirit drinks adopted for this study.

Also taking into account the specific requirements established in Annex I for each category of spirit drinks, the provisions from Regulation (EU) 2019/787 described here ultimately prohibit the use of legal names of spirit drinks in the labelling of most low/no

[43] The definition of allusion was amended by Commission Delegated Regulation (EU) 2021/1465 of 6 July 2021 amending Regulation (EU) 2019/787 of the European Parliament and of the Council as regards the definition of allusions to legal names of spirit drinks or geographical indications for spirit drinks and their use in the description, presentation and labelling of spirit drinks other than the spirit drinks to which allusion is made (OJ L 321, 13.9.2021, p. 12). https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1465.

alcohol beverages emulating spirit drinks as defined for the purposes of this study, so that operators usually need to find other strategies to present their products.

As regards **aromatised wine products (AWPs)**, Regulation (EU) No 251/2014 includes a list of protected sales denominations for this products category. Such sales denominations can only be used for AWPs that comply with the requirements laid down in Annex II to the AWP Regulation (see § 1.3 in the Introductory chapter).

Both in the case of spirit drinks and of aromatised wine products, the use of legal names and sales denominations for any beverage not complying with the requirements of the relevant category is prohibited (except in the well-regulated cases of compound terms, allusions and mixtures for spirit drinks only). The **prohibition** also applies **to the use of words or phrases such as 'like', 'type', 'style', 'made', 'flavour' or any other similar terms**.

In terms of voluntary initiatives from the industry, EU-level trade association **spiritsEUROPE** has recently published a **guidance document** on low and no alcohol beverages emulating spirit drinks. Among other elements, these guidelines recommend the introduction of three categories of alcohol-related descriptors for LNA spirit drinks:

- "0.0%" (<0.05% ABV);
- "alcohol-free"/"non-alcoholic" (up to 0.5% ABV);
- "low alcohol"/"low alcoholic" (up to 1.2% ABV).

This guidance document does however not cover cases of low alcohol beverages emulating spirit drinks with an ABV > 1.2%, but lower than the minimum ABV required by EU legislation.

Labelling and presentation practices

The following analysis focuses on elements of the labelling and product presentation that can be found across the EU for the core product categories of LNA spirit drinks and aromatised wine products. Low/no alcohol wine is also included in the analysis for comparison purposes, as a product only recently regulated at EU level, whose former legal framework was rather diverse among EU Member States.

Elements to be **compulsorily included in the label** or **explicitly forbidden** because of existing national laws are flagged whenever national legislation does include such provisions.

Low/no alcohol spirit drinks

A large variety of denominations exists for low/no alcohol spirit drinks, covering a wide range of products.

At Member State level, only Ireland has introduced specific provisions on low/no alcohol spirit drinks. However, national guidelines for marketing and labelling of Irish Gin only apply the rule already established at EU level, according to which the word 'gin' cannot be used on the label or in the marketing of products (such as low alcohol products) that do not meet the legal definition of gin. Some Member States have specific provisions on what can be labelled as no or low alcohol (see SQ 11 at § 3.11 for an overview of such rules).

Sales denominations /descriptive names - A number of common practices were found to be in use among producers, in particular as regards the choice of a commercial designation/product name to aptly present a low/no alcohol beverage emulating a spirit drink.

Table 3.13 hereunder includes a review of these practices, with some examples. It should be noted that the explicit use of legal names reserved to spirit drinks (as per category no. 5 in the table) is currently not allowed by the relevant EU legislation in force.

Table 3.13 – Low/no alcohol spirit drinks – sales denominations

No.	Category	Examples
1	Brand name + reference to low/no alcohol content	*Brand* + "0.0"; "Light 20%"; "Virgin 0%"
2	Brand + fantasy name	*Brand* + "Green"; "Grove"; "Bold"; "Forest"
3	Composite name evoking the taste, aromas or ingredients of the beverage (with or without the brand name)	"Aromatic spice"; "Dark cane"; "Spiced citrus"
4	Composite name evoking the alcoholic beverage of reference by playing with the wording, letters or translations (with or without the brand name)	Using only some of the letters that compose the legal name, alliterations, words that in a national language are similar to the legal name
5	Explicit use of the legal names reserved to spirit drinks (with or without the brand name)	"Whisky without alcohol"

Source: desk research and case studies

It should be noted that the above categorisation is not exhaustive. Though it is possible to summarise (to some extent) the main approaches used to name low/no alcohol spirit drinks, some of the features of the described categories are sometimes combined and mixed, so that a precise partition is not always possible.

Brand names are often given prominence and are highlighted more than the wording describing the product. The name chosen for the product in some instances evokes the "low/no alcohol" nature of the beverage, while - in others - additional claims are used to convey this message. In some cases, the addition of **broad geographical terms** to the product name was observed (e.g., "London", "American", "Italian", etc.) as a way to further characterise the beverage.

Other **elements used to describe the product** are commonly reported on the **front-of-pack label** (mostly in a smaller font than the product name), including terms or phrases suggesting that the LNA spirit drink in question is a low or no alcohol alternative to an alcoholic beverage. Examples of these terms include:

- **Nouns**: spirit; aperitif; distillate; blend.
- **Adjectives**: botanical; distilled; crafted.

Combined, they can result in descriptors such as "non-alcoholic botanical aperitif" or "alcohol free craft spirit".

A peculiar case in terms of possible uses of a legal name for spirit drinks is represented by the term "bitter". If used as a noun, it identifies a type of spirit drink with specific characteristics defined in Annex I to Regulation (EU) 2019/787 (no. 30 "Bitter-tasting spirit drink or *bitter*"). As an adjective, however, it is a common descriptor of taste. The use of the term bitter as a legal name for spirit drinks is "without prejudice to the use of such terms in the presentation and labelling of foodstuffs other than spirit drinks". Such use should however not mislead consumers. Some bitter-tasting LNA spirit drinks indeed include in the label this term.

Low/no alcohol-related claims - The claims used to relay the information of a reduced or zero alcohol content can vary across Member States and product categories. Common alcohol-related claims for **no alcohol spirit drinks** include:

- Alcohol-free (with and without the hyphen) → including its translations into national languages, e.g., "*sin alcol*", "*sans alcool*", "*alkoholfrei*", etc.
- Non-alcoholic (with and without the hyphen).
- "0.0" or "0,0" or "0.0%".

The most common alcohol-related claim for **low alcohol spirit drinks** (including spirit drinks with an ABV higher than 15%, but lower than the minimum required for the alcoholic beverage of reference) is "light", sometimes complemented by the alcohol content, e.g., "Light 20%".

Packaging - Elegant, **ornate glass bottles** represent the go-to packaging for the vast majority of LNA spirit drinks analysed. The shape of the bottle is usually aligned with the one used for the alcoholic spirit drink of reference or, anyhow, mimics its most common features. Well-established brands sometimes use bottles that are very similar to (if not the same as) the bottles of their well-known alcoholic spirit drinks.

Aluminium cans may sometimes be associated with low/no alcohol spirit drinks as some mixed products (e.g., pre-mixed cocktails, alcopops, hard seltzers) are indeed marketed with this kind of packaging. From the review performed on low/no alcohol spirit drinks as strictly defined for the purposes of this study, it appears that cans are not a common way of packaging these beverages.

Product information available on e-commerce platforms - Product communication more and more relies on e-commerce platforms to reach consumers and inform them of a product's characteristics, as the relevance of this channel increases in time. In most online platforms the seller may be an operator *other* than the producer and the information provided may differ significantly from a website to the other. As it happens with other sales channels (both on-trade and off-trade) the source of information about the product can thus be an operator in the downstream levels of the supply chain, who may be unaware of the rules and restrictions regarding the labelling (broadly intended) of low/no alcohol beverages applying at EU and/or national level.

Information on LNA spirit drinks (but on any LNA product, in fact) that can be found when purchasing them online may not exactly match the label of the product. Table 3.14 below provides additional insights on the frequency with which legal names of spirit drinks can be found in the product name of LNA spirit drinks across e-commerce platforms in selected EU Member States. The types of spirit drinks with more SKUs mapped were selected for each country.

Table 3.14 Use of certain descriptors for LNA spirit drinks in e-commerce platforms

Member State	LNA product type	No. of SKUs mapped*	No. of SKUs with ref. to a legal name reserved to spirit drinks		No. of SKUs including the term "spirit"	
			in the product name	in the product description**	in the product name	in the product description**
France	Bitters	8	1	2	-	1
	Liqueurs	4	3	1	1	1
Germany	Gin	14	8	6	4	1
	Other spirit drinks	5	-	-	-	1
Italy	Gin	4	2	1	1	1
	Other spirit drinks	4	-	-	-	-
Netherl.	Gin	12	4	5	-	6
	Bitters	3	-	-	1	1
Spain	Gin	11	2	1	3	2
	Cream-based liqueurs	5	5	-	-	-

Source: Areté elaboration on Euromonitor International VIA database.
** The elaboration was based on a database including SKUs representing the same product on different e-commerce platforms. The total number of SKUs in the database including these "duplicated items" is 518. The database only including individual products used for SQ 1 shows a total number of 489 products.*
*** Only 58 SKUs on a total of 70 identified SKUs for the relevant MSs and product categories had a complete product description that could be reviewed.*

Out of 41 SKUs mapped for LNA gin in Germany, Italy, the Netherlands and Spain, 16 presented an explicit reference to the term "gin" directly in the product name, and 13 in the product description found online.

Low/no alcohol aromatised wine products

A more limited number of LNA products were mapped in the aromatised wine product category (also "LNA AWPs", hereinafter). The available, and most notable, examples are rather different in terms of labelling, presentation and packaging, though some similarities can be found. In particular, the packaging and overall presentation of LNA alternatives to vermouth (white and red) stand out as in line with the ones used for *alcoholic* vermouth, while other LNA aromatised wine products are marketed with a visual identity more similar to regular wine.

Lithuania is the only Member State with specific legislation on low/no alcohol aromatised wine products, in particular on "no alcohol fruit and/or berry wine" with an ABV up to 0.5% (see SQ11 at § 3.11). In line with the limitations described above, set by Regulation (EU) No 251/2014, the other LNA AWPs cannot use the sales denominations reserved to aromatised wine products, such as "Vermouth", "Sangria" and "Glühwein".

Sales denominations /descriptive names - In terms of sales denominations, the main practices that can be observed appear to be in line with the classification used for LNA spirit drinks, with the notable exception of Lithuanian LNA fruit and berry wines.

The available examples can be classified as follows:

- Brand name + fantasy name
- Brand name + name evoking the characteristics of the beverage (e.g., "Red")
- Brand name + fantasy name evoking the alcoholic beverage of reference by playing with the wording (e.g., alliterations or words that in a national language are similar to the legal name)
- Explicit use of the protected sales denomination reserved for AWPs

For Lithuanian "Nealkoholinis vaisių ir (ar) uogų vynas" (no alcohol fruit and/or berry wine), sales denominations follow the scheme: brand + legal denomination

The name of the brand is significantly enhanced: if the brand is well-known for being specialised in LNA beverages, the brand itself can be used to relay the message that the product has a low ABV or is alcohol-free. Alcohol-related claims include the widely used "non-alcoholic" and "alcohol free". Lithuanian LNA fruit and berry wines use the claim "Nealkoholinis" (no alcohol) to describe the low/no alcohol nature of the product, sometimes accompanied by an English translation (e.g., alcohol free).

In the case of LNA alternatives to Vermouth, the term chosen to describe the product is usually "aperitif", often accompanied by elements more or less explicitly recalling Italy.

Packaging - It is interesting to notice how the bottles of low/no alcohol vermouth differ significantly from the ones used for the other LNA aromatised wine products mapped. While LNA Glühwein and Lithuanian fruit and berry wines are presented in a guise much alike regular wine, also in terms of bottle shape, LNA vermouth is marketed in a more decorative bottle (more akin to the ones used for spirit drinks), in line with the shape and size used for regular alcoholic vermouth by well-known brands.

Product information available on e-commerce platforms – The vast majority of SKUs mapped online through the VIA database in the category of LNA aromatised wine products is made up of low/no alcohol beverages emulating vermouth. A few SKUs of LNA Glühwein were also found.

Out of 30 SKUs attributable to low/no alcohol vermouth in the 5 Member States covered by VIA (France, Germany, Italy, The Netherlands and Spain), six had the term "vermouth" explicitly mentioned in the product name presented on the e-commerce platform. Two included such term in the product description.

Additionally, a number of low and **no alcohol wine-based cocktails** were mapped through the database. These are often sold as "alcohol-free" versions of well-known wine-based cocktails such as Bellini, Hugo and Kir royal. In other cases, they are presented as mixed drinks containing no alcohol wine (mostly sparkling) and fruit flavourings or juices.

These beverages are often labelled as alcohol-free "cocktails", "sparkling beverages" or "fruit secco" (*Fruchtsecco* in German) – possibly a combination of the words "fruit" and "Prosecco". They are more common in French and German e-commerce platforms (with 12 and 19 SKUs each).

Low/no alcohol wine

SQ11 provides an overview of national provisions on no alcohol and low alcohol wine, which is the product category more regulated at national level, also before the approval of EU-level legislation on the topic. Even though a harmonised legislative framework now exists on LNA wine, an analysis on how this type of products has been labelled and marketed thus far in countries where national legislation existed, vis-à-vis Member States without any legislation, may provide interesting insights also for LNA spirit drinks and aromatised wine products.

Labelling in Member States with specific legislation on LNA wine - Product-specific legislation defining both no alcohol and low alcohol wine exists in Austria, Czech Republic, Germany, Lithuania, Portugal and Slovenia.

Besides setting requirements for the use of the authorised sales denominations (see SQ11 for an overview of the terms), national legislation in some cases also includes rules on labelling:

- in Germany, the alcohol content is a mandatory element to be provided on the label;
- in Austria, national law currently prohibits to make reference to wine variety, vintage designations (which is a rather common practice in other MSs) as well as to narrower geographical designations of origin than the State of harvesting of the grapes, on the labels of LNA wines.

It should be noted that sales denominations provided for by national legislation can no longer be used if not in line with the ones prescribed by Regulation (EU) No 1308/2013 as amended by Regulation (EU) 2021/2117 (i.e., "de-alcoholised wine" and "partially de-alcoholised wine").

Labelling in Member States with no specific legislation - The main wine-producing countries in the EU (Italy, France and Spain) do not have specific national rules on low and no alcohol wine.

At present, labels of LNA wines produced in these MSs generally include:

- the brand of the winery or (rather often) a dedicated LNA brand;
- information about the wine type (e.g., red, white, rosé);
- (less frequently) information about the grape variety (e.g., *cabernet sauvignon, tempranillo, chardonnay*);
- alcohol-related claims such as alcohol-free, "zero" or "0.0"/"0,0".

No explicit reference is usually made to the term wine, but LNA wines labelled as "de-alcoholised wine" can already be found on the market.

Low/no alcohol wine could be easily identified by consumers as wine (even without direct reference to such term in the label) thanks to its packaging: shape and colour of the bottle, use of corks (in some cases), etc., are in line with the ones used for "regular" wine.

Horizontal labelling practices

<u>*ABV*</u> - The indication of the **actual alcoholic strength by volume (ABV)** is mandatory for beverages with an ABV higher than 1.2% (point (k) of Article 9(1) of Regulation (EU) No 1169/2011), but that is not the case for beverages with a lower alcohol content. ABV may thus be omitted in the label of a quite broad range of no alcohol beverages: the eventual use of the digits "0.0", "0,0", or "0%" (or the term "zero") as part of the product name may not always be indicative of the precise alcohol content. E.g., 0% may nonetheless entail a 0.5% ABV, "0.0" may indicate a 0.05% ABV and the term "zero" may encompass all these possibilities.

At the time of writing this report, some of the leading brands for LNA spirit drinks as well as some brands producing LNA AWPs do not include the ABV on the label of their LNA products.

The ABV may be provided nonetheless as a voluntary particular in the front-of-pack or back-of-pack label. SpiritsEUROPE "*Guidance document on non- and low-alcoholic spirits*" (2022) recommends that the ABV should be displayed in the same visual field as the product name and main alcohol-related descriptors, in one of the following formats:

- X% vol.;
- Alcohol x% vol;
- Alc. X% vol.

Several EU level stakeholders consulted for this study (including business operators) consider the indication of ABV as one of the key elements in the labelling of low/no alcohol spirit drinks. The consumers' viewpoint on this topic is examined under SQ17 (see § 3.17).

<u>*Ingredients list and nutritional information*</u> – Currently, Regulation (EU) No 1169/2011 (Food Information to Consumers) indicates as non-mandatory the list of ingredients and nutrition declaration for beverages containing more than 1.2% by volume of alcohol. LNA beverages with an ABV up to 1.2% are thus required to include these elements on the label. Additionally, the ongoing revision of the aforementioned FIC Regulation may result in the elimination of the exemptions accorded to alcoholic beverages. In the (near) future the list of ingredients and nutrition declaration may be needed also for LNA beverages above 1.2% ABV - either on the label or provided via digital tools. Further details on the revision process are reported at § 1.3.

<u>*Nutrition and health claims*</u> - As regards the use of **nutrition and health claims** in the labelling of low/no alcohol beverages, beverages with an ABV above 1.2% may not bear health claims. Only nutrition claims referring to "low alcohol levels, or the reduction of the alcohol content, or the reduction of the energy content" are allowed for beverages with more than 1.2% ABV, according to Regulation (EC) No 1924/2006. This Regulation does not contain specific provisions for the use of "no alcohol" claims. However, according to Article 4(4) of the same Regulation, «in the absence of specific Community rules regarding nutrition claims referring to low alcohol levels, or the reduction or absence of alcohol or energy in beverages which normally contain alcohol, relevant national rules may apply in compliance with the provisions of the Treaty».

3.16.3 Summary

The labelling of low and no alcohol beverages emulating spirit drinks and aromatised wine products (AWPs) faces at present a number of constraints due to the legal framework set at EU level for these products. Such constraints mostly relate to the legal names/commercial designations/sales denominations, as well as descriptors, which are precluded to LNA spirit drinks and AWPs, and which complicate the overall product communication in terms of positioning and characteristics of the beverages sold.

Operators have found a quite diverse array of solutions to present and market their LNA products within these categories. The **name of the brand** – especially (but not exclusively) for well-established producers – appears to be an important feature on labels for both LNA spirit drinks and LNA AWPs.

Brand aside, **sales denominations** can then vary significantly, ranging from the use of fantasy names or names evoking the taste, aromas or ingredients of the alcoholic beverage of reference to the (more or less) explicit reference to legal names reserved to spirit drinks.

Alcohol-related claims can be found on front-of-pack and/or back-of-pack labels, but can also be merged with the product or brand names.

The precise indication of the **actual alcohol content** by volume (ABV) is not always provided on the label, as it is currently a non-mandatory element for beverages with an ABV lower than 1.2%. However, most consulted stakeholders deem it a key feature also in the labelling of LNA beverages *under* such threshold, also in terms of a more transparent product communication towards consumers – especially when alcohol-related claims are present on the label.

3.17 Q17: What is the level of consumers' understanding of such labels and are there further needs in terms of information?

3.17.1 Understanding of the question and definition of key terms

This question focuses on the labelling of low/no alcohol products from the perspective of final consumers. In particular, the analysis identifies:

- whether elements included in the labels of low/no alcohol beverages, are clearly understandable/understood by consumers; and
- whether additional information should be included for a correct communication.

The key term "**level of consumer understanding"** is intended as mainly concerning the **capacity of consumers to correctly interpret contradictory and potentially misleading information** reported on the labels of the relevant products. An important aspect to consider in the assessment is whether there is a **significant risk of possible confusion** between low/no alcohol beverages and traditional alcoholic beverages among consumers, and/or **incorrect understanding by consumers** of the meaning of alcohol-related claims (e.g., "low-alcohol", "no alcohol", "alcohol-free", etc.) or of other peculiar product descriptors such as, e.g., "non-alcoholic distilled spirit".

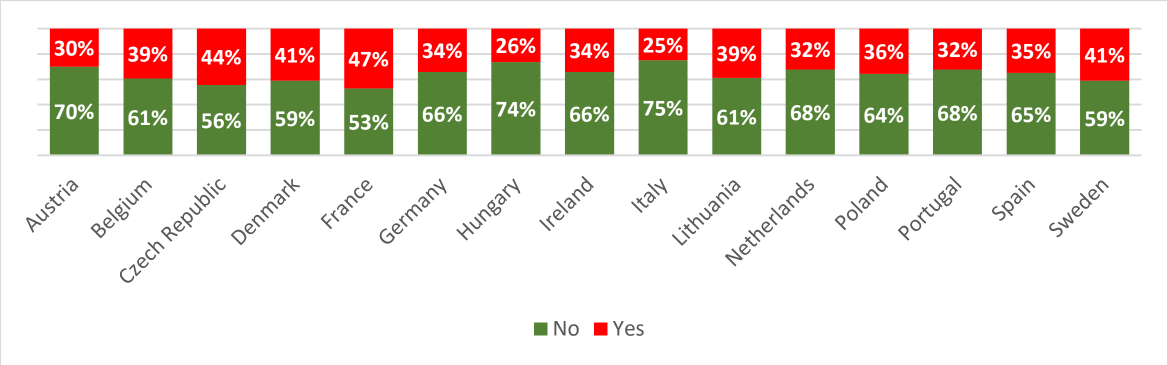
The key term "**further needs (of consumers) in terms of information (on labels)**", is intended as "elements currently missing from most/all labels that consumer deem important to include in order to address their information needs".

3.17.2 Analysis

<u>*Level of consumers' understanding*</u>

On average, **36% of surveyed consumers reported having experienced problems in distinguishing a low/no alcohol beverage from the alcoholic beverage of reference**. The share of respondents who had some issues with the identification of low/no alcohol beverages varies among Member States targeted by the survey and among different product categories. The lowest share of recognition problems was reported in Italy (25%), while the highest in France (47%). Figure 3.54 below provides a breakdown by Member State.

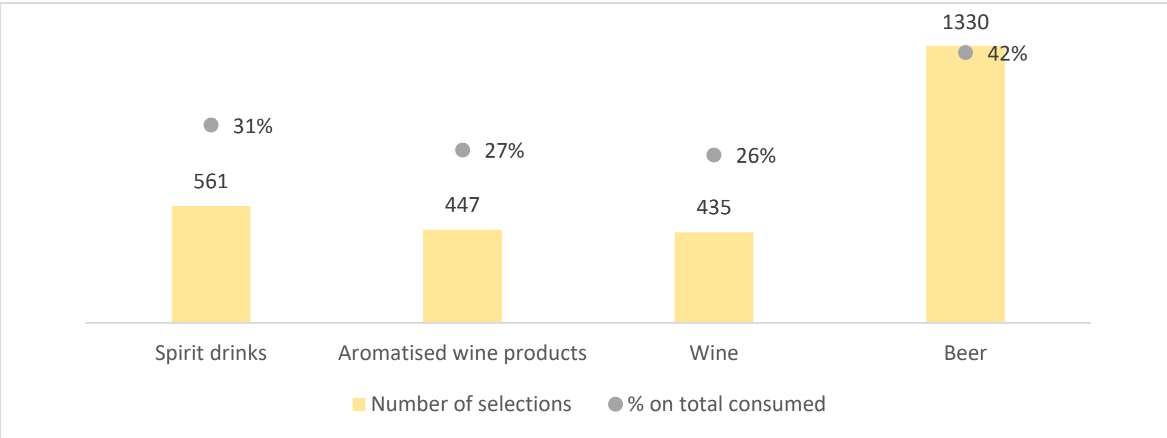
Figure 3.54 – Consumers who reported problems in distinguishing a low/no alcohol beverage from the alcoholic beverage of reference - by Member State



Source: Areté elaboration based on consumer survey's results.

Beer is the product category in relation to which the highest number of respondents reported having experienced some issue in distinguishing low/no alcohol versions from "regular" beer. This is most likely due to the more widespread knowledge and availability of low/no alcohol beer compared to other LNA products. On average, 31% of those who consumed low/no alcohol spirit drinks and 27% of those who consumed LNA AWPs reported having had – in some instances – problems related to product recognition. These data should be read into the broader context of a generally limited awareness around low/no alcohol beverages among consumers: while running the survey, only 26% of initial respondents actually resulted to be in target (on average, with significant differences across different Member States). The remaining 73% did not recall seeing these products on sale in the past year.

Figure 3.55 – Consumers who reported problems in distinguishing a low/no alcohol beverage from the alcoholic beverage of reference - by product category



Source: Areté elaboration based on consumer survey's results.

The main reported **reasons for the confusion experienced** are a similar packaging and/or unclear information on the product (29% of replies), a similar taste to the alcoholic beverage of reference and the in-store positioning of these products.

As regards the **use of possibly confusing language on the label** of LNA beverages, 49% of respondents reported having found on labels terms like "spirits" or "distilled", but only 20% deemed that they generated confusion in understanding whether the beverage was a low/no alcohol one or not.

The use of the term "spirit" to label low/no alcohol spirit drinks is deemed misleading to consumers by some of the consulted business stakeholders, as evoking a product category traditionally associated with a rather high alcohol content in the mind of the average consumer. The views of sectoral stakeholders in this regard appear to be mixed, as the term "spirit" is often used by producers in the labelling of LNA spirit drinks to overcome the current lack of appropriate descriptors for these beverages. Additionally, "spirit" was indeed chosen as the reference product name used by the EU level association of producers – spiritsEUROPE - in their recent guidance document on the topic (issued in 2022). However, it should also be considered that in reply to a question posed in 2018 by a NCA on the use of the term "spirit" to define alcohol-free beverages sold under such terms as "distilled non-alcoholic spirit", the Commission concluded that, based on the provisions in force at the time, an alcohol-free beverage could not be labelled by using the terms "spirit" or "distillate" or the verb "distil" in any form. The issue is also discussed under SQ 21 (see § 3.21).

Legal names of spirit drinks were reportedly found on the labelling of low/no alcohol beverages by 54% of surveyed consumers – 23% deeming that these generated confusion on the nature of the product. The highest share of issues in this regard were reported in Spain (29% found these terms confusing), followed by Belgium, Ireland and Poland (27%).

Similarly, 59% of respondents reported seeing terms like "Vermouth" or "Sangria" (which are sales denominations for aromatised wine products) to label LNA beverages, but only 22% found them confusing. Member States where these shares were higher are Spain (29%) and Czech Republic (27%).

On this topic, two studies were conducted in Italy and Germany on whether consumers were able to discern between alcoholic and non-alcoholic beverages: they found that consumers were indeed capable of distinguishing between LNA and "regular" sparkling wine and between alcohol-free and alcoholic spirit drinks (Anderson et al. 2021). However, after reviewing the available scientific studies on the topic, the same source reported that several studies suggest that the labelling of low alcohol and no alcohol beverages "is sometimes inconsistent and not always as clear as it should be".

An additional **concern as regards consumers' understanding of labels**, is the **use of alcohol-related claims such as "alcohol free", "non-alcoholic" and "0.0"/"0,0"**. According to the consulted consumers' association, it may not always be clear to consumers that LNA beverages marketed with such claims can nonetheless contain an amount of alcohol, albeit limited. Though acknowledging that it can be technically unfeasible to remove *all* alcohol from a beverage, consumer representatives deem that to legitimately use the claim "alcohol free", the ABV should be the lowest possible from a technical standpoint. This issue is compounded by the different rules set at national level for the use of such claims (if national legislation exists at all) – as experimented, e.g., for beer. For people who are mindful of their alcohol consumption because they are the designated driver, are pregnant, have other health reasons or subscribe to religious teachings, possible misunderstandings in this regard may be an issue.

On this topic, it should be noted that Article 7 of the FIC Regulation (dealing with fair information practices) provides that food information "shall not be misleading (…) as to the characteristics of the food and, in particular, as to its nature, identity, properties, composition (…)". Additionally, food information needs to be "accurate, clear and easy to understand" for consumers. Against the backdrop of the evidence analysed in this section, it is possible that a number of LNA products could benefit from a stricter compliance with rules on fair information practices, especially as regards the use of alcohol-related claims on the labels or advertisements.

Experts in the field also highlighted that producers' misleading practices in marketing low/no alcohol beverages may be subject to scrutiny also under the Unfair Commercial Practices Directive (UCPD)[44]. The UCPD is a principle-based Directive. While it does not contain any specific rules regarding information about beverages' alcohol content, it

[44] Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02005L0029-20220528.

enables Member States to prohibit and stop misleading actions (Article 6 UCPD) or omissions (Article 7 UCPD) on the basis of a case-by-case assessment where those practices affect consumers' transactional decision. Such prohibition could therefore cover matters related to marketing of low/no alcohol beverages (e.g., a trader advertising a product as not containing alcohol when in fact it contains some). However, as far as the provision of food information is concerned, the FIC Regulation is the *lex specialis* that applies to the sector in the first place, while the UCPD – as *lex generalis* – is a complementary tool that may be especially relevant in cases outside the scope of application of the FIC Regulation. The matter is also discussed under SQ 21 (§ 3.21) with specific regard to spirit drinks and aromatised wine products.

As product communication and advertising are not only in the hands of producers, confusion as to the nature and characteristics of a LNA beverage may be induced by other **operators in the downstream levels of the supply chain**. These may include on-trade facilities (e.g., restaurants having a low/no alcohol wine on the menu) and retailers, both off-line and online. For example, producers may not always be able to control the use of misleading and/or prohibited terms (such as legal names for spirit drinks) in the product description shown on e-commerce platforms. SQ16 (see § 3.16) provides some examples of terms that can be found when shopping for low/no alcohol beverages online. For this reason, some of the consulted stakeholders expressed the need for appropriate communication to (and training of) all operators involved in the marketing of these beverages, so as to increase the level of consumer protection in all venues.

Key information in the labelling of low/no alcohol beverages

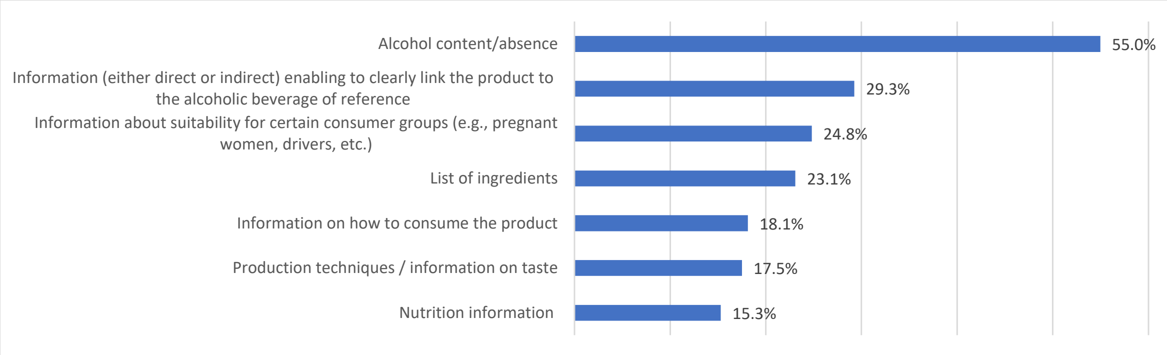
It should be recalled at this point that different rules on labelling apply to beverages up to 1.2% ABV and to those above such threshold, according to EU-level legislative provisions on Food Information to Consumers (Regulation (EU) No 1169/2011). Mandatory information that must be included on the label can thus vary remarkably according to the actual alcoholic strength of the beverage (e.g., indication of ABV is not required for beverages below 1.2% ABV). Additional elements on this topic are discussed in SQ 16 (see § 4.16).

Consumer representatives consulted for this study reported that **important information items that may currently be found on the labels of low/no alcohol beverages** include:

- Alcohol-related claims (e.g., "no alcohol", "alcohol free") and the ABV of the product (not always reported).
- The sale denomination of the product, i.e., brand name and product denomination (e.g., wine, beer).
- Nutritional information (especially - for beverages - energy, sugar and fatty acids).
- List of ingredients.

Most of these elements are indeed in line with the views collected directly from consumers via the dedicated survey. 55% of respondents ranked information on the alcohol content as the most important element featured on the label, followed by indications that allow to understand which alcoholic beverage the LNA product is an alternative to (nearly 30% of respondents). Additionally, nearly 25% of surveyed consumers deem that information on the suitability of the beverages in case of pregnancy or before driving is of major importance.

Figure 3.56 – Most important information currently reported on labels according to consumers

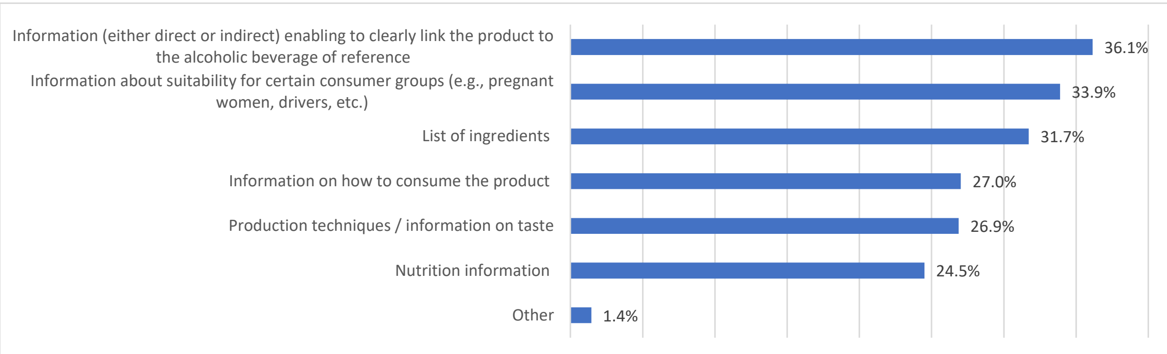


Source: Areté elaboration based on consumer survey's results. Share of respondents who ranked the item in 1st or 2nd place.

Conversely, in terms of **elements that should be included in labels but**, reportedly, **are currently missing at times**, the consumer association interviewed for this study indicated that the actual alcohol content (in terms of ABV) should be made mandatory for all LNA beverages. Additionally, to increase transparency, the full list of ingredients and full nutritional information should be provided regardless of the ABV, according to the same stakeholder. The technique through which low/no alcohol beverages are produced may be of interest to some - as it can influence the taste and price point of the product - albeit not to all consumers.

Figure 3.57 shows the key elements that consumers deem to be missing from the labels of low and no alcohol beverages, ranked by perceived importance.

Figure 3.57 – Most important information currently missing from labels according to consumers



Source: Areté elaboration based on consumer survey's results. Share of respondents who ranked the item in 1st or 2nd place.

For 36% of respondents, elements allowing to identify the alcoholic beverage of reference are very high on the list of important information to be included on labels. Information about the suitability of the beverage for consumers in certain groups (pregnant women, drivers, etc.) is a priority for 34% of surveyed consumers. Besides the options already provided in the question, "Other" information that consumers deemed relevant to mention as currently missing from labels are the actual alcohol content (in line with what already pointed out by consumer representatives), information related to the product's sustainability and indications on whether the beverage is suitable for vegan consumers.

Further needs of consumers in terms of information

Sales denominations – As reported above, the presence on the label of a link (either direct or indirect) between a low/no alcohol beverage and the alcoholic beverage of reference is ranked quite high in the information needs reported by consumers. In the view of the consumers' representatives consulted for the study, if a beverage is meant to be a low/no alcohol alternative, the name of the alcoholic beverage of reference should be indicated on the label, provided that the low/no alcohol nature of the product is made clear as well. At the other end of the spectrum, some sector associations deem that consumers' expectations regarding LNA beverages are different from the ones for "regular" spirit drinks, so that allowing the use of the same (protected) sales denomination/legal names may actually be misleading to consumers.

ABV – Considering the products currently regulated at EU level (spirit drinks, aromatised wine products and wine), the surveyed business stakeholders reported that the actual alcohol content of the beverage is in most cases included on labels, though less often in the case of LNA spirit drinks. As already indicated above, indication of the ABV is not always mandatory, but depends on alcohol content (up to 1.2% ABV vs. above this threshold). However, the actual alcohol strength of the product is deemed a key element both by consumer representatives and by most of the consulted business stakeholders. Clear ABV labelling may also be a way to balance and make more transparent the use of alcohol-related claims discussed in the previous section.

List of ingredients and nutritional information – The consulted consumer association and health organisation agreed that an ingredient list and nutrition information are key elements in the labelling of LNA beverages (as with any beverage). On this topic, the current exemption for alcoholic beverages above 1.2% ABV in this regard, is deemed difficult to understand and justify. The topic is under discussion in the context of the ongoing review of Regulation (EU) No 1169/2011, including the possibility of providing this information item through an e-label. Stakeholders expressed mixed views on this possibility.

Health warnings – Health warning labels are texts or pictograms that appear on beverage containers and provide information or recommendations about alcohol consumption (IARD, 2019). They usually focus on four main themes:

- General health risks associated with alcohol consumption;
- Health risks of drinking during pregnancy;
- Risks of drinking and driving or operating machinery;
- Health risks for young people or legal purchase age for alcohol beverages.

At present, health warnings on the labels of alcoholic beverages are only regulated by national legislation (where it exists) or by self-regulation initiatives. While there is currently no EU-level legal framework on this topic, the "Europe's Beating Cancer Plan" announces that the Commission will propose the introduction of health warnings on alcoholic beverage products' labels before the end of 2023.

According to the health organisation consulted for this study, consumer information needs for LNA beverages are very much the same as for conventional alcoholic beverages, and thus also cover the provision of health warnings on labels. However, the same organisation acknowledges that LNA beverages are sought for by consumers who cannot drink on particular occasions (e.g., while driving) and are popular products during national campaigns where people want to abstain from alcohol consumption or reduce its quantity (e.g., *Dry January*).

This is why some consulted stakeholders expressed the view that the use of health warnings for no alcohol beverages that have a very low ABV may defeat the purpose of marketing LNA beverages in the first place, and end up having counterproductive results.

Conversely, the inclusion of labelling items suggesting that the beverage is "suitable for consumption during pregnancy" or "suitable for drivers" is debated among operators, and mixed views were expressed also by the interviewed independent experts and by the consulted Commission Services. Reportedly, the LNA industry does not feel confident about talking of health-related issues, also in light of the recent developments with the Europe's Beating Cancer Plan and the European Parliament's BECA report.

Despite the above, **there appears to be an information need among consumers to be advised on whether a LNA beverage is suitable for consumption in circumstances where alcoholic beverages are not**. Around 30% of consumers ranked such element as high in terms of importance, so this may represent an informative gap to be addressed.

Other information items – The country of origin is deemed a common feature on labels only for 59% of surveyed business stakeholders, while production techniques appear to be the least common element to be found on labels. These information items are currently provided on a voluntary basis, though some producers deem them to be relevant (especially - in the case of production techniques – as to whether the beverage is the product of distillation). Information on how to consume the product and on production techniques are deemed important labelling elements by 27% of the surveyed consumers.

3.17.3 Summary

The majority of surveyed consumers have not experienced issues with the identification of low/no alcohol beverages and with discriminating them from their alcoholic version. Issues or instances of confusion in this regard were reported by 31% of those who consumed low/no alcohol spirit drinks and 27% of those who consumed LNA AWPs.

According to consumers, key information items in the labelling of LNA beverages are the actual alcohol content, information linking the LNA beverage to the alcoholic beverage of reference, and indications on whether the product is suitable for consumers having special needs with regard to alcohol intake (e.g., pregnant women, drivers, etc.).

3.18 Q18: What is the specific national legislation in place in the various countries for products not regulated at EU level, if any?

3.18.1 Understanding of the question and definition of key terms

Replying to this question implies identifying specific national legislation in force for beverages that are *not* regulated at EU level and namely **beer** and **other fermented beverages** (including cider, perry and mead).

In essence, this SQ requires to perform a mapping of specific EU MSs legislation, including laws, guidance, case-law and self-regulation, in accordance with the notion of 'legislation' used for the purpose of the study (see Box 3.1 under SQ 11 at § 3.11).

3.18.2 Analysis

Under this section, a summary of LNA legislation on beer and other fermented beverages that was identified through data collection at MS level is provided.

Beer - Currently, 16 MSs – **Austria**, **Belgium**, **Croatia**, **Czech Republic**, **France**, **Germany**, **Greece**, **Hungary**, **Italy**, **Lithuania**, **Netherlands**, **Portugal**, Slovakia, **Slovenia**, **Spain** and **Sweden** – have regulated LNA beer, in accordance with the definitions provided in Table 3.15.

A majority of MSs have established that a **no alcohol beer** must not exceed 0.5% ABV. The Netherlands set a lower limit of 0.1%, while other countries such as Greece (0.7%), Spain (1%), France (1.2%) and Italy (1.2%) set higher limits. For **low alcohol beer**, major differences between MSs can be noticed. In Belgium, Czech Republic, Lithuania, the Netherlands, Portugal and Slovakia, the alcohol content of a low alcohol beer cannot exceed 1.2% vol. In Greece (1.5%), Hungary (2.8%), Italy (3.5%), Slovenia (3%), Spain (3%) and Sweden (2.25%), the alcohol content limit set for this product category is higher.

Table 3.15 – Existing national legislation on LNA beer

MS	Alcohol content of 'no' alcohol beer	Alcohol content of 'low' alcohol beer
Austria	«*Alkoholfreies Bier*» ('no alcohol beer') ≤ 0.5% ABV	-
Belgium	«*Sans alcool*» ('no alcohol') ≤ 0.5% ABV	«*Légèrement alcoolisée*» ('lightly alcoholic') or «*Pauvre en alcool*» ('low in alcohol') > 0.5% to ≤1.2% ABV
Croatia	«*Bezalkoholno pivo*» ('no alcohol beer') ≤ 0.5% ABV	-
Czech Republic	«*Nealkoholickým pivem pivo*» ('no alcohol beer') ≤ 0.5% ABV	«*Nízkoalkoholickým pivem pivo*» ('low alcohol beer') >0.5% to ≤1.2% ABV
France	«*Bière sans alcool*» ('no alcohol beer') ≤ 1.2% ABV	-
Germany	«*Alkoholfreies Bier*» ('no alcohol beer') ≤ 0.5% ABV	-
Greece	«*Μπύρα χωρίς αλκοόλ*» ('no alcohol beer') ≤ 0.7% ABV	«*μπύρα με χαμηλή περιεκτικότητα*» ('low alcohol beer') ≤ 1.5% ABV
Hungary	«*Alkoholmentes sör*» ('no alcohol beer') ≤ 0.5% ABV	«*Alkoholszegény sör*» ('alcohol 'poor' beer') 0.51-1.50% ABV «*Kis alkoholtartalmú sör*» ('low alcohol beer') 1.51-2.80% ABV
Italy	«*Birra analcolica*» (no alcohol beer) < 1.2% ABV	«*Birra leggera*» or «*Birra light*» (light beer) 1.2% - 3.5% ABV.
Lithuania	«*Nealkoholinis alus*» (no alcohol beer) < 0.5% ABV	«*Labai silpnas alus*» (low alcohol beer) 0.5%-1.2% ABV
Netherlands	«*Alcoholvrij bier*» (no alcohol beer) < 0.1% ABV	«*Alcoholarm bier*» (low alcohol beer) 0.1% - 1.2% ABV
Portugal	«*Cerveja sem álcool*» (no alcohol beer) ≤ 0.5% ABV	«*Cerveja com baixo teor alcoólico*» (low alcohol beer) > 0.5% to ≤ 1.2% ABV
Slovakia	«*Nealkoholické pivo*» (no alcohol beer) ≤ 0.5% ABV	«*Pivo so zníženým obsahom alkoholu*» (alcohol reduced beer) ≤1.2% ABV
Slovenia	«*Brezalkoholno pivo*« (no alcohol beer) ≤ 0.5% ABV	«*Lahko pivo*» (light beer) ≤ 3% ABV
Spain	«*Cerveza sin alcohol*» (no alcohol beer) < 1% ABV	«*Cerveza de bajo contenido en alcohol*» (beer with a low level of alcohol) 1-3% ABV
Sweden	«*Lättöl*» (no alcohol beer) 0-0.5% ABV	«*Lågalkoholöl*» (low alcohol beer) ≤ 2.25% ABV

Source: desk research, interviews and survey of NCAs

Alongside national definitions of LNA beer, some MSs have established **additional legal requirements** for the production and commercialisation of that beverage.

For instance, in **Germany**, the manufacture of LNA beer - as of any other beer - is subject to the composition requirements set out by the so-called **Purity Law**. The latter requires, in principle, beer to be produced from selected ingredients, notably, water, barley and hops, whereas the use of yeast is generally admitted by the current production practices. Exceptions from the obligation to comply with the composition requirements set out by the Purity Law are rare (e.g., addition of spices conferring flavour) and normally granted by individual States (*Länder*) for the commercialisation of beer only on the German market. For **labelling purposes**, LNA beers are generally treated as non-alcoholic beverages by the national brewery sector, and as such subjected to the obligation to provide the list of ingredients and full nutrition information on bottles and cans. This approach to labelling can be also observed in **Poland**, where, however, it is reportedly applied across all LNA categories.

Besides, national legislation in the **Netherlands** requires producers of all beers, including LNA categories, to provide information on ingredients and nutrition values. In addition, in accordance with a recent self-regulation code established by industry, advertising of LNA beers cannot target minors, pregnant women and designated drivers. In accordance with an EU stakeholder representing the brewery sector, advertising restrictions on LNA beer imposed through self-regulation by industry would be in place in various EU MSs in particular with regard to minors.

Finally, in **Portugal**, only the provision of the list of ingredients on all types of beers, including LNA beer, is required.

As already discussed under SQ 11 (see § 3.11), evidence collected in various national case studies (e.g., Belgium, Czech Republic, France, Germany, Italy and Spain) indicates that at present divergences in national legislation regulating LNA beer **do not constitute major barriers to the trade** of this product category within the EU market. However, in certain national contexts (e.g., Poland), there are concerns that barriers might arise in the future if and when intra-EU trade of LNA beer becomes more important volume wise. As already discussed under SQ 12 (see § 3.12), there are not strong calls for harmonisation at EU level of the LNA beer segment by industry stakeholders, as such products are well-established in several national markets.

Concerning future legislative plans, in **France**, competent authorities are working on a possible harmonisation of the minimum alcohol strength for no alcohol beers (currently ≤ 1.2% ABV) and minimum rate defined in excise duties policies (no taxation under 0.5% ABV). Moreover, in **Greece and Slovenia**, according to the feedback collected from the NCAs, additional legislation on LNA beer may be adopted in the near future.

Other fermented beverages - **Germany**, **Lithuania**, **Poland** and **Spain** are the only MSs that have established specific legislation for **other fermented beverages** (Table 3.16). Within this category all these MSs have regulated different product categories. Germany has established specific legislation for LNA wine-like and sparkling wine-like products, Lithuania for mead, Poland for fruit wine and aromatised fruit wine, and Spain for cider.

Table 3.16 – Existing national legislation on other LNA fermented beverages

MS	Legislation on LNA fermented beverages
Germany	According to national guidance 'principles for **wine-like and sparkling wine-like products**': low alcohol products contain more than 0.5% ABV and no more than 4% ABV, while no alcohol products no more than 0.5% ABV. The alcohol content is reduced exclusively by physical processes (thermal processes, membrane processes, the use of which may result in a maximum volume reduction of the product of 25%, or extraction with liquid carbon dioxide). Additional water is not added during production.
Lithuania	«*Nealkoholinis midus*» (‘**no alcohol mead’**) is a no alcohol beverage which is produced by fermenting honey mash prepared according to the national regulation, and whose fermentation has been stopped, or alcohol content of which has been reduced using a permitted method, in such a way that the ethyl alcohol concentration in it does not exceed 0.5% ABV.

MS	Legislation on LNA fermented beverages
Poland	«*Wino owocowe niskoalkoholowe*» ('**low alcohol fruit wine**') - a beverage with an actual alcohol strength exceeding 1.2% ABV but less than 8.5% ABV, obtained by alcohol fermentation of a setting on fruit wine or from fruit wine by partial removal of alcohol using only physical methods, with the possibility of sweetening or colouring. «*Aromatyzowane wino owocowe niskoalkoholowe*» ('**aromatised low alcohol fruit wine**') - a beverage with an actual alcohol strength exceeding 1.2% ABV but less than 8.5% ABV, containing at least 75% by volume of fruit wine or low-alcohol fruit wine, flavoured with substances other than grapes, with the possibility of sweetening or colouring.
Spain	«*Sidra natural sin alcohol*» ('**natural cider with low alcohol content**') - Beverage which is the natural cider de-alcoholised with physical means, with an alcohol content between 1 and 3% ABV. «*Sidra sin alcohol*» ('**cider no alcohol**') - Beverage that is de-alcoholised with physical means without losing its organoleptic properties and with alcohol content less than 1% ABV.

Source: desk research, interviews and survey of NCAs

As regards future national legislation in this area, **France** is currently considering a legal definition for **no alcohol cider** and **perry**. However, according to the French authorities, if the term 'no alcohol' is defined at EU level, no national definition will be necessary. In addition, **Lithuania** is poised to implement a technical regulation on **cider** and **perry** that bears relevance for LNA. In-depth interviews conducted at EU level revealed that the European Commission is currently working on the definition of EU marketing standards for cider and perry.

3.18.3 Summary

Currently, 16 MSs have national legislation on LNA beer whereas only 4 MSs have regulated other LNA fermented beverages.

National beer legislation, in particular, **varies to a great extent** across the MSs analysed. Different alcohol content limits are set by the relevant definitions that have been established by the MSs. On the one hand, a no alcohol beer can have a maximum alcohol limit of 0.1% ABV (in the Netherlands) up to 1.2% ABV (in France and Italy). On the other hand, a low alcohol beer can have a maximum alcohol content of 1.2% ABV (in Belgium, Czech Republic, Lithuania, the Netherlands, Portugal and Slovakia) up to 3.5% ABV (in Italy).

Furthermore, a limited group of MSs (for instance, Germany, Portugal, and the Netherlands) have currently in place **additional composition and/or labelling requirements** or **established practices** for beers that apply also to LNA beer or to LNA beer as such.

At this point in time, only few MSs have plans to introduce new legislation at national level that may be relevant to LNA beer, mainly with the objective to update national provisions currently in force.

In general terms, stakeholders consulted during the study consider that, despite the referred divergences across national legislations regulating LNA beer, no major barriers exist to its trade within the EU market. According to some, however, this scenario may change in the future in case trade volumes of LNA beer increase. Also, at this point in time there are no strong calls for EU harmonisation of the LNA beer segment by industry stakeholders, as such products are well-established in several national markets.

In relation to **national legislation on other fermented beverages**, Germany, Lithuania, Poland and Spain have defined and regulated **different types of products**: wine-like and sparkling wine-like products, mead, fruit wine, aromatised fruit wine and cider. While France and Lithuania are considering the adoption of national legislation for this LNA category, the European Commission is also preparing a legislative proposal laying down marketing standards for perry and cider.

3.19 Q19: With a view to preserving the integrity of the Single Market, is there a need to determine production and labelling rules for those products?

3.19.1 Understanding of the question and definition of key terms

SQ 11 (§ 3.11) and SQ 18 (§ 3.18) have thus far provided an overall assessment of the current regulatory framework – at Member State level - for *i)* low/no alcohol beverages whose alcoholic beverages of reference are regulated at EU level and *ii)* other low / no alcohol beverages (within the scope of this study) that are currently *not* regulated at EU level. The current situation is rather composite, including a number of Member States with national rules on selected products and/or aspects (e.g., labelling, marketing, etc.), but also Member States where no specific national legislation is in force.

In this context, the analysis under SQ 19 is aimed at assessing whether these differences in regulatory provisions at Member State level are undermining or may undermine the integrity of the Single Market.

The focus of this assessment will be on whether the current **fragmentation of rules** is causing **problems in the free movement of low/no alcohol products within the EU**, ultimately forcing producers to have to change production and labelling practices for each of the markets where they place their products. It also explores the **need for harmonised legislation at EU level** guaranteeing **smooth intra-EU trade** and a **level playing field** in the low/no alcohol beverages sector.

3.19.2 Analysis

Implications of the absence of a harmonised regulatory framework for certain low/no alcohol beverages on the functioning of the single market

The legislative mapping performed under SQ 11 (§ 3.11) and SQ 18 (§ 3.18) shows that, overall, **LNA beverages are currently subject to national legislation to a varying degree**.

As referred to in the analysis supporting the replies to those study questions, at present **LNA beer** is by far the LNA category most regulated, with 16 MSs having national legislation in place. Conversely, the number of MSs with national legislation relevant to other LNA beverages is more limited. For instance, only 6 MSs have legislation in place on **LNA wine** (notably, Austria, Czech Republic, Germany, Lithuania, Portugal and Slovenia), while only 1 MS has legislation for **LNA spirit drinks** (Ireland) and another MS has legislation for **LNA aromatised wine products** (Lithuania).

The presence of harmonised provisions at EU level for the alcoholic beverages of reference, as well as the extent to which national deviations from them are possible, can in part explain the differences in the level of regulatory intervention as regards the specific categories of LNA beverages at national level.

The regulatory scenario described above is **unlikely to change** in the short term as the number of MSs with plans for future legislation in this area is limited and, when such plans exist, they mostly concern alignment with EU legislation on certain LNA beverages (e.g., wine) or amendments to existing national provisions (e.g., beer).

As regards **the identification of barriers to intra-EU trade of LNA beverages** deriving from the lack of full harmonisation of this market segment, as already referred in the replies to SQ 11 and 18, evidence collected overall shows that, at present, divergences in national legislation regulating specific LNA categories **do not constitute major hurdles** to the trade of those products within the EU market.

The vast majority of stakeholders consulted for this study were **unaware of actual barriers to the free movement of low/no alcohol beverages within the Single Market**. Most NCAs and relevant Commission Services consulted referred that no cases of barriers to intra-EU trade were brought to their attention.

For **most LNA beverages**, one of the justifications provided by interviewees is that intra-EU trade of these products is still too limited for actual controversies to emerge and that the **principle of mutual recognition** is in general applied correctly at MS level. With regard to **LNA beer**, however, there are concerns by some NCAs that barriers might arise in the future if and when the relevant intra-EU trade becomes more significant volume wise, since beer is the most regulated LNA category at national level, with notable differences in terms of definitions and related ABV thresholds across MS. Even so, as already referred under SQ 12 (see § 3.12), at present there are no strong calls for harmonisation at EU level of the LNA beer segment by industry stakeholders, as such products are well-established in several national markets.

Most issues raised by the stakeholders consulted during the study relate to the categorisation of a given product in light of the specific requirements laid down in the applicable national legislation. In particular, **a potential threat to the integrity of the Single Market** may in the future stem from the current **absence of EU wide harmonised regulatory requirements for the use of the terms "no alcohol" and "low alcohol" when applied to beverages**, with a particular focus on clear ABV thresholds for these categories, applicable across all low/no alcohol products. The existence of (diverging) ABV-related requirements in some Member States (together with the different descriptors allowed in the labelling of these products) was indicated as a possible threat or as a reason for concern by a number of both sector stakeholders (including consumer representatives) and NCAs consulted. This is particularly true for **LNA beer**, owing to the number of MSs that currently have national legislation in place for that product category. As a result of the different requirements imposed by MSs, notably in terms of maximum ABV, a product that is categorised as "no alcohol beer" in one MS may be in fact considered as "low alcohol beer" pursuant to the legislation of another MS (for instance, in the case of the Netherlands, which, among the MSs analysed, has the lowest ABV threshold for no alcohol beer).

A number of other possible issues stemming from the differences in national legislation were also highlighted by the consulted stakeholders. **The identified issues do not constitute barriers in the free movement of products as such, but highlight gaps in ensuring a level playing field between operators based in different Member States**.

First of all, national legislation providing for **restrictions to the sale and advertising of alcoholic products** may also apply to low/no alcohol beverages. Such legislation does not directly involve intra-EU trade, but may nonetheless end up limiting cross-border sales of beverages containing (also very limited quantities of) alcohol. Marketing and advertising were identified by consulted experts as the most challenging areas for developing legislation on low/no alcohol beverages: where legislation prohibits the advertising of beverages containing alcohol, it is not always straightforward to determine whether advertising low/no alcohol beverages is legal or not. Especially where alcohol monopolies are still in place (e.g., in Finland and Sweden), the concrete application of national rules by Competent Authorities could in some cases result in *de facto* limitations to the marketing of low/no alcohol products as well. Despite the above, it should be noted that the sale of alcoholic beverages is not an area of EU competence, which explains the variety of national approaches to this topic.

Other issues identified relate to **national fiscal measures** targeting LNA beverages, which often lead to the application of different excise duties or VAT rates across MSs, and are not always designed in a consistent way vis-à-vis the alcoholic beverage of reference.

According to some of the consulted stakeholders, to the extent that the methodology differs between Member States, VAT and excise duties may affect internal trade and the creation of a level-playing field.

Few stakeholders referred that the need to provide consumer information in a language that is easily understood in the market of the MS of commercialisation as well as mandatory legibility requirements for labels are a constraint for economic operators. These, however, are general labelling requirements set by EU legislation.

Finally, there may be other national legislative provisions - not specifically targeting low/no alcohol or alcoholic beverages - that affect the intra-EU trade of these products. These may include different rules on packaging/recycling or other labelling requirements that may allow to identify (and indirectly support) domestic products. For example, in France, national legislation requires indicating the name of the *producer* on the label, rather than the name of the entity responsible for placing the product on the market (as is laid down in Regulation (EU) No 1169/2011 on food information to consumers). Such national legislation, though having a broader scope of action, may cause concern and/or result in a competitive disadvantage for businesses located in other Member States.

Comparative analysis of the operational aspects for intra-EU trade of beer

The intra-EU trade of beer (regular beer), a product not regulated at EU level, can provide useful insights as to whether the absence of harmonised EU legislation and the existence of heterogenous national provisions represent a threat to the integrity of the Single Market. This section provides an overview of the regulatory framework for beer in major EU Member States, as well as an assessment of whether existing differences are hampering the free movement of beer within the EU.

General or specific rules concerning the production and labelling of beer are currently in place at national level in most MSs:

- **17 MSs currently have national legislation on beer**;
- **in 2 MSs, some other form of non-regulatory framework on beer exists.** In Hungary, both self-regulatory initiatives and a guidance document are in place. In Poland, national sector organisations commonly elaborated a definition for beer, as a form of self-regulation. It is noted that no case-law of specific relevance to the beer sector was identified in any MS.

In 4 of the 21 MSs that responded to the NCA survey (Bulgaria, Denmark, Finland and Latvia), no specific rules on beer were identified. In the Netherlands, no specific rules on beer were identified, other than the Commodities Act (*Warenwet*) which specifies alcohol limits for low/no alcohol beer.

Table 3.17 – Existing national regulatory and non-regulatory framework on beer

Type of framework	Member States
National legislation	Austria, Belgium, Croatia, Czech Republic, Estonia, France, Greece, Ireland, Italy, Lithuania, Luxembourg, Portugal, Slovakia, Slovenia, Spain and Sweden
Other forms of regulation	Hungary, Poland

Source: desk research, interviews and survey of NCAs

Across the 19 MSs where general or specific rules concerning the production and labelling of beer are currently in place at national level, the situation is as follows:

- In 17 MSs the rules lay down definition and alcohol content limits;
- In 12 MSs the rules lay down requirements regarding the production process;

- In 14 MSs the rules lay down labelling requirements;
- In 5 MSs the rules lay down marketing requirements.

Therefore, in the majority of MSs where an existing national framework on beer was identified, this lays down requirements on definition and alcohol content limits, the production process and labelling.

Table 3.18 – Requirements laid down in the existing national regulatory framework on beer

Member State	Definition and alcohol content limits	Production process	Labelling rules	Marketing rules
Austria	X	X	X	
Belgium	X		X	
Croatia			X	X
Czech Republic	X	X	X	
Estonia	X	X	X	X
France	X	X	X	
Germany	X	X	X	
Greece	X	X	X	X
Hungary	X	X	X	
Ireland				X
Italy	X			
Lithuania	X			
Luxembourg	X	X	X	
Poland	X	X		
Portugal	X	X	X	
Slovakia	X	X	X	
Slovenia	X		X	
Spain	X			
Sweden	X	X	X	X
Total	**17**	**12**	**14**	**5**

Source: survey of NCAs and case studies.

Despite the fact that the beer sector is relatively extensively regulated at national level and that differences in rules exist in terms of all aspects considered (definition and alcohol limits; production process; labelling), the NCAs of 15 of the 21 MSs that responded to the survey did not identify any barriers currently in the intra-EU movement of beer which might be caused by differences in national rules on the production and labelling of beer[45]. Only in two MSs (Slovakia and Sweden), some barriers in trade were identified by NCAs: in both cases they are attributed to differences in labelling rules and in one case, the barriers were specifically attributed to the strict requirements on labelling in Swedish legislation regarding association with sports, anti-social behaviour and drinking age.

The case studies and interviews did not identify any further problems arising in intra-EU trade that may be due to differing requirements laid in national legislation on beer. Although both the industry stakeholders and NCAs acknowledge there are differences in the national legislation, these are largely attributed to the specificities of the national

[45] The NCAs of four Member States indicated they do not know whether any barriers exist.

production of beer and the diversity in product types/characteristics and do not pose any problems in intra-EU trade. **The principle of mutual recognition is generally considered to fully cover producers when placing their production in other Member States.** Nonetheless, one issue identified by both NCAs and industry stakeholders is the lack of a harmonised definition and alcohol content limits specifically for low/no alcohol beer (as outlined in SQ 18, § 3.18), which triggers problems in terms of product labelling and may cause potential confusion for consumers when selling these products in other EU countries; for example, a product called "alcohol free" beer in one country may be considered "low alcohol beer" in another[46]. The only other issue in terms of differential treatment may be posed by different rules on excise duties between Member States.

Therefore, the **absence of harmonised EU legislation on beer and the existence of heterogenous national legislation** and other forms of non-legislative provisions were **not identified** by the consulted stakeholders **as representing a threat to the integrity of the Single Market in the case of (regular) beer.** The problems identified due to the differing definition and alcohol content limits between Member States for **low/no alcohol beer** do not *currently* pose difficulties to trade as such but are potentially confusing for consumers.

Stakeholders' perceptions about the need for harmonised EU-level production and/or labelling rules for the concerned low/no alcohol beverages.

The consultation of stakeholders at Member State and EU level allowed to identify two areas of priority, for which a need of harmonised rules at EU level emerged:

1. De-alcoholised and partially de-alcoholised wine ➔ secondary legislation on the presentation and labelling requirements, as well as specific oenological practices for the production of these products;
2. Low/no alcohol beverages ➔ harmonised ABV-related regulatory requirements for the use of the terms "no alcohol" and "low alcohol" in the labelling of beverages (albeit with different views among stakeholders).

As regards **de-alcoholised and partially de-alcoholised wine**, the introduction of EU definitions of these two products within the scope of the newly adopted CMO Regulation (Regulation (EU) No 1308/2013 as amended by Regulation (EU) 2021/2117) was generally welcomed as a positive development, providing a common legal basis for the growth of this market segment. However, consulted stakeholders active in the wine sector often reported that additional rules are needed to properly produce and market (partially) de-alcoholised wine, especially in terms of authorised oenological practices and labelling of these products. Secondary legislation is viewed as a necessary step further to provide a clearer operational environment for winemakers and Competent Authorities.

A broad set of stakeholders expressed the need for **clear EU level regulatory requirements for the use of the terms "no alcohol" and "low alcohol" in the labelling of beverages**, with common, straightforward rules on ABV thresholds. Harmonised ABV-related requirements for the use of the term **"alcohol free"** could also clarify the possibility of consumption for certain population groups (e.g., consumers who cannot drink alcohol for religious reasons, minors, etc.) in the same way across the EU. The indication of the exact ABV on the label is not deemed sufficient as a solution for such purposes: a clear link between the ABV level and the use of the terms "no alcohol" and "low alcohol" (or similar ones) to describe the beverage (on labels, through advertising, etc.) was deemed necessary by several consulted stakeholders to establish a level playing field and raise the level of consumer protection.

[46] https://www.voedingscentrum.nl/nl/nieuws/alcoholvrij-bier-is-soms-niet-echt-alcoholvrij-.

Consumer and public health groups expressed their concern over the current differences at Member State level in the labelling of "alcohol free" beverages, with particular regard to ABV-related requirements. For instance, "no alcohol/alcohol free beer" produced in the Netherlands needs to have an ABV lower than 0.1%; "no alcohol/alcohol free beer" produced in Belgium or Germany can have a maximum ABV of 0.5%. As consumers can find both types of products in their countries, the absence of uniform rules on the maximum ABV allowed can be confusing and/or misleading.

On this topic, spiritsEUROPE recently published a set of guidelines[47] for its members on low/no alcohol beverages emulating spirit drinks, which include common requirements for:

- "0.0%" spirit drinks (<0.05% ABV);
- "alcohol-free" spirit drinks (up to 0.5% ABV);
- "low and no alcohol" spirit drinks (up to 1.2% ABV).

On the one hand, a number of stakeholders deem that harmonised ABV-related requirements established at EU level should be applied across all product categories, as they would introduce a consistent approach to food information, benefitting consumers, no matter the product category or sales channel they chose. On the other hand, *i)* EU level definitions of de-alcoholised and partially de-alcoholised wine have been recently introduced, with *ad hoc* rules on sales denominations and labelling for LNA wine only; and *ii)* the sector with the most developed LNA segment – i.e., beer – reported that no major needs in terms of harmonisation of ABV thresholds were raised by members, so that intra-EU trade of low/no alcohol beer is running smoothly also in the current regulatory context.

The possible alternative of introducing *ad hoc* regulatory requirements for the use of the terms "no alcohol" or "low alcohol" only for specific product categories (e.g., only for spirit drinks and/or AWPs) may have the benefit of building on the current diversified framework of rules (i.e., descriptors introduced for wine, national rules on beer). However, such approach would have to take into account (and work with) other disadvantages, namely: *i)* a lack of consistency across product categories, so that the same term (e.g., "no alcohol") may entail a different ABV on the label of beverages emulating spirit drinks or on LNA beer; and *ii)* product-specific rules may leave out beverages not specifically covered by EU level legislation, such as LNA "aperitifs", "mixers" etc.

No specific needs in terms of harmonised legislation clearly emerged as regards **production rules** for low/no alcohol beverages other than wine.

While the impact of the current lack of full harmonisation of legislation on LNA beverages at EU level does not seem to adversely affect the proper functioning of the internal market, several stakeholders consider that, in the future, EU harmonisation is desirable for specific LNA categories. This is the case of **LNA aromatised wine products**, for which several business operators would welcome EU provisions, recognising, *inter alia*, that these products should be made from wine. It is also the case for **LNA spirit drinks**, for which the lack of a clear regulatory framework for sales denominations and other consumer information have posed marketing challenges to producers operating in this market segment, which has therefore led the EU level sectoral organisation to develop *ad hoc* guidance in this area (see SQ21 at § 3.21 for a more extensive discussion on the topic).

[47] spiritsEUROPE, (2022), *spiritsEUROPE guidance document on non- & low-alcoholic "spirits".* *https://spirits.eu/upload/files/publications/guidance%20document%20on%20low%20and%20no%20-%20high%20resolution.pdf*.

3.19.3 Summary

LNA beverages are currently subject to national legislation to a varying degree, and the current regulatory scenario is unlikely to change in the short term as the number of MSs with plans for future legislation in this area is limited.

At present, divergences in national legislation regulating specific LNA categories do not appear to be hampering the trade of those products within the EU market. Reportedly, the reason may be that trade flows of some low/no alcohol products are still too limited for actual controversies to emerge, and the principle of mutual recognition is correctly applied for these products.

Also in the case of "regular" beer - examined for comparison purposes - the differences in national legislation reportedly do not pose any problems in intra-EU trade. The principle of mutual recognition is generally considered to fully cover producers when marketing their production in other Member States. Some problems were identified as regards LNA beer in particular, due to the differing regulatory requirements and alcohol content limits between Member States. They do not pose difficulties to intra EU trade *at present*, but can be confusing for consumers.

A need for harmonised rules at EU level emerged from stakeholders as regards: *i)* de-alcoholised and partially de-alcoholised wine, with operators hoping for additional secondary legislation on presentation and labelling requirements, as well as on specific oenological practices; *ii)* harmonised ABV-related regulatory requirements for the use of the terms "no alcohol" and "low alcohol" in the labelling of beverages, though with mixed views among stakeholders.

As regards the latter, such common requirements in terms of ABV ranges were identified by several categories of stakeholders as necessary to create a level playing field and raise the level of consumer protection throughout the EU. The mere indication of the exact ABV on the label was deemed not sufficient, due to the prominent use of descriptors such as "no alcohol" and "low alcohol" on labels and in product communication.

A product-specific approach aimed at regulating the use of these descriptors for specific product categories only would allow to build on existing legislation, but may result in a too diverse array of ABV-related regulatory requirements within the Single Market and/or fail to cover all relevant product categories.

3.20 Q20: To what extent will legislation at EU level have a repercussion on world trade (particularly under the perspective of possible technical barriers to trade)?

3.20.1 Understanding of the question and definition of key terms

The hypothetical establishment of specific EU legislation covering LNA beverages might affect both inbound trade flows (import of LNA beverages produced in third countries) and outbound ones (exports to third countries of LNA beverages produced in the EU). In the first place, it should be considered that no specific international standards exist for the regulation of cross-border trade of alcoholic beverages in terms of production methods and labelling. Secondly, also legislation regulating the production and labelling of food and beverages is relevant from the standpoint of multilateral trade rules. As for potential technical barriers to trade (TBT henceforth) that may arise at international level from the establishment of specific EU legislation covering LNA beverages, the **two main dimensions to investigate** are identified in the following:

1. LNA beverages produced in the EU in compliance with EU legislation may encounter TBT-related issues when exported to third countries that have a specific legislation covering those products.

2. LNA beverages produced in third countries may encounter TBT-related issues when exported to the EU (irrespective of a specific national legislation being in force or not in the concerned third countries).

Since specific EU legislation on LNA beverages is currently not in place, the detail of the hypothetical relevant provisions is unknown; this implies that the nature and the extent of TBT-related issues cannot be determined at present.

3.20.2 Analysis

Likeliness of potential TBT-related issues from the hypothetical establishment of specific EU legislation covering LNA beverages

An overview of the **state of play of international negotiations** relevant for production and labelling of (low/no) alcoholic beverages provides the groundwork for the analysis. The key element to underline is that **no specific international standards** exist for the regulation of cross-border trade of alcoholic beverages in terms of production methods and labelling. Work on the labelling of alcoholic beverages within the **Codex** (Alimentarius) **Commission for Food Labelling (CCFL**), is actually quite recent. In 2019, the Russian Federation, together with the EU and a few other Codex member countries, developed a discussion paper to structure and coordinate labelling discussions on alcoholic beverages within the CCFL[48]. To date, discussions have mostly focused on providing clarity about the applicability of existing Codex standards for food labelling to alcoholic beverages[49], and on assessing the need to develop *ad hoc* standards for this product category (Hepworth, 2020). Overall, possible harmonisation of requirements for alcoholic beverages at Codex level, including for the LNA segment, could be seen as a desirable step with a view to minimising any possible negative impacts on international trade that may derive from the application of different domestic standards by trading countries. Another element to consider is that also **national legislation on the production and labelling of alcoholic beverages** is relevant in the framework of multilateral trade rules (O'Brien and Mitchell, 2018). The requirements set out in national legislation must hence be considered and assessed within the framework of the 1994 **WTO Agreement on Technical Barriers to Trade** (also known as **TBT Agreement**)[50], which distinguishes between two main types of product-related regulatory measures that WTO members may introduce in their jurisdictions with possible repercussions on international trade, depending on whether their observance is to be regarded as mandatory ('*technical regulations*')[51] or merely voluntary ('*standards*')[52]. For the purposes of the TBT Agreement, national legislation regulating alcoholic beverages, including LNA ones, are to be regarded as **technical regulations**.

[48] Codex Committee on Food Labelling, Forty-fifth Session Ottawa, Ontario, Canada, 13 – 17 May 2019 –- *Discussion paper on the labelling of alcoholic beverages* - available at http://www.fao.org/fao-who-codexalimentarius/sh-proxy/en/?lnk=1&url=https%253A%252F%252Fworkspace.fao.org%252Fsites%252Fcodex%252FMeetings%252FCX-714-45%252Fdocuments%252Ffl45_10e.pdf.

[49] Notably the Codex *Guidelines on Nutritional Labelling* (CAC/GL 2-1985) and *Guidelines on the Use of Nutrition Claims* (CAC/GL 23-1997).

[50] Available at https://www.wto.org/english/docs_e/legal_e/17-tbt_e.htm#annexI.

[51] In accordance with point 1 Annex 1 to the TBT Agreement, a 'technical regulation' is (emphasis added) a «*document which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions,* ***with which compliance is mandatory****. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method*».

[52] Conversely, always in accordance with Annex 1 to the TBT Agreement (point 2), a 'standard' is (emphasis added) a «*document approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods,* ***with which compliance is not mandatory****. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method*».

A recent study (O'Brien and Mitchell, 2018) showed that, following the publication of WHO Global Strategy to reduce harmful alcohol consumption[53] in 2010, national provisions on the labelling of alcoholic beverages – dealt with as technical regulations - have been increasingly prominent on the agenda of the **TBT Committee** meetings, with the leading exporting countries, including EU ones, often questioning their impact in light of the applicable multilateral trade rules[54].

Mining of the e-Ping database[55] revealed **very few cases** where **national provisions dealing with LNA beverages**, envisaged or in force in EU Member States or in third countries, were **questioned/challenged within the TBT Committee**.

Interviews with the Commission services and independent experts confirmed that, mainly due to rather few countries having such provisions in force, and to international trade flows in LNA beverages being still very limited, no cases of particular relevance were discussed within the TBT Committee to date. Some independent experts deemed that the **number of discussions might increase in the future**, due to possible introduction of specific provisions dealing with LNA beverages in a higher number of countries, and to potential expansion of the international trade of these products, fuelled by market growth. The consulted Commission services noted that the entry into force of Regulation (EU) 2021/2117 also contributed to prevent potential TBT-related issues, by allowing third country producers to lawfully export to the EU as "de-alcoholised" and "partially de-alcoholised" wines some products that could not be marketed as "wine" under the previous legislation. By contrast, the draft resolution on LNA wines currently under discussion within OIV would foresee the use of "corrective" oenological practices to address the loss of water and aromas after de-alcoholisation of wines that would not be in line with the provisions of Regulation (EU) 2021/2117, as also underlined by the consulted Commission services. The related developments may hence have implications in terms of TBT-related issues.

As for the **degree of harmonisation/convergence between national legislation on LNA beverages of EU's key trading partners**, according to a consulted independent expert there are **significant, sometimes radical** (especially in the case of Australia) **differences in regulatory approaches towards LNA beverages** between the EU and its key trading partners, and there seems to be **very limited/no harmonisation or even convergence** at present for what concerns national legislation specifically covering LNA beverages. This was confirmed by an in-depth investigation covering Australia, Brazil, the United Kingdom (UK) and the United States of America (US), which revealed different approaches to general definitions for LNA beverages (see Table 3.19), and significant differences in product-specific legislation (covering wine in Australia and Brazil, and fermented beverages/malt beverages including beer in Brazil and the US). These four third countries have no specific legislation regulating LNA spirit drinks; as for LNA wine, the legislative approaches followed in Australia and Brazil are

[53] available at https://www.who.int/substance_abuse/alcstratenglishfinal.pdf.

[54] Article 2.2. TBT Agreement sets out that: «*Members shall ensure that technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create. Such legitimate objectives are, inter alia: national security requirements; the prevention of deceptive practices; protection of human health or safety, animal or plant life or health, or the environment. In assessing such risks, relevant elements of consideration are, inter alia: available scientific and technical information, related processing technology or intended end-uses of product*».

[55] *e-Ping SPS&TBT Platform* is a searchable database managed jointly by the International Trade Centre (ITC), the United Nations and the WTO: https://epingalert.org/.

quite different from the definitions of 'de-alcoholised wine'[56] and 'partially de-alcoholised wine'[57] introduced by Regulation (EU) 2021/2117.

Table 3.19 – General definitions of LNA beverages set out by the legislation of selected third countries

Country	Non- alcoholic beverage	Low alcohol beverage	De-alcoholised beverage
Australia	-	-	-
Brazil	≤ 0.5% vol.	-	-
UK	< 0.05% vol. («alcohol free»)	< 1.2% vol.	≤ 0.5% vol.
US	≤ 0.5% vol.	-	-

Source: desk research and interviews

Stakeholders' perceptions about the likeliness of potential TBT-related issues

The **perceptions** of the surveyed NCAs and business stakeholders appear to be rather similar and **generally optimistic**. Out of 25 surveyed NCAs, only two rated as "high" the likeliness that the hypothetical introduction of harmonised EU legislation on LNA beverages would give rise to concerns by EU's trading partners in terms of technical barriers to international trade of such products. 12 NCAs rated such likeliness as "moderate", and 11 NCAs rated it as "low". As for business stakeholders, out of a total of 43 that completed the survey, 7 rated the likeliness as "high", 19 as "moderate" and 17 as "low". These rather optimistic views seem to consider the factual evidence discussed in the previous section, in particular the very limited number of cases of provisions specifically dealing with LNA beverages discussed within the TBT Committee. They also appear to be consistent with the draft status of the provisions discussed in the TBT Committee (i.e., with the fact that the provisions could still be adjusted in a relatively easy way), and with the fact that responding countries often agreed to amend their draft provisions to address the remarks made by the countries raising TBT-related concerns.

Importance of trade in LNA beverages between the EU and third countries

Among the relevant categories of LNA beverages, official trade databases (Eurostat-Comext, UN Comtrade) only cover "*non-alcoholic beer with an ABV lower than 0.5%*" (*HS code 220299*); the other categories are covered under codes (e.g., *HS code 220290 – non-alcoholic beverages n.e.c.*) that are too broadly defined to allow for a reliable quantification of relevant trade flows.

Based on Eurostat data[58], the EU is by far a **net exporter of non-alcoholic beer**. Reasoning in terms of *three-year average figures (2019-2021)*, EU **exports** to third countries amounted to around 200 000 tonnes (a volume just slightly smaller than intra-EU exports, around 230 000 tonnes), versus just around 8 400 tonnes of extra-EU imports. The value of EU exports to third countries amounted to around Euro 187 M, versus just around Euro 10 M of extra-EU imports. The main destination markets for EU non-alcoholic beer exports are the **United States** (accounting for Euro 56 M and 41 000 tonnes, i.e., respectively 30% and 20% of total value and volume) and the **United Kingdom** (accounting for Euro 33 M and 40 000 tonnes, i.e., respectively 18% and 20% of total value and volume). Export flows to Russia, Canada, Saudi Arabia,

[56] Wine with an «actual alcoholic strength of no more than 0.5% by volume».

[57] Wine with an «actual alcoholic strength of more than 0.5 % by volume and below the minimum actual alcoholic strength of the category before dealcoholisation».

[58] Dataset *EU trade since 1988 by HS2,4,6 and CN8 [DS-645593]*.

Taiwan, South Africa and Australia have lesser importance (they generally fell within a 5-10 000 tonnes range, with exports to Russia at around 11 000 tonnes). As for the very limited EU **imports** of non-alcoholic beer, they mostly originated in the **United Kingdom**, which supplied around 45% of the total volume (3 800 tonnes). Russia, Switzerland, Turkey, the United States and Australia have lesser importance as suppliers (the related flows mostly fell below the 1 000 tonnes / 10% share of total volume thresholds).

Qualitative elements emerged from interviews with business stakeholders would lead to conclude that **trade of LNA beverages other than beer between the EU and third countries is still extremely limited**. The bulky nature of beverages (including LNA ones) generally plays against long-distance shipping, with two significant exceptions:

1. beverages whose production is tightly linked with a specific geographical area: this is especially the case of GI wines, aromatised wine products and spirit drinks, which cannot be produced in third countries (differently from non-GI beverages, beer in particular);
2. beverages whose unit value is high enough to bear the related logistic costs (this is especially relevant in periods when container freight rates are high).

According to the consulted business stakeholders, the main destination markets for LNA beverages produced in the EU are probably the **United Kingdom** (mainly due to the remarkable growth of the LNA segment of the market), and **Middle Eastern and North African countries**, with specific regard to alcohol-free products (due to religion-related prohibition of alcohol consumption).

3.20.3 Summary

In the absence of EU legislation specifically covering LNA beverages (with the sole recent exception of Regulation (EU) 2021/2117 covering "de-alcoholised" and "partially de-alcoholised" wines), SQ 20 has a mostly hypothetical nature.

The analyses made revealed **very few cases** where **draft national provisions dealing with LNA beverages** were **questioned/challenged within the TBT Committee**. Responding countries often agreed to amend their draft provisions to address the remarks made by the countries raising TBT-related concerns. Nevertheless, it emerged that the **number of such discussions might increase in the future**, due to possible introduction of specific provisions dealing with LNA beverages in a higher number of countries, and to potential expansion of the international trade of these products, fuelled by market growth. Such a scenario appears plausible also due to the **significant, sometimes radical differences in regulatory approaches towards LNA beverages** identified between the EU and its key trading partners: there seems to be **very limited/no harmonisation or even convergence** at present in this regard.

Still, the **perceptions of stakeholders on the likeliness of TBT-related issues** in case of adoption of EU legislation on LNA beverages were found to be **generally optimistic**, probably because more importance was attached to factual elements (especially the very few concrete cases of discussions) than to speculations about potential future scenarios.

Finally, the above considerations must be read in the context of the **actual importance of trade flows in LNA beverages between the EU and third countries, which is still limited**. Even non-alcoholic beers, which have a long-established presence on the market, are exported and especially imported to a limited extent by the EU[59]; qualitative

[59] EU exports of non-alcoholic beer to third countries amounted on average to around 200 000 tonnes and Euro 187 M in the 2019-2021 period; imports were much more limited, at just around 8 400 tonnes.

elements suggest that EU international trade in LNA beverages other than beer is even more limited.

Given the elements discussed above, it is plausible to expect that the **hypothetical adoption of specific legislation on LNA beverages at EU level** would have **rather limited repercussions on world trade**, including under the perspective of **possible technical barriers to trade**.

3.21 Q21: Since the sales denominations for aromatised wine products and the legal names of spirit drink (both categories and GIs) may not be used to label beverages with an alcoholic strength lower than prescribed in the EU legislation, what alternative labelling could be envisaged in order to correctly describe those new products and adequately inform the consumers?

3.21.1 Understanding of the question and definition of key terms

Replying to SQ21 requires a thorough analysis of the EU legislation governing the use of **sales denominations for aromatised wine products** and of **legal names of spirit drinks**, with particular attention to the restrictions concerning their use to label beverages with an alcoholic strength lower than prescribed in the relevant EU legislation. The findings on consumers' understanding of the labels of LNA beverages (reply to SQ 17; see § 3.17) are equally important for answering SQ 21, since they highlight any potential areas for improvement in terms of adequately informing consumers about the nature and distinctive features of those products, and providing a correct description of the same. Answering SQ 21 requires reasoning about alternative labelling options for LNA aromatised wine products and spirit drinks, taking into account: i) the current regulatory constraints at EU level; ii) the needs of sectoral stakeholders (producers in particular) with regard to the denomination, description, presentation and labelling of LNA aromatised wine products and spirit drinks; iii) the needs of non-sectoral stakeholders[60] in terms of ensuring the provision of adequate and non-misleading information on LNA aromatised wine products and spirit drinks to final consumers; iv) the insights that all stakeholders[61] can provide about alternative options for labelling.

3.21.2 Analysis

Regulatory constraints set by EU law for sales denominations of aromatised wine products and legal names of spirit drinks

As far as **aromatised wine products** are concerned, the main constraints for labelling LNA beverages emulating them derive from the impossibility, pursuant to Article 5 of Regulation (EU) No 251/2014: i) to make use of the sales denominations set out in Annex II of the Regulation on the labels of products that fail to meet the related requirements; ii) to describe, present or label beverages that fail to meet the requirements laid down by the Regulation by associating words or phrases such as 'like', 'type', 'style', 'made', 'flavour' or any other term similar to any of the sales denominations. Besides the product-specific requirements established in Annex II, LNA aromatised wine products clearly cannot meet the general requirements for aromatised wine products set out in Article 3 of the AWP Regulation, in particular those for the product category 'aromatised wines' laid down in point (g) of Article 3(2) concerning "actual alcoholic strength by volume of not less than 14,5 % vol.". It should be noted that the other two product categories covered by the same Regulation – i.e., 'aromatised wine-based drinks' and 'aromatised wine-product cocktails' – have much lower minimum

[60] consumer associations, public health NGOs and the European Commission in particular.

[61] business operators and their associations; consumer associations and public health NGOs; the European Commission and national competent authorities (NCAs).

ABV thresholds[62], which somehow limit the incentive to the elaboration of LNA versions of those beverages.

As for **spirit drinks**, the main constraints for labelling LNA beverages emulating them posed by Regulation (EU) 2019/787 concern the following elements: i) legal names, i.e., the names under which spirit drinks are placed on the market[63]; ii) compound terms, as defined by point (2) of Article 3[64] and regulated by Article 11 of Regulation (EU) 2019/787; iii) allusions, as defined by point (3) of Article 3[65] and regulated by Article 12 of the same Regulation; iv) mixtures, as regulated by Article 13(3) and (4) of the same Regulation; geographical indications (point (4) of Article 3 of the same Regulation[66]). Besides the category-specific requirements for bearing a certain legal name, as set out in Annex I to Regulation (EU) 2019/787 (with particular regard to the minimum alcoholic strength by volume), LNA spirit drinks clearly cannot meet the general requirements for spirit drinks set out in Article 2 of the same Regulation, in particular the one at point (c) concerning a "minimum alcoholic strength by volume of 15%"[67]. Therefore, they may not bear the generic legal name 'spirit drink' either. Analogous considerations apply for the minimum ABV requirements set out for GI spirit drinks. As for compound terms, allusions and mixtures, the main provisions in Regulation (EU) 2019/787 concerning their use in the labelling of LNA spirit drinks have been discussed under question 16 at § 3.16.

It is also important to consider that there is no harmonised EU definition of the terms "**spirit**" and "**spirits**"; as also underlined in the guidance document issued by spiritsEUROPE (2022). Regulation (EU) 2019/787 provides no definition of these terms, whereas it provides a general definition of "spirit drinks" (Article 2), and legal names of spirit drinks (Article 10 and Annex I). Nonetheless, when asked back in 2018, the Directorate General for Agriculture and Rural Development, issued an interpretation of the rules in place which would not allow the use of both the term 'spirit' and 'distilled' for beverages not complying with the requirements for a spirit drink. In line with this position, the Guidelines for the implementation of certain labelling provisions of Regulation (EU) 2019/787 (Commission Notice 2022/C 78/03)[68] provide no indications on the possibility to use the terms "spirit" and "spirits" on the labels of beverages with an alcoholic strength lower than the one prescribed in EU legislation, in order to correctly describe LNA beverages emulating spirit drinks, and to adequately inform the

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[62] For 'aromatised wine-based drinks', not less than 4.5% ABV and less than 14.5% ABV; for 'aromatised wine-product cocktails', more than 1.2% ABV and less than 10% ABV.

[63] within the meaning of point (n) of Article 2(2) of Regulation (EU) No 1169/2011.

[64] " 'compound term' means, in relation to the description, presentation and labelling of an alcoholic beverage, the combination of either a legal name provided for in the categories of spirit drinks set out in Annex I to the Spirit Drinks Regulation or the geographical indication for a spirit drink, from which all the alcohol of the final product originates, with one or more of the following: (a) the name of one or more foodstuffs other than an alcoholic beverage and other than foodstuffs used for the production of that spirit drink in accordance with Annex I, or adjectives deriving from those names; (b) the term 'liqueur' or 'cream'".

[65] " 'allusion' means the direct or indirect reference to one or more legal names provided for in the categories of spirit drinks set out in Annex I to the Spirit Drinks Regulation or to one or more geographical indications for spirit drinks, other than a reference in a compound term or in a list of ingredients as referred to in Article 13(2) to (4) in the description, presentation and labelling of: (a) a foodstuff other than a spirit drink; (b) a spirit drink that complies with the requirements of categories 33 to 40 of Annex I to the Spirit Drinks Regulation, or (c) a spirit drink that complies with the conditions laid down in Article 12(3a) of the Spirit Drinks Regulation".

[66] " 'geographical indication' means an indication which identifies a spirit drink as originating in the territory of a country, or a region or locality in that territory, where a given quality, reputation or other characteristic of that spirit drink is essentially attributable to its geographical origin".

[67] except in the case of spirit drinks that comply with the requirements of category 39 of Annex I to the Spirit Drinks Regulation, i.e., "Egg liqueur or *advocaat* or *avocat* or *advokat*", for which a minimum ABV of 14% is required.

[68] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022XC0218(01)&from=EN.

consumers. The guidance document by spiritsEUROPE (2022) just provides a general indication, i.e., that the general use of the terms "spirit" and "spirits" as descriptors for LNA beverages "will be subject to the requirements to provide consumers with clear, accurate and easy to understand information" (as established by Article 7(2) of Regulation (EU) No 1169/2011).

Needs in terms of denomination, description, presentation and labelling of the concerned products felt by sectoral stakeholders

With regard to **LNA spirit drinks**, the views of sectoral stakeholders can be broadly grouped in two basic positions. *Operators involved in production and marketing of LNA spirit drinks*, and especially those that are specialised in those products (i.e., which are not active in the "regular" spirit drinks segment), frequently observed that the previously described constraints posed by Regulation (EU) 2019/787 seriously limit the possibility to communicate to potential consumers the attributes of the products, with particular regard to the "regular" spirit drink that each LNA product intends to emulate. They would hence favour either i) specific harmonised EU legislation providing clear indications on the permitted denominations and descriptors, as well as labelling practices, or ii) a relaxation of the current constraints, with a view to providing a wider selection of solutions to lawfully communicate to potential consumers the attributes of the products. By contrast, *stakeholders dealing exclusively or mainly with "regular" spirit drinks* were rather aligned in deeming that the EU legislation currently in force adequately responds to their needs. The key priority for these stakeholders is ensuring protection for the "value creation mechanisms" for the categories of spirit drinks covered by Regulation (EU) 2019/787. Those mechanisms are mainly based on: i) the attributes of the products, and especially their organoleptic features, which would be impossible to maintain below the minimum ABV thresholds set out in Annex I to Regulation (EU) 2019/787; ii) codified production practices and allowed ingredients; iii) the historical and cultural heritage associated with the products; and, iv) in the specific case of GI spirit drinks, their linkage with a specific territory. Given these priorities, that group of stakeholders deems that the constraints posed by Regulation (EU) 2019/787 to the labelling of LNA spirit drinks are needed to prevent any "free riding" by those products on the "value creation mechanisms" for "regular" spirit drinks, which were built through substantial investments and efforts over several decades or even centuries. That group of stakeholders would hence strongly oppose any relaxation of the current constraints. Those stakeholders also see no particular need for harmonised EU legislation on the labelling of LNA spirit drinks, and tend to favour self-regulatory, industry-led initiatives, such as the guidelines recently published by spiritsEUROPE (2022). The study team deems that the three categories/denominations defined in those guidelines – '0.0%'[69], 'alcohol-free'/'non-alcoholic'[70] and 'low-alcohol'/'low-alcoholic'[71] - could provide a useful starting point for policymakers in case the development of specific legislation on LNA spirit drinks labelling is deemed advisable, even though the 'alcohol-free'/'non-alcoholic' category/denomination would probably not be in line with the priorities of consumer associations and health protection NGOs (see the following section).

Only a few consulted business stakeholders provided inputs with regard to **LNA aromatised wine products**. A sectoral business organisation underlined that its position in the negotiations that led to Regulation (EU) 2021/2117 on (partially) de-alcoholised wines was to establish analogous provisions also for aromatised wine

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[69] spiritsEUROPE recommends reserving the use of this denomination for beverages that have an ABV 0.05% or lower. This would help consumers differentiate and make an informed choice between products with an ABV of 0.05% or less and products with an ABV greater than 0.05% but equal to or less than 0.5%.

[70] This denomination should be reserved to beverages that have a maximum ABV of 0.5%.

[71] spiritsEUROPE recommends the use of this denomination for products with an ABV between 0.5% and 1.2%. Some EU Member States have legislation/guidance in place that sets an upper threshold of 1.2% ABV for 'low-alcohol' beverages. Regulation (EU) No 1169/2011 indicates the same ABV threshold (1.2%) when it comes to the mandatory indication of ABV content on labels.

products, which it sees as being much closer to wine than to spirit drinks. This position was also embraced by the European Parliament in the Trilogues about the new CAP, but no specific legislation was finally established for aromatised wine products, mainly due to opposition by several Member States in the Council, and to doubts by the Commission over the production methods to be allowed. That organisation deems that harmonised EU legislation is needed to regulate sales denominations, labelling and presentation of LNA aromatised wine products, mainly to: i) allow for clearer communication to potential consumers about the nature and attributes of these products; ii) improve value creation and positioning for LNA aromatised wine products, which it sees as low/no alcohol alternatives to "regular" products; and, iii) ensure that LNA aromatised wine products are actually made from wine, rather than "engineered" by combining other ingredients than wine. The organisation deems that de-alcoholised aromatised wine products should be marketed as alternatives to alcoholic aromatised wine products, provided that the two categories are clearly separated. Views among business stakeholders consulted at national level were mixed. Spanish and French ones generally supported the establishment of harmonised EU legislation on LNA aromatised wine products, with a view to: i) ensuring legal certainty for producers; ii) providing them with opportune solutions to communicate more clearly to potential consumers the nature and attributes of their products; and, iii) eliminating the "grey areas" concerning labelling and presentation of LNA aromatised wine products, which have resulted in controversial product denominations and descriptions. By contrast, Italian sectoral stakeholders tended to have a more conservative/defensive attitude: in their views, the national heritage of historical and GI aromatised wine products should not be endangered by introducing low/no alcohol alternatives with similar-sounding denominations and descriptions.

Needs in terms of getting/ensuring the provision of adequate and non-misleading information on the concerned products felt by non-sectoral stakeholders

The consulted **Commission services** highlighted some problematic areas where potential drawbacks of the current regulatory framework in terms of getting/ensuring the provision of adequate and non-misleading information on LNA spirit drinks and/or aromatised wine products are more likely to arise. The situation is made more complex by the ongoing revision of Regulation (EU) No 1169/2011 ("FIC Regulation" on provision of food information to consumers), since its outcomes will be relevant to devise any specific harmonised legislation concerning the denomination, description, labelling and presentation of LNA beverages in general, including spirit drinks and aromatised wine products. A significant problematic area concerns the **indication of ABV in LNA beverages**. The FIC Regulation currently draws the line for labelling purposes between beverages that have an ABV lower than 1.2% - for which the indication of ABV is non-mandatory - and those with an ABV higher than that, for which such indication is mandatory. The main issues deriving from the current framework – including the heterogeneous situation in terms of specific national legislation (see SQ 11 at § 3.11) - are related to provision of potentially misleading information about: i) the nature of the product (e.g., a certain LNA beverage is marketed as a product not containing alcohol, when in fact it does contain some); ii) product characteristics, including risks, benefits, geographical origin and consequences from consuming the product (e.g., claims that consumption of LNA beverages brings health benefits, when these are actually lacking). Another area of concern are marketing practices that may create confusion for final consumers about the nature and attributes of the products, like in the case of LNA beverages emulating alcoholic beverages in terms of packaging, trademarks or trade names. Article 7 of the FIC Regulation, dealing with fair information practices, establishes that food information shall not be misleading, spelling out the different relevant aspects (Article 7(1), (2) and (3)), and clarifying (Article 7(4)) that the related provisions also apply to advertising and presentation of products. A complementary tool currently available to address these critical areas is Directive 2005/29/EC concerning unfair business-to-consumer commercial practices in the internal market (often referred to as UCPD)[72], in particular Articles 6 and 7 UCPD. Another potentially critical area is related to the previously described **constraints set by EU legislation for sales denominations of aromatised wine products and legal names of spirit drinks**, to the extent that they might provide an incentive for established producers to block any LNA beverage launched that is in the proximity (e.g., regarding the name) of their "regular" products, and more generally, to the extent that those constraints may block or affect product innovation by SMEs and new entrants in the market. Specific concrete cases of potentially problematic denomination, description, labelling and presentation practices of LNA spirit drinks and aromatised wine products (some of these were also highlighted by the consulted Commission services) are discussed in SQ 16 (see § 3.16).

The consulted **NCAs** hardly provided any inputs, and underlined that the ongoing revision of the FIC Regulation makes it difficult to comment on the matter. One NCA observed that in certain national languages the association of the translation of the term "spirit drinks" with terms indicating the "low/no alcohol" nature of the product may sound like an oxymoron, and be confusing for consumers.

The consulted **consumer associations and health NGOs** indicated as their absolute priority to prevent that LNA beverages (including spirit drinks and aromatised wine products) that do contain some alcohol are denominated, described, labelled and presented in a way that may induce consumers to understand the opposite, i.e., that no alcohol is contained in such beverages. The critical element in this regard is the previously discussed **non-mandatory indication of ABV for beverages whose ABV is lower than 1.2%**, pursuant to Regulation (EU) No 1169/2011. Though acknowledging that it can be technically unfeasible to remove *all* alcohol from a beverage, the consulted consumer associations and health NGOs deem that to legitimately use such claims/denominations as "alcohol free", "no alcohol" or "0.0%", the ABV of the concerned beverages should be the lowest possible from a technical standpoint. It is interesting to note that the consulted consumer associations are not against direct references to the "regular" spirit drink or aromatised wine product of reference in the denomination, description and labelling of LNA beverages emulating those products, provided that there is no ambiguity about the nature and the attributes of the LNA beverages, i.e., that consumers are clearly informed that the LNA beverage in question is different than the "regular" beverage of reference. The consulted consumer associations and health NGOs generally support (in decreasing order of importance): i) mandatory indication of alcohol content on any beverage that does contain some alcohol; indication of ii) the complete list of ingredients and of iii) nutrition profiles also on beverage categories that are currently exempt from such obligation. The priorities expressed by these stakeholders appear to be basically in line with the results of the consumer survey carried out for the study (see SQ 17 at § 3.17), which highlighted the importance for consumers of the following information items: i) alcohol content/absence; ii) information enabling to clearly link the products to the alcoholic beverages of reference; iii) information about suitability for certain consumer groups (e.g., pregnant women, drivers, etc.); iv) list of ingredients.

Possible convergence of multiple stakeholders on specific alternative options for labelling the concerned products

The most significant point of convergence among the consulted stakeholders (both sectoral and non-sectoral ones) relates to the **difficulty of devising specific alternative options** for labelling LNA spirit drinks and aromatised wine products **without knowing the outcomes of the revision process of Regulation (EU) No 1169/2011**. The issue was often mentioned as the reason behind the impossibility for the consulted stakeholders to make specific suggestions for such alternative options. By

[72] Due to the status of *lex specialis* of the FIC regulation, its provisions apply in the first place; the provisions of the UCPD can be applied in a complementary manner, in particular for aspects that are not regulated by any *lex specialis*. Text of the latest consolidated version of the UCPD: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02005L0029-20220528&from=EN.

consequence, only a few consulted stakeholders provided rather generic suggestions in this regard.

With regard to **alternative options for labelling LNA spirit drinks**, stakeholder consultation revealed two definitely diverging positions. The consulted *established producers of "regular" spirit drinks* see no particular need for harmonised EU legislation defining alternative options for labelling LNA beverages emulating them, and widely support self-regulatory, industry-led initiatives (including the already cited guidelines recently published by spiritsEUROPE). By contrast, the consulted *producers of LNA spirit drinks* (and especially those heavily or exclusively focused on such product category) indicated as generic alternative options: i) the development of harmonised and specific EU provisions offering a wider selection of solutions to denominate, describe, label and present the products, which emerged as the preferred option; ii) as a second-best solution, a relaxation of the constraints set by EU legislation for legal names of spirit drinks. Relatively few consulted stakeholders commented on the **possibility to use the terms "spirit" and "spirits"** - for which Regulation (EU) 2019/787 provides no harmonised definition - **for labelling LNA spirit drinks**. The guidance document issued by spiritsEUROPE (2022) deems the use of the terms "spirit" and "spirits" as descriptors for LNA spirit drinks to be legitimate, provided that the general requirements of Regulation (EU) No 1169/2011 are met. By contrast, some consulted sectoral stakeholders (mostly with interests in traditional spirit drinks production and marketing) tend to rule out the use of those terms for such purpose, mainly on the grounds that they suggest an alcoholic strength in LNA beverages that is actually not there: in other terms, they would mislead the consumer about the true nature of those beverages. On the opposite, a few other consulted stakeholders (mostly with interests in LNA spirit drinks production and marketing) argued that since no prohibition in that regard is set out in EU legislation, the use of the terms "spirit" and "spirits" as descriptors for LNA spirit drinks is legitimate, also considering the fact that Regulation (EU) 2019/787 already limits remarkably the available options. Given the diverging positions outlined above, it seems **difficult to find a compromise solution** that would record a significant convergence of stakeholders in the two opposed groups.

As for **alternative options for labelling LNA aromatised wine products**, stakeholder consultation revealed (differently from spirit drinks) a **significant convergence** towards a **general approach similar to the one adopted for (partially) de-alcoholised wine** (Regulation (EU) 2021/2117). It should be considered that such position was shared by the reference EU-level sector organisation and by the European Parliament in the policymaking process for the reformed CAP. The majority of the consulted sectoral stakeholders supports: i) the creation of two distinct segments – i.e., "regular" and "LNA" products – within the category of aromatised wine products; ii) any alternative options in terms of denomination, description and labelling of LNA aromatised wine products that may ensure adequate safeguard of the concept that those products must in any case be derived from wine, rather than being "engineered" by combining ingredients other than wine.

3.21.3 Summary

EU legislation sets significant **constraints for sales denominations of aromatised wine products** (pursuant to Regulation (EU) No 251/2014) and **legal names of spirit drinks** (pursuant to Regulation (EU) 2019/787) that affect the labelling of LNA beverages emulating those products. The use of the terms "spirit" and "spirits" (for which Regulation (EU) 2019/787 provides no definition) to describe LNA beverages also presents some issues. For spirit drinks, the use of compound terms, allusions, mixtures and geographical indications is also strictly regulated by EU legislation, and this has implications in terms of description of certain LNA beverages containing spirit drinks, which were discussed under SQ 16 (§ 3.16).

The study team identified the **main needs** in terms of denomination, description, presentation and labelling of the concerned products **felt by sectoral stakeholders**.

With regard to **spirit drinks**, two diverging positions were expressed by *operators involved in production and marketing of LNA spirit drinks* and by *stakeholders dealing exclusively or mainly with "regular" spirit drinks*. Stakeholders in the first group are rather dissatisfied with the current EU regulatory framework, which they feel poses serious constraints to the development, launch and marketing of LNA spirit drinks. For this reason, they would generally favour either i) specific harmonised EU legislation providing clear indications on the permitted denominations and descriptors, as well as labelling practices, or ii) a relaxation of the current constraints, with a view to providing a wider selection of solutions to lawfully communicate to potential consumers the attributes of the products. By contrast, stakeholders in the second group generally deem that the EU legislation currently in force adequately responds their key priority, i.e., ensuring protection for the "value creation mechanisms" for the categories of spirit drinks covered by Regulation (EU) 2019/787.

As for **aromatised wine products**, among the very few stakeholders that provided inputs, a sectoral organisation provided the most exhaustive description of the needs felt by operators. The organisation deems that harmonised EU legislation is needed to regulate sales denominations, labelling and presentation of LNA aromatised wine products, mainly to: i) allow for clearer communication to potential consumers about the nature and attributes of these products; ii) improve value creation and positioning for LNA aromatised wine products, which it sees as low/no alcohol alternatives to "regular" products; and, iii) ensure that LNA aromatised wine products are actually made from wine, rather than "engineered" by combining other ingredients than wine.

The study team also identified the **main needs felt by non-sectoral stakeholders**. The *Commission services* highlighted a number of problematic areas where potential drawbacks of the current regulatory framework in terms of getting/ensuring the provision of adequate and non-misleading information on LNA spirit drinks and/or aromatised wine products are more likely to arise. These critical areas are mainly related to the indication of ABV in LNA beverages, to marketing practices that may create confusion for final consumers about the nature and attributes of LNA beverages, and to the aforementioned constraints set by EU legislation, to the extent that they may limit competition (entry of new producers) and/or block or affect product innovation by SMEs and new entrants in the market. The consulted *consumer associations and health NGOs* indicated as their absolute priority to prevent that LNA beverages (including spirit drinks and aromatised wine products) that do contain some alcohol are denominated, described, labelled and presented in a way that may induce consumers to understand the opposite, i.e., that no alcohol is contained in such beverages. These stakeholders generally support (in decreasing order of importance): i) mandatory indication of alcohol content on any beverage that does contain some alcohol; indication of ii) the complete list of ingredients and of iii) nutrition profiles also on beverage categories that are currently exempt from such obligation.

As for **possible points of convergence by multiple stakeholders on specific alternative options for labelling** LNA spirit drinks and aromatised wine products, the main one emerged for both sectoral and non-sectoral stakeholders concerns the **difficulty of devising specific alternative options** for labelling LNA spirit drinks and aromatised wine products **without knowing the outcomes of the revision process of Regulation (EU) No 1169/2011**. The issue was often mentioned as the reason behind the impossibility for the consulted stakeholders to make specific suggestions for such alternative options; only a few consulted stakeholders provided rather generic suggestions in this regard. With regard to **spirit drinks**, the diverging positions of *established producers of "regular" products* and of *producers of LNA spirit drinks* (especially those heavily or exclusively focused on such product category), which were previously explained, are likely to make the elaboration of a "compromise solution" very challenging. By contrast, with regard to alternative options for labelling LNA **aromatised wine products**, stakeholder consultation revealed a significant convergence towards a general approach similar to the one adopted for (partially) de-alcoholised wine (Regulation (EU) 2021/2117).

SECTION C – CONCLUSIONS

4 CONCLUSIONS

4.1 Conclusions by main themes

4.1.1 Market

The conclusions presented in this subsection are focused on the market of LNA beverages in the EU. They are based on key findings from SQs 1 (§ 3.1) and 2 (§ 3.2).

The EU market of LNA beverages is estimated at around 7.5 billion Euros and 2.5 billion litres in 2021. This market developed with very different timing and growth rates according to the sub-sectors considered: the LNA beer market is by far the more established, and it currently represents over 97% of the total volume and 93% of the total value of LNA beverages. By contrast, the LNA spirit drinks, the LNA AWP and the LNA wine markets are much younger, and their dimension is still negligible compared to the markets of their alcoholic counterparts. More specifically, the EU LNA spirit drinks market is valued at around 170 million Euros and 21 million litres, while the EU LNA AWP market is valued at around 16 million Euros and 2 million litres.

The differences existing among the above sub-sectors also exist among the different EU national markets: limiting the analysis to the combined market of LNA spirit drinks and LNA AWPs, France (47% in value), Spain (19%), Belgium (12%) and Germany (7%) together account for 85% of the total market value in the EU and for 95% of the total volume.

Despite its still limited size, the LNA beverages market recorded very high growth rates in the EU, outperforming the market of alcoholic beverages over the last years. Growth rates in both volume and value are far higher for the different LNA product categories than for products with a normal alcoholic strength; as a result, also the relative weight of those LNA product categories on the overall reference market steadily increased.

While historical growth of the spirit drinks market recorded a stagnation or even a decrease in the last years, positive historical growth rates and much higher prospective growth rates are expected for **LNA spirit drinks** compared to those forecasted for the corresponding alcoholic segment. As for the EU market of **LNA aromatised wine products**, it is generally perceived by sectoral stakeholders as a fast-growing one; most of consumers' interest is for vermouth, which is by far the best-known product within this category, especially in its "no alcohol" variants.

Moving to the EU LNA wine market, growth rates up to 25% are forecasted by some sources for the next few years. The EU LNA beer market is undoubtedly the most mature of the four, and considering its much larger dimension compared to the other product categories, both historical and prospective growth rates are generally lower than those of LNA spirit drinks, AWPs and wine.

As a whole, the EU LNA beverages market looks extremely dynamic: the growth recorded in the last years is generally accepted as a trend that will continue in the future; nevertheless, some stakeholders are more prudent than others in envisaging a more or less *radical shift* towards LNA beverages.

Differently from LNA beer– which has a longer tradition and a well-established presence in all the most important national markets worldwide – LNA spirit drinks and AWPs (but also LNA wines) are still too young as product categories to represent a "must-have" in the portfolio of the majority of producers of alcoholic beverages.

What works

The EU market of LNA spirit drinks and AWPs is developing at a fast pace; several producers are looking with interest at these segments, and some Member States appear to be very dynamic in terms of market development.

Wait and see

The robustness of the expected growth for the youngest segments of the LNA beverages market (LNA spirit drinks and LNA AWPs) is perceived somewhat cautiously by some industry stakeholders. In this respect – especially for SMEs with limited interest for, and/or technical knowledge of LNA beverages – it could be risky to take for granted a steady development of these segments at high growth rates in the medium term.

What does not work

No specific issues or shortcomings were identified with regard to the LNA beverages market.

Suggestions

The only suggestion for the European Commission with respect to the LNA beverages market is to possibly reason about the opportunity to cover some LNA beverage categories through a set of key statistical indicators. Public provision of market information on LNA beverages would potentially benefit the overall transparency of the market, allowing SMEs in particular to have a clearer view on how the market, trade flows, etc. are developing, and what is the updated market value or volume of the different segments. However, such an initiative would entail addressing remarkable practical challenges, and would be subject to limitations (mainly related to the need of preserving confidentiality, in case only few operators are active in a certain LNA segment). Furthermore, it would require a cooperative attitude by sectoral stakeholders to be successfully implemented, and would benefit from the establishment at EU level of harmonised ABV-related regulatory requirements for the different categories of LNA beverages, which would provide a reference for establishing consistent definitions for statistical purposes.

4.1.2 Consumers

The conclusions presented in this subsection are focused on the consumers of LNA beverages in the EU. They are based on key findings from SQs 3 to 6 (§ 3.3 to § 3.6).

EU consumers' **initial attitude** towards LNA beverages greatly differs according to the actual product category considered. LNA beer has a long-established presence in the vast majority of the national markets, and it would hence be hard to analyse an "initial reaction" that traces back to over 30 years ago. By contrast, for younger products like LNA spirit drinks, AWP and wine, an initial scepticism prevailed after their launch a few years ago; nevertheless, increased investments in the improvement of the organoleptic quality of products, in increasing the similarity in taste of LNA beverages to their alcoholic counterparts, but also in promoting among consumers an image of quality and reliability of products, have led to a much more positive perception and curiosity among EU consumers.

As for consumers' **acceptance** of LNA beverages, a general reluctance towards LNA beverages other than beer prevailed until a few years ago, which is however rapidly evolving into curiosity and willingness to try new products. Younger consumers are surely among the most interesting segments, also because of their increasing attention towards healthier lifestyles and their less strong bonds to tradition. The healthy image of LNA products indeed plays a role in stimulating demand, but the quality of the products is undoubtedly the most important aspect influencing consumers' choices, and also the main focus of producers' investments and research. The presence of non-satisfactory products could represent a threat to the market as a whole: for this reason, producers are constantly working on improving taste and reducing the differences vis-à-vis the alcoholic beverages of reference; in this respect, some sub-categories of products emerged as particularly suitable to be replicated in a LNA declination (gin-emulating beverages for LNA spirit drinks, vermouth-emulating ones for LNA AWPs, and LNA sparkling white wine for LNA wine).

As for consumers' **preferences** for the different categories of LNA beverages, LNA beer is still the most appealing product; LNA spirit drinks follow as second, while LNA wine and LNA AWPs have today a very similar (and slightly lower) success among EU consumers. It is worth mentioning that important differences exist not only among Member States, but also according to age class (with younger consumers preferring LNA spirit drinks and AWPs, and older ones preferring LNA beer) and gender (with women particularly appealed by LNA wine, and less by LNA beer).

Consumption patterns for LNA beverages greatly differ from one EU MS to another; consumption at home is particularly high in Sweden and Lithuania and particularly low in Spain and Belgium; on the opposite, outdoor consumption is higher in France and Hungary; restaurants play a more important role in Sweden and in the Netherlands, while consumption in pubs and bars is remarkably high in Ireland and Spain.

With regard to **retail channels**, the sales of LNA beer generally shifted from the on-trade channel to the off-trade one over the last 10 years, confirming that once a product becomes more and more established, its presence in large-scale distribution increases.

The situation is somehow different for LNA spirit drinks: in Italy and Spain the above trend is confirmed, even though on a much shorter timespan (2019-2021), and is surely also impacted by Covid-19 and related lockdowns; in other EU MSs (France and Belgium), the presence of private labels for LNA spirit drinks results in a much higher share of off-trade sales compared to on-trade sales. This is at least in part in contrast with what reported by many producers, i.e., that cocktail bars represent the typical gateway to promote new products among consumers.

As for the **frequency of consumption**, more than half of respondents reported to consume LNA beverages once a week or once every few weeks, while 19% usually drink multiple times per week. However, also in this case significant differences exist among MSs. As for **brand loyalty**, this emerged as being very important in the LNA beverages market, consistently with what happens in its alcoholic counterpart.

Generally speaking, **consumers' attitude** towards LNA beverages is very positive: the majority of current non-consumers of LNA beverages is optimistic on the possibility to try such products in the near future, even though with some differences among EU MSs.

As for the **expectations** about the increase of consumption by current consumers, these are slightly less optimistic, but however pointing towards a probable constant increase of marketed volumes and values. These elements are confirmed by the expectations indicated by business stakeholders, even though companies, sector associations and market analysts generally agree that the LNA beverages market is still moving forward from its very initial phase (with the exception of the LNA beer segment), and that **any excessive enthusiasm should be avoided**: it is advisable to be prepared to a growth in demand without expecting radical shifts in consumption patterns in the short term.

The analysis of the **key features** that new products in the LNA beverages market should have to be successful, proved that views are rather different, according to who is consulted: consumers favour innovative flavourings and similarity with the alcoholic beverages of reference; producers acknowledge the latter request by consumers, and usually tend to focus on trying to replicate the taste of alcoholic beverages as much as possible, albeit also investing in new packaging.

As for the expected **key trends** of the LNA beverages in the coming years, some market analysts foresee the growth of LNA spirit drinks and vermouth-like products (i.e., LNA AWPs), together with an increasing interest for functional beverages and well-being. Other new trends include the demand for concentrates, syrups and cordials to be used in conjunction with non-alcoholic serves, as well as the whole segment of LNA products containing cannabis.

Finally, the current **depth of choice** of LNA beverages is perceived very differently in the various EU MSs covered by the consumer survey: respondents in countries like Lithuania and Germany generally report a good depth of choice for the majority of the product categories; on the opposite, the situation in Italy, Belgium and Ireland appears to be problematic for both relatively new products like LNA spirit drinks, AWPs and wine, and for established ones (LNA beer).

All in all, the current demand of LNA beverages is constantly increasing in the EU, also for younger product categories like LNA spirit drinks and wine. Consumers appear to be more and more open to these products, also thanks to the constant improvements in their taste and the improved similarity with the alcoholic beverages of reference.

As expectable, important differences among EU MSs exist in terms of consumption habits, availability and depth of choice; on the contrary, for what concerns preferred product categories and expectations for the future, the most important differences exist among age classes and according to the gender of consumers, rather than across the different countries.

As already mentioned in the conclusions on the market, the current growth in demand is acknowledged by producers, and it is seen as an opportunity, even though most of them –already involved in the LNA market or not – tend to be prudent in predicting a constant shift of consumption habits from alcoholic beverages towards LNA ones.

What works

At EU level, a constant increase in the quality of LNA beverages is widely recognised by consumers; more and more trust is being established between consumers and producers, with a positive impact on the willingness of consumers to try new products.

Wait and see

Especially in certain EU MSs, the current availability and depth of choice of LNA spirit drinks, AWPs and wine is still rather limited, thus reducing the actual possibility of consumers to approach such products both in retail stores and in the on-trade channels.

What does not work

No specific issues or shortcomings were identified with regard to the consumers of LNA beverages; however, a certain misalignment between the most important features in the consumers' views (e.g., innovative flavouring) and those in the producers' views (e.g., innovative packaging) may ultimately lead to investments towards non-core aspects.

Suggestions

No specific suggestion for the European Commission is to be highlighted with respect to consumers. A suggestion for producers of LNA beverages is to keep working on improving the quality of the products, paying specific attention to the development of new flavourings and assessing the actual opportunities related to some emerging trends (e.g., those concerning concentrates or functional beverages).

4.1.3 Producers and related aspects

The conclusions presented in this subsection are focused on aspects related to producers of LNA beverages in the EU. They are based on key findings from SQs 7 to 10 (§ 3.7 to § 3.10) and 13 to 15 (§ 3.13 to § 3.15).

The LNA beverages market is driven by a dynamic balance between supply and demand factors. **Leading drivers** are: consumer trends, underpinned by regulatory and non-regulatory developments in the field of alcohol consumption and safety/health causing changes in consumer attitudes towards, e.g., nutrition and health, drinking and driving; and, technological developments in ingredients and processing methods that have allowed improvements in the range of products on offer. Furthermore, strategic considerations, in particular the producers' search to diversify the product portfolio and to remain competitive, have also played an important role in formulating their decision to enter the LNA market. These factors have initially driven the low/no alcohol beer sector, which has been leading the trend towards LNA beverages, while the launch of low/no alcohol wines, AWPs and spirit drinks has largely been inspired by the success of low/no alcohol beers.

LNA beverages are typically positioned on the market as close as possible to the reference alcoholic beverages (beer, wines, spirit drinks); as a "premium" product; and, as a distinct alternative to fruit juices, soft drinks and other beverages containing no alcohol. As for **entry strategies**, both large and small companies with established brands entered the LNA segment cautiously. Larger companies tended to launch LNA versions for some of their well-established brands. Smaller companies and start-ups, with less well-established brands, opted either to create a LNA version for an existing brand, or to create a new brand altogether for their LNA product(s), with both strategies proving apparently successful. Producers followed a mix of marketing strategies to increase consumer awareness, depending on the company, brand, product, and market/consumer profile. Across all LNA beverage sectors, a prerequisite for the success of any marketing strategy is achieving the organoleptic characteristics that consumers expect, particularly taste; price promotion appears to play a secondary role.

Across all product sectors, the main **approaches for the production** of low/no alcohol beverages involve either the removal of alcohol, or techniques that produce/contain reduced amounts of alcohol. There are numerous different techniques that can be used under either approach, while know-how and the technologies are also evolving. The main considerations for the choice of production method are the need to achieve the expected organoleptic characteristics versus technological constraints and costs. Regulatory constraints also play a role in the choice of the specific technique for wine/AWPs, as techniques must be authorised by OIV and by EU legislation. A by-product of the production process when a LNA beverage is produced by dealcoholisation - which is mainly the case for LNA beer and wine - is the extracted alcohol, for which numerous market outlets are identified.

What works

Given strong market growth and prospects for LNA beer, spirit drinks (depending on the product) and AWPs, there is **strong producer interest** in these beverage segments. The LNA beer sector has become so established that developing an LNA version is nowadays in the mindset of every producer. Across all sectors, **both small and large companies** venture into this market, as well as many **start-ups**.

Wait and see

Despite interest, producers are cautious to enter the LNA spirit drinks and AWPs segments as the growth trend is not yet firmly established and technical know-how is still under development. **Technical progress** is under way in the production of LNA beverages across all segments, and this is expected to have a positive impact both in lowering the cost of the production technology and in improving product quality (especially the product's organoleptic characteristics). As a result, some producers, especially smaller companies, are following a 'wait and see' approach before launching themselves in the LNA segment.

What does not work

In the **wine** sector, the low uptake of the LNA trend reflects shortcomings in the production process that affect negatively the product's organoleptic characteristics, and therefore demand for de-alcoholised/partially de-alcoholised wine.

In the **spirit drinks** sector, producers face some uncertainty regarding the denomination and labelling of LNA 'spirit drinks'. This happens despite the advantage that producers of well-established brands have in some product segments (e.g., gin, rum, etc.) where they use the reputation of the brand/logo of their reference product to market to consumers the LNA version. By contrast, producers with less well-established brands have some difficulty in explaining to consumers what their LNA product actually is.

Typically, the first step for producers to enter the LNA beverages sector has been to focus on the strategies aimed at the B2B channel, which is the most challenging step, particularly for companies with less well-established brands. Producers generally had to differentiate the **distribution channels** for LNA beverages from those used for the reference alcohol beverages sales. The difficulty that some less well-established brands experience in penetrating some important distribution channels (large-scale retail and catering sector) is a major challenge that these producers of LNA beverages need to overcome.

In terms of **permitted market outlets for alcohol extracted from dealcoholisation**, the distinction between alcohol of 'agricultural origin' (extracted from wine) and alcohol of 'non-agricultural origin' (extracted from beer) was identified to have important implications in terms of the value of market outlets. Alcohol of 'non-agricultural origin' can only be used in low value industrial applications (e.g., detergents, cosmetics, pharmaceutical/medicinal products and biofuels/energy), while alcohol of 'agricultural origin' is a high value product mainly used in the production of spirit drinks and fortified wines. This is considered by some stakeholders as a serious regulatory restriction for brewers.

Suggestions

The only suggestion for the European Commission, with respect to the producer-related theme, is to reconsider the legal framework which currently permits only alcohol extracted from wine to be used in the production of spirit drinks (and other alcoholic beverages), while restricting the use of alcohol extracted from beer (and from spirits drinks, although in practice dealcoholisation is limited in this sector). The introduction of adjustments aimed at softening/eliminating such differential treatment may improve the level playing field between operators in the wine vs. beer sector, unless legitimate, evidence-based technical or market reasons (i.e., to protect and preserve the quality of spirit drinks and the respective traditional production processes, or to preserve the stability in the market of pure alcohol for human consumption) continue to justify the restriction in place. However, this restriction on the use of the alcohol extracted does not seem to have impacted negatively the development of de-alcoholised beers.

As for suggestions targeted at the LNA beverages industry, there may be scope to explore synergies and/or pooling resources for the significant investment required in production facilities, including the management of extracted alcohol; this would mitigate one of the biggest challenges that SMEs in particular face for entering into the production of low/no alcohol beverages, across all sectors.

4.1.4 Legislation

The conclusions presented in this subsection are focused on the legislation of LNA beverages in the EU. They are based on key findings of SQs 11 (§ 3.11), 12 (§ 3.12) and 18 (§ 3.18) and other additional elements of SQs 14 (§ 3.14) and 21 (§ 3.21).

The FIC Regulation and NHC Regulation lay down relevant provisions for the **labelling of alcoholic beverages**. However, currently, EU law does not provide for a legal definition of "alcoholic beverages" as such. In the absence of an EU-wide harmonised definition, 6 MSs (Belgium, Czech Republic, Denmark, Ireland, Italy and Sweden) have established their own national definitions of what constitutes an alcoholic beverage from a regulatory point of view.

As far as **LNA beverages** are concerned, EU law currently only provides for a definition of **LNA wine**, which results from the last reform of the Common Market Organisation that took place in 2021. In the absence of specific EU rules for most LNA beverages, several MSs have introduced national legislation in this area. Against this background, beer is the most regulated category at MS level (16 MSs), followed by wine (6 MSs), other fermented beverages (4 MSs) and, finally, spirit drinks and AWPs (only 1 MS each). Table 4.1 shows, for each relevant LNA beverage, the MSs that have national legislation in place. In general, national legislation provides mainly for ABV-related requirements for specific LNA beverages, while additional requirements governing composition and/or labelling are established occasionally.

Table 4.1 - MSs with national legislation on LNA beverages

Product or topic	Member States with national legislation
LNA wine	Austria, Czech Republic, Germany, Lithuania, Portugal, Slovenia
LNA spirit drinks	Ireland
LNA AWPs	Lithuania
LNA beer	Austria, Belgium, Croatia, Czech Republic, France, Germany, Greece, Hungary, Italy, Lithuania, Netherlands, Portugal, Slovakia, Slovenia, Spain, Sweden
Fermented beverages (cider, perry, mead, etc.)	Germany, Lithuania, Poland, Spain

Source: desk research, interviews and survey of NCAs

In the case of **LNA beer**, national legislation varies to a great extent across the relevant MSs, particularly with regard to alcohol content limits (e.g., a no alcohol beer can have a maximum alcohol limit of 0.1% ABV in the Netherlands, while that is up to 1.2% ABV in France and Italy). Concerning **LNA wine**, likewise, some slight differences can be noted in the ABV-related requirements for the relevant product categories provided under national law. For instance, in Austria, Czech Republic and Slovenia, a low alcohol wine may contain up to 5% ABV, while, in Germany, the maximum threshold is 4% ABV. Nevertheless, some of these provisions may be eventually superseded by Regulation (EU) 2021/2117 amending Regulation (EU) No 1308/2013, which introduced EU harmonised definitions of the terms 'de-alcoholised' and 'partially de-alcoholised' wine.

With regard to **LNA spirit drinks**, only Ireland has national guidelines in place. In line with what laid down in Regulation (EU) 2019/787, the guidelines state that terms such as 'low alcohol' or 'no alcohol' should not be used in the labelling or marketing of a gin. Concerning **LNA AWPs**, Lithuania is the only MS that has defined through national legislation 'no alcohol fruit and/or berry wine'. As regards **LNA other fermented beverages**, different types of products, namely, wine-like and sparkling wine-like products, mead, fruit wine, aromatised fruit wine and cider, were defined by a few MSs.

At present, few MSs are considering the adoption of national legislation on LNA beverages in the near future. In most cases, this results from the need either to align national legislation with EU rules (e.g., for LNA wine) or to update it (e.g., for LNA beer).

With regard to the **market outlets for extracted alcohol**, EU law currently limits the use of alcohol extracted from the dealcoholisation of certain LNA beverages in other alcoholic beverages. Notably, alcohol extracted from beer is considered to be of 'non-agricultural origin' and, therefore, not permitted in the preparation of other alcoholic beverages, such as spirit drinks. Some business stakeholders consider this a serious regulatory barrier for brewers, while others are of the view that there are legitimate reasons for such limitation (e.g., the need to protect and preserve the quality of spirit drinks and the respective traditional production processes).

What works

Overall, the study shows that national legislation currently in place does not significantly constitute a barrier to innovation for LNA beverages producers. Also, despite the divergences in national legislation regulating specific LNA categories (e.g., beer), these are not perceived by most stakeholders as major barriers to the trade of those products within the EU market. This can be largely attributed to the correct application of the principle of mutual recognition at MS level (please refer to § 4.1.6 for further elements on the topic of trade in LNA beverages).

Wait and see

Regarding **LNA spirit drinks**, stakeholders' views on the need for harmonised EU legislation in this area diverge sensibly, namely within the spirit drink sector itself. Taking into account this lack of consensus and the fact that this is still a market under development, further consultations and reflection may be necessary to determine whether EU action is effectively needed.

What does not work

At MS level, the fiscal treatment reserved to LNA beverages lacks consistency, which may eventually undermine the growth of the LNA category. In particular, excise duties and VAT rates are applied to such beverages according to different criteria or approaches across the MSs analysed in the study. Also, for several business operators and some NCAs, some shortcomings, loopholes or problems arise from the design and the application of the national legislation currently in place.

Suggestions

Overall, the stakeholders consulted during the study agree that further legislation on LNA beverages may bring valuable benefits for both economic operators and consumers. They also share the view that any future regulation should take place at EU level – rather than at national level - to ensure the proper functioning of the EU market.

Based on the feedback collected from stakeholders during the study, the following policy options addressing LNA beverages may be considered at EU level in the future:

- Regulating **LNA AWPs** as a priority category in terms of definitions and technical aspects (e.g., reintegration of water or addition of flavourings) and as products primarily made from wine (i.e., wine or de-alcoholised/partially de-alcoholised wine as defined by the CMO Regulation) rather than from other basic ingredients (e.g., sugared water);
- Developing additional legislation for **LNA wine** to ensure proper implementation of the EU rules introduced by the 2021 reform of the Common Market Organisation (e.g., definition of oenological practices for LNA wine and the application of EU rules to wine protected as PDO or PGI);
- Further reflecting on the technical and political feasibility to develop EU legislation for **LNA spirit drinks**, providing clear indications on the permitted denominations and descriptors, as well as with regard to labelling practices. Setting up a discussion table with all the concerned stakeholders is also advisable (please, refer to § 4.1.5 for more specific suggestions on labelling);
- Striving to ensure more consistency in the fiscal treatment of LNA beverages at national level.

4.1.5 Labelling

The conclusions presented in this subsection are focused on the labelling of LNA beverages in the EU. They are based on key findings from SQs 16 (§ 3.16), 17 (§ 3.17), 21 (§ 3.21) and on selected findings from SQ19 (§ 3.19).

Since there is no all-encompassing definition of "low/no alcohol beverage" (as well as of "alcoholic beverage") in the EU at present, the current regulatory framework on the labelling of LNA beverages consists of the FIC Regulation (Regulation (EU) No 1169/2011 on food information to consumers), combined with the specific provisions on the three main product categories regulated at EU level: Regulation (EU) No 251/2014 on aromatised wine products, Regulation (EU) 2019/787 on spirit drinks, and Regulation (EU) No 1308/2013 (as last amended by Regulation (EU) 2021/2117) and the related secondary legislation, which (among other things) introduced definitions of de-alcoholised and partially de-alcoholised wine. The FIC Regulation is currently under revision: the submission of a legislative proposal is expected by December 2022.

The consulted stakeholders highlighted a number of drawbacks of the current regulatory framework in terms of ensuring the provision of adequate information on LNA beverages. In particular, even though only a minority of surveyed consumers reported issues with the identification of low/no alcohol beverages, episodes of confusion in this regard were reported by 31% of those who consumed low/no alcohol spirit drinks and 27% of those who consumed low/no alcohol AWPs. The most important aspects in a forward-looking perspective related to the labelling of LNA beverages are discussed hereunder.

First and foremost, on the topic of **sales denominations/descriptive names**, EU legislation sets significant constraints for sales denominations of aromatised wine products and legal names of spirit drinks that affect the labelling of LNA beverages emulating those products. Both in the case of spirit drinks and of AWPs, the use of legal names and sales denominations for any beverage not complying with the requirements of the relevant category is prohibited (with selected and well-regulated exceptions). The prohibition also applies to the use of words or phrases such as 'like', 'type', 'style', 'made', 'flavour' or any other similar terms. In this context, operators had to find alternative solutions to present and market their LNA products within these categories: product names used include fantasy names, names evoking the taste, aromas or ingredients of the alcoholic beverage of reference, as well as (more or less) explicit references to legal names reserved to spirit drinks or sales denominations of aromatised wine products (a practice not allowed under current EU legislation). The name of the brand is often used as a key distinctive element on labels for both LNA spirit drinks and LNA AWPs.

With regard to **spirit drinks**, in particular, two diverging positions were expressed by sectoral stakeholders:

- *Operators exclusively or mainly involved in the production and marketing of LNA spirit drinks* deem that the current EU regulatory framework poses serious constraints to the development and marketing of LNA spirit drinks in the EU. For this reason, they are rather dissatisfied with the current situation and would generally favour new harmonised EU legislation on the topic, either *i)* providing clear indications on the permitted denominations, descriptors and labelling practices, or *ii)* easing current constraints on the use of legal names, so as to allow additional solutions to *lawfully* communicate the attributes of LNA spirit drinks.
- Conversely, *stakeholders dealing exclusively or mainly with "regular" spirit drinks* generally deem that the EU legislation currently in force adequately regulates the sector by ensuring protection for the categories of spirit drinks covered by Regulation (EU) 2019/787 and their "value creation mechanisms".

As for **aromatised wine products**, according to a representative sectoral organisation, harmonised EU legislation would be needed to regulate sales denominations, labelling and presentation of LNA aromatised wine products, also with a view to allowing for clearer product communication, improving the positioning of LNA AWPs, and – quite importantly - ensuring that LNA aromatised wine products are actually made from wine, rather than "engineered" by combining other ingredients.

According to surveyed consumers, one of the key information items in the labelling of a LNA product is a clear linkage with the alcoholic beverage of reference, allowing to better understand the intended use and positioning of the product.

Secondly, **alcohol-related descriptors** such as "low alcohol" and "no alcohol", which can be commonly found on the labels of LNA beverages, are currently not regulated at EU level. Legislation at Member State level in some instances does provide regulatory requirements for such terms, often related to specific product categories - beer, in most cases (e.g., no alcohol beer in the Netherlands can have a maximum ABV of 0.1%). Such differences in national legislation can be confusing for consumers and allow for a variety of approaches as to what the descriptors "low alcohol" and "no alcohol" entail in terms of ABV of the beverage.

As for such terms as "no alcohol" and "alcohol free", in particular, the consulted consumer associations and health NGOs are particularly concerned by the fact that LNA beverages that *do contain* some alcohol are labelled in a way that may induce consumers to understand that no alcohol is actually present in such beverages.

Several categories of stakeholders expressed a need for harmonised rules at EU level on the ABV-related requirements for the use of the terms "no alcohol" and "low alcohol" for the labelling of beverages, to be applied across all product categories. In their view, this would allow to create a level playing field among operators, improve communication to consumers and ultimately increase consumer protection.

On this topic, however, it should be noted that: *i)* EU level definitions of de-alcoholised and partially de-alcoholised wine have been recently introduced, together with rules on sales denominations and labelling for LNA wine; and, *ii)* the beer sector (which has the most developed LNA segment) reported that no major needs in terms of harmonisation of ABV thresholds were raised by operators.

Another key item to be considered for the labelling of low/no alcohol beverages is the indication of the actual **alcohol content by volume (ABV)**. The ABV is currently a non-mandatory element for beverages with an ABV up to 1.2%. As a result, it is always indicated on the label of LNA beverages with an ABV higher than 1.2%, while for products under such threshold it is not always present, though it may be provided on a voluntary basis.

Most consulted stakeholders deem the indication of ABV a key feature also in the labelling of LNA beverages up to 1.2% ABV, mainly in terms of a more transparent product communication towards consumers. Additionally, surveyed consumers considered the actual alcohol content a key information item to report on labels. This view was endorsed by the consulted consumers' representatives, who deem that the ABV should always be indicated, despite the current threshold set at 1.2%.

Further reflection is needed to assess the extent to which systematic indication of the actual ABV on any LNA beverage would be useful, or may prove counterproductive. Since small (and arguably irrelevant) quantities of alcohol may naturally occur in several beverages (e.g., in fruit juices, by fermentation), a possible lowering of the threshold now set at 1.2% ABV through a change in legislation should strive to strike a balance between information needs and actual usefulness of the information provided.

According to consumers, one of the key information items in the labelling of LNA beverages is the **indication on whether the product is suitable for consumers having special needs with regard to alcohol intake** (e.g., pregnant women, drivers, etc.). However, the inclusion of such items on the label is debated among the consulted stakeholders, as the LNA beverages industry does not feel confident about talking of health-related issues, also in the light of the recent developments with the Europe's Beating Cancer Plan and the European Parliament's BECA report on alcohol consumption.

At the other end of the spectrum, the topic of health warnings for LNA beverages raised some questions among stakeholders, as their use for beverages that have a very low ABV may defeat the purpose of marketing LNA beverages as possible alternatives when alcohol consumption is not desirable. While there is currently no EU-level legal framework on health warnings, the "Europe's Beating Cancer Plan" announces that the Commission will propose the introduction of health warnings on alcoholic beverage products' labels before the end of 2023.

The **ingredients list and nutrition declaration** are currently non-mandatory for beverages containing more than 1.2% by volume of alcohol, as provided by the FIC Regulation. LNA beverages with an ABV up to 1.2% are thus required to include these elements on the label. The consulted consumer association and health organisation deem that an ingredient list and nutrition declaration are key elements in the labelling of any beverage, and do not see favourably the current exemption for beverages above 1.2% ABV in this regard. On this topic, the ongoing revision of the FIC Regulation may result in the elimination of the exemptions accorded to alcoholic beverages. The consulted stakeholders expressed mixed views on this possibility.

What works

Despite the regulatory constraints and uncertainties described above, the market for low/no alcohol beverages registered a significant growth in the past few years, though not in a uniform way across all EU Member States. With regard to labelling, brand identity was successfully used by some operators to partly overcome the existing limitations in terms of product communication that derive from the legislation in force.

Wait and see

As for possible alternative options for labelling LNA spirit drinks and aromatised wine products (given the restrictions in terms of legal names and sales denominations posed by EU legislation), multiple stakeholders expressed difficulties in devising specific alternative options without knowing the outcomes of the revision process of Regulation (EU) No 1169/2011. The suggestions formulated below should also be read in this context.

What does not work

Even though the majority of surveyed consumers have not experienced issues with the identification of low/no alcohol beverages and with discriminating them from their alcoholic version, such issues were reported by around 30% of consumers. Overall, there seems to be significant potential for improving the labelling and product communication for LNA beverages. The constraints in terms of legal names and sales denominations for LNA spirit drinks and LNA AWPs limit the options available to operators, and make product communication difficult, especially for new, smaller producers who do not have an established brand.

Differences in national legislation on the use of alcohol-related descriptors can be confusing for consumers: the absence of harmonised EU level requirements on ABV thresholds allows for a variety of approaches as to what the terms "low alcohol" and "no alcohol" actually mean, to the detriment of consumers' understanding.

Suggestions

On the grounds of the above, the following suggestions are formulated on the topic of labelling.

- Legal names and sales denominations: *i)* for LNA spirit drinks, it is suggested to open a discussion table on legal names with all stakeholders. The diverging positions registered among sectoral stakeholders may make the elaboration of a "compromise solution" rather challenging; *ii)* as for LNA aromatised wine products, stakeholder consultation revealed a significant convergence towards a general approach similar to the one adopted for (partially) de-alcoholised wine (Regulation (EU) 2021/2117), which provides a clear indication for any attempts at establishing harmonised EU legislation.
- Alcohol-related descriptors: it is suggested to reflect on the opportunity to introduce clear, harmonised rules at EU level for the use of the terms "no alcohol" and "low alcohol" (and equivalent descriptors in use), consistently applicable to all product categories. A product-specific approach aimed at regulating the use of these descriptors for specific product categories would result in a too diverse array of ABV-related regulatory requirements within the Single Market, and/or fail to cover all relevant product categories.
- Indication of the ABV: it is suggested to open a table for discussion on the threshold for the indication of the actual alcohol content on the label, to establish whether 1.2% ABV is still relevant and adequate. It is also highly advisable that any initiatives in that direction are consistent with any requirement and alcohol content limit that may be established for alcohol-related descriptors (see the previous suggestion).
- Health warnings: it is deemed advisable to properly include an *ad hoc* reflection on LNA beverages when formulating the proposal on health warnings, so as to determine from which ABV level such warnings are opportune and useful, rather than counterproductive.

4.1.6 Trade

The conclusions presented in this subsection are focused on the trade of LNA beverages in the EU. They are based on key findings from SQs 19 (§ 3.19) and 20 (§ 3.20).

The trade of LNA beverages and its related aspects are a somehow difficult topic on which drawing definitive conclusions; this is mainly due to a series of specific characteristics. In the first place, the current market size of LNA beverages other than beer is still very limited, as also explained in § 4.1.1; much in the same vein, the trade of such products has not reached at present a volume that would allow to identify any specific technical barrier to trade (TBT). Secondly, the regulatory framework for LNA beverages both within the EU (i.e., across MSs) and in some of its key trade partners is rather fragmented and/or fluid, so that in most cases stakeholders and Competent Authorities do not feel in the position to provide definitive elements on the extent to which such fragmentation/fluidity impact trade flows.

As a result, the most interesting findings related to trade have a forward-looking, hypothetical nature, and are more based on speculations on how the current situation might evolve in the future, than on current factual elements.

In the EU, the number of MSs with plans for future legislation on LNA beverages is limited and the current divergences in national legislation regulating specific LNA product categories do not appear to be hampering the (very limited) trade of those products within the EU market; in addition, the principle of mutual recognition appears to be correctly applied.

Some aspects potentially impacting trade in LNA beverages in the future (e.g., perceived need for harmonised ABV-related requirements), seem more related to labelling issues than to trade strictly speaking: for this reason, they were presented in § 4.1.5.

With specific reference to TBT issues, very few cases where draft national provisions dealing with LNA beverages were questioned/challenged within the TBT Committee were identified. Nevertheless, it emerged that the number of such discussions might increase in the future, due to possible introduction of specific provisions dealing with LNA beverages in a higher number of countries, and to potential expansion of the international trade of these products, fuelled by market growth. Such a scenario appears plausible also due to the significant, sometimes radical differences in regulatory approaches towards LNA beverages identified between the EU and its key trading partners: there seems to be very limited/no harmonisation or even convergence at present in this regard.

However, also with respect to the possible adoption of harmonised EU legislation on LNA beverages, stakeholders generally perceive a low risk of TBT-related issues.

As previously clarified, the above considerations should be read in the context of the actual importance of trade flows in LNA beverages between the EU and third countries, which is still limited. Even non-alcoholic beers, which have a long-established presence on the EU market, are exported and especially imported to a limited extent by the EU; as for the other categories of LNA beverages, qualitative elements suggest that EU international trade is even more limited.

Considering the current situation, it is plausible to expect that the **hypothetical adoption of specific legislation on LNA beverages at EU level** would have **rather limited repercussions on world trade**, including under the perspective of **possible technical barriers to trade**. However, the possible (or probable) growth of the market, the relative potential increase in trade flows and the heterogeneous situation in terms of legislation in a number of relevant third countries make a regular monitoring of the situation advisable, with a view to anticipating potential issues stemming from lack of harmonisation or diverging regulatory approaches.

What works

To date, no significant TBT-related issues have been identified for LNA beverages. Even in the few cases when some issues were discussed, the responding countries often agreed to amend their draft provisions to address the remarks made by the countries raising TBT-related concerns.

Wait and see

The possible adoption of harmonised EU legislation on LNA beverages depends on multiple factors, which include: the need of producers and consumers to have a clear identification of the different product categories; the need to ensure a level playing field to both companies specialised in LNA beverages and those that are more focused on "regular" alcoholic ones; etc. Trade-related issues have received limited attention in these discussions so far; the relevance of trade-related issues could however increase in the future, with the possible continuous growth of the LNA beverages market and of the related trade flows, both within the EU and with third countries.

What does not work

At present, no specific issues emerged with regard to the trade of LNA beverages, mainly because of its still extremely limited size. However, it should be noted that the current Combined Nomenclature (CN) codes used in all the main official databases (Eurostat-Comext, UN Comtrade) only cover "*non-alcoholic beer with an ABV lower than 0.5%*"; the other categories of LNA beverages are covered by CN codes that are too broadly defined to allow for a reliable quantification of the relevant trade flows. Moreover, even the CN codes currently available for LNA beer are not (and cannot be) perfectly in line with all the definitions of "no alcohol beer" in force at MS level, due to differences in national legislation.

Suggestions

In a forward-looking perspective, it would be interesting to reflect on the possible introduction of more specific CN codes, in order to map more precisely trade flows of LNA beverages (both in general and, if possible, for the different main product categories). This would allow a clearer understanding of the actual trade flows, as well as the identification of the key trading partners, with a view to anticipating or better managing possible issues. While the availability of such mapping would be valuable from a statistical standpoint, it should be noted that the creation of new CN codes entails a broad set of challenges and limitations, as well as requirements that need to be fulfilled in advance. For example, among the existing limitations, CN codes introduced by the European Commission would be applicable for the EU only, thus still leaving unmonitored large portions of extra-EU trade. In terms of requirements for the introduction of CN codes, among others, products need to be clearly defined (also - but not exclusively - in terms of ABV thresholds), and correctly framed within the existing CN structure, *in line with the international harmonised system* (e.g., the term "non-alcoholic beverages" means beverages with an ABV not exceeding 0.5%, while "alcoholic beverages" must have an ABV higher than 0.5%). In light of the above, the creation of new CN codes is a solution that may possibly become available in the long run only, once other – more pressing – issues are addressed.

Additionally, it is likely that any decision on the possible introduction of harmonised EU legislation for LNA beverages will be taken to address more critical issues (e.g., provision of clearer information to consumers, ensuring a level playing field for operators, etc.) than trade-related ones; nevertheless, systematic monitoring of the evolving regulatory situation for LNA beverages in some key trade partners of the EU (e.g., the United Kingdom, the United States) would allow to anticipate potential issues stemming from diverging regulatory approaches.

4.2 General conclusions

Whereas the **market** for LNA beers can be considered a long-established one in most EU MSs, those for the other product categories covered by the study (i.e., LNA wines, AWPs and spirit drinks) have started emerging only recently, and are hence in their initial development stage (§ 4.1.1). This implies that knowledge about those markets is still rather limited, which is one of the main reasons why this study was commissioned by the European Commission. This report provides a rather detailed characterisation of those markets, based on a remarkable amount of quantitative and qualitative information collected from a wide range of sources. Nevertheless, there is still ample room for improving the width and the depth of the appraisal of the markets of LNA beverages, in particular those of LNA spirit drinks, AWPs and wines, and to progress towards a more systematic monitoring of their evolution. As suggested in § 4.1.1, the European Commission may play a role in the process (e.g., by reflecting on the possible introduction of a set of key statistical indicators), which would however present substantial challenges, and would also need a cooperative attitude by the involved operators for a successful completion. Should this process be started, it seems advisable that it covers also the improvement of EU **trade** statistics for LNA beverages (§ 4.1.6), which currently include only a dedicated CN code for "non-alcoholic beer with an ABV lower than 0.5%". Inbound and outbound trade flows in LNA beverages concerning the EU appear to be still very limited, but it cannot be excluded that the prospective growth in the demand for LNA beverages at EU and global level, besides promoting an expansion of domestic production in the EU, will also result in increased trade in LNA beverages, both within the EU and with third countries. Improved statistical coverage of production, consumption and trade of LNA wines, AWPs and spirit drinks in the EU would allow to follow more closely sectoral and market developments, with positive implications also for the quality of any related policymaking processes; however, public provision of the related market information and trade statistics would pose remarkable practical challenges, and would be affected by significant limitations.

The study analyses in depth the different drivers behind the increasing **consumption** of LNA beverages in the EU, and describes the multi-faceted aspects that characterise consumption habits in EU MSs (§ 4.1.2). Besides the original health-related drivers, EU consumers of LNA beverages seem more and more attentive to product quality, variety of choice, and product innovation. EU **producers** of LNA beverages are making substantial investments, especially in innovative technological solutions, in order to meet these emerging consumption needs, also because the production of LNA wines, AWPs and spirit drinks that mimic the organoleptic qualities of the reference alcoholic products still presents significant techno-economic challenges (§ 4.1.3).

The analysis of the **legislation** governing the production and marketing of LNA beverages in the EU (§ 4.1.4) is tightly linked with the analysis of the **labelling** practices for those products, and of the related provisions (wherever any are in place). The FIC Regulation and NHC Regulation lay down relevant provisions for the labelling of alcoholic beverages, but EU legislation does not provide for a legal definition of "alcoholic beverages" as such and for EU harmonised rules for the use of the terms "low alcohol / no alcohol" beverages, and there is no specific EU legislation covering LNA spirit drinks, AWPs and beer. Only LNA wines – i.e., (partially) de-alcoholised wines – are currently covered by specific EU legislation (the related provisions were introduced with the revision of the CMO Regulation in December 2021). Some MSs have national legislation in force that regulates at least some of the aspects currently not covered by EU legislation, but other MSs have basically no legislation covering LNA beverages. The situation is further complicated by the significant differences across MSs concerning some key aspects (e.g., the ABV thresholds to define different categories of LNA beverages). The consulted stakeholders highlighted a number of issues that, in their views, would derive from such situation. **Producers of LNA beverages** emphasised in particular the difficulties of communicating the characteristics of their products that would derive from: i) the lack of EU harmonised legislation governing the use of alcohol-related descriptors such as "low alcohol" and "no alcohol", which are widely used to market LNA beverages in the EU; ii) the restrictions posed by EU legislation with regard to the use of sales denominations for AWPs and legal names for spirit drinks. A number of consulted stakeholders in the LNA AWPs and, especially, LNA spirit drinks sectors also showed some concern for the implications that the heterogeneous situation in terms of national legislation covering LNA beverages might have in terms of level playing field for operators and functioning of the Single Market. By contrast, those concerns were less felt by the consulted EU LNA beer producers (it is worth reminding that also "standard" beer is not covered by harmonised EU legislation, differently from spirit drinks, AWPs and wine). In that regard, it also emerged that the mutual recognition principle established by EU legislation is usually correctly applied by national competent authorities as far as LNA beverages are concerned. Some concern emerged also for the implications in terms of level playing field that would derive from the differential treatment in EU legislation for alcohol extracted in the LNA beverages production process, according to its "agricultural" vs. "non-agricultural" origin. The main concerns highlighted by the consulted stakeholders representing the interests of **consumers** relate to the fact that differences in national legislation dealing with LNA beverages allow to market as "alcohol free" beverages, in some MSs, also beverages that actually do contain some alcohol. Mandatory indication of the ABV content for any beverage (also below the 1.2% ABV threshold currently set by EU legislation), and product denominations and descriptors that may allow a clearer understanding of the characteristics of LNA beverages for consumers, would also be welcome. No particular convergence of positions concerning legislation and labelling for LNA beverages emerged among the consulted national competent authorities, even though a number of them acknowledged some of the issues highlighted by sectoral stakeholders and consumer representatives.

Specific suggestions aimed at addressing the issues deriving from the lack of harmonised EU legislation for LNA beverages, including provisions on the labelling of those products, are detailed in § 4.1.4 and 4.1.5, respectively. A number of more **general considerations and suggestions** can be made in this section:

1. Whereas a convergence towards a preferred solution emerged rather clearly in the AWPs sector, the positions on the matter are still divided in the spirit drinks sector. According to the study team, the situation in the AWP sector seems more "mature" for the possible elaboration of harmonised EU legislation on LNA AWPs, possibly along the lines that drove the introduction of specific legislation for LNA wines (distinction between "de-alcoholised" and "partially de-alcoholised" products). By contrast, the study team deems that substantial efforts in terms of sectoral dialogue will be needed to reach a convergence of positions that would allow the start of an analogous policymaking process targeted at LNA spirit drinks.
2. The positions of sectoral and non-sectoral stakeholders (consumer representatives and national competent authorities, in particular) with regard to ensuring the conditions for a clearer description of LNA beverages through harmonised EU legislation – with particular regard to ABV-related requirements - are not aligned in terms of the approach to follow to this aim. However, rather widely shared concerns about the current situation emerged from the study, together with a significant convergence on the need to address the most serious issues deriving from the lack of harmonised EU legislation covering LNA beverages. According to the study team, this suggests that the *status quo* cannot be considered as an optimal situation.
3. Given the remarkable sectoral specificities emerged from the study, the elaboration of cross-sectoral EU harmonised legislation (e.g., to establish harmonised rules at EU level for the use of the terms "low alcohol" and "no alcohol" beverages based on the same ABV thresholds for all products) seems to present significant challenges. LNA beverages emulating spirit drinks that have double-digit ABVs – albeit lower than the minimum required by EU legislation - are a striking example of those challenges: it can be doubted that the categorisation of those beverages as "low alcohol" ones would be acceptable for most stakeholders, and for consumer representatives in particular.
4. Since one of the key needs expressed by the stakeholders is to ensure the conditions for a "clearer categorisation and description of LNA beverages", the study team deems that:

a. the sole extension of the mandatory indication of ABV content to beverages below the current 1.2% ABV threshold would not be sufficient to ensure such conditions, even though it would constitute a significant improvement in terms of informing consumers on the actual alcohol content of a specific beverage;
b. defining LNA beverages "by exclusion" through the reference to a – currently non-existing - EU harmonised definition of "alcoholic beverage" would not be sufficient either, because it would leave unaddressed the key issue of the distinction between "no alcohol" and "low alcohol" beverages, and also because, with the sole exception of LNA beverages with "0.0%" ABV, several LNA beverages do contain some alcohol.

In general, the study team deems that the essential conditions to address the main issues emerged from the assessment include:

- a more systematic monitoring of the evolution of the markets of the different typologies of LNA beverages, and hopefully also of the related trade flows, even though the study team acknowledges that public provision of the related information would entail substantial challenges;
- a stronger dialogue among the different stakeholders (both sectoral and non-sectoral ones), with a more cooperative attitude of individual participants.

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