

The Dentons logo, consisting of the word "DENTONS" in a bold, white, sans-serif font, enclosed within a white arrow-shaped graphic pointing to the right. The background of the slide is a close-up photograph of green cannabis leaves, with a semi-transparent purple overlay on the left side.

**DENTONS**

# **The European Cannabis Industry**

## **Challenges, Pitfalls and Outlook**

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# Outline

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- General Industry Overview
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## II. Summary and Outlook

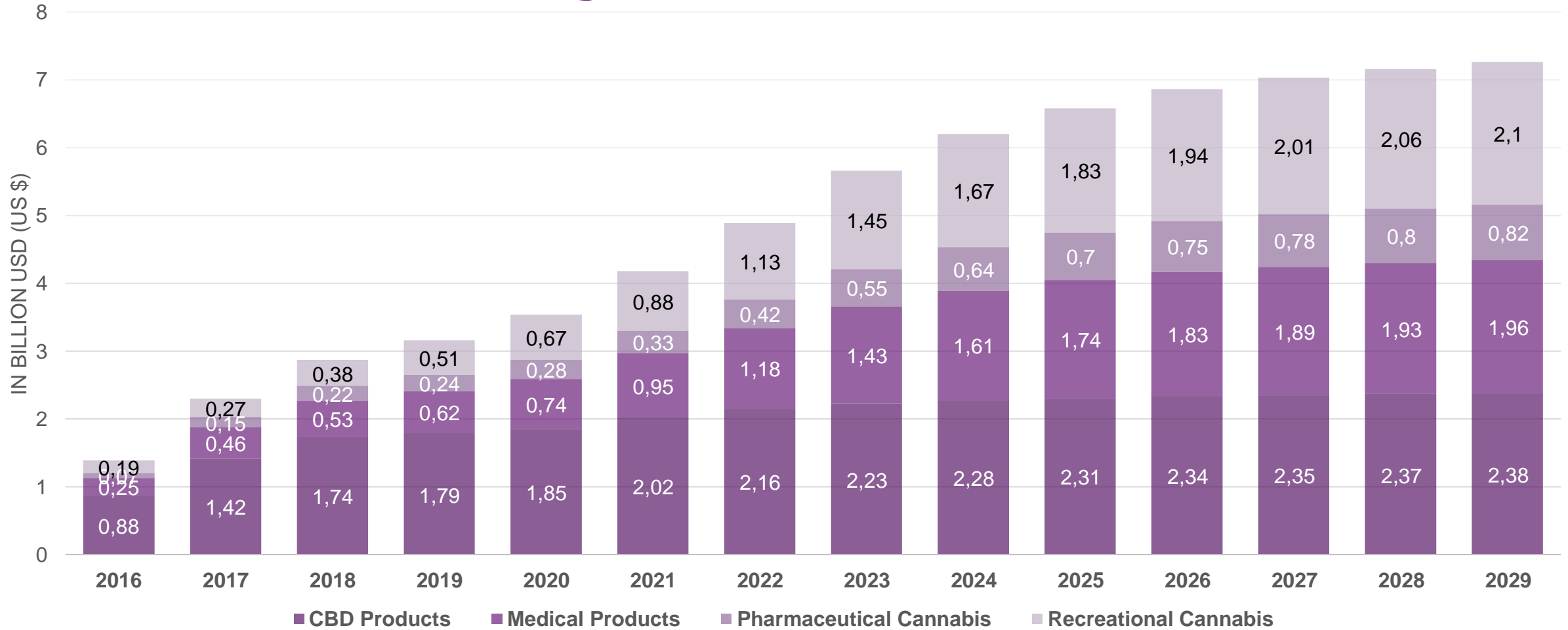
Q & A

# I. Cannabis in Europe – General Industry Overview

## Industry estimates:

- The legalization of recreational cannabis will lead to significant growth in the German cannabis market.
- The **Cannabis market in Europe** is forecasted to achieve a revenue of **6.20 billion US Dollar by the year 2024**.
  - Prohibition Partners: It is expected for the value of European cannabis to grow with a CAGR of **67.4%**, to reach **3.2 billion euros** in 2025.
- It is expected to exhibit an **annual growth rate of 3.18%**, resulting in a market volume of **7.25 billion US Dollar by 2029**.

# I. Cannabis in Europe – General Industry Overview



Source: <https://www.statista.com/outlook/hmo/cannabis/europe#revenue>

# I. Cannabis in Europe – Germany

**10 MARCH 2017**

The "Cannabis as Medicine" Act comes into force on March 10, 2017, which enables the use of cannabis medicines

**DECEMBER 2021**

New federal government includes legalization of cannabis for recreational purposes as a goal in the coalition agreement

**OCTOBER 2022**

Federal Minister of Health Karl Lauterbach presents the German government's first key points paper for preliminary review by the EU Commission

**APRIL 2023**

Lauterbach and Özdemir present "2 pillar model" after "productive talks" with EU Commission → significantly more conservative compared to the first paper

**FEBRUARY 2024**

Adoption of the CanG by the Bundestag – Partial Legalization starting from 1 April

**OCTOBER 2023**

First (of three) legislative reading in the Parliament (Bundestag)

**SEPTEMBER 2023**

First statement by the Federal Council (Representation of the states; Bundesrat)

**AUGUST 2023**

Cabinet (federal government) officially adapts "CanG" ("Cannabisgesetz"), initiating the formal legislative process

**MARCH 2024**

Majority in the German Federal Council (Bundesrat) in favor of the CanG

**MARCH 2024**

Bundesrat endorses the Cannabis Act (Cannabisgesetz, "CanG"), thus enabling the partial legalization of cannabis.

**1 APRIL 2024**

CanG comes into force

# I. Cannabis in Europe – Germany

## The CanG – Consumption and cultivation rules

- Cannabis has been **removed from the list of prohibited substances** in the **German Narcotics Act** (*Betäubungsmittelgesetz, BtMG*).
- Cannabis can be **obtained and consumed from personal cultivation** (up to 3 plants per adult in a household).
- For **adults in private spaces**: Possession **up to 50 grams** of cannabis for personal consumption.
- For **adults in public spaces**: The **maximum limit** will be **25 grams**.
- Purchases of seeds via the **Internet** or **distance selling** and **shipping** to Germany from **EU member states** are **permitted**.

# I. Cannabis in Europe – Germany

## The CanG – Consumption and cultivation rules

- Cannabis may also be **obtained** and **consumed** from cultivation of **non-commercial cannabis cultivation associations** (also: Cannabis clubs).
  - They will be allowed to commence their activities from 1 July 2024.
- The clubs are allowed to **dispense a maximum of 50 grams of cannabis per month per member for personal consumption**.
- The **minimum age for membership is 18 years**, a **maximum of 500 members per club** are permitted and their place of residence must be in Germany.
- If members are under 21 years old, they are allowed a **maximum of 30 grams per month** and **the cannabis must not exceed a THC content of 10%**.
- The clubs must appoint **youth protection, addiction and prevention officers** and are **not allowed to advertise**.
  - They must also **maintain a minimum distance of 100 meters** from **schools** and **other children's and youth facilities as well as playgrounds**.
- **Membership in several clubs is prohibited**.
- **The consumption of cannabis in cultivation associations is not permitted**.

# I. Cannabis in Europe – Germany

## The CanG – Medical Cannabis

- Medical cannabis has been legalized in Germany since **2017** („Cannabis-as-Medicine-Act“)
- With the **MedCanG**, the CanG has now created a **separate regulatory body for medical cannabis**, which was previously subject to the provisions of the BtMG:
  - Essentially adopting the regulations of the BtMG. But: **New prescription requirement**: A normal prescription as for Rx products will be sufficient in future instead of a BtMG prescription.
  - In addition: **Elimination of bureaucratic requirements** such as the dispensing voucher procedure, which relieves the burden on pharmacies.
  - The MedCanG brings a relevant innovation for companies that cultivate medical cannabis in Germany:
    - While cultivation was previously reserved exclusively for companies that were selected by the Cannabis Agency (**Cannabisagentur**) of the Federal Office for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte, BfArM) in a Europe-wide tender procedure, authorization will in future be granted via a licensing procedure → more flexible market conditions based on actual demand.
  - The aim is to eliminate the existing disadvantage of German producers compared to import companies and to create new production capacities in Germany.



# I. Cannabis in Europe – Czech Republic

- **2013:** Medical cannabis is legalized for the first time
  - The first patients gained safe access to medical cannabis in **2014**.
- The cultivation of cannabis for medical purposes is permitted if one obtains a **license for the cultivation of cannabis plants** and a **permit for the disposal of narcotic substances** and **products** related to medical cannabis.
- The license is issued by the **State Institute for Drug Control** for a maximum period of five years and can be renewed.
- The use of cannabis for recreational purposes is **illegal**.
- **January 2024:** The National Economic Council of the Czech Republic (NERV) recommends the introduction of a legal and regulated cannabis market.
  - Experts had expected the government to present a **draft cannabis law** that would provide for a regulated cannabis market.
  - The plan was likely to allow the possession of cannabis, home cultivation and the establishment of marijuana social clubs.
  - However, the authorities face a **particular challenge in controlling the growing trend towards the use of synthetic cannabinoids**.



# I. Cannabis in Europe – Czech Republic

- In **March 2024**, a state ban on the possession and sale of HHC, HHC-O and THCP substances (derived from cannabinoids) came into force after numerous children were hospitalized after consuming these drugs in candy form.
- The Ministry of Health has proposed a **permanent ban on seven new substances**, while the temporary ban on HHC, HHC-O and THCP will be reviewed in 2025.
- **Criticism:** Although these measures could solve immediate problems, they will not help against irresponsible manufacturers who circumvent the regulations. Many argue for a more comprehensive revision of the law.
- Lawmakers must reach a consensus on the framework for new legislation on psychomodulatory substances by **January 2025**, when the current ban expires.



# I. Cannabis in Europe – Malta

- **2018:** Malta was the **first country in the EU** to set concrete rules for the legalization of cannabis in Europe.
  - Medical cannabis became **legal**.
  - The **possession** and **consumption** of the natural stimulant and the cultivation of up to four plants was permitted.
  - Also “Cannabis Social Clubs” (“**Cannabis Harm Reduction Associations**”) (**CHRA**) in Malta), were given a place in the Maltese legalization strategy.
    - For a long time, these were unable to open due to various factors. E. g.: The late possibility of applying for a license or excessively high fees for operators.
- In **January 2024**, the first CHRA opened.
  - Members of the KDD Society CHRA may legally purchase up to seven grams of cannabis flowers per day, with a **maximum quantity of 50 grams per month**.
- The **Authority for the Responsible Use of Cannabis (ARUC)**, announced that its tests of the goods on offer would ensure that the cannabis grown and distributed by the clubs is free from undesirable contaminants.



# I. Cannabis in Europe – Portugal

- **2018:** Legalization of **medical cannabis**
- Cannabis for recreational use is **not legal, but it has been decriminalized.**
- **Consumption** and **possession** of small amounts is only treated as a **misdemeanor.**
  - Ten daily doses (25 grams) are therefore exempt from punishment.
- Anyone caught with drugs up to 25 grams must contact the “**Commission for Warning against Drug Addiction**” and receives offers of help.
  - In case of **repetition**, there are **warnings**, such as fines or suspension of driving license.
- Currently, there are **two drafts of laws that allow the consumption, cultivation and possession of cannabis for recreational use.**
- However, government instability and the pandemic have put the proposals and public discussion on legalization on hold.



# I. Cannabis in Europe – Spain

- **Medical cannabis is not regulated in Spain.**
- The cultivation of cannabis for research, medical and scientific purposes is prohibited unless authorized by the Spanish Agency for Medicinal Products and Medical Devices (AEMPS).
  - February 2024: The Ministry of Health announced that it had 'started the process to develop a Royal Decree' with which it plans to approve the regulation of medical cannabis.
- In Spain, **personal possession** and **cultivation** of the plant for recreational purposes is largely **decriminalized**, although regulations can vary depending on the municipality and regional government.
- **Selling** and **importing** any amount of cannabis containing THC is a criminal offense, and public consumption can also result in a fine.
- However, Spain is known for its **cannabis social clubs** - informally regulated, membership-based clubs that have attempted to push the boundaries of the decriminalization law.
  - Now: **more than 1,000** of these establishments, mainly in some regions and mostly tolerated by local law enforcement agencies, although the central government has raised objections.
- In **February 2024**: Spain published a draft decree and launched public consultations on its proposal for a medical cannabis framework.



# I. Cannabis in Europe – Switzerland

- On **1 August 2022**, the Narcotics Act was amended to allow the use of cannabis for **medical purposes**.
- Regarding **recreational cannabis**, the Swiss system of **pilot trials for adult-use cannabis continues to grow**, with **approximately 10,000 people currently sourcing cannabis from pharmacies legally**.
  - **Distribution of cannabis in pharmacies, cannabis social clubs and non-profit stores** as well as via other distribution channels.
  - Among other things, the pilot trials are intended to **enable a comparison of the various distribution systems** and **show which regulatory models are accepted by consumers and the population**.
- There are currently **five trials underway**, with **two more due to begin in 2024**, bringing the **total number of participants up to 15,000 consumers**.
- Those responsible for the pilot trials are obliged to inform the Federal Office of Public Health (FOPH) of progress on an annual basis.



# I. Cannabis in Europe – Switzerland

## Overview of the approved pilot trials

**Cannabis research Zurich:** Investigation of the social and economic consequences of legalizing the recreational use of cannabis in Switzerland.

**Cann-L - Pilot trial with sales on a non-profit basis in Lausanne:** Aims to assess the feasibility and potential impact of a model for regulating cannabis consumption through non-profit sales.

**Grashaus projects BL:** Investigation if the structured and controlled sale of cannabis (with points of sale in Liestal and Allschwil) can bring a change in consumption.

**La Cannabinothèque - Regulated access to cannabis in the canton of Geneva:** Investigation if a program offering regulated access to cannabis can improve knowledge of the substance and the problems and concerns associated with it and help to reduce the health and social risks that drug use generally entails.

**SCRIPT - Research on the sale of cannabis in pharmacies (Bern, Biel and Lucer):** Investigation of the impact that the regulated, non-profit sale of cannabis in pharmacies in combination with appropriate counseling services can have on cannabis use.

**WeedCare - Study on the regulated sale of cannabis in pharmacies in the canton of Basel-Stadt:** Examines the health effects of the authorization of regulated cannabis sales.

**ZüriCan - Study on the regulated sale of cannabis in the city of Zurich:** Examines the extent to which regulated sale, supplemented by counseling, can improve knowledge and behavior towards the lower-risk forms of cannabis and whether this is feasible.

# I. Cannabis in Europe – The Netherlands

- The use of medical cannabis has been permitted in the Netherlands **since 2003**.
- Regarding recreational cannabis, the Netherlands' cannabis policy is characterized by its contradictory laws.
- The consumption of cannabis has been permitted from the age of 18 **since 1976**.
  - Toleration of sale in coffee shops.
  - The cultivation and purchase of cannabis in large quantities is **prohibited**.
- In **December 2023**, the Weed Experiment (**Wietexperiment**) was launched, in which a **selected number of licensed growers are allowed to supply cannabis to coffee shops** in ten cities in the Netherlands, subject to careful monitoring and evaluation.
  - Cannabis from the new regulated supply chains is now available **in two municipalities** and will be the only cannabis available from all coffeeshops in ten municipalities by the end of 2024.
  - The “**start-up phase**”, is to last **six months**, during which both legally and illegally produced cannabis have to be sold.
  - Following this, all participating coffee shops will switch to selling only legal, regulated cannabis products in a “**transition phase**”.





# I. Cannabis in Europe – United Kingdom

- **2001:** Cannabis was downgraded from a **class B drug** to a **class C drug**, lowering the maximum penalties for possession and supply.
  - This decriminalized the drug across the UK → **Result:** saving 199,000 police hours, among other things.
- **2007: Reclassification of cannabis to class B** possession, supply or manufacture of cannabis in the UK is illegal under the Misuse of Drugs Act.
  - Estimation that over 4.7 million people in the UK use cannabis, creating a black market economy worth 6 billion pounds.
- **November 2018:** A change in the law makes it possible to prescribe **medical cannabis**, but uptake in the NHS has been slow with only three prescriptions for whole plants in three years.
  - Costs and conditions remain high for many, and there have been problems in the legal supply chain such as contamination. → **Favoring the black market**
  - **Contradiction:** The UK remains the largest exporter of medical cannabis in the world.
- The majority of the **ruling Conservatives** are skeptical towards legalization and prefer a restrictive cannabis policy.
  - However, the Conservative Drug Policy Reform Group (CDPRG), founded in 2019, is calling for a more nuanced approach to cannabis, focusing on issues relating to the CBD industry and medicinal cannabis, rather than recreational cannabis use.



# I. Cannabis in Europe – United Kingdom

- **2022:** A leaked report revealed that plans were underway for a **pilot project to decriminalize cannabis.**
  - Aim to keep people under the age of 25 out of the justice system and away from a potential criminal record.
  - **Instead:** Offering the opportunity to attend **education and advocacy courses or counseling.**
- The office of the Mayor of London is up for re-election in **May 2024**, and in May 2022, Sadiq Khan (Labour Party) confirmed his plans to investigate the effectiveness of the UK's drug laws, with a **particular focus on cannabis laws.**
- Other parties are taking a far **more positive approach:**
  - The **Liberal Democrats** have long supported cannabis reform.
  - The **Greens** take their drug policy a step further, pledging not only to end the prohibition of all drugs, but also to support the development of licensed cannabis social clubs where members can grow, prepare and consume cannabis for recreational purposes in a cooperative.



# I. Cannabis in Europe – United Kingdom

- In **Scotland**, the ruling Scottish Nationalist Party has advocated the decriminalization of all drugs, including cannabis.
  - Scotland has one of the **highest drug death rates in Europe**, and it is hoped that decriminalizing possession of small amounts of all drugs, from Class A to Class C, would reduce harm.
- **Changes in police approach - decriminalization through the back door:**
  - A growing number of police and crime commissioners are now publicly advocating alternatives to criminal convictions for cannabis.
  - Opting instead for “**diversion programs**” that free up police resources and prevent people from being convicted of criminal offenses for small amounts of cannabis possession.



## II. Summary

- Legalization of cannabis for medical and recreational purposes gains **momentum** in Europe.
- While more than **20 European countries** have now introduced some form of legislation allowing the medical use of cannabis, the legalization of recreational cannabis is also on the agenda in many countries.
- Germany is currently the **largest European country** to have partially legalized recreational cannabis.
- The paths to legalization vary, but basic patterns can be identified:
  - The obstacle to any legalization plans has been **EU law (The 1990 Schengen Convention and the EU Council Framework Decision 2004/757/JHA of 25 October 2004)** and the **1961 United Nations Single Convention on Narcotic Drugs**, which all member states have signed and which prohibits the commercial sale of cannabis.
    - To get around this, some countries seeking a change in policy have opted for a **non-profit model** as an “extension of personal decriminalization” and which aims to avoid legal problems by foregoing a commercial market.
    - A second model, sometimes used in addition to the first, currently being implemented in Switzerland and the Netherlands, among others, and planned in Germany and the Czech Republic, is the approach of a **pilot program** that allows limited access to regulated cannabis sales while the impact on public health is monitored as part of a scientific study.

# II. Summary and Outlook

- **Political challenges** remain:
  - **Varying political support for legalization** in different countries.
  - **Lack of clarity in the regulation of the cannabis market.**
    - While legalization can generate significant tax revenue for governments, there is a need to ensure that the cannabis industry is effectively regulated to ensure that it is safe for consumers and does not lead to an increase in problematic use.
  - Finding the **right balance between regulation and commercial interests** can be a challenging task for policy makers.
- In addition, cannabis legalization is still a relatively **new policy area in Europe** and there is a lack of clear guidelines and best practices.
  - As a result, there is a risk that some countries may introduce policies that do not effectively address the risks associated with cannabis legalization or take advantage of the potential benefits.
- **Nevertheless:** Although the future of cannabis legalization in Europe is difficult to predict, as it depends on a number of political, economic and social factors, there are **indications that more countries will legalize cannabis in the coming years.**

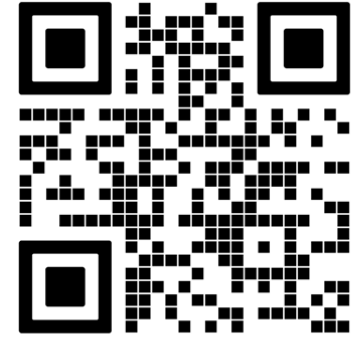
# Q&A

# THANK YOU



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