

IEEP evidence for the Committee stage of the Agriculture Bill

14 February 2020

Summary: IEEP welcomes the transition from income support to payments for public goods but such payments should be linked to the targets in the Government's 25-year Environmental Strategy and targets and budgets, as well as strategic objectives and details of scheme types, should be set out in strategic plans. The duty to have regard to food security when allocating assistance in support of public goods should be reconsidered. The Bill should not empower the Secretary of State to continue CAP-style direct payments for more than the proposed seven years. Powers to create a complete and robust regulatory baseline should be included.

IEEP

The Institute for European Environmental Policy is a sustainability think tank. Working with stakeholders across EU institutions, international bodies, academia, civil society and industry, our team of policy professionals composed of economists, scientists and lawyers produce evidence-based research and policy insight.

Our work spans nine research areas and covers both short-term policy issues and long-term strategic studies. As a non-for-profit organisation with over 40-years of experience, we are committed to advancing impact-driven sustainability policy across the EU and the world.

Our agriculture and land management team includes several experts with extensive experience of designing, negotiating and implementing both EU and domestic agriculture legislation. We are currently advising Defra, SNH and the Welsh Government on the environmental land management schemes to be introduced as the present arrangements which implement the Common Agricultural Policy (CAP) are phased out.

Context

The utilised agricultural area in England is around 9.06 million hectares¹, which is approximately 70% of the overall land area. Because of this agriculture, as well as providing our food, helps to shape the environment in which we all live.

Agriculture has shaped the character of our countryside for millennia, and much of our wildlife has adapted to living with it. However, agriculture has changed dramatically in the past century and modern agriculture is widely recognised as a major cause of biodiversity decline, a significant source of diffuse pollution² and of greenhouse gas emissions.

In 2017, UK agriculture contributed 45.7 million tons (10%) of CO₂ equivalent GHG emissions to the UK total. This accounted for 70% of nitrous oxide and 50% of methane emissions³. It is against the scale of the twin challenges of helping the agricultural industry play its part in reversing the decline of biodiversity and helping the UK achieve zero net GHG emissions that we suggest this bill needs to be considered.

¹ Defra (2019) Farming Statistics: Land Use, Livestock Populations and Agricultural Workforce At 1 June 2019 - England

² Houses of Parliament (2014) Diffuse pollution of water by agriculture POSTNOTE 478.

³ Defra (2019) Agricultural statistics and climate change, 9th edition

Scope of the Bill

The focus of this Bill is on the Secretary of State's financial assistance powers and the transitional arrangements necessary to move away from the administrative framework provided by the Common Agricultural Policy.

These are important and pressing issues, but it is disappointing, given the scale of the challenges that lie ahead, that the Bill largely fails to set out clear environmental or climate targets, or a future regulatory framework, for agriculture.

A balance of policy interventions that together are designed to attain more defined environmental outcomes is required and the Bill could do more to put these in place in a more explicit way.

Powers to make targeted payments to land managers are necessary but payments alone may not be enough to drive change on the scale required and without accompanying obligations risk delivering poor value for the use of public money.

The lack of a regulatory arm to the Bill is certainly in marked contrast to the Government's approach to, for example, the automotive industry, where it has recently announced that sales of new petrol, diesel and hybrid cars will be banned from 2035.

It is important that the Bill considers and includes the necessary mix of regulatory, advisory and incentive tools to enable a systemic change across England's farmed landscape, demonstrating the sustainability of the industry and improving its environmental, economic and social resilience.

New financial assistance powers (Part 1, Chapter 1)

In view of the importance of agriculture for the future of our environment and for our response to climate change, we strongly support the principle of public money for public goods set out in the explanatory notes prepared by Defra⁴. This represents a major improvement on the CAP system of direct payments, the phasing out of which we also welcome.

The range of purposes for which financial assistance can be given is, however, very broad. There is a danger that the available funding could be spread thinly across them and fail to drive action on the scale necessary to address the pressing environmental and climate issues that we face and create genuine resilience in our systems of food production. We would suggest that environmental public goods (those which the market will not provide) should be identified as the primary focus for taxpayer support in section 1.

In that respect the duty placed on the Secretary of State in section 1 (4) to 'have regard to the need to encourage the production of food by producers in England and its production by them in an environmentally sustainable way' is of concern.

Whilst domestic food production is a matter of legitimate concern for Government, this duty could, despite the reference to environmental sustainability, limit the scope and effectiveness of financial assistance in meeting environmental and climate objectives. This is because, although farming and conservation do often go hand in hand, management for biodiversity, air and water quality and for climate change mitigation often requires steps which may compromise apparent productivity in the short term, such as reductions in the use of pesticides and fertilisers. This may create a conflict of interest within the duty placed on the Secretary of State.

⁴ Defra (2020) Agriculture Bill explanatory notes

This duty could have the effect of inhibiting well designed environment and climate measures that have an impact on elements of food production. For example, those which bring about land use change, such as reducing cultivation on some organic soils, or tree planting on agricultural land. Much will depend on how future Secretaries of State interpret their duty to 'have regard to'. If this duty is to be retained, we would suggest it should be further qualified to make it clear that production which is sustainable in the long term is meant.

The new requirement placed on the Secretary of State in section 4 to publish a multi-annual financial assistance plan covering the first 7 years (and thereafter 5 years) is welcome as it provides a mechanism through which financial assistance can be steered and prioritised. We are however concerned that the minimum requirements set out in section 4(2) are insufficient to allow it to effectively perform this function. To be fully effective, the plan should set out the budget available for the different kinds of assistance and, as well as the strategic objectives, should set measurable, outcome-related targets against which the success of the plan can subsequently be assessed (as required in section 6). Including these two items is important for both the agricultural industry and the environment.

Agricultural support funding (in future to be delivered through the proposed Environmental Land Management scheme - ELM) is such a large proportion of income for some farmers that they need security about how much is going to be available and for what purposes for several years ahead. This should in principle also help them to plan the longer-term investments and changes in practice that will be required for the transition ahead, as illustrated by the recent report from the Climate Change Committee (CCC).

Without such targets and budget commitments, there is a danger that funds may be directed into other types of support to address short-term economic crises, both in agriculture and in other areas of Government rather than being deployed

for the longer term strategic objectives set out in the Bill.

As well as recommending that the strategic objectives set out in the plan should be underpinned by more explicit environmental targets pertaining to agriculture or the land use sector more broadly, we would strongly suggest that there should be a requirement to link these targets to delivery of the Government's environmental and climate targets (emanating from the Environment Bill process and elsewhere). These in turn need to be elaborated in such a way that the contribution expected from agriculture/land management is explicit. These targets should be quantified where possible, for example for reductions in ammonia emissions. The progress made towards the requisite targets and the extent of management change that is reasonably attributable to the agricultural policy instruments should be monitored and reported on.

The requirement in section 6 to monitor the impact of the financial assistance given is very welcome but would seem to imply that the financial assistance plan must contain or refer to quantifiable targets as suggested above. In their absence, it is hard to see how it would be possible to monitor the impact and effectiveness of a plan in a meaningful way.

Direct payments after EU exit (Part 1, Chapter 2)

The commitment to phasing out direct payments over 7 years contained in section 8(1) is welcome. We recognise that the farming industry and related supply chains will need time to adjust and we feel this will provide adequate time for that process. We are however concerned that the power given to the Secretary of State in section 8(3) to extend this period by regulation greatly weakens this commitment. The process of transition is unlikely to be pain-free and there will always be pressure on ministers to delay the phase out process. Any such delay will adversely affect efforts to get the industry to change and adapt, both by making it easier for some farmers

to carry on as before and by diverting potentially large amounts of money from payments for public goods, thus perpetuating the worst features of the CAP.

We would suggest that sections 8(3), 8(4) and 8(5) be removed or that, at the very least, section 8(3) should be caveated to make it clear that the phase out period may only be extended in the most exceptional circumstances.

Even assuming that direct payments are phased out over seven years, they will still consume a very substantial amount of taxpayers' money. Given that, the Committee may want to consider whether it is appropriate for the powers to modify the direct payments scheme during this period, as set out in section 9, to be so one-sided.

The power to remove or reduce burdens on persons applying for or entitled to direct payment set out in section 9(1)(c), does not require the Secretary of State to consider any negative environmental or climate impacts that may arise from such changes. It should.

Cross-compliance would seem to meet the definition of a 'burden' given in section 9(3). However, removing this mechanism before an alternative regulatory framework is in place could weaken the enforcement of existing statutory management requirements; these play an important role in protecting the environment.

In particular it could jeopardise the protection currently given to iconic elements of the English landscape such as hedgerows and stone walls

as well as soils under existing English GAEC (Good Agricultural and Environmental Condition) requirements.

The Committee may therefore wish to consider adding to section 9 (1) a duty on the Secretary of State to consider the environmental and climate impact of any modifications made to direct payments – including the use of the proposed power under section 12 - during the transition period.

Matters relating to farming and the Countryside (Part 4)

The absence of any commitment in the Bill to create a new regulatory baseline for agriculture was noted above. This places an undue burden on the financial assistance mechanism to secure essential environmental standards in the farmed countryside.

The funds available could be much more effectively deployed if they were restricted to paying for positive environmental practices and improvements that go beyond a reasonable regulatory baseline. Existing regulations are not sufficient to provide a complete baseline yet the Government does not appear to be taking powers either in this Bill or the Environment Bill to supplement them. We would like to see such powers.

We recognise that this would be a major shift in the emphasis of the Bill, but it would greatly enhance the effectiveness of financial assistance to farmers for the provision of public goods.

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