

EU Budget Proposals Pre-briefing: environment and the CAP

What does the budget consist of at present?

The CAP is currently accounts for about 42 per cent of the total EU budget, second only to Cohesion Policy. This equates to €379 billion for the 2007-13 programming period, or an average of €54 billion/year.

The CAP is divided into two 'pillars'. Pillar 1 includes direct payments to farmers, largely calculated now according to the area of land farmed. Pillar 2, otherwise known as rural development policy (the European Agricultural Fund for Rural Development - EAFRD) includes a range of measures that Member States can choose to make available to farmers, foresters and rural communities to address a number of strategic priorities: improving competitiveness; protecting and enhancing the environment; improving the quality of life in rural areas; and building local capacity through the Leader approach.

The bulk of the CAP budget continues to be allocated to Pillar 1. However through a mechanism called 'modulation', a proportion of the Pillar 1 budget is added to budget for rural development policy. After modulation, Pillar 1 accounts for about 75 per cent of the total CAP budget.

The breakdown of the current CAP budget for the 2007-13 period (after modulation) is as follows:

Pillar 1 (2007-13) € billion	Pillar 2 (2007-13) € billion		
	Objective	EAFRD Only	EAFRD plus National Co-financing
282.3	Competitiveness	32.4 (33%)	50.9
	Environment	42.8 (45%)	71.1
	Quality of Life	12.8 (13%)	18.7
	Leader Approach	5.7 (6%)	9.1
	Other	2.5 (3%)	3.8
	Total:	96.2	153.6

What are the main environmental strengths and weaknesses?

Pillar 2 is the most important source of funding for achieving environmental objectives. However, the funding available to Pillar 2 continues to be dwarfed by income support payments under Pillar 1. Cross compliance, a set of conditions and standards with which

farmers must comply to receive their direct payments as well as area based payments under Pillar 2, also ensures that farmers provide a basic level of environmental management.

Support to farmers, foresters and rural communities for the delivery of environmental benefits is provided mainly through rural development policy. With regards to the environmental management of agricultural land, the agri-environment measure is the most significant. It is the only measure in Pillar 2 that all Member States are obliged to implement and over the period 2007-13, €22.2 billion has been allocated to this measure in the EU-27 (€37.4 billion when national co-financing is taken into account) – almost a quarter of the total expenditure allocated to Pillar 2. Despite this level of funding, significant environmental challenges remain. It is generally recognised that without this expenditure the environmental state of agricultural areas would be worse than it is today, however further changes to agricultural management practices are needed if significant improvements are to be realised.

The priority given to the environment differs markedly between Member States, with many of the new Member States spending a far lower proportion of their budget than the EU average on environmental management, prioritising competitiveness and the development of rural areas more broadly instead.

One of the Commission's proposals for the future CAP post 2013 is to incorporate certain environmental management requirements into Pillar 1 as a means of 'greening' farm support and thus requiring a greater level of basic environmental management across the countryside. This has both opportunities and risks associated with it. Inevitably, it would require Member States to redesign their agri-environment schemes as most of the proposed measures for Pillar 1 are currently delivered through the agri-environment measure in Pillar 2.

What are the four key things to look out for in the new budget proposals?

- 1 *Has one overall figure been provided for the CAP budget for 2014-2020 or has an allocation been provided for Pillar 1 and Pillar 2 separately?*
- 2 *If separate figures have been provided, has the allocation to Pillar 2 been maintained at current levels or reduced?*
- 3 *If the Pillar 2 budget has been reduced, what are the implications for the environmental elements of the policy?*

If a budget reduction is proposed for Pillar 2, it will be important to ascertain whether or not this is likely to affect the environment. For example, is it proposed that certain elements of rural development policy have been cut or will be accounted for under other funding streams (i.e. has the LFA measure been moved to Pillar 1 or has funding for the Quality of Life objective been moved to Cohesion Policy?). If not, what could a reduced level of funding mean for the continued implementation of existing agri-environment schemes in Member States? Would this be likely to significantly reduce the environmental outcomes that can be delivered?

- 4 *What are the proposals for the Pillar 1 budget? Is the budget reduced or maintained? If it is maintained at current levels, what is the justification provided for this and is this defensible?*

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