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Briefing note

What green ambitions of the CAP reform can still be salvaged?

Briefing note on the Common Agricultural Policy trilogue negotiations



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1. TOWARDS A GREENER CAP THAT IS FIT FOR PURPOSE

After almost three years since the European Commission tabled its legislative proposals for the Common Agricultural Policy (CAP) in June 2018, decisions on the reform are taking shape in trilogue negotiations between the Commission, Parliament and Council.

While reports on negotiation progress generally remain elusive, the smoke coming out from the trilogues room so far looks more grey than green, as some delegations are pushing for reopening the discussion around the few 'green' parts 'agreed' on the green architecture. The need to effectively raise the ambition of the CAP's environmental and climate action and to make an active contribution to the European Green Deal (EGD) continues to be a contentious issue amongst the institutions.

Drawing on the co-legislators negotiating positions, this briefing considers some of the issues of greatest concern for lifting the environmental and climate performance of the policy. The briefing builds on evidence from evaluations and assessments, conducted by IEEP and its partners, on the implementation and future design of the CAP with regards to mainstreaming environmental and climate performance.

2. RELATIONSHIP BETWEEN THE EUROPEAN GREEN DEAL HEADLINE OBJECTIVES AND TARGETS AND THE CAP

2.1 Policy rationale

A key part of this CAP reform has been about increasing the role of EU farm policy in addressing environmental and climate concerns. In particular, the EGD is seen as a policy roadmap for increasing ambition (Box 1).¹ While the Commission's original proposal was developed prior to the launch of the EGD, it is still expected to set the direction of travel for Member States' CAP Strategic Plans. As it stands the EGD's headline objectives/targets relevant to the agriculture sector are not legally binding (yet) and alignment between the CAP and the EGD remains largely advisory. Nevertheless, the Commission has conducted an in-depth assessment of the current trends and challenges facing agriculture, forestry, and rural areas for all Member States, accompanied by recommendations for what priorities should be addressed to make an active contribution to the EGD objectives and targets. Moreover, as part of the shift towards a more performance-based CAP, the Commission's proposal set out the so-called 'no back-sliding clause' to ensure that Member States use the next CAP to raise their level of environmental and climate ambition compared to the current situation.

2.2 Assessment and recommendations

2.2.1 EGD alignment

There has been almost no appetite from either the European Parliament or the Council of the European Union to ensure a clear alignment between the CAP and the ambitions of the EGD. In non-binding recitals, the Parliament refers to the role of the CAP Strategic Plans in contributing to EGD objectives and any forthcoming legislation relevant to the Farm to Fork and Biodiversity strategies.⁷ This includes a reference to the EGD target to dedicate at least 10% of farmland to landscape elements beneficial for biodiversity. It also calls on the Commission to measure progress in meeting the EGD objectives as part of an interim evaluation of the CAP. At the same time, the Parliament seeks to dilute the ambition in the green architecture which is needed to meet the EGD targets (see below) which strongly undermines the recitals highlighted above. The Council on the other hand makes no reference to the EGD in its position. In the Council Conclusions on the Farm to

⁷ At time of press the Parliament is currently developing its position of the Farm to Fork Strategy in the form of an initiative report co-produced by COMAGRI and COMENVI.

Fork Strategy,² Member States acknowledge that a greener CAP could help to fulfil relevant EGD objectives. However, it should be up to Member States to determine the extent of alignment between the Strategic Plans and the EGD, which should remain non-binding.

A stronger link between the CAP and the EGD objectives/targets is critical to send a clear signal of the need for farmers and land managers to respond to the environmental and other challenges facing society and to use the CAP Strategic Plans to empower the agriculture sector to be part of the solution rather than part of the problem.

2.2.2 No backsliding

Both the European Parliament and the Council endorse the principle of not diluting environmental and climate ambition compared to the current period. Whereas the Council does not introduce any significant changes, the Parliament proposes that the overall ambition should be determined by the share of the budget allocated to climate, environment and animal welfare action compared to the previous programming period. Indeed, the Commission's proposal was unclear as to how Member States would have to demonstrate increased environmental and climate ambition. As a result, the Parliament's proposal is a starting point in terms of the type of criteria that could be used to measure a Member State's overall ambition and thereby avoid the risk of regression. However, total spending does little to determine the overall quality of spending and could even be misleading if not coupled with qualitative criteria. As a result, more criteria will be needed to ensure that this process is as robust as possible to set a clear baseline and targets for environmental and climate delivery.

The co-legislators must empower the Commission to draw up implementing rules to put in place robust quantitative and qualitative criteria for measuring the overall ambition of a Member State's CAP Strategic Plan. This would give Managing Authorities and stakeholders clarity on the expected common environmental ambition and increase transparency of the Member State's CAP Strategic Plan approval process.

This could include an overview of the types of environmental and climate objectives being addressed, the farm and land use types targeted, and the current level of ambition and scale of implementation vis-a-vis the status of the environment and/or climate concern.

Any animal welfare related expenditure that is counted towards the overall spending in this category, should have robust underlying environmental criteria to avoid detrimental environmental and climate impacts of the spending.

Aligning the CAP with the European Green Deal

The newly formed European Commission helped to breathe new life into the discussion of achieving a more sustainable Europe, when publishing the Green Deal in 2019. While the negotiations on the 2018 CAP legislative proposals was already ongoing at the time and are still under negotiation today, the policy can and must still be a central policy tool to deliver the EGD objectives.

The agri-food system is in fact key for delivering on several of the climate and environmental objectives and targets of the strategy, and the CAP, representing still more than a third of the EU budget, is the most important policy, governing the land management dimension of these systems.

As part of the ongoing trilogues, opportunities to set EU-wide safeguards for an ambitious environment and climate delivery must be harnessed. While Member States will play a role in the implementation of the EGD objectives as part of their CAP Strategic plans, the benchmark for ambition needs be set at the EU level.

There are several instruments as part of the CAP which can help deliver on the said objectives if designed and implemented accordingly. For further information on the relationship between the CAP instruments and their potential contribution to the EGD objectives and targets see the table as part of Annex II.

3. CONDITIONALITY (ART. 18)

3.1 Policy rationale

The main function of conditionality is to tie area- and animal-based payments to minimum legal requirement and basic good agronomic practices. The intervention brings together cross compliance and Pillar 1 greening measures, in the form of Statutory Management Requirements (SMRs) and Good Agricultural and Environmental Conditions (GAEC). Out of the ten GAECs for the future CAP, three new standards are proposed by the Commission compared to the current programming period² as well as two new SMRs related to sustainable land management.³

Creating strong baseline requirements under conditionality is an important tool to ensure basic environmental and climate performance on most EU farms, whilst ensuring a level playing field for Member States. A weaker system on the other hand could potentially disadvantage environmentally ambitious countries, therefore creating undesirable incentives to water down national environmental regulations. As the requirements under conditionality set the baseline for environmental and climate payments, basic standards are important to ensure an ambitious design and implementation of other elements of the green architecture.

3.2 Assessment and recommendations

3.2.1 Scope

While the Commission has set out key standards to lift the environmental and climate performance for all farmers in receipt of CAP area- and animal-based payments, the co-legislators have sought to reduce the scope of the intervention. Some of the proposed changes are explored further below.

In particular, the European Parliament proposed to re-introduce the concept of equivalence whereby farmers participating in voluntary schemes for climate and environment applying agricultural practices that deliver a higher level of benefit, could be deemed compliant with the GAEC standards. While the intention may be to simplify controls and checks, the experience of Pillar 1 greening shows that

² The three newly proposed conditions are GAEC 2 (Preservation of carbon rich soils such as peatlands and wetlands), GAEC 5 (Compulsory use of the new Farm Sustainability Tool for Nutrients) and GAEC 8 (crop rotation, which replaces crop diversification under greening).

³ As part of the SMR, new legal links with the Water Framework Directive – WFD (SMR 1) and the Sustainable Use of Pesticides Directive – SPUD (SMR 13), have been proposed.

such an approach can increase the administrative burden for farmers and Managing Authorities and do little to lift environmental and climate performance.³

Legislators should ensure that conditionality lifts the environmental and climate performance for all farmers and land managers and creates a robust baseline for other parts of the green architecture.

3.2.2 Protection of grassland, wetlands and peatlands

Maintaining permanent grassland (GAEC 1) and protecting wetland and peatlands (GAEC 2) play a substantial role in the maintenance and creation of carbon sinks. The protection of both conditions also affects the baseline for voluntary environment-climate schemes. The co-legislators recognise the importance of both requirements but introduce potentially harmful flexibilities. For instance, the flexibility, introduced by both the Parliament and the Council, to decrease the ratio of permanent pasture to 5% based on 2015 or 2018 reference year may incentivise farmers to convert permanent pasture to more profitable crops instead of maintaining grassland as a carbon sink. The proposed 5% tolerance would mean a continuation of the current greening measures, which have been cited as a cause of inefficiency in the past. A 2017 special Court of Auditors report on greening concluded that the effect of grassland protection on net emissions from farmland could be enhanced through better targeting and that a comparison of the reference ratio applicable in 2007-2014 and the annual ratio for 2016 shows a loss of more than 3 million ha of permanent grassland declared, representing a decrease of 7.2 percent.⁴

Particularly peatlands are a highly valuable carbon sink, but also a major source of emissions when degraded. While accounting for only about three percent of the EU land area, they store around 30 percent of terrestrially bound carbon. At the same time, in Europe, about 60 percent of peatlands have been drained in the past, which is alarming.⁵ Yet, the requirement for appropriate protection of wetland and peatland is weakened by both institutions. On the one hand the Parliament proposes only to ensure the “appropriate maintenance” of peatlands, while the Council suggests that the requirement for “minimum protection” of wetlands and peatlands should only occur by 2025.

Rules related to the maintenance of permanent grasslands, as well as the ways of protecting wetlands and peatlands should be further defined and set out more clearly in the implementing rules.

Appropriate protection and/or maintenance of wetlands and peatlands should be clearly defined including a list of types of wetland and peatland habitats that should be protected.

3.2.3 Nutrient management

While nitrogen losses to the environment on agricultural land have decreased in the EU, data shows there are still significant losses occurring⁶. As a result, it is unclear why the Parliament and the Council have chosen to remove the proposed Farm Sustainability Tool for Nutrients (GAEC 5). Indeed, this tool could be a useful means to support more efficient use of fertilisers as well as for monitoring progress in contributing to the EGD. The proposal to establish this tool as part of the Farm Advisory System (FAS), may be a more appropriate means to introduce farmers and land managers to digital applications that can support decision-making such as nutrient management. However, all farmers should be required to manually and/or digitally record annual nutrient flows on their farm to support basic farm and land management.

The primary purpose of the nutrient management tool should be for farmers to record the nutrients that are entering and/or leaving their farm to track nutrient surpluses and deficits and determine the farm's overall nutrient budget.

Calculations need to consider fertiliser applications, the type and number of livestock and crops grown including sales and harvests to allow farmers to make sound agronomic and land management choices and to better understand nutrient flows.

Digital applications which can support land management decisions may be appropriate under the FAS.

3.2.4 Crop rotation

Crop rotation (GAEC 8) is an important practice to support soil health and quality including reducing farmers' dependency on synthetic inputs. With crop rotation, farmers change the crops grown on each parcel over time which reduces the depletion of soil nutrients and the spread of diseases.⁷ Whereas the Parliament seeks to strengthen the crop rotation standard with the inclusion of legumes, the proposal by the Council to re-introduce the concept of crop diversification would effectively maintain the *status quo*. In fact, crop diversification does not ensure a similar rotation in crops on land over time. Moreover, it does little to address

objectives related to soil management or the promotion of integrated pest management (IPM).

To help achieve the ambitions of EGD deal targets (such as the pesticides reduction objectives) the requirement needs to be strengthened and clearly defined. This means limiting the requirement only to crop rotation.

3.2.5 Areas dedicated to farmland biodiversity

From an environmental point of view, it is crucial that all farms, arable, grassland, permanent should have non-productive areas dedicated to farmland biodiversity. The co-legislators broaden and thereby weaken the requirement for a minimum share of agricultural area devoted to non-productive features or areas (GAEC 9), by including productive features where no pesticides (nor fertilisers as suggested by the Parliament) are applied and set the necessary share of land much below the EGD 10% target. The experience of greening has shown that when given the choice, Member States tend to select a disproportionately large share of productive landscape features.⁸

The ban on converting or ploughing permanent grassland in Natura 2000 areas (GAEC 10) is limited to only certain types of grassland by the Council, while the Parliament proposes to remove the ban on ploughing and proposes an “appropriate” protection according to N2000 sight-specific management plans. These limitations will leave more grassland area unprotected from being ploughed as long as an equivalent area is converted into permanent grassland as required by GAEC 1. The possibility of ploughing and reseeded can result in a temporary decline in soil carbon stocks.⁹

To help meet the EGD target, GAEC 9 needs to be strengthened by removing productive features from the requirement and setting a clear target to reach 10% of farm total agricultural area at the end of the programming period. It is important to maintain the proposed ban on ploughing permanent grassland, as originally proposed by the European Commission (GAEC 10).

To help meet the EGD target, GAEC 9 needs to be strengthened by removing productive features from the requirement and setting a clear target to reach 10% of farm total agricultural area at the end of the programming period. It is important to maintain the proposed ban on ploughing permanent grassland, as originally proposed by the European Commission (GAEC 10).

Table 1: Summary table - Relationship between selected European Green Deal targets and selected conditionality rules

EG target	Relevant EC proposal	Co-legislators positions	Recommendation
<p>Legally binding target of net zero green-house gas emissions by 2050.</p>	<p>GAEC 1: maintenance of permanent grassland based on a ratio in relation to agricultural area</p>	<p>Introduced flexibility to decrease the ratio of permanent pasture to 5% based on 2015 or 2018 reference year may incentivise farmers to convert area to arable land instead of maintaining grassland, which acts as a carbon sink.</p>	<p>Rules related to the maintenance of permanent grassland, as well as the ways of protecting wetlands and peatlands must be further defined and set out more clearly in the implementing rules.</p>
	<p>GAEC 2: appropriate protection of wetland and peatland</p>	<p>The Parliament proposal changes the wording into “appropriate maintenance” of peatlands and Council suggests that the requirement for “minimum protection” of wetlands and peatlands should only occur by 2025 weaken the GAEC.</p>	<p>Appropriate protection and/or maintenance of wetlands and peatlands should be clearly defined including a list of types of wetland and peatland habitats that should be strictly protected.</p>
<p>Reduce the overall use and risk of synthetic chemical pesticides by 50% & the use of more hazardous pesticides by 50% by 2030.</p>	<p>GAEC 8 (crop rotation)</p>	<p>Suggested inclusion of crop diversification does little to address objectives related to soil management or the promotion of integrated pest management (IPM).</p>	<p>The requirement needs to be strengthened and clearly defined. This means limiting the requirement only to crop rotation.</p>

EG target	Relevant EC proposal	Co-legislators positions	Recommendation
<p>Reduce nutrient losses by at least 50%, while ensuring that there is no deterioration in soil fertility. This will reduce the use of fertilisers by at least 20% by 2030.</p>	<p>GAEC 5 (Nutrient management)</p>	<p>The Parliament and Council have chosen to remove the proposed Farm Sustainability Tool for Nutrients and propose to establish this tool as part of the FAS.</p>	<p>An application for farmers to record the nutrients that are entering and/or leaving their farm to track nutrient surpluses and deficits and determine the farm’s overall nutrient budget (either as part of conditionality or FAS) are crucial to meet the EGD target.</p>
	<p>GAEC 8 (crop rotation)</p>	<p>While crop rotation significantly reduces the depletion of soil nutrients, the suggested crop diversification does not deliver the same environmental benefits.</p>	<p>See above.</p>
<p>At least 10% of agricultural area is under high-diversity landscape features.</p>	<p>GAEC 9: Proposes a minimum share of agricultural area devoted to non-productive features or areas</p>	<p>By including productive features where no pesticides are applied, the co-legislators weaken the GAEC significantly.</p>	<p>From an environmental point of view, it is crucial that all farms, arable, grassland, permanent should have non-productive areas dedicated to farmland biodiversity. A clear target to reach 10% of farm total agricultural area at the end of the programming period needs to be set.</p>

4. ECO-SCHEMES: SCHEMES FOR CLIMATE AND THE ENVIRONMENT (ART. 28)

4.1 Policy rationale

The eco-scheme is the novel instrument of this CAP reform. It essentially extends the agri-environment-climate concept to Pillar 1 giving Member States a new mechanism for tackling environmental and climate issues. Unlike the current greening measures, which are largely based on complying with a closed list of practices, the eco-scheme as originally proposed by the Commission, gives Member States much greater flexibility to respond to their environmental and climate needs and circumstances guided by the EGD. Extending the agri-environment-climate concept to Pillar 1 should increase the financial firepower necessary for Member States to address environment and climate challenges at scale using 100% EU financing. Based on the principle of public money for public goods, the eco-scheme offers a new way to target Pillar 1 direct payments at farmers and land managers who wish to transition towards more sustainable farming practices and systems.¹⁰

4.2 Assessment and recommendations

4.2.1 Ring-fencing

A minimum spend for eco-schemes is essential for the credibility of the CAP in terms of its contribution to achieving environmental and climate policy objectives. This can provide this new instrument with the financial means to reward and encourage farmers to adopt more appropriate land management practices as part of a broader transition towards more sustainable food and farming systems. Whereas the Parliament proposes to dedicate at least 30% of the Pillar 1 budget to the eco-scheme (essentially maintaining the *status quo*), a 20% ring-fencing proposed by Council would be a backward step and does not send the right signal of the need to upscale ambitions.

To be capable of responding to the ambitions of the EGD targets and other EU objectives, the eco-scheme should have at least the same level of funding as that dedicated to the current greening measures (i.e. at least 30% of the Pillar 1 budget, ideally increasing progressively over time).

4.2.2 Unspent funds

A notable part of the debate on the new eco-scheme has taken place around the concerns that funding allocated to the eco-scheme could be lost if new schemes are not taken up in a designated year. This has prompted the Council to propose a 2-year transitional phase whereby unused money could be deployed to other direct payments if all options to spend it have been exhausted. This sends a wrong message to Member states and could also even push some Member states to disregard the actual potential that lies with the eco-scheme measures and favour business as usual instead. Unspent funding concerns are valid. However, this problem should not be used as an excuse to water-down the eco-scheme or re-deploy funds elsewhere.

Where Member States want to avoid returning EAGF funds to the EU, the only option should be to transfer this unspent money to the EAFRD where it can be administered more flexibly over multiple years.

At the same time, creative solutions are still possible to ensure that money allocated to environment and climate action delivers on these objectives. For instance, Member States could be given the flexibility to pre-allocate any annual unspent funds as a top-up for certain types of farmland of environmental importance, e.g. HNV farmland and farming systems with a proven track record. This could help to address the unused funds problem, whilst strengthening the incentive for all farms to participate. Examples include rewarding top-ups to those with valuable landscape features and environmentally sensitive permanent grasslands that are actively managed including HNV farmland, or those demonstrating significant evidence-based efforts to change their farming systems such as organic farming and/or increase their environmental performance.

Nevertheless, the orthodoxy that the Pillar 1 budget must be administered annually, and that EAGF funds returned to the EU purse if unspent may need to be reconsidered to ensure that such rules (i.e. the inability to roll-over unused money to successive years) do not undermine the future development of environmental and climate payments in Pillar 1. An interim solution could be that funds returned to the EU pot are re-issued to Member States as part of the performance bonus to further address environmental and climate issues.

4.2.3 Scope

Both the Parliament and the Council endorse the introduction of the eco-scheme, whilst broadening its scope to address socio-economic development and societal demands. This in principle could help to support a wider range of recognised 'public goods' that agriculture can provide beyond the environment, e.g. animal health and welfare. However, there is a risk that funding will be used to support outcomes that do not make a clear 'public good' contribution. For example, the Parliament's position stipulates that eco-schemes should maintain and enhance economic performance. Furthermore, they propose that the eco-scheme could also be used to "boost competitiveness". However, the purpose of the eco-scheme (alongside other elements of the green architecture) is primarily to deliver 'public goods' with farmers and land managers incentivised to apply land management practices that they may otherwise not do because of competing economic concerns. These proposals from the Parliament could undermine the ultimate objective of the eco-scheme to support the delivery of much needed environmental 'public goods' including climate action. Moreover, the CAP already has interventions that aim to stabilise incomes (e.g. other direct payments) and promote economic resilience (e.g. investments).

While some eco-schemes could indirectly deliver economic co-benefits in the medium to long-term, environmental, and other sustainability objectives of public good to the EU are a pre-requisite for long-term resilience of farming activities and must therefore be made a priority for public spending.

The range of public goods delivered by EU agriculture are already quite clearly defined. These include a diverse range of environmental public goods such as farmland biodiversity and soil functionality, but also social public goods such as animal health and welfare.¹¹

To maximise the full potential of the eco-scheme it is critical that the intervention is ambitious in scope so that schemes can be used to adequately address the pressing environmental and climate challenges facing society. However, the menu approach as proposed by the Parliament appears to revert to a one-size-fits-all approach of the greening. There is also a risk that current Commission guidance on proposed eco-scheme flagships and other suggested practices, prompted by calls from the Parliament and the Council, could reinforce a compliance-based approach driven by measure selection, rather than addressing sustainability concerns. A list of measures as currently debated indeed tends to deviate attention from the actual objectives (biodiversity, climate, water, soil) of the measure. By

doing so, complying with the measure regardless of its actual impacts and coherence with the objectives and targets becomes the ultimate goal.

A results-orientated CAP must be driven by achieving EU objectives and targets. The EGD targets and priorities set out in planning tools such as the Prioritised Action Frameworks for Natura 2000 and National Biodiversity Strategies and Action Plans and the National Energy and Climate Plans should inform overall eco-scheme design and measure selection alongside other elements of the green architecture.

The co-legislators must carefully consider the role of supporting interventions, such as the use of Farm Advisory Services to support scheme implementation, and other enabling conditions such as the use of attractive payments that can help to stimulate uptake among farmers to deliver more effective outcomes.

5. ENVIRONMENTAL, CLIMATE AND OTHER MANAGEMENT COMMITMENTS (ART. 65)

5.1 Policy rationale

Agri-environmental-climate commitments under Pillar 2 will continue to be supported, alongside other management commitments as part of this CAP reform. These commitments have been the backbone of the CAP's targeted contribution to environmental and climate delivery since the 1990s. During this period, Member States have at a minimum designed a portfolio of agri-environment-climate schemes targeted at different environmental issues at field and landscape level using a combination of EAFRD funds and national co-financing. Support for agri-environmental-climate commitments has also supported the development of the organic farmland area through conversion and maintenance payments and forest environmental and climate services to some extent. From an environmental and climate perspective these commitments have to date had the greatest potential because they can be targeted and tailored to different national, regional, and local needs typically based on agreements of 5-7 years (with possible extensions). Commitments have historically been targeted at individual farmers, however, increasingly collaborative approaches involving groups of farmers and other stakeholders are being supported.¹²

5.2 Assessment and recommendations

5.2.1 Ring-fencing

Over the years, minimum spending requirements for agri-environment-climate measures have ensured that a certain proportion of rural development spending is dedicated to environmental and climate concerns. Similarly to the eco-scheme, it is critical that this minimum level of spending is maintained for Member States to be able to address the scale of the challenges to which the agriculture and forestry sectors must make an active contribution. Between the 2007-2013 and 2014-2020 CAP programming periods, several Member States significantly reduced the total allocation of rural development spending for agri-environment and organic farming.⁴ It is therefore critical that that this ring-fencing mechanism is strengthened after 2020.¹³ While the Parliament proposes to increase the

⁴ A 10% reduction in spend on M10 (agri-environment-climate) and M11 (organic farming) between the two programming periods was calculated by Ragonnaud et al. (2016). The study can be retrieved here: [https://www.europarl.europa.eu/Reg-Data/etudes/STUD/2016/573448/IPOL_STU\(2016\)573448_EN.pdf](https://www.europarl.europa.eu/Reg-Data/etudes/STUD/2016/573448/IPOL_STU(2016)573448_EN.pdf)

minimum spend to 35% of total EAFRD spending, this is undermined by a proposal by both the Parliament and Council to take into account the contribution of ANC payments fully or partly to environmental and climate despite having only indirect environmental benefits and in some cases even negative impacts (see section on ANC payments).

To support the ambitions of the EGD targets and other EU objectives, the agri-environment-climate funding should target commitments with a direct focus on environmental and climate objectives and at a minimum not fall below 2014-2020 spending levels.

5.2.2 Scope

Both co-legislators largely maintain the scope of the agri-environmental commitments as originally proposed by the Commission. The long experience and multi-annual nature of administering the EAFRD budget should give Member States full flexibility to address key environmental and climate issues in a tailored and targeted way alongside commitments supported under the eco-scheme. However, the Council proposes to support certain commitments, such as the protection of agrobiodiversity, organic farming, and other actions where justified, on a short-term basis. This could undermine the fulfilment of the EGD targets if used in an inappropriate way and as a result create uncertainty for farmers and land managers. Moreover, the Council seeks to downplay the role of farm advice and extension in supporting scheme implementation.

For agri-environment-climate commitments to be capable of addressing the scale of environment and climate issues, co-legislators must ensure that the programming of schemes takes a long-term perspective. Schemes should be tied to result-orientated objectives and quantified targets. They should also be linked to relevant objectives emanating from EU environmental and climate legislation or international commitments.

Similarly to the eco-scheme, co-legislators must recognise the role of supporting interventions, such as the use of the Farm Advisory Services to support scheme implementation, as well as other enabling conditions such as the use of attractive payments.

6. NATURAL OR OTHER AREA-SPECIFIC CONSTRAINTS - (ART. 66)

6.1 Policy rationale

ANC payments focus on maintaining agricultural productivity in mountainous or other geographically constrained regions. Support schemes aim to prevent areas which are more difficult to farm from being abandoned.

6.2 Assessment and recommendations

6.2.1 Scope

ANC payments, as currently proposed, are granted to beneficiaries faced with natural constraints in their farming area, imposed by conditions in the natural surrounding. The payments are currently not subject to environmental criteria and in the past, environmental delivery of ANC payments has been inconclusive. While they have been found to support issues concerning land abandonment and preserving traditional farming structures, for example in mountainous regions, and therefore indirectly benefiting environmental issues at times, other instances suggest adverse effects, e.g. related to inappropriate stocking rates.¹⁴ The consistency of the payments use therefore needs to be enhanced in the future CAP. It is suggested that the co-legislators empower the European Commission to draw up suitable environmental criteria in a delegated act to avert adverse environmental effects of the payment.

In order for ANC payments to help deliver on EGD objectives, the payment needs to be conditional to sustainability criteria, going beyond the currently proposed enhanced conditionality. One way forward could be to link the payment to AECM commitments, which would give a clear justification of their inclusion into the ring-fenced minimum spending on environment and climate objectives.

6.2.2 Ring-fencing

A substantial part of the debate on the ANC payments concerns the question of whether to include intervention in the 30% ring-fencing of the total EAFRD contribution addressing the specific environmental- and climate-related objectives. As currently approximately 20% of EAFRD expenditure (including MS contribution from national budgets) is granted in the form of ANC payments, this is indeed a relevant question.¹⁵

As evidence of the environmental and climate benefits of ANC payments is limited and payments in the past have at times even shown unintended negative impacts on the climate and the environment, ring-fenced funds should ideally be reserved for more targeted measures, unless suggestions as described above are taken into consideration.

7. FARM ADVISORY SERVICES AND KNOWLEDGE EXCHANGE AND INFORMATION (ART. 13, 72)

7.1 Policy rationale

Fostering and sharing knowledge is a cross-cutting CAP objective to modernise the sector. The remit of farm advice and extension services can be wide-ranging covering several economic, environmental, and socio-economic concerns relevant to the farm or land management. In terms of support for sustainable farm and land management, targeted and tailored advice and extension services can be used to support the effective implementation of eco-schemes and Pillar 2 agri-environment-climate commitments throughout the lifetime of the scheme. The extent of this support may depend on the scheme's nature, scale, and overall ambition. Advisory services, farmer-to-farmer exchanges and demonstration events can also be an effective means to disseminate information and expertise on the uptake of new sustainable practices to a broader number of farmers (i.e. beyond a specific scheme).¹⁶ Finally, embedding farming advisory services (FAS) into the Member State's *Agricultural Knowledge and Innovation System* (AKIS) should help to encourage greater two-way interaction amongst farmers and land managers, advisers, researchers and other stakeholders.

7.2 Assessment and recommendations

7.2.1 Scope

Good advice and knowledge can positively influence farmers' attitudes and behaviour and encourage the uptake of management practices that are beneficial for the climate and the environment. In this respect, the Parliament has placed a renewed emphasis on the role of farm advice and extension services in supporting the implementation of both the eco-scheme and Pillar 2 agri-environment-climate commitments. In contrast, the Council seeks to downgrade the potential role of FAS supporting beneficiaries to implement Pillar 2 agri-environment-climate commitments as well as the integration of the FAS into a Member States' wider AKIS.

It will be important to strengthen the role of FAS across the EU as current evidence shows the way that the FAS and knowledge exchange is used varies widely amongst Member States. For example, while the FAS must provide information on cross compliance and the Pillar 1 greening measures, advice on how to protect and improve biodiversity and address climate change is not always included. Where advice has been used to support the implementation of Pillar 1 greening measures, it has mainly focused on administrative issues rather than on how the

measures can be best used to achieve environmental and climate outcomes.¹⁷ While some Member States provide biodiversity and climate advice to farmers and land managers, often in relation to agri-environment-climate schemes, the extent of this support varies significantly amongst Member States.¹⁸

The role of advice and extension services in supporting the effective implementation of the eco-scheme and Pillar 2 agri-environment-climate commitments should not be underestimated. Overall, support for scheme implementation or broader improvement in land management should help to increase the beneficiaries' understanding of why environmental and climate actions are necessary as well as how they should be applied to deliver optimal outcomes.

To ensure a more effective feedback loop between practice, advice, research, and innovative approaches to land management, the FAS needs to be an integral part of a Member State's AKIS.

7.2.2 Funding






Currently, the amount of support ring-fenced for advisory and extension services targeted at environmental and climate objectives is left to the discretion of Member States. The Parliament is proposing that at least 30% of support for advisory services must be used for the CAP's environmental and climate objectives. Under the 2014-2020 rural development programmes, about 1% of funding allocated to measures supporting biodiversity and natural resources (Priority 4), and climate action (Priority 5) respectively, was used to support relevant advisory and extension services. The co-legislators also increase the support rate for knowledge transfer and information actions from 75% to 100% of the eligible costs. These proposals may help to strengthen the role of advisory and extension services if effectively applied by Member States to address environmental and other sustainability issues.






A minimum spending requirement and high support rates for advisory and extension services, targeted at environment and climate, could help to prioritise spending on these interventions.







To maximise outcomes, higher support rates should be targeted primarily at measures matching with the EGD targets and other EU sustainability objectives. Higher support rates could be prioritised where Member States have greater focus on sustainability planning at the farm, forest and/or landscape level to support a more integrated approach to achieving sustainability objectives.





8. ANNEX

8.1 Annex I: Summary of IEEP’s Assessment of the European Parliament and Council’s positions on CAP

Issue	Assessment		Recommendations
Relationship between the EGD objectives/targets and the CAP	In non-binding recitals, the Parliament refers to the role of the CAP Strategic Plans in contributing to EGD objectives. It also calls on the Commission to measure progress in meeting the EGD objectives as part of an interim evaluation of the CAP.		A stronger link between the CAP and the EGD objectives/targets is crucial to use the CSPs to respond to environmental and climate challenges. The Commission should be given the power through a delegated act to set compliance criteria that would be used within the approval process of the CSPs.
	The Council makes no reference to the EGD in its position.		
No backsliding (Art. 92)	The co-legislators endorse the principle of not diminishing environmental and climate ambition compared to the current period. The parliament proposes that the overall ambition should be determined by the share of the budget allocated to climate, environment and animal welfare action.		Criteria as currently proposed are not strong enough to ensure that this process is as robust as possible to set a clear baseline and targets. The co-legislators must empower the Commission to draw up implementing rules to put in place robust criteria for measuring the ambition of a Member State’s CSPs vis -à-vis past RDPs and greening.
	The Council does not introduce significant changes to the EC proposal.		
Conditionality - (Art. 18)	The co-legislators have reduced the scope and ambition of several interventions. For example, their positions differ most significantly regarding GAEC 8. Here, the Parliament seeks to strengthen the crop rotation standard with the inclusion of legumes.		Legislators must ensure that conditionality lifts the environmental and climate performance for all farmers and land managers and creates a

Issue	Assessment		Recommendations
	The proposal by the Council to re-introduce crop diversification as part of GAEC 8 would effectively maintain the <i>status quo</i> .		robust baseline for other parts of the green architecture.
Eco-scheme (Article 28)	Both co-legislators propose to dedicate a minimum ring-fenced amount of the Pillar 1 budget to the eco-scheme. The Parliament proposes 30% maintaining the status quo under greening.		It is important to allocate at least 30% of the Pillar 1 budget, ideally increasing progressively over time to provide the financial firepower necessary for Member States to address environment and climate challenges, enabling them to meet the EGD objectives.
	The Council proposes a step backwards with a 20% allocation.		
	While the eco-scheme as originally proposed by the Commission gives Member States a high level of flexibility, a menu approach as proposed by the Parliament may lead to a one-size-fits-all approach, similarly to the greening measures. The Commission guidance on flagships and other practices, prompted by the parliament, could reinforce a compliance-based design driven by measure selection, rather than addressing sustainability concerns. A broadening of the scope to addressing socio-economic development and societal demands is on the table as well as to use the scheme to “boost competitiveness”.		To maximise the full potential of the eco-schemes it is critical that the intervention is ambitious in scope so that schemes can be used to adequately address the pressing environmental and climate challenges facing society. Member States must have the flexibility to respond to their environmental and climate needs and circumstances guided by the EGD targets and objectives.
	The Council proposes a similar approach to the Commission’s original suggestion, but including additional SOs concerning socio-economic development and societal demands.		While some eco-schemes could indirectly deliver economic co-benefits in the medium to long-term, environmental, and other sustainability objectives of public good to the EU are a prerequisite for long-term resilience of farming activities and must therefore be made a priority for public spending.

Issue	Assessment		Recommendations
	<p>The Parliament does not make any proposals on the re-deployment of unused eco-scheme funds.</p>		<p>It is recommended that if Member States want to avoid returning EAGF funds to the EU, these should be to transfer to the EAFRD where it can be administered over multiple years. An interim solution could be that funds returned to the EU pot are re-issued to Member States as part of the performance bonus to further address environmental and climate issues.</p>
	<p>Concerns that funding allocated to the eco-scheme could be lost if new schemes are not taken up in a designated year has prompted the Council to propose a 2-year transitional phase whereby unused money could be deployed to other direct payments. This approach risks weakening the eco-scheme.</p>		
<p>Agri-environment-climate commitments (Article 65)</p>	<p>The Parliaments proposal to increase the minimum spend to 35% of total EAFRD spending addressing environmental- and climate-related objectives is a welcome step. This is weakened however by the proposal to (partly) take into account the contribution of ANC payments.</p>		<p>As agri-environment-climate funding has been the backbone of the CAP's targeted contribution to environmental and climate delivery, its funding must be strengthened and not fall below 2014-2020 spending levels.</p>
	<p>The Council does not propose an amendment to the EC proposal of a 30% ring-fenced EAFRD contribution, but weakens it with the inclusion of ANC payments.</p>		
	<p>While the EAFRD budget currently is a multi-annual payment fund, the Council proposes short-term support for certain commitments, such as the protection of agrobiodiversity, and organic farming. This approach risks undermining the fulfilment of the EGD targets and to create uncertainty for farmers and land managers.</p>		<p>It is important that schemes are tied to result-oriented objectives and targets, as part of the EGD and other relevant EU sustainability objectives. Programming should take a long-term perspective, providing opportunities to learn from experience and the necessary flexibility to address key environmental and climate issues.</p>
	<p>The parliament does not propose significant changes to the EC proposal where commitments are undertaken for a period of five to</p>		

Issue	Assessment		Recommendations
	seven years with Member States being able to determine a longer period. A shorter period can be set in exceptional and justifiable cases.		
Natural or other area-specific constraints - (Art. 66)	Current criteria to receive ANC payments relate to the degree of natural constrains imposed on the farming activity by existing conditions in the natural surroundings. No criteria to ensure a robust environment and climate deliver have been proposed. The European Parliament proposes a 40% weighting factor as part of the climate-tracking methodology.		ANC payments need to be conditional to sustainability criteria, going beyond the baseline of conditionality. One way forward could be to link the payment to AECM commitments, which would give them a clear justification for their inclusion into the ring-fenced minimum spending.
	The Council proposes a 100% weighting factor as part of the climate-tracking methodology.		
Farm Advisory Services and Knowledge exchange and information (Art. 13, 72)	A stronger link of farm advice and extension services in supporting the implementation of both the eco-scheme and Pillar 2 agri-environment-climate commitments, as suggested by the Parliament is welcome. Additionally, the proposed 30% allocation of advisory services to support environmental and climate objectives, would be a significant improvement.		The role of advice and extension services in supporting the effective implementation of the eco-schemes and Pillar 2 Agri-environment-climate commitments must be strengthened. A minimum spending requirement and higher support rates for advisory and extension services, targeted at EGD targets and other sustainability objectives, could help to prioritise spending on these interventions.
	The Council seeks to downgrade the potential role of FAS supporting beneficiaries to implement Pillar 2 agri-environment-climate commitments as well as the integration of the FAS into a Member State's wider AKIS.		

8.2 Annex II: Relationship between European Green Deal (EGD) and CAP Interventions

Strategies and main headings	Headline targets	Horizontal						Pillar 1	Pillar 2			
		GAEC 1 (permanent grass-land maintenance)	GAEC 2 (carbon-rich soil preservation)	GAEC 8 (crop rotation)	GAEC 9 (maintenance of non-productive features)	GEAC 10 (ESPG in NZK)	Farm Advisory Services	Eco-schemes	Environmental, climate and other management commitments	Natural or other area-specific constraints	Cooperation (EIP-AGRI OGs)	Knowledge and information
European Climate Law												
	Legally binding target of net zero greenhouse gas emissions by 2050	X	X				X	X	X		X	X
Farm to Fork												
Ensuring sustainable food production	Reduce by 50% the overall use and risk of synthetic chemical pesticides & the use of more hazardous pesticides by 50% by 2030			X	X		X	X	X		X	X
	Reduce nutrient losses by at least 50%, while ensuring that there is no deterioration in soil fertility. This will reduce the use of fertilisers by at least 20% by 2030.			X	X		X	X	X		X	X
	Reduce by 50% sales of antimicrobials for farmed animals and in aquaculture by 2030						X	X	X		X	X
	at least 25% of the EU's agricultural land under organic farming by 2030						X	X	X		X	X
Biodiversity Strategy 2030												
	At least 10% of agricultural area is under high-diversity landscape features.				X	X	X	X	X		X	X

Source: IEEP compilation adapted from Maréchal et al., 2020

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