



Environmental and climate assessments of CAP Strategic Plans

Summary of impact based on four key Member States

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This briefing summarises the results of a series of assessments of the climate and environmental ambition of the CAP's Strategic Plans. It is based on the detailed study of four Member States (France, Spain, Poland and Germany). Our analysis suggests that, while the new CAP structure provides more flexibility to Member States with the aim to increase EU ambition in terms of sustainability, countries did not take this opportunity to significantly increase support for environmental and climate action. Overall, most of the funding still funds economic objectives and there are several mismatches between the needs identified and the proposed interventions, in particular in relation to climate change mitigation and adaptation. Specifically on the environmental ('green') architecture, Member States have on the whole chosen the easiest (and less effective) options for 'conditionality' standards, eco-schemes are likely to have low additional benefits and environmental and climate commitments, while well-designed, are allocated small budgets, cover limited areas and are not always targeted well regionally. Finally, we note that some interventions continue to support the most intensive and most environmentally damaging farms. We conclude that Member States should use the possibility of amending their plans annually to strengthen climate and environmental action in the coming years.

To this day, the Common Agricultural Policy (CAP) remains the main funding source for agriculture in the EU and thus for implementing the Farm to Fork Strategy targets. In 2018, the European Commission proposed a new structure for this policy that came into force in Member States at the start of 2023. It includes a set of ten specific objectives (including three environmental and climate ones) and it is based on a 'new delivery model' where Member States must submit a National Strategic Plan presenting the country's needs for each specific objective as well as the interventions they plan to implement to address these needs. This new structure was proposed to a) shift to a performance- and results-based approach, b) give more flexibility to Member States to adapt CAP support to local conditions and needs, and c) increase CAP's impact in terms of sustainability. This brief focuses on the latter point. It presents common findings on the environmental and climate ambition of Strategic Plans based on the assessments for four Member States that have large agricultural sectors and where the potential for addressing national and EU climate and environmental challenges is high (France, Spain, Poland and Germany). It also draws on examples from other Member States where relevant. Finally, it proposes overarching recommendations to improve the environmental and climate contribution of CAP Strategic Plans.

CAP Strategic Plans' priorities: Where does the money go?

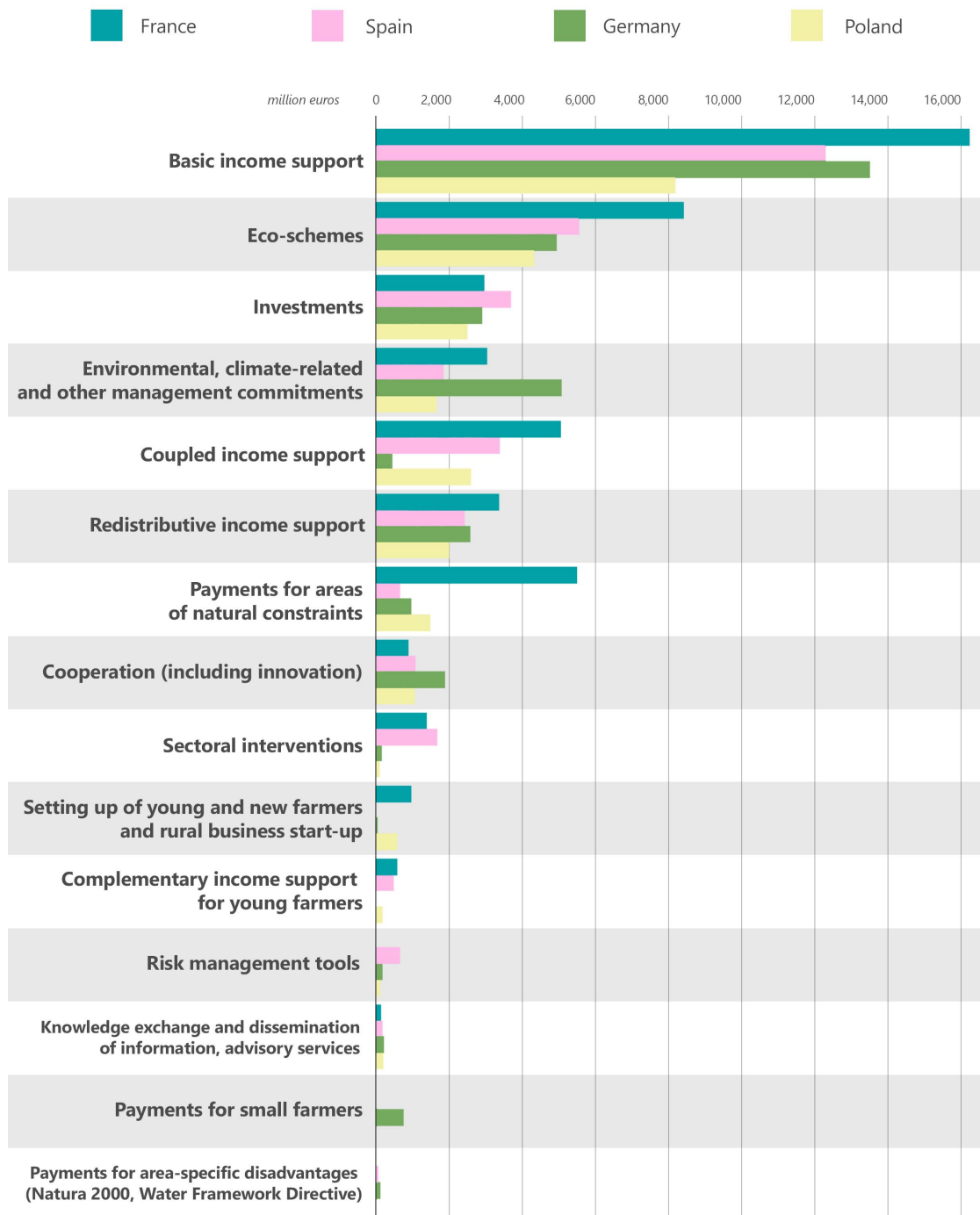
The four countries analysed allocated the majority of their budget to Pillar I¹ (between 66% for Germany and 76% for Spain) (Midler et al, 2023; Midler and Pagnon, 2023; Nadeu, Midler and Pagnon, 2023; Scheid and Ittner, 2023). Support for rural development (Pillar II) thus varies between one quarter for Spain to a third of the budget for Germany. Member States can also decide to transfer funds from one pillar to another. For instance, Germany and France planned to transfer funds from Pillar I to Pillar II, suggesting a willingness to strengthen rural development and environmental and climate action. On the contrary, Poland transferred more than 1.5 billion euros from Pillar II to Pillar I, cutting Pillar II's budget by almost 30%.

When looking at the detailed allocation of the CAP budget to different interventions (see Chart 1), basic income support, which aims to support farmers' income, remains the most funded instrument in the four Member States. In these countries, this intervention is twice as well funded as the eco-schemes and four to five times as well funded as the environmental and climate commitments of the second Pillar. Spain, France and Poland devote a similar share of their budget to basic income support (between 33 and 36%). In Germany, the share of the total budget going to this intervention is higher (40%) but it is planned to decrease during the period to allow an increase in Pillar II's budget over time. In some cases, such as in France and Poland, the share of the direct payments budget going to basic income support also increased compared to the previous CAP period (2014-2020). Similarly, the share of direct payments for coupled income support (which is the third largest budget after the eco-schemes) has increased in all studied countries, with Germany even including this type of intervention for the first time. France and Poland also allocated the maximum authorised by the regulation to

¹ CAP funding is divided between two funds, the European Agricultural Guarantee Fund (EAGF, also referred to as 'Pillar I') and the European Agricultural Fund for Rural Development (EAFRD, also referred to as Pillar II).

coupled income support (15% of direct payment), while Spain dedicated 14% to this support. Overall, these results suggest that income support remains the key priority in the new CAP.

Chart 1: Budget allocation to interventions in Pillar I and Pillar II (in million euros)



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Source: authors' calculation based on publicly available Strategic Plans. Interventions are ranked from the most funded one to the least funded one (in total in the four Plans).

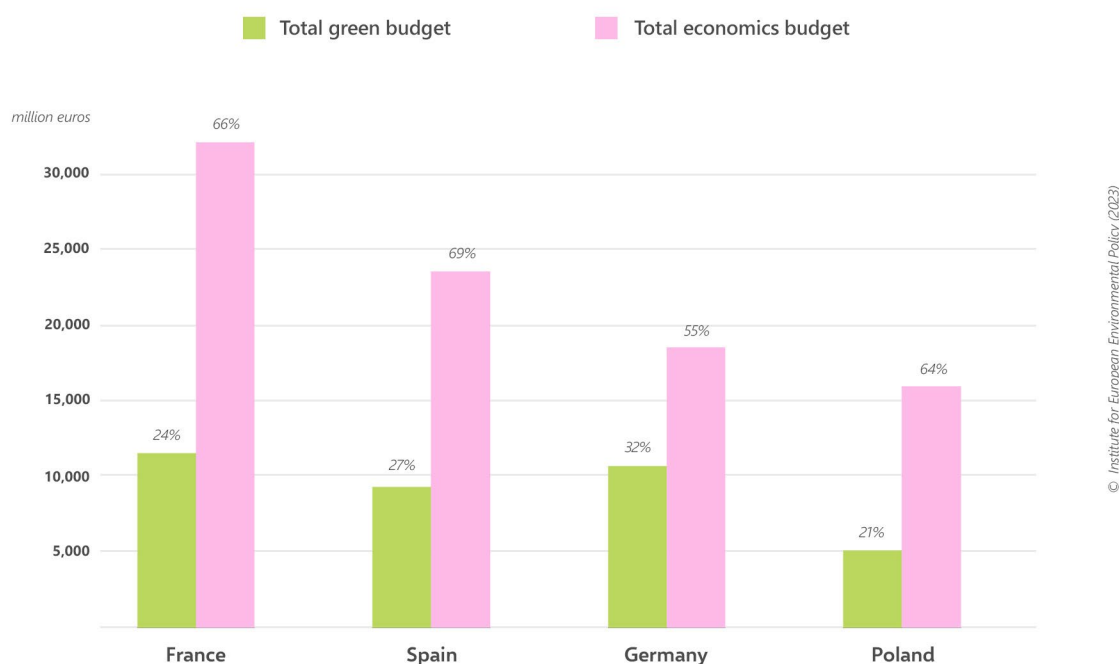
Regarding interventions supporting environment and climate objectives, Member States have to allocate a minimum budget ('ringfencing') for interventions benefiting public goods as requested by the EU CAP Regulation. As regards eco-schemes, in general, they have to receive 25% of the funding for direct payments. However, the regulation authorises lower budget for these interventions in certain cases, for instance if the Pillar II budget share dedicated to environmental, climate, organic and animal welfare exceeds 30%. France and Poland² do not use this option and allocated 25% of the direct payment budget to eco-schemes, while Spain and Germany did, with 23 and 22% of direct payments allocated to these schemes. On the other hand, they had to ringfence at least 35% of Pillar II funds to environmental, climate, organic and animal welfare objectives³, a minimum exceeded by the four Member States. On this point, Germany is the most ambitious of the four countries analysed, allocating 60% of Pillar II to these interventions while in France this share is 40%. However, much of this 40% stems from France's large budget for areas of natural constraints (hereafter, ANC), which have uncertain environmental and climate impacts. When these payments are no longer included, only 23% of Pillar II funding contributes to the ringfencing, which is far below the minimum requirement of 35%.

Overall, Member States spend around 55-69% of their budget on interventions supporting economic objectives and around 20-30% on interventions supporting environmental and climate objectives⁴ (see Chart 2). This suggests that, even though progress have been made, CAP funding remains focused on economic objectives rather than on environmental ones. Increasing the budgets for eco-schemes, environmental and climate commitments and investments and cross-cutting interventions targeting environmental and climate action therefore appears necessary to reflect the needs and ensure that the CAP is fit for purpose. Such increases could be funded through reductions in the budgets for basic income support and coupled support.

² Interestingly, Poland allocated 32% of its eco-scheme budget to interventions targeting animal welfare, contrary to the other three countries who focused on environmental and climate action.

³ In the case of Pillar II, ringfencing includes the following interventions: environmental, climate and other management commitments (formerly called agri-environmental climate measures), compensation payments for area and specific disadvantages in relation to the Water Directive Framework and EU nature directives (in particular Natura 2000 areas), investments targeting these objectives, as well as 50% of ANC payments.

⁴ Economic objectives include income, competitiveness and sharing of the value along the chain. The interventions supporting such objectives are all the interventions from Pillar I except for the eco-schemes, as well as ANC and risk management tools. The interventions supporting environmental and climate objectives, are the climate and other management commitments, eco-schemes, payments for disadvantaged areas, investments targeting the environment and climate (when they can be identified, which is not the case for all countries) and 15% of the sectoral interventions dedicated to fruits and vegetables.

Chart 2: Budget distribution between economic and green objectives

Source: authors' calculation based on publicly available Strategic Plans. The interventions listed as contributing to environmental and climate or economic objectives are listed in footnote n°4.

Main gaps in the Plans' intervention logics

In the EU, climate change mitigation efforts must be increased to meet the goals set in the Paris agreement and EU climate targets⁵. In 2020, the agricultural sector (including cropland and grassland) accounted for 14% of total GHG emissions (European Environment Agency, 2021). Within this category, the main source of emissions is the livestock sector (58% of agricultural GHG emissions). Yet, our analysis shows that, in the four Strategic Plans studied, very few interventions are included to reduce emissions reductions in the livestock sector. On the contrary, the four countries we study provide coupled support for cattle. While these interventions are, in some cases, limited with animal number ceilings and/or maximum stocking rates on farms, these requirements are often not stringent enough to prevent large industrial farms to receive support (e.g. in France and Spain⁶). Coupled support for cattle should thus be

⁵ Reducing emissions by 55% in 2030 compared to 1990 and achieving climate neutrality by 2050 (Regulation (EU) 2021/1119), reducing emissions in sectors that are not included in the ETS by 40% compared to 2005 (<https://data.consilium.europa.eu/doc/document/PE-72-2022-INIT/en/pdf>).

⁶ Spain in particular provides support for dairy cows up to 726 cows eligible per farm, for suckler cows and calf fattening from extensive operations (without caps on numbers), and for calf fattening in other operations up to 1417 calves per farms, thus allowing large farms to benefit from it.

phased out progressively, while more interventions should be put in place to reduce greenhouse gas emissions in the livestock sector.

Other environmental and climate needs seem to have been insufficiently addressed in the four Strategic Plans: soil protection, biodiversity and climate change adaptation (in particular to the increased occurrence of extreme weather events or the development of pathogens). In these cases, the actions to be implemented vary from country to country. Adaptation measures related to water management are, for instance, particularly important for Southern countries, but in the case of Spain they were found to be insufficient to address the identified challenges and needs.

Both Germany and Poland have a high level of emissions from peatland. The German Strategic Plan offers an intervention aiming to rewet peatlands and promote paludiculture, however, only three federal states offer this measure to their farmers while some federal states with significant peatland areas do not (e.g. Bavaria and Schleswig-Holstein)⁷. Poland, on the other hand, does not propose any intervention supporting wetland or peatland rewetting beyond what will be proposed for Good Agricultural and Environmental Conditions (GAEC) standard 2 in 2025. Member States with significant amounts of organic soils should therefore strengthen their support for peatland rewetting and paludiculture, which would reduce carbon emissions while also benefiting peatland specific biodiversity.

Environment and climate-related interventions and standards

The Strategic Plans' contribution to the environment and climate is based on 'conditionality' (mandatory requirements, in particular the Good Agricultural and Environmental Conditions standards (hereafter GAEC standards)), as well as on various types of interventions, such as eco-schemes and environmental and climate commitments. Cross-cutting interventions (e.g. investments or cooperation interventions), if properly implemented, can also contribute to some extent, while other interventions can, on the contrary, be harmful for the environment and climate if the relevant safeguards are not implemented⁸ (for more details on cross-cutting and potentially harmful interventions, please refer to the detailed assessments for the four Member States).

⁷ German Interventions have to be implemented by federal states (Bunderländers).

⁸ They include for instance risk management tools and aids for investments in irrigation. Subsidies for climate insurance premiums are often not conditional on the adoption of adaptive practices, such as the implementation of protective measures (e.g. hedges and shade trees), the reduction of the size of agricultural plots or crop diversification. They might thus encourage farmers to further specialise or choose inappropriate or high-risk crops, which would in turn reduce farms' resilience (Müller, Johnson and Kreuer, 2017). Regarding irrigation investments, the evaluation of the impact of the previous CAP on water shows that, even if they must comply with water saving requirements, they can have detrimental impacts on water use, for example where they lead to expansion of the overall irrigated area (Alliance Environnement, 2020).

GAEC Standards

Member States have a certain latitude to define the GAEC standards in their CAP Strategic Plans. For instance, for GAEC 1, which aims to maintain permanent grassland, they can define permanent grassland in a way that allows ploughing, tilling and reseeded (as is the case in France for instance) and can decide at which level they want to ensure this maintenance, most of them choosing either the national level (e.g. Poland) or the regional one (e.g. France). The countries assessed occasionally go beyond the minimum requirements imposed by the regulation. This is the case, for instance, for GAEC 4, for which several countries impose five metre-wide buffer strips along water courses instead of the minimum of 3 metres. Spain has also introduced additional requirements in terms of nutrient management. However, overall the Member States studied tend to choose the easiest and often less beneficial options for the environment when defining their GAEC standards. This is particularly apparent for GAEC standards 7 on crop rotation and 8 on landscape features and fallows, for which all four countries decided to use derogations for 2023⁹. For GAEC 8, the possibility to use catch crops and nitrogen-fixing crops to reach the minimal area of landscape features and the use of weighting factors further reduces the potential benefit for biodiversity and climate.

This flexibility also leads Member States to make different choices, leading to different environmental and climate contributions. For instance, under GAEC 7, crop rotation is mandatory on 40% of the UAA in Poland while it is mandatory on 35% of the UAA in France. As a result, the enhanced conditionality proposed in this new CAP does not provide a common ground of environmental and climate ambition for all countries. Finally, the introduction of GAEC 2 on the protection of wetland and peatland is welcome, but we observed that in some of the cases studied (e.g. in Poland) the implementation is delayed and the details of it remain unknown at this stage. It is therefore not possible to estimate the potential contribution of this GAEC standard at EU-level at this point.

Overall, Member States have not gone beyond the minimum requirements for conditionality. There is therefore potential for strengthening GAEC standards (see assessment reports for more details on this recommendation). In addition, GAEC 2 should be implemented as soon as possible, and further derogations should be prevented after 2023.

Eco-schemes

Arguably the main novelty in terms of environment in this new CAP is the introduction of the eco-scheme in Pillar I. This intervention replaces the former “green payment”, which was largely regarded by experts as ineffective (European Commission, 2018; European Court of Auditors, 2017), and aims to provide stronger incentives for climate- and environment-friendly farming practices and approaches (such as organic farming, agroecology, carbon farming, etc.) as well as for animal welfare improvements.

⁹ Overall in the EU, all except two countries (Denmark and Malta) applied the derogation for GAEC 7 and all except four countries (Denmark, Ireland, Malta and Slovakia) used the derogation for GAEC 8.

Each country is responsible for designing its own eco-schemes. In practice, Member States chose different approaches, leading to a high heterogeneity in the level of complexity. In many countries, several eco-schemes are proposed, each of them targeting either specific farming practices or systems or a set of different practices (as is the case in the four countries studied), while in other cases, one single framework intervention is offered to farmers (e.g. in the Netherlands or in Ireland). The case of Poland, summarised in Chart 3 below, provides a good example of this diversity, as different types of eco-schemes are proposed: five of them target a particular practice (e.g. biological pest control), while the last one is based on a points system and supports various practices aiming to improve carbon storage and nutrient management. Where several options are available, some countries give farmers the possibility to combine them (e.g. Poland and Germany), while others do not (e.g. France and Spain). Most of the proposed eco-schemes target biodiversity, soil protection, water quality and climate (through carbon sequestration and reduced fertilisation). A few countries, like Poland, also fund eco-schemes targeting animal welfare improvements. In addition, some eco-schemes are innovative in their design. For example, the Dutch eco-scheme relies on a points system that allows farmers to combine different agricultural practices (Runge et al, 2022). A similar point-based system is also proposed in France and in Poland (for carbon farming and nutrient management see Chart 3), but, in both cases, only for one of the eco-scheme options. The German eco-scheme for the extensive management of permanent grassland, which is result-oriented and requires farmer to have a least four plant species that are indicative of species-rich grassland in the area, also appears innovative. However, these cases remain rare as most eco-schemes are simply payment per hectare for a given agricultural practice.

Chart 3: Poland's eco-scheme

ES melliferous plant areas (4.1)	Payment per ha of melliferous plant area on the farm		
ES carbon farming and nutrient management (4.2)	Farmers can choose between 8 practices, each of them bringing a number of points (pt)	Extensive use of PG by livestock (between 0,3 to 2 LSU/ha), maintenance of PG	5 pt
		Intercropping or winter crop between and ban on plant protection products	5 pt
		Fertilisation plan based on soil analysis, liming where soil pH is to low	1-3 pt
		Crop diversification away from crops that impact soils negatively	3 pt
		Incorporation of manure in arable soils within 12 hours of application	2 pt
		Introduction of natural fertilisers directly into the soils	3 pt
		Reduced tillage and strip-till cultivation	4 pt
		Incorporation of straws in soils	2 pt
ES integrated plant production (4.3)	Payment per ha of agricultural land cultivated with integrated plant production systems and maintenance of permanent grassland area		
ES biological crop protection (4.4)	Payment per ha of agricultural land cultivated with biological crop protection		
ES water retention on PG (4.5)	Payment per ha of permanent grassland made available for water retention purpose		
ES animal welfare (4.6)	Payment per Livestock Unit benefitting from improved animal welfare standards		

Source: authors, based on the Polish CAP Strategic Plan. 'PG': permanent grassland.

Eco-schemes, due to ringfencing, often benefit from large budgets and target large areas. However, their impact is likely to remain low. Our analysis for four Member States suggests that, in most cases, eco-schemes are designed to allow most farmers to receive a payment without having to change their farming practices (deadweight effect). In France, simulation results show that almost all farms (99.9%) would reach at least the standard level of the eco-scheme without changing their current farming practices and that 86.5% would reach the superior level (Lassalas et al, 2023). Similarly, in Poland, experts argue that the eco-scheme for carbon farming and nutrient management, which is based on a point system in which farmers can choose amongst different practices, includes practices that are already implemented in many farms, such as the use of a fertilisation plan or the incorporation of manure to the soils (Midler et al, 2023). They therefore expect farmers to choose the easiest practices for them, thus receiving a payment without making substantial changes to their farms. Furthermore, the payment levels proposed do not always provide farmers with an incentive to go beyond a certain level of implementation of a practice. For example in Spain, farmers are paid through an eco-scheme if they have more than 7% of their rainfed cropland, 4% of their irrigated area and 4% of their permanent crops area covered by landscape features and fallows, but further effort beyond this threshold will not be rewarded. Reviewing the eco-schemes to strengthen their requirements with time and make the most beneficial ones more attractive for farmers therefore appears necessary to foster a change in practices.

Environmental and climate commitments

Beyond eco-schemes, other interventions target improvements in environmental and climate action on farms. This is particularly the case of environmental and climate commitments (Pillar II), which, in most plans, represents a significant number of interventions (between eight and fifteen in the four countries studied). Each of these interventions is also often divided into sub-measures, as it is the case for many French and German commitments, leading to an even higher number of measures in practice.

Environmental and climate commitments are often quite targeted and include a variety of requirements, including sometimes transversal ones such as following trainings or using management plans (e.g. in France). They can also be quite innovative in their design. For instance, Germany proposes sub-measures in two environmental and climate commitments that can support cooperation between farmers for overarching climate and biodiversity action, while France proposes a result-based intervention aiming reducing GHG emissions and pesticide use. Beyond our case studies, some countries such as Ireland or the Netherlands also offer collective approaches to the implementation of (some) environmental and climate commitments, and others offer results-based interventions, such as Portugal, which offers such support for the sustainable management of silvopastoral systems with oak trees.

However, the Plans does not always provide enough details about these commitments¹⁰, making it impossible to assess their effectiveness ex-ante. Moreover, these interventions often target small areas, thus reducing their potential impact on the environment and climate, and

¹⁰ In many cases, some implementation details are defined at the regional or local level.

offer low levels of payments to farmers, thus threatening the uptake of these interventions. This last point is particularly problematic in France, Poland and Spain, which had only between 6 and 10% of their UAA under environmental and climate commitments in 2020, below the EU average of 13% (European Commission, 2022).

Furthermore, in several large Member States, such as Spain, Germany or France, regions can choose which national environmental and climate commitments they offer to farmers. As a result, some of these interventions are only used in a small number of regions, and sometimes, are not implemented in areas where they would provide the highest environmental and climate benefits. This is the case, for instance, of the aforementioned German commitment for peat protection.

In summary, for many Member States a higher budget dedicated to environmental and climate commitments is necessary to increase both the area targeted and the level of payments. It is also important to ensure that the interventions are targeted and implemented where they can provide the highest benefits and have a positive impact in relation to the identified regional needs. To this aim, additional knowledge exchange and advice should be provided to support the uptake and implementation of these interventions, which is not always the case in all countries.

Conclusions

Our analysis of the four Strategic Plans (France, Germany, Poland and Spain) suggests that Member States did not take the opportunity of using the increased flexibility to significantly increase support for environmental and climate action. The new delivery model, which introduced the CAP strategic planning process, has been positive in terms of encouraging Member States to adopt an “intervention logic approach”, but several mismatches between the described needs and proposed interventions have been identified. Climate change mitigation and adaptation, in particular, is largely missing. Overall, no significant changes to interventions and budgets have been observed compared to the previous CAP. The bulk of CAP budget continues to go to basic income support payments, which are not sufficiently conditioned on sustainable management practices. Similarly, significant funding is directed to coupled income support without sufficient safeguards to ensure that it supports sustainable farms or practices. While environmental and climate ringfencing is respected, the planned interventions often cover a limited area, are allocated small budgets and do not necessarily target the regions where they would bring the most benefits. As a result, the Strategic Plans analysed, in their current form, seem insufficient to trigger the shift in farming systems and practices needed to respond to the scale and urgency of the climate and biodiversity crises. It therefore appears necessary to address various weaknesses identified in the Plans.

Member States have the possibility to amend their Plans once a year and therefore raise the ambition in the current CAP programming period. In particular, they should: a) increase the budget for environmental and climate commitments, eco-schemes and cross-cutting interventions benefitting the climate and environment (including some investments, support

for cooperation, support for knowledge exchange and advice), this increase could be funded by a decrease in the budgets of basic and coupled income support, b) strengthen the requirements of ecoschemes and remove or improve less effective options, c) increase the level of payment of environmental and climate commitments in order to increase their attractiveness and uptake, d) ensure that these commitments are offered to farmers in regions where they are the most relevant, e) link these commitments to improved advice and training support and f) implement the necessary safeguards on coupled support, investments and risk management tools to ensure that they are not damaging for the climate, the environment and farms' resilience.

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