



The post-2027 EU budget: Key questions for agriculture and the environment

The European Commission's forthcoming proposals for the post-2027 Multiannual Financial Framework (MFF) could significantly reshape EU funding structures, with major implications for agriculture and the environment. Leaks suggest a potential move to consolidate over 50 funds into three large "umbrella" funds, sparking concerns about the future of the Common Agricultural Policy (CAP), its budget, and governance. While recent signals indicate that the CAP may remain a separate pillar, questions remain about funding levels, flexibility for Member States, and the weakening of environmental conditionality. This briefing explores the potential risks and opportunities of the expected reforms, including threats to environmental funding, increased subsidiarity, and shifts from conditionality to incentive-based approaches.

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The European Commission proposals for the post 2027 EU Multi-annual Financial Framework (the MFF) are due in mid-July. Once agreed they will have important consequences for both agriculture and the environment given the central role of EU funds, particularly the Common Agricultural Policy (CAP), in this domain. Information about what exactly the Commission will propose has been kept confidential to a large degree, so much of the discussion in recent months has been based either on relatively high-level statements or on leaks. Nonetheless, by early July a picture has emerged of some of the central issues in play in relation to both the MFF and the CAP and potential propositions being considered by the Commission.

Strong concerns have been expressed by a range of MEPs governments and other stakeholders¹, anxious about potential changes to the structure and content of the MFF and the constituent EU funds and mechanisms. On the agricultural side there has been particularly vocal lobbying by national agricultural ministries² and the main farming unions³ trying to head off what they see as threats to the CAP and its budget if Commission proposals take the form some rumours suggest. This lobbying may have had its desired effect, particularly with regards to the CAP, if the latest leaks are to be believed^{4,5}.

In advance of the publication of the proposals, this Briefing considers what might be being planned, how potential changes to the status quo might affect those EU funds applying to agriculture and what then might be at stake for the environment and a transition to a more sustainable agriculture, land use and agri-food sector in the EU. It is based on material in the public domain, including some leaked documents, and not on any inside knowledge.

Direction of travel for the MFF 2028-34

The process of preparing the European Commission's proposals for the next EU seven-year budget, to run from January 2028, has been underway for some time. The budget, known as the Multi-annual Financial Framework (MFF) is always contentious and difficult to negotiate so the initial proposition from the Commission has to emerge well in advance. At the time of writing, the initial Commission proposals were due on 16 July with more detailed proposals for different lines of expenditure, including the CAP, due either that day or possibly not until September. It is not clear whether the CAP element of the MFF will appear in one document or whether the details will be developed in a second dedicated proposal from the Commission specifically on the CAP.

The MFF proposals are developed inside DG Budget and the Secretariat-General of the Commission with the close involvement of the President of the Commission and her Cabinet. On this occasion, other DGs appear to have had more limited involvement and the level of confidentiality over the last six months in particular has been high.

Multiple demands on the budget

The background to the proposals is challenging in the sense that there are several pressing demands expected to bear on the next budget, including greater expenditure for defence,

¹ See e.g. COMAGRI, [Agriculture Committee sets priorities for post-2027 CAP funding](#), Press release, 08 July 2025

² Manzanaro, S.S., Twenty farming ministers urge budget chief to keep CAP funding separate, Euractiv, 04 June 2025

³ Copa Cogeca (2025) [EU's farm budget: Too important to ignore](#) (accessed 09 July 2025)

⁴ Brzezinski, B. and Noyan, O., [Brussels backs off from big farm shake-up. Cuts are coming anyway](#), POLITICO, 07 July 2025

⁵ Hancock, A. and Tamma, P., [EU to ringfence billions of farming subsidies](#), Financial Times, 08 July 2025

(probably) payment of interest due on the loans taken out in connection with the post covid EU Recovery and Resilience Facility (RRF), the need for more investment in innovation and industry in response to the threats to EU competitiveness, especially from the US, and many other demands. The question of EU enlargement and potential expenditure on support for Ukraine and its reconstruction, particularly after an end to the war, is also in view.

On the other side, the Commission and some Member States (France and Spain, for example) are arguing that there is a need for a significantly larger EU budget in response to these spending requirements⁶. In principle these could be derived from higher Member State contributions or from other sources. For example, additional revenue for the EU, could be raised by harnessing new “own resources”, which might be a new EU wide levy or income from an amended Emissions Trading System, for example. However, Member State enthusiasm for new “own resources”, which ultimately derive from their citizens by one route or another, looks likely to be mixed and it is far from certain whether a significantly larger EU budget can be negotiated. Consequently, the pressure on some of the existing big expenditure lines, including the CAP and Cohesion funds, could be considerable. Many expect both areas to be cut in real terms despite strong opposition from several quarters, including the European Parliament⁷).

Re-structuring the MFF

Beyond this, a major question is now in play about how far the essential structure of the MFF should be changed from its present form or preserved. There is clear interest by Ursula von der Leyen and her team to restructure the MFF, as indicated by the Communication on the roadmap to the next MFF⁸, to reduce the number of EU funds from the present total of above 50, to simplify the process of disbursement, rules and reporting requirements for Member States, improve the effectiveness of expenditure, increase the level of flexibility available to Member States in certain respects and enhance the capacity to react to new demands that may arise over the seven year period. This agenda chimes with the views of a number of finance ministries, which are key actors in the process of agreeing the next MFF.

This drive has led to new thinking about shrinking the number of funds and their corresponding procedures, considering different ways of linking them together, introducing new and more high-level forms of conditionality and accountability, fewer detailed rules and the possible use of new mechanisms, such as the need for Member States to meet certain milestones before being able to draw down the next tranche of EU funds. There has been debate about how far it might be appropriate to borrow some of the mechanisms used in the distribution of the RRF to Member States in recent years, including high level EU conditions on expenditure, but with a large measure of Member State discretion and a greater emphasis on the performance of funds. For example, there could be a new linkage between the release of major tranches of EU

⁶ Wulff Wold, J, [Five fights that will shape the EU's next €1.2 trillion budget](#), Euractiv, 1 July 2025

⁷ European Parliament Resolution of 7 May 2025 [on a revamped long-term budget for the Union in a changing world](#), P10_TA(2025)0090

⁸ European Commission (2025) [The road to the next multiannual financial framework](#), COM/2025/46 final:

funds to Member State authorities and national performance in meeting new milestones, such as the country's progress in economic reform.

It is known, mostly from leaks, that the Commission seems likely to propose that the MFF is significantly restructured to reduce the number of EU funds and cluster them into three large new umbrella style funds, although this does not mean that the number of spheres receiving EU funding necessarily would decline. On this model, from 2028 onwards there would be three new main EU funds or "pots" each containing multiple subsections.

The CAP has not been exempt from this far-reaching new thinking. For many months the relative autonomy in governance terms that it enjoys at the moment was not necessarily going to be continued, with rumours that it might be incorporated within one of the three umbrella-style funds being considered as the new structure for the MFF (see Box 1). Binding it into a new model, albeit with exemptions and special arrangements, could have had considerable repercussions. Indeed, there had been widespread opposition to these proposals, especially from some Member States, including France, most agricultural ministries, many MEPs, and more conservative political parties and also from representatives from the regions who feared their role in spending EU funds will be diminished⁹. There was also strong opposition to this and other aspects of the potential re-structuring of the MFF from COPA-COGECA and other agricultural membership bodies which advocated retention of the status quo for the CAP and an increased budget¹⁰. Environmental NGOs in Brussels advocated a far-reaching green reform for the CAP and the MFF, including a new fund to expedite implementation of the Nature Restoration Regulation. Given this difference in their orientations, it is not entirely surprising that there was no consensus on the future of the CAP within the MFF at the June meeting of the EBAF stakeholder forum where both agricultural and environmental interests are represented alongside others¹¹.

Contrasting with the interest in a more streamlined, flexible, and greater value-added MFF in a number of Member State finance ministries, there has been concern in agricultural ministries that the CAP will lose its special status in the EU firmament of funds under the 'three pot model' and that it will lead to more national control over funding for agriculture. In practice the fear has been that national finance ministries would gain control over the allocations currently earmarked for the CAP and be able to re-allocate them elsewhere if they wish, given their authority over national spending decisions in most Member States. The rural development part of the CAP (excluding the agri-environmental parts) seemed more at risk of this fate than direct payments and other area payments for environmental purposes.

⁹ Committee of the Regions, [Polish Regions Join Forces With All EU Regional and Local Authorities To Defend Cohesion Policy](#), Press release 25 October 2024

¹⁰ Copa-Cogeca presidents issue CAP appeal to Tusk, as MFF countdown begins, AGRAFACTS No.64-25, 28 June 2025

¹¹ EBAF fails to find consensus on CAP, as talks break down, recriminations fly, AGRAFACTS No.61-25, 22 June 2025.

In early June, Ministers from 20 Member States wrote to the Budget Commissioner with a joint declaration that a two pillar CAP should be retained², and a formal request from the agriculture committee in the European Parliament to delay publication of the proposals until after the MFF proposals has been made¹². Media reports⁴, quoting Jan Olbrycht, special adviser to the Budget Commissioner, now suggest that these concerns have been heeded and that the CAP will remain 'as a separate pillar', with the current CAP structure remaining intact.

Box 1: The emerging MFF structure

Laked documents and recent reporting suggest the Commission may propose to consolidate and separate funds into the following three broad funding "pots."

- A first pot—tentatively called "*A national and regional partnership for investment and reform*"—would likely combine most shared management funds, including CAP Pillars I and II, cohesion funds, and parts of the LIFE programme. This could give Member States more flexibility to reallocate budgets between policy areas, raising concerns over the potential loss of ring-fencing, particularly for rural development and environmental measures. However, recent indications suggest Pillar I and II of the CAP may remain protected.
- A second pot, dubbed the "*Competitiveness Fund*", would pool centrally managed programmes such as Digital Europe, and the European Defence Fund¹³, and parts of the current LIFE fund. These funds would be distributed according to more competitive processes rather than being pre-allocated to MS so there is more of a performance element built into their design. In principle, this fund would grow in size over time as it is seen by the Commission as focusing on some key priorities for the EU, emphasising clean transition and industrial decarbonisation, digital leadership, innovation, and strategic autonomy through performance-based funding.
- A third, smaller "*Global Europe*" pot would finance external EU actions, including development aid with some environmental allocations.

¹² Manzanaro, S S., [MEPs urge delay to post-2027 CAP proposal in letter to Commission](#), Euractiv, 12 June 2025

¹³ There is due to be further defence funding at an EU level outside the MFF entirely as well as this fund

Where does this leave the proposals for the next CAP?

Although they are closely tied to the MFF, it remains unclear when the proposals for the next CAP (2028-3035) will be published. The official timescale at the time of writing is mid-July as part of the initial MFF proposals, although some or all of the CAP components could be delayed until September.

Even if the MFF proposals leave the CAP's structure intact, and the status quo is retained to a large degree, there remain a number of issues that have been discussed in the run up to the appearance of the proposals. These all have implications for the extent and speed of a necessary transition towards a more sustainable and lower environmental impact agriculture, land use and agri-food sector in the EU. These are:

- Possible reductions in the **size of the CAP budget**. One thread of rumours is that the Commission may be considering a cut of around 15-25% relative to the current budget, given other pressing priorities⁴. However, as noted above, the Commission favours a larger overall EU budget, financed by an increase in "own resources". The size of the CAP budget and its distribution between Member States is an important decision but it is not the sole determinant of the total spent on agriculture at the national level. Member States have the option of spending their own funds on agricultural priorities within certain EU rules and with the consent of the Commission and many do so. Any changes to the relevant "state aid" rules within the MFF or prior to its commencement could have consequences as well.
- Further **reductions in "conditionality"** for farmers, have been emphasised by the Commission in the Vision paper and wrapped into the "simplification" agenda. This is already having an impact in the CAP, including in the environmental sphere, where there has been a weakening of several standards of Good Agricultural and Environmental Condition (GAEC) and the protection they have offered. This paring back of environmental conditionality is expected to be taken further.
- Linked to this, in principle, **more reliance on incentives** rather than the use of conditionality to pursue environmental objectives is being proposed. This would be a philosophical change, highlighted in the Commission's Vision and chiming with the objectives of "simplification" and reducing burdens and costs on farmers. However, in practice, this has the makings of a one-sided proposition since there is little sign of any propositions for enlarging the budgets of specifically environmental programmes or schemes within the CAP. Indeed, it is difficult to see how this increase in incentives could be achieved in a tight CAP budget settlement without slicing off some of the allocation for direct payments, which agricultural ministers are fiercely defending.
- **More flexibility** for Member States to design and implement their CAP support in ways that meet the priorities that they have identified. What this greater discretion might mean in practice is less clear, but it could result in significant changes in the priorities of individual Member States and in the distribution of their funds between different

measures. Member States might acquire the power to drop schemes that now are mandatory if there was a large shift towards subsidiarity.

- Accompanying changes could include a **reduction in the amount of programming and control** exercised by the Commission at EU level and there could be changes in the system whereby Member States have to draw up and get approval for CAP Strategic Plans (CSPs). The composition of these might also change, with potentially less reporting and checks by the European Commission.
- Revision of **the direct payment rules** such that they are subject to more limitations and greater targeting to certain categories of farm or farmer. There has been discussion of options to focus the payments more to address particular “needs” in the farm sector, a concept subject to much interpretation. Many potential ways to approach this are possible, some of which might suit circumstances and political preferences in certain Member States more than others, making a workable and politically acceptable EU wide formula potentially quite challenging. Proposals for change may include new ceilings on the total basic income support payments (BISS) payable to a single farm in a year (“capping”), a stronger element of degressivity, possibly more focus on channelling funds only to “real farmers” as opposed to remote landowners, greater support for new entrants or young farmers or a combination of both. Other groups of farms that could be selected for some form of prioritisation include those in Areas of Natural Constraints and mixed farms. It would also be possible to target farms according to environmental criteria, for example giving additional assistance to smaller farms in agri-environmental schemes or extra support for those maintaining High Nature Value farming systems. A more targeted system of distributing the core CAP area payments is clearly a priority for the Commission but there is strong pressure not to re-distribute the CAP budgetary envelope allocations between Member States so a system that had this effect at the EU level looks less straightforward than instituting better targeting within Member States, potentially giving them sufficient flexibility to take account of their own conditions.

What are the implications for the environment and climate?

The indications have been that the Commission is not according strong priority to the environment either in identifying the priority issues to address through the MFF or the potential policy changes for the CAP sketched above. The kinds of substantive restructuring that IEEP outlined in a 2023 Vision paper¹⁴ seem unlikely to be prominent in the proposals.

Whether or not this is the case, the forthcoming MFF and CAP proposals will require close scrutiny from an environmental and sustainability perspective when they appear, assessing the overall structure, scale and governance of the MFF and the CAP within it, the allocation of funds to different objectives, the specific funding elements and associated rules and the machinery for monitoring, evaluating and adjusting the multiple elements of the MFF. A key question to

¹⁴ Baldock, D and Bradley, H (2023) [Transforming EU land use and the CAP: a post-2024 vision](#), Policy Paper, Institute for European Environmental Policy

ask will be: *How are the EU's sustainability objectives and targets for the coming decade, with particular reference to agriculture and the agri-food system, built into the structure proposed?*

A funding framework that supports a transition towards a more sustainable and lower environmental impact agriculture, land use and agri-food sector in the EU is one of the central requirements. The CAP and other EU policies need to contribute significantly towards this which will be possible only if the necessary mechanisms are in place and sufficient funding is secured to implement them effectively.

Some of the potential threats and opportunities for the environmental dimension of the MFF and CAP to look out for will be:

- **Level of funding:** There appear a number of threats to the level of funding that is now devoted to the environment and to agri-environmental schemes in a broad sense. If the scale of the CAP and Cohesion budgets are cut, the scale of funding to specifically environmental schemes within both funds could be reduced at least in proportion to the overall cut and potentially more than proportionately, for example if direct payments are prioritised over other CAP measures either at the EU or Member State level, or both. In this context, calls for dedicated EU Nature Fund have gained traction, especially in light of the financing needs associated with implementing the Nature Restoration Regulation¹⁵. Establishing such a fund could help safeguard and scale up investments in biodiversity, ecosystem resilience, and landscape-level restoration, particularly if the environmental share of the CAP is weakened, as currently feared. While the creation of a separate fund may be politically unlikely, the case for it becomes stronger as pressure grows on existing green funding lines.¹⁶ The current proposals make biodiversity and nature restoration a part of the clean industry objective, without an earmarked funding share, risking it being sidelined vis a vis other funding such as clean tech. More importantly, it is possible that the environment ministries lose control over the funds due to their centralisation within governments.
- **Ring-fencing of funding within the CAP:** The current ring-fencing of funds for environmentally related schemes within the CAP could be altered or removed, creating the risk that many MS might reduce their share of the budget, particularly given the other factors noted above.
- **CAP Structure:** The Commission might choose to alter the composition of measures within Pillars I and II and this could include combining area-based agri-environmental payments (agri-environment-climate and eco-schemes), potentially moving eco-schemes out of Pillar I. This could result in it becoming subject to national co-funding rather than 100% EU funding, reducing its share of overall CAP funding and making it

¹⁵ CAN Europe (2025) [Letter: European Commission to uphold climate, nature and public health priorities in the next EU budget](#)

¹⁶ CEE Bankwatch Network (2025) [LIFE for nature: Why Europe's flagship environmental programme must remain part of the next EU budget](#), Report.

less attractive for Member States to apply. This would be the opposite of what is required which is an incentive for MS to adopt more ambitious Eco-schemes. In parallel, environmental conditionality could be further weakened as part of the proposals. The combination of this with the threats to the level of funding would undermine the current “green architecture” within the CAP, making it more production oriented.

- **Greater subsidiarity:** More speculatively, there is the concern that a significant reduction in EU level rules applying to CAP funds and a growth in the powers and responsibilities of Member States and regions might lead to a loss of environmental focus and ambition in many Member States, especially those without strong environmental communities, even if some Member States would act on the opportunity to go further than they do now. However, greater subsidiarity for Member States could also be an opportunity, if they use this flexibility to deploy funds more creatively and effectively to pursue sustainability. Even if full consolidation of CAP and Cohesion funding now appears unlikely, some increase in flexibility within and across existing funding instruments may still be introduced under the evolving MFF structure. This could open up new opportunities—alongside the threats already noted—for developing more integrated and future-oriented support schemes. Linked to farm-level transition and decarbonisation. These could include new markets for plant-based proteins using crops grown in Europe and creating new uses and outlets for products derived from re-wetted peatland, a form of land management that needs to expand in many MS ¹⁷.

If national and regional authorities acquire greater control over the disbursement of funds, there may be opportunities to change governance and involve environmental authorities more centrally in decision making and to give priority to sustainability objectives in ways that do not occur at present. This opportunity needs to be set alongside governance changes in the opposite direction if Commission oversight is reduced.

In conclusion

This brief introduction to potential threats and opportunities inevitably is simplified and highly provisional. However, it illustrates some of the issues at stake, and areas that will be contested in the process of negotiating the final version of the MFF and the CAP. The outcome will have significant consequences for the whole agri-food sector and its environmental footprint for the period after 2027 and will require close scrutiny.

¹⁷ Petrick, C., Pushkarev, N., Chemnitz, C., Grethe, H. and Plambeck, N.O. (2025) [Enhancing budgetary performance: The future of agricultural spending in a streamlined EU budget](#), Policy Statement, Agora Agriculture, Berlin.



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