Strengthening environmental ambition in the proposal for the CAP 2028-2034

This briefing reviews the European Commission's proposals for the Common Agricultural Policy (CAP) 2028–2034 from the perspective of environmental sustainability and climate ambition. Building on IEEP's earlier assessment, it examines whether the new framework is likely to incentivise Member States (MSs) to deliver sufficiently ambitious, large-scale measures to support environmentally sustainable and resilient farming systems and identifies key risks and opportunities.

Overall, the review of the proposals identifies a weakening of environmental ambition compared with the current CAP. The removal of ring-fencing for environmental, animal welfare and climate expenditure, combined with new governance and performance arrangements, creates significant risks that environmental priorities will be downgraded, spending reduced, and disparities between MSs widened. The proposed expenditure tracking system is not an adequate substitute for ring-fencing, as it risks overstating environmental contributions and provides limited assurance that funds will support effective action on the ground.

The briefing focuses on three critical issues: ensuring a substantial and reliable flow of CAP funding for environmental measures; developing the new support mechanism for farm-level transition to more sustainable production systems; and strengthening governance and performance frameworks to safeguard environmental ambition. Key recommendations include reinstating a robust form of environmental ring-fencing, further developing the transition support instrument with clear objectives and safeguards, and reinforcing governance rules to strengthen Commission oversight, improve accountability, and maintain a strong focus on environmental and climate outcomes.

Publication date:
February 2026

Author:
Kaley Hart, David Baldock

Picture by Randy Fath on Unsplash

Introduction

The European Commission's proposals for the Common Agricultural Policy (CAP) 2028–2034[1], published in July 2025, would mark a significant shift in the structure and governance of EU agricultural funding. While it would be laced more tightly into the Multiannual Financial Framework (MFF) for this period,

[1] COM/2025/560 final: Proposal for a Regulation of the European Parliament and of the Council establishing the conditions for the implementation of the Union support to the Common Agriculture Policy for the period from 2028 to 2034.

the CAP would remain a distinct policy area within the new broader National and Regional Partnership Plans (NRPPs). Within this structure, the next CAP and MFF will underpin forthcoming policies and spending programmes in the Member States (MSs) that will need to align with the current and impending challenges in both agriculture and the wider agri-food and land use sectors. Sustainability and resilience will be even more critical than they are now. Europe's food system is currently a major driver of biodiversity loss and pollution, which in turn degrade the natural resources essential for food production. At the same time, the food system, particularly the crucial agricultural sector, is increasingly exposed to climate change risks. It needs both to adapt faster to a changing climate and to contribute to mitigation efforts to meet the 2040 climate targets, not least because of the growing proportion of European Greenhouse Gas (GHG) emissions that will originate from the agri-food sector.

The CAP/MFF framework and the expenditure that flows from it are one of the drivers exerting a significant external influence on the direction of the agri-food system over a seven-year period. This briefing focuses on the CAP/MFF framework now being negotiated, not on the total level of expenditure. This framework includes the overall architecture, the detailed rules applicable to expenditure and the governance system at the EU level. It is important that this framework both enables and incentivises MSs to support the shift to greater sustainability, supporting interventions of sufficient ambition and scale. It should not create barriers to prioritising expenditure on increased sustainability.

However, there are major questions about whether the proposals now on the table fit this requirement. Both risks and opportunities arise in relation to the architecture of the proposed MFF, the division of the funding available and the specific mechanisms that MSs can or must use. Several elements of the proposals invite scepticism, risking a dilution in the CAP's environmental and climate ambition and spend. For example, environment and climate objectives have been downgraded and are missing from the core objectives of the NRPF, despite their presence within the CAP regulation. More broadly, the Commission has been suggesting that there is a tilt in the balance in favour of incentives rather than regulation and hence conditionality requirements (now termed farm stewardship) are being weakened in favour of providing farmers with incentives to take action. Yet the significant increase in the allocation of the CAP budget towards environmental incentives which this shift implies does not seem likely to occur under the current package.

Building on IEEP's initial review of the CAP proposal and its seven key recommendations[2], in this paper, we explore three of the key issues for the environment and suggest concrete ways forward that could be adopted as negotiations on the Commission's regulatory package intensify in 2026. These issues are:

- The question of ring-fencing CAP funding on environmental interventions., currently absent from the proposals. Discussion of this issue leads to an examination of the role and utility of the proposed expenditure tracking system with reference to the climate and biodiversity. It also exposes the strong case for removing the proposed requirement on MSs

[2] Hart, K & Baldock, D (2025) The post-2027 CAP and MFF proposals for the EU: first reflections on their environmental implications, Briefing, Institute for European Environmental Policy, Brussels.

to pay a minimum of €130 per hectare to farms benefitting from the new system of Degressive Area Based Income Support (DABIS).

- The proposed new support mechanism for transition to more sustainable production systems.
- The envisaged governance arrangements for the post 2027 period.

In assessing potential implications for the environment/climate, it is important to consider how MS authorities might be expected to respond to new policy frames and funding arrangements set at the EU level. This is inherently uncertain and naturally will vary considerably between MSs and between regions in some cases. We cannot be sure of the outcome and of course the influence of unplanned events and decisions arising in the period up to 2034 may be considerable. Nonetheless, judgements need to be made in designing and assessing proposals. This paper draws on past experience, including of the process of designing and reviewing CAP strategic plans and early evaluations of the adopted versions as well as simple economic and administrative logic. It is informed by the initial reactions and commentaries from various organisations and experts since the publication of the proposals, both those that have been published and those expressed at events and through conversations with a range of actors with differing perspectives in the policy community.

1. New funding arrangements: risks for the environment and climate

In IEEP's first reaction to the Commission's CAP proposals, we identified a significant risk that MSs would not be incentivised or even be in a position to prioritise as much of their budgets to environmental and climate action as is currently the case. There were multiple reasons for this, including: the absence of any ring-fencing requirements for funding of environmental and climate schemes; the change in the rules concerning conditionality requirements meaning that in future, MSs will be permitted to offer payments to farmers for meeting such standards; and the larger number of compulsory measures to which funding must be allocated.

Here we focus more sharply on one of the key risks, the lack of ring fencing and the associated question of whether the proposed rules for tracking expenditure on climate and biodiversity offset this risk.

Ring-fencing of environmental, climate and animal welfare funding in the CAP

From an environmental sustainability perspective, the **most prominent apparent step backwards in the proposals is the removal of ring-fencing requirements for environmental and climate funding under the CAP, which also covers animal health and welfare.** These requirements are currently in place both for eco-schemes under the European Agricultural Guarantee Fund (EAGF) and for a range of environmental, climate and animal health and welfare interventions under the European Agricultural Fund for Rural Development (EAFRD). These have assured that a minimum proportion of CAP funding is focussed on environmental, climate and animal health and welfare objectives.

There has been a form of ring-fencing of CAP funding for environmental purposes since the CAP reform of 2013. There is good reason for this. Studies have shown that the resources required to address environmental and climate needs and priorities in rural areas far exceed those available from EU funding sources[3]. Nonetheless, **given the numerous economic and social priorities also facing MSs, funding for environmental and climate purposes often does not get the level of priority required**.

If environmental budget allocations are examined from previous programming periods, it can be seen that a number of MSs have allocated the minimum proportion required[4] and one can surmise that this could have been significantly lower had the ring-fencing requirements not been in place. Hence there is a clear risk that environmental ambition and expenditure will fall in the EU as a whole without ring-fencing.

However, there is also a second important consideration. Under the proposed post 2028 model, while the position will vary between MSs, most will have considerable flexibility over the composition of their CAP related expenditure. Given this, the removal of ring-fencing for environmental and related purposes has potential consequences for the level playing field between MSs. If the proportion of the CAP spending envelope devoted to the environment in some MSs falls significantly below the level in others where the pursuit of common environmental objectives is being given due priority, **there is the potential for the production sectors in the low spending MS to gain a competitive advantage over those with the higher environmental spend**. This could occur because of greater expenditure on coupled support or farm income support in MSs with low environmental expenditure for example.

Furthermore, because of this potential risk, farming organisations in those MSs which are assessing what level of spend is required for the environment will be motivated to press for a relatively low spend on the environment in favour of more production-oriented interventions, such as coupled support, in order to maximise their competitive advantage. The environment as a public rather than private priority cannot assert countervailing pressure. Therefore, **the outcome is likely to be sub-optimal expenditure on the environment and pressure to keep it below the appropriate level, which could be avoided by the continued presence of a ring-fencing rule.**

Given that ring fencing is in place already and there is no obvious rationale or political pressure to remove it, **the question arises as to the reasons why ring-fencing has been removed from the proposals**? The answer to this is not immediately obvious. The proposals themselves do not include a clear rationale for the removal of the ring-fencing requirement. However, four potential objections could be considered:

[3] See for example: EEA (2026) Making agriculture, energy and transport climate resilient: how much money is required and what will it deliver?; EEA (2025) Thematic Briefing; Europe's environment 2025, 1.8 Biodiversity investment needs; Food Drink Europe, 2023 - Funding the EU transition to more sustainable agriculture: discussion paper.

[4] Ecorys, Metis, and Agrosynerg (2023) Mapping and Analysis of CAP Strategic Plans: Assessment of joint efforts for 2023-2027

- The **"simplification"** argument, positing that MSs should be given the greatest flexibility within their budgetary envelope and so constraints like ring-fencing removed systematically. However, it is difficult to understand why the proposals introduce new ring-fencing requirements, previously absent from the CAP (e.g. for the crisis reserve and new proposals regarding minimum expenditure in rural areas), whilst removing one that has operated satisfactorily and has a clear rationale in terms of both advancing sustainability objectives and protecting the level playing field.

- The **"contagion"** argument i.e. the fear that bringing in an additional ring-fencing requirement could trigger demands to introduce further ring-fencing in other areas of interest, causing a growing and over complex web of such requirements. However, this overlooks the fact that environmental ring fencing is in place already, it is familiar to national authorities and has a clear value, making it distinct from other ring-fencing options that might be proposed in the coming negotiations.

- The **"dilution"** argument, namely that creating an obligation on MSs to spend a significant sum on environment related measures could incentivise the introduction of basic, easy entry, low ambition schemes in some MSs, simply to comply with the ring-fencing requirement and ensure that the funding available is spent relatively easily. Oversubscribed eco-schemes offering limited environmental value added under the current CAP might be an example in some MSs. So, in simplistic terms, a larger budget for environment-focused interventions may not ensure the roll out of high-quality, effective schemes. It is clear that scale of budget in itself is no guarantee of quality of expenditure. However, in the next CAP period the MSs will have much more experience to build on, will not be subject to a separate ring fence for eco-schemes, as applies now, and in principle should have a stronger incentive to pursue better environmental and animal welfare outcomes in the light of rising expectations and the need to respond to the environmental and climate targets that lie ahead.

- The **"redundancy"** argument, positing that ring-fencing is not needed because the environment and climate tracking system proposed in the regulations will be sufficient to steer MS plans in the required direction without need for the additional ring-fencing. However, in our view this is not the case. The reasons for this are set out in the next section.

The **question then is how ring-fencing would work in the proposed new model of the CAP**, where the division between EAGF and EAFRD is removed and the distinction between AECMs and eco-schemes also disappears. The present system could not be just rolled over. Two aspects are considered here. First the question of which interventions under the CAP would be subject to the ring fencing rules and second the question of the level at which the ring fencing should be set.

a) Interventions to be ring fenced. Here it is logical to focus on those interventions with a clear environmental or animal health and welfare rationale. This would include all elements of Article 10 of the proposed CAP Regulation, which is concerned exclusively with agri-environmental and climate actions, together with animal health and welfare. However, there are some Articles in the Regulation that define interventions which cover a spectrum of different activities - some clearly environmental, others not. Article 13 dealing with

support for investment is a case in point. Consequently, a sharper focus could be achieved by **selecting specific "Intervention fields"**, a classification system introduced in Annex 1 of the draft Regulation on budget expenditure, tracking and performance (COM (2025) 546 – the Performance Framework). This groups interventions across the MFF according to their purpose. Those fields proposed to qualify for inclusion in environmental ring-fencing post 2027 would be:

- #12 (Support for environment and climate practices, including climate resilience measures)
- #13 (Support for environment and climate transition, including climate resilience measures).
- #14 (Support to comply with mandatory requirements)[5];
- #15 (Green investments, including climate resilience measures).
- # 17 (Investments and commitments to improve animal health, biosecurity and animal welfare).
- #34 (Agroforestry systems, including climate resilience measures).
- #35 (Forest – environmental and climate commitments, including climate resilience measures).
- #37 (Green investments in forest and forestry, including climate resilience measures).

Taken as a whole, these intervention fields would cover the relevant spheres of expenditure in agriculture and forestry and would be easily identifiable, making ring-fencing practical. Unlike in the present ring-fencing rules, payments for natural or other area-specific constraints support for areas with natural constraints (ANC, Article 8 of the proposed CAP Regulation and represented by intervention fields #10 and #11 in the new proposal) would be excluded as it does not require environmentally or animal welfare directed management on the farmland in question. Should some or all of the ANC budget be programmed by a Member State against any of the environmentally focused intervention fields listed above, special attention would need to be given during the approval process to check that the support genuinely did focus on delivering environmental or animal health and welfare outcomes.

b) Ring fencing level for the next CAP. At present the environmental ring-fencing level is set at 25% of EAGF direct payments devoted to eco-schemes and 35% of EAFRD rural

[5] The inclusion of this field could be questioned given that it is the mandatory nature of the requirements in Natura 2000 areas or in zones imposed via the Water Framework Directive that gives rise to the environmental benefit, not the payment per se. However, the objectives are clearly environmental so it has been included in this list.

development payments devoted to environmental, climate and animal welfare actions[6]. It is concerned only with the EU portion of expenditure and not the MS portion. There is no clear reason to lower this level and a good case for raising it, given the need both to meet increasing environmental requirements on farms and address the mounting impacts of climate change.

As a starting point, the scale of the present ring-fence can be established by reviewing approved expenditure under the current CAP, drawn from Commission summaries of the MS CAP Strategic Plans. This shows that for the current period, 24% of EAGF is allocated to eco-schemes and 48% of EAFRD allocated to the environmental and animal health/welfare measures within this fund (so over the 35%). In total this equates to 29% of total EU programmed expenditure for 2023-29 or 76.3 billion euros. The ANC part of this total, (50% of the total EU allocation to ANC) is about 5 billion euros, so when this is taken out of the equation, then the ring-fenced amount as a percentage of total planned EU expenditure comes down to about 27% (71 billion euros).

These figures suggest that simply to retain the status quo in the post 2027 CAP, where the distinction between the EAGF and EAFRD no longer applies, would require an environmental/animal welfare ring-fencing requirement, excluding ANC, covering at least 71 billion Euros prior to an inflation adjustment. This figure would exclude expenditure on ANC, or more precisely, on Intervention Fields 10 and 11 in the proposed new regulatory framework. On current expectations of the budget this might amount to around 25-30% of overall the EU part of CAP expenditure for the period (i.e. excluding national contributions). However, this would be a minimum, with a significantly higher level justified by the scale of the challenges up to 2034. In addition, MSs will need an increased level of environmental expenditure if they introduce payments to farmers for complying with what are now GAEC requirements, as permitted in the proposed CAP rules without any reduction in their current levels of environmental expenditure up to 2027.

Even without allowing for inflation, a modest increase of 10% would take the target of total ring fenced EU expenditure nearer to 80 billion Euros. This might be an appropriate starting point for negotiations over the size of the ring-fence, which would be translated into percentage requirements for MS plans, taking into account the target and exact method of calculation adopted.

This calculation is indicative and sensitive to the precise assumptions being made. However, on this basis, the **minimum level of environmental ring-fencing should be in the region of 71 to 80 billion Euros adjusted for inflation.**

This magnitude of ring-fenced EU funding might be lower than the existing percentage without the inclusion of ANC expenditure. Nonetheless, it would be a significant sum and there would need to be sufficient headroom within MS CAP envelopes to allow them to comply with this requirement. However, early analysis shows that some MSs might find that they have

[6] The 35% ring-fencing can be made up of financial allocations to a pre-defined list of interventions, which are: Environment/Climate Actions; Area-specific disadvantages, Areas of Natural Constraints (only 50%) and investments for environment, climate and animal welfare purposes.

insufficient budgetary headroom inside their national CAP allocations to reach such a target given the proposed rules on income support for farmers and the proposed Degressive Area-Based Income Support (DABIS) system[7]. This constraint is difficult to justify and would be a barrier to setting an appropriate level of ring fencing. **One simple way to remove it would be to eliminate the proposed minimum per hectare payment under DABIS of €130, leaving MSs to set their own level as they wish.** This has merits as a form of simplification and would not create threats to the competitiveness of other MSs choosing to retain higher area payment levels so does not appear to be problematic with regard to protecting the EU Level Playing Field.

The tracking system

In discussions surrounding the proposals, one of the arguments that has emerged, as noted above, seems to be that ring-fencing a proportion of the CAP budget for environmental purposes is unnecessary, due to the fact that 43% of the total expenditure within NRPPs will have to be allocated to addressing climate and environmental objectives, under the expenditure tracking rules (Article 4, NRPF Regulation). However, this is to confuse two very different mechanisms.

Ring-fencing a proportion of the budget for environmental, climate and animal health/welfare purposes, means that MSs must programme that funding to interventions in active pursuit of those objectives. The expenditure tracking mechanism is quite different conceptually. It **provides a means of ex ante 'tracking' of how funds are allocated across the whole EU budget to different categories of expenditure** (and hence the activities due to be supported). In the case of the environment, it covers the fields of climate mitigation, climate adaptation and support for biodiversity, using three coefficients (0%, 40%, 100%), to demonstrate the **expected contribution of funded activities, scoring each separately.** These coefficients are pre-allocated to each intervention field**,** building on the approach taken by the OECD[8] for measuring the climate flows of funding under the Rio Conventions.

The three coefficients are assigned to the funds based on whether expenditure expected to be allocated to certain activities (covered by an intervention field) is intended to make a 'substantial' (100 %) or a 'non-marginal positive' (40 %) contribution towards achieving climate mitigation, adaptation or biodiversity outcomes. A 0% coefficient is allocated to activities expected to have a neutral effect (Article 4 of the NRPF and explanatory memorandum 17). For example, if the activities set to be funded under a particular intervention field are considered to have the potential to make a substantial contribution to climate mitigation (CCM), adaptation (CCA) or biodiversity (ENV), then the full 100% would be counted as relevant. However, if the activities are considered to have the potential only to make a moderate contribution, then 40% of the budget would be counted as climate/biodiversity relevant.

[7] Matthews M (2025) Commission proposal could allow significant increase in CAP basic payments in many countries, 23 July 2025

[8] The Rio Markers approach was established in 1998, to track external development aid for climate mitigation, biodiversity and desertification aid. In 2009, an additional marker was created to capture flows for climate change adaptation

The proposed performance framework has identified the coefficients relevant for each intervention field separately for climate mitigation, climate adaptation and biodiversity. However, for the purpose of calculating the proportion of the budget allocated to these outcomes, the highest coefficient is taken. The coefficients are set out in Annex 1 of the proposed Performance Framework regulation (PFR - COM(2025)545). Table 1 sets out the main intervention fields associated with the CAP with their coefficients, excluding those where all coefficients are 0%.

The tracking system provides a useful high-level tool for assessing the potential climate/biodiversity component of planned expenditure within the overall MFF. However, two important limitations need to be underlined. **First, figures that derive from the use of the coefficients under the EU's expenditure tracking are often misunderstood. Second, there are certain specific challenges in applying the approach to the CAP element of the MFF, particularly in the way proposed in the draft regulations.**

Taking the wider issue of potential misunderstanding first, the estimates of expenditure in euros arising from use of the tracking method can be mistaken as figures representing the actual amount of expenditure that is programmed to deliver climate or environmental benefits. However, this is not the case. The **figures simply provide an indication of the scale of intended expenditure that may be linked to climate or environmental related activities.** They shed no light on the activities eventually funded in practice or their actual impact on the environment which will depend on factors such as the design and execution of funding schemes by MS authorities, the opportunities available and the skills of beneficiaries. These figures are purely indicative**. Furthermore,** because there are only three coefficients, there is an unavoidable coarseness to the estimates which are not designed to provide any degree of precision as to the composition of intended expenditure. Nonetheless, understood correctly, in principle the tracking system can play a useful role in providing an overview of the nature of the MFF and guiding MSs towards adopting lines of expenditure and providing funding to activities that align in broad terms with EU climate and environmental goals.

Arguably the system is most suited to expenditure that is disbursed as aid for specific activities or projects with well-delineated purposes, such as investments in renewable energy. The challenge in the sphere of agricultural expenditure and in relation to the CAP is that a considerable portion of spending is not of this kind. The tracking method is less well suited to forms of expenditure, such as support for ongoing management of agricultural land or income support to farmers. Here the objectives generally are not primarily environmental, although there may be some environmental conditions in place. Furthermore, the environmental outcomes are likely to be diverse and not easy to anticipate with any precision.

Expenditure tracking coefficients for the CAP have been criticised in the past for significantly overestimating the climate and environmental contribution of the CAP[9] and the proposals for the 2028-34 period seem to continue in this vein. There are three reasons for this.

[9] See for example: ECA (2016) Special report no. 1, 2016 "Spending at least one euro in every five from the EU budget on climate action: ambitious work underway, but at serious risk of falling short". European Court of Auditors; Nesbit M, Stainforth T, Hart K, Underwood E, Becerra G (2020), "Documenting

First is the nature of expenditure under the CAP, as noted above. Within the CAP there are several intervention fields in which the relationship between the planned expenditure and the expected impact of potential budgetary flows is difficult to predict with any confidence, particularly in the many fields with where the environment is not the primary or even secondary objective and there are not significant binding environmental conditions attached to the payment. In these conditions it is difficult to check the tendency for over optimistic estimates.

Second is the **nature of the coefficients** and the way they are applied to the different CAP intervention fields. Having only three coefficients makes the tracking system relatively simple to operationalise, however it means that it offers only a coarse picture of the expenditure actually programmed for environmental and climate purposes. For example, 20 intervention fields have 40% or 100% coefficients allocated to them. Some of these have been allocated to intervention fields the potential environmental and climate contribution of which is questionable. **Cumulatively, this could lead to a significant overestimate of environment/climate related expenditure under the CAP**. For example:

- The 40% coefficient is applied to 'targeted support to farmers' income' (#1), which does not have environmental or climate objectives. This is presumably justified on the basis that to receive income support farmers must comply with a set of mandatory standards, currently comprising good agricultural and environmental condition (GAEC) but these are due to be slimmed down in the post 2027 CAP. This does not seem a credible score.

- Coupled support currently (2023-2028) has a 0% marker attributed to it. However, in the proposals, the relevant intervention fields seem to be 'support to farmers in sectors in need' which have been broken down into four different categories (#2-6), the majority of which have been assigned markers of 40% or 100%. The 100% coefficient is given for climate change mitigation for expenditure for 'protein crops and their mixture with grass' as well a 'grasses and other herbaceous forage' despite the fact that many of these areas are likely to be ploughed and reseeded, thereby releasing GHG emissions into the atmosphere. Coupled support for ruminant livestock, which incentivises livestock production above levels arising in its absence is given a 0% coefficient for climate change mitigation but a 40% marker for climate change adaptation and environment, despite the fact that the support to these sectors rarely has any environmental criteria attached to it[10].

- A 100% marker for biodiversity is attributed to 'support to farmers in mountain areas' and 'support for beekeeping' despite the fact that not all expenditure under these intervention fields will have biodiversity benefits.

The third reason that the coefficients are **likely to lead to an overestimation** is the fact that the 43% target for climate and environment spending under the NRPF is to be calculated '***by***

climate mainstreaming in the EU Budget – making the system more stringent, transparent and comprehensive", European Parliament, July 2020

[10] See for example European Commission (2026) Analytical Brief No 13: Grassland and livestock dynamics: How grazing management sustains and shapes European grasslands

using the highest coefficient *amongst climate mitigation, climate adaptation and resilience, and environment of the framework" (Article 4). [own emphasis]*

Only three intervention fields have all three coefficients as 100%. These are the main genuinely 'green' intervention types – those relating to support for environmental-climate commitments in agriculture and forestry as well as support for transition to more sustainable production systems. In contrast, a further seven interventions fields would still have the entirety of their budget count towards the 43% target due to the fact that they have at least one 100% coefficient even though the other coefficients are lower. Indeed, in two of these cases the other coefficients are 0%. Only in eight cases are the coefficients the same for all three of the environmental categories.

Table 1: Main CAP relevant intervention codes and expenditure tracking coefficients

#	Intervention field	CCM	CCA	ENV
2	Targeted support to farmers income	40%	40%	40%
3	Support to farmers in sectors in need, protein crops and their mixture with grass	100%	40%	40%
4	Support to farmers in sectors in need, grasses and other herbaceous forage	100%	40%	40%
5	Support to farmers in sectors in need, ruminants' livestock sectors	0%	40%	40%
9	Outermost regions and Aegean islands – Support to local agricultural production	40%	40%	40%
10	Support to farmers in mountain areas	40%	40%	100%
11	Support to farmers in areas with other natural constraints	40%	40%	40%
12	Support for environment and climate practices, including climate resilience measures	100%	100%	100%
13	Support for environment and climate transition, including climate resilience measures	100%	100%	100%
14	Support to comply with mandatory requirements	40%	40%	40%
15	Green investments, including climate resilience measures	100%	100%	40%
17	Investments and commitments to improve animal health, biosecurity and animal welfare	0%	0%	0%
21	Support for beekeeping	0%	0%	100%
26	Enhance access to innovation in agriculture	40%	40%	40%
28	Support to risk management measures, including climate resilience measures	0%	100%	0%
29	Crisis payments to farmers, including to restore the production potential and exceptional market measures	0%	40%	0%
34	Agroforestry systems, including climate resilience measures	40%	100%	100%
35	Forest – environmental and climate commitments, including climate resilience measures	100%	100%	100%
37	Green investments in forest and forestry, including climate resilience measures	40%	100%	40%
38	Prevention and restoration of damage to forests, including climate resilience measures	100%	100%	40%

#	Intervention field	CCM	CCA	ENV
40	Setting-up support for foresters	40%	40%	40%

CCM = climate change mitigation CCA = climate change adaptation ENV = environment

Source: Annex 1 of COM(2025)545

In conclusion, the tracking system as proposed has considerable weaknesses when applied to the CAP element of the MFF. Improvements could be made, for example to the scores allocated to different intervention fields. However, even with less optimistic scoring, the expenditure tracking system would still contrast with the established system of ring-fencing which has the advantage of being restricted only to those intervention fields with clear environmental objectives and/or conditions on payments, resulting in a much higher level of confidence that the actions supported will add environmental value when expenditure flows. Ring-fencing also incentivises MSs to invest in those measures with explicit environmental ambitions. For all these reasons the MFF expenditure tracking tool is not a substitute for a ring-fencing obligation.

2. Support for transition

A new and welcome aspect of the proposals in terms of supporting sustainability is the inclusion of a new policy tool that MSs can utilise with funding under the CAP. The rationale for this is set out in preamble 7 of the CAP proposal (COM(2025) 560) which states that "*[…] The CAP post 2027 should accelerate the transition towards more sustainable production methods, contributing to climate-neutrality objective by 2050*". It then refers to *"[…] agri-environmental and climate actions which support commitments beneficial for the environment, climate and animal welfare and a transition towards more resilient production systems"*.

The policy vehicle for providing support for transition towards more resilient production systems is outlined in Article 10 of the proposed CAP regulation. This states that MSs *shall provide* incentives for two types of action beneficial for the climate, environment, animal health and welfare and sustainable forestry. One of these is the established model of agri-environmental schemes, including those to maintain organic farming where the farms in question are certified and as well as extensive livestock production. The second type of action is set out in Article 10 (1) (b) and requires MSs to put in place incentives for *"voluntary transition towards resilient production systems carried out by farmers at the level of the holding or for part of a holding, including conversion to organic farming and extensification of livestock systems […]"*.

While it is already permissible to offer transition aid to farmers converting to organic production and most MSs do so, the option of transition aid for broader environmental/sustainability purposes is new. In Article 10(4) it is specified that funding for transition can be granted only where the farmer has drawn up a transition action plan and this has been approved by the MS in question.

The purpose of the transition funding is vague, however, with the only high-level rationale set out in preamble, 7, and only in relation to climate mitigation. This vagueness, if it were to remain, might be welcomed by some MSs as potentially giving them a lot of freedom in setting the goals and designing transition plans. However, it has several drawbacks. One is that there

is no requirement on MSs to design the parameters for this transition tool so that it addresses key sustainability objectives in an effective way, beyond setting out in their NRP Plans those production systems that they deem beneficial for the climate and environment (Article 10(1)(4)). Given this, there is the danger that unguided and unconstrained national funding could provide limited added value for the environment and animal welfare and might allow too great an emphasis on the economic dimension of sustainability. In addition, without more clarity MS administrations might be reluctant to invest in proposing options for this type of funding out of concern that they might be vulnerable to critical reactions by the Commission, or, in the longer term, possible disallowance of expenditure.

Consequently, greater specificity about the purpose and the corresponding character of transition aid beyond the organic sector would be helpful in the coming months, not least for MSs and MEPs seeking to analyse the proposals and come to a view on their merits.

Several elements of the core idea in the regulation could be developed, aiming to ensure that interventions add value at the national and EU levels and effectively support the acceleration of transition.

Some initial ideas for developing the transition funding proposals are sketched below:

Definition, objectives and intervention logic

There are many forms of progression in land and livestock management that are taking place on farms all over Europe currently and are likely to occur in future, some of which do not require public sector support. Defining what transition means in the context of this CAP support measure is therefore important and not immediately self-explanatory from the proposal text. Some suggestions for criteria to be applied to the measure and the transition action plans are set out in Box 1. Once this is clarified, then clear objectives for the support can be put in place by MSs.

Box 1. Defining transition

Defining what is meant by 'transition to resilient production systems' is an important precondition for setting clear objectives and ensuring that the funding provides added value. Some simple criteria should be developed to provide greater clarity on the scope of the measure. For example:

- In all cases, the types of transition to be funded should lead to a palpable system change or step change in the current management regime, not simply a gradual set of limited adjustments in practices.
- Clear objectives should be spelled out and the types of production systems deemed to be in scope by the MS should be based on evidence.
- Given the policy and funding cycle under the CAP, the transition action plans would probably not extend over more than five years. Consequently, a step change should be achievable over such a period, accepting this will need to be estimated ex ante and cannot be completely assured.
- In principle, the changes funded should not be reversed once the funding ceases. The funding should provide a stepping stone from one system to another and transition

action plans should set out how the 'new normal' is intended to be maintained once the transition has taken place.

The regulation stipulates that farmers would be the beneficiaries of transition funding, and it seems likely that the intention is to focus on the management of farmland. None the less, there is a reference to sustainable forestry in Article 10 (1) and the management of existing or new woodland on a farm might be a useful part of a transition plan. In some cases, a transition could involve a change in land use, such as the establishment of trees or the re-wetting of peatland now drained and managed for agriculture. Such elements in plans should be permissible and indeed promoted where they align with agreed objectives for the locality.

Transition aid will not add value at an EU and national/regional level unless the **objectives of the funding and the production systems considered in scope** by the MS correspond to clear and specified sustainability objectives**,** which should be spelled out, based on evidence and be measurable, at least to some degree. **MSs should be required to specify such objectives and set out a clear intervention logic for transition support in their NRP plans** so that they are transparent and are visible to the Commission. As it is a new measure it could be helpful for the Commission to produce guidance and examples in advance whilst giving MSs scope for originality and adaptability to local conditions. The end point would need to be a higher level of sustainability and environmental benefit than required by law and a clear shift from the status quo.

For example, the objective could be a significant and potentially measurable reduction in GHG emissions arising from a substantive change within a particular production system, either on a specific farm or group of farms over a given time period. Another example might be more local, applying within a catchment where a significant reduction in livestock numbers, on one or more farms, was required to bring nutrient loading down to a level where farmland habitats could support valued wildlife species and nature restoration could be achieved. This would amount to system change.

To demonstrate added value, funding for transition should be targeted - not only according to sustainability priorities at an EU as well as national level, but also according to demonstrable need and value for money. Based on the evidence, transition support would then be targeted on those farm system transitions that are required to improve sustainability but currently are not progressed because of identifiable barriers in the form of costs or risks that CAP support could overcome. It should be possible to demonstrate where transition aid could best be deployed to remove barriers associated with either a) the level of economic risk involved for the farmer, for example if harvests could be lower as new farming systems are put in place, or b) the extent of capital expenditure required is too great, going beyond the farm's means or c) new skills need to be developed or brought into the farm or d), some combination of the above.

To provide value for money and to support ongoing transition, funding for transition should also be restricted to those farms planning to sustain the core of the changes made beyond the five-year funding period, unless there are compelling reasons not to. In many cases, this may not be an issue as the transition has made the farm more viable economically as well as more

sustainable. For example, there may have been a shift to regenerative agriculture, cutting input costs and improving competitiveness in the market.

However, in other cases transition might be towards a system which provides a significant improvement in environmental benefits, such as a much-enlarged area of valued habitat, increasing the flow of public goods but not the economic viability of the farm. In such cases it is important that farmers become eligible for other forms of support, such as agri-environment schemes, once they have made the transition. MSs should be encouraged to develop such pathways in their NRP plans. At the same time, transition action plans should set out not only the steps to be taken on the farm and the funding involved but also how the farmer envisages sustaining this 'new normal' once the transition has taken place. This may or may not require ongoing funding. For organic, there is a requirement for maintenance payments to be made available (Article 10(2)). For other farms the post transition management regime may be economically viable without further support but where ongoing aid is required and justified, different AECA schemes potentially would be a good source of support. However, this requires enough funding to be available - another reason for ensuring that sufficient funds are ring-fenced for environmental purposes, as mentioned above.

Nonetheless, there will still be cases where reversal of the transition without legitimate due cause could occur (such causes might include technological failure, ill health, the closure of critical local infrastructure etc). A straightforward way to counter this would be to require the beneficiary to make a commitment for a period of years following the end of the transition during which they would be liable to repay part or all of the aid if they reversed the transition without being able to demonstrate due cause. Achieving such a safeguard without putting an onerous bureaucratic process in place would be the objective. The expectation would be that detection of such reversion would not necessitate a dedicated monitoring programme but would be picked up in the course of more routine farm inspection and monitoring arrangements. Sanctions would be required only in the worst cases.

Oversight within national administrations

Objectives, targeting and safeguards for sustaining the new modes of production beyond the lifetime of the transition funding, including the corresponding elements that the transition action plans would be expected to contain could in principle be defined by relevant ministries, government agencies, and other relevant stakeholders, including more local bodies, such as national parks, environmental agencies or those managing water supply and catchments, or indeed by certification bodies where these have the competence and expertise to do so.

Ascertaining whether or not transition action plans are considered robust and concrete enough to deliver a shift towards 'resilient production systems' and likely to deliver the outcomes suggested will be an important element of the process for granting funding, as will assessing whether or not the outcomes have been achieved satisfactorily. Whichever body is checking the plans needs to know and be able to delineate what is considered 'resilient' and whether what is proposed in plans is likely to deliver this. Approval could be carried out by a range of suitably qualified bodies depending on the nature of the transition and perhaps the location. This could be a certification body or another type of authority. Monitoring, control and certification issues might be a useful topic for a new working group of MSs and expert

representatives, starting work in 2026/27, ahead of the introduction of the new CAP in January 2028.

An initial period of research, consultation and evidence gathering by management authorities may be needed, not least to determine the most worthwhile opportunities, what types of transition are in scope and how best to target them, in terms of value added, spatial location and other considerations. This initial work could commence in the MSs before 2028 once it is clear what will be required and guidance is available. Following this in a first phase implementation could begin with a relatively small number of agreed transition types.

The intention of transition aid is to supplement private investment, not to displace it. This is partly an issue for the targeting system and the rules attached to the support but it is also a question of creating enabling conditions. For example, MS managing authorities could launch pilot schemes and other initiatives to trial new approaches to drawing in financing streams from different sources. Where possible, beneficiaries should be encouraged to seek and utilise any additional private sector funds in addition to the public funding under the aegis of the CAP and the aid package might need to include advice and practical support for farmers aiming to do this. In some cases, it might be possible to draw on funding or assistance in kind from supply chain partners for example to help with capital investment, associated research, market development, investment in skills, collaboration with other neighbouring farmers etc. However, farmers may be discouraged from pursuing such possibilities by the time involved, data requirements, paperwork and other transaction costs. Where appropriate, it should also allow for some of the costs to farmers of securing private sector support to be treated as part of the overall transition cost and so eligible for aid under CAP supported schemes. Guidance could help MSs to consider ways to promote synergies in their national and regional conditions.

Types of costs covered by transition funding and the lump sum model

The text of the draft regulation does not specify what form transition aid might take but in recent months the Commission has indicated that it has in mind a type of lump sum payment payable in instalments in return for a commitment to following an approved transition plan (Article 10(4)). Typically, this type of model involves payment of instalments for activities and / or outputs agreed in advance but paid only once these are completed or milestones are reached. There could be some similarities to funding available under the current CAP for the installation of young farmers, new farmers and rural business start-ups**.** It is proposed that support be limited to €200,000 per farmer per programming period (Article 36(2) of the NRPF), although this figure is in square brackets and subject to the interinstitutional negotiations.

The costs of transition to the farm will vary according to what is involved and the specific conditions on the farm. In some cases, it might comprise higher costs and less certain returns per hectare e.g. when changes are being made to arable crops or permanent crops and new systems are going through an establishment and sometimes trial and error process as the farm adapts to their use, overcomes challenges, makes modifications as required and embeds new approaches into longer term plans . Typically, this will arise where the aim is to change soil management, reduce or eliminate the use of certain inputs and adopt regenerative systems. In other cases, the main costs might comprise investment in new buildings, equipment, landscape

works (to improve water management and create new habitat for wildlife) etc. Other costs might include:

- Advice from outside sources
- The collection and management of new data
- Acquiring new skills for the existing farmer
- Buying in skills and specialist work from outside the farm
- Establishing and running new monitoring and IT systems
- Increased interactions with neighbouring farms and/or relevant agencies such as water authorities whilst defining and operating new farm management regimes
- Certification costs if these are involved. The introduction of transition aid may provide impetus for the development of new certification schemes setting sustainability standards.

Given this spectrum of costs, it is important that the scope of the lump sum aid proposed by the Commission is wide enough to cover the relevant costs and risks while avoiding double funding. This may be the case, judging from the example given in the recent Factsheet on fostering farm sustainability published by the Commission but will need to be clarified.

Avoiding complexity and excess bureaucracy in any scheme is clearly a high priority both for farmers and administrations. The lump sum model has the advantage of simplicity but relies on the capacity of the farmer to prepare a robust bespoke transition action plan anticipating the forward costs of transition (with external help if required) and the capacity of public administrations to assess proposals thoroughly but fairly swiftly and then to monitor implementation and outcomes in an efficient way without excess bureaucracy. This points to the need for capacity building on both sides of the process, preferably starting in advance of the commencement of the new CAP in January 2028.

Consideration should also be given to the rules about the basis on which payments are made as these may need to adapt to the realities of planning agricultural transitions, which may not necessarily go exactly according to plan given the uncertainties often involved. For example, a binary judgement about whether the Plan has been completed fully or entirely satisfactorily, yes or no, might be tricky and the prospect of this might be sufficient to deter both public administrations and farmers from embarking on plans involving such a rule. Flexibility might need to be allowed to allow adjustments to the transition action plan over time if what is proposed does not work for some reason.

2. Governance and assessing performance

In the current programming period, CAP Strategic Plans (CSPs) are submitted and approved as standalone plans. **In future, MS proposals for implementing the CAP instruments will form one 'chapter' within a much broader NRPP, which will cover all the funding available under the NRPF**. As such, it will be subject to rules and governance requirements that are

common to all elements of the NRPPs. A new performance framework is also proposed that is common to all EU budget expenditure, and hence to all activities funded via the NRPPs.

The governance rules and procedures are particularly important because the environmental and climate ambition of the CAP chapters and the NRPPs more broadly will depend on the decisions made by MSs as well as the leverage the Commission has to influence the content and coherence of these plans.

Not all the proposed governance arrangements applicable to future CAP-related elements in the MFF are entirely clear at this point, particularly to observers outside the bodies involved in the negotiating process. The CAP element of the MFF will be subject to rules that apply to expenditure across the whole MFF as well as those specific to the CAP and some of the governance machinery utilised in the present CAP is being modified to align with the new horizontal framework for the NRPP and the MFF more widely. The balance between flexibility for MSs in expenditure choices and binding EU wide rules overseen by the Commission is changed by the new framework and the specific levers available to the Commission to influence national and regional plans are altered. The Commission appears to be losing leverage in certain areas and potentially gaining it in others. We are mindful of this in offering an overview of a selection of governance issues that seem particularly relevant to the environment in the sections below.

Weakened environmental obligations for Member States preparing their plans

MS decisions on the content of their CAP chapters will be informed by the architecture and conditions in place under the proposed CAP regulation. As highlighted above, there are some significant flaws with the current proposals that cast doubt on the extent to which MSs will prioritise environmental and climate needs within their plans. In addition to those discussed earlier relating to the lack of ring-fenced funding and the larger number of compulsory measures that MSs must programme under the CAP, two further issues warrant attention:

- The removal of the requirement to increase the environmental and climate ambition of the Plans, as required for CSPs in the current period[11]; and

- The watering down of the list of a dozen pieces of EU environmental and climate legislation[12], the objectives of which national CSPs must demonstrate that they contribute as well as ensure consistency[13]. The NRPF proposals only require NRPPs to be consistent with the national restoration plan under the Nature Restoration Regulation and the National Energy and Climate Plans (NECPs), leaving legislation relating to water and soils completely absent[14]. This is a significant omission given the urgency of taking action to

[11] Article 105 of the CSP Regulation (2021/2115

[12] Annex XIII of the CSP Regulation (2021/2115)

[13] see Articles 108, 109 and 115 of the CSP Regulation (2021/2115)

[14] There is no reference to the Water Framework Directive, the Nitrates Directive or legislation relating to pesticides (the Sustainable Use of Pesticides Directive).

improve water resilience in the EU, particularly (but not only) in the agricultural sector as identified in the Commission's own EU Water Resilience Strategy, adopted in June 2025.

There is scope for reversing both these changes in the course of the continuing negotiations over the different elements of the MFF and this would strengthen the environmental orientation of the proposals.

Despite these steps away from environmental ambition in the plans, the governance requirements in the proposals do place a number of conditions on MSs to programme actions that address their environmental and climate needs as well as providing the Commission with some increased leverage to influence the content of the NRPPs, both in setting out the priorities that MSs should address as well as ensuring that these flow through into the plans and their implementation. These are set out in more detail below.

Plan development and approval process

In advance of MSs developing their NRPPs, the **Commission will issue MSs with country-specific recommendations, including on the CAP and these must be taken into account by the MSs**. The draft NRPF regulation states that the NRP Plans must explain how the challenges and country-specific recommendations are addressed and what level of financing is envisaged (Article 22). Although MSs are not obliged to take account of every recommendation, this legal requirement should strengthen the influence these recommendations may have compared to the current period, when such recommendations were also provided prior to the development of CSPs but were not binding in nature. Importantly, MSs must also demonstrate how the NRP Plans '*effectively contribute to […] the environmental and climate priority areas set out in Article 4 of the proposed CAP Regulation … [and] ensure that it contributes to the Union's climate and environmental objectives […]*'. **It will be essential that these provisions remain in the final legislation to reinforce the environmental and climate ambition of the CAP chapters within the NRP Plans.**

Also, slightly stronger than currently is the power given to the Commission, prior to approving the NRP Plans, '*in duly justified cases*', to request the inclusion of additional or modification of existing measures' (Articles 23 and 24 of NRPF). However, the opaque nature of this wording raises questions about what would qualify as 'duly justified' and therefore the extent to which this opportunity would be used, especially within the context of the resource and time-pressures facing the Commission for the approval process[15]. The timetable is very tight, which was a considerable challenge when the current CAP Strategic Plans were adopted.

A further element with the potential to be positive in sustainability terms (but also with significant risks) is the **option for the Commission to 'request MSs to contribute a lower or higher minimum percentage of the total allocation of the plan for climate and environmental objectives'** during the approval process, taking into account the Commission's assessment of MS progress in achieving targets under both their national plans for

[15] The assessment of the Plan or amended Plan from a MS must be carried out within four months of submission after which a proposal is made for a Council implementing decision, which must be adopted within four weeks (Article 23 of the proposed NRPF regulation)

implementing the Effort Sharing Regulation and the Nature Restoration Regulation (Article 22(2)). This allocation is measured by means of the tracking system outlined above, not by any more robust method.

There are **two significant issues and risks** with the way this is drafted. Firstly, is the **possibility made available to allow MSs to lower their minimum percentage allocated to environmental and climate objectives**. As highlighted above, the tracking methodology is already unsatisfactory and produces a result that is not at all an accurate assessment in terms of estimating the proportion of the budget that will be used to address these objectives and it is likely to produce significant overestimates. The second risk is the **limitation of the legislation in scope**, with no mention made of any legislation relating to water, soils or any other EU legislation that falls within the scope of the NECPs, such as those concerning LULUCF or renewable energy. This narrow focus on the ESR is also a weakness as it is inconsistent with the earlier requirement for the NRP Plans to be coherent with the broader focus of NECPs (Article 22).

On the other side of the coin, additional changes relating to the approval process appear to strengthen the Commission's powers to withhold approval if the Plans do not comply with the requirements set out in the regulation (particularly those in Article 22) and in cases where MSs have not addressed any observations or requests for additional information made by the Commission. In these cases, the Commission can set out in writing what the deficiencies of the Plans are and withhold payments for the measures affected until they have been rectified (Article 23(8)).

Finally, it is proposed that the Council rather than the Commission will formally approve the NRP Plans, which is a significant change in the status quo. However, it is unclear what the implications of this might be and whether this is simply a formality or whether the Council would have the power of veto**. Pending clarification, this adds an element of uncertainty to the governance system.**

Assessing performance and evaluation

The new performance framework for EU budget expenditure (PFR) as a whole has a stronger outcome focus than previously and covers all EU expenditure under the MFF. For the CAP, the proposals represent a change in approach, although they do build on the experience with the CAP's existing Performance Monitoring and Evaluation Framework (PMEF).

Indicator framework: One area where there has been a substantive change is the nature of the standard set of indicators to be used to assess the NRP Plans, and the CAP chapter within this. Until now, the CAP has had its own specific PMEF which has evolved over time, but which comprises a system of output, result, impact and context indicators, each with their own role[16].

[16] Output indicators measure the uptake of interventions; Result indicators measure progress towards a target but are intended to act as a proxy for the anticipated effect of an intervention or mix of interventions (e.g. share of UAA under commitments beneficial for soil management, to improve soil quality and biota); Context and Impact indicators are used to assess performance against the CAP's overall

The proposals have removed the impact and context indicators, leaving only output and result indicators. In addition, rather than identifying indicators for individual measures, the proposals allocate output and result indicators to 'intervention fields'[17]. The idea is that each CAP intervention would be assigned to at least one intervention field. MSs would then select, for each intervention field, one output indicator and one or more result indicators from the lists provided [18]. For each output indicator MSs would define the milestone or target[19] for each measure allocated to the intervention field. For the result indicators, MSs must include both the baseline value and the projected target value, including the year when this will be reached (not values for each year as required under the CAP currently). These milestones and target values would be used by the Commission to assess progress towards objectives and once met, payments can be made. This follows the model for the Recovery and Resilience Facility (RRF). However, there are some important exceptions for the majority of the CAP measures as area and livestock-based interventions are exempt from this approach, with payments based on realised outputs (i.e. hectares under agreement), as is currently the case, and there will be no financial consequences if a target for a result indicator is not achieved.

A significant weakness of the proposed Performance Framework is the absence of impact indicators. This is a major backwards step compared to the current PMEF. It is an issue because 'result' indicators act only as a proxy for the anticipated effect of the support provided to beneficiaries, rather than assessing actual impact. They tend to be drafted in terms such as 'share of agricultural area supported' or 'share of supported investments' to achieve a particular environmental or climate outcome. Having said this, three of the proposed result indicators do have the characteristics of impact indicators, namely 'GHG emissions avoided and removals in tCO_2e', 'Increase or protection of soil organic content' and 'Ammonia emissions reduction'. However, the remaining suite of impact indicators that currently exists for the CAP, has disappeared (e.g. those relating to water, soils, biodiversity). Although these may appear later in guidance (pers. Comm.), this would mean that they would not be binding in nature, which means that in practice the use of these impact indicators is likely to be far more limited than is currently the case.

Looking at the result indicators, compared to those under the current CAP, there are a number of differences to note. Although the coverage is similar, there are some notable gaps, as well as several changes in the way the indicators are formulated, with some combined and others separated out (see Annex 1 for a full comparison). The main gaps are set out in Box 2.

objectives and focus on specific outcomes achieved (e.g. amount of carbon sequestered, amount of soil erosion reduced etc)..

[17] As set out in Annex 1 to the Performance Framework proposal (COM (2025)545)

[18] Where the result indicator 'GHG emissions avoided' is chosen, then a second result indicator must also be assigned if one is available.

[19] Milestones are defined as a **qualitative** achievement used to measure progress towards the achievement of a measure. Targets are defined as a **quantitative** achievement used to measure progress towards the achievement of a measure (Article 4, NRPF – COM(2025)565)

Box 2: Differences in result indicators – current PMEF vs proposed 2028-34 Performance Framework

- Livestock emissions and carbon storage in soils and biomass are no longer addressed separately, rather they are covered by the indicator 'GHG emissions avoided and removals in tCO_2e'
- There is no indicator that corresponds with the current CAP result indicator R25 'Environmental performance in the livestock sector' intended to focus on how measures focused on livestock are improving environmental sustainability.
- There does not appear to be an indicator relating to soil management to enhance soil quality, as this has been missed off the list of issues covered by the combined indicator on the 'Share of agricultural area supported to provide environment-climate benefits'.
- There is no indicator relating to Natura 2000 management (CSP indicator R33). In fact, there is no mention of Natura 2000 in any of the indicators proposed in Annex 1 apart from in the context of marine.
- There is no indicator that corresponds to the current CAP indicator R28 'Environmental or climate-related performance through knowledge and innovation'. Although there is a result indicator relating to advisory services it is not linked to environmental and climate performance. No result indicators could be found that linked to EIP Operational Groups.

Other changes are the inclusion of a single combined indicator on the '*Share of agricultural area supported to provide environmental-climate benefits to: water quality, water quantity, biodiversity, nutrient management, pesticides reduction, climate adaptation*', whereas currently each issue has a separate result indicator. It is not clear if this means that one overall figure will be provided to cover all issues. Despite the fact that the same areas can deliver multiple benefits, it is still useful to separate these out, particularly now that the farm practices that will be in scope of environmental measures will have to be identified in the NRP Plan going forward.

Finally, it is unclear why some non-environmental intervention fields are associated with environmentally/focused result indicators. For example, Intervention Field #2 – Targeted support to farmers income is associated with 'GHG emissions avoided and removals in tCO_2e' and 'Increase or protection of soil organic content'.

MSs will be required to demonstrate progress against the milestones and targets set for their output and result indicators (see below) on an annual basis (Annual Performance Reports) and annual review meetings will be held, as is currently the case. In addition to this, an automated data system will be introduced to enable real-time data exchange between MSs and the Commission which will allow for continuous monitoring of progress over the year (Article 14, PFR). However, the two-yearly performance review would no longer be a requirement. This was the point at which the Commission could request that MSs submit action plans to overcome issues of 'significant and non-justified underperformance' (preamble 19 and Article 135 of Regulation 2021/2115). Instead of this, if the indicator milestones and targets look as if

they are not on track, then the MS would not receive the planned funding for those measures (although this does not apply to area-and livestock-based interventions under the CAP, amounting to a sizeable share of expenditure). For categories of expenditure where this does apply, this could be a stronger incentive for MSs to try to ensure that the implementation of the NRPPs is delivering the planned uptake. In addition, Member States will be required to carry out a mid-term review of the plan (Article 25 of the NRPF) on the basis of which an amended NRP Plan must be submitted, setting out the outcome of the review and a review of the estimated costs. This is to be welcomed, as it provides a set point at which MSs can take stock of progress and amend plans in light of any external challenges or crises that have emerged or any implementation challenges faced.

Also, part of the Performance Framework proposals is the development of a new Single Gateway to make data on implementation of the NRPPs and progress towards objectives publicly available, including financial and indicator data (Article 12). Considerable progress has been made in reporting data on the content of the CSPs in the current period via the DG Agri data portal and data on Cohesion and other shared management funds are also available via the Cohesion Open Data Platform. The Single Gateway should build on this. It will be necessary to make sure that as any streamlining takes place, the current databases are continued and further developed to enable transparency of data and accessibility for review and evaluation purposes, without losing access to any data already available.

Evaluation: There are also some changes proposed for the review and evaluation of Plans. There is **no longer a requirement on MSs to carry out an ex ante assessment of their plans**. It is not clear whether this also means that there is also no requirement to carry out a Strategic Environmental Assessment (SEA). Although there has often been an issue of timing and it can be difficult to coordinate the ex-ante evaluation with the short timescales available for the design of the Plans, this mechanism did play a helpful role in providing an independent assessment of the coherence of the plans or whether they meet the priority needs and enabling improvements to be made prior to submission of the plans by MSs to the Commission for approval. This leaves a gap which MSs will need to consider how to fill in other ways.

However, MSs are required to carry out an interim evaluation on the entirety of their NRP Plans not later than three years after the start of the programming period (Article 11(3), PFR). Whether the timing of these reviews will be able to pick up significant issues with implementation and whether there will be sufficient time to take corrective action and make the necessary amendments before the end of the programming period remains to be seen.

The proposed ex post evaluation requirements are similar to those currently in place, although they appear to be more prescriptive than currently as they specify a requirement to assess impact using quantitative techniques "including counterfactual approaches and findings from experimental design, where appropriate…" (Art. 11(2) PFR). This is a welcome development but will require ongoing capacity building efforts in some MSs, a role that the EU CAP Network's Evaluation Helpdesk will be well placed to provide, building on its activities in the current period.

Stakeholders and monitoring committees will have an important role to play in the development, implementation and monitoring of the NRPPs. Stakeholder engagement is slightly strengthened in the proposals and must be carried out in accordance with the European

code of conduct on partnership[20]. This had previously been the case for the rural development part of the CAP when this was governed by the Common Provisions Regulation, alongside other funds with shared management in the 2014-21 period. Environmental partners are specifically mentioned under 'bodies representing civil society' and 'research organisations and universities' are added to the list of potentially relevant partners.

The role of the monitoring committees will also continue to be essential to ensure the consistency and coherence of the NRPPs. The draft regulation specifies that different Management Committees (MCs) can be set up for different 'chapters' of the NRPP, but where this is the case a 'Coordinating Committee' must also be set up. MSs should think carefully about how to set up these bodies for the future, so that opportunities for cross-NRPP support for particular objectives can be maximised, are coherent and can be monitored effectively, e.g. support for improving water resilience, biodiversity restoration at a landscape scale, the production of renewable energy etc.

4. Final reflections and recommendations

Taken as a whole, the draft regulations suggest far less of an emphasis on the environment and climate than under the current CAP. They create significant risks about the likely level of environmental and climate ambition that could be expected under the CAP for the 2028-34 period. The clarifications in the proposals that have emerged since our previous report have not altered the picture.

This conclusion rests on the potential implications of a range of diverse and often rather technical changes to the regulations and proposed governance machinery considered as a whole, rather than on a single element. There are areas where progress towards sustainability is envisaged, notably in the new support measure for agricultural transition. Attention to risk management on farms also is increased although it is not within the frame of this report.

The Commission's powers to exert leverage in a positive way are strengthened in some respects, such as the legal foundations for the recommendations that can be made to MSs regarding their plans However, they are weakened in several parts of the new governance machinery and in sum there are grounds for concern about how the governance system could help to give sustainability sufficient weight as decisions are made.

There are several areas where changes are needed to provide the necessary conditions to incentivise MSs to put forward high quality CAP chapters within their NRPPs demonstrating increased environmental and climate ambition and to remove barriers that might hold them back. One of the most prominent of these is the question of environmental ring-fencing.

Ring fencing for environment, climate and animal health and welfare

There are significant risks about the level of funding that would be made available by MSs for environmental and animal welfare purposes in the absence of any ring-fencing of the CAP budget to require this. Neither the tracking mechanism, as set out in the Performance

[20] established by Commission Delegated Regulation (EU) No 240/2014

Framework, or the requirements to address environmental objectives in Article 4 of the draft CAP regulation are effective substitutes for requiring MSs to programme a minimum percentage of the CAP elements of their NRPPs to intervention fields with a direct environmental/climate focus.

Instead, the current ring-fencing requirement should be retained in a modified form, covering a narrower range of interventions focused more strongly on environmental and animal health and welfare objectives. Ring-fencing a proportion (around 25-30%) of the EU part of the CAP budget would both provide a level playing field in terms of expectations and be an effective means of ensuring that MSs design their CAP based expenditure with a clear focus on achieving sustainability outcomes. Whilst this would likely mean a smaller percentage of the CAP budget being ring-fenced for the delivery of focused environmental and climate actions than the 43% proposed under the mainstreaming target, the result is likely to be a better sustainability outcome. Expenditure on interventions with an insecure or weak relationship to clear environmental outcomes would be excluded.

Not only is environmental ring-fencing desirable, but it is also feasible within the new architecture. The integration of eco-schemes and agri-environment-climate interventions into one combined measure means that the current complications faced by MSs in allocating funds between eco-schemes and agri-environment-climate measures to meet different ring-fencing requirements would no longer apply.

At the same time the tracking/mainstreaming rules should be reviewed. There are two specific issues to be resolved.

- The first is the tracking coefficients allocated to the CAP-relevant intervention fields, which should be reviewed to make sure that coefficients are only attributed where the associated interventions have clear environmental objectives.

- Second is to revise the rule whereby the 43% target is calculated using the highest of the three coefficients and revert to reporting the percentage for each of the three areas separately (climate mitigation, climate adaptation and environment).

Support for transition on farms

A very positive element of the CAP proposals is the inclusion of the new measure to support the transition towards sustainable production systems. This form of support is needed on farms where transition is being held back by varying combinations of costs, risks of lower returns for a given period, the need to build skills and experience and related factors. The new measure is to be welcomed in principle but is presented in only schematic terms in the proposed regulation. The next stage is to resolve questions about how it would be designed and would work in practice. Attention needs to be given to the substance of the initiative, some key principles and to a range of practical issues about effective implementation without creating excessive administrative burdens. Guidance for MSs in this area is much needed.

Specific areas to be clarified include:

- A more detailed account of the purpose and the corresponding character of support for transition beyond the organic sector, helping MSs to set clear, concrete and

evidence-based objectives for the measure and the farm transition plans and ensuring that the funding provides added value.

- The process whereby MSs will set these objectives and the production systems considered in scope. It is suggested that MSs should be required to set out a clear intervention logic for transition support in their NRP plans.

- The forms of support that will be eligible for inclusion in the plans, which should be sufficiently flexible to meet the variety of needs and include farm level advice, training, market development and investment aid alongside support for land management activities.

- The extent of obligations on farmers receiving aid to sustain the system change once the transition plan is completed.

- The ways in which MSs will be able to oversee the progress of the farm transition plans and sign them off following completion in an efficient way, which the lump sum payment model should allow.

Governance in relation to sustainability.

In terms of governance, the strengthened powers available to the Commission to ensure the NRPPs deliver against environment and climate priorities are to be welcomed, as is the requirement for MSs to take account of the Commission's MS specific recommendations. However, there remain major uncertainties over how the new governance system will work in practice and the Commission will need to be properly resourced so that it has the capacity to make best use of its increased powers, particularly within the tight timeframe for approval of the NRPPs. To avoid a situation where the Commission does not feel under pressure to approve sub-optimal plans in a rush just before they are due to come into force, active interaction between the Commission and MSs is required as soon as possible. This could take the form of technical task forces or working groups on key issues or the provision of guidelines to inform MS design and implementation decisions.

In addition, if the national recommendations are to add significant value and to have traction, they need to be as specific as possible This is particularly important given the removal of the requirement for MSs to increase the environmental and climate ambition of their plans compared to the current situation. These recommendations should also make sure that they cover the full suite of environmental and climate issues, including water and soils which are currently missing from the list of legislation and national plans with which the NRPPs must be consistent. To fill this gap, the Water Framework Directive and the Soil Monitoring Law should be added to the draft regulation to require MSs to design plans that are coherent with their national plans relating to these directives in addition to the nature restoration plans and NECPs that are already included.

The proposal for a single Performance Framework for the whole MFF has a clear logic. However it involves significant changes for the CAP, which has developed its own bespoke monitoring and evaluation framework over the years. The most significant omission is that impact indicators, used in the CAP at present, have been removed. Only output and result indicators are put forward, although three existing impact indicators, concerned with (GHG emissions,

ammonia and soil organic content) have been re-purposed and incorporated into the list of result indicators. This decision should be reversed.

Although impact indicators can be challenging to estimate, it is difficult to assess the strengths and weaknesses of policy interventions without due regard to their impact. Furthermore, there has been significant work and capacity building carried out to support MSs in evaluating their plans, not least by the Evaluation Helpdesk part of the European CAP Network. These efforts should be built upon and not lost so that MSs continue to develop and bolster their activities to assess the effectiveness and impacts of CAP support.

ANNEX 1 Comparison of CSP result indicators (2023-27) with proposed result indicators for 2028-34

CAP 2023-27		Proposals 2028-34	Comparison / Comments
Climate mitigation, adaptation and renewable energy	R.12 Adaptation to climate change: Share of utilised agricultural area (UAA) under supported commitments to improve adaptation to climate change	Share of agricultural area supported to provide environmental-climate benefits to: water quality, water quantity, biodiversity, nutrient management, pesticides reduction, **climate adaptation** • Intervention fields: 12, 13	Same – but bundled into 1 meta indicator and unclear if the different elements will be reported upon separately
	R.13 Reducing emissions in the livestock sector: Share of livestock units (LU) under supported commitments to reduce emissions of greenhouse gases and/or ammonia, including manure management	GHG emissions avoided and removals in tCO_2e • Intervention fields: 2, 12, 13, 15, 16, 34, 36, 37	**Gap** – no disaggregation of emissions in relation to the livestock sector Applied to non-green intervention codes, e.g. income support (#2), non-green investments (#16)
	R.14 Carbon storage in soils and biomass: Share of utilised agricultural area (UAA) under supported commitments to reduce emissions or to maintain or enhance carbon storage (including permanent grassland, permanent crops with permanent green cover, agricultural land in wetland and peatland)	GHG emissions avoided and removals in tCO_2e • Intervention fields: 2, 12, 13, 15, 16, 34, 36, 37 Increase or protection of soil organic content • Intervention fields: 2, 12, 13	**Gap** – no specific reference to carbon storage in soils and biomass. Applied to one non-green intervention codes - income support (#2)
	R.15 Renewable energy from agriculture, forestry and from other renewable sources: Supported	Installed capacity of renewable energy (MW);	More generic to allow it to apply to multiple intervention fields

CAP 2023-27		Proposals 2028-34	Comparison / Comments
	investments in renewable energy production capacity, including bio-based (in MW)	Intervention fields: 15, 16, 20, 22	Installed capacity of renewable energy is applied to non-green intervention codes: non-green investments (#16); support to agricultural sectors implemented by producer organisations (#20); support to the wine sector (#22)
	R.16 Investments related to climate: Share of farms benefitting from CAP investment support contributing to climate change mitigation and adaptation, and to the production of renewable energy or biomaterials	Share of farms receiving investment support contributing to climate change mitigation and adaptation; Intervention fields: 15	**Change**: indicator no longer makes specific reference to renewable energy / biomaterials
	R.17 Afforested land: Area supported for afforestation, agroforestry and restoration, including breakdowns	Hectares of land under agroforestry Intervention fields: 34	**Change and gap**: indicator is missing information on afforestation and restoration
Sustainable use of natural resources	R.19 Improving and protecting soils: Share of utilised agricultural area (UAA) under supported commitments beneficial for soil management to improve soil quality and biota (such as reducing tillage, soil cover with crops, crop rotation included with leguminous crops)	Increase or protection of soil organic content Intervention fields: 2, 12, 13	**Gap**: Nothing on share of UAA under commitments for soil quality or biota – the only indicator on soils relates to soil organic content. There is no reference to soils under the combined indicator addressing other environmental issues: *Share of agricultural area supported to provide environmental-climate benefits to: water quality, water quantity, biodiversity, nutrient management, pesticides reduction, climate adaptation*
	R.20 Improving air quality: Share of utilised agricultural area (UAA) under supported commitments to reduce ammonia emission	Ammonia emissions reduction Intervention fields: 12, 13, 15, 16	**Change**: Nothing on share of UAA under commitments for reducing ammonia emissions, instead this captures actual reductions.

CAP 2023-27		Proposals 2028-34	Comparison / Comments
	R.21 Protecting water quality: Share of utilised agricultural area (UAA) under supported commitments for the quality of water bodies	Share of agricultural area supported to provide environmental-climate benefits to: **water quality**, water quantity, biodiversity, nutrient management, pesticides reduction, climate adaptation Intervention fields: 12, 13	Same – but bundled into 1 meta indicator and unclear if the different elements will be reported upon separately
	R.22 Sustainable nutrient management: Share of utilised agricultural area (UAA) under supported commitments related to improved nutrient management	Share of agricultural area supported to provide environmental-climate benefits to: water quality, water quantity, biodiversity, **nutrient management**, pesticides reduction, climate adaptation Intervention fields: 12, 13	Same – but bundled into 1 meta indicator and unclear if the different elements will be reported upon separately
	R.23 Sustainable water use: Share of utilised agricultural area (UAA) under supported commitments to improve water balance	Share of agricultural area supported to provide environmental-climate benefits to: water quality, **water quantity**, biodiversity, nutrient management, pesticides reduction, climate adaptation Intervention fields: 12, 13	Similar – but bundled into 1 meta indicator and unclear if the different elements will be reported upon separately Also, different wording used, so definition of indicator will be important to ensure that it is the water balance that is measured, not just water use.
	R.24 Sustainable and reduced use of pesticides: Share of utilised agricultural area (UAA) under supported specific commitments which lead to a sustainable use of pesticides in order to reduce risks and impacts of pesticides such as pesticides leakage	Share of agricultural area supported to provide environmental-climate benefits to: water quality, water quantity, biodiversity, nutrient management, **pesticides reduction**, climate adaptation Intervention fields: 12, 13	Same – but bundled into 1 meta indicator and unclear if the different elements will be reported upon separately
	R.25 Environmental performance in the livestock sector: Share of	No corresponding indicator	**Gap:** missing indicators relating to livestock

CAP 2023-27		Proposals 2028-34	Comparison / Comments
	livestock units (LU) under supported commitments to improve environmental sustainability		
	R.26 Investments related to natural resources: Share of farms benefitting from CAP productive and non-productive investment support related to care for the natural resources	Share of farms receiving investment support related to natural resources Intervention fields: 15	Same indicator
	R.27 Environmental or climate-related performance through investment in rural areas: Number of operations contributing to environmental sustainability and the achievement of climate mitigation and adaptation goals in rural areas	Number of supported green investments in rural businesses, other than farms and forest holders Intervention fields: 15	The wording has changed and been simplified, but it has a similar focus
	R.28 Environmental or climate-related performance through knowledge and innovation: Number of persons benefitting from advice, training, knowledge exchange, or participating in European Innovation Partnership (EIP) operational groups supported by the CAP related to environmental or climate-related performance	• Number of people advised or trained • Number of farm advisors trained Intervention fields: 25	**Gap** – although there is a result indicator relating to agricultural advisory services, it is not linked to enhancing environmental or climate-related performance. No result indicators could be found linked to EIP Operational Groups.
Biodiversity and landscapes	R.29 Development of organic agriculture: Share of utilised agricultural area (UAA) supported by	Share of agricultural area supported for organic farming, by category: conversion or maintenance	Same indicator

CAP 2023-27		Proposals 2028-34	Comparison / Comments
	the CAP for organic farming, with a split between maintenance and conversion	Intervention fields: 12, 13	
	R.30 Supporting sustainable forest management: Share of forest land under commitments to support forest protection and management of ecosystem services	Share of forest land under supported forest-environmental and climate voluntary commitments Intervention fields: 12 Share of forest land under forest – environmental and climate commitments Intervention fields: 36	Same indicator Although 2 similar indicators with slightly different wording.
	R.31PR Preserving habitats and species: Share of utilised agricultural area (UAA) under supported commitments for supporting biodiversity conservation or restoration including high-nature-value farming practices	Share of agricultural area supported to provide environmental-climate benefits to: water quality, water quantity, **biodiversity**, nutrient management, pesticides reduction, climate adaptation Intervention fields: 12, 13	Similar – but bundled into 1 meta indicator and unclear if the different elements will be reported upon separately Wording is less specific, mentioning 'biodiversity' only rather than 'biodiversity conservation or restoration including high-nature-value farming practices'
	R.32 Investments related to biodiversity: Share of farms benefitting from CAP investment support contributing to biodiversity	Share of farms receiving investment support related to nature and biodiversity Intervention fields: 15	Same indicator
	R.33 Improving Natura 2000 management: Share of total Natura 2000 area under supported commitments	No equivalent indicators	**Gap -** There is no reference to Natura 2000 areas in the indicators apart from in relation to marine.

CAP 2023-27		Proposals 2028-34	Comparison / Comments
	*R.34 Preserving landscape features: Share of utilised agricultural area (UAA) under supported commitments for managing landscape features, including hedgerows and trees	Hectares of woody landscape features (excluding agro- forestry) Intervention fields: 37	Similar: Now just the area is reported, not the share of UAA
	R.35 Preserving beehives: Share of beehives supported by the CAP	Share of beehives supported Intervention fields: 12,13	No change
		Share of farms enhancing digitalisation and use of digital tools Intervention fields: 12, 13, 15	**New** for environment
Intervention codes related to environmental/climate focussed result indicators: #2 (Agriculture): Targeted support to farmers income #12 (Agriculture): support for environment and climate **practices**, including climate resilience measures' #13 (Agriculture): Support for environment and climate **transition**, including climate resilience measures #15 (Agriculture) Green investments, including climate resilience measures' #16 (Agriculture): Investments in agriculture and forestry (other than green or to improve animal health, biosecurity and animal welfare) #20 (Agriculture): Support to agricultural sectors implemented by producer organisations #22 (Agriculture): Support to the wine sector #34 (Agriculture and Forestry): Agroforestry systems, including climate resilience measure #36 (Agriculture and Forestry): Forest – environmental and climate commitments, including climate resilience measures #37 (Agriculture and Forestry): Green investments in forest and forestry, including climate resilience measures			

This brief has been supported by the European Climate Foundation. Responsibility for the information and views set out in this paper lies with the authors. The European Climate Foundation cannot be held responsible for any use which may be made of the information contained or expressed therein.

This work has been produced with the financial support of the LIFE Programme of the European Union. The paper reflects only the views of its authors and not the donors.

The **Institute for European Environmental Policy** (IEEP) is a sustainability think tank with offices in Brussels and London. As a not-for-profit research organisation with 50-years of experience, we are committed to advancing evidence-based and impact-driven sustainability policy across the EU and the world.