

Common Agricultural Policy (CAP) reform: Radical re-think needed to make the CAP really deliver for the environment

Dear Commissioner,

Decisions are now being taken in Europe that, if executed well, could be a major step towards a more sustainable system of food production and land management, helping to reverse biodiversity loss and protect Europe's vital natural resources. The foundation is the Commission's 'Europe 2020' strategy for smart, sustainable and inclusive growth; the means are provided by the proposed Budget for the period to 2020; and a critical engine of delivery will be the reformed CAP.

Given the dramatic developments in international commodity markets, fears about food security, the precarious financial situation of several Member States and the urgent need to address climate change and biodiversity loss, it is vital that the policy initiatives contained within the reformed CAP are well conceived and executed and address the following **strategic aims**:

1. *Secure a significant net environmental gain for Europe, demonstrating the principles of 'smart' policy design.* The proposals should deliver meaningful and demonstrable benefits, with both Pillars working together.
2. *Help Europe meet its environmental commitments and contribute to the EU 2020 strategy objectives.* The new CAP must provide the tools to help the EU and its Member States meet targets for biodiversity¹, climate change² and water³.
3. *Help put Europe's food production onto a significantly more environmentally sustainable basis, thus securing long-term food security for European citizens.* Food security is underpinned by environmental security. Food production depends on functioning ecosystems that maintain good quality soils, water availability and stable climates.
4. *Demonstrate good value for money.* For the CAP to be a legitimate use of taxpayers' money, it must avoid any significant environmental negative impact and deliver efficient and effective mechanisms to reward farmers and land managers for the delivery of environmental public goods.

We have followed the discussions on the CAP reform very closely. The proposal in the draft Multiannual Financial Framework that 30% of current Pillar 1 direct payment support should be devoted to 'Greening' is brave and commendable. It would release a significant amount of money to pay for environmental public goods; enough to really make a difference.

However, we are concerned that some of the proposed policy mechanisms are not fit for purpose.

The accompanying short paper offers tests against which the proposed reforms of the CAP should be judged. We have applied these tests to the information currently available on the likely features of the Commission's CAP proposals. The result, summarised below, is alarming. The CAP reform proposals fail many of the tests and at best show uncertain prospects of achieving any of the key aims of reform:

¹ Including the requirements of the Birds and Habitats Directives and the Convention on Biological Diversity 'Aichi' biodiversity targets.

² The EU is committed to reducing greenhouse gas emissions by 20% by 2020.

³ The Water Framework Directive commits the EU to achieving good status of all surface waters by 2015.

	Test	Result
Whole CAP	1. Making the CAP 'greener' must result in a significant and quantified net increase in environmental benefit across both Pillars of the CAP.	Unclear
	2. Member States should not be permitted to reallocate funding away from environmental objectives, and should have the ability to increase environmental funding.	Unclear
	3. Meaningful monitoring and evaluation of all CAP measures must take place.	Unclear
Pillar 2	4. There must be compulsory minimum spend on Pillar 2 agri-environment schemes.	Fail
	5. Rural Development must have concrete, clear and binding objectives.	Fail
Pillar 1	6. New Pillar 1 'greening' payments must work coherently with agri-environment schemes .	Unclear
	7. Payments should be targeted to those farming systems that provide environmental public goods, such as High Nature Value farming.	Fail
	8. There must be effective protection of semi-natural permanent pasture operating alongside incentives for continued beneficial management.	Fail
	9. Well-conceived Ecological Focus Areas should apply to all farm types and be set no lower than 10%.	Fail
	10. The payments to Natura 2000 farms must be conditional on appropriate management restrictions.	Fail
	11. Cross compliance should be strengthened to provide a robust minimum standard of environmental performance across all areas of the EU.	Unclear
	12. The rules governing land eligibility for direct payments must integrate land and land features that are part of the agricultural holding and are of environmental value.	Unclear

In short, our assessment concludes that this critical round of reform is heading for failure. This is an unacceptable outcome for the environment, for taxpayers and for farmers who are delivering environmental public goods. Given the mounting pressures to reduce the CAP budget, it is essential to legitimise expenditure by delivering, amongst others, clear, genuine environmental benefits. If this is not the case, civil society may well withdraw its support for the CAP, threatening the survival of this policy in the future.

An opportunity exists *now* to revise the Agriculture Commissioner's proposals to green the CAP to ensure measures under Pillar 1 provide a basic, but fundamentally important, level of environmental protection across the EU and Pillar 2 is adequately designed and resourced to deliver targeted and enhanced environmental benefits. **Therefore, we urge you to work together with your colleagues and take this important opportunity to significantly amend the current proposals for reform of the CAP. You have to ensure that the new structure has the maximum chance of delivering the public goods Europe needs.**

This is what we will hold you accountable to in October, when these proposals become those of the entire European Commission.

Yours sincerely,



Ariel Brunner, Head of EU Policy, BirdLife Europe

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Commission thinking to date

The Commission argued in its November Communication⁴ that enhanced environmental activity should be delivered mainly through the first Pillar of the CAP. Its reasoning is that because virtually all farmers in the European Union receive Pillar 1 payments, changes to Pillar 1 can potentially exert an influence over all the EU's farmland. We welcome the Commission's recognition of the fact that to legitimise the budgetary expenditure on the CAP, we must radically improve delivery of environmental public goods. We furthermore support the Commission's aspiration that actions to achieve more sustainable agriculture should apply to the whole agricultural area.

The Commission's proposals for the Draft EU Budget for the next period were published at the end of June 2011⁵. These suggest that the nominal (cash) support for both Pillars of the CAP should continue at its present level through to 2020. This would result, respectively, in the sums of €282bn and €89bn for Pillar 1 and the (Pillar 2) Rural Development programmes for the seven-year period. Significantly, about 30% of the Direct Payment expenditure would be channelled into a new "greening" element of Pillar 1.

Proposed 'greening' payments in Pillar 1

Some approximate arithmetic shows that 30% of the Direct Payment national ceilings (allowing for further help to areas with natural constraints and some continued use of coupled supports) will amount to around €69bn or almost €10bn per annum. This compares to a total spend from Brussels on agri-environment schemes for the current Rural Development programmes of €38bn or about €5.4bn per annum. In short, these proposals are suggesting a possible trebling of the EU public expenditure available to pay farmers for providing environmental services (from the current €5bn to €15bn p.a.).

With such large sums of public money in play, it is vital that any new Pillar 1 greening payments deliver real environmental results on the ground. The principles used to deploy these payments should build on the experience that Member States have gained in agri-environment schemes over the last 7 years (and in some cases very much longer). If the public is going to spend €69bn more on environmental services, we must be certain that we use it in a way that promises to deliver €69bn worth of such services.

A model for successful environmental delivery

The proposed changes to the CAP must help achieve EU environmental objectives to reverse biodiversity declines, to radically reduce diffuse pollution of water and soil and air, protect and grow valuable carbon stores and reverse declines in soil quality. These are complex and challenging goals, requiring targeted changes in how we manage land.

Experience tells us that producing these meaningful changes in environmental land management is a long-term process. It has to engage the interest of farmers and their advisers and combine their intimate knowledge of the land with scientific understanding of ecology, hydrology, soils and climate. The sorts of schemes that have the best chance of bringing about lasting environmental improvement will embrace the following characteristics:

- Schemes must address clear objectives (e.g. addressing biodiversity declines, resource protection, protecting carbon stores);

⁴ *The CAP towards 2020*, Communication of the Commission to the European Parliament and Council, 18th November 2010.

⁵ See http://ec.europa.eu/budget/reform/index_en.htm

- Regionally defined targeting tailored to local environmental requirements;
- Schemes containing the right suite of options to secure the desired objective, with a framework to ensure the appropriate mix of options is applied at any given location;
- Option design based on robust scientific testing and evaluation to ensure good value for money through 'proven' measures;
- Multi-annual to secure cumulative environmental benefit and longer term objectives (e.g. habitat restoration); and
- Subject to rigorous monitoring, evaluation and adjustment.

In addition, payment schemes must be underpinned by an effective cross compliance regime to ensure a minimum level of environmental protection. Improved cross compliance requirements, along with proposed greening measures, must deliver an improved environmental baseline upon which more targeted and ambitious schemes under Pillar 2 can operate. There must be sufficient funding attached to environmental schemes, farmers must be offered adequate levels of support and advice and suitable sanctions must be in place for those who do not manage their land sustainably.

There are many excellent examples where schemes have been devised with these characteristics and which are providing tremendous results. A recent [document](#) from BirdLife Europe⁶ includes a range of case studies illustrating what has been achieved and how these key principles are fundamental to success.

We suggest that the more measures depart from the principles suggested here, the less likely it is that they will deliver real environmental benefit.

Assessment of the Commission's emerging proposals

Although we fully support the ambitious *aims* of the Commission to help farmers deliver high quality food competitively and improve the rural environment, we are deeply concerned that the *mechanisms* the Commission is contemplating are not up to the task.

We have devised a series of tests that we believe the Commission's final proposals for both Pillars of the CAP must satisfy if there is to be a reasonable prospect that the new policy can deliver the scale of environmental improvement needed. We have then applied these tests to the information currently available on the likely features of the Commission's CAP proposals. This qualitative evaluation is based on information derived from the Commission Communication of November 2010 'CAP towards 2020', detailed discussions with officials, scrutiny of all the information in the public domain that includes widely circulated leaks of the Commission's Impact Assessment and both the Direct Payments and Rural Development Regulations. We note that the Impact Assessment, in particular, is woefully inadequate in not attempting to seriously evaluate or quantify the environmental consequences of the Pillar 1 'greening' proposals, despite these forming one of the key features of the reforms.

The results of these tests are presented below. The proposed greening element within Pillar 1 is based on simple, generalised, annual actions and will result in 'green wash' with little real environmental gain. Taking the CAP as a whole, we are not convinced that the right balance has been struck between targeted measures and the underpinning regulatory baseline. **Our conclusion is that the proposed changes to the CAP will, in their current form, fall far short of delivering real environmental improvements.** The co-decision process between the European Parliament and Council of Ministers is also likely to lead to further watering down of Commission proposals and therefore less chance of delivering real environmental benefit.

⁶ http://www.rspb.org.uk/Images/Agri-env_tcm9-283020.pdf

Tests: will the proposed changes to the CAP deliver environmental gain?

1. Making the CAP 'greener' must result in a significant and quantified net increase in environmental benefit across both Pillars of the CAP. The new Pillar 1 schemes must provide measurable additional benefit over and above the status quo, and must not result in a decrease of resources available for Pillar 2 environmental measures or environmental ambition. Sufficient funds must be available to Member States to meet their ambitions for Rural Development and in particular agri-environment to complement the existing actions required in Pillar 1. This must be achieved through adequate core Pillar 2 allocations.

Test met by CAP proposals? Unclear

The current proposal is for the budget for both Pillars to remain roughly unchanged at EU level. The allocation key by which Pillar 2 money will be assigned to individual Member States has not yet been made public.

Leaked proposals highlight there will no longer be a guarantee for minimum spending on agri-environment schemes across the EU, the principle tool for meeting biodiversity, water, soil and climate objectives through the 2nd pillar.

It is highly unlikely that, in their current form, the leaked proposals to green Pillar 1 will deliver genuine greening: the proposal for crop diversity is deeply un-ambitious; the proposed Environmental Focus Area requirement is too small (see Point 8), farms in Natura 2000 areas are not appropriately supported (see Point 9) and proposals for permanent grassland protection fail to target support to the most environmental valuable areas (and could even lead to the loss of permanent grassland, see Point 7). In addition, measures on soil cover and nutrient balance are conspicuously absent.

Proposed solution

- Introduce ambitious Pillar 1 greening measures showing a positive effect over the entire EU farmed area and giving the baseline for well funded, multi-annual, targeted, regionally adjusted, and scientifically tested agri-environment schemes.
- Move a large part of the budget, through progressive transfer from Pillar 1 to Pillar 2 over the next programming period, with the ultimate aim of administering the whole CAP budget through targeted Pillar 2-type schemes and driving more sustainable land management and quality production. Implement transitional schemes in Pillar 1 aimed at helping farmers move away from income support payments towards greater reliance on the market and on payment for environmental delivery.
- See proposed solutions under each subsequent Point below for more information.

2. Member States should not be permitted to reallocate funding away from environmental objectives, and should have the ability to increase environmental funding. The Commission's proposals should be taken as a minimum standard for environmental delivery from the CAP. Member States should be able to *increase* their level of environmental ambition and funding, but not to reallocate funding *away* from environmental objectives.

Test met by CAP proposals? Unclear/Fail

Between the Pillars: The Commission's proposals for the EU Draft Budget refer to 'flexibility between the two Pillars'. This does not rule out, for example, reverse modulation where funding is moved from Pillar 2 to Pillar 1. Pillar 2 funding directly supports agricultural competitiveness and the delivery of a wide range of public goods including rural vitality, and must be protected.

Within Pillar 1: According to the Commission's leaked proposals, National Envelopes (currently referred to as Article 68 measures) will no longer be available for support to environmentally beneficial farming systems or practices.

Proposed solution

- Core Pillar 2 allocations should be on the basis of an objective assessment of need for environmental delivery in each Member State.
- Reverse modulation should not be allowed, but voluntary modulation retained as a means for Member States to increase their rural development funding.
- Member States should have the option of using National Envelopes to fund top up payments to specific farming systems that provide significant environmental benefit and are often economically vulnerable, in particular High Nature Value farming.

3. Meaningful monitoring and evaluation of all schemes and measures aimed at environmental delivery. Credible resources and methods must be defined for monitoring and evaluating progress with these measures so that tangible environmental benefits are seen to be delivered from both Pillars, and so that lessons can be learnt for future scheme design.

Test met by CAP proposals? Unclear

It is unclear whether the proposed monitoring and evaluation will be sufficiently well-resourced to be able to demonstrate the delivery of environmental public goods.

Proposed solution

- Extend the Common Monitoring and Evaluation Framework to Pillar 1 measures.

4. Compulsory minimum spend on Pillar 2 agri-environment schemes. There must be ring-fenced money for agri-environment in all Member States, reflecting the scale of the task and ensuring consistency of environmental spend across Member States and collective achievement of EU environmental goals.

Test met by CAP proposals? Fail

Leaked Commission proposals state that there will be no requirement for Member States to spend a minimum proportion of the CAP budget on agri-environment schemes.

Proposed solution

- A minimum spending of at least 30% should be set for targeted and effective agri-environment schemes in the 2nd Pillar.
- Higher EU co-financing rates for agri-environment schemes with higher environmental delivery.

5. Rural Development must have concrete, clear and binding objectives for Member States. These should include commitments to achieving climate protection, good conservation status of Natura 2000 sites and protected habitats and species; achieving favourable status of water bodies under the Water Framework Directive, and explicit recognition of the importance of High Nature Value farming systems.

Test met by CAP proposals? Fail

The leaked Rural Development regulation as drafted does not specify the minimum level of ambition expected of Member States on environmental objectives.

Proposed solution

- At the least, the Rural Development regulations must include binding objectives that set out how Member States will contribute to the ambitions of EU environmental legislation in farming sector (Water Framework Directive, Nitrates Directive, Birds and Habitats Directives).

6. New Pillar 1 'greening' payments must work coherently with agri-environment schemes, go beyond the status quo and provide an enhanced baseline on which agri-environment can build. The proposed greening payments will only be effective in improving environmental delivery if they underpin and are complemented by targeted and multi-annual management requirements in Pillar 2. The proposed new 'greening' measures within Pillar 1 must therefore provide an enhanced baseline on which agri-environment schemes can build.

Test met by CAP proposals? Unclear

The Commission's proposals do not make explicit how pillar 1 greening measures will interact with agri-environment schemes. This raises the possibility that current 'broad and shallow' agri-environment measures will be replaced by the 'greening' payments. If this takes place without a corresponding increase in environmental delivery under Pillar 2 the net environmental effect will be negative.

Proposed solution

- CAP regulations must specify that agri-environment schemes are underpinned and their effectiveness improved by Pillar 1 greening measures. Pillar 1 should deliver a enhanced environmental baseline and agri-environment schemes must go much further and deliver significantly higher environmental benefits than Pillar 1 measures (greening and cross compliance).

7. Pillar 1 payments should be targeted to those farming systems that provide environmental (and other) public goods, such as High Nature Value farming which are often economically vulnerable

Test met by CAP proposals? Unclear

The Commission proposals do not include any payments to High Nature Value farming systems. The proposals do include mechanisms for targeted payments to small farmers, to areas with 'Specific Natural Constraints' and coupled payments to particular sectors. However, there is no specific mention of targeting payments to farming systems for environmental reasons.

Pillar 1 payments should not take the form of coupled support to specific farming sectors, but rather reflect the environmental public goods delivered by certain *types* of farming.

Current LFA schemes are not an adequate support tool for High Nature Value farming as they reflect geographical boundaries and not how the land is managed.

Proposed solution

- Allow Member States to use National Envelopes to supplement direct income support payments with targeted top-up payments to specific farming systems such as High Nature Value farming, subject to appropriate management requirements.
- Ensure any support given under the LFA approach is explicitly linked to environmental beneficial land management requirements.

8. Effective protection of semi-natural permanent pasture alongside incentives for continued beneficial management. The protection of semi-natural grasslands⁷ must be strengthened. Increased funding should be channelled to biodiverse semi-natural pastures to secure the continued provision of environmental public goods which are not rewarded through the market.

Test met by CAP proposals? Fail

In the leaked proposal the Commission's definition of permanent pasture is fundamentally flawed as it includes intensively managed grassland that delivers limited if any environmental benefit (it requires only that the pasture has not been re-sown within the last 5 years). The proposed measure would therefore fail to prioritise the protection of those pastures that are of the most environmental value.

Leaked proposals also indicate that the baseline year for assessing the retention of permanent pasture will be set at 2011 or later. This creates an incentive for farmers to plough up existing valuable pasture before the new programming period commences.

The leaked CAP proposals do not provide any specific mechanism for providing enhanced payment rates to semi-natural permanent pasture, a habitat that is intrinsic to High Nature Value systems.

Proposed solution

- Introduce a semi-natural Permanent Pasture Premium within Pillar 1. This would be outside of the 'greening' package and would be mandatory for Member States to offer but optional for farmers to join. Simple maintenance conditions (no ploughing or reseeded, no fertilisation except within defined limits) would apply. The measure would be self-selecting as it would be less attractive to farmers with highly profitable, intensively managed and therefore lower environmental value land.
- The measure would need to be underpinned by better-implemented and enforced Environmental Impact Assessment regulations for pasture.

9. Well conceived Ecological Focus Areas should apply to all farm types and be set no lower than 10%.

Test met by CAP proposals? Fail

Leaked proposals state that the EFA requirement will only be for 5% and will include buffer strips and landscape features. This would lead to no net change in a significant proportion of the European landscape. This will be further undermined if Member States are able to include, for example, intensively managed orchards and olive groves as EFAs.

It is a short-coming in the leaked proposals that grassland based livestock farms, organic farms and possibly small parcels of land are exempt from this requirement, since every farmer has a role to play.

There is no mention within the leaked CAP regulations of management requirements for EFAs. These can be incredibly effective in boosting environmental delivery from these areas.

Proposed solution

- A basic Ecological Focus Area requirement in Pillar 1 should be set at 10% for all farmland (arable, grassland and permanent crops). Set at this level they should include landscape features, buffer strips, fallow land and very extensively managed productive farmland.

⁷ Semi-natural pastures consist of unsown vegetation that has not been substantially modified by intensive fertilisation, drainage or herbicide use. Such pastures provide a range of environmental public goods, including high biodiversity value and significant carbon storage potential

- EFAs should be linked to detailed, targeted and multi-annual management requirements within agri-environment schemes (see Point 4).
- A definition should be created either at EU or Member State level of a functional farm unit, and the EFA required to be within this unit. This is to avoid a situation where intensive farmers buy parcels of low-quality farmland elsewhere to count as their EFA requirement.

10. Natura 2000 farms should receive additional support, conditional on appropriate management requirements. A new Pillar 1 payment to Natura 2000 farms would be beneficial in channelling support to more environmentally beneficial farming systems, but only if conditional on appropriate management to ensure the continued delivery of environmental goods and services. Such a payment must support and not undermine existing payments to Natura 2000 farms under Pillar 2.

Test met by CAP proposals? Fail

Leaked information indicates that farms in Natura 2000 areas will not receive an additional payment. The farmed environment in these Natura 2000 areas is some of the most environmentally valuable in Europe.

Proposed solution

- A top-up payment for farmers in Natura 2000, available only in those Member States or regions where such farmers are subject to management prescriptions or conditions that have been determined under relevant legislation. This will be the only way that their environmental value will be safeguarded into the future.

11. Cross compliance should be strengthened to provide a robust minimum standard of environmental performance across all areas of the EU. At the very least, cross compliance must not be weakened and must apply to **all** farmers in receipt of CAP payments (irrespective of farm size). Cross compliance is a key and valuable mechanism that should be ensuring that the requirements of regulations including the WFD and the Birds and Habitats Directives. Any greening proposals must utilise existing mechanisms to build on and improve the status quo, in particular delivery of all appropriate existing and future legislation such as the Water Framework Directive.

Test met by CAP proposals? Unclear

It is beneficial that the leaked proposals seek to include the Water Framework Directive within the scope of cross compliance.

Cross compliance must not be weakened under the simplification agenda or pushed aside to make way for 'greenwashing'. This would go contrary to the objectives of simplification since it has the potential to be the most effective tool we currently have to ensure a minimum level of environmental protection through measures that can be enforced and inspected on an annual basis. It also helps to ensure a 'level playing field' across the EU. Poor interpretation and implementation by Member States cannot be a justification for not respecting this valuable tool for delivering environmental legislation and minimum protection on the ground.

The proposals also suggest that cross compliance should not apply to small farmers. This could set a dangerous precedent that could see even greater disparity among Member States and farmers.

Proposed solution

- Strengthen and improve cross compliance and its implementation by Member States such that it meets its potential for contributing to the requirements of EU legislation such as the Birds and Habitats Directives, the Water Framework Directive.⁸
- Require all land managers in receipt of CAP payments to meet cross compliance requirements in full.
- Seek to reduce any unnecessarily burdensome aspects of cross compliance on environmentally beneficial farms, including many livestock based HNV systems.
- Ensure cross compliance is coherently designed to complement and underpin more targeted measures under Pillar 2.

12. Coherent eligibility rules. The rules governing land eligibility for direct payments must integrate land and land features that are part of the agricultural holding and are of environmental value, including (but not limited to) wood pasture and scrubby grasslands. The rules must be clearly set out to avoid over-cautious interpretation by auditors. The 50 tree limit should be removed. The rules governing eligibility of recipients must ensure that those delivering demonstrable public goods are effectively supported.

Test met by CAP proposals? Unclear

There is no specific mention that land/features of environmental value that are part of the agricultural holding will be eligible for direct payments under the reformed CAP. This is a distinct weakness of the CAP proposals since current GAEC requirements are forcing farmers to clear valuable and important scrub/wood pasture habitats in order to qualify for direct payments. This is an erosion of the environmental baseline.

The concept of active farmers could potentially go counter to eligibility of those good stewards of land for CAP support. This would go counter to the 'greening' claims of the Commission.

Proposed solution

- Farmland and farmland features managed to deliver environmental public goods should be presumed eligible for Pillar 1 payments, whatever the vegetation type. Within this principle, Member States should define which types of land and features are eligible and the minimum management requirements for these should be included in GAEC.
- The rules on landscape features must be clarified. Features that are part of the farmed landscape and subject to GAEC should unequivocally be included.
- Ensure that any proposals relating to 'active farmers' do not exclude recipients who are delivering valuable environmental public goods

⁸ Detailed recommendations are set out in the Birdlife document "[Through the green smokescreen](#)" (2009)



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Belgium



Bulgaria



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Czech Republic



Denmark



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Greece



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