

ENCA – Sustainable Landuse & Agriculture Interest Group

Bonn/Brussels, 17th July 2008

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The European Commission's Legislative Proposals on the CAP Health Check

Main topics from the view of the ENCA Interest Group
on Sustainable Land Use and Agriculture

ENCA - the European Network of eleven European Nature Conservation Agencies - was founded in September 2007.

The ENCA-Interest Group on Sustainable Land Use & agriculture is one of four informal groups of experts drawn from the following seven institutions: Agency for Nature and Landscape Protection, Czech Republic; Country Side Council for Wales; Federal Environment Agency, Austria; Federal Agency of Nature Conservation, Germany (lead); Natural England, Netherlands Environmental Assessment Agency (observer status); Scottish Natural Heritage and the Environment Agency of England & Wales (observer status).

The main purpose of the group is to share information, best practice and research findings in order to develop a strategic view on nature conservation issues. We like to stress, that we are acting on behalf of the agencies representing the interest of nature conservation; we are not necessarily representing government's views.

ENCA Statement on the European Commission's Proposal on the CAP Health Check

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Introduction

With the legislative proposals for the "Health Check" of the Common Agricultural Policy (CAP) of 20th May 2008 the European Commission has taken a further step towards inserting a stronger focus on the environment into Community policy. ENCA applauds this approach. The CAP Health Check offers an opportunity to continue to improve the ability of CAP to support both sustainable agriculture and rural communities as well as to meet environmental goals. The Health Check proposals should ensure that public money contributes more effectively to sustainable development and the delivery of public benefits.

1. Cross Compliance: The Commission wants to decrease the administrative burden, removing those obligations not directly linked to agriculture. In addition, the Commission wishes to retain the environmental benefits of set-aside through inserting an additional standard on buffer strips and strengthening the current approach to retaining landscape features. ENCA agrees with the need to reduce the administrative burden but we need to further evaluate the effects of the removal of some standards regarding Natura 2000 obligations. We support the principle behind the new standard on buffer strips and the strengthening of the current standard for landscape features as one way of securing, at least in part, the environmental benefits currently arising from set-aside.

2. Abolition of set-aside: The Commission proposes to abolish set-aside as an instrument of supply control. However, Member States have been provided with some tools to reduce environmental damage through a combination of new cross compliance obligations and measures to be taken within Pillar 2. ENCA welcomes this approach but we are doubtful whether the proposed measures will be sufficient to safeguard all the environmental benefits. Nevertheless, without those compensatory measures, we believe that the permanent abolition of set-aside will undermine the progress made towards meeting both national and international targets for reversing biodiversity loss as well as dealing with the other New Challenges, including reducing diffuse water pollution, which is the key to meeting the water management challenge.

ENCA believes that a package of measures is required to ensure that the environmental benefits formerly provided by set-aside can be maintained. This should combine both a mandatory approach using an expansion of cross compliance, **and** a voluntary approach based on an enhanced agri-environment measure. An approach based on voluntary measures alone risks not being taken up in the most productive cereal growing areas, where other habitats are both extremely fragmented and limited in extent. This risk is heightened by recent rises in commodity prices and limited resources available for many agri-environment schemes. Furthermore, since the current cross-compliance conditions were established on the basis that set-aside (and its anticipated environmental benefits) would remain in place, it is not unreasonable to extend these conditions should set-aside now be abolished.

3. Modulation and meeting the new challenges: The Commission suggests increasing the basic rate of compulsory modulation from 5% to 13% by 2013, with an additional progressive element applied to those with receipts in excess of 100,000 euros. All new receipts stay within the Member State and must be used for tackling the new challenges of climate change, renewable energy, water management and biodiversity.

The existing CAP budget is distributed in such a way that it does not respond to these challenges nor does it reward those farmers who already manage their land in an environmentally friendly manner. Many farmers make a valuable contribution to environmental protection and nature conservation. Appropriate rewards in the form of adequate financial resources should be available for this support.

Pillar 2 has the potential to address these challenges – but across Europe it is underfinanced, particularly by comparison with Pillar I, which has only limited ability to meet environmental demands. ENCA believes it is necessary to considerably increase the funds available under Pillar 2, and in particular Axis 2, for the following reasons:

1 Firstly, to stabilize the existing level of agri-environmental measures, which in the light of the new commodity market developments risk losing their relative competitiveness even in marginal areas. These measures are vital for maintaining and enhancing European biodiversity.

2 Secondly, to secure those environmental benefits currently delivered by set aside. It is very important to increase the amount of land under environmentally beneficial management such as Natura 2000 and related designations as part of forming an European network of High Nature Value farmland and diverse landscapes. Through this a wide range of essential functions including water protection, mitigation of climate change impacts, recreation and tourism will be underpinned.

3 Thirdly to meet the challenges of improving water quality and water management as well as tackling climate change. Dealing with the latter should involve a twin track approach - reducing emissions of Greenhouse Gases (GHG) such as methane, nitrous oxides and carbon dioxide (mitigation) as well as improving existing green infrastructure, including the creation of habitat networks (especially wetlands) so as to cope with a combination of drier summers and wetter winters (adaptation).

The sustainable management of land is central to meeting the challenges of climate change, water management and the conservation of biodiversity. All of these challenges justify financial incentives being made available to farmers. Moreover, because of their trans-boundary nature, these challenges need to be tackled at European Level. As a result ENCA strongly supports the principle of an increase in the rate of compulsory modulation.

We believe that modulation will achieve much for environment objectives once the resulting funds have been re-allocated to rural development activity. In terms of environmental protection and nature conservation, Axis 2 payments under agri-environment schemes, Natura 2000 programmes and implementation of the Water Framework Directive are particularly important. Rural development financing is also needed for diversifying the rural economy under Axis 3 and improving agricultural competitiveness under Axis 1. However, investment under the latter should be targeted at the New Challenges such as climate change, in particular greenhouse gas mitigation measures and adaptation strategies. The proposed strengthening of Pillar 2 should be in line with the environmental challenges identified in the Health Check and we believe that each axis within Pillar 2 can play a major part in addressing these.

The Commission's proposals are actually very modest. However, it would clearly be unacceptable if any proposals to scale back the existing rates of voluntary modulation (already in place within the UK) had the effect of damaging rural development programmes that are heavily dependent on this mechanism or limiting the capacity of Member States to tackle the new environmental challenges. This would achieve the exact opposite of the Commission's

intentions.

4. National Envelopes: The Commission suggests adjusting the current Article 69 of the Common Rules Regulation to tackle risk management. Article 69 (now 68) could be used to address the problems, which are likely to arise in some regions due to the gradual phasing-out of milk quotas and further decoupling. Member States could use National Envelopes to support both sectors and regions with specific needs -mitigating negative effects on income, the viability of rural economies and the environment.

ENCA welcomes the flexibility inherent in this proposal which could be used to assist marginal regions (which are often HNV farming areas, particularly in mountainous areas) that may suffer from the phasing-out of milk quotas and further decoupling. National Envelopes also provide further opportunities to strengthen nature conservation and rural development measures. However, we would have reservations about the measure should it be used as way of reintroducing old style CAP supports under the guise of risk management. National Envelopes should not be used to underpin the growing of crops in areas for which they are fundamentally unsuited and where farmers will only be prepared to plant if they are underwritten by CAP funded insurance schemes.

5. Individual Payment Limits: ENCA believes that increasing compulsory modulation is – in comparison with the introduction of an upper limit in the Single Farm Payment – an easier way of ensuring an environmentally fairer distribution of CAP. We also agree with the principle of setting a minimum amount for reasons of administrative simplicity, provided this does not have an adverse impact on smaller holdings where these make a significant contribution to High Nature Value Farming.

6. Concluding Remarks: ENCA firmly believes that modulation and National Envelopes should be viewed as transitional tools pending a more fundamental review of the CAP Budget. This should be focused on the purchase of public goods, support for rural development and enhanced competitiveness where this can be achieved within sustainable managed systems.

The ENCA Interest Group on Sustainable Land Use and Agriculture will continue to contribute to the ongoing discussion on the CAP Health Check. We are particularly concerned to ensure that the incremental reforms proposed as part of the current exercise are consistent with the long-term trajectory of CAP reform for post 2013-period. We believe this should continue to emphasise the need for all payments to involve the purchase of clearly defined public benefits consistent with existing Community statements including those on the protection and restoration of biodiversity. We therefore call on the Commission to start an immediate process whereby each Member state assesses which public benefits should be stimulated by means of targeted payments, including the type of benefit, the amount of money needed per unit and the area covered.

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On behalf of ENCA IG “Sustainable Land Use & Agriculture”

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