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## NOTE

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From:	Presidency
To:	Special Committee on Agriculture
Subject:	Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - The Future of Food and Farming Preparation of the Council debate - <i>Information from the Commission</i> - <i>Exchange of views</i> - <i>Preparation of questions for Council debate</i>

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## I. INTRODUCTION

On 29 November 2017, the Commission adopted its Communication on "The Future of Food and Farming" (doc. 14977/17). On 11 December 2017, the Commission presented the Communication to the Council and Ministers gave their initial reactions.

On 29 January 2018, the Council held a first thematic discussion focusing on the CAP's added value, the key objectives at EU level to maintain and further enhance it and the appropriate level of subsidiarity. On that occasion, the Presidency announced that the Council meeting on 19 February would focus on policy elements such as direct payments and measures contributing to environmental protection and climate action, as well as on rural development. The Council also took note of the fact that, in preparation for that ministerial debate, the Special Committee on Agriculture would look into some of the Commission's ideas set out in the Communication in more technical detail in order to prepare the Council debate more effectively.

To that end, this note sets out some questions for the SCA's discussion on 12 February 2018 focusing on measures contributing to environmental protection and climate action as well as on rural development.

## **II. ENVIRONMENTAL PROTECTION AND CLIMATE ACTION**

### **Background**

48% of land in the EU is farmed and a further 36% is covered by forests. This underpins the important role that agriculture plays in the EU for the environment and for natural resources such as biodiversity, air, water and soil for which farmers are the most immediate stewards.

The CAP aims to address the current environmental and climate challenges, particularly with regard to biodiversity, preservation and development of "natural" farming and forestry systems, water management and climate change. The 2013 CAP reform strengthened the environmental ambition of the policy by conditioning 30% of direct payments to agricultural practices which are beneficial to environment and climate. However, these "green payments"(or "greening") have not proven to be a full success. According to the Special Report no. 21/2017 of the European Court of Auditors (ECA), greening, as currently implemented, remains mostly an income support to farmers, does not follow a complete intervention logic, and is unlikely to provide significant benefits for the environment and climate. The ECA also stated that the results of greening can hardly justify the significant complexity for farmers and national/regional administrations.

In addition to greening in pillar I, Member States have to allocate at least 30% of the European Agricultural Fund for Rural Development (EAFRD) contribution to the rural development programmes to climate change mitigation and adaptation as well as environmental measures.

In its Communication, the Commission puts a great emphasis on the environmental aspects of EU agriculture, recognising the strong link and interdependence between agriculture and environment. It calls for a transition towards a more sustainable food production and for stepping up the sector's contribution to meeting the EU's environmental and climate goals as well as its international commitments in the field.

For the CAP post-2020, the Commission proposes a renewed ambition in terms of environment protection and climate action, in order to tackle the strong pressure on natural resources and the threats coming from climate change. It aims at ensuring a future-proof CAP, also embracing the targets set in the COP21 Paris Agreement and the relevant Sustainable Development Goals (SDGs) which lie at the core of the UN 2030 Agenda for Sustainable Development. In its Communication, the Commission devotes to these topics one of the three main objectives of the future CAP ("*to bolster environmental care and climate action and to contribute to the environmental and climate objectives of the EU*").

In order to increase the environmental ambition of the CAP, the Commission proposes to make environmental measures more result-oriented and give Member States more latitude so that they can design the interventions and set the targets which fit to their specific situations. It also envisages a new enhanced conditionality of direct payments and further incentives for additional efforts and results in the environmental and climate field. More in specific, the Commission proposes to:

- Replace the current green architecture of the policy with a new approach which should integrate and make more efficient and flexible the instruments currently available in both pillars (namely cross-compliance, green direct payments and agri-environmental and climate measures);
- Focus more on results as regards resource efficiency, environmental care and climate action;

- Make farmers' income support conditional upon their undertaking of environmental and climate practices, which should become the baseline for more ambitious voluntary practices;
- Implement the CAP in line with the greater subsidiarity provided for by the new delivery model, where Member States will be required to define quantified targets in national CAP Strategic Plans which will ensure that the agreed environmental and climate objectives defined at EU level are achieved, as well as indicators to measure the environmental and climate performance;
- Address the uptake of technological development and digitalisation in relation to resource efficiency enhancing an environment and climate smart agriculture, especially amongst small- and medium-sized farms;
- Link schemes that aim at environmental performance to advisory services.

When preparing CAP Strategic Plans, the Member States have to take into account their commitments stemming from EU environmental and climate legislation and policies.

The Commission believes that the overall performance of the new green architecture should encourage the promotion of co-operative/collective approaches, involving farmers and stakeholders in a result-oriented delivery of environmental and climate public goods.

As emerging, amongst others, from a meeting organised by the European Network for Rural Development on 15 December 2017<sup>1</sup>, the success of result-based schemes (such as the one envisaged by the Commission) depends on well-chosen indicators. As a consequence, the choice of adequate indicators and targets at the level of both EU and Member States will be crucial.

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<sup>1</sup> Second Meeting of the Thematic Group on 'Sustainable Management of Water and Soils - Working document: "Background briefing: result-based payment schemes (RBPS)" - [https://enrd.ec.europa.eu/sites/enrd/files/tg2\\_water-soil\\_briefing\\_rbaps.pdf](https://enrd.ec.europa.eu/sites/enrd/files/tg2_water-soil_briefing_rbaps.pdf)

The important added value that the future CAP can provide in protecting the environment and mitigating and adapting to climate change was also highlighted by Ministers during the debates on the CAP Communication held at the December 2017 and January 2018 AGRIFISH Councils. Many Member States shared the emphasis put on the environmental and climate aspects of the CAP and considered that the policy's added value in this regard could be further enhanced in the future, in particular as concerns protecting biodiversity, water, soil and air quality, adapting to and mitigating climate change, ensuring sustainable development and making rural areas more resilient.

#### **Questions for the SCA:**

1. What should be the key elements of the new CAP greening architecture in order to ensure consistency of all environmental measures as well as an adequate level of environmental ambition? What level of flexibility for the Member States is appropriate concerning the enhanced conditionality and the more ambitious voluntary practices?
2. Do you think that the suggested delivery model has the potential to ensure more result orientation and simplification for farmers and national administrations and what needs to be in place to ensure this? (*Ideas on effective and measurable indicators and targets to be used to demonstrate the performance of the new environmental measures at both EU and Member States level could be shared.*)

In addition to answering those questions, delegations may also highlight other aspects of the current regime where they see scope for modernisation, efficiency and simplification. Delegations may also provide views on ECA Special Report no. 21/2017 and its recommendations regarding current greening payments that are relevant for the design of the future CAP greening architecture.

#### **Suggested question for the Council debate:**

How and at what level should environmental measures be regulated in order to ensure result orientation and contribution to common environmental objectives while ensuring level playing field in the internal market and a high level of environmental ambition?

### III. RURAL DEVELOPMENT

#### Background

Rural development measures - commonly referred to as the "second pillar" of the CAP - contribute to the life and vitality of rural areas in several ways. Rural development finances individual projects at farm level (e.g. modernisation of farms, conversion to organic farming) and activities aiming at boosting rural areas (e.g. investments in connectivity and basic services, provision of broadband internet, preservation of life and nature, renewal of villages). Environment and climate action (see section II above) are other key areas addressed within the framework of rural development, as well as the access of young people to farming, with measures complementing the "young farmer payment" such as support in the start-up phase for new farmers and advisory services. The Communication recalls the ageing of the agricultural community and highlights the need for a generational renewal in order to make the sector more dynamic and open to technology. A simpler and better targeted support for the installation of new farmers, together with other incentives at EU and national level, would help meet one of the main objectives identified by the Commission in its Communication, namely "*strengthening the socio-economic fabric of rural areas*". Under this goal, the future CAP is expected to stimulate further the creation of jobs and growth in rural areas - through new "rural value chains" such as the bioeconomy, circular economy and ecotourism and the promotion of the use of financial instruments to support farm investments.

Rural development programmes are co-financed at national level and have a multi-annual nature. Member States currently design their rural development programmes at national and/or regional level in response to the needs of their own rural areas. However, as highlighted by Ministers at the AGRIFISH Council on 29 January 2018, rural development programmes are often highly complex and they were not always approved by the Commission in a timely manner. Also the European Court of Auditors, in its Special Report no. 16/2017, has pointed to the complexity of the programmes, the significant administrative effort on the part of national authorities to meet the extensive content requirements, and their insufficient focus on results. To this extent, the ECA recommended to the Commission to simplify their content and reduce the number of requirements, to define the various indicators more accurately and to take stock of the experience gained from the current system. In this light, the Commission suggests to improve the planning process with the establishment of CAP Strategic Plans covering interventions in both pillars, providing for greater subsidiarity and flexibility for Member States as well as for a more result-based policy framework.

#### **Questions for the SCA:**

1. What are the lessons learned from programming and implementation of rural development programmes which need to be taken into account when designing the future CAP and its delivery model?
2. What can be done at EU and national levels, to further facilitate the access to ensure generational renewal?

In addition to answering those questions, delegations may also highlight other aspects of the current regime where they see scope for modernisation, efficiency and simplification. Delegations may also provide views on ECA Special Report no. 16/2017 and its recommendations regarding current rural development programming that are relevant for the design of the future delivery model based on results and the CAP Strategic Plan.

### **Suggested question for the Council debate:**

How should the rural development policy be further modernised and simplified to contribute to more sustainable rural economies and jobs and growth in rural areas?

### **Conclusion**

The Presidency invites delegations at the SCA meeting on 12 February to provide views on the technical questions set out above. They may also comment on the proposed questions for the Council meeting on 19 February.

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