

**AGENDA 2000: ENVIRONMENTAL MEASURES**

**A DISCUSSION PAPER**

**SUMMARY**

- S1. The EU Commission published its *Agenda 2000* policy framework in summer 1997. The detailed legislative proposals for the reform of the CAP followed in spring 1998. The ELO have already published commentaries on the *Agenda 2000* package as a whole, and on its rural development aspects.
- S2. This paper reviews the environmental aspects of the *Agenda 2000* package (Section A); and proposes an enhanced agri-environment package - an "Environmental Stewardship Programme" - to deliver the environmental objectives of *Agenda 2000* (Section B).
- S3. The current package has several environmental components: cross compliance, an enhanced extensification premium, national payments in the beef sector, revised measures in Less Favoured Areas, and agri-environment schemes. We consider that these are inadequate in several respects. There is:
- considerable overlap of objectives between different measures, leading to duplication and possible confusion of objectives;
  - greatly increased complexity in the proposed support systems, particularly where several support regimes would run alongside each other;
  - lack of targeting on clear environmental objectives, with the risk that blanket measures will fail to reflect local variation in environmental quality and needs;
  - excessive reliance on attaching negative environmental regulations to support payments, rather than on introducing more positive, direct, environmental measures; and
  - inadequate funding for voluntary agri-environment initiatives focused directly on the provision of valued environmental services.
- S4. We recommend that the environmental objectives of all the proposed environmental measures would be better secured through a comprehensive "Environmental Stewardship Programme". The Programme would accordingly replace cross compliance, an enhanced extensification premium, national payments in the beef sector, and revised measures in Less Favoured Areas. Where these measures also have socio-economic objectives (as in the Less Favoured Areas), these would also need to be fully reflected within the rural development part of the *Agenda 2000* package.
- S5. An indicative budget is EU 4 billion increasing to ECU 10 billion over the time period 2000 to 2006. The funds would come from the existing proposed allocations to agri-environment schemes; savings from the changes to the proposed extensification scheme, the national payments under the beef regime, and cross compliance

regime. But these would need to be supplemented from the margin above the guideline as indicated in the Agenda 2000, Table – synthesis on the financial cost after the reform (COM (98) 158).

S6. The Environmental Stewardship Programme would have four Tiers covering varied environmental services:

Tier 1: good agricultural practice;

Tier 2: management of existing features, habitats, landscapes and permitted access;

Tier 3: creation of new features, habitats, landscapes and permitted access;

Tier 4: management of existing features, habitats, landscapes and permitted access in specially designated areas.

S7. The Programme would contribute to the environmental land management objectives of the reformed CAP. We suggest that these should be to protect, maintain and - wherever possible - enhance:

- resources of water, soil and air;
- attractive landscapes;
- wildlife habitats and species;
- historical and archaeological features; and
- opportunities for public access and recreation.

S8. Against this background, we consider that the Environmental Stewardship Programme would:

- bring simplicity, coherence and effectiveness to the environmental component of the CAP;
- deliver environmental objectives in a much more focused, logical, transparent and cost-effective way than under the current proposals;
- replace a negative compulsory, regulatory approach with positive, voluntary, incentives to improve the environment;
- offer *all* land managers an opportunity to deliver the high-quality environmental services now demanded by the public;
- ensure that all aspects of the environmental management of rural land were tackled in an integrated manner;
- greatly simplify the approach developed in *Agenda 2000*: there would be no need for many of the existing environmental measures because their environmental objectives would be better served by the Programme;
- enable resources directed to inefficient measures to be released for a more targeted approach to environmental needs; and
- play a central role in the integrated approach to agricultural, environmental and socio-economic policy for rural areas which is needed in the European Union.

## **A. ENVIRONMENTAL MEASURES IN AGENDA 2000**

1. The Explanatory Memorandum to the draft *Agenda 2000* package, in its summary of the main lines of the proposed reforms to the Common Agricultural Policy (CAP) , states that “action on the environment is to be substantially reinforced”. Specific proposals include:
  - (a) developing the existing agri-environment measures and increasing the resources devoted to them;
  - (b) replacing existing headage-based compensatory allowances in less favoured areas with area-based payments;
  - (c) encouraging extensive beef production by increasing the “extensification premium” and enabling further national payments to be made;
  - (d) requiring Member States to take detailed steps to ensure that environmental rules are complied with (“cross compliance”).
2. The ELO comment on each of the elements of this package below. We have various concerns about the coherence and effectiveness of the proposed agri-environment measures. Nor does it help to simplify existing CAP provisions in relation to the environment. Indeed, it introduces new complications, for example, the proposals for cross compliance and for converting compensatory allowances in less favoured areas from a headage to an area basis.
3. The ELO conclude that further action is needed to develop a new framework of support for the provision of environmental services, avoiding some of the strictures of existing frameworks and the added complications of the new proposals. In particular, the ELO consider that the purposes of all the measures proposed above could be achieved solely through revised voluntary agri-environment measures - an “Environmental Stewardship Programme”. This would bring far greater simplicity, coherence and effectiveness to the *Agenda 2000* package. Proposals for such a Programme are set out in Section B.

### **Agri-environment measures in Agenda 2000**

4. The ELO have various concerns about the proposed agri-environment measures. Chief among these is funding, but we are also concerned at other aspects of the detailed proposals.
5. **Funding is a major ELO concern.** In some Member States the inevitable competition between the support available under the commodity regimes and through agri-environment schemes has increased the cost of agri-environment initiatives and limited their effectiveness in securing environmental objectives. Increases in funding for agri-environment schemes will be essential if real and worthwhile changes in land management on the ground are to be achieved.
6. The demands of the commodity regimes suggest that there will be no increase in real terms in funding for agri-environment initiatives. The proposed budget for all the accompanying measures (of which agri-environment schemes are only one part) is capped at little more than current levels for the next seven years, reducing from 6.57% of the total in 2000 to 5.67% in 2006. This does not match the Commission’s stated intention, in its Explanatory Memorandum, to increase resources for agri-environment schemes.
7. Against this background, the ELO consider that an increase of an order of magnitude is required in the EU budget for agri-environment schemes if they are to meet environmental objectives effectively. If funds are not to be switched from the commodity regimes, then the margin above the guideline will have to be used. The ELO consider that part of the necessary resources should be found by *changes to*

several of the other environmental proposals within the *Agenda 2000* package. These are discussed below.

8. The ELO note that it is proposed that agri-environment schemes should be co-financed by the Member States and the Community. The proposed rate of EU support is 50% within Objective 1 areas and 25% outside. These rates could be increased by 10% for schemes of exceptional environmental value. The EU element would come from the EAGGF Guarantee Fund. The ELO suggest that agri-environment schemes are just as important a policy mechanism as compensatory direct payments under the commodity regimes. **The ELO accordingly recommend that agri-environment schemes should be financed at a rate of 100% by the EU.** This arrangement would also be simple.
9. The proposals disappointingly fail to recognise the role of land managers *other than full-time farmers* in delivering environmental services. The ELO consider that Member States should be able to offer agri-environment aid to rural businesses and individuals where this would deliver environmental benefits. Pluri-activity is important for a significant number of land managers across the EU. Restricting eligibility for participation in agri-environment schemes to those for whom farming is the sole source of income would be highly detrimental both to the economy in rural areas and to the environment - because opportunities to protect, maintain or enhance the environment could be lost.

#### **Other concerns**

10. We are also concerned about various detailed proposals: eligibility, capital works, public access, organic farming, the relationship between Articles 20 and 31, high nature value environments, protection of archaeological features and calculation of payments.

#### **Aid for less favoured areas**

11. The LFAs have been characterised as areas of natural handicap, and special support measures have been justified to recognise this. The LFAs in many parts of Europe remain vulnerable, and their economic facility is characterised by the extremely low net farm incomes. But these low farm incomes are not only confined to the LFA, lowland beef and sheep enterprises are in equal perilous state. **Any changes to these fragile economies through CAP reform, will need very great care; and whilst the objective of this analysis is environmental, the communities and farmers who will deliver the land management must end up be better and not less rewarded.**
12. In principle, the Commission's proposals to move from headage to area payments in supporting the LFAs are welcome. Headage-based compensatory allowances (alongside the headage premium payments of the commodity regimes) have encouraged environmental overgrazing of semi-natural moorland, or conversion of moorland to improved permanent pasture, with damaging environmental impacts in both cases. Some LFAs - originally designated on the basis that they were suitable only for livestock *rearing* - now support substantial livestock *fattening* enterprises.
13. However, the ELO consider that the revised package means that there is now a *complete* overlap between LFA objectives, as set out in Article 13 of the Rural Development regulation, and those for agri-environment schemes (Article 20), and rural development (Article 31). The first LFA objective – “ensuring continued agricultural land use and thereby contributing to the maintenance of a viable rural community” – is a socio-economic objective that falls better under Article 31. The other three LFA objectives – preserving the countryside, maintaining and promoting sustainable farming systems, and assuring environmental requirements” – are all environmental objectives that fall better under Article 20. It could be argued that the only feature to distinguish the LFA provisions from the others is the existence of the designated areas themselves.

14. Furthermore, there is now arguably as much variation in *environmental* quality *within* LFAs as there is *between* LFAs and non-LFA land (compare improved grassland and unimproved heather moorland, both in LFAs). It would be a great error to assume that land of environmental value is found *only* within LFAs or that *all* land within LFAs is necessarily of great environmental value. Some LFA land is also of greater *agricultural* value than much non-LFA land (e.g. improved grassland within LFAs compared to unimproved species-rich grassland outside them). Differences in *socio-economic* conditions between many LFA and non-LFA areas are also arguably much less than hitherto.
15. The ELO consider that agri-environment schemes and rural development initiatives should both be targeted only on land where this can be properly justified in relation to environmental or socio-economic objectives respectively. Whether or not the area is formally designated under EU or national legislation for specific environmental or socio-economic purposes is immaterial. **We recommend that the new objectives proposed for the LFAs should be secured through targeted agri-environment schemes and rural development initiatives.** The funds involved should be reallocated accordingly. This would represent a significant simplification of the *Agenda 2000* package, with no loss of policy input or resources to these areas, given the common objectives of the relevant Articles of the draft Rural Development Regulation and the fact that provision to make area-based payments already exists under agri-environment schemes.

#### **Encouraging extensive beef production**

16. Article 11 of the draft Beef and Veal Regulation provides for an additional payment of 100 ECU per premium per annum to be made to producers receiving the beef special premium and/or the suckler cow premium, provided that during the calendar year concerned the stocking density on the holding is less than 1.4 Livestock Units per hectare and their animals are actually grazed on pasture land during the growing season. This would represent a near-tripling of the premium for this type of livestock farming.
17. Extensification of livestock production may often be desirable for both agricultural and environmental reasons. However, the effectiveness of the proposals is open to doubt. The increase in the extensification premium is matched by a corresponding tightening of the eligibility conditions to include all the male bovine animals, suckler cows, dairy cows and heifers present on the holding. Many holdings have animals for which they do not make premium applications, and may well consider that the trade-off between the higher premium and much lower real stocking rates may not be worthwhile. Moreover, the Commission itself expects this measure to have a neutral effect on the budget because it would attract fewer farmers. More effective extensification may well be encouraged - but on a small proportion of farms only, thereby limiting its overall environmental value.
18. A further concern is that a limit of 1.4 Livestock Units per hectare is far too high in terms of an appropriate density for the optimum environmental management of *some* habitats. Environmental damage could result if farmers with lower stocking densities increased them to 1.4 Livestock Units per hectare. An EU-wide density as a basis for this measure is, to say the least, a coarse approach. A targeted approach to the management of land - through agri-environment schemes - is a better option, tailoring the timing and density of stocking to the specific needs of individual parcels of land.
19. The ELO recommend that extensification should be sought through agri-environment measures, rather than through extensification premia. The funds involved should be reallocated accordingly. **The objective must be to produce beef through suckler cows at low stocking rates, utilising extensive grasslands in a sustainable way.** This would again serve to reduce considerably the complexity of the *Agenda 2000* package.

### National payments for beef animals

20. Articles 13-18 of the draft Beef and Veal Regulation further provide for Member States to make additional annual payments to livestock producers, on a headage and/or area basis, subject to nationally-defined maximum stocking densities which reflect environmental requirements. The desire to devolve decision-making to the Member States and give them some freedom in allocating resources is laudable but the proposals would vastly increase the administrative complexity of the management of the beef and dairy sectors. Severe distortions of competition could also result. Also, there is again an overlap of objectives between these measures and the agri-environment measures proposed under Article 20.
21. The ELO recommend that these proposals should also be changed. **The objectives of supporting environmentally-sensitive beef production systems should be secured through agri-environment measures rather than through a further complicated set of national payments. The funds involved should be reallocated accordingly.**

### Cross compliance

22. The proposals for cross compliance are unclear. They appear to require producers in receipt of support under the arable area or livestock regimes, as a condition of receiving those payments, to enter into an agri-environment undertaking or to observe general mandatory environmental requirements, or to observe specific environmental requirements (or some combination of these two or three options - the text is not clear). Where these requirements were not met, Member States could reduce or discontinue the direct payments.
23. The option of requiring producers to enter an agri-environment scheme is interesting. Clarification is needed over whether the producer could choose which schemes to enter, and would receive payments under the contract for that undertaking. Such an arrangement could be more readily-tailored to the agricultural conditions and environmental characteristics on an individual holding than the standard cross compliance obligation requiring compliance with a standard list of environmental conditions. There could be benefits in terms of the efficiency of the measures, and in terms of winning the support of land managers for measures which offered them more choice than other options.
24. The ELO agree entirely that all farming practice should conform to Codes of Good Agricultural Practice - and that payments should not be made to producers for action simply to meet this obligation (unless significant capital investment is required, in which case capital grants may be justified). The ELO understand that there is already a legal obligation on those receiving CAP support to farm in accordance with the requirements of "good husbandry".
25. While the importance of demonstrating good agricultural practice is accepted, the ELO do not accept that this should be linked to support under the commodity regimes. Cross-compliance in all its forms would be a flawed mechanism:
  - (a) In the short term, cross-compliance would confuse the purpose of support payments (are farmers being compensated for price reductions or for providing environmental services?).
  - (b) In the medium term, the existence of cross compliance provisions would hinder further CAP reform as resistance comes not only from those wishing to retain existing levels of support but also from those concerned that a reduction in payments would reduce the provision of environmental services.
  - (c) In the long term, it is not in the interests of the environment to make direct support payments conditional on given levels of environmental action. As direct payments to agriculture fall (as they eventually must), the financial

pressure on land managers would increase, making sound environmental management more difficult.

- (d) Over any time scale, cross compliance would also discriminate unfairly between land managers. Some would be placed at a competitive disadvantage. For example, if the condition was to “maintain all field boundaries”, all those who had removed field boundaries would face a lesser burden in costs than those who had retained their boundaries - even if these were redundant.
  - (e) There is also a philosophical objection to cross compliance. There is no logical link between the incentive and the condition. The better approach is to set clear environmental objectives for land management and to secure these through focused agri-environment schemes.
26. The ELO recommend that the proposals for cross compliance should be abandoned in favour of enhanced support for agri-environment schemes. Such schemes can be explicitly designed to ensure that the environmental services demanded by the public are delivered in a cost-effective way, providing an appropriate reward for the work of the land manager and providing the public with value for money. Again, deleting these provisions from the draft Common Measures Regulation would greatly simplify the whole package.

### **Overall assessment**

27. The ELO are not convinced that the package of proposals reviewed above would contribute effectively to the integration of the environment into the CAP to meet public demands. The package is inadequate because there is:
- considerable overlap of objectives between different measures, leading to duplication and possible confusion of objectives
  - greatly increased complexity in the proposed support systems, particularly where several support regimes would run alongside each other;
  - lack of targeting on clear environmental objectives, with the risk that blanket measures will fail to reflect local variation in environmental quality and needs;
  - excessive reliance on attaching negative environmental regulations to support payments, rather than on introducing more positive, direct, environmental measures; and
  - inadequate funding for voluntary agri-environment initiatives focused directly on the provision of valued environmental services.
28. The ELO accordingly recommend that a new approach should be adopted to ensure that environmental objectives are properly served within the *Agenda 2000* package. Proposals for a “Environmental Stewardship Programme” are set out in Section B below.

### **B. A NEW ENVIRONMENTAL STEWARDSHIP PROGRAMME**

29. The ELO propose that a revised agri-environment measure should be developed, to satisfy explicit environmental objectives for environmental land management under the *Agenda 2000* package. This “Environmental Stewardship Programme” (ESP) would encompass the agri-environment proposals made in the draft Rural Development Regulation and replace the accompanying proposals for revised LFA measures, the extensification premium and national livestock envelopes, and cross compliance measures. This would be a more sustainable and effective approach to environmental management as part of the integrated approach to agricultural, environmental and socio-economic policy for rural areas which is needed in the EU and for which the ELO have long campaigned.

### **Environmental objectives**

30. The ELO recommend that the ESP should be underpinned by clear environmental objectives for rural land management. While various environmental objectives are stated within the *Agenda 2000* package, they do not appear to be brought together in a single coherent statement at any stage. This omission would be rectified by a statement of environmental land management objectives along the following lines:

The objectives for environmental land management in the EU are to protect, maintain and - wherever possible - enhance:

- (a) resources of water, soil and air;
- (b) attractive landscapes;
- (c) wildlife habitats and species;
- (d) historical and archaeological features; and
- (e) opportunities for public access and recreation.

### **Making the ESP available**

31. The ELO suggest that **Member States should be required to introduce the ESP as an entirely voluntary scheme open to all land managers**. Those land managers who did not wish to take part in the Programme would be free to farm as they wished and to receive whatever non-environmental support was available to them under the reformed CAP. They would not be subject to any form of cross compliance. However, they would be subject to all environmental laws at Member State level and to a moral obligation to farm in accordance with generally accepted standards of good agricultural practice. These requirements would apply to all land managers both within and outside the ESP.
32. **Acceptance into the ESP would be entirely discretionary on the part of the Member State**. Every eligible land manager would have an opportunity to apply. Applicants would submit a whole-farm plan showing how they would meet the requirements of the different tiers of the ESP. Land managers accepted into the ESP would sign a formal five-year agreement. Agreements would run with the land and be binding on successors until termination.
33. **The ESP would be open to all land managers who could deliver the environmental services demanded under it**. Applicants would not be required to earn all or most of their income from agriculture. The ESP would embrace land managers other than full-time farmers – including part-time farmers, foresters, those growing industrial or biomass crops, and those primarily offering recreational or tourist enterprises – so long as they could deliver the services required. Where land management responsibilities were shared between owners and occupiers, one or both could enter the ESP in relation to the management work for which they were responsible. An occupier could not be required to carry out work which, under the terms of his lease, was the responsibility of the owner, and *vice versa*.

### **Tiers within the ESP**

34. **The ELO recommend that the Programme should have four tiers**. Some would be mandatory, some optional. Some (but not all) of the compulsory elements would attract annual payments and/or capital investment grants. Some of the optional elements would apply to part only of the holding; others would apply across it. The suggested elements are set out in detail in **Box 1**. In outline they are:

**Tier 1: Good Agricultural Practice:** no annual payments, whole-holding. Land managers *required* to apply Codes of Good Agricultural Practice in managing all their land – reviewing and amending specific farming practices as necessary.

**Tier 2: Management of existing Features, Habitats, Landscapes and Permitted access:** annual payments made, capital grant payments available as necessary, whole-holding. Land managers required to protect, maintain and enhance *existing* specified features, habitats, landscapes, low-input farming systems (e.g. organic systems) and *existing* permitted public access facilities (i.e. access above and beyond existing statutory access). Special projects could also be accommodated. Land managers *encouraged* to audit specific practices and to implement changes as necessary.

**Tier 3: Creation of New Features, Habitats, Landscapes and Permitted access:** annual payments made, capital grant payments available as necessary, whole-holding or part-holding. Special projects and new access provision could also be accommodated.

**Tier 4: Management of existing Features, Habitats, Landscapes and Permitted access in specially designated areas:** annual payments made, capital grant payments available as necessary, part-holding or whole-holding. Land managers encouraged to protect, maintain and enhance specified features, habitats, landscapes, low-input farming systems (e.g. organic systems) and permitted public access facilities (i.e. access above and beyond existing statutory access) within specially designated areas (of international, national or regional importance only (e.g. *Natura 2000* sites, National Parks and Regional Parks - including, in the UK, National Nature Reserves, Sites of Special Scientific Interest and Areas of Outstanding Natural Beauty). This Tier would help to ensure that these crucial areas were managed optimally.

35. **The terms of the Tiers would need to be established by each Member State individually, given the differing land management systems, environmental conditions and public demands in each case.** The EU Commission could moderate the broad requirements for each Member State to ensure a comparable standard of requirements across the EU. At Member State level, a “test of reasonableness” would have to be applied to each Agreement to ensure that the action required under it was appropriate and proportionate in the context of the particular holding.

### Payments

36. **The annual payments (made on a per hectare basis) should not vary with holding size.** Environmental impacts depend far more on the enterprises involved, the quality of their management and the nature of the surrounding environment than on the size of the holding. The complexity of the audits and management required would be correspondingly greater for large rather than small holdings. Equally, the costs of protecting landscape features do not decrease with increasing holding size: it is likely to cost ten times as much to trim 10 kilometres of hedgerows as it does to trim one kilometre. Overall, it is quite appropriate for large holdings to receive larger total payments than small holdings. The payments should be calculated on the basis of the cost of the work involved plus an incentive element.
37. **Capital grant payments would be drawn up for the full range of capital items relevant to the provision of environmental services provided under the ESP.** They could cover such items as: access (gates/stiles/bridges, path surfacing, car park surfacing); water level management and features (bunds, sluices, ditch/dyke/rhyne restoration, pond/scrape creation, water supply and troughs); field boundary restoration (walls, hedges); tree and shrub planting and management (tree groups and woodland, coppicing, standard trees, pollarding, tree guards); scrub management (scrub clearance, bracken control mechanical/chemical); fencing (post and wire, rabbit fencing, sheep fencing, deer fencing, iron rail fencing); eyesore clearance; preparation of audits or assessments and management plans; and repair of traditional buildings. These headings are based on those under existing schemes.

38. **Sanctions where the requirements of the ESP were not met, as under existing agri-environment scheme rules, could include termination of the agreement and a requirement to repay part or all of the payments received.**

#### **Transfers from existing agri-environment schemes**

39. **Participants in existing national agri-environment schemes could transfer into the ESP on request, subject to any amendments to their existing agreement to reflect new obligations entered into under the ESP.**

#### **Information, advice and training**

40. The ESP would not exist in isolation. It would, in particular, need to be supported by the provision of information, advice and training for land managers. This provision already exists to large extent for various agri-environment schemes. Bringing this provision together under the framework of a single ESP in each Member State could bring important benefits in terms of coherence and co-ordination of effort. Land managers would also be encouraged to help monitor the success of their environmental management work. Continuing independent assessments of the effectiveness of the ESP would be important.

#### **Targeting of the ESP**

41. Member States will have discretion over whether or not to accept applicants to the ESP. This will enable each Member State to ensure that the Programme is targeted to its particular environmental objectives. For example, some States might wish to put more emphasis on controlling leaching of nutrients while others might wish to favour the management of wildlife habitats and provision of public access. In general the ELO suggest that there should be three broad targets, within the full range of environmental objectives stated above:
- (a) sustaining the specific environmentally-sensitive land management systems which often deliver many environmental objectives at one time;
  - (b) deintensifying or diversifying those land management systems which do little specifically to sustain environmental objectives;
  - (c) supporting environmentally-sensitive land management in specially designated areas.
42. **Priority should generally be given to support for environmentally-sensitive land management systems - which represent an immense asset to the EU in terms of unsullied natural resources, biodiversity, landscapes, and so on.** They may be particularly vulnerable to loss because they are based on low-input-low-output systems, and/or are maintained by elderly farmers with no successors. The loss of species-rich grasslands to woodland (by abandonment), or their conversion to rye-grass or arable land (by intensification), are examples of how failure to maintain environmentally-sensitive systems could prejudice the achievement of environmental objectives. Action to deintensify or diversify intensive land management systems is important - but it can never, in the short or medium term, create the sorts of high-quality environments sustained by existing environmentally-sensitive systems.
43. **The ESP should in particular play an important role in supporting specific objectives within areas designated as being of environmental value – *Natura 2000*, Special Areas of Conservation, Special Protection Areas for birds, and Regional Nature and Landscape Parks.** The ESP would be essential in securing and maintaining “favourable conservation status” for species and habitats targeted by the *Natura 2000* initiative under the Habitats and Species Directive. Acceptance into Tier 4 of the ESP would depend on location within these areas. Acceptance into the other Tiers of the ESP should *not* depend on location within these areas, as important environmental assets or opportunities are not confined to specially-designated geographical areas: they exist throughout the countryside.

## Funding of the ESP

44. **The ELO recommend that the ESP should be 100% EU-funded - given its fundamental role in delivering environmental objectives to meet public demands.** 100% EU funding would avoid the possibility that worthy applicants could be refused an agreement through lack of national funds (a severe problem with existing agri-environment schemes which are not 100% EU-funded). An allocation would be made to Member States in each year based on national bids. Agreements would be completed by the Member States using the funds allocated to them. Any mismatch between demand and the funds available - which should be minor - could be corrected in the allocations made to Member States in succeeding years.
45. To ensure that the Programme is properly managed, we recommend that it should be opened to applications from land managers for an initial period of two years only. Funding for ESP agreements entered into within this period would be guaranteed until they terminated (after five years). Continuation of support thereafter would depend on the establishment of a further EU Programme along the same (or different) lines. This approach would mirror that adopted in the USA - where federal agricultural policy programmes are generally determined in the context of five-year "Farm Bills" which review and adjust policy to meet changing market and other pressures. ESP participants would also receive whatever non-environmental support payments were available to them under the reformed CAP.
46. It is difficult to estimate the likely costs of the ESP. Much would depend on the uptake in Member States, the total area entered under each of the Tiers, and within these, the extent of capital investment, and the areas of different types of features, landscapes and habitats, each of which would merit different levels of payment. An indicative budget is ECU 4-10 billion for the annual ESP over the time period 2000 to 2006.
47. The funds would come from: the existing proposed allocations to agri-environment schemes; savings from the changes to the proposed extensification scheme, the national payments under the beef regime, and cross compliance regime. But these would need to be supplemented from the margin above the guideline as indicated in the Agenda 2000, Table – Synthesis on the financial cost after the reform (COM (98) 158).

## CONCLUSION

- 48 **We recommend that a an Environmental Stewardship Programme, as proposed above, should be introduced as part of the reform of the CAP.** We consider that and ESP would:
- bring simplicity, coherence and effectiveness to the environmental component of the CAP;
  - deliver environmental objectives in a much more focused, logical, transparent and cost-effective way than under the current proposals;
  - replace a negative compulsory, regulatory approach with positive, voluntary incentives to improve the environment;
  - offer *all* land managers an opportunity to deliver the high-quality environmental services now demanded by the public;
  - ensure that all aspects of the environmental management of rural land were tackled in an integrated manner;
  - greatly simplify the approach developed in *Agenda 2000*. there would be no need for many of the existing environmental measures because their environmental objectives would be better served by the ESP;
  - enable resources directed to inefficient measures to be released for a more targeted approach to environmental needs; and

- play a central role in the integrated approach to agricultural, environmental and socio-economic policy for rural areas which is needed in the EU.

**ELO POLICY GROUP**

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**EUROPEAN LANDOWNERS ORGANISATION - ORGANISATION EUROPEENE DE LA PROPRIETE RURALE**

**Galleries du Centre - Bloc II - 6 Ème Étage - 1000 Bruxelles**

**TÉl: (0)10 23 29 02 Fax: (0)10 23 29 09**

**E-mail : elo@skynet.be**

## **Box 1: Proposed Tiers in the Land Stewardship Programme**

### **Tier 1: Good Agricultural Practice**

Tier 1 would be compulsory and would apply to the entire holding. Land managers would be required to review land management practice, within one year, in the light of all the advice contained in the Member State Government Codes of Good Agricultural Practice for the Protection of Water, Air and Soil and, within two years, to implement any changes in practice, as agreed with the ESP Officer. There would be no annual payments to land managers for costs incurred in changing land management practices to comply with “Good Agricultural Practice” under this Tier. Capital payments would be available for major capital investment needed to secure “Good Agricultural Practice”.

Land managers would also be **encouraged** to assess or audit specific farming practices against industry norms within one year.

### **Tier 2: Management of existing Features, Habitats, Landscapes and Permitted access**

Tier 2 would apply to the whole holding. Land managers would be required to “conserve” habitats, landscapes, low-input farming systems and permitted public access facilities shown on a map of the entire holding. “Conserve” would mean “to protect, maintain (allow no material deterioration in) and enhance (so far as is reasonable)”.

The features, habitats, landscapes, low-input farming systems (e.g. organic systems) and permitted public access facilities (i.e. access above and beyond existing statutory access) to be covered would be defined at Member State level. “Special projects” - major and complex programmes of environmental management or restoration - could also be accommodated. Annual payments would be available to support the maintenance work required and capital grants could also be paid as necessary (e.g. where features needed to be rehabilitated before they could be brought into routine maintenance). The land manager would also be required to consult the **ESP** Officer before carrying-out any land management works defined at Member State level and specified in the agreement which could damage such features.

This Tier could support the management of: hedgerows, stone walls and banks; ponds, lakes and ditches; ancient monuments and historic rural buildings; buffer strips adjacent to watercourses; traditional orchards, veteran trees, scrub, maquis, dehesas, other wood pasture and historic parkland; unimproved grassland (lowland/upland hay meadows, historic water meadows, unenclosed/enclosed upland grassland and heather moorland, lowland/upland unimproved pastures, wet/marshy grassland, chalk/limestone grassland); coastal land (sand dunes, cliff top grazing, salt marsh, salt pans, lagoons, grazing marsh); wetlands (fen, reed beds, carr); arable land (rough grass margins, uncropped field margins, beetle banks, conservation headlands); woodland (including biomass crops); and lowland heath. This Tier would also support conversion to organic farming systems, and their maintenance, and action - going beyond “Good Agricultural Practice” to reduce nutrient losses (e.g. nitrate, phosphate) and ammonia. Specific habitats for rare species (e.g. those identified in Biodiversity Action Plans), and management involving traditional breeds of livestock could also be supported. Permitted access (i.e. access above and beyond existing statutory access) could also be supported.

.../continued

## **Box 1 (continued)**

### **Tier 3: Creation of New Features, Habitats, Landscapes and Permitted access**

Tier 3 would apply to a significant part of the holding say at least 10%. Land managers would be required to manage a significant part of their holding as features, habitats or landscapes, or under low-input systems (e.g. organic farming). These would be defined at Member State level - they would be the same as those defined under Tier 2. If existing features, etc identified under Tier 2 did not already occupy say 10% by area of the holding, further provision would be **required** (e.g. by the creation of uncropped field margins, beetle banks, buffer strips adjacent to watercourses, new hedgerows, or conversion of areas to organic farming or woodland). Land managers would have a choice as to how to meet the requirement.

Annual payments, supported by capital grants as necessary, would be available to support this work. This Tier would ensure a basic minimum rural infrastructure of retained and newly-created features of value in wildlife, landscape or historical terms. Special projects could also be accommodated.

New permitted access provision (above and beyond existing statutory access) could also be encouraged as wholly optional activities. New access would enable the public to see the environmental work being carried out. Access provided could be linear (e.g. footpaths, bridleways or paths for the disabled) or to areas of land. Payments could also be made for educational access by specific groups of any age. Annual payments and capital grant payments would be available, as necessary, to contribute towards the costs incurred in managing the access provided and providing any necessary infrastructure (gates, stiles, car parks, waymarks and so on).

### **Tier 4: Management of existing Features, Habitats, Landscapes and Permitted access in specially designated areas**

This Tier would be optional. Annual payments would be made and capital grant payments would be available as necessary. The Tier would apply to part-holding or whole-holding areas.

Land managers would be encouraged to protect, maintain and enhance specified features, habitats, landscapes, low-input farming systems (e.g. organic systems) and permitted public access facilities (i.e. access above and beyond existing statutory access) **within specially designated areas** (of international, national or regional importance only (e.g. *Natura* sites). The dedicated focus of this Tier - which would need to be supported by ring-fenced funding - would help to ensure that these crucial areas were managed to best advantage.