

The 2021 Annual Meeting Symposium of the AESJ

Will the European Green Deal Change the Common Agricultural Policy (CAP)?

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This paper examines the impact of the European Green Deal (EGD) and its sectoral strategies on the CAP. The EGD emphasizes the CAP and relies on it financially. Numerical targets will be addressed through combinations of the CAP and environmental measures. The proposed CAP reform has its own environmental and climate measures that are compatible with those of the EGD, but there are uncertainties arising from the deliberations on the reform and the increased discretion of Member States (MS). A difficult manoeuvre is required between CAP budgetary limits, eroded policy-making powers, increased burden on the agricultural sector, and evolving EGD policies.

Keywords: European Green Deal, CAP reform, Farm to Fork Strategy

The EU's EGD is a broad-based package of environmental and climate policies, under which sectoral strategies, the Farm-to-Fork Strategy (F2F) and the EU Biodiversity Strategy (BDS), are being developed. The Common Agricultural Policy (CAP) is under pressure to address them in its next reform. In the following, we will examine the EGD and its demands on the CAP, the environmental and climate measures in the proposed reform of the CAP, and the changes in the CAP brought about by the EGD. Japan is currently formulating a "Green Food System Strategy" inspired by F2F, and there can be much to learn from the EU.

1. Requests from the EGD

The policy areas of the EGD can be divided into three main categories: (1) climate change, (2) environmental conservation, and (3) facilitation. The EGD has an action plan consisting of 48 items in 10 areas, according to which sectoral policies are being developed sequentially. It plans to raise more than 1 trillion Euros in financial resources over 10 years until 2030.

The EGD is also the EU's new growth strategy. In contrast to the previous growth strategy, Europe 2020, which did not mention the CAP at all, the EGD places a heavy emphasis on the CAP. According to the EGD, farmers and the CAP are key to the transition to a sustainable food system. Agriculture accounts for 48% of the EU's land area, is closely linked to the environment and climate, and is a major contributor to EGD finances. More than 40% of the CAP budget for 2021-27 will be used for climate action, but this budget can actually

be used for broader environmental measures, which are expected to be leveraged by the EDG. The CAP accounts for a quarter of the total amount of planned investments in the EDG, and more than 40% if we look only at the EU budget and the MS's "co-financing," which are fairly secure.

The EGD obtained additional financial resources through Green Recovery to provide financial backing for the existing 2030 target of a 40% reduction in GHG emissions. Note that only 1% of the special budget is dedicated to the CAP.

The EGD's specific request for the CAP is centered on the use of climate and environmental measures to be introduced in the next CAP reform. That is, the CAP Strategic Plan should fully reflect the goals of EGD and F2F, induce sustainable agricultural practices, and reward them through measures such as the Eco Scheme. It also calls for the reduction of pesticides, fertilizers and antibiotics and the expansion of organic farming area.

F2F aims to make food systems fair, healthy, and environmentally-friendly. F2F's policy challenges relate to agriculture ("sustainability of food production"), food security, and the downstream sectors (processing, distribution, and consumption), of which agriculture accounts for more than half of the description.

F2F and BDS set numerical targets for agriculture. They include halving the use of synthetic pesticides, nutrient losses, and antimicrobials, increasing organic farming to 25% of farmland, and landscape characteristics and pollinators. The policy instruments to achieve each goal are a combination of CAP and other measures including regulations and action

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plans. However, the numerical targets for F2F and BDS are not legally binding.

F2F also includes the development of contingency plans to ensure food supply and food security. This reflects the growing concern caused by the disruption in the food chain brought about by COVID-19.

On the other hand, at the processing, distribution and consumption stages, detailed information will be provided to consumers to promote healthy and sustainable food choices. This will lead to increased demand for agricultural products with less environmental impact.

Other than F2F, GHG reduction measures are expected to affect agriculture. So far, the national reduction targets set by the EU have not specified the amount of reduction for agriculture, but the legislative proposals to be submitted by June 2021 are expected to be more restrictive.

2. Next CAP Reform Proposal and Climate and Environment

The proposed reform of the CAP has its own environmental and climate measures, and has a flexible structure that can respond to the EGD to some extent.

1) Strengthening environmental and climate measures

Since the 2013 reform, the CAP reform has entered a new phase (Hirasawa 2019), with a particular emphasis on the provision of public goods and improving fairness to justify maintaining the CAP budget. The main focus was on the introduction of Greening Payments, which account for 30% of direct payments. With strong pressure to cut the CAP budget, the next CAP reform will have to go further in this direction.

The main changes in environmental and climate measures in the next CAP reform are the upgrading of the Greening payments (Eco-Scheme) and the upgrading of environmental requirements for direct payments. The new Eco-Scheme will pay for more advanced environmental and climate practices than the greening payments, such as agro-ecology, agroforestry, precision agriculture, and carbon farming.

The breakthrough of the current Greening Payment scheme was that it explicitly aimed at environmental measures even though it was a direct payment under the first pillar, and that it covered a very wide range of farmers and farmland. The budget size of the Eco-Scheme is expected to be 1.8 to 2.7 times larger than the current Pillar II environmental measures, which is comparable to the Greening Payments. Depending on the commitments of MS,

this could be a major step forward in agro-environmental and climate policies.

Environmental and other requirements are imposed on recipients of direct payments. Such requirements (Conditionality) in the next CAP reform will incorporate items equivalent to the three requirements of the existing Greening Payments, and farmers will no longer be able to obtain Greening Payments by meeting them. In addition, requirements related to water resource conservation and other issues will be added.

The CAP Strategic Plan will be required to contribute to the goals of the 12 environmental and climate legislations. This will be another new pathway to link the CAP with environmental and climate policies.

2) Flexibility of the CAP Strategic Plan

The current CAP operates around a common set of rules and adherence to them. It gives MS a wide range of discretion through explicit options and exceptions for individual measures. The next CAP reform will shift this principle, reducing the rules at the EU level to common goals, broad types of measures, and basic requirements, leaving the details of measures and their adoption or rejection to the Plans of MS. At the same time, a performance-based mechanism will be introduced to encourage MS to respond to EU-wide policy goals such as the EGD. Its effectiveness remains to be seen.

The new CAP Strategic Plan will be the vehicle for empowering MS and emphasizing performance. It will be developed by each member state, approved by the Commission, and monitored and evaluated on an ongoing basis. For the first time, direct payments and rural development policies will share plans and objectives. There is an increasing overlap of functions between the two and an increasing need for mutual coordination.

The CAP will have four general objectives and nine specific objectives, under which the CAP Strategic Plan and performance will be evaluated. Three of the specific objectives relate to climate change, natural resources, and biodiversity, respectively, and another objective refers to societal demands for food and health. These are highly consistent with the EGD and F2F, making it easier for the CAP to respond to the EGD.

3. How will the CAP Change?

1) Legislation for CAP reform

It is almost certain that the proposed regulations of the next CAP reform will not be significantly changed by the EGD.

This is because the proposed reform has enhanced environmental and climate measures prior to the EGD, and the EGD also emphasizes the use of such new elements.

The response of the CAP reform to the EGD may change, depending on the deliberations on the proposed regulations. The watering down of the CAP reform during the deliberations has been repeated in the past. This time, the Commission is using the EGD as a shield to defend the proposal, but the outcome is still unclear.

On the operational side, the Commission has been actively calling on MS to reflect the EGD and F2F in their CAP Strategic Plans, and published country-specific recommendations in December 2020. The negotiation over how to deal with the EGD in the Plans will be a test of the performance-based model to ensure the quality of MS policies.

The agricultural sector has expressed some concerns about the series of developments, including the concentration of F2F requests and targets on agriculture, the reduction in the real value of the CAP budget when new environmental and climate measures need additional funding, the lack of impact assessment of F2F, and concerns about competition from imports.

In the future, if the provisions of environmental and climate legislation to which the CAP Strategic Plan and conditionality refer are strengthened, the CAP will automatically and altruistically become more environmentally ambitious. In addition, since post-2027 reform of the CAP will be designed with the EGD as a given, it is expected to respond to developments in EGD policies and, as is customary in CAP reforms, to raise the level of response among MS.

2) Increasing involvement of the environmental sector

The agricultural sector has long used environmental measures as a rationale for maintaining the CAP budget, and as a result has encountered the dilemma of demanding authority over such measures from the environmental sector.

In the European Commission, the CAP is under the jurisdiction of DG-AGRI, but the environmental strategies of other departments, such as the EGD (headed by the first

Executive Vice-President, who also leads DG-CLIMA), F2F (DG-SANTE) and BDS (DG-ENV), make many demands on it.

In the European Parliament, COMENVI is expanding its mandate. In the next CAP reform, COMENVI has been nominated as an “associated committee” together with COMAGRI to deliberate on the CAP Strategic Plan Regulation, and can participate in negotiations with other EU institutions (trilogue).

On the other hand, COMENVI and COMAGRI were nominated as the “joint (responsible) committee” for F2F. They will jointly draft the rapport.

3) Where the CAP is headed

Environmental and climate measures, which play a central role in the new phase of CAP reform, appear to be accelerated by the EGD. CAP’s cooperation for measures in the areas of environment, climate and food safety is also expected.

If the EGD and F2F are followed, the effectiveness of environmental and climate measures by the CAP will be considerably enhanced, which may provide an opportunity to maintain the CAP budget in the future. However, this is only a step in the right direction for the environmental sector, which will need to be more ambitious in the future. There is also a risk that the traditional balance of power will shift, reducing the authority of the agricultural sector in the formulation of the CAP. As the EU’s environmental sector does not have a large budget line like that of agriculture, it must rely on the CAP for the EGD. However, the agricultural sector is mainly interested in promoting agriculture and supporting farmers, and its financial resources are limited.

To run the CAP system will continue to be a difficult balancing act between maintaining the agricultural budget, avoiding the erosion of policy-making authority, and confronting the growing burden on the agricultural sector.

Reference

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