The Green Deal and the CAP: policy implications to adapt farming practices and to preserve the EU’s natural resources

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The Green Deal and the CAP: policy implications to adapt farming practices and to preserve the EU’s natural resources

Hervé Guyomard, Jean-Christophe Bureau, Vincent Chatellier, Cécile Détang-Dessendre, Pierre Dupraz, Florence Jacquet, Xavier Reboud, Vincent Réquillart, Louis-Georges Soler and Margot Tysebaert
European Green Deal: “Transforming the EU’s economy for a sustainable future”

A consistent set of objectives, among which:

Carbon neutrality by 2050

Goals for all sectors

Main quantitative targets for agriculture in 2030

- Greenhouse gas emissions: -35% for non-CO2 gases from a 2015 reference
- Pesticides’ use and risk: -50%
- Nutrients (N & P): -50% for losses ➔ -20% for use
- Antimicrobials: -50%
- Organic farming: 25% UAA
- High-diversity landscape features: 10% of UAA
- Losses and waste: -50%

Various Strategies, including:
- Climate Plan and Law
- Farm to Fork Strategy
- EU Biodiversity Strategy for 2030
Structure of the Presentation

1. EU agriculture is not on the right track to meet the Green Deal targets

2. A policy mix for the entire food chain is needed

3. The CAP in this framework
1.

EU agriculture is not on the right track to meet the Green Deal targets
Based on past trends, agricultural greenhouse emissions would not significantly decrease by 2030.

Source: Own elaboration from EEA data (2020)
Based on past trends, pesticide sales should not significantly decrease by 2030

Sales of pesticides, EU-27

(tonnes)

Source: Own elaboration from Eurostat (2020)
Based on past trends, the share of organic area should not reach 25% by 2030

Agricultural land under organic farming in the EU-27 (%)

Source: Own elaboration from Eurostat (2020)
2.

A policy mix for the entire food chain is needed
To place EU agriculture and food on the right track, necessity to change production systems, reduce losses and waste, and shift towards more balanced diets.

More agro-ecological farming production methods

- Pesticide & fertilizer reduction
- Reduction of GHG emissions per kg of product
- Increase in carbon sequestration

Diet changes

- Land use
- Decrease in cattle size
- Vegetal/animal proteins
  Balanced diets

Waste reduction

- Land reconversion

Climate

Health

Environment & Biodiversity

Strong effect

Moderate effect

Null effect
To place the EU agricultural and food sector on the right track, supply and demand actions and policies are needed. Food policies (information, labelling, taxes & subsidies…) lead to changes in food choices and consumers’ diets depending on price and land-use effects (costs and yields) and non-market provisions of trade regulations (imports). Green Deal goals depend on changes in activities (meat, F&V…) and positions on domestic versus export markets. Efficiency gains and changes in production practices/systems are influenced by producers’ incentives to change practices. Considering CAP, these actions are necessary to place the EU agricultural and food sector on the right track.
3. The (future) CAP in this framework
The green architecture of the future CAP

CAP 2021-2027

Pillar II

Environmental measures under rural development
Voluntary for farmers

Eco-Schemes
Voluntary for farmers

Pillar I

New, enhanced conditionality
(Extended Environmental SMRs and GAECs)
Compulsory for farmers

Source: Lotz et al. (2019)
Recommendations based on lessons of Publics Economics

"Polluter-Pays" and "Provider-Gets" Principles

Incentives (subsidies)

Constraints (taxes)

"Environmental Federalism"

Pillar 2
National/Regional rules for local public goods (soils, water, landscapes)

Pillar 1
Common rules at the EU level for global public goods (climate, biodiversity, animal welfare)

CAP 2021-2027

Pillar II

Environmental measures under rural development
Voluntary for farmers

Eco-Schemes
Voluntary for farmers

New, enhanced conditionality
(Extended Environmental SMRs and GAECs)
Compulsory for farmers

Source: Own elaboration
Strengthened conditionality requirements...

1. Cross-compliance and greening requirements of the current CAP: no-backsliding principle

2. No exemption/exception (whole agricultural area)

3. More stringent provisions for some proposed GAEC:
   #1 (permanent grassland), #2 (peatlands & wetlands), #9 (high-diversity landscape features)

4. Introduction of new GAEC in relation to the Green Deal:
   #11 (pesticides), #12 (antimicrobials), #13 (GHG greenhouse gas emissions)
   - Indexes (uses/emissions)
   - Reporting
   - Base for corresponding eco-scheme measures

GAEC: Good Agricultural and Environmental Conditions

... in order to better legitimize the remuneration of additional efforts through eco-scheme and Pillar 2 measures
Eco-scheme measures on global public goods: climate mitigation, biodiversity preservation/restoration, animal welfare

- **ES #1**: Permanent grassland (no ploughing at the plot level, 3 payment levels (grassland age), bonus for legumes)
- **ES #2**: Wetlands and peatlands
- **ES #3**: Crop diversity (payment increasing with the value of a diversity index, bonuses for small plots and “permanent” soil coverage)
- **ES #4**: EFAs (without productive land uses, 3 aid levels (5, 10, >10%), bonus 1 for rare ecological focus areas, bonus 2 for their spatial continuity)
- **ES #5**: Pesticides (Green Deal target, index, several aid levels)
- **ES #6**: Antimicrobials (Green deal target, index, several aid levels)
- **ES #7**: GHG emissions (Green deal target, several aid levels)
- **ES #8**: Animal welfare
Three ring-fenced budgets

Pillar 2

A 35% ring-fencing of P2 spending for climate- and environment-related interventions (including payments for natural and other area-specific constraints with a weighting factor of 40%)

Pillar 1 (eco-schemes)

A 20% ring-fencing of P1 spending for climate mitigation intervention (with a very low weighting factor (< 10%) for decoupled direct aids)

A 20% ring-fencing of P1 spending for interventions addressing biodiversity preservation and restoration (with a very low weighting factor for decoupled direct aids)

Will help the CAP to achieve the commitment to devote 40% of its budget to climate mitigation

Issue of binding ring-fenced budgets?
Conclusion
Departures from CAP draft regulations (EC, Council, EP)

- Furthermore, weaknesses of the CAP New Delivery Model (inclusion of GD targets in strategic plans, legally binding vs aspirational GD targets, performance indicators, assessment of strategic plans)

Impacts on farm incomes

- “De-intensification” (less external inputs, lower production levels)
- Impacts potentially important (pesticides, landscape features, agricultural GHG emissions), at least in the short term
- But price effects (price increases)
- “Control” of import for both economic and ecological reasons (pollution leakages): border adjustment mechanisms for carbon & biodiversity

Solution through supply and demand changes and policies

- Significant changes in dietary patterns are required (environment and health)
- From a CAP to a consistent set of agricultural, food and trade policies
- Favorable orientation of technical progress (right incentives)
Thank you for your attention