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## **RSPB Northern Ireland's response to Commission public consultation on the Issues Addressed in the "Health Check" Communication**

**January 2008**

### **1 Taking stock of the implementation and simplifying the Single Payment Scheme**

#### **1.1 Simplifying the Single Payment Scheme**

- With respect to which rules could the SPS be further simplified without negatively affecting the functioning of the system?
- Do you agree that Member States (MS) should be allowed to adjust their SPS model towards a more flat rate of support, at national or regional level?
- What type of impacts would you expect with the introduction of flatter rates of support for farmers?

The RSPB believes that all public payments should eventually be clearly linked to the delivery of specific public goods. We do not believe that current Pillar I payments can be seen as a viable solution in the long term. However, within the current budget period, every measure should be taken to correct the worst distortions of the direct payments system.

Although decoupling has been advocated by RSPB and its BirdLife partners for many years as a necessary step in the process of CAP reform, we have always argued against the historical basis for allocating the Single Farm Payments (SFP). High payments based on historic income are still benefiting the most intensive farmers, many of whom have been responsible for the widespread loss of our farmland wildlife. Farmers with historical low income, such as most farmers in High Nature Value (HNV) systems are on the other hand penalised. The historical allocation approach also leads to the widely criticised perverse outcome by which organic farmers receive on average less public support than non-organic farmers, despite their better environmental record and widespread public opinion support. The RSPB believes that all

direct payments should be paid on the bases of national or regional flat rate area payments across all agriculture land, transparently linked to cross compliance conditions delivering higher standards than those already imposed through legislation. Implementing such a system in all EU countries within the current period would pave the way for a future system where payments are clearly linked to land stewardship. Retaining until 2013 highly uneven payments based on past production would be very damaging for the image of the CAP. All the more so, when high prices of cereals and other commodities transform into an absurdity, payments that are still justified as compensation for past price reductions. Widespread evidence is finally suggesting that flat rate payments are much easier to administer. The transition from historic payments to flat rate payments entails a redistribution of subsidies. In most cases this redistribution would be away from intensive farmers that tend to be more environmentally harmful, toward smaller and less competitive farmers that certainly have more need for support and that in many cases also deliver substantial and often unrewarded, public goods.

## 1.2 Cross-Compliance

- What would be the potential outcome of maintaining the cross-compliance at its existing standards?
- What impacts do you see emerging with the possible addition/deletion of certain legal requirements or GAEC standards?

Cross compliance has the potential to increase compliance with EU legislation and improve basic environmental practices. In doing so, it increases the legitimacy of public payments for farmers, although the high level of subsidies received is disproportionate to the level of requirements. Currently, cross compliance standards are failing to deliver on several key concerns, and they need to be improved so they can play a role in addressing the environmental challenges European agriculture faces, including biodiversity, water, and climate change. There are a number of requirements in cross compliance that relate directly to the environment but that are performing poorly and need to be improved. The process for implementing cross compliance standards and compliance with these standards is also responsible for the failure of cross-compliance to deliver its objectives. The following points propose concrete ways of improving cross compliance, both on the content and on the process side. It is important to note that DG Agriculture's own studies have shown current cross compliance to be creating a very marginal burden on farmers with most of which revolves round sanitary regulations. Environmental rules are currently so weak, and control levels so low, that any suggestion of further watering down will risk making

cross compliance meaningless. On the other hand, the following proposals would be workable and mostly un-bureaucratic and bring environmental benefits much greater than the cost of implementing them.

- ***Protect permanent grassland***

Permanent grassland is one of the most important farmed habitats in the EU for biodiversity, while also acting as an important carbon sink<sup>1</sup>. Cross compliance currently requires MS to monitor the area covered by permanent pasture and ensure that the overall area does not decline by more than 10%. These rules are completely inadequate. They allow for the reduction of grassland areas by 10% at a national level, and this can result in the virtual elimination of grassland cover from the most vulnerable areas. It also allows for the destruction of unimproved and even species rich grassland, as long as an equivalent arable area is planted with artificial grass cover. From both a biodiversity and climate perspective, there is absolutely no equivalence between these two land uses. Cross compliance should therefore be amended to strictly protect all permanent grasslands. This rule would be aimed at truly permanent grassland, not at grassland that is part of normal crop rotation systems. To this end, we suggest defining permanent grassland as grassland that has been undisturbed for 10 years or more.

- ***Protect landscape features***

One of the key GAEC requirements is to “not destroy important landscape features”, but very few MS have implemented this properly because the wording of the requirement is too vague. The loss of landscape features, such as hedgerows, bushes and small wet areas, is an important cause of biodiversity decline and greatly damages the aesthetic quality of the landscape. Such features are also a traditional component of the cultural heritage in a country like Northern Ireland and should therefore be protected. The Regulation should be amended to include a list of landscape features that must be protected. MS would then be free to add elements to the list, but not to reduce it, although there will inevitably be some features that will not exist in certain countries. The list should include, as a minimum, hedges, tree lines, isolated trees/bushes, wetlands and ponds, main ditches and watercourses, stone walls, and pockets of native vegetation/scrub.

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<sup>1</sup> JRC & EEA (2006). *Proceedings of the expert consultation “Sustainable bioenergy cropping systems for the Mediterranean”*. Madrid, 9-10 February 2006.

Vellinga, V; A. van den Pol-van Dasselaar and P.J. Kuikman (2005). *The impact of grassland ploughing on CO<sub>2</sub> and N<sub>2</sub>O emissions in the Netherlands*. Nutrient Cycling in Agroecosystems 70: 33 – 45.

Freibauer, A; M.D.A. Rounsevell, P. Smith, A. Verhagen, *Carbon sequestration in European agricultural soils*, Soil Science Review, 2004

- ***Get rid of unnecessary management requirements with perverse outcomes***

Decoupling may release some land that could deliver very important environmental benefits, however these benefits are being jeopardised by unnecessary cross-compliance requirements that have a negative impact on biodiversity and are often onerous for farmers. In particular, many MS require farmers to control vegetation growth during the spring breeding season for birds, causing unnecessary destruction of nests.

The Regulation needs to address this by clarifying that the conservation of biodiversity linked to open habitats, landscape features and unfarmed (abandoned) fields is a key objective of GAEC. Wildlife habitat restoration should always be allowed and encouraged on land no longer cultivated. We suggest the following key amendments:

- Spraying and ploughing of un-cropped land should be prohibited as a general rule. Minimum tillage and other methods should be allowed only as derogation where it can be shown to bring better environmental benefits.
- Mowing to be carried out outside the breeding season and at the minimal frequency needed to maintain habitat quality and prevent scrub encroachment.
- Management of landscape features, such as hedges and ditches, as well as other un-cropped land, should be undertaken outside of the breeding season, at minimal frequency and should be mechanical rather than chemical.

- ***Introduce binding guidelines for the implementation of the Birds and Habitats Directives***

Compliance with the Birds and Habitats Directives is required by cross-compliance, but most of the Directives' requirements are meaningless to farmers in the absence of specific guidance. Even Natura 2000 management plans, in many cases, do not contain management prescriptions relevant to farming. This means that the objectives of the Directives are not met and that farmers are left uncertain as to whether they are complying or not. Clear guidance is needed from the Commission, explaining exactly what type of rules should be defined by MS, including, for example, requirements to introduce mowing exclusion dates to ensure the breeding season is avoided, the protection of designated habitats, and stocking density requirements. MS would implement the Directives through setting prescriptions at the national and site level, ensuring they meet the guidelines set by the Commission.

- ***A programming approach for GAEC***

Many of the problems with cross-compliance have arisen with implementation of GAEC at the MS level. These could be addressed through introducing a programming approach similar to that applied to the Rural Development Regulation, so that the Commission produces implementation guidelines and MS then submit an implementation plan to the Commission for approval. The plan should also include details of initiatives to monitor the impacts of cross compliance. Programming should also be done in full consultation with stakeholders including farmers, environmental NGOs and environmental authorities. Any derogation to the general rules should be duly justified and reported to the Commission on an annual basis.

- ***Improving the control system***

The current control system is based on a very small number of random visits to farms, which in many areas amount to individual inspection rates of once in a century. These cannot deliver compliance with many of the rules relevant to biodiversity, particularly those where compliance can only be monitored in a particular season or with the aid of reference maps that might not be available. A risk based control system with specific control criteria relating to the environmental standards in cross compliance would be much more appropriate. For certain issues, such as landscape elements and permanent pasture, the use of remote sensing for compliance checks could reduce farm visits whilst efficiently increasing control rates.

- ***More effective penalties***

In the current system, penalties are small and temporary and are unlikely to deter farmers from committing infractions that produce a substantial economic benefit. Following the detection of infringements, farmers should be required to reverse the damage where possible. For example, ploughed grassland would be required to be restored, and controls and penalties would apply until this happens. In the case of permanent damage, such as the destruction of ancient limestone dry grasslands, the subsidy reduction should be made permanent.

- ***Evaluation and continuous improvement***

No rules can be perfect from the onset and a system that allows for continuous improvement is in the interest of both the environment and farmers. MS should be required to set up an evaluation system, based on targeted research, to determine the effectiveness of cross compliance rules and feed the results back into rules. The effectiveness of cross compliance standards should be periodically assessed, with the involvement of the Commission and civil society. This would result in both better delivery and the possible relaxation of unnecessarily strict rules.

- ***Water and Climate protection***

See section 3.2

### 1.3 Partially coupled support

- Should decoupling be applied in full extent to all sectors? Would there be specific impacts with this option?
- Should decoupling be applied in full extension but negative impacts mitigated by alternative flanking measures? In this case, what kind of measures?
- Are there any sectors where targeted, partially coupled support should remain and which problems do you consider this support to mitigate?

The RSPB has strongly supported decoupling of CAP payments since before the Agenda 2000 reforms. Full decoupling is in line with the original motivation for CAP reform, i.e.: to achieve a less trade-distorting, less bureaucratic and greener CAP. Coupled payments are a very inefficient way of pursuing environmental or social policy objectives. We believe that the smooth introduction of fully decoupled payments in many EU countries leaves no doubts about the fact that partial coupling is an outdated tool that should be done away with.

However, the issue of full decoupling cannot be considered in isolation. Allowing European agriculture to become more market-led brings benefits, but also exposes most of Europe's countryside to economic forces which do not recognise environmental values. It is the role of public policy to ensure that agriculture continues to provide those goods which society needs and expects. This can either be in the form of regulation against pollution and degradation, or by creating a market for public goods through the rural development regulation. We believe that further decoupling is positive but should be accompanied by a consolidation of cross compliance (see section 1.2) and by targeting substantial support at those HNV farming systems that deliver important public goods but are likely to be uncompetitive on a free market and are thus threatened with widespread abandonment. We believe that a thorough revision of the "article 69" mechanism could provide a partial solution to the latter concern.

Article 69 of the Horizontal Regulation of September 2003 (EC 1782/2003) authorises the creation of a National Envelope, using up to 10% of funds from a certain sector, to be redistributed within that sector and paid on an annual basis. The Regulation states that "The additional payment shall be granted for specific types of farming which are important for the protection of the environment or for improving the quality and marketing of agricultural products...".

Very few countries have applied Article 69, however, partly because of the restrictive conditions attached to its use. In its current form this tool's effectiveness is also hampered by the need to move funding strictly within sectors. It means that there is no way of shifting funds toward sectors that need and merit special support because of their outstanding environmental delivery or severe competitive disadvantage.

Given the lack of funding in the Rural Development Programmes during this programming period, Article 69 could be a very important tool for addressing key environmental challenges, increasing the amount of CAP support that is clearly targeted at the delivery of public goods and rebalancing some of the distortions of current spending patterns.

The RSPB believe that a modified "article 69" mechanism could play a key role in the Health Check and give a real contribution for a short term improvement of the CAP. In particular, it seems a particularly useful tool for supporting HNV farming systems that are otherwise in serious decline.

Article 69 cannot, as it is currently designed, be used as an effective means of addressing environmental challenges as the permissible amount of funds that can be used is too small and the conditions attached to its use too restrictive. For example, a beef envelope to support HNV grazing systems would not be possible as a result of these conditions.

The RSPB recommends that Article 69 is amended to:

- Allow the creation of envelopes with up to 30% of pillar I payments (both SFP funds and still coupled sector payments) in a MS.
- Restrict the use of envelopes for addressing the new environmental challenges as described in the CAP Health Check Green Paper, while allowing MS to define eligibility criteria on the bases of land management (extensive grazing, dry land cultivation etc) relying on the definition of HNV farming.
- Allow the targeting of national envelopes at specific challenges, even where this results in a redistribution of funds.

The RSPB understands that there is concern that the voluntary nature of Article 69 may result in uneven use across the EU. We do not believe that this fear should prevent MS and the EU from addressing the very real and urgent challenges of biodiversity loss, water scarcity and pollution, and climate change. The best option would be an agreed EU wide percentage and clear, EU wide guidelines ensuring that funding is indeed directed everywhere toward addressing the same key challenges, while allowing MS flexibility in addressing the local characteristics. BirdLife believes that the HNV concept, developed by the Commission in cooperation with member States, offers the best tool for targeting funds without risking accusations of "re-coupling" of subsidies to production. Linking the retargeted payments to eligibility based on the environmental value of land management, rather than on type of

production, would also make the tool more robust vis-à-vis the WTO Green box definition.

#### 1.4 Upper and lower limits in support levels

- How effective do you think capping will be in addressing the problem of the uneven distribution of payments between the farmers?
- What would be in your opinion the advantages and disadvantages between the application of an absolute or progressive way in the introduction upper thresholds in payments?
- In the context that a large number of farmers receive significantly low amount of payments, in many cases even below the administrative costs, what potential impacts do you see in the option of adopting a minimum level in payments?

The debate around capping of the higher subsidies stems from the confusion over the role of current direct payments. The RSPB would like to public payments to farmers increasingly linked to environmental delivery. Such payments would reward farmers for the positive delivery of public goods and would thus be highly legitimate as public payments for the delivery of public goods. The level of such payments would have to be related to the level of public goods delivery and there would be no rationale in capping them. We believe there will be a role for limited and targeted income support in the case of HNV farming systems that are uncompetitive on a free market and where the risk of outright abandonment means that society might lose the main provider of public goods in certain regions. Such targeted support, ideally delivered through a reformed Less Favoured Areas scheme might require a capping as very large landowners might not need very large income support. On the short term, Commission and Council should make it clear what is the aim of Pillar I payments and act in consequence. Current payments cannot be credibly seen as rewarding land stewardship as there is no connection between amount paid and quality of land management. As income support, they beg the question of the legitimacy of using taxpayers' money to supplement the income of only one sector of society.

On this basis, the RSPB sees capping of subsidies principally as a complement to Modulation, i.e. as a way to transfer funds from untargeted and mostly wasteful direct payments to more targeted and efficient rural development schemes.

It must be noted that the biggest farmers are likely to avoid payments reductions by splitting farms, something that many are already doing. This means that the real way to increase the fairness of the current CAP is through a combination of strong modulation, retargeting of Pillar I payments toward HNV farming systems and swift transition to flat rate payments. The capping

debate should not be used as a smoke screen to avoid an honest debate on the purpose and efficiency of direct payments.

Finally, the proposal to eliminate payments to the smallest beneficiaries is likely to worsen the situation where millions of small semi-subsistence or part time farmers, especially in the new MS, are shut out from all CAP support. It must be noted that in many cases it is precisely these farmers who are responsible for biodiversity and landscape conservation and they are the ones progressively being pushed off the land by market liberalisation, social change and competition from intensive farmers. Rather than eliminating the small payments on bureaucratic grounds, the Commission should come up with a credible strategy for supporting the maintenance of small, part-time and semi-subsistence HNV farmers.

## **2 Grasping new opportunities and improving market orientation**

### **2.1 Cereals Intervention**

- What do you think is the best way to maintain the safety-net role of intervention for cereals?
- What would be the impacts of the extension of the "maize" model to the other feed grains?
- What kind of impacts do you see with the creation of an intervention system available only to high quality bread wheat?

The RSPB has no comment to offer on these points.

### **2.2 Cereals set-aside**

- Do you consider that abolition of set-aside in the current context of market and policy developments is appropriate?
- What measures do you consider appropriate in order to maintain environmental benefits associated with set-aside?

The European Commission (EC) first introduced set-aside into the CAP in 1988 as a supply control mechanism in response to the over production of cereals and increased public sector expenditure on these surpluses during the 1980s. The set-aside rate has recently been reduced to 0% for 2008 and the instrument itself will be abolished as part of the CAP Health Check, however the Commission have pledged to look at new tools for delivering the benefits of set-aside in the future.

While the loss of set aside would cause significant negative impacts on biodiversity, further pressure is building up due to high cereal prices and increased bioenergy production. Without adequate measures, the entire EU is

likely to witness in the coming years a new wave of agriculture intensification. While increased cereal production in a country like Northern Ireland will doubtless help many of our most threatened seed eating farmland birds, concern remains as to the likely nature of this production, particularly in regard to the winter cropping that will emerge in areas currently eligible for set-aside.

The following paragraphs provide a brief review of the environmental benefits of set-aside and proposes a replacement for set-aside that would retain its benefits and help address the environmental challenges that Europe's rural areas face.

- ***The environmental benefits of set-aside***

- *Farmland birds and biodiversity*

Set-aside land is known to provide important feeding and nesting resources for many farmland bird species that are otherwise in severe decline across Europe<sup>2</sup>. In the breeding season, set-aside holds relatively high densities of many bird species, compared to other arable land-use types<sup>3</sup> and provides important nesting opportunities for species of high conservation concern, such as the little bustard in France<sup>4</sup>, which is critically dependant on sympathetically managed set aside. In the UK, research has found a correlation between the level of the Farmland Bird Index, an indicator which reflects the health of farmland biodiversity and is used by the EC as an indicator of sustainable development, and the level of set-aside<sup>5</sup>. A meta-analysis<sup>6</sup> of studies from across the EU and the US confirms that set-aside is in general better for all types of farmland biodiversity. It found that unfarmed land within the farmed landscape had significantly high numbers of birds, insects, spiders and plants.

- *Water*

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<sup>22</sup> Evans et al. (1997) *Set-aside: conservation by accident...and design?* RSPB Conservation Review 11: 59-66. Sandy, UK: RSPB; Donald et al. (2001) *Stoat & Parish (2001) Crops grown on set-aside land bring wild birds back to the fields - Monitoring is under way, and results so far are promising.* Nature 414: 687-687.

<sup>3</sup> Henderson, I.G., Cooper, J., Fuller, R.J. & Vickery, J.A. (2000a). *The relative abundance of birds on set-aside and neighbouring fields in summer.* Journal of Applied Ecology 37: 335-347; Henderson, I.G., Vickery, J.A. & Fuller, R.J. (2000b).

<sup>4</sup> Attié (2007) *Importance des jachères PAC pour la conservation de l'Outarde canepetière, Tetrax tetrax*

<sup>5</sup> Natural England and the RSPB (2007, awaiting publication) *Effects of variation in the availability of set-aside on populations of set-aside*

<sup>6</sup> Buskirk & Willi (2004) *Enhancement of farmland biodiversity within set-aside land* Conservation Biology 987-944, 18, 4

Set-aside has resulted in a reduction of inputs to farmland and consequently reduced pollution from pesticides and fertilisers. As well as knock-on benefits to biodiversity and climate change, where set-aside is placed along watercourses it can greatly reduce water pollution with nutrients and pesticides<sup>7</sup>. The loss of set-aside threatens our ability to meet Water Framework Directive targets. In England, for example, 88% of set-aside is located in areas that are already at risk of not meeting water quality objectives because of nitrate and phosphate pollution.

➤ *Soils*

Set-aside has been used to reduce soil erosion, particularly in Mediterranean countries, where soil protection has been incorporated into set-aside under national laws<sup>8</sup>. In many cases the current set-aside fields are situated in areas with soils most prone to erosion and less productive (slopes, sandy areas).

• *Why set-aside needs to be replaced*

A healthy farmland environment requires a minimum amount of land to remain out of production and to be managed positively for the environment. It is clear, for example, that water quality objectives could not be met in a catchment if it is entirely cropped.

Half of Europe's land area is farmed (in Northern Ireland more than 80% is under agriculture), and the importance of providing wildlife habitats throughout this area will become even more important with climate change. Species will need to adapt to new climatic conditions, which will mostly be done by moving with their climatic envelopes. To do this they must be able to move, requiring suitable habitat to be available throughout the farmed landscape. In regions where intensive agriculture dominates with little habitat available, the ability to adapt successfully will be greatly reduced.

A wide range of the EU's environmental ambitions would benefit from and may even depend on such an instrument, including the Gothenburg commitment to halting biodiversity loss by 2010, commitments made under the Water Framework directive and the forthcoming Soils Directive, as well as the aspirations outlined in the Green Paper on climate change adaptation.

• *Environmental Priority Areas – the RSPB proposal*

The RSPB and its BirdLife partners are calling for a new instrument to be introduced that would require all farmers to dedicate a minimum percentage of their land for environmental management. We suggest that these Environmental Priority Areas be compulsory across the farmed landscape and that it covers all areas of high value to wildlife and the environment. This

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<sup>7</sup> Cumulus Consultants (2007) *Retaining the environmental benefits of set-aside*. Report for LUPG.

<sup>8</sup> Cumulus Consultants (2007) *Retaining the environmental benefits of set-aside*. Report for LUPG.

would ensure that farms that already have high levels of habitats are treated fairly. The actual level of the Environmental Priority Area should be based on an estimate of need and of current provision, but an accurate estimate is not possible so we suggest that the initial requirement be 10% and that this be adjusted in response to whether it is meeting its environmental goals or not. The specific management of Environmental Protection Areas could be left to MS discretion, although strong guidance would be needed from the Commission to ensure it is properly used to provide habitats and protect natural resources. This guidance should include the following principles: Environmental Protection Areas should by definition be managed primarily for environmental purposes, i.e. biodiversity, soil, water and climate change. Examples of eligible land uses include:

- Grassy field margins, beetle banks and linear buffer strips;
- Hedgerows, tree lines and small woods;
- Extensively managed grassland;
- Permanent or rotational fallow;
- Wet features (ponds, vegetated ditches etc);
- Pockets of extensive arable within intensive grassland farms;
- Pockets of natural vegetation.

Flexibility in terms of defining eligible land use at the MS and regional level should be provided for, but clear environmental benefit must be demonstrated. Farmers would be free to choose how to reach the minimum requirement. More sophisticated targeting and optimal combination of elements could be pursued through agri-environment. Whilst environmental outcomes are the priority of Environmental Protection Areas, best management may involve extensive grazing or mowing. In the latter case the biomass could be used for feed or energy production.

Vegetation control, as a rule, should be carried out only by mowing and outside of the breeding season to avoid negative impacts on wildlife.

Agri-environment schemes and cross-compliance will inevitably overlap with the Environmental Protection Area requirements, but this should be seen as a positive factor as these schemes would facilitate compliance with Environmental Protection Area obligations.

- ***Why is a mandatory instrument needed?***

The Commission have acknowledged the benefits of set-aside and the need to retain them once set-aside is abolished but have proposed that this is achieved through voluntary Rural Development measures. We do not believe that this would adequately retain the benefits of set-aside or address the environmental challenges identified in this paper and by the Commission for the following reasons:

Voluntary measures are unlikely to be taken up in the most productive areas of Europe, where landscape features and pockets of wildlife habitat are most needed, particularly given the current high cereal prices.

There is insufficient funding for Rural Development to provide a set-aside scheme that would include sufficient numbers of farms, particularly given the meagre modulation proposal in the CAP Health Check.

The Rural Development approach depends on all MS developing a scheme and making it available to farmers, which would not necessarily happen as some of the cost would have to be shouldered by the MS via co-funding and because a successful scheme would require significant bureaucratic investment.

Environmental Protection Areas could be delivered as a stand-alone instrument or in the Good Agricultural and Environmental Condition part of cross compliance.

### 2.3 Dairy Quota

- In the light of new market opportunities, do you consider that the quota system is still fulfilling its stated objectives?
- What benefits and what risks do you see from doing nothing and simply letting the quota regime expire in 2015??
- What kind of effects do you see emerging in the case of a gradual phasing-out of quotas through increasing their annual level? What would you propose as an alternative or accompanying transition measure?

The RSPB agrees that milk quotas are an ineffective and outdated tool that should be phased out. However, it must be recognised that further liberalisation of the dairy sector will lead to increased pressure on the most extensive producers. Dairy production is vital for the maintenance of some HNV systems, including in disadvantaged areas. If simply left to the market, dairy farming is likely to disappear from some areas and in some cases in Northern Ireland this may have harmful impacts on the environment. This problem should be acknowledged and dealt with upfront, by channelling specific support to extensive systems whose maintenance is important for environmental reasons. We believe the HNV concept and a reformed “article 69” mechanism could provide such a solution (see section 1.3).

### 2.4 Other measures of Supply Control

- What would be in your opinion the implications from the application of decoupling in those sectors?
- Are there any cases where you consider coupled support essential in order to retain regional or economic benefits? If so, how can it be made more efficient and better targeted?

The RSPB believes that coupled support is an outdated and ineffective tool that should be phased out. The environmental benefits of preventing abandonment of certain farming types should be captured upfront by targeting support at HNV systems (see section 1.3).

### 3 Responding to New Challenges

#### 3.1 Managing risk

- Do you consider that currently available policy instruments provide adequate coverage to manage price risks? Do you see the need for additional measures you envisage, and if so which ones?
- Do you consider that currently available policy instruments provide adequate coverage to manage weather-related or disease-related risks? Do you see the need for additional measures you envisage, and if so which ones?
- Do you see scope for the application of EU-wide measures to better address price and production related risks, or should such measures be applied more at the MS and regional level?

Publicly funded risk management measures should be strictly limited to risks that cannot be foreseen and where farmers' production choices have no relevance for the risk. This could be the case for certain outbreaks of disease or for preventive action taken by governments for sanitary concerns. Risk management should not however become a new way of providing hidden production support, pushing farmers toward unsustainable production patterns. Weather related insurance is a case in point. Extensive evidence from the US shows that when farmers can rely on a public compensation system in case of harvest loss, they tend to expand cultivation of the most valuable crops such as maize into regions where the climatic conditions are not suitable for such crops. Providing a guarantee against drought damage, will inevitably lead farmers to grow "thirstier" crops in arid regions, exacerbating chronic water stress and increasing the impact of droughts. Insurance mechanisms against weather related crop failure should be limited to the most extreme cases of freak weather events, for example for events with a return time greater than 50 years. More ordinary extreme events should be foreseen and built into farmers cropping choices. Price insurance mechanisms would be even more damaging as they would be tantamount to return to the times of guaranteed price and would inevitably lead to repeating all the perverse effects witnessed by the CAP in the 70's and 80's (overproduction, stock accumulation, dumping on foreign markets, uncontrolled spending and widespread environmental damage).

### 3.2 Climate change, bio-energy, water management and biodiversity

- Do you consider that existing instruments under both pillars of the CAP are sufficient to respond to these challenges?
- If you consider that strengthening Rural Development instruments is needed, what would be your proposal in better addressing these new challenges?

Widespread evidence shows that, despite having been substantially reformed, the CAP is still failing to address the environmental crisis. Current Cross compliance rules and Rural development schemes are insufficient to address the important new challenges of water and climate change, alongside the ongoing challenge of stopping the decline of biodiversity.

Biodiversity decline is continuing at an unprecedented rate worldwide, with extinction rates now 1,000 times higher than their historic norm. Europe's farmland birds have declined by over 40% in the past 25 years. Nutrient pollution from agriculture is a key factor in the eutrophication of freshwater and coastal marine habitats. Twice as much nitrogen and three times as much phosphorus is present in natural systems as compared to 1963. As well as polluting drinking water, this is causing serious damage to habitats and species and imposing increasing costs on drinking water supply. Europe is under increasing water stress, with 18% of the population affected by water stress or severe water stress. Agriculture is one of the primary users of water in Europe, and the area under irrigation continues to grow even in the regions suffering most from water scarcity. Soil erosion is the key underlying process behind land degradation and desertification, threatening our long-term productive capacity. In the EU, 9% of the total land area is subject to soil erosion as a result of agricultural practices, and this is expected to increase in the future.

Climate change is the greatest challenge people and wildlife face, and avoiding dangerous levels of change will require a reduction in emissions of CO<sub>2</sub> by 80% by 2050. Some climate change is unavoidable, and agriculture must adapt to this, both as a business sector and as part of society's mechanism for managing the impacts of climate change on wildlife and people.

Agriculture is responsible for an estimated 9% of greenhouse gas (GHG) emissions in the EU. Sustainable management of land can, however, make a major contribution to climate change mitigation and adaptation. Much of the GHG emissions from farming are linked to unsustainable, intensive practices, such as the excessive application of artificial fertilisers. For example, in the life-cycle of biofuel production from oilseed rape, 51% of emissions are associated with the manufacture and use of nitrogen fertiliser<sup>20</sup>. Every sector has to reduce its greenhouse gas emissions if we are to avoid dangerous levels

of climate change and reduce our emissions by 80% by 2050. As a result, reducing agriculture's contribution to climate change should be an explicit aim of land management policy, but it should be delivered in a way that maximises synergies with other environmental goals, such as reducing diffuse pollution and conserving biodiversity, and should never undermine them. Climate change will also pose significant adaptation challenges to agriculture, and it is likely that we will see shifting cropping and agricultural practices as climatic conditions change. Wildlife will be forced to adapt rapidly to a changing climate through coping with new climatic conditions and moving to more suitable areas<sup>23</sup>. This will require farmland to provide corridors and transitional habitats to facilitate adaptation, and key wildlife sites will need to be enlarged and buffered through sympathetic management of adjacent farmland. Strengthening ecosystem resilience in this way is key to adapting to climate change, and reducing other human stress factors to species and habitats is even more important in the face of the strain caused by a rapidly changing climate.

Extreme weather events and decreased water availability throughout Europe, but particularly in the southern MS, will place particular stress on farming and wildlife. Sensitive adaptation, through minimising water abstraction, efficient irrigation practices and ensuring land-uses are appropriate to local conditions, will be essential, as will avoiding investments that increase our vulnerability to climate change, such as increasing the area under irrigation. The pressure on land in Europe and globally is increasing rapidly as agriculture is relied upon not only to feed a growing and increasingly affluent global population, but also to produce fuel, heat and power. This could accelerate agricultural intensification and expansion, to the detriment of wildlife and the environment.

It is clear that in order to face all these challenges, a much stronger Rural development policy is needed; in particular, substantial funds should be transferred toward agri-environment schemes (see section 3.3). However, voluntary measures alone are unlikely to be enough. The very modest modulation rate suggested by the Commission will barely be enough to allow Rural development to deliver on its current objective and recover the potential loss due to the budget cuts brought by the 2006 budget deal. Even if the entire suggested modulation would be channelled toward environmental schemes, this would not be sufficient to address the above mentioned challenges. While voluntary schemes can deliver much, many of the actions needed for climate, water and biodiversity conservation need to happen across the whole farmed landscape. With massive pressure for further intensification caused by high prices for agricultural commodities and public incentives to biofuels production, voluntary schemes are likely to remain uncompetitive with market production, at least in the most productive regions. Any serious attempt to address environmental challenges will have

to rely on action in both pillars. While sophisticated and targeted measures within Pillar II can provide part of the answer, simple rules for the majority of farmers must be implemented through cross compliance.

The RSPB supports the proposal that cross compliance is expanded to include the Water Framework Directive (WFD) as well as reducing GHG emissions and improving adaptation to climate change. This expansion of cross compliance, must, however, bring maximum environmental benefits whilst minimising the burden on farmers and authorities. This means that rules should be introduced that are simple, easy to implement, and can be rolled out uniformly across MS, whilst leaving space to allow for regional fine tuning. Simply expanding the Statutory Management Requirements (SMRs), before the Directives are fully implemented, could result in a lack of clarity and poor implementation, as seen with the Birds and Habitats Directives. More effective, on the short term, would be expanding GAEC to deliver for these objectives. In the case of water, GAEC rules could serve as a bridge toward the full inclusion of the WFD within the scope of SMR.

Possible GAEC rules to address water and climate change concerns include:

- *Complete protection of permanent grassland (as above)*

See 3.1

- *Appropriate management of peat*

Peat soils are an extremely important carbon stock in the EU. Their drainage, conversion to arable and other inappropriate uses lead to the release of very significant GHG emissions. On the other hand, re-wetting of peatlands, or their conversion from arable to grassland retains their stored carbon and may generate carbon sinks. In most cases, such climate mitigation measures would also improve water quality and watershed management. MS should therefore be required to map peat soil areas and require specific management for their protection.

- *Nutrient Management Plans*

The application of nitrogen fertiliser is one of the principle sources of GHG emissions from agriculture and of nutrient pollution of groundwater and watercourses. Treating nitrate pollution in drinking water is, in itself an energy intensive process. In addition, pathogens associated with human and animal wastes applied as manures can pose a significant risk to bathing water quality and drinking water supply.

Ensuring fertiliser applications do not exceed optimal levels and are timed appropriately can reduce these problems significantly and benefit the farmer through saving money. Farmers should therefore be required to produce nutrient management plans. The smallest producers could be excluded from this requirement through an appropriate size threshold. This measure is also essential in order to protect drinking water and improve ecological water quality (see below in context of compliance with the WFD).

- *Buffer strips along water courses*

In order to meet WFD objectives farmers will be required to put in place widespread controls on nutrient, pesticide and pathogen pollution of surface waters. Requiring buffer strips to be left alongside watercourses would help address this and, if they are managed appropriately (e.g. sowing native species), could also deliver benefits for biodiversity. Recreating an ecological network based on viable habitat corridors along water courses is also an essential climate change adaptation strategy, as it would help ensure that species can move across the landscape when changing climate conditions drive them away from their current habitats. Buffer strips are also easy to check for compliance.

- *Compliance with the WFD*

The WFD represents one of the EU key environmental legislation tools and it is clear that it should be introduced into cross compliance as part of the list of SMRs. However, this should be done gradually, ensuring that it results in practical rules that are easy for farmers to follow and for authorities to enforce. A simple immediate addition of the WFD to the SMR list could result in confusion and problematic implementation as much of the detail of setting of objectives and measures is devolved to a River Basin Planning process.

On the other hand, water problems are so pressing, and the time lag between action and effect so long, we cannot afford to wait for the Directive to be fully implemented before requiring farmers to take even simple steps to protect water resources. The RSPB proposes an approach based on the immediate expansion of GAEC to cover key water related issues, as a stepping stone toward the full introduction of the WFD as an SMR which should be earmarked for 2012 when the Programmes of Measures must be made operational. This would require:

- All abstractions and impoundments are authorised in accordance with Article 11, 3(e) of the WFD
- All farmers must have, and implement, nutrient management plans to cover the use of organic and inorganic sources of nitrates and phosphorous. (See above)
- buffer strips covered by natural vegetation should be managed along all water courses. These buffer strips should not be subject to any management other than mechanical mowing or trimming. As far as possible such buffer strips should be used to restore natural riparian vegetation.

Once River basin Management Plans are in force, land will have to be managed in accordance with measures and objectives set out in River Basin Management Plans or sub-plans thereof. These will include measures to control the input of pollutants from point and diffuse sources as required under Articles 11.3(g) and 11.3(h) of the WFD.

### 3.3 Strengthening rural development

- Do you think the proposed increase in modulation will help in achieving RD objectives, especially those linked to new challenges?
- How do you think the extra funds should be allocated to better respond to those new challenges?

The CAP's so called Second Pillar, the Rural Development policy, is the most sophisticated and modern part of the CAP. It delivers targeted funding for the achievement of specific policy goals such as increasing farming competitiveness, improving environmental quality and diversifying the rural economy. Rural development should be seen as the part of the CAP best placed to serve as a basis for a future sustainable land management and rural development policy. Modulation is the main instrument for strengthening Pillar II of the CAP, that is, building the financial basis for sustainable rural development. The current CAP is based on a modulation rate of 5% from 2007 onwards. This low modulation rate stands in sharp contrast to the Commission's original mid-term review proposal (in 2002) of a 20% modulation rate.

The modulation rate of 5% is insufficient to counter-act the budget cuts for rural development. In fact, rural development is being weakened considerably during the current budget period. The limitations in the 2007-2013 rural development budget will therefore seriously jeopardise the EU's ability to meet its biodiversity commitments. The funding needs of the existing Natura 2000 network and the number of sites that are currently not adequately protected but nonetheless important for biodiversity conservation, means that a much larger resource will be required to ensure that biodiversity commitments are met.

In its Health Check communication, Commissioner Fischer-Boel is suggesting that the rate of compulsory modulation should increase by 2% every year from 2009 onwards, thus rising to 13% in 2013. This proposal represents an important step forward but falls short of what is needed, even just to meet Rural development's current objectives. In Northern Ireland for instance, it is critical that any compulsory modulation proposals more than compensate for the any potential phasing out of voluntary modulation. The widely supported Northern Ireland Rural Development Programme requires an ever increasing resource level if it is to succeed in protecting our shared environment. In order to generate sufficient funds to meet rural development policy objectives, it is therefore necessary to further increase the modulation rate. The RSPB recommends compulsory modulation with a target rate of 20% from 2009 onwards.

In order to ensure that modulation funding is used to maximum effect, MS should be required to allocate the new Rural development funding to schemes clearly targeting the achievement of key EU environmental objectives: halting biodiversity decline, improving watershed management and tackling climate change. Such a clear earmarking would also serve to dissipate the concerns that Rural development funds could be diverted away from land management to cover investments that are better pursued, for example by regional funds or that can be covered by the private sector.

The CAP Health Check should be used to start a serious debate about the long-term use of public money for sustainable agriculture. A substantially increased modulation rate should be seen as an interim step on the way to a single programming and funding instrument for agriculture and rural development which is conditional on the clear delivery of public benefits after the year 2013. The RSPB believes that without a clear and swift move toward rewarding the delivery of public goods, the CAP will be highly vulnerable to budget cuts during the upcoming EU Budget review debate. A significant increase in modulation is one key tool to ensure that the CAP can deliver tangible results in key areas such as reaching the EU's 2010 biodiversity target, implementing the WFD and contributing to tackling climate change. It would also make the CAP much more robust in the face of mounting criticism and allow for a strong argument in favour of its retention beyond 2013.