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From: Presidency  
To: Special Committee on Agriculture

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Subject: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council  
*- Presidency note*

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With a view to the meeting of the Special Committee on Agriculture on 12 October 2020, delegations will find attached a Presidency note on the compromise suggestions for the three CAP reform proposals as set out in doc. 11508/20 + ADD1, 11241/20 and 11604/20.

In preparation for a General Approach on the post-2020 CAP reform, hereafter an overview of the Presidency's final compromise suggestions for the three CAP reform proposals is set out. The Presidency acknowledges the huge efforts made and the important progress achieved by previous Council Presidencies, and the valuable input from the Commission.

Building on these achievements, the Presidency considers its suggestions to constitute a balanced compromise between Member States' different positions and requests, based on the proposals of the Commission.

The Presidency attaches great importance to maintaining a high level of environmental and climate ambition, as sought by the Commission proposals, and to going partly beyond these proposals, e.g. regarding an ambitious, EU-wide ring-fencing for eco-schemes. At the same time, the Presidency's compromise suggestions provide a coherent policy for enhancing the farmers' economic and social perspectives, ensuring a sustainable, high quality agricultural production and contributing to viable rural areas in the EU.

### **Specific issues of the compromise suggestions**

#### **Common Market Organisation Regulation**

The Presidency has tabled a compromise text for the Amending Regulation in the Special Committee on Agriculture (SCA) on 28 September and on 5 October 2020 with a view to reaching a General Approach in October (11241/20). This text received broad support. Concerning the safety net, while there is consensus that the Commission has used currently available instruments in a flexible and timely manner in the recent years, some Member States would support enhancing the existing safety net provisions. It is to be expected that the European Parliament will raise this issue and that the trilogues will give the opportunity to discuss those ideas.

## Horizontal Regulation

The Working Party AGRIFIN finalized its examination of the proposed Horizontal Regulation (HZR) at an informal video-meeting on 7 October 2020. While taking the last comments of delegations into consideration, the Presidency published a consolidated Presidency compromise text (11604/20) on 8 October. The only point where views of delegations continue to diverge is on the question whether Article 15 on Financial discipline should refer to a 2000 EUR threshold above which financial discipline should apply. Other outstanding issues were agreed upon at Working Party and SCA-levels, including on MFF-related provisions, issues related to the link with the Strategic Plans Regulation and the New Delivery Model and issues related to the framing of the empowerment of the Commission. The integrated system (IACS) shall comprise as from 1 January 2024 at the latest an area monitoring system. For small holdings there shall be a simplified control system and appropriate provisions on sanctions in relation to conditionality.

## Strategic Plans Regulation

A compromise text covering the whole Regulation and its Annexes has been published in 11508/20 + ADD1.

### Green Architecture

**Conditionality.** At the SCA meeting on 5 October, Member States generally supported the approach of keeping **small holdings** in the conditionality system while limiting the administrative burden by taking farm size into account when setting up the national GAEC standards.

**Eco-schemes.** The Presidency suggests to set the ring-fencing of eco-schemes at 20% of direct payments. There is support among Member States for the two-year “learning phase” which responds to the requests from many Member States for further flexibility provisions. In addition, the Presidency tables a suggestion on Article 86 to address both Member States’ interest in flexibility and the common goal of a higher environmental ambition, by taking into account higher efforts for climate and environment made in the second pillar.

**GAEC 9.** The Presidency suggests to set a minimum share of 3 % for non-productive areas or features, which received broad support by Member States. In the light of the discussions in the SCA, the Presidency suggests that the minimum percentage should be increased to 5% when certain productive uses (catch crops or nitrogen fixing crops, cultivated without plant protection products) are included. To accommodate the concerns of some Member States, the Presidency suggests a provision that would allow Member States to exempt holdings from this specific requirements in case of small farm size, a high share of forested areas and a high share of permanent grassland.

### New Delivery Model

The new delivery model (NDM) is a central part of the future results-based CAP. The Presidency has built up on the work of previous Presidencies and tried to make the NDM practicable for Member States and for farmers, and to ensure at the same time an adequate basis for the Commission to review the planning and to have a solid basis for the performance review.

The Presidency discussed this important topic intensively in meetings of the Council Working Party “Horizontal Agricultural Questions” and partly in the Special Committee on Agriculture. After taking into consideration the latest comments made by Member States, the Presidency made the necessary adaptations in the final compromise proposal.

**Approval of Strategic Plans.** Member States expressed concerns and questions about the necessary legal certainty of the process of approval of Strategic Plans. The Presidency has therefore inserted a corresponding legal clarification in Article 106 of the Strategic Plans Regulation.

**Indicators.** The system of indicators needs to be clear and implementable to guarantee its success and to demonstrate that the CAP delivers on its objectives. Member States need certainty concerning the methodology for the calculation of indicators. In this light, the Presidency welcomes that the Commission reopened the discussions among experts for monitoring and evaluation in the relevant Expert Group and shared the indicator fiches with Member States.

Building on the work of the Croatian Presidency, and taking into account comments from delegations and input from the Commission, the Presidency elaborated compromise suggestions on several issues related to indicators.

**Unit amounts.** Member States have repeatedly asked for a pragmatic approach to set unit amounts, particularly when planning differentiated interventions, e.g. very targeted environmental and climate-related -interventions in Pillar II. The Presidency suggests that the approach of a purely arithmetic procedure for determining the financial resources for an intervention is abandoned. According to the Presidency's suggestions, the allocation of the budget is now indicative and gives Member States more flexibility in planning. The concept of average unit amounts and aggregated outputs has been included, being particularly relevant for the planning of differentiated interventions, such as sco-schemes, certain environmental and climate-related -interventions in Pillar II and payments for areas with natural and other specific constraints.

Following-up on requests made by Member States, the Presidency examined the problem of avoiding unspent funds, and considers the text submitted to represent an acceptable compromise between flexibility and audibility.

**Performance Framework.** The connection between the planning of unit amounts and the performance framework as a basis for the clearance, as well as the comprehensibility of the New Delivery Model are a major concern of Member States and the Commission.

The Presidency built on the approach of the last Presidencies and continued to fine-tune the so-called "option 1b" in Article 121.

## Direct Payments

**Capping and degressivity.** In line with the European Council conclusions from 21 July 2020 on the MFF the Presidency suggests that Member States may cap the basic income support for sustainability at 100 000 EUR. Additionally, the Presidency maintains its suggestions for a voluntary mechanism to reduce direct payments beyond 60 000 EUR (up to an increased maximum of 85% for sums of direct payments per beneficiary above 90 000 EUR), as well as its suggestions concerning labour costs.

**Coupled support.** The Presidency suggests to keep the status quo in terms of the percentages.

## **General Approach**

The Presidency is very aware that not all Member States' individual concerns have been taken fully into account in the presented compromises. However, in view of the need to enter into negotiations with the co-legislator and to give all parties involved planning security regarding the CAP for the coming financial period, the Presidency asks Member States to carefully examine the compromise texts, with a view to confirm, at the Council meeting on 19/20 October 2020, that these texts constitute the Council General Approach, and to give the mandate to the Presidency, to enter, on the basis of the General Approach, into trilogue negotiations with the European Parliament and the Commission.