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Subject: Post-2020 CAP reform package

a) 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

b) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013

c) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products, (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union and (EU) No 229/2013 laying down specific measures for agriculture in favour of the smaller Aegean islands

- *State of play on the CAP reform and exchange of views*

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With a view to the "Agriculture and Fisheries" Council on 21 September 2020, delegations will find in the Annex a Presidency note setting out the state of play on the CAP reform package and outlining the elements of discussion for the ministerial exchange of views, including three questions to steer the debate.

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In preparation for a General Approach on the CAP reform, hereafter an overview of the planned discussions in the Council on 21 September 2020 is set out, as well as a state of play on the other issues to be included in the General Approach in October.

### **State of play of the CAP reform**

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

The Presidency will table the Amending Regulation in the Special Committee on Agriculture (SCA) with a view to reaching a General Approach in October. The Presidency considers the Amending Regulation to be largely stable and will work towards its finalisation in the SCA.

#### **Horizontal Regulation**

The Presidency will continue its work in the relevant Council Working Party with a view to finalising work for a General Approach in October.

#### **CAP Strategic Plans Regulation**

While the CAP Strategic Plans Regulation can be considered as stable to a large extent, there are important issues that require further discussion.

## Discussion for the Council meeting on 21 September 2020

### Green Architecture

Member States have repeatedly confirmed their ambition to increase the environmental and climate contribution of the CAP. In order to achieve a higher level of environmental and climate ambition, the so-called green architecture needs to be designed accordingly.

1. **Eco-schemes.** The Presidency sees strong eco-schemes as a key instrument to increase the environmental and climate ambition of the CAP. The Presidency has presented its suggestions, covering mandatory eco-schemes for Member States and a minimum budget share of direct payments allocations for eco-schemes. Several Member States have outlined that the uptake of eco-schemes is difficult to predict and that a loss of unspent eco-schemes funds should be avoided. The Presidency has taken account of these concerns and has presented a two-tier approach to set out a minimum budget, with an initial "pilot phase" in which a mechanism is proposed to avoid – under the condition that all possibilities to use the respective funds for schemes for the climate and environment are exhausted - losses of funds. The Presidency is open for Member States and Commission's ideas concerning the unspent funds issue and looks forward to receiving relevant comments at the September Council meeting.
2. **Conditionality.** In order to achieve the desired higher environmental performance, the Presidency considers that an ambitious conditionality system is necessary. Therefore, all farmers should be subject to conditionality. To prevent unnecessary administrative burden, simplifications for small holdings are provided by taking into account the farm size in the setting up of the Good Agricultural and Environmental Conditions (GAEC) standards by Member States, with an option of a simplified control system and the possibility not to apply administrative penalties in certain cases.

Concerning GAEC 9, the Presidency suggested to introduce a uniform **minimum share of productive/non-productive areas and features** across the EU . In the Presidency's view, the specification of such a minimum share must reflect on the one hand the higher environmental and climate ambitions, and on the other hand the different situation across Member States. Consequently, the Presidency suggested that the minimum percentage should be increased from 5% (as in the current greening) to **[x]% with reference to arable land** ([x]% representing a figure to be agreed at EU level). As it was strongly required by many Member States, it should be possible to **count certain productive** uses against the minimum share. For catch crops a weighting factor of 0.3 is foreseen. For those Member States who wish to count exclusively non-productive areas and features against the minimum share, a lower minimum share of **3%** is suggested by the Presidency. The Presidency considers that other GAECs and Statutory Management Requirements (SMRs) should broadly remain as drafted by Croatian Presidency.

3. **Environmental and climate provisions in the second pillar.** The Presidency suggests to maintain the compromise text drafted under the Croatian Presidency regarding the payments for areas with natural or other area-specific constraints under Article 66. Such payments would accordingly count against the minimum threshold of 30% of the total EAFRD contribution to be reserved for interventions addressing the specific environmental and climate-related objectives.

### New Delivery Model

The New Delivery Model (NDM) is a central part of the future result-based CAP. It comprises a number of specific provisions aiming at moving away from the previous compliance-based system, such as those concerning setting unit amounts for the interventions, performance clearance and indicators.

Building on the progress made by the previous Presidencies, the German Presidency discussed this important topic intensively in meetings of the Working Party on Horizontal Agricultural Questions (WP HAQ). Additionally, the SCA dealt with the issue of the future design of indicators.

It is a common goal that the implementation of the NDM should be practicable for Member States. At the same time, the European Commission needs a sufficient basis to review the planning and to have a solid basis for the performance review. Some elements remain to be discussed to find a shared solution.

1. **Approval of Member States' strategic plans.** Many Member States expressed deep concerns and questions about the necessary legal certainty concerning the process of approval of Member States' Strategic Plans by the Commission. The Presidency has therefore inserted a corresponding legal clarification in Article 106 of the CAP Strategic Plans Regulation. This amendment aims at clarifying that the assessment of the CAP Strategic Plans by the Commission shall exclusively be based on acts which are legally binding on Member States.
2. **Indicators.** The system of indicators needs to be clear and implementable to prove that the CAP really delivers on its objectives. At the same time, the Commission needs enough information and data to carry out the performance review and monitor the implementation of the CAP. In order to address the contribution of the CAP to certain environmental and climate objectives, separate indicators could better reflect the effects of the policy. Consequently, the Presidency suggested to re-introduce separate indicators covering the CAP contribution to air quality, water quality and sustainable water use. The Presidency aims to conclude the work on indicators in the WP HAQ.

3. **Unit amounts.** Member States have repeatedly asked for a pragmatic approach to set unit amounts, particularly when planning very differentiated interventions, e.g. very targeted environmental interventions in pillar II. In this context, it was stressed that the relationship between indicative financial allocations at the level of intervention and the planning of unit amounts and outputs was too rigid. The Presidency has therefore proposed that the original approach of a purely mathematical procedure for determining the financial resources for an intervention should be abandoned. The Presidency's suggestions thus have made it even clearer that the financial allocation is indicative and have given Member States more flexibility in planning. In addition, the concept of average unit amounts and aggregated outputs has been included. This is particularly relevant for the planning of very differentiated interventions, such as eco-Schemes, certain environmental interventions in pillar II and payments for areas with natural or other area-specific constraints. Overall, this approach will greatly simplify the description of interventions. The Presidency aims to conclude the work on unit amounts and annual performance reports in the WP HAQ.

#### Direct Payments

1. **Capping and degressivity.** On the basis of the European Council's conclusions on MFF, the Presidency has, adapted the legal drafting by indicating that capping should be voluntary for Member States. Keeping the spirit of the original Commission's proposal, it has also introduced a voluntary mechanism for reducing direct payments under EUR 100 000 and a voluntary capping for larger recipients beyond that limit that would provide a maximum degree of flexibility for Member States.
2. **Other direct payment issues.** Under previous Presidencies significant progress has been achieved in the field of other direct payments. Thus, the Presidency is of the opinion that the legal texts in the version of the Croatian Presidency could be supported by a broad majority of Member States.

To structure the debate in the "Agriculture and Fisheries" Council meeting on 21 September 2020, the Presidency would like to invite Ministers to **exchange their views on the following aspects for which political guidance would be necessary:**

1. Member States have been supporting in principle the higher environmental ambition of the future CAP since the reform proposals were tabled. To transpose that commitment into concrete policy measures, the Presidency has presented drafting suggestions, covering a minimum budget allocation for eco-schemes, provisions to avoid loss of unspent eco-schemes funds, a two-tier approach concerning non-productive areas and certain productive areas (GAEC 9), the ringfencing for agri-environmental measures in pillar II, and an appropriate scheme for conditionality for smaller farms.

**Q1:**

Do you agree to the Presidency's approach for the Green Architecture of the future CAP? In your opinion, which CAP elements would be the most relevant ones to make the environmental and climate ambition of the future CAP effective and credible?

2. Direct payments will continue to be the major instrument for a targeted support to enable farmers to deliver high-quality food as well as societal and environmental services, and to ensure the necessary socio-economic stability and long-term perspectives for EU farming.

The Presidency, building upon the progress achieved by previous Presidencies, has made suggestions for the structure of the future direct payments system, including the basic income support for sustainability (BISS), the complementary income support for young farmers, and the complementary redistributive income support for sustainability.



On the basis for the European Council conclusions on MFF, the Presidency has also suggested to introduce a voluntary mechanism for capping direct payments, including provisions for Member States to apply further reductions of direct payments for large recipients, while ensuring a high degree of flexibility for those Member States that choose to do so.

**Q2:**

Do you agree with the Presidency's suggestions to allow Member States to make a flexible use of targeting possibilities for direct payments?

Do you see a need of additional guiding provisions to achieve a higher degree of uniform application of the direct payments system across the EU?

3. The New Delivery Model (NDM) is a core feature of the future CAP, and shall help increase the efficiency of the CAP regarding the delivery on its targets, as well as improving the CAP's accountability to the public. At the same time, as the NDM would be a completely new management and administrative approach compared to the old compliance-based system, several Presidencies have put great effort in making it workable and feasible not only for farmers, but also for national administrations and the Commission.

At the SCA on 14 September 2020, the Presidency has informed the Council about the ongoing work for further improvements to the NDM.

**Q3:**

In your opinion, which provisions are most important to strike a balance between the focus on better delivery and the need to provide administrative simplification?

Which elements would you propose to be strengthened in order to improve that balance?