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COMMISSION STAFF WORKING DOCUMENT

Analysis of links between CAP Reform and Green Deal

Contents

Introduction	2
1. Key features of the CAP Reform proposal	3
1.1. General features of the proposal	3
1.2. Key features related to the environment and climate	5
2. Assessment of the Links between the European Green Deal and the CAP	8
2.1. Drawing up CAP Strategic Plans reflecting the Green Deal ambition	8
2.2. Integrating an increased level of ambition for EU agriculture – specific Green Deal targets	9
2.3. Fostering the use of sustainable farming practices	11
2.4. Ensuring a fair, healthy and sustainable food chain	14
3. Ensuring that the CAP adequately reflects the Green Deal	16
3.1. The Commission’s CAP reform proposal: the need to retain key aspects	16
3.1.1. Increased ambition with regard to environmental-and climate related objectives (“No backsliding” principle).	17
3.1.2. Conditionality	17
3.2. Mandatory eco-schemes	17
3.2.1. Ring-fenced spending on the environment and climate	17
3.2.2. Data collection and common approach to data	17
3.2.3. Fostering the position of farmers in the food chain	18
3.3. Potential improvements in the final CAP reform text	18
3.3.1. Ring-fencing funding and further developing provisions for Pillar I eco-schemes	18
3.3.2. Integration of the animal welfare and antibiotics legislation in the CAP	19
3.4. Possible action from Commission services to assist effective implementation	19
3.4.1. Increase transparency in the approval process of CAP Strategic Plans	19
3.4.2. Structured dialogue and recommendations to Member States	20
3.4.3. Ensuring overall sustainability for Coupled Income Support, sectorial programmes and promotion	20
3.4.4. Farm Sustainability Data Network	21
4. Conclusions	21

INTRODUCTION

On the 11th December 2019, the Commission adopted the Communication on “The European Green Deal”¹. This Communication resets the Commission’s commitment to tackling climate and environmental-related challenges that is this generation’s defining task. This involves a new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use.

In the framework of the European Green Deal, the Commission adopted in particular a Farm-to-Fork strategy², a Biodiversity strategy³, a proposal for a Climate Law⁴ as well as a new action plan for the Circular Economy⁵, all of which address issues relevant to agriculture and rural areas.

The Common Agricultural Policy (CAP) plays a key role in supporting Europe’s agricultural sector – even more at present due to COVID-19 pandemic that is also putting a strain on the resilience of European farmers. It will be an important instrument in managing the transition to sustainable food production systems and strengthen the efforts of European farmers to contribute to the climate objectives of the EU and to protect the environment. Moreover, given that agricultural land and forest cover 80% of the EU territory and that a substantial share of EU funding for biodiversity comes from the CAP, the CAP will play a major role in supporting the achievement of the EU biodiversity commitments for 2030.

On 15 January 2020, the European Parliament announced its Resolution on the European Green Deal⁶, which includes a specific request to the Commission to analyse the contribution of the CAP reform proposal to the EU’s environmental, climate, and biodiversity protection commitments in order to fully align it to the goals set in the European Green Deal (see point 58 of the resolution).

In order to reply to this request, the Commission services have analysed the links between the CAP reform proposals and the Green Deal, and identified the potential obstacles and/or gaps jeopardising the ambition level of the Green Deal in the agricultural sector. Taking into account positions expressed in the Council and the European Parliament, the analysis

1 COM(2019) 640 final.

2 COM(2020) 381

3 COM(2020) 380

4 COM(2020) 80 final, Proposal for a Regulation of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law); <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1585761577648&uri=CELEX:52020PC0080>.

5 COM(2020) 98 final, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A new Circular Economy Action Plan; <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1583933814386&uri=COM:2020:98:FIN>.

6 Available at: https://www.europarl.europa.eu/doceo/document/TA-9-2020-0005_EN.pdf.

concludes with the identification of steps needed to fully align the CAP with the Green Deal and its associated strategies such as the Farm to Fork Strategy and the Biodiversity Strategy.

1. KEY FEATURES OF THE CAP REFORM PROPOSAL

In June 2018, as part of the proposals linked to the next Multiannual Financial Framework, the Commission adopted the legislative proposals of the CAP for the period 2021-2027⁷. These legislative proposals, based on a wide consultation process and extensive impact assessment, confirmed **the need to simplify and modernise the CAP, to better respond to the emerging economic, environmental and social challenges that the agricultural sector is facing** and which are only reinforced by the current crisis arising from the COVID-19 pandemic.

Thus, the Commission proposed to shift the emphasis from compliance and rules towards results and performance. The one-size-fits-all approach (current governance model, largely based on specific and detailed rules established at EU level) would be replaced by a more flexible system, with greater freedom for Member States to decide how best to meet the common objectives while, at the same time, responding to the specific needs of their farmers and rural communities.

1.1. General features of the proposal

This future CAP is based on three different legislative proposals:

- 1) **CAP Strategic Plan Regulation** - The future CAP is proposed to be implemented through national CAP Strategic Plans, a programming tool that will define, for each Member State, the key parameters for the implementation of all CAP instruments (direct payments, rural development and sectorial interventions). The proposal provides for objectives and a set of broad types of interventions laid down at EU level, establishing what Member States can do with the resources allocated to them: each Member State will be free to select and further design the specific measures it considers the most effective in meeting its own specific needs. A common set of indicators is proposed at the EU level to allow monitoring of policy implementation and an evaluation of policy impact based on common indicators.
- 2) **Common Market Organisation Regulation** - The future CAP keeps and strengthens the market orientation of EU agriculture. The Commission has not proposed changes in the domain of market intervention but targets specific areas where there is a potential to improve the competitiveness of the sector and/or simplify existing rules.
- 3) **Horizontal Regulation** - The proposal for a regulation on the financing, management and monitoring of the CAP provides the legislative framework for adapting the financing, management and monitoring rules to the new CAP delivery model. This seeks to achieve more subsidiarity and simplification, with greater responsibility given to Member States.

⁷ Available at: <https://ec.europa.eu/commission/publications/natural-resources-and-environment>.

The legislative proposals provides for an agricultural policy designed to deliver on three general objectives:

1. to foster a smart, resilient and diversified agricultural sector ensuring food security;
2. to bolster environmental care and climate action and to contribute to the environmental - and climate- related objectives of the Union;
3. to strengthen the socio-economic fabric of rural areas.

The proposal translates and operationalises these into **nine specific objectives**, covering all three dimensions (economic, environmental, and social) of sustainability, as well as a crosscutting objective on knowledge and innovation.

Figure 1: The objectives of the proposed CAP Strategic Plan Regulation



As illustrated in the figure above, the specific objectives **are already in line with the focus of the European Green Deal in relation to food systems**, especially when it comes to:

- Increased contribution of EU agriculture to **climate change mitigation and adaptation**;
- Improved management of **natural resources** used by agriculture, such as water, soil and air;
- Reinforced protection of **biodiversity** and ecosystem services within agrarian and forest systems;
- Effective **sustainability of food systems** in accordance with societal concerns regarding food and health on e.g. animal welfare, use of pesticides and antimicrobial resistance;
- Ensuring a **fair economic return** and improving the position of farmers in the food supply chain.

To reach these specific objectives of the CAP, the future legislation requires each Member State to draw up a single CAP strategic plan. In its plan, the Member State will analyse the situation on its territory in terms of strengths, weaknesses, opportunities and threats (SWOT analysis), as well as its related needs, in respect of these objectives. It will

determine an intervention strategy, design interventions on the basis of the EU framework with quantified targets for their implementation to address the identified needs. **This whole process will be based on well-established evidence (e.g. studies) and data, taking into account the national and regional contexts.**

This strategic approach will **apply to both “pillars” of the CAP together**: not only to support for wider rural development (CAP Pillar II) as at present, but also to direct income support payments to farmers and sectoral interventions (the bulk of CAP Pillar I). This is expected to **facilitate and ensure synergies** between the CAP’s financial interventions.

The Commission will play an important role throughout the preparation process with Member States authorities and the approval of the plans in the form of Commission decisions. Subsequently, it will monitor implementation and progress, on the basis of the common set of indicators (output, result and impact)⁸. The setting of milestones in the CAP Strategic Plans for each result indicator relevant to the plan will be an important hook to steer the implementation on the agreed path, especially considering the numerous relevant result indicators in the field of climate and the environment. Significant deviations from these agreed milestones could trigger action plans for Member States to come back on track. This monitoring, coupled with the **policy performance evaluation process**, will make it possible to require and justify the necessary adjustments of the plans (e.g. characteristics of an intervention) during the implementation phase, where appropriate⁹. Finally, appropriate provisions are foreseen in the draft CAP Plan Regulation to ensure the different interventions to be included in the future CAP Strategic Plans are compatible with the Union’s WTO obligations.

1.2. Key features related to the environment and climate

In addition to this strategic approach based on clearly identified needs, a combination of elements, such as interventions, safeguards and principles – so called “**new green architecture**” – will **ensure an increased ambition of the CAP** when it comes to caring for the environment and climate¹⁰:

- In its plan, each Member State will have to show how, in pursuing the CAP’s objectives, it will also **make a specific contribution to achieving the objectives of various pieces of EU environmental, climate and energy legislation**. Annex XI to the draft CAP plan regulation lists the 12 relevant directives and regulations on biodiversity, water and air

⁸ Annex I to the draft CAP plan regulation lists 28 impact indicators, 38 result indicators and 35 output indicators, which will be used to both monitor and evaluate the performance of the CAP and CAP strategic plans, and pay and control CAP funds. Among other things, the indicators cover the evolution of agricultural income, the evolution of the value added for primary producers in the food chain, the gross nutrient balance on agricultural land, the sales/use of antibiotics in food producing animals and the risks and impacts of pesticides.

⁹ A detailed description of the new delivery model of the CAP, including its monitoring and evaluation system, can be found in the Annex 4 of the Impact Assessment accompanying the legislative proposals of the future CAP: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD%3A2018%3A301%3AFIN>

¹⁰ A detailed description of the “new green architecture”, including practical examples, can be found in the following document prepared by the Commission services: https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/key_policies/documents/cap-post-2020-enviro-benefits-simplification_en.pdf

quality, greenhouse gas emissions, energy and pesticides.¹¹ When drawing up its CAP plan each Member State will take account of analysis and recommendations for action and overall national targets derived from that legislation¹² - for example, through the National Energy and Climate Plans provided for in Regulation (EU) 2018/99 -reinforcing the tight link between this legislation and CAP implementation. It is understood that the references to these legal acts always refer to the latest version of these legal acts in force.

- Member State's **competent authorities for the environment and climate** will have to be **effectively involved** in the preparation of the environment- and climate-related aspects of the CAP plans. This requirement goes hand in hand with the above-mentioned explicit links between the CAP Strategic Plans and EU legislation on the environment and climate. This involvement of environmental and climate authorities will complete the external analysis in the form of an ex-ante evaluation, including the strategic environmental assessment of the CAP plans.
- Member States will **have the legal obligation to clearly show greater ambition than at present with regard to care for the environment and climate**. This principle, which must be translated into a clearly explained combination of elements in each CAP plan, will **avoid any "backsliding" in the contribution of the CAP to care for environment and climate**¹³.
- The **new system of conditionality** – linking area- and animal-based CAP payments to a range of obligations – will draw on the content and strengths of the current cross-compliance and greening systems but will make several improvements (e.g. new

¹¹ Annex XI to CAP plan draft regulation lists 12 directives and regulations concerning the environment, climate and energy to whose objectives Member States' CAP strategic plans should contribute:

- Directive 2009/147/EC on the conservation of wild birds;
- Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora;
- Directive 2000/60/EC establishing a framework for Community action in the field of water policy;
- Council Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources;
- Directive 2008/50/EC on ambient air quality and cleaner air for Europe;
- Directive (EU) 2016/2284 on the reduction of national emissions of certain atmospheric pollutants;
- Regulation (EU) 2018/841 on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework;
- Regulation (EU) 2018/842 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement;
- Directive 2009/28/EC on the promotion of the use of energy from renewable sources;
- Directive (EU) 2018/2002 on energy efficiency;
- Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action;
- Directive 2009/128/EC establishing a framework for Community action to achieve the sustainable use of pesticides.

¹² Establishing this close link between the national strategy for the implementation of the CAP and EU environmental and climate legislation, guarantees optimal coherence of political ambitions.

¹³ As laid down in Article 92 of the proposal for CAP Strategic plans Regulation.

environmental standards and links with important directives, such as the Directive on the Sustainable Use of Pesticides), providing a **broad and enhanced “foundational” level of environmental care**.

- Member States will have to make use of a new means of funding the environment and climate (“**eco-schemes**”) from the CAP’s direct payments, in order **to encourage farmers to adopt or maintain practices that benefit the environment and the climate** in line with the Green Deal. This new possibility of annual rather than multi-annual commitments and payments (as for the agri-environment-climate commitments available in 2014-2020 under Rural Development Programmes) in combination with the possibility to design interventions to address specific problems, will make them particularly attractive to certain farmers.
- The **support for rural development (CAP Pillar II)** will continue to offer a wide range of tools beneficial for the environment and climate. This includes the agri-environment-climate payments supporting ambitious farming methods and practices beneficial for the environment and climate and providing environmental public goods in the fields of climate change mitigation and adaptation, the protection and improvement of the environment, including water quality and quantity, air quality, soil, biodiversity, landscapes and ecosystem services. Furthermore, rural development will continue to support organic farming (both maintenance and conversion), areas composing the Natura 2000 EU network, as well as river basins subject to the Water Framework Directive¹⁴, and also environment/climate-related investments, knowledge-building, innovation, as well as co-operation. In this context, new approaches to optimise delivery on environmental objectives such as result-based environmental payment schemes or collective implementation of commitments by groups of farmers are encouraged. The Commission’s proposal also includes elements to **prevent support for investments that might be harmful to the environment** (e.g. investments in irrigation not consistent with the objectives of the Water Framework Directive).
- The requirement for ‘**ring-fencing**’ a certain share of the budget for the environment and climate is strengthened. In their CAP plan, Member States will remain obliged to earmark at least 30% of their EU Pillar II funding to be spent on the environment and climate. This earmarking will be more stringent and only take into account support that directly and significantly targets environmental and climate-related objectives. It will exclude compensation for farming areas with natural disadvantages (“payment for areas facing natural constraints”), as the link of this support to environmental and climate benefits is not direct. Likewise, for Pillar I markets’ interventions, a minimum expenditure share of 20% will have to be dedicated to improve environmental and climate performance of farmers in the operational programmes of the producer organisations in the fruits and vegetables sector. The Commission proposal does not include overall ‘ring-fencing’ of the Pillar I budget.
- Reinforced focus in the strategic plans on Agricultural Knowledge and Innovation Systems (AKIS) and **farm advisory services** therein will support farmers in making the most sustainable management choices for the specific location and situation of their farm. **European Innovation Partnership for agriculture (EIP-AGRI)** will continue to play a

¹⁴ Directive 2000/60/EC.

key role in this respect, funding Operational Groups which put into practice innovative projects to improve the environmental/climate performance of the farm and test agri-environment-climate measures together with the future beneficiaries.

- As in the 2014-2020 period, in addition to the above-mentioned legal obligation for Member States with regard to spending on the environment and climate, there will be a system for **tracking spending in CAP plans related to climate change objectives only** (i.e. no other environmental objectives). This will continue to operate on the basis of awarding weightings (i.e. coefficients) of 0%, 40% or 100% to categories of spending, according to the relevance to climate change (determined in advance in the CAP Strategic Plan Regulation). The allocation of weightings put forward by the Commission is justified by various other elements of the Commission's CAP reform proposal. For example, the allocation a 40% weighting to the basic income support for sustainability (BISS) and the complementary income support for sustainability (CRISS) is based on an assumption of an ambitious system of conditionality (see above).

2. ASSESSMENT OF THE LINKS BETWEEN THE EUROPEAN GREEN DEAL AND THE CAP

This section contains the analysis of the comparison of key elements of the Green Deal with the specific provisions of the legislative proposals for the future CAP in order to identify possible synergies or gaps.

2.1. Drawing up CAP Strategic Plans reflecting the Green Deal ambition

To deliver the European Green Deal, there is a need to **rethink policies** for clean energy supply across the economy, industry, production and consumption, large-scale infrastructure, transport, **food and agriculture**, construction, taxation and social benefits. To achieve these aims, it is essential to increase the **value given to protecting and restoring natural ecosystems**, to the sustainable use of resources and to improving human health. This is where **change** is most needed and potentially most beneficial for the EU economy, society and natural environment. The EU should also promote and invest in the necessary digital transformation and tools as these are essential enablers of the changes.

In order to achieve this new ambition, the Green Deal underlines that *“the Commission will work with the Member States and stakeholders to ensure that from the outset the national strategic plans for agriculture fully reflect the ambition of the Green Deal, the Farm to Fork Strategy and the Biodiversity Strategy”*. In addition, the Green Deal established that *“the Commission will ensure that the strategic plans are assessed against robust climate and environmental criteria”*. Adopted in the heart of the COVID-19 pandemic, the Farm to Fork Strategy and the Biodiversity Strategy will also be a central element of the EU's recovery plan. All together, this should set in motion incremental and irreversible change in European agriculture, while strengthening its resilience to possible future crises.

The Commission services are working intensively with Member States and stakeholders to ensure that substantial environmental and climate ambition is achieved through the CAP Strategic Plans. For example, a range of workshops has been co-organised to maximise the potential of the proposed new tools. At the same time, the Commission services are supporting each Member State individually in the preparation of its CAP Strategic Plan. Explanatory documents and presentations are being developed to inform Member States and

beneficiaries and to ensure consistent understanding of the future legal framework as well as of the basic evidence and facts.¹⁵ However, in light of the Green Deal challenge, the role of the Commission in this preparatory phase needs to be further reinforced.

Member States have to draw up their CAP Strategic Plans on the basis of a thorough Strategic Environmental Assessment in line with the provisions of the SEA Directive¹⁶, identifying possible negative impacts on the environment of the measures included in the draft CAP Strategic Plans and the corrective measures to be added to avoid and mitigate them.

The proposed CAP Strategic Plan regulation also requires the Commission to carefully consider the coherence of the draft CAP Strategic Plans with the environmental and climate-related needs identified in the **planning instruments emerging from the EU legislation listed in Annex XI of the proposal**. This will allow the Commission to take account of needs identified in the European Green Deal and assure that CAP support is not targeted at practices that are considered environmentally harmful in its decision on approval of the plan. The Commission will base its assessment of CAP Strategic Plans on the analysis of the latest evidence available¹⁷.

For example, in addressing the specific objective on climate change, a given CAP Strategic Plan will have to contribute to achieving national targets and objectives deriving from EU climate legislation and set out in the National Energy and Climate Plan of the concerned Member State (supplemented by the annual reporting and biannual projections on greenhouse gases emissions and removals). This formal link between the CAP Strategic Plans and the national planning tools drawn up by the Member States within the framework of the Governance of the Energy Union will guarantee the CAP's consistency with the EU's climate policy, while ensuring an ambitious contribution from the agricultural and forestry sectors.

2.2. Integrating an increased level of ambition for EU agriculture – specific Green Deal targets

More specifically, the Farm to Fork Strategy and the Biodiversity Strategy address the need to reduce the use and risk of pesticides, the use of antibiotics and fertilisers in agriculture, to increase the share of organic farming and to enhance the share of landscape elements and set aside for nature as well as *to lead to stricter animal welfare standards*. In addition, the strategies provide for a range of non-quantitative targets, including the need to stop the decline of farmland birds and insects, particularly pollinators.

The strategic plans will need to reflect an increased level of ambition to contribute to reaching these targets. Moreover, in addition to support under these plans a wide array of tools must be deployed, as agriculture and the CAP alone cannot achieve these targets. For example, the Green Deal calls on the EU *to develop innovative ways to protect harvests from pests and*

¹⁵ CAP Specific objectives by country: https://ec.europa.eu/info/food-farming-fisheries/farming/facts-and-figures/performance-agricultural-policy/agriculture-country/cap-specific-objectives-country_en

¹⁶ Directive 2001/42/EC of the European Parliament and of the Council on the Assessment of the effects of certain plans and programmes on the environment.

¹⁷ For that, the Commission counts on the scientific work of its Joint Research Centre and the relevant work undertaken in the context of past and ongoing EU funded Research and Innovation projects and at the European Environmental Agency.

diseases and to consider the potential role of new innovative techniques to improve the sustainability of the food system, while ensuring that they are safe.

The draft CAP Strategic Plan Regulation includes a range of provisions which are relevant to progress in these areas:

- within the proposed specific objectives, through the conditionality requirements for support (Annex III, including the standard of Good Agricultural and Environmental Condition on the maintenance of non-productive features and area to improve on-farm biodiversity);
- in available types of intervention through which Member States are expected to design concrete interventions to deliver on Green Deal ambitions;
- in the list of indicators provided to steer and monitor the policy implementation and performance (Annex I, see table 1), in particular result indicators which will also serve to set milestones for the CAP Plans;
- in the list of environmental and climate legislation included in Annex XI, which Member States must consider when drawing up their CAP Strategic Plan; and
- the new specific objective on societal concerns requires Member States to target the risk and use of chemical pesticides, and the use of antibiotics, ensuring these major concerns will be tackled in the future CAP Strategic Plans.

It should be underlined that Green Deal targets that would be incorporated in EU legislation listed in Annex XI of the proposal (e.g. on pesticides or on greenhouse gas emission reductions) would influence CAP Strategic Plan content through that annex. It is to be noted that legislation on animal welfare and antimicrobial resistance is not part of Annex XI.

On top of that, quantified targets will also be set in the corresponding strategies adopted at EU level (Farm to Fork Strategy and Biodiversity Strategy). The proposed CAP Strategic Plan Regulation already provides a set of indicators associated to these new EU targets (see table 1), which would ease addressing these new quantified targets in the CAP Strategic Plans.

Table 1: Indicators in Annex I of the proposed CAP Strategic Plan Regulation associated to Green Deal targets

Green Deal targets related to the agricultural sector¹⁸	Impact indicators (as laid down in Annex I) or Context indicators (as envisaged in secondary legislation)	Output and result indicators (as laid down in Annex I)
<ul style="list-style-type: none"> Reducing by 50% the use and the risk of chemical pesticides by 2030 Reducing by 50% the use of high-risk pesticides 	I.27 Sustainable use of pesticides: reduce risks and impacts of pesticides	R.37 Sustainable pesticide use: share of agricultural land concerned by supported specific actions which lead to a sustainable use of pesticides
<ul style="list-style-type: none"> Reducing by 50% the sales of antimicrobials for farmed animals and in aquaculture by 2030 	I.26 Limiting antibiotic use in agriculture: sales/use in food producing animals	R.36 Limiting antibiotic use: share of livestock units concerned by supported actions to limit use of antibiotics
<ul style="list-style-type: none"> Reducing nutrient losses by at least 50% in 2030 	I.15 Improving water quality: Gross nutrient balance on agricultural land	R.21 Sustainable nutrient management: share of agricultural land under commitments related to improved nutrient management
<ul style="list-style-type: none"> Achieve 25% agricultural area under organic farming by 2030 	C.32 Agricultural area under organic farming	O.15 Number of ha with support for organic farming
<ul style="list-style-type: none"> Completing fast broadband internet access in rural areas reach 		R.34 Connecting rural Europe: share of rural population benefitting from improved access to services and infrastructure through CAP support
<ul style="list-style-type: none"> Increasing land for biodiversity, including agricultural area under high-diversity landscape features 	I.20 Enhanced provision of ecosystem services: share of UAA covered with landscape features	R.29 Preserving landscape features: share of agriculture land under commitments for managing landscape features, including hedgerows

This new environmental and climate ambition, operationalised in the form of new EU targets, increases the attention for a correct and effective monitoring of design and implementation of the CAP Strategic Plans. This will require new efforts by all administrations involved to guarantee high quality of the data obtained as well as enhance data sharing approaches. Furthermore, the current Farm Accountancy Data Network could play a bigger role in the data collection for sustainability indicators.

¹⁸ Quantified targets are set out in the Farm to Fork and Biodiversity Strategies.

2.3. Fostering the use of sustainable farming practices

The European Green Deal aims to expand the “*use of sustainable practices, such as precision agriculture, organic farming, agro-ecology, agro-forestry and stricter animal welfare standards*”. Furthermore, this transition draws particular attention to “*measures such as eco-schemes, addressed to reward farmers for improved environmental and climate performance, including managing and storing carbon in the soil, and improved nutrient management to improve water quality and reduce emissions*”.

Expanding the use of sustainable practices is among the means of addressing various needs specifically mentioned in the Green Deal, including the increased EU ambition over climate change and preserving and restoring ecosystems and biodiversity, as well as those aimed at strengthening the resilience of the European agriculture, inter alia, by promoting diversification of agricultural production (agro-diversity).

Section 1 of this document set out various elements in the Commission’s CAP reform proposal which can help bring about the necessary transition in the farm (and forestry sector).

The mandatory standards within the proposed system of **conditionality** would set a baseline for making farming more sustainable. Key obligations would include (among others) those on crop rotation, soil protection, maintaining permanent grassland, protecting wetlands and peatlands, Natura 2000 Directives and the need to protect existing landscape features or devote an area on each farm to “non-productive” features.

In terms of elements which are voluntary for farmers, **eco-schemes** in the CAP’s first pillar will be a major new tool to support precision farming, organic farming, agro-ecology and agro-forestry – as well as other approaches or specific practices relevant to climate change, management of natural resources, and biodiversity. Eco-schemes will allow a large number of farms to improve their environmental performance. In contrast to current ‘greening’ measures, they will be designed by Member States in a ‘bottom-up’ approach – which will match environmental ambition to practical agricultural realities. However, benchmarking of the effectiveness of these schemes (as well as second pillar management commitments) will be an important task of the Commission; and monitoring of their effectiveness be made possible through the sharing of relevant and precise data.

The practices and systems which can be supported from the CAP’s first pillar through eco-schemes will also remain eligible for funding under the second pillar (**support for rural development**) - through the now well-established tool of support for “environmental, climate and other management commitments”¹⁹. This support will operate mainly through multi-annual contracts (whereas eco-schemes will work on a mainly annual basis) and will complement eco-schemes. Rural development support for management commitments will also cover voluntary steps to improve the environment and address climate change mitigation and adaptation through a wide and diversified range of operations designed by Member States to respond to needs including in relation to e.g. biodiversity, particularly in Natura 2000 sites, high nature value farmland, extensive permanent pastures, and to support result-based payments schemes for specific species protection, animal welfare as well as conservation and sustainable use of genetic resources in agriculture and forestry.

¹⁹ Article 65 of Regulation establishing rules for CAP Strategic Plans {COM(2018) 392/3} provides for common rules concerning “Environmental, climate and other management commitments”

In addition, the rural development budget will remain a source of funding for sustainability-building investments²⁰, including non-productive investment in establishing green infrastructure, knowledge transfer and innovation, as well as support for forestry (e.g. tree-planting and forest improvement, including for carbon sequestration and biodiversity) and agro-forestry. The proposed minimum ring-fencing of 30% for rural development expenditure for CAP interventions addressing the specific and environmental and climate related objectives will be a key safeguard to secure adequate resources for these interventions encouraging sustainable farming practices.

With Europe's structural and investments funds, rural development investments also contribute to expanding access to **fast broadband in rural areas**, which is essential for employing technologies to achieve sustainability goals (to overcome barriers for the use of precision farming). A further impetus is necessary, as 2020 targets have not been met.

The future CAP Strategic Plans may support both the conversion and the maintenance of **organic farming** through the eco-schemes²¹, the management commitments co-funded under rural development or also under the sectorial programmes. Moreover, in order to achieve a balanced growth in the organic sector, it is pivotal to also stimulate a “pull” from the market by supporting consumer demand through e.g. green public procurement, promotion of organic food. With these ends in mind, the Commission will present an action plan for the organic sector, which will complement actions by Member States.

The change resulting from the adoption of sustainable farming practices throughout the cultivated area in the EU should not only reinforce the downwards trend in GHG emissions of the farming sector but also ultimately turn agricultural soils into carbon sinks. Identifying better methods for measuring carbon removals in agriculture is the first step to enable payments to farmers for the **carbon sequestration** they provide. In the future CAP Strategic Plans, Member States will be able to use these rules to design CAP payments based on the carbon sequestered. Private companies could also be interested in purchasing such certificates to support climate action, thus providing an additional incentive (on top of the CAP rewards /payments) to farmers for carbon sequestration.

Moreover, with one of the CAP specific objectives targeting the promotion of the bioeconomy, the future CAP Strategic Plans may include interventions aiming at unleashing a new potential for increasing farmers income and supporting the shift towards a carbon free economy. Using food and feed residues, farm waste or other bio based resources to produce textiles, natural packaging (replacing plastic), construction materials (reducing the use of energy-intensive materials such as steel and cement) or to produce a clean and affordable energy (e.g. through biogas production) could also help the farmers to diversify their income while significantly contributing to the Green Deal.

In their CAP Strategic Plans, Member States will also need to scale up support for their **Agricultural Knowledge and Innovation System (AKIS)** and strengthen resources needed to develop more interactive advisory services within their AKIS. Specifically, the future CAP

²⁰ Article 68 of the draft Regulation establishing rules for CAP Strategic Plans {COM(2018) 392/3} provides for common rules regarding support for investments.

²¹ Article 28 of the draft Regulation establishing rules for CAP Strategic Plans {COM(2018) 392/3} provides for schemes for the climate and the environment (“eco-schemes”) that Member States have to include in their CAP Strategic plan.

continues to support the European Innovation Partnership for agriculture (EIP-AGRI) to drive innovation collectively, as well as to incentivise farm advisors to help farmers to co-create and implement innovations that can contribute to a more sustainable way of producing.

Novel approaches for **Integrated Pest Management** should be encouraged, in line with the principles laid down in the directive on sustainable use of pesticides, and advisors have a crucial role to play in making this happen, for instance through helping to use digital decision systems for monitoring and warning on pests and diseases. Up-to-date knowledge linked to competent advisors are also key to promote the reduction of **the use of nutrients and antimicrobials**, as well as to accompany the move to agro-ecological approaches, zero-waste and low energy farming, to enhance circularity and to preserve and restore ecosystems and biodiversity on farms.

Moreover, the synergies between the CAP and **Horizon Europe through the EIP-AGRI** will be further pursued. The innovation strand of the CAP networks will continue to share knowledge and results generated by the EIP-AGRI interactive innovation and research projects across Europe, and efforts are ongoing to develop an EU-wide long-term knowledge reservoir for practice.

Finally, the forthcoming new **EU forest strategy** will be a key tool to stimulate sustainable forest management in the EU. This new strategy will stimulate effective afforestation, and forest preservation and restoration in Europe; it will also help to increase the absorption of CO₂, enhance adaptation to climate change and resilience to threats (e.g. forest fires, droughts, pest infestations) and promote the bio-economy, in full respect for ecological principles favourable to biodiversity. The future CAP Strategic plans will be a crucial tool to fund the both management practices and investments addressed to preserve, grow and manage forests sustainably.

2.4. Ensuring a fair, healthy and sustainable food chain

The European Green Deal does not only aim to improve sustainability of production methods in the EU farming sector, but to transform Europe's food systems in the broadest sense. In addition to the aforementioned climate and environment objectives, the proposal for a CAP Strategic Plan regulation provides a range of instruments to support the response of EU agriculture to this wider objective in terms of income and competitiveness, position of farmers in the food supply chain, rural jobs and growth or sustainable food, as set out in figure 1.

In this assessment of synergies and gaps between the Green Deal and the CAP reform proposals, a number of elements merit specific attention.

One of the priorities of the Farm to Fork Strategy is to help **consumers choose healthy and sustainable diets and reduce food waste**. The proposal for the future CAP already asks Member States in their CAP strategic plans, to *“improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, food waste, as well as animal welfare”*²². In practical terms, this means Member States are required to review their actions in these domains and propose how to use the different instruments of

²² Article 6.1. i) of the draft Regulation establishing rules for CAP Strategic Plans {COM(2018) 392/3}

the CAP to address the challenges identified. The inclusion of this food and health objective in the CAP proposal demonstrates synergies that have already been achieved.

Sustainable development of food systems must also be embedded in rural development as rural communities and businesses will play an important role in the sustainability transition. CAP Strategic Plans are an important tool in this regard, and appropriate coordination must be assured with cohesion policy programmes as well as relevant national and territorial strategies (i.e. Smart Specialisation Strategies, Territorial Just Transition Plans, etc.).

The Green Deal presents **new opportunities for all operators in the food value chain** and specifically it announces *proposals to improve the position of farmers in the value chain*. The Farm to Fork Strategy identifies generating fairer economic returns and competitiveness of the food sector as key elements to achieving a transition of Europe's food system. Supporting viable farm income and improving farmers' position in the value chain, are also objectives foreseen for the CAP Strategic Plan Regulation. The future CAP Plans include a large variety of types of interventions (in both pillars of the CAP) to facilitate the achievement of this objective. Next to income support, it foresees, for example, supporting cooperation among farmers and collective approaches as key tools to cope with the new economic and environmental challenges.

The legal framework for the Common Organisation of Markets for agricultural products was modified in 2013 (CAP reform) and 2017 (Omnibus Regulation) to reinforce the tools for farmers to organise themselves and strengthen their position in the food supply chain. The Directive on Unfair Trading Practices, to be transposed by Member States by 2021, will also serve to improve the position of the weaker party in the food supply chain by protecting them from trading practices unilaterally imposed by the stronger one (e.g. late payments by buyers for perishable food products, short notice cancellation of orders of perishable food products etc.).

Over the years, support addressed to specific agricultural sectors has shifted from market management instruments to other tools more oriented towards structural adjustment and supporting the transition to sustainable food systems. Under the new CAP, the Member States can design **sectoral interventions** in addition to those sectors for which it is currently already possible (i.e. fruit and vegetables, olive oil and table olives, wine, apiculture and hops). The cornerstone of this system of support is cooperation of producers within producer organisations and associations of producer organisations. Such organisations allow producers to strengthen their position in the supply chain as well as their resilience to economic and environmental and climate challenges and act collectively to enhance sustainability of their supply chain.

A wide range of possible tools can be used by these organisations²³. Member States may decide in their CAP Strategic Plans to use up to 3% of their allocation for direct payments for these interventions in sectors other than those for which specific schemes already exist. These decisions will be a part of the CAP strategic plans approved by the Commission.

²³ Article 60 of the draft Regulation establishing rules for CAP Strategic Plans {COM(2018) 392/3} lists the full range of types of intervention that can be selected, including soil conservation, organic farming, energy saving, waste reduction or ecological packaging.

Of specific relevance to the Green Deal objectives is for example the case of the sectorial programmes for **fruit and vegetables**, where a minimum percentage of spending on environment and climate action (20%) is proposed for each producer organisation implementing an operational programme. Also, under this sectorial programmes, the future CAP Strategic Plans will be able to fund actions on “*promotion and communication, including actions and activities aimed at diversification and consolidation of the fruit and vegetables markets and at informing about the health advantages of consumption of fruit and vegetables*”²⁴.

In addition, the **apiculture programmes** will be integrated in the CAP strategic plans with a proposed increased budget, beekeeping being vitally important for the sustainability of agriculture.

Moreover, the sectoral programme for the **wine sector** counts among its nine objectives the improvement “*of competitiveness of Union wine producers including contribution to improvement of sustainable production systems and reduction of environmental impact of the Union wine sector*”. It also provides for possibilities to “*improve competitiveness of Union grapevine products in third countries*” or “*contribute to increasing consumer awareness about responsible consumption of wine and about Union quality schemes for wine*”²⁵.

In addition to the sectoral programmes, under the proposed CAP strategic plan regulation Member States retain the possibility to spend a limited share of their direct payments (up to 10%, with a possible additional 2% for protein crops) in the form of **coupled income support** for certain sectors. These interventions aim to address specific difficulties by improving the competitiveness, sustainability or quality of the sectors concerned²⁶. While coupled support provides advantages to support certain sectors, it is important to ascertain that such support contributes to overall (environmental, social and economic) sustainability as envisaged under the Green Deal.

3. ENSURING THAT THE CAP ADEQUATELY REFLECTS THE GREEN DEAL

The CAP reform proposals provide the appropriate framework to support the implementation of the ambitions of the European Green Deal thanks to a range of elements – essentially, a more results-oriented delivery model based on strategic planning at Member State level, enhanced mandatory requirements, and an improved range of voluntary funding tools.

To effectively ensure that these ambitions are translated into actual practices in the field, various needs emerge – in terms of what must be retained and eventually included in the final CAP reform legislation as agreed by the Council and the European Parliament; and subsequently reflected in the ambition of the CAP strategic plans and their implementation.

²⁴ Article 43 of the draft Regulation establishing rules for CAP Strategic Plans {COM(2018) 392/3} .

²⁵ Article 51 of the draft Regulation establishing rules for CAP Strategic Plans {COM(2018) 392/3} .

²⁶ Article 29 – 33 of the draft Regulation establishing rules for CAP Strategic Plans {COM(2018) 392/3} .

3.1. The Commission's CAP reform proposal: the need to retain key aspects

The capacity of the future CAP to adequately reflect the Green Deal depends on various aspects, ranging from the share of the EU budget devoted to each pillar of the CAP to the key provisions in the Commission's proposal that need to be maintained in the final legislation. Certain of these, which have been called into question, are mentioned below.

3.1.1. Increased ambition with regard to environmental-and climate related objectives ("No backsliding" principle).

According to Art. 92 of the Commission's draft Strategic Plan Regulation, Member States would be obliged in their CAP Strategic Plans to show a greater level of ambition than at present with regard to objectives on the environment and climate.

This provision should be retained in the final legislation as an essential guarantee of progress in terms of environmental sustainability. Moreover, the provision should – as proposed – refer to a range of elements in CAP Strategic Plans for making a qualitative and quantitative judgment about levels of ambition (elements of the SWOT analysis and needs assessment, intervention strategy, basic definitions, proposed approach to implementing conditionality, descriptions of interventions, and targets and financial plans). Reducing the provision's scope to a simple comparison of past and planned future budgetary allocations in CAP Strategic Plans would not be sufficient.

3.1.2. Conditionality

The proposed scope and ambition of the standards must be maintained and must apply to all area- and animal-based payments. This applies in particular to standards needed to meet the Green Deal targets, such as crop rotation, soil cover and landscape features. These standards are essential to ensure an ongoing transition to sustainability across the whole territory of the EU, and to underpin respect of the "no backsliding" principle (see above). Partial replacement of these mandatory standards by voluntary payments in either CAP pillar would produce less positive results – as was confirmed by the impact assessment accompanying the Commission's legal proposals.

3.2. Mandatory eco-schemes

Eco-schemes in Pillar I offer a major flexible source of funding for action on the environment and climate. Member States should therefore be obliged (as proposed) to make provision for eco-schemes.

3.2.1. Ring-fenced spending on the environment and climate

The CAP is one of the key funded EU policies, which will help achieve the aspirations of the Green Deal. For this reason, it is important to keep an ambitious content and level of ring-fencing of spending at least 30% of the rural development budget at the level of each CAP Strategic Plan on the environment and climate, along the lines of the Commission's proposal (i.e. not counting support for areas with natural constraints). Ring-fencing requirements in the sectorial programmes in Pillar I also need to be kept.

3.2.2. Data collection and common approach to data

The ambition of the Green Deal will require a strong commitment by Member States to guarantee high quality of the data obtained. Thus, as foreseen in the draft CAP Strategic Plan Regulation²⁷, Member States will need provide the Commission with all the necessary information enabling it to perform the monitoring and evaluation of the CAP. At the same time, emphasis should be maintained on developing common data approaches and sharing data between policies (agriculture, climate, biodiversity, etc.) to ensuring timely, accurate, and effective delivery of indicator information between policy instruments and policies²⁸.

3.2.3. Fostering the position of farmers in the food chain

In the Green Deal – particularly in the context of the Farm to Fork Strategy – augmented by the consequences of the COVID-19 crisis on agriculture, growing attention is paid to the need to improve farmers' position in the food value chain and proposals are announced. In addition to the reformed Common Market Organisation for agricultural products²⁹ and the recent directive on Unfair Trading Practices,³⁰ the Commission's draft Strategic Plan Regulation provides Member States with the possibility to design sectoral interventions in many sectors. The cornerstone of this system is cooperation of producers within producer organisations and associations of producer organisations, which allows producers to strengthen their position in the supply chain as well as their resilience to economic and environmental challenges and contribute to climate action.

3.3. Potential improvements in the final CAP reform text

The analysis points to a certain number of elements, which could close gaps and strengthen the final CAP legal texts to help achieve the ambitions of the Green Deal.

3.3.1. Ring-fencing funding and further developing provisions for Pillar I eco-schemes

The Commission did not propose mandatory minimum spending on eco-schemes, and the originally suggested provisions on the content of these schemes are relatively non-detailed – in both cases, to leave suitable flexibility to Member States.

However, the idea of ring-fencing minimum funds for eco-schemes has attracted support, and could indeed prove to be a solid guarantee of better results with regard to the environment and climate – provided that the level of ambition of common mandatory requirements in conditionality is not reduced.

²⁷ Article 129 of the draft CSP Regulation.

²⁸ Article 65 of the draft Horizontal Regulation.

²⁹ CAP reform in 2013 and Omnibus Regulation in 2017

³⁰ Directive (EU) 2019/633 of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain

There have also been calls for greater clarity regarding the scope of eco-schemes. The Commission could therefore provide additional indications concerning agricultural practices, which are particularly suited to addressing the challenges highlighted in the Green Deal - e.g. in relation to pesticide use reduction, nutrient management or support for organic farming - and which could be supported by eco-schemes.

3.3.2. Integration of the animal welfare and antibiotics legislation in the CAP

In order to maximise the potential that CAP Strategic Plans can play in providing support to improve animal welfare and reduce the use of antibiotics in farm animals, a specific legal provision should be considered in the CAP Strategic Plan Regulation. In particular, this new legal provision should require Member States to take into account the latest applicable legislation on these domains in the first phases of the programming process (SWOT analysis and needs assessment), as it is the case of the legislation included in the Annex XI.

3.4. Possible action from Commission services to assist effective implementation

In addition to elements needed in the finally agreed CAP legislation, additional practical action from Commission services might be useful to make implementation effective with regard to the Green Deal. Four particular areas of work are identified here.

3.4.1. Increase transparency in the approval process of CAP Strategic Plans

In the debate concerning the environmental and climate-related ambition of the future CAP Strategic Plans, considerable attention is being paid to the role of the Commission in assessing and approving the plans as drafted by Member States. The Commission's legal proposals set out underlying criteria for assessing the plans, namely:

- their completeness;
- their consistency and coherence with the general principles of Union Law and with the CAP reform regulations;
- their contribution to the CAP specific objectives;
- their impact on the proper functioning of the internal market and distortion of competition; and
- the resulting administrative burden on beneficiaries and administrations.

All these criteria mentioned in the current legal proposal will remain relevant.

The Commission is already providing support to Member States in preparing their CAP Strategic Plans. But it could step up that support by publicly sharing appropriate documents on how it envisages to assess CAP Strategic Plans. In particular by:

- assessing the contribution of the intervention strategies to meeting the CAP specific objectives;

- assessing the targets proposed in each CAP Strategic Plan;
- guaranteeing respect of the “no backsliding” principle set out in Article 92 of the draft CAP Strategic Plan Regulation.

The Commission could also publicly share its observations regarding the assessment of the targets proposed under the different CAP Strategic Plans.

3.4.2. *Structured dialogue and recommendations to Member States*

In addition to the on-going preparatory process, and in order to reinforce the strategic character of the implementation of the future CAP and guarantee that the future CAP Strategic Plans fully support the transition foreseen in the European Green Deal, a structured dialogue should be organised between the Commission and the Member States already in the preparatory phase of the CAP Strategic Plans (i.e. before the formal submission of the CAP Strategic Plans).

In that context, the Commission – bringing in a range of relevant policy perspectives – will be ready to make recommendations based on its analysis of the situation of each Member State in respect of agriculture and rural development as seen through the prism of the nine CAP specific objectives, and taking into account the European Green Deal.

Recommendations will pay attention to effectiveness of CAP measures and consistency with other policy instruments implemented by the Member States, with a view to achieving the specific objectives of the CAP.

The incorporation of the recommendations in the CAP Strategic Plan would be part of the criteria that the Commission would use in the assessment to approve each of the CAP Strategic Plans.

In the framework of this structured dialogue, particular attention will be paid to address the targets foreseen under the European Green Deal (Table 1) in the CAP Strategic Plans. In order to ensure that the Green Deal targets are appropriately reflected in the CAP Strategic Plans from the start, in this early stage of the planning process the European Commission will ask Member States to set explicit national values at the level of impact indicators for the key Union targets listed in Table 1, to show how they plan to contribute to the new EU ambition, thus indicating a clear direction of the efforts to be made at national level. The national values will take into account the efforts made over the years, the starting point and the potential for improvement, thus acknowledging in this desired collective effort, the specific situation of each Member State.

Based on these values, the territorial diagnosis and the needs assessment, the Member States will then design, in their CAP Strategic plans, appropriate interventions and assess their expected use by farmers, so that the CAP can, in each Member State, contribute effectively to this new ambition. The European Commission will verify at the time of approval and modification of the CAP Strategic Plan the coherence with the aggregated Green Deal targets. Progress towards these Green Deal targets, at Member State level, would be monitored through the evaluation framework proposed for the future CAP.

3.4.3. Ensuring overall sustainability for Coupled Income Support, sectorial programmes and promotion

The range of instruments available for sectoral support under future CAP Strategic Plans provide for considerable opportunity to address Green Deal challenges particular to certain types of production or sectors. At the same time, within the context of the overall CAP strategic plans, it must be assured that the schemes designed by Member States contribute to the overall sustainability objectives of the plan and the Green Deal.

As regards Coupled Income Support, which must address specific difficulties by improving competitiveness, sustainability or quality of the sectors concerned, the future CAP's new delivery model will oblige Member States to design this support based on the identified needs, in consistency with all the CAP's specific objectives and with the other instruments. With this in mind, and taking into account past concerns expressed about coupled support from an environmental perspective, the Commission should carefully assess any proposed coupled support from the perspective of the need for overall sustainability.

Similarly, the sectoral programmes must also be assessed from this perspective, to ensure coherence in strategic plans, including as regards nutrition and health. Indeed, Member States should grasp the opportunity to use sectoral programmes to contribute to Green Deal objectives, such as possibilities to promote consumption of fruit and vegetables or support climate adaptation and resilience.

3.4.4. Farm Sustainability Data Network

Taking into account the importance of sound data and farm advice in the achievement of ambition foreseen in the Green Deal, the Commission will propose legislation to convert its Farm Accountancy Data Network (FADN) into the Farm Sustainability Data Network with a view to also collect data on the Farm to Fork targets and other sustainability indicators, in full compliance with provisions on the protection of data privacy.

The new network, based on the voluntary participation of farmers, will benchmark farm performance against regional, national or sectoral averages. Through tailored advisory services, it will provide feedback and guidance to both small and big farmers on best practices to improve their economic, environmental and climate performance, and link their experience to the European Innovation Partnership and research projects. This will improve the sustainability of participating farmers, including their incomes.

4. CONCLUSIONS

The Commission's CAP reform proposal is compatible with the Green Deal and its associated strategies such as the Farm to Fork Strategy and the Biodiversity Strategy. It has the potential to accommodate the Green Deal's ambitions.

However, the capacity of the future CAP to accommodate the Green Deal's ambitions depends on various aspects, ranging from a suitable share of the EU budget devoted to each pillar of the CAP to the key provisions of the Commission's proposal, which need to be

maintained in the final CAP legislation as agreed by the Council and the European Parliament. These include in particular:

- an adequate “no backsliding” principle obliging MS in their CAP Strategic Plans to show an increased ambition than at present with regard to environmental- and climate-related objectives;
- an ambitious system of conditionality maintaining key standards (in particular for crop rotation, soil cover, maintenance of permanent grassland, agricultural land devoted to non-productive areas or features);
- mandatory eco-schemes;
- ring-fenced spending for the environment and climate of 30% of the rural development budget for each CAP Strategic Plan, excluding payments for areas with natural constraints, as well as the ring-fencing of the sectorial interventions;
- data collection requirements and common data approaches between policies;
- provisions to improve the position of farmers in the food supply chain.

Certain improvements in the final CAP legislation would close the identified gaps and strengthen the final CAP legal texts to help achieve the ambitions of the Green Deal. These include:

- minimum ring-fenced spending for eco-schemes and additional indications concerning agricultural practices that could be supported by eco-schemes;
- integration of relevant elements of legislation on animal welfare and antimicrobial resistance in the CAP, as it is the case of Annex XI.

Finally, the Commission could consider taking additional practical action to make implementation of the future CAP more efficient to help to achieve the ambition of the Green Deal. This could include:

- creating a structured dialogue for preparation of CAP strategic plans, including by providing recommendations to each Member State in respect of the nine CAP specific objectives, before the draft CAP strategic plans are formally submitted; under this dialogue, Member States would be asked to address the new quantified Green Deal targets in their CAP Strategic Plans;
- publicly sharing additional documents on how CAP Strategic Plans will be assessed as well as sharing observations regarding the assessment of the targets proposed under the different CAP Strategic Plans;
- assessing coupled income support and interventions under sectorial programmes proposed in CAP Strategic Plans in light of its consistency with the need for overall sustainability;

- proposing legislation to enlarge the scope of the current Farm Accountancy Data Network (FADN) in order to include sustainability indicators and strengthen its links with advisory services.