

Nature Conservation in Europe: Approaches and Lessons

Annex 3. The Common Agricultural Policy (CAP)

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Objectives and key reforms

The CAP is one of the oldest of all EU policies, and still based on objectives defined in the Treaty of Rome 60 years ago. These are: to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum use of the factors of production, in particular labour; to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture; to stabilise markets; to ensure the availability of supplies; and to ensure that supplies reach consumers at reasonable prices.¹ As described in Chapter 2 of *Nature Conservation in Europe* (Tucker, 2023b), and some of the national chapters, the CAP has contributed to some serious environmental problems in Europe, such as through providing financial incentives that encouraged overgrazing of sensitive habitats and habitat loss through the ploughing of grasslands, drainage, irrigation and inappropriate afforestation schemes. However, since the 1980s, reforms to the CAP have responded to increasing awareness of the environmental effects of agricultural activity. In 1985 the first moves towards introducing environmental objectives within the CAP were taken, with a Commission Green Paper on the future of the CAP proposing that agricultural policy should ‘take account of environmental policy, both as regards the control of harmful practices and the promotion of practices friendly to the environment’¹ (European Commission, 1985). This was followed, in 1987, by the legal requirement to integrate environmental protection into all Community legislation under the Single European Act².

Since then, a series of CAP reforms has led to most of the central policy instruments being altered and several new policy instruments adopted in such a way that environmental concerns, with biodiversity being a key focus, have gradually been integrated within the CAP and have been afforded an increasingly prominent position within the policy (see Table 1). Policy changes that have been focused on improving the environmental sustainability of agriculture include the growing use of environmental conditionality on farm support payments through the use of instruments such as cross compliance; and the introduction of incentive payments to encourage the use of management practices that are environmentally beneficial, for example, the agri-environment measure. Other policy changes constrained production (quota, set-aside) or removed the link between payments and production (the shift away from price support to decoupled payments). Where payments are linked to production, these payments can act as incentives to produce, exerting considerable influence over the farming systems and practices adopted (Baldock *et al.*, 2007) and giving rise to both positive and negative consequences for the environment (Brady *et al.*, 2009; Brady 2010).

Since 1999 the CAP has consisted of two Pillars with differing objectives, financing, functioning and structure. Pillar 1 is financed fully from the European Agricultural and Guarantee Fund (EAGF) and provides direct payments to farmers, amongst other things. Pillar 2 (known as the Rural Development Regulation) is co-financed jointly by the European Agricultural Fund for Rural Development (EAFRD) and Member States, and offers a wide range of measures for the environment (such as agri-environment schemes) and other rural issues through multi-annual Rural Development Programmes (RDP). Member States (and regions, in federal States) have a large degree of freedom in choosing how and where they use RDP funds but require approval from the Commission (unlike Pillar 1 funding until 2023) as they must reflect EU priorities including integrating the objectives of the Nature Directives. Although not stated in the TFEU, the sustainable management of natural resources and climate action, has become one of the main objectives of the CAP since the mid-2000s, set out in the regulations and

¹ Article 39 TFEU

² Article 25, Single European Act, 1987, Official Journal of the European Communities, No L 169/1

the EAFRD (and the whole CAP from 2023) has a specific objective relating to biodiversity, reflecting the requirement to integrate environmental concerns into EU legislation. Over the 2014-2020 period, Member States had to allocate at least 30% of their RDP funding to certain measures that support environment and climate change objectives.

The 2013 CAP reform introduced some fairly fundamental changes to the structure of Pillar 1 support measures for farmers. From a biodiversity perspective, the most significant change was the introduction of three main measures providing farmers with 'payments for agricultural practices beneficial for the climate and the environment', otherwise known as 'green direct payments' or 'greening'³. These measures were mandatory for Member States to put in place and apply to the majority of agricultural land. Permanent crops were excluded from the measures and organic farmers were considered to be already carrying out basic environmental management and were therefore exempted.

The 2020 reform of the CAP (operational from January 2023) involved a fundamental change in approach, by requiring Member States to design both Pillar 1 and Pillar 2 support in a strategic way to deliver against a set of ten specific objectives (one of which is biodiversity focussed) in light of national and regionally identified needs. Member States are also required to demonstrate how what they propose will deliver increased environmental and climate ambition. This is set out within CAP Strategic Plans (CSPs) that should focus on the delivery of results. This is the first time that Pillar 1 support is subject to this form of programming and to approval by the Commission. From a biodiversity perspective, key developments are the strengthening of conditionality requirements for farmers receiving direct payments (to incorporate the 'greening' measures) and the introduction of a new 'eco-scheme' intervention under Pillar 1 to provide payments for management practices that benefit the environment, climate and animal welfare. Whether or not Member States make the most of the opportunities that this provides to enhance the support available for biodiversity and target it to the areas of most need remains to be seen.

The Next Generation EU recovery instrument, agreed in 2020, provided an injection of an additional €7.5 billion to rural development, incorporated into Member States' Rural Development Programmes in 2021 (30%) and 2022 (70%). Of this, at least 37% had to be spent on organic farming, other environment and climate-related actions and for animal welfare and had to be additional to the existing allocations for these actions in Member States.

³ Article 43 of Regulation (EU) 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009.

Table 1 Key environmental reforms of the CAP (1985 – 2021)

Year	Key reforms (Regulation number)	Environmental measures
1985 / 1987	Council Regulation (EEC) No 797/85 Council Regulation (EEC) No 1760/87	Member States were permitted for the first time to introduce nationally funded zonal schemes to protect farmland habitats and landscapes in Environmentally Sensitive Areas from the threat of agricultural intensification. From 1987 25% of the funding could be claimed from the EU.
1992	MacSharry Reforms - Council Regulation (EEC) No 2078/92	<p>The agri-environment measure became mainstreamed and compulsory for all Member States to implement. The objective of these payments was set out as being for ‘using agricultural land ... compatible with protection and improvement of the environment, the countryside, the landscape, natural resources, the soil and genetic diversity’.</p> <p>To control supply, farmers had to ‘set-aside’ a fixed proportion of their arable land each year as a prerequisite for receiving direct payments (it had been voluntary since 1988). An option was introduced for ‘long-term set-aside’ for environmental purposes.</p>
1999	Agenda 2000 – Council Regulation (EC) No 1259/1999	<p>Introduction of the Rural Development Regulation, bringing together a range of environmental (including agri-environment) and socio-economic measures. It became known as the ‘Second Pillar’ of the CAP.</p> <p>Compensation to farmers in ‘Less Favoured Areas’ (LFAs) was changed and based on area rather than the number of livestock grazed.</p> <p>Standards of ‘Good Farming Practice’ were introduced as a prerequisite for receiving LFA and agri-environment payments.</p>
2005 / 2007	2003 CAP Reforms – Council Regulation (EC) No 1782/2003 & Council Regulation (EC) No 1698/2005	<p>In 2005 a major change was introduced to the way the main support payments to farmers were calculated – they were ‘decoupled’ from production, with payments based on the area of land rather than amount produced. This change was phased in over time.</p> <p>EU-15 Member States plus Malta and Slovenia could use up to 10% of decoupled payments for ‘specific types of farming and quality production’, including those that were environmentally beneficial (known as Article 68)</p> <p>EU-15 Member States were required to transfer a certain proportion of their Pillar 1 direct payments budget to Pillar 2 (rural development).</p> <p>Cross-compliance was introduced: farmers receiving direct payments and agri-environment and organic support were required to respect:</p> <ul style="list-style-type: none"> • Statutory Management Requirements (SMRs). • Standards for Good Agricultural and Environmental Condition (GAEC). <p>In 2007, the Rural Development Regulation became the European Agricultural Fund for Rural Development (EAFRD), organising measures under three axes supporting competitiveness (Axis 1); the environment (Axis 2); and quality of life (Axis 3). Member States were required to spend a minimum of 25% of their budget on environmental measures under Axis 2.</p>
2008/9	CAP ‘Health Check’ – Council Regulation (EC) No 73/2009 – replacing Council Regulation (EC) No 1782/2003; Council Regulation (EC) No 74/2009 – amending Council	<p>Set-aside was abolished and plans to phase out the remaining coupled payments were accelerated, with the exception of those for suckler beef, sheep and goats.</p> <p>The possibility for Member States to use a proportion of their Pillar 1 budget to target specific types of farming was made more flexible and extended to all Member States (becomes ‘support for specific areas’ under Article 68). From an environmental perspective:</p> <ul style="list-style-type: none"> - Up to 3.5% could be used to support specific types of farming important for the protection or enhancement of the environment; and - up to 10% could be used to fund additional agri-environment measures.

Year	Key reforms (Regulation number)	Environmental measures
	Regulation (EC) No 1698/2005	<p>Cross-compliance requirements were extended to include some optional elements, such as the creation of environmental habitats.</p> <p>Member States were required to transfer a greater proportion of their direct payments budget to Pillar 2 and the additional amount had to be used to fund 'new challenges', which were mainly environmental and included biodiversity.</p>
2014	<p>Regulation (EU) No 1305/2013 (rural development)</p> <p>Regulation (EU) No 1306/2013 (horizontal, including cross-compliance)</p> <p>Regulation (EU) No 1307/2013 (direct payments)</p>	<p>There was a delayed start to this CAP period, with Pillar 1 measures introduced from 2015 and rural development measures introduced from 2016.</p> <p>Introduction of three new 'greening measures' to support basic environmental management across most agricultural land: crop diversification; protection of permanent grassland through both the maintenance of permanent grassland, as a ratio to total agricultural area as well as through the designation of Environmentally Sensitive Permanent Grassland (ESPG); and Ecological Focus Areas (EFAs).</p> <p>Cross-compliance requirements were streamlined, and a number of requirements were moved to become the 'greening' measures.</p> <p>Coupled support became voluntary for Member States – but was extended again to all sectors</p> <p>Member States must allocate at least 30% of their RDP funding (EU component) to certain measures that support environment and climate change objectives.</p> <p>A greater emphasis on collaboration and cooperative approaches was introduced.</p>
2021	<p>Regulation (EU) 2021/2115 (CAP Strategic Plans)</p> <p>Regulation (EU) 2021/2116 (financing, management and monitoring)</p> <p>Regulation (EU) 2021/2117 (Common Market Organisation, quality schemes and labelling)</p> <p>For the years 2021-22, a transitional regulation (EU Regulation 2020/2220) is in force</p>	<p>There was again a delayed start and a two-year transition period. This means that the new CAP requirements will operate from 2023–2027.</p> <p>A 'New Delivery Model' gives increased flexibility to Member States on how to design and target the CAP measures, but with the new provision that all decisions have to be justified in a CAP Strategic Plan and approved by the European Commission (including Pillar 1). Member States have to demonstrate that what they propose will deliver increased environmental and climate ambition.</p> <p>Cross-compliance requirements were strengthened to include new standards to protect peatland and wetlands and to incorporate most of the 'greening' measures – renamed enhanced conditionality. The crop diversification greening measure has been strengthened to become 'crop rotation' under conditionality.</p> <p>Introduction of 'eco-schemes' under Pillar 1 to support payments for management practices that benefit the environment, climate and animal welfare – Member States must allocate at least 25% of their EAGF budget to these schemes (with some exceptions, allowing for a lower rate in the first two years as well as if a greater proportion of EAFRD funding is allocated to environmental measures than required – see below).</p> <p>The percentage of EAFRD funding that must be allocated to certain measures that support environment and climate change objectives is increased to 35% and the proportion of support allocated to the ANC measure (Areas of Natural Constraint) that can count is capped at 50%.</p>

Source: own compilation, updating Tucker *et al.* (2010).

Key CAP measures and their implications for biodiversity

Income support payments

Over time, successive reforms of the CAP have decoupled support from production, to the extent that most support is now provided through a Basic Support Payment, based on the area of land farmed. This journey has not been simple and has involved a variety of changes in the way support has been provided and the basis on which it has been calculated, with different approaches taken for the cereal and livestock sectors. Since the MacSharry reforms of 1992, many of the changes introduced have sought to limit the negative environmental impacts through the rules that have put in place at EU level, even if these have not always been effective.

Although abolished in 2009 and not introduced for environmental reasons, the **set-aside measure** is important to highlight, given the impacts that it had on biodiversity. Originally introduced as a voluntary supply-control measure in 1988, it became compulsory in 1992 for farmers to set aside a specified proportion of their land under cereals, oilseeds and proteins as a prerequisite for obtaining direct payments. The level of the set-aside obligation changed from year to year depending on cereal markets and ranged from 0% to 17.5%. Although the impacts of set-aside on the environment were mixed, depending greatly on how they were managed, studies revealed that it often provided significant biodiversity benefits, particularly in those Member States where large areas of land were subject to set-aside obligations, for example Germany, England and Spain (IEEP, 2008). The main benefits for biodiversity included the introduction of more valuable wildlife habitat into the farmed landscape, increasing heterogeneity and providing food sources for farmland birds (Colston and Perring 1995; Sotherton 1998; Henderson and Evans 1999; Henderson *et al.*, 2000a,b; Firbank *et al.* 2003; Vaughan *et al.* 2003; Bracken and Bolger, 2006; Hodge *et al.* 2006; Curry 2008). The removal of this supply control mechanism, which was no longer justified once farm support was decoupled from production, resulted in a significant loss of environmental benefits, particularly within predominantly arable regions, as a result of a large area of land being taken out of fallow and returned to cereal production. This led to a search for alternative policy measures that might be introduced to compensate for this loss or retain some of the benefits and ultimately led to the introduction of the EFA measure under the Pillar 1 greening measures in 2014 (see below).

In the livestock sector, the move away from payments per head of livestock to area payments led to accelerated declines in the numbers of livestock, particularly within the beef sector (see for example Alliance Environnement 2007, 2009; Brady, 2010; Schmid *et al.*, 2010). From a biodiversity perspective, while this was beneficial in some areas as a result of reduced grazing pressure, in some regions under-grazing and abandonment of farming has been detrimental to semi-natural grassland and shrubland habitats.

Payments linked to production

With the introduction of decoupled payments, payments coupled to production were progressively phased out with the exception of those for suckler beef, sheep and goats. At the same time as doing this, however, some flexibility was introduced into the way Member States⁴ targeted direct payments, by allowing them to divert up to 10% of their Pillar 1 budget to provide 'special support' to particular sectors for a variety of purposes, including protecting and enhancing the environment⁵. Initially the rules governing the use of these types of payments were rather restrictive which meant that only eight of the possible 17 Member States chose to use it. A survey carried out in 2008 indicated that support to that date did not appear to have achieved significant environmental benefits (Hart and Eaton, 2008). Greater flexibility was introduced in 2009⁶ and it was extended to all Member States (see Table 1 above). However, although the majority of Member States chose to use this flexibility, only a few used it for environmental purposes, either using it to introduce new agri-environment type measures

⁴ Just EU-15 Member States and Malta and Slovenia in 2005, to be extended to all Member States in 2009.

⁵ This flexibility was provided under Article 69 of Council Regulation 1782/2003

⁶ 'Special support' can be provided under specific circumstances laid out under Article 68 of Council Regulation 73/2009

or to introduce payments to support specific types of production that are judged important for the environment, notably organic farming or extensive grazing (Hart *et al.*, 2010).

The overhaul of Pillar 1 under the 2013 reforms saw these flexibilities morph into an optional measure focussing primarily on providing coupled support to certain sectors, albeit limited to 'sectors or to those regions of a Member State where specific types of farming or specific agricultural sectors that are particularly important for economic, social or environmental reasons undergo certain difficulties'⁷. In practice this provided Member States with considerable leeway about what sectors to support. A higher proportion of the budget than previously could be allocated to this measure. This flexibility has continued in the 2023-27 CAP period. The use of the measure has been widespread in the EU⁸, particularly in the beef and dairy sectors where over half the EU dairy and beef herds are supported. The implications for biodiversity are variable and uncertain. Some elements of coupled support have the potential to support extensive grazing systems that maintain semi-natural habitats and HNV farmland that might otherwise be abandoned. However, payments may have the effect of increasing grazing rates that may be detrimental for biodiversity on sensitive grasslands. Coupled support for crops may increase the intensity of cropping systems, leading to negative impacts, such as from increases in fertiliser and pesticide use.

Environmental conditionality (cross-compliance)

The debate about placing environmental conditions on the receipt of agricultural support payments, otherwise known as 'cross compliance', started in the 1990s, the main aim being to improve adherence to environmental standards at farm level, in keeping with the polluter pays principle, as well as to promote more sustainable agriculture. Over time cross compliance has developed as a key policy instrument for incentivising a minimum level of environmental management across the farmed countryside. It is a mechanism which ties area-based CAP payments (direct payments and some RDP measures) to compliance with environmental, animal welfare and health standards. The cross-compliance obligations comprise Statutory Management Requirements (SMRs), which reiterate existing farm level obligations under EU law, and standards for Good Agricultural and Environmental Condition of land (GAECs), which are defined at the national or regional level. Farmers' payments can be reduced or withheld if they fail to comply with these requirements.

SMR2 and SMR3 (renumbered as SMR3 and SMR4 for the 2023–27 period) have had most direct relevance to nature conservation because they require farmers to comply with the mandatory requirements arising from the Birds Directive and Habitats Directive respectively and should therefore reinforce farm-level compliance with national or regional legal restrictions that protect certain habitats and species covered by the Directives. Over the CAP programming periods GAEC standards have varied in their scope and ambition. During the 2014–2020 CAP, the only GAEC requirement of significant relevance to nature conservation was GAEC 7, which set out rules on the retention of landscape features, including where appropriate, hedges, ponds, ditches, trees in line, in group or isolated, field margins and terraces, and including a ban on cutting hedges and trees during the bird breeding and rearing season and, as an option, measures for avoiding invasive plant species. In theory this could support the requirement to maintain landscape features under HD Article 10 (see NCE Section 4.2, Tucker *et al.*, 2023). But as Member States have a lot of discretion on the details of all GAEC standards, it relies on their levels of ambition and enforcement.

From 2023 new conditionality requirements came into play. Since these have incorporated the 'greening' measures, there are more that are relevant for biodiversity. This includes a ban on the conversion and ploughing of permanent grassland designated as sensitive in Natura 2000 areas (GAEC9) as well as a requirement for a minimum share of 4% of the arable area to be devoted to non-

⁷ Article 52(3) of Regulation 1307/2013

⁸ In the 2014-2020 period, the only country not to use the measure was Germany. In the UK only Scotland implements the measure.

productive areas and features⁹ (this can be reduced to 3% if the farmer commits to having at least 7% of their arable land under non-productive features/areas under an eco-scheme) (GAEC8). The crop diversification greening measure has become a requirement for crop rotation under conditionality, with crop diversity (without rotation) only permitted as an exception and in certain locations (GAEC7). In addition, a new GAEC standard has been introduced requiring Member States to ensure the protection of wetlands and peatlands (GAEC2). The requirement to retain certain landscape features remains as before.

Support for areas that are less productive (LFA and ANC measures)

Since the 1970s, support has been provided to farmers in mountain areas and other areas facing natural or other specific constraints (previously known as Less Favoured Areas) to compensate them for all, or part, of the additional costs and income foregone related to the constraints on agricultural production in the area concerned. Each Member State designated Less Favoured Areas by applying biophysical and socio-economic criteria to their agricultural land and these designations were in place until 2019. However, the measure has been subject to criticism since the 1980s, culminating in a report by the European Court of Auditors in 2003, highlighting the inconsistencies in the way the criteria had been applied across the EU (ECA, 2003). A revised set of biophysical criteria only (covering soil, slope and climate) to be applied consistently across all EU Member States were put on the table as early as 2005. These were subsequently developed and the areas renamed Areas facing Natural Constraints (ANC). Member States were given until 2018 to apply these new criteria and for the revisions in the designated areas to take effect.

Although payments are not linked to environmental requirements and the designations are not based on environmental criteria, indirectly the support may help maintain high nature value (HNV) farming systems (NCE Section 2.3, Tucker, 2023b). In 2019 these areas covered approximately 57% of the EU-28's agricultural area¹⁰. Although quantitative data are lacking a high proportion of farmland within Natura 2000 areas, and wider HNV farming systems, are likely to receive ANC payments.

Payments for environmental management – Pillar 1 and Pillar 2

Measures that allow for the provision of incentive payments to farmers to encourage management practices that benefit the environment, including biodiversity, have been possible under the CAP since 1985 when Member States were first given the ability to introduce agri-environment schemes. Since then the range of incentive measures available and the size of the budget available to them has increased, with concomitant effects on the environmental performance of agriculture. Since 2014 payments for environmental purposes have also been available under Pillar 1 of the CAP.

Pillar 2 Rural Development: Table 2 provides a summary of the RDP measures with the potential to make significant contributions to nature conservation. This is based on the measures available during the 2014–2020 CAP¹¹, which were mostly similar to measures included in the previous programming periods and also shows the equivalent interventions available for the 2023–27 period. Other RDP measures are more focussed on climate objectives, increasing the competitiveness of agriculture or the socio-economic development of rural areas more generally. These may also indirectly support nature objectives if, for example, they help maintain HNV farming systems. On the other hand, these and all other RDP measures, can be detrimental for biodiversity if they lack safeguards and lead to environmentally damaging farm improvements and intensification.

⁹ Productive areas are also permitted (catch crops and nitrogen fixing crops without the use of plant protection products) but in this case at least 7% of arable land must be covered and 3% must consist of non-productive features/areas.

¹⁰ According to CAP Context Indicator C32 https://agriculture.ec.europa.eu/system/files/2022-07/cap-context-indicators-table_2019_en_0_0.pdf

¹¹ At the time of writing the CAP programming period had been extended to the end of 2022.

Table 2 CAP 2014–2020 Rural Development Programme measures with the potential to significantly support nature conservation objectives and their equivalent for 2023–27¹²

Note: This framework of measures has been extended until the end of 2022.

Measures / sub-measure	CAP instrument/measure's objective	Potential support for nature conservation	Equivalent intervention for 2023–27
M1 Knowledge transfer and information actions.	Enhance the competitiveness and resource efficiency and improve environmental performance while...contributing to the sustainability of the rural economy.	Training where funding is prioritised under Focus Area 4A.	Article 78 – Knowledge exchange and dissemination of information
M2 Advisory services, farm management and farm relief services.	Improve the sustainable management and overall performance	Advice where prioritised under Focus Area 4A. E.g. compulsory training of beneficiaries of M10.1 and M15.	
M3 Quality schemes for agricultural products and foodstuffs.	Encourage the participation of farmers in EU or national quality schemes, including farm certification schemes for agricultural products and food.	The marketing of quality products from HNV farmland, thereby indirectly supporting the economic viability of HNV.	Article 77 - Cooperation
M4 Investments in physical assets: M4.4 Support for non-productive investments linked to the achievement of agri-environment-climate objectives.	Improve the economic and environmental performance of farms through investments.	Can complement others measures (e.g. M10) to maintain or enhance habitats and species.	Article 73 - Investments
M7 Basic services and village renewal in rural areas.	Restoration and upgrading of cultural and natural heritage of villages and rural landscapes through the development of local infrastructure and services.	Studies/investments in the maintenance and restoration of rural landscapes and HNV areas; and environmental awareness.	
M8 Investments in forest area development and improvement of the viability of forests: M8.1 Afforestation; M8.2 Agro-forestry; M8.5 Investments improving the resilience and environmental value of forests.	Supports forest creation and management, which is conditional on a forest management plan (or similar) in line with sustainable forest management.	Investments aimed at improving forest ecosystems, e.g. in pest management that reduce pesticide use.	
M10 Agri-environment-climate (AECM): M10.1 Payment for agri-environment-climate commitments; M10.2 Support for conservation and sustainable use of genetic resources in agriculture.	Preserve and promote the necessary changes to agricultural practices that make a positive contribution to the environment and climate.' Compulsory measure and must therefore be included in all RDPs.	A wide range of actions for habitats and species. Genetic measures may help conserve traditional livestock breeds that are beneficial for HNV farming.	Article 70 – Environmental, climate-related and other management commitments

¹² To note that interventions in the CAP 2023–27 are far less prescriptive than previously to allow Member States greater flexibility to design support in ways that meet the needs identified.

Measures / sub-measure	CAP instrument/measure's objective	Potential support for nature conservation	Equivalent intervention for 2023–27
M11 Organic farming: M11.1 - Payments for conversion; M11.2 – Payments to maintain organic farming.	Supports organic farming, to adopt or maintain environmentally friendly farm practices and high standards for animal welfare.	Organic practices, including restrictions on use of chemical pesticides and inorganic fertilisers.	
M12 Natura 2000 and WFD compensation payments: M12.1 for Natura 2000 agricultural areas; M12.2 for Natura 2000 forest areas; M12.3 for agricultural areas included in river basin management plans.	Compensate beneficiaries for additional costs and income foregone from disadvantages in the areas concerned relative to the implementation of the BHD and WFD.	Supports management measures in Natura 2000 sites and measures in river basin management plans.	Article 72 – Area specific disadvantages resulting from certain mandatory requirements
M13 Payments to areas facing natural or other specific constraints (ANC)	Maintaining the countryside and sustainable farming systems by continued use of agricultural land.	May improve the economic viability of HNV farming systems.	Article 71 – Natural or other area specific constraints
M15 Forest-environmental and climate services and forest conservation	Support for commitments to enhance biodiversity, preserve high-value forest ecosystems, improve their climate change mitigation and adaptation potential, and reinforce the protective value of forests.	Can supports a wide range of actions for habitats and species in forests including in Natura 2000 sites.	Article 70 – Environmental, climate-related and other management commitments
M16 Cooperation: M16.5 - Support for joint action on mitigating or adapting to climate change and for joint approaches to environmental projects and environmental practices; M16.8 - Support for drawing up of forest management plans or equivalent instruments	Encourage cooperation, to produce greater and more consistent environmental and climate benefits than those which can be produced at individual scale.	Joint approaches / cooperation e.g. for landscape-scale agri-environment-climate schemes, and preparation of forest management plans.	Article 77 - Cooperation

Source: Adapted from Alliance Environnement (2019), based on Regulation (EU) No 1305/2013, Regulation (EU) No 1306/2013, Regulation (EU) No 1307/2013, Regulation (EU) No 1308/2013 and Regulation (EU) 2021/2115.

Member States (and regions, in federal states) have a large degree of freedom in choosing how and where they use RDP funds but require approval from the Commission as they must reflect EU priorities¹³. Over the 2014–2020 CAP there were six priorities, of which Priority 4 had most direct relevance to nature conservation: ‘Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry’. Member States had to allocate at least 30% of their EAFRD funding (excluding national co-financing) to certain measures that support environment and climate change objectives. The measures that could count towards this 30% earmarking were: the agri-environment-climate and organic farming measures, Natura 2000 compensation payments, forest measures, climate and environment related investment support and ANC payments. The inclusion of the ANC payments has been controversial as the measure does not have explicit environmental objectives and many Member States allocate a large proportion of their EAFRD budget to this measure. The Priority 4 budget allocation for each RDP measure by country is given in the funding table in each national chapter in

¹³ As noted above, this changes from 2023, with all CAP funding requiring approval from the European Commission, both Pillar 1 and Pillar 2.

Nature Conservation in Europe. From 2023 onwards, the proportion of the EAFRD budget to be earmarked for interventions addressing environmental and climate specific objectives increased to 35%. The equivalent contributions can be used to contribute to this percentage, although the proportion of the budget for the ANC intervention that counts has been reduced to 50%.

Of particular importance for nature conservation is the **agri-environment-climate measure** (the agri-environment measure before 2014). First introduced in 1985 (as Environmentally Sensitive Area schemes) as a voluntary measure, under pressure from the UK and the Netherlands, the measure has gradually assumed greater prominence. Since 1992 it has been compulsory for all Member States to apply, as a means of addressing both the Community's environmental priorities and the diversity of environmental situations, natural conditions, agricultural structures and types of farming. Over time, the budget available for funding the agri-environment-climate measure has grown, and it is now the major source of funding for practical biodiversity conservation and restoration in terrestrial areas, both in terms of the spatial coverage of schemes and the resources allocated to them.

A very high level of subsidiarity is encouraged in the design, targeting, delivery and payment levels of agri-environment schemes by Member States so that they are able to reflect their differing needs and environmental priorities. This has led to considerable diversity amongst the schemes that currently operate in the EU and also variation in their effectiveness (ECA, 2011, Batáry *et al.*, 2015). Schemes have tended to fall into two main groups: those that are focused on maintaining low input traditional farming systems (i.e. HNV systems), often covering whole farms; and more targeted schemes that focus on the often more complex management requirements needed for the maintenance or restoration of particular habitats and species. In many Member States, these two approaches are used in combination.

The associated 'non-productive investments' measure can be used in conjunction with the agri-environment-climate measure to provide support for capital expenditure, such as activities to help with habitat restoration, planting hedgerows and so on.

In 2019, approximately 26.6 million ha were under some form of agri-environment-climate agreement in the EU-28, covering 14.8% of the total utilised agricultural area¹⁴. With their scale of coverage agri-environment schemes clearly have considerable potential to support nature conservation benefits. Indeed, studies have shown that well designed, targeted and properly implemented schemes have played major roles in conserving and restoring some habitats and farmland species (Poláková *et al.*, 2011; Batáry *et al.*, 2015; Newton, 2017), as discussed in some country chapters of *Nature Conservation in Europe* (Tucker, 2023a).

In addition to the mandatory agri-environment schemes, a potentially important RDP measure is the **Natura 2000 payments measure**. This provides the means of compensating landowners for restrictions on their agricultural or forestry related activities that are necessary to achieve the conservation objectives of Natura 2000 sites. This is likely to increase the acceptance of the management required in these protected areas and hence compliance with them, thereby contributing to maintaining the status of semi-natural habitats and associated species. However, in practice the Natura measure has been underused by Member States, in part due to the need to have the necessary conservation measures for sites defined in management plans or documents.

Whilst the EU has limited competency over forest policy (as it is not mentioned in the Treaty on the Functioning of the EU), it has undertaken a number of initiatives to support sustainable forest management, whilst recognising the need for subsidiarity. This has included the development of the EU Forest Strategies since 1998, which have established a framework for forest-related actions that support sustainable forest management (European Commission, 1998a). The rural development part of the CAP has been the main source of funding for delivering the priorities set out in the EU Forest Strategy, including delivering environmental outcomes.

Whilst it has been possible to fund measures for afforestation and the sustainable management of woodland under the CAP since the early 1990s, they have become more prominent in the last decade.

¹⁴ AGRI-dashboard – compiled data - <https://agridata.ec.europa.eu/extensions/DashboardIndicators/Environment.html>

Under the 2014–2020 rural development regulation there was a suite of measures that could apply to forests and Priority 4 was one of the key priorities to which they were intended to contribute. Of these measures, the forest-environment-climate measure (M15) was of most relevance to achieving nature conservation and restoration objectives. In the right circumstances, support for the afforestation and creation of woodland (M8.1), establishing and maintaining agro-forestry systems (M8.2), and investments to improve the environmental value of forest ecosystems (M8.5) could also be beneficial for biodiversity. But the inappropriate use of M8 measures was sometimes damaging.

An evaluation of the CAP's forest measures concluded that, despite some good examples in individual countries, there had been limited use of these measures and Member States had not maximised their potential, particularly to meet Member States' obligations under EU biodiversity policies (Alliance Environnement, 2017).

Pillar 1: Payments for environmental purposes were introduced within Pillar 1 for the first time in 2015. Member States were required to allocate 30% of their Pillar 1 budgets to three 'greening measures' supporting agricultural practices beneficial for the climate and the environment. These measures, which apply only to grassland and arable areas, comprised:

- the maintenance of permanent grassland:
 - o maintaining the ratio of permanent grassland area compared to the total agricultural area within a 5% range;
 - o the designation and strict protection of environmentally sensitive grasslands (ESPG) in Natura 2000 sites (and optionally elsewhere);
- crop diversification; and
- Ecological Focus Areas (EFAs) on at least 5% of eligible arable land. (e.g. fallow fields, hedgerows, nitrogen-fixing crops) intended to provide direct or indirect benefits for biodiversity.

The two greening elements with the greatest potential to benefit biodiversity were the EFA measure and the designation of ESGP. In relation to EFAs, certain elements of EFAs had the potential to be beneficial to biodiversity through increasing the area of habitats such as fallow, nectar- and pollen-rich and/or seed rich vegetation, some multi-annual fodder crops, species-rich grass margins, and landscape elements such as hedgerows. But, actual effects depended significantly on Member State implementation choices (e.g. types of crop and species allowed and whether the use of fertilisers and pesticides was restricted and the area covered). In 2018, EFAs covered 9.5 million ha or 9% of the EU's arable area.

In practice, the measure mainly contributed to the expansion of N-fixing crops (alongside voluntary coupled support and the crop diversification measure), catch crops and cover crops (also required under some Nitrate Action Plans) – which are generally as poor for biodiversity as other conventionally managed arable crops (Alliance Environnement and Thünen-Institut, 2017; Alliance Environnement, 2019). Pesticides were permitted on these areas until 2017 but have now been banned, probably increasing their biodiversity value. The measure does appear to have helped stabilise the negative trend in EU fallow area seen in many countries since the abolition of set-aside.

In terms of the ESGP measure, although the area designated covered 57% of permanent grassland in Natura 2000 areas, only half of this (4.6 million ha) was in receipt of CAP payments and therefore subject to the rules. A further 2% of HD Annex I grasslands outside the Natura 2000 network were designated. Although this measure banned ploughing on habitats that should already be protected under the Habitats Directive, was still expected to have helped reduce the observed loss of semi-natural grassland of high biodiversity value habitats and associated species. But ESGP designation did not give protection from damage from all agricultural improvements, such as fertiliser use.

Despite 79% of agricultural land under at least one of the greening measures in 2018, an evaluation of the greening measures found that as a result of Member State and farmer choices, they had not achieved their potential and had led to only small changes in management practices, except in a few specific areas (ECA, 2017, Alliance Environnement and Thünen-Institut, 2017; Alliance Environnement,

2019). This led to a change of approach for the 2023-27 CAP. These greening measures became part of the conditionality requirements (see above) and a new ‘eco-scheme’ intervention was introduced under Pillar 1 to provide payments for management practices that benefit the environment, climate and animal welfare as well as combatting antimicrobial resistance¹⁵. Support can be provided to active farmers only, but Member States have considerable freedom to design annual schemes for these purposes, as long as they cover at least two of the following areas of action: climate change mitigation, climate change adaptation, water quality/water resources, soils, biodiversity conservation or restoration, sustainable use or reduction of pesticides, animal welfare or combatting antimicrobial resistances. Member States are required to ring-fence 25% of their total Direct Payment allocation to eco-schemes.

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¹⁵ Article 31 of Regulation (EU) 2021/2115

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