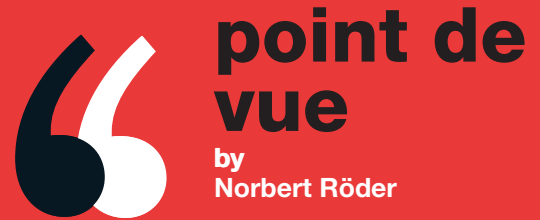


What Future for Agri-environmental Sustainability in the Next CAP?

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A new round in the EU's budget game

In July 2025 the European Commission published its proposals for the structure of its budget for the next financial period (2028–2034) (EC, 2025c). These proposals represent a significant change in the way the EU budget will be managed and include a significant reduction in the number of funds, as well as the introduction of new priorities. The management of funds following the co-decision principles (such as the Cohesion Fund or the Common Agricultural Policy (CAP)) is to be completely reorganised, which will considerably increase the Member States' room for manoeuvre. However, the proposals are facing strong opposition from a wide range of interests. For instance, the CAP proposal has been criticised for its lack of environmental sustainability requirements. This is indicative of the current conservative political tendency, which emphasises competitiveness and food security (Matthews, 2025). This article considers the implications of the proposals for sustainable agriculture and land use in the EU, on the assumption that the law-making process remains unaltered.

Overarching issues

As outlined in the Commission's proposals, all funds that are subject to

the co-decision principle are to be consolidated into the so-called national regional partnership plans (NRPP). The CAP is the only structural fund with a ring-fenced budget apart from the interregional cooperation fund, Interreg. The proposals are considerably shorter than its predecessors given the substantial reduction in regulatory depth (detailed prescriptions for Member States) and a streamlining and consolidation of the regulatory content.

“ Pour que les politiques agricoles des États membres contribuent de manière efficace et efficiente au bien-être des populations et à la protection de l'environnement, la créativité est essentielle. ”

The reduction in regulatory depth in the basic regulation has not been offset by an increase in the number of Delegated Acts, meaning that the

legal process at EU level is essentially complete once an agreement has been reached for the basic regulations. Overall, this results in a significantly higher degree of freedom for Member States to tailor programmes to their specific needs, which could substantially simplify the administration of EU funds.

For Member States, greater freedom and flexibility regarding policy implementation would come at the cost of significant power being granted to the Commission over policy design. Firstly, the disbursement of funds is contingent upon the achievement of predetermined 'Milestones' and 'Targets'. Targets are mainly *measurable* output indicators, and payments already in the current funding period are linked to them, albeit in a weaker form. Milestones are *qualitative*, such as changes in national regulations.

In 2021, the Next-Generation EU funding introduced Milestones as a mechanism for the management of EU funds given to Member States. Through Milestones, the Commission exerts influence on national legislation. In essence, the Commission and Member States reach a consensus on the changes to be implemented by national legislatures. From a democratic perspective, this is highly problematic – particularly in areas where the EU's legal

competences appear to be limited, as otherwise normal EU legal procedures could be used. Secondly, it is essential that the NRPP is developed in line with the Commission's recommendations. Thirdly, should the Commission establish that a Member State has failed to meet the agreed milestones, targets and basic legal standards, it will be much easier for the Commission to withhold funding. The three aspects thus significantly reinforce the Commission's role.

Environmental policy safeguards

In terms of sustainability issues, three key policy safeguards are in place: (a) the Commission's recommendations to Member States, (b) the stipulation that 43 per cent of the NRPP fund must contribute to climate mitigation, adaptation or biodiversity protection, and (c) the planned level of financing in the NRPP must be consistent with the fiscal structural plan in national restoration plans according to (EU) 2024/1263 and the National Energy

and Climate Plans under Regulation (EU) 2018/1999.

Policy safeguard (a) is essentially a black box, and its impact will depend on the general political climate at the time the NRPPs are drafted. Furthermore, the earlier the recommendation is dispatched to Member States, the greater its potential impact. In the context of the current CAP, Member States have repeatedly argued that recommendations were submitted so late that they could not be integrated in the national legislative process for administrative reasons.

In broad terms, 43 per cent roughly reflects the current average budget share dedicated to the relevant measures in the funds to be included in the NRPP. Given the weighting factors in the proposed Budget Tracking Regulation, policy safeguard (b) would not pose a significant challenge for the agricultural sector as, for example, 40 per cent of the degressive area payment will be taken into consideration. However, given the currently lower contributions of the other major funds

(e.g. Cohesion or Social Funds) to these targets, the CAP may need to make a disproportionate higher contribution (EC, 2025a, b).

In the absence of sufficient political will in the respective Member States, the more nuanced budgetary ring-fencing mechanism in the CAP 2023–2027 probably had no substantial effect on the level of environmental ambition. For instance, France established 'Eco-Schemes' with very low standards, resulting in almost all farms meeting the basic requirements even before the CAP's 2023 launch. The majority of farms subsequently achieved the highest standard without the need for adaptation (Lassalas *et al.*, 2024). For wealthier Member States in particular, the EU programmes under co-decision have in the past tended to function more as a budgetary transfer facility given their low amounts in relation to national budgets. The decision to co-fund specific national programmes with EU funds was significantly driven by national administrative and political considerations rather than by the



The size of the corn bunting population is closely linked to the extent of arable fallows and low-input farming systems © Norbert Röder.



Member States could use the additional flexibility granted by the Commission's proposals to provide greater and more targeted support for diverse agricultural systems © Norbert Röder.

setting of priorities. For instance, the German Action Plan on Nature-based Solutions for Climate and Biodiversity, which is funded with around 1 billion euros per year, is only nationally funded, despite the fact that its content and goals would permit EU co-financing.

It is this author's perception that environmental policy safeguard (c) is probably the strongest. However, what is meant by 'consistency' and which fiscal plans are submitted especially for the Nature Restoration Law? At present, it is unclear whether the planned expenses reflect the political willingness to address them rather than the actual needs to achieve the goals.

This author's preliminary conclusion is that the extent to which the NRPP fund and the CAP will contribute to sustainable agriculture is largely dependent on the objectives of the Commission at the time of drafting and implementing those plans.

The CAP

The Commission is planning to streamline the CAP into an income support programme for farmers and forest holders. The minimum

proposed CAP budget is somewhat lower than at present. However, determining the exact amount is not straightforward, as measures supporting general rural development, including non-productive investments, and the financial instruments for crisis intervention on agricultural markets, will be financed from other financial resources of the NRPP fund. Also, Member States can allocate a greater proportion of their EU funds to the CAP than the minimum required. Thus, it is not certain that the total CAP budget will decrease.

Proposed CAP co-financing rules promote a productivist tendency

Provided that Member States remain within the budget limits specified for the CAP, specific co-financing rates will apply for most measures. However, these rates differ from those applicable for the remaining NRPP. In the NRPP, EU co-financing rates are graduated according to regional prosperity. The minimum co-financing requirements are determined at NUTS2 ('Nomenclature of Territorial Units for Statistics') level and range from 15 per cent in less

developed, 40 per cent in transition, and 60 per cent in more developed regions. Degressive income support, lump sum payments for small farmers, and coupled support (including cotton) are the only measures in the NRPP fund that are exclusively EU-financed. This reflects their history as former CAP Pillar 1 interventions and makes them highly appealing to national policy makers. But it is important to note that these payments cannot be topped up with national funds, with the result that their overall amount is limited to the ring-fenced CAP budget.

With regard to agri-environmental support payments, now labelled 'Agri-Environmental and Climate Actions' (AECA), the co-financing rates are less attractive than at present, as the general co-financing rate is 30 per cent, as opposed to 0 per cent for Eco-Schemes or for funds transferred from Pillar 1 to Pillar 2. This increased need for national co-financing has a negative impact on the attractiveness for national policymakers to allocate budget to agri-environmental interventions. This is particularly the case in more developed regions as, when the minimum CAP budget is exceeded,

the national co-financing rate would be 60 per cent, while the opposite occurs in less developed regions where the co-financing rate drops to 15 per cent. In principle, uniform co-financing rates at NUTS 2 level make it more likely that budget distribution corresponds to the political priorities at regional level and that budget allocation is not distorted by EU requirements. Taking into account the history of agri-environmental payments, it is likely that the proposed changes will result in less EU funding being allocated to environmental sustainability goals.

Design of key interventions favours options with limited environmental benefits

'Degressive Area-Based Income Support' is a key instrument of the CAP. Even when the minimum average payment rates are applied, around 50 per cent of the ring-fenced budget of the CAP will still be allocated to this intervention. It is widely accepted among the research community that decoupled income support is not the way to promote competitiveness, food security, or positive environmental impacts as some politicians and farm groups claim, except under very specific and limited circumstances (Röder and Matthews, 2021). The proposed regulation (in contrast to the current system) explicitly requires the differentiation of payment rates within Member States, based on geographical, farm type/structure and other factors. This provides the opportunity to re-label some well-established agri-environmental interventions under this heading, for example, support for organic farming (a long-standing agri-environmental measure and priority for the next CAP), or low-input farming systems.

With the Commission's proposal, the provision of coupled (to specific production activities) income support becomes mandatory for Member States. In addition, the maximum allocation would be increased substantially from 15 per cent of their national Pillar 1 budget to 25 per cent of the budget dedicated to the CAP.

The environmental impacts of coupled income support depend on the supported activity and the context. Currently, some of the payments are allocated to intensive systems, such as dairy farming, bull fattening or sugar beet and potatoes. Others are designated to stabilise low-input systems, including suckler cow farming and sheep herding. In contrast to previous regulations, the range of possible supported activities has been significantly expanded. This now includes essentially any activity except granivores, fallow land, tobacco and wine. Member States are required to take environmental impacts into consideration, for example by tying payments to compliance with stocking restrictions. As with area-based income support, coupled income support is fully funded by the EU. Therefore, re-labelling agri-environmental schemes promoting low-input agriculture as coupled income support is an option for Member States to maintain the offer to farmers without the need to dedicate national funds.

“ Wenn die Agrarpolitik der Mitgliedstaaten das Wohlergehen der Menschen und die Umwelt wirksam und effizient unterstützen soll, ist Kreativität gefragt. ”

While the degressive and the coupled income support have at best an ambiguous record with respect to the promotion of environmentally sustainable farming practices, the picture is clearer and much more positive for the current Eco-Schemes and the Environmental, Climate-Related and Other Management Commitments. These will be incorporated into AECA, which should benefit from the flexibility

previously enjoyed by its two predecessors. The schemes can range from annual to multi-annual commitments and can be linked to any relevant unit (e.g. area, heads, m³). Despite their more positive environmental impact, these payments are generally less appealing to national policymakers for two main reasons. Firstly, they are subject to more stringent co-financing conditions and, secondly, payments are required to comply with WTO 'green box' criteria, while degressive and the coupled income support are not. In the case of modular systems of agri-environmental payments, where farmers can choose from a combination of options on the same area, or from a range options gradually differing their environmental ambition, the adherence to the WTO 'green box' criteria poses a significant challenge for national administrations. This is because it can make it more difficult to establish financially attractive payment levels for farmers especially for more ambitious measures (Röder, 2021).

From polluter to beneficiary pays

A new feature of the system is that support via AECA can be granted even for compliance with national law if the national standards exceed those of the EU law. This author has some concerns about this change. From a static perspective, the change might likely lead to the situation that farmers are remunerated for standards with which they are obliged to comply and these funds are thus not available for more targeted interventions. From a dynamic perspective, this change could be beneficial when introducing new legal standards, especially in cases where the costs of adhering to these standards are distributed fairly unevenly among farmers, such as in the rewetting of peatland. Furthermore, this change could contribute to enhancing the acceptance of new standards concerning biodiversity protection within the farming community. Conservation obligations are often

viewed as unfair, as the farmers maintaining the most biodiversity are often the ones most affected by these obligations. It is this author's conviction that in Europe's most intensively cultivated regions, given the high profitability of farming, improvements in environmental sustainability are more likely to be driven by legislative changes or technological advancements than by support measures provided by the CAP.

The 'Enhanced Conditionality' in the 2023–2037 CAP is being relabelled as 'Farm Stewardship' in the next CAP. Whilst the statutory management requirements remain essentially unaltered, those ensuring 'Good Agricultural and Ecological Conditions' (in future to be called 'Protective Practices') are significantly revised. The primary changes are that the standards requiring a general protection of grassland are waived and the area of environmentally sensitive grassland is reduced

significantly. Concerning organisational issues, the definition of the respective standards is almost entirely delegated to the Member States and, of more importance, Member States have the option of offering AECA to compensate farmers for their compliance with the established standards. This change, in conjunction with that relating to compliance with national regulations, signals a significant shift from the polluter-pays principle to the beneficiary-pays principle. In essence, this will likely result in a reduction in the environmental services provided by farmers for a given amount of EU funds labelled 'green'.

'Non-Productive Investments' are investments that do not contribute to agricultural or forest production such as the planting of hedges, the creation of wetlands, or the rewetting of peatland. They are of substantial value for biodiversity protection, climate adaptation and mitigation. These investments are no longer part

of the CAP but can be supported under the general framework of the NRPP fund. One positive aspect is the administrative streamlining, as currently, comparable activities in this field may be financed in parallel by structural funds, the Pillar 2 of the CAP or the 'L'Instrument Financier pour l'Environnement' (LIFE) with different administrative procedures. However, compared to the present situation the relocation of these investments to the general NRPP fund results in significantly higher co-financing rates for wealthier Member States, particularly if these investments are currently funded via transfer from Pillar 1. For these Non-Productive Investments on farms the maximum support rate drops from 100 per cent to 75 per cent. Given this unattractive criterion, the number of farmers applying for non-productive investment grants is likely to be very limited as these investments do not have any financial benefit and will only incur costs.



Waiving the requirement to maintain permanent grassland is likely to lead to an increase in the conversion of grassland to arable land, which would have negative consequences for climate mitigation, biodiversity and water protection © Norbert Röder.

The new performance-based system – a double-edged sword

The fulfilment of Milestones and Targets triggers the disbursement of payments from the EU to Member States. Consequently, the indicators needed to measure progress are crucial, ranging from output indicators, such as the share of agricultural area supported to provide environmental benefits, to impact indicators, such as the amount of greenhouse gas emissions avoided or removed. Whilst impact indicators are more challenging to estimate in advance for national policymakers, they provide an incentive for the implementation of cost-effective policies, by focusing attention on the cost per unit of environmental gain. Output indicators may counteract this notion, as the potential uptake of measures that essentially create windfall profits is much easier to assess, because it is likely that everybody meeting the formal requirements would participate.

Conclusion

The Commission's proposals for the next budget period have significant implications for the promotion of sustainable agriculture and land use in the EU. While the proposal

streamlines the CAP and reduces regulatory depth, it also grants Member States greater freedom and flexibility, which may come at the cost of environmental sustainability. The proposed changes to the CAP, including the reduction in environmental ring-fencing and the increased emphasis on competitiveness and food-security, may undermine the EU's commitments to environmental sustainability.

“ If Member States' agricultural policies are to effectively and efficiently support the well-being of people and the environment, creativity is needed. ”

The introduction of NRPPs and the consolidation of funds may lead to a more efficient use of resources, but it also raises concerns about the potential for Member States to prioritise economic interests over

environmental and social considerations, even if there may be opportunities for win-win outcomes. The policy safeguards in place to ensure environmental sustainability, such as the 43 per cent climate mitigation and adaptation target, may not be sufficient to offset the potential negative ecological impacts of the proposals.

The CAP proposal shows a clear preference for measures that offer minimal added value for society, such as decoupled and coupled income support. At the same time, from the perspective of national policymakers, the attractiveness of measures that have benefit for the environment is diminishing, which is rather unfavourable for policies that can promote sustainable agriculture and land use. In this respect, the Commission's objectives and the political will of Member States when drafting NRPP will be decisive. If Member States' agricultural policies are to effectively and efficiently support the well-being of people and the environment, creativity is needed.

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Summary


What Future for Agricultural Sustainability in the Next CAP?

 The European Commission's proposals for the next budget period (2028–2034) has significant implications for sustainable agriculture and land use in the EU. The proposals streamline the Common Agricultural Policy (CAP) and reduce regulatory depth, but also grant Member States greater freedom and flexibility, which may come at the cost of environmental sustainability. The proposed changes to the CAP, including reduced environmental ring-fencing and increased emphasis on competitiveness and food-security, may undermine the EU's commitment to environmental sustainability. The introduction of national regional partnership plans (NRPPs) and consolidation of funds may lead to more efficient resource use but also raises concerns about Member States prioritising economic interests over environmental and social considerations. The CAP proposal favours measures with minimal added value for society, such as decoupled and coupled income support, while diminishing the attractiveness of environmentally beneficial measures. The success of the proposal in promoting sustainable agriculture and land use will depend on the Commission's objectives and Member States' political will during the drafting of NRPPs.

Quel avenir pour la durabilité agro-environnementale dans la prochaine Politique agricole commune ?

 Les propositions de la Commission européenne pour la prochaine période budgétaire (2028–2034) ont des conséquences importantes pour l'agriculture et l'utilisation des terres durables dans l'Union européenne (UE). Elles rationalisent la politique agricole commune (PAC) et réduisent la complexité de la réglementation, tout en accordant aux États membres une plus grande liberté et flexibilité, ce qui pourrait se faire au détriment de la durabilité environnementale. Les modifications proposées pour la PAC, notamment la réduction des financements réservés à la protection de l'environnement et l'accent accru mis sur la compétitivité et la sécurité alimentaire, risquent de compromettre l'engagement de l'UE en faveur de la durabilité environnementale. L'introduction des plans de partenariat national et régional (PPNR) et la consolidation des fonds pourraient permettre une utilisation plus efficace des ressources, mais soulèvent également des inquiétudes quant à la priorité accordée par les États membres aux intérêts économiques au détriment des considérations environnementales et sociales. La proposition de PAC privilégie les mesures à faible valeur ajoutée pour la société, telles que les aides au revenu couplées et découplées, tout en réduisant l'attrait des mesures favorable à l'environnement. Le succès de cette proposition en matière de promotion d'une agriculture et d'une utilisation des terres durables dépendra des objectifs de la Commission et de la volonté politique des États membres lors de l'élaboration des PPNR.

Welche Zukunft für agrarökologische Nachhaltigkeit im nächsten GAP?

 Die Vorschläge der Europäischen Kommission für den nächsten Haushaltszeitraum (2028–2034) haben erhebliche Auswirkungen auf die nachhaltige Landwirtschaft und Landnutzung in der EU. Die Vorschläge vereinfachen die Gemeinsame Agrarpolitik (GAP) und reduzieren den Regulierungsaufwand, gewähren den Mitgliedstaaten jedoch auch mehr Freiheit und Flexibilität, was möglicherweise zulasten der ökologischen Nachhaltigkeit geht. Die vorgeschlagenen Änderungen der GAP, darunter eine geringere Ausweisung von Umweltschutzflächen und eine stärkere Betonung von Wettbewerbsfähigkeit und Ernährungssicherheit, könnten das Engagement der EU für ökologische Nachhaltigkeit untergraben. Die Einführung nationaler regionaler Partnerschaftspläne (NRPP) und die Konsolidierung von Mitteln könnten zu einer effizienteren Ressourcennutzung führen, wecken jedoch auch Bedenken, dass die Mitgliedstaaten wirtschaftliche Interessen gegenüber ökologischen und sozialen Erwägungen priorisieren könnten. Der GAP-Vorschlag begünstigt Maßnahmen mit minimalem Mehrwert für die Gesellschaft, wie entkoppelte und gekoppelte Einkommensunterstützungen, während die Attraktivität umweltfreundlicher Maßnahmen abnimmt. Der Erfolg des Vorschlags bei der Förderung einer nachhaltigen Landwirtschaft und Landnutzung wird von den Zielen der Kommission und dem politischen Willen der Mitgliedstaaten bei der Ausarbeitung der NRPPs abhängen.