

# Rural Development Sub-committee

**RDC(3)-18-08(p3): 6 November 2008**

## **A review of land management actions under Axis 2 of the Rural Development Plan for Wales 2007-13: Submission by Countryside Council for Wales**

### **Summary**

(i). Many of the existing Welsh land management schemes originated in the late 1990's. Whilst some have been modified more recently, they are not particularly well aligned with new and emerging challenges (such as climate change and the Water Framework Directive) nor do they take into account the major CAP reforms predicted for 2013. At the same time it remains important to deal with long-standing challenges such as the management of biodiversity.

(ii). Rural Development schemes under Axis 2 represent only part of the solution to the environmental challenge. However, these schemes account for some 70% of overall spending within the WRDP and are the most powerful tool currently available in Wales. The key question addressed by the review of Axis 2 is how best to achieve the maximum public benefit within the constraints of EC Regulations and limited resources.

(iii). CCW believes that the current Axis 2 review provides a major opportunity to re-align the Tir Mynydd scheme so that it helps to deliver improved management of soil carbon, water resources and biodiversity. In meeting these objectives the LFA programme can also contribute to maintaining the viability of those farms responsible for managing many of the ecosystem goods and services on which society as a whole is reliant. Failure to re-align the LFA scheme will substantially reduce the resources available for meeting Welsh Assembly Government priorities as set out in the Environment Strategy for Wales.

(iv). CCW strongly supports the philosophy underpinning the current Welsh Assembly Government consultation, in particular the recognition that an integrated approach to the design and delivery of land management schemes can play a major role in the management of a wide range of ecosystem goods and services. Such management will deliver in turn against a range of Welsh Assembly Government policy priorities as set out in the Environment Strategy for Wales.

(v). It appears unlikely that any new Axis 2 programme could be rolled out until the middle of 2010 at the earliest. Claims under such schemes could not be submitted until the Single Application Form window in May 2011 and the first payments would not then be made until December 2011/January 2012. Any new schemes might have only a limited lifespan before they might need to be revised as a consequence of further CAP reform and the new WRDP commencing in 2014.

(vi). Whilst fully supporting the need for change, CCW believes that it is imperative to maintain existing momentum under Tir Gofal.

(vii). It would be possible to modify Tir Mynydd so that it delivered more environmental benefits, whilst amending Tir Gofal and keeping it open for new applicants. At the same time, some of the money saved by discontinuing Tir Cynnal could be used to pilot some of the key elements of a more highly targeted approach. Such a strategy would ensure that current momentum was maintained, whilst rigorously testing out some of the new ideas that have been proposed before submitting the next WRDP in 2013.

(viii). Questions over whether land management schemes are effective in achieving their objectives will not necessarily be resolved under a new approach (although an integrated approach to scheme design and associated monitoring programmes will be helpful). It is rather more important to ensure that monitoring programmes are put in place at an early stage; are sufficiently well resourced; make reference to controls and use a combination of approaches at a variety of spatial scales.

### 1. Introduction

1.1. The Countryside Council for Wales champions the environment and landscapes of Wales and its coastal waters as sources of natural and cultural riches, as a foundation for economic and social activity, and as a place for leisure and learning opportunities. We aim to make the environment a valued part of everyone's life in Wales.

1.2. Agricultural land and woodland occupy some 90% of Wales. Both farming and forestry impact significantly on CCW's ability to deliver its core functions in relation to biodiversity, landscape and public access to the countryside.

1.3. The Common Agricultural Policy (CAP) is a major driver of change in the European countryside, but individual Governments have considerable discretion over implementation. Since the mid 1980's, the market and income support roles of the CAP have been accompanied by an increased emphasis on rural development, the so-called 'second pillar'. Within Wales, the Rural Development Plan (WRDP) is split into four components in accordance with the requirements of European legislation. Axis 2 deals with the environment and countryside and includes major schemes covering the Less Favoured Area, agri-environment, organic farming and woodland management.

1.4. Many of the land management schemes included in the current WRDP (2007-2013) originated in the late 1990's. Whilst they have been modified more recently, they are not particularly well aligned with new and emerging challenges such as climate change and the Water Framework Directive (WFD), nor do they take into account the major CAP reforms predicted for 2013. The Welsh Assembly Government has therefore chosen to review its existing range of Axis 2 schemes in order to maximise the effectiveness of its spending in

the light of existing commitments, in particular those set out in the Environment Strategy for Wales (ESW). The review also takes forward the One Wales commitment to develop a replacement LFA scheme from 2010, basing this on the levels of Tir Mynydd funding agreed in March 2007 and taking into account the impact on other aspects of Axis 2.

1.5. The Axis 2 review commenced in February 2007. The Welsh Assembly Government's work has been informed by a stakeholder group involving a range of farming and environmental organisations, including CCW. The Government's current consultation on the nature of the Axis 2 programme commenced on 29<sup>th</sup> September and closes on 19<sup>th</sup> December 2008. This paper represents CCW views on the principles underlying the current Axis 2 review and is without prejudice to the detailed response we intend to make to the specific questions set out in the Welsh Assembly Government's consultation document.

## **2. New and Emerging Challenges**

2.1. As part of the current CAP Health Check, the European Commission is currently proposing to increase the rate at which compulsory modulation is applied to the Single Farm Payment (SFP). The purpose of this proposal is to increase the funding available for all elements of rural development and, in particular, to address the challenges posed by climate change, biodiversity decline, water management and bio-energy. The European Commission has made clear that Axis 2 schemes represent only part of the solution to the challenge agenda.

2.2. Further reform of the CAP is likely in the run up to 2013. The EU Budget is under substantial pressure and whilst still in its early stages, an ongoing review is addressing the role of agricultural funding within the context of the broader challenges now facing the European Union. These challenges include the rise of China and India; the re-emergence of Russia; energy security; financial turmoil, international tensions; global terrorism; human migration and the implications of climate change. The EU budget review is likely to place considerable pressure on the CAP, with one possibility being a major reduction in the scale of income support (currently provided by the Single Farm Payment) and a proportionately greater role for rural development measures.

### **Climate Change**

2.3. Agriculture currently contributes 11% of total Welsh Greenhouse Gas (GHG) emissions, primarily in the form of methane and nitrous oxide (NO<sub>x</sub>). Whilst agricultural emissions fell by 10% between 1990 and 2005 (largely due to reductions in livestock numbers and decreases in the use of fertiliser) further improvements in both methane and NO<sub>x</sub> emissions could be achieved through a variety of methods including changes in livestock diets and genetics; changes in fertiliser application methods and better management of both soils and manures.

2.4. On a global scale, soil represents the second largest store of carbon after the oceans. Within Wales, soil holds nine times the amount of carbon that is stored in all vegetation (including forestry) with over 80% of this carbon associated with our upland and grassland soils.

2.5. The Welsh stock of soil carbon has been estimated as approximately 410 Million tonnes. Such a large carbon store needs to be well managed to ensure further losses do not take place and that the processes giving rise to its formation (incomplete decomposition of organic material in nutrient-poor, acidic and anaerobic or waterlogged conditions) are maintained. A 1% per annum loss of stored soil carbon would increase Welsh net carbon emissions by 25%.

### **Biodiversity**

2.6. No less than 58% of the most important biodiversity sites in Wales (Special Areas of Conservation and Special Protection Areas) are currently in unfavourable condition. The Environment Strategy for Wales (ESW) sets a target of 95% of international sites under favourable management by 2010 with 95% of SSSI's under such management by 2015 and all sites by 2036. Mechanisms such as agri-environment schemes are of vital importance in attaining these targets. For instance, at least 24% of the agricultural land within SSSI's is now covered by Tir Gofal agreements. Further progress towards the ESW targets will require a progressive increase in agri-environment scheme budgets.

2.7. There are 183,500 ha of common land within Wales (8% of the total land area). Some 36% of this has been designated as Sites of Special Scientific Interest (SSSI). It will be particularly difficult to bring SSSI's on common land into favourable management by 2015 as the majority of right holders need to consent to entry into any form of land management agreement.

2.8. The UK Biodiversity Action Plan (UK BAP) sets quantitative targets for the maintenance, restoration and expansion of 65 broad habitat types and 1149 species. All of the habitat action plans and many of the species action plans apply to Wales. For instance, the Welsh target for arable field margins involves creating a further 5810ha by 2015 whilst the hedgerow target involves achieving favourable conservation status on 44,355 km (50% of the current stock) by the same date.

### **Water**

2.9. Under Article 41C of the Water Framework Directive it will be necessary to achieve standards and objectives for all water dependent Natura 2000 (N2K) sites by 2015. Some 95% of Welsh N2K sites are water dependent to some degree, but the most recently available survey work shows that 58% of the features on such sites were in unfavourable condition.

2.10. Improving the management of water resources is closely linked to the challenge of climate change. In particular, land management schemes have the potential to reduce flood risks - both by reducing the speed at which water drains from the upland and by providing increased floodwater storage capacity in the lowlands.

2.11 Carbon losses in the form of Dissolved Organic Carbon (DOC) are higher in catchments that have been drained. High levels of DOC not only increase GHG emissions, but reduce the quality of drinking water, costing millions of pounds each year to rectify. Better land management for water quality will include measures such as blocking upland drains in order to raise water levels and slow down the rate of flow. This will have added benefits in terms of carbon conservation and flood risk management as well as biodiversity.

### **Bio-energy**

2.12. Despite investment in various sources of renewable energy, modern society remains highly dependent on fossil fuels. The oil price rose to \$147 per barrel in July 2008, and had fallen back to less than half of this by October. Continued price volatility seems likely, with global recessionary influences counterbalanced by a variety of supply side factors.

2.13. Bio-energy crops can provide part of the solution, but Wales is not well suited to providing cereal based bio-energy on a large scale. Production and use of biomass at the local scale appears more sustainable, but CCW is not convinced that incentives should be used to support the growing of such crops. Market forces and demand-led initiatives seem to be more appropriate ways of ensuring supply. In addition, it should be possible to use both Axis 1 of the RDP as well as the Convergence Programme to facilitate the production of energy from farm manures and food wastes.

## **3. Existing Schemes and the Financial Context for the Review**

3.1. The total budget available for the support of Welsh Agriculture amounted to c. £330M each year. Within this, the Single Payment Scheme (SPS) accounts for £220M whilst the rural development budget has been set at £113M per annum. Approximately 75% of the Wales Rural Development Plan budget (£88M) has been allocated to Axis 2 land management schemes, with the agri-environment (£56M) and LFA programmes (£27M) accounting for the vast majority of spending.

3.2. CCW's long term vision for the CAP involves a fundamental shift in emphasis, ensuring that it supports the delivery of a wide range of public benefits such as clean air and water, healthy soils, biodiversity, cultural landscapes and public access. Central to this vision is the management of a range of ecosystem services, including carbon sequestration, flood storage and nutrient cycling, all of which are vital for the maintenance of life itself.

3.3. The Welsh Assembly Government's current approach to the SPS involves income support payments based on past levels of agricultural practice. CCW considers that this "historic model" will become increasingly difficult to justify as pressure on the EU budget increases and public scrutiny of CAP expenditure continues to grow. Post 2013, we believe that it will be in the long-term interests of both Welsh agriculture and the environment to move to an area-based SPS. This should be seen as part of a longer term transition to a system in which all subsidy payments (whether under P1, P2 or some combined approach) are proportional to the level of public benefits produced.

3.4. Rural development funding under P2 involves four major strands, albeit Axis 2 (Improving the environment and countryside) is by far the largest of these within Wales. Nevertheless, there is a significant role for other elements of the WRDP, in particular Axis 1 (Improving the competitiveness of agriculture and forestry) to contribute to meeting Assembly Government environmental priorities. For instance, energy and water conservation measures and a wide range of other techniques designed to reduce the environmental footprint of agriculture could be promoted through Farming Connect and other elements of Axis 1.

3.5. Within Axis 2 of the WRDP, a substantial proportion of the budget (c.30%) is devoted to the Tir Mynydd LFA scheme. As set out in the preamble to the EC Rural Development Regulation, the purpose of the LFA measure is to provide support "that contributes, through continued use of agricultural land to maintaining the countryside as well as maintaining and promoting sustainable farming systems". The LFA is neither an income support measure per se nor is it designed to support intensive farming systems within the uplands. The current Tir Mynydd scheme provides the same level of payment to similar sized farms, regardless of the size of their actual contributions to maintaining the countryside. As with agri-environment schemes such as Tir Gofal, the LFA measure can contribute to socio-economic well-being, but this is not its primary purpose.

3.6. CCW believes that the current Axis 2 review provides a major opportunity to re-align the Tir Mynydd scheme so that it helps to deliver improved management of soil carbon, water resources and biodiversity. In meeting these objectives the LFA scheme should continue to contribute to maintaining the viability of those farms responsible for managing the ecosystem goods and services on which society as a whole is reliant. Failure to re-align the LFA scheme, however, will substantially reduce the resources available for meeting Welsh Assembly Government priorities as set out in the Environment Strategy for Wales.

3.7. The Agri-environment programme comprises the largest element of the WRDP budget. The Tir Gofal scheme was designed in 1998 and its substantial menu of prescriptions has been progressively adapted over time. These prescriptions have the potential to address a wide range of biodiversity, water and climate change issues, but the scheme was not developed with these latter two challenges in mind. Agri-environment schemes are voluntary and applications to Tir Gofal are generally dealt with in date order. This reduces the extent to which the scheme can be focused on particular challenges, although more recently there has been some prioritisation of those applications involving SSSI's. There is also a much greater use of the "species package" concept under which project officers promote particular prescriptions in those areas where key species are most prevalent and most likely to benefit.

3.8. Tir Cynnal, the existing entry-level agri-environment scheme, requires much less commitment on the part of participating farmers than is the case with Tir Gofal. Prescriptions are designed to maintain existing features rather than enhance them, habitat creation is rarely required and there are no capital payments available. Annual payments are much lower than those made under Tir Gofal, reflecting the level of commitment required on the part of participants. The nature of scheme design and the absence of project officers makes it difficult to focus on tackling specific challenges at farm level. The main advantage of the scheme is that it allows ready access to

the agri-environment programme, in theory ensuring that farmers can move onto higher levels of commitment as and when they feel ready to do so.

3.9. The Welsh Assembly Government has recently announced that Tir Cynnal will be closed to new entrants in order to meet the demands of the new Organic Farming Scheme. The number of new Tir Gofal agreements signed each year will also be reduced.

#### 4. What needs to be done next?

4.1. Fundamentally, the levels of agricultural funding available from both the CAP and the Welsh Assembly Government are finite. The Single Farm Payment is 100% funded by the EU, but is likely to be further reduced by modulation in the run up to 2013 - and may be substantially reduced thereafter as a consequence of the EU budget review. Rural development funding is likely to play an increasing role, both proportionally and in absolute terms, but current EU rules require all expenditure under this heading to be co-financed by Member States. The Welsh Assembly Government's existing allocation to Axis 2 represents over 75% of the WRDP budget and is the most suitable tool for dealing with the range of land management challenges we now face. The key question addressed by the review is how to achieve the maximum benefit for Wales within the constraints of EC Regulations and limited financial and staff resources.

4.2. The current consultation on the future of Axis 2 sets out three main options as follows:

(1) Modify existing schemes to provide for increased policy delivery. Tir Mynydd would either be retained in its current form (1A) or modified through the provision of environmental enhancements (1B). Tir Cynnal would be closed to new entrants with minimum levels of environmental protection secured via cross-compliance. The objectives of the existing Tir Gofal scheme would be expanded to include both carbon management and water quality. There would be a heavy emphasis within the new Tir Gofal scheme on protecting designated sites (SAC's, SSSI's etc) as well as collaborative action at the landscape scale. Organic farming and the delivery of Better Woodlands for Wales would also be integrated into the delivery of Tir Gofal

**(2) Introduce a new two-tier pan-Wales scheme.** Basic land management would be delivered via a modified LFA scheme, converted from a compensatory measure into an entry-level agri-environment scheme available throughout the whole of Wales. The objectives of the basic scheme would include landscape, biodiversity, public access, the historic environment and carbon-positive energy generation. A more advanced scheme would be targeted on specific locations where the management of soil carbon, water quality and flood risks are seen as major priorities for Government intervention.

**(3) Introduce a fully targeted approach.** All available resources would be delivered through fully targeted measures without using either an entry level or an LFA scheme. Priorities would include the conservation of soil carbon (restricted to holdings on organic soils) and improvements in water quality and flood risk management (selected catchments only). A modified Tir Gofal scheme would be available throughout the rest of Wales, covering landscape, biodiversity, public access, the historic environment and carbon-positive energy generation, but with an emphasis on protected sites.

4.3. CCW strongly supports the philosophy underpinning the current Government consultation, in particular the recognition that an integrated approach to the design and delivery of land management schemes can play a major role managing a wide range of ecosystem goods and services. These include the management of soil processes, water flows and biodiversity. The experience of the Tir Gofal agri-environment scheme has shown that it is possible for the Welsh Assembly Government to use its existing legislative powers to develop innovative solutions to a wide range of land management issues. The current challenges are substantial and a bold approach is required if they are to be properly addressed.

4.4. As set out in the consultation document, each of the main options has both advantages and disadvantages. CCW has had considerable experience of both designing and delivering agri-environment schemes and is well aware that the successful introduction of an entirely new approach is likely to require considerable investment of time and expertise from across a wide range of organisations. CCW stands ready to play its part in this process, whatever the outcome of the current consultation exercise.

4.5. The present RDP runs until the end of 2013, but the drafting of the successor plan will need to commence early in 2012. The current consultation ends in December 2008, but all of the options will require the design of new schemes; calculation of payment rates; the seeking of European Commission approvals; the design, testing and implementation of new IT systems; establishment of monitoring programmes and the training of both project officers and administrators. Each of these processes requires substantial inputs of time and expertise and not all of them can be dealt with concurrently. Existing Tir Gofal staff are committed to dealing with existing applicants and this process would seem unlikely to be complete until the end of 2009. It appears unlikely, therefore, that a new scheme could be rolled out until the middle of 2010 at the earliest. Claims under such a scheme could not be submitted until the Single Application Form window in May 2011 and the first payments would not be made until December 2011/January 2012.

4.6. In light of the above, it is evident that any new scheme might have only a limited lifespan before it might need to be revised as a consequence of the new RDP commencing in 2014. A further risk is that as attention progressively shifts to the proposed new approach, resources are shifted away from existing high quality schemes such as Tir Gofal with both momentum and expertise being lost.

4.7. Whilst fully supporting the need for change, CCW believes that it is imperative to maintain existing momentum under Tir Gofal. This scheme is one of the most effective tools currently available for reversing biodiversity decline, but it would be relatively easy for it to be re-engineered to deliver against water management and climate change requirements. We suggest that it would be possible to modify Tir Mynydd along the lines suggested in option 1B, whilst amending Tir Gofal and keeping it open for new applicants. At the same time, money saved by discontinuing Tir Cynnal could be used to pilot some of the key elements of the highly targeted approach described in the third option of the consultation document (piloting would be advisable regardless of which option was chosen). Such a strategy

would ensure that current momentum was maintained, whilst using the window of opportunity that exists between now and the next RDP submission to rigorously test out some of the new ideas that have been proposed.

4.8. One element that appears to be missing from the consultation paper is any direct reference to part-farm agri-environment schemes. The introduction of cross-compliance suggests that one of the main arguments in favour of whole-farm schemes may have been superseded (in that environmental enhancements on one part of a holding should no longer be accompanied by damage to environmental features elsewhere). Plainly the actual objectives underpinning any new part-farm approach would be critical. Nevertheless, if the current consultation results in a strengthened commitment to tackle priorities such as biodiversity decline, water management and climate change, it may no longer make sense to fund the restoration of field boundaries on a large scale? The exceptions may be where such work also contributes to the management of priority areas within participating farms or to the conservation of the historic environment?

4.9. One way of addressing the part-farm/ whole farm debate may be to conceive of the entire range of priority issues that need to be addressed across Wales. By their very nature, agri-environment schemes are voluntary and project officers can only tackle those issues featuring on those farms applying for a scheme. On some upland holdings almost the entirety of the rough grazings may be of importance for carbon conservation, water management and biodiversity whilst

even the remaining improved land could be of importance for water management. Such farms would need to be covered by whole farm agreements, although there might well be more obligations (and higher payments) on some parts of some farms than on others.

4.10. By contrast, more intensively managed lowland farms may have only limited areas of biodiversity significance, although there may also be opportunities to enhance some arable fields for farmland birds and at the same time manage other land to reduce the risk of diffuse pollution reaching a nearby watercourse. Such holdings would be a prime candidate for a part-farm scheme focused on those issues representing a real priority in each locality.

4.11. In each of the examples described above, applications to the agri-environment programme would be voluntary on the part of the farmer. A certain amount of targeting would be applied by the project officer, although this would involve focusing the use of prescriptions within the boundaries of each farm rather than targeting one farm in preference to another. Only those farms that failed to deliver a minimum level of "priority environmental goods" would be rejected from the scheme. Farmers would still have the right to decide if the proposed agreement offered them a satisfactory outcome before they signed up.

4.12. Finally, the issue of monitoring is referred to throughout the consultation paper. For a number of reasons, it is not always clear what existing schemes have delivered. Monitoring programmes may not have been sufficiently comprehensive or may have been put in place at a relatively late stage; monitoring programmes may have been inadequately resourced or may have operated at too detailed a scale; schemes may have been designed for purposes other than the ones we now want them to fulfil or it may simply be that the results of monitoring projects take rather longer to emerge than we would wish. Be this as it may, the question of whether or not existing schemes are delivering will not necessarily be resolved by designing new schemes (although an integrated approach to the design of schemes and the associated monitoring programmes is plainly going to be helpful). Rather, it is important to ensure that monitoring programmes are put in place at an early stage; are sufficiently well resourced; make reference to controls and use a combination of approaches at a variety of spatial scales to determine which causal factors are most important in driving change. These issues have been referred to by both the Wales Audit Office and the Audit Committee of the National Assembly for Wales. They were also explored in a recent joint CCW/Welsh Assembly Government project which examined the role of a range of indicators in measuring not only the effects of agri-environment schemes, but also the impact of recent CAP reforms.

Cyngor Cefn Gwlad Cymru

Countryside Council for Wales

October 2008

References