

# Rural Development Regulation 2014-20

## Purpose

1. To update members of the AFG on the review of the EU Common Agricultural Policy and associated Rural Development Regulation for the period 2014-20.

## Background

2. The current Rural Development Regulation (RDR), and associated Rural Development Programme for England (RDPE), under which the bulk EWGS is funded comes to an end on 31<sup>st</sup> December 2013. The EC has also decided to review the Common Agricultural Policy, of which the RDR is the second Pillar, with effect from 1<sup>st</sup> January 2014.
3. On 12<sup>th</sup> October the EC published a series of draft regulations which together make up the CAP. These are:
  - The rules for Direct Payment (DP); dealing with single farm payment (SFP) and the 'greening' of Pillar 1;
  - Financing, Management and Monitoring (FMM); addressing the farm advisory service and cross compliance;
  - The Rural Development Regulation;
  - A further four covering various aspects of support to the agricultural sector.
4. A further complication is that there is now a Common Strategic Framework within which the RDR sits together with the Regional Development Fund (ERDF), the Social Fund (ESF), the Cohesion Fund (CF) and the Maritime and Fisheries Fund (EMFF). In theory all these various European Funds should work together to achieve the objectives of the Europe 2020 Strategy.

## Draft Rural Development Regulation

5. The DP and FMM regulations do have some impact on forestry: the 'greening' of pillar 1 can include afforestation, afforested land can retain eligibility for SFP, and the farm advisory service now must include forestry aspects. However the bulk of forestry interest is to be found in the RDR.
6. The breadth of support available to forestry has been steadily increasing with each iteration of the RDR since 2000 and is now quite significant. It covers afforestation, management, forest protection and improving economics and initial processing and many of the perceived shortcomings of the current regulation have been addressed.
7. A summary of the forestry aspects of the draft Regulation is appended.
8. One area of particular concern is the removal of income foregone payments associated with afforestation (the farm woodland payment component of EWGS). There is nothing in any of the supporting text to justify this change in support.
9. There are a number of other issues that require clarification and some of the suggested maximum levels of support are considered too low.

## Next Steps

10. The various regulations are now subject to debate within the European Parliament and the European Council (heads of state of EU member states). The Polish presidency of the EC was adamant that consideration of the various texts would commence during its period in office (which ends in December) so a series of working groups for Member State representatives and the EC has been instigated. The first of these to consider the main forestry articles was held on 9<sup>th</sup> November, at which Mike Render provided support to the Defra lead negotiator. A verbal report of this meeting will be presented to the AFG.
11. The current presidency has indicated that it will not be bringing forward any revised text as a result of these working groups but it is fully expected that the Dutch presidency, which takes over in January, will do so early in its tenure.
12. The EC is not deviating from its claim that the new programme will be up and running on 1<sup>st</sup> January 2014.
13. Although there will be no consultation as such, there will be many opportunities to feed in to the debate so a workshop for the forestry sector from throughout the UK is being organised for 13<sup>th</sup> December in Birmingham. This will be the third of a series and now that there is a clear text on which to comment it is to be hoped that this meeting will come up with a negotiating position for the UK to take.
14. It is expected that work on the preparation of the next Rural Development Programme (RDPE mk II) will commence in the middle of 2012.

## Recommendations

15. Members of the AFG are invited to note the progress in the review of the CAP and the RDR.
16. Rather than enter discussion at this time, members are invited to attend the workshop in December.

## Annex 1: Summary of Draft of Rural Development Regulation 2014-20

1. This paper draws out the key forestry aspects of the draft regulation.

### Highlights

2. As anticipated the areas of support available to the forestry sector have not been radically altered but been subject to development. It would appear that the majority of the shortcomings of the current Regulation that were noted in the Opinion of the Standing Forestry Committee have been addressed, together with some others that have been raised within the UK subsequently (of particular note is the extension of eligibility under a number of measures to groups who may manage state forests).
3. During the period of preparation of the regulation the importance attached to climate actions has increased significantly; insofar as it is now included as one of the objectives of the RDR (Article 4 (2))
4. **The one major item of concern is the lack of any mention of income foregone payments associated with afforestation (Article 23). As to whether this is an omission or intentional is not clear as no reference is made within the recitals of a changed approach to support for afforestation.** It is however worth noting that the EU Court of Auditors report on the forestry measures within the RDR 2000-2006 did draw attention to the high costs of afforestation, primarily due to the income foregone element, and suggested the afforestation measure could be better targeted and at a lower cost to the budget. It is also worth remembering that EU support for afforestation was introduced in 1988 as a CAP accompanying measure aimed at an alternative use of agricultural land in the times of agricultural surpluses. Also with the enlargement of the EU since 1988 the forested area has increased from 79 million ha to over 170 million ha (over 42% of the land area).
5. Support will be conditional on forest management plans in line with sustainable forest management.
6. As far as support for woodland management is concerned rather than continuing with a measure entitled 'non-productive investments' it is now named 'Investments improving the resilience and environmental value of forests', there is also a direct reference to ecosystem services (Article 26). There is also a much broader ability to address forest protection through the inclusion of pests and diseases within the definition of 'natural disasters' (Article 25).
7. The role of Rural Development Programmes in the delivery of the Water Framework Directive is also addressed. One possible exception to the loss of the income foregone component of afforestation support is where land use change associated with the implementation of the Water Framework Directive occurs (Article 31).

### Recitals

8. Focus will be on a limited number of core priorities relating to knowledge transfer, competitiveness of agriculture and farm viability (no mention of forestry in this regard), food chain organisation and risk management in agriculture, preserving and enhancing ecosystems, resource efficiency and transition to a low

carbon economy in agri-food and forestry sectors, and growth and job potential in rural areas (5).

9. Knowledge transfer and advisory services are given high priority and specific reference is made of the need to ensure those undertaking knowledge transfer or advice services are adequately trained themselves. The EC has retained the right to specify the minimum qualifications in both cases (14, 15, 16 & 17)
10. Forestry is identified as an integral part of rural development and support for sustainable and climate friendly land use should encompass forest area development and sustainable management of forests. It is suggested that, in contrast to the current RDR, this regulation will have a single measure to cover all types of support to forestry including afforestation, restoration, investments in new technologies, processing and marketing of forest products and non-remunerative investments which improve the resilience and environmental value of forest ecosystems – however as will be seen, that ‘single measure’ consists of six separate articles and is further supported by one forestry specific measure and many others that have forestry aspects (25).
11. Support will be granted to foresters to help address specific issues arising from both the habitats and the water framework directives (31).
12. Payment will continue to be granted to foresters who provide environmental or climate friendly forest conservation services including enhancement of biodiversity, preservation of high-value forest ecosystems, and reinforcement of the protective values of forest with respect to soil erosion, water resources and natural hazards (35).
13. There will continue to be a need to obtain State aid cover for all forestry related support (64).
14. To ensure a smooth transition between the current and the next support scheme the Commission will be empowered to adopt transitional provisions (70).

## Objectives and priorities.

15. The objectives of the current programme will continue, i.e. contributing to:
  - the competitiveness of agriculture;
  - the sustainable management of natural resources, and climate action;
  - balanced territorial development of rural areas. (Article 4)
16. The objectives shall be pursued through six priorities:
  - 1.) Fostering knowledge transfer focusing on:
    - Fostering innovation
    - Strengthening links between land management and research and development
    - Fostering lifelong learning and vocational training
  - 2.) Enhancing competitiveness of agriculture and farm viability.
  - 3.) Promoting food chain organisation and risk management in agriculture.
  - 4.) Restoring, preserving and enhancing ecosystems dependent of agriculture and forestry, focusing on:
    - Biodiversity/landscapes
    - Water management

- Soil management
- 5.) Promoting resource efficiency and the transition to a low carbon and climate resilient economy, focusing on (amongst other things):
- Facilitating the supply and use of renewable sources of energy
  - Fostering carbon sequestration
- 6.) Promoting social inclusion, poverty reduction and economic development of rural areas. (Article 5)

All the priorities shall contribute to the cross-cutting objectives of innovation, environment and climate change mitigation and adaptation.

## Measures

17. The following measures have implications for the forestry sector. I provide a summary of each dealing only with the forestry aspects where they are general, how it compares with any equivalent measure in the current RDR and what I perceive as being improvements or otherwise.
18. Article 15 Knowledge transfer and information actions.
- Support for vocational training and skills acquisition. Support shall for the benefit of persons engaged in the forestry sector, land managers and other economic actors who are micro, small or medium sized enterprises.
  - Those providing the knowledge transfer services must be appropriately qualified, be regularly trained and have the necessary capacity.
  - The direct beneficiary shall be the provider of the training or knowledge transfer (*i.e. payments cannot go directly to those detailed in the first bullet point to 'buy' training*).
19. This is an amalgamation and expansion of Measures 111 and 331 in the current RDR. The change of title from 'vocational training' may broaden the scope of eligible beneficiaries; it will hopefully include new entrants as well as volunteers and those for whom woodland management is a 'hobby'. The necessity to ensure that those delivering the training are competent is new.
20. Article 17 Advisory services.
- Support:
    - To farmers, forest holders and micro, small and medium sized enterprises to benefit from the use of advisory services for the improvement of the economic and environmental performance of their holding or enterprise.
    - For setting up of forestry advisory services.
    - To promote the training of advisors.
  - Those providing advice must have appropriate resources in the form of regularly trained and qualified staff.
  - Advice to forest holders shall cover at least the relevant obligations of the Habitats, Birds and Water Framework Directives but may also cover issues linked to the economic and environmental performance of the forest holding.
  - Rate of support is €1,500 per advice but with no maximum percentage (under the current RDR it was capped at 80%).
21. Amalgamation of Measures 114 & 115 and expanded to include the training of advisors. The clarification of the minimum level of advisory content for forestry is

additional. The removal of the 80% cap is to be welcomed but I question whether €1,500 per advice is high enough.

22. Clarity needed over how advisory services under this measure will relate to the Farm Advisory System that must be established by Member States under Article 12 of the Horizontal Regulation. Whilst the Farm Advisory System is a requirement of the current Direct Support Regulation of CAP its scope has been significantly increased to include afforestation and forest management.
23. Article 18 Investments in physical assets.
  - Support tangible and intangible investments which:
    - Include access to forest land (*note that the text relates this to the development and adaptation of agriculture*).
    - Are non-productive investments related to forest-environment or enhancement of the public amenity value of Natura 2000 or other HNV areas.
  - Rates of support for the first category are not provided although maximum intervention rates are stipulated for the agricultural sector (the current regulation does not include rates either). The maximum rates do not apply to non-productive investments.
24. In principle (from a forestry perspective) this equates to Measure 125 with the addition of specific support to Natura 2000 sites.
25. It is unclear how the investments related to Natura 2000 and HNV differ from what could be supported under Article 26.
26. Article 21 Basic services and village renewal in rural areas
  - Investments in the creation, improvement or expansion of all types of small scale infrastructure, including renewable energy
  - Support investment by public bodies in recreational infrastructure, tourist information and signposting of touristic sites
27. These are similar to Measures 321 & 313 but the latter now limited to public bodies.
28. Article 22 Investments in forest area development and improvement of the viability of forests
  - This is the single measure referred to in the recitals but it is still comprises five articles.
  - For forest holdings above a size to be determined by Member States support is conditional on the submission of a forest management plan in line with sustainable forest management as defined by MCPFE.
29. Article 23 Afforestation and creation of woodland.
  - Support for afforestation of both agricultural and non-agricultural land.
  - Covers cost of establishment and an annual premium per hectare to cover costs of maintenance, including early and late cleanings for a maximum of ten years.
  - No support for short rotation coppice, Christmas trees or fast growing trees for energy production.
  - Support limited to private owners, tenants and municipalities.
  - No maximum intervention rate.
30. This is an amalgamation of Measures 221 & 223 but with some very distinct differences. **The most important is the lack of income foregone payments.** The period of time for which maintenance costs can be paid has doubled and it

has been made clear that energy crops, both SRC and SRF, are ineligible. The removal of the maximum intervention rate of the current regulation is to be welcomed.

31. Article 24 Establishment of agro-forestry systems

- Support for costs of establishment together with annual premium per hectare to cover costs of maintenance for up three years.
- Support limited to private owners, tenants and municipalities.
- Maximum intervention rate is 80%.

32. Measure 222 but with the addition of an annual premium.

33. Article 25 Prevention and restoration of damage to forests from forest fires, natural disasters and catastrophic events.

- Support provided to any type of owner, including state, to cover costs for:
  - Establishment of protective infrastructure;
  - Local, small scale prevention activities;
  - Establishing and improving forest fire, pest and disease monitoring facilities and communication equipment;
  - Restoring forest potential damaged by fire and other natural disasters including pests, diseases as well as catastrophic events and climate change related events.
- Preventative actions must be acknowledged by scientific public organisations and targeted. For pests and diseases the risk of a relevant disaster occurring must be supported by scientific evidence.
- Eligible operations must be consistent with a national forest protection plan.
- For forest holdings above a size to be determined by Member States support shall be conditional on a forest management plan detailing the preventative objectives.
- Forest areas with medium to high fire risk shall be eligible for support relating to fire prevention.
- Support relating to restoring potential shall be subject to the destruction of at least 30% of the relevant forest potential.
- There is no maximum intervention rate.

34. This is a significant expansion to Measure 226 to include not only preventative and restorative action with regard to pests and diseases but also monitoring facilities which are to be welcomed. The need for scientific support for the actions to be funded is also new, as is the need for a management plan.

35. Article 26 Investments improving the resilience and environmental value of forest ecosystems.

- Support available to natural persons, private forest owners, private law and semi-public bodies, municipalities.
- In the case of state forests, bodies managing such forests independent of the state budget are eligible for support.
- Investments aimed at the achievement of environmental aims, ecosystem services and/or which enhance the public amenity value of the forest or improve the climate change mitigation potential of ecosystems.
- Economic benefits achieved in the long term are not excluded.

36. This is Measure 227 but with some significant differences:

- The expansion of eligible beneficiaries to include not only woodland owners but natural persons and bodies who may manage the state forest;
- The removal of the restriction that investment shall “not lead to lead to any significant increase in the value or profitability of the forest holding” which will mean that some activities that would have been ineligible under 227 and required the use of 122 should be possible under this revision;
- The specific mention of ecosystem services and climate change.

37. Article 27 Investments in new forest technologies and in processing and marketing of forest products.

- Support available to private forest owners, municipalities, and to SMEs for investments enhancing forestry potential or relating to processing and marketing forestry products.
- Investments are
  - At the level of the forest holding and may include soil and resource friendly harvesting machinery and practices.
  - Limited to all working operations prior to industrial processing.
- Level of investment limited to 40% (50% in convergence regions).

38. A combination of Measures 122 & 123 but with reduction in the intervention rate that was available under 122, however see comment on Article 28. The combining of the measures has widened the scope of eligible beneficiaries involved in forest management activities to SMEs rather than being limited to woodland owners which was seen as an issue with the current regulation. Processing and marketing no longer limited to Micro-enterprises.

39. Article 28 Setting up producer groups

- Support for setting up producer groups to:
  - Adapt the production and output to market requirements
  - Jointly place goods on the market
  - Establish common rules on production information
  - Other activities such as development of business and marketing skills and organisation and facilitation of innovation processes.
- Producer groups must be officially recognised on the basis of a business plan.
- Support shall be paid as a flat rate in five annual instalments based on the group's annual marketed production.

40. Measure 142 was only available to the accession states in the current RDR.

41. Article 31 Natura 2000 and Water Framework Directive

- Annual payments to support forest owners to compensate for costs or income foregone resulting from disadvantages related to the implementation of Habitats and Water Framework Directives.
- Eligible areas:
  - Natura 2000 sites and forest areas that contribute to the implementation of Article 10 of the Habitats Directive.
- Farmers are also eligible for payments if major land use change resulting in significant loss of income is needed to support the implementation of the Water Framework Directive.
- Payment rates are maximum €500/ha/annum for period not exceeding five years and then maximum €200/ha/annum. The minimum for WFD payments is €50/ha/annum.

42. This is a combination of Measures 213 and 224 and extended to cover the WFD. There will need to be clarity provided on whether this Article could be used in conjunction with the afforestation Article 23 to provide IF payments and if so for how long.
43. Article 35 Environmental services from forests and forest conservation
- Annual payments per hectare for five to seven years to private owners or holders, municipalities, and bodies managing state forests.
  - Payments only cover those forest environment commitments going beyond mandatory requirements.
  - Payments shall compensate for additional costs and income foregone. Payment can include transaction costs.
  - Payments may also be made for the conservation and promotion of forest genetic resources.
  - Maximum payment rate €200/ha/annum with no minimum set.
  - Commitments that will extend beyond the programming period will need to include a revision clause to allow for their adjustment to the legal framework of the following period.
44. This is the same as Measure 225 with the addition of support for genetic resource conservation and the ability to pay transaction costs.
45. Article 36 Co-operation
- Support to promote co-operation involving at least two entities including those in the forestry sector.
  - Types of co-operation eligible include:
    - Creation of clusters and networks
  - Types of activity include:
    - Pilot projects
    - The development of new products, practices, processes and technologies
    - Organisation of joint work processes, sharing facilities and resources
    - The establishment of short supply chains and local markets
    - Joint action undertaken with a view to mitigating or adapting to climate change
    - Collective approaches to environmental projects
    - Horizontal and vertical cooperation among supply chain in sustainable energy production
    - Drawing up of forest management plans.
  - Costs that are eligible for support include:
    - Studies of area concerned, feasibility studies, preparation of a business plan or forest management plan
    - Organisation of training, networking and recruitment of new members
    - Running costs of the co-operation
    - Direct costs linked to the implementation of a business plan
    - Promotional activities.
  - Where a business plan or forest management plan is implemented grant aid may be either a global amount covering the costs of cooperation and the costs of the projects

implemented or cover only the costs of cooperation and use funds from other measures of other Union Funds for project implementation.

- Support shall be limited to a maximum of seven years, but no support rates are provided.

46. This is a significant enhancement of Measure 124 which was much more restrictive. It is potentially a useful support mechanism.