Content

• How much money is needed?
• What funding is there for upland management?
• CAP Structure – Pillar 1 and 2 Funding
• Agri-environment Schemes, structure, current uptake
• Comprehensive Spending Review
• The future for CAP and Implications
• Other mechanisms for funding to complement ES
How much money is needed?

Estimated annual cost of AES options to deliver environmental objectives (£ m)

<table>
<thead>
<tr>
<th>Environment</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biodiversity</td>
<td>624.4</td>
</tr>
<tr>
<td>Landscape</td>
<td>107.3</td>
</tr>
<tr>
<td>Climate change mitigation</td>
<td>172.9</td>
</tr>
<tr>
<td>Flood risk management</td>
<td>43.2</td>
</tr>
<tr>
<td>Farmland historic environment</td>
<td>9.1</td>
</tr>
<tr>
<td>Soil quality</td>
<td>94.6</td>
</tr>
<tr>
<td>Water quantity</td>
<td>69.5</td>
</tr>
<tr>
<td>Resource protection</td>
<td>99.1</td>
</tr>
<tr>
<td>Public access</td>
<td>38.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,258</strong></td>
</tr>
</tbody>
</table>

LUPG Report 2009 “Estimating the Scale of Environmental Land Management Requirements for the UK”

Costs based on applying agri-environment type options.
How much money is needed?

Upland cost estimates for England:

- Blanket Bog: £8.9m per year
- Purple moor grass and rush pasture: £0.8m per year

- Annual spend on Agri-environment £469 m per year (2009-10)
What funding is available for land management?

- **European Union Common Agriculture Policy (CAP)**
  - Single Payment £1.63bn/year
  - Agri-environment schemes (UK match funded)
  - Other CAP Rural Development funding, e.g. Delivered by RDAs

- **European LIFE funds**

- **Exchequer Funding** - funding for SSSI where ES cannot operate.
  - National Park funds

- **OffWat PR09 (and future PR14) funds**

- **NGO’s and charities** RSPB, Wildlife Trust, NT

- **Private land purchase**

- **Heritage Lottery Fund**
Common Agriculture Policy funding
Single Payment and Agri-environment
II. Environmental land management

Current CAP Structure

Pillar I

£21bn
Single Payment Scheme

Annual nodulation

Pillar II

£3.9bn
Rural Development Programme for England

Axis
I. Improving competitiveness
II. Agri-environment
III. Quality of life in rural areas
IV. LEADER

80%
Layers of CAP funding for a farm

**CAP Pillar 1**
- Single Payment Cross compliance
- ELS / OELS
- Average £200/ha (lowland) comply with legal and basic good practice
- £30/ha (£60 if organic) or £8 on moorland > 15ha
- £62/ha (£23 on moorland >15 ha)
- Variable payments £8 - £550 depending on option. (Capital Grants)

**CAP Pillar 2**
- Environmental Stewardship
  - Upland ELS
    - Anyone who meets the points target
  - HLS
    - Targeted, discretionary, key habitats and outcomes
  - Environmental Stewardship
    - Anyone who meets the points on land in SDA
Potential for Conservation management
Pillar 1 – The Single Payment

- Evolved in 2005 from previous direct payments for production support. **By far the largest payment for farming £1.6bn / year**

- Cost of complying with rules beyond the law accounts for less than 2% of payments. **Sets the environmental baseline**

**High uptake – low environmental impact – generic – inflexible**
Pillar 2 - Agri-environment

• **Voluntary** management contracts – 5 or 10 year

• For **land managers**, commonly farm owners or tenants

• A **financial incentive**, combined with advocacy and advice, to manage land for environmental outcomes.

• A form of government sponsored, **multi-objective payments for ecosystems services**.

• Worth over **£400m in payments per year**
Agri-environment Uptake (to end October 2010)

### UAA Coverage

<table>
<thead>
<tr>
<th>Scheme</th>
<th>No. of agreements</th>
<th>Area (ha)</th>
<th>% of UAA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSS</td>
<td>8,574</td>
<td>274,654</td>
<td>3.0</td>
</tr>
<tr>
<td>ESA</td>
<td>6,524</td>
<td>425,333</td>
<td>4.6</td>
</tr>
<tr>
<td>ELS (including organic)</td>
<td>42,351</td>
<td>5,686,269</td>
<td>61.2</td>
</tr>
<tr>
<td>Freestanding HLS</td>
<td>815</td>
<td>108,018</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58,264</strong></td>
<td><strong>6,494,274</strong></td>
<td><strong>69.9</strong></td>
</tr>
</tbody>
</table>

### Uplands Entry Level Scheme Coverage

<table>
<thead>
<tr>
<th>No. of UELS agreements</th>
<th>UELS Area (ha)</th>
<th>% of SDA under UELS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,793</td>
<td>325,958</td>
<td><strong>25.1%</strong></td>
</tr>
</tbody>
</table>

### HLS Coverage

<table>
<thead>
<tr>
<th>No. of HLS agreements</th>
<th>HLS Area (ha)</th>
<th>% of UAA under HLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,665</td>
<td>757,430</td>
<td><strong>8.2%</strong></td>
</tr>
</tbody>
</table>
Many ESA and CSS agreements still to expire – 701,980 ha in 2013-14 of which ESA account for 61%

Uplands ELS replaced the HFA in 2010. Over 2800 agreements in place.

Aim for 80% of the uplands by 2015, which would mean spending over £25 million per year compared with £23.7 m under the HFA
Example HLS Moorland Options

- **HL8/9 Maintenance or restoration of rough grazing for birds £80**

- **HL9/10 Maintenance or restoration of moorland £40 per ha** to maintain or restore moorland habitats to benefit upland wildlife, retain historic features and strengthen the landscape character.

- **HL11 Creation of upland heathland £60 per ha** aims to create dwarf-shrub communities in upland moorland areas

- **Supplements** for management of heather, gorse and grass by burning, cutting or swiping, moorland re-wetting

- **Fencing and grip blocking**, can be funded by a Capital Works Plan
Recent independent studies have shown that ES benefits the wider local economy:

- **HLS**: every £1 spent generates another £1.43 for local economy

- **ES** as a whole *helps to maintain employment*, both on and off farms.
Comprehensive Spending Review
• By 2013/14 we will be spending 83% more on HLS than currently.

• **Short term pause to HLS delivery** - No new HLS agreements can go live before is 1 April 2011.

• **HLS remains open for business** - will maintain outcomes through targeting.

• (O)ELS and Uplands ELS remain open to farmers as before
The Future of Environmental Stewardship

- **Short to medium term:**
  - Jim Paice has asked Defra and Natural England to look at ways of making ES more effective.
  - NFU, along with other farming and environmental bodies has fed ideas into this process, due to report next spring.
  - We are looking at ways of working more closely with FC & EA

- **Medium to long term:**
  - The debate over CAP reform is in full swing.
  - The EU Budget Review White Paper.
  - Both emphasise using CAP to support Environmental Public Goods
Changes to European Funding from 2014
Why Change the CAP in 2014?

- Fairer allocation of payments between MS
- Reduced Budget?
- Climate Change & low carbon future
- Farm Income Stabilisation
- Healthy Natural Environment
- Competitive and Diverse Rural Businesses
- Rural Jobs and Green Growth
- Need to justify income payments to tax payers
- Simplification agenda
- Food Security

- Competitive and Diverse Rural Businesses
- Healthy Natural Environment
- Need to justify income payments to tax payers
- Simplification agenda
- Fairer allocation of payments between MS
- Reduced Budget?
The leaked proposals suggest three ways forward:

- **Little change to present**
- **Greening Pillar 1** – the middle way?
- **Abolition of income support and Pillar 1** (UK / LUPG Vision).

The Commission clearly have a preference for the “middle way”

This is *only a leak* and only an opening move in a long and complex negotiation across Europe

We won’t know the detailed rules until quite close to the start of the next programme. **Negotiations could drag on well into 2013.**
Implications for ES?

Can only guess at the moment – prepare for different scenarios e.g.

• Any increase in the environmental requirements for Pillar 1 could alter the baseline for Environmental Stewardship.

• LFA payments moved to Pillar 1 (now only used for ESA and CSS agreement holders who cannot join UELS)?
Risks and Opportunities – personal view

Opportunities from “Greening” P1
– Enable Pillar 1 to deliver more for the environment?
– Could lead to simplification (equally could be more complex!)?
– New opportunities to support climate change mitigation and adaptation and linkage with agri-environment?

Risks:
– Upheaval for our scheme structure, as the P1 baseline changes
– A greener P1 could make any AES in P2 less attractive?
– Greater focus on risk management, innovation and competition in Pillar 2 risks less cash for environmental land management (AES)?
Other Mechanisms?
Other sources of incentives / funds

• **Payments for Ecosystem Services**  Natural England has 3 pilots

• **Biodiversity Offsets** *(Conservation Banking)* – RSPB est £53m

• Others that could show promise:
  – **Industry Farm Assurance** *(standards)* schemes
  – **Covenants**

• Remember the potential of **existing regulation** *(UK and EU)* – but further regulatory approaches not likely

• RSPB have proposed **taxes** for fertilisers, pesticides and peat
Questions