

EUROPE AND EXTERNAL RELATIONS COMMITTEE INQUIRY INTO FUTURE REFORM OF THE EU BUDGET – EVIDENCE FROM SCOTTISH ENVIRONMENT LINK

SEPTEMBER 2009

Scottish Environment LINK welcomes the opportunity to comment on this Inquiry. Established in 1987, LINK is the forum for Scotland's voluntary environment organisations - 33 member bodies representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society. LINK provides a forum and network for its member organisations, enabling informed debate, and assisting co-operation within the voluntary environmental sector. LINK assists communication between member bodies, government and its agencies and other sectors within civic society. Acting at local, national and international levels, LINK aims to ensure that the environment is fully recognised in the development of policy and legislation affecting Scotland.

LINK member bodies are beneficiaries of EU funds both directly from the EU (e.g. LIFE, Leader+) and indirectly through the Scottish Government (e.g. Scottish Rural Development Programme).

What do you think should be the future policy priorities of the EU Budget and why?

LINK believes that the EU budget must be adapted to tackle emerging policy challenges, many of which have arisen due a failure in applying the principles of sustainable development in a coherent and effective way. The major impacts of the failure of the sustainability agenda are anthropogenic climate change, degradation of terrestrial and marine ecosystems and, linked to these, the continuing loss of biodiversity. These now seriously threaten not just our environment, but our economy and ultimately societal stability.

The future EU budget should therefore be targeted at policies which will move the EU and Scotland rapidly towards a sustainable economy; where environmental limits are not exceeded; where there are sustainable patterns of production and consumption; and where ecosystems are in a state of recovery rather than degradation.

In practice, this means investing in the protection and recovery of 'public goods' which are often under or unvalued in the prevailing economic model. An overarching policy priority in this respect is reform of economic indicators to include social and environmental parameters which, unlike GDP type measures, do not 'externalise' the costs of environmental damage. This policy area is already being taken seriously by the EUⁱ but needs greater momentum and leadership from member state Government's and Parliament's.

In our submission to the Committee of December 2008ⁱⁱ we recommended the key policy areas of most relevance to Scotland on which the EU budget should deliver are:

- Action on **climate change** (mitigation and adaptation)
- **Common Agricultural Policy** reform
- Reversing **biodiversity** loss
- Recovery of **marine** ecosystems

We stand by these priorities but also wish to stress that getting the correct enabling framework in place – particularly the *governance* of the budget and EU and member state *macro-economic policy* – will be a prerequisite to effective action on these issues.ⁱⁱⁱ In the table below we have provided some more detail on the kinds of policy areas where additional EU funding would begin to make a difference to the four areas listed above.

Table 1. Some key policy priorities requiring investment under the reformed EU budget

Policy priority for EU budget	Rationale	Proportion of budget
<p>Reforming macro-economic policy Develop new macro-economic capability across the EU to deliver sustainability including moving ‘beyond GDP’</p>	Without overarching reform of macro-economic policy, patterns of unsustainable development will continue even with good progress in other policy areas	Low
<p>Investing in green jobs Provide incentives to stimulate development in green industries including clean energy, public transport, sustainable land management, green infrastructure, green housing (new and retrofitted) coupled with training and support.</p>	This is win-win solution to the problems of rising unemployment and the urgent need to move to a low carbon economy and recover the health of ecosystems in the face of rapid climate change.	Medium
<p>A fit for purpose climate change package A package of measures to mitigate and adapt to climate change should include:</p> <ul style="list-style-type: none"> • Significantly strengthening of the EU Emissions Trading Scheme • Substantial and early investment in efficient use of energy and promotion of energy conservation • Investment in ‘sustainability proofed’ renewable energy sources and clean coal technologies • A climate change research and development fund dedicated to bringing breakthrough technologies to market • Investing in ecological networks and green cities initiatives for climate change adaptation 	As the Commission recognises in its communication on budget reform SEC(2007)1188) “the impact of climate change on Europe’s environment has become central to the European agenda”. The EU has a key role to play in helping create a level playing field for coordinated action throughout Europe. Action at the EU level should <i>complement</i> action at MS level under the principles of subsidiarity and additionality.	High
<p>CAP reform</p> <ul style="list-style-type: none"> • Replace the CAP with a EU Sustainable Land Use Policy which meets food demands while protecting the environment • Retain existing levels of spend on land management • Focus funds securing non-market public goods and ecosystem services (biodiversity, water quality, sustainable flood management, soil protection carbon storage, landscape, cultural heritage and public access) • Maintain Scotland’s High Nature Value farming systems which risk abandonment under current subsidy systems 	Scotland currently receives the lowest rural development payment per hectare of farmed land out of all EU member states. Scotland also receives the lowest level of direct funding out of the EU-15. If allocations across the UK are compared, Scotland currently receives about a quarter of the UK’s Rural Development allocation, though Scotland’s Utilised Agricultural Area (UAA) makes up a third of the UK’s total UAA. While there is no definitive measure of High Nature Value (HNV) areas (as the term refers rather to farming system than a particular site), by far the largest proportion of the UK’s HNV systems are located in Scotland. Scotland should be pushing hard for a rationalisation of the way funds are distributed across member states in line with the principle that all land management funds must pay for the provision of public goods. This will make good economic and environmental sense for Scotland.	High
<p>Marine health recovery</p> <ul style="list-style-type: none"> • Redirect and / or top up the 4.3 billion EUR budget for the fisheries sector to spend on the recovery of degraded marine ecosystems • New funds allocated to the implementation of the Marine Strategy Framework Directive 	Scotland’s seas are home to half of Scotland’s biodiversity. They provide us with a range of important goods and services – including food, energy and recreation – and the employment opportunities these support, from fishing and aquaculture to leisure and tourism, rely fundamentally on a healthy marine environment.	Medium
<p>Ecosystem recovery and biodiversity protection</p> <ul style="list-style-type: none"> • Specific biodiversity funding (e.g. LIFE+) should be substantially increased • Set new targets / indicators to halt biodiversity loss and recover the health of ‘agricultural ecosystems’ with investment directed to achieving these targets in the short term • More funding to incentivise sustainable forest management and wood pasture systems 	Biodiversity underpins the components of human well-being and provides essential environmental goods and services. ^{iv} Despite being a key policy priority, specific funding for biodiversity conservation continues to make up a fraction of the overall EU budget ^v . This lack of investment has contributed to the failure to hit agreed EU targets to ‘halt the loss of biodiversity’ by 2010.	Medium

What are the challenges and opportunities for Scotland in relation to the future EU budget?

LINK believes that investing in a low carbon, ecologically sustainable future presents an opportunity to redefine what we mean by prosperity and improve the quality of people's lives. Furthermore, environmental and climate stability is inextricably linked to global political and economic stability so it is vital the EU budget is aligned to deliver on the challenges (and opportunities) of ecosystem health recovery and rapid carbon reduction. As Sir Nicolas Stern said in a recent speech "...low carbon technology is the growth story of the future. High carbon growth has no future: it kills itself first on very high prices for hydrocarbon but, secondly, it kills itself on the very hostile physical environment that we create. So we have to be clear that the low carbon technologies, the energy efficiency story, which is necessary for tackling climate change, is in fact the growth story."^{vi}

More specifically, challenges and opportunities will be presented by the next round of CAP reform. Scotland does not do well financially from the current distribution of CAP funding.^{vii} There is no doubt that there will be large changes to the CAP after 2013. In a worst-case scenario, there could be large cuts to the funds available to land managers especially in the EU-15. Large areas of Scotland will never be highly productive in terms of food production (the basis for previous CAP subsidies). However, Scotland can perform much better in terms of providing public goods. Currently, many of the more environmentally beneficial, extensive farming systems across Europe are under threat - an acknowledged problem in many member states. In the recent round of CAP reform, countries such as France took the opportunity to move funds towards more 'extensive' upland systems. Recent reports^{viii} show how rapidly livestock keeping is declining in parts of Scotland. This trend is likely to continue if the Government does not take action. There could be economic opportunities for rural Scotland if future CAP spend is targeted more at High Nature Value (HNV) farming systems as this could potentially increase EU funds flowing into rural areas.

What action should be taken now by a) Scottish Government b) Scottish Parliament c) Scottish stakeholders?

a) The Scottish Government (SG) should lobby the UK Government and the EU institutions directly to ensure the policy priorities listed above are high on the EU budget reform agenda. SG should particularly make the case for increased investment from the CAP budget into HNV type farming systems. Scotland has a high proportion of HNV farming which, if well managed, could deliver carbon storage (particularly from Scotland's extensive yet degraded peatlands and organic soils), water regulation, water quality, enhanced biodiversity, ecotourism, recreation and health. In order to demonstrate Scotland's willingness to reform agricultural funding, SG should move away from the system of distributing the Single Farm Payment based on historical activity. The Less Favoured Area Support Scheme should also be reformed to link payments better to the environmental benefits provided by extensive farming systems. This will give better justification to continued funding after 2013.

b) The Scottish Parliament (SP) could usefully hold a wider 'stakeholder summit' on EU budget reform and future priorities, inviting expert speakers (from within both Scotland and Europe) to speak on key topics including governance, sustainable economics in the EU, CAP reform, climate change and ecosystem management. The SP also has vital role in advocating agreed policy priorities at all levels.

On the marine environment, the SP and SG are well placed to share their experience of developing the Scottish Marine Bill throughout the EU.

c) LINK will continue to work through its networks at Scotland, UK and EU levels to ensure the policy priorities above are promoted to EU institutions and member state Governments.

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ⁱ See <http://www.beyond-gdp.eu/>

ⁱⁱ Evidence from Scottish Environment LINK to Europe and External Relations Committee on Inquiry into the EU Budget Review (15/12/2008)

ⁱⁱⁱ Sustainable Development Commission (2009) Prosperity without Growth? The transition to a sustainable economy.

^{iv} See for example a European Commission led initiative on 'The Economics of Ecosystems and Biodiversity' <http://ec.europa.eu/environment/nature/biodiversity/economics/>

^v Recent analysis published by the European Commission shows that over the last decade the European Union has reduced its direct investments in nature protection to 0.1% of the EU budget

^{vi} Nicolas Stern speaking at the Jacques de Larosière lecture at the EBRD's [2009 Annual Meeting](#).

^{vii} See previous 2008 LINK submission to the Committee on EU budget reform

^{viii} E.g. SAC (2008) Retreat from the hills, <http://www.sac.ac.uk/mainrep/pdfs/retreatreport.pdf>