

Agricultural Funding: Missed opportunities to support climate and nature friendly farming

SUMMARY

This briefing sets out the views of Scottish Environment LINK's Food and Farming Subgroup on the allocation of certain agricultural funding to Scottish farmers and crofters and the ending of the Agri-Environment Climate Scheme. These recent decisions are a missed opportunity to support farmers in the short term take appropriate actions to address the climate and nature emergencies.

The briefing sets out the following recommendations:

- **Any further allocations of convergence funding should be invested in helping farmers and crofters respond to the interlinked challenges of both the climate and nature emergencies.** This could include allocating some of this funding to the Agriculture Modernisation Fund or to increase the funding for climate-related advisory services.
- **The Scottish Government should continue to provide the necessary funding to keep the Agri-Environment Climate Scheme open for new applications, as well as honouring existing commitments.** AECS should continue to operate until a new system of environmentally-focused land management schemes and payments is in place, post-2024.
- **Payments made during the CAP transition period from 2020-2024 should help Scotland to achieve its net-zero by 2045 target.** This could include: revising Pillar 1 greening payments to deliver for wildlife and the environment and capping direct payments to use freed up funds to pilot nature-based solutions to climate change.

INTRODUCTION

Scottish Environment LINK is the forum for Scotland's voluntary environment community, with over 35 member bodies representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society.

Recent agriculture policy decisions regarding the use of Convergence Funding and in relation to the Agri-Environment-Climate Scheme (AECS) are missed opportunities in the short-term to help farmers take appropriate action in response to the climate and nature emergencies.

The climate and nature emergencies are now widely recognised and the need for urgent action is understood. How we use and manage Scotland's land has a central part to play. Farming is both part of the problem and a major part of the solution to addressing the climate and nature emergencies. Farming gives rise to significant greenhouse gas emissions and many modern-day farming practices are contributing to wildlife declines. At the same time, by reducing emissions and managing land to sequester and store carbon, by practising nature friendly farming and by maintaining and creating wildlife habitats, farmers and crofters can make a positive difference. To do so, they need the right policies in place and appropriate financial support and advice to help them.

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Scottish Environment LINK recognises the uncertainties faced by the Scottish Government in the context of Brexit and specifically in relation to agricultural funding in the coming years. The Government's commitments to Stability and Simplicity in the short term and to develop a new rural policy in the longer term, are both welcome. Nonetheless, the urgency of the climate and nature emergencies means progressive policies are needed now.

USE OF CONVERGENCE FUNDING

The Scottish Government was successful in making the case to the UK Government for £160 million of Common Agricultural Policy (CAP) funding – known as Convergence Funding – to come to Scotland. Scotland is to receive this money due to it having a large share of upland farmland that has, historically, received a low share of farm payments. On 29th October, the Scottish Government announced how it intends to distribute £80million of this money in a first payment to farmers.¹

Some of this money will help to support farming and crofting businesses in Scotland's High Nature Value farming areas (predominantly found in the Highlands and Islands) through the uplift to payment rates in Regions 2 and 3. This is welcome. However, a significant proportion of the money (50%) will be used to support those with better quality land in Region 1, which already attracts a higher level of farm payments. In all cases, none of this money will directly encourage farmers to take specific action to help tackle climate change or halt the loss of nature.

Scottish Environment LINK believes the lion's share of the Convergence Funding – and any further allocations - should be invested in helping farmers and crofters respond to the interlinked challenges of both the climate and nature emergencies. For example, some of this funding could be used as a starting point for the Agriculture Modernisation Fund,² included in the new Climate Change (Emissions Reduction Targets) (Scotland) Act 2019, to help farmers and crofters take further action to reduce emissions, including. Another possibility would be to increase funding for climate related advisory services.

THE AGRI-ENVIRONMENT CLIMATE SCHEME (AECS)

AECS is one of the few CAP schemes that is already designed to support farmers, crofters and other land managers for activities that benefit nature or help to mitigate or adapt to climate change. It supports land management that helps important species and habitats, improves the condition of protected areas, pays for peatland restoration and supports organic farming, amongst other things.

Under normal circumstances, as part of the 2014-2020 Scottish Rural Development Programme, spring 2020 would be the last year for the scheme to open for applications. This would mean agreements starting in 2021 and running for a five-year period. The Scottish Government has now announced that AECS will not open for applications in 2020 meaning the scheme is effectively now closed; this is concerning given the need for ongoing climate action and to help nature. One positive step is the commitment to extend contracts that were due to expire on 31 December 2020 for one year until 31 December 2021. Beyond this, there has been no commitment from the Scottish Government of its intention to continue to fund environmental land management through appropriate schemes.

Scottish Environment LINK believes the simplest and best option in the short term is for the Scottish Government to continue to provide the necessary funding to keep AECS open for new applications, as well as honouring existing commitments. AECS should continue to operate until a new system of environmentally focused land management schemes and payments is in place, post 2024. To avoid the problem of creating

¹ Scottish Government, 2019, <https://www.gov.scot/news/agricultural-support-outlined/>

² Note this is referred to as the 'Agricultural Transformation Programme' in the 2019-20 Programme for Government

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legacy funding commitments and locking land managers into 'old' schemes beyond this time period, the Scottish Government could issue contracts with break-clauses or make a commitment to allow those in such schemes to transition to agreements under new schemes.

Without this, the prospects for many species and habitats that depend on the multi-annual environmental land management activities carried out by farmers and crofters, and for a range of beneficial climate related activities as well as for organic farming, look uncertain over the coming years.

LOOKING AHEAD

If the UK leaves the EU, the Scottish Government has promised a period of 'Stability and Simplicity' for agricultural payments in 2020-2024 followed by a new rural policy post 2024.³ Most commitments made by the Government so far have focused on the income support elements of the CAP (Basic Payments in Pillar I and Less Favoured Area Support Scheme (LFASS) in Pillar II).

Whilst these will help to underpin the viability of some farming and crofting businesses in the short term, the distribution of both funding streams is already problematic and fails to favour the most environmentally important but economically and socially vulnerable farms and crofts and instead directs money to the better-quality land and more commercially viable businesses overall. Neither are these payments designed to explicitly deliver environmental outcomes nor will they incentivise or support farmers to take steps to combat climate change or help biodiversity unlike other schemes and support measures within Pillar I.

Much more emphasis is needed in a CAP transition period to support activity that will help Scotland reach its target of net zero emissions by 2045 and to halt the loss of biodiversity. Options include:

- Revising Pillar 1 greening payments to better deliver for wildlife and the wider environment, focusing on the Ecological Focus Area component of greening, as long as CAP-related payments are made.
- Considering capping direct payments and using the money freed up to support activity that will drive emission reductions. This could include testing nature-based solutions to climate change, for example. peatland restoration and the creation of more habitats on farms such as hedgerows, field margins and woodland.
- Develop and trial a new system of environmental land management payments building on work currently being led by SNH and others . on 'results or outcome-based' payments.

In the longer term, LINK members welcome discussions underway through the Farming and Food Production - Future Policy Group (FFP-FPG), set up to help the Scottish Government consider a new rural policy post 2024.

Regarding future agricultural policy LINK continues to call for:

- The principle of **Public Money for Public Goods** to be applied with the lion's share of funding dedicated to sustainable land management payments and support for specific farming systems including organic farming which can deliver climate and nature benefits.
- **Investments to facilitate change** such as helping farming, crofting, forestry and other rural businesses adapt and develop, improve business efficiency and explore market opportunities.
- **Continue to fund and make best use of AECS** until new environmental land management schemes and payments are in place.
- **Investments in supporting activities** including research, knowledge transfer, training and advice.

³ More information can be found at: <https://www.gov.scot/publications/stability-simplicity-proposals-rural-funding-transition-period/>

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