

DRAFT PROVISIONAL RECOMMENDATIONS

Ensuring sustainable agriculture and forestry for future generations of Europeans

An independent 'High Level Group' composed of over twenty leading experts of European business, academia, governments, as well as the European Commission, acting in their personal capacity, outline guidance for future EU agriculture and forestry policy-making.

- A fundamentally new approach is required, driven by societal demands, through real Innovation Strategy for the agriculture and forestry sector, with clear directions:
 - **Adopting better embedded EU measures for agriculture, forestry, and rural development** within the macro-economic context since specific single measures or regulations too often contradict broader macro-economic developments.
 - **Encouraging more system efficiency, flexibility, and diversity**, reflecting the biosphere's territorial diversity.
 - **Increasing attractiveness of farming and rural development** to ensure food security, biodiversity and prevent rural depopulation.
 - **Reducing and gradually eliminating carbon emissions** through a pricing or taxation mechanism within a bio-circular production model to ensure resilience in ecosystems and offer new market opportunities (e.g. biomaterials).
 - **Adopting new bioscience and digital technologies quickly and widely** to rapidly improve both sustainability and competitiveness.
- Such policy transformation should be based on:
 - **Broad inter-disciplinary science analysis** recognizing that both maintenances of both public goods and radical innovation are needed to enhance international competitiveness and ensure a sustainable agri-food and forestry sector, as well as attractiveness of rural development.
 - **Reviewing the critical role of tax systems and incentive and regulatory frameworks** to deal with remuneration of public goods and ecological and economic imperatives.

Background

The independent tripartite High Level Group on Innovation in the Biosphere Economy's task is to think 'outside-the-box' to improve policymaking in the EU and co-design innovative pathways, in the interest of Europe's citizens. In practice, this is an 'open innovation' approach between the governments, business, and academia, to inject innovative policy ideas into the EU system in order to improve economic efficacy and social responsiveness.¹ Its method goes back to an initiative by the Council Presidency.²

At its meeting on 8- 9 May 2019, the members of the High Level Group agreed on a set of strategic policy guidelines for the future of biosphere, presented in this paper.³

¹ Members participate in their personal capacity. Each recommendation for action and idea for further consideration is normally reached by consensus. If not agreed by all members, this advice is based on the widest agreement.

² Council of the EU, 5-6 December 2011, Presidency Note.

³ The High Level Group continues to deepen and widen these recommendations.

The objectives

The challenges faced by farmers and forest owners today are extremely complex and diverse. The societal pressure to act is becoming ever stronger. However, agriculture, fisheries, and forestry have not been idle in recent decades, but the pressures are increasing. For example, society demands food (and biomaterials) at reasonable and affordable prices. At the same time, the ecological footprint, meaning negative environmental and climate impacts, such as consumption of fertilizers and pesticides and greenhouse gas emissions, should be reduced. Agriculture and forestry also need to maintain, provide and develop societal services such as rural landscapes (avoiding further rural depopulation), insect pollination, clean air and water, tourist appeal, and recreational effects.

Without the right political and civil society framework conditions and a new format of rewarding such societal services, farmers cannot cope with these challenges. We need to engage in a broad societal discussion on what we want to implement and in which sequence, what we can or cannot achieve. The discussion about less meat in our diet or the reduction of food waste and food losses, as required by the recent IPCC Special Report “Climate Change and Land Systems”, are steps in the right direction. It is, however, crucial that politicians, academia and interest groups work together on a common strategy.

Therefore, EU policies must enable fast and full impact from macro-economic, new scientific, social and technological developments. They must stimulate economic competitiveness and entrepreneurship through radical re-design of existing innovation, regulatory and tax architectures, introducing more effective consultations processes (such as the concept of a hearing during a regulatory procedure).

The European Council, in cooperation with the Commission, should provide clear guidance on strategic targets and milestones to be achieved in a transformative process of current policies, around the following recommendations:

I. Renew agricultural policy methodology

The complexity of the biosphere systems in Europe requires more flexibility and diversity of economic models, adapted to territorial diversity. Agriculture policy-making implies a number of cross-cutting policy goals, whose complexity urgently requires a new governance methodology, focused on the delivery of the strategic goals; based on multi-disciplinary, independent impact assessments; and on collaborative governance methods between European, national and regional policymakers and stakeholders from the entire value chain. This requires rethinking of the system inherited from a different age, and giving a key role to science and stakeholders’ preferences, making the system result-based, with proportionate application, auditing, and strategic targets and milestones.

Current global and technological developments and today’s inappropriate subsidy system of direct payments to farmers are driving EU agri-food policy rapidly to the edge of failure. More attention should be given, therefore, to policy re- and co-design methods. To start, the right questions must be asked about health, climate, and environment, to break through silo thinking and to create a new narrative and new goals. Critical factors of production such as risk management knowledge and labor availability,

competitiveness and rural attractiveness need to be taken much more into account, instead of focusing too much on static farm support.

II. Improve production system efficacy, efficiency, flexibility, and diversity

The present EU policy of harmonization of measures and the ‘one size fits all’ approach does not, (and never did) respond to the diverse ecological and economic conditions and to the variety of consumer demand. Although an EU wide macro-economic and ecologic set of overarching objectives framework is needed, its implementation must be subject to national and regional agreements. These need to be based on best practices experienced in the ecologic, economic and rural development (selectable from a ‘toolbox’) and leave sufficient room for entrepreneurial farming in agreement with the local communities.

Such a system change demands a closer collaboration between (representative) civil society, business, academia, and governance at all levels (from regional to European). It demands independent, systemic impact assessments, permanent stakeholder dialogues, use of innovative social and deliberative democracy methods (as already applied in some Member States), and a regular peer review. Importantly, Europe’s model of consumer and environmental standards and values must be fully respected, including in all trade agreements with third countries.

Short and mid-term (5-7 years) EU subsidies could be used specifically for the compensation of agricultural and forestry services for environmental and climate protection and for raising the animal welfare level. By this way, society pays for services that it wishes to gain from farming and forestry. However, the present direct payment scheme is not considered to appropriately address the overall societal demands for agriculture and forestry.

People living in rural areas should be enabled to jointly agree on the best practices in their region together with the farmers, forest owners, ecologists, and local infrastructure representatives (e.g. tourist, infrastructure/traffic, educational, social sectors). In fact, in rural zones where people cohabit more closely, agreements can be achieved much faster and more transparently and with broad support (conflicts often generate at the top level of interest groups rather than at operative and practical levels).

III. Apply the Paris Climate Agreement targets to the biosphere sector

Carbon pricing may be a crucial lever to engage the sustainability transition and to reach the Paris Climate targets. It internalizes climate and environment externalities into the price of energy and products, thus redirecting market preferences for cleaner alternatives. However, any system needs to be proportionate and make cleaner alternatives economically more attractive. This requires a proper analysis of the full agri-food and forestry value chain. Science and technology are already more advanced than current regulatory architectures which need urgent adaptation (including EU agencies’ reform). The system should be socially fair and used to invest in research and innovation to speed up the transition.

Unilateral mitigation measures in the EU may have unintended consequences if international trade is not taken into account and will impact acceptability and fairness. On the other hand, even a simple global multilateral agreement would find considerable resistance in all those countries that would lose international competitiveness since it may lead to both negative social consequences and negative environmental consequences.

A form of carbon taxation will be needed, but its revenues should be used to compensate those negatively affected and to support research investments to make production more efficient and sustainable.

IV. Research and innovation for a circular bioeconomy and sustainable development

Progress demands a rapid and widespread use of new technologies and reforms in the entire value chain, stimulated by innovative taxation and incentive systems. Such policies need to ensure also social innovation and sustainability in rural areas. At the same time, circular agricultural, fisheries and forestry produce and the development of the emerging bioeconomy, focusing on resource-efficient inputs and on optimal re-use of outputs, is key to provide additional income for reaching sustainability.

Targeted subsidies and innovative taxation are considered positive drivers of uptake of innovation at farm level. But more efficient indirect interventions, such as independent informational support, and demonstration to prove the viability of economic return may even be more effective tools to increase adaptation of innovation.

August 2019