



NOTES & ACTION POINTS FROM MEETING WITH MINISTERS RICHARD LOCHHEAD AND ROSEANNA CUNNINGHAM, HELD ON 2 FEBRUARY 2011, AT HOLYROOD

Attending

Scottish Government Richard Lochhead Cabinet Secretary for Rural Affairs and Environment (Chair), Roseanna Cunningham Minister for Environment and Climate Change, Jonathan Pryce Head of Rural and Environment Directorate, Michael O'Neil Agriculture and Rural Development Division, Peter Stapleton (secretariat) Climate Change in Greener and Water Division.

LINK Deborah Long Chair, Vicki Swales SLU & RSPB, Helen Todd trustee & RS, Jonathan Wordsworth Archaeology Scotland & various LINK task forces, Jen Anderson & Andy Myles both LINK staff.

Welcome and Introductions

Richard Lohead (RL) welcomed LINK, explained that Roseanna Cunningham (RC) was now able to join the meeting as originally intended. Introductions were made round the table; Jonathan Pryce was newly into the RAE Directorate. Deborah Long thanked RL for the meeting (rescheduled by SG from January) and for the opportunities which the series had given LINK since 2007; she hoped these had also been useful to Ministers and might continue after May, whatever the outcome of the election.

1. RAE portfolio budget

LINK outlined key issues in their paper which had been discussed with RC (Sept) who had appreciated the lack of special pleading; the thrust of LINK's case was that environment needs a long-term approach being the basis for tourism and many industries and an important part of health, wellbeing and the economy; LINK was glad that relevant cuts were not as bad as in the south and could see ways of reshaping Government without losing necessary expertise; urged that there were no economies of scale in such a modest budget area where efficiencies were already achieved through SEARS. LINK asked if Ministers agreed that environment underpins future success across sectors and asked how SD principles were standing up to negotiations.

RL was proud of Government's record in 4 years in relevant policy, expenditure, mainstreaming SD, carbon reduction and gave assurances that, though no sector would be 'happy' with the final outcomes, environment had been central in debate and Mr Swinney keen to protect sustainability and budgets to deliver that. As the debate showed, some areas were protected, some enhanced, some would be cut, esp. capital. Environment would be at the heart throughout the Budget Bill. RC noted that the small wins on 2 fronts (including enhancing CCF) had been hard won and were directed to communities, where Government felt confident there would be visible impact. Against a backdrop of 'no end to demands' it was hard to prioritise. RL commented on the difficulty of achieving sustainability wins in current budget heading terms – the Government had been trying to change the whole way in which things were done.

LINK agreed there would be value in getting smarter at attributing CC spend under other headings and enquired about possible changes to Government structures (other than demise of SDC), indicating that LINK was ready to contribute to discussion and interested in opportunities to engage.

RC said Agencies were being asked to work more efficiently and to focus on how to deliver CC. Discussion was afoot with SEPA for example with a view to bottoming out how to achieve CC across its remit, also in relation to transport, energy and more; the complexity was in getting agreement about budget elements which relate and at what level. The absence of a budget heading would not mean this was not happening, though the Minister was keen for greater clarity on the areas that do relate. LINK agreed it would be easier for all, if Government could provide more clarity on this and again asked about plans for mergers, alterations of responsibility among government depts. or agencies or 'hivings off' to a Scottish 'big society'.

Ministers reiterated that there would have to be ongoing discussions, this Government was outcomes focussed and less interested in creation of multiple agencies in such a small country. The streamlining objective would not go away and opportunities to ensure against overlap and integrate would be kept under review. However, RC was aware of nothing analogous to the switch of care for the elderly (breaking news), though parallels might develop over the next year or two. RL referred to the preferred 'team Scotland' approach, in relation to which, SEPA's core regulatory function lends itself less to merger (eg with Scottish Water) though in areas such as permits there was scope. LINK reiterated its interest in contributing constructively to discussions including of areas which Government might want to see shifted to the voluntary sector, and reported its submission to the Christie Commission would indicate more of its views on long term provision of public services. Regarding the chance of surprises at the vote, LINK was ready to argue vociferously against further cuts and in favour of a long-term view. Ministers said there were no indications, environment had already taken its fair share and they would be very surprised if further cuts were made. DL asked Ministers to let LINK know if there was anything members could do to support.

2. SRDP

LINK introduced the paper (App 1) acknowledging the limits for changes at this stage and the unsurprising cut to this large budget, but flagging the store which LINK put in how SRDP delivers across a range of concerns and concern at the hit which Axis 2 is to take. Given its ability to deliver a lot of targets, boost the economy and jobs, LINK felt expectations on this shrinking pot were enormous.

RL defended some of the cut as inevitable as a result of legacy schemes ending; in addition LFASS budgetting offered savings in terms of reduced participation and thus opportunity to 'reach'. LINK reiterated the current challenge of achieving outcomes across headings collectively agreed to be important; the issue was not that marginal farms were not vulnerable but about how to deliver more from this scheme. Evidence from mid-term evaluations showed that LFASS was not delivering; together with the reduction in measures which could deliver for the environment, Scotland was in a worse position.

RL said Government could reflect on that for the remaining years but that there would be no further review of LFASS. In response LINK outlined three suggestions:

- Reduce payments for grazing categories C and D and increase agri-environment provision;
- Reduce priorities for remaining funds; LINK was in discussion with officials about priority habitats, species and landscape issues where desired outcomes are not being delivered currently;
- Cut the ceiling for LMOs and take some previously well-funded options out to allow others to do better in the remaining months.

In response Michael O'Neill (MO'N) referred to a relevant review afoot, discussed at the recent Programme Monitoring Committee and to be discussed with stakeholders. However, since the programme was already quite far on, there was caution about introducing further complexity given the administrative and support impacts. His advice was to focus this advocacy on the next programming period, which would also be discussed with stakeholders. LINK noted this should offer opportunity for integration with Scotland's sustainable land use strategy and wider landscape issues to which MO'N noted that SG would be guided by EC views on use of next tranche of funding.

To illustrate the difficulties in accessing the scheme, LINK outlined problems over funding for public access provision; various NGOs had written to the Minister to flag that funding for access was not coming through. Despite evidence of tangible public benefits from previous schemes, funding for access provision under the current SRDP schemes stood at approx £3.5m over 2.5 years, compared to £36.5m over 5 years in the previous scheme. Local authority spend is approx £4.5m per year so it would be hoped that SRDP funding would be at least at the same level. It was recognised that the LMC scheme was not always effectively targeted but mechanisms to try to ensure RP/LMO/LEADER delivered effectively had had unintended consequences which discouraged land managers from



applying and targets were not being met. Only the large land managers could benefit by employing agents to secure funds. Moreover, it was extremely difficult to get information on both funding provision for access and monitoring data.

RL recognised the problem and said there would be focus on fixing this for the next scheme and if possible during the remainder of the current one. LINK stressed that this was an example of the long-term view and planning needed for the environment and asked about plans to address blockages in the short-term (eg, raising funding available for bridges from its £500 limit, only 75% of funding available for any scheme). MO'N referred to the change from previous schemes' flat rate payments to the current emphasis on investment type actions with competitive applications designed for 'deeper benefit'; he said Europe needed to be more flexible about claims and redesign mechanisms; he alluded to a 'land manager plus' approach planned, once figures for the new programme are available.

LINK went on to flag concern that landscape and historic environment issues were being under-addressed in the current programme. In addition the lack of data meant absence of knowledge of what is going on including any good practice which could be promoted.

RL indicated his own concern about this and asked his officials to provide more information. MO'N indicated that because of the issues an electronic system was to be introduced soon. LINK reiterated serious concern that public expenditure could not be justified where outcomes were not being met and examples of good practice could not be accessed and therefore promoted. RL agreed that Government must work on that and invited MO'N to suggest how. MO'N reported that some information is available which SG is required to report but the benefits LINK referred to would only come through evaluation, for which it is too soon in the current scheme; however he thought that SG could run a 'smaller version' of that evaluation in the period up to 2013. RL undertook to liaise with colleagues and keep in touch with LINK.

3. CAP

Looking to the future and aware of the stakeholder discussions of 1 Feb, LINK noted the devolved administrations' success in asserting the importance of agriculture in their part of the UK, but expressed sympathy with Defra's preference for an emphasis on payment for public goods as the rationale for CAP in future. Ministers responded that Westminster's definition of public goods may be different from that in Scotland and saw danger in scrapping Pillar 1.

LINK acknowledged Treasury interest in cutting the UK contribution to CAP, supported the need to maintain that contribution but was keen to see the public support for agriculture focus on delivery of environmental public goods, recognising market failure in this regard, and to have particular regard to supporting high nature value farming in Scotland. Scotland needed to receive a fairer share of EU CAP funds and a greener CAP with greater emphasis on public goods delivery should be to the benefit of Scotland.

Ministers disagreed vocally, citing the job of agriculture as food production, albeit in sustainable ways, with wider benefits alongside. LINK made efforts to highlight the common ground between these two views and to argue that concern regarding future food security was not an argument for supporting food production directly and that the principle established by the 'Pack' inquiry that the most productive and commercially viable farms should receive the highest levels of public support was illogical.

Ministers rebutted this, suggesting Scotland could end up valuing the environment and reducing production; they saw the need as striking the balance between 'greening' and production and saw Defra's position as leaving production to look after itself. RC suggested that under LINK's rationale Scotland might find itself with GM and more imports from countries with poorer standards. The discussion concluded there with LINK urging Ministers, in progressing negotiations, to give thought to delivering support across all the areas discussed and encouraging a viable and sustainable industry.



4. Climate Change

With reference to the RPP's expectation that the SRDP would help to meet various land use targets for climate change, LINK had time to briefly flag win-win opportunities in terms of peatland restoration. Given real concern over the emphasis of the voluntary approach and the absence of incentives, LINK proposed that various potential partners (including Scottish Water, SNH, SEPA) be encouraged via a high-level group led by Ministers to take forward a small number of peatland restoration projects and demonstrate the benefits and potential of Scotland's peatlands. Ministers agreed there was growing interest amongst various players in the role peatlands could play and a role to be delivered in raising public awareness and RL indicated that Government would be happy to work with LINK to develop the idea of pilots.

RC also invited LINK to provide briefing in advance of her meeting the following week with the European Climate Commissioner; LINK accepted the opportunity and a briefing was later provided and is appended at App C.

In conclusion

Richard Lochhead thanked LINK for the discussion indicating that Ministers had found the exchanges useful.

LINK Briefing for Ministerial meeting, February 2011

Rural Spending: short term options and longer term CAP reform

The CAP is a major source of funding for Scotland's rural areas. Scottish Environment LINK wishes to see much greater emphasis in future on supporting sustainable farming systems and the delivery of public goods, through CAP payments.

In the short term, we recognise there are limited opportunities to modify or re-direct CAP payments towards environmental goals but there is scope to prioritise environmental funding through the SRDP. In the longer term, we call on the Scottish Government to support a fundamental reform of the CAP to secure the delivery of public goods from agriculture.

Short term funding priorities

The recently published spending plans and draft budget for 2011/12, reduced the SRDP budget by £50 million. We recognise the difficult financial climate the Scottish Government is operating in but are disappointed by this reduction in expenditure and wish to make a number of comments:

- The allocation of funds for 2011/12 appears to have been made on the basis of where funds have already been allocated and avoiding loss of EU funds than according to strategic policy decisions on where to reduce or maintain spend to achieve certain outcomes. We are particularly disappointed at the £10m reduction in agri-environment expenditure.
- The LFA budget has been preserved at the expense of other areas of the programme despite assurances, when an increase in the budget was announced last year, that this would not impact on other areas. We would support some reduction of the budget through reducing payments to grazing categories C and D (generally better quality land) in order to fund agri-environment measures.
- Spend on the agri-environment component of Rural Priorities should be maintained and targeted at the best applications. Spend should be focused on achieving key environmental outcomes including the protection of priority habitats and species and the management of important landscapes. If necessary, the budget for Rural Priorities should be maintained at the expense of LFASS or Land Manager's Options e.g. by closing certain options and reducing the maximum funding that can be applied for.

Reform of the CAP beyond 2013

Scottish Environment LINK has called for a fundamental reform of the CAP (post 2013)¹. We believe that:

- The current system of support, largely based on historic production rather than objective measures, is no longer tenable.
- The future rationale for public support for the agriculture sector should be the delivery of public goods. Agri-environment measures and support for High Nature Value farming systems should be central components of a reformed CAP.
- The EU CAP budget is likely to be reduced but needs to be maintained, as far as possible, to secure the provision of such public goods from agriculture.
- Scotland receives a disproportionately low share of EU CAP funds and CAP reform is an opportunity to redress this imbalance, particularly in relation to Pillar II. Scotland is likely, in our view, to benefit financially under a system of support focused on public goods delivery.

¹ Scottish Environment LINK (2008) Beyond the CAP: Towards a Sustainable Land Use Policy that works for Scotland. See www.scotlink.org

LINK advocates four broad types of payments under the future CAP, designed to promote sustainable farming systems and ensure the delivery of public goods, including:

1. A payment for basic management measures carried out across all farmland
2. Higher level payments for management which requires more of a change in practice and delivers more in the way of public goods
3. Payments to support High Nature Value (HNV) farming and crofting, and other systems such as organic farming which deliver an integrated farming and environmental approach
4. Targeted payments to enhance the status of priority species, habitats and protected wildlife sites.

Communication from the Commission: The CAP towards 2020

The Commission Communication (COM (2010) 672 final) identifies a number of objectives for the CAP and sets out three broad policy options for the future. Option 3 is closest to Scottish Environment LINK's aspirations for the future CAP but we believe that the outcome of the negotiations is likely to be closer to Option 2. This suggests better integration of objectives across both Pillars of the CAP, in particular moving to a 'greener' Pillar I in order to deliver environmental public goods. LINK supports this direction of travel and considers that much could be achieved through '*...environmental actions that go beyond cross compliance and are linked to agriculture (e.g. permanent pasture, green cover, crop rotation and ecological set-aside).*' Our proposals for a basic payment and higher level payments would fit well within a reformed Pillar I of this nature. Pillar II will continue to have a critical role to play in the delivery of public goods, and we wish to see agri-environmental measures remain a central and well-funded component of wider rural development programmes. Support for HNV farming and crofting could be achieved both through Pillar I support for 'areas with specific natural constraints' and also through specific Pillar II measures. ***LINK calls on the Scottish Government, as part of the UK delegation, to argue for, and support, a meaningful greening of the CAP through the reform negotiations.***

'The Road Ahead for Scotland' Final Report of the Inquiry into Future Support for Agriculture in Scotland

We commend the Cabinet Secretary for instigating the Inquiry into Future Support for Agriculture in Scotland early in the CAP reform process. The final report is helpful in setting out many of the challenges agriculture faces in future, and the contribution it makes in terms of delivering public benefits. Some of the proposals chime with those of the Commission Communication e.g. the concept of additional or 'top-up' payments within Pillar I and warrant further consideration. ***LINK welcomes the establishment of working groups² to take forward a number of issues and we have indicated our intention to contribute to these.***

We are, however, disappointed by many of the Inquiry Report proposals. We disagree fundamentally with the principle (Section 5.2) that the more active farmers should receive the most direct support, due to the high costs they face and their potential to contribute to meeting global challenges. We challenge both the principle itself and the assertions that underpin it. This principle, and the proposals that flow from it, will essentially perpetuate the current system that allocates the most funding to the more intensively farmed areas in the east and south-west of Scotland and the least to the more extensive and, in many cases, High Nature Value (HNV) livestock farming systems in the north and west of Scotland. Distributing the least support to those farming systems that are of highest value in terms of delivering public goods and are most economically vulnerable, makes little sense to us.

LINK calls on the Scottish Government to reject the principle regarding the distribution of direct payments and identify ways in which support regimes could better support HNV and economically vulnerable farming systems.

LINK briefing/ Dec 2010

² Through the CAP Stakeholder Group



LINK Briefing for Ministerial meeting, February 2011

Procedures for applications to and funding from the SRDP for access provision

The Scottish Government is committed to increasing the number of people who visit the outdoors, and raising levels of physical activity. A critically important part of this process is the SG's Active Nation programme to increase physical activity levels in Scotland as legacy benefits from the London 2012 Olympic Games and Glasgow 2014 Commonwealth Games. All relevant government departments must ensure that they are working in support of the Active Nation programme. This means that agricultural policy and funding mechanisms must be significantly changed so that land managers have the tools available to substantially increase the opportunities available for public access to the countryside and its enjoyment. The Active Nation objectives will not be achieved without a programme to ensure the development of extensive path networks throughout Scotland, along with other measures to help facilitate access to the countryside.

Although Scotland has world class public rights of access to land and water the opportunities to enjoy these is seriously impaired by a lack of footpath networks and other access routes, especially in lowland areas around where most people live. We are probably the worst country in Europe for the density of walking and cycling routes around our villages, towns and cities. Agricultural funding is a key way to resolve this problem by providing funding for access provision. If substantial changes can be made to the existing arrangements we will see land managers playing a key role in delivering huge public benefits as they encourage people to lead more active, healthier lives through enjoyment of the Scottish countryside.

The access measures under the SRDP include Land Management Options (LMOs), Rural Priorities and LEADER schemes. These are all important to land managers, community groups and outdoor recreation organisations but up until now the number of successful applications to these schemes has been very low. We believe this is due to the difficulties in the design of the schemes and the application process, rather than lack of interest by land managers. The opportunities will not be realized without substantial changes to the application process and funding arrangements.

Access networks are not just about well constructed and maintained paths for walking and cycling. When the Scottish Outdoor Access Code was launched, in Feb 2005 at a farm in East Lothian, it was noted that the extensive network of grass margins on that farm provided an ideal example of how farmers could help to implement the new legislation. This is one example of how outdoor access can in a fairly straightforward way be better facilitated in the Scottish countryside. Grass margin management schemes are good for access, wildlife habitat and pollution control - their establishments should be a major component of the SRDP and associated schemes.

LINK Briefing for Environment Minister's meeting with European Climate Commissioner, Feb 2011

Scottish Environment LINK Briefing on Climate Change and the EU

Emissions Targets

We believe there are strong arguments that Scotland's approach to emission reduction targets should be followed by the EU if we are to be serious in our approach to tackling Climate Change.

- The Scottish Government and Scotland supports moving the current EU 2020 target from -20% to -30%, on the way to needed -40%. This change is good for Europe and good for Scotland. Scotland has a plan of action to achieve its 42% target and is committed to achieving this. Scotland believes that an EU target of -30% can be achieved, will put the EU target closer to the required scientific trajectory and will generate important investment within the EU in the growth of a new global low carbon economy
- Increasing this target ensures the balance of effort in hitting our 42% 2020 target is shared across the Scottish economy. The current low target of just -20% and the need to avoid double counting only serves to pull down the emissions reduction contribution required from Scotland's power sector, and ensures the rapid growth in our renewables industry is not fully accounted for.
- The shift to a 30% target is needed to correct the EU emissions trajectory and put it on the right path to hit the needed reduction of 80 - 95% by 2050. The EU's own assessment, backed up by further independent analysis (<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/618&format=HTML&aged=0&language=EN&uiLanguage=en>)
- shows that meeting a 30% target is now almost as inexpensive as meeting a 20% was estimated to be in 2008.
- Given the growing political momentum behind a move to 30%, coupled with the economic evidence for such a shift in the target what does Commissioner Hedegaard understand as the many milestones and timetable to the resolution of this debate well in advance of COP 17 in Durban?

The strings to Scotland's bow

In addition to these broad points with regard to targets, LINK is of the view that Scotland offers many positives in its approach. In particular we think that Scotland should trumpet its work on

- **renewable energy** (on land and in the marine environment);
- **land use strategy** (with what we hope will be a much improved final strategy);
- **adaptation** (especially managed coastal realignment); and
- the emergence of **peatland restoration and maintenance** as an important issue.

Peatlands are extremely important in the global carbon cycle.

- The stock of carbon they store is 3 times that of all forests and other vegetation. **A loss of just 1.6% of peatland carbon is equivalent to the total annual human carbon emissions** (Prof Pete Smith, University of Aberdeen <http://www.iucn-uk-peatlandprogramme.org/sites/all/files/Peatlands%20and%20the%20climate%20challenge%20in%20the%20UK,%20Pete%20Smith.pdf>)
- Scotland's peatlands store 200 times the carbon in the country's total annual ghg emissions.

However, current land management practice involving drainage for agriculture and forestry along with fires and grazing can damage peatlands resulting in loss of the stored carbon.

- Significant areas of Scotland's peatlands are in unfavourable condition and risk losing carbon. Even in the best protected areas of blanket bogs designated as SSSIs, 38% are in unfavourable condition. Much wider areas of Scotland's peatlands are in a damaged state.

Rewetting peatlands has been shown to restore peat forming vegetation to damaged peatlands and reduce carbon losses.

- Research in the Flow Country is among the World's leading peatland restoration projects.
- Positive habitat management measures using agri-environment payments, EU Life funding and rural development funds have helped restore large areas of Scotland's peatlands but greater resources are required to deliver targets of 600,000ha bog to be restored.
- Global climate change discussions under the Kyoto Protocol are considering new proposals to include peatland rewetting in national greenhouse gas accounting. There is an urgent need for these proposals to be concluded and for IPCC guidance to be issued in readiness for the post 2012 accounting period. <http://www.iucn-uk-peatlandprogramme.org/sites/all/files/IUCN%20UK%20Peatland%20Programme%20briefing%20on%20Kyoto%20Protocol%20and%20National%20Accounting,%20January%202011%20revised.pdf>

Conserving and Restoring damaged peatlands brings wider benefits of importance to national and international (EU) priorities for biodiversity and water

- Scotland supports some of the EU's most important peatland habitats designated under EU Habitats and Birds Directives.

**Key issues for the EU:**

1. **The EU has a block position in support of peatland rewetting under proposed new LULUCF rules. Is the EU pursuing this urgently to ensure the rules and accompanying guidance will be in place by the next reporting phase after 2012?**
2. **Can greater EU focus be placed on peatlands under EU CAP reforms to encourage better funding for rural land managers who maintain and restore peatlands, in recognition of the multiple benefits for carbon, water and biodiversity?**
3. **Can Scotland work with EU Commission to offer cases studies on biodiversity providing climate change mitigation benefits?**

At a Scottish level LINK suggest that the Scottish Government:

- needs to set up a group involving NGOs and Agencies – with strong Ministerial direction - to agree actions for promoting and funding peatlands and securing some key restoration sites;
- should lead the call for clear inclusion of peatland conservation and restoration as a priority under CAP;
- support the work of the IUCN UK peatland Programme;
- attend and participate in the IUCN UK Peatland Prog Conference in Stirling in June 20th – 22nd; and
- for the sake of credibility (in the UK and the EU) move swiftly to match the English target to eliminate the use of peat in amateur gardening by 2020 look to phase out the use of peat in industry by 2030. DEFRA issued a consultation on the subject in December 2010 and similar action is required here.

Other Issues

There are several points where LINK is in disagreement with developments in Scotland with regard to fighting climate change, including:

- Road, bridge and motorway developments;
- The slow pace of progress towards cutting energy use; and
- Over-reliance on voluntarism and avoiding regulation.

While we debate these issues though, LINK is of the view that the Scottish positives are of major EU-wide relevance.