

5.2.6 The proposed directive says nothing about standards of monitoring and how the requirements are to be monitored and enforced. Given that most of the firms involved are operating on a global basis, and will need to have a consistent approach adopted to the requirements imposed on them the Committee sees a strong case for the standards and the monitoring and enforcement to be operated at European level, rather than being left to inconsistent interpretation and enforcement amongst the Member States.

5.3 Sulphur in fuels

5.3.1 The Committee supports the proposed confirmation of the mandatory date of 2009 for achieving a maximum of 10 ppm sulphur in diesel. It also supports the proposed reduc-

tions in the maximum sulphur content of gas oils intended for use by non-road mobile machinery and agricultural and forestry tractors. These proposals bring the sulphur requirements into line with those already adopted for road vehicles and will help to ensure that sulphur and particulate pollution is further abated.

5.3.2 In the case of inland waterways the Commission has proposed a two stage reduction of sulphur emissions. The Committee suggests that it might be better to consider a one stage reduction to the final figure, so as to avoid the possibility of boat owners having to make two separate modifications to their vessels. It might also be appropriate to consider some relief for historic or heritage vessels that will not readily be capable of the necessary modifications.

Brussels, 24 October 2007.

The President
of the European Economic and Social Committee
Dimitris DIMITRIADIS

Opinion of the European Economic and Social Committee on 'Compensation payments for disadvantaged areas beyond 2010'

(2008/C 44/16)

On 16 February 2007 the plenary assembly of the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an opinion on *Compensation payments for disadvantaged areas beyond 2010*.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 October 2007. The rapporteur was Mr Kienle.

At its 439th plenary session, held on 24 and 25 October 2007 (meeting of 24 October), the European Economic and Social Committee adopted the following opinion by 143 votes in favour with three abstentions.

1. Conclusions and recommendations

1.1 The European Economic and Social Committee believes that areas with natural handicaps require and deserve special attention in both the public and political arenas. This also applies, without exception, to the 'other disadvantaged areas (intermediate zones)' considered in this opinion.

1.2 The EESC regards compensation, which is funded jointly by the EU and Member States, as an indispensable tool for preserving the cultivated landscape and agriculture in areas which are particularly sensitive from an economic, environmental and also social point of view.

1.3 The purpose of compensation goes well beyond the preservation of traditional forms of farming. The most impor-

tant approach towards disadvantaged areas should still be to offset the economic disadvantages suffered by farmers.

1.4 For the forthcoming European Commission discussion about redefining eligible areas, the EESC recommends that the EU set out a framework and alternative methods for the classification of areas. The choice of system for classifying and establishing areas should continue to be the responsibility of Member States and regions.

1.5 The EESC points out that the granting of payments must become more reliable over time. In the event of any changes in eligible areas, structural discontinuities must be avoided.

1.6 The EESC believes that the terms like 'disadvantaged areas' and 'compensation' are very difficult to explain to the public and that it would be a good idea to replace them.

2. Reason for opinion and background information

2.1 As specified by the Council, in 2008 the European Commission is to present a proposal for a revised classification of so-called 'other disadvantaged areas (intermediate zones)', to be implemented in 2010.

2.2 On 13 September 2006 the European Economic and Social Committee adopted an own-initiative opinion on *The future outlook for agriculture in areas with specific natural handicaps* ⁽¹⁾. The opinion focused specifically on upland, island and outermost areas, but not 'other disadvantaged areas (intermediate zones)' and 'areas with specific handicaps (small areas)'.

2.3 The EESC therefore made it clear that it intended to deal with these areas in a further opinion — the present one. This own-initiative opinion therefore contributes to the discussion about a possible redefinition of disadvantaged areas.

2.4 The need for a review of the classification of areas is also based on a report by the European Court of Auditors (Special report No 4/2003). Critical comments in the report related to the following points in particular: Member States use a broad range of different indicators to classify a disadvantaged area; there is not enough reliable information on the impact of measures taken; 'good agricultural practice' is not applied uniformly. The key conclusions of the Court of Auditors focus on the classification of 'other disadvantaged areas' and on compensation issues.

2.5 In November 2006, the Directorate-General for Agriculture of the European Commission presented an evaluation report from the Institute for European Environmental Policy (IEEP) on compensation in disadvantaged areas.

3. General comments

3.1 For the European Economic and Social Committee, areas with natural handicaps represent a key element of the 'European agricultural model'. Areas with natural handicaps require special attention in both the public and political arenas, so that specific measures can be taken that are geared to the real needs of these areas.

3.2 Classification of 'disadvantaged areas' should identify those areas in which use of land for agricultural purposes is under threat because of the handicaps imposed by local condi-

tions. This is based on the knowledge that sustainable agricultural use is an important requirement for creating attractive rural areas. Under the multifunctionality principle, the farmer works not only for his own account but also for the public good by preserving and maintaining the landscape.

3.3 The EESC notes that the term 'disadvantaged areas' is ambiguous because often it refers to regions with especially rich and varied countryside and landscapes and people with particular skills and traditions. However, often this potential cannot be harnessed economically owing to especially difficult local conditions. Furthermore, in many cases farmers do not have sufficient economic alternatives either within or outside agriculture.

3.4 The EESC considers compensation for disadvantaged areas to be a unique and indispensable tool for preserving the cultivated landscape and agriculture in areas which are particularly sensitive from an economic, environmental and also social point of view. The purpose of compensation is to exploit the significant potential of attractive cultivated landscapes in Europe by promoting active, market-oriented agriculture. The purpose of compensation thus goes well beyond the preservation of traditional forms of farming. The most important approach towards disadvantaged areas should still be to offset the economic disadvantages suffered by farmers in areas with particularly difficult farming conditions. In addition, since 2007 compensation has been linked to observing rules on food safety and environmental and animal protection (cross compliance).

3.5 Since 1975 a comprehensive European system for classifying disadvantaged areas has been developed, which began with upland areas. There are now three types of disadvantaged areas: (1) upland areas; (2) other disadvantaged areas (intermediate zones); and (3) areas with specific handicaps (small areas). In the case of types (2) and (3), there are major differences and variations between Member States with respect both to classification and to the amount of the payments granted. The considerable financial resources allocated for compensation have been very successful in maintaining agricultural activity, particularly in sensitive rural areas.

3.6 The EESC believes that compensation for disadvantaged areas should form an integral part of the rural development programmes (the EAFRD, pursuant to Regulation (EC) No 1698/2005). The fact that compensation for disadvantaged areas is funded jointly by the EU and Member States underlines the need for a sensible mix of uniform EU rules and flexibility at national or regional level in working out the details of these measures.

⁽¹⁾ OJ C 318 of 23 December 2006, p. 93.

3.7 The EESC recalls that in 2005 a Commission working document entitled *Methodology for redefining other disadvantaged areas (intermediate zones)* was widely misunderstood and rejected in the Member States. The main issue at the time was the attempt to establish a single central definition for disadvantaged areas using percentage of grassland and crop yields as criteria but without the possibility of factoring in regional conditions. Serious concerns and counter-arguments against this approach must be taken into account in future discussions.

3.8 The IEEP evaluation report of November 2006 points out that compensation should be viewed in combination with the single payment scheme and with agri-environmental measures. At the same time, the report recommends a stronger role for compensation as a means of offsetting local farming handicaps. The amount of compensation granted should be more in line with the nature of the handicaps being offset.

3.9 The EESC would point out that the IEEP evaluation report makes no reference whatsoever to the risk of 'overcompensation' mooted by the European Court of Auditors. Although compensation reduces the considerable income gap between farmers in disadvantaged and non-disadvantaged areas, it does not completely close this gap. Depending on the Member State concerned, experts estimate that compensation contributes between 10 % and 50 % of farming incomes.

3.10 The EESC believes that compensation for disadvantaged areas makes a very important contribution to the continuation of farming in low-yield areas, and in areas with a low population density. The survival of farms depends first and foremost on income from agricultural production and the sale of produce, on income from diversification, and on CAP measures. In order to offer prospects particularly to young farmers taking on farms in disadvantaged areas, compensation must be a reliable policy instrument over the long term.

3.11 To make the role of this measure stand out more clearly, the EESC believes that the system of compensation for disadvantaged areas should evolve more separately from agri-environmental measures. Furthermore, in the medium term it should be made clear how compensation in areas with environmental restrictions is to be further developed. According to the EESC, the limited application of these measures, which was mentioned in the IEEP evaluation report, also stems from the fact that many Member States or regions give priority to agri-environmental measures in these areas.

Observations on the redefinition of eligible areas

3.12 The EESC believes that the following points should be taken into account in redefining areas eligible for compensation in disadvantaged areas:

3.12.1 Compensation for disadvantaged areas should continue to be focused on maintaining dynamic agricultural activity adapted to local circumstances, also in areas with difficult farming conditions.

3.12.2 In view of the discussion so far, the forthcoming review should remain limited to 'other disadvantaged areas (intermediate zones)'. Since upland areas in particular are classified on an objective basis, the European Commission should once again explicitly state the intended scope of the review of disadvantaged areas, not least to prevent uncertainty amongst farmers.

3.12.3 Disadvantaged areas should be classified using objective and clear criteria but within a framework that allows for local conditions in each Member State to be fully taken into account.

3.12.4 Experience from the 2005 attempt to review compensation shows that a central approach is not suitable for classifying disadvantaged areas, chiefly because there is no single European system for classifying the productivity of agricultural land.

3.12.5 A subsidiarity-based approach is therefore recommended: the EU should establish the framework and alternative methods for classifying areas. The choice of system for classifying and identifying areas should continue to be the responsibility of Member States or regions. The cooperative procedures currently used by the European Commission and Member States should continue.

3.12.6 When classifying areas, Member States or regions should first use natural, geographical and/or climate-related farming handicaps as criteria. Socio-economic criteria can then be added under certain circumstances, if they reflect social or structural problems affecting farming in a particular region (e.g. high migration, substantial ageing of the regional population or agricultural workforce, very limited access to public infrastructure, low population density). Furthermore, it should be considered to what extent areas in the vicinity of airports, oil reserves, waste disposal sites, military installations and safety zones around high tension power lines are taken into consideration.

On the other hand, the use of socio-economic criteria, for example in regions with high value added from tourism, must not lead to a situation whereby agricultural land with farming handicaps is no longer classified as a disadvantaged area.

3.12.7 Promoting and training human capital is a key issue affecting business location, also and especially in disadvantaged areas. Member States must therefore ensure that, when developing support policies, training and guidance measures complement area-based support measures in a way that is beneficial for rural areas.

3.12.8 The European Commission, Member States and regions are asked to demonstrate more effectively the contribution of compensation for disadvantaged areas towards achieving the desired goal of maintaining an active agricultural sector and an attractive landscape. No such review has yet taken place and it should be introduced.

3.12.9 The European Commission should continue to assess the extent to which climate change can have an impact on disadvantaged areas.

Observations on granting compensation to disadvantaged areas

3.13 The European Commission has yet to make it clear whether, in addition to the classification of disadvantaged areas, the review of compensation is to propose other changes, e.g. to the way compensation is granted.

If this is the Commission's intention, then the EESC considers that the following should be taken into consideration:

3.13.1 Granting compensation in the form of an area payment is a good idea in principle, but in duly justified cases it should be possible to introduce a scheme for livestock farming if this is a normal way of preserving farming in the region in question (e.g. cattle or sheep farming in grassland areas).

3.13.2 As far as granting compensation is concerned, we should also aim to achieve a sensible combination consisting of a European framework and national or regional rules, so that sufficient consideration can be given to local conditions.

3.13.3 Even if the blanket accusation of 'overcompensation' can be disproved by examining farmers' accounts, internal differentiation in the granting of compensation still seems necessary. If the amount of compensation per hectare exceeds a specific minimum amount, the Member States or regions should grade the level of compensation according to the degree of disadvantage.

3.13.4 In order to ensure a sustainable future for farms, the granting of payments must become more reliable over time. In some Member States, payments vary considerably from year to year depending on the national budgetary situation.

3.14 The EESC points out that possible changes to eligible areas are associated with considerable risks to the structure of agriculture and preservation of the cultivated landscape. A risk and impact assessment should be carried out for areas that might lose funding. Farmers will generally find it very difficult to offset a loss of compensation through other measures, such as stepping up production. For this reason, in addition to adequate transition periods, hardship clauses should also be provided for in order to avoid structural discontinuities in farming.

3.15 The EESC points out that the term 'disadvantaged areas' is very difficult to explain to the public. 'Disadvantaged areas' may be particularly valuable and beautiful cultivated landscapes, which are characterised by being especially difficult to farm. The people in disadvantaged areas are often particularly proud of their history, traditions and the natural beauty of 'their' region — a source of great potential for regional development. Unfortunately, the term 'compensation for disadvantaged areas' does nothing whatsoever to help people identify with 'their' region. Consideration should be given to whether 'disadvantaged areas' can be replaced with another term that better reflects their potential and their specific features. This could help increase acceptance of compensation for disadvantaged areas.

Brussels, 24 October 2007.

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