EN 2023 23

Special report

Restructuring and planting vineyards in the EU

Unclear impact on competitiveness and limited environmental ambition

EUROPEAN COURT OF AUDITORS

Contents

Executive summary

I Wine growing and wine production are long-standing traditions in Europe that go back several thousand years. The EU is the world's leading producer, consumer and exporter of wine. In 2020, there were 2.2 million wine holdings in the EU and vineyards covered about 2 % of the EU's utilised agricultural area.

II Wine growers in the EU can receive financial support from the common agricultural policy to restructure their vineyards. The main aim is to make them more competitive. Member states had also the option to use the support to improve sustainable production systems and the environmental footprint of wine growing. Vines are one of the most pesticide-intensive crops, and global warming has a significant impact on wine growing.

III Since 2016, wine growers can request authorisations to plant new vineyards. These authorisations are free of charge and can be distributed pro rata, and/or on the basis of eligibility and priority criteria. The purpose of this planting authorisation scheme is to allow for progressive growth, while avoiding excessive supply capacity with negative social and environmental effects.

IV Our audit examined the extent to which the restructuring measure and the planting authorisation scheme helped to make wine growers more competitive and wine production more environmentally sustainable. We also looked at the design of the measure under the new CAP strategic plans in order to assess their environmental ambition. We decided to carry out this audit considering the materiality of the restructuring measure, which represents over €5 billion for the 2014-2023 period. We have not covered this measure since 2012, and our previous work has never covered the planting authorisation scheme.

V We found that this policy framework for making wine growers more competitive has shortcomings in terms of design and implementation. Also, it falls short of the common agricultural policy's environmental objectives.

VI The framework underlying the restructuring measure lacks proper definitions, coherent strategies and relevant indicators. The five member states we visited funded all eligible requests, and did not use criteria to select projects to foster competitiveness. These member states also funded projects for which a structural change could not be observed. Neither the Commission nor the member states we visited assess how the projects contribute to the competitiveness objective, and beneficiaries are not required to report on how their restructuring activity made them more competitive.

VII The planting authorisation scheme aims to avoid oversupply by limiting the increase in vineyard area by 1 % annually. No impact assessment was carried out before the limit was proposed and adopted by the co-legislators. Member states may also limit growth in certain production areas. Therefore, the increase at regional/local level could be well above the 1 % limit, and member states are not required to assess the impact of this growth. We found that restructuring old vineyards can significantly increase production. When granting authorisations, the member states we visited use only a few eligibility and priority criteria linked to competitiveness, and the authorisations are often distributed on a pro rata basis. Beneficiaries are granted very small areas and cannot plan ahead, thus potentially hampering the competitiveness objective.

VIII We also found that the audited measure and scheme have only partially taken environmental protection on board, despite the large amount of funding involved. The five member states we visited did not assess the expected environmental impact of their national support programmes. The strategic objectives and targets they set for the restructuring measure showed little ambition in terms of environmental sustainability. In practice, projects did not aim to reduce the climate-related and/or environmental impact of wine growing. Under certain circumstances, we saw that they could even have the opposite effect, such as switching to varieties that need more water, requiring irrigation systems to be installed.

IX Environmental ambition remains limited in the 2023-2027 programming period. Cross-compliance has been discontinued for beneficiaries of the restructuring measure. Also, member states need to spend only a minimum of 5 % of the wine allocation on climate and environment objectives. In the context of a greener common agricultural policy, 40 % of its expected expenditure should target climate-related objectives.

X Based on our findings, we recommend that the Commission should:

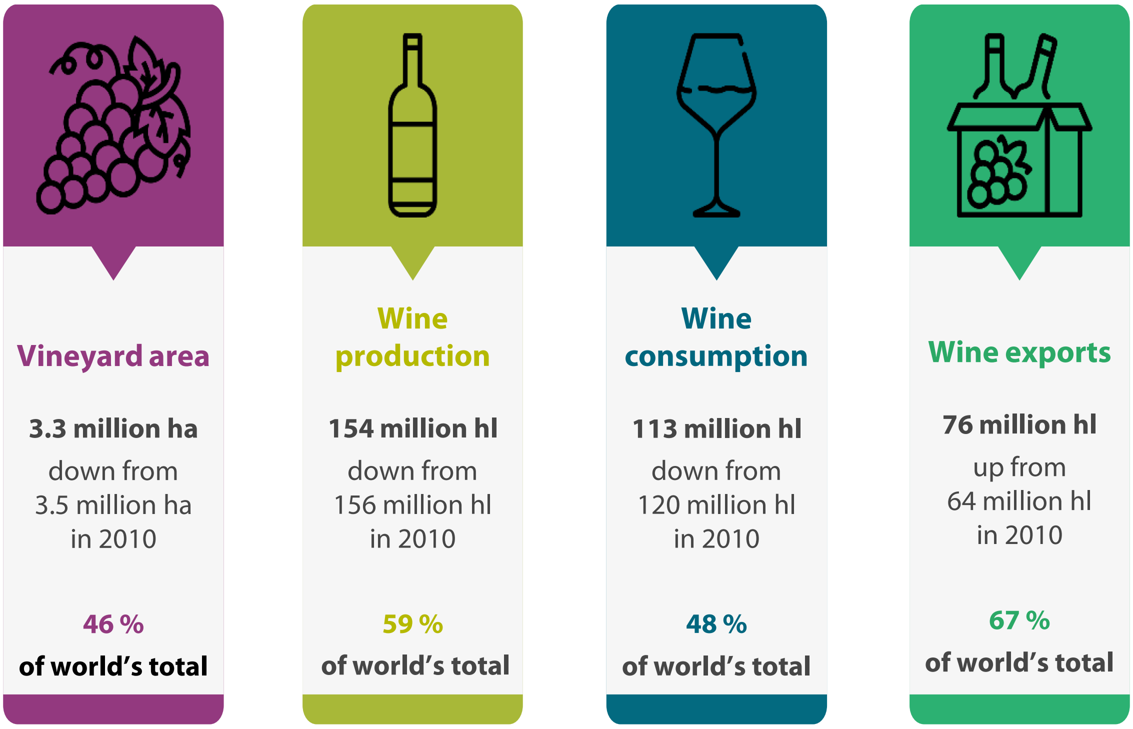
- target the restructuring measure and the planting authorisation scheme to foster competitiveness; and
- increase the environmental ambition of the wine policy.

Introduction

The EU wine sector

01 Wine growing and wine production are long-standing traditions in Europe that go back several thousand years. The EU is the world's leading producer, consumer and exporter of wine (see *Figure 1*). EU wine growing provides almost 1 million jobs[1].

Figure 1 – EU vineyard area, wine production, consumption and exports in 2021



Source: ECA, based on data from the International Organisation of Vine and Wine (OIV). Information is presented only for those member states that communicate the relevant data.

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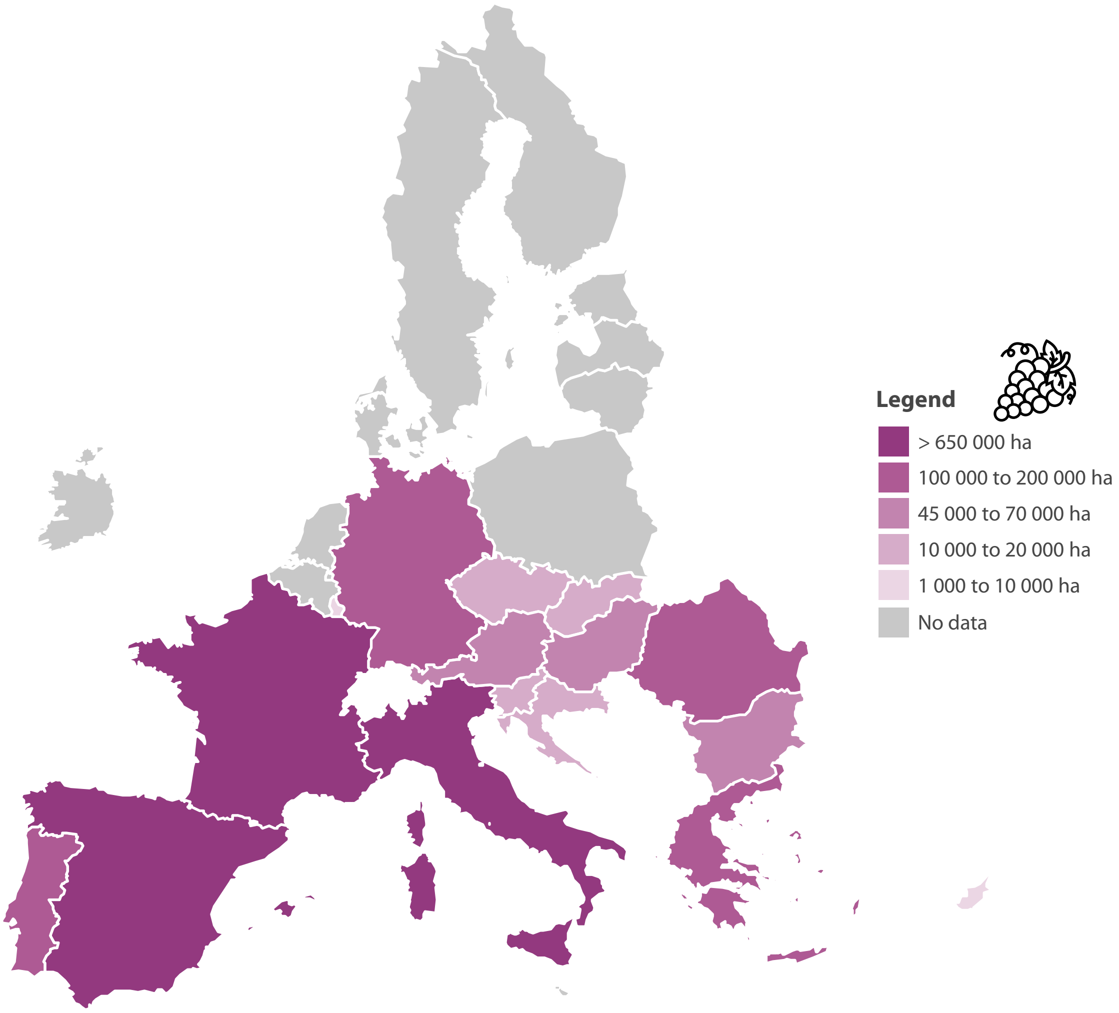
[1] Eurostat, Farm labour force (ef_lf_size).

02 In 2020, there were 2.2 million wine holdings in the EU. Vineyards covered about 2 % of the EU's utilised agricultural area (see *Figure 2*). 83 % of wine holdings had less than 1 hectare of vineyards[2]. According to the Food and Agriculture Organization of the United Nations, the value of EU grape production represents 7.5 % of the value of EU agricultural production[3].

Figure 2 – EU vineyard area (2020)



Source: ECA, based on Eurostat, Wine-grower holdings by production (vit_t1). Information is presented only for those member states that communicate their vineyard area.

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[2] Eurostat, Vineyards in the EU - statistics.

[3] Food and Agriculture Organization statistics, Value of Agricultural Production, 2019.

03 Global consumption of wine decreased slightly by 2.5 % between 2010 and 2021. The EU share of wine exports remained relatively constant at about 65-67 % in the same period, although the volume of EU wine exports increased from 64 to 76 million hl, or 19 % over the last decade. Italy, France and Spain produced and exported almost 80 % of EU wine in 2021[4]. The EU exports were mainly to the US (25 % of the total), the UK (14 %), Russia (9 %), China and Canada (7 % each)[5]. In 2020, 82 % of the EU's vineyard area was used to produce wine falling under the two European schemes for geographical indications[6]: protected designation of origin (PDO) and protected geographical indication (PGI) – see ***Box 1***.

Box 1 – EU schemes for wine produced in specific geographical areas

Protected designation of origin (PDO)

PDO products must be produced within a determined geographical area using recognised and recorded know-how. PDO wines must be produced exclusively with grapes from the area in question.

Protected geographical indication (PGI)

PGI products have a quality, reputation or other specific features that can be attributed to a determined geographical area. All PGI wines must be produced with at least 85 % of the grapes coming from the area in question.

Source: Article 93 of Regulation (EU) No 1308/2013.

04 The EU wine market is highly regulated. The basic legal act for the 2014-2022 period under the common agricultural policy (CAP) which, as regards wine support programmes, is valid until October 2023, is Regulation (EU) No 1308/2013 establishing a common market organisation (CMO) in agricultural products, and various delegated and implementing acts apply – see ***Figure 3***.

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4 OIV, wine statistics, 2021.

5 European Commission, Agridata portal – Wine trade, marketing year 2020/2021.

6 Eurostat, Wine-grower holdings by production (vit_t1).

Figure 3 – Legal framework for the wine market

Provisions on market standards and oenological practices
Regulation (EU) 2019/934

Protection of designations of origin, labelling and presentation rules
Regulations (EU) 2019/33 and 2019/34

Vineyard register, authorisation scheme for vine plantings
Regulations (EU) 2018/273 and 2018/274

National support programmes
Regulations (EU) 2016/1149 and 2016/1150

Source: ECA, based on European Commission, Evaluation of the CAP measures applicable to the wine sector, SWD(2020) 232, pp. 10-12.

05 Wine growers and wine makers are eligible for CAP financial support. This can be specific support under the wine CMO (mainly through national support programmes – NSPs – in the wine sector), but also direct payments, support for rural development measures, and/or for horizontal promotion measures[7]. For the 2014-2020 period, the wine CMO represented €7.1 billion, equalling 41 % of the total budget for market measures under the CAP and 1.7 % of the total CAP budget[8]. At EU level, there are no data available to quantify direct payments and rural development support for the wine sector.

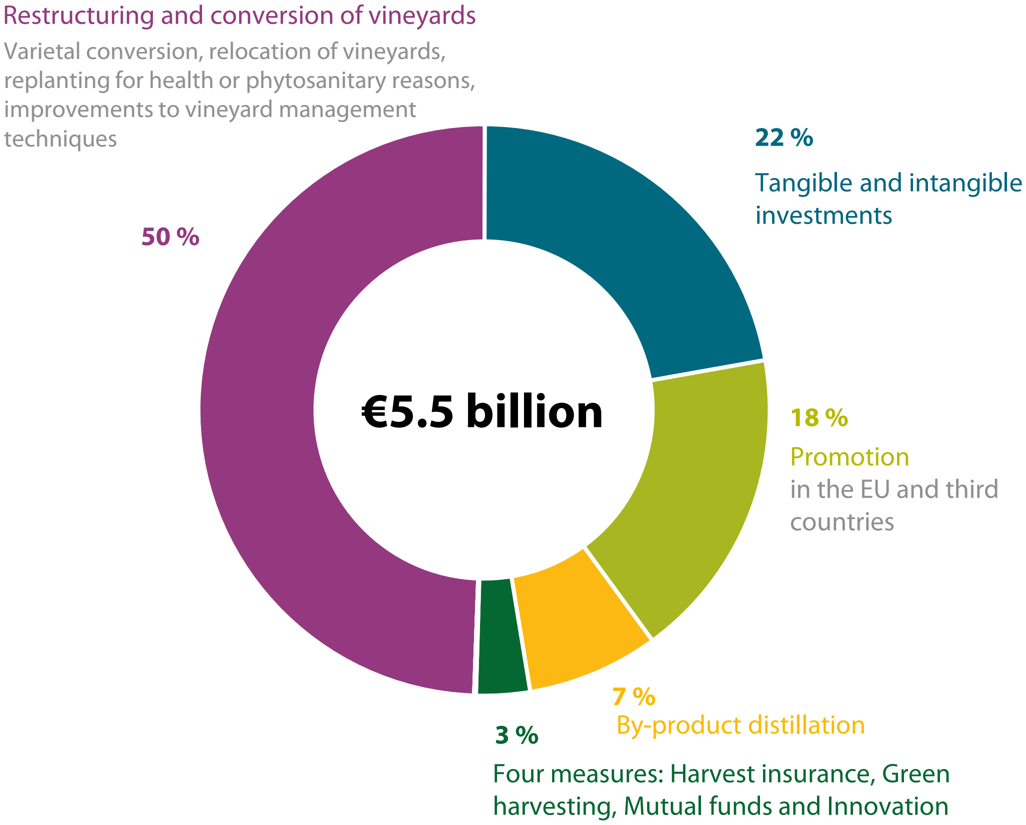
06 The total yearly budget for NSPs is around €1 billion: €5.5 billion for the 2014-2018 period and €5.3 billion for the 2019-2023 period[9]. NSPs can fund eight support measures, but the majority of EU funding was spent on three measures in the 2014-2018 period: restructuring and conversion (50 % – further referred to as 'restructuring'), investments (22 %) and promotion (18 %) – see ***Figure 4***.

[7] Regulation (EU) No 1144/2014 on information and promotion measures concerning agricultural products.

[8] European Parliament – Fact Sheets on the European Union – Financing of the CAP.

[9] ECA, based on the EU budget.

Figure 4 – NSP support measures and NSP funding in 2014-2018

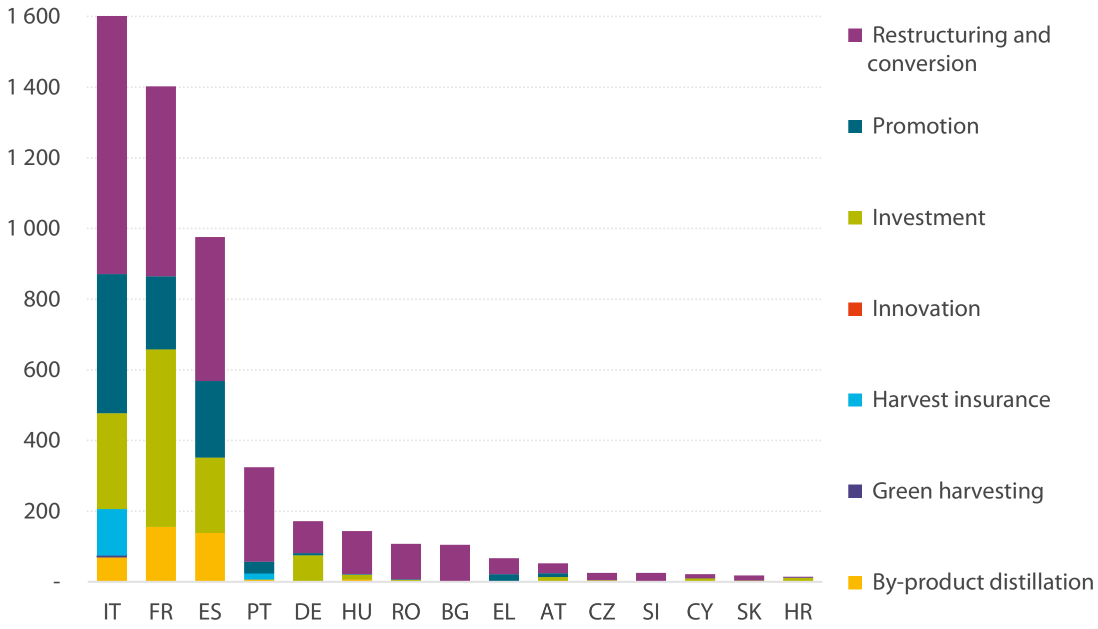


Source: ECA, based on European Agricultural Guarantee Fund expenditure data.

07 In 2014, 18 EU member states had a financial allocation for the wine sector[10]. Two of them (Malta and Luxembourg) decided to transfer the funds to the direct payments budget, instead of having a national support programme. Spain opted for a mixed approach, and transferred only part of its allocation to direct payments. Italy is the biggest recipient of NSP funding (32 %), followed by France (28 %) and Spain (19 %) – see ***Figure 5***.

[10] Annex VI of Regulation (EU) No 1308/2013.

Figure 5 – NSP expenditure per member state (2014-2018) in million euros



Source: ECA, based on AGREX data. Lithuania did not incur any expenditure.

08 The main objective of the 2013 wine policy reform was to "make EU wine producers more competitive while preserving authenticity and traditions of European wine growing and boosting its social and environmental role in rural areas"[11]. The Commission spells out the wine policy objectives more explicitly in its evaluation of the CAP measures applicable to the wine sector:

- strengthening the competitiveness of the sector;
- ensuring a smooth functioning of the internal market, notably by increasing the marketability of wine products and ensuring an orderly growth of vine plantings;
- ensuring the quality of EU wine, taking into account consumer expectations;
- encouraging a responsible approach to crisis situations;
- protecting the environment.

[11] EU wine policy contributes to maintaining the reputation and competitiveness of EU wine.

09 From November 2023 onwards, NSPs will be embedded in the CAP strategic plans. Member states will have the freedom to choose the objective(s) they want to achieve in the wine sector, from a list of 11 objectives[12], including economic sustainability and competitiveness, climate change mitigation and adaptation, improving the sustainability of production systems and reducing the environmental impact, improving the conditions of employment, adapting to market demands.

Balancing supply and demand

10 Between the late 1970s and 2010, the EU wine sector suffered from structural production surpluses which affected the competitiveness of wine growers. For decades, the focus of the EU's wine policy has therefore been to strike a balance between supply and demand, through subsequent sectoral reforms. The Commission has applied various measures, such as distilling surpluses, planting restrictions, and providing subsidies for grubbing-up or restructuring vineyards.

11 In 2016, the new planting authorisation scheme (further referred to as 'the scheme') replaced the old planting rights system, under which the rights to plant vines were purchased or sold. Under the new planting system, authorisations are granted to applicants free of charge, distributed pro-rata and/or based on eligibility and priority criteria. Beneficiaries can apply for authorisation to start or increase their vineyard area. The new scheme allows controlled growth of production potential ('ensure orderly growth of vine plantings') within certain limits, i.e. a maximum yearly increase of 1 %. The scheme is applied in 13 EU wine-producing countries with a vineyard area of more than 10 000 ha, and runs until the end of December 2045. As of April 2023, Croatia has not yet applied the scheme.

Roles and responsibilities

12 EU legislation provides the framework for regulating the wine sector (see ***Figure 3***), setting general eligibility and priority criteria for the different NSP measures and for the planting authorisation scheme. The Commission is responsible for monitoring the sector's performance and for overseeing the management and control systems established in the member states. The Commission assesses the NSPs, and checks if they comply with EU rules.

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[12] Article 57 of Regulation (EU) 2115/2021.

13 Member states decide which measures to include in their NSPs, and the budget they allocate to each of them. National/regional authorities implement the NSPs under shared management. This means that they set specific eligibility and priority criteria, carry out checks, and make payments to beneficiaries. Member states are also responsible for authorising vine plantings. They notify the Commission about the implementation of the scheme.

Environment and climate

14 Vineyards are often pesticide-intensive[13] – mainly using fungicides – to fight diseases such as mildew infections[14]. For instance, in France, although vineyards represent 3 % of agricultural land, the sector uses 20 % of the country's fungicides[15]. In Italy, over 95 % of wine growers apply phytosanitary products, the highest share among the main crop types[16]. There are, however, environmental and health risks associated with the use of chemical pesticides, in particular from spray drift[17].

15 In organic grape production, the use of pesticides is highly restricted when compared with conventional grape production. Organic vineyards in the EU grew by 55 % (from 244 322 ha to 379 269 ha) between 2013 and 2019, accounting for 12 % of the EU's total vineyard area[18].

16 Climate change has a significant impact on wine growing. A warmer climate influences yields and quality, and creates problems such as the over-ripening of grapes. Climate change also brings more extreme weather conditions, such as hail and spring frosts. Growers may need to consider different ways of adapting to these changing conditions, such as different grape varieties, delocalising production, and different vineyard management techniques.

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[13] Orre-Gordon, et al., Viticulture can be modified to provide multiple ecosystem services. Ecosystem Services in Agricultural and Urban Landscapes, 2013, pp. 43-57.

[14] Delière, et al., Field evaluation of an expertise-based formal decision system for fungicide management of grapevine downy and powdery mildews, Pest Management Science, 2015 71 (9), 1247–1257.

[15] Pesticide challenge leaving French viticulture with little choice, Euractiv, 2019.

[16] National Statistical Institute of Italy, 2010.

[17] Recital 14 of Directive 2009/128/EC on Sustainable use of pesticides.

[18] Eurostat, Organic crop area by agricultural production methods and crops (org_cropar).

Audit scope and approach

17 This audit focuses on the support measure for restructuring vineyards and on the planting authorisation scheme. The measure aims to make wine growers more competitive, while the planting authorisation scheme should prevent oversupply. The measure for restructuring vineyards could also aim to improve sustainable production systems and the environmental footprint, while the scheme could address negative environmental effects.

18 Our main audit question was whether the measure and the scheme helped to make wine growers more competitive and wine production more environmentally sustainable. We examined how the Commission designed and monitored the measure and the scheme, and how member states implemented them. For the measure, this audit covered the period 2014-2022. The scheme was covered since its establishment in 2016. We also looked at the design of the measure under the CAP strategic plans to assess environmental ambition.

19 We decided to carry out this audit considering the materiality of the restructuring measure, which represents half of NSP budgets, i.e. over €5 billion out of almost €11 billion for the 2014-2018 and 2019-2023 periods together (see paragraph ***06***). In addition, we have not covered this measure since 2012 (see ***Figure 6***), and our previous work has never covered the planting authorisation scheme. The audit also responds to issues of significant stakeholder interest, as it focuses on the economic impact of the CMO. We expect our findings and recommendations to be relevant to the discussion of the new support measures for the wine sector under the CAP strategic plans. We did not cover the other seven measures for the wine sector financed through the wine CMO (see ***Figure 4***).

Figure 6 – The ECA's previous audit work on the wine sector

the grubbing-up scheme and restructuring and conversion measure as part of the CMO reform	Special report 07/2012: The reform of the common organisation of the market in wine: progress to date
promotion and investment measures	Special report 09/2014: Is the EU investment and promotion support to the wine sector well managed and are its results on the competitiveness of EU wines demonstrated?
CMO measures on mutual funds, harvest insurance and green harvesting	Special report 23/2019: Farmers' income stabilisation: comprehensive set of tools, but low uptake of instruments and overcompensation need to be tackled
geographical indications and intellectual property rights	Special report 06/2022: EU intellectual property rights - protection not fully waterproof
private storage and crisis distillation of wine during COVID-19	Special report 09/2023: Securing agricultural product supply chains during COVID-19: EU response was rapid, but insufficiently targeted

Source: ECA.

20 The audit ran from May to December 2022. We carried out audit visits in five member states: the Czech Republic (Moravia), Greece (the Peloponnese), Spain (Castilla-La Mancha – CLM), France (the Rhône Valley and Provence) and Italy (Tuscany). These member states account for 70 % of restructuring funding. Our selection of member states covers a wide range of wine-growing practices in different geographical and climate situations, as well as a mix of centralised/regional management of the measure and scheme.

21 We collected evidence through:

- a review of EU regulations, Commission guidelines and monitoring activities, statistics, evaluations and reports on all wine-producing member states;
- a review of visited member states' 2014-2018 and 2019-2023 NSPs, studies, calls for applications, applicable national and regional rules (including the implementation of the authorisation scheme since 2016), statistics and reports;
- interviews with Commission and member state authorities' representatives, as well as beneficiaries;
- consultations of other stakeholders in the wine sector, such as European and national associations of wine growers, cooperatives, and wine producers;

- o analysis of a limited number of project files in the visited member states, selected to cover various actions and types of beneficiaries, through both desk review and on-the-spot visits. We selected beneficiaries ranging from smaller to bigger holdings, covering both organic and conventional farming. Our selection included wine growers selling grapes, cooperatives, and wine growers producing wine.

Observations

The EU actions for restructuring and avoiding over-supply in the wine sector are not targeting competitiveness directly

22 The primary objective of the restructuring measure is to make wine growers more competitive while the planting authorisation scheme aims at market stability limiting the growth of vine plantings in order to avoid repeating the production surpluses that occurred in the past (see paragraph ***10***)[19]. The scheme has also the capacity to improve competitiveness of wine growers if member states decide to use specific criteria when granting the planting authorisations (see paragraph ***11***).

23 We examined whether the restructuring measure and the planting authorisation scheme helped to make wine growers more competitive. We looked at how the Commission designed the measure and the scheme, and how the member states implemented them (e.g. by setting clear objectives, identifying target groups and setting eligibility and priority criteria that could maximise impact, by setting up control systems). We assessed whether the Commission and member states set relevant indicators and meaningful targets for the economic performance of wine growers, and carried out evaluations.

Insufficient clarity on how the restructuring measure is increasing competitiveness

Design of the restructuring measure

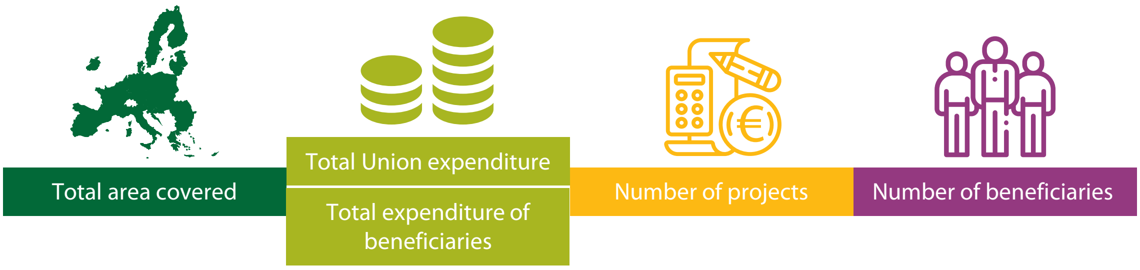
24 The EU regulations and Commission guidelines on the NSPs in the wine sector do not define the competitiveness of wine growers nor how to measure progress. The Commission informed us that they consider competitiveness as linked to the capacity to deliver quality products at competitive costs and prices, while providing reasonable benefits for wine growers. The CMO Regulation connects the competitiveness of the wine sector to the EU market share in the world market. The evaluation of the CMO mentions that "Competitiveness depends on the EU wine sector's capacity to produce and sell products in various markets with specific features that make them more attractive than the products offered by competitors".

[19] Recital 55 and Article 46 of Regulation (EU) No 1308/2013.

25 The member states we visited did not define how the restructuring measure should contribute to making wine growers more competitive. Their NSPs lack a strategy for the competitiveness objective. The authorities we interviewed believe that responsibility for strategic choices lies with wine growers. Since 2006, neither the Commission nor the member states have carried out *ex ante* analyses or studies of the expected impact of EU support for wine on the competitiveness of wine growers.

26 The Commission collects the main market indicators for the EU wine sector: prices, production, stocks and trade[20]. Economic parameters (such as revenues and production costs) of agricultural holdings, including wine growers, are reported in the Farm Accountability Data Network (FADN) for a sample of producers, without information about their participation in the measure. However, the data collected in the EU framework for the restructuring projects (see ***Figure 7***), as well as the additional indicators set by the member states we visited (see ***Box 2***), focus on outputs and do not allow the impact of the measure to be assessed against the objective of making wine growers more competitive. We found that the Commission does not systematically collect nor analyse data concerning the parameters relevant for assessing competitiveness of wine growers that used the restructuring measure.

Figure 7 – Data collected for restructuring projects



Source: Annex IV of Commission Implementing Regulation (EU) 2016/1150.

[20] Wine market observatory.

Box 2 – Poor use of indicators to assess the measure's impact on wine growers' competitiveness

Four of the member states we visited defined additional indicators for monitoring the restructuring measure. We found a lack of consistency between the specific objectives and the corresponding indicators set by them at the national level. Spain did not define any additional indicators.

The Czech Republic's choice included:

- the number of hectares of restructured vineyards with varieties mainly from Czech breeding for the 'ensuring biodiversity of plant species' objective;
- the number of young beneficiaries for the 'retention of young wine growers in the field' objective.

There are no quantified targets for these indicators, and it is unclear how the achievement of the intended objectives can be assessed through these indicators.

France defined additional output indicators with quantified targets for making wine growers more competitive, including:

- at least 70 % of the replanted surfaces applying for restructuring aid;
- the number of replanted grape varieties reaching 30 different grape varieties per year.

These indicators do not provide any information on how the measure contributes to the competitiveness objective.

27 The Commission did not adequately document its assessment of the objectives set by member states in their NSPs for the measure, and it does not follow up in a systematic and structural manner the extent to which those objectives have been achieved. This is confirmed by an internal Commission audit carried out in 2022 that found weaknesses in the way the Commission assesses and uses the information the member states have submitted. The internal auditors highlighted the risk that the Commission may not be able to monitor the performance of interventions in the wine sector effectively.

28 Studies financed by the Commission for assessing *ex post* the impact indicate that the measure has been widely used over the last 20 years to improve efficiency and to develop new products geared to consumer demand[21]. However, the Commission's 2020 evaluation of the support measures for the wine sector reported that "the extent to which national support programmes contributed to changes in productivity, costs and income could not be assessed in the evaluation support study. This was because the support received from these national support programmes was either not reported, or was poorly reported, in the FADN database". Nonetheless, the beneficiaries interviewed during the evaluation study acknowledged that the restructuring and investment measures contributed positively to their turnover, and subsequently improved their negotiating position in the supply chain[22].

Implementation of the restructuring measure

29 Member states may establish priority criteria for the restructuring measure in order to select projects that are likely to contribute to achieving the objectives they set. ***Table 1*** shows the priority criteria set by the member states we visited. However, we found that eligible requests are funded regardless of content or ambition. Where demand exceeded the available budget, member states either applied a reduction coefficient to all the requests, transferred funding from other NSP measures, financed the remaining applications the following year or used priority criteria that did not allow targeting the applications in line with the objectives of the measure.

[21] Évaluation des mesures appliquées au secteur vinicole dans le cadre de la Politique Agricole Commune, octobre 2012, COGEA srl; Study on the competitiveness of European wines, October 2014, COGEA srl.

[22] European Commission, Evaluation of the CAP measures applicable to the wine sector, SWD(2020) 232.

Table 1 – Priority criteria for the restructuring measure in the member states we visited

	Czech Republic (1)	Greece	Spain (Castilla-La Mancha)	France (2)	Italy (3) (Tuscany)
Young farmers		✓	✓	✓	✓
Specific quality commitments		✓	✓		✓
Specific geographic areas		✓			✓
Certain types of producers (e.g. SMEs, associations, cooperatives, and farms with insurance)		✓	✓		
Minimum share or area of vineyards		✓			✓
Professional farmers or those for whom farming is their main activity			✓		✓
Organic or integrated management		✓	✓		
Collective plans			✓		
Certain grape varieties			✓		

Source: ECA, based on information received from the member states.

(1) In the Czech Republic, specific geographic areas and young farmers are incentivised by additional funding rather than by priority points.

(2) In France, restructuring as part of collective plans and farms with insurance are incentivised by additional funding rather than by priority points.

(3) In Italy, specific geographic areas are incentivised by priority points and additional funding.

30 According to EU rules[23], the restructuring measure should fund the following structural changes: (1) varietal conversion (i.e. changing from one grape variety to another); (2) relocation; (3) an improvement in vineyard management techniques (in particular, the introduction of advanced systems of sustainable production) or (4) replanting for health or phytosanitary reasons (see ***Figure 4***). According to the Commission's guidelines, the activities should involve major modifications to the vineyard. 'Normal renewal' – defined as replanting the same grape variety using the same cultivation system on the same parcel – is not eligible. Moreover, the cost of grubbing up a vineyard is eligible only in the case of points (1) and (2) above.

31 However, some member states have set up systems that may not always prevent the financing of non-structural changes or normal renewal (see ***Box 3***). It means, in practice, that the restructuring measure speeds up the normal renewal of vineyards, for example by introducing minor changes on less productive parcels. In addition, we found that two member states we visited finance restructuring activities that do not adhere to Commission guidelines on eligible actions. France and Italy finance the costs of grubbing up a vineyard also where the restructuring project concerns only a minor density modification of the vineyard, and the same variety is replanted at the same location.

[23] Article 46 of Regulation (EU) No 1308/2013.

Box 3 – Some member states may use the restructuring measure to fund normal vineyard renewal, while others prevent it

In **France**, replanting the same variety with a density change of less than 10 % is not eligible under the restructuring measure. However, during our audit, out of 143 parcels, we found 19 parcels that had been replanted with the same variety and with a density change of below 10 %.

In **Italy** (Tuscany), the complexity of the information system does not facilitate checks on identical replanting or minor density changes, nor does it provide alerts if beneficiaries have amended or replaced applications. Thus, there is a risk of Italy funding restructuring activities with minor modifications compared to the situation before restructuring, such as changing the clone.

In the **Czech Republic**, the way the checks are organised makes it easier to check changes in variety by clearly showing in the inspection report what the variety was before restructuring (checked on the spot before the parcel was grubbed up).

In addition to the mandatory checks (administrative checks of production and on-the-spot checks), **Greece** requests justification from the wine grower if production has decreased over the previous two years.

As **Spain** (CLM) does not allow density modification without changing the variety or the vine training system, this prevents normal renewal from being funded.

32 EU rules and eligible activities leave member states the flexibility to clarify the restructuring measure further at national/regional level, as they see fit. ***Table 2*** provides an overview of eligible activities in the member states we visited. Almost any type of activity is eligible in three out of the five visited member states, and managing authorities do not assess whether or how the projects contributed to the competitiveness objective. Also, beneficiaries are not required to report on how the restructuring activity improved their competitiveness.

Table 2 – Eligible activities in the member states we visited

	Czech Republic	Greece	Spain (Castilla-La Mancha)	France	Italy (Tuscany)
Grubbing- up and replanting a different variety on the same parcel	✓	✓	✓	✓	✓
Planting a different parcel with a different variety (grubbing up an old parcel three years later)	✓	✓	✓	✓	✓
Grafting a different variety onto existing plants		✓			✓
Relocating a vineyard	✓	✓	✓	✓	✓
Modifying density with the same variety	✓	✓		✓	✓
Renewing/installing the support system (poles, wires)	✓	✓		✓	✓
Installing an irrigation system				✓	✓
Building small walls – levelling soil changes in terrain profile (slopes)			✓	✓	✓
Changing the vine training system	✓	✓	✓		✓

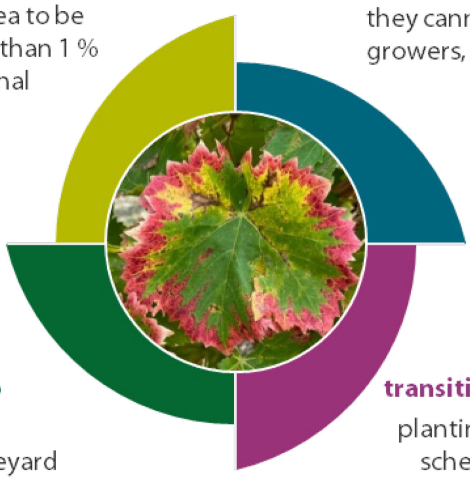
Source: ECA, based on information received from the member states we visited.

The planting authorisation scheme is not linked directly to improved competitiveness

Design of the planting authorisation scheme

33 When discussing the 2013 CAP reform, the European Parliament and the Council concluded that the 2008 CMO objective of ending the structural surplus of EU wine production had been attained[24]. The Commission proposed that vine plantings should be liberalised, because it expected wine consumption on the world market to grow[25]. However, fearing a repetition of the situation of oversupply (see paragraph ***10***), the European Parliament and the Council opted to retain a control mechanism governing vineyard areas (see paragraph ***11***). The key principles of the new authorisation scheme for vine plantings, in effect since 2016, are shown in ***Figure 8***.

Figure 8 – Authorisation scheme for vine plantings – main features



Source: ECA, based on Regulation (EU) No 1308/2013.

34 When the co-legislators proposed and adopted the maximum percentage of 1 %, no impact assessment was carried out. There is no justification for this choice, nor any analysis of whether it is suited to each of the member states. There is no EU definition of orderly growth, and also the member states did not further define it.

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[24] Recitals (54) and (55) of Regulation (EU) No 1308/2013.

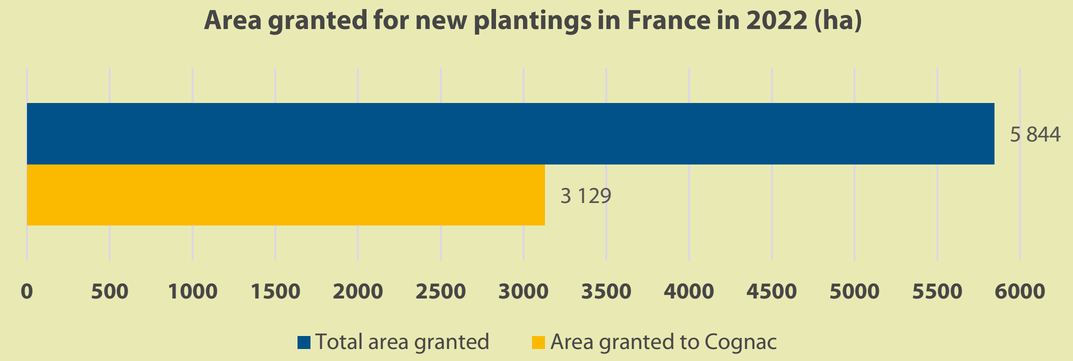
[25] Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products (Single CMO Regulation), COM(2011) 626, p. 7.

35 According to the EU Regulation, member states may apply a lower threshold if properly justified. Two wine-growing member states – Spain and Germany – did so, opting for 0.5 % and 0.3 % growth, respectively (in 2021 and 2022, Spain lowered this to 0.1 %). In order to justify its choice, Spain assessed the potential production growth, taking into account various indicators: the area actually planted by variety and irrigation system; changes in potential production, yields, prices, and demand. They found that wine production is not decreasing, and they do not expect an increase in internal wine consumption or exports. In addition, Spain justified its choice because there were many planting authorisations from previous years yet to be used (about 3.6 % of the vineyard area), and both new planting and restructured parcels are increasing productivity/yields.

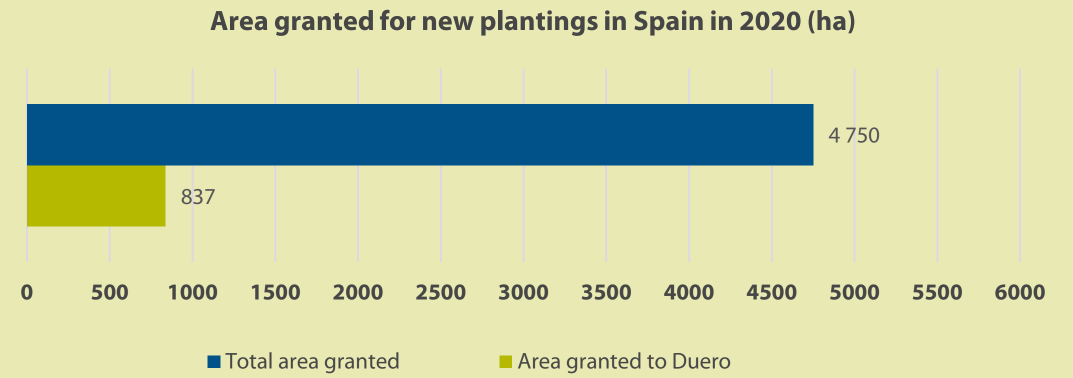
36 While complying with the maximum 1 % growth of total national vineyard area, member states may also set limits for certain production areas (expressed in maximum number of hectares), e.g. PDOs/PGIs (see ***Box 1***), following a proposal from professional organisations. Therefore, the growth of vineyard area may considerably exceed 1 % at regional/local level (see ***Box 4***) with potential social or environmental consequences. Member states are not required to carry out an impact assessment in these cases.

Box 4 – Examples of production areas where vineyard area growth exceeds 1 %

In **France**, the *Charentes-Cognac* basin has registered average area growth of 3 % per year since 2017. In 2022, France granted more than half of the area for new planting authorisations to producers in this area (see graph). This exponential growth is sustained by the strong export potential of Cognac (92 % exports).



In **Spain**, the *PDO Ribera del Duero* area grew on average by 4 % a year, i.e. eight times the limit set at national level (see paragraph ***35***). For example, in 2020, of the 4 750 ha available, 837 ha were allocated to this PDO (18 % of the total area).



Source: ECA, based on information received from the European Commission and the member states we visited.

37 While the planting authorisation scheme places a cap on the total EU vineyard area, it does not limit production. In reality, the overall vineyard area has declined in the EU, but production has remained stable overall (see ***Figure 9***). New vine plantings and restructuring of old vineyards can increase plant density and increase yields[26], increasing the risk of offsetting the scheme's aim of avoiding oversupply.

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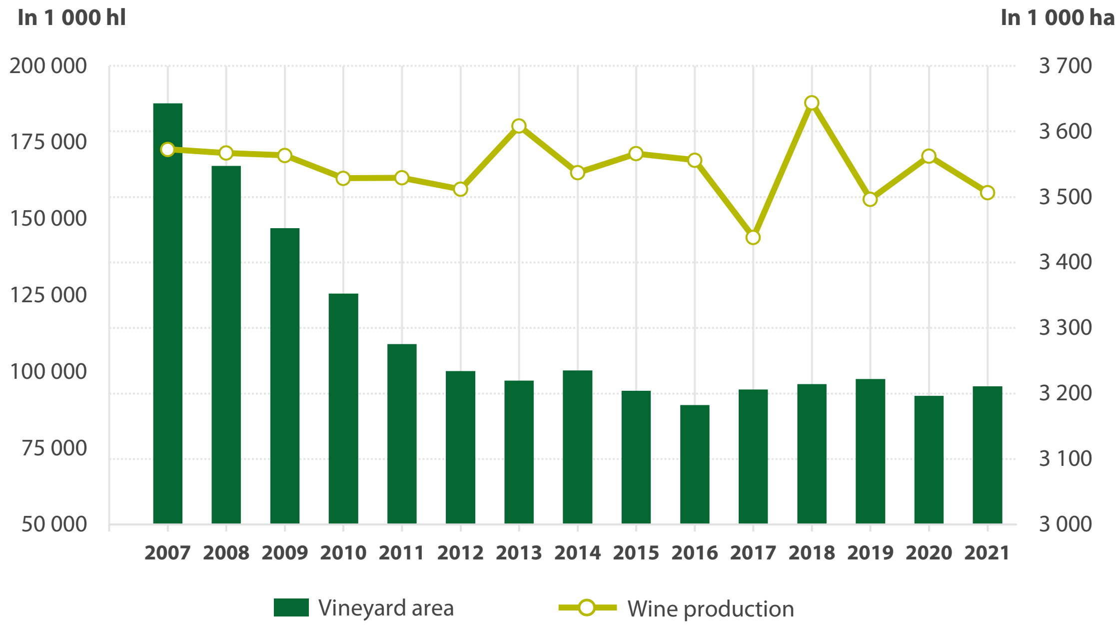
[26] Special report 07/2012, paragraphs IX, 36-37.

Figure 9 – Changes in EU wine area and production



Source: ECA, based on AGRIDATA.

38 In order to avoid a decline in vineyard areas, the authorisation scheme was modified in 2021[27]. Member states can now decide to use as a basis for calculating the 1 % either the area planted with vineyards on 31 July 2015 plus the rights available for conversion, or the area planted with vines on 31 July of the previous year (whichever suits them best).

Implementation of the planting authorisation scheme

39 For the purpose of granting new planting authorisations, member states may apply objective and non-discriminatory eligibility criteria at national or regional level (e.g. available area, applicants' skills, and the risk of misappropriating the reputation of quality wines – see ***Table 3***). All eligible applications are accepted if the total eligible requested area does not exceed the area actually available. If the total area of the eligible applications exceeds the area available for planting, member states should decide on the number of hectares to distribute (i) on a pro-rata basis and (ii) according to priority criteria (see paragraph ***11***). Some of these criteria can favour competitiveness of wine growers, e.g.:

[27] Article 63.1(b) of Regulation (EU) No 1308/2013.

— new entrants, including young producers;

— areas to be newly planted for land consolidation projects;

— areas to be newly planted which contribute to increasing the production of wine holdings that show increased competitiveness or presence on the market;

— projects with the potential to improve the quality of products with geographical indications;

— areas to be newly planted with a view to increasing the size of small and medium-sized wine holdings.

40 The member states we visited have chosen to use only few eligibility and priority criteria that are linked to competitiveness (indicated in bold in ***Table 3***). France makes extensive use of the eligibility criterion for protecting PDOs/PGIs (i.e. the risk of their reputation being misappropriated)[28]. Each year, more than half of the requested vine area under new plantings is not allocated because the organisations representing geographical indications propose limitations on growth in their area (see ***Box 4***). This link between the planting scheme and the wine quality schemes is also present in Spain. Greece and Spain prioritise small and medium-sized holdings by using a scoring system. Some member states cap the surface that a wine grower can request (e.g. 10 ha in Greece, 50 ha in Italy), while different thresholds per region might also apply in the same member state (e.g. Italy).

[28] Article 64(1)(c) of Regulation EU No 1308/2013.

Table 3 – Overview of implementation of the scheme in the member states we visited

Country	% applied	Eligibility criteria	Priority criteria
Czech Republic	1 %	Agricultural area of the applicant should not be smaller than the area requested (net of existing vineyards)	o **Projects with the potential to improve the quality of products with geographical indications**
France	1 %	**Application shall not pose a significant risk of misappropriation of the reputation of a PDO/PGI**	o **Young new producer** o Prior behaviour
Greece	1 %	Agricultural area of the applicant should not be smaller than the area requested	o **Young new producer** o Preservation of the environment o Areas facing natural constraints o **Areas that increase the size of small and medium holdings** o Prior behaviour
Italy (Tuscany)	1 %	Agricultural area of the applicant should not be smaller than the area requested (net of existing vineyards)	o Preservation of the environment o Areas facing natural constraints o Non-profit organisation with a social purpose
Spain	0.1 %	o Agricultural area of the applicant should not be smaller than the area requested o Applicant should possess adequate professional capacity o **Application shall not pose a significant risk of misappropriation of the reputation of a PDO** o Applicant has never planted vineyards without an authorisation	o **Young new producer** o Prior behaviour o **Areas that increase the size of small and medium holdings**

Source: ECA, based on 2021 data received from member states and the Commission.

41 A drawback of the distribution of new planting areas is that it can result in granting very small areas. Consequently, beneficiaries request a larger area than they actually need to plant, knowing they will get only a proportion of it (e.g. in Greece and Italy). At the same time, they may have to apply several years in a row in order to obtain an area that they consider worth planting, given the significant investment that new vine plantings entail. This mechanism affects business planning since it creates uncertainty for beneficiaries about the new area authorised for planting, thus making it difficult to plan ahead.

42 A wine grower that receives authorisation for new planting cannot be granted aid from the restructuring and conversion measure for such planting[29], since the support measure is meant to restructure or convert an existing vineyard. However, some wine-growing member states or regional authorities provide for financial support for planting through the rural development programme (e.g. France – Languedoc-Roussillon[30]).

The EU's wine policy falls short of CAP environmental objectives

43 In line with the CAP objectives[31], the restructuring measure aims to "contribute to improving sustainable production systems and the environmental footprint of the wine sector" (further referred to as 'environmental objective'), while the scheme should avoid excessive supply capacity with negative social and environmental effects in specific wine production areas[32]. We examined whether the restructuring measure and the planting authorisation scheme contributed to the sustainable management of vineyards. We also looked at future challenges for the wine sector in the 2023-2027 CAP[33].

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[29] Section 4.2.1 of the Commission Guidelines on the NSPs; Article 7(1)(d) and Article 42(3) of Regulation (EU) 2016/1150.

[30] FranceAgriMer Montpellier, Les autorisations de plantations nouvelles, septembre 2021.

[31] Article 110(2)(b) of Regulation (EU) No 1306/2013; recital 94 of Regulation (EU) 2021/2115.

[32] Article 46(3) and recital 55 of Regulation (EU) No 1308/2013.

[33] Recital 94 of Regulation (EU) 2021/2115.

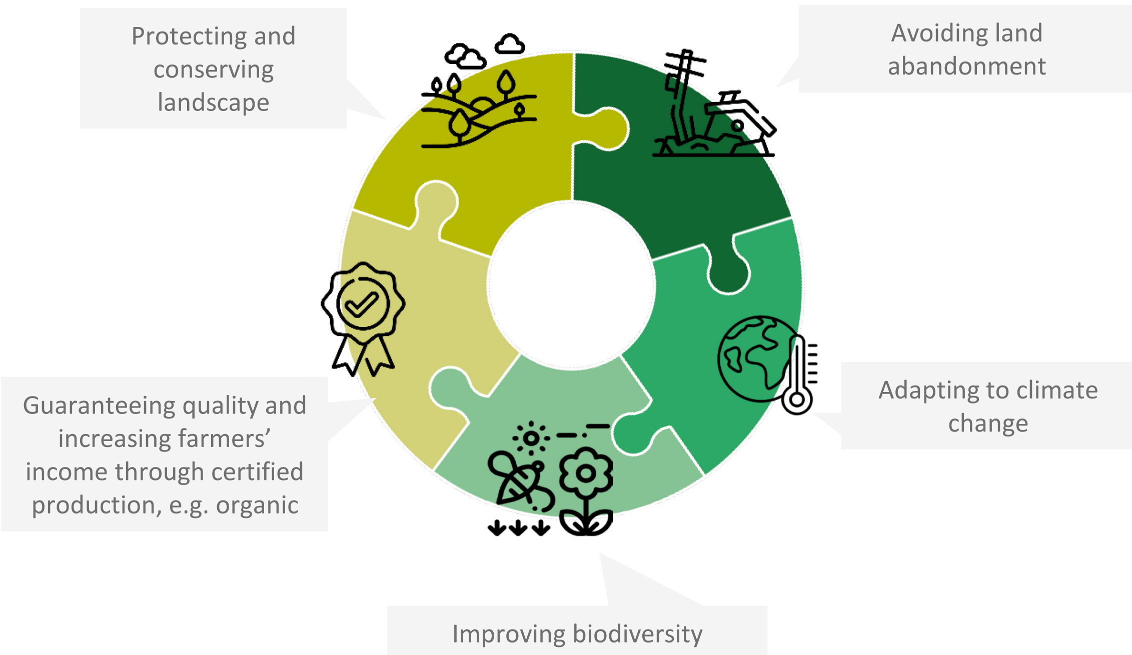
Little consideration for environmental sustainability in the restructuring measure

Design of the restructuring measure

44 The 2013 CAP reform introduced protecting the environment into the objectives of the wine CMO (see paragraph *08*), building on the CAP objective of sustainable management of natural resources. For the restructuring measure, this meant, for the first time, an option to contribute to the environmental objective of the wine sector.

45 Since 2008, national support programmes have had to include an appraisal showing, among other things, the expected environmental impact[34]. Our review of the NSPs of the member states we visited showed that this section did not really include the results of an impact assessment, but rather a description of how the different measures, including restructuring, could help to preserve the environment (see *Figure 10*).

Figure 10 – Expected impacts on the environment from NSPs



Source: ECA, based on the NSPs of member states we visited.

[34] Article 6 of Regulation (EC) No 479/2008.

46 The contribution of the restructuring measure to the environmental objective was optional, i.e. member states could decide whether it fitted within their strategy for the wine sector, which is included in the NSPs. We found that the strategic objectives the visited member states chose and the quantified targets they linked to them had little, if any, ambition in terms of environmental sustainability (see *Figure 11*).

Figure 11 – Strategic objectives and corresponding targets linked to environmental sustainability

Promote a better allocation of vineyards in compliance with the principles of sustainability **ITALY**	1 % of requests concern organic or local production
Protection of the environmental and landscape value and of the cultural traditions related to wine production **ITALY**	+ 5 % of restructured surfaces in areas with high landscape value
Make Greek wines more competitive, by making qualitative improvements to products to ensure better market orientation **GREECE**	10 % of total annual areas of vineyards dedicated to organic, integrated production or PDOs/PGIs
Support socially and environmentally sensitive areas, such as island areas, with an emphasis on preserving the environment and the aesthetic value of rural landscapes **GREECE**	>30 ha of annually restructured areas in the islands of the Aegean Sea
Support technical developments outside contextual planting **FRANCE**	1 500 ha/year with operations linked to irrigation systems
Transfer vineyards to a slope **CZECH REPUBLIC**	>10 ha moved to a slope
None **SPAIN**	None

Source: ECA, based on NSPs, section G on objectives, indicators and targets.

47 The indicators that are used relate to output, rather than results or impact, and so they do not provide information on the outcome of the measure. Several of them are only partially relevant for the objective, and the targets are set very low. As a result, they do not provide information about any environmental improvement. For example, none of the indicators concerning organic or integrated production show how many farmers converted to such cultivation techniques. In the case of Greece, organic and integrated production count together with PDOs/PGIs, meaning that the quantified target could be achieved with just the latter. The French authorities have chosen an indicator on the number of irrigation operations, and achieving the target might actually have negative effects on the environment (see paragraph ***54***). The Czech Republic has two additional environmental objectives (for ensuring biodiversity and sustainable production) which were not included in ***Figure 11***, as the Czech Republic did not set quantified targets for them.

48 Environmental care is valued by wine consumers, together with quality and reputation. This is confirmed by a study that also states there is room to increase competitiveness by targeting a more environmentally-conscious audience[35]. In its examination and validation of the NSPs, the Commission did not assess the environmental ambition of NSPs and did not follow up on the achievement of any of the additional indicators. Additionally, the Commission did not provide a definition of sustainability or sustainable production systems; nor did it explain in its guidelines for implementing the NSPs how the measure could be used to reduce the environmental footprint of the wine sector, or even how to calculate it.

49 The restructuring measure (as well as the whole wine CMO) is subject to a high level of subsidiarity, where member states are free to decide about strategy (see paragraph ***46***), objectives and indicators (see ***Figure 11***), the measures they propose within their NSPs, and how to define the types of sub-actions eligible for financing. Contrary to other EU funds (e.g. the European Agricultural Fund for Rural Development (EAFRD)), the wine CMO does not require any co-financing from member states. This in turn might not provide a sufficient incentive for member states to develop a proper strategy and pursue environmental targets.

Implementation of the restructuring measure

50 Member states may disburse the available funds on the basis of priority criteria, favouring projects showing a potential positive contribution to achieving the environmental objective. The Commission guidelines do not offer particular examples in this regard. In reality, the relevance of the priority criteria is low, as almost all projects are financed anyway (see paragraph ***29***). Of the five member states we visited, only three made use of such criteria:

- Greece and Spain (CLM) decided to apply the “areas where vineyards contribute to the preservation of the environment” criterion by prioritising organic farming or integrated production practices, or to protect old vineyards;

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[35] Agrosynergie EEIG and European Commission, Evaluation of the CAP measures applied to the wine sector, 2019.

- Greece and Italy (Tuscany) decided to prioritise "areas facing natural or other specific constraints", which cover terraces, steep slopes, etc. According to the Commission, this criterion can also be used to preserve the environment and traditional landscape features.

51 The projects we visited relating to the restructuring measure show little consideration in practice for improving sustainable systems or the environmental footprint of the wine sector, new varieties to be planted are chosen mainly based on predictions of future market demand (see ***Box 5***). In certain regions, organic or integrated production is seen as a way to respond better to market demand and increase farmers' income in addition to their environmental benefits.

Box 5

The example of Airén

Airén is a traditional Spanish grape variety, particularly common in Castilla-La Mancha where it covered almost 200 000 hectares in 2020/2021. Known for its resistance to extreme heat and drought, it grows easily and does not require much care[36].

Between 2017 and 2022, the authorities of Castilla-La Mancha excluded Airén from the list of available varieties for the restructuring measure in order to favour varieties such as Syrah that better respond to market expectations. The Commission supported CLM in its decision, believing that Airén could be replaced by varieties with a better sale price. They concluded that the beneficiaries' turnover would increase.

This decision, which may have had negative environmental impacts, was reverted in 2023. Airén is better suited to local climate conditions, while other varieties such as Syrah can be more demanding in terms of water.

[36] Airén: características, Vinos de Castilla-La Mancha MEDIA.

Airén, bush vines, CLM

Source: ECA, 2022.

52 The restructuring measure could also finance the improvement of management techniques, where the link with sustainability should be stronger: the Regulation says this action should be used "in particular [for] the introduction of advanced systems of sustainable production"[37]. However, projects are not assessed or selected in terms of their environmental ambition. In particular, the proposed improvements do not usually involve any environmental commitment, or a description of how the changes should deliver on the objective of improving the sustainability of the systems or the environmental footprint. The 2018 evaluation confirmed that "operations aiming at improving practices from an environmental and climate point of view were not supported by member states"[38].

[37] Article 46(3) of Regulation (EU) No 1308/2013.

[38] Agrosynergie EEIG and European Commission, Evaluation of the CAP measures applied to the wine sector, 2019, p. 61.

53 Wine grapes have traditionally been a dry crop, and irrigation was not considered essential. In France, for most PDOs/PGIs, irrigation is allowed only in exceptional circumstances. However, under the restructuring measure, the improvement of management techniques can also be used to fund irrigation systems (in France and Italy). Such projects are approved as long as the eligibility criteria are met and funds are available.

54 While irrigation can be considered an adaptation measure, water availability should also be taken into account, as should studies on the feasibility of the transformation of vineyards from dry to irrigated crops. A positive aspect of irrigation is certainly its capacity to stabilise wine growers' yields, and thus production. However, under the CMO, the installation of an irrigation system – whether funded or not – is not linked to any environmental commitment, e.g. no increases in water use. The implementing rules do not set any clear conditions or environmental safeguards for water availability or savings.

55 In all the member states we visited, we found examples of improved sustainability in vineyard management. These concerned the use of chemical substances (pheromones) to prevent the reproduction of moths or the planting of vegetation between vine rows to reduce soil erosion and improve biodiversity and soil structure. Such installations, however, did not result directly from specific requirements set in the restructuring measure's calls for projects. In some cases, additional funding opportunities (e.g. via the EAFRD) were available in member states to support these practices. Due to the design of the EAFRD, the Commission does not have an overview of the extent to which EAFRD measures – such as agro-environment-climate measures or organic farming – are used by the wine sector, or how much support is granted to wine growers.

56 Under the CMO, neither the Commission nor the member states set up a system for monitoring environmental performance. As a result, it is not possible to assess the impact of the EU framework for vineyards on the environmental objective or ultimately on the sustainable use of natural resources.

The environmental effects of the planting authorisation scheme are unknown

Design of the planting authorisation scheme

57 The progressive increase in vineyard areas was not assessed from an environmental perspective, despite the existence of earlier studies (e.g. on the impact on landscape, on land-use change[39], and on turning to monoculture[40]). In addition, although the planting authorisation scheme was initially planned to run from 2016 until 2030, it was extended in 2021 by an additional 15 years. It will now last until 2045. No impact assessment to account, among other things, for the environmental consequences of the scheme was carried out before this extension was made. The legislation envisaged an intermediate review of the scheme in 2023 in order "to evaluate the operation of the scheme and, if appropriate, make proposals"[41]. This has been changed: now the first review is scheduled only for 2028[42].

58 The CMO Regulation acknowledges the possible negative social and environmental effects of excessive supply capacity. This can result from an increase in vineyard area (see paragraph ***43***). However, the extent to which the scheme prevents negative consequences for the environment has never been assessed.

59 A 2021 change in the rules governing the scheme[43] may have a positive environmental impact. The validity of planting authorisations has been extended from three to six years where planting takes place on the same parcel of land. This allows producers to delay the planting of vineyards in order to let the soil rest and improve its sanitary conditions with fewer chemical inputs.

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[39] Martínez-Casasnovas, et al., Influence of the EU CAP on terrain morphology and vineyard cultivation in the Priorat region of NE Spain, 2010.

[40] Altieri and Nicholls, The simplification of traditional vineyard-based agroforests in Northwestern Portugal: some ecological implications, 2002.

[41] Article 61 of Regulation (EU) No 1308/2013, initial legal act.

[42] Article 61 of Regulation (EU) No 1308/2013, consolidated version of 7 December 2021.

[43] Regulation (EU) 2117/2021, Recital (15).

Implementation of the planting authorisation scheme

60 When wine growers are granted authorisation to plant new vineyards, the legislation proposes only one priority criterion that has a direct link to the environmental objective[44]. Member states in the EU can give priority to those applications that concern areas where vineyards contribute to preserving the environment or to conserving the genetic resources of vines. With the exception of Greece (since 2016), Italy (since 2017) and Austria (since 2021), none of the other wine-producing member states has used this criterion. Most authorisations are distributed using a pro-rata system (see paragraph ***39***), even in those member states that have set priority criteria.

61 While the Commission has an overview of the implementation of the scheme at national or regional level, the reporting obligations do not aim to and, therefore, are not sufficient to assess whether the scheme has a negative impact on the environment.

Environmental ambition of the EU wine policy remains low

62 From November 2023 onwards, wine measures will be included in the CAP Strategic Plans. The Strategic Plan Regulation introduces a revised set of 11 objectives for the wine sector, including one with a clear environmental and climate component, "contributing to climate change mitigation and adaptation and to the improvement of the sustainability of production systems and the reduction of the environmental impact of the wine sector, also by supporting wine growers in reducing the use of inputs and implementing more environmentally friendly sustainable methods and cultivation practices".

63 It is up to the member states to link this environmental and climate objective to the measures. Ten out of 15 member states whose CAP Strategic Plans include restructuring support for the wine sector linked the restructuring measure to this environmental and climate objective. If member states choose this objective, restructuring projects should pursue at least one relevant action, such as reducing inputs, limiting water use, avoiding soil erosion, or protecting/improving the environment[45].

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[44] Article 64(2)(b) of Regulation (EU) No 1308/2013.

[45] Article 12 of Commission Delegated Regulation (EU) 2022/126.

64 Since 2013, funding for restructuring has been linked to compliance with specific environmental obligations (also known as 'cross-compliance')[46]. They comprise requirements from EU rules on the environment (such as record keeping of purchase and use of plant protection products), and standards imposing sustainable agricultural practices (such as complying with water abstraction authorisation procedures). Farmers that are found not to comply with these requirements may face a reduction in their EU funding. According to the Commission, cross-compliance raises awareness of farmers regarding the need to comply with certain basic standards and it makes the CAP more compatible with the expectations of society.

65 In the 2023-2027 period, the application of cross-compliance (now part of 'conditionality') to funding for restructuring has been discontinued[47], lowering the environmental ambition of the EU wine policy. In the past, we recommended linking all CAP payments to farmers, including those made through the common market organisation, to explicit environmental requirements, such as conditionality[48].

66 Member states will have to use at least 5 % of the expenditure earmarked for the wine sector on interventions linked to objectives such as protecting the environment, adapting to climate change or improving the sustainability of production systems, or reducing the environmental impact of the wine sector[49]. This is a rather low share compared to other sectors, such as fruit and vegetables. In the context of a greener CAP, 40 % of its expected expenditure should target climate-related objectives (see ***Figure 12***).

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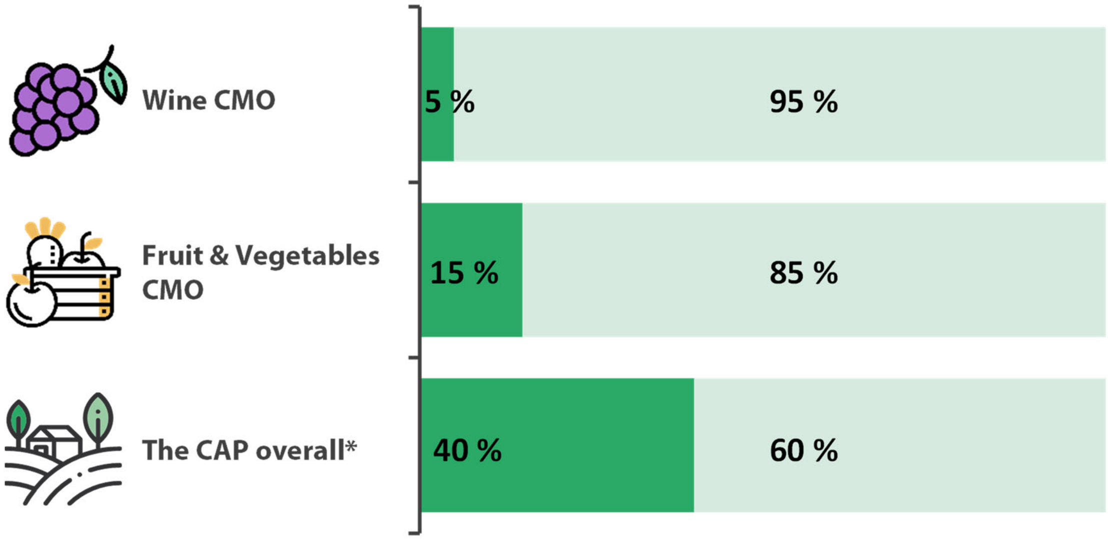
[46] Article 92 of Regulation (EU) No 1306/2013.

[47] Article 2 of Regulation (EU) 2021/2115.

[48] Special report 20/2021, recommendation 2(b).

[49] Article 60(4) of Regulation (EU) 2021/2115.

Figure 12 – Comparison of dedicated expenditure on climate and the environment



* The Regulation states that at least 40 % of the CAP expected expenditure should target climate-related objectives.

Source: ECA based on Regulation (EU) 2021/2115.

67 In the five member states we visited, none of the draft CAP Strategic Plans described which measures would contribute to the 5 % target for climate and the environment. The Commission addressed this issue in its assessment of the plans[50]. Our review of the approved plans revealed that:

- Greece, France and Italy's strategies emphasised the need to adapt their vineyards to climate change. However, they intend to implement the restructuring measure in the same way as they did in their NSPs, i.e. by fostering competitiveness. France and Italy plan to make exclusive use of the by-product distillation measure to reach the 5 % figure. By-products from wine making – when not appropriately disposed of – can be harmful for the environment. Greece intends to use the 5 % for investments in sustainable wine production;

- Spain, by contrast, prefers to reach the 5 % with the restructuring, by-product distillation, and investment measures. Its plan also requires compliance with the Water Framework Directive, does not finance irrigation systems, and focuses on integrated production;

[50] Observation letters to the Czech Republic, Greece, Spain, France, and Italy.

- the Czech Republic intends to cover the 5 % target in full with the 'varietal conversion' sub-action component of the restructuring measure. Wine growers can convert to new varieties that are better suited to changing climate conditions in order to make their production more resilient.

68 From 2023 onwards, funding for investments in irrigation, which could be eligible under the restructuring measure, will have to meet stricter requirements[51]. Projects should commit to minimum water-saving targets; they cannot lead to a net increase in the irrigated area, except under clearly defined conditions, such as a positive environmental impact assessment, and must comply with the Water Framework Directive requirements.

69 PDO/PGI production covers 82 % of the EU vineyard area (see paragraph ***03***). Applicable EU rules have been evolving:

- since 2021, planting hybrid varieties of crosses of *Vitis vinifera* for both PDOs and PGIs has been allowed so as to enable producers to use vine varieties that are better suited to changing climate conditions and are more disease-resistant[52];

- the ongoing reform of the PDO/PGI Regulation[53] seeks to encourage producers of PDO/PGI wines to follow higher standards for economic, social and environmental sustainability.

70 Given that PDO/PGI wines account for most EU production, this reform has the potential to make wine growing in the EU more sustainable. However, uptake is voluntary and may remain limited. During our visits to the member states, we observed that wine growers hesitate to use these new varieties.

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[51] Article 11 of Regulation (EU) 2022/126.

[52] Recital 28 of Regulation (EU) 2021/2117.

[53] Commission's proposal on geographical indications, COM(2022) 134.

Conclusions and recommendations

71 Through its wine policy, the EU supports wine growers with around €0.5 billion per year to restructure their vineyards, the main aim being to make them more competitive. The scheme for planting authorisations intends to limit the growth of vine plantings in order to avoid structural production surpluses. We found that this policy framework for making wine growers more competitive has shortcomings in terms of design and implementation, and falls short of the common agricultural policy's environmental objectives.

72 Studies and evaluations indicate that EU support for the wine sector, including the restructuring measure, is conducive to competitiveness. However we found that:

- the Commission has not defined clearly, or collected and analysed data, on how the restructuring measure should contribute to that objective (paragraphs *24* and *26*);
- the member states we visited have not defined how the restructuring will foster the competitiveness of wine growers, and have not developed a coherent strategy or established relevant indicators for the 2014-2023 period to assess the impact of the restructuring measure on competitiveness (paragraphs *25*-*26*);
- the member states we visited funded eligible requests, regardless of content or ambition, and did not use criteria to select projects which foster competitiveness (paragraphs *29* and *32*);
- some member states we visited funded projects that do not entail a structural change, but rather accelerate the normal renewal of vineyards, something which is not eligible for EU support (paragraphs *30*-*31*);
- the Commission did not document its assessment of the objectives set by member states nor follow up in a systematic way the extent to which those objectives have been achieved (paragraph *27*);
- the member states we visited did not assess how the projects contribute to the competitiveness objective, and beneficiaries are not required to report on the outcome of their restructuring activity, or how it made them more competitive (paragraph *32*).

73 The planting authorisation scheme aims to avoid oversupply by limiting area growth to 1 % per year. However, we found that:

- no impact assessment was carried out before the co-legislators proposed and adopted the maximum percentage of 1 % growth of vineyard area at national level (paragraph *34*);
- member states may allow growth well above 1 % at regional/local level, and they are not required to carry out an assessment to evaluate its impact (paragraph *36*);
- the planting authorisation scheme places a cap on the total EU vineyard area, but it does not limit production, which risks offsetting the scheme's aim of avoiding oversupply (paragraph *37*);
- when granting authorisations, the member states we visited use only a few eligibility and priority criteria that are linked to competitiveness (paragraph *40*);
- allocating new planting authorisations on the basis of pro-rata distribution may hamper the competitiveness objective in some member states where beneficiaries are granted very small areas and cannot plan ahead (paragraph *41*).

Recommendation 1 – Better target the measure and the scheme to foster competitiveness

The Commission should:

(a) clarify what the competitiveness of EU wine producers entails so that the achievement of the main objective of the restructuring measure can be assessed;

Target implementation date: Q1 2026

(b) provide observations to member states, as envisaged in the CAP Strategic Plan Regulation in the context of annual performance reporting and/or amendments to the CAP Strategic Plans, when the requirements of the restructuring measure do not effectively contribute to the competitiveness objective;

Target implementation date: 2025

(c) assess, together with member states, the implementation of the measure and the scheme in order to identify and share good practices and risks.

Target implementation date: 2026 for the measure, 2028 for the scheme

74 One of the aims of the common agricultural policy is to manage natural resources sustainably. However, wine policy has taken environmental protection on board only partially. Despite the large amount of funding involved, the restructuring measure missed the opportunity to contribute to a key goal for the EU. We found that:

- the member states we visited did not assess the expected environmental impact of their national support programmes for the wine sector. Their strategic objectives and targets showed little ambition in terms of environmental sustainability (paragraphs ***45***-***46***);
- the Commission did not provide the wine-producing member states with guidance on how to define sustainability or sustainable production systems, or how to use the restructuring measure for reducing the environmental footprint of the wine sector. In addition, it did not follow up the extent to which the indicators set by the member states had been achieved (paragraph ***48***);
- the national support programmes are fully funded by the EU, without any co-financing from the wine-producing member states. Nevertheless, member states have significant discretion in defining their strategies, objectives and indicators for the wine sector, and there are few or no environmental restrictions or requirements (paragraph ***49***);
- although some of the member states we visited used criteria to prioritise projects making a positive potential contribution to the environment, almost all projects are funded in practice. As a result, financed projects do not aim to reduce the climate-related and/or environmental impact of wine growing. Indeed, under certain circumstances, they could even have the opposite effect, such as switching to varieties that need more water, or installing an irrigation system (paragraphs ***50***-***54***).

75 The planting authorisation scheme was introduced in 2016 and extended by the co-legislators in 2021 without any assessment being carried out. It is impossible to determine the extent to which the scheme could prevent negative consequences for the environment (paragraphs ***57***-***58***).

76 Environmental ambition for the wine sector remains low in the 2023-2027 programming period. Cross-compliance – a mechanism whereby payments to farmers depend on their meeting requirements in areas such as the environment and land management – has been discontinued for the restructuring measure. Also, member states need to spend only a minimum of 5 % of the wine allocation towards environment and climate objectives (compared to 15 % for fruit and vegetables, and the 40 % climate target for the common agricultural policy as a whole; paragraphs *65*-*67*). On the other hand, funding for irrigation has to meet stricter requirements, and the intention is to move towards new varieties and more sustainable production systems. However, uptake is voluntary and may remain limited (paragraphs *69*-*70*).

Recommendation 2 – Increase the environmental ambition of the wine policy

The Commission should:

(a) assess whether the minimum 5 % share of earmarked wine expenditure required to be spent on the climate and the environment is appropriate in light of the ambition for a greener CAP;

Target implementation date: Q2 2026

(b) for the restructuring measure, facilitate the exchange of best practices and disseminate the results for the protection of the environment;

Target implementation date: 2026

(c) for the authorisation scheme, assess, in the context of the planned mid-term review, the extent to which the scheme impacted the environment;

Target implementation date: 2028

(d) provide observations to member states, as envisaged in the CAP Strategic Plan Regulation in the context of annual performance reporting and/or amendments to the CAP Strategic Plans, when the requirements of the restructuring measure do not effectively contribute to the environmental objective.

Target implementation date: 2025

This report was adopted by Chamber I, headed by Ms Joëlle Elvinger, Member of the Court of Auditors, in Luxembourg at its meeting of 12 July 2023.

For the Court of Auditors

Tony Murphy
President

Abbreviations

CAP: Common agricultural policy

CLM: Castilla-La Mancha

CMO: Common market organisation

NSP: National support programme

OIV: International Organisation of Vine and Wine

PDO: Protected designation of origin

PGI: Protected geographical indication

Glossary

Common agricultural policy: The EU's single unified policy on agriculture, comprising subsidies and a range of other measures to guarantee food security, ensure a fair standard of living for the EU's farmers, promote rural development, and protect the environment.

Cross-compliance: Mechanism whereby payments to farmers depend on their meeting requirements on the environment, food safety, animal health and welfare, and land management.

Integrated production: Agricultural approach that takes account of all aspects of economic, environmental and social sustainability.

Organic farming: Agricultural approach based on the use of natural substances and processes to produce food and feed.

Parcel relocation: One of the eligible activities of the restructuring measure, which consists in moving a vineyard parcel to a different location, by grubbing up the plants and planting a new vineyard elsewhere.

Replies of the Commission

https://www.eca.europa.eu/en/publications/sr-2023-23

Timeline

https://www.eca.europa.eu/en/publications/sr-2023-23

Audit team

The ECA's special reports set out the results of its audits of EU policies and programmes, or of management-related topics from specific budgetary areas. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was carried out by Audit Chamber I Sustainable use of natural resources, headed by ECA Member Joëlle Elvinger. The audit was led by ECA Member Joëlle Elvinger, supported by Ildikó Preiss, Head of Private Office and Paolo Pesce, Private Office Attaché; Ramona Bortnowschi, Principal Manager; Els Brems, Head of Task; Antonella Stasia, Deputy Head of Task; Nicholas Edwards, Vincenza Ferrucci, Lenka Hill, and Dimitrios Maniopoulos, Auditors. Jindrich Dolezal, Mark Smith and Efstratios Varetidis provided linguistic support. Marika Meisenzahl provided graphical support.

From left to right: Efstratios Varetidis, Marika Meisenzahl, Paolo Pesce, Joëlle Elvinger, Antonella Stasia, Nicholas Edwards, Vincenza Ferrucci, Ildikó Preiss, Ramona Bortnowschi.

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HTML	ISBN 978-92-849-0709-0	ISSN 1977-5679	doi: 10.2865/863236	QJ-AB-23-021-EN-Q
PDF	ISBN 978-92-849-0703-8	ISSN 1977-5679	doi: 10.2865/413286	QJ-AB-23-021-EN-N

The EU provides wine growers with support for vineyard restructuring to make them more competitive. This could also improve sustainable production and the environmental footprint of wine growing. Wine growers need to obtain authorisation before planting new vineyards, which are limited in number, so as to avoid excessive supply with negative social and environmental effects. We found that EU support has an unclear impact on the competitiveness of wine growers. There are flaws in the design and implementation of the planting authorisation scheme, and the EU's wine policy falls short of common agricultural policy's environmental objectives. We recommend that the Commission should target the EU's actions better to foster competitiveness of wine growers and increase the environmental ambition of the wine sector.

ECA special report pursuant to Article 287(4), second subparagraph, TFEU.

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