REPLIES OF THE EUROPEAN COMMISSION

TO THE EUROPEAN COURT OF AUDITORS' SPECIAL REPORT

Restructuring and planting vineyards in the EU

Unclear impact on competitiveness and limited environmental ambition

Contents

This document presents the replies of the European Commission to observations of a Special Report of the European Court of Auditors, in line with Article 259 of the Financial Regulation and to be published together with the Special Report.

I. THE COMMISSION REPLIES IN BRIEF

The sectoral wine intervention of the Common Agricultural Policy (CAP) is a major policy and funding instrument to ensure the competitiveness of the wine sector in the EU. The Commission welcomes the ECA audit of the restructuring and conversion measure (hereinafter 'RECO') and the vine planting authorisations scheme in relation to the improvement of competitiveness of the wine sector. The Commission also notes that the report has taken into consideration the ongoing initiatives developed by the Commission for the new framework period, CAP 2023-2027, where other objectives such as environmental are gaining importance. The Commission considers that within the CAP, various measures, those that were part of the audit, contribute to the competitiveness of the wine sector. Other interventions contribute to the environmental objective also in the wine sector, such as eco schemes, agri-environmental interventions, non-productive investments or knowledge transfer.

The Commission is of the view that Member States remain responsible for the implementation of the EU policy for vineyards both on the design of the policy towards competitiveness and on the alignment with CAP environmental objectives.

Under the Regulation (EU) 1308/2013[1] (Common Market Organisation Regulation, hereinafter 'CMOR'), Member States needed to provide for support measures in the wine sector, which strengthened competitive structures while respecting EU's vineyard diversity. While they have been defined and financed by the EU, under the subsidiarity principle, Member States were responsible for the implementation of such programmes and selected an appropriate set of measures which met the needs of their regional specificities, considering regional particularities, where necessary, as well as integrated them into national support programmes.

One key measure eligible under national support programmes under the CMOR is the RECO measure, which is essentially geared towards improving the economic performance of the wine enterprises. This was the key objective of this measure in the Wine Reform of 2009 (rolled over in 2013). In 2009, the wine sector suffered of an over-production and the competition of the new world wines on the EU market and therefore the improvement of the competitiveness of the wine sector was the priority. In both reforms, 2009 and 2013, the co-legislators did not include mandatory environmental objectives for the EU vineyard policy, and hence the Commission did not have a legal basis to require them.

With the new Delivery model, covered by the Regulation (EU) 2021/2115[2] (CAP Strategic Plan Regulation, hereinafter 'SPR'), a particular focus regarding environmental objectives of the wine sectoral interventions has been strengthened, in addition to the improvement of the economic and social sustainability and competitiveness of the wine sector. The RECO type of intervention may now be linked to one or more objectives, including environmental objectives. The Commission is of the view that the new CAP policy enhances the environmental ambition of the wine sector. Even though the share of the budget earmarked for environmental and climate objectives (5% of the expenditure)

[1] Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007 (OJ L 347, 20.12.2013, p. 671).

[2] Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013, (OJ L 435, 6.12.2021, p. 1–186).

is relatively low, both in absolute and relative terms, it is however an improvement compared to the previous wine national support programmes.

As regards the vine planting authorisations scheme within the CMOR, its primary objective is to assure an orderly growth of the wine production potential in the medium term, favouring market stability and mitigating the risk of structural overproduction. In this respect, this policy tool has properly functioned since its application in 2016 while removing the negative side effects and drawbacks of the previous planting rights regime. The scheme, as such, has only an indirect impact on the competitiveness of the overall EU wine sector as a result of its contribution to the medium-term market stability. It does not pursue the improvement of competitiveness of individual growers who are subject to the planting limitations or any impact in terms of environmental benefits. While avoiding excessive growth of production potential with possible negative social and environmental effects, the single effective link of the scheme with environmental concerns is an optional priority criterion aiming to prioritise, in the allocation of new planting authorisations, the areas where vineyards contribute to the preservation of the environment, which Member States may apply only if the applications exceed the area made available for new plantings.

II. COMMISSION REPLIES TO MAIN OBSERVATIONS OF THE ECA

1. Contribution of the restructuring and conversion of vineyards to the competitiveness and environmental objectives

The new 2023-2027 CAP brought about an important paradigm shift compared to the previous policy framework.

As regards the new programming period, implemented via national CAP Strategic Plans, it is of utmost importance to look at the overall ambition of national CAP Strategic Plans (hereinafter 'CSPs') with regard to the different objectives defined under the CAP, and not only to each of the different stand-alone instruments of the policy. The intervention logic developed in each of the plans should allow deploying synergies between them in order to achieve the targets set. A specific section of the CAP Strategic Plans is devoted to such issue. In this context, Member States have designed the tools and their interplay with other CAP instruments, according to the needs identified and the strategy pursued in order to deliver on the CAP common specific objectives. The wine intervention contributes of course to this.

The audit of the ECA is based on data on the implementation of the RECO measure according to the CMOR (2014-2022) and looked forward to the 2023-2027 period. The legal frameworks are very different, in terms of objectives pursued, on implementation modalities and of course, considering that the new legal framework will start to be run by the wine sector as from 16 October 2023.

In the period 2014-2022, EU legislation designs the framework of the RECO measure and provides Member States a certain margin of discretion in deciding on the details of the scope (e.g. eligibility criteria, priority criteria) and levels of the support. Following the reform of the CAP and under the SPR, Member States benefit from an even higher degree of freedom in the design and implementation modalities.

The Commission services gather a large number of data stemming from different sources relating to the implementation of the RECO measure in the wine sector, in particular as regards the contribution of the measure to the competitiveness of the wine sector. All in all, the RECO measure / type of intervention allows wine growers to adapt their vineyards to produce grapes of a higher quality, with a higher market demand and therefore contribute to improving the competitiveness of the wine sector.

RECO has not as an objective to contribute to avoiding an overproduction of wine in the Union but to increase the competitiveness and to improve market orientation of individual wine growers. The planting authorisations scheme and green harvesting are the tools of the wine policy which contribute to avoiding overproduction of wine in the medium and short term, respectively.

2. The environmental ambition of the wine policy

The Commission is of the view that the new wine policy on wine sectoral intervention within the SPR enhances the environmental ambition of the EU wine policy. Many interventions targeting environmental objectives are not taken into account in the audit.

Under the CMOR, the unique objective linked to the RECO measure relates to the increase of the competitiveness of the wine producers (Article 46(1) CMOR). The reference to “sustainable production systems and environmental footprint of the wine sector” is a facultative aim. However, the evaluation of the CAP wine measures in 2019 shows that RECO steered to lowering the use of plant protection products by better adapted vineyard techniques.

For the new programming period implemented via national CAP Strategic Plans, it is of utmost importance to look at the overall ambition with regard to the different objectives defined under the CAP and the different policy instruments which may be combined together, and not only to each individual instrument of the policy on their own. The intervention logic developed in each of the CSP should allow deploying synergies between them in order to achieve the targets set. A specific section of the CAP Strategic Plans is devoted to such issue. In this context, Member States have designed the tools and their interplay with other instruments, according to the needs identified and the strategy pursued in order to deliver on the CAP common specific objectives.

If the key characteristic / objective of the RECO measure was a competitiveness-oriented measure (to promote market orientation and improve EU wine competitiveness against wines from the new world wine countries, both, in domestic and external markets- Wine Reform of 2009 (rolled over in 2013), the SPR improves slightly the environmental ambition (i.e. Article 57(b) and (d) SPR), including as regards the RECO type of intervention. It must also be reminded that the co-legislators in the SPR oblige Member States to ensure that at least 5 % of the expenditure is earmarked and at least one action is adopted to meet environmental CAP and sectoral objectives. Whereas the 5 % environmental expenditure target is lower than the target of the CAP strategic plans, it contributes to the 40 % climate expenditure target and represents an improvement compared to the previous legal framework and is a minimum (i.e. Member States may opt to go beyond it).

The design of the RECO type of intervention in the SPR as regards the variety of sectoral objectives which may be pursued by the beneficiaries, among others, environmental objectives, has been therefore largely enhanced and represents a real first improvement.

3. Assessment of the impact of the 1% limit of increasing vineyard area at national level

The Commission proposal (2011) for the single CMOR did not foresee provisions regarding the continuation of the vine planting rights scheme. During the negotiations on the new Regulation, the co-legislators however took the initiative to introduce a control mechanism, including the 1% growth limit. Co-legislators opted not to use the possibility to carry out their own impact assessment on this issue.

So, the 1% growth limit has been part of the compromise reached by the co-legislators in the 2013 wine policy reform, in order to provide the necessary stability as regards production potential for this sector. This sector must combine the challenges of long-term investments with vineyards only coming into production after three years and being productive for several decades while at the same time allowing producers to react swiftly to market trends and shifts in demand. While Member States can choose to limit the growth of the vineyard area in certain regions, after consulting the recommendations presented by recognised professional organisations, wine producers should be allowed to react to market signals and increase the production of wines for which they can find outlets. In this context, the 1% limit at Member State level still avoids speculative bubbles and if a Member State and the professional organisations of a certain region consider that the increase of the vineyard area in the region concerned risks to become unsustainable, a regional limit can be introduced. As far as the increase in competitiveness is concerned, it is clear that in view of the long-term and significant investment, growers will only plant new vineyards if they think that this will be profitable. Concerning the claim that the planting authorisation scheme limits the total EU vineyard area, but it does not limit production, it is important to keep in mind that this conclusion was reached by including the period between 2007 and 2013. During this period, the vineyard area was reduced by a grubbing up scheme, which was of course mostly used to grub up the least competitive and/or low yielding vineyards. Since the 2013 wine reform, the EU vineyard area has been slightly declining and the yield variations are within the normal range caused by climatic conditions.

III. COMMISSION REPLIES TO THE RECOMMENDATIONS OF THE ECA

1. 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: first quarter of 2026

The Commission accepts the recommendation.

(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

The Commission accepts the recommendation.

(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

The Commission accepts the recommendation.

2. 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

The Commission accepts the recommendation.

The Commission agrees on the importance of a full implementation of the NSPs and the achievement of its objective in all EU Member States. The Commission recognises the important contribution of the wine sector to the CAP environmental ambition through the achievement by Member States of their commitment to spend at least 5 % of expenditure to types of interventions linked to environmental objectives.

The environmental contribution of the wine sector will be one of the elements covered in the assessment leading up to the proposals for the CAP post 2027, and thereby address the appropriateness of the 5% ring-fencing. For it to be useful, such an assessment will have to be based on available data for the first two years of implementation (2024 and 2025) to be provided by the Member States.

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

Target implementation date: December 2026

The Commission accepts the recommendation.

(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

The Commission accepts the recommendation

(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

The Commission accepts the recommendation.