Brussels, 28 May 2025

EACB Statement on the simplification of the CAP

May 2025

- *How to further direct CAP support towards those farmers who need it most? How can the new CAP advance on a better targeting and extend the use of degressivity and capping while respecting the different needs of the different Member States?*
- *While moving towards a more incentive-based approach, how can we guarantee a level-playing field and an environmental ambition in the design of the future CAP?*

The **European Association of Co-operative Banks** (EACB) is the voice of the cooperative banks in Europe. It represents, promotes and defends the common interests of its 27 member institutions and of cooperative banks in general. Cooperative banks form decentralised networks which are subject to banking as well as cooperative legislation. Democracy, transparency and proximity are the three key characteristics of the cooperative banks' business model. With 2,500 locally operating banks and 40,000 outlets cooperative banks are widely represented throughout the enlarged European Union, playing a major role in the financial and economic system. They have a long tradition in serving 227 million customers, mainly consumers, retailers and communities. The cooperative banks in Europe represent 90 million members and 737,000 employees and have a total average market share of about 20%.

For further details, please visit www.eacb.coop

Contact:

The EACB trusts that its comments will be taken into account.

For further information or questions on this paper, please contact:

- Mr Volker Heegemann, Head of Department (volker.heegemann@eacb.coop)
- Ms Pauline Hascoet, Senior adviser, Sustainable finance and corporate governance (pauline.hascoet@eacb.coop)

The financial framework should aim to reward environmental and climate performance and increase resilience to physical climate risk, while safeguarding the economic viability of farms. In addition to public support, access to private capital, through cooperative structures, sustainability-linked finance, or ESG-compliant credit instruments, should be strengthened.

Simplified procedures for granting financing to agricultural undertakings should be promoted. For this reason, green performance must be clearly identified, and the actions to be taken must be defined and classified for banks to immediately verify whether the investment qualifies as green. All institutions, including European financial institutions, should coordinate so that the environmental performance achieved or to be achieved with the investments can be classified as lower risk in the context of ESG ratings, which normally see an elevated risk for the agricultural sector (risk weighting). The applicable financial law framework does not consider the sector separately, often failing to notice its specificities. Actions, investments, and activities that objectively reduce risks should be defined and reflected by prudential supervision regulations applicable to banks. The future CAP regulation should possibly address such matters, with a view to aligning EU policies[1].

Policies regarding subsidies significantly impact farmers in determining investment decisions. It is preferable in certain situations to favour mixed forms of financing and long-term loan guarantees, subsidies can potentially distort the market[2]. Public funds could be partially directed to interest rate subsidies, partial repayment of capital, as well as to "green guarantees" constituting an important supplement to securing credit exposures. The above should be considered both in terms of investment financing and working capital. As the system of loans for agriculture is determined to a significant extent by prudential standards, we reiterate that better alignment should be achieved between the relevant policies in the simplification context.

Land acquisition should be facilitated via new financing tools, such as land portage solutions[3] and other innovative arrangements. In many areas, high prices for agricultural farmland bar market entry of young and innovative farmers and hinder green transition. New financing arrangements can help overcome these barriers in different ways, for example by allowing farmers to lease land in the early years, with purchase options later on. Such tools should be supported by the regulatory framework.

A European market for carbon credits and biodiversity credits for agriculture should be explored: European farmers should be paid for their actions capturing CO2 and enhancing biodiversity.

Finally, there is significant untapped potential for citizen-driven financing, enabling direct investments into farmer-led or cooperative initiatives, including community-based renewable energy projects, which can be anchored in agricultural holdings and scaled through cooperative models. Such developments should be supported by EU-wide frameworks, rather than fragmented national regulations.

In general, a shift towards voluntary and incentive-based schemes can only succeed if eco-schemes become a central, attractive, and adequately funded tool to reward measurable environmental outcomes services beyond mandatory standards. This requires rewarding based not only on compensating for revenue loss or costs incurred, but on rewarding the value added in terms of European Public Goods. Participation in green measures should be made simpler, more flexible, and predictable for farmers.

[1] Eg. the promotion of eco-schemes could be considered as an element increasing creditworthiness.
[2] Eg. if Regions or the EU subsidize the implementation of methanization, the installation price of the methanizer increases in the amount of the subsidy.
[3] Eg, in France, the Sociétés d'Aménagement Foncier et d'Établissement Rural (Safer), Banque des Territoires, Crédit Agricole, and Crédit Mutuel have partnered to launch ELAN, a €40 million land portage fund.