



ClieNFarms
Climate Neutral Farms

ClieNFarms Scaling Toolbox

Financial Mechanisms to Support Carbon Farming

Finance

This tool is a list of relevant measures, funding opportunities and rewarding mechanisms which are relevant to fuel projects and activities to scale carbon farming and other sustainable farming practices in Europe.

Purpose

This tool is a list of relevant measures, funding opportunities and rewarding mechanisms which are relevant to fuel projects and activities to scale carbon farming and other sustainable farming practices in Europe.

Expected outcomes of applying the tool

The tool will provide an overview of relevant funding schemes that could enable testing and implementation of new practices or help reduce risk when converting to new practices or scaling piloted practices.

Preparation

The tool can be used as a reference list of relevant public and private funding schemes and finance mechanisms that could be relevant in relation to scaling carbon farming practices. It can be used to find relevant funding schemes for your own projects and for larger collaboration and research project, but it can also be used as an evaluation tool to evaluate which of your ideas or potential projects may be more likely to obtain funding/financing. Each scheme on the list will link you to more information about the requirements of the scheme in question, what it takes to be eligible for it and how to apply for it.

Step-by-step guide to using the tool (Recipe)

Please find below a list of financial mechanisms available to support the green transition in European Agriculture.

CAP-related mechanisms:

Since 2014, climate action is one of the nine specific objectives against which the Commission evaluates the performance of the Common Agricultural Policy. With climate mainstreaming, the Commission estimated that it would attribute €103.2 billion (€45.5 billion for direct payments and €57.7 billion for rural development measures) to climate change mitigation and adaptation in agriculture during the 2014-2020 period. This represents 26 % of the CAP budget and almost 50 % of total EU climate action spending. The Commission's reporting on climate expenditure does not differentiate between adaptation and mitigation.

[Special report: Common Agricultural Policy \(CAP\) and climate \(europa.eu\)](#)

The payments are divided into 3 types of payments:

direct payments to provide income support for farmers;

market measures to deal with difficult market situations such as a sudden drop in prices; and

rural development measures with national and regional programmes to address the specific needs and challenges facing rural areas.

Approximately 26 percent of the funding dedicated to the above-mentioned CAP schemes programmes is dedicated to climate change mitigation and adaptation in agriculture during the 2014-2020 period (€103.2 billion (€45.5 billion for direct payments and €57.7 billion for rural development measures)

The Common Agricultural Policy (CAP) for the period 2014-2020 included various measures that aimed to address climate and environmental concerns within the agricultural sector. While the CAP has multiple components and measures, here are some relevant measures and schemes related to climate in the CAP 2014-2020:

Agri-Environmental and Climate Measures (AECM): These measures aimed to support farmers in implementing practices that contribute to environmental protection and climate mitigation. These measures include

Crop diversification: Promoting the cultivation of a variety of crops to enhance biodiversity and reduce environmental impact.

Ecological focus areas (EFAs): Designated areas within farms meant to enhance biodiversity and provide environmental benefits.

Nitrogen-fixing crops: Encouraging the planting of leguminous crops to reduce the need for synthetic nitrogen fertilizers.

Afforestation and reforestation: Planting trees and creating forests to sequester carbon and improve local ecosystems.

[Agri-environmental measures \(europa.eu\)](https://europa.eu)

European agricultural guarantee fund (EAGF): The EAGF helps the EU's farmers to provide a secure supply of safe, healthy, and affordable food. Through the EAGF, EU countries must offer a basic payment scheme for farmers, green direct payments (for sustainable farming methods) and payment for young farmers. EU countries can also use the EAGF to fund specific schemes to help small and medium sized farms, farmers who operate in areas of natural constraint, and sectors undergoing difficulties.

The EAGF also funds measures to support and stabilise agricultural markets. These measures operate as part of the Common Market Organisation.

[European agricultural guarantee fund \(EAGF\) \(europa.eu\)](https://europa.eu)

European agricultural fund for rural development (EAFRD): Through financial instruments, the EAFRD acts as a source for loans, microcredit, guarantees and equities, available to recipients in agriculture, forestry and rural areas who are undertaking financially viable projects that support the priorities of the EAFRD. [Fi-Compass](#) includes further information on EAFRD financial instruments.

[Rural development \(europa.eu\)](https://europa.eu)

Payment for Areas with Natural Constraints (ANC): This measure provided support to farmers in areas with natural constraints such as steep slopes, flood-prone areas, and areas with poor soil quality. It aimed to promote sustainable land use and prevent soil erosion.

[ANC \(europa.eu\)](https://europa.eu)

Farm Advisory System (FAS): FAS provided farmers with advice on sustainable farming practices, including those related to climate and environmental concerns.

[FAS \(europa.eu\)](https://europa.eu)

Cross-Compliance Rules: Obligations on farmers to certain agricultural practices, such as limiting the use of nitrogen fertilizers and maintaining a minimal soil cover.

[Cross-compliance \(europa.eu\)](https://europa.eu)

Voluntary rural Development Schemes: 1) Area based schemes (i.e., Agri-environment and climate measures, organic farming, or afforestation) 2) Advisory services (to promote practices beneficial for climate mitigation) 3) Investment measures (e.g., to improve manure management, animal welfare or breeding efficiency)

[Voluntary coupled support \(europa.eu\)](https://europa.eu)

Direct Payments and Greening: The CAP includes direct payments to farmers based on certain eligibility criteria, with a portion of these payments linked to environmental practices. This is known as "greening." Farmers are required to implement practices such as crop diversification, maintaining permanent grassland, and ecological focus areas to receive these payments.

[Greening \(europa.eu\)](https://europa.eu)

Rural Development Programs: The CAP's second pillar focuses on rural development measures, which can include funding for sustainable farming practices, agroforestry, organic farming, soil conservation, and improving water quality. These programs often

offer support through grants, investments, and other financial mechanisms. Rural Development Programmes (RDPs) are developed by the member states

[Rural development \(europa.eu\)](https://ec.europa.eu/rural-development/index.cfm)

Organic Farming Support: The CAP offers specific support for organic farming, which encourages environmentally friendly practices and reduces the use of synthetic inputs. This support may include conversion and maintenance payments for organic farmers.

[Becoming an organic farmer \(europa.eu\)](https://ec.europa.eu/organic-farming/index.cfm)

LEADER Approach: The LEADER approach supports local development initiatives in rural areas, often emphasizing sustainable practices and community involvement. It can involve funding for projects related to agriculture, tourism, cultural heritage, and more.

[EUCAP Policy Insights LEADER's Potential From A Policy Perspective.pdf \(europa.eu\)](https://ec.europa.eu/leader/index.cfm)

Innovation and Research Funding: The CAP may provide funding for research, innovation, and knowledge exchange related to sustainable agriculture practices. This can include projects that promote resource efficiency, reduce environmental impact, and improve overall sustainability as well as projects that develop new practices, technologies, and approaches to enhance agricultural sustainability and resilience to climate change. You can find a list of the funding schemes under the CAP here:

[Research and innovation making EU agriculture fit for the future \(europa.eu\)](https://ec.europa.eu/innovation/index.cfm)

Cooperation and Advisory Services: Certain programs under the CAP provide incentives and financial assistance to young farmers who commit to sustainable farming practices, helping them establish and develop their agricultural enterprises.

[Young farmers \(europa.eu\)](https://ec.europa.eu/youngfarmers/index.cfm)

Green Bonds:

European Investment Bank (EIB) Green Bonds: The EIB is the largest multilateral development bank issuer of green bonds with close to €50 billions of CABs (Climate Awareness Bonds) to finance renewable energy, energy efficiency, and other environmentally friendly projects.

[Climate Awareness Bonds \(CAB\) \(eib.org\)](https://www.eib.org/en/press/2019/09/09190901)

Sovereign Green Bonds: Several European countries, including France, Germany, and the Netherlands, issued sovereign green bonds to fund sustainable projects at the national level.

The World Bank issued the first labelled green bond in 2008, and today, in addition to its green bond program, issues USD 40-50 billion in Sustainable Development Bonds annually to support the financing of a combination of green and social, i.e., “sustainable development” projects, programs, and activities in middle-income countries.

[Sustainable Development Bonds \(worldbank.org\)](https://www.worldbank.org/en/press/2019/09/09190901)

Corporate Green Bonds: Various European corporations issued green bonds to finance their green initiatives and projects.

[Corporate green bonds - ScienceDirect](https://www.sciencedirect.com/science/article/pii/S0950423019300000)