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MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on the Environment
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Subject:	Nature Restoration Regulation: WPE on 16 May 2023 – Non-Paper from the Commission on Financing for nature restoration

With a view to the WPE meeting on 16 May 2023, delegations will find attached a Non-Paper by the Commission on Financing for Nature Restoration to support follow-up discussions from the Workshop held on 27 April 2023.

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Non-paper from the Commission services

Nature Restoration Law

Disclaimer: This document is meant purely as an explanatory note on the Commission proposal on Nature Restoration - COM(2022) 304 final - to help legislative deliberations. This document has no legal standing and must not be considered under any circumstances as a legislative proposal. It cannot be interpreted as an official Commission document, or as one amending in any way the Commission's proposal.

PURPOSE: This document informs on EU funding opportunities that may be available for restoration measures under the proposed Nature Restoration Law (NRL).

1. Funding needs and opportunities for nature restoration

Under the NRL proposal, Member States are required to estimate in their national restoration plans the financing needs for implementing restoration measures. This shall include a description of the support to stakeholders affected by restoration measures and the means of intended financing, public or private, including co-financing with Union funding instruments.

The impact assessment underpinning the NRL proposal estimated the total financing needs for nature restoration in the EU at EUR 6 to 8 billion per year¹. It is important to note that the economic benefits of nature restoration far outweigh its costs. Every euro invested in nature restoration is estimated to result in at least 8 euro in benefits.

Various EU funds provide funding opportunities for nature restoration under the 2021-2027 Multiannual Financial Framework (MFF). These include the funds under the Common Agricultural Policy (CAP), the Cohesion Policy funds, the European Maritime Fisheries and Aquaculture Fund (EMFAF), the Programme for the environment and climate action (LIFE), Horizon Europe, InvestEU, the Recovery and Resilience Facility (RRF), as well as technical support and assistance tools such as the Technical Support Instrument (TSI) and the EIR Peer2Peer tool, which are further detailed below.

The [MFF Interinstitutional Agreement](#)² sets out that the EU will allocate at least 10% of the MFF to biodiversity in 2026 and 2027 (and 7,5% in 2024). This corresponds to ca. EUR 16 billion per year on average³ dedicated to biodiversity overall, including for nature restoration actions.

Other sources of funding are also expected to contribute to the implementation of the NRL:

- Over the period 2021-2030, Member States' national budgets (EU27) are estimated to allocate ca. EUR 14 billion per year to biodiversity, including nature restoration.
- Financing is also expected from the private sector including businesses, banks, financial institutions, philanthropy, and NGOs.

The EU and its Member States have committed to significantly increase biodiversity finance under the Kunming–Montreal Global Biodiversity Framework (GBF). Target 19 of the GBF aims to increase

¹ [Impact Assessment accompanying the NRL proposal \(Part 1\)](#), page 102.

² Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources, Official Journal of the European Union, L1 433/28

³ Annual EU Budget [2023 \(europa.eu\)](#), European Commission.

global biodiversity financing from all sources from about USD 100 billion per year to at least USD 200 billion per year by 2030. This commitment is expected to contribute to the mobilisation of financing for nature restoration in the EU.

Under the NRL proposal, Member States must submit a draft national restoration plan within 2 years from the date of entry into force of the Regulation. This means that the national restoration plans would likely start to be implemented towards the end of the 2021-2027 programming period. To support this implementation, Member States may decide to either rely on interventions already planned in their CAP Strategic Plans and other programmes (e.g. under Cohesion Policy funds), or to amend them, as they consider appropriate. As regards the architecture of the next programming period (post-2027), the Commission is expected to present a proposal by mid-2025⁴.

2. EU funding instruments relevant for NRL

Common Agricultural Policy (CAP)

The CAP 2023-2027 supports interventions to fulfil nine specific objectives, among which to 'contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes'. Member States have prepared national CAP strategic plans in which interventions are planned to address the needs set out in these plans and contribute to the CAP specific objectives.

In their planning, Member States need to respect certain minimum allocations for environmental objectives. Member States reserved at least 25% of the direct payments allocations for eco-schemes aiming to protect the environment and climate, and at least 35% of their rural development spending for environmental, climate and animal welfare interventions. As part of rural development, agri-environmental payments are an obligatory intervention included in each CAP plan, and traditionally one of the most important area-related measures under rural development targeting the environment.

Examples of CAP interventions contributing to meeting the objectives of NRL are:

- under eco-schemes or environmental/climate management commitments, support to restoring wetland and peatland, a minimum water table level during winter, or the application of rewetting techniques;
- under eco-schemes and environmental/climate management commitments, support to soil-friendly practices, such as measures to increase the level of organic matter in the soil, direct sowing or conservation agriculture methods, the setting of transversal ditches in sloping areas, no-tillage and direct sowing, other types of tillage to limit soil erosion, and promoting the use of enhanced intercropping practices for the protection of soils.

All these practices are in line with the restoration measures listed in Annex VII of the NRL proposal.

Moreover, European farmers receiving direct payments or some of the rural development support must respect the Good Agricultural and Environmental Conditions (GAECs)⁵. GAECs include requirements on wetlands and peatlands and on soil, as well as on biodiversity:

- GAEC 2 requires the 'protection of wetland and peatland' and Member States have defined in their CAP plans the relevant protection requirements (such as a ban on the conversion of wetland and peatland, a ban on the drainage or the burning and extraction of peatland).

⁴ Article 21 of [Council Regulation \(EU, Euratom\) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027](#).

⁵ Laid down in Article 13 and Annex III of [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.

- To improve soil condition, GAEC 3 bans arable stubble burning to maintain soil organic matter.
- In their CAP plans, Member States have defined the appropriate tillage management options to limit soil erosion (under GAEC 5), requirement for minimum soil cover to avoid bare soil in most sensitive periods (under GAEC 6) and practices for crop rotation in arable land (under GAEC 7).
- GAEC 8 has as main objective the maintenance of non-productive features and area to improve on-farm biodiversity. It prescribes a ‘minimum share of 4%⁶ of arable land devoted to non-productive areas or features⁷’ and the ‘retention of landscape features’ based on a list defined by Member States.
- To protect habitats and species, GAEC 9 ensures that permanent grassland in Natura 2000 sites designated as environmentally sensitive are not converted or ploughed.

These requirements imposed on farmers to obtain income support will contribute to achieving the NRL objectives and targets.

Cohesion Policy Funds

Cohesion Policy is the EU’s main investment policy. Significant funding is available for nature restoration under Cohesion Policy funds, in particular under the European Regional Development Fund ([ERDF](#)) and the Cohesion Fund ([CF](#)). Under Policy Objective 2 (Greener Europe), a dedicated specific objective for the ERDF and CF is about ‘enhancing protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution’. Member States must dedicate at least 30% of their ERDF budget to investments under Policy Objective 2.

The Cohesion Policy funds have a wide range of eligible interventions that includes:

- restoring natural ecosystems (including forests, wetlands, peatlands, freshwater, coastal and marine ecosystems)
- restoring urban and peri-urban ecosystems including by planting trees and promoting nature-based solutions for reducing air and noise pollution, reducing energy consumption, mitigation and adaptation to climate change and combatting the effects of heat waves
- restoring and remediating contaminated sites through ecosystem restoration
- eco-tourism linked to protected areas
- integrating green infrastructure in ‘grey’ infrastructure such as buildings, railways, energy transmission lines, etc.
- environmental education, training, capacity building, awareness raising.

For 2021-2027, Member States have programmed EUR 16.6 billion of expenditures from ERDF and CF directly benefitting biodiversity and nature restoration.

LIFE Programme

The LIFE Programme is the EU’s funding instrument for the environment and climate action. It is implemented via four sub-programmes. The budget for the “[Nature and biodiversity](#)” sub-programme, which can finance nature restoration measures, is EUR 2.1 billion for 2021-2027.

The [LIFE Programme’s 2023 Calls for project proposals](#) will close on 6 September 2023. EUR 148 million will be dedicated to Standard Action Projects (SAPs) on nature and biodiversity.

⁶ The mandatory 4% may be decreased to 3% provided farmers subscribe to more ambitious voluntary commitments under eco-schemes (at least 7% on landscape features on the farm) or if at least 7% of arable land at farm level includes also catch crops or nitrogen fixing crops cultivated without the use of plant protection products.

⁷ This includes also land lying fallow. Two other options may also be retained by Member States.

Horizon Europe

Horizon Europe is the EU's key funding programme for research and innovation (R&I) for 2021-2027 with a budget of EUR 95.5 billion. The aim of the programme is to strengthen the EU's scientific and technological basis, including by developing solutions to address [Green Deal](#) policy priorities, mainly addressed under the cluster 'Food, Bioeconomy, Natural Resources, Agriculture and Environment'. This cluster aims *inter alia* to reduce environmental degradation, halt and reverse the decline of biodiversity on land, inland waters and at sea, and better manage natural resources through transformative changes of the economy and society. From 2021 to 2024, the cluster has funded or will fund projects developing solutions to protect and restore biodiversity and ecosystems and at mainstreaming biodiversity in society and the economy. Under the work programme 2023-2024, EUR 266 million are available under [calls](#) for proposals. The current call will close in September 2023 and the next call will open in October 2023. In addition, co-funded partnerships under this cluster (notably [Biodiversa+](#) and [Water4All](#)) and Horizon Europe missions 'Restore our ocean and waters' and 'A soil deal for Europe' offer opportunities for research on biodiversity and ecosystem restoration in their own calls.

European Maritime, Fisheries and Aquaculture Fund (EMFAF)

The EMFAF is strongly connected to the objectives of the EU Biodiversity Strategy for 2030, including marine and coastal ecosystems restoration. Of the total budget of EUR 5.3 billion over 2021-2027, 28% (EUR 1.5 billion) is programmed for biodiversity-related projects, including ecosystem restoration. This percentage is an EU average and varies amongst Member States from 56% down to 14%.

Examples of eligible actions under Article 25 of the [EMFAF Regulation](#)⁸:

- Support for sustainable, low-impact and low-carbon fishing activities
- Protection and restoration of marine biodiversity and ecosystems
- Creation and management of marine protected areas
- Implementation of the spatial protection measures established pursuant to the Marine Strategy Framework Directive
- Protection of species in accordance with the Habitats Directive
- Collection of lost fishing gear and marine litter from the sea

The eligibility rules are not pre-defined at EU level and the Commission encourages the Member States to use the available financing opportunities for the restoration of marine and coastal ecosystems.

InvestEU Fund

The [InvestEU Programme](#) supports sustainable investment, innovation and job creation in Europe and consists of three building blocks. The [InvestEU Fund](#) aims to mobilise over EUR 372 billion of public and private investment in 2021-2027 through an EU budget guarantee of EUR 26 billion that backs the investment of implementing partners. The [InvestEU Advisory Hub](#) provides technical support and assistance including capacity building to project developers and entities, and the [InvestEU Portal](#) brings together investors and project promoters on a single EU-wide platform.

At least 30% of the InvestEU Programme, in line with the European Green Deal objectives, shall support financing for investments that contribute to the EU's climate objectives. Moreover, 60% of the investments supported under the "Sustainable Infrastructure Window" of the InvestEU Fund shall contribute to the EU's climate and environmental objectives.

⁸ Regulation (EU) 2021/1139 of the European Parliament and of the Council of 7 July 2021 establishing the European Maritime, Fisheries and Aquaculture Fund and amending Regulation (EU) 2017/1004.

InvestEU is implemented through [Implementing Partners](#) (international financing institutions such as EIB, EIF, EBRD, and national promotional banks). Each implementing partner designs financial products for which the underlying investments will be covered by the InvestEU guarantee. Some of those products include nature and biodiversity (including nature restoration) as eligible investments.

Nevertheless, InvestEU is a demand driven instrument, and the first indications are that there is not much uptake for nature and biodiversity. To increase an uptake of biodiversity by the EIB Group, a Commission-EIB Group working group has been established.

[Recovery and Resilience Facility \(RRF\)](#)

The RRF aims both to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions. Up to EUR 723.8 billion has been made available under the Facility. Under the RRF pillar ‘green transition’, EUR 6.9 billion is available for the protection and restoration of biodiversity and ecosystems in the Member States’ Recovery and Resilience Plans. However, this amount is unevenly spread as there is no or limited in several Member States.

Biodiversity and nature measures planned by Member States, include, for example:

- conserving terrestrial and marine biodiversity, restoring ecosystems, green infrastructure and ecological connectivity based on nature-based solutions, fighting invasive alien species
- upgrading and modernising ‘biodiversity infrastructure’ for example, the restoration of terraces related to biodiversity protection
- establishing a National Biodiversity Fund that will, among others, implement projects aimed at restoring degraded ecosystems
- supporting national parks and addressing ecological defragmentation
- establishing a reference framework for municipalities, including a certification and financial grants, to facilitate nature conservation
- restoring and protecting the seabed and marine habitats to reverse ongoing degradation of these ecosystems, including, the development of an adequate mapping of seafloor habitats and environmental monitoring
- restoring rivers, floodplains and lakes, while eliminating invasive alien species in sensitive areas
- rehabilitating peatlands with an aim to change land use from peat extraction to carbon sequestration; contribute to increased biodiversity; support bog amenity and eco-systems; and improve water quality and flood risk management.

3. Technical support and assistance tools

Several tools have been developed to support Member States in mobilising more financing for biodiversity, including nature restoration:

[Technical Support Instrument](#)

The Technical Support Instrument provides tailor-made technical expertise to EU Member States to design and implement reforms. There is EUR 864 million for the 2021-2027 period and there is no need for co-financing.

The 2023 Flagship for Climate Adaptation provides technical assistance on request by Member States for the update and improvement of climate adaptation strategies, policy frameworks and governance structures, at both regional and national level. Among the five technical support packages that Member States and regions can choose, one key building block relates to the implementation of nature-based solutions for climate adaptation such as to:

- Implement and scale up nature-based solutions, including the implementation of ecosystem-based disaster risk reduction approaches;
- Assess barriers and enablers for implementation of nature-based solutions;
- Assess the vulnerability of ecosystems to climate change, perform ecological assessments, and integrate climate pressures in the Mapping and Assessment of Ecosystem Services (MAES);
- Support the biophysical and economic assessment of forest and water ecosystem services to support informed decisions for policy makers and ecosystem managers.

New 2024 Flagships will be available under the 2024 Technical Support Instrument cycle. Member States will be invited to send their requests before 31 October 2023.

In addition, Member States willing to advance together biodiversity-related financing and governance in light of the goals and targets of Global Biodiversity Framework (GBF) may consider joining under a multi-country request to the Commission (DG REFORM) to address the following reform needs:

- preparing or contributing to the development of national restoration plans
- developing nature-positive financing frameworks (contributing to Target 19 under the GBF)
- phasing-out of environmentally harmful subsidies (contributing to Target 18 under the GBF)
- mainstreaming biodiversity objectives in private sector financing (contributing to Target 15 under the GBF).

Green Assist

Green Assist is an advisory initiative supported through the LIFE Programme. It aims to increase environmental uptake under the InvestEU programme (see above) by building a pipeline for green investment projects, including for nature restoration. In addition to Green Assist, a Commission - EIB Group working group has been set up to increase EIB Group uptake for biodiversity and nature under InvestEU and other funding instruments, such as the ERDF+.

Cohesion for Transitions (C4T)

Support is also available for Member States and regions for the effective implementation of Cohesion Policy funds, in the form of technical assistance, through the initiative Cohesion for Transitions (C4T). It has a dedicated working group on environmental issues and a tailor-made technical assistance tool, the ‘C4T Groundwork’, providing targeted individual support to a Member State or region. Calls for expression of interest for C4T Groundwork will be issued in 2023 for targeted support on Policy Objective 2 topics, including nature restoration.

Technical Assistance and Information Exchange (TAIEX-EIR Peer to Peer)

TAIEX-Environmental Implementation Review (EIR) Peer to Peer is an EU technical assistance and policy support instrument designed to promote quality implementation of EU environmental policy and legislation in the Member States. It supports sharing best practices among Member States’ public administrations across the EU. TAIEX-EIR P2P covers all policy areas connected with the [Environmental Implementation Review reports](#) published every two years for all Member States. These reports include, inter alia, chapters on nature protection and biodiversity, the bioeconomy, green infrastructure and soil protection, sustainable urban development and sustainable finance, all of which may have links with nature restoration efforts. The P2P instrument can also provide support for the implementation of a specific EU funding programme. Support is provided on demand by Member States, through workshops, expert missions and study visits. Beneficiary authorities can also obtain specific expertise provided by officially recognised TAIEX experts.

4. Upcoming opportunities

[EU Emissions Trading System \(ETS\)](#)

The [ETS](#) has been in place since 2005 and has enabled the EU to reduce its CO₂ emissions by 34,6%. In 2022 alone, Member States received EUR 29.7 billion in auction revenues, from a total of EUR 38.7 billion.

The ETS Directive is currently under revision, including new rules on Member States' use of auction revenues. In particular, the proposed revised list of 'climate purposes' includes 'measures to avoid deforestation and support the protection and restoration of peatland, forests and other land or marine-based ecosystems, including measures that contribute to the protection, restoration and better management thereof, in particular as regards marine-protected areas, and increase biodiversity-friendly afforestation and reforestation, including in developing countries that have ratified the international agreement on climate change, and measures to transfer technologies and to facilitate adaptation to the adverse effects of climate change in those countries'. The revised ETS Directive proposal also lists other purposes relating to 'forestry and soil sequestration' and 'just transition', potentially relevant for nature restoration.

The EU ETS is also providing the revenues for the [Innovation Fund](#), which is one of the world's largest funding programmes for the demonstration of innovative low-carbon technologies. The Innovation Fund allows for funding activities linked to biodiversity and nature restoration.

These new funding opportunities under the proposed ETS revision are expected to provide significant funding sources for ecosystem restoration.

[Carbon removals](#)

The first EU certification framework of carbon removals was proposed by the Commission on 30 November 2022. It aims to provide an important instrument in support of achieving the EU's goal to become the world's first climate-neutral continent by 2050⁹. This framework aims to encourage more businesses, land managers, and other stakeholders to contribute to carbon sequestration, and to allow them to generate further income by being part of a harmonised and reliable certification framework.

5. Information sources on financing

The [Vademecum 'Find your EU funding programme for the environment'](#) under the 2021-2027 MFF is a practical and user-friendly guide on where and how to access EU funding for environmental projects, including nature restoration. It also presents the related budget available to Member States to organise on-demand online conferences until December 2023 with a view to engaging stakeholders, supporting access to funding and increasing the understanding of project promoters (private and public), national authorities and interested parties.

The [Natura 2000 financing handbook](#) analyses and describes opportunities for financing investments in Natura 2000 in the 2021-2027 MFF. It explains funding opportunities from EU funds and provides practical advice on how to incorporate them into national and regional programmes.

⁹ European Commission, Directorate-General for Climate Action, Wiltshire, J., Keesje, A., Gill, D., *Guidance to Member States in improving the contribution of land-use, forestry and agriculture to enhance climate, energy and environment ambition*, Publications Office of the European Union, 2023, <https://data.europa.eu/doi/10.2834/19417>.