

Recommendations on how to determine the contribution of EU funds for biodiversity



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Purpose and scope of briefing

This briefing provides guidance on defining and determining an investment in biodiversity, including an overview of how an investment is currently labelled as ‘biodiversity spending’ and why this is problematic. The briefing provides several criteria which can be applied to assess and identify a biodiversity positive investment which better aligns spending with actual investment needs to most effectively contribute to tackling biodiversity loss. It aims to demonstrate the need to ensure a greater and more accurate amount of funding is channelled to the right areas, as well as to explore potential alternatives ahead of the next EU budget so as to improve the effectiveness of EU biodiversity spending.

Lack of ring-fenced biodiversity funding results in neglect

Biodiversity financing, broadly speaking, refers to expenditure that contributes, or intends to contribute, to the conservation, and restoration of biodiversity. There are however varying interpretations of this, which differ in scope, for example biodiversity-based climate adaptation.

For more information

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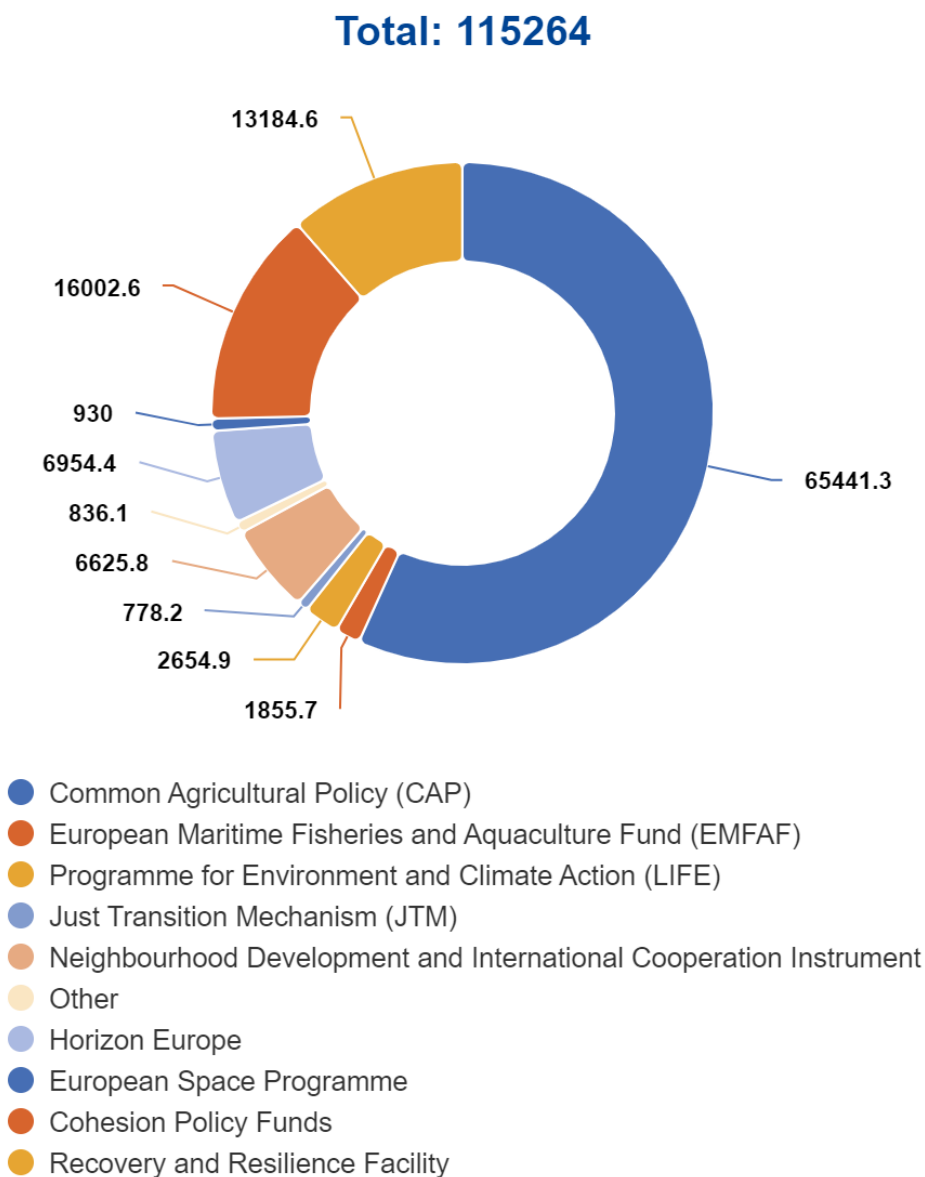
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To date, EU financing for biodiversity relies almost entirely on an ‘integrated approach’. This means that, with the exception of the dedicated LIFE programme, biodiversity funding is allocated through a series of existing funds and programmes designed for delivering the union’s various sectoral objectives. In other words, biodiversity is just one of the areas eligible for support. The rationale for this approach is to better mainstream and integrate biodiversity considerations across sectors.

Figure 1: Contributions to biodiversity in the EU budget over 2021-2027, according to the European Commission (million EUR, estimates)¹



Source: European Commission (Statement of estimates for the financial year 2024)

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¹ European Commission, [Knowledge Centre for Biodiversity: EU action on biodiversity financing](#), European Commission, 2023.

Unlike for climate spending, which has a target of 30 per cent for the current budget period from 2021-2027 and is a requirement embedded into various individual EU funding streams, there are no equivalent spending requirements for biodiversity. There is instead, and as noted below, an overall framework for upscaling biodiversity spending through the EU Budget.

In reality, however, this means that biodiversity has to compete with other sectors – many of which receive greater political support by national governments – for funding.

EU targets for biodiversity financing

An interinstitutional agreement was reached to allocate 7.5 per cent of funds from the EU budget to biodiversity-related measures in 2024, increasing to 10 per cent in 2026. At the time of writing, information available from the Commission's draft Budget for 2024 suggests the upscaling objective for 2024 will be reached, achieving 7.9 per cent, while the target for 2026 is expected to fall short, at 8.4 per cent.² The Strategy also states an additional target to invest EUR 40 billion a year for biodiversity through both public and private funds. However, no data has been published yet on how this is going.

These financing objectives make it even more important to properly determine what should and should not be accounted for as biodiversity spending and for these to be accurately achieved.

Where do we currently stand?

There is widespread consensus that biodiversity financing is inefficiently used both in terms of its quantity and activities that are being financed.³ A lack of specific definitions for 'biodiversity' or 'biodiversity financing' has led to very broad and ambiguous interpretations. Investments can far too easily be used to 'green' unfavourable investments and be manipulated to cover investments which at times can actually have a detrimental, rather than positive impact on biodiversity.

A clear example is funding through the EU's Common Agricultural Policy (CAP); despite being the largest source of EU biodiversity financing, it has not fulfilled its objective to halt biodiversity loss, and has been highly criticised for inaccurate and unreliable biodiversity expenditure reporting.⁴

Significant gaps still remain for determining what should constitute a positive investment in biodiversity. This can be in part explained due to a lack of clear guidance on determining whether the investment contributes and has a meaningful impact for addressing biodiversity loss. Without clear definitions and priorities for biodiversity investments, reaching the goals of the EU Biodiversity Strategy for 2030 will not be possible.

A clear definition and a common understanding of what is considered an investment in biodiversity, with corresponding clear biodiversity investment priorities are therefore needed at EU level. Establishing clear criteria for determining what is and is not a positive investment in biodiversity is crucial for better driving

² European Commission, [Statement of Estimates of the European Commission. Preparation of the 2024 draft budget](#), European Commission, June 2023.

³ CEE Bankwatch Network and EuroNatur, [Biodiversity on the brink: What's holding back progress for biodiversity?](#), CEE Bankwatch Network, 2023.

⁴ European Court of Auditors, [Biodiversity on farmland: CAP contribution has not halted the decline. Special Report 13/2020](#), European Court of Auditors, 2020.

scarce funding into the right priority areas. It would also facilitate broader understanding, avoid greenwashing and create incentives to drive much needed investment into this area.

How is biodiversity expenditure tracked under EU funds?

Methodologies for tracking biodiversity expenditure are stipulated by the Commission per programme. For example, for Cohesion Policy Funds, this is outlined under the Common Provision Regulation, for the Recovery and Resilience Facility, via Annex IV of the regulation. The different tracking methodologies have been summarised for the 2021-2027 period by the European Commission.⁵

Most EU funds use the 'Rio Markers' approach to determine whether and to what extent an investment should be accounted for as contributing to biodiversity expenditure. This involves classifying the investment or activity in question as either contributing 'principally' to biodiversity objectives (tracked as 100 per cent), 'significantly' (40 per cent) or 'not targeted' (0 per cent). The main difference between the 40 and 100 per cent values depends on the main objective of the action in question. If the primary objective is strictly biodiversity-related, the activity generally qualifies for a 100 per cent tagging, whereas if the impact is secondary, partial or indirect, a 40 per cent is usually given.

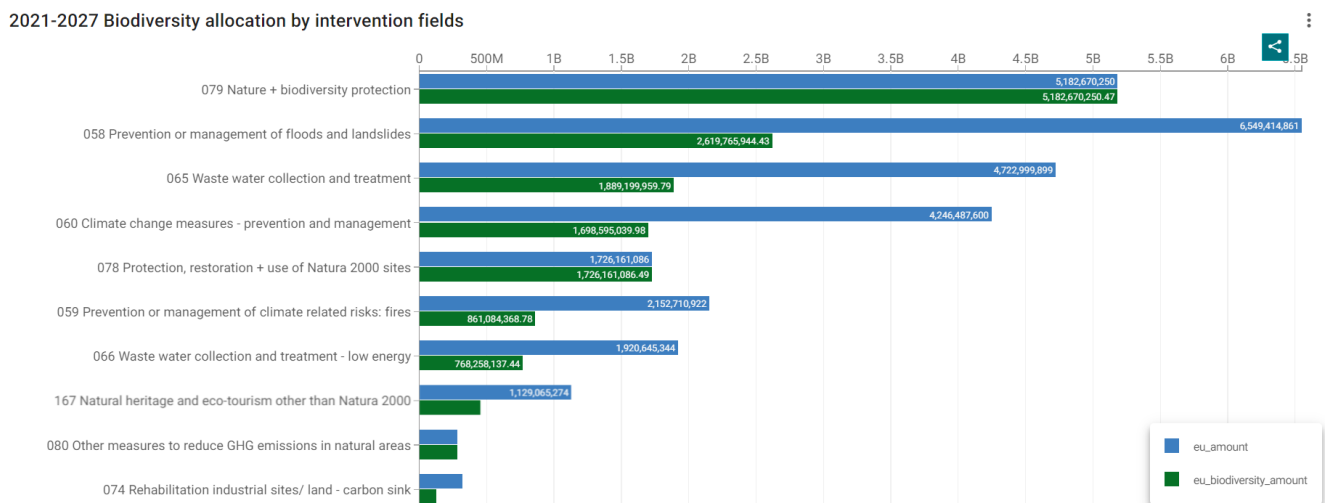
The exact way these markers are applied differs both across funding structures, ie. whether the fund has shared or direct management, as well as between individual funding programmes, and relies on Member States' reporting during programme implementation.

Both CAP and Cohesion Policy Funds, which together provide the largest source of EU biodiversity financing, apply the Rio Markers differently, despite both being governed through shared management. For CAP, the markers relate to the contribution of the action towards specific objectives (SO). SO6 relates directly to biodiversity, therefore spending marked under this objective contributes 100 per cent. For Cohesion Policy Funds, programme authorities mark expenditure under 'intervention fields', which outline various different types of investment activities. This is then assessed by the Commission, which then classifies expenditure under the relevant intervention fields.

An example of an intervention field relevant for biodiversity financing is '*Nature and biodiversity protection, natural heritage and resources, green and blue infrastructure.*' If an action is assessed as corresponding to this by the Commission, it is tagged as 100 per cent. A complete list of intervention fields relevant for recording biodiversity expenditure under Cohesion Policy Funds is provided below in Figure 2 and Table 1.

⁵ European Commission, [Biodiversity tracking methodology for each programme 2021-2027](#), European Commission, June 2023.

Figure 2: Biodiversity spending in EUR per intervention field for the current 2021-2027 period for Cohesion Policy Funds. Information taken from the European Commission’s Cohesion data.⁶



However, this approach is problematic: the different tracking methodologies have created an unnecessarily complicated mosaic of standards even though they should all contribute to the same EU spending target. The crude and rigid nature of the intervention fields also does not accurately reflect and assess the actual contribution of biodiversity spending. This leads to oversimplifying and overestimating expenditure and the positive impact of this.⁷ It relies on percentage estimates without taking into account the actual impacts and results achieved. In particular, the use of the 40 per cent tagging has been criticised, as its vagueness on the positive contribution to biodiversity allows for substantial overcalculation.

For example, a study by the Institute for European Environmental Policy found that under EU Cohesion Policy Funds, ‘funding allocations to Thematic Objective 6 (protecting the environment and promoting resource efficiency), were dominated by spending on wastewater treatment. Whilst this has indirect biodiversity benefits through the improvement in water quality, these are not necessarily targeted on biodiversity outcomes or in proportion to the amount of spending.’¹⁸

The European Parliament and Council tasked the Commission with developing a new biodiversity tracking methodology.⁹ As a result, some, albeit very limited, changes have been made with regards to tracking biodiversity expenditure.

For Cohesion Policy Funds, these specifically relate to the intervention fields which are tagged as 40 per cent. For the previous 2014-2020 programming period, only three intervention fields were included for this 40 per cent tagging: Wastewater treatment; adaptation to climate change measures and prevention and management of climate-related risks; and development and promotion of the tourism potential of natural

⁶ European Commission, [Cohesion Policy: Biodiversity Tracking](#), European Commission, 2023.

⁷ European Court of Auditors, [Tracking climate spending in the EU budget](#), European Court of Auditors, 2020.

⁸ M. Nesbit, K. Whiteoak, E. Underwood, [Biodiversity financing and tracking](#), European Commission, Directorate-General for Environment, May 2022.

⁹ European Union, [Interinstitutional agreement 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](#), EU-Lex, December 2020.

areas. But for the current 2021-2027 period, five additional intervention fields have been included, meaning there are now a total of eight intervention fields which qualify for this 40 per cent.¹⁰

The introduction of more intervention fields specifically for 40 per cent may be due to the previously mentioned criticisms that this specific percentage is too vague and in need of more refinement. However, expanding the number of these intervention fields does not change this, and potentially even exacerbates the problem, as the increased number of activities will make it easier to account an investment as biodiversity expenditure and deem it as positive, without knowing the actual outcome and contribution to biodiversity.

Table 1: A list of the all intervention fields and their associated weighting relevant for tracking biodiversity expenditure under the current 2021-2027 programmes for the European Regional Development Fund and Cohesion Fund, as per the governing Common Provision Regulation.¹¹

European Regional Development Fund and Cohesion Fund – based on Intervention Fields defined in the Common Provisions Regulation	
078: protection, restoration etc. of Natura 2000 sites	100 per cent
079: Nature and biodiversity protection, green infrastructure	100 per cent
080 - Other measures to reduce greenhouse gas emissions in the area of preservation and restoration of natural areas with high potential for carbon absorption and storage	100 per cent
059: climate adaptation/ risk management: fire	40 per cent
060: Adaptation to climate change measures and prevention and management of climate related risks: others, e.g. storms and drought	40 per cent
065: wastewater collection and treatment	40 per cent
066: wastewater collection and treatment compliant with energy efficiency criteria	40 per cent
073: Rehabilitation of industrial sites and contaminated land	40 per cent
074: Rehabilitation of industrial sites and contaminated land compliant with efficiency criteria	40 per cent
167 - protection, development and promotion of natural heritage and ecotourism	40 per cent

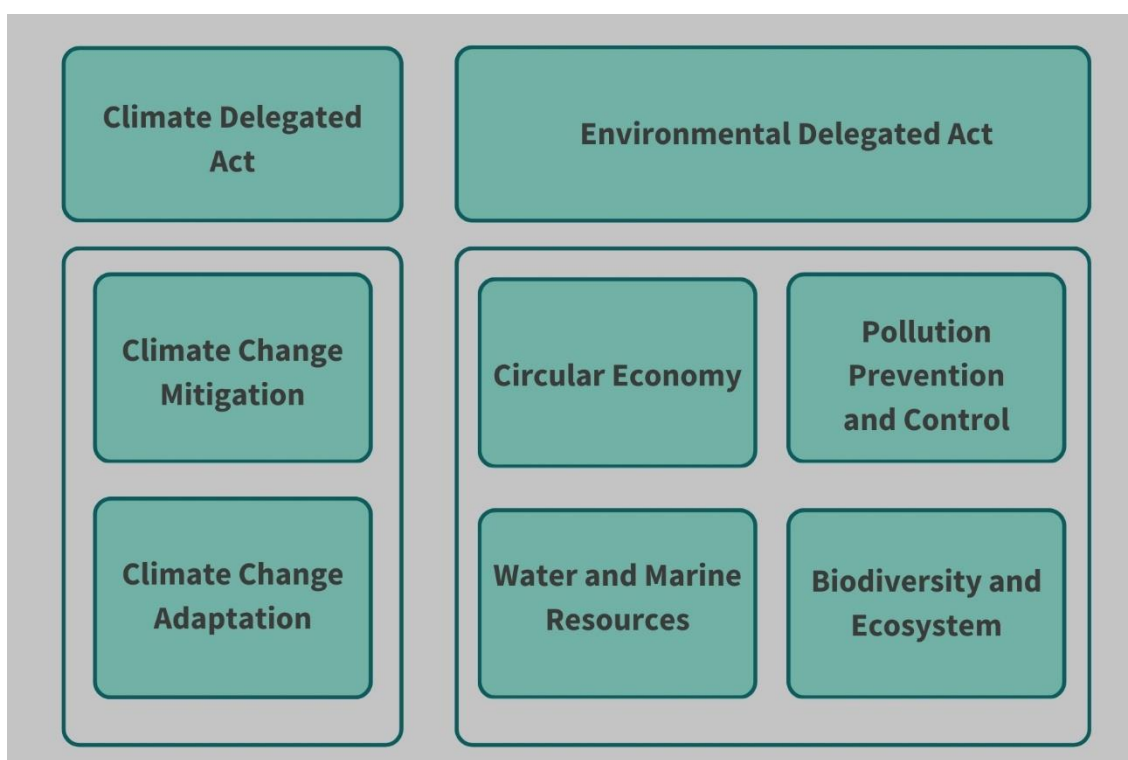
¹⁰ European Commission, [Biodiversity tracking methodology for each programme 2021-2027](#), European Commission, June 2023.

¹¹ European Parliament, Council of the European Union, [Regulation \(EU\) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy](#), EUR-Lex, 30 June 2021.

The EU’s sustainable finance taxonomy and Delegated Acts

Some guidance for determining what should be accounted as a ‘positive’ investment can be found in the EU’s sustainable finance taxonomy. The taxonomy is a classification system for determining what economic activities can be labelled as sustainable. It is designed to align and drive investments towards the objectives of the European Green Deal by offering a common definition to investors to identify which activities are sustainable or not. Although the Taxonomy was initially designed for companies, the list of activities classed as sustainable can be used by all, including by public institutions, and therefore EU funds.

Figure 3: The structure and division of the EU’s Taxonomy Delegated Acts¹²



In June 2023, a new Delegated Act covering a variety of different topics as part of the Taxonomy Regulation was approved, including for the protection and restoration of biodiversity.¹³ This Delegated Act outlines specific activities that contribute to the conservation and restoration of biodiversity, as well as criteria that need to be complied with in order to qualify an investment as ‘doing no significant harm’.

For example, among other, more specific conditions, in order for an activity to be deemed environmentally sustainable, the activity assessed under the Delegated Act must contribute to at least one of the following:

¹² European Commission, [Sustainable finance. Investing in a sustainable future](#), European Commission, June 2023.

¹³ European Union, [Commission Delegated Regulation \(EU\) 2023/2486 of 27 June 2023 supplementing Regulation \(EU\) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation \(EU\) 2021/2178 as regards specific public disclosures for those economic activities](#), EUR-Lex, 2023.

- a) maintaining good condition of ecosystems, species, habitats or of habitats of species;
- b) re-establishing or restoring ecosystems, habitats or habitats of species towards or to good condition, including through increasing their area or range.

Table 2: Activities for the objective protection and restoration of biodiversity and ecosystems¹⁴

Protection and restoration of biodiversity and ecosystems	
Macro sector	Proposed activities
Environmental protection and restoration activities	Conservation, including restoration, of habitats, ecosystems and species
Accommodation	Hotels, holiday, camping grounds and similar accommodation
Agriculture and Fisheries	Criteria delayed: Animal production, Crop production, Fishing
Forestry	Criteria delayed: Forestry
Energy	Criteria delayed: Environmental refurbishment of facilities that produce electricity from hydropower
Manufacturing	Criteria delayed: Manufacture of food products and beverages
Water supply, sewerage, waste management and remediation	Not developed: Remediation activities enabling restoration of ecosystems

A full list of ‘substantial contribution’ criteria as well as ‘DNSH’ criteria can be found via the Commission’s Delegated Act as referenced in footnote 11.

While the EU taxonomy, specifically the delegated act for biodiversity, is a step in the right direction for ensuring a consistent approach is taken for driving positive investment and preventing negative ones, several shortcomings remain, preventing it being used more widely.

Firstly, although not related to biodiversity criteria, the taxonomy has lost a huge amount of credibility by including, under certain circumstances, gas and nuclear investments – a decision which is, as of December 2023, subject to multiple legal challenges.

¹⁴ Ibidem.

Second, the taxonomy classification system has not been applied to EU funds and will most likely not be operationalised under public funds through the current 2021-2027 EU Budget.¹⁵

Third, there is concern over several key sectors that do not provide sufficient criteria to prevent environmental harm. This is particularly the case for forestry and more specifically bioenergy, a key activity which has a significant impact on both climate change and biodiversity loss. Although the Platform on Sustainable Finance proposed additional criteria for forestry to be included under the biodiversity delegated act, which would provide a further layer of screening, these were not included in the final Delegated Act adopted by the Commission. However, the Commission separately noted that further work will be needed on bringing other sectors and activities (e.g. agriculture, forestry and fishing) into scope.

Overall, criteria on activities and sectors related to forestry need to be further strengthened, as per the expert group's recommendations. This is particularly important given that this sector is a key driver contributing to biodiversity loss, therefore plays a crucial role for driving investments into the right areas and avoiding financing harmful activities.

The Commission has stated that further work will be done on introducing new sectoral criteria, which will provide guidance on what activities are labelled as sustainable and on DNSH requirements. As per the table above, these include the agriculture, forestry and fishing sectors. Given the vast amount of EU funds available, this is needed to prevent the financing of environmentally damaging projects through EU funds.

It is therefore important that the existing criteria on environmental protection and restoration activities outlined under the biodiversity taxonomy are applied to EU funds, which is currently not the case. Doing so would ensure more targeted investments which would provide more accurate accounting of biodiversity spending.

Recommendations for how to better define an investment in biodiversity: what do we propose?

The following steps aim to define a more precise scope of biodiversity investments and therefore lead to more accurate accounting of biodiversity expenditure, leading to a more targeted financing approach. When designing, planning and implementing programmes and projects, the European Commission and Managing Authorities should take into account the following factors when designing and determining biodiversity investments:

- 1) **Does the investment directly contribute to the *protection and/or restoration of biodiversity*?**

The term 'biodiversity' is too vague and ambiguous. Sectors such as circular economy and even biodiversity-based climate adaptation, while related to some extent, should be outside the scope of such a definition if they are not directly contributing also to biodiversity protection. Instead, the focus of any funding marked as being used for 'biodiversity' should be strictly on nature conservation and/or restoration activities. Where part of an investment is strictly devoted to

¹⁵ The 'do no significant harm' assessment that has been applied to the Recovery and Resilience Facility, and is starting to be used more widely, is based on the taxonomy concept of contributing to a specific objective while avoiding harm to other environmental objectives. However, the taxonomy criteria on what constitutes a 'substantial contribution' have not yet been used for EU funds.

biodiversity, only the costs of that part should be accounted for in this category, rather than assuming 40 per cent each time.

- 2) **Does the investment comply with the biodiversity investment criteria under the relevant taxonomy Delegated Act?** If the financed activity in question is listed as providing a positive contribution to biodiversity in the relevant Delegated Act, then generally this should be a strong indication that it has a direct contribution and therefore should be accounted for as positive biodiversity spending. Moreover, basing biodiversity expenditure on the taxonomy criteria will ensure a more uniform, consistent and scientific approach.

Although the biodiversity objective in the relevant Delegated Act covers several sectors, such as accommodation, priority should be given to the criteria outlined under the ‘Environmental protection and restoration activities’ heading. This should ensure that activities that do no significant harm to biodiversity, but are not fully devoted to biodiversity protection or restoration, are not wrongly defined as substantially contributing to the protection of biodiversity and ecosystems.

- 3) **Does the investment contribute to achieving the objectives under the Biodiversity Strategy for 2030?** The Strategy comprehensively covers the actions that urgently need to be taken to restore and protect biodiversity, namely the extension of the network of the protected areas to legally protect a minimum of 30 per of the EU’s land and sea area, ensuring connectivity of the protected areas and integration of ecological corridors, as well as legally binding targets for restoring nature. Yet greater alignment is needed to direct such financing to achieve these. For this reason, when determining whether an investment/activity should be labelled as positive, it must be assessed whether and to what extent it contributes to the objectives of the Strategy.

This is particularly important given that the previous biodiversity strategy leading to 2020 failed to deliver on several key targets vital to addressing biodiversity loss, namely the EU’s 2020 headline target of halting the loss of biodiversity and the degradation of ecosystem services in the EU by 2020, and restoring them insofar as was feasible.¹⁶

Priority funding should also be directed to habitats and species in the poorest status, as identified under Article 17 of the Habitats Directive, which requires Member States to assess the conservation status of the habitats and species targeted by the directive. The same approach could be applied to cover the activities outlined under the EU wide Prioritised Action Frameworks, namely Natura 2000 site-related maintenance and restoration measures for species and habitats. This is particularly important given that funding gaps were identified as one of the most significant challenges for delivering the Natura 2000 network.¹⁷

- 4) **Has the investment been based on a similar project that has proven positive results for biodiversity?** Currently, the expected positive impact is indicated during the initial project approval stage, during which the activity is often too vaguely described to have sufficient information and when the potential impact on biodiversity is often not known. Although it is

¹⁶ European Commission, [Our life insurance, our natural capital: an EU biodiversity strategy to 2020 COM/2011/0244](#), EUR-Lex, 3 May 2011.

¹⁷ IEEP and ICF, [Fitness Check of the Birds and Habitats Directives](#), IEEP and ICF, 2016.

necessary to assess projects based on ex-ante expectations, it is vital that there is sufficient detail to begin with to be able to more accurately determine this. Results and outcomes of previous projects should therefore form a strong basis for determining whether the project in question should be financed.

Projects which have previously demonstrated success with regard to restoring and/or protecting biodiversity should be prioritised for upscaling while recognising that these are often localised and site-specific. It is important to avoid excessively focusing on 'innovation' in the sector, as replication of successful practices is much-needed and more likely to lead to reliable outcomes.

5) **Is an adequate and funded monitoring and reporting programme included in the project?**

Unfortunately, too often there is improper monitoring and indicators of results to sufficiently measure the impact and to determine whether or not the activity in question was successful in meeting its intended objective. Increased monitoring and more precise indicators need to be developed which should allow a better ex-ante assessment of the expected results to be conducted in future projects.



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