

The future of biodiversity financing: Where does it stand in the next EU budget?

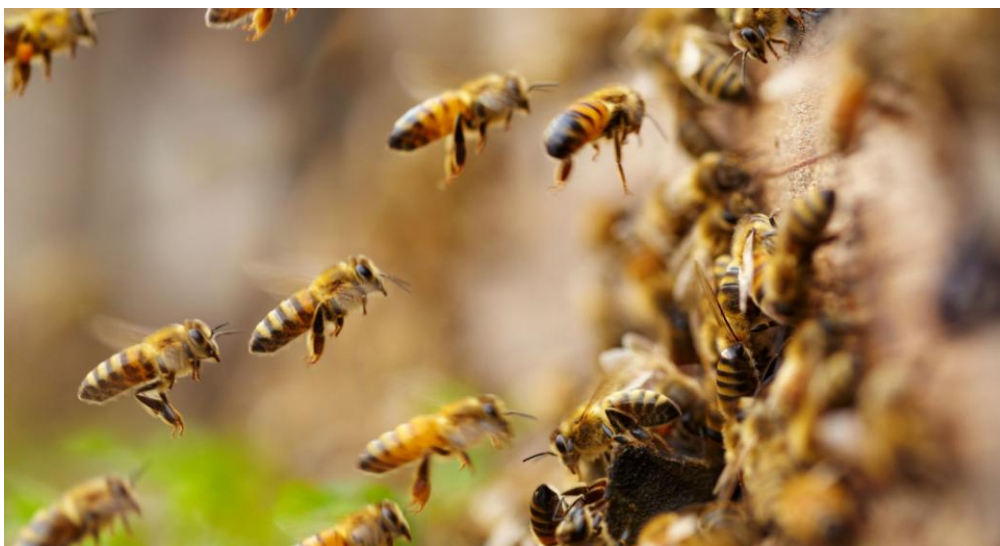


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Introduction

This briefing explains what the next EU budget proposal may mean for financing biodiversity.¹ It outlines potential risks and opportunities of the proposed approach with the aim of helping inform decision makers during the ongoing negotiations. The analysis is based on our previous experience monitoring and implementing EU funds. Given the considerable degree of changes in the new proposal, this briefing will concentrate on general aspects that could entail significant implications for the future of financing biodiversity. A breakdown of the different regulations is therefore beyond its scope.

In short, the proposal places considerable responsibility on national authorities to determine how and to what extent biodiversity is financed. In doing so, it provides very limited guarantees that this vital sector will receive sufficient funding. No dedicated nature fund or specifically earmarked funding for biodiversity has been planned, even though the need to finance national restoration plans and the obligations set out in the Nature Restoration Regulation has never been more important. Leaving it up to Member States to allocate funds for biodiversity is highly unlikely to bring about the increase in biodiversity spending required.

¹ European Commission, [Multiannual Financial Framework](#), European Commission, accessed 9 October 2025.

Author

Daniel Thomson
CEE Bankwatch Network

For more information

Branka Španiček
Strategic area leader – Finance and
biodiversity
CEE Bankwatch Network
branka.spanicek@bankwatch.org

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Topic	New EU budget proposals	Opportunities	Risks	Our recommendations
Size and availability of biodiversity funding	Climate and environmental spending target of 35 per cent.	Some of this funding can be used for biodiversity.	No separate biodiversity spending target means no guarantees for sufficient, targeted financing.	Provide a separate target for biodiversity and/or a ring-fenced amount, based on the cost estimates of EU biodiversity objectives.
Introduction of megafunds	Merging and reducing funds and programmes into larger, umbrella funds by separating cohesion and common agricultural policy funds and disintegrating LIFE activities.	Simpler, more streamlined and consistent application of rules and principles. The partnership and 'do no significant harm' principles will apply to a greater number of funds and follow a more consistent approach. A more policy-driven approach will help advance EU priorities.	Considerable risk of conflicting and competing sectoral priorities for funding. Biodiversity investments are likely to be sidelined due to their perceived complexity and lower immediate economic returns.	Establish a separate, dedicated fund for financing biodiversity activities, specifically intended to meet the objectives of the Nature Restoration Law and avoid competing for funding from other sectors.
Performance-based approach	Creation of a system for disbursing funds based on the completion of targets to access funding rather than reimbursement of costs.	Greater focus on the performance and impact of funds <i>ex post</i> rather than <i>ex ante</i> . Increased leverage and conditionality to implement reforms, such as ensuring the application of outstanding environmental legislation.	Potential for less monitoring and scrutiny as well as reduced involvement of regional and local stakeholders. A national-centred approach will likely result in a diminished EU-wide focus on achieving green objectives. The centralised nature of programming and implementation will make it more difficult to finance small-scale, local and site-specific projects.	Reserve ring-fenced funding for financing biodiversity, not only an overall environmental target. Ensure robust consultation during plan programming and implementation. Prioritise the development of milestones and targets to accurately and thoroughly assess whether investments or reforms have been achieved.

Flexibility	Increasing the availability of unprogrammed funds to more easily shift to new, emerging or changing priorities.	Easier to respond to unforeseen needs like natural crises. More opportunities to revise and assess whether current programmes are on track to meet green objectives.	Member States can easily shift funds away from important, long-term objectives. This means environmental projects are likely to be diverted to meet defence, security and competitiveness priorities.	Require a certain reserved amount to be maintained for nature spending. Ensure reprogramming reviews always account for the impact on achieving EU nature objectives.
Green spending and tracking	Revision of the system for tracking climate and environment spending applicable across all EU programmes. Introduction of result and impact indicators to verify outcomes of financed activities.	More consistency and accuracy using a single, common approach to tracking spending. Greater focus on impact and results <i>ex post</i> rather than tagging <i>ex ante</i> .	No separate tracking for biodiversity spending. Continued use of the Rio marker methodology and risk of inaccurate reporting, especially from 40 per cent tagging.	Include dedicated biodiversity tracking, which, due to its vague and ambiguous nature, is notoriously prone to false reporting. Expand the activities used for tracking to also include obligations under the Nature Restoration Regulation.
Environmental safeguards	Application of the ‘do no significant harm’ principle horizontally across all funds and programmes, alongside the upcoming horizontal exclusion list.	More consistency and certainty when applying the principle. Common exclusion of activities across funds.	Certain exemptions could allow harmful activities to be included. Continued issue with lack of controls and verification at the project implementation level.	Introduce the planned exclusion list and include sector-specific guidance for other activities with potential negative impacts. Ensure there is sufficient technical expertise and capacity-building for national application.

Key recommendations

- Separate a mandatory biodiversity spending target from other environmental objectives, as well as earmarked funding.
- Establish a mandatory mechanism linking the EU budget, in particular national and regional partnership plans, to agreed and existing biodiversity objectives, especially obligations under the national restoration plans. This would help ensure that EU funds deliver on EU policy priorities and that sufficient financing is secured.

- Place a strong emphasis on reforms to ensure that outstanding issues with environmental legislation are addressed and that the EU budget adheres to the rule of law extending to the environment.
- Implement reforms and investments to improve operational capacity at national, regional and local levels, thereby removing obstacles to programming and absorbing funds for biodiversity.
- Apply a sector-based approach to the ‘do no significant harm’ principle that fully excludes the provision of EU funds for activities harmful to biodiversity.
- Adopt a transparent and participatory drafting and implementation process based on the European Code of Conduct on Partnership.

Context

In July 2025, the European Commission released its much-anticipated proposal for the next EU budget, also known as the Multiannual Financial Framework. Both in structure and content, the proposal marks a major shift in policy, presenting a vision that differs drastically from the priorities of the European Green Deal set out just over five years ago. Competitiveness, simplification, security and defence have now taken centre stage.

A more policy-driven, simplified and performance-focused budget is welcome. Several important aspects will undoubtedly create greater consistency and certainty, resulting in a more impactful budget. In particular, the common application of the ‘do no significant harm’ principle and a programme-wide tracking methodology represent major steps forward, not only for screening and monitoring the impact of EU funds on biodiversity, but also for ensuring that every euro of scarce public resources delivers the greatest possible positive impact.

However, the proposal lacks a credible plan for earmarking sufficient funding for biodiversity. It fails to include any dedicated financing for the environment, effectively dismantling the highly successful LIFE programme. Instead, it largely relies on the willingness of EU Member States to determine their own investment priorities – an approach that has so far proven largely ineffective at halting biodiversity loss.

The next EU budget also comes at a particularly important time for biodiversity financing. Just over a year ago, the Nature Restoration Regulation entered into force – the first law to set legally binding targets for restoring all ecosystems by 2050. The Regulation will require long-term, stable and guaranteed financing to ensure its success. Yet the recent Environmental Implementation Review reveals an estimated annual financing gap of EUR 19 billion between 2021 and 2030, at least 3 billion of which is needed to implement the Nature Restoration Regulation.²

The EU budget proposal is a clear attempt to accelerate Europe’s economy and bolster security and defence spending. But it overlooks the fact that nature has direct economic, social and security impacts. The

² European Commission, [Environmental Implementation Review](#), European Commission, accessed 26 September 2025.

biodiversity crisis – and the resulting loss of species, habitats and ecosystems – cannot be halted without sufficient financing.

How would biodiversity be financed under the new EU budget?

Climate and environmental spending would be determined by an overall target of 35 per cent green spending across the entire Multiannual Financial Framework, with separate sub-targets applied at the programme level. Biodiversity funding would be provided through the first two newly established headings – national and regional partnership plans and the European Competitiveness Fund – both of which require a 43 per cent green spending target. Under the national and regional partnership plans, Member States would need to ensure that their investment choices ultimately achieve this target. They must also align their investments with other EU objectives, including their obligations under the nature restoration plans. A separate EU facility, managed directly by the Commission, will also be created to finance activities related to the LIFE programme, particularly those responding to emerging crises, including natural disasters. However, the current wording leaves the exact scope and eligibility of such activities unclear.

Under the European Competitiveness Fund, certain LIFE activities would be included under a ‘clean transition’ window. These specifically include support for bottom-up projects and environmental policy to halt and reverse biodiversity loss and tackle the degradation of ecosystems.³ There are also references to support for the protection of natural resources and biodiversity through a ‘health, biotechnology, agriculture and bioeconomy’ window. However, the proposal would remove programmes dedicated directly to financing the environment, effectively discontinuing the long-standing success of the LIFE programme.

Size and availability of funding

What are the key elements of the current proposal?

The Commission proposes a new budget of EUR 2 trillion, representing an increase from the current EUR 1.2 trillion budget. Applying the 35 per cent budget-wide green spending target across the entire budget, the Commission estimates that around EUR 700 billion would be available for climate and environment investments. In theory, this represents an increase of approximately EUR 150 billion compared with the current budget.

However, unlike the current Multiannual Financial Framework period, which included a target to dedicate 10 per cent of annual spending to biodiversity by 2026, the new proposal does not include a dedicated biodiversity spending target, either at the programme or overall EU budget level. The proposed 35 per cent spending target will instead combine all climate and environmental spending, including more industrial categories like climate and the circular economy. Therefore, the exact amounts allocated to biodiversity will largely depend on Member States during planning and programming, and may, for example, strongly favour activities that are easier to finance in order to meet the overall target.

³ European Commission, [Proposal for a Council Regulation laying down the multiannual financial framework for the years 2028 to 2034](#), *EUR-Lex*, 16 July 2025.

How can it be improved?

The discontinuation of dedicated funding through the LIFE programme, coupled with the absence of a biodiversity-specific spending target, raises serious concerns about the largely voluntary nature of biodiversity funding allocations. This comes against the backdrop of an enormous and ever-growing financing gap, now estimated at nearly EUR 200 billion until 2030.⁴ Experience with the EU's Recovery and Resilience Facility, also reliant on a general green spending target, led to less than 1 per cent of investments being allocated to biodiversity – a pattern repeated under cohesion policy funds. As a result, the EU's own upscaling target for 2026 is unlikely to be met.⁵ Past experience shows that, without binding requirements, biodiversity financing is consistently sidelined. Ultimately, it will be up to Member States to earmark funding for biodiversity actions – a situation that has already proven problematic. Therefore, funding specifically for biodiversity, not only for the environment overall, must be built in at the EU level.

Structure and composition of the next EU budget

What are the key elements of the current proposal?

In efforts to simplify the budget structure, the proposal reduces and merges a number of pre-existing funds, creating several 'megafunds'. Specifically, it merges 52 programmes into 16, and 7 headings into 4. As mentioned above, this includes the introduction of the national and regional partnership plans (heading 1) and the separate European Competitiveness Fund (heading 2). Several long-standing programmes, in particular the LIFE programme, will no longer exist in standalone form, ending any dedicated spending programmes for the environment.

One of the most notable changes concerns cohesion and common agricultural policy funds, which together represent two of the largest sources of funding in the current EU budget. Their share will now be reduced: under the current Multiannual Financial Framework, they account for 62 per cent of total commitments; under the new proposal, this drops to 44 per cent. These funds will also be merged into single national and regional partnership plans, which will form the new basis for the majority of biodiversity-related reforms and investments.

When developing their plans, Member States will need to explain how they align with commitments under their nature restoration plans. This will mean linking obligations outlined in their nature restoration plans with milestones and targets that need to be fulfilled, and identifying the corresponding investments and reforms required to achieve them.

What do we welcome?

The justification for reducing the number of programmes is simple: the current system is overly complicated and fragmented, with multiple funds creating a mosaic of different individual rules and requirements. Both cohesion and common agricultural policy funds have typically suffered from poor performance and low

⁴ Martin Nesbitt, et al., [Biodiversity Financing and Tracking: Final Report](#), Institute for European Environmental Policy, May 2022.

⁵ European Commission, [Annual management and performance report for the EU budget | Financial year 2024 | Volume II, Annexes 1 to 3](#), European Commission, 2025.

absorption rates. Reducing the number of funds, therefore, offers clear advantages, creating a more consistent governance framework and providing greater clarity and simplification.

This could result in increased certainty and encourage more applicants to apply for grants. Access to funding has often proved a barrier, preventing a greater number of biodiversity projects from being financed. In theory, this simplification could allow more projects to receive funding, increasing the overall number of conservation and restoration projects supported through EU funds.

Additionally, some positive new principles would also apply to funds that previously fell outside their scope. For example, under the proposal, common agricultural policy funds would be subject to the partnership principle, which requires strict rules for stakeholder consultation and improved monitoring. This would also apply to the ‘do no significant harm’ principle.

How can it be improved?

Bundling different thematic and sectoral priorities together inevitably leads to competition and conflict for funding, particularly in the absence of separate requirements for dedicated spending. Previous mainstreaming efforts have largely failed due to the lack of a dedicated biodiversity spending target.⁶ For example, the 2026 target of dedicating 10 per cent of annual spending to biodiversity is likely to be missed.

Unfortunately, governments never consider financing biodiversity activities a high priority, and such projects often lose out to other sectors. Combining common agricultural policy and cohesion policy funds – which have fundamentally different objectives and intended beneficiaries – will make it particularly challenging to meet all needs effectively.

Moreover, questions remain about the ability of this approach to provide targeted funding. For example, cohesion policy funds can finance many highly localised, site-specific biodiversity conservation and restoration projects, primarily through operational programmes. This is possible due to the largely decentralised nature of programming and implementation, which better reflects regional and local needs. A shift towards more centralised, nationally focused plans creates risks and uncertainty over whether such small, site-specific projects can continue to be planned and financed.

For these reasons, ensuring earmarked funding specifically for biodiversity is essential, with the potential to access funding directly, not only through national restoration plans.

Method of disbursement

What are the key elements of the current proposal?

National and regional partnership plans will be the main megafunds (as outlined above), forming the foundation for programming funds in the next EU budget. However, these plans will not be entirely new. Indeed, they continue to heavily rely on the same structure of the Recovery and Resilience Facility, the instrument used to finance the EU’s post-COVID-19 recovery. Under these plans, funding will be

⁶ CEE Bankwatch Network, EuroNatur, [Building back biodiversity: How EU Member States fail to spend the recovery fund for nature](#), CEE Bankwatch Network, 20 May 2021.

performance-based, meaning that payments and disbursements will be conditional on meeting pre-agreed milestones and targets. If Member States fail to achieve these objectives, the next disbursement will be suspended or withheld until their satisfactory completion. This approach represents a significant departure from the current system of disbursing funds, which relies on reimbursement of expenditure.

What do we welcome?

The performance-based, policy-driven approach envisioned under the current proposal could, if planned well, serve as an important tool for achieving several major nature-related obligations and objectives. In particular, milestones and targets could be directly linked to Member States' nature restoration plans to condition adequate financing. This would create strong opportunities to directly align funding with the most pressing nature conservation and restoration needs and priorities. Reforms, in particular, could also provide significant opportunities for Member States to implement nature legislation. Disbursing funds with a greater focus on conditionality – that is, 'more strings attached' – would create leverage to implement and enforce environmental legislation, which currently costs around EUR 55 billion annually.⁷

How can it be improved?

Experience with the Recovery and Resilience Facility – the model for the proposed national and regional partnership plans – has exposed numerous shortcomings. These include issues with process, such as transparency in plan design, the capacity of national authorities to manage and implement funding effectively, and the content of the plans themselves.

In its current form, the proposal for national and regional partnership plans provides too little certainty that sufficient biodiversity financing will be secured. At the very least, a minimum amount should be ring-fenced based on cost estimates identified in the national restoration plans and prioritised action frameworks. These funds should then be translated into corresponding investments and reforms, again linked to specific milestones and targets. A strong and mandatory mechanism is needed to connect agreed biodiversity objectives to the EU budget, ensuring that EU funds deliver on EU policy priorities.

Additionally, the investments – and particularly the reforms – included in the national and regional partnership plans should strengthen administrative capacity and technical expertise among managing authorities at the national level. This would significantly improve funding absorption and increase impact.

Lastly, as noted above, the approach offers greater conditionality, allowing EU funds to be leveraged to reinforce the rule of law. This mechanism must be extended to cover the environmental rule of law, ensuring that funds are only disbursed when implementation conditions are fully met. Conversely, funds should be suspended in cases of infringement.

⁷ Logika Group, RPA Europe, European Marketing Research Centre, [Update of the costs of not implementing EU environmental law](#), European Commission, Directorate-General for Environment, April 2025.

Increased flexibility

What are the key elements of the current proposal?

Greater flexibility across funds is one of the key priorities in the next EU budget. This is reflected in the proposal's new provisions allowing underspent funds from previous years to be reallocated to meet new needs and priorities. For national and regional partnership plans, a quarter of each country's allocation would remain unplanned, available to respond to shifting investment priorities.

What do we welcome?

Reallocating funds can be a useful way of assessing whether current programmes are on track to achieve the EU's overarching objectives. If not, it allows any necessary changes to be made to meet these goals. For example, since 2021, cohesion policy funds have followed a similar procedure, aiming to ensure alignment between policy programmes and climate, energy and environmental objectives.⁸

What needs to be improved?

Flexibility and the ability to reprogramme funds also carry risks, especially for biodiversity financing. A strong shift to competitiveness, security and defence raises concerns that Member States may divert spending away from environmental projects, especially those that deliver less immediate results. This scenario is especially problematic for financing biodiversity, which requires long-term, stable and sustained funding – particularly given the ambitious, legally binding target to restore all ecosystems in need of restoration by 2050.

Allowing Member States to reprogramme funds could undermine long-term, strategic planning and the achievement of objectives. Under the Recovery and Resilience Facility, ambitious green projects were often dropped due to their perceived complexity and the short timelines involved.

Any processes allowing the transfer or reallocation of funding should include mandatory safeguards to ensure that environmental ambition is not reduced or weakened. The primary focus should be on better achieving the EU's medium- and long-term goals and aligning programmes accordingly. Reallocation should not become an opportunity for Member States to cherry-pick new priorities at will.

Tracking and earmarking of green spending

What are the key elements of the current proposal?

The proposal includes revisions to the way EU spending is tracked, specifically in terms of how EU funds contribute to climate and environmental objectives. It introduces a new, common methodology to be applied across all EU funds and programmes. This methodology is composed of a series of activities, or 'intervention fields', where Member States must indicate whether a specific activity contributes either to

⁸ Christophe Jost, Bogdan-Alexandru Chelariu, [Cohesion policy at a crossroads: Navigating the 2025 mid-term review and the next EU budget](#), CEE Bankwatch Network, 6 December 2024.

climate objectives (adaptation or mitigation) or to a broader set of environmental objectives. The extent of this contribution is determined by applying a percentage score of 0 (no contribution), 40 (partial contribution) or 100 (full contribution). The revised tracking methodology also includes output and result indicators, placing greater emphasis on assessing the actual impacts of funded activities *ex post*, rather than simply determining contributions *ex ante*.

What do we welcome?

The introduction of a more consistent, uniform approach is a positive step forward. Currently, different programmes apply different approaches to track green spending. Common agricultural policy spending, for example, is not tracked in the same way as cohesion policy spending. This inconsistency makes it very difficult to accurately report the EU-wide contribution of funds to environmental objectives. Additionally, the introduction of output indicators and targets provides a more meaningful way of assessing fund contributions, focusing on the actual impact of the spending *ex post*, rather than relying on *ex ante* tagging.

What needs to be improved?

Merging six different environmental objectives into a single overarching environmental objective seriously weakens the ability to conduct accurate and meaningful reporting. Experience shows it is very easy to inflate environmental spending figures when environmental objectives are not clearly separated. For example, under the Recovery and Resilience Facility, investments in the circular economy or water infrastructure were initially calculated as biodiversity spending. This problem is compounded by the rigid nature of the Rio marker methodology.⁹ In particular, the use of 40 per cent tagging has been criticised, as its vagueness on positive contributions to biodiversity allows for substantial overcalculation.¹⁰

The revised tracking methodology must include a separate, dedicated objective for tracking biodiversity spending. This is vital to prevent greenwashing and ensure alignment with Member States' obligations under their national restoration plans.

Environmental safeguards

What are the key elements of the current proposal?

The proposal further builds on the 'do no significant harm' principle, previously established under the Recovery and Resilience Facility. It will now apply across all EU funds and programmes, following a single, consistent application. Additional guidance is expected to be released at a later stage, including a list of activities that cannot be financed through EU funds by default.

What do we welcome?

The new approach represents a major step forward, creating a common application of the principle. Previously, its application varied across funds, resulting in inconsistent levels of screening. A uniform

⁹ European Union, [Short guide to the use of Rio markers](#), Capacity4dev, last updated 1 October 2025.

¹⁰ European Court of Auditors, [Tracking climate spending in the EU budget](#), European Court of Auditors, 2020.

approach, combined with a common exclusion list, will increase certainty and reduce the administrative burden on national authorities, previously identified as a key barrier to effective application.

What needs to be improved?

A performance-based budget places considerable responsibility on Member States and their authorities at national, regional and local levels. This will require increased capacity from the Commission to check, monitor and verify documentation. Experience shows that more time is needed to evaluate projects with potential impacts on ecosystems. These projects also require appropriate proof, information and public consultation at all stages – from planning to implementation.

For a strong and meaningful application of the ‘do no significant harm’ principle, greater attention is needed to operationalise the tool at the national level. As always, the devil is in the detail. In practice, projects initially approved for financing have at times proved harmful once implemented. Therefore, the upcoming guidance must include sufficient verification and control mechanisms to ensure correct implementation at the national level, particularly the proper integration of pre-agreed safeguards into project implementation.



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