




How to fund the Trans-European Nature Network (TEN-N)

Aligning subsidies for nature



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Aligning subsidies for nature

A subsidy is a financial benefit given to an individual, business, or institution, usually by the government[1]. Subsidies are a policy tool used by countries to steer the economy to provide for the overall public good. Subsidies can both be direct, e.g. through monetary payments, as well as indirect, e.g. through tax exemptions.

There are several subsidies that unintentionally result in harm to the climate and biodiversity (between €34 billion and €48 billion of European subsidies). These include certain subsidies within the sectors of agriculture, forestry, and fisheries which need to be redirected, reformed, or eliminated for the targets on nature restoration to be met, according to the World Resource Institute[2]. Reforming and eliminating harmful subsidies along with redirecting subsidies to enhance the protection and restoration of nature is key to eliminating threats and closing the funding gap needed for nature recovery.

Aligning Subsidies for Nature means shifting the current subsidies which can exploit nature to utilise the subsidies for its recovery. The actions that could be financed include rewetting peatland soils, removing man-made barriers in rivers and streams, and reducing fertiliser/pesticide use. These actions would align with the EU Biodiversity Strategy for 2030 targets.

[1] <https://www.investopedia.com/terms/s/subsidy.asp>

[2] https://files.wri.org/d8/s3fs-public/2021-08/repurposing-agricultural-subsidies-restore-degraded-farmland-grow-rural-prosperity_3.pdf

Assessment of subsidies as a funding opportunity for nature restoration

Who is this factsheet for?

- ✓ EU Member State representatives
- ✓ Local and central governments, and public sector agencies
- ✓ EU representatives

Focusing on subsidies for nature both reduces funding for activities where there are demonstrable negative impacts on biodiversity whilst also increasing the resources for restoring it.

Aligning subsidies for nature can be relevant for:

- ✓ Governments looking to redirect financial flows to reduce threats and scale up their investment in nature recovery.
- ✓ Public institutions or entities managing natural areas aiming to get more funds.
- ✓ Landowners, NGOs and universities.

Important considerations for governments and public institutions

Clearly communicate the benefits: It is key to communicate and showcase the benefits to the agriculture, fishing, and forestry sectors from the restoration and conservation of nature. For example, in the form of nature-based solutions, buffers for extreme weather events, pollination of crops, and nutrient recycling, among others. These benefits may work towards mitigating some of the resistance among these sectors to changes to subsidy schemes.

Consider direct and indirect support: Subsidies can be direct through financial support or indirect through tax exemptions, and both approaches can be effective. One costs direct taxpayer money (financial support), the other has an impact on potential revenues (tax exemptions).

Develop cost-effective nature conservation and restoration actions: Focus on actions that require minimal human intervention to be maintained. For example, reintroducing large herbivores to keep meadows open instead of using mowing, or restoring natural fluctuations in water levels where possible in wetlands instead of maintaining them at a static level. These types of measures, which look to restore nature functions, tend to be cheaper and provide more benefits to nature than mimicking natural functions through man-made interventions.

Implement monitoring: It is important to track the impact of the policy on the ground to ensure it is having the desired impacts and to track and reverse any unintended consequences of the intervention.

Strong points

Available finance: The funds already exist, and their use only needs to be shifted.

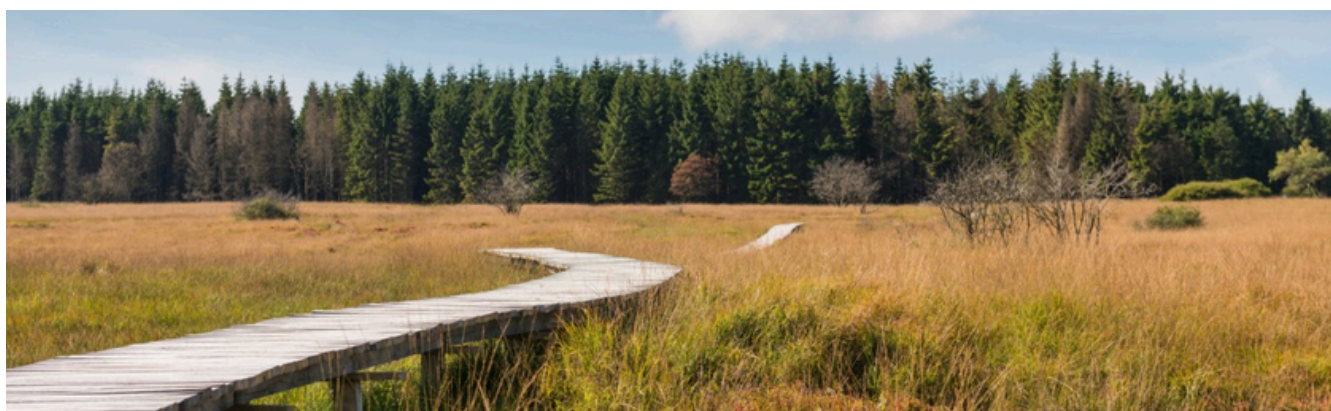
Remove a threat to nature: Poorly designed subsidies are one of the key drivers of nature exploitation and destruction[3].

New uses for marginal areas: There are areas around Europe[4] that are not significantly productive and are cultivated for forestry or agriculture in part due to subsidies[5]. Transforming marginal areas into new natural zones is key to reaching EU nature conservation and biodiversity targets, namely the 10% of EU land under strict protection target. These lands could potentially bring more benefits to local communities and economic opportunities if they were used for nature in the form of new economic opportunities (tourism and nature credits).

Weak points

Reliance: Subsidies, once given and without a clear end date, create a dependency in society that is hard to decrease or remove afterward.

Complexity: Subsidies or tax exemption need to be designed carefully to avoid unintended consequences such as further impacts on nature or social tensions.



[3] <https://www.ipbes.net/global-assessment>

[4] <https://joint-research-centre.ec.europa.eu/system/files/2018-12/jrc113718.pdf>


[5] <https://www.sciencedirect.com/science/article/pii/S1439179114001728>


What activities can 'aligning subsidies for nature' fund?


Aligning Subsidies for Nature can provide funds for a wide range of actions:

Network planning costs	Administrative	✗
	Spatial planning	✗
	Biogeographical network planning	✗
	Monitoring and reporting of the protected area network	✗
Protected area establishment costs	Site/corridor designation and management planning	✓
	Administrative	✓
	Remaining knowledge gaps and research needs	✓
	One-off establishment actions	✓
	Compensation for lost income	✓
	Land purchase	✓
Management costs	Site (cluster) administration	✓
	Enforcement	✓
	Monitoring and reporting	✓
	Maintenance and restoration measures for species and habitats	✓
	Additional green infrastructure measures (outside protected areas)	✓
	Protected area infrastructure maintenance	✓
Communication and awareness raising costs	Natura 2000-related communication and awareness raising measures, education and visitor access	✓
	Best practice exchange	✓

Examples of uses of aligned funding:

 **Subsidies for removing fences:** Fences cause habitat fragmentation and can be a threat to wildlife. Subsidies for nature could be used to remove fences and install virtual fencing (with special collars), especially along ecological corridors and in buffer zones around protected areas to improve connectivity in the landscape.

 **Subsidies for marine protected areas:** Funds from subsidies can be used to compensate the fishing industry for a temporary loss of income, when a new protected area is created and to incentivise the collection of old fishing nets to help tackle marine pollution[6].

 **Forestry:** More environmentally friendly forestry practices can be promoted, for example with subsidies for planting native tree species, selective harvesting instead of clear felling and incentives to include herbivores (semi-wild varieties of cattle, horses and donkeys as well as species of deer to keep the forest open and clean excess biomass).

[6] <https://www.unep.org/resources/pollution-solution-global-assessment-marine-litter-and-plastic-pollution>

Annex I: How to align subsidies for nature? Step-by-step guide

This series of steps guide the alignment of subsidies for nature.

Identification and assessment

- Complete screening of existing subsidies with an environmental lens, considering potential positive and negative impacts on climate, biodiversity, and other environmental indicators.
- Identify and quantify the subsidies that need to be re-purposed, reformed, or removed.



Multidimensional redesign options

- Clearly define areas where there is the need for extra funds.
- Design or repurpose existing subsidies to target the areas that need restoration, with relevant partners and stakeholders e.g. agriculture, forestry and fisheries representatives, universities and other civil society organisations.



Action plan formulation

- Develop action plans to redesign subsidies, outlining multiple scenarios.
- Establish a clear link between the new use of the subsidy and the direct and indirect benefits the agriculture, forestry and fisheries receive from nature restoration.

Annex II: Examples of subsidies for nature

Peatland restoration in Scotland

Aim: Subsidies to scale up the restoration of degraded peatlands in Scotland

Details: In 2021 the Scottish Government announced a 10-year subsidy package to restore degraded peatlands in the country up to 250,000 hectares. Peatlands cover around twenty percent of Scotland, are rich in biodiversity, and are a significant carbon sink. Yet when peatlands are degraded, they turn into a source of greenhouse gas emissions.

The subsidy targets farmers, landowners, and land managers, with additional funding directly for restoration work in national parks, such as the Cairngorms National Park in the Scottish Highlands. Support goes towards expenses such as initial feasibility studies, work on the ground and paying staff time. The project started by supporting small-scale short-term initiatives and with time will expand to bigger-scale long-term projects. The end goal is to restore 250,000 hectares of degraded peatland by 2030.

The restoration of peatlands is seen as a win-win solution for both the economy and nature: it creates new jobs, enables investment in rural areas, and provides a wide range of ecosystem services, such as carbon storage, biodiversity benefits, improvement in water quality, and reduces the risk of flooding.

The restoration of degraded peatlands is a key component of Scotland's strategy to become net zero by 2045.

Funds made available: 250 million British pounds for 10 years.



South African conservancies

Aim: Preserving and restoring South African biodiversity using tax breaks for private protected areas

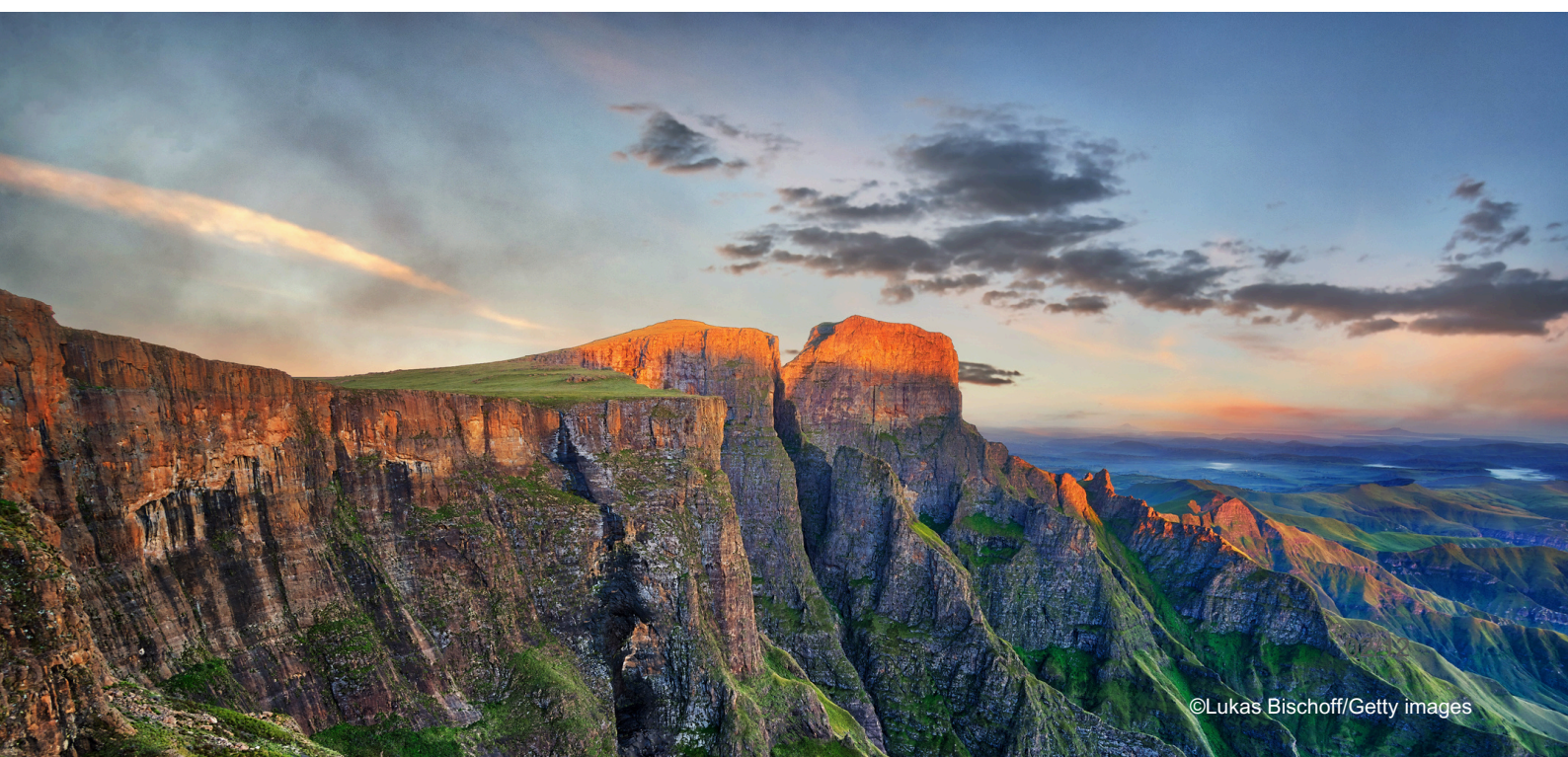
Details: In 2015 South Africa implemented a biodiversity tax incentive for Nature Reserves and National Parks declared on communal or private land.

The tax break consists of deducting the value of the newly established private protected area land from taxable income for a period of 25 years, which in practice means it becomes property tax free for a period. The aim is to scale up the protection and restoration of nature in land not owned by the South African State and to free up funds to be invested in the management of natural spaces and in scaling up ecotourism activities.

It was designed in partnership with several entities: the South African National Biodiversity Institute (SANBI), Wilderness Foundation Africa, BirdLife South Africa and WWF Nedbank Green Trust, through a grant project financed by the Global Environment Facility (GEF).

These areas are known as conservancies if community owned, or game reserves if privately owned. Conservancies and game reserves represent a key part of natural zones in Africa, they complement and increase the size of protected areas in famous places such as Masai Mara in Tanzania and Kenya, Kruger in South Africa, or Skeleton Coast in Namibia. In Europe there are also areas with common land and big private properties that could be used in a similar way to the ones in Africa, if similar incentives were provided.

Results: Increased financial resources to around 40 nature reserves.



Annex III: References and further recommended reading

Peatland restoration in Scotland

<https://www.gov.scot/news/funding-to-restore-scotlands-iconic-peatlands/>

<https://www.gov.scot/news/peatland-restoration-fund-tackles-global-climate-crisis/>

<https://www.nature.scot/climate-change/nature-based-solutions/peatland-action-project>

South African conservancies

<https://wildernessfoundation.co.za/wp-content/uploads/2022/07/37D-Fact-Sheet-FINAL.pdf>

https://panorama.solutions/sites/default/files/section_37d_info_sheet_1.pdf

<https://www.undp.org/south-africa/blog/role-tax-incentives-south-africa%E2%80%99s-biodiversity-economy>

Recommended reading

https://files.wri.org/d8/s3fs-public/2021-08/repurposing-agricultural-subsidies-restore-degraded-farmland-grow-rural-prosperity_3.pdf?VersionId=CCakKYvADDGKHiEvbvS16JYzbFoKXHtw

https://wedocs.unep.org/bitstream/handle/20.500.11822/41333/state_finance_nature.pdf?sequence=3

<https://www.biofin.org/news-and-media/launch-nature-subsidies-step-step-guide-repurpose-subsidies-harmful-biodiversity-and>

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Author

Daniel Verissimo, Rewilding Europe
daniel.verissimo@rewildingeurope.com

Design

Caroline Herman, BirdLife Europe and Central Asia
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www.naturaconnect.eu



[@naturaconnect](https://www.linkedin.com/company/naturaconnect)



naturaconnect@iiasa.ac.at



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