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**COMMISSION STAFF WORKING PAPER**

**FINANCING NATURA 2000**

**Investing in Natura 2000: Delivering benefits for nature and people**

## 1. Introduction

This Commission staff working paper presents a summary of an evaluation of the effectiveness of the current approach to EU co-financing of Natura 2000 as well as an overview of relevant provisions in the Commission proposals for the next multi-annual financial framework. In addition to giving an updated estimate of Natura 2000 costs, the paper also underlines the benefits to be gained from effective management of these areas. The paper also explains how the prioritised action frameworks required under the Habitats Directive can serve as strategic planning tools to strengthen the integration of Natura 2000 financing into the use of relevant EU financial instruments for the next programming period.

The EU biodiversity strategy, adopted by the Commission on 3 May 2011, sets out a programme of action to achieve the EU target, adopted by Heads of State and Government, of halting and reversing the loss of biodiversity and ecosystem services by 2020<sup>1</sup>. It also makes clear that action for biodiversity has a key role to play in speeding up the EU's transition towards a resource efficient and sustainable economy. Central to achieving the high biodiversity target is the effective conservation and sustainable use of the areas of extraordinary biodiversity value in the EU. The Natura 2000 network, which consists of Special Protection Areas (SPAs) established under the EU Birds Directive<sup>2</sup> and Special Areas of Conservation (SACs) established under the EU Habitats Directive<sup>3</sup>, provides a common EU framework to safeguard these natural assets.

As the establishment phase for Natura 2000 nears completion the focus is shifting to making the network fully operational through the effective management and restoration of these areas. The designation of the sites under the Habitats Directive formally triggers the requirement to put in place the necessary conservation measures. This will require a significant step up in investment and support for active management of the sites. The farmers, foresters, fishers and many other owners, users and managers of Natura 2000 areas provide an essential public good with a high socio-economic value for its users. It is important to create adequate incentives for ensuring continued delivery of these public goods.

As an EU wide network, Natura 2000 is based on the principle of solidarity between Member States. While the main responsibility for financing Natura 2000 lies with the Member States, Article 8 of the Habitats Directive explicitly links the delivery of necessary conservation measures for Natura 2000 to EU co-financing. Ensuring adequate funding for a coherent Natura 2000 network will also help substantially to meet international commitments made under the Convention on Biological Diversity (CBD COP10) at Nagoya, Japan, in 2010<sup>4</sup>.

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<sup>1</sup> The EUCO 7/10 conclusions of the European Council (25/26 March)

<sup>2</sup> Directive 2009/147/EC of the European Parliament and of the Council on the conservation of wild birds. OJ L 20, 26.1.2010, p. 7

<sup>3</sup> Council Directive on the conservation of natural habitats and of wild fauna and flora. OJ No. L 206, 22.7.1992, p. 7

<sup>4</sup> CBD COP10 Decision X/31 on protected areas

## 2. NATURA 2000 – current state and perspective

The primary goal of the Birds and Habitats Directives is to ensure that habitat types and species of EU conservation concern achieve good conservation status. Natura 2000 is the principal mechanism to achieve this objective. It is a unique partnership in which all 27 Member States and the Commission have worked closely together to create the largest co-ordinated network of protected areas in the world. Since 2004 the network has been extended to all 12 new Member States and it now comprises more than 26,000 sites. The terrestrial component covers 751,150 Km<sup>2</sup>, an area greater in size than Germany, Poland and the Czech Republic combined, and covering nearly 18% of the EU-27 terrestrial territory. There are also substantial marine areas covering 198,760 Km<sup>2</sup>. There are still some remaining gaps to be filled, especially for the offshore marine environment. However, the objective is to ensure that the establishment phase for Natura 2000 is largely complete by the end of 2012.

There are significant differences between Member States in the proportion of their national territory protected under Natura 2000, which reflects their relative importance for the conservation of species and habitats of EU concern<sup>5</sup>. Certain Member States have a particularly high burden of responsibility to protect and manage Natura 2000 sites.

Forests are the most prominent ecosystem in Natura 2000, representing over 50% of the terrestrial area of the network. Agricultural lands and grassland ecosystems together comprise about 34%. Wetland ecosystems, including peatlands, cover almost 10%. Significant sections of the EU's major rivers, including 40% of the River Danube, are protected under Natura 2000.

Natura 2000 sites are already protected under the Habitats Directive by way of a series of Commission Decisions which have adopted lists of Sites of Community Importance (SCIs). Member States must avoid deterioration of the sites and put in place procedural safeguards in relation to plans and projects that may adversely affect them. Member States must designate the SCIs as Special Areas of Conservation (SACs), within 6 years, and establish the necessary conservation measures for their positive management. This legal deadline for SAC designation and establishment of conservation measures is now taking effect for many sites under the Directive.

As many Natura 2000 sites are not in good condition it is critical to focus on ensuring that the sites in the network are effectively managed and restored. While Natura 2000 includes some nature reserves it is based on a much wider concept of land and water use management, working in an inclusive approach with people to achieve sustainable livelihoods, while at the same time safeguarding Europe's most precious natural assets and shared wildlife heritage. The need for action is underlined by the latest EU conservation status assessments, which have shown that only 17% of assessments of species and habitats of EU concern are favourable. Grassland, wetland and coastal ecosystems are most under pressure. The situation for agricultural habitats is particularly precarious with only 7% of assessments showing favourable status.

Well planned conservation actions that ensure the overall functioning of the Natura 2000 network, will provide the basis for achieving the target, set out in the EU Biodiversity

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<sup>5</sup> For the terrestrial environment this ranges from 7% in the United Kingdom to 36% in Slovenia

Strategy, of 100% improved conservation status for habitats and 50% improved conservation status for species and population status of Birds of EU conservation concern by 2020.

### **3. Investment needs and benefits of effective management of Natura 2000**

The financing needs for Natura 2000 relate to a broad range of measures, necessary for the effective management of the sites. These include "one-off investments" such as land acquisition, restoration of damaged habitats and infrastructure investments and recurring expenditure which primarily relate to habitat management, such as regular mowing of vegetation, maintenance of other land features and monitoring, critical to make the network fully operational. The Commission has developed a typology of the management activities that are relevant for EU co-financing of Natura 2000<sup>6</sup>.

A recent assessment for EU-27, based on data supplied by the Member States, estimates the total investments needed for managing the network to be at least €5.8 billion per year, largely confirming earlier estimates<sup>7</sup>. One third of these needs relate to one-off investments; the remainder relate to recurring management of the sites. The balance of non-recurring and recurring expenditure varies from one region to another and between sites, depending on their conservation requirements. Costs tend to be greatest in areas which require the highest levels of intervention and management (e.g. in agricultural areas in North-Western Europe) and which face greater pressure from development and disturbance (e.g. islands in Southern Europe). Averaged over the terrestrial land area of the network, the total investment needs amount to €63 per hectare per year.

These investment costs need to be weighted against the benefits from Natura 2000. In addition to protecting nature's intrinsic value investing in Natura 2000 provides multiple benefits to society and the economy, at the local, regional, national and EU level. Knowledge concerning the flow of benefits from natural ecosystems has grown considerably in recent years, encouraged by the work on the economics of ecosystems and biodiversity (TEEB) and the earlier Millennium Ecosystem Assessment (MA). The Natura 2000 network plays an important role in responding to the challenges we face from climate change, both through mitigation (e.g. through carbon sequestration by peatlands and woodlands) and through adaptation (e.g. through the role of wetlands in flood management, dune systems in coastal protection and upland forests in preventing erosion and landslides). It also delivers other socio-economic benefits by maintaining water flow and quality, conserving natural pollinators, preserving landscape and amenity values, and supporting tourism and recreation. In addition, the preservation of genetic and species diversity is recognised as one of the key benefits provided by Natura 2000, for example maintaining healthy populations of species beneficial to human wellbeing.

Whereas a limited number of economic evaluation studies have been carried out in the Member States each of these supports the view that the socio-economic benefits of Natura 2000 far outweigh the estimated costs. Current on-going work suggests that the benefits that flow from the network of Natura 2000 sites are of the order of €200 to 300 billion/year. This

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<sup>6</sup> See Table 3 of Financing Natura 2000 guidance handbook: revised version, June 2007 ([http://circa.europa.eu/Public/irc/env/financing\\_natura/library?l=/contract\\_management/handbook\\_update/financing\\_2007pdf/EN\\_1.0\\_&a=d](http://circa.europa.eu/Public/irc/env/financing_natura/library?l=/contract_management/handbook_update/financing_2007pdf/EN_1.0_&a=d))

<sup>7</sup> Costs and benefits of Natura 2000 network. Study contract No.: ENV.B.2/SER/2008/0038 ([http://ec.europa.eu/environment/nature/natura2000/financing/docs/natura2000\\_costs\\_benefits.pdf](http://ec.europa.eu/environment/nature/natura2000/financing/docs/natura2000_costs_benefits.pdf))

includes estimates of carbon sequestration and storage, water provision and purification, national hazards prevention, tourism & recreation. As only a subset of ecosystem services is included in this estimate it is likely to be conservative. The investment in the Natura 2000 network helps to safeguard the flow of these services, otherwise at risk of degradation. Investments in conservation measures can also increase the provision of a range of the services, from scientific values of sites to flood control and water purification as the conservation status of the sites improves. Due to the legal protection regime applying to Natura 2000 sites financial investments in delivering these ecosystem service benefits within them are likely to be more secure in the long term than elsewhere.

In relation to the potential role of Natura 2000 in climate change mitigation and adaptation it is estimated that the network currently stores around 9.6 billion tonnes of Carbon, equivalent to 35 billion tonnes of CO<sub>2</sub>, which can be valued at between €67 billion and €130 billion (value of existing stock of carbon in 2010)<sup>8</sup>. Taking into account the uncertainty regarding climate damage the higher value used could be greater by a factor of two<sup>9</sup>. Natura 2000 also represents a significant resource for recreation, tourism and education. Protected areas can be a motor for the local and regional economy through their potential to attract inward investment and support jobs in tourism (hotels, recreation activities) and in the service sector as protected areas help support the locational quality and image of the region. It is estimated that there are between 1.2 to 2.2 billion visitor days to Natura 2000 sites each year providing recreational benefits estimated at between €5 and €9 billion per annum, based on estimates of visitors willingness to pay per recreational visit. Visitor expenditure resulting from these visits provide direct and indirect economic impacts estimated in the range of €0-85 billion and supporting directly and indirectly between 4.5 and 8 million full time equivalent jobs.

A well managed Natura 2000 network will also make a key contribution to meeting other EU environmental objectives and targets set by the Water Framework Directive and the Marine Strategy Framework Directives. A wide range of European urban and rural areas depend on protected areas for their drinking water supply and improved water quality. Municipalities and private water companies can save money on water supply and treatment due to natural storage, supply and water treatment from protected ecosystems. This can contribute to important potential savings also for consumers, via noticeably lower utility bills. Effectively managed Natura 2000 marine sites, as part of a wider network of connected Marine Protected Areas (MPAs) required by the Marine Strategy Framework Directive, will have important positive effects on overexploited fish stocks, which are currently an underperforming natural resource globally and in Europe. MPAs and associated management will also improve the health of marine ecosystems leading to co-benefits for a range of services, including carbon storage, tourism and insurance value due to improved resilience to climate change.

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<sup>8</sup> The carbon density for terrestrial ecosystems has been calculated based on total carbon stored by each land-use category in aboveground biomass and soil organic carbon stored up to 1 m depth belowground (World Bank, 2009). For Natura 2000 the total carbon stock by habitat has been calculated by multiplying the carbon density of each habitat type by the total area of the existing habitat. There are high measurement uncertainties when quantifying the total carbon stored. Nevertheless, total carbon sequestered in all Natura 2000 sites is estimated at 9,6 giga tons. A range of shadow prices has been applied in order to value the carbon sequestration services of Natura 2000. The EC values (EC 2008, DECC2009) were used for the lower estimate, French values (Centre d'analyse stratégique, 2009) for the higher value.

<sup>9</sup> IPCC (2007) Climate Change 2007: Working Group III: Mitigation of Climate Change, section 3.5.3.3.

Natura 2000 is a core element of the future Green infrastructure, foreseen under the new EU biodiversity strategy. The underlying principle of Green Infrastructure is that the same area of land can frequently offer multiple benefits once the right priorities are set. In particular, Green Infrastructure increases resilience and reduces vulnerability to climate change, within and outside the Natura 2000 network. This is particularly relevant in the context of higher flood and forest fire risks, water scarcity, and droughts. Green Infrastructure aims to generate investments in natural capital, contributing directly to the EU Biodiversity Strategy target of at least 15% of restoration, which translates the global target agreed in Nagoya. By enhancing Green Infrastructure, valuable landscape features can be maintained or created, which underpin the delivery of ecosystem services over a wider landscape level such as the provision of clean water, productive soil, attractive recreational areas as well as climate change mitigation and adaptation.

Green Infrastructure will also help to ensure the ecological coherence of the Natura 2000 Network<sup>10</sup> by increasing spatial connectivity between existing sites and enhancing landscape permeability to aid species dispersal, migration and adaptation by identifying multifunctional zones where compatible land uses can be combined to provide multiple benefits based on healthy functional ecosystems (e.g. areas where farming practices, recreational activities, ecosystem services and nature conservation can all operate together).

#### **4. EU financing instruments – experience with the current integration approach**

The current approach, set out in a 2004 Communication on financing Natura 2000 for the 2007-2013 financing period<sup>11</sup>, is to integrate the financing of Natura 2000 into the funding streams of different EU policy sectors. This approach was chosen to ensure that the management of the sites is part of wider land and water management policies, to allow Member States to set priorities and to develop policies and measures which reflect their national and regional specificities, and to avoid duplication and overlap of different EU funding instruments and the administrative complication and transaction costs which would be associated with such duplication.

Natura 2000 funding opportunities exist under each of the relevant key EU funds. Agriculture funding under the second pillar of the CAP is the most important source of support for Natura 2000 in the majority of countries. Axis 2 of rural development policy is the most relevant provision, especially agri-environment and forest environment measures, but some Member States also avail of the specific Natura 2000 payment measures. The cohesion policy structural funds are also a key source of funding to support investments, especially for the new Member States. So far, there is little information about funding under the European Fisheries Funds, which may be partly explained by poorer progress in establishment of Natura 2000 for the marine environment at the start of the current funding period. There also appears to be limited availability of funding for Natura 2000 under the current 7<sup>th</sup> Framework programme for research (FP7). Despite its relatively small size the LIFE+ fund is strategically important for demonstration and best practice projects to support implementation of Natura 2000 across all Member States.

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<sup>10</sup> Article 10 of the Habitats Directive calls for Member States to improve the coherence of the network by means of adequate management of landscape features that are essential for the migration, dispersal and genetic exchange of wild species

<sup>11</sup> COM(2004) 431 final.

There are difficulties in determining the exact allocation and uptake of funds for Natura 2000 under different relevant EU financial instruments as their current coding systems generally do not provide this level of specification. This is especially the case for the European Fisheries Fund.

Even accepting these shortcomings it is clear that there has been a substantial uptake of funding to Natura 2000, demonstrating the potential of the integration approach. Several Member States have indicated that this EU support is essential for implementation of the nature legislation.

However, the use of different EU instruments is still very significantly below the financial needs of Natura 2000 as defined by the Member States. If all nature and biodiversity related funding under cohesion policy as well as Natura 2000 payments and 20% of agri-environment funding under rural development policy is considered as allocated to Natura 2000, together with the relevant LIFE+ allocation to nature, then this would cover only 20% of Natura 2000 financing needs. Whereas there are some gaps in eligibility of funding under different EU instruments this does not explain why there has not been a higher level of uptake. The fact that management plans or equivalent instruments that set out concrete requirements for land managers are lacking is often an obstacle to using specific EU funding instruments.

A greater uptake of EU funds by the Member States for Natura 2000 in the next financing period will depend upon:

- Better strategic planning for financing Natura 2000 by the Member States and the Commission for more effective programmes and projects to exploit the opportunities presented by relevant key EU financial instruments.
- Improved definition of Natura 2000 management requirements as a basis for targeted action.
- Strengthening of awareness about the socio-economic benefits from the management of Natura 2000.
- Consideration of other forms of funding for Natura 2000, including innovative financing.

The Commission also continues to work with the Member States to ensure that EU funds are not used to damage Natura 2000 areas. This includes correct application of the procedural safeguards for plans and projects that are likely to significantly affect Natura 2000, in accordance with Article 6, paragraphs 3 and 4, of the Habitats Directive, including in relation to large infrastructure projects. This 'biodiversity proofing' is an essential tool for integration.

## **5. Opportunities presented under Commission proposals for EU co-financing of NATURA 2000 under relevant key financial instruments**

The Commission has been asked by the main inter-institutional bodies<sup>12</sup> to assess the current integrated approach and for the Member States and the Commission to put in place the

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<sup>12</sup> Council Conclusions of 25 June 2009 on "A mid-term assessment of implementing the EU Biodiversity Action Plan and Towards an EU Strategy on Invasive Alien Species" ((11412/09); Opinion of the Committee of the Regions on EU and international biodiversity policy beyond 2010. 85th Plenary Session. 9 and 10 June 2010; Opinion of the European Economic and Social Committee on the Communication from the Commission - Options for an EU vision and target for biodiversity beyond

necessary measures in order to ensure the effective management of the network over the next financing period.

The Commission has set out clearly its views on the importance of Union funding for biodiversity and nature protection in the next multiannual financial framework in its Communication on 'A budget for Europe 2020'<sup>13</sup> (and the environment and climate policy fiches<sup>14</sup>) as well as the sectoral proposals on Cohesion funding<sup>15</sup>, the common agricultural policy<sup>16</sup>, European maritime and fisheries policy<sup>17</sup> and the LIFE financial instrument for the environment and climate action<sup>18</sup>. The Commission's position expressed in these communications is summarised below.

In the environment policy fiche attached to the budget communication it is recognised that: "The effective management and restoration of Natura 2000 protected areas is central to attainment of the EU 2020 biodiversity target of halting and reversing the decline of biodiversity in the EU set by the European Council in 2010. At EU level, a strengthened integrated approach using the various EU sectoral funds, ensuring their consistency with the priorities of Natura 2000 action frameworks, together with an enhanced LIFE Biodiversity strand, will provide a strong basis for the new Natura 2000 financing strategy".

Funding under the **Common Agricultural Policy (CAP)** is essential to support farmers in the management of Natura 2000. In the context of the greening of the first pillar, the Commission has proposed that 30% of the budgetary envelope of the direct payments will be allocated to promote a set of mandatory measures that are beneficial for climate and environment (crop diversification, permanent grassland, ecological focus areas) which will also contribute to the achievement of the conservation objectives of Natura 2000. This will increase the coverage of basic environmental management measures across most of the farmed landscape. It will also provide *inter alia* for a strong environmental baseline for all CAP support, on which more demanding and targeted schemes under Pillar 2 can be built.

The cross compliance mechanism will continue to contribute to ensuring that all CAP beneficiaries respect important obligations resulting from the Birds and Habitats Directives, related in particular to the conservation measures for the designated sites, the measures to avoid deterioration of the habitats and significant disturbance of the species and the measures to maintain a sufficient diversity and area of habitats for all bird species (inside and outside protected zones)<sup>19</sup>.

The proposed future **European Agricultural Fund for Rural Development (EAFRD)** under the second pillar will also support public goods delivered through effective management of Natura 2000 sites. The rural development programme should demonstrate that a pertinent approach towards innovation, the environment, including specific needs of Natura 2000 areas,

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2010 (NAT/471), 15 September 2010; European Parliament resolution of 21 September 2010 on the implementation of EU legislation aiming at the conservation of biodiversity (2009/2108(INI)).

<sup>13</sup> COM (2011) 867 final

<sup>14</sup> COM(2011) 500 final, page 40

<sup>15</sup> COM(2011) 612 final, COM(2011) 614 final

<sup>16</sup> COM(2011) 625 final, COM(2011) 627 final

<sup>17</sup> (COM(2011) 804 final

<sup>18</sup> (COM(2011) 874 final

<sup>19</sup> Articles 3 (1), 3(2)b, 4(1), (2) and (4) of the Birds Directive and article 6 (1) and (2) of the Habitats Directive

and climate change mitigation and adaptation is integrated into the programme. In particular, the proposal specifies that support should continue to be granted to farmers and forest holders to help address specific disadvantages in the areas concerned resulting from the implementation of the Birds and Habitats Directive in order to contribute to the effective management of Natura 2000 sites. Such compensation should be linked to specific mandatory requirements included in management plans or equivalent legally binding instruments applying in the Natura 2000 sites and described in the rural development programme. Moreover, agri-environment-climate and forest-environment payments would continue to be available to support Natura 2000 by encouraging voluntary and specific additional actions which clearly go beyond the relevant mandatory standards and requirements constituting the baseline.

This will allow, for example, the continuation of traditional extensive grazing and mowing practices, the restoration and management of natural landscape features, the management of traditional orchards or extensive arable systems, the provision of nesting sites, winter seed food and summer insect food to farmland birds (by managing flower-rich grass margins, wild bird cover, pollen and nectar mixtures or skylark plots on arable land) in as far as the commitments related to these actions exceed the relevant basic requirements.

The support under the measure for investments in physical assets shall also cover non productive investments which enhance the public amenity value of a Natura 2000 area. Furthermore, support will also continue to be available for the drawing up and updating of protection and management plans relating to Natura 2000 sites as well as for studies and investments associated with the maintenance, restoration and upgrading of the natural heritage.

With respect to eligibility of land for direct payments the new CAP proposal aims to clarify the situation by proposing an enlarged definition of permanent grassland to allow also the presence of species that are not herbaceous but still are suitable for grazing. This is of relevance for many Natura 2000 habitats such as wooded pastures, grasslands, heath and scrub habitats, as well as landscape features.

**Structural and cohesion funds** will continue to be central to delivering a wide range of measures linked to the effective management of Natura 2000 as well as wider green infrastructure. These funds can support restoration and conservation measures, preparation and implementation of Natura 2000 management plans, for instance through improving the knowledge base (e.g. by mapping habitats or migration corridors), monitoring and capacity building of the management authorities. They are also suited to support investments in sustainable tourism, awareness-raising, training and education as well as communication and information activities relating to Natura 2000.

This is in line with the clearer targeting of cohesion policy spending to deliver Europe 2020 objectives. The opportunity to contribute to key objectives of smart, sustainable and inclusive growth and high levels of employment, climate action and resource efficiency linked to investments in Natura 2000 as a core element of green infrastructure will need to be fully exploited. Multiple benefits will need to be secured, including co-benefits for climate change mitigation and adaptation from restoration of Natura 2000 areas. This source of financing will remain particularly important for less developed regions. This is due to higher allocations from cohesion policy to poorer regions as well as to the percentage of land covered by the network and their crucial importance as biodiversity hot spots. This funding will be highly

relevant to them to provide economic development and jobs in harmony with conservation objectives of the Natura 2000 sites.

On the other hand, in more developed regions, where for historic reasons many habitats and species are in a worse conservation status than elsewhere, investments in nature and biodiversity might be warranted as well. Despite important earmarking for other thematic objectives under regional policy there will be opportunities to finance Natura 2000 also in these regions. In addition, structural and cohesion funding provides possibilities for cross-border territorial co-operation between Member States in the management of Natura 2000.

The new maritime and fisheries policy emphasises the need for a healthy marine environment and provides a stronger basis for ecosystem based management of fisheries, in particular by making specific provision for fisheries measures for Natura 2000 sites and other marine protected areas. The environment policy fiche attached to the Commission's Communication on 'A budget for Europe 2020' highlights that environmental sustainability will be at the heart of the future maritime and fisheries policy. This will be achieved inter alia through reducing overfishing and overcapacity and reducing direct impacts (such as by-catch or impact on the sea bottom), as well as supporting marine protected areas. In this regard the new **European Maritime and Fisheries Fund (EMFF)** will provide opportunities to contribute to sustainable management of marine ecosystems and ecosystems related to aquaculture, and support the management, restoration and monitoring of Natura 2000 areas, including promoting the involvement of fishermen and other key stakeholders in these activities and allowing for compensation to promote aquaculture methods compatible with the protection of Natura 2000 areas.

In the context of EU support for the shift towards a low-carbon, climate-resilient, resource-efficient and environmentally sustainable economy the new proposed **European Social Fund** aims to provide opportunities, through reform of education and training systems, adaptation of skills and qualifications, up-skilling of the labour force, and the creation of new jobs in sectors related to the environment and energy which may support building up skills for Natura 2000 managers and workers.

**LIFE+** is an important instrument to support the establishment and implementation of Natura 2000, providing a strong basis to demonstrate the feasibility and efficacy of management measures. It is the most effective tool for developing partnerships between key sectors involved in the management of Natura 2000 and in creating a common sense of ownership at local level. It continues to have a 'catalytic' role in promoting practical solutions for the management and restoration of Natura 2000.

While financing of nature protection will depend on the extent to which it is mainstreamed into other financial instruments, the Biodiversity component of the new proposed **LIFE Programme** will allow for a more strategic approach to support effectively integration and enhance the capacity of the responsible administrations to manage Natura 2000. This will be achieved by using LIFE as a catalyst to lever in other EU and domestic funds through promotion of a more programmatic approach particularly via so-called "Integrated Projects". This development of 'integrated projects' under LIFE, covering a significant part of the territory, should strengthen the capacity for management at this scale. This will be best achieved within the framework of multi-annual plans set up by the Member States at national and/or regional levels. Integrated projects under LIFE will be most effective if other EU funds are used in a co-ordinated way to support the management of Natura 2000.

## **6. Availing of the EU funding opportunities for more effective and targeted delivery of Natura 2000 management needs**

Whilst agreement by the Council and the European Parliament on the final package of funding instruments may not be decided until late 2012, there is still a need to prepare the planning for the next financing period. Early planning will help meet the objective of achieving a strengthened integrated approach as well as ensuring consistency by Member States and the Commission of Natura 2000 investments under the cohesion policy Funds, the EAFRD and the EMFF with the priorities of Natura 2000 action frameworks.

### **6.1. A more integrated planning approach for Natura 2000 financing**

Article 8 (4) of the Habitats Directive already foresees the need to develop "a prioritized action framework", to be taken when sites are designated as SACs. This will be made possible when Member States establish national or regional Natura 2000 prioritized action frameworks for the next financing period.

Natura 2000 prioritised action frameworks are important planning tools to strengthen the integration of Natura 2000 financing into the use of relevant EU financial instruments. They will provide a clearer framework to set out priorities, describe the Natura 2000 activities to be financed and provide an integrated overview of how to achieve them. These action frameworks should therefore assist Member States who must prepare partnership contracts and operational programmes for the funds covered by the Common Strategic Framework and which must address environmental protection and climate aspects.

The Commission has already developed a list of measures that are considered necessary for the management of Natura 2000, the application of which will need to be considered by the Member States in relation to the different habitat types and species for which they have responsibility. Relevant information is already available to support the identification of priorities and necessary actions. This includes scientific data on the species and habitats for the national or regional territorial area, assessments of their conservation status, information on current and projected management planning, estimates of current use of EU funds and of overall financing needs as defined by the Member States. The prioritized action frameworks will avail of this information.

The principal aim of the prioritised action frameworks is to provide an integrated overview that sets out the necessary measures and links these to the corresponding EU funds (e.g. rural development under Common Agriculture Policy, Structural and Cohesion funds, European Maritime and Fisheries Fund). Member States will still need to specify their financing needs for Natura 2000 under the relevant plans or programmes and, as such, the action frameworks are likely to have a greater impact if prepared well in advance of Member State operational programmes. The aim will be to ensure strategic focus on the most important priorities, as well as complementarity and consistency between the information contained in the prioritized action frameworks and the relevant programmes.

Within the framework of the Habitats Committee<sup>20</sup>, work is ongoing with the Member States to develop a uniform format for the prioritised action frameworks which may be updated in

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<sup>20</sup> Committee set up under Article 20 of Council Directive 92/43/EEC, comprised of representatives of the Member States and chaired by the Commission

light of improved knowledge about the management and restoration of Natura 2000 as well as experience with the implementation of different funding mechanisms.

The prioritised action frameworks will be valuable references for the development of "integrated projects" under the proposed new LIFE Regulation for which early preparation is necessary to optimize take up during the next programming period

In order to assess how successfully the integration approach is working under the next multi-annual financial period there will be a need to monitor the allocation and uptake of funds for Natura 2000 and biodiversity. The need to further develop approaches to determine how much EU funding is used by the Member States for nature has already been highlighted by the Commission<sup>21</sup>.

Furthermore, Member States and stakeholders have indicated that administrative burdens can be an obstacle to the use of EU funds for Natura 2000. Simplification of the rules has been a key consideration of the financial proposals for the next multi-annual financial framework. The Commission proposal for rural development indicates that appropriate action is envisaged to simplify the implementation of the rural development programme<sup>22</sup>.

## **6.2. Strengthening understanding of management needs for Natura 2000 sites**

Management plans or equivalent instruments can provide public authorities with necessary information on how best to invest in Natura 2000. There is now increased focus within Member States on defining conservation objectives as well as in developing the necessary measures to ensure effective management of Natura 2000. This is supported by practical demonstration and best practice projects at the local level, especially within the framework of the LIFE+ programme, which could be up-scaled to a wider territorial level. The Commission is also promoting the sharing of best practice and expertise between Member States in relation to the management of Natura 2000. Therefore, the knowledge base is improving understanding of the necessary conservation measures to be applied in the areas.

An ad-hoc working group on the management of Natura 2000, involving Member States and stakeholders, provides a forum for the exchange of good practices and cost-effective approaches for the management and restoration of Natura 2000. Furthermore, in the context of implementation of the new biodiversity strategy, the Commission has started a new process with Member States and stakeholders to promote the sharing of experience and expertise at biogeographical level on the management of species and habitats of EU conservation concern.

As follow up to the white paper on climate change adaptation<sup>23</sup> the Commission services are currently preparing guidelines on "dealing with the impact of climate change on the management of Natura 2000 sites". There is also ongoing dialogue with Member States and key stakeholder groups to promote good practice and prepare management guidelines on "agriculture and Natura 2000" and "forests and Natura 2000". The Commission continues to work with Member States in promoting effective fisheries management measures relevant to Natura 2000 within the context of the Common Fisheries Policy and also having regard to the provisions of the Marine Strategy Framework Directive on marine protected areas. In the

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<sup>21</sup> COM(2008) 864 final

<sup>22</sup> COM(2011) 627 final p.36

<sup>23</sup> COM(2009) 147 final

context of implementation of the Biodiversity 2020 strategy, the Commission has undertaken to set out its views on Green Infrastructure in 2012, with the aim of maintaining/enhancing ecosystem services and restoring degraded ecosystems.

### **6.3. Improving recognition of the benefits of investments in Natura 2000**

Despite increasing knowledge that management and restoration of Natura 2000 is a central element of sustainable development, and can bring multiple benefits to society, especially in rural and peripheral areas, the benefits of investing in Natura 2000 and biodiversity are often not recognised sufficiently. This can have important implications in respect of funding for Natura 2000. This is currently being tackled as part of the follow-up to the Biodiversity 2020 strategy.

Based on the methodological approach that has been developed for the study of "The Economics of Ecosystems and Biodiversity (TEEB)" the Commission services are developing a first assessment of the overall economic value of the services provided by the Natura 2000 network. A practical tool is being developed for Natura 2000 site management to support valuing changes in ecosystem services flows linked to the implementation of conservation measures for the sites. This will provide a stronger basis for ensuring that investments in Natura 2000 are factored into funding decisions that have a primary socio-economic focus, including those linked to regional development.

### **6.4. Promoting the use of innovative approaches and market based instruments including private funding in support of financing Natura 2000**

The 2020 EU biodiversity strategy recognises that in order to reach the 2020 EU biodiversity objectives, Member States and the Commission should work to diversify and scale up various sources of funding. There is a need to use both traditional and innovative financial instruments, such as payments for ecosystem services or biodiversity offsets, and to engage the private sector, in particular businesses that depend upon natural capital. The role of the European Investment Bank (EIB), and possible other intermediaries, is being considered in this context. Although not all such instruments might be suitable for financing Natura 2000, given limiting factors such as a lack of direct financial revenues and constraints for exploitation of resources originating from Natura 2000 sites by business, there is some scope for diversifying financing sources for Natura 2000 sites and increase investments from the private sector.

Member States may introduce instruments such as micro-financing of pro-biodiversity businesses, trust funds and endowments and private equity. There is also further scope for capturing some of the benefits visitors gain from Natura 2000 sites through entry fees and tourist levies. Other schemes may be applicable for specific connected activities offering financial yields (e.g. provision of water and other commodities, labelling and marketing initiatives recognizing the qualities of goods and services originating in the Natura 2000 sites and capturing this added value).

At national and sub-national level, fiscal instruments can also help redirect funding towards Natura 2000 sites, such as for example ecological fiscal transfers for municipalities that have a proportionally higher amount of land designated for conservation. Synergies can also be gained by seeking co-benefits for example between climate and biodiversity financing. The management and restoration of Natura 2000 sites can make an important contribution to

climate change mitigation and adaptation. For example healthy peatland ecosystems are greenhouse gas neutral or sequestering carbon. Therefore the use of funds generated by, for example, the auctioning of allowances from the Emissions Trading System (which are already used by at least one Member State for biodiversity co-benefits through ecosystem-based adaptation in their international climate initiative), could also be considered in support of management measures in Natura 2000 that reduce greenhouse gas emissions by sequestering and protecting important stocks of carbon and climate adaptation by providing flood control benefits.

However, new innovative funding instruments are likely to account for only a small proportion of the overall financing of the Natura 2000 network in the nearer future, and core public funding from the EU and Member States will continue to be required to deliver the conservation benefits of the network. Public funding will continue to be justified as a result of the public benefits that the network delivers. While the majority of public funding is likely to continue to be delivered through traditional means, there is scope for innovative approaches to public funding, which may help to catalyse contributions from the private sector.

Within the framework of ongoing work on implementation of the EU biodiversity strategy the Commission has indicated its willingness – together with the Member States and other financial and private institutions - to test, develop and promote new and innovative private and public funding mechanisms for Natura 2000 with specific sectors over the next financial period. The future LIFE instrument, along with other instruments in the next Multiannual Financial Framework, may usefully support pilot projects and future implementation of innovative financing for Natura 2000.

## **7. Conclusions**

The Commission has indicated that the financing of Natura 2000 is best achieved by its mainstreaming in the definition and implementation of the EU programmes for the Common Agricultural, Cohesion, Maritime and Fisheries and Environment policies as well as forming a key element of the new LIFE programme for the environment and climate action. In its proposed Regulations for the next financing period the Commission has provided the basis to ensure adequate EU financing opportunities for Natura 2000.

However, Member States need to identify needs and priorities and improve strategic multi-annual planning and co-ordination with a view to increasing the level of uptake of available funds. The Habitats Directive anticipates the need for strategic planning for Natura 2000 through establishment of Natura 2000 Prioritized Action Frameworks. This will be an important tool for the next programming period to meet the objective of ensuring consistency between Natura 2000 investments under the relevant EU funding instruments and the priorities of the Natura 2000 action frameworks. This approach could also facilitate the building of partnerships between the public and private sector as well as with non-governmental organisations.

The preparation of the Natura 2000 Prioritized Action Frameworks should also provide the foundation for Member States preparation of 'integrated projects' for the management of Natura 2000 covering areas of their territory, under a new LIFE programme, also linked to the application of the relevant main EU funds under shared management. The Commission continues to evaluate and promote awareness about the benefits of Natura 2000. As part of the new biodiversity strategy and in collaboration with the Member States the Commission will

test, develop and promote new and innovative private funding mechanisms for Natura 2000 over the next financial period, using the future LIFE instrument.

Finally, it will be possible to assess the effectiveness of the approach to mainstream nature protection into EU funding instruments via the monitoring and evaluation foreseen in the proposals for the separate instruments. The key indicator of success will be the conservation status assessments for species and habitats of EU conservation concern to be issued in both 2014 and 2020.