



EXECUTIVE SUMMARY

CAN YOUR MONEY DO BETTER?

REDIRECTING HARMFUL SUBSIDIES
TO FOSTER NATURE & CLIMATE RESILIENCE

About WWF

WWF is an independent conservation organisation, with over 35 million followers and a global network active through local leadership in over 100 countries. Our mission is to stop the degradation of the planet's natural environment and to build a future in which people live in harmony with nature, by conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.

The European Policy Office contributes to the achievement of WWF's global mission by leading the WWF network to shape EU policies impacting the European and global environment.

Authors

Research: Trinomics (Petra Remeta, Liza Leimane, Oana Forestier)
Lead author: Tycho Vandermaesen
Editors: Camille Gilissen, Barney Jeffries, Alejandra Morales, Angelika Pullen



Contributors

Many colleagues from WWF offices in Belgium, Bulgaria, the European Policy Office, France, Germany, Italy, the Mediterranean Marine Initiative, the Netherlands, Poland, Portugal, Romania, Spain and Sweden have provided valuable contributions to this report.

Publishing office

WWF European Policy Office, 123 rue du Commerce, 1000 Brussels, Belgium

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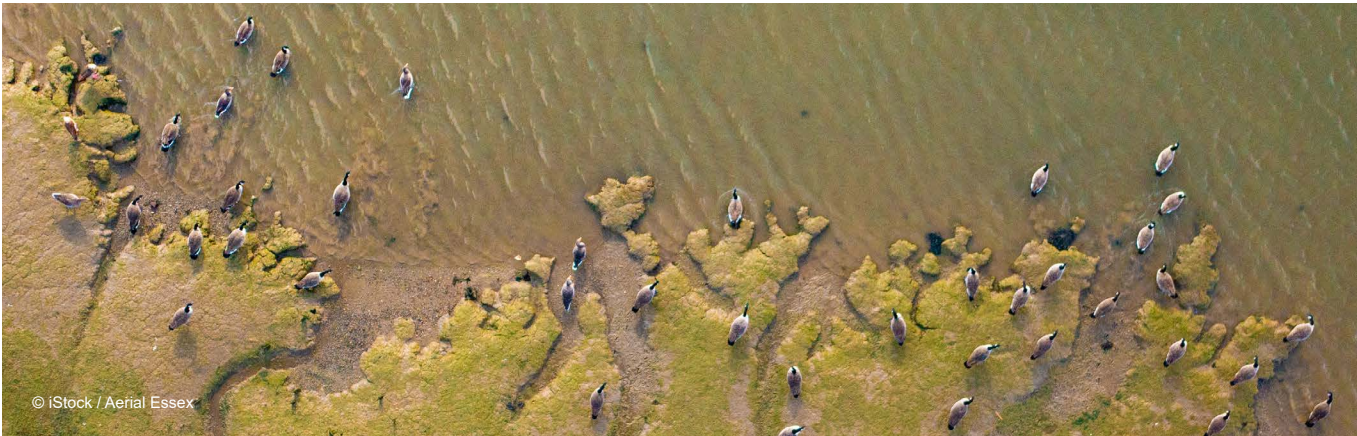
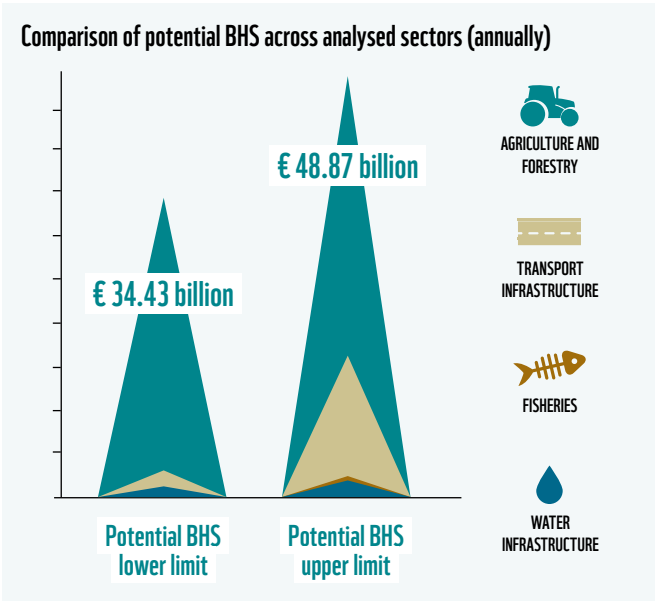
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KEY TAKEAWAYS

Member States are directing between €34 billion and €48 billion of EU subsidies per year into activities that harm biodiversity

At a time when citizens are suffering from the cost of living crisis, national governments are channelling taxpayers’ money – in the form of EU subsidies – towards activities that harm nature. This is actively fuelling biodiversity loss, making Europe even more vulnerable to droughts, floods and heatwaves, with a negative impact on our economy.

These “biodiversity harmful subsidies” (BHS) – public funds that directly or indirectly harm nature – compromise the EU’s ability to reach its biodiversity goals, undermining the positive steps it has taken to protect and restore nature.



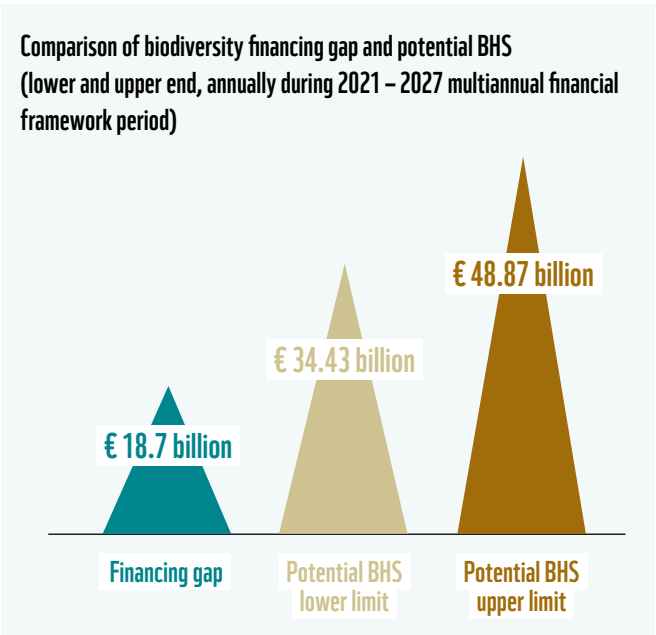
MEMBER STATES SPEND
€ 34 TO 48 BILLION PER YEAR ON ACTIONS THAT HARM NATURE.

Biodiversity harmful subsidies span all major sectors of the economy

Most of the EU subsidies that harm biodiversity come from the Common Agriculture Policy (CAP), and the way in which Member States are using these funds. This is partially due to the sheer amount of EU funds oriented towards agricultural production. But other funds, including for forestry, fisheries, transport and water infrastructure, also encourage nature-harming activities, sometimes at significant scale. More research is needed to establish more accurate figures, as for some sectors up-to-date data is lacking.

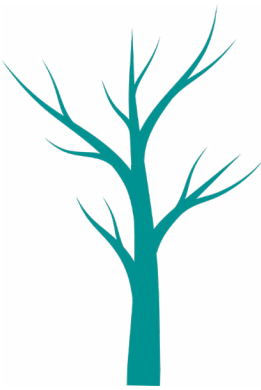
Direct investments in nature are necessary, but not enough

Simply investing in nature and nature-based solutions, though vital, is insufficient. It is equally important to mitigate the negative effects of infrastructure development, land use, resource consumption, business practices in natural resource-dependent sectors and other harmful activities. Otherwise, the efforts and resources dedicated to protecting and enhancing natural ecosystems risk being undermined.



Solutions can be implemented at EU level by harmonising and ensuring a socially fair phase-out of biodiversity harmful subsidies

While governments have significant flexibility in spending EU funds – and thus in avoiding financing nature-harming activities – loopholes can only be closed through EU action. Removing biodiversity harmful subsidies does not necessarily mean less overall support for the sectors concerned. By smartly reinvesting biodiversity harmful subsidies in nature-based solutions, with workers’ and communities’ interests at heart, governments can help tackle climate change and biodiversity loss, while also improving resilience and competitiveness, and reducing social inequalities.



HARMFUL SUBSIDIES UNDERMINE OUR EFFORTS TO PROTECT NATURE

Repurposing biodiversity harmful subsidies could completely close the financing gap to achieve the EU’s biodiversity objectives by 2030

An estimated €48 billion euros annually – coming from EU and national budgets – is needed between 2021 and 2030 to achieve the 2030 EU Biodiversity Strategy.¹ This represents only 0.34% of total EU GDP.² However, governments and the EU are falling short of this target by more than €18 billion per year.³ This is less than the total biodiversity harmful subsidies originating from the EU budget, so filling the gap is imperative and feasible.



REDIRECTING HARMFUL SUBSIDIES IS KEY TO ACHIEVING A GREEN AND SOCIALLY FAIR TRANSITION

SCOPE AND METHODOLOGY

“Biodiversity harmful subsidies” are defined as financial assistance provided by governments to individuals, businesses or industries that unintentionally contribute to the degradation of species and habitats, reinforcing drivers of biodiversity loss and impacting the environment.

In January 2024, WWF commissioned a study to investigate biodiversity harmful subsidies within the EU 2021 – 2027 Multiannual Financial Framework (MFF), specifically targeting direct financial support for the agriculture, forestry, fisheries, transport and water sectors. The study, conducted by environmental consultancy Trinomics, focuses on the effects that the identified subsidies have on biodiversity but does not consider their impact on climate change.⁴

Indirect subsidies that harm biodiversity also exist, but are only provided as examples in this report. These subsidies do not provide funding directly, but create conditions (e.g. tax breaks) that disproportionately benefit specific industries or regions, ultimately leading to biodiversity loss or degradation.



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The research methodology relied on desktop research and literature review to identify direct biodiversity harmful subsidies, and analysis of EU funding programmes to quantify potentially harmful subsidies. In the absence of up-to-date information on EU spending and spending plans across all targeted sectors, the study analyses all the funding programmes at the level of their total allocated budgets in the 2021-2027 programming period, and then extrapolates those findings to the scale of one year.

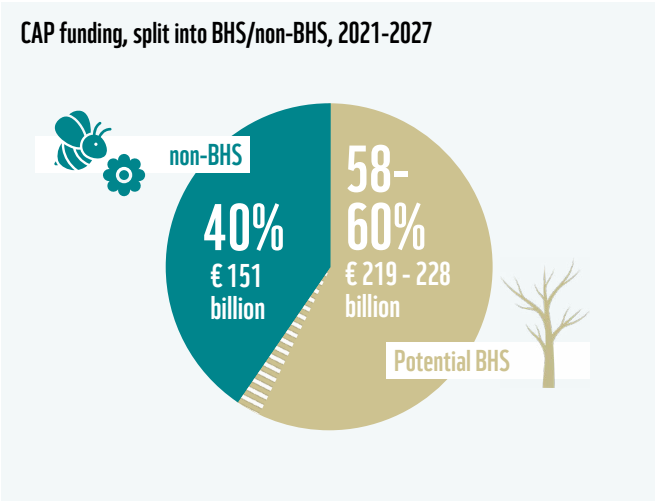
Given the degree of uncertainty, the study also provides lower and upper limits. Lower limits indicate the smallest amount of funding beyond which we can be more certain that harmful impacts will occur; upper limits are identified where preliminary evidence suggests potential harm, but additional research is necessary to verify these negative effects.

FINDINGS

AGRICULTURE & FORESTRY

A number of funding streams under the EU’s agricultural policy and funds allocate money in a way that encourages large-scale unsustainable farming or forestry practices. In particular, direct support – in the form of area-based income support – incentivises an increase in industrial livestock numbers and the expansion of crop production under conventional farming, both of which harm the environment.

- At least **58-60% of Common Agricultural Policy (CAP)** funding from the current EU budget, totalling **€31.4 billion to €32.1 billion annually**, can be considered harmful to biodiversity.
- Annual biodiversity harmful subsidies in agriculture and forestry roughly amount to the whole annual spending of national governments such as Croatia and Luxembourg.
- Outside the CAP framework, a number of agriculture- and forestry-related biodiversity harmful subsidies are also allocated by EU Member States. For example, in 2022, direct subsidies allocated by Member States to **biomass as an energy source** amounted to **€15 billion**.
- Indirect harmful subsidies, such as tax reductions or tax exemptions for fertilisers and pesticides, are also allocated to the agriculture and forestry sectors.

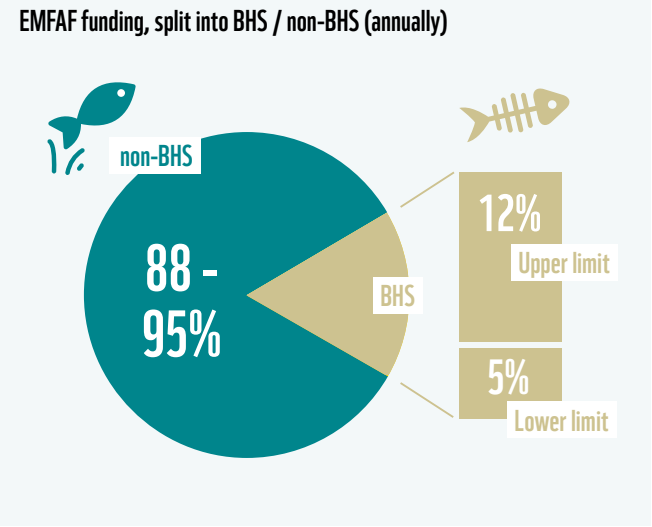


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FISHERIES

The European Maritime, Fisheries and Aquaculture Fund (EMFAF) supports the implementation of the EU’s fisheries policy. While the fund excludes certain operations (e.g. building new fishing vessels, increasing the power of fishing vessels) and sets conditions to prevent harmful effects, the decentralised approach opens the door for Member States to fund activities harmful to biodiversity.

- **Between 5% and 12% of the EMFAF**, totalling **€59–138 million** per year, is channelled into biodiversity harmful subsidies. This is up to 2.5 times higher than the EMFAF funding dedicated to protecting and restoring biodiversity, amounting to €53 million per year.
- In addition to the EMFAF, with tax exemptions, fishers in the EU pay a lower price for fuel than the general public, reducing the costs of fishing and potentially leading to an increase of fishing capacity and overfishing. In 2023 alone, the fishing sector **avoided paying approximately €597 million in taxes for fuel consumption**.
- Considering that the overall aim of the EMFAF funding is to ensure long-term sustainability of a sector that depends on a healthy and thriving ecosystem, redistribution of funding towards protection and restoration may be needed.



TRANSPORT INFRASTRUCTURE

The construction of new transport infrastructure can lead to habitat and ecosystem fragmentation, especially when this new infrastructure is built in natural areas that have been intact so far.

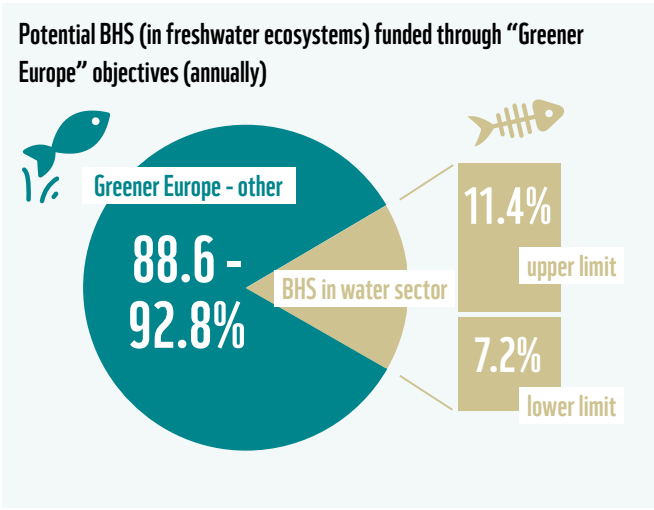
- Our analysis makes no assumptions regarding the climate impacts, whether positive or negative, of transport infrastructure.
- **Between €1.69 billion and €14.07 billion** of EU funds are spent every year by Member States on building and rehabilitating transport infrastructure in Europe, such as roads and railways, that could be harmful to biodiversity.
 - It is **challenging to give an accurate estimate** here, so the upper limit should be treated with some caution. Due to a lack of granularity in data, it is challenging to determine precisely how much funding is allocated to new road and railway infrastructure, and no recent EU-level assessment exists on the impacts of transport infrastructure on biodiversity.



WATER INFRASTRUCTURE

The main threats to water resources and freshwater ecosystems in Europe come from pollution, modifications to riverine land (e.g. floodplain drainage) and to water bodies (e.g. channelisation, construction of river barriers such as dams), water abstraction, droughts and floods. This research focuses on infrastructure that directly alters water ecosystems, such as flood defence barriers, dams and reservoirs.

- **Between 7.2% and 11.4% of funding from the European Regional Development Fund** and the Cohesion Fund could harm biodiversity by supporting construction of infrastructure, such as flood control dams and reservoirs, or modifications to river channels. This means that at least €1.3 billion and as much as €2 billion a year is flowing into harmful subsidies.
- Indirect subsidies further exacerbate the degradation of water ecosystems, for example by financing the construction of hydropower plants. A total of **€1.5 billion was allocated to support hydropower in 2022** alone. The construction of hydropower plants severely degrades water ecosystems and leads to loss of biodiversity through destruction or fragmentation of habitats.



LOOKING FORWARD

With new leaders stepping up in the European Parliament and Commission after the 2024 EU elections, there is a golden opportunity to correct these fiscal missteps and ensure taxpayers' money is instead spent on activities that benefit nature and the environment, rather than harm it.

WWF urges policymakers to:

- **Establish a legally binding EU framework to guarantee a timely and socially fair phase-out of EU and national biodiversity harmful subsidies.** Inclusiveness and social awareness need to be included in this process to avoid some regions or industries being left behind or struggling with the transition.
- **Support the reallocation of biodiversity harmful subsidies towards public investments in nature-based solutions** that protect, restore and sustainably manage ecosystems. This strategy tackles societal challenges while drastically improving Europe's resilience to climate impacts.
- **Apply updated "Do No Significant Harm" EU taxonomy criteria across the entire EU budget and its associated policies,** while excluding "Always Environmentally Harmful" sectors, companies or economic activities from receiving any EU funds or incentives in future.
- **Enhance transparency and take immediate action in cases of suspected misuse of EU funds at the national level,** including, if necessary, the suspension of EU fund disbursements.
- **Adopt and implement ambitious National Biodiversity Strategies and Action Plans (NBSAPs) before the UN Convention on Biological Diversity (CBD) COP16 meeting in the autumn of 2024,** focusing on the phasing out of incentives and subsidies harmful to biodiversity.

In addition, policymakers must give specific attention to each of the reviewed sectoral policies to:

- **Provide financial support to ensure a just transition for farmers and foresters towards sustainability.** This includes ensuring fair compensation for the environmental services they provide, along with a rapid phase-out of area-based income support payments and subsidies linked to production.
- **Revise the EU Renewable Energy Directive** to incentivise only those sources of bioenergy that are biodiversity-friendly and deliver significant, near-term climate benefits compared to fossil fuels.
- **Ring-fence at least 25% of the European Maritime, Fisheries, and Aquaculture Fund (EMFAF) to support fishers, coastal communities and other stakeholders in protecting and restoring the marine environment.** Additionally, phase out any financial support within the EMFAF that risks increasing the EU's fishing fleet capacity and worsening overfishing.
- **Ensure transport infrastructure projects consider biodiversity value at the earliest possible stage of planning.** Redirect public subsidies from new high-carbon infrastructure, such as air and road traffic, towards low-carbon mobility options like public transport which satisfy wider environmental and societal needs.
- **Redirect subsidies from grey flood protection infrastructure,** such as dams, dykes, and seawalls, to nature-based or hybrid solutions, and phase out subsidies for any new hydropower projects.

CASE STUDY

DELTA IN DISTRESS: HOW SUBSIDIES ARE CHANGING THE FACE OF THE DANUBE



In the heart of Romania lies a natural treasure: the majestic Danube Delta. Recognised as a UNESCO Biosphere Reserve since 1998, this immense wetland is a sanctuary for an array of bird and fish species, boasting a biodiversity unlike any other in Europe. The Delta also serves as a crucial lifeline, purifying water and sustaining local communities for generations.

Yet this haven is not immune to the ravages of time. During the communist era, vast agricultural projects reshaped the landscape, draining wetlands and converting them into farmland. This transformation was later consolidated through legislation forbidding the conversion of agricultural land into other uses, as well as by the subsidy system introduced along with Romania's EU accession in 2007. Over the years, the Danube Delta suffered the loss of thousands of hectares to agriculture, leading to a cascade of environmental and socioeconomic consequences. Soil fertility dwindled, fish populations declined and traditional ways of life were threatened.

Today, five agricultural areas cover nearly 40,000 hectares of land in the delta. Although managed by local councils, these lands are often leased to private companies for up to 30 years. These companies make huge profits, but little of this wealth reaches local communities. For example, in Carasuhat, the farming companies make over €1.8 million annually but the fees paid to the local council amounted to around €80,000.

The environmental devastation caused by converting the delta to agriculture is exacerbated by a careless allocation of European subsidies by the Romanian government. For example, one subsidy

program, DR-11⁵, provides payments based on land area, which favours large farms and intensified agriculture, rather than promoting sustainability and conservation. Other subsidies favour expansion, with the Romanian government planning to give €4.5 million of EU subsidies to farmers for transforming 36,000 hectares of reeds into farmland in 2023.⁶ This is a disaster for local delta communities, who are strongly in favour (83% to 97% of respondents⁷) of returning farmland to its natural state of wetland, according to surveys.


Looking ahead, climate models predict a higher risk of desertification in the years 2071-2100 compared to 1981-2010, especially in the Danube Delta.⁸ The current agricultural approach, which heavily relies on harmful subsidies, will worsen climate change, widen social gaps and fuel land takeovers. To protect this unique ecosystem and local communities, taxpayers' money should not fund any more destructive initiatives. Instead, it should support projects that restore wetlands and natural habitats, prioritise public benefits, and help local small-scale farms and traditional jobs unique to the Danube Delta.



ENDNOTES

- 1 | European Commission (n.d.) Biodiversity financing.
- 2 | The total value of all goods and services produced (gross domestic product or GDP) in the EU in 2021 was € 14.5 trillion.
- 3 | European Commission Directorate-General for Environment, Institute for European Environmental Policy, Trinomics. 2022. Biodiversity financing and tracking – Final report.
- 4 | This report is based on research conducted by Trinomics and commissioned by WWF. All recommendations and views reflected in this report should be attributed to WWF.
- 5 | DR-11 is for Areas of specific natural constraints
- 6 | Two firms have applied for subsidies worth €4.5 million from the CAP through the Agency for Payments and Intervention for Agriculture (APIA), which sits under the Ministry of Agriculture. The file has been taken up by the European Chief Prosecutor and the investigation is still ongoing. It is not clear at the moment of writing this report if the payment was indeed processed by the payment agency (APIA). Source: ProTV - „România, te iubesc” press investigation, 2023.
- 7 | In a survey conducted in Mahmudia, Chilia Veche and Murighiol communes in 2023.
- 8 | European court of auditors. 2018. Special report n°33/2018: Combating desertification in the EU: a growing threat in need of more action





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