



## **How to Ensure Effective Forest Conservation in the Next EU Budget considering an Accelerated Climate Crisis**

### **Context**

The coming months mark a key opportunity to address financing for biodiversity including forest conservation across the European Union (EU) and take it to the next level. By 1 July 2025, the next European Commission will release its proposal for the next Multiannual Financial Framework (MFF), officially kickstarting the period of negotiations between Member States and the European Parliament.

Tackling the interlinked biodiversity and climate crises depends on the European Union's will and capacity to allocate sufficient and well targeted financial resources to compensate for economic losses and additional costs occurring with the set aside of high conservation value (HCV) forests, for protection and nature restoration as per the mandatory provisions of the Nature Restoration Law. Such financial mechanisms are crucial to address one of the root causes of the weak law enforcement in the forestry sector as well as illegal logging.

The EU's current strategy predominantly focuses on integrating biodiversity and climate financing into broader funding streams and sectors, a practice known as mainstreaming. Although mainstreaming is a theoretically valuable approach, we have continually seen that in practice this results in making environmental objectives consistently compete for, and losing resources to other sectors, such as agriculture, which enjoy stronger political backing from national governments. Forests are an economic and environmental asset and, if not protected through a dedicated budget, they risk to be used as commodities rather than as a common good and heritage.

Moreover, the European Union's Green Deal is guided by the principles of a 'fair transition for all' and 'leaving no one behind'. To implement the Deal according to these principles, funding mechanisms must support the local communities that are dependent on natural resources for their livelihoods. This includes developing alternative income sources to ensure their well-being and sustainable development while conserving natural resources.

### **High Conservation Value Forests: Why does Europe need them?**

**The High Conservation Value (HCV) Forests are essential for critical ecosystem services for the society, including a stable climate.** Without their active role in removing CO<sup>2</sup> from the atmosphere the EU would already be at least 0.5°C hotter than it is today, placing us already well above the goal of the Paris Agreement to keep average global warming below 1.5°C degrees above pre-industrial levels by the end of the century. The HCV forests remove millions of tons of CO<sup>2</sup> per year (net) from the atmosphere and store this carbon in their trunks, branches, and roots. These



annual removals represent a critical climate cooling service that is largely overlooked or taken for granted. In addition, they play an essential role in regulating climate by exchanging moisture and energy between the land and the atmosphere, leading to a further cooling effect.

**HCV Forests are also critical for the conservation of biodiversity.** Forests support the majority of terrestrial species, and those with high integrity consistently provide habitats to higher numbers of forest-dependent species, ensure lower extinction risk for these species, support higher genetic diversity within species and lead to a lower risk of ecosystem collapse. Loss of integrity has an impact on the many functions (also called services) an ecosystem performs. High integrity forests are also better able to cope with climate change and other stresses.

However, the main blocks of HCV forests have declined in Europe and are increasingly affected by illegal logging and other pressures from different economic sectors, fragmentation, encroachment, and degradation.

## **Challenges**

Over time, societies have learned to expect that forests provide certain services for the whole society, and often their benefits are taken for granted, without considering that the costs and efforts of conservation are not evenly shared. Most of the burdens are placed on forest owners and managers, who generally remain reluctant to accept the extra responsibilities and costs that come along with conservation.

Current EU financing mechanisms are not designed to incentivize the protection of HCV Forests. These forests are mostly excluded from policies, financial valuations, and investment schemes that could fund their maintenance and ongoing conservation.

Over the last decades, the EU has focused on external aid for forest conservation at international level, and particularly on climate finance for forests, which has evolved largely around REDD+ that inherently prioritise areas of high historic deforestation. Much less attention has been directed to the internal long-term protection of forests that are not at the deforestation frontier. Financing the conservation of HCV forests within the EU has been limited mainly to philanthropic donations, tourism income, and the resources afforded by domestic government budgets.

Moreover, the inequalities in terms of natural endowment across Member States in the EU have never been formally recognised by financial instruments, leaving the countries with the greatest amount of HCVFs (High Conservation Value Forests) and HNMF (High Nature Value Farmlands) - generally in South-Eastern Europe - with heavier burdens in terms of financing for conservation. Researchers have shown<sup>1</sup> that the billions of CAP payments are being misspent on subsidies that are concentrated amongst few farmers (EC statistics on agriculture and rural development

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<sup>1</sup> [https://www.cell.com/one-earth/pdf/S2590-3322\(20\)30355-9.pdf](https://www.cell.com/one-earth/pdf/S2590-3322(20)30355-9.pdf)



demonstrate a recurring ratio of 20% of farmers receiving 80% of direct payments<sup>2</sup>) in the highest-earning regions and with the highest GHG emissions and least biodiversity, and that the CAP has failed to provide a proper response to citizens calls for greater sustainability in the farming sector and for greater care of the environment: "Average farm incomes across the upper half of regions with the highest agricultural GHG emissions are almost 60% higher than those in the lower half of emitting regions. Similarly, while HNV farmland is important for biodiversity, the average farm income across the 30% of regions supporting the least HNV farmland is more than twice that of other regions."

As regards Rural Development Funds (Pillar 2 of the Common Agricultural Policy), these have long been the main source of EU funding to support certain measures aimed at sustainable forest management but are not necessarily linked to objectives lay down by the EU Biodiversity Strategy for 2030; however, these financial resources are geared towards dozens of other agri-environment, animal welfare, farm investments including machinery, irrigation, sector specific investments, risk management (insurance) and compensation for losses from climate events, and young farmers, and other rural development (e.g. road infrastructure, LEADER) priorities from an increasingly smaller budget than Pillar 1, and whatever is left for forests is not based on the real costs associated with forest conservation efforts and needs. **It is not possible to expect that Member States that receive a national envelope from the CAP scaled primarily on agriculture parameters set ambitious targets for forest conservation.** And this can easily be observed in Romania's Strategic Plan<sup>3</sup> which is straightforward in the level of ambition it has set for sustainable forestry: a "medium" level of prioritisation (although in our view this is actually set at a low level<sup>4</sup>) and a "partial" coverage of the need to support sustainable forest management.

On top of this, the EU funds only compensate Member States for conservation measures that *exceed* what is already required by the national legislative frameworks, according to the *additionality principle*. In other words, if a country has already established enough measures for nature

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<sup>2</sup> [https://agriculture.ec.europa.eu/document/download/e79f486d-cbd4-47a4-95f9-c4986e9dfaa9\\_en?filename=direct-aid-report-2021\\_en.pdf](https://agriculture.ec.europa.eu/document/download/e79f486d-cbd4-47a4-95f9-c4986e9dfaa9_en?filename=direct-aid-report-2021_en.pdf)

<sup>3</sup> <https://apia.org.ro/wp-content/uploads/2024/04/Planul-Strategic-PAC-2023-2027-v5.0-notificat-Comisiei-Europene.pdf>, page 54

<sup>4</sup> There are only three interventions for forest conservation in Romania's Strategic Plan - DR-07 (silvo-environment payments for quiet areas and low impact equipment), DR-08 (maintenance of newly afforested areas, with payments which compensate agricultural production losses and minimal maintenance works), and DR-24 (investments in forestry technologies - machinery and equipments for risk management). These interventions are linked to result indicators R30 (Supporting sustainable forest management), R17 (Afforested land), and R18 (Investment support for the forest sector) respectively. Together, these three interventions for forests amount to 174.4 million Eur for the whole financial period (from a total of almost 6 billion Eur for Pillar 2), less than a rural development intervention supporting the rural road infrastructure. Given such a low amount of financial resources, the silvo-environment intervention is set to only cover 11% of the total forested area in Romania. Additionally, Romania has decided not to include HCV forests in CAP result indicators related to biodiversity, namely R31 (Preserving habitats and species), R32 (Investments related to biodiversity, where only investments in the creation of forest windbreaks for agricultural fields are being counted), while R33 (Improving Natura 2000 management) has been partially linked to DR-07 (silvo-environment) amongst other interventions, in that DR-07 is said to have an area overlap of 55% with Natura 2000 sites.



conservation, it will not be eligible to receive support, regardless of its economic situation and natural endowment. The current system is counterproductive as it does not incentivise countries to adopt ambitious environmental protection, favouring those that have not adjusted their national legislation framework to the EU requirements.

Beyond disregarding the uneven distribution of biodiversity values in the EU and the different capabilities among Member States, the current compensation system risks to undermine the existing best practices that some countries have preserved throughout the decades (e.g. forestry norms, other effective area-based conservation measures, etc.), which allowed them to keep the high integrity ecosystems we still have in Europe.

## **Solutions**

1. A Forest **dedicated fund** (as per upcoming Forest Monitoring Law) or at least a **dedicated allocation** for forests within a new fund for biodiversity (as per Natura 2000 and the EU Biodiversity Strategy 2030 conservation requirements) and nature restoration (as per the Nature Restoration Law upcoming restoration requirements). Considering the shortcomings and bottlenecks of the current approach, the establishment of a fair dedicated instrument to create incentives for biodiversity including forest conservation, based on indicators directly linked to the objectives of the EU Biodiversity Strategy 2030, is highly needed in the next MFF. **This allocation must be independent, allocated based on results obtained through forest conservation efforts and not conflated with other agricultural related climate or general environmental objectives.**

The fund should provide support for ambitious national restoration plans, compensations to private and community forest owners for the economic restrictions linked to the protection of HCV forests and ensure a fair transition for forest-dependent communities. Just compensating the rightful private and community forest owners who are subject to restrictions is NOT enough. For centuries, wood and other non-timber forest products have provided livelihoods to these communities, which have used them sustainably in line with their traditions. A broader effort is also needed to ensure a fair transition for forest-dependent communities disadvantaged by the restriction of natural resource use. In the same way Just Transition funds facilitate the transformation of the coal and mining sectors, forest-dependent communities need to be subsidized when new limitations on natural resource exploitation or restoration obligations are imposed, in order to decrease their vulnerability and help them invest in decent alternative income-generating activities.

2. **Establishing a fair budget allocation for forest parameters - “other wooded land” related to agricultural lands and farming communities within the next CAP, which should have a complementary role to the dedicated fund mentioned above.** Despite the specific objective of



the current CAP “to contribute to halting and reversing biodiversity loss, enhance ecosystem services and preserve habitats and landscapes” and the legal “offering” to invest in “forest environmental and climate services and forest conservation”<sup>5</sup>, safeguarding their multiple functions including in relation with agricultural productivity, the low interest and financial capacity to properly prioritise forestry needs in Member States’ Strategic Plans, as illustrated by the Romanian case, is leading to unmet goals and meagre impacts in relation to forest conservation and the climate crisis; this only exacerbates the frequency and impacts of increasingly severe climatic events on agriculture and farmers. It is essential that the CAP pillar financing sustainable forest management benefits from a proper budget allocation bound to *clear result indicators* that are complementary and synergistic to the result indicators used in the dedicated fund mentioned above, thus recognizing the *different responsibilities* that Member States have based on the amount, typology and status of their forests.

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<sup>5</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2021.435.01.0001.01.ENG](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2021.435.01.0001.01.ENG)