



# FORESTS AT THE HEART OF EUROPE'S GREEN INVESTMENT FUTURE

## HIGH-LEVEL CONFERENCE



## BACKGROUND DOCUMENT

### EXPLORING DEDICATED FUNDING FOR FORESTS IN THE NEXT MULTIANNUL FINANCIAL FRAMEWORK

#### Context

The EU budget lies at the heart of the Union's policy priorities. As the European Commission outlines the path toward the next long-term budget, all Europeans are invited to help shape the future of the EU through the ongoing public consultation aimed to shape the design of the next Multiannual Financial Framework (MFF). This is the stage where fundamental financial priorities are established, requiring choices that focus on the most pressing EU priorities and objectives and areas where coordinated action is essential.

Through this dialogue, we aim to highlight the pivotal role of forests and the forestry sector, whether in providing essential ecosystem services such as biodiversity conservation, climate neutrality, climate adaptation, and disaster mitigation, or in contributing to jobs, social transition and cohesion, cultural identity, renewable energy, sustainable bioeconomy growth, competitiveness, and overall quality of life within the EU.

#### The vital role of forests in europe's sustainability and resilience

Forests and other wooded lands cover over 43.5% of the EU's territory, are essential for ensuring environmental integrity, enhancing social well-being, and strengthening economic resilience, supporting over 2.6 million jobs and generating approximately €520 billion annually through value-added goods and services. Forests are indispensable for the EU's environmental health, a key driver of Europe's climate-neutral and societal resilience. They provide critical ecosystem services, acting as carbon sinks, preserving biodiversity, regulating water cycles and soil protection, mitigating natural disasters, while supporting the EU's collective bioeconomy, fostering innovation, competitiveness and economic growth. Given its significant impact on people and the environment, forestry should be recognized as a strategic EU sector alongside agriculture.

## **The critical role of forests in achieving EU 2030 targets**

Achieving a balance between boosting competitiveness and ensuring sustainability for future generations requires careful consideration. Safeguarding the long-term ecological health of forests involves significant costs. Yet, forests remain so far under-prioritized in EU financial frameworks, despite their strategic role in achieving the EU Green Deal, EU Strategy on Adaptation to Climate Change, Forests and Biodiversity Strategy for 2030, and other key policies. To align with all various EU strategies and legislative obligations, forestry must be integrated into budget planning from the outset. This early incorporation ensures that forest-related needs receive necessary financial support based on the targeted performance indicators for advancing forest protection, restoration, closer to nature forest management practices, monitoring, research, innovation, skills development, and promoting a circular bioeconomy—ultimately enhancing competitiveness across the sector.

## **The need for a dedicated EU funding instrument for forests**

Effectively addressing these gaps, it is highly recommended that dedicated funding for forests are allocated at EU level. Climate change adaptation, environmental degradation, and slowing economic growth are common challenges across Europe and require joint action in a united Europe and coordinated efforts to ensure a stronger, more coherent response. These funds should provide equitable support by accounting for the full financial burdens faced by countries, considering their natural resource richness and performance indicators that measure conservation efforts and outcomes.

## **Policy gaps leaving forests overlooked**

The current EU funding framework for forests reveals a disconnect between ambitions and reality, proving insufficient to achieve both environmental and economic goals. Despite forests covering an area comparable to agriculture and the total gross value added (GVA) generated by the forestry and logging industry in the EU representing about 12.5% of the EU's agricultural industry, their funding is less than 1% of the Common Agricultural Policy (CAP) budget. Additionally, the lack of a common forest policy creates gaps in accountability, leaving many environmental obligations and expectations for forests unaddressed due to unclear responsibilities across Member States.

## **Taking forest ecosystem services for granted**

Considering the economic value of various ecosystem services across the EU, forests contribute approximately 47.5% of the total supply. Flood control, water purification, and nature-based recreation alone generate over €50 billion annually. Although we live in a European Community where everything is meticulously accounted for, when it comes to forests, these invaluable services are largely taken for granted by EU society. Without acknowledging the losses incurred or the costs associated with responsible forest management we would need to manage our expectation when setting the ambitions.

## **Current funding shortcomings**

### ***Inadequate Common Agricultural Policy (CAP) alignment leading to insufficient allocation:***

Member States receive CAP envelopes for forests based solely on agricultural parameters, without factoring in the concentration of High Conservation Value Forests (HCVFs) and High Nature Value Farmlands (HNVFs) or the costs of conserving them. Furthermore, are not align with key frameworks like the EU Biodiversity Strategy 2030 or the EU Forest Strategy 2030. This approach fails to account for the unique forest conservation challenges faced by some countries. As a result, many Member States allocate little or no funding to forestry measures in their rural development programs due to competing priorities within these programs.

### ***Counterproductive additionality principle:***

The current system compensates Member States only for conservation measures that exceed national legislative requirements (additionality principle). This approach discourages countries with robust environmental frameworks from adopting more ambitious protections, and undermines existing best practices in some countries.

### ***Limited scope of Just Transition Fund (JTF) for forest-dependent communities:***

While the JTF focuses on helping regions transition from coal and high-carbon industries to greener economies, it overlooks support for communities reliant on wood and non-timber forest products when their access to such commodities is restricted by the protected area regime enforced to meet the EU biodiversity goals. These forestdependent communities, often located in remote rural areas, face significant challenges due to limited alternative income opportunities.

## Benefits of dedicated funding

A dedicated funding mechanism would address these challenges by:

- **Economic resilience:** *Ensuring that financial resources are specifically allocated to support innovation and competitiveness within the forest-based sector through targeted investments.*
- **Enhancing alignment with climate and environmental objectives** *related to broader EU strategies and mandatory requirements derived from EU legislation, e.g. Nature Restoration, etc.*
- **Social Equity:** *Compensating forest owners and supporting forest-dependent communities: Providing necessary compensation to forest owners for conservation-related restrictions and supporting forest-dependent communities through alternative economic development opportunities to ensure a fair transition and support the right enabling conditions for thriving rural areas.*

## CONCLUSION

Forests are strategic for the EU's economic, environmental, and social resilience. Dedicated funding in the next financial framework is essential to bridge existing gaps and enhance forest ecosystem services, competitiveness, innovation, and sustainability within the forest-based bioeconomy.

[1] [New EU Forest Strategy for 2030](#), COM(2021) 572

[2] [Eurostat: Forests, Forestry, and Logging](#), Data extracted in December 2024.

[3] <https://op.europa.eu/webpub/eca/special-reports/forestry-21-2021/en/>

[4] <https://ec.europa.eu/eurostat/documents/7870049/12943935/KS-FT-20-002-EN-N.pdf/de44610d-79e5-010a-5675-14fc4d8527d9?t=1624528835061>

[5] The wood processing industry in Europe is one of the most technologically advanced, being one of the leaders in sustainable forestry and innovative wood products like engineered wood, furniture, and paper products.

[6] According to the [State of Europe's Forests](#), about 47% of Europe's forests are in private ownership.