

International experience and transferable approaches to financing ecosystem services

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Financing instruments, incentives, and
policy approaches for forests and other
priority ecosystems: European examples



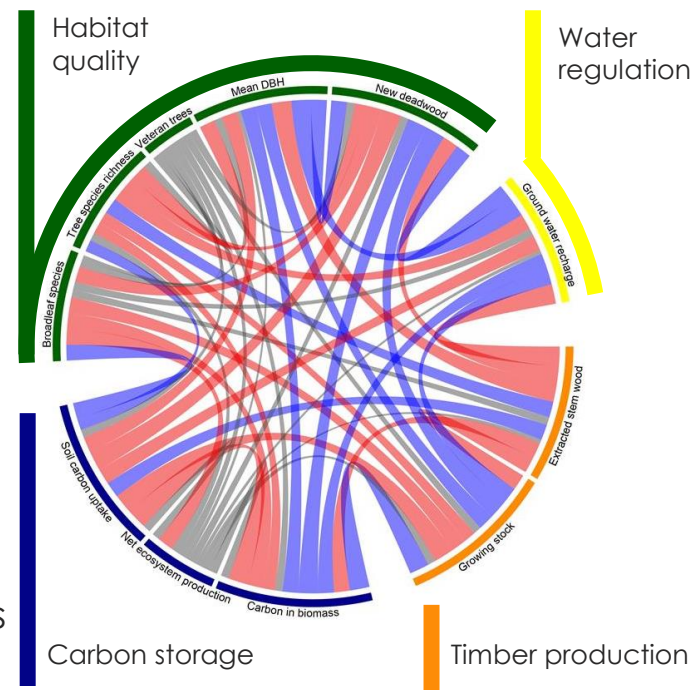


- 1. Policy approaches for forests and other ecosystems in Europe**
- 2. European examples of financing instruments and incentives**
- 3. Summary and take aways**

1. Policy approaches for forests and other ecosystems in Europe

Why Public Funding for Forest Ecosystem Services Matters?

- **Ecosystem services supported by forests ->**
- **Key challenges and opportunities**
- Many ecosystem services are public goods
- Many are not sufficiently rewarded through markets
- Policy implication: need to intervene through public policy
- Public funding remains essential to incentivise forest owners and managers to provide ecosystem services.



1. Policy approaches for forests and other ecosystems in Europe (2)



<i>Priority Level</i>	Bioenergy and Carbon (HWP) Forestry	Wood Yield Forestry	Multi-Purpose Forestry	Carbon Forest Management (Forest Sinks)	Forest Biodiversity Conservation
Global		ITTO, FLEGT	UNFF / IAF FSC/PEFC	UNFCCC, Paris Agreement, REDD+	CBD, Kunming-Montreal
Pan-Europe			Forest Europe SFM C&I		
European Union	RED-III Bioeconomy Strategy	Bioeconomy Strategy EUTR/FLEGT	CAP Rural Development Reg. Forest Strategy	Green Deal LULUCF Reg. Fit for 55	Forest Strategy Biodiversity Strategy Nature Restoration Reg. Habitats Directive Birds Directive Deforestation Regulation
National	Forest policies and laws in North, Central & Eastern Europe	Forest policies and laws in North & Eastern Europe	Forest policies and laws in Central & Eastern Europe	Forest policies and laws in Western Europe	Forest policies and laws in Western & Southern Europe

1. Policy approaches for forests and other ecosystems in Europe (3)



Policy objectives for forests and other ecosystems under the EU Biodiversity Strategy to 2030, EU Forest Strategy to 2030, EU Habitats & Birds Directives; EU Nature Restoration Regulation

CONSERVATION MANAGEMENT OF FORESTS

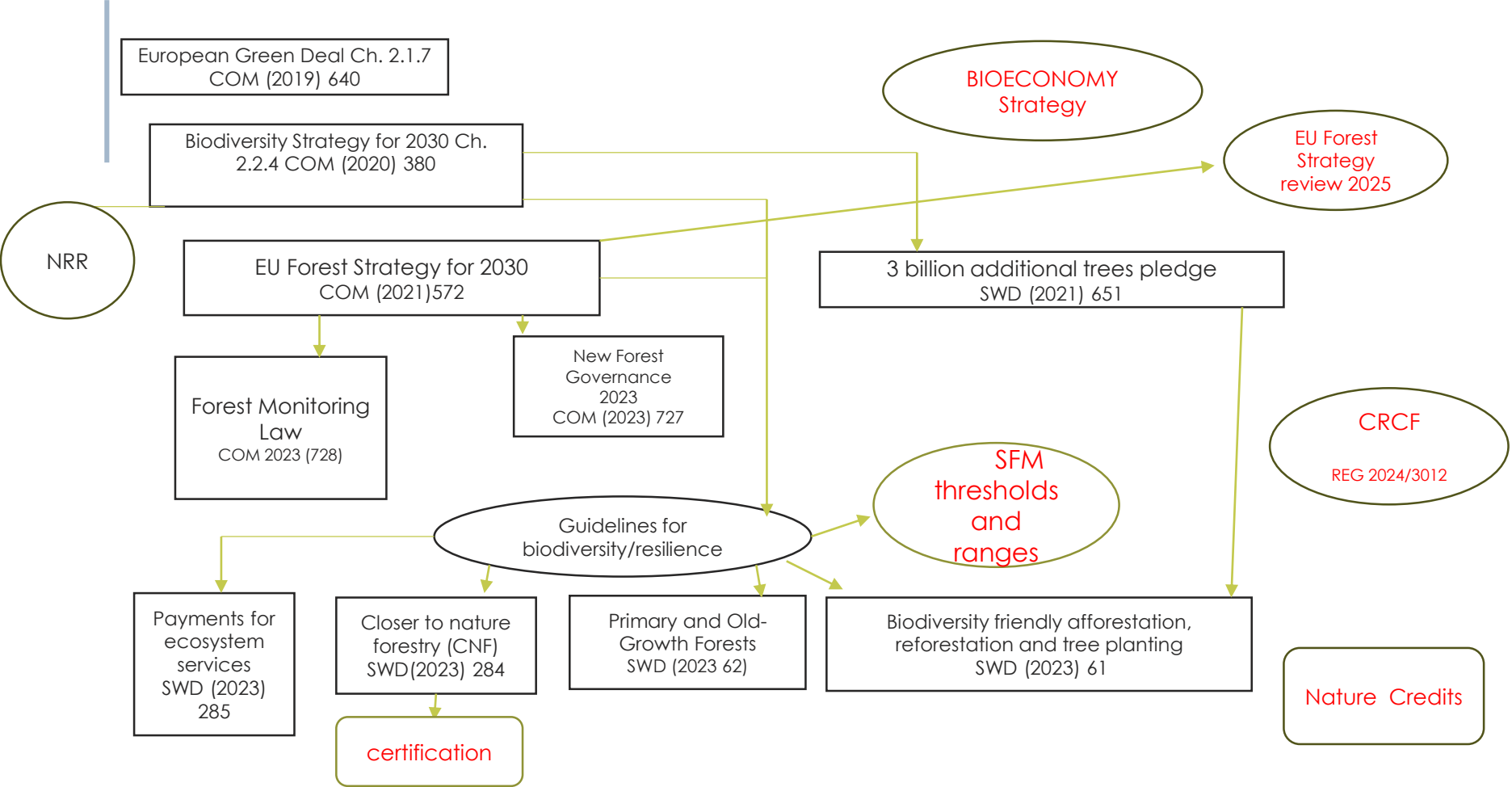
- Expanding forest protection and restoration by protecting at least **30% of the (forest) land** in the EU by 2050, of which at least **10% should be strictly protected areas** of high biodiversity and climate value (**forest set asides**), as well as by strict protection of all remaining **primary and old-growth forests**.
- Better conservation and restoration management in the EU-wide network of **Natura 2000 sites** (ca. **25% of all forests in EU**).

CLOSE-TO-NATURE FOREST MANAGEMENT AND CLIMATE RESILIENT FORESTS

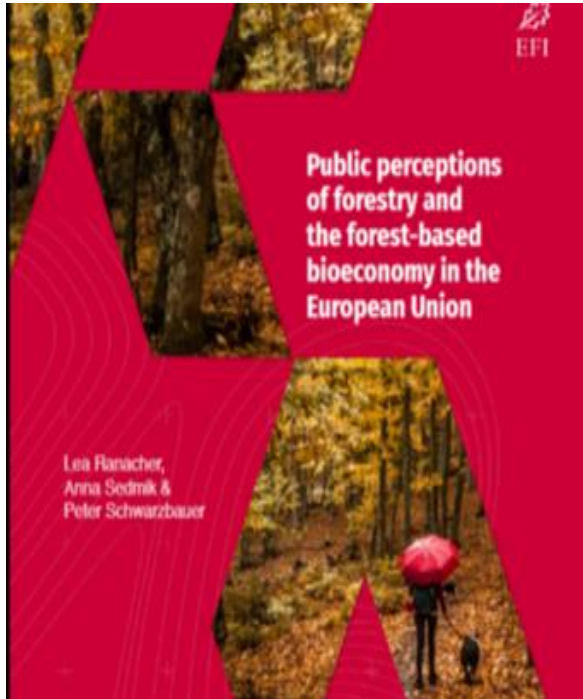
- Increase in the quantity, quality and resilience of managed forests and protected forests by **biodiversity-friendly afforestation, reforestation and tree planting, closer-to-nature-forest management, avoidance of clear cuts, integration of biodiversity and restoration objectives** in forest management plans of forest owners.
- Restoration of terrestrial (forest) ecosystems, landscapes, and forest-related water bodies degraded due to **climate change impacts** and unsustainable **intensive forestry practices** (e.g., **clear cutting, monocultures**).

SUSTAINABLE FOREST MANAGEMENT

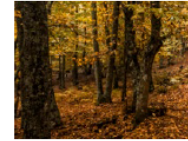
- Sustaining **biodiversity** and **ecosystem services** while ensuring **sustainable forest management**.
- Creating **jobs**, reconciling **economic activities (forestry)** and **biodiversity objectives**, and ensuring **long-term productivity** and **value** of the natural capital.



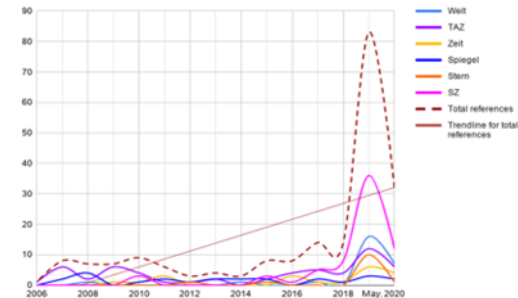
1. Policy approaches for forests and other ecosystems in Europe (5)



Public perceptions of forestry and the forest-based bioeconomy in the European Union



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2. European examples of financing instruments and incentives



Different Financing Approaches in Europe: public funding and incentives

Main financing models

- Payments for ecosystem services
- State aid programmes
- Rural development funding
- Climate adaptation funds
- Biodiversity conservation programmes
- NGO and philanthropic funding

Overview of European Forest Funding Approaches

Programme	Main Objective	Beneficiaries	Funding Approach
France Relance/State Aid	Forest renewal/Adaptation	Public & Private	Recovery/State Aid grants
Forêt.Nature	Ecosystem services	Public & Private	Public funding, private donations, project-based
KAWM(+) Germany	Ecosystem services	Public & Private	Conditional payments
METSO Finland	Biodiversity	Private	Voluntary compensation
Czech Republic State Aid	Adaptation	Public & Private	State aid direct grants
EU-27: CAP/RDP	Multiple objectives	Public & Private	EU co-financing

2. European examples of financing instruments and incentives (2)



Forêt.Nature, Belgium

Policy objectives:

- Promote continuous cover forest management
- Transfer of knowledge

Duration:

- 2013–ongoing

Budget and form of aid:

- Mix of public funding, private donations, and grants
- NGO-led project-based funding

Beneficiaries: Public & Private

- Private forest owners
- Municipal and public forest managers

Supported measures:

Knowledge transfer and advisory services:

- Habitat tree and deadwood retention
- Biodiversity-friendly forest edges
- Restoration of ecological structures
- Close-to-nature forestry demonstrations

Transferable lessons and take aways:

- NGO-led initiatives can complement government programme
- Pilot projects can demonstrate innovative approaches before larger-scale adoption
- Advisory services and knowledge transfer are often as important as financial incentives
- Small conservation funds can generate significant learning effects



2. European examples of financing instruments and incentives (3)



France Relance, Forest(ry) Recovery Aid

Policy objectives:

- Forest renewal following climate-related damage
- Climate adaptation
- Recovery of the forest sector

Duration:

- 2021–2022

Budget and form of aid:

- Large-scale public recovery funding
- Direct grants (€ 200 Mio.)

Beneficiaries: Public & Private

- Private forest owners
- Municipal forests, public forests (ONF)
- Forest cooperatives

Supported measures:

- Salvage logging
- Climate-adapted planting
- Reforestation
- Regeneration
- Species diversification

Transferable lessons and take aways:

- Recovery programmes mobilise public funding quickly
- Large-scale restoration activities
- Climate adaptation integrated into restoration funding

- Biodiversity safeguards should be incorporated from the outset
- Strong political visibility and NGO oversight



2. European examples of financing instruments and incentives (4)



National State Aid for Climate-adapted Forestry, France

Policy objectives:

- Forest resilience
- Climate adaptation
- Forest regeneration

Duration:

- 2022–2029

Budget and form of aid:

- National state aid programme
- Direct grants (€ 720 Mio.)

Beneficiaries: Public & Private

- Private forest owners
- Municipal forests, public forests (ONF)
- Forest cooperatives

Supported measures:

- Salvage logging
- Climate-adapted planting
- Reforestation
- Regeneration
- Species diversification

Transferable lessons and take aways:

- Long-term continuity after France Relance
- Predictable financing framework
- Long-term programmes provide investment certainty
- State aid is line with and can complement EU funding
- Ecological conditionality improves effectiveness
- Monitoring ecological outcomes should be improved
- Production and biodiversity objectives should be balanced

SA.109083 State Aid France

Aides à la prévention et à la réparation des dommages causés aux forêts pour la période 2023-2029

Last decision date: 06.06.2024

France (2024/0000)

Agriculture, Forestry, Rural areas

Aid for the prevention and restoration of damage to forests from forest fire, natural disasters, adverse climate events which can be ascribed to natural disaster, other adverse climate events, plant pests and catastrophic events

Legal basis primary: Art. 107(3)(b) TFEU - Remedial serious disturbance

Legal basis secondary: Agricultural Guidelines 2023

Aid instrument: Direct grant

Case title: (2024)

Legislative sector: Agriculture and Rural Development DG

Notification / registration date: 17.06.2023

Duration: 01/01/2023-31/12/2029

Expenditures (in millions): 2024: EUR 3.702

Decisions

Confirmation or Correcting decision of 08.08.2024

Decision not to raise objections of 10.02.2024

Decision text(s): [EU Letter to the Member State - authentic language \(FR\)](#) ([https://ec.europa.eu/competition/state_aid/awards/2023/SA_109083_27.pdf](#))

published on 20.01.2025
Publication in the OJ: [https://eur-lex.europa.eu/eli/awards/2023/01/17/04/2024](#)

2. European examples of financing instruments and incentives (5)



Climate Adapted Forest Management (KAWM+), Germany

Policy objectives:

- Climate resilience
- Biodiversity enhancement
- Ecosystem service provision

Duration:

- 2022–2028

Budget and form of aid:

- Federal funding programme
- Public payments for ES (€ 200 Mio./year; € 1,0 Billion altogether)

Beneficiaries: Public & Private

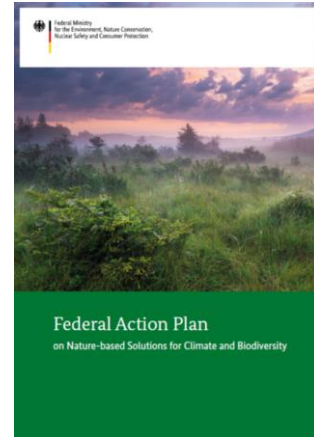
- Private forest owners
- Public (Municipal) forest managers

Supported measures:

- Close-to-nature forest management
- Natural regeneration
- Avoidance of clearcuts/salvage logging
- Deadwood retention, forest set asides
- Species diversification

Transferable lessons and take aways:

- Strong ecological conditionality (12 criteria)
- Alignment of climate and biodiversity objectives
- Reward ES (biodiversity, climate adaptation) rather than (intensive) timber production
- From 80-100 to 160-240 €/ha/year for 10 years (CTFM) up to 1.000 €/ha/year for 20 years (deadwood)
- Managing administrative complexity and securing long-term funding



2. European examples of financing instruments and incentives (6)



Forest Biodiversity Programme METSO, Finland

Policy objectives:

- Halt forest biodiversity loss
- Protect ecologically valuable habitats
- Promote voluntary conservation

Duration:

- 2008–2016/2025

Budget and form of aid:

- Compensation payments for ES
- Public subsidies (€30 million/year)

Beneficiaries:

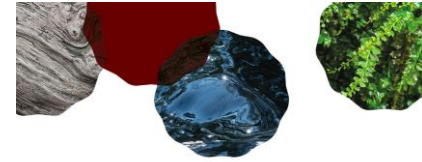
- Private forest owners

Supported measures:

- Permanent conservation
- Habitat restoration
- Temporary conservation agreements

Transferable lessons and take aways:

- Over 80,000 ha integrated into ecological networks
- Voluntary and strong landowner participation
- Broad stakeholder support
- Managing funding limitations and securing long-term conservation continuity
- Voluntary conservation can achieve large-scale results
- Compensation increases participation
- Biodiversity programmes can gain long-term political support



 **METSO**

2. European examples of financing instruments and incentives (7)



State Aid for Climate-Adapted Forestry, Czech Republic

Policy objectives:

- Climate adaptation
- Forest resilience
- Sustainable forest management

Duration:

- 2023–2028

Budget and form of aid:

- Direct grants
- Public subsidies (€ 742 Mio.)

Beneficiaries:

- Private forest owners
- Public forest managers

Supported measures:

- Clearcutting/salvage logging and thinning
- Tree planting or natural regeneration
- Deadwood retention after timber harvesting
- Environmentally-friendly harvesting (cable car, horse)

Transferable lessons and take aways:

- Climate adaptation can become a core funding objective for forests
- Large funding schemes require robust monitoring systems
- Biodiversity safeguards are needed to improve environmental performance



Hollis a dřevotřískový splachovací přípravek a vyzáblík.
Foto: I. Štáhl, Anotace 7. 10. 2018



Rehabilitace lesa po požáru a využití tradičních způsobů příložená dřeva, například s využitím koní.
Foto: I. Štáhl, Anotace 7. 10. 2018



Výsadba lesa na holině.
Zdroj: | Vojenské lesy a statky

2. European examples of financing instruments and incentives (8)



EU-27: CAP/Rural Development Funding

Policy objectives:

- Sustainable forest management
- Biodiversity conservation
- Climate adaptation
- Rural economic development

Duration:

- 2023-2027

Budget and form of aid:

- EU co-financed support
- Forestry interventions under national CAP Strategic Plans (€ 4,2 Billion)

Beneficiaries:

- Private forest owners
- Public forest managers

Supported measures:

- Afforestation, reforestation, agroforestry
- Productive investments in forest sector
- Prevention/restoration of disturbances
- Natura 2000 compensation payments
- Forest environmental commitments/ES above law (climate, water, biodiversity, etc.)

Transferable lessons and take aways:

- Europe's largest forestry funding framework
- National flexibility can support local needs
- Need to balance competing objectives
- Funding should be linked to measurable ecosystem outcomes
- Need to increase actual spending rates and prioritize biodiversity more



3 Summary and take aways



Programme	Biodiversity	Climate	Long-term funding	Owner engagement	EaP transferability
METSO	●●●●●	●●●○○	●●●●○	●●●●●	●●●●○
Germany	●●●●○	●●●●●	●●●○○	●●●●○	●●●●○
Forêt.Nature	●●●●○	●●●○○	●●○○○	●●●●●	●●●●○
France Relance	●●●○○	●●●●○	●●○○○	●●●○○	●●●○○
French State Aid	●●●○○	●●●●○	●●●●○	●●●○○	●●●○○
Czech State Aid	●●●○○	●●●●○	●●●●○	●●●○○	●●●●○
CAP/RDP	●●●○○	●●●○○	●●●●●	●●●○○	●●●●○

Successful forest funding programmes:

- Create **measurable** environmental benefits
- Provide **stable incentives**
- **Engage** forest owners and public managers
- Support **biodiversity** and **climate resilience** objectives **simultaneously**
- Manage **trade-offs** between ES



3. Summary and take aways (2)

What makes forest funding effective?

Six common **success factors**

1. Long-term commitments
2. Voluntary participation
3. Payments for ecosystem services
4. Ecological conditionality
5. Monitoring and evaluation
6. Changes behaviour and rewards ecosystem outcomes

Five **Recommendations** for Eastern Partnership Countries

- 1) Move from financing activities to financing ecosystem services.
 - 2) Use ecological conditionality
 - 3) Integrate biodiversity and climate objectives.
 - 4) Create incentives for private forest owners and public forest managers
 - 5) Blend public, donor and private finance.
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Thank you

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