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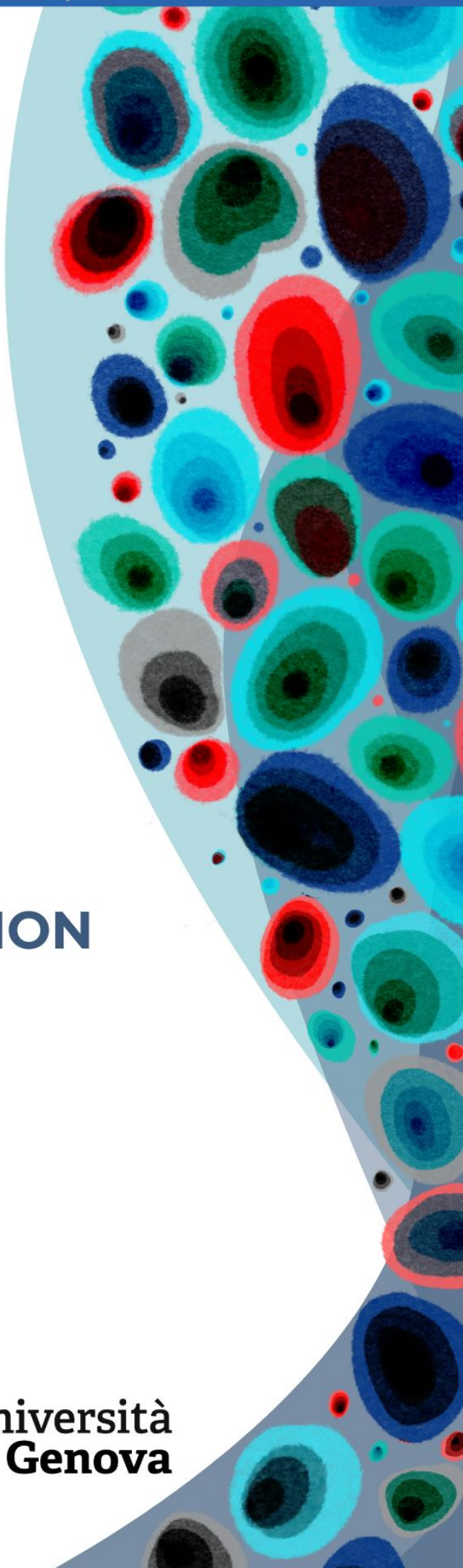

IMPLEMETING THE **NATURE RESTORATION REGULATION**

REPORT

PART II: FINANCING RESTORATION

PRIN 2022 PNRR "RINASCI"

RINASCI PRIN 2022 PNRR

ROMA TRE UNIVERSITÀ DEGLI STUDI

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While the contribution is the result of an academic project shared by the authors, Chapter I, § I.1, I.2, I.3, I.12, Chapter II and Chapter III are attributed to Chiara Cellerino, § I.4, I.5, I.6, I.7, I.8, I.9, I.10, I.11 are attributed to Mario Barbano.

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DOI **10.5281/zenodo.18887410**

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This report was funded by the National Research Project PRIN 2022 PNRR Restoring Nature for the Children of Italy "RINASCI", funded by the European Union – Next Generation EU, Mission 4, Component 1, CODE: P2022KCBM7_001, CUP F53D23012010001.

CONTENTS

INTRODUCTION

There is little doubt that achieving the targets set by the Nature Restoration Regulation (EU) 2024/1991 (NRR) requires substantial financial resources. The **National Restoration Plans**, which each Member State is required to prepare and submit under Chapter III of the NRR, are not limited to outlining ecological measures and restoration actions; they must also include a credible financing strategy demonstrating how the restoration targets will be achieved over time. In this respect, the financial dimension is not ancillary but forms an integral part of the legal obligation imposed on Member States.

Within their National Restoration Plans, Member States are expected to identify the sources of funding that will support restoration measures, including EU funding, national public resources, and where appropriate, private finance. The plans should explain how different funding streams will be coordinated and how financial resources will be used in a cost-effective and targeted manner. This approach reflects a broader EU policy shift towards the **mainstreaming of biodiversity objectives across public spending**, rather than confining them to a single budget line.

The financial impact of the achievement of the mentioned goals on Member States' budgets can be reduced by obtaining funding from private sources. In this perspective, the Regulation also explicitly encourages Member States to explore **complementary and innovative financing mechanisms**, including **private and blended finance**. This reflects a growing recognition at EU level that public budgets alone are insufficient to meet the scale of investment required for large-scale ecosystem restoration. National Restoration Plans may refer to the mobilisation of private capital, the development of nature-based investment projects, or emerging instruments linked to ecosystem services and biodiversity outcomes, provided that such approaches are compatible with EU law and public policy objectives.

Resources to reach nature restoration goals can therefore come from different sources: EU, national and private ones.

This chapter aims to explore the tools, discipline and practice relating to the above-mentioned sources of financing. In this perspective, **Chapter I** will examine the discipline applicable to **national resources**, as stemming from **state aid rules** enshrined in artt. 107 and 108 TFEU applied to nature restoration targets. After providing an overview of the existing normative framework on State aid under EU primary and secondary law (§§ I.1, I.2), the chapter turns to an analysis of the assessment of the compatibility of aid measures under relevant instruments and guidelines (§§ I.3, I.4-I.10). It then examines the concept of services of general economic interest (SGEI) within the EU legal order and explores its potential application to nature conservation and restoration activities (§ I.11).

Chapter II will identify **EU financial sources** that can be relied upon, combined with national ones, in order to implement the regulation's obligations.

Finally, **Chapter III** shall provide some guidance on legal and policy frameworks relating to the **private financing** of nature restoration projects.

CHAPTER I - NATIONAL RESOURCES: NATURE RESTORATION AND STATE AID RULES

Chiara CELLERINO and Mario BARBANO, University of Genoa*

I.1 The prohibition of State aids and its exceptions

EU state aid control is a central component of EU competition policy. Because subsidies granted by Member States can give certain market operators an artificial advantage over competitors in other Member States, the Treaty on the Functioning of the European Union (TFEU) establishes a general prohibition on state aid that distorts competition and affects intra-EU trade. A State aid is generally prohibited if it:

1. is granted by the state or through state resources;
2. confers a selective advantage on certain undertakings;
3. distorts or threatens to distort competition;
4. affects trade between Member States

This prohibition, laid down in Article 107(1) TFEU, is deliberately broad and captures a wide range of financial interventions, from direct grants and tax exemptions to guarantees and preferential loans.

At the same time, EU state aid control is not absolute. The Treaties recognise that, in certain circumstances, public intervention may be both legitimate and desirable. Articles 107(2) and 107(3) TFEU therefore provide for a series of exceptions, allowing aid that pursues objectives of common interest, provided that it is necessary, proportionate, and does not unduly distort competition.

In particular, the derogations provided for in Article 107(2) and (3) TFEU create significant normative spaces for Member States to deploy public spending policies in support of objectives of general interest, including environmental ones. The recognition, at Treaty level, of the legitimacy of public financial interventions aimed at pursuing such broadly defined general interests has in turn given rise to the notion of so-called "good aid", that is,

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* Chapter I, § I.1, I.2, I.3, I.12 are attributed to Chiara Cellerino, § I.4, I.5, I.6, I.7, I.8, I.9, I.10, I.11 are attributed to Mario Barbano.

aid measures deemed compatible with the internal market precisely because of the public interest objectives they serve.

More precisely, under paragraph 2 of art. 107 TFUE, some types of aid are considered always compatible with the internal market. These include social aid granted to consumers (provided it does not discriminate on the basis of the origin of the goods) aid to compensate damage from natural disasters or exceptional events, aid to the economy of certain areas of Germany affected by the former division of the country.

Under paragraph 3, other types of aids can be declared compatible with the internal market, after due assessment by the European Commission. These include aid to promote regional development in disadvantaged areas (art. 107(3), lett. a) TFEU), aid to support important projects of common European interest (hereinafter, "IPCEI") or to remedy serious economic disturbances in a Member State (art. 107(3), lett. b) TFEU), aid to develop certain economic activities "*where such aid does not adversely affect trading conditions to an extent contrary to the common interest*" (art. 107(3), lett. c) TFEU), aid to promote culture and heritage conservation (art. 107(3), lett. d)), other categories of aid that may be specified by the Council (art. 107(3), lett. e) TFEU).

Pursuant to Article 108(3) TFEU, Member States must notify any new measure that may fall under the aid prohibition and cannot proceed without the Commission's prior authorization declaring whether the measure in question falls under the derogations above ('standstill clause'). Only certain categories of aid may be exempted from the notification requirement, provided that they fulfil the conditions laid down by Commission's regulations adopted under Article 108(4) TFEU (i.e., block exemption regulations, see, *infra*, § I.4).

With specific regard to environmental objectives, state aid schemes are generally justified under the exceptions provided for in Article 107(3)(c) TFEU and, more recently, under Article 107(3)(b) TFEU. Over time, these Treaty-based derogations have been progressively clarified and operationalised through secondary legislation and soft law instruments, with the aim of exempting certain categories of aid from notification requirements or, more broadly, facilitating Member States' task in designing aid measures that pursue legitimate objectives, while at the same time streamlining the Commission's compatibility assessment. For our purposes, particular reference should be made, on the one hand, to the 2022 Guidelines on State aid for climate, environmental protection and energy (hereinafter also referred to as the "**Environmental Guidelines**" or "**CEEAG**"[1]), the Guidelines for State aid in the agricultural and forestry sectors and in rural areas (hereinafter also the "**Agricultural and Forestry Guidelines**"[2]) and the Fishery and

[1] Communication from the Commission, Guidelines on State aid for climate, environmental protection and energy, 18.2.2022, pp. 1–89 (CEEAG).

[2] Communication from the Commission, Guidelines for State aid in the agricultural and forestry sectors and in rural areas, 21.12.2022, pp. 1–90.

Aquaculture Guidelines[3], and, on the other hand, to the **General Block Exemption regulation,**[4] the **Agricultural Block exemption regulation**[5] and the **Fishery Block Exemption Regulation.**[6] The legal framework arising from the above-mentioned instruments must be coordinated also with the **Common Agricultural Policy framework**, which mobilizes investments both at EU and at Member States level and has significant implications for environmental objectives.[7]

I.2 The assessment of the aid measure scheme under relevant exceptions: incentive effect, proportionality and balancing test

The compatibility assessment under Article 107(3)(c) TFEU requires the Commission to verify, first, whether the aid facilitates the development of certain economic activities (the positive condition) and, second, whether it affects trading conditions to an extent contrary to the common interest (the negative condition). Environmental considerations may influence this assessment, most notably in relation to the identification and evaluation of the elements of "common interest".

As regards the **positive condition**, the Commission must, in the first place, identify the economic activity facilitated by the measure, assess its positive **effects for society at large, and determine its relevance considering specific EU policy objectives**. A measure is regarded as facilitating an economic activity only if it produces an **incentive effect**. Such an effect is present where the aid induces the beneficiary to change its behaviour by engaging in additional economic activity, or in economic activity that is more environmentally sustainable, which it would not undertake in the absence of the aid or would pursue only in a more limited or different form. Consequently, the aid must not

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[3] Commission, Guidelines for State aid in the fishery and aquaculture sector, 2023/C 107/01 (FAG).

[4] Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187, 26.6.2014, pp. 1–78.

[5] Commission Regulation (EU) 2022/2472 of 14 December 2022 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union, OJ L 327, 21.12.2022, pp. 1–81

[6] Commission Regulation (EU) 2022/2473 of 14 December 2022 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union, OJ L 327, 21.12.2022, pp. 82–139.

[7] Regulation (EU) 2021/2116 of the European Parliament and of the Council of 2 December 2021 on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013; Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013 and connected legal acts, available at https://eur-lex.europa.eu/IT/legal-content/summary/rules-and-financial-support-for-cap-strategic-plans.html?fromSummary=03.

merely subsidise costs that the beneficiary would have incurred in any event, nor may it compensate for the normal commercial risks inherent in an economic activity.[8]

Turning to the **negative condition**, the Commission examines whether the aid is justified in light of the need for State intervention, as well as its **appropriateness, proportionality, transparency, and its ability to avoid undue distortions of competition and trade**. In particular, the proposed measure must be targeted at situations in which it can bring about a material development that the market alone is unable to deliver, for example by addressing market failures affecting the activities supported (the necessity of the aid). An aid is considered proportionate where the amount granted to each beneficiary is limited to the minimum necessary to enable the implementation of the aided project or activity.[9]

As a final step, the Commission is required to **balance the identified negative effects on competition and trade against the positive effects** of the aid on the supported economic activities.

I.3 Nature restoration and the notion of "state aid"

Regarding the very notion of State aid, it is well established that the EU State aid rules apply only to "undertakings", broadly defined as any entity engaged in an economic activity, irrespective of its legal status or the way in which it is financed. Public bodies may be regarded as undertakings where they offer goods or services on a market. From this perspective, a key issue in nature restoration is whether the beneficiaries of public funding aimed at supporting or incentivising environmentally beneficial activities can be qualified as undertakings. While there is little doubt that this is the case where aid is granted to industrial operators — for example, to support the decarbonisation of production or improvements in energy efficiency — the application of the concept becomes more complex in other contexts. This is particularly true where the beneficiary carries out activities that are beneficial to the environment but do not necessarily involve market participation, such as, indeed, certain forms of nature conservation. In such cases, the qualification of the activity carried out by the beneficiary as economic or non-economic becomes a crucial factor in determining the applicability of State aid prohibition.

The Commission and the Court of Justice of the European Union (CJEU) have long acknowledged that **nature conservation activities on land that is accessible to the general public free of charge, can be deemed to be exclusively social and cultural in character and do not amount to economic activity**.[10] This has led the Commission, in some cases, to **exclude the existence of a state aid** for measures aimed to support nature conservation projects. For example, in two decisions of 2017, the Commission acknowledged that a German measure providing support in the amount of 100% funding for nature conservation and landscape maintenance in rural areas**,** carried out by non-profit private law legal entities or public bodies responsible for the management of sites, was not

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[8] CEEAG, cit.
[9] *Ivi*, par. 34
[10] CJEU, 12 September 2013, Case T-347/09, *Commission v. Germany.*

to be considered as state aid, since no economic activity was taking place.[11] Tellingly, a nominal fee, exceptionally required for the public to access the areas, which covered only a fraction of the true costs of management and conservation, was not considered a remuneration for the services provided and, therefore, did not affect the qualification of the activity as non-economic.

However, in other cases involving similar conservation projects, **beneficiaries were considered undertakings, in view of economic activities carried out in connection with land conservation, such as sale of wood, fishing and hunting charges**.[12] As explained in greater detail below, a different logic may apply in these cases and the approach taken by the Commission in the assessment of the nature of the activities carried out by the beneficiary can have very relevant consequences on the assessment of subsidy and on its compatibility with the Treaties (below § I.11).

I.4 Aid for nature restoration and block exemption regulations

As anticipated above (§ **I.1**), aid measures that meet certain conditions set out *ex ante* by the Commission can be implemented immediately by Member States, without application of the stand-still clause. This simplification allows for the Commission to focus on measures that require closer scrutiny due to their intensity (i.e., economic value) and overall impact on the internal market. As a result, aid awarded under block exemption provisions currently accounts for 36% of the total aid expenditure and 87% of all active State aid measures.[13]

Block exemptions are provided by a horizontal regime, namely the General Block Exemption Regulation (EU) 2014/651 ("GBER"), [14] as well as by sector-specific regulations, including the Agricultural Block Exemption Regulation (EU) 2022/2472 ("ABER")[15] and the Fishery Block Exemption Regulation (EU) 2022/2473 ("FIBER").[16]

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[11] *Commission/Germany,* SA.456445 and SA.46073.

[12] See, for example, *Commission/Germany*, NN 8/2009. In a case relating to land swaps for nature conservation, the Court also held that a person that has acquired public land in the context of a land swap transaction can qualify as undertaking even if they do not use that land for the purposes of conducting an economic activity; see CJEU, 19 October 2023, case C-325/22, *TS*.

[13] Commission, 2025 State aid Scoreboard, 15 January 2026, p. 7, at https://competition-policy.ec.europa.eu/state-aid/scoreboard_en.

[14] Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187, 26.6.2014, pp. 1–78.

[15] Commission Regulation (EU) 2022/2472 of 14 December 2022 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union, OJ L 327, 21.12.2022, pp. 1–81.

[16] Commission Regulation (EU) 2022/2473 of 14 December 2022 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union, OJ L 327, 21.12.2022, pp. 82–139.

All of the three above were amended in 2023 to align them with the European Green Deal objectives and contain specific provisions on nature restoration.

Within the relevant block exemption regime, the state measure shall meet its general requirements as well as the specific conditions of the applicable aid category. Nevertheless, the Member State concerned is required to ensure transparency by providing to the public essential information on the aid awarded (expenditure, beneficiaries, etc.).

In light of the above, is worth examining block exemption regimes that play a role in nature restoration, together with the relevant Commission's guidelines that apply in case the notification threshold is not met and thus the Commission's compatibility assessment is needed.

I.5 Nature restoration and the General Block Exemption Regulation ("GBER")

Section 7 of GBER exempts from notification requirement certain aid measures under Article 107(3)(c) TFEU aiming at environmental protection,[17] i.e., any action designed to reduce or prevent pollution and damage to ecosystems, including measures "to protect and restore biodiversity".[18] In particular, "restoration" is defined as "the process of assisting the recovery of an ecosystem as a means of conserving biodiversity and increasing ecosystem resilience, notably to climate change",[19] and appears thus in line with the notion established by the Nature Restoration Regulation.[20]

As a general rule, the GBER does not apply to primary agriculture production sector, with the exception of the category of environmental aid.[21] The fishery and aquaculture sector is excluded as well from the GBER's scope, apart from certain exceptions which, however, are not directly applicable to nature restoration.[22]

Within the category of environmental aid, Article 45 GBER allows for investment aid to individual undertakings[23] aiming at:

a. **remediation** of environmental damage,
b. **rehabilitation** of natural habitats and ecosystems,
c. protection or **restoration** of biodiversity,
d. implementation of **nature-based solutions** for climate change adaptation and mitigation.[24]

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[17] Articles 36 ff. GBER, cit.
[18] Article 2(101), GBER, cit.
[19] Article 2(123d), GBER, cit.
[20] Article 3(3), NRR, cit.
[21] Article 1(3)(b), GBER, cit.
[22] Article 1(3)(a), GBER, cit.
[23] Article 1(2)(a)-(d), GBER, cit. In fact, apart from tax reductions under Article 44 GBER, all environmental aid measures of Section 7 must be awarded as individual aid.
[24] Article 45(2)(a)-(d), GBER, cit.

Some measures are expressly **excluded** from the scope of the above-mentioned provision, namely aid to make good the damage caused by natural disasters, as it falls under a different legal basis (Article 107(2)(b) TFEU)[25] and aid for remediation or rehabilitation following the closure of power plants and mining or extraction operations, which is subject to a different *ad hoc* regime.[26]

In line with the polluter-pays principle (Article 191(2) TFEU) and the provisions of the Environmental Liability Directive 2004/35/CE ("ELD"), [27] aid for **remediation of environmental damage** is allowed only where the liable entity cannot be identified or made to bear the costs that the damage has caused.[28]

Moreover, as mere compliance with the applicable law cannot be subsidized, aid can be granted for the implementation of the compensatory measures under the Habitats Directive[29] only where it covers the extra costs necessary to increase the scope or ambition of such measures.[30]

As far as environmental aid for climate change mitigation and adaptation is concerned (*sub* (d)), a "**nature-based solution**" is defined as "an action to protect, conserve, restore, sustainably use and manage […] ecosystems", which effectively addresses socio-economic and environmental challenges, "while simultaneously providing human well-being, ecosystem services, resilience and biodiversity benefits".[31]

According to the general provision applicable to environmental aid, the aid is exempted from notification up to the threshold of EUR 30 million per undertaking per investment project.[32]

Eligible costs for remediation or rehabilitation aid (*sub* (a)-(b)) include the costs incurred for these works, less the increase in the value of the land or property,[33] which must be calculated by an independent expert. [34] In case of biodiversity restoration and implementation of nature-based solutions (*sub* (c)-(d)), eligible costs are the total costs of the relevant works.[35] The aid may cover the 100% of the eligible costs in cases (a)-(b) and

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[25] Article 45(3), GBER, cit.
[26] Article 45(4), GBER, cit.
[27] Directive 2004/35/CE of the European Parliament and of the Council of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage OJ L 143, 30.4.2004, p. 56, as amended.
[28] Article 45(2), GBER, cit.
[29] Article 6(4), Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, OJ L 206, 22.7.1992, p. 7.
[30] Article 45(5), GBER, cit.
[31] Article 2(123c), GBER, cit.
[32] Article 4(1)(s), GBER, cit.
[33] Article 45(6), GBER, cit.
[34] Article 45(7), GBER, cit.
[35] Article 45(8), GBER, cit.

the 70% in cases (c)-(d)[36] (the latter value may increase depending on the size of the beneficiary undertaking).[37]

When all the conditions above are met, a presumption of incentive effect applies.[38]

A complementary role is played also by the category of aid to the final beneficiary under a financial product supported by InvestEU Fund. This measure expressly allows further aid for the enhancement and restoration of biodiversity and ecosystems, as well as for the protection of those in already in good condition.[39]

Finally, it is worth recalling the exemption applicable to aid for studies and consultancy services on environmental protection, which can partially cover the related costs, irrespective of whether the consultancy findings are followed by an investment eligible for aid under the GBER.[40]

I.6 Nature restoration and the Environmental Guidelines ("CEEAG")

Outside the scope of GBER, the horizontal environmental aid measures supporting nature restoration are subject to notification requirement and thus Commission's compatibility assessment under Article 107(3)(c) TFEU. This legal basis is interpreted by the Commission in the above-mentioned CEEAG, which were revised in 2022 to take into account European Green Deal's policy objectives, while at the same time ensuring a level-playing field in the internal market.

Due to their horizontal nature, the Environmental Guidelines apply also to sectors that are subject to a specific State aid regime, unless it is stated otherwise.[41] Indeed, the rules on State aid in the agriculture and forestry sector or in the fishery and aquaculture sector fall outside the scope of the Environmental Guidelines and will be thus addressed separately (see, *infra*, §§ **I.7-I.10**).[42]

As far as nature restoration is concerned, the Environmental Guidelines stress the importance of public financial support to the achieve the objectives of its Biodiversity Strategy for 2030.[43] While the Environmental Guidelines adopt a broad notion of

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[36] Article 45(9), GBER, cit.

[37] Article 45(10), GBER, cit.

[38] Article 6(5)(m)-(n), GBER, cit. This presumption applies also «where the remediation or rehabilitation costs exceed the increase in value of the land» (ibidem, letter m).

[39] Article 56e, (8)(a)(v) GBER, cit.

[40] Article 49, GBER, cit., esp. para. 2a.

[41] CEEAG, cit. para. 12.

[42] CEEAG, cit. para. 13(a).

[43] CEEAG, cit. paras. 276-278. See Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'EU biodiversity Strategy for 2030 bringing nature back into our lives', COM(2020) 380 final.

environmental protection similar to the one introduced in the GBER,[44] biodiversity is defined by referring to the EU Taxonomy Regulation.[45]

In detail, Section 4.6 of the Environmental Guidelines sets out the criteria under which the Commission may authorize aid for **remediation** of environmental damage, including damage to the quality of the soil, surface water or groundwater or to the marine environment; **rehabilitation** of natural habitats and ecosystems from a degraded state; protection or **restoration** of biodiversity or of ecosystems;[46] implementation of **nature-based solutions** for climate change adaptation and mitigation.[47]

Similar to the GBER, aid for rehabilitation following the closure of power plants or mining operations and aid remedying the damage caused by natural disasters are expressly excluded from the scope of the measures above.[48]

The role of nature-based solutions for combating climate change is highlighted in the Commission's Strategy for adaptation to climate change.[49] If the measure not only remediates environmental damage but **also contributes to the reduction of greenhouse gas emissions**, it may overlap with the aid category that aims at this specific climate goal (Section 4.1 GBER) and thus further coordination is needed.[50] In this case, the Commission's assessment is carried out by identifying the predominant objective of the aid, and the Member State may be required to provide a comparison of the expected results, where appropriate on the basis of credible, detailed quantifications.[51]

The Commission's guidance on the incentive effect and on aid proportionality substantially reflects the considerations provided for by the GBER.[52] Conversely, aid intensity may reach up 100% of the eligible costs, irrespective of the aid sub-category in question (remediation, rehabilitation, restoration, implementation of nature-based solutions).[53]

Finally, it is worth noting that aid schemes approved under the Environmental Guidelines exceeding a certain budget (EUR 150 million in any given year or EUR 750 million over the total duration of the scheme)[54] are subject to an *ex post* evaluation, in order to ascertain "the necessity and the effectiveness of the aid measure in the light of its general and specific

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[44] CEEAG, cit. para. 19, (39).

[45] Article 2, point (15), Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198, 22.6.2020, p. 13.

[46] On the terminological distinction between restoration, remediation, and rehabilitation, see Part I, Chapter I of this Report.

[47] CEEAG, cit. para. 281.

[48] CEEAG, cit. para. 280. Compare to CEEAG, cit. paras. 420 ff.

[49] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Forging a climate-resilient Europe – the new EU Strategy on Adaptation to Climate Change', COM(2021) 82 final.

[50] CEEAG, cit. paras. 77 ff.

[51] CEEAG, cit. para. 282 and nt. 124.

[52] See, respectively, CEEAG, cit. para. 283 ff. and 288 ff.

[53] CEEAG, cit. para. 291.

[54] CEEAG, cit. para. 456.

objectives."[55] While usually such an evaluation focuses more on economic analysis rather than on environmental considerations,[56] they may nevertheless play a role in combination with the instruments monitoring the implementation of the National Nature Restoration Plans.

I.7 Nature restoration and agricultural subsidies in the context of the Common Agricultural Policy

In order to meet biodiversity restoration targets, the agricultural and forestry sectors must undergo a significant transformation, without undermining other EU critical objectives, such as food security and social cohesion. For this reason, aid supporting nature restoration in this sector must be framed in the context of the Common Agricultural Policy (CAP), which expressly includes biodiversity protection among its specific objectives.[57]

The rules on competition, which include those on State aid, apply to agricultural production only to the extent determined by the European Parliament and the Council (Article 42 TFEU), taking into account the CAP's objectives (Article 39 TFEU). As a general rule, EU State aid rules apply to the sector,[58] but there are various derogations set out by the relevant EU secondary legislation.[59] Conversely, the forestry sector does not fall within the scope of Article 42 TFEU and may in principle benefit also from other horizontal State aid rules.[60]

By implementing the CAP, the EU provides financial support to the agricultural and forestry sectors and to rural areas.[61] In particular, the CAP includes direct subsidies to farmers, market organization rules as well as rural development measures (the latter co-financed with Member States). The implementation of the CAP is supported by the EU budget through two funds, namely: i) the European Agricultural Guarantee Fund (EAGF), and ii) the European Agricultural Fund for Rural Development (EAFRD). While funding is provided at EU level, Member States are in charge of payment administration. Moreover, in line with their CAP Strategic Plans, Member States allocate part of the funding within EU limits and co-finance the programmes via their national budgets.[62]

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[55] CEEAG, cit. para. 458.

[56] Compare to Commission, SA.104903, France - Aid to ArcelorMittal France, C (2023) 5013final, paras. 87 ff.

[57] Article 6(1) of Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013.

[58] See Article 145(1) Regulation (EU) 2021/2115 and Article 211(1) Regulation (EU) No 1308/2013.

[59] See *inter alia* Article 23 of Regulation (EU) No 228/2013, Article 17 of Regulation (EU) No 229/2013, Article 145(2) of Regulation (EU) 2021/2115, Article 211(2) of Regulation (EU) No 1308/2013 and Article 27 of Regulation (EU) No 1144/2014.

[60] See Agricultural Guidelines, cit., para. 496.

[6161] On obligations to restore agricultural ecosystems and synergies with the CAP, see Part I, Chapter

[62] Regulation (EU) 2021/2115, cit.

In light of the above, the Commission is committed to ensuring that State aid rules are enforced consistently with the EU's own common agricultural policy.[63]

I.8 Nature restoration and the Agricultural and Forestry Block Exemption Regulation ("ABER")

The ABER has been revised in 2022 and provides for several exemptions that are relevant for supporting nature restoration, under the categories of i) aid in favour of Small and Medium Enterprises ("SMEs") active in the sector (Sec. 1),[64] ii) aid for environmental protection in agriculture (Sec. 2)[65] and iii) aid in favour of forestry (Sec. 6),[66] and also iv) investment aid in favour of cultural and natural heritage conservation (Sec. 3), as far as it entails conservation of natural landscapes.[67]

In terms of general provisions, Article 4 ABER sets notification thresholds for each aid measure, to be calculated per gross grant equivalent, namely the amount aid awarded as a grant to the beneficiary, before any deduction of tax or other charges.[68] These rules should be also read in conjunction with those on cumulation, as the latter clarify whether the specific aid awarded under the ABER may be combined with other aid measures.[69] According to the principle of aid transparency, certain minimum information must be published in online databases.[70]

The applicant's submission of minimum information to the granting authority allows also for the recognition of the measure's incentive effect,[71] while additional conditions apply in case of *ad hoc* aid awarded to large enterprises.[72] Moreover, certain aid measures are presumed to have an incentive effect, provided that the specific requirements of the relevant aid sub-category are met.[73]

As far as the calculation of eligible costs is concerned, some simplifications may apply if the operation in question is at least partly financed through the EAFRD.[74] Aid intensity of

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[63] See Agricultural Guidelines, cit., para. 6.
[64] Articles 14 ff. ABER, cit.
[65] Articles 33 ff. ABER, cit.
[66] Articles 41 ff. ABER, cit.
[67] Article 36 ABER, cit. In this case, a recognition by the competent public authorities of the Member State concerned is required: ibidem, Article 36(2).
[68] Article 2(30) ABER, cit.
[69] Article 8(1)-(2) ABER, cit.
[70] Article 9 ABER, cit.
[71] Article 6(2) ABER, cit.
[72] Article 6(3) ABER, cit. It is worth noting that these requirements do not apply to municipalities that are autonomous local authorities carrying out economic activity, provided that their annual budget is less than EUR 10 million and their have less than 5 000 inhabitants.
[73] This is the case of including aid for disadvantages related to Natura 2000 areas, aid for investments in favour of the conservation of natural heritage, aid for the restoration of forests damaged by fires, aid for conservation of genetic resources in forestry, see Article 6(5), (h)-(i), (l) and (n) ABER, cit.
[74] Article 7(1) ABER, cit.

certain measures within the environmental and forestry categories may be fixed on the basis of standard assumptions of additional costs and income foregone.[75]

That said, it is worth underlining the nature restoration dimension of the specific aid measures exempted under the ABER.

First of all, in case of **investment aid in agricultural holdings linked to primary agricultural production**, nature restoration is expressly included in the list of objectives that such investments must pursue.[76]

Aid for environmental protection in agriculture under Sec. 2 ABER is conditional on the adoption by farmers of commitments that go beyond the standards established by the CAP, such as the Good Agricultural and Environmental Conditions ("GAEC"). The aid has a minimum duration of 5-7 years and is granted annually and per hectare, usually covering additional costs and income foregone. Nature restoration projects may be supported, for example, by:

- **Aid for agri-environmental-climate commitments**, which is awarded to undertakings that agree, on a voluntary basis, to shift to agricultural practices that make a positive contribution to the environment and climate.[77] In this case the commitments must also go beyond the relevant mandatory requirements established by national and Union law for the use of fertiliser and plant protection products.[78] Result-based carbon farming schemes may be allowed in line with the Communication on Sustainable Carbon Cycles.[79]
- **Aid for organic farming**, whereby the beneficiary undertakes, on a voluntarily basis, to convert to or maintain organic farming practices and methods as defined in Regulation (EU) 2018/848.[80]
- **Aid compensating farmers for disadvantages related to Natura 2000 areas** are allowed,[81] provided that the disadvantage results from compliance with requirements that go beyond those imposed by CAP.[82]

Biodiversity protection is also the aim of **aid for conservation of genetic resources**, where the beneficiaries must undertake the commitment to rear farm animals of local endangered breeds or to preserve plant genetic resources naturally adapted to local conditions and under

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[75] Article 7(2) ABER, cit.

[76] Article 14(3)(g) ABER, cit.: «halting and reversing biodiversity loss, enhancing ecosystem services and preserving habitats and landscapes».

[77] Article 34(1)-(2) ABER, cit.

[78] Article 34(3)-(5) ABER, cit.

[79] Article 34(10) ABER, cit. See Communication of the Commission of 15 December 2021 on Sustainable Carbon Cycles (COM(2021) 800 final).

[80] Article 35(2) ABER, cit. See Regulation (EU) 2018/848 of the European Parliament and of the Council of 30 May 2018 on organic production and labelling of organic products and repealing Council Regulation (EC) No 834/2007.

[81] Article 33 ABER, cit. The measure may cover also other delimited nature protection areas contributing to the ecological coherence of the Natura 2000 network under Article 10 of the Habitats Directive (e.g., maintenance of rivers and small woods that are essential for migration).

[82] Article 33(3) ABER, cit.

threat of genetic erosion.[83]. A similar provision applies for the conservation of genetic resources in the forestry sector.[84]

Regarding the category of **aid in favour of forestry** (Sec. 6 ABER), several measures are applicable to nature restoration initiatives, such as:

- **Aid for afforestation and the creation of woodland**, covering the costs of establishment and an annual premium per hectare.[85] This measure focuses on investment operations, but some limitations apply to costs related to purchase of land.[86] Minimum environmental requirements are laid down in order to ensure that trees are planted in line with sustainable forest management principles,[87] as well as climate change adaptation needs.[88] ABER also envisages aid for agroforestry systems, namely land use systems where trees are grown in combination with agriculture on the same land.[89] In this case, the measure covers the costs of establishment, regeneration or renovation and an annual premium per hectare;[90]
- **Aid for investments improving the resilience and environmental value of forest ecosystems,**[91] aimed at establishing commitments for *inter alia* the provision of ecosystem services or enhancing the public amenity value of forests, or improving the climate change mitigation and adaptation potential of ecosystems, "without excluding economic benefits in the long term."[92] As a general rule, non-native plant species cannot be used, but a derogation applies where support is provided in the framework of the CAP Strategic Plan;[93]
- As regards **aid for forest-environmental-climate services and forest conservation,**[94] this is conditional on voluntary management commitments aiming at achieving at least one of the CAP specific objectives[95] beyond the relevant mandatory requirements established by EU and national forestry legislation.[96]

Aid for the prevention and restoration of damage to forests may explicitly include costs arising from restoring forestry potential damaged by fires, natural disasters, plant pest and

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[83] Article 30(3) ABER. See, respectively, Articles 12 ff. and Article 4(1)(a) Regulation (EU) 2021/2115.

[84] Article 51 ABER, cit. In both cases, aid may cover the costs deriving from targeted actions, concerted actions and accompanying actions.

[85] Article 41(2) ABER, cit.

[86] Article 41(3)(a) ABER, cit.

[87] Article 41(7) and (12) ABER, cit.

[88] Article 41(12) ABER, cit.

[89] Article 2(9) and 42 ABER, cit.

[90] Article 42(2) ABER, cit.

[91] Article 44 ABER, cit.

[92] Article 44(2) ABER, cit.

[93] Article 44(2) ABER, cit.

[94] Article 46 ABER, cit.

[95] Article 6(1) of Regulation (EU) 2021/2115, which refers, as anticipated above, to biodiversity protection too.

[96] Article 46(2) ABER, cit.

climate change-related adverse events.[97] Notably, such aid is exempted not only under Article 107(3)(c) TFEU, as usually occurs for the ABER, but also under the damage compensation derogation of Article 107(2)(b) TFEU;[98] if the aid is given under the first legal basis (Article 107(3)(c) TFEU), beneficiaries may be required to prove that such restoration will include adaptation measures to climate change.[99]

Finally, ABER envisages **aid for compensating area-specific disadvantages resulting from certain mandatory requirements**, namely those related to the implementation of the Habitats and Birds Directives borne by forest holders, forest managers and their associations.[100] Compared to the aid addressing disadvantages suffered by farmers, eligibility rules in the forestry sector do not require the beneficiary to go beyond legal standards.[101]

State practice on aid awarded under the ABER is well established, as according to the latest official data, aid for a total of EUR 5.22 billion was exempted under this instrument in 2024.[102] The ABER thus represents an important reference point for a swift implementation of NRRP, as it reduces the administrative burden on the Member State.

I.9 Nature restoration and the Agricultural and Forestry Guidelines ("AFG"): the measures applicable to the agricultural sector...

Pursuant to the interpretation of Article 107(3)(c) TFEU provided for by the Agricultural and Forestry Guidelines ("AFG"), a vast array of measures - both aid schemes and individual aid - relevant for nature restoration may be deemed compatible with the internal market by the Commission.[103] Like the CEEAG, the AFG can be divided in two parts: the first sets out a regime that applies to every measure falling under its scope, while the second provides guidance on the specific aid category. In the latter case, further distinction can be made between measures addressing the agriculture sector and those concerning the forestry one.

First of all, the scope of AFG regime is identified by clarifying that horizontal State aid instruments on aid compatibility, such as CEEAG and guidance on SGEI, apply to the sector under scrutiny unless the AFG provides specific rules.[104]

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[97] Article 43(2)(d) ABER, cit.
[98] Article 43(1) ABER, cit.
[99] Article 43(5)(c) ABER, cit.
[100] Article 45(1) ABER, cit.
[101] Article 45(2) ABER, cit.
[102] Commission, 2025 State aid Scoreboard, cit., p. 29.
[103] Agricultural and Forestry Guidelines, cit., para. 17. Even if granted under a scheme, individual aid that exceeds a certain threshold is subject to notification (ibidem, para. 35).
[104] Agricultural and Forestry Guidelines, cit., para. 30. This is the case of environmental aid measures, for which the Commission provides specific clarifications It is also worth noting that aid to undertakings active in the forestry sector or in rural areas may also be deemed compatible under the conditions and in compliance with general State aid rules, including the CEEAG (ibidem, 32).

Secondly, the Commission undertakes to take into account, to the largest extent possible, the conditions laid down by the CAP legislation while carrying out its compatibility assessment.[105] In particular, the balancing test should also consider the impact of the aid on the attainment of the general and specific objectives of the CAP, including support to biodiversity.[106] Some presumptions of positive effects of the measure are established where the aid is co-financed by the EU under the CAP[107] or it is aligned with the sectoral objectives laid down in the Biodiversity Strategy and the Forestry Strategy.[108]

Such an approach reflects the principle of integration of environmental protection into other EU policies[109] as well as the need to ensure the overall coherence of the subsidy regime applicable to the sector.

Similar to the solution adopted in the CEEAG, also in this case an *ex post* evaluation must be carried out if the aid exceeds a certain intensity.[110]

As far as the specific aid categories are concerned, their structure partly reflects the one already illustrated with the ABER.

Firstly, the Commission makes **aid to agricultural holdings**[111] conditional on the pursuit of certain listed objectives, including the improvement of environmental standards, as well as "halting and reversing biodiversity loss, enhancing ecosystem services and preserving habitats and landscapes".[112] Some combination with investment aid for the conservation of natural heritage located on agricultural holdings is possible, as confirmed by the Commission's practice.[113]

Other aid categories are designed to encourage voluntary efforts of farmers towards the implementation of higher environmental standards. This is the case of **aid for agri-environment-climate commitments,** [114] which include the conservation and the

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[105] Regulation (EU) 2021/2115 and its delegated and implementing acts.

[106] Agricultural and Forestry Guidelines, cit., para. 136.

[107] Agricultural and Forestry Guidelines, cit., para. 138. See, e.g., SA.111967 (2024/N) – Italy Piemonte: Payment for forest-environment and climate commitments (SRA 27), C(2024) 1218 final, 28.2.2024, para. 40; Id., Italy (Abruzzo) SA.109467 (2023/N) – PSP 2023 - 2027 - Payment for forest- environment and climate commitments (SRA 27), C(2024) 1159 final, 19.2.2024, para. 51.

[108] Agricultural and Forestry Guidelines, cit., para. 140.

[109] Article 11 TFEU.

[110] Agricultural and Forestry Guidelines, cit., paras. 638 ff.

[111] Agricultural and Forestry Guidelines, cit., paras. 144 ff. These holdings must be linked to primary agricultural production.

[112] Agricultural and Forestry Guidelines, cit., para. 152(b) and (g). Regarding an aid covering, among other components, the costs of fences contributing to halting and reversing biodiversity loss, see Commission, SA.111449 (2024/N) – Germany Baden-Württemberg: Investments in nature conservation and landscape conservation, C(2024) 1687 final, 13.3.2024.

[113] Agricultural and Forestry Guidelines, cit., para. 164 ff. Commission, SA.108036 (2023/N) – Germany Saxony: Natural heritage – support for the restoration of agricultural support walls, 9.8.2023 C(2023) 5447 final, esp. paras. 58 ff.

[114] Agricultural and Forestry Guidelines, cit., paras. 197 ff. Within the decisional practice, see

sustainable use of genetic resources, as well as the implementation of collective schemes and result-based payments schemes, such as carbon farming schemes.[115] Similarly, in case of **aid for organic farming**, the beneficiaries undertake to convert their operations to farming practices that go beyond statutory requirements under the CAP and other relevant mandatory EU or domestic requirements (e.g., related to the use of fertilisers).[116]

Conversely, other aid measures envisaged by the AFG address the economic constraints deriving from the special nature protection regime applicable to the area where the agricultural activities are carried out. Such an approach seeks to **compensate for certain mandatory requirements** set out by the Habitats and Birds Directives,[117] by the Water Framework Directive, [118] as well as in case of areas designated under the EAFRD regulation.[119]

Remarkably, the nature restoration objective supports the authorization of **aid aiming at closing agricultural production capacity.** [120] According to Commission's guidance, Member States may grant such aid only to farmers whose capacity has been constant over the last five years[121] and the beneficiary must undertake a legally binding commitment that the closure is irreversible and production will be not relocated elsewhere. [122] Such an obligation must be transferrable to any future purchaser of the land.[123]

The AFG require Member States to impose significant limitations on land use once agricultural production has ceased: within two years, open farmland must be afforested or turned into nature area, in a way that avoids negative effects on the environment.[124] Agricultural land reconverted to wetland or peatland has to be afforested in a way that does not impede the positive contribution of such ecosystems to climate change strategies.[125] As an alternative, after 20 years from effective closure land may be once again re-used, provided that it is maintained until then in good agricultural and environmental

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Commission, Germany, SA.113444 (2024/N) Hessen – Specific nature conservation measures on grassland; Id., SA.109332 (2023/N) – Germany Brandenburg: Contractual nature conservation in open land, C(2023) 3859 final, 6.6.2024.

[115] Agricultural and Forestry Guidelines, cit., paras. 211-212.

[116] *Ivi*, paras. 257-258.

[117] See Part I, Chapter III of this Report.

[118] Agricultural and Forestry Guidelines, cit., paras. 240. See Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, discussed at length in Part I, Chapter IV of this Report.

[119] Agricultural and Forestry Guidelines, cit., paras. 251, referring to Article 32 Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005.

[120] Agricultural and Forestry Guidelines, cit., para. 424. In fact, biodiversity protection, and the reduction of overall stocking densities in particular, is expressly recalled among the reasons supporting such aid.

[121] Agricultural and Forestry Guidelines, cit., para. 426.

[122] *Ivi*, para.425.

[123] Ibidem.

[124] Agricultural and Forestry Guidelines, cit., para.429.

[125] Ibidem.

conditions.[126] Overall, the approach towards land management envisaged by the AFG seems in line with the underlying rationale behind the Nature Restoration Regulation.

In terms of aid intensity, when agricultural production ceases due to environmental or climate reasons,[127] the aid may not only compensate the loss of value of assets (to be measured at the current market value),[128] but also include an incentive payment up to 20% of the value of the assets concerned.[129] Such an incentive approach seems necessary to balance the impact of the commitments on landowners' and farmers' rights and may be further explored in the implementation of the National Restoration Plan. As it will be shown below, a similar measure applies for the fisheries sector (*infra*, **§ I.11**).

Recent practice of the Commission – Danish scheme for landowners voluntarily ceasing agricultural production (SA. 119017)

The Danish aid scheme approved by the Commission under Article 107(3)(c) TFEU in February 2026[130] supports landowners that voluntarily cease agricultural production on their land for both climate and biodiversity protection reasons. According to information currently available, landowners joining the scheme commit not to till their land nor to use pesticides or fertilisers in order to restore the natural soil hydrology and to allow for the creation of wetlands. Landowners may also decide to cease forest land production when the latter is connected by water to agricultural land.[131] The aid, whose overall amount is EUR 1.04 billion, would compensate for the permanent loss of income deriving from the commitments and the restrictions imposed, and would be awarded as direct grants or in the form of benefits in kind, such as technical consultancy or the provision of goods and services.[132] In the same vein, other decisions approving aid to ceasing agricultural production and re-creation of wetlands highlight a close proximity between climate and biodiversity objectives.[133]

Finally, the AFG also envisages measures that may enhance capacity building in favour of nature restoration, such as **aid supporting the participation of agricultural producers in**

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[126] Ibidem. In this case, GAEC standards set out by the CAP apply.

[127] Ibidem.

[128] Agricultural and Forestry Guidelines, cit., para.431.

[129] Ibidem.

[130] As decision has not yet been published at time of writing (Feb. 2026), see Commission, Commission approves €1.04 billion Danish State aid scheme to support landowner climate projects, IP/26/384, 13 Feb. 2026.

[131] Commission, IP/26/384, cit.

[132] Ibidem.

[133] See Commission, Netherlands – Amendment to the Model Grant Scheme Quality Impulse Nature and Landscape SA.116417 (2024/N), C(2025) 3090 final, 15.5.2025; Id. Netherlands - Relocation scheme for peak-load nitrogen deposition, 111058 (2024/N), C(2024) 5059 final, 22.7.2024; Id., SA.102103 (2022/N) – Lithuania RRF - Implementation of the investment "Increasing Greenhouse gas Absorption Capacity" by restoring wetlands on agricultural lands, C(2023) 2230 final, 30.3.2023.

quality schemes,[134] which may entail specific farming or production methods.[135] The development of practices addressing the preservation of agricultural landscapes may also fall under the derogation applicable to **aid for cooperation in the agricultural sector.**[136]

TABLE 1 - RECENT AFG PRACTICE IN THE AGRICULTURAL SECTOR

Recent AFG practice in the agricultural sector			
Case No. (Decision Date)	**Member State**	**Main objectives**	**Aid Instrument - Type**
SA.116417 (15.05.2025)	Netherlands	Closure of production capacity; one-time non-productive nature investments in nature and agricultural areas	Direct grant - Scheme
SA.111058 (22.07.2024)	Netherlands	Relocation of farm buildings; peak-load nitrogen deposition	Direct grant - Scheme
SA.113444 (15.07.2024)	Germany	Biodiversity promotion in grasslands; agri-environmental commitments	Direct grant - Scheme
SA.109332 (06.06.2024)	Germany	Contractual nature conservation in open land	Direct grant - Scheme
SA.109412 (28.11.2023)	Denmark	Setting aside land to develop national parks; closing of capacity	Direct grant, Subsidised services - Scheme
SA.108958 (14.11.2023)	Lithuania	Increasing greenhouse gas absorption capacity by restoring wetlands on agricultural lands	Direct grant - Scheme

I.10 ...And to the forestry sector

According to the Commission, the regime envisaged by the AFG applies to aid granted as part of a CAP Strategic Plan or additional national financing for rural development as well as to measures financed exclusively from national resources,[137] Therefore, forest-based industries or timber extraction operations are explicitly excluded from the scope of the AFG.[138]

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[134] Agricultural and Forestry Guidelines, cit., paras. 255 ff.
[135] *Ivi*, para. 274(b)(i)(2).
[136] *Ivi*, para. 311(g).
[137] *Ivi*, para. 21(b).
[138] *Ivi*, para. 496.

Focussing on the specific aid categories that may support nature restoration initiatives, as required by Article 12 of the NRR,[139] reference is to be made, firstly, to investments in forest area development, where the Commission sets out very detailed compatibility conditions.

In case of **aid for afforestation and creation of woodland,** [140] some minimum environmental requirements apply to the choice of species, taking into account also the case where soil degradation impedes the planting of perennial woods.[141] In this vein, short-rotation plantations are excluded from the scope of the measure.[142] The aid may cover the cost of forest establishment, as well as an annual premium per hectare to compensate foregone agricultural income and maintenance costs.[143]

Investment aid may be granted also to support **regeneration of agro-forestry systems,**[144] namely "land use systems in which trees are grown in combination with agriculture on the same land".[145] When developing this measure, Member States are required to take into account the environmental conditions as well as the need for sustainable agricultural use of the land.[146]

In order to enhance the provision of ecosystem services, also in a long-term perspective, aid may be granted to **investments improving the resilience and environmental value of forest ecosystems.**[147] Notably, these measures imply a long-term perspective which is in line with the NRR's goals.

Another relevant category is that of **aid aiming to prevent and restore damage to forests,** [148] whose broad scope may include investments for maintaining the health of forests.[149] Depending on its rationale and objectives, the measure may be assessed by the Commission either under Article 107(2)(b) or 107(3)(c) TFEU.[150]

Adopting an approach similar to the one followed by the AFG in the agricultural sector, the Commission sets out the conditions for aid **compensating area-specific disadvantages**

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[139] See Part I, § III.5 of this Report.

[140] *Ivi*, para.503. See Commission, State Aid SA.118866 (2025/N) - Denmark Aid for afforestation, C(2025) 5815 final, 25.8.2025; Id., SA. 119788 (2025/N) – Denmark Amendment of SA.57978 introducing aid to cover the costs of agricultural income foregone and maintenance, C(2025) 7436 final, 31.10.2025.

[141] Agricultural and Forestry Guidelines, cit., para.504(d).

[142] *Ivi*, para.507.

[143] *Ivi*, para.506.

[144] *Ivi*, para. 509.

[145] *Ivi*, para. 33(10).

[146] *Ivi*, para. 512.

[147] *Ivi*, para. 524.

[148] *Ivi*, para. 514 ff.

[149] *Ivi*, para. 515(e).

[150] *Ivi*, para. 520. No compensation, however, may be granted for loss of income deriving from disasters and adverse events.

resulting from certain mandatory requirements,[151] as well as for investment aid supporting the conservation of natural heritage located in forests.[152]

Moreover, the AFG envisages a specific measure supporting **forest-environment, climate services and forest conservation**, conditional on undertaking voluntary management commitments in line with the specific objectives of the CAP, which the Member State must describe in detail in its notification.[153] Eligible costs for this aid may cover, among others, result-based payments schemes such as carbon farming,[154] which are deemed capable of enhancing environmental quality in a measurable way. In this case, an incentive payment up to the 20% of the compensation may apply.[155] Alternatively, however, calculation of eligible costs may be carried out by estimating "the value of the forest-environment and climate services that are not remunerated by the market".[156] This kind of approach underlines that environmental services may play a significant role in State aid control, as it is further discussed (§ **I.12**).

Moreover, aid for forest conservation can be combined with other aid categories, such as that of **aid for the conservation of genetic resources in forestry.**[157]

From a different perspective, aid may be granted also for **cooperation** initiatives, which may include the elaboration of biodiversity protection strategies in line with the CAP specific objectives.[158]

The residual category of "other aid to the forestry sector with ecological, protective and recreational objectives" allows for a flexible approach towards measures that directly contribute to maintaining or restoring the ecological functions of forests and biodiversity.[159] Within this category, the Commission lays down the condition for the compatibility of i) **aid for specific forest actions** aiming at maintaining or restoring forest ecosystems;[160] ii) **aid for maintaining and improving soil quality**, whereby Member State concerned is required to demonstrate that biodiversity is not reduced by fertilisation,[161] in line with the more general Do No Significant Harm ("DNSH") criteria; iii) aid for restoration and

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[151] *Ivi*, para. 548.
[152] *Ivi*, para. 531.
[153] *Ivi*, para. 555.
[154] *Ivi*, para. 555(a).
[155] *Ivi*, para. 555(a).
[156] *Ivi*, para. 555(b). Compare also to ibidem, para. 558.
[157] *Ivi*, para. 560. See Commission, Czech Republic SA.53954 (2019/N) Aid for the protection and reproduction of forest tree genetic resources, C(2019) 6221 final, 21.8.2019.
[158] Agricultural and Forestry Guidelines, cit., para. 576.
[159] Ibidem, para. 596.
[160] Ibidem, para. 600. This measure may cover costs of treating and preventing the spreading of pests, tree diseases and invasive alien species, as well as compensation for the damages caused by them. See Commission, SA.120753 (2025/N) – Germany GAK group measure 5.F: Aid to tackle the damage caused by extreme weather conditions in forests – Fifth amendment of the aid scheme, C(2026) 7798 final, 21.11.2025.
[161] Agricultural and Forestry Guidelines, cit., para. 603.

maintenance of *inter alia* natural habitats for animals in the forestry sector;[162] iv) aid to make good on damage to forests caused by protected animals.[163]

Over the period of application of the 2022 Agriculture and Forestry Guidelines, the practice shows an increasing role for public financial support in nature restoration initiatives.[164] These decisions may provide useful case studies also for the elaboration of the National Restoration Plan.

TABLE 2 - RECENT AFG PRACTICE IN THE FORESTRY SECTOR

Recent AFG practice in the forestry sector			
Case No. (Decision Date)	**Member State**	**Main objectives**	**Aid Instrument - Type**
SA.118866 (25.08.2025)	Denmark	Aid for afforestation	Direct grant, Tax advantage - Scheme
SA.111967 (28.02.2024)	Italy	Payment for forest-environment and climate commitments	Direct grant, - Scheme
SA.114173 (25.6.2024)	Germany	Contract-based programme for nature protection in the forestry sector	Direct grant, - Scheme
SA.104922 (24.8.2023)	Ireland	Woodland Improvement; Fencing; Forest Management Plan; Native Woodland Conservation; Climate Resilient Reforestation	Direct grant, - Scheme

I.11 Nature restoration and State aid for the Fishery and Aquaculture sector

The Common Fisheries Policy ("CFP") aims at ensuring that marine biological resources are managed in a sustainable way. State aid supporting the fishery and aquaculture sector

[162] Agricultural and Forestry Guidelines, cit., para. 607. This measure must cover costs unrelated the implementation of the Habitat and Birds Directives, as the latter fall under another aid category

[163] Ibidem, para. 611. Beneficiaries in this case are required to adopt preventive measures (e.g., fences) in order to be deemed eligible for the aid.

[164] In the 2023-2025 period alone, around 70 decisions authorizing aid linked to nature conservation or restoration projects under the 2022 Agricultural Guidelines have been identified. By comparison, during the validity of the previous guidelines (2014-2022), around 200 decisions with the same characteristics had been traced back. The data have been elaborated via the DG COMP official database.

is embedded in the broader context of the CFP,[165] whose financial implementation is ensured by the European Maritime, Fisheries and Aquaculture Fund ("EMFAF").[166] From the State aid perspective, the main sectoral rules are provided by the above-mentioned Fisheries Block Exemption Regulation ("FIBER") and the Fishery and Aquaculture Guidelines.[167]

According to the FIBER, aid up to the threshold of EUR 2,5 million per investment project (or EUR 1,25 million per undertaking per year) is exempted from notification requirement.[168] While the notions of biodiversity and ecosystem restoration, as well as that of the environmental services, can be found in the FIBER, none of these is explicitly defined.

As far as the fishery sector is concerned (Sec. 1), the FIBER allows aid for the protection and restoration of marine biodiversity and ecosystems and regimes in the framework of sustainable fishing activities (Article 26 FIBER). Under this provision, aid may be granted for the purchase and installation of facilities to protect marine areas from trawling and to restore degraded ecosystems, as well as for conducting related scientific studies.[169] In a capacity building perspective, aid may be granted also for the training of fishermen on practices that improve the management and conservation of marine resources.[170]

Notably, the FIBER exempts **aid that maintains and enhances biodiversity and ecosystem services**, including restoration of specific marine and coastal habitats.[171] This aid category may include positive conservation measures to preserve flora and fauna,[172] in line with Green Infrastructure principles.[173] Aid for environmental services is also allowed in the in the **aquaculture sector**, in particular for i) the development of aquaculture measures compatible with management requirements applicable to Natura 2000 areas; ii) direct support to conservation and reproduction of aquatic animals in the framework of programmes elaborated by national authorities; iii) aquaculture operations fostering the improvement of the environment and biodiversity.[174]

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[165] Regulation (EU) No 1380/2013 of the European Parliament and of the Council of 11 December 2013 on the Common Fisheries Policy, amending Council Regulations (EC) No 1954/2003 and (EC) No 1224/2009 and repealing Council Regulations (EC) No 2371/2002 and (EC) No 639/2004 and Council Decision 2004/585/EC, OJ L 354, 28.12.2013, p. 22.

[166] Regulation (EU) 2021/1139 of the European Parliament and of the Council of 7 July 2021 establishing the European Maritime, Fisheries and Aquaculture Fund and amending Regulation (EU) 2017/1004, OJ L 247, 13.7.2021, p. 1.

[167] Commission, Guidelines for State aid in the fishery and aquaculture sector, 2023/C 107/01 (FAG).

[168] Article 3(1) FIBER, cit. During the grant period, the beneficiary shall comply with the rules of the Common Fisheries Policy (ibidem, Article 4(2)).

[169] Article 26(2)(b) FIBER, cit.

[170] Article 26(2)(c) FIBER, cit.

[171] Article 26(2)(d) FIBER, cit.

[172] Article 26(2)(d)(v) FIBER, cit.

[173] Commission Communication, Green Infrastructure (GI) - Enhancing Europe's Natural Capital, COM(2013) 249 final, 6.5.2013.

[174] Article 39(1)(a)-(b) FIBER, cit.

The provision of environmental services may also justify **aid aiming at the diversification of income sources**, both for fishermen[175] and for those employed in the aquaculture sector.[176]

In its the Fishery and Aquaculture Guidelines ("FAG"), the Commission points out, first of all, that aid to this sector should contribute to the CFP and to environmental policy objectives, such as restoring river continuity under the Water Framework Directive.[177] Moreover, alignment with other EU policies, such as the Biodiversity Strategy, may trigger a presumption of wider positive effects of the aid.[178]

Notably, the FAG allows for **aid for the permanent cessation of fishing activities**. Specific compatibility conditions are set out,[179] but they may be exceptionally derogated where the cessation is based on the need to preserve marine biological resources due to environmental degradation of local marine waters or the unsustainable reduction of fishing spaces.[180]

Recent practice of the Commission – Croatian scheme for the permanent cessation of fishing activities (SA.118191)

The scheme provides compensation to owners of fishing vessels for the permanent withdrawal from commercial fishing, either by destruction of vessels or conversion to other activities outside commercial fishing.[181] The permanent cessation measure has been identified as one of the priority actions in the Prioritised Action Framework for Natura 2000 and is expected to have a positive impact on biodiversity restoration. According to the Commission, the measure is deemed coherent with the CFP and EMFAF support. Moreover, as the scheme requires that beneficiaries comply with the rules of the CFP and continue to do so throughout the period of implementation of the project and until five years after the final payment, the Commission concluded that the positive impact of the scheme outweighs its negative effects in terms of distortions of competition and impact on trade between Member States.

[175] Article 19(a) FIBER, cit.

[176] Article 33(2) FIBER, cit. Investment aid in the aquaculture sector may include also practices fostering nature restoration initiatives, such as restoration of ponds and lagoons (see Article 33(1) and (4) FIBER, cit.)

[177] FAG, cit., para. 131.

[178] FAG, cit., para. 133 FIBER.

[179] FAG, cit., para. 273 FIBER.

[180] FAG, cit., para. 277 FIBER.

[181] Commission, SA.118191 (2025/N) – Croatia, State aid scheme to compensate for the permanent cessation of fishing activities, C(2025) 7073 final, 17.10.2025, esp. paras. 122 ff.

I.12 Nature restoration and services of general economic interest (SGEI)?

The notion of SGEI is an additional route to incorporate environmental considerations within the EU law discipline of public spending. While article 106(1) TFEU requires Member States to ensure that public undertakings and those enjoying special or exclusive rights comply with EU competition rules, including State aid rules, article 106(2) TFEU introduces a derogation allowing undertakings entrusted with the operation of SGEIs to be exempt from the application of competition and State aid rules, insofar as those rules would obstruct the performance of their public service tasks, provided that trade is not affected to an extent contrary to the "*interests of the Union"*. Article 106(2) TFEU also provides the legal basis allowing for compensation of public service obligations that might otherwise qualify as State aid, underpinning other doctrines and instruments such as the ***Altmark* criteria,**[182] the **SGEI Decision,**[183] and the **SGEI Framework.**[184] Environmental services have benefited from this derogation. The *Diego Cali* case is a notable example of this approach.[185] Here, the CJEU held that the monitoring and prevention of oil pollution in the port of Genoa constituted a service of general economic interest (SGEI). The undertaking enjoyed exclusive rights and charged compulsory fees to port users. The grant of exclusive rights could be justified under Article 106(2) TFEU since the task involved continuous surveillance, specialised expertise, and public-interest environmental objectives that would be difficult to ensure under normal market conditions. This judgment has since served as a basis for applying Article 106(2) TFEU to other environmental services, such as waste management.[186]

Having clarified the above, one may question whether **nature conservation activities, when entrusted to an undertaking and carried out as an economic service or in connection with an economic activity may fall under the scope of Article 106(2) TFEU** or connected doctrines. This would imply the qualification of such activities as SGEI or public services. To be clear, nature restoration and conservation projects, where entrusted to undertakings, are allowed in different ways under the exceptions provided by the above-mentioned state aid legal framework, and the Commission usually prefers to assess their compatibility under art. 107.3 TFEU and related Guidelines (above, **I.6 ff.**).

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[182] CJEU, 24 July 2003, Case C-280/00, *Altmark Trans and Regierungspräsidium Magdeburg.*

[183] Commission Decision of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest, in OJ L 7, 11.1.2012, p. 3-10.

[184] Communication from the Commission, European Union framework for State aid in the form of public service compensation, in OJ C 8 of 11.1.2012, p. 15-22. See also Commission Regulation (EU) 2023/2832 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid granted to undertakings providing services of general economic interest, in OJ L 2832, 15.12.2023.

[185] CJEU, Case C-343/95, *Diego Cali & Figli Srl v Servizi ecologici porto di Genova SpA*.

[186] CJEU, Case C-209/98, *Sydhavnens Sten & Grus A/S v Københavns Kommune*; Commission Decision N 330/2004 – *Ireland – Waste Management Services*.

However, the idea of considering such activities as SGEI under art. 106 TFEU would entail a more radical approach, capable of catalysing a change of perspective in the allocation of public funding, valorising in particular the wide-spread economic as well as environmental benefits to society deriving from this type of activities, in line with environmental solidarity objectives and with more recent trends of EU regulation in this field.

In this regard, nature conservation is not a new objective of EU law and policy. Since the very beginning of EU environmental policy, it has adopted measures aimed to protect nature such as the Habitats Directive,[187] and the Birds Directive.[188] Numerous other legislative instruments have followed, aiming to impose on Member States obligations to protect nature and reduce pollution. Their effectiveness, however, has not been fully satisfactory for several reasons, which go beyond the scope of the present work. In any case, today, the need to intervene is somehow even more compelling, if one considers that, according to experts, and despite the prolific legislation in place, Europe's nature is in alarming decline, with more than 80% of habitats in poor condition.[189] This also justifies a shift form a language based on nature "conservation" to one of "restoration", as enshrined in the NRR.[190]

As compared to previous legislation, the Nature restoration regulation focuses on the economic and societal benefits of healthy ecosystems, which deliver a range of so called "**ecosystem services**" that contribute significantly to enhancing productivity in certain sectors. In particular, its recital 14 underscores that "*biodiverse ecosystems such as wetland, freshwater, forest as well as agricultural, sparsely vegetated, marine, coastal and urban ecosystems deliver, if in good condition, a range of essential ecosystem services, and the benefits of restoring degraded ecosystems to good condition in all land and sea areas far outweigh the costs of restoration."* The underling idea is that restoring wetlands, rivers, forests, grasslands, marine ecosystems, and the species they host will help not only to increase biodiversity as a value *per se*, limit global warming and therefore mitigate climate change, but also secure the mentioned ecosystem services. These are **services that nature does for free**, like cleaning our water and air, pollinating crops, protecting us from floods and spreading diseases, increase resilience of our agricultural system and thus food

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[187] Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, cit.

[188] Directive 2009/147/EC of 30 November 2009 on the conservation of wild birds, cit.

[189] See Part I, Chapter I of this Report.

[190] According to regulation (EU) 2024/1991 of 24 June 2024 on nature restoration, art. 3.3, "'*restoration' means the process of actively or passively assisting the recovery of an ecosystem in order to improve its structure and functions, with the aim of conserving or enhancing biodiversity and ecosystem resilience, through improving an area of a habitat type to good condition, re-establishing favourable reference area, and improving a habitat of a species to sufficient quality and quantity".* The Nature restoration regulation implements the EU biodiversity strategy 2030, as a fundamental part of the European Green deal. Action in the field of biodiversity is also imposed by EU and the member States international obligations, as deriving from the Convention on Biological Diversity, to which both EU and the MS are parties, and the Global Biodiversity Framework, adopted at the fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity on 7-19 December 2022, setting out action-oriented global targets for urgent action over the decade to 2030.

security. They are clearly measurable in economic terms, by referring to the cost of replacing them through human activities (although some of them are probably not completely replaceable). As a matter of fact, they **contribute significantly to our GDP in sectors such as tourism, agri-food and wood production and lead to savings in public spending in sectors such as healthcare and natural disaster prevention**. This is why it is generally stated that every euro invested into nature restoration adds €4 to €38 in returns.[191]

In light of the above, public compensation for such activities could be allowed not only by exceptions provided under art. 107 TFEU, but also under art. 106 TFEU or connected doctrines. Indeed, **Member States have a wide margin of discretion regarding the nature of services that can be classified as SGEIs**. **The Commission has already accepted in some cases that conservation projects qualify as SGEIs**. This approach has not been challenged before the Court of Justice, even if there is no clear judgment in which Article 106(2) TFEU has been expressly applied to a "pure" nature conservation activity. For example, in a case regarding two German measures entailing respectively the funding of large scale conservation projects and the free transfer of federally-owned land to natural heritage areas, accompanied by nature conservation obligations to beneficiaries selected through open procedures based on technical qualifications, the beneficiaries were considered undertakings, in view of the economic activities carried out in connection with the land, such as sale of wood, fishing and hunting licenses. Nonetheless, the Commission held that *"nature restoration tasks entrusted by Germany to nature conservation entities pursue objectives which are of interest for society as a whole, namely the preservation of intact habitats… for future generations. These tasks can be construed as services rendered to all citizens… compensation for SGEI is the most correct approach for the measures put in place by Germany, which must be assessed globally."* Hence, the measure was considered compatible with art. 106.2 TFUE.[192] While the decision is not fully convincing in its legal reasoning, due to the cumulative assessment of economic and non-economic elements within the alleged SGEI - i.e. nature conservation is not considered an economic activity according to the case-law of the Court of Justice, but when it is accompanied by economic exploitation of land, it may qualify as SGEI under art. 106 TFEU - it has the merit of acknowledging **the value of nature restoration in terms of a service to society as a whole**. Alternatively, one could apply the *Altmark* criteria,[193] to the extent that the beneficiary covers the costs necessary to provide healthy ecosystem services to the public.

This situation should be distinguished from the one, analysed by the Court in the *Santini* case, where an economic operator is compensated for losses deriving from the obligation to comply with national regulation arising from the implementation of the EU nature law

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[191] See, Commission website, https://environment.ec.europa.eu/topics/nature-and-biodiversity/nature-restoration-regulation_en

[192] *State aid NN 8/2009 – Germany. Nature conservation*; see, for similar findings, also *State aid No SA.27301 (2015/NN) – the Netherlands. Alleged illegal State aid in connection with the subsidized acquisition or free granting of nature land.*

[193] CJEU, 24 July 2003, Case C-280/00, *Altmark Trans and Regierungspräsidium Magdeburg.*

(namely, the Birds Directive). Indeed, the Court has clarified that the mere obligation to comply with EU nature conservation obligations does not mean that an operator has been entrusted with public service obligations.[194]

Having clarified this, both the proposed solutions point towards a possible shift from an approach based on the traditional "polluter pays" principle towards one embedding a new "beneficiary pays" principle. Such a shift would reflect a more solidaristic approach to environmental protection, one that acknowledges the collective benefits derived from healthy ecosystems and justifies collective financial responsibility for their preservation and restoration.

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CHAPTER II – NATURE RESTORATION AND EU FINANCING

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II.1 EU direct and indirect funds

The EU legislator has deliberately chosen not to establish a single, dedicated restoration fund. Instead, the financing of nature restoration is conceived as a process of mobilising, aligning and integrating existing financial instruments at both EU and national levels. All of these need to be strategically aligned with the National Restoration Plans to achieve the NRR's targets for 2030 and beyond. The Regulation also explicitly encourages Member States to explore complementary and innovative financing mechanisms, including private and blended finance.

Recognizing the need for dedicated public funding to support the implementation of the Regulation, the Commission has committed itself to presenting a report analysing potential financing gaps and proposing measures, such as the establishment of dedicated funding. Despite the fact that the Regulation states that this report should be presented within 12 months from the entry into force of the Regulation (August 2025), at time of writing, it has not yet been published.[1]

At an EU level, several existing funding instruments can be mobilised in support of nature restoration. The main European Union funding streams for nature restoration in the 2021–2027 period are the following:

LIFE Programme (2021–2027)

The EU's primary environmental funding instrument, LIFE co-finances projects that contribute to implementing EU environmental and biodiversity policy. It supports nature conservation and restoration activities, awareness, innovation, and governance actions. Projects can receive EU co-financing (often up to 50 % or more for priority habitats).

InvestEU and other investment facilities

EU investment instruments like *InvestEU* and other sustainability-focused facilities can leverage public funds to crowd-in private capital for restoration and nature-based solutions. These tools are meant to reduce risks and attract investors in green projects, including landscape restoration, natural infrastructure and ecosystem services, often through *blended finance* approaches.

EU Cohesion policy

Under the Multiannual Financial Framework (MFF), structural funds (e.g. European Regional Development Fund, Cohesion Fund) offer opportunities for member states to

[1] Preamble para. 81, NRR.

support habitat restoration, agri-environment-climate measures, or nature-based practices — especially when aligned with Member States' National Restoration Plans.

Recovery funds & strategic EU budget lines

Instruments such as NextGenerationEU/Recovery and Resilience Facility (RRF) can also include environmental and nature restoration measures within broader resilience and green transition plans. These funds are intended to accelerate ecological transition and can support restoration as part of climate adaptation or land management reforms.

European Maritime, Fisheries and Aquaculture Fund (EMFAF)

The fund includes restoration projects (marine and river), capacity building and monitoring carried out by Member States, public and private entities, civil society organizations.

Common Agricultural Policy (CAP) funding (indirect)

Funds such as the European Agricultural Guarantee Fund (EAGF) can support farmers for restoration and maintenance of agroecosystems and grassland, including simple annual actions. The European Agricultural Fund for Rural Development (EAFRD) can support farmers, foresters and landowners for restoration of ecosystems, capacity building, knowledge exchange, and cooperation applied to agroecosystems, grasslands, forests, peatlands, coastal wetlands and other agriculture-related areas.

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CHAPTER III – NATURE RESTORATION AND PRIVATE FINANCING

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III.1 Introduction. – III.2 The EU regulatory framework. – III.3. Conceptualising nature credits: Certification and crediting. – III.4 Practical applications. – III.5 Structural tensions and open legal questions. – III.6 Italian practice. – Further reading.

III.1 Introduction

Nature restoration is no longer framed solely as an environmental imperative but increasingly as a structural economic necessity. The European Commission's *Policy Imperatives for a Competitive and Resilient Nature-Positive Economy*[1] establishes that European prosperity is deeply embedded within ecological systems, with a substantial proportion of EU gross value added directly or indirectly dependent on ecosystem services. Similarly, the *Roadmap towards Nature Credits*[2] (COM(2025)374) explicitly recognises nature as a "strategic economic asset" and emphasises its relevance for production processes, financial risk exposure, and creditworthiness. **Loss of nature at land and at sea is understood to be a major driver of economic losses and financial risk.**

In this context, private-sector financing of nature restoration is not presented as a discretionary corporate social responsibility initiative but as a necessary complement to public investment and a component of financial risk management.

However, mobilising private capital for nature restoration requires legal innovation. **Ecosystem services remain difficult to monetise** and are typically underprovided due to market failures, including externalities and free-rider problems. Public budgets alone are insufficient to close the biodiversity financing gap, which is significant both globally and within the EU. The legal challenge, therefore, is to design mechanisms capable of attracting private investment while preserving ecological integrity and safeguarding public objectives.

Available mechanisms to finance the implementation of the Nature Restoration Regulation involving private actors include:

Nature/biodiversity credits

Nature credits can be used to finance projects and activities that produce positive and measurable outcomes for biodiversity, through the creation and sale of biodiversity units. Nature credits may recognise contributions toward national restoration targets and help

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[1] European Commission: Directorate-General for Research and Innovation, McQuaid, S., Zandersen, M., Brophy, M., Rizzi, D. et al., *Policy imperatives for a competitive and resilient nature-positive economy*, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2777/8109329

[2] Communication from the commission to the European Parliament, the Council, the European economic and social committee and the Committee of the regions, *Roadmap towards Nature Credits*, COM(2025)374 final

develop an economic system that generates positive outcomes for the environment (see further below § III.3)

Biodiversity offsets

Biodiversity offsets serve as compensatory measures for environmental damage caused by a lawful activity, in particular for direct and indirect impacts that cannot be avoided, minimized, or remediated. They could be imposed, for example, to contractors of infrastructure projects or for certain activities carried out on privately owned land.[3]

Payment for ecosystem services (PES)

PES are mechanisms designed to provide financial compensation for the services that ecosystems naturally deliver free of charge (see above, § I.12). In PES schemes, the compensation for ecosystem services is provided by beneficiaries — governments, private companies, NGOs, international donors, or market actors — to those who manage or protect ecosystems in ways that sustain or improve those services. This creates an economic incentive for their conservation and sustainable management.

Philanthropic contributions

For-profit and non-profit organizations can fund nature restoration projects based on philanthropic considerations. A special governance model is represented by the **reintegration economy**, where a company's net profits – after costs and taxes are subtracted – are invested in the protection of biodiversity and ecosystems. The company is owned by a foundation with specific statutory objectives. This offers an alternative to the company establishing a foundation to which it donates part or all of its proceeds.

Green bonds

Green bonds are debt instruments issued to raise money specifically for projects that have positive environmental or climate benefits. They work like regular bonds: investors lend money to the bond issuer (a government, a bank, a company, or a development institution) and receive interest, but the funds must be used only for environmentally sustainable projects. The bond is backed by the issuer's balance sheet, even if the project does not generate own revenues. **Nature Performance Bonds** are innovative debt instruments whereby a state's cost of borrowing is partially linked to its achievement of measurable nature or biodiversity outcomes. They are designed mainly for sovereign issuers.

Insurance solutions

There is growing awareness of the role that insurance sector can play in shaping a nature-positive economy. Insurers and re-insurers can contribute in different ways such as managing biodiversity loss as a risk factor, steering capital and shaping incentives through insurance products. For example, higher premiums can be charged for activities that harm ecosystems, better conditions can be applied to businesses adopting nature-positive

[3] On the potential use of compensatory measures to ensure Member States' compliance with non-deterioration obligations in the NRR, see Part I, § III.3 of this Report.

practices and specific insurance products can be designed in order to cope with biodiversity loss risk.

III.2 The EU regulatory framework

Private-sector nature financing in the EU is emerging within a structured regulatory ecosystem rather than in a regulatory vacuum. Two pillars are particularly significant: (1) binding ecological obligations and (2) sustainable finance regulation.

The Nature Restoration Regulation establishes legally binding targets for ecosystem restoration across terrestrial and marine environments. A binding restoration framework provides:

- Predictable regulatory demand for restoration activities.
- A baseline against which "additionality" can be assessed.
- A structured public governance context within which private finance tools may operate.

Without such binding obligations, nature finance systems would risk becoming detached from measurable ecological outcomes or substituting public responsibilities. Parallel to environmental law developments, EU sustainable finance legislation—most notably the Corporate Sustainability Reporting Directive (CSRD),[4] the Sustainable Finance Disclosure Regulation (SFDR),[5] and the EU Taxonomy Regulation[6]—has expanded corporate duties regarding sustainability risk disclosure. Hence, nature-related risks increasingly influence financial supervision and lending decisions.

As biodiversity risks become material to financial decision-making, companies and financial institutions face regulatory incentives to:

- Assess and disclose dependencies on ecosystem services.
- Integrate biodiversity into risk management frameworks.
- Seek credible instruments demonstrating nature-positive action.

Companies that adopt nature-positive strategies can benefit from higher investors' confidence, better financial conditions and greater long-term resilience, with **benefit also for their shareholders.**

III.3. Conceptualising nature credits: Certification and crediting

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[4] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859, OJ L 2024/1760 of 5 July 2024.

[5] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, OJ L 317/1 of 9 December 2019.

[6] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198 13 of 22 June 2020.

The Commission's above-mentioned *Roadmap* proposes a two-step model for certifying and issuing nature credits.

First, certification bodies verify that an intervention meets predefined high-integrity standards for nature-positive action, including scientific robustness, transparency, and governance safeguards. Second, credits may be issued to represent verified, quantified biodiversity outcomes derived from those certified actions.

Example of nature credit system: certification + crediting

A group of farmers and land managers working collaboratively to restore and enhance a wetland ecosystem may implement a range of targeted practices. An independent, accredited certifier evaluates the project plan, the methodologies applied, and the expected impacts. Based on this assessment, the group is awarded a **certificate** — a formal recognition that the initiative meets high-quality standards for nature-positive action.
This certification helps attract financial support and strengthens stakeholder trust, enhancing the value and credibility of the practices implemented. Over time, the project is monitored, and nature **credits are issued progressively** as measurable results are achieved. The issuance process must adhere to rigorous scientific and governance protocols to ensure integrity and prevent premature claims.
The nature credit value chain involves multiple actors, including intermediaries (such as aggregators or landscape-level facilitators), certifiers, registries, and buyers. Buyers may include downstream companies (e.g., agrifood businesses), financial institutions, public authorities, or individual citizens — particularly in the context of voluntary contributions, public procurement, or local benefit-sharing mechanisms.
See COM(2025) 374.

This model closely resembles the EU Carbon Removal Certification Framework (CRCF)[7] which establishes a voluntary certification system for carbon removals and ecosystem-based emission reductions achieved in the EU, built on robust monitoring, reporting and verification. [8] **Integrating biodiversity into carbon certification could strengthen ecological credibility** of certified units under CRCF and may also help buyers to **become more familiar with biodiversity gains**, potentially laying the ground for a stand-alone nature credit market.

However, it should be taken into account that nature credits differ from carbon credits in important respects:

- Biodiversity outcomes are site-specific and multidimensional.

[7] Regulation (EU) 2024/3012 of the European Parliament and of the Council of 27 November 2024 establishing a Union certification framework for permanent carbon removals, carbon farming and carbon storage in products.

[8] See also Part I, § V.4 of this Report.

- Ecological benefits may materialise over longer time horizons.
- Measurement frameworks must account for heterogeneity across ecosystems.

In any case, strict safeguards are needed to **prevent greenwashing and double counting**, including **independent verification, separation of roles between project developers and certifiers, and alignment with global biodiversity targets**. International initiatives, led by expert coalitions – such as Biodiversity Credits Alliance (BCA), the World Economic Forum (WEF) and the International Advisory Panel on Biodiversity Credits (IAPB) – and voluntary nature disclosure frameworks – such as Taskforce on Nature-Related Financial Disclosures (TNFD) and the Science-Based Targets Network (SBTN) – are converging around shared principles for credible, high-integrity systems. These safeguards are essential to ensuring legal defensibility and market credibility.

It is also important that **farmers, foresters, land managers, fishers, and local communities are rewarded** for stewardship activities. Without safeguards, there is a risk that large corporations or financial intermediaries capture disproportionate value, while primary stewards of ecosystems bear costs without commensurate benefits.

III.4 Practical applications

Although still at an early stage, some projects illustrate the practical application of nature credits and other nature financing solutions. Some Member States are piloting biodiversity finance models that blend public and private finance. Examples in the EU include agrifood companies supporting farmers in transitioning to regenerative agriculture[9] or blended finance models supporting aquaculture for restoring marine biodiversity.[10]

Practical examples

Wetland Restoration in France[11]
In this model, land managers implement large-scale restoration projects—such as wetland rehabilitation—which are independently assessed and may generate biodiversity units. These units can be used by developers or other actors within defined regulatory frameworks.

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[9] M. MANSHANDEN, A. JELLEMA, W. SUKKEL, W.H.G.J. HENNEN, R. JONGENEEL et al., *Regenerative agriculture in Europe: An overview paper on the state of knowledge and innovation in Europe*, Wageningen Economic Research, 2023, https://doi.org/10.18174/629483; E. BORGMAN, R. FISCHER BOGASON, A. ENGELBRECHT HANSEN, A. MØLLER NIELSEN, L. BENNUN, *Biodiversity and financing: Review of tools in the Nordic countries*, 2023, available at https://norden.diva-portal.org/smash/record.jsf?pid=diva2%3A1803819&dswid=5871.

[10] Global Seaweed Coalition and EIB, *Financing opportunities for EIB in support of sustainable seaweed and bivalve sectors in the EU, and criteria to ensure their sustainability*, 13 March 2025, available at https://www.safeseaweedcoalition.org/europeseaweed-bivalve-report/.

[11] For further information, see https://www.ecologie.gouv.fr/politiques-publiques/sites-naturels-compensation-restauration-renaturation.

While originally linked to compensation mechanisms, such models provide a template for broader voluntary credit systems where verified ecological gains are monetised.

Peatland Restoration in Ireland[12]
Ireland's voluntary peatland finance initiative demonstrates how restoration projects can attract private investment. Peatland rewetting enhances biodiversity while delivering carbon sequestration and water regulation co-benefits. Under a certification-based approach, verified improvements in ecosystem condition could generate tradable nature credits. This example illustrates how multifunctional ecosystems—providing biodiversity, climate, and hydrological benefits—are particularly well suited to integrated crediting systems.

Voluntary Biodiversity Systems in Finland[13]
Finland has introduced a voluntary system supporting national biodiversity efforts. By enabling landowners to generate recognised biodiversity value units through conservation actions, this model tests the feasibility of decentralised, stewardship-based market instruments. Such initiatives highlight the importance of aligning national experimentation with EU-level governance principles to ensure consistency and prevent market fragmentation.

Biodiversity net gain policy in UK[14]
Biodiversity Net Gain (BNG) is a mandatory planning requirement that legally obliges land managers and most new developers (exemptions apply, for example, to some small developers or infrastructure projects) to leave the natural environment in a measurably better state than before. Specifically, developers must ensure that their projects deliver at least a 10% net increase in biodiversity value compared to the pre-development baseline — measured using a statutory biodiversity metric — and maintain this gain for at least 30 years. BNG represents one of the most advanced net-outcome biodiversity policies in the world and marks a significant shift from traditional planning practice, which has historically focused on mitigation and avoidance without legally requiring a net positive outcome for nature.

III.6 Italian practice

Although still limited, mainly due to a lack of knowledge or reluctance within the private sector, Italy does offer some successful examples of nature financing. These include sovereign and private green bonds, payment for ecosystem services schemes, blended public–private models, insurance solutions, and sustainability credit projects. A (non-exhaustive) collection of Italian practice can be found in the report *Strumenti pubblici e iniziative delle imprese per la realizzazione di interventi per la tutela, gestione e ripristino*

[12] For further information, see https://peatlandfinance.ie/.
[13] For further information, see https://ym.fi/en/voluntary-nature-values-market.
[14] For further information, see https://www.gov.uk/government/collections/biodiversity-net-gain.

degli ecosistemi e per la valorizzazione del Capitale Naturale nel Distretto del Po, 2025.[15] Some examples are reported below.

Italian practice – Private Financing for Nature Restoration

Italian Sovereign Green Bonds

Italy issues *Green Buoni del Tesoro Poliennali* (*Green BTPs*), a type of sovereign green bond. The first two issuances of Green BTPs in 2024 were the largest sovereign green bond issuance in the world at the time. The proceeds are allocated to public expenditures with positive environmental impacts, which are based on EU taxonomy — including protection and restoration of biodiversity and ecosystems, alongside climate, water, circular economy and pollution prevention objectives.

Fondo "Bioclima": example of public-private partnership

In 2022, the Lombardy Region (Regione Lombardia), together with Fondazione Cariplo and Etifor, launched a public-private initiative to support investments in the region's protected areas. The mechanism engaged private companies through the economic valuation of ecosystem services (including biodiversity) generated by certified local protected forest areas. Managing authorities wishing to apply for funding under the public "BioClima" fund must secure at least 30% private co-financing, provided by companies seeking to benefit from the positive impacts generated by the protected area.

Parametric insurance (feasibility study)

Within the framework of the LIFE DRIVE project,[16] a feasibility study was conducted in collaboration with Generali Group and other partners, to explore possible forms of value enhancement for agricultural enterprises. A parametric insurance scheme was identified as a suitable solution for incorporating environmental performance indicators into policies. Parametric insurance is a type of coverage that provides, in the event of a claim, a pre-established payout. The adoption of agronomic practices that enhance crop resilience may be used as a condition for farmers to secure this type of policy under favourable terms.

Romagna Acque Agreement: example of voluntary PES

An example of a "pure" PES is the agreement involving Romagna Acque, the manager of the Ridracoli water reservoir, and the forest owners of the surrounding areas, in order to address the geomorphological risk of soil erosion. In 2001, Romagna Acque introduced a payment scheme to encourage forest owners to adopt sustainable forest management practices that reduce soil erosion. The initial payment amounted to approximately €200 per hectare, later reduced to €100 per hectare after several years, corresponding respectively to 7% and 3% of water service revenues.

[15] https://www.adbpo.it/wp-content/uploads/2025/03/Strumenti-pubblici-e-iniziative-per-la-valorizz.pdf.

[16] For further information, see www.drive-life.it.

Regione Piemonte law on integrated water service: example of compulsory PES

The Piedmont Region introduced, in its legislation on the Integrated Water Service (Piedmont – Regional Law 13/97), the obligation that "the Area Authority shall allocate a share of the tariff, not less than 3 percent, to activities aimed at the protection and safeguarding of the hydrogeological stability of mountain areas." As a consequence, drinking water consumers are charged a water fee that takes into account the cost of ecosystem restoration measures in the district from which the resource is withdrawn. The competent Regulatory Authority accepted, during the first fee period (2012–2019), such payments as part of the water fee and classified them as "environmental and resource costs."

Crediti di Sostenibilità Project within Parco Nazionale dell'Appennino Tosco Emiliano[17]

The overall objective of the project is to enhance the climate resilience of forests within the Tosco-Emilian Apennine Biosphere Reserve, both to minimize the negative effects of climate change and to encourage forest management practices capable of supporting local landowners while safeguarding biodiversity. Sustainability Credits within the Biosphere Reserve territory are issued exclusively upon adoption of specific solutions that are additional to traditional management practices. They are applicable only within forests certified for sustainable/responsible forest management and for ecosystem services under both FSC and PEFC standards. Group members are eligible for credits when they adopt practices including:

- increasing forest biomass;
- extending the minimum rotation period of coppice forests;
- converting coppice forests into high forest;
- reforestation following exceptional destructive events;
- afforestation/reforestation activities;
- reducing wildfire risk;
- protection activities against biotic damage.

III.5 Structural tensions and open legal questions

Despite promising developments, several unresolved legal issues remain.

First, **integration with State aid rules, procurement law, and land tenure regimes** may generate legal complexity.[18] Public co-financing mechanisms must comply with EU

[17] For further information, see https://creditisostenibilita.it/.
[18] See CJEU, 27 January 2022, case C-234/20, *Santini.*

competition law (above, Chapter I), while respecting property rights and long-term conservation commitments.

Second, there is a risk of commodifying biodiversity in ways that obscure its intrinsic value. A nature-positive Economy must prioritise full ecological recovery rather than merely efficiency gains. Private financing systems must therefore avoid reducing biodiversity to interchangeable units detached from the context of ecosystems.

Third, there is a need to reconcile voluntary market mechanisms with binding public objectives. **Credits must complement — not substitute — public obligations under the Nature Restoration Regulation** and the Global Biodiversity Framework.

Further reading

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