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EUROPEAN PARLIAMENT**

Financing Natura 2000

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1. INTRODUCTION

At the European Council meeting in Gothenburg in June 2001¹, European Heads of State and Government made a commitment to reverse the decline of biodiversity in the European Union by the year 2010. The Natura 2000 network of protected areas made up of sites designated under the Community Birds and Habitats directives is a key pillar of Community action for the conservation of biodiversity. It is central to achieving the commitment made in Gothenburg.

Despite the importance of biodiversity for society and the strength of the economic arguments for conservation, the measures taken at EU and Member State level, have been insufficient. The overall state of European biodiversity is poor and the general trend² is one of continuing decline. The European Environment Agency's Third Environmental Assessment³(2003) stated that "*important ecosystems continue to be at risk*" while "*species population trends are mixed - some previously highly threatened species are starting to recover, others continue to decline at alarming rates [and] decline is now also perceptible in previously common species.*" The Community has recognised that biodiversity protection is not simply an option; rather it is a critical component of sustainable development. The commitment made by Heads of State and Government at Gothenburg to reverse the decline of the EU's biodiversity by the year 2010 is recognised as a key element of the EU Sustainable Development Strategy⁴ and is developed in more detail in the Sixth Community Environment Action Programme (2002-2012)⁵, which identifies nature and biodiversity as one of the four main priorities for action. Key actions identified in the Sixth EAP include implementation of the Community Biodiversity Strategy⁶ and Action Plans⁷, including full implementation of the nature directives⁸ and, in particular the establishment of a network of protected sites, the Natura 2000 network⁹. This asks further for Community assistance in terms of financial support for promoting the sustainable use of the sites and their management.

¹ Presidency Conclusions of the Gothenburg European Council, 15 and 16 June 2001.

² Europe's Environment, The Dobbris Assessment. 1999. European Environment Agency. Chapter 29.

³ Europe's Third Environmental Assessment. Environmental Assessment Report no.10. European Environment Agency. 2003. Chapter 11.

⁴ Communication from the Commission. A Sustainable Europe for a Better World: A European Union Strategy for Sustainable Development. COM(2001)264 final.

⁵ Decision No 1600/2002/EC of the European Parliament and of the Council laying down the Sixth Community Environment Action Programme (OJ L 242, 10.9.2002, p.1).

⁶ COM(1998) 42 final.

⁷ COM(2001)162 final Volumes I-V.

⁸ Council directive 79/409/EEC on the conservation of wild birds (OJ No L 103, 25.4.1979, p.1) and Council directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ No L 206, 22.07.1992, p. 7), as amended by Council directive 97/62/EC of 27 October 1997 adapting to scientific and technical progress directive 92/43/EEC (OJ No L 305, 08/11/1997, p.42).

⁹ "...establishing the Natura 2000 network and implementing the necessary technical and financial instruments and measures required for its full implementation and for the protection, outside the Natura 2000 areas, of species protected under the Habitats and Birds Directives [and] promoting the extension of the Natura 2000 network to the Candidate Countries". Article 6 §2(a) of Decision No 1600/2002/EC laying down the 6th Environmental Action Program.

The Habitats Directive (92/43/EEC) addresses also the question of Community co-financing for Natura 2000. One of the recitals recognises that *“the adoption of measures intended to promote the conservation of priority natural habitats and priority species of Community interest is a common responsibility of all Member States may, impose an excessive financial burden on certain Member States given, on the one hand, the uneven distribution of such habitats and species throughout the Community and also “the fact that the “polluter pays” principle can have only limited application in the special case of nature conservation”.* *“It is therefore agreed that, in this exceptional case, a contribution by means of Community co-financing should be provided for within the limits of the resources made available under the Community's decisions; ...”.* Article 8 of the Directive provides for Community co-financing of the network (Annex 2).

The issue of appropriate Community financial support for the implementation of the Natura 2000 network has been the subject of resolutions by both the Council and the Parliament. In preparing its response to these requests, the Commission has been assisted by an Expert Group made up of representatives of Member States and a variety of stakeholders groups. The report of the Group, delivered to the Commission in December 2002¹⁰ quantified the financial needs of the Natura 2000 network and reviewed experience of Community financing to date, as well as identified and discussed options for future Community co-financing of the network. The Commission followed up on the report with a questionnaire sent to EU-15 and the new Member States, aimed at getting greater detail on likely costs.

2. NATURA 2000

2.1. The Natura 2000 network - Current State and the Way Forward

Natura 2000 is the European ecological network of sites established under the Habitats Directive. Significant progress has been made in the establishment of the Natura 2000 network through designation by Member States of more than 18,000 sites. Today, the network covers an area of 63.7 million hectares, including a significant marine area of 7.7 million hectares, while the terrestrial area of the network (around 56 million hectares) accounts for approximately 17.5% of the EU-15 terrestrial area. Now that the network is nearing completion, there is a need to increase the focus on the active management of the sites so as to ensure long-term conservation and the achievement of the economic and social objectives of the network. This in turn raises the question of finding sufficient financing at all levels to ensure that Natura 2000 becomes a dynamic part of the EU biodiversity strategy. Investments, which promote the sustainable use of the sites and access for visitors, are particularly important in realising the potential of the network to contribute to local economic development.

The establishment of the Natura 2000 network is a major achievement. It is crucial that, as the designation process set out in the Habitats Directive nears its conclusion, attention now turns more towards management of the sites. The formulation of management plans has already started in most Member States and should be completed in the coming 2 to 3 years. The implementation of these plans clearly raises the issue of the availability of the financial and other resources required.

¹⁰ Available on line at: http://europa.eu.int/comm/environment/nature/natura_articles.htm

2.2. Managing Natura 2000 - the Costs and the Benefits

2.2.1. Financial Needs

The provisions of the Habitats Directive clearly establish that the responsibility for ensuring the management of Natura 2000 sites lies with the Member States. In practice, for many Member States this responsibility is delegated to national or regional conservation agencies or in the case of federal states it may be defined as the responsibility of regional authorities.

The financial needs of the Natura 2000 network relate to a broad range of measures required to ensure the efficient conservation management of the designated sites. It also includes actions that promote the public use and access to the sites in ways compatible with their conservation objectives. These actions can relate to one-off 'investments', such as land acquisition or the restoration of damaged habitats or features, or they may involve actions over extended periods, such as the regular active management of vegetation and other land features, and site or species monitoring. They can be directly related to on-the-ground action, or they may involve broader site management, educational and awareness-raising activities, which ensure that sites and their special qualities are protected from a variety of local and more strategic impacts. A detailed list of measures and activities necessary for the establishment and management of the Natura 2000 network is presented in Annex 3. The type of activities required can be seen to fall into four broad categories. This categorisation is useful in subsequent discussion of both costing and eligibility of funding.

2.2.2. Estimation of Costs of the Natura 2000 Network

Establishing the Natura 2000 network has given rise to costs for various groups. If development rights are restricted, land prices may fall (though neighbouring areas may see higher land prices). Natura 2000 may impose restrictions on farming practices and fishing efforts, and has been identified as posing problems for the transport and construction sectors. Mining and forestry activities on Natura 2000 sites are also affected, either by restrictions on their activity or by the need to incur additional costs related to changes in the way the activity is carried out. Mining and/or extraction rights may need to be bought out by the State, while compensation for foregone income may need to be provided to forest owners. Given the extensive nature of the network, occupying approximately 60 million hectares and around 17.5% of the territory of EU-15, it is not surprising that the anticipated costs are substantial. The analysis presented in Annex 8 does not take account of these costs, except where they are regarded as part of the costs of managing the Natura 2000 network.

In preparing the cost estimates below, the Commission has drawn on the Report of the Expert Working Group and a questionnaire completed by the Member States. The responses to this questionnaire led to a cost estimate of €3.4 billion per year for EU-15. This figure was extrapolated to calculate costs for the 10 Acceding Countries and resulted in total costs for EU-10 between € 0.63 billion and €1.06 billion per year, bringing the total cost estimate to €4.0-€4.4 billion per year for the enlarged EU. However, the estimate for the new Member States is open to criticism, because of the assumptions used.

Given the questions about the reliability and comparability of the first estimates, a new questionnaire was sent to both Member States and Accession Countries in June 2003, requesting more detail and justification of the projected figures. Analysis of these

information, led to a revised estimate of €6.1 billion per year for EU-25 (Table 3 in Annex 8). The €6.1 billion cost estimate is the most reliable estimation at the time for this Communication. It can and should be further refined. Member States will be asked to review their submissions on the basis of commonly agreed cost estimation methods. The anticipated progress in preparation of management plans in the coming years should provide a sound basis for improving these cost estimates.

2.2.3. *Benefits*

Protection of biodiversity through the Natura 2000 network can offer significant economic and social benefits. *Economic benefits* can stem from ecosystem services (for example water purification and supply, protection against soil erosion), provision of food and wood products, and activities on the site or/and related to the site such as tourism¹¹, training and education, as well as the direct sale of products from Natura 2000 sites. This can lead to significant local income and employment gains as well as wider regional development benefits (Annex 4). *Social benefits* can include broader employment and diversification opportunities for local people leading to greater economic stability and improved living conditions; safeguarding cultural (as well as natural) heritage; and opportunities for environmental education and leisure, health and amenity.

While there have been no comprehensive assessments of such benefits at EU level, some broader work on the benefits of safeguarding our natural heritage has provided indications of their potential significance. A broad appreciation of the full range of benefits, concerns and trade-offs can show how a Natura 2000 site can become a driver for sustainable development in the local economy and can contribute to sustaining the local rural communities. Active consideration of these issues in dialogue with all relevant stakeholders is the key to the successful establishment of the Natura 2000 network and its integration into the wider socio-economic sphere of an enlarging European Union.

3. TOWARDS A FRAMEWORK FOR COMMUNITY CO-FINANCING

The co-financing for NATURA 2000 at EU level is justifiable in a number of cases for several reasons. On one hand, the benefits of enriched biodiversity are shared widely throughout the Union, whereas the costs are borne by those Member States having the most diverse and rich biodiversity and hence the most protected sites as it is recognized in the “whereas” clauses of the Habitat Directive. On the other hand, the integration of environmental considerations into regional, agricultural and rural development policies, should also justify the contribution of these policies to the financing of Natura 2000, in the form of a combined use of the corresponding available EU financial instruments. It should not be forgotten that Natura 2000 makes a substantial contribution not only to EU environmental policy, but can also contribute towards regional and agricultural/rural development policies.

The Expert Group Report looked at 3 possible options for co-financing:

¹¹ European Commission (2003) “Using natural and cultural heritage to develop sustainable tourism in non-traditional tourism destinations.”

- the use of existing EU funds, (notably Rural Development, Structural and Cohesion Funds and LIFE-Nature)
- increasing and upgrading the LIFE-Nature instrument to serve as the primary delivery mechanism
- the creation of a new funding instrument dedicated to Natura 2000.

Many interest groups have expressed concern that the currently available financial instruments are not broad enough in scope and coverage to adequately provide for sufficient co-financing of the Natura 2000 network. Experience to date demonstrates that there are limitations in using existing instruments. The following section looks briefly at current experience with existing co-financing mechanisms, before going on to assess the options for the future.

3.1. Community Co-financing for the Natura 2000 network – The Legal Base

The Habitats Directive (Annex 2) explicitly recognises the need for Community support for the management of Natura 2000 in exceptional cases, through co-financing by Community financial instruments, in case of the excessive financial burden that Natura 2000 might place on Member States, particularly those Member States with a higher concentration of species and habitats of Community interest. As Table 1 in Annex 1 shows there are marked differences in the extent of designation in different Member States. Article 8 therefore provides for Community co-financing, following a request by a Member State, of measures needed to ensure the favourable conservation status of habitats and species in the designated SACs. However, article 8 does not directly specify the types of Community funding which could be used for co-financing.

A variety of existing EU funding sources have been used by Member States to provide co-financing for certain costs associated with the management of sites proposed or designated as Natura 2000 sites (Annex 5). The funds, which have been used for this purpose to date, include the Structural Funds (in particular the ERDF, the EAGGF-Guidance in certain regions and the INTERREG and LEADER Initiatives), the Cohesion Fund, the EAGGF-Guarantee Section (for the financing of Rural Development measures including the accompanying measures), and LIFE (in particular LIFE-Nature).

3.2. EU Financing Instruments - Current Co-financing

These funds have provided opportunities for supporting management and investment needs for the Natura 2000 network (Annex 6 presents opportunities for Natura 2000 under Rural Development provisions). While the EU has made funding available the responsibility for implementing Natura lies with the Member States. Hence, in the context of the funding programmes Member States have decided how to better accommodate Natura 2000 in their national strategic planning, structural or rural development programmes and other development initiatives like LEADER and INTERREG, or the Cohesion Fund.

The Member States have used these opportunities in different ways for two reasons. Firstly, not all the financial instruments (like the Cohesion Fund) and resources (Objective 1 regions) are available to all Member States. Secondly, Member States have flexibility to propose programmes that reflect their specific strategic approaches and development priorities to all the instruments. Financing Natura 2000 has therefore been an option, but not an obligation.

Until now, mainly the Member States having regions benefiting from Objective 1 support have included actions for the management of the Natura 2000 network in their programmes. The funding in these regions has been justified by the relatively high coverage of Natura 2000, the economic situation of the region and the projected contribution of this expenditure to regional development. Some countries (e.g. Greece and Portugal) have followed a programme approach, which has allowed them to provide for the network, supporting projects that aim both at supporting administration, management and infrastructure, as well as providing information. Others have faced problems in designing and choosing appropriate measures in their regional operational programmes (e.g. Italy). This demonstrates that carefully designed strategic planning including a programme approach is needed. Similarly, the rural development resources have been used by a limited number of Member States to date. Some German Länders and Italian and Spanish regions have made use of the provisions of Article 16 of Regulation 1257/99 in their rural development plans. Other countries (e.g. Spain, UK, Germany, Greece and Austria) have chosen to develop agri-environmental measures targeting specifically the needs of their Natura 2000 sites. There are also other agri-environmental measures that support environmentally friendly practices in Natura 2000 sites (like organic farming, farming promoting integrated pest management techniques, etc), however there is little information available from Member States on how much agricultural area under agri-environmental schemes not targeting specifically Natura 2000 sites has been designated as Natura 2000.

What is feasible in some Member States due to the allocation of sufficient financial resources may be less feasible in other Member States. Furthermore, each of the main funds and initiatives includes constraints, such as eligibility constraints for certain regions or countries in the case of Cohesion Fund, and for certain management actions, schemes and recipients in the case of ERDF and EAGGF. However, the recent changes in the CAP agreed with the 2003 Reform and recent Commission's proposals for the new EU cohesion policy (Annex 7) have resulted in increasing the co-financing opportunities for the network overall. It remains to be seen how the Member States will integrate the available opportunities in their programmes and plans for the next financial period.

4. CONCLUSIONS AND NEXT STEPS

The protection of Europe's biodiversity has reached a crucial stage. The Gothenburg European Council agreed a target to halt the decline of Europe's biodiversity by 2010. The legal and policy framework is in place and protected sites have been designated to form the Natura 2000 network. Effective management of the sites is crucial to achieve the Gothenburg objective.

A clear choice now has to be made between the integration of Natura financing into other relevant Community policies and a stand-alone fund. The results of the Member States' and stakeholder consultation¹² have shown a clear division in opinions on this issue. The majority of Member States favoured the integration option, while stakeholders showed a preference

¹² A report of the consultation on the Financing of Natura 2000 is available on the link: http://europa.eu.int/comm/environment/nature/nature_conservation/natura_2000_network/financing_natura_2000/index_en.htm

for a dedicated Natura 2000 fund. Despite the limitations outlined above, the Commission considers that the integration option is the better approach for the following reasons:

- it will ensure that the management of Natura 2000 sites is part of the wider land management policies of the EU. Thus, farming inside Natura 2000 sites will be part of the CAP financial support and, structural interventions, being part of rural and regional development policies. This complementary approach will enable the network of Natura 2000 sites to play its role in protecting Europe's biodiversity better than if Natura sites are seen to be isolated or different from the wider policy context.
- it will allow Member States to set priorities and to develop policies and measures which reflect their national and regional specificities.
- it will avoid duplication and overlap of different Community funding instruments and the administrative complication and transaction costs which would be associated with such duplication.

Therefore, the Commission will propose, as part of its forthcoming package of legislative proposals on the future financial perspectives, to enable Member States to draw co-financing for certain activities in Natura 2000 sites from a range of existing instruments.

The Commission has indicated its commitment to NATURA 2000 in its recent Communication "Building our Common Future"¹³ setting out its approach to the next financial period. It indicated its view that, future rural development policy after 2006 should be structured *inter alia* around:

- enhancing the environment and countryside through support for land management, including the co-financing of rural development actions related to NATURA 2000 nature protection sites.

Furthermore one of the important activities included in the environmental priorities for the period 2007-2012 is the:

- development and implementation of the Natura 2000 network of sites to protect European bio-diversity as well as implementation of the biodiversity action plans.

This will require appropriate proposals in the forthcoming revision of the rural development regulation building on existing opportunities to facilitate and co-finance rural development actions related to the implementation of Natura 2000 including for the management of sites on agricultural and forest land and promoting the uptake of these opportunities by Member States. European Cohesion Policy, implemented through the cohesion and structural funds, already permits support for investment in infrastructure in Natura 2000 sites under national, regional and cross border programmes in the framework of environmental projects and programmes, where they contribute to the overall economic development of the region. In its proposal for the revision of the Structural and Cohesion Funds, the Commission will

¹³ Communication from the Commission to the Council and the European Parliament *Building our common Future* Policy Challenges and budgetary means of the Enlarged Union 2007-2013 COM(2004)101 final.

safeguard this possibility¹⁴ and subsequently provide appropriate guidance on how to operationalise the Gothenburg commitment. In addition to the funding to be provided within the rural development and structural funds some support for the Natura 2000 network will be included in the proposed Financial Instrument for the Environment. Funding here will be primarily for supporting actions such as networking of best practices, communication and public awareness raising activity.

It is therefore foreseen that Community Funds and primarily the Structural and Rural Development Funds will make substantial co-financing available for the implementation of the Natura 2000 network. It is however, not possible to fix a target for the level of this funding since the final expenditure will depend on the priority given to Natura 2000 within individual member states programmes. The criteria for eligibility will be set out in each of these Regulations and the general rules of each fund will apply.

Further work needs to be done on refining cost estimates and developing programmes of implementation at the national level, which will be necessary to make effective use of the Community funds. Member State's current work on management plans for the Natura 2000 sites should contribute to improved cost estimates.

It is important to ensure that the choice of integrating the funding needs of the Natura 2000 network into other policy areas, as outlined in this Communication, results in sufficient overall funding to secure the objectives of the network. The Commission will therefore encourage Member States to give due consideration to the needs of Natura 2000 when establishing their programmes for these funds. The Commission will also consider publishing more detailed guidance on how these funds can be used to support the Natura 2000 network.

¹⁴ A new opportunity for the co-financing may be created by way of the proposal of the Commission for a New Financial Instrument for transfrontier co-operation in the Community external frontiers.

What kind of co-financing will the Community provide for Natura 2000 in future?

It is not possible to give a precise indication in advance of the amounts likely to be spent annually on co-financing Natura 2000 sites from 2007 onwards since it will be up to each Member State and region to decide how to take account of the needs of its sites in drawing up national and regional programmes under the various funds. It is not proposed to ring fence set amounts inside each Fund since the situation inside each Member State will be different.

For this reason, it is not possible to indicate in advance how much of the cost estimated in this Communication for Natura might be co-financed by the Community budget. However, the following illustration, based on experience in the 2000-2006 period, is given to show how the proposed system could work.

The rate of co-financing for investments/activities in the specific cases to be covered by EU funding will be fixed in each regulation and will vary (e.g. currently up to a maximum of 50 to 85%). However, to simplify, if co-funding was shared 50/50 between the Community and Member States this would imply that up to half of the estimated cost might come from the Community. While exact current expenditure is uncertain, it can be estimated that in the order of €500 million are spent annually through Rural Development measures supporting the management of Natura 2000. Allowing for enlargement and the finalisation of designation it is anticipated that, subject to the choices made by Member States in their rural development plans, this figure will significantly increase in the next years. Similar figures are not available for the Structural Funds so it is not possible to make similar or illustrative projections at this stage. However, the overall share of environment projects in the Structural Funds is quite significant and important sums are already spent on nature protection in some Member States.