



Policy and financial framework for biodiversity protection investments D 2.1

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Executive Summary

Biodiversity loss represents a systemic risk to ecological stability, economic resilience, and long-term sustainability. While the European Union (EU) has developed an advanced regulatory framework; anchored in the European Green Deal (EGD), the Biodiversity Strategy for 2030, and the Nature Restoration Regulation (NRR); the mobilisation of private finance for biodiversity protection and restoration remains insufficient relative to the scale of the challenge.

This report (D2.1) provides a structured and critical assessment of 13 key EU policies complemented by specific use-case analysis. It examines key ecological and sectoral instruments, including the Nature Restoration Regulation (NRR), the Common Agricultural Policy (CAP), the Water Framework Directive (WFD), the Soil Monitoring Directive/Law (SML), the Pollinators' Initiative, and the Land Use, Land Use Change, Forestry Regulation (LULUCF), alongside major EU sustainable finance and disclosure frameworks such as the EU Taxonomy, Corporate Sustainability Reporting Directive (CSRD), European Sustainability Reporting Standards (ESRS), Sustainable Finance Disclosure Regulation (SFDR), Corporate Sustainability Due Diligence Directive (CSDDD), European Green Bond Standard (EU-GBS) and the European Single Access Point (ESAP). The analysis evaluates strengths, weaknesses, synergies, and inconsistencies, with a particular focus on their implications for investment conditions.

The EU framework is characterised by high regulatory ambition but incomplete operationalisation. Binding ecological targets are increasingly well defined, particularly under the NRR and related instruments. However, these targets are not consistently translated into measurable, standardised, and investable outcomes.

A key constraint is the uneven maturity of MRV systems across ecosystems. Agricultural and grassland systems face significant gaps in indicator standardisation and data availability. This unevenness limits comparability, tracking of outcomes, and alignment with ESRS and Taxonomy requirements. In addition, ecological response times in some ecosystems are inherently long and do not align with typical investment timeframes, reflecting a structural misalignment between ecological processes and prevailing financial frameworks.

Despite advances in sustainable finance regulation, including the EU Taxonomy and CSRD/ESRS, alignment between ecological policy and financial frameworks remains incomplete. The EU Taxonomy provides a classification system but depends on robust data and investment-ready project pipelines. ESRS introduces standardised disclosures but relies on underlying MRV quality. SFDR and CSDDD strengthen transparency but do not directly generate investment opportunities. As a result, financial frameworks are not yet fully effective in translating biodiversity outcomes into capital allocation decisions.

The CAP remains the largest source of biodiversity-relevant funding but continues to operate primarily as a subsidy-based system, with weak links to measurable biodiversity outcomes. Its design limits its ability to generate performance-based incentives, support scalable, investment-ready projects and align with private finance mechanisms. This represents a critical bottleneck for land-based biodiversity investments.

Application across five Use Cases (UCs) (Alpine forests, regenerative agriculture, agroecology, grasslands, and rivers/wetlands) reveals significant variability in implementation and investment conditions, driven by national governance differences, divergent CAP Strategic Plans, varying MRV capacity and different levels of market development. Common barriers include fragmented governance structures, lack of standardised biodiversity metrics, uncertainty around revenue models and market mechanisms and misalignment between policy ambition and investment readiness.

Across all UCs, a consistent finding is the misalignment between strong ecological policy frameworks and underdeveloped financial mechanisms. Biodiversity investments face high transaction costs, long time horizons, limited and immature revenue models and absence of standardised investment products. This creates a gap between technical eligibility (policy compliance) and practical investability (bankable projects).

The main constraint to biodiversity finance in the EU is not the lack of policy ambition, but the failure to operationalise biodiversity outcomes into standardised, measurable, and investable metrics. Bridging this gap requires strengthening MRV systems and indicator standardisation, improving interoperability between MRV, ESRS E4, and EU Taxonomy, developing revenue mechanisms and market structures for biodiversity outcomes and enhancing policy coherence across ecological, financial, and implementation frameworks.

Ultimately, unlocking biodiversity finance will depend on the EU's ability to transform its regulatory architecture into a system that systematically translates ecological performance into measurable, verifiable, and investment-ready opportunities.

List of contributing organisations

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Table of Contents

Project Information	2
Executive Summary	3
List of contributing organisations	5
Change Log:	5
Table of Contents.....	6
Abbreviations	7
1. Introduction and the evolving legislative landscape.....	9
2. Methodological Approach.....	13
3. EU policy and regulatory landscape	15
3.1 Binding ecological and sectoral frameworks	15
3.2 Financial and disclosure frameworks	32
3.3 Key takeaways on EU policy and regulatory frameworks.....	59
4. Interaction between EU and national frameworks Use Cases context-specific analysis	60
4.1 UC1: Alpine Forest Management (Italy/Austria)	61
4.2 UC2: Regenerative Agriculture (France)	67
4.3 UC3: Agroecology (Romania)	74
4.4 UC4: Grasslands (Slovenia)	79
4.5 UC5: Rivers & Wetlands (UK)	86
5. Cross Use Case Analysis.....	92
6. Conclusion	97
Appendix I - Methodological Framework	100
Appendix II - International Voluntary Disclosures and Reporting	112
Appendix III - International Initiatives.....	114

Abbreviations

Abbr.	Meaning
AECM	Agri-Environment-Climate Measures
AFOLU	Agriculture, Forestry, and Other Land Use
AI	Artificial Intelligence
AIF	Alternative Investment Funds
BD	Birds Directive
BISS	Basic Income Support for Sustainability
BNG	Biodiversity Net Gain
BU	Banking Union
BVI	Bundesverband Investment und Asset Management
CA	Consortium Agreement
CAP	Common Agricultural Policy
CapEx	Capital Expenditure
CBD	Convention on Biological Diversity
CC	Competitive Compass
CDP	Carbon Disclosure Project
CDSB	Climate Disclosure Standards Board
CNDCE C	Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili
CO2	Carbon Dioxide
CRCF	Carbon Removal Certification Framework
CSDDD	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
D	Deliverable
DG	Directorate-General
DG ENV	Directorate-General for Environment
DNSH	Do Not Significant Harm
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EASIN	European Alien Species Information Network
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECA	European Court of Auditors
ECB	European Central Bank
ECD	Environmental Crime Directive
GI	Green infrastructure
GRI	Global Reporting Initiative
HD	Habitats Directive
HNV	High Nature Value
IAS	Invasive Alien Species
IASB	International Accounting Standards Board

Abbr.	Meaning
EEA	European Environment Agency
EEEA	European Environmental Economic Accounts
EFAMA	European Fund and Asset Management Association
EFRAG	European Financial Reporting Advisory Group
EGD	European Green Deal
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIOPA	European Insurance and Occupational Pensions Authority
EKST	Ecosystem Knowledge and Spatial Tools
ELD	Environmental Liability Directive
ELM	Environmental Land Management
ENCORE	Exploring Natural Capital Opportunities, Risks, and Exposure
EP	European Parliament
EQS	Environmental Quality Standards
ESAP	European Single Access Point
ESAs	European Supervisory Authorities
ESG	Environmental, Social, and Governance
ESMA	European Securities and Markets Authority
ESRS	European Sustainability Reporting Standard
EU	European Union
EUDR	Regulation on Deforestation-Free Products
EU-GBS	European Green Bond Standard
FfB	Finance for Biodiversity Foundation & Pledge
FFS	Farm to Fork Strategy
FMO	Financial Market Operators
FMPs	Financial Market Participants
FRM	Forest Reproductive Material
GAEC	Good Agricultural and Environmental Conditions
GBF	Kunming-Montreal Global Biodiversity Framework
GDPR	General Data Protection Regulation
GES	Good Environmental Status
GHG	Greenhouse Gases
GHGP	Greenhouse Gas Protocol
NRP	National Restoration Plans
NRR	Nature Restoration Regulation "Nature Restoration Law"
OECD	Organisation for Economic Co-operation and Development
OFB	Office Français de la Biodiversité
OpEx	Operating Expenditure
PAC	Política Agrícola Común / Politique Agricole Commune (CAP in Spanish/French)
PAIs	Principal Adverse Impacts

ICMA	International Capital Market Association
IDD	Insurance Distribution Directive
IEEP	Institute for European Environmental Policy
IFRS	International Financial Reporting Standards
IIGCC	Institutional Investors Group on Climate Change
INP	Integrated National Plan
InvestEU	EU investment support programme
IORP	Institutions for Occupational Retirement Provisions
IPBES	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IPCC	Intergovernmental Panel on Climate Change
ISSB	International Sustainability Standards Board
IUCN	International Union for Conservation of Nature
KPI	Key Performance Indicator
LEAP	Locate-Evaluate-Access-Prepare
LIFE	Programme for the Environment and Climate Action
LNRS	Local Nature Recovery Strategy
LUCAS	Land Use/Cover Area Frame Survey
LULUCF	Land Use, Land Use Change, Forestry
MFF	Multiannual Financial Framework
MiFID	Markets in Financial Instruments Directive
MRV	Monitoring, Reporting, and Verification
MS	Member States
MSFD	Marine Strategy Framework Directive
NbS	Nature-based Solutions
NCA	Natural Capital Accounting
NCC	Natural Capital Coalition
NDC	Nationally Determined Contribution
NERC	Natural Environment Research Council
NFRD	Non-Financial Reporting Directive
NGFS	Network for Greening the Financial System
NIZI	No Important Zone Impact
NPPF	National Planning Policy Framework
NRN	National Restoration Network / Nature Recovery Network
TVB	Trame Verte et Bleue (French Green and Blue Infrastructure Network)
UC	Use Case
UCITS	Undertakings for collective investment in transferable securities
UN	United Nations
UNDP	United Nations Development Programme
UNEP	UN Environment Programme
UNEP FI	UN Environment Programme Finance Initiative
UNESCO	United Nations Educational, Scientific and Cultural Organization

PES	Payments for Ecosystem Services
PoMS	Programmes of Measures
PPP	Public Private Partnerships
PSF	Platform on Sustainable Finance
PU	Public
PV	Present Value / Photovoltaic
R&D	Research & Development
RA	Regenerative Agriculture
RBF	Results-Based Financing
RED III	Renewable Energy Directive III
SACs	Special Areas of Conservation
SASB	Sustainability Accounting Standards Board
SBTN	Science Based Targets Network
SEA	Strategic Environmental Assessment
SEEA	System of Environmental-Economic Accounting
SFDR	Sustainable Finance Disclosure Regulation
SFN	Sustainable Finance Network
SIU	Savings and Investment Union
SMEs	Small and Medium-sized Enterprises
SML	Soil Monitoring Law (Directive)
SNB	Swiss National Bank
SOC	Soil Organic Carbon
SOPO	Soil Organic Phosphorus
SPAs	Special Protection Areas
SSSI	Site of Special Scientific Interest
SUR	Sustainable Use of Pesticides Regulation
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TRT	Total Risk Transfer
TSC	Technical Screening Criteria
TUA	Total Utilised Area
TUFF	The Use of Fertilisers Framework
VSME	Voluntary Sustainability Reporting Standard for SMEs
WB	World Bank
WFD	Water Framework Directive
WP	Work Package
XBRL	eXtensible Business Reporting Language
XBRL-CSV	XBRL Comma-Separated Values
XBRL-XML	XBRL Extensible Markup Language
XML	eXtensible Markup Language

1. Introduction and the evolving legislative landscape

The EU Green Deal (EGD) provides the overarching framework for integrating environmental sustainability across EU policy, positioning biodiversity protection at the centre of its environmental, economic and social objectives. Through instruments such as the EU Biodiversity Strategy for 2030 and the Nature Restoration Regulation (NRR)¹, the EU establishes a comprehensive approach to biodiversity loss, including ecosystem restoration, expansion of protected areas, and more sustainable land and sea use.

Within this context, the report maps and assesses the policy and legal framework for biodiversity protection and restoration investments, with a focus on the interaction between ecological regulation, financial regulation, and implementation conditions at use-case level. It covers key ecological and sectoral instruments, including the Nature Restoration Regulation (NRR), the Common Agricultural Policy (CAP), the Water Framework Directive (WFD), the Land Use, Land-use Change and Forestry (LULUCF) Regulation, and the EU Pollinators Initiative, all of which directly affect ecosystem management, restoration, and land-use practices. It also assesses the main finance and disclosure policies relevant to biodiversity investment, including the EU Taxonomy, Sustainable Finance Disclosure Regulation (SFDR), Corporate Sustainability Reporting Directive (CSRD), European Sustainability Reporting Standards (ESRS), Corporate Sustainability Due Diligence Directive (CSDDD). The report distinguishes between binding EU legislation, delegated and implementing acts, proposed or evolving regulatory instruments. This classification enables a more precise assessment of legal certainty, implementation timelines, and investment implications. The objective is to evaluate whether, and to what extent, the current framework supports biodiversity-positive investments. This report reflects the policy and legal status available as of 31 March 2026. Instruments are classified as binding legislation, delegated/implementing acts, proposals under negotiation, withdrawn/rejected proposals, or voluntary frameworks. Where measures remain under negotiation or require future delegated acts, the analysis treats their investment implications as prospective and subject to change.

The analysis is both cross-cutting and site-specific. At EU level, it examines the main regulatory instruments, including their strengths, weaknesses and inconsistencies. At UC level, it assesses their application across five case studies in six different countries (Italy/Austria, France, Romania, Slovenia and the UK), recognising that implementation varies depending on governance, CAP frameworks and ecological conditions. The Slovenian grasslands case is particularly informative because it allows a more detailed assessment of how site-level conservation planning, CAP delivery, restoration requirements, monitoring and financing interact in practice.

The report goes beyond mapping to provide a critical assessment of regulatory interactions, implementation gaps and evolving policy dynamics, including ongoing simplification efforts. It also identifies site-specific barriers and the legal, financial and governance conditions affecting the delivery of biodiversity investments.

Overall, the report provides a baseline assessment of a rapidly evolving framework, highlighting the extent to which current policies support bankability, transparency, comparability and the scaling of biodiversity-related investment.

¹ Regulation (EU) 2024/1991 of the European Parliament and of the Council of 24 June 2024 on Nature Restoration and Amending Regulation (EU) 2022/869, Official Journal of the European Union L 2024/1991 (July 29, 2024), <https://eur-lex.europa.eu/eli/reg/2024/1991/oj/eng>.

This report is being prepared at a pivotal moment in the evolution of the EU sustainability and competitiveness agenda, in which ongoing simplification efforts are reshaping several instruments relevant to biodiversity finance. This shift is partly informed by landmark reports from Enrico Letta² and Mario Draghi.^{3 4} Both reports emphasize the need to balance economic competitiveness with sustainability objectives. While the Letta report highlights environmental sustainability as an economic opportunity, advocating measures to protect biodiversity and build ecological resilience, the Draghi report focuses on closing investment gaps, strengthening productivity, and addressing structural barriers to growth.

The EU biodiversity regulatory framework has undergone significant and rapid evolution, from the end of 2024 onwards, with notable changes across both strategic objectives and implementing instruments. The following overview highlights key EU legislative and policy developments over these months that are most relevant for biodiversity-related investments. This section is not exhaustive; it focuses on policies that materially affect investment conditions across the UCs.

A clear trend emerges; simplification and competitiveness priorities have weakened several EGD instruments, while a smaller set of regulatory policies (notably NRR, carbon certification, and nature credits) continue to provide emerging, but still incomplete, binding and investment frameworks. The simplification efforts⁵ will reduce data availability, monitoring capacity and reporting granularity, which are essential for biodiversity-related investment assessment. These developments collectively shape the enabling environment for private investment.

Adverse Developments

- **Sustainable Use of Pesticides Regulation (SUR) Withdrawn.**
The proposal was formally withdrawn in 2024, reverting to Directive 2009/128/EC. This reduces regulatory pressure for pesticide reduction, weakening biodiversity outcomes and diminishing incentives for agroecological investment (UC Romania, France, Slovenia).⁶
- **Green Claims Directive Politically uncertain / withdrawal announcement.**
The Commission announced its intention to withdraw the proposal in 2025; however, its final procedural status remains subject to confirmation and should be treated with caution for analytical purposes. While the Empowering Consumers Directive addresses generic

² Enrico Letta, Much More Than a Market: Speed, Security, Solidarity, Empowering the Single Market to Deliver a Sustainable Future and Prosperity for All EU Citizens (Brussels: European Council, 2024), <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>, accessed March 26, 2026.

³ Mario Draghi, The Future of European Competitiveness, Part A: A Competitiveness Strategy for Europe (Brussels: European Commission, 2024), https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en?filename=The+future+of+European+competitiveness+_+A+competitiveness+strategy+for+Europe.pdf, accessed March 26, 2026; Mario Draghi, The Future of European Competitiveness, Part B: In-Depth Analysis and Recommendations (Brussels: European Commission, 2024), <https://op.europa.eu/en/publication-detail/-/publication/712f7249-4800-11f0-85ba-01aa75ed71a1/language-en>, accessed March 26, 2026.

⁴ European Parliamentary Research Service, Deepening the Single Market in the Light of the Letta and Draghi Reports (Brussels: European Parliament, 2024), [https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/762469/EPRS_BRI\(2024\)762469_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/762469/EPRS_BRI(2024)762469_EN.pdf), accessed March 26, 2026.

⁵ Council Directive (EU) 2026/470 of 24 February 2026 amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting requirements and certain corporate sustainability due diligence requirements, OJ L 2026/470.

⁶ European Parliament, "Sustainable Use of Pesticides – Revision of the EU Rules," accessed March 28, 2026, [European Parliament Legislative Train Schedule](#).

greenwashing, the absence of a robust substantiation regime increases market fragmentation and credibility risks for biodiversity-linked products and claims.⁷

- **Forest Monitoring Law Stalled after EP rejection.**
Rejected by the European Parliament in 2025. Forest data governance remains fragmented, limiting the availability of harmonised datasets necessary for investment-grade monitoring (UC Alpine Forest).⁸
- **CSDDD Significantly weakened under proposal.**
Scope significantly narrowed under the Omnibus I simplification package. This reduces corporate demand signals and value-chain pressure for biodiversity-positive practices⁹. Some Level 1 Omnibus measures have now been adopted and entered into force, while other technical and delegated measures remain under development, including revised ESRS standards and Taxonomy delegated acts, remain under development and will determine the framework's practical implementation.
- **CSRD Scope reduced under proposal.**
Scope significantly narrowed under the Omnibus I simplification package.¹⁰ Some Level 1 Omnibus measures have now been adopted and entered into force, while other technical and delegated measures remain under development, including revised ESRS standards and Taxonomy delegated acts, remain under development and will determine the framework's practical implementation.
- **Soil Monitoring Law Limited ambition. Adopted.**
The 2025 directive focuses on monitoring and resilience rather than binding restoration targets. This weakens long-term investment certainty for soil-based nature solutions. (UC Romania, France, Slovenia)¹¹
- **CAP simplification Reduced environmental conditionality. Adopted.**
2024 reforms introduced exemptions (notably for farms <10 ha), weakening enforcement of biodiversity-related practices and reducing incentives for transition investments. (UC Romania, France, Slovenia)¹²
- **Farm to Fork Strategy Politically weakened.**
While still formally in place, key legislative components (SUR, Sustainable Food Systems framework) were withdrawn or stalled, reducing coherence across agri-food biodiversity policy. (UC Romania, France, Slovenia)¹³

⁷ European Union, Directive (EU) 2024/825, Official Journal of the European Union L, March 6, 2024; European Economic and Social Committee, "Withdrawal of Green Claims Directive," 2025.

⁸ European Parliament, "EU Forest Monitoring Framework Rejected," press release, October 21, 2025.

⁹ European Union, 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, in Official Journal of the European Union, L 1760, 5 July 2024; Directive (EU) 2026/470 (Omnibus I Directive) amending Directive (EU) 2024/1760, OJ L, 2026/470, 26.2.2026.

¹⁰ European Commission, Staff Working Document SWD(2025) 80 final; European Union, Directive (EU) 2026/470 of the European Parliament and of the Council of 24 February 2026 amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting requirements, in Official Journal of the European Union, L 00470, 26 February 2026.

¹¹ European Commission, "Proposal for a Directive on the European Parliament and of the Council on Soil Monitoring and Resilience (Soil Monitoring Law)," COM(2023) 416 final, July 5, 2023; Directive (EU) 2025/2360 of the European Parliament and of the Council of 12 November 2025 on soil monitoring and resilience (Soil Monitoring Law), Official Journal of the European Union L, 2025/2360.

¹² European Parliament and Council, Regulation (EU) 2024/1468 of 14 May 2024 Amending Regulations (EU) 2021/2115 and (EU) 2021/2116 as Regards Good Agricultural and Environmental Condition Standards, Schemes for Climate, Environment and Animal Welfare, Amendment of the CAP Strategic Plans, Review of the CAP Strategic Plans and Exemptions from Controls and Penalties, Official Journal of the European Union L, 2024/1468 (May 24, 2024); European Commission, The Common Agricultural Policy (Luxembourg: Publications Office of the European Union, 2012), <https://op.europa.eu/en/publication-detail/-/publication/1912436c-5276-42d0-8661-0ce44406703d>.

¹³ European Commission, "A Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system," Communication from the Commission to the European Parliament, the Council, the European Economic and Social

Outstanding / Uncertain Developments

- **EUDR Delayed and under review.**

Application postponed to 30 December 2026. Regulatory uncertainty affects investment planning in deforestation-free supply chains (UC France, Italy, Austria).¹⁴

- **Fertilising Products Regulation Under evaluation.**

Ongoing evaluation (Q2 2026) may affect nutrient management markets and circular fertiliser investments. (UC Romania, France, Slovenia)¹⁵

- **Water Framework Directive Implementation gap.**

Despite a stable legal framework, major funding and delivery gaps remain for achieving 2027 targets, constraining investable river and wetland restoration projects (UC UK relevance indirect).¹⁶

Positive Developments

- **Environmental Crime Directive Strengthened enforcement.**

Expands criminal liability for severe environmental damage, increasing legal risk for harmful activities and indirectly strengthening the business case for biodiversity investments.¹⁷

- **Environmental Liability Directive Baseline instrument.**

Continues to provide a polluter-pays framework, though uneven enforcement limits its effectiveness as an investment driver.¹⁸

- **SFDR Under revision (Transition category emerging).**

The 2025 proposal introduces clearer product categories, including transition finance. If adopted, this could improve capital allocation to biodiversity-positive activities, though current uncertainty persists.¹⁹ Some Level 1 Omnibus measures have now been adopted and entered into force, while other technical and delegated measures remain under development and will determine the practical implementation.

- **Nature Credits Emerging market instrument.**

The 2025 roadmap signals a future nature credit market. However, frameworks are not yet operational, and revenue models remain uncertain.²⁰

Committee and the Committee of the Regions, COM(2020) 381 final (May 20, 2020), [European Commission Knowledge for Policy](#).

¹⁴ European Parliament and Council, "Regulation (EU) 2025/2650 of 19 December 2025 Amending Regulation (EU) 2023/1115 as Regards Certain Obligations of Operators and Traders," Official Journal of the European Union L, no. 202502650 (December 23, 2025).

¹⁵ European Parliament and Council of the European Union, "Regulation (EU) 2019/1009 of 5 June 2019 Laying Down Rules on the Making Available on the Market of EU Fertilising Products" (PE/76/2018/REV/1, Brussels, June 5, 2019). The European Commission launched a formal "call for evidence" and public consultation to evaluate Regulation (EU) 2019/1009 (the Fertilising Products Regulation) to review how the legislation performs.

¹⁶ European Commission, "Report from the Commission to the Council and the European Parliament on the Implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC)," COM(2025) 2 final (Brussels, February 4, 2025).

¹⁷ Council Directive (EU) 2024/1203 of 11 April 2024 on the protection of the environment through criminal law and replacing Directives 2008/99/EC and 2009/123/EC, 2024 O.J. (L), <http://data.europa.eu/eli/dir/2024/1203/oj>.

¹⁸ Council Directive 2004/35/CE of 21 April 2004 on Environmental Liability with Regard to the Prevention and Remedying of Environmental Damage, 2004 O.J. (L 143) 56, europa.eu.

¹⁹ European Commission, COM(2025) 841 final; Council Regulation (EU) 2018/841 of 30 May 2018 on the Inclusion of Greenhouse Gas Emissions and Removals from Land Use, Land Use Change and Forestry in the 2030 Climate and Energy Framework, and Amending Regulation (EU) No 525/2013 and Decision No 529/2013/EU, 2018 O.J. (L 156) 1, as amended by Regulation (EU) 2023/839 of the European Parliament and of the Council of 19 April 2023, 2023 O.J. (L 105) 1.

²⁰ European Commission, "Roadmap towards Nature Credits," COM(2025) 374 final (Brussels, July 7, 2025), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52025DC0374>.

- **EU Taxonomy Maintained with simplification.**
Simplifications reduce reporting burden and data availability while preserving the core framework. It remains the central classification system for biodiversity-aligned investments.²¹
- **Nature Restoration Regulation (NRR) Core anchor.**
Establishes legally binding restoration targets and requires National Restoration Plans. It is the primary driver of future biodiversity project pipelines, though risks of under-ambitious national implementation remain.²²
- **Carbon Removal Certification Framework (CRCF) Enabling framework (not yet fully operational).**
Provides certification for carbon removals and carbon farming. However, methodologies are still under development, limiting immediate investment scalability.²³
- **EU Green Bond Standard Financing enabler.**
Supports transparent issuance of taxonomy-aligned bonds, including for biodiversity-related investments.²⁴
- **LULUCF Regulation Alignment tool.**
Strengthens accounting for land-based carbon sinks and supports integration with restoration and carbon markets.²⁵
- **Pollinator monitoring framework Strengthened via NRR.**
Binding elements now derive from the NRR and its delegated monitoring methodology, improving ecological baseline data for investment.²⁶

2. Methodological Approach

The report applies a qualitative comparative methodology focused on the policy - finance interface. The analysis classifies relevant frameworks into binding ecological and sectoral policies and financial and disclosure frameworks and assesses them against four dimensions: i) ecological relevance, ii) investment relevance, iii) coherence and interaction, and iv) implementation and enforceability. These findings reflect the current regulatory and financial landscape and should be interpreted within the context of existing policy frameworks and market practices, rather than as

²¹ 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, Official Journal of the European Union L 198 (2020): 13–43; Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, Official Journal of the European Union L 442 (2021): 1–349; Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023, Official Journal of the European Union L 2023/2486 (2023); Commission Delegated Regulation (EU) 2026/73 of 19 January 2026, Official Journal of the European Union L 2026/73 (2026).

²² Regulation (EU) 2024/1991.

²³ Council Regulation (EU) 2024/3012 of November 27, 2024, establishing a Union certification framework for permanent carbon removals, carbon farming and carbon storage in products, [Official Journal of the European Union L 2024/3012, December 6, 2024], <http://data.europa.eu/eli/reg/2024/3012/oj>.

²⁴ Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds, OJ L 301, 30.11.2023, ELI: <http://data.europa.eu/eli/reg/2023/2631/oj>.

²⁵ European Commission, "Report from the Commission to the European Parliament and the Council on the Operation of Regulation (EU) 2018/841 ('LULUCF Regulation') Pursuant to Article 17(2) as Amended by Regulation (EU) 2023/839," COM(2024) 195 final (Brussels: European Commission, May 15, 2024), [doi.org](https://doi.org/10.1017/9781017000000).

²⁶ European Commission, "Commission Delegated Regulation (EU) 2025/2188 of 19 September 2025 supplementing Regulation (EU) 2024/1991 ... by establishing a science-based method for monitoring pollinator diversity and pollinator populations," Official Journal of the European Union, L 2025/2188, 26 November 2025, http://data.europa.eu/eli/reg_del/2025/2188/oj.

an assessment of the optimal conditions required to enable biodiversity investments and make them fully investable.

The assessment is applied across five UCs to identify common patterns, barriers, and enabling conditions for biodiversity-related investment. In practice, each policy is assessed against the same analytical dimensions and sub-criteria across all use cases and compared on the basis of relative strengths and limitations rather than numerical scoring. This ensures that comparison is carried out using a consistent interpretative framework grounded in the same evidence base.

Comparability across UCs is ensured through the application of a harmonised assessment structure, using the same criteria, logic, and interpretation approach for each policy in each context. This enables structured comparison while allowing for context-specific differences in ecological and regulatory conditions.

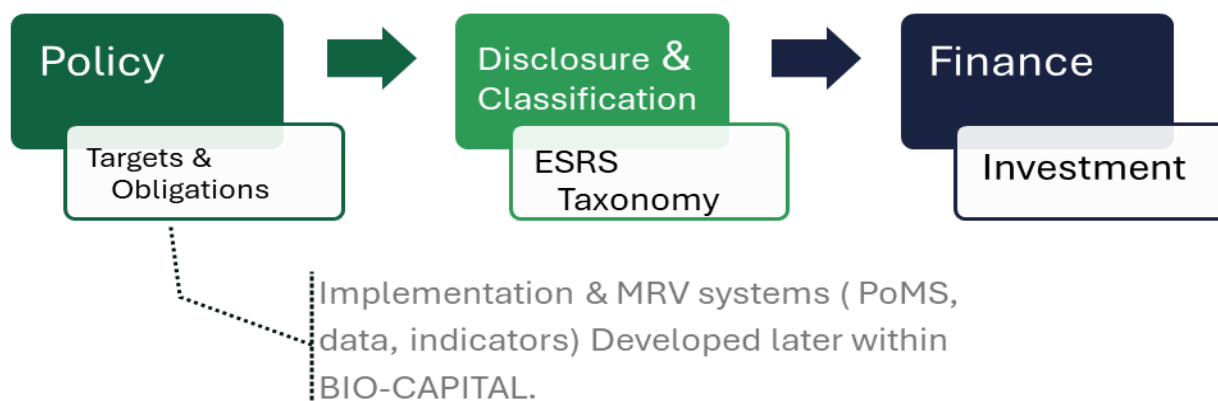
Programmes of Measures (PoMS) and Monitoring, Reporting, and Verification (MRV) systems are treated as **external enabling components**, and these are developed further in subsequent work within BIO-CAPITAL. The report does not technically evaluate MRV methodologies themselves; however, it assesses the extent to which existing policy and financial frameworks require, enable, or depend on MRV systems and standardised indicators to support biodiversity-related investment and financeability. As a result, the analysis focuses on how policy frameworks shape investment conditions and signalling environments, without assessing the operationalisation of these frameworks through MRV systems, while still allowing conclusions to be drawn on the presence of enabling or constraining factors for investment, even in the absence of fully operational MRV systems. Full methodological detail is provided in Appendix I.

The relationship between biodiversity policy, disclosure frameworks, and financial markets can be understood as a sequential but interdependent system, in which each layer builds on the previous one but does not function effectively in isolation. At the upstream level, ecological policies such as the Nature Restoration Regulation and sectoral frameworks define targets, obligations, and priority actions, establishing the direction of biodiversity protection and restoration. These policies create the underlying demand for intervention but do not, on their own, generate investment-ready structures.

This is followed by the disclosure and classification layer, including ESRS, the EU Taxonomy, and related frameworks, which translate ecological objectives into measurable indicators, reporting standards, and classification criteria. This layer is essential for ensuring transparency, comparability, and credibility, but it depends on the availability of robust monitoring systems and reliable data.

Finally, the financial layer mobilises capital through instruments such as green bonds, investment funds, and private financing mechanisms. However, capital allocation ultimately depends on the existence of standardised, verifiable, and revenue-generating opportunities, which remain underdeveloped in the biodiversity domain.

The diagram below illustrates this progression from policy to disclosure and classification to finance, while also highlighting the critical role of implementation systems, including MRV, data infrastructure, and indicators. These enabling components act as the operational bridge between ecological ambition and financial execution and are therefore central to the development of a functioning biodiversity investment market. MRV is not technically evaluated here; its enabling role is assessed from a policy-finance perspective.



3. EU policy and regulatory landscape

The following assessment analyses **13 key EU policy frameworks** in terms of their contribution to biodiversity-related investment readiness. For each policy, the analysis focuses on strengths, weaknesses, inconsistencies, synergies, with particular attention to how effectively ecological objectives are translated into enabling conditions for investment.

3.1 Binding ecological and sectoral frameworks

1. *Nature Restoration Regulation (NRR)*

DESCRIPTION

Legal status: Binding EU Regulation (Regulation (EU) 2024/1991; entered into force in August 2024)

The Nature Restoration Regulation (NRR)²⁷ is the EU's central binding instrument for biodiversity, establishing quantified, time-bound restoration targets across ecosystems (forests, wetlands, agricultural land, marine areas). It mandates a general target of restoring (at least) 20% of European land and marine areas by 2030, rising to all endangered ecosystems by 2050. The regulation shifts EU policy from conservation to active restoration, requiring Member States (MS) to develop national restoration plans and implement measures at scale. The regulation creates a clear ecological baseline and outcome orientation but does not define how restoration activities should be financed or monetised. This includes, for example, the absence of clearly defined revenue mechanisms (such as payments for ecosystem services), standardised payment triggers linked to ecological outcomes, and aggregation structures that would allow restoration activities to be bundled into investable projects at scale. Its effectiveness depends heavily on national implementation, MRV systems, and integration with sectoral policies such as CAP and LULUCF.

The primary implementation mechanism is the National Restoration Plan (NRP) which MS are legally required to submit by Sept. 2026. These plans must serve as detailed implementation roadmaps, quantifying areas to be restored, identifying specific restoration measures, and establishing monitoring systems to assess effectiveness. Furthermore, MS must justify any use

²⁷ Regulation (EU) 2024/1991.

of derogations and demonstrate consistency with broader environmental objectives.²⁸ The NRR strengthens pressure for policy coherence and makes continued biodiversity-harmful incentives harder to justify, but it does not itself establish a standalone binding subsidy phase-out mechanism.²⁹ This reflects the principle that restoration efforts must not be undermined by continued public support for activities that degrade ecosystems.³⁰ Pollinator restoration is treated as a cross-cutting priority under the Regulation, notably through Article 10. The national-level approach allows flexibility to tailor restoration to local ecological contexts, but at the same time it also introduces risks of uneven ambition and implementation quality across different MS. This places significant importance on EC oversight and the harmonised monitoring frameworks the EC enacts.³¹ Recognising the scale of investment required, the NRR highlights the need to mobilise both public and private financing sources.³²

KEY BENEFITS

- NRR converts the voluntary targets of the EU Biodiversity Strategy for 2030 into legally binding restoration obligations with milestones for 2030, 2040, and 2050.³³
- NRR addresses a broad range of ecosystems, supporting a landscape-scale approach to biodiversity recovery.
- NRR explicitly links restoration to climate mitigation and adaptation, including carbon sequestration, flood risk reduction, and ecosystem resilience.³⁴
- NRR establishes a structured monitoring and reporting framework, requiring MS to track progress and enabling EU-level assessment of restoration outcomes.³⁵

POTENTIAL AREAS FOR IMPROVEMENT

- NRR effectiveness is closely linked to available financing. The absence of a dedicated EU biodiversity funding envelope remains a significant constraint, particularly for MS with limited fiscal capacity. This constraint reflects both an EU-level budget design issue, in terms of the absence of a dedicated and ring-fenced biodiversity funding instrument, and a MS-level capacity issue, where fiscal constraints and competing priorities limit the ability to co-finance and implement restoration measures at scale.³⁶
- The relatively short preparation timeline for NRPs (deadline September 2026) increases the risk of underdeveloped or less ambitious plans, particularly in countries with limited administrative capacity.³⁷
- Without sufficiently strong and standardised economic incentives, private land managers may prioritise short-term returns over restoration, especially where restoration is perceived to constrain productive land use.³⁸

²⁸ Regulation (EU) 2024/1991, arts. 14–15.

²⁹ European Commission, EU Biodiversity Strategy for 2030: Bringing Nature Back into Our Lives, COM(2020) 380 final (Brussels, 2020).

³⁰ Regulation (EU) 2024/1991, recital context on addressing ecosystem degradation drivers.

³¹ Regulation (EU) 2024/1991.

³² European Commission, Financing Nature Restoration (2024).

³³ European Commission, EU Biodiversity Strategy for 2030 (2020).

³⁴ Regulation (EU) 2024/1991.

³⁵ Regulation (EU) 2024/1991.

³⁶ European Commission, Financing Nature Restoration (2024).

³⁷ Regulation (EU) 2024/1991, arts. 14–15.

³⁸ European Commission, Financing Nature Restoration (2024).

INCONSISTENCIES TO ADDRESS

- The Regulation allows for derogations based on overriding public interest, including energy infrastructure, which may create tensions with biodiversity objectives when applied in practice.³⁹
- Provisions allowing temporary suspension of certain agricultural restoration requirements under food security considerations introduce ambiguity and may weaken implementation if not clearly defined.⁴⁰
- A structural inconsistency remains with the CAP, where certain subsidies (in particular direct payments under CAP Pillar I) may still incentivise land-use practices that are not aligned with restoration objectives.^{41 42}
- More broadly, the absence of explicit provisions mandating the identification, reform, or phase-out of environmentally harmful incentives creates a structural gap between restoration objectives and existing economic policy frameworks, particularly in sectors such as agriculture, energy, and transport.⁴³

SYNERGIES WITH OTHER POLICIES

- The NRR complements the Birds and Habitats Directives and the Natura 2000 network by moving from conservation obligations toward active, time-bound restoration targets. While the existing directives focus on maintaining favourable conservation status within protected areas, the NRR extends restoration requirements beyond Natura 2000, supporting landscape-scale recovery and ecological connectivity, provided that implementation and monitoring are coherently aligned.
- The NRR also integrates and reinforces existing environmental frameworks and strategies, including the WFD, the Marine Strategy Framework Directive (MSFD), and the EU Forest Strategy, by translating their objectives into binding restoration targets.⁴⁴
- It provides a clear ecological reference framework for sustainable finance instruments, particularly the EU Taxonomy, by defining measurable restoration outcomes that can support substantial contribution criteria.⁴⁵
- It complements disclosure frameworks such as ESRS/CSRD and SFDR by strengthening the availability of verifiable biodiversity data, particularly when combined with MRV systems.⁴⁶

OUTSTANDING DEVELOPMENTS

- The preparation of the 2028–2034 Multiannual Financial Framework (MFF) will be critical in determining the scale of financial support available for restoration priorities identified in NRPs.⁴⁷
- The development of NRP templates and implementing guidance (ongoing in 2026) will shape the level of standardisation and comparability across MS.⁴⁸

³⁹ Regulation (EU) 2024/1991.

⁴⁰ Regulation (EU) 2024/1991.

⁴¹ European Commission, Common Agricultural Policy 2023–2027 (2023).

⁴² European Court of Auditors, Biodiversity on Farmland: CAP Contribution Has Not Halted the Decline, Special Report 13/2020.

⁴³ Organisation for Economic Co-operation and Development (OECD), Identifying and Assessing Subsidies and Other Incentives Harmful to Biodiversity (Paris: OECD Publishing, 2022).

⁴⁴ Regulation (EU) 2024/1991.

⁴⁵ Regulation (EU) 2020/852 (and subsequent Delegated Acts).

⁴⁶ European Commission, Corporate Sustainability Reporting Directive (CSRD) and ESAP Framework (2023).

⁴⁷ European Commission, Financing Nature Restoration (2024).

⁴⁸ Regulation (EU) 2024/1991, arts. 14–15.

- Emerging instruments such as Nature Credits and the Carbon Removal Certification Framework (CRCF) are being explored as potential complementary mechanisms for mobilising private finance, although they remain at an early stage of development.⁴⁹

RELEVANCE FOR FINANCING: THE NRR ARCHITECTURE

Under the NRR framework, MS are required to identify financing needs and outline funding strategies within their NRPs.⁵⁰ This includes estimating costs, identifying funding gaps, and mapping potential funding sources across EU, national, and private channels.⁵¹ In this context, MS should assess, as part of coherent financing strategies, where relevant to NRP preparation and broader EU biodiversity objectives existing financial flows to subsidies and incentives that may be harmful to biodiversity, and to progressively redirect them toward nature-positive activities. This reallocation of capital is considered essential to ensure that public and private financing streams support, rather than counteract, restoration objectives. The financial architecture supporting the NRR can be understood as a blended finance model, combining public funding (CAP, LIFE, Cohesion Fund), EU-level de-risking instruments (InvestEU), and emerging private finance mechanisms.⁵² While the NRR does not mandate private finance mobilisation, it creates enabling conditions by defining a pipeline of restoration activities; understood as a structured set of planned interventions identified by MS in their NRPs; strengthening regulatory certainty, and requiring MS to assess and identify financing needs. In practice, however, these activities do not in themselves constitute investable projects, and their translation into private investment remains limited due to the lack of standardised MRV systems, revenue visibility, and investable project structures. The operational bridge between policy and finance could be played by MRV systems, which translate ecological outcomes into measurable, standardised, and verifiable indicators that can underpin performance-based payments, reduce information asymmetry, and enable the structuring of investable financial instruments. This would enhance transparency, reduce transaction costs, and increase investor confidence. However, MRV alone does not overcome the public goods nature of biodiversity, which remains a structural constraint on full bankability and means public support and blended finance mechanisms remain essential.

OVERALL REFLECTIONS

The NRR creates a restoration obligation but not an investment mechanism; its financial relevance depends on whether NRPs translate ecological duties into measurable, costed, and financeable interventions. Overall, NRR-aligned investment depends on the interaction of strong policy direction, coherent implementation across land-use sectors, credible enforcement, and a robust sustainable finance framework. Thus, despite its legal strength, the Regulation's effectiveness ultimately depends on national implementation capacity and the availability of financing mechanisms, which remain uneven across MS.

INVESTOR IMPLICATIONS

Enables: Long-term visibility on restoration demand and policy direction creating a potential pipeline of policy-aligned restoration activities through NRPs.

Does not solve: Absence of revenue mechanisms, project aggregation and investable project structures.

Investor still needs: MRV-backed metrics and financing models (credits, blended finance, debt).

⁴⁹ European Commission, Financing Nature Restoration (2024).

⁵⁰ Regulation (EU) 2024/1991, arts. 14–15.

⁵¹ European Commission, Financing Nature Restoration (2024).

⁵² European Commission, Financing Nature Restoration (2024).

2. Common Agricultural Policy (CAP) 2023–2027

DESCRIPTION

Legal status: Binding EU policy framework implemented through Regulations (EU) 2021/2115 and 2021/2116, with national CAP Strategic Plans approved by the European Commission

The CAP is the EU's primary financial instrument for land management, accounting for a large share of biodiversity-relevant expenditure. However, these funding streams are not systematically linked to quantified ecological outcomes and typically lack performance-based payment triggers or standardised mechanisms to translate biodiversity improvements into predictable revenue streams for land managers. The 2023–2027 reform introduces eco-schemes and conditionality, aiming to improve environmental performance. However, implementation is highly decentralised via national strategic plans, leading to uneven ambition and outcomes. This reflects both an EU-level design feature, where flexibility is intentionally granted through CAP Strategic Plans, and a MS-level implementation challenge, where differing priorities and administrative capacities result in variable ambition and ecological effectiveness. The policy remains largely subsidy-based and input-oriented, with limited linkage to measurable biodiversity results, which constrains its ability to generate investment ready, performance-based projects.^{53 54} The environmental performance of the CAP remains widely debated, for instance the European Court of Auditors states that 70 % of CAP spending is direct payments, which have limited measurable biodiversity benefits. At the same time the EEA points out in their 2023 report that agriculture remains a key driver of biodiversity loss in Europe, with approximately 81% of EU agricultural habitats in poor condition, and that existing CAP support has not been sufficient to counteract these pressures and in some cases, the design of support may also maintain land-management practices associated with biodiversity decline.⁵⁵

The 2023–2027 CAP reform was designed to be greener, fairer, and more performance-based, structured around ten EU-level objectives covering economic, environmental, and social dimensions of agriculture. These include climate mitigation, biodiversity protection, soil and water management, and rural development, alongside economic viability and competitiveness.

The reform introduced a New Delivery Model, under which MS implement CAP Strategic Plans tailored to national contexts, subject to EC approval and performance monitoring.⁵⁶ This shift was intended to move from compliance-based to results-oriented policy implementation.

However, by 2026, the transition toward a performance-based model is being challenged by successive simplification measures, including temporary derogations and adjustments to Good Agricultural and Environmental Conditions (GAEC) standards adopted in 2024 in response to economic pressures and farmer protests.⁵⁷ These changes have reduced environmental requirements, particularly those related to crop rotation and non-productive areas.

Despite these developments, Eco-schemes (Pillar I) and Agri-Environment-Climate Measures (AECMs) (Pillar II) remain the main CAP instruments explicitly targeting biodiversity-relevant practices. At EU aggregate level, approximately 51% of direct payment expenditure is allocated to basic income support (BISS), while eco-schemes account for around 24% of direct payments and AECMs are financed within the smaller Pillar II budget envelope; however, the precise allocation and design of these measures vary significantly across Member State CAP Strategic Plans. This highlights a structural imbalance, whereby most of the CAP funding continues to be directed towards general income support rather than targeted biodiversity-enhancing measures. As a result, while biodiversity-oriented schemes are increasingly embedded in the CAP

⁵³ European Commission, Common Agricultural Policy.

⁵⁴ European Commission, EU Farm Economics Overview (2023).

⁵⁵ European Court of Auditors, Biodiversity on Farmland: CAP Contribution Not Effective, Special Report 13/2020; European Environment Agency, Agriculture and Biodiversity (2023).

⁵⁶ European Commission, Common Agricultural Policy.

⁵⁷ European Commission, CAP Simplification Measures and GAEC Derogations (2024).

architecture, they remain financially secondary to untargeted area-based payments, limiting their transformative impact on farming practices.^{58 59}

KEY BENEFITS

- Directs substantial financial resources through the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) toward environmental and climate-related actions.⁶⁰
- Requires MS to develop CAP Strategic Plans aligned with EU environmental objectives, subject to EC approval and performance review.⁶¹
- Eco-schemes and AECMs provide financial incentives for agroecology, organic farming (aligned with the EU target of 25% organic farming by 2030), and biodiversity-enhancing practices.⁶²
- Provides critical transition funding for land-use change in agriculture, particularly relevant for Agroecology (Romania) and Regenerative Agriculture (France) UCs.

POTENTIAL AREAS FOR IMPROVEMENT

- Evaluations by the European Court of Auditors (ECA), European Environment Agency (EEA), and academic literature consistently conclude that the CAP remains insufficiently effective in reversing biodiversity loss, with a large share of funding still supporting conventional agricultural practices.⁶³
- Eco-schemes often incentivise low-ambition practices, with limited measurable ecological impact, partly due to political compromises and administrative complexity, thereby constraining both the measurability of outcomes and their translation into credible, investment-relevant signals.⁶⁴
- Evidence suggests that many CAP Strategic Plans fall short of ecological thresholds required to halt species decline, particularly for farmland biodiversity.⁶⁵
- Simplification measures including exemptions for small farms and reduced GAEC requirements, risk weakening environmental conditionality and creating monitoring gaps, particularly in high-nature-value farming systems.⁶⁶
- The New Delivery Model remains administratively complex, limiting accessibility for smaller farmers and increasing reliance on advisory services.

INCONSISTENCIES TO ADDRESS

- The relaxation of GAEC 7 (crop rotation) and GAEC 8 (non-productive areas) requirements has created a direct misalignment with the NRR, particularly regarding targets for high-diversity landscape features.⁶⁷

⁵⁸ European Commission, Common Agricultural Policy.

⁵⁹ European Parliament, "Direct Payments under the CAP," Fact Sheets on the European Union, last updated 2023.

⁶⁰ European Parliament, "Direct Payments under the CAP."

⁶¹ European Commission, Common Agricultural Policy.

⁶² European Commission, EU Farm Economics Overview.

⁶³ European Court of Auditors, Common Agricultural Policy Plans—Greener, but Not Matching the EU's Ambitions for the Climate and the Environment (2024); European Court of Auditors, Biodiversity on Farmland (2020); European Environment Agency, Agriculture and Biodiversity (2023).

⁶⁴ ECA, Biodiversity on Farmland; EEA, Agriculture and Biodiversity.

⁶⁵ Guy Pe'er et al., "The EU's Common Agricultural Policy Fails to Protect Biodiversity," Science (updated assessments 2024–2025).

⁶⁶ European Commission, CAP Simplification.

⁶⁷ European Commission, CAP Simplification.

- The withdrawal of the Sustainable Use Regulation (SUR) leaves a regulatory gap in pesticide reduction, limiting the CAP's ability to deliver on biodiversity and pollinator objectives.⁶⁸
- While the SML provides a framework for soil data harmonisation, its gradual implementation means that CAP payments are not yet fully linked to robust, standardised soil performance indicators.⁶⁹
- CAP funding can still support practices that contribute to soil degradation and biodiversity loss, creating inconsistencies with broader EU environmental objectives.

SYNERGIES WITH OTHER POLICIES

- CAP Eco-schemes and AECMs represent the primary financing instruments for implementing NRR-related restoration actions in agricultural landscapes.⁷⁰
- The CAP is a key delivery mechanism for pollinator recovery, supporting measures such as wildflower strips, reduced pesticide use, and extensive grassland management, particularly relevant for the Grasslands (Slovenia) UC. In Slovenia this link is especially strong because species-rich grasslands function simultaneously as pollinator habitat and semi-natural farming systems whose ecological quality depends on extensive mowing, grazing and low nutrient input.⁷¹
- The integration of soil monitoring systems under the SML is expected to improve the measurement of soil carbon and ecosystem condition, supporting both public payments and private finance frameworks.⁷²
- CAP-supported practices can contribute to EU Taxonomy-aligned activities, particularly under the biodiversity and climate objectives, thereby linking agricultural practices to sustainable finance policies.⁷³
- AECMs provide transition finance for regenerative practices in France and Romania, enabling alignment between CAP funding and emerging private investment models.

OUTSTANDING DEVELOPMENTS

- There is an increasing policy debate about linking CAP payments to measurable biodiversity outcomes ("nature performance payments"), with consultations ongoing in 2026. The CAP does not require EU Taxonomy alignment or reporting as a condition for payments. However, CAP-funded measures, particularly Eco-schemes and AECMs, often correspond to activities that may qualify as Taxonomy-aligned. As a result, when CAP support is combined with private financing, the Taxonomy can act as a bridging framework, enabling the translation of publicly supported land-use practices into investable activities. In practice, this would enable blended finance structures in which CAP payments de-risk and support baseline project economics, while Taxonomy alignment provides the classification and credibility needed for private capital to co-finance activities, thereby improving bankability and scalability.
- Strengthening the integration of soil and biodiversity indicators into CAP conditionality remains a key technical and political challenge for the 2027 review.
- Greater alignment between CAP Strategic Plans and NRR targets will be critical in determining the effectiveness of EU biodiversity policy.

OVERALL REFLECTIONS

The CAP remains a pivotal but structurally constrained instrument for biodiversity financing. Its strength lies in its scale and ability to influence land management decisions across the EU.

⁶⁸ European Commission, Withdrawal of the Sustainable Use Regulation Proposal (2024).

⁶⁹ Directive (EU) 2025/2360.

⁷⁰ European Commission, Common Agricultural Policy.

⁷¹ European Commission, EU Pollinators Initiative (Revised) (2023).

⁷² Directive (EU) 2025/2360.

⁷³ Regulation (EU) 2020/852 (and subsequent Delegated Acts).

However, its effectiveness is limited by design trade-offs between income support and environmental performance, as well as recent regulatory adjustments that have weakened ecological conditionality. In this context, CAP payments function primarily as a public financing baseline, but do not by themselves create investable structures, as they are not designed to support nature-positive long-term revenue generation, risk-sharing mechanisms, or aggregation of projects at a scale attractive to private capital.

For the project's UCs, the CAP represents the primary mechanism for financing land-use change, particularly in agricultural systems. However, scaling biodiversity-positive investment will require a shift from area-based payments toward performance-based remuneration linked to measurable ecological outcomes, supported by improved monitoring systems and stronger alignment with the NRR and sustainable finance frameworks.

The CAP's scale gives it unique investment relevance, but its area-based and subsidy-oriented design limits its ability to reward additional, measurable biodiversity performance.

INVESTOR IMPLICATIONS

Enables: Large-scale public funding and co-financing opportunities for biodiversity relevant land management.

Does not solve: Weak links between payments and measurable biodiversity outcomes, especially where payments remain area-based or practice-based rather than performance-based.

Investor still needs: Standardised biodiversity indicators, long-term payment visibility and mechanisms to monetise biodiversity outcomes beyond public subsidies.

3. Soil Monitoring Directive/Law (SML)

DESCRIPTION

Legal status: Binding Directive (Directive 2025/2360 adopted in 2025; subject to transposition by Member States)

The Soil Monitoring Directive, adopted in 2025 and entered into force on 16 December 2025. It establishes a harmonised EU framework for monitoring soil health, including indicators, data collection systems, and risk assessment. It seeks to address a major gap in biodiversity finance by improving baseline data and comparability for soil ecosystems, which are critical for agricultural productivity and carbon storage. However, it remains primarily a data and governance framework, without direct financial incentives or mechanisms for translating soil improvements into investable assets.⁷⁴ Its final legal architecture reflects a significant reduction in regulatory ambition compared to the original 2023 Soil Health Law proposal.⁷⁵ While the initial proposal envisaged binding definitions of soil health and restoration obligations, the adopted Directive focuses primarily on monitoring, assessment, and reporting, with limited binding requirements for remediation or restoration.⁷⁶ This limits its capacity to independently deliver the objectives of the EU Soil Strategy for 2030, which aims for all soils to be in healthy condition by 2050.⁷⁷ Its effectiveness depends on interaction with other policies, particularly the NRR and CAP incentives.

KEY BENEFITS

- Establishes a harmonised EU-wide framework for measuring soil properties such as Soil Organic Carbon (SOC), contamination, and physical structure, reducing fragmentation across national systems.⁷⁸

⁷⁴ Directive (EU) 2025/2360.

⁷⁵ European Commission, "Proposal for a Directive on the European Parliament and of the Council on Soil Monitoring and Resilience (Soil Monitoring Law)," COM(2023) 416 final, July 5, 2023.

⁷⁶ Directive (EU) 2025/2360.

⁷⁷ European Commission, EU Soil Strategy for 2030 (2021).

⁷⁸ Directive (EU) 2025/2360.

- Builds on existing EU data infrastructures, including the Copernicus Land Monitoring Service⁷⁹ and the LUCAS survey⁸⁰. And is complemented by the European Environmental Economic Accounts (EEEA), which link environmental data with economic accounting, thereby strengthening MRV systems and enabling the translation of ecological information into standardised metrics for ESRS reporting and EU Taxonomy classification.⁸¹
- Provides essential baseline data for identifying soil degradation hotspots, supporting the implementation of the NRR.⁸²
- Enhances measurability of soil-related indicators, supporting CAP eco-schemes, carbon farming initiatives, and emerging private finance mechanisms.⁸³

POTENTIAL AREAS FOR IMPROVEMENT

- The absence of binding restoration targets or thresholds allows continued soil degradation while remaining legally compliant, limiting the Directive's environmental impact.⁸⁴
- Monitoring and reporting cycles may not be sufficiently responsive to address the scale of soil degradation, with estimates indicating that 60–70% of EU soils are currently unhealthy.⁸⁵
- The administrative and financial burden associated with high-frequency soil monitoring may be significant for MS and land managers, particularly in the absence of dedicated funding mechanisms.

INCONSISTENCIES TO ADDRESS

- While the NRR establishes binding restoration targets, and the SML provides a framework for monitoring soil health conditions, the two instruments operate at different functional levels and are formally complementary. However, following revisions during the legislative process, the SML has evolved into a primarily monitoring-oriented framework without binding soil-specific restoration obligations. As a result, a gap remains between target-setting under the NRR and the operational and enforceable measures required for soil restoration, with implications for implementation and enabling investments.⁸⁶
- CAP funding can continue to support practices that contribute to soil degradation, particularly considering recent simplification measures affecting environmental conditionality, creating misalignment between monitoring outcomes and financial incentives.⁸⁷
- The absence of binding provisions on pesticide use following the withdrawal of the Sustainable Use Regulation (SUR) proposal weakens the broader policy framework for soil biodiversity protection.⁸⁸

⁷⁹The Copernicus Land Monitoring Service (CLMS) is part of the EU's Copernicus Earth observation programme and provides geospatial data on land cover, land use, vegetation, soil sealing, and ecosystem dynamics. It supports environmental monitoring, policy implementation (including biodiversity and climate policies), and spatial planning through harmonised, high-resolution datasets derived from satellite imagery and in situ observations. European Commission, Copernicus Land Monitoring Service (CLMS) (Brussels: European Commission)

⁸⁰ The LUCAS survey (Land Use/Cover Area Frame Survey) is a harmonised field survey conducted by Eurostat to collect in situ data on land use, land cover, soil characteristics, and environmental variables across the European Union. It provides statistically representative ground-truth data used to validate satellite observations, support agricultural and environmental policy analysis, and improve monitoring frameworks for biodiversity and land management. Eurostat, LUCAS: Land Use and Cover Area Frame Survey (Luxembourg: European Commission),

⁸¹ Eurostat, Environmental Accounts: Establishing a Framework for Environmental Economic Accounts, Regulation (EU) No 691/2011.

⁸² Directive (EU) 2025/2360.

⁸³ European Commission, Carbon Farming and Soil Carbon Monitoring Framework, 2024.

⁸⁴ Directive (EU) 2025/2360.

⁸⁵ European Commission, EU Soil Strategy for 2030.

⁸⁶ Directive (EU) 2025/2360.

⁸⁷ European Commission, CAP Simplification Measures and GAEC Adjustments, 2024.

⁸⁸ European Commission, Withdrawal of the Sustainable Use Regulation (SUR), 2024.

SYNERGIES WITH OTHER POLICIES

- Soil data collected under the Directive supports improved accuracy in LULUCF accounting for land-based carbon sinks and emissions.⁸⁹
- The Directive underpins the implementation of the EU Mission “A Soil Deal for Europe,” providing the data foundation for Living Labs and Lighthouses focused on soil restoration.⁹⁰
- Soil monitoring outputs can support verification of environmental performance under the EU Taxonomy, particularly in relation to Do No Significant Harm (DNSH) criteria for agriculture and forestry investments⁹¹ thus providing a critical data layer for integrating monitoring into biodiversity finance frameworks, enhancing transparency and comparability.

OUTSTANDING DEVELOPMENTS

- Delegated acts specifying soil health descriptors and methodologies are under development and expected to be further clarified during 2026.⁹²
- No dedicated EU funding mechanism for soil restoration currently exists, with financing relying on CAP, Horizon Europe, and emerging private market instruments.
- Ongoing policy discussions suggest potential future strengthening of the framework, including calls for binding soil protection measures.

OVERALL REFLECTIONS

The SML represents a shift toward scientific and data-driven soil governance at EU level. It significantly improves the availability, comparability, and reliability of soil data, providing a critical foundation for both policy implementation and financial decision-making. However, its lack of binding restoration obligations limits its immediate impact on investment mobilisation. For the project’s UCs, the Directive can provide the technical metrics necessary to monitor soil conditions across agricultural and forest landscapes. Ultimately, the effectiveness of soil-related investments will depend on how this data is integrated into binding regulatory frameworks (such as the NRR), financial incentives (CAP), and sustainable finance policies (EU Taxonomy). The Directive provides the diagnostic capacity for soil health, but the translation of this information into restoration outcomes remains contingent on broader policy alignment and market uptake. The Directive strengthens the evidence base for soil-related investment but risks remaining a diagnostic tool unless monitoring results are linked to restoration duties, CAP incentives, or financial valuation.

INVESTOR IMPLICATIONS

Enables: Improved soil data availability, comparability and baseline information for soil-related biodiversity and carbon outcomes.

Does not solve: Lack of binding soil obligations, financial incentives or market mechanisms to monetize improvements.

Investor still needs: Integration of soil indicators into CAP payments, Taxonomy/DNSH assessments MRV systems and valuation frameworks.

4. *Water Framework Directive*

DESCRIPTION

Legal status: Binding EU Directive (Directive 2000/60/EC; currently under targeted revision)

The WFD is a long-standing binding directive requiring MS to achieve “good ecological status” of water bodies through basin-level management plans. It provides clear ecological objectives and regulatory enforcement mechanisms, making it one of the most operationalised environmental

⁸⁹ Regulation (EU) 2018/841.

⁹⁰ European Commission, Mission “A Soil Deal for Europe”, 2021.

⁹¹ Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73.

⁹² Directive (EU) 2025/2360.

policies in the EU. Despite this strong regulatory basis, investments in large-scale river restoration, floodplain reconnection, and catchment-level nature-based solutions remain difficult to finance, as they typically lack clear revenue streams and rely on fragmented public funding. Its focus remains on compliance rather than investment, and it lacks mechanisms to translate ecological improvements into revenue-generating or investable outcomes, limiting private capital mobilisation.⁹³ A significant proportion of EU water bodies still fail to achieve these targets, due in part to the extensive use of exemptions and repeated deadline extensions, which have reduced the Directive's effective ambition in practice. This implementation gap is reflected in the EEA assessments, which show that less than 40% of surface water achieve good ecological status and that progress has remained limited over time, highlighting the gap between regulatory ambition and ecological outcomes.⁹⁴

As of March 2026, EU water legislation linked to WFD implementation is being updated, particularly priority substances and pollutant monitoring.⁹⁵ The broader regulatory context reflects increasing pressure to balance environmental objectives with economic and strategic priorities, including energy security, hydropower modernisation, and critical raw materials extraction. For the Rivers & Wetlands (UK) UC, the WFD continues to function as a benchmark framework from an EU investor perspective, particularly through its “one-out, all-out” principle, which requires all ecological status elements to meet defined thresholds for a water body to be classified as in good condition.⁹⁶

KEY BENEFITS

- Establishes a legally binding, basin-level governance framework, requiring MS to coordinate water management at river basin scale, including transboundary cooperation.⁹⁷
- Provides a comprehensive monitoring and planning system through River Basin Management Plans (RBMPs), forming the backbone of aquatic ecosystem assessment.⁹⁸
- Sets Environmental Quality Standards (EQS) for pollutants, supporting long-term water quality protection and reducing contamination risks from agriculture and industry.⁹⁹
- The “no deterioration” principle has historically driven significant investments in wastewater treatment, pollution control, and hydromorphological restoration.¹⁰⁰

POTENTIAL AREAS FOR IMPROVEMENT

- Key sectors such as agriculture, hydropower, and transport remain only partially aligned with WFD objectives, creating a structural gap between legal requirements and implementation.¹⁰¹
- Extensive reliance on exemptions and deadline extensions has reduced the effectiveness of the Directive in achieving good ecological status across MS.¹⁰²
- Monitoring emerging pollutants and achieving high-frequency ecological assessments remains technically complex and financially demanding.¹⁰³

⁹³ 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, [2000] OJ L 327/1.

⁹⁴ European Environment Agency, Europe's Water in Figures – Status and Pressures, 2023.

⁹⁵ European Commission, Proposal to Update Water Pollutant Lists and Improve Monitoring, October 2022.

⁹⁶ European Parliament and Council Directive 2000/60/EC of 23 October 2000 Establishing a Framework for Community Action in the Field of Water Policy, Official Journal of the European Communities L 327 (December 22, 2000).

⁹⁷ European Parliament and Council Directive 2000/60/EC.

⁹⁸ European Parliament and Council Directive 2000/60/EC.

⁹⁹ European Commission, Proposal to Update Water Pollutant Lists and Improve Monitoring, October 2022.

¹⁰⁰ European Parliament and Council Directive 2000/60/EC.

¹⁰¹ European Environment Agency, Europe's Water in Figures – Status and Pressures, 2023.

¹⁰² European Environment Agency, Europe's Water in Figures – Status and Pressures, 2023.

¹⁰³ European Commission, Proposal to Update Water Pollutant Lists and Improve Monitoring, October 2022.

- Limited interoperability with other regulatory frameworks (e.g., EIA, SEA, MSFD) can create administrative burdens without necessarily improving ecological outcomes.

INCONSISTENCIES TO ADDRESS

- Ongoing policy discussions around WFD revision suggest increasing flexibility for projects of overriding public interest (e.g., energy and infrastructure), which may create tensions with the “no deterioration” principle if not carefully managed.¹⁰⁴
- Continued pressures from agriculture and urbanisation are often managed through exemptions rather than structural mitigation measures, limiting long-term ecological recovery.¹⁰⁵

SYNERGIES WITH OTHER POLICIES

- The NRR reinforces WFD objectives by introducing binding restoration targets, particularly for river connectivity, floodplain restoration, and the removal of obsolete barriers.¹⁰⁶
- The integration of NRR targets into River Basin Management Plans has the potential to shift water policy from a monitoring-focused approach to an implementation-driven restoration framework, particularly relevant for large-scale basin restoration projects.
- WFD monitoring data provides a robust scientific basis that can support investment decisions, particularly for nature-based solutions in river and wetland systems, including potential alignment with sustainable finance policies such as EU Taxonomy-aligned investments.¹⁰⁷
- For the UK Rivers & Wetlands UC, WFD standards remain a key reference point for EU-based investors assessing ecological integrity, even in the context of post-Brexit regulatory divergence.

OUTSTANDING DEVELOPMENTS

- The ongoing revision of the Directive is expected to refine pollutant standards and strengthen monitoring requirements, with further developments anticipated in 2026.¹⁰⁸
- A key policy question is how to align WFD implementation with the NRR to ensure coherence between restoration targets and basin-level management.¹⁰⁹
- Ensuring adequate funding and enforcement capacity remains critical, particularly as restoration ambitions increase under the NRR framework.
- Data gaps and inconsistencies in related environmental monitoring systems (including soil and biodiversity indicators) continue to limit cross-policy integration and financial verification.

OVERALL REFLECTIONS

The WFD defines the ecological boundary conditions for aquatic systems, while the NRR increasingly provides the implementation momentum. While achieving good ecological status under the WFD inherently requires the reduction of pressures and, in many cases, restoration measures, its practical implementation has often focused on compliance and incremental improvements rather than large-scale, proactive ecosystem restoration. The emerging integration between the WFD and the NRR represents a potential turning point, particularly for river restoration and wetland recovery. For the project’s UCs, especially Rivers & Wetlands (UK), this policy nexus shifts the focus from monitoring ecological decline towards enabling the financing of restoration actions, such as barrier removal and floodplain reconnection. The success of this

¹⁰⁴ European Commission, Proposal to Update Water Pollutant Lists and Improve Monitoring, October 2022.

¹⁰⁵ European Environment Agency, Europe’s Water in Figures – Status and Pressures, 2023.

¹⁰⁶ Regulation (EU) 2024/1991.

¹⁰⁷ Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73.

¹⁰⁸ European Commission, Proposal to Update Water Pollutant Lists and Improve Monitoring, October 2022.

¹⁰⁹ Regulation (EU) 2024/1991.

transition will depend on the extent to which MS integrate NRR targets into River Basin Management Plans and ensure that sectoral policies (energy, agriculture, transport, urban planning) are aligned with ecological objectives. From a financing perspective, the WFD provides the scientific and regulatory baseline, while the NRR and sustainable finance frameworks determine whether restoration becomes scalable and investable. The WFD provides a strong ecological baseline for aquatic systems, but its compliance logic does not automatically create investable revenue models for river or wetland restoration.

INVESTOR IMPLICATIONS

Enables: Strong regulatory drivers and ecological baseline for water-related restoration projects

Does not solve: Monetisation of ecological improvements related to water.

Investor still needs: Project structuring payment mechanisms, contractual revenue models, and MRV capable of translating ecological status improvements into financeable outcomes.

5. Pollinators' Initiative

DESCRIPTION

Legal status: Non-binding EU policy framework (European Commission Communication), with binding elements implemented through the Nature Restoration Regulation and related delegated acts (e.g. EU Pollinator Monitoring Scheme)

The EU Pollinators' Initiative is a non-binding policy framework aimed at reversing pollinator decline through monitoring, habitat restoration, and integration into broader biodiversity strategies, which is increasingly relevant for investment readiness as pollinator-dependent ecosystem services underpin agricultural productivity and nature-based value chains. In September 2025, the EC adopted a delegated regulation establishing the EU Pollinator Monitoring Scheme (EU-PoMS), a standardised, science-based methodology for monitoring pollinator diversity and population trends. The regulation was published in Nov. 2025, and MS are expected to implement it by 16 Dec. 2026. While the EU Pollinators Initiative itself remains a non-binding policy framework, its operationalisation has been significantly strengthened through its linkage with the legally binding NRR. In particular, Article 10 of the NRR establishes binding obligations for MS to improve pollinator diversity and reverse the decline of pollinator populations by 2030.

KEY BENEFITS

- The EU-PoMS provides the first harmonized EU methodology for tracking pollinator diversity and pollinator population trends, reducing reliance on fragmented national monitoring approaches.^{110 111}
- Most importantly from a legal perspective, the NRR transforms pollinator monitoring from a policy aspiration into a binding MS obligation under Article 10, while the revised Pollinators Initiative provides much of the practical policy guidance for implementation.¹¹²

POTENTIAL AREAS FOR IMPROVEMENT

- Monitoring pollinators at EU scale remains scientifically and operationally demanding, and several MS still face capacity constraints, including shortages of taxonomic expertise and field monitoring capability.^{113 114}

¹¹⁰ European Commission, Delegated Regulation (EU) 2025/2188; European Commission, "Pollinators", accessed March 27, 2026.

¹¹¹ European Commission, "Revision of the EU Pollinators Initiative," COM (2023) 35 final.

¹¹² Regulation (EU) 2024/1991, art. 10; European Commission, "Revision of the EU Pollinators Initiative," COM (2023) 35 final.

¹¹³ European Commission, "Revision of the EU Pollinators Initiative," COM (2023) 35 final; Delegated Regulation (EU) 2025/2188.

¹¹⁴ Delegated Regulation (EU) 2025/2188; European Commission, "Better Monitoring to Support Restoration of EU Pollinators," November 26, 2025.

- The Initiative itself has no standalone dedicated budget line and instead relies on support from instruments such as LIFE, Horizon Europe and other EU funding streams, leading to fragmented and project-based delivery, with limited funding volume and no clear mechanisms to translate outcomes into scalable or monetizable investment opportunities.¹¹⁵

INCONSISTENCIES TO ADDRESS

- A major inconsistency is the gap between identification of pesticide pressure as a key driver of decline and the withdrawal in 2024, of the proposed Sustainable Use Regulation (SUR).¹¹⁶
- The 2024 CAP simplification changes, including changes affecting GAEC 8 and the non-productive area requirement, reduced the strength of a key biodiversity baseline in farmland landscapes that are highly relevant for pollinators.¹¹⁷ This creates tension with the NRR's requirement to reverse pollinator decline and with the broader goals of pollinator-friendly agricultural landscapes.¹¹⁸
- Although the revised Initiative advocates action in sensitive areas and stronger reduction of harmful pressures, the legal framework remains uneven across sectors and MS, which may produce variable implementation outcomes in cross-border or mixed-use landscapes.¹¹⁹

SYNERGIES WITH OTHER POLICIES

- The strongest synergies are with the NRR, the CAP, the Biodiversity Strategy for 2030, and increasingly the SML.¹²⁰ The SML is not a pollinator-specific instrument, but its data on soil conditions are increasingly relevant for assessing the quality and resilience of pollinator habitats, especially in agricultural landscapes.¹²¹
- The revised Pollinators Initiative also serves as an important technical and policy support framework for the pollinator restoration obligation in national restoration planning, while restoration of species-rich grasslands and diverse agricultural landscapes can simultaneously support biodiversity, soil health and carbon objectives.¹²²

OUTSTANDING DEVELOPMENTS

- One important outstanding issue is how pollinator monitoring data will be integrated into wider EU performance and reporting systems, including future CAP performance arrangements after 2027.¹²³
- Another is the definition of “satisfactory levels.” Under the NRR, MS must reverse decline by 2030 and then achieve an increasing trend until satisfactory levels are reached, but the EC is only due to establish a guiding framework for setting those satisfactory levels by 31 December 2028.¹²⁴

¹¹⁵ European Commission, "Revision of the EU Pollinators Initiative," COM (2023) 35 final.

¹¹⁶ European Commission, "Sustainable Use of Pesticides," accessed March 27, 2026; Directive 2009/128/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for Community action to achieve the sustainable use of pesticides, Official Journal of the European Union L 309 (November 24, 2009): 71–86.

¹¹⁷ Commission Implementing Regulation (EU) 2024/587 of 12 February 2024 providing for a derogation from Regulation (EU) 2021/2115 as regards the application of GAEC standard 8, Official Journal of the European Union L, 2024/587 (February 13, 2024); Commission Implementing Regulation (EU) 2024/1962 of 18 July 2024 amending Implementing Regulation (EU) 2021/2289 as regards GAEC standards 7 and 8, Official Journal of the European Union L, 2024/1962 (July 19, 2024).

¹¹⁸ Regulation (EU) 2024/1991, art. 10; European Commission, "Revision of the EU Pollinators Initiative," COM (2023) 35 final.

¹¹⁹ European Commission, "Revision of the EU Pollinators Initiative," COM (2023) 35 final.; European Commission, "Sustainable Use of Pesticides," accessed March 27, 2026.

¹²⁰ European Commission, "Revision of the EU Pollinators Initiative," COM (2023) 35 final; Directive (EU) 2025/2360.

¹²¹ Directive (EU) 2025/2360.

¹²² Regulation (EU) 2024/1991, arts. 10–11; European Commission, "Revision of the EU Pollinators Initiative," COM (2023) 35 final.

¹²³ European Commission, "Revision of the EU Pollinators Initiative," COM (2023) 35 final.

¹²⁴ Regulation (EU) 2024/1991, arts. 10 and 20(10).

OVERALL REFLECTIONS

The revised Pollinators Initiative now combines a strong scientific and policy framework with a binding legal restoration obligation under the NRR.¹²⁵ At the same time, there is a real governance tension; the EU has strengthened monitoring and restoration obligations for pollinators, but some of the most important tools for addressing the underlying drivers; especially pesticide pressure and farmland habitat loss remain weaker or more fragmented than the restoration ambition would suggest.¹²⁶

The Initiative improves species-level monitoring, but pollinator outcomes remain difficult to finance unless embedded in wider agri-environment or restoration projects with multiple ecosystem-service benefits.

INVESTOR IMPLICATIONS

Enables: Improved species-level monitoring and ecological targeting and stronger linkage to binding NRR obligations.

Does not solve: The absence of a standalone investment framework, including revenue mechanisms, project structuring pathways, and scalable financing models.

Investor still needs: Integration into larger, revenue-generating restoration or agri-environment financing structures (e.g. CAP-supported schemes or NRR-aligned projects), where pollinator outcomes can be combined with other ecosystem services to enable project aggregation and access to blended finance.

6. *Regulation on land use, land use change, and forestry (LULUCF)*

DESCRIPTION

Legal status: Binding EU Regulation (Regulation (EU) 2018/841, as amended by Regulation (EU) 2023/839)

The LULUCF Regulation sets binding targets for carbon removals in land use and forestry, indirectly influencing biodiversity through land management practices. It plays a key role in linking climate and land-use policy but introduces trade-offs between carbon optimisation and biodiversity outcomes (e.g. biomass use vs ecosystem integrity). This trade-off is a central structural tension in land-use policy and finance, as carbon-focused optimisation can incentivise investment flows toward activities that maximise short-term removals while potentially undermining biodiversity integrity and long-term ecosystem resilience. Its effectiveness is constrained by declining carbon sinks, uneven monitoring capacity, and policy misalignment, requiring stronger integration with biodiversity and restoration frameworks.¹²⁷ Acknowledging land as both a potential carbon source and a critical sink, the regulation was revised in 2023 to align with the EGD and the European Climate Law.¹²⁸ This revision confirmed the no-debit rule until 2025 and introduced a significantly more ambitious binding target of 310 million tonnes of CO₂ equivalent in net removals by 2030.¹²⁹ To reach this, MS must follow a linear trajectory and binding budget logic for the period 2026 to 2029, reflecting the sector's essential role in achieving climate

¹²⁵ Regulation (EU) 2024/1991, art. 10; Delegated Regulation (EU) 2025/2188; European Commission, "Revision of the EU Pollinators Initiative," COM (2023) 35 final.

¹²⁶ European Commission, "Sustainable Use of Pesticides," accessed March 27, 2026; Commission Implementing Regulation (EU) 2024/587; Regulation (EU) 2024/1991, art. 10.

¹²⁷ Regulation (EU) 2018/841.

¹²⁸ Regulation (EU) 2018/841.

¹²⁹ Consolidated text of Regulation (EU) 2018/841, art. 4, as amended by Regulation (EU) 2023/839.

neutrality by 2050.¹³⁰ The European Environment Agency provides technical monitoring and assessment support for tracking progress toward these milestones.¹³¹

KEY BENEFITS

- LULUCF's primary strength lies in its legally binding nature and harmonised accounting rules across various land categories, including forests, wetlands, croplands and grasslands.¹³²
- The revised framework strengthens MRV by encouraging the use of geographically explicit land-use data, digital tools, remote sensing and, where applicable, Copernicus and CAP-related datasets.¹³³
- The no-debit rule effectively places a regulatory value on standing forests and other sinks by requiring MS to compensate accounted land-based emissions with an equivalent amount of removals during the first compliance period.¹³⁴
- The compliance system includes a corrective mechanism under which non-compliance leads to an additional 8% being added to the MS subsequent target calculation.¹³⁵
- The regulation provides protocols for handling natural disturbances, such as wildfires or pest outbreaks, allowing MS to exclude certain volatile emissions from accounts under transparent conditions.¹³⁶

POTENTIAL AREAS FOR IMPROVEMENT

- A 2025 EEA assessment confirms that the EU is currently not on track for 2030, mainly because of the continuing decline in the forest carbon sink.¹³⁷
- The absence, as of March 2026, of an adopted EU Forest Monitoring Law (Rejected Oct 2025¹³⁸) leaves continued weaknesses in the comparability and consistency of forest-related data across MS.
- The framework's strong focus on quantified removals can, if not carefully aligned with biodiversity safeguards, create incentives for land-use choices that prioritise carbon performance over ecological quality.¹³⁹
- Increasing land competition linked to renewable energy deployment, infrastructure expansion and biomass demand may complicate the achievement of sink-enhancement and restoration objectives in some territories.¹⁴⁰

¹³⁰ European Commission, Report from the Commission to the European Parliament and the Council on the exercise of the power to adopt delegated acts conferred on the Commission pursuant to Regulation (EU) 2018/841, COM (2024) 195 final, 2024.

¹³¹ European Environment Agency, Enhancing Europe's Land Carbon Sink: Status and Prospects (Copenhagen: EEA, 2025).

¹³² Regulation (EU) 2018/841; Regulation (EU) 2023/839.

¹³³ Regulation (EU) 2023/839, recital on upgraded monitoring and reporting using advanced technologies, including Copernicus and digital CAP data; European Commission, Proposal for a Regulation on a Monitoring Framework for Resilient European Forests, COM (2023) 728 final, 22 November 2023.

¹³⁴ European Commission, Land Use Sector, Climate Action webpage, accessed March 26, 2026.

¹³⁵ Regulation (EU) 2018/841, compliance provisions as amended by Regulation (EU) 2023/839; see also Commission delegated act on Union Registry implementation for the second compliance period, C (2026) 52 final, 13 January 2026.

¹³⁶ Regulation (EU) 2018/841, natural disturbance accounting provisions.

¹³⁷ European Environment Agency, Enhancing Europe's Land Carbon Sink: Status and Prospects (2025); European Environment Agency, "Europe's land carbon sink declines, but its potential stays high," news release, 2025.

¹³⁸ European Commission, Proposal for a Regulation on a Monitoring Framework for Resilient European Forests, COM(2023) 728 final, 22 November 2023; Council of the European Union, "Council backs new monitoring framework to boost the sustainable management of forests," press release, 24 June 2025; European Parliament, "No majority in Parliament for an EU forest monitoring framework," press release, 21 October 2025.

¹³⁹ European Commission, COM (2024) 195 final; European Commission and EEA, Handbook on the Updated LULUCF Regulation EU 2018/841.

¹⁴⁰ Council of the European Union, "Directive (EU) 2023/2413 of the European Parliament and of the Council of 18 October 2023 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC as regards the

INCONSISTENCIES TO ADDRESS

- A significant tension exists between LULUCF's objective of expanding carbon sinks and the broader energy-policy framework, especially where biomass demand places pressure on forest resources, even though RED III also recognises the principle of cascading biomass use.¹⁴¹
- Under the CRCF, the main integrity risk is not straightforward Paris-accounting double counting, since the Regulation specifies that certified removals should contribute to the EU's NDC and not to third-country NDCs or international compliance schemes; rather the unresolved issue concerns how to prevent double claiming or misleading private claims in practice until the registry and claims framework are fully operational.¹⁴²

SYNERGIES WITH OTHER POLICIES

- Restoration measures under the NRR can act as an important lever for achieving LULUCF sink targets, especially in relation to peatland rewetting, wetlands and forest ecosystem recovery.¹⁴³
- The CRCF may become an important operational complement to LULUCF by creating a voluntary certification framework for high-quality removals and carbon farming, while still requiring robust safeguards to avoid greenwashing and weak claims.¹⁴⁴
- EC guidance on biodiversity-friendly afforestation and reforestation can help align carbon-removal objectives with higher-integrity biodiversity outcomes.¹⁴⁵

OUTSTANDING DEVELOPMENTS

- MS entered the 2026–2030 compliance period in 2026, but compliance consequences will be determined through the formal review and accounting cycle rather than by an automatic penalty triggered by one single year alone.¹⁴⁶
- The EU Carbon Removal Registry still needs to be established by Dec. 2028, and the interim period depends on certification-scheme registries meeting minimum anti-double-counting requirements.¹⁴⁷
- Debate continues on the post-2030 land-use framework, including whether and how to strengthen integration between LULUCF and wider agricultural emissions governance, but no automatic merger into AFOLU has been determined at this point.¹⁴⁸

promotion of energy from renewable sources," Official Journal of the European Union, L series, no. 241/1 (October 31, 2023).

¹⁴¹ Directive (EU) 2023/2413; European Commission, "REPowerEU Plan: Joint European Action for More Affordable, Secure and Sustainable Energy," COM(2022) 230 final (Brussels: European Commission, May 18, 2022), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022DC0230>.

¹⁴² European Parliament and Council of the European Union, Regulation (EU) 2024/3012 of 27 November 2024 establishing a Union certification framework for permanent carbon removals, carbon farming and carbon storage in products, OJ L (2024); Commission Implementing Regulation (EU) 2025/2358 of 20 November 2025.

¹⁴³ European Commission, Climate and Nature, Climate Action webpage, accessed March 26, 2026.

¹⁴⁴ Regulation (EU) 2024/3012; European Commission, "Carbon Removals and Carbon Farming," accessed March 26, 2026.

¹⁴⁵ European Commission, COM (2024) 195 final, referring to 2023 biodiversity-friendly afforestation and reforestation guidance.

¹⁴⁶ Commission delegated act on Union Registry implementation for LULUCF second compliance period, C (2026) 52 final, 13 January 2026; Governance timing under the Union Registry / compliance cycle.

¹⁴⁷ Regulation (EU) 2024/3012, art. 12; EUR-Lex summary of the CRCF Regulation; Commission Implementing Regulation (EU) 2025/2358.

¹⁴⁸ European Committee of the Regions, Opinion: Securing Our Future – Europe's 2040 Climate Target and Path to Climate Neutrality by 2050, COR-2024-00000-00-00-AC, adopted March 2026, European Union Law and Publications Office.

- In the absence of an adopted Forest Monitoring Law, the EC and MS remain reliant on existing inventory systems, EEA support, and national monitoring frameworks to improve comparability.¹⁴⁹

OVERALL REFLECTIONS

LULUCF represents a holistic attempt to govern land-use change, yet its success is currently threatened by declining sinks, uneven monitoring capacity and conflicting sectoral priorities.¹⁵⁰ At the core of these challenges is the unresolved tension between carbon maximisation and biodiversity integrity, which directly shapes the risk profile, credibility, and long-term viability of land-based investment strategies. To meet the 2030 target, implementation must accelerate through improved land-based MRV, stronger links with restoration policy, and better integration with agricultural and biodiversity policies, particularly regarding peatlands, forest resilience and high-integrity carbon farming.¹⁵¹ Resolving the friction between biomass and land-use pressures on the one hand, and climate- and biodiversity-driven sequestration goals on the other, remains the most critical hurdle for the framework's long-term effectiveness.¹⁵²

INVESTOR IMPLICATIONS

Enables: Carbon-linked investment signals in land-based systems and stronger accounting for land-sector emissions and removals.

Does not solve: Alignment between carbon optimisation and biodiversity integrity.

Investor still needs: Integrated metrics capturing both carbon and biodiversity value alongside safeguards to avoid carbon-only land-use optimisation.

3.2 Financial and disclosure frameworks

The EU's sustainable finance framework has evolved from a 2018¹⁵³ visionary roadmap into a science-based regulatory ecosystem. Expanded by the 2021 Strategy for Financing the Transition¹⁵⁴ This regime moved beyond simple climate mitigation to address systemic biodiversity loss and ecosystem degradation. By establishing the EU Taxonomy as a common language for sustainability and the SFDR as a transparency mandate for capital markets, the EC laid the groundwork for redirecting private investment toward Nature-Positive outcomes. The 2023 Sustainable Finance Package further reinforced the framework,^{155 156} which placed greater emphasis on usability and SME integration. In early 2026, the EU adopted the core Level 1 legislative elements of the Omnibus I simplification package.^{157, 158} However, important Level 2 measures, delegated acts, and technical revisions, particularly regarding the revision of delegated acts (e.g. EU Taxonomy) and the simplification of ESRS, remain under development and will shape how the framework operates in practice. The following section analyses the impact the Omnibus I simplification package has had on the various policies affecting biodiversity finance.

¹⁴⁹ EEA/Commission LULUCF implementation material; forest monitoring proposal background.

¹⁵⁰ European Environment Agency, Enhancing Europe's Land Carbon Sink: Status and Prospects (2025).

¹⁵¹ European Commission, Land Use Sector; European Commission, Climate and Nature; EEA material on EO/MRV and land monitoring.

¹⁵² Directive (EU) 2023/2413; Regulation (EU) 2018/841; EEA 2025 assessment.

¹⁵³ European Commission, Action Plan: Financing Sustainable Growth, COM (2018) 97 final.

¹⁵⁴ European Commission, Strategy for Financing the Transition to a Sustainable Economy, COM (2021) 390 final.

¹⁵⁵ European Commission, A Sustainable Finance Framework That Works on the Ground, COM (2023) 317 final.

¹⁵⁶ European Commission, Enhancing the Usability of the EU Taxonomy and the Overall EU Sustainable Finance Framework, SWD(2023) 209 final.

¹⁵⁷ Council of the European Union, "Council Signs Off Simplification of Sustainability Reporting and Due Diligence Requirements to Boost EU Competitiveness" (Press Release, February 24, 2026), Council of the European Union Press Release.

¹⁵⁸ Directive (EU) 2026/470.

7. *European Taxonomy for sustainable activities*

DESCRIPTION

Legal status: Binding EU Regulation (Regulation (EU) 2020/852), complemented by Delegated Acts (including Delegated Regulations (EU) 2021/2139 and 2023/2486; further revisions ongoing) The EU Taxonomy is a binding classification system that defines which economic activities qualify as environmentally sustainable. In practice, this enables activities such as ecosystem restoration or sustainable land management to be assessed against defined technical screening criteria, allowing investors and issuers to determine whether projects can be classified as environmentally sustainable and included in financial products or green bond frameworks. However, the Taxonomy does not establish revenue mechanisms, payment structures, or project development pathways, meaning that while it strengthens classification and comparability, it does not by itself ensure the financial viability or scalability of biodiversity-related investments. It establishes four criteria (substantial contribution, Do No significant Harm (DNSH), safeguards, Technical Screening Criteria (TSC)) and includes biodiversity as a standalone objective.

A major development is the 2023 Delegated Act,¹⁵⁹ which introduced explicit TSC for biodiversity, moving beyond its earlier treatment mainly via DNSH. Recent work by the PSF highlights a remaining structural limitation in this approach: nature-based solutions are primarily classified as enabling activities under the climate adaptation objective. For example, certain nature-based solutions may be classified primarily as enabling climate-adaptation activities rather than as biodiversity-restoration activities in their own right, which can reduce their visibility for biodiversity-focused investors and limit the development of dedicated biodiversity investment products. This issue has been highlighted in recent work by the Platform on Sustainable Finance concerning the treatment of nature-based solutions within the EU Taxonomy framework. While this captures their role in enhancing resilience, it underrepresents their broader function as core drivers of biodiversity restoration and ecosystem recovery, thereby limiting their recognition as standalone, investable activities within the current classification framework.¹⁶⁰ The Taxonomy acts as a bridge between policy and capital allocation but is highly data-intensive and dependent on robust MRV systems.¹⁶¹ Its effectiveness in supporting investment decisions depends on the availability of robust, standardised, and verifiable data, meaning that the operationalisation of Taxonomy alignment is closely linked to the development of MRV systems and high-quality biodiversity metrics. While the Taxonomy covers six environmental objectives, Art. 9(f) explicitly enshrines the protection and restoration of biodiversity and ecosystems as one of them.¹⁶² The DNSH principle is particularly important for biodiversity. Under Art.17, an activity is disqualified if it significantly harms the good condition and resilience of ecosystems or the conservation status of habitats and species.¹⁶³ The EC guidance further clarifies that, for some activities, verification is required within two years after the start of the activity and every ten years thereafter.¹⁶⁴ The framework also aligns with the Habitats and Birds Directives, and requires particular care for activities in or near biodiversity-sensitive areas such as Natura 2000 sites, UNESCO World Heritage sites, and Key Biodiversity Areas.¹⁶⁵ The practical application of these criteria has been further clarified by the EC's 2025 Notice on the Environmental and Climate Delegated Acts, which provides interpretive

¹⁵⁹ European Commission, Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 by establishing technical screening criteria for the non-climate environmental objectives, OJ L, 21 November 2023.

¹⁶⁰ Platform on Sustainable Finance, *Advancing Sustainable Finance: Technical Criteria for New Activities and First Review of the Climate Delegated Act* (Brussels: European Commission, 2025), chap. 3.

¹⁶¹ Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73, art. 3.

¹⁶² Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73, art. 9(f).

¹⁶³ Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73, art. 17.

¹⁶⁴ European Commission, "Commission notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act and the Taxonomy Environmental Delegated Act," OJ C, 2025.

¹⁶⁵ Delegated Regulation (EU) 2023/2486.

guidance on TSC, DNSH requirements, interoperability, and certain verification issues. This Notice does not amend the Taxonomy's legal obligations, but it is important for understanding how the EC expects the delegated acts to be implemented in practice.¹⁶⁶ The practical relevance of the EU Taxonomy for biodiversity has increased following the adoption of the NRR. While the NRR sets binding ecosystem restoration targets and requires NRPs, the Taxonomy provides a classification framework that can help translate restoration needs into investable activities, particularly for projects such as habitat restoration, ecological rehabilitation, wetland recovery, river restoration, and conservation management..¹⁶⁷ In that sense, the NRR sets the public-law restoration obligations, while the Taxonomy can help structure the private-finance logic for delivery.¹⁶⁸

A second important link is with the CAP. CAP Strategic Plans must contribute to EU objectives on climate, biodiversity, forests and water, and channel support through instruments such as eco-schemes and AECMs.¹⁶⁹ The Taxonomy could complement CAP rules by giving project developers a harmonised sustainability benchmark for land-use and restoration-related investments connected to agricultural landscapes. This is especially relevant for agroecology, regenerative agriculture, grasslands and peatland-related interventions, where CAP support and private capital may need to be combined.¹⁷⁰ Following the 2025 simplification package, the Taxonomy remains a central pillar of the EU sustainable-finance framework. The EC adopted targeted amendments in July 2025, published as Delegated Regulation (EU) 2026/73, to simplify the Disclosures, Climate and Environmental Delegated Acts while preserving the core architecture of the Taxonomy.¹⁷¹ It therefore remains the EU's main harmonised legal classification tool for identifying environmentally sustainable economic activities, including biodiversity-related activities.¹⁷² However, this classification role does not automatically translate into a pipeline of investable projects. Where activities such as nature-based solutions are not fully recognised as primary economic activities, their translation into clearly defined, Taxonomy-aligned investment opportunities remain constrained, with direct implications for downstream financing instruments such as the EU Green Bond Standard.

KEY BENEFITS

- The EU Taxonomy provides a common and legally structured language for investors, issuers and companies to identify which economic activities can be treated as environmentally sustainable under EU law.¹⁷³
- Biodiversity-related DNSH requirements help prevent projects marketed as green from damaging protected habitats, ecosystems, or species, including in biodiversity-sensitive areas.¹⁷⁴

¹⁶⁶ European Commission, "Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Environmental Delegated Act, the EU Taxonomy Climate Delegated Act and the EU Taxonomy Disclosures Delegated Act," Official Journal of the European Union C/2025/1373, 5 March 2025.

¹⁶⁷ Regulation (EU) 2024/1991.

¹⁶⁸ Regulation (EU) 2024/1991; Delegated Regulation (EU) 2023/2486.

¹⁶⁹ European Parliament and Council of the European Union, Regulation (EU) 2021/2115 of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy, OJ L 435 (2021).

¹⁷⁰ Regulation (EU) 2021/2115; "Rules and financial support for CAP Strategic Plans," EUR-Lex summary, accessed March 27, 2026.

¹⁷¹ European Commission, "Commission to cut EU Taxonomy red tape for companies," July 4, 2025; European Commission, Delegated Regulation (EU) 2026/73.

¹⁷² Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73.

¹⁷³ Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73.

¹⁷⁴ Regulation (EU) 2020/852, art. 17; and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73.

- Delegated Regulation (EU) 2023/2486 moved the biodiversity objective beyond generic safeguards by establishing dedicated TSC for biodiversity and ecosystem protection and restoration activities.¹⁷⁵
- The framework reduces the greenwashing risk by linking sustainability claims to legal criteria, technical thresholds and disclosure obligations rather than broad voluntary assertions.¹⁷⁶
- Under the 2025 simplification measures, non-financial undertakings may choose not to assess Taxonomy eligibility and alignment for economic activities that are not financially material, generally where they fall below 10% of turnover, CapEx or OpEx for the relevant KPI, which reduces compliance costs while retaining transparency on non-assessed activities.¹⁷⁷
- Banks and insurers remain central transmission actors in the framework because the Taxonomy continues to shape how sustainable assets and exposures are assessed and reported, even though some financial-sector KPIs and templates were simplified or postponed.¹⁷⁸

POTENTIAL AREAS FOR IMPROVEMENT

- The Taxonomy can remain complex and costly to apply in biodiversity contexts, especially where alignment depends on site-specific ecological baselines, long-term monitoring and expert verification.¹⁷⁹
- While the framework establishes a comprehensive classification system for environmentally sustainable economic activities, its operationalisation remains complex, particularly due to the evolving and incomplete nature of supporting tools and technical criteria. For instance, the EU Taxonomy Compass, designed as a user-friendly interface to facilitate the identification of eligible activities and applicable technical screening criteria; currently provides coverage primarily for climate-related objectives and is intended to be progressively updated to include additional environmental objectives. As a result, key areas such as the protection and restoration of biodiversity and ecosystems are not yet fully integrated into the tool, reflecting the broader challenge that guidance and criteria for several environmental objectives are still under development or refinement¹⁸⁰.
- Many MS still lack sufficiently granular and comparable ecological baseline data to demonstrate substantial contribution for some biodiversity-related activities with confidence, especially in freshwater, wetland and landscape-scale restoration settings.¹⁸¹
- The social dimension of the framework remains less developed than the environmental dimension. The Platform on Sustainable Finance has produced advisory work on a Social Taxonomy, but no binding EU Social Taxonomy has been adopted.¹⁸² While no binding Social Taxonomy has been adopted, the ongoing discussions on an extended/transition taxonomy framework are relevant for transition activities, particularly in agroecology, regenerative agriculture, and mixed restoration landscapes and in consideration of a Just transition.

¹⁷⁵ Delegated Regulation (EU) 2023/2486.

¹⁷⁶ Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73.

¹⁷⁷ European Commission, "Questions and answers on EU Taxonomy simplifications to cut red tape for companies," July 4, 2025.

¹⁷⁸ European Commission, "Questions and answers on EU Taxonomy simplifications to cut red tape for companies," July 4, 2025; European Commission, "Call for technical advice to the European Supervisory Authorities on certain taxonomy key performance indicators," March 4, 2026. (European Commission)

¹⁷⁹ Delegated Regulation (EU) 2023/2486; Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73.

¹⁸⁰ Eu Taxonomy Compass: <https://ec.europa.eu/sustainable-finance-taxonomy/taxonomy-compass>

¹⁸¹ European Environment Agency, Europe's state of water 2024: the need for improved water resilience; European Environment Agency, "Ecological status of surface waters in the EU-27," accessed March 27, 2026.

¹⁸² Platform on Sustainable Finance, Final Report on Social Taxonomy (February 2022).

- The supporting disclosure infrastructure remains incomplete in practice. The European Single Access Point (ESAP) is under implementation, but the system will only start collecting information in July 2026 and making it public by July 2027.¹⁸³
- The Taxonomy remains stronger as a classification system for already-defined sustainable activities than as a full framework for managing complex transition pathways over time, particularly where biodiversity recovery is gradual and non-linear.¹⁸⁴

INCONSISTENCIES TO ADDRESS

- A significant tension exists between the Taxonomy's biodiversity protections and the accelerated deployment of renewable-energy infrastructure. In practice, faster permitting rules may sit uneasily with the level of ecological scrutiny expected for robust Taxonomy DNSH assessment in sensitive sites.¹⁸⁵
- The Taxonomy's minimum safeguards are important, but their practical interaction with rapid green-infrastructure deployment remains underdeveloped where labour, supply-chain, land-tenure, or community-transition concerns arise.¹⁸⁶
- The EU Taxonomy is considerably more prescriptive and legally binding than global frameworks such as International Sustainability Standards Board (ISSB) or Task Force on Nature-related Financial Disclosures (TNFD) related approaches, which can create implementation friction for firms operating across multiple regulatory systems.¹⁸⁷
- The availability of consistent and granular biodiversity data is still limited, constraining the effective use of both ESRS and Taxonomy alignment. The Taxonomy can also support restoration financing, but it does not by itself resolve the mismatch between ecological timeframes and investor time horizons; many biodiversity gains take years to materialise, whereas financial markets often reward short-term performance.¹⁸⁸
- The interaction between the Taxonomy and CAP remains indirect, reducing its ability to scale private investment in agricultural transitions.

SYNERGIES WITH OTHER POLICIES

- The NRR sets binding restoration targets and requires MS to prepare NRP, while the Taxonomy could provide the classification logic for identifying which restoration-related activities may credibly attract private sustainable finance. The NRR defines what must be restored and by when, whereas the Taxonomy classifies which restoration related activities can be considered environmentally sustainable, supporting their translation into investment relevant opportunities.¹⁸⁹
- The CAP Strategic Plans framework explicitly requires coherence with long-term EU targets relating to climate, biodiversity, forests and water, and reserves significant funding shares for environmental and climate objectives. The Taxonomy can complement CAP eco-schemes and AECM measures by offering a common language for investors assessing biodiversity-friendly farming, agroforestry, wetland recovery, soil restoration and regenerative land-use

¹⁸³ ESMA, "European Single Access Point (ESAP)," accessed March 27, 2026.

¹⁸⁴ Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73; Platform on Sustainable Finance, "Platform on Sustainable Finance," accessed March 27, 2026.

¹⁸⁵ Delegated Regulation (EU) 2023/2486; Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73.

¹⁸⁶ Regulation (EU) 2020/852, art. 18; European Commission, "Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the Sustainable Finance Disclosure Regulation," OJ C 211, June 16, 2023.

¹⁸⁷ Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73; Platform on Sustainable Finance, "Platform on Sustainable Finance."

¹⁸⁸ This is an analytical inference based on the long-term monitoring and restoration logic embedded in Delegated Regulation (EU) 2023/2486 and Regulation (EU) 2024/1991.

¹⁸⁹ Regulation (EU) 2024/1991; Delegated Regulation (EU) 2023/2486.

transitions.¹⁹⁰ This complementarity does not fully address the lack of predictable revenue streams and standardised MRV systems, which remain critical constraints for translating these activities into scalable, investment-ready opportunities. It can reinforce CAP objectives by providing a harmonised benchmark for biodiversity-friendly land-use investments, creating opportunities to combine public funding with private capital.

- A key synergy lies in the relationship between the Taxonomy and ESRS. While the Taxonomy defines which economic activities qualify as environmentally sustainable, ESRS; especially ESRS E4 (biodiversity and ecosystems reporting) provides the data and disclosure framework needed to assess and demonstrate this alignment. This strengthens transparency, comparability, and investor confidence, and supports more robust investment screening and product structuring.
- The Taxonomy works in tandem with ESRS and CSRD and CSDDD by requiring companies in scope to disclose the share of turnover, CapEx and OpEx associated with Taxonomy-eligible and Taxonomy-aligned activities.¹⁹¹
- The Taxonomy gains financing relevance through the EU-GBS, which uses Taxonomy criteria as the reference point for eligible use of proceeds.¹⁹²
- The Taxonomy can complement the NRR by helping structure private investment toward restoration activities that support national restoration needs, and it can complement the CAP by providing a comparable benchmark for biodiversity-friendly farming and land-use transitions beyond public support alone.

OUTSTANDING DEVELOPMENTS

- The EC is conducting a broader review of the Taxonomy's TSC and related delegated acts. Following the 2025 meetings with practitioners, the EC published a summary of conclusions in March 2026 confirming that usability, consistency and technical precision remain under review.¹⁹³
- One major open issue remains the review of the TSC in the Climate and Environmental Delegated Acts, including criteria relevant to biodiversity, environmental protection and forestry. The EC's Taxonomy policy timeline states that revised acts are planned for adoption in 2026.¹⁹⁴
- The 2025 simplification package, now reflected in Delegated Regulation (EU) 2026/73, already introduced burden-reduction measures, but it did not close the review. Further technical refinements remain under preparation.¹⁹⁵
- A major unresolved technical debate concerns the OpEx KPI for non-financial undertakings. On 4 March 2026, the EC asked the ESAs for technical advice on certain Taxonomy KPIs, and other aspects of the Disclosures Delegated Act, meaning the treatment of operating expenditure is still evolving and could materially affect how transition-oriented biodiversity investments are reflected in company disclosures.¹⁹⁶

¹⁹⁰ Regulation (EU) 2021/2115; EUR-Lex summary of CAP Strategic Plans.

¹⁹¹ European Commission, Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 specifying Taxonomy disclosure content and presentation.

¹⁹² European Parliament and Council of the European Union, Regulation (EU) 2023/2631 of 22 November 2023 on European Green Bonds, OJ L, 2023.

¹⁹³ European Commission, "Reality check on the EU taxonomy," and "Summary of reality check meetings," published March 2026.

¹⁹⁴ European Commission, "EU taxonomy for sustainable activities," [EU taxonomy for sustainable activities - Finance - European Commission](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en), https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en policy timeline.

¹⁹⁵ European Commission, "Commission to cut EU Taxonomy red tape for companies"; Delegated Regulation (EU) 2026/73.

¹⁹⁶ European Commission, "Call for technical advice to the European Supervisory Authorities on certain taxonomy key performance indicators," March 4, 2026.

- The ESAs were also asked to develop additional indicators, including the Fees and Commission KPI (capturing the share of revenues from fees and commissions linked to Taxonomy-aligned activities) and the Trading Book KPI for credit institutions, as well as certain insurance-related KPIs. While the role of systemic financial actors remains central, parts of the reporting architecture are still under technical development and revision, reflecting the ongoing challenge of capturing the full range of financial activities within the Taxonomy framework.¹⁹⁷
- SME integration remains an important unresolved issue. The EC and the Platform continue to work on proportionality and usability so that large financial institutions are not driven to penalise SMEs simply because they cannot yet provide very granular Taxonomy data.¹⁹⁸
- ESAP is still in implementation. As of March 2026, the disclosure architecture is not yet fully operational at scale, and public availability of information through ESAP is due only from July 2027.¹⁹⁹
- More broadly, the EC's Omnibus agenda aims at further alignment and simplification across the sustainable-finance framework, including Taxonomy-related interactions with CSRD and other legislation. The Omnibus package was a starting point, not the final shape of the framework.²⁰⁰

OVERALL REFLECTIONS

The post-Omnibus I Taxonomy framework represents a more operational and somewhat more usable version of the original classification framework, but not a fundamental redesign.²⁰¹ Its main value for biodiversity policy is that it translates environmental ambition into a common legal and financial language that can support investment screening, reporting and sustainable financing policies.²⁰² Its strategic importance lies not only in defining what counts as environmentally sustainable, but also as the possibility of serving as a bridge between public restoration obligations under the NRR, public support instruments under the CAP, and the mobilisation of private capital for restoration and biodiversity-friendly land-use change.²⁰³ However, its influence on CAP-supported activities remains indirect due to the absence of formal alignment mechanisms between CAP payments and Taxonomy requirements. It thus limits the ability to scale private investment in biodiversity-friendly agriculture, despite strong alignment in underlying objectives. Its effectiveness still depends heavily on data availability, ecological expertise, credible monitoring, and coherent interaction with restoration, energy, disclosure and prudential frameworks.²⁰⁴ In this sense, the Taxonomy acts as a signalling and alignment tool rather than a financing instrument, shaping capital allocation by defining what qualifies as sustainable rather than by directly mobilising or structuring investments. The final EU regulatory framework remains

¹⁹⁷ European Commission, "Call for technical advice to the European Supervisory Authorities on certain taxonomy key performance indicators," March 4, 2026.

¹⁹⁸ Platform on Sustainable Finance, "Platform on Sustainable Finance"; European Commission, "Questions and answers on EU Taxonomy simplifications to cut red tape for companies."

¹⁹⁹ ESMA, "European Single Access Point (ESAP)."

²⁰⁰ European Commission, "EU taxonomy for sustainable activities," [EU taxonomy for sustainable activities - Finance - European Commission](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en), https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en policy timeline. (Finance)

²⁰¹ Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73.

²⁰² Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73; Regulation (EU) 2023/2631.

²⁰³ Regulation (EU) 2024/1991; Regulation (EU) 2021/2115.

²⁰⁴ Delegated Regulation (EU) 2023/2486; ESMA, "ESAP"; European Commission, "Reality check on the EU taxonomy."

subject to ongoing political and geopolitical developments and may diverge from the preliminary assessments presented here.²⁰⁵

INVESTOR IMPLICATIONS

Enables: Common language for identifying environmentally sustainable economic activities and screening biodiversity-related investments.

Does not solve: Creation of projects or availability of underlying data.

Investor still needs: Reliable MRV and ESRS-aligned data to demonstrate alignment

Social Taxonomy

No binding EU Social Taxonomy has been adopted, but the Platform's 2022 Social Taxonomy report^{206, 207} and subsequent work keeps alive the possibility of a future expansion or horizontal integration of social considerations into the sustainable-finance architecture. Although no binding EU Social Taxonomy has been adopted, social criteria remain relevant for biodiversity, agriculture and grasslands because the feasibility of land-use transitions depends on fair labour conditions, rural livelihoods, community acceptance and equitable access to resources. Sustainable land management requires farmers, rural workers, and local communities to be economically and socially supported; otherwise, environmental policies risk failure or social backlash.

By integrating social criteria, such as decent work, rural development, and inclusion, the social taxonomy ensures that biodiversity conservation and agricultural transitions are both effective and just. This directly supports EU ambitions under the Green Deal, which emphasize a “just transition” that leaves no one behind, aligning environmental goals with social cohesion and long-term sustainability. This factor is starting to be discussed and for instance the Italian National Council of Chartered Accountants and Accounting Experts (CNDCEC) and the National Research Foundation of Chartered Accountants has proposed a Social Taxonomy framework that builds on and complements the EU's CSRD by providing structured criteria and metrics to measure social impacts, risks, and opportunities within ESG reporting.²⁰⁸ The CNDCEC proposal is a non-binding national professional contribution and is used here only as an illustration of emerging practice, not as evidence of EU policy direction.

Extended / Transition Taxonomy

There is an increasing discussion in the market about whether the EU Taxonomy should evolve to better reflect real-world transition processes, recognising that many economic activities are not yet sustainable but will gradually move in that direction, a debate that has gained some momentum in connection with developments under the SFDR Art. 7 Transition Category. In this context the extended (or “transition”) taxonomy proposed by the EU PSF in 2023 is useful because it broadens the EU Taxonomy from a binary “green / not green” classification to a more dynamic framework that captures economic activities in transition toward sustainability. By introducing categories beyond fully sustainable (e.g. intermediate or “amber” activities), it helps recognise that many sectors; especially those impacting biodiversity, require long time horizons and stepwise improvement pathways rather than immediate alignment. In the context of

²⁰⁵ European Commission, “EU taxonomy for sustainable activities,” [EU taxonomy for sustainable activities - Finance - European Commission](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en), https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en policy timeline.

²⁰⁶ Platform on Sustainable Finance, Final Report on Social Taxonomy; Platform on Sustainable Finance, “Platform on Sustainable Finance.”

²⁰⁷ Platform on Sustainable Finance, Final Report on Social Taxonomy.

²⁰⁸ Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC) and Fondazione Nazionale di Ricerca dei Commercialisti, *Tassonomia Sociale (o Social Taxonomy) applicata: Principi Guida. Aspetti definitivi per la misurazione degli impatti, rischi e opportunità sociali (MIROS) delle attività economiche* (Rome: CNDCEC/FNRC, March 25, 2026).

biodiversity, this is particularly relevant; ecosystem restoration is inherently long-term, meaning activities may initially fall outside strict Taxonomy alignment but can progressively contribute to the “protection and restoration of biodiversity and ecosystems” objective over time. The extended/transition taxonomy therefore creates a credible pathway for companies to move from non-sustainable to sustainable status by aligning capital expenditure and transition plans with Taxonomy criteria, using them as forward-looking benchmarks. Biodiversity restoration should therefore be treated as a transition pathway rather than a binary aligned/not-aligned status. Overall, this approach would enhance the EU sustainable finance framework by better aligning investment flows with real-economy transition needs, reducing the risk of excluding necessary transition activities and supporting financing for long-term restoration projects that are essential for biodiversity outcomes.²⁰⁹

8. Corporate Sustainability Reporting Directive (CSRD)

DESCRIPTION

Legal status: Binding EU Directive (Directive (EU) 2022/2464), as amended by Directive (EU) 2026/470 (Omnibus I); subject to transposition and phased implementation

The Corporate Sustainability Reporting Directive (CSRD), which replaced the Non-Financial Reporting Directive (NFRD), introduces mandatory sustainability disclosure requirements for companies, including biodiversity-related impacts, risks, and dependencies.²¹⁰ It significantly expands the scope and depth of reporting compared to previous frameworks. Central to its architecture is the principle of double materiality: undertakings must report both on how sustainability matters affect their development, performance and position, and on their own impacts on people and the environment.²¹¹

To operationalise these requirements, the EC adopted the ESRS.²¹² Within this framework, ESRS E4 Biodiversity and ecosystems remains the core biodiversity reporting standard. The adopted Omnibus I legislation has postponed certain CSRD application dates through Directive (EU) 2025/794 ('stop-the-clock'). The in-scope companies comprise those with more than 1,000 employees and more than €450 million in revenues (scope of companies was reduced by 75-80%²¹³). While these Level 1 amendments are now in force, further technical revisions, including simplified ESRS standards, remain under development and will shape the framework's practical application.²¹⁴ At the same time, the reduction in scope has weakened the coverage of value chains. Although in-scope companies are still expected to consider upstream (e.g. suppliers) and downstream impacts, entities within the value chain; particularly SMEs; are no longer directly subject to reporting obligations. As a result, value-chain data increasingly depends on what is voluntarily disclosed or reasonably available, reducing completeness and consistency of reporting. The result of these changes creates data gaps, especially for biodiversity-relevant sectors and SMEs.²¹⁵

²⁰⁹ Platform on Sustainable Finance, “Platform on Sustainable Finance,” including reports on environmental transition taxonomy and transition benchmarks.

²¹⁰ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, OJ L 322 (2022): 15–80.

²¹¹ Directive (EU) 2022/2464, amending Directive 2013/34/EU, arts. 19a and 29a; Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU as regards sustainability reporting standards, OJ L 2023/2772 (2023), ESRS 1.

²¹² Commission Delegated Regulation (EU) 2023/2772.

²¹³ Delegated Regulation (EU) 2023/2772; European Commission, “The Commission adopts the European Sustainability Reporting Standards,” 31 July 2023.

²¹⁴ Directive (EU) 2026/470, arts. 1–3.

²¹⁵ European Commission, “Omnibus package,” April 1, 2025.

KEY BENEFITS

- By concentrating mandatory reporting on the largest undertakings, the revised regime focuses supervisory attention on companies with the greatest leverage over capital allocation and value chains.²¹⁶
- The double-materiality framework remains valuable for biodiversity because it requires firms to analyse not only financially relevant ecological risks, but also their own outward impacts on ecosystems and affected communities.²¹⁷

POTENTIAL AREAS FOR IMPROVEMENT

- The scope reduction creates a significant transparency gap. Many medium-sized companies with material biodiversity impacts in agriculture, food processing, land development, tourism, forestry, and local infrastructure, now fall outside mandatory CSRD reporting.²¹⁸
- For undertakings that remain in scope, biodiversity disclosure along the value chain remains technically difficult. Omnibus I introduced a value-chain cap protecting smaller counterparties from excessive requests, which is proportionate, but it may also make it harder to obtain comparable upstream biodiversity data.²¹⁹
- The move from limited assurance to reasonable assurance has been removed, which reduces compliance costs but may also weaken long-term ambitions for comparability and verification quality.²²⁰
- Scope reduction lowers reporting burden but creates a structural transparency gap for biodiversity-relevant value chains, especially where impacts occur among SMEs or suppliers outside direct reporting obligations.

INCONSISTENCIES TO ADDRESS

- Investor-side disclosure regimes and prudential expectations continue to require decision-useful sustainability data, but the narrowing of CSRD scope reduces the set of companies legally required to produce it. This may weaken data availability for downstream users, including financial institutions and investors.²²¹
- A practical mismatch remains in value-chain reporting; in-scope undertakings must still report on value-chain effects, but many counterparties are no longer under mandatory CSRD reporting obligations and may lawfully refuse requests beyond the capped voluntary-standard baseline.²²²
- Penalties and enforcement remain largely national. This creates the possibility of uneven implementation across MS unless supervisory practices converge in application.²²³

SYNERGIES WITH OTHER POLICIES

²¹⁶ Directive (EU) 2026/470, arts. 1–3.

²¹⁷ Directive (EU) 2022/2464; Commission Delegated Regulation (EU) 2023/2772, ESRS 1.

²¹⁸ Directive (EU) 2026/470; European Commission, “Omnibus package,” April 1, 2025.

²¹⁹ Directive (EU) 2026/470, recitals and amended value-chain provisions in Directive 2013/34/EU.

²²⁰ Directive (EU) 2026/470, recital deleting the move to reasonable assurance; European Commission, “Omnibus package,” April 1, 2025.

²²¹ Opinion of the European Central Bank of 8 May 2025 on proposals for amendments to corporate sustainability reporting and due diligence requirements (CON/2025/10), May 8, 2025; ECB Staff, Opinion on the Revised European Sustainability Reporting Standards (ESRS), February 2026.

²²² Directive (EU) 2026/470, amended value-chain provisions.

²²³ Directive (EU) 2022/2464; Directive (EU) 2026/470.

- CSRD remains a data source for the wider sustainable finance framework, including the Taxonomy, SFDR-related reporting uses, prudential supervision, and broader nature-related corporate due diligence and risk analysis.²²⁴
- ESRS E4 is particularly important for biodiversity finance because it can make site-level nature-related risks, impacts and dependencies more visible to investors, lenders and insurers.²²⁵
- The standards also interact with international biodiversity frameworks, especially the Kunming-Montreal Global Biodiversity Framework (GBF), while remaining rooted in EU reporting law.²²⁶

OUTSTANDING DEVELOPMENTS

- A major practical challenge remains the biodiversity materiality assessment. Although EFRAG has issued implementation guidance on materiality and value chain issues, there is still no single highly prescriptive biodiversity materiality methodology comparable to a technical screening regime.²²⁷
- On digitalisation, EFRAG's digital taxonomies and ESMA's tagging work are being developed to support machine-readable sustainability reporting, while ESAP is expected to start publishing data by July 2027.²²⁸

OVERALL REFLECTIONS

The CSRD has evolved from a broader transparency instrument into a more targeted reporting regime focused on the EU's largest undertakings. This undoubtedly reduces reporting burdens, but it also creates a more pronounced data gap for investors, supervisors and public authorities seeking to finance and monitor the green transition, including biodiversity protection and restoration.²²⁹ For biodiversity specifically, the success of the revised CSRD will depend less on the breadth of scope than on the quality and enforceability of ESRS E4 reporting among the large undertakings that remain in scope. The regime still has the capacity to improve visibility on biodiversity-sensitive sites, land-use pressures, ecosystem dependencies and transition-related planning. But that potential will be reduced if revised ESRS simplification removes too many datapoints, if value-chain data becomes too difficult to obtain, or if national implementation leads to uneven supervisory practice.²³⁰

INVESTOR IMPLICATIONS

Enables: Availability of corporate sustainability data for large companies, including biodiversity-related impacts, risks, and dependencies.

Does not solve: Coverage gaps created by scope reductions and uneven availability of value-chain data.

Investor still needs: Complementary data sources estimates, sectoral benchmarks, and project-level MRV to fill biodiversity data gaps.

²²⁴ Directive (EU) 2022/2464; Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73; Regulation (EU) 2019/2088.

²²⁵ Commission Delegated Regulation (EU) 2023/2772, ESRS E4.

²²⁶ Commission Delegated Regulation (EU) 2023/2772, ESRS E4, para. 15; Convention on Biological Diversity, Kunming-Montreal Global Biodiversity Framework, 2022.

²²⁷ EFRAG, IG 1 Materiality Assessment (final, May 31, 2024); EFRAG, IG 2 Value Chain (final, May 31, 2024).

²²⁸ EFRAG, "Digital Reporting with XBRL"; Joint Committee of the ESAs, "The ESAs finalise rules to facilitate access to financial and sustainability information on ESAP," 2024.

²²⁹ Directive (EU) 2026/470; European Commission, "Omnibus package," April 1, 2025.

²³⁰ Commission Delegated Regulation (EU) 2023/2772, ESRS E4; EIOPA, "EIOPA issues its Opinion on EFRAG's technical advice on the draft revised ESRS," 16 February 2026; ECB Staff, Opinion on the Revised European Sustainability Reporting Standards (ESRS), February 2026; Opinion CON/2025/10.

9. European Sustainability Reporting Standards (ESRS)

DESCRIPTION

Legal status: Binding delegated legislation (Delegated Regulation (EU) 2023/2772); revised simplified standards proposed by EFRAG (2025) are under review and not yet adopted

The ESRS provide the technical standards underpinning CSRD,²³¹ with E4 specifically dedicated to biodiversity. It translates ecological information into structured, comparable disclosures aligned with double materiality. ESRS E4 is the central reporting anchor for biodiversity within the EU system.²³² In practice, ESRS E4 (biodiversity and ecosystems) requires companies to disclose impacts, dependencies, risks, and targets related to biodiversity, providing structured and comparable data that can be used by investors to assess exposure, performance, and alignment with sustainability objectives. However, ongoing simplification efforts may reduce reporting requirements and data granularity, while the absence of sector-specific standards shifts the burden of interpretation to companies and investors.

As of March 2026, the binding ESRS remain those adopted in Delegated Regulation (EU) 2023/2772.²³³ Within the ESRS architecture, ESRS E4 Biodiversity and ecosystems is the core biodiversity standard. Where biodiversity and ecosystems are material, companies must disclose relevant impacts, dependencies, risks and opportunities, including site-specific information, a list of material sites in their own operations, and the specific activities that negatively affect biodiversity-sensitive areas.²³⁴

ESRS E4 also contains a biodiversity-related transition-plan disclosure; however, the adopted standard does not impose a mandatory obligation framed as “no net loss by 2030 and full recovery by 2050.” Rather, it allows undertakings to disclose how their transition planning aligns with the Kunming-Montreal Global Biodiversity Framework, the EU Biodiversity Strategy for 2030, and planetary-boundary considerations.²³⁵

Reporting under ESRS E4 also covers drivers such as land-use change and may include invasive alien species and species-status metrics where material.²³⁶ Under the 2026 Omnibus I simplification directive the scope of CSRD was reduced by 75-80%.²³⁷ This means the ESRS now operates primarily for a narrower group of large, systemically important undertakings.

Proposed simplified ESRS submitted by EFRAG in December 2025 are currently under review by the Commission and are not yet legally binding. Those drafts significantly reduce reporting burden and revise several biodiversity-related requirements, including the treatment of transition plans and the structure of some E4 datapoints. The EC must adopt the revised ESRS by 18 September 2026.²³⁸

KEY BENEFITS

- By replacing broad sustainability narratives with a common ESRS architecture, the EU has created a more level reporting framework across in-scope undertakings.²³⁹

²³¹ European Commission, Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU as regards sustainability reporting standards, OJ L 2023/2772, 22 December 2023.

²³² European Parliament and Council of the European Union, Directive (EU) 2022/2464 of 14 December 2022 as regards corporate sustainability reporting, OJ L 322 (2022); European Commission, “Frequently asked questions on the implementation of the EU corporate sustainability reporting rules,” 7 August 2024.

²³³ EFRAG, “Draft Simplified ESRS,” published 3 December 2025; Directive (EU) 2026/470, under which the Commission must revise the ESRS by delegated act by 18 September 2026.

²³⁴ Commission Delegated Regulation (EU) 2023/2772, ESRS E4, paras. 10–19.

²³⁵ Commission Delegated Regulation (EU) 2023/2772, ESRS E4, para. 15.

²³⁶ Commission Delegated Regulation (EU) 2023/2772, ESRS E4, paras. 38–40.

²³⁷ Delegated Regulation (EU) 2023/2772; European Commission, “The Commission adopts the European Sustainability Reporting Standards,” 31 July 2023.

²³⁸ Directive (EU) 2026/470; EFRAG, “Draft Simplified ESRS,” 3 December 2025.

²³⁹ Delegated Regulation (EU) 2023/2772.

- ESRS E4 provides a more uniform language for biodiversity and ecosystems reporting across the EU, especially for site-based impacts, biodiversity-sensitive areas, land-use change, and species-related disclosures.²⁴⁰
- ESRS E4 gives biodiversity and ecosystems a dedicated reporting standard, with explicit attention to material impacts, dependencies, actions, targets and location-sensitive risks.²⁴¹
- ESRS pushes companies to look beyond their own sites and consider biodiversity impacts, risks and dependencies across their value chains where material.²⁴²

POTENTIAL AREAS FOR IMPROVEMENTS

- The narrowing of CSRD scope leaves a substantial data gap, especially for mid-sized undertakings with potentially significant biodiversity impacts that now fall outside mandatory reporting.²⁴³
- For undertakings still in scope, value-chain reporting remains technically demanding, especially where suppliers are smaller undertakings not subject to mandatory CSRD reporting.²⁴⁴
- The revised draft ESRS are intended to reduce the data burden substantially, but the reduction in data points may also weaken the granularity of biodiversity-relevant disclosures for financial users and supervisors.²⁴⁵ For systemic financial actors such as banks and insurers, stronger ESRS disclosures reduce information asymmetry and improve the ability to assess sustainability-related risks in lending, underwriting and investment decisions.
- The assurance framework for sustainability reporting remains under development. While CSRD currently requires limited assurance, detailed assurance standards and any transition toward reasonable assurance are still subject to further regulatory specification and may be affected by ongoing simplification measures.²⁴⁶

INCONSISTENCIES TO ADDRESS

- There is a growing mismatch between what sustainable-finance regulation may expect from financial markets and what companies are legally required to disclose. SFDR, Taxonomy use, prudential supervision and nature-related risk management all depend on robust sustainability data, while ESRS scope is being narrowed.²⁴⁷
- The proposed SFDR revisions introduce a cap on value-chain information by prioritising investee company data and limiting the consideration of upstream (supply chain) and downstream (use-phase) impacts to what is material and readily available, thereby excluding a substantial share of value-chain externalities that were previously captured through estimates and proxies under the current framework.
- The shift toward voluntary reporting creates tension between burden reduction for smaller firms and the information needs of larger reporting undertakings and financial institutions.²⁴⁸

²⁴⁰ Commission Delegated Regulation (EU) 2023/2772, ESRS E4, paras. 16, 19, 35–40.

²⁴¹ Delegated Regulation (EU) 2023/2772, ESRS E4.

²⁴² European Commission, “Frequently asked questions on the implementation of the EU corporate sustainability reporting rules,” 7 August 2024.

²⁴³ Directive (EU) 2026/470; European Commission simplification materials.

²⁴⁴ Directive (EU) 2026/470; Commission Recommendation (EU) 2025/1710 of 30 July 2025 on a voluntary sustainability reporting standard for SMEs (VSME).

²⁴⁵ EFRAG, Cost-benefit Analysis on Draft Amended ESRS, December 2025.

²⁴⁶ Directive (EU) 2026/470.

²⁴⁷ EIOPA, “EIOPA issues its Opinion on EFRAG’s technical advice on the draft revised ESRS,” 16 February 2026; ECB Staff, Opinion on the Revised European Sustainability Reporting Standards (ESRS), February 2026; Opinion CON/2025/10.

²⁴⁸ Directive (EU) 2026/470; Commission Recommendation (EU) 2025/1710; EFRAG, “Share Your Views on VSME Market Acceptance,” 2 October 2025.

- If biodiversity-related disclosures become too sparse or too dependent on broad estimates, this can create a practical tension between legal simplification and the needs of banks, insurers and investors to assess real ecological risk.

SYNERGIES WITH OTHER POLICIES

- ESRS provides the corporate sustainability data architecture that supports CSRD, and they are also highly relevant for the functioning of SFDR, the EU Taxonomy, and broader sustainable-finance decision-making.²⁴⁹
- ESRS E4 is broadly interoperable in direction with global nature-related frameworks such as TNFD, even if not identical in legal structure.²⁵⁰
- Location-based and impact-related biodiversity data disclosed under E4 may also become useful inputs for public authorities, investors and potentially MS when refining restoration-relevant information.²⁵¹

OUTSTANDING DEVELOPMENTS

- The revised ESRS are still pending EC adoption. As of March 2026, the applicable legal standards remain the original 2023 ESRS, while the simplified ESRS remain draft technical advice.²⁵²
- Sector-specific ESRS are no longer merely delayed; the Omnibus I simplification package removes the Commission's previous mandate to adopt them, though the EC may still support implementation through sectoral guidance.²⁵³ ESRS acts as the bridge between MRV and finance, but without sector-specific standards, this bridge becomes less prescriptive, shifting the burden of translating ecological data into decision-useful metrics onto project-level MRV systems and investors.
- EFRAG's draft cost-benefit analysis supports a major reduction in reporting burden under the proposed amended ESRS, but this remains part of the draft-revision process rather than final law.²⁵⁴
- The ECB's February 2026 staff opinion criticises aspects of the proposed permanent reliefs and missing datapoints, warning that weaker disclosures can reduce the usefulness of sustainability information for supervision, financial stability and risk management.²⁵⁵
- ECB and EIOPA have both supported simplification of the ESRS, but each warned that too many permanent exemptions, reliefs or overly broad cost-and-effort waivers would undermine the availability of key sustainability data and interoperability with prudential and international frameworks.²⁵⁶
- EIOPA likewise warned that excessive reliefs and indefinite "undue cost or effort" waivers could deprive insurers and pension investors of key data and called for a 3-year time limit on such waivers for own operations.²⁵⁷

²⁴⁹ Delegated Regulation (EU) 2023/2772; ECB staff opinion; EIOPA opinion.

²⁵⁰ ESRS / TNFD interoperability is an analytical point supported by broad similarities in architecture, but not full legal equivalence.

²⁵¹ Analytical inference based on the location-based nature of ESRS E4 disclosures and the data needs of restoration planning.

²⁵² EFRAG, "Draft Simplified ESRS," 3 December 2025; Directive (EU) 2026/470.

²⁵³ Directive (EU) 2026/470, recital on sector-specific standards.

²⁵⁴ EFRAG, Cost-benefit Analysis on Draft Amended ESRS, December 2025.

²⁵⁵ ECB Staff, Opinion on the Revised European Sustainability Reporting Standards (ESRS), February 2026; Opinion CON/2025/10.

²⁵⁶ EIOPA, "EIOPA issues its Opinion on EFRAG's technical advice on the draft revised European Sustainability Reporting Standards," February 16, 2026; ECB Staff, Opinion on the Revised European Sustainability Reporting Standards (ESRS), February 2026; Opinion CON/2025/10.

²⁵⁷ EIOPA opinion, 16 February 2026.

- The EC consulted the PSF on the proposed revised ESRS, with the PSF carrying out an assessment of the usability of the updated standard and its integration within the wider EU sustainable finance framework. PSF called for improving consistency and connectivity between ESRS and the Taxonomy Regulation through a mapping exercise, to be undertaken by the Platform and EFRAG jointly, as well as implementation guidance for practitioners. The objective is to reduce duplication by enabling overlapping ESRS datapoints to be used for both frameworks through a single, integrated reporting and assurance process. PSF also called for a stronger integration of EU taxonomy-related information (Taxonomy-aligned revenues, CapEx, OpEx into ESRS transition plan disclosures), as well developing a voluntary standardised transition plan template for non-financial undertakings as part of the ESRS reporting. Improving consistency between the ESRS and SFDR and the Benchmark Regulation, as well as the wider sustainable finance framework in terms of definitions, scope, and underlying methodologies. It pointed out ESRS as proposed would be below the baseline of other global sustainability reporting standards.²⁵⁸
- ESMA's February 2026 opinion also highlights concerns about investor protection, comparability, missing financial-effects data, and overly vague reliefs in the draft revised ESRS.²⁵⁹
- The voluntary standard debate remains open. The EC has recommended the VSME standard, and EFRAG launched a market-acceptance survey in October 2025 to assess whether it can serve as a practical response to sustainability-data requests from larger undertakings, banks and supply-chain partners.²⁶⁰

OVERALL REFLECTIONS

The evolution of the ESRS reveals a clear policy trade-off. The EU has retained a sophisticated sustainability reporting architecture, including a demanding biodiversity standard in ESRS E4, but it has sharply narrowed the scope required to use it and the indicators used.²⁶¹ This creates a two-tier transparency system: a high reporting standard for a smaller group of large undertakings, and a much looser, more voluntary information environment for many mid-sized firms that remain highly relevant for land use, ecosystems and local biodiversity.²⁶²

For biodiversity finance, this matters well beyond corporate transparency. The ECB and EIOPA both make clear that sustainability disclosures are a risk-management input for systemic financial actors. If biodiversity-related risks, dependencies and financial effects cannot be measured, compared and priced with sufficient confidence, these risks become harder to lend against, harder to insure, and potentially less investable. The quality of ESRS E4 implementation is relevant not only for reporting compliance, but also for the broader bankability, insurability and investability of biodiversity-related economic activity.

²⁵⁸ Platform on Sustainable Finance response to the Commission's consultation on the European sustainability reporting standards (ESRS)

²⁵⁹ ESMA opinion, 17 February 2026.

²⁶⁰ Commission Recommendation (EU) 2025/1710; EFRAG, "Share Your Views on VSME Market Acceptance," 2 October 2025.

²⁶¹ Directive (EU) 2026/470; Delegated Regulation (EU) 2023/2772.

²⁶² European Insurance and Occupational Pensions Authority (EIOPA), "EIOPA Issues Its Opinion on EFRAG's Technical Advice on the Draft Revised European Sustainability Reporting Standards," February 16, 2026, https://www.eiopa.europa.eu/eiopa-issues-its-opinion-efrags-technical-advice-draft-revised-european-sustainability-reporting-2026-02-16_en; European Central Bank (ECB), Opinion CON/2025/10 on the Draft Revised European Sustainability Reporting Standards, 2025.; European Central Bank (ECB), ECB Staff Opinion on the Revised European Sustainability Reporting Standards, February 2026, <https://reporting.academy/en/pages/revised-esrs-under-review-key-points-from-the-ecb-staff-opinion/>

INVESTOR IMPLICATIONS

Enables: Standardised biodiversity data for financial decision-making, especially through ESRS E4, which can make impacts, dependencies, risks, and site-level exposures more visible.

Does not solve: Underlying data gaps, reduced data granularity under simplification, or the absence of sector-specific standards.

Investor still needs: Analytical framework, sector-specific interpretation, and project-level ecological data to make ESRS disclosures decision-useful.

10. Sustainable Finance Disclosure Regulation (SFDR)

DESCRIPTION

Legal status: Binding EU Regulation (Regulation (EU) 2019/2088), currently under review; proposed amendments (November 2025) are under negotiation and not yet adopted

The Sustainable Finance Disclosure Regulation (SFDR) serves as the transparency backbone of the EU's sustainable finance strategy. By mandating sustainability-related disclosures for financial market products, it aims to improve comparability, support capital allocation toward sustainable activities, and reduce greenwashing. Its scope is broad, covering, inter alia, undertakings for collective investment in transferable securities (UCITS) and Alternative Investment Funds (AIF) managers, insurers offering insurance-based investment products, pension product manufacturers and portfolio managers, including non-EU actors marketing covered products in the EU.²⁶³ It is important to distinguish between the SFDR currently in force and the EC's November 2025 proposal to revise the framework ("SFDR 2.0"), which remains under negotiation.²⁶⁴ Accordingly, the present analysis is based on the legally applicable SFDR framework, while also assessing the potential implications of the proposed SFDR 2.0 reforms for biodiversity-related investments, transition finance, and the BIO-CAPITAL use cases. Where relevant, distinctions are made between binding requirements currently in force and prospective changes that may affect the future operationalisation of biodiversity finance within the EU sustainable finance framework.

The proposal introduces a significant restriction of the scope of the application of the Regulation, as the portfolio management services are largely removed from the direct scope of SFDR, focusing regulation on manufactured financial products only.²⁶⁵

The proposal is to replace the market's de facto reliance on Art. 8 and 9 as quasi-categories with a voluntary categorisation system comprising three product categories: Sustainable (Article 9), Transition (Article 7), and ESG basics (Article 8). In practice, this allows financial products to be classified (e.g. Article 7 or Article 9) based on their sustainability characteristics, influencing how capital is allocated by signalling to investors the degree of environmental ambition and alignment with sustainability objectives.

The proposed categorisation system (Sustainable, Transition, ESG Basics) is not yet legally binding and may be modified during the legislative process. Under the proposal, categorised products would need a 70% threshold linked to the sustainability-related claim pursued by the product and would also be subject to common exclusion rules and more standardised consumer-

²⁶³ 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 (2019): 1–16. The proposed SFDR 2.0 introduces a significant restriction of the scope of the application of the Regulation, as the portfolio management services are largely removed from the direct scope of SFDR, focusing regulation on manufactured financial products.

²⁶⁴ All references in this section to categories, thresholds, and narrowed scope describe the Commission proposal of November 2025 and are not yet binding law.

²⁶⁵ 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 (2019): 1–16. The proposed SFDR 2.0 introduces a significant restriction of the scope of the application of the Regulation, as the portfolio management services are largely removed from the direct scope of SFDR, focusing regulation on manufactured financial products.

facing disclosures.²⁶⁶ For biodiversity-focused funds this is a significant development. In the proposed framework, products financing restoration, regenerative land use, or other nature-positive activities could in principle fall within the Transition category or within the Sustainable category where they contribute to a clear and measurable sustainability objective.²⁶⁷ The proposal also preserves the place of biodiversity within the EU's environmental objectives, including the protection and restoration of biodiversity and ecosystems, which is especially relevant for UCs involving agroecology, grasslands, forests, and rivers and wetlands.²⁶⁸

The proposal would also materially simplify disclosures. At entity level, the EC proposes deleting the SFDR requirement for Financial Market Participants (FMPs) to publish principal adverse impact (PAI) statements as an SFDR obligation. At product level, the proposal envisages shorter disclosures and empowers the EC to specify, by delegated act, indicators building on the existing SFDR Annex I indicators and the ESRS architecture.²⁶⁹

This is relevant for biodiversity finance because it could improve data consistency across SFDR, CSRD/ESRS and Taxonomy-based reporting, although the precise metrics remain to be settled in future Level 2 work.²⁷⁰ A particularly important point in the proposal concerns sovereign and public-sector bonds. The proposal states that general-purpose sovereign, sub-sovereign and supranational bonds should not count towards the 70% threshold linked to the sustainability-related claim for Art. 7 or Art. 9 products. By contrast, use-of-proceeds bonds issued by public-sector bodies may count towards the 70% alignment required. This makes sovereign and public use-of-proceeds (Green Social and Sustainability Bonds) potentially very relevant for biodiversity finance.²⁷¹

KEY BENEFITS

- Standardisation: the proposed categorisation system would reduce fragmentation and reserve ESG-related naming and marketing claims to categorised products, helping to curb greenwashing and improve retail comparability.²⁷²
- Biodiversity relevance: the proposal expressly keeps biodiversity and ecosystems within the environmental objectives and within the principal adverse impact logic for transition and sustainable products, which is highly relevant for nature restoration and conservation finance.²⁷³
- Transition finance: the proposed Transition category creates a clearer regulatory classification for assets, undertakings or projects moving toward sustainability rather than already being fully sustainable, which aligns with restoring ecosystems.²⁷⁴

²⁶⁶ European Commission, "Commission proposes improvements to SFDR," November 21, 2025; European Commission, Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) and repealing Commission Delegated Regulation (EU) 2022/1288, COM(2025) 841 final, November 20, 2025.

²⁶⁷ European Commission, COM (2025) 841 final, arts. 7 and 9.

²⁶⁸ European Commission, COM (2025) 841 final, recital and definitional references to Article 9 of Regulation (EU) 2020/852; Regulation (EU) 2020/852, arts. 13–43.

²⁶⁹ European Commission, "Commission simplifies transparency rules for sustainable financial products," press release, November 20, 2025; European Commission, COM (2025) 841 final, art. 19b.

²⁷⁰ European Commission, COM (2025) 841 final, art. 19b; Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU as regards sustainability reporting standards, OJ L 2023/2772 (2023).

²⁷¹ European Commission, COM (2025) 841 final, recitals on sovereign and public-sector instruments and arts. 7 and 9.

²⁷² European Commission, "Commission proposes improvements to SFDR," November 21, 2025.

²⁷³ European Commission, COM (2025) 841 final, recitals on principal adverse impacts and environmental objectives.

²⁷⁴ European Commission, "Commission proposes improvements to SFDR," November 21, 2025; COM (2025) 841 final, art. 7.

- Data usability: the proposed future delegated acts are intended to build on SFDR indicators and ESRS reporting, which may improve consistency between fund disclosures and corporate reporting.²⁷⁵
- Public-sector: use-of-proceeds instruments that allow scaling biodiversity financing through public debt markets.²⁷⁶

POTENTIAL AREAS FOR IMPROVEMENT

- Data availability is still likely to remain a constraint, particularly if subsequent delegated acts (level 2), and implementation choices further reduce the practical availability of comparable based sustainability information.²⁷⁷
- The proposed 70% threshold is clearer than the status quo, but debate remains over whether it is sufficiently ambitious, how it should be calculated across asset classes, and how it should work for sovereign instruments, private assets and real assets.²⁷⁸
- For biodiversity finance, monitoring outcome-based indicators at scale remains difficult, especially for sovereign or landscape-level programmes where attribution, baselines and verification remain challenging.²⁷⁹
- The exact relationship between future SFDR technical rules and MiFID/IDD sustainability preferences still require careful alignment so that categorisation works in product distribution practice²⁸⁰ (MiFID II and IDD are EU directives governing investment and insurance product distribution, including how sustainability preferences are integrated into financial advice.)²⁸¹

INCONSISTENCIES TO ADDRESS

- There is a tension between the EC's proposed 70% threshold for categorised products and ESMA's 80% threshold for the use of ESG- or sustainability-related terms in fund names. The inconsistency is not fatal, but it creates an interim complexity that should be clarified in the legislative and Level 2 process.²⁸²
- The entry into force of the Omnibus I package is expected to have significant implications for the availability, comparability, and reliability of sustainability-related data due to the reduction of the CSRD and CSDDD's scopes and the simplification of the ESRS; thus, financial products may face continued data gaps, especially for biodiversity-related metrics and PAI identification.²⁸³
- The transition category (Art.7) calls for transition plans, which under the new proposal for CSDDD were just eliminated.

²⁷⁵ European Commission, COM (2025) 841 final, art. 19b.

²⁷⁶ European Commission, COM (2025) 841 final, arts. 7 and 9.

²⁷⁷ European Commission, "Omnibus package," April 1, 2025; European Commission, "Corporate sustainability reporting," updated 2026.

²⁷⁸ Eurosif, Position Paper on the Review of SFDR, February 24, 2026; ESMA, Guidelines on Funds' Names Using ESG or Sustainability-Related Terms, August 21, 2024.

²⁷⁹ ICMA, Sustainable Bonds for Nature: A Practitioner's Guide, June 2025.

²⁸⁰ BVI, BVI position on the EU proposal for SFDR 2 (Frankfurt, 10 February 2026).

²⁸¹ Directive 2014/65/EU on markets in financial instruments (MiFID II) and Directive (EU) 2016/97 on insurance distribution (IDD) establish rules for investment firms and insurance distributors, including requirements on product governance, disclosure, and suitability. These frameworks have been amended under the EU sustainable finance agenda to incorporate investors' sustainability preferences, thereby influencing the distribution of sustainable financial products.

²⁸² ESMA, Guidelines on Funds' Names Using ESG or Sustainability-Related Terms, paras. 16–18; European Commission, COM (2025) 841 final, recital on the 70% threshold.

²⁸³ European Central Bank, Opinion of the European Central Bank of 8 May 2025 on Proposals for Amendments to Corporate Sustainability Reporting and Due Diligence Requirements (CON/2025/10), May 8, 2025; European Central Bank, ECB Staff Opinion on the Revised European Sustainability Reporting Standards (ESRS), February 2026.

- Sovereign treatment remains incomplete; the proposal distinguishes between general-purpose sovereign debt and public-sector use-of-proceeds instruments, but it does not yet provide a comprehensive sustainability evaluation methodology for sovereigns. This is particularly relevant for biodiversity investments that may depend on NRPs, CAP-linked expenditure or sovereign green bonds.²⁸⁴

SYNERGIES WITH OTHER POLICIES

- The proposed Sustainable and Transition categories (Art. 9, Art.7) are closely linked to the EU Taxonomy, including a proposed rule under which products with at least 15% taxonomy-aligned investments may be deemed to satisfy the contribution condition in Art.7 or Art.9, while still needing to meet the other category criteria.²⁸⁵
- SFDR interacts with the Benchmark Regulation via the use of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks, which are expressly recognised in the proposed categorisation system.²⁸⁶
- The proposal also links more directly to the EU-GBS Regulation, since use-of-proceeds instruments issued in accordance with Article 3 of the EU-GBS Regulation are expressly recognised in the proposed investment approaches for the Sustainable and Transition categories.²⁸⁷
- For biodiversity finance, the future interaction with the NRPs, CAP eco-schemes and agri-environmental spending is likely to be very important.²⁸⁸

OUTSTANDING DEVELOPMENTS

- The most important open questions concern the future delegated acts; calculation of the 70% threshold, treatment of estimates, permitted deviations from exclusions, asset-class-specific methodologies, and the calibration of indicators for positive contribution and PAI.²⁸⁹
- Market positions diverge. European Fund and Asset Management Association (EFAMA) and Bundesverband Investment und Asset Management (BVI) support the move to categorisation but emphasise practicality, MiFID/IDD alignment and workable transition finance. International Capital Market Association (ICMA) broadly welcomes the direction of travel but warns against overly rigid exclusions that could hinder transition financing through bond markets. Eurosif supports the categories but argues that the criteria must be more robust and better tailored to sovereign, private and real assets. The Institutional Investors Group on Climate Change (IIGCC) welcomes the clearer role for transition-focused investment strategies and the reduction of reporting complexity.²⁹⁰

²⁸⁴ European Commission, COM (2025) 841 final, recital on sovereign, sub-sovereign and supranational debt; Eurosif, Position Paper on the Review of SFDR, February 24, 2026.

²⁸⁵ European Commission, COM (2025) 841 final, arts. 7 and 9.

²⁸⁶ European Commission, COM (2025) 841 final; Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks, OJ L 406 (2020): 17–25.

²⁸⁷ European Commission, COM (2025) 841 final; Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds, OJ L 2023/2631 (2023).

²⁸⁸ Regulation (EU) 2024/1991.

²⁸⁹ European Commission, COM (2025) 841 final, art. 19b; European Commission, “De-prioritisation of Level 2 acts in financial services legislation,” October 1, 2025.

²⁹⁰ BVI, BVI position on the EU proposal for SFDR 2 (Frankfurt, 10 February 2026); EFAMA, EFAMA’s Position Paper on SFDR 2 (Brussels, 25 February 2026); ICMA, ICMA Commentary and Recommendations for the SFDR Review, February 4, 2026; Eurosif, Position Paper on the Review of SFDR, February 24, 2026; IIGCC, Position Paper on the Revised Sustainable Finance Disclosure Regulation (SFDR 2.0), February 3, 2026.

- EIOPA has underlined that sustainability claims must be accurate, substantiated, accessible and up to date, while ECB and EIOPA have both stressed that simplification of the ESRS should preserve interoperability and decision-useful sustainability data.²⁹¹
- In practical market terms, for instance the 2026 German Green Bond Framework updates a sovereign use-of-proceeds model explicitly linked to environmental protection and nature conservation. It does not resolve SFDR's sovereign-calibration problem, but it illustrates the kind of public-sector instrument that may become increasingly relevant for biodiversity investment strategies.²⁹²

OVERALL REFLECTIONS

The revised SFDR debate is highly relevant for biodiversity finance, but the legal position must be stated carefully. As of March 2026, the EC has proposed a clearer and more usable product framework, with a stronger place for transition finance and a potentially better linkage to biodiversity objectives. At the same time, the revised regime is not yet final, important technical details are still to be defined, and sovereign treatment remains only partially resolved.²⁹³

For biodiversity protection and restoration investments, the proposal is promising because it could make nature-related strategies easier to explain, compare and distribute to investors. However, SFDR does not define underlying ecological performance thresholds or project-level revenue mechanisms, meaning that it shapes capital allocation behaviour without directly ensuring that financed activities deliver measurable biodiversity outcomes. SFDR therefore functions primarily as a market signalling and transparency mechanism, shaping investor preferences and product positioning rather than directly structuring or financing biodiversity-related investments. Its real effectiveness will depend on whether the final text and delegated acts provide credible, asset-class-sensitive criteria; preserve enough corporate sustainability data to support biodiversity metrics, guaranteeing alignment with the overall EU sustainable finance framework; and avoid leaving sovereign and public-sector biodiversity financing in a methodological grey zone.²⁹⁴

INVESTOR IMPLICATIONS

Enables: Product-level transparency, clearer sustainability signalling, and potential categorisation of biodiversity-positive or transition products.

Does not solve: The underlying shortage of measurable biodiversity outcomes, taxonomy-aligned projects, or reliable value-chain data.

Investor still needs: Robust biodiversity metrics, investable project pipelines, and alignment between SFDR product categories, Taxonomy criteria, and ESRS data.

11. Corporate Sustainability Due Diligence Directive (CSDDD)

DESCRIPTION

Legal status: Binding EU Directive (Directive (EU) 2024/1760), as amended by Directive (EU) 2026/470 (Omnibus I); implementation and application phased from 2028–2029

The Corporate Sustainability Due Diligence Directive requires companies to identify, prevent, and mitigate environmental impacts across value chains, including biodiversity. It strengthens

²⁹¹ EIOPA, Opinion on Sustainability Claims and Greenwashing in the Insurance and Pensions Sectors, June 2024; EIOPA, "EIOPA issues its Opinion on EFRAG's technical advice on the draft revised European Sustainability Reporting Standards," February 16, 2026; European Central Bank, CON/2025/10; European Central Bank, ECB Staff Opinion on the Revised ESRS, February 2026.

²⁹² Federal Republic of Germany, Green Bond Framework, 2nd ed., January 15, 2026.

²⁹³ European Commission, COM (2025) 841 final; European Commission, "Commission proposes improvements to SFDR," November 21, 2025.

²⁹⁴ Eurosif, Position Paper on the Review of SFDR, February 24, 2026; ICMA, ICMA Commentary and Recommendations for the SFDR Review, February 4, 2026; European Central Bank, CON/2025/10.Sfdr

corporate accountability and risk governance but operates primarily as a compliance and risk-management tool, rather than an investment framework.²⁹⁵ Its impact on biodiversity finance is indirect, through improved transparency and risk mitigation rather than value creation.

CSDDD entered into force in July 2024, originally designed with a phased implementation, which was subsequently delayed following the Omnibus I.²⁹⁶ Directive (EU) 2026/470 (Omnibus I Directive) amends the CSDDD aiming to simplify compliance, narrowing the due diligence focus primarily to tier-one (direct) suppliers rather than the full value chain. Basically, the amendments narrow and simplify parts of the due-diligence architecture, including a stronger focus on direct business partners except where there is plausible information suggesting adverse impacts further in the value chain. It reduces the regulatory burden by limiting in-depth assessments of indirect partners.²⁹⁷ The core obligation remains that companies must identify, assess, prevent, mitigate, bring to an end and minimise adverse environmental and human-rights impacts, including impacts relevant to biodiversity and ecosystems as reflected in Annex I of the directive.²⁹⁸ The revised framework focuses on the very largest undertakings. The directive now applies specifically to large EU companies with over 5,000 employees and a net worldwide turnover exceeding EUR 1.5 billion, and similar non-EU companies with significant turnover within the EU. The application of the revised due diligence rules is delayed, with the framework now set to apply from 26 July 2029 for in-scope businesses.²⁹⁹ This sharply narrows the number of undertakings in scope and concentrates legal responsibility on a smaller set of globally significant actors.³⁰⁰ The Omnibus I simplification package softens several originally ambitious elements of the directive, including transition-planning requirements and elements of the liability framework. MS must transpose the rules by 26 July 2028.³⁰¹ Penalties remain administrative and are enforced by national supervisory authorities, but the earlier uniform floor has been softened and more discretion now remains at MS level.³⁰² The first CSDDD reporting cycle is therefore not imminent; in practice, companies are expected to have systems operational well before the first mature reporting phase, which is likely to materialise around the end of the decade.³⁰³

KEY BENEFITS

- Unlike the CSRD, which is primarily a disclosure regime, the CSDDD creates a legal obligation to act on adverse impacts rather than merely report them.³⁰⁴
- By narrowing the due diligence perimeter to the chain of activities and relying on reasonably available information, the revised framework is more operationally feasible for very large multinational firms, but it creates relevant data gaps regarding negative impacts of companies' activities especially in the value chains, where they are most likely to occur.³⁰⁵
- For biodiversity, the directive retains a direct legal basis for requiring companies to identify and address adverse environmental impacts, including those affecting ecosystems and species.³⁰⁶

²⁹⁵ Directive (EU) 2024/1760.

²⁹⁶ Directive (EU) 2026/470. Directive (EU) 2024/1760.

²⁹⁷ Directive (EU) 2024/1760.

²⁹⁸ Directive (EU) 2024/1760, especially Annex I and due diligence provisions; Corporate Sustainability Due Diligence Directive (CSDDD), Commission due diligence navigator page.

²⁹⁹ European Commission, COM (2025) 81 final; explanatory text on phased application thresholds.

³⁰⁰ European Commission, "Omnibus package," 1 April 2025.

³⁰¹ European Commission, COM (2025) 81 final; Directive (EU) 2026/470.

³⁰² Directive (EU) 2024/1760 and amendments under Directive (EU) 2026/470.

³⁰³ European Commission, COM (2025) 81 final; staff working document accompanying the simplification package.

³⁰⁴ Directive (EU) 2024/1760.

³⁰⁵ European Commission, COM (2025) 81 final.

³⁰⁶ Directive (EU) 2024/1760, Annex I.

POTENTIAL AREAS FOR IMPROVEMENTS

- The removal of the harmonised EU civil liability layer weakens one of the directive's originally strongest enforcement levers and increases reliance on national legal systems.³⁰⁷
- The revised framework narrows systematic due diligence and places greater emphasis on direct business partners, while still allowing deeper inquiry where plausible information indicates adverse impacts further down the chain. What counts as sufficient plausibility remains a live legal and practical question.

INCONSISTENCIES TO ADDRESS

- There is an emerging mismatch between the CSDDD adopted and subsequently narrowed under the Omnibus I package, and the SFDR 2.0 logic. The proposed SFDR Transition category (Art.7) assumes evidence of credible transition pathways, while the CSDDD no longer requires companies to adopt and implement transition plans.³⁰⁸
- Large companies and financial institutions may continue to request due-diligence-type information contractually from smaller business partners, even where those smaller firms are themselves outside the formal scope of the CSDDD. This creates a compliance tension between legal exemption and commercial pressure.³⁰⁹
- The CSDDD thresholds means that many companies that are commercially relevant to sustainable-finance reporting ecosystems may remain outside direct due diligence duties, even though their customers, investors or lenders may still seek related information.³¹⁰
- There is still no fully settled interface between CSDDD due diligence expectations and the data needs of SFDR, CSRD and prudential supervision, which creates a gap between corporate-law simplification and financial-market demand for robust sustainability information.³¹¹

SYNERGIES WITH OTHER POLICIES

- The CSDDD complements the CSRD by adding an action-oriented due diligence layer to the reporting architecture.³¹²
- It can also support sustainable-finance frameworks indirectly, because more robust due diligence on biodiversity and human-rights impacts may improve the quality of information available to investors, lenders and insurers.³¹³
- The EU Taxonomy may provide a useful technical reference point for what high-quality environmental performance looks like, but it does not legally define CSDDD due diligence measures.³¹⁴
- By the end of the decade, ESAP should make access to certain corporate sustainability data easier, although ESAP itself does not solve the substantive due diligence gap.³¹⁵

³⁰⁷ European Commission, COM (2025) 81 final.

³⁰⁸ European Commission simplification package; Commission proposal for SFDR reform, read together analytically.

³⁰⁹ Q&A on simplification omnibus I and II. European Commission, "Q&A on Simplification Omnibus I and II," (Brussels: European Commission, February 25, 2025).

³¹⁰ European Commission, COM (2025) 81 final; European Commission, "Q&A on Simplification Omnibus".

³¹¹ Analytical inference based on the interaction of CSDDD simplification with SFDR/CSRD information needs. Supported by Commission simplification materials.

³¹² Directive (EU) 2022/2464 and Directive (EU) 2024/1760, as amended.

³¹³ European Commission, "About the Navigator," EU Due Diligence Navigator for Partner Countries, accessed May 24, 2026, https://international-partnerships.ec.europa.eu/eu-due-diligence-navigator-partner-countries_en. Commission due diligence navigator page; European Commission, "Q&A on Simplification Omnibus".

³¹⁴ Analytical synergy only; not a legal incorporation. Supported by the distinct roles of Taxonomy and CSDDD in Commission materials.

³¹⁵ ESAP timetable and simplification materials; use cautiously as forward-looking context.

OUTSTANDING DEVELOPMENTS

- The EC is to issue the first set of the CSDDD guidelines by July 2027, which should clarify due diligence methodology and practical implementation.³¹⁶
- The EC will also report on the necessity of additional sustainability due diligence requirements tailored to regulated financial undertakings with respect to the provision of financial services by 26 July 2026. This confirms that the treatment of financial services remains a distinct open policy issue rather than a fully settled part of the current regime.³¹⁷
- Penalty-setting guidance and supervisory practice remain critical areas to watch, because the simplification package leaves greater room for national divergence.³¹⁸

OVERALL REFLECTIONS

The CSDDD has shifted from a highly ambitious due diligence instrument toward a more narrowly targeted risk-governance framework.³¹⁹ By removing the mandatory climate transition plan, narrowing the scope, and softening elements of liability and enforcement, the EU has prioritised feasibility and competitiveness for the largest firms over broader value-chain coverage.³²⁰ For biodiversity, this means that legal pressure to act is now concentrated on a smaller set of globally significant companies, while much of the rest of the market may remain outside formal due diligence duties. However, market pressure is likely to remain high. Large buyers, investors, banks and insurers will still need biodiversity-relevant information for disclosure, risk, underwriting and investment purposes, and this may keep indirect pressure on firms outside the formal CSDDD scope through contractual requirements and voluntary disclosure expectations.

INVESTOR IMPLICATIONS

Enables: Better visibility of biodiversity risks in value chains and stronger risk governance for large companies.

Does not solve: Quantification or monetisation of biodiversity outcomes.

Investor still needs: Metrics linking due diligence findings to financial exposure, liability, remediation costs, and transition planning.

12. EU Green Bond Standard (EU-GBS)

DESCRIPTION

Legal status: Binding EU Regulation (Regulation (EU) 2023/2631; applicable from December 2024), voluntary for issuers

The EU-GBS provides a voluntary but robust framework for issuing green bonds aligned with the EU Taxonomy. It strengthens credibility and transparency in sustainable finance and can support biodiversity investments where eligible projects exist. However, its effectiveness is constrained by the limited pipeline of Taxonomy-aligned biodiversity projects, reflecting upstream gaps in project development and data availability. These upstream gaps originate in the structure of ecological and sectoral frameworks such as the NRR and CAP, where strong policy ambition is not matched by mechanisms for monetisation, standard MRV, or project development, limiting the translation of restoration activities into a scalable pipeline of Taxonomy-aligned investments.

³¹⁶ Directive (EU) 2024/1760, guideline provisions; Directive (EU) 2026/470.

³¹⁷ Directive (EU) 2026/470, recital and article references to the Commission report by 26 July 2026 on financial services.

³¹⁸ Directive (EU) 2026/470; European Commission, "Omnibus package," 1 April 2025.

³¹⁹ European Commission, COM (2025) 81 final; Directive (EU) 2026/470.

³²⁰ European Commission, COM (2025) 81 final.

The EU-GBS, applicable since Dec. 2024, represents the EU's highest-integrity voluntary standard for environmentally sustainable use-of-proceeds bond financing.³²¹ While it remains a voluntary label, it goes beyond existing market-based practices, including the ICMA Green Bond Principles, by requiring that bond proceeds be invested in activities covered by the EU Taxonomy, subject to a limited flexibility pocket of up to 15% of proceeds.³²² The transparency achieved through standardized factsheets, allocation reporting, impact reporting, and external review is intended to reduce greenwashing risk and strengthen investor confidence.³²³

EU-GBS factsheets are treated as regulated information under the amended disclosure architecture connected to the ESAP. However, as of March 2026, ESAP is not yet fully operational; disclosures are expected to become publicly accessible from July 2027 onwards. A critical development in 2026 is the strengthening of ESMA's direct supervisory role over external reviewers. EU-GBS issuers must obtain a pre-issuance review of the European Green Bond factsheet and a post-allocation review; full ESMA registration of external reviewers becomes mandatory from June 2026, following the current transition period.³²⁴ This materially strengthens the credibility of reviews in sensitive areas, including biodiversity-relevant investments where Taxonomy alignment and DNSH compliance are central.³²⁵ At the same time, EU-GBS remains dependent on the scope, clarity, and future revision of the Taxonomy's TSC, which the EC and the PSF Finance are continuing to review and simplify.³²⁶

KEY BENEFITS

- By combining Taxonomy-based use-of-proceeds rules, standardized disclosures, and ESMA-supervised external reviewers, the EU-GBS provides a high level of legal certainty and comparability in the EU green bond market.³²⁷
- The standard can support asset managers and institutional investors by supplying more decision-useful evidence on environmental sustainability, including Taxonomy alignment and DNSH, even though it does not automatically determine SFDR product classification or Article 9 status.³²⁸
- For biodiversity-related investments, the standard is particularly valuable where restoration or conservation expenditures can be translated into clearly identifiable and reportable Taxonomy-aligned uses of proceeds.³²⁹

³²¹ Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and Optional Disclosures for Bonds Marketed as Environmentally Sustainable and for Sustainability-Linked Bonds, OJ L, 2023/2631, November 30, 2023, art. 69; "European green bond standard," EUR-Lex summary, last updated January 23, 2026.

³²² "European green bond standard," EUR-Lex summary, "Eligibility," last updated January 23, 2026

³²³ "European Regulation (EU) 2023/2631, annexes I–III; European Commission, "The European green bond standard – Supporting the transition," March 16, 2026. opean green bond standard," "Eligibility," last updated January 23, 2026.

³²⁴ European Securities and Markets Authority (ESMA), "External Reviewers of European Green Bonds," accessed March 2026; European Commission, "Shaping a sustainable future: key updates for EU green bonds," March 19, 2026.

³²⁵ ESMA, "External Reviewers of European Green Bonds"; European Commission, "Commission Notice on the interpretation and implementation of certain legal provisions of the European Green Bond Regulation," OJ C/2025/5885, November 6, 2025.

³²⁶ European Commission, "Platform on Sustainable Finance," updated March 2026; Platform on Sustainable Finance, Advancing Sustainable Finance: Technical Criteria for New Activities & First Review of the Climate Delegated Act, April 1, 2025.

³²⁷ Regulation (EU) 2023/2631; European Commission, "The European green bond standard – Supporting the transition," March 16, 2026.

³²⁸ Regulation (EU) 2019/2088, art. 2(17); ESMA, Concepts of Sustainable Investments and Environmentally Sustainable Activities in the EU Sustainable Finance Framework, November 2023; Joint Committee of the European Supervisory Authorities, Consolidated Q&As on the SFDR, 2023.

³²⁹ European Commission, "EU taxonomy for sustainable activities," March 17, 2026 [EU taxonomy for sustainable activities - Finance - European Commission](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-activities - Finance - European Commission), [https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-activities - Finance - European Commission)

POTENTIAL AREAS FOR IMPROVEMENT

- The requirement for full Taxonomy-based allocation, together with disclosure and external review obligations, remains technically demanding and may discourage some issuers, who may continue to prefer less prescriptive market instruments such as sustainability-linked bonds.³³⁰
- The usefulness of the label still depends on the breadth, usability, and revision of Taxonomy criteria, including criteria relevant to biodiversity protection, restoration, land use, and water ecosystems.³³¹
- Data availability remains uneven. Although CSRD reporting has started for the first reporting wave, the broader sustainability reporting framework is in transition following the 2025 simplification package and “stop-the-clock” amendments, which may delay wider availability of comparable corporate sustainability data.³³²
- ESAP should improve access to sustainability-related disclosures over time, but it is not yet fully operational as of March 2026.³³³

INCONSISTENCIES TO ADDRESS

- The EU-GBS is more prescriptive than most non-EU green bond frameworks. This strengthens integrity but may reduce uptake or create market segmentation between EU-GBS-labelled bonds and internationally marketed green bonds using less stringent standards.
- The legal effectiveness of EU-GBS for biodiversity finance depends partly on developments outside the Regulation itself, notably revisions to Taxonomy TSC and the wider sustainable finance simplification agenda.³³⁴
- EU-GBS is a strong anti-greenwashing framework, but it is not in itself a biodiversity-outcome standard; real biodiversity integrity still depends on project selection, credible baselines, monitoring, and impact reporting.³³⁵

SYNERGIES WITH OTHER POLICIES

- EU-GBS creates a direct operational link between the EU Taxonomy and capital-market financing, and it is complemented by CSRD sustainability reporting, SFDR investor disclosures, and the ESAP architecture for public access to disclosed information.³³⁶
- It may become a useful financing channel for public and private entities seeking to fund restoration, ecosystem management, and biodiversity-related capital expenditure.³³⁷

[taxonomy-sustainable-activities_en](#); European Commission, “Commission provides further clarifications on the EU taxonomy for sustainable economic activities,” November 29, 2024.

³³⁰ European Commission, “The European green bond standard – Supporting the transition,” March 16, 2026; European Commission, “Shaping a sustainable future: key updates for EU green bonds,” March 19, 2026.

³³¹ European Commission, “EU taxonomy for sustainable activities,” [EU taxonomy for sustainable activities - Finance - European Commission](#) March 17, 2026; Platform on Sustainable Finance, Advancing Sustainable Finance, April 1, 2025.

³³² European Commission, “Corporate sustainability reporting,” updated 2026; Directive (EU) 2025/794 of the European Parliament and of the Council of 14 April 2025 amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements, OJ L, 2025/794, April 16, 2025.

³³³ Regulation (EU) 2023/2859, art. 1; “European single access point,” EUR-Lex summary.

³³⁴ European Commission, “Platform on Sustainable Finance,” updated March 2026; European Commission, “Taxonomy Regulation – implementing and delegated acts,” updated March 2026.

³³⁵ Regulation (EU) 2023/2631, annex III; European Commission, “EU taxonomy for sustainable activities,” [EU taxonomy for sustainable activities - Finance - European Commission](#) March 17, 2026.

³³⁶ Regulation (EU) 2023/2631; Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73; Regulation (EU) 2019/2088; Regulation (EU) 2023/2859.

³³⁷ European Commission, “The European green bond standard – Supporting the transition,” March 16, 2026.

- The EU-GBS can also create synergies with ecological and sectoral frameworks such as the NRR and CAP, particularly where these are combined with EU Taxonomy criteria and ESRS reporting. The NRR establishes a pipeline of restoration activities, while CAP provides public funding and delivery mechanisms at land-use level; when these activities are structured and reported in line with Taxonomy and ESRS requirements, they can be translated into eligible green bond expenditures. This creates a potential pathway for aligning public policy objectives with capital-market financing, particularly where CAP-supported or NRR-driven projects are aggregated, standardised, and supported by credible MRV systems. However, this pathway remains constrained by upstream limitations in the classification and project-development chain. Where activities such as nature-based solutions are not fully recognised as primary economic activities under the EU Taxonomy, and where MRV systems and revenue mechanisms remain underdeveloped, the translation of NRR-driven and CAP-supported activities into a scalable pipeline of Taxonomy-aligned, bond-financeable projects remains limited.³³⁸

OUTSTANDING DEVELOPMENT

- Ongoing revision and simplification of the Taxonomy delegated acts may affect the practical scope of Taxonomy alignment relevant for EU-GBS issuance.³³⁹
- The external reviewer regime will become more robust after 21. June 2026, when ESMA registration becomes mandatory.³⁴⁰
- ESAP is expected to improve accessibility and machine-readability of relevant disclosures once operational from mid-2027 onwards.³⁴¹

OVERALL REFLECTIONS

The EU-GBS has moved from a conceptual standard to an operational pillar of the EU sustainable bond market. Its core mechanisms; Taxonomy-based allocation of proceeds, standardized disclosures, and external review under a developing EU supervisory framework; make it one of the most robust anti-greenwashing tools currently available for green bonds.³⁴² For biodiversity, however, its importance lies less in providing a stand-alone biodiversity label than in offering a legally credible financing channel for projects that can demonstrate environmental sustainability, DNSH compliance, and measurable impact within the EU sustainable finance architecture.³⁴³ Its relevance is therefore likely to increase where MS, public bodies, financial institutions, and corporates seek to mobilise larger-scale investment for restoration and nature-related transition measures, provided that taxonomy usability, reporting quality, and project-level biodiversity metrics continue to improve.³⁴⁴ The EU-GBS provides a credible financing channel, but its biodiversity impact depends on whether ecological policies generate Taxonomy-aligned, bond-financeable project pipelines. For the project's UCs, the EU-GBS is likely to be most relevant

³³⁸ Platform on Sustainable Finance, Advancing Sustainable Finance: Technical Criteria for New Activities and First Review of the Climate Delegated Act (Brussels: European Commission, 2025), chap. 3.

³³⁹ European Commission, "Taxonomy Regulation – implementing and delegated acts," updated March 2026; European Commission, "Sustainable finance," May 21, 2025.

³⁴⁰ ESMA, "External Reviewers of European Green Bonds"; European Commission, "Shaping a sustainable future: key updates for EU green bonds," March 19, 2026.

³⁴¹ Regulation (EU) 2023/2859, art. 1; European Commission, "Transparency requirements for listed companies," accessed March 2026.

³⁴² Regulation (EU) 2023/2631; European Commission, "The European green bond standard – Supporting the transition," March 16, 2026.

³⁴³ Regulation (EU) 2020/852 and related Delegated Regulations (EU) 2021/2139, 2023/2486, and 2026/73; European Commission, "EU taxonomy for sustainable activities," March 17, 2026 [EU taxonomy for sustainable activities - Finance - European Commission](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en), https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en European Commission, "Shaping a sustainable future: key updates for EU green bonds," March 19, 2026; European Commission, "Corporate sustainability reporting," updated 2026.

³⁴⁴

where biodiversity protection or restoration can be translated into identifiable capital expenditure, operating expenditure, or asset portfolios with sufficiently robust Taxonomy alignment, disclosure capacity, and impact monitoring.

INVESTOR IMPLICATIONS

Enables: Credible Taxonomy-linked financing instrument for biodiversity-related capital expenditure where eligible projects exist.

Does not solve: The shortage of eligible, investment-ready projects, Taxonomy-aligned biodiversity projects.

Investor still needs: Aggregated project pipelines, Taxonomy alignment evidence, MRV, and impact reporting that can support bond-financeable structures.

13. *European Single Access Point (ESAP)*

Legal status: Binding EU legislative framework (Regulations (EU) 2023/2859, 2023/2860, 2023/2861); phased implementation ongoing (data collection from July 2026, publication from July 2027)

The ESAP is a data infrastructure initiative providing centralised access to financial and sustainability disclosures. It aims to improve transparency, comparability, and accessibility of ESG data across the EU. ESAP is not a standalone biodiversity policy instrument but a cross-cutting disclosure infrastructure supporting the operationalisation of sustainable finance frameworks. Unlike the other frameworks analysed in this section, ESAP does not establish substantive environmental or financial obligations in itself; rather, it functions as a cross-cutting data infrastructure intended to support the operationalisation, accessibility, and comparability of disclosures generated under other EU sustainable finance and reporting frameworks, including CSRD, ESRS, SFDR, and the EU Taxonomy. While it enhances data availability, it does not address underlying issues related to data quality, standardisation, or completeness, particularly for biodiversity metrics. ESAP is being developed and will be operated by ESMA and is part of the EU's digital and sustainable finance architecture. The technical rulebooks (Implementing Technical Standards) were adopted in July 2025 to support interoperable data flows between collection bodies and the central hub, and ESAP is expected to start collecting information in July 2026, while publication of information must begin no later than July 2027. The first operational collection phase begins in July 2026, when collection bodies must start gathering the first wave of information under the phased-in ESAP regime, including information stemming from acts such as the Short Selling Regulation and the Prospectus Regulation. Recent amendments under the Omnibus I, have further affected the future ESAP data perimeter indirectly by changing the scope and timing of CSRD- and CSDDD-related disclosures that will later feed into ESAP. A significant development remains the clarified timeline for voluntary ESRS submissions, which may begin from Jan. 2030. This allows smaller entities and other firms to gain visibility through ESAP without immediate mandatory inclusion under the core reporting regimes. To reduce fragmentation and improve usability, the ESAP framework requires data to be submitted in a data-extractable format or, where EU law so requires, in a machine-readable format; in addition, collection bodies must accept key machine-readable formats including XBRL, XBRL-XML, XBRL-CSV, XML and Inline XBRL. This should improve cross-border searchability, extraction and comparability, although ESAP does not itself convert all disclosures into a single structured dataset. ESAP should substantially reduce search costs by centralising access to information that is currently dispersed across national registers, designated mechanisms and corporate disclosure channels. At the same time, full integration of the phased-in legislative acts will extend into 2030, meaning that users will still face an uneven data landscape in the first years of operation. While ESAP improves access, it does not verify substantive data quality; responsibility for the accuracy of disclosures remains with the reporting entity and, where applicable, the relevant assurance, audit or supervisory framework under the underlying legislation. For sustainable finance users, ESAP is

therefore likely to become an important access point for sustainability-related data. The system is being implemented in phases, and full functionality will only be achieved progressively. ESAP improves the accessibility and interoperability of sustainability-related information, but not the substantive quality, consistency, or completeness of the underlying biodiversity data; consequently, its usefulness for biodiversity finance ultimately depends on the robustness of the reporting, assurance, and MRV systems that feed into it.

INVESTOR IMPLICATIONS

Enables: Easier access to sustainability and financial data through a centralised EU access point.

Does not solve: Fragmentation incompleteness, or poor quality of biodiversity data.

Investor still needs: Harmonised, high-quality, machine-readable datasets and reliable assurance of the underlying information.

3.3 Key takeaways on EU policy and regulatory frameworks

The analysis of the thirteen EU policy and regulatory frameworks reveals a consistent conclusion; the EU has developed a comprehensive and ambitious biodiversity policy architecture, but its capacity to translate ecological objectives into investable outcomes remains limited. This finding emerges directly from the [Overall Reflections](#) of each policy.

Across the ecological and sectoral frameworks, including the Nature Restoration Regulation (NRR), Water Framework Directive (WFD), Soil Monitoring Law (SML), Pollinators' Initiative, LULUCF, and the Common Agricultural Policy (CAP), a clear pattern emerges. These policies define targets, obligations, and ecological direction, but operate primarily through compliance, planning, and public funding mechanisms, rather than investment logics. As reflected in their individual assessments, the NRR establishes binding restoration obligations without financing mechanisms; the WFD defines ecological baselines without monetisation pathways; the SML and Pollinators' framework strengthen monitoring without creating incentives; and LULUCF introduces carbon-related signals while leaving unresolved trade-offs with biodiversity integrity.

The CAP reinforces this pattern. While it represents the largest source of biodiversity-relevant funding, it remains subsidy-based and weakly linked to measurable outcomes, limiting its ability to support performance-based or investment ready models. Collectively, these frameworks generate policy-driven demand for restoration, but not investment-ready supply.

In parallel, the financial and disclosure frameworks, EU Taxonomy, CSRD, ESRS, SFDR, EU Green Bond Standard, and ESAP, address the system from the opposite direction. These instruments provide classification, transparency, and comparability, but depend on the existence of robust data and investable activities. The Taxonomy defines what is sustainable but does not create projects; CSRD and ESRS improve disclosure but face scope and data limitations; SFDR enhances transparency and asset allocation, without generating underlying assets; and the EU-GBS facilitates financing only where a project pipeline already exists.

The result is a structural divide between policies that define ecological outcomes without financial mechanisms, and frameworks that allocate capital without sufficient underlying assets. A central constraint across all policies is the limited maturity and integration of MRV systems.

While several instruments improve data availability (notably SML, ESRS, LULUCF, and pollinator monitoring), MRV remains fragmented, non-standardised, and uneven across ecosystems and MS. This limits comparability, reduces investor confidence, and constrains the operationalisation of both the EU Taxonomy and disclosure frameworks. As a result, **biodiversity outcomes are not yet consistently measurable, verifiable, or financeable.**

In addition, biodiversity investments face structural financial constraints, including:

- lack of stable and scalable revenue mechanisms
- high transaction and implementation costs
- absence of standardised investment products
- long and uncertain ecological timeframes

These characteristics limit the alignment between ecological processes and financial expectations, further constraining investment.

Governance fragmentation reinforces these challenges. Many policies, particularly CAP, NRR, and WFD, depend on MS implementation, resulting in variable ambition, inconsistent monitoring, and uneven investment conditions, which reduces predictability and scalability.

Taken together, the thirteen policy reflections point to a single conclusion; the main constraint that biodiversity finance in the EU is facing is not the lack of policy ambition, but the **lack of operational integration between policy, measurement, and finance**.

This can be understood as a three-layer system:

- Policy layer which defines ecological objectives
- Measurement layer (MRV + ESRS) which translates outcomes into data
- Finance layer (Taxonomy, SFDR, markets) which allocates capital

While each layer is advancing, the connections between them remain underdeveloped, preventing the systematic translation of ecological performance into financial value.

Bridging this gap requires:

- strengthening and standardising MRV systems
- improving alignment with ESRS and EU Taxonomy
- developing revenue mechanisms and market structures
- enhancing coherence across policy frameworks

In its current form, the EU framework provides a strong foundation, but not yet a fully functioning system for scaling biodiversity investment. Unlocking such investment will depend on the EU's ability to translate biodiversity outcomes into measurable, verifiable, and investable opportunities.

In addition to EU regulatory frameworks, several voluntary international disclosure frameworks (e.g. TNFD, GRI, IFRS/ISSB, CDP) support biodiversity-related reporting and risk assessment. While these frameworks improve interoperability and data usability, they do not substitute for EU ESRS-based reporting under CSRD and Taxonomy alignment. A comparison of these international frameworks is provided in Appendix III. While MRV systems are essential for translating ecological outcomes into financial metrics, this will be developed in subsequent work within BIO-CAPITAL.

4. Interaction between EU and national frameworks Use Cases context-specific analysis

All UCs follow a harmonised analytical structure to ensure comparability. Differences in the level of detail reflect variations in national regulatory complexity, institutional capacity, and availability of data. Each UC analysis examines the interaction between EU and national frameworks,

identifying context-specific forms of policy fragmentation, regulatory divergence, policy-finance misalignment, administrative complexity, and metric inconsistency, as well as financial constraints affecting biodiversity-related investments. For land-based use cases, CAP Strategic Plans and regional implementation rules are treated as the main transmission channels between EU biodiversity objectives and site-level practice. The analysis therefore considers not only the formal presence of CAP instruments, but also whether they create measurable, durable and additional biodiversity outcomes capable of supporting blended or private finance.

4.1 UC1: Alpine Forest Management (Italy/Austria)

This UC examines Alpine Forest ecosystems, where objectives of biodiversity protection, climate mitigation and natural hazard prevention converge. Alpine forests perform critical ecosystem functions, including carbon sequestration, slope stabilisation, and water regulation, while also supporting biodiversity and rural livelihoods. It spans two jurisdictions, Italy and Austria, reflecting different governance and implementation conditions.

Selected EU Policies and Relevance

Policy	Primary scope & relevance for Alpine forests	Key levers for comparison, replicability, contextualisation
NRR	Sets binding restoration targets for forest ecosystems and for connectivity and old-growth features; highly relevant for protection forests and semi-natural/old-growth stands in the Alps.	Links stand- and landscape-level restoration (e.g. structural diversification, deadwood, natural regeneration) to EU targets and indicators, also enabling cross-country comparison of Alpine Forest restoration pathways.
CAP	Provides funding for forest-environment and climate services, risk-prevention, afforestation, agroforestry and non-productive investments; key for supporting close-to-nature forest management and protective forest maintenance.	Offers programmable finance to test forest-related payments. The comparison of National schemes throughout Alpine regions (e.g., Italy and Austria) could allow the assessment of the efficiency and effectiveness for the protection and restoration of biodiversity.
SML	Establishes EU-wide soil-health definitions and monitoring; Alpine Forest soils are critical for carbon storage, water regulation and slope stability.	Provides a common soil-health indicator set (e.g. organic carbon, erosion risk) to compare Alpine Forest soil functions and resilience across MS.
WFD	Requires good ecological status of water bodies; Alpine forests influence hydrology; sediment loads and water quality in headwaters and downstream rivers.	Enables assessment of how forest management (e.g. road density, clear-cuts vs. continuous cover) affects hydromorphology and water quality, comparable across Alpine basins.
Pollinators Initiative	Focuses on pollinator decline; forest edges, clearings and forest-meadow mosaics are important pollinator habitats.	Encourages integration of pollinator-friendly features (flower-rich edges, structural diversity) into Alpine Forest management, comparable with other landscapes.
LULUCF	Sets accounting rules and targets for land-use emissions/removals; Alpine forests are major carbon sinks and protection forests.	Connects forest management scenarios (species mix, rotation, close-to-nature strategies) to national LULUCF accounts, enabling comparison of mitigation and protection co-benefits. ¹
EU Taxonomy	Defines TSC for sustainable forestry and climate-adaptation activities.	Allows classification of Alpine Forest investments (close-to-nature management, restoration of protective forests, hazard-risk reduction) as “environmentally sustainable” where criteria are met, enabling comparability of green capital flows.

SFDR	Requires financial market participants to disclose sustainability risks and impacts.	Creates demand for robust Alpine Forest impact data (carbon, biodiversity, protection functions) and enables comparison of forest-related portfolios and funds.
CSRD / ESRS	Imposes detailed sustainability reporting obligations; ESRS E1–E4 cover climate, pollution, water, biodiversity and ecosystems.	Drives standardised forest-related data collection in wood, energy and tourism value chains, enabling replicable reporting on Alpine Forest outcomes.
CSDD D	Due-diligence obligations on environmental impacts in value chains.	Positions sustainable Alpine Forest management as a risk-mitigation strategy for biodiversity loss, deforestation and ecosystem degradation in timber and biomass supply chains.
EU GBS	Voluntary standard for EU green bonds aligned with the Taxonomy.	Provides a harmonised framework for issuing Green Bonds aligned with the EU Taxonomy, which can support financing for activities such as forest protection and restoration.
ESAP	Centralised EU platform for financial and sustainability information.	Facilitates access to disclosures on Alpine Forest projects (Taxonomy, SFDR, CSRD, EU GBS), enabling cross-country benchmarking of forest investments.

Taken together, the **selected EU policies** provide a structured policy framework for Alpine Forest ecosystems, although their practical effectiveness varies depending on implementation, coherence, and the availability of measurable and investment-relevant indicators.

National and Local Legal Framework

The following section assesses the national legal frameworks for Alpine Forest management, focusing on its interaction with EU policy objectives and the implications for biodiversity-related investments. Regarding **Italy**, the following legal frameworks are taken into consideration:

National Forestry Strategy (SFN)³⁴⁵; Consolidated Law on Forests and the Forest Sector (TUFF)

- **Strengths:**
 - Multifunctionality and close-to-nature forest management: The SFN and TUFF emphasise multifunctional, sustainable forest management, including protection, biodiversity, carbon and socio-economic functions; highly relevant for Alpine protection forests.
 - Alignment with EU objectives: The strategy explicitly references climate, biodiversity and rural-development goals, providing a bridge to NRR, LULUCF and CAP forest measures.
- **Weaknesses / contradictions:**
 - Implementation heterogeneity: Forest governance is shared with regions; implementation capacity and priorities vary, which can lead to uneven adaptation and protection-forest management across Alpine regions.
 - Timber vs. protection trade-offs: In some contexts, short-term timber or biomass interests may conflict with long-term protection and biodiversity objectives.
- **Synergies with the UC:**

³⁴⁵ Italy, Ministero dell'Agricoltura, della Sovranità Alimentare e delle Foreste, Strategia Forestale Nazionale, 2022.

- Alpine forest living labs can test close-to-nature silviculture portfolios that maintain protection functions under climate change, directly operationalising SFN principles in line with EU LULUCF and NRR.

Constitution (Articles 9 and 41); Natural Capital and Ecosystem Services; Cultural Heritage and Landscape Code

- **Strengths:**
 - Constitutional recognition of environment and biodiversity: Article 9 (as amended) and Article 41 anchor environmental and biodiversity protection in the Constitution, reinforcing the legal basis for conservation-oriented forest management.
 - Landscape and cultural values: The Cultural Heritage and Landscape Code recognise landscape as a public interest, highly relevant for Alpine Forest–landscape mosaics.
 - Natural capital framing: Provisions on natural capital and ecosystem services support the valuation of forest protection, carbon and recreation services.
- **Weaknesses / contradictions:**
 - Operationalisation gap: While the principles are strong, translation into concrete forest-management incentives and indicators is still partial.
- **Synergies with the UC:**
 - The UC can generate natural-capital evidence for Alpine forests (protection, carbon, recreation) that supports implementation of these high-level principles and alignment with EU Taxonomy and CSRD.

Establishment of the National Network of Old-Growth Forests; National Biodiversity Strategy (SNB); Environmental Code (TUA)

- **Strengths:**
 - Old-growth recognition: The old-growth network decree identifies and protects rare old-growth remnants, many in mountain areas, aligning with NRR's emphasis on old-growth and primary forests.
 - Biodiversity strategy: The SNB provides a national framework for habitat and species conservation, including forest habitats.
 - Environmental Code: TUA integrates environmental assessment, water and soil protection, relevant for forest–water interactions.
- **Weaknesses / contradictions:**
 - Limited coverage of near-natural forests: Old-growth protection is crucial but covers a small area; broader structural diversification in managed forests is needed to meet NRR ambitions.
 - Coordination challenges: Integrating biodiversity, water and forest objectives across policies and levels remains complex.
- **Synergies with the UC:**
 - Alpine forest sites can test buffer and connectivity roles of managed forests around old-growth cores, and link forest measures to water-quality and flood-risk objectives under TUA and WFD.

In general terms, based on the above-mentioned regulatory framework, the UC will research with key regional Stakeholders the possibilities to sustain Closer-To-Nature-Forest Management practices in the Italian Alps, notwithstanding the heavy natural and economic impact of the climate and biological disturbances during recent years.

Regarding **Austria**, the following basic legal framework is taken into consideration:

Forest Act 1975³⁴⁶; Austrian Forest Programme; Länder forest and nature-conservation laws

- **Strengths:**
 - Multifunctionality and protective forests: The Forest Act enshrines multifunctionality and explicitly recognises protective forests, a cornerstone of Alpine risk management.
 - Strategic guidance: The Forest Programme and biodiversity strategies provide a strategic layer for sustainable, close-to-nature forest management and biodiversity conservation.
 - Regional adaptation: Länder laws allow the tailoring of forest and nature-conservation rules to regional Alpine conditions.
- **Weaknesses / contradictions:**
 - Pressure from disturbances and markets: Climate-driven disturbances (storms, bark beetles) and market pressures can drive high extractions that may impact long-term biodiversity protection targets.
 - Coordination across Länder: Differences in implementation between Länder can lead to uneven adaptation and conservation outcomes.
- **Synergies with the UC:**
 - The UC will address biodiversity and landscape protection (e.g., protective forests) in a regional context of important timber production activities. For this purpose, the UC will research, together with qualified stakeholders, the issues of area-based conservation measures for Alpine Forests, focusing on the establishment of a Natural Capital Accounting System for the development of robust investment roadmaps to channel private finance, based on a solid economic rationale.

Hazard-zone plans; National Flood Risk Management Plans

- **Strengths:**
 - Spatially explicit risk management: Hazard-zone plans for avalanches, landslides and torrents, together with flood-risk plans, identify areas where forests are critical for protection.
 - Integration with forest planning: Protection-forest management can be aligned with hazard-zone priorities.
- **Weaknesses / contradictions:**
 - Resource constraints: Implementing optimal protection-forest management in all hazard zones can be limited by funding and workforce.
 - Potential conflicts with infrastructure: Infrastructure and tourism development can increase exposure and complicate forest-based risk reduction.
- **Synergies with the UC:**
 - Alpine forest living labs can test adaptation strategies in protection forests (species diversification, structure, regeneration) that maintain or enhance protection under changing climate and disturbance regimes.

Both Italy and Austria have strong forest governance systems. However, there are still fragmentation and data gaps to be addressed, and conflicting objectives need to be continuously

³⁴⁶ Austria, Forstgesetz 1975 (Federal Forest Act), BGBl. Nr. 440/1975, as amended.

reconciled, such as the trade-off between biodiversity and risk management regarding deadwood retention and pest control.

CAP ASSESSMENT

In the Alpine Forests UC, CAP is a key instrument of financing complementing national frameworks. It decisively supports specific forest-environment services, protection functions and restoration-related actions through rural development instruments, while its role in enabling private biodiversity investment remains limited.

CAP Channel	Assessment (site-specific)	Key instruments (national context)	Implication for investment readiness
Baseline conditionality (GAEC)	Baseline conditionality has limited direct influence on forest biodiversity outcomes, as GAEC standards mainly target agricultural land. In Alpine contexts, its relevance is indirect, particularly where forest and pasture systems interact or where land-use change affects slope stability, soil protection, and landscape features. Recent simplification measures further reduce its significance for biodiversity delivery in this UC.	GAEC standards relevant mainly at forest–pasture interfaces, including soil cover, landscape features, and erosion-related provisions	Provides only a weak ecological baseline for investment. Its role is mainly indirect and does not materially improve forest project bankability, though it may affect mixed land-use areas and eligibility conditions
Eco-schemes (Pillar I)	Eco-schemes are only marginally relevant for core forest restoration, as Pillar I is primarily designed for agricultural practices. Their contribution is mainly indirect where Alpine forest landscapes include silvopastoral systems, extensive grazing, or buffer-zone management. As a result, eco-schemes do not constitute a major financing lever for this UC.	National eco-schemes linked to extensive land management, landscape features, or mixed agroforestry/silvopastoral practices	Limited contribution to investment readiness. Eco-schemes may provide complementary support in mixed landscapes, but they do not create a stable or sufficiently targeted funding basis for forest biodiversity investments
AECM (Pillar II)	Pillar II is the most relevant CAP channel for Alpine forests, particularly through forest-environment and climate commitments, Natura 2000 payments, support for protective forest functions, and risk-prevention or restoration measures. These instruments are more closely aligned with biodiversity and ecosystem-service outcomes, but implementation varies across regions and is often constrained by administrative complexity and uneven targeting.	Forest-environment and climate services, Natura 2000 forest payments, mountain-area support, non-productive forest investments, prevention/restoration of disturbance damage	Represents the main CAP-based public funding stream for this UC. It can improve project viability and reduce upfront risk, but does not on its own generate investable revenue streams or resolve long time horizons for returns
CAP Strategic Plan alignment	CAP Strategic Plans in Italy and Austria recognise the ecological importance of mountain and forest landscapes, but biodiversity-related support is filtered through broader rural development and risk-management priorities rather than a dedicated forest biodiversity investment logic. Alignment with restoration and resilience objectives exists, but remains partial and regionally uneven, especially where implementation depends on subnational governance.	Italy and Austria CAP Strategic Plans (2023–2027), especially Pillar II forestry, Natura 2000, mountain-area and risk-prevention measures	Provides some policy stability and public support, but limited coherence across regions reduces predictability for investors. CAP helps sustain management functions, but does not yet provide a strong bridge to private biodiversity finance
Overall CAP effectiveness	CAP plays a supporting but secondary role in the Alpine Forests UC. It contributes to maintenance, risk prevention, and some restoration-related functions, especially through Pillar II, but is not		CAP can support baseline viability and public co-financing, but the investment environment remains

designed as a primary biodiversity investment framework for forests. Its main value lies in de-risking and co-financing rather than in creating scalable market-based investment opportunities.

constrained by fragmented governance, long ecological time horizons, and weak monetisation of non-carbon ecosystem services

Financial and Investment Conditions

Forests have established financial pathways, based on their role in providing an essential raw material. In recent decades, the overall economic and financial stability of the forest sector has been heavily impacted by the climate and environmental crisis which has led to ever increasing natural disturbances. Addressing these changes in the overall scenario is a critical challenge. The emergence of new pathways, such as carbon markets, is slow, especially where outcomes are difficult to monetise (e.g., biodiversity uplift) and long-time return horizons reduce attractiveness for private investors. As a result, the most realistic near-term financing model is likely to combine public co-financing, risk-prevention funding, and carefully designed carbon or resilience-related instruments, rather than standalone private biodiversity finance.

Site-Specific Inconsistencies and Barriers

Building on the analysis of EU and national policy frameworks, the following table identifies site-specific regulatory barriers, inconsistencies, and operational constraints affecting biodiversity-related investments in Alpine forests.

The table follows a standardised structure applied across all UCs to ensure comparability. While the format is consistent, the level of detail varies depending on the complexity of national and regional legal frameworks. In the Alpine case, the relatively high density of sectoral legislation reflects the multifunctional role of forests and the strong involvement of subnational authorities in forest governance.

Type of barrier	Description	Policy source / driver	Investment implication
Governance fragmentation	The national forest strategy (SFN) is implemented through regional authorities, leading to a regulatory mosaic across Alpine regions (e.g. Trentino, Tyrol), with differing priorities and procedures.	National forest laws; regional autonomy	Increased regulatory uncertainty and transaction costs for cross-border or multi-region investments
Policy-finance misalignment	While forests are central to EU climate and biodiversity objectives, financing mechanisms remain fragmented. EU Taxonomy criteria for forestry are complex and restrictive, limiting uptake.	EU Taxonomy; national implementation gaps	Limited scalability of private investment and difficulty structuring bankable forestry projects
Carbon–biodiversity trade-offs	Forest policies may prioritise carbon sequestration over biodiversity outcomes, particularly in managed forests and biomass strategies.	LULUCF; energy policy interactions	Risk of suboptimal investment outcomes and misaligned incentives
Legal liability risks	Forest managers face increasing legal exposure under environmental liability frameworks and criminal law (e.g. fire risk, ecosystem damage), discouraging intervention.	Environmental Code; Environmental Crime Directive	Reduced investor appetite due to perceived legal risk
Regulatory divergence	Differences between Italian and Austrian forestry and conservation laws create inconsistencies in permitting and management approaches.	National legal frameworks	Reduced cross-border comparability and increased due diligence costs
Administrative complexity	Overlapping legal frameworks (forest, nature conservation, flood risk) create complex permitting processes for a single site.	Multi-level governance	Delays and increased project development costs

Ecological trade-offs in regulation	Requirements such as deadwood retention (NRR) may conflict with pest-management obligations under national forest laws.	NRR vs national forest law	Operational uncertainty and conflicting management objectives
Site-level MRV/data barrier	Biodiversity monitoring methodologies and ecological indicators remain fragmented across Alpine jurisdictions, while no harmonised EU forest monitoring framework has yet been adopted.	LULUCF framework; proposed EU Forest Monitoring Framework	Limits comparability, ecological verification, and the development of investment-grade biodiversity restoration projects.

The barriers identified reflect a structural tension between ecological objectives, economic uses of forests, and multi-level governance systems. Inconsistencies between carbon-focused mechanisms and biodiversity objectives, combined with fragmented regulatory frameworks and long investment horizons, create significant uncertainty for private investors.

These challenges highlight the importance of integrating biodiversity, climate, and risk-management objectives within a coherent policy and financing framework, supported by improved MRV systems and clearer valuation of ecosystem services.

Replicability considerations:

While a detailed assessment of replicability is provided in the cross-use-case analysis, this UC highlights several transferable elements relevant for other forest ecosystems. These include the interaction between binding EU frameworks (NRR, LULUCF), national forest governance systems, and emerging sustainable finance instruments.

Replicability is particularly influenced by differences in forest governance structures, disturbance regimes, and the integration of protective-forest functions into national policy frameworks, which may vary significantly across MS.

4.2 UC2: Regenerative Agriculture (France)

This UC examines regenerative agriculture in France, focusing on farming systems that enhance soil health, biodiversity, and ecosystem resilience while maintaining productivity. It represents a key pathway for aligning agricultural practices with EU biodiversity and climate objectives. It is influenced by CAP, national agricultural policy, and emerging carbon and sustainability frameworks.

Selected EU Policies and Relevance

Policies	Primary scope & relevance for RA in France	Key levers for comparison, replicability, contextualisation
NRR	Sets legally binding restoration targets for ecosystems, including agricultural land and pollinator populations; RA can be a core implementation pathway on French farmland.	Links farm practices to landscape-scale restoration targets and indicators (e.g. high-diversity landscape features, pollinator abundance), enabling cross-country comparison of RA as a restoration strategy.
CAP	Main financial and governance framework for RA uptake in France; eco-schemes and AEEM can reward RA practices and outcomes.	Provides a structured, contract-based framework within AEEM to pilot and compare result-based payment models across MS and to assess their cost-effectiveness and additionality.
SML	Establishes EU-wide soil health definition, monitoring obligations and risk-based management; RA is directly positioned as a soil health improvement pathway.	Offers a common soil health indicator set and thresholds, enabling replicable MRV of RA impacts on soil organic carbon, erosion, contamination and biodiversity.

WFD	Requires good ecological and chemical status of water bodies; RA practices reduce diffuse pollution, erosion and improve infiltration.	Allows comparison of RA's contribution to nutrient and pesticide load reduction, sediment control and baseflow stabilisation across river basins.
Pollinator Initiative	EU initiative to halt pollinator decline; RA (flowering cover crops, hedgerows, reduced pesticides, agro-forestry) is a key on-farm lever.	Provides pollinator-related indicators and monitoring frameworks that can be integrated into RA biodiversity metrics and compared across landscapes.
LULUCF	Sets accounting rules and targets for land-use, land-use change and forestry emissions/removals; RA increases soil carbon and reduces emissions.	Connects farm-level soil carbon changes to national LULUCF accounts, enabling replicable carbon accounting methodologies and comparison of RA's mitigation potential.
EU Taxo.	Defines TSC for environmentally sustainable economic activities, including agriculture and forestry.	Allows classification of RA investments as "environmentally sustainable" where criteria are met, enabling comparability of green capital flows into RA across MS.
SFDR	Requires financial market participants to disclose sustainability risks and impacts, including on biodiversity, climate and water.	Creates demand for robust RA impact data (e.g. PAI indicators) and enables comparison of RA portfolios and funds based on harmonised disclosures.
CSRD / ESRS	Imposes detailed sustainability reporting obligations on large companies; ESRS E1–E4 require data on climate, pollution, water, biodiversity and ecosystems.	Drives standardised RA-related data collection in agri-food value chains, enabling replicable reporting on RA outcomes and supply-chain engagement.
CSDDD	Due diligence obligations on human rights and environmental impacts in value chains; agriculture is a high-risk sector.	Positions RA as a risk mitigation strategy for environmental harms (deforestation, soil degradation, biodiversity loss), enabling comparison of due diligence approaches across companies and countries.
EU GBS	Voluntary standard for EU green bonds aligned with Taxonomy; agriculture and land-use projects can be financed if criteria are met.	Provides a harmonised framework to structure RA investment at farm and landscape level, enabling comparability of RA bond-financed projects.
ESAP	Centralised EU platform for financial and sustainability information.	Facilitates access to RA-related disclosures (Taxonomy, SFDR, CSRD, EU GBS), enabling cross-country benchmarking of RA investments and corporate strategies.

EU frameworks support regenerative agriculture indirectly through CAP and soil-related policies. However, there is no fully coherent framework linking biodiversity, soil, and carbon objectives. This creates opportunities but also fragmentation in policy signals, particularly between climate and biodiversity objectives.

National and Local Legal Framework

French Biodiversity Law & French Biodiversity Agency³⁴⁷

- **Strengths:**
 - Institutionalisation of biodiversity governance: The French Biodiversity Law (2016) created the French Biodiversity Agency (now Office français de la biodiversité, OFB)³⁴⁸, consolidating expertise and enforcement capacity on biodiversity, water and nature protection.

³⁴⁷ France, Stratégie Nationale pour la Biodiversité 2030 (SNB 2030), Ministère de la Transition écologique, 2023.

³⁴⁸ Office Français de la Biodiversité (OFB), institutional framework established under Loi n° 2019-773 du 24 juillet 2019.

- Potential for RA integration: The Agency's mandate on ecological restoration, protected areas and ecological continuity can be aligned with RA pilots, especially where farms are located near Natura 2000 sites or key ecological corridors.
- **Weaknesses / contradictions:**
 - Limited explicit focus on productive farmland: While the law and agency strongly address protected and semi-natural areas, the integration of intensive agricultural land into biodiversity strategies remains partial, which can leave RA pilots in conventional landscapes weakly connected to biodiversity policy instruments. The relationship between OFB and farmers is sometimes fraught with tensions, reflecting differing priorities and perceptions.
 - Fragmented incentives: Biodiversity objectives defined under the law are not systematically translated into farm-level economic incentives, as these rely primarily on CAP and regional schemes. This creates a structural gap between biodiversity governance frameworks and the operational realities of regenerative agriculture.
- **Synergies for the UC:**
 - RA pilots can be framed as biodiversity restoration projects in agricultural matrices, co-designed with OFB and regional authorities, and used to test how biodiversity indicators related to farm practices or agroecological infrastructures can be integrated into farm contracts and monitoring.

Law on Ecological Transition for Biodiversity, Grenelle Environment Acts, Green Growth Law

- **Strengths:**
 - Strategic framing: The Grenelle Acts and the Law on Energy Transition for Green Growth (2015) embed ecological transition and energy-climate objectives into French policy, providing a high-level mandate for transforming agriculture towards low-carbon, resource-efficient systems.
 - Cross-sectoral approach: These laws link agriculture with energy, transport, land-use planning and climate, which is essential for RA systems that depend on landscape-scale planning (e.g. agroforestry, hedgerows, water retention).
- **Weaknesses / contradictions:**
 - Implementation complexity: The broad scope and multiple objectives can dilute focus on concrete RA pathways; farmers may perceive the framework as abstract and administratively heavy rather than as a clear support structure for practice change.
 - Potential tension with productivity narratives: In some regions, productivity and competitiveness objectives may still dominate, creating tension with RA practices that require short-term yield trade-offs during transition.
- **Synergies for the UC:**
 - RA pilots can serve as proof-of-concept for reconciling energy, climate and biodiversity objectives on farms (e.g. agroforestry for biomass and carbon, cover crops for soil carbon and water retention), informing future revisions of these laws and their implementing decrees.

Climate and Resilience Law, Energy and Climate Law

- **Strengths:**
 - Climate neutrality trajectory: These laws set France on a path towards climate neutrality, with sectoral contributions including agriculture and land use. RA is

- directly relevant as a mitigation and adaptation strategy (soil carbon, reduced inputs, resilience to drought and floods).
- Integration with planning tools: Links to national low-carbon strategy and regional climate-air-energy plans create entry points for RA at regional level.
- **Weaknesses / contradictions:**
 - Limited operationalisation at farm level: Climate targets are often expressed at national or sectoral level, with limited translation into clear, long-term incentives for RA practices beyond CAP.
 - Risk of narrow carbon focus: If implementation focuses mainly on carbon metrics, broader RA benefits (biodiversity, water, social resilience) may be undervalued, leading to suboptimal practice choices.
- **Synergies for the UC:**
 - The UC can test integrated climate–biodiversity–water indicators for RA, demonstrating how farm-level data can feed into national climate reporting while avoiding a narrow carbon-only approach.

Natural Capital Accounting & National Biodiversity Strategy

- **Strengths:**
 - Conceptual alignment with RA: Natural capital accounting and the National Biodiversity Strategy (SNB) provide a conceptual framework for valuing ecosystem services (soil fertility, water regulation, pollination) that RA aims to restore.
 - Potential link to EU reporting: These tools can be aligned with EU Taxonomy, CSRD/ESRS and NRR indicators, positioning France as a frontrunner in integrating natural capital into public and private decision-making.
- **Weaknesses / contradictions:**
 - Methodological uncertainty: Natural capital accounting at farm and landscape level is still evolving; lack of standardised methods can hinder comparability and investor confidence.
 - Limited integration into mainstream farm economics: Without clear links to farm income, taxation or risk management, natural capital accounting risks remaining a reporting exercise rather than a driver of RA adoption.
- **Synergies for the UC:**
 - RA pilots can be used to co-develop and test natural capital accounting methods (soil carbon, water retention, biodiversity) that are compatible with EU and French frameworks and can be scaled through CAP and private finance.

Trame Verte et Bleue & French Environmental Code³⁴⁹

- **Strengths:**
 - Landscape connectivity: The Trame Verte et Bleue (TVB) policy and its embedding in the Environmental Code provide a strong legal basis for ecological corridors and green–blue infrastructure, directly relevant to RA landscapes (hedgerows, riparian buffers, agroforestry).
 - Spatial planning integration: TVB is integrated into regional and local planning documents, offering a spatial framework for targeting RA interventions where they maximise connectivity and ecosystem services.

³⁴⁹ France, Trame Verte et Bleue (TVB), established under Loi n° 2009-967 du 3 août 2009 relative à la mise en œuvre du Grenelle de l'environnement.

- **Weaknesses / contradictions:**
 - Variable implementation: The effectiveness of TVB depends on regional and local capacity; in some areas, agricultural stakeholders may be weakly involved, limiting uptake of RA-compatible measures.
 - Constraint perception: The TVB may also be perceived by farmers as a constraint, a policy that imposes obligations on them regarding certain areas of their farms.
 - Potential conflict with short-term land-use decisions: Infrastructure or urbanisation projects can still fragment landscapes, undermining RA efforts to build ecological continuity.
- **Synergies for the UC:**
 - The UC highlights opportunities for integrating regenerative agriculture (RA) practices with TVB corridors through farm-level interventions (e.g. hedgerows, buffer strips, agroforestry) that reinforce ecological networks while maintaining productivity. While RA can positively contribute to TVB objectives when it enhances biodiversity, the reverse interaction is more rigid, as TVB implementation is often compliance-driven rather than based on farmer incentives.

France has a relatively advanced policy framework supporting agricultural transition, including soil and climate initiatives. However, integration between biodiversity and agricultural policy remains partial, and implementation varies across regions.

CAP ASSESSMENT

CAP is a key framework for regenerative agriculture in France, where it shapes both the baseline conditions for land management and the availability of public incentives for transition. Its role is particularly important because regenerative systems depend on medium- to long-term improvements in soil health, biodiversity, and ecosystem resilience, while current financing models remain only partially aligned with these outcomes.

CAP Channel	Assessment (site-specific)	Key instruments (national context)	Implication for investment readiness
Baseline conditionality (GAEC)	Baseline conditionality supports certain biodiversity-relevant practices, including soil protection, crop diversification, and maintenance of landscape features. However, recent simplification measures, especially concerning GAEC 7 and GAEC 8, reduce ecological ambition and weaken the baseline for regenerative transition. In practice, these standards establish minimum compliance but do not ensure meaningful regeneration outcomes.	GAEC 2, GAEC 6, GAEC 7, GAEC 8, GAEC 9 and related French implementation under the CAP Strategic Plan	Defines a minimum environmental floor and affects compliance risk. In some cases, like GAEC 9 can be favourable for RA concerning no tillage on grasslands and GAEC 2 for the protection of water zones but contributes little to investment attractiveness beyond baseline eligibility and reputational risk reduction.
Eco-schemes (Pillar I)	French eco-schemes can support lower-input, biodiversity-friendly, and soil-improving practices, but their design tends to reward broad compliance categories rather than robust ecological performance. They can encourage transition, yet payment levels and short time horizons often remain insufficient relative to the costs and risks of regenerative change.	French eco-schemes under Pillar I, including practices related to extensive management, reduced inputs, and ecological transition	Provides short-term support and may improve transition feasibility, but does not on its own create long-term investable conditions or sufficiently reward biodiversity co-benefits

AECM (Pillar II)	AECMs are the strongest CAP channel for supporting regenerative practices where they include targeted commitments on soil, landscape diversity, low-input systems, and biodiversity-sensitive management. Their contribution is more substantial than eco-schemes, but effectiveness depends on targeting, duration, and ecological monitoring, which remain uneven.	AECMs, Natura 2000 payments where relevant, soil and landscape measures under the French CAP Strategic Plan	Core public funding stream for longer-term transition. Can materially improve project viability and reduce early-stage risk, but still struggles to bridge the gap between public support and market-based revenue generation
CAP Strategic Plan alignment	The French CAP Strategic Plan recognises ecological transition and includes support relevant to regenerative agriculture, but overall alignment remains partial because biodiversity outcomes are not consistently prioritised over broader productivity and competitiveness goals. The result is a framework that supports transition in principle while remaining insufficiently oriented toward measurable biodiversity performance.	France CAP Strategic Plan 2023–2027, including eco-schemes and rural development measures	Provides some policy coherence and transition support, but limited ambition and uneven ecological targeting constrain investor confidence and the scalability of biodiversity-positive models
Overall CAP effectiveness	CAP plays an important enabling role for regenerative agriculture in France, especially through Pillar II, but it remains structurally better suited to supporting gradual transition than to creating investment-ready biodiversity finance. The framework is still largely subsidy-based, while biodiversity benefits remain under-monetised and weakly integrated into financial markets.	—	CAP can de-risk transition and support adoption but does not yet create strong conditions for large-scale private investment in regenerative systems. An advantage and an opportunity that CAP provides is the annual agricultural practices survey. Farmers are required to report their main crops and agroecological infrastructure for instance. The téléPAC website could serve as a platform for reporting practices and infrastructure related to regenerative agriculture. The data right now is not publicly available.

Financial and Investment Conditions

Regenerative agriculture shows emerging financial potential, particularly through soil carbon markets (e.g. Agreea, Soil Capital), corporate supply-chain initiatives (e.g. Danone, Nestlé), and national schemes such as France's Label Bas-Carbone, although these models remain predominantly carbon-driven and only partially capture broader biodiversity outcomes. However, biodiversity outcomes are not yet monetised, Investment models are therefore still developing and not fully standardised. Investment readiness therefore depends on combining CAP support with longer-term contracts, credible soil and biodiversity MRV, and revenue models that reward multiple outcomes rather than carbon alone.

Site-Specific Inconsistencies and Barriers

The following table identifies regulatory, financial, and operational barriers affecting regenerative agriculture investments. Differences in detail reflect the complexity of national policy interactions and market structures.

Type of barrier	Description	Policy source / driver	Investment implication
Policy fragmentation	Multiple EU and national frameworks (CAP, WFD, climate, biodiversity) operate in parallel with limited integration, increasing administrative burden for farmers.	CAP; national legislation	Reduced efficiency and increased transaction costs
Policy-finance misalignment	Regenerative agriculture is supported by CAP and national initiatives but remains weakly embedded in sustainable finance frameworks. Regenerative agriculture contributes to soil carbon sequestration, notably through reduced tillage, making it both an opportunity for climate-linked financing and a potential barrier where carbon-focused investment frameworks overlook wider biodiversity outcomes.	CAP; EU Taxonomy gaps	Under-pricing of biodiversity benefits and limited investment diversification
Carbon–biodiversity tension	Carbon markets incentivise soil carbon but do not fully capture biodiversity co-benefits, leading to potential optimisation trade-offs.	Carbon markets; CRCF	Risk of narrow investment strategies focused on carbon only
Time horizon mismatch	CAP contracts and funding cycles are shorter than ecological restoration timelines required for soil and biodiversity recovery.	CAP design	Investment uncertainty and reduced long-term commitments
Economic risk exposure	Lack of stable price signals, long-term contracts, and risk-sharing mechanisms discourages farmers from transitioning to regenerative systems.	Market structure	Limited adoption and scaling of regenerative practices
Certification fragmentation	Multiple voluntary standards and labels create confusion and inconsistency in market signals.	Voluntary frameworks	Reduced investor confidence and comparability
Land-use policy conflicts	Policies promoting biomass or productivity can conflict with regenerative practices that prioritise soil restoration and biodiversity.	Energy policy; CAP	Misaligned incentives and land-use competition
Metric inconsistency	Different institutions use varying biodiversity and soil metrics, creating reporting burdens and lack of comparability.	National agencies; EU frameworks	Increased reporting costs and reduced data usability
Site-level MRV/data barrier	Biodiversity and soil-health indicators remain insufficiently standardised for regenerative agriculture projects.	Soil Monitoring Law; ESRS E4; EU Taxonomy	Constrains verification of ecological performance and private capital mobilisation.

Barriers reflect fragmentation across policy domains, misalignment between carbon and biodiversity incentives, and insufficient long-term financial mechanisms. Investment models remain largely carbon-centric, limiting the monetisation of biodiversity benefits.

Replicability considerations:

This UC highlights transferable elements related to CAP implementation, and integration of natural capital approaches. Replicability is influenced by farm structure, policy coherence, and availability of carbon and biodiversity markets.

4.3 UC3: Agroecology (Romania)

This UC focuses on agroecological systems in Romania, characterised by small-scale, low-intensity farming practices with high biodiversity value. These systems are strongly influenced by EU agricultural and environmental policies, particularly the CAP, the NRR, and soil-related frameworks. These policies define ecological objectives related to sustainable land use, soil health, and biodiversity conservation. However, their effectiveness depends on how they translate into incentives and implementation mechanisms for smallholder systems.

Selected EU Policies and Relevance

Policies	Primary scope & relevance for agroecology in Romania	Key levers for comparison, replicability, contextualisation
NRR	Sets binding restoration targets for ecosystems, including agricultural land and pollinators; agroecology can be a core implementation pathway in high-nature-value and intensifying areas.	Links farm- and landscape-level agroecological practices to restoration targets (e.g. grassland condition, landscape features, pollinator status), enabling cross-country comparison of agroecology as a restoration strategy.
CAP	Main financial and governance framework for agroecology uptake; eco-schemes and AECM can reward diversified rotations, grassland management, hedgerows, reduced inputs and mixed systems.	Provides programmable contracts to test agroecology-oriented payments, compare scheme designs across MS and assess cost-effectiveness and additionality.
SML	Establishes EU-wide soil-health definitions, monitoring and risk-based management; agroecology is directly positioned as a soil-health improvement pathway.	Offers a common soil-health indicator set and thresholds, enabling replicable MRV of agroecology impacts on soil organic carbon, erosion, contamination and biodiversity.
WFD	Requires good ecological and chemical status of water bodies; agroecological practices reduce diffuse pollution, erosion and improve infiltration.	Allows comparison of agroecology's contribution to nutrient and pesticide load reduction and hydrological regulation across river basins.
Pollinator Initiative	EU initiative to halt pollinator decline; agroecology (flower strips, diversified crops, reduced pesticides, semi-natural habitats) is a key lever.	Provides pollinator-related indicators and monitoring frameworks that can be integrated into agroecology biodiversity metrics and compared across landscapes.
LULUCF	Sets accounting rules and targets for land-use emissions/removals; agroecology increases soil carbon and reduces emissions from inputs and land-use change.	Connects farm-level soil-carbon changes and land-use practices to national LULUCF accounts, enabling replicable carbon-accounting methodologies.
EU Taxo.	Defines TSC for environmentally sustainable activities, including agriculture and forestry.	Allows classification of agroecology investments as “environmentally sustainable” where criteria are met, enabling comparability of green capital flows into agroecology across MS.
SFDR	Requires financial market participants to disclose sustainability risks and impacts, including on biodiversity, climate and water.	Creates demand for robust agroecology impact data (e.g. PAI indicators) and enables comparison of agroecology-focused portfolios and funds.
CSRD / ESRS	Imposes detailed sustainability reporting obligations; ESRS E1–E4 require data on climate, pollution, water, biodiversity and ecosystems.	Drives standardised agroecology-related data collection in agri-food value chains, enabling replicable reporting on agroecology outcomes and supply-chain engagement.

CSDDD	Due-diligence obligations on human-rights and environmental impacts in value chains; agriculture is a high-risk sector.	Positions agroecology as a risk-mitigation strategy for environmental harms (soil degradation, biodiversity loss, water pollution), enabling comparison of due-diligence approaches across companies and countries.
EU GBS	Voluntary standard for EU green bonds aligned with the Taxonomy; agriculture and land-use projects can be financed if criteria are met.	Provides a harmonised framework to structure agroecology investment at farm and landscape level, enabling comparability of bond-financed projects.
ESAP	Centralised EU platform for financial and sustainability information.	Facilitates access to agroecology-related disclosures (Taxonomy, SFDR, CSRD, EU GBS), enabling cross-country benchmarking of agroecology investments and corporate strategies.

EU policy provides a broad but unevenly aligned framework for agroecology. CAP plays a central role through eco-schemes and AECM, while NRR introduces binding restoration objectives. However, agroecological systems are not fully recognised as a distinct investment category within EU frameworks. CAP support remains fragmented and often insufficiently tailored to smallholder systems. At the same time, soil-related frameworks provide relevant metrics but lack integration with financial incentives.

National and Local Legal Framework

National Strategy and Action Plan for Biodiversity Conservation; Law on Protected Areas; Law nr. 49/2011³⁵⁰; management-plan ordinances

- **Strengths:**
 - Strategic recognition of biodiversity and protected areas: The national biodiversity strategy and protected-areas legislation provide a clear framework for conserving habitats and species, including many high-nature-value farmland and forest–pasture mosaics that are natural candidates for agroecology.
 - Management-plan requirements: Ordinances on management plans for protected areas create a formal structure for integrating agroecological practices (extensive grazing, low-input hay meadows, traditional orchards) into site-level objectives.
- **Weaknesses / contradictions:**
 - Protected area focus vs. wider farmed landscape: Policies are strongest inside or near protected areas; agroecology in more intensive agricultural regions may fall outside their direct scope, limiting leverage where transition pressure is highest.
 - Implementation capacity: Management plans and biodiversity strategies often face resource and enforcement constraints, which can reduce their ability to support long-term agroecological transitions on the ground.
- **Synergies with the UC:**
 - Agroecology pilots in or around protected areas can be framed as biodiversity-positive farming models, testing how management plans can explicitly reward agroecological practices and how indicators can be aligned with NRR and Pollinators Initiative targets.

³⁵⁰ Romania, Emergency Ordinance No. 57/2007 on the regime of protected natural areas, conservation of natural habitats, wild flora and fauna, approved with amendments by Law No. 49/2011, as subsequently amended.

National Strategy for Sustainable Development; Environmental Protection Law; GEO 195/2005 and related amendments

- **Strengths:**
 - Horizontal sustainability framing: The sustainable-development strategy and environmental-protection framework law recognise the need to integrate environmental considerations into sectoral policies, including agriculture, energy and water.
 - Regulatory basis for impact control: Environmental-impact assessment, permitting and general environmental obligations provide a legal backdrop against which agroecology can be promoted as a lower-impact alternative to input-intensive systems.
- **Weaknesses / contradictions:**
 - High-level orientation: These policies are often broad and framework-oriented, with limited direct operationalisation for farm-level practice change; they rely heavily on CAP and sectoral programmes to influence agriculture.
 - Potential overlap and complexity: Multiple laws and amendments can create a complex compliance environment, which small farms may find difficult to navigate.
- **Synergies with the UC:**
 - The UC can demonstrate how agroecology operationalises sustainable-development and environmental-protection objectives in concrete farm and landscape settings, providing evidence for future revisions and implementation guidelines.

National Forest Strategy 2030; Forest Code; Hunting Law; Renewable Energy Law

- **Strengths:**
 - Forest and wildlife governance: Forest and hunting laws provide a framework for managing forest resources and wildlife, relevant for agroforestry, silvopastoral systems and human–wildlife interactions in agroecological landscapes.
 - Energy transition linkages: Renewable-energy legislation creates opportunities to link agroecology with on-farm renewable energy (e.g. agro-PV, biogas from residues) where compatible with biodiversity and soil-health objectives.
- **Weaknesses / contradictions:**
 - Sectoral silos: Forest, hunting and energy laws are often developed separately from agricultural policy, which can lead to conflicts (e.g. game damage to crops, pressure for biomass extraction) that undermine agroecological objectives.
 - Risk of land-use competition: Renewable-energy deployment, if poorly planned, can compete with agroecological land uses or fragment habitats.
- **Synergies with the UC:**
 - Agroecology pilots at forest-agriculture interfaces can test integrated management models (agroforestry, silvopastoralism) that reconcile forest, wildlife and farming objectives, informing implementation of the Forest Strategy and Forest Code.

Sustainable Use of Soil; Water Law; CAP Implementation Plan

- **Strengths:**
 - Recognition of soil and water as critical resources: Soil- and water-related provisions provide a legal basis for controlling erosion, pollution and unsustainable abstraction, aligning with agroecology's emphasis on soil health and hydrological regulation.

- CAP Implementation Plan as a bridge: The national CAP plan translates EU objectives into Romanian measures, including conditionality, eco-schemes and AEEM that can be tailored to agroecology.
- **Weaknesses / contradictions:**
 - Fragmented soil governance: Soil protection is often spread across several policies (pollution, erosion, land-use planning), which may not yet fully reflect the EU “soil health” framing emerging under the SML.
 - Water–agriculture coordination: As in many MS, agricultural measures relevant for WFD objectives are largely programmed via CAP, which can lead to split responsibilities and sub-optimal integration of agroecology into river-basin management.
- **Synergies with the UC:**
 - The UC can pilot soil-health and water-quality indicators for agroecology that are compatible with both national law and EU soil and water frameworks, providing templates for wider roll-out.

Law no. 220/2019 and other amendments in environmental protection

- **Strengths:**
 - Updating environmental acquis: Amendments modernise aspects of environmental protection, potentially strengthening enforcement and alignment with EU law.
 - Opportunity for agroecology mainstreaming: As environmental law is updated, agroecology can be explicitly recognised as a preferred pathway for reducing environmental pressures from agriculture.
- **Weaknesses / contradictions:**
 - Transitional uncertainty: Frequent amendments can create uncertainty for farmers and investors, making long-term agroecological planning more difficult.
- **Synergies with the UC:**
 - The UC can provide evidence-based input into ongoing legal updates, showing how agroecology contributes to compliance with EU environmental obligations.

Romania’s legal framework reflects EU objectives but faces significant implementation constraints. A key issue is the disconnect between policy design and farm structure, as a large share of agricultural land is managed by smallholders with limited access to support schemes. Administrative complexity and limited institutional capacity further constrain implementation. While agroecological practices are widespread, they are not systematically supported through coherent legal or financial frameworks.

CAP ASSESSMENT

CAP is a central framework for the Agroecology UC in Romania, as it shapes both baseline land-management conditions and the availability of public support for biodiversity-positive farming practices. Its importance is particularly high in contexts characterised by fragmented land ownership, mixed farming systems, and limited access to private finance, where CAP often remains the main enabling mechanism for transition.

CAP Channel	Assessment (site-specific)	Key instruments (national context)	CAP	Implication for investment readiness
Baseline conditionality (GAEC)	Baseline conditionality is relevant for agroecology in Romania, particularly through standards linked to permanent grassland protection, soil cover, crop	GAEC 1, GAEC 6, GAEC 7, GAEC 8; conditionality under the		Establishes a minimum ecological baseline and may reduce downside

	rotation, and landscape features. However, recent simplification measures and uneven implementation reduce ecological effectiveness, especially in fragmented farming areas where compliance may be formal rather than outcome oriented.	Romanian CAP Strategic Plan	environmental risk, but does not by itself generate measurable biodiversity uplift or materially improve project bankability
Eco-schemes (Pillar I)	Eco-schemes provide an important entry point for lower-input and biodiversity-friendly agricultural practices, but their effectiveness depends on uptake, administrative accessibility, and the ecological ambition of scheme design. In Romania, eco-schemes can support agroecological transition, yet payment levels and implementation conditions may remain insufficient to drive large-scale structural change.	Romanian eco-schemes linked to environmentally beneficial practices, crop diversification, reduced input use, and grassland-related management	Offers short-term transition support and can complement blended finance, but alone is unlikely to create stable revenue streams or significantly crowd in private investment
AECM (Pillar II)	AECMs are the most relevant CAP channel for agroecology in Romania, especially where they support extensive farming, landscape features, traditional management, and biodiversity-sensitive practices. Their potential is high in high-nature-value farmland areas, but uptake may be constrained by administrative burden, weak advisory support, and limited monitoring of ecological outcomes.	AECMs under Pillar II, Natura 2000 payments, support for traditional and extensive systems, soil and landscape-related commitments	Represents the main public funding stream for biodiversity-positive land management. It supports medium-term viability and de-risks transition, but remains subsidy-dependent and only partially linked to investable performance metrics
CAP Strategic Plan alignment	The Romanian CAP Strategic Plan includes instruments relevant to biodiversity and agroecology, but overall alignment with biodiversity restoration and measurable ecological outcomes remains partial. While CAP provides important support for sustainable land management, implementation capacity and targeting remain key constraints, particularly in regions with fragmented holdings and limited institutional support.	Romania CAP Strategic Plan 2023–2027, including eco-schemes, AECMs, Natura 2000 and rural development measures	Provides some policy stability and public support, but uneven implementation weakens predictability for investors and limits the translation of CAP support into scalable biodiversity finance
Overall CAP effectiveness	CAP is the main enabling public framework for agroecology in Romania, but its effectiveness is constrained by fragmented land tenure, limited institutional capacity, weak MRV systems, and restricted access to private capital. It supports biodiversity-positive farming in principle but does not yet create strong conditions for investment-driven scaling.	—	CAP can sustain transition and provide a baseline financing layer, but the investment environment remains weakly developed and heavily dependent on public support

Financial and Investment Conditions

Agroecological systems are characterised by low capital intensity but also low financial returns, making them difficult to position as investable assets. Revenue models are largely absent beyond CAP payments, and there is limited integration with emerging biodiversity or carbon markets. As a result, private capital participation remains minimal. The main investment opportunity lies in treating agroecology as a baseline asset that can be strengthened through aggregation, advisory support, CAP targeting, and MRV systems capable of demonstrating biodiversity, soil, and resilience benefits. Without these enabling structures, private finance is likely to remain limited despite the ecological value of the practices.

Site-Specific Inconsistencies and Barriers

Type of barrier	Description	Policy source / driver	Investment implication
Land fragmentation	Highly fragmented land ownership structures limit coordinated implementation of agroecological practices at landscape scale.	Structural land tenure	Reduced scalability of investment models
Policy-finance gap	Agroecology is recognised in policy but not fully integrated into financial frameworks.	CAP; Taxonomy gaps	Limited access to private capital

Protected-area bias	Biodiversity policies focus on protected areas, leaving agroecological practices in productive landscapes under-supported.	National biodiversity laws	Missed opportunities for scaling
Cross-sector inconsistency	Agricultural, forest, and energy policies operate in silos, leading to conflicting land-use incentives.	Sectoral policies	Inefficient allocation of resources
Site-level MRV/data barrier	Soil and biodiversity monitoring systems remain uneven and insufficiently integrated into agricultural financing structures.	Soil Monitoring Law; ESRS E4; EU Taxonomy	Limits the creation of standardised biodiversity investment metrics.

Key barriers include fragmented land ownership, limited institutional capacity, and restricted access to private finance. These factors constrain scaling of agroecological investment models.

Replicability considerations:

This UC highlights transferable elements related to low-input farming systems and biodiversity integration. Replicability is influenced by land tenure structures, institutional capacity, and access to CAP funding and private finance.

4.4 UC4: Grasslands (Slovenia)

This UC focuses on species-rich semi-natural grasslands in Slovenia, which represent high biodiversity value ecosystems shaped by extensive land management practices. These systems are strongly influenced by EU and national policy frameworks, in particular the Birds (BD) and Habitats Directive (HD) as the basis for the Natura 2000 network, the CAP, the NRR and national nature conservation legislation.³⁵¹

Slovenian semi-natural grasslands are under significant pressure from intensification, abandonment, scrub encroachment and other forms of habitat degradation. The key challenge is therefore not only to conserve the remaining species-rich grasslands, but also to secure adapted long-term management and, where necessary, active restoration. In this respect, the UC is particularly relevant for pollinators in grassland landscapes such as Goričko and Osrednje Slovenske Gorice.

Selected EU Policies and Relevance

Regulation / instrument	Primary scope & relevance for grasslands in Slovenia	Key levers for comparison, replicability, contextualisation
Birds and Habitats Directive - Natura 2000	Core legal basis for Natura 2000 conservation of species-rich grasslands, protected habitat types and associated species in Slovenia; defines the conservation framework within which grassland management, restoration and protection measures are set.	Provides a common EU conservation baseline, while national implementation varies through management planning, CAP integration, enforcement and uptake; useful for comparing how MS translate protected-site obligations into practical land-management measures.
NRR	Sets binding restoration targets for ecosystems, including grasslands and pollinators; many Slovenian grasslands are priority habitats with unfavourable status. In Slovenia, it is particularly relevant because it adds a restoration-oriented layer to the existing Natura 2000 and CAP framework, where support has so far been stronger for management and maintenance than for active restoration.	Links site-level grassland restoration (e.g. seed banks, in situ restoration, mowing/grazing regimes) to EU restoration targets and indicators, enabling cross-country comparison of grassland restoration pathways. In Slovenia, this is especially useful for contextualising the gap between restoration objectives and the still limited availability of restoration-specific instruments and support on the ground.
CAP	Main financial and governance framework for grassland management; eco-schemes and AECM	Provides programmable contracts to test grassland-oriented payments, compare scheme designs across

³⁵¹ Slovenia, Natura 2000 Management Programme 2023–2028, Ministry of Natural Resources and Spatial Planning.

	can support extensive grazing, late mowing, landscape features and habitat restoration. In Slovenia, it is the main practical delivery framework for grassland management, although support remains stronger for ongoing management and maintenance than for active restoration.	MS and assess cost-effectiveness and additionality for species-rich grasslands. It is particularly useful for comparing how national CAP implementation translates broad biodiversity objectives into concrete schemes, uptake conditions and management incentives; in Slovenia, this now includes a limited but important result-based element for dry grasslands.
SML	Establishes EU-wide soil-health definitions and monitoring; grasslands are key for soil carbon, structure and biodiversity. In Slovenia, it is relevant mainly as a supporting framework for understanding soil condition in grassland systems, rather than as a primary driver of management or financing decisions.	Offers a common soil-health indicator set and thresholds, enabling replicable MRV of grassland soil-health contributions to climate and biodiversity objectives.
WFD	Provides a secondary policy framework where grassland management affects water quality, nutrient retention and hydrological functions, especially in wet meadows and other water-dependent grassland systems.	Useful mainly for contextualising links between grassland management and water-related ecosystem services, such as nutrient load reduction, runoff regulation and groundwater protection.
Pollinators Initiative	EU initiative to halt pollinator decline; species-rich grasslands are core pollinator habitats. In Slovenia, it is especially relevant because species-rich grasslands are important habitats for pollinators, and their condition depends strongly on extensive mowing, grazing and low-input management.	Provides pollinator-related indicators and monitoring frameworks that can be integrated into grassland biodiversity metrics and compared across landscapes. It is useful for comparing how pollinator objectives are integrated into grassland management and restoration; in Slovenia, this helps contextualise the importance of targeted extensive management in species-rich Natura 2000 grasslands.
LULUCF	Sets accounting rules and targets for land-use emissions/removals; permanent grasslands store carbon and avoid emissions from conversion. In Slovenia, its relevance is mainly contextual, helping to frame the interaction between grassland management, land-use change and broader carbon-policy objectives.	Connects grassland management and conversion avoidance to national LULUCF accounts, enabling replicable carbon-accounting methodologies.
EU Taxonomy	Defines TSC for environmentally sustainable activities, including agriculture and forestry.	Allows classification of grassland restoration and extensive grazing investments as “environmentally sustainable” where criteria are met, enabling comparability of green capital flows.
SFDR	Requires financial market participants to disclose sustainability risks and impacts.	Creates demand for robust grassland impact data (e.g. biodiversity, climate, water indicators) and enables comparison of grassland-focused portfolios and funds.
CSRD ESRS	Imposes detailed sustainability reporting obligations; ESRS E1–E4 require data on climate, pollution, water, biodiversity and ecosystems.	Drives standardised grassland-related data collection in agri-food and tourism value chains, enabling replicable reporting on grassland outcomes.
CSDDD	Due-diligence obligations on environmental impacts in value chains.	Positions sustainable grassland management as a risk-mitigation strategy for biodiversity loss and land degradation in livestock and dairy supply chains.
EU-GBS	Voluntary standard for EU green bonds aligned with the Taxonomy.	Provides a harmonised framework to structure grassland restoration and extensive-grazing investments, including via sovereign and sub-sovereign bonds.
ESAP	Centralised EU platform for financial and sustainability information.	Facilitates access to grassland-related disclosures (Taxonomy, SFDR, CSRD, EU GBS), enabling cross-country benchmarking of grassland investments and strategies.

The EU policy framework provides a strong ecological foundation for grassland conservation in Slovenia, particularly through the **Birds and Habitats Directives** and the Natura 2000 framework. **CAP** eco-schemes and AEEM are particularly relevant, as they directly incentivise extensive grazing and habitat maintenance. The **NRR** further strengthens this framework by introducing binding restoration targets, while the **Pollinators Initiative** reinforces the importance of grassland habitat quality for pollinator conservation. However, despite this strong policy coverage, alignment across instruments remains partial. CAP payments continue to function primarily as compensatory mechanisms rather than performance-based incentives, limiting their effectiveness in driving measurable biodiversity outcomes. In addition, while the policy framework is strong on conservation and increasingly strong on restoration ambition, practical delivery still depends heavily on voluntary uptake and on the availability of sufficiently targeted support for active restoration. At the same time, interactions with LULUCF introduce potential trade-offs, where afforestation incentives may conflict with the maintenance of open grassland habitats.

National and Local Legal Framework

Nature Conservation Act; Decree on special areas of protection (Natura 2000); Natura 2000 Management Programme 2023–2028

- **Strengths:**
 - Robust Natura 2000 framework: Slovenia has the highest share of Natura 2000 area in the EU, with many grassland habitat types and species under protection.
 - Management-programme approach: The Natura 2000 Management Programme provides a structured basis for defining conservation objectives and measures for grassland habitats, including extensive mowing and grazing regimes.
- **Weaknesses / contradictions:**
 - Implementation and funding gaps: Despite strong legal framing, restoration of priority grassland habitats has lagged, with documented declines in semi-natural dry grasslands and Molinia meadows due to intensification and abandonment.
 - Limited implementation effectiveness: Although conservation objectives and measures are formally defined through the Natura 2000 framework and Management Programme, practical delivery has remained uneven. In particular, voluntary uptake of relevant agri-environmental measures has often been too low to ensure effective implementation of grassland conservation objectives.
- **Synergies with the UC:**
 - Grassland living labs can be used to co-design management measures and CAP contracts that directly support Natura 2000 objectives and test restoration approaches (e.g. seed banks, in situ restoration) under real farm conditions.

Nature Conservation Act; Decree on Goričko Landscape Park; Decree on the Management Plan of Goričko Landscape Park for 2021–2025

- **Strengths:**
 - Protected-area governance layer: These instruments add a protected-area framework to the Natura 2000 system, with a designated park management authority, specific protection regimes and park-level planning.
 - Local management relevance: This is especially relevant for the Slovenian UC because Goričko is not only a Natura 2000 site but also a protected area, which strengthens local coordination and implementation capacity.

- **Weaknesses / contradictions:**
 - Layered governance: Protected areas and Natura 2000 only partially overlap, so management responsibilities and delivery mechanisms remain complex and not fully unified across sites.
 - Uneven territorial relevance: While Goričko benefits from a park management structure, other grassland areas rely more heavily on Natura 2000 planning and CAP instruments without the same protected-area governance layer.
- **Synergies with the UC:**
 - The UC can benefit from park-level coordination in Goričko by linking protected-area management, Natura 2000 objectives and CAP-supported grassland measures.
 - This is particularly useful for demonstrating how local management structures can support long-term extensive management, restoration planning and stakeholder engagement in species-rich grasslands.

Environmental Protection Act; Resolution on the National Environmental Action Programme 2020–2030

- **Strengths:**
 - Horizontal environmental framework: These instruments set overarching environmental objectives (air, water, soil, biodiversity) and provide a basis for integrating grassland conservation into broader environmental policy.
 - Strategic planning horizon: The Environmental Action Programme offers a medium-term framework to align sectoral policies with environmental goals.
- **Weaknesses / contradictions:**
 - High-level orientation: Objectives are often broad, with limited direct operationalisation for grassland management; they rely on sectoral instruments (CAP, Natura 2000, forestry) for implementation.
- **Synergies with the UC:**
 - Grassland living labs can serve as flagship examples of how environmental objectives are translated into concrete land-management practices and monitoring systems.

Programme of the use of funds of the National Climate Fund 2023–2026; Slovenian Sovereign Sustainability Bond Framework

- **Strengths:**
 - Dedicated climate-finance instruments: The Climate Fund and sovereign sustainability bonds provide vehicles to finance climate-relevant measures, potentially including grassland restoration and extensive grazing.
 - Alignment with EU sustainable-finance agenda: These instruments can be aligned with EU Taxonomy and EU GBS, positioning grassland projects within a recognised green-finance framework.
- **Weaknesses / contradictions:**
 - Limited explicit focus on grasslands: Grassland restoration and extensive grazing may not yet be clearly prioritised within climate-fund and bond-framework allocations, despite their mitigation and adaptation potential.

- **Synergies with the UC:**
 - The UC can develop investment-ready grassland project pipelines that demonstrate how Climate Fund resources and sovereign bonds can support NRR-aligned grassland restoration.

Slovenian 2023–2027 CAP Strategic Plan

- **Strengths:**
 - Central instrument for grassland management: CAP measures (conditionality, eco-schemes, AECM, Natura 2000 payments) are the main levers for influencing grassland practices and farmer income.
 - Potential for targeted HNV support: The plan can target HNV grasslands and Natura 2000 sites with tailored measures and spatial targeting, including some limited movement toward result-based support in dry grasslands.
- **Weaknesses / contradictions:**
 - Gaps in restoration-specific measures: Recent analysis highlights that there are currently no agri-environmental or other measures specifically supporting the production of native grassland seeds or large-scale grassland restoration, with such measures only planned after 2027.
 - Weak delivery of conservation objectives: Earlier implementation experience showed that reliance on voluntary AECM-based delivery was often insufficient to achieve the target areas and conservation outcomes set for Natura 2000 grassland habitats and species.
 - Predominantly management-based support: CAP support remains stronger for ongoing management and maintenance than for active restoration.
- **Synergies with the UC:**
 - The UC can provide evidence and design input for post-2027 CAP measures on grassland restoration and seed production, ensuring alignment with NRR and Natura 2000 needs.

The national legal framework provides a solid basis for biodiversity protection, particularly through the Nature Conservation Act and associated habitat protection measures. However, several structural challenges emerge at the implementation level. A key constraint is the mismatch between regulatory design and land ownership structures. Grasslands in Slovenia are often managed by part-time or non-professional landowners, while regulatory and contractual mechanisms are primarily designed for professional agricultural actors. This creates barriers to participation and limits the uptake of conservation measures. In addition, policy interactions generate inconsistencies, particularly between biodiversity and climate objectives. While conservation frameworks require active management (e.g. mowing or grazing), carbon-oriented policies under LULUCF may incentivise land-use change towards forest cover. This creates uncertainty for land managers and reduces the clarity of long-term investment signals.

At the same time, the Slovenian case shows that a strong legal and planning framework does not automatically guarantee effective delivery, as reflected in the Commission's concerns regarding deterioration of grassland habitats and insufficient implementation of conservation measures in Natura 2000 areas. This underlines that the key challenge is not the absence of regulation, but the consistent translation of conservation objectives into effective, targeted and enforceable management and restoration measures.

CAP ASSESSMENT

CAP is the primary policy framework shaping grassland management in Slovenia, where biodiversity-rich semi-natural systems are highly dependent on public support. In practice, it remains the main instrument for supporting extensive management, while only a limited part of the system has moved toward more result-based biodiversity support. In addition, delivery depends heavily on voluntary uptake and the attractiveness of available measures, which helps explain why strong ecological objectives do not always translate into effective implementation or investment-ready outcomes. The following assessment evaluates how CAP instruments influence biodiversity outcomes and investment conditions.

CAP Channel	Assessment (site-specific)	Key CAP instruments (national context)	Implication for investment readiness
Baseline conditionality (GAEC)	GAEC standards provide a basic level of protection for grasslands (e.g. maintenance of permanent grassland, soil cover), but recent simplifications and flexibility in implementation reduce their effectiveness for biodiversity outcomes and their contribution remains limited mainly to establishing a minimum baseline. Enforcement remains variable, and ecological ambition is limited.	GAEC 1 (permanent grassland), GAEC 2 (Protection of wetland and peatland) GAEC 8 (non-productive areas – reduced requirements), GAEC 9 (Ban on converting or ploughing permanent grassland designated as environmentally sensitive permanent grasslands in Natura 2000 sites)	Establishes a minimum ecological baseline but does not generate additional biodiversity value. Limited impact on investment attractiveness; mainly reduces regulatory risk rather than enabling new revenue streams
Eco-schemes (Pillar I)	Slovenian eco-schemes (SOPO) provide voluntary annual support for broader biodiversity- and climate-friendly grassland practices, especially through the Extensive grassland and Traditional use of grassland schemes. Their role is useful but limited for the Slovenian UC: they support extensification and low-input management, but they are not targeted measures. Because they are annual, voluntary and only partly targeted to the ecological requirements of species-rich grasslands, their contribution to measurable biodiversity outcomes remains more limited than that of targeted agri-environment schemes.	SOPO eco-schemes under direct payments, especially INP 8.01 EKST, INP 8.02 TRT, and in a more indirect way INP 8.03 NIZI for certain grassland parcels.	Provides short-term compensatory support for environmentally friendlier grassland management but does not create stable long-term incentives or strong performance-based biodiversity finance. Its main value is as a complementary public-support layer rather than a basis for bankable restoration or biodiversity-investment models.
AECM (Pillar II)	AECMs represent the main CAP mechanism supporting biodiversity-rich grasslands in Slovenia, including Natura 2000-related management and habitat-specific schemes. They are the most important public funding channel for extensive mowing and grazing	AECMs for grassland conservation, Natura 2000 compensation payments, habitat-specific schemes, and limited result-based	Core public funding stream enabling maintenance of biodiversity outcomes. Supports project viability but remains dependent on subsidies; limited leverage of private investment due to weak

	regimes, but their effectiveness is limited by voluntary uptake, administrative complexity and uneven achievement of target areas. Support remains stronger for ongoing management and maintenance than for active restoration, although a limited result-based element has begun to emerge for dry grasslands.	support for dry grasslands	monetisation of ecosystem services
CAP Strategic Plan alignment	The Slovenian CAP Strategic Plan recognises the importance of grasslands for biodiversity and includes targeted measures for Natura 2000 and high-nature-value areas. However, overall budget allocation and policy prioritisation remain modest relative to ecological importance. Integration with broader biodiversity and restoration objectives (e.g. NRR) is still developing.	Slovenia CAP Strategic Plan (2023–2027), including eco-schemes and AEEM allocations	Provides a degree of policy stability, but limited ambition constrains long-term investment confidence. Weak alignment with emerging biodiversity finance frameworks reduces scalability
Overall CAP effectiveness	CAP plays a critical role in maintaining existing biodiversity-rich grasslands but is insufficient to drive transformative change or attract significant private investment. The system remains subsidy-dependent, management-oriented and voluntary in delivery, with only limited movement toward more result-based biodiversity support, with limited integration of market-based mechanisms and weak alignment with investment-oriented frameworks.	—	CAP enables baseline conservation but does not create strong conditions for scalable, investment-driven biodiversity outcomes. Its main value remains as a public-financing baseline rather than a platform for bankable biodiversity projects.

Financial and Investment Conditions

From a financial perspective, grassland management in Slovenia remains largely dependent on public funding through CAP payments, but also through Natura 2000-related support and project-based public financing, including LIFE and Cohesion-type funding. The Mechanisms function primarily as compensatory mechanisms rather than investment-driven incentives. There is currently limited development of revenue models capable of translating biodiversity outcomes into financial returns and financing remains fragmented and largely project based. As a result, private capital participation remains low, and biodiversity outcomes are not systematically linked to financial performance and long-term ecological needs are not easily matched with stable investment structures.

Site-Specific Inconsistencies and Barriers

Type of barrier	Description	Policy source / driver	Investment implication
Market absence	Lack of established biodiversity markets limits monetisation of ecosystem services from grasslands.	Market development gap	Dependence on public funding
Policy dependency	Grassland conservation relies heavily on CAP payments, with limited private investment pathways.	CAP	Low diversification of financing sources
Monetisation challenges	Ecosystem services (pollination, habitat quality) are not adequately priced in markets.	Market failure	Underinvestment in high-value ecosystems
Policy coherence gaps	CAP measures do not always align with biodiversity objectives for semi-natural grasslands.	CAP design	Inefficient outcomes
Site-level MRV/data barrier	Species-rich grassland monitoring requires high-frequency ecological assessments and specialised biodiversity expertise.	Pollinator Monitoring Scheme; ESRS E4	Increases monitoring complexity and verification costs.

The main barriers relate to unclear monetisation pathways, absence of standardised biodiversity markets, and dependence on public subsidies. These limit private investment despite strong ecological value.

Replicability considerations:

This UC highlights transferable elements related to biodiversity-rich landscapes and CAP-supported systems, particularly where conservation objectives are linked to site-level planning and targeted grassland management. Replicability is influenced by availability of biodiversity metrics, funding structures, and market development, but also by advisory capacity, uptake conditions and the stability of public support.

4.5 UC5: Rivers & Wetlands (UK)

This UC examines river and wetland restoration in the UK, focusing on ecosystem recovery, water quality, and biodiversity enhancement. While outside the EU regulatory framework, it provides a relevant comparison for EU-aligned investment approaches.

Selected EU Policies and Relevance

Policies	Relevance for UK rivers and wetlands (EU frameworks used as comparative benchmarks (non-EU regulatory context))	Key levers for comparison, replicability, contextualisation (EU frameworks used as comparative benchmarks (non-EU regulatory context))
NRR	Provides EU-wide restoration targets for rivers, floodplains and wetlands; UK projects can be benchmarked against NRR targets and indicators to demonstrate ambition and comparability.	UK alignment is voluntary and indirect, though it enables comparison of UK restoration trajectories with EU MS and supports design of UK targets that are functionally equivalent targets or NRR-aligned indicators for investors.
CAP	No longer applies; replaced by Agriculture Act 2020 as the central mechanism and	CAP serves as a reference for comparison with Agriculture Act 2020 while ELMs which allow for stacked finance in theory but increases complexity

	Environmental Land Management (ELM) schemes.	for the land manager is based on outcomes and actions and thus the management of agri payments is now differently managed in England, Scotland, Wales and Northern Ireland.
SML	Provides an EU soil-health emerging framework; UK soils in riparian zones and wetlands can be monitored using similar indicators to facilitate comparison.	Supports alignment of UK soil-health metrics (e.g. peat condition, organic carbon) that are broadly comparable though not harmonized with emerging EU standards enabling cross-border reporting and investment comparison.
WFD	Formerly binding; its objectives and methods are largely retained in UK water legislation and practice.	Provides a common language (ecological status, hydromorphology, biological quality elements) for comparing UK river status and restoration outcomes with EU baselines.
Pollinators Initiative	EU initiative; UK has its own pollinator strategies, but similar indicators can be used in riparian and wetland habitats.	Allows alignment of pollinator-related monitoring in UK river corridors with EU approaches, aiding comparability.
LULUCF	EU accounting rules; UK has its own land-use and peatland accounting under the Climate Change Act.	LULUCF provides a reference framework for structuring UK wetland and peatland carbon accounting in ways that is broadly comparable with EU approaches and recognisable to investors.
EU Taxonomy	Not directly applicable in UK but widely used by EU investors.	UK river and wetland projects can be designed to meet relevant Taxonomy criteria (e.g. climate adaptation, biodiversity) to attract EU capital.
SFDR	Applies to EU financial market participants investing in UK assets.	Drives demand for robust UK river and wetland impact data (e.g. Principal Adverse Impact indicators) to support SFDR disclosures.
CSRD / ESRS	Applies to large EU companies, including those with UK operations or supply chains.	Emphasises the need for UK-based organisations to generate water, pollution and biodiversity data that align with ESRS requirements, particularly where linked to EU reporting obligations.
CSDDD	Due-diligence obligations for EU companies with UK value-chain exposure.	Positions UK river and wetland restoration as a risk-mitigation strategy for EU companies' environmental due-diligence obligations.
EU GBS	Voluntary standard; EU issuers may finance UK river and wetland projects if Taxonomy-aligned.	Provides a template for structuring UK restoration projects so they can be financed via EU GBS-compliant bonds.
ESAP	Centralised EU platform for financial and sustainability information.	UK issuers listing in the EU can use ESAP to disclose Taxonomy/SFDR-relevant information on river and wetland projects, enhancing transparency.

In the UK context, EU frameworks such as the WFD and NRR serve as benchmarks for investors, while national legislation, including the Environment Act and Biodiversity Net Gain, defines implementation conditions.

Brexit, alignment and EU investor participation

As the United Kingdom lies outside the EU legal framework, the analysis treats EU instruments primarily as comparative benchmarks and investor reference points rather than directly applicable legal obligations. Brexit ended the direct applicability of EU environmental and financial regulations in the UK, but much of the substantive environmental acquis was retained through domestic legislation, notably the Conservation of Habitats and Species Regulations 2017 (as amended), which transpose the Habitats and Birds Directives, and water legislation that continues

to use WFD style ecological status assessments. The Environment Act 2021 introduced new domestic tools; legally binding environmental targets, BNG, LNRS and³⁵² an Office for Environmental Protection; while the Agriculture Act 2020 replaced CAP with ELM schemes based on public money for public goods.

There is no formal equivalence regime between EU sustainable finance rules (Taxonomy, SFDR, CSRD, CSDDD, EU GBS) and UK frameworks, but the UK Green Finance Strategy (2019, updated 2023) explicitly seeks interoperability with international standards and envisages a UK Green Taxonomy and Sustainability Disclosure Requirements. For EU investors, practical alignment can be achieved by:

- Designing UK river and wetland projects to meet EU Taxonomy TSC (e.g. for climate adaptation, biodiversity and water protection).
- Generating SFDR relevant indicators (e.g. water body status, pollution loads, biodiversity metrics) and making them available through project documentation and, where relevant, ESAP.
- Structuring financing via instruments that can be labelled or reported as Taxonomy aligned or EU GBS compliant, even if issued under UK law.
- In this way, UK river and wetland projects can remain investable for EU capital while operating under a distinct domestic regulatory framework.

National and Local Legal Framework

Habitats Regulations 2017; Conservation of Habitats and Species Regulations 2017 (as amended); Wildlife and Countryside Act 1981; NERC Act 2006

- **Strengths:**
 - Continuity of EU-derived protection: The Habitats Regulations maintain a Natura 2000-style regime for Special Areas of Conservation and Special Protection Areas, many of which are riverine and wetland sites.
 - Duties on public bodies: The NERC Act imposes a biodiversity duty, and the Wildlife and Countryside Act provides SSSI protection, supporting river and wetland conservation.
- **Weaknesses / contradictions:**
 - Post-Brexit uncertainty: Concerns have been raised about potential weakening through future reforms and about enforcement capacity.
 - Limited restoration focus: The framework is strong on protection but less explicit on large-scale restoration of degraded rivers and wetlands.
- **Synergies with the UC:**
 - The UC can demonstrate restoration-oriented implementation of Habitats Regulations and SSSI tools, especially in chalk streams and designated wetlands.

³⁵² UK Department for Environment, Food & Rural Affairs (DEFRA), Environmental Land Management (ELM) Schemes.

Environment Act 2021³⁵³; Defra's 25-Year Environment Plan; Local Nature Recovery Strategies; Nature Recovery Network; Biodiversity Net Gain; NPPF

- **Strengths:**
 - Legally binding targets and new tools: The Environment Act introduces targets for biodiversity, water, air and waste, creates LNRS and BNG³⁵⁴, and underpins the Nature Recovery Network
 - Spatial planning integration: LNRS and the NRN provide a spatial framework for prioritising river and wetland restoration, while the NPPF integrates environmental considerations into planning decisions.
- **Weaknesses / contradictions:**
 - Implementation capacity and quality: Evidence from practitioner's highlights concerns that BNG could become a compliance exercise rather than delivering genuine river and wetland restoration if poorly designed or monitored.
 - Potential offsetting risks: BNG and offsetting schemes may allow damage in one location to be compensated elsewhere, which can be problematic for hydrologically and ecologically specific river and wetland systems.
- **Synergies with the UC:**
 - River and wetland living labs can be used to test high-integrity BNG and LNRS approaches, ensuring that gains are local, additional and aligned with catchment-scale objectives.

Climate Change Act 2008; Green Finance Strategy (2019, 2023); Natural Capital Committee (NCC) framework; UK Biodiversity Framework

- **Strengths:**
 - Long-term climate and natural-capital framing: The Climate Change Act sets legally binding carbon budgets; the Green Finance Strategy and NCC work promote natural capital and nature-based solutions, including wetlands and floodplains, as part of climate and resilience policy.
 - Policy focus on mobilising private capital: The updated Green Finance Strategy emphasises nature markets and blended finance for nature recovery.
- **Weaknesses / contradictions:**
 - Limited explicit prioritisation of rivers and wetlands: While recognised, rivers and wetlands compete with other sectors for climate and green-finance attention.
 - Methodological gaps: Natural-capital accounting and valuation for river and wetland services are still evolving, which can hinder investment ready project development.
- **Synergies with the UC:**
 - The UC can generate natural-capital evidence and investment cases for river and wetland restoration, feeding into Green Finance Strategy implementation.

Agriculture Act 2020; offsetting and biodiversity banking schemes

- **Strengths:**
 - Public money for public goods: The Agriculture Act enables ELM schemes that can pay farmers and land managers for water-quality improvements, flood mitigation and habitat creation in river corridors and wetlands.

³⁵³ United Kingdom, Environment Act 2021.

³⁵⁴ UK Department for Environment, Food & Rural Affairs (DEFRA), Biodiversity Net Gain Regulations and Guidance, 2024.

- Potential integration with BNG and nature markets: Offsetting and biodiversity banking can, in principle, channel private finance into river and wetland restoration.
- **Weaknesses / contradictions:**
 - Transition uncertainty: The shift from CAP to ELMs has been marked by uncertainty over scheme design, payment levels and long-term commitments, which can deter ambitious river and wetland projects.
 - Risk of low-integrity offsets: Poorly regulated offsetting schemes may deliver limited ecological benefit or fail to address hydrological connectivity.
- **Synergies with the UC:**
 - The UC can pilot ELM-funded river and wetland interventions that are co-designed with BNG and nature-market mechanisms to ensure integrity and long-term management.

The UK has well-developed environmental regulation, particularly for water systems. However, integration with financial frameworks remains limited, and biodiversity markets are still emerging.

CAP ASSESSMENT

CAP is not a current core policy framework for the Rivers & Wetlands UC in the UK, but it remains relevant in a comparative and historical sense because it shaped land management incentives prior to post-Brexit reform and continues to provide a reference point for EU-based investors assessing restoration approaches across jurisdictions. In the current UK context, biodiversity and restoration incentives are more directly shaped by domestic frameworks such as Environmental Land Management schemes (including Landscape Recovery and Sustainable Farming Incentives), the Environment Act, and Biodiversity Net Gain.

CAP Channel	Assessment (site-specific)	Key instruments (national context)	Implication for investment readiness
Baseline conditionality (GAEC)	Baseline conditionality is no longer directly applicable in the UK under the current domestic policy framework. Its relevance is therefore mainly analytical, as a benchmark for comparison with EU UCs and for understanding the shift from CAP-style compliance obligations to UK-specific land management standards.	Historical CAP cross-compliance / GAEC benchmark; current UK baseline standards where relevant	No direct contribution to current investment readiness, but useful as a comparability reference for EU-aligned analysis
Eco-schemes (Pillar I)	Pillar I eco-schemes do not apply in the current UK framework. Their analytical relevance lies in comparison with domestic schemes that support nature restoration and land management, rather than in direct implementation.	Not applicable in current UK system; comparison with domestic environmental land management approaches	No direct role in current investment conditions; comparison helps illustrate differences in public support design across jurisdictions
AECM (Pillar II)	CAP-style agri-environment logic remains relevant conceptually, but in practice support for river and wetland restoration now depends on UK-specific instruments. From an EU comparability perspective, differences in scheme design and metrics may reduce interoperability with EU investment frameworks.	Historical rural development logic; current UK schemes for habitat and catchment restoration	Limited direct relevance under the current framework. Public support exists, but regulatory divergence reduces comparability and may increase transaction costs for EU-oriented investors
CAP Strategic Plan alignment	There is no current CAP Strategic Plan applicable to the UK UC. Instead, the relevant question is how far domestic land management schemes align with the ecological and investment logic of EU restoration	Not applicable; domestic policy substitutes include UK environmental	Weakens direct comparability with EU cases and reduces the extent to which public support can be assessed through a

	and biodiversity frameworks. This creates a structural divergence in policy architecture compared with EU-based UCs.	land management and restoration frameworks	common methodology CAP-based
Overall CAP effectiveness	CAP has no meaningful direct role in enabling biodiversity investment in the current UK Rivers & Wetlands UC. Its relevance is limited to historical context and comparison with EU policy structures. Current investment conditions are instead shaped by UK-specific regulatory and market mechanisms, including Biodiversity Net Gain and domestic restoration schemes.	—	No direct current contribution to investment readiness. The main implication is reduced comparability with EU UCs and a greater need to assess domestic policy substitutes

Financial and Investment Conditions

Rivers and wetlands show strong potential for nature-based investment because benefits such as flood mitigation, water quality improvement, habitat restoration, and biodiversity uplift can be linked to identifiable beneficiaries. However, high upfront costs, long delivery timelines, and fragmented revenue models still limit bankability. The UK context offers more developed market experimentation through Biodiversity Net Gain and catchment-based approaches, but regulatory divergence from EU frameworks and metric misalignment reduce comparability for EU-oriented investors. Investment readiness therefore depends on the ability to structure catchment-scale projects with credible MRV, clear payment counterparties, and alignment between UK nature markets and EU sustainable finance expectations.

Site-Specific Inconsistencies and Barriers

The table below identifies regulatory and market barriers affecting river and wetland investments, with a structure consistent across all UCs.

Type of barrier	Description	Policy source driver /	Investment implication
Regulatory divergence	Differences between UK and EU frameworks create inconsistencies in standards and investor expectations.	Post-Brexit regulatory landscape	Reduced cross-border investment comparability
Metric misalignment	Biodiversity metrics (e.g. BNG vs EU frameworks) differ, limiting interoperability.	UK vs EU systems	Increased transaction costs
Market fragmentation	Emerging markets (e.g. BNG) are not fully standardised or aligned with EU approaches.	UK policy	Reduced scalability
Policy uncertainty	Evolving UK regulatory framework creates uncertainty for long-term investments.	National legislation	Increased risk perception
Site-level MRV/data barrier	Aquatic ecosystem monitoring remains technically complex, with inconsistent biodiversity and hydromorphological datasets.	WFD legacy framework; national restoration programmes	Reduces certainty regarding measurable ecological outcomes.

Key barriers include regulatory divergence between the UK and EU³⁵⁵, inconsistencies in biodiversity metrics, and fragmented market structures. These factors affect investor confidence and cross-border comparability.

³⁵⁵ *General Note on Regulatory Sources: The analysis in this chapter is based on a cross-referencing of the EU Nature Restoration Regulation (EU 2024/1991) against the national legal frameworks of the five selected Member States (e.g., Italy's National Forestry Strategy, Austria's Forstgesetz 1975, UK's Environment Act 2021). Synthesis of policy*

Replicability considerations:

This UC provides insights into alternative regulatory models and market-based approaches. Replicability is influenced by regulatory alignment, metric standardisation, and development of biodiversity markets.

The use-case analysis shows that legal eligibility and investment readiness should be distinguished. A measure may be aligned with EU biodiversity objectives, CAP priorities or Taxonomy logic, while still lacking the revenue certainty, MRV infrastructure, aggregation model and risk allocation required for private investment. This distinction is central to the comparative assessment and explains why policy relevance does not automatically translate into bankability.

5. Cross Use Case Analysis

The cross-use-case analysis identifies recurring inconsistencies and shortcomings across regulatory frameworks, particularly in the alignment between ecological policy objectives, monitoring systems, and financial mechanisms.

Across the five UCs, the regulatory framework shows a recurring distinction between policy eligibility and investment readiness. EU and national policies increasingly define biodiversity objectives, restoration duties, and disclosure expectations, but these do not automatically generate investment projects. This pattern is consistent across all UCs, indicating that these constraints are systemic rather than ecosystem specific. The main barriers are the absence of standardised biodiversity metrics, weak or fragmented revenue models, limited aggregation mechanisms, and uneven implementation across national and regional contexts. This creates a gap between activities that are policy-relevant or environmentally desirable and activities that are sufficiently measurable, predictable, and scalable to attract private capital.

Across sites, barriers differ in form but converge around four investment constraints: insufficient standardisation of biodiversity metrics, dependence on public subsidies, fragmented governance or permitting, and limited mechanisms for monetising ecosystem-service benefits. These constraints affect replicability because investors cannot easily compare projects across jurisdictions or ecosystems.

5.1 Policy coherence and regulatory alignment

A recurring issue across all UCs is the partial alignment between biodiversity objectives and other policy domains, particularly climate, agriculture, and energy.

- In Alpine forests, carbon-oriented frameworks (e.g. LULUCF) may incentivise biomass production or carbon sequestration strategies that do not necessarily optimise biodiversity outcomes.
- In France and Romania, CAP instruments support biodiversity-positive practices but remain insufficiently aligned with sustainable finance frameworks, resulting in weak integration between agricultural policy and private investment mechanisms.
- In grassland systems (Slovenia), CAP measures maintain biodiversity-rich landscapes but are not designed to generate market-based biodiversity value.

Across all UCs, this misalignment is consistently observed, particularly between binding ecological frameworks (e.g. NRR) and sectoral instruments such as the CAP, where implementation logic and incentives are not fully aligned with restoration objectives. This reflects a broader structural inconsistency, biodiversity policy is often treated as a conservation objective, while financial frameworks are primarily designed around climate mitigation or risk disclosure. As a result, synergies exist at the strategic level but are not fully operationalised at the level of

contradictions and synergies is informed by the cumulative research of the IEEP (2024) on CAP/NRR interactions, the Ecologic Institute's comparative policy briefs, and the European Environment Agency's reporting frameworks. For financial disclosure alignment (CSRD/SFDR/Taxonomy), findings are grounded in the EBRD's Approach to Nature (2023) and the EU Commission's Impact Assessments for the Green Deal.

investment decision-making. The comparative assessment indicates that this lack of coherence is not context-specific but systemic, affecting all ecosystem types, although it is more pronounced in agricultural and grassland systems where multiple policy layers interact simultaneously. Overall, the cross-UC comparison confirms that policy coherence remains a structural constraint, limiting the translation of regulatory ambition into consistent and predictable investment conditions.

5.2 Implementation and governance fragmentation

Differences in national and regional implementation significantly affect how EU policies translate into investment conditions.

- In the Alpine UC, decentralised forest governance in Italy and Austria creates a fragmented regulatory landscape, with varying permitting procedures and management priorities.
- In Romania, limited institutional capacity and fragmented land ownership reduce the effectiveness of CAP instruments and constrain large-scale implementation of agroecological practices.
- In the UK UC, regulatory divergence from EU frameworks introduces additional complexity for investors operating across jurisdictions.

This fragmentation is consistently reflected across all UCs, where differences in national implementation, administrative capacity, and policy prioritisation lead to uneven delivery of biodiversity objectives. The comparative analysis shows that governance variability directly affects investment conditions, as inconsistent implementation reduces predictability and increases transaction costs for project developers and investors. These variations highlight that the effectiveness of EU-level policy is highly dependent on governance structures and administrative capacity, which can either enable or constrain investment opportunities. This directly affects investor confidence, as regulatory inconsistency increases perceived risk and reduces the predictability of returns. Overall, governance fragmentation emerges as a key cross-cutting constraint, limiting both scalability and replicability of biodiversity investment models across the EU.

5.3 Data, monitoring, and MRV limitations

Across all UCs, insufficient development of MRV systems represents a major barrier to investment. Biodiversity outcomes are often difficult to measure and standardise, particularly in complex ecosystems such as forests and grasslands. Across all UCs, MRV systems remain uneven in maturity, with particularly significant gaps in agricultural and grassland ecosystems, where indicator standardisation and data availability are more limited. Existing frameworks (e.g. ESRS/CSRD, EU Taxonomy) require disclosure of biodiversity-related impacts, but operational indicators and data infrastructure remain incomplete. This lack of standardisation reduces comparability across projects and limits the ability to align ecological outcomes with ESRS and EU Taxonomy requirements, as also reflected in the comparative assessment. In several cases (e.g. Romania, Alpine forests), lack of harmonised datasets and baseline information limits the ability to verify ecological outcomes. This creates a critical gap between policy ambition and financial application; without reliable and comparable data, biodiversity cannot be easily integrated into risk assessment, valuation, or performance-based financing models. Overall, the cross-UC analysis confirms that MRV limitations represent a central bottleneck, constraining the measurability, verification, and ultimately the investability of biodiversity outcomes.

5.4 Financial and market constraints

A central cross-cutting barrier is the limited development of markets and financial mechanisms capable of translating biodiversity outcomes into revenue streams. In Slovenian grasslands and Romanian agroecology, biodiversity-positive practices are largely dependent on CAP subsidies,

with limited access to private finance. In France, regenerative agriculture can be partially supported by carbon markets, but biodiversity co-benefits remain under-monetised. In Alpine forests, long investment horizons and lack of clear revenue mechanisms for ecosystem services constrain project bankability. While emerging instruments such as nature credits and CRCF are being explored and will be addressed in later stages of the project, they remain at an early stage and are not yet integrated into regulatory or financial systems in a way that would support large-scale investment. The comparative assessment shows that these constraints are not ecosystem-specific but systemic, affecting forests, agriculture, wetlands, and grasslands alike, despite differences in policy context and market maturity. Overall, financial and market constraints emerge as the most critical barrier to scaling biodiversity investment, confirming that the current framework does not yet support the systematic mobilisation of private capital. More broadly, the increasing reliance on market-based mechanisms for biodiversity financing raises structural tensions, particularly where ecological values are non-fungible and not fully compatible with standard financial valuation approaches. This highlights the need to balance financial innovation with precautionary ecological principles. Across all UCs, none currently demonstrate fully investment-ready conditions, confirming the structural gap between policy-defined objectives and bankable project pipelines.

5.5 Temporal and risk mismatches

Another systemic inconsistency lies in the mismatch between ecological processes, policy cycles, and financial expectations.

- Biodiversity restoration often requires long-term commitments (10–30 years), while CAP funding cycles and many financial instruments operate on shorter time horizons.
- Investors face uncertainty regarding regulatory stability, evolving standards, and future policy direction.
- Legal and liability risks (e.g. environmental damage, compliance obligations) further affect risk perception, particularly in forest and restoration projects.

This temporal mismatch is consistently observed across all UCs, where ecological processes unfold over long time horizons that do not align with typical financial return expectations, and thus reduces the attractiveness of biodiversity investments and limits the scalability of financing models. The comparative analysis indicates that this misalignment increases perceived risk and reduces investor willingness to engage, particularly in the absence of long-term revenue visibility or risk-sharing mechanisms.

5.6 Replicability

Replicability across UCs is assessed considering the structural constraints identified above and influenced by the extent to which use-case models can be transferred across MS.

The Romanian agroecology UC is highly relevant and broadly replicable at EU level, especially for MS with significant high nature value farmland, mixed smallholder systems and rapid structural change. What appears most exportable is the combination of CAP based instruments, biodiversity and protected area frameworks, and environmental law as a governance backbone, coupled with explicit alignment with NRR, SML, WFD and sustainable finance rules. More context specific are land tenure patterns, the relative weight of smallholders vs. large farms and the administrative capacity of regional authorities; these will require adaptation, but the core logic; using agroecology as an operational bridge between EU targets and national implementation; is fully transferable across the EU.

The Slovenian grasslands UC is highly relevant with strong replication potential for MS with significant HNV grasslands and large Natura 2000 coverage. What is most exportable is the combination of a dense Natura 2000 network, detailed management planning and CAP based

incentives, complemented by emerging climate finance instruments and sovereign sustainability bonds. The main context specific elements are Slovenia's very high Natura 2000 share and particular grassland types (e.g. karst poljes), but the core logic; using grassland living labs to align NRR, CAP, Natura 2000 and sustainable finance; is fully transferable across the EU.

The Alpine Forest UC in Italy and Austria is highly relevant and replicable under similar conditions for mountain regions across the EU where forests provide critical protection, carbon and biodiversity services. What is most exportable is the combination of strong national forest laws and hazard zone planning with EU level restoration, climate and finance frameworks, operationalised through close to nature, multi objective management in real forest enterprises. The main context specific elements are the intensity of protection forest functions and the disturbance regimes of the Alps, but the core logic; using forest to align NRR, LULUCF, CAP and sustainable finance while safeguarding protection functions; is fully transferable to other mountainous and risk exposed regions in Europe.

The regenerative agriculture UC in France is highly relevant and broadly replicable across the EU, particularly in MS where agricultural landscapes face simultaneous pressures on soil health, water quality, biodiversity and climate resilience. What is most exportable is the combination of France's strong environmental and biodiversity legislation, its mature spatial-planning instruments (including ecological corridors), and the CAP-anchored incentive architecture, all of which can be directly aligned with EU-level restoration, soil, water and sustainable-finance frameworks. In France, regenerative agriculture is operationalised through multi-objective, landscape-scale management that links soil restoration, pollinator recovery, water regulation and carbon sequestration with CAP eco-schemes, AECM contracts and Natura 2000 objectives. The main context-specific elements relate to France's dense regulatory landscape, its long-standing biodiversity institutions, and the agronomic conditions of French arable, mixed and permanent-crop systems. Yet the core logic using regenerative agriculture as a bridge between NRR, SML, WFD, LULUCF, CAP and EU sustainable-finance frameworks while ensuring measurable biodiversity and soil-health gains is fully transferable to other European agricultural regions seeking to scale nature-positive farming and attract private investment into long-term soil and ecosystem restoration.

The UK rivers and wetlands UC is highly relevant for EU comparison and learning, precisely because it operates under a post Brexit framework that retains much of the EU environmental acquis while experimenting with new tools (BNG, LNRS, nature markets, ELMs). It demonstrates how equivalence in practice can be achieved through compatible indicators, MRV systems and project structures, even without formal regulatory alignment. For EU investors, the key replicable elements are:

- Project level alignment with EU Taxonomy and SFDR, regardless of domestic law.
- Catchment scale governance models that integrate planning, agriculture, water and finance.
- High integrity nature market designs that avoid the pitfalls of low-quality offsets and deliver measurable improvements in river and wetland condition.

We have summarized the replicability and the contextual understanding in the attached table which highlights that despite differences in context, all UCs demonstrate that replicability depends less on ecological conditions and more on governance structures, MRV capacity, and access to scalable financial mechanisms.

UC	Replicability / Scaling Potential	Context-Specific Elements	Contextual Understanding
Agroecology (Romania)	High. Replicable across MS with HNV farmland, mixed smallholder systems and rapid structural change. Exportable elements include CAP-based incentives, protected-area governance, and alignment with NRR, SML, WFD and EU sustainable-finance rules.	Fragmented land tenure; dominance of smallholders; uneven regional administrative capacity.	Agroecology is an <i>existing asset</i> , not a new invention. Regulations must avoid “modernisation” pathways that erode traditional low-input knowledge.
Grasslands (Slovenia)	High–Medium. Replicable in MS with extensive HNV grasslands and strong Natura 2000 coverage. Exportable elements include dense Natura 2000 networks, detailed management planning, CAP incentives and emerging climate-finance tools.	Exceptionally high Natura 2000 share; unique grassland types (e.g., karst poljes); demographic decline in rural areas.	Long-term success depends on <i>social ecology</i> : if young people migrate, even strong laws become ineffective.
Alpine Forests (Italy & Austria)	Medium–Low. Replicable mainly in mountainous regions where forests provide protection, carbon storage and biodiversity services. Exportable elements include strong forest laws, hazard-zone planning and integration with EU restoration, climate and finance frameworks.	Protective-forest functions (avalanches, rockfall, torrents); Alpine disturbance regimes; differing national legal cultures (Italy’s Art. 9; Austria’s protection-first ethos).	Austria treats forests as a <i>protective shield</i> ; Italy’s constitutional reform elevates nature to a legal value equal to the economy. These cultural/legal contexts shape implementation.
Regenerative Agriculture (France)	High. Replicable across EU agricultural regions facing soil degradation, biodiversity loss and climate pressures. Exportable elements include strong biodiversity law, ecological-corridor planning, CAP eco-schemes/AECM, and alignment with NRR, SML, WFD, LULUCF and EU sustainable-finance frameworks.	Dense regulatory landscape; long-standing biodiversity institutions; specific agronomic systems (arable, mixed, permanent crops).	France is the testing ground for tensions between soil-health practices (no-till) and chemical-health regulation (glyphosate restrictions).
Rivers & Wetlands (UK)	High. Highly relevant for EU comparison because the UK retains much of the EU acquis while innovating with BNG, LNRS, nature markets and ELMs. Exportable elements include Taxonomy/SFDR-aligned project design, catchment-scale governance and high-integrity nature-market models.	Post-Brexit divergence; rapid development of nature markets; strong private-investment appetite; evolving equivalence with EU frameworks.	The UK is moving faster on market-based restoration, while the EU remains more grant-based. The UK context shows relatively more active market experimentation through BNG, LNRS and ELM-related approaches, but actual private investment appetite and liquidity remain uneven and should be evidenced at project level.

Across all UCs, replicability is constrained by a combination of governance fragmentation, lack of standardised metrics, and limited availability of scalable financial structures. While some UCs

demonstrate more advanced implementation conditions, the comparative assessment shows that these remain context-specific and difficult to generalise across different regulatory and ecological settings. Overall, the cross-UC comparison confirms that replicability remains limited, highlighting the need for greater standardisation and integration across policy, data, and financial frameworks. Taken together, the cross-UC analysis demonstrates that the constraints identified are not isolated or context-specific, but systemic. Across all ecosystems and use cases, a consistent pattern emerges; strong policy frameworks define biodiversity objectives, but these are not yet translated into standardised, measurable, and financially viable investment conditions. Fragmented governance, uneven implementation, limited MRV capacity, absence of scalable revenue mechanisms, and misalignment between ecological and financial time horizons collectively create a gap between policy ambition and practical investability. As a result, biodiversity projects remain largely dependent on public support and lack the structural characteristics required to attract private capital at scale. This confirms that the key challenge is not the design of individual policies, but the lack of integration between policy, measurement, and financial systems. Addressing this gap is therefore essential to move from isolated, project-based interventions toward a coherent and scalable biodiversity investment framework.

6. Conclusion

The analysis of the EU biodiversity policy and financial framework, combined with evidence from the five use cases and cross-case assessment, leads to a consistent conclusion; the main constraint to biodiversity investment is not the lack of policy ambition, but the limited operational translation of that ambition into investable conditions. While this report does not technically evaluate MRV methodologies themselves, the analysis demonstrates that the effectiveness of biodiversity-related investment frameworks increasingly depends on the availability of robust, interoperable, and standardised MRV systems capable of supporting ecological verification, disclosure requirements, and investment comparability.

Across the thirteen policies analysed, ecological frameworks provide clear targets and regulatory direction, while financial and disclosure frameworks offer tools for classification and transparency. However, findings from the use cases and cross-UC analysis confirm that this architecture does not yet translate into consistent, scalable investment opportunities on the ground. The implications of these findings differ across the BIO-CAPITAL use cases. In the Alpine Forests UC, priorities include improving harmonisation of forest monitoring and biodiversity indicators across jurisdictions. In the Regenerative Agriculture and Agroecology UCs, the main challenge remains the integration of measurable biodiversity and soil indicators into performance-based financing structures. In the Grasslands UC, future work should focus on strengthening pollinator-related monitoring and ecological verification systems linked to extensive land management practices. In the Rivers & Wetlands UC, improving hydromorphological monitoring and developing scalable restoration financing mechanisms remain key priorities. These differences confirm that biodiversity finance frameworks must combine EU-level coherence with context-specific implementation pathways.

In particular, the results highlight persistent gaps in:

- policy coherence and alignment, especially between ecological objectives and sectoral instruments such as the CAP
- implementation and governance, with significant variability across MS
- data and MRV systems, which remain fragmented and insufficiently standardised
- financial and market structures, including the absence of stable revenue models and investment products

- temporal alignment, with ecological timeframes not matching financial expectations

These findings collectively point to a structural gap between policy-driven demand for biodiversity outcomes and the availability of investment-ready projects. Bridging this gap will require stronger integration between policy frameworks, monitoring systems, and financial mechanisms, enabling biodiversity outcomes to be systematically translated into measurable, verifiable, and financeable opportunities.

Taken together, these findings point to a central structural issue where the EU policy framework creates strong strategic direction for biodiversity protection and restoration, but lacks sufficient operational alignment between ecological objectives, regulatory instruments, and financial mechanisms. These conclusions reflect the current regulatory and financial landscape and the observed interaction between policy frameworks and investment conditions across UCs and should not be interpreted as a normative assessment of the optimal conditions required to enable biodiversity investments. Although MRV systems are not assessed in detail in this report, the analysis identifies their interoperability with policy and finance frameworks as a critical enabling condition for future work.

1. Align ecological policy monitoring with ESRS E4 metrics (Quick Win)

Current monitoring frameworks under CAP, NRR, and related instruments generate valuable ecological data but are not systematically aligned with ESRS E4 disclosure structures.

Develop interoperability between policy monitoring systems and ESRS E4 metrics, ensuring that ecological indicators used in CAP and NRR are standardised, comparable, directly translatable into corporate disclosures and KPIs. This mitigates fragmentation and enables direct use of ecological data in financial decision-making and EU Taxonomy assessments.

2. Strengthen alignment between CAP and biodiversity investment frameworks

Although CAP provides the main funding mechanism for land-based interventions, its current design remains largely subsidy-based and inadequately linked to performance-based biodiversity outcomes. Strengthen the integration of CAP measures with MRV systems, ESRS reporting, and EU Taxonomy criteria to bolster their capacity to support investment-ready biodiversity projects.

3. Prioritise standardisation of biodiversity indicators (ESRS E4-4) (Quick Win)

The analysis identifies indicator standardisation as the primary bottleneck, particularly in agriculture and grassland systems. Accelerate the development of harmonised biodiversity indicators, including habitat condition metrics, species indicators and ecosystem service proxies. This enables consistent MRV, improves ESRS reporting quality, and supports development of investable KPIs.

4. Integrate temporal responsiveness into MRV frameworks (Quick Win)

A critical but neglected limitation is the inadequate temporal responsiveness of biodiversity indicators, especially in forest systems. Complement long-term ecological indicators with short-term, proxy or leading indicators, such as structural habitat indicators, management-based proxies and remote sensing signals. This enhances the ability to monitor progress, demonstrate performance and link biodiversity outcomes to financial returns.

5. Strengthen policy-finance alignment via EU Taxonomy (Quick Win)

The EU Taxonomy provides a strong classification framework but is constrained by data and MRV limitations. Improve the alignment between Taxonomy criteria and ESRS E4 metrics and policy-driven MRV systems. This enhances the credibility of sustainable activities, investor confidence and capital allocation.

6. Reduce transaction costs through aggregation mechanisms

High transaction costs and fragmented land ownership (especially in grasslands, agriculture and forest) limit scalability. Promote aggregation platforms, landscape-level financing models and uniform standardised project templates. This enhances scalability and reduces barriers to private investment.

Improving interoperability between policy implementation mechanisms, MRV systems, ESRS reporting, and EU Taxonomy classification is crucial to bridge the gap between biodiversity policy objectives and scalable investment opportunities. Addressing these gaps will require coordinated action across EU institutions, MS, financial actors, and subsequent BIO-CAPITAL work packages.

Appendix I - Methodological Framework

I. Purpose and Scope

This appendix presents the detailed methodological criteria supporting the analysis in D2.1. The assessment focuses on the policy-finance interface, analysing how regulatory frameworks shape biodiversity-related investment conditions.

For the purposes of this assessment, investment conditions refer to the set of policy-driven factors that influence whether biodiversity-related activities are investable, including regulatory certainty, availability of incentives or revenue mechanisms, risk reduction, transparency, and the strength of signals guiding capital allocation. In this report, “investment-ready” refers to projects that combine measurable and verifiable biodiversity outcomes with predictable revenue or funding structures, manageable risk profiles, and sufficient scale or aggregation to attract institutional or private capital.

Implementation mechanisms (Programmes of Measures - PoMS) and Monitoring, Reporting, and Verification (MRV) systems are not assessed within this report. They are treated as external enabling components and developed in subsequent work of the project, which support the translation of ecological outcomes into financial metrics. As a result, the findings should be interpreted as an assessment of how policies shape enabling investment conditions rather than as a full evaluation of implementation effectiveness or the measurability of outcomes in practice.

The assessment is based on the analysis of EU legislative acts, delegated and implementing acts, policy communications, and relevant national and use-case-level policy frameworks.

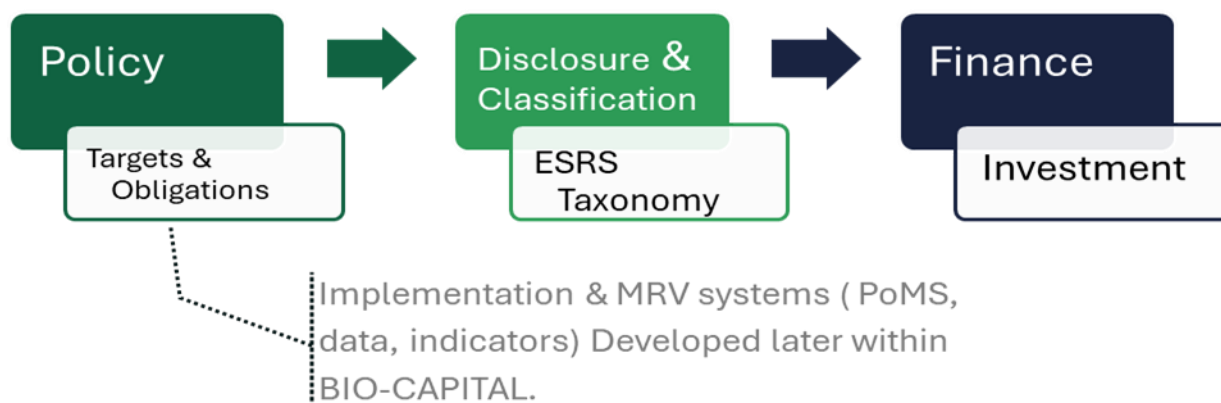
The relationship between biodiversity policy, disclosure frameworks, and financial markets can be understood as a sequential but interdependent system, in which each layer builds on the previous one but does not function effectively in isolation.

At the upstream level, ecological policies such as the Nature Restoration Regulation and sectoral frameworks define targets, obligations, and priority actions, establishing the direction of biodiversity protection and restoration. These policies create the underlying demand for intervention but do not, on their own, generate investment-ready structures.

This is followed by the disclosure and classification layer, including ESRS, the EU Taxonomy, and related frameworks, which translate ecological objectives into measurable indicators, reporting standards, and classification criteria. This layer is essential for ensuring transparency, comparability, and credibility, but it depends on the availability of robust monitoring systems and reliable data.

Finally, the financial layer mobilises capital through instruments such as green bonds, investment funds, and private financing mechanisms. However, capital allocation ultimately depends on the existence of standardised, verifiable, and revenue-generating opportunities, which remain underdeveloped in the biodiversity domain.

The diagram below illustrates this progression from policy to disclosure and classification to finance, while also highlighting the critical role of implementation systems, including MRV, data infrastructure, and indicators. These enabling components act as the operational bridge between ecological ambition and financial execution and are therefore central to the development of a functioning biodiversity investment market.



II. Conceptual Framework

The conceptual framework is based on a simplified representation of biodiversity finance focusing on the interaction between policy frameworks and financial systems.

Policy instruments define ecological targets and regulatory obligations, while financial and disclosure frameworks (notably ESRS and the EU Taxonomy) translate these objectives into standardised, decision-useful information for financial actors. For example, a restoration obligation or ecosystem condition target established under an ecological policy framework can be translated through ESRS biodiversity disclosures into comparable corporate reporting metrics, and through the EU Taxonomy into criteria for determining whether related economic activities are aligned with environmental objectives and thus enable scalable investment.

Implementation mechanisms (PoMS) and MRV systems provide the underlying ecological data and indicators but are treated as external enabling layers developed in subsequent work of the project and are therefore not part of the analytical scope of this report. This simplified framework underpins the analytical approach applied throughout the Appendix I.

III. Policy Selection Criteria

Policies were selected and assessed based on the following criteria:

1. Relevance to biodiversity

- Direct or indirect impact on ecosystems (including species, land and water systems)

	Meaning	Interpretation
High relevance	Strong alignment with biodiversity and/or investment conditions	Core policy
Medium relevance	Partial or indirect contribution	Supporting policy
Low relevance	Limited relevance	Context only

These valuations are indicative and comparative rather than numerical and are used to support structured qualitative judgement rather than formal scoring. These valuations are applied consistently across all policies to support comparative analysis. Consistency of judgement was ensured by applying the same definitions, analytical questions, and interpretation logic to each policy, using a common assessment template and cross-checking ratings across policies and UCs to maintain comparability.

Policy Instrument	Ecosystem Scope	Direct Biodiversity Impact	Restoration Role	Overall
Nature Restoration Regulation (NRR)	Cross-ecosystem	Direct (binding restoration targets)	Core driver	
Common Agricultural Policy (CAP)	Agricultural ecosystems	Implementation-dependent (delivery via Member States)	Key delivery channel	
Soil Monitoring Law (SML)	Soil systems	Indirect (monitoring and data framework)	Supporting	
Water Framework Directive (WFD)	Aquatic ecosystems	Direct (binding ecological status objectives)	Core for water ecosystems	
Pollinators Initiative (EU-PoMS)	Species-specific	Indirect (monitoring framework linked to NRR Art. 10)	Supporting (operationalised through NRR)	
LULUCF Regulation	Land use / forests	Indirect (binding carbon targets with biodiversity co-benefits)	Supporting (climate-driven)	
EU Taxonomy	Cross-sectoral classification system	Indirect (legal sustainability benchmark via DNSH criteria)	Enabling (classification framework)	
CSRD	Cross-sectoral corporate reporting framework	Indirect (binding reporting obligations)	Enabling (disclosure obligation)	
ESRS	Cross-sectoral sustainability reporting standards	Indirect (standardised biodiversity metrics under ESRS E4)	Enabling (reporting framework)	
SFDR	Financial products classification system	Indirect (via capital allocation and product classification)	Enabling (financial signalling)	
CSDDD	Cross-sectoral due diligence framework	Indirect (binding due diligence on environmental impacts)	Supporting (risk governance)	
EU Green Bond Standard (EUGBS)	Financing framework	Indirect (use-of-proceeds aligned with Taxonomy)	Enabling (financing channel)	
ESAP	Data access infrastructure	None (data access only)	Enabling (transparency tool)	

The assessment shows that biodiversity relevance is strongest in binding ecological frameworks, particularly the NRR and WFD, which define explicit restoration and ecological status targets. Sectoral policies such as CAP and LULUCF contribute to biodiversity outcomes but are highly

dependent on implementation design and alignment. The Pollinators Initiative illustrates how non-binding instruments can become operationally relevant when linked to binding frameworks, in this case through monitoring requirements under NRR Article 10.

Financial and disclosure frameworks, including the EU Taxonomy, CSRD, ESRS, SFDR, and CSDDD, do not directly deliver biodiversity outcomes but play a critical enabling role by structuring classification, reporting, financial signalling, and risk governance. These frameworks are essential for translating ecological objectives into decision-useful information and investment-relevant signals. Data infrastructure tools such as ESAP have no direct ecological impact but support transparency.

2. Relevance to investment conditions

This criterion assesses the extent to which policy frameworks create enabling conditions for investment by shaping regulatory certainty, financial incentives, risk profiles, and the strength of investment signals.

- Regulatory certainty refers to the degree to which policies provide stable, predictable, and legally enforceable frameworks, which are essential for long-term investment planning. Binding regulations and clearly defined compliance obligations tend to strengthen investor confidence and reduce policy-related uncertainty.
- Incentives and revenue mechanisms capture both the availability of direct financial support (e.g. subsidies, public funding, or market-based instruments) and the indirect mechanisms through which policies influence capital allocation. While some policies provide explicit funding or revenue streams, others; particularly disclosure and due diligence frameworks such as CSRD, ESRS, and CSDDD; contribute indirectly by shaping investor preferences, improving information availability, and influencing the allocation of capital towards sustainable activities.
- Risk reduction reflects the extent to which policies reduce regulatory, operational, and reputational risks. Disclosure frameworks such as CSRD and ESRS, as well as financial regulations like SFDR, play a key role by enhancing transparency, standardisation, and comparability of sustainability information. This reduces information asymmetry, strengthens market confidence, and supports more informed investment decisions. In addition, compliance-based frameworks such as SFDR contribute to risk reduction by aligning financial products with defined sustainability criteria.
- Investment signal strength refers to the ability of a policy to guide capital allocation by clearly indicating which activities or investments align with sustainability objectives. Strong signals are typically provided by classification systems and disclosure frameworks, including the EU Taxonomy, SFDR, and ESRS, which enhance comparability and influence both investor behaviour and financial product positioning. These frameworks are critical for enabling the scaling of sustainable investments and facilitating access to capital markets.

Together, these dimensions determine whether policy frameworks contribute to the development of investable opportunities and support the scaling of biodiversity-related investments, including their potential pathway towards capital markets.

Policy Instrument	Regulatory Certainty	Incentives / Revenue Mechanism	Risk Reduction	Investment Signal Strength	Overall
NRR	High (binding targets)	Indirect (compliance-driven)	Medium	Strong	
CAP	High (established framework)	Strong subsidies via Member States)	Medium	Moderate	
Soil Monitoring Law	Medium (framework stage)	None	Low	Weak	
WFD	High (binding objectives)	Indirect (compliance obligations)	Medium	Moderate	
Pollinators Initiative	Medium (non-binding, operationalised through NRR Art. 10)	None	Low	Weak	
LULUCF	High (binding climate targets)	Indirect (carbon-related mechanisms)	Medium	Moderate	
EU Taxonomy	High (legally defined classification system)	Indirect (capital allocation alignment)	Strong	Strong	
CSRD	High (binding reporting obligations)	Indirect (via capital allocation and transparency)	Medium–Strong (transparency and accountability)	Moderate	
ESRS	High (standardised reporting under CSRD)	Indirect (via standardised data enabling allocation)	Strong (standardisation + comparability)	Strong	
SFDR	High (binding financial disclosure regulation)	Indirect (via capital allocation and product classification)	Strong (transparency + compliance alignment)	Strong	
CSDDD	High (binding due diligence obligations)	Indirect (via risk management and capital allocation)	Medium–Strong (risk governance)	Moderate	
EU GBS	High (standardised financing framework)	Strong (dedicated financing channel)	Strong	Strong	
ESAP	Medium (supporting infrastructure)	None	Low	Weak	

Investment relevance is shaped by a combination of regulatory certainty, financial incentives and revenue mechanisms, risk reduction, and the ability to generate credible investment signals. Binding frameworks such as the NRR, CAP, and EU Taxonomy play a central role by providing regulatory clarity and structuring the conditions under which investments can be developed and assessed.

The CAP remains the primary public financing mechanism, while the EU Green Bond Standard provides a dedicated channel for mobilising private capital. At the same time, several frameworks contribute indirectly to investment conditions through their influence on capital allocation.

Disclosure and reporting frameworks, including CSRD and ESRS, as well as financial regulations such as SFDR, play a critical role by improving transparency, standardisation, and comparability of sustainability information. This reduces information asymmetry, strengthens market confidence, and supports more efficient allocation of capital towards sustainable activities.

ESRS and SFDR provide strong investment signals by shaping how sustainability performance is measured, disclosed, and integrated into financial products. SFDR further reinforces this role through compliance-based requirements that influence product classification and capital allocation. CSDDD complements these frameworks by strengthening risk governance and due diligence across value chains, thereby contributing to risk mitigation and more robust investment conditions.

In contrast, policies such as the Pollinators Initiative and the Soil Monitoring Law have limited direct investment relevance, as they do not provide financial incentives or clear revenue mechanisms. However, they contribute to the broader enabling environment by supporting the development of data, monitoring frameworks, and ecological indicators necessary for long-term investment scalability.

3. Applicability across UCs

This criterion assesses the extent to which policy frameworks are applicable across the five selected UCs; agroecology (Romania), regenerative agriculture (France), grasslands (Slovenia), alpine forests (Italy/Austria), and rivers and wetlands (UK). The analysis captures variation in applicability across ecosystems (including species, land systems, and water systems), sectoral scope, and geographic context.

A clear distinction emerges between ecological frameworks, whose applicability varies depending on ecosystem and sector, and financial and disclosure frameworks, which operate across actors and markets and are therefore structurally cross-cutting.

Among ecological frameworks, the NRR demonstrates very high applicability due to its binding, cross-ecosystem scope. In contrast, sector-specific policies such as the CAP, WFD, and LULUCF show differentiated applicability reflecting their targeted focus: the CAP is strongly relevant in agricultural contexts, the WFD in water-dependent systems, and LULUCF in land-use and forest-related contexts. The SML provides broad applicability as a cross-sector monitoring framework, while the Pollinators Initiative (EU-PoMS) shows more targeted relevance, particularly where species protection and monitoring are operationalised through the NRR.

For the UK UC, EU policy frameworks such as CAP, LULUCF, and EU-PoMS remain indirectly relevant despite not being directly applicable, as they provide benchmarks for domestic policy comparison and influence investor expectations, particularly for EU-based capital.

By contrast, the financial and disclosure framework; including the EU Taxonomy, SFDR, CSRD, ESRS, CSDDD, EU Green Bond Standard, and ESAP; demonstrate very high applicability across all UCs. These frameworks operate at the level of companies, financial products, and investment processes rather than specific ecosystems, and can therefore be applied wherever relevant actors and financing structures are present.

Overall, the analysis highlights that while ecological policies determine where and how biodiversity outcomes are delivered, financial and disclosure frameworks determine how these outcomes are translated into investment-relevant information and financing structures, enabling

comparability and scalability across diverse UCs. This distinction underscores that the main constraint is not policy coverage, but the consistent translation of ecological outcomes into standardised, investment-ready information across UCs.

Policy	Agro-ecology (RO)	Regenerative Agriculture (FR)	Grasslands (SI)	Alpine Forests (IT/AT)	Rivers & Wetlands (UK)	Overall Applicability
NRR						Very High (binding cross-ecosystem scope)
CAP						High (agriculture-focused)
SML						High (cross-sector monitoring)
WFD						Medium (water-specific scope)
Pollinators Initiative						Medium (species-specific, linked to NRR)
LULUCF						Medium (land-use and forest focus)
EU Taxonomy						Very High (cross-sector classification)
SFDR						Very High (financial product scope)
CSRD						Very High (corporate scope)
ESRS						Very High (standardised reporting)
CSDDD						Very High (value-chain scope)
EU-GBS						Very High (financing applicability)
ESAP						Very High (cross-sector applicability, subject to phased implementation)

IV. Policy Classification Framework

Policies are structured into two main categories reflecting their function within the biodiversity finance system:

- binding ecological and sectoral frameworks, and
- financial and disclosure frameworks.

This classification aligns with the analytical focus of the report on the policy-finance interface, distinguishing between policies that define ecological objectives and those that translate these objectives into financial and reporting systems.

Binding ecological and sectoral frameworks define what must be achieved in ecological terms. These include the Nature Restoration Regulation (NRR), Water Framework Directive (WFD), Common Agricultural Policy (CAP), LULUCF Regulation, Pollinators Initiative (EU-PoMS) and the proposed Soil Monitoring Law (SML). These frameworks establish legally binding targets and obligations, and guide land-use and resource management practices across ecosystems, including land, water systems, and species. Their primary function is to define ecological outcomes and implementation requirements, although their effectiveness depends on MS delivery and enforcement.

Financial and disclosure frameworks translate ecological objectives into standardised information, classifications, and financial signals that can be used by investors, companies, and financial institutions. These include the EU Taxonomy, CSRD/ESRS (notably ESRS E4), SFDR, CSDDD, the EU Green Bond Standard, and ESAP. Rather than directly delivering biodiversity outcomes, these frameworks structure disclosures, define sustainable economic activities, and influence capital allocation by improving transparency, comparability, and accountability. While financial and disclosure frameworks structure how biodiversity-related information is reported and used in financial decision-making, their effectiveness depends on underlying MRV systems, which are not assessed in this report.

This distinction reflects a core structural feature of the EU biodiversity finance landscape: ecological frameworks determine what needs to be achieved, while financial and disclosure frameworks determine how these objectives are interpreted, measured, and integrated into financial decision-making.

In addition to functional classification, policies are assessed in terms of their regulatory significance, defined as the extent to which they constitute binding EU-level frameworks and their level of implementation across MS. Priority is given to EU-level instruments that are legally binding or widely implemented, particularly where they directly influence ecological outcomes, reporting obligations, or financial decision-making.

Policy Instrument	Category	Type	Primary Function	Regulatory Significance	Role in Biodiversity Finance System
Nature Restoration Regulation (NRR)	Binding ecological & sectoral framework	Regulation	Defines restoration targets across ecosystems	High (binding EU-wide regulation)	Core ecological driver
Water Framework Directive (WFD)	Binding ecological & sectoral framework	Directive	Defines ecological status objectives for water systems	High (binding, MS implementation)	Core water ecosystem framework
Common Agricultural Policy (CAP)	Binding ecological & sectoral framework	Regulation / funding framework	Guides agricultural land-use practices via subsidies	High (binding, implementation-dependent)	Key delivery channel
LULUCF Regulation	Binding ecological & sectoral framework	Regulation	Defines land-use and carbon targets	High (binding EU-level framework)	Climate-driven biodiversity support

Soil Monitoring Law (proposed)	Emerging Binding ecological & sectoral framework (Proposed)	Directive (proposed)	Establishes soil monitoring and data framework	Medium (emerging, not yet fully implemented)	Data and monitoring support
Pollinators Initiative	Binding ecological & sectoral framework (supporting)	Policy initiative / PoMS	Supports species monitoring and protection	Medium (non-binding, operationalised through NRR)	Supporting ecological implementation
EU Taxonomy	Financial disclosure framework	Regulation	Defines environmentally sustainable economic activities	High (binding classification system)	Classification / translation into finance
CSRD	Financial disclosure framework	Directive	Establishes corporate sustainability reporting obligations	High (binding reporting framework)	Disclosure obligation
ESRS (incl. E4)	Financial disclosure framework	Standard (under CSRD)	Defines reporting content and biodiversity metrics	High (binding via CSRD)	Metrics / standardisation
SFDR	Financial disclosure framework	Regulation	Defines sustainability disclosures for financial products	High (binding financial regulation)	Financial signalling / capital allocation
CSDDD	Financial disclosure framework	Directive	Establishes due diligence on environmental impacts	High (binding, phased implementation)	Risk governance / behavioural pressure
EU Green Bond Standard (EU-GBS)	Financial disclosure framework	Regulation (voluntary standard)	Defines use-of-proceeds financing aligned with Taxonomy	High (standardised, voluntary but market-relevant)	Financing channel
ESAP	Financial disclosure framework	Regulation	Provides centralised access to sustainability data	Medium (supporting infrastructure)	Data access / transparency

This classification highlights the functional distinction between policies that define ecological objectives and those that enable their integration into financial systems. Binding ecological and sectoral frameworks establish targets, obligations, and implementation requirements across ecosystems, including land, water systems, and species. Their primary role is to define what must be achieved in ecological terms, although their effectiveness depends on implementation at MS level.

Financial and disclosure frameworks, by contrast, translate these ecological objectives into standardised information, classifications, and financial signals. These frameworks do not directly deliver biodiversity outcomes but play a critical role in structuring disclosures, defining sustainable

economic activities, and influencing capital allocation through improved transparency, comparability, and accountability.

Regulatory significance is highest for EU-level binding instruments across both categories, forming a strong regulatory core within the biodiversity finance landscape. However, high regulatory significance does not automatically translate into investment readiness, which depends on effective implementation, the availability of measurable and standardised data (MRV developed in subsequent work of the project), and the ability to translate ecological outcomes into financial and investment-relevant information.

V. Analytical Assessment Criteria and Approach

The analysis applies a qualitative comparative approach, based on a consistent set of analytical criteria used to assess each policy across all UCs. This approach ensures comparability while allowing for context-specific interpretation of policy impacts.

Each policy is evaluated across four main dimensions:

For each dimension, the assessment applied the same guiding questions and qualitative thresholds to ensure consistent comparison across policies and UCs.

- Ecological relevance, assessing the extent to which the policy contributes to biodiversity protection or restoration and aligns with ecosystem-level outcomes, including impacts on ecosystems (encompassing species, land systems, and water systems).
- Investment relevance, evaluating the extent to which the policy supports the mobilisation of capital, enables revenue generation or funding mechanisms (directly or indirectly), reduces investment risks, and provides credible investment signals that facilitate capital allocation and scaling.
- Coherence and interaction, analysing how the policy aligns with other frameworks, including the presence of synergies or conflicts within the broader regulatory landscape.
- Implementation and enforceability, assessing the legal status of the policy (binding versus non-binding), its level of implementation across MS, and the extent to which it translates into effective action on the ground.

Policies are assessed consistently across these dimensions, and findings are synthesised across the five UCs; agroecology (Romania), regenerative agriculture (France), grasslands (Slovenia), alpine forests (Italy/Austria), and rivers and wetlands (UK). The analysis does not apply a formal scoring system but instead identifies relative strengths and limitations in a structured and comparable manner. In practice, each policy was assessed using a structured policy / UC matrix capturing all analytical dimensions and sub-criteria, with qualitative ratings assigned based on evidence from legal and policy texts and cross-compared to ensure consistency across UCs. The assessment was supported by a structured matrix to ensure consistency across policies and UCs.

For each UC, policies are examined in terms of their applicability at site level, their influence on land-use practices, their interaction with local ecological conditions and legal frameworks, and their role in enabling or constraining interventions. This mapping enables the identification of site-specific barriers, enabling conditions, and the potential for replication across contexts.

Dimension	Key Questions	Assessment Focus	Application in Analysis
Ecological relevance	Does the policy contribute to biodiversity protection or restoration?	Impact on ecosystems (including species, land and water systems); alignment with ecological outcomes	Assessed across all UCs to determine ecological effectiveness
Investment relevance	Does the policy enable investment?	Capital mobilisation, revenue mechanisms (direct or indirect), risk reduction, investment signal strength	Assessed in relation to investment conditions and financing potential
Coherence and interaction	How does the policy interact with other frameworks?	Alignment, synergies, and conflicts across policies	Assessed across policy mix and UC contexts
Implementation and enforceability	Is the policy effectively implemented?	Legal status (binding vs non-binding), level of implementation across MS	Assessed through practical applicability at site level
UC application (cross-cutting)	How does the policy perform in real contexts?	Applicability, land-use influence, ecological interaction, enabling/constraining role	Applied across five UCs to identify barriers and replication potential

VI. Limitations and Assumptions

The methodology is subject to several limitations and assumptions that should be considered when interpreting the results. These relate to regulatory dynamics, implementation variability, data availability, and the evolving nature of biodiversity finance.

- **Regulatory uncertainty**
The EU regulatory framework is evolving, and several key instruments remain subject to ongoing development. This includes:
 - Omnibus simplification processes
 - Delegated acts under the EU Taxonomy and other regulations
 - Technical standards, particularly under ESRS and SFDR
 As a result, the scope, requirements, and interactions of certain policies may change over time, potentially affecting their role in biodiversity finance.
- **Uneven implementation across MS**
The effectiveness of many policies depends on implementation at MS level. This introduces variability due to:
 - Differences in national interpretation and policy design
 - Variations in administrative capacity and enforcement
 - Divergence in funding allocation and programme design (e.g. CAP Strategic Plans)
 This limits comparability and may affect the consistency of outcomes across UCs.
- **Use-case comparability and geographic scope**
The analysis includes one UC located outside the EU (UK), which limits direct regulatory comparability. While EU frameworks are not directly applicable in this context, they remain relevant as:
 - benchmarks for domestic policy comparison
 - reference points for EU-based investors
 This introduces an assumption of indirect applicability, which may not fully capture local regulatory dynamics.
- **Data availability and MRV dependency**

The methodology does not directly assess Monitoring, Reporting, and Verification (MRV) systems, which are developed in subsequent work of the project. However, the effectiveness of many policy frameworks; particularly financial and disclosure instruments; depends on the availability of:

- measurable ecological indicators
- standardised data
- consistent reporting systems

Limitations in data availability and standardisation therefore constrain the ability to fully assess the translation of ecological outcomes into investment-relevant information.

- **Market maturity and evolving financial mechanisms**

Biodiversity finance remains an emerging field. As a result:

- some financial mechanisms are still conceptual or under development
- market practices are not yet standardised
- investor participation remains limited in certain segments

This affects the assessment of investment relevance, particularly for policies that rely on future market development.

- **Qualitative assessment and use of expert judgement**

The analysis follows a qualitative comparative approach and does not apply a formal scoring system. Instead, it relies on structured criteria and expert judgement to assess relative strengths and limitations across policies.

While this allows for flexibility and context-sensitive interpretation, it introduces a degree of subjectivity, particularly in the classification of relevance levels (e.g. high, medium, low) and in the assessment of policy interactions.

- **Scope limitation (policy-finance interface focus)**

The analysis focuses on the policy-finance interface and does not assess implementation mechanisms (e.g. Programmes of Measures – PoMS) or MRV systems in detail. These elements are treated as external enabling components developed in subsequent work of the project.

As a result, the methodology captures how policies shape investment conditions but does not fully assess the operational delivery of biodiversity outcomes on the ground. This implies that the analysis focuses on enabling conditions for investment rather than on the operational performance or effectiveness of implementation and monitoring systems in delivering measurable biodiversity outcomes.

Use of AI tools

The preparation of this document was supported by the use of artificial intelligence (AI) tools in a strictly assistive capacity. These tools were used to support formatting consistency, identify duplications and potential inconsistencies in the text, and facilitate the generation of tables based on existing content. AI tools were not used as a source of evidence, for the independent verification of sources, or for the development of analytical findings or conclusions. All AI-assisted outputs were carefully reviewed, validated, and, where necessary, corrected by the authors, who retain full responsibility for the final content, its accuracy, and its compliance with applicable academic, ethical, and research integrity standards.

Appendix II - International Voluntary Disclosures and Reporting

The growing number of sustainability disclosure frameworks plays an important role in translating biodiversity objectives into measurable and decision-useful information. However, within the EU biodiversity investment framework, a clear structural distinction exists between binding regulatory systems and voluntary disclosure frameworks. At the core of the EU system are CSRD and the EU Taxonomy, which provide the legally binding structure for biodiversity-related disclosures. ESRS E4 (Biodiversity and Ecosystems) functions as the primary mechanism for translating ecological data, generated through MRV systems; into standardized comparable disclosures aligned with double materiality requirements.

These disclosures are closely linked to the EU Taxonomy, which defines whether economic activities make a substantial contribution to biodiversity objectives and comply with DNSH criteria. Together, ESRS and the Taxonomy form the core regulatory bridge between ecological outcomes and financial decision-making.

Voluntary frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD), Global Reporting Initiative (GRI), International Financial Reporting Standards (IFRS)/International Sustainability Standards Board (ISSB), and Carbon Disclosure Project (CDP) play a complementary role. They support companies and investors in structuring biodiversity-related information, improving risk assessment, and enhancing comparability across jurisdictions. In particular:

TNFD provides a useful methodological approach (e.g. Locate-Evaluate-Access-Prepare (LEAP)) for assessing nature-related dependencies and risks. The GRI strengthens impact-oriented reporting aligned with double materiality. The IFRS/ISSB supports investor-focused financial disclosures. The CDP facilitates data collection and benchmarking.

However, these frameworks do not substitute for EU regulatory requirements and are best understood as supporting tools that enhance, but do not replace, ESRS-based reporting.

Importantly, the effectiveness of all disclosure frameworks depends on the availability of robust MRV systems, which generate the underlying ecological data. Without consistent indicators derived from MRV systems, neither regulatory nor voluntary frameworks can produce reliable or decision-useful outputs.

Across the five UCs analysed the relevance of voluntary frameworks varies depending on ecosystem type and governance context. However, in all cases, ESRS E4 remains the central reporting anchor within the EU Framework, while voluntary frameworks can be selectively applied to support analysis, risk assessment, or communication.

International initiatives support the EU biodiversity investment framework, but the operational architecture remains anchored in ecological data and MRV systems. These data are translated into ESRS disclosures and, in parallel, inform EU Taxonomy classification, together enabling their integration into financial decision-making.

The table below summarises the role of key voluntary frameworks and their relationship to the EU policies.

Voluntary Frameworks in Relation to EU Policies

Framework	Description	Main Users	Primary Role	Strengths	Limitations	Role in EU Framework
TNFD	Framework for identifying and assessing nature-related dependencies, impacts, risks and opportunities (LEAP approach)	Corporates, financial institutions	Risk assessment & analytical structuring	Strong conceptual fit for biodiversity; spatial analysis	Voluntary; uneven adoption	Supports ESRS E4 implementation; not a compliance framework
GRI	Impact-focused sustainability reporting framework (GRI 101 Biodiversity 2024)	Companies, public-interest entities	Impact reporting (double materiality)	Mature, widely used	Less investor-focused	Provides input data for ESRS disclosures
IFRS / ISSB	Investor-focused sustainability disclosures (enterprise value)	Listed companies, investors	Financial materiality reporting	High comparability	Limited biodiversity depth	Complements ESRS for financial perspective
CDP	Questionnaire-based environmental disclosure platform	Companies, supply chains	Data collection & benchmarking	Strong market uptake	Partial biodiversity coverage	Supports underlying data for ESRS reporting

Link to ESRS and EU Taxonomy

Framework	Link to ESRS	Link to EU Taxonomy
TNFD	Provides methodological support for ESRS E4 (impacts, dependencies, risks); LEAP can structure MRV-derived data	Supports evidence base for substantial contribution and DNSH assessment, but does not determine alignment
GRI	Strong alignment with ESRS double materiality; biodiversity indicators can feed ESRS E4 datapoints	Supports environmental impact evidence used in Taxonomy screening
IFRS / ISSB	Complements ESRS by providing investor-focused disclosures; limited biodiversity integration	Supports financial materiality relevant to Taxonomy disclosures
CDP	Provides structured environmental datasets that can support ESRS reporting	Contributes underlying environmental data; not a classification tool

Overall sources of Appendix II³⁵⁶

³⁵⁶ Synthesis based on official framework documentation and interoperability mappings, specifically: Taskforce on Nature-related Financial Disclosures, Recommendations of the Taskforce on Nature-related Financial Disclosures (September 2023); Global Reporting Initiative, GRI 101: Biodiversity 2024, accessed March 27, 2026; IFRS Foundation, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, accessed March 27, 2026; CDP, Alignment with Disclosure Frameworks and Standards, accessed March 27, 2026; TNFD and EFRAG, Correspondence Mapping: ESRS Requirements and TNFD Disclosure Recommendations and Metrics, July 2024; GRI and EFRAG, GRI–ESRS Interoperability Index, November 2024; IFRS Foundation and EFRAG, Interoperability Guidance: ISSB Standards and ESRS, May 2024; EFRAG and CDP, Correspondence Mapping between CDP Question Bank and ESRS E1, March 2025; CDP, Framework Alignment, 2026.

Appendix III - International Initiatives

The EU biodiversity investment framework operates within a broader international landscape of biodiversity, finance, and disclosure initiatives. While EU legislation, particularly CSRD/ESRS and the EU Taxonomy, provides the binding structure for translating ecological outcomes into financial decision-making, international initiatives play a complementary role by shaping global ambition, methodologies, and market practices.

At the global level, the Kunming–Montreal Global Biodiversity Framework (GBF) establishes overarching targets for biodiversity conservation and restoration. These targets inform EU policy development, including the EU Biodiversity Strategy and the Nature Restoration Regulation (NRR), but do not directly create investment criteria. Instead, EU frameworks such as the ESRS and the EU Taxonomy translate these environmental objectives into operational and activity-level requirements, providing a legally relevant basis for financial decision-making.

The effectiveness of both global and EU frameworks depends on the availability of robust scientific and monitoring systems. Scientific platforms such as Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), ecosystem accounting approaches like the System of Environmental-Economic Accounting (SEEA), and biodiversity datasets (e.g. IUCN Red List) provide the evidence base for ecological baselines and materiality assessments. These inputs underpin MRV systems, which provide the data necessary for financial translation.

A range of voluntary methodologies and tools, including the Task Force on Nature-related Financial Disclosures (TNFD), the Science Based Targets Network (SBTN), Exploring Natural Capital Opportunities, Risks, and Exposure (ENCORE), and the Natural Capital Protocol; support the interpretation of biodiversity data by helping organisations assess dependencies, impacts, risks, and opportunities. These tools operate primarily at the project and portfolio level and are complementary to ESRS-based reporting, rather than substitutes for regulatory compliance.

Financial and supervisory initiatives, such as Network for Greening the Financial System (NGFS), ECB biodiversity risk work, EBA ESG risk guidelines, and investor coalitions (e.g. Finance for Biodiversity Pledge, Nature Action 100), contribute to the integration of biodiversity considerations into financial decision-making, risk management, and capital allocation.

Market guidance, including ICMA Green Bond Principles and its Nature Bonds guidance, supports the structuring of financial instruments linked to biodiversity outcomes. These frameworks increasingly reference global biodiversity objectives, including the GBF, and provide a practical mechanism for mobilising capital towards biodiversity-related investments. Overall, these international initiatives create a supporting ecosystem around the EU regulatory framework, where:

- global frameworks define ambition,
- scientific systems provide evidence,
- methodologies support analysis,
- and financial initiatives enable market development.

Within this system, the EU data-to-finance architecture is anchored in ecological data and MRV systems, which feed into both ESRS disclosures and EU Taxonomy classification. Together, these frameworks enable the translation of ecological information into financial decision-making.

Category	Initiative	Role	Function in EU Framework
Global Policy Frameworks	GBF	Defines global biodiversity targets and ambition	Conceptual alignment with EU Biodiversity Strategy and NRR
Scientific Evidence Base	IPBES, IUCN Red List, SEEA	Provides ecological data and baselines	Supports MRV and ESRS E4 inputs
Assessment Methodologies	TNFD, SBTN, Natural Capital Protocol, ENCORE	Assesses impacts, dependencies, risks	Supports ESRS E4 implementation (non-binding)
Financial Sector Initiatives	NGFS, ECB, EBA, Finance for Biodiversity, Nature Action 100	Integrates biodiversity into finance	Reinforces CSRD/ESRS and Taxonomy use
Market Instruments & Guidance	ICMA (Green Bonds / Nature Bonds guidance)	Structures biodiversity-linked finance	Bridges Taxonomy logic to financial instruments
International Policy Context	G7, G20, UN frameworks	Sets global agenda	Indirect support to EU policy direction

Overall sources of Appendix III³⁵⁷

³⁵⁷ Synthesis based on official international initiatives, specifically: Convention on Biological Diversity (CBD). Kunming-Montreal Global Biodiversity Framework. Montreal: CBD Secretariat, 2022.; Convention on Biological Diversity (CBD). Monitoring Framework for the Kunming-Montreal Global Biodiversity Framework. Montreal: CBD Secretariat, 2022.; Science Based Targets Network (SBTN). Initial Guidance for Business on Nature. 2023.; Taskforce on Nature-related Financial Disclosures (TNFD). Recommendations of the Taskforce on Nature-related Financial Disclosures. 2023.; IPBES. Global Assessment Report on Biodiversity and Ecosystem Services. Bonn: IPBES Secretariat, 2019.; OECD. OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. Paris: OECD Publishing, 2023.; UNFCCC. Article 6 of the Paris Agreement: Rules, Modalities and Procedures. Glasgow Climate Pact, 2021.; G7. G7 2030 Nature Compact. 2021.; G20. G20 Sustainable Finance Roadmap. 2021.; UNEP Finance Initiative. Principles for Responsible Banking: Nature Target Setting Guidance. 2023.; IUCN. The IUCN Red List of Threatened Species. <https://www.iucnredlist.org>.; Network for Greening the Financial System (NGFS). Nature-related Financial Risks: A Conceptual Framework. Paris: NGFS, 2023.; Finance for Biodiversity Foundation. Finance for Biodiversity Pledge. 2020.; Nature Action 100. Global Investor Engagement on Biodiversity. 2023.; European Central Bank (ECB). Climate and Nature-related Risk: Supervisory Expectations. Frankfurt: ECB, 2023.; European Banking Authority (EBA). Guidelines on the Management of ESG Risks. Paris: EBA, 2023.; United Nations. System of Environmental-Economic Accounting—Ecosystem Accounting (SEEA EA). New York: United Nations, 2021.; Natural Capital Coalition. Natural Capital Protocol. 2016.; United Nations Office for Disaster Risk Reduction (UNDRR). Sendai Framework for Disaster Risk Reduction 2015–2030. Geneva: UNDRR, 2015.; UNEP-WCMC. ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure. <https://encore.naturalcapital.finance>.; International Capital Market Association (ICMA). Sustainable Bonds for Nature: Guidance Handbook. 2023.