



Funding proposals for biodiversity conservation in the context of climate change in Portugal

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Preamble

More than 80% of protected habitats and 70% of species (excluding birds) are in unfavorable condition (EEA, 2020) in the European Union (EU). To reverse this scenario, EU Member States have agreed on a set of ambitious targets in the European Biodiversity Strategy 2030 (EBS 2030). Among other measures, Member States must ensure the protection of 30% of land and marine areas, one-third of which under strict protection. The EBS 2030 includes actions that are meant to strengthen the coherence of protected areas at the European level, which encompass measures to facilitate biodiversity adaptation to climate change and enhance the contribution of nature-based solutions to mitigate climate impacts. In addition, the EBS 2030 proposes a comprehensive set of measures for the restoration of degraded ecosystems in the EU. The EU Restoration Law implements this ambition, committing Member States to recover at least 20% of degraded land and marine areas by 2030. Implementing the EBS 2030 will require an annual investment of no less than €20 billion. For the Portuguese economy (1.3% of the EU GDP), this means ensuring an annual investment of at least €260 million (*Araújo et al., 2022*).

In Portugal, reaching these conservation objectives requires the mobilization of multiple funding sources. Since 97% of the country's land is privately owned, conserving public goods such as those that stem from biodiversity requires identifying ways of securing both public and private financial support and ensuring long-term commitments. Furthermore, it is crucial to implement environmentally and biodiversity-friendly practices across all sectors.

This reflection engaged a group of citizens from public, private, and civil-society organisations dedicated to nature conservation and biodiversity. The recommendations to support the funding of the EBS 2030 in Portugal emerged from discussions held by in Mafra by the Think Tank NaturaConnect.PT. These suggestions not only aim to optimise existing funding mechanisms but also propose new financial tools for nature conservation and biodiversity in Portugal, many of which align with international trends and recommendations.



Funding mechanisms

1) Direct public funding

Since biodiversity is a public good, it is appropriate that a significant portion of the funding for its protection and conservation comes from public sources. Moreover, public funding can have an indirect effect by discontinuing counterproductive subsidies that damage biodiversity-related public goods. It may also include new direct incentives to good practices within economic activities, or other initiatives, subsidised by public funds. The following proposals were discussed by the Think Tank:

- **Review and assess the biodiversity impact of public subsidies**, especially within agricultural and forestry policies, that influence decisions by managers of much of the national territory. Gradually eliminate subsidies that lead to soil depletion, increased water consumption, degradation of priority habitats, and decline of protected species;
- **Leverage European funds aimed at nature conservation and restoration** (e.g., LIFE, INTERREG, FEDER, and Cohesion Fund) through the co-financing of projects with third parties—NGOs, universities, and other organizations—including the development of applications focused on land acquisition for nature, improving natural area management conditions, and ecological restoration actions.
- Rethink nature conservation funds to prioritise ecological restoration measures that **restore natural functions and ecosystem processes, avoiding additional present and future costs**.
- Strengthen biodiversity conservation funding within existing frameworks, including the Environmental Fund (Fundo Ambiental). In this context, **increase funding for management contracts aimed at conservation and restoration and develop systems to remunerate ecosystem services** provided by biodiversity. As a first step, this measure can involve reviewing and enhancing the funding of existing instruments (e.g., the *Montado Management by Results Program*, the *Ecosystem Services Remuneration Program in Rural Areas*, and the *Landscape Transformation Program*). Later, a unified and simplified system could be created, with clearer guidance on the valuation of public goods associated with biodiversity and ecosystems.
- **Increase public funds for the acquisition and management of properties** in classified areas for biodiversity conservation and restoration. In this context, reassess the mandate of FLORESTGAL to align its activities more closely with the goals of valuing public goods associated with biodiversity, as stipulated in the National and European Biodiversity Strategies 2030.



2) Polluter-Pays, User-Pays, Protector-Receives Principles, and Fiscal Policy

The polluter-pays and user-pays principles are based on the premise that both agents who damage public goods and those who use them should be charged in proportion to the depreciation of these goods. Associated with these principles is the concept of protector-receives, which implies that public and private agents responsible for enhancing natural capital should benefit from part of the funding derived from the application of the polluter- and user-pays principles. In this context, it is important to: When projects have unavoidable impacts on biodiversity, the regulatory entity must create formal mechanisms for damage assessment and require the promoter to provide adequate funding to mitigate and compensate for the negative impact generated.

- When projects result in unavoidable impacts on biodiversity, the regulatory authority should implement formal damage assessment mechanisms and require the developer to allocate. **appropriate funding to effectively mitigate and compensate for the negative effects.**
- When compensation for impacts is not provided in kind, it is essential to ensure the effective and transparent application of the polluter-pays principle, with revenues being directly allocated to biodiversity conservation and ecological restoration. A particularly promising approach is **transferring funds generated through this principle to protector-receiver entities**, who apply these resources to conservation and restoration projects within areas that are part of the *Core Network for Nature Conservation* and are duly certified by the national conservation authority.
- **Conduct a case-by-case assessment of possible modalities for implementing the user-pays principle in protected areas**, as provided for in Decree-Law 142/2008, Article 58. The application of this principle should be subject to strict transparency criteria, exempt residents and property owners in these areas, and ensure that collected funds are redistributed to benefit residents and land stewards, reinforcing social equity and responsibility for land management.
- **Create fiscal mechanisms to incentivise the conservation and restoration of natural heritage**, for example, through property tax (IMI) for landowners and managers of territories within the *Core Network for Nature Conservation*.

3) Creation of a market for biodiversity credits

A tool to mobilise greater private funding to meet the goals of the EBS 2030 would be the creation of a market for biodiversity credits, for which international examples already exist. To this end, a **working committee ought to be created**, along the lines of the proposal in *Araújo et al* (2022). This committee should include government agencies overseeing finance, land use, and conservation, along with municipalities, landowner representatives, primary sector stakeholders, NGOs, and researchers. It would be responsible for:

- Defining the specific characteristics and types of biodiversity credits, using territorially-linked indicators, in order to facilitate credit transactions while considering factors such as measurement, outcomes, permanence, and the potential for additionality compared to baseline scenarios.
- Ensuring the market for biodiversity credits is simple and accessible to all stakeholders, including project promoters and credit buyers, to encourage the mobilisation of private funding for biodiversity conservation.
- Developing strategies to ensure the long-term monitoring and permanence of biodiversity benefits over relevant periods, such as 20 to 30 years.
- Recommending and overseeing the legal framework and operation of the market for biodiversity credits.

The establishment of a new voluntary market for biodiversity credits should include:

- Creating a mechanism for the operation of the market for biodiversity credits.
- Identifying a managing entity responsible for defining rules, developing the platform, ensuring transparency, and verifying results over time.
- Appointing a regulatory body to validate credits and establish transaction conditions to prevent double counting.
- Defining eligibility criteria for both buyers and providers of biodiversity credits.

At the same time, **methodologies to quantify and value biodiversity benefits must be established**, so these benefits can be assessed for the different types of projects registered in the voluntary carbon market (Decree-Law No. 4/2024 of January 5), through the “Carbon+” credit mechanism (Article 11, paragraph 6).

4) Private Funding (corporate and philanthropic)

Although biodiversity is primarily a public good located on private land, certain aspects of biodiversity can be monetised through the market, generating private funding flows. Various applications of the user-pays principle exist, such as in the provision of visitation services to conservation areas.

Environmental patronage and philanthropic investment are other ways to mobilise private funding for biodiversity. Unlike other countries within our geopolitical context, Portugal has a limited number of foundations focused on biodiversity investment. Nevertheless, this number has been growing with the creation of new entities (e.g., Fundação Oceano Azul, Fundação Belmiro de Azevedo, Fundação Viridia, Fundação Terra).

The development of new private financing mechanisms for nature conservation and restoration, such as green bonds or environmental resilience bonds (in collaboration with insurance companies), should also be promoted.

To increase private investors’ confidence in biodiversity protection and promotion projects, whether business-driven or philanthropic, the following measures could be fostered:

Reform of the regulatory framework

- **Creation of a legal mechanism for “conservation easements”** to ensure the effectiveness of conservation commitments tied to investments for a defined period or, ideally, perpetuity. Widely used in the United Kingdom and the United States, this legal figure increases private investor confidence and guarantees continuous protection of natural heritage.
- In the Tax Benefits Statute (Decree-Law No. 215/89), **donations for environmental purposes should be treated equivalently to those for social causes**, as established in Article 62. The deduction for determining corporate taxable income should thus consider donations for environmental causes as costs or losses, up to a limit of 8/1000 of the sales volume or services provided, valued at 150%.

Strengthening NATURAL.PT brand

- Public investment in the NATURAL.PT brand, which aims to promote visits to protected areas and add value to artisanal products produced within them, should be enhanced and extended to include private protected areas as a way to incentivise investment. Strengthening Portugal's positioning and visibility in international markets as an attractive destination for biodiversity conservation investment will require significant State involvement in consolidating and promoting the NATURAL.PT brand.

Best practices

Businesses

- Promote the **inclusion of biodiversity conservation objectives within corporate strategy**. Initiatives like *Act4Nature*, led by the Business Council for Sustainable Development of Portugal, can help companies promote and restore biodiversity across their value chain. Such initiatives could strengthen connections with nature conservation stakeholders.
- **Define indicators to assess short-, medium-, and long-term results of interventions**. The time required to demonstrate the impact of biodiversity conservation and ecological restoration efforts often does not align with corporate reporting needs, discouraging investment.

Conservation and Biodiversity Management Stakeholders

- Establish metrics and indicators to **demonstrate the impact, scalability, and sustainability** of conservation projects.
- Actively propose biodiversity promotion initiatives **aligned with companies' values and business models**.

Trusts and Foundations

- **Cofinancing or partial funding** of approved or ongoing projects has a multiplier effect, enhancing the impact of the invested amount.
- To ensure the longevity and sustainability of biodiversity promotion initiatives, it is advisable not only to finance direct interventions but also to **allocate funding for human resources, knowledge production, awareness efforts, and other management costs** for the structures that implement, monitor and oversee these initiatives.



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These recommendations do not bind the members of the Think Tank, only the promoters and authors of the document.

Think Tank NaturaConnect.PT

It is a reflection group that brings together high-level decision-makers from both public and private entities to identify the opportunities and challenges associated with implementing the objectives set by the European Union concerning biodiversity and climate change adaptation. The group aims to stimulate inter-institutional cooperation and the exchange of relevant ideas and knowledge to define solutions for implementing the European Biodiversity Strategy in Portugal. It is part of the project “Natura Connect – Designing a Resilient and Coherent Trans-European Network for Nature and People,” funded by the European Union.

Mais informações:

<https://naturaconnect.eu/implementation-of-the-trans-european-nature-network-ten-n-in-portugal/>



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