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DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate B. Sustainability
The Director

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MINUTES

Joint Meeting of the Standing Forestry Committee and Civil Dialogue Group Forestry and Cork and Expert Group on the Implementation of the CAP Strategic Plans Regulation and the Working Group on Forest and Nature – Payments for forest-related Ecosystem Services

31 March 2022

Chair: Commission

Delegations present: All Member States were present, except Belgium, Greece, Malta.

1. Nature of the meeting

The meeting was non-public and the COM invited individual experts to take part.

2. List of points discussed

All presentations are available on CIRCABC and at: https://enrd.ec.europa.eu/news-events/events/commission-workshop-public-and-private-payments-forest-ecosystem-services_en

2.1. PLENARY

Background. The departing point.

Welcome

COM opened the meeting highlighting the multi-functional approach of the new EU Forest Strategy, that also recognised the importance of forests and land owners/managers to meet the objectives of the European Green Deal.

Member States (MS) are invited in the context of the design of the CAP Strategic Plans (CSP) to set up payments for ecosystem services (PES), which can be managed through both private and public partnerships. The Commission will provide advice and technical guidance on the development of PES in the shape of a guidance document. The outcome of the workshop will contribute to the development of this document.

PES in the EU:

How the CAP supports PES

COM made a presentation on how the CAP supports PES.

Since 2000, the CAP supports forest management, and specifically: i) the increase of forest and wooded areas, through afforestation and agroforestry; ii) the prevention and restoration of damage to forests from forest fires, natural disasters and catastrophic events, including pest and disease outbreaks, and climate related threats; iii) investments in multifunctional sustainable forest management, including support for specific management commitments targeting biodiversity, habitat protection, water purification, recreation, and public health; iv) investments in renewable energy production including from woody biomass.

However, in line with the current WTO rules in force, CAP payments can only compensate forest owners/managers for costs incurred, income foregone and in some cases they can also cover transaction costs for carrying out the management required to deliver environmental and climate outcomes. They are not based on the value of the forest ecosystem services delivered.

The advantage of supporting forest management through the development of private payment schemes, is that in a private business environment, the buyer of ecosystem services can pay more than the actual costs incurred or income foregone, providing real incentives to forest managers. Therefore, private schemes can be more appealing and ultimately successful.

Revised State Aid Guidelines

COM provided an update regarding the ongoing revision of the 2014 Agricultural and Forestry State Aid Guidelines and of the Agriculture Block Exemption Regulation (EU) No 702/2014 (ABER).

A first round of interservice consultations within the Commission, as well as consultations with Member States has been completed, and a second round is about to start. The revised Guidelines, to be adopted by the end of 2022, are expected to enter into force in January 2023.

Maintaining the existing State aid rules to the extent possible is a guiding principle for the ongoing revision process, however several updates are needed to mirror the novelties introduced by the CAP Strategic Plans Regulation (EU) No 2021/2115 (SPR), ensure the coherence of State aid rules with the latest policy developments, above all with the objectives of the European Green Deal. The revision will also reflect the lessons learned through past experience.

For instance, in the past, the uptake of forest measures has been very low, whether financed through State aid or through CAP rural development interventions. Forest managers were often not interested in such measures, mainly because the payments offered were considered not sufficiently appealing. Based on this experience and in line with the Strategic Plans Regulation (SPR), the following two major changes are now being introduced: i) the aid may cover also collective and result-based schemes, like carbon farming schemes; ii) incentive payments up to 20% of the total aid granted can now be granted on top of compensation for income foregone and additional costs.

Research possibilities under Horizon: the SINCERE project

The project coordinator (University of Wageningen) gave a presentation the outcomes of the latest research activities carried out within the framework of the 2018-2022 Horizon 2020 funded project SINCERE - Spurring INnovations for forest eCosystem sERvices in Europe. He focused in particular on the findings presented in the policy paper ['Governing Europe's forests for multiple ecosystem services: opportunities, challenges, and policy options'](#), published in March 2022.

The conclusions of the SINCERE project are that a possible EU-wide PES system should be built around the following principles and related considerations:

1. **Systemic objectives:** it should be decided whether the scheme should support the management of forests as a stand-alone objective or within the framework of land use policy more generally.
2. **Sources of finance:** an EU scheme could rely on EU funds, MS contributions, or a combination of the two. It could be of a voluntary or mandatory nature. It could encourage and build on synergies with private payments;
3. **Innovative design:** ambition and flexibility should be carefully balanced, also allowing for new contracting mechanisms and innovative approaches (e.g. reverse auctions);
4. **Priority areas:** priority areas of intervention should be defined; for instance, the scheme could either focus on EU priority on ecosystem services, or focus its resources on areas where forests are under greater climate adaptation pressure, or take a more flexible approach to address regional/local needs;
5. **Timeframe:** generous time horizons and long-term contracts are needed for both ecosystem service delivery and forest owners' forward planning.

Sustainable Carbon Cycles

The COM presented key aspects of the Commission's Communication on 'Sustainable Carbon Cycles', adopted in December 2021, and the latest steps taken by the Commission to support the upscaling of carbon farming, including the development of a new regulatory framework for the certification of carbon removals.

The Commission's Communication sets out an action plan to promote and upscale carbon farming in the EU and other sustainable solutions to increase carbon removals, including forestry-related removals. The Communication highlights the role of EU and national public funding tools to finance carbon farming schemes, reducing the risks for land managers, including the CAP and State aid.

Land management takes time, soils are restored slowly, and planting and growing trees do not happen over night. Any policy framework therefore should offer a long-term perspective. Forest owners and managers who invest in biodiversity protection deserve to be rewarded and given visibility and recognition. The Commission is working to put in place the necessary measures to support them, encouraging the development of payment schemes for FES and carbon farming initiatives to facilitate investments and provide transparent, easy to access and appealing financial incentives, be it under public funding or through private markets.

In addition, the Commission is developing a regulatory framework for the certification of carbon removals and will present a legislative proposal by the end of 2022. The new rules will deliver a higher degree of transparency, methodology standardisation and environmental integrity. By setting robust criteria in relation to additionality, permanence and environmental safeguards and by defining the many benefits of carbon removals, it will constitute the first fundamental step to enable a reliable future carbon market.

The legal proposal will be preceded by an impact assessment. To involve stakeholders actively in this process, the Commission launched a public consultation open for feedback until 2 May 2022. In addition, a new Expert Group on carbon removals and certification is expected to be set-up in the coming months.

Valuation of forest ecosystem services

Forest Europe-former LU Bratislava gave a presentation on key outcomes of the work carried out by the Expert Group on Valuation and Payments for Forest Ecosystem Services, focusing on three main strands: i) analysis of different approaches and methodologies on Valuation and Payments for Forest Ecosystem Services in the Pan-European Region; ii) review of case studies and best practice examples of valuation methods and PES schemes implemented in signatory countries; and iii) formulation of recommendations addressed to policy makers.

The work of the group resulted in the publication of a [study on different approaches and methodologies on PES valuation](#), and the creation of a searchable web portal serving as an interactive platform for knowledge and information exchange on forest ecosystem services, focusing on: 1) the direct and indirect benefits for humans from ecosystems and their preservation/restoration; 2) valuation approaches and methods, listed by type of FES and case studies; and 3) examples of payments for FES, based on 5 key principles: voluntary commitment; well-defined ecosystem services; the beneficiaries pay; direct payments to forest owners/managers; and conditionality.

When developing PES, it is important to consider several aspects that can present both opportunities and challenges, particularly for trading. These include the prevailing market conditions and the existing regulatory framework. PES provide an opportunity to assign a price to previously un-priced ecosystem services and help raise awareness about environmental and climate issues. Through PES, rural communities can further develop, and gain access to new markets by selling their services. However, the schemes should be carefully monitored and controlled to make sure that payments go to those who are sustainably managing forests rather than to forest owners who – on the contrary – might be in some cases responsible for the degradation of their land.

Accounting of forest related ecosystem services- Pilot accounts for habitat and species maintenance

The COM presented the progress made by the Integrated Natural Capital Accounting (INCA) project launched by the European Commission in 2015.

The INCA project uses the global System of Economic Environmental Accounting – Ecosystem Accounting (SEEA EA) -adopted by the UN Statistical Commission in

March 2021- which provides a new statistical framework to help countries measure their natural capital. INCA aimed to pilot methods for developing nine different ecosystem accounts for the EU. It integrates economic and environmental data to offer a more comprehensive view of the interrelationships between the economy and the environment. The outcomes provided a useful basis for the further development of the SEEA EA framework.

The INCA approach allows the ecological side of ecosystem services (supply) to be linked with the socio-economic side (demand). The match between supply and demand corresponds to the actual flow or use of an ecosystem service that is depicted in two tables: the supply and the use table which are compiled for a specific accounting period in both physical as well as in monetary terms. This system enables an assessment of what proportion of the ecosystem service value is allocated to forests. It can also show a dependence indicator, providing for instance information on the percentage of the value that is taken by a particular sector (e.g. dependency of forestry sector on ecosystem services).

There is no ‘one size fits all’ valuation method, different ecosystem services may require different methods, however methods based on observed prices and costs seem to be the most reliable. Ecosystem accounts can be very useful for the design of PES, providing monetary reference values of each service (such as the value of ecosystem services provided by woodland and forest), that can be compared with the opportunity costs and inform the calculation of the payment rate.

2.2 Parallel Break-out Groups

2.1 Break-out Group 1: Payments for Ecosystem Services in Forests in the EU, with a focus on public funding schemes

Two presentations were given by FI (Natural Resources Institute) and HR on the Finnish and the Croatian experience with public PES schemes, respectively.

Public schemes – as in the experience of Finland – can successfully encourage trust and collaboration between different stakeholders, raising awareness, promoting joint efforts and supporting the creation of value chains, essential preconditions to preserve forests and deliver ecosystem services.

In the Croatian experience, the public payment scheme, introduced already back in 1991, works similarly to a tax and the financial resources collected are used exclusively to fund the public goods delivered by forest managers/owners. This direct link established between the ‘FES fee’ and the public goods helps increase public awareness about the results of the projects financed by scheme and their benefits for society. Without such a scheme it would be hard to continue preserve and restore forest ecosystems and many jobs would be lost.

Discussions took place based the following guiding questions:

- How can the use for PES be promoted or maximised?
- What are the main risks and barriers pertaining to the implementation of PES schemes?
- How to overcome them?

- How do you see the sustainability of PES schemes? Under which circumstances can the
- duration of the service be ensured without payments?
- How could successful local stories be extrapolated? How to facilitate knowledge and good practice exchange?

Main outcomes of the discussion:

- Given the diversity of forests across the EU and also the diverse cultural backgrounds, different solutions are needed in different countries to promote and maximise the use of PES. There is no “one-size-fits-all” model.
- Another key issue is whether payments using public money should support the costs of the management carried out by forest managers to provide ecosystem services or based on the value of the ecosystem services provided. As for the beneficiaries, there is a wide-spread consensus about rewarding forest managers and not simply the forest owners.
- When designing public payment schemes for FES, one further key consideration is that these should not lead to negative effects or the degradation for other ecosystem services. Safeguard clauses should be included in the schemes to avoid such risks.
- To be sustainable and successful, payment schemes should be designed to match as far as possible the actual forest cycle. Forest management requires a long-term perspective and this must be factored into any scheme.
- Transparency should be ensured at all stages, in the designing of PES and their implementation, involving stakeholders and informing the public about the use made of public money and the benefits resulting from the supported schemes.
- To further promote the upscaling of PES it is important to support the piloting of different approaches on the ground, and facilitate the exchange of data, knowledge and experience across the EU, including lessons learned and examples of good practices and difficulties encountered.

2.2 Break-out Group 2: Payments for Ecosystem Services in Forests in the EU, with a focus on private funding schemes

Two presentations were given by the Forest Stewardship Council International (FSC) and Centre National de la Propriété Forestière (CNPF) on examples of private PES schemes.

The FSC developed a private Ecosystem Service Procedure, applied globally -and implemented in different EU Member States- working as an add-on to the FSC Forest Management certification for the quantification of ecosystem services’ impacts on land, so that positive changes can be quantified and sold – however this is not an offsetting scheme. The procedure, currently involving 42 forest managers and covering some 840 thousand hectares worldwide, provides a framework for validation and labelling, through which forest managers and companies can buy the right to make verified statement – green-washing proofed – on their actual impacts on

ecosystems. Six types of statements/claims were developed, covering carbon, biodiversity, water, soil, and recreation.

In France, the CNPF developed a low-carbon standard certification scheme for voluntary off-setting, applicable to private companies as well as public bodies. The scheme, recognised by the French government, allows for the certification of the CO₂ sequestration of forest management projects. The scheme relies on three different forest methodologies covering respectively: afforestation (of agricultural land or abandoned land); reforestation of destroyed forests; conversion of coppice to high stand. The project is based on the following key criteria: additionality; monitoring of levels of CO₂ sequestration; verification (audit) by a third party; traceability of carbon; permanence of carbon sequestration; delivery of social and environmental co-benefits (including benefits for biodiversity, water, soil protection and local employment).

Discussions took place based the following guiding questions:

- How are rewarding mechanisms designed under private PES? Which costs are supported?
- What are the main challenges and advantages pertaining to the implementation of private PES, in particular when compared to public PES? How can challenges be overcome?
- How do PES link to the upcoming initiative on certification of carbon removals?
- Do combined approaches (public-private) have better potential to deliver on ecosystem services? How do such systems address co-benefits and safeguards?
- How to facilitate knowledge and best practices exchange and build on good experiences on the ground?

Main outcomes of the discussion:

- Key advantages of private payment schemes for ecosystem services are: i) a greater flexibility in possible design options, including the combination of different financial instruments, and tailored eligibility criteria to address specific ecosystem services and better reflect their complexity; ii) the potential of covering several types of costs (beyond the costs that can be covered through public schemes); iii) the possibility of relying on different governance structures, involving a variety of stakeholders, including private investors and sponsorship.
- The main challenges to the implementation of private PES are: i) ensuring a reliable valuation of ecosystem services; ii) facing long-term maintenance costs; iii) implementing a reliable system for measuring, reporting and verification (MRV).

These could be addressed by: i) relying on a combination of ecological and economic valuation methods (the INCA and the SEEA EA frameworks are a good example of such an integrated approach); ii) exploring public-private financing possibilities; iii) improving the robustness of certification (e.g. relying on the upcoming EU certification of carbon removals).

- The further upscaling of private PES could be supported by: i) promoting greater synergies and between the available public funding tools (e.g. CAP, LIFE Programme, State Aid); ii) relying on the activities of existing public stakeholder networks (such as the ENRD, the EIP-AGRI and the future CAP Network) to share

and disseminate knowledge and good practices; iii) providing specific support for knowledge and advice as a mandatory component of the scheme.

3. Plenary session

A rapporteur from each break-out groups reported on the discussions. A mentimeter was used to ask participants for any further comments and the take-home message.

4. Next steps

The Commission will develop a guidance document in which it will provide advice and technical guidance on the development of PES. The outcome of the workshop will contribute to the development of this guidance document.

5. List of participants

See annex.

(e-signed)

Pierre BASCOU

List of participants– Minutes
Joint Meeting of the Standing Forestry Committee
And
Civil Dialogue Group Forestry and Cork
And
The Working Group on Forest and Nature
31 March 2022

Workshop on Public and Private Payments for Forest Ecosystem Services (PES)

MEMBER STATE	MINISTRY OR ORGANISATION
AT	FEDERAL MINISTRY OF LAND AND FORESTRY
BG	EXECUTIVE FOREST AGENCY
CY	MINISTRY OF AGRICULTURE, RURAL DEVELOPMENT AND ENVIRONMENT
CZ	MINISTRY OF AGRICULTURE
DE	FEDERAL AGENCY FOR NATURE CONSERVATION
DE	FEDERAL MINISTRY FOR THE ENVIRONMENT, NATURE CONSERVATION, NUCLEAR SAFETY AND CONSUMER PROTECTION
DK	THE DANISH AGRICULTURAL AGENCY
EE	MINISTRY OF ENVIRONMENT
ES	MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
ES	MINISTRY FOR THE ECOLOGICAL TRANSITION AND THE DEMOGRAPHIC CHALLENGE
FI	MINISTRY OF AGRICULTURE AND FORESTRY
FI	MINISTRY OF FOREIGN AFFAIRS
FR	MINISTRY OF AGRICULTURE AND FOOD
HR	MINISTRY OF AGRICULTURE
HR	CROATIAN CHAMBER OF FORESTRY AND WOOD TECHNOLOGY ENGINEERS
HR	CROATIAN FORESTS LTD
HR	AGENCY FOR PAYMENTS IN AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT
HU	MINISTRY OF AGRICULTURE
IE	MINISTRY OF AGRICULTURE
IT	MINISTRY OF AGRICULTURE, FOOD AND FOREST POLICIES
IT	PAYING AGENCY-COORDINATION BODY
LV	MINISTRY OF AGRICULTURE
LV	MINISTRY OF ENVIRONMENTAL PROTECTION AND REGIONAL DEVELOPMENT
LV	PERMANENT REPRESENTATION OF LATVIA TO THE EU
LU	MINISTRY OF ENVIRONMENT, CLIMATE AND SUSTAINABLE DEVELOPMENT
NL	MINISTRY OF AGRICULTURE, NATURE AND FOOD QUALITY
NL	PAYING AGENCY
PL	MINISTRY OF CLIMATE AND ENVIRONMENT
PT	OFFICE OF PLANNING, POLICY AND GENERAL ADMINISTRATION
PT	INSTITUTE FOR THE CONSERVATION OF NATURE AND FORESTS (ICNF)
RO	MINISTRY OF ENVIRONMENT, WATER AND FORESTS
RO	PERMANENT REPRESENTATION OF ROMANIA TO THE EU
SE	MINISTRY OF ENTERPRISE AND INNOVATION
SI	MINISTRY OF AGRICULTURE, FORESTRY AND FOOD
SK	MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

ORGANISATIONS
ASOCIACIÓN AGRARIA DE JÓVENES AGRICULTORES (ASAJA)
CENTRAL UNION OF AGRICULTURE PRODUCERS AND FOREST OWNERS (MTK), FINLAND
CHAMBER OF AGRICULTURE-AUSTRIA (LKO)
CONFÉDÉRATION EUROPÉENNE DES PROPRIÉTAIRES FORESTIERS (CEPF)
CONFEDERATION OF EUROPEAN PAPER INDUSTRIES (CEPI)
ESTONIAN CHAMBER OF AGRICULTURE AND COMMERCE (EPKK)
EUROPEAN AGRI-COOPERATIVES (COGECA)
EUROPEAN CONFEDERATION OF WOODWORKING INDUSTRIES (CEI-BOIS)
EUROPEAN FARMERS (COPA)
EUROPEAN LANDOWNERS' ORGANIZATION ASBL (ELO ASBL)
EUROPEAN STATE FOREST ASSOCIATION (EUSTAFOR)
GENERAL CONFEDERATION OF ITALIAN AGRICULTURE (CONFRAGRICOLTURA)
FRENCH NATIONAL FEDERATION OF TERRITORIAL ENTREPRENEURS (FNEDT)
IRISH FARMERS' ASSOCIATION
NATIONAL CONFEDERATION OF AGRICULTURAL COOPERATIVES AND AGRICULTURAL CREDIT OF PORTUGAL (CONFRAGRI)
UNION DE SELVICULTORES DEL SUR DE EUROPS, AEIE (USSE)
UNION OF EUROPEAN FORESTERS (UEF)
WILD EUROPE
WWF