

Sustainability Blog

By PwC Deutschland | 19.03.2024

EU Parliament adopts EU Nature Restoration Law - what are the implications for the private sector?

Europe's State of Nature is deteriorating rapidly, with over 80 % of habitats in poor condition, posing risks to human society and planetary health.

The new EU Nature Restoration law aims to restore ecosystems, habitats, and species across the EU's land and sea. It includes legally binding targets to protect and restore ecosystems, such as forests, marine areas, urban spaces, and agriculture by 2030.

The law will have significant implications for the private sector. To learn more about the law's relevance, background, and its implications for the private sector, read our blog article.

Background of the Nature Restoration Law

Nature is defined as the interaction between living organisms - including humans - and their environment. The Taskforce on Nature-Related Financial Disclosures (TNFD), which has developed a standard for corporate reporting and risk management of nature-related factors, groups nature in land, ocean, water and atmosphere. Natural capital such as forest or land provides ecosystem services on which our society and economy depend on such as absorption of CO2 emissions in the case of forest and fertile soil in the case of land.

The European Union (EU) has long acknowledged the importance of preserving nature and biodiversity. However, despite these efforts, the condition of nature in the EU is deteriorating significantly. Recent data from the European Environment Agency in 2020 reveals that more than 80 % of EU habitats are in poor condition, 10 % of bee and butterfly species are at risk of extinction, and 70 % of soils are in an unhealthy state. This decline has continued despite the existing legislative frameworks and policies, due to the lack of enforcement measures for nature conservation and successful lobbying efforts making it difficult to reduce subsidies for partially unsustainable practices in particular in the agricultural sector.

The Nature Restoration Law now provides binding targets for the restoration of ecosystems for all EU member states. It provides the legal framework for the 2022 Global Biodiversity Framework as well as the EU Biodiversity Strategy legally binding and is a key element of the EU Green Deal. Before its adoption, the law faced significant resistance by protesting farmers whose concerns were taken up by some political parties and which led to a weakening of several provisions, e.g. the deletion of the target to re-wilden 10 % of farmland.

For the protection and restoration of biodiversity and ecosystems, both financial institutions and industrial companies play important roles. Financial institutions should provide financing and investments for economic activities that contribute to nature conservation (termed as "nature-positive activities") as well as manage related risks and opportunities in their portfolios. Industrial companies should promote protection and restoration of natural habitats and reduce their negative impacts with regard to natural resource consumption and air, land and water pollution.

The financial sector as a catalyst

The financial sector plays a crucial role in incentivizing the transition to a sustainable economy. Nature-related risks pose a threat to the financial system. According to a study by the European Central Bank (ECB) 75 % of bank loans are granted to companies in the Euro area that have a high dependency on at

least one ecosystem service. Many sectors rely on natural resources which makes the potential costs of losing these resources high. In order to safeguard essential ecosystems and their services, investing in the preservation and restoration of nature is imperative. Nature investments also bring economic opportunities. The Impact Assessment Report of the European Commission states that investments in nature restoration efforts yield a return on investment from 8€ to 38€ in economic value for every 1€ spent.

Impact on industrial companies

The enactment of the law will have an impact on a wide range of industrial sectors, especially on those that are heavily reliant on land and infrastructure. According to the WEF and PwC 2020 study “Nature Risk Rising” the below listed sectors were classified as facing medium to high impact of nature risks. We have included potential risk management actions by relevant industrial companies.

Sectors	Level	Potential actions by sector players
Agriculture and Farming	High	Change to sustainable and regenerative agricultural practices to promote biodiversity, reduce and capture GHG emissions and ensure sink and soil health
Forestry and Logging	High	Adopt sustainable and responsible logging practices, increase forest biodiversity and protect natural habitats
Construction (including property development)	High	Minimize their impact on natural ecosystems and habitats, consider biodiversity restoration in planning and construction
Fisheries and Aquaculture	High	Change to sustainable fishing practices, protect marine & freshwater ecosystems, promote responsible aquaculture products
Manufacturing and Industrial	Medium	Adopt sustainable production and material sourcing practices, reduce natural resource consumption and minimize pollution
Mining and Extraction	Medium	Protect natural habitats and minimize the negative impact on biodiversity
Waste Management and Recycling	Medium	Adopt sustainable waste management practices, promote recycling and circularity, reduce land and water pollution, and minimize the impact of landfills
Pharma, Chemicals, Life Sciences	Medium	Ensure that activities do not harm biodiversity, promote sustainable sourcing of natural resources
Real Estate	Medium	Take into account actual and potential negative impact on biodiversity, water, land-

		use and ecosystems when designing and constructing new projects
Transportation and Logistics	Medium	Adopt sustainable transport practices, reduce CO2 emissions, protect wildlife corridors and natural habitats

Content of the EU Nature Restoration Law

The new EU Nature Restoration Law aims to restore at least 20 % of the EU's land and sea areas by 2030 and to restore all ecosystems in need of restoration by 2050. Key requirements include setting clear restoration targets and monitoring and reporting on progress, implementing nature-based solutions, including stakeholder consultation and encouraging the mobilization of sufficient financing and resources to achieve the targets.

To achieve these targets, the law imposes some more specific requirements on the individual member states, including:

- Member states are mandated to restore 30 % of habitats covered by the new law (forests, grasslands, wetlands, rivers, lakes, coral beds etc.) that are currently in a poor condition to a good condition by 2030, rising to 60 % by 2040 and 90 % by 2050, prioritizing Natura 2000 sites.
- Agricultural ecosystems constitute a key part of the Law, EU Member States will have to make progress on two of the following three indicators: butterfly and farmland bird populations, soil organic carbon, or high-diversity landscape features.
- Targets on restoring drained peatlands are also prioritized as one of the most cost-effective ways to reduce emissions in the agricultural sector, i.e. restoration of 30 % drained peatlands by 2030 and 50 % by 2050 based on voluntary rewetting by farmers and private landowners.
- However, as requested by the Parliament, the law allows for an emergency break for provisions for agricultural ecosystems and agricultural targets to be temporarily suspended under exceptional circumstances of severe reduction of the land needed for sufficient food production for EU consumption.
- In addition, the Law calls for positive trends in several indicators in forest ecosystems and the planting of three billion new trees, the restoration of free-flowing rivers, and no net loss of urban green spaces and urban tree canopy.

Member States must adopt national restoration plans on how they intend to achieve these targets, as well as ensure that the restored area does not significantly deteriorate.

Next Steps for EU Member States

The law now needs to be formally approved by the EU Council and will then be published in the EU Official Journal before entering into force 20 days later.

After the enactment of the law, the EU member states will be granted two years to formulate Natural Restoration Plans (NRPs) on how they intend to achieve these targets as well as that the restored area does not significantly deteriorate in the future. The NRPs will then have to be approved by the European Commission. EU member states will have a certain amount of flexibility on how to achieve the targets, taking into account local and national conditions – provided they respect the binding requirements of the law.

Conclusion

EU member states have been granted some time to draft national action plans to implement the law. Financial institutions and industrial companies should follow the development of the NRPs and prepare for their implementation as these will have significant implications for the private sector.

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- PwC Study: [From Net Zero to Nature Positive](#)
- PwC Point of View: [Managing biodiversity risks and opportunities](#)
- PwC Point of View: [Net Zero Transition Plans](#)
- PwC Point of View: [Finanzinstitute im Wandel - Chancen und Herausforderungen der Kreislaufwirtschaft](#)
- [EU Nature Restoration Law](#)
- [Council general approach on the nature restoration law](#)
- [Press release Nature Restoration Law](#)
- [ECB Study “ The economy and the banks need nature to survive”](#)

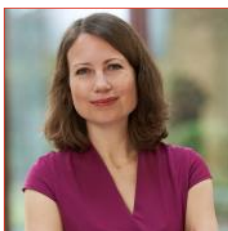
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