

Investments in forest and biodiversity conservation

How does the EU taxonomy impact the German investment market?

Against the backdrop of the climate and biodiversity crises, the market for sustainable investments is growing rapidly. This includes a high demand for forestry funds and other investment products focusing on forests. What investment offers are available on the European market? What are the important criteria investors need to consider, if they seek to contribute to climate and biodiversity protection through forest investments?

The European Green Deal and the EU taxonomy are changing the market.

For investors, the market for sustainable investments and especially for forest investments is difficult to evaluate. Assessing the risk-/revenue-profile of specific forest investments remains a challenge. Reliable information on ecological or human rights impacts is even scarcer. Private and public capital flows greatly affect the progress towards global goals regarding climate change mitigation and biodiversity conservation. Therefore, this lack in data transparency and comparability is highly problematic.

The European Green Deal, an initiative by the European Commission, aims to direct capital flows into sustainable economic activities and make Europe the first climate-

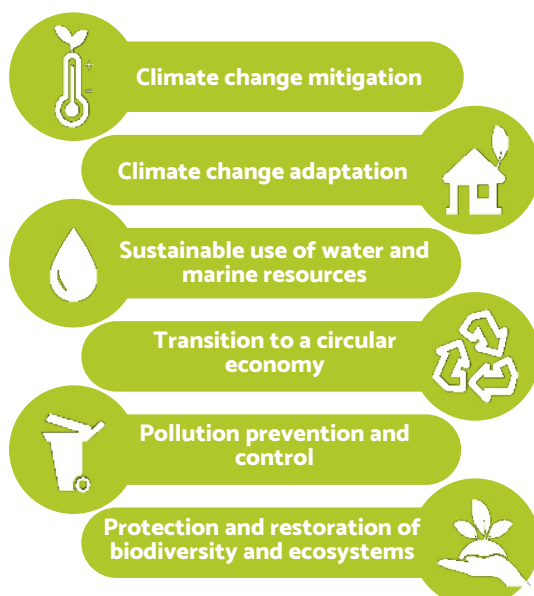
neutral continent by 2050. According to the Commission, reaching this goal requires about 350 billion Euros of private investment capital per year. One key element to this redirection of capital flows is the EU-taxonomy: A classification system for sustainable economic activities designed to improve transparency for investors and thereby make investing into climate-friendly and sustainable enterprises both easier and more attractive.

The EU-taxonomy is aimed at financial institutions, real economy enterprises that fall under the disclosure regulations introduced by the Corporate Sustainability Reporting Directive (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464>) as well as capital market oriented corporations, banks or insurance companies with more than 500 employees. Under the taxonomy, they all will be required to report regularly on which of their economic activities contribute substantially to one or more of the six environmental objective of the taxonomy without causing significant harm to any of the others.

The creation of the EU taxonomy presents an opportunity for greater transparency and the systematic promotion of a sustainable economy. At the same time, the taxonomy is an extensive and complex construct that poses significant challenges for the economic actors who fall under the new disclosure regulations.

The technical screening criteria for the six environmental objectives of the taxonomy are being defined in separate regulations (so-called “delegated acts”). The delegated act for the objectives of climate change mitigation and adaptation (widely known as the “Climate Delegated Act”) has already entered into force in January 2022. However, the standards it sets regarding forests, biodiversity and biomass have come under heavy scrutiny by non-governmental organizations (NGOs). In the public consultation process, that is part of many major acts in the EU, the NGOs criticized them as insufficient to effectively combat the climate crisis. The screening criteria for the environmental objective “protection and restoration of biodiversity and ecosystems”, currently under development in a delegated act known as “Taxo 4”, are also of special relevance for forest conservation, biodiversity and the role of biomass. Taxo 4 is expected to be adopted by the European Commission towards the end of 2022.

Ecological objectives of the EU taxonomy



GNF and OroVerde are leveraging the EU taxonomy to strengthen transparency in sustainable forest investments

In a joint project, OroVerde – Tropical Forest Foundation and the Global Nature Fund (GNF) want to help improve transparency in the forest investment market. To this end, we are preparing a market overview of investments in forest and biodiversity conservation on the German market against the backdrop of the EU taxonomy. Two case studies (most likely located in Indonesia and Canada) will provide an in-depth understanding of such investments, their impacts and implementation. In round-table discussions and other exchange formats the challenges, weaknesses and opportunities presented by the taxonomy are discussed directly with financial institutions, forest investment providers and other experts in order to develop creative and sustainable solutions.

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Based on the market overview, case studies and the exchanges with experts and stakeholders, GNF and OroVerde will develop recommendations for financial market actors. The results are also fed into the relevant consultation and advisory processes that accompany the development of the taxonomy, for example through the Platform on Sustainable Finance. Thus, the project contributes to effective and practical screening criteria for investments in forest and biodiversity conservation. Furthermore, it provides orientation for investors and financial actors in assessing the significance of the new regulations for their portfolios.



What we offer

Participate in our case studies and get a detailed assessment of your investment products against the backdrop of the EU taxonomy.

For investment providers who contribute to forest and biodiversity conservation:

- Engage with investors and other financial actors in our webinars and round-table discussions and broaden your understanding of **best practices** and customer demands.
- Give **recommendations to market actors** and regulators to ensure **practical and effective criteria for forest and biodiversity conservation**. Prevent greenwashing and unfair competition.
- Raise your public profile through the additional **public awareness** our project creates for sustainable forest investments
- Participate in our case studies and raise your **visibility in the market**.

For Investors:

- **Stay informed** on the newest developments in the investment market for forest and biodiversity conservation through our publications, workshops and webinars.
- Get insights on possible **market effects of the EU taxonomy**.
- Discuss your customer demands with providers of investments in forest and biodiversity conservation.

**Are you interested in an exchange of knowledge and perspective or do you want to participate in project activities?
Contact us!**

Partners: Global Nature Fund
OroVerde - Tropical Forest Foundation

Websites: <https://www.globalnature.org/en/investments-for-forest-and-biodiversity-conservation>
<https://en.oroverde.de/our-expertise/what-is-the-eu-taxonomy>

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