

IUCN NL Policy Brief June 2026

MAKING THE BUSINESS CASE FOR WETLAND RESTORATION

This policy brief sets out the business case for rewetting in Europe, demonstrating how restoring wetlands generates long-term economic, environmental, and social returns. It argues that rewetting is an urgent policy imperative, and that targeted incentives, subsidy reform, and strategic prioritisation can unlock significant benefits while avoiding far higher future costs.

THE IMPORTANCE OF WETLANDS

Wetlands are among Europe's most crucial ecosystems, but also heavily degraded:

- In the EU and the UK, wetlands cover only 8% of land, yet healthy and restored wetlands could store 12–31 Gt CO₂ eq - equivalent to 3–8 years of total EU greenhouse gas emissions.
- Wetlands are biodiversity hotspots supporting 40% of global species¹, and are essential for water security, regulating flows, filtering pollution, and reducing flood and drought risks².
- Europe has lost around 80% of its wetlands in the last century³, largely due to drainage, peat extraction, and infrastructure development.

HIGH COSTS OF INACTION

Europe is already paying the price of wetland degradation. **Costs of inaction**⁴ increase constantly, as ecosystems deteriorate and restoration becomes more complex. These are:

- CO₂ emissions from degraded peatlands, increasing the mitigation burden for governments.
- Water management costs (e.g., for drainage) for water authorities and utilities.
- Flood and drought damage, affecting cities, infrastructure, and insurance systems.
- Land subsidence and soil degradation, increasing long-term land-use costs.
- Cascading biodiversity loss, undermining ecosystem resilience.

The scale of these losses is immense: wetlands provide society with up to USD 39 trillion in benefits each year, yet they continue to be lost at 0.52% annually⁵. **Delaying action thus implies rising public and private liabilities.**

Short-term gains from continued wetland degradation translate into **long-term costs**. In contrast, **early investment reduces liabilities and generates returns**. Wetland restoration delivers value through **(1) avoided costs** and **(2) revenue streams**, making it an economically viable option in priority landscapes.



Photo: Wetlands Scotland Aberdeen © Natalie Hood from Getty Images

[1] Reference: <https://europe.wetlands.org/wetlands/what-are-wetlands/>

[2] Reference: <https://www.undp.org/kyrgyzstan/news/wetlands-ecological-backbone-water-and-climate-security> or <https://www.iwmi.org/blogs/why-wetlands-must-be-central-to-building-hydrological-resilience-beyond-protection/>

[3] <https://biodiversity.europa.eu/europes-biodiversity/ecosystems/wetlands#:~:text=Policy%20options,and%20flood%20regulation%2C%20among%20others.>

[4] The escalating economic, social, and environmental damages that arise when timely action is delayed, making future responses more complex and expensive.

[5] Reference: https://www.ramsar.org/sites/default/files/2025-09/GWO2025_Eng_Rev.1.pdf

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Avoided costs

- Reduced flood damage and risk (*for cities, infrastructure operators, insurers*)
- Avoided peatland CO₂ emissions (*for governments, taxpayers*)
- Lower water management costs (*for water authorities, municipalities*)
- Reduced drought and subsidence impacts (*for farmers, local economies*)

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Revenue streams

- Paludiculture products (*for landowners, farmers*)
- Carbon credits / climate payments (*for landowners, project developers*)
- Biodiversity or water payments (*for landowners, investors*)
- Nature-based investment returns (*for private and public investors*)

POLICY RELEVANCE

The cost of wetland degradation is also regulatory. Continued inaction increases the difficulty of implementing key EU policies.

- **Birds and Habitats directives and Nature Restoration Regulation (NRR):** Ongoing wetland degradation widens restoration deficits, making it more expensive and harder for Member States to meet legally binding targets within the required timelines.
- **Climate and LULUCF commitments:** Emissions from degraded peatlands raise the mitigation burden elsewhere in the economy.
- **Common Agricultural Policy (CAP):** Where incentives continue to favour drainage based land use, it raises future transition costs for aligning agriculture with restoration goals.
- **Water Framework Directive and Floods Directive:** Degraded wetlands weaken natural water regulation, increasing long-term public spending on water management and flood protection.



Photo: Wood sandpiper in grassy wetland ©Bernard Bialorucki from Getty Images

BARRIERS TO SCALING RESTORATION EFFORTS

Despite clear benefits, wetland restoration remains difficult to scale due to barriers that reinforce the cost of inaction and weaken the restoration pay-off.

Economic viability is undermined by high transaction costs and uncertain returns.

- Restoration involves significant administrative burdens that disproportionately affect small landowners.
- While societal benefits accrue over time, costs are immediate, and returns on investments are often unclear and delayed.
- Fragmented and short-term public funding, combined with incentives that continue to favour drainage-based land use, favours short-term exploitation over restoration.

Persistent knowledge-to-implementation gap slows action.

- Although scientific evidence on wetland benefits is strong, it is not consistently translated into policy guidance or guidance for land managers.
- The transition from research to real-world action is less efficient than it could be. Persistent gaps between science, policy, and economics - each with its own distinct vocabulary and goals - create hurdles that slow the scaling of effective wetland practices.

Market credibility concerns, complex governance, public perceptions of wetlands as unproductive, and political short-termism influenced by vested interests reinforce these barriers.



Photo: Water frog (*Pelophylax sculentus*) © Hans PeterK from Getty Images

FROM BARRIERS TO BREAKTHROUGHS: POLICY RECOMMENDATIONS

Opportunities exist to accelerate wetland restoration. Targeted measures can improve the economic viability of rewetting.

1. Prioritise and target high-impact wetlands

Strategically identify wetlands where ecological urgency and economic returns overlap - notably carbon dense and highly degraded systems with strong co-benefits for water regulation and biodiversity. Focusing efforts on these locations enables governments to direct limited resources where restoration delivers the greatest return and supports cost effective implementation of EU objectives.

2. Phase out harmful subsidies and realign public policies

Rewetting cannot compete economically as long as public subsidies continue to incentivise drainage-based land use.

- **Remove harmful incentives, particularly within the Common Agricultural Policy (CAP),** which largely support industrialized and drainage-intensive agriculture.
 - Phase out area-based payments that require land to be kept in productive (i.e., drained) states to remain eligible for support. Despite significant spending, reports by the European Court of Auditors (Special Report 16/2021)⁶ show that CAP funds have failed to reduce emissions from organic soils, leading to the continued degradation of carbon-rich peatlands.

6] https://www.eca.europa.eu/en/publications/SR21_16



Photo: Four spotted chaser, European dragonfly (*Libellula quadrimaculata*) © 49paully from Getty Images

- **Integrate climate and biodiversity goals into the CAP**, ensuring payments no longer reward practices incompatible with restoration.
 - The transition to paludiculture in EU member states is hindered by CAP eligibility rules. For instance, if a farmer stops drainage land to restore peatlands, the land may no longer be classified as eligible for basic payments (i.e., does not meet strict definition of agricultural activity). This creates an immediate financial loss that eco-schemes often fail to cover. It is thus necessary to ensure that paludiculture sites qualify as eligible hectares through a simple application process with minimal bureaucracy. CAP Strategic Plans should establish straightforward eligibility rules to avoid discouraging farmers from rewetting their land⁷.

3. Strengthen incentives and enable private sector engagement

Restoration will only scale when landowners and land users are enabled and motivated to participate.

- Develop competitive compensation models at scale, including CAP eco-schemes and result-based payment schemes (RBPS), to reward high water tables and restoration outcomes.
- Support transition pathways for landowners, reducing financial and technical barriers to change. For example, low interest loans or startup grants for paludiculture, paired with publicly funded “restoration consultants” who help farmers design viable transition plans.
- Guarantee tangible and predictable benefits to make rewetting economically attractive. For example, water utilities paying upstream wetland owners for natural water filtration services that reduce treatment costs.
- Remove legal and administrative barriers to participation across agriculture and forestry. For example, redefining “eligible agricultural land” so rewetted land remains subsidy eligible; introducing fast-track permitting for restoration projects.
- Embed restoration in mainstream business practice, enabling private actors to invest in nature-positive business models.

CALL TO ACTION

Wetland restoration is an economic and policy imperative for Europe. Continued degradation increases public liabilities and risks, while **rewetting reduces costs and generates long-term returns. These returns benefit both climate, water, and biodiversity as well as the economy and society as a whole.**

Policymakers can unlock this payoff by prioritising high-impact wetlands, removing subsidies that reward degradation, and creating incentives that make rewetting a viable land use option. Acting now avoids far higher costs in the future.

[7] <https://www.eca.europa.eu/en/publications/SR-2024-20>.

ponda

Ponda.bio is a biomaterials startup demonstrating how regenerative paludiculture can link peatland restoration with industrial value chains. The company develops plant-based insulation materials from cattail (*Typha latifolia*) grown on rewetted peatlands, showing how wetland-compatible agriculture can replace drainage-based land use.

By creating demand for paludiculture materials in the fashion and outdoor sectors, Ponda.bio aims to incentivize the transition of degraded peatlands toward rewetting. Supported by early-stage funding and industry collaborations, the company illustrates how biomaterial innovation can reduce reliance on extractive raw materials while supporting climate mitigation, biodiversity recovery, and alternative land-use models aligned with European restoration goals.



Photo: © Ponda.bio



Photos left to right: © Ponda.bio



Photo: Bog landscape in Estonia
© Urmas83 from Getty Images

ABOUT REWET

REWET (REStoration of WETlands to minimise emissions and maximise carbon uptake) is a “landscape level” laboratory for the restoration of wetlands at European scale. In the REWET project, funded by the European Union, NGOs, universities, companies, and institutions joined forces to study the full potential of wetlands areas as part of a climate change resilience strategy.

With information from seven open laboratories, we are developing a comprehensive understanding of how European wetlands can best contribute to climate mitigation and adaptation.

Would you like to learn more?

- Visit the [REWET website](#)
- Or contact [Caspar Verwer](#)

Contributions

This policy brief has been jointly developed by **IUCN NL** (*Caspar Verwer, Hannah Porada, Mark van der Wal*), **Bax Innovation** (*Lisa Wiatschka, Gerard Don*), and **IDENER.AI** (*Alejandro González*).

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