

Fauna & Flora's position on biodiversity credits and the development of a high-integrity biodiversity credit market

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Overview

The emerging market for biodiversity credits has the potential to drive significant additional finance into conservation, which will be crucial in achieving the goals of the Global Biodiversity Framework (GBF) and the Paris Agreement. Fauna & Flora is keen to ensure this funding flows to locally led approaches. We see this as the only route to legitimacy and sustainability in conservation, because local people, organizations and individuals are best suited to identify and implement appropriate conservation actions, and should be enabled, equipped and funded to do so.

While biodiversity credits could play an important role in scaling up the depth and breadth of action for nature that is required to transition to a nature-positive and net-zero world; innovative and impact-driven market mechanisms such as these require careful design and good governance to drive the desired outcomes and avoid or minimise unintended ones.

Fauna & Flora is engaging strategically at the outset of this nascent market opportunity. Our objective is to help shape biodiversity credits and harness their potential to provide crucial sustainable finance for locally-led nature protection and restoration.

Defining biodiversity credits

Currently there is no formal, globally agreed definition of a biodiversity credit. Fauna & Flora considers that biodiversity credits should:

- represent measurable units of biodiversity preservation or uplift,
- include core social and climate benefits, and
- be underpinned by an appropriately robust scientific methodology.

These credits should be traded, not to offset negative impacts on biodiversity elsewhere, but to directly support and further incentivise the efforts of landowners/stewards and communities to conserve and restore important habitats and species across the world.

¹ Note this is a working document. The position statement will be updated periodically, with version control. The latest version will always be available on the Fauna & Flora website.



Measures, metrics & methodologies

Fauna & Flora strongly supports approaches that enable locally led conservation, and that are relevant for those who live closest to biodiversity and are on the frontline of action to conserve nature. It therefore follows that accessible and practical methodologies are needed to enable real biodiversity benefits in a diversity of socio-political and ecological contexts. However, we also recognise the need to also ensure that biodiversity credits are appropriately robust and use the best available science, to enable real and verifiable benefits. While technical innovation is driving rapid change and new opportunities in the measurement of biodiversity, we highlight the importance of ensuring a balance of approaches so that technology solutions enable – rather than compromise – accessibility, inclusivity and cost effectiveness in order to maximise compatibility with locally led approaches to conservation.

Considering the challenges of creating one unique metric or framework for assessing and quantifying biodiversity impact, biodiversity credits will only work in practice if a range of methodologies becomes available to support scaling up in the market. Multiple units (e.g. area, species or habitat-based) to define biodiversity credits, and complementary methodologies to quantify biodiversity impact, are needed to avoid the risk of, for instance, favouring large projects and biomes where change is rapidly evident; or of creating top-down frameworks that are not locally relevant.

It is important that the biodiversity credits market enables support for the protection of currently well-preserved high conservation value areas or existing ecosystems, where long-term finance is lacking or limited but much needed to sustain effective conservation or recognise the ongoing stewardship of Indigenous peoples and local communities. Such projects should represent a major source of supply in biodiversity credits, especially in areas of high conservation value that are at risk due to a lack of sustained financial support and institutional action. Additionality in such cases would be strongly justified because, without extra funds, biodiversity and communities would face increased risks. Biodiversity credits should become a mechanism to address the real gap between the global ambition around the GBF and the current state of budgets for nature, which are vastly under-funded.

Beyond mitigation

To avoid increasingly catastrophic impacts of biodiversity loss and climate change on nature and people, there is an urgent need to protect and restore natural ecosystems and move more quickly to go *beyond* no net loss of nature. For the biodiversity credits market to realise its great potential to accelerate protection and recovery of nature, it is important that biodiversity credits are not considered, used or referred to as biodiversity offsets.

In other words: they should not be used to compensate for residual/unavoidable impact on nature as part of the biodiversity impact mitigation hierarchy. Instead, they must create additional and quantifiable benefits for biodiversity (and for people and climate) – aligned with jurisdictional aims, the Global Biodiversity Framework, and the UN Decade on Ecosystem Restoration – and contribute to the global goal to achieve biodiversity recovery by 2050.

For buyers, a clear distinction between biodiversity offsets and biodiversity credits is required to avoid confusion. Biodiversity credits are voluntary and quantifiable, and can be generated outside of a company's value chain. They differ from Net Positive Impact (NPI) commitments



and biodiversity offsets, because NPI and offsets are tied to a company's direct operations, and offsets are designed to compensate for negative impact and do not always guarantee additional gains.

Potential uses for biodiversity credits as non-offsets by a corporate will fit within their Nature Positive, and Sustainable Development Goals, targets; their philanthropic work in supporting outcome-based conservation; their commitments to meet the Taskforce for Nature-related Financial Disclosure requirements; or as a financial asset in their portfolio. However, it is key that a pre-requisite for companies to participate in the biodiversity credits market is their commitment, and measures to ensure adherence, to the biodiversity mitigation hierarchy.

Pricing & revenue-sharing

Fair pricing is key to increasing credibility and ensuring high integrity in nature markets. This urgently calls for agreements on floor pricing, transparency and good practice. The price per unit should be enough to cover project design and implementation and ensure equitable benefit sharing.

Regulatory institutions and jurisdictions have an essential role to play by providing early enabling policy. Fauna & Flora is supportive of efforts to establish market guardrails, and high-integrity governance such as those in development by the France-United Kingdom advisory panel. Particular attention should be given to ensuring markets systems enable access to benefits (financial and non-financial) to Indigenous peoples and local communities. They are on the frontline of nature stewardship, their livelihoods typically intertwined with their surrounding ecosystems, and have a critical role to play in enabling the protection and restoration of nature. It is also important to guarantee that supplier countries are rewarded for their action in nature conservation, and that the market enables structural changes towards sustainable development in biodiversity-rich nations.

Purchasing & claims

The use of biodiversity credits by companies and financial institutions requires early and clear guidance on how credits can be used and the associated claims that can be made, analogous to the Voluntary Carbon Market Integrity Initiative process in the voluntary carbon market. Due diligence on companies and financial institutions wishing to purchase biodiversity credits is required to ensure that impacts to biodiversity across the value chain are being reduced as a foundational requirement, alongside the use purchase of voluntary credits. The application of frameworks such as the Science Based Target Network, Taskforce for Nature-related Financial Disclosure and Net Positive Impact methodologies are key tools to provide the structure and transparency required to meet this requirement. Only by doing this can a company's biodiversity footprint truly become nature-positive and ensure real gains for biodiversity at the systems level.



Synergies & complementarity between markets

Connecting approaches and creating frameworks that allow for complementarity and integration – instead of competition – between market mechanisms for nature is pivotal to closing the significant finance gap for biodiversity. There are synergies between the voluntary carbon market for nature-based carbon credits, and the emerging biodiversity credit market. They fund projects and programmes of work with complementary objectives at the local level; contribute to inter-connected policy targets on climate change and biodiversity loss, and the wider UN Sustainable Development Goals; and offer complementary mechanisms for businesses to integrate support for nature recovery into their science-based pathways to net zero and nature & people positive. Yet there are also distinct differences between the markets, which will demand different approaches – with some lessons transferable and others requiring market-specific innovation.

Finance created through the voluntary carbon market is projected to increase between US\$10-50 billion by 2030 (Nature Finance & Carbone⁴, 2023), and has a critical role to play in meeting global climate and biodiversity targets. However, the nature-finance gap is estimated at US\$598–824 billion per year (Deutz et al., 2020), and additional funding mechanisms are urgently needed. Biodiversity credits have emerged as a potential part of the solution, and one that creates opportunities to finance nature protection and recovery in ecosystems that have been underserved by the voluntary carbon market: for example, areas that are lower in carbon stock but high in biodiversity; areas where carbon stocks are not under immediate threat, but where the ability to deliver biodiversity-specific benefits requires additional, sustained funding not available through traditional philanthropy; and in areas where the funds raised by climate finance are insufficient to ensure the protection of an ecosystem and the people who depend on it.

High integrity for nature, people & climate

Recognising the synergies between biodiversity credits and the voluntary carbon market also provides an opportunity to strengthen high-integrity approaches, informed by lessons from both markets. High integrity must be foundational in all nature markets. For example: the central role of Indigenous peoples and local communities as those on the front line of nature stewardship; the creation of real, robust, and multiple benefits underpinned by science; transparent transactions; and fair, equitable and traceable benefit sharing. For more information see Fauna & Flora and Plan Vivo Foundation's [*High-level integrity principles for biodiversity markets*](#)² and Fauna & Flora's [*position on high-integrity implementation of nature-based solutions and use of NbS carbon credits*](#)³.

Concluding remarks

The emerging voluntary market for biodiversity credits offers important potential to help close the global finance gap for nature by enabling a flow of market-based finance that can complement other market mechanisms (in addition to the ever-critical role of development aid and philanthropic funding). We acknowledge the urgency of wider, systemic change that is urgently needed to pivot the global economy and development writ-large to a net zero and nature positive pathway. Market mechanisms such as these, if well designed, offer critical



opportunities to resource effective, locally-led conservation action, yet it is in the realm of systems change where outcomes for nature, people and climate can be transformed at scale.

At every level, the critical role of nature – and of the people on the front line of protecting, sustainably managing and restoring ecosystems – has never been more evident, or in such urgent need of support. As a biodiversity conservation organisation, dedicated to supporting locally-led action for nature, it is incumbent upon us at Fauna & Flora to play our role in ensuring that mechanisms such as the emerging market for biodiversity credits are fit for purpose, support our partners, and will accelerate us towards achieving global goals for nature, people and climate.

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