



Shades of REDD+ **Harmonized Biodiversity Claims as a Solution for Fragmented Biodiversity Markets**

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22 November 2023 | Interest in market-based approaches to support of biodiversity conservation and restoration has grown significantly since December 2022, when the Parties to the United Nations' Convention on Biological Diversity (CBD) adopted the Kunming-Montreal Global Biodiversity Framework (GBF.) The GBF sets a financial target of mobilizing at least USD 200 billion per year by 2030 for biodiversity protection and restoration. Since public finance will fall short of this target, the GBF recognizes that “innovative schemes such as payment for ecosystem services, green bonds, biodiversity offsets and credits, and benefit-sharing mechanisms, with environmental and social safeguards” (GBF Target 19) may be needed to close financing gaps.

In October, Climate Focus published [Biodiversity Credits Markets: Charting Pathways for Early Investment and Sustainable Market Growth](#), a paper that provides guidance to investors by categorizing different ‘biocredit schemes,’ i.e., frameworks that seek to create tradable, non-offset biodiversity certificates. The findings of the paper make clear that, so far, there is no promising emerging approach that could channel significant amounts of private finance to high-biodiversity value ecosystems in the Global South. One way to create incentives for private finance to flow via biodiversity conservation in the light of multiple and mostly localized biocredit systems is the formulation of a set of headline contribution claims that recognize financial contributions to biodiversity. Such contribution claims would be non-tradeable confirmations of financial contributions to biodiversity protection by private actors. Standardized biodiversity contribution claims would allow corporates to communicate and report support for biodiversity protection, and governments could recognize such contributions in support of GBF Target 19. ACCEPT



About this Series

This story is part of a continuing series called “Shades of REDD+”, which is a companion to the intermittent series [“Forests, Farms, and the Global Carbon Sink”](#).

“Shades of REDD+” is not intended to represent the views of Ecosystem Marketplace or Forest Trends, but rather to showcase a diversity of analyses and opinions from recognized experts in the field of forest carbon finance.

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Challenges and risks of a global biodiversity market

[Global markets in certified biodiversity credits](#) modelled after carbon markets has been touted as a solution to mobilize funding from private sources. However, biocredits markets come with important caveats:

- First, while offsetting environmental harms with environmental goods is contested but often accepted in carbon markets, offsetting is simply unacceptable in global biodiversity markets. Carbon markets trade offsets because reducing greenhouse gas emissions may, to some extent, be fungible, but nature is definitively not fungible. Biodiversity is highly context specific: the loss of species in one place cannot be compensated by creating new habitats in another.
- Second, finding metrics that apply to conservation or restoration outcomes in widely differing habitats is close to impossible. Therefore, generating biocredits requires the definition of ecosystem-specific indicators, which makes the standardization of a biocredit unit difficult.
- Third, markets may disproportionately allocate funds to conservation over restoration to prioritize short term crediting of “uplifts” or investments into “charismatic” species’ habitats over long-term conservation goals.
- Fourth, biodiversity restoration requires engagement over long timeframes, which makes the year-to-year verification and financing required for biocredits challenging.

As an alternative approach to biocredits schemes, biodiversity markets could be tagged to carbon markets and companies could be encouraged to invest in carbon credits with positive biodiversity impact attributes. The advantage of this option is that the Sustainable Development Verified Impact Standard (SD Vista) and the Gold Standard for the Global Goals (GS4GG) already offer certification systems for biodiversity attributes. However, such attribute certifications also limit biodiversity investments to projects that have reducing greenhouse gas emissions or enhancing carbon removals as their primary goals. This means that attribute biodiversity finance will not be able to mobilize financing for the conservation of high-integrity ecosystems because emission reductions or removals credits cannot be generated from projects in ecosystems that are not under threat. Additionally, tying biodiversity investments to carbon markets with their uncertain future also creates risks for the future of biocredits markets.

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National and local incentive schemes can be more targeted

An increasing number of national and local payment-for-ecosystem services (PES) systems that value biodiversity investments are emerging. These include government-driven initiatives such as the Australia's [Nature Repair Market Bill](#) or the UK's [Nature Markets Framework](#), private initiatives such as [NaturePlus credits](#) designed by GreenCollar in Australia, and [Voluntary Biodiversity Credits](#) designed by Terrasos and ClimateTrade in Colombia. National schemes have the advantage that they can be tailored to specific ecological contexts and promote specific national conservation goals. Government-driven regulatory systems have the additional advantage that they link credit generation to mandatory compensation rules, which create demand for investments into biodiversity by allowing liable entities to fulfill their obligations by purchasing credits. Local PES systems can be even more targeted because they rely on simpler protocols than national schemes or international markets, and can be more specific in the definition of biodiversity-related action. Both national and local systems can be more easily aligned with countries' policies than international schemes.

A significant disadvantage of local and national systems is that because they are specific to ecological and policy contexts, their metrics are often not comparable, and these systems are unlikely to produce standardized credits that can be transferred internationally. These systems may be limited in scope and scale, and they rarely mobilize international finance. National and local schemes are also confusing for international investors, who have little appetite to appraise dozens of different systems and schemes. Even if investors decide to explore national or local markets, evaluating equivalence between benefits generated in different countries is a daunting task.

Creating internationally accepted claims in lieu of credits

While lacking the versatility of a global biodiversity credit market, a preliminary solution to the biodiversity financing challenge may be the definition of a set of standardized biodiversity claims that recognize investments into biodiversity and contributions to Target 19 of the GBF without requiring the transfer or "use" of biocredits. Such harmonized contribution claims could create incentives for international investors to support a range of approved local or international biodiversity supporting PES or ^{ACCEPT} g systems. Instead of certifying credits based on biodiversity

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outcomes, an international governance body could focus on certifying credible biocrediting schemes that meet a set of minimum requirements (e.g., policy alignment, clear definition of biodiversity outcomes, and verification of such outcomes.) In other words, a system of claim governance would focus on accrediting biodiversity supporting systems that could be supported by international investors.

A set of recognized nature-related contribution claims could enhance the appeal to corporates of investments in biodiversity and fill the gap in investment incentives left by the absence of harmonized international biocredit schemes. The proposed claims could be recognized by The Global Goal for Nature as fulfilling nature-positive goals, the Science Based Targets Network as meeting science-based targets for nature, or the Taskforce on Nature-related Financial Disclosures. The claims would ensure international recognition of local biodiversity investments while navigating and avoiding the challenges that come with biodiversity credits markets. The proposed claims could

- be linked to investments in national biodiversity credits schemes as well as in emerging international systems that meet a set of minimum program requirements set by the contribution claim framework
- reflect the amounts invested, the approved biocredit scheme, and the country of investment
- recognize biodiversity investments as valuable contributions to Target 19 of the GBF
- require the retirement of biocredits that are linked to the proposed claims; should credits be issued by an approved program they would have to be retired
- be linked to criteria for a company's biodiversity performance and require companies to demonstrate positive biodiversity outcomes across their value chains as well as mainstreaming of biodiversity concerned throughout the entire organization.

A solution?

In sum, global markets for biodiversity credits face significant, possibly prohibitive, challenges. Encouraging investments in “co-benefits” of carbon projects enhances the value of such projects but is unlikely to mobilize investments into biodiversity at scale and limits investment to a very narrow set of GHG mitigating activities. Investing in emerging national or local systems is unlikely to appeal to international investors because they have to navigate a thicket of different contexts. One way forward may be a set of nature-related claims that are recognized by national governments as positive contributions to the G ^{ACCEPT} allow

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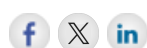
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corporates to communicate their commitments to biodiversity conservation and restoration.

The proposed contribution claim approach could be implemented relatively quickly and would avoid multiple entities getting stuck in lengthy, costly, and competitive processes to develop frameworks, registries, and other infrastructure required for biodiversity credits markets. The proposed claims could be reported in a fully transparent and comparable way and reward companies with recognition for their international engagement in biodiversity protection.

Photo credit: Michael Philips



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