

Corporate Commitment Meets Nature: The Reality of Biodiversity Credits

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Executive Summary & Introduction

Executive Summary

The significant effort required to adequately scale biodiversity credits is not justified by their expected demand in our view. The collective efforts of the conservation community may be better spent on other more promising tools to unlock short- to medium-term financing for biodiversity.

Background on Biodiversity Loss

Across the globe, nature is declining at rates unprecedented in human history. According to the landmark IPBES 2019 report – the most comprehensive global scientific study ever conducted on biodiversity –

around one million animal and plant species are threatened with extinction, many within decades.¹ Land use change is the primary driver of this loss and remains the most prolific threat to nature.²

Global Risks and Financing Gap

Looking ahead, the World Economic Forum anticipates that “biodiversity loss and ecosystem collapse will be one of the fastest growing global risks over the next decade”.³ Though financial flows towards global biodiversity conservation almost trebled between 2012 and 2019,⁴ there is an average funding gap of ~\$700Bn per year that must be closed to bend the curve on biodiversity loss by 2030.⁵

1. The IPBES Global Assessment Report on Biodiversity and Ecosystem Services was compiled by 145 expert authors from 50 countries over three years, with inputs from another 310 contributing authors. “The global assessment report on BIODIVERSITY AND ECOSYSTEM SERVICES SUMMARY FOR POLICYMAKERS,” IPBES, 2019, [LINK](#).
2. “LIVING PLANET REPORT 2022,” WWF, 2022, [LINK](#).
3. “Global Risks Report 2023,” WEF, 2023, [LINK](#).
4. Though encouraging, it is notable that the existing global spending on agricultural, forestry, and fisheries subsidies that degrade nature is at least two to four times greater.
5. “Financing Nature: Closing the Global Biodiversity Financing Gap,” Paulson Institute, 2021, [LINK](#).



Framework for Action

The Kunming-Montreal Global Biodiversity Framework

The Kunming-Montreal Global Biodiversity Framework provides a strong starting point for action on nature, but further progress is required.

Against the global backdrop of biodiversity loss, world leaders gathered in Montreal in December 2022 for the 15th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 15). This was dubbed a “Paris moment for nature” when heads of states adopted the “Kunming-Montreal Global Biodiversity Framework” (GBF) comprising four goals and 23 targets for achievement by 2030.⁶ Notably, they agreed to the

ambitious “30 by 30” target which calls on countries to conserve and sustainably manage at least 30% of their terrestrial inland water and coastal and marine areas by 2030.

Key Goals and Targets

The GBF aims to mobilize at least \$200Bn per year in domestic and international biodiversity-related funding from all sources – both public and private. It has now been over a year since COP 15, but there have been no clear signs of progress in closing the funding gap. Innovative financing mechanisms and an increased supply of high integrity ‘bankable’ projects are urgently needed.

6. “COP15: Nations Adopt Four Goals, 23 Targets for 2030 In Landmark UN Biodiversity Agreement,” CBD, 2022, [LINK](#).



Where We Are Today

Biodiversity Credits: A New Financial Instrument

Biodiversity credits are in the spotlight as a potentially promising instrument to unlock new sources of finance. They were included in the Kunming-Montreal GBF.

One of the proposed solutions to contribute towards meeting these critical GBF targets is to ‘stimulate innovative schemes such as payment for ecosystem services, green bonds, biodiversity offsets and credits, benefit-sharing mechanisms with environmental and social safeguards’ (Article 19). Since the GBF was adopted, there has been rapidly growing interest in and work on the topic of biodiversity credits. A high degree of optimism has been expressed around the potential of biodiversity credits as a market-based initiative to scale up financing from the private sector.

7. WEF, [LINK](#).

Current Market Development

Biodiversity credit markets are being developed rapidly. Progress has been made in the governance and principles “architecture,” market infrastructure, and piloting of credit schemes.

INITIATIVES AND ALLIANCES

In 2022, the World Economic Forum (WEF) launched The Biodiversity Credits Initiative to explore biodiversity credit demand and supply, promote integrity, and identify metrics to measure.⁷ The Biodiversity Credits Alliance (BCA) brings together a diverse range of stakeholders to support the realization of the GBF, notably by encouraging the private sector to protect biodiversity via biodiversity credits.⁸

8. Biodiversity Credits Alliance Website, [LINK](#).

EMERGING STANDARDS AND MARKET INFRASTRUCTURE

Biodiversity credit market ‘infrastructure’ is rapidly emerging with the development of biodiversity credit standards and deeply tech-enabled credit registries and marketplaces. Several emerging voluntary biodiversity crediting standards are being developed and are at varying stages of progress.⁹

BIODIVERSITY CREDIT PILOTS

Already there is momentum on the supply side, with many biodiversity credit pilots under way. Some are already operational, where credits are being sold. 30+ biodiversity credit pilots are under way in the voluntary and private sectors, covering 11 schemes and 15+ geographies identified by IIED at December 2023¹⁰ – recognizing that there are likely to be many more. The WEF is now convening a ‘Frontrunners Coalition’ of private sector players to ignite and catalyze the market, while testing and learning from early-stage transactions.¹¹

Biodiversity Credits Differ from Biodiversity Offsets

Despite rapid global activity to develop biodiversity credits, we are far from global consensus, as experts remain divided about their utility, feasibility, and effectiveness. You may be thinking, “Okay, everything seems on track. What’s missing?” The simplified answer: a clear demand-side use case. Who will buy biodiversity credits, and why would they?

Biodiversity credits are related to biodiversity offsets but are different in intention and use along the mitigation hierarchy. At this stage of market maturity, credits should not be used as offsets.

The mitigation hierarchy is a tool that guides users on how to limit potential negative impacts on biodiversity from development projects. Following this hierarchy is fundamental to achieving ‘no net loss’ or being ‘nature positive’.

The steps of the mitigation hierarchy should be followed sequentially:



Only then can additional **voluntary contributions** towards global nature goals be made via biodiversity credits (among others) – beyond offsetting direct impacts and dependencies (“go beyond”).

While biodiversity offsets¹² are compensation for residual loss from attributable and unavoidable business activities, biodiversity credits¹³ are voluntary investments in biodiversity above and beyond contemporary impact mitigation. The only difference between offsets and credits is in their claims and intended use. At this stage of market maturity, credits should not be used as offsets.

9. Notable examples are Plan Vivo's PV Nature, Verra's SD VISta Nature Framework, and Cercarbono's Biodiversity Certification Programme (CBCP) Protocol, each with different types of credits and methodologies.

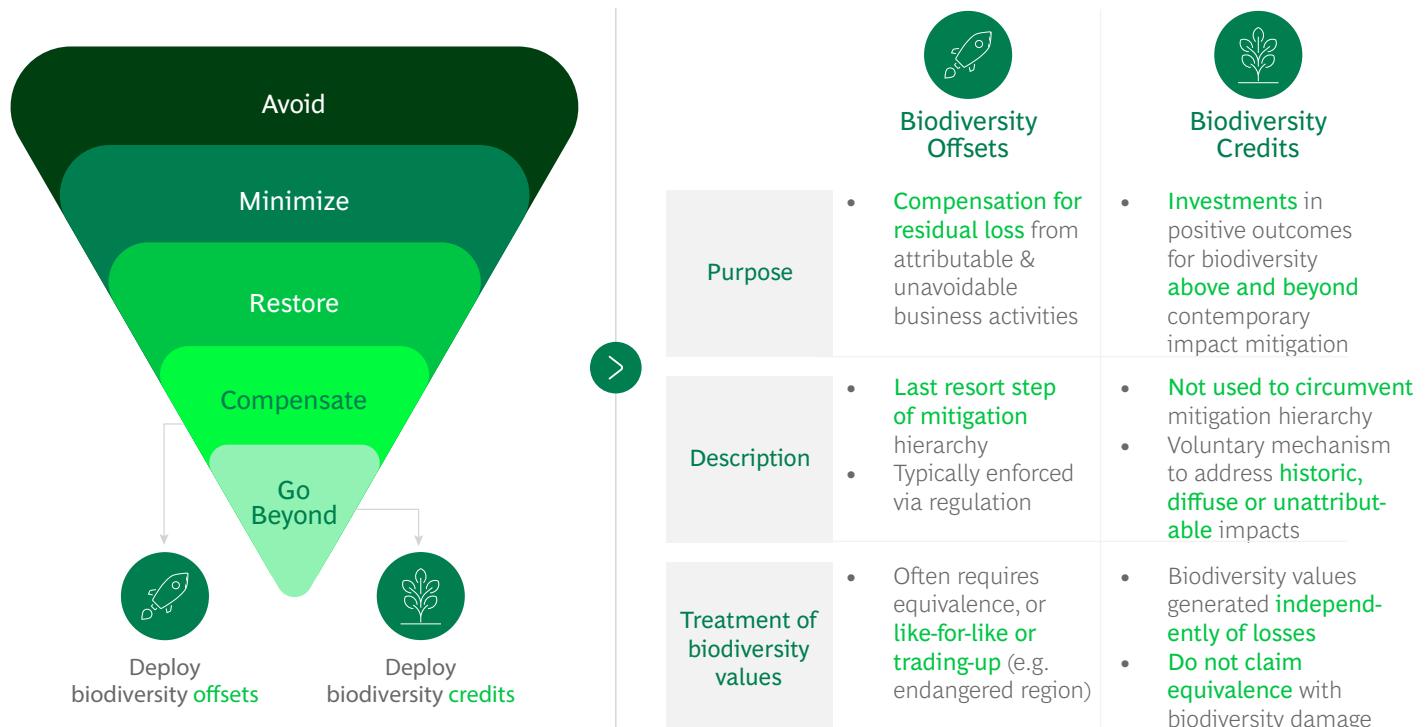
10. “Biocredit catalogue: a collection of biocredit developers and schemes,” International Institute for Environment and Development, 2023, [LINK](#).

11. See ‘one-page’ from the WEF website: “The Biodiversity Credits Frontrunners Coalition,” WEF, [LINK](#).

12. Biodiversity offsets are typically mandatory. They are required by governments or financial institutions as part of compliance with environmental regulations. The primary goal is to compensate for attributable and unavoidable damage to biodiversity by investing in conservation actions, either in the surrounding ecosystem or elsewhere. It should be “like for like,” noting that it is not possible to achieve true equivalence due to the unique and localized nature of biodiversity.

13. Biodiversity credits are intended to be bought and sold in voluntary markets, signifying a proactive contribution to a nature-positive future that is not tied to a purchaser’s biodiversity impacts.

Biodiversity credits are related to biodiversity offsets, but are different in intention and use along the mitigation hierarchy



Source: Biodiversity Consultancy - Exploring Design Principles for High Integrity and Scalable Voluntary Biodiversity Credits (2022)

Challenges and Criticisms

There is ongoing division and debate around whether biodiversity credits can/should be used as biodiversity offsets. This could be to address unmitigated and residual corporate biodiversity impacts where regulated offset schemes do not or only partially exist. Based on the strict definition and lack of maturity of the market today, biodiversity credits should not be used as offsets given two main considerations: non-fungibility of biodiversity and risks of greenwashing and undermining conservation efforts.

NON-FUNGIBILITY OF BIODIVERSITY

Biodiversity is inherently unique and place-specific. It is impossible to fully recreate the ecological characteristics of an area. Ecosystems have unique species, interactions, and ecological functions. There is significant complexity in measuring and trying to ensure equivalence – an overall lack of scientific consensus around how to value and ‘equate’ biodiversity.

RISKS OF GREENWASHING AND UNDERMINING CONSERVATION EFFORTS

Companies may misuse credits as a ‘license to degrade’ – damaging one area of biodiversity by justifying

‘compensation’ in another area with different characteristics, which could lead to a net loss in biodiversity. Since there are currently no clear methodologies to ‘equate’ biodiversity with supply chain impacts and no global governance mechanisms to enforce responsible use, there are significant greenwashing risks in biodiversity credits.¹⁴

If credits could be used as offsets (in other words, for compensatory purposes), it would jeopardize the mitigation hierarchy. Would companies truly be offsetting their residual impacts?

Given the non-fungibility of biodiversity, it is important to note that biodiversity credits are fundamentally different from carbon credits. Carbon credits can be used as compensation, but biodiversity credits cannot. For this reason, you cannot ‘overlay’ the carbon journey with biodiversity – a subtle point that is causing a lot of confusion.

Expected Market Size and Limitations

While demand-side use-cases for biodiversity credits do exist, we expect the size of short-to medium-term demand will be limited since,

¹⁴. These risks are arguably higher than in carbon markets, given the unique location-specific nature of biodiversity.

by definition, corporates cannot make claims against their direct biodiversity impacts.

Biodiversity credits can stimulate small-scale private sector funding by creating new corporate incentives to contribute to biodiversity. In particular, they provide a structured way to protect supply chains, contribute towards global targets, maximize co-benefits from carbon credits, and bundle with consumer products (see deep-dive to follow).

While biodiversity credits should be used to unlock ‘niche’ use cases or for highly relevant/applicable projects – given that ‘every penny counts’ to close the financing gap –

overall the WEF expects that short- to medium-term demand will be very limited.



It projects demand at only **\$1-2Bn** by 2030,¹⁵ which is **~1%** of the **~\$200Bn** financing target set in the GBF.

This is largely driven by the fact that biodiversity credits are purely voluntary and do not provide a clear business benefit (‘something in return’) for corporates.

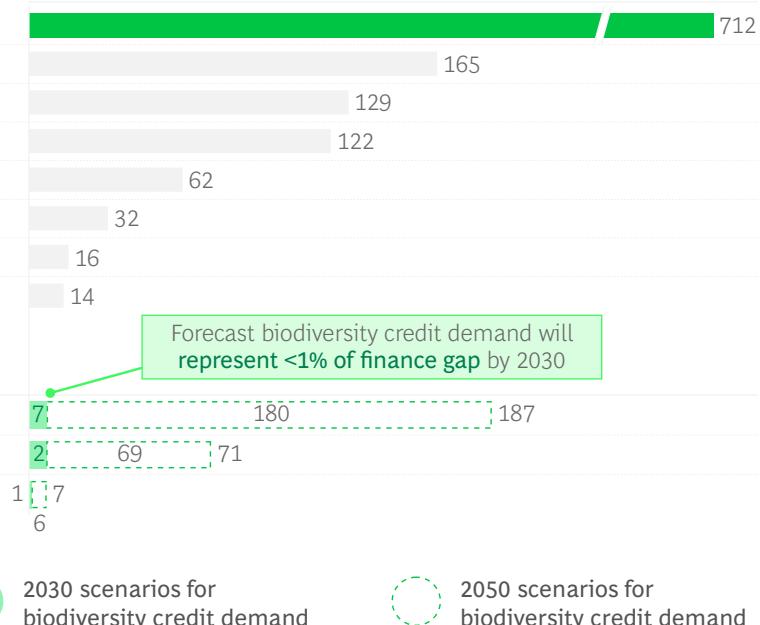
Forecast size of 2030 biodiversity credits market is limited (~\$7 billion), but there is potential for significant growth in the longer term

Financial instruments

Forecast biodiversity finance gap (Paulson Institute):

- Biodiversity offsets
- Domestic budgets and tax policy
- Natural infrastructure
- Green financial products
- Nature-based solutions and carbon markets
- Sustainable supply chains
- Official development assistance (ODA)

Projected annual market for biodiversity financing (\$Bn)



Biodiversity credits market forecasts (WEF):

- Transformational | Widespread adoption
- Effective | Market development similar to VCM¹
- Limited | Slow growing and niche markets

1. VCM = Voluntary Carbon Markets

Sources: WEF Biodiversity Credits Demand Analysis and Market Outlook (2023); Paulson Institute (2020)

As currently defined, biodiversity credits are essentially corporate conservation philanthropy, but they have greater administrative complexity and greenwashing risks than conventional CSR¹⁶ efforts, without clear upside. A direct project-based approach is probably more logical for corporates to follow, focusing on developing a nature-resilient supply chain through setting up and partnering directly with conservation/restoration project developers, who often have robust monitoring and evaluation systems. Here corporates have more control, with direct impacts against their footprint.

Finally, company sourcing sheds are often not located in the same geographical area as critical biodiversity credit areas and projects, inhibiting large-scale demand from the supply chain angle.

At this stage, we do not see regulation or frameworks (for example, TNFD or SBTN) / other incentive-based mechanisms that will drive corporates to buy substantial volumes of biodiversity credits.

15. Assuming a realistic ‘effective development’ scenario, where market development occurs similarly to Voluntary Carbon Markets. “Biodiversity Credits: Demand Analysis and Market

Outlook INSIGHT REPORT,” WEF, [LINK](#).

16. Corporate Social Responsibility.



Deep-Dive on Buy-Side Use-Cases

We explored eight potential buy-side use-cases for biodiversity financing mechanisms, building off those identified by the WEF¹⁷ and BCA¹⁸ for biodiversity credits. The use-case “Attain corporate nature targets and offset

goals” is contested for biodiversity credits, given the distinction in definition between credits and offsets, as previously discussed.

¹⁷. “Biodiversity Credits: Demand Analysis and Market Outlook INSIGHT REPORT,” WEF, December 2023, [LINK](#).

¹⁸. “Biodiversity Credit Alliance: Demand-Side Sources and Motivation for Biodiversity Credits”, [LINK](#).

8 potential buy-side use cases identified for biodiversity credits and other financing mechanisms

	<p>Contribute voluntarily to global biodiversity targets Donate funds to advance global biodiversity uplift in a measurable way (e.g. contributing to 30x30 framework)</p>		<p>Stack carbon credits with biodiversity credits for added value Combine carbon credits with biodiversity credits to increase value and integrity, with dual impact</p>
	<p>Attain corporate nature targets and offset goals¹ Claim against corporate nature-related targets, such as nature-positive, or perform offsets of business activities</p>		<p>Combine biodiversity credits with consumer products Sell consumer products in combination with biodiversity credits for additional consumer value ('green premium')</p>
	<p>Protect access to environmental services in supply chain Leverage biodiversity credits to protect supply chain from degradation, and secure future supply of materials</p>		<p>Achieve measurable policy goals Leverage biodiversity credits to uplift biodiversity measures within country/region to attain policy targets</p>
	<p>Anticipate regulatory enforcement of biodiversity credits Attain experience in biodiversity market and develop partnership & expertise in anticipation of mandatory markets</p>		<p>Seek nature-positive financial investments Invest in nature-related financial products to seek social returns in addition to potential financial returns</p>

1. Contested use case for biodiversity credits. Not possible based on current definition (i.e., not using credits as offsets)
Sources: WEF (2023); BCA (2023); BCG analysis

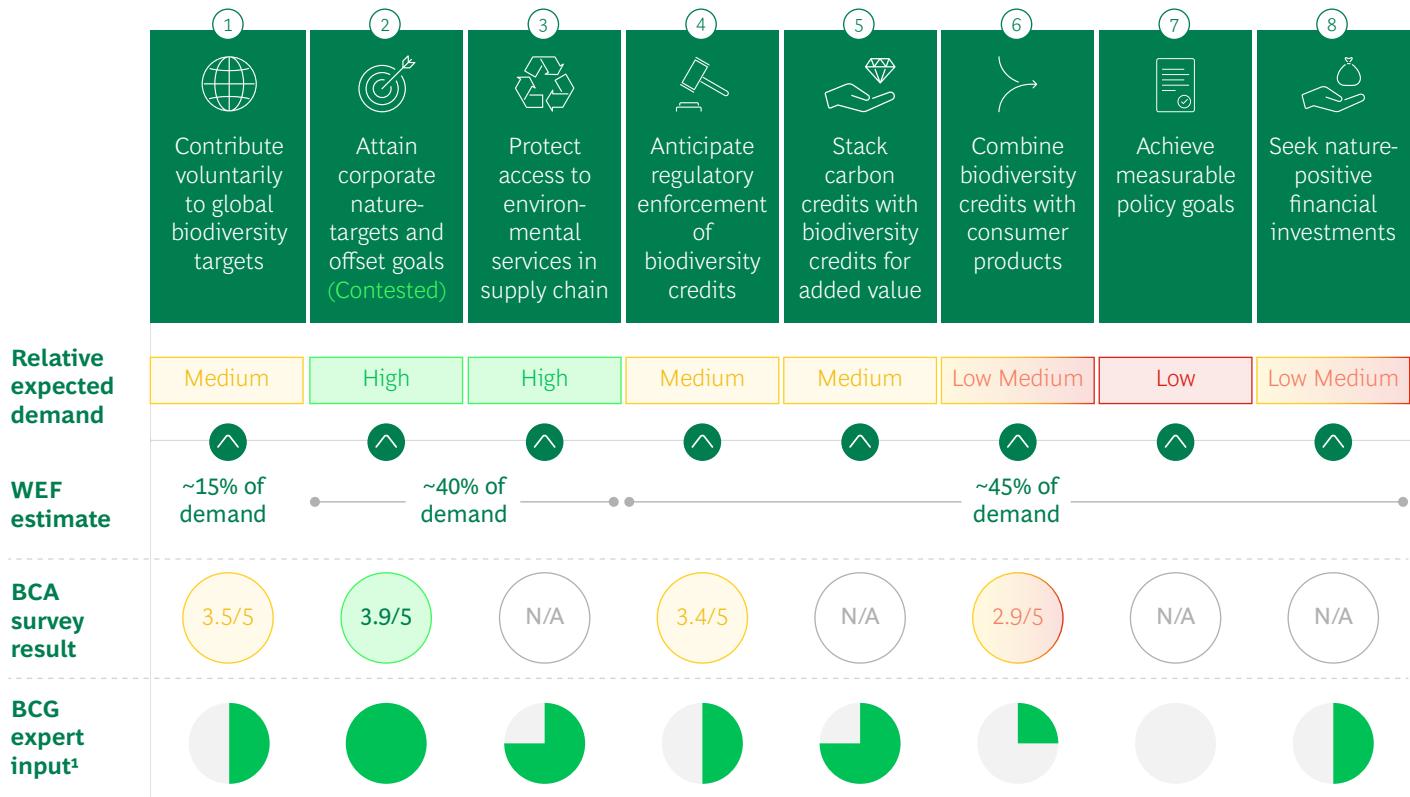
To gauge and narrow down the most promising use-cases, we considered the relative size of demand for each use-case, and then assessed which use-cases can be unlocked by various other financing mechanisms to assess the relative usefulness of biodiversity credits. To assess total demand, we drew upon quantitative insights from existing sources, such as the WEF¹⁹ demand estimates and survey results from the BCA.²⁰ These were amplified by qualitative insights from interviews with corporate sustainability and wider conservation and biodiversity experts.

We found that the largest relative demand would be to 'Attain corporate nature targets and offset goals' and 'Protect access to environmental services in supply chains', since biodiversity credits would deliver direct business benefits through specific claims or bottom-line impact. Demand for other use-cases would be more moderate, namely: 'Contribute voluntarily to global biodiversity targets', 'Anticipate regulatory enforcement of biodiversity credits', 'Stack carbon credits with biodiversity credits for added value' and 'Combine biodiversity credits with consumer products'.

19. "Biodiversity Credits: Demand Analysis and Market Outlook INSIGHT REPORT," WEF, December 2023, [LINK](#).

20. "Biodiversity Credit Alliance: Demand-Side Sources and Motivation for Biodiversity Credits", [LINK](#).

Corporate sector demand mainly driven by attaining nature targets and protecting supply chains



1. Interviewed ~10 BCG Experts within Climate & Sustainability, working with corporates on financing nature & climate

Sources: WEF (2023); BCG (2023); BCG analysis

For two use-cases, ‘Stack carbon credits with biodiversity credits for added value’ and ‘Combine biodiversity credits with consumer products’, biodiversity credits are the only financing mechanisms, making them of particular relevance. ‘Contribute voluntarily to global biodiversity

targets’ and ‘Protect access to environmental services in supply chain’ can be unlocked by biodiversity credits too – but other financing mechanisms could also be utilized. We expect these use-cases will still be relatively sizable, given the relevance and applicability of credits.

Biodiversity credits could accelerate contributing to global targets, supply chain protection, carbon credit stacking & combining with consumer products

Financing mechanism	(1) Contribute voluntarily to global biodiversity targets	(2) Attain corporate nature-targets and offset goals (Contested)	(3) Protect access to environmental services in supply chain	(4) Anticipate regulatory enforcement of biodiversity credits	(5) Stack carbon credits with biodiversity credits for added value	(6) Combine biodiversity credits with consumer products	(7) Achieve measurable policy goals	(8) Seek nature-positive financial investments
Biodiversity credits	✓		✓	✓	✓	✓	≈	≈
Voluntary offsets		✓		✓			✓	
Mandatory offsets		✓		≈			✓	
Outcome-based bonds	✓							✓
Equity	✓						✓	✓
Other PES ¹	✓		✓			≈	✓	
Insurance			✓	✓				



Financing mechanism enables use-case



Financing mechanism potentially enables use-case

1. Payment for Ecosystem Services

Sources: WEF (2023); BCG (2023); BCG analysis



Distinct boundary between the Kitenden Wildlife Corridor (Tanzania) and community farmlands. Our site visit highlighted that extensive engagement and coordination with IPs and LCs is fundamental to the success of such pilots, and requires significant and long-term efforts

Role of Indigenous Peoples & Local Communities (IPLCs)

Importance of IPLCs in Biodiversity Conservation

The required acknowledgment of and effort needed to create biodiversity credits with indigenous peoples and local communities (IPLCs) is underestimated. This may impact longer-term sustainability and ultimately demand.

Currently, we believe that IPLCs' role in creating biodiversity credits is largely absent and underestimated. Based on engagements with and learnings from WWF African pilots, we see that from the perspective of local community-driven projects, there are several areas of misalignment with standards and methodologies as well as corporate sector demand, including the following:

21. "National and international frameworks," Australia State of the Environment, 2021, [LINK](#).

Challenges in Inclusion and Participation

- Standards do not yet sufficiently recognize and account for the historical and ongoing role that biodiversity stewards play in conservation – yet 80% of the world's remaining biodiversity is found and protected in the lands and territories of indigenous peoples.²¹
- Biodiversity stewards are not sufficiently engaged in project development/product design – this is typically project proponent-driven.
- Stewards lack the skills/expertise to understand the implications of standards and adopt them, as they are typically very complicated.

- Engaging in such conservation efforts already carries limited benefits, and the rigor of standards results in high costs of MRV,²² which reduces the amount of funding that will ultimately go to stewards/communities. This limits their incentive to participate.
- Corporates want to invest in new projects with large-scale additionality, not just ongoing conservation by the biodiversity stewards themselves. This reinforces the need for standards.
- Adequately engaging and involving IPLCs is incredibly challenging and time-consuming, adding to the costs already associated with MRV. There is a need to establish or become acknowledged by/embedded within community-level governance structures and processes. Extensive engagements (including training/education) are typically required to ensure community understanding, co-develop products, and ensure continued buy-in.
- Incentives for communities to co-operate are often limited, particularly in the early stages (for example, a lack of tangible outcomes from the small portion of revenues allocated to communities reduces long-term project sustainability). Yet communities face direct consequences (for example, crop destruction or livestock loss due to living with wildlife) and opportunity costs (for example, not farming on a specific piece of land).
- It is difficult to replicate conservation/restoration initiatives with IPLCs across different landscapes (for example, in different countries with completely different ecosystems and unique land ownership structures and cultural beliefs).

²². Monitoring, Reporting, and Verification.



Future Outlook & Recommendations

Scaling Demand for Biodiversity Credits

Several “unlocks” and learnings can guide the future of biodiversity credit markets. However, we doubt whether credits will play a significant role in unlocking large-scale biodiversity finance in a timeframe that will help to “bend the curve” on the biodiversity crisis.

Several ‘unlocks’ could scale up demand for biodiversity credits – assuming that they can’t be used as offsets. We focus on unlocks to ensure that biodiversity credits work in practice through two lenses: demand-side and supply-side.

DEMAND-SIDE

To ensure credibility and foster significant long-term corporate demand, the following actions must be taken:

- Clarify the market for buyers by more clearly differentiating between biodiversity offsets and voluntary credits, and ensure terms are used correctly in regulations / guidelines. Increase efforts to educate corporates and other actors.
- Design and agree on global guidance on the claims that corporates may make, based on credit purchases (in other words, claims that are not against their direct impacts, such as contributions to the 30x30 target in the GBF). This links to the need for alignment on standards and methods for impact assessment, and more broadly the definition of ‘nature positive’.

- Ensure sufficient global oversight of responsible use and enforcement mechanisms for non-compliance.
- Regulatory enforcement of incentive-based mechanisms is needed, with sufficient advocacy, to drive increased corporate contributions to broader global biodiversity goals.

SUPPLY-SIDE

To ensure that credits are additional to and benefit on-the-ground conservation efforts:

- Right-size / course-correct the rigor of verification methodologies / standards, based on the intended use of credits, given these are simply ‘going beyond’. A pragmatic approach should be adopted, balancing measurement / accuracy of impact against costs, ease of operation, and community comprehension and engagement. It must be recognised that these are incremental over and above the mitigation hierarchy and biodiversity offsets. Integrity principles, governance, and MRV will naturally still be required, but in a way that avoids excessively high project costs and mitigates against barriers for adoption and replication. There are concerns that third-party standards today may counterintuitively be contributing towards greenwashing risk by being so rigorous as to be perceived as enabling offsets, diverting attention from the need for voluntary contributions to biodiversity.
- Ensure improved involvement of and benefits to IPLCs in project development and operation – with acknowledgment from the market (standards, buyers, etc.). Locally led governance structures, in which IPLCs are clearly integrated, should be enforced and make the decisions on how to best conserve or restore biodiversity.
- Ensure a fair proportion of the credit price goes towards communities, to adequately compensate and reward stewards and foster broader socioeconomic outcomes.
- The ‘nature stewardship’ aspect (to sustain the efforts from IPLCs) needs to be designed, tested, and more broadly acknowledged by credit methodologies / the conservation community.
- Together with IPLCs, there is a need to co-create and agree on tangible indicators for monitoring, and fair reward mechanisms that address the direct impacts of conservation / restoration and opportunity costs.
- Co-create the education and training curriculum to ensure indicators are met (for example, by leveraging new technologies).

There may be a case for permitting certain ‘unlocks’, which would allow for biodiversity credits to be used as biodiversity offsets, driving their demand and ensuring their longer-term potential. This would hinge on ensuring global consensus on standards/methodologies to essentially make biodiversity ‘fungible’. Rigorous guidance and governance would need to be established to enable claims to be made against direct impacts, and to ensure that the mitigation hierarchy is properly followed.

While we see ongoing efforts towards these unlocks and expect continued progress as the biodiversity credits market continues to develop, there is a significant risk that it will be too late once it is all worked out. We doubt whether the market will sufficiently scale in a timeframe that will meaningfully contribute towards the 2030 biodiversity funding gap and help to ‘bend the curve’ on the biodiversity crisis.

A significant level of fundamental research is still required to ensure scientific consensus and enable corporates to make claims. In principle, solutions can be found to measure and equate biodiversity, but in the current landscape and under the current narrative it will be extremely difficult. Given their vastly diverging perspectives, stakeholders are simply unlikely to agree on a system to make biodiversity fungible and to enable corporates to prove that they have followed the mitigation hierarchy as far as possible before purchasing credits.

Critics of biodiversity markets argue that biodiversity can never truly be offset, as no two places have identical biodiversity, and that biodiversity market schemes are not scientifically necessary for conservation purposes. Yet there is continued advocacy and growing momentum to improve financing from the private sector. For this financing stream ever to become influential in closing the biodiversity funding gap, trade-offs will need to be made and compromises agreed.

Furthermore, the governance elements required are unlikely ever to be fully in place. We do not yet see them working adequately in carbon markets. It is extremely difficult to ensure that international oversight and enforcement of repercussions aligns with fragmented and diverging national legislations. Developing a large pipeline of projects with adequate IPLC engagement/ leadership will also take years of concerted effort.

In our view, the efforts involved in “getting this right” are significant relative to likely demand, and the collective effort of the conservation community may be better spent on other, more promising tools to unlock short-to medium-term financing for biodiversity.



Increasing Private Sector Funding for Biodiversity

Two instruments have greater potential to significantly move the needle on the financing gap

Biodiversity Credits Are Simply a Means to an End



We need to remember the bigger question: How can we increase funding for biodiversity?

While every penny counts, and biodiversity credits should be used to fulfil niche use-cases for critical and relevant biodiversity conservation or restoration projects, it is important to emphasize that biodiversity credits are only one of many different financing mechanisms for nature. According to the WEF Biodiversity Credits Initiative: “Bridging the current annual ~\$700Bn financing gap for biodiversity will require policy reform, shifts to sustainable production and consumption, upholding equitable benefit-sharing, and the unlocking of new sources of finance. To achieve systemic change of this magnitude in the coming decades, every tool is needed. Biodiversity

credits are one of the instruments that hold promise. They will sit alongside other financing mechanisms to deliver the finance needed to reach global targets”.

It is critical for all stakeholders to consider biodiversity credits within a broader portfolio of nature investments. Various other mechanisms can be utilized to finance nature (for example, biodiversity offsets, conservation philanthropy, payment-for-ecosystem services, debt for nature swaps).

To increase private sector funding for biodiversity, two instruments have greater potential to significantly move the needle on the financing gap.

Biodiversity Offsets

Already there is a significant volume of biodiversity offsets. It is estimated they will become the largest single financial instrument market by 2030, at ~\$165Bn,²³ representing ~25% of the total \$700Bn financing gap.

Working to expand the use and applicability of both mandatory and voluntary offsets in a robust way (covering new jurisdictions, industries, and value chain impacts) could drive significant contributions towards improved biodiversity outcomes (for example, a 10% uplift could unlock an additional ~\$17Bn by 2030, which far outweighs the expected demand for credits).

For offsets that enable clear claims to be made against direct value chain impacts on biodiversity, the mitigation hierarchy must obviously be followed and there must be very high integrity and verification rigor to ensure “like-for-like”. To do this, improved scientific consensus on how to adequately measure biodiversity and equate such measurements to value chain impacts will be required. Governments and acknowledged third-party standards will play a crucial role, especially to ensure additionality. The complexity of proving impact relative to a statistically derived counterfactual that is ex-post ('after the fact') will be required to mitigate greenwashing risks.²⁴

“Verified” Community-Driven Conservation Philanthropy

We believe that there is room for more “verified” conservation philanthropy today, to call it what it is to avoid the confusion and greenwashing risks around biodiversity offsets and credits. Many corporates are concerned about the impact of their donations to nature. Donors often receive limited information about the nature outcomes and the extent of funding that benefits local communities. Initiatives that can heighten confidence around the use of funds and associated benefits/outcomes (both conservation and social) are therefore of interest. They would encourage corporates to get involved and potentially partner on a long-term basis (“impact-backed” philanthropy).

These initiatives may be very similar to biodiversity credit projects, but do not necessarily have to align with strict third-party methodologies/standards that significantly dilute costs and increase time to market. Given the confusion associated with the terminology ‘credits’, these could rather be called ‘certificates’, ‘stewardship’, or simply conservation. The WWF’s ‘Conservation Performance Payments’ model presents a unique example of such an initiative. See case study to follow.

23. “Financing Nature: Closing the Global Biodiversity Financing Gap,” Paulson Institute, 2021, [LINK](#).

24. While it is very challenging today, and we recognize that this will also take a long time to get right, collective focus on a larger starting

financing base justifies the efforts required (relative to demand). In order to prove additionality, which is what corporates are looking for, we cannot bypass the scientific alignment and associated high monitoring and verification costs required to justify such claims; otherwise, greenwashing will occur.

Wildlife Credits is a locally-led, digitally-verified performance payment mechanism incentivizing on-the-ground biodiversity conservation



KENYA – TANZANIA

Support movement of elephants across critical corridors



NAMIBIA

Protect critical species (e.g. lions, rhinos, and leopards)



DRC/RWANDA/UGANDA

Protect Virunga National Park and mountain gorillas



CENTRAL AFRICAN REPUBLIC

Protect intact tropical rainforest ecosystem

Based on **recognized** local communities, **rewarding** them for conservation **results**



Recognize

- Acknowledging local conservation efforts and associated costs, compensating for direct (e.g. killed livestock) and indirect costs (e.g. opportunity cost of land use)
- Including IPLC in decision-making and develop locally-led governance while co-creating KPIs, benefit sharing agreements, and training curricula for rangers & local communities
- Effectively including local communities is key for long-term sustainability of the project and biodiversity outcomes



Results

- Define targeted KPIs on land use, biodiversity outcomes, and management efforts to incentivize local communities to attain outcomes
- Attain accurate results and cost-efficient monitoring by leveraging digital tools, such as satellite imagery, AI dashboards, and camera traps



Reward

- Aim to share 80% of Wildlife Credit revenues with local communities, limiting revenue dilution
- IPLC decides how to best spend the funds, supporting socio-economic outcomes such as building wildlife protection to reduce human-wildlife conflict and developing schools & hospitals



Conclusion

While every penny counts and biodiversity credits should be used to fulfil niche use-cases for critical and relevant biodiversity conservation or restoration projects, it is important to emphasize that they are only one of many financing mechanisms for nature. The significant effort required to adequately scale biodiversity credits may not be justified by their expected demand. The collective efforts of the conservation community may be better spent on other, more promising tools to unlock short-

to medium-term private sector financing for biodiversity. We see two instruments with potential to significantly move the needle against the financing gap: expanded use and applicability of both mandatory and voluntary biodiversity offsets, and increased “verified” community-driven conservation philanthropy.

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