



proteus

Biodiversity credits: insights, challenges and opportunities

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31 OCTOBER 2023

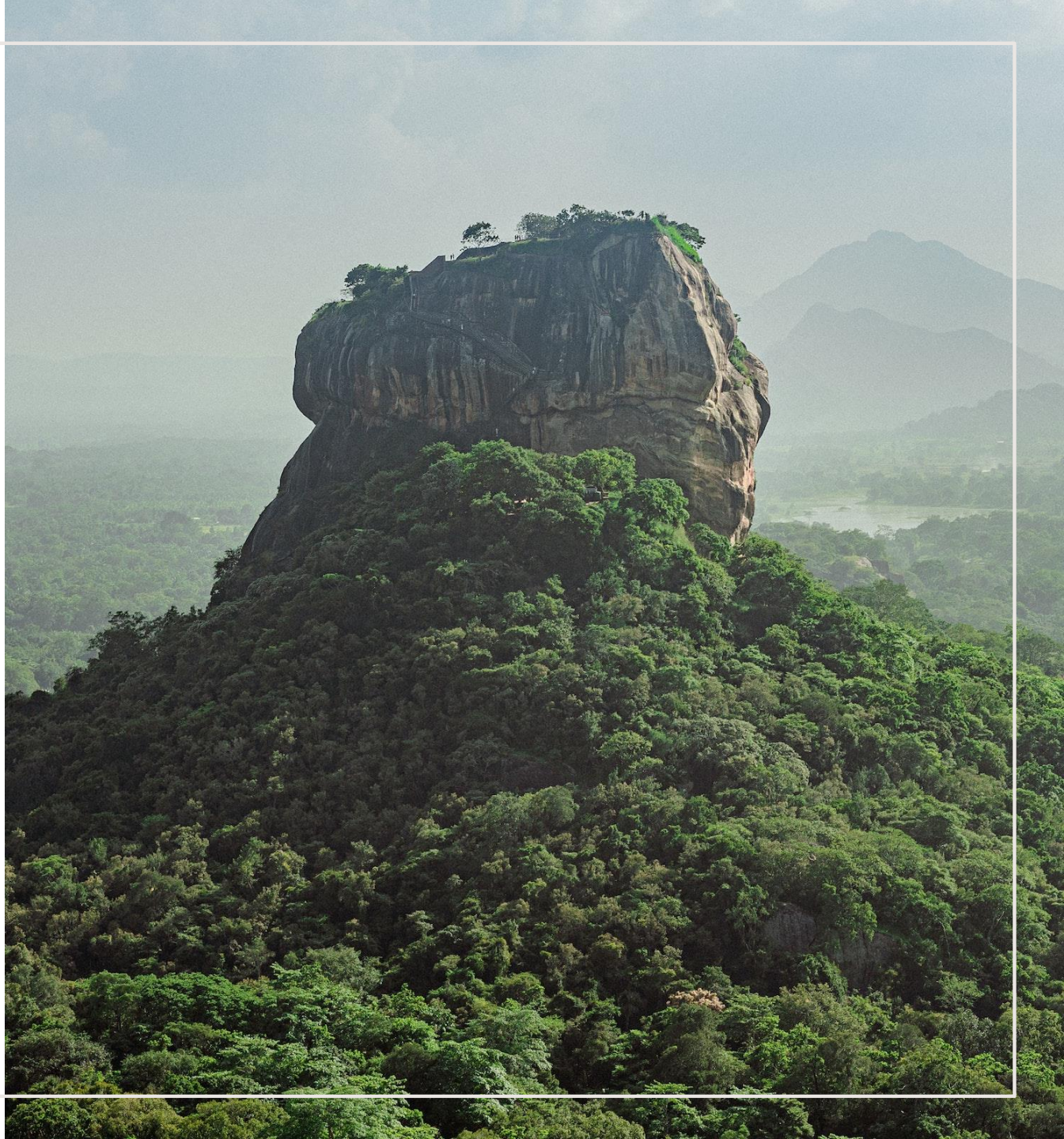
PROTEUS HORIZON SCAN WEBINARS

A series of webinars for Proteus Partners sharing information and insights into the latest trends and developments in biodiversity and ecosystem services policy, initiatives, data and tools.



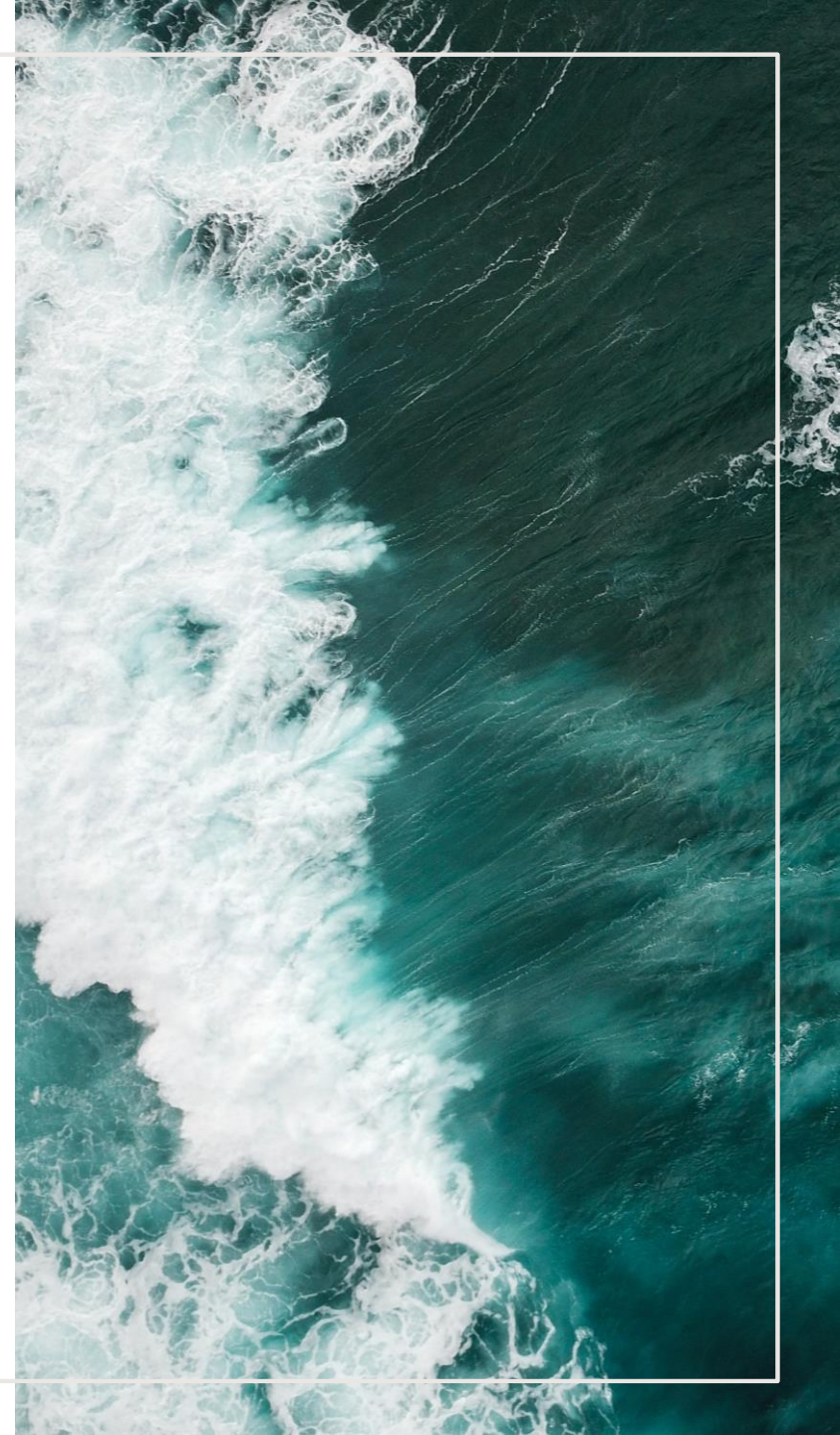
LOGISTICS

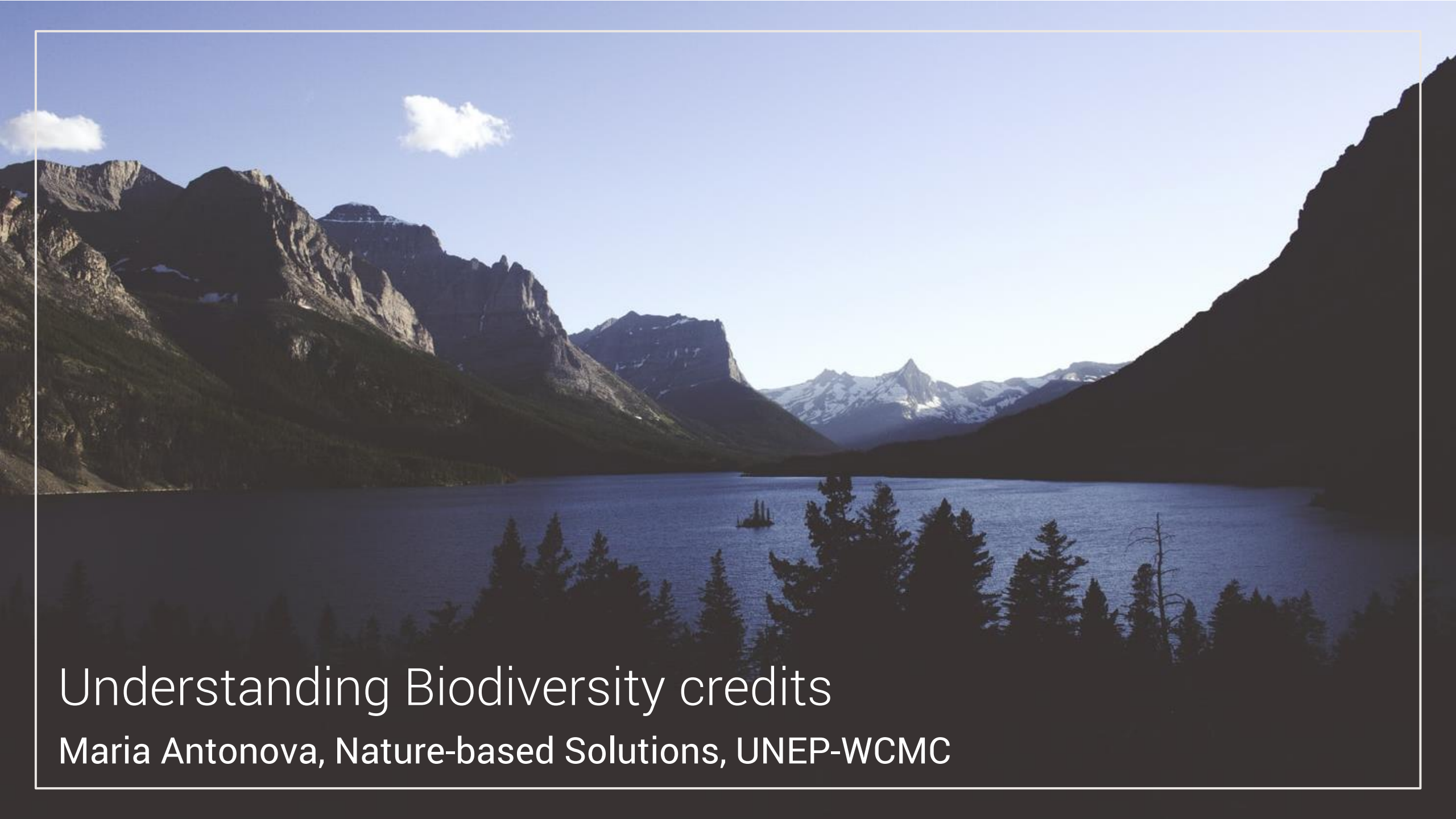
- **Scheduling:** AM and / or PM sessions
- **Rules:** Chatham House rule for discussion, but presentation is recorded
- **Topics:** Your suggestions are welcome!



AGENDA

- Understanding Biodiversity credits
- Exploring case studies of innovative finance mechanisms
- The Biodiversity Credits Alliance
- Questions and discussion
- Close remarks





Understanding Biodiversity credits

Maria Antonova, Nature-based Solutions, UNEP-WCMC

- Setting the scene / Menti poll
- Definitions and concepts
- Key uncertainties and principles
- Current landscape
- Future outlook



SETTING THE SCENE: HOW DID WE GET HERE?

- Global consensus on biodiversity crisis
- Nature finance gap
- Kunming-Montreal Global Biodiversity Framework (Target 19):

*“innovative schemes such as payment for ecosystem services, green bonds, biodiversity offsets and **credits**, benefit-sharing mechanisms, with environmental and social safeguards”.*





MENTI POLL

Got to [menti.com](https://www.menti.com) and use the code 2773 1166

Why is your company interested in biodiversity credits?

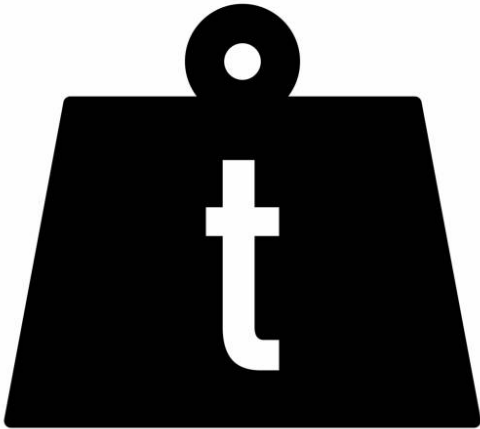
- As a way to support nature projects
- To help meet company's targets for nature
- As an investment (can increase in value over time)
- To help mitigate company's impact (an offset)
- Interested in learning more but wouldn't buy them yet
- Other

DEFINING BIODIVERSITY CREDITS

- “quantifiable unit representing a biodiversity conservation and/or enhancement claim, which cannot be used as an offset” (GEF)
- “a certain “amount” of “biodiversity gains” generated on the ground and expressed in a “standard unit”” (Organisation for Biodiversity Certificates)
- “an economic instrument used to finance activities that deliver net positive biodiversity gains” (WEF)



CARBON VS. BIODIVERSITY



TON





KEY UNCERTAINTIES / RISKS

- Offsets vs. “Nature Positive” and claims
- Nature protection vs. restoration
- Questions over leakage
- Secondary market or not?
- What metric to use?
- What is the common goal? (e.g. Net Zero)
- Climate change
- Social impacts and appropriate safeguards

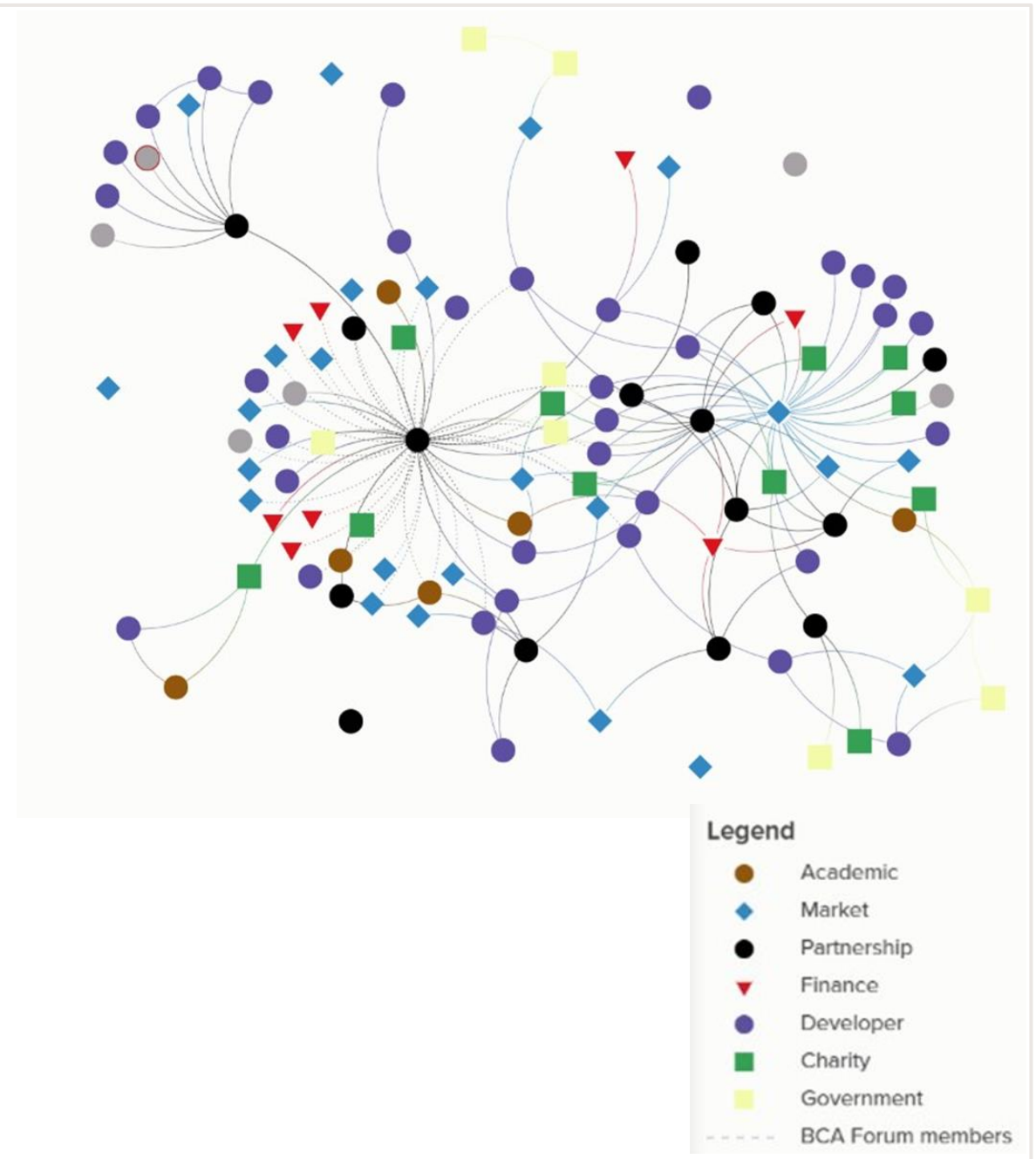
POTENTIAL INTEGRITY PRINCIPLES

- **Integrity:**
 - Deliver positive biodiversity outcomes benefiting nature and people;
 - Drive finance to nature conservation and restoration activities that can help meet the **Kunming Montreal Global Biodiversity Framework (GBF)** goals and targets;
- **Equity:** respect and safeguard the rights of IPLCs, promoting engagement to ensure benefits on the ground
- **Quality:** measurable biodiversity outcomes supported by scientific evidence
- Ensure **transparent reporting** of project impacts to manage the risk to credit buyers
- Not being used for offsetting purposes
- Fair pricing

STAKEHOLDERS INVOLVEMENT WITH BIODIVERSITY CREDITS

Examples:

- **Partnerships:** Biodiversity Credit Alliance
- **Standards:** Verra's Nature Framework and Plan Vivo (PV Nature)
- **Developer:** rePlanet, Credit Nature, and Terrasos



FUTURE OUTLOOK

- Where will credits come from? (supply side)
- Who will buy them? (demand side)
- How will it be governed?
- Can it be scaled up?



Proteus 2023 Horizon Scanning Webinar: Biodiversity credits: insights, challenges and opportunities

Biodiversity Credits Initiative

The business case to invest in nature

“ We do not face a choice between protecting our environment or protecting our economy. We face a choice between protecting our economy by protecting our environment – or allowing environmental havoc to create economic havoc. (Robert Rubstein)

\$44tr

In economic value moderately or highly dependent on nature
(World Economic Forum)

69%

Wildlife biodiversity loss in the past 50 years
(World Wildlife Fund)

\$120bn

Increase in costs due to environmental risks in supply chain
(McKinsey & Company)

\$10tr

In business opportunities from a nature positive transition
(World Economic Forum)

60%

Of highest long-term risks are related to the environment – biodiversity loss, resource depletion, natural hazards, etc
(World Economic Forum)

\$711bn annually

Average annual biodiversity financing gap
(Paulson Institute)

Biodiversity credits are on the rise globally



Featured

What is the future of biodiversity credit markets?

Biodiversity credits continue to divide opinion. NatureFinance executive director Simon Zadek says

FINANCIAL REVIEW

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Green ESG & Investing

Investors Seek to Tap Millions in Biodiversity Credits From New UK Project

England's financial plan may help restore tens of thousands of acres for birds, bugs and bees, though challenges loom.

THE WALL STREET JOURNAL.

World Business U.S. Politics Economy Tech Finance Opinion Arts & Culture Lifestyle Real Estate Personal Finance Health Science City

Australia Wants to Turn Wilderness Restoration Into an Investable Market

Some are questioning whether there will be demand for so-called biodiversity credits

ECONOMIST IMPACT World Ocean Initiative

SIGN UP

BLOG

Financing coral reef restoration through biodiversity credits

Coral reefs are in rapid decline due to rising temperatures and human activities. By some estimates, more than 50% of coral cover has been lost over the past 30 years.

VERRA ABOUT PROGRAMS

NEWS > SD VISTA NATURE FRAMEWORK...

SD VISTA Nature Framework Now Open for Public Consultation

Driving finance to activities that can help achieve critical biodiversity outcomes

18 SEPTEMBER 2023

Home Companies Markets Street Talk Politics **Policy** World Property Technology Opinion Wealth Work & Careers Life & Luxury

Reports **The circular economy** See more stories

Policy Energy & Climate Sustainability Print article

Biodiversity credits aim to help repair nature

The government is seeking to establish a nature repair market, with biodiversity credits creating a new asset class for investors.

YaleEnvironment360 Published at the Yale School of the Environment

Pricing Nature: Can 'Biodiversity Credits' Propel Global Conservation?

...an alliance of conservationists and policymakers is devising the preservation of biodiversity by placing economic values on some analysts say such schemes have the potential to boost conservation, but others are skeptical.

Bloomberg US Edition

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Green ESG & Investing

UN Says New Biodiversity Credits Can Succeed Where Carbon Offsets Failed

As negotiators gather for the COP15 biodiversity summit, a new UN study says "biocredits" may help boost conservation financing. Critics warn they might enable greenwashing.

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Green

New Zealand Eyes Private Investors to Protect Native Wildlife

- About 63% of New Zealand's native ecosystems are threatened
- Investors would directly fund conservation by buying credits



\$8 million

The current size of funding pledged toward biodiversity credits market, covering 800,000 hectares (*BloombergNEF*)

“

Biodiversity credits are an economic instrument that can be used to finance actions that result in the conservation of ecosystems and/or measurable, net-positive outcomes for biodiversity (e.g. via increase in integrity of species, ecosystems, natural habitats) through the creation and sale of units, largely for gain in biodiversity.

Biodiversity Credit Alliance

Projects and standards are emerging...

Standard Setting

Third-parties are developing standards for high quality biodiversity credits



Measurement

Developers and specialist providers are developing methodologies for measuring biodiversity uplift and baselines



Developers

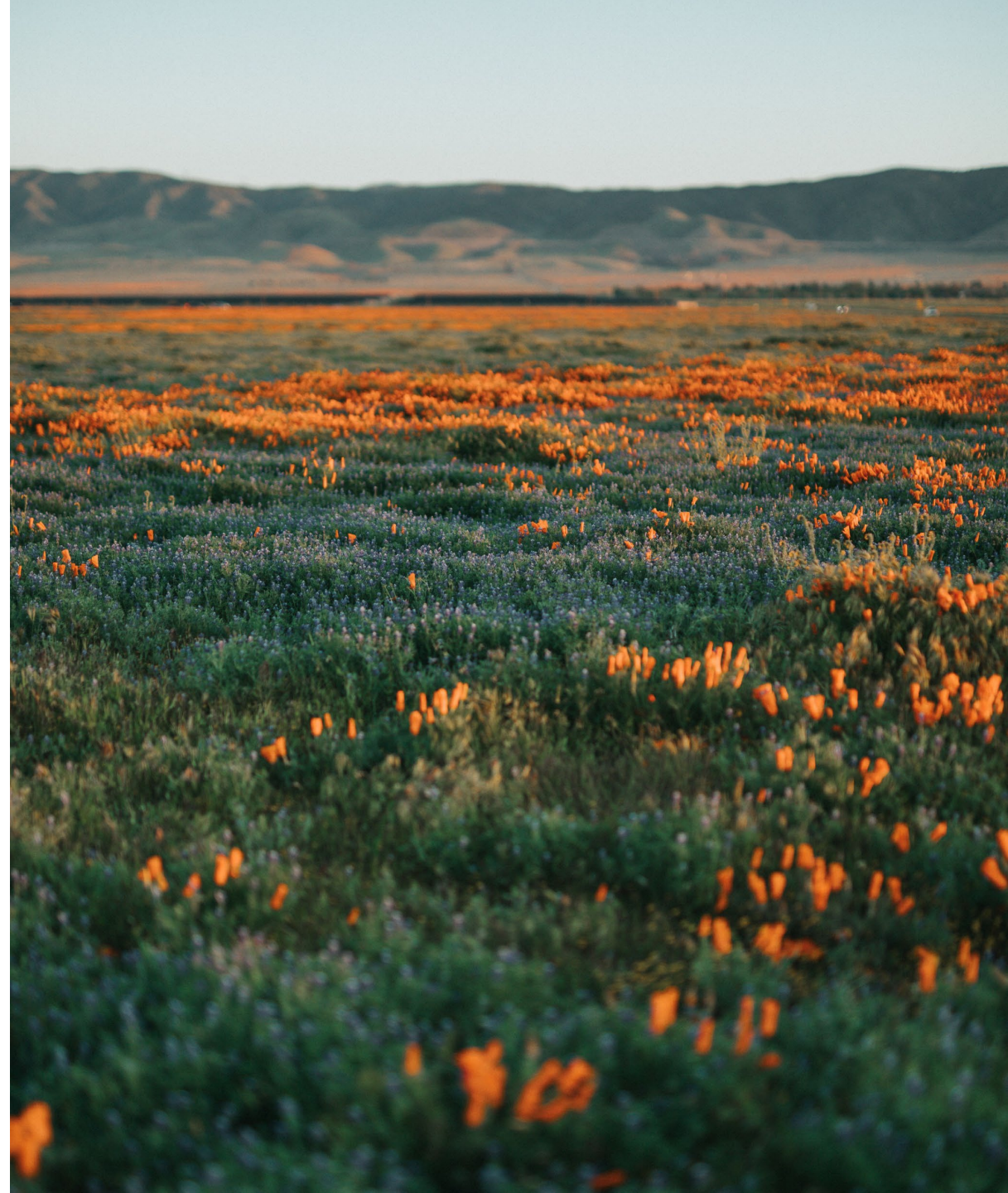
Project developers already offer biodiversity credits for purchase



...but the business case has to be strengthened

More engagement is needed with buyers to build the business case for credits and de-risk transactions. We are working with buyers to create consistent and clear guidelines around the purchase of credits:

- How to build a business case for the purchase of biodiversity credits
- How to maximise value creation and mitigate risks within a broader nature strategy
- What types of claims could be made about their use



There is an emerging role for biodiversity credits in supporting corporate nature strategies



Reporting and disclosure frameworks are providing guidance

- TNFD¹ launched and operational
- SBTN² launched with guidance for land and fresh water



First movers are leading by example

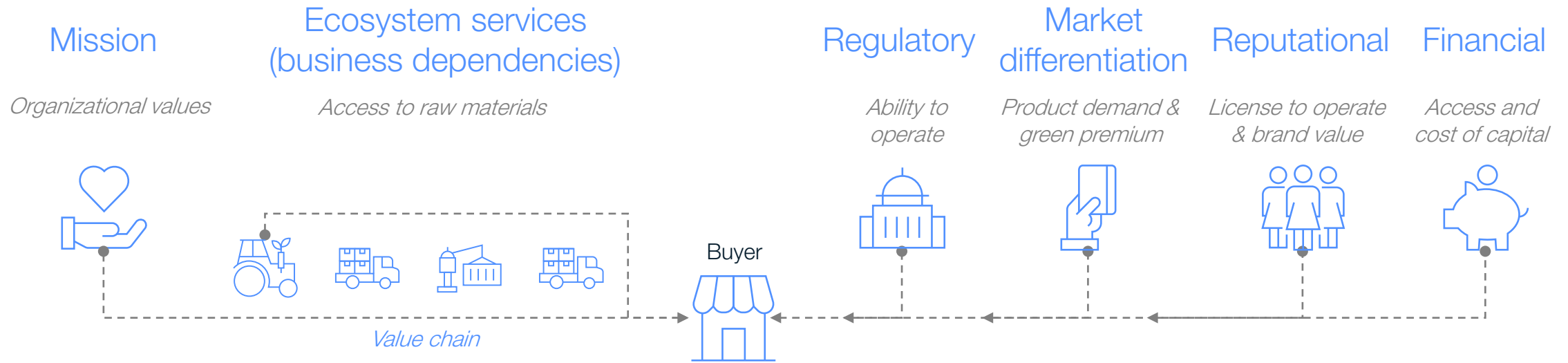
- Holcim announced a strategy to become nature-positive using a methodology developed in partnership with IUCN³
- GSK committed to a positive biodiversity impact at all biopharma business sites by 2030 following SBTN



A range of initiatives are supporting market development

- The BCA⁴ aims to establish common definitions and engage IPs and LCs
- The IAPB⁵ is bringing sovereigns to the table
- The WEF Biodiversity Credit Initiative is convening buyers

The drivers of corporate demand



Supporting conditions

Establishment of business case for buyers

Development of high-integrity supply

Consolidation around common principles, standards, and methods

Companies might use biodiversity credits for a range of uses



Enhance carbon credits for better nature outcomes



Access ecosystem services and reduce impacts within value chain



Contribute to nature recovery beyond own impact



Offer products bundled to nature recovery

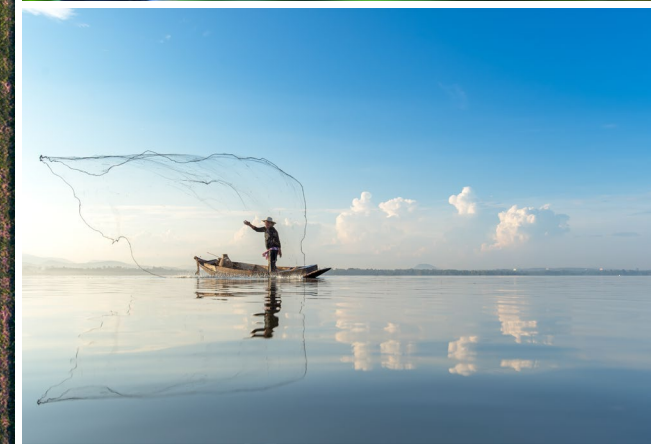
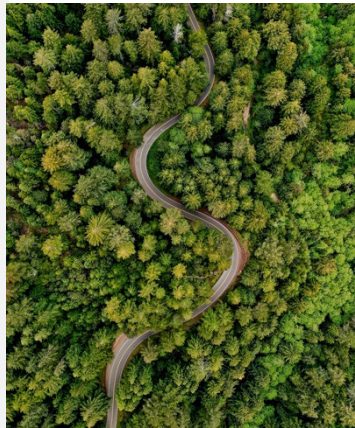


Potentially take responsibility for unmitigated biodiversity impacts



The Frontrunners Coalition

The World Economic Forum is convening a coalition of first movers to signal the increasing interest in financing the health of ecosystems while supporting the communities, testing and learning from early-stage discussions and transactions, and deepening trust and confidence in the market.



Early movers can gain a competitive advantage



Learning opportunities

Exchange best practices and learnings with peers and integrate them to improve cost efficiency and integrity in investments in the long term



Raise ambition

Gain reputation as a first mover and word leader in nature markets participating in early-stage discussions and pilot transactions



Access innovative markets

Connect and access the emerging highest quality suppliers, forming early partnerships, agreements, and scaling new solutions



Drive action

Shape critical pillars of the emerging biodiversity credits market and its evolving dynamics, influencing

Microsoft as a case study

In 2020, Microsoft committed to being carbon negative by 2030 and to removing the equivalent of their historical emissions by 2050.¹ To reach this target, they:

- signed long-term offtake agreements with suppliers,
- developed high-resolution mapping tools to assist with NbS project development and
- reviewed lessons learnt to inform procurement process.

They are now on track to meet targets, with a portfolio of over 5 MT CO₂ removal per year in 2030.²

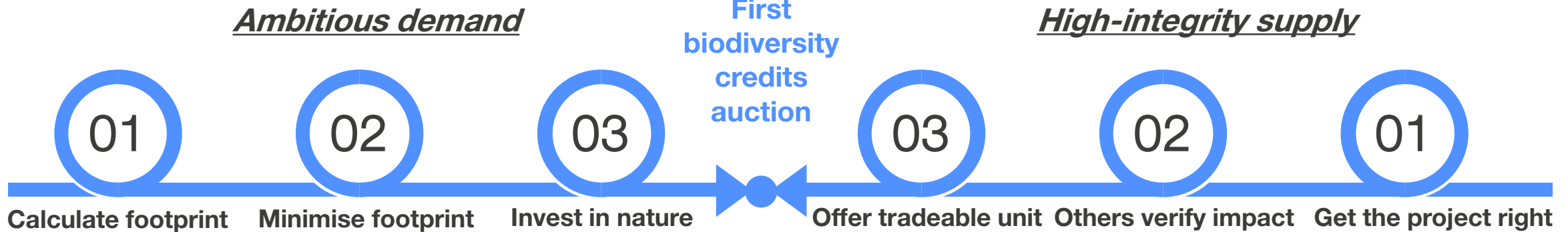
The Frontrunners Coalition, a community of global leaders on nature

First mover businesses and investors from the Frontrunners Coalition

Projects selected through an independent application process and reviewed by an impartial Expert Panel



First biodiversity credits auction





Thank you

To know more:

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BIODIVERSITY CREDIT ALLIANCE

Biodiversity credits: Insights, challenges and opportunities

Proteus Horizon Scanning Webinar

31 October 2023

2022

State of Finance for Nature

Time to act:
Doubling investment by 2025 and
eliminating nature-negative
finance flows

UN
environment
programme

ELD
THE ECONOMICS OF
LAND DEGRADATION

(c) Biodiversity Credit Alliance; October 2023

**US\$9.5 trillion
is needed cumulatively from
2022 to 2050
to
keep climate change below 2°C,
stabilise biodiversity levels and
achieve land degradation
neutrality.**

Photo by Gaurav Gupta

Why the Biodiversity Credit Alliance has been formed

- Provide guidance for the establishment of a credible and scalable market that stands up to the scrutiny of multiple stakeholders.
- Indigenous Peoples and Local Communities as key stakeholders.
- Ensure strong foundations and principles exist to be applied by all market participants going forward.

Who we are

- A group of scientists, academics, conservation practitioners, and standard setters, with direct links to Indigenous Peoples and Local Communities on our Communities Advisory Panel (CAP)
- Participation from the private sector, with the World Business Council for Sustainable Development as a key partner
- Welcome new members

Kunming-Montreal GBF and BCA

2022 UN BIODIVERSITY CONFERENCE

A voluntary international alliance that brings together diverse stakeholders to support the realisation of the Kunming–Montreal Global Biodiversity Framework, in particular Targets 19(c) and (d), which “encourage the private sector to invest in biodiversity” utilising, amongst others “biodiversity credits ... with social safeguards.”

Our Mission

Our mission is twofold:

- Help steer the development of a voluntary biodiversity credit market by building a framework of high-level, science-based principles
- Provide guidance and encourage best practice for market participants on the application of these principles, empowering them to achieve and maintain equitable, high quality transactions that meet strict integrity criteria

What we are working on

Working Groups to define and develop relevant concepts to best assist the formulation of a transparent and trusted market

- Learning from local knowledge
- Demand-side dynamics
- Quality and Integrity
- Definitions
- A digital approach

- Standard setters
- Creating guardrails
- Others

Biodiversity credits

- A certificate that represents a measured and evidence-based unit of positive biodiversity outcome through restoration/conservation
- Agnostic to how the unit is intended to be used by the buyer
 - *Private sector buyers may purchase biodiversity credits for possible use as an “offset”, or “non-offset”*
 - *Non-offset credits/Voluntary Biodiversity Credits, at this stage of market development, are expected to be traded internationally – domestic laws may ideally be accompanied by some internationally agreed integrity principles, both on the supply and demand side.*

BCA Governance

Task Force

- Main decision-making body/working organ
- Members:
 - Supply-side actors
 - Conservation practitioners
 - Demand-side actors
 - Academic and research institutions
 - IPs and LCs representative

Forum

- A global multi-disciplinary advisory group
- Members:
 - share BCA vision and mission
 - contribute to its work or
 - learn/ benefit from it

Secretariat

- Coordination body led by Global Coordinator and Technical Coordinator and facilitated by UNDP, UNEP FI and SIDA
 - supports Task-Force and Forum
 - facilitates BCA's development
 - coordinates BCA workstreams

BCA Task Force

TERRASOS 

 VALUENATURE


rePLANET

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GARDENS**
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INTERNATIONAL

 organization
for biodiversity
certificates

 creditnature

 **PLAN VIVO**
For nature, climate and communities

 Rebalance
EARTH

PIVOTAL

 **wbcsd**

CONSERVATION
INTERNATIONAL



 POLLINATION

BCA Forum

260+
Members



JOIN BCA

- Private sector
- Government Institutions
- International organizations
- Multilateral development institutions
- NGOs/INGOs
- Consultancies
- Biodiversity project developers
- Data developers and data providers
- Market facilitators
- Etc.

(c) Biodiversity Credit Alliance; October 2023

BCA's Vision

A transparent, trustworthy and efficient global market in biodiversity credits founded on just and equitable principles, and underpinned by innovation.

- *facilitate the transition to a nature positive economy aided by an integrated, efficient and scaled voluntary biodiversity credit (VBC) market*
- *considers biodiversity credits to be an effective complement to, but not a replacement of, the private sector's supply chain transformation efforts*
- *views biodiversity credits as an effective mechanism for advancing the private sector's participation in ecosystem remediation and transformative landscape approaches in line with science-based principles*

BCA Engagements

- International Carbon Reduction and Offsetting Accreditation (ICROA)
- Integrity Council for Voluntary Carbon Markets (ICVCM)
- International Advisory Panel on Biodiversity Credits (IAPB)
- Science Based Targets Network (SBTN)
- Voluntary Carbon Market Integrity Initiative (VCMI)
- World Economic Forum (WEF)

Join Us

 <https://www.biodiversitycreditalliance.org/>

 <https://www.linkedin.com/company/biodiversity-credit-alliance/>



**BIODIVERSITY
CREDIT ALLIANCE**



Manesh Lacoul, Mr.

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Thank you

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