POLLINATION

Biodiversity markets

In the context of broader environmental markets, biodiversity markets have developed to help maintain and improve biosphere integrity.

For the purposes of this presentation, we are focused on market-based mechanisms that generate biodiversity credits.

"Biodiversity credits" have been defined by the Biodiversity Credits Alliance as:

"A certificate that represents a measured and evidence-based unit of positive biodiversity outcome that is durable and additional to what would have otherwise occurred"

PLANETARY BOUNDARY	ENVIRONMENTAL MARKET MECHANISM/S
Biosphere integrity	Compliance biodiversity schemes Voluntary biodiversity schemes
Climate change	Compliance ETS / taxes Voluntary carbon schemes
Land system change	Compliance ETS and taxes Voluntary carbon schemes
Freshwater use	Compliance water allocation / trading schemes
Novel entities	Voluntary water quality schemes Voluntary plastic reduction schemes
Biogeochemical flows	Voluntary water quality schemes

Focus of this presentation

After COP15, there has been a marked increase in momentum behind biodiversity markets to help deliver on the GBF targets.

KUNMING-MONTREAL GLOBAL BIODIVERSITY FRAMEWORK (GBF)

MISSION: TO HALT & REVERSE BIODIVERSITY LOSS BY 2030

- Conserve 30% of land & 30% of oceans, and restore 30% of degraded ecosystems by 2030
- Encourage and enable businesses to monitor, assess & disclose their impacts on biodiversity
- Mobilise US$200bn per year by 2030, including by leveraging private finance (e.g., biodiversity offsets and credits)
- Equitable representation & participation of Indigenous peoples & local communities

Private investment in biodiversity markets

VOLUNTARY

- Biodiversity co-benefits to NBS carbon credits
- Biodiversity credits (*contribution*)
- Biodiversity credits (*compensation*)

COMPLIANCE

- Biodiversity offsets (*compensation*)

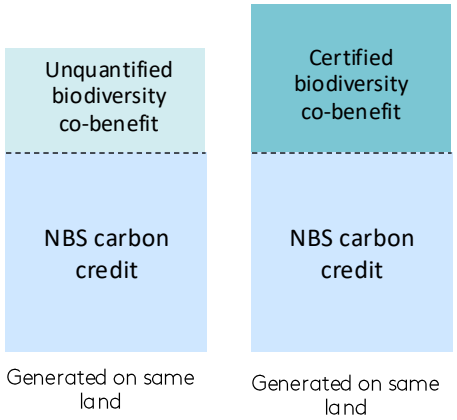
Focus of this presentation

Voluntary biodiversity credit markets are building on lessons learnt from voluntary carbon markets and compliance biodiversity markets

Different approaches have different implications for the claims that can be made by purchasers

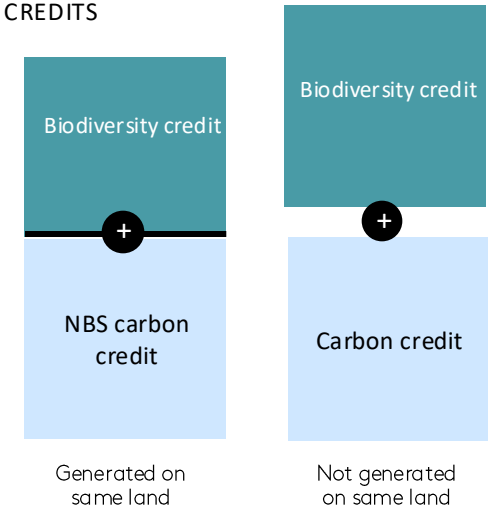
Note that where carbon and biodiversity credits are generated by a single project (i.e., 'stacked'), then the different credit types could be sold to different buyers. If this is the case, each buyer can only make a claims relating to the carbon or biodiversity benefits they have purchased (as relevant) to avoid double claiming.

1 CARBON CREDITS WITH BIODIVERSITY CO-BENEFITS

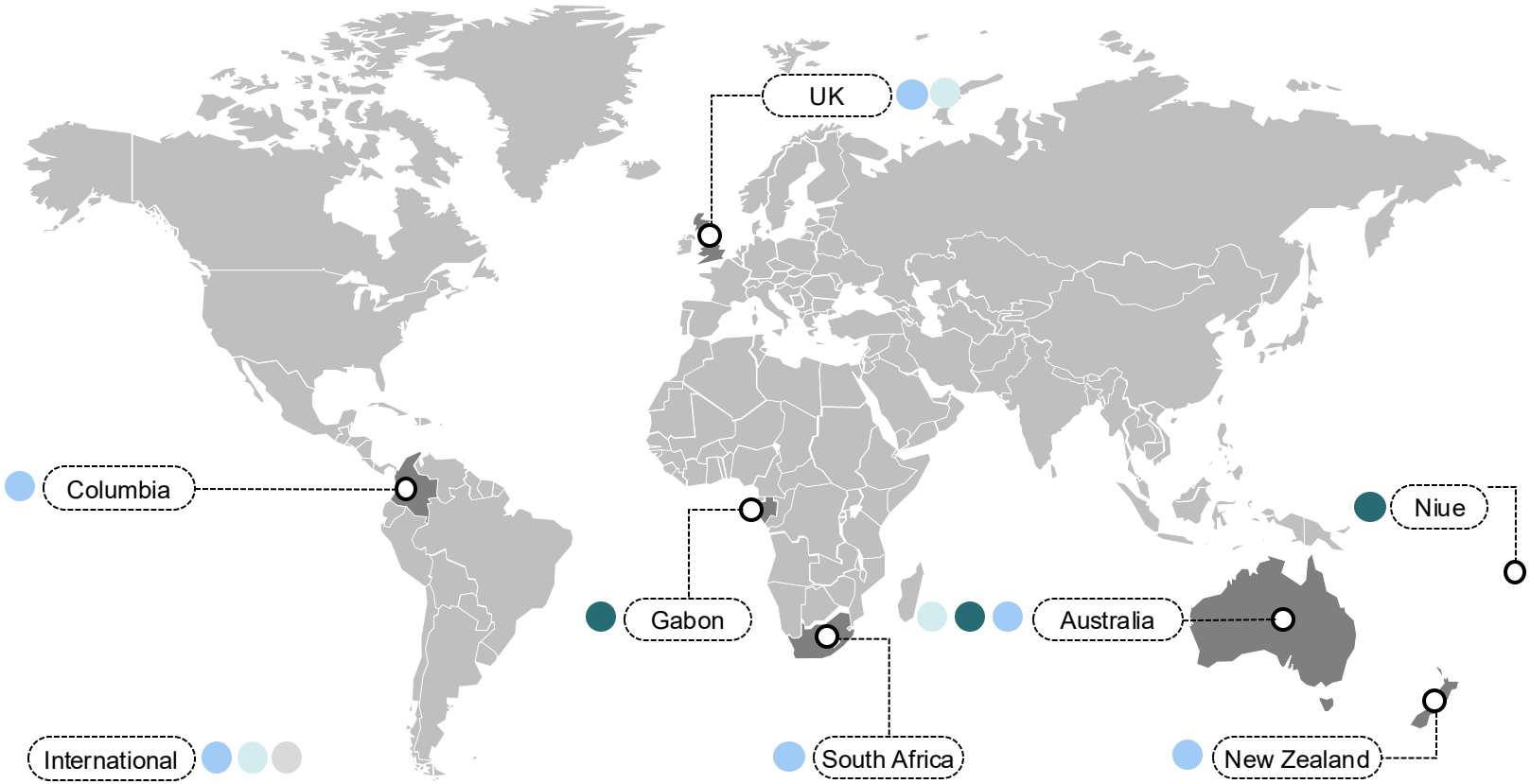


2 STANDALONE BIODIVERSITY CREDITS

3 STACKED & STAPLED BIODIVERSITY & CARBON CREDITS

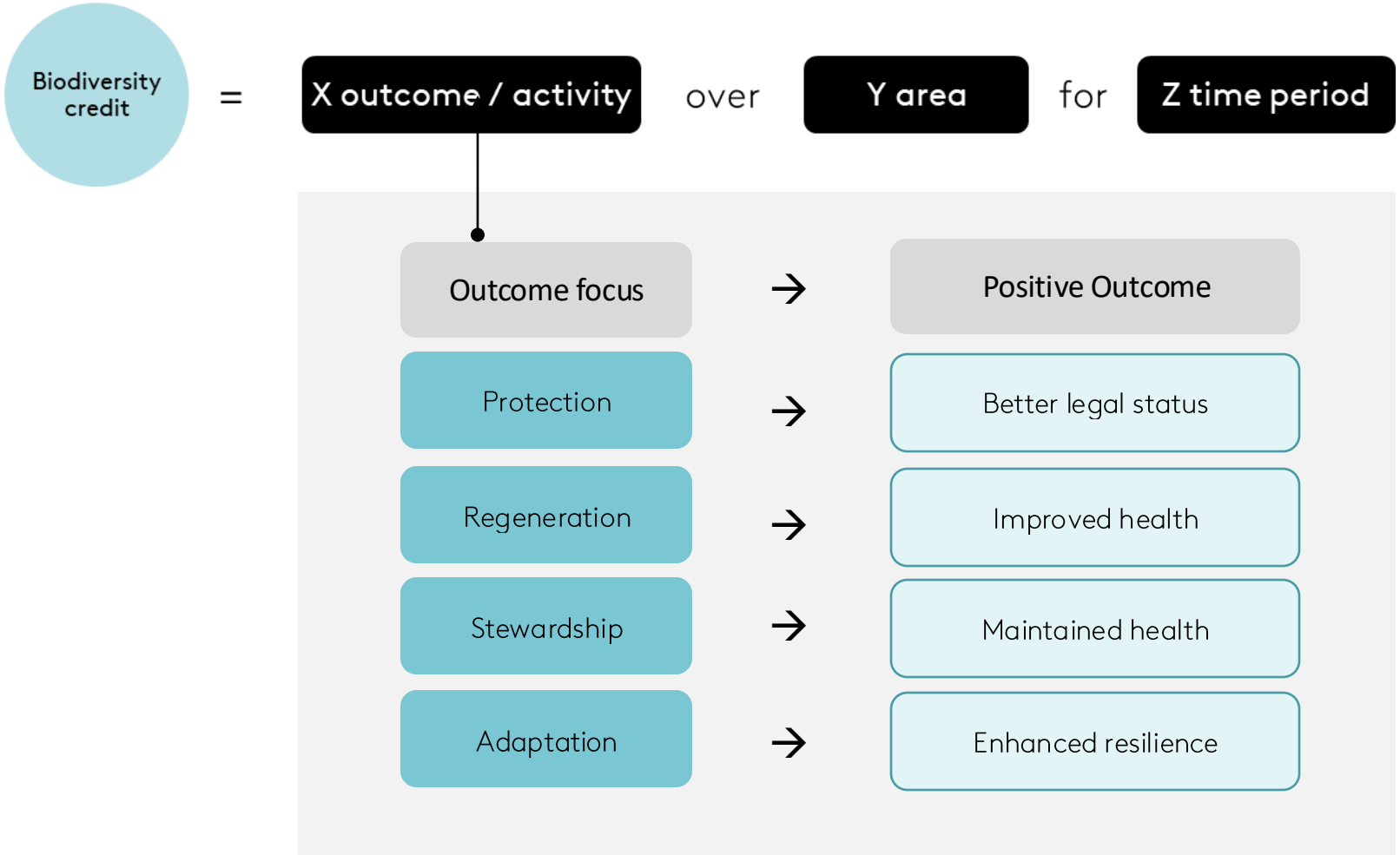


A global scan of initiatives for the development of voluntary biodiversity credit standards



- **Private sector-led programs:**
  - GreenCollar, NaturePlus™ Credits (*Australia*)
  - Terrain NRM, Cassowary Credits (*Australia*)
  - South Pole, EcoAustralia™ (*Australia*)
  - Wilderlands, Biological Diversity Units *(Australia)*
  - Ekos, Sustainable Development Units (*New Zealand*)
  - Wallacea Trust Biodiversity Credits (*International*)
  - Verified Impact Standard (SD VISta) (*International*)
  - Climate Trade / Terrasos, Biodiversity Credits (*Colombia*)
  - Ecosulis CreditNature (*UK*)
  - ValueNature Biodiversity Credits (*South Africa*)
- **Government-led programs**
  - Biodiversity certificates scheme (*Australia*)
  - Ocean Conservation Credits *(Niue)*
  - Biodiversity credit system (*Gabon*)
- **Independent standards**
  - VERRA (*International*)
  - Ecomarkets Australia (*Australia*)
  - Accounting for Nature (*Australia*)
  - Plan Vivo Foundation *(UK)*
- **Governance / integrity initiatives**
  - Taskforce for Nature Markets (*International*)
  - VERRA, White Paper (*International*)
  - IUCN Global Standard for Nature Based Solutions (*International*)

Most of the existing voluntary biodiversity credit schemes adopt set area and time metrics in their approach to unitisation.



Amongst emerging biodiversity credit schemes globally there is significant diversity in the biodiversity outcomes they support.

There is significant diversity in the approaches voluntary biodiversity credit schemes take to metrics that are used to evidence outcomes.

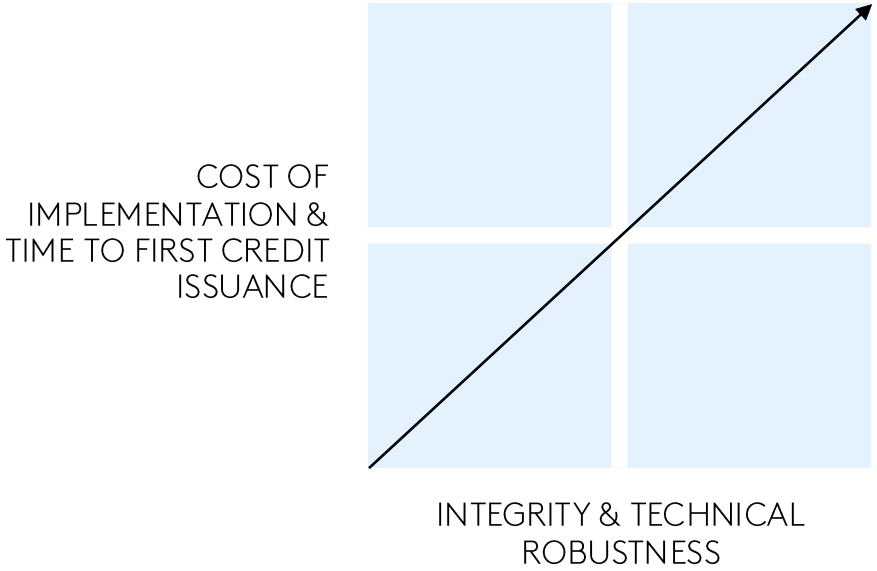
	METRICS APPROACH
 Ecosystem	• Enables the tracking of a 'basket-of-metrics' across all aspects of the relevant ecosystem type (terrestrial, marine, or aquatic). • Allows for flexibility to adopt the most appropriate metrics for the relevant ecosystem type.
 Habitat	• Requires the tracking of a set of biodiversity metrics across critical aspects of habitat for a specific fauna species. • Does not require the tracking of biodiversity metrics across all aspects of the relevant ecosystem type (terrestrial, marine, or aquatic).
 Vegetation	• Requires the tracking of a set of biodiversity metrics relevant to vegetation condition as a proxy for the overall condition of terrestrial ecosystems. • Does not require the tracking of metrics across all aspects of terrestrial ecosystems.

Emerging schemes need robust and quantifiable metrics, and must grapple with the tension between western science and the value of Indigenous expertise

There are still some key areas of market development that are not well defined

1. INTEGRITY & TECHNICAL ROBUSTNESS

The integrity of biodiversity credit markets will be integral to their success. A scheme's integrity and technical robustness are likely to be correlated with the cost of implementation and, arguably, emphasis on outcomes-based crediting approaches.



However, there is a tension with ensuring that the pursuit of high-integrity and technically-robust approaches do not lead to a misalignment with the buyer's willingness to pay and, therefore, the scalability of a scheme.

2. SUPPLY-SIDE INCLUSIVENESS

For private sector finance to flow to all ecosystem types, it will be important for schemes to expand available methodologies to apply to ecosystem types where there are currently fewer options (e.g., freshwater, coastal and marine ecosystems).

In addition, where projects carried out under a scheme could impact on lands and waters under the stewardship of Indigenous peoples and local communities, it will be important for schemes to be designed to bring forward Indigenous-led and / or owned projects.

3. ACHIEVING DEMAND-SIDE SCALE

Demand-side scaling depends on building purchaser awareness and confidence.

Securing partnerships with high-profile private sector purchasers would encourage broader demand-side confidence in biodiversity credits as a desirable product for investment.

Clear and well-considered claims guidance will support demand-side scaling.

The business case for purchasing biodiversity credits on a voluntary basis is likely to be driven by two key use cases in the near-term

1

Mitigation of physical nature-related risks:

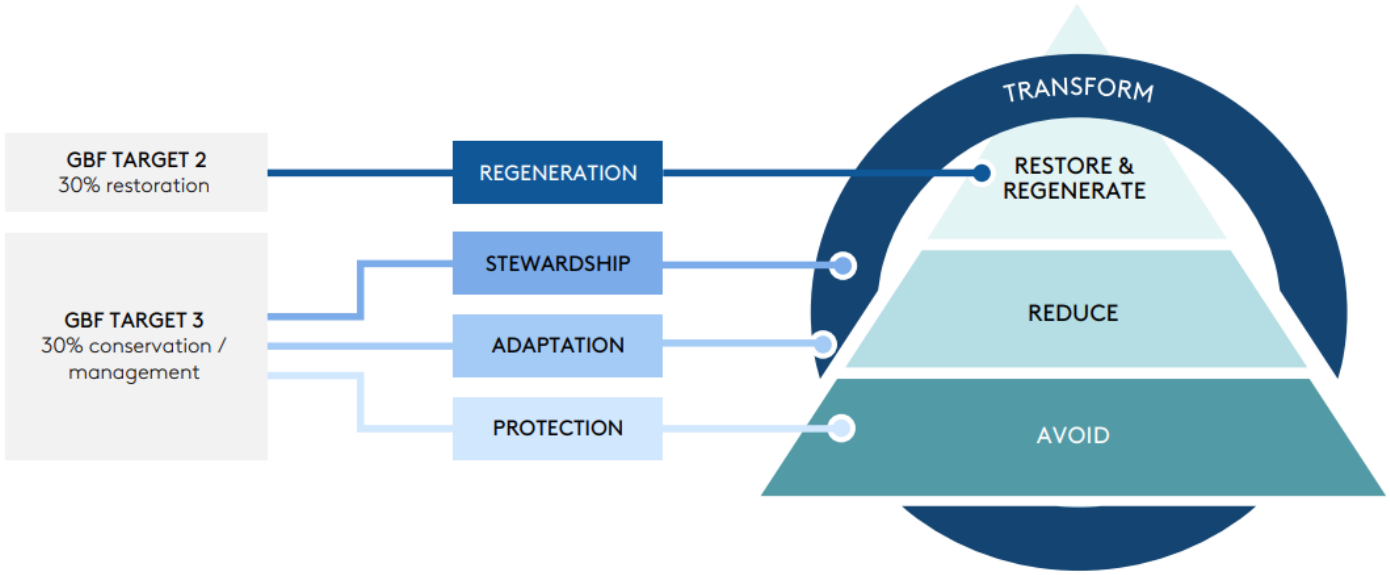
Mitigating the purchaser's exposure to physical and systemic nature-related risks in accordance with the TNFD framework.

2

Contribution to voluntary nature targets:

Meeting the purchaser's organisational nature targets to demonstrate the purchaser's contribution to the global nature-positive goal.

FIGURE 1: RELEVANCE OF BIODIVERSITY CREDIT ARCHETYPES TO GBF TARGETS AND THE ELEMENTS OF SBTN'S ACTION FRAMEWORK



3 **Compensation for impacts on nature:**

There is ongoing discussion about whether the use of biodiversity credits for voluntary compensation (i.e., offsetting) claims is appropriate. Pollination's view is that this is a potential future use case, but the calculation of scientific equivalence is challenging and nuanced and requires careful consideration and integrity safeguards.

Perspectives on sources of demand

European buyers are the greatest perceived source of demand.

The perceived top sources of demand are **multinational corporations, financial institutions and small to medium sized enterprises.**[10]

Contribution claims are key claims that purchasers are seeking to make.[11]

Marketing / brand is the strongest perceived driver

of demand for biodiversity credits, followed by risk mitigation (i.e. mitigation of nature-related transition risks, physical risks and/or systemic risks).

Buyers have been observed to be motivated by / interested in whether biodiversity credits are generated by projects proximate to their operations, investments and/or sourcing areas.