

HOW DIFFERENT ARE BIOCREDITS FROM BIODIVERSITY OFFSET CREDITS?

UNDP and IIED have recently published a study¹ promoting biocredit markets and claiming that biocredits are different from the discredited² biodiversity offset credits. Yet, we find that reading the IIED reports tells a different story:

1. What are biocredits?

Biocredits are defined as *“a tradeable unit of biodiversity that can incentivise nature conservation and restoration to benefit marginalised groups living with nature”* and a *“new asset class.”*³

“Like tradeable credits for carbon, biocredits are units of biodiversity emerging from pre-agreed management actions that improve biodiversity against a baseline (...) Credits may then be bought and sold in a market transaction or through direct deals.” In fact, ***“biocredits are similar in design to biodiversity offsets (...) but they differ in use. Biocredits are not designed to offset or compensate for actions with negative impacts on biodiversity elsewhere.”***

Biocredits are thus identical to biodiversity offset credits, only their claims and intended use are different, as they do not claim equivalence with some destruction, and shouldn't be used for offsetting purposes.

2. How credible is the claim that they won't be used for offsetting?

The IIED reports do not in fact entirely oppose offsetting, explaining that *“in some cases biodiversity offsets can be useful at a local level,”* that *“biodiversity offsets may be particularly useful for compliance purposes, for example in cases when companies need to provide compensation for truly unavoidable impacts on biodiversity”*, and that *“a group of leading methodology developers, with assistance from UNDP and NatureFinance, are currently working on a set of guidelines to define when the use of biodiversity offsets is appropriate.”*

3. Who would buy them and for what purpose if not for offsetting?

Biocredit markets are presented as voluntary markets, where credits would be bought by companies with CSR commitments, philanthropists and impact investors seeking to have a positive impact. Yet, the history of voluntary carbon offset markets suggests that **such credits have no use**

¹ Ducros A, Steel P, Biocredits to finance nature and people Emerging lessons, UNEP, IIED 2022

<https://www.iied.org/sites/default/files/pdfs/2022-11/21216IIED.pdf>

² Hache F, 50 shades of green part 2: the fallacy of environmental markets, Green Finance Observatory

<https://greenfinanceobservatory.org/wp-content/uploads/2019/05/50-shades-biodiversity-final.pdf>

³ All quotes come from the following 2 reports:

Ducros A, Steel P, Biocredits to finance nature and people Emerging lessons, UNEP, IIED 2022

<https://www.iied.org/sites/default/files/pdfs/2022-11/21216IIED.pdf>

Porrás I, Steel P, Making the market work for nature How biocredits can protect biodiversity and reduce poverty, IIED March 2020

<https://www.iied.org/sites/default/files/pdfs/migrate/16664IIED.pdf>

at scale other than offsetting, and even then, that voluntary purchases are insufficient to generate meaningful demand and go beyond niche markets.

On this last point, the history of policy making suggests a likely effort from some of the stakeholders promoting such markets to lobby governments to pass legislation in order to generate demand for these credits. In fact, the earlier IIED report already states that *'like carbon, the approach may start in the voluntary carbon markets, based on voluntary/self-regulation. But **there needs to be a 'push' from governments to drive 'regulatory' purchases.**'*

Such a push needs to be looked at in the context of an increasing number of countries' having biodiversity strategies based on a "Net Gain" principle, net meaning by definition offsetting, as it pools together in one metric biodiversity destruction reduction and restoration. **Mandatory biocredit purchases combined Net Gain biodiversity strategies could arguably create biodiversity offset markets.**

4. Additional concerns with biocredits

a. Allowing the tradability of biocredits and setting up biodiversity market schemes is not only unnecessary for conservation purposes, but it could also let financial markets and short-term speculators determine in part the price of conservation. Not only have successful conservation policies have existed for centuries without market schemes, but markets have been shown to be unable to price scarcity adequately (see the price of oil).

In addition, while private funding for conservation is needed, there are several ways to mobilize it, the most effective one being environmental regulations, that automatically change future expected revenues in the impacted sectors and in turn mechanically lead to a shift in private capital flows. Financial markets by contrast have been shown to contribute very little to raising fresh capital today, the bulk of their activity being secondary market trading.

b. As importantly, this would implicitly **reconceptualize conservation based on short-term profitability criteria**, with major consequences. An example of that is provided by the statement that biocredit schemes are expected to *"provide both **economic and environmental benefits**;"* economic benefits have nothing to do with conservation and may on the contrary in some cases get in the way of environmental integrity. To be clear, conservation policies should go hand in hand with economic and social policies ensuring a just sharing of the costs amongst stakeholders, but that is very different from having conservation policies having as one of their goal to make profits.

c. **Additionality is also being redefined, no longer purely as the environmental impact of a restoration project, but now also including financial and other non-environmental metrics**, thereby potentially facilitating claims of success despite weak environmental impact: *"we look at additionality more broadly than the traditional increase in biodiversity metrics. This includes but is not limited to:*

- Increasing the amount of finance to sites where conservation efforts are already underway to a level that will allow for effective management and protection

- Increasing the strength of relevant institutions, organisations and stakeholders to access the resources they need to effectively conserve and manage biodiversity (including increase in land tenure rights)

- Altering the distribution of financial compensation for conservation to favour those that manage biodiversity most effectively, including Indigenous Peoples & Local Communities that are investing the most time and resources, and those most affected by biodiversity loss."

Additionality could come for example from *“increased funding to the area, increased or more inclusive management efforts, or reduced threat to the area.”* While these are all important elements, they should arguably be best placed under a different header than additionality.

d. Reconceptualising the role of government as per the Wall Street Consensus

As stated in one of the IIED reports, *“despite the name, biocredits are far from being a purely market-driven intervention. Government will be required to enable policy to regulate and facilitate the market.”*

Government’s expected role includes *“setting up rules for monitoring and reporting biodiversity, registration and trading rules, granting legitimacy to the biodiversity actions on the ground.”* There also *“needs to be a ‘push’ from governments to drive ‘regulatory’ purchases and promote continuous and long-term commitment from industry and buyers.”*

Far from being reduced, the role foreseen for government is thus transformed, from a sovereign actor setting up conservation policies to a standard setter for private markets.

Conclusion

Based on all the above, we conclude that the claim that biocredits are different from biodiversity offset credits is weak and should be closely monitored.

We also find that biocredits generate additional environmental and social concerns that make them inferior to traditional environmental policies. In particular, we believe that it is not wise to transfer to financial markets our conservation policies, given their well-known short-termism and erratic moods, and the context of acute biodiversity crisis we are in.
