

Thank you very much for inviting me here today.

I will try to answer 3 questions during this brief presentation: what are biodiversity markets, do they work, and why are they politically so appealing?

Biodiversity markets are an old idea that is about to be implemented on a big scale:

Biodiversity offsetting, for those who are not familiar, is the idea that we would be able to compensate for the destruction of biodiversity somewhere by restoration actions elsewhere.

Say, for example, that you are an infrastructure company that want to build a new airport terminal on a flamingo habitat in the South of Spain; under traditional environmental regulations, you would probably be told to build your airport elsewhere.

Under classic biodiversity offsetting, you would be told that you can build your airport, but you need to compensate by restoring a habitat for flamingos within a 10 km, even though we know in reality that we are unable in most cases to comprehensively recreate all the ecosystemic functions destroyed.

Under an extreme version of biodiversity offsetting, you might be told that you can build your airport, but you need to compensate, not within 10 km but somewhere in Europe, and not necessarily by the same type of habitat that was destroyed. So, you could restore a habitat for bats in Greece or plant some trees in Romania and consider that it offsets. But of course, in reality we all know that more bats do not equal less flamingos.

Biodiversity offsetting is not new at all; it already exists in several countries, including the USA, parts of Australia and Canada.

What is new however, is that biodiversity markets are about to completely change scale: The UN officially included biodiversity offsets in its new Global Biodiversity Framework at the CBD COP15, Australia is in the process of launching a nature repair market, the UK will launch a biodiversity offset market this November, and France recently launched a partnership with the UK and Gabon to “work on a market for biodiversity certificates.”

At EU level, the European Commission has been promoting biodiversity offsetting for 12 years, first under the name habitat banking, then under the name Nature-Based Solutions. It has also recently included it in the draft delegated act of the taxonomy of sustainable finance.

Some lobbies have spun it a bit differently and rebranded it as biodiversity credits or certificates lately, but it's essentially the same:

In the words of their proponents, such as the World Economic Forum, biodiversity credits are similar in design to biodiversity offsets, and only differ in their intended use. They are a

voluntary market-based mechanism aimed at financing real gains for biodiversity, not linked to negative impacts.

We find however this narrative preposterous, since biodiversity credits have no credible use at scale other than offsetting.

Who would buy them and for what, if not for that purpose? The history of voluntary markets shows also the limited demand for such instruments.

In fact, the proponents of biodiversity credits push for a mandatory biodiversity tax and trading system, whose proceeds would be used by governments to purchase tradable biodiversity credits linked to restoration projects.

So, in essence, this IS offsetting, in the context of Net Gain biodiversity policies, only without the claim of offsetting, and this is very cunning & smart, because you get to create an offset market, but no longer have to worry about equivalences, additionality and potential legal liabilities, such as KLM facing a court action for violating consumer law with its CO2 compensation marketing.

And this IS also a push for compliance markets, i.e., with demand guaranteed by law, which would be a massive present to private investors.

Note also that, even if these credits weren't used for offsetting, they would still require the privatisation and financialisation of conservation, in order to make it profitable and investable, something that is incompatible with the preservation of public goods.

Also note that, whether or not used for offsetting, allowing the secondary market trading of these credits is absolutely not necessary for conservation purposes, while it would transform environmental policies into gambling casinos.

Finally, it is worth noting the push for biodiversity credits to be internationally transferable," with the related risks of green neo-colonialism that we know.

For all these reasons, we find the narrative around biodiversity credits disingenuous, and that they pose the same concerns than biodiversity offsets.

Now, the real question is: does biodiversity offsetting work?

First, it is important to note that offsetting, by definition, does not aim at curbing destruction, so at best it only displaces destruction but doesn't reduce it.

More crucially, biodiversity offsetting has been shown to be plagued with intractable environmental integrity issues. If you think carbon offsetting is bad – and it is, as more than 80% of it has been found to be hot air – remember that there are only 6 main GHG, and the equivalences between the gases are more or less ok.

Now compare that to the millions of the species and the complex web of interdependences, and you see immediately that simplifying and standardising them into a few tradable assets is incomparably more difficult and creates infinitely worse environmental integrity issues.

In fact, the track record of biodiversity offsetting so far is appalling, with between 2/3 and 3/4 of projects that fail, and that is simply because the science of restoration is in its infancy, and our scientific knowledge of ecosystems is very incomplete.

Beyond its environmental issues, offsetting has also been amply documented to be associated with conflicts over land and land use, human rights abuses and green neo-colonialism.

Biodiversity markets would also transfer critical conservation decisions to financial markets, that are focussed on short-term private profits and not on public interest, and are prone to regular crises.

For all these reasons, we already know that biodiversity markets will be an environmental failure and likely create major social and human rights issues.

So, the next question is, what explains their political appeal?

The proponents of these markets argue that we need to include nature in our economies in order to save it, and that we need to attract private capital via private markets to fund conservation.

Of course, the history of conservation shows that we absolutely do not need to put a price on nature in order to have sound conservation policies.

What is truly needed is tighter environmental regulations mandating a decline in destruction, such as the loi littoral in France.

And even if there was a need to shift private capital flows, it still does not require creating markets on nature: environmental regulations mandating a decline in destruction would lead automatically, like any regulation, to a reassessment of the future profits of impacted sectors, and then mechanically to a shift in private capital flows.

As for financial flows aimed at helping vulnerable countries fund conservation actions, what is needed is loss and damage discussions based on differentiated historical responsibilities, and not conditional financial market instruments.

I also sometimes hear, that ok biodiversity offsetting doesn't really work, but it's better than nothing. But is it?

In reality, it is arguably not. Because it diverts the conversation away from the need for tighter environmental regulations, and for rich countries to curb their destruction. And also, this is a moot point, because no country today could say that it will do nothing about the 6th extinction of species, so the real benchmark is not nothing but alternative policy tools.

In fact, it has been argued that the political appeal of nature markets resides precisely in their limited effectiveness:

Most governments today are willing to act about climate change and biodiversity loss, but only to the extent that it does not threaten their short-term economic growth and competitiveness. In other words, acting only at the margin, and far less than science tells us we need to.

We thus understand the political goal of biodiversity offsetting, just like carbon offsetting before it, to be enabling rich countries to maintain the status quo and avoid changing their lifestyle, while also creating a new asset class for their financial industry.

Bush senior famously said at the 92 Rio summit, "the American way of life is not negotiable." It's all in this sentence, and it does not only apply to the USA.

So, my question to you is: Do we want to repeat with biodiversity the failure of Kyoto carbon markets? I personally do not think we can afford to.

Thank you very much.
