GFO'S RECOMMENDATIONS ON BIODIVERSITY CREDITS OF THE COMMUNITY ADVISORY PANEL (CAP) OF THE BIODIVERSITY CREDIT ALLIANCE (BCA)

We welcome the opportunity to express our views on this very important document, that aims at promoting biodiversity credit markets "with social safeguards."

What makes this document crucially important is that it is issued by the Community Advisory Panel (CAP) of the Biodiversity Credit Alliance (BCA), a self-governed body of over 40 Indigenous Peoples and Local Communities members from across the world, whose role is to promote their rights, interests, and priorities into UN[1]'s blueprint for an international biodiversity credit market.

We express below our main concerns with the draft document.

1. Imbalanced forum

We fully support the desire of Indigenous People and Local Communities to be involved in this crucial debate that will impact their future. However, we want to highlight that the Biodiversity Credit Alliance is an extremely imbalanced forum, that the IIED[2] who provides the secretariat of the CAP and the UN itself are not neutral arbiters, being long time promoters of biodiversity markets.

The membership of the Biodiversity Credit Alliance is indeed mostly comprised of carbon and biodiversity issuers, lobbyists and other promoters, whose economic interest is to see these markets be created at any cost. The IIED has been promoting biodiversity credit markets for years through the publication of policy reports[3]; as for the UN, the Convention on Biological Diversity and the United Nations Environmental Programme Finance Initiative have long championed biodiversity offsetting under the name "land degradation neutrality."

As a consequence, we fear that IPLCs have an extremely low chance – if any at all – to weigh significantly on the outcome, while their participation risks legitimising a biased process. Trying to

[1] The Biodiversity Credit Alliance itself is a taskforce launched by UNDP, UNEP FI, and the Swedish International Development Cooperation Agency (SIDA), that was launched during the CBD COP 15 as a voluntary international alliance s to support the realization of the Global Biodiversity Framework, in particular Targets 19(c) and (d).

[2] International Institute for Environment and Development

[3] I Porras, P Steele, 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

get your opponents to engage with a biased framing and process rather than reject it is a time-honoured political tactic[4].

While indeed "*market-based solutions have historically, and continue to exclude rights-holders from decision-making,*" **we fear that the current process will integrate IPLCs concerns only insofar as they don't get in the way of rich industrialised countries continuing to destroy as usual at home** and creating a new profitable asset class for their financial sector. We also believe that **the desire to include IPLCs stems, not from a sudden altruistic awakening, but from the enormous scale of the markets to come and the quantity of indigenous land that they envision to use**, combined with a desire to appease rich countries' public opinions, and avoid being called neo-colonialist. We thus fear that most IPLCs concerns will be ignored, save for a few well-meaning but difficult to enforce statements, and we view this process as part of a form of historical continuity, rather than a rupture.

We hope that Indigenous People and Local Communities will not hesitate to walk out of the process if they feel that it goes against their preconditions, as we will show is the case below. We note that an explicit rejection by leading IPLCs would carry a lot of political weight on international public opinion and could not be easily dismissed; on the contrary, it would likely force many governments to rethink their narrative and their conservation policies.

2. Problematic starting point

The draft states in its preamble that "***since the matter of bonds and/or credits will be a reality[5],*** *we, as Indigenous Peoples and local communities, advocate for these processes to be based on peoples' principles…*"
We disagree with the statement that biodiversity credits will be a reality, as there is still a long way to get there, as academic research has amply demonstrated their intractable environmental issues, and public opinions have not had their say yet. Assuming that these markets will be a reality is thus starting from an incorrect and weak negotiation point.

3. Problematic claims

The draft laments the fact that powerful nations have "*objectified the world and* ***commodified everything that exists.*** *Faced with all these irreparable damages, in recent years, it has been* ***callously asserted that the polluter must pay, trying to imply that everything can be resolved with the god of money****.*" It further states that "respect *for Earth's and Nature's rights also means that* ***biodiversity credits should not commodify nature by seeking to measure its economic value, but rather, seek to value the service provided to nature itself****.*"

We welcome and fully support the rejection of the commodification of nature and of the polluter-pay principle. We find however that the distinction between valuing in monetary terms nature and its services is completely preposterous, since ecosystem services are by definition nature, under the natural capital framing[6]. Therefore, biodiversity credits do commodify nature, and are thus in contradiction with the desire to avoid it.

---

[4] *In the immortal words of former US president Lyndon B. Johnson "better to have your enemies inside the tent pissing out, than outside the tent pissing in."*
[5] Bold emphasis here and in other quotes is ours
[6] Natural capital is a utilitarian and anthropocentric reconceptualization of nature as a series of series of services that contribute to human well-being and the economy. In addition, under this approach, the price put on the so-called services will determine whether the ecosystem is deemed worth preserving or not.

The draft further states that "***concepts such as biodiversity offsets, which seek to justify the destruction of nature and violation of the rights of earth and nature by pretending to offset, or conserve it elsewhere, would be contrary to respect for the rights of nature****. Likewise, for companies to use biodiversity credits to* ***claim "nature positive" outcomes, while damaging nature****, including on Indigenous and local community lands, would be misleading and contrary to respect for the rights of nature.*"

We welcome and fully support the rejection of biodiversity offsetting and of nature positive claims while damaging nature. We want to emphasize however that **biodiversity credits and offsets are identical and we reject the preposterous and/or politically naive claims that credits will not be used for offsetting**.

The IIED itself, who provides the secretariat for the CAP, has stated in earlier reports that *"biocredits are similar in design to biodiversity offsets (…) but they differ in use. In theory, biocredits would be used to fund investments in biodiversity conservation with a net biodiversity gain from the pre-existing baseline. Biodiversity offsets, on the other hand, are used to compensate for the loss of habitats elsewhere.[7]"* The IIED thus acknowledges that both are identical and that the only difference is use. Yet, funding investments with a net biodiversity gain implies, by definition, some offsetting, as "net" means the result between biodiversity gains and losses. We also note that the IIED is not entirely opposed to offsets, having stated that "*we argue that,* ***at least initially****, biocredits should not be used as biodiversity offsets[8]*," and that "*in some cases biodiversity offsets can be useful at a local level.[9]*"

We note that EU's biodiversity strategy is also based on a net gain principle, which means that conservation investments and degradation of nature are measured together in one single indicator, which means in turn that any conservation investment is considered as an offset by definition, and thus enables destruction to take place elsewhere.

Who would buy these credits and for what purpose, if not for offsetting?
Verra, the largest certifier of carbon credits, that is trying to position itself on biodiversity credits explained in a recent consultation that companies would buy the credits to address their impacts and dependencies on nature. Regarding their impacts, they explained that "*where a nature deficit resulting from accumulated existing or ongoing impacts, or through industry wide impacts that are not attributable to an individual entity, remains in the value chain after application of the mitigation hierarchy, companies can* ***invest beyond the mitigation hierarchy*** *through market-based mechanisms such as Nature Credits[10]*." In layman terms, it means that when nature has been destroyed, a company can, after having first tried to minimise destruction, buy biodiversity credits to offset the remaining destruction and possibly a bit more, in order to claim a net gain. We find that such a proposed use includes offsetting and that claiming otherwise is intellectually dishonest.

---

[7] Porras, Steele, IIED, Making the market work for nature How biocredits can protect biodiversity and reduce poverty, March 2020 https://www.iied.org/sites/default/files/pdfs/migrate/16664IIED.pdf
[8] Porras, Steele, supra
[9] Ducros, Steele, IIED, Biocredits to finance nature and people Emerging lessons, November 2022 https://www.iied.org/sites/default/files/pdfs/2022-11/21216IIED.pdf
[10] Hache, Green Finance Observatory, privativation, wealth & sovereignty transfer in the name of conservation - GFO's answer to Verra's nature framework consultation https://greenfinanceobservatory.org/wp-content/uploads/2023/11/Verra-consultation-v6.5.pdf

Regarding the use of credits to address companies' dependencies, Verra suggests that companies may buy credits in order to curb hazards like "*fires and floods (…) supply chain disruptions, asset damage, raw material price spikes, and lower-valued or stranded assets*[11]*."* Yet, we find that none of these proposed uses has a strong business case likely to generate significant demand: addressing risks of fires and floods near factories or headquarters by the purchase of biodiversity credits funding conservation actions would be a very limited and local use and does not require credits at all. Likewise, the link between a company buying biodiversity credits and curbing its exposure of raw material price spikes is far too lose to be material, and such hedging is also typically done via futures contracts.

As for reducing a company's risk of having stranded assets, stranded assets typically refer to assets that have experienced unforeseen losses due to changes in environmental legislation; the only connection we find between purchasing biodiversity credits and reducing this risk is if these credits are used to lobby policy makers against setting up tighter environmental laws mandating a decline in destruction, under the claim that the issue is already being addressed via these credits and markets. In such a use case, biodiversity credits would be used to enable further destruction to take place elsewhere, something that IPLCs are against.

As for the last proposed use, addressing supply chain disruptions, once again, there is no good business case. As stated by Kelvin Massingham, director of risk and resilience at FSD Africa: "*I did hear back from several people working closer to the demand side and their feedback is consistent with what you highlight in the Verra response. There currently isn't a strong business case for corporates buying or selling biocredits for their supply chain dependencies. This is because for this scenario the most commercially viable option will be to do the insetting themselves. It won't make sense to incur the additional costs of creating biocredits. That does leave corporate demand to be driven by offsetting and CSR motives. We know from experience CSR demand will be very limited and offsetting, as you outline, is problematic*.[12]" **In other words, there is no credible use for biodiversity credits outside of offsetting**.

There is however **no shortage of creativity to try and claim that both are different**. As stated in recently by Joshuah Berger, Senior Advisor at CDC Biodiversité and CEO of the Biodiversity Footprint Intelligence Company: "*corporations will use biodiversity credits to counterbalance the harm they inflict on nature throughout their supply chains, but the practice shouldn't be called offsetting."*[13]

In fact, the same claim that is to be found in the Biodiversity Credit Alliance's own report, that states, "***biodiversity credits could provide a non-offset driven opportunity to contribute toward positive biodiversity outcomes** in instances where it may be difficult to define a direct connection between a company and specific impacts in the value chain. **A company may pursue biodiversity credit projects that the company can reasonably argue compensate for damages** (after implementation of the mitigation hierarchy), **related to its impact and dependencies***."[14]

[11] Hache, ibid
[12] Conversation with us, that Mr Massingham kindly agreed to make public
[13] Carbon Pulse, Biodiversity credits will "counterbalance" negative corporate impacts, expert says, 7 February 2024 https://carbon-pulse.com/258121/?utm_source=CP+Daily&utm_campaign=702566edee-CPdaily07022024&utm_medium=email&utm_term=0_a9d8834f72-702566edee-110288569
[14] Biodiversity Credit Alliance, Demand-side Sources and Motivation for Biodiversity Credits, Issue Paper No. 1, December 2023, https://www.biodiversitycreditalliance.org/media/BCAIssuePaper_DemandOverview(06122023)-final.pdf

We find the claim that compensating for damages is different from offsetting to be preposterous, and to indicate that the Biodiversity Credit Alliance intends to promote biodiversity offsetting.

It is important to understand that **biodiversity credits derive their political appeal only from their ability to delay meaningful action to curb destruction in rich industrialised countries**. They achieve this by claiming (incorrectly) that they compensate for such destruction elsewhere. This explains why biodiversity credits will without any doubt be used as offsets; there would be no political support nor any demand at scale for biodiversity credits that are not one way or another used as offsets and do not help delay action inside rich countries.

While we are on the topic of demand, we note that the draft states that "*this document primarily focuses on voluntary biodiversity credit markets (whether regulated or not) and should not be interpreted as Indigenous Peoples or local communities expressing their support for, or acceptance of mandatory, mandated, or compliance biodiversity credit markets*." We want to highlight however that the current political momentum clearly favours compliance markets, such as UK's recent compliance biodiversity offset market, in order to generate demand at scale. There is thus a significant risk in our opinion that the biodiversity credit market being designed could be used as a blueprint for future compliance markets.

We welcome the draft statement that "***incentivizing land speculation*** *by creating financial assets out of Indigenous Peoples' and local communities' lands (…)* ***should be avoided****,"* and the related proposal that "*actors in the biodiversity credit market should carry out due diligence and require that business partners do not seek to seize control or ownership of collectively owned, occupied or used Indigenous and traditional territories and lands."*

We note however that creating financial assets such as biodiversity credits will indeed incentivise land speculation, due to the enormous quantities of land required to offset the destruction of rich industrialised countries, and the fact that they have every intention to offset as much as possible abroad where land is cheaper rather than at home. We also fear that the call for market actors' due diligence will fail to address this issue; history suggests that letting the fox guard the hen house is not the most promising strategy.

The issue could however be somewhat mitigated by **banning international credits, thus requiring that offsetting takes place domestically,** and most crucially by **banning secondary market trading** – the allowance to buy and sell credits an unlimited number of times. Such a feature has zero benefit from a conservation perspective, but would greatly favour speculators. We thus recommend the explicit ban of secondary market trading, at a bare minimum.

Based on all the above, we believe that IPLCs' rejection of the commodification of nature, of the polluter pay principle and of biodiversity offsetting should lead them to explicitly reject the biodiversity credit market proposed, and to call instead for rich countries to change their lifestyle and curb their destruction at home.
