Principles for Better Biodiversity Credits

October 20, 2024

Organizations and governments around the world have more than 30 years of experience with biodiversity credit markets that meet the requirements of national and regional environmental regulations. A new round of work is taking place regarding the use of credits for disclosure-related and voluntary purposes. The principles and governance features described below deserve more attention as they have been critical to the success of, and improvements in the pre-existing biodiversity credit markets. These established markets have generated improvements to important ecosystems, provided benefits to buyers, project developers, land stewards and owners, and have already attracted billions in private investment.

Principles

1. Guarantees to achieve ecological performance based on most or all of the following:
   a. Requirements for advance ecological performance before a significant portion of credits can be sold to buyers (ex-post crediting);
   b. Significant insurance and bonding requirements on credit providers similar to those for gray infrastructure and construction projects that last until all the biodiversity outcomes on the sites that contribute to the transacted value of credits have been achieved; and
   c. Long-term endowments to pay for predictable multi-year ecological management needs and maintenance of the biodiversity credit sites after some or all of the outcomes have been achieved.

2. Government or other 3rd party verification and approval before buyers can make claims around the uses of purchased credits.

3. Multi-year monitoring plans funded by sellers through appropriate credit pricing and implemented by buyers, government or 3rd parties that ensure purchased biodiversity outcomes are real, evidenced, and endure for the duration of the agreement.[1]

4. Compliance or enforcement policies, through which a third party (including government) is responsible for confirming that agreed-upon actions, funding, and environmental outcomes persist on at least a representative subset of audited projects.

5. Strong and multi-decadal or permanent land use restrictions either through covenants or easements that run with the ownership of the land.

6. Credit policies should include a preference for protection or restoration of biodiversity on sites where it is easier to maintain biodiversity – this will typically be further from areas of intense human land use (i.e. the built environment) and will favor more enduring uplift.

7. Restoration or enhancement approaches should be preferred to preservation, especially in the early years of the market because restoration can pose fewer risks related to additionality than avoided loss or similar projects.

8. If government is involved in permitting off-site biodiversity banks, biodiversity projects co-located with development, and payments into a fund in lieu of conservation action, agencies must ensure that all these credit options are held to the same or equivalent standards.

9. Once markets are established (whether compliance or "voluntary"), biodiversity credit sites are created without sustained government subsidy because it artificially lowers the price of credits for buyers and thus lowers the incentive to avoid impacts.

10. Biodiversity credits should be sold at a price that is sufficient to pay for the restoration, management, monitoring, insurance, and protection of the site, without depending on carbon credit revenue for viability, because understanding additionality in the context of stacked credits has been technically difficult to resolve and difficult for the public to understand.

11. Until there are established credit registries that provide transparency around trades and claims, programs should avoid or minimize secondary trading because of risks of double counting.

Credit: High Quality Nature Credit Working Group, 2024

Most of these principles and governance features are in use in a diversity of nature credit markets around the world.

Criteria	USA wetlands and streams	USA endangered species	UK biodiversity net gain	Colombia biodiversity offset law
Significant insurance and bonding requirements	+	+	no, but provided by some banks	
Requirements for advanced ecological performance before at least a portion of payment occurs	+	+	+	+
Permanent endowments to fund restoration and management needs	+	+	no, but provided by some banks	+
Government or other 3rd party approval needed for buyer claims	+	+	moving in this direction	
Strong - and long - land restriction/ covenant/easement requirements	+	+	+	+
Strong and multi-year monitoring system	+	+	+	+
Strong and multi-year enforcement system	+	+	not yet	+
Absence of government subsidy in the establishment of biodiversity credit sites	+	+	+	some initial grant support
Equivalent standards for approval of biodiversity projects regardless of whether they are on or off the impacted site	+	–	–	+
Preference for restoration versus preservation	+	–	+	yes, but not required by regs.
Pricing fully pays for biodiversity credits without dependence on carbon credit revenue	+	+	+	+

[1] Monitoring can also be implemented by sellers in some situations as long as there is strong auditing and oversight of the monitoring, including site visits or remote confirmation of biodiversity outcomes.

Credit: High Quality Nature Credit Working Group, 2024

The organizations participating in this Working Group are committed to principles of additionality and durability, transparency of crediting protocols, use of registries and project ledgers, and assurance that benefits of investment in biodiversity credits are shared with landowners, local communities and indigenous peoples. All of these principles are very much a part of biodiversity crediting discussions today. We started working together because we believe that restoration businesses, government agencies, and nongovernmental organizations have a great deal to learn from one another as they improve the effectiveness of domestic policies, help credit-supplying businesses grow to meet demand, and to inform participation in global discussions and policy development around regulatory, disclosure-related, and purely voluntary biodiversity credits.

Credit: High Quality Nature Credit Working Group, 2024

Working Group Members

Environmental Policy Innovation Center (EPIC)
A U.S. based environmental non-profit, the Environmental Policy Innovation Center's mission is to build policies that deliver spectacular improvement in the speed of environmental progress.

Environment Bank
Environment Bank's team of highly-trained ecologists are dedicated to nature recovery as the solution to tackle the critical issue of biodiversity loss and ecosystem collapse. With over 6,500 acres of habitat creation already underway, Environment Bank has begun pioneering new mechanisms for nature recovery through private investment, establishing a network of award-winning, landscape-scale Habitat Banks across England.

Terrasos
A Colombian B-Corp that specializes in structuring and operating environmental investments, with a particular emphasis on biodiversity management. Our work focuses on four main areas: voluntary environmental investments and biodiversity compensation of development projects, impact and policy analysis, deployment strategies, and knowledge management. We currently manage more than 4000 hectares in 8 habitat banks.

Westervelt (WES)
Established in 2006, Westervelt Ecological Services has restored and conserved over 30,000 acres of habitat supporting over 50 protected plants and animals. We challenge ourselves to develop large, complex projects that provide long-lasting benefits for future generations, including improved biodiversity, flood resiliency, water quality, and climate change management.

Ecosystem Investment Partners (EIP)
Founded in 2006, Ecosystem Investment Partners (EIP) is a real assets, private equity firm with over $1B in assets under management and a national footprint that develops institutional capital solutions for the ecological restoration markets. EIP is one of America's leading providers of environmental restoration with over 60 active mitigation banks and to date, EIP has restored over 43,000 acres of wetlands and over 225 miles of streams.

RiverBank Conservation
RiverBank is an ecological restoration and conservation firm (based in Austin, Texas), specializing in the generation of environmental offsets under the U.S. Clean Water Act and Endangered Species Act. Since its formation in 2009, RiverBank has conserved well over 10,000 acres of aquatic and terrestrial habitats across the U.S.

Scotland's Rural College (SRUC) and the Thriving Natural Capital Challenge Centre
Scotland's Rural College (SRUC) is a public land based research institution focused on agriculture and life sciences, and hosts the Thriving Natural Capital Challenge Centre that researches the interface of biodiversity and nature finance to meet net-zero targets and reverse the decline of biodiversity.

Green Finance Institute
Established in 2019, the Green Finance Institute is accelerating the transition towards an environmentally sustainable and resilient economy by catalysing investment in net zero and nature positive outcomes. Uniquely positioned at the nexus of the public and private sectors, the Green Finance Institute is the UK and Europe's principal forum for innovation in green finance.

Pivotal
Pivotal is a data and analytics company that is developing a technology-based, scalable system of biodiversity assessment. Our mission is to provide the data that people and companies need to invest in measured, positive outcomes for nature. Pivotal provides auditable evidence of how nature is changing on the ground and can be linked to a variety of financial mechanisms, including biodiversity credits, enabling money to flow to where it creates the most positive change.

Qarlbo Biodiversity
Qarlbo invests in real opportunities for nature-positive action in production forests. It restores and protects biodiversity, aiming at substantial biodiversity and climate benefits. QNAC is pioneering development of biodiversity credit methodologies and projects for production forest landscapes.

Hannon Armstrong (HASI)
Based in Annapolis, Maryland, HASI (NYSE: HASI) is a leading climate positive investment firm that actively partners with clients to deploy real assets that facilitate the energy transition. With more than $11 billion in managed assets, our vision is that every investment improves our climate future. For more information, visit www.hasi.com

National Grid
National Grid is an energy company operating in the UK and the US. We have a responsibility to demonstrate our contribution to society, whether that is supporting our customers to use energy more efficiently or tackling climate change by targeting net zero for our own emissions by 2050. We are committed to protect and restore the natural environment across the land that we manage and through delivery of our major infrastructure, both onshore and offshore.

Cassinia
Cassinia Environmental is an Australian biodiversity-focused team working in wilderness protection, ecological restoration, regenerative agriculture and social impact. We have purchased, managed and protected over 60 properties over approximately 25,000 hectares for the purposes of conservation, offsetting, agriculture and carbon sequestration.

Finance Earth
Finance Earth is a mission-driven social enterprise, working in partnership with world leading environmental organisations to protect and restore nature utilising market based mechanisms and implementing bespoke financial tools. We help create projects – and the investment vehicles to fund them – that balance positive outcomes for nature, communities and investors.