

ENVIRONMENTAL POLICY
INNOVATION
CENTER

Biodiversity credit demand

Outcome-
focused
philanthropic
purchasing

Footprint offsetting

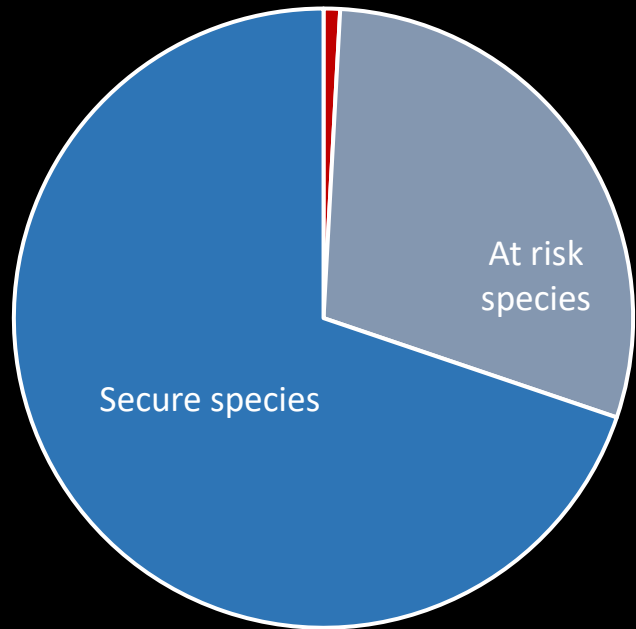
Disclosure offsetting

Task Force on Nature-related Financial Disclosures
France Article 29 (companies over 500 employees)
Germany Supply Chain Due Diligence Act
EU Corporate Sustainability Reporting Directive

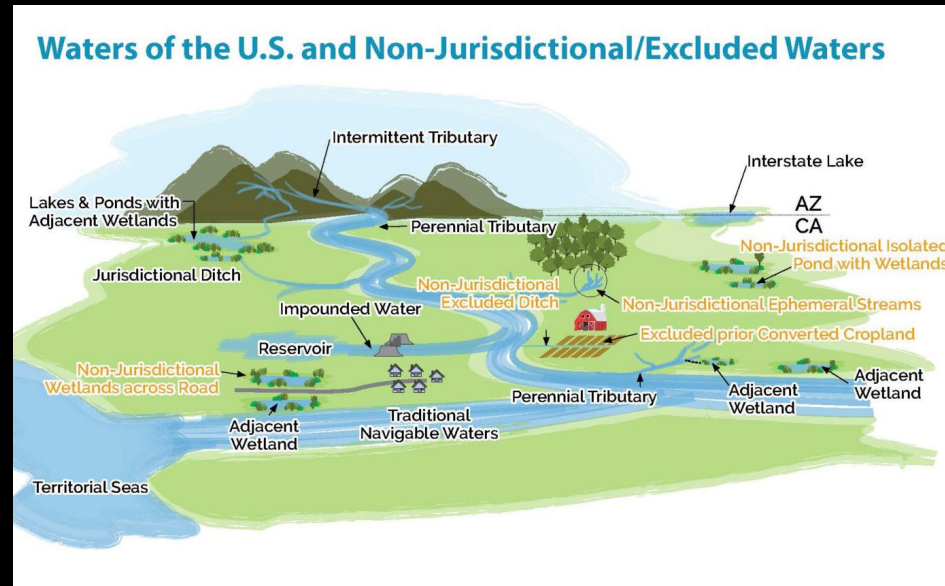
Regulatory offsetting

US: Clean Water Act
UK: Environment Act
US: Endangered Species Act
EU: Nature Restoration Law
Colombia: Resolution 1051

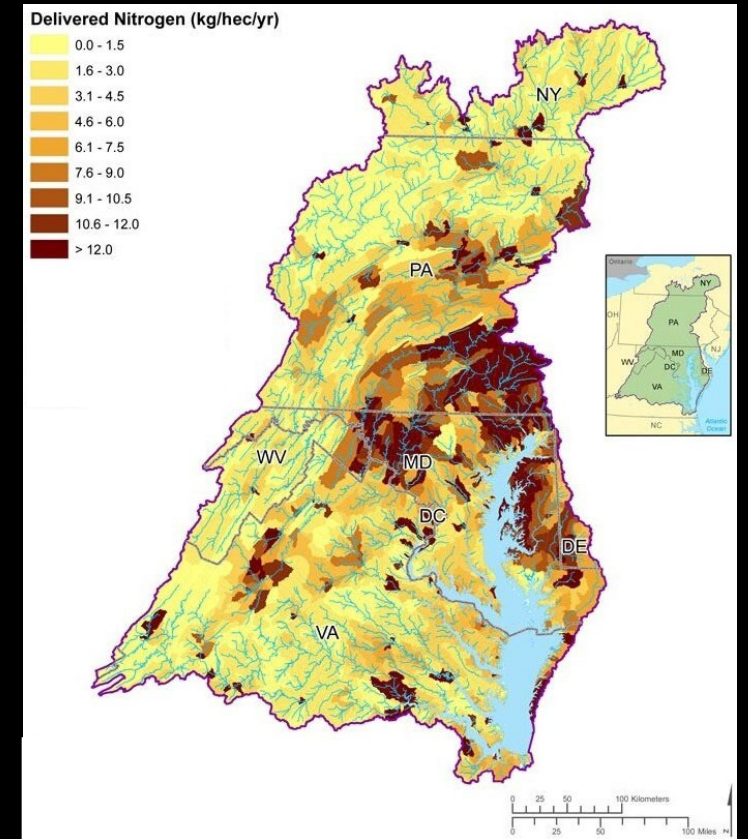
Endangered species



Wetlands & stream habitats



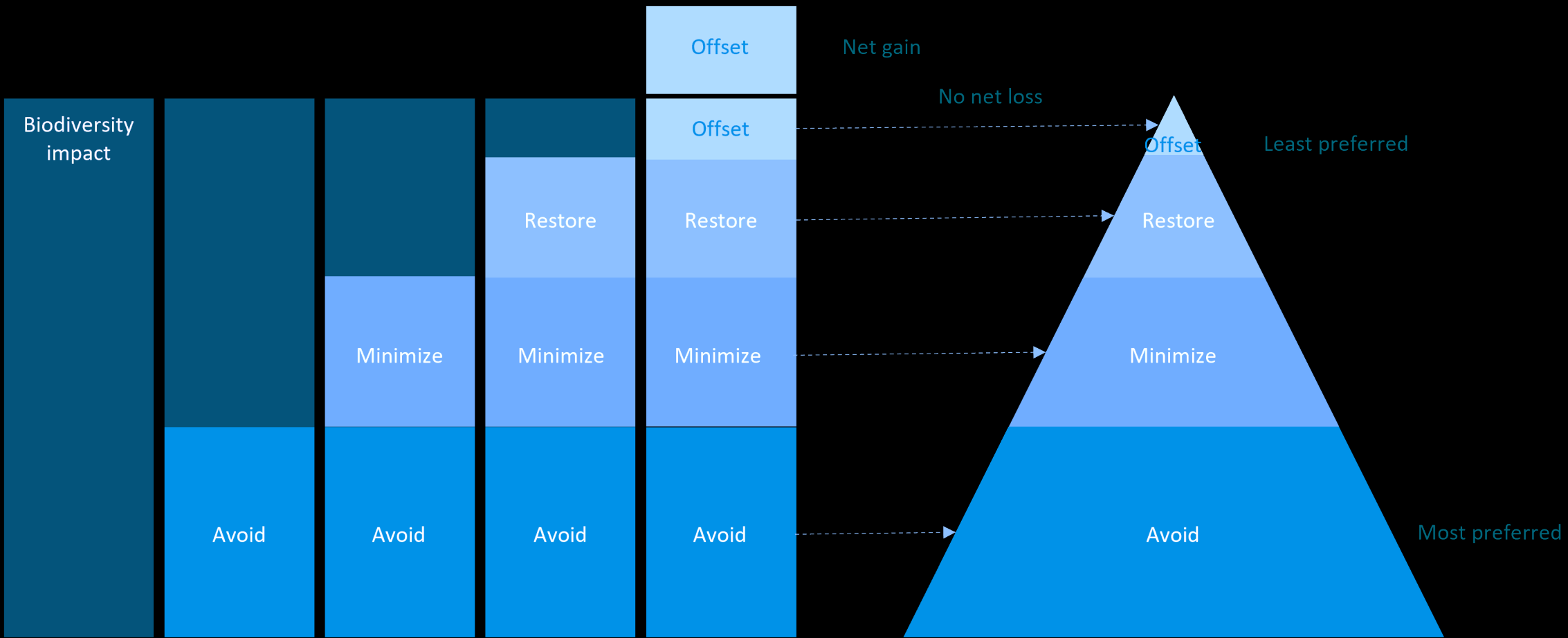
Water quality



Positive

Negative

Biodiversity value



Biodiversity impact

Avoid

Avoid

Avoid

Avoid

Minimize

Minimize

Minimize

Restore

Restore

Offset

Offset

Offset

Avoid

Minimize

Restore

Offset

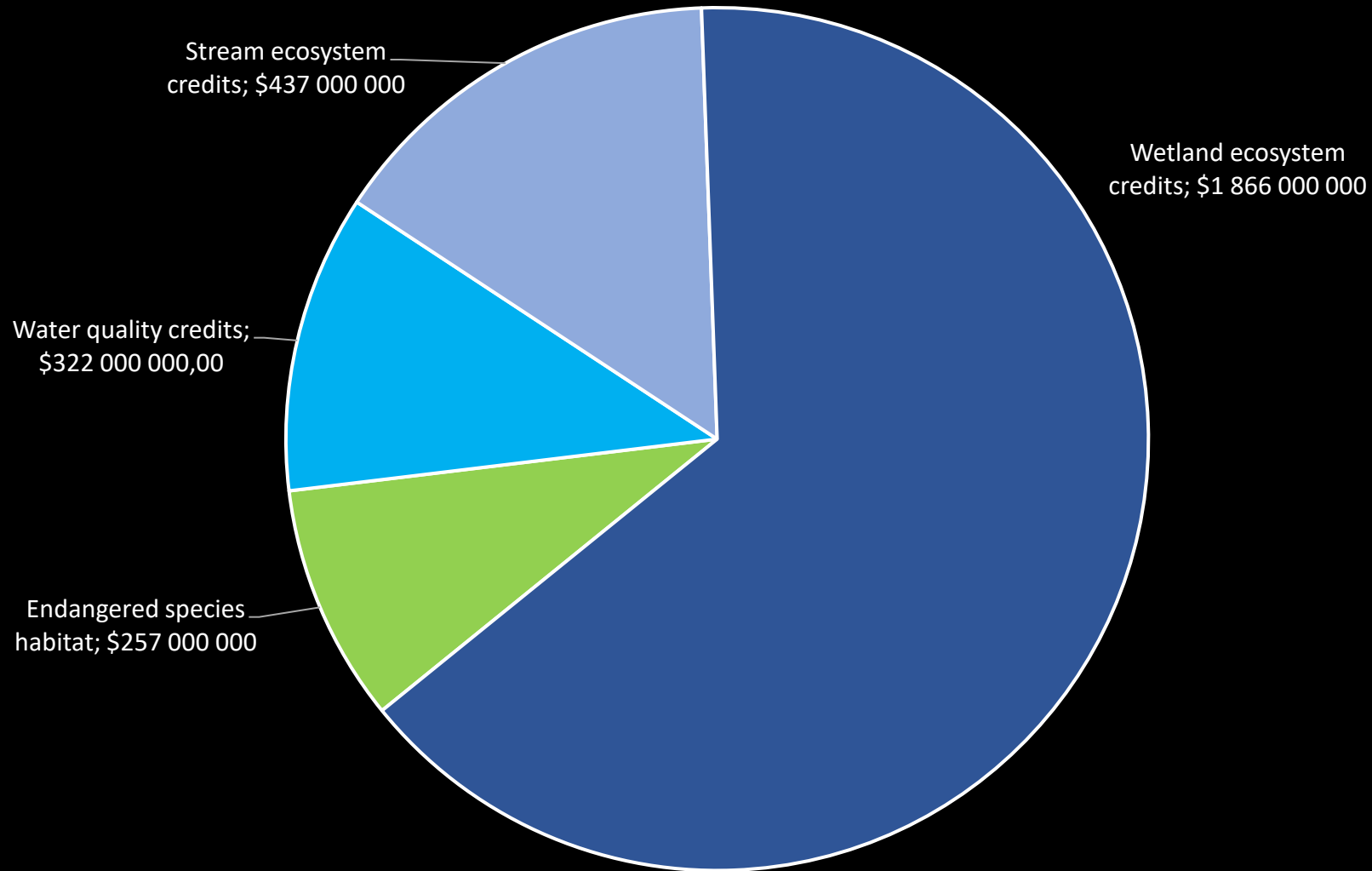
Net gain

No net loss

Least preferred

Most preferred

US Nature Credits (per year)





Since 1857

Gresham House
Specialist asset management

wtw

KKR

LÆRERNES
pension

SEARCH LIGHT

sampension



CDPQ

"In our research, we have seen that England and Germany have started to look at models that resemble the American one. However, they are still at a very early stage, so unfortunately there is no real experience to draw on in Europe. So right now it's the United States that you have to look to for inspiration and experience."

Helle Ærendahl Heldbo, Head of Alternative Investments, AP Pension

M
ERB

AP
PENSION



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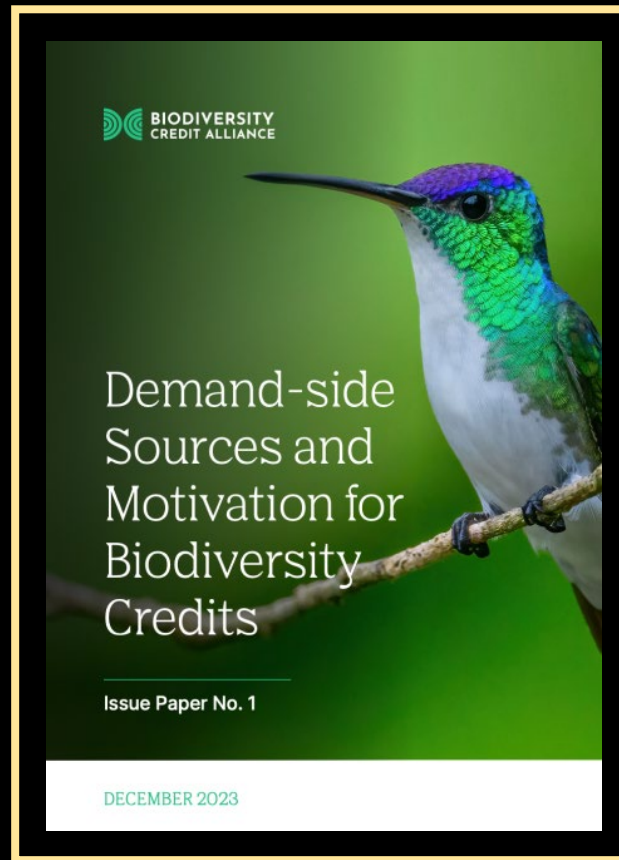
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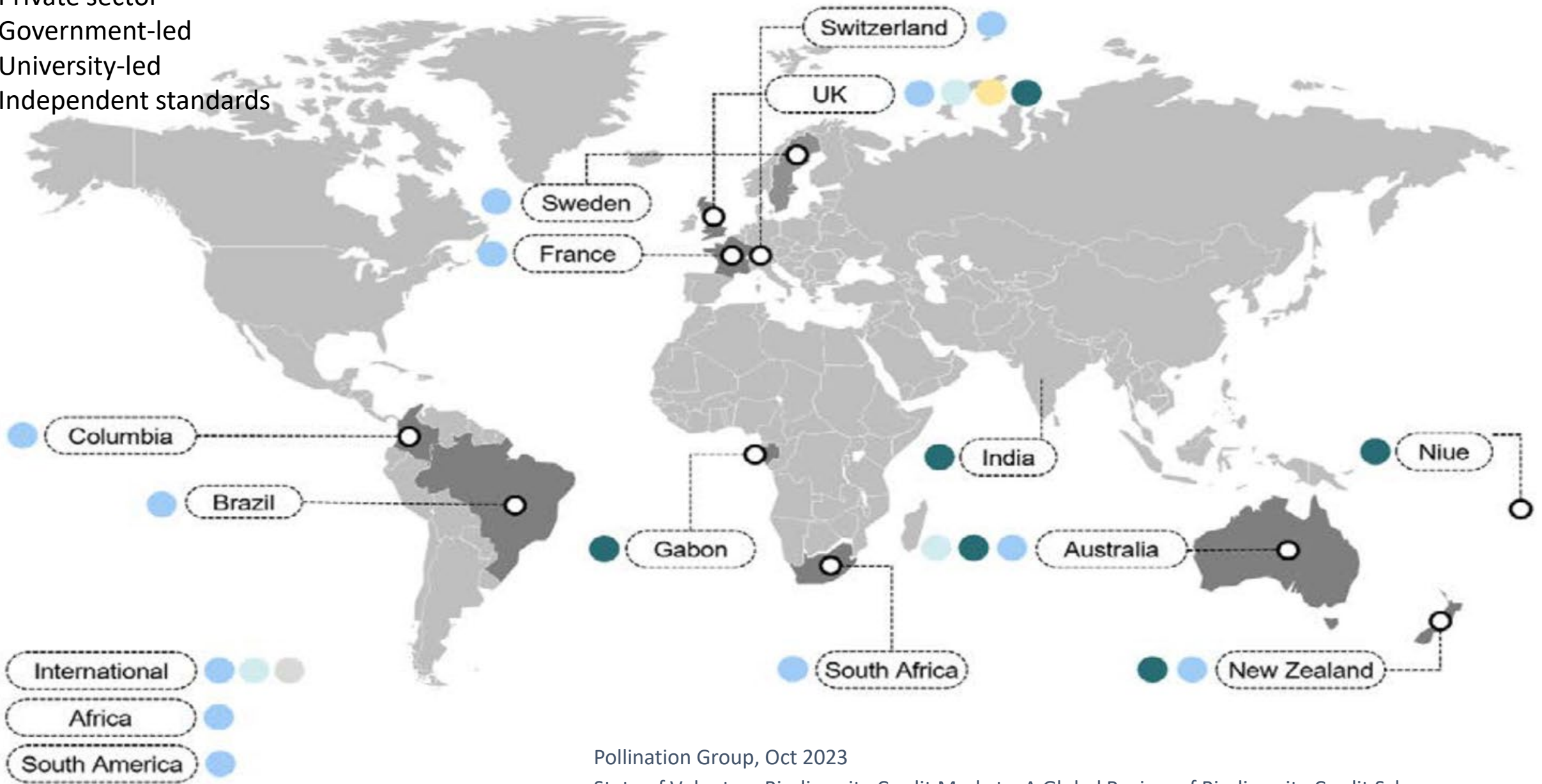
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- Businesses seeking credit market experience in anticipation of regulation
- Voluntary footprint compensation driven by shareholder and stakeholder pressure
- Businesses seeking to mitigate business risk emanating from nature dependencies
- Financial institutions and markets seeking nature positive investments
- **Businesses seeking to comply with supra-national or national regulatory requirements**
- **Government agencies or development banks implementing policies or regulations**
- Retail and individual consumer-facing companies and brands providing value for consumers
- Philanthropists, including foundations

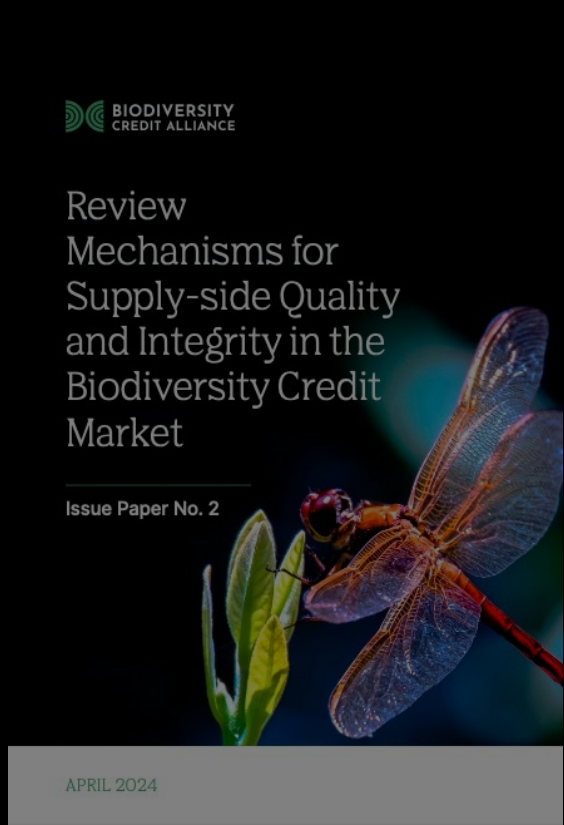
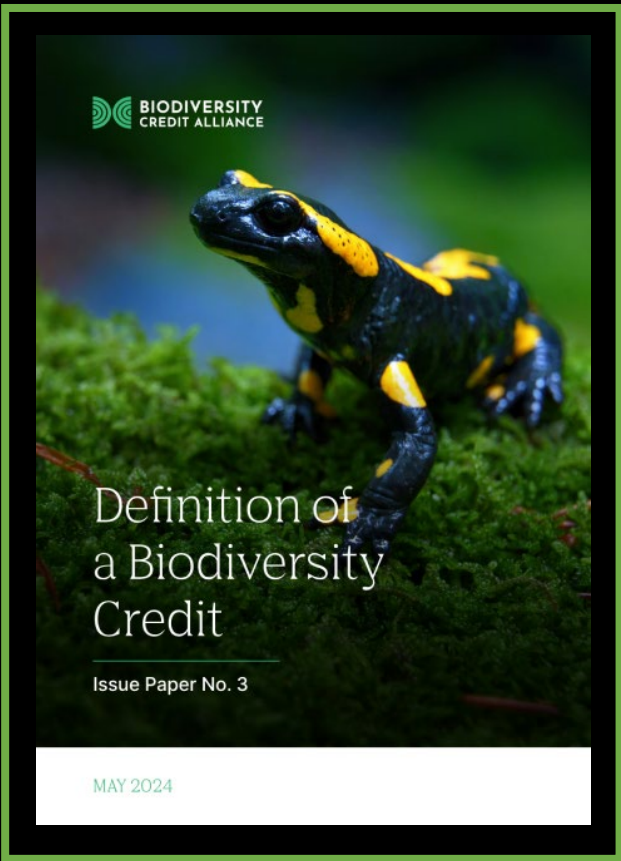
FIGURE 3: SCAN OF VOLUNTARY BIODIVERSITY CREDIT SCHEMES AND INITIATIVES GLOBALLY²⁴

- Private sector
- Government-led
- University-led
- Independent standards



Pollination Group, Oct 2023

State of Voluntary Biodiversity Credit Markets: A Global Review of Biodiversity Credit Schemes



A biodiversity credit is 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.

Biodiversity Credits

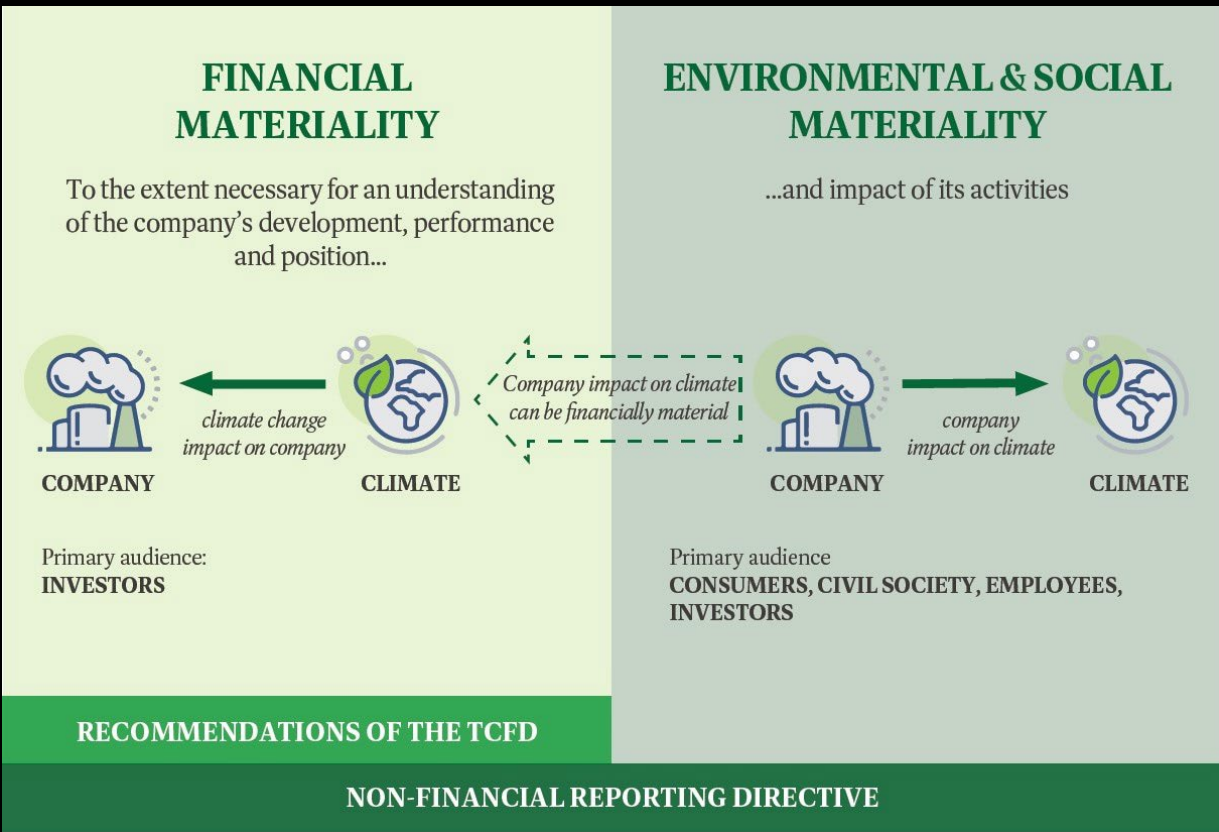
Principles low-risk nature projects

Guarantees to achieve ecological performance based on any or all of the following:

1. Requirements for advance ecological performance before a significant portion of credits can be sold;
2. Significant insurance and bonding requirements on credit; or
3. Permanent/long-term endowments

Preference for restoration credits over preservation (i.e. avoided loss) credits

- Government or other **3rd party verification** before **buyers** can make claims around the uses of purchased credits.
- Strong and multi-decadal or permanent **land use restrictions**
- **Multi-year monitoring plans** funded and implemented by buyers, sellers, government or 3rd parties
- **A preference for sites that are more distant** from impacted development sites
- Compliance or **enforcement policies** through which a third party (including government) is responsible for confirming agreed upon actions, funding and environmental outcomes persist on at least a subset of audited projects.
- **Absence of government subsidy** in the establishment of biodiversity credit sites that lowers the price of credits for buyers, other than when government itself is buying credits to meet its own needs.
- Fiscal transfer **must be held to the same or equivalent standards** as environment banks



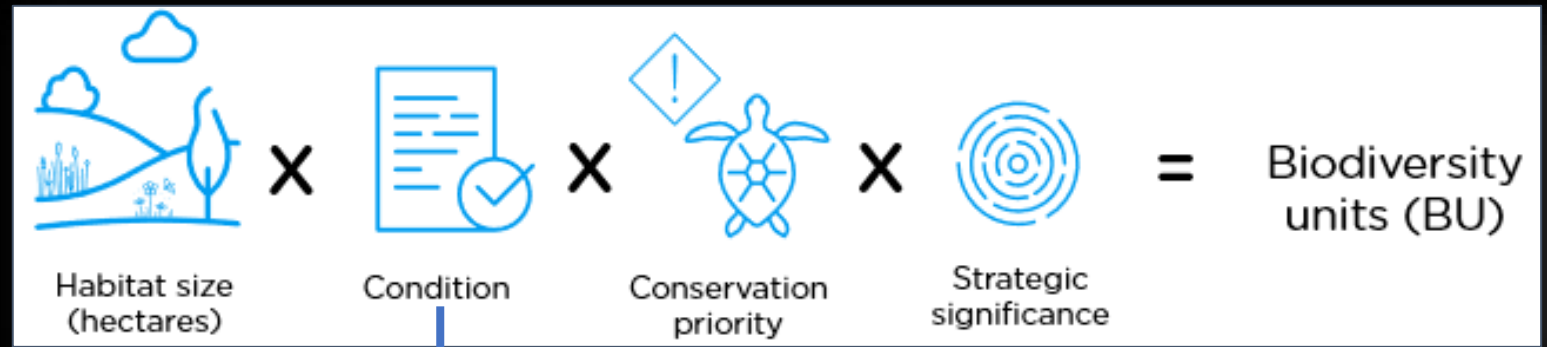
Impact Materiality: the company impacts nature

Double Materiality: Nature impacts financially affect company AND company impacts nature

Impacts Avoidable	Impacts Unavoidable
TNFD somewhat relevant	TNFD of little value, <u>biodiversity credits singularly useful</u> (but only with regulatory rules inc. financial regs or public/shareholder pressure)
TNFD at its best	Biodiversity credits somewhat relevant but on-site actions or 'insetting' more valuable

Global Biodiversity Metric

- Proxy for biodiversity value
- Metric components
 - Habitat size
 - Condition – habitat condition assessment criteria
 - Conservation priority – global tank status
 - Strategic significance – local priority/importance

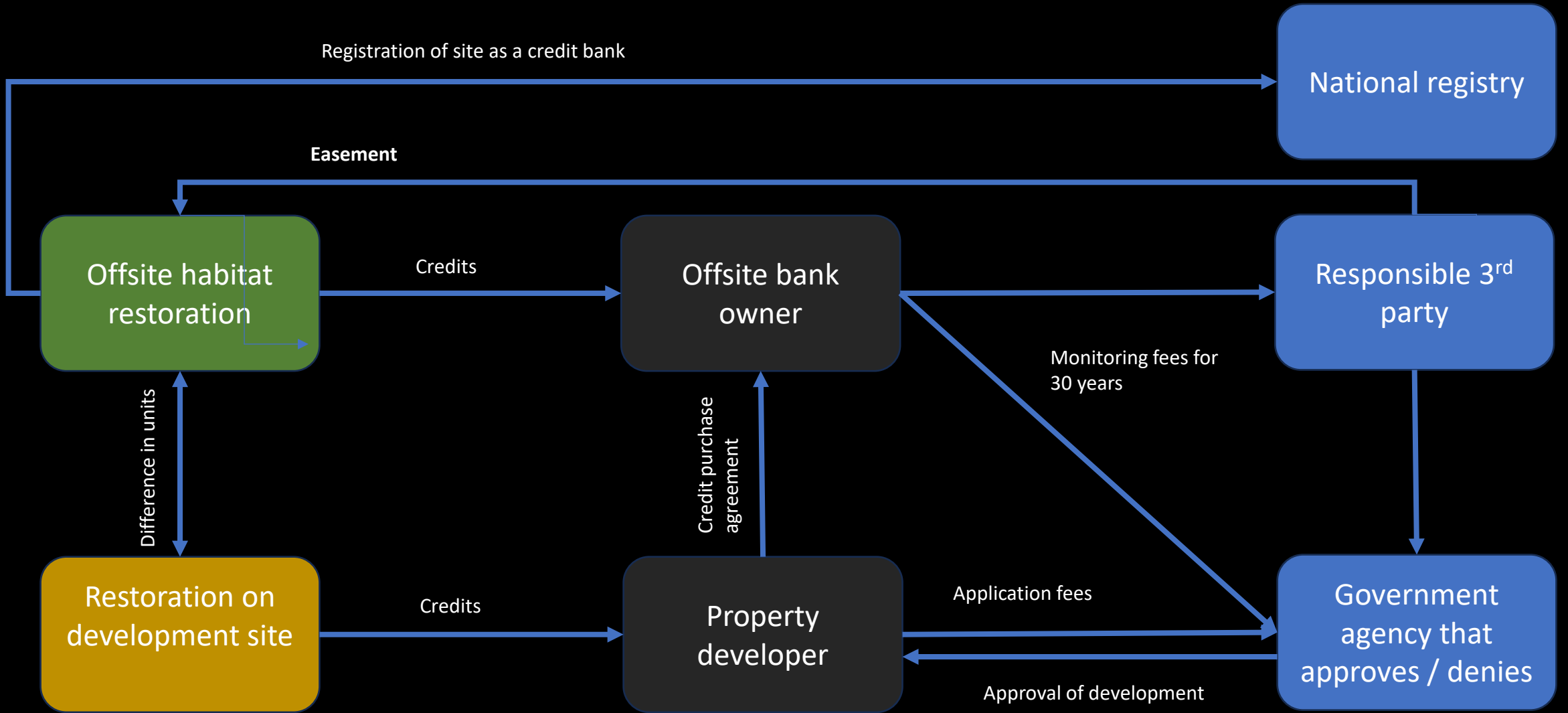


Temperate forest & woodland criteria (example)

Species Composition	Structure	Disturbance
Native plant species cover	Veteran trees	Tree health
Non-native invasive plant species cover	Vegetation structure	Herbivore damage
Native plant species composition	Regeneration	Anthropogenic Disturbance
Ground flora	Coarse woody debris	

Good (3 pts)	Moderate (2 pts)	Poor (1 pt)
85-100% relative cover of native plant species across strata	60-84% relative cover of native plant species across strata	<60% relative cover of native plant species across strata





Nature restoration is a specialized field and nature-focused businesses are going to do it better

Requiring proof of ecological success BEFORE sale is allowed creates a requirement for private investment

Programs, including government review or permission, need to be transactional and efficient so it is easier to comply than fight

Requirements for proof of ecological success need to be meaningful but also fast enough not to make economic return impossible (2-5 years?)

Bringing in requirements for specialized companies and for private investment brings two powerful new advocates to lobby for markets and rules

Conservative political parties and business leaders are often the champions and successful actors in these programs

'Offsetting' has to be seen as positive as it is the only way to allowing intrinsically damaging economic activity to have a way forward

Non-profits don't adjust well to competition from the private sector and government often works with them to block for profit initiatives

Government competes with the private sector and often captures funding, but at a money-losing rate and delays, putting their efforts into a lose-lose downward spiral

Environmental mitigation: “Some people will call it extortion. I call it un-American.”

- President’s Trump’s first secretary of natural resources



NEWS

ADMINISTRATION

ISSUES



PRESIDENTIAL ACTIONS

REMARKS

BRIEFINGS & STATEMENTS

PRESIDENTIAL ACTIONS

ARTICLES

- Withdrawal from Paris Accord
- Rescinds most past climate-related executive orders
- Rescinds the executive order on the disclosure of climate risks
- Ends the US 'Climate Corps' youth jobs program
- "Policy-influencing career bureaucrats can be terminated for not "faithfully implementing" White House policy, priorities, and initiatives
- Eliminates protections for old growth forests and national forest restoration goal
- Directs new guidance on implementation of our environmental impacts law and directs agency to propose rescinding all the environmental impact law regulations
- Temporary halt to all foreign aid
- Rescinded order that directed White House budget office to develop ecosystem services guidance (previously the highest level document covering ecosystem service markets)
- Eliminated direction on nature-based solutions
- End US participation in climate finance plan
- Directs the use of emergency procedures for most permitting affecting anything to do with energy production and distribution
- Makes it US policy to become the leading producer of non-fuel minerals including rare earth minerals and directs a review of all regulatory or procedural burdens that impact that goal.
- Halts all funding for green initiatives under the Inflation Reduction Act.

