

Civil society statement on biodiversity offsets and credits

We, the undersigned, express our grave concerns about biodiversity crediting, offsetting, and related trading schemes. Biodiversity markets are being modelled on the carbon markets, which have serious failings. Additionally, there are insurmountable problems and dangers:

A wrong answer to the wrong question

- The justification for biodiversity offsets and credits is that there is a huge gap between the funding needed and what is available for biodiversity protection. Biodiversity offsets and credits build on a top-down, fortress conservation model, which is highly ineffective, costly, has often involved human rights abuses, and is the wrong response to address biodiversity loss.
- Instead, other proven forms of biodiversity protection, such as the legal designation of Indigenous Peoples' territories, and environmental regulation and enforcement, should be implemented.
- There is a deficit in the prevention and regulation of biodiversity-destructive activities, which amounted to \$7 trillion annually in 2023. Reforming and redirecting harmful subsidies, estimated to be \$1.7 trillion in 2022 and providing public financing in the form of grants, are better ways to address the funding gap, avoiding the need for risky financing schemes.¹
- Just as carbon offsetting delays climate ambition, biodiversity offsetting will only delay urgent action on addressing the root causes of biodiversity loss.

Offsetting and greenwashing

- Cumulative land-based carbon-removal pledges, before the new land-based biodiversity credits that are now being scaled up, added up to 1,200 million hectares globally, nearly as much as all agricultural land.² There is no more land to offset carbon emissions or biodiversity loss without displacing peoples and undermining food systems.
- Based on the long experience with carbon credits, claims that biodiversity credits are 'additional contributions' to biodiversity protection and would not ultimately be used for offsetting purposes are either naïve or false.³ If biodiversity credits are purchased without the intention of using them for offsetting purposes, they are most likely purchased for greenwashing purposes.

Failing on equity and rights

- International biodiversity markets could allow elites, especially in the Global North, to continue destroying ecosystems, whilst purchasing cheap and abundant credits from the Global South.
- Biodiversity offsetting can create conflicts over tenure rights and the use of lands, fisheries and forests, competing with agroecology and smallholder agriculture, undermining food sovereignty. It will likely drive land grabbing, community displacements, increasing land inequality⁴ and human rights abuses, just as carbon offsets do.⁵
- Indigenous Peoples, local communities, peasants and other small-scale food producers, women and youth, the guardians of most of the planet's biodiversity, typically have received only a fraction of the proceeds of offset projects in their lands, whereas project developers and financial intermediaries receive the biggest share. Resources generated by market supply and demand are further unlikely to be equitably accessible for communities.

Perpetuating market-driven failures

- The commodification of nature through the monetary valuation of ecosystem functions and the creation of biodiversity markets runs fundamentally in opposition to the cosmologies of many

Indigenous Peoples and other communities, who understand Nature as our mother, not as a commodity.⁶

- Biodiversity offsets and credits allow private markets to price and prioritize biodiversity actions, diminishing governments' role in biodiversity protection as a public good. Market-based biodiversity protection, driven primarily by short-term financial considerations, cannot be consistent with scientific knowledge on species and ecosystem prioritization needs⁷.
- Offsetting schemes typically rely on creating a future scenario of what would have happened without the project. These 'baseline' scenarios have proven extremely easy to manipulate, resulting in false and worthless credits.
- Proving 'additionality' is difficult, as it is impossible to demonstrate that conservation outcomes would not have happened otherwise. Achieving 'permanence', i.e. demonstrating that the positive changes will last over time, is inherently impossible. 'Leakage', where the negative impacts on biodiversity will only be shifted elsewhere, is a tangible risk.
- The problems with additionality, permanence, leakage, and baseline manipulation will be much more severe and intractable in biodiversity markets than in carbon markets, where these problems already exist.

Weak measurement methodologies

- Finding a common unit for biodiversity accounting purposes would involve serious oversimplification of ecosystem values and functioning. It is not possible to simplify millions of species and their complex web of interdependences into a few tradable assets⁸.
- Proposals to measure biodiversity gains are based on poor methodologies, many of which allow the cherry-picking of indicators, ignoring important and unique attributes of ecosystems.
- The different ways of living from, in, with, and as, nature illustrate the challenges of taking into account the diverse values held by peoples, which are not comparable or interchangeable⁹.

Uncertain revenues

- 'Investment' through biodiversity markets will be unstable and changeable, leading to unpredictable revenue swings for recipients, and fickle economic incentives for conservation¹⁰.
- No major companies have confirmed their interest in purchasing biodiversity credits. Moreover, they are pulling out of the carbon markets after recent exposes of their inherent flaws. There is every reason to expect that the biodiversity market will follow the same path.

Poor governance and conflicts of interest

- There is an absence of effective regulation based on human rights and environmental law. Biodiversity offsets and credit schemes that create human rights violations, or do not live up to minimal environmental standards, are rarely sanctioned.
- The central involvement of organizations such as Verra is highly problematic. They have been responsible for issuing hundreds of millions of phantom carbon credits and have been unable to prevent human rights abuses in projects audited in accordance with their standards¹¹.
- The experience with carbon markets showed us that there is a conflict of interest when it is the same organization which is financially benefiting from the issuance of credits whilst overseeing the process of standard-setting and third-party validation and verification.

Biodiversity credits and offset schemes are false solutions to a false problem – there are much better ways to increase biodiversity financing, without recourse to these risky schemes. Biodiversity offsetting, like carbon offsetting, enables rich countries, corporate actors, financial institutions, and

other actors to profit from the biodiversity crisis they have created and maintain the status quo, avoiding implementing politically difficult decisions to regulate destructive activities domestically, while creating a new asset class for their financial sectors.

We call on governments, multilateral bodies, conservation organizations and other actors to stop the promotion, development and use of biodiversity offsetting and crediting schemes. Instead, we call on them to prioritize transformational change in tackling the underlying causes of biodiversity loss, including: promoting effective regulation of harmful corporate activity; recognizing, respecting, protecting and promoting the right to land of Indigenous Peoples, local communities, small-scale food producers and women; stopping financial flows and investments that are harmful to biodiversity and peoples; removing harmful government subsidies; changing production and consumption patterns especially of the rich; supporting a just transition, including the transformation of food systems toward agroecology; ensuring funds flow directly and fairly to Indigenous Peoples, local communities, small-scale food producers, women and youth for community-led approaches; pursuing effective and equitable means of conservation; and taking immediate steps to phase down the supply and use of fossil fuels.

¹ UNEP 2023. State of Finance of Nature, <https://www.unep.org/resources/state-finance-nature-2023>

² Dooley K., Keith H., Larson A., Catacora-Vargas G., Carton W., Christiansen K.L., Enokenwa Baa O., Frechette A., Hugh S., Ivetic N., Lim L.C., Lund J.F., Luqman M., Mackey B., Monterroso I., Ojha H., Perfecto I., Riamit K., Robiou du Pont Y., Young V., 2022. The Land Gap Report 2022, <https://www.landgap.org/>

³ Green Finance Observatory, GFO's response to IAPB's consultation on archetypes, 29 April 2024 <https://greenfinanceobservatory.org/wp-content/uploads/2024/04/IAPBconsultation2v5.pdf>

⁴ IPES-Food, 2024. Land Squeeze: What is driving unprecedented pressures on global farmland and what can be done to achieve equitable access to land? <https://ipes-food.org/report/land-squeeze/>

⁵ Kill J, Franchi G, Rio Tinto's biodiversity offset in Madagascar – Double landgrab in the name of biodiversity?, World Rainforest Movement, Re:Common, March 2016. https://wrm.org.uy/wp-content/uploads/2016/04/RioTintoBiodivOffsetMadagascar_report_EN_web.pdf;

Re:common, Turning forests into hotels The true cost of biodiversity offsetting in Uganda, Apr 2019

<https://www.recommon.org/en/turning-forests-into-hotels-the-true-cost-of-biodiversity-offsetting-in-uganda/>;

The Guardian, 'Nowhere else to go': forest communities of Alto Mayo, Peru, at centre of offsetting row, January 2023, <https://www.theguardian.com/environment/2023/jan/18/forest-communities-alto-mayo-peru-carbon-offsetting-aoe>;

Mongabay, Shell affiliate accused of violating Indigenous rights in carbon credit contracts, November 2023

<https://news.mongabay.com/2023/11/shell-affiliate-accused-of-violating-indigenous-rights-in-carbon-credit-contracts/>;

Counsell S., Survival International, Blood Carbon: how a carbon offset scheme makes millions from Indigenous land in Northern Kenya, March 2023,

https://assets.survivalinternational.org/documents/2466/Blood_Carbon_Report.pdf

⁶ Rojas-Marchini F and Carmona R. Biodiversity offsets and credits: Key aspects that make them problematic for protecting biodiversity, Third World Network Briefing Paper, March 2024,

https://www.twn.my/title2/briefing_papers/twn/Biodiversity%20offsets%20TWNBP%20Mar%202024%20Rojas.pdf

⁷ As an example, figure S2 in the following article shows early evidence of large concentration of offsets (23% of the dataset) on "moderate condition other neutral grassland" in the UK's Biodiversity Offset Market.

Rampling, E., zu Ermgassen, S.O.S.E., Hawkins, I. and Bull, J.W., 2023. Achieving biodiversity net gain by addressing governance gaps underpinning ecological compensation policies. Conservation Biology,

<https://osf.io/preprints/osf/avrhf>

⁸ Evidence from New South Wales' biodiversity offset market shows that a large number of credit types leads to an illiquid market: "Liquidity of the credit market 7.6 As noted above, there are over 1,000 different credit types that can be traded under the scheme. Stakeholders noted that this reflects the complexity of biodiversity, but the result is that the credit market is also complex, and largely illiquid."

New South Wales Parliament, Integrity of the NSW Biodiversity Offsets Scheme, Report 16, November 2022, <https://www.parliament.nsw.gov.au/tp/files/83368/Report%20No.%2016%20-%20PC%207%20-%20Integrity%20of%20the%20NSW%20Biodiversity%20Offsets%20Scheme.pdf>

⁹ Pascual, U. et al. Diverse values of nature for sustainability. *Nature*, v. 620, n. 7975, p. 813–823, 2023. <https://doi.org/10.1038/s41586-023-06406-9>

¹⁰ As an example, UK's new "environmental services" payments to farmers will go hand in hand with a phasing out of direct farming subsidies. Horton H, *The Guardian*, Revealed: farmers received only tiny sum from post-Brexit sustainability fund last year, 12 February 2023, <https://www.theguardian.com/environment/2023/feb/12/farmers-post-brexit-payments>; Farmers Weekly, Defra confirms reductions in support for farmers, 24 February 2020, <https://www.fwi.co.uk/business/payments-schemes/defra-confirms-reductions-in-support-for-farmers>

¹¹ Greenfield P, *The Guardian*, Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows, 18 January 2023, <https://www.theguardian.com/environment/2023/jan/18/revealed-forest-carbon-offsets-biggest-provider-worthless-verra-aoe>