

Roadmap towards Nature Credits

Call for Feedback Submission

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Overarching Context & The Communication

The Commission announced its intention to formally advance with the potential introduction of “nature credits” in EU policy through its Communication (Roadmap), published on July 7th, 2025,¹ which focuses on future additional options to certify, monitor and, eventually, market measured units of positive biodiversity outcomes, alongside the already-existing carbon markets. The Communication comes after several high-profile statements from Commission officials on this issue, including a statement by the President of the Commission herself,² and a closed-door roundtable organised by Commissioner Roswall on the matter.³ This is complemented by a call for Commissioner Roswall to prioritise the establishment of a nature credits market throughout her mandate,⁴ and by a side-event during the 16th meeting of the Conference of the Parties of the Convention on Biological Diversity.⁵

The Communication acknowledges the fundamental role that nature plays in the Union’s economic prosperity and the wellbeing of its citizens, while also underscoring that environmental degradation and biodiversity loss constitute major drivers of economic loss and increased financial and investment risk. To those important findings, ClientEarth would like to add the conclusions of the European Commission’s Environmental Implementation Review that ascertained the **annual loss of a minimum of 180 billion euros per year due to Member States’ poor implementation of EU environmental legislation**.⁶ The above paints a fuller picture of the significance of healthy and functional ecosystems and biologically diverse nature in the European Union.

Given the material dependencies of the private sector on natural resources and ecosystem services,⁷ ClientEarth would welcome an increased role of private finance in its conservation, on top of maximising the potential to leverage additional public finance, as more effectively conserved ecosystems reduce the risks for increased operational costs, supply chain disruptions and other nature-related risks in the context of financial materiality.⁸ A positive step in that direction, outlined in the Roadmap, is the compulsory generation of environmental co-benefits in voluntary certification systems for carbon removals based on nature-based solutions.

Regrettably, the present Communication is a missed opportunity for the Commission to empower the private sector to manage and mitigate nature-related risks to their operations through the conceptualisation of a nature credits market in that direction. Instead, it is based on a series of oversights and ill-explained assumptions that misinterpret the EU Treaties, potentially risking undermining the EU environmental acquis. Alarming, it seems to ignore the rich experience and well-documented scientific caution from

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Roadmap towards Nature Credits* (Brussels, 7.7.2025)

² European Commission, *Keynote speech by President von der Leyen at the DLD Nature Conference* (13 September 2024).

³ European Commission, *Commissioner Roswall hosts high-level roundtable on nature credits as tools to finance nature restoration*, News Article (23 April 2025).

⁴ European Commission, *Mission Letter – Jessika Roswall : Commissioner for Environment, Water Resilience and a Competitive Circular Economy* (Brussels, 1 December 2024).

⁵ CBD CoP16, *EU action on biodiversity credits* (28 October 2024).

⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *2025 Environmental Implementation Review: Environmental implementation for prosperity and security* (Brussels, 7 July 2025).

⁷ World Economic Forum, *Nature’s value: 3 ways land custodians can factor nature into their balance sheets* (2025).

⁸ Taskforce on Nature-related Financial Disclosures, *Why Nature Matters: The fundamentals of nature and why it matters to the global economy*,

existing nature credit markets from around the world.⁹ The following sections develop further some of the inaccuracies of the present Communication and provide ClientEarth's recommendations on the next steps and key considerations for the potential development of an EU nature credits market.

Understanding why biodiversity loss and environmental degradation are not slowing down

The Communication claims that under-investment in nature restoration and conservation has been driven by a difficulty to “monetise” ecosystem services and to “adequately reflect them in market price signals”.

Nature and ecosystem services represent public goods protected by the Treaties forming the constitutional basis of the EU. The conservation and restoration of nature and the maintenance of its ecosystem services is prescribed by the EU Treaties, especially Article 3(3) of the Treaty on the European Union. Similarly, the incorporation of nature considerations in **all** sectoral policy objectives pursued by the Union is prescribed in Article 11 of the Treaty on the Functioning of the European Union (integration principle), while the fulfilment of whole host of human rights protector under the EU's Fundamental Rights Charter depends on functioning ecosystems. Thus, conservation and restoration of nature constitute a binding obligation for the European Union in its entirety and for Member States in particular. **While the ability to quantify ecosystem services in financial (marketable) terms would benefit investments directed in nature-positive activities, this cannot serve as a valid justification for the gross underinvestment in nature either in the past or in the future.** In other words, ecosystem services' “investability” potential can **never** replace the regulatory compliance imperative as the principal driver for conversation and restoration measures. If anything, it can be an argument for *additional* measures, clearly distinguishable from those taken in the context of implementation and compliance with applicable legislation, given the gravity of the biodiversity crisis.

Furthermore, in the context of science-based decision-making, ClientEarth would like to emphasise that the inherent complexity of biological diversity, the interactions among its elements and the full potential and function of ecosystem services is not yet fully understood and attempts to quantify, let alone commodify, it should not be overly relied upon, as biodiversity and ecosystem services are currently undervalued. Nature should be conserved, restored and sustainably managed regardless of whether that's a good “business case” or not. In any case, the current economic value of ecosystem services amounts to over 150 trillion USD (twice the global GDP) and the replacement of many of them via technological solutions is impossible.¹⁰

Closing the biodiversity financing gap

One of the priorities of the European Commission, and one of the reasons why the current Roadmap has just been launched, relates to an **urgent need to close the biodiversity financing gap**, which globally

⁹ For instance, Wunder, S., Fraccaroli, C., Bull, J. W., et al., *Biodiversity Credits: An Overview of the Current State, Future Opportunities, and Potential Pitfalls*, Business Strategy and the Environment, (2025) pp. 1–30.

¹⁰ Kurth, T., G. Wübbels, A. Portafaix, A. Meyer zum Felde and S. Zielcke *The Biodiversity Crisis Is a Business Crisis*, Boston Consulting Group (2021).

amounts to USD 700 billion per year,¹¹ while in the EU it reaches 19 billion per year.¹² **ClientEarth fully supports the significant uptake and earmarking of funds for biodiversity conservation, restoration and sustainable use, including – among others – through the establishment of minimum spending targets for biodiversity under the next Multiannual Financial Framework (MFF).**¹³ Regrettably, the Commission’s proposal on the MFF seems to disregard both the size of the biodiversity financing gap, as well as the urgency to close it in order to avert an imminent ecosystem (and, subsequently, a societal) collapse.¹⁴ The MFF proposal also goes against KMGBF Target 19,¹⁵ which the present Roadmap claims to align itself with. KMGBF Target 19 calls for a substantial increase in financial flows from all sources for the delivery of the KMGBF’s Action Targets, while the Commission’s MFF proposal eliminates any references to biodiversity financing,¹⁶ dismantling the LIFE programme¹⁷ and effectively decreasing biodiversity financing.

Furthermore, **ClientEarth would like to challenge the Commission’s misleading claim that the biodiversity financing gap cannot be closed with the use of public finance alone.** Currently, the EU is allocating up to 48 billion euros annually, a significant portion of its total public expenditure, to subsidise economic activities that are harmful to the environment and undermine the effectiveness (and, even, the availability) of biodiversity financing and investment in nature-based solutions to adapt, mitigate and increase resilience to the impacts of climate change.¹⁸ **Phasing out, and eventually redirecting, these subsidies and other perverse incentives** towards activities that strengthen, or at least do not deteriorate, biological diversity and ecosystem services, **should be the Commission’s starting point in its commendable efforts to close the biodiversity financing gap and certainly a step preceding investment of public funds in the establishment and scaling up of a market-based mechanism,** without any guarantees or demonstrable proof of success. Under this light, the concept of “nature positive contributions” (i.e. non-compensatory credits) introduced in the Roadmap should be explored only after adequate measures have been taken to upscale existing public funding options.

Defining the scope of truly “nature positive” credits

For the present initiative to lead to the closure of the biodiversity financing gap, there needs to be significant clarity on its **scope**, namely what activities are eligible for certification and, subsequently, crediting. Regrettably the Commission’s intention with the present initiative seems to be to “reward nature-positive

¹¹ As acknowledged in Goal D of Secretariat of the Convention on Biological Diversity, *Kunming-Montreal Global Biodiversity Framework* (Montreal, 2022).

¹² European Commission, Trinomics, IEEP, *Biodiversity Financing and Tracking: Final Report*.

¹³ For more on ClientEarth’s policy recommendations on the (currently negotiated) Multiannual Financial Framework 2028 – 2034, please consult: ClientEarth, *Response to public consultation on the EU’s next long-term budget (MFF)* (May 6, 2025).

¹⁴ International Panel on Biodiversity & Ecosystem Services (IPBES), *Summary for Policymakers of the Global Assessment Report on Biodiversity and Ecosystem Services* (2019).

¹⁵ Convention on Biological Diversity, *Kunming-Montreal Global Biodiversity Framework: Decision Adopted by the Conference of the Parties to the Convention on Biological Diversity* (CBD/COP/DEC/15/4).

¹⁶ With the exception of an obscure “LIFE Activities” category, as one of the numerous activities under one of the four policy windows of the proposed European Competitiveness Fund.

¹⁷ Confirmed by the Director General for the Environment in her answer E-003128/2025 to the relevant European Parliament’s Question on 17.9.2025.

¹⁸ WWF, Trinomics, *Can Your Money Do Better? Redirecting Harmful Subsidies to Foster Nature & Climate Resilience* (April 2024); European Commission, *Phasing Out Environmentally Harmful Subsidies*, study conducted by VVA, RPA Europe, Bio Innovation Service, Metroeconomica, and Vrije Universiteit Amsterdam (2022).

action through private investment to the benefit of nature and businesses, including farmers, foresters, landowners and land managers, fishers, users of sea and freshwater ecosystems, conservation area managers and local communities” rather than to actually fund activities with concrete conservation and/or restoration outcomes for the sake of biodiversity and of reinstating or enhancing ecosystem services. **ClientEarth does not support the use of nature credits for the coverage of activities already undertaken for the direct economic benefit of the economic operators undertaking them, even if those activities deliver benefits to biodiversity. Such an approach would be incompatible with the need for the present initiative to bring *added value* to ongoing conservation and restoration efforts.**

With this in mind, covering “*ongoing nature conservation and the maintenance of good practices*”, as well as activities that are already undertaken for the purposes of sustainable management of resources”, such as those falling under the CAP Regulation’s eco-schemes should **not** be covered under the nature credit scheme. To avert double payments, activities already covered by “CAP eco-scheme payments” or other monetary incentives for nature-positive practices, should only be eligible for certification and crediting if the outcomes they deliver are clearly distinguishable from and additional to those deriving from the coinciding scheme. Furthermore, a market-based mechanism is not a suitable incentive in driving a change in land users’ (farmers’, foresters’, etc) management practices, due to the volatility of its prices and no guarantees of its success, creating an element of unpredictability for its beneficiaries.

While any future nature credit market should be presented as a financial incentive to landowners and land users, **only activities that lead to permanent changes in the land use and deliver measurable biodiversity outcomes should be eligible for certification.** Concepts such as “**payments for ecosystem services**” may hold potential, but should not lead to an inversion of the “polluter pays principles” and should always consider the **totality** of the operations of landowners and land users before certifying an activity as “nature positive” or “beneficial” for biodiversity.

Credits issued for activities eligible for certification should be split up into categories. In case an activity provides multiple biodiversity benefits, these should be included in the certification, with a clear distinction between the primary objective and secondary benefits or co-benefits. Double counting of the same activity in different certifications or credits should be precluded from the outset and closely monitored.

There should be a clear distinction between *carbon credits with biodiversity co-benefits* and biodiversity credits. The latter could be split in several categories, depending on the outcomes attested by the credit issuance, such as:

- Habitat Conservation (“avoided loss” or “maintenance”) Credits;
- Species Conservation Credits;
- Habitat (and habitat of species) Restoration (“uplift”) Credits;
- Habitat Re-establishment credits;
- Non-deterioration Credits.¹⁹

The above credit categories may contribute to the achievement of policy objectives, e.g. KMGBF Action Targets 2 and 3 or those included in the EU’s Biodiversity Strategy to 2030, provided that they meet the requirements set in the respective instruments. **For credits to contribute to targets enshrined in law, e.g. contributions to NRR Articles 4 – 11, or binding obligations e.g. Habitats Directive Articles 6(2), the activities must be properly documented in (incl. through necessary amendments to) the respective implementation instruments, i.e. Member States’ *National Restoration Plans* and Natura**

¹⁹ The latter relates specifically to the application of the non-deterioration obligations at the national biogeographical level, where Member States have declared their intention to make use of the exemption provided in NRR Article 4(13).

2000 sites’ Management Plans. Particularly with regards to the latter and in order to ensure the “high integrity” of the credits issued and eliminate the risk of their future devaluation, **all “avoided loss” credits should be accompanied by the formal designation of the relevant area as a (privately managed) protected area (which may or may not be inducted in the Natura 2000 network).** Crucially, credits that have been issued or purchased outside the EU should not be part of the market (if the latter seeks to contribute to the implementation of EU environmental law) as that would be incompatible with the legal requirements set in the relevant instruments. “*Engagement at the international level*” would also be unacceptable from an ecological point of view.

With regards to the incremental costs for the market itself, which may be significant, any “public seed funding, such as derisking facilities, blended finance vehicles and technical assistance grants”, should not be allocated from existing or planned biodiversity finance, as that would be detrimental for the already meagre resources allocated to biodiversity conservation and/or restoration at EU level. The funding source for these activities should rather originate from sources related to the Union’s innovation funds, given the innovative nature of the nature credits scheme.²⁰

Aligning Nature Credits with regulatory compliance

According to the Roadmap, nature credits are currently conceptualised as a financing instrument operational “*beyond individual legal obligations and the mandatory mitigation hierarchy*”. This precludes the use of nature credits to finance activities that economic operators are already legally (either statutorily or contractually) obliged to undertake, such as those required under the EU Environmental Liability Directive or the Corporate Sustainability Due Diligence Directive, both of which oblige operators to prevent, mitigate and restore (remediate) environmental harm caused by their activities (or, in some cases, activities in their supply chains).²¹ This is a sensible premise as failing to preclude these activities would undermine the principle of additionality²² and distort the *raison d’être* of the nature market, which is to close the biodiversity financing gap and produce biodiversity positive (“net gain”) outcomes. Currently, not only is compliance with existing legal obligations and the (legally binding) mitigation hierarchy not guaranteed, but there is also seemingly an “enforcement freeze”,²³ rather than seeking activities that go above and beyond existing legal obligations, ClientEarth would instead recommend their full implementation and stepping up of their enforcement.

²⁰ Under the current MFF, this could be through the Innovation Fund, while under its successor, these activities could be funded under the Health, Biotech, Agriculture and Bioeconomy policy window of the (proposed) EU Competitiveness Fund, squarely falling under Article 37(1)(d) of the Commission’s legislative proposal: [Proposal for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund \(‘ECF’\), including the specific programme for defence research and innovation activities, repealing Regulations \(EU\) 2021/522, \(EU\) 2021/694, \(EU\) 2021/697, \(EU\) 2021/783, repealing provisions of Regulations \(EU\) 2021/696, \(EU\) 2023/588, and amending Regulation \(EU\) \[EDIP\]](#).

²¹ Namely: Directive 2004/35/EC of the European Parliament and of the Council of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage and Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859.

²² For more on the concept of additionality of nature credits as a cornerstone in the integrity of environmental finance, cf World Economic Forum, *Nature Finance and Biodiversity Credits: A Private Sector Roadmap to Finance and Act on Nature* (October 2024).

²³ According to the Single Market Scoreboard and the Commission’s own Infringement Dashboard, there is both a decline in new infringement cases, accompanied by an increased closure of old cases and the pause of the procedure after “letters of formal notice” have been sent.

The mitigation hierarchy is already fully operational under EU law, deriving from foundational legal principles enshrined in Article 191(2) of the Treaty of the Functioning of the European Union, namely the principles of precaution, prevention, rectification of pollution at source, and the “polluter pays” principle. Any deviation from the mitigation hierarchy, which requires early-stage avoidance and mitigation of adverse environmental impacts, prior to “compensation” measures would risk violating said legal principles, contravening the TFEU.

According to the IUCN’s Business & Biodiversity Platform, biodiversity offsets are “*measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development after appropriate prevention and mitigation measures have been taken*”.²⁴ Unfortunately, the reality is not always as clear-cut and it may be challenging, or even impossible, to prove that all appropriate prevention and mitigation measures have been taken prior to resorting to ecological compensation (offsetting).

A prominent example of the mitigation hierarchy and legally required ecological compensation can be found in the Habitats Directive, under which operators have individual (site-specific, non-transferable, non-tradable) obligations to mitigate and/or compensate for damages caused by projects that have been granted permits (Article 6(4)), despite an initial negative environmental assessment of their potential impact (Article 6(3)). For such projects, which have been assessed as potentially having significant adverse environmental impact, but which, in the absence of alternatives and due to their objectives constituting an “imperative reason of overriding public interest”, an obligation to undertake “**all compensatory measures necessary to ensure that the overall coherence of Natura 2000 is protected**”. The Court of Justice of the European Union has defined the scope of mitigation and compensation²⁵ obligations of economic operators in those cases. It goes without saying that such cases of legally required mitigation or ecological compensation (“offsetting”) should be explicitly excluded from any “nature credits” scheme proposed by the Commission, as their inclusion would lead to a “net loss” of biodiversity, rather than a “net gain”, which is what the present initiative seeks to achieve.

ClientEarth is alarmed by the lack of reference to a blanket prohibition of offsetting in the Commission’s Communication and would like to request that the Commission express its commitment to preclude the possibility for compensatory credits to be issued as part of the scheme. ClientEarth would also like to signal its apprehension to the overreliance on the so-called “high integrity” principles of the EU’s partners, including the Biodiversity Credit Alliance and the International Advisory Panel on Biodiversity Credits, which have acknowledged that biodiversity *may* be used in offsetting contexts.²⁶

On top of the above, the Roadmap declares the Commission’s intention for the credits generated to be used for “*contributions to national targets and obligations under the NRR*”. ClientEarth would like to underscore that compliance with obligations under the Nature Restoration Regulation²⁷ are binding upon Member States themselves and not on economic operators who either undertake activities eligible to be purchased as nature credits, or those purchasing the latter. In order for such activities to contribute to the quantified and time-bound targets that Member States need to achieve in order to comply with the

²⁴ IUCN, *Biodiversity Offsets*, Issues Brief (2021).

²⁵ As well as the distinction between the two, most notably in Court of Justice of the European Union, Case C-521/12 *Briels and Others*, paras 29-35, 38-39),

²⁶ As explicitly stated in: World Economic Forum, Biodiversity Credit Alliance, and International Advisory Panel on Biodiversity Credits. High-Level Principles to Guide the Biodiversity Credit Market: White Paper (2025).

²⁷ Regulation (EU) 2024/1991 of the European Parliament and of the Council of 24 June 2024 on nature restoration and amending Regulation (EU) 2022/869.

requirements set forth by the NRR a series of conditions would need to be met.²⁸ The same would apply for conservation (“avoided loss”) credits used to comply with obligations under the Habitats Directive.²⁹

Alignment of an activity with the “principles” and “safeguards” required for the issuance of a certificate or credit does not automatically amount to regulatory compliance.

Scientific Rigour and Integrity

The Roadmap makes repeated references to the need for any market mechanism to be underpinned by robust science and thorough monitoring methodologies. While this is a welcome prerequisite to any further steps, ClientEarth finds it rather out-of-place: In a time of an unprecedented, far-reaching overhaul of EU legislation, through a series of consecutive “environmental simplification” omnibus packages with potentially disastrous effects on the EU environment, human health and rule of law, the introduction of a nature credits market in the EU acquis seems dissonant: The Commission’s regulatory “simplification” seeks the “*reduction of administrative burden*”, including by “streamlining” and “rationalising reporting/notification obligations”, with the latter even characterised as “*avoidable costs to businesses (especially SMEs)*”.³⁰ While the emphasis on “transparency”, “safeguards” and “strict scientific and governance protocols” are welcome, they are also a bit incoherent with the ongoing Commission efforts to eliminate core reporting and monitoring transparency requirements from the same legislations whose implementation the nature credits market will seemingly seek to implement.

Currently, there are numerous **knowledge gaps** in the ecological condition of EU habitats and species.³¹ In line with the precautionary principle, filling up all knowledge gaps on the ecological condition of relevant habitats and species in each biogeographical region (at a minimum at national level) should be a prerequisite for the eligibility of activities taking place in the region to be linked to credit issuance. Not only would this be required to establish *baselines* against which activities performance would be measured, but this also is a pre-existing obligation for Member States under both Article 17 of the Habitats Directive and Articles 4(9) and 5(7) of the NRR.

The challenges posed by existing knowledge gaps are compounded by the inherent complexity of measuring biodiversity, from species and habitats interactions to their ecological functions and long-term resilience. This makes it difficult to capture biodiversity through standardised (often arbitrarily so) metrics. As a result, basing the issuance of credits on simplistic proxy metrics risks misrepresenting ecological realities (including the non-commodifiable or non-marketable aspects of them), reducing their reliability as a meaningful conservation instrument.

While the full alignment of nature credits monitoring into EU standards and methodologies and their eventual integration in pre-existing processes is welcome, the challenges posed by: i) the increased transactional costs (including through third-party verification) and ii) the increased granularity in the type of information reported to ensure quality assurances for the credits issued, should not be understated.³² While these reduce the risk for continued adverse impacts on biodiversity, as well as legal risks, including greenwashing claims, they might have an impact on the success of the market, potentially functioning as

²⁸ These fall outside the scope of the present submission.

²⁹ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora.

³⁰ European Commission, *Call for Evidence: Simplification of administrative burden in environmental legislation* (July – September 2025).

³¹ European Environment Agency, *Europe’s environment 2025 – Main report: Europe’s environment and climate: knowledge for resilience, prosperity and sustainability*, EEA Report.

³² Cf Above, n 9 Wunder et al.

a disincentive for prospective investors. Furthermore, the subjects of the monitoring and reporting obligations for most EU environmental laws (e.g. Birds & Habitats Directives, Water Framework Directive, Nature Restoration Regulation, etc) are – as flagged above for their substantive obligations/counterparts – are Member States themselves (via their competent authorities), not private actors, or even third-party verifiers and/or credit/certificate issuers. Not only are Member States the ones responsible to undertake these obligations, but also, they are the ones that can be held legally liable for not or poorly implementing them.

For the integrity, credibility and legitimacy of the market only outcome- and impact-based nature credits should be considered (as opposed to mere activity credits).³³ Documenting measurable ecological results, rather than mere actions, is the only way to ensure actual improvement in biodiversity, ecosystem health and carbon sequestration (in the case of carbon credits with biodiversity co-benefits). Some of the wording in the Roadmap, including the option to “*update the status of interventions*”, indicates the potential to certify “activities” that may have variable outcomes, even ones that can be undone. Without assurances that the outcomes will be maintained in perpetuity (including through appropriate legislative measures), the credibility of the market is bound to be eroded. This would also raise a lot of greenwashing concerns about the capital generated and mobilised by the market, from dividends and contractual payments to land users, to intermediary costs and certifiers’ fees.

Even if all methodological and measurement concerns were to be dismissed or properly resolved (something that the present Roadmap is far from even addressing), the numerous compliance issues with existing nature credit markets (including leakage, double counting, unverified or non-additional claims etc.) documented in scientific literature would pose serious grounds for concern.³⁴

Learning from existing markets and pilot projects

Nature credit markets are not a novelty but are an ever-evolving mechanism that has been around for several decades. Their success and, in the overwhelmingly vast majority of instances, lack thereof has been studied extensively.³⁵

The Roadmap makes reference to the example of the United Kingdom’s Biodiversity Net Gain (BNG) as a potential inspiration for the EU’s nature credits market. Such an approach would omit the criticism that the BNG has received, from the counterincentives it provides for the protection of high-ecological value habitats, the option to bypass the mitigation hierarchy (via offsite credits and statutory offsets) as well as the methodological flaws of its metrics.³⁶

³³ ClientEarth considers the option for ex-ante, activity-based issuance of credits allowed by the so-called “High Level Principles” an unacceptable trade-off, cf World Economic Forum, Biodiversity Credit Alliance, and International Advisory Panel on Biodiversity Credits. *High-Level Principles to Guide the Biodiversity Credit Market: White Paper* (2025).

³⁴ Even nature credit champions (cf White Paper above) flag this: “*Many of the foundations of an effective market... are still missing. These include confidence in the quality of credits, the robustness and comparability of claims, and the means of measurement and accounting.*”; also, cf above Wunder et al.

³⁵ An exhaustive analysis of all shortcomings of existing nature credit markets is outside the scope of this submission.

³⁶ For instance, cf Winfield, T., Shrikanth, S., Bull, J. W., Madhavapeddy, A., & zu Ermgassen, *Nature-based credit markets at a crossroads*, Nature Sustainability (2024).

Furthermore, the Commission's own pilot projects have raised major reasons for concern, even leading to further environmental destruction.³⁷ This should serve as a learning experience, with the Commission ensuring that next steps in the process avoid similar shortcomings.

As stated in the Roadmap, “*valuable lessons*” in the form of “*challenges and opportunities*” can also be drawn from voluntary carbon markets. ClientEarth would urge the EU to proceed with caution when considering which elements of the voluntary carbon markets could be emulated in the context of its potential nature credit market, particularly when taking into account the recent, multi-million USD scandal associated with grave methodological flaws in the issuing of “avoided deforestation” (REDD+) credits, leading to a massive overstatement of climate benefits from these credits and a false representation of emission reductions.³⁸ As above, with the case of the United Kingdom such examples affirm beyond dispute systemic risks in the carbon and biodiversity credit markets and their vulnerability to over-crediting, greenwashing and weak verification. This should, without a doubt, ensure that the Commission invests in stronger governance, enhanced transparency and robust science-based methodologies prior to the development of any nature credit market.

Key Takeaways

- In order to close the biodiversity financing gap, a significant scaling up of public funds is essential. This should take the form of an **increase in the availability of public funding** for nature conservation and restoration and the introduction of **minimum biodiversity spending targets in sectoral legislation**, alongside a clear signal that the allocation of any public funds is strictly conditional on adherence to the “do no significant harm” principle and a **redirection of harmful subsidies** towards activities positive for biodiversity and ecosystem services. It is crucial that these activities precede, both in terms of timing and prioritisation, the establishment of a nature credits market.
- Funds for incremental costs for the setup, derisking, etc of a nature credits market should not be allocated from existing public biodiversity financing and should be sought from other sources.
- **Offsetting** (any form of ecological compensation) and activities required for regulatory compliance should be excluded from any future nature credits market, without any exceptions.
- For the integrity and added value of the market, its scope should be restricted, including only clearly defined conservation and restoration activities and excluding any “business-as-usual” or “sustainable management practices”.
- Determining criterion for the issuance of a credit, following the certification of an activity, should be the concrete biodiversity outcomes it delivers, rather than the “nature” or stated objective of an activity. “Ex ante” and/or action-based credits should be precluded, with credits **only** being outcome-based and issued ex-post (once the outcome has been delivered). Any other option threatens leading to further biodiversity loss and significantly increases the chances of corporate abuse of the scheme, including via greenwashing.

³⁷ Fern, *Evidence of Environmental Harm at the Hiiumaa Project in Estonia* (June 2025); also, *En Estonie, la MAIF impliquée dans un projet forestier controversé* - Canopée.

³⁸ *Verra Cancels 5 Million Overissued Credits Linked to C-Quest Capital*

- The addition of **obligatory co-benefits for biodiversity in carbon credits** is a welcome necessity, but the latter should be clearly distinguished from credits whose primary purpose is to benefit biodiversity.
- Measuring biodiversity (as in, measuring the condition, structure, function and interaction of millions of species, habitats and ecosystems) is infinitely more complex than measuring greenhouse gas emissions, as there is **no** agreed biodiversity metric comparable to the “carbon-dioxide equivalent” used when measuring greenhouse gas emissions. Any proxy metrics embedded in the Commission’s methodology to develop single biodiversity “units” to be measured should ensure that this “simplification” is not reductionist, or, in any way undervaluing the richness of biodiversity and the – still not fully understood – ecosystem services. Improvement of measurement methodologies should necessarily be accompanied by increased transparency in the monitoring of impact of economic activities and supply chains on biodiversity.
- The nature credits market should seek to manage nature-related risk exposure for highly dependent sectors, including insurance companies and the agroforestry industry, with a view to preventing and/or mitigating those sectors’ financial damages due to biodiversity loss and ecosystem degradation.



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