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ClientEarth

Biodiversity credits

Viable solution or work in progress?

CBD COP17 Briefing



Nature protected through the law

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Viable solution or work in progress?

This brief examines the opportunities and risks associated with biodiversity credits as a mechanism to mobilise finance for biodiversity conservation under the Kunming-Montreal Global Biodiversity Framework (GBF). It outlines ClientEarth's position on biodiversity credits, highlights key legal, human rights and ecological considerations, and identifies the safeguards required to ensure that any biodiversity credit framework contributes to genuine biodiversity conservation and the achievement of the GBF's goals.

While biodiversity credits are increasingly promoted as a solution to help bridge the global biodiversity finance gap, significant concerns remain regarding their effectiveness, integrity and potential impacts on both nature and rights-holders. ClientEarth therefore takes a cautious approach to the development and use of biodiversity credits and stresses that robust legal frameworks, strong human rights protections and demonstrable biodiversity outcomes must be prerequisites for any biodiversity credit scheme.

The Indigenous peoples and Local Community (IPLC) rights dimensions of this briefing reflect publicly available positions of IPLC-led organisations and networks engaged in biodiversity finance discussions. ClientEarth is committed to developing future work in this area in direct partnership with IPLC representatives.



Key Takeaways

- **ClientEarth does not endorse biodiversity credits as a mechanism to offset activities that are otherwise destructive to biodiversity.** We do not recognise that biodiversity credits operate as an effective equivalence mechanism to remediate actions in one location that destroy or degrade ecosystems elsewhere. Accordingly, biodiversity credit frameworks should be structured to ensure credits operate to improve biodiversity, rather than serve as a mechanism to justify ecologically harmful practices under the guise of 'conservation'.
- **A human rights-based approach that prioritises IPLC rights must inform all processes.** Specifically, IPLC rights regarding participation, free, prior and informed consent and land rights must be included into each step of the biodiversity credit process, including calculation/valuation of nature, creation of credits, management and monitoring and benefit-sharing.
- **Effective national laws and policies must be in place before biodiversity credits can be generated, traded**, or seen as a legitimate mechanism to achieve the goals of the GBF. These frameworks must provide for IPLC rights, benefit-sharing, traceability, accountability, effective and accessible dispute resolution mechanisms.
- **Greater interrogation of the nature impact of biodiversity credits is required** – ongoing review of whether biodiversity credits are improving biodiversity outcomes is needed to determine whether such mechanisms are actually improving biodiversity conservation. Biodiversity credit schemes should be subject to rigorous, independent and transparent evaluation of their ecological and social impacts before being scaled. Reviews should assess whether credits deliver tangible biodiversity outcomes, support IPLC rights and benefit-sharing, and provide funding that would not otherwise have occurred. Where these conditions cannot be demonstrated, biodiversity credits should not be promoted as a credible mechanism for achieving the goals of the GBF.

What are biodiversity credits?

Biodiversity credits are tradeable units *'representing a measurable, additional, and verified positive impact on biodiversity outcomes generated through conservation or restoration activities'*[1]. Under Target 19 of the GBF, biodiversity credits were identified as a key mechanism to bridge the biodiversity funding gap. Biodiversity credits can be produced from actions that involve active restoration ("biodiversity uplift") or conservation of threatened biodiversity ("avoided biodiversity loss"). Purchase of biodiversity "units" may happen in the context of either regulatory compliance[2] or voluntary sustainability claims[3], and the "units" can be traded nationally or globally.

Though touted as an innovative mechanism to stimulate biodiversity funding in a manner similar to carbon credits and the voluntary carbon market, there is no single unit of currency for global biodiversity that exists in the same way that carbon dioxide equivalents link to greenhouse gas emissions[4]. Spurred on by the rapid growth of the voluntary carbon market, private sector interest in biodiversity credits has similarly proliferated and early-stage trades occurring. Like carbon markets, discussion around

1 UNEP, State of Finance for Nature, 2026 https://www.unep.org/resources/state-finance-nature-2026

2 See, for instance, the United Kingdom's *Biodiversity Net Gain:* https://www.gov.uk/guidance/understanding-biodiversity-net-gain

3 https://pollinationgroup.com/wp-content/uploads/2023/10/Global-Review-of-Biodiversity-Credit-Schemes-Pollination-October-2023.pdf

4 Wauchope, H. S., S. O. S. E. zu Ermgassen, J. P. G. Jones, H. Carter, H. Schulte to Bühne, and E. J. Milner-Gulland. 2024. "What Is a Unit of Nature? Measurement Challenges in the Emerging Biodiversity Credit Market." *Proceedings of the Royal Society B: Biological Sciences* **291**, no. 2036: 20242353. https://doi.org/10.1098/rspb.2024.2353.

biodiversity credits has focused heavily on tradeability, rather than the impact on the environment itself. It is important to note that biodiversity credits – in the form of "offsets", where biodiversity gained in one area is used to permit the environmental harm in another – are not a recent concept, having been a key component in state-regulated environmental approvals for over 30 years[5]. And yet, biodiversity loss has only accelerated. Changes to the operation of biodiversity credits are clearly required.

What is at stake?

IPLC RIGHTS

For biodiversity credits to be successful, any regime producing and managing credits must support and strengthen the rights of IPLCs[6]. Measures that impact land use – particularly conservation actions that form the basis of biodiversity credit creation – often directly overlay the interests of IPLCs in terms of land use, use of natural resources, areas of cultural significance and ecosystem governance[7]. Engagement with IPLCs and strengthening their rights through the process is thus an unavoidable element to the biodiversity credit market[8]. Implementing these frameworks equitably requires inclusion and leadership from IPLCs, as well as provision for effective benefit-sharing mechanisms to ensure that IPLCs directly benefit from these measures[9].

High demand for credits may prompt credit producers to rush processes such as conducting effective FPIC processes, comprehensive due diligence regarding land ownership and understanding existing land use which would like likely inhibit any biodiversity gain and erode credit market integrity.

ECOLOGICAL CONSIDERATIONS

Given the multiple levels of biological complexity that biodiversity describes, it is no surprise that defining a metric to standardise and compare different ecosystems so that biodiversity can be commodified to trade is a challenging exercise[10]. Particularly when purchased to "offset" practices that are ecologically harmful, so that there is a perceived "no net loss"[11] of biodiversity, purchase of biodiversity credits is an inadequate remedy to the harm inflicted – the notion of direct equivalence of ecosystems harmed in one area and ecosystems conserved in another fails to account for the unique ecological operations and species composition of ecosystems, and credits may even be produced in entirely separate countries from where the environmental harm has occurred. Such practices risk biodiversity credits being used to justify continuation of business-as-usual practices, rather than improvements to or reductions in environmentally harmful practices[12]. The result of this illusion is the continued loss of biodiversity, a misdirection of conservation funding and creation of a credit scheme that lacks transparency, integrity and impact as originally intended.

5 Wunder, S., C. Fraccaroli, J. Bull, et al. 2025. " Biodiversity Credits: An Overview of the Current State, Future Opportunities, and Potential Pitfalls." *Business Strategy and the Environment* 34, no. 7: 8470–8499. https://doi.org/10.1002/bse.70018.

6 Wunder, S., C. Fraccaroli, J. Bull, et al. 2025. " Biodiversity Credits: An Overview of the Current State, Future Opportunities, and Potential Pitfalls." *Business Strategy and the Environment* 34, no. 7: 8470–8499. https://doi.org/10.1002/bse.70018.

7 Löfqvist, S., K. Fritz, A. Bey, et al. 2023. "How Social Considerations Improve the Equity and Effectiveness of Ecosystem Restoration." *Bioscience* **73**, no. 2: 134–148. https://doi.org/10.1093/biosci/biad004.

8 Griffiths, V. F., J. W. Bull, J. Baker, and E. J. Milner-Gulland. 2019. "No Net Loss for People and Biodiversity." *Conservation Biology* **33**, no. 1: 76–87.

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10 zu Ermgassen, S. O. S. E., M. Howard, L. Bennun, et al. 2022. "Are Corporate Biodiversity Commitments Consistent With Delivering 'Nature-Positive' Outcomes? A Review of 'Nature-Positive' Definitions, Company Progress, and Challenges." *Journal of Cleaner Production* **379**: 134–798.; Kedward, K., S. O. S. E. zu Ermgassen, J. Ryan-Collins, and S. Wunder. 2023. "Heavy Reliance on Private Finance Alone Will Not Deliver Conservation Goals." *Nature Ecology & Evolution* **7**, no. 9: 1339–1342. https://doi.org/10.1038/s41559-023-02098-6.

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12 Damiens, F. L. P., L. Porter, and A. Gordon. 2021. "The Politics of Biodiversity Offsetting Across Time and Institutional Scales." *Nature Sustainability* 4, no. 2: 170–179. https://doi.org/10.1038/s41893-020-00636-9.

The way forward

Nature credits can be an effective mechanism to conserve biodiversity where they cause businesses to review the biodiversity impact of their practices and prompt them to alter behaviours that are harmful to nature and replace them with measures that make overall positive contributions to nature[13]. These 'non-compensatory biodiversity credits'[14] – that are not used to offset and are engaged as an additional step after firms have demonstrably achieved "no net loss" across their operations and supply chains[15] - should be the direction in which the biodiversity credit market is moving to ensure that meaningful change – both at the levels of commercial practices, supply chains and ecological conservation – continues to occur to actually protect biodiversity.

However, to achieve this in practice requires greater research into biodiversity, how it is evaluated in the context of the credit creation, purchase and trading, and clear national laws and policies that ensure that equivalence does not undermine the achievement of real biodiversity protection[16]. Bridging these knowledge gaps will be determinative of whether biodiversity credits can have any real ecological impact, avoid greenwashing claims and advance the world towards the realisation of the GBF's goals.

Effective national laws and policies are crucial to ensuring that biodiversity credits do not become tolerated as quasi compensation for biodiversity harm. This is consistent with Target 15, which encourages States to take legal, administrative or policy measures to encourage companies and financial institutions to monitor, assess and transparently disclose biodiversity risks, dependencies and impacts. Such laws will be necessary to ensure that biodiversity credits do not become perverse incentives for a continuation of environmentally harmful business-as-usual practices or reproduce to pitfalls of other credit systems.

13 zu Ermgassen, S. O. S. E., M. Howard, L. Bennun, et al. 2022. "Are Corporate Biodiversity Commitments Consistent With Delivering 'Nature-Positive' Outcomes? A Review of 'Nature-Positive' Definitions, Company Progress, and Challenges." *Journal of Cleaner Production* 379: 134–798.

14 Wunder, S., C. Fraccaroli, J. Bull, et al. 2025. " Biodiversity Credits: An Overview of the Current State, Future Opportunities, and Potential Pitfalls." *Business Strategy and the Environment* 34, no. 7: 8470–8499. https://doi.org/10.1002/bse.70018.

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