

# NATURE CREDITS: FINANCING NATURE CONSERVATION AND RESTORATION

Nature provides immeasurable value to people and the economy, with about half of the global GDP dependent upon functioning ecosystems. Yet, wildlife populations have decreased by almost 70% since 1970, and one million species of plants and animals are at risk of extinction. The urgency to protect and restore nature is high.

Global commitments to act are growing. Global targets now include efforts to increase the area, connectivity, and integrity of natural ecosystems and reduce extinction risk. More than 100 countries support Target 3 of the draft Global Biodiversity Framework (GBF) of the Convention on Biological Diversity, which aims to protect at least 30% of the planet's land and oceans by 2030 (the "30x30" biodiversity goal). Nature-based climate solutions, such as forest regrowth and restoring coastal wetlands, are starting to channel funding to the conservation of priority ecosystems. However, many high-quality conservation efforts remain inadequately funded, and many of the services they provide beyond carbon sequestration, such as species conservation, water purification, soil health, or efforts to preserve marine biodiversity, have no monetization pathway at all. Equally, companies and other market participants lack structured, auditable channels to invest in nature.

**A globally scalable nature crediting framework can address both challenges, driving finance to critical nature conservation and restoration activities – and help meet the GBF goals and targets.**

## NATURE FRAMEWORK DEVELOPMENT GROUP

The Nature Framework Development Group (NFDG) was formed to develop a nature crediting framework, including an underlying methodology, to drive investment to high-quality biodiversity conservation and restoration activities across ecosystems and geographies.

The NFDG includes the Blue Nature Alliance (with support from McKinsey & Company), Conservation Finance Alliance, Conservation International, the Great Barrier Reef Foundation, International Union for Conservation of Nature (IUCN), The Biodiversity Consultancy, and Verra as the independent standard setter.

Using a participatory and big tent approach, the NFDG is developing this nature crediting framework as part of Verra's **Sustainable Development Verified Impact Standard (SD VISta) Program**, the world's premier standard for certifying the benefits of social and environmental projects. An expert **Advisory Group** is supporting this work, and broad stakeholder consultations are planned.

## NFDG MEMBERS



## FOUNDATION FOR THE SD VISta NATURE CREDITING FRAMEWORK

The SD VISta nature crediting framework will be built on several principles, including:

- 1. Quality:** Credited conservation and restoration activities must be high-quality and have integrity, resulting in positive, measurable biodiversity outcomes that are supported by scientific evidence.
- 2. Equity:** Local rightsholders and stakeholders, especially Indigenous Peoples and Local Communities (IPs and LCs), must be consulted and engaged to ensure equity and respect for diverse knowledge systems.
- 3. Scalability:** The resulting methodologies must be applicable across geographies, ecosystems, and activity types, and able to adapt to a changing climate baseline.
- 4. Rigor and practicality:** Activity eligibility criteria must be rigorous enough to guarantee positive outcomes, while avoiding unnecessary entry barriers for project proponents, particularly IPs and LCs.

*Photo by Nick Hall. Avoiding Planned Deforestation and Degradation in the Valdivian Coastal Reserve (Verra Project #1175).*

## NATURE CREDITING — BENEFITS



**Projects receive funding for conservation and restoration across geographies**

- Funding for high-quality conservation projects
- Equality and fairness for IPs and LCs through inclusive and equitable conservation projects
- Economic development for communities who are custodians of nature



**Corporates have a verified channel to meaningfully improve nature footprint**

- Standardized framework to measure, report, verify, and invest in nature
- Tangible action beyond the mitigation hierarchy
- Tool for corporates to meet nature-positive targets



## OVERARCHING INTEGRITY AND GOVERNANCE PRINCIPLES

To ensure that nature credits represent effective long-term biodiversity conservation, the NFDG is collaborating with the World Economic Forum to develop overarching Integrity and Governance Principles for emerging voluntary credit markets in nature and biodiversity. These principles will align with those of other related initiatives (e.g., Taskforce on Nature-related Financial Disclosures).

## ELIGIBLE ACTIVITY TYPES



**Reducing declines in biodiversity**



**Restoring biodiversity**



**Maintaining intact biodiversity**

## NEXT STEPS — DEVELOPMENT OF CORE METHODOLOGY

Development of nature crediting framework

Public consultation

Auditor review

Publication of methodology

**Q1 2023**

**Q2 2023**

**Q3 2023**

**Q4 2023**

## “Nature Credit” or “Biodiversity Credit”?

While much work to date uses the term “biodiversity credit,” we currently use “nature credit” to distinguish the unit from local offsetting frameworks. In addition, efforts to conserve biodiversity also benefit non-living nature, such as soil, water, carbon, and other ecosystem services. Further, the term “nature credit” aligns better with corporate efforts to pursue nature-positive strategies, and representatives from IPs and LCs have expressed a preference for this terminology in initial consultations. Work is ongoing to determine the more appropriate terminology. Finally, the term “credit” is used to refer to investments in positive contributions beyond the mitigation hierarchy, not offsets. Companies should address their negative impacts separately through strict adherence to the mitigation hierarchy, strongly prioritizing avoidance.

*Photo courtesy of Asociación Tu'ik Ruch Lew. Tuik Ruch Lew Improved Cookstove Project for Lake Atitlan, Guatemala (Verra Project #2077)*