Nature Framework, v1.0 Webinar

November 2024

Photo by Lisa Murray. Bale Mountains Eco-Region REDD+ Project, Ethiopia (Verra Project 1340).

Agenda

- Nature Framework introduction (15’)
- Requirement highlights (20’)
- Quantification of biodiversity outcomes (25’)
- Next steps (5’)
- Q&A (20’)

NATURE FRAMEWORK INTRODUCTION

Development contributors

THE BIODIVERSITY CONSULTANCY

CONSERVATION INTERNATIONAL

BLUE NATURE ALLIANCE

With support from McKinsey & Company

IUCN

CFA CONSERVATION FINANCE ALLIANCE

Great Barrier Reef Foundation

Advisory Group

26 members who have contributed technical input over the past two years

Pilot projects

30 projects that have tested the clarity, reasonableness, local appropriateness, scalability, and usability of the draft version

Key stakeholders

- Indigenous Peoples and other participants in the consultation processes
- Standard and methodology developers
- International initiatives shaping the biodiversity credit market

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Key milestones in the development process

UN Ocean Conference Workshop
Jun 29, 2022

NF grounding concepts, NFDG and AG formalization
Jul-Nov 2022

CBD COP 15
Launch of MOU and announcement of NF development
Dec 7-29, 2022

Goal, demand motivations, and key design parameters initial discussions
Jan 2023

NF concepts research, proposals and feedback, including use case inventory
Feb-Jun 2023

Launch of open call for pilot projects
Jul 5, 2023

NFDG workshop to finalize concepts before public consultation
Aug 21-23, 2023

60-day public & IPs and LCs consultation launch
Sep 18, 2023

Launch of pilot project cohort
Oct 2, 2023

IPs and LCs consultation and engagements
&
Review of pilot project PDs
Oct 2023 – May 2024

CBD COP 16
Launch of NF v1.0
Oct 29, 2024

Analysis of learnings and input from the consultations and pilot projects
&
Draft requirements for v1.0
May - Oct 2024

Nature Framework

SD VISta Program

Flexible standards program for certifying projects generating verifiable sustainable development benefits

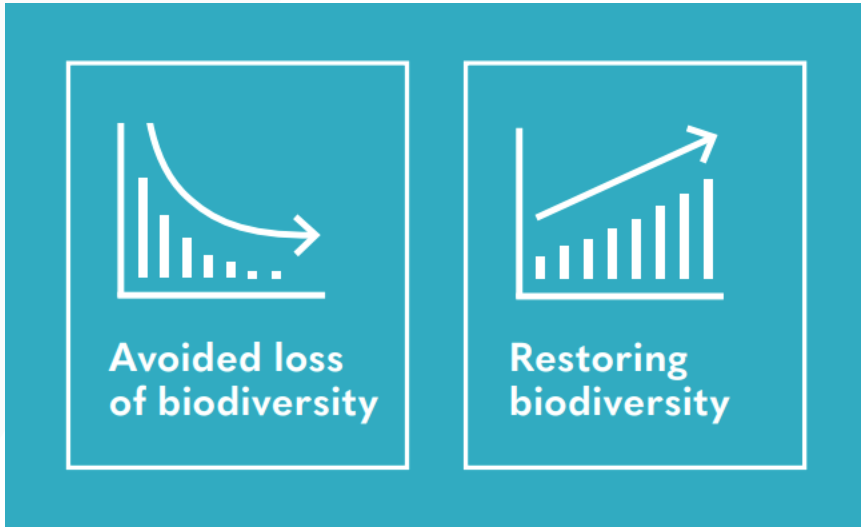
Nature Framework

Asset methodology with specific requirements and quantification approaches to measure biodiversity outcomes

Modules

Ecosystem-specific subset of requirements (e.g., considerations for selecting and monitoring ecosystem Condition indicators)

Eligible activities



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Nature Framework, v1.0: a testing version

Verra will continue to develop some technical elements

- Leakage concept and tool, to be refined for the first projects' credit issuance
- Fine-tuning quantification components after testing with project data
- Top-down ecoregional crediting baseline requiring more data availability

Three concepts for Verra-wide program updates can be tested*

- A risk-based approach to implementing social and environmental safeguard requirements
- Connecting a project's social and environmental risk assessment with the sustainable development context using a causal chain analysis
- More detailed adaptive management requirements

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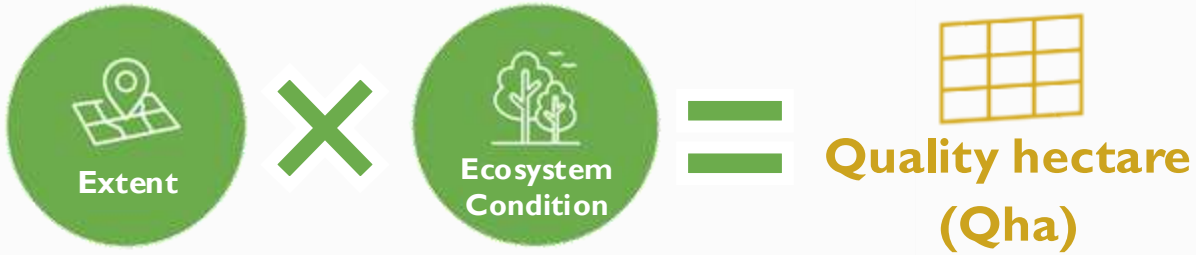
**With VCS and non-VCS projects*

Nature Credits

Nature Credits reflect three dimensions of the state of nature: extent, ecosystem condition, and biodiversity significance. Two of those are used for credit calculation, and the third, to differentiate units.



Area in ha of each ecosystem type

Quality of biodiversity present

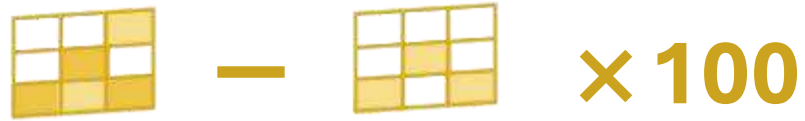
Quality hectare (Qha)
(i.e., area-weighted Condition)

Differentiate projects and Nature Credits based on contributions to the Global Biodiversity Framework

- Preserving ecosystems
- Restoring ecosystems
- Conserving under-represented biodiversity
- Reducing species extinctions

One Nature Credit represents 1% of net biodiversity outcomes (measured in Qha) generated during a monitoring period as a result of the project intervention

Calculated as follows:



Qha at verification – **Qha at project start[1]** (or previous verification) × 100

[1] *Qha at project start are multiplied by the crediting baseline, a weighting factor based on the risk of ecosystem loss*

Use cases

Nature Credits will provide companies a verified way to support high-quality projects, Indigenous Peoples and local communities while derisking their value chains for a nature-positive future.

Impacts on nature

Use case: invest beyond the mitigation hierarchy for accumulated existing impacts or industry-wide impacts not attributable to individual entities

Dependencies on nature

Use case: proactive investment to secure supply chains and enhance biodiversity-related productivity

"Nature credits go beyond carbon, offering additional measurable co-benefits like habitat preservation, water quality improvements, and enhanced community livelihoods. By investing in both carbon and nature credits, we ensure that our capital supports holistic, high-integrity projects that not only restore ecosystems but also generate broader, lasting impacts for people and the planet."

Zander Sebenius, Vice President, Investments, Carbon Streaming (Oct 2024)

Nature Credits must not be used for offsetting purposes

(e.g., international biodiversity offsetting approaches)

The first wave of project registration will be open only to the pilot cohort starting April 2025 (~15 projects expected)

Verra is:

- Establishing an expert panel to support technical evaluation of projects' design prior to validation
- Ensuring a suitable and competent VVB pool to audit projects
- Continuing to test and refine the framework using projects' real monitoring data

Photo courtesy of Katingan Mentaya. Katingan Peatland Restoration and Conservation Project, Indonesia (Verra Project 1477).

Pilot projects

Project proponent	Country or region
Wilderway; Rewilding Portugal	Europe
Land Life & Nature Metrics	Spain
EarthAcre, East Africa Carbon and Biodiversity Limited	Kenya
Forgotten Parks	Democratic Republic of Congo
PUR	Colombia
Terra Global Capital	North America
Wahkohtowin Development and Mikro-Tek	Canada
Terrasos	Colombia
Conservation International	-

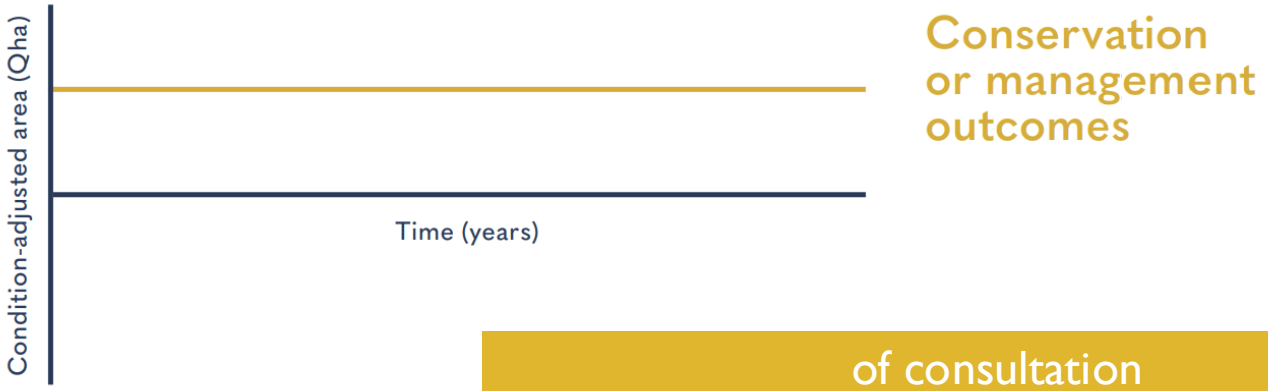
Project proponent	Country or region
rePLANET	Romania
Instituto Arapyaú	Brazil
Kennemer Eco Solutions	Philippines
Reforest Africa	Tanzania
Great Barrier Reef Foundation, Central Queensland University	Australia
BioCarbon Partners (BCP)	Zambia
Forest Carbon; Misool Foundation	Indonesia
Ponterra	Panama
AJA Climate Solutions	Africa

Nature stewardship certificates

A unit under exploration

What would be rewarded?

Successful nature conservation and management outcomes in historically well-managed areas maintaining relatively intact biodiversity



~80% of consultation respondents were supportive of continuing their development

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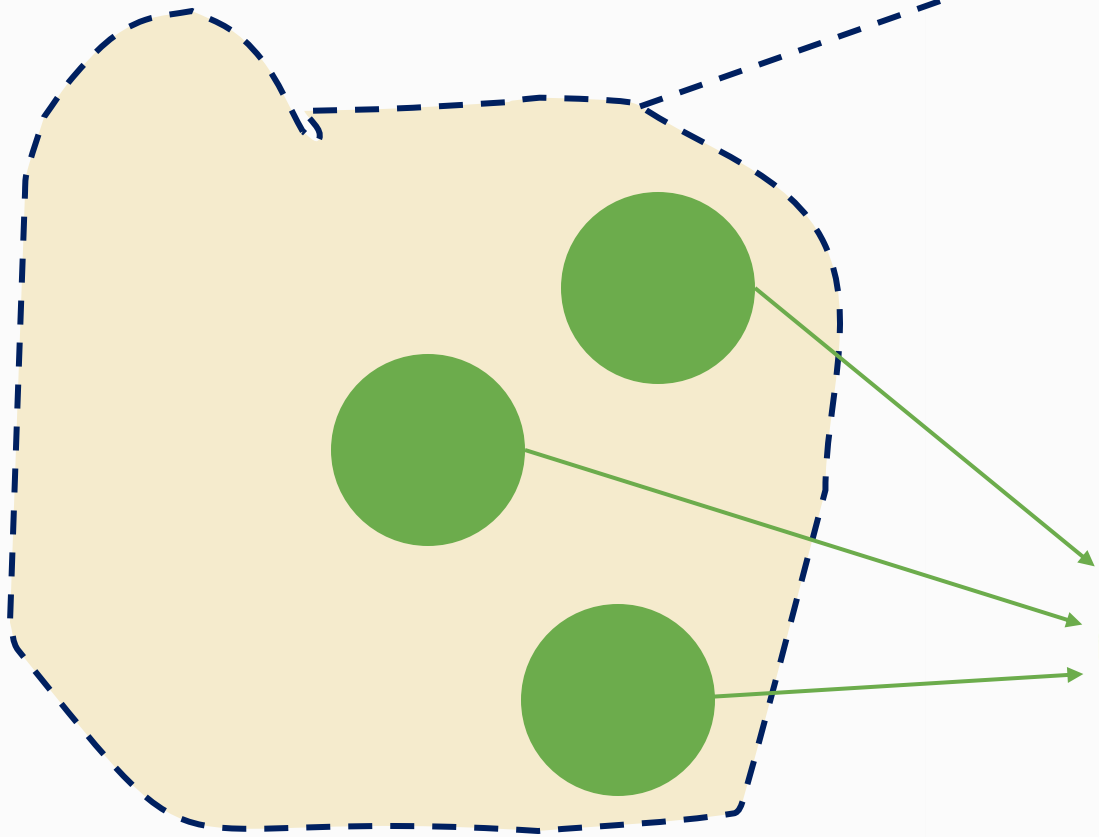
Photo by Lisa Murray. Bale Mountains Eco-Region REDD+ Project, Ethiopia (Verra Project 1340).

REQUIREMENT HIGHLIGHTS

Project boundary and Extent



Project boundary

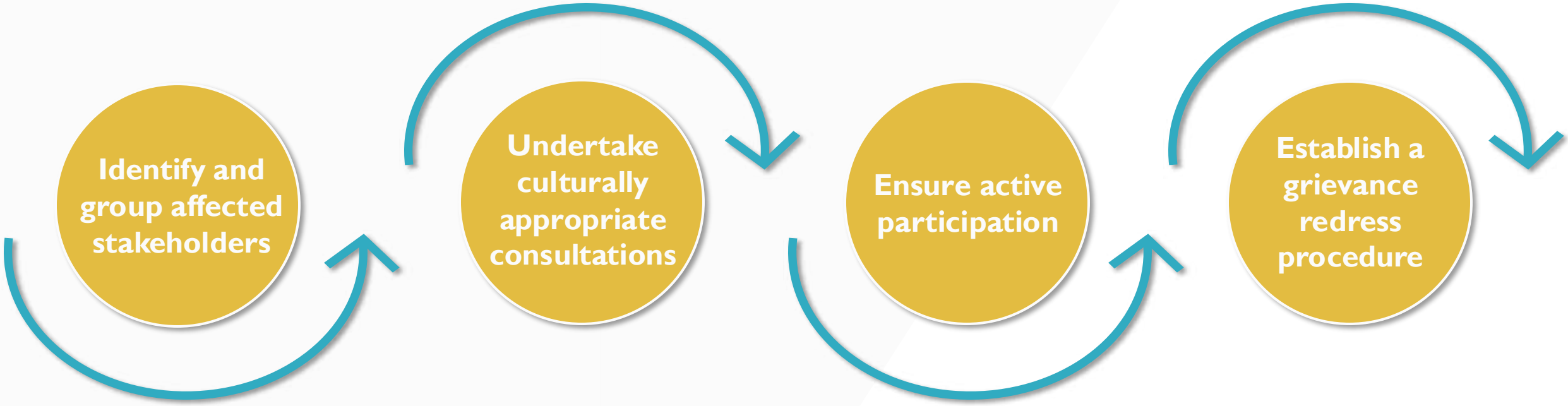
Delimited area where the project will have impacts

It comprises:

Area of project impacts where the project will have impacts on the sustainable development context (e.g., people's livelihoods, access to resources, water use)

Extent, the physical area(s) in hectares, in which project activities take place and where biodiversity outcomes are quantified

Stakeholder engagement



- Categorize stakeholders
- Use locally appropriate methods
- Identify rights to resources or land
- Justify stakeholders grouping by similar characteristics (e.g., income, livelihoods)

- Effectively enable stakeholders to influence the project
- Gender and inter-generationally sensitive
- Share information clearly and in a timely manner
- Occur in mutually agreed locations and through representatives

- Agree and consent to participate
- Discuss:
  - Project design, implementation, monitoring, and assessment
  - Risks, costs, and benefits
  - Information about rights and resources
- Document how input has influenced the project

- Address disputes and complaints in:
  - A culturally appropriate and timely way
  - In three stages (amicably, mediation, and arbitration or court)
- Must be shared with stakeholders

Key project requirements

Project start date

When the project begins implementing activities

- January 1, 2023
- Complete validation within five years from the start date

Crediting period

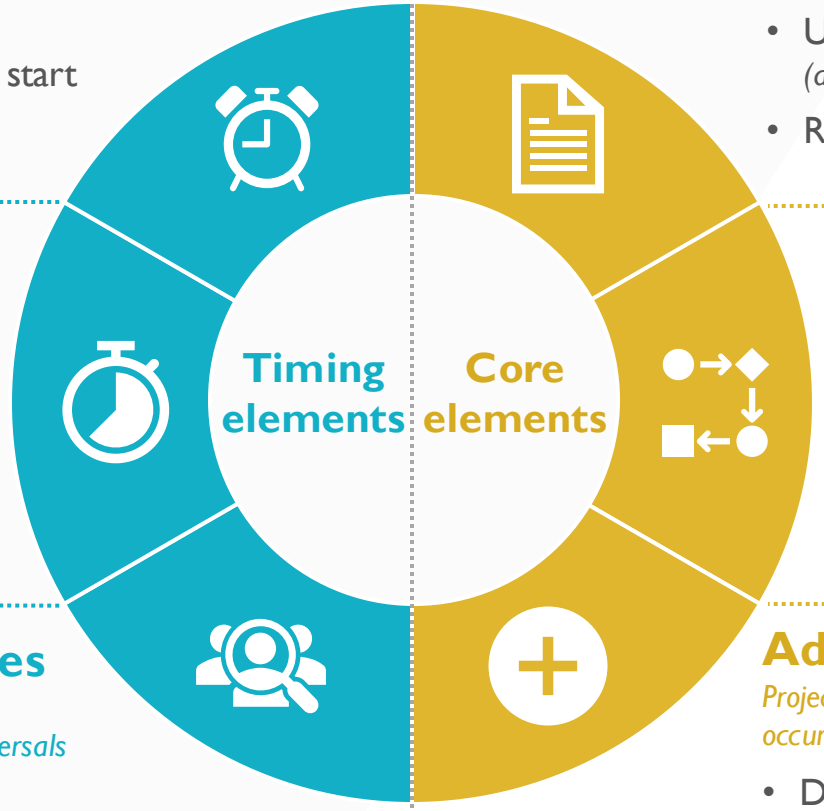
Time period when the project's biodiversity outcomes are eligible for issuance as Nature Credits

- Minimum of 20 and up to 100 years
  (may be renewed up to four times)
- Verify biodiversity outcomes at least every five years

Durability of biodiversity outcomes

Project's ability to ensure that biodiversity outcomes leading to credits are likely to endure for an extended period without reversals

- Have a minimum 20-year project longevity
  (number of years since the project start date, for which project outcomes are monitored for durability)
- Have a 40-year project longevity when also using VCS
- Deposit 20% of Nature Credits into a project-specific buffer to account for potential reversals



Baseline scenario

Narrative description of 1) the SD context and 2) the without-project scenario

- Use a set of categories for the assessment
  (aligned with the safeguards and causal chain analysis)
- Reassess baseline every 10 years

Causal chain analysis

Steps to define and map project activities, outputs, outcomes, and impacts to ensure net benefits

- Clearly set projects' SD objectives
- Map project activities, outputs, outcomes, and impacts, and mitigate negative impacts

Additionality

Project activities and the resulting biodiversity outcomes would not have occurred in the absence of Nature Credit finance

- Demonstrate regulatory surplus at validation
  (activities are not mandated by law, or not enforced)
- Demonstrate activities depend on credit finance
- Demonstrate expansion of project scope, scale, speed of implementation, or sustainability
  (when supplementary funding sources exist/are prospective)

Risk-based approach to safeguards and net positive impacts

No harm

The project must:

- Avoid, minimize, or mitigate negative impacts on people and the planet.
- Assess social and environmental risks by examining imminent and potential threats (within and beyond the project boundary) that could negatively affect its ability to deliver the intended benefits.

Objective: Ensure no harm

Species & habitats, stakeholders

Safeguards

Causal chain

Benefits

Target species & habitats, stakeholders affected by the project

Objective: Demonstrate positive impact

Positive impact

The project delivers benefits to people, their prosperity, and the planet by:

- Identifying the positive, negative, direct, indirect, intended, and unintended impacts of project activities, and
- Mitigating the negative impacts identified or other threats to sustainable development benefits.

Net positive benefits for people, their prosperity, and the planet

As required by SD VISta

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Social and environmental safeguards

Uphold and respect human rights under the International Bill of Human Rights and related universal instruments

Apply the higher regulation, convention, or law to ensure a positive outcome for people and the planet

Recognize, respect, and support all stakeholders' customary and statutory rights to resources and tenure

Ensure the meaningful, effective, and informed participation of Indigenous Peoples in all matters at the earliest stage of project design and throughout implementation

Obtain FPIC on matters that may affect Indigenous Peoples' rights and interests, lands, territories, resources, traditional livelihoods, and/or cultural heritage

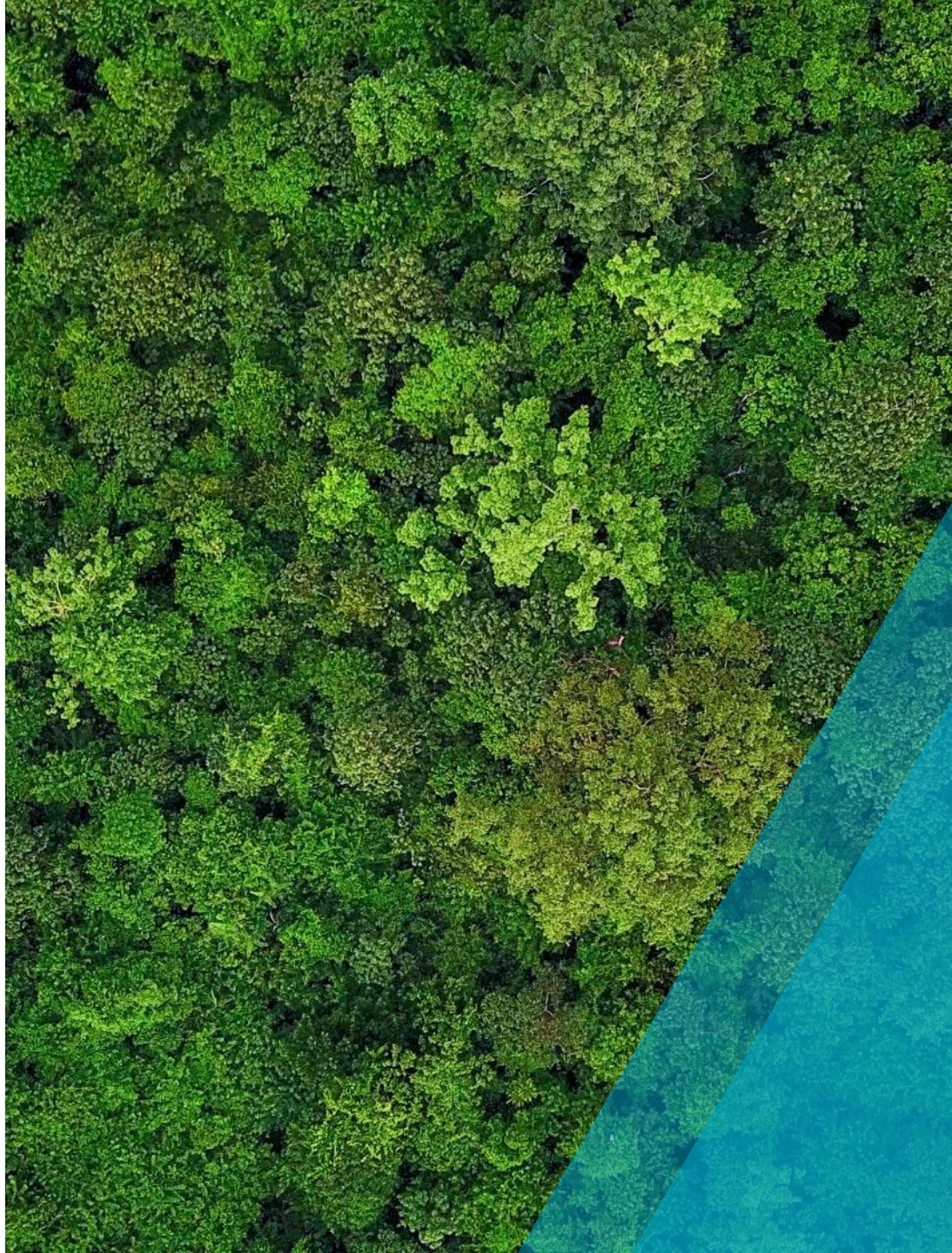
Do not negatively impact terrestrial, freshwater, or marine biodiversity and/or ecosystems

Adaptive management

Consider the project's risk mitigation plan

Integrate learnings from monitoring and input from stakeholder consultation

Report deviations in the following monitoring report for verification



Benefit-sharing mechanism

- Co-created with and agreed upon by the affected stakeholders
- Appropriate to the local context
- Compliant with local regulation and international human rights laws and standards
- Consistent with customary rights
- Transparent and with publicly available outcomes
- Include monetary and non-monetary benefits, excluding in-kind benefits from project activities

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Claim requirements

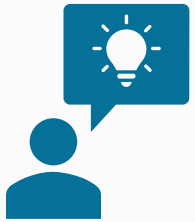
Claims must be:

- Accurate
- Specific to the project phase and the Nature Framework version
- Clear, transparent, and understandable to the intended audience
- Made in good faith

Includes examples of claims for:

- Listed projects
- Validated projects
- Verified projects
- Nature Credits
- Nature Credits from projects that also generate VCUs

Penalties for misrepresented claims



Project proponent

Freeze on Nature Credit issuances and future verifications until the misrepresentation is rectified

End users

All account activity is stopped for the account in which the Nature Credits are held

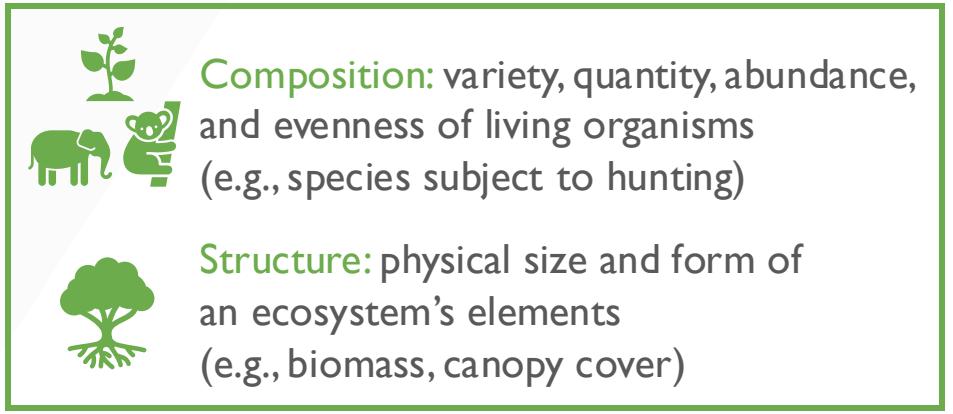
Any stakeholder may report suspected misrepresented claims following the most recent version of the *Verra Grievance Redress Policy*

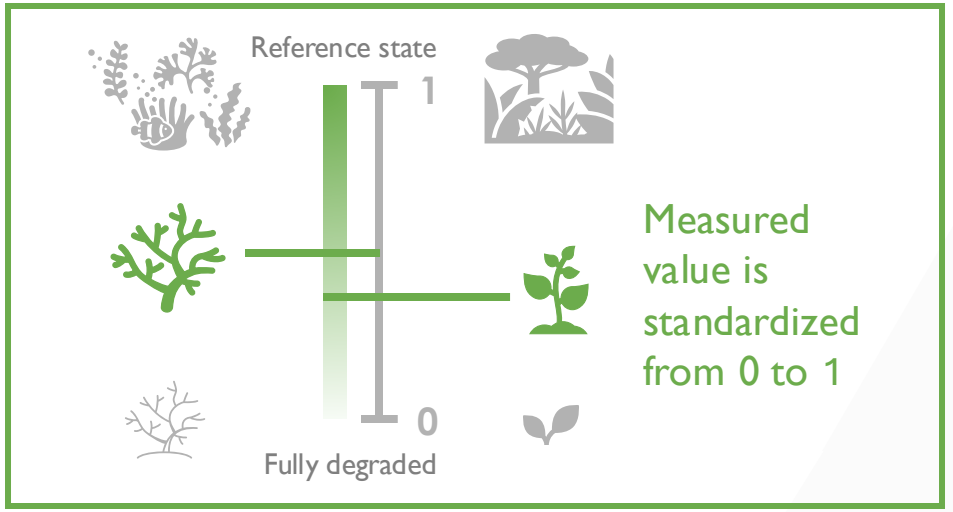
QUANTIFICATION OF BIODIVERSITY OUTCOMES

Ecosystem Condition

The quality of biodiversity present in the project Extent

- Ecosystem-level approach (e.g., flora and fauna)
- Required indicators: composition (3) and structure (2)
- Optional indicator: function
  (not included in quantification)
- Each indicator's measured value is standardized to a reference state
  (for comparability and mitigating risks of over-crediting)
- The standardized values of all Condition indicators are combined and weighted by the project Extent to produce Qha





Crediting baseline

Estimation of likely loss of ecosystem Condition without the project intervention

Chosen approach is dependent on data availability

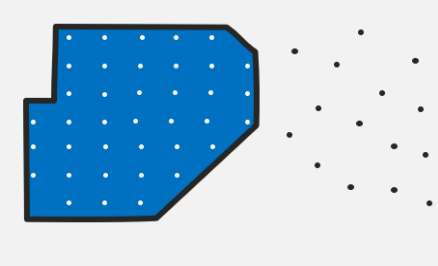
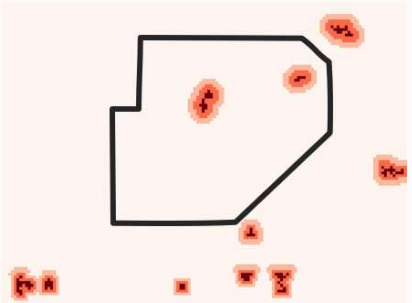
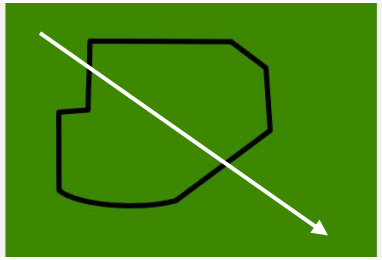
Crediting baselines are dynamic

Key guardrail for promoting integrity and reducing risk of over-crediting

Summary Steps for Setting Crediting Baseline

1) Determine reference region (i.e., country ecoregion component) of project Extent
2) Inventory and assess available data using temporal and spatial criteria
3) Use decision tree tool to identify most appropriate method
4) At project start, calculate the estimated crediting baseline
5) At verification, calculate the dynamic crediting baseline

Crediting baseline: three data-dependent methods

	Method	Description	Required data
	**Matched control**	Compares change in Condition between monitored sites outside and inside project Extent	1 structure and 1 composition indicator + set of reference region-specific covariates
	**Habitat conversion risk**	Predicts probable risk of habitat conversion inside and outside project Extent using modelled data	1 structure indicator + set of reference region-specific covariates *or use expert-generated spatial predictions*
	**Ecoregional rate of change**	Projects linear rate of change using historical data	1 structure or 1 composition indicator

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Monitoring Biodiversity Outcomes

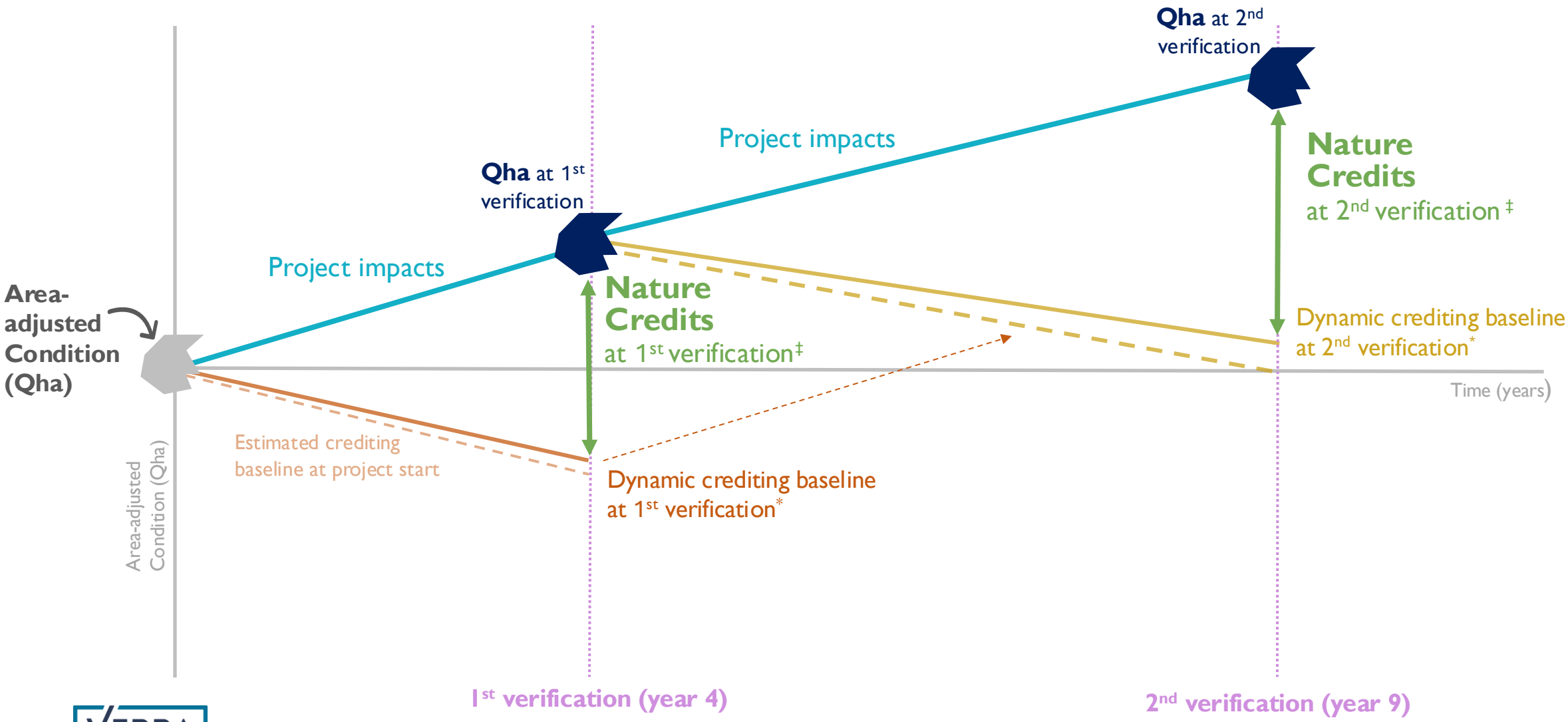
Sampling protocol for Condition indicators

- High-level requirements for project- and ecosystem-specific design
- Appropriate for selected Condition indicators and ecosystem context
- Technical expert assessment

Project proponents must:

- Define spatial scale and sampling area(s) then identify sample sites and define sampling effort
- Set sampling frequency (may differ across indicators)
- Identify suitable and credible sampling methods (may differ across indicators)

Calculating Nature Credits



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* *The crediting baseline is a weighting factor based on risk of ecosystem loss by which Qha are multiplied*

‡ *Simplified for graphic purposes. Nature Credits are calculated by deducting leakage from the net biodiversity outcomes*

Worked example calculating Nature Credits

Project: Southern Africa restoration activity type

Step 1. Mixed savannahs and grasslands (IUCN GET T4.1, T4.2, T4.5) with Extent of 6,432 ha

Step 2.

Condition component	Selected indicators
Structure	Aboveground biomass (standing crop – grass) (St_1) Percentage canopy cover (trees) (St_2) Mean grass tuft diameter (St_3) Mean distance to tuft (St_4)
Composition	Veld condition score (Cm_1) Percentage annual grass species (Cm_2) Percentage perennial grass species (Cm_3)

Steps 3 to 5. Defining reference values, measuring Condition at year 0, standardizing with reference values

Worked example calculating Nature Credits

Steps 6 to 10

Calculate Qha at year 0	**1,067.712**
Calculate dynamic crediting baseline parameter (*B*)	**-0.001**
Monitor project impacts, calculate Qha at year 5	**2,077.536**
Determine leakage	**10%**

Step 11. Calculate net biodiversity outcomes at year 5

NBO_5 = 2,077.536 – [1,067.712 x (1 + (5 x -0.001)] – 10%

= **913.646 Qha**

Step 12. Calculate Nature Credits for the monitoring period (mp)

NC_5 = 913.646 x 100

= **91,364**

Step 13. Calculate project-specific buffer pool contribution for the mp

$Buffer_5$ = 91,364 x 0.2

= **18,273**

Step 14. Calculate net Nature Credits issuance for the mp

NNC_5 = 91,364 – 18,273

= **73,091**

For the subsequent monitoring period:

- ➡ Use the last panel of Condition measurements as the starting Condition
- ➡ Use the dynamic crediting baseline parameter as the estimated crediting baseline parameter

Biodiversity Significance

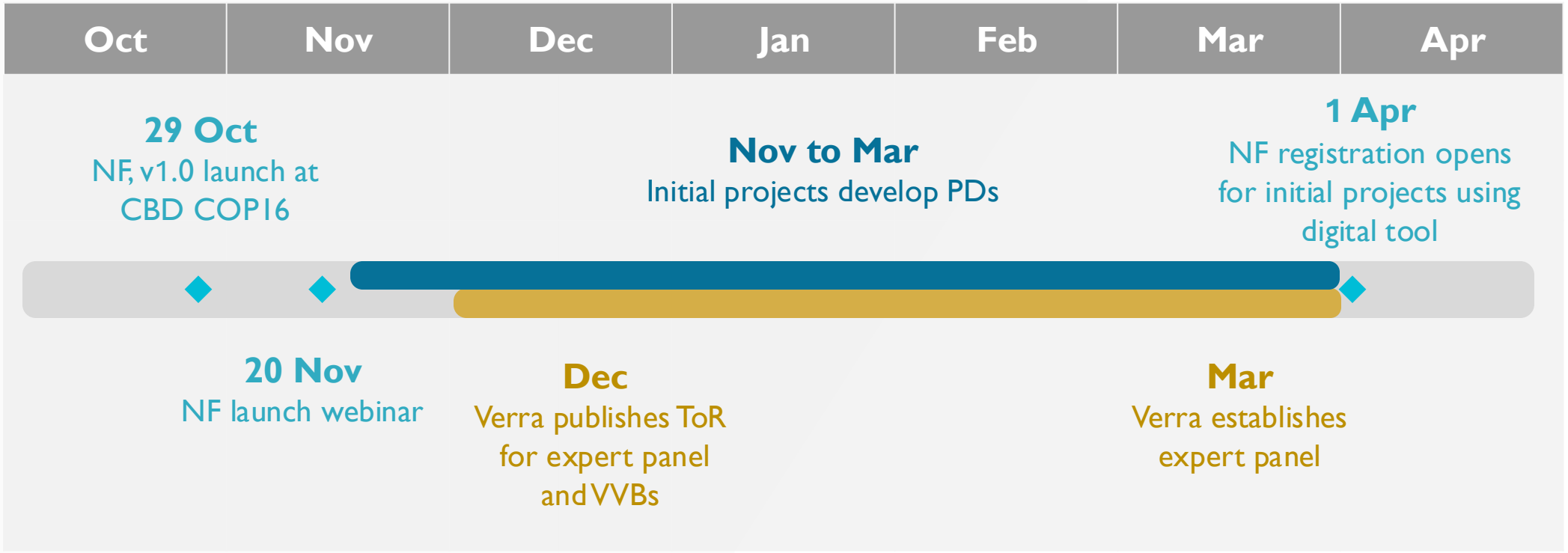
The importance of biodiversity for contributing to conservation aims related to the GBF targets

Using a data source, project proponents must indicate their project's contributions to two or more GBF targets as follows:

GBF target	Project's contribution
Target 1. Halt loss of ecosystems of high ecological integrity	Preserving highly intact ecosystems
Target 2. Effective restoration of degraded ecosystems	Restoring degraded ecosystems
Target 3. Effective conservation of ecologically representative areas	Conserving under-represented biodiversity
Target 4. Halt extinctions and reduce extinction risk	Reducing species extinctions


NEXT STEPS

Post-launch timeline



Q&A

Read the full
Nature Framework, v1.0

THANK YOU

For further questions, please contact:

- General queries (including SD VISta): info@verra.org
- Nature Framework questions: Amy Thom, Manager, Sustainable Development Innovation (athom@verra.org)