# Finance Tools for Coral Reef Conservation: A Training Guide Biodiversity Offsets

Developed by the Conservation Finance Alliance and Wildlife Conservation Society for the International Coral Reef Initiative

Content drawn from Finance Tools for Coral Reef Conservation: A Guide (2018) Venkat Iyer, Katy Mathias, David Meyers, Ray Victurine and Melissa Walsh

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#### Biodiversity Offsets - Overview

- Definition: Measurable conservation outcomes resulting from actions designed to compensate for significant residual biodiversity loss arising from project development after appropriate prevention and mitigation measures have been taken (UNDP BIOFIN).
- Value: Can be used to deliver biodiversity benefits (reforestation, creation of a new protected area) over and above residual biodiversity loss (i.e. "net positive")
- Economic model: polluter pays
- Other names: Environmental, wetland, species and habitat banking; Compensation.



### Mitigation Hierarchy and Biodiversity Offsets



Adapted from BBOP, Rio Tinto & Govt of Australia

Biodiversity Offsets – How does it work?

- The goal of biodiversity offsets is to achieve no net loss and preferably a net gain of biodiversity on the ground with respect to:
  - Species composition
  - Habitat structure
  - Ecosystem function
- Biodiversity offsets demand at minimum a like-for-like compensation for residual biodiversity impact through a direct compensation or the acquisition of biodiversity credits in a regulated market
- Different approaches include: One-off offsets, In-lieu fees, or biobanking (tradeable credits).





### Biodiversity Offsets – Conservation Activity Relevance

- Can result in no net loss or even a net gain in ecosystem health
- Can support long term finance of protected areas
- Biodiversity offsets can also be targeted towards endangered species (species or habitat banking) in addition to ecosystems
- Can also strengthen regions against external development pressure
- Enables the continuation of development and broader economic growth while also ensuring the protection of ecosystems and the environment



## Biodiversity Offsets – Stakeholders

- Regulatory entity
- Offset buyer
- Offset seller
- Offset providers
- Affected community

## Biodiversity Offsets - Feasibility Assessment

- Requires very strong governance, including the development, implementation, and enforcement of policies and EIA regulations.
- Governments must also have the political will to impose and enforce legislation.
- Existence of clear land tenure rules, regulations and enforcement.
- Benefits from strong degree of technical capacity to accurately cost biodiversity losses and define effective investments that can mitigate losses.
- Countries must also be able to bear the initial investment costs of the establishing governing bodies.

# Biodiversity Offsets - Revenue Potential

 Potential is highly variable depending on the size of the biodiversity offset market and the existence and enforcement of a legal biodiversity offset framework.

 In one of the most established biodiversity mitigation and conservation markets, the United States, over 100 mitigation banks generate an estimated US\$1.3-2.2 billion a year in transactions.

#### SUMMARY OF THE IMPLEMENTATION MECHANISMS



### The financial mechanism for Biodiversity offsets in Mozambique



Source: Biofund Mozambique

### **Biodiversity offsets funding requirements**

A - Biodiversity Offsets Management Plan with detailed budget

**B** - Developer establishes an escrow account or uses a Conservation Trust Fund which are exclusively used for the offset

C - Developer makes proof of the availability of the total amount required to the offset or the first
10 years of implementation and every five years from there on

D - Developer presents financial guarantees or insurances that cover the remaining amount of money required to implement the offset (in the case it does not make a proof of the total amount of momey required

> Source: Biofund Mozambique

### **Biodiversity Offsets - Case Study**

#### **United States**

- Under Section 7 of the Endangered Species Act, when a development project impacts a listed species, developers are required to offset those impacts.
- WRA created the Ridge Top Range Wildlife Conservation Bank
  - Identified 745 acres of land as potential habitat for 2 endangered species in the greater San Fransico area.
  - Developed and cultivated the Callippe silverspot butterfly and the California red-legged frog
- Were given credits due to the presence of these species from the U.S. Fish and Wildlife Service
- Base on current market values, each of the 739 frog and butterfly credits are worth more than \$20,000 each (Winter 2015) to sell to developers who displace those two species