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Habitat banking: scaling up private investment in the protection and restoration of our natural world

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Foreword by Stanley Johnson

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Acknowledgements

The aim of our report is to share knowledge and stimulate an informed debate. We hope that our ideas can help policy makers put in place, for the very first time, the means and measures needed to deliver our biodiversity objectives. An efficient and effective habitat banking system in the UK can contribute to this, and if we seize the opportunity it could create a workable model able to transform the way we value nature and finance its protection globally.

Our work would not have been possible without the help and advice of numerous people and organisations that are experts in this field. The authors would especially like to thank all those who participated in discussions on habitat banking, hosted by Climate Change Capital, eftec and the Green Alliance, in 2010.

If you have any comments on this paper, please send them directly to Ian Dickie (ian@eftec.co.uk) or Ben Caldecott (bcaldecott@c-c-capital.com)

About Climate Change Capital

Climate Change Capital (CCC) is an environmental investment manager and advisory group specialising in the opportunities generated by the global transition to a low carbon economy. It advises and invests in companies that recognise combating global warming is both a necessity and an economic opportunity.

Since CCC was established we have shared our comprehensive knowledge of the low carbon sector to help policy makers develop the most effective and efficient policies for the rapid global transition to a low carbon economy. Given the fundamental role of public policy in channelling significant amounts of capital into the solutions to climate change, it's critically important for policy makers to better understand finance and vice versa.

Many of our policy advice and thought leadership activities are centred on the CCC **ThinkTank**. This independent non-political think tank conducts research into the policies needed to successfully deploy capital into the solutions to climate change and the protection of the natural world.

About eftec

eftec is a UK consultancy specialising in environmental economics. eftec collects and interprets economic evidence on the environmental costs and benefits of projects, programmes and policies; uses this evidence in investment and policy appraisal; designs economic instruments for environmental policy and provides training in environmental economics. eftec was founded in 1992, and collaborates with environmental scientists, engineers and market researchers to provide economic analysis for sound, effective and sustainable environmental management.

In 2004, eftec set up the UK Network of Environmental Economists (UKNEE), which holds regular seminars and the annual conference on applied environmental economics, envecon, with growing attendance from the UK and around the world.

About the authors

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Before joining CCC, Ben was a Research Director and Head of the Environment & Energy Unit at Policy Exchange, a leading UK based think tank. He has also worked for the United Nations Environment Programme and Foreign & Commonwealth Office, as well as in Parliament.

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Previously Ian was head of economics for the Royal Society for the Protection of Birds, whom he joined in April 2000. He has experience of most aspects of UK and EU natural environment policy, and working to advocate recognition of the value of the environment in decision-making. Ian co-authored several RSPB reports on the impacts of nature conservation on local economies and wellbeing. After an Economics degree at St. Andrews University and a postgraduate European Environmental Policy and Regulation Masters from Lancaster University, Ian worked as a consultant on economic development and sustainable construction before joining the RSPB.

Stanley Johnson is a former MEP, serving between 1979 and 1984 as Vice Chairman of the European Parliament's Environment Committee. He has also worked in the European Commission as Head of Pollution Prevention and as Director of Energy Policy. He is currently Chairman of the Gorilla Organisation and an Ambassador for the United Nations Environment Programme's Convention on Migratory Species.

He has had eleven books published dealing with environmental issues. His latest book (with Robert Vagg) is SURVIVAL: Saving Endangered Migratory Species, published by Stacey International.

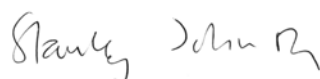
Foreword

This is a timely report. As an environmentalist working both in the European Commission's environment department, and as a Member of the European Parliament, I was closely involved in the attempt to build EU legal instruments to improve nature protection in Europe, particularly through the Birds and Habitats directives and the Natura 2000 network. To some extent these measures have been effective. Some 2000 km² of land and sea has been added to Natura 2000 since 2006, bringing the total up to 26,000 sites covering 18% of the EU territory.

Yet it has become clear that these and similar measures are not enough. The assessment published in October 2010 by the European Commission on the EU's Biodiversity Action Plan adopted in 2006 demonstrates that the EU missed its target of halting biodiversity loss by 2010. The EU has now agreed to set a new target for halting biodiversity loss in Europe, this time by 2020. A similar watering-down of objectives took place when, towards the end of last year, the 193 Parties to the Convention on Biological Diversity (CBD) met in Nagoya, Japan. The new international targets include at least halving the rate of loss of natural habitats by 2020, hardly an advance on the previous target of achieving a significant reduction in the rate of biodiversity loss by 2010.

This report holds out the hope that we will soon have an important new tool at our disposal in the fight to protect nature. Building on the experience of measures (including carbon credits) acquired in the context of climate policy, the authors suggest that similar initiatives could be developed as far as 'habitat banking' is concerned. Over the last twenty years, some progress has been made in efforts to 'value biodiversity' and the environmental services that the protection of biodiversity provides. There are still many intellectual and definitional problems to resolve. And, as we have seen with the operation of the UN's Clean Development Mechanism, there will be both practical and political problems as far as implementation is concerned.

The authors of this Report suggest that these problems are not insuperable. They, and others, should be encouraged to take the work to the next stage.

A handwritten signature in black ink that reads "Stanley Johnson".

Stanley Johnson

Executive summary

1. Britain's Coalition Government is committed to introducing a new habitat banking system to better protect habitats and encourage biodiversity conservation. Designing a credible system is a real opportunity to create a new way for us to better protect our natural world by scaling up investment in its protection and restoration.
2. The UK has a range of existing biodiversity protection policy goals and tools. But we continue to lose biodiversity and environmental quality. Existing UK laws are insufficient to secure no net loss of biodiversity (NNL), let alone a move towards net gain. Habitat banking is a new and potentially vital policy tool for implementing no net loss and net gain.

“Existing UK laws are insufficient to secure no net loss of biodiversity (NNL), let alone a move towards net gain.”

3. The way money has been raised historically for biodiversity protection – primarily through public sector expenditure or voluntary donations to charities – while important, is highly unlikely to generate the quantum of capital needed to finally halt the loss of biodiversity, or turn the tide through ecological restoration. Progress will require us to rapidly increase the money available for biodiversity protection and restoration from all sources. In particular, this means scaling up the private sector's contribution.
4. Biodiversity credits are an established biodiversity compensation mechanism. Habitat banking is one method of delivering biodiversity credits; turning credits into assets that can be traded, effectively creating a market system for compensation liabilities.
5. Habitat banking is defined as *“a market where credits from actions with beneficial biodiversity outcomes can be purchased to offset the debits from environmental damage. Credits can be produced in advance of, and without ex-ante links to, the debits they compensate for, and stored over time”*. Debits and credits refer to the quantity of loss and enhancement, respectively, of biodiversity. A debit is unavoidable and residual damage to biodiversity, and a credit is an additional action to benefit biodiversity, which may include avoiding biodiversity loss.

6. The current level of compulsion to protect biodiversity must be strengthened. This should be done through national legislation, complemented through the promotion and incentivisation of voluntary measures. Enshrining a legal commitment to NNL of biodiversity and net gain is essential for creating visible long-term demand for biodiversity credits, otherwise investment in the projects that generate credit supply will not occur at a meaningful scale.
7. One way for Government to support the market would be through corporation tax relief (of say 50%) on the costs to the buyer of purchasing credits that go beyond the minimum needed to provide no net loss. Government could also underwrite a set number of credits to encourage early investment and participation, in a way similar to underwriting mechanisms proposed and utilised for the international carbon market.
8. Any habitat banking system is only as strong as the governance and rules it operates under. The key rules for ensuring no net loss and net gain are those on equivalency – measuring the credits and debits to ensure damage is properly compensated. Equivalence systems in place around the world successfully create proxies for biodiversity that work – so complex rules can be simplified to keep transaction costs down while not compromising the protection of biodiversity.

“Progress will require us to rapidly increase the money available for biodiversity protection and restoration from all sources. In particular, this means scaling up the private sector's contribution.”

9. The creation of a common unit of account or “currency”, with established equivalences or “exchange rates”, for biodiversity credits will be essential for attracting investment by creating a deeper and more liquid market than would otherwise have been in the case.
10. The standards and regulations that would make a conservation credit market scalable internationally do not yet exist. The UK can play a pivotal role in creating market rules that are workable and possess robust environmental integrity. Getting it right in the UK could transform the way we value nature and finance its protection globally.

Introduction

In 2001 the European Union agreed a new target to halt biodiversity loss across Europe by 2010. The following year, in 2002, all 193 Parties to the Convention on Biological Diversity (CBD) committed themselves to delivering a significant reduction in the rate of biodiversity loss by 2010¹. Unfortunately and ironically, as the International Year of Biodiversity began in 2010, it was abundantly clear that both of these important targets had not come close to being met and high levels of extinction and habitat loss would persist as we continue along with business as usual².

“Habitat banking is one method of delivering biodiversity credits; turning credits into assets that can be traded, effectively creating a market system for compensation liabilities.”

The failure of the 2010 targets to galvanize action at the scale and pace needed to protect and restore biodiversity has not prevented new 2020 targets being created. The EU has again agreed another target to halt biodiversity loss in Europe, but this time by 2020, while the latest CBD conference in Nagoya, Japan agreed various new international biodiversity targets, including at least halving the rate of loss of natural habitats by 2020.

These new targets mean that we will continue to have legally binding international biodiversity targets in place, but this by itself is insufficient to avoid repeating the failures and disappointments of the last decade. To succeed in the present decade and beyond, we must do something for the first time: actually put in place means and measures commensurate with delivering our biodiversity objectives.

This new way of doing things will necessitate novel approaches to raising and deploying capital. The way money has been raised historically – primarily through public sector expenditure or voluntary donations to charities – while important, is highly unlikely to generate the quantum of capital needed to finally halt the loss of habitats and species, let alone turn the tide through ecological restoration. Progress will require us to rapidly increase the money available for biodiversity protection and

restoration from all sources. In particular, this means scaling up the private sector's contribution.

“a common unit of account or “currency”, with established equivalences or “exchange rates”, for biodiversity credits will be essential for attracting investment.”

This is where habitat banking can play a critically important role: as a way to rapidly scale up private sector investment in the protection and restoration of our natural world. In this paper we explore the opportunities and challenges of introducing a successful habitat banking system, with particular reference to the UK.

We focus on Britain, and specifically England, because the Coalition Government is committed to introducing habitat banking. As a result, there is a unique opportunity to successfully render a working and effective system that can be replicated, improved and expanded across Europe and throughout the world. Getting a system right in the UK could, hopefully, transform the way we value nature and finance its protection globally and this is a rare and exciting opportunity.

Habitat banking

The UK has a range of existing biodiversity protection policy goals and tools. But we continue to lose biodiversity and environmental quality. A firm legally binding commitment to no net loss of biodiversity (NNL) and net gain is needed. It can be justified on moral grounds, for the quality of life people gain from the natural environment, and from the ecosystem services underpinned by biodiversity that support our wellbeing.

“Getting it right in the UK could transform the way we value nature and finance its protection globally.”

Existing UK laws are insufficient to achieve no net loss of biodiversity. Habitat banking is a new and potentially vital policy tool for changing this so we can implement NNL and net gain.

References:

1. Convention on Biological Diversity. See: <http://www.cbd.int/convention/about.shtml>
2. Convention on Biological Diversity (2010) Global Biodiversity Outlook 3. (Montreal, Canada). See: <http://www.cbd.int/gbo/gbo3/doc/GBO3-final-en.pdf>; European Environment Agency (2009) Progress towards the European 2010 biodiversity target. (Copenhagen, Denmark). See: <http://www.eea.europa.eu/publications/progress-towards-the-european-2010-biodiversity-target>

Biodiversity credits are an established biodiversity compensation mechanism³. Habitat banking is one method of delivering biodiversity credits; turning credits into assets that can be traded, effectively creating a market system for compensation liabilities.

“new targets mean that we will continue to have legally binding international biodiversity targets in place, but this by itself is insufficient to avoid repeating the failures and disappointments of the last decade.”

Habitat banking is defined as “a market where credits from actions with beneficial biodiversity outcomes can be purchased to offset the debit from environmental damage. Credits can be produced in advance of, and without ex-ante links to, the debits they compensate for, and stored over time”⁴.

Debits and credits refer to the quantity of loss and enhancement, respectively, of biodiversity. A debit is unavoidable and residual⁵ damage to biodiversity, and a credit is an additional action to benefit biodiversity, which may include avoiding biodiversity loss.

Objectives and risks

The objectives of a habitat banking system should be to:

1. Extend biodiversity protection policies towards the goal of NNL, and net gain;
2. Make the parties responsible for activities that damage biodiversity pay for and restore the damage (i.e. internalise the cost of damage); and
3. Provide additional biodiversity benefits by creating further investment in conservation and allowing the exploitation of economies of scale.

References:

3. Biodiversity credits are defined as: “measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development and persisting after appropriate prevention and mitigation measures have been implemented. The goal of biodiversity credits is to achieve no net loss, or preferably a net gain, of biodiversity on the ground with respect to species composition, habitat structure and ecosystem services, including livelihood aspects”. BBOP (2009) BBOP Biodiversity Offset Design Handbook. BBOP, Washington D.C.
4. eftec & IEEP (2010) The Use of Market-Based Instruments for Biodiversity Protection – the case for habitat banking. Study for the European Commission. See: http://ec.europa.eu/environment/enveco/pdf/eftec_habitat_exec_sum.pdf
5. Residual damage is that which remains after application of preceding steps in the mitigation hierarchy. The mitigation hierarchy is a principle that actions should be taken in the following priority order – where appropriate: (i) avoidance of impacts; (ii) minimisation of impacts; (iii) rehabilitation / restoration measures taken on the ecosystems impacted; and (iv) compensation measures for significant adverse residual impacts. Residual damage is that left after mitigation in Habitats Directive and impact assessment terminology, and after primary and complementary remediation in Environmental Liability Directive terminology.
6. See IUCN Red List for more information: <http://www.iucnredlist.org/about>
7. eftec & IEEP (2010) The Use of Market-Based Instruments for Biodiversity Protection – the case for habitat banking. Study for the European Commission. See: http://ec.europa.eu/environment/enveco/pdf/eftec_habitat_exec_sum.pdf

It should be recognised that if poorly designed or implemented, credits bring risks that can result in net loss to the environment. However, many of the risks are well-understood and can be tackled through habitat banking design. These issues are discussed below and shown for simplicity in the table contained in Annex 1.

Design

Any habitat banking system must divide biodiversity up into different levels or “tiers” depending on status or levels of protection. This is because not all biodiversity is the same or valued in the same way. The system will need to take account of these societal preferences and different scarcity values. Clearly a risk that may be acceptable for a widespread species or habitat may not be acceptable for threatened ones. These differences are best approximated through the different conservation statuses that exist in our legal framework or through frameworks such as the IUCN Red List, which is a system designed to determine the relative risk of species extinction⁶.

“there is a unique opportunity to successfully render a working and effective system that can be replicated, improved and expanded across Europe and throughout the world.”

Credits should aim to provide a new layer of protection for biodiversity (i.e. not already nationally or internationally protected) in a more efficient way than could be achieved through strict regulation. The eftec and IEEP study for the European Commission⁷ suggests four tiers of biodiversity in terms of its current coverage by conservation policy, as shown in Figure 1 on page 9.

Figure 1. Outline of different aspects of a habitat banking system according to the conservation status of the biodiversity involved.

	I. CRITICAL	II. STRICTLY PROTECTED (A)	III. LESS PROTECTED (B)	IV. WIDESPREAD (C)
LEGAL STATUS	EU Laws and Directives		National policy priorities	Limited
COMPENSATION DRIVER	n/a	Habitat and other Directives – Guidance	Weak planning laws	None
			<i>New mechanism</i> required to ensure no net loss and enable net gain	
POTENTIAL MARKET	None for debits	Small	Currently small, but potentially large	
EQUIVALENCE APPROACH?	n/a	Detailed, case by case		Simple checklist
EQUIVALENCE LIKE FOR LIKE?	Trading up to credits	Strict	Strong	Weaker (trade up)

Trading up

No substitution

of damage

to lower categories

Trading up

allowed/encouraged

from lower categories

Compensation through habitat banking for damage to the most critical biodiversity (category I) is not appropriate and/or feasible – this category should be protected from any risk through development or use. For the other three categories (II strictly protected, III Less protected and IV Widespread), three options (A – C) are identified:

“A firm legally binding commitment to no net loss of biodiversity (NNL) and net gain is needed.”

- A. Providing a supply of habitat/species (credits) that may, in specific circumstances, be used to compensate for adverse impacts on strictly protected sites, such as Natura 2000 sites⁸.
- B. Enabling better implementation of the protections that already exist outside strictly protected sites through better application of the mitigation hierarchy (defined above). As a result, significant adverse residual effects on species populations and their habitats outside Natura 2000 sites, identified through impact assessments and planning regulations (e.g. from substantial infrastructure projects) are compensated for.

References:

8. Natura 2000 sites are the Network of Special Protection Areas (SPAs) and Special Areas of Conservation (SACs) designated under the European Birds and Habitat Directives, respectively, throughout the EU.

C. Providing a mechanism for offsetting cumulative impacts on biodiversity that are minor when considered in isolation, but are cumulatively a significant factor in on-going biodiversity decline and loss and mostly not compensated for at present. This would represent a policy tool to address biodiversity damage, covering impacts that do not qualify under options A and B above because a) the habitats or species are not in an endangered state or not rare enough (i.e. widespread and common species), or b) the damage is not significant enough.

“A debit is unavoidable and residual damage to biodiversity, and a credit is an additional action to benefit biodiversity...”

Option (A) could occur under current laws in the UK, but would likely need additional guidance. For options (B) and (C) to be effective, there would need to be additional policy tools adopted to trigger compensation for unavoidable residual damage to biodiversity, and therefore an incentive to purchase credits.

Creating a common currency

Since 2005 and at last count, the compliance part of the international carbon market⁹ had delivered about \$30bn of cumulative investment in carbon mitigation projects in the developing world¹⁰. One of the reasons why carbon markets have grown rapidly was the creation of “CO2 equivalents” or “CO2e” by leading scientists and academics. This is based on the global warming potential over a 100-year period of greenhouse gases relative to CO2. Methane for example, has a global warming potential 23 times that of CO2. As a result, 1 tonne of methane is worth 23 tonnes of CO2e. The creation of a common unit of account or “currency”, with established equivalences or “exchange rates”, has allowed for a deeper and more liquid market than would otherwise have been in the case. Instead of separate markets for the six types of greenhouse gas, there need only be one market for tonnes of CO2 equivalent.

“not all biodiversity is the same or valued in the same way.”

“differences are best approximated through the different conservation statuses that exist in our legal framework or through frameworks such as the IUCN Red List...”

Reducing complexity and transaction costs, as well as increasing market depth and liquidity through the creation of a common currency can be replicated, albeit to a lesser degree, in habitat banking. As discussed earlier, this can be based on “tiers” depending on the type of biodiversity resource and significance of damage to it, with higher tiers having higher multipliers. “Hectare equivalents”, could be the common unit of account, with endangered species and more valuable habitats gaining multipliers. For example, protecting or restoring 1 hectare of low value habitat could be worth “1 he”, while a high value habitat could be worth “100 he”. The key will be to strike the right balance between the number of tiers and their multipliers required to reflect the values of different species with the need to create market liquidity and reduce administrative and transaction costs.

In this market there would be “trading up” between tiers. You could generate credits from high value habitats (e.g. Category II in Figure 1) to offset residual damage to lower value habitats (e.g. Category IV). In contrast, you could not use credits from lower value habitats to offset residual damage to high value habitats. The ability to “trade up” between tiers enables there to be net gain of specialist/scarce habitats from investments through habitat banking, and broadens the scope of the market, increasing liquidity. The rules for trading up would need to be managed and set conservatively to ensure optimal outcomes.

“Credits should aim to provide a new layer of protection for biodiversity”

Governance and ensuring environmental integrity

Any habitat banking system is only as strong as the governance and rules it operates under. The key rules for ensuring no net loss are those on equivalency – measuring the credits and debits to ensure damage is properly compensated.

References:

9. Joint Implementation and the Clean Development Mechanism
10. Climate Change Capital analysis

Establishing equivalency (the thing that underpins a common unit of account) for biodiversity credits is inevitably complex. However, the aim should be for the complexity of methods to be hidden behind simple front-end rules. The rules should be designed to work within and respect existing biodiversity protection within current spatial planning systems, and not weaken these. Equivalence systems in place around the world successfully create proxies for biodiversity which work – so complex rules can be simplified to keep transaction costs down while not compromising the protection of biodiversity.

“The key will be to strike the right balance between the number of tiers and their multipliers required to reflect the values of different species with the need to create market liquidity and reduce administrative and transaction costs.”

Good assessment of equivalency in credits and habitat banking needs to be backed up by strong regulation and governance. Experience in the USA shows that the majority of operators request effective (stronger) regulation to support a credible market and deter ‘cowboy’ operators. Key requirements are:

1. Markets must be overseen by independent bodies, with clear public duties and local accountability.
2. Systems must have transparency – publishing all information except price on the internet. This information should include monitoring, auditing, and the financial arrangements to underwrite (fund and insure) in-perpetuity management requirements.

Markets and developers favour certainty of outcome, and this is best delivered through national regulation, at least in terms of principles and standards, rather than local flexibility. Despite the Government’s principles, it must recognise that the success of a habitat banking market depends on how well the market is designed to enhance efficiencies and address risks. Such a good design, in turn, requires good regulation to support it.

Creating demand

The level of compulsion to protect biodiversity must be strengthened. This should be done through national legislation, complemented through the promotion and incentivisation of voluntary measures. Enshrining a legal commitment to NNL and net gain is essential for creating visible long-term demand for biodiversity credits, otherwise investment in the projects that generate credit supply will not occur at a meaningful scale.

One means for Government policy to support the market would be through corporation tax relief (of say 50%) on the costs to the buyer of credits used in net gain elements in projects. The taxpayer should not subsidise no net loss (this would contradict the polluter pays principle). However, for net gain elements (credits that go beyond the minimum needed to provide no net loss), the value of credits could be subject to 50% corporation tax relief, meaning that double the value of the tax relinquished would be invested in biodiversity gain – a good deal for tax payers to secure the UK’s wildlife resources.

Another complementary way for Government to support the development of a vibrant market would be to underwrite a number of credits at a set minimum price, in a way similar to underwriting mechanisms proposed and adopted for the international carbon market¹¹. This would create a forward price curve for biodiversity credits, which would immediately encourage private investors to deploy capital into credit supply generation, without waiting for the growth of a market.

“Habitat banking needs to be backed up by strong regulation and governance.”

Private investors would retain an option to sell credits into the market at prices above the minimum price, while the minimum underwritten price should be set as low as possible to reduce the chances of the guarantee being called upon. After the development of a functioning market with sufficient levels of demand and supply, the temporary underwriting mechanism could be removed at no cost to the Government.

References:

11. Edwards, R. (2010) Advanced market commitment/emissions reduction underwriting mechanisms for climate change finance. Climate Change Capital ThinkTank (London, UK). See: <http://www.climatechangecapital.com/media/111307/advance%20market%20commitments%20july%202010.pdf>

Conclusion

Although not the first country to develop habitat banking¹², the UK's role could be more important than one might think. The standards and regulations that would make a conservation credit market scalable internationally do not yet exist. As a centre of global finance and trade, the UK can play a pivotal role in creating market rules that are workable and possess robust environmental integrity. This will be particularly important for one of the main barriers to creating a deep and liquid biodiversity market attractive to investors: selecting an appropriate "currency" or common unit of account.

"The standards and regulations that would make a conservation credit market scalable internationally do not yet exist."

With the planned creation of a habitat banking system in the UK, there is an opportunity to create a working example that can be replicated and improved upon elsewhere. Getting it right in the UK could then, hopefully, transform the way we value nature and finance its protection globally.

References:

12. Madsen B; Carroll N & Moore Brands K (2010) State of Biodiversity Markets Report: Offset and Compensation Programs Worldwide. Available at: <http://www.ecosystemmarketplace.com/documents/acrobat/sbdmr.pdf>

Annex 1. Design features that counter risks of habitat banking

RISKS	DESIGN MEASURES				
	Tiered system	Strategic goals, trading up	Governance & transparency	Equivalence rules	Finance and timing
License to trash	Restricts trading with respect to most valuable biodiversity so reduces risk for those groups.		1. Publicly accountable, transparent decisions to: <ol style="list-style-type: none"> permit development; enforce mitigation hierarchy; and approve credits as equivalent 2. Reinforce planning system	Strong rules ensure external cost of damage is borne by its source, so reducing damage.	Requirement to finance credit in perpetuity prevents offsetting being a 'cheap' option.
Displacing conservation net gain		Include premium in compensation to a) counter risks, and b) provide element of net gain. Trading up channels greater resource into most threatened biodiversity.		Equivalence rules reflect strategic goals, including for net gain.	
Low additionality		Establish baseline from within existing biodiversity data.	Restrictions on risk-aversion credits (e.g. no credits from actions within designated sites). Credit defined in law through specific change in use of property rights (e.g. establish covenant).	Credits measure additional impact at credit site.	Funding sourced from those responsible for damage.
Poor equivalency		Only trading up, no trading down. Define policy with respect to needs of local population to damage site and other ecosystem services.	Assessors accredited (IEEM/IEEMA?) and/or assessments audited for random selection of projects and/or all those over certain size. Assessments published on web.	Strong and clear rules/guidelines.	Financial plans include contingency (insurance/ bond?) for dealing with poor delivery of credit (but not acts of god).

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