Biodiversity market doublespeak

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The notion that biodiversity markets can raise money desperately needed for biodiversity conservation is gaining momentum. The dire state of biodiversity and the enormous biodiversity repair bill means that every funding option must be explored. However, the risk that trading ill-defined generic biodiversity credits will result in biodiversity loss, not conservation, should be considered. Scarce resources could be diverted to market regulation rather than conservation. Without key elements, biodiversity markets could be perverse, leading to Orwellian “doublespeak”—saying one thing, but resulting in another.

Target 19d of the 2022 Kunming-Montreal Global Biodiversity Framework features private-sector conservation finance, and various businesses, international agencies, and countries are embracing biodiversity markets. Such efforts recognize that many actors are required by law, or wish voluntarily, to support ecosystem conservation or restoration, but may not be well-positioned to do so directly and seek to satisfy their needs through biodiversity markets. The logic is that these markets are necessary for conservation to be an economically efficient and viable alternative to current land uses.

For example, a Nature Repair Market Bill is before Australia's parliament to establish a voluntary biodiversity market. The market is in addition to the existing biodiversity offsets needed for regulatory compliance. It remains to be seen if the Bill passes into law and can deliver the promised environmental-economic "win-win" and not become conservation doublespeak.

A critical challenge is the private sector's desire for universal "biodiversity credits." However, combining heterogenous biodiversity into a universal unit is difficult. Adding two black flying foxes (*Pteropus alecto*) to two Leadbeater's possums (*Gymnobelideus leadbeateri*) does not equal four "biodiversities." If this sounds silly, it is. A "common currency" for biodiversity is a long-known problem in biodiversity offset markets. No universal offset exists, and simplistic metrics usually fail to deliver expected outcomes. Homogenized biodiversity credits should thus be dismissed, but species- or habitat-specific biodiversity credits may provide an answer.

Biodiversity market enthusiasts recognize the need for safeguards: "Integrity and strong governance are non-negotiable," but little detail usually exists. Yet detail is essential as biodiversity markets are created for biodiversity conservation, not economic gain. Laws already govern markets for goods and services, with many agencies safeguarding market participants and minimizing unwanted socioeconomic and environmental impacts. All of this must apply to biodiversity trading as well.

Laws establishing biodiversity markets would not supplant existing conservation laws. New laws should determine what is traded (e.g., species-specific biodiversity credits), how credits are calculated, reporting standards, and the rights and obligations of credit owners and the owners or managers of the underlying biodiversity. The last is critical to ensure accountability for conservation.

For markets to achieve biodiversity conservation, biodiversity must endure. A "buy and forget" model, where credits exist forever regardless of whether the biodiversity persists, would lead to perverse outcomes. To prevent this, monitoring, reporting, and enforcement are critical. Traditional accounting records the volume and value of biodiversity credit trades and holdings. Biodiversity trading also requires accounting for biodiversity itself: how much there is, how and why it is changing, and what is being spent on management. The accounting must link credits to the species underpinning credits, which requires systematic and ongoing monitoring; Leadbeater's possum credits need a clear relationship to Leadbeater's possums. The Task Force on Nature-related Financial Disclosures and System of Environmental Economic Accounting provide accounting guidance, but the accounting must be standardized and mandated, not optional.

An independent agency with biodiversity and financial expertise—for example, a Natural Capital Bank—would monitor and analyze an organization’s biodiversity accounts. Whatever the agency, the accounts provide an audit trail for compliance and enforcement, and it must work with existing organizations responsible for market regulation and environmental protection. Funding should come from biodiversity trading (e.g., a 2.5% levy on every trade), not existing conservation resources.

The push for biodiversity markets and private-sector conservation finance is understandable. But unless biodiversity markets are well designed, there is a risk they will become conservation doublespeak, legitimizing biodiversity destruction for economic gain while purporting to promote biodiversity conservation.