

ATREE FOR A FISH

The (il)logic behind selling biodiversity

CARBON TRADE WATCH

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INTRODUCTION: WHAT ARE BIODIVERSITY OFFSETS?

Putting a price on ecological systems has been around for several decades, although it was especially heightened during the UN climate negotiations with the introduction of the carbon market, a system which places a monetary value on the carbon-cycle capacity of nature for trade in financial markets. The carbon market quickly became "the only game in town" that policy-makers and multilateral agencies would discuss and implement regarding climate change policy. Following this logic, the 2010 UN Convention on Biological Diversity (CBD) called for "innovative financial mechanisms" to deal with biodiversity loss, making biodiversity offsets the standard buzzword within conservation debates. At the same time, people have been resisting projects that claim to compensate for biodiversity destruction and continue to demonstrate how this concept fails to address the drivers of environmental and social damage.

Biodiversity offsets entail projects that cause destruction to biodiversity such as housing, highways or open-pit mines. These destructive projects are allowed to 'compensate' for any destruction of habitats or ecosystems, by implementing a project somewhere else which would theoretically protect or (re)create another habitat or ecosystem. To measure the economic 'value' of biodiversity, proponents affirm that accounting units are necessary, and hence, different biodiversity types, locations, times, and contexts are turned into apparent 'equivalent' numbers. The argument goes that the destruction in one place is 'equivalent' to the supposed protection, or re-creation, of another place.

The Economics of Ecosystems and Biodiversity (TEEB) project, led by Pavan Sukhdev, a former economist from the Deutsche Bank, advanced the idea of incorporating an economic 'value' of biodiversity into governmental and corporate decision-making. Hosted by the UN Environmental Program and funded by the EU Commission, Germany, the UK, the Netherlands, Norway, Sweden, Japan, and other governmental agencies, TEEB also received support from consultancy firms like Pricewaterhouse Coopers, NGOs like Conservation International, the Institute for European Environmental Policy (IIEP), among others. TEEB claims that the economic value of nature would make 'nature' visible to financial markets and consequently, loss of biodiversity would be stopped.

The UK-mining company Rio Tinto has used biodiversity offsetting to justify continued destructive practices. While Rio Tinto has more than 60 mines in over 40 countries, it claims that extractive activities such as mining can be 'sustainable' activities. As stated in Rio Tinto's 2004 Biodiversity Strategy, the aim is to "outweigh the negative effects of its operations" through biodiversity offsets, which gives it the image of having a "net positive impact" on biodiversity while meeting legal requirements (Bishop, 2013). Yet, Rio Tinto has an extensive record of human and environmental violations from Indonesia to South Africa to Brazil. This mining giant gets a green and positive image for an activity that entails thousands of hectares of deforestation and pollution from building mines, access roads, camps, water wells, etc., as well as the associated social impacts, which include, in most of the cases, the forced displacement of populations, criminalization of resistance and the devastation of local economies and livelihoods.

Rio Tinto's key operations highlighted in red Source: http://www.riotinto.com/annualreview2012/

The role of 'NGOs for conservation'

Even before 2009, companies were legitimizing their activities through offset 'hype'. An article written by the senior advisor of financial consultancy Prizma and the vice president of the mining company Gold Reserve Inc., stated that "Without the involvement of legitimate NGOs, most BDO [biodiversity offsets] concepts may not gain credibility". Adding that "NGOs can assist in assessing and validating baselines and benchmarks, selecting appropriate "offset currency" and indicators (hectares, trees or frogs?), identifying eligible components in view of the project specific context (planting trees, capacity building or trading-up to higher biodiversity priorities?) and use of multipliers (two trees planted for each tree removed?)".¹

Major conservation NGOs including Conservation International (CI), The Nature Conservancy (TNC), World Wide Fund for Nature, (WWF), the Wildlife Conservation Society (WCS) and Flora and Fauna International (FFI) are involved in numerous forest carbon and 'biodiversity offset' projects, as well as initiatives promoting 'offsetting' as a lucrative and business-friendly scheme. Many of the conservation NGOs play a key role in advancing the concept of biodiversity offsets through lobbying and promoting it at UN, governmental and business arenas.

Moreover, some of these big conservation groups are invested in the fossil fuel industry, the main driver of climate change. For example, researcher Naomi Klein reported that in 2010 TNC accepted nearly US\$10 million in cash and land contributions from the UK oil giant BP and affiliated corporations; and it counts BP, Chevron, ExxonMobil and Shell among the members of its Business Council. Jim Rogers, CEO of Duke Energy, one of the largest US coal-burning utilities, sits on its board of directors, while running various 'conservation' projects claiming to 'offset' the emissions of oil, gas and coal companies.²

Between 2004 and 2008, CI and WCS provided support for the Secretariat for the 'Business and Biodiversity Offsets Programme' (BBOP), which is advancing biodiversity banks and offset schemes and is the main set of 'principles' followed by the EU's strategy on biodiversity. Furthermore, NGOs on the BBOP Advisory Group include FFI, TNC, the Rainforest Alliance and WWF-UK, in hand with other major players of the fossil fuel and mining industry.



The Business and Biodiversity Offsets Programme (BBOP) of the market-oriented Forest Trends group is an international coalition for the development of offset methodologies and standards, which includes companies, financial institutions, governments and NGOs. BBOP has been instrumental in developing 'principles and standards' for biodiversity offsets.³

The European Union (EU) working group on "No Net Loss of Biodiversity" draws upon such BBOP principles.⁴ According to BBOP, offsets are supposed to be the last resort for developers seeking to compensate for 'unavoidable damage', after applying a mitigation hierarchy with the following steps: Avoidance, Minimization, Rehabilitation/Restoration and Offset.⁵ However, these seemingly simple categories hide the inequalities, colonialism, injustice and power embedded in corporate operations and offset sites. Who gets to decide what is in fact 'unavoidable damage'? In practice, the 'principles' are facilitating the search for further profits whereas the social and environmental impacts of this extraction, deforestation and pollution are seen as 'unavoidable' for maintaining the destructive economic model. As a result, companies, investors and developers, in most of the cases, can proceed straight to offsetting their 'unavoidable' destruction.

For example, a project for expanding a factory to assemble an Airbus in Germany involves impacts on the EU protected area of Mühlenberger Loch on the Elbe in Hamburg. Planning permission was applied for on the grounds of "no alternative sites", with proposals for compensation. The offset proposals entailed replacing 170 hectares of wetland with "comparable habitat" across four sites of 100 hectares (Bull et. al., 2012). Strong pressure from civil society organisations initially blocked the necessary legal permits, fearing that the project would contribute to an increase of the groundwater level in the adjacent village. However, the German government successfully persuaded the EU Commission that the competitiveness of the EU aerospace industry



Business and Biodiversity Offsets Programme selection of Advisory Group members. Source: www.corporate-eye.com/main/the-business-and-biodiversity-offsets-programme-bbop/

provided advantages for Hamburg and Northern Germany including the creation of new jobs and technological advances. These were presented as "imperative reasons" and an opinion in favor of declassification of the protected site was duly issued, despite the fact that no evidence was put forward against destroying the priority habitat.⁶

Another case is the approved Lodge Hill housing development in Kent, UK, which will destroy hundreds of hectares of woodland and scrub that are home to the largest population of nightingales in England.⁷ The development site is adjacent to large areas of ancient woodland, much of which was designated as a Site of Special Scientific Interest in 1984. Property giant Land Securities claims that the 5,000 homes planned are "badly needed" while a spokeswoman for the UK Department for Environment, Food and Rural Affairs (Defra) said that this project "presents a strong opportunity to test this policy [biodiversity offsets] to allow development while ensuring wildlife and habitats thrive."⁸

The Medway Council, the local authority of Medway in Kent, contracted the Environment Bank Ltd to apply 'biodiversity offsetting' to the housing proposal, and the resulting report came to the conclusion that around 650 hectares of habitat restoration or creation would compensate for the loss of the nightingale habitat at Lodge Hill, the site with the highest concentration of nightingales in the country.⁹ Existing legal requirements are then being 'broadened' to include biodiversity offsetting, like the cases in Germany and the UK. The inclusion of biodiversity offsetting eases planning regulations for developers providing a green light for projects that will destroy woodlands or protected areas. The 2010 EU biodiversity targets included the specific action of ensuring "no net loss of biodiversity and ecosystem services". As a result, by 2015 the EU Commission plans to propose "an initiative to ensure there is no net loss of ecosystems and their services (e.g. through compensation or offsetting schemes)."¹⁰

How are offset developers planning to inform the birds of their 'new home'?

The idea of '(re)creating' a 'new habitat' elsewhere will almost certainly not be able to compensate for the loss of their ancient habitat. Ecological systems are linked with each other. One cannot 'preserve nature' on one part of a country while destroying another part, and claim that this is 'balancing' the loss. Whole ecosystems, animals' behaviours like hunting and migration, plants, waterways, wind cycles, biodiversity, among many other 'capacities' of the 'natural world' are carefully and harmoniously linked. Offsets enable the colonization – and thus destruction - of the 'natural world' in search of economic gains.

FROM CARBON TO BIODIVERSITY

Carbon markets have become the reference point when debating offsets. The underlying logic is based on the assumptions that: one tonne of emissions in one place is equivalent to one tonne of emissions in another place; that one tonne emitted in a moment of time is equivalent to a project 'saving' emissions for let's say 20 years; that emissions from burning fossil fuels can be equivalent to emissions from deforestation; that carbon dioxide can be equivalent to methane or other greenhouse gases; among many others. All of which allow that one commodity can be accounted for, commodified and traded. This 'game of equations' and unquestioned assumptions hides important contradictions as well as questions of power, territorial rights, inequalities, violence and colonial history. Following this logic, extracting oil in the Amazon, for example, results in increased pollution, deforestation and a host of environmental impacts, as well as displacement, violence and illness to local populations. Therefore, offset logic allows the continuation and expansion of this high level of environmental and social destruction by simply providing carbon credits, which are often from projects with additional destructive local impacts. If the aim is to maintain and intensify the extractivist model, which is driving the crisis, then the purpose of carbon markets and the underlying logic of 'offsets' justify this model.

The widely documented experiences of more than 20 years of carbon offsets evidences the disastrous effects of this system, not only at the offset project sites and where extraction is allowed to continue, but also in the overall increase in pollution levels (Gilbertson et. al., 2009). Offset projects have continuously resulted in social and environmental injustices, such as dangerous local pollution, territorial grabs, repression, human rights violations, loss of livelihoods, culture, among many others.¹¹ As with carbon offsets, biodiversity offsets can also lead to quicker and easier approval of destructive projects, giving another source of financial gain to the same actors that are destroying biodiversity to begin with.

An example can be found in Winchester, UK, where inhabitants were 'compensated' with the creation of a 'countryside area' after much resistance against the loss of the Twyford Down grassland due to the construction of a highway (Bryant, 1996). The created 'countryside area' was nevertheless later paved over to build a 428-space parkand-ride car park.¹² Likewise, in the Stroud valley, UK, the construction company Lioncourt Homes is currently planning to build 100 houses on the Rodborough Fields grassland, with proposals to use biodiversity offsets to justify the building project. As the Gloucestershire Wildlife Trust stated in their attempts to prevent the recreation of an 'ancient' habitat, "it does not take into account the fact that a local community might be losing their much-loved wildlife area and the compensation for that loss is carried out somewhere else."¹³

Offset schemes also require large areas of lands. The Colombian Foundation for the Defence of Public Interest (*Fundación para la Defensa de Interés Público* -Fundepublico) warns that companies, "cannot find the land to establish the offsets," and that:

"The puzzle of matching offset demand with offset supply has yet to be solved. And it's a complicated one. With over 8 million hectares under mining titles, over 130 oil and gas companies, with operations in the country over at least 1.5 million hectares, including Shell, Oxy, Chevron, ExxonMobil, and Petrobras, and thousands of kilometres of highways in the pipeline that will affect critical biodiversity hotspots, one of the key questions is where the hundreds of thousands of hectares needed in offsets are going to come from."¹⁴

Governmental institutions play a key role in providing the regulatory frameworks needed to create demand and attract investors for these markets. Proponents of biodiversity offsets suggest that 'price' alone will act as a form of regulation. However, besides the legislation needed to catalyse the market, as in the case of the carbon market, public funding is used in the form of subsidies, tax incentives, and finance for pilot projects in order to attract 'investments' which in the end largely benefit the biggest corporate players. Fines and penalties are no longer needed to enforce the type of regulations that protect habitats, the environment and communities, rather, regulatory mechanisms become an obstacle inside an offsets model.

Furthermore, the fact that each carbon credit is accepted as a 'reduction' of one tonne of CO₂ equivalent is based on a decision made by governments and corporate groups. However, there is no real way to verify that one tonne has been in fact 'reduced'. Even worse, as the carbon market is based on a range of assumptions attempting to 'equalize' different types of gases, time frameworks, technologies, places, among many other things, in practice, the process of any real 'verification' is unfeasible. The same happens with biodiversity 'offsets', as researcher Jutta Kill explains:

"For example, in a 'bat biodiversity offset', the bat and its habitat are not bought and then moved to where the buyer of the certificate has destroyed bat habitat. What is traded is a placeholder, the 'offset certificate'. The certificate represents a guarantee that the bat habitat offered by the seller is comparable in quantity and quality to the one that the buyer of the certificate will destroy. The buyer has to have the guarantee that when they show the 'biodiversity offset certificate' to the environmental authority, it will accept it as equivalent to the habitat and bats destroyed. When the 'biodiversity offset' credit is traded several times before eventually being used to 'nullify' destruction of biodiversity, all those who bought and sold the credit to make a profit also had to trust that the certificate would be accepted as equivalent. They based their decision on how much to pay for the certificate on the understanding that it would be accepted as valid." (Kill, 2014:22)

Many more social, environmental and technical problems are involved in carrying out offset projects. However, the underlying logic is the same in the assumption that many complex and fundamentally different factors, such as fossil carbon that is underground for thousands of years versus biotic carbon which rotates among forests, soils and oceans can be 'equalized' and therefore accounted for, is fundamentally flawed. Another contradiction is that offsets *require* ecological destruction, therefore the trading 'value' of their 'units' increases by enhancing their scarcity. Offsets are conceived in such a way that the greater degree of ecological destruction there is, the more offset projects can be justified and implemented in order to sell the new commodity. Therefore, not only can polluters expand and legitimise their activities, but offsets are also inherently dependent on a destructive economic model.

LOCAL RESISTANCES

Antamina: a 'best practice' to 'offset' pollution and injustice

In 2009, the Business and Biodiversity Offsets Programme (BBOP) released a set of case studies "to help developers, conservation groups, communities, governments and financial institutions that wish to consider and develop best practices related to biodiversity offsets." Eleven projects from around the world were selected that involved some form of compensatory conservation (not called 'biodiversity offsets' because the projects were implemented before BBOP principles were established). Among these is the "Antamina Copper and Zinc Mine" (*Compañía Minera Antamina*) in Ancash, Peru, which claims to have had a "positive contribution to biodiversity conservation".¹⁵



Antamina mine, Ancash, Peru Source: http://www.actualidad ambiental.pe/?p=1958



285 people from Cajacay, Huaraz, have high heavy metal levels in their blood and blame Antamina, July 2013 Source: http://www.actualidadambiental.pe/?p=19789



The Antamina copper, zinc, silver and lead mine is owned by the multinational Xstrata-Glencore, an Anglo–Swiss multinational commodity trading and mining company headquartered in Baar, Switzerland, in partnership with BHP Billiton, Teck and the Mitsubishi Corporation. Antamina is one of the biggest open pit mines in Peru, which began operations in 2006.

In collaboration with the NGOs, Conservation International and The Mountain Institute (a local NGO). Antamina aimed to 'restore' areas of Polylepis forest to compensate for the mining activities. At the time the BBOP report was written, over 125 hectares had been 'restored', about 101 hectares of which have formal conservation status through a community agreement. This high-altitude forest comprises 20 evergreen tree species.¹⁶ It also contains three of South America's endangered birds including the great coloured parrots, toucans, and the royal cinclodes. Andean people use the Polylepis forest for mainly medicine, food, water, construction and ritual purposes.¹⁷ The compensation project promotes the 'conservation' of a corridor that is a composite of landscapes including forests and highland grasslands.

However, such monocultures, which use methods that imply a high use of inputs such as agrotoxic chemicals and machinery, have a host of social and environmental problems. Confronted with industrial large-scale monocultures in their territories, local communities are largely faced with water, arable soil and other resources shortages, contamination from pesticide spraying and displacement from their traditional cultivation areas¹⁸.

As a person living in the affected areas said in 2013, "Antamina has an environmental project, but they don't have a real interest, they can't have, it is not to their convenience... it is allowed to pollute, the water, the soils, they are polluted, nothing really can be done."¹⁹

The 'restoration' programme, according to the BBOP report, also aimed to "improve livelihoods, as measured by increases in income, reduced demand for fuelwood, and improvements in health".²⁰ Benefits described in the 'conservation agreements' with communities include introducing more fuel-efficient stoves, managing improved pastures and introducing improved breeds of cattle and sheep. The programme also promotes the creation of a trust fund to provide benefits to the local communities in exchange for their continued commitment to protecting the 'restored' areas as well as protecting other areas through the maintenance of fences and patrolling.

Communities, however, have been telling a different story. Protests started in 2006 due to the fast extension of the mine. After several meetings and leaks of toxic minerals, communities demanded that a health study on the impacts of the mine operations on the local populations be carried out through the local health centre. The results, which were not accepted by the mine, showed cases with high levels of heavy metal in the blood. In 2009, communities filed a judicial demand against the mine due to pollution from heavy metals and risks to local health. This is an on-going struggle with the mine promising new 'impartial' studies.





"We don't want irresponsible mines that spill their tailing and fuels like the Antamina mine always does while always getting away without being denounced as responsible because they have the power of money", declaration from a representative of the Regional Front of Huaraz, June 2012 Source: http://servindi.org/actualidad/66093

The community declared a complete strike in early 2014 against Antamina due to high levels of lead and the drying of two lagoons in the area. Communities are also in conflict with the mine due to violation of land titles and evictions carried out by the company.²¹ Main impacts have been the loss of agricultural lands, soil erosion and pollution, groundwater depletion, loss of livelihoods and traditional knowledge, increased police presence and violation of human rights. In other areas, conflicts relate to the lack of water as a result of mine operations. In addition, the pipeline that carries the minerals to the coast has leaked, leading to serious health impacts in fishing communities in the locality of Huarmey.²² Although there are many serious violations being committed, Antamina's 'restoration' program is highlighted as 'best practice'. The 'compensation/offset' logic not only legitimises the mining operations but also stimulates the continuation and expansion of these destructive activities.

In addition, Xstrata-Glencore is currently promoting a project that aims to 'cover' 13 districts in the department of Ancash, Peru with a "green *poncho*" which is expected to produce 2 million tree saplings for each campaign.²³ The first phase, which was financed from February 2013 until March 2014 by Anamina, 'covered' over 700,000 hectares mainly with pine and eucalyptus, and also with alder tree and *Tara (Caesalpinia spinosa).*²⁴ The second phase is expected to have the saplings in the ground by 2016.

BBOP and Antamina attempt to sell this as a 'success' based on the amount of hectares they 'cover' with 'green' – even though this 'green' means extensive lines of monoculture exotic tree plantations which requires a host of agrotoxics – while failing to recognize

the high level of soil pollution and erosion, water depletion, loss of fauna and flora, among many other impacts. Further, none of the social impacts are taken into account.

Nevertheless, trying to 'cover' their destructive mining activities with a 'green *poncho*' was not enough for Xtrata-Glencore. The company, together with over 20 other mining giants operating in Peru, presented judicial demands to the Peruvian government in order to block a legal requirement that demanded that the companies pay for the potential environmental harm of their operations.²⁵ Moreover, local journalists denounced secret contracts signed between mining companies, including Xstrata-Glencore, and the Peruvian police force providing 'security' services to the mining company.

The case of Antamina's 'best practice' completely ignores the local pollution and conflicts, health impacts and resistances on the ground as well as the amount of power that extractive industries have on governmental decision-making. The so-called 'restoration' of 'forests' allows the mine to continue and expand their businesses while hiding the reality of the devastating social and environmental impacts behind a green façade of 'postcard trees'.

The Forest of Dean: Forest 'Mitigation' in the UK

In the south west of England lies a public Forestry Commission-managed forest of over 12,000 hectares of historical and even mythical importance. The heart shaped forest is bordered by the river Wye to the north and west and the river Severn to the south and east. It consists of mixed forest – one of the few surviving ancient woodlands in England. The Forest of Dean has large deposits of iron ore and coal, which are still mined today at small-scale levels. The wealth of minerals and ancient rights associated with them has led to a conflicting situation. In this case, the development proposals cover an area which was once a deep coal mine (the remaining buildings) and the site of an old opencast mine (the grassland). Once opencast operations were completed, the area was 'managed' with acid grassland by the Forestry Commission. The naturally regenerated area is now populated by rare animals, insects and birds.

The forest was once the King's territory, reserved for royal hunting as early as 1066. As such, the central forest is very sparsely populated. Most of the 'development' lies on the periphery of the forest and the pressure for it to encroach further inside is a very serious concern. A 'development' project planning to build a new college campus, a hotel, up to 195 homes and a new spine road linking the A4136 highway with a local road in the community of Cinderford is a prime example.

The plan consists of moving a road through the forest to build a college and a hotel where a slow-growing alder grove stands as well as industrial units and houses. At the entrance to the new road are three abandoned ex-colliery buildings that have been inhabited by horseshoe bats, a protected species. In addition, the area holds many other protected species, including the mythical 'white hart' or white stag. The justification by the developers (a combination of Councils and Governmental agencies) is that the construction can go forward as long as the biodiversity is mitigated - or 'moved'- to another site. Locals have opposed this project denouncing that the mitigation argument will be used for more destruction of this ancient woodland.

Despite the destruction of the protected species, the slow-growing alder grove, and despite the fact that the Forest of Dean already has a college, plans for building are moving forward. Local groups like Dean Forest Voice, Dean Natural Alliance and Forest of Dean Friends of the Earth, are still trying hard to keep the development project out of the area.

For more information see: http://www.deanforestvoice.org/index.html http://www.deannaturalalliance.org/

> "Forests of Dean: Not for sale" Source: http://blog.38degrees.org.uk/tag/ save-our-forests/page/4/



Fencing has closed off part of Cinderford's northern quarter so the 'protected species' can be removed

Source: http://www.gloucestercitizen.co.uk/Councillor-sanctioned-releasinggreat-crested/story-23445184-detail/story.html#ixzz3JbuzKt00



EU BIODIVERSITY STRATEGY TO 2020: FINANCIALISING NATURE

In 2010, the EU's Council adopted a new biodiversity target with the aim of halting biodiversity and ecosystem service loss by 2020, "to restore ecosystems in so far as is feasible, and to step up the EU contribution to averting global biodiversity loss".²⁶ To support this target (and the targets of the CBD agreed in 2010), the EU Commission developed in cooperation with Member States, an EU post-2010 Biodiversity Strategy, which includes six sub-targets and 20 related actions.²⁷

Target 2 requires that "ecosystems and their services are maintained and enhanced by establishing *green infrastructure* and *restoring* at least 15% of degraded ecosystems" (emphasis added) by 2020.²⁸ What the EU means by 'green infrastructure', however, is not really clear. Under this Target, Action 7 seeks to "ensure no net loss of biodiversity and ecosystem services" and it is composed of two complementary sub-actions:²⁹

"the Commission will develop a methodology for assessing the impacts of EU funded projects, plans and programmes on biodiversity by 2014, and the Commission will carry out further work with a view to proposing by 2015 an initiative to ensure there is no net loss of ecosystems and their services (e.g. *through compensation or offsetting schemes*)" (emphasis added).

Ten countries from the EU, and the EU itself, have already established and reported to the CBD sections of legislation and/or approved projects where biodiversity offsets play a crucial role³⁰. EU's No Net Loss (NNL) initiative is a mechanism that is supposed to maintain biodiversity levels while, at the same time, allowing 'development' on largely protected areas and woodlands. The destruction of one habitat would be 'offset' by the creation of another through biodiversity 'units' or certifications.

The first report assigned by the EU Commission, *"The use of market based instruments for biodiversity protection – the case of habitat banking"*, published in 2010, recommended the need to alter existing environmental directives such as the Habitats Directive and the Environmental Liability Directive and to ensure consistency of offsetting legislation across Member States in order to "enable trades across political boundaries... [which] might facilitate the development of an EU wide scheme that coherently implements Habitat Banking across Member States, allowing for systematic EU-wide trading of credits."³¹

Habitat banking is defined as a "financial instrument designed to facilitate biodiversity offsetting". It involves a landowner setting aside an area for *potential* use as offsets, restoring the ecosystem, and then selling off the land to developers as and when they need it. It removes responsibility from the developer, who merely has to hand over the cash, and it removes that land from any dispute over ownership.³²

The EU Parliament adopted a resolution in April 2012, urging the Commission to "develop an effective regulatory framework based on the 'No Net Loss' initiative, taking into account the past experience of the Member States while also using the standards applied by the BBOP". The resolution also highlighted the importance of applying such an approach to all EU habitats and species not covered by EU legislation. The Resolution also "Emphasizes the importance … of developing innovative financial mechanisms – in particular habitat banking in conjunction with offsetting."³³

Led by the Institute for European Environmental Policy (IEEP), the study *"Policy options for an EU No Net Loss Initiative"* was commissioned by DG Environment, aiming to support the development of the NNL initiative, which would need to be a mandatory condition for all sectors, not only for built developments but also for agriculture, forestry and fisheries.³⁴ A workshop was hosted by IIEP and DG Environment in Brussels in July 2013, supporting the role of biodiversity offsetting for achieving NNL in the EU, while ignoring its numerous inherent problems.³⁵

The CEE for Biodiversity, a network of non-governmental organizations in Central and Eastern Europe, wrote a critical review on IEEP's study, highlighting the many problems in using offsets for achieving NNL. On one side, the technical issues: difficulty of measuring biodiversity, of restoring and recreating nature and of setting adequate baselines; the uncertainty of their final outcome; and the evidence that offsets often provide 'equivalent biodiversity' that is grossly inferior to that which was destroyed. Further, the review points to how authorities have failed to penalize or deal with offsets and to how the mitigation hierarchy is not being applied. Finally, it underlines how biodiversity offsets do not take into consideration the impact of developments on local communities, "the impact of which cannot be offset".³⁶

IIEP is also a signatory to the "Wealth Accounting and Valuation of Ecosystem Services" (WAVES) initiative of the World Bank, a methodology launched at the 2010 CBD for incorporating natural capital accounting and ecosystem measurements into "national economic accounts". One of the main objectives of the WAVES initiative is to "build international consensus around natural capital accounting."37 WAVES is currently financing such 'nature accounting' in Botswana, Colombia, Costa Rica, Guatemala, Indonesia, Madagascar, the Philippines and Rwanda. Countries or organizations contributing financially to the WAVES initiative include Denmark, the EU Commission, France, Germany, Japan, the Netherlands, Norway, Switzerland and the United Kingdom. Conservation NGOs are also involved. In Madagascar, for example, Conservation International (CI) is conducting a pilot study on economic valuation for WAVES (Kill, 2014).

While NNL is still being debated, the EU Commission and the European Investment Bank (EIB) have gone ahead with their own plans to fund biodiversity offset pilot projects without a public consultation process or EU legislation that can oversee After the pilot stage, NCFF project funding will be sought through intermediary investments using combined debt and equity funding. In the former case, the EIB will either invest in debt funds or loan money to financial intermediaries through credit lines, which require these intermediaries to loan the money to the final recipients according to pre-determined conditions. In the latter case, the EIB will invest in equity funds, which then use the money to purchase equity securities or stocks.

Investing in a private equity fund involves allocating large amounts of money for an extended period of time (up to 10 years plus extensions in the case of NCFF funds), which is then applied by the fund managers in private equity (stocks that are not publicly traded in an exchange). These funds are, therefore, characterized as having a high risk because their relevance for investors lies in their potential aboveaverage earnings.

Through this process of 'nature' financing by using intermediaries and thus market finance, the EIB and the intermediaries (banks) increase their portfolios through increased lending, interest and trading. Therefore, the returns are not only from the projects themselves but also from the capital gained in market-based processes. The NCFF serves as an example of how the EIB and the EU Commission plan to build emerging financial facilities towards the goal of increasing 'natural capital' projects.⁴⁰

> World Bank's WAVES initiative website Source: https://www.wavespartnership.org/en

these projects.

The pilot project referred to as the Natural Capital Financial Facility (NCFF) falls under Environment and Climate Action LIFE sub-programmes with a total budget of €100 million.³⁸ One of the four project categories is "Biodiversity Offsetting". The aim is to leverage private investments for 10-12 revenuegenerating or 'cost-saving' pilot schemes. Each pilot project will be awarded funding of between €5-15 million.³⁹



CONCLUDING THOUGHTS

Reducing complex and interconnected ecosystems to a single monetary value reduces the 'natural world' into tradable 'units' largely for corporate interests. Proponents claim that biodiversity offsetting is "the only option" to get business on board. But we have heard that argument before with the adoption of the carbon market. After over ten years, we can conclude that framing the market and the financialisation of nature as the "only possible option" is a lucrative method for destructive industries and practices to continue expanding their businesses.

The idea that "price will solve biodiversity loss or pollution" has colonised peoples' imaginations and forcibly ignored the many other positions and knowledges. Offsets impose a hegemonic view on how to perceive the world. A world where nature, biodiversity, forests, and rivers, can be separated, and quantified into homogenous units that can be 're-created', 'replaced', 'moved' or 'restored' according to economic and costrelated 'values'. In this world, extractive industries, largescale infrastructure and monoculture tree plantations can continue their social, environmental and climatic destruction while selling themselves as 'green' and 'sustainable'.

People defending territories, biodiversities, forests, lakes, rivers and all the interconnected ecosystems with which they have co-existed for centuries are the ones 'preserving' and promoting real options for environmental protection and social change. The offsets (il)logic subjugates nature and its people, and forces them to become providers of 'services' that 'work' towards the accumulation of capital for a few pockets.

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Putting a price on ecological systems has been around for several decades, although it was especially heightened during the UN climate negotiations with the introduction of the carbon market, a system which places a monetary value on the carbon-cycle capacity of nature for trade in financial markets.

The carbon market quickly became "the only game in town" that policy-makers and multilateral agencies would discuss and implement regarding climate change policy. Following this logic, the 2010 UN Convention on Biological Diversity (CBD) called for "innovative financial mechanisms" to deal with biodiversity loss, making biodiversity offsets the standard buzzword within conservation debates.

At the same time, people have been resisting projects that claim to compensate for biodiversity destruction and continue to demonstrate how this concept fails to address the drivers of environmental and social damage.

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