

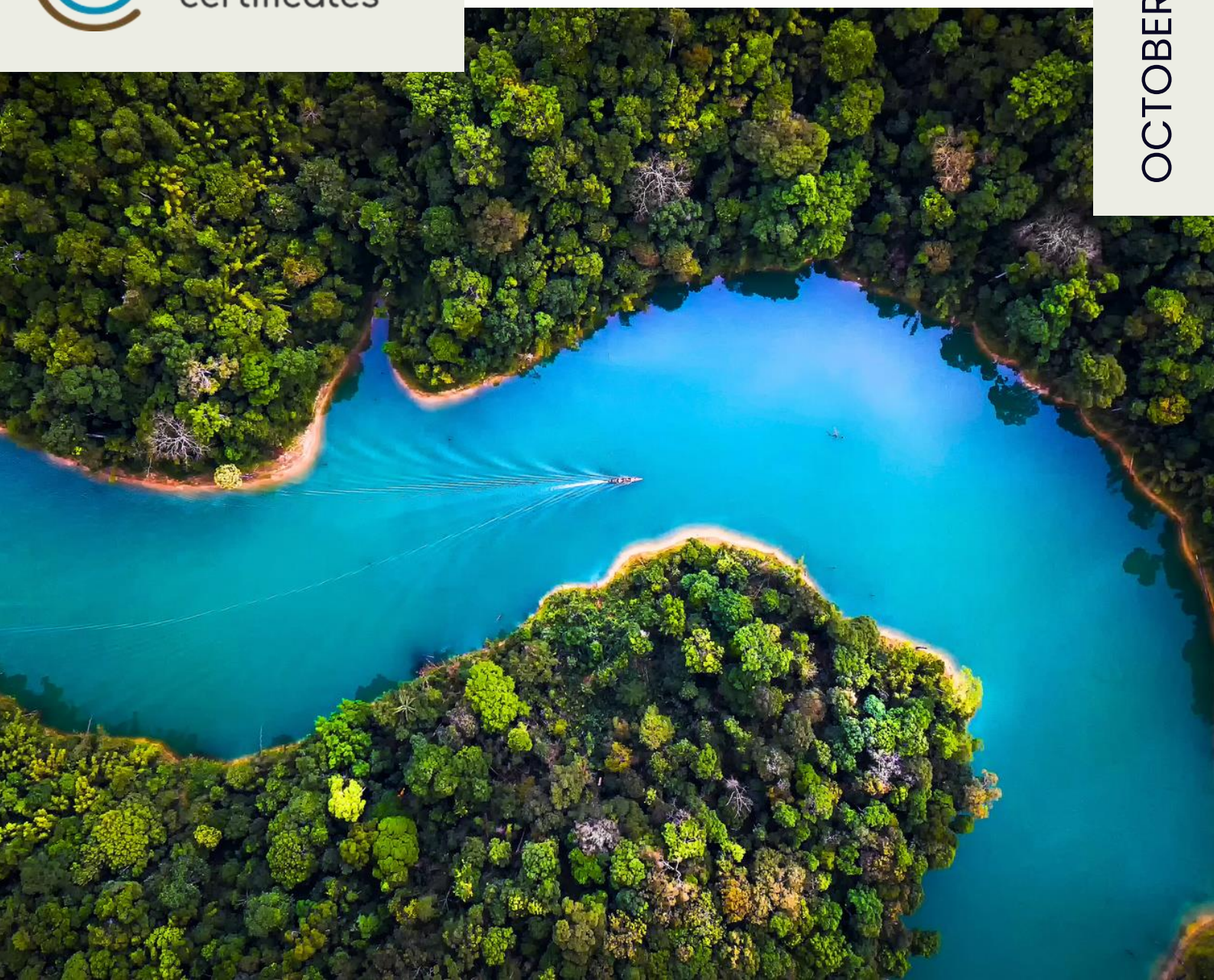
# Developing an Effective Market supporting the biodiversity strategies of both companies and states to reach the Kunming's objectives

## Executive Summary



organization  
for biodiversity  
certificates

OCTOBER 2024



# Unlocking the market

## the need for a robust and operational tool

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The urgency to halt biodiversity loss by 2030 under the Kunming-Montreal framework requires \$200 billion in annual funding<sup>1</sup>, with biodiversity credits and certificates as a key instrument. Currently, there is a lack of international financial resources. Financing credits and certificates are still in their infancy, with only a limited number of unilateral sales: the current market worth is estimated between US\$325,000 and US\$1,870,000<sup>2</sup>.



This slow growth is due to a range of underlying issues:

- **Methodological hurdles:** the technical complexity of the measurement and assessment of the biodiversity credit value deters corporate uptake and complicates their inclusion in governmental strategies.
- **The fear of repeating certain mistakes made on the voluntary carbon credit markets.** The main ones are:
  - The lack of transparency, especially on benefit sharing with the host countries and their local communities.
  - The initial absence of a regulatory - or at least recognized - framework reinsuring the market on the quality and positive impact of the projects generating credits.
- **Incentive shortfalls** to finance biodiversity projects: without regulatory constraints, clear financial incentives such as value chain resilience, safety of the supply, marketing advantage, return on investment or cost of non-action are necessary, but are currently missing. Businesses thus lack motivation for financing biodiversity.
- **Unconvincing claims:** the market is slowed by the lack of recognized marketing claims that can validate the biodiversity credits' positive impact on both business and environment and avoid the risk of being accused of greenwashing as it occurred for carbon markets.

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<sup>1</sup>Target 19 (cbd.int) of the GBF "Mobilize \$200 Billion per Year for Biodiversity From all Sources, Including \$30 Billion Through International Finance".

<sup>2</sup>Pollination, 2024. Available at: <https://pollinationgroup.com/global-perspectives/state-of-voluntary-biodiversity-credit-markets>

# 1. OBC is scaling-up an effective market serving both companies' and the Kunming's objectives

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OBC advocates, as the International Advisory Panel for Biodiversity Credits (IAPB) has, for the adoption of the Global Biodiversity Framework (GBF), along with its objectives for 2030 and its vision for 2050, as the essential goal for issuing biodiversity certificates<sup>3</sup>. The association is also convinced that a robust biodiversity certificate market can only emerge if projects are officially recognized and aligned with national biodiversity strategies and therefore to the GBF – thus creating transparency and avoiding the mistakes that were made in the carbon market.

Even though many strategies are not yet fully defined (among the 196 governments committed, only 29 countries submitted their strategy and 91 have national targets as of October 2024<sup>4</sup>), such recognition is a prerequisite for establishing a positive and virtuous cycle of financing that supports the Kunming-Montreal objectives.

## Aligning corporates' biodiversity strategies with GBF

The methodology developed by OBC is action-based. It creates a conducive environment for collaboration between businesses and governments, directly contributing to the achievement of positive impact on biodiversity to reach the Kunming-Montreal objectives by leveraging national biodiversity strategies.

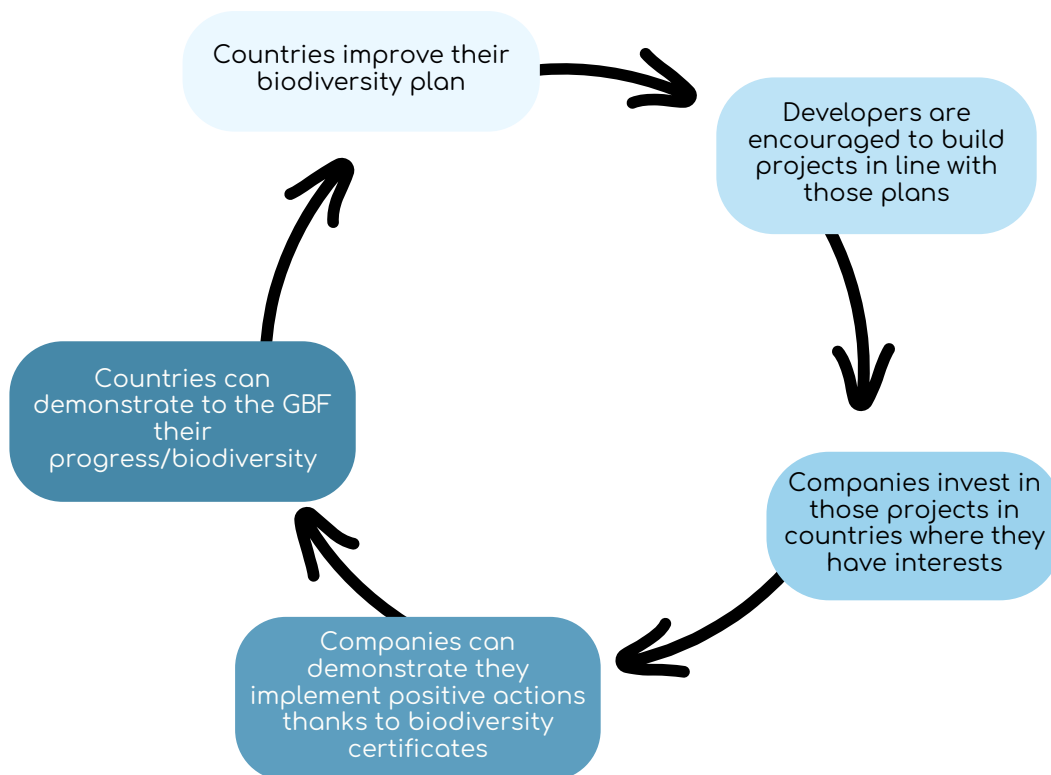


Fig 1. A virtuous circle to unlock the biodiversity certificate market

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<sup>3</sup>The biodiversity certificates, which is a verified biodiversity impact resulting of a positive effect on biodiversity generated by favorable actions, is the method chosen by OBC to incentivize the market and support states to reach the Kunming-Montreal objectives. OBC's method, rooted in actionable strategies and spearheaded by the French National Museum of Natural History (MNHN), offers a verifiable and auditable path forward, simplifying the process for both governments and businesses to manage financial flows that will enable the achievement of the Kunming-Montreal objectives and give prospects and reassurance to corporates.

<sup>4</sup>Carbon pulse, 2024. Available at: <https://carbon-pulse.com/332878/>

The virtuous circle would be the following one:

1. Developers are encouraged to build projects that are recognized as supporting the national biodiversity strategy of the host country: to ensure the transparency of this alignment and of benefit sharing in particular, a contract is signed between developers and authorities. The list of projects and their development plan is public and easy to consult.
2. Companies having interests of various kinds in the country (securing the value chain, developing activities, etc.) are encouraged by countries to demonstrate their support to the national strategy by buying certificates, or they can simply certify the quality of their practices when they reduce impacts in their own value chain (insetting).
3. Companies may claim they support a national biodiversity strategy with a unique, credible and understandable claim based on their “contribution” to these national biodiversity strategies and their own aim to finance biodiversity.
4. By securing biodiversity funding that aligns directly with their biodiversity strategy, countries can showcase their contributions and progress towards achieving the Kunming-Montreal objectives.
5. Consequently, countries are encouraged to improve their biodiversity plans and set more ambitious goals.

Such a virtuous circle answers the challenges the market for biodiversity certificates/credits is now facing.

The market framework developed by OBC is also in line with regulatory and voluntary frameworks, such as the Taskforce on Nature-related Disclosures (TNFD), the Science-based Target Network (SBTN) and the European Union Corporate Sustainability Reporting Directive (CSRD) – See the Challenge 4: Aligning biodiversity contributions with existing frameworks and examples in the use cases.



## 1.1 - Challenge 1

### Developing financial incentives with positive impacts for biodiversity

Without financial and extra-financial incentives, businesses lack motivation in financing biodiversity. Some advanced companies already deploy strong biodiversity risk mitigation policies within their value chains. However, these companies face challenges in certifying the quality of their actions. Furthermore, the fact that most companies now focus more on their value chain and on carbon issues leads to inaction in locations that are out of main value chains. This means that at a global level, the systemic risks coming from major biodiversity hotspots (e.g.: forests in the Congo Basin) are not addressed.

OBC's market approach answers these challenges:

- The market approach proposed by OBC allows one or multiple companies to finance projects in countries they are interested in, that are either directly linked to their value chain or pertain to broader landscape-level (e.g. to address both physical and transitional risks) or global (e.g. in biodiversity hotspots to mitigate overarching systemic risks) concerns. See the use cases describing the scenarios in part 2.
- When a project takes place in a company's value chain, OBC's methodology can certify the biodiversity positive impacts of the practices, without the need of generating a certificate.
- Outside of a company's value chain, certificates generated by projects that abide by the OBC methodology can be bought by any company having various business interests in the host country, demonstrating they contribute to biodiversity conservation.

## 1.2 - Challenge 2

### Ensuring transparency from the start – thus learning from the voluntary carbon market

The absence of clear and open practices in the market for biodiversity credits may negatively impact it, similar to the issues that have arisen in carbon markets due to a lack of transparency, which has impeded stable funding over the years to scale-up projects and trust from funders.

OBC addresses this challenge:

- By ensuring transparency through contracts (e.g. Public-Private Partnership) between project developers and authorities.
- By promoting transparency in projects that are recognized as contributing to the national strategy methodology: projects could be registered on a public platform, if any, to demonstrate the link with national strategy. This process creates an ecosystem of trust where projects are at the core of the mechanism.
- Additionally, OBC encourages regular updates of methodologies so that they are aligned with the most up-to-date data and scientific consensus, and external assessment from external agencies. The audit methods to ensure both implementation of actions and reach of expected results will be tested in the pilot projects.



### 1.3 - Challenge 3

## Establishing robust claims to foster trust

Companies are often apprehensive about making environmental claims due to the complexity and risk of being accused of greenwashing. According to the European Commission, 40% of claims have no supporting evidence, and half of green labels offer weak or non-existent verification. This highlights the need for a straightforward and quantifiable contribution claim.

- Claims are based on actions whose quality and effectiveness are certified by a trusted party using the OBC Methodology.
- The OBC framework facilitates consistent claims, whether the contribution is within (or near) or outside of the value chain. The overarching goal for claims is to valorize the companies' contribution to the national biodiversity strategy of the country where the project is located, that delivers a substantiated contribution to the Kunming-Montreal objectives.
- The specifics — such as the financial details, the percentage contribution to a particular project in hectares or the purpose of the financing (supply chain resilience, reduction of the pressures, etc.) — remain to be tested in the pilot projects.
- Such claims are not only more relatable but also resonate as a compelling narrative for corporates, investors, and their broader stakeholder community to advocate<sup>5</sup>.

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<sup>5</sup>OBC has developed a questionnaire to discern the types of claims companies wish to make, the results of which underscore a preference for action-oriented claims.

## 1.4 - Challenge 4

### Aligning biodiversity contributions with existing frameworks

It is crucial to reach standardized reporting for biodiversity financing within frameworks to meet corporate's stakeholder expectations and, in some cases, legal requirements. Among the frameworks that are most widely used to shape companies' biodiversity strategies to date:

- The TNFD, the main focus of which is the nature-related impacts assessment risk analysis<sup>6</sup>.
- The SBTN, through Action Framework (AR3T) addresses the companies' value chain impacts on biodiversity.
- The European Union CSRD ESRS<sup>7</sup> E4 standard on biodiversity and ecosystems provides a standardized disclosure framework for companies. The main challenge for companies is to valorize their actions within this framework, which does not provide detailed guidance for biodiversity certificates/credits, unlike the ESRS E1 on climate change which encompasses a dedicated section on carbon credits<sup>8</sup>.

Additionally, assurance processes, whether voluntary or mandatory, are crucial as they provide an auditability feature that ensures the integrity of these disclosures.

- ➔ OBC simplifies the process of disclosing the use or purchase of biodiversity certificates by offering a simple and auditable methodology based on verified positive impacts on biodiversity stemming from actions implemented on the ground. With this simple approach, companies are not only able to weave biodiversity certificates into their biodiversity strategy but also able to ensure alignment with existing frameworks such as TNFD, SBTN and CSRD. The biodiversity certificates can be used to implement different types of biodiversity strategies: impact mitigation within the value chain, ecosystem services enhancement, risk mitigation, and business opportunities for biodiversity certificate sellers. The OBC methodology can be converted into clear and transparent metrics that are linked to on-the-ground actions, enabling companies to disclose their efforts with transparency.

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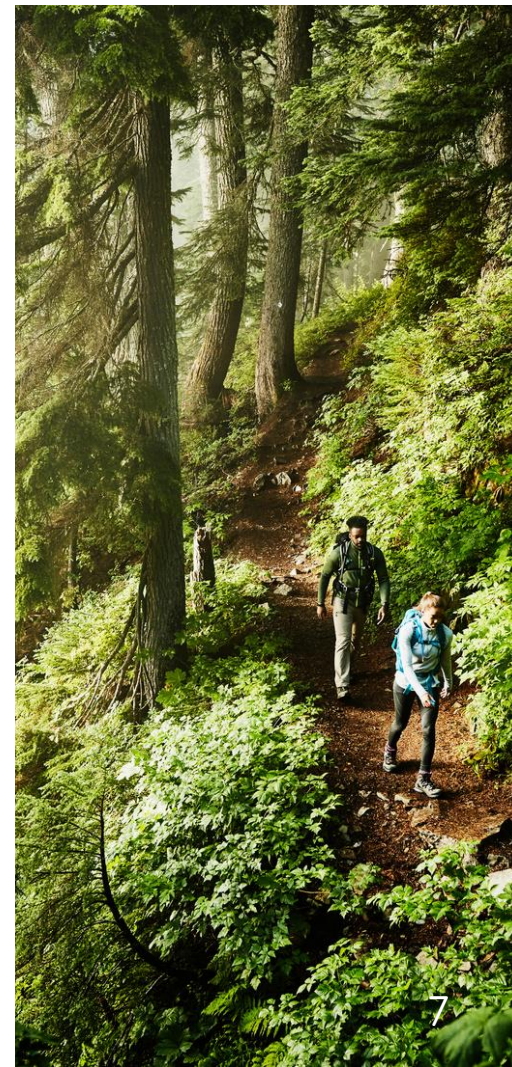
<sup>6</sup>Over 400 companies have already started reporting, or committed to reporting by 2025, using TNFD guidance. The publicly listed companies represent over US\$6 trillion in market capitalization. TNFD, 2024. Available at: <https://tnfd.global/tnfd-adoption-now-over-400-organisations-and-new-sector-guidance-released/>

<sup>7</sup>Corporate Sustainability Reporting Directive (CSRD) Environmental Sustainability Reporting Standards (ESRS)

<sup>8</sup>Disclosure Requirement E1-7 GHG removals and GHG mitigation projects financed through carbon credits

## Focus on the TNFD, CSRD and SBTN framework's pillars in which contributions to biodiversity can be disclosed

- TNFD: projects issuing biodiversity certificates may be disclosed within the strategy, risk and management, as well as a selection of metrics and targets disclosures. Examples of metrics: land use change (improvement) in hectare, and metrics related to the fundings of biodiversity.
- CSRD ESRS E4: the datapoints where the use of biodiversity certificates can be disclosed are: 15 – Transition plan; 17 – Positive impacts on biodiversity and opportunities ; 23 and 24 – Policies related to biodiversity and ecosystems where biodiversity certificates can, for instance, tackle the biodiversity-related risks ; 25 – Actions and the resources allocated related to related to biodiversity and ecosystems ; 29 – Targets related to biodiversity restoration and conservation ; 38 – Metrics related to biodiversity impact to disclose the positive actions.
- SBTN framework: the SBTN has not formally communicated a position regarding biodiversity certificates. However, OBC maintains a strong conviction that its certificates based on positive impacts on biodiversity scientifically verified can serve as credible verification of the actions implemented. Biodiversity certificates are potentially one mechanism corporates can use to address some steps of the SBTN's articulation of the SBTN's Action Framework (AR3T): avoidance (e.g. to prove the no conversion of natural habitats targets which is also linked to the GBF target 3 on conservation), reduction of impacts (e.g. decrease in the amount of pesticides used) and restoration/regeneration (linked to the GBF target 2 on restoration). Biodiversity certificates may also be used for the land target 3 (landscape engagement program).





## 2. OBC's approach enables the operationalization of the IAPB scenarios

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To more effectively showcase OBC's framework and to operationalize most of the scenarios drawn by the IAPB<sup>9</sup>, OBC presents below three possible use cases for demonstration purposes. OBC acknowledges the vast diversity of potential use cases, as numerous as the array of projects and purchasers that exist. The use cases provided here serve merely as examples to elucidate the concept; they are not objectives in themselves. OBC will launch pilot projects to test pending questions highlighted in part 3.

Note that OBC's market framework is not designed for the offsetting of companies' impacts on biodiversity, which requires an ecological equivalence (like-for-like approach) usually based on species.

### 2.1 - Mitigating the risks associated with nature degradation in the value chain and contributing to the biodiversity strategy of the country

#### → Company A identifies biodiversity-related risks in its value chain vineyards

Company A, a wine company, is seeking to minimize the biodiversity-related risks associated with its activities. Company A assessed the cost of non-action.

As an EU major company, it discloses its biodiversity strategy according to the CSRD ESRS E4 standard on biodiversity and ecosystems. Using CSRD's double materiality assessment analysis, a material risk related to the lack of resilience of its supply vineyards has been identified. Company A therefore prioritized the areas to act first and implement practices to enhance the resilience. A terroir located in France stands among the priority areas.

#### → A project using OBC methodology to verify the positive impact on biodiversity is carried out, and shared with two other companies sharing the same suppliers

As the vineyards are shared with two other companies, Company A and the two other companies agreed on a shared goal to implement a plan based on regenerative agricultural practices, which have been recognized as high-positive impact in the OBC methodology. Those practices are notably the phasing out of pesticides over three years and the planting of hedgerows, all tailored to the local area. Such practices are also directly linked to the French National Biodiversity Strategy which notably contains the following measures:

- Planting of 50 000 km of hedgerows;
- Reducing pesticides by 30% by 2030 (Ecophyto plan).

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<sup>9</sup> The International Advisory Panel for Biodiversity credits (IAPB) has defined several use cases for biodiversity credits, considering that they are diverse and will develop further as the market matures:

- Evidence-based contributions aligned with global biodiversity goals, outside the company value chain location.
- Insetting within the companies' value chains: voluntary and compliance 'supply chain'-linked insetting – proactive investment within value chains to enhance biodiversity-related productivity.

OBC's methodology is not designed for the third IAPB use case (local compensation), as it requires an ecological equivalence (like-for-like approach): OBC methodology is based on action delivering a verified biodiversity impact.

The practices are implemented for the companies themselves, not to be sold on an open market. OBC methodology is used to:

- Guarantee the quality of the biodiversity plan;
- Claim they contribute to the national biodiversity strategy.

The project is extended over 2 000 ha. A project operator, assisted by technical experts, supports the association of companies in designing and implementing regenerative agriculture practices. The operator serves as the facilitator to certify the project, implementing the OBC methodology. The financing is based on the volumes of grapes sourced<sup>11</sup>: Company A sources 65% of the grapes and hence finances the project at 65%. It should be noted that at present, the French biodiversity strategy, like all existing ones, should be optimized to maximize the development of projects and market growth. As an example, a public platform could be set up by the French authorities so that the plan defined by the three companies and the associated practices can be linked to the national ambitions.

### ➔ Value created for the stakeholders:

#### For the company

For Company A, the biodiversity positive impacts results in increased resilience of the supply chain. The project is disclosed within the CSRD ESRS E4 standard, and hence investors and stakeholders are aware of the quality of the actions (certified by OBC) and the biodiversity plan to enhance the supply chain resilience and consequently trust Company A.

Company A claims its contribution to the French biodiversity strategy.

#### For the farmers

For these ecological practices the farmers are getting paid by the operator. With the avoidance of pesticides, the direct farmers' health is also improved.

#### For the French government

The project supports the French government in achieving its objectives as detailed in its national biodiversity strategy, overseen by the European Union Strategy which itself aims at reaching the Kunming-Montreal objectives.

#### For local population

Indirectly, these measures enhance the health of local communities by reducing the reliance on pesticides. Local research indicates that there has been an 8%<sup>11</sup> decline in infant mortality rates. Furthermore, at the watershed level, the reduction in pesticide usage has resulted in lower water treatment costs for the community, freeing up funds for alternative investments.

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<sup>10</sup>This use case applies to perennial cultures with stable suppliers, where actions are guaranteed and adapted to this perennial production over time. In contrast, for non-perennial crops, the same actions may not be applicable or practical on the same plot from one year to the next. Additionally, the financing based on the volumes might not be applicable for all use cases. Building upon the experience gained from carbon-focused initiatives, the OBC pilot project aims to explore and identify optimal solutions through practical trials.

<sup>11</sup>Extrapolation of a 2024 scientific publication. Available at: <https://news.uchicago.edu/story/collapse-bat-populations-increased-infant-mortality-rate-study-finds>

## 2.2 - Contributing to forest conservation through biodiversity certificates

→ Company B purchases biodiversity certificates to contribute to forest conservation in Gabon

Company B, a telecom company operating globally, aims to develop its activity in Gabon. The company excels in quality regarding the ESG criteria, not only social and governance but also environmental criteria: it actively works to reduce its biodiversity impact across its entire value chain (e.g. strictly implementing the mitigation hierarchy when deploying its telecom infrastructures).

The Gabon government launches a telecom tender where the respondents have to propose to contribute to the national biodiversity strategy, above any regulatory constraints.

→ A project to conserve a forest that is considered a biodiversity hotspot

In the public list of projects that are aligned with the country's national strategy (it must be done in Gabon), Company B identifies a project which aims at preserving 1 000 000 ha of a Key Biodiversity Area in a tropical forest. IUCN categorizes it as a protected area (wilderness area)<sup>12</sup>. Since Gabon is a strategic country for Company B (as it operates in the country and neighbouring ones), it agrees to buy 40% of the biodiversity certificates to be generated by the project in a long-term offtake agreement.

The project development plan includes the implementation of practices that have "high biodiversity impact" in the OBC methodology (the level of impact has gathered a scientific consensus). Examples of such practices are the implementation of certified, sustainable forest management with local communities, community engagement and training to reduce pressure on flora and fauna, and the guarantee of permanent area control to identify poachers and other events that have a negative impact on biodiversity. The OBC methodology helps to define the quality of these impacts.

As the forest is public land in Gabon, the project developer has signed a 40year contract with public authorities. This contract notably ensures the ownership of the certificates and benefit sharing with local communities.

→ Contribution to the GBF's targets 3 aiming at conserving 30% of lands

The project can demonstrate it is aligned with the Gabonese national strategy and action plan on biological diversity to achieve by 2025<sup>13</sup> (facilitating the implementation of in-situ conservation measures, delineation and conservation and/or sustainable management of permanent forest areas adjacent to prevent deforestation and degradation) and contributes to the "High Ambition for Nature" commitment, which aims to devote 30% of Gabon's land to protected areas by 2030<sup>14</sup>. The project developer directly reported this 1 000 000 ha of protected areas to the Gabonese government, which in turn submits it to UNEP-WCMC (in charge of the GBF target 3 tracking).

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<sup>12</sup>The IUCN has categorized the protected areas in 7 categories from the highest (Ia - strict nature reserve) to the lowest degree of protection (VI - protected area with sustainable use of natural resources)

<sup>13</sup>Gabon country profile - CBD. Available at:

<https://www.cbd.int/countries/profile?country=ga#:~:text=National%20Biodiversity%20Strategy%20Action%20Plan&text=The%20%E2%80%9Cdevelopment%20objective%E2%80%9D%20aims%20to,biodiversity%20in%20a%20sustainable%20manner>

<sup>14</sup>In 2020, Gabon officially joined the "High Ambition for Nature" coalition. <https://www.hacfornatureandpeople.org/>

## ➔ Value created for the stakeholders:

### For the company

Following this project, Company B hopefully wins the tender and demonstrates its commitment to contribute to Gabonese biodiversity protection by claiming in its annual report “*Company B officially contributes to the Gabonese biodiversity strategy by financing 40% of a project aiming to preserve a 1 000 000-ha forest in the country*”.

Worth noting is that Company B also operates in other countries, and there is the possibility (based on a mapping of its value chain) to evaluate biodiversity contribution actions in those countries too (e.g. implementation of its data centres in watersheds without long-term water issues). Projects aligned with OBC methodology are located worldwide, enabling to potentially replicate the approach in other countries, and enhance the resilience.

### For the government

The forest conservation project, financed by Company B, supports the Gabonese government in reaching the Kunming-Montreal objectives through the commitment related to the “High Ambition for Nature” coalition. It also provides additional direct and incomes such as taxes on the financial flows, enhancement of the related financial flows and incomes. Consequently, and enhanced by diverse OBC projects, observing that biodiversity certificates might be an additional source of funding and development for local communities, the Gabonese government starts to update its national biodiversity strategy.

### For local communities

The local population benefits from the jobs created by the project (rangers, etc.), by community development initiatives, and from the benefit sharing that is planned in the PPP-like contract.



## 2.3 - Insetting within the company's value chain and evidence-based contribution

→ Company C, a manufacturer of luxury clothing, considers its commitment to preserving biodiversity as a key differentiator on the market.

Company C defined a strong biodiversity strategy with a commitment to achieve the SBTN's targets and sustainable agricultural practices. It considers:

- Its core business is linked to well-functioning and healthy ecosystems;
  - Demonstrating high-quality practices on biodiversity can become a competitive advantage in the luxury market. This strategy positions the company as a pioneer in integrating biodiversity into its business model, enhancing both its market standing and its environmental impact.

By following the SBTN approach<sup>15</sup>, Company C is committing to use scientifically grounded methodologies to guide its strategy. This includes prioritizing actions and setting targets on sourcing cotton, a key commodity.

→ Company C secures its supply and develop this competitive advantage through financing an agroforestry and conservation project in Peru, a country from which it sources cotton

Company C has conducted a thorough analysis of its cotton supply chain. It knows that the high-quality Pima cotton used in its manufacturing process is largely produced in the Piura region of Peru. But Company C does not know the exact location of the parcels in its value chain, particularly as it buys the material from weavers who themselves buy cotton from wholesalers.

Company C is exploring two key opportunities to be a market maker in the sector, which includes:

- Strengthening the resilience of its Pima cotton supply chain in Peru by encouraging suppliers to adopt biodiversity-enhancing practices.
- Participating in the financing of a project aiming at preserving a 2 000 000 ha forest nearby, which is considered a biodiversity hotspot. This participation is contingent on ensuring that the associated environmental claims are transparent and credible, mitigating any risk of being accused of "greenwashing."

→ Aligning with the Peruvian strategy on biodiversity

The Peruvian government has defined a global biodiversity strategy<sup>16</sup>, with specific objectives aimed at preserving the country's natural heritage. The strategy contained objectives up to 2021, including that the sustainable and effective biodiversity management is consolidated in at least 17% of the terrestrial realm (target 1) and that the rate of ecosystem degradation has been reduced by 5% (target 7). Since the end of 2021, Peru has implemented a National Agrarian Policy 2021-2030<sup>17</sup>.

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<sup>15</sup>SBTN target setting and acting approach. Available at: <https://sciencebasedtargetsnetwork.org/resources/>

<sup>16</sup>Peru country profile - CBD. Available at: <https://www.cbd.int/doc/world/pe/pe-nbsap-v2-es.pdf>

<sup>17</sup>Peru Agrarian policy 2021-2030. Available at: <https://busquedas.elperuano.pe/dispositivo/NL/1975873-14>

This new policy includes an official definition of agroforestry<sup>18</sup>. This definition drives the actions to be implemented for the agroforestry project.

While the strategies do not specify explicit actions, their objectives are well defined, allowing a project developer to readily determine alignment.

### ➔ A two-fold project implemented at a landscape level

The forest conservation project, developed by a local actor, has been officially recognized as contributing to the Peruvian strategy on biodiversity (hypothesis) since its development plan includes high-quality practices that can be directly linked with the national strategy. The project developer followed the OBC methodology in the project development plan and systematically identifies and integrates all local stakeholders in the process of identifying causes of degradation and proposing solutions. To secure the land and ensure transparency of financial flows, it has signed a contract with the authorities, notably specifying the amount of biodiversity certificates to be generated based on the development plan and benefit sharing with local communities.

For the agroforestry project, Company C has indirectly identified a technical local operator that can work with the farmers to implement high quality practices, "certified" as being of high-quality thanks to the OBC methodology: at the very least, the diversification of the agricultural production (fruits, nuts) and the planting of trees for timber production. Such actions are aligned with the Peruvian agroforestry definition and the national agrarian strategy. Cotton fields are rotating with other crops which are also sold to third parties and/or for subsistence farming.

Company C only uses the OBC methodology to qualify the practices, but is not using any of the generated certificates, which frees them up to the market and enables other companies to buy them. The project developer has the possibility of selling those certificates, thus gaining an additional revenue stream for the farmers' good land stewardship.

### ➔ Value created for the stakeholders:

#### For the company

Company C can claim:

*"Company C contributes to the Peruvian Biodiversity Strategy by financing 30% of the Piura region tropical forest project, aimed at protecting a 2 000 000-ha tropical forest in Peru."*

Considering the number of intermediaries in the value chain, Company C may decide not to make any claim on the agroforestry project.

With this practice, Company C is also aligned with two SBTN targets:

- The landscape engagement program, with both preservation and agroforestry projects, aimed at transforming underlying systems at multiple levels to address the drivers of nature loss.
- The contribution to the No Conversion of Natural Ecosystems target: the forest preservation project ensures that no more deforestation due to cotton production is ongoing in the supply area.



### **For the Peruvian government**

The project benefits the Peruvian government by supporting its biodiversity and agrarian plan and helping it reach the Kunming-Montreal objectives.

### **For local communities**

This agroforestry project provides additional incomes for farmers, and they are paid premium for the practices implemented. The project developer also issues certificates (as these certificates are not used by Company C), which provides an additional revenue stream to the farmers.

The agroforestry practices lead to more resilient farming systems through the diversification of income sources and their distribution throughout the year. The development of these cotton farms enables the valorisation of old fallows that were previously unused, without the need to clear new plots that would encroach on the tropical forest. All these outcomes support the livelihoods of local farmers. The conservation efforts help to maintain essential ecosystem services, offering new economic opportunities for local communities.

### 3. Take part in change: join the drive for an effective biodiversity market

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Starting in 2024, OBC will launch pilot projects in 8 countries (France, Peru, Ivory Coast, Togo, Chad, India, Cameroon and Congo). These projects will enable the testing of the market in territories and answer critical questions to develop an effective biodiversity market.

The following questions are still among those being considered:

#### **Avoidance of greenwashing:**

- What kind of requirements should be asked of companies so that they are allowed to make contributions claims – not compensation? e.g. clear biodiversity strategy, assessment of impacts & dependencies, etc.
- Should the details of the contribution claim (to the national biodiversity strategies) focus on the positive impact of practices, the surface on which they are implemented, or the amount of money allocated?
  - What is the right balance of the audit's frequency, and is the audit on actions enough to reassure buyers/greenwashing, or are some additional checks required?

#### **Effectiveness of the incentive:**

- How can companies fund enough large-biodiversity projects to reach the Kunming's objectives, particularly in biodiversity hotspots that may not be economically attractive?
  - Is a fair distribution of biodiversity efforts needed? If yes, how to define it without disproportionately impacting industries like agri-food?
  - Which kind of "promotion" can countries implement to incentivize companies to finance projects? e.g. public platform listing projects and corporates.

**Cooperating between stakeholders:** ensuring their biodiversity strategies are effective and in line with the Kunming's objectives and building and developing a relationship of trust between project developers, businesses, and government.

- How can actions be aligned to national biodiversity strategies, when strategies do not specify specific actions or if the strategies are not yet set?
  - How to optimize the allocation of the positive impact on biodiversity, especially if multiple companies are involved in project with rotation of cultures?

**We are calling on companies, NGOs, and experts to join us in the deployment of pilots worldwide, so we can build the answers together.**





The executive summary and its underlying content were developed with the support of EY. Through conducting interviews with companies and NGOs, as well as administering a targeted survey on claims, EY sought to discern the investment expectations and incentives of these organizations. Integrating the outcomes of this research with the foundational OBC methodology, EY has crafted this report with the objective of enhancing the market.