



Biodiversity Credits for Environment Conservation

For Prelims: [Biodiversity Credit](#), [World Economic Forum](#), [Biodiversity Credits Initiative](#), [Carbon Credits](#), [Kunming-Montreal Global Biodiversity Framework 2022](#), [Green Bonds](#), [Biodiversity Credit Alliance](#), [Convention on Biological Diversity](#), [UNDP](#), [UNEP](#), [World Business Council for Sustainable Development](#), [Circular Economy](#).

For Mains: Role of biodiversity credits in environment conservation, associated challenges and way forward.

Source: [DTE](#)

Why in News?

Recently, a new study published in the journal **Proceedings of the Royal Society B**, casts doubt on the **effectiveness of the biodiversity credit** market which is touted as a **potential game-changer** for biodiversity conservation.

- The study also highlighted **deep uncertainties** within the market and **questioned** whether its benefits designed to **offset biodiversity loss**, truly outweigh the potential harms.

What are Biodiversity Credits?

- **About:** Biodiversity credits are a **verifiable, quantifiable and tradable financial instrument** that rewards **positive nature and biodiversity outcomes** (e.g. species, ecosystems and natural habitats) through the **creation and sale** of either **land or ocean-based biodiversity units** over a fixed period.
 - The [World Economic Forum \(WEF\)](#) launched the [Biodiversity Credits Initiative](#) to unlock **new financing** for measurable positive outcomes for nature.
- **Mechanism:** Biodiversity credits function similarly to [carbon credits](#).
 - When a **company or government** harms biodiversity, they can **offset the damage** by paying for **conservation efforts elsewhere**.
 - The idea is to **balance the overall loss** to biodiversity through [compensatory actions](#) while attracting private funding for conservation.
- **Future Potential:** WEF estimates the biodiversity credit market is worth **USD 8 million**, with projections reaching **USD 2 billion by 2030** and **USD 69 billion by 2050**.
 - The [Kunming-Montreal Global Biodiversity Framework 2022](#) calls for financing mechanisms like **ecosystem services payments, green bonds, and biodiversity credits** to mobilize **USD 200 billion annually by 2030**. In line with this, the [Biodiversity Credit Alliance \(BCA\)](#) was launched.

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Biodiversity Credit Alliance (BCA)

- **About:** BCA is a **voluntary** international alliance that brings together diverse stakeholders to support the **realization** of the **Kunming-Montreal Global Biodiversity Framework**.
 - It focuses on **Targets 19(c) and (d)**, which “**encourage the private sector to invest in biodiversity**” utilizing, amongst others “**biodiversity credits ... with social safeguards.**”
- **Background:** BCA was launched during the **15th meeting of [Convention on Biological Diversity \(CBD COP 15\)](#)** in December 2022, in **Montreal, Canada**.
 - The BCA Secretariat is facilitated by **UNDP**, **UNEP-Finance Initiative (UNEP FI)** and the **Swedish International Development Cooperation Agency (SIDA)**.
- **Objectives:** BCA provides guidance for the formulation of a **credible and scalable** biodiversity

credit market by building a framework of **high-level, science-based principles**.

- **Key Stakeholders:** It includes representatives from **indigenous peoples, local communities, and the private sector**, with the [World Business Council for Sustainable Development \(WBCSD\)](#) as a key partner.

What are the Initiatives Related to Biodiversity Conservation?

- **India:**
 - [India Business & Biodiversity Initiative \(IBBI\)](#)
 - [Wetland \(Conservation and Management\) Rules 2010](#)
 - [National Plan for Conservation of Aquatic Ecosystem](#)
 - [Wildlife Crime Control Bureau](#)
 - [Biological Diversity Act, 2002](#)
- **Global:**
 - [Nagoya Protocol](#)
 - [Convention on International Trade in Endangered Species of Wild Fauna and Flora](#)
 - [World Wide Fund for Nature](#)

What are the Concerns Related to the Biodiversity Credit Market?

- **Flawed Concept:** When a company or government harms biodiversity, they can **offset the damage** through conservation payments elsewhere, but this is **criticized** for **shifting harm** instead of **preventing it** and addressing **root causes**.
- **Displacement and Land Grabs:** Wealthy **corporations and nations** could purchase credits sourced from poorer countries in the [Global South](#), leading to **land grabs and displacement** of Indigenous and local communities.
 - Displacement and loss of access to land and resources disproportionately affect **women and marginalized groups**.
- **Lack of Accurate Measurement:** Unlike **carbon credits**, which are standardized in terms of **one tonne of CO₂ or CO₂ equivalent**, biodiversity credits are measured in **hectares**, making it **difficult to equate biodiversity** across different ecosystems, continents, and **biomes**.
 - **Additionally, Leakage** occurs when harmful activities, like **deforestation, shift to other areas**, such as farmers converting new land for agriculture **after adopting biodiversity credits**.
- **Delay of Systemic Changes:** Biodiversity credits may provide a **temporary solution**, delaying systemic changes needed to tackle biodiversity loss.
 - Biodiversity credits, often issued for **short periods**, make it difficult to assess **long-term impacts**, as trends like **butterfly populations require longer data** for accurate evaluation.

Way Forward

- **Addressing Root Cause:** Efforts should be redirected towards **preventing biodiversity loss in the first place** like limiting deforestation, unsustainable agriculture, or fossil fuel extraction.
- **Context-Specific Metrics:** Develop context-specific metrics considering **species interactions, ecosystem health, and cultural significance**, beyond just land area.
- **Shift Towards Holistic Approaches:** Transform industries that drive biodiversity destruction (e.g., **agriculture, forestry, and mining**), promote [circular economies](#), and aligning policy frameworks across sectors to prioritize biodiversity protection.
- **Monitoring and Reporting:** Civil society and local communities should be empowered to **scrutinize projects**, hold **corporations accountable**, and ensure that credits lead to real conservation outcomes.
- **Non-Market-Based Approaches:** A shift **from market-based solutions** like biodiversity credits to **direct, nature-based solutions** is needed, focusing on expanding protected areas, restoring ecosystems, and supporting community-based conservation that values nature's intrinsic worth.

Drishhti Mains Question:

Critically analyze the effectiveness of Biodiversity credits in addressing the causes of biodiversity decline.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. Consider the following statements : (2023)

1. In India, the Biodiversity Management Committees are key to the realization of the objectives of the Nagoya Protocol.
2. The Biodiversity Management Committees have important functions in determining access and benefit sharing, including the power to levy collection fees on the access of biological resources within its jurisdiction.

Which of the statements given above is/are correct?

- (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Ans: (c)

Q. With reference to the circumstances in Indian agriculture, the concept of “Conservation Agriculture” assumes significance. Which of the following fall under the Conservation Agriculture? (2018)

1. Avoiding the monoculture practices
2. Adopting minimum tillage.
3. Avoiding the cultivation of plantation crops
4. Using crop residues to cover soil surface
5. Adopting spatial and temporal crop sequencing/crop rotations

Select the correct answer using the code given below:

- (a) 1, 3 and 4
(b) 2, 3, 4 and 5
(c) 2, 4 and 5
(d) 1, 2, 3 and 5

Ans: (c)

Mains

Q. How does biodiversity vary in India? How is the Biological Diversity Act, 2002 helpful in conservation of flora and fauna? (2018)

Q. The effective management of land and water resources will drastically reduce the human miseries.

Explain. (2016)

PDF Referenece URL: <https://www.drishtias.com/printpdf/biodiversity-credits-for-environment-conservation>

