GREEN FINANCE OBSERVATORY

ROADMAP TOWARDS WHAT EXACTLY?
4 CONCERNS ABOUT EU'S ROADMAP TOWARDS NATURE CREDITS

The recently leaked EU roadmap towards nature credits draft raises many questions and concerns:

1. A Debatable framing

The document suggests that its EU nature credits market initiative aims at closing EU's 37bn annual biodiversity funding gap and at rewarding farmers, foresters, landowners and managers, sea users, as well as local communities.

Regarding the funding gap, a recent WWF report[1] found that Member States are channelling between €34 billion and €48 billion of EU subsidies annually into activities that harm nature. Redirecting these existing harmful subsidies could thus close the whole funding gap, without the need for private capital, nor the creation of a financial market on a pseudo commodity.

The bulk of existing annual harmful subsidies, €32,1bn, currently go to large-scale unsustainable farming that devastates natural habitats; this could be redirected to support and reward farmers and landowners with sustainable practices, instead of the promise of hypothetical future revenues tied to the whims of financial markets.

We understand the choice to create instead a private financial market on elements of biodiversity to be a combination of neoliberal dogmatism, political expediency, and planned reduction of agricultural subsidies in the next CAP budget, in order to increase EU military spending. While we appreciate the difficult political context, we find that the poor track record of biodiversity offsetting over the past 40 years and the scientific consensus on the fact that we are not able to compensate and recreate all the ecosystemic functions destroyed in most cases, warrant a clear rejection of biodiversity credit/offset markets, as they are a threat to our common future.

[1] WWF, Member States use billions of EU subsidies to fund nature harming activities - new WWF study, 13/05/24 https://www.wwf.eu/?13738416/Member-States-use-billions-of-EU-subsidies-to-fund-nature-harming-activities---new-WWF-study#:~:text=A%20new%20WWF%20report%20reveals,them%20is%20allocated%20to%20agriculture.

2. Making nature investable is not compatible with the public good nature of most ecosystems
The document explains that "*given the element of standardisation, nature credits reduce reputational risk (...) Moreover, credits can be treated as assets, shifting biodiversity investment from operating cost to capital allocation, making nature an investable opportunity."*

Making nature an investable opportunity would have several problematic implications: it would imply that conservation policy actions must generate a high enough and regular financial return in order to not be abandoned; in turn this would lead for more fickle conservation policies, compared to policies based on regulation; it would also likely lead to a focus from private investors on the easiest, fastest to restore and most profitable types of habitats/species/ecosystems, regardless of whether this is what is ecologically needed; and it would generate pressure to maximise the return extracted from the asset instead of ensuring its environmental integrity. Unfortunately, this is not how nature works, and we believe that these pressures and incentives are incompatible with environmental integrity.

We have already seen the results of financialisation in housing and healthcare[2], leading to high profits for a minority of private shareholders, while leaving the more vulnerable in our society worse-off. Doing this with biodiversity policies would be even more self-defeating in our view, as biodiversity is a complex web of interactions between millions of species, that are all needed. You cannot just pick and choose your favourite and most profitable species and ignore the rest.

Such a privatisation and financialisation of EU conservation policies would entail a dangerous transfer of sovereignty from democratically elected institutions to unaccountable and self-interested private markets; letting markets decide the price of the credits and thus which projects get undertaken or not, regardless of whether their priorities match ecological priorities, could arguably create a significant risk for our common future.

As for the suggestion that nature credits would reduce reputational risk thanks to standardisation, we fear on the contrary that they would increase reputational risk, as the standardisation and oversimplification required to transform ecosystems into liquid tradable assets is not compatible with environmental integrity, likely leading to future project failure and possible scandals.[3]

3. How high integrity will nature credits be?
The document states that "*nature-positive action refers to individual efforts to maintain or enhance biodiversity going beyond legal obligations, after the full application of the mandatory mitigation hierarchy (...) The EU mitigation hierarchy, legally enshrined in the Birds and Habitats Directives but also present in the EU guidance on integrating ecosystems and their services into decision-making, requires developers to avoid, minimise, and, only as a last resort, compensate for residual effects*."

[2] August M, Securitising Seniors Housing: The Financialisation of Real Estate and Social Reproduction in Retirement and Long-Term Care Homes, 25/11/21 https://onlinelibrary.wiley.com/doi/abs/10.1111/anti.12795
[3] Taremwa-Karakire D, Drilled, TotalEnergies Promises "Net Gain Biodiversity" as it Drills in Uganda's Largest National Park, 22/04/25 https://drilled.media/news/total-biodiversity
Global Witness, Runaway Risk - Dutch companies will profit from a new Philippines airport project being built at a high cost to communities and the environment, 02/02/23 https://globalwitness.org/en/campaigns/land-and-environmental-defenders/runaway-risk/
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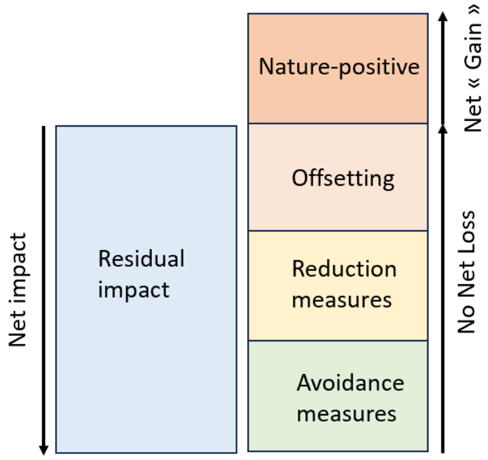
We understand it to mean that nature credits will be used to achieve a net gain of biodiversity, after biodiversity offsets have been used to compensate for residual effects. Should this be the case, it would mean that **nature credits implicitly legitimize biodiversity offsetting by positioning themselves after this step**. While this does not technically contradict the Commission's repeated claim that nature credits will not be used for offsetting, we find that this would be a somewhat paradoxical development.



Furthermore, the document states that "*the Commission will seek to deepen its engagement in key fora, such as the Biodiversity Credit Alliance, the World Economic Forum, and the International Advisory Panel on Biodiversity Credits, to ensure that EU policy development is informed by global standards and expert networks*." The Biodiversity Credit Alliance/World Economic Forum/International Advisory Panel on Biodiversity Credits coalition has recently published its high integrity principles to guide the biodiversity credit market.[4] They clearly state that biodiversity credits can be used for offsetting. We are therefore concerned by the Commission's desire to use these standards to inform EU policy developments.

Some of the features foreseen for nature credits in the draft are better than IAPB/BCA/WEF's proposal: for example, credits can be issued only after the successful delivery and verification of measurable biodiversity outcomes, whereas IAPB's proposal allows the ex-ante issuance of credits. Some liability provisions are also foreseen in case of non-performance or reversal of nature-positive actions.

Other features raise questions or are a cause for concern: the document states that "*a nature credit should be a tradable unit issued only after the successful delivery and verification of measurable biodiversity outcomes, translating certificates into quantifiable units that can be registered, pooled, banked, and traded."* This statement raises 2 questions: first, **why allow for the banking - i.e. saving - of credits**, what are the conservation benefits that justify it, when such an allowance is for example one of the reasons that the credit surplus in the EU ETS has continued for so long?

Secondly and crucially, what is meant by traded: **should we understand that secondary market trading – aka unlimited speculation on the future price of credits – will be allowed?**

[4] Green Finance Observatory, High integrity in name only – GFO's comments on IAPB/UN/WEF's high integrity principles to guide the biodiversity credit market https://greenfinanceobservatory.org/wp-content/uploads/2025/05/GFO-comments-on-final-IAPBUNWEF-high-integrity-principles-vf.pdf

Lessons from carbon markets show that allowing for unlimited speculation leads to excess price volatility, that in turn obfuscates the price signal and reduces the effectiveness of the market, for no environmental benefit. We therefore hope that the Commission will ban secondary market trading.

On the question of geographical scope, the document notes the need to reflect "*the complexity and site-specificity of biodiversity;"* it states as well that *"the specificities and often local or regional dimensions of nature and biodiversity also suggest that these markets may need to develop locally first, before any attempts to scale them up."* Taking into account the local and site-specific nature is indispensable indeed. We are wondering, however, how the Commission envisions the future scaling up of these markets and how large it will be: will it aim at creating an EU-wide nature credit market by setting up equivalence tables between different local types of biodiversity and local credits? Is the Commission planning on allowing the international trading of credits beyond EU borders, as is the case with carbon offset markets with all the related environmental, social, and human rights concerns?

The document states that "*outside the EU, a project in Peru is assessing how EU-based companies can contribute to biodiversity conservation abroad while meeting EU sustainability reporting Standards.*" **We wonder what a project in Peru has to do with an EU nature credit market**, and why EU-based companies would want to contribute to conservation abroad; we understand it to indicate that EU-based companies might be allowed to offset their destruction in the Global South, while claiming to offset destruction taking place in their subsidiaries or supply chain locally. Lessons from carbon markets warn against the risks of land-grabbing, conflicts over land-use and human rights abuse frequently associated with international offsets.

Last, the document suggests that nature credits will go beyond biodiversity and include as well "water resilience," with nature-positive actions restoring "our natural water cycle" linked to the ecosystem services of "water retention and purification." We understand it to mean that nature credits may include as well water-quality trading, also known as nutrient mitigation trading, that is the allowance to offset water pollution rather than curb it. Just as with biodiversity, we find it much preferable to curb water pollution at the source, rather than claim to offset it afterwards. **We therefore hope that nature credits will not include water.**

4. Learning from carbon markets, but which lessons exactly?

The leaked draft roadmap includes a section titled "*learning from and building on carbon markets,"* that explains that there are valuable lessons to be learned from the voluntary carbon market. We find that the Commission learned only some of the lessons.

First, we note that unlike EU's carbon market that includes an annual declining cap on ghg emissions, the Commission does not foresee any cap on biodiversity destruction as part of the biodiversity credit market. It begs the question of whether EU Commission considers the biodiversity crisis to be less important than climate change, to warrant such a different treatment?

Secondly, the Commission notes that "*in 2023, [the voluntary carbon market] market contracted sharply, not only due to economic shifts but also in response to growing scrutiny around integrity, transparency, and risks of greenwashing."* We understand that what the Commission calls euphemistically "growing scrutiny around integrity" is in fact the major Verra scandal, where 94%

of carbon offset credits certified by the largest certification agency were shown to be hot air[5]. We believe that the lesson from such a scandal and the other scandals around carbon offsetting should be that it is perhaps time to abandon this false solution after 15 years of failure, as we might not have another 15 years to waste. Instead, the Commission is currently doubling down on carbon offsetting, pushing for example to include once again carbon offsets in the EU cap and trade market, which would once again increase the cap on EU emissions, and weaken its effectiveness.[6]

The main lesson that seems to have been learned is about the fact that voluntary does not scale up, which might explain why the Commission intends to create compliance demand for nature credits, via the allowance to use them to achieve mandatory restoration targets.

Some might also say that the effectiveness of carbon offsetting for weakening climate ambitions and postponing real change without appearing to, is a lesson that has not been lost on everyone.

Conclusion:
We find that the leaked draft roadmap is a cause for concern: nature credits appear to be, just like carbon offsets before them, a false solution that does not address the root causes of biodiversity destruction. Decades of failure and academic literature also suggest that biodiversity offset markets are a recipe for failure. We hope that the Commission will reconsider its support for nature credits/offsets, and refocus on addressing the root causes of the biodiversity crisis.

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[5] Greenfield P, The Guardian, Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows, 18 January 2023, https://www.theguardian.com/environment/2023/jan/18/revealed-forest-carbon-offsets-biggest-provider-worthless-verra-aoe

[6] Green Finance Observatory, GFO's response to the call for evidence on the review of the EU ETS for maritime, aviation and stationary installations, and of the market stability reserve, https://greenfinanceobservatory.org/wp-content/uploads/2025/04/call-for-evidence-ETS-review-final.pdf