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Position on Nature Markets: “Pricing the Priceless”

The European Biodiversity Strategy for 2030 outlines ambitious goals for nature conservation and restoration, emphasising the need for adequate funding to meet these objectives. Initially, it was estimated that EUR 20 billion per year would be required for biodiversity-related efforts between 2021 and 2030, sourced from EU, national, and private funds. However, this figure has since been revised to EUR 48 billion annually, not accounting for the obligations of the Nature Restoration Regulation and excluding that 17 billion EUR needed annually to implement the Soil monitoring law[1]. In parallel, the European Union has committed to the Kunming-Montreal Global Biodiversity Framework, which aims to unlock $200 billion per year for biodiversity from 2030 onwards (Target 19)[2].

We would like to state upfront that financing conservation and restoration is not possible through one solution only. Furthermore, there is no simple solution to these issues. On the contrary, the solutions will have to be plural, multidimensional and act at different levels to resolve the current high number and diversity of challenges. Nature markets can therefore not be presented as sole solution to finance biodiversity.

Despite high-level commitments, persuading governments to make substantial investments in biodiversity remains a considerable challenge. European Commission’s President Ursula von der Leyen has stressed the need to put "nature on companies’ balance sheets," underscoring the importance of private sector involvement in biodiversity initiatives. While we recognize the importance of having all actors who rely on nature contribute to its preservation, this declaration comes at a moment when the outlook for public finance looks rather pessimistic with a potential reduction of available funding under the next Multiannual Financial Framework (MFF) due to repayments under the NextGenerationEU borrowing policy[3], the disappearance of LIFE as standalone programme, and the absence of a dedicated biodiversity spending target. This restrictive approach, combined with a widening biodiversity funding gap, highlights the urgency of adopting additional solutions.

In a 2024 keynote speech at the DLD Nature Conference, President von der Leyen reiterated the EU’s commitment to “nature credits” and scaling up this emerging market, signalling strong institutional support for private sector engagement in biodiversity funding. Additionally, financial discussions at COP16 in Cali brought renewed momentum to accelerating credit schemes for biodiversity. Nature credits in the form of offsets are not a new instrument and are

[1] European Commission draft report on financing the Nature Restoration Regulation.

[2] Target 19 of the Convention on Biological Diversity (CBD) calls to “Mobilise $200 Billion per Year for Biodiversity From all Sources, Including $30 Billion Through International Finance”, including through the exploration of “innovative schemes such as payment for ecosystem services, green bonds, biodiversity offsets and credits, [and] benefit-sharing mechanisms, with environmental and social safeguards”.” (source: https://www.cbd.int/gbf/targets).

[3] As of 2028, repayments for the borrowing strategy to finance the NexGenerationEU tool will start and continue until 2058. If no additional own resources are provided by Member States – which is currently very unlikely – and no new borrowing will take place, the coming MFF will have to be cut (source: https://commission.europa.eu/strategy-and-policy/eu-budget/eu-borrower-investor-relations/nextgenerationeu_en).

established inside and outside the EU[4] with nature markets having started to emerge in the 1960s. Yet, a coherent framework or market for them does not yet exist across the EU, with only isolated initiatives in place and no authority controlling them. The European Commission's recently published Roadmap towards nature credits is therefore an opportunity to create a robust set of rules and methodologies rooted in transparent governance to ensure that the private sector's contributions to biodiversity funding benefit nature and people without damage.

The positive reception by market participants of market-based biodiversity solutions indicates a growing interest while the highest **attention should be given to past experiences and to the inherent complexity of biodiversity**. The proposed Roadmap considers carbon credits as an example to learn from, but the system of allowances bases carbon credits on the polluter pays principle, promoting offsetting. Furthermore, nature measurement is more complex and geographically circumvented, where on the contrary, the localization of carbon removals matters less. We therefore strongly advise against going this way.

On a different level, nature is a common good, and assigning it a price, risks its "financialization" in a context in which markets contain major structural weaknesses, which risk becoming exploitable structural risks and potentially leading to greenwashing or situations in which the product does not stand for any improvement on site for biodiversity. Therefore, we consider that a non-voluntary nature market based only on compensation through offsetting should be avoided at all costs[4]. **An obligatory (or compliance) market should be considered only, and for very specific, clearly defined sectors in which adherence to the mitigation hierarchy is ensured.**

Nature credit schemes are under development and already in use. We advocate for the creation of a robust regulatory framework to prevent excesses, enhance harmonization and thus transparency, accessibility to data and governance, and to avoid the development of unregulated and unsupervised certification mechanisms. The following part will include some key principles to be followed and issues to be avoided in the development of a frame for a fair nature credits market.

1. Nature credits cannot substitute for essential public funding

Public finance, through the Multiannual Financial Framework (MFF) plays a significant role in funding nature conservation and restoration, with considerable potential for further development (in the form of better mainstreaming through mandatory targets and through dedicated funding[5]). **EuroNatur is concerned about the disappearance of LIFE and of mandatory biodiversity spending targets in the European Commission's proposal for the next MFF**. Instead, we suggest that the volume and the governance of these programmes

[4] zu Ermgassen et al. 2024 Nature Ecology and Evolution (in press)

[5] NGO joint statement, "How the next EU budget must deliver for biodiversity", July 2024 (source: https://www.euronatur.org/fileadmin/docs/umweltpolitik/Biodiversitaet/2024_07_Unlocking_funds_for_nature_How_the_next_EU_budget_must_deliver_for_biodiversity.pdf)

should not only be maintained but rather augmented to meet the commitments made by the EU and its Member States.

While challenges around mainstreaming and current underspending should be a priority to be addressed[6], these should not justify shifting responsibility for this common good—essential for a sustainable future on Earth—to market forces only. Based on recent research, in contexts in which markets currently develop, a parallel disinvolvement from public finance is happening. In 2024, nature markets pilots leveraged 1 million of private funding for nature[7], far from the financing needs to bridge the funding gap, and with mixed results in terms of nature conservation. While private funding could come in complement to public action, an overreliance on untested market schemes would risk having the opposite effect and significantly decrease effective funding for nature. This is why any additional product should leverage public action, focusing on a specific aspect of finance to create a pool of solutions, all contributing to financing conservation and restoration activities.

Public finance traditionally supports public goods and addresses market failures, areas in which private markets alone may be insufficient or where an inherent high risk resides if structural market failures are observed. Empirically, industrialisation and market dynamics have contributed to accelerated environmental degradation, reinforcing the importance of maintaining public oversight and environmental stewardship. Furthermore, the creation of a dedicated nature markets framework with appropriate governance, monitoring, guarantees and incentives requires public intervention and funding (see section 4).

✅ **Priority must be given to improve public funding in quality and volume, through regulatory measures such as mandatory biodiversity spending targets within various budget lines of the Multiannual Financial Framework, and the maintenance of a programme dedicated to nature. Private funding must only come in as complement to dedicated and effective public funding.**

2. Nature markets based on offsetting will undermine conservation goals

The misconception behind offsetting

Increasing both the amount and quality of financing for biodiversity conservation and restoration is essential to reversing the current trajectory of biodiversity loss driven by human activity. Therefore, compensation alone is not only insufficient but may even create incentives that perpetuate environmentally harmful practices, and–due to the impossibility to recreate a destroyed ecosystem–further accelerate the degradation of nature. At its core, the belief that the destruction of biodiversity in one area can be offset by creating an equivalent "unit" of nature elsewhere is conceptually flawed. Attempting to balance biodiversity loss in one location with gains in another—potentially thousands of kilometres away—ignores the unique and

6 Joint EuroNatur and CEE Bankwatch report, "Biodiversity on the brink: What's holding back financing for nature in the EU?", February 2023, (source: https://www.euronatur.org/fileadmin/docs/umweltpolitik/Biodiversitaet/Biodiversity-on-the-brink.pdf)

7 Fiore, A.and H. Grabbe (2025) 'Nature markets: how can credits and shares provide durable, additional finance?' Policy Brief 20/2025, Bruegel (source: PB 20 2025.pdf)

irreplaceable characteristics of ecosystems. By definition, no two ecosystems are identical, and each loss is thus permanent and cannot be fully "compensated." It can be considered that only a very small number of sectors and economic activities should be obliged to offset, when no other possibility exists, this should not become the rule but remain a sole exception.

However, if not considered as a tradable commodity, nature certificates could be issued ex-post by an independent party when a conservation or restoration project has taken place. This way, nature certificates would be considered as a way to measure biodiversity improvement, thus preventing greenwashing.

⛔ **If we seriously want to halt nature loss and restore harmed ecosystems, offsetting is no solution to be pursued by EU decision makers.**

Offsetting risks wrecking the mitigation hierarchy

In the scenario of a market allowing offsetting, the main risk is the disruption of the mitigation hierarchy. This hierarchy provides a gradual framework to guide economic actors to minimise environmental impact and allow a transition rather than a simple compensation of harmful impacts. Therefore, the priority is to avoid harmful impacts; when this is not possible, efforts should be put on the reduction of the impacts. Only then, if these two steps have not been successful, compensation should be considered.

⛔ **Nature credits should not offer economic actors any incentives to pursue harmful business models but bring about a transition and letting go of those models. Additional harm and nature loss created by an offsetting market would accelerate nature loss globally and consequently also the climate crisis.**

No secondary market or trading

Based on the experience of the carbon market and the absence of a regulatory body able to control standards and the quality of the issued credits, no global or secondary biodiversity market should be created. This would expose nature recovery to inherent market risks and lead to uncertainties regarding the work on the ground and its perennity overtime. Once restoration on the ground is established and verified, one should also monitor the effective good condition of the area overtime. Effective maintenance also requires funding, which is why credits or certificates' validity should be limited in time. One could address this by issuing new credits after a new assessment of the quality of the conservation measures, but this could then conflict with the additionality principle.

A major risk is linked to potential trading in a nature market which would be a condition for the participation of large financial actors. Linked to trading is the matter of liquidity[8], which is a key variable for financial institutions to engage. This very principle is not compatible with nature conservation and restoration activities as it stands for an eased-up engagement in long-term

[8] Gauging the interplay between market liquidity and funding liquidity

projects. Put in the context of the required decades for restoration and conservation efforts, this poses a compatibility question and concerns towards the market potential. Substitutable goods are easier to trade, especially if they are easily quantifiable in monetary terms, which is highly complex applied to biodiversity. This creates a context of fictive conservation in which a project holder who carries the responsibility for action on the ground cannot count on "predictable, adequate, and accessible"[9] funding for nature.

⛔ **Speculative approaches should not be applied to nature as financial market actors might choose to use nature credits to de-risk a portfolio and use trends to buy and sell and create derivatives.**

3. The EU needs to draw lessons from the carbon credit market

Voluntary carbon markets exist since the 1980s and have mainly developed in Europe under the EU ETS (EU Emissions Trading System) in 2005. Many lessons need to be drawn from this experience and the carbon credits, by their very nature, cannot be compared to a nature market.

Unmatched expectations: The voluntary carbon market around the globe, taken as one, has not delivered on the promise in terms of volume, value and pricing with an enormous drop between 2022 and 2023[10]. Indeed, the total global volume went down by 56% while the value went down by 61%. This is mainly due to more oversight and low levels of integrity which led to the consequent decrease of market participants due to a lack of trust.

⛔ **Lesson 1: The contribution of these markets to nature conservation and restoration aims is limited.**

Inherent cost-efficiency tension: the carbon market needs to guarantee climate benefits and cost containment to remain attractive and efficient. These two characteristics seem very difficult to maximise at the same time. Consequently, cost containment is chosen over climate benefits.

⛔ **Lesson 2: Applied to a nature market, cost containment dynamics risk proving more harmful than the status quo, leading to lower integrity and a lower contribution to conservation and restoration work. On the contrary, valuing the actual cost of work done in a fair and thorough way might result in higher prices per unit.**

Pitfalls of additionality principle: Additionality stands for the fact that a carbon credit must come from projects that would not have occurred without the incentive provided by the carbon market. A lack of additionality means that most companies will tackle issues they would have tackled regardless.

[9] Mrs Inger Andersen, Executive Director at the 5th BIOFIN conference on May 1st 2023.

[10] https://www.theguardian.com/environment/article/2024/may/31/market-value-of-carbon-offsets-drops-61-aoe

⛔ **Lesson 3: Generating net gains in nature markets requires high levels of additionality, which is often incompatible with a voluntary market.**

Lack of control: In a voluntary carbon market, there is no authority to regulate or control the integrity of carbon credits, nor to set rules of governance. This has led to structural market issues as any schemes overestimated the additionality of the projects and the amount of that was sequestrated, while producing minimal positive impact.

⛔ **Lesson 4: Nature-related financial products need to be put under the control of an independent authority to ensure their integrity.**

4. Prerequisites for a regulated nature markets framework

Worldwide, a range of nature markets have emerged independently of recent policy momentum, including notable efforts including EU Member States (e.g. France teaming up with the UK[11] government). Additional private funding streams for conservation can be valuable, but they must adhere to established principles and guidelines. This ensures that every cent is directed toward effective, on-the-ground conservation or restoration activities. Key principles for these initiatives include accountability, transparency, and verifiable impact to make sure that money meaningfully contributes to biodiversity goals.

High quality nature credits that deliver for nature and people will only exist under certain conditions

Additionality: Past experiences of voluntary carbon markets, and the existing nature market pilot schemes which also operate on a voluntary basis, have taught us that voluntary schemes do not provide sufficient incentives to ensure demand for credits beyond what is strictly required or what was already planned.

One way to ensure that projects are additional and avoid double counting is to compile information on projects that fall under a nature market scheme on a platform that is publicly available for investors, local authorities, certification operators and environmental NGOs. In the absence of additionality, one risks over-crediting, thus reducing the trust in the value of the units.

✅ **A publicly available platform should be set up to compile project data and ensure the additionality of the certified project.**

Offer and demand: Although investing in nature conservation and restoration presents numerous advantages for economic actors (climate and nature-related risk mitigation, natural co-benefits and ecosystem services, portfolio diversification, public image enhancement for early adopters), due to the lack of immediate, guaranteed and measurable returns, investing in nature credits can be less attractive for investors, compared to traditional investments.

[11] https://www.gov.uk/government/news/uk-france-global-roadmap-launched-to-mobilise-global-nature-finance

Two complementary approaches can be implemented to ensure additional demand: regulatory and incentive-based approaches. Only through a regulatory approach, and the implementation of compliance markets for selected industries whose activity directly depends on nature, will these sectors effectively contribute financially to the maintenance of the ecosystems they rely on. Additional financial incentives such as tax breaks, subsidies or blended finance mechanisms to guarantee the upfront investment before the ex-post issuance of a credit can be put in place to support the financing of restoration measures, impact assessments and monitoring.

The financial interests of landowners are more straightforward, as they should receive a financial compensation upon the successful implementation of nature enhancement activities and benefit from additional ecosystem services. However, the successful implementation of a project can take years, and require upfront investments which can represent a financial burden for smaller entities. Financial incentives (loans, tax breaks, or subsidies) to compensate for the opportunity costs for smaller landowners could also be considered if we want nature markets to be accessible to all.

✅ **Nature markets should be mandatory for selected sectors to drive investments in conservation and restoration measures. Additional financial incentives can be implemented to reinforce acceptability, and to finance upfront investments in nature enhancement activities.**

Trust through effective and inclusive governance: In addition to the aforementioned regulatory and financial approaches to incentivize demand, trust in the veracity of the certified nature-enhancement actions is a prerequisite to have all actors on board. This will only be possible through an outcome-based approach, where credits are issued and certified after effective results have been observed[12].

To ensure trust, nature markets and the subsequent conservation and restoration projects need to be put under the supervision of regulating authorities that will act as warrants of the veracity of the certified units. These authorities need to be equipped with qualified staff that will assess the baseline of projects, monitor their impacts and issue certificates upon completion of the measures (ex-post certification). This supervision would be more efficient if dealt with at national or local level in cooperation with local NGOs and independent certification authorities, provided that there is sufficient public investment in capacity building for enforcement authorities.

Furthermore, governing authorities should be able to rely on robust, science-based metrics to ensure high-integrity measures, verifiable impacts and combat greenwashing. The establishment of these standardized metrics will present a challenge given the unique complexity of each ecosystem. Here, the quality of nature-enhancement measures should always prevail over the quantity of certificates issued, even if this means lower private financial flows than expected. In view of balancing efficiency and subsidiarity, and in line with the European Commission's drive for simplification, an EU-wide set of metrics and standards

[12] Currently, the only governance model for nature markets that ensures integrity operates on a results-based scheme, in which credits are issued after conservation or restoration work is completed. In this model, a public entity would pre-finance conservation or restoration projects in alignment with the objectives of the Biodiversity Strategy 2030. Once measurable results are achieved, the same entity would issue and sell the credits to private market participants, as defined by regulatory frameworks.

should be issued, to avoid discrepancies between crediting schemes. These metrics and standards should be developed hand in hand with scientists, local authorities and environmental NGOs.

✅ **Markets can only function when all actors trust the units that are being sold. Trust in credits that actually deliver for nature requires robust assessment and monitoring, based on strong science-based metrics and enforced by competent authorities.**

Public funding: As laid out previously, several conditions cannot be complied with without some initial public funding. Public funding will be required to ensure stakeholder buy-in: to support offer (by compensating landowners for initial investment and opportunity costs), and to incentivize demand (by guaranteeing investment before the issuance of credits).

In addition, a robust governance and monitoring framework can only perform if sufficiently funded and if its staff is adequately trained. Investing in public administration's capacity is an absolute must. Finally, while nature markets can provide additional and much-needed funding to sustain the EU's biodiversity targets, very few pilot projects have proven their worth so far. It would therefore be unreasonable to rely excessively on market forces.

✅ **At least some public funding should be dedicated to the functioning of nature markets: to support offer and demand and ensure they are well administrated.**

Equity and fair access for all participants

Regulating nature markets should be based on equity between actors. Concretely, this means creating a level playing field on which all participants, regardless of size, location, or resources, have fair and accessible opportunities to participate. This means implementing practices and standards that promote inclusiveness, transparency, and accountability across the market. Key aspects include:

- **Access and participation:** Ensuring that smaller organizations, such as local conservation groups, can engage and get additional resources through credits
- **Standardized and transparent rules**: Equity requires clear, standardized rules on how credits are generated, certified and sold.

✅ **Equity in nature credit markets entails accessible participation, fair compensation, standardised practices and robust monitoring to ensure that all stakeholders benefit from and contribute to biodiversity goals. It can only be attained by installing a powerful authority supervising and controlling these markets.**

Conclusion: While it is necessary to generate substantial contributions from the private sector for nature conservation and restoration work, the financialization of nature comes with inherent risks. Nature markets need to be developed based on a regulated approach that identifies and sets principles of integrity for the market and a supervisory authority guaranteeing this integrity, even if this might mean that caught volumes do not match expectations. It is also to note that nature credits cannot replace public

funding and will actually require some seed public funding and time to be implemented and to function properly.

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Annex – Definitions

The following definitions are proposed by the author, they are not those of an authority or market leader.

***Nature market**:* A nature market represents a market in which units of nature can be monetised to raise finances for conservation or restoration action or be based on like-for-like exchanges. Products exchanged are any forms of offsets, credits or certificates.

***Nature/biodiversity credit**:* We define a nature credit as a financial instrument that represents a measurable positive impact on biodiversity (conservation or restoration) aiming at net gains in a geographically defined unit (usually a hectare, square meter of landscape or the like). The financial instrument is issued to generate capacity for conservation/restoration work[13]. To better understand what credits are and how to differentiate them from certificates and offsets, the focus should be put rather on the use than on the terminology. A credit is a generic denomination which can stand for offsets or for voluntary (usually CSR or image) investments.
A short reminder is necessary in the context of biodiversity: any scheme that aims to quantify a unit of nature will necessarily become an unfaithful simplification of what defines nature as this leads to two steps[14] and therefore requires trade-offs:

- **Individuation**, meaning the distinction of elements constituting nature in a specific geographic area
- **Abstraction**, to allow the comparability of these individual elements

***Nature/Biodiversity certificates**:* Certificates in academic literature refer to the formal attestation of compliance with a defined standard by the competent authority. They can therefore be credits but do not to a use while the certificate refers to its regulatory backing.

***Certification**:* It is admitted that a certification process is a formal process, normally driven by an independent body to verify that a specific product meets the criteria of recognised standards.

***Offsetting**:* Offsetting is the possibility to compensate for a negative impact produced by an economic activity by paying for a "similar" positive impact somewhere else to neutralise the negative impact, pursuing a logic of "no net loss." Offsetting, as corresponding to compensation, should always come at the end of the mitigation hierarchy when avoiding and reducing a negative impact has proven to be impossible.

***Voluntary credit market**:* A market in which economic actors can purchase nature credits on a voluntary basis, rather than due to legal mandates of compensation. Participants in

[13] Offsetting nature goes against the very nature of the natural world in which no two organisms are ever the same. As a consequence, losses can never be truly offset elsewhere (https://academic.oup.com/bioscience/article/66/6/489/2754298).

[14] Boisvert, V. (2015). La compensation écologique : marché ou marchandage ? Revue internationale de droit économique, t. XXIX(2), 183-209. https://doi.org/10.3917/ride.292.0183.

these markets choose to buy credits without getting any monetary or regulatory incentive. A voluntary credit market can be and should be regulated.

***Mandatory/Compliance credit market**:* Opposite to a voluntary market, economic actors are legally required to purchase credits or to meet environmental standards set by government regulations. These markets are typically created by laws or regulations aimed at reducing environmental impacts, not to create net positive gains. Mostly these markets are based on offsetting.