

EEB Feedback to the EU Commission

Roadmap towards Nature Credits

Summary

Nature is a **common public good** at the basis of social and economic well-being but also has a right to exist in itself and for itself.

Nature credits carry significant risks of commodification, privatization, and financialisation of ecosystems and natural elements such as water or land. Biodiversity is complex, long-term, and site-specific, making it inherently unsuitable for fungible credit schemes. If developed in respect of a certain number of principles, nature credits could play a small role in financing nature conservation and restoration. They must never replace adequate and timely public funding, enforcement of legal obligations, and phase-out of tremendously high environmentally harmful subsidies.

The next MFF should have a spending target of 50% entailing at least 10% earmarked for biodiversity, and the LIFE programme, along the Just Transition Fund should be maintained.

Ensuring the uphold and enforcement of legal obligations (e.g. the Water Framework Directive, the Nature Restoration Regulation, the Birds and Habitats Directive) and fundamental environmental law principles (e.g. rectification at source, DNSH, polluter pays (PPP), precautionary) should be the very first actions taken by the European Commission and Member States in their mission to conserve the environment, foundation of life.

Besides, environmentally harmful subsidies, while deepening the funding gaps, are so consequent that their redirection could fill the major part of the nature financing gap.

Nature credits and the development of associated markets are posing numerous ethical, epistemological, financial and scientific issues.

Deterioration and degradation of nature should never be an option. When it's the case, the PPP offers instruments (e.g. environmental taxes) that provide more benefits and less uncertainty than the issuance of certificates and credits.

Establishing certificates and credits requires the elaboration of sound and robust scientific methodologies. Various evidence on the issues of ecosystem services monetisation and framing, or to compensation (and even worse in case of offsetting) illustrate the epistemological difficulty to develop such methodologies.

High integrity principles such as additionality; permanence; preventing leakage effects; independent, third-party and public verification; transparency and access to results and methodologies; systematic detection and penalisation of non-compliance are not enough.

They need to be complemented with strong environmental safeguards against greenwashing, adverse impacts (such as the forests' clear cuts in the pilot project in Estonia) and must guarantee the local dimension of such projects (on a local or regional scale maximum, not elsewhere in the world); social safeguards against land grabbing, land (e.g. for agriculture) and real estate price increase, the privatisation of natural areas and its resulting exclusion of local communities or the fair distribution of the benefits to avoid big landowners to capture disproportionate gains.

Essentially, the commodification and financialisation of nature isn't compatible with its conservation and restoration. The EU must ensure that the development of nature credits and markets doesn't result in such. Thus, nature credits must not be transferable nor tradable. Other non-market approaches, such as granting natural elements with legal personhood, already exist worldwide and also show that strict protection, that doesn't necessarily require fundings, can be sufficient for nature to recover.

In that context, the EU should ensure that all other means for funding nature conservation and restoration have been exhausted. Nature credits can only be viable and a valid instrument if they comply with at least all the pre-mentioned basic principles. On the contrary, if not, they will be leverages for greenwashing and social washing, deepening further the climate, health and environmental crises and affecting economic resilience and sustainability.

Introduction

Nature is a **common public good** at the basis of social and economic well-being but also has a right to exist in itself and for itself. The introduction of tradable nature credits carries significant risks of privatization, commodification and financialisation. Nature markets face structural challenges due to the long-term, site-specific, and complex nature of biodiversity outcomes.

Public funding remains critical to ensure effective protection and restoration of nature, yet the recent EC proposal for the Multiannual Financial Framework (MFF) beyond 2027

includes neither dedicated funding for biodiversity nor earmarking for it, while harmful subsidies continue to undermine conservation and restoration objectives.

The development of nature credits must respect a certain number of pre-requisites such as the full implementation and uphold of environmental legislation and fundamental environmental law principles (e.g. the precautionary principle, the polluter pays principle (PPP), the mitigation hierarchy, the Do Not Significant Harm principle (DNSH)) and be built on robust governance and sound scientific methodologies, while complying with a set of key principles of the high integrity schemes.

In this context, nature credits can **at best complement public action and legal obligations**, and in no case replace them, as happening in the current MFF proposal, supporting a sustainable and credible pathway for biodiversity restoration.

The EU must ensure that the establishment of nature credits follows a strict list of safeguards for social, environmental and economic integrity. The non-compliance with these principles should lead to the exclusion of nature credits as an effective mechanism for nature protection and restoration.

I. Pre-requisites for nature financing: ensure sufficient and timely public financing in the next MFF for biodiversity, phase out harmful subsidies and uphold environmental legislation

Ensure sufficient and timely public financing in the next MFF for biodiversity and nature conservation and restoration

Before engaging with the development of a market for nature credits, the EU must first ensure that the foundations of climate and environmental financing are solid. Public money remains the primary driver for sustainable biodiversity protection and restoration, and it must not be substituted by private financing mechanisms. Nature viability is mandatory for competitiveness and strategic autonomy, and its protection and restoration can't be left a sole responsibility of private financing.

The current EU Commission proposal for the next MFF still falls short of providing adequate and predictable resources for nature. This is the first time since 1992 that the EU doesn't clearly dedicate specific funding for biodiversity: no earmarking for biodiversity is provided. The overall spending target of 35% for climate and environment is too low and too vague.

Besides, there are too many uncertainties around the spending pathways, the exclusion of certain activities from the scope of the DNSH principle (e.g. defence, projects of “common” interest, etc.) and the removal of the LIFE programme (though being one of the most effective funding instruments) are putting effective nature protection and restoration at risk.

A proper earmarking of at least **10% of the budget for biodiversity**, combined with **40% for climate and environment spending**, thus securing a total of **50%** dedicated to these objectives along with the reintegration of the LIFE programme within the core of the MFF are essential.

Phase-out environmentally harmful subsidies

At the same time, harmful subsidies continue to erode biodiversity, water and climate objectives. The EU spends tens of billions annually on subsidies that directly or indirectly harm ecosystems, from intensive agriculture to fossil fuel support. Phasing out such subsidies must be a central pillar of the EU’s financial architecture, otherwise the impact and credibility of any nature credits system will be fatally undermined.

WWF reports that 34 to 48 billion euros per year of EU subsidies are channeled into activities that harm nature, of which 30 to 32 billion euros comes from the Common Agricultural Policy (CAP) funding¹, supporting unsustainable agricultural practices. Besides, fossil fuel subsidies in 2022 amounted to 123 billion euros, of which 120 billion were characterised to be environmentally harmful.² The full implementation of the EU Biodiversity Strategy 2030 (EUBS2030) and the Nature Restoration Regulation (NRR) respectively 48 billion annually³ and 154 billion.⁴ Current harmful subsidies not only actively damage nature further but also deepen the funding gap (by more than 18 billion euros/year for the EUBS2030⁵). From those figures, it appears that cutting environmentally harmful subsidies wouldn’t only reduce the funding gap but would actually also provide the necessary fundings for nature conservation and restoration.

Therefore, it is necessary that prior to any introduction of private financing or market mechanisms, **harmful subsidies are phased out and redirected in a comprehensive**

¹ https://wwfeu.awsassets.panda.org/downloads/wwf---harmful-subsidies-report_full-report.pdf

² <https://www.socialeurope.eu/fossil-fuel-subsidies-a-litany-of-broken-promises>

³ https://knowledge4policy.ec.europa.eu/biodiversity/eu-action-biodiversity-financing_en

⁴ [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/734702/EPRS_BRI\(2022\)734702_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/734702/EPRS_BRI(2022)734702_EN.pdf)

⁵ https://wwfeu.awsassets.panda.org/downloads/wwf---harmful-subsidies-report_full-report.pdf

manner, as an effective measure to limit further damage and reduce the funding gap for nature conservation and restoration.

Uphold and enforce existing environmental legislation

Finally, the **effective implementation and enforcement of existing fundamental environmental principles** (such as the polluter pays principle (PPP)), thus the respect of the rule of law, and **environmental legislation** (e.g. the Birds and Habitats Directive (BHD), the Nature Restoration Regulation (NRR), the Urban Wastewater Treatment Directive (UWWTD), the Water Framework Directive and related daughter directives (WFD), the Floods Directive (FD), the Nitrates Directive (NiD), the upcoming Soil Monitoring and Resilience Directive (SML)) are a pre-requisite for nature protection and restoration. Fully applying those not only remains the most cost-effective and legitimate means of protecting ecosystems but is also necessary to ensure a resilient economy in the context of the global environmental crisis.

In general, nature credits must not contradict existing local, EU and global environmental legislations and objectives, and should always respect the fundamentals of human rights and economic, social, political and cultural rights of communities.

II. Core principles and safeguards: fundamental and high integrity principles, robust and sound scientific methodologies addressing epistemological issues

The EC Roadmap towards nature credits fails to explicitly guarantee that fundamental environmental principles such as the **precautionary principle**, the **rectification at source principle**, the **polluter pays principle** (art. 191 of the TFEU) and the **DNSH principle**, remain the backbone of EU environmental governance.

The **mitigation hierarchy** is non-negotiable: avoidance of harm first, minimisation as a second step, and compensation only as a last resort.

Introducing nature credits must not weaken the PPP by allowing polluters to escape their obligations through offsetting.

Scientific evidence shows that compensation and offsetting schemes are inherently ill-suited to halting and reversing biodiversity loss⁶. Ecosystems are complex, context-dependent, and non-fungible: the loss of an ancient forest, wetland, or peatland cannot be “compensated” by restoring or creating nature elsewhere. Restoration measures rarely achieve ecological equivalence, and if they do, it is only after decades, during which the original biodiversity and ecosystem services are irreversibly degraded.

Offsetting through credits cannot be considered an acceptable alternative, as it risks legitimising damage under the false promise of compensation. **Yet, the Roadmap doesn’t provide pathways and safeguards against nature credits serving as an offsetting mechanism.**

The “3Ts” approach (taxes, tariffs, transfers) offers various and robust instruments to implement the PPP also financing biodiversity protection and restoration. There is plenty of evidence around the issues and negative consequences of the monetisation of ecosystem services or damage in.⁷ Those monetisation issues are very much linked to the issues of “credification”.

Concrete example⁸, such as earmarking revenues from environmental taxes into restoration projects, demonstrate that strict application of the PPP can support both deterrence of harm and positive investment in ecosystems. Thus, when compensation is absolutely needed (in case of activities damaging the environment and still considered “green” according to the EU Taxonomy (e.g. hydropower)), nature credits aren’t the best instrument at hand.

In addition, it is worth mentioning that rather than paying to pollute, strict rules and bans should apply: no-go zones for extractive industries, binding biodiversity targets or enforceable restrictions on habitat destruction.

Prior to any introduction of nature credits and markets, the EU Commission should be able to demonstrate that it has exhausted all other means for financing nature conservation and restoration.

⁶ <https://www.sciencedirect.com/science/article/pii/S0006320721001695>

⁷ <https://theothereconomy.com/fr/fiches/doit-on-donner-un-prix-a-la-nature/#methodes-evaluation-valeur-nature>

⁸ <https://eng.mst.dk/chemicals/pesticides/pesticide-tax>

The compensation issues are directly intricated in the need for **sound and robust scientific methodologies** to assess and elaborate biodiversity unit, serving as the basis for certification and credits issuance. To date and as already highlighted, numerous evidence from scientists show that developing such methodologies pose epistemological issues that potentially can't be overcome. Nature cannot be reduced to simplistic financial values.

Measuring biodiversity is scientifically complex. Because ecosystems are multi-dimensional - spanning genetics, species, habitat, and functional diversity - there is no single indicator that captures their status. For this reason, many schemes rely on **proxy metrics** (such as area restored, number of trees planted, or habitat type improved) as a simplified way to account for biodiversity outcomes. While useful for communication, proxy metrics often fail to reflect ecological quality, create a risk of false equivalence, enable greenwashing, and introduce systemic risks (e.g. leakage). Proxy metrics may play a supportive role, but they must never substitute for scientifically sound, context-specific assessments of ecosystem integrity.

Assessments must be based on peer-reviewed science, with full recognition of ecological complexity and uncertainty. Methodological rigour is the only way to ensure credibility and avoid epistemological pitfalls linked to the monetisation of ecosystems.

The Roadmap towards Nature Credits points to the EU Carbon Removal and Carbon Farming Certification Framework (CRCF) under which methodologies for the certification of carbon sequestration are being developed. These methodologies, while not final, have been widely criticised⁹ by experts on multiple aspects such as their approach to baselines and additionality, the potential misuse of the resulting credits, and most strikingly in the context of creating nature credits: their failure to incorporate meaningful safeguards, metrics, and indicators to ensure the sustainable use of biomass, environmental integrity, and biodiversity benefits.

In any case, any system must also ensure the respect of **high integrity principles**. We welcome the integration of such principles in the roadmap as a bare minimum and such as:

- **Additionality** is essential: credits should only reward actions that would not have happened otherwise and that go beyond existing legal requirements. Therefore,

⁹ <https://www.oeko.de/en/blog/revised-methodologies-under-the-eu-carbon-certification-removal-framework-continue-to-lack-integrity/>

double counting, whether between projects, companies, or national accounting systems, must be strictly monitored and avoided.

- **Permanence** of restoration: mechanisms to ensure long-term stewardship - such as legal protection, adaptive management, and insurance or buffer pools, to avoid long-term or future degradation of an ecosystem after certification. The stability of regulatory frameworks, thus the upholding of environmental legislation is fundamental to permanence.
- Nature market's **proxy metrics must be precisely correlated with desired outcomes**.
- **Leakage effects** or harmful effects induced elsewhere —where gains in one place induce losses elsewhere—must be systematically assessed and prevented.
- **Independent, third-party and public verification of outcomes** through MRV (Monitoring, Reporting, Verification systems) entirely managed by public authorities. The cost of those activities must be borne by the private sector, willing to invest in those credits. In the past, “approved” certification companies have shown lack of transparency, greenwashing activities and raise the issue of conflict of interests.¹⁰
- **Systematic detection and penalisation of non-compliance** are indispensable.
- **Transparency and access to methodologies and results**.
- **Open access and up-to-date platform** on any initiative linked to the development of nature credits.

Additional to those, and as proposed in the roadmap, it is crucial that the EU ensures safeguards at the following levels:

- **Safeguards against risks of the commodification and financialisation of nature:** credits shouldn't be tradable nor transferable.
- **Environmental safeguards** against greenwashing (robust methodologies, interdiction of trade, etc.), genetic manipulation or bioengineering, species trade, etc.
- **Governance and social safeguards:** land grabbing, privatisation of natural areas, fair distribution of benefits avoiding that big landowners capture disproportionate gains, safeguards on land and real estate price increase (especially for agriculture), strict localisation of EU projects in the EU and not in other parts of the world.

¹⁰ <https://www.climatewhistleblowers.org/new-global-investigation-series-reveals-harmful-collusion-by-auditing-firms/>

III. Economic viability and market integrity

The economic design of a nature credits system must prioritise integrity and long-term sustainability over short-term profitability. Volatility is inherent in financial markets, but biodiversity protection requires stability and predictability. Voluntary markets cannot provide the latter.

An **outcome-based approach** that issues credits only for verified ecological gains, such as species recovery, habitat integrity, or ecosystem functionality, remains the most robust and valid approach. There will, however, likely be misalignment between the characteristics of the creation of these units on the one hand, and the needs of buyers on the other hand. Biodiversity and ecosystem restoration efforts can span decades, with ecological outcomes not materialising within the short-term investment cycles typical of financial markets. In a system that does not allow trading of nature as a financial asset, the long timelines make it unlikely that a substantial demand would be established. This highlights once again the need for public and long-term investments in nature protection and restoration.

In addition to that and to avoid both increased operation and management costs of nature certificates and credits' value chain, as well as governance issues, intermediaries should be avoided.

IV. Governance and commodification

Market integrity requires strong safeguards for fair, transparent and ethical functioning of such nature markets. Commodification and financialisation of nature introduce risks of market manipulation and speculation, undermining protection objectives. **Nature isn't a commodity and can't be bought and sold like any other.** This requires the elaboration of **democratic, inclusive and transparent governance frameworks.**

The actions of the roadmap related to international cooperation and knowledge exchange are tremendously necessary. The Expert Group should gather experts and stakeholders in the fields of ecology/biology, economy, human rights and representatives of civil society, especially local and rural communities. It should benefit from international stakeholders and their experiences in developing and implementing certification mechanisms and scientific methodologies.

Several projects and initiatives in the field of nature credits/certification worldwide¹¹ and in Europe¹² have been failing to address the real needs of biodiversity conservation and restoration, while having created governance issues on the ground. Namely, the rights of indigenous and local communities to collective self-determination, self-government, cultural integrity, equality and non-discrimination. This was illustrated by land grabbing/spoliation of territory and its resources resulting in the loss of livelihoods and economic independence but also in the erosion of cultural and intrinsic values.

Besides, the Estonian pilot project cited by the EU Commission is in fact a real disaster: old-growth, woodland key habitats, Habitat Directive Annex I forests habitats and sites of nationally protected sensitive species have been systematically cleared cut.

Therefore, the governance of nature credits is decisive. The risks of commodification and financialisation are real: if nature is reduced to a tradable asset, the danger of speculation, privatisation, and “green grabbing” increases sharply. Communities could face dispossession of land and exclusion from decision-making, as documented in IUCN and other sources. To avoid this, nature credits must be kept within a **local scope, tied to specific ecosystems and communities, and not traded across jurisdictions**. This is also more consistent with scientific methodologies in the field.

Governance must be entirely under the responsibility of public authorities, with full transparency and democratic oversight. **Public participation**, especially of affected local communities, must be guaranteed at every stage. **Financial actors must not trade credits, risking the creation of speculative markets**, that decouple financial incentive from ecological outcomes. The will of the EC to make credits transferable will undoubtedly lead to the financialisation of nature and threaten market integrity with speculative behaviors.

Other approaches that do not rely on market mechanisms already exist and are implemented in the EU and worldwide. Those frameworks directly protect the integrity of ecosystems while fostering resilient societies and economies, by ensuring community stewardship and sovereignty.

As an example, the global movement for the rights of nature and the attribution of a legal personhood to some of its elements (rivers, forests, etc.) has led to a sustainable protection

¹¹ The Greening of Costa Rica, Ana Isla. 2015. <https://utppublishing.com/doi/book/10.3138/9781442626713>

¹² <https://www.fern.org/publications-insight/ngos-reveal-forest-destruction-caused-by-eu-nature-credits-pilot/>

that isn't only anthropocentric and focused on the services provided by ecosystems, and of which the benefits are equitably shared by humans and non-humans. Besides, while some areas might need support to strive again, most of them are able to recover on their own if anthropogenic activities aren't disturbing natural phenomena.

In Ecuador, the rights of nature are entailed in the Constitution since 2008. New Zealand granted a legal personhood to the Whanganui River in 2017. In 2016, the Colombian Constitutional Court has recognised the Atrato River as a rights-bearing subjects, protecting the river and the communities that rely on it from pollution or overexploitation. In the EU, the Tavignanu in Corsica (FR), hosting remarkable biodiversity, has been granted a “Declaration of Rights” that strengthens its protection.¹³

¹³ <https://notreaffaireatous.org/cp-droits-de-la-nature-le-fleuve-tavignanu-dote-dune-declaration-de-droits-une-premiere-en-france/>