Eight guardrails for voluntary biodiversity credit markets that work for nature and people

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Key Messages

Guardrails are needed for voluntary biodiversity credit markets if they are to be durable and achieve their anticipated biodiversity outcomes. We list eight guardrails for developing and managing/operating markets below.

1. Voluntary biodiversity credit markets are differentiated from biodiversity offset programmes and not used to compensate for biodiversity losses elsewhere.
2. Biodiversity credit funding is additional to sustained public investment in conservation.
3. Costs of participation in voluntary biodiversity credit markets are explicit and transparent.
4. High integrity standards protect market longevity.
5. National ecological information is improved, and guidance and advice are available to support projects
6. Liability and consequences for non-delivery and reversals are clear from the outset.
7. Market oversight is sufficient to detect and address fraudulent claims and bad actors.
8. System stewardship supports oversight and monitoring of market transactions at scale.

The guardrails have implications for government (who may oversee market development), market developers, and project proponents.

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Introduction

Voluntary biodiversity credit markets (Box 1) provide a mechanism for suppliers of improvements to biodiversity to sell units of biodiversity outcomes or biodiversity credits (Box 2) to buyers. Biodiversity credit markets have been widely promoted by government and market proponents as a promising way to raise new funding for nature conservation from the private sector. But there are reasons to proceed with caution. In Policy Brief 32 we described eight difficult problems that must be navigated to realise the benefits of a voluntary biodiversity credit market.

Box 1. A nature market or a biodiversity credit market?

A 'biodiversity credit market' in this policy brief refers to a specific subset of 'environmental markets' or 'nature markets' which trades biodiversity credits (as defined in Box 2). The guardrails may or may not apply to other forms of environmental or nature markets (e.g. water quality markets).

Biodiversity gains generated within a business's operational boundary and used for their own purposes or claims may be subject to different public expectations from those traded in a market.

Box 2. What is a biodiversity credit?

A biodiversity credit is a certificate that represents a measured and evidence-based unit of positive biodiversity outcome that is durable and additional to what would have otherwise occurred.[1]

This Policy Brief describes guardrails to guide establishing a successful voluntary biodiversity credit market in New Zealand.

We suggest a successful biodiversity credit market will:

- generate additional biodiversity gains for New Zealand
- raise new, genuinely additional funding for projects of high value to biodiversity over and above the status quo
- be demonstrably fair to people, including tangata whenua and local communities
- protect and enhance New Zealand's global environmental and social credentials.

Guardrails are needed to achieve this success, because biodiversity credit markets pose risks. There are risks to indigenous biodiversity and to the rights and interests of indigenous people. But there are also risks to the reputation of New Zealand tourism, our primary sector and manufacturing markets, and to biodiversity credit market participants. Controversy, fraud, or failure to deliver real additional biodiversity gains from a biodiversity credit market could damage New Zealand's reputation for transparency and integrity and tarnish corporate reputations. The market could potentially stall, as occurred in the voluntary carbon market. The risk of these harms must be weighed against potential benefits and be monitored and managed over time.

Universal high integrity standards in a New Zealand market are best for biodiversity, people, and market participants over the long term. However, establishing and maintaining the integrity of any voluntary environmental market is challenging because participants (sellers, buyers, and even third-party auditors) may be tempted to overestimate benefits and understate failures.[2] Clear guardrails and good oversight are likely to be needed for long-term market success.

In this Policy Brief, each guardrail includes recommendations for those designing and governing biodiversity credit markets and for market participants. We suggest that each guardrail is addressed and accounted for in the design of a voluntary biodiversity credit market for New Zealand. Each guardrail addresses a problem that has been encountered frequently in other markets around the world and responds to a growing critique which asks whether existing markets have delivered promised biodiversity gains, and whether emerging markets can be or will be any different.

The guardrails

1. Voluntary biodiversity credit markets are differentiated from biodiversity offset programmes and are not used to compensate for biodiversity losses elsewhere

Much of the demand for biodiversity credits is likely to come from companies, particularly those needing to offset or compensate for their damage to biodiversity elsewhere.[3] However, there are good reasons to keep credits used for compliance purposes (i.e. compensatory or regulatory) separate from those credits generated for a voluntary biodiversity market.

Unlike a voluntary market, offsetting or compensation for compliance purposes requires a legislative driver and associated integrity requirements. Credits used for compliance are committing to achieve mandatory outcomes to offset harm, often over long timeframes. Usually, the biodiversity gains must match the losses from the damaging activity and be delivered close to the impact site to ensure equivalence; and non-compliance can bring legal penalty. Projects generating credits for a voluntary market have greater flexibility because they are not restricted to specific locations or actions to secure biodiversity gains. Rather, they can create the types of positive biodiversity outcomes that philanthropic buyers and supporters aspire to.

Credits used for compliance require additional monitoring and assurance, which incur higher costs. Although any voluntary biodiversity credit market should have effective verification procedures, credits for compliance purposes require additional oversight of performance as well as avenues to address non-compliance to ensure that compensation for the loss of biodiversity is achieved and that other regulatory obligations are met.

There is a risk that selling voluntary credits to licence harmful activities will discourage other potential buyers who seek reputational rewards from projects securing positive gains. Projects selling credits to authorise harm could also see reduced contribution from unpaid volunteers, since volunteers are often motivated by altruism.

RECOMMENDATIONS FOR GOVERNMENT

- **Recognise the different goals and requirements for credits in a voluntary market and the credits used for compliance purposes (e.g. compensatory) and keep them distinct.**
- **Consider explicitly prohibiting the purchase of voluntary market credits to compensate or offset harm to biodiversity elsewhere (such as in the context of a resource consent or the permitting function in resource management legislation).**

RECOMMENDATIONS FOR PROJECT PROPONENTS

- **Recognise that accepting purchases from buyers wanting to offset harm elsewhere could affect a project's wider reputation, volunteer buy-in, and potential buyers' willingness to purchase the credits.**
- **Operate transparently, including willingly disclosing who is purchasing the project's credits and how those credits are being used, to buyers and other interested parties.**

3. Biodiversity credit funding is additional to sustained public investment in conservation

New Zealand's present funding for conservation is insufficient to maintain indigenous biodiversity[4] despite the economic benefits from nature protection[5] and the income that conservation areas bring to local economies.[6] Biodiversity credits are being promoted as an important new source of revenue for individual projects and conservation at large.

Whether or not substantial new revenue is raised, a biodiversity credit market brings with it a risk that further public funding for conservation will be withdrawn in anticipation of funding from private sources (see Policy Brief 32). Incidentally, the Parliamentary Commissioner for the Environment (PCE) has noted that there has been a 25% reduction in environmental spending by government in the same timeframe as pilot biodiversity markets have evolved.[7]

Many community groups and rural landowners are hoping that credits can become new, viable, long-term income sources for actions that protect and enhance indigenous biodiversity. However, it is likely that other fundraising strategies will need to be continued alongside any market.

Protecting the existing investment in biodiversity is important because voluntary biodiversity markets across the world have failed, to date, to achieve the scale needed to deliver significant new revenue and benefits for biodiversity or people.[8] New Zealand may be different, but it would be unwise to count on that at this early stage.

It is important to avoid eroding public investment in biodiversity conservation in anticipation of credit income because:

- A voluntary biodiversity credit market cannot substitute for the oversight and ability of public agencies who take a strategic approach to protecting biodiversity and correcting market failures.
- A voluntary market may only partly overlap with national priorities for biodiversity protection and action. A market might make little net contribution to biodiversity because of adverse selection (see Box 3)[9] or may produce outcomes for only certain charismatic species or from a subset of activities.
- Public conservation investment commonly underpins the generation of biodiversity credits by projects, through public research and development, and through innovation in conservation knowledge, techniques and technologies.

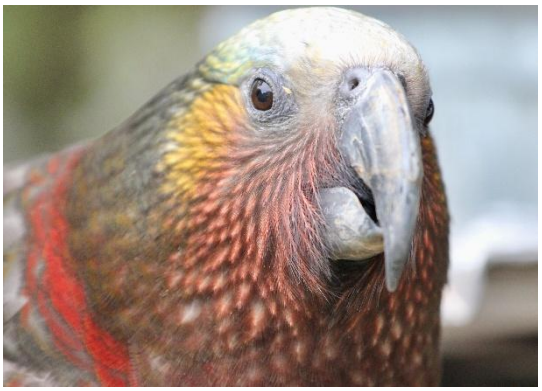
Controversy in the voluntary carbon market since 2023 means that bigger buyers are approaching voluntary markets more cautiously, further dampening demand. That dampened demand may affect emerging markets for biodiversity credits, so it is important to be realistic about the potential of markets to bring significant new funding to conservation.

RECOMMENDATIONS FOR GOVERNMENT

- **Recognise that voluntary credit markets are an untested potential source of additional income to an overall biodiversity conservation approach.**
- **Ensure that a voluntary credit market is expected to supplement and not displace or replace conservation funding from direct public spending.**

RECOMMENDATIONS FOR PROJECT PROPONENTS

- **Weigh up the obligations and transaction costs of different potential funding sources to determine the best mix for a project.**
- **As far as possible, maintain diverse conservation funding sources for a project (i.e. have 'eggs in many baskets').**
- **Differentiate credits (and associated biodiversity outcomes) earned through project activities funded in a voluntary credit market and any biodiversity outcomes resulting from public conservation funding. This differentiation is important for showing additionality and what is existing funding.**



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4. Costs of participation in voluntary biodiversity credit markets are explicit and transparent

For biodiversity project proponents, seeking and maintaining funding is demanding and often unsuccessful. Biodiversity markets can promise a continuous stream of reliable funding to reduce the funding churn. However, the costs of participating in a voluntary biodiversity credit market may be greater than for other forms of funding (e.g. grants). It therefore important that all costs are made explicit and transparent for both project proponents and buyers.

Box 3. How can non-additional environmental market outcomes be avoided?

Most environmental markets state they aim to ensure additionality: i.e. that the environmental improvements they deliver would not otherwise have been realised. However, in practice many 'gains' in carbon[10] and biodiversity offset markets[11] have been non-additional because they would have been realised under business-as-usual scenarios. This pattern is so prevalent internationally that some experts suggest that non-additionality should be assumed unless it can be robustly demonstrated otherwise.[12]

Voluntary biodiversity credit markets are vulnerable to 'adverse selection':[9] where people select and sell credits for less costly and less valuable outcomes (including those that would have occurred anyway under business-as-usual). Information asymmetry can also be a challenge because credit sellers can usually assess additionality and costs better than buyers, regulators and auditors. This can encourage sellers to supply low-cost, non-additional credits. Consequently, cheaper credits lower buyer price expectations making more demanding, expensive projects with greater biodiversity benefits less competitive in the market.

All projections of future additionality are uncertain, but the risk of non-additionality can be managed. Selecting projects that involve demonstrably new management actions and allowing independent and straightforward measurement of the difference(s) made can reduce the real and perceived risk of non-additionality.

It is particularly challenging to demonstrate additionality in avoided (or averted) loss projects which involve protecting pre-existing indigenous habitat rather than replacing habitat that has been lost. In this instance, the counterfactual is uncertain because the risk of potential clearance or other loss of biodiversity in individual areas of indigenous vegetation or species is often unclear. However, in a market context there is incentive for project proponents to overstate the risk to a site, which compounds the risk of non-additionality. Overstated risk seems to be common. Studies have shown pervasive non-additionality in avoided loss markets (e.g. biodiversity offsets in Australia[13] and in voluntary carbon markets internationally[10]) because of greatly exaggerated estimates of the anticipated risk of loss.

Project proponents will benefit from a clear understanding of participation costs, including:

- evaluating the prospect of credit funding against other forms of funding and/or determine how such costs will be met in advance
- understanding how the costs are split over activity, verification and other market requirements
- identifying any volunteer-led data collection opportunities to reduce costs while meeting relevant standards of quality
- comparing and contrasting the financial structures of different markets and projects.

Potential buyers of credits should also seek information on the costs they may incur and their distribution prior to purchasing credits. Questions to ask may include what proportion of the funding was spent on biodiversity improvement compared with monitoring and administration.

Over and above the costs of actions to improve biodiversity (which need to be covered in advance), the costs to projects participating in a biodiversity credit market may include:

- data collection and/or assessments to demonstrate the biodiversity gains are additional
- monitoring, reporting, and verification of biodiversity gains (including third party verification)
- legal and/or contracting costs
- administration costs associated with participating in a market, and
- measures to address risks of reversal of biodiversity gains (e.g. credit contribution to buffer funds, insurance).

There are also costs to establish and manage a voluntary biodiversity credit market such as:

- credit market design, establishment, and operation (including legal and contractual costs)
- development, refinement, vetting and review of standards to underpin the market
- market and standard accreditation, including any underlying quality management systems
- monitoring and reporting, including the monitoring of all biodiversity credit registries to reduce the risk of double issuing of credits
- registry design, development and maintenance
- marketing
- management of transactions
- assurance, including monitoring and enforcing liability for reversals in various circumstances.

RECOMMENDATIONS FOR MARKET DESIGNERS

- **Clearly outline the costs of participation for project proponents.**
- **Provide potential participants with consistent information to enable a valid comparison between different market options.**

RECOMMENDATIONS FOR PROJECT PROPONENTS

- **Seek realistic estimates of the diverse potential costs of participating in a market.**
- **Consider how credit income may impact the ability to attract other forms of funding or volunteer effort (positively and negatively).**

5. High integrity standards protect market longevity

Integrity principles for voluntary biodiversity credit markets can be challenging to uphold (see Policy Brief 32). Weak adherence to integrity requirements risks loss of investor and societal confidence because it can undermine achieving nature-positive objectives. Loss of confidence can threaten the sustainability of the market itself.

Markets both involve and affect landscapes and biodiversity that are treasured by and managed for the public. The public stake means markets are likely to face wider critique and scrutiny, e.g. by academics, non-government organisations and technical experts; and this wider scrutiny will be in addition to the verification requirements of the market.

When markets are facing low demand, there is often both pressure and temptation to loosen constraints on transactions to increase trades and 'get money flowing'.[14] But 'freeing up' can lead to the weakening of integrity standards and place the credibility and reputation of markets at risk, along with any biodiversity gains. And weaker standards can be self-defeating for the market in the long term as confidence erodes and investors move their resources elsewhere. Additionality (a key principle for achieving net biodiversity gains) is likely to be the most at risk from being weakened. Box 3 describes some of the potential challenges with demonstrating additionality.

High integrity standards are supported by transparency obligations and market oversight that helps to expose and remove bad actors (see Guardrail 7).

RECOMMENDATIONS FOR MARKET DESIGNERS

- **Provide clear, comprehensive and robust standards that detail what is required to meet integrity principles. Standard accreditation is recommended.**
- **Avoid the temptation to undermine the robustness of a market by weakening focus on the integrity principles to encourage participation.**

RECOMMENDATIONS FOR PROJECT PROPONENTS

- **Choose projects that clearly satisfy the integrity principles. Ensure the logic for adherence to the principles is transparent and can be supported by reliable evidence.**
- **Sell credits for biodiversity outcomes rather than actions.**
- **Choose projects in which outcomes can be directly measured and reported as the difference made when compared to an unbiased counterfactual baseline.**

6. National ecological information is improved, and guidance and advice are available to support projects

Reliable contextual ecological data, information and expertise are important for selecting suitable sites and conservation methods, making more accurate predictions about a project's benefits for biodiversity, and avoiding perverse and unintended outcomes. However, the information available on biodiversity across New Zealand's private land is often patchy, limited, unsuitable, and/or out-of-date. Improvements in the quality and quantity of ecological information, guidance and expertise available nationally will be important to support market transactions and enable effective monitoring at scale, especially for areas and types of biodiversity at greatest threat. While information gaps are progressively addressed, decisions affecting poorly understood ecosystems and species should be taken with great care (adopting the precautionary principle).

Because market participants have little incentive to invest in data and information beyond project sites, the task of improving and then supplying the wider contextual data needed to direct high-quality voluntary projects is likely to largely fall on government. Monitoring results from biodiversity credit projects could provide valuable data over time. However, realising that potential would require project proponents to measure and report outcomes using compatible measurement and data management systems which allow ready input and public sharing. Those systems are not available at present.

RECOMMENDATIONS FOR GOVERNMENT

- **Invest in the collection of publicly accessible information on biodiversity across private land as well as public land to provide context for selecting project sites.**
- **Provide guidance on how to measure biodiversity to reduce variability and improve the comparability around claims of biodiversity value by different projects.**
- **Convene a space for those developing projects and other key parties (e.g. media, experts) to share lessons (including failures) to improve the quality of projects and potentially reduce the costs of entering the market.**

RECOMMENDATIONS FOR PROJECT PROPONENTS

- **Gather contextual information and site-specific data to support credit claims and use experts to guide project planning–especially in poorly understood and specialist ecosystems (e.g. naturally uncommon and dryland ecosystems).**
- **Establish the skills (in-house or through external experts) to assess changes in biodiversity.**

7. Liability and consequences for non-delivery and/or reversals are clear from the outset

All markets face a risk of non-delivery and/or reversal of any biodiversity gains associated with credits.

The risk of non-delivery can be reduced by issuing credits only after biodiversity outcomes are demonstrated, so that credits are not awarded prematurely.

Reversals can occur for a range of reasons, including technical failures and natural disasters. A technical failure occurs when a restoration project has not realised the anticipated biodiversity gains despite undertaking all the required actions (e.g. a predator-proof fence is breached, a translocation fails due to unsuitable site conditions, or plants die due to browsing, disease, or competition). Natural disasters such as flooding, landslips, and fire can also quickly erase the outcomes of conservation effort.

Risks of reversal should be planned for with any liability to rectify reversals clearly stated in any market standard. The market should provide clarity and transparency about:

- the processes that will be followed when technical failures or natural disasters occur,
- who is liable for reinstatement of gains or recompense for losses, and
- what will happen if the reinstatement of gains is not possible (e.g. there is irreversible ecosystem damage or species extinction).

It is also important that the impact of any reversal is not borne by people who did not benefit from the sale of credits (e.g. communities or iwi/hapū).

The risk of reversal can potentially be managed by strategies which ensure that

- project proponents retain expertise adequate to promptly diagnose and remedy technical problems, or damage from natural events, over the life of the project
- individual projects contribute a portion of credits into a buffer pool managed by the market. The expectation is that credits are permanently removed (‘retired’) from the market when a reversal (loss) occurs in a project. Buffer pools need careful design to ensure what is in the pool adequately represents the range of biodiversity outcomes represented by the credits available in a market.

Risk management measures add costs to projects and may increase credit prices. These costs may be sizeable, and risks should be assessed robustly. To date, buffer pools in global carbon markets have been much smaller than needed to insure against the severity and frequency of disturbance risks and other failures encountered.[15]

RECOMMENDATIONS FOR MARKET DESIGNERS

- **Ensure that risk management and liability obligations and enforcement processes (including *force majeure*) are clear and transparently outlined in the market standard.**

RECOMMENDATIONS FOR PROJECT PROPONENTS

- **Understand the liability obligations for reversals and the consequences for the project.**
- **Develop a risk management plan for all potential risks of reversal and disclose this publicly.**
- **Ensure that expertise and funding are available to detect and address any reversals in accordance with agreed liabilities.**

Photo credit: Robyn Simcock

8. Market oversight is sufficient to detect and address fraudulent claims and bad actors

Market oversight is an important guardrail to reduce the risks that fraudulent claims and negligent actors pose to biodiversity and other legitimate market participants. Voluntary environmental markets can create incentives for participants to overestimate benefits and ignore or understate failures. For example, project proponents and registries need to maintain sales to generate their revenue. Third party auditors hired by projects may have incentives to be lax in their assessments (to retain clients) and have produced results skewed toward their client’s interests.[16] Voluntary standards bodies may also have a commercial stake in the volume of credits issued. Buyers purchasing credits for green reputation purposes, however, are unlikely to welcome exposure of failure.

Conflicts of interest bring a risk of fraud occurring at the level of the biodiversity credit market project, and/or in individual transactions. Market structures may also be exploited for other purposes, such as money laundering and other activities involving organised crime groups.

The global voluntary carbon market has demonstrated that outcomes for nature and people can be undermined if conflicts of interest are not managed. Therefore, managing the risk of fraudulent claims and the undermining influence of bad actors is in the interests of all legitimate market participants. But credible and practical mechanisms to detect and correct fraud and other wrongdoing are inherently difficult to provide in a voluntary market. Some potential tools to reduce these risks include:

- claw-back mechanisms that can withdraw or cancel credits after sales
- contractual obligations with recourse abilities for fraudulent project claims
- supportive measures to enable 'whistleblowers' to raise concerns about a participant
- training requirements for competency, independence, and ethical conduct for appointed third party auditors
- requirements for full disclosure of site-specific empirical data used to make any claim[17]
- requirements for a market to disclose poor operators and ability to sanction them (which will help maintain an even playing field for participants who take their responsibilities and their claims seriously).

One potential way markets can help discourage fraud is to only release additional credits once independent empirical measurements show the gains were achieved (self-reported progress nor modelled forecasts would not be appropriate). Other measures to discourage fraud in a market are likely to require government assistance or legal underpinning and include:

- potential use of legal mechanisms such as the Fair Trading Act 1986 and/or other consumer related legislation to address fraudulent claims
- legislation that allows third parties to uphold market rules and seek legal remedies for breaches by market administrators or participants ('open standing' provisions).[18]

Buffer pools and insurance are options to address risk of technical failure and natural disasters (also see Guardrail 6). However, they are not appropriate to address poor compliance or the consequences of fraudulent claims (and indeed, if available for that use, could encourage non-compliance or fraud).

RECOMMENDATIONS FOR GOVERNMENT

- **Clarify the legal mechanisms available to purchasers of biodiversity credits in New Zealand to address fraudulent claims.**
- **Clarify the legal mechanisms and provisions available to allow third parties to uphold market rules and seek legal remedies for breaches by administrators of or participants in a New Zealand biodiversity credit market.**

RECOMMENDATIONS FOR MARKET DESIGNERS

- **Establish and clarify the penalties for fraudulent claims.**
- **Choose a robust, appropriate, and – ideally – accredited standard to reduce the risk of fraudulent claims. The standard should demonstrate third party oversight of the market and the standard, with the standard (in time) being accredited to an international standards body.**
- **Require project proponents to provide sufficient information to validate claims. For transparency, this would involve putting the standard and a summary of all certificated credits on a website, or similar.**
- **Do not allow project proponents to select their auditor, rather the market should identify the auditor for a project. This should be someone with suitable accreditation and familiarity with the standards who is independent of the project proponents.**
- **Ensure that project proponents have mechanisms in place to detect and reduce the risk of fraudulent claims and unmet requirements; and to deal effectively with any detected cases of fraud.**
- **Publicly disclose and appropriately sanction all fraudulent credit claims or claims with unmet requirements – including where credits are sold multiple times or credits are issued for the same activity in more than one market.**

RECOMMENDATIONS FOR PROJECT PROPONENTS

- **Support credit claims by collecting site-specific empirical outcome data that aligns with the requirement of the standard and will support verification needs.**
- **Carry out due diligence on the risk and benefits of different markets, project partners and potential purchasers to uphold integrity.**

9. System stewardship supports oversight and monitoring of market transactions at scale

The impacts of voluntary biodiversity credit markets extend beyond the individual transactions and bring risks of unintended outcomes at a system level. Sellers of credits will often have limited incentives, resources, and access to the information necessary to monitor the combined effects and outcomes of all projects across jurisdictions. The monitoring, assessment, and correction of any wider impacts of the market will need to be undertaken by government.

For example, a market can potentially contribute to:

- cost-shifting (e.g. withdrawal of public funding in anticipation of income from voluntary markets)
- leakage (the displacement of harmful activities from project sites to other places)
- displacement or undermining of voluntary protection or stewardship
- deliberate damage or neglect in anticipation of payment for repair and restoration
- impacts on indigenous people's rights and interests through ill-conceived projects
- displacement of activities that have other economic, environmental and social benefits.[19]

RECOMMENDATIONS FOR GOVERNMENT

- **Monitor outcomes of a voluntary biodiversity credit market at a system level alongside the monitoring of biodiversity on public land.**
- **Require markets to report and make publicly available all transaction information and project activities and outcomes.**
- **Undertake and publish regular independent assessments of market activities and outcomes. Provide the results as a transparent public record of how project proponents and markets adhere to requirements for meeting the integrity principles and are contributing to biodiversity gains.**

Implications of market design for credit buyers

This Policy Brief has focused on the guardrails for government, market designers and developers, and project proponents wishing to sell credits in a voluntary biodiversity market. However, many of these guardrails are also relevant for the buyers of biodiversity credits. Credit buyers will know why they are buying credits and will be best placed to assess the nature of the risks they will face should the credits not deliver their intended outcomes.

Several actions buyers can take to mitigate their risk before they enter a market are listed below.

- Review integrity principles and how they are ensured, assured, and/or encoded in the standard used by the market (e.g., how is additionality being treated).
- Review the reversal obligations and processes to address fraudulent claims (for example, what will happen to the credits you've purchased if the project fails to deliver the biodiversity gains due to a natural disaster or unsuccessful restoration actions).
- Buy credits based on units of biodiversity gain rather than actions being undertaken to improve biodiversity. This reduces the risk of non-delivery of the biodiversity gains associated with purchased credits.

Conducting buyer due diligence will enhance market oversight and help mitigate the risk that the anticipated biodiversity outcomes linked to a credit may not materialise.

Conclusions

High integrity markets for voluntary biodiversity credits will support buyers and sellers over the long term, so it is worth getting it right from the outset. Legitimate participants (buyers and sellers) have a vested interest in protecting the integrity of these markets. The guardrails outlined in this Policy Brief are aimed at giving New Zealand the best chance to establish a credible voluntary biodiversity market. Many of our recommendations are aimed to mitigate the temptation for market designers and developers, and sellers and buyers of credits to cut corners, with each guardrail highlighting an important issue to tackle.

We have made several recommendations to address the problems and challenges that voluntary biodiversity credit markets encounter but acknowledge that some challenges cannot reasonably be addressed by those developing markets or projects. One such challenge is fostering the skills required to develop robust and credible markets as well as projects that will provide additional biodiversity gains for New Zealand. This would include skills in market development and the measurement and verification of biodiversity gains. These skills will be needed to ensure any voluntary biodiversity credit market is robust and will deliver the promised improvements in biodiversity.

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