

Business, Biodiversity Offsets and BBOP

An Overview





Forest Trends, Conservation International and the Wildlife Conservation Society provided the Secretariat for BBOP during the first phase of the programme's work (2004 – 2008).

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About this document

This Overview document with its Principles on Biodiversity Offsets and the accompanying supporting materials have been prepared by the Business and Biodiversity Offsets Programme (BBO P) to help developers, conservation groups, communities, governments and financial institutions that wish to consider and develop best practice related to biodiversity offsets. They were developed by members of the BBO P Secretariat and Advisory Committee¹ during the first phase of the programme's work (2004 – 2008), and have benefited from contributions and suggestions from many of the 200 people who registered on the BBO P consultation website and numerous others who have joined us for discussions in meetings.

The Advisory Committee members support the Principles and commend the other working documents to readers as a source of interim guidance on which to draw when considering, designing and implementing biodiversity offsets. Best practice in biodiversity offsets is still in its infancy, and the

concepts and methodologies presented here need to be further discussed, developed, tested and refined based on more practical experience and broad debate within society.

All those involved in BBO P are grateful to the companies who volunteered pilot projects in this first phase of our work and for the support of the donors listed overleaf, who have enabled the Secretariat and Advisory Committee to prepare these documents.

BBO P is embarking on the next phase of its work, during which we hope to collaborate with more individuals and organisations around the world, to test and develop these and other approaches to biodiversity offsets more widely geographically and in more industry sectors. BBO P is a collaborative programme, and we welcome your involvement. To learn more about the programme and how to get involved please:

See: www.forest-trends.org/biodiversityoffsetprogram
Contact: bbop@forest-trends.org

¹ The BBO P Advisory Committee currently comprises representatives from: Anglo American; Biodiversity Neutral Initiative; BirdLife International; Botanical Society of South Africa; Brazilian Biodiversity Fund (FUNBIO); Centre for Research-Information-Action for Development in Africa; City of Bainbridge Island, Washington; Conservation International; Department of Conservation New Zealand; Department of Sustainability & Environment, Government of Victoria, Australia; Ecoagriculture Partners; Fauna and Flora International; Forest Trends; Insight Investment; the International Finance Corporation; International Institute of Environment and Development; IUCN, The International Union for the Conservation of Nature; KfW Bankengruppe; Ministry of Ecology, Energy, Sustainable Development, and Spatial Planning, France; the Ministry of Housing, Spatial Planning and the Environment, The Netherlands; National Ecology Institute, Mexico; National Environmental Management Authority, Uganda; Newmont Mining Corporation; Pact Inc.; Rio Tinto; Royal Botanic Gardens, Kew; Shell International; Sherritt International Corporation; Sierra Gorda Biosphere Reserve, Mexico; Solid Energy, New Zealand; South African National Biodiversity Institute; Southern Rift Landowners Association, Kenya; The Nature Conservancy; Tulalip Tribes; United Nations Development Programme (Footprint Neutral Initiative); United States Fish and Wildlife Service; the Wildlife Conservation Society; Wildlands, Inc.; WWF; Zoological Society of London; and the following independent consultants: Susie Brownlie; Jonathan Ekstrom; David Richards; Marc Stalmans and Jo Trewick.

During Phase 1 of BBO P, the BBO P Secretariat was served by Forest Trends, Conservation International and the Wildlife Conservation Society.

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Business, biodiversity and offsets

Must development, even sustainable development, inevitably result in biodiversity loss? Development decisions are complex and generally involve balancing economic, social and environmental factors. In consequence it is common practice for biodiversity impacts to be 'compensated' by other types of gain, resulting in a net loss of biodiversity. For many years this type of outcome has been considered acceptable and perhaps unavoidable. Now, however, many individuals and organisations, from companies, banks and governments to civil society organisations, believe that the inevitability of this outcome can and should be challenged. In many cases, development projects can take place without an overall loss of biodiversity.



Biodiversity offsets offer one potential mechanism to balance the impacts of development activities with the conservation of biodiversity, the sustainable use of its components and the fair and equitable sharing of its benefits. In essence they constitute measurable conservation gains, deliberately achieved to balance any significant biodiversity losses that cannot be countered by avoiding or minimising impacts from the start, or restoring the damage done. They are specifically designed to address the impacts that remain in such a way that the offset can reasonably be predicted, on the basis of our scientific understanding, to result in no net loss of biodiversity from the perspective of all relevant stakeholders.

As such, they represent a promising opportunity to build on the growing interest of many companies in developing partnerships with governments, civil society and conservation organisations to address the environmental impacts of their activities, and to enhance their contribution to biodiversity conservation and sustainable development.

This overview document provides an introduction to the Business and Biodiversity Offsets Programme, its work to date, the principles and challenges of offset development, and the programme's vision for the future.

The Business and Biodiversity Offsets Programme (BBOP)

Over the last four years, the Business and Biodiversity Offsets Programme (BBOP), a partnership of some 40 leading organisations and individuals including companies, governments, conservation experts and financial institutions from around the world, has been exploring biodiversity offsets⁴. The BBOP partners have sought to develop the principles and methodologies required to support best practice in voluntary biodiversity offsets. They have begun to test these in a series of pilot projects, whilst opening broader consultation with policy makers and other stakeholder groups. The first phase of BBOP's work (2004 – 2008) has now concluded, and the programme is embarking on the next phase (2009 – 2011) and also looking ahead to a possible

third phase (2012 – 2014). The following vision, mission and goals for the programme will guide its work. BBOP's expectation is that biodiversity offsets will become a standard part of the development process when projects have a significant residual impact on biodiversity, resulting in long term and globally significant conservation outcomes.

BBOP's vision

BBOP envisages a future in which biodiversity offsets are applied worldwide to achieve no net loss and preferably a net gain of biodiversity relative to development impacts.



⁴ The members of the Advisory Committee during Phase 1 of BBOP are listed in footnote 1 above.



BBO P's mission

BBO P's mission is to provide leadership in the establishment of biodiversity offsets as a widely recognised and applied tool by developing and promoting best practice, based on agreed principles.

BBO P's goals

- To provide a global forum for collective learning, the dissemination of biodiversity offset concepts and the sharing of experience in offset implementation.
- To assist developers in designing and implementing offsets that produce measurable conservation outcomes in the widest range of countries and sectors possible.
- To support the development of institutional, legal and regulatory frameworks to require and implement biodiversity offsets.
- To improve biodiversity offset concepts and methods informed by practical experience and research.
- To promote development and adoption of biodiversity offset standards and methods for verification.

- To facilitate transparent and accountable partnerships among developers, governments, NGOs, researchers, communities and indigenous peoples that strengthen delivery of high quality and long lasting offsets.
- To explore and communicate innovations in biodiversity offsets including market-based and community-oriented approaches.
- To align biodiversity offsets with efforts to address the underlying causes of biodiversity loss.

Defining biodiversity offsets

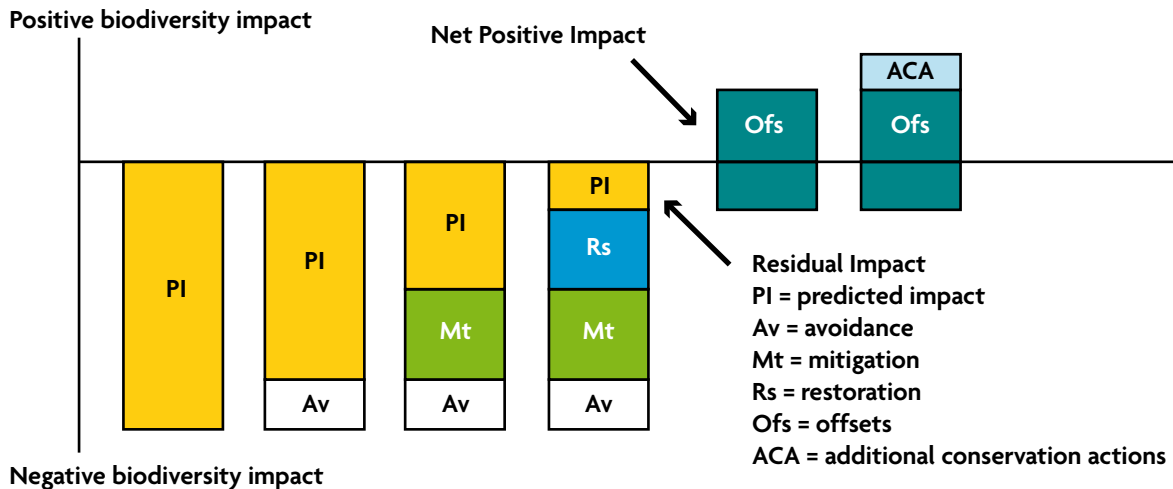
The BBOP partners have defined biodiversity offsets (see Box 1) as the measurable conservation outcomes that result from actions designed to compensate for development projects' impacts. Key elements of this definition are clarified in the Principles on Biodiversity Offsets (page 8). Essentially, 'conservation outcomes' refer to improved maintenance and recovery of viable populations of species in their natural surroundings.

To be an offset, these outcomes should be quantifiable, since the purpose of biodiversity offsets is to demonstrate a balance between a project's impacts on biodiversity and the benefits achieved through the offset. This involves measuring both the losses to biodiversity caused by the project and the conservation gains achieved by the offset.

Box 1 The BBOP Definition of 'Biodiversity Offsets'

Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development after appropriate prevention and mitigation measures have been taken. The goal of biodiversity offsets is to achieve no net loss and preferably a net gain of biodiversity on the ground with respect to species composition, habitat structure, ecosystem function and people's use and cultural values associated with biodiversity.

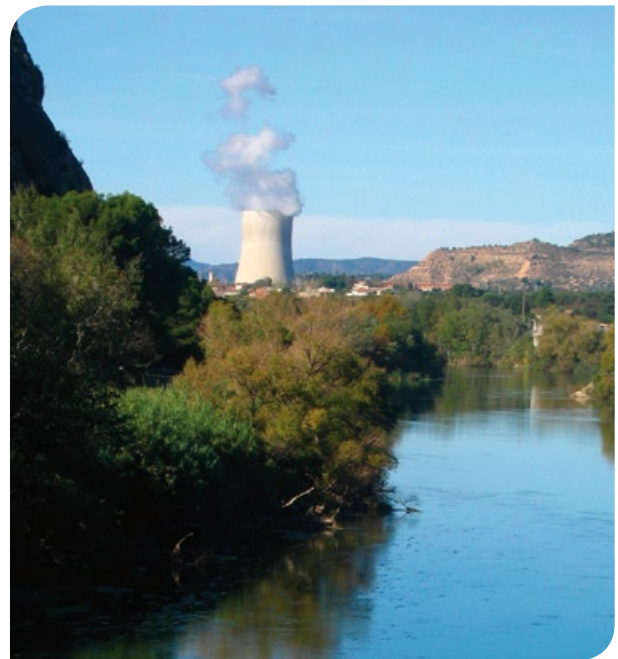
Figure 1 The mitigation hierarchy



Sources adapted from Rio Tinto and Western Australia EPA

The emphasis on outcomes rather than processes reinforces this requirement for quantification. Thus, although the planned activities, location, etc. may be known informally as the developer's 'offset', it is the measurable results on the ground, and not the plans, that count. The definition goes on to stress that developers should first seek to avoid and minimise the impacts of their projects on biodiversity, so that the role of biodiversity offsets is only to tackle the remaining impacts after appropriate avoidance, minimisation and restoration have taken place. This is illustrated in Figure 1. The inclusion of the word 'significant' reflects the level of effort needed to measure biodiversity losses and gains, which may not be justified where residual damage is deemed to be minimal.

The aim of a biodiversity offset is to achieve 'no net loss' and preferably a 'net gain' of biodiversity. Much of BBOP's work has been to explore what this means in practice, given the innate complexity of biodiversity (the variability among all kinds of living organisms). Its various components (genes, species and ecosystems) hold distinct and highly variable values for different people. With this in mind, the definition alludes to



some of the important aspects of biodiversity that need to be taken into consideration when planning an offset: namely species composition, habitat structure, ecosystem function and people's use and cultural values associated with biodiversity.

BBOP's progress and achievements

Promoting the concept

When BBOP started at the end of 2004, the concept of biodiversity offsets was little known, often misunderstood, barely tried and untested in most parts of the world. It was rarely acknowledged as a tool that might contribute to sustainable development. There was no international forum to bring together groups from all sectors of civil society to discuss and work on this promising, but complex and controversial mechanism. Furthermore there were few pilot projects with explicit goals of 'no net loss' or a 'net gain' of biodiversity to which people could contribute their ideas, and case studies of voluntary biodiversity offsets could be counted on the fingers of one hand.

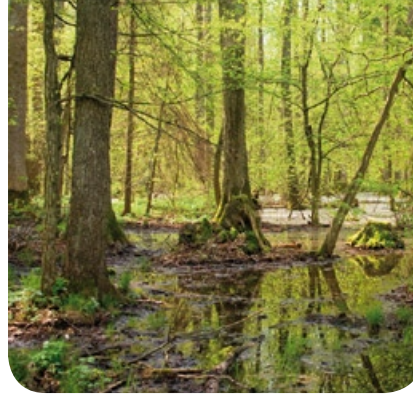


BBOP has stimulated and contributed to increasing global interest and commitment to biodiversity offsets. By 2009, biodiversity offsets had attracted considerable interest and support, and this continues to grow. Many environmental managers and government planners are familiar with the idea. More governments have introduced offset policy and others are now developing it. Banks are increasingly including biodiversity offsets in their loan conditions, and more companies see that voluntary biodiversity offsets make business sense and are using them as a means to secure good working relationships with communities and government authorities. Industry associations, inter-governmental organisations, non-governmental organisations, academics and the media have all published on the subject.

Practical experience and broadening engagement

Shell, Newmont, Anglo American, Sherritt, Solid Energy New Zealand and the City of Bainbridge Island have all stepped up to the challenge, contributing a set of pilot projects that are being designed and implemented with the involvement of members of the BBOP Advisory Committee. The BBOP Secretariat has held discussions with representatives from governments as varied as China, UK, France, the Netherlands, Qatar, Ghana, Uganda, Madagascar, Brazil, Mexico and New Zealand, all of whom have expressed interest in further work and policy development on biodiversity offsets. In Brazil, the Brazilian Biodiversity Fund (FUNBIO) is collaborating with BBOP and replicating its multi-stakeholder approach to developing best practice on voluntary offsets at the country level.

Under recent Decisions of the Conference of the Parties to the Convention on Biological Diversity, a treaty ratified by 191 state parties, the Secretariat



of the Convention is to collaborate with BBOP and other relevant organisations to compile and/or make available: (a) case-studies; (b) methodologies, tools and guidelines on biodiversity offsets; and (c) relevant national and regional policy frameworks⁵. Similarly, a resolution at the most recent Conference of the Parties to the Ramsar Convention on Wetlands 'encouraged decision makers, especially business leaders, to develop and adopt policies, strategies and operational approaches according to existing national and international guidelines and standards for ecosystem management, including wetlands, which avoid, remedy or as a last option "offset" adverse impacts on wetland ecosystems, including considering the potential benefits that could be derived from the Business and Biodiversity Offsets Programme (BBOP)⁶. BBOP has contributed to fora and training workshops at the 2007 and 2008 annual meetings of the International Association of Impact Assessment and the IUCN World Conservation Congress in Barcelona.

The BBOP Learning Network of individuals and organisations worldwide now has over 1,000 members, from Afghanistan to Zambia.

Developing principles, methods and tools

BBOP is a voluntary programme that has operated by seeking consensus among the members of its Advisory Committee. The BBOP Advisory Committee members represent groups in society with diverse perspectives



on environment and development from many different countries. They have worked hard to reach agreement on fundamental issues relating to biodiversity offsets, and to develop practical guidelines for offset design and implementation. Chief among this group's products is a set of basic principles which members of the Advisory Committee unanimously support and hope that other companies, governments and civil society will also adopt as a sound basis for ensuring high quality biodiversity offsets. The principles are set out in Box 2, and provide the compass and framework for all the other BBOP products.

⁵ See Decision IX/26, Promoting Business Engagement. Decisions IX/11 and IX/18 also mention biodiversity offsets. See <http://www.cbd.int/decisions/cop9/?m=cop-09>.

⁶ See Resolution X.12 Principles for partnerships between the Ramsar Convention and the business sector. http://www.ramsar.org/res/key_res_x_12_e.pdf.

Box 2 Principles on Biodiversity Offsets supported by the BBOP Advisory Committee

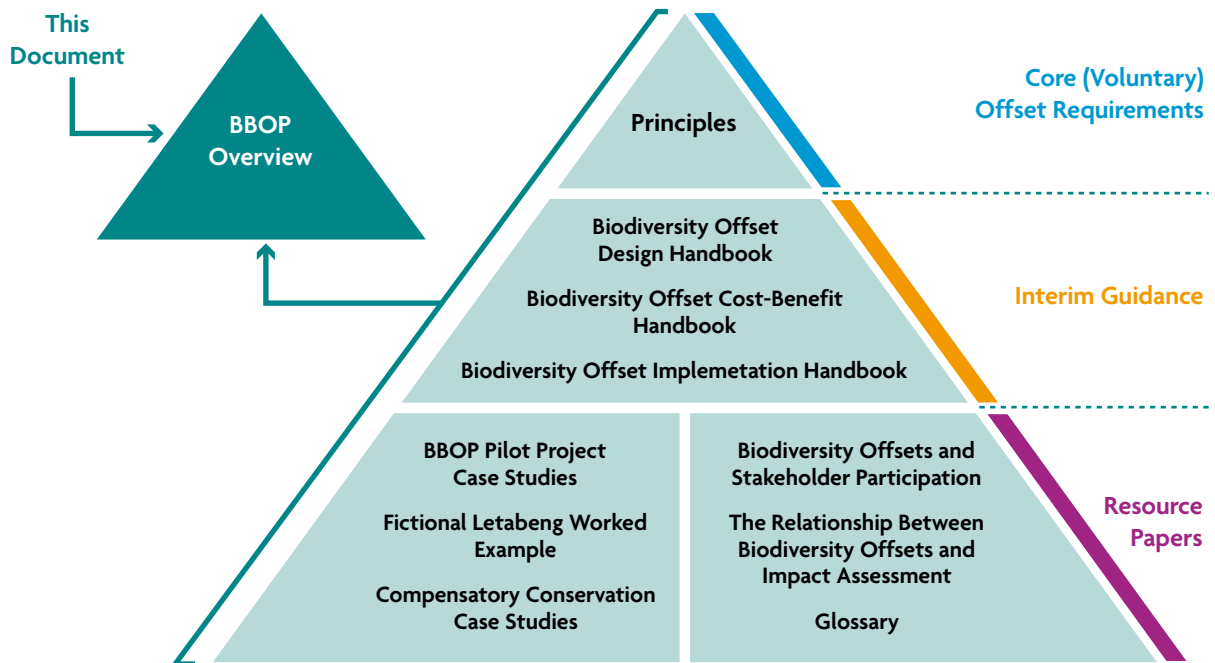
Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development⁷ after appropriate prevention and mitigation measures have been taken. The goal of biodiversity offsets is to achieve no net loss and preferably a net gain of biodiversity on the ground with respect to species composition, habitat structure, ecosystem function and people's use and cultural values associated with biodiversity.

These principles establish a framework for designing and implementing biodiversity offsets and verifying their success. Biodiversity offsets should be designed to comply with all relevant national and international law, and planned and implemented in accordance with the Convention on Biological Diversity and its ecosystem approach, as articulated in National Biodiversity Strategies and Action Plans.

1. **No net loss:** A biodiversity offset should be designed and implemented to achieve *in situ*, measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity.
2. **Additional conservation outcomes:** A biodiversity offset should achieve conservation outcomes above and beyond results that would have occurred if the offset had not taken place. Offset design and implementation should avoid displacing activities harmful to biodiversity to other locations.
3. **Adherence to the mitigation hierarchy:** A biodiversity offset is a commitment to compensate for significant residual adverse impacts on biodiversity identified after appropriate avoidance, minimization and on-site rehabilitation measures have been taken according to the mitigation hierarchy.
4. **Limits to what can be offset:** There are situations where residual impacts cannot be fully compensated for by a biodiversity offset because of the irreplaceability or vulnerability of the biodiversity affected.
5. **Landscape context:** A biodiversity offset should be designed and implemented in a landscape context to achieve the expected measurable conservation outcomes taking into account available information on the full range of biological, social and cultural values of biodiversity and supporting an ecosystem approach.
6. **Stakeholder participation:** In areas affected by the project and by the biodiversity offset, the effective participation of stakeholders should be ensured in decision-making about biodiversity offsets, including their evaluation, selection, design, implementation and monitoring.
7. **Equity:** A biodiversity offset should be designed and implemented in an equitable manner, which means the sharing among stakeholders of the rights and responsibilities, risks and rewards associated with a project and offset in a fair and balanced way, respecting legal and customary arrangements. Special consideration should be given to respecting both internationally and nationally recognised rights of indigenous peoples and local communities.
8. **Long-term outcomes:** The design and implementation of a biodiversity offset should be based on an adaptive management approach, incorporating monitoring and evaluation, with the objective of securing outcomes that last at least as long as the project's impacts and preferably in perpetuity.
9. **Transparency:** The design and implementation of a biodiversity offset, and communication of its results to the public, should be undertaken in a transparent and timely manner.
10. **Science and traditional knowledge:** The design and implementation of a biodiversity offset should be a documented process informed by sound science, including an appropriate consideration of traditional knowledge.

⁷ While biodiversity offsets are defined here in terms of specific development projects (such as a road or a mine), they could also be used to compensate for the broader effects of programmes and plans.

Figure 2 Outputs of BBOP's first phase



As Figure 2 illustrates, the principles are accompanied by a set of other BBOP documents that are commended to readers as a source of interim guidance on which to draw when considering, designing and implementing biodiversity offsets.

The three Handbooks provide a description of key issues worthy of consideration, outline typical steps to take in offset design and implementation, and offer interim guidance on how to do so. They include a range of optional tools and methodologies that might be used in different circumstances. Resource papers on stakeholder participation and the relationship between biodiversity offsets and impact assessment provide supplementary guidance.

In addition, there are case studies on the BBOP pilot projects, and brief case studies on a range of other biodiversity offset and compensatory conservation projects. Finally, a glossary clarifies the terminology used throughout the documents.

Best practice in biodiversity offsets is still in its infancy, and the concepts and methodologies described in the BBOP documents need to be further discussed, developed, tested and refined based on more practical experience and broad debate within society. Thus the documents that accompany the principles are offered simply as an interim source of information and guidance. The BBOP partners hope to improve and update them over time.

Box 3 Interim Guidance and Resource Papers from BBOP

The Biodiversity Offset Design Handbook. This presents information on a range of issues, methodologies and possible tools from which offset planners can select the approaches best suited to their individual circumstances. It describes a generic process of typical steps that offset planners could use in designing a biodiversity offset, from initial conception of a development project to the selection of offset sites and activities. This involves describing the project; exploring the policy context; engaging stakeholders; undertaking biodiversity surveys and applying the mitigation hierarchy; quantifying residual impacts; identifying and comparing potential offset sites; calculating conservation gains for preferred offset sites and deciding upon the final scope, scale, nature and location of offset.

The Biodiversity Cost-Benefit Handbook. Many different individuals' and groups' involvement in the design and implementation of a biodiversity offset may be important to ensure its fairness and success, but this Cost-Benefit Handbook focuses in particular on people living in and around the project and potential offset sites. To be successful, biodiversity offsets should compensate indigenous peoples, local communities and other local stakeholders for any residual impacts of the project on their biodiversity based livelihoods and amenity. They also need to deliver the offset's conservation gains without making local people worse off, for example from land and resource use restrictions created by the biodiversity offset, and to provide incentives and perceived benefits for local people to participate in delivery of the required conservation gains. This is essentially a cost-benefit comparison between the benefits to local people of the offset, and the costs to local people of the residual biodiversity related impacts of the project and offset. The Handbook explains how to use economic tools of valuation and cost-benefit analysis to make this comparison and arrive at a package of benefits for local stakeholders that compensate them for residual impacts and secure their involvement and support for the offset.

The Biodiversity Offset Implementation Handbook. The success of a biodiversity offset will depend on ensuring that an effective institutional and management structure is in place; that financial flows are sufficient; and that systems are in place to ensure that the offset objectives are achieved. The Offset Implementation Handbook assumes that the nature of offsetting activities and magnitude and location



Box 3 Interim Guidance and Resource Papers from BBOP (continued)

of the offset (in a single location, or as a composite) have already been identified and the planner is now seeking to put in place the mechanisms for implementation, permanence and good governance. It offers a discussion of the potential roles and responsibilities of potential stakeholders, legal and institutional aspects of establishing an offset, and how a biodiversity offset management plan can be developed. Then the Handbook suggests a number of ways in which a biodiversity offset can be financed over the long-term, discussing ways to calculate the short and long-term costs of implementing the biodiversity offset, and exploring long-term funding mechanisms, such as the establishment of conservation trust funds and non-fund options that explore a diverse array of revenue sources to achieve sustainability. It addresses how a biodiversity offset can be monitored and evaluated, and the final section helps the offset planner prepare to launch the implementation of the offset.

Resource Paper on Biodiversity Offsets and Stakeholder Participation. Effective participation is critical to both the success and fairness of biodiversity offsets. The aim of this paper is to explain the value and purpose of stakeholder identification, engagement and participation in the design and implementation of biodiversity offsets, and to provide guidance on relevant good practice tools and approaches. It is intended to support the Biodiversity Offset Design, Cost-Benefit and Implementation Handbooks and help offset planners implement the Principles on Biodiversity Offsets by offering suggestions and source material on best practice in the participation of stakeholders in the design and implementation of biodiversity offsets.

Resource Paper on the Relationship Between Biodiversity Offsets and Impact Assessment. This paper considers whether and how the process of designing and delivering biodiversity offsets should be integrated with impact assessment. It explains why impact assessment might be considered a suitable 'vehicle' for biodiversity offsets and outlines its possible role. It introduces Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) and describes how they inter-relate in planning systems. Many businesses integrate their environmental and social impact assessment processes in Environmental and Social Impact Assessment (ESIA) and embed these in overall Social and Environmental Management Systems, as the paper explains.



Key challenges in offset development

The collaborative work of the BBOP partners in Phase 1 (2004 – 2008) has enabled significant progress to be made in reaching consensus on a wide range of issues and aspects of biodiversity offset design and implementation. BBOP is a voluntary programme, and participants now have at their disposal a broad portfolio of guidance, tools and suggested methodologies to assist them. In some areas, however, key issues have emerged as remaining challenges standing in the way of widespread application of biodiversity offsets as a tool for conservation and sustainable development. These challenges are scientific, technical, philosophical, ethical and political in nature; they face society at large. In Phase 2 of BBOP these issues will be addressed by the participants through further dialogue, analysis and pilot projects, and, where an issue is best addressed through other related efforts, BBOP will reach out and participate in those fora as appropriate. This section provides a brief summary of those key issues.



Trade offs

Decisions on project approvals – including decisions whether to proceed with a project (the so called ‘Go/No-Go’ decision) and the conditions attached to projects – always involve trade offs between areas of cost or impact and areas of benefit or gain. In practice, however, challenges arise through different perceptions of acceptable trade offs among companies, government agencies, conservationists, and local communities involved in complex decision-making processes. BBOP’s intention is to propose a set of practical methodologies to account for biodiversity value and for conservation actions that include options to compensate for loss of biodiversity through an offset. The vision is that biodiversity values are systematically accounted for alongside other environmental, social and economic impacts – both positive and negative – in the context of development projects, and that the option of a biodiversity offset is considered as one possible management action to achieve the goal of no net loss or preferably a net gain of biodiversity. A priority for BBOP Phase 2 will be to identify and resolve any issues related to the integration of biodiversity offsets into formal permitting or approval procedures, including the Environmental and Social Impact Assessment processes.

Risk management and assurance of outcomes

There has been little societal debate and as yet limited societal agreement on the fundamental issue of how the cost of managing risks of biodiversity loss from projects should be shared among different stakeholders, including the risk that biodiversity offsets fail to achieve no net loss of biodiversity. There are many different perspectives on key questions such as whether and how offset



planners should use ‘multipliers,’ time discounting, conservation banks, adaptive management systems, and other means to account for and insure against the uncertainty that offset goals will be achieved within a defined time frame. As with all actions planned and taken by society through its decision-making processes, the conservation outcomes from biodiversity offsets can never be guaranteed with 100 percent certainty. Even if an offset is designed using the best available science and predictive models, unanticipated factors arising during the course of the implementation of the development project and biodiversity offset might hamper progress towards achieving no net loss of biodiversity. The BBO P principles endorse an adaptive management approach to dealing with deviations from expected results. A priority for Phase 2 of BBO P will be to promote further pilot testing of adaptive management and other means to assure conservation outcomes with adequate resources and extensive multi-stakeholder participation. Activities during BBO P Phase 2 will seek to bring perspectives from more sectors in society to the table and provide a common base of information and analysis that helps facilitate greater multi-stakeholder consensus on risk management in biodiversity offsets.

Indigenous peoples’ rights

The circumstances under which indigenous peoples have the right to ‘free, prior and informed consent’ (FPIC) are addressed under instruments such as the 2007 UN Declaration on the Rights of Indigenous Peoples. The scope of FPIC – and how it is translated into national law and also applied voluntarily by businesses and NGOs – is an emerging field that remains the subject of debate. BBO P guidance and other publications are not intended to replace or duplicate existing expertise or forums related to the FPIC issue. Further dialogue, analysis and piloting

under BBO P Phase 2 on this important topic will need to be informed by the latest international developments surrounding FPIC.

Boundaries of acceptable impacts

The BBO P principles reflect consensus that certain development impacts should be considered inappropriate for biodiversity offsets due to considerations of the irreplaceability or vulnerability of the biodiversity concerned. Perhaps most obviously, the extinction of a species cannot be offset, and ‘no net loss’ outcomes cannot be achieved for some other types of severe impact. However, broadly accepted guidance has yet to be developed on how the thresholds of impacts that can be offset should be determined and used in practice. This will be addressed during BBO P Phase 2 activities, with the objective of establishing general global guidelines on impacts that cannot be offset, and demonstrating how such guidelines can be applied in project design.

Availability of land and marine areas for offsets

Although making an offset does not always depend on a developer securing a new site, locating a specific unmanaged or poorly managed area that can be managed better to pursue conservation targets and objectives does facilitate the offset process. A challenge facing developers in many countries is the availability of land for offset activities over which they have influence and for which there is clear land tenure. In BBO P Phase 2, more thought will be given to developing practical guidance on how developers can overcome constraints from land use and land-holding patterns and the options for offsetting when these constraints are insurmountable.

Scientific uncertainty and data gaps

High quality data on components of biodiversity and associated threats are important to the design of biodiversity offsets. However, available biodiversity information is often incomplete, or the scale of the information available too coarse. A sustained public and private sector research commitment to address key areas of scientific uncertainty and to fill data gaps will be essential to the long-term success of biodiversity offsets as a conservation tool.

A continuing priority for BBOP in Phase 2 will be to integrate the latest advances in biodiversity science into pilot projects, and to highlight future priorities for the research agenda.

Multiple definitions and methods regarding 'no net loss' and lack of a common currency for quantifying biodiversity loss and gain

More than 100 different methodologies are currently used around the world to quantify the loss and gain of species, natural habitats and ecosystem services. Numerous laws and public policies explicitly promote or require 'no net loss' or 'net gain', but rarely provide clarity on how the term should be interpreted and applied in the field. From the variety of methodologies available, no common currency has emerged as the most appropriate to quantify and compare loss and gain of biodiversity. Different approaches may be appropriate for determining no net loss in different settings. In addition, the scope of biodiversity loss and gain to be quantified is often unclear. Further piloting and analysis on various metrics in a range of practical settings will be necessary to broaden the limited experience to date and to formulate consistent guidance on methods for design and implementation of biodiversity offsets in line with the BBOP principles. A priority for Phase 2 of BBOP will be to continue to develop a small number of widely accepted and practical currencies that can be used in a very wide range of settings to design

'no net loss/net gain' biodiversity offsets through comprehensive and consistent quantification of biodiversity loss and gain.

Multiple benefit offsets

Biodiversity offsets are one of several voluntary schemes and practices emerging in the field of payment for environmental services that include carbon offsets and water offsets. Arguments for designing offsets that can deliver multiple benefits for communities, conservation and economies through the provision of livelihoods, the preservation of important biodiversity and maintaining ecological processes and services at a single site are compelling. A priority for BBOP in its next phase is to provide the methodologies for communicating how a site that has been selected for its biodiversity attributes might also deliver other environmental services, such as carbon sequestration, and how these different benefits can be properly accounted for and linked to the environmental loss for which the developer intends to compensate.





Capacity

For biodiversity offsets to be a norm of best environmental practice at development sites, a greater capacity than is currently present will be needed in government and civil society organisations to oversee, support and approve well designed, sustainable offset activities. In particular, environmental and social impact assessment (ESIAs) processes are rarely designed to accommodate biodiversity offsets and officials reviewing ESIA's are poorly informed about biodiversity offsets, if they are aware of the concept at all. In BBOP Phase 2, we will consider how best to build capacity in host governments and put in place other elements of the 'enabling environment' needed for offsets to succeed, including reaching out to other organisations that are well placed to disseminate information and provide training to influential practitioners and decision makers.

Attracting more and different participants to BBOP

From its early beginnings, BBOP sought to attract companies to participate and to volunteer operations from a variety of industry sectors and geographies as biodiversity offset pilots. Currently, there is a strong representation of companies from the mineral extractive industries in the programme. In BBOP Phase 2, effort will be made to complement this by expanding the number of company participants and seeking to achieve a more diverse representation of industry sectors, including those that have a large spatial footprint, such as agriculture.

Application of the offset guidance

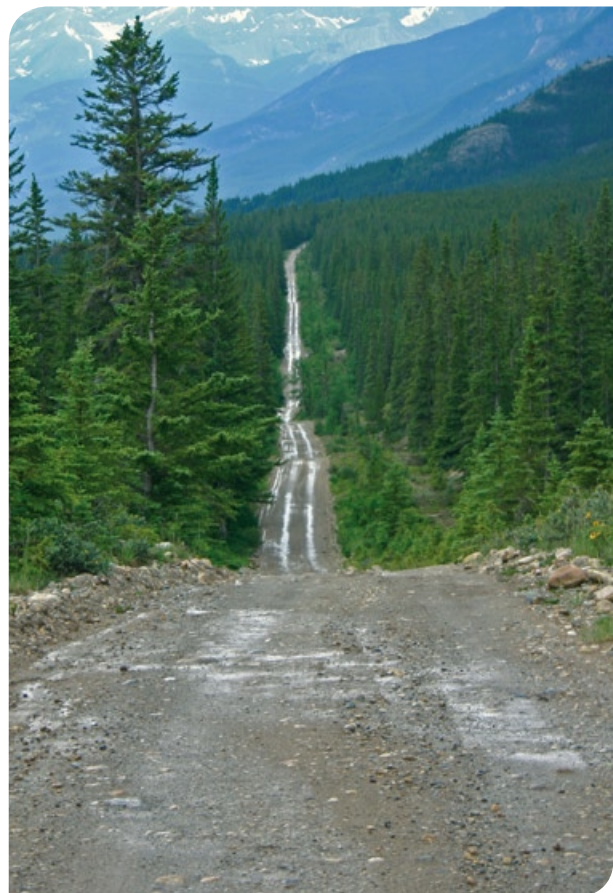
One of BBOP's objectives is to build practical biodiversity offset tools that have been piloted in the field. In BBOP Phase 1, the companies' pilot sites found that not all of the BBOP guidance and methodologies were easily applied to some of the projects. BBOP Phase 2 will further refine the interim guidance published in BBOP Phase 1 and ensure that the experience and lessons learned at the pilot sites are reflected in future versions of the methodologies in order to produce useful and straightforward guidance for developers.

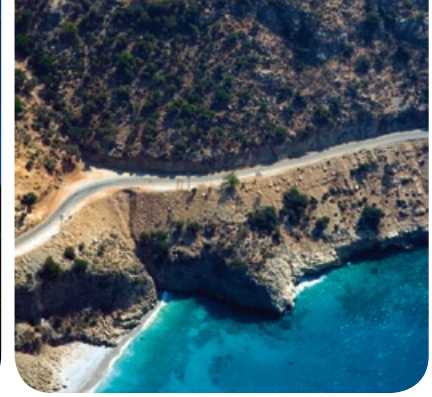
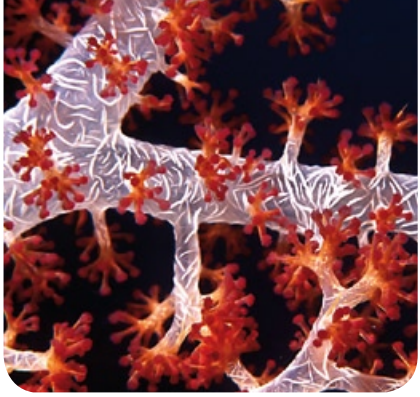
The future for BBOP and biodiversity offsets

Future priorities

BBOP is embarking on an ambitious second phase, from 2009 – 2011. We hope: to involve more companies, governments, financial institutions and civil society organisations in order to bring more perspectives and practical suggestions to the work on biodiversity offsets; to help foster broader consensus in society on how to achieve no net loss and a net gain of biodiversity; and to scale up the adoption of emerging best practice. Priorities for Phase 2 include:

- **Verification and auditing protocols** – developing agreed protocols for verification and auditing of biodiversity offsets. This could provide a foundation for the future development of internationally agreed and certifiable standards for biodiversity offsets.
- **A broader portfolio of biodiversity offset experiences** – demonstrating through BBOP pilot projects and others' experiences how biodiversity offsets could work in a broad range of countries and industry sectors.
- **Better guidelines** – improving the BBOP guidelines on how to design and implement biodiversity offsets, based on broader geographic and sectoral experience of BBOP members and others.
- **National level interventions** – providing technical support and policy advice on biodiversity offsets, landscape-level and regional planning to governments, through general reports and specific advice.
- **Aggregated offsets and banks** – working with government, multiple developers in given regions, and other stakeholders to combine offsets and plan them at the ecoregional and landscape scales, including, where appropriate, the use of conservation banks and the trading of biodiversity credits at national or local levels.
- **Training and capacity building** – training a cadre of professionals worldwide to support companies and governments in the design and implementation of biodiversity offsets and associated regulation and policy.
- **Communications** – providing a global forum to make the case that development projects result in no net loss of biodiversity by following the mitigation hierarchy and applying biodiversity offsets, and to share and disseminate collective learning and experience with biodiversity offsets, including market-based and community-oriented approaches.



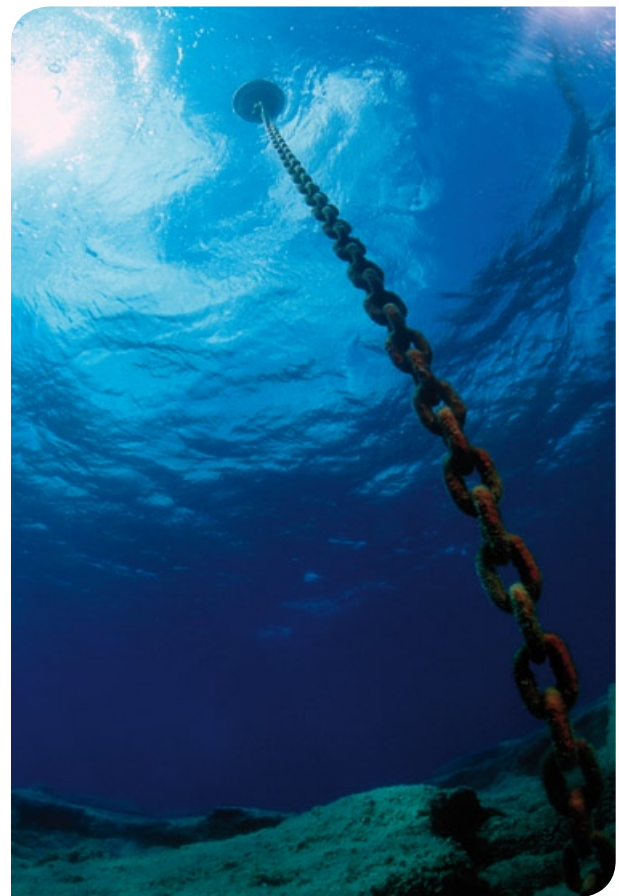


Reasons for engagement now

The last few years have witnessed growing interest in the use of biodiversity offsets by governments, banks and companies. As 'no net loss' or a 'net gain' of biodiversity (and ultimately of social and environmental values more broadly) are increasingly acknowledged as a core part of society's expectation of developers, more legislation and investment conditions requiring biodiversity offsets are likely to be introduced in the next few years, in tandem with voluntary practice. Early policies on biodiversity offsets, including those currently under development, are likely to be a model for wider adoption of biodiversity offsets around the world. The coming years are consequently a vital period in which to be involved for any company, government, financial institution or civil society organisation wishing to influence global policy and practice on biodiversity offsets. The BBO P partners encourage readers to consider the following:

- **Companies** should consider how their long-term business opportunities and licence to operate might benefit from being a leader in delivering biodiversity offsets and fostering the partnerships they involve.
- **Public sector developers** should think how biodiversity offsets could help their government to meet its biodiversity conservation targets and commitments, and simultaneously enable them to meet the expectations of local stakeholders.
- **Policy makers** should consider how participation in the practical offset pilot project experience being generated through BBO P, and the high-level debate on key issues, could enable them to prepare better regulation in the area of biodiversity offsets.

- Those representing the **interests of civil society**, whether in biodiversity conservation, community development or other issues, may find that BBO P offers a unique opportunity to debate with governments and developers and to influence their actions on biodiversity offsets.
- **Banks, asset managers and insurers** involved in financing development projects may find that BBO P's products and meetings will assist their understanding of the risks and opportunities associated with biodiversity offsets, and facilitate management of those risks in their investments.



Next steps for BBOP

The BBOP Secretariat will continue the programme's work in collaboration with the BBOP Advisory Committee and Learning Network. The group plans to strengthen and improve the programme's governance for the next phase to accommodate the needs of a growing programme, ensuring it is accountable, representative, transparent and effective.

The BBOP partners aim to contribute to achieving the programme's vision by focussing on the priority areas of work outlined above. Over the coming years, we hope to collaborate with more individuals and organisations around the world, from different sectors of civil society and in more countries. The BBOP partners recommend that governments, companies and civil society organisations:

- Apply the BBOP principles when considering, designing and implementing biodiversity offsets
- Develop more empirical experience on the design and implementation of biodiversity offsets, report the results transparently and use them to shape evolving best practice.
- Foster broader debate in society to help reach agreement on the scientific, technical, philosophical, ethical and political issues that affect the use of biodiversity offsets
- Get involved in BBOP, which will be working in these areas

How to contact the Programme

To learn more about the programme or contact us about how to get involved, please see:

www.forest-trends.org/biodiversityoffsetprogram/

or contact:

bbop@forest-trends.org



The documents noted in Box 3 can be downloaded from www.forest-trends.org/biodiversityoffsetprogram/guidelines/ and requested on CD from bbop@forest-trends.org.



To learn more about the BBOP principles, guidelines and optional methodologies, go to:
www.forest-trends.org/biodiversityoffsetprogram/guidelines