



## POSITIVE INCENTIVES COLLABORATIVE PROJECT

*Task 18 of the Biodiversity Plan “The Power of Voluntary Action”*

Case Study (Brazil)

# LIFE Biodiversity Credits

LIFE Institute



Organizers



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# LIFE BIODIVERSITY CREDITS

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## **Summary**

When the concept behind LIFE Biodiversity Credits was first developed in 2010, the purpose was to develop a science-based methodology that would allow organizations to assess their biodiversity performance qualitative and quantitatively. LIFE Biodiversity Credit is a unit of positive outcome in biodiversity evaluated through LIFE metric. It represents conservation efforts and biodiversity results in a given area, considering its biodiversity importance and the quality of the area management, reflecting the efficacy of biodiversity projects implemented, and considering its additionality and permanence. Although the general rules for management and negotiation of LIFE Biodiversity Credits (LBC) are recent, the methodology behind the calculation of LBC is well established, counting on scientific indicators and all its technical details are publicly available. It is already being used by businesses that deliver biodiversity positive performance and are willing to get into the trading market as well by public and private landowners that maintain natural protected areas.

Founded in 2009 to connect businesses and biodiversity, LIFE Institute acts as a non-profit international standard-setting organization, responsible for the development and management of LIFE Methodology for Business and Biodiversity, LIFE Biodiversity Credits, and their third-party certification system. The development of LIFE Methodology and its metrics involved 198 professionals and 96 organizations in public meetings, technical meetings, and pilot-audits, culminating in the launch of its 1.0 version in August 2011. Twelve years later (August 2023), the LIFE metrics started to be used to calculate LIFE Biodiversity Credits (LBC).

## **Case Study**

### **Context**

Biodiversity is essential to maintain life on Earth and the ecosystem services that guarantee the functionality of business operations and society. In addition to all its intrinsic value, biodiversity plays a fundamental role in mitigating climate change. Ecosystems that are rich in species diversity act as large natural carbon reservoirs. The conservation of habitats such as forests, wetlands and marine environments, means to invest in natural solutions to reduce greenhouse gas emissions,

balancing the carbon cycle and at the same time contributing to mitigate the effects of climate change. Conservation and restoration of biodiversity directly contribute to strengthening the resilience of ecosystems to face climate change.

After Biodiversity COP 15 and the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF), biodiversity credits are gaining visibility, and a voluntary biodiversity credit market is starting to be established. Biodiversity credits represent one of the mechanisms capable of scaling up private investment in nature.

## How it works

According to the [Biodiversity Credit Alliance](#) (May 2024), 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 without project activities. LIFE Biodiversity Credit is a unit of positive outcome in biodiversity evaluated through LIFE metric. It represents conservation efforts and results in a defined area (Protected Areas or Other effective area-based conservation measures - OECMs), considering its biodiversity importance and the quality of area management, reflecting the efficacy of biodiversity projects implemented, considering its additionality and permanence. LIFE Biodiversity credits present materiality, traceability and must be third-party audited. A minimum of 30 years commitment to the conservation of the area is required to be eligible for LIFE Biodiversity Credits generation.

Since biodiversity is complex and the permanence and maintenance of biodiversity and ecosystems cannot be evaluated with a single field evaluation, LIFE Metric establishes two levels of biodiversity assessment:

- In the short-term, conservation and/or ecosystem restoration actions are assessed, considering the quality of the area (extension and biological importance) and its management (planned and implemented actions in the area). Technically, 16 qualifiers are evaluated, including size of area, native vegetation coverage, ecoregion's importance, threatened species category, invasive potential of exotic species, stage of succession, protected area categories, duration of the actions, among others.
- In the medium /long term the results related to the maintenance of composition, structure and function of ecosystems are evaluated and accounted for credits. This monitoring considers genetic, populations and communities composition present in the area that is been protected, information on landscape, trophic structure, habitat as well as information regarding the maintenance of ecosystem services such as decomposition, nutrients cycling and carbon sequestration, among others.

Assessed through a rigorous process of independent auditing and certification, the positive performance<sup>1</sup> that results in biodiversity credits is calculated by LIFE Key Software and audited annually in the field. Project data are inserted into the software that has all reference data inside and are scored automatically. After applying the specific rules for generating biodiversity credits, accredited certifying bodies emit the LIFE Biodiversity Credit Certificate that indicates the amount of credits available for trading. Details on the scoring system and rules applied are available at [lifeinstitute.org](http://lifeinstitute.org).

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<sup>1</sup> See the *Example of private business generating biodiversity credits in the Pantanal* below. The value demonstrated in the example represents the Positive Biodiversity Performance.

Status of LBC available are accessible in the LIFE Biodiversity Credits Platform, a virtual space that gathers all the information for the negotiation of LIFE Biodiversity Credits, making available to the public the commercial contact of the holders/brokers of the LBC, the amount of LBC available for commercialization, country of origin, ecoregion and basic information about the conservation projects to the biodiversity generating the LBC. LIFE Institute is responsible for the management of LBC Platform.

## **Interested parties**

Landowners, indigenous/traditional peoples and communities, governments, financial institutions and businesses are some of the parties interested in LIFE Biodiversity Credits. Potentially, any area that is protected, private or public, can generate biodiversity credits.

### ***Landowners***

LIFE Biodiversity Credits are an appealing opportunity for landowners that have invested in conservation of natural ecosystems. Those who already protect natural areas (Protected Areas and/or OECMs) might from now on generate additional income through the LBC scheme, by generating and feeding credits to the market. For those willing to start investing in conservation, LBC might stimulate the process.

### ***Indigenous, traditional peoples and communities***

The general rules for the management and negotiation of LBC stand that, in cases where communities are involved in the projects that generate LBC, at least 30% of the benefits from LCB negotiation must be directed to the guardians of the area(s). In Brazil, projects to generate LBC in indigenous land are being implemented in the Amazonian region and intending to return 100% of future sale of these credit to the community involved.

### ***Governments***

Governments can use LBC mechanism to:

- Create public policies using the credits to:
  - i. offer economic incentives to landowners that voluntarily protect natural areas (Protected Areas or OECMs),
  - ii. recognize and/or offer economic incentives for companies or natural persons that are generating biodiversity credits,
  - iii. stimulate and encourage companies that can invest in biodiversity credits to counterbalance their own pressure on biodiversity.
- Generate financial resources that can be reinvested in implementation and improvement of protected areas.

An example of the latter can be found in the “C-Pack Creative Packaging restores local biodiversity with partners” – C-Pack Conserva case, also presented in this publication (PICP).

### ***Financial institutions***

Financial institutions play a crucial role in the biodiversity credit market. They can stimulate the creation of funds and special lines of credit for clients involved with the LBC mechanism. They can use/require biodiversity credits as a guarantee for debts, negotiating interest rates and payment terms.

Banks may also invest in biodiversity credits to counterbalance their own impacts as well as their portfolios' impacts on biodiversity.

## Businesses

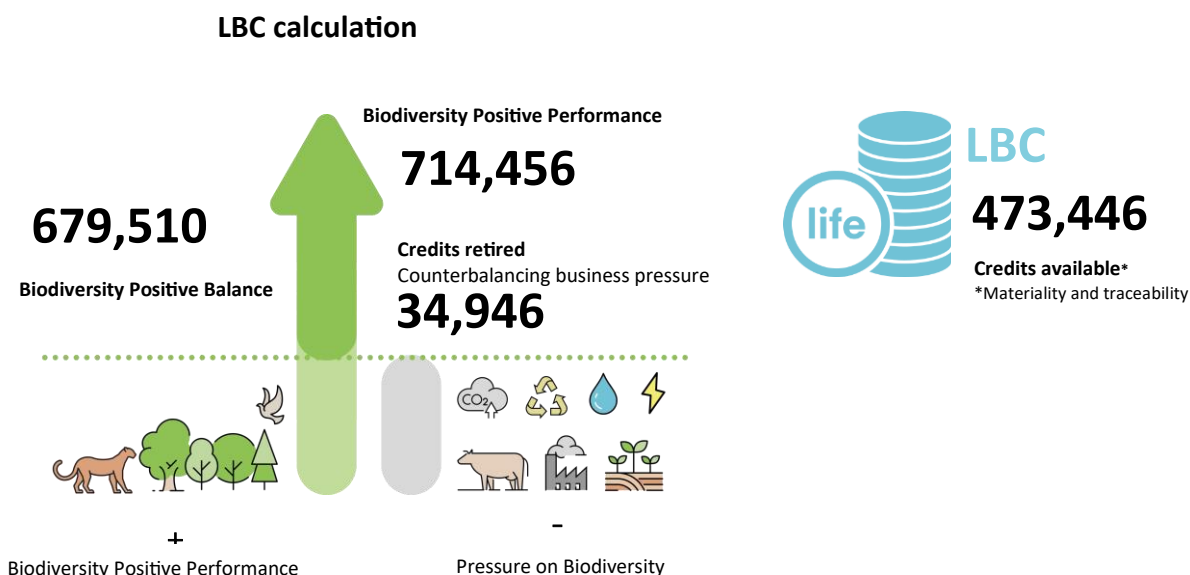
Businesses are being required to position themselves in the biodiversity agenda and LIFE Methodology enables organizations to adopt a systematic approach. In this regard, the LBC mechanism provides a science-based and third-party assessed solution that is attractive to businesses and contributes to Target 15 of the GBF and other corporate initiatives requirements.

In order to generate LBC, businesses are required to calculate and counterbalance their pressure on biodiversity as well as to implement the management indicators offered by the LIFE Standard for Business and Biodiversity. This is one of the measures to prevent the use of the LBC mechanism for greenwashing.

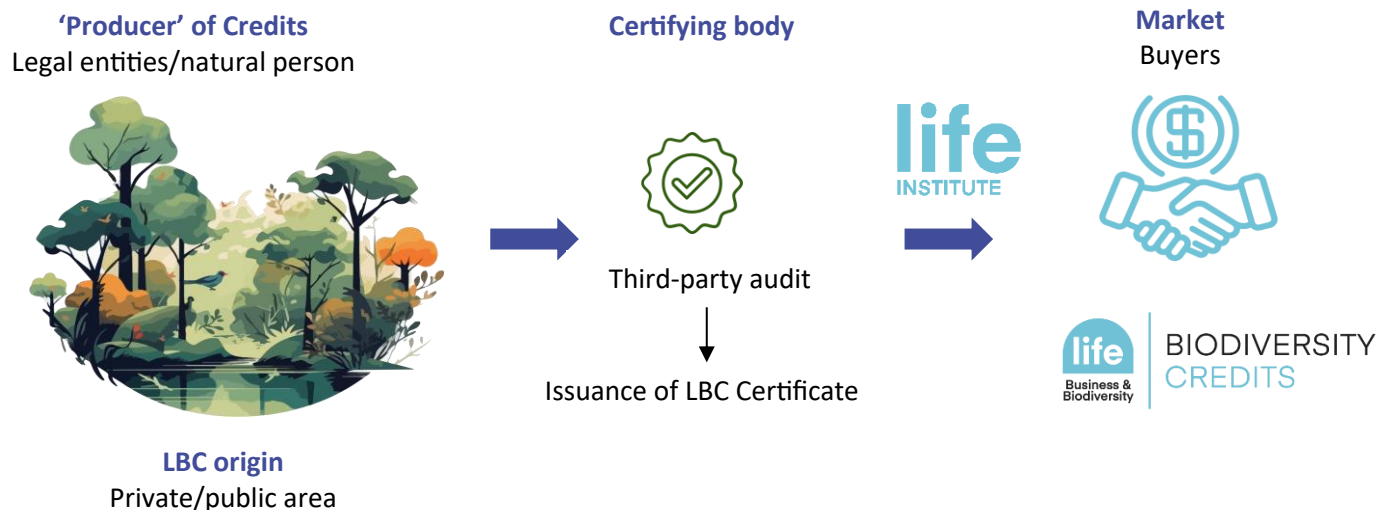
After calculating business pressure on biodiversity, the biodiversity minimum performance to counterbalance the impact is subtracted from the biodiversity positive performance and it is 'retired'. The remaining positive performance that meets technical criteria for credit generation, such as materiality and traceability, results in the amount of credits available to be traded in the market. The example of private business generating biodiversity credits in Pantanal below illustrates how it works.

### Example of private business generating biodiversity credits in the Pantanal

Caiman owns 53,000 hectares and its mission is to conserve the fauna, flora and culture of the Pantanal Biome in Brazil. Having the ecotourism as the main driver of actions for conservation and preservation of the Southern Pantanal, the initiative combines livestock farming with biodiversity conservation projects, including fauna and flora monitoring actions and reintroduction of fauna species, with emphasis on the creation of a Private Natural Heritage Reserve (RPPN Dona Aracy). With an area of 5,603 hectares, the reserve serves as home to more than 500 species of animals, including 350 species of birds. Jaguar, giant anteater, tapir, capybara, ocelot, blue macaw and tuiuiú are some of the species present in the region.



## Credit flow



- 'Producer' of Credits – owners of natural areas (e.g. small landowners, owners of protected areas or OMCs, public or private, companies or other organizations).
- Certifying Bodies – independent accredited certifying bodies are responsible for carrying out annual on-site audits and issuing biodiversity credit certificates.
- [LIFE Institute](#) – standard setting organization, issuer of LBC ownership titles and manager of [LBC Platform](#).
- Buyers – entities or natural persons interested in buying LBC

The negotiation of the credits will occur directly between the credit holder and the buyer. Pricing is not established, and it is expected that first negotiations will generate great variation of values until an average price begins to stabilize, regulated by the market itself.

## About LIFE Institute

Founded in 2009, [LIFE Institute](#) was created to connect businesses and biodiversity, recognizing and adding value to private and public institutions that implement actions in favour of biodiversity conservation. LIFE Institute is a non-profit international standard setting organization, responsible for the development and management of LIFE methodologies (Business & Biodiversity and Sustainable Territorial Management), LIFE Biodiversity Credits, and their third-party certification systems.

The development of LIFE Methodology for Business & Biodiversity involved 198 professionals and 96 organizations in public meetings, technical meetings, and pilot-audits, and culminating in the launch of its 1.0 version in August 2011. Headquartered in Brazil, the largest holder of biodiversity in the world, it is also operational in Europe, Mexico and Paraguay, and the finalization of a global metric is currently in progress.

### ***Public-Private partnership case in the Paraná State – South of Brazil***

The Sustainable Development State Department of Paraná State (SEDEST/PR) is engaging with BRDE Bank (public financial institution for the development of the region formed by Rio Grande do Sul, Santa Catarina and Paraná – States of Brazil) to promote the valorization of private natural areas with native and conserved vegetation, generating an extra income for the landowners that can be invested in more biodiversity conservation in these areas. Aiming to fight deforestation by valuing native forest, generate income to small private landowners and to drive the biodiversity credit market in the State of Paraná, SEDEST is going to finance, for the period of three years, the certification process of biodiversity credits for 25 private protected areas (approximately 2,500 hectares), involving several segments of society (the civil society, certifying body, financial institution, and private sector). This pilot project is going to generate an average additional income through the commitment by the bank to buying the credits.

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