

Cepi position paper on nature credits

Nature credits are relatively new market-based instruments designed to assign measurable value to the protection, restoration, or sustainable management of natural ecosystems. Nature credits are measured and tradeable units of nature-positive outcome linked to a project. Schemes for nature credits already exist and can be of different types. A nature credit can be purchased by a company who wishes to restore nature, sustainably manage or protect ecosystems and can certify their contribution to nature conservation. Other schemes are used to offset negative biodiversity impacts from an economic activity.

The European Commission aims to establish a framework to develop high-integrity nature credits. The Commission envisions these credits as a tool to mobilize finance for ecosystem restoration and biodiversity enhancement while supporting the EU's climate and sustainability goals.

The European pulp and paper industry wishes to contribute to this development. The industry contributes to the viability of sustainable management in the EU, where it sources 86% of the wood, and shares the strategic objective to keep forests healthy and growing. This includes maintaining and enhancing biodiversity, which is a key component of forest ecosystem stability and productivity. These are the industry's recommendations on the development of nature credits and a nature credits market:

1) Unintended effects of large-scale uptake of nature credits should be avoided.

The uptake of nature credits projects in forests should not shrink the area available for wood supply and sustainable forest management for production, resulting in diminished raw materials provision for the forest-based bioeconomy, endangering the European self-sufficiency and competitiveness. As this initiative comes after many other newly introduced legislations and policies that have an impact on wood supply, it is important to assess and prevent the possible unintended effects on the forest-based industries. It is important to note that presently there is no general impact assessment on how the implementation of the EU Biodiversity Strategy and of the Nature Restoration Law, combined with other EU initiatives (e.g. carbon removals certification) would impact wood supply in Europe. It should be also considered that action to improve biodiversity within Europe may result in shifting production and associated damages to other regions. It is essential to recognize the risk of leakage and take measures to prevent it. Any initiative on nature credits must go together with the need to increase availability of EU-grown wood needed for developing a resilient bioeconomy and to reduce the dependency on fossil resources.

The sale of national capital, including valuable natural resources, on the international market also poses a considerable risk to European security. This risk must be carefully evaluated when assessing both the establishment and the broader implications of such a market.

2) Nature credits should not be used to compensate environmental harm and should remain voluntary.

The use of nature credits for offsetting would allow companies to claim that environmental harm in one place is compensated by biodiversity action elsewhere. This mechanism should not be allowed within the nature credits framework, and the principle should always be to reduce harm first. These actions should be verified through a third-party audit before any use of credits is permitted. Biodiversity preservation and enhancement is already an integral part of evidence-based sustainable forest management activities carried out in Europe by public and private actors. Other industries should not be allowed to greenwash their credentials by purchasing credits linked to forestry projects in Europe. Moreover, unlike climate

change mitigation action, which has effects at global level, biodiversity action and its benefits are local and context dependent. For this reason, the international trade of credits should also be avoided.

The nature credits system should remain a voluntary market on both ends: legislation should not mandate landowners and managers to enter the system nor companies to purchase those credits.

3) Nature credits should be result-based and not prescriptive on management approaches.

Nature credits should not result in taking land out of production or imposing restrictions that reduce forest productivity. For this reason, nature credits should focus on incentivising a broad range of actions that contribute towards nature-positive outcomes, yet without mandating a specific management system. All sustainable forest management practices that generate positive biodiversity externalities should be eligible for nature credits. The focus should be on achieving the desired results in the target region and habitat, based on verified proxy-result relationships, rather than dictating a method used to get there. This is necessary to avoid that one-size-fits-all management practices are applied across the very diversified range of forest ecosystems in Europe. The choice of the right proxy is essential, and it should be measurable and empirically proven to correlate with the desired outcome. For example, the concept of closer-to-nature forestry, and potential initiatives related to it, should not be seen as the gold standard, as this approach may not be suitable for all types of forests and soils.

4) Nature credits should take into due account local variability.

There is an inherent complexity in measuring biodiversity, as there are multiple metrics and ways to do it. In fact, biodiversity can be understood and measured in different ways, from genetic diversity in a single population to diversity at landscape level. Moreover, unlike carbon emissions, biodiversity assessment and metrics needs to be appropriate for the local conditions. While this is not a disadvantage per se, the complexity makes it more difficult to design a scheme that can work for the entire EU. In particular, it would be difficult to set generic “biodiversity baselines” that should be used to verify the additionality of the action. Most likely, these would need to be designed at site level and not at EU level.

Moreover, the methodology for assigning the certification must be practical, clear, understandable, transparent, scientifically robust, and able to measure and compare different types of biodiversity outcomes to be useful to stakeholders and financial institutions.

5) The benefit of nature credits should be carefully assessed, also considering the cost of biodiversity monitoring.

Despite multiple existing initiatives on the establishment of those schemes, it is not yet clear how to make such market work in Europe. Unlike carbon credits, it is difficult to establish the value of such credits in absence of a clearly established market. Monitoring of biodiversity is also generally costly, and it is not clear if the price of nature credits would be enough to cover it. In forestry the usability of remote sensing in recognizing biodiversity improvements is very limited, and in situ inspections are required. Before setting up such system, a careful assessment of how the market could develop should be carried out.

Cepi is the European association representing the paper industry. We offer a wide range of renewable and recyclable wood-based fibre solutions to EU citizens: from packaging to textile, hygiene and tissue products, printing and graphic papers as well as speciality papers, but also bio-chemicals for food and pharmaceuticals, bio-composites and bioenergy. We are a responsible industry: 85% of our raw materials are sourced from within the European Union, 92% of the water we use is returned in good condition to the environment. We are the world champion in recycling at the rate of 70.5%. At the forefront of the decarbonisation and industrial transformation of our economy, we embrace digitalisation and bring 25 billion value addition to the European economy and €5 billion investments annually. Through its 19 national associations, Cepi gathers 490 companies operating 870 mills across Europe and directly employing more than 180,000 people.

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