

Habitat Banking in the EU – Workshop

DG Environment, Brussels – 11th September 2009

Overview: a seminar was held to discuss a draft report, produced by EFTEC. Andrew Dodd and Zoltan Walicksy (RSPB/ Birdlife), Carrie Hume (WWT) and Tony Gent (ARC/ SEH) attended from the UK NGOs; UK statutory organisations DEFRA (Sarah Webster) and SNH (Daniel Gotts) were also present. European Environmental NGOs were also represented by Pieter De Pous (EEB), Erik Gerritsen (WWF EPO), Joshua Bishop & Elodie Chene (IUCN)

The discussion focused around the draft report produced by the consultants EFTEC and Institute for European Environmental Policy for the European Commission (DG Environment). A summary report 46 pages long, entitled “The use of market based instruments for biodiversity protection – the case of habitat banking” and dated 7th August 2009, was circulated and this drew on a longer technical report (which I haven’t looked at!). The aim of the workshop was to develop the ideas outlined in the report further. I am unsure about the availability of the report beyond those attending the workshop: as it is only a draft document I haven’t been able to locate it on the internet, I therefore have not attached a copy of it to this report. However I do not intend to summarise this in this note and would recommend that if you are interested in this topic that you source the original and consult it for details (I can provide contact details of the consultancy undertaking this work).

Habitat Banking develops the thinking behind ‘mitigating/ compensating’ for damage into a slightly more confusing direction and hence the difference between Habitat Banking and Biodiversity Offsets is important:

Habitat banking is “a market for the supply of biodiversity credits and demand for those credits to offset damage to biodiversity (debts). Credits can be produced in advance of, and without ex-ante links to, the debts they compensate for, and stored over time”.

Biodiversity offsets (BBOP 2009) are “measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development and persisting after appropriate prevention and mitigation measures have been implemented. The goal of biodiversity offsets is to achieve no net loss, or preferably a net gain, of biodiversity on the ground with respect to species composition, habitat structure and ecosystem services, including livelihood aspects”.

The report provided a synopsis of the ‘pros & cons’ of Habitat Banking that focused on achieving a goal of ‘no net loss of biodiversity’. It considered that this could provide a useful additional instrument arguing that the creation of market incentives can stimulate private investment in biodiversity conservation. The mechanisms needed will depend on the trade of between a ‘free market’ versus a ‘regulated market and the need for intervention by the EC to ensure a ‘level playing field’ versus flexibility to allow member states to develop their own approaches.

Benefits

- Economic benefits – e.g. economies of scale, reduced ‘transaction costs’ & introduction of market incentives

- Market created will be similar to 'tradable permits' for units of emissions: but value will be location specific
- Potential for more reliable. Predictable biodiversity benefits, reduced fragmentation, longer term viability and large scale measures
- Option to 'trade up' to address higher conservation priorities
- Clear link to 'polluter pays' principle
- Decouples the 'project by project' approach and allows more strategic thinking

Difficulties:

- Introduce perverse incentives ('licence to trash') – lowers the threshold of acceptability
- Securing 'additionality' – credits sold might simply displace activity to do things that would have happened anyway
- Determining 'equivalence' (i.e. what represents 'like for like')
- Debatable value of 'risk aversion' where the trade is simply increasing protection or management of one existing area (i.e. safeguarding it) to compensate for loss of equivalent area - is this a net loss or a gain??
- Avoiding cumulative detrimental impacts

The application of this approach is harder for rare species/ habitats and those 'fixed' at one location, often hard to envisage how it would work for compensating damage to Natura 2000 sites, but becomes increasingly conceptually simple to apply for more widespread and common biodiversity. It is unlikely that any single approach will fit all circumstances.

My main issue was that the application of 'derogations' under the Directive, which would be needed to allow the Habitat Banking approach to be applied to Natura 2000 sites or listed species, would require a reference to Favourable Conservation Status, and not simply to 'no net loss'.

What's next?

There is no clear or defined future direction for this work – the report was to develop thinking and there is no assumption that this approach will be positively (or negatively) pursued by DG Environment. The seminar was introduced by saying this was a 'stepwise approach to test the water' and to see what comes of the

Importantly, though the overall conclusions from the consultants that there is mileage in the approach, the report majors on the possible pitfalls. There may be consideration to expand remit to look at compensation for wider range of 'ecosystems goods & services' and not just biodiversity

A draft summary report of the meeting has been produced seeking comments – especially where remarks are attributed to contributors. Again as this is only a draft, I have not circulated these at this stage.

Though additional input was invited, it wasn't clear exactly to what or when (the original deadline of 14th September was withdrawn as this clearly was ridiculous). The final report is due in November.

Other reports/ work referred to in the meeting:

Sarah Webster advised the meeting of the report by Treweek Environmental Consultants to DEFRA on Design and Use of Biodiversity Offsets in an English context. See report at: <https://statistics.defra.gov.uk/esg/reports/Biodiversity%20Offsets%20FINAL%20REPORT%20Defra%2012%20May%202009.pdf> This report identifies three options for the way forward:

1. Status quo – continue as at present as this meets basic legislative needs;
2. Amend existing policy frameworks, develop incentives and give more guidance
3. Introduce new policy to stimulate both a regulated and voluntary market in habitat banking

Sarah Webster indicated option 2 was most likely.

A Dutch delegate said there was a case study of relevance in the Skelt Estuary and promised to circulate a link.

Tony Gent

20 October 2009

Appendix 1: Agenda

Habitat Banking in the EU – Workshop Outline - 11/09/09

DG Environment, Avenue de Beaulieu 5, B-1160 Brussels

The purpose of this workshop is to develop the ideas within project further – they can and will change

A detailed summary of the project's work to date has been provided by email

OVERVIEW SESSION 10:30-12:00

10:30-10:40 **Introduction to the project**, Manfred Rosenstock, DG Environment

10:40-11:00 **Economics of habitat banking**, Ece Ozdemiroglu, ettec

11:00-11:20 **Ecological assessment of habitat banking**, Graham Tucker, IEEP

11:20-12:00 **Presentation of initial recommendations, key design features (to be discussed in Sessions)**, Ian Dickie, ettec

LUNCH 12:00-13:00

DISCUSSION GROUPS 13:00-15:45: Two rounds of discussion, each in three groups

13:00 – 14:15 **Discussion Session 1:**

1. How can habitat banking apply to different levels of biodiversity:
 - A. Threatened and strictly protected biodiversity (e.g. Habitats and Environmental Liability Directives)
 - B. Scarce or declining but not strictly protected biodiversity
 - C. Minor impacts on widespread biodiversity – is a simplified system needed?

These levels are discussed in the summary report - see Table 3.1, page 20. Each discussion group will cover key design features of habitat banking: thresholds between levels, compensation triggers, equivalence, additionality, governance, regulation vs free market activity (terms will be introduced by Ian Dickie in the morning).

14:15- 14:45 **Feedback from discussion session 1:** 10 minutes per each of the three groups

14:45-15:15 **Discussion Session 2:** In the same three groups A-C, discuss:

2. An overview of a possible habitat banking system, discussing:
 - i. How could habitat banking best make a contribution to EU biodiversity/nature protection policy objectives as they are set in the context of the EU and national legislative frameworks?
 - ii. How to potentially implement habitat banking across the EU: Considering consistency and subsidiarity?
 - iii. How can it be ensured that a habitat banking system protects biodiversity in an efficient way and that habitats markets can work?

15:15-15:45 **Feedback from discussion session 2:** 10 minutes per each of the three groups

PLENARY 15:45-16:00

Overview of discussions and the next steps (we will email key points from each group to all participants with an opportunity for further comments).