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Nature as an asset class: the new EU financial market on biodiversity destruction

A study from the Ecological Cluster of the Greens/EFA Group

INTRODUCTION

Biodiversity loss is reaching critical levels and scientists are warning that we are entering the 6th mass extinction of species. The rate of species extinction might be 100 times higher today than during previous mass extinctions, with up to 75% of species expected to disappear over the coming centuries. Researchers talk about 'biological annihilation, and scientists recently warned that this may be a tipping point for the collapse of civilisation.

Addressing biodiversity loss is thus one of the major issues of our generation. While the focus in public debates is on the headline objectives, the policy tools used to achieve these objectives are rarely debated.

These tools are however just as important and are in the process of changing significantly. The EU 2030 Biodiversity Strategy published in May 2020 was a welcome step. Greens/EFA applauded, in particular, the Commission's ambition to protect 30% of land and sea areas by 2030 and a target of setting aside at least 10% of agricultural land for wildlife, allowing biodiversity to thrive on farms and thus improving productivity and fertility. The Greens also called for upcoming actions to match the scale of what is necessary to protect our vital marine and land-based habitats, especially in strictly protected areas. We need legally binding targets and measures to ensure nature-based solutions are fully recognised and implemented.

Future legally binding regulations and directives should be led by social and ecological concerns and not skewed by the misguided agendas of more commercially-led interests. Instead, there is a worrying trend of new terms appearing in media articles, such as 'natural capital,' 'net gain principle,' 'ecosystem services' or 'nature-based solutions.'

The Biodiversity Strategy itself puts the focus on biodiversity restoration over preventing nature destruction, and also fosters the monetary valuation of nature. According to the Strategy, the forthcoming EU Nature Restoration Plan will *'help ensure the long-term productivity and value of our natural capital. (...) The Commission will further promote tax systems and pricing that reflect environmental costs, including biodiversity loss. (...) The Commission will support the establishment of an international natural capital*

accounting initiative'.

This short policy brief aims to explain the concept of 'natural capital' (Chapter 1) as a new framing of nature in which it is considered as a list of services benefitting humans. It also explains what biodiversity offset markets are (Chapter 2), how they were developed and how they could look in the European context. Finally, it explores alternatives to these markets (Chapter 3) in the form of binding legislation before looking at other upcoming European opportunities to strengthen nature protection.

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