

Nature markets – Supply of biodiversity benefits – Specification

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Foreword

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BSI Flex 702 is intended to be used in conjunction with BSI Flex 701, *Nature markets – Overarching principles and framework – Specification*.

This BSI Flex is part of the Nature Investment Standards Programme and builds upon the overarching principles set out in BSI Flex 701 by applying the principles to the biodiversity market.

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Commentary, explanation and general informative material is presented in smaller italic type, and does not constitute a normative element.

Where words have alternative spellings, the preferred spelling of the *Shorter Oxford English Dictionary* is used (e.g. “organization” rather than “organisation”).

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0 Introduction

0.1 Background

Nature provides critical resources for human life and is the bedrock upon which our economies and well-being depend. The biodiversity of species and their habitats, which are core components of nature, have suffered rapid decline in the UK over the past 50 years [1], despite the introduction of various mechanisms at national and local level by government, businesses and the voluntary sector.

Economic activity is a key driver of the erosion of biodiversity. Conventional markets typically underestimate its value, failing to recognize damage to biodiversity or incentivize actions to support it. Addressing these market failures by valuing biodiversity can enable market mechanisms to recognise the services nature provides, underpinned by biodiversity, and to incentivize restoration, thus enhancing its benefits.

This BSI Flex has been developed to support and complement the overarching Nature Markets standard, BSI Flex 701. Both standards are produced in the context of existing policies, and ongoing policy developments, for the natural environment and biodiversity. These include UK commitments under the Global Biodiversity Framework (GBF), the National Biodiversity Strategy and Action Plans, and devolved administration policies on biodiversity, such as Biodiversity Net Gain (BNG), as well as corporate reporting frameworks, such as those from the Taskforce on Nature-related Financial Disclosures (TNFD).

The standards produced as part of the BSI Nature Investment Standards programme apply across the UK and have been developed in consultation with the devolved nations.

0.2 Benefits of biodiversity markets

Nature markets have developed to enable firms to address their negative environmental externalities. Government has recognised the need for effective governance arrangements to ensure that tradable nature credits are based on robust quantification, reporting and verification of changes in biodiversity.

Nature markets are one of a range of interventions being used to address market failures. New nature markets require interventions to establish the necessary market conditions to quantify, report and trade units of change in nature and to assure and verify their supply.

Biodiversity markets are a type of nature market that specifically provide benefits to biodiversity, broadly defined as the variability among living organisms.

Biodiversity markets are already in place as a result of compensation requirements resulting from development projects under England's BNG policy. However, there is a need to significantly increase the revenue and finance delivering benefits for biodiversity. Expanded biodiversity markets are a potential route to increasing finance towards achieving biodiversity and wider nature objectives. They enable suppliers to sell enhancements in biodiversity to individuals or organizations, which in turn provide resources for, and incentives to protect and enhance, biodiversity through interventions that create new habitats, restore species populations and/or re-establish functional ecosystems.