

Nature markets – Supply of nature-based carbon benefits – Specification

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Contents

Foreword ii

0 Introduction..... iv

1 Scope..... 1

2 Normative references 3

3 Terms, definitions and abbreviated terms 4

3.1 Terms and definitions..... 4

3.2 Abbreviated terms 7

4 Principles shared across market participants..... 8

4.1 Governance 8

4.2 Transparency of information..... 9

4.3 Methodology approval process..... 9

4.4 Quantifying GHG emission reductions or carbon removal..... 10

5 Selling credits 12

5.1 Additionality and stacking 12

5.2 Lasting and permanent benefits 14

5.3 Assessment and management of environmental and social risks..... 16

6 Registries 17

7 Double counting 19

Annexes

Annex A (informative)

Insetting guidance 20

Bibliography 21

Foreword

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Relationship with other publications

BSI Flex 703 is intended to be used in conjunction with BSI Flex 701, *Nature markets – Overarching principles and framework – Specification* and BSI Flex 702, *Nature markets – Supply of biodiversity benefits – 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 natural carbon market.

Information about this document

This is Version 1 of BSI Flex 703, which has been released to enable stakeholders to engage with the initial content and feed back comments for further versions of the document to be developed. This is the first public consultation of this BSI Flex and so the content is not to be considered as having received wider feedback. Users are therefore encouraged to comment on this version.

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The provisions of this document are presented in roman (i.e. upright) type. Its requirements are expressed in sentences in which the principal auxiliary verb is "shall".

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 Nature's role in delivering UK net zero emissions targets

The UK's land, coasts and seas provide natural climate mitigation and adaptation by sequestering and storing carbon, whilst delivering essential goods and services such as food, clean water and protection from flooding, and important biodiversity habitat. The critical role of carbon sequestration and storage in terrestrial, coastal and marine ecosystems is recognized in the UK's 2030 nationally determined contribution under the Paris Agreement [1]. The Climate Change Act (2008) [2] sets legally binding limits on the total amount of greenhouse gases (GHGs) the UK can emit over sequential five-year accounting periods, with each of the UK's national administrations coordinating targets under their own Acts. Each UK administration is advised by the Climate Change Committee, the arms-length statutory body that sets and monitors progress towards national carbon budgets.

Although the land use, land use change and forestry sectors are a net carbon sink in the UK, emissions from agriculture account for around 11% of UK GHG emissions according to a 2024 UK Government statistics report [3]. The Climate Change Committee's 2020 report [4] concluded that "the UK's net-zero target will not be met without changes in how we use our land", recommending significant changes to the way we manage farming, forestry and peatlands. The creation and restoration of blue carbon ecosystems, such as seagrass and saltmarsh habitats, also has significant carbon sequestration potential, which is recognized in the UK's marine strategy [5].

0.2 The need for new standards

Changing how our land, coasts and seas are managed, and creating and restoring natural habitats, require predictable, sufficient and appropriately applied financial resources. In addition to supplementing public funding, carbon markets can provide natural resource managers with fair compensation and incentives (such as employment generation) to change their management practices and deliver more public goods.

***NOTE** The World Trade Organisation restricts governments to covering costs and income forgone.*

The Climate Change Committee's 2022 report [6] on voluntary carbon markets supported "the modest but useful role carbon markets can play in the UK Net Zero pathway", as long as companies focus first on direct business emissions reductions and decarbonizing their supply chains, and only investing in high-integrity carbon markets to offset residual emissions.

The fungibility of carbon opens the potential for credits to be traded to enable the mitigation of GHG emissions in one place by atmospheric removal or reduction in another. However, there are concerns that without sufficient safeguards, carbon projects can be used to falsely claim environmental benefits that:

- are not real (lacking robust verification);
- would have happened anyway (lacking additionality);
- have been previously claimed by others (double-counting);
- could easily be reversed (lacking permanence); or
- focus narrowly on carbon to the detriment of wider environment or local communities.

These concerns apply to the use of both nature-based carbon credits generated outside a company's value chain (e.g. offsetting residual emissions within value chains to achieve a net GHG target) and decarbonization strategies that use nature-based solutions to reduce (or "inset") emissions within a company's supply chain (often referred to as Scope 3 reductions or removals).

An essential requirement for market integrity is that carbon credits generated for the purposes of trading represent a verified, additional and robust outcome. The introduction of standards can bring confidence that this is the case, providing a common set of definitions and processes that increase transparency and accountability. The responsible use of nature-based solutions has the potential to make a significant contribution to company and national net-zero targets.

0.3 Alignment with internationally agreed principles

This BSI Flex applies the principles outlined in BSI Flex 701 to provide the highest possible standards of rigour, ethics and transparency in certified nature-based carbon offsetting projects. In addition to aligning with BSI Flex 701, this BSI Flex aligns with internationally agreed principles and criteria, where possible. As such, this BSI Flex has been constructed with reference to:

- the United Nations Framework Convention on Climate Change (UNFCCC) Article 6.4 Mechanism Supervisory Body Standard for Carbon Removals [7];
- the Core Carbon Principles developed by the Integrity Council for Voluntary Carbon Markets¹⁾;
- criteria developed by the International Carbon Reduction and Offset Alliance and the Carbon Offsetting and Reduction Scheme for International Aviation [8]; and
- peer-reviewed international literature on the governance of nature markets, including information on methods in *Governing high-integrity ecosystem markets* [9].

Guidance is also provided for emission reduction or removal activities that occur within a company's supply chain, often described as insetting (see **0.5** and **Annex A**). This BSI Flex therefore also seeks to align with ongoing international supply chain decarbonization initiatives by building upon globally recognized protocols such as the GHG Protocol Land Sector Removal Guidance (LSRG)²⁾ and the Science-Based Targets initiative (SBTi) *Forest, land and agriculture science-based target-setting guidance* [10]. These frameworks are increasingly used by companies to guide high integrity in their carbon reporting and insetting practices. While the LSRG is still in draft form and subject to industry feedback, it serves as a critical reference for measuring and accounting for land-related emissions and removals. The SBTi guidance [9], which sets science-based targets for land sector emissions, is also evolving. By aligning with these international standards as they evolve, future iterations of this BSI Flex keep insetting activities in the UK consistent with global best practices.

0.4 How to use this BSI Flex

This BSI Flex is designed to be used in conjunction with BSI Flex 701, which provides the principles upon which BSI Flex 703 is based. This BSI Flex applies the principles in BSI Flex 701 to the management, measurement, reporting and verification of nature-based carbon projects in the UK.

The requirements in this BSI Flex are primarily for application to carbon crediting programme processes, but can apply to other carbon-crediting programmes. All carbon-crediting programmes are encouraged to engage with this BSI Flex and feedback on its requirements.

¹⁾ Available at <https://icvcm.org/core-carbon-principles/>.

²⁾ Available at <https://ghgprotocol.org/land-sector-and-removals-guidance>.

0.5 Application to insetting

At present, insetting principles and guidance are included in Annex A as advisory recommendations rather than requirements. Given the rapidly changing nature of insetting, feedback is sought on the use of this guidance in practice to inform future iterations of this BSI Flex, which could bring insetting into the main body of the standard in the future. As the insets market is increasingly driven by the need for companies, particularly in the agri-food sector, to meet Scope 3 targets and support regenerative practices, this BSI Flex seeks to enhance the integrity of carbon credits and claims resulting from these practices.

By seeking feedback on Annex A, this BSI Flex seeks parity of integrity for credits, whether they are sourced/generated beyond the value chain or within them, allowing farmers freedom to choose the most attractive market for the carbon reductions or removals they deliver. In doing so, this BSI Flex seeks to protect farmers from undue pressure from supply chain actors seeking Scope 3 reductions as a licence to operate (i.e. without receiving commensurate financial support), while maintaining that insetting activities are held to the same level of rigour and transparency as offsets. This approach prevents market fragmentation and maintains trust, while also offering a necessary mechanism for incentivizing and supporting meaningful contributions to net-zero goals within supply chains.

In this context, companies and intermediaries using nature-based emission reductions or removals to reach Scope 3 emissions targets within their supply chains can use this BSI Flex to guide these activities.

1 Scope

This BSI Flex specifies requirements for driving a consistent level of quality across projects delivering nature-based carbon removals and greenhouse gas (GHG) reductions taking place within the UK's territories and ascribed to UK production-based accounts. It is intended to provide a credible means of identifying projects that are capable of yielding high-integrity carbon³⁾ units that represent additional, real and verified outcomes, based on the latest science and best practice.

This BSI Flex is intended to:

- apply the principles set out in BSI Flex 701 to nature-based carbon projects;
- drive the increased supply of projects delivering high-integrity nature-based carbon removals and GHG reductions;
- provide a level of consistency for these projects across all habitats and land use types;
- provide set criteria for any programme that is intended to generate credits that can be used to support voluntary carbon mitigation claims; and
- align with international best practice, building on the emerging consensus from the Integrity Council for Voluntary Carbon Markets' (ICVCM) Core Carbon Principles.

This BSI Flex covers the monitoring, reporting and verification (MRV) of domestic (i.e. UK-derived, excluding overseas dependent territories) carbon removals and GHG reductions (i.e. robust measurement of the baseline and projections for the benefits of proposed interventions), in a manner that is consistent across different types of natural capital.

This BSI Flex does not cover:

- uses of and claims made about purchased credits;
- activities of corporate buyers or their reporting requirements;
- engineered GHG removals utilizing natural systems or materials, such as biochar, enhanced rock weathering etc; and
- avoidance of future emissions, including Reducing Emissions from Deforestation and Forest Degradation (REDD+) projects that seek to avoid future deforestation.

This BSI Flex is intended for use by carbon market participants, including:

- suppliers of nature-based projects (or credits);
- nature-based carbon crediting programmes, including codes, standards and schemes that facilitate the generation of carbon credits; and
- registries, trading platforms and other market intermediaries.

³⁾ As referenced in BSI Flex 701, carbon units in this BSI Flex are expressed as tonnes of carbon dioxide equivalents (CO₂e) for GHGs. Methane and nitrous oxide are of particular relevance for nature-based systems.

This BSI Flex might also be of interest to:

- consultants;
- non-governmental organizations (NGOs);
- buyers of nature-based credits;
- investors in nature-based projects;
- nature market verification and validation bodies;
- regulators;
- policy analysts; and
- researchers.

This BSI Flex is intended for use in the UK.

***NOTE** This BSI Flex might inform nature market activity in other parts of the world but does not explicitly take into account non-UK environmental, governance and other contexts. It could also inform the generation of nature units from suppliers in the UK that are traded in non-UK markets.*