

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

May 2025 Version 1



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Contents

Foreword ii

0 Introduction..... iv

1 Scope..... 1

2 Normative references 2

3 Terms, definitions and abbreviated terms 3

3.1 Terms and definitions..... 3

3.2 Abbreviated terms 5

4 Principles shared across market participants..... 6

4.1 Governance 6

4.2 Transparency..... 7

4.3 Quantification of credits..... 7

4.4 Methodology approval process..... 9

4.5 Openness to innovation..... 9

5 Selling credits 10

5.1 Additionality of credits 10

5.2 Validation and verification 10

5.3 Lasting benefits..... 11

6 Registries 12

Annexes

Annex A (informative)

Use of pending (ex-ante) credits 13

Bibliography 14

Foreword

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Relationship with other publications

This BSI Flex is intended to be used in conjunction with BSI Flex 701 v2.0:2025-03 v2.0, *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 v2.0:2025-03 by applying the principles to the nutrients market.

Information about this document

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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

A healthy water environment provides critical resources for human life and is essential for resilient economies. One way that human activity has degraded the health of the water environment is by disrupting the flows of nitrogen and phosphorus between living matter and the environment to a point where safe ecological limits have now been breached¹⁾. The result is excess levels of nitrogen and phosphorus (nutrient pollution) entering some waterbodies, degrading habitats and negatively impacting the species that depend upon them, including ourselves.

Conventional markets have typically not accounted for their impact on ecosystem services, such as clean water, which has led to a 40% decline globally in the stock of natural capital per head²⁾. This represents a market failure, but one which can be addressed by valuing the benefits and incentivizing investment in measures that maintain and improve ecosystem services. A high-integrity market for nature-based solutions to nutrient pollution in waterbodies will encourage businesses to acknowledge and operate within environmental limits and offers an opportunity to generate substantial funding to improve water quality for the benefit of both nature and people.

This BSI Flex has been developed to complement the overarching nature markets standard, BSI Flex 701 v2.0:2025-03. BSI Flex 701 v2.0:2025-03 provides specifications relevant for all nature markets, and this BSI Flex adds detail in relation to nutrient pollution reduction and removal in waterbodies from nature-based solutions. This BSI Flex is produced in the context of existing policies and ongoing policy developments for nutrient pollution management in waterbodies. These include UK commitments under the Global Biodiversity Framework³⁾, the Environmental Improvement Plan⁴⁾ (applies to England only), UK policies on nutrient neutrality and water quality, and corporate reporting frameworks, such as those from the Taskforce on Nature-related Financial Disclosures⁵⁾.

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.

¹⁾ Caesar, L., Sakschewski, B., Andersen, L.S., Beringer, T., Braun, J., Dennis, D., Gerten, D., Heilemann, A., Kaiser, J., Kitzmann, N.H., Loriani, S., Lucht, W., Ludescher, J., Martin, M., Mathesius, S., Paolucci, A., te Wierik, S. and Rockström, J. *Planetary Health Check Report 2024*. Potsdam, Germany: Potsdam Institute for Climate Impact Research, 2024. https://publications.pik-potsdam.de/pubman/item/item_30275_5/component/file_30276/planetaryhealthcheck2024_report.pdf.

²⁾ Dasgupta, P. *The Economics of Biodiversity: The Dasgupta Review*. London: HM Treasury, 2021. https://assets.publishing.service.gov.uk/media/602e92b2e90e07660f807b47/The_Economics_of_Biodiversity_The_Dasgupta_Review_Full_Report.pdf.

³⁾ Convention on Biological Diversity. *Kunming-Montreal Global Biodiversity Framework*. <https://www.cbd.int/gbf>.

⁴⁾ Department for Environment, Food and Rural Affairs (Defra). *Environmental Improvement Plan 2023*. London: Defra, 2023. <https://www.gov.uk/government/publications/environmental-improvement-plan>.

⁵⁾ Taskforce on Nature-Related Financial Disclosures. <https://tnfd.global/>.

0.2 Benefits of nutrient markets

Defining, measuring and valuing the benefits of reducing the effect of nutrient pollution experienced by environmental receptors, such as waterbodies, is one way of addressing the market failure described in 0.1. To underpin the integrity of the market, effective governance arrangements are required so that tradable credits can be based on robust quantification, reporting and verification of claims of nutrient pollution reduction and removal.

Where targeted strategically, nature-based solutions funded by nutrient markets can provide multiple benefits for nature and people. Potential benefits include improved habitat quality and resilience to change, greater species diversity and abundance, improved access to natural green and blue spaces, and a mechanism to enable sustainable development.

0.3 Characteristics of current nutrient markets

Nutrient markets can operate in both voluntary and compliance settings. The UK markets for nature-based solutions to manage the effects of nutrient pollution in waterbodies are funded by a mixture of public and private finance. Finance mechanisms include government payments for public goods, water company asset management programmes, and nutrient offsetting initiatives as part of a compliance market to enable new home building and overnight accommodation in England and Wales. In Scotland, a Nitrogen Balance Sheet⁶⁾ is being used to identify how to improve nitrogen use efficiency and reduce harm caused through losses to the environment. A voluntary offsetting market is becoming established to address corporate social responsibility needs of businesses.

The overarching aim of these markets is to reduce the nutrient pollution experienced by waterbodies, which are environmental receptors. That can be achieved by reducing the level of pollution entering the receptor or removing pollution from the receptor.

This compliance market in England and Wales was established to address the high level of nitrogen and phosphorus at certain protected sites, known as habitats sites and designated under the Conservation of Habitats and Species Regulations 2017 [1], known as the Habitats Regulations. These regulations require developers to demonstrate that their proposals do not lead to an adverse effect on the integrity of habitats sites. Where proposals relate to new home building and overnight accommodation and there is potential for an adverse effect from nutrient pollution in waterbodies, developers are subject to nutrient neutrality advice. The compliance market has evolved in response to the need to address the requirements of nutrient neutrality, where nutrient reduction and removal interventions are implemented and each unit of reduction or removal of nitrogen and/or phosphorus is sold as nutrient mitigation credits to offset potential impacts.

Current markets are expected to evolve⁷⁾, new markets might be established, and this BSI Flex is designed to enable high-integrity approaches to generating, measuring, registering and selling nutrient credits to support these markets.

This BSI Flex aims to complement BSI Flex 701 v2.0:2025-03 by adding specific requirements to the overarching nature market principles. It can be used to inform both voluntary and compliance nutrient credit markets in the UK and aims to instil confidence in the integrity of such markets and help them grow.

⁶⁾ Scottish Government. 15 December 2021. Establishing a Scottish Nitrogen Balance Sheet. <https://www.gov.scot/publications/establishing-scottish-nitrogen-balance-sheet/pages/1/>

⁷⁾ Ministry for Communities, Housing and Local Government. The Planning and Infrastructure Bill. 11 March 2025. <https://www.gov.uk/government/publications/the-planning-and-infrastructure-bill>.

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