

Foundations for High-Integrity
Biodiversity Credit Use

BCA Demand Integrity Series

02

How Can Greenwashing Be Avoided?

A new market in nature credits needs the best possible start

The Biodiversity Credit Alliance (BCA) exists to guide the development of a credible and scalable biodiversity credit market capable of earning the trust and confidence of a broad spectrum of market participants. Key among them are Indigenous Peoples and local communities who live at the frontline of the nature crisis and are represented by International Environmental Guardianship (IEG), an independent member-based organization of Indigenous Peoples, Local Communities and Afro-Descendants. Together we are working to ensure strong foundations and principles exist and can be applied by all entrants to the market.

Our Mission

BCA is a voluntary international alliance that brings together diverse stakeholders to support the realization of the Kunming–Montreal Global Biodiversity Framework, in particular Targets 19(c) and (d), which “encourage the private sector to invest in biodiversity” utilizing, amongst others “biodiversity credits ... with social safeguards.”

Our mission is twofold:



Help steer the development of a biodiversity credit market by building a framework of high-level, science-based principles.



Provide guidance and encourage best practice for market participants on the application of these principles, empowering them to achieve and maintain equitable, high-quality transactions that meet strict integrity criteria.

BCA was launched during the Fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity (CBD COP 15) in December 2022, in Montreal. Initially BCA was launched as an informal working group of field-based conservation practitioners, researchers, academics, and standard setters. It has grown to include representatives of Indigenous Peoples, Local Communities and Afro-Descendants in the form of the independent member-based International Environmental Guardianship (IEG), formerly the Communities Advisory Panel (CAP), as well as representatives of the private sector, with the World Business Council for Sustainable Development (WBCSD) as a key partner.

The BCA Secretariat is facilitated by United Nations Development Programme (UNDP), United Nations Environment Programme Finance Initiative (UNEP FI), the Swedish International Development Cooperation Agency (SIDA), and the European Commission (EC).

About the Series

The *Foundations for High-Integrity Biodiversity Credit Use* is a series of publications exploring key questions relating to demand and demand integrity in biodiversity credit markets. Each paper summarizes the findings and discussions of the BCA's Demand Integrity Working Group and seeks to provide practical guidance on the role of biodiversity credits in supporting nature-positive outcomes. While the series focuses on biodiversity credits, many of the concepts and recommendations are also applicable to broader nature credit approaches (e.g., water credits, soil health credits).

The series addresses five core questions:

- 01 What are the Motivations for Purchasing Biodiversity Credits?
- 02 **How Can Greenwashing Be Avoided?**
- 03 How Can Organizations Act Amid Nature-Related Uncertainty?
- 04 How Can Biodiversity Credits Enable Nature-Positive Transitions?
- 05 How Can Demand Be Institutionalized?

This issue focuses on the question:

02 How Can Greenwashing Be Avoided?

High-integrity participation in biodiversity credit markets is underpinned by transparent disclosure of nature-related risks and dependencies, impacts and mitigation efforts, strategies, actions and investments, and the accurate communication of claims. Greenwashing risks arise from incomplete disclosure, inaccurate claims, or a failure to explain how biodiversity credit use relates to an organization's broader nature strategy, impacts and mitigation efforts, including the use of credits as a substitute for impact reduction, implying equivalence between unrelated ecosystems, or using credits to obscure ongoing impacts.

Integrity requirements are proportionate to the intended claims being made. While non-compensatory claims (e.g. risk resilience, value creation, CSR) rely primarily on transparency and accurate disclosure, compensatory claims require additional safeguards, including transparency of impacts, adherence to the mitigation hierarchy, and demonstration of equivalence between positive and negative impacts. Regulatory, permitting and lending frameworks can help institutionalize these safeguards and reduce the burden of proof associated with compensatory claims.

How was this series of papers produced?

BCA Issue and Discussion Papers are developed to provide background, analysis and research on key topics relevant to the formulation of a market in biodiversity credits. BCA Issue and Discussion Papers are led by members of the BCA Taskforce and co-created by a dedicated working group.

The working group members are comprised predominantly of the BCA Taskforce, International Environmental Guardianship (IEG) and BCA Forum. The BCA Demand Integrity Working Group was co-led by Conservation International represented by Erika Korosi, Plan Vivo represented by Toral Shah, PRATIC Biodiversity represented by Arthur Pivin, and IEG represented by Esther Netshivhongweni. The working group was coordinated by the Biodiversity Credit Alliance represented by Dominik M Maczik. Editorial support was rendered by the BCA Secretariat (Jacques Massardo and Saengkeo Touttavong). This discussion paper was reviewed by and benefited from numerous contributions from members of the Demand Integrity Working Group, including representatives from Accounting for Nature, Alcoa, Aviva, Aviva Investors, Capitals Coalition, Coalition for Private Investment in Conservation, Etifor, the Finnish Ministry of Environment, Fossagrim, Gesellschaft für Internationale Zusammenarbeit, Green Finance Institute, International Advisory Panel on Biodiversity Credits, International Council on Mining and Metals, Oceanic Institute of Monaco, Pollination, Rebalance Earth, Roundtable for Sustainable Palm Oil, UN Environment Programme Finance Initiative, World Business Council for Sustainable Development, and the World Economic Forum.

The working group developed a systematic taxonomy of biodiversity credit use cases and mapped associated demand-side integrity risks. This was complemented by a series of bilateral consultations with corporates and financial institutions to better understand key motivations, opportunities and barriers to participation. The findings informed the development of draft guidance on high-integrity biodiversity credit use, which was refined through three successive rounds of consultation involving the Demand Integrity Working Group, BCA Taskforce, International Environmental Guardianship and the BCA Forum before finalization.



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Transparency: The Pathway to Demand-Side Integrity in Nature Markets

In the context of emerging nature markets, perceived or actual greenwashing¹ risks can constrain organizational engagement, and impact market integrity. These risks arise when organizations present an incomplete or inaccurate picture of their relationship with nature, including by withholding information about ongoing impacts, substituting market instruments for necessary mitigation actions, overstating positive outcomes, or implying equivalence where none exists.

Greenwashing risks are mitigated through transparent disclosure. This requires clear and consistent disclosure of the information necessary to understand an organization's relationship with nature and the role biodiversity credits play within its broader strategy. This includes:

- 1 **Transparent disclosure of nature related risks and dependencies:** Clear identification and disclosure of key dependencies on ecosystem services and natural infrastructure, including how these dependencies inform risk management, strategy, and participation in nature markets, according to the disclosure standards or frameworks used.
- 2 **Transparent disclosure of impacts and mitigation efforts:** Comprehensive disclosure of nature-related impacts, including residual impacts, and the measures taken to avoid or reduce those impacts and restore affected ecosystems, in accordance with the disclosure standards or frameworks used.
- 3 **Transparent disclosure of strategy:** Disclosure of the organization's nature strategy or transition plan, including policies, targets, metrics, actions, governance and other relevant parts according to the disclosure standards or frameworks used. Importantly, disclosure of a clear explanation of how participation in nature markets fits within this strategy.
- 4 **Transparent disclosure of actions and investments in nature outcomes and biodiversity credits:** Disclosure of the nature, scale and expected outcomes of financed activities, including associated uncertainties, risks, and limitations.

¹ Greenwashing refers to misleading, inaccurate or unsubstantiated claims that overstate an organization's positive impact on nature or obscure its ongoing negative impacts.

Organizations at early stages of their nature transition journey, should disclose information to the best of their current knowledge and clearly communicate uncertainties or data gaps, when participating in nature markets. Disclosures should align with recognized frameworks such as Taskforce on Nature-related Disclosures (TNFD), or disclosure standards such as European Sustainability Reporting Standards (ESRS) or the Global Reporting Initiative (GRI).

Credibility is strengthened when claims are consistent with an organization's overall nature strategy, risk profile, impacts, and actions, and when positive contributions are communicated without overstating their role relative to mitigation efforts. Where feasible, the credibility of disclosures is enhanced by the verification of an independent, qualified third party. By prioritizing transparency, nature markets support robust participation while maintaining trust, accountability, and high demand-side integrity.



Taxonomy of Compensatory and Non-Compensatory Uses

While transparency underpins all high-integrity participation in biodiversity credit markets, integrity requirements differ depending on whether biodiversity credits are used to support **compensatory** or **non-compensatory** claims. Clear differentiation between these categories is essential for determining the safeguards required to support credible biodiversity credit use.

The table below provides definitions and illustrative examples of compensatory and non-compensatory applications, building on the work of the World Economic Forum’s 2023 Insight Report, Biodiversity Credits: Demand Analysis and Market Outlook² as well as International Advisory Panel on Biodiversity Credits (IAPB)’s 2024 Consultation on Archetypes.³

01

Compensatory Use

In compensatory mechanisms, credits are used to compensate for (or offset, cancel out, counterbalance, neutralize) specific negative impacts generated elsewhere. These compensation requirements may be mandated as part of regulatory or lender compliance requirements or undertaken voluntarily following the principles of the mitigation hierarchy. For further guidance, see the [Standard on Biodiversity Offsets](#) published by Forest Trends.

Illustrative examples of compensatory use cases

Offsetting	Biodiversity credits can be used within biodiversity offset mechanisms to compensate for the hardest-to-mitigate residual impacts directly attributable to a project, development or activity. Offsets may be mandated through regulatory or lender requirements, or undertaken voluntarily.
Insetting	Biodiversity credits generated entirely within the company’s value chain (direct operations, upstream, or downstream), aimed to compensate for residual negative impacts arising from a company’s value chain.

2 https://www3.weforum.org/docs/WEF_2023_Biodiversity_Credits_Demand_Analysis_and_Market_Outlook.pdf
3 <https://drive.google.com/file/d/1wjpQXuNs1X2wsnar6h3mC1zA4votrQLM/view>

Non-Compensatory Use

In non-compensatory mechanisms, credits are not used to claim compensation for negative impacts and therefore do not seek to neutralize or absolve a company's specific negative impacts. Instead, they support positive biodiversity outcomes without making compensatory claims.

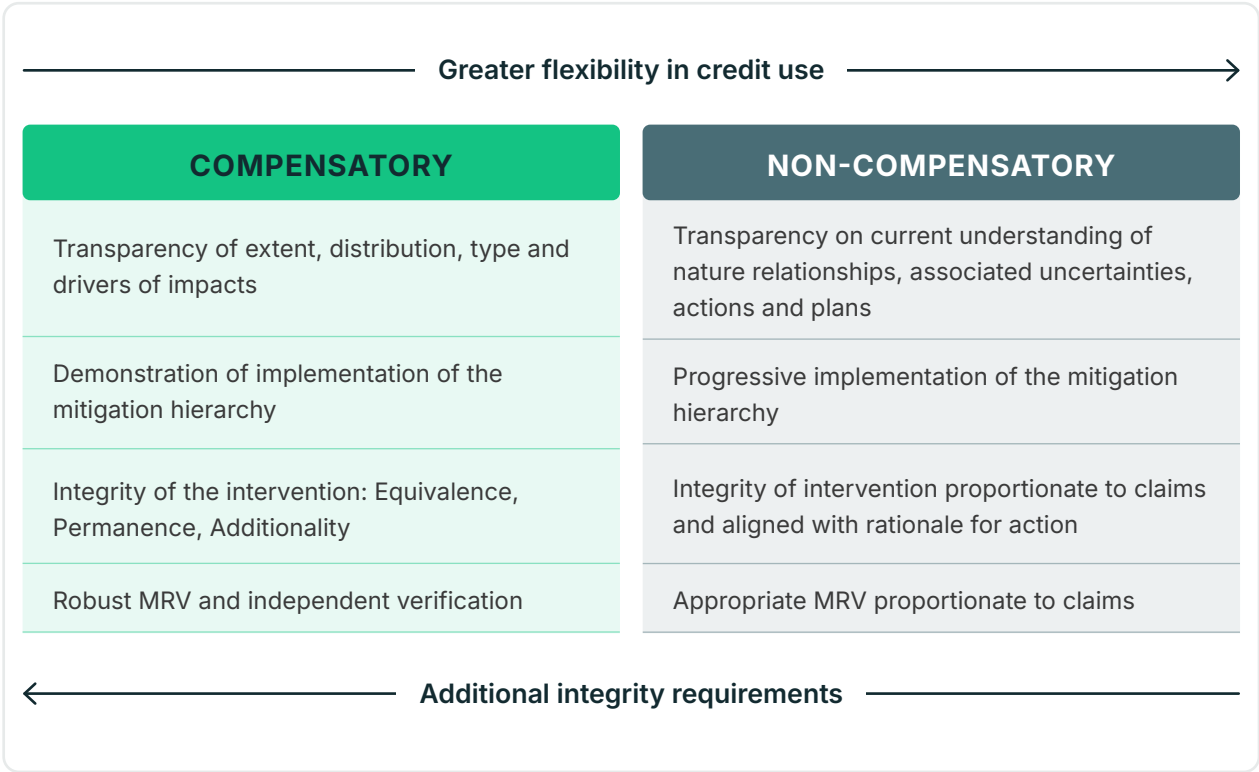
Illustrative examples of non-compensatory use cases

Physical Risk Resilience	Using biodiversity credits to strengthen and restore ecosystem services that underpin critical business dependencies and ensure supply chain resilience, such as water security or soil health. This may include ensuring economic resilience, water and food security, supply-chain continuity, fiduciary responsibility, sovereign and regional resilience, and natural infrastructure maintenance. This use case is applicable only where a clear link exists between the credit and the dependency, for example restoration of a specific watershed or coastal barrier through credit purchases to mitigate physical operational risks or protect facilities.
Nature as an Asset	Investing in biodiversity credits as a strategic or financial asset to enhance access to finance, strengthen brand differentiation, support extra-financial reporting, maintain social licence to operate and reinforce long-term competitive positioning.
Products and Services Enhancement	Bundling biodiversity credits with consumer products or services to enhance company reputation, and enable customers to contribute to positive nature outcomes.
Natural Infrastructure and Regional Resilience	Investments supporting biodiversity outcomes that maintain or restore ecosystem functions critical to economic productivity, climate resilience, water security, and regional adaptation.
Corporate Social Responsibility	Purchases aimed at supporting nature-positive goals and strategies that may align with regional, national or global policy objectives, such as the Global Biodiversity Framework's 30×30 target.
Carbon Credits Explicitly Bundled with Biodiversity Credits	Purchase of carbon credits with biodiversity credits that explicitly bundle independently verified biodiversity as a distinct asset to enhance the resilience of carbon outcomes and increase the scale and extent of nature-positive results.

Integrity Requirements Scale with the Intended Claim

The integrity requirements associated with biodiversity credit use depend on the nature of the claim being made. Compensatory claims seek to address or neutralize specific negative impacts and therefore require additional safeguards and integrity requirements to substantiate those claims. Non-compensatory claims do not seek to compensate for negative impacts and rely primarily on transparency, accurate disclosure and clear communication regarding their intended purpose. More broadly, the integrity requirements applied to the intervention represented by biodiversity credits should be proportionate to the claims being made and aligned with the business rationale for action. Figure 1 summarizes the minimum integrity requirements associated with each category.

Figure 1: Scaling integrity requirements with intended claims



Compensatory claims require additional safeguards because they seek to compensate for specific negative impacts. As a prerequisite, organizations must transparently disclose the extent, geographic distribution, type and drivers of those impacts. Furthermore, compensation should only be applied after all feasible impact avoidance and reduction measures have been implemented in accordance with the mitigation hierarchy, consistent with leading standards and frameworks including GRI, ESRS, TNFD and SBTN.^{4,5}

Voluntary and unregulated compensation carries material risks of undermining the mitigation hierarchy because it is not governed by binding requirements to avoid and reduce impacts. As a result, biodiversity credit purchases may be used in place of meaningful impact avoidance and reduction measures, particularly where credits are perceived as less costly or easier to implement. Strong safeguards are therefore needed to ensure that compensation complements, rather than substitutes for, genuine impact mitigation. These concerns are reflected in the literature. The World Economic Forum identifies biodiversity offsetting as a contested use case⁶, while the Biodiversity Consultancy concludes that voluntary biodiversity credits are generally more likely to deliver verifiable outcomes when used for non-compensatory purposes.⁷ Similarly, responses to the IAPB's 2024 Call for Views highlighted concerns regarding the voluntary use of biodiversity credits as offsets.⁸

Strong safeguards are therefore needed to ensure that voluntary, unregulated compensation does not undermine the mitigation hierarchy. This requires demonstrating that an adequate level of impact reduction has been achieved and that the level and type of compensation applied is appropriate. In practice, this requires comprehensive audits of biodiversity strategies, transition plans, impacts and mitigation efforts, supported by transparent disclosure of outcomes.

Establishing equivalence between the positive biodiversity outcomes represented by a credit and the negative impacts it is intended to compensate for is central to any compensatory claim. The integrity of the intervention must also be demonstrated, including that outcomes are additional to what would otherwise have occurred and are as permanent as the negative impacts they are intended to compensate for. Robust monitoring, reporting and verification (MRV), supported by independent verification, is therefore necessary to demonstrate that intended outcomes are achieved, maintained and transparently disclosed, including associated uncertainties and how biodiversity gains will be sustained ecologically, socially and financially.

4 https://wwf.panda.org/wwf_news/?362819/First-Things-First-Avoid-Reduce--and-only-after-thatCompensate

5 <https://www.unepfi.org/publications/finance-for-nature-positive-discussion-paper/>

6 https://www3.weforum.org/docs/WEF_2023_Biodiversity_Credits_Demand_Analysis_and_Market_Outlook.pdf

7 https://www.thebiodiversityconsultancy.com/fileadmin/uploads/tbc/Documents/Resources/Exploring_design_principles_for_high_integrity_and_scalable_voluntary_biodiversity_credits_The_Biodiversity_Consultancy_1_.pdf

8 <https://drive.google.com/file/d/1cKli6NcaAAo0KNDfyagKIBR7qv72XYuw/view>

In a nature-positive economy, organizations will require pathways for taking responsibility for residual impacts that remain after all feasible avoidance and reduction measures have been implemented. Biodiversity credits may support compensatory claims where they are specifically designed for this purpose, incorporate appropriate safeguards, and deliver at least no-net-loss outcomes, consistent with internationally recognized norms.⁹ However, certain impacts cannot be compensated for, including species extinctions, impacts on areas of irrecoverable carbon, and losses of cultural value.

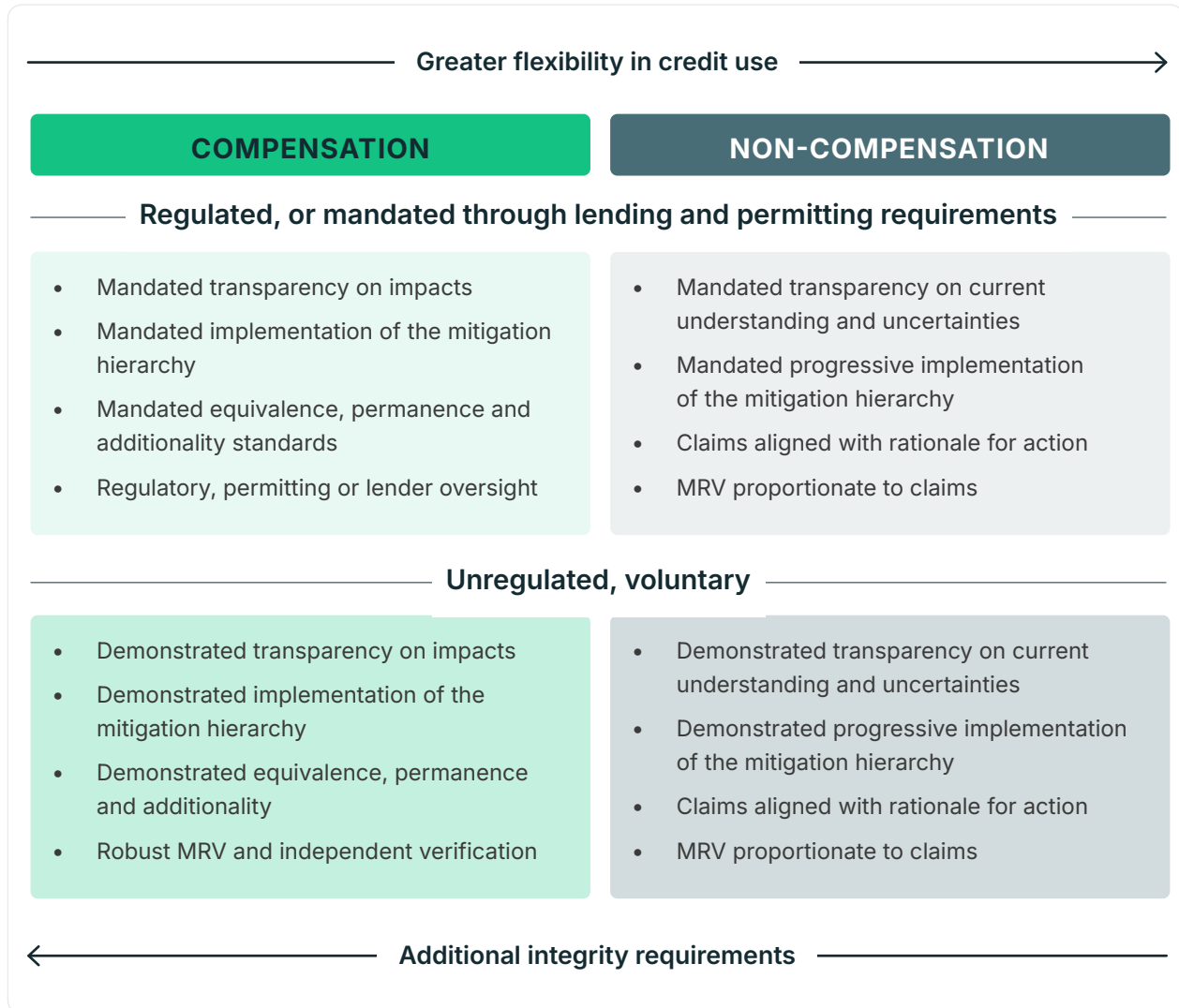
Regulatory, Permitting and Lending Frameworks Can Ensure Integrity and Ease the Burden of Proof

Regulatory, permitting and lending frameworks can help ensure the integrity of compensatory claims by embedding safeguards and oversight within governance systems and establishing mandated requirements for impact mitigation, compensation and disclosure. By standardizing these requirements and providing independent oversight, such frameworks can reduce the burden on individual organizations to substantiate compensatory claims.

Compliance-driven offsetting mechanisms can enforce minimum mitigation requirements through lending conditions, permitting requirements or legal obligations that ensure adherence to the mitigation hierarchy. When well designed, these frameworks play an important role in limiting ecosystem degradation. To address uncertainty and the risk of underperformance, many regulatory offset regimes require compensation measures to be calibrated as multiples of the predicted impact. Within compliance-driven mechanisms, where adherence to the mitigation hierarchy is enforced, residual nature loss may either be addressed through the restoration of ecologically equivalent biodiversity or, in some models, through financially equivalent compensation mechanisms that pool and redirect resources towards priority ecosystems and critically endangered natural infrastructure.

⁹ Business and Biodiversity Offset Program Standard on Biodiversity Offsets

Figure 2: Integrity requirements across regulated and unregulated claims



Greenwashing risks are mitigated when the integrity requirements applied to biodiversity credit use are proportionate to the claims being made. Non-compensatory claims rely primarily on transparency and accurate disclosure, while compensatory claims require additional safeguards and a higher burden of proof. Regulatory, permitting and lending frameworks can help institutionalize these requirements and support high-integrity use of biodiversity credits. When these distinctions are recognised and safeguards are applied appropriately, biodiversity credits can underpin a variety of nature-finance mechanisms to support credible action.

This paper forms part of the *Foundations for High-Integrity Biodiversity Credit Use* series, which examines key questions relating to demand and demand integrity in biodiversity credit markets. This issue has focused on how organizations can avoid greenwashing through transparent disclosure, accurate claims and safeguards proportionate to the claims being made. The next issue examines the question: *How can organisations act amid nature-related uncertainties?* It explores how organizations can take credible nature-positive action while progressively improving their understanding of nature-related risks, dependencies and impacts. Subsequent issues examine how biodiversity credits can support a nature-positive economic model and how demand can be institutionalized, while previous issues explored the motivations driving demand for biodiversity credits.



Glossary

Biodiversity Credit: A certificate representing a measured, evidence-based unit of positive biodiversity outcome that is durable and additional to what would otherwise have occurred.

Biodiversity Credit Mechanisms: The structure, rules, and intended function through which biodiversity credits are generated, issued, traded, and retired. Credit mechanisms may be compensatory or non-compensatory, voluntary or compliance-driven, and regulated or unregulated. They may also involve the use of biodiversity credits to underpin broader nature-finance instruments, including performance-based and outcomes-based financing approaches such as green bonds, nature bonds, sustainability-linked finance, transition finance, and blended-finance structures.

Biodiversity Credit Uses: The specific purpose and motivation for which a purchaser acquires and applies biodiversity credits. Credit uses may include compensating for residual impacts, managing nature-related risks, strengthening supply chain resilience, supporting fiduciary responsibilities, contributing to biodiversity goals, enhancing reputation, or advancing corporate social responsibility objectives.

Compensatory Mechanisms: In compensatory mechanisms, credits are used to compensate for (or offset, cancel out, counterbalance, neutralize) specific negative impacts generated elsewhere. These compensation requirements may be mandated as part of regulatory or lender compliance requirements or undertaken voluntarily following the principles of the mitigation hierarchy. For further guidance, see the [Standard on Biodiversity Offsets](#) published by Forest Trends.

Demand Integrity: The conditions, safeguards, and governance arrangements that determine how biodiversity credits, biodiversity outcomes, and associated financial flows are transacted, used, claimed, and disclosed. Demand integrity ensures that participation in biodiversity markets supports nature-positive outcomes, aligns with the mitigation hierarchy, promotes transparency, and avoids misuse or greenwashing by clearly communicating how credits and associated financial flows contribute to biodiversity objectives.

Ecological Equivalence: The principle that positive and negative biodiversity impact sites should be demonstrably equivalent, taking into account factors such as ecosystem type, species, ecological function, condition, location, and scale.

Fiduciary Responsibility: The obligation of investors, directors, and organizations to manage material financial risks and protect long-term value. In the context of biodiversity markets, this includes identifying and addressing nature-related risks and dependencies.

Greenwashing: The use of misleading, inaccurate, unsubstantiated, or incomplete claims that overstate an organization's positive impact on nature, biodiversity, or sustainability, or that obscure, downplay, or fail to disclose its ongoing negative impacts and dependencies.

High-integrity: Adherence to recognized standards, such as the *High-Level Principles to Guide the Biodiversity Credit Market*, that ensure verified positive outcomes for nature, equity and fairness for people, and transparent, accountable governance, resulting in biodiversity outcomes that are real, measurable, durable, and additional.

Institutionalizing Demand: The establishment of legal, financial, and market mechanisms that create consistent and scalable demand for biodiversity credits and nature-positive investments, enabling long-term private and public financing for biodiversity outcomes.

Mandated vs Compliance-driven: *Mandated* refers to an obligation imposed by a legal, regulatory, permitting, lending, or other binding framework. *Compliance-driven* refers to actions taken to meet such obligations, including requirements established by governments, regulators, lenders, or investors. In practice, this paper uses the terms close to interchangeably.

Mitigation Hierarchy: A sequential framework for addressing impacts on nature that prioritizes avoiding, reducing, and restoring impacts before considering compensation for residual impacts. It is based on the principle that preventing biodiversity loss should take precedence over offsetting or other compensatory measures.

Natural Infrastructure: Ecosystems and natural assets whose functions support economic productivity, resilience, water security, climate regulation, and human well-being.

Nature Positive Finance: Financial flows and investment mechanisms directed toward the conservation, restoration, sustainable management, and enhancement of ecosystems, biodiversity, and natural capital. Nature finance encompasses public, private, philanthropic, concessional, and blended sources of capital, as well as instruments such as biodiversity credits, payments for ecosystem services, conservation trust funds, and debt-for-nature swaps. Its purpose is to mobilize resources that support nature-positive outcomes while reducing nature-related risks and strengthening the resilience of economies and communities.

Non-compensatory mechanisms: In non-compensatory mechanisms, credits are not used to claim compensation for negative impacts, therefore their purchase does not seek to neutralize or absolve a company's specific negative impacts. Instead, these investments support conservation or restoration for reasons such as reducing business risk linked to dependencies on critical natural infrastructure, enhancing operational resilience, strategic positioning, improving access to finance and maintaining a social licence to operate. They may also contribute to regional, national or global biodiversity objectives, including those set out in the Global Biodiversity Framework.

Supply Integrity: The assurance that biodiversity credits represent real, measurable, additional, durable, and verified positive outcomes for nature, generated in accordance with robust environmental, social, and governance standards such as the High-level Principles to Guide the Biodiversity Credit Market and supported by transparent monitoring, reporting, and verification processes.



Disclaimer and feedback

This paper forms part of BCA's Foundations for High-Integrity Biodiversity Credit Use series. The series is intended to support discussion and provide practical guidance on emerging questions relating to demand and demand integrity in biodiversity credit markets.

The analysis and guidance reflect the evidence, experience and market understanding available at the time of publication. As biodiversity credit markets develop and further experience is gained, aspects of the terminology, analysis and guidance may be refined or updated. Future BCA work may also provide additional context or guidance relevant to the issues addressed in the series.

Feedback on the series is welcomed and can be shared with the BCA Demand Integrity Working Group and BCA Secretariat at secretariat@biodiversitycreditalliance.org.

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BCA Vision

BCA's vision is a transparent, trustworthy and efficient global market in biodiversity credits founded on just and equitable principles, and underpinned by innovation.

BCA works to facilitate the transition to a nature positive economy aided by an integrated, efficient and scaled biodiversity credit market. BCA considers biodiversity credits to be an effective complement to, but not a replacement of, the private sector's supply chain transformation efforts. BCA views biodiversity credits as an effective mechanism for advancing the private sector's participation in ecosystem restoration and transformative landscape approaches in line with science-based principles.

We invite you to join us in achieving these ambitions

