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Biodiversity Credits: Solution or Empty Promise for Latin America?

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Note to Editors: This is a selection of news wire reports that have been edited to be relevant for audiences for the next two weeks. You are welcome to select and publish individual items or the whole stack.

Headlines in This News Package:

- **Kenya's Population Growth Decreases as More Women Embrace Modern Family Planning**
- **Biodiversity Credits: Solution or Empty Promise for Latin America?**
- **Growing Feminization of Migration in Cuba Poses New Challenges**
- **Flooding, Water Insecurity Looms as Indian Kashmir's Titanic Water Bodies Shrink**

Located in northwestern Colombia, the Bosque de Niebla is home to 154 species of plants, 120 bird species, 21 species of mammals, 16 water springs, and five hectares of wetlands.

Forming part of the Cuchilla Jardín-Támesis Integrated Management District in the Department of Antioquia, the ecosystem provides water and climate regulation to the entire northwestern region of the country.

For this reason, an innovative financing scheme, biodiversity bonds, seeks to strengthen the protection of this area for 30 years, in the face of threats such as deforestation, drought, and rising temperatures due to the climate crisis.

Private Colombian investor Terraso and Spanish carbon offset seller ClimateTrade, a

climate solutions company that utilizes blockchain technology to facilitate large-scale decarbonization efforts through innovation, created voluntary biodiversity bonds for the Bosque de Niebla in May 2022.

The aim is to care for 340 hectares registered as a habitat bank by the [Ministry of Environment and Sustainable Development of Colombia](#), one of the 10 most biologically diverse countries in the world.

Habitat banks are areas where conservation initiatives are aggregated and ecosystem preservation, enhancement, or restoration actions are implemented to generate quantifiable biodiversity gains.

Each biodiversity credit represents 10 square meters of threatened, conserved, or restored land. Technical, financial, and legal guarantees will sustain the project for at least 30 years. Each bond, worth \$30, corresponds to 30 years of conservation and/or restoration.

But the scheme raises concerns about the commercialization of wildlife and the pursuit of profit over ecological benefits.

Patricia Balvanera, an academic at the [Institute for Research on Ecosystems and Sustainability](#) of the public [National Autonomous University of Mexico](#), said the financial market approach does not address the full spectrum of environmental, cultural, and social issues, which can cloud the vision of the integral importance of nature.

“Other non-integrated values have to do with social, ethical principles that have developed around nature. We have bought ourselves an image as a factory of resources at the service of people and we have discarded the role of nature and society through a relationship of care and reciprocity,” she told IPS from the northern Mexican city of San Luis Potosí.

The expert is a co-author of the study “[Diverse values of nature for sustainability](#),” published on August 9, which addresses a more holistic view of care.

Unlike offsets for environmental damage due to infrastructure projects, [biodiversity credits are an economic instrument](#) that can be used to finance actions that result in measurable positive outcomes through the issuance and sale of biodiversity units.

The buyers of biodiversity bonds gain in reputational aspects, by promoting the restoration and protection of ecosystems, and obtain funds by reselling the bonds, as it is a voluntary market.

These are different from carbon credits, where companies and individuals can buy the reduced emissions credits in what is known as the voluntary carbon market, to offset their polluting emissions: each one represents the elimination of one metric ton of carbon from the atmosphere.

For the carbon dioxide equivalent trapped and stored in ecosystems such as forests, project owners can issue certificates for sale in national and international markets to national and international corporations and individuals who want to reduce their polluting emissions.

On Hold

In Honduras, a project similar to the Colombian one is advancing in [Cusuco National Park](#), in the northwestern department of Cortés.

In the 22,200-hectare forest, decreed in 1987, the international alliance of environmental organizations rePlanet seeks the conservation of 1,883 hectares in 25 years in the face of threats such as deforestation and the risk to 24 species.

The project could issue bonds this year.

Lía González, director for Latin America of the Belgian social impact investment firm Incofin, said the instrument involves several challenges, such as monetization, assigning value to the blocks of land, the creation of standards for measurement, verification, monitoring, and issuance, as well as the involvement of the communities.

“Not all ecosystem services are the same, it has to be a very judicious system. And there have to be local regulations, from green taxonomies (classification of activities) to regulations. Therein lies the dilemma of where the sector has to go,” she told IPS from Bogotá.

The executive stressed that the scheme should avoid the carbon credits model and learn from its mistakes, such as inaccurate calculation of carbon sequestration and violations of community rights.

In 2022, Incofin’s portfolio covered 111 clients in 14 Latin American countries for a total of \$400 million in segments such as sustainable agriculture and microfinance. In Colombia, it supported eight clients and totaled \$44.3 million.

The company focuses on medium-term investments so that beneficiaries have an additional source of income within the area being protected or restored.

So far, so-called green bonds have fallen short in financing for the conservation of natural wealth and sustainable land use, according to a 2020 report by the [Luxembourg Green Exchange](#) and the [Global Landscapes Forum](#), entitled: “[How can Green Bonds catalyze investments in biodiversity and sustainable land-use projects?](#)”

Colombia and Honduras are the countries that have moved forward with these instruments, because they have regulations and several financial instruments related to biodiversity, although bonds are still a rarity.

In this regard, the Organisation for Economic Co-operation and Development (OECD),

which groups the world's 38 most developed economies, noted in its 2021 report "Tracking Economic Instruments and Finance for Biodiversity" that, despite the progress made, the substantial potential depends on increasing the use and ambition of biodiversity-relevant economic instruments.

In its Sixth National Biodiversity Report 2020, Honduras recognized the need to improve the monetary and non-monetary valuation of environmental services.

Financing schemes are essential to the development of the United Nations Decade on Ecosystem Restoration 2021-2030, adopted by the UN General Assembly in 2019, which seeks to prevent, halt, and reverse the degradation of terrestrial and marine ecosystems, to eradicate poverty, combat climate change and prevent the mass extinction of species.

Moving Toward a Take-Off?

In order for it to be successful, the mechanism requires integrity of the projects and the inclusion of all stakeholders, according to the World Economic Forum, dedicated to multinational business lobbying.

The Colombian Bosque de Niebla initiative has already placed 62,063 credits and has 61,773 available.

The investor Terraso has seven other habitat banks in various areas of Colombia that could generate more bonds.

Balvanera warned of perverse incentives that could undermine protection.

"If we think about financial schemes, the link should not only be transactional. There must be involvement of different stakeholders who collectively identify the mechanism that promotes conservation, respects the vision of care, and maintains the livelihoods of the inhabitants of these areas," she said.

The academic argued that "this generates a circular system that connects forest protection, water care, food production, and sustainable consumption."

For her part, González was open to analyzing these investments.

"Water could be a viable focus for climate resilience and its impact on the region's climate. We are interested in learning about monetization and that additional sources of income can benefit protection processes so that it is complementary to what we do," she said.

In December 2022, the 15th Conference of the Parties (COP15) to the Convention on Biological Diversity (CBD) adopted the Kunming-Montreal Global Biodiversity Framework, which includes cumulative biodiversity funding of at least \$200 billion by 2030 from public and private sources.

One of its goals is to encourage innovative schemes such as payment for environmental services, green bonds, offsets, biodiversity credits, and benefit-sharing mechanisms that include environmental and social safeguards.

To meet these objectives, the 196 States Parties to the CBD created the [Global Biodiversity Framework Fund](#), which is managed by the Global Environment Facility and whose governing council was approved in June in Brazil.

In addition, the agreement includes the complete or partial restoration of at least 30 percent of degraded terrestrial and marine ecosystems by 2030, as well as the reduction of the loss of areas of high biological importance to almost zero.