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Fundação para a Conservação da Biodiversidade

Mitigation Hierarchy, No Net Loss and Biodiversity Offsets: A Brief Introduction

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What are biodiversity offsets?

Biodiversity offsets are measurable conservation outcomes that result from actions designed to compensate for adverse residual biodiversity impacts arising from the project's development after applying the mitigation hierarchy, that is, after appropriate measures to avoid, minimize and restore such impacts have been implemented.

In general, the concept aims to achieve No Net Loss (NNL) of biodiversity or, where possible, a Net Biodiversity Gain. Its implementation is usually conducted outside the project site, in areas with viable social and environmental conditions.

Why Offsetting?

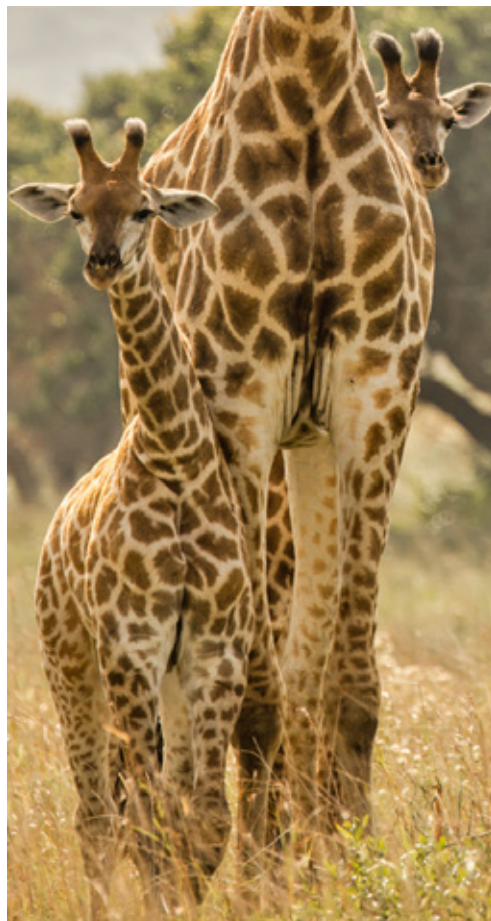
Even after implementing the steps of the mitigation hierarchy, residual impacts on biodiversity often remain. To deal with this, countries have been developing laws or policies that require the application of biodiversity offsets as the last stage of the mitigation hierarchy. International funding institutions are the driving force behind the concept - biodiversity offsetting is a requirement of the International Finance Corporation (IFC) Performance Standard (PS6) and international best practices for project development, such as the Equator Principles, applied in more than 80 countries. Voluntary commitments to achieve No Net Loss and biodiversity offsets are increasingly common, driven by the growing need to value biodiversity and reduce environmental risks resulting from development projects.

Why are the concepts of Mitigation Hierarchy, No Net Loss and Biodiversity Offsets important?

The implementation and development of different types of projects generate often irreversible social and environmental impacts, including the loss of biodiversity, both at the level of species and ecosystems. Biodiversity conservation is essential not only to preserve the diversity of species and their genes, but also to maintain ecosystems and their services, which are fundamental to the well-being and survival of the human species. The concepts of No Net Loss and biodiversity offsets use specific and measurable targets that allow governments and investors to take biodiversity into consideration when promoting development projects.

In summary, biodiversity offset projects:

- Compensate for the negative impacts of a development project, after the mitigation hierarchy has been fully applied.
- Generate biodiversity gains based on the analysis of gains and losses, taking into account the criteria of additionality, equivalence and permanence.
- Support Governments to achieve conservation results, such as support for the national network of conservation areas.
- Generate visible and lasting conservation results based on the involvement of all stakeholders.
- Reconciling development and biodiversity conservation.



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Guiding Principles

The Business and Biodiversity Offsets Program (BBOP), the IUCN Biodiversity Offsetting Policy, and the World Bank Biodiversity Offset Guidelines are some of the reference documents that describe international best practices in offsetting biodiversity. The following aspects, among others, are decisive to determine whether or not it is appropriate, or possible, to implement an offset:

- Offsets are the **last resort** of the mitigation hierarchy and it should only be considered when all previous steps have been taken to avoid, minimize and restore negative impacts generated by a development project.
- Offsets **have limits**. Some losses cannot be compensated (e.g. extinction of species or reduction of populations below the viable limit, etc.) and offset projects shall be technically and financially viable.
- Offsets shall generate **equivalence**. The balance of losses and gains should represent a fair exchange (for example, quality and extent of biodiversity equivalent to loss, or rules of exchange for biodiversity with high conservation priority).
- Offsets shall generate **additionality**. Conservation results shall be higher than the results that would have occurred if the offset had not been implemented.
- Offsets shall generate **long-term results**. The design and implementation of the offset shall be based on adaptive management, incorporating monitoring and evaluation, with the aim of generating results that will last as long as the impacts of the project.
- **Stakeholder** participation. The participation of all stakeholders shall be ensured in the decision-making, evaluation, selection, design, implementation and monitoring of offsetting.



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The growing interest in biodiversity offsets is due to the need for governments and investors to halt the loss of biodiversity resulting from project implementation. Ongoing initiatives have effectively demonstrated to investors how they can prevent, minimize, restore and offset the adverse impacts on biodiversity and ecosystem services.

How are biodiversity offsets implemented?

The three most critical aspects for an offsets implementation mechanism are: legal transparency, effective management and long-term financial sustainability.

In certain countries where the concept of NNL fits in well with current law and practice, there are mechanisms to purchase biodiversity offset credits even before the start of the development, through conservation banks (public and private).

Where these mechanisms are unavailable, investors shall collaborate with public, private and non-profit conservation entities to design, implement and monitor specific offset projects.

Implementation shall include both active biodiversity recuperation efforts and long-term biodiversity protection measures. These measures should be formally approved by the authorities and their implementation monitored by an Advisory Board composed of all the stakeholders (public and private sectors, NGOs and communities) to ensure the achievement of the objectives and their financial sustainability. Options such as Trust Funds, insurance services and other guarantees should be explored.

For more information

- **BBOP** Guidelines and policies of the Business and Biodiversity Offsets Programme (BBOP)
- **IFCPS6** Performance Standard and Guidance Notes of the International Finance Corporation
- **IUCN** Guidelines and policies of the International Union for Conservation of Nature (IUCN)
- **The Biodiversity Consultancy Ltd** Guidance and briefs on the concept
- **World Bank** Biodiversity Offsets: a User Guide

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Legal Context of the application of the Mitigation Hierarchy, No Net Loss and Biodiversity Offsets in Mozambique

The principle of full compensation for damage caused by development projects has existed in the national legislation for more than 20 years through the Environmental Law and in other legal instruments such as the Land Law, the Fisheries Law, the Forest and Wildlife Law, and the Tourism Law (along with their respective regulations).

The Regulation on Environmental Impact Assessment (Decree 54/2015 of 31 December) establishes that the impact mitigation hierarchy should apply to all projects subject to Environmental Impact Assessment (EIA) and introduces the concept of biodiversity offsets, requiring its use whenever it proves necessary. In addition, the Regulation on the Conservation Law (Decree 89/2017 of 29 December) defines the concept of No Net Loss of biodiversity, determining the criteria and conditions for restoration activities, inside and outside the Conservation Areas (CA), as well as the compensation due within the CAs and their buffer zones.

The Ministry of Land, Environment and Rural Development (MITADER) intends to introduce, in the short-term, a specific regulation on biodiversity offsets.

Opportunities for Mozambique

The proper implementation of the Mitigation Hierarchy and Biodiversity Offsets emerges as an innovative financing solution for biodiversity conservation in Mozambique at a time when the country is investing in the extractive industries and infrastructure sectors, among others, for its development, given that these projects often generate significant and irreversible environmental impacts.

The existence of a Roadmap for the Implementation of an Aggregate Biodiversity Offset System (World Bank, 2016) and the urgency for biodiversity conservation, are now creating conditions for the development of a mechanism with administrative, legal, technical and financial guidelines for the implementation of No Net Loss and biodiversity offsets in Mozambique.

Acknowledgements

This is a partnership between BIOFUND, COMBO and BIOFIN for the implementation of the National Roadmap on No Net Loss and Biodiversity Offsets with the main objective of supporting the Government of Mozambique (particularly the Ministry of Land, Environment and Rural Development) in the development of policies and legislation to regulate the concept and raise awareness of civil society, the private sector and communities about the importance of this approach to ensure the country's sustainable development.

BIOFUND – The Foundation for the Conservation of Biodiversity implements this initiative as part of its biodiversity offsets program for the harmonization of development and biodiversity conservation with financial support from USAID and Counterpart International, FUNBIO and RedLAC/CAFÉ.

The **COMBO Project** – is an initiative implemented by the WCS – Wildlife Conservation Society, Biotope and Forest Trends to reconcile the economic development of four African countries (Mozambique, Madagascar, Uganda and Guinea) with the conservation of biodiversity and the ecosystem services. This approach is carried out by supporting the Governments of these countries in the development and implementation of policies and laws that allow the proper application of the mitigation hierarchy to mitigate impacts of economic development projects, in order to achieve No Net Loss of biodiversity. The project is funded by the French Development Agency (AFD), the French Facility for Global Environment (FFEM) and the Mava Foundation.

The **BIOFIN Project** – is an initiative of the United Nations Development Programme (UNDP), the Ministry of Economy and Finances (MEF) and the Ministry of Land, Environment and Rural Development (MITADER) to strengthen and create transparent and equitable mechanisms for financing biodiversity in Mozambique.

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