

1 **Aligning ecological compensation policies with the Post-2020 Global**
2 **Biodiversity Framework to achieve real net gain in biodiversity**

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7
8 **This work has been submitted for publication but has not yet been peer-reviewed.**

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37 **Acknowledgements:** L.J.S. acknowledges Australian Research Council Discovery Early Career
38 Research Award (DE170100684); M.M. acknowledges Australian Research Council Future Fellowship
39 (FT140100516); S. O. S. E. E is supported through NERC's EnvEast Doctoral Training Partnership
40 (grant NE/L002582/1), in partnership with Balfour Beatty; This research was supported in part by the
41 Science for Nature and People Partnership (SNAPP) Compensatory Conservation Working Group, a
42 partnership of The Nature Conservancy, the Wildlife Conservation Society and the National Center
43 for Ecological Analysis and Synthesis (NCEAS) at University of California, Santa Barbara; Multiple co-
44 authors received support from the COMBO (COnservation, impact Mitigation and Biodiversity
45 Offsets in Africa) project, which is funded by the Agence Française de Développement, the Fonds
46 Français pour l'Environnement Mondial and the Mava foundation, among others, and implemented
47 by the Wildlife Conservation Society, Forest Trends and Biotope.

48 **Number of words:** Abstract: **150**; **Number of words:** **3443**

49 **Number of references:** **48**

50 **Number of figures and tables:** Figures: **2**; Tables: **zero**

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55 **Abstract**

56 Increasingly, government and corporate policies on ecological compensation (e.g. offsetting) are
57 requiring 'net gain' outcomes for biodiversity. This presents an opportunity to align development
58 with the United Nations Convention on Biological Diversity Post-2020 Global Biodiversity
59 Framework's (GBF) ambition for overall biodiversity recovery. In this perspective, we describe three
60 conditions that should be accounted for in establishing or revising net gain policies to align their
61 outcomes with the Post-2020 GBF: namely, a requirement for residual losses from development to
62 be compensated for by (1) absolute gains, which are (2) scaled to the achievement of explicit
63 biodiversity targets, where (3) gains are ecologically feasible. We show that few current policies
64 meet these conditions, and thus we demonstrate a major disconnect between existing biodiversity
65 net gain approaches and the achievement of the Post-2020 GBF milestones and goals. We conclude
66 by describing how this gap can be bridged through a novel ecological compensation framework.

67
68 **Keywords:** biodiversity offset; Convention on Biological Diversity; environmental impact assessment;
69 mitigation hierarchy; net positive impact; no net loss; sustainable development; target-based
70 ecological compensation; threatened ecosystems; threatened species

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72
73 **Introduction**

74 The proposed Post-2020 Global Biodiversity Framework (GBF) under the United Nations Convention
75 on Biological Diversity (CBD) places a strong emphasis on recovering biodiversity, not just halting
76 declines. The updated 'Zero Draft' of the GBF (August 2020) embeds explicit commitments to
77 achieve gains in ecosystems and species populations (e.g. 5% for ecosystems) by 2030, as a
78 foundation for even greater gains by 2050 (Secretariat of the Convention on Biological Diversity
79 2020). While its proposed 'goals', 'milestones' and 'targets' do not explicitly refer to net outcomes,
80 the updated Zero Draft of the Post-2020 GBF does note the need for *net* improvements by 2050,
81 implying that some ongoing losses to biodiversity are inevitable (Secretariat of the Convention on
82 Biological Diversity 2020). Indeed, delivery of 'no net loss' and 'net gain' (e.g. of ecosystems and
83 species populations) to address these losses is fundamental to the achievement of the draft GBF's
84 bold agenda (Bull al. 2020; Maron al. 2021; Subsidiary Body on Scientific Technical and Technological
85 Advice (CBD) 2021). However, these endeavours come with a strong caveat: "Net gain, or no net loss

86 approaches, if not qualified, carry high risk of harmful outcomes” (Subsidiary Body on Scientific
87 Technical and Technological Advice (CBD) 2021).

88 These concepts – ‘no net loss’ and ‘net gain’ – are already well-established in environmental policy
89 and commitments by governments, corporations and NGOs. Most prominently, no net loss is
90 associated with application of the mitigation hierarchy, including biodiversity offsets – a form of
91 ecological compensation where residual biodiversity losses (e.g. from a development like a new
92 mine, port, road, or similar) are counterbalanced by gains of biodiversity elsewhere, preferably of
93 the same kind (Quétier & Lavorel 2011; Business and Biodiversity Offsets Programme (BBOP) 2012a).
94 Increasingly though, mitigation policy including ecological compensation, requires project
95 developers to achieve more than no net loss, and is framed around net gain objectives (Rainey al.
96 2014; Bull & Brownlie 2017; de Silva al. 2019; zu Ermgassen al. 2021). This policy shift towards net
97 gain outcomes seems well-timed and neatly aligned with the increasing ambition of the Post-2020
98 GBF, where no net loss alone will be insufficient to achieve the biodiversity increases called for by
99 2030 and 2050. However, for net gain from mitigation measures, including ecological compensation,
100 to be consistent with the desired biodiversity outcomes under the Post-2020 GBF, key conditions
101 relating to policy design and implementation must be met.

102 Here, we set out three conditions that should guide the development or revision of policies that
103 regulate development, to ensure better alignment with the post-2020 agenda and its explicit focus
104 on biodiversity recovery. The conditions we describe are not exhaustive (we note here, but do not
105 cover further, important topics like the need for additionality and robust metrics in compensatory
106 policy), but they do represent the constituents of policy that can guide delivery of the amount of
107 biodiversity gains needed in a post-2020 world. To this end, we also highlight four key risk factors
108 that can undermine the on-ground delivery of biodiversity net gains. In presenting this framework,
109 we briefly discuss the extent to which existing net gain policies are positioned to contribute (or
110 detract) from achieving the outcomes that will likely underpin decision-making under the Post-2020
111 GBF.

112

113 *Condition 1: gains are absolute and result in biodiversity increases through time*

114 Much has been written about the way in which gains are delivered in ecological compensation (Bull
115 & Brownlie 2017; Maron al. 2018; Bull al. 2020; Moilanen & Kotiaho 2020). Broadly speaking, gains
116 can be ‘relative’ (i.e. to a predicted future trend of biodiversity decline), or absolute (i.e. real
117 increases over time). Relative gains can be achieved by protecting existing biota (e.g. a site

118 containing a particular ecosystem) and thus averting its anticipated future loss. If used to
119 counterbalance a loss, the outcome will be a net loss for biodiversity compared with 'now' (when
120 the decision is made), since the gains are measured against an expected decline (Gordon al. 2015).
121 This contrasts with absolute gains, where conservation actions improve the state of biodiversity,
122 often through the demonstrable creation of new biota over time (e.g. restoring a degraded site;
123 increasing the population of a species by countering threats like invasive species) (Maron al. 2018).
124 Where policies purport to achieve net gain outcomes in a post-2020 world, absolute rather than
125 relative gains are required to be consistent with the GBF agenda.

126 As it stands, a number of policies with a stated biodiversity net gain objective (or a synonymous
127 intent such as 'net positive impact') enable the use of averted loss, so they only deliver relative
128 gains. Such policies include guidance under the International Finance Corporation's (IFC's)
129 Performance Standard 6. Clients with residual impacts on 'critical habitat' (e.g. sites supporting
130 critically endangered species) can, under specific conditions, use averted loss offsetting to meet a
131 net gain requirement under this policy (IFC 2019). The International Union for Conservation of
132 Nature (IUCN) Policy on Biodiversity Offsets also recognises averted loss offsetting as an approach
133 for delivering gains to counterbalance residual losses from development (IUCN 2016). The same is
134 true of guidance on biodiversity offsetting produced by the World Bank (World Bank Group 2016),
135 relating to implementation of its Environmental and Social Framework (ESS6: Biodiversity
136 Conservation and Sustainable Management of Living Natural Resources) (World Bank Group 2018).
137 At a jurisdictional level, regulations governing ecological compensation that allow for averted loss
138 approaches have come under scrutiny. For example, an independent review of Australia's key
139 national environmental legislation concluded: "Environmental offsets are often poorly designed and
140 implemented, delivering an overall net loss for the environment" (Samuel 2020). This was found to
141 be a result of policy design and implementation, given that most compensation is delivered using
142 averted loss offsets (Australian National Audit Office 2020; Samuel 2020).

143 To achieve the 2030 milestones, 2050 goals and 2050 vision of the proposed GBF, actions that
144 improve biodiversity like restoration are needed. Nonetheless, much of the compensation delivered
145 under compensation instruments around the world (be they seeking to achieve net gain or no net
146 loss) is founded entirely, or in part, on relative gains (Bull & Strange 2018; Gibbons al. 2018; zu
147 Ermgassen al. 2019; Samuel 2020), with notable exceptions in the United States (for wetlands) and
148 Europe (for largely semi-natural and modified habitats). Relative gains that are based on averting
149 losses are likely to have an important role to play in helping address the rampant erosion of
150 biodiversity in some parts of the world. However, it is important to note that such actions do not

151 translate (at least not in isolation, nor in the short term) to the absolute gains and resultant outcome
152 of ecosystem and species population increases promoted in the Post-2020 GBF (Figure 1).

153 England's Biodiversity Net Gain policy (DEFRA 2020) provides an example of a jurisdictional
154 instrument in which unavoidable losses *must* be compensated for by absolute gains on the ground
155 (zu Ermgassen al. 2021). Although there are concerns around the amount of gain required per unit of
156 loss (see below), this policy is founded on increasing the extent and/or condition of habitat to
157 compensate for damage from project development. On a similar note, offsets policy under the
158 Queensland (Australia) *Environmental Offsets Act 2014* requires that losses of habitat for the
159 threatened koala (*Phascolarctos cinereus*) be delivered by providing three new koala habitat trees
160 for every one lost to development – an approach consistent with government policy to achieve a net
161 gain in koala habitat (Queensland Government 2020). The Mozambican biodiversity offsets
162 regulation, currently under development, also embeds requirements for no net loss and net gain to
163 be absolute. To achieve the “significant net increase in area, connectivity, and integrity of natural
164 ecosystems” (Subsidiary Body on Scientific Technical and Technological Advice (CBD) 2021) needed
165 to achieve the 2050 vision of the CBD, absolute gains in biodiversity must be a fundamental element
166 of net gain compensation policy.

167

168 *Condition 2: the amount of gain required is linked to the achievement of clear conservation outcomes*

169 We are aware of very few net gain policies that specify a rationale for the amount of gain required
170 per unit of loss. Intuitively, net gain requires an outcome whereby the ratio of absolute gain for
171 every unit of loss exceeds 1 (i.e. >1:1). Often, though, this compensatory ratio appears arbitrary. For
172 example, in the Guidance Notes to IFC's Performance Standard 6, net gain is simply defined as “no
173 net loss plus” (IFC 2019). IUCN-produced guidance for reviewing biodiversity net gain activities
174 makes reference to biodiversity targets, upon which the achievement of net gain can be judged
175 (IUCN 2017). However, these appear to be case-by-case indicators of when net gain is achieved,
176 rather than outcomes-based targets for affected biota upon which to scale net gain contributions
177 (IUCN 2017). The IUCN policy, the World Bank's ESS6 and guidance from the Business and
178 Biodiversity Offsets Programme (BBOP) note that achieving net gain from offsetting is ‘preferable’ to
179 no net loss (IUCN 2016; World Bank Group 2018), without explicitly specifying how much more than
180 no net loss is ‘enough’. French law is no more precise, and includes a blanket goal to “aim for an
181 objective of no net loss of biodiversity, or even strive for a gain in biodiversity” in its mitigation
182 requirements (Republique Francaise 2021). It does, however, require absolute gains from
183 compensatory actions (Andreadakis al. 2021). The question of ‘how much’ gain should be provided

184 for a given loss is the subject of an increasing literature (Bull & Brownlie 2017; Weissgerber al. 2019;
185 Moilanen & Kotiaho 2020; Simmonds al. 2020; Simpson al. 2021) – a timely response to the
186 emergence of policies and corporate commitments that promote net gain, but for which key details
187 like ‘how much’ gain is required are frequently implicit or unstated.

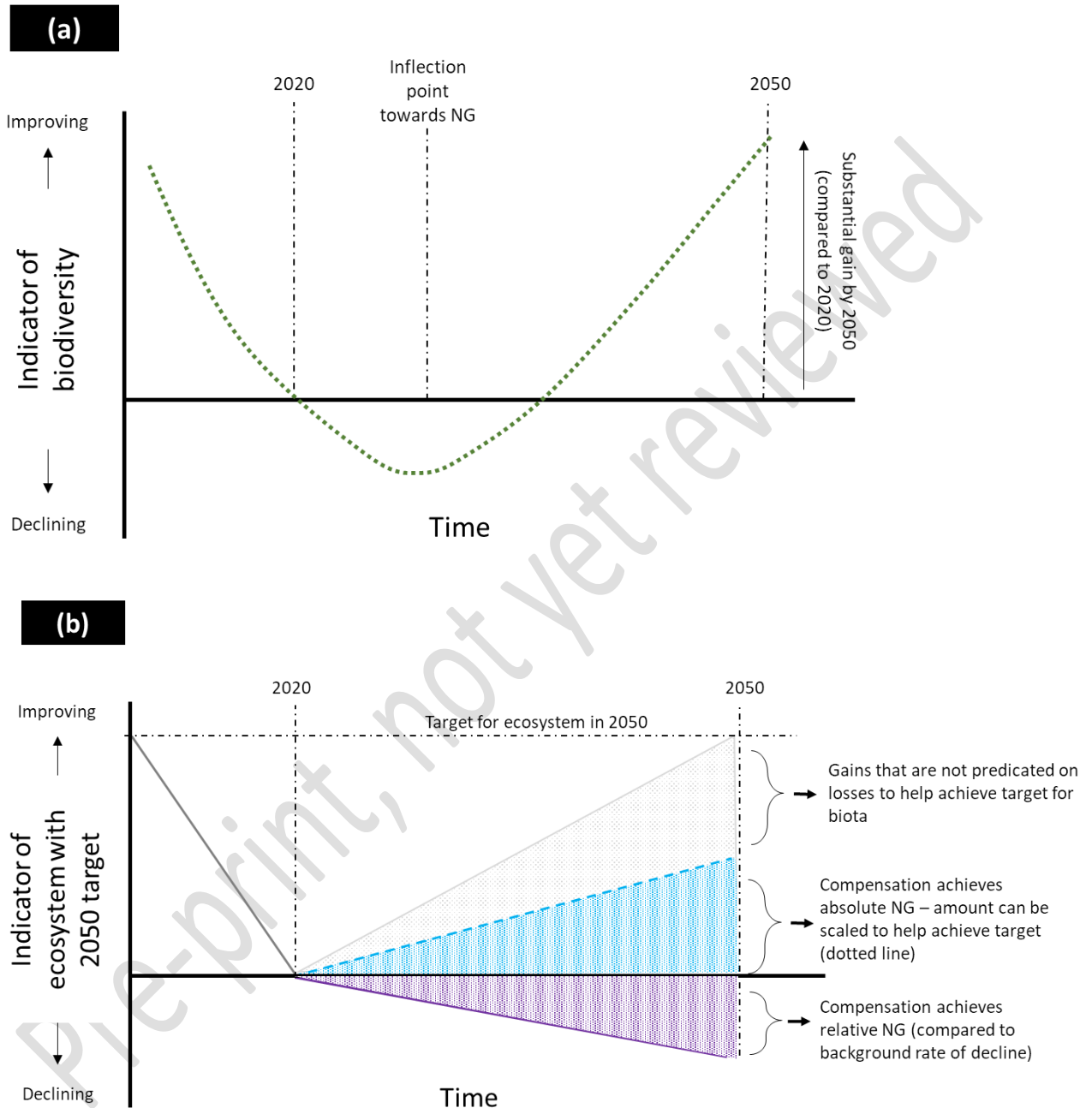
188 Even where compensatory gains are absolute, the arbitrary determination of how much gain is
189 required per unit of loss (e.g. England’s Net Gain policy = 10% gain; Queensland offsets for koala
190 habitat trees = 3:1) may mean that the gains necessary to help achieve desired conservation
191 outcomes (such as the anticipated 2030 and 2050 GBF milestones and goals) are not fully realised.
192 The recent history of offsets policy for koala habitat loss in Queensland illustrates the enigmatic
193 nature of the question ‘how much gain is enough?’. The ratio of absolute gain (new koala habitat
194 trees for every one lost) was reduced from 5:1 to 3:1 in 2014, with apparently no scientific
195 justification.

196 In a post-2020 world, the increases achieved from arbitrary net gain requirements, although helpful,
197 may not be enough to recover and improve biodiversity in line with the GBF (Figure 1). The uncertain
198 and potentially trivial nature of such contributions could be overcome by ensuring that mitigation
199 policies scale the amount of (net gain) compensation required for a given residual loss at the project-
200 level, relative to outcomes-based goals and targets such as those expected to be agreed by parties
201 to the CBD under the Post-2020 GBF (Watson al. 2020; Williams al. 2020; Maron al. 2021) (see Figure
202 1; Conclusion). This approach would harness compensation towards making a legitimate and
203 proportional contribution to the Post-2020 GBF agenda, and allow those delivering compensation to
204 truly account for the extent to which their activities are contributing to these key global biodiversity
205 imperatives. Further, it would provide a robust framework for businesses and other organisations
206 that have made ‘net gain’ or similar commitments to operationalize them.

207 The notion of framing compensatory policy in national-level biodiversity targets, reflective of global
208 commitments, is not altogether new (Buschke al. 2017). South Africa’s provincial biodiversity offset
209 guidelines scale the amount of compensation required per unit loss based on ecosystem-specific,
210 scientifically-formulated targets (albeit, these are not targets to increase ecosystem extent, but
211 rather, to limit drawdown to fixed area-based thresholds using protection offsets) (e.g. DEA&DP
212 (2015)). Similarly, the wording of the European Union’s Habitats Directive claims to scale
213 compensatory requirements by overarching targets (favourable conservation status for habitats and
214 species), which some member states have transposed into national regulations or guidance that may
215 mean, for some losses, that net gains are delivered (Tucker al. 2020). However, we are not aware of

216 any policy that is currently implemented in which net gain compensation is explicitly and
217 systematically linked to the achievement of outcomes-based biodiversity targets.

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221 **Figure 1. (a)** A representation of a plot presented in documentation to guide deliberations on the Post-2020
222 GBF (Subsidiary Body on Scientific Technical and Technological Advice (CBD) 2021), highlighting the substantial
223 gains in biodiversity to 2050 that the GBF aims to support. **(b)** Potential post-2020 trajectory of a specific
224 ecosystem for which a 2050 target has been set, and to which ecological compensation for any losses incurred
225 applies. Relative gains (purple) may slow the pre-2020 rate of decline of this ecosystem, but these do not
226 (directly) reverse the trajectory of the ecosystem. The amount of absolute gain (blue) per unit of loss

227 determines the extent to which the ecosystem state improves towards the target (e.g. in extent and condition)
228 through ecological compensation. In this example, the blue dotted line indicates an example of how the
229 amount of compensation can be scaled to achieve a desirable outcome – here, to help double the amount of
230 the ecosystem, compared to its 2020 extent. We emphasise that net outcomes from ecological compensation
231 are but one (small) way to help achieve the required substantial gains **(a)** in biodiversity needed to align with
232 the Post-2020 agenda. Additional gains, not tied to losses, are essential (grey line).

233

234 *Condition 3: losses are avoided where the achievement of absolute compensatory gains is highly*
235 *uncertain or not feasible*

236 Factors 1 and 2 above address issues of how gains are measured (relative to what), and how much
237 gain should be provided for a given loss, respectively. Absolute gains, set to align with measurable
238 outcome-based targets, represent an avenue to aligning project development with the milestones,
239 goals and vision of the Post-2020 GBF. However, this is underpinned by the fundamental premise
240 that gains can be delivered on-the-ground with a high likelihood of success. For many reasons, this
241 may not be the case – some biodiversity losses can simply not be counterbalanced through
242 ecological compensation (Business and Biodiversity Offsets Programme (BBOP) 2012b; Pilgrim al.
243 2013). There are two elements to this:

- 244 a. Some biota are irreplaceable and must be off limits to development if absolute no net loss or
245 net gains are to be achieved, meaning ecological compensation is not an option (e.g.
246 Mozambican legislation determines which biota is not offsetable, with impacts thereupon
247 constituting a ‘fatal flaw’ for development projects);
- 248 b. Some biota may be able to absorb a degree of loss and be recovered. In such cases,
249 ecological compensation may be an option after rigorous application of the first three steps
250 of the mitigation hierarchy (avoid, minimise, restore). However, even then, there are
251 situations where it may not be feasible to provide absolute gains to compensate for residual
252 losses. While there are a range of factors that jeopardise the successful delivery of on-the-
253 ground compensatory actions, we highlight four key risk factors that apply particularly to
254 efforts aimed at delivering absolute gains to compensate for losses to ecosystem/species
255 (Figure 2).

256 While point (a) above should translate to ‘no-go’ edicts in instruments that regulate development
257 and its impacts, for point (b), where some future losses *may* be acceptable, policies must include
258 appropriate safeguards and require assurance of project developers to ensure that gains can be
259 feasibly and realistically delivered (Maron al. 2012; Sonter al. 2020). As it stands, compensation

260 policies, including those with net gain (or synonymous) requirements, often have flexible trading
261 rules (zu Ermgassen al. 2020), and/or a reliance on averted loss approaches (Samuel 2020), thus
262 enabling losses which are not counterbalanced by absolute gains. Additionally, many ecological
263 compensation (e.g. offset) systems secure gains through measures based on unreasonable
264 assumptions about the long-term effectiveness of governance (i.e. biodiversity gains may be feasible
265 in theory, but governance limitations mean they are unlikely to be delivered in reality or beyond the
266 short term (Calvet al. 2019; Damiens al. 2021)). If absolute gains cannot be reliably delivered to
267 compensate for residual losses, this must be explicitly acknowledged. The response to this by
268 decision-makers may be to refuse to permit such actions and their associated impacts, or, less
269 satisfactorily, to allow losses with compensation that is insufficient in amount or does not lead to
270 absolute gains (e.g. protection offsets). The latter concedes that a net loss, which detracts from the
271 achievement of the Post-2020 GBF, will be the outcome of the trade.

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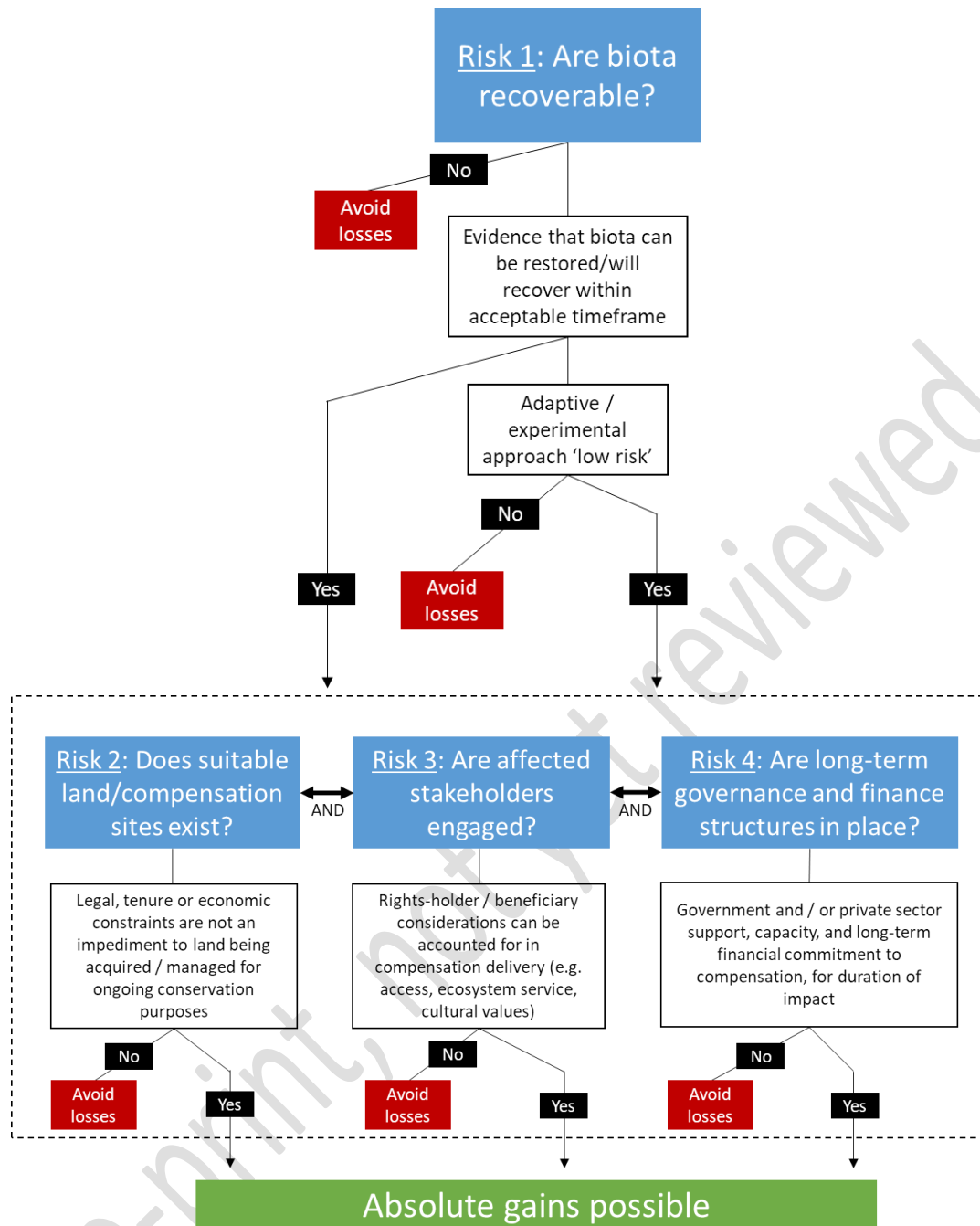
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Figure 2. Four risk factors, posed here as questions for policy makers and proponents of development to consider, when determining whether absolute gains can be feasibly delivered with certainty on-the-ground (i.e. condition 3 of our proposed framework for net gain in a post-2020 world). The first and most fundamental of these risk factors to consider when determining whether absolute gains are deliverable is: are the biota affected by the proposed loss recoverable? Central to this are questions of uncertainty (how to conserve/recover biota), and the time taken for gains to be realised (whether timeframe is acceptable – e.g. in accordance with the 2030 mission/2050 vision of the Post-2020 GBF. Even if these challenges are tractable, other context-specific impediments to achieving gains in biota on the ground (e.g. insufficient land; legally-enshrined stakeholder veto; lack of financial or other resources or commitments), which are common to all compensation endeavours, may render proposed losses unacceptable. Net gain compensation that seeks to

290 deliver absolute gains can only succeed where all four risk factors outlined in this decision tree can be
291 satisfactorily addressed.

292

293 **Biodiversity net gain in a post-2020 world**

294 We highlight three conditions to ensure net gain policy contributes to the outcomes that are
295 expected to headline the Post-2020 GBF. To align net gain policy with outcomes of increased
296 ecosystem extent and condition, and species recovery, we suggest that required compensatory gains
297 for residual losses must, at a minimum, be (1) absolute, (2) scaled to conservation outcome targets
298 that reflect the milestones and goals of the Post-2020 GBF, and (3) feasibly deliverable on-the-
299 ground. We are not aware of any existing net gain policy that satisfies these conditions – indeed,
300 many are founded on relative, uncontextualized gains.

301 Target-based ecological compensation is an emerging framework which can satisfy conditions 1 and
302 2, and provide clarity on condition 3 (Simmonds al. 2020). It is based on the delivery of absolute
303 gains that make a proportionate contribution to an explicit outcomes-based target for the affected
304 biodiversity. In target-based ecological compensation, the greater the difference between the status
305 of a particular element of the biota (e.g. the population 'now' of some threatened species) and its
306 target state (e.g. the number of individuals of that same species needed to meet a policy
307 commitment to recover threatened species), the greater the amount of compensation needed per
308 unit of loss (Simmonds al. 2020) (Figure 1). In the context of the Post-2020 GBF, such targets are
309 explicit (e.g. a 5% increase in ecosystem extent, integrity and connectivity and condition by 2030) or
310 implicit (e.g. recovering threatened species, for which an explicit target can be based upon IUCN Red
311 List criteria). The principles of target-based ecological compensation are already being incorporated
312 into net gain policy in Australia's Northern Territory (Northern Territory Government 2020) and
313 Mozambique (national level) (Ministério da Terra 2015). In Mozambique, projects are expected to
314 contribute to the achievement of national biodiversity targets (e.g. by 2035, rehabilitate at least 15%
315 of the degraded ecosystems or habitats, restoring their biodiversity and ensuring its sustainability,
316 contributing to mitigate the effects of climate change and combating desertification). Although no
317 net loss as an outcome is permissible under certain conditions established in the policy, its rationale
318 is that compensation (e.g. offset) activities must always result in absolute biodiversity gains.

319 Such target-based framing has been used to challenge language about carbon offsetting undertaken
320 to mitigate carbon emissions in the context of the UN Framework Convention on Climate Change.
321 For example, many of today's corporate claims of carbon neutrality are based on the purchase of
322 'carbon credits', to counterbalance some of the estimated emissions from a business's operations.

323 Often, these involve avoided emissions by third parties – a controversial approach analogous to the
324 protection offsets (averted loss) we refer to here vis-à-vis biodiversity (Blum 2020). They also do not
325 consider the requirement to reduce global emissions by 3% to 7% per year in absolute terms if we
326 are to comply with the Paris Agreement. In this light, neutrality is not enough, and a number of
327 initiatives around ‘science-based targets’ have pushed for a framework for corporate climate
328 mitigation that is aligned with the challenge posed by the global climate crisis (Krabbe al. 2015;
329 Rogelj al. 2018; McLaren al. 2019). The same reasoning is true for the CBD – and we anticipate the
330 same arguments will ensue for science-based targets for biodiversity.

331 We advocate the further uptake of target-based ecological compensation as a policy framework to
332 align ongoing, essential development activities (and the biodiversity losses they entail) with the
333 achievement of the targets enshrined in the Post-2020 GBF. However, we stress that ecological
334 compensation must only be but a small component of the suite of actions needed to deliver the
335 Post-2020 GBF. Crucially, gains to ecosystems and species that are not premised on losses will be the
336 fundamental driver of achieving a world in 2050 where we live in harmony with nature.

337

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Pre-print, not yet reviewed