RESPONSE FROM THE INSTITUT DE LA FINANCE DURABLE TO THE EUROPEAN COMMISSION'S CONSULTATION ON NATURE CREDITS

OCTOBER 2025

Created in October 2022, the Institut de la Finance Durable (Paris Sustainable Finance Institute), a branch of Paris EUROPLACE, aims to coordinate, unite, and accelerate the Paris financial centre's efforts to achieve ecological transition and transform the economy towards a low-carbon and inclusive model, in line with the objectives of the Paris Agreement. It brings together all private, public, and institutional players in the Paris financial center and represents the centre's positions at the European and international levels.

Within its «Biodiversity and Natural Capital» working group, composed of more than 70 institutions (banks, insurance companies, asset managers, and non-financial companies), the Institut de la Finance Durable helps market players integrate biodiversity issues into their economic and financial strategies. Recent work has focused in particular on fighting deforestation, blue finance, and financing the agricultural transition. In this context, the Institut de la Finance Durable and its members have also been actively involved in various working groups shaping the nature credit market, notably by participating in the work of the International Advisory Panel on Biodiversity Credits and as a member of the financing committee of the French mechanism «Sites Naturels de Compensation de Restauration et de Renaturation» (Natural Sites for Restoration and Renaturation Compensation).

The Institut de la Finance Durable supports the European Commission's approach in building a framework for this emerging market for nature credits. In order to encourage demand within a fair framework, **the institute stresses the importance of clarifying and harmonizing European regulations relating to nature issues.** In particular, identifying subsidies that are harmful to biodiversity is a step in this direction. Furthermore, **the effective coordination of «nature credits» with other existing financial levers is also essential to address the challenges of financing nature conservation and restoration** (PES, etc.). **The Institut de la Finance Durable also stresses the importance of clearly specifying the incentive mechanisms and guarantees necessary to launch the market.**

The Institut de la Finance Durable and its members have been working over the past few months to develop the economic model for the «SNCRR» mechanism, clarifying the need for financial guarantees and seeking to identify potential operational obstacles encountered by stakeholders, in order to effectively mobilize private financiers around this mechanism[1] . This work may also be useful in discussions on the roadmap towards nature credits promoted by the European Commission.

1. The need to rely on science and robust definitions

- The scientific rigor of the methodologies used to calculate biodiversity gains determines the confidence of the various market stakeholders, including investors. In order to reduce the risk aversion of economic actors and enable financial institutions and companies to fully engage with this mechanism, the methodologies used to calculate ecological gains must be transparent and scientifically robust. This will also make it possible to assess the ecological relevance of actions and, consequently, the gains for biodiversity over the entire project period;

- **Additionality and its conditions** are key elements that must be clearly established in advance and in project documents [2];

- Among the possible uses of nature credits, those that would be used for potential offsetting purposes must comply with the **«mandatory mitigation hierarchy»** for all potential environmental impacts[3].

2. Market infrastructure and roles of stakeholders

- The Institut de la Finance Durable supports the **separation of roles** between project developers, certifiers, registries, and marketplaces as an essential condition for the integrity of the system, which is key to market confidence;

- In order to inform investors' choices, in the event that several registries coexist for «nature credits,» they must collect **robust, standardized, and public information** on the state of degraded ecosystems, project progress, and information necessary for transactions;

- In order to ensure **proper monitoring of «nature credit» projects**, they must:

  o **Benefit from adequate local human and technical resources**;

[1] See the conclusions from the reports of the working groups of the financing committee: https://www.ecologie.gouv.fr/politiques-publiques/sites-naturels-compensation-restauration-renaturation

[2] Refer to High-Level Principle n°5 on additionality in the IAPB framework: «Additionality must be adapted to the different uses of biodiversity credits, in particular according to the specific characteristics of ecosystems and project types.»

[3] See footnote 26 in the EC roadmap: «The EU hierarchy of mitigation measures, enshrined in law in the Birds and Habitats Directives (Directive 2009/147/EC and Council Directive 92/43/EEC), but also in the EU guidelines on taking ecosystems and their services into account in decision-making, requires developers to avoid, reduce as much as possible and, as a last resort, compensate for residual effects.»

o **Encourage multi-stakeholder working communities** to ensure respect for the rights of local and indigenous peoples (or associations representing them) through minimum consultation, their direct participation in the project, etc.), the territorial anchoring of projects, and the alignment of the project with the policies pursued by the local authorities concerned[4];

o **Ensure that the mechanism is properly aligned with the national regulations of the countries implementing the projects** (where applicable)[5].

3. Conditions for the emergence of supply and demand

- To enable the mobilization of private financing (investors or buyers), particular attention is also paid to:

o The **balance between risk and return**, which requires **good visibility on the timing of projects** between project certification and credit issuance;

o **Market liquidity and the link between the primary and secondary markets**: limiting the number of nature credit transactions is supported by many stakeholders[6]. In this regard, this point should be clarified in order to ensure a certain level of market liquidity, contributing to an effective price formation mechanism, risk sharing, and market initiation;

o **The Institut de la Finance Durable supports the proposal for a market estimate and an assessment of the potential supply and demand for these units:** this must include several clearly explained supply and demand scenarios. This is an essential condition for the emergence of a price signal and for **reducing the risk aversion of potential project developers or financiers**. This estimate could also be based on an assessment of pilot projects and voluntary initiatives;

- **In this regard, the Institut de la Finance Durable agrees with the point highlighted in the Commission's roadmap:** «to launch the market: **public financing or seed funding mechanisms or risk reduction mechanisms are needed to reward and generalize this initiative.**» More broadly, consideration must be given to the relationship between public and private financing (mixed financing);

[4] See here the High-Level Principles of the IAPB framework on «Human Rights and Indigenous Peoples» (HLP n°12), on «Free, Prior and Informed Consent» (HLP n°13) and on «Participation of Indigenous Peoples and Local Communities in Governance» (HLP n°14).

[5] See here IAPB High-Level Principle n°20 «Alignment with the objectives of the Global Biodiversity Framework.»

[6] See IAPB recommendations and recommendations on SNCRR.

- Beyond market mechanisms, the valuation of credit initiatives also needs to be clarified. This involves identifying and defining best practices for the accounting of credits by their purchasers **(e.g. in the context of voluntary restoration schemes and therefore sponsorship (i), CSR policies and commitments, regulatory or voluntary reporting (ii), or public incentives in response to national nature restoration objectives (iii), etc.)**. More broadly, nature credit mechanisms are designed to enable economic actors to conserve biodiversity capital and strengthen their resilience by restoring ecosystem functions;

- In order to launch the nature credit offering, it is essential to clarify the framework to enable early initiatives to be rolled out. To this end, **support for several pilot initiatives on a number of projects (including projects in Europe) is key.** For example, the pilot projects selected by the IAPB initiative may represent interesting case studies for capitalizing on initial feedback from the field[7].

ABOUT THE INSTITUT DE LA FINANCE DURABLE (PARIS SUSTAINABLE FINANCE INSTITUTE - IFD)

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PARIS EUROPLACE

Established in October 2022, the Institut de la Finance Durable, a branch of Paris EUROPLACE, aims to coordinate, federate, and accelerate the Paris financial hub's action towards achieving ecological transition and transforming the economy into a low-carbon, inclusive model aligned with the Paris Agreement and Sustainable Development Goals. It brings together all private, public, and institutional actors of the Paris financial hub and represents its positions at European and international levels.

Find other publications by IFD's Biodiversity and Natural Capital Working Group on our website[8].

[7] See the pilot cases selected by IAPB: https://www.iapbiocredits.org/pilots

[8] https://institutdelafinancedurable.com/en/

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