

July 2023

## **THE ALTERNATIVE TO 'NO NET LOSS' IS NET LOSS**

Offsets must be both additional and durable to be valid, but high-quality offsets are truly essential.

Adam Davis, Managing Partner  
Nick Dilks, Managing Partner

---

*Established in 2006, Ecosystem Investment Partners (EIP), invests in large-scale ecosystem restoration and nature-based solutions that benefit the economy and the environment. To date, EIP has been involved in restoration projects across the country that have restored and protected more than 43,000 acres of wetlands and 220 miles of streams.*

*Prior to co-founding Ecosystem Investment Partners, Nick Dilks, spent 10 years with The Conservation Fund managing the organization's national real estate program and earned a reputation as an innovator in land conservation strategies. Adam Davis, co-founded Ecosystem Marketplace, a leading global source of information on markets and payments for ecosystem services, as well as Natural Strategies, a national sustainability consulting firm.*

---

On behalf of Ecosystem Investment Partners, we read with concern and disappointment the recent decision by the European Union (EU) Commission to strip biodiversity offsets from its taxonomy of "sustainable activities" that contribute to the protection and improvement of the natural environment. At the very moment when our natural world is most in need of innovative ways to pay for the enormous restoration and conservation challenges in front of us, eliminating one of the most established, readily investable, and impactful mechanisms for financing environmental improvement is at best, short-sighted. At worst, such a position goes directly against the ethical investment and business practices that the EU Commission is trying to encourage.

In June 2023, the EU Commission cut biodiversity offsets from its latest update to the taxonomy following pressure from an advisory group, the Platform on Sustainable Finance (PSF)<sup>1</sup>. As the Senior Economist at the World Wildlife Fund (WWF), a member of PSF, put it: "*Offsetting is intrinsically tied to biodiversity harm elsewhere, the result is a zero-sum game for biodiversity and on that basis, it cannot represent a substantial contribution to biodiversity.*"

This position entirely misses the essential point that requiring offsets that allow a project to remain at a baseline condition, a "zero-sum", is essentially the very definition of what it means to be sustainable – i.e. taking away no more than can be replaced. And of course, "zero sum" is vastly preferable to continuing to lose biodiversity. In fact, offsets qualified by scientifically verifiable *restoration* of land along with permanent protection through endowments for long-term monitoring and maintenance are in fact the very definition of what sustainability requires. This is also what high-quality offsets require.

In a world where impacts to biodiversity will continue to occur, the only alternative to offsetting impacts is not offsetting impacts. Restoration projects are needed, and the wildlife and natural systems that benefit from those projects do not know or care how the restoration work is ultimately funded.

---

<sup>1</sup> <https://www.environmental-finance.com/content/news/eu-strips-biodiversity-offsets-from-taxonomy.html>

### ***Ethical Offsets***

Sustainable economic development requires new green energy projects and more efficient forms of manufacturing and infrastructure to keep up with population growth while making the energy transition *and* to improve standards of living and reduce poverty. Sustainability also requires environmental conservation and restoration. As the United Nations defines it, sustainability is “*development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*”

The EU Commission's position supporting credits that are paid for by government or philanthropy, while rejecting credits that are paid for by business or development, will result in:

1. Less funding for biodiversity protection, and a continuation of the current trajectory of ongoing biodiversity loss.
2. Fewer options for investors and businesses looking to achieve high ethical standards and sustainable development objectives.
3. Actual loss, rather than 'no net loss', as efforts to avoid and minimize impacts can never be sufficient to fully offset impacts of economic activity.

### ***Sources of Funding for Biodiversity***

It is simply not true that restoration projects paid for by government or philanthropy are inherently more ethical than those that make up for the impacts of current economic activity. The government and philanthropic funds readily available originate from past economic activity; activity that was not required to provide offsets. If offsets had been required in the past, the damage these funds are seeking to correct might never have occurred in the first place.

While the EU Commission now opposes offsets, it still supports biodiversity credits. These credits, however, are mainly a repackaging of the work *already* being funded by government and philanthropy. This work, now variously labeled ‘nature-based solutions’, ‘landscape scale conservation’, ‘30 by 30’, and so on, is a continuation of the conservation movement that has been underway for many decades. While crediting that improves measurement is laudable, it does not represent a source of *new* revenue to pay for restoration and conservation efforts. This is an essential point, because there has never been nearly enough funding for the ambitious goals of the conservation movement, and certainly not enough for the visionary aspirations one reads about like the [‘half Earth’](#) movement.

As David Sternlicht of the investment firm, Ethic, recently wrote in his article, “Beyond Priceless”, “*we can’t solve the ecological crisis without considering the role of money and markets. Per Bloomberg, [current annual funding](#) for biodiversity and nature protection is \$166 billion, with the lion’s share (76 percent) coming from government spending and the remainder from the philanthropic and private sectors. The same report estimates that \$830 billion in annual additional capital flows must be redirected this decade to [begin to bend the curve](#) on nature loss.*”<sup>2</sup> As such, there is simply no compelling evidence for the notion that measuring traditional conservation action using biodiversity “credits” will provide additional funding.

---

<sup>2</sup> <https://www.ethic.com/insights/beyond-priceless-the-need-to-value-earths-foundational-asset>



5550 Newbury Street  
Baltimore, MD 21209  
P: 443.921.9441  
F: 410.235.1503

Offsets that require the actual accomplishment of restoration goals under rigorous scientific standards represent new and additional funding that is now critical. The description of "sustainable activities" that rejects biodiversity offsets in the EU Commission's Platform on Sustainable Finance is now in front of the European Parliament and Council for consideration. The Parliament and Council should reject the notion that impacts will stop or funding for restoration will increase without offsets, for the sake of biodiversity protection and a healthy living world.

Offsetting will continue to provide the best available mechanism to replace what we take now for the benefit of future generations because the alternative to 'no net loss' is simply 'net loss'.

To continue this important conversation, we invite you to reach out to us [here](#).

#### **DISCLAIMER for Ecosystem Investment Partners, LLC**

The information provided herein is not intended to be a complete summary of all available data on this topic and includes opinions of EIP, which are subject to change without notice. Certain information is based on third-party sources, which information, although believed to be accurate, has not been independently verified, may be subject to change without notice to EIP and no warranty is made with respect thereto.