


# Biodiversity Offsets and Opportunities

Once a company has completed the environmental and social impact assessment process and determined how best to avoid and minimize any potential impacts to biodiversity, there may still be some residual impacts that will be unavoidable no matter how a project or business activity proceeds. If the decision is made to go ahead with the project, based on a broad analysis of the economic, environmental and social costs and benefits, a biodiversity offset can be a way to compensate for those residual impacts. The idea behind offsets is ensuring that there is no net loss of biodiversity as a result of business operations and, ideally, that there is actually a net gain for biodiversity.

Investing in offsets can help a company manage the risks of biodiversity issues by ensuring a license to operate and enhancing reputation and community relations. In some cases, for example where an investment is made in a less-developed, less-expensive area, or one that has larger areas of contiguous habitat remaining, an offset can achieve better and more cost-effective conservation outcomes than other options. However, offsets should only be used within a hierarchy of mitigation options, after all possible ways of avoiding or minimizing damage have been exhausted. While they can provide important benefits for biodiversity, offsets should never be seen as permission to operate in an irresponsible manner or in an area that should not be developed.

An offset project can provide a number of additional benefits to companies, including enhanced credibility and demonstrated leadership in an evolving field. A number of governments and intergovernmental institutions are studying offsets with a view toward developing legislation and standards for offsets as a biodiversity management and conservation tool, and a few have already developed initial programs. For example, the Fishing and Aquaculture division of the Department of Primary Industries [http://www.fisheries.nsw.gov.au] in New South Wales, Australia, has a policy of “no net loss” for any development that damages aquatic habitat. Developers can transplant seagrass, construct fishways or contribute to a Conservation Trust Fund as compensation for any damage that might occur as a result of their activities. As an added performance incentive, a monetary bond is sometimes required as insurance for the success of the offset. Companies that establish themselves as early participants in this field may be able to influence these laws and policies.

Biodiversity offsets that are designed to provide socio-economic benefits in addition to conservation can also help a company strengthen its relationships with local communities, governments and other stakeholders. These better relationships can lead to enhanced company reputation and goodwill, facilitating business activities and helping to ensure both a formal and social license to operate.

To design an effective offset, a company can work with NGOs, consultants, communities and other interested parties to review its impact assessment and baseline studies to ensure that there is sufficient ecological and socio-economic data to establish no-net loss standards. This will also require quantifying the residual impacts of the project, to determine the scale and scope of the required offset. For any investment, a comprehensive monitoring and evaluation system can help ensure that the desired conservation outcomes are being achieved and that the impacts are being fully offset.

## Opportunities to benefit biodiversity conservation

Beyond investing in offsets to compensate for any damage resulting from a project or business activity, companies can choose to go one step further and invest in projects that provide benefits for conservation not necessarily tied to specific impacts of the project. Such investments, which can take place at a local, regional or national level, might include financial or in-kind support for new or existing protected areas, species conservation campaigns, and support for scientific research, government capacity-building, education or awareness-raising. They are particularly important in emerging markets, where biodiversity capacity may be limited.

### Example: The Chad-Cameroon Pipeline

A recent study [http://www.biodiversityeconomics.org/applications/library_documents/lib_document.rm?document_id=738] by Insight Investment and IUCN — The World Conservation Union, reviewed the offsets utilized by the Chad-Cameroon pipeline project, jointly created by the World Bank and the project partners, ExxonMobil, Petronas and Chevron. The project partners contributed $3.5 million to create an environmental foundation, two new national parks in Cameroon and an Indigenous Peoples Plan to "provide long-term benefits to the Pygmy population that is affected by the project." The Insight/IUCN report notes that the World Bank's statements on the project were clearly "[a]cknowledging that the various funds and national parks were a form of compensation for the environmental and social damage caused by the pipeline," and goes on to conclude that although "there may not be a one-for-one calculation of damage caused and benefits created… the concept of compensation for residual damage is clearly embedded in the design of this project." In trying to understand why the project partners would agree to contribute to these projects, the report discusses the reputational hazards of increasing public attention and actions like consumer boycotts and notes that although it is hard to calculate the costs of reputational damage, it is clearly not just a moral issue, but also a bottom-line issue for the oil industry and other companies. The report concludes: "If this analysis is correct, oil companies in particular may come to find that biodiversity offsets are an important tool in their environmental management arsenal."

Companies can invest in opportunities to benefit biodiversity conservation at a project level, to enhance biodiversity and the capacity to conserve it in or around a project site, or at a corporate level, as part of an overall corporate social responsibility strategy. Any investments should involve governments and other stakeholders to determine the best possible use of a company's contribution, based on conservation priorities, degree of threat and local capacity. Just as with offsets, these investments can provide additional business benefits to companies, including enhanced reputation and community relationships and increased government goodwill.

For example, Shell [http://www.shell.com], through its Shell Foundation and local subsidiary Shell Gabon, is supporting work by the Smithsonian Institution's Monitoring and Assessment of Biodiversity program [http://nationalzoo.si.edu/ConservationandScience/MAB/] on a biodiversity research, assessment and monitoring program in the biodiversity-rich Gamba Complex in Gabon. The project which will improve the knowledge and management of biodiversity in the area includes developing links among various stakeholders, capacity building and dissemination of information and results from the assessments.

### Resources for further information:

- **Biodiversity Offsets: Views, experience and the business case**
  http://www.biodiversityeconomics.org/applications/library_documents/lib_document.rm?document_id=738
- **The Energy and Biodiversity Initiative: Opportunities for Benefiting Biodiversity Conservation**
  http://www.theebi.org/pdfs/opportunities.pdf
- **Business and Biodiversity Offsets Program** (a partnership of companies, government agencies, scientists and NGOs, managed by Forest Trends and Conservation International):
  http://www.forest-trends.org/biodiversityoffsetprogram
- **Biodiversity Neutral Initiative**
  http://biodiversityneutral.org/index_content.html