

How can BBOP help companies?

This document is intended for developers who are considering undertaking a biodiversity offset and may welcome help from the Business and Biodiversity Offsets Programme (BBOP). It explains the context for BBOP's work with companies, the ways in which BBOP can help, and what BBOP hopes to achieve from this collaboration. It covers:

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1. What is a biodiversity offset?

A biodiversity offset is a way to demonstrate that a development (such as a mine or palm-oil plantation) can be implemented in a manner that results in no net loss or a net gain of biodiversity. BBOP defines biodiversity offsets as 'the measurable conservation outcomes of actions designed to compensate for significant residual adverse biodiversity impacts arising from project development after appropriate prevention and mitigation measures have been taken. The goal of biodiversity offsets is to achieve no net loss and preferably a net gain of biodiversity on the ground with respect to species composition, habitat structure, ecosystem function and people's use and cultural values associated with biodiversity'.

2. What are the benefits of undertaking a biodiversity offset, with help from BBOP?

The Business and Biodiversity Offsets Programme is a collaborationⁱ of over 50 different company, financial, government, and civil society representatives, who are members of its Advisory Group. Together, the members aim to test and develop best practice on biodiversity offsets and conservation banking worldwide. BBOP concluded its first four years of work in July 2009, and is embarking on an ambitious second phase (July 2009 – July 2012)ⁱⁱ.

BBOP's work is based on real experiences of biodiversity offset design in pilot projects with companies. There are a variety of ways in which BBOP can help companies design a biodiversity offset for their projects. BBOP's 'Value Proposition for Companies' (also a separate factsheet) is summarised below.

The Business case for biodiversity offsets and how BBOP can help

A company's biodiversity impacts can lead to significant regulatory, financial and reputational risks. Governments, financial institutions, and civil society increasingly expect developers to take full responsibility for such impacts. In many cases, biodiversity offsets offer companies a way to demonstrate no net loss of biodiversity, improve outcomes for local communities, and reduce operational and project development risks. Many companies are voluntarily developing biodiversity offsets. In the process, these companies are forging good relationships with regulators and stakeholders, which can contribute to securing permits and broader social license to operate. Adherence to internationally recognized best practice principles, such as those developed by BBOP, can help businesses build their reputations as leaders, manage biodiversity-related risks, and shape the regulatory requirements increasingly being developed by governments.

How BBOP adds value

Advice and networking: The range of expertise, and diversity, of BBOP's partners provides on-tap advice on how to manage biodiversity risk and opportunity. There are unique opportunities for networking with BBOP members from around the world developing practical business solutions. They can offer technical expertise to inform internal company policies and specific project design. BBOP also offers a neutral environment for the development of consensus among stakeholders who are shaping standards and policy.

Government policies: We help companies gain 'first mover' advantage and a seat at the table where international best practice standards on biodiversity offsets and compensation are being developed. Our corporate members can contribute to the international adoption of policies that work well for business.

Standards: We're developing mechanisms that enable companies to demonstrate the quality and effectiveness of their biodiversity offsets, which helps avoid controversy and uncertainty. While specific standards are still being developed, BBOP's corporate members have the advantage of support from the leading multi-stakeholder group in the field.

License to operate and regulatory goodwill; managing risk and liability; strengthening reputation: Applying BBOP's principles and using BBOP's tools to design biodiversity offsets can help members work effectively with local, national and international stakeholders. Showing efforts to achieve no net loss of biodiversity improves a company's reputation and reduces anti-project sentiments and project risk. Adopting best practice helps streamline permit approval, thereby lowering the risk of project delay and significant unanticipated start up and operational costs.

Operational efficiency and cost savings: Biodiversity offsets may provide a more cost-effective solution than a sole focus on on-site mitigation measures. By working through a structured approach to avoidance, minimisation, restoration and offsets, BBOP partners may reduce overall costs while achieving greater conservation results.

Access to finance: Companies seeking project finance from the International Finance Corporation, or from the more than 60 major banks that have subscribed to the Equator Principles, are encouraged to consider biodiversity offsets. Applying best practice, supported by BBOP, can help developers secure credit and investment.

Competitive advantage: Through voluntary adoption of best practice on biodiversity offsets, companies can distinguish themselves from competitors who may be bidding for the same licenses or seeking market share. Leadership companies participating in BBOP position themselves favourably in an environment where regulator and financier expectations are increasing and competitive advantage may be necessary to win concessions, attract finance and gain market share.

3. How can BBOP help companies?

BBOP has experience of helping companies design biodiversity offsets in a variety of ways:

- ‘Offset help-desk’:** The BBOP Secretariat can respond to requests for advice by companies who are designing biodiversity offsets. The BBOP Advisory Group members comprise formidable expertise in a range of different disciplines, ecosystems and geographical areas, and we can call on their advice.
- ‘Offset integration’:** One of the most cost effective ways to design a biodiversity offset is to integrate the extra requirements for good offset design into traditional environmental impact assessment (EIA) and baseline studies. The BBOP Secretariat can help companies incorporate biodiversity offset data and offset design requirements into the terms of reference for EIAs, and into environmental management plans and other company processes.
- ‘Offset team’:** BBOP can help companies source individuals with expertise in biodiversity offsets and particular aspects of the company’s operating environment who can help it design its biodiversity offset.
- ‘Offset toolkit’:** BBOP has published a series of Handbooks, Resource Papers and case studies. These are available to companies for their use, and the BBOP Secretariat can help companies pick the most appropriate approaches to apply in their specific circumstances.

The Secretariat and other BBOP members will:

- Work with the company partner to help them design a biodiversity offset, according to their needs and as agreed, for instance, under a Memorandum of Understanding. This could involve the ‘help-desk’, ‘integration’, ‘team’ or ‘toolkit’ models described on page 3, or some other approach suitable to the circumstances.
- Provide technical guidance to support the design of the project’s biodiversity offset.
- Review and offer comments on the process of offset design and implementation.
- Respect all confidential information provided by the company.
- Where needed and agreed with the company, call on other members of BBOP’s Advisory Group for advice, information and support.

The BBOP Secretariat is happy to discuss these different models with companies, and to tailor the engagement to suit the company’s requirements. A combination of approaches may be most helpful in some settings.

BBOP members are happy to enter into confidentiality agreements with companies.

4. How to find out more?

Members of the BBOP Secretariat would be pleased to speak to anyone considering a biodiversity offset, or interested in BBOP membership.

Please feel free to contact Patrick Maguire, BBOP Programme Manager at Forest Trends:

T: +1 202 298 3011

Email: pmaguire@forest-trends.org

And please visit our website for more information:

www.forest-trends.org/biodiversityoffsetprogram

Appendix 1: What does it take to design a ‘best practice’ biodiversity offset?

The following paragraphs explain a little about the circumstances in which it may make sense for a company to plan a biodiversity offset, what this entails, and what BBOP is hoping to achieve from its relationships with companies.

When would it make sense to undertake an offset with BBOP’s help?

- Where there is a residual loss in biodiversity due to development, particularly if the residual loss is significant. This may be
 - a predicted loss from planned development (i.e. a *prospective* offset); or
 - a past loss (a *retrospective* offset).
- Where impacts on biodiversity seem, based on initial assessments, capable of being offset.
- Where the company understands the business case for biodiversity offsets, and intends to design a good practice offset which it aims to implement.
- Where the company is interested in sharing information and working with BBOP, for instance, in one of the ways outlined above.

A biodiversity offset can be considered at any stage in the development project:

- At the start of the project, in its planning phase before development commences. This is usually the most cost-effective and efficient stage at which to begin the *prospective* biodiversity offset design as it can be integrated into the EIA process.
- Once the EIA has been completed and the development authorized. Additional information gathering may be necessary to design a quantified, no net loss offset, depending on the quality and scope of the EIA.
- Once the development is underway or complete, and biodiversity losses have occurred. The feasibility of designing a *retrospective* offset depends on good knowledge of the type, quantity and quality of the biodiversity that was lost.

What is the process of designing a biodiversity offset?

The broad steps below, undertaken by the company or its consultants, may usefully guide a prospective offset design process. Other approaches may also be suitable in particular settings.

Orientation

Step 1: Review the development project’s scope and activities	<ul style="list-style-type: none"> • Understand the purpose and scope of the development project and the main activities likely to take place in the different stages of its life cycle. • Identify key decision ‘windows’ and suitable ‘entry points’ for integration of biodiversity offsets with project planning.
Step 2: Review legal framework and / or policy context for a biodiversity offset	<ul style="list-style-type: none"> • Clarify any legal requirement to undertake an offset and understand the policy context within which a biodiversity offset would be designed and implemented. • Explore government and lending institutions’ policies, as well as internal company policies, so the offset can be designed to meet these.
Step 3: Initiate stakeholder participation process	<ul style="list-style-type: none"> • Identify stakeholders at an early stage and establish a process for their effective involvement in the biodiversity offset design and implementation.

Determining development impacts and biodiversity offset needs and opportunities

Step 4: Determine the need for a biodiversity offset based on residual adverse effects by the development	<ul style="list-style-type: none"> • Identify biodiversity components in the area that will be affected by the development project. • Determine the potential significance of impacts on biodiversity and design steps to limit impacts (use mitigation hierarchy: avoid, minimise, if relevant
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	rehabilitate). <ul style="list-style-type: none"> • Identify residual impacts that need to be offset.
Step 5: Quantify residual losses in biodiversity	<ul style="list-style-type: none"> • Decide on methods for calculating biodiversity losses and gains to plan for 'no net loss' through the biodiversity offset. • Calculate the residual biodiversity losses.
Step 6: Assess the biodiversity gains that could be achieved at potential offset locations	<ul style="list-style-type: none"> • Identify a range of potential biodiversity offset locations and activities. • Compare likely biodiversity gains and select preferred locations and activities for more detailed offset planning.

Designing the biodiversity offset: gains and select offset options (location and activities)

Step 7: Finalise offset design: calculate biodiversity gains and finalise suitable offset locations and activities.	<ul style="list-style-type: none"> • Quantify biodiversity gains using the same metrics used to calculate the losses. • Finalise the selection of the offset location(s) and activities that are planned to result in no net loss of biodiversity, and to ensure adequate compensation to affected communities.
Step 8: Record the offset design and enter implementation process	<ul style="list-style-type: none"> • Record a description of the offset activities and location(s), including the final biodiversity 'loss / gain' account. • Prepare a biodiversity offset management plan to guide implementation.

What is BBOP looking for from its company partners?

BBOP hopes company partners will:

- endeavour to apply the best practice principles, as developed by BBOP, in designing the biodiversity offset;
- collaborate with BBOP, according to the company's needs and particular setting;
- designate staff time to design the biodiversity offset, and draw on external expertise (e.g. consultants) when necessary;
- share information with BBOP and to communicate progress with the offset design, subject to any confidentiality agreement; and
- join the BBOP Advisory Group so as to contribute to the further development of biodiversity offset best practice. This involves attending an annual meeting, and taking part in teleconferences every 2-3 months.

What are the estimated time commitments and costs for the offset design stage?

The cost and timelines for designing and implementing a biodiversity offset vary according to several factors, including the size of the development and its likely impacts, the conservation significance of biodiversity that will be affected, whether the biodiversity offset design is conducted as a 'stand-alone' exercise, or integrated into the project planning process, and the options for the location, nature and management of the offset activities. It is difficult to make accurate predictions without understanding how these factors play out in a particular setting. However, a timeline of 3 months to 15 months or more can be anticipated to complete the biodiversity offset design. Offset implementation should last at least as long as the project's impacts endure, and biodiversity offsets are often established with legal and financial security to last 'in perpetuity'.

Based on experience to date, the costs for biodiversity offset *design* are extremely small relative to the overall project finance, and typically a small addition to the costs of undertaking an environmental impact assessment. The costs of biodiversity offset *implementation* also depend on many factors. BBOP's existing pilot projects have not yet advanced to the stage where the specific offset actions have been finalized and costed, so we cannot yet present specific figures. However, the budget for offset implementation is a very small proportion of the capital costs of the project or, in terms of the offset's running costs, a very small proportion of the project's annual income. For instance, although this will vary case by case, the budget for the offset for one large extractive project of over US\$ 1bn is estimated – in terms of order of magnitude – as less than 0.1% of capital costs.

Appendix 2: The BBOP Principles

Principles on Biodiversity Offsets supported by the BBOP Advisory Group (December 2008)

These principles establish a framework for designing and implementing biodiversity offsets and verifying their success. Biodiversity offsets should be designed to comply with all relevant national and international law, and planned and implemented in accordance with the Convention on Biological Diversity and its ecosystem approach, as articulated in National Biodiversity Strategies and Action Plans.

1. No net loss: A biodiversity offset should be designed and implemented to achieve *in situ*, measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity.

2. Additional conservation outcomes: A biodiversity offset should achieve conservation outcomes above and beyond results that would have occurred if the offset had not taken place. Offset design and implementation should avoid displacing activities harmful to biodiversity to other locations.

3. Adherence to the mitigation hierarchy: A biodiversity offset is a commitment to compensate for significant residual adverse impacts on biodiversity identified after appropriate avoidance, minimization and on-site rehabilitation measures have been taken according to the mitigation hierarchy.

4. Limits to what can be offset: There are situations where residual impacts cannot be fully compensated for by a biodiversity offset because of the irreplaceability or vulnerability of the biodiversity affected.

5. Landscape Context: A biodiversity offset should be designed and implemented in a landscape context to achieve the expected measurable conservation outcomes taking into account available information on the full range of biological, social and cultural values of biodiversity and supporting an ecosystem approach.

6. Stakeholder participation: In areas affected by the project and by the biodiversity offset, the effective participation of stakeholders should be ensured in decision-making about biodiversity offsets, including their evaluation, selection, design, implementation and monitoring.

7. Equity: A biodiversity offset should be designed and implemented in an equitable manner, which means the sharing among stakeholders of the rights and responsibilities, risks and rewards associated with a project and offset in a fair and balanced way, respecting legal and customary arrangements. Special consideration should be given to respecting both internationally and nationally recognised rights of indigenous peoples and local communities.

8. Long-term outcomes: The design and implementation of a biodiversity offset should be based on an adaptive management approach, incorporating monitoring and evaluation, with the objective of securing outcomes that last at least as long as the project's impacts and preferably in perpetuity.

9. Transparency: The design and implementation of a biodiversity offset, and communication of its results to the public, should be undertaken in a transparent and timely manner.

10. Science and traditional knowledge: The design and implementation of a biodiversity offset should be a documented process informed by sound science, including an appropriate consideration of traditional knowledge.

ⁱ For the governance of BBOP, please see: http://bbop.forest-trends.org/FINAL_BBOP_%20Phase2_Governance.pdf

ⁱⁱ BBOP's Phase 1 (2004-2008) products are available at <http://bbop.forest-trends.org/guidelines/index.php>. Phase 2 priorities are: **Policy:** technical support and policy advice on biodiversity offsets (including through aggregated offsets and conservation banks), landscape-level and regional planning to governments; **Pilots:** a broader portfolio of biodiversity offset experiences; **Guidelines:** improving the BBOP guidelines on designing and implementing biodiversity offsets based on wider geographic and sectoral experience of BBOP members and others; **Capacity building:** training professionals to support companies and governments in biodiversity offset design, implementation and associated regulation and policy; **Assurance:** developing agreed protocols for verification and auditing on which the future development of internationally agreed, certifiable biodiversity offset standards may build; and **Communications.**