

Biodiversity Markets: Predictions & Thoughts for 2024

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Hi folks 🙌

For those who don't know me, I'm Simas from [Bloom Labs](#) - a biodiversity finance newsletter & consultancy. I focus on all things biodiversity markets, nature accounting & biodiversity measurement, reporting and verification (MRV).

Cheers!

2023 has been a historic year for nature markets. It's worth reflecting on it and seeing what 2024 might have in store for us. And although usually I'm not a fan of predictions, it should be fun to see how wrong (or right? 🤔) I was at the end of the year.

Disclaimer: At some points, I might sound overly pessimistic. I'm not - I'm actually an incorrigible skeptical optimist. It's just a classic case of finding yourself at the deep end of a topic. All you can see then are its flaws. I'm covering them *because* I believe in the promise of biodiversity markets. I believe in systemic change. I also believe that, for better or for worse, these markets are bound to happen anyway. At this point, we have no choice but to integrate nature into our financial system. And markets will play an important role, at least in the short run. I just want to play mine in making them as fair and effective as possible.

With that out of the way, here are some high-level takes:

Predictions

First major public corporate biodiversity credit transaction takes place

Voluntary. Sizable. For the right reasons. First of many.

Biodiversity unit is (somewhat) standardized

The market players finally agree that having some high-level unit standards is worth the extra effort of everyone adjusting to it. My guess - the default credit area size becomes 1ha (forgive me, Brits and Americans), the default credit issuance period becomes 1 year and the core area of differentiation between schemes remains what it always should've been: the quantification of biodiversity gain.

Fair and just IP & LC involvement increases but they remain underrepresented

Both Indigenous and local community voices are heard more across the decision making bodies. It won't lead to the ideal structural changes yet though (e.g. complete and **transparent** adherence to Indigenous rights (including the freedom to boycott the market), biodiversity credit scheme co-design or technical accessibility) but might lead to some (e.g. more legally & publicly acknowledged Indigenous rights, codified benefit sharing rules, credit trading royalties or accessible payment systems).

Thankfully, the language of some market designers is moving in the right direction.

IP and/or LC-first schemes gain more prominence

Out of 40+ biodiversity credit schemes out there, Savimbo is the only truly IP-led scheme so far (although more are moving in that direction). More IP and/or LC-led schemes launch this year and steadily gain more popularity among the buyers who have internalized the social and environmental links in Indigenous lands.

Biodiversity credit schemes start consolidating

The exponential growth of different modern biodiversity credit schemes slows down and might even top out. Methodologies with the most traction continue getting rolled into biodiversity standards of established registries. We might even start seeing different methodologies being merged. New schemes still continue popping up but they're increasingly offset by other schemes fading away.

A truly globally applicable biodiversity credit scheme doesn't (yet) exist

Many schemes claim to be globally applicable. They might be in theory but I'm doubting if they are in practice more and more. And it's not just because natural ecosystems are so unique (p.s. they are). It's also because the social, cultural and institutional landscape is just so different within and across continents. For example, not every scheme has to be Indigenous-led. But if it's not, I don't think it should operate in the Indigenous lands. The same applies the other way around.

Offsetting conversations are finally put to rest in the voluntary markets; contributory approach dominates

On the surface, it might seem like it's a finished discussion. Offsetting is not possible in this market. And completely technically, it really isn't. There is a lot of private (and now finally some public) chatter that questions this belief though. The chatter is put to rest, social & cultural end buyer reprogramming picks up the pace and contributory claims are embraced by the buyers.

Voluntary biodiversity market experiences a first real low

Although 2023 has been a tough year for environmental markets, biodiversity has been riding the high of the Global Biodiversity Framework from late 2022. The latter part of 2023 already saw some slowing signs with more folks actually questioning the demand for voluntary biodiversity credits. Even though we are only likely to see more encouraging pledges and announcements before COP16, harsh reality will fully settle in at some point in 2024. Long-term, the market will only grow.

Nature tech continues growing

I have an addiction: I collect and categorize every biodiversity startup I ever find. But even I can't keep track of them all. Increasing VC dollars is a great sign for innovation. We're finally seeing over \$1 billion consistently invested in nature tech every year, with a steep upward trajectory. Tech is not everything in this field of wicked problems but this trend is very promising.

I know, the most boring take of the year. That doesn't make it less true though.

Nature-based carbon credits rebound big time

Although the voluntary carbon market deservedly had a rough year, it is well-positioned to scale. Yes, there are still plenty of horrible carbon projects out there. Yes, there are still plenty of weak rules and methodologies being used. And yes, there are still plenty of carbon cowboys around (and entering the biodiversity markets at this very moment). Yes, there are still huge unsolved national inventory accounting challenges (looking at you, Article 6).

Still, carbon has a couple of crucial advantages. First, the market is just more mature. Buyers are somewhat educated. Sellers are pretty established. Basic market infrastructure is set up. Second, it has a global **and** globally accepted unit. As much as I'm conflicted about the reduction of nature into a couple of gas molecules, it is built for scale. I don't see the biodiversity markets contesting it just yet. The rebound is already happening.

First scandal between Indigenous Peoples and the voluntary biodiversity market breaks out

I hope I'm wrong here but the tensions are high. Mistakes are likely to be made and they should be rightfully publicized.

Marine biodiversity markets remain theoretical

If I had to guess, I'd say that marine biodiversity space is ~2-3 years away compared to the terrestrial side now. For the time being, blue carbon is the core focus point there.

Thoughts

Okay, time to give some context behind these predictions.

We're not even close to scale yet

Although 2023 was the year of biodiversity market hype, it's still at its inception. If you talk to corporate end buyers (or even some demand facilitators like exchanges, brokerages or marketplaces), the first question you are likely to hear is "what is a biodiversity credit?" or "how is it different from a carbon credit?". It's a sign of market infancy. If we can't get past this, we shouldn't expect any consistent purchases at scale. Oh, and agreeing on what a biodiversity credit (or rather, its unit) is deceptively difficult.

Real demand is still not there

It might seem that there is plenty of corporate buyer interest. However, there is a wide gap between the buyer interest and converting it into corporate dollars going to communities and nature at scale. Standardizing positive biodiversity outcomes (that's what biodiversity credits are) and tracking them in near real-time is a huge breakthrough for nature finance. That's true and super promising. But it'll take more to get corporates comfortable with valuing and paying for nature. Regulatory compliance is the first big demand push. Tangible commercial value is hopefully the second (thanks to market standardization, nature accounting, MRV providers and others!).

Siloed market development is the default

Quickly spinning up a new market around products that are inherently unique and not easily graspable (i.e. basket of biodiversity metrics or, let's say, an image of an indicator species) is no small feat. Siloed market development is unfortunately the default here. Supply side doesn't speak with the demand side enough. Methodologies and credit schemes are mostly being built without being *truly* co-designed with the nature stewards they're meant for. End buyers and demand facilitators are not consulted enough. There is a consistent disconnect between conservationists, researchers, technologists, finance folks and government officials.

Thankfully, there are forums are being formed around these topics: [International Advisory Panel on Biodiversity Credits](#), [World Economic Forum's Biodiversity Credits Initiative](#), [Biodiversity Credit Alliance](#), [Ecological Benefits Framework](#), NatureFinance's [Nature Investor Circle](#) & more. Making them work is a whole different challenge though.

Private nature markets: most promising (and dangerous?)

As I always say, regulation is the biggest lever here. Private nature markets can significantly contribute to changing the extractive money flows but it will never do so without clear policy guidance. If biodiversity markets will be used as a distraction for the private sector to avoid regulations, then it's likely to be net-negative for nature (and probably society). Plenty of room for caution.

Summary

So, many opportunities and just as many challenges. We got our hands full this year. I believe 2024 will be the formative year for biodiversity markets. And there's a lot on the line: if the foundations are set well, we might be witnessing the first big step in structurally changing how private nature finance flows. If not, the result might be another form of neocolonialism. I'll be the first to admit that I'm making my mind up on this market right as we go. I will explore many of the topics I mentioned above publicly in more depth this year. Stay tuned!