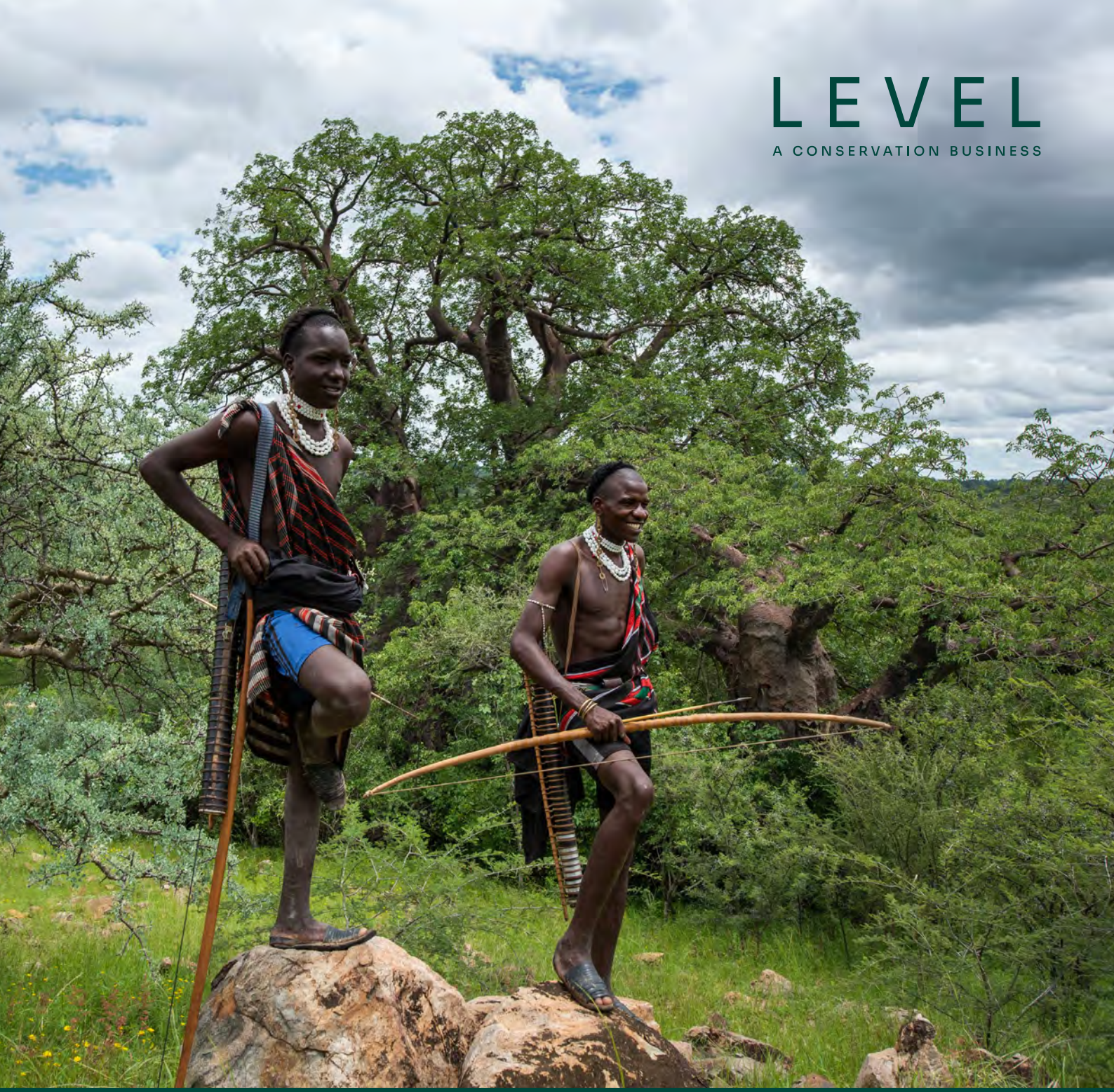
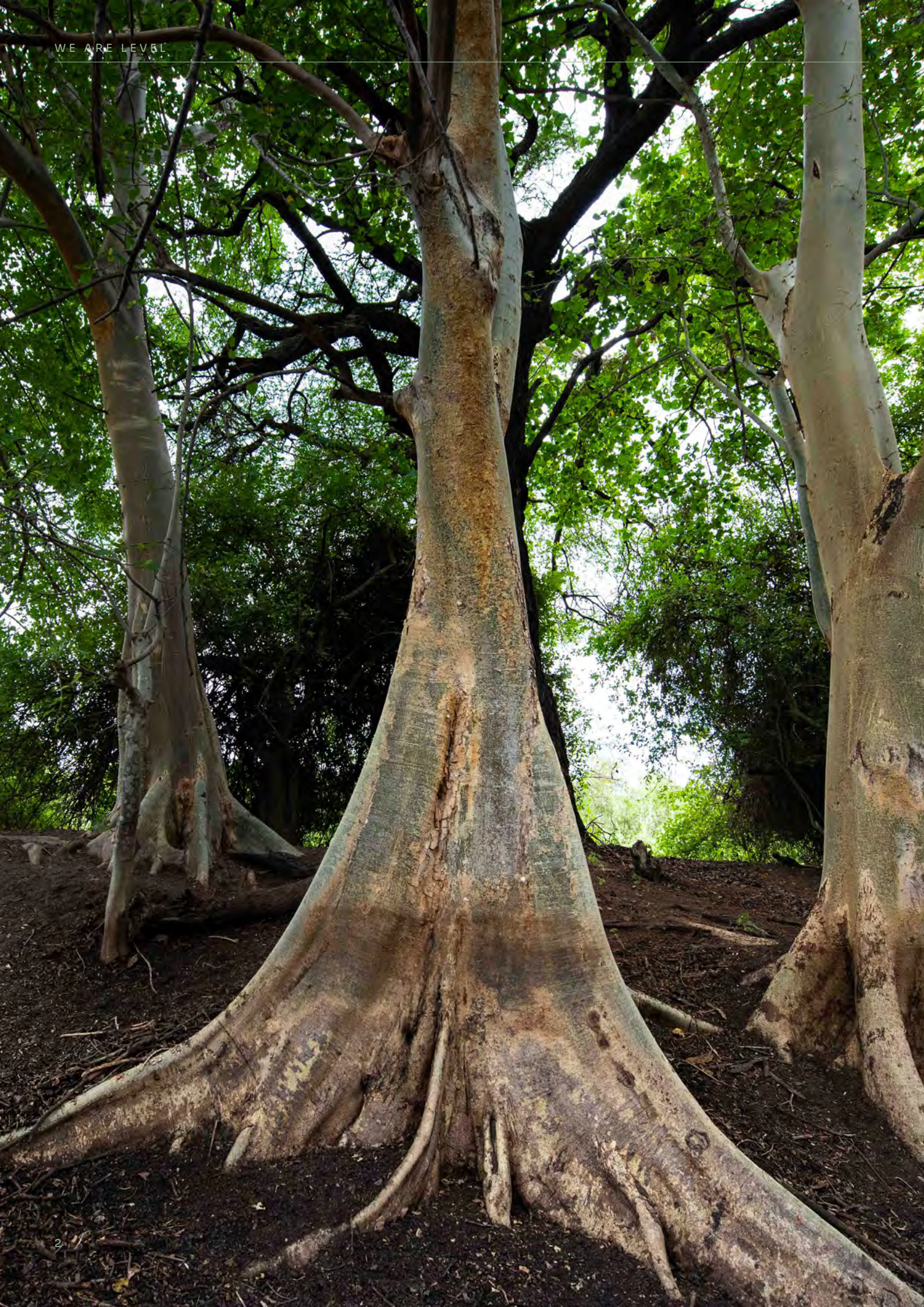
LEVEL

A CONSERVATION BUSINESS



CONSERVATION IS EVERYONE'S BUSINESS

A Level perspective on new and emerging financing opportunities for biodiversity conservation



Introduction

We have arrived at a tipping point for global conservation. Finally, governments, international agencies, private finance, market organisations, academics *and* standard agencies are taking biodiversity seriously[1]. As biodiversity markets develop, they could revolutionise the speed, scale, quality and social impacts of conservation efforts. While recognising this potential, we also appreciate the likelihood of unforeseen challenges arising as this new conservation paradigm takes root. As market standards establish, it is more important than ever that organisations adhere to principles of high integrity to minimise the risk of unintended negative consequences.

With 13 years' experience delivering measurable conservation, societal and financial successes with Carbon Tanzania, Level is uniquely poised to navigate the emerging world of biodiversity markets and to present our perspectives on the role of private finance, principles for development and the potential challenges that could face the biodiversity market.

Private finance

If you are reading this, it is likely that you understand the inescapable link between the biodiversity crisis and the climate crisis. Yet, despite some successes achieved by the traditional donor-based conservation approach, biodiversity continues to be lost and trees continue to be felled. It is therefore clear to us that we must radically re-evaluate our conservation models if we are to counter climate change and biodiversity loss.

Alternatives are already available. Private sector involvement in nature-based carbon crediting projects offers a results- and markets-based approach to conservation, often in distinct contrast to historical and continuing process-based methods. For example, under Carbon Tanzania's 30-year contracted approach to landscape and biodiversity protection, measurable changes in deforestation outcomes form the basis for contractual payments.

Grants, membership fees, philanthropy and donations struggle to meet long-term, recurrent funding needs, which ideally should instead be built into our global financial structures, making a permanent connection between global economic systems and those who are taking action on the ground. We know current financial systems are not perfect, but they are the systems we have available to us right now, and these market-based approaches work with them to channel private capital into conservation in an effective and scalable way. We don't have the luxury of time to wait for perfect systems to avert the nature and climate crises, we need to act now.

While conservation is still not meaningfully integrated into our economic systems, the climate crisis is changing that. We are now at a point where we can make biodiversity understandable as a measurable, validated and verified unit; in other words, a biodiversity credit.

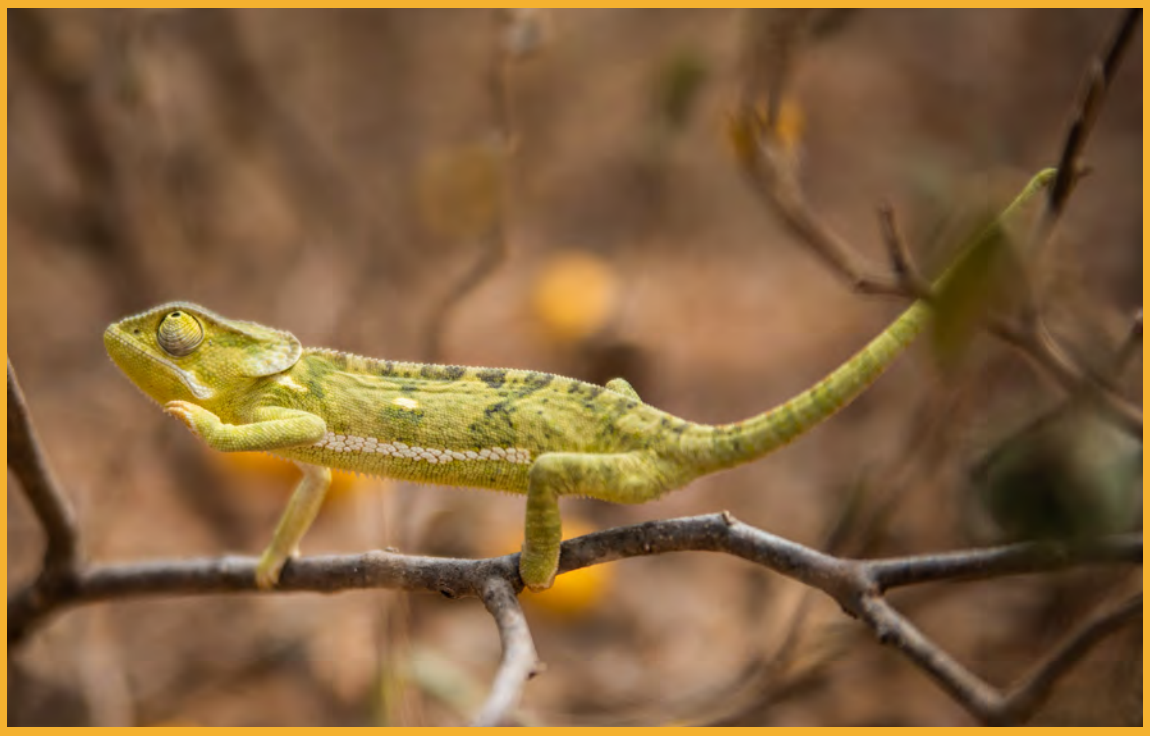
What are Biodiversity Credits?

A UNIT FOR VALUING NATURE

Many people already recognise the value of nature and biodiversity but, until recently, it has been an externality of the global financial system. Yet, valuing nature is a first step to facilitating its large-scale protection. Enter biodiversity crediting – a framework to include the economic value of biodiversity in global markets. In this framework, the base unit for valuing nature is a biodiversity credit – a measurable, validated and verified unit which is a digital representation of the avoided loss of, or increase in, an area's biodiversity. Numerous standards are emerging which will define and set protocols for the standardisation and measurement of biodiversity worldwide. Backed by 13 years of experience in the successful development of forest protection projects, Level is entering the biodiversity market by adopting the use of high-integrity biodiversity standards to invest in Indigenous people and local communities (IPLCs) and the ecosystems they steward.

NOT AN OFFSET!

It is important to underscore our view that certificates used in the biodiversity market are not used for the purpose of offsetting or compensating the impacts on or destruction of habitat and biodiversity in another site or geography. If biodiversity markets are to add to the efforts of scientists, NGOs and governments in protecting biodiversity, it is critically important that the markets are focused on generating nature-positive outcomes. We unpack this in our discussion of potential market participants below.



The Level approach

Informed by our experience with Carbon Tanzania, Level's approach to project development is, and will always be, community led. This means we listen to and are guided by the concerns of local people throughout a project's lifespan. In Carbon Tanzania's experience, these concerns include land tenure and resource security, as well as a lack of access to healthcare and education.

By starting the project development process with an understanding of the concerns and expectations of IPLCs, you begin to appreciate the costs – both financial and societal – of protecting land and associated biodiversity. Over the last 13 years spent working with local communities, we have learned that deforestation and biodiversity loss are never driven by one, simple cause. Cultural traditions and approaches to land-use interact with political factors and climate change to collectively drive biodiversity loss and deforestation.

Our approach is also one that focuses on conservation first. Conservation is a low cost, low risk approach to preventing irreversible ecosystem degradation and loss. Furthermore, conserving our natural assets, such as forests, grasslands and mangroves, offers one-third of the mitigation potential required by 2030, if we are to meet our climate goals[2].

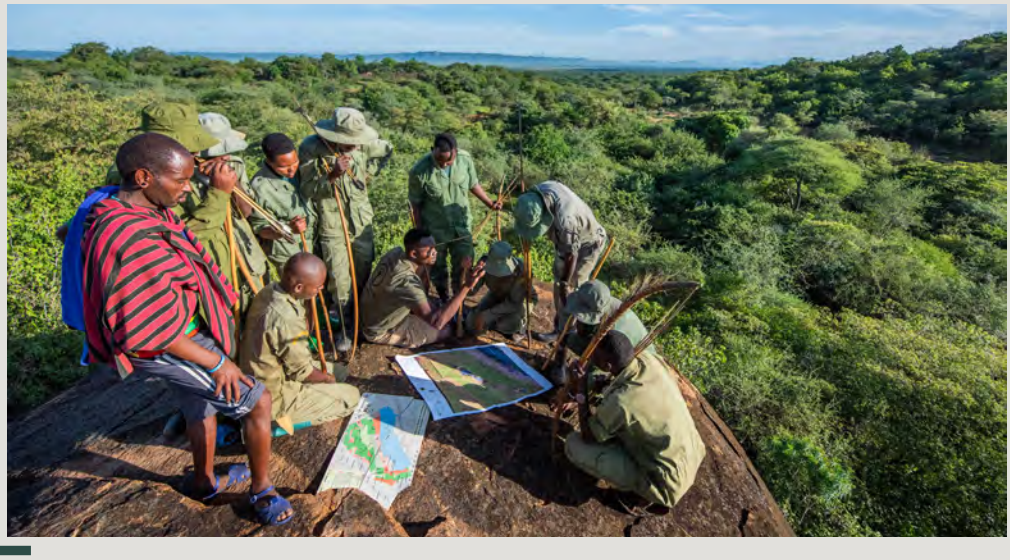
However, one factor does underpin all others: finance. This is critical to understand, for when the need for basic amenities pushes people to fell trees and degrade ecosystems, equivalent funding must be provided to drive sustained behaviour change.

This is one reason why we believe finance should go directly to the site of conservation, be that a European farm or a pastoralist community in East Africa. Moreover, many of the world's high-biodiversity areas remain protected thanks to the multi-generational land-use practices of IPLCs. With this in mind, their stewardship must be compensated in an appropriate and equitable way.

Channeling the finance

In the last few years, the private sector has started to commit to nature-based solutions (NBS) to climate change and biodiversity loss. Yet, there are still many places where this finance is failing to reach. To understand why, try imagining private sector finance as a tank of water. To allow the 'water' to flow where it is needed, the plumbing must be designed and put in place accordingly.

By way of 'plumbing', many leaders in the space have developed high-integrity principles for the markets, policies, and standards required to deliver conservation finance appropriately (e.g., Plan Vivo Nature, Verra's Nature Framework, World Economic Forum, Science Based Targets for Nature – see further reading below). Broadly, these high-integrity principles include transparency, nature positivity, community involvement and permanence. Together, these principles are intended to aid the delivery of conservation to benefit nature, climate and people, and thus they should form the foundation of the biodiversity credit market as it develops. Whilst much has been written on the importance of nature to our global economy and in climate mitigation and adaptation, not as much has been included on addressing the third pillar of what a market-based NBS project should address. Level's approach differentiates itself by its focus on this area: **people**.

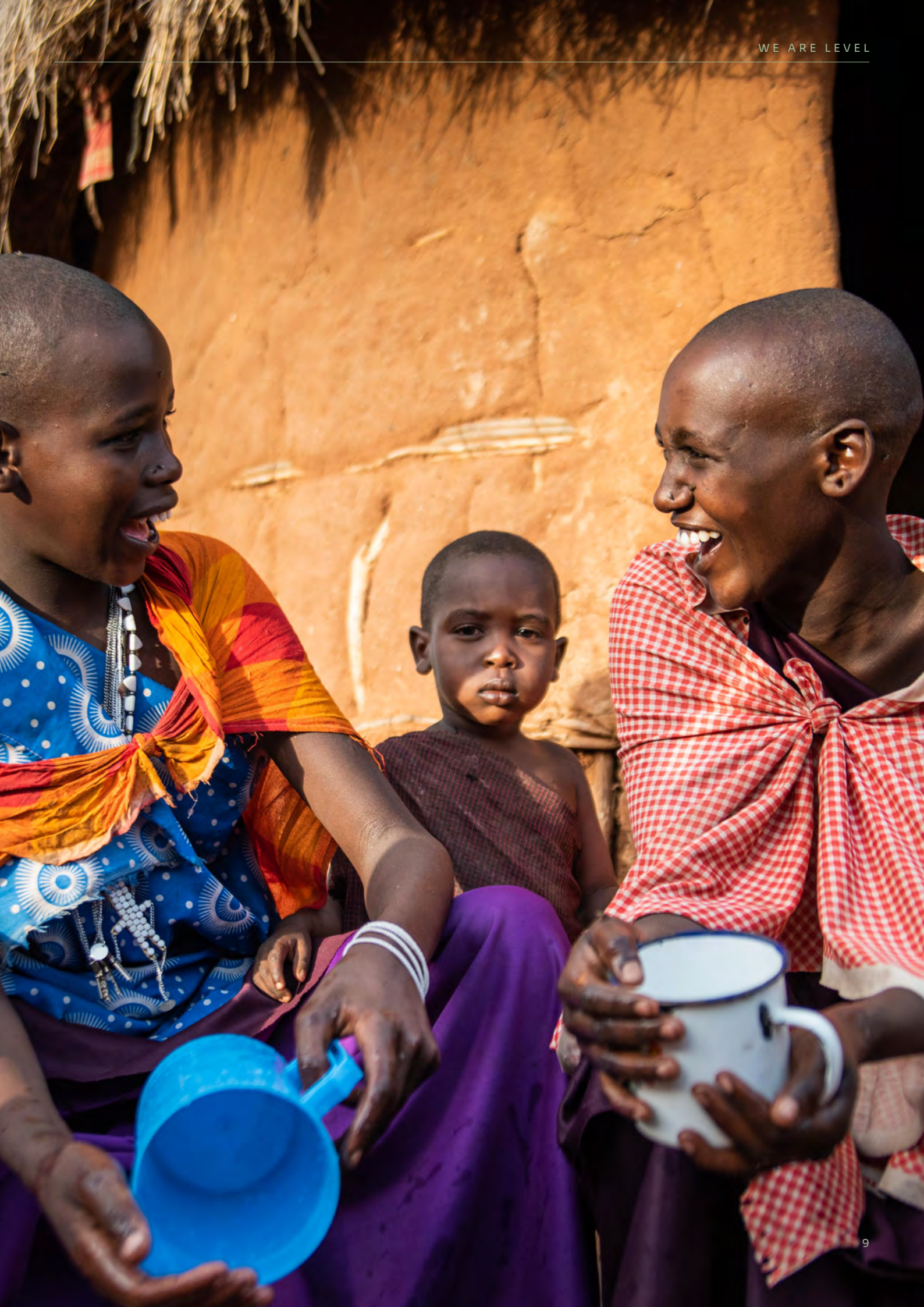


People

Level's approach has been fundamentally shaped by one key realisation. In our experience, local people will make informed decisions about their environment when given proper incentives, land rights, and the power and agency to act.

A great example of this inherent nature conservation capacity among indigenous people is the role of the Hadza hunter-gatherers in Carbon Tanzania's Yaeda project. The Hadza depend on the natural world for sustenance and survival, but along with other indigenous groups, it is often assumed that this leads to a depletion of wildlife or habitat. However, monitoring data from the project reveals that not only are wildlife populations not declining from excessive hunting, but are thriving as a result of increased protection of the forest which importantly includes a reduction of externally driven poaching pressures. To anyone who understands the importance of predators in maintaining wildlife populations, this will come as no great surprise. However, it does indicate something important about biodiversity protection – it's the habitat that matters and more often than not, when given the opportunity, local people are more than capable of protecting and managing it.

At COP15 in 2022, the need to place IPLCs at the centre of action on biodiversity loss resonated with people the world over. At Level, we advocate going one step further by including communities in the Global North, such as farmers, who are also custodians of nature (when given appropriate financial incentives). Indeed, regardless of where conservation efforts take place, the Level model is always built on a simple truth: local people must be part of the creation and management of biodiversity payment systems and they must share in the revenue. Only then will biodiversity credits become a real asset to them.



Challenges for market-based approaches

Despite the many opportunities market-based approaches bring for people, nature and climate, they do also present certain challenges. Of these, we have found ensuring high integrity **demand** for biodiversity credits and managing the associated **risk** to be the most pertinent and pressing.

1. Demand

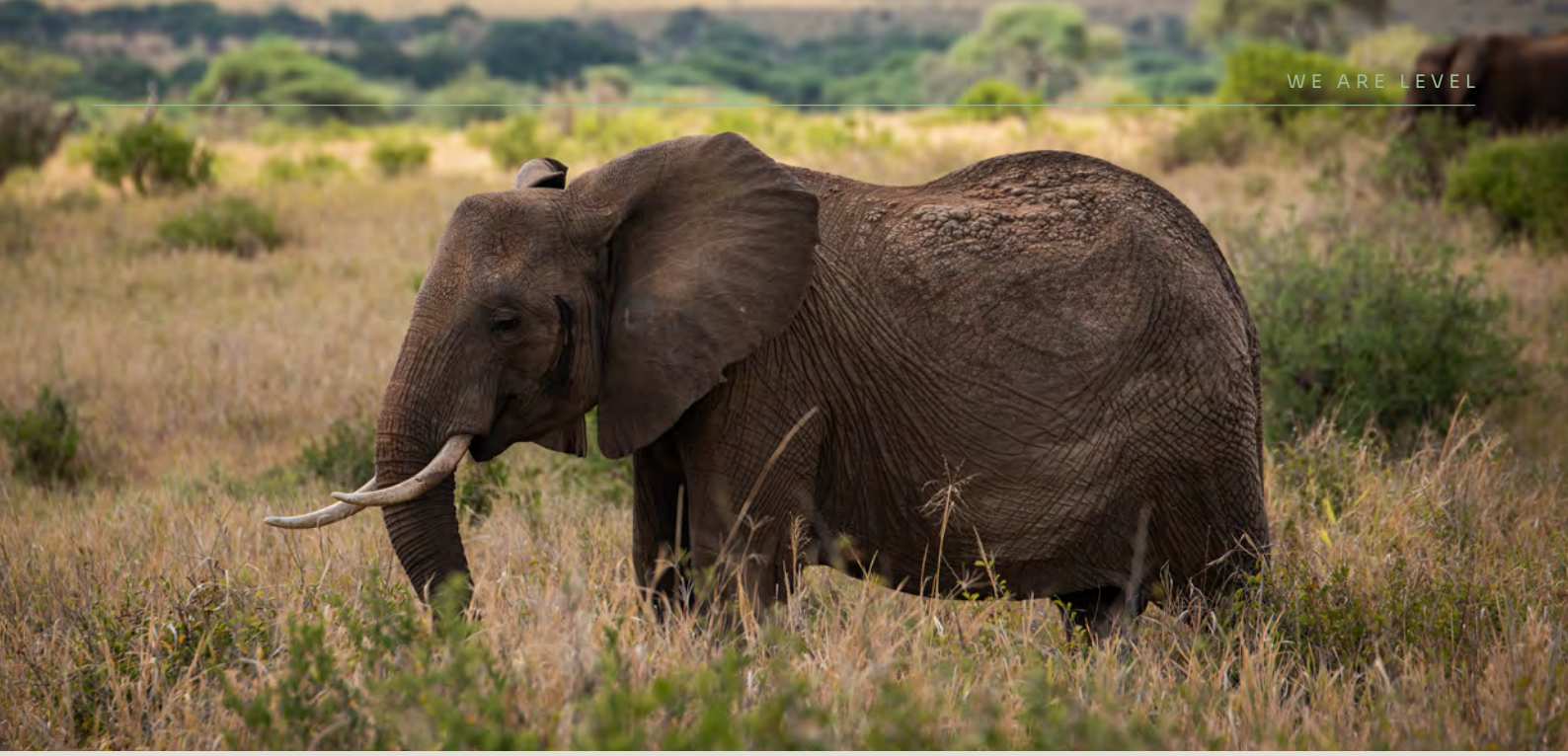
The first question to address is who will buy biodiversity credits. Conventional thinking on the coalescence of this market is based upon the development of the corporate market for emission reductions, used largely as carbon offsets to meet a company's net zero or decarbonisation targets.

The Taskforce for Nature Related Disclosures (TNFD) provides a framework for companies to identify and potentially price in the risks that exist in their supply chains, or wider financial ecosystem, in such a way that the cost of *not investing* in biodiversity and nature is communicated in economic terms.

Having begun the measurement and disclosure process, a company can then find itself in a position to make nature positive commitments. In other words, they can declare how much finance they will commit to funding projects that lead either to a measurable avoidance of biodiversity loss or to biodiversity increases within a specific location. Depending on the jurisdictions in which a company operates, it can meet these targets by investing in state structured incentive programmes, such as the EU Nature Restoration scheme or the UK Biodiversity scheme or by purchasing biodiversity credits from a private developer.

Various global bodies are already designing best practice guidelines over the criteria for high-quality biodiversity credits, and to which integrity standards buyers of such units might be held accountable (e.g., SBTIs for Nature). There is little doubt that ratings agencies such as Calyx, BeZero and Sylvera will all also want to rate projects as a way of demonstrating their value to corporate buyers.

At this early stage, other actors in the space are working on initiatives to stimulate demand and to identify how a biodiversity credit market might evolve. For instance, in 2024, the World Economic Forum and McKinsey will run a biodiversity auction in which project developers with existing or early-stage projects can showcase them to a select list of corporations to attract investment. Level has already been invited to



participate and will be looking to sign long-term offtake agreements for our credits to spur further project development and de-risk the project for our resource-owning local partners, including IPLCs.

Proprietorial biodiversity credits—i.e., those that are not verified by a third party—are being developed with clear rules surrounding generation and market participation. Although political will tends to be positive for such schemes and they likely offer an efficient, low risk option for funding biodiversity conservation, there is a risk that they lack the robustness of a globally established market for validated and verified biodiversity units.

2. Risk and responsibility

The emerging market for biodiversity credits calls for capital to be allocated to projects that protect nature in ways that are measurable and independently verifiable. But who should carry the risk of funding these new and largely early-stage initiatives? And subsequently the responsibility and potential financial risk of holding credit inventory?

IPLCs living in high biodiversity areas or adjacent to nature are often the ones least able to shoulder the risks associated with adopting a new social-ecological framework, such as biodiversity credits. However, if local people are to benefit from the potential payments from verifiably positive biodiversity outcomes, they will need to accept a certain level of responsibility for the management of the natural asset from which biodiversity credits can be generated.

The design and development of a long-term, sustainable biodiversity credit-based project needs to include clarity on who is responsible for the management and monitoring of the resource and who will be reporting the necessary data required for verification.

A healthy and functioning market for verifiable biodiversity results will ideally balance the need for financial risk to be borne by buyers and investors rather than resource owners such as local communities, alongside a clear understanding that the responsibility for ensuring that biodiversity outcomes are achieved lies with those very communities and resource-owners.

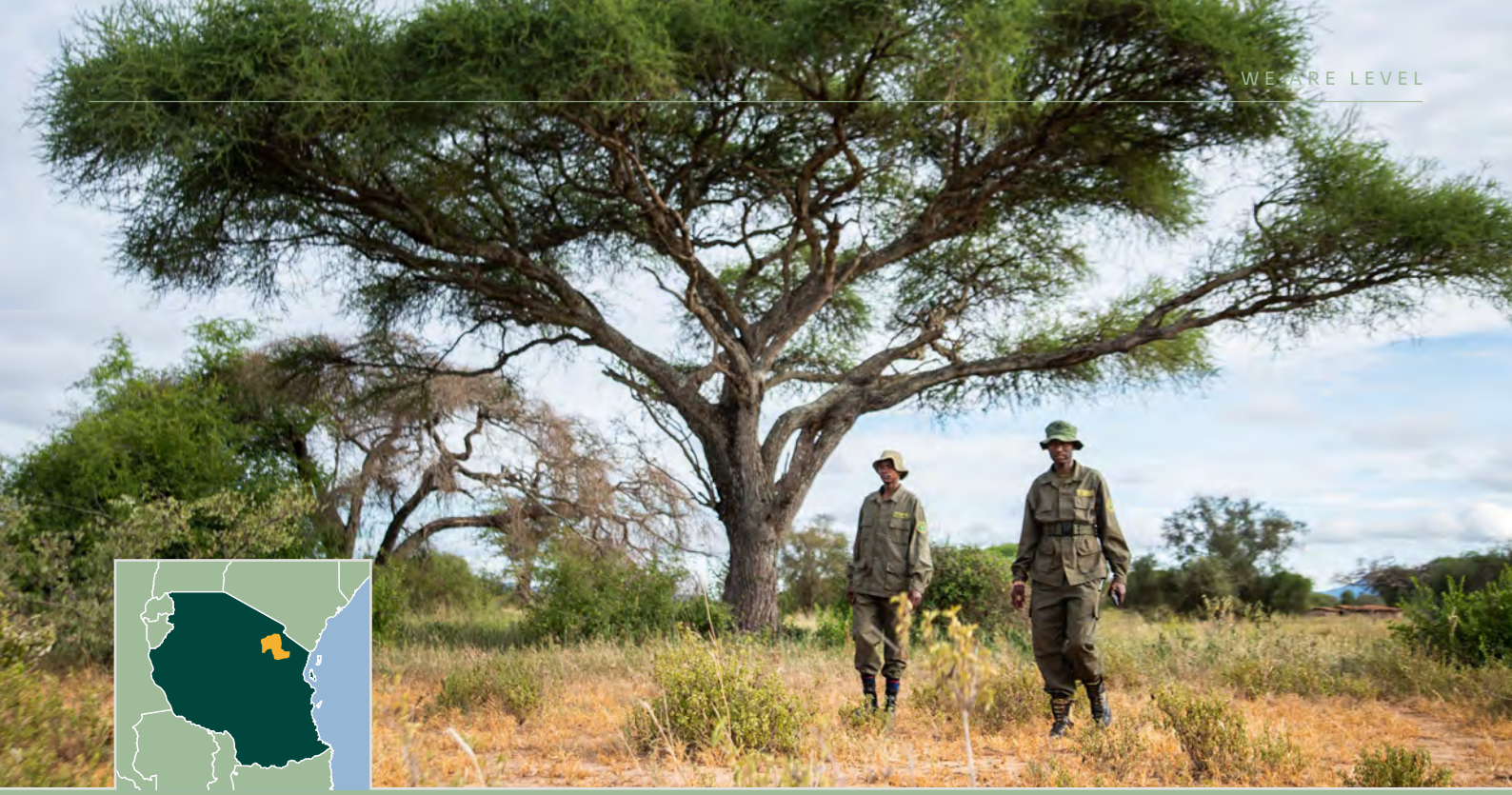
Level breaks new ground in Tanzania

In order to meet our commitment to exploring new ways to sustainably fund biodiversity conservation, we have started the development of a biodiversity project in northern Tanzania, which encompasses wildlife-rich savannah woodlands across the Masai Steppe (see case study below), and uses the Plan Vivo Nature Standard.

Bringing together the worlds of conservation and finance, we are engaging with local and national governments around the potential for biodiversity crediting and the importance of creating this framework to access the global capital. Conscious of the highlighted issues surrounding risk and responsibility, our priority throughout the project development process is ensuring financial risk is borne by those who can most easily afford it. Equally, we are keenly aware of our role in clarifying the distinct community and governmental responsibilities over the management of natural assets. Carbon Tanzania's years of experience working with communities, and local and national government on developing carbon assets is critical here to sensitising project participants to these fundamental requirements.

Level knows that community leaders and ministers alike need to understand the legal and contractual foundations for biodiversity crediting. They also need to grasp that this is at heart a financial mechanism for transferring funds from financial actors who want to fund conservation, but who demand transparent, verifiable means of evidencing the impacts of the payments. An important part of this is of course ensuring that we continually expand our knowledge of biodiversity metrics and measurement as they emerge in the worlds of academia, nature tech and other related fields that will form the basis of understanding biodiversity values in the many and diverse ecosystems across the earth.

As we move forward into this new space, Level aims to attract and facilitate the bold and innovative investment in biodiversity that is needed to ensure that financial equity and genuine social value is built within these new, global frameworks for valuing nature.



Masai Steppe case study

The Masai Steppe of northern Tanzania is part of the Tarangire-Manyara ecosystem, a dryland mosaic composed of a mixture of woodlands, savannah, and seasonal wetlands. The diversity of habitats in the landscape directly translates to high biodiversity of plants and animals across the area. Many of Tanzania's iconic wildlife species and rare birds can be found on the Steppe. The Masai people have been living alongside this rich biodiversity for 300 years, continuing their traditional pastoral livelihoods until modern times. Over the last few decades, conversion of natural ecosystems to agricultural land has been spreading across the Steppe, concentrating the Masai and their herds into smaller and smaller areas, increasing pressure in existing rangelands and habitat. Some areas of the Steppe are protected (e.g., Tarangire National Park); however, those areas that are unprotected, and the biodiversity they support, are imminently endangered by agricultural conversion or overgrazing.

Level has identified a critical area of the Masai Steppe to focus our first biodiversity crediting project. The 5,000-km^2 area includes Randilen and Makame Wildlife Management Areas[3] (WMAs) and the 11 Masai villages bordering Tarangire National Park and the WMAs. The Masai Steppe is home to several types of woodlands, savannas and wetlands. The patchwork mosaic of these ecosystems creates a landscape dotted with many trees in some areas, but interspersed with open grasslands in others. While this creates a wealth of niches for various plants and animals to occupy, it makes protecting the area using a carbon crediting project challenging, as tree density is too low for a carbon project to meet the opportunity cost of converting the land to agriculture. However, the same characteristics that make this area difficult for carbon crediting (i.e., heterogeneous landscape) make it ideal for a biodiversity project.

Using our conservation-first, community-led approach, we have already established relationships with the communities and WMAs through our partner organisations, Ujamaa Community Resource Team and Honeyguide Foundation. We are working with the communities to develop plans to strengthen land use, which is a critical step to ensuring that conservation will actually work. We are continuing the development of this project for validation with a robust, third-party verified standard that employs objective, repeatable and rigorous methods to measure biodiversity. This flagship biodiversity project on the Masai Steppe is an ideal scenario for us to show that results-based, landscape-scale biodiversity conservation is a viable solution for people and nature.

Further reading

High-Level Integrity Principles for Biodiversity Markets.
Plan Vivo Foundation. https://www.planvivo.org/pv-nature

High-Level Governance and Integrity Principles for Emerging Voluntary Biodiversity Credit Markets. World Economic Forum. December 2022.
https://www3.weforum.org/docs/WEF_Biodiversity_Credits_Markets_Integrity_and_Governance_Principles_Consultation.pdf

Biodiversity Credits: Unlocking Financial Markets for Nature-Positive Outcomes. World Economic Forum. September 2022.
https://www3.weforum.org/docs/WEF_Biodiversity_Credit_Market_2022.pdf

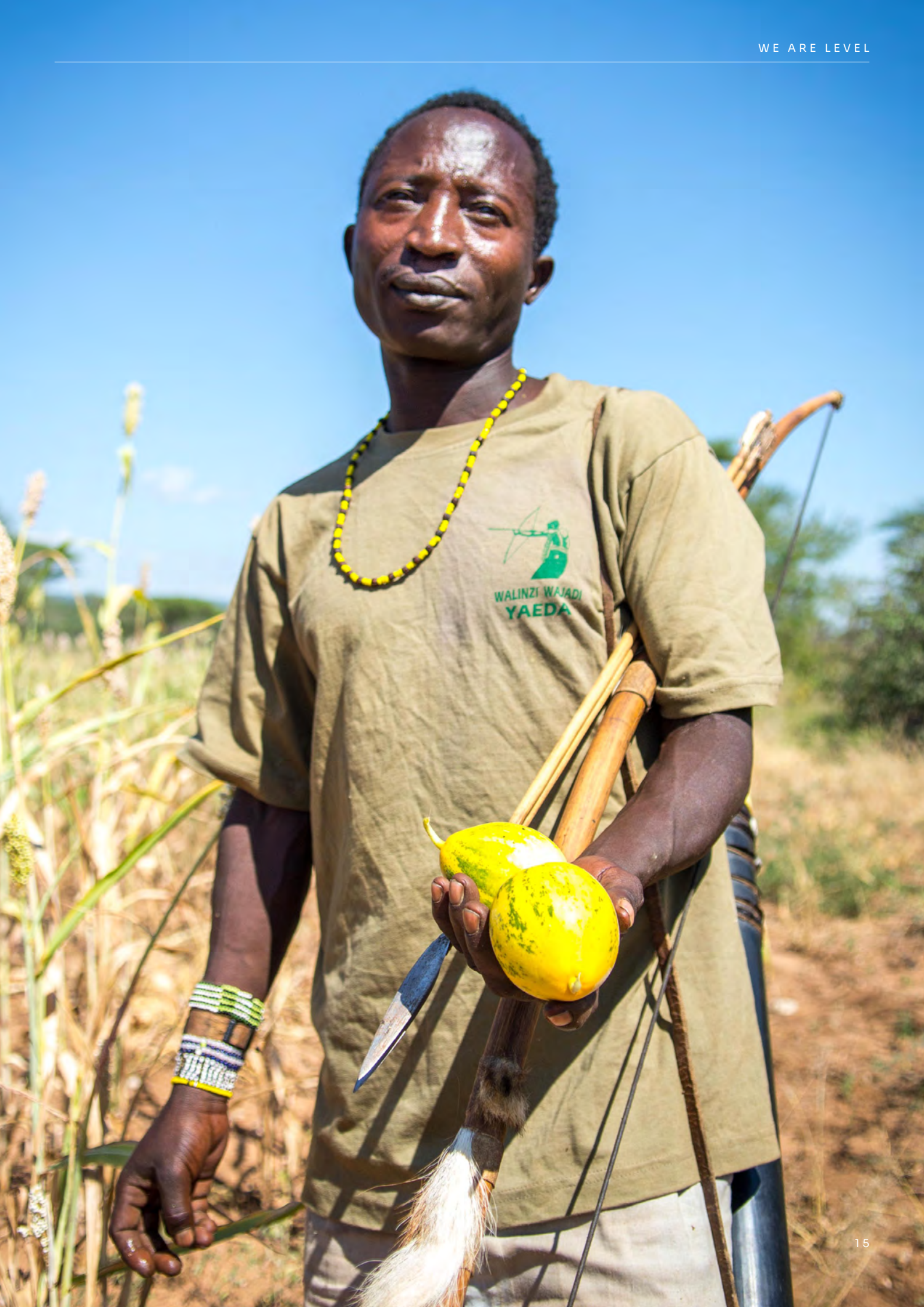
Biodiversity in the First Release of SBTs for Nature and an Approach for Future Methods. Science Based Targets Initiative. May 2023.
https://sciencebasedtargetsnetwork.org/wp-content/uploads/2023/05/Technical-Guidance-2023-Biodiversity-Overview.pdf

Endnotes

1 https://www.cbd.int/article/cop15-final-text-kunming-montreal-gbf-221222

2 Griscom, B. W., Adams, J., Ellis, P. W., Houghton, R. A., Lomax, G., Miteva, D. A., ... & Fargione, J. (2017). Natural climate solutions. Proceedings of the National Academy of Sciences, 114(44), 11645-11650

3 WMAs are areas governed by a participatory management plan that provides for community activities (e.g., grazing, logging, and agriculture) but are managed by a board of appointed officials. They do not have sufficient funds to prevent the area from being converted to subsistence agriculture.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WE ARE LEVEL

Level is a global conservation business that creates a direct financial link between those who want to protect and restore our planet and those best placed to do so. We are rethinking conservation by creating a new paradigm in which the global economy truly values the stewardship of nature. Level ensures that local community efforts to protect and maintain the world's most valuable natural landscape resources are valued and properly funded.

Get involved

For more information: wearelevel.com
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