

# Nature markets – Overarching principles and framework – Specification

March 2025 Version 2

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BSI Flex 701 v2.0:2025-03



Department  
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# Contents

Foreword .....	ii
0 Introduction .....	v
0.1 Background .....	v
0.2 Benefits of nature markets .....	v
0.3 Characteristics of nature markets .....	vi
0.4 Integrity .....	vi
0.5 Assurance .....	vi
<b>1 Scope .....</b>	<b>1</b>
<b>2 Normative references .....</b>	<b>2</b>
<b>3 Terms, definitions and abbreviated terms .....</b>	<b>3</b>
3.1 Terms and definitions .....	3
3.2 Abbreviated terms .....	8
<b>4 Principles shared across market participants .....</b>	<b>9</b>
4.1 Transparency .....	9
4.2 Quantification of credits .....	10
4.3 Governance of market participants and market intermediaries .....	11
4.4 Timing of information .....	12
4.5 Openness to innovation .....	13
<b>5 Selling credits .....</b>	<b>14</b>
5.1 Credit supply .....	14
5.2 Additionality of credits .....	14
5.3 Validation and verification .....	15
5.4 Avoiding unintended consequences .....	16
5.5 Lasting benefits .....	16
5.6 Engagement with local communities .....	17
<b>6 Purchasing credits .....</b>	<b>19</b>
<b>7 Registries .....</b>	<b>20</b>
7.1 Registry functions .....	20
7.2 Interoperability of information .....	21
<b>8 Trading processes .....</b>	<b>22</b>
8.1 Market ease of access .....	22
8.2 Stacking .....	22
8.3 Double counting .....	23
<b>Annexes</b>	
<b>Annex A (informative)</b>	
<b>Describing confidence in information .....</b>	<b>24</b>
<b>Bibliography .....</b>	<b>25</b>

# Foreword

This BSI Flex was sponsored by the Department for Environment, Food & Rural Affairs (Defra). Its development was facilitated by BSI Standards Limited and it was released under licence from The British Standards Institution. It came into effect on 31 March 2025.

Acknowledgement is given to Ian Dickie, Economics for the Environment Consultancy Ltd (eftec), as the technical author, and the following organizations that were involved in the development of this BSI Flex as members of the Advisory Group:

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The BSI Flex process enables a standard to be rapidly developed, on an iterative basis, in order to fulfil an immediate stakeholder need. A BSI Flex can be considered for further development as a PAS or British Standard, or constitute part of the UK input into the development of a European or international standard.

The content in this version is part of an iterative process. It is likely to change from time to time with subsequent iterations.

## Supersession

This version of BSI Flex 701 supersedes BSI Flex 701 v1.0:2024-03, which is withdrawn.

## Relationship with other publications

BSI Flex 701 is part of the Nature Investment Standards Programme and is the foundational standard setting high-integrity requirements for UK nature markets. Further thematic and market standards are in development<sup>1)</sup> to provide additional requirements for specific nature markets. More information on additional standards is available from the BSI website<sup>2)</sup>/BSI Nature Investment Standards Navigation tool<sup>3)</sup>. These further standards are intended to cover a variety of nature markets contexts. Credits can be used for legal compliance or voluntary action. They can involve different scales spatially (from square metres to square kilometres) and temporally (from a few years to centuries). This variety means that, while BSI Flex 701 aims to support consistent requirements for governance, measurement, reporting and verification in UK nature markets, it is not necessarily a sufficient minimum for any specific market. The further standards will operationalize, and might expand on, the requirements in BSI Flex 701, to reflect the specific circumstances in the markets they cover.

## Information about this document

This is Version 2 of BSI Flex 701, and is now released for market adoption. It will be reviewed and revised in accordance with BSI Flex 0<sup>4)</sup> and parties are encouraged to check the BSI Nature Investment Standards Navigation tool<sup>3)</sup> for further updates on this and other standards.

This is a full update of the document, and introduces the following principal changes.

- The Scope has been tightened around the processes to generate, trade and store nature market credits.
- Requirements relate to roles and functions in nature markets, rather than particular parties.
- More detail added related to timing, such as credit lifetimes.
- Some detailed content has been reduced, which will be developed in future thematic standards.

**Product certification/inspection/testing.** Users of this BSI Flex are advised to consider the desirability of third-party certification/inspection/testing of product conformity to this BSI Flex. Users seeking assistance in identifying appropriate conformity assessment bodies or schemes may ask BSI to forward their enquiries to the relevant association.

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Where websites and webpages have been cited, they are provided for ease of reference and are correct at the time of publication. The location of a webpage or website, or its contents, cannot be guaranteed.

<sup>1)</sup> BSI Flex 702 on biodiversity, BSI Flex 703 on carbon, BSI Flex 704 on nutrient outcomes, and BSI Flex 705 on community benefits.

<sup>2)</sup> Available at <https://www.bsigroup.com/en-GB/>.

<sup>3)</sup> Available at <https://nature-investment.bsigroup.com/standards-navigation-tool/navigation-tool/>.

<sup>4)</sup> Available at <https://www.bsigroup.com/siteassets/pdf/en/insights-and-media/insights/brochures/bsi-flex-0-v2.0-2022-08.pdf>.

## Presentational conventions

The provisions of this document are presented in roman (i.e. upright) type. Its requirements are expressed in sentences in which the principal auxiliary verb is "shall".

*Commentary, explanation and general informative material is presented in smaller italic type, and does not constitute a normative element.*

Where words have alternative spellings, the preferred spelling of the *Shorter Oxford English Dictionary* is used (e.g. "organization" rather than "organisation").

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**Compliance with a BSI Flex cannot confer immunity from legal obligations.**

# 0 Introduction

## 0.1 Background

Nature provides the critical resources that we need to live and upon which our economies and wellbeing depend. Our current economic system for resource allocation fails to recognize many of the benefits from nature, and conventional markets do not value them adequately. They therefore might not recognize damage to nature or incentivize actions to support nature, which as a result is overlooked or degraded by economic activity.

Various interventions are used at a national and local level by government, businesses and the voluntary sector to support nature and counter these market failures. To date, these have been insufficient in the UK, which is one of the most nature-depleted countries on Earth (see *Exploring lessons learned from biodiversity offsetting markets in other countries that could inform appraisal of options for delivering offsets in England* [1]). This BSI Flex has been developed in the context of existing policies, and ongoing policy developments, for the natural environment and biodiversity. These include UK commitments under the Global Biodiversity Framework, and devolved administration policies on biodiversity, such as the pledge to protect and effectively manage 30% of land and sea for nature by 2030, and a legally binding commitment to halt the decline in species abundance in England by 2030.

This BSI Flex does not constitute government policy, but is an articulation of the principles for how nature markets are to function if they are to be regarded as high integrity. Interactions between this BSI Flex and policy are expected to continue to evolve in both established and new markets. In the more established carbon markets, which include trading in non-nature-based credits which are outside the scope of this BSI Flex, government is developing policy on demand-side principles, and there are existing global integrity initiatives.

The existence of separate devolved country policies across the UK means this BSI Flex might not exactly reflect any one country's policies or policy terminology. However, it aims to align as far as possible with policies and policy thinking.

## 0.2 Benefits of nature markets

Nature markets are one of a range of interventions being used to address the market failures described above. All markets have rules and standards that create the conditions in which they can operate. New nature markets require interventions to establish the necessary market conditions to trade credits representing benefits from nature. This can happen through either compliance markets to meet mandatory targets, or voluntary markets. Global experience shows that if these interventions are unclear or weak, net environmental benefits might not be generated or maximized, confidence can be eroded in the integrity of markets<sup>5)</sup>, and as a result investment falls. Thus, integrity is a vital precondition to achieve the best outcomes for nature by supporting the maximum possible scale of investment in actions that deliver additional benefits.

Nature markets are a potential route to increasing finance towards achieving nature objectives. They enable suppliers to sell benefits from nature to individuals or organizations. These sales provide resources for, and an incentive to protect and enhance, nature. It is widely agreed that more resources are needed to meet targets for nature across the UK. The Green Finance Institute (see *The finance gap for UK nature* [2]) estimates that the annual funding gap of resources required to restore nature in the UK, beyond current commitments, is more than £6 000 million per year until 2030. However, the development and operation of nature markets also involves some specific sensitivities and challenges. Some of these challenges are inherent in markets – all markets face risks of fraud and manipulation, while other challenges relate to the characteristics of nature markets.

<sup>5)</sup> For more information, see <https://naturalengland.blog.gov.uk/2023/09/29/state-of-nature>

## 0.3 Characteristics of nature markets

The benefits from nature have characteristics which are important to the integrity of nature markets. Each part of the environment contributes to multiple benefits, so they are overlapping and connected. When the state of the environment declines, benefits are lost. When thresholds are crossed, the loss of nature can be rapid, and irreversible and/or hard to replace, making the loss of benefits significant. Furthermore, different benefits from nature can be private and/or common goods, but nature also has an intrinsic value in and of itself.

Failures within environmental management can be hard to correct. If interventions to create conditions for nature markets fail, they have the potential for permanent loss of nature. This results in a requirement to establish high standards of integrity for nature markets from the outset, and ensure long-term market confidence. Trust and confidence in markets comes primarily from their transparency, fairness and efficiency.

These characteristics create potential uncertainty and conflict over who has rights to different benefits. Where there are multiple sellers and buyers in nature markets, this can lead to confusion about any claims or reports that buyers might make.

Nature markets have been aided by, and are dependent upon, recent improvements in the measurement of benefits from nature. Trading needs transparency and consistently defined credits with specified timescales. The credits traded in nature markets represent an estimate of a real activity or outcome (i.e. management actions to enhance a specific aspect of the environment). As a result, nature markets establish new currencies in the credits traded, such as tonnes of carbon dioxide equivalents (CO<sub>2</sub>e) for greenhouse gases (GHGs), or biodiversity units (BUs) for biodiversity in England. These credits involve transfer of an ownership right that has to be taken on trust, so their value is dependent on their integrity, as well as the benefit they represent, what they can be used for, contractual terms such as duration, and the robustness of the processes to generate, trade and store them.

## 0.4 Integrity

This BSI Flex aims to establish principles which underpin the integrity of the processes in nature markets. Integrity is defined through the fairness, honesty and other characteristics that contribute to trust in a market. The aim is for this BSI Flex to contribute to a sound governance framework that will increase confidence and participation in nature markets, unlocking their potential to facilitate higher investment flows for nature recovery and sustainable farming.

The scope of this BSI Flex covers processes to generate, trade and store nature credits. This is centred on the concept of a market being a voluntary exchange of goods or services between a buyer and seller. Therefore, this standard covers both the supply side (sellers) and the demand side (buyers) in relation to this trading process. Within this standard, the market trading process is further broken down into a series of functions: supplying, selling, purchasing, using registries and trading.

A key part of integrity is transparency. This is important for markets, because markets work better when information is available to buyers and sellers. It is also important for accountability, to articulate to market stakeholders the basis on which decisions are made. However, any transparency requirement involves a time and resource cost to the party providing the information required. Throughout this BSI Flex, a balance needs to be struck between the costs of complying with the requirements, and the benefits they bring to the market, market stakeholders and nature.

## 0.5 Assurance

This BSI Flex aims to establish a framework through which nature market intermediaries can gain recognition as being "high integrity" by other market participants. To support this, BSI has worked on options for how assurance can be applied in future to the suite of standards that this standard is part of. For more information on assurance, visit the BSI Nature Investment Standards Hub<sup>6)</sup>.

<sup>6)</sup> Available at <https://www.bsigroup.com/en-GB/products-and-services/standards-services/the-nature-investment-standards-programme/>.



# 1 Scope

This BSI Flex specifies requirements for the design and operation of high-integrity nature markets, including processes to generate, trade and store nature credits.

This BSI Flex is intended to:

- a) establish an overarching framework to drive actions to create the conditions for consistency and high integrity across all nature markets;
- b) support high integrity of credits traded in nature markets;
- c) support nature markets to deliver positive environmental outcomes;
- d) protect against the risks of activity in nature markets leading to negative, unintended consequences for the environment;
- e) act as a specification, and/or a basis for standards on specific aspects of nature markets, against which market participants can seek conformity assessment to signal their high integrity; and
- f) support the provision of information from nature markets that deters, and/or helps detect, greenwashing.

*NOTE Greenwashing is a form of mis-selling/fraud, and as such can be regulated under advertising standards. However, new policies are emerging with specific definitions related to the natural environment that aim to help regulate it.*

This BSI Flex is intended for use in the UK. It might inform nature market activity in other parts of the world, but does not explicitly take into account non-UK environmental, governance and other contexts. It is also relevant to nature credits from suppliers in the UK traded in non-UK markets.

This BSI Flex aims to provide an overarching framework to develop high-integrity nature markets, including through further standards that develop requirements for specific nature markets or nature market issues. This BSI Flex does not determine, and might be overridden by, specific market processes, policies or other government actions at a UK scale and within the devolved country administrations, several of which are being developed in parallel to the work on this standard.

This BSI Flex does not cover:

- 1) specific requirements for the delivery of different types of nature-based projects or trading in different nature markets (e.g. for CO<sub>2</sub>e or biodiversity);
- 2) measurement of environmental outcomes from specific types of nature-based projects;
- 3) all uses of purchased credits or activities of buyers (outside markets);
- 4) inseting, although clauses in the standard might be relevant to organizations' inseting activity; or
- 5) any organization's or individual's reporting obligations.

Activities that can be related to nature markets, such as claims of net environmental impacts from the use of nature credits, either by suppliers (e.g. through inseting) or buyers (e.g. net impact claims) are not included. This is because they do not relate directly to the process of exchange in markets, and involve other practices (e.g. use of the mitigation hierarchy) which have their own definitions and standards. Nevertheless, many aspects of this BSI Flex are relevant and useful to these types of activities.

This BSI Flex is intended for use by:

- i) market participants;
- ii) market intermediaries, including the different codes/standards/schemes that are needed for this overarching standard to be met;
- iii) registries; and
- iv) other stakeholders in nature markets or in the environmental outcomes of trading nature credits.

## 2 Normative references

There are no normative references in this document.<sup>7)</sup>

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<sup>7)</sup> Documents that are referred to solely in an informative manner are listed in the Bibliography.

## 3 Terms, definitions and abbreviated terms

### 3.1 Terms and definitions

For the purposes of this document, the following terms and definitions apply.

#### 3.1.1 additionality

change that would not have occurred in the absence of management actions, measured relative to the baseline

*NOTE 1 In markets, credits result from environmental improvements that would not have happened otherwise in absence of the actions to supply the credits.*

*NOTE 2 In nature markets, tests can be used to assess whether credits are additional (see 5.2.3).*

#### 3.1.2 baseline

description of the state of supply area in the absence of the actions to supply credits to nature market(s)

*NOTE 1 A baseline can take into account change in the state of the supply area during the lifetime of the credits it supplies.*

*NOTE 2 The baseline can be evidenced by the state of similar areas [i.e. of the same geography, habitat or ecosystem type(s) and environmental management], and where the actions to supply credits to nature market(s) could be used to generate the same type of nature credits, but those actions have not taken place.*

*NOTE 3 To enable measurement of additional nature credits, the baseline needs to describe a state of the environment and outcome for the credits that is predicted or assumed to occur in the absence of the actions to supply credits to nature market(s), while holding all other factors constant.*

*NOTE 4 See guidance on baselines in The Green Book [3] and The Magenta Book [4], and additionality (3.1.1).*

#### 3.1.3 baseline scenario

estimate of the state of the supply area, in the absence of the actions to supply credits to nature market(s), over a time period that is at least as long as the lifetime of the credits it supplies

#### 3.1.4 bundling

sale of more than one type of environmental outcome from the same supply area, collectively in one nature credit transaction

*NOTE Bundling can be:*

- a) *implicit: when the outcomes delivered are not quantified, but are nonetheless represented by and sold in one nature credit transaction;*
- b) *explicit: when the outcomes delivered are quantified and sold together in one nature credit transaction; or*
- c) *partial: when an outcome delivered is quantified and sold in a nature credit transaction that is linked to one or more additional environmental outcomes.*

#### 3.1.5 buyer

party who is registered to buy nature credits in a nature market registry

### 3.1.6 common goods

goods or services that are difficult to prevent other users from accessing and benefiting from (making them non-excludable)

*NOTE* Public goods are a type of common good, where one user's benefit does not reduce the benefits of others (non-rival and non-excludable).

### 3.1.7 community benefits

intentional social and/or economic benefits from land that are offered to the local community on a negotiated basis for their lasting well-being

### 3.1.8 compliance market

market that enables buyers to meet a regulatory requirement

*NOTE 1* For example, the biodiversity net gain (BNG) market in England, which enables purchases of BUs as a means for land use planning applications to meet a regulatory requirement in relation to biodiversity impacts.

*NOTE 2* There are interactions between compliance and voluntary markets in that requirements within compliance markets can set precedent or practices that are used in voluntary markets.

### 3.1.9 credit

unit of additional environmental output or outcome, generated through a quantification process, which can be recognized by a registry and traded in a nature market

*NOTE 1* Credits can be pending, or verified, and actions to supply them can be validated.

*NOTE 2* A credit can be "retired" by the owner (e.g. when it has been used to make a claim of a net environmental outcome).

*NOTE 3* Different credit types represent different units of measured environmental improvements generated by different management actions that can be sold in nature markets.

*NOTE 4* BNG policy in England defines "unit" and "credit" separately. A BNG unit is a measurement of the onsite or off-site habitat or ecosystem improvements. A BNG statutory credit refers to the "last resort" credit provided by the government.

### 3.1.10 credit lifetime

minimum duration or time period over which credit is intended to be maintained

*NOTE 1* Lifetimes can vary in different markets due to environmental conditions or the regulatory requirements that create market conditions.

*NOTE 2* The lifetime of a credit is an important factor in how owners of credits make use of them.

*NOTE 3* The credit lifetime is not necessarily the same as the entire expected duration of the outputs or outcomes the credit represents. Carbon markets refer to a "crediting period" and "permanence period" to make this distinction.

*NOTE 4* Projects in which impacts/outcomes are at higher risk of reversal/impermanence might choose to issue credits with a limited lifetime, which are only valid for the period of time that impacts/outcomes can be assured.

### 3.1.11 double counting

situation in which a nature credit or other unit is counted more than once as a result of double issuance or double use

### 3.1.12 ecosystem service

functions of the natural environment that directly or indirectly provide benefits for people

### 3.1.13 environmental outcome

measurement of the change to the environment after management action(s) has been implemented

**NOTE 1** An environmental outcome might relate to:

- a) *the ecosystem: which is an increase in the area and/or quality of a whole ecosystem, including the biodiversity and ecosystem services it delivers;*
- b) *biodiversity: which represents an increase in the quantity (or stock) and/or quality of a particular habitat or ecosystem; or*
- c) *ecosystem service: which represents a quantity (or flow) of an ecosystem service delivered by environmental management action(s).*

**NOTE 2** Where an environmental outcome is referred to, this is shorthand for “outcome or output”.

### 3.1.14 environmental output

measurement of the immediate or short-term result of management action(s) on the environment

**NOTE 1** The difference between environmental outputs and outcomes depends on immediacy and timing, which can vary relative to different habitat or ecosystem characteristics.

**NOTE 2** Reduced nutrient emissions from agriculture or tree planting are examples of outputs, which can lead to improved water quality in habitats or ecosystems, or the establishment of woodlands, respectively, as outcomes.

### 3.1.15 greenwashing

claims in which information relating to the environmental impact of a product, brand, business or service is hidden or misrepresented

**NOTE 1** For more information, see the UK government’s Green Claims Code<sup>8)</sup>.

**NOTE 2** Greenwashing portrays an organization’s products, activities or policies as producing more positive environmental outcomes than is the case, and can result in mis-selling.

**NOTE 3** PD ISO/TS 17033 gives advice on principles and information gathering and presentation that is relevant to greenwashing.

**NOTE 4** To prevent greenwashing, the Financial Conduct Authority<sup>9)</sup> requires that any reference made by a firm to the sustainability characteristics of a product or service is:

- a) *consistent with the sustainability characteristics of the product or service; and*
- b) *fair, clear and not misleading.*

**NOTE 5** Greenwashing can relate to activities of suppliers, sellers, buyers, regulators and market intermediaries.

### 3.1.16 insetting

use of additional environmental outcomes that an organization generates along its own value chain to reduce its net environmental impacts

### 3.1.17 investor

party who provides capital (such as finance) that is at risk

**NOTE** This includes capital deployed to undertake actions to supply credits in nature markets, whereby the capital is at risk until the credits are sold and the capital can be recovered.

<sup>8)</sup> Available at <https://greenclaims.campaign.gov.uk/#:~:text=the%20full%20guidance-,Green%20claims%20quiz,commonly%20known%20as%20'greenwashing.>

<sup>9)</sup> See <https://www.fca.org.uk/publications/finalised-guidance/fg24-3-finalised-non-handbook-guidance-anti-greenwashing-rule.>

### 3.1.18 lasting

sustained output or outcome not subject to reversal through planned actions or neglect

### 3.1.19 leakage

displacement of negative environmental impacts to outside the supply area

*NOTE For example, when management actions aimed at reducing environmental pressures at one site increase pressures elsewhere.*

### 3.1.20 market intermediary

organizations or individuals (including codes, standards, programmes, schemes, verification and validation bodies, information providers, trading platforms, auditors, registries, market operators) that contribute to market processes

*NOTE Schemes, codes, standards and other intermediaries can enable the design of credit-generating management actions and govern nature credit transactions.*

### 3.1.21 market participant

party that has a direct economic interest in a trade

*NOTE 1 Market participants can be individuals or organizations.*

*NOTE 2 A direct economic interest refers to parties with an obligation to the trade. For example, they might have a legal obligation to, or perform a function that enables, the trading process in a nature market. This is distinguished from an indirect interest for those who might be affected economically by a trade.*

*NOTE 3 Market participants include suppliers, sellers, buyers, regulators, some market initiatives and investors in nature markets.*

*NOTE 4 It is necessary for market participants to meet the relevant registration requirements to participate in a nature market.*

### 3.1.22 market regulator

body that regulates a market through oversight and control of its rules, such as on participation or trading requirements

### 3.1.23 market stakeholder

market participant, and any person, community or organization that a nature market transaction can have a material effect on

### 3.1.24 material

something that is significant enough to influence a decision

*NOTE 1 Information is material if consideration of its value (irrespective of whether that value can be quantified or monetized), as part of the set of information used for decision making, has the potential to alter that decision.*

*NOTE 2 In relation to nature markets, it includes information that could influence a nature market transaction (e.g. its size, value or timing) or understanding of the environmental output or outcomes from the nature market transaction for market stakeholders.*

*NOTE 3 If disclosing information means it becomes material, then it is defined as material.*

*NOTE 4 Material information includes sufficient information to support confidence that nature markets have high integrity.*

### 3.1.25 mitigation hierarchy

series of steps used to reduce impacts

**NOTE 1** The hierarchy comprises:

- a) *avoid*: measures to avoid creating impacts from the outset (including direct, indirect and cumulative impacts);
- b) *minimize*: measures taken to reduce the intensity and/or extent of adverse impacts on nature that cannot be avoided;
- c) *restore/remediate*: measures taken to address negative impacts that cannot be avoided or minimized (this step includes “regenerate” from the Science-based targets for nature [5]); and
- d) *offset*: measures taken to compensate for any residual, adverse impacts that cannot be avoided, minimized or restored/remediated.

**NOTE 2** In Note 1, the term “cannot” in b), c) and d) refers to both technical feasibility and economics, i.e. that measures can only be undertaken in a way that is significantly less cost-effective than measures at the next level down the hierarchy. Significance is to be assessed relative to both the costs of the actions and the value of the impacts.

### 3.1.26 nature market

mechanism for the trading of credits of an environmental output or outcome

**NOTE** A nature market includes the processes to generate, trade and store nature credits.

### 3.1.27 permanent

intended to last indefinitely, and not limited to a specified timescale

### 3.1.28 proportionate information

judgement to provide information to a level of detail such that the benefit to market participants of improving the decisions for which the information is material outweighs the effort to collect and disclose that information

**NOTE** Determining a proportionate level of detail might involve comparing the value of time and resources needed to collect and disclose additional information to the value of the impacts on the environment as a result of using that additional information.

### 3.1.29 registry

secure database that can uniquely register, store and track credits as they are bought, sold and retired

### 3.1.30 retire

process of permanently removing a credit from a market, so that it cannot be used in any future time period, by changing its status on its registry

### 3.1.31 seller

sell side counterparty in a credit transaction

**NOTE** The seller might be different to the supplier, e.g. where an intermediary manages a sale of credits.

### 3.1.32 stacking

sale of separate environmental outputs or outcomes from the same supply area in more than one nature credit transaction

**NOTE** Separate environmental output or outcomes from the same supply area might be of:

- a) *more than one type; and/or*
- b) *the same type measured against baselines from different times.*

### 3.1.33 state of the environment

description of the extent and condition of habitats or ecosystems

*NOTE Condition can include trends and connectivity.*

### 3.1.34 supplier

party or parties holding the rights to manage the supply area to generate credits, and with legal responsibility for delivering the credits' environmental output(s) and/or outcome(s)

### 3.1.35 supply area

spatially delineated area where actions are taken to create credits supplied to nature markets

*NOTE 1 The supply area might involve more than one discrete spatial area, and might be owned and/or managed by multiple parties and/or projects.*

*NOTE 2 Actions taken can be passive (removing pressures) or active interventions.*

### 3.1.36 unit

defined measurement of a quantity, used as a standard metric

*NOTE 1 Units can measure the state of the environment or a flow of an ecosystem service.*

*NOTE 2 It is important that the unit is clearly defined and expressed, e.g. 1t CO<sub>2</sub>e removed.*

### 3.1.37 validation

evaluation of management actions and other credit supply actions against their intended environmental outputs or outcomes and other requirements for the supply of credits

### 3.1.38 value chain

entire sequence of activities or parties that create or receive value through the provision of a product

*NOTE The value chain includes all of the upstream activities, direct operations and downstream activities associated with an organization or product.*

### 3.1.39 verification

process of periodic evaluation of the environmental outputs and/or outcomes achieved by management actions, such as generation of credits for nature markets

### 3.1.40 voluntary market

market that operates outside any regulatory obligation on buyers

## 3.2 Abbreviated terms

For the purposes of this document, the following abbreviated terms apply.

BNG	biodiversity net gain
BU	biodiversity unit
COI	conflict of interest
CO <sub>2</sub> e	carbon dioxide equivalent
GHG	greenhouse gas



## 4 Principles shared across market participants

### 4.1 Transparency

**Principle: Market participants make material information about the supply, trading and ownership of credits available to market stakeholders, unless it is commercially confidential, personal data or otherwise protected under data protection law.**

#### COMMENTARY ON 4.1

*Transparency in a business or in governance relates to being open and honest.*

*Commercially confidential information includes price and other information that might compromise the commercial viability of a market participant.*

*When credit trades are validated, it is reasonable to expect market participants to disclose nature credit prices to market intermediaries to enable them to publish collated price information.*

**4.1.1** Material information shall be made available in a manner accessible to market stakeholders prior to validation.

**NOTE 1** Material information includes:

- a) *the unique identification, type(s), numbers and lifetimes of credits generated, traded and stored;*
- b) *the status of credits, including whether they are pending, validated or verified, whether they have been retired, and whether they are traded singly, bundled or stacked;*
- c) *the measurement approach used for the quantification of credits (a measurement approach might be described through reference to a market intermediary, who sets out further details of the quantification – see 4.2);*
- d) *the timescale for delivery of the credits;*
- e) *the legal status and governance of the owner of the credits; and*
- f) *any further information required for the category of nature market in which credits are being traded.*

**NOTE 2** Material information enables market stakeholders to:

- a) *monitor the supply of credits, including actions to deliver them;*
- b) *understand that resources are in place such that the management actions required for the supply of the credits from the supply area continue over at least the credits' lifetime, and are not subject to reversal due to neglect;*
- c) *identify what steps have been taken to verify that credits are additional; and*
- d) *carry out due diligence.*

**NOTE 3** Material information should be accessible via the nature market registry used to register, store and track credits.

**NOTE 4** Material information is more accessible where it is standardized.

**4.1.2** The source of material information, and the date it was generated, shall be stated.

**4.1.3** Justification shall be provided for material information that is not disclosed.

**NOTE** It is not necessary to justify the non-disclosure of price information.

**4.1.4** In compliance markets, price information for un-validated credits shall be disclosed to market regulators when they request it.

*NOTE 1 This is so that regulators can verify that sufficient resources are in place for the required compliance to be full and not subject to reversal due to neglect.*

*NOTE 2 Market regulators should treat the information as confidential.*

**4.1.5** Material information shall remain available for whichever of the following time periods is the longest:

- a) for at least twice the credits' lifetime;
- b) for as long as claims are made against them; or
- c) for as long as the market they were traded in operates.

**4.1.6** Material information shall be provided to a proportionate level of detail.

*NOTE Proportionate information for a supply area can be provided by simplified procedures defined by market intermediaries.*

## 4.2 Quantification of credits

**Principle: The measurement of units that define credits is robust and is made transparent between market participants and market stakeholders.**

### COMMENTARY ON 4.2

*The requirements in this subclause may be met through reference to guidance and standards provided by market intermediaries, so do not need to be repeated in full for each group of credits.*

*What is considered to be robust measurement might vary between nature markets, depending on the maturity of, and experience of using, the relevant scientific and other evidence relied on.*

**4.2.1** The quantification of credits shall use clearly stated methods that are:

- a) defined using a recognized classification, such as an ecosystem service typology used in environmental science [e.g. Common International Classification of Ecosystem Services<sup>10)</sup>] or a benefits typology used in policy making [e.g. Enabling a Natural Capital Approach<sup>11)</sup>];
- b) accurate, repeatable, sensitive, transparent and practical; and
- c) based on up-to-date published science and methods, which are defined by market intermediaries.

*NOTE 1 Market participants should make use of new science to improve and verify new technologies and practices, improve their methodologies, reduce costs and drive greater integrity.*

*NOTE 2 A process that uses exchange rules to equate a credit with an opposite effect to reach a net position is separate to the measurement of credits (e.g. a carbon credit to reach net zero), and outside the scope of this standard.*

*NOTE 3 Requirements for the governance of intermediaries (see 4.3) is intended to eliminate the possibility of actual or perceived conflict of interest (COI).*

**4.2.2** The quantification of distinct groups of credits shall:

- a) provide the information relevant to assess additionality (see 5.2);
- b) be carried out over the credits' lifetime;

<sup>10)</sup> Available at <https://cices.eu>.

<sup>11)</sup> Available at <https://www.gov.uk/guidance/enabling-a-natural-capital-approach-enca>.

- c) specify the measurement unit(s), as well as the supply area, date and timing of the measurement; and
- d) state the party who undertook the quantification, and their governance (see 4.3).

**NOTE** *Distinct credits are any credits:*

- a) *of different types;*
- b) *that are measured against different baselines, e.g. because they are generated in different years, or are from different supply areas; and*
- c) *that are generated in different seasons, or from different UK Habitat Classification<sup>12)</sup> types, where this requires different management actions and/or monitoring.*

**4.2.3** The methods used to measure units that define credits shall be able to provide comparable quantification of environmental outputs or outcomes:

- a) from the supply area before (i.e. baseline) and after credits have been generated by management actions;
- b) from different locations; and
- c) at different times over the credits' lifetime.

**NOTE** *The frequency of quantification during the credits' lifetime should be proportionate to the need to monitor delivery risks.*

**4.2.4** The quantification of credits shall state the level of confidence in the data, and a description of the measurement technologies used.

**NOTE 1** *Guidance on describing confidence levels is given in Annex A.*

**NOTE 2** *The level of confidence in the data should be stated alongside subsequent uses of that data, where it is material to that use.*

**NOTE 3** *Where there is uncertainty, quantification methods should seek to avoid over-measuring credits (i.e. the supply of more credits than the real environmental activity or outcome).*

## 4.3 Governance of market participants and market intermediaries

**Principle: Market stakeholders have confidence in market participants' and market intermediaries' governance and other procedures, and structures.**

**4.3.1** Organizations that are market participants shall state their legal status (e.g. charity, limited company), governance (e.g. through a board) and ownership.

**NOTE** *As part of corporate governance good practice, transparency involves disclosure of all material information so that others can make informed decisions (see 4.1).*

**4.3.2** The purpose and governance of market intermediaries shall be independent of buyers and sellers, and market intermediaries shall have no COI with any other market intermediaries.

**NOTE** *Market participants, such as standard-setting bodies, credit suppliers and validators/verifiers, should have governance of purposes that require them to act impartially.*

<sup>12)</sup> Available at <https://ukhab.org>.

**4.3.3** Market intermediaries shall state management structures and procedures for:

- a) development and review processes for any code or standard they produce;
- b) monitoring and enforcement of codes and standards;
- c) grievance redress mechanisms;
- d) enabling community engagement; and
- e) applying relevant skills and knowledge.

**NOTE 1** *If an organization is governed by a board, any other responsibilities of the board, and/or of those with a material stake in the organization, should be stated.*

**NOTE 2** *Transparency around the ownership, management and operation of codes and standards helps gain the trust of both buyers and sellers.*

**4.3.4** Staff, and individuals in governance roles, in organizations operating as a market intermediary shall:

- a) state that they do not have a COI with any of the market intermediaries' processes to generate or disclose material information (e.g. measurement processes to quantify credits);
- b) inform the intermediary as soon as possible if a COI arises, and not later than five working days after the change; and
- c) follow the principles of public life.

**NOTE 1** *It is good practice for any official meeting, and each year, for all individuals with a governance role (e.g. board members at an annual general meeting) to explicitly check for COIs, and to publish minutes of board and other governance meetings.*

**NOTE 2** *For more information on COI, visit the Financial Ombudsman Service website at <https://www.financial-ombudsman.org.uk/corporatepolicies/conflicts-interest>.*

**NOTE 3** *For details of the principles of public life, see *The seven principles of public life* [6].*

## 4.4 Timing of information

**Principle: The timing of the material information is made transparent to market stakeholders.**

**4.4.1** Material information shall include the date when that information was recorded, and the date when the document providing it was made accessible to market stakeholders.

**NOTE 1** *The timing of baseline and monitoring information, and verification procedures, are important to establish the additionality of credits, and for stacking and bundling.*

**NOTE 2** *A public registry is an appropriate place to record this information.*

**4.4.2** Once material information is made accessible through a registry, trading or other actions based on that information shall not be required to implement retrospective changes.

**NOTE** *This aims to give market participants confidence that actions made in good faith and applying proportionate good practice do not face risks from future changes to knowledge, methods or other factors.*

## 4.5 Openness to innovation

**Principle: Market participants' rules and requirements facilitate the adoption of new technologies or practices.**

Where market intermediaries identify technologies or practices to comply with their rules and requirements, these shall be presented as options. The option to use alternative practices that can fulfil the same environmental outputs or outcomes shall be stated.

***NOTE** Market intermediaries (e.g. registries issuing credits) should be open to new technologies and practices that meet their rules and requirements to the required level of accuracy, and should use up-to-date published science and evidence. Technologies for monitoring and managing the environment and nature markets are evolving rapidly for a range of reasons, including enhanced spatial analysis and other information technologies. These bring potential risks of uncertain accuracy of information and decisions, but also potential benefits of enhanced accuracy, verifiability and cost-effectiveness.*

## 4.6 Multiple benefits from nature

**Principle: Buyers, sellers and market intermediaries recognize that nature is multifaceted, combining diverse elements and producing a range of benefits, including the ability to adapt to and mitigate climate change, which different market stakeholders value in different ways.**

Market intermediaries shall provide or reference guidance on good practice for environmental management.

***NOTE** To provide information to market intermediaries on the management of nature and sustainable provision of multiple environmental benefits, suppliers might develop a natural capital account (see BS 8632) for the supply area.*

## 5 Selling credits

### 5.1 Credit supply

**Principle: Sellers are responsible for the integrity of credits sold, and for demonstrating that integrity to market stakeholders.**

**5.1.1** Credits supplied to nature markets shall represent units of additional environmental outputs or outcomes.

**5.1.2** Steps taken to supply and sell credits shall include:

- a) quantifying the size, location(s) and baseline of the relevant supply area;
- b) taking additional management actions to supply the credits, including actions to make credits last for at least the credits' lifetime (see 5.5);
- c) recording a) and b) in a registry to generate the credits;
- d) verifying the quantified outputs or outcomes and the supply of credits (see 4.2); and
- e) verifying that the supply of credits is in accordance with environmental regulations and any good practice guide for environmental management provided by market intermediaries, unless justification is provided for non-compliance with such good practice.

***NOTE 1** A published management plan for a supply area may state the information to conform to this requirement and other requirements. Where this is not the case, the information may be made accessible through the registry used for the credits.*

***NOTE 2** Information in a management plan should include:*

- a) *size and location(s) of the relevant supply area;*
- b) *the baseline state of the supply area;*
- c) *the management action(s) for delivering the additional environmental outputs or outcomes, including actions to generate the credits and actions to make credits last for at least the credits' lifetime; and*
- d) *monitoring, validation and verification procedures for the credits (see 5.3).*

### 5.2 Additionality of credits

**Principle: Credits supplied are additional.**

#### COMMENTARY ON 5.2

*Additionality is vital in nature markets. For example, carbon markets use it to show whether they are driving additional action to meet climate change targets – establishing a market in carbon sequestration credits from nature only delivers additional benefits if it results in more sequestration than would have happened without the carbon markets.*

*The seller is responsible for selling credits that are additional, and for the environmental outcomes in the supply area and in any adjacent areas affected by the actions to supply credits.*

*Sellers can be supported in selling credits that are additional by registries that set out appropriate provisions for issuing credits. Market intermediaries can develop efficient processes to determine that credits sold are additional, and verify that this is the case.*

**5.2.1** Additionality of credits shall be measured against a quantified baseline for the supply area.

**NOTE 1** Quantification of the baseline should state the baseline year the credits are measured against, and the timing of measurements made (see 4.4).

**NOTE 2** The additionality of credits might be more robust if change during the lifetime of the credits can be incorporated into the baseline. This change in the baseline should be based on up-to-date published science and evidence, and state the level of confidence in the data (see Annex A).

**NOTE 3** Where there is uncertainty in baseline assumptions and measurement methods, suppliers should reduce risks of over-quantifying credits (i.e. the supply of more credits than the real environmental activity or outcome).

**5.2.2** Sellers shall state that the management of the supply area, prior to establishing the baseline, has not included actions intended to reduce that baseline.

**5.2.3** The additionality of credits shall be verified using a legal additionality test, plus additional tests deemed necessary in the context of specific nature markets.

**NOTE 1** A legal additionality test checks that the actions to supply credits are not obligated under a legal or statutory mechanism. This should take into account the type and timing of requirements under other land management contracts relating to the supply area.

**NOTE 2** Other checks on additionality include requirements on stacking and bundling, and other tests that might be required in specific nature markets, including:

- a) a financial test to assess whether the relevant nature credit-based revenues might be needed for credit supply to be financially viable; and
- b) a common practice test and/or a barrier test to assess if actions are already part of normal environmental management, or if they face barriers that are not otherwise overcome, respectively, although to date these have been used sparingly in the UK.

**NOTE 3** A financial additionality test might be relevant when there is public funding for management actions in the supply area. However, this payment might be governed by a contract, which would be subject to the legal additionality test.

**NOTE 4** Market intermediaries can provide guidance on additionality tests, such as what does and does not constitute a legal or contractual obligation for the legal test.

**NOTE 5** Market participants may use a third party to verify additionality, or verify additionality themselves provided they follow a procedure defined by an independent market intermediary. The information used in, and the results of, the verification, should be disclosed, audited or assured.

## 5.3 Validation and verification

**Principle: Credits supplied are validated and verified.**

**NOTE** Users are advised to refer to the UKAS development brochure [7] for an overview of conformity assessment standards and their applicability. Attention is also drawn to the key validation and verification standard, BS EN ISO/IEC 17029, as well as BS EN ISO 14065 for validation and verification of environmental information.

**5.3.1** A plan for management actions to deliver the credits from the supply area shall be validated.

**NOTE** Validation should include a check that sufficient resources are available to carry out the management actions in the supply area to deliver credits over their lifetime.

**5.3.2** The quantification and additionality of credits from the supply area shall be verified.

**5.3.3** Verification of credits shall state whether any additionality tests are used alongside the legal additionality test required by 5.2.3.

**5.3.4** Whether credits are validated or verified shall be disclosed as part of the material information (see 4.1.1). It shall state whom they are undertaken by, and whether they conform to governance requirements (see 4.3).

**5.3.5** Suppliers shall state validation and verification procedures and results for credits on the market registry.

**NOTE 1** Information provided on a registry should be sufficient to enable a market stakeholder to verify the credits that have been sold from a supply area.

**NOTE 2** Validation and verification of credits should be carried out in a transparent manner. In specific nature markets where it is proportionate:

- a) validation and verification might be required to be carried out by an independent third party; or
- b) there might be self-validation and/or self-verification by suppliers, which should be disclosed, audited or assured.

**5.3.6** The frequency of credit verification shall be determined based on the timing of actions to supply the credits, and the risks to supply of credits.

**NOTE** The type and frequency of credit verification should be proportionate to the lifetime of credits, to the degree of risk of their supply, and to changes to delivery risk during their lifetime (see Note to 4.2.3).

## 5.4 Avoiding unintended consequences

**Principle: Actions to supply credits from a supply area avoid leakage and material negative environmental outputs or outcomes.**

**5.4.1** Actions to supply credits shall not do significant harm to other environmental objectives.

**NOTE 1** Many changes to environmental management bring the possibility of a small loss of some aspect of nature's value. Such losses are unavoidable but should be minimized. Significant harm should be assessed in relation to the state of the environment (e.g. the extent and quality of a habitat or ecosystem) and the environmental objectives it contributes to.

**NOTE 2** Local environmental plans can help identify suitable supply areas for management actions to supply credits to nature markets, and thereby help participants to avoid unintended consequences. Examples of local environmental plans include Local Nature Recovery Action Plans in Wales, and Local Nature Recovery Strategies in England.

**NOTE 3** Unintended consequences in a supply area can be avoided by following guidance on good practice for environmental management provided by market intermediaries [e.g. UK Forestry Standard<sup>13)</sup>].

**5.4.2** Where management actions to generate credits include reducing or removing activities causing pressures, those activities shall not be relocated.

**NOTE** Examples of management actions reducing pressures include nutrient-reduction actions in catchment markets, and reduction of grazing intensity in habitat management for biodiversity markets.

## 5.5 Lasting benefits

**Principle: The additional environmental outputs or outcomes represented by credits last for at least the credits' lifetime.**

**5.5.1** The supply of credits shall result in positive environmental outputs or outcomes that last for at least the credits' lifetime, and which are capable of being validated and verified.

**NOTE** Lasting "for at least the credits' lifetime" means they are not subject to reversal through planned actions or neglect.

**5.5.2** Where there is a change to property rights for a supply area, and/or to undertake the management actions to supply credits (e.g. they are sold), the obligation to supply the credits shall remain in place for the supply area.

**NOTE** This can be arranged contractually, e.g. through a conservation covenant in England.

<sup>13)</sup> For more information, see <https://www.gov.uk/government/publications/the-uk-forestry-standard>.



**5.5.3** Generating nature credits shall include mechanisms such that positive environmental outputs or outcomes last for at least the credits' lifetime.

**NOTE 1** This should include being able to cover the costs of actions necessary to supply credits for their lifetime, including recognizing credit delivery risks and planning mitigation actions. These costs should be derived from a management plan for the supply area (see 5.1). Failing to continue maintenance increases the risk of reversal due to neglect, so fails to conform to lasting requirements.

**NOTE 2** Where a change to a supply area reduces the supply of sold credits, those reductions should be rectified, and the liability for doing so should be clear. Rectifying actions might involve one or more of:

- a) taking management actions to reinstate the environmental outputs or outcomes;
- b) removing credits from the market and returning all or part of the payments relating to them;
- c) using some form of contingency or insurance; or
- d) a buffer of credits held by a market intermediary.

**NOTE 3** Suppliers' requirements to take management actions in the supply area to secure lasting benefits are exempt from damage caused by force majeure. An increase in the severity and/or frequency of extreme weather events is predicted with climate change, so these events do not automatically constitute force majeure.

**NOTE 4** Climate change risks are described in the UK Climate Change Risk Assessment<sup>14)</sup>, and can be anticipated and accounted for in management of the delivery of nature credits over their lifetimes. For example, where climate change results in increased fire risk for a supply area, this should be included in management of the supply area; not doing so would be "neglect" that failed to make the delivery of credits lasting.

**NOTE 5** Over multiple decades, climate change is expected to continue to change the natural environment more rapidly, and change other pressures (e.g. sea level rise, rainfall levels). This means that specific environmental outputs or outcomes reflected in nature market credits cannot be expected to be permanent in their current form. Acute external events (e.g. flood, drought, fire) are expected to arise with a certain severity and frequency in future, and this should be anticipated in the management of the supply area. Where the effects of acute external events are exacerbated by climate change beyond current expectations, this falls into the definition of force majeure.

**5.5.4** If the action(s) to supply credits from a supply area fail to achieve or maintain the intended additional environmental output(s) or outcome(s), the unsold credits relating to those output(s) or outcomes(s) shall be withdrawn from the market.

**NOTE 1** The intended additional environmental output(s) or outcome(s) should be regularly verified (see 5.3.6), identifying failures to achieve them.

**NOTE 2** Failure to verify achieving or maintaining the intended additional environmental output(s) or outcome(s) could be due to a failure of monitoring.

**NOTE 3** If action(s) to manage the supply area fail to maintain the intended additional outputs(s) or outcome(s) over the credits' lifetime, that supply of credits may be returned to market with a shorter credit lifetime.

## 5.6 Engagement with local communities

**Principle: Nature market participants' engagement with local communities is transparent and proportionate.**

**NOTE** The local community can be defined based on groups of people covered by local plans, such as land use development plans, Community Action Plans (in Scotland), or other plans relevant to environmental management practices and environmental outcomes.

**5.6.1** Suppliers shall make the following information accessible and transparent to local communities:

- a) management plans for supply areas (see 5.1), including whether guidance on good practice for environmental management has been followed;

<sup>14)</sup> For more information, see <https://www.gov.uk/government/publications/uk-climate-change-risk-assessment-2022>.

- b) what has been done to identify and manage material impacts on local communities;
- c) trading and ownership of credits; and
- d) any benefit-sharing arrangements in place.

**NOTE 1** *Benefit sharing might cover financial, social and environmental community benefits. Financial benefits might take the form of sharing revenues, property rights or other mechanisms to provide local communities with a financial stake in the returns from a supply area.*

**NOTE 2** *Benefit sharing should be aligned with local community needs and aspirations, which should be established through community engagement. Benefit sharing should reflect the issues identified in the local plans, and relevant guidance, such as the responsibility for land managers to contribute to wider public interest in Scotland (see the Scottish land rights and responsibilities statement 2022 [8]).*

**NOTE 3** *Information should be proportionate, and can be provided collectively for groups of credits and/or supply areas through an intermediary.*

**5.6.2** Suppliers shall provide an accessible means for local communities to communicate with the managers of the supply area.

**NOTE** *Means of communication can be provided through an intermediary or a public registry.*

## 6 Purchasing credits

**Principle: The status and ownership of purchased credits is transparent.**

**6.1** The status and ownership of purchased credits shall be recorded, and made transparent, through a market registry.

***NOTE** The status includes whether a credit is pending, validated, verified or retired, and whether the credit is traded singly, bundled or stacked.*

**6.2** Before a claim of environmental performance or other use of a credit purchased in a nature market is made, the owner of the credit shall retire those credits for at least the duration of the claim.

***NOTE** This is to prohibit onward selling of credits that could lead to double claiming against credits.*

**6.3** Where credits purchased are used to meet an obligation in a compliance market that compensates for environmental damage, they shall be permanently retired for at least the time period of the damage being compensated for.

***NOTE** If the damage to the environment is permanent, credits used as compensation should be permanently retired.*

**6.4** Where credits are sold, credit-owner responsibilities shall pass to successors in title.

## 7 Registries

**Principle: The quantification, generation, status, trading, ownership and storage of credits is recorded in registries, which make material information transparent and accessible to market stakeholders (unless it is commercially confidential, personal data or otherwise protected under data protection law), and consistent across nature markets.**

### COMMENTARY ON CLAUSE 7

*The use of registries is essential for high-integrity markets to protect the security of transactions and storage of credits, and to monitor risks [e.g. risks relating to double counting (see 8.3) or stacking (see 8.2)]. Registries are a good way for market participants to make material information about nature markets transparent and accessible to market stakeholders.*

### 7.1 Registry functions

7.1.1 For each credit, registries shall:

- a) uniquely identify the credit;
- b) make material information (see 4.1.1) transparent and accessible;

*NOTE 1 Accessibility can be enabled by allowing information to be downloaded from the registry, or a link to a website where it can be accessed.*

*NOTE 2 Registries should record prices paid for credits, but keep data on individual transactions confidential. This is to enable registries to provide price information to regulators of compliance markets, and to report pricing trends, without compromising commercially sensitive information.*

*NOTE 3 Registries are not responsible for the accuracy of information provided by other market participants.*

- c) state whether information used for credit quantification (see 4.2) and supply (see 5.1) is under development, validated or verified, and provide the results of any credit verification;
- d) state credits' current legal ownership, transaction history, and whether they have been retired;
- e) protect the safety and security of transactions for market participants;
- f) securely store credits for whichever time period is longest:
  - 1) for at least twice the credits' lifetime;
  - 2) for as long as claims are made against the credits; or
  - 3) for as long as the market the credits were traded in operates; and
- g) provide a permanent historical record when the credits' lifetime has been completed, or the credits have been permanently retired.

*NOTE 4 This information can be communicated collectively for groups of credits with identical information.*

7.1.2 The governance of a registry shall be independent of the governance of other market participants (see 4.3).

7.1.3 Access to information on registries shall be free and open.

7.1.4 Registries shall register buyers and sellers of credits, and provide an accessible up-to-date list of their names.

*NOTE The registry may also provide the legal status, ownership and governance of registered buyers and sellers to comply with 4.3.1.*

**7.1.5** Registry charges to market participants shall be:

- a) transparent and on a cost-recovery basis;
- b) proportionate to the scale of activity of the participant; and
- c) not precede services provided.

**NOTE 1** *The majority of charges should be raised after a trade has started so that sellers can meet them using proceeds from the sale of credits, and do not face a registry cost barrier to market entry. However, this needs to be balanced with the needs of a registry to meet its set up and operating costs.*

**NOTE 2** *Where registries charge for some services, including helping broker transactions, recording trades, storage of credits, cost recovery might include a degree of profit in return for risks of investing to develop a registry, and innovations involved in providing a service.*

## 7.2 Interoperability of information

**Principle: Information in nature markets is comparable such that it enables regulation and understanding of interactions between markets.**

### COMMENTARY ON 7.2

*Registries play a central role in providing transparency and consistency. Interoperability of information between registries is necessary to monitor risks [e.g. risks relating to double counting (see 8.3) or stacking (see 8.2)].*

**7.2.1** Registries shall provide material information about credits in a consistent manner that enables comparisons between nature markets.

**NOTE 1** *Interoperability might be achieved through a meta-registry across multiple market registries.*

**NOTE 2** *To enable interoperability, individual registries should aim to be part of a suite of registries with consistent minimum standards, data requirements and definitions [e.g. using consistent attributes for material information, such as the UK Habitat Classification for terrestrial habitats<sup>15</sup>].*

**7.2.2** If credits are stacked, the registry they are on shall collaborate with the registries for the other stacked credits to enable the stacking requirements to be monitored (see 8.3).

<sup>15</sup> Available at <https://ukhab.org>.

## 8 Trading processes

### 8.1 Market ease of access

**Principle: Processes of market trading and/or engagement enable access of market participants.**

**8.1.1** Market intermediaries (e.g. registries) shall use technologies and practices that enable the involvement of all market participants, including new market entrants.

**8.1.2** Market participants shall make information freely available to market stakeholders.

*NOTE Information that is commercially confidential, personal data or otherwise protected under data law can be withheld (see 4.1).*

### 8.2 Stacking

**Principle: Multiple types of credits can be sold from the same supply area as part of a stack when there is robust measurement and verification of additionality in place for each type of credit in the stack.**

#### COMMENTARY ON 8.2

*Due to the risks involved in stacking, sellers and registries are advised to provide information that would enable a third party to verify the stacked credits that have been sold from a supply area. In addition to other requirements on baselines and additionality (see 5.2), the additionality of stacked credits should be defined in advance of supplying any credits from the stack, or should be the result of new actions.*

*Stacking can involve different types of credits from a supply area, and/or the same type of credit but from different time periods.*

**8.2.1** If credits are to be sold as part of a stack, all the credits that are stacked shall separately meet the requirements for quantification (see 4.2), additionality (see 5.2) and verification (see 5.3), and there shall be interoperability of information between the registries used for them (see 7.2).

In addition to the requirements in 5.2, sellers shall take further approaches to demonstrate additionality of stacked credits depending on the timing of the process of supplying and selling the credits, involving either contractual separation or re-baselining.

**8.2.2** For contractual separation:

- a) if sellers plan, ex-ante, to stack and sell different credits from the same supply area, this shall be stated to all market participants before the first credits of any type in the stack are sold, recorded on the credits' registry (see Clause 7) and stated in trading contracts; and
- b) when a second or subsequent stacked credit is sold, it shall have been stated to the buyer(s) of all previously sold stacked credits, prior to their sale, that these other or subsequent stacked credits are reserved for separate stacked sale.

**8.2.3** For re-baselining:

- a) if credits have been sold from a supply area, without a statement of the intention to sell stacked credits [so not in accordance with 8.2.2a)], sales of subsequent stacked credits from the same supply area shall only be made if they are the result of additional management actions; and

- b) to be defined as additional, the subsequent credits shall be measured against a new baseline for the supply area which includes the management actions required to deliver other credits supplied from the supply area.

**NOTE 1** Depending on the supply area and credits, a certain period of time might need to pass to allow re-baselining to be validated or verified.

**NOTE 2** This means that, after actions to generate and sell one type of credit have been undertaken, additional actions (which do not compromise the first credit) can be carried out to generate further credits. An example is where a Woodland Carbon Code<sup>16)</sup> project already exists, and then gets paid for providing a permissive footpath. The different credits might be distinguished and reserved ex-ante, but do not have to be if there are distinct additional actions involved in generating each for sale.

**8.2.4** Where credits are part of a stack of credits that are supplied to nature markets, this shall be recorded as part of each credit's status on its market registry.

## 8.3 Double counting

**Principle: Environmental outputs or outcomes from actions to supply credits in nature markets, whether or not they are explicitly sold, are only counted once at any point in time.**

### COMMENTARY ON 8.3

Requirements on double counting build on additionality requirements in terms of measurement, and on stacking and bundling requirements in terms of trading. As well as avoiding double counting, they also relate to avoiding double selling and double issuance of credits.

**8.3.1** Sellers shall not sell a credit for overlapping time periods (see **8.2.1**).

**8.3.2** Registries issuing credits shall set out provisions to protect against the same benefit from the same supply area being registered more than once.

**NOTE** The same reduction in environmental impacts might be reported more than once by organizations in a supply chain that report environmental impacts relating to different measurement boundaries (e.g. of different GHG protocol scopes), and by a supplier and buyer as part of their activities. This does not constitute double counting as long as the organizations do not sum their reductions.

<sup>16)</sup> For more information, see [https://woodlandcarboncode.org.uk/images/PDFs/Woodland\\_Carbon\\_Code\\_V2.2\\_April\\_2022.pdf](https://woodlandcarboncode.org.uk/images/PDFs/Woodland_Carbon_Code_V2.2_April_2022.pdf).

## Annex A (informative)

# Describing confidence in information

The level of confidence in information should be judged relative to the purpose and influence it might have, so users should take into account the following questions.

- a) What are the key decisions that the data feeds into?
- b) What is the quality of the evidence the information is based on?
- c) Are there any statutory or voluntary commitments that the organization has made that the information informs?

The quality of evidence can be assessed based on:

- 1) the number of sources of evidence and datasets providing the evidence;
- 2) the strength of methods used to generate the evidence;
- 3) the quality of the data used;
- 4) whether the evidence is peer reviewed; and
- 5) whether the evidence is relevant and uses indigenous and local knowledge.



# Bibliography

## Standards publications

For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

BS 8632, *Natural capital accounting for organizations – Specification*

BS EN ISO 14065, *General principles and requirements for bodies validating and verifying environmental information*

BS EN ISO/IEC 17029, *Conformity assessment – General principles and requirements for validation and verification bodies*

PD ISO/TS 17033, *Ethical claims and supporting information – Principles and requirements*

## Other publications

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<sup>18)</sup> Available at <https://hive.greenfinanceinstitute.com/wp-content/uploads/2021/10/The-Finance-Gap-for-UK-Nature-13102021.pdf>.

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<sup>21)</sup> Available at <https://sciencebasedtargetsnetwork.org/wp-content/uploads/2020/11/Science-Based-Targets-for-Nature-Initial-Guidance-for-Business.pdf>.

<sup>22)</sup> Available at <https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2>.

<sup>23)</sup> Available at <https://www.ukas.com/wp-content/uploads/2022/12/UKAS-Development-services.pdf>.

<sup>24)</sup> Available at <https://www.gov.scot/publications/scottish-land-rights-responsibilities-statement-2022/pages/3>.

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