

Biodiversity credit calculation

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1. General principles

Biodiversity credits (BC) are created with the aim to protect, enhance or manage biodiversity through voluntary conservation and restoration of ecosystems relative to the stand's or area's importance for the local, regional and national biodiversity.

The assessment of the stand's or area's importance and potential for biodiversity conservation and restoration is based on **both**:

- 1) a biodiversity inventory of the **current biodiversity status (CBS)**, as well as
- 2) an estimate of the **strategic project value (SPV)** representing the potential for positive biodiversity development.

2. Calculation of biodiversity credits generated by the project

The total amount of biodiversity credits generated by the project is calculated according to the formula below:

$$BC/stand = CBS + SPV + (PT * project\ area\ (ha) * project\ period\ (yrs))$$

$$BC\ tot\ project = \Sigma (BC\ stand\ 1, BC\ stand\ 2, BC\ stand\ 3\)$$

BC = Biodiversity credits

CBS = Current biodiversity status (can range from 1 to 5 BC)

SPV = Strategic project value (can range from -1 to 3 BC)

PT = Project type (type A and B = 3 BC; type C = 1 BC)

The total amount of credits that can be created in a project can vary between 1 to 11 BCs/ha/yr.

BC are thus created in relation to the object's current importance for biodiversity as well as its potential to create future biodiversity values.

BCs are calculated for each stand within the project area and then summarized to total amount of BCs for the project.

Assessment of the SPV is described in detail in "**Criteria for Strategic Project Values**"

2.1 Description of the elements creating a BC

2.1.1 Current Biodiversity Status (CBS)

The assessment and allocation of points for BC is described in detail in "**Method for Assessing Current Biodiversity Status**".

2.1.2 Strategic Project Value (SPV)

The assessment of the Current Biodiversity Status is supplemented for each project with an assessment of the Strategic Project Value (SPV). This includes an evaluation of the strategic and tactical conditions for the project to contribute to the development of biodiversity.

The three parameters included in the assessment are:

- a) the size of the stand,
- b) its regional (landscape ecological) context and
- c) historical/local conditions.

Regardless of the Current Biodiversity Status, the three above-mentioned criteria are essential for understanding the individual project's conditions for creating and maintaining natural values in the landscape. The larger the forest habitats are allocated for protection or nature conservation management, the better the conditions for the long-term conservation of valuable species.

The probability of new colonizations and establishments is also affected by the size of the forest habitat. Landscape ecological conditions include, among other things, the surrounding landscape's overall distribution of dispersal sources for the target biotopes in question, for example in the form of the area of protected forest of the same or similar biotope type as that included in the project. The existence of dispersal barriers or dispersal corridors can also be taken into account in the landscape ecological assessment under certain conditions.

The historical conditions can explain certain aspects of the distribution of biological diversity and can be important for understanding the conditions for certain nature conservation management measures such as prescribed burning or restoration of wetlands.

2.1.3 Project type (PT)

The project type refers to the project types A, B or C as described in "**Criteria for strategic evaluation of biodiversity credit projects**".

3. Third party verification and project monitoring

The assessment of Current Biodiversity Status must be verified at the start of the project and continuously, every 5 years, during the project period to create a constantly updated picture of the object's biodiversity status. These subsequent verification sessions must be carried out in the same manner as the initial assessment so that the estimates can be compared.

Third party verification and project monitoring are to be carried out as presented below (also described in "**Biodiversity crediting process description**", and in each project methodology):

- 1) The total amount of project credits is calculated and verified by a third-party at the start of the project.
- 2) Every year, the project proponent must submit a monitoring report as described in the methodologies depicting how the project delivery corresponds to the project plan i.e. the project document. After the annual project monitoring report is delivered to the buyer, the next year's credit batch is released.
- 3) Every 5 years, an independent, third-party audit will take place according to methodology descriptions. This audit will establish whether the project plan has been followed, if there have been any positive or negative changes to the targeted ecosystems, and new biodiversity field assessment will be carried out. If applicable, new stands or land plots may be added to the project at this stage. After the field assessment, new calculation of project BCs is carried out, and total project BC amount is calculated anew. This allows for adjustment of project credits, increase or decrease, depending on what is actually happening in the stands. After this procedure is completed, a new set of annual credits can be released.

When the conditions for biodiversity change during the project period, the project's credit production will also change. This system establishes a fair picture of how forest owners' contributions to biodiversity develop over time.