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# The New Standard

for sustainable business and conservation in Sri Lanka



Convention on  
Biological Diversity



## BIODIVERSITY SRI LANKA

A Member of the Global Partnership on Business and Biodiversity of the Convention on Biological Diversity (CBD)

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### BIODIVERSITY CREDIT ACCRUALS: BOON OR BAIN?

## OUR HEARTIEST CONGRATULATIONS!!!

to the Members of **BIODIVERSITY SRI LANKA**,  
awarded **Winners** at the **CEYLON CHAMBER OF COMMERCE**  
**BEST CORPORATE CITIZEN SUSTAINABILITY AWARDS 2015**

**SAMPATH BANK PLC**

**NATIONAL DEVELOPMENT BANK PLC**

**ACCESS ENGINEERING PLC**

**PEOPLE'S LEASING & FINANCE PLC**

**HATTON NATIONAL BANK PLC**

**CEYLON BISCUITS LTD.**

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We wish you all the best and look forward to collaborating with you on more successes in the years to come!

## From the Editors

Greetings to the readership of The New Standard (TNS)! Another eventful year is coming to a close and we at the Secretariat of Biodiversity Sri Lanka (BSL) are busy planning for the New Year ahead. Mr. Mangala Yapa - Secretary General/CEO of the Ceylon Chamber of Commerce (CCC) represented us at the annual Business and Biodiversity Forum of the CBD held in Helsinki, Finland in November 2015. We also applaud the success of our Members that were awarded accolades at the CCC Best Corporate Citizen Sustainability Awards 2015 - especially our Patron Member, Sampath Bank PLC - declared the overall winner.

In this issue, we feature the concept of Biodiversity Credit Accruals and Biodiversity Offset schemes, which are in much public debate currently. Reforestation projects are a popular means of engaging in biodiversity conservation activities by the private sector, not only in Sri Lanka but all over the world. Whilst reforestation involves the act of ensuring the regeneration of lost or degraded forests, the benefits of such initiatives are often marginalized to increased green cover and carbon sequestration. As those involved in the conservation of biodiversity which include genetic, species and ecosystem diversity, we bring to you the various other benefits these projects can accrue, in addition to carbon benefits and the increase of green cover.

We invited Dr. Sampath Wahala - Lecturer and Course Coordinator at the Sabaragamuwa University of Sri Lanka - to provide his expertise in this regard through our Expert Q&A. Our main feature highlights an excerpt from a recent publication by IUCN which draws focus to the debate on the positives and negatives of the concept of biodiversity offsetting through accruals. In terms of Member Focus, we are delighted to bring to you, work being carried out by our Patron Members - MAS Intimates (Pvt.) Ltd., National Development Bank PLC and People's Leasing and Finance PLC - on reforestation, with potential for biodiversity credit accruals in Sri Lanka. A detailed account of the new initiatives launched by BSL at the recently concluded CEO Forum and 2<sup>nd</sup> Meeting of Members are also included in this issue.

We sincerely hope that you will enjoy reading this issue and kindly request you to send us your suggestions, so that we may be able to improve our 2016 TNS series. We wish you all the very best in the upcoming season and look forward to working with you in collaboration, on exciting new initiatives in biodiversity conservation in the New Year!

## Secretariat of Biodiversity Sri Lanka

Shiranee Yasaratne  
Buddhi Seneviratne

R. M. Harshini de Silva  
Ranmali Liyanaarachchi



## Expert Q&A

Dr. Sampath Wahala - Lecturer and Course Coordinator at the Sabaragamuwa University of Sri Lanka - provided us with his views on the questions we raised, giving us a glimpse of the potential Sri Lanka holds in terms of biodiversity accruals through reforestation initiatives.



### 1. In the present context, Biodiversity offsets is a controversial topic in discussion. How would you define the process of biodiversity credit accruals and offsets?

To my understanding, biodiversity credits and offset mechanisms are becoming increasingly popular concepts, mainly because of their potential to meet the objectives of biodiversity conservation and of the contribution to national level economic development. The main idea of this concept is to generate biodiversity credits from the enhancement and protection of biodiversity on degraded lands, and these biodiversity credits can be sold to developers to offset the impact of development on biodiversity.

According to the Business and Biodiversity Offset Design Handbook published by the Business Biodiversity Offset Program of Washington D. C., this concept is more clearly defined as "measures taken to compensate for any residual significant, adverse impacts that cannot be avoided, minimized and/or rehabilitated or restored, in order to achieve no nett loss or a nett gain of biodiversity. Offsets can take the form of positive management interventions such as restoration of degraded habitat, arrested degradation or averted risk, protecting areas where there is imminent or projected loss of biodiversity".

Yes, I agree as highlighted in the question, there is a controversy in most of the discussions on this topic mainly because of the misconception about biodiversity credit accruals and biodiversity offsetting concept, as they think it is a mechanism that promotes direct exploitation of our biological resources (biodiversity), and in some instances people confuse it with the term 'Bio-prospecting', which is the process of discovery and commercialization of new products based on biological resources, and there is no such idea behind biodiversity offset or biodiversity credit accruals.

To overcome this controversy in these terms, I recommend the use of terms, 'Biodiversity Conservation Credits' or "Biodiversity Conservation Offsets".

### 2. Would you agree that biodiversity credit accruals and offsets is a positive method of mitigating the negative effects of development?

Yes, I agree with this concept of biodiversity credit

accruals and offsetting which can be used as a tool to mitigate negative impacts on biodiversity from development activities.

As an example, by requiring developers to take action and incur costs to offset the damage caused to biodiversity by development activities, they help internalize the cost of damage to biodiversity and therefore discourage such damage occurring during development activities.

**3. In relation to the global scenario, should Sri Lanka as a country engage in programmes/projects that will lead to biodiversity credit accruals and offsets?**

There are no such programs or projects under this biodiversity credits accrual and offsetting mechanism to engage in, such as carbon trading mechanisms which involve trans-boundary transactions of carbon credits as developed under the Kyoto Protocol.

This concept mainly addresses issues related to biodiversity conservation at national and/or sub-national levels, in which case, such a mechanism or programme can be developed in Sri Lanka by taking examples from other countries which are already practicing same. As an example, biodiversity offsets and habitat banking concepts have already been introduced in several other countries; in Germany, the planning system has developed banking practices where mechanisms (such as pooling) have developed over time to implement previously overlooked compensation requirements on biodiversity conservation. In Australia, State-level offsets and banking systems have been developed and are now being implemented. In Brazil, compensation regimes are implemented in a forest reserve system that allows trading between landowners to deliver their obligations to protect forest cover, and an environmental compensation fund that raises a levy on developers to the management of protected areas. In South Africa, public sector-led biodiversity offset system and a national wetland bio banking system are in place. In the USA, there are well-developed systems of conservation banking and wetland banking systems also in place.

**4. In your opinion, how can the Sri Lankan private sector engage in biodiversity credit accrual projects and how can they monitor the success of same?**

Biodiversity offsets offer an approach that links conservation with industry, potentially providing improved ecological outcomes along with development. Also by engaging or developing biodiversity credit accrual or biodiversity offsetting projects, the private sector can invest in securing the protection of vulnerable/degraded ecosystems. For instance, philanthropic organizations can purchase credits to conserve particular species or habitats, as such project sites provide a range of ecosystem services, including conservation and natural resource management on private lands.

Biodiversity Sri Lanka can play a major role in initiating and monitoring such schemes with the help of relevant government authorities and other relevant parties such as universities, to make the systems more credible and transparent.

**5. Finally, do you think that Sri Lanka's valuable biodiversity would be impacted by engaging in biodiversity credit accrual projects? If so, Positively? Or negatively?**

If we can create proper awareness about the concept behind these terms and if we can devise a proper mechanism on biodiversity credit creation and offsetting, there will be positive impacts on biodiversity conservation approaches collectively at national level. Not only that, it will help induce innovative business models and a market for 'biodiversity conservation', which I would like to be coined as the 'commodification of biodiversity conservation'.

**Studies towards a Biodiversity Credit Accrual System for Sri Lanka launched by BSL in Collaboration with IUCN Sri Lanka and the Forest Department**

Among the number of initiatives launched at the CEO Forum and 2<sup>nd</sup> Meeting of Members of BSL held on the 6<sup>th</sup> of October in Colombo, studies towards a Biodiversity Credit Accrual System for Sri Lanka were also introduced in collaboration with IUCN Sri Lanka and the Forest Department.

A novel concept enabling biodiversity conservation project owners to accrue credits from the enhancement and protection of biodiversity on their land, the foundation to this initiative is being laid by BSL with the support of the Forest Department, which has allocated a 10 hectare plot of land adjoining the Kanneliya Forest Reserve in the southern province, to pilot test the implementation of this initiative.

Biodiversity banking involves conservation activities that are used to compensate the loss of biodiversity. This process involves measuring of biodiversity and the application of market-based solutions to improve biodiversity. It provides a means to place a monetary value on ecosystem services. Typically, this involves land protection, restoration and enhancement. According to the IUCN, by 2004, interest in voluntary biodiversity offsets was growing in the United States, Brazil, Australia, Canada and the EU. Experience has suggested that industry, governments, local communities and conservation groups all benefit from biodiversity offsets or biodiversity banking. The goal of offsets is to compensate for the loss of biodiversity at one location with conservation gains elsewhere.

A number of our Members have volunteered and shown a keen interest in participating in this pilot scheme, which if successful, can be adapted in other parts of the island, potentially progressing the initiative to a local, island-wide one, which, based on success, can be linked to global initiatives that are already being practiced in various geographical locations.

Having set up a specialized sub-committee to establish the modality for such a mechanism on par with the requirements and standards already available in other parts of the world, BSL considers this initiative a pioneering one which hopefully will be successful, making it possible for the Sri Lanka private sector to invest in biodiversity conservation in a most innovative manner.

## Biodiversity Project Ranking Scheme and Online Project Bank

Based on the findings of 2 surveys carried out amongst the BSL membership in 2014 and 2015, a number of private sector organizations are engaged in valuable projects aimed at conserving various aspects of biodiversity. Not all of these projects however, are being evaluated scientifically for the overall impact they make on the environment, or for the true value being given back to the ecosystems.

In order to address this gap, BSL has set up a specialized technical sub-committee tasked to develop a set of criteria that could be applied to private sector-led biodiversity conservation projects, in order to scientifically monitor and evaluate their impact. This set of criteria was launched as the BSL Biodiversity Project Ranking Scheme (BPRS) at the recently concluded CEO Forum and 2<sup>nd</sup> Meeting of Members.

The BSL BPRS evaluates conservation projects against the following categories of criteria:

- Alignment with policies and priorities
- Planning
- Implementation
- Monitoring and valuation
- Outcomes – Species and habitat level, cost/benefit, socio-economics, and participation
- Sustainability
- Creativity

The ranking will result in Star Ranks 1 – 5 based on the number of points gained on a 0 – 100 scale.

BSL's Patron Members - Diesel & Motor Engineering PLC, Ceylon Tea Services PLC (Dilmah Conservation) and Nation's Trust Bank PLC – have already consented to volunteer their projects to pilot test the BSL BPRS in the coming months.

Our Online Project Bank which can be openly accessed by Members and Non-members alike, via <http://business-biodiversity.lk/project-bank/> is catered to select project ideas for implementation. These project ideas have been categorized into Assessment of Biodiversity, Biodiversity and Communities, Education, Awareness and Culture, Inland Waters Conservation, Reforestation, Species Conservation, Marine Conservation and Terrestrial Ecosystem and Habitat Conservation, and can be developed into detailed proposals tailoring them to suite the objectives of the implementing organization. All project ideas made available at this online bank have been thoroughly researched and are those which are in line with national priorities in biodiversity conservation.

## Can Offsets Provide Nett Benefits or Do Their Risks Outweigh Their Opportunities?

Excerpt from

[http://cmsdata.iucn.org/downloads/final\\_biodiversity\\_offsets\\_paper\\_9nov2014\\_1.pdf](http://cmsdata.iucn.org/downloads/final_biodiversity_offsets_paper_9nov2014_1.pdf)

This question is the crux of the offset debate. Some believe that a relatively restricted range of impacts can be offset to achieve No Nett Loss, while others feel that outcomes can be achieved for a broader range of impacts. Much of this debate may be due to theory versus practice: In theory, much is possible; in practice, there has been very limited success. In general, there is agreement that **biodiversity offsets have the potential to provide nett gains in biodiversity in the right context, but this has rarely yet been realized in practice although the high level principles of offsetting best practice are fairly well agreed.** However, the lack or inappropriate use of offsets has been shown to have resulted in a number of risks and poor outcomes for conservation.

Realistic best practice underneath these high level principles depends on the specific context in which they are applied and a combination of technical and institutional choices that are not always well informed or agreed upon. Practical experience so far suggests that, **principal reasons that offsets fail to achieve No Nett Loss or Nett Gain appear to be lack of clear policy requirements that offer unambiguous guidance to developers and offset providers, limited capacity for implementation of mitigation, inadequate monitoring and enforcement, and – particularly – insufficient political will to require and enforce best practice in offsetting.**

A suggested priority for further work is:

- Gathering empirical evidence on the principal factors influencing offset failure or success.

What are the main risks and opportunities of biodiversity offsets?

In the right context, and following best practice, biodiversity offsets could provide a valuable opportunity for balancing development with biodiversity conservation by internalizing biodiversity conservation values into development decision-making. Likewise, inappropriate use of offsets carries a number of risks. Most prominent among these are distraction from the effective use of earlier steps in the mitigation hierarchy, or even granting a 'license to trash' (e.g. failing to implement the mitigation hierarchy), a privatization of public goods at a cost to current users and dilution of existing legislation. One philosophical challenge with evaluating risks and opportunities of offsets is the baseline against which they should be compared – that is, whether offset activities should be evaluated against a successful No Nett Loss/Nett Gain outcome for all projects and plans. These include, for example, considering whether mixed success offsets results in the past and the many practical reasons why it is difficult for offsets to achieve No Nett Loss/Nett Gain, and/or

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**Member Focus:**  
**MAS Intimates (Pvt.) Ltd.**



**Thuruwadula:  
Reclaim, Re-vision, Restore**

“Thuruwadula” is an ecosystem restoration project initiated by MAS Holdings in 2013 using a reforestation philosophy called ‘Analog Forestry’. The 9.7 acre degraded land within MAS Fabric Park, Thulhiriya was converted into an analog forest, testing replicability as well as serving as a model for education and inspiration.

“Analog Forestry is a system of land management that seeks to establish ecosystems with architectural structures (i.e. different canopy layers) and ecological functions (i.e. watershed management etc.) similar (analogous) to the local natural forest. It also seeks to strengthen rural communities, socially and economically, through the use of species that provides for food sovereignty as well as providing marketable products that sustain rural communities, both socially and economically.” – [www.rainforestrescueinternational.org](http://www.rainforestrescueinternational.org)

This five year project was first designed and launched by a small group of employees as the service learning component of their leadership development programme. The team underwent a training with Dr. Ranil Senanayake, who developed the Analog Forestry concept. As a result, the team developed a sophisticated understanding of the interconnectedness and the complexity of an ecosystem through experiential and action learning.

Identifying the specific features of the existing land, the forest is divided into 6 habitats namely: Rock Habitat, Native Habitat, Wetland, Analog Forest Habitat, Bird and Butterfly Habitat and the Lookout Point. For the purpose of education on ecosystem restoration, there are QR bar codes and informative visuals on the site for the visitors as well as the <http://thuruwadula.com> website.

**Member Focus:**  
**National Development Bank**



**NDB Employees Volunteer to Combat Deforestation**

One of the easiest ways to combat deforestation is by planting trees. It is with this objective that the National Development Bank (NDB) partnered with CIMA and Rotary Sri Lanka in the “One Million tree stories” project aimed to address the deforestation of Sri Lanka and help grow back its forests.

This project was undertaken as part of the Bank’s ‘Employee Volunteerism Programme’ where the employees themselves took part in planting trees. The team of volunteers lead by CEO Mr. Rajendra Theagarajah planted 2000 indigenous plants near the Deduru Oya Reservoir. The NDB team was joined by key customers of the NDB Wariyapola and Kurunegala Branches.

The Bank purchased one plant for each employee as the 1<sup>st</sup> phase of this project. Each plant is native to Sri Lanka, bearing herbal and commercial values. The plants are easy to maintain and have the ability to survive even under drought conditions. Most importantly they have the ability to cleanse the soil and water thus mitigating the harmful effects to both humans and animals. Each plant is geo-tagged to enable the tracking of its growth from anywhere in the world.

Commenting on this project, NDB CEO Mr. Rajendra Theagarajah stated that whilst this is an initiative to increase forest cover it was also NDB’s contribution to replenish whatever we have consumed by means of paper and stationary in the Bank’s day to day activities.

He further stated that inculcating responsible behaviour in the Bank’s employees is important and hence employee volunteerism is a key component in the Bank’s sustainability agenda.

**Member Focus:**  
**People’s Leasing and Finance**



**PLC Initiates “Thuru” with Forest Department Sri Lanka**

PLC collaborated with the Forests Department to spearhead a flagship re-forestation programme themed ‘THURU’ in Kanneliya, Udawatta and along the Trincomalee - Habarana route. The re-forestation programmes are spearheaded by the District Forest Offices and the PLC branches located in Galle, Kandy and Kantale.

The first re-forestation drive of this flagship programme commenced in Kanneliya in July 2015 where 270 seedlings that are suitable for the local climatic conditions including Hora (*Dipterocarpus zeylanicus*), Halmilla (*Berrya cordifolia*), Beraliya (*Shorea cordifolia*), Goraka (*Garcinia cambogia*) and Wewal (*Calamus zeylanicus*) were planted to restore the forest cover in partnership with the District Forest Office - Galle.

“PLC has completed the first phase of the project having planted over 250 saplings. We have made arrangements to raise 1,000 saplings at the nursery of the Galle DFO Office with the on-set of the rainfall in March. PLC has committed to ensure that saplings planted are well established in the ecosystem” stated Mr. Nishantha Weerasinghe, Head of PLC Galle Branch. The second re-plantation drive of this flagship programme, was spearheaded by PLC Kantale, in partnership with the District Forest Office, Polonnaruwa. Seedling establishment was commenced in the Forest Department nursery to be planted along the Trincomalee - Habarana stretch with the on - set of rain in November 2015.

This flagship reforestation programme is a long term CSR initiative of PLC that not only contributes to offset emissions but also to enhance the biodiversity value of the above sites.

determining whether the assessment of offset risks and opportunities should be made against the very real risk of inaction i.e., 'business as usual' resulting in considerable Nett Loss.

What is best practice guidance (e.g. principles, standards, safeguards) for biodiversity offsets?

There is a fair degree of agreement on the high-level principles of offsetting best practice, as listed for example in the BBOP Principles (2013). These principles are summarized below:

- i. Adherence to the mitigation hierarchy: A biodiversity offset is a commitment to compensate for significant residual adverse impacts on biodiversity identified after appropriate avoidance, minimization and on-site rehabilitation measures have been taken according to the mitigation hierarchy.
- ii. Limits to what can be offset: There are situations where residual impacts cannot be fully compensated for by a biodiversity offset because of the irreplaceability or vulnerability of the biodiversity affected.
- iii. Landscape Context: A biodiversity offset should be designed and implemented in a landscape context to achieve the expected measurable conservation outcomes taking into account available information on the full range of biological, social and cultural values of biodiversity; and, it should support an ecosystem approach.
- iv. No Nett Loss: A biodiversity offset should be designed and implemented to achieve in situ, measurable conservation outcomes that can reasonably be expected to result in No Nett Loss and preferably a Nett Gain of biodiversity.
- v. Additional conservation outcomes: A biodiversity offset should achieve conservation outcomes above and beyond results that would have occurred if the offset had not taken place. Offset design and implementation should avoid displacing activities harmful to biodiversity to other locations.
- vi. Stakeholder participation: In areas affected by the project and by the biodiversity offset, the effective participation of stakeholders should be ensured in decision-making about biodiversity offsets, including their evaluation, selection, design, implementation and monitoring.
- vii. Equity: A biodiversity offset should be designed and implemented in an equitable manner, which means the sharing among stakeholders of the rights and responsibilities, risks and rewards associated with a project and offset in a fair and balanced way, and respecting legal and customary arrangements. Special consideration should be given to respecting both internationally and nationally recognized rights of indigenous peoples and local communities.
- viii. Long-term outcomes: The design and implementation of a biodiversity offset should be based on an adaptive management approach, incorporating monitoring and evaluation, with the objective of securing outcomes that last at least as long as the project's impacts, preferably in perpetuity.

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

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

There is less agreement on what is considered "realistic" best practice under these high level principles and whether extra key principles should be added (e.g. avoidance, minimization, restoration and precaution). Much of this study paper focuses on discussion of consensus and gaps in agreement on realistic best practice.

What are the most significant causes of offset failure and success?

Some evaluations of offset systems, particularly in North America, have shown success in planning and delivery of individual compensatory mitigation projects (BBOP, 2009a; Denisoff & Urban, 2012; Hill et al., 2013). On the other hand, many individual projects do not achieve their mitigation goals and there has been a failure to achieve consistent net gains across the relevant jurisdiction (Hilderbrand et al., 2005; Bean et al., 2008; Gibbons et al., 2009; Maron et al., 2012; Kormos et al., 2014). Some suggest such failures may be inherent in any offset system (Walker et al., 2009). Empirical evidence may currently be too limited to conclusively identify the most common and important causes of offset failure, but there are indications that these include: (a) unclear or ambiguous requirements and guidance for offsets (though increasing complexity of guidance must be balanced against the need for sufficient simplicity and low enough transaction costs to allow trading (Salzman & Ruhl, 2000)); (b) lack of monitoring and enforcement (and thus implementation), often driven by lack of political will; and (c) inadequate underlying methods. Some of these offset failures stem from limited knowledge available at the time the systems were established. Knowledge of best practice in offset design and implementation is continuously evolving, and empirical evidence of offsets' outcomes (in published studies) remains limited.

Key areas for investigation are:

- (i) whether individual offset projects have delivered No Net Loss/Nett Gain, with independent verification against an agreed standard;
- (ii) whether offset systems create cumulative net gains for biodiversity (e.g. sum of all offset projects), compared with the baseline in question;
- and (iii) whether individual offsets have allowed projects with serious impacts on biodiversity to proceed when they would otherwise have been turned down.