Consultation response

Leverhulme Centre
for Nature Recovery

July 2025

Contributors

Sophus zu Ermgassen | Department of Biology, University of Oxford

Caitlin Hafferty | School of Geography & the Environment, University of Oxford

Natalie Duffus | Department of Biology, University of Oxford

Response to the consultation from the Department for Energy Security and Net Zero on the implementation of the UK government's principles for voluntary carbon and nature market integrity

See details of the consultation

Comments from the Leverhulme Centre for Nature Recovery

Introduction

Our response draws on evidence from across the globe looking at the outcomes of carbon and nature markets, with a focus on nature markets. Historically, finance from nature markets has played a very small role in financing the conservation and restoration of nature and there has been very little demand for voluntary credits arising from these markets. The consultation does not ask whether upscaling these markets is a good idea, but we offer a perspective on this point. In order to upscale these markets, healthy demand for the products is required, which our evidence suggests does not presently exist. We draw on research which demonstrates how to build nature markets which are scientifically credible, to ensure that credits have scientific integrity and meet their stated environmental outcomes. The lessons from this research are highly relevant to upscaling carbon nature markets in the UK.

We also use recent research to demonstrate that climate and nature-based solutions only work effectively and ethically through collaborative,

Photo by Bilbo B on Unsplash

place-based governance, where power, knowledge, and benefits are shared with Indigenous Peoples and Local Communities (IPLCs). These principles must be embedded into the UK government's approach to market integrity. Otherwise, efforts to raise standards in voluntary carbon and nature markets (VCNMs) will fall short and expose both communities and investors to additional risk, particularly reputational risk associated with social harm and human rights violations. The consultation document falls short in fully recognising that genuine community engagement and equitable benefit sharing are not optional enhancements, but are foundational to integrity, legitimacy, and long-term success.

Ideally, we would look beyond market mechanisms altogether in response to the biodiversity and climate crisis. In their current form, markets risk greenwashing and overlooking the deeper causes of climate change and ecological degradation including concentrated landownership, power imbalances, and inequitable decision-making. However, we recognise their growing role and in the absence of this shift, we advocate for strengthening social safeguards within VCNMs while also supporting non-market, place-based funding mechanisms. This position is underpinned by our recent study on the transformative governance of nature-based and climate solutions.

High-integrity carbon and nature markets are only possible when community rights, equitable benefit sharing, and genuine, ongoing engagement are not peripheral considerations but core principles – without them, such markets risk reinforcing the very injustices they aim to solve. For investors and businesses, meaningful community engagement is not only a moral imperative but a critical strategy for mitigating social risk, ensuring project resilience, and protecting reputational credibility in a rapidly evolving ESG landscape.

Responses to individual questions

Principle 2 - use high integrity credits

Question 9: Do you have any concerns with, or feedback related to the proposal to endorse ICVCM's CCPs and their accompanying Assessment Framework, as representing a minimum quality requirement?

Response: The UK government should go beyond endorsing the Integrity Council for the Voluntary Carbon Market (ICVCM)'s CCPs and, firstly, make key social safeguards mandatory for any credit used in UK-based claims, and secondly, enhance these principles beyond consultation and free, prior and informed consent (FPIC) to include higher levels of engagement and mechanisms for community benefit sharing. The ICVCM AF already includes social integrity criteria (7.6-7.9) but leaving these optional in the UK context is insufficient. Following tested approaches in Scotland's Natural Capital Market Framework, we also recommend additional safeguards including a public interest test for large-scale crediting projects, community wealth-building principles, and requirements for continuous, two-way engagement, not one-off consultations or information provision.

This would prevent what we describe as "techno-market dominance" and "democracy washing" and provide clarity to investors about what constitutes "high integrity" and how to reduce social and reputational risks.

Question 12: What are the necessary components to effectively mobilise voluntary nature markets (VNMs) to deliver against international nature finance targets? How can the UK support development of these components?

Response: The first and most critical is demand; research has shown that there is near zero demand for voluntary nature markets. Industry will say there is demand; but it is important to consider that the illusion of voluntary nature markets is part of their appeal to businesses. Businesses prefer non-binding voluntary markets to actual legal obligations which compel them not to harm nature, or to pay for its recovery. Voluntary markets can be seen as a 'delay' tactic. While we expect that many respondents to this consultation to say they are supportive of nature markets, our academic research does not support this view. We believe there is almost no demand for voluntary nature credits. The 2023 international voluntary carbon market integrity scandal severely punished well-intentioned companies that bought credits; voluntary credits are now a liability, not an asset. All of this is outlined in our recent journal article in Nature Sustainability.

If the UK government wants to mobilise VNMs for international nature finance, then the first thing to do is create any kind of demand for them; because we see almost zero demand or incentive as it is. There are currently several companies providing voluntary biodiversity credits in the UK, but there is a lack of transparency so it is impossible to know how many credits they are selling, but our suspicion is that the volume is very low to zero.

The second component should be not to make the same mistakes in terms of creating crediting standards that allow for the phantom credits that occurred in the international voluntary carbon market. We outline these problems and solutions in a series of academic articles on how to create high-integrity nature markets, available here and here.

Thirdly, markets must address tensions between finance and justice. Based on our research and a recent report by WWF, four tensions must be resolved:

1. short-term returns vs. long-term gains – as a solution, use blended finance to reward long-term project horizons;
2. profit-driven metrics vs. intangible social value – include indicators like land security, community wealth, and democratic participation alongside carbon and nature metrics (e.g., incorporated into BSI Flex 705);
3. investor certainty vs. adaptive, participatory governance – require community-led monitoring and flexible governance; and
4. disproportionate risk to communities – require fair risk sharing in benefit-sharing plans.

These issues are described in this report and explored in depth in our paper on transformative governance.

Question 14: Do you believe that current standards adequately reflect the potential impacts of indirect land use change and fully account for net environmental impacts, and if not, how could environmental impacts be fully accounted for to help prevent leakage?

Response: Leakage is not well accounted for in this system. Given that the UK is a highly

agricultural landscape, many nature market interventions will be centred around reducing agricultural intensity in order to create improvements to nature. This will necessitate a reduction in agricultural production which will need to be replaced from elsewhere (domestically or abroad), which has the potential to induce substantial leakage. This academic paper demonstrates that leakage is currently underestimated and subsequently not dealt with effectively in nature markets. The best way of avoiding leakage from nature markets is to avoid implementing nature market projects in areas of high agricultural productivity, and to couple nature credits with initiatives to improve agricultural yields elsewhere to compensate for the foregone production, as outlined in our academic publication.

Question 15: Do you think there are any capacity barriers or other issues faced by validation and verification bodies in the UK or internationally?

Response: The biggest barrier to good verification is where verifiers have a fundamental conflict of interest, so their business models are linked to verifying credits. Any model where verifiers get paid per credit verified creates fundamental mismanaged incentives and is doomed to failure. There are ways of getting around this: industry pays a subscription service to verifiers which are not linked to the total volume of credits accredited; or pay a flat rate that is independent of the number of credits verified.

Cross-cutting enablers

Our overall comment is that this section of the consultation is one of the most promising and forward-thinking. It correctly highlights that addressing climate and nature challenges demands collaborative governance, long-term thinking, and inclusive participation – not just technical carbon and biodiversity metrics. This has been repeatedly demonstrated in studies on sustainable transitions, particularly work by critical social scientists (e.g. here and here).

By highlighting the need for trust, transparency, and broader participation, it links VCNMs directly to sustainable economic growth, multi-dimensional well-being, and a just transition. This is supported by our work on participatory and integrated governance for addressing nature and climate challenges, which has already helped to inform the BSI Flex 705 standards and on-the-ground high-integrity projects.

We think that this section deserves greater prominence. For example, it could be placed at the front of the document to frame and guide all of the principles that follow in a truly integrated fashion. Doing so would reinforce that high integrity is not just a matter of carbon accounting, but of fostering human-nature relationships and considering how decisions are made, who is included and excluded, and how benefits are shared. Elevating this framing would strengthen alignment with the consultation's own stated goals: to create credible, equitable markets that contribute meaningfully to both environmental and social outcomes while bolstering sustainable economic growth.

Question 37: How can the LNRS and English Devolution framework be developed to support spatial targeting of nature investment?

Response: To attract responsible investment, LNRS and devolved frameworks must be seen as tools for democratic spatial planning, not static technical tools and mechanisms for land

allocation where investment happens without local community input. Investors increasingly seek certainty that environmental projects respect community rights and deliver real, locally rooted benefits, as we found in a recent report which included interviews with investors and businesses.

We recommend:

- embedding participatory mapping and community knowledge through co-designed evaluation and participatory Geographic Information Systems methods;
- aligning Local Nature Recovery Strategies with existing local plans, land reform efforts and community-led strategies; and
- targeting investment not just to high-return areas, but to places where restoration aligns with just transition priorities.

This aligns with decades of strong evidence on the value of integrating local knowledge into environmental planning, supported by our recent study on understanding "what works" for participatory environmental decision-making.

Question 41: Do you agree that the Government should trial a greater degree of stacking to gather real-world data on the benefits and challenges?

Response: Stacking should only be trialled if equity impacts are also evaluated. This should include evaluating how stacking affects community control, land-use rights, and local participatory governance, not just investor return. Stacking trials should also include community-led and grassroots projects as pilots, as well as those that include community-private partnerships. Evidence indicates that collaborative governance models have been shown to improve outcomes for nature recovery. We demonstrated the importance of this when discussing how investor requirement for certainty can conflict with local participation and community benefits, which is an important consideration for any test of the benefits and risks of stacking.

Question 42: What are the biggest challenges and opportunities of such a trial?

Response: When it comes to stacking, the major worry in environmental markets (which are all offset markets here) specifically is that the real-world implementation issues take us so far from optimality that stacking may be harmful. We worry about a) problems with additionality; b) problems with public administration.

a) The problem with additionality is the classic critique – that when you're selling credits from the same management intervention into multiple markets, for some of the credits it's likely that the land management intervention would have gone ahead anyway based on the sale of the other credits – so some credits are then being bought to offset someone's liability but which are actually not offsetting that liability. Those credits could have achieved better environmental outcomes if they were generated by additional land management activities elsewhere.

The worst-case scenario is what's happening in Australia right now. Following the discovery that their enormous multi-hundred-million dollar domestic carbon market is <10% additional,

lots of the credit providers have now developed biodiversity credits from those same essentially ineffectual projects; so stacking is enabling them to generate revenues that they generally don't deserve.

b) For public administration our concern is that governments track and account for credit sales, and the Biodiversity Gain Site Register falls short of transparency requirements for a good off-site register. Once people start selling multiple types of credits from the same intervention, we worry the accounting risks becoming too difficult to track properly. Our practical concern is that if we do unrestricted stacking, an investigation in a few years' time will uncover that projects were selling credits that were definitely non-additional. This is not speculative; it creates reputational risks that bring down these markets has happened with the international avoided deforestation market.

Currently, many off-site BNG providers are turning to providing voluntary biodiversity credits too, in the face of low demand. However, these voluntary credits are not registered on the public gain site register with the off-site BNG units, leading to concerns that this non-transparent accounting will lead to double counting.

About us

The ongoing loss and degradation of nature is one of the greatest challenges of our time. In response, the Leverhulme Centre for Nature Recovery (LCNR) was created in 2022 as a hub for innovative research on nature recovery. It brings together experts from a broad range of disciplines across the University of Oxford. The team collaborates with partners in communities and organisations around the world.

What is nature recovery?

We define nature recovery as the activity of helping life on Earth to thrive by repairing human relationships with the rest of the natural world.

Our aims

- To understand the societal, biophysical, policy and systemic factors that enable or challenge nature recovery
- To collaborate with partners in case study landscapes to test and enhance frameworks, technologies, and tools for effective, inclusive, scalable, nature recovery delivery that also provides for society and its wellbeing
- To establish an inclusive nature recovery community at Oxford, leveraging its intellectual capital and interdisciplinary convening power to address key debates and challenges in the field.

Leverhulme Centre
for Nature Recovery

Contact us

naturerecovery@ouce.ox.ac.uk
www.naturerecovery.ox.ac.uk
@naturerecovery.bsky.social
@NatureRecovery
Leverhulme Centre for Nature Recovery
The Nature Recovery podcast

LEVERHULME TRUST

The work of the Leverhulme Centre for Nature Recovery is made possible thanks to the generous support of the Leverhulme Trust.