

European Commission's Roadmap towards Nature Credits

ECOS recommendations

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Authors

- Margaux Le Gallou, Senior Programme Manager, Environmental Information and Assessment, margaux.legallou@ecostandard.org
- Samy Porteron, Senior Programme Manager, Nature and the Bioeconomy, samy.porteron@ecostandard.org

Summary: Ensuring a system that disincentivises nature destruction

Europe is facing a biodiversity emergency: over 80% of habitats are in poor condition, while billions in harmful subsidies continue to cause their decline. Regulating and divesting from economic activities which harm nature must be the EU's first strategy.

Public funding and strong regulation must remain the foundation of Europe's restoration agenda. While private contributions can be encouraged, they should neither replace nor undermine the polluter-pays principle.

ECOS supports regulating nature credits as a means of implementing the polluter-pays principle and of measuring and rewarding progress along restoration goals. We strongly advise against relying on market mechanisms to support European restoration, and rather ensure consumer protection against greenwashing. To achieve this, the Commission must learn from past mistakes and ensure robust public governance, scientific integrity, and setting regulatory incentives.

Recommendations

- End harmful subsidies driving biodiversity loss.
- Protect and expand public funding for restoration.
- Use credits only as part of a wider strategy: Ban offsetting, use credits to implement the polluter-pays principle.
- Ensure high quality projects via standards and monitoring, securing long-term outcomes.
- Anchor governance safeguards by ensuring transparency and fair benefit-sharing, empowering local actors, issuing credits only after verified outcomes, and enforcing impartial certification with strong oversight

Nature credits: one small tool in a broken toolbox

Start with removing harmful subsidises. We welcome the European Commission's ambition to address the lack of funding for nature. Over 80% of European habitats are in poor condition.¹ It is estimated that the EU faces an estimated €19 billion per year biodiversity financing gap to achieve nature restoration goals.² But this number must be put in perspective with the €34–48 billion per year of EU subsidies that recent analyses identify as driving nature harm.³ Funds that currently support activities that destroy biodiversity must be phased out or re-directed, and any serious initiative to solve the nature funding gap should start by addressing this problem.

Safeguard public funding for nature. The Nature Credit Roadmap aims to better mobilise private capital. This is a valuable initiative, but it is concerning to see it published at a time when public funding and nature protection regulation are slashed right and left. The EC should ensure that the roadmap does not become an excuse to reduce public funding for nature and to weaken ambitious regulations.

Nature credit markets are a risky endeavour. To mobilise private capital, the EC intends to develop nature credit markets. However, the track record of such markets is deeply problematic:

- Experiences with carbon and biodiversity offsetting schemes have shown that many projects fail to deliver their promised environmental outcomes, either because restoration never materialised, or because claimed benefits could not be scientifically verified. Worse yet, a recent investigation by Fern and Canopée showed that the EU-backed nature credits pilot in Hiiumaa (Estonia) has destroyed old growth or ecologically sensitive forests, contrary to public claims.⁴
- Market transparency concerning revenue distribution from offset markets is very low,⁵ examples particularly from the Global South show that the lion's share of the revenues often remains with intermediaries, consultancies, or traders, leaving only a fraction for land managers and local actors who actually implement restoration.⁶
- Credits are often purchased by companies to justify business-as-usual practices, effectively delivering greenwashing rather than genuine change.⁷
- In several regions worldwide, poorly regulated credit schemes have led to land speculation and land grabbing, marginalising local communities and undermining indigenous rights.⁸

Without strict safeguards, robust monitoring, and alignment with restoration priorities under the Nature Restoration Regulation, nature credit markets risk repeating these failures and undermining the credibility of EU action.

Pilot projects are cautionary tales. Learning from the Estonian nature credits pilot project, it is key that restoration projects lead to significant deterioration of valuable ecosystems, especially when the purpose is creating 'net gain' or 'nature positive' outcomes. In this sense, the Nature Restoration Regulation's⁹ rules against non-deterioration, which require Member States to prevent significant deterioration of habitats and ecosystem areas in good condition or where restoration is planned, must also apply to project owners under an EU framework for nature.

Nature credits are not the only way to mobilise private funds. The European Commission should explore how to extend tried and tested instruments such as the 3Ts approach (taxes, tariffs and transfers) to implement the polluter-pays principle.

Private capital and voluntary initiatives' capacity to support nature restoration is limited. The European Commission should adequately assess what they can contribute and ensure that other initiatives are developed to address all needs. Nature credit markets can only be a small part of our actions to protect nature.

While better regulating these markets may bring some improvements, we are sceptical that these will be sufficient to deliver the level of nature protection that we need. We encourage the European Commission to explore other instruments to mobilise private funding for nature.

Recommendation 1: Eliminate harmful subsidies. The European Commission must first phase out or redirect subsidies that incentivise biodiversity loss, ensuring that harmful financing no longer undermines restoration goals.

Recommendation 2: Safeguard public funding. Guarantee robust, long-term public investment for nature restoration in the next Multiannual Financial Framework and stop the deregulation of environmental protections.

Nature credits must serve the polluter pays principle

Nature defies market logic. Ecosystems and their functions (biodiversity, resilience, flood regulation, cultural values) are largely non-rivalrous and non-excludable at scale, meaning they produce public-good benefits that markets alone struggle to price and supply.¹⁰ Investors generally demand predictable and priced returns, whereas restoration activities yield ecological improvements and socio-economic co-benefits that are real but often diffuse, long-term and hard to monetise reliably.

The initiative must be public led and driven by public interests. The IPBES stresses that transformative action requires publicly led governance, equitable finance and the internalisation of environmental costs, not solely market mechanisms.¹¹ Market instruments can complement but must be embedded in public policy that secures long-term outcomes.

The EU should shape demand and fend off greenwashing. Nature credits will only mobilise finance if potential buyers have a clear and credible reason to purchase them. Defining the use of credits is therefore not a secondary question but should form the cornerstone of the EU framework. If their purpose remains vague, there is a real risk that nature credits will legitimise offsetting claims, undermining both public trust and environmental integrity. This is a key lesson from the Carbon Removal Certification Framework (CRCF; see Box 1 below), where the absence of clarity on end use has created confusion and opened the door to greenwashing.

Box 1 Drawing the lessons from the EU Carbon Removal and Carbon Farming Regulation.

The EU CRCF claims to issue carbon removal certificates that are use-case neutral, not designed for offsetting, insetting, or results-based subsidies. In practice however, methodologies cannot be neutral: they are designed with a particular use in mind since the safeguards, accounting rules, and monitoring requirements differ depending on whether certificates are used to offset corporate emissions, to access public support, or to demonstrate progress towards climate targets. Currently, the methodologies under development are tailored to the expectations of the voluntary carbon market. This reflects the political and commercial pressure to make CRCF units fungible with offsets that companies can purchase to claim “carbon neutrality” or “net-zero”, despite high greenwashing risks.

Offsetting does not work. Currently, most environmental credit markets rely on offsetting to create demand. This flawed approach has been countlessly criticised⁷ and we will only cite three main issues:

- There is no equivalence between an area protected and an area damaged: ecosystems cannot be offset.
- Nature protection may not be permanent, especially as extreme weather events exacerbate the risks of degradation and failure. Yet the system is such that buyers may have already claimed benefits when actually the project failed. This temporal mismatch undermines environmental integrity and trust.
- Companies engage in offsetting because it is cheaper and easier than transforming their business model. This disincentivises real impact reduction, and creates a race to the bottom: buyers prefer cheap credits from low-ambition projects rather than paying for expensive, high-quality restoration.

This is why we do not support using nature credits as a voluntary tool to clean the slate of destructive practices. Under such system, offsets can make restoration dangerously dependent financially on payments offsetting the continued destruction of nature.

We recommend the European Commission to develop a nature credit system integrating the polluter pays principle. The system should internalise the cost of nature destruction into financial and economic transactions to trigger a divestment from activities which harm ecosystems and biodiversity, while encouraging investment in clearly identified practices supporting nature protection and restoration, such as organic farming and closer-to-nature forestry. This could be done by requiring companies to purchase nature credits proportional to the scale of activities, be it their impacts and/or the revenue generated from harmful activities. The system should also be highly vigilant to cheap or ineffective crediting. Companies should therefore also be required to disclose the financial amounts invested into nature restoration projects, to encourage companies to invest significantly, especially when their financial situation allows it.

In this system, nature credits should primarily function as transparent measurement and attribution tools: they provide standardised data on private sector activity toward restoration and can be used to record and verify individual contributions to national, regional or local targets (e.g. under the Nature Restoration Regulation). Identification of verified contributions must be linked to incentives (mandatory biodiversity contributions, supported by procurement preferences, fiscal incentives), otherwise credits will remain niche, voluntary and unlikely to mobilise finance.

Recommendation 3: Use credits only as part of a broader biodiversity strategy

- Position nature credits as one tool among others, avoiding political investment in markets with limited potential.
- Ban offsetting and greenwashing, prohibiting misleading claims. Ensure nature credits function only as transparent, non-fungible units for monitoring and reporting genuine contributions to restoration, not as financial assets or offsets.
- Nature credits should be one of the tools to implement the polluter pays principle, making companies fund restoration in line with their impacts and revenues, and redirect finance towards sustainable practices such as organic farming and closer-to-nature forestry.

Creating a reliable framework

The framework requires excellent monitoring to be credible. The success of nature credit systems depends on efficient and reliable assessments of biodiversity state and change measured along relevant indicators or metrics. Rules for additionality, what can be attributed to the financing provided to the restoration project, and whether the project goes beyond the baseline for legislation are also crucial. For this purpose, the EU should set a regulatory framework and supporting standards and methodologies, anchored in a few key principles. ECOS and other environmental NGOs recommend that the EU framework is founded on the ‘five golden rules’ from zu Ermgassen and colleagues (2025)¹²:

- Ensure the nature market’s proxy metric correlates with the desired outcome.
- Assume non-additionality unless demonstrated otherwise.
- Ensure the market does not induce effects elsewhere that undermine its outcomes.
- Ensure outcomes can be independently verified.
- Have a credible pathway for detecting and penalising non-compliance over the long-term.

We cannot expect the market to autonomously meet these rules. Privately run monitoring and certification systems have little incentive to produce robust measurements of biodiversity outcomes and have been shown to fail in delivering credible credits. Consequently, there is a risk of using unspecific, irrelevant, untimely indicators and data because costs of access to credit finance is prioritised over good monitoring.

The role of the public sector is again essential in providing rules and a supportive framework. The EU and Member States should ensure transparent, efficient monitoring by ensuring open data; funding to support certification costs; standardising measurement methods; supporting auditor training; and enabling research into cost-effective tools like remote sensing. EU-managed systems such as Copernicus should be used when possible, improving available data resolution. But the EC must prevent over-reliance on modelling and remote sensing to limit measurement errors and over-crediting. Ground-truthing by independent experts remain essential and the Commission should set rules for obligatory on-site auditing. Monitoring tools and methodologies should be tailored to relevant biodiversity outcomes of projects, combining technologies (e.g., sound capture and eDNA for species detection, remote sensing for ecosystem structure, and ecological surveys for habitat quality) to ensure credible and accurate restoration outcomes.

The nature credits system should aim to support restoration projects sustainably, securing long-term benefits and preventing the loss of project outcomes, following the Nature Restoration Regulation's non-deterioration principle. Before and during implementation, the value and structure of payments is critical to provide sufficient incentive to manage projects effectively. The Commission should investigate options for the EU framework to be based on staggered payments, whereby projects receive a first upfront payment to support project initiation and monitoring, then at key restoration milestones, and at verified delivery of end results. After the project is completed, legislation must prevent the reversal of the project's restoration outcomes, particularly from changes in land management practices and land use change. However, and to avoid penalising land managers for factors outside their control (e.g. floods, fires, neighbouring land use), contracts should clearly allocate liability and should include risk-sharing or insurance mechanisms.

Recommendation 4: Ensure high-quality projects.

- Adopt robust standards and monitoring. Establish EU-wide methodologies based on the “five golden rules” (additionality, independent verification, accountability, etc.), with obligatory on-site auditing and open-access biodiversity data.
- Ensure long-term outcomes: Use staggered milestone-based payments, enforce non-deterioration, and add risk-sharing or insurance against uncontrollable losses.

Ensuring good governance

To deliver biodiversity gains, the initiative needs to be governed in a way that builds trust in credits, minimises fraud or inefficiencies, and empowers local communities. The European Commission must carefully assess how to set the governance to ensure it can be enforced.

The overall governance should sit with the public sector, with strong cooperation between the European Commission and Member states to ensure that the implementation of the roadmap reaches the stated objectives. The EC and Member states should explore what level of jurisdiction is appropriate, and especially the sharing of responsibilities between the European, national and regional level. Public authorities should provide support and oversight of the projects to ensure the harmonised implementation of rules and minimise the risk of conflicts of interest.

Public authorities should enforce the law. This requires adequate levels of public funding and a penalty system that can truly deter infringements. The European Commission should not leave enforcement to a private certification. With Member states, the EC should explore if existing laws and market surveillance systems are sufficient and how to complement them where necessary.

The public sector can also offer technical assistance for the structuration of restoration projects, encouraging cooperative structures and pooling of projects to support inclusion of small farmers and forest owners. Member states should channel public finance to reduce certification costs and de-risk investments, ensuring that credit schemes align with national restoration priorities. The Commission should design benefit-sharing rules that prioritise payments to implementers and local communities, with safeguards for equity and rights. We are concerned that without safeguards, the system may disproportionately benefit large market players and speculative interests, rather than delivering fair outcomes for nature and society.

The European Commission should develop open digital platforms ensuring high transparency over transactions and reducing costs, connecting buyers directly with certified projects to reduce the role of brokers and related fees. The Commission should ensure transparency by maintaining public registries of projects, credits, and financial flows, enabling accountability.

Local communities and civil society must be included in the process. They should be consulted on the overall strategy, but also in the definition and governance of projects to ensure that their rights are respected, that their local knowledge benefits projects, and that they support and contribute to the protection of the local area. Involving local populations is critical to the perennity of nature protection beyond the project lifetime.

International projects have been mired with issues of landgrab, and disrespect for the rights of local and indigenous populations^{13 14 15 16}. The EU should not certify nor accept credits from projects taking place outside of the EU, as it will be impossible for the EU to ensure the enforcement of its regulation outside of its jurisdiction. In addition, this regulation is ultimately about restoring Europe's natural heritage, and it is vital that our shared landscapes remain at the heart of this effort.

Recommendation 5: Anchor strong governance safeguards (part 1)

- Anchor governance in the public sector, with strong oversight, transparent registries, and safeguards to ensure fair benefit-sharing, so that credits serve nature and local communities rather than speculative interests.
- Provide technical assistance and financial support to reduce costs, empower small land managers, and guarantee meaningful participation of local communities and civil society in both project design and governance.

Secure results through efficient enforcement and certification

We support the Commission's proposal of a **two-tier system** whereby projects can be certified at the start of the implementation to be recognised, but credits are only generated after verifiable outcomes have happened. Nature restoration happens over decades, and while projects need to be supported from the start, selling credits before outcomes have materialised would disincentivise implementation, and risks ruining the trust in credits. For the same reason, non-compliant credits should be revokable to account for potential delays between credit issuance and complaint procedures.

Only robust schemes should be recognised. Should the Commission consider a recognition mechanism similar to the Renewable Energy Directive, and as also employed under the CRCF, we would like to recall that the DG CLIMA-commissioned VERTA report¹⁷ suggests that to be recognised, Commission-recognised schemes should have robust approaches to operations, governance and verification and strong internal systems.

This means that there should not be an automatic recognition of schemes for the Nature Credit initiative when they are compliant with REDII or CRCF, as the criteria of these regulations are not sufficient to certify nature credits. Besides, it should be considered whether one overarching set of scheme requirements could be complemented with specific modules to address the variety of activities (e.g. agricultural land, forestry, etc.) to be expected under the EU initiative.

Minimise auditors' conflicts of interest. Auditors are the backbone of the certification process, visiting projects onsite and ensuring that all criteria are respected. The EC should mandate that certification bodies implement a clear conflict-of-interest policy, with auditors required to disclose any potential conflicts, as recommended in the VERTA report. Individual auditors should be excluded whenever a conflict arises. Such risks are significant and can stem from financial or personal ties, including prior employment with the operator, sponsorship (e.g. training), or other non-financial benefits. Risks could also be reduced by establishing tendering processes or random allocation of auditors to projects, and limit the number of sequential audits an auditor can conduct for any given operator. These safeguards are essential to maintain the credibility and impartiality of the certification process.

Limit emphasis on risk-based auditing procedures, where operators considered “low-risk” are audited significantly less intensely. This risks improper, faulty, or overly generous analysis. We agree with designating operators as low risk after demonstrable, long-term compliance in appropriate activities. However, this should be constantly monitored.

Lastly, the EC should set up an efficient system to handle complaints and non-conformity. The VERTA Report can be a starting point but needs to be complemented. We support defining different types of non-conformity and a standardised system to manage them. The complaint system should be independent from certification schemes, be transparent, accessible in the native language of the complainant, and have an appeal provision. Furthermore, the handling of complaints and appeals must comply with the EU Whistleblowing Directive¹⁸.

Recommendation 5: Anchor strong governance safeguards (part 2)

- Link credits to verified outcomes. Adopt a two-tier system where projects gain early recognition, but credits are issued only after measurable restoration results, with non-compliant credits revoked to preserve trust and accountability.
- Ensure credible, impartial certification. Establish strict EU rules for certification schemes, including conflict-of-interest safeguards, fair auditor allocation, robust complaint systems, and activity-specific standards, supported by public enforcement and penalties to deter fraud and greenwashing.

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