

ADB Nature Credits Study

RFI Nature Credits Overview

8 October 2025

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The better the question. The better the answer. The better the world works.

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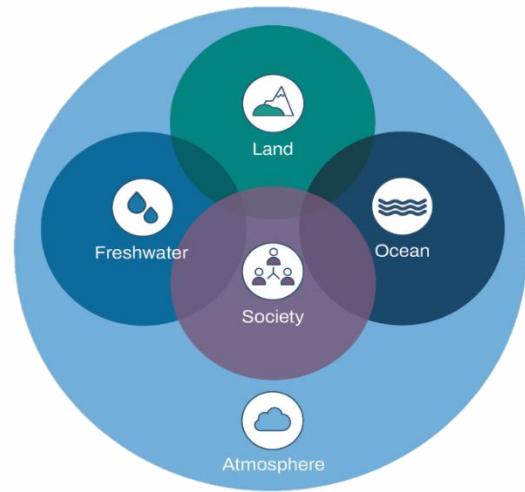
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Nature Credits - Key Definitions

Nature Defined



“
Nature refers to the natural world with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment.
(Diaz et al (2015))

Díaz, S., Demissew, S., Carabias, J., Joly, C., Lonsdale, M., Ash, N., Larigauderie, A., Adhikari, J. R., Arico, S., Báldi, A., Bartuska, A., Baste, I. A., Bligin, A., Brondízio, E. S., Chan, K. M. A., Figueroa, V. E., Duraíappah, A., Fischer, M., Hill, R., ... Zlatanova, D. (2015). The IPBES Conceptual Framework—connecting nature and people. *Current Opinion in Environmental Sustainability*, 14, 1–16. <https://doi.org/10.1016/j.cosust.2014.11.002>

Nature Credits Defined



Current literature: multiple ways to define ‘nature-based credits’

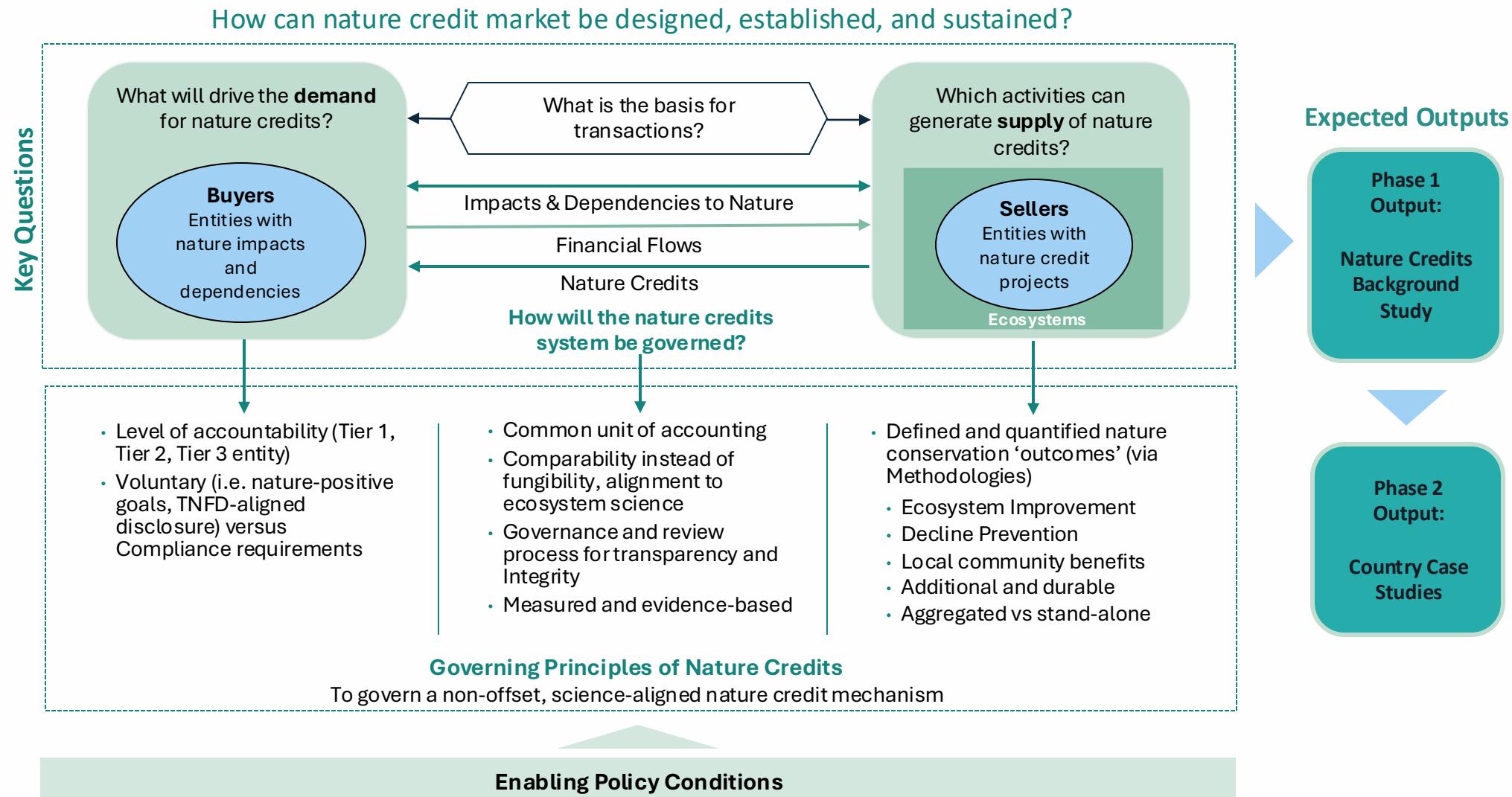
- *One quality hectare of biodiversity uplift from a baseline as a result of project interventions.* (Verra, Nature Framework)
- *A certificate that represents a measured and evidence-based unit of positive biodiversity outcome that is durable and additional to what would have otherwise occurred.* (Biodiversity Credit Alliance)



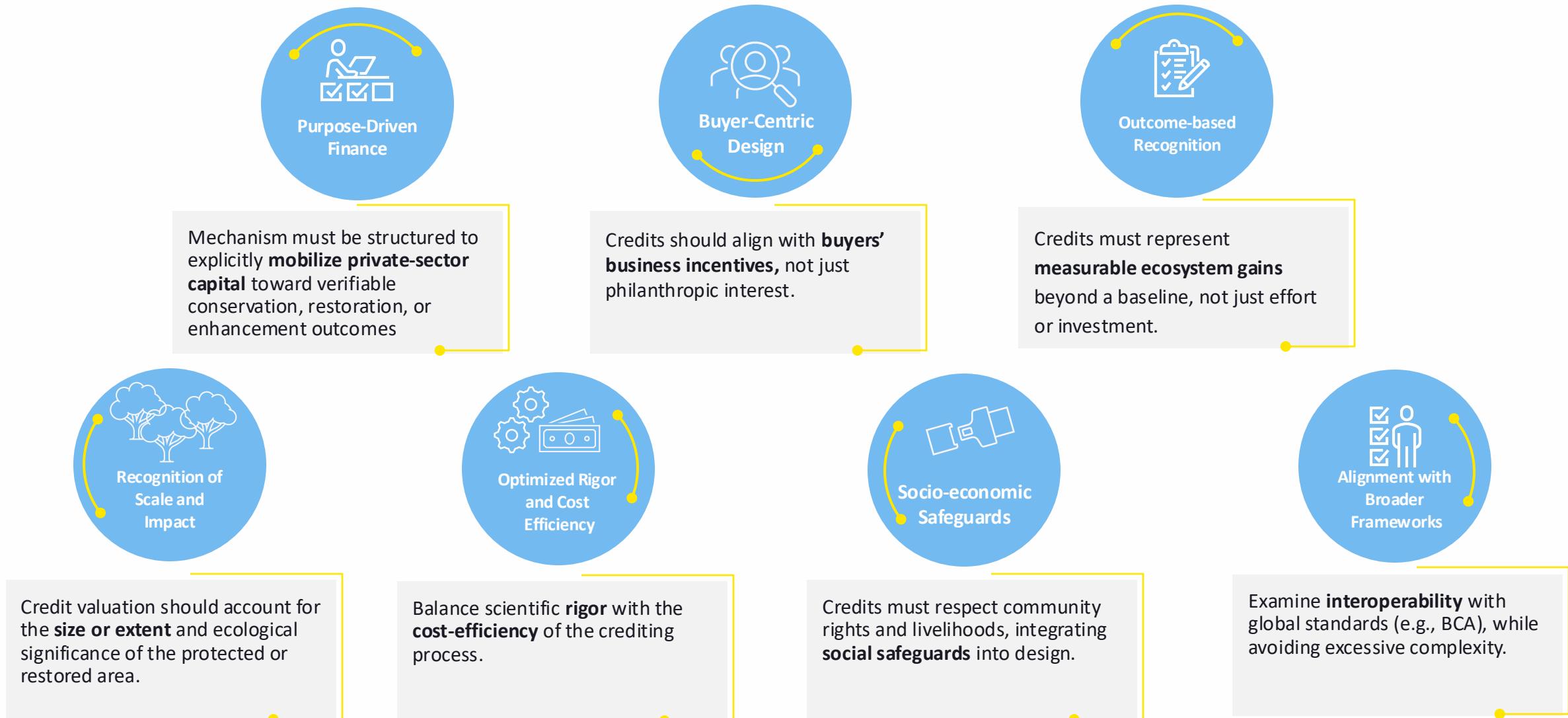
Definition adopted for this study:

Nature credits are evidence-based units of ecological improvement designed to drive and finance the halt and reversal of nature loss.

Nature Credits – Market Framework



Report Highlights: Nature Credit Design Principles



Report Highlights: Quality and Integrity

Nature Credits for RFI – Tackling the ‘High Integrity’ Factor

1 Verified Positive Outcomes for Nature

HLP 1: Defined Biodiversity Objectives and Activity Types
HLP 2: Demand Integrity and the Mitigation Hierarchy
HLP 3: Credit Issuance and Tracking
HLP 4: Ex-ante & Ex-post Credits
HLP 5: Additionality
HLP 6: Baselines
HLP 7: Durability
HLP 8: Leakage
HLP 9: Monitoring, Reporting and Verification
HLP 10: Third-party Audits

2 Equity and Fairness for People

HLP 11: Legal and Customary Land and Water Rights
HLP 12: Respecting Human Rights and the Rights of Indigenous Peoples
HLP 13: Free, Prior and Informed Consent
HLP 14: Indigenous Peoples' and Local Communities' Involvement in Governance
HLP 15: No Harm
HLP 16: Benefit Sharing
HLP 17: Grievance Mechanism

3 Good Governance for High-integrity Markets

HLP 18: Transparent Governance Structure
HLP 19: Data Sovereignty
HLP 20: Alignment with Frameworks
HLP 21: Tradability

Report Highlights: Activities & Archetypes

Nature Credit for RFI – Foundation for Qualifying Activities and Finding Archetypes

Anchoring our framework to the **Restorative Continuum**

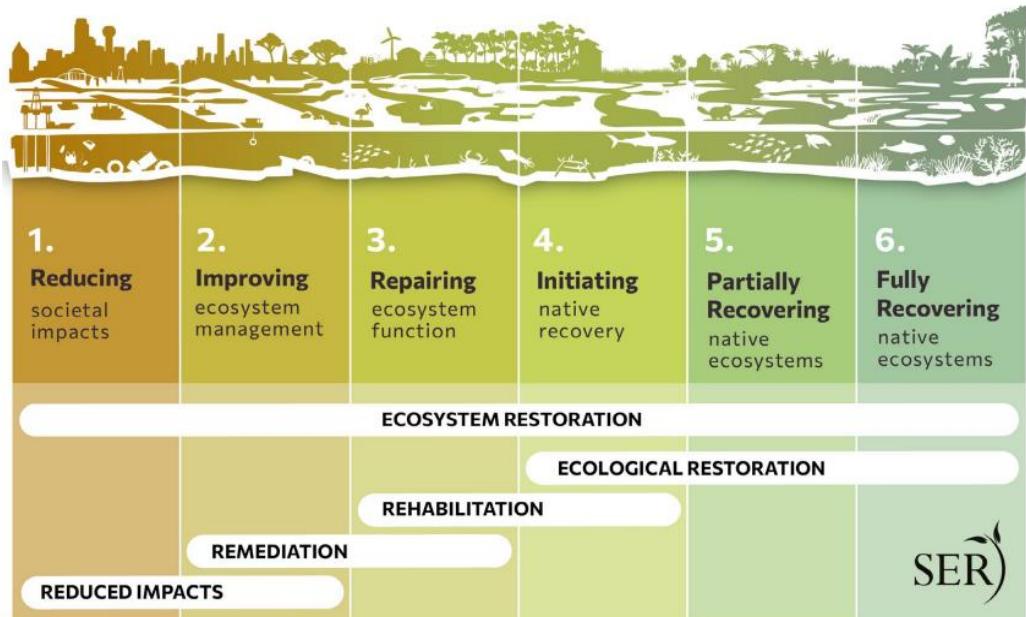
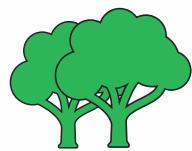


Figure 8. The Restorative Continuum Framework (Source: FAO, SCBD, and SER. 2024)

Distillation into two **nature credit archetypes** for RFI Sites

Activity Archetype	Nature Credits Alignment	Primary Objective
 Ecosystem Restoration (Restorative Actions)	Activities that contribute to reversing nature loss	Restore degraded wetlands to enhance delivery of ecosystem services and improve ecosystem health
 Loss Avoidance (Maintenance and Protection Action)	Activities that contribute to halting nature loss	Prevent further degradation, maintain ecosystem function, and protect ecosystems from threats to biodiversity, carbon stocks, and hydrological services

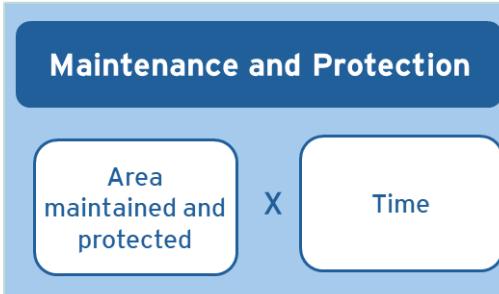
Report Highlights: Activities & Archetype

Nature Credit for RFI – Foundation for Qualifying Activities and Finding Archetypes



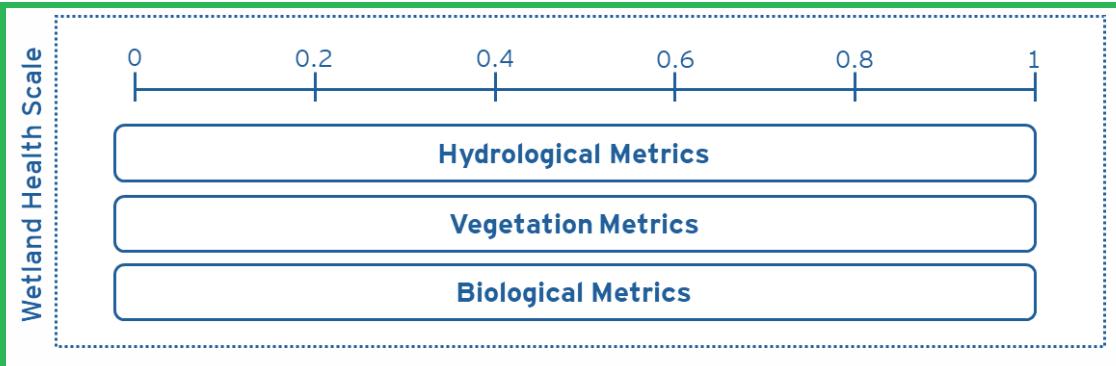
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Quantifiable Improvement or Maintenance and Protection of Wetland Health



Improvement = no. of level 'jumps' in the scale

M&P = model of predicted deviation from a forecast loss (indicative)



Hydrological Function Metrics

- Hydrological regime, (supports seasonal / year-round wetland dynamics- consistent with ecosystem type), tidal amplitude soil moisture, hydrological connectivity

Vegetation Cover Metrics

- Invasive species dominance, habitat complexity, native regeneration

Biological (Key species/ population) Metrics

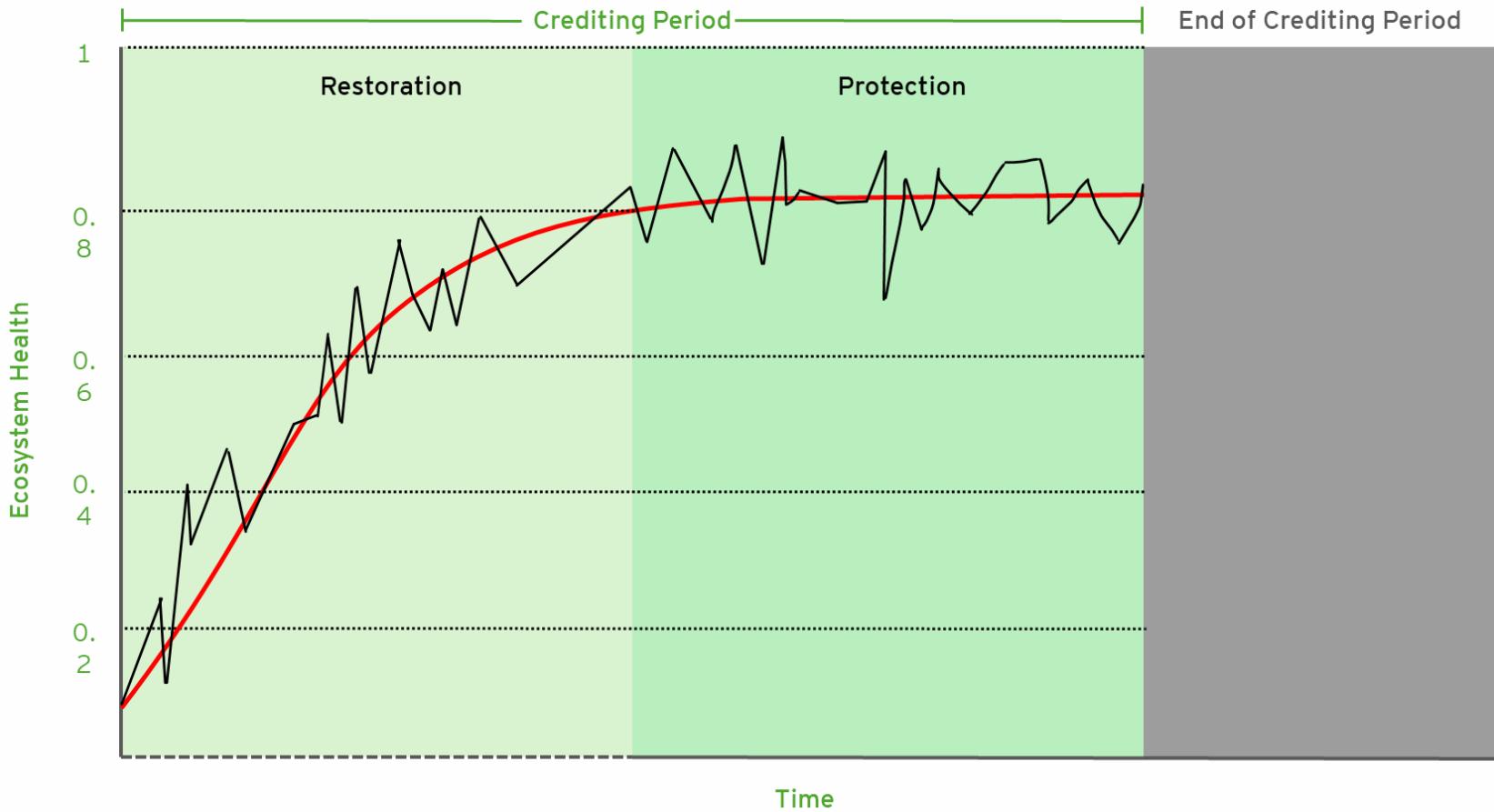
- Habitat Suitability Index (HSI) scores
- Sighting incidence of waterbirds / indicator fauna, breeding individuals presence, species richness, presence of threatened species or population

Report Highlights: Activities & Archetype



Restoration Projects

generated from activities that restore degraded wetlands ecosystems (reversing nature loss) to its fully functioning state



Report Highlights: Activities & Archetype

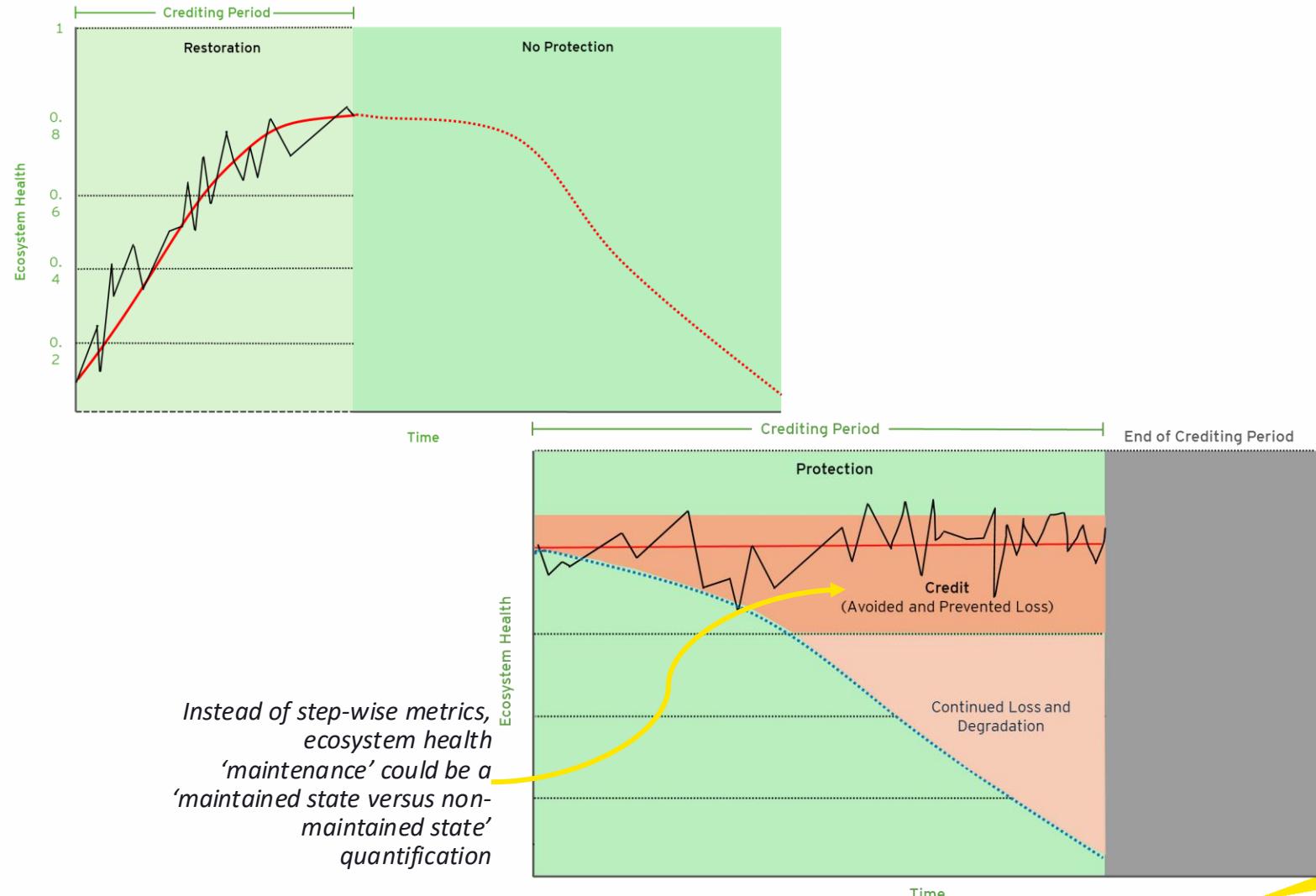
Nature Credit for RFI – Diving into Credit Archetypes



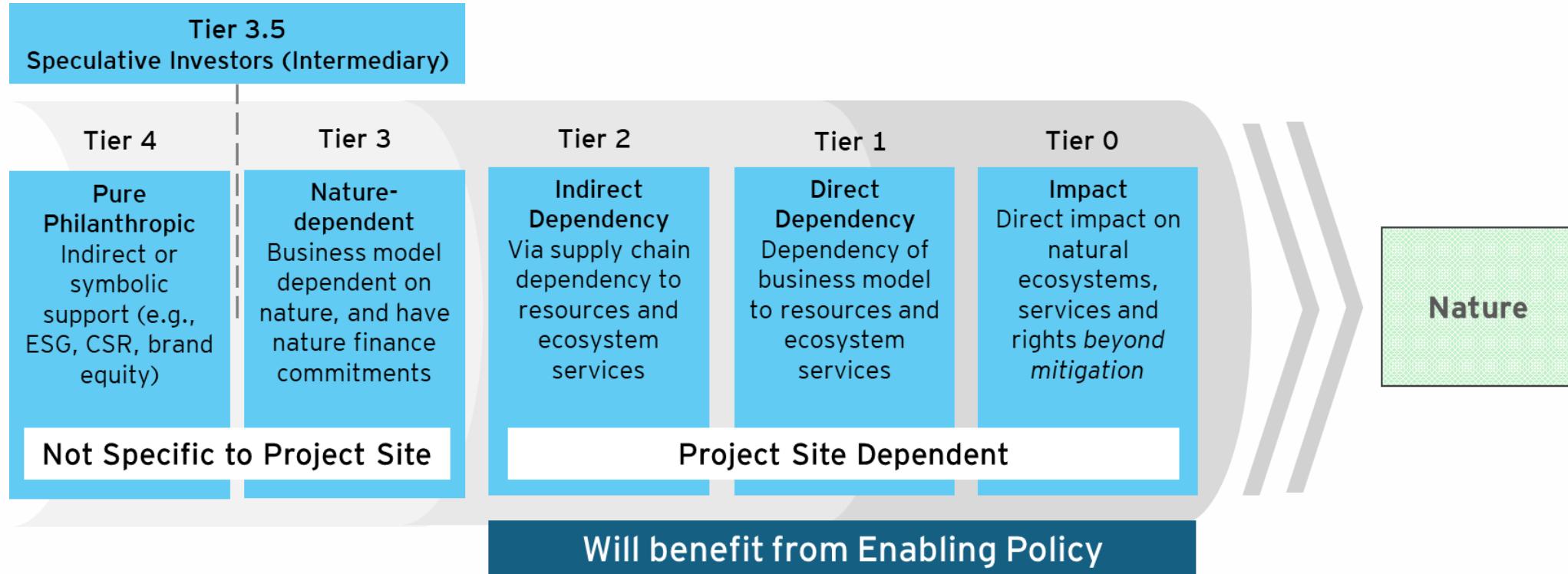
Maintenance and Protection Projects

Important to prevent restored projects from backsliding, or conserving and protecting sites in relatively good ecosystem health from degradation or loss due to anticipated threats

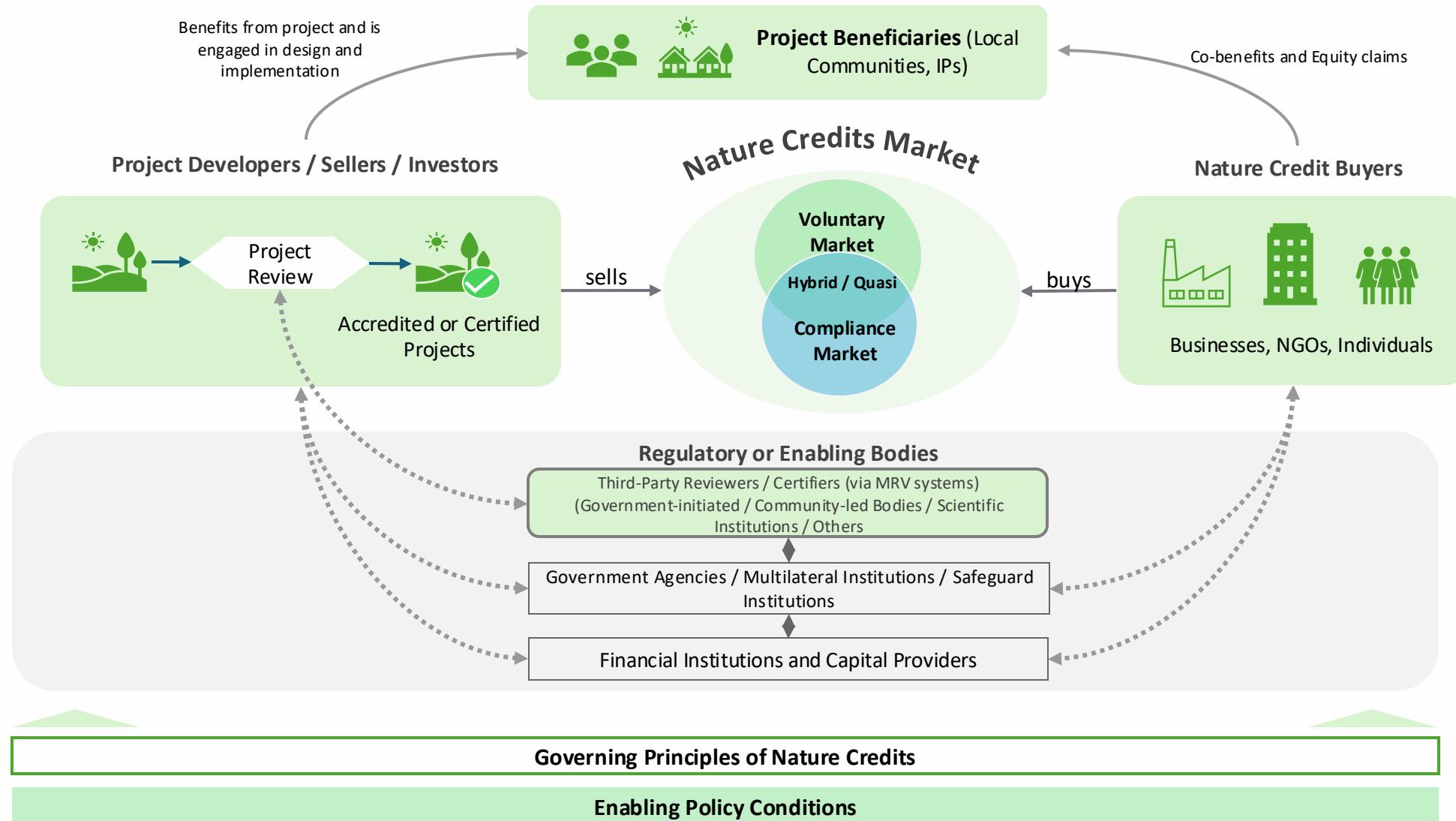
Critical challenge for credit mechanism: modelling loss scenarios



Report Highlights: Tiered Credit Typology



Report Highlights: Actors and Relationships



Nature Credits Strategy Card Game

(Test Run)

Nature Credits Strategy Card Game

Design. Decide. Deliver for Nature

An interactive, decision-making card game designed to help players understand how nature credit projects are formed, financed, and de-risked, from site selection to buyer and investor engagement.

- **Objective:** The objective is to design a Bankable Nature Project by making strategic decisions that maximize return (IRR) and resilience, while minimizing the Weighted Average Cost of Capital (WACC).
- **Outcome:** Players end with project results that reflect real investment readiness, either a **Bankable Project** or an **At-Risk Project**, depending on their strategic decisions.
- **Status:** *Beta version for pilot testing and feedback to refine game mechanics and facilitation flow.*

Nature Credits Strategy Card Game

Step 1 SITE SELECTION	Step 2 SELECT INTERVENTION	Step 3 SECURE REVENUE	Step 4 RAISE CAPITAL	Step 5 FINAL ASSESSMENT
ACTION Choose site & define minimum ecological needs. GOAL Determine conservation or uplift requirements.	ACTION Select activities & calculate TPC and TNC. GOAL Set your Minimum Selling Price (MASP) based on TPC.	ACTION Rank buyers and secure oftake volume. GOAL Define Bankability Boosters if IRR is too low.	ACTION Structure finance (Traditional + Non-Traditional sources). GOAL Minimize WACC and meet investor IRR/DSCR thresholds.	ACTION Review project viability. GOAL Determine Bankable or At Risk status.
				

Step 1: Site Card Selection

- **Action:** Choose one Site Card and analyze the ecological conditions and potential risks.
- **Decision Focus:** Determine the minimum necessary interventions to achieve the project's ecological goal (Improvement/Restoration, Maintenance and/or Conservation).

Step 2: Select Interventions

- **Action:** Players review the Intervention Cards and select the most appropriate activities to meet the site's ecological needs (from Step 1). Select only those activities that are critical to creating a measurable ecological impact.
- **Card Data:** Each Intervention Card provides
 - Cost of Intervention
 - Estimated Nature Credits generated by the improvement (in volume)
 - Estimated Uplift Value of the nature credits (a baseline price indicator)
- **Calculation:**
 - **Calculate Total Project Cost:** Sum the costs of all selected interventions.
 - **Determine Breakeven Price:** Calculate the minimum price per nature credit needed to cover the Total Project Cost.
 - **Set Target Margin:** Choose a comfortable profit margin and use it to set your Minimum Acceptable Selling Price (MASP).
 - **Outcome:** Players record their Total Project Cost, Total Nature Credits Generated, and MASP.

Step 3: Select Buyer and Secure Offtake

- **Action:** Players review the Buyer Cards. These cards contain information about the buyer's industry, size, regulatory context, and nature dependency, but do not state their willingness to pay or quantity.
- **Analysis:**
 - **Rank Buyers:** Based on the card information, players must strategically arrange the buyers according to the likelihood of securing revenue from them. Use two parameters for ranking:
 - **Willingness to Afford/Pay:** Assess their financial capacity and commitment to premium nature credits.
 - **Volume Appetite:** Assess the volume they might purchase based on their:
 - Impact/Dependency on Nature
 - Disclosure Requirements
 - Regulatory Drivers
 - Investor Expectations
- **Determine Offtake:** Select a combination of ranked buyers to secure a sufficient volume of offtake at or above your MASP.
- **Viability Check:**
 - **Revenue Check:** Determine if the expected revenue from the selected buyers is sufficient to meet your project cost and required financial thresholds.
 - **Threshold Adjustment:** If the project is not viable (i.e., you do not reach a required IRR threshold), you must structure your finance in the next step to improve bankability.
 - **Advanced Strategy:** Discuss and record Market and Non-Market Mechanisms (e.g., policy changes, incentives) that could encourage less-poised buyers to offtake, ensuring a diversified and reliable revenue stream.

Step 4: Select Investor/Bankability Support

■ 4a. Traditional Funding Assessment

- **Action:** Look at the usual sources of traditional funding (e.g., commercial banks, equity investors).
- **Assessment:** Determine if, based on your project design and existing revenue security (Step 3), these traditional sources will have the appetite to provide the necessary financing. To be attractive to them, your project must likely meet their financial requirements:
 - Is the project's Internal Rate of Return (IRR) above their minimum acceptable threshold?
 - And Is the project's Debt Servicing Coverage Ratio (DSCR) above their required minimum
- **Outcome:** If they have appetite, record the approximate cost (interest rate/expected return) of this financing.

■ 4b. Bankability Support (Non-Traditional Sources)

- **Action:** If traditional investors lack appetite or the projected **WACC** is too high, players review **Non-Traditional Finance Cards** (e.g., Concessional Loans, Grants, Guarantee Instruments).
- **Objective:** Accessing these sources is primarily aimed at **reducing the Weighted Average Cost of Capital (WACC)**, thereby boosting the project's IRR and DSCR.
- **Decision:** Select a combination of these non-traditional sources that you believe will unlock the necessary financing from *all* sources (traditional and non-traditional) and create the optimal finance structure.
- **Outcome:** Record your optimized **Finance Structure** (Debt/Equity/Grant/Other mix)

Step 5: Final Assessment

- **Action:** Players review their project design, revenue structure, and optimized finance structure.
- **Metrics Review:** Compare your project's projected IRR and DSCR against the game's Bankability Thresholds.
- **Outcome:** Declare your project as "Bankable" (meets all thresholds) or "At Risk" (fails one or more thresholds).

Step 6: Surprise Wildcard

- **Action:** A random Surprise Wildcard is drawn
- **Assessment:** Determine if your project's design and financial structure are resilient against the hazard introduced by the Wildcard. A resilient project is one that maintains its "Bankable" status despite the setback.

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