

# Why and how the European Bank for Reconstruction and Development must improve its biodiversity standards



Photo: Ivan Posinjak

## The imperative to act

Humans cannot live without biodiversity or a stable climate, which are mutually reinforcing. Both are needed to ensure food, drinking water, medicines, clean air and temperature regulation.

Climate chaos is already impacting biodiversity, among others through wildfires, floods and droughts, but also by enabling the spread of pests, diseases and invasive species.<sup>1</sup> But biodiversity protection and restoration is also essential to limit climate change.

Around half of greenhouse gases produced are absorbed by the land and ocean.<sup>2</sup> Although forests offer the largest potential overall, peatlands currently store twice

<sup>1</sup> United Nations, [Biodiversity - our strongest natural defense against climate change](#), *United Nations*, accessed 4 June 2024.

<sup>2</sup> Ibidem.

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as much carbon, despite only covering three per cent of land globally.<sup>3</sup> Ocean habitats such as seagrasses can also sequester carbon dioxide from the atmosphere at rates up to four times higher than terrestrial forests can.<sup>4</sup> Wild animals also enhance natural carbon sequestration and their restoration and conservation can play a key role in climate solutions.<sup>5</sup>

As the European Bank for Reconstruction and Development (EBRD) has itself stated: *‘Nature is in crisis. According to the Stockholm Resilience Centre, out of nine processes regulating stability and resilience on earth, six have now passed beyond the boundary that defines their safe operating zone. In that sense, the climate crisis is only one dimension of the nature crisis; pollution, freshwater, land use and biodiversity are also all in critical states.’*<sup>6</sup>

## Biodiversity commitments have increased globally

Although it often struggles to compete for attention on a crowded world stage, the importance of protecting and restoring biodiversity has achieved some recognition in recent years.

In November 2021 at the UNFCCC COP 26 in Glasgow, UK, ten multilateral development banks including the EBRD signed a Joint Statement on Nature, People and Planet,<sup>7</sup> which recognises that tackling global poverty, climate change, and the drivers of nature and biodiversity loss are inextricably linked and affirms their commitment to further mainstream nature into their policies, analyses, investments, and operations.



Photo: Ivan Posinjak

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<sup>3</sup> Ibidem.

<sup>4</sup> Ibidem.

<sup>5</sup> Schmitz, O.J., Sylvén, M., Atwood, T.B. et al., [Trophic rewilding can expand natural climate solutions](#), *Nature Climate Change* 13, 324–333, 2023.

<sup>6</sup> Vanora Bennett, [EBRD launches approach to nature](#), *European Bank for Reconstruction and Development*, 9 December 2023.

<sup>7</sup> Asian Development Bank, African Development Bank, Asian Infrastructure Investment Bank, Caribbean Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, IDB Invest, Islamic Development Bank, and World Bank Group, [MDB Joint Nature Statement. Joint Statement by the Multilateral Development Banks: Nature, People and Planet](#), 2 November 2021.

The following year, in December 2022, the Kunming-Montreal Global Biodiversity Framework was adopted under the Convention on Biological Diversity.<sup>8</sup> Its twenty-three targets for 2030 include the conservation of 30 per cent of land, sea and inland waters, restoration of 30 per cent of degraded ecosystems, halving the introduction of invasive species, and reducing harmful subsidies by USD 500 billion per year.

## EBRD commitments

As an international financial institution mandated to support the development of market economies and sustainable development, the most important contribution the EBRD can make to biodiversity preservation is to ensure that it does not finance nature-damaging projects.

Its Environmental and Social Policy (ESP)<sup>9</sup> is the main means to achieve this. It consists of a set of EBRD commitments, followed by ten performance requirements that the Bank's clients must meet. It also contains an exclusion list, with project types that the Bank will not finance. Originally based on International Finance Corporation (IFC) standards, the Policy was updated in 2019 and is now undergoing revision again.

Following the Kunming-Montreal agreement, in December 2023 the EBRD also launched its Approach to Nature, setting out its vision for its contribution to tackling the biodiversity crisis and building a 'nature-positive economy'.<sup>10</sup> This rests on three pillars: protect, invest and disclose.

A mainstay of the 'protect' pillar is the revision of the ESP 'to maintain good international practice in safeguarding', with the whole Approach appearing to take it for granted that the EBRD's investments already achieve nature protection and can now concentrate on achieving net biodiversity gains.

Unfortunately, our experience shows that this is not the case, and the ESP needs not only to 'maintain' the EBRD's practices with regard to biodiversity, but also to significantly improve them.

## Biodiversity damage still too frequent in EBRD projects

The 2019 ESP brought improvements in the EBRD's standards regarding financial intermediaries, which helped to stem a tide of biodiversity-damaging small hydropower plants in the Western Balkans.<sup>11</sup> But the performance requirement on biodiversity itself has changed little over the years and is becoming increasingly inadequate. Bankwatch has monitored several recent EBRD-financed projects that are or will be damaging to biodiversity, including:

- The [Zarafshan, Bash and Dzhankeldy wind projects, Uzbekistan](#), which are being built in biodiversity hotspots and hindering the declaration of protected areas. All these projects are located in core areas of globally and nationally threatened bird species, with especially significant impacts caused by turbines situated close to nests of Egyptian, cinereous and bearded vultures, golden eagles, saker falcons, and Asian houbaras. Avoiding the installation of selected turbines could have reduced these risks.

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<sup>8</sup> Convention on Biological Diversity, [Decision adopted by the Conference of the Parties to the Convention on Biological Diversity](#), 19 December 2022.

<sup>9</sup> European Bank for Reconstruction and Development, [Environmental and Social Policy](#), *European Bank for Reconstruction and Development*, 2019.

<sup>10</sup> Vanora Bennett, [EBRD launches approach to nature](#), *European Bank for Reconstruction and Development*, 9 December 2023.

<sup>11</sup> Igor Vejnović, [EBRD tightens standards in response to Balkan hydropower boom](#), *CEE Bankwatch Network*, 16 May 2019.

- The [Corridor Vc motorway, Bosnia and Herzegovina](#). Both the section south of Mostar and the section through the Prenj tunnel look set to cause significant damage, including to the Buna, Bunica and lower Trešanica rivers, the Bijela canyon Emerald site and the underground karst systems of the Prenj mountain. The currently planned route alternatives have never been consulted with the public so it cannot be demonstrated that all steps have been taken to avoid this harm.
- The [Adriatic Metals lead, zinc and barytes mine, Bosnia and Herzegovina](#). The mountainous area around the mine is home to large carnivores such as bears and wolves, but has not been formally protected. The source of drinking water for the town of Kakanj is also nearby. The EBRD's environmental studies showed that the mine's access roads would damage so-called 'critical habitats', which include important habitats for endangered, critically endangered, endemic or geographically restricted species. Although some changes were made to avoid bear dens, other critical habitats were left to their fate. An access road has also been built that did not appear in the studies, and 3000 m<sup>2</sup> of forest were felled by mistake in 2023,<sup>12</sup> inflicting further damage on this sensitive area. New forest felling has also been reported recently.<sup>13</sup>

Not all these issues relate to the ESP itself, as there have also been weaknesses in its implementation. But greater clarity is needed in the Policy to ensure it is robust.



Photo: Ivan Posinjak

<sup>12</sup> A. Omerović, [Derviš Karić kažnjen zatvorskom kaznom zbog dva metra drva: Kompanija Adriatic Metals nekažnjeno posjekla 3000 kvadrata šume](#), *Žurnal*, 14 February 2024.

<sup>13</sup> Istraga.ba, [Prije nego što je Ustavni sud BiH privremeno stavio van snage odluku Vlade FBiH: Adriatic Metals u Varešu uništio desetine hektara državne šume koju premijer Nikšić naziva "šikarom"](#), *Istraga.ba*, 1 June 2024.

## New draft ESP needs to advance biodiversity protection

The draft 2024 EBRD ESP<sup>14</sup> overall contains clearer language than the 2019 one and brings improvements in some standards, for example with regard to the need for the Bank to better analyse country governance contexts when appraising projects.

But despite a group of civil society organisations and experts<sup>15</sup> submitting input on the changes needed in autumn 2023, the draft biodiversity standard contains almost no changes and does not take any of the group's proposals into account.

Nor is the ESP biodiversity standard the only issue with the ESP that has consequences for nature. The EBRD's excessive reliance on information from clients and inadequate monitoring and verification, lack of early stage engagement by the Bank with potentially affected people and failure to effectively tackle reprisals against environmental and human rights defenders are all among the issues raised by Bankwatch in its broader comments on the new draft Policy.<sup>16</sup>

Moreover, the draft proposes to remove the referral list and list of high-risk projects for financial intermediaries that were reintroduced into the 2019 policy to tackle the issue of small hydropower plants and ensure that intermediaries would not finance them without the EBRD becoming involved in the due diligence first.

## Summary of recommendations

In April 2024, 12 environmental organisations again submitted comments to the EBRD on the proposed biodiversity standard,<sup>17</sup> which can be found in full in Annex 1. Bankwatch will continue to work with the EBRD and its shareholders to ensure they are reflected in the final version of the new ESP. They can be summed up as follows:

- The primary objective of Environmental and Social Requirement (ESR) 6 should be '**no loss of biodiversity**', not 'no net loss', reflecting the ineffectiveness of offsetting.
- The **project alternatives** to be examined need to be better defined, to include different ways of achieving the project objective.
- The **critical habitats** definition needs to be tightened and species which trigger a critical habitat assessment should be expanded to include **near threatened** and **vulnerable** species as defined by

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<sup>14</sup> European Bank for Reconstruction and Development, [Revised drafts of the 2024 Access to Information Policy \(AIP\) and Environmental and Social Policy \(ESP\)](#), *European Bank for Reconstruction and Development*, 25 March 2024.

<sup>15</sup> Bank Information Center; CEE Bankwatch Network; EuroNatur; Friends of the Earth US; International Rivers; Jutta Kill, biologist and researcher, Germany; NGO Forum on ADB; Rivers without Boundaries; RiverWatch and Save The World's Rivers.

<sup>16</sup> CEE Bankwatch Network, [Bankwatch comments on the draft EBRD Environmental and Social Policy with a focus on human rights due diligence](#), *CEE Bankwatch Network*, May 2024.

<sup>17</sup> Balkani Wildlife Society, Bulgaria; Bank Information Center, US; CEE Bankwatch Network; EuroNatur; Friends of the Earth US; GegenStrömung - CounterCurrent; International Rivers; Organic Agriculture Association, Albania; Perangua; Rivers without Boundaries; RiverWatch, Save The World's Rivers.



the IUCN Red List of threatened species and/or in relevant national legislation; not only endangered or critically endangered ones.

- **No-go areas** need to be introduced, including e.g. UNESCO sites; free-flowing rivers, primary and old-growth forests, Key Biodiversity Areas, IUCN protected areas categories I-IV; Ramsar sites and at-risk marine or coastal ecosystems.
- **Biodiversity offsets** must be excluded as they have proven ineffective and are too often used to green-light damaging projects instead of respecting the mitigation hierarchy and avoiding damage in the first place. Nature restoration should be supported on its own merits, not to compensate for damaging projects.
- **Appropriate assessments** as required in the EU under the Habitats Directive need to be undertaken for projects in **internationally recognised areas**, and the list of such areas expanded to at least match that of the European Investment Bank.
- The **Sustainable Management of Living Natural Resources and Supply Chains** provisions need to exclude the use of farmland recently converted from high biodiversity land, exclude the use of antibiotics for non-medical purposes, include all risks in the client’s due diligence, not only known ones, and cover the whole supply chain, not only its core.
- On **genetically modified organisms**, the EBRD should not finance their release at all, as most such crops are either herbicide tolerant or insect-resistant, and in both cases, either weeds or plant pests have in their turn evolved to become resistant or tolerant to the respective agri-chemicals. Promises to develop crops with desirable attributes either haven’t worked or have been achieved using conventional breeding techniques.<sup>18</sup> In any case, the EBRD must not weaken ESR6 compared to the publicly consulted draft.



Photo: Ivan Posinjak

<sup>18</sup> For more information and references, see Friends of the Earth Europe, [Fast Track to Failure](#), Friends of the Earth Europe, May 2022.

## Annex I: Joint civil society comments on the EBRD ESP 2024 revised draft<sup>19</sup>

### EBRD Environmental and Social Requirement (ESR) 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

#### Primary objective of ESR6

In times of accelerating mass extinction of wildlife on Earth, it is necessary to urgently halt and reverse biodiversity loss. That is why there is a need to shift from the concept of ‘no net loss of biodiversity’ to ‘no loss of biodiversity’ as being the primary objective of PR/ESR 6. All projects should comply with this objective.

This change has already been accepted in the 2022 EIB environmental and social standards.<sup>20</sup> It is also in line with the Kunming-Montreal Global Biodiversity Framework (GBF), a landmark agreement to guide global action to preserve and protect nature through 2030. It was adopted by the State Parties to the Convention on Biological Diversity (CBD) in December 2022 at COP15 in Montreal, Canada, and replaces the Aichi Biodiversity Targets set in 2010. The framework calls for urgent action in achieving the Convention’s mission by ‘halting and reversing nature loss’ by 2030.

The GBF, along with the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), has clearly stated that land use change, pollution, climate change, and over-exploitation of natural resources are major drivers of biodiversity loss. Public and private financiers are closely linked to these drivers via the activities and sectors they choose to finance. It is increasingly important for financial institutions to align with the goals and targets set out in the GBF and prohibit financing of activities and sectors that are driving nature destruction and therefore do not align with the targets of the Framework. In June 2023, 74 civil society organizations called on financial institutions to protect biodiversity and take action in implementing the Global Biodiversity Framework.<sup>21</sup>

Therefore, we suggest the following change in para 4, 13 and 18 accordingly: ‘(...) *adopt the mitigation hierarchy in the **screening, appraisal**, design and implementation of projects with the aim of achieving **no net loss**, and where appropriate, a net gain of biodiversity; (...) ensure **no net-loss** and preferably a net gain of priority biodiversity features; (...) result in **no net-loss** and preferably a net gain of biodiversity.*’

‘No loss’ should be defined in a separate Footnote replacing Footnote 90 explaining that project-affected biodiversity losses should not be significant, irrespective of any biodiversity offsets or compensation. There is broad experience of what ‘significant’ should mean from applying the EU Habitats Directive, including in European Court of Justice cases.

We also suggest adding a paragraph that this ESR aims to align the EBRD with the Kunming-Montreal Global Biodiversity Framework (GBF) mission. Adopting the mitigation hierarchy in the screening and appraisal

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<sup>19</sup> European Bank for Reconstruction and Development, [Revised drafts of the 2024 Access to Information Policy \(AIP\) and Environmental and Social Policy \(ESP\)](#), 25 March 2024.

<sup>20</sup> European Investment Bank, [Environmental and Social Standards](#), *European Investment Bank*, 2 February 2022.

<sup>21</sup> Bank Information Center, BankTrack, Rainforest Action Network, and Friends of the Earth US, [How Should Financiers Align with the Global Biodiversity Framework?](#), *Friends of the Earth*, 26 June 2023.

needs to be added because only including ‘design’ assumes that the projects will go ahead and just fiddling with the design, whereas some projects in reality need to be screened out.

## Specific comments on the draft texts of ESR6 as published for consultation in April 2024

### Project alternatives

*13...the client can demonstrate that there are no **reasonable technically and economically feasible alternatives...***

*15...no other **viable alternatives** within the region exist for development of the project in habitats of lesser biodiversity value...*

Footnotes should be added after ‘alternatives’:

*‘The alternatives may consist of a no project option or different:*

- ways to achieve the objectives of the proposed development;
- locations that may be available for the development having regard to protected habitats and species, for example, by defining different land transportation corridors in master plans for roads and motorways or different housing development zones;
- scale and size of the development;
- design solutions for the development;
- techniques, methods of construction or operational methods for the implementation of the development;
- timetables (deferrals or compression) of the various activities and tasks at each of the implementation stages, including during construction, operation, maintenance and, if applicable, decommissioning or reconditioning.

*The economic cost of the steps that may be considered in the review of alternatives cannot be the sole determining factor in the choice of alternative solutions. The client may not claim that alternatives have not been examined because they would cost too much.’*

Often the alternatives analysis of projects is not done correctly, doesn’t consider non-market (biodiversity and ecosystem) value, and doesn’t achieve the goals of the standards. For example, for the Bash and Dzhankeldy wind projects in Uzbekistan<sup>22</sup> there were three alternatives (Nurmakhan, Aznek and Uchkuduk), but the final project areas were selected by the Ministry of Energy exclusively due to wind potential, geological factors, existing infrastructure and interconnection to the grid, with no consideration of the

<sup>22</sup> CEE Bankwatch Network, [A False Start for Wind Energy in Uzbekistan?](#), CEE Bankwatch Network, 1 December 2022.



environmental risks or impacts. The proposed wording is based on the Methodological guidance by the European Commission on Article 6(3) and (4) of the Habitats Directive 92/43/EEC.<sup>23</sup>

### Definition of critical habitat

*14. The most sensitive biodiversity features are defined as **critical habitat**; which comprise one of the following: (i) highly threatened or unique ecosystems; (ii) habitats of significant importance to endangered or critically endangered species; (iii) habitats of significant importance to endemic or geographically restricted species; (iv) habitats supporting globally significant migratory or congregatory species; or (v) areas associated with key evolutionary processes.*

This should be changed as follows:

*‘The most sensitive biodiversity features are defined as critical habitat; which comprise one of the following: (i) highly threatened or unique ecosystems **with unique, superlative natural, biodiversity, and/or cultural value which may sprawl across state boundaries, and thus may not be wholly or officially recognized or protected by host countries or international bodies**; (ii) habitats of **significant** importance to **near threatened, vulnerable, endangered or critically endangered species as defined by the IUCN Red List of threatened species and/or in relevant national legislation**; (iii) habitats of significant importance to endemic or geographically restricted species; (iv) habitats supporting globally **or nationally** significant migratory or congregatory species; (v) areas associated with key evolutionary processes; **(vi) priority habitats and habitats of priority species under the EU Habitats Directive; (vii) high status water bodies under the EU Water Framework Directive and free-flowing rivers, defined as bodies of water whose flow and connectivity (longitudinal, lateral and vertical) remain largely unaffected by human activities; (viii) intact primary and old-growth forests; (ix) protected or at-risk marine or coastland ecosystems, including mangrove forests, wetlands, reef systems;**’*

Ensuring whole ecosystem integrity, especially for transboundary ecosystems, should be a key principle in financiers’ institutional policies. Financial institutions should require funding proposals and assessments to evaluate cumulative, ecosystem-wide impacts prior to awarding financing, and prohibit financing to activities which seriously and negatively impact ecosystem integrity.

Point (i) should be better defined to include iconic transboundary ecosystems like the Arctic among other at-risk ecosystems. A footnote is recommended. This proposed definition essentially aims to improve and ensure ecosystem integrity due to the often competing economic and conservation approaches of host country governments, which share resources, and thus management responsibilities, of such iconic places.<sup>24</sup>

For point (ii) the EIB has already included Vulnerable species for critical habitat, but the EBRD should go one step beyond this and include also Near Threatened species - these species will soon become Vulnerable if threats persist. It should also be made clear that relevant national Red List criteria should also be taken into account (as in the EIB standards).

<sup>23</sup> European Commission, [Assessment of plans and projects in relation to Natura 2000 sites - Methodological guidance on Article 6\(3\) and \(4\) of the Habitats Directive 92/43/EEC](#), European Commission, 28 September 2021.

<sup>24</sup> Friends of the Earth US, [No Go Areas for the International Banking Sector - Iconic, Transboundary Ecosystems](#), Friends of the Earth US, August 2023.

A footnote should be added in points (ii) and (iii): *‘significant importance should be determined in relation to the specific species and environmental conditions of the area concerned by the project, taking particular account of the area’s conservation objectives and ecological characteristics. In case conservation objectives have not been defined for the area potentially impacted by the project, 1% of the national population should be used as a threshold.’*

The EBRD should not use 1 per cent of the *global* population as a threshold for critical habitat as this cannot be reached almost for any project and doesn’t take into consideration the local conservation needs or cumulative impacts. A clear example is the Zarafshan and Bash wind projects in Uzbekistan,<sup>25</sup> where the nesting habitats of several pairs of the Endangered Egyptian vulture and saker falcon were not considered critical habitat.

Point (vi) is in line with the EU Habitats Directive requirements and should be followed by the EBRD in all countries of operation.

Point (vii) relates to the best conserved rivers – for the EU those are defined by the Water Framework Directive. For the rest of the world, this should include all free-flowing rivers.

Point (viii) includes the most important forests in the world for biodiversity and carbon storage. A footnote is recommended as intact and old-growth forests have different definitions around the world: *‘Intact and old-growth forests are natural forest ecosystems that are the result of biological and evolutionary processes and that have not been significantly degraded by industrial or other human driven activities. A key characteristic of these forests is that mature trees dominate the canopy and that they contain most or all of their native plant and animal species’.*

Intact and old-growth forests cover a range of related terms including ‘ancient forest’, ‘primeval forest’, ‘mature forest’, and ‘intact forest landscapes’. The definition of old-growth forests should not rule out forests with visible recent human interventions – for example in the European context it is almost impossible to find completely intact forests. Instead the definition should acknowledge that there could be known human interventions in these forests, but that these forests still have the main characteristics of primary forests such as a large percentage of deadwood, old trees approaching their natural longevity and rare species that depend on these.

The change in this paragraph is in line with the Banks and Biodiversity Initiative<sup>26</sup> which aims to hold banks accountable for their impacts on biodiversity and critical ecosystems, and advocates that banks adopt eight proposed No Go areas. It is led by a steering committee of civil society organizations which includes: BankTrack, the Bank Information Center, Friends of the Earth US, and Rivers without Boundaries.

### **No-go areas needed**

We propose to add the following new paragraph:

***NEW. Some areas of critical habitat are of such high importance that the borrower/client will not propose financing for projects in such areas, or project activities by suppliers in these areas, with***

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<sup>25</sup> CEE Bankwatch Network, [A False Start for Wind Energy in Uzbekistan?](#), CEE Bankwatch Network, 1 December 2022.

<sup>26</sup> [Banks and Biodiversity - An Initiative to Hold Banks Accountable to their Biodiversity Impacts](#), accessed 14 September 2023.

*the exception of those projects specifically designed to contribute to the conservation of such areas. These areas comprise:*

*(i) Alliance for Zero Extinction (AZE) sites;*

*(ii) UNESCO Natural and Mixed World Heritage (WH) Sites;*

*(iii) Free-flowing sections of rivers 100 km or longer in length and any rivers that flow undisturbed from their source to mouth without encountering any dams, weirs or barrages and without being hemmed in by dykes or levees;*

*(iv) Primary and old-growth forests that are the result of biological and evolutionary processes and that have not been degraded by significant industrial, human driven activities;*

*(v) Key Biodiversity Areas (KBAs) and Important Bird and Biodiversity Areas (IBAs);*

*(vi) IUCN Protected Area Categories Ia, Ib, II, III and IV;*

*(vii) Ramsar Wetlands of International Importance;*

*(viii) Iconic, transboundary ecosystems, particularly the Amazon, Arctic, Sundarbans, Coral Triangle and Albertine Rift, amongst others;*

*(ix) At-risk marine or coastland ecosystems, including mangrove forests, wetlands, reef systems, sand dunes.*

Including no-go areas in the EBRD policy is crucial. We welcome the proposal for such areas in the new ADB draft policy<sup>27</sup> and propose adding a more realistic threshold for free-flowing rivers and including a definition of such rivers (ADB proposes free-flowing sections 500 km or longer, but these cannot be found in the EBRD countries of operation). All completely free-flowing rivers from source to mouth should also be included no matter their length. We also propose protecting the most valuable forests, marine, coastland and iconic ecosystems from damaging projects. Ramsar sites, KBAs, IBAs, reserves, national parks and other strict protected areas according to IUCN should also be protected. All these proposals are in line with the Banks and Biodiversity Initiative<sup>28</sup> where all the no-go areas are explained in detail and with separate publications.

## **Biodiversity offsets**

The draft text reads:

*18. As a last resort, **biodiversity offsets** may be designed and implemented to achieve measurable, additional, and long-term conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity. The design of a biodiversity offset will adhere to the “like-for-like or better” principle and be carried out in alignment with the Bank’s ESRs and GIP. The client will need to dedicate appropriate staff resources and demonstrate the long-term technical and financial feasibility of undertaking the offset.*

<sup>27</sup> Asian Development Bank, [Draft Environmental and Social Framework \(ESF\)](#), Asian Development Bank, 7 September 2023.

<sup>28</sup> [Banks and Biodiversity - An Initiative to Hold Banks Accountable to their Biodiversity Impacts](#), accessed 7 May 2024.

19. In instances where **biodiversity offsets** are proposed for priority biodiversity features or critical habitat, the client will develop a biodiversity offset strategy or biodiversity offset management plan, as appropriate to demonstrate that the project's significant residual impacts on biodiversity will be adequately mitigated. In these instances, the client will retain independent experts with knowledge in biodiversity offset design and implementation and will report annually to the EBRD on loss/gain analysis.

20. Not all residual adverse impacts to priority biodiversity features and/or critical habitat can be offset. In such cases, the client will redesign the project to avoid the need for such offset, and to meet the requirements of this ESR, in particular, the provisions of paragraphs 13 and 15.

These three paragraphs should be substituted by one:

*'Where a project is expected to have significant impacts that cannot be avoided or mitigated, the client shall undertake to redesign the project. Biodiversity compensation/offsets are not an acceptable measure to achieve no loss or net gains of biodiversity.'*

Public banks and financial institutions should focus on protecting biodiversity and ecosystem viability instead of betting on compensation/offsets while contributing to habitat destruction. There remains a critical lack of sound evidence that offsets and compensation can prevent biodiversity loss.<sup>29</sup> The experience of using these mechanisms at different MDBs has also been unsuccessful all around the world and the EIB closed the door on biodiversity offsets in its 2022 standards.<sup>30</sup>

Moreover, *'independent experts with knowledge in biodiversity offset design and implementation'* do not guarantee the success of the offsets, as has been proven in the previous decade.

Last but not least, since the introduction of biodiversity offsets in the EBRD policy, these have been used exactly in the circumstances the IUCN's policy on offsets<sup>31</sup> says they must not be used, and the Amulsar gold project in Armenia<sup>32</sup> and Shuakhevi hydropower plant in Georgia<sup>33</sup> are just two examples of EBRD projects with unsuccessful biodiversity offsetting measures:

- where the mitigation hierarchy has not been followed,
- where meaningful alternatives for the projects have not been evaluated,
- where a project may result in the extinction of species,
- where there is a high degree of uncertainty regarding the success of the offset and a clear lack of governance,

<sup>29</sup> Friends of the Earth US, [Fool's Paradise: How Biodiversity Offsets Don't Stop Biodiversity Loss](#), Friends of the Earth US, October 2021.

<sup>30</sup> European Investment Bank, [Environmental and Social Standards](#), European Investment Bank, 2 February 2022.

<sup>31</sup> IUCN, [Biodiversity offsets](#), IUCN, February 2021.

<sup>32</sup> CEE Bankwatch Network, [Biodiversity Offsetting and Other Problems of the ESIA of Amulsar Gold Project in Armenia](#), CEE Bankwatch Network, 8 January 2019.

<sup>33</sup> Bern Convention, Possible threat to 'Svaneti 1' Candidate Emerald Site (GE0000012) from Nenskra Hydro Power Plant development (Georgia), [Report by the complainant with Annex on Shuakhevi hydropower plant](#), 18 August 2017.



- where the biodiversity value that will be lost is specific to a particular place, and therefore cannot be found elsewhere,
- where the offsets are not measurable and appropriately implemented, monitored, evaluated and enforced,
- where the offsets don't take full account of direct, indirect and cumulative impacts, geographically and over time.

## Internationally recognised areas and Appropriate Assessment

*21. Where the project occurs within or has the potential to adversely affect an area that is **legally protected, and/or internationally recognised, or proposed for such status** by national governments, the client will identify and assess potential project-related impacts and apply the mitigation hierarchy so that project impacts will not compromise the integrity, conservation objectives and/or biodiversity importance of that area.*

We suggest replacing this paragraph with the following four paragraphs:

*'Where the project occurs within or has the potential to adversely affect an area that is **legally protected, and/or internationally recognised, or proposed for such status** by national governments, the client will identify and assess potential project-related impacts and apply the mitigation hierarchy so that project impacts will not compromise the integrity, conservation objectives and/or biodiversity importance of that area. **The project should be subject to an Appropriate Assessment which will evaluate the project's implications for the area in view of the area's conservation objectives, individually and/or in combination with other projects, and identify relevant measures to avoid, prevent and reduce any significant impact**). Where the Appropriate Assessment is undertaken as part of or alongside the EIA process, the client shall ensure that the information relevant to the Appropriate Assessment and its conclusions are clearly distinguishable and identifiable in the EIA report.'*

*'For Projects located in EU, EFTA, Candidate and potential Candidate countries, the Appropriate Assessment should be carried out according to the EU Habitats Directive and focus on the species and/or habitats from Annex I and II of the EU Habitats Directive and Annex I and II of the EU Birds Directive. The client shall provide the EBRD with evidence of a) the outcome of the pre-assessment stage ("screening") which justifies why the project is not likely to have a significant effect on the site/area concerned and, therefore, an Appropriate Assessment was not deemed necessary; or b) the Appropriate Assessment. When necessary, a separate assessment should be done to demonstrate that the Project does not significantly affect the achievement or maintenance of good ecological and chemical status under the EU Water Framework Directive or the achievement of good environmental status under the Marine Strategy Framework Directive when assessed at the appropriate scales for these directives.'*

*'For Projects located in the rest of the world, the Appropriate Assessment should be carried out using the methodological guidelines of the European Commission on the provisions of Article 6(3) and (4) of the Habitats Directive 92/43/EEC and focus on the species and/or habitats from Annex I and II of the EU Habitats Directive, Annex I and II of the EU Birds Directive, as well as all near threatened, vulnerable, endangered or critically endangered species and/or habitats as defined by the IUCN Red List of threatened species and/or in relevant national legislation. The client shall provide the EBRD with*

***evidence of: a) the outcome of the pre-assessment stage (“screening”) which justifies why the project is not likely to have a significant effect on the site/area concerned and, therefore, an Appropriate Assessment was not deemed necessary; or b) the Appropriate Assessment. During the screening procedure, no mitigation measures can be considered.’***

***‘In cases where there is no national legislation on Appropriate Assessment, the EBRD should take a decision in the pre-assessment stage (“screening”) as part of its due diligence process.’***

These additions to the policy are needed in order for the projects to achieve the same level of protection in all the countries of operation of the EBRD. All around the world, projects must avoid compromising the integrity, conservation objectives and/or biodiversity importance of protected and internationally recognised areas, independently from the local legislation and institutions. Clients should bear the burden of proof of identifying all potential impacts during the assessment process, before finance is provided, in order to avoid sham environmental impact assessments, subpar feasibility studies, etc., once finance is provided.

Moreover, the EBRD should follow EU legislation for the projects it finances, including the EU Habitats Directive. A comprehensive assessment that focuses on all important species and habitats should be introduced in the standard – the Appropriate Assessment (AA). This methodology is successfully applied in the EU Member States, has clear guidelines and can easily be adapted to other countries. For the EFTA, Candidate and potential Candidate countries the AA legislation is in any case an obligation, and for the rest of the world the methodology for screening and assessment as per article 6.3 of the EU Habitats Directive can be used (we recommend that the EBRD issues guidance notes).

The Appropriate Assessment was introduced to the 2022 EIB standards.<sup>34</sup> Unfortunately, the EIB treats protected and internationally recognised areas in Europe and outside Europe differently. With the proposed paragraphs we want to avoid these double standards.

During screening, an assessment of the likelihood of potentially significant effects should be done of the plan or project, either alone or in combination with other projects or plans. In determining the likelihood of significant impacts, and hence the need for an appropriate assessment, mitigation measures (i.e. measures to avoid or reduce negative effects) cannot be taken into account. This is confirmed by the European Court of Justice (ECJ) in its ruling in case C-323/17<sup>35</sup> on Natura 2000 sites in the EU where the Court said that ‘*in order to determine whether it is necessary to carry out, subsequently, an appropriate assessment of the implications, for a site concerned, of a plan or project, it is not appropriate, at the screening stage, to take account of the measures intended to avoid or reduce the harmful effects of the plan or project on that site*’.

A likelihood of significant effects may arise not only from plans or projects located within a protected site but also from plans or projects located outside a protected site (ECJ case C-142/16, paragraph 29).<sup>36</sup> For example, a hydropower plant located outside of an internationally recognised area might still have a significant impact on freshwater species inside of the area, by fragmenting the river and disabling migratory routes for fish.

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<sup>34</sup> European Investment Bank, [Environmental and Social Standards](#), European Investment Bank, 2 February 2022.

<sup>35</sup> European Court of Justice, [Decision of the court on case C-323/17](#), European Court of Justice, 12 April 2018.

<sup>36</sup> European Court of Justice, [Decision of the court on case C-142/16](#), European Court of Justice, 26 April 2017.

This includes the consideration of any potential transboundary effects, if a plan or project in one country is likely to have a significant effect on an internationally recognised area in a second country.

An additional change in the EBRD standard is needed – many of the areas are proposed for protection not by governments, but by scientific bodies or international non-governmental organisations (for example, for Key Biodiversity Areas). In these cases, and to avoid destruction of the areas before they are legally protected, the words '*by national governments*' should be erased. A clear example is the Dzhankeldy wind project in Uzbekistan<sup>37</sup> financed by the EBRD and other MDBs, half of which is currently being built within the borders of the Kuldzhuktau sanctuary proposed by an UNDP project.

*Footnote 100. Sites identified under international conventions or agreements, including, but not limited to, UNESCO Natural World Heritage Sites, UNESCO Man-and-Biosphere Reserves and the Ramsar List of Wetlands of International Importance.*

The following change should be made:

‘Sites identified under international conventions or agreements **or other areas of international importance in terms of biodiversity conservation using globally standardised criteria**, including, but not limited to, UNESCO Natural World Heritage Sites, UNESCO Man-and-Biosphere Reserves, the Ramsar List of Wetlands of International Importance, **sites protected as part of the Natura 2000 network (including Special Areas of Conservation and Special Protection Areas), international marine protected areas and protected areas beyond national jurisdiction, potential Natura 2000 sites, sites of the Emerald Network, Important Bird and Biodiversity Areas (IBAs), Key Biodiversity Areas (KBAs), Important Plant Areas (IPAs), Prime Butterfly Areas, sites from the Alliance for Zero Extinction (AZE), and others as relevant.**’

The list is more detailed than the existing Policy and the new draft and is in line with the EIB standards.



Photo: Ivan Posinjak

<sup>37</sup> CEE Bankwatch Network, [A False Start for Wind Energy in Uzbekistan?](#), CEE Bankwatch Network, 1 December 2022.

## Sustainable Management of Living Natural Resources and Supply Chains

There is also a need for strengthening these provisions with respect to ‘Sustainable management of living natural resources’ (para. 24) and Supply Chains (paras. 25-27), as standards for these have been evolving in recognition of the heavy impacts on biodiversity and ecosystems that agriculture and supply chains have. Moreover, the proposed 2024 draft text on Supply Chains is less stringent than the 2019 policy by focusing only on the core supply chain and ignoring other risky suppliers.

24... • ~~where feasible,~~ the client will locate land-based agribusiness projects **on existing agricultural land, unforested land that does not have high carbon stock or high conservation value, or land that has already been degraded or converted from its natural state to avoid and minimise impacts to priority biodiversity features and/or critical habitat.**

• **production in areas of high carbon stocks or high conservation value, including peatlands and mangroves and land that has been converted from natural forest or other natural state with high carbon stock or high conservation value in anticipation of the project is excluded from eligibility for financing;**

• production and/or use of species with potential for invasiveness will not be used ~~without adequate controls to prevent their release/spread outside of the production area.~~

• for fishery or aquaculture projects, the client will assess, **avoid** and minimise the **residual** risk of escape of non-native species into the aquatic environment. The client will also assess, **avoid**, and minimise the potential for transfer of disease and or parasites into the environment.

• where the client is involved in the farming, transport and slaughtering of animals for meat or by-products (e.g. such as milk, eggs, or wool), it will adopt and implement national regulatory requirements, relevant EU animal welfare standards and GIP, whichever are most stringent, in animal husbandry techniques.

• to **avoid and** minimise Antimicrobial Resistance (AMR), the client will only use antibiotics **for non-prophylactic treatment of disease (not growth-enhancement) on otherwise** healthy food-producing animals, in accordance with EU substantive environmental standards.

(On GMOs, see below).

25. As part of the supply chain assessment process outlined in ESR 1, the client will identify and assess whether there are ~~known~~ risks of significant land use conversion that could impact biodiversity **and ecosystem services** (such as deforestation) in the project’s ~~core~~ supply chain.

26. If this risk assessment identifies a ~~known~~ risk of significant land use conversion that impacts biodiversity **or ecosystem services** (for example, deforestation) in the client’s ~~core~~ supply chain, the client will ~~take appropriate steps to find alternative suppliers or, if that is not feasible, will to~~ remedy this in accordance with GIP over a timeframe agreed with the EBRD **to avoid or minimize loss of biodiversity and ecosystem services, consistent with the objectives of this ESR** and as outlined in ESR 1, including establishing supply chain policies, procedures and verification practices.

27. The client is expected to manage supply chain risks as outlined above and as set out in **other ESRs, especially ESR 1 and ESR 2.**

On the release of GMOs into the environment, the EBRD should not be financing their use at all, as they contribute to an already excessive market concentration of agri-chemicals and seeds. The huge majority of



GM crops are either herbicide tolerant or insect-resistant, and in both cases, either weeds or plant pests have in their turn evolved to become resistant or tolerant to the respective agri-chemicals. Other promises by GMO promoters, to develop drought-resistant plants or other positive changes either haven't worked or have been achieved to an equal or better degree using conventional breeding techniques.<sup>38</sup>

In any case, the EBRD should certainly not weaken the currently proposed wording in ESR6:

- *in EU Member States, genetically modified organisms (GMOs) may not be used or released into the environment without approval from the competent authorities. In other EBRD countries of operation, GMOs may not be used or released into the environment without a risk assessment, conducted in accordance with EU substantive environmental standards.*

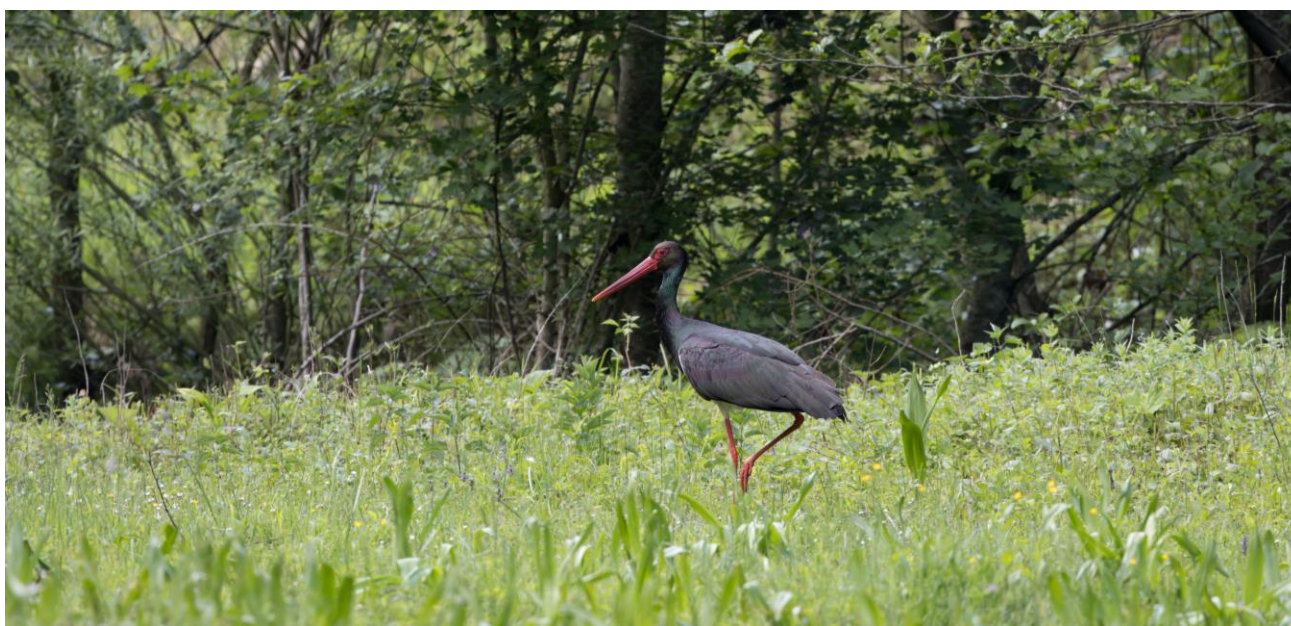


Photo: Ivan Posinjak

## Comparison of international financial institutions' policies on biodiversity conservation

To highlight the need for strengthening of ESR 6 we add a comparison table of biodiversity conservation standards/requirements of different International Financial Institutions. It compares some key parts of the standards/requirements with the Kunming-Montreal Global Biodiversity Framework (GBF) and EU Biodiversity Strategy targets for 2030. **Green** means it is in line with the 2030 targets; **yellow** means it is partially in line; **red** means the standard/requirement is very poor and the IFI will most probably not align with the Convention of Biological Diversity mission to halt and reverse nature loss by 2030!

The European Investment Bank (EIB) Standard 4 Biodiversity and Ecosystems was approved in 2022.<sup>39</sup> The Asian Development Bank (ADB) draft Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Natural Resources Management<sup>40</sup> and the EBRD draft Environmental and Social Requirement 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources<sup>41</sup> are under revision.

<sup>38</sup> For more information and references, see Friends of the Earth Europe, [Fast Track to Failure](#), Friends of the Earth Europe, May 2022.

<sup>39</sup> European Investment Bank, [Environmental and Social Standards](#), European Investment Bank, 2 February 2022.

<sup>40</sup> Asian Development Bank, [Draft Environmental and Social Framework \(ESF\)](#), Asian Development Bank, 7 September 2023.

<sup>41</sup> European Bank for Reconstruction and Development, [Revised drafts of the 2024 Access to Information Policy \(AIP\) and Environmental and Social Policy \(ESP\)](#), European Bank for Reconstruction and Development, 25 March 2024.

The EBRD draft has no improvement compared to the current policy approved in 2019<sup>42</sup> and is almost identical to the 2012 IFC Performance Standard 6.<sup>43</sup>

	EBRD draft 2024 (=IFC 2012)	EIB 2022	ADB draft 2024
<b>Main objective</b>	no <b>net</b> loss of biodiversity	no loss of biodiversity	no <b>net</b> loss of biodiversity
<b>Species that trigger critical habitat</b>	critically endangered and endangered species	critically endangered, endangered and <b>vulnerable</b> species	critically endangered and endangered species
<b>Biodiversity offsets</b>	allowed for any project	<b>not allowed</b> for critical habitat or habitat of high biodiversity value	allowed for any project, but if demonstrated that all other viable avoidance and mitigation options have first been exhausted
<b>Internationally recognised areas</b>	UNESCO Natural World Heritage sites, UNESCO Man-and-Biosphere Reserves, Ramsar sites	<b>Natura 2000 sites, potential Natura 2000 sites, Emerald sites</b> , UNESCO Natural World Heritage sites, UNESCO Man-and-Biosphere Reserves, Ramsar sites, <b>Important Bird and Biodiversity Areas (IBAs), Alliance of Zero Extinction (AZE) sites, Key Biodiversity Areas (KBAs)</b>	UNESCO Natural World Heritage Sites, Biosphere Reserves, Ramsar Wetlands of International Importance, <b>Key Biodiversity Areas, Important Bird Areas</b> , Alliance for Zero Extinction Sites, and other areas that may be recognized under international agreements or international initiatives.
<b>Appropriate assessment according to internationally recognised areas</b>	not required	<b>required</b> in EU, EFTA, Candidate and potential Candidate countries	not required
<b>No-go zones</b>	none	none	(i) <b>Alliance for Zero Extinction (AZE) sites</b> ; (ii) <b>UNESCO Natural and Mixed World Heritage (WH) Sites</b> ; and (iii) <b>Free-flowing sections of rivers</b> 500 km or longer in length



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<sup>42</sup> European Bank for Reconstruction and Development, [Environmental and Social Policy \(ESP\)](#), *European Bank for Reconstruction and Development*, 25 April 2019.

<sup>43</sup> International Finance Corporation, [Performance Standard 6](#), *International Finance Corporation*, 1 January 2012.