

**Public**

## Environmental and Social Data Sheet

### Overview

Project Name:	CDC Biodiversité (NCFF)
Project Number:	2017-0772
Country:	France
Project Description:	Loan to CDC Biodiversité to support their investment programme to provide biodiversity compensation services in support of sustainable urban development.
EIA required:	no
Project included in Carbon Footprint Exercise <sup>1</sup> :	no

### Environmental and Social Assessment

#### Environmental Assessment

This operation consists of a loan to CDC Biodiversité, a 100% subsidiary of the French National Promotional Bank, for the development of its ecological compensation activities, improving the management of existing sites and acquiring additional sites which have the potential to become a natural compensation site in the 2018-2022 period. This project will be financed through the Natural Capital Financing Facility (NCFF), a financial instrument which benefits from a portfolio first loss guarantee from the European Commission aiming at supporting projects which promote nature conservation, restoration, management and enhancement; and ecosystem-based approaches to adapting to the impacts of climate change.

France has incorporated nature protection in its legal system since 1976 with the first law introducing the concept of protected species and sites as well as the obligation of performing an Environmental Impact Assessment on projects entailing significant negative impacts on biodiversity. In 2016, the French Biodiversity Law (*Loi n. 2016-1087 of 8th August 2016 pour la reconquête de la biodiversité, de la nature et des paysages*) setting the framework for biodiversity protection at the national level was adopted. This law provides for a robust framework for the application of the mitigation hierarchy (avoid-minimise-restore/rehabilitate-compensate/offset). This implies that biodiversity compensation is the last resort in order to mitigate the negative impacts of a project on biodiversity and, as such, promoters are required to avoid and minimise these impacts to the maximum possible extent.

<sup>1</sup> Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO<sub>2</sub>e/year absolute (gross) or 20,000 tons CO<sub>2</sub>e/year relative (net) – both increases and savings.

Luxembourg, 31/10/2018

The key principle of “no net loss” applies, meaning that as a result of an EIA process or equivalent, the competent authority (municipal/ metropolitan authorities granting the construction permit) may request compensation measures from promoters of projects to prevent loss of biodiversity and/or ecosystem services. Project promoters have the obligation to implement such compensation measures either directly or by purchasing Compensation Units (*Unités de Compensation*) from a recognised Natural Compensation Site (*Site Naturel de Compensation*). Natural Compensation Sites are officially recognised by a joint decision of the Ministry of Environment and the Ministry of Agriculture (in charge of forestry), after the approval of the National Council for the Protection of Nature (*Conseil National de la protection de la nature*) and of the local authorities on whose territory the compensation site will be located. These sites may be managed by both public and private entities.

Based on the 2016 Biodiversity Law, project promoters who are required to provide compensation measures as part of the authorization process, submit compensation requests to the prefecture. The latter assesses the admissibility of the compensation on a case-by-case basis, with the support of the competent authority and by the National Council for the Protection of Nature, based on the species or habitat impacted by the project. A compensation ratio (the area to be restored should be a defined multiple of the area of habitat impacted by the project) will be validated by a prefectural order/decreed.

In partnership with the Ministry of Environment, CDC Biodiversité created the first pilot natural compensation site in Cossure (Saint-Martin de Crau) in the Provence-Alpes-Côte d’Azur (PACA) region. The site of an abandoned 357 ha orchard was purchased and restored to its original Mediterranean dry steppe ecosystem. The concept of compensation units was tested in this pilot site and national authorities approved for a number of units to be sold to promoters of projects entailing transformation of equivalent natural habitats. The Ministry of Environment commissioned an intermediary evaluation of the Cossure site in 2015, which highlighted the restored physiognomy of the site and its recolonization by key bird species, thus demonstrating CDC Biodiversité’s capacity to mitigating the environmental uncertainties associated with restoration works.

The biodiversity conservation and ecosystem restoration activities to be carried out are very site specific and may include, among others earthworks to adapt the groundwater level, planting or cutting trees to adapt to the ecological spectrum of the targeted protected species, introducing grazing as a means of long-term ecological management of the site over time, works to re-establish a woodland and seasonally flooded wetland ecosystem restoration of wetlands and environments in transition, such as localised grading / levelling (mechanical and manual), removal of woody vegetation (mechanical and manual), clearing of buffer zones, etc. None of the activities carried out by CDC Biodiversité are expected to require an EIA or equivalent.

This is a particularly innovative operation since habitat banking is a still fairly recent practice in EU countries and has for the most part been implemented in the form of pilot projects. This entails a number of specific environmental risks linked to the uncertainty concerning the success of habitat restoration works due to the complexity and variability of ecosystem dynamics as well as to the lack of a streamlined and generally accepted methodology to establish the equivalence between habitats impacted by urban development projects and those that will be used as offset. These risks will be mitigated through the setting up of adequate monitoring and reporting procedures and the creation of a working group encompassing relevant professionals and stakeholders with the aim to develop a methodology for ecological equivalence to be applied consistently in biodiversity offset projects in France.

Luxembourg, 31/10/2018

Scientific verification of the compensation units is a key element to CDC Biodiversité's approach and part of its contractual obligations. Indeed, long-term predictions regarding the evolution of an ecosystem are limited, and the probability of a site fulfilling the compensation requirements intended can vary. Thorough monitoring and reporting enable an adaptive management approach allowing to mitigate the risks associated with the ecosystem's dynamics. Moreover, as part of its obligations towards the project promoters who purchase the compensation units, CDC Biodiversité will be responsible for maintaining the sites in a condition allowing to ensure the long-term ecological benefits of the compensation for a period of 30 years.

This approach is in line with the investment strategy of the NCFF as well as with the objectives of the EU LIFE programme and of the EU 2020 Biodiversity Strategy.

### **Social Assessment**

Ecosystem services provide a wide range of benefits to the society as a whole ranging from food provision to climate regulation, recreation and soil formation, and their impacts range broadly from local (e.g. flood regulation) to global (e.g. air quality regulation). As developed economies struggle to reverse the trend of biodiversity loss and ecosystem services degradation, attention has turned to the major driver of this decline: development. This operation facilitates the link between urban development and the developers' obligation to avoid, minimise, restore or rehabilitate, and then, as a last resort offset impacts to biodiversity resulting from their projects.

Moreover, a number of economic activities compatible with biodiversity conservation will be allowed on the natural compensation sites, in particular traditional and low-intensity agro-pastoral activities, which contribute to the management of landscape and result in some revenue generation.

### **Public Consultation and Stakeholder Engagement**

CDC Biodiversité is striving to establish upfront agreements with municipal and local authorities so as to identify future development projects expected to require biodiversity offsets as well as natural sites that are in need of rehabilitation and have similar characteristics to those impacted by development projects. While the biodiversity restoration works will not be subject to public consultation, the urban development projects that will benefit from biodiversity offsets will have involved public consultation, if they are covered by an SEA and/or required an EIA. The biodiversity impact of the project, as well as the required compensation measures will be presented in the EIA.

## **Conclusions and Recommendations**

The overall environmental and social impacts of this operation are expected to be positive since it will ultimately contribute to the realisation of more ecologically sustainable projects, where the transformation of natural habitats and ecosystems and the loss of biodiversity entailed by the development will be compensated with ecologically sensible and coherent biodiversity offset. The promoter's capacity to deal with environmental and social aspects of the project is deemed good.

The promoter will be required to meet the EIB Environmental and Social Standards, to establish a management plan for each site and to maintain a high-quality scientific monitoring system including the relevant monitoring indicators based on the example of the one

Luxembourg, 31/10/2018

established for the pilot site in Cossure, for all future natural compensation sites. This information will be reflected in the reporting that the promoter will submit to the EIB.

Moreover, the promoter will be required to engage in a working group encompassing relevant professionals and stakeholders with the aim to develop a methodology to assess ecological equivalence in the framework of biodiversity offsets.

Against this background, and subject to the conditions mentioned above, this operation is deemed acceptable for the EIB in environmental and social terms.

PJ/SQM/ECSO 15.10.15