

PROJECT SUMMARY
IMPLEMENTATION OF THE HABITAT BANKING MODEL IN COLOMBIA
(CO-Q0014, CO-T1436)

Colombia has a large number of companies whose activities cause environmental impacts, in sectors such as mining, livestock farming, infrastructure, energy, and hydrocarbons. Despite the fact that the country has had regulations on environmental offsets since 1993,¹ it was only in 2012 that the Ministry of the Environment and Sustainable Development (MADS) published a manual defining the offset principles of “no net loss” and “ecosystem equivalence” through Resolution 1517. Under this approach, to obtain an operating license, companies that cause damage to the environment as part of their normal course of business are required to offset the negative impacts by investing in a climate-smart project elsewhere in the country.

Relevant local stakeholders are very aware of the possibility of developing an offset model that would be more efficient, generate measureable impacts in the long term, and channel private offset resources into the most environmentally beneficial projects and climate-smart activities. One such model is the “habitat bank,” which establishes solutions that link supply and demand for offsets. This mechanism can be one way of: (1) making the offset process more efficient; (2) channeling funds from companies with offset obligations into private properties that need to be restored; and (3) offering the Colombian government a new offset model.

This project will support the establishment and launch of a pilot habitat bank, the Banco de Hábitat Orinoquía, in the department of Meta. Its activities will create sellable biodiversity units and will have a demonstration effect and show the viability of this business model. Through this pilot project, 600 hectares will be conserved, restored, and used sustainably, while also generating positive financial results for investors.

The project will create the first habitat bank in Latin America. To this end, Terrasos has already involved major public and private stakeholders in the conceptual design phase. The lessons learned will be determining factors for project feasibility and scalability. Terrasos has obtained acknowledgement from MADS, the National Environmental Licensing Bureau (ANLA), and the Ministry of Mines and Energy (MINMINAS) of the need to implement efficient offset mechanisms, with habitat banks standing out as an alternative that promotes efficiency in results and costs.² Furthermore, Terrasos has obtained active participation by companies that could be potential clients, for example, companies belonging to the National Association of Public Utility and Communications Companies (ANDESCO), the National Association of Industrialists (ANDI), and the Colombian Mining Association (ACM). Terrasos has now completed due diligence of five properties that could be candidates for inclusion in the habitat bank and has signed a contract with one property owner.

¹ The purpose is to ensure that the environmental impact of economic development projects in the mining, petroleum, and infrastructure sectors, etc. is offset through actions to restore, improve, or preserve an equivalent ecosystem elsewhere.

² https://idbgmy.sharepoint.com/personal/gregoryw_iadb_org/_layouts/15/guestaccess.aspx?guestaccess_token=aeoY%2faVJHNHupaqvAlsow7z8hCmXRGH92eRHrjFAOXI%3d&docid=2_05e23e6a5ee8e43a1bcd2d8961b553769&rev=1, https://idbg-my.sharepoint.com/personal/gregoryw_iadb_org/_layouts/15/guestaccess.aspx?guestaccesstoken=i4g%2bYW3hL%2bqb8pJc%2b66xXg5UF1hHxA8n9j5eYJga0%2bA%3d&docid=2_09f7d0fd0fafa4f3a9d2963279eeac252&rev=1.

A recent study by the Terrasos team has shown that in the coming years, projected demand for biodiversity offsets will require at least 185,000 hectares,³ restoration of which will involve investments of close to US\$40 million. The ambitious goals set by Colombia, coupled with expected industrial and economic growth, promote the scalability of the project in response to growing demand.

³ ANDI informed the mission that one out of every five hectares in the country requires restoration and/or conservation. This calculation indicates a potential market for all the different offset systems, including habitat banks, of 23 million hectares.