# Nature Markets Glossary

BUILDING NATURE FINANCE PARTNERSHIPS WITH CONFIDENCE.

This working draft was prepared for participants in the "Who's Ready for a Deal?" sessions at the Economic Futures Summit, Turtle Island (4–6 November 2025). The glossary aims to offers clear, plain-language explanations of key industry terms and jargon.

This tool is part of a suite developed by Pollination Foundation to help address gaps identified by partners in readiness support for Indigenous Peoples and local communities engaging in nature markets. It has been informed by lessons from world-leading projects, advisory and investment expert practitioners, and community members with lived experience.

**Additionality**
Environmental results that wouldn't have happened without the project/finance.

**Adjustment (Corresponding Adjustment)**
A country's accounting entry under **Paris Agreement Article 6** to avoid double counting when credits are used across borders.

**Allocation Rules (Jurisdictional)**
How a jurisdictional program divides baselines/credits among projects.

**AML / KYC**
Anti-money-laundering and Know-Your-Customer identity checks required for finance/registries.

**Article 6**
**Paris Agreement** rules that govern international cooperation and credit transfers.

**Attribute rights**
The legal right to create, hold, sell or claim environmental outcome units (e.g., who owns the carbon, biodiversity, water).

**Audit trail**
Verifiable records showing who was paid what, when, and why.

**Authority matrix (two-to-sign)**
Who can authorise transfers/retirements or payments; often requires two approvals.

**Baseline**
The "what would have happened anyway" scenario that is used to measure change.

**Benefit-sharing**
Agreed rules that set out who benefits, how much, when, and how.

**Blockchain**
A shared database (also called a ledger) that is run across many computers where data are grouped into blocks and then linked. It's designed to be tamper-resistant. In the nature market context it may record **tokenised credits**, but the **registry** remains the source of truth for issuance and retirement.

**Buffer (non-permanence)**
Reserved units or insurance taken out to cover potential future losses.

**Caps**
Pre-agreed limits on exposures or recoveries - used for fees/cost-recovery, liabilities, and reversal remedies.

**CARE Principles for Indigenous Governance**
A globally recognised framework developed by the Global Indigenous Data Alliance (GIDA) to ensure that data involving Indigenous Peoples is used and managed in ways that uphold their rights and interests. C – Collective Benefit; A – Authority to Control; R- Responsibility; E- Ethics. See https://www.gida-global.org/care for more details.

**Claim (environmental)**
A public statement about outcomes (e.g., **offsetting**, contribution).

**Co-benefits**
Positive side-effects beyond the credit (e.g., jobs, cultural programs).

**Contingency Fee**
Advisor's fee paid only if a deal signs/closes.

**Credits**
Tradeable, unitised environmental outcomes issued under a recognised **standard**, recorded in a **registry** with unique serial numbers, and **retired** when used for a claim. Credits are not land/title rights. Claims (e.g., "offset") should only be made after retirement and must follow the standard's rules and any national rules.

- **Carbon credits** = A verified unit equal to 1 tonne of $CO_2$-equivalent reduced or removed beyond business-as-usual, issued by a carbon standard and held in a carbon registry.

- **Biodiversity credits** = A verified unit representing a measurable, additional, and durable improvement in biodiversity (e.g., habitat condition, species abundance) beyond legal requirements, with management secured for a defined period and recorded in a registry.

- **Water credits** = A verified unit representing a measurable improvement in water outcomes within a defined catchment—commonly water quality (e.g., kg of nutrients/sediment reduced) or water quantity/availability (e.g., megalitres saved or returned).

**Cultural Authority**
People recognised by the community as having the right to speak/decide on its behalf (e.g., elders, councils).

**Custody**
Who controls access to and movement of units and funds (including permissions and security).

**Dashboards**
Status pages that show agreed facts – such as money flows (waterfall), milestones, MRV highlights, units issued/retired, and open grievances – with date stamps and audit trails.

**Data Licence**
Legal terms stating how data can be used, shared, and commercialised (and by whom).

**Decarbonisation First**
Reduce emissions within the value chain before using credits.

**Displacement Risk**
Risk that protecting one area pushes pressure or harm to another area.

**Double Counting / Double Claiming / Double Selling (Corresponding adjustments)**
Double counting occurs when the same outcome is counted, claimed, or sold more than once. When units are transferred across borders, the host country issues an authorisation and applies *corresponding adjustments* so the outcome isn't counted twice, keeping Paris Agreement accounting intact.

**Escalation Path**
Preagreed steps to raise and resolve issues (who, when, how).

**Escrow / Trust Account**
Neutral account that releases funds only when conditions are met.

**ExAnte Issuance**
Issuing units **before** outcomes are fully achieved (requires strong safeguards).

**FPIC**
Free, Prior and Informed Consent. The right of Indigenous Peoples to give or withhold consent to activities that affect their lands, waters, culture and livelihoods – free of pressure, prior to decisions, and informed by accessible information.

**Force Majeure**
Extraordinary events (e.g., cyclone, war) affecting obligations.

**Grievance Mechanism**
Clear, safe, timebound process to raise and resolve complaints.

**ICIP / TCE**
Indigenous Cultural & Intellectual Property / Traditional Cultural Expressions (names, stories, designs, images, languages).

**Insetting**
Actions taken inside a company's value chain (suppliers, own operations, customers) to deliver climate/nature outcomes that support corporate targets.

**Inventory (GHG)**
A company's measurement of emissions.

**IPCC**
The Intergovernmental Panel on Climate Change is the United Nations body responsible for assessing the science related to climate change.

**IUCN Global Standard for NbS**
A practical, 8-criteria/28-indicator framework (with a self-assessment tool) to design and verify high-quality Nature-based Solutions.

**Jurisdictional Nesting**
Aligning project accounting with state/national programs (baselines, leakage, allocation) to avoid **double counting** and policy conflict.

**KYC/AML**
Know Your Customer / Anti-Money Laundering. Identity and anti-money laundering checks required for registry/finance accounts.

**Labels / Metadata (Units)**
Standardised fields that describe each unit (e.g. method, location, status like issued/retired).

**Leakage**
Harm displaced elsewhere because of the project (spatial, market, or activity shifting). **Leakage deductions** are adjustments made to carbon credits to account for emissions that shift outside a project area, ensuring only genuine, net reductions are counted.

**Mitigation**
Actions that reduce greenhouse gas emissions or enhance carbon sinks (like forests, soils and oceans) to slow or stop climate change. It can also mean measures taken to avoid, minimise or compensate for negative impacts by applying the **mitigation hierarchy** to limit impacts.

**Mitigation Hierarchy**
A widely used framework that sets out a stepwise approach to achieve no net loss (or ideally a net gain) of biodiversity and ecosystem services. The hierarchy prioritises actions in the following order: **Avoid** impacts when possible → **Minimise** impacts that can't be avoided → **Restore** or rehabilitate affected areas after disturbance → **Offset or Compensate** for any residual impacts that remain. This ensures credits are a last resort, and represent only high quality, verified outcomes after all other mitigation steps have been applied.

**MoU**
Memorandum of Understanding. A formal, written agreement between two or more parties that outlines a shared intention to collaborate or work together on a project or goal. Unlike a contract it is usually not legally binding, but signals a serious commitment to cooperate in good faith.

**MRV**
Measurement, Reporting & Verification. How results are measured, reported, and independently verified using approved methods, with uncertainty and leakage transparently treated.

**NbS**
Nature-based Solutions. Actions that work with nature (like restoring forests or wetlands) to address climate and development challenges while supporting biodiversity and community well-being.

**Nesting (Jurisdictional Nesting)**
Aligning project accounting with state/national programs to avoid double counting and policy conflicts.

**No penalty "not yet"**
A contract clause that lets either party pause or defer the deal without fees or penalties when readiness gates aren't met (e.g., FPIC not complete, tenure unclear, approvals pending).

**Non-permanence / Reversal Risk**
Risk that gains are lost later (e.g., fire, drought, policy changes). A **non-permanence plan** is a documented strategy for a carbon project that shows how stored or avoided emissions will be safeguarded over time, and how the project will respond if those benefits are lost.

**Offsetting**
Buying credits from outside the value chain to balance impacts.

**Parametric insurance**
Insurance that pays a pre-agreed amount when a measurable index crosses a threshold (e.g., wildfire index, cyclone wind speed, rainfall), so that protective actions can be funded without the need to prove actual loss.

**Paris Agreement**
The 2015 UN climate treaty under the **UNFCCC**. Countries file Nationally Determined Contributions (NDCs), aim to keep warming well below 2 °C and pursue 1.5 °C, report progress through a transparency framework and global stocktake, and may cooperate via Article 6 (including carbon-market mechanisms).

**Paris Aligned Claim**
A claim that matches Paris-Agreement accounting. Usually requires host-country authorisation and corresponding adjustments for internationally transferred mitigation outcomes. If credits are used without a corresponding adjustment, any claim should clearly state it is voluntary, non-Paris use and does not count toward an NDC.

**Permanence & Reversal Risk**
How long outcomes must last and the plan (buffers/insurance/remedies) if they are reversed (fire, policy change, drought, etc.).

**Pre Minting (Tokens)**
Creating blockchain tokens before registry units exist. (This is usually risky, because if you mint tokens before credits exist in an official registry, you create title, claims, and compliance risks that are hard to unwind.)

**REDD+**
Reducing Emissions from Deforestation and Forest Degradation, with the "+" representing additional activities such as the conservation, sustainable management of forests, and enhancement of forest carbon stocks. It is a UNFCCC framework that rewards countries for reducing deforestation and forest degradation, and for conserving and enhancing forest carbon stocks.

- **Nested REDD+** is a system that allows local or project-level REDD+ activities (like Indigenous or community projects) to fit within national carbon accounting frameworks.
- Jurisdictional Nested REDD+ **(JNR)** is one of the main tools/standards for operationalising nested REDD+.
- Architecture for REDD+ Transactions (**ART**) is a carbon-crediting program for JNR that issues serialized **TREES** Credits via a public registry.
- **TREES** is The REDD+ Environmental Excellence Standard, which sets the **MRV**, safeguards, and accounting rules for crediting.

**Registry**
Official ledger where units are issued, transferred, and **retired** - they hold account permissions and audit trails.

**Retired / Retirement**
Permanent cancellation of a unit so it cannot be transferred or sold again.

**Side Wallet**
Any **wallet** outside the agreed custody/registry structure (e.g., a personal or unapproved company wallet). It weakens controls and auditability and should be prohibited.

**Stacking**
Using more than one unit type for the same activity (e.g., carbon + biodiversity); requires clear separation and tests for additionality.

**Standards**
A published rulebook and governance system used to certify, issue, track, and retire environmental credits—and to set the rules for claims. A standard is operated by a standard-setting body (program) and provides the assurance infrastructure for integrity.

**Step-in/step-out**
Contract rules that let a partner (usually the buyer/financier) temporarily take specific actions to cure a serious problem (step-in) and then hand control back cleanly (step-out). Must include a tight scope, e.g. exactly what allows a step-in, such as failed safety checks.

**Takedown Rights**
Contractual right to remove community content (names, images, stories, designs) from company channels if consent changes or terms are breached.

**Term Sheet**
Short document summarising key deal terms before full contracts are drafted.

**Tokens**
Digital units of value created and managed on a **blockchain**. They can represent a wide range of assets or rights – from currencies, carbon credits, and shares, to access rights, data, or even physical items. **Pre-minted tokens** are tokens created and allocated prior to the public launch of a project (often reserved for founders, investors or

ecosystem development). Pre-minted tokens can fund innovation, but if they are issued before Indigenous partners are meaningfully involved in project design they risk shifting power and value before trust, consent and governance are in place.

**Tokenisation**
Turning issued registry units into **blockchain tokens**, each mapped 1:1 to a specific unit after issuance.

**Uncertainty**
Known margin of error in measurements; should be quantified and reported.

**UNFCCC**
United Nations Framework Convention on Climate Change. A UN treaty that coordinates global action on climate change, including agreements like the Paris Agreement.

**Value Chain**
All activities that create and deliver a product or service, from raw materials to end-of-life.

**VVB**
Validation & Verification Body. An independent entity accredited to validate/verify projects and results.

**Wallet (Blockchain)**
A digital tool/account that stores the private keys controlling **blockchain** addresses. Whoever holds the keys controls the **tokens**. Custodial wallet = a third party (e.g., exchange, registry-integrated provider) holds the keys. Non-custodial wallet = the user/community holds the keys directly. Wallets can be software or hardware and must be approved in the custody plan.

**Waterfall (Priority of Payments)**
Preagreed order/timing/priority for all payouts, can be used to ensure essential costs and community shares are protected.

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