

The Use of Market Incentives to Preserve Biodiversity

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Agenda

- **Introduction**
- **Analytical Framework**
- **Results of the Study**
- **Conclusions & Policy Recommendations**



Introduction

- **Advantages of Market Based Instruments**
 - **more flexible**
 - **more cost-effective**
 - **voluntary and hence more likely to be accepted**
 - **incorporate nature conservation into the “real world”**

Introduction

- **Scope of the report**
 - **Which MBIs have been implemented and which are most used?**
 - **In which conservation areas are they used most and where are they most appropriate?**
 - **What lessons have been learned from the successful implementation of MBIs?**



Market Based Instruments (MBI)

- Taxes, Fees, Charges
- Subsidies, Grants
- Tradable Permits
- Labelling & Certification

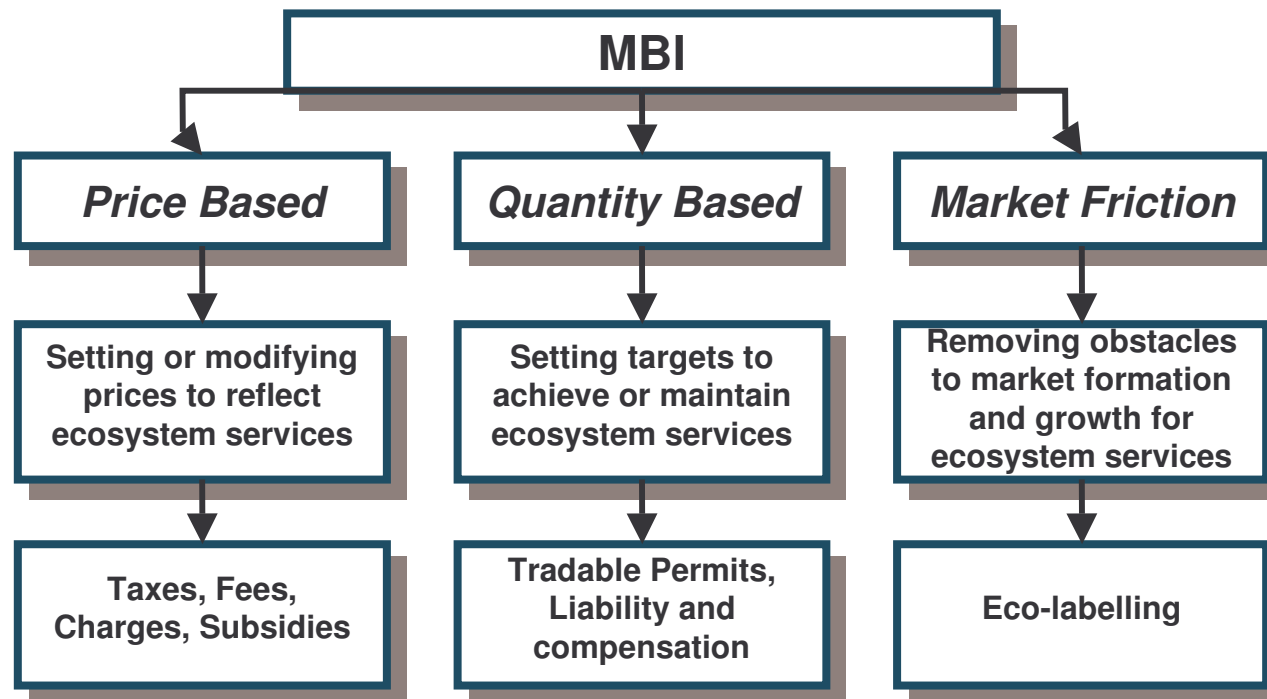
as well as:

- Financial Mechanisms (Green Funds, Tax Reductions, etc.)
- Liability & Compensation Schemes



Market Based Instruments

- **Functional mechanisms of MBIs**



Contents of the Report

- **Literature review**
 - **Qualitative analysis (OECD/EEA-DB and literature)**
 - which instruments are in use
 - frequency distribution,
 - comparison between EU and non EU-countries
 - correlation e.g. asset protected <-> instrument
 - **Expert interviews**
- **Assessment framework**
 - **Synthesis of the apparent pros and cons**

Results

Classification Matrix:

- 3 fields of application
- 6 types of MBI

	<i>Instru- ment</i>	Taxes / Charges	Subsi- dies	Trad- able permits	Eco- labelling	Financial mech- anisms	Liability	<i>Total</i>
<i>Field of application</i>		A	B	C	D	E	F	
Flora	1	7	1	2	0	0	0	10
Fauna	2	35	4	19	1	0	0	59
Habitat / Ecosystems	3	57	55	12	5	4	2	135
<i>Total</i>		99	60	33	6	4	2	204

Results: Flora

- **Taxes/ charges** most commonly applied mainly charges for tree protection / cutting
- 1 example of a **subsidy / fund** - flower bulbs in Turkey
- 2 **tradable permit** examples - maple grove permits in Canada and Mangrove use rights in St. Lucia

Results: Fauna

- Most commonly protected through **taxes / charges** mainly hunting and fishing fees though also observation and import fees
- **Tradable permits** are often applied but mainly restricted to hunting and fishing
- A few examples of **subsidies** to compensate for damage caused by animals or protect particular species (geese/monarch butterfly)



Results: Habitats

- **Taxes and charges** most commonly used e.g. entrance charges, forest felling charges, extraction of natural resources, hunting also environmental tax may be reduced when certain actions carried out.
- **Subsidies** also very common e.g. agri-environmental schemes, afforestation, wetland maintenance
- **Tradable permits** used for habitat trading (e.g. wetland banking in the US)

Habitats continued

- **Eco-labelling** applied to agricultural and forestry products
- **Financial mechanisms** are used in the Netherlands e.g. tax reductions to promote investment in environmentally friendly companies or reductions in income tax for grains from donated land (Ecogift initiative, CA)
- **Liability and compensation** e.g. to ensure compensation for FFH habitats damaged by development, conservation insurance



Recommendations

	Advantages	Disadvantages	Conclusion
Taxes / Charges	<ul style="list-style-type: none"> Well known and utilised, easy to implement, high acceptance, generate revenues important for countries with limited fin. resources like the New Member States. 	<ul style="list-style-type: none"> Not cost effective, uncertainty about actual effects, difficult to set the right level 	<ul style="list-style-type: none"> Need for prompt monitoring to adjust tax/fee-level
Subsidies	<ul style="list-style-type: none"> Well known and utilised, enjoy more support than taxes, often the only appropriate instrument (e.g. provision of env. assets) (e.g. geese management, UK). 	<ul style="list-style-type: none"> Not cost-efficient dependent on funding, no long term security for biodiversity gains. 	<ul style="list-style-type: none"> Auctions (Norheim-Project, De, Value Trading, Fin), “ecological-value-index” helps to set right level of payments (METSO-Program, Fin), output-based design, funds to secure long term financing.

Recommendations

	Advantages	Disadvantages	Conclusion
Tradable permits	<ul style="list-style-type: none"> • High potential of cost savings, flexible, • integrates biodiversity concerns into business. 	<ul style="list-style-type: none"> • Difficulty in designating tradable goods with biodiversity protection, • need to have active market. 	<ul style="list-style-type: none"> • They can work, e.g. wetland banking, US • possibilities for EU Habitats Directive.
Eco-labelling	<ul style="list-style-type: none"> • High influence on markets with little governmental investment, e.g. FSC, organic farming. 	<ul style="list-style-type: none"> • Uncertainty about success, since acceptance by consumers is unknown, • proliferation of labels erodes consumer trust. 	<ul style="list-style-type: none"> • Useful as additional mechanism, • concentration on few promising aspects (use of “umbrella labels”).

Recommendations

	Advantages	Disadvantages	Conclusion
Financial Mechanisms	<ul style="list-style-type: none"> • Good way to incorporate biodiversity concerns in normal business, • triggers innovation. 	<ul style="list-style-type: none"> • Limited scope and very low predictability of effects. 	<ul style="list-style-type: none"> • Useful as additional mechanism to integrate mainstream business, • Ecogift initiative (CA).
Liability	<ul style="list-style-type: none"> • High impact due to legislative nature, • triggers innovation in less harmful technical solutions, • is an efficient way to incorporate negative externalities (liability). 	<ul style="list-style-type: none"> • Compensation may replace mitigation, • defining equivalent habitats can be difficult. 	<ul style="list-style-type: none"> • Can be combined with trading through habitats banking, • Possibility to establish compensation insurance for farmers as alternative to subsidies (Conservation Insurance, AUS).

Conclusions

- **A wide variety of MBIs are applied for very different purposes, many with success.**
- **MBI have several advantages compared to regulatory approaches**
 - **Offer policy makers new options to reach conservation objectives with less financial resources**
 - **When properly designed and used in the right circumstances, they can achieve results beyond CAC**
- **MBI can play an important role in complementing regulatory approaches but will not substitute them**

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Thank you for listening.

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