

Balancing Biodiversity: Towards a global incentive instrument for biodiversity preservation

Minutes of the side-event held at COP-9 in Bonn, Germany, Tuesday May 20th 2008

Contacts: **Mr. Stefan van der Esch (Netherlands Environment Ministry),**
stefan.vanderesch@minvrom.nl
Dr. Chloe Hill (UNEP Economics and Trade Branch),
chloe.hill@unep.ch

This side-event intended to provide room for discussion on the need for, and design of, *international* instruments and mechanisms that create an incentive for the preservation of biodiversity. Whilst there is increased experience with the design and use of instruments that have national effects (think for instance of PES schemes, subsidies, or legislative efforts by national governments), there is as of yet little attention for means to address the divide between local or national costs of biodiversity preservation and its global benefits. The side-event aimed to cater to this deficiency in the international debate. Some 35 people attended the event.

Context

There often exists a divide between local or national costs of preserving an ecosystem and its biodiversity and services, and the benefits that they can provide as part of these are often enjoyed globally. A country with a rich biodiversity that the global community intends to preserve bears both the costs of active protection as well as forgone opportunity costs of natural areas. In addition, high consumption patterns in developed countries have a high impact on the demand for land and products in other countries and indirectly cause pressure on biodiversity and ecosystem services. While the internalization of these externalities is best done as locally as possible, priorities may differ between preservation of biodiversity and ecosystem services, and economic development, especially in developing countries.

Preservation and sustainable use of the world's biodiversity in line with CBDs 2010 goal may thus require international payments to create additional incentives. This could increase demand for preserved areas and important ecosystem services, and improve competition between economic development and the maintenance of ecological integrity, rich biodiversity, and important national and international ecosystem services.

Program: The need for and the design of global incentive instruments

The event was moderated by **Mr. Arthur Eijs**, biodiversity coordinator at The Netherlands Ministry for Environment. **Dr. Chloe Hill** (UNEP-Economics and Trade Branch) kicked off the event by describing the importance that is attached by UNEP to the perspective of international instruments that add to biodiversity-preserving incentives. She also described the initiatives around International Payments for Ecosystem Services (IPES) initiated and supported by UNEP-ETB and suggested how such a mechanism like biodiversity balancing could potentially operate within an IPES framework.

Two introductions paved the way for a discussion on international economic mechanisms for biodiversity preservation. First, **Mr. Stefan van der Esch** (The Netherlands Ministry for Environment) outlined the concept of *Balancing biodiversity*, a system of international compensation which, based on land use, enables the facilitation of international payments and thereby encourages a more equal sharing between countries of the costs of sustainable use and preservation of biodiversity.

Next, **Prof.dr. Steven de Bie** (Shell International) presented the development of biodiversity compensation pilots with three companies in The Netherlands. These projects aim to compensate the *indirect* impacts of companies' activities on biodiversity, meaning the impact they have worldwide. Compensating indirect impact means in this case calculating the land area needed for instance for annual consumption of wood and financing or organizing the protection or sustainable development of an equal area.

Panel and discussion:

The discussion was initiated by responses from three panelists. **Ms. Alice Ruhweza** (Katoomba Group) added the notion that an important aspect is the degradation of ecosystems that take place just outside biodiversity rich (and thus often protected) areas. An international economic instrument should therefore not merely focus on these areas.

Dr. Chloe Hill concurred, as well as pointed out that legal and institutional arrangements could be the severe complication of international instruments as well as their operationalisation on the ground, which includes the measurement issues of offsets in general. She emphasized that the pilot projects aiming on compensating the indirect impacts of companies' activities are imperative in helping shape the design of an international instrument.

Mr. Tobias Wünscher (Bonn University) agreed that international instruments could go a long way in addressing the financial bottleneck of conservation. His main point being, that international payments for areas that harbour rich biodiversity and important ecosystem services also increase competition for land and could therefore create an incentive for more intensive agricultural production. He thus concluded that it might be both too easy and too blunt to base an instrument of international payments for biodiversity solely on land use. Furthermore, he concurred that we should at one point be willing to sacrifice precision for practicality and seek a compromise that addresses the issue at a scale that does justice to the problem. Conclusively he emphasized the importance of maintaining accuracy when measuring ecological footprints.

Focus of an international instrument

From the audience came very useful and insightful additions and suggestions, as well as critical questions concerning the issue of international payments and compensation for biodiversity. The first set of comments focused on the fact that compensation cannot limit itself to companies, but can also be extended to for instance municipalities and even governments, following the approach of CO₂-compensation. Furthermore, it was suggested that the idea of credit stacking (stacking payments for services like carbon storage with water filtration with eco-tourism creates synergies and higher value) might be an option when incorporated into a global system and linked with general offsets. However, a risk was noted that an international instrument might emphasize protected areas over sustainable use of areas, thus neglecting or even excluding local people. The organization of the benefit flows of any such instrument is therefore deemed crucial for its success and long-term support. Adaptive biodiversity conservation, with a high attention for corridors and buffer zones was seen as something that could benefit from such an instrument as well as be a very effective target for additional funds.

Organization of an international instrument

Concern was shown as to how such an international instrument would be set up and organized. Would there be a role for CBD to set the boundaries, conditions, and monitoring? Or would it turn out to be a market primarily dominated by companies supplying compensation through their possession of natural areas? The audience could see an important role for certification when it came to the qualification of compensation for and preservation of biodiversity and ecosystem services.

The most important conclusion drawn by moderator Arthur Eijs was the level of (critical) support for thinking along the lines of an international instrument. It was found that it could significantly add to existing funds for biodiversity conservation and truly tap into a new market by mobilizing private capital. Success however, depends very much on the way in which such an instrument is developed and to what aspects of biodiversity and ecosystems it is geared towards, its attention for broad support amongst stakeholders, and the distribution of benefits. Those considerations are there, even if we manage to come up with an acceptable means to translate production and consumption activity into a measure of biodiversity pressure for a large number of companies and activities. But the perspective seems to be worth the try, and the effort.

The development of international mechanisms for biodiversity preservation will be further developed, by the Netherlands and UNEP-ETB via an international expert workshop (end 2008), and by the OECD Working Group on Economic Aspects of Biodiversity via a research report on the scope and perspective of *International payments and instruments for biodiversity conservation*.