

**Governing biodiversity and ecosystem services
through market- based instruments?
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CBD Negotiations on resource mobilization

- COP 9, Bonn: Strategy of resource mobilization, Goal 4: explore new and innovative financing instruments.

- COP 10, Nagoya: No decision – clear opposition on market based instruments

2012: Quito 1 dialogue

- COP 11, Hyderabad, Preliminary target on resource mobilization

2014 Quito 2 dialogue

- COP 12, Pyongchang: Decision on Resource mobilization

Norad commissioned research reports for the Quito dialogues:

- Can Markets Protect Biodiversity. An Evaluation of Financial Mechanisms. Norad report 19/2011:
 - Looked only at biodiversity finance.
 - Found that public regulation has to play a key role to ensure ample funding, also for expanding private funding.
 - Documented that most PES regimes are publicly funded (97-99%).
- Payment for Nature Values. Market and Non-market Instruments. Norad report 5/2014:
 - To elaborate on trade and financialization of nature values
 - Looks at both biodiversity and climate finance, but focus on biodiversity

Conclusions in the 2014 Report

- The largest volumes of payments for nature values are in cap and trade systems, especially related to carbon.
- The protection of ecosystems lies in the defined cap.
- The market is a way to reduce the costs of abiding by the cap.
- The more complex the ecosystem service is and the more demanding it is to ensure additionality the less benefits of using the market for resource mobilization.
- Markets are easier for carbon is than for biodiversity!.

Decision XII/3

- 14. *Urges* Parties and other Governments to further develop and use various sources of funding, as appropriate, in accordance with national circumstances and conditions, including market and non-market based instruments and **biodiversity financing mechanisms**;
- 15. *Adopts* the voluntary guidelines on safeguards in biodiversity financing mechanisms, as contained in annex III to the present decision;

CBDXII/3 footnote

- The term ‘biodiversity financing mechanisms’ refers to ‘new and innovative financial mechanisms’ under Goal 4 of the strategy for resource mobilization, adopted by the Conference of the Parties at its ninth meeting (decision IX/11). New and innovative financial mechanisms are supplementary to and do not replace the Financial Mechanism established under the provisions of Article 21 of the Convention (see preamble to decision X/3).

CBD XII/3 cont.

- *17. Urges* Parties to consider undertaking, as appropriate, a review and assessment of existing legislation and policies governing biodiversity financing mechanisms, with a view to identifying opportunities for mainstreaming biodiversity and strengthening current policies and their complementary safeguards, and to make information on this work available to the Executive Secretary, including practical experiences and lessons learned;
- *18. Requests* the Executive Secretary to compile a synthesis of the information provided by Parties pursuant to paragraph 17 above, for consideration by the Subsidiary Body for Implementation, at its first meeting;

Way forward : Clarification of

- **Concepts:**
 - Commodification
 - Financialization
 - Collective action – increased control by the «supplier group» and recognition of the contributions of indigenous and local communities
- **Unintended effects**
- **Institutions**

Financialization of trades in ecosystem services

- A principal analyses since it is just emerging in biodiversity.
- Financialization is defined as turning tradable commodities into financial objects that can themselves be traded, that happen through securization and trading in derivatives.
- Change the process of nature protection where calculation of risk and profit opportunities can replace political judgment.
- The costs of creating and monitoring such instruments should not be underestimated.

Socio –economic effects of PES and CDM AR

- Payments typically go to large land owners, as transaction costs are high for low volumes of trade.
- To ensure win-win with reducing both deforestation and poverty, community level have to be involved and intermediaries motivated towards supporting community level is needed.
- Public bodies can reduce transaction costs substantially compared to private actors
- Safeguards are needed to avoid elite capture

Unintended effects on biodiversity of different economic instruments

- Voluntary conservation motivations may be crowded out by economic incentives but may not be recovered once incentives stop.
- Other instruments in a policy mix may interact unexpectedly with the chosen economic instruments.
- The unintended effects are often local and site specific.
- Information is scant, but a number of cases are presented.

Role of ODA in Biodiversity and Climate Finance

- ODA is only a small part of biodiversity and climate finance
- ODA can be used to enable funding from other sources.
- Both national and international financing needs to be enabled.
- Readiness for climate finance and biodiversity finance are similar and can be combined.

Readiness for Biodiversity and Climate Finance:

- Create enabling environment for investments.
- Strengthen national systems and institutions;
- Strengthen environment and social safeguards:
- Involve national planning and finance ministries;
- Adapt to national circumstances and local realities;
- Development of national plans; NBSAP, NAPA, NAMA, NAP;
- Pilot projects;
- Develop methodology for measuring, monitoring and verification of results;
- Develop measures for scaling up good practices;
- Research and outreach.

Thank you!

Read the two reports referred to in this presentation:
Norad Report Discussion 19/2011 and 5/2014 at:

<http://www.norad.no/>