

Intermediate Results of UNEP's Initiative on International Payments for Ecosystem Services *COP9 Side Event Friday 23rd May – Minutes of Meeting*

1. Context

Until recently, the concept of receiving payments for ecosystem services (PES) was experiencing substantial resistance amongst many. Due to a gradual shift in conceptual thinking as well as growing experiences and lessons learnt from pilot schemes, PES are receiving more attention as a potential mechanism to curb biodiversity loss. The purpose of this side-event on International Payments of Ecosystem Services (IPES), organized jointly with IUCN and in close collaboration with the SCBD, was to present and discuss the still evolving concept of scaling PES schemes up to the international level, as well as to share the preliminary findings from UNEP-IUCN's forthcoming IPES publication. IPES intend to address the continued lack of international incentives available for sustaining ecosystem services¹. The discussions held at the event addressed the issues surrounding the actual applicability of IPES and how it would eventually operate in practice as well as identify the political challenges of such a mechanism.

Approximately 25 people attended the side event, including representatives from the European Environment Agency, the Business and Biodiversity Offset Programme, Joint Nature Conservation Committee (UK), Ministry of the Environment in Brazil, the Katoomba Group, and IISD. Copies of an IPES Summary Document prepared especially for the COP9 were distributed to the participants for background information.

2. Main Points Raised

a) The Need for IPES

The first presentation made by Dr Wendy Proctor (CSIRO) looked at the reasons why we need schemes such as IPES and discussed the general benefits of IPES as well as some of its measurement and operational issues.

It was noted that even though economic drivers can cause biodiversity degradation and therefore be part of the problem, it is these same drivers that can also be part of the solution. It is therefore important to harness such drivers in a way that can actually protect ecosystems through payments for ecosystems services which IPES intends to do at the international level and allow biodiversity to pay for itself.

b) The Benefits of IPES

The implementation of an IPES mechanism intends to benefit a variety of stakeholders at several spatial scales, from international to local.

- ⇒ At the international and indeed the national scales, IPES aims to mobilize the private sector and private sector and through doing this allow businesses to actually benefit themselves by enabling the private sector to show to consumers that they are doing something about biodiversity loss– which could potentially increase the sale of their product.
- ⇒ IPES schemes have the potential to offer benefits to rural poor not only through increased cash income but also through providing an opportunity to expand their local experiences with external business activities, to increase their knowledge of sustainable resource use practices and to improve the resilience of local ecosystems.

¹ In the publication, ecosystem services are mainly focused on: watersheds and water services, forest and carbon sequestration services, genetic resources etc.

c) The Challenges; Measurement and Operational Issues

One example already in place that applies the underlining concept of IPES is the Clean Development Mechanism². However, one of the main differences between the CDM and IPES is that carbon emissions are measured as a uniform and homogenous commodity across the globe. Biodiversity, on the other hand, cannot be measured uniformly as it exists in different forms in different regions in differing amounts across the world. The issues with measuring biodiversity is one of the main stumbling blocks with implementing IPES effectively at the international scale, but possibilities of measurement do exist such as habitat hectares, indices, securitization etc.

Another key challenge that would need to be addressed so that IPES can be effective when implemented is the engagement of all stakeholders at all spatial scales, including communities who act at the local stewards of the ecosystem. In order to ensure the equitable sharing of responsibilities for conservation and sustainable use of the world's critical ecosystems, capacity building is essential so that local communities acquire the knowledge to actively participate in these schemes, including in their management

d) IPES as a Global Market Mechanism

The second presentation, made by Professor Graciela Chichilnisky (Columbia University), stressed that in order for IPES to be successful as a global market mechanism, it must create economic incentives for sustainable development and the market must be beneficial to the environment rather than with a profit-making focus. The five key operating principles that were put forward to facilitate this were:

1. Foster Sustainable development
2. Be self funded (like the CDM) - requiring no donations to execute
3. Reduce the gap between the poor and the rich nations – the Global Divide
4. Transfer productive resources to lowest income communities
5. Incorporate communities, governments & private sector

By way of illustration, the presentation pointed to a number of possible institutional arrangements which could help implementing these principles, such as:

1. *Global Watershed Fund* – here it was suggested that global watershed services could be bundled and securitized in order to achieve the large-scale financing needed for the maintenance of hydrological services provided by watershed ecosystems around the globe. Public-Private agreements could be drawn up on commercial, residential and agricultural use.
2. *Global Biodiversity Fund* – where forest services are bundled across the world into global prospecting services. Public-Private corporation would own the rights to these forest biodiversity services with strict covenants although the land and resources would be owned by local communities. Profits could be made from bio prospecting services (Costa Rica's example - INBio).
3. *Indigenous Knowledge* - here it was suggested that a digital data base be constructed to avoid loss of verbally transmitted knowledge. This database would be owned and managed by the originating source e.g. indigenous communities. Selling licenses to the private sector could create \$100 billion in annual medicines sales as well as encourage training and job creation for indigenous youngsters, mentored by communities' elders.
4. *The Global Spectrum* – this idea suggests a “rights of use” on global spectrum which would be owned by each nation within its territory. Private-Public corporation(s) would be allowed to exploit services of this global spectrum, but the source of the services would be owned by local communities. Thee bonds and shares of these services would be sold in global capital markets.

e) Feedback

Some concern was expressed as to how to actually get the property rights to the local people themselves. The response was that in order for this to happen new types of property rights would need to be defined. There were also some serious concerns shown as to the sharing or indeed the privatization of indigenous knowledge, particularly regarding misappropriation – using biodiversity without paying for it or, even worse, seeking license fees for traditional uses.

² The Clean Development Mechanism (CDM), created under the United Nations Framework Convention on Climate Change (UNFCCC), is an economic incentive whereby projects that deliver carbon offsets in developing countries receive payments from carbon emitters in developed countries.

There was also concern expressed over the partnering of some developing nations with companies when selling indigenous knowledge– this was seen as a high risk activity involving lots of technical steps. It was underlined, however, that the indigenous communities would be the stewards of the land not the private companies and that it is imperative that these communities are part of decision making structure. Indeed the implementation of IPES at the global level would aim to lessen such risks by setting global standards that would have to be adhered to.

It was noted that both presentations made assumptions that some market mechanism that are currently in place are working perfectly – can we be sure if the CDM is really working? And REDD is not even in place yet! This raises debate over how and if IPES would actually work.

f) Next Steps

The next steps for IPES work stream that were suggested focused on:

- ⇒ Reviewing the work that has already been conducted on IPES thus far
- ⇒ Understanding the practical limitations of IPES
- ⇒ Assessing institutional and technical capacity
- ⇒ Supporting institutions transfer knowledge and expertise
- ⇒ Building on existing schemes
- ⇒ Conducting Pilot and experimental projects
- ⇒ Capacity building