

Making the Case for Environmental Markets

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Main Point

Environmental markets can move society closer to a sustainable economy by offering a mechanism to internalize environmental costs of doing business.

Road Map



Who is EDF?

What are environmental markets?

Examples

Discussion

Who is EDF?

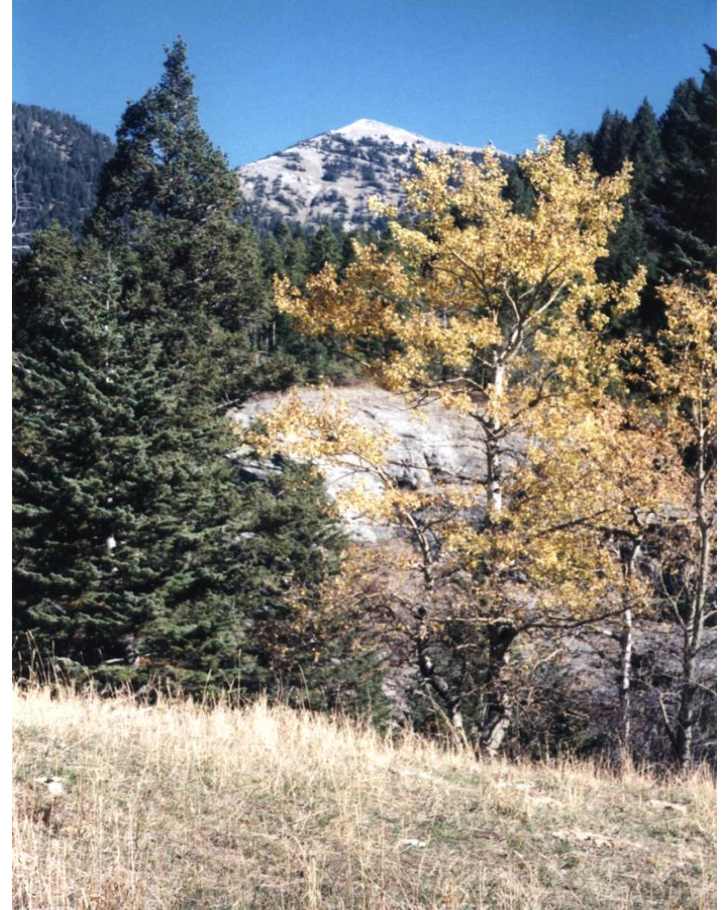
Who is Environmental Defense Fund?

Founded in 1967 (DDT)

Over 700,000 members

Mostly private, non-corporate
funding

Headquarters in N.Y. with
offices in Washington D.C.,
San Francisco, Boulder,
Raleigh, Austin, Boston,
L.A., Sacramento, and
Beijing China



Current Program/ Objectives

- **Land, Water, and Wildlife** – *Harness market incentives to encourage stewardship*
- **Health** – *Protect human health from exposure to harmful chemicals and toxic emissions*
- **Climate** – *Stabilize greenhouse gas emissions at a level sufficient to avert dangerous interference with our climate*
- **Oceans** – *Revive the oceans and the fishing communities that depend on them*

“Finding the Ways that Work”

strong SCIENCE – guided by scientific evaluation of environmental problems

uncommon PARTNERSHIPS –engaging America’s corporations to find an intersection between profit and planet

innovative MARKETS – harnessing a powerful engine of change

What are Environmental Markets?

Destructive Markets



Landowners



"I'm now going to get paid for stuff I was already doing? Sounds great to me!"

"Now only the good stewards will get rewarded."

Corporations



"IF it's cheaper, I'll do it.
Otherwise I
don't give a
%@#*&!"

"This means you'll
let me off the hook
and won't regulate
me. GREAT!"

Agencies



"Oh great! Now I have more work to do. Thanks a lot!"


"You can't leave us out of this! WE are responsible for wildlife in this state!"

"I've got better things to do, so leave me alone with your fancy schemes."

NGOs

"These so-called environmental markets are just ways of letting the big bad oil companies get off scott Free!"

"All I care about is raising more money For conservation. IF it does that, then I'm all For it!"



"Can't we all just get along? Payments For ecosystem services means that we can all just get along, right?"

Definitions

“Environmental markets are mechanisms that give nature a value and force the economy to look into its blind spots”

- R. Bayon 2008

Markets vs. PES

Markets	PES
Tradable Dev. Rights	Conservation Easements
Tradable wetland mitigation credits	Conservation lease or purchase
Tradable biodiversity credits	Payments for Access (i.e. hunting, ecotourism)
Tradable pollution allowances	Farm Programs (payments for practices)

Gov't vs. Markets

<u>Criteria</u>	<u>Gov't</u>	<u>Market</u>
Source \$	Taxes	Polluters
Who sets price	Gov't	Market
# Buyers	Single	Multiple
Interaction	Gov't mediated	Direct or Gov't
Price signal	masks	raises

Conservation Benefits

- 1) More conservation than without offsets
- 2) Better conservation outcomes
- 3) Opportunity to internalize externalities
- 4) Give greater economic value to nature
- 5) Significant new source of finance

Development Benefits

- 1) Better relationships with agencies, etc.
- 2) Enhanced reputation, regulatory “good will”
- 3) Easier access to capital
- 4) Reduced cost of compliance
- 5) Strategic opportunities in new markets

Regulator/Policy Benefits

- 1) Encourage companies to increase conservation w/o requiring new rules
- 2) Ensure development projects are planned in the context of sustainable development
- 3) Better balancing of costs and benefits of economic development

Community Benefits

- 1) **Jobs + Environment, not vs. environment**
- 2) **Negotiate optimal outcomes at bigger scale**
- 3) **A means to identify pre and post-project ecosystem benefits**

The Keys

Measuring environmental value

- Impacts relative to benefits

Identifying, or stimulating demand

- Regulations - “stick”
- Incentives – “carrot”

Examples

Biodiversity Offset

“conservation actions intended to compensate for the residual, unavoidable harm to biodiversity caused by development projects, so as to ensure no net loss of biodiversity”

- IUCN, Kate, etal. 2004

Golden-cheeked Warbler



Fort Hood Successes

Total Investment to Date:	\$1,954,666
Landowner Cost Share:	\$451,295
Area Under Contract (\$141/acre):	13,858 acres
Existing Occupied GCW Habitat Under Contract (\$888/acre):	2201 acres
Contract Length	10-25 years

Cost under alternative method \$16.5 million

Utah Prairie Dog



Stick: ESA

**Carrot: Faster
permitting,
increased take**

Buyer: Developers

Seller: Farmers

Exchange System



Need Take

Developers
Energy Industry
Transportation

Facilitating Entity

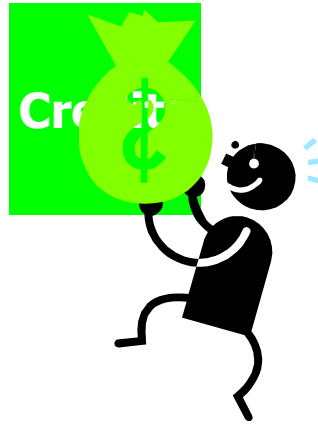
**Private
Landowners**
Protect Habitat

Exchange System



Need Take

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Facilitating Entity



Private Landowners

Protect Habitat

Sage Grouse?



Stick: ESA?

**Carrot: Permitting?
Regulatory
Assurances?**

Buyers: Oil/Gas Co.

Sellers: Ranchers

Kramer, USFWS

Mitigation Hierarchy

Avoid



Minimize



Offset

Oil and Gas



Wyoming Core Areas Approach

Colorado

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