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WORKSHOP ENTITLED:**

**“Value Chain Cases in the Context of Conservation
Marketing and Certification”**

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Markets and Payments for Ecosystem Services

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+ About the ESA Katoomba Group

- Informal network aimed at sharing intelligence about new developments related to PES; identifying gaps in PES theory and practice and tackling key obstacles not being addressed by other players; and addressing significant challenges related to payments for ecosystem services. **Our strength is partners! (ICRAF, CAPE, etc)**

Key Areas of Work in ESA include:

- ***Promoting dialogue and capacity building for PES through Katoomba Group Meetings/Learning Events: (West Africa)***
- ***Linking projects to markets through the Katoomba Incubator:***
- ***Support to REDD Readiness Strategies and Planning: REDD Project Type Mapping and PLI analysis in TZ & UG***
- ***Engaging the Private sector in Markets and Payments for ES***
- ***Sharing information, best practice: Newsletters, Ecosystem marketplace etc.***



What is PES?

- **Payments for Ecosystem Services (PES)** provide a mechanism by which those who benefit from services provided by ecosystems - such as water supply and filtration, flood control, erosion protection, biodiversity conservation and carbon sequestration - can pay for them and those who provide the services can realize financial benefits of their efforts



Types of Markets for Ecosystem Services

- **REGULATION COMPLIANCE MARKETS:-** Producers buy and sell ecosystem services to comply with regulations (e.g. carbon markets, environmental offset markets)
- **PUBLIC PROCUREMENT OF ECOSYSTEM SERVICES:-** Governments take the lead in procuring part of society's demand for ecosystem services (e.g. protected areas)
- **VALUE-ADDING MARKETS:-** Consumers' demand for goods and services that have ES component embedded in them and pay a premium for it (e.g. ecotourism, green or organic food, certified wood products, etc)
- **COST SAVING MARKETS:** Producers and consumers buy ES because it saves them money (cleaner energy?)

+ Who buys Ecosystem Services?

■ **Watershed Protection:**

- Industrial, agricultural water users (to secure stable supply, flow)
- Municipal water utilities, consumers (to reduce costs, ensure water quality)
- Agencies managing the environmental risks (e.g. floods)

■ **Carbon Emissions Offsets or Avoided Deforestation**

- Industries seeking to comply with carbon rules (offsets for emissions)
- Companies, groups strengthening reputation for new env. Stewardship

■ **Biodiversity Conservation**

- Conservation agencies and organizations working on private lands
- Tourist Industry, for landscape beautification or protection of key species
- Land developers (offset for damage, or for amenity values)
- Farmers (to protect pollinators, sources of wild products)

Inventory of PES: Kenya, TZ, SA & Uganda

	Total number of projects recorded in 2005	Total number of projects recorded in 2008	Number of Projects where payments had exchanged hands in 2005	Number of Projects where payments had exchanged hands in 2008
Biodiversity	18	19	2	5
Carbon	17	27	5	10
Water	10	16	2	4
Bundled		6	0	
TOTAL	45	68	9	19



2005-2008 PES Assmt Findings

- Growth from 45 to 68 PES and PES-like initiatives between 2005 and 2008/ More money exchanging hands/Considerable diversity of projects and different types of payments being made
- Long gestation period and lack of assurance on projects moving from design to implementation- *preliminary work does not promise full, successful implementation.*
- No 'one size fits all' approach throughout the region, as the focus **and definition** of PES projects and approaches varies from country to country.
- Few legal and policy changes have been made accommodate PES, however, this has *not* been a major constraint to the development of pilot level projects- legal and policy support, while important, should not be the focus on significant resources prior to addressing other obstacles.

+ Payments for Carbon Sequestration

■ SEQUESTERING CO2 BY TREE PLANTING :

- ***Trees for Global Benefits program***: supports smallholder farmers in western Uganda to plant trees for carbon sequestration. Cash payments made on the basis of tons of carbon sequestered per hectare; per mature tree
 - A minimum of 400 trees per seller; 100% “African indigenous” species & select fruit trees; Minimum of 20 years before harvest
 - Staggered payments: **Year 0**: 30% of total payment, 50% of the intended number of trees has been planted; **Year 1**: 20% of the total payment, 100% of the intended number of trees has been planted and a 100% survival rate; **Year 3**: 20% of the total payment, minimum 85% survival rate; **Year 5**: Up to 20% of the total payment, pro-rated according to growth performance; and **Year 10**: Up to 10% of the total payment, pro-rated according to growth performance
 - Third Party Verification at Year 5 (completed by RF Alliance)
 - As of Dec 2007, over US \$300,000 worth of credits sold; 200 farmers connected to buyers, 200 applications being processed.
 - New buyers coming in- Model being replicated in other areas in Uganda

+ Carbon-continued

- Reforestation of degraded forest reserves: *Kikonda Climate Project* (Carbon Fix certified, seeking CCBA certification; selling via web) *Uganda Nile Basin Reforestation*: US\$ 430,000 worth of credits purchased by WB---many more
- **SEQUESTERING CO2 THROUGH THE USE OF EFFICIENT STOVES** –Reduced pressure on forests; less exposure to pollutants; employment, livelihoods. 1st Gold standard project in Uganda- credits sold on open market; Other potentials in Tanzania and Kenya
- **Many other projects: methane reduction/cogeneration – selling to WB PCF & BCF**

+ Carbon- cont'd

- **GROWING OPPORTUNITIES IN THE PRIVATE SECTOR:**
 - **Airlines;** e.g *Safari link* offsetting travel by paying for reforestation around Mount Kenya [*Born Free Foundation*]- industry wide approach needed
 - **Hotels:** Ecotourism Kenya Rating scheme to include points for carbon offsets- carbon emissions calculators installed in some hotels
 - **Tea Sector:** Emissions from Fuel Switching: *UNEP Greening the Tea Industry Project*
 - **Coffee Sector:** Exploring CO2 from shade trees;
 - **Businesses aiming for carbon neutral** – being encouraged to buy local credits- ROI not clear yet. Still need to make the case



Payments for Watershed services

- Downstream corporate users compensating upstream-TZ EPWS project (DAWASCO-**US\$ 100,000**, Coca Cola)
- Working for Water-South Africa- **450 million SA Rand paid by Govt annually to clear land of invasive alien species**
- Many projects in the pipeline – Kenya Sasumuwa Dam, Green Water credits etc etc
- Potential for water quality trading similar to Chesapeake Fund?- Lake Victoria, Nile Basin?



Payments for Biodiversity Conservation

- TRUST FUNDS TO CHANNEL PAYMENTS FOR BIODIVERSITY CONSERVATION : e.g Uganda MBIFCT-conservation of the mountain gorilla (Total value of trust fund now US\$6.8 million. Interest on the Fund is used for conservation and development activities)
- COMPENSATION FOR BIODIVERSITY CONSERVING MANAGEMENT: Kitengela Wildlife Lease Programme; US\$8 per acre per annum is paid to members who volunteer to set aside land. Aim is to cover 60,000 acres of land;
- Also—agreements with communities to manage sections of protected areas in return for access. Uganda (forests and national parks), Tanzania (Wildlife Management Areas, CBFM) Kenya (conservancies) – **there is potential to bundle this with REDD credits for communities managing forest reserves**



Payments for Biodiversity Conservation



PAYMENT FOR ACCESS TO SPECIES OF HABITAT:
tourism- gate fees, user levies, research permits-

PURCHASE OF HIGH VALUE HABITAT FOR
BIODIVERSITY CONSERVATION :Chimpanzee
Sanctuary, Turtles, Cheetah, ..etc

PAYMENTS FOR BIODIVERSITY CONSERVING
BUSINESS e.g Premiums from certification – *fair trade,*
rain forest alliance, café practice, Organic products etc/
Ecolodges and conservancies charge 15% conservancy
fees per night!

PAYMENTS FOR OFFSETTING BIODIVERSITY LOSSES
: Oil sector- Uganda, Mining- Ghana, Madagascar, South
Africa—etc [BBOP]

+ Key Issues/Challenges

- **Limited awareness:** What is PES? How does it work? How should it be designed?
- **Lack of homegrown capacity/institutions:** high dependence on external experts – very costly
- **Who should be paid?** – Property rights not always clear
- **Lack of start up capital** to cover the transaction costs
- **Benefits capture /Trade offs** not well analysed
- **Equity Issues/Negative spin offs** for non participants
- **Very few Government led efforts** –though that is changing with REDD

+ Emerging Opportunities

- Growing awareness and interest in PES—particularly carbon – but demand for clean water, and water supply likely to catalyse PWS.
- Increasing demand for carbon credits from Africa: “charismatic carbon” but challenge is getting CREDITS THAT MEET BUYER REQUIREMENTS – certified/verified..etc
- The rapidly developing REDD agenda : Funds for REDD readiness CB from FCPF, UNREDD etc
- CSR and the growth in understanding by businesses that restoration and maintenance of ES is vital for their operations

+ Needs to make it happen

- Targeted support to projects to get them to market: Need to understand hierarchy of challenges faced by rural communities –there are no quick fixes
- Facilitating the process of developing a set of understanding and skills about the opportunities and limitations of payments for ecosystem services.
- Institutional Capacity Building and sharing of best practice from within the region and outside
- Strategic partnerships with existing NGOs, networks in order to achieve policy leverage and impact
- More private sector buyers-including local buyers-