Friends of the Earth Europe

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Nature is not for sale

The dangers of commodifying our natural world

Friends of the Earth Europe asbl Rue d'Edimbourg 26 | 1050 Brussels | Belgium
Tel. +32 2 893 10 00 | **Fax** +32 2 893 10 35 | info@foeeurope.org | **www.foeeurope.org**

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Introduction

Biodiversity is under threat. Species are being lost 100 to 1000 times faster than the natural pace. Despite international agreements to change this, such as the Convention on Biological Diversity (CBD) being in force for over 20 years, nature's decline has continued. Across the EU, only 17% of habitats and species and 11% of key ecosystems, which are protected under EU legislation, are in a favourable state[1]. And at least 65% of habitats and 52% of species of European importance are at risk of loss and extinction.[2]

Governments and the EU Commission are seeking ways to protect biodiversity and in 2010 recommitted to restoring nature and biodiversity by 2020.[3] One of the strategies being proposed to strengthen biodiversity protection is by measuring the economic value of nature, and by introducing systems to 'compensate or offset' damage to nature.

What does this actually mean? Why are these being proposed?

- Ecosystems and 'ecosystem services' are increasingly described using economic terminology. It is claimed that measuring and then valuing nature and ecosystems makes an economic case for protecting nature more likely to be taken seriously by governments and other decision makers because "you wouldn't destroy it if you knew it is worth that much".
- By valuing the biodiversity impacts of a given project, and then – at least theoretically - recreating or restoring this value in another location it is said that the damage can be neutralised. Sometimes this is done by reproducing the destroyed nature as nearby and as similar as possible, without any reference to the economic value mentioned above. This is often called "compensation". Sometimes it is done through an economic valuation of the destroyed nature, or reducing nature to "biodiversity units", usually involving pricing, payments, certificates and trade, which needs to be replaced by a new piece of nature of the same economic value or equivalent "units" but which does not necessarily have to be nearby or of the same type. This is often called "offsetting".

Friends of the Earth Europe believes that each part of biodiversity is part of our world heritage, is unique and has an inherent value, which cannot be measured or transformed into economic values in accurate and reliable ways. Nature and the services that it provides us, like pollination and flood protection, must be better valued – in social, cultural, and economic terms - and given more and proper weight in political decisions. Nature underpins our economy and wellbeing and needs better protection. **However** Friends of the Earth Europe **strongly opposes any proposal that integrates nature into market-based instruments and turns biodiversity into a tradable commodity.**

The ultimate way to protect nature is to address the core issues and drivers that destroy it or cause it to be damaged or lost (such as the wrong subsidies for farmers), the proper implementation of existing international obligations, EU and national law, and good governance at the local level.

Valuing nature or putting a price on it?

A number of attempts are currently underway to give nature a financial value. For example the influential TEEB (The Economics of Ecosystems and Biodiversity) study argues that "by

[1] http://www.eea.europa.eu/publications/eu-2010-biodiversity-baseline/
[2] EC Habitats Directive Report, reported on in Europe's Biodiversity: a Rich Heritage at Risk, WWF, http://www.wwf.eu/what_we_do/natural_resources/biodiversity/
[3] Nagoya Aichi targets for 2020 http://www.cbd.int/sp/targets/

failing to account for the value of ecosystems and biodiversity, we will make the wrong choices."[4] TEEB suggests that important parts of biodiversity and their services to us are hidden but can be made economically visible for example, by measuring the economic loss their destruction causes and by bringing it into accounting systems.

Governments and businesses alike are busy exploring the valuation of nature. European policy makers are intensively debating how to assess the exact financial value of ecosystem services and how to integrate them into the economic system to better inform policy and decision-making.[5]

Nature is being described in terms of 'Natural Capital', meaning the stock of natural resources and environmental "services" that contribute to our economies and well-being. For example, a forest is considered a stock, generating flows of timber, clean air, natural regulation of the watershed, and so on. Friends of the Earth Europe believes that calculations of Natural Capital do not represent, and can rarely capture, the true value of nature. When attempts are made to value nature financially, the calculations that are made often ignore or are often detrimental to other values, such as cultural and social values.

In some limited circumstances the valuation of nature can be useful to calculate specific aspects of what nature is doing for us in monetary terms, to help emphasise and gain wider acknowledgement of the importance of ecosystems and biodiversity to the European economy and its dependence on it. Examples include calculating a price on replacing services such as the pollination by bees and flood prevention provided by wetlands. Similarly, working out the costs of environmental damage such as water pollution from agriculture can be useful. Such calculations can help make the case for better protection of biodiversity and add additional strength to political decision-making. However these are just informative tools to aid political and other decision making and should not act as a distraction or as a replacement for real action to protect nature.

Risks of relying on economic valuation of nature

If the value of nature is expressed in purely monetary terms there is a high risk that nature can then be legitimately destroyed as long as a payment is made, often with a promise that nature will be protected or created elsewhere through offsetting schemes. In short, a monetary value can be all too easily transformed into a price.

Over-emphasis on economic valuation opens the door to a 'business-as-usual' approach – it can be a distraction from other, real solutions, or even an excuse not to implement them.

Nature's value is much more than its economic value. It is also part of a complex inter-dependent web that together sustains life on this planet. Some of nature's values to people, such as the enjoyment of landscapes or spiritual values cannot be measured but are immensely important. In Europe and around the world, millions of people depend on access to forests, common lands and water resources for their livelihoods. And beyond its value to humans, nature has a clear intrinsic value in its own right. It follows that valuing nature in purely financial terms will always be an undervaluation and a distortion of values.

Calculating the economic value of biodiversity is incredibly complex. For example, ecosystem services - which are currently advocated as a proxy basis for calculating ecosystem value - are only roughly correlated to the biodiversity of an ecosystem. A tree plantation, for example, can be just as good for providing carbon storage and sequestration as a real forest, but for biodiversity the forest is much more valuable. Europe should take

[4] The Economics of Ecosystems and Biodiversity (TEEB): http://www.teebweb.org/TEEBSynthesisReport/tabid/29410/Default.aspx

[5] http://ec.europa.eu/environment/nature/knowledge/ecosystem_assessment/pdf/MAESWorkingPaper2013.pdf

heed of problems in global examples of trading and valuation schemes. For example, the Reducing Emissions through Deforestation and Forest Degradation (REDD+) programme was meant to halt deforestation by putting a value on carbon. But perverse outcomes have included the replacement of forests with plantations and the displacement of people from their lands because other aspects of the forests were not valued[6].

Biodiversity Offsetting

European policy makers are proposing new systems of biodiversity offsetting as a theoretical way to secure "no net loss" of biodiversity. The concept is that if damage is caused to biodiversity in one place e.g. by building new roads or houses, then new or restored habitat must be provided somewhere else to "offset" the damage; the idea being that there will have been no overall, or net, loss of biodiversity.

Proposals are already proceeding at the EU level for a No Net Loss mechanism (NNL) – which may well lead to new "offsetting" or compensation schemes.

Compensation schemes are in operation in some Member States such as Germany; others such as the UK and France are also rapidly developing offsetting schemes. Those in place are designed only to provide limited 'compensation' and do not address the fundamental problem of rapid biodiversity decline, loss of functioning ecosystems and the need to improve the overall state of biodiversity[7].

Friends of the Earth Europe strongly believes avoiding the damage in the first place must take precedence by avoiding projects that have an high impact on nature and by reducing the impact of given projects. Only in the exceptional cases where damage to nature cannot be prevented, and this under very strict rules[8], should this be accounted for and compensation provided through non-market mechanisms. The principle of compensation is already built into European Union nature legislation. Compensation must be done with almost identical biodiversity and close to the site where the damage was done, in advance and then, only in exceptional circumstances.

Friends of the Earth Europe opposes compensation involving economic valuations or the reduction of nature to measurable 'units' – offsetting - as it introduces the concept that habitats and species are tradable, that damage in one place can simply be replaced in another place, often some distance away. That sense of turning diverse nature into a single commodity is underlined by the idea being pursued in the UK of creating 'biodiversity units' which can be traded without reference to the real natural value of what is being lost. For the same reason, Friends of the Earth Europe is concerned that offsetting could take place across national borders depleting biodiversity in one country as long as some habitat creation takes place in another country, perhaps even outside the EU.

Friends of the Earth Europe strongly opposes any approach for repair, compensation or **offsetting for damages done in the global north in countries of the global south** as it promotes continuous ecological, social and economic injustice and can especially threaten any sustainable land use by local communities.

[6] http://www.foei.org/en/resources/publications/pdfs/2010/redd-the-realities-in-black-and-white/view
[7] Biodiversity offsets in theory and practice, Fauna & Flora international, 2013, Joseph W. Bull, K. Blake Suttle, Ascelin Gordon, Navinder J . Singh, And E.J. Milner –Gulland
[8] After a thorough environmental impact assessment and in exceptional circumstances i.e. where there is an overriding public interest, where there is no alternative solution and where the impact can indeed be compensated for so that the species and habitats involved are adequately protected.

Risks and flaws of biodiversity offsetting proposals

- Biodiversity cannot be traded or compared as a product. Each habitat, species or individual is unique. It is impossible to compare one species or habitat, or even one individual or one site with another.
- Offsetting could facilitate more damaging development in areas of high development pressure with a false promise of habitat creation or restoration in a different location, and not keep nature protection strong where it is actually needed.
- Offsetting cannot compensate for the loss of cultural or human value of a given site, such as a local community's enjoyment or use of the land being lost. In addition, there is a danger that the land offered as compensation restricts existing ecological sustainable use of the land by local communities who may be dependent on nature for their livelihoods.
- Recreating or reintroducing biodiversity is fraught with additional problems:
    - Biodiversity 'offsets' often do not take place before the damage has been done. There is therefore little guarantee that the offsetting will be successful and no penalty if it is not.
    - In most cases, there is a significant time gap between the destruction of the original site, and the creation of the new site. Even if this is being done simultaneously, it takes several years to reach a comparable high level of biodiversity, if ever. In the meantime, species such as birds didn't have places where they could migrate to, and permanent harm may be done.
    - Methods for assessing the economic value of the site to be damaged can by definition never take social cultural or intrinsic values fully into account.
    - Biodiversity is intrinsically valuable – for what it is, where it is, how it is, and how it has been treasured over centuries. Destroying it and replacing it somewhere else would be like destroying all the art in an art gallery, and replacing it with the posters of the originals.
    - Those methods may also ignore wider ecosystem service benefits such as flood mitigation, pollination or clean air and water. A particular site's role in its connectivity with other sites may also be neglected.
    - Attempting to assess the economic value of ecosystems is time consuming and expensive. Even so, assessments can never be exhaustive, as biodiversity is incredibly broad, and some key species or factors may easily be overlooked. It would often be better to invest all the time and money in real conservation projects, rather than in expensive scientific assessments, which may not even contribute to direct conservation.
- Offsetting can lead to the assumption that harm will be compensated and that this will be carried out well, and thus there is less focus on avoiding negative projects and their impacts. In other words, the existence of compensation or offsetting schemes tends to lead to lower legal protection.
- Experience shows that offsetting brings the danger that the restoration of habitat that would have happened anyway in fulfilment of existing obligations or spontaneously,

could be counted as offsets for biodiversity loss in another site. In that case offsetting is not additional, and the overall result is a biodiversity loss [9].

- Failure to secure the long term permanence of offset sites would result in overall loss of biodiversity. And who will guarantee the long term security of sites which need hundreds or even thousands of years of restoration, like old-grown forests or peatlands, or can be properly maintained especially with changes and challenges such as climate change?

Real Solutions

Europe must step up efforts to achieve the CBD Strategic Plan and the EU Biodiversity Strategy[10]. Friends of the Earth Europe considers that the real problems must be tackled, and the real solutions must be implemented, such as:

Tackle the drivers

The direct and indirect drivers of biodiversity loss must be tackled – from intensive agriculture and land use change, to overconsumption of natural resources. This will also require addressing the 'facilitators' of the drivers, for example, bad governance and poor protection of rights (land, customary, cultural etc.) of indigenous peoples and communities as stewards of forests, biodiversity and other natural resources.

Real finance for nature

Instead of creating new markets for nature European countries should recognise that nature is a public good, and therefore deserves public finance.

Biodiversity-related funding in agriculture must be more than doubled to achieve the EU's biodiversity targets[11]; and Natura 2000 finance must be scaled up by a factor of 5-10[12].

Biodiversity offsetting, or any other form of valuation of nature, should never be accounted for as biodiversity finance. At best, they provide finance for the replacement of lost ecosystems, and cannot be counted as new finance.

End harmful subsidies and create positive incentives for nature protection

Friends of the Earth Europe believes that economic reforms should be part of the solution, e.g. reforming subsidies to incentivise nature conservation and halting negative incentives are a crucial part of the way forward. However, fighting the wrong economic drivers should not be done through market-based instruments.

Publically-funded subsidies should be used for delivering public goods, but much of this money is still used to prop up intensive farming, road building and other harmful practices.

EU Member States must use the new Common Agricultural Policy's (CAP) flexibility to implement it in a way that maximises benefits to nature and ecosystems. The EU must make sure that the next round of the CAP reform goes much further by no longer subsidising

9 Offsetting Nature? Habitat Banking and Biodiversity Offsets In the English Land Use Planning System Mike Hannis, Sian Sullivan, Green House 2012

10 For further publications by FoEE on these issues: http://www.foeeurope.org/sites/default/files/foee_study_implementation_cbd_strategic_plan_europe.pdf and http://www.foeeurope.org/sites/default/files/120903_foee_biodiv_position_final.pdf.

11 IEEP, July 2011: Costs of delivering environmental benefits through agriculture and forestry management, http://www.ieep.eu/assets/822/Costing_Environmental_Needs_-_Final_Report_for_web.pdf, p.3 f. 34 Bn EUR/a are necessary for land management, 14.5Bn EUR/a are available.

12 http://www.ieep.eu/publications/2011/03/financing-natura-2000

harmful practices and only using public money to reward farmers for respecting the environment and boosting biodiversity.

This also must apply to other EU incentives, such as Regional Development Funds and support by the European Investment Bank. More positive incentives must be developed to make it economically beneficial to protect biodiversity.

Implement strong protection for nature

Proper implementation of existing laws and commitments would offer important sites for nature much better protection than introducing new and risky offsetting systems including:

- CBD target for protection of 17% of the total land area and 10% of sea through a system of representative, well and equitably managed protected and interconnected areas by 2020.
- Full implementation of the Birds and Habitats Directives including site designation, enforcement, management, monitoring, awareness raising and sufficient finance.
- Designation of Natura 2000 sites and ensuring good management status of all designated sites.
- Protection of nature outside of designated areas - implementation of the Pan-European Ecological Network (PEEN) would ensure that protected sites are better connected in the wider landscape.
- Protection of threatened species through species action plans and sufficient incentives, such as subsidies for herding dogs to protect herds against large carnivores

Rights based approach to biodiversity protection

Biodiversity protection by the EU and European countries should take a rights-based approach – both within Europe and globally, by advancing protections and strategies through multi-lateral fora like the CBD - including community based governance over forests and other resources, and notably by fully implementing the Arhus Convention.

Friends of the Earth Europe

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Friends of the Earth Europe campaigns for sustainable and just societies and for the protection of the environment, unites more than 30 national organisations with thousands of local groups and is part of the world's largest grassroots environmental network, Friends of the Earth International.

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