



# United Nations Environment Programme

برنامج الأمم المتحدة للبيئة • 联合国环境规划署  
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE  
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

January 2008

## Update on DTIE/ETB's ongoing work on International Payments for Ecosystem Services (IPES)

### Background

Since the late 1980s, UNEP has been promoting the use of economic incentives for sound environmental management. It has been engaging prominent environmental economists to address technical and policy issues, compiling case studies and manuals to raise awareness and share experience, and supporting pilot applications to demonstrate the effects of these incentives. Most of the measures promoted so far are based on the “polluter-pays principle”, as in the case of environmental taxation.

In recent years, following the Millennium Ecosystem Assessment (MA) released in 2005, there has been an increased interest among environmental groups in the “beneficiary-pays principle”. The MA indicates that about 60% of the world's ecosystem services are being degraded or used unsustainably. It identifies positive incentives such as Payment for Ecosystem Services (PES) as promising tools to motivate ecosystem-hosting communities to restore damaged ecosystems and sustain the supply of critical services. At the recently concluded UNEP's 24th Session of the Governing Council/Global Ministerial Environment Forum, environmental ministers also called for UNEP to “provide guidance and support to governments on the payment for and valuation of ecosystem services.”

Many organizations have promoted PES for a number of years, but most of the activities have taken place at a relatively small scale, with the exception of carbon trading. At a discussion in September 2006 hosted by UNEP, in partnership with the German Government, the World Conservation Union (IUCN) and the Secretariat of the Convention on Biological Diversity (CBD), most experts agreed on the need to scale up PES with a sharpened focus on biodiversity conservation. Major obstacles to the scaling up were perceived to include technical and policy issues (such as the relationship between biodiversity and ecosystem services, the valuation and pricing of ecosystem services, and social equity considerations), the real potential of international demand for biodiversity-related ecosystem services, and the willingness and capacity of biodiversity-hosting nations to respond to this demand.

On the basis of this discussion, UNEP in partnership with IUCN and the CBD Secretariat and in close consultation with DEPI has developed a comprehensive outline for the work on International PES (IPES) to address these obstacles. The Executive Secretary of the CBD Secretariat has issued a letter of support for this initiative. UNEP and its partners – through an international consultative process – are currently searching for answers to the most salient technical and policy issues. The goal is to take the first step towards an eventual international system comparable or linked to carbon trading but with a clear focus on the conservation of terrestrial and marine ecosystems that host significant biodiversity and related services. In addition, UNEP is categorising different interests and needs from the international demand side and planning to engage a number of mega-biodiversity nations in discussing pilot international PES projects. As such, developing the IPES concept for greater applicability as a policy tool contributes to UNEP-wide efforts to achieve sustainable ecosystem management. In implementing this initiative, UNEP and IUCN have consulted with the World Bank, OECD, Forest Trends, the Katoomba Group, World Resources Institute, World Wide Fund for Nature (WWF), Conservation International, the World Business Council for Sustainable Development, among many others.

### IPES Activities June-October 2007

During 2007, UNEP and IUCN co-hosted a side event on payments for avoided deforestation during the second meeting of the CBD Working Group on Review of Implementation of the Convention, 9-13 July, UNESCO, Paris, France. For more information, please see [http://www.unep.ch/etb/events/2007WGRI\\_AD9July.php](http://www.unep.ch/etb/events/2007WGRI_AD9July.php).

In September 2007, UNEP presented their research paper on payments for avoided deforestation at the 9th Annual BioEcon Conference on “Economics and Institutions for Biodiversity Conservation”, King's College, Cambridge, UK. For more information, please see [http://www.bioecon.ucl.ac.uk/04\\_9\\_ann-conf.html](http://www.bioecon.ucl.ac.uk/04_9_ann-conf.html).

In January 2008 UNEP and IUCN, in close collaboration with the CBD Secretariat, organized an expert meeting on International Payments for Ecosystem Services in Geneva on 28-29 January 2008. The objective of the meeting was to review the draft chapters of this forthcoming IPES publication, disseminate initial results, and seek comments for further improving the drafts.

### **Ongoing and Future IPES Activities**

Current outputs and activities of the IPES work stream include: a) review of the publication on IPES, covering the demand for and supply of critical ecosystem services as well as ways of bring the two sides together (mid 2008); b) a demand-side survey focusing on consumers in western societies (early 2008); c) a research paper on payments for [avoided deforestation](#) (AD) which has been submitted for peer review to the Journal of Environmental Science and Policy; d) the preparation of a discussion paper on biodiversity offsetting in collaboration with the Dutch Environment Ministry; e) the co-ordination of a joint UNEP-Netherlands Environment Ministry side event at the CBD COP-9 (May 2008) as well as the joint hosting of a side event on IPES by UNEP-ETB and IUCN; and f) The joint hosting of a side event on IPES by UNEP-ETB and ETHZ at the International Society for Ecological Economics (ISEE) Annual Conference on International Payments for Ecosystem Services, 7-11 August 2008 in Nairobi, Kenya.