

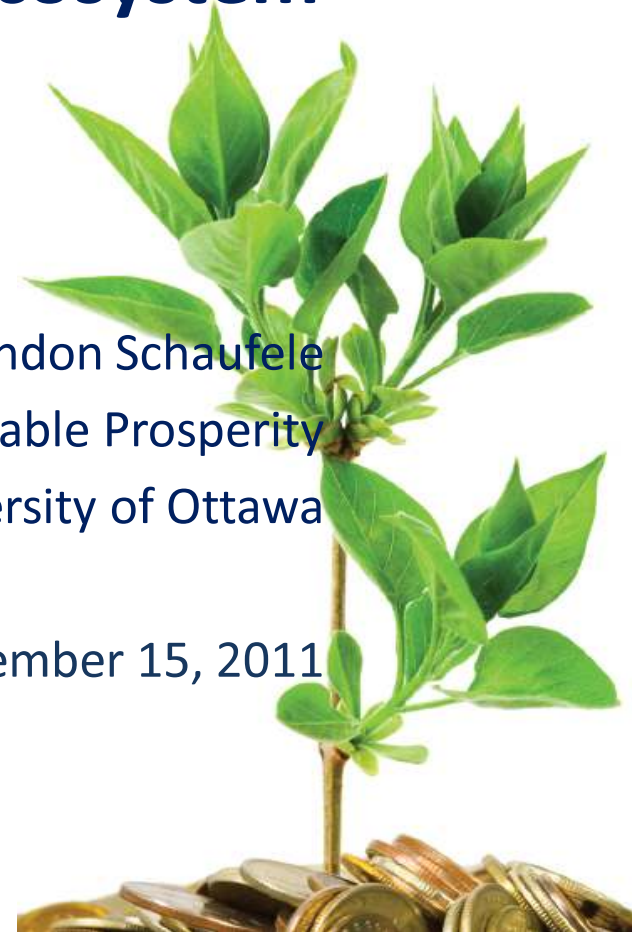
Economic Instruments for Ecosystem Services in Canada

Brandon Schaufele

Research Director, Sustainable Prosperity

Asst. Professor, Dept. of Economics, University of Ottawa

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Sustainable Prosperity

- **National green economy think tank and research network**
- **Promote market-based instruments in order to achieve both economic and environmental goals**
- **Working to build a greener, more competitive economy through policy innovation and markets**
- **Four areas: low carbon economy, sustainable communities, emerging issues, ecosystem service markets**



Economic Jargon: Market Failure

- Externalities
- Incomplete/missing markets
- Imperfect information
- Public goods
- Transaction costs
- Property rights
- **Other issues:** misaligned incentives and distortionary subsidies



Policy Options


- **Command & control regulation**
- **Liability rules**
- **Information provision**
 - Environmental certification
 - Education/awareness programs
 - Voluntary programs
- **Economic instruments**
 - Tax incentives
 - Payments for ecosystem services
 - Reverse auctions
 - Markets/tradable permits



Command & Control – it would be nice...

FAA To Ban Plane Crashes

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WASHINGTON—In what officials are calling "a much-needed policy shift," the Federal Aviation Administration announced this weekend that it would ban all plane crashes. "After a careful review of flight data from the past 25 years, we've determined that customers, pilots, and the airlines themselves would benefit significantly from a strictly enforced no-plane-crash policy," said FAA administrator Randy Babbitt, adding that pilots involved in fiery plane wrecks could face a steep fine or even suspension. "The practice of crashing an airliner into an ocean or mountain will no longer be tolerated. American consumers deserve better." According to industry sources, most commercial airlines are planning to fit in as many crashes as possible between now and Jan. 1, when the ban officially goes into effect. 

Blue-green algal blooms in Lake Winnipeg



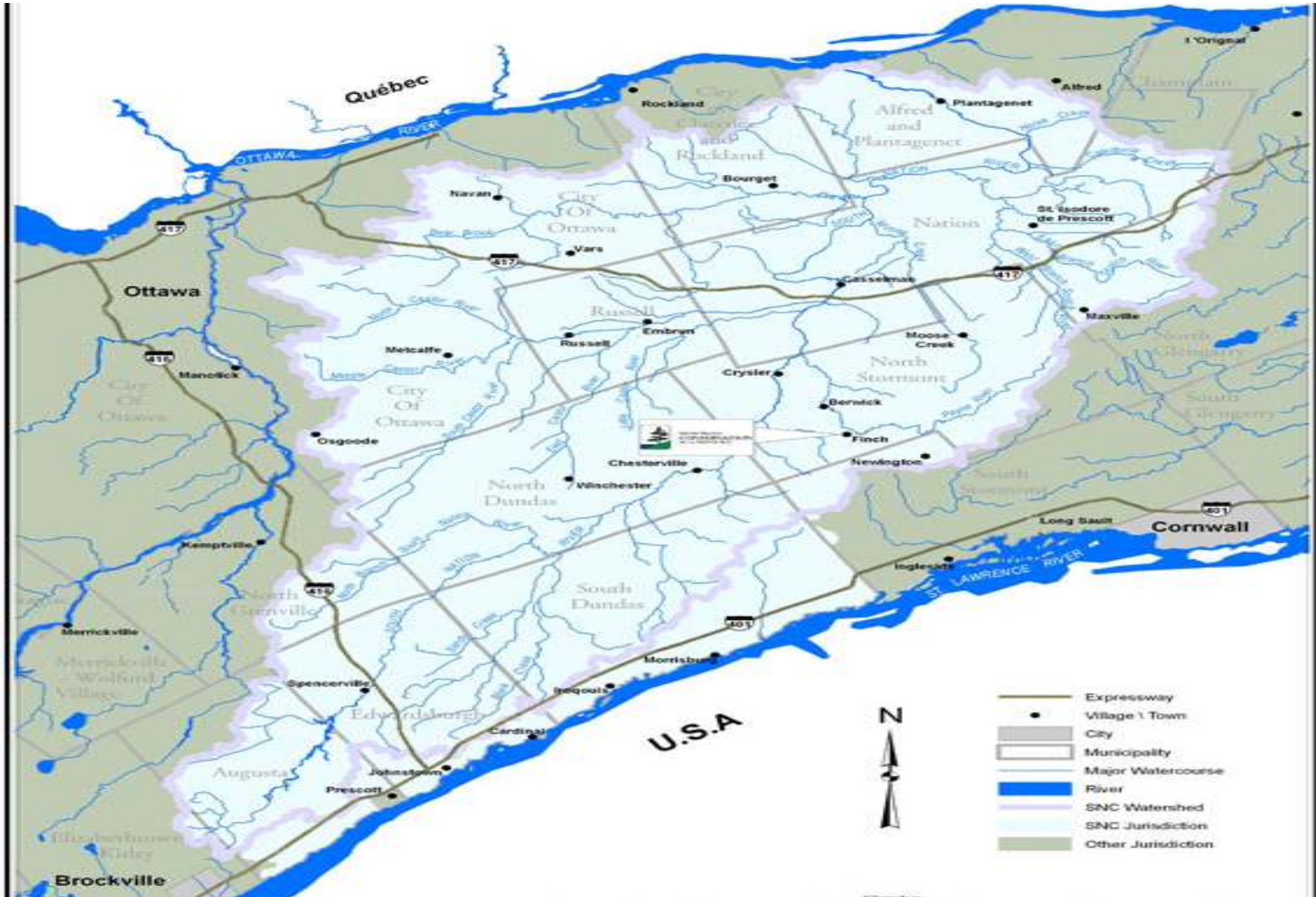
Source: canadawater.wordpress.com

**Buffer strips:
Improve water quality in addition to
providing habitat and sequestering carbon**



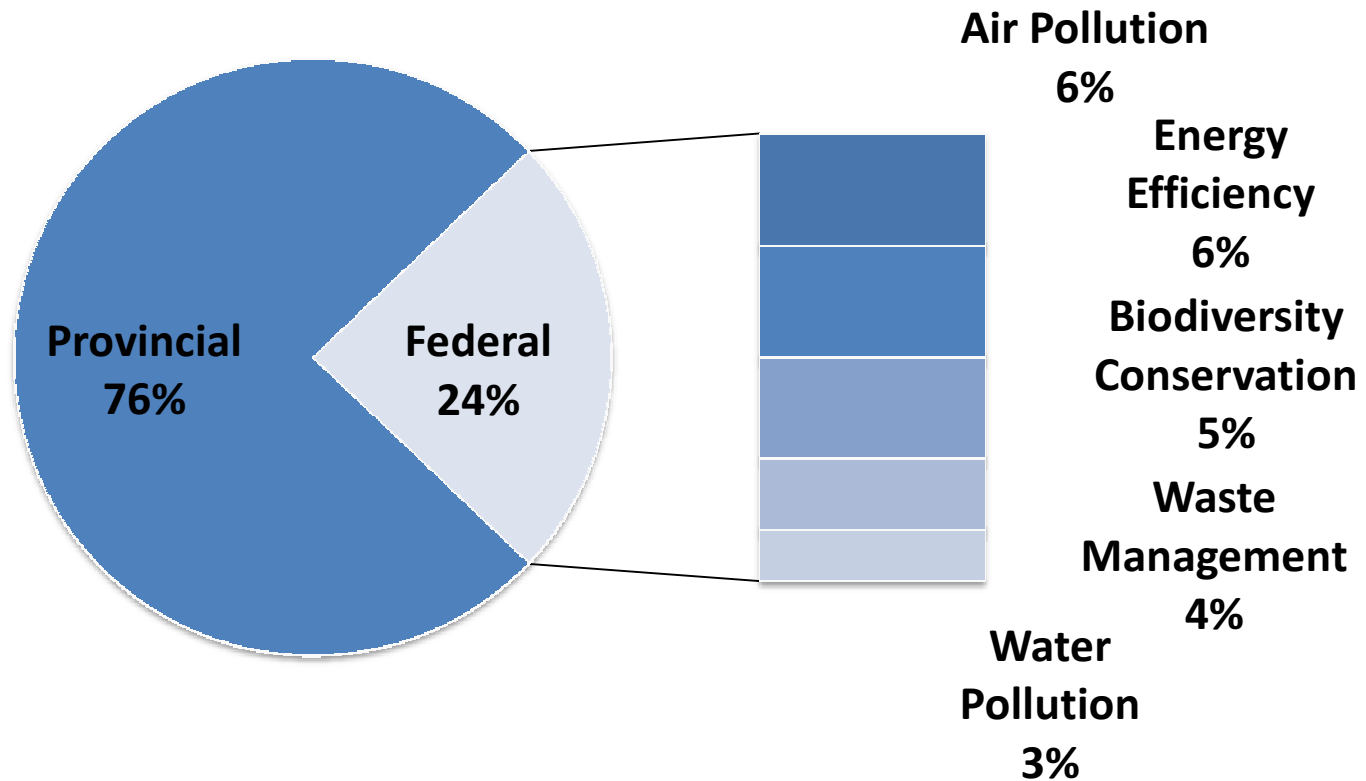
Source: Campbell (2011)

South Nation Phosphorus Offset Market

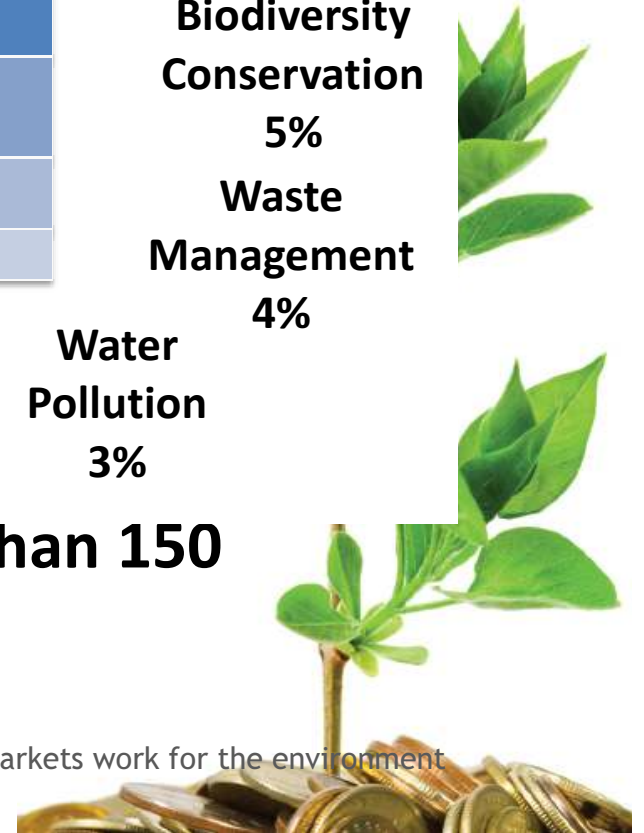


Source: nation.on.ca

Wide applicability of EIs in Canada



- Environment Canada identified more than 150 economic instruments in Canada



Economic Instruments are not Cure-Alls

- **Require a trade-off between monetary incentives and environmental consequences**
- **May not be optimal if goal is to eliminate pollutant**
- **Social, political, cultural and equity issues**
- **Often best used with other policies**



Advancing the Economics of Ecosystems and Biodiversity in Canada: A Survey of Economic Instruments for the Conservation & Protection of Biodiversity

June 2011



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SP Sustainable Prosperity **BACKGROUND PAPER**

<http://www.sustainableprosperity.ca/article1431>

SP Sustainable Prosperity

Making markets work for the environment



Brandon Schaufele

Research Director

Sustainable Prosperity

bschaufele@sustainableprosperity.ca

www.sustainableprosperity.ca



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