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## **Ensuring that Biodiversity Financing Mechanisms serve the benefit of all life on Earth**

**During the COP 11 Parties to the CBD agreed on allocating further financial resources for the sake of all life on Earth. But as usual, the devil can be found in the details, which are being negotiated by relevant stakeholders on the way up to CBD COP12. CEEweb for Biodiversity urges governments to consider its points while setting safeguards for Biodiversity Financing Mechanisms.**

### **State of play**

Developed countries agreed last year during the CBD COP11 to increase funding to support efforts in developing states towards meeting the Aichi Biodiversity Targets. Using a baseline figure of the average annual national spending on biodiversity between 2006 and 2010, developed countries said they would double biodiversity-related international financial flows by 2015. Furthermore, all Parties agreed to substantially increase domestic expenditures for biodiversity protection over the same period. These targets, and progress towards them, will be reviewed in 2014.

### **Next steps**

Parties to the CBD are now invited to develop new Biodiversity Financing Mechanisms (BFM) and thus provide input to the Discussion paper: Safeguards for scaling-up biodiversity financing and possible guiding principles. The final version of the discussion paper will be presented during the WGRI-5 in 2014, where Parties are expected to prepare a recommendation for consideration at the CBD COP 12. The paper builds on lessons learned from existing legal and policy processes, while distinguishes procedural safeguards from substantive safeguards, and highlights that both are needed for a more holistic approach to achieve the three objectives of the CBD.

### **CEEweb recommendations**

CEEweb for Biodiversity has assessed the available information – and whereas possible information available on the application of various Biodiversity Financing Mechanisms (BFM) – and would like to submit the following information and recommendations for the consideration of the Pan-European Parties to the CBD.

- 1) Regardless the nature or the type of the BFM, it must be consistent with the **CBD and the delivery of its objectives**, such as the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising from the utilization of genetic resources. BFMs may not have any direct or indirect negative effect on biodiversity.
- 2) In order to safeguard this principle “**sustainability check**” should be carried out for each BFM in question. Such assessment will include consideration of:
  - a. How the finances are generated (having negative impact elsewhere)?
  - b. Does the use of the finances contribute directly or indirectly to nature distraction? (Increased exploitation, movement of goods and people, etc.)
  - c. How long is the mobilised resource available - what does the availability in time depends on – and how does it relate to the biological cycles it is supposed to have a positive impact on? How sustainable and self-generating is the mechanism?
  - d. How vulnerable is the BFM to market forces?
- 3) The needs for new and additional resources must be scrutinised – primarily assessing the **new and/or revised NBSAPs**. It should be avoided that while a country / region is directly or indirectly increasing the pressure on biodiversity on the one hand, it would indicate and spend ever increasing resources for the protection of biodiversity on the other hand. This spiral needs to be broken down.

- 4) Safeguards need to be in place prior to the implementation of any BFM – and this should include **social, economic but governance measures** as well.
- 5) The trend of increasing environmental pressure is increasing. Thus, it is predictable that in order to compensate them, increasing resources will be needed. In order to move ahead with the effective and predictable implementation of the CBD's objectives, an **early phasing-out strategy of resources** (instead of ever increasing demand) would need to be in place as a guarantee for sustainability.
- 6) Donor countries and communities must have the security from the recipient constituency when considering the implementation of various BFM schemes, that the **sustainability assessment** has been carried out and appropriate governance structure, and last but not least the absorption capacity are in place.
- 7) The existing examples of BFMs, and the ones which are being developed, need to be scrutinized both by the national and international community in order to understand its functioning in different environments and to **develop appropriate safeguards prior its eventual implementation**.
- 8) Parties should assess how various BFMs have been implemented and how they have contributed to the CBD objectives and should request the CBD Secretariat to prepare **implementation guidelines** for the consideration and decision of the Parties.
- 9) The various BFMs should be **treated systemically** – they should not only address specific problems but also overarching issues which lead to biodiversity decline. Thus they should eventually regulate the resource use and in effect decrease the pressure on ecosystem services. The BFMs should also pre-empt eventual and arising problems.
- 10) Financial resources always – directly or indirectly – lead to utilisation of resources and energy, which are contributing to environmental pressures. Thus, when designing the BFMs they should be only active until the objectives are reached and the balance between positive contribution to biodiversity and negative **environmental pressures is not shifting towards more pressures and less environmental benefits**.

**Holistic resource and land use policies have the potential to provide the basis for significant increase in biodiversity financing mechanisms.** The mobilisation of these resources would not only provide additional funding for biodiversity conservation, but it would also reduce the environmental pressures through addressing the drivers at the same time. In order to develop and implement proper resource use policies, first we need to set a cap on the use of fossil energy resources if we want to effectively bring down their consumption around the globe and refit our economy inside its ecological space. A tool to achieve this goal has been already developed. **The Energy quota scheme** aims to reduce non-renewable energy consumption, facilitate the shifting to renewable energy sources and higher efficiency, as well as **provide incentives and financial support for this necessary shift** at the same time. The international and national non-renewable energy use target should be progressively lowered each year, until the world refits into its ecological share. The proposed regulatory system is based on 3 + 1 pillars (see more in Annex I.)

The **land use scheme** addresses our other resource in extreme danger – land. The system would ensure the functioning of ecosystem services, implement sustainable land use at national and global level, contribute to social justice by sharing benefits and burdens, and internalize negative external costs also at international level. The system sets certain requirements (e.g. no fertilizers, certain percentage of area for conservation, green corridors, etc.) for all land use types (urbanization, industry, infrastructure, agriculture, forestry, recreation), which are to be fulfilled within a set of time. Land users receive land use rights, so called land use quotas according to their practices – if they over-fulfill the set requirements, they receive extra quota, which they can sell, whereas if they do not fulfill the requirements they have to buy quotas.

We sincerely hope that our thoughts and ideas contribute to the extremely important discussion and development of the BFMs, which will lead eventually the fruitful discussion and decision by COP12. Therefore, CEEweb is asking the Pan-European Parties to the CBD to integrate our views into the discussion on *Safeguards for scaling-up biodiversity financing and possible guiding principles*, and thus maximize the protection of biodiversity and people's livelihoods.

**More information:**

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## **Annex I.**

### **Energy quota scheme**

#### **Pillar 1: The Energy Quota**

Energy consumption entitlements of annually decreasing quantities would be allocated among the individual consumers (on an equal per capita basis) and public and private consumer groups. Those, who save a part of their allocated entitlements, can sell their remaining entitlements through a quota manager organization to those, who consume more than their allocated consumption entitlement. The quota manager organization sells the quota in the national currency, and buys the remaining quota in “quota money”. International trade among countries is realised based on the same principles.

#### **Pillar 2: Market for Environmental Goods and Services**

The market for environmental goods and services is an open market operating according to pre-defined environmental and ethical rules including aspects of sustainability and market considerations. The “quota money” received from selling energy consumption entitlements could be exchanged to certified products and services (e.g. organic food, insulation of buildings for energy saving, renewable energy investments) in this ‘eco-labelled’ secondary market.

#### **Pillar 3: The Revolving Fund**

The Revolving Fund provides the opportunity for everyone, both energy producers and consumers, to achieve savings through energy efficiency and renewable energy investments. The Revolving Fund provides interest free loan in “quota money” with a payback period adjusted to the energy savings or income generation realised through the investment.

#### **Pillar +1: Support Service**

The Support Service aims to provide advice on lifestyle, planning, social and environmental issues, as well.

Economic benefits of the energy quota scheme:

- Reducing the dependency on non-renewable energy through the reduction of their use,
- Increasing the competitiveness of businesses, as on one hand they become more efficient in the operation, and on the other hand they can develop more resource and energy efficient products for the global market,
- Providing the necessary investment capital also for SMEs to invest in energy efficient operation, as well as to develop goods and services with high energy efficiency,
- Providing the necessary investment capital for households to realise energy efficiency investments,
- Boosting the demand for energy efficient goods and services as a result of the quotas,
- Boosting the demand of environmentally friendly goods (e.g. organic products) and services through the use of quota money on the secondary market,
- Freeing up funds from the state and the international budgets for other social purposes, as after the kick-off stage the revolving fund and the scheme itself is fully maintained by the public and private consumers directly (no need for continuous expensive investments for energy efficiency from state budgets).

Social benefits of the energy quota scheme:

- Creating green jobs directly (in renewable energy and housing sectors, R&D, etc.)
- Creating jobs indirectly in the more labour intensive sectors through the need to reduce non-renewable energy use (as a substitution of human labour in production)
- Reducing the expenses of households, especially of the poor (those consuming less energy),
- Transforming values and consumer behaviour through creating personal interests with the quotas
- Greater access of consumers to environmentally friendly goods and services with the use of quota money, which contributes to wellbeing (in)directly.

Environmental benefits of the energy quota scheme:

- Radically reducing non-renewable (also fossil) energy use at a scale necessary to limit global warming to 2°,
- Effectively mitigating climate change with the use of an input side regulatory tool (covering all sectors in the economy preventing carbon leakage),
- Indirectly reducing resource use through the reduction non-renewable energy use, a main environmental pressure leading ecosystem degradation and biodiversity loss.