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Incentive design

What is happening internationally

Landownership

- Majority of land is held privately.
 - Australia - 60% of land privately owned, with 70% of water resources diverted for agricultural use. (DAFF)
 - US - 70% of land held privately, mostly for agriculture (USDA)

Who is providing the incentives

- Conservation incentives offered under a number of portfolios:
 - agriculture
 - fisheries
 - forestry
 - environment
 - national parks

What's being conserved

- Output:
 - management practices
 - restoration activities
 - land retirement
- Biodiversity
 - species habitats
 - landscapes
- Environmental or eco-services
 - erosion
 - water quality

Incentive mechanisms

- Regulatory streamlining and/or assurance
- Cost-share
 - grants & subsidies
- Compensation
 - tax credits
 - lease payments
- Market based instruments
 - auctions
 - trading
 - banking

Design elements

- Providing the right setting
 - regulation/institutions
 - clarifying property rights
 - community values
- Addressing the right driver
 - knowledge
 - motivation
 - capacity
- Most address motivation or capacity
 - need links with knowledge

Regulatory incentives

- Address capacity gaps and encourage stewardship by providing:
 - streamlined/expedited process for approvals
 - assurance and certainty of future regulation & restrictions to land management
- Also called ‘safe harbor agreements’ or ‘no surprises’ assurances
 - important to habitat conservation planning
 - can cover both listed and unlisted species
 - provides certainty and predicability for future land use

Cost share

- Aims to overcome (financial) capacity gap
 - subsidies & grants
- Challenge setting at right point
 - limited, only (partially) covering direct costs
 - does not consider opportunity cost
 - requires no knowledge gap
 - tend to lack continuity of funding
- examples
 - US Stewardship Grants for on-ground conservation works

Compensation

- Targets (economic or financial) motivation gap
 - payments & tax credits
- Effectiveness depends on pricing mechanisms
 - ‘price’ equal or greater than landowner’s willingness to accept
- examples:
 - US - Debt for nature, cancel debt portion of debt depending upon 10, 30, 50-yr conservation contract
 - ‘farm set asides’ in Italy, Greece, Germany

Market based instruments

- Address motivation gap
 - generally has regulatory stick backing it
 - requires no knowledge gap
- Commonly used for environmental quality objectives (eg, water quality)
- Example: banking (mitigation or conservation)
 - Used by government agencies in US and Europe, eg, roads and highways

Conclusion

- Lots happening around the world
 - with many countries noting the Australian experience with incentives
- As long as the bulk of the resources held by privately, incentives play a critical role in achieving conservation targets
 - need to encourage behaviour change through overcoming the right gap (knowledge, motivation, capacity); and
 - through using a mix of mechanisms