

Purposes and degrees of commodification: policy integration of biodiversity and ecosystem services may or may not rely on the market or monetary valuation

Abstract

Commodification of nature is a contested issue both in the scientific literature and in international politics. The focus on biodiversity values and ‘innovative financial mechanisms’ has for some actors become extremely controversial within the Convention of Biological Diversity (CBD), especially the use of economic instruments like payments for ecosystem services (PES) and biodiversity offsets. For example, the CBD COP-10 meeting in Nagoya, Japan, October 2010, failed to agree on innovative financial mechanism which motivated a special Dialogue Seminar in March 2012 to resolve these issues, see Farooqui and Schultz (2012).

Much of the scientific debate on commodification has been philosophical and the normative framing has sometimes become an obstacle to analysing empirical outcomes (Gómez-Baggethun and Ruiz-Pérez 2011; Dempsey and Robertson 2012). We combine a conceptual and empirical approach and analyse commodification in terms of how different instruments can be used for policy integration, i.e. integrating the value of biodiversity and ecosystem services into political decisions. PES and biodiversity offsets are often associated with high degrees of commodification. However, we find that the framing, design and purposes of these instruments can vary substantially, both theoretically and in practical implementation. We identify seven degrees of commodification:

0. No commodification (zero degree), including moral suasion and regulations (e.g. nature reserves) based on intrinsic values like human rights and insurance value of biodiversity;
1. Utilitarian framing, focusing on nature’s instrumental (anthropocentric utilitarian) value for human wellbeing;
2. Monetary valuation, i.e. demonstrating this instrumental value in monetary terms;
3. Quantitative restrictions and liabilities, e.g. nature reserves with a clear instrumental framing, or ecological compensation;
4. Taxes and subsidies, generally including PES;
5. Markets for ecosystem services, including biodiversity offsets and some PES;
6. Financialisation, where financial actors invest in units of conserved nature which are then fully abstracted and repackaged into financial instruments.

A government may use a PES to address a concern for non-measurable objectives like equity (supporting indigenous communities), precautionary principle, or safeguarding the insurance value of biodiversity. Alternatively, the purpose could be to reach a quantitative target in cost-effective ways or determine efficient levels of biodiversity and ecosystem services. The instrument (PES) is the same but the main purpose and decision-support vary. The subsequent design and implementation assign very different roles for the market which has different consequences for the degree of commodification and for political legitimacy. Since most PES are financed by governments (Milder et al. 2010) and the design often has little or no resemblance of neoliberalism, PES can often be understood as government subsidies.

Similarly, biodiversity offsets can be designed as a cap-and-trade scheme or as a liability (regulation). In the latter case ‘ecological compensation’ may be a more adequate term than ‘biodiversity offset’. In Europe, the most established version of this instrument is the German Compensation Pools and although this is sometimes referred to as ‘habitat banking’ (Conway et al. 2013:106) the same authors

admit that this program gives no role for the market, neither for determining price nor quality (pp. 113-114).

Monetary valuation is not needed for implementation of these two economic instruments just as the level of carbon taxes are rarely determined by a Pigovian analysis of external costs. The market rhetoric of PES and biodiversity offsets was first articulated by proponents of neoliberalism. For example, the well-known Costa Rican PES program *Pago por Servicios Ambientales* was launched in 1996 as a neoliberal market-based program but should more properly be labelled a government subsidy (Fletcher and Breitling 2012). However, critical theoretical scientific discourses in Geography and Political Ecology have unfortunately reinforced the neoliberal interpretation (Dempsey and Robertson 2012). The resulting confusion has contributed to the present controversy within the CBD. Our analysis suggests that these instruments can be designed and implemented in ways to fit the political and cultural context of various countries.

There are theoretical arguments for why markets fail to deliver public goods like biodiversity conservation and poverty alleviation. To avoid the confusion around the concept ‘market-based instrument’ when discussing public goods, we suggest it is replaced by ‘economic instruments’ since relying on the price signal is not the same thing as relying on the market (i.e. the price mechanism of competitive markets). Economic instruments like taxes, PES and ecological compensation should not by default be associated with the market or ‘marketization.’

Our framework for policy integration suggests how a specific policy instrument – be it nature reserve, tax, PES or ecological compensation – can be justified by different valuation methods (qualitative, quantitative, and monetary) and different purposes and views concerning the role of the market for biodiversity conservation. This flexibility enables economic instruments for biodiversity and ecosystem services to be adapted according to country-specific contexts.

References

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