



**Payments for
environmental
services (PES):
window for EU-
wide adoption?**

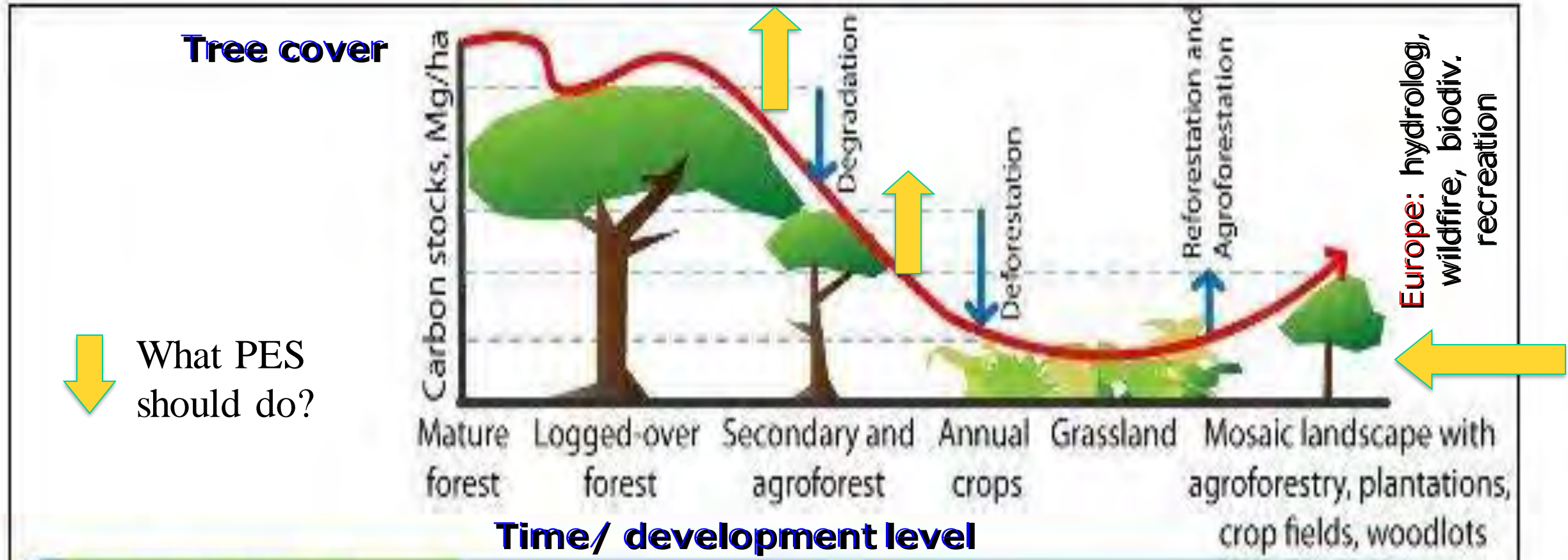


PES definition:

Wunder (2015)
Ecological Economics

1. Voluntary transactions
 2. between service users
 3. and service providers
 4. that are conditional on agreed rules of natural resource management
 5. for generating offsite services.
- ⇒ A narrow, prototype definition (Weber) for private PES
- ⇒ public PES: state/EU steps in on behalf of ES users (2)

PES, Europe & the forest transition



Forest PES experiences in Europe

- EU: Natura 2000/ Water Framework Directive/ LIFE+ / Rural Development Funds – paying for good forest mgt.
 - Finland, Sweden: METSO, KOMET– for change forest mgt.
 - Germany, Switzerland, Austria: watershed payments
 - Catalonia: protecting 'singular' (old) forests
 - Italy: Romagna Acque, Acqua Panna -- cleaner water
 - Portugal: cork oak mgt. for aquifers (Coca Cola)
 - Greece: fire prevention (SylvaMED & Newforex pilots)
 - Albania, Moldova, Georgia: CDM-like A/R subsidies
- => pilots, 'PES-like' initiatives & subsidy programs – at limited scale!

Elements for successful PES

Disaggregating the matter:

“Success” = emergence + impact

- Global literature review + quantified impact evaluation studies (Wunder et al. 2020)

Emergence – preconditions for PES

1. Willingness to pay > Willingness to accept
 - ES opportunity costs can be ‘bought out’
2. ES buyer and seller institutions work well
 - they self-organize, no free-riding....
3. Land tenure and access rights are safe
 - ES providers control resources

=> In Europe, private willingness to pay often limited by historical role of the state

Impacts – improving ES (& proxies)

1. Spatial targeting PES design
 - Enrol lands with high ES leverage
2. Differentiate payments design
 - customize to landowner costs, ES
3. Enforce sanctions for conditionality
 - often ill-enforced, moral hazard

=> In Europe, 2. is managed better than 1.
– for 3., we know very little.

Arguments **in pro of** an EU-wide PES system

1. **FES multifunctionality**: 85% of EU forests produce wood; ~90% are also accessible for recreation
=> PES can compensate across forest management tradeoffs
2. **Global FES priority**: Aggregate-scale FES, such as climate mitigation and biodiversity protection, are increasingly in society's focus
=> PES can deal with user free-riding problem
3. **Conservation opportunity costs**: biodiversity protection restrict use
=> PES can compensate for incomes foregone under strict protection
4. **Creating a CAP counterpart**: Agriculture dominates farm subsidies
=> Forest PES/ CAP reform can level playing field for environment

Arguments **against** an EU-wide PES system

1. **Legal competency**: forests remain more nested at national levels
=> What legitimacy for EU level PES? What pan-European baselines?
2. **Disaggregated FES uses**: Club-good ES, e.g. watershed or recreational benefits, are locally dimensioned
=> Local level PES justified, rather than having EU pay
3. **Financing**: Is this the right moment to add spending commitments (Green Deal, post-pandemic, warfare)?
=> Would Europe's citizens be willing to tax-pay for FES?
4. **Global FES (in)efficiency**: Little biodiversity left, slower CO2 uptake. => REDD+/ tropical PES would pay off more for global environment
5. **Baseline issues**: Even without PES, Europe's forest cover has grown massively on abandoned agricultural lands, capturing carbon for decades
=> Limited carbon additionality, paying (once again) for 'hot air'?

‘What-if’ principles for possible EU-wide PES

1. **Pre-agree on systemic objectives:** forests vs. landscapes? Stand-alone, or embedded into general land-use/ CAP reform?
2. **Clarify sources of finance:** EU vs. member state contributions
3. **Scale innovative design:** new contracting mechanisms (e.g. reverse auctions), used in SINCERE and NOBEL, are both cost-efficient and voluntary/ flexible – but they need to be upscaled – courage!
4. **Set FES foci:** In PES schemes, typically some ES ‘lead’: biodiversity in EU case? Consultative processes of ES prioritization are needed.
5. **Adopt generous time horizons:** Sufficiently long-term contracts are needed for both ES delivery and forest owners’ forward planning