

Payment for Ecosystem Services

Policy instruments to ensure the provision of ecosystem services are often categorized according to a trilogy that includes “sticks” (i.e. top-down policies, such as laws, regulations, restrictions, etc.), “carrots” (i.e. incentives) and “sermons” (i.e. best practices and guidance). Carrots, and in particular market-based instruments (MBIs) for the promotion and enhancement of ecosystem services have gained momentum in recent times. Among them, Payments for Ecosystem Services (PES) play a central role.

Different PES definitions have been proposed in the last ten to twelve years: an overview of these definitions is available (among others) in [Derissen and Latacz-Lohmann \(2013\)](#) and in [Wunder \(2015\)](#). A largely adopted definition is the one developed by [Wunder \(2005\)](#), according to which a PES is:

1. a **voluntary transaction** where;
2. a **well-defined ecosystem service** (or a land-use likely to secure that service);
3. is ‘bought’ by a (minimum of one) ecosystem service **buyer**;
4. from a (minimum of one) ecosystem service **provider**; if and only if
5. the ecosystem service provider secures ecosystem service provision (**conditionality**).

For example a water supply company (3. the buyer) negotiates and signs a contractual agreement (1. voluntary transaction) with up-stream farmers and forest managers (4. the providers) to pay them for the adoption of appropriate management practices (e.g. shift to organic agriculture, set-aside of river buffers, less intensive harvesting operations, etc.) (5. conditionality) that have positive effects on quality of water (2. well-defined ecosystem service) provided to downstream users.

The number of pure PES, i.e. PES meeting all five requirements included within Wunder’s 2005 definition, implemented is still limited, while quasi-PES (or PES-like), i.e. initiatives lacking one or more of these requirements, are much more common. Quite often, for example, quasi-PES initiatives are developed within an existing normative or policy framework that require their implementation, i.e. the agreement is not fully voluntary. Statistics and data on global markets for ecosystem services, including PES initiatives and other MBIs are developed by several entities, a prominent example being [Ecosystem Marketplace](#). Outlook studies on European markets for ecosystem services have been developed within the framework of Erasmus+ [Ecostar Project](#).

Barriers in the development of PES initiatives have been categorized into ([DEFRA, 2011](#)):

- Informational, e.g. lack of awareness among beneficiaries and providers,
- Technical, e.g. scientific uncertainty regarding the link between ecosystem functioning and the provision of ecosystem services, baseline definition, leakage, ecosystem service valuation, excludability and free riding, shortage of skills and experience in ecosystem service management,
- Spatial, e.g. spatial variability of ecosystem services,
- Temporal, e.g. permanence of management effects on ecosystem service, time lags between management solutions and effects on ecosystem services, etc.,
- Financial, e.g. high-start-up and transaction costs,
- Institutional and governance, e.g. the complexity of the policy framework/context and the definition of new roles/responsibilities for actors dealing with ecosystem management and new opportunities for public-private partnerships. This includes a new role and much higher level of multi-level and multi-sectoral governance by public institutions,
- Legal, e.g. definition of property rights,
- Cultural, e.g. ecosystem services are often given for granted and people are not willing to pay for them,
- Equity, e.g. possible unfairness in the distribution of PES revenues, with limited benefits for

ecosystem managers.

Ethical issues have also been discussed with regard to PES and the possible risk of financialization and commodification of nature (Kill, 2014).

A combination of different policy instruments -including sticks, carrots and sermons- is likely to be required for the responsible management of ecosystems and the provision of ecosystem services. Despite many barriers and (potentially) limiting factors PES -and more in general MBIs- can be part of this policy mix, finally contributing to human wellbeing, also in Alpine areas.

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