

# Valuation of biodiversity and associated ecosystem services

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# 28

AN EXPLORATION OF TOOLS AND  
METHODOLOGIES FOR VALUATION OF  
BIODIVERSITY AND BIODIVERSITY  
RESOURCES AND FUNCTIONS



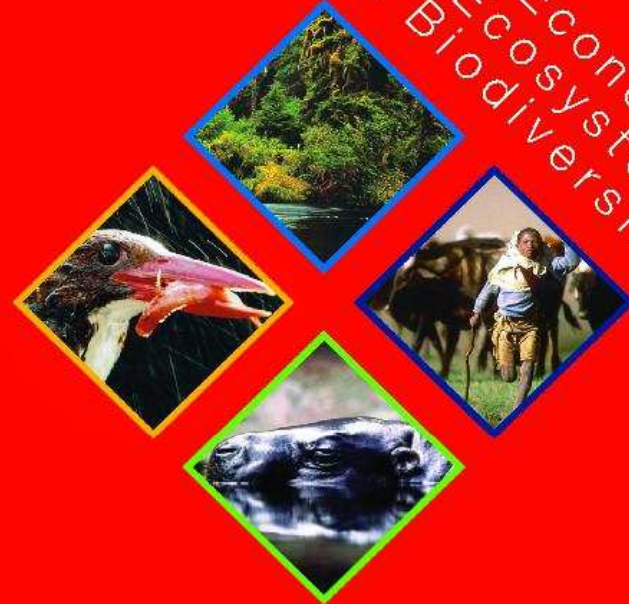
## Options for the Application of TOOLS FOR VALUATION OF BIODIVERSITY and Biodiversity Resources and Functions

**B**iodiversity and its resources and functions generate substantial ecosystem services many of which are not traded on markets and whose value is therefore not reflected in market prices. Consequently, private and public decision-making and the allocation of funds will be distorted if the repercussions of activities on biodiversity resources and functions, and the associated ecosystem services, are not adequately taken into account. This distortion is an important underlying cause of biodiversity decline. Undertaking valuation of biodiversity resources and functions and the associated non-marketed ecosystem services has the potential of improving private and public decision-making, thereby contributing to the target of the Convention to significantly reduce by 2010 the current rate of biodiversity loss.

**TOTAL ECONOMIC VALUE (TEV)** Most public and private resource management and investment decisions are strongly influenced by considerations of the monetary costs and benefits of alternative policy choices. Undertaking valuation should seek to address the relevant components of the Total Economic Value of non-marketed ecosystem services, bearing in mind that the concept of Total Economic Value includes both the direct and indirect use value as well as non-use value of ecosystem services and hence goes beyond the immediate benefits of commercial exploitations of biodiversity resources. Decisions can be improved if they are informed by the economic value of alternative management options and involve mechanisms that bring to bear non-economic considerations as well.

The options of valuation tools provided in the accompanying table should not be taken as a closed set of tools, considering the evolutionary character of this field.

The Economics  
& of Ecosystems  
& Biodiversity



TEEB FOR LOCAL AND REGIONAL  
POLICY MAKERS

## Aichi target 2 of the Strategic Plan

“By 2020, at the latest, biodiversity values have been integrated into national and local development and poverty reduction strategies and planning processes and are being incorporated into national accounting, as appropriate, and reporting systems.”

There are different types of biodiversity values...

*“...the intrinsic value, ecological, genetic, social, **economic**, scientific, educational, cultural, recreational and aesthetic values of biological diversity and its components;” (decision X/3, paragraph 9 (b) (ii))*

→ but for now we will focus on economic values

# What are economic values?

## Some important observations...

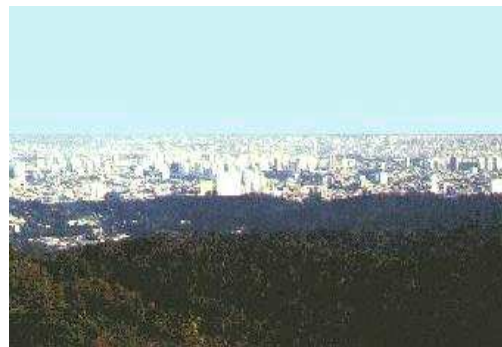
### Economic value $\neq$ commercial value

- individuals may assign value for different reasons, not only for immediate benefits of commercial exploitations of resources;
- what matters to economists is whether they are willing to give up something of value (e.g. money) in exchange for biodiversity/ecosystem services: “willingness-to-pay”

### Valuation $\neq$ monetization

- other ‘payment vessels’ possible  
combination of qualitative or semi-qualitative methods

# What is this?



***A water purification plant***

***A flood control  
mechanism***

***A paradise for flyfishing***

***A food production factory***

***An aesthetic pleasure***

***A god***

***A sports facility***

***A pollinator***

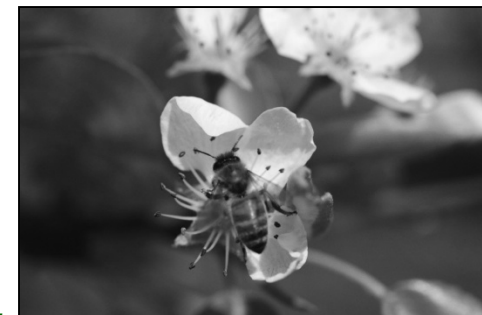
***A scientific breakthrough***

***An air conditioner***

***One ecosystem***

***→ many different services  
and benefits***

***→ require different approaches/tools  
to valuation***



# Why undertaking (economic) valuation?

Some ecosystem services are traded and valued on markets...

e.g., some, but not all, provisioning services

...but many others are not:

- because they are public goods, where nobody can be excluded from their use and markets cannot form easily, thus there is
- no price signal that indicates scarcity of biodiversity:
- hence no or weak incentives for individual conservation/sustainable use efforts:

***(Economic) valuation should reveal more clearly “hidden” biodiversity values for better decision-making***

# Limits to (economic) valuation...

The **advantage** of economic valuation is that it puts biodiversity values 'on an equal footing' with other economic benefits and costs, BUT:

**Some values cannot be measured...**

(e.g., intrinsic, religious values)

...but need to be **recognized** nevertheless.

**Others can be measured but are difficult to monetize...**

...their values need to be **demonstrated** (by other tools).

**Still others can be measured and monetized...**

...their value can be demonstrated by applying economic valuation tools.

# Total Economic Value (TEV)

TOTAL ECONOMIC VALUE (TEV)

USE VALUE

NON-USE VALUE

| TEV CATEGORIES                         | Direct use value<br>Consumptive,<br>non-consumptive  | Indirect use value   | Option value   | Existence value<br>Bequest value<br>(for future generations)         |
|--|--|--|--|--|
| <b>EXAMPLES<br/>for Biodiversity</b>   | Hunting<br><br>Fishing<br><br>Timber harvesting<br><br>Harvesting of non-timber forest products<br><br>Harvesting of biomass<br><br>Recreation/tourism | Watershed protection<br>(erosion control, local flood reduction, regulation of streamflows, storm protection)<br><br>Ecological processes<br><br>(fixing and cycling of nutrients, soil formation, circulation and cleansing of air and water, climate regulation, carbon fixing, global life support) | Genetic resources<br><br>Old-growth forest (irreversibilities!)          | Charismatic mega-fauna (whales, great apes, etc.) and their habitats |
| <b>COMMONLY USED VALUATION METHODS</b> | Change in productivity, cost-based approaches, hedonic prices, travel cost, stated preference methods  | Change in productivity, cost-based approaches, stated preference methods   | Change in productivity, cost-based approaches, stated preference methods | Stated preference methods  |



# Valuing biodiversity, ecosystems, or ecosystem services?

Valuing ecosystem services is easier than valuing biodiversity

Role of biodiversity in ecosystem functions, and role of ecosystem functions in providing ecosystem services

Valuing individual ecosystem services is easier than valuing whole ecosystems

Stock vs. flow;

Achieving comprehensiveness while avoiding double-counting;

Net present value and the role of discount rates.

# Applications of valuation

## Awareness raising

Stand alone valuation exercise, for instance of one or a few ecosystem services which are key in the specific national context

See also Aichi target 1

## Project level

Project appraisal: integration into economic decision-making tools

- Cost-benefit analysis (CBA)

- Cost-effectiveness analysis

- Correcting prices (e.g. entry fees for national parks)

## Programme/policy level

- Integration into/interaction with other assessment tools (SEA)

- Development of (sector) strategies and planning processes, land use planning

- Integration into national accounting (SEEA)

# Valuation and national accounting

- UN SEEA (System of Integrated Economic and Environmental Accounts)
- Latest version 2003, currently under review
- Strengthening ecosystem components one goal of the review
- Environmental accounts are satellite accounts and mainly bio-physical
- Some sectoral accounts are operational and being implemented by countries (e.g., water), including countries in the region
- Strengthen ecosystem (service) components in existing sectoral accounts?
- Global Partnership on Wealth Accounting and the Valuation of Ecosystem Services (WAVES)

# Valuation: a flexible approach

Considering using the following (comparatively simple) tools:

- Existing market data: for many direct use values (e.g.: local market prices for many NTFR; tourism revenues;...)
- Cost-based approaches: e.g. replacement cost associated with the loss of indirect use values
- Travel cost approach for tourism/site-seeing
- Benefits transfer: for rapid assessments, and with due caution
- Change-in-productivity method: for important indirect use values when good scientific data is available

# Towards implementing Aichi target 2

- ✓ Define the national target in accordance with national priorities
  - Agree on role and extent of economic valuation (see 'flexible approach')
- ✓ Options for implementing activities
  - Integration into national guidelines for application of appraisal tools (CBA, CEA, SEA);
  - Showcase critical values (e.g. on key ecosystems) at national or sub-national level;
  - Prepare 'national TEEB' and feed results into revisions of PRSPs etc.;
  - Establish or strengthen cooperation with statistics offices; explore opportunities to strengthen ecosystem components in sectoral green accounts (water, forests, land);
  - Build capacity;

# Questions

- ✓ What are the most important sectors for applying (economic) valuation in your country (e.g., awareness-raising, application within CBA/CEA, SEA, land use planning, green accounting)?
- ✓ What are the most important ecosystem services in your countries valuation could be useful?
- ✓ Have valuation studies already been undertaken in your countries? Is there a need to update or broaden them?
- ✓ Is valuation being used systematically to inform policy-making? If not, in which areas does it need strengthening and what are the gaps?

# Exercise

**Please develop a possible template for a national target implementing Aichi target 2**

**What could be the milestones in implementing this target?**