

Conference: May 31, 2011 at Beurs van Berlage (Social Capital Markets)

Panel Topic: Building Wealth for People & Planet by Restoring and Protecting Nature

Panel Description: Markets for environmental services – \$2 billion annually for biodiversity, \$147 billion for carbon offsets, and \$9.3 billion for water – are emerging worldwide alongside corporate greening strategies that are responding to the conscientious consumer seeking to value and correct the pollution that has previously been considered ‘an externality’ of development. Come hear from a new generation of nature’s social entrepreneurs leveraging these markets to reduce economic poverty while building nature’s capital. This panel will share specific experiences from Mexico, Honduras, Peru, and India on how business, government, and civil society organizations are using market-based mechanisms to invest in base of the pyramid (BoP) social enterprises furthering environmental protection and restoration.

Moderator & Panelists: Shaun Paul (Moderator), Co-Founder of *EcoLogic*, www.ecologic.org/; Martha “Pati” Ruiz Corzo, Director of *Sierra Gorda*, www.sierragorda.net; Natarajan Ishwaran, Director of Division of Ecological and Earth Sciences, *Unesco*; Alexis Kryceve, Co-Founder of *Pur Projet*, www.purprojet.com

Design, Methodology, Approach: This session was designed to highlight interesting cases in natural resource management across different geographies. The approach was oriented towards reports and expert opinions from panelists.

Main Panel Discussion Points: The panel spent time highlighting varied cases in which natural resources (water and forests, as two prominent examples) could be preserved by communicating through the lens of market-based mechanisms. Martha Corzo opened the session, explaining the role of natural capital, with the idea that communities must be compensated as ecosystem providers to take care of forests, and prevent fires, etc. Citing her work with Sierra Gorda in Mexico, communities have engaged in commercial tree planting, soil regeneration, and the protection of springs. One of the local projects promotes compensation to local forest owners for the provision of environmental services including carbon offset sales.

As a follow-up, one audience member questioned if the Kyoto clean development mechanism could make carbon markets work for these communities in other places. Could Sierra Gorda lead by example? Challenges remain in ensuring that there is sufficient access to information to all stakeholders involved.

Shaun Paul (EcoLogic) then brought into focus the idea of trading water. Off the north coast of Honduras, about 200 communities live around a national park and their vision is to manage their micro watershed to cooperatively manage the ecosystem. This year, the downstream communities are paying their upstream neighbors to manage their water: selling water services into local markets. This could equate to 6 million USD worth of trade-able water credits.

Of the models that are positioned to take off in international markets, Alexis Kryceve (Pur Projet) highlighted forest carbon and carbon offsets. His work aims to help small scale producers diversify and increase their revenue by replanting and maintaining the world’s most threatened

forests. Consider planting trees with private investment that then provides attractive returns (via tropical hardwood and converting cattle pastures). In so doing, there is an opportunity to preserve the forest while stimulating local economic conditions for marginalized communities. He believes that to improve the revenue of such producers, we “have to do more than provide raw materials.”

Outcomes & Analysis: From a global perspective, there are models that have worked on a relatively micro scale, as in Peru and Honduras, and such cases hold significant potential to replicate across different regions. The benefit of growing this industry is not only in unlocking capital markets to protect environmental assets, but in providing livelihood opportunities to economically marginalized communities that live in close proximity to such assets. To capture the global perspective, Mr. Ishwaran (UNESCO) pointed out that we can look to the biosphere reserves internationally as an exchange for knowledge and experiences on sustainable development innovations across country and continent borders. Alongside the more well-known carbon offset credits, there seems to be growing opportunities in biodiversity credits, and certified sustainable agriculture.

At the conclusion of the session, many of the panel members lingered on the question of how to effectively channel private investment into public goods – some even asking if there will be a sizable market for REDD. Shaun Paul (EcoLogic) outlined that while it has the potential to create some interesting products, the biodiversity segment is relatively nascent and not very well developed. To jumpstart domestic and international trading in these segments, identifying and designing appropriate financial vehicles will become critical.

Does impact investment + carbon finance = poverty reduction, and the ability to generate returns?

Keywords: Environmental protection, developing countries, BoP, economic development

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