



Australian case study: Tasmanian Forest Conservation Fund

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Overview

- Policy problem.
- Key elements.
- Effectiveness and efficiency.
- Key lessons.



Policy problem

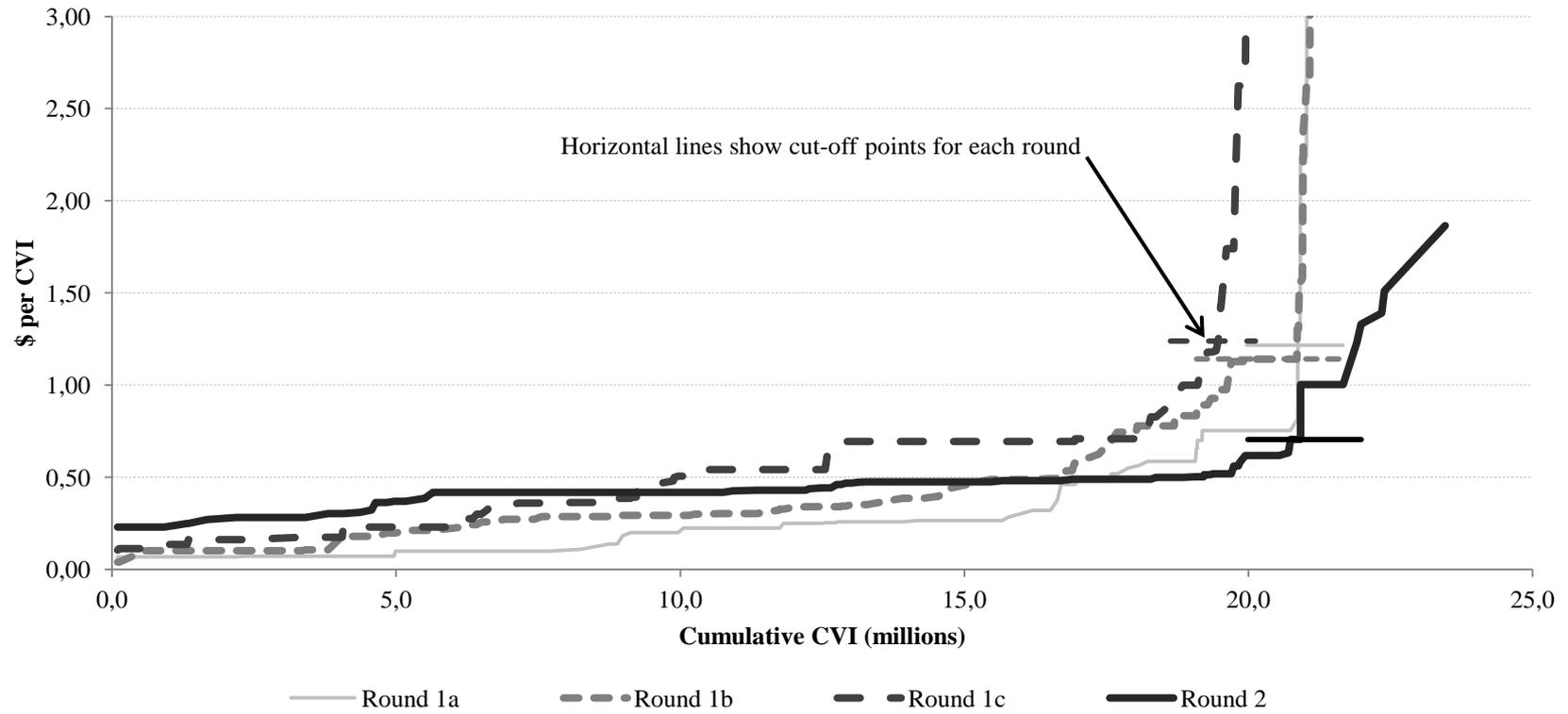
- Under-provision of native vegetation within protected estate in Tasmania.
- Existing institutional arrangements allow for forestry of native vegetation with high conservation values.
- Need further protection of native vegetation to meet policy targets (regulations to ban *all* clearing would be economically inefficient).
- Insufficient private incentives to protect high value biodiversity.
- High variability in environmental benefits and opportunity costs for different parcels of native vegetation.
- Policy decision to create a PES market.

Key elements

- Mechanisms: reverse auction (4 rounds) and take-it-or leave it offers (based on prices from reverse auction).
- Competitive market developed (marketing, capacity building for landholders, multiple mechanisms to meet landholders' preferences, and field visits).
- Assessment of conservation values via metric (conservation values index). Focus on current values, improvements via management, and security).
- Securing outcomes via covenant (tied to land title) and management agreement.
- On-ground delivery of FCF by third parties.

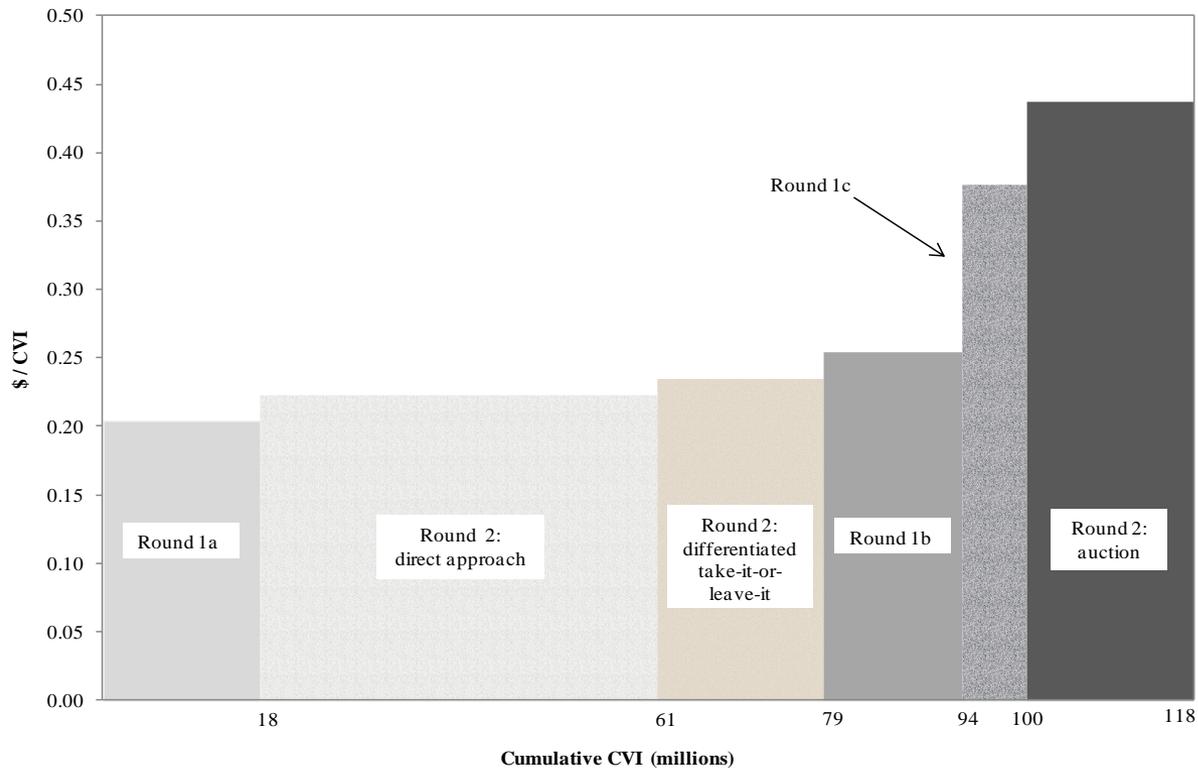
Effectiveness & efficiency

- Effective markets created (participants, price variability, quality of bids).



Effectiveness & efficiency

- Area secured 28,900 ha (63% of target).
- Once market price created via reverse tender, more direct approaches possible.



Lessons

- Incremental cost of moving from basic grants approach to sophisticated PES approach with CVI was about \$0.5 million (1% of total program budget), but:
 - achieved 52% more biodiversity benefits compared from FCF compared to first-in-first-served approach (measured on a CVI basis)
 - CVI to underpin selection achieved 19% more biodiversity benefits than using an area based assessment (measured on a CVI basis).
- Use of multiple rounds to allow for lessons and adaptation of reverse tender and establishment of ‘market price’.
- Need multiple tools to match expectations and impediments of landholders.
- Need to develop capacity of participants in PES schemes.
- PES schemes a continuous learning process – design to fit circumstances.

Questions