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ESTADOS UNIDOS MEXICANOS
LXIII LEGISLATURA

Valuing Nature's Blessings

Pavan Sukhdev

Founding Trustee, GIST

& UNEP Goodwill Ambassador

Activar la economía local enfrentando el cambio climático

Mexico City, Mexico

7th March 2017

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Why Valuation Matters?

"I believe that the great part of the miseries of mankind are brought upon them by false estimates they have made of the value of things."

Benjamin Franklin

"Everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted."

William Bruce Cameron

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Not the TEEB perspective on Valuation…

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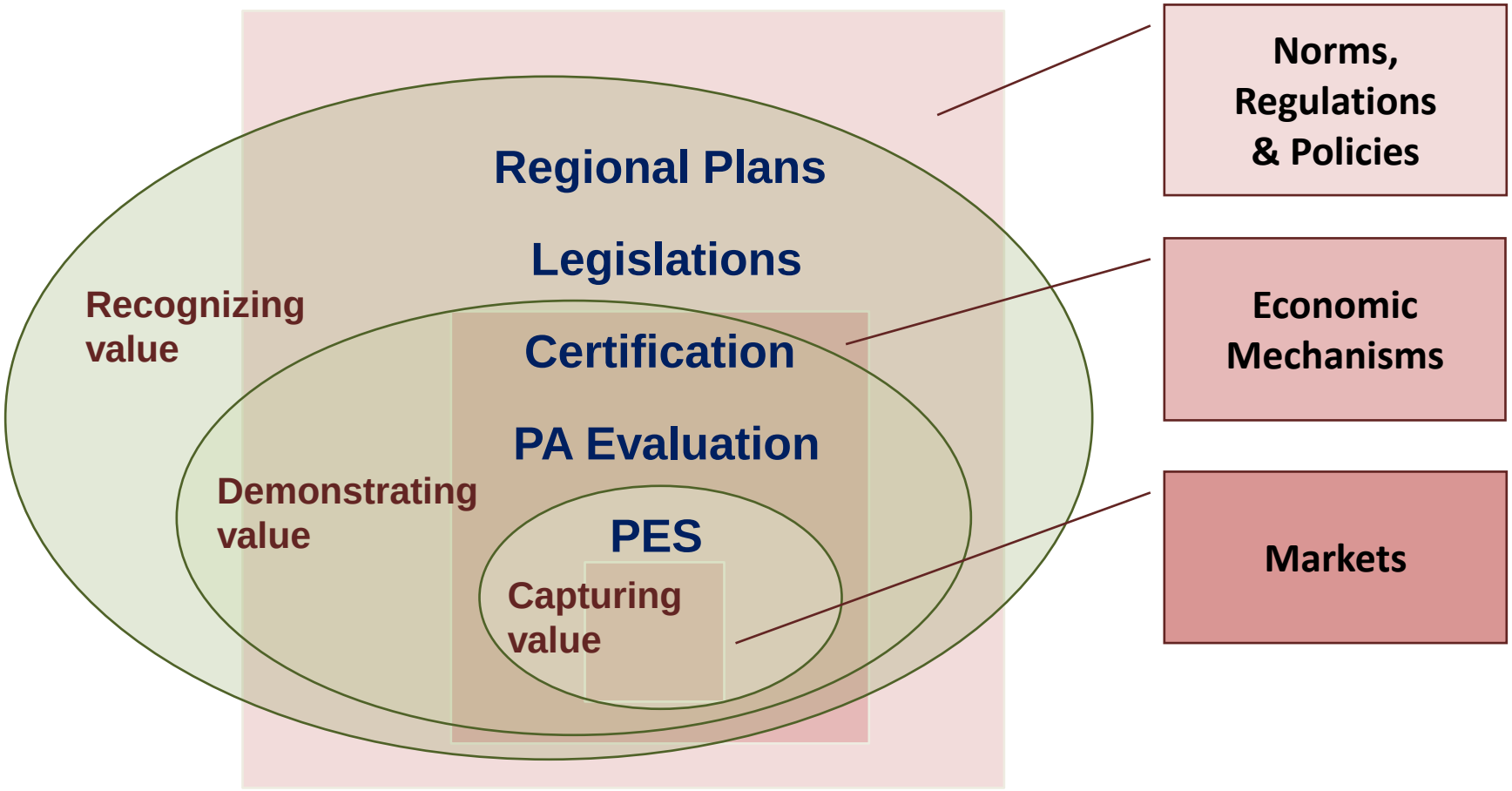
Valuation Vs. Pricing

- ***Value ("valor")*** *is the worth to you of what you receive.*
  - *"Valuation is a human institution"* (TEEB)
- ***Price ("precio")*** *is what is paid for the value you receive*
  - *Markets* provide prices for *private* goods and services, not *public* goods
  - *Nature* provides its valuable *public goods and services* for free, so there is *no price*!

Image Source: www.goo.gl/oQuEw4

The TEEB perspective on Valuation



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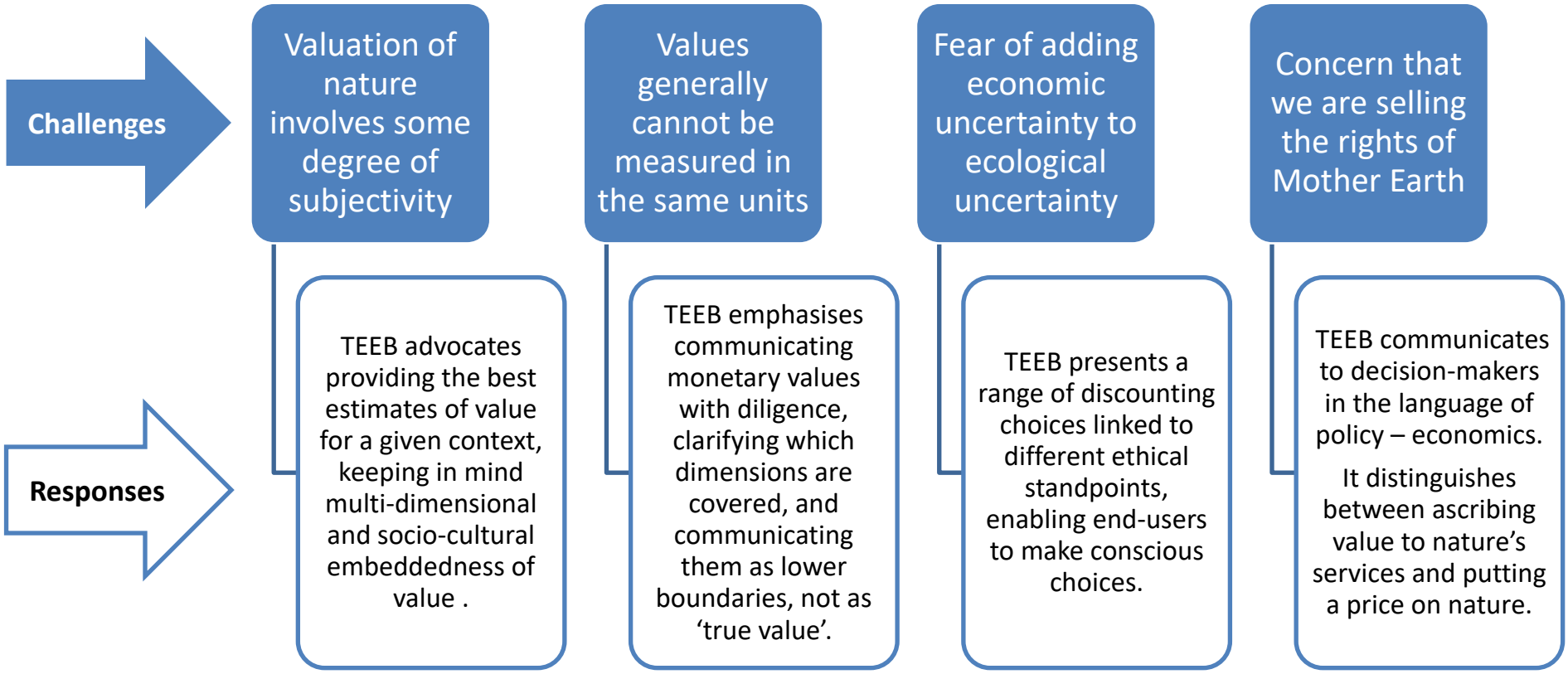
TEEB: Challenges and Responses



Sukhdev et al. (2014)

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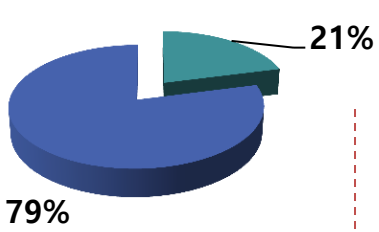
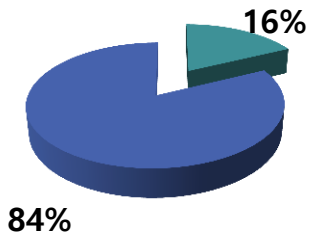
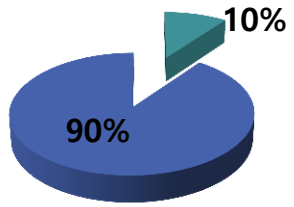
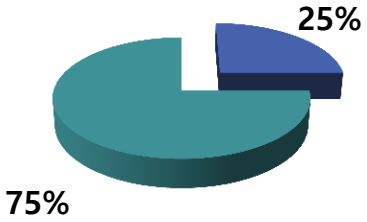
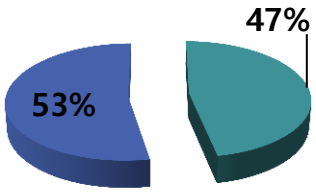
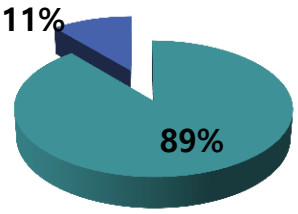
"GDP of the Poor"

	Indonesia	India	Brazil
Agriculture, Forestry, Fisheries as a % of conventional GDP			
"Ecosystem services dependent" population	**99 million**	**352 million**	**20 million**
Ecosystem services as a % of "GDP of the Poor"			

Ecosystem services

Source: Gundimeda & Sukhdev, Ch.3, The Economics of Ecosystems and Biodiversity for National and International Policy Makers (2009)

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GDP of the Poor in practice

Rattan: A non-timber forest product

Measuring household income
Pulang Pisau, Central Kalimantan | Indonesia

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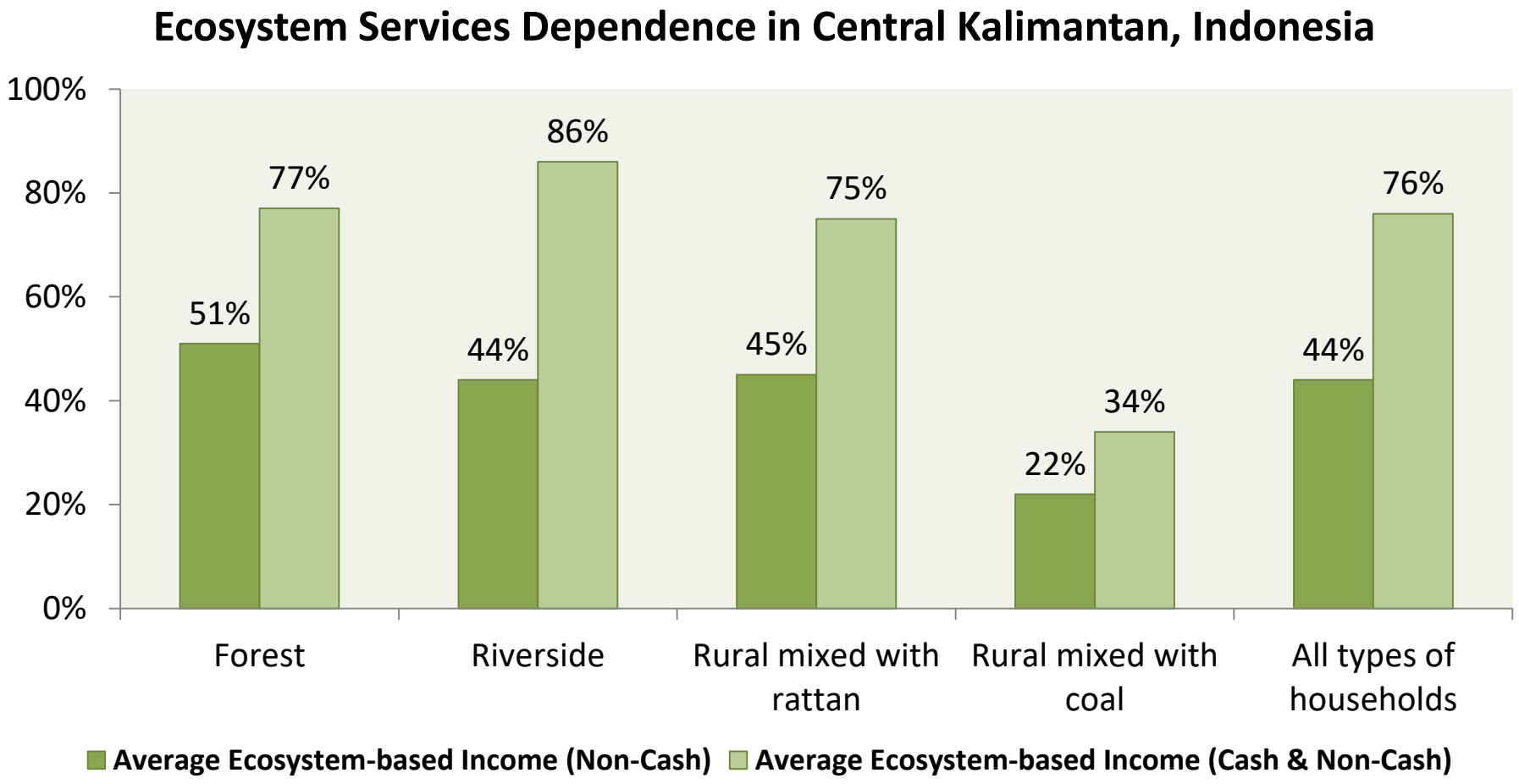
GDP of the Poor in practice



Source: Sukhdev et al (2014)

Natural Capital Protocol (NCP)

Natural Capital Coalition (NCC), *earlier* TEEB for Business Coalition, in 2014 launched a 2-year project to prepare and test a global framework and guidelines for measuring and valuing environmental impacts (externalities) and dependencies.

Work-streams

Lot 1	Global natural capital valuation framework **('Protocol')**
Lot 2	Sectoral valuation guidance for **Food & Beverage**
Lot 3	Sectoral valuation guidance for **Apparels**
Lot 4	**'Protocol' Pilot Tests** with projects across many sectors

These work-streams were coordinated by to two groups of experts led respectively by **WBCSD** and by **IUCN** and presented the "NCP" in July 2016

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Some Uses of Valuation…

- **Managing business impacts and dependencies on Nature** : *measuring materiality to prioritize corporate responses to business impacts, business dependencies and societal impacts ("negative externalities")*

- **Payments for Ecosystem Services (PES)** : *setting fair compensation for actions that generate public benefit at private cost ("positive externalities")*

- **Terrestrial Carbon Mechanisms (Green Carbon):** *integrating carbon sequestration in forests and farms into nationally appropriate mitigation actions (NAMAs) & Paris targets (NDCs)*

Payment for Ecosystem Services (PES) in Mexico

Payment for Ecosystem Services (PES) is a mechanism to provide incentives to protect ecosystem services by compensating landowners or managers who adopt practices that help conserve ecosystems (TEEB, 2010).

- Mexico introduced PES with two initiatives of National Forestry Commission (CONAFOR)
  - The **Hydrological Ecosystem Services Program** (PSAH) in 2003, and
  - The **Program to Develop Ecosystem Services Markets from Carbon Sequestration and Biodiversity** (PSA-CABSA) in 2004.
- Between 2003 and 2011, CONAFOR implemented **5,085** projects covering an area of over 3 million hectares under PES programmes.
- Indigenous and local communities own **70 percent** of Mexico's forests (FAO, 2010). PES provides an opportunity of alternative livelihoods that are sustainable.

Nationally Determined Contributions (NDCs) in Mexico

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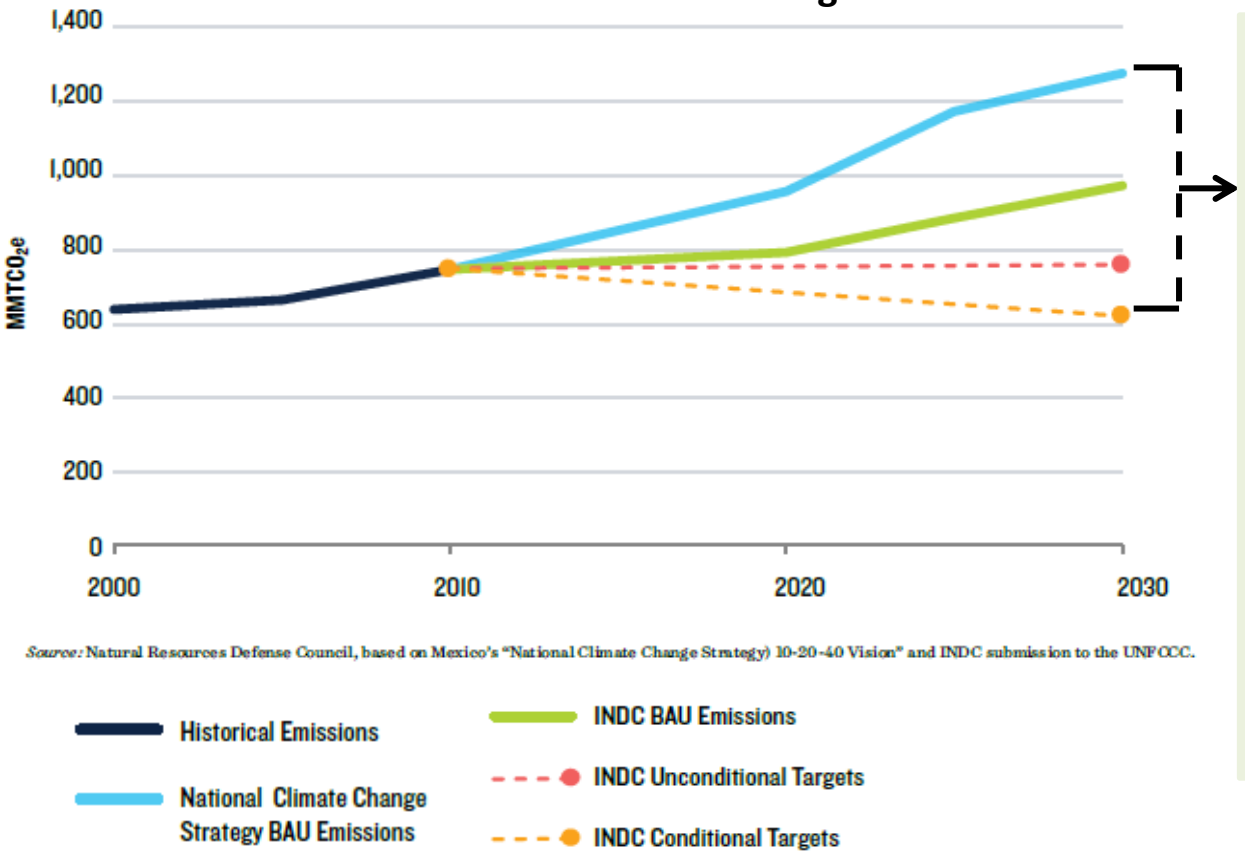
Mexico's NDCs : Reduction in GHG and Short Lived Climate Pollutants	Base Year	Target Year
Unconditional – 25 % Conditional – 40 %	2013	2030

Mexico's GHG Emissions Including LULUCF



Source: Natural Resources Defense Council, based on Mexico's "National Climate Change Strategy) 10-20-40 Vision" and INDC submission to the UNFCCC.

- ***market & fiscal mechanisms needed for Mexico to reach its Paris climate goals***
- Mexico's 2018 "Certificados de Energía Limpia" (Clean Energy Certificates) a step in the right direction…
- to match demand & supply equitably & effectively, a robust **domestic carbon mechanism** is essential

Carbon Mechanisms: Some Important Questions

Ethics: Should climate change mitigation be seen as a corporate philanthropic option, emitting agents' responsibility, or governments' responsibility?

- *Polluter Pays* Principle
- Corporate externalities are the biggest "free lunch" in human history
- Externalities of global primary production and processing sectors is USD 7.3 trillion costs (Trucost, 2013)

Quantities: What are appropriate annual ***volumes*** of emissions reductions vs BAU?

- Paris Agreement: INDCs will achieve only 50% of required CO_{2e} reductions to stay within 2°C target

Prices: What are appropriate ranges for Carbon ***prices***, to incentivize reductions, penalize third-party costs, provide fair compensation for mitigators?

- **Social Cost of Carbon** / Shadow Price estimates (/tonne CO_{2e})
  - Stern (2006): USD 85
  - UK: GBP 25 (SPC, 2007) to GBP 78 (2030)
  - US-EPA: USD 50 (2030; 3% Discount Rate)

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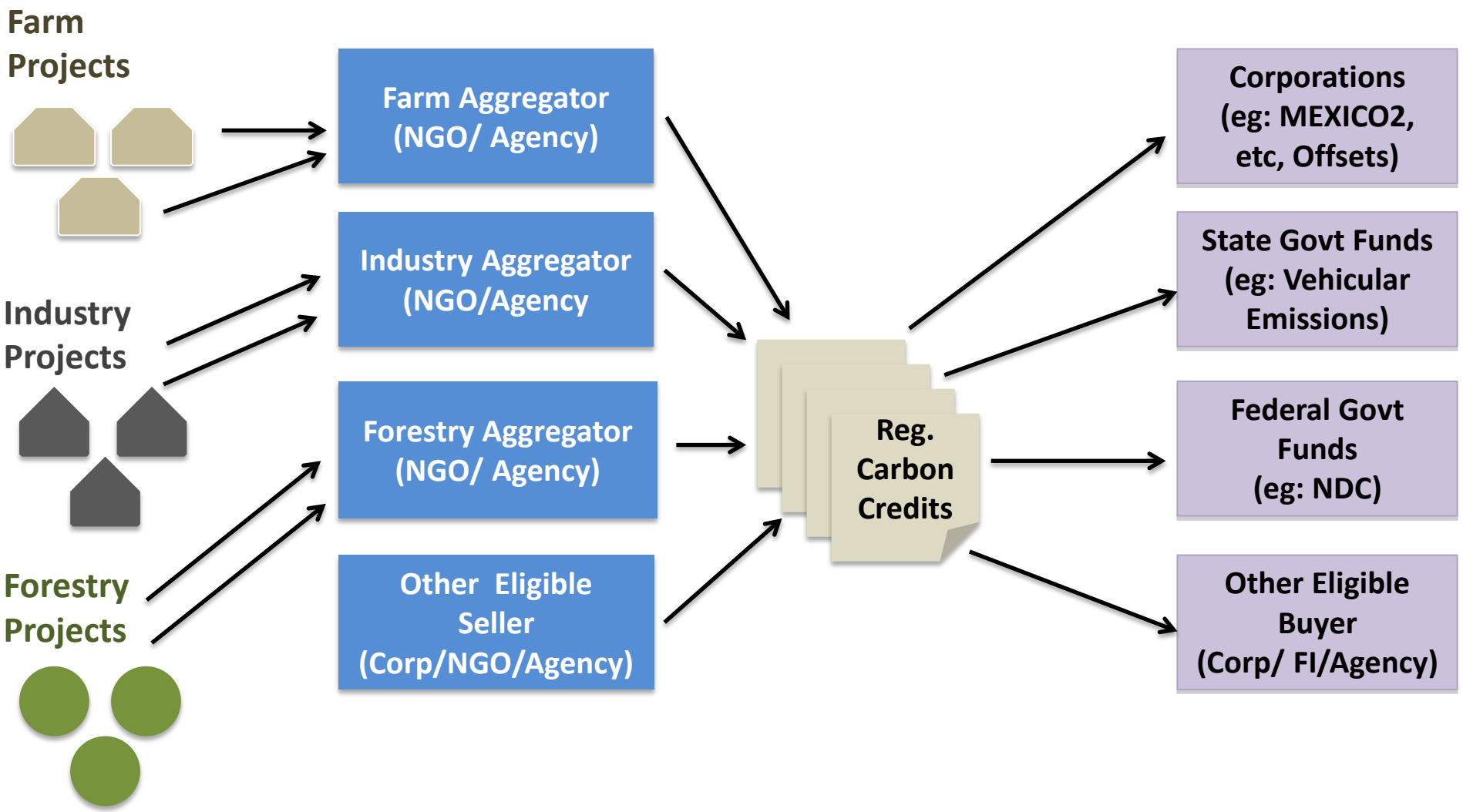
Possible structure to achieve NDCs: *Domestic* Carbon Mechanism?



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Thank You!

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/PavanSukhdev

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