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**“Visions and Design”  
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# **Public Goods from Private Land Report of the RISE Task Force**

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# Public Goods from Private Land

## our seven messages

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- ❑ Most of Europe's land is managed
- ❑ Pervasive market failures surround this management
- ❑ The scale of response to date is grossly inadequate
- ❑ The failures are expected to grow
- ❑ Best to view failures as public environmental services
- ❑ What are the incentive structures to get them delivered?
- ❑ The response & budgets must be largely via the EU

# Scale of the environmental market failures - Global

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- **Constanza *et al* (1997)**
  - Global ecosystem services worth between \$16-54trillion, 1.8 x GDP
- **WWF (2005) Living Planet report**
  - Global footprint 30% > global biocapacity  
Biocapacity refers to the capacity of a given biologically productive area to generate an on-going supply of renewable resources and to absorb its spillover wastes.
- **Stern (2006) Economics of climate change**
  - Costs & risks if inaction equiv to 5% of GDP/yr
  - Cost of action can be limited to 1% of GDP/yr
- **UNEP Millennium Assessment (2003)**
  - Substantial and largely irreversible loss of biodiversity
- **The Economics of Ecosystems & Biodiversity**
- **TEEB (2008)**
  - COPI by 2050 compared to 2000 €14tr, 7% GDP pa

# Scale of the environmental market failures - European

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- **Defra (2008) Environmental Accounts for UK agriculture**, figures are annual flows for 2007
  - +£1.2b; -£545m; net +£645m ~12% GVA
  - and -£2b air emissions (different calc<sup>n</sup>. basis)
- **Roewer (2008) Environmental protection expenditure by Industry in the EU 1997-2004**
  - In 2004, €45.6b, 0.4% of GDP, 2.4% of GVA
  - Manufacturing 80%, Elect, gas & water 17%, mining 3%
- **Scale of corrective action does not match the scale of the problems**

# Conceptual frameworks don't get us as far as we would like

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- Which economics approach is it best to use:
  - **Market failures:** divergences in social & private, costs & benefits
  - **Externalities:** negative and positive
  - **Public goods** display 2 characteristics:
    - Non-rival* – if the good is consumed by one person it does not reduce the amount available to others.
    - Non-excludable* – if the good is available to one person, others cannot be excluded from the benefits it confers.
- Defining the reference point very difficult
  - Confounded by 'cross compliance'
- Few robust generalisations; tools for each application

# Complexity of the land-based public goods

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- Multi-dimensional; complex; interactive and dynamic
- Mix & scale of the problems varies across space & time
- Valuation of these goods is very different across the EU
- Examples of two sorts of interaction which pose challenges
  - Steps to reduce GHG emissions in livestock sector may increase water pollution and degrade landscape.
  - Actions to increase positive externalities may assist reduction of negative externalities.
- Valued at different scales

# Diversity of economic development levels in the EU

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- Strong heterogeneity amongst the EU Member States in
  - development levels,
  - dependence on agriculture;
  - environmental problems
  - and use of Rural Development Programmes
- Even in the EU-15 in RDPs 2000-2006, range in use of agri-environment (axis 2) measures
  - Sweden, Austria, Finland, UK 85 – 78%
  - Greece, Belgium, Netherlands 25 – 30%

# Motives of land managers

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- To survive, pass on their business to children
- Fundamentally self define as food producers
- Reluctance to deliver environmental public goods
  - Weak internal motivation: 'park keepers'
  - Unconvinced of durability of public demand for EPGs
  - Paradoxical dislike of reliance on public purse
  - Strongly believe this leads to bureaucratic strangulation
- CAP pillar 2: inaccessible; bureaucratic & leaky

# Instruments to deliver Environmental Public Goods

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- **Direct delivery** by Clubs, Trusts and Societies
- **Incorporate into commercially marketed goods and services**
  - As by-product of commercial farming – incidental delivery
  - As organic food or Integrated Farm management systems
  - Through commercial food labels with environmental service
  - As part of recreational services: hunting, shooting, fishing
- **Public payment** for EPGs - big experience already being gained
- **Create environmental 'markets':**
  - Cap and trade - GHG
  - Floor and trade
  - Offsets or Habitat banking
  - Contract for services e.g. Flood protection
- **Regulation:** all the above require some regulation

# Criteria for choosing amongst instruments

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- Of course: cost effectiveness, but also
- Degree of publicness
- Engel *et al* list of problems to avoid:
  - Social inefficiency
  - Lack of additionality
  - Leakage
  - Lack of permanence
  - Appropriate targeting
- And also who should pay?
  - Citizens, consumers, users, producers or taxpayers

# Finally, is this an EU concern or a matter for Member States?

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- We offer five arguments for there to be a prime role for the EU in environmental service delivery
  - **Cross boundary** nature of nature
  - **Common Interest** in the environment in the EU
  - **Competitiveness** and to avoid distortions in the joint (food ) markets
  - **Cohesion** objectives of the EU
  - **Competence**

# Summary

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- ❑ There is a wide range of Environmental Public Goods which land managers can provide
- ❑ The public wants these goods and services
- ❑ The value and costs are likely to rise
- ❑ Society does not yet seem galvanised to vote the necessary resources
- ❑ Studies to demonstrate the scale of the market failures & the costs of not addressing them are vital
- ❑ This story is particularly relevant to the EU budget debate