

Expert report says Canada's 'natural capital', worth billions, is being depleted

Sustainable Prosperity urges greater use of economic incentives to conserve nature's wealth

Toronto June 6, 2011 – Putting a market value on Canada's - and the world's - precious ecosystems could be a significant step towards conserving them, by making people more aware of the cost of consuming the planet's resources, according to a report by a Canadian think tank.

The worth of nature's resources must be calculated into Canada's economic balance sheet to sustain those resources, according to *Advancing the Economics of Biodiversity in Canada*, a report by Canada's leading green-economy think tank, Sustainable Prosperity (SP) released today at the United Nations Environment Programme's World Environment Day (WED) celebration in Toronto.

The report looks at the economic value of the goods and services that nature provides to us for free, such as rich soil, clean air and water, or a life-supporting climate. It states that Canada is blessed with a rich endowment of "natural capital." For example, the estimated value of the ecological goods and services provided by various eco-regions ranges from \$2.6 billion per year from Ontario's Greenbelt, to \$5.4 billion from B.C.'s Lower Mainland, to \$703 billion per year from Canada's boreal forests. One academic study estimated that the overall value of the Earth's ecosystems is roughly \$33 trillion per year – twice the total human GDP of the planet (in 1997).

"If we undervalue the life-supporting services that nature provides, we mortgage our future," said University of Ottawa Professor Stewart Elgie, Chair of Sustainable Prosperity, and one of the report's authors. "Nature's wealth is the foundation of our economy, but we are using many natural resources faster than the planet can replenish them,"

The report finds that a major cause of this unsustainable use is the fact that we are not paying the true cost of most of the natural resources we use or pollute (such as water or wildlife habitat), and therefore don't realize their value.

"Because we get nature's services for free, we tend to use them wastefully – much like a tenant who doesn't pay for electricity may leave the lights on," said Elgie. "The root of the problem is that market prices aren't telling the environmental truth, which leads us all to be unwitting accomplices in depleting the ecosystems we depend on."

Recently, a major study by the United Nations Environment Program and others estimated that the loss of ecosystem services will cost \$2-4.5 trillion annually by 2050 – or seven per cent of global GDP – if current rates of ecosystem degradation continue.

To solve this problem, the key is putting a value on nature's ecological services – to create an economic incentive to conserve the planet's natural wealth. The good news, the report says, is that a growing number of such incentives already exist.

Called *economic instruments* (EIs), these policy measures create incentives to conserve biodiversity, boost green technology, and discourage resource waste – without harming, or even enhancing, competitiveness. Furthermore, EIs can help people rethink their relation to the natural environment.

The report focuses on two categories of EIIs: (i) those that *create positive incentives* for nature conservation, through instruments such as green fees or taxes, incentive payments, or environmental markets (like cap & trade); and (ii) those that *reduce disincentives* to nature conservation, particularly harmful subsidies (such as tax breaks for oil sands development).

To date, Canada has made less use of EIIs than most other developed countries – a problem that has been highlighted by the Organization for Economic Co-operation and Development (OECD). But that is starting to change. The SP report identifies nearly 40 such programs that are working across Canada at the federal and provincial levels. For example,

- in Saskatchewan, Ducks Unlimited has led an innovative “reverse auction” to pay landowners for restoring wetlands in their fields, in an effort to bring back 56,000 hectares of prairie wetland habitat,
- in Ontario, the South Nation Conservation Authority has instituted a water quality trading market designed to reduce phosphorus discharge to the watershed at low cost,
- the Alberta *Greenhouse Gas Offset System* enables landowners to be paid for managing their farms or forests to store additional carbon, while maintaining biodiversity; and
- the federal *Ecological Gifts Program* provides tax credits to landowners who donate ecologically sensitive lands to environmental charities.

The report concludes that an overview of EIIs not only makes good environmental sense but is also in Canada’s economic self-interest.

“The economy of the future is likely to reward countries that reduce environmental waste and use scarce natural capital wisely,” said Elgie. “Canada is blessed with one of the richest natural endowments of any country on Earth. We need to become better stewards of the natural wealth hidden in our forests, farms, lakes and cities -- to build a greener, more competitive economy.”

To view the full Report, please visit sustainableprosperity.ca. Report hashtag: #TEEBCan
To learn about World Environment Day, please visit www.unep.org/wed

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