

**Meeting of the Katoomba Group
Pattaya, Thailand; 20-21 November, 2004**

I. INTRODUCTIONS OF PARTICIPANTS

(Please, see Final Participants List)

II. OBJECTIVES OF MEETING *(Michael Jenkins)*

- a. Progress Since Lucarno Meeting
- b. Ecosystem Marketplace
 - i. To enrich the biodiversity component
 - ii. To develop the “Marketwatch” and define a set of discrete environmental markets that we are going to develop
- c. Biodiversity Offset Report and Pilot Program
 - i. To hear about the IUCN/Insight Investment report on biodiversity offsets
 - ii. To enrich the process of the Forest Trends/Insight Investment pilot program going forward
- d. Planning for Katoomba events in China and Africa
 - i. To design events in 2005
- e. Other Katoomba Events and Activities

III. PROGRESS SINCE LUCARNO MEETING *(Michael Jenkins)*

- a. Since the idea of the **Ecosystem Marketplace** was initiated during the Lucarno Katoomba meeting in October, 2003, it has been launched twice- in Sydney and Bangkok. The Marketplace has been an easy project to fundraise for which gives us a strong signal that we are on the right path.
- b. During the Lucarno meeting, we deliberated on the **identity of the Katoomba Group**. It was decided that the Katoomba Group should have no formal governance, but that it should have more structure around it. The Katoomba Group has since formed an interim Advisory Board, which will coalesce further, and is to become a 501c3 organization to open up new funding opportunities. Following other recommendations from Lucarno, we have also engaged policy and governance around ecosystem service markets through “mini-Katoomba’s,” encouraged more participation from community groups and Africans, and begun to develop pilot projects through the Biodiversity Offset Pilot Program.

IV. THE ECOSYSTEM MARKETPLACE: BIODIVERSITY AND COMMUNITY ELEMENTS *(Michael Jenkins and Sara Scherr)*

- a. **Introduction:** In contrast to markets for water and carbon, there is a critical lack of information on markets for biodiversity services. In light of this, we are uncertain about how to go about the commission and development of the biodiversity element of the Marketplace. This section of the workshop was structured as a planning period to solicit feedback from the Katoomba Group on strategic issues related to this problem. Workshop participants were broken into four working groups, focused on the following:

- i. Priority markets and biodiversity services
- ii. Strategic information gaps
- iii. Sources of market research and information
- iv. Candidate projects

b. **Feedback from Working Groups:**

i. **Markets and Biodiversity Services**

1. The Working Group distinguished between a number of **priority biodiversity services** to cover (including pollination, recreation, real-estate, biocommerce, waste detoxification, control of pests and diseases, generation of soil fertility, agro-diversity, etc.). There was disagreement over how to distinguish **priority markets**. It was noted that the Marketplace should look to where markets are already developing or functioning, perhaps using a regional approach.
2. **Katoomba Group Reactions:**
 - a. The Marketplace has the potential to develop markets for biodiversity services, but should the emphasis be placed on documenting or developing these markets?
 - b. How do we structure the analysis of these markets? Do we pick a few types of biodiversity services to cover or to we look at what markets are active in regions? Which markets will attract the investors that we want to be active in the Marketplace? Which markets will have the widest distribution of benefits on a landscape scale?
 - c. Do we focus on ecological or economic value?
 - d. Do we focus on markets where there is already poor coverage?
 - e. Should we emphasize markets for low-income communities?
 - f. We should first identify who the users are of the Marketplace and then work with them to develop coverage on markets that are most useful for them. (criteria, scoping paper)

ii. **Strategic Information Gaps**

1. The Working Group identified the following categories of information gaps: **Conceptual Issues:** to address how a biodiversity market is different from an ecosystem service market; **metrics and measurements:** to identify the components of a biodiversity market, when certain markets overlap, and when they compete on the same plot of land; **basic market developments:** to include information on institutions, regulatory environments, property rights, and mobilization of buyers; **nuts and bolts of a biodiversity deal:** to include case studies, rules of different actors, and transaction details; **efficiency:** to identify how biodiversity markets compare to other conservation instruments; **lessons learned** from other markets such as carbon and water; and **ethical and moral issues.**

2. **Katoomba Group Reaction:**
 - a. We need to get terminology right: Is biodiversity a commodity or a product?
 - b. We need to identify why people would want to buy biodiversity
 - c. Will we get very far with the name “biodiversity?” Does it have public appeal?
- iii. **Sources of Market Research and Information**
 1. The Working Group noted that a major gap in market research and information is on generating a willingness to pay among users of ecosystem services. The group identified a few specific examples of programs which could provide good sources of market information. These include the Africa Heartland Program, the Australia Terrestrial Ecosystems Program, and the Certificates of Origin program in Mexico.
 2. **Katoomba Group Reactions:**
 - a. How do we rationalize protecting certain species and not others?
- iv. **Candidate Projects**
 1. The Working Group identified a number of areas of potential projects including bio-prospecting, retention projects in Australia, and ecotourism, but it was noted that the Marketplace needs more feedback from key audiences on what they want to see covered. There is a difference in covering established markets in developed countries and markets in developing countries, which are usually in the form of payments. The Marketplace should use projects to see whether they are indeed plowing money back into biodiversity conservation and identify the elements that make these markets work.
 2. **Katoomba Group Reactions:**
 - a. To what extent is the prime benefit empirical and to what extent is it analytical?
 - b. The Marketplace needs to make a distinction between one-off payments and markets.
 - c. There is an opportunity to use the IGO process to identify candidates
 - d. We shouldn't worry too much about the types of markets and services covered--- we need to focus on the goal.
 - e. Do we need a taxonomy of types of markets to cover or do we instead focus on market structure?
 - f. How do we operationalize forest value?

V. THE “MARKETWATCH” (*Adam Davis and Ricardo Bayon*)

- a. **Introduction:** The “Marketwatch” section of the Ecosystem Marketplace will be a price ticker for specific markets in carbon, water, and biodiversity where transactions are taking place. We will develop data points and price signals for what conservation is worth. The “Marketwatch” will be the true Bloomberg’s element. It will link buyers and sellers and provide credible price information. Our tasks are to define what a discrete market is, identify the rules on transactions, what those transactions are, and who is participating in those transaction. We plan to launch the “Marketwatch” in March. Some of the markets we will generate real transaction data from include:
 - i. Carbon: EU ETS, CDM, Future Forests, etc.
 - ii. Water: Costa Rica, US wetland mitigation program, Mexico Fund, Australia salinity trading, etc.

- iii. Other: US Farm Bill, TNC, CI, TPL purchases

How do we decide how to categorize the markets that we track?

- b. **Katoomba Group Reactions**
 - i. We should track legislation
 - ii. Price and habitat size don't tell the full story of a transaction
 - iii. We should track subsidies that have the perverse effect
 - iv. We should include certification and the organics trade
 - v. We should track transaction costs
 - vi. We should be less concerned about rigid categorization of markets and more about making the site user-friendly
 - vii. We need to be clear in our descriptions of the markets: Who's buying; who's selling
 - viii. We should distinguish between private deals, public payments, and cap-and-trade
 - ix. Investors are analytical so it is important to have a hierarchy of some kind, but it should be simple and credible
- c. We are aiming to have **translations** of the Marketplace newsletter and website content into Spanish, French, Portuguese, and Mandarin Chinese.
- d. **Katoomba Group Reactions:**
 - i. The ITTO is a potential source for translation
 - ii. We don't need to translate everything—only the key messages and data points. We should consult with a group like Sierra Gorda to see what the most important bits are to translate.
 - iii. One idea is to give the partners institutions (nodes) with the key responsibility to provide translation services. These partners would have ownership in the Marketplace.
 - iv. Fundacion Boticario offered to translate the site into Portuguese
 - v. www.mekonginfo.com is a source of translation in the Mekong region

VI. BIODIVERSITY OFFSET REPORT AND PILOT PROGRAM *(Kerry ten Kate, Ricardo Bayon, Mira Inbar)*

- a. Kerry ten Kate and Ricardo Bayon presented on the results of the Insight Investment/IUCN report, *Biodiversity Offsets: Views, Experience, and the Business Case*. The report explores the potential and limitations of biodiversity offsets through interviews with companies, regulators, and biodiversity experts.

Please, visit the presentation at :

<http://www.katoombagroup.org/Katoomba/meetings/katoomba7.htm>

- b. Kerry ten Kate and Mira Inbar presented on the Biodiversity Offset Pilot Program, being initiated by Forest Trends and Insight Investment. The program involves a set of half a dozen pilot biodiversity projects in diverse locations around the world and in diverse development sectors to show when and how biodiversity offsets can be an effective tool for conservation.

Please, visit the presentation at:

<http://www.katoombagroup.org/Katoomba/meetings/katoomba7.htm>

- c. **Katoomba Group Reactions:**
 - i. What about retrospective offsets?

- ii. Who does biodiversity offsets? Can we use them to employ the poor in protection and restoration?
- iii. How will offsets impact global forest restoration? (protect a reserve, restore a wetland, etc.)
- iv. How do you prove additionality?
- v. What is the experience of road building concessions?
- vi. We should look at how low-value biodiversity areas can fund high-value biodiversity areas.
- vii. Issues of poor governance
- viii. Many legal options for more flexible approaches
- ix. Who benefits and who loses? Problem of local losses if there are offsite offsets

VII. AFRICA 2005 PLANNING (*Mira Inbar, Alice Ruhweza, Sam Muhumure, Nicola King*)

a. Meeting Workplan

- i. **Objective:** To address the critical gap in information that faces Africa, build implementation capacity, and share global experience in these markets among African stakeholders.
- ii. **Schedule:**
 - Day 1: "Sales Pitch"--- Raising awareness on these markets
 - Day 2: "Seeing and Doing" ---- Breakout sessions on key issues
 - Day 3: Active Training
- iii. **Place:** Ecotrust-Uganda
- iv. **Time:** August/September 2005
- v. **Audience:** East African policymakers, international private sector, IGO's, community groups, local and international NGO's

Please, visit the presentation at:

<http://www.katoombagroup.org/Katoomba/meetings/katoomba7.htm>

b. Katoomba Group Reactions

- i. WWF is a potential partner
- ii. We should use experimental economics through simulation games to encourage realistic behavior in a workshop environment
- iii. We should have a brainstorming session on how to set up payment schemes
- iv. We shouldn't forget Central and West Africa, which are critical from a forest standpoint. We should bring champions from West and Central Africa to the East Africa meeting and consider a follow-up meeting in Central Africa the following week.
- v. The Equator Initiative can play an important role

VIII. CHINA 2005 PLANNING (*Michael Jenkins, Changjin Sun, Xu Jianchu, Li Nu Yun, Ling Li, Bov Eav*)

a. Meeting Workplan

- i. **Objective:** Markets are new in China and it is a critical time to select good projects with a social and environmental agenda
- ii. **Schedule:**
 - Day 1: Introduction of international experience to the Chinese context
 - Day 2: Work on Chinese cases (carbon market, conversion program, upland payments)
 - Day 3: Training of stakeholders to develop payment programs
- iii. **Place:** Beijing or Shanghai?
- iv. **Time:** Fall or Summer 2005

- v. **Audience:** Government in Beijing, new private sector in Shanghai, and young researchers
- b. **Katoomba Group Reactions**
 - i. Beijing is a more strategic location because to ensure participation of critical audiences we will need blessing from top Beijing officials and Beijing will control more money than Shanghai in terms of payment schemes.

IX. OTHER KATOOMBA INITIATIVES

- a. **Fundacion Bolivia:** Watershed projects with incentives to link conservation and development.
- b. **PRISMA:** Looking at issues of poverty and equity in terms of ecosystem services. PRISMA produced a report looking at these issues in terms of specific cases.
- c. **International Institute of Environment and Development (IIED) and Rewarding Upland Producers for Environmental Services (RUPES):** Learning projects in 5-10 small countries. IIED published case studies on market instruments (available on IIED website) and is working in Monteverde, Costa Rica to develop a negotiation support system for communities that are negotiating payments for watershed protection services.
- d. **United States Forest Services (USFS):** USFS is holding workshops in Oaxaca, Mexico to expose top management to Katoomba and economic incentives for conservation. USFS plans to engage the business sector more.
- e. **World Wildlife Fund (WWF):** WWF is implementing payments for ecosystem services: Portfolio with IIED and CARE, carbon knowledge projects, etc.
- f. **Center for International Forestry Research (CIFOR):** Looking at existing payment schemes in Bolivia, Vietnam, Ecuador, Indonesia
- g. **Climate Community Biodiversity Alliance (CCBA):** The CCBA is developing projects for carbon, biodiversity, and livelihood benefits. It has developed a triple benefit accounting system.
- h. **World Bank, IUCN, CIFOR:** New book being developed on alternatives to traditional conservation mechanisms
- i. **Pi Environmental Consulting:** Ethical certification and leveling project looking at the key issues by which developing countries benefit from payment schemes.
- j. **United Nations Development Program (UNDP):** Footprint Neutral Program of UNDP, TNC, and Swiss Re. The program is an attempt to get the private sector to offset their impacts by offering a brand, standards and methodologies, and a diversified portfolio of renewable energy, energy efficiency, etc. The program is starting with the voluntary carbon market and concentrating on getting multiple benefits to developing countries.
- k. **Ecoagriculture Partners:** Ecoagriculture Partners seek to transform rural landscapes where both agricultural production and natural biodiversity are highly valued to ecoagriculture. Ecoagriculture Partners is an umbrella organization embracing diverse actors whose work is essential to develop and scale up of ecoagriculture systems. Partners come from conservation non-governmental organizations (NGOs), agricultural NGOs international research organizations, farmers' organizations, universities, private sector companies, inter-governmental organizations, and public agencies. The

partnership is moving to 501c3 status after a major conference and practitioner's fair in Nairobi, Kenya.

X. CLOSING (*Eugene Linden*)

- a. We have come a long way in the past 5 years and dozens of projects have come to fruition. We should continue to look for results from these markets and think about changing our visions as they evolve. Let's not forget that the pace of deforestation has accelerated and the impact of ecosystem service markets is not yet that big. In the next 5 years we will need to see what the impact of these markets has really been for biodiversity conservation.