FOREST EUROPE Expert Group to explore and propose a pan-European approach to valuation of forest ecosystem services

Minutes of the Group of Experts meeting
27 February 2014, Madrid, Spain

The latest FOREST EUROPE Work Programme was adopted at the Expert Level Meeting in Madrid on 14-15 February 2012, as a pan-European follow-up of the Oslo Ministerial Conference held in June 2011.

The work programme addresses the prioritised joint European actions identified in paragraph 24 in the Oslo Ministerial Decision: European Forests 2020. One of these actions is focussed on achieving the full value of forest ecosystem services across Europe:

“the full value of forest ecosystem services across Europe will be estimated with a view to using common valuation approaches, and that values will be increasingly reflected in relevant national policies and market-based instruments such as payments for ecosystem services”.

To this end, an Expert Group is going to explore and propose a pan-European approach to valuation of forest ecosystem services. This group will work from 2012 to 2013. Afterwards a Workshop will be held to consolidate the proposals and identify effective priorities and measures to promote its use.

The first meeting of the Expert Group was held in Madrid, Spain, the 28th of June 2012, with the presence of 12 experts from different countries and organizations that shared their expertise in this area and proposed the next steps in the work of the Expert Group. After highly discussions on the ongoing work that has been done in several countries and organizations, it was decided to organise the work through 3 sub-working groups to develop online documents and information regarding the three following tasks:

• Identification of forest ecosystem services in the pan-European region
• Toolbox with valuation approaches
• Means to facilitate implementation.

The online work in the 3 sub-Working groups finished in January 2014. Accordingly, a second meeting to consider the work developed by the 3 sub-WG and future tasks was organised in Madrid on the 27th February.

1. Opening of the meeting

Ms. María Tourné Whyte, Head of the Liaison Unit Madrid (LUM), opened the meeting and welcomed the expert group’s participants. She explained to the attendants the reason behind the change of premises. A quick round of presentations took place.

2. Adoption of the agenda

Ms. María Tourné Whyte, introduced the agenda and informed about logistical issues. It was announced that due to agenda problems, the experiences by Pablo Martinez de Anguita, Spanish expert on Valuation of VFES would be moved forward in time.
3. Introduction to the outcomes of the three Sub-working Groups

Ms. Beatriz Bueno Gonzalez, policy adviser of the LUM, presented the background and objectives of the Expert Group. She recapped briefly on the origins of this Working Group.

FOREST EUROPE work programme prioritises joint European actions to fulfil the shared vision and the related goals and 2020 targets for forests in Europe.

Within this Work Programme FOREST EUROPE decides to establish an expert group with the aim to explore and propose a pan-European approach to valuation of forest ecosystem services and means to facilitate its implementation. In order to address this task, the work splits into 3 expert working subgroups for developing an on-line approach.

After completing the on-line work, the leaders of each of the Sub-working Groups may wish to present the documents developed highlighting the key issues and possible areas needing further considerations.

The Expert Group ended setting up three working groups with the following tasks:

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<th>GROUP</th>
<th>LEADER</th>
<th>TASK</th>
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<tr>
<td>1</td>
<td>José I. Barredo (EC-JRC)</td>
<td>Identification of forest ecosystem services</td>
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<td>2</td>
<td>Katerina Ventrubova (CZ)</td>
<td>Develop a matrix with the valuation approaches - with common principles, suite of methods and reference documents</td>
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<td>3</td>
<td>Pat Snowdon (UK)</td>
<td>Means to facilitate implementation</td>
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4. Subworking Group 1: discussion and completion of document on “Identification of forest ecosystem services”

Beatriz Bueno introduced Mr. Jose Barredo, from the JRC Joint Research Centre of the European Commission, as the leader of Subworking Group 1 to present and guide the discussion, and recommended the Group to pay special attention to the agreement of a comprehensive list of the main FES that can be identified in the pan-European region.

PRESENTATION: Jose Barredo stated that the most relevant references of lists of Ecosystem Services were included in the literature review prepared and distributed online among the Group and are to be completed with the results of new developments of the last years:

- EC DG-Environment setting up the Mapping and Assessment of Ecosystem Services (MAES)
- 6 Pilot on this MAES, one of them of particular interest as it is focused on forest, being co-leded by Jose Barredo, together with Portugal and Sweden

He explained that the task of MAES is to identify available knowledge that can be used to map ES and assess their condition and the services they provide. The output of this pilot Project are 2 reports: 1) An “Analytical framework for ecosystem assessment” 2) “Indicators for ecosystem assessments” under Action 5 of the EU Biodiversity Strategy to 2020

The latest of these two documents included a List of FES and indicators (mapping and assessment), based on CICES previous work, that was printed and distributed ad-hoc for the consideration of the attendants.

From his perception the GE will have to consider the outcomes of this working group when trying to reach an agreement on a comprehensive, operational and widely accepted classification and list of FES.

DISCUSSION: LUM asked about the possibility of broadening the scope of implementation of the list since Forest Europe is a Pan-European process and MAES is an EU project. Jose Barredo responded that this was a proposal coming from scientists, and there was agreement on this. CICES, that is the
origin of the work, has a global nature. Further, the advantage of CICES is that it has been tested and that it has been widely supported.

Peter Elsasser found Annex 1 very valuable but alerted about CICES double counting problems. Jose Barredo responded that double counting is a common problem to different classifications and in nature there is not separation of services (“how do you separate the water cycle from forests?”)

It was recognized that the online work Group of Experts did not receive many contributions from Experts. This is an issue to be solved both by LUM and leaders (via continuous reminders) and experts, which showed their willingness to increase their contribution from this moment on.

The Group agreed on the anthropocentric nature of all classifications, with the only purpose of accounting. This lead to other debate on whether the Group task had to deal with accounting or valuation. Also it was considered the difference of concept of “forest functions” “ecosystem functions” and “ecosystem services”, since different countries use one or other.

MAES list included aggregation levels: going to higher aggregation level, you will have less detail, and less number of ES. Nicholas Roberts pointed out that too many details would be misleading.

Jose Barredo agreed that the report is not yet completed and that might be beneficial to include some terms of reference.

Pat Snowdon agrees that economic valuation is not a panacea. The purpose of the list is more about the people understanding forests. He would not worry too much about the list. As long as it is clear. Besides, there are differences among countries.

Although recognising the virtues of being a pioneer, Constanza’s list was discarded since it is widely acknowledge that his assessment was somehow a preliminary thing address to scientists and not policy makers.

Since the Group discussed widely about the purpose and scope of its work, it was agreed that an introductory note in this regard will be included in the final outcome, introducing the idea that “any specific valuation exercise depend on what we do; that’s why we should always use a selection of the list, not deleting anything from it”

LUM reminded the experts that the target group is politicians and decision makers and that since the valuation topic is included in the Oslo Ministerial Decision: European Forests 2020 (and its goals and targets), the work over this issue does not have its horizon linked with the LUM Program of Work, but it could continue after 2015 under other Liaison Unit expertise.

Jose Barredo concluded this point of the Agenda promising that he and LUM will disseminate draft of the report for your consultations. He recognised that existing risk of double counting but clarified that the report would set some kind of framework or toolbox; double counting would not be a problem for the Group, but for those who are working after, trying to put our framework into practice. The objective of this Expert Group is to see what has been done and try to put it a comprehensive framework. And the expected outcome is a kind of guidance document (being the one who will valuate who has to be aware of not doing double counting).

5. Subworking Group 2: discussion and completion of “Toolbox with valuation of FES approaches to the pan-European region”

Beatriz Bueno introduced Katerina Ventrubova, from the Czech Republic University, as the leader of Subworking Group 2 to present and guide the discussion, and recommended the Group to pay special attention to:

1st - an agreement on the classification of the different evaluation approaches
2nd - the completion of the list of the main valuations approaches that can be identified at the pan-European region
3rd - examples of national valuation approaches.
PRESENTATION: Katerina Ventrubova briefly described the document of SW2 and added some questions for discussion (QFD)

1) State of art/introduction. QFD: should we add some Terms and Definitions? Not only for this part, but in general.
2) Toolbox. QFD: there are many approaches, but they depend on preferences; proposal: divide the approach in cost based methods and preference methods; and then go into detail.
3) Table of approaches: each approach has a brief description and for what kind of ES.
4) Lesson learnt: examples of national approaches from the Czech Republic only. QFD: to complete the list of examples. It is important that our target politicians see that different approaches address different purposes.

DISCUSSION

- Purpose of valuation

Out of the above mentioned, the debate started on another question for discussion regarding the purpose for valuation. Aside from recommending the publication by Tomas Sedlacek “Economics of Good and Evil” as an example of new way of thinking by some leading economists, who might be helpful for making specific forestry questions manageable, Tamas Szedlak stated that on of the main issues is how to pay for ES and solve the issue of the current financial approach since we can only pay for incurred additional costs or for income foregone because of the restricted or “non” use. This problem is well reflected in the low implementation of forest ecosystem related support schemes of the EU rural development programmes. In addition to this what can it be done if there is not a specific market for the service we want to be paid for.

Pat Snowdon pointed that though cost does not reflect the value, it is interesting for addressing the politicians, who are the main target of this work, but it is not practical for rest of the people. Peter Elssasser explained that valuation is not about payments; its purpose is information. Tamas pointed out that valuation is important and necessary, not only for payment but it is also necessary for policies formulation and so on, and that it should also be kept in mind that the value could also be put into practice (payments), if wanted.

Jose Barredo proposed to clarify the difference between value and price for the user of the final report (as it was discussed in the Kick off Meeting)

- On the Toolbox - Matrix

LUM presented a table that gathered some different approaches and the types of them as the objective is to complete the toolbox, making special reference to the latest publication by the UNEP/UNECE presented by in the European Forest Week of Rovaniemi (“The Value of Forests: Payment for Ecosystem Services in a Green Economy”), since is goes quite in parallel with the Group of Experts and presents different approaches that might be worth taking into account.

Katerina Ventrubova insisted on the fact that it would be also important to include experts’ approaches; for instance, the ones on the Czech Rep included on the paper. The Group of Experts considered equally important the preferences by people, specially towards investments by politicians. Therefore, and since recommendations are to be included in the final outcome of the Group, it was recommended to elaborate them on the public preferences in addition to a broad description of the existing valuation methods.

- On Examples,

Jose Barredo warned the Group on the linking exercise of the different FES with the different methods which are valid to valuate them included in the paper, stating that it would not be advisable to include the methods; because if something is missing and this is coming from FOREST EUROPE, people would say that it cannot be used as it is not complete. He suggested therefore, either to skip this about the methods, or to do it very complete. Katerina Ventrubova suggested to mark them as “some examples” as a precaution should this issue arise, and the rest of the Group agreed on this proposal.
Jose Barredo suggested the book “Valuation of Mediterranean forest” as an excellent compendium of examples. Pat Snowdon agreed on offering examples but notified that many examples are related to individual preferences instead of social preferences.

- On the Scope

Sasa Stamatovic proposed a subtitle in the group’s name to clarify its scope: “economical valuation” or “monetary valuation”. This triggered another debate on the scope of the work of the Group of Experts. Peter Elsasser stated that there are at least 3 approaches to valuation that should not be mixed:

- Intrinsic values of nature
- individual preferences
- societal preferences (as opposed to individual preferences).
Out of these three, only economic valuation approaches which are based at individual preferences are consistent with economic welfare theory

Pat Snowdon, building on this statement, proposed to acknowledge the different approaches but focus on one. Whether it might be interesting for the decision makers, as the target group for this work, the non-economic dimension Jose Barredo clarified that policy makers are handling with many issues in which they are not experts, so they need them to be translated into economic language to be able to take decisions. However, he reminded the Group that their main aim is to collect and present existing information in a coherent way.

Payment for ES Experiences: Landscare- Pablo Martinez de Anguita

As a link between discussion of SWG2 and SWG3, Pablo Martinez de Anguita presented his research on implementing payment for ES based on the application of the principle of subsidiarity.

The main objective is to find ways to capture money at local level, and the question is to create a framework at local level that could be supported at a higher level. You try to create local markets, and help it to grow.

The example he showed related to the payment for ecosystem services in Madrid: Quantitative approach to be used for local decision makers. Analyze possible political rewards at a local level, if some ES change.

He also explained the Landscare Project, based on voluntary payment via mobile of the aesthetics provided by Landscapes. Incentives for the potential paying users relate to social networks (virtual stamps and landscape benefactor)

The Group appreciated the initiative but did not consider it as a 100% of “valuation” but more related to payments and property rights.

Pablo Martinez de Anguita explained that from his pov, experts should provide policy makers with practical tools to try to make them understand. Even if in some places people have the right to access to certain landscape, more money is needed to protect it against fire. Landscare could help to collect such money.

6. Subworking Group 3: discussion and completion of document on “Means to facilitate implementation”

Beatriz Bueno introduced Pat Snowdon, from the Forestry Commission of the United Kingdom as the leader of Subworking Group 3 to present and guide the discussion, and recommended the Group to pay special attention to enrich recommendations to facilitate the implementation of the valuation approach and specially with pan-european examples.

PRESENTATION:

Pat Snowdon set the objective of the work by SWG3 in setting recommendations to facilitate implementation of the valuation approach, by examining strategies, policies and actions to promote
incentives that can turn these values into concrete actions or initiatives (incorporate into NFPs, market-based instruments schemes, etc).

He pointed out some relevant issues:

• Implementation of ES markets in Europe is at early stage
• Lack of standards on implementation
• ES values depend on human interactions & vary spatially
• Valuation methods are contested & studies are ‘patchy’
• Confusion over terms and definitions
• Estimated values do not define price
• National Forest Programmes offer a strategic framework
• Pan-European approaches to valuation and implementation are challenging

He made an introduction to Market-based instruments and presented some case studies by DEFRA, including a Roadmap for forest ecosystem service markets (still under preparation)

He highlighted the following conclusions:

- Clarity needed on what pan-European approach means
- Common framework/guidance for PES & financing mechanisms
- Standards needed (e.g. on MRV)
- Lack of systematic knowledge on new finance mechanisms
- Knowledge exchange
- Pilot projects:
  - Need to look outwards – forest sector must engage with expertise and resources outside the sector

DISCUSSION:

The Group discussed whether the outcome of the SWG3 should be only focussed on Market, as the only way to make money, or if the reference to the valuation itself should be also taken into account. Peter Elsasser proposed 6 possible additions.

1) We need to agree which methods would be acceptable and which not (for instance: expert valuation would not be valid).
2) Interpretation of the valuation results.
3) Programs with regional scope.
4) Scale problems (scaling up/scaling down); when we think about benefit transferring.
5) There are several countries in valuation that know about this topic of valuation: UK, Scandinavian, Spain... they would have to create capability of non so capable countries.
6) How to implement valuation results in taking decisions; liability rules....

He also pointed out that the outcome of the Group of Expert might be an opportunity to gain acceptance of “valuation” in those Pan-European countries where is not as integrated as it is in others (like UK or Scandinavian countries). Sasa Stamatovic underlined that is difficult to try to find a common model for different countries with very different fiscal systems.

Within the debate several issues related to markets arose:

- Risky investments / uncertainties
- Need for improvement for the market associated with FES,
- Trustworthiness of the payment mechanisms

Tamas Szedlak explained that one of the practical difficulties is that the owners (for instance) are not interested in doing something that not cover the real price, being easier to get money from agriculture than from forestry, since the state on behalf of society is not able to pay the real price (as they should avoid the potential overcompensation, because of the state aid rules), and they are unable to consider the value of the produced services. This triggered the debate on the investment gap and the need to look for additional funding sources besides the necessary subsidy system.

A gap also, now in the SWG3 paper itself, was highlighted within the Group, and it has to do with the lack of examples. LUM proposed to gather illustrative cases both from UNECE publication (The Value of Forests) and from national correspondents. However, another question arose: should the scope of these examples be limited to PES or broad the dimension, such as policy examples (as in
Jose Barredo warned about the broadening of the content without putting some boundaries about FES, as not all forests are the same (natural vs. productive forests; forests with SFM vs. others with no SFM...). What are the areas to be subsidized?

Also, he claimed that though only few FES are in the market but if we were able to account for the value of all this services, it could be that the accumulate value is much bigger than the commercial value: the owner would then stop to do any activity; cause he would get more money doing nothing than doing it, and then we would need to import forest services from other areas... This is a very sensitive area and it is widely recognized that change of land uses are happening (for instance with biofuels). In addition, there are forests which are hotpots of biodiversity in the RN2000 in the Mediterranean area and must be conserved so that they are not devaluated. It is the eternal problem: production vs. conservation.

The Group responded that in many places forests are to be multifunctional and such is the objective of the Oslo mandate and Oslo decision. Pat Snowdon recalled that all those FES are making timber available. Nicholas Robert proposed as a first step to identify the ES you provide and under what conditions, as there will be places where the provision of services they do would recommend doing nothing; but there will not be many. Peter Elsasser concluded that usually the optimal situation would be a combination of production and conservation.

7. Conclusion of work and final product

As the conclusion of the meeting, a roadmap regarding the conclusions of work was proposed by LUM and amended by attendants. A final version was agreed (and “translated” into the graph included in Annex I the day after):

- Leaders will have a new draft to share with the entire Group by 28 March based on the today’s discussions. Regarding Subworking Group 3, Peter Elsasser will assist Pat and reflect his ideas about the broad scope and Mr. Snowdon will be supervising the re-draft. LUM will support all the leaders.
- Once the new draft is prepared, it will be sent for comments and amendments to the Group of Experts until 25 April. Based on the scope of this new draft, examples will also be asked for, not only to Experts, including as International Organizations like UNECE and UNEP, but possible to National Correspondents also.
- Comments and amendments will be collected and taken into account for re-drafting a second version of the documents, which will also be shared among the Group by 16 May.
- A quick check by the Group on this second version is expected by the 23 May in order to prepare the final version of the three papers on 30 May.
- Meanwhile, the LUM will prepare the final outcome from the Group of Experts fed by the three papers and other information with a view to make it accessible for readers. Therefore, essential and accessible publications are sought to contribute to the basic information and references contained therein (including terms and definitions), and so the Group of Experts was encouraged to send links or references of this kind of works.

It was stated that the added value of the outcome will be the “recommendations” to (and for being adopted by) Forest Europe, since it is not the Group of Expert’s task to re-invent the wheel but to scan the horizon of VFES applicable within Forest Europe scope and endorse the best information possible.

LUM agreed to remind the deadline to the Group of Experts one week in advance.

Ms. Maria Tourne thanked the experts for their contribution and encouraged future work of the group.
ROADMAP FOR THE GOUP OF EXPERTS ON VALUATION OF FOREST ECOSYSTEM SERVICES (27 February-End September 2014)

PARALLEL ACTIVITIES

MAIN ACTIVITIES WITHIN SUBWORKING GROUPS

PREPARATION OF NEW DRAFT VERSION OF OUTCOMES OF THREE SUBWORKING GROUPS BASED ON DISCUSSION OF 27F MEETING

NEW DRAFT VERSIONS IS CONSIDERED AND AMENDMENTS ARE PROPOSED

COMMENTS ARE GATHERED AND ULTIMATE DRAFT VERSION OF DOCUMENT IS PREPARED

QUICK DOUBLE CHECKING

DEFINITIVE VERSION OF OUTCOMES OF THREE SUBWORKING GROUPS ARE PREPARED

DEADLINES

28 MARCH 2014

25 APRIL 2014

16 MAY 2014

23 MAY 2014

30 MAY 2014

ACTORS/MAIN RESPONSIBLES

LEADERS +LUM

GROUP OF EXPERTS

GROUP OF EXPERTS

GROUP OF EXPERTS

PARALLEL ACTIVITIES

EXAMPLES ARE SEEKED (GROUP OF EXPERTS, NATIONAL CORRESPONDENTS AND ORGANISATIONS ARE INVOLVED) AND GATHERED

FINISHED ACCESSIBLE DOCUMENT OF THE GROUP OF EXPERTS IS PREPARED INCLUDING GLOSSARY AND TEXT BOXES BY LUM*

FINAL DOCUMENT TO BE SHARED AMONG EXPERT GROUP – JULY 2014

GROUP OF EXPERTS

GROUP OF EXPERTS

GROUP OF EXPERTS

*Group of experts will feed LUM with accessible documentation to contribute to final document

FOREST EUROPE growing life

WORKSHOP IN BELGRADE SEPTEMBER 2014

ORDINARY MINISTERIAL CONFERENCE 2015