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 Creating Markets for Ecosystem Services: Notes from the Field; Salzman, James

CREATING MARKETS FOR ECOSYSTEM SERVICES: NOTES FROM THE FIELD

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*Ecosystem services are created by the interactions of living organisms with their environment, and they support our society by providing clean air and water, decomposing waste, pollinating flowers, regulating climate, and supplying a host of other benefits. Yet, with rare exception, ecosystem services are neither prized by markets nor explicitly protected by the law. In recent years, an increasing number of initiatives around the world have sought to create markets for services, some dependent on government intervention and some created by entirely private ventures. These experiences have demonstrated that investing in natural capital rather than built capital can make both economic and policy sense. Informed by the author's recent experiences establishing a market for water quality in Australia, this Article examines the challenges and opportunities of an ecosystem services approach to environmental protection. This Article reviews the range of current payment schemes and identifies the key requirements for instrument design. Building off these insights, the piece then examines the fundamental policy challenge of payments for environmental improvements. Despite their poor reputation among policy analysts as wasteful or inefficient subsidies, payment schemes are found throughout environmental law and policy, both in the U.S. and abroad. This Article takes such payments seriously, demonstrating that they should be favored over the more traditional regulatory and tax-based approaches in far more settings than commonly assumed.*

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