

# A Strategy for Conserving Canada's Natural Capital

Canada's natural capital is essential to our environmental and economic well-being. However, we continue to lose our natural capital because existing markets, policies and programs don't effectively encourage the retention of these assets. Ducks Unlimited Canada (DUC) has created a new series of fact sheets entitled A Strategy for Conserving Canada's Natural Capital that highlight DUC's recommendations for advancing the conservation of Canada's natural capital. This new series builds upon the previous fact sheet series, Natural Values: Linking the Environment to the Economy, which focused on the economic and environmental benefits of natural capital. Both series are available at [www.ducks.ca/conserve/wetland\\_values/conserve.html](http://www.ducks.ca/conserve/wetland_values/conserve.html)

## 2 Tools for Conserving Canada's Natural Capital



**T**ools like market-based instruments, direct payments, conservation easements, tax incentives, legislation, and extension and knowledge transfer are needed to advance contemporary policies and programs and establish a more effective framework to conserve Canada's natural capital. Some of these tools and instruments work by increasing the awareness of the value of our natural capital and enhancing the production of ecological goods and services (EGS) through knowledge and technology transfer. Others work by linking the production of EGS to society's willingness to pay for them.

At this time in Canada, traditional markets typically do not provide land managers with financial return for

land uses that sustain EGS such as carbon sequestration, improved water quality and habitat for wildlife. As a result, many landowners develop natural areas for other uses. Market-based instruments (MBIs), direct payments, tax incentives and cost-shared programs are ways of rewarding good stewardship thereby encouraging the retention and restoration of natural capital. In order for these programs to be sustainable, they must demonstrate value for money by producing measurable and targeted environmental outcomes. A strong regulatory framework is also needed to maintain the integrity of incentive programs and to ensure responsibility for stewardship, education and other activities that contribute to the conservation of our natural capital.

*"In order to protect natural capital and therefore increase the provision of EGS, instruments must be developed to link demand (willingness to pay) with supply (willingness to provide). If the market failures caused by externalities are not somehow corrected, the production of many EGS (and the associated natural capital such as wetlands and native uplands) can be expected to decline."*

— Prairie Habitat Joint Venture <sup>1</sup>



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## EGS Tools and Instruments

**T**he following EGS tools and instruments can be effective on their own, but their potential can be maximized when combined in an integrated strategy to conserve natural capital. Policies and regulations that encourage conservation of wetlands and other forms of natural capital on public and private lands are also needed to complement these tools and instruments.

**Market-based instruments (MBIs)** increase the production of EGS by creating and altering markets for them. They work by changing market prices; capping or altering the quantities of a good; improving the function of a market; or creating a market for a good or service that previously didn't exist.<sup>2</sup>

The loss of natural areas occurs in part because landowners pay municipal taxes to maintain them. **Tax credits or rebates** provided in exchange for maintenance of natural capital are ways in which society can share the financial responsibility for land stewardship.

**Cost-shared programs** such as Agriculture and Agri-Food Canada's [National Farm Stewardship Program](#) provide participating landowners with valuable funding and technical support to adopt approved practices such as wetland restoration. These programs provide a means through which taxpayers can partially compensate landowners for the EGS they produce.

**Conservation easements** are voluntary legal agreements between a landowner and a government or qualified conservation organization, such as DUC. These agreements are tailored to each individual landowner and conserve the property's natural values and features. This is done through a restriction on the amount and type of development that can take place on the land. Conservation easements benefit both landowners and the landscape. Under these agreements, landowners retain ownership and use of the land and its earning capacity and receive tax benefits if the conservation easement is donated.

**Extension and knowledge transfer** enhance landowners' knowledge of the values of natural habitats to their operations and empower them to make informed decisions about the management of their lands that benefit both the environment and the farm operation.

## Endnotes

1. Prairie Habitat Joint Venture. 2005. Market Failure and Ecological Goods and Services. Accessed March 2008 at [www.nawmp.ab.ca/phjv/pdf/EGSG\\_market.pdf](http://www.nawmp.ab.ca/phjv/pdf/EGSG_market.pdf).
2. Australian Government. 2007. National Market-Based Instruments Pilot Programme. Accessed March 2008 at [www.napswg.gov.au/mbi/index.html](http://www.napswg.gov.au/mbi/index.html).
3. Stoneham, G. Policies and Experiences from Australia. Accessed March 2008 at [www.agr.gc.ca/pol/egs-bse/pdf/stoneham\\_e.pdf](http://www.agr.gc.ca/pol/egs-bse/pdf/stoneham_e.pdf).
4. Rae, G. 2007. Market-Based Instruments for Ecological Goods and Services: Learning from the Australian Experience. Canada West Foundation. Accessed March 2008 at [www.cwf.ca/V2/files/MBIs.pdf](http://www.cwf.ca/V2/files/MBIs.pdf).

**BushTender** is a successful MBI program run by the Australian government that uses auctions to purchase targeted EGS from landowners. Landowners who submit bids that produce the greatest environmental returns at the lowest cost sign contracts of varying length with the government. Over 97 per cent of the contracts have been fully honoured and many landowners continued to employ the recommended beneficial management practices after their contract expired because of the benefits to their operations. Gary Stoneham, Chief Economist of the State Government of Victoria's Department of Sustainability and Environment, says that adequate monitoring, testing, adaptation, enforcement, well-developed communication strategies and good economic design have been key to BushTender's success.<sup>3</sup>

*"When combined with traditional regulatory frameworks, market-based instruments have the potential to achieve positive environmental outcomes at the least cost to the public purse."*

– Canada West Foundation<sup>4</sup>

## Important Links

- [DUC's fact sheet series](#)
- [Agriculture and Agri-Food Canada's EGS Policy Development Process](#)
- [Growing Forward: Toward a New Agriculture Policy Framework](#)
- [2006 National EGS Symposium](#)
- [Prairie Habitat Joint Venture EGS fact sheets](#)
- [Canada West Foundation Land Stewardship Initiative](#)
- [Australia Government National Market-Based Instruments Pilot Program](#)

### What's Next?

**Fact Sheet 3: The Importance of Science and Adaptive Management in Conserving Canada's Natural Capital**



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