

# Summary of Conservation Markets User Needs Assessment Report

Report prepared by Stratos Inc. for Alberta Innovates October 2019. 57pp.

The report (available upon request) assesses the potential need for the use of conservation markets through interviews of a select group of nearly 40 participants from industry, agriculture, financial and insurance institutions, municipalities, consulting and academia. The report identifies four natural assets (grassland landscapes, biodiversity, water quality and wetland landscapes) that could be used to test the acceptance of conservation markets in Alberta. Interview participants identified common needs required for the design of any “conservation market” to create the demand for the market.

The report puts forward eight potential pilot projects within four natural assets:

- Carbon sequestration through landscape conservation
- Landscape conservation driven by agri-food industry standards certification
- Landscape conservation driven by ESG reporting
- Environmental products from lands using best management practices (hay)
- Residual effects/biodiversity management
- Water quality offsets
- Conservation re-insurance for flood protection
- Wetland conservation offsets

The report describes conservation values, primary environmental functions, potential buyers and sellers, enabling legislation and the exchange mechanism for each of the potential conservation market pilots in Alberta.

Participants’ experience and knowledge were compiled to develop a list of key design characteristics to reduce potential market failure. The key areas identified are:

- **Market origins.** While the creation of enabling legislation by government is critical, it is also important government not be directly involved in establishing pilot projects or exchange programs. Investor pressure and potential to reduce business risks are important drivers for conservation markets.
- **Market Underpinnings.** Under current Alberta laws, property rights provide private landowners with ownership of land but not water. Ownership of ecosystem services for the purposes of exchange is not necessarily clear. Well established property rights must be in place.
- **Market Design.** To create efficiency, market exchanges should be used when market size exceeds certain financial and ecological thresholds. Exchanges must be flexible enough to account for natural ecological variability. Cost-efficiencies, return on investment and transparency will be key factors in a market’s success.
- **Market Longevity.** Each design must consider stakeholder preferences for example, farmers prefer a simple system that works directly with buyers, while industry prefers a third-party agency. The volume of transactions must be large enough and markets must allow for stackability (the ability to take credit for different natural values on a single piece of land), and landscape boundaries should be used rather than municipal/ administrative boundaries.

The report provides extensive appendices of interviewees’ comments and their thoughts on conservation markets. Most interesting is the compilation of comments by participants’ roles in a conservation market (i.e. sellers, buyers, intermediaries and experts). The report concludes that there is significant potential for conservation markets to help Alberta offset land-use impacts and meet the increased demand on land-based resources while providing direct value to sellers and buyers.