Market-based compensation mechanisms for recreation and nature tourism services in privately owned lands

Miika Temisevä, Liisa Tyrväinen & Ville Ovaskainen
Finnish Forest Research Institute

Forest Recreation & Tourism Serving Urbanised Societies
28 – 31 May 2008, Hämeenlinna, Finland
How to secure and enhance landscape and recreational values of forests?

- Large part of the Finnish forests are privately owned (53%)
- The demand of landscape and recreational values in urban and nature tourism areas has increased
- In Finland, the demand for nature based tourism is expected to grow 8% annually within the next decade
- Quality of landscape and environment is
  - one of the key attraction factor for tourists
  - one of the major factor for the quality of urban areas through the better walking tracks, attracting parks and beautiful sceneries etc.
Objectives of the study

- To examine the current situation of compensation and trading mechanisms in Europe and other parts of the world
- To find and evaluate the most promising compensation mechanisms, mainly focusing on compensation models of recreation and landscape values to private forest-owners
- To find practices from international examples that could be implemented in Finland
Background of the study

- Conducted as a part of the *Environmental and recreation services of forests: economic impacts, valuation, and business opportunities* project (FFRI, Ovaskainen)

- The subprojects deal with:
  - the regional economic impacts of nature-based tourism
  - welfare effects of the recreational services of conservation areas and value of urban forested areas in monetary terms
  - possibilities of creating markets for the environmental services of forests
Landowner structure and forest services in Finland

- Finland is covered by forest (86%)
- Forests are distributed evenly and they are easy to reach
- Private forests are located in Southern Finland and State owned forests are located in Northern Finland

Ownership structure

- Private 53%
- State 34%
- Community, church etc. 5%
- Forest industry 8%
The need for landscape and recreational values trading mechanism

- Efficient models for distributing tourism income or amenity values to private landowners are missing
- New types of agreements and markets are needed between entrepreneurs (or municipality) and landowners to achieve mutual benefits from nature-based tourism and non-wood forest amenity services
- Everyman's right alone does not secure landscape and recreational services

⇒ NEED for a mechanism that allocate better forest resources and land use practices!
The forest ownership and distribution of the values, benefits and revenues
Market-based approaches to secure amenity values

- Currently, the efficient models for distributing tourism income or amenity values to private landowners are mostly missing
- There is a wide interest for designing payment mechanisms in many countries
- The most promising practices from abroad:
  - Australia: *BushTender*
  - Costa Rica: *The Environmental Services Payment System*
  - Great Britain: *Environmental Stewardship*
Finnish approaches in trading amenity values

- Two new models launched in Finland (2007):
  - Central Union of Agricultural Producers and Forest Owners (MTK): *Model for trading of recreation values*
  - Forestry Development Centre Tapio: *Landscape leasing*

- Based on the contract between the forest owner and buyer of recreational values which includes:
  - plan for forest management actions
    - e.g. refraining of harvesting operations, enhancing of landscape values, setting up recreation trails etc.
  - the price, the area and the period of validity

- Only few examples exist in practice
Finnish approaches in trading amenity values

- Tailor-made solutions: no common practice, which may slow down implementation of the method
- Compensation is based on the missing harvesting revenues
  - non-marketable values are not taken into account partly
  - the surplus of landscape and recreational values are important for nature tourism and second-home owners
  - regionally amenity values of forests may be greater than timber values.

⇒ Need to develop compensation and trading mechanisms that take better into account landscape and recreational values and to create commonly acceptable, transparent mechanisms for larger areas
Trading of biodiversity values through the METSO -mechanisms

- METSO is a Forest Biodiversity Programme for Southern Finland
- Based on forest owners’ willingness to undertake conservation measures on a voluntary basis
- The importance of open, transparent decision making processes and public participation at every level
- Two market-based instruments are used:
  - *Natural values trading*, forest owner receives compensation when he/she commits to maintain or enhance valuable natural features in his/her own forest
  - *Competitive tendering*, provides a way for landowners to offer to rent or sell ecologically valuable areas of forest to the authorities at an agreed price
How landscape and recreational values trading differ from trading of biodiversity values (METSO)?

- The nature of common is different
  - biodiversity has existence value
  - landscape and recreation values have direct and indirect use values

⇒ e.g. landscape and recreation values improve quality of the environment for recreation and nature tourism as well as for real estates

- Opportunity to create market-based instrument that enhance landscape and recreational values
  - better consolidation of nature tourism, recreational use of forests and wood production
  - optimal allocation of forest resources
  - enhancing the quality of the products and services from forests sustainable way in long run
Suggestions for developing trading landscape and recreational values in Finland

- The user/beneficiary and producer are known in most of the cases
- Financing is collected from the beneficiaries of landscape and recreational values
  - Payment could be linked on the nature tourism services
- Compensation for forest owners is paid from the development payment fund
  - “best value for the money” –principle
- Wide range of forest management options
The user/beneficiary of recreational and landscape values

Forest owner

DEMAND

Co-operator/trading agent

SUPPLY

The leasing proposal of area from the forest owner which includes:
- forest management operations
- new type of services
- compensation price
- time of validity

The user/beneficiary APPROVES

The user/beneficiary DENIES

CONTRACT

New proposal

NO CONTRACT
Conclusions

- The demand for recreation and landscape values are increasing.
- Conditions and rights for using nature based on ‘everyman’s right’ for recreation and for business purposes should be clarified.
- Important criteria for a market-based, recreation and amenity values trading mechanism include:
  - Voluntary basis
  - Long-run sustainability (ecological aspects and nature tourism investments)
  - Transparency, flexibility and acceptability
  - Approachability
  - Training and informational needs
Future steps

- More research information is needed from:
  - The reaction of stakeholders (entrepreneurs/land owners)
  - Economic, ecological and social impacts
  - New type of forest management practices
  - Development and implementation of the compensation mechanism
- Great potential for international co-operation
Thank you!