

## **Environmental Services from Forests and their Valuation**

### **IFA Forestry Policy Statement 6.1**

The Institute of Foresters of Australia (IFA) advocates greater recognition from governments and the community of the range of environmental services supplied by forests as well as proper consideration of these values in land use decisions.

#### **The Issue**

Forests produce a wide range of non-wood products and services that have traditionally been regarded as public goods with no financial value. This includes carbon sequestration, ground-and-surface-water management, land rehabilitation, erosion control and biodiversity enhancement. Effective valuation of environmental services will assist forestry to compete with land uses that may have higher short-term returns.

#### **Background**

Financial returns from sustainable forest management are restricted to traditional wood and wood-related products, as well as non-wood products and services where suppliers are clearly identifiable (such as beekeepers, seed collectors or tour guides).

Increasingly plantations are being established to deliver environmental benefits, which have been often lost due to clearing in the past. Plantations can assist in managing groundwater to address dryland salinity, filtering runoff along riparian corridors, reducing erosion and enhancing biodiversity.

Lack of financial values attached to environmental services can make it difficult to attract investors to enhance existing forests or create new forests. Currently, as there is often no value attached to forest values, there is greater pressure to convert forests to other, more profitable, land uses.

Purchasers of environmental services may be governments on behalf of the community or private entities. To enable the purchase of environmental services, a contract will require:

- Consistent and objective quantification of the environmental service
- Independent verification and validation of the service to encourage confidence in buyers
- Identification of property rights to the environmental service so that it may be sold in future
- Assessment of risks associated with the service over time to ensure appropriate financial settlement.

#### **Policy**

The IFA supports and encourages:

- Continuing efforts to identify and value the environmental services from forests, including the development of standardised measurement, verification and risk management procedures
- Assessment of implications for environmental services associated with land use policies
- Development of methods to value and trade environmental services.