

Incentive Measures:
Examples of case studies,
guidelines and best practices

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contact:

Biodiversity Convention Office

9th floor, 351 St. Joseph Blvd.

Hull, QC K1A 0H3

tel: 819-953-4373

fax: 819-953-1765

bco@ec.gc.ca

Dear Mr. Zedan, staff of the Secretariat and other interested parties,

Please accept the following compilation of case studies, guidelines and best practices as a representation of the type of work that is currently being undertaken in Canada involving incentive measures which relate to biodiversity conservation. In preparing the material for this document, we chose to consider the framework of categorisation proposed by the OECD in their document, "Handbook of Incentive Measures for Biodiversity: Design and Implementation." As such, references are organised into one of the following four sections:

1. **Positive incentives:** grants, subsidies, tax reductions, which create incentives to better take into account the environmental costs associated with the use of natural resources.
2. **Disincentives:** fees, tariffs, fines, legal liabilities and the like which penalise those whose behaviour directly or indirectly impair environmental values.
3. **Indirect incentives:** creation of property rights or markets where these were previously absent, or adoption of measures that improve the operation of markets (certification).
4. **Removal of perverse incentives:** such incentives often arise as unanticipated side-effects of policies with different, and apparently independent, objectives.

While by no means an exhaustive list, we hope you will find that references in this document are both useful and informative sources of information. Furthermore, we look forward to continuing discussions on incentive measures related to biodiversity at the national and international level, and are thankful for this opportunity.

Regards,

John Herity

Director, Biodiversity Convention Office
Environment Canada
CBD National Focal Point

POSITIVE INCENTIVES

Agricultural Incentives

Because farmland in most cases is privately owned, response options usually involve the voluntary participation of landowners. Incentive measures can further the understanding and appreciation of producers for the value of conserving wildlife and wildlife habitat. In response to this, various levels of government and non-government organizations have created incentive programs for agricultural habitat conservation.

One large example is the Ontario Land CARE and Prairie CARE Programs (www.ducks.ca/habitat/pcare.html). CARE means Conservation of Agriculture, Resources and the Environment. In the prairie provinces, this program provides incentives and technical assistance to promote practical farming techniques that benefit wildlife and the landowner in the Prairie provinces. Prairie CARE is a major component of the NAWMP (North American Waterfowl Management Plan) and is delivered by Ducks Unlimited Canada in cooperation with federal, provincial and United States partners. The Ontario program provides financial incentives and technical assistance to help farmers increase agricultural productivity, conserve their soil and water resources and improve the environmental conditions.

The Ontario Environmental Farm Plan Program administered by the Ontario Soil and Crop Improvement Association (OSCIA) encourages farmers in Ontario to identify areas of environmental concern and develop farm plans by providing farmers up to \$1500 per farm business to help implement new management practices.

The Ontario Land Stewardship Program (provided by the Ontario Ministry of Agriculture, Food and Rural Affairs and OSCIA) offers additional grants for improved environmental farm management.

For a further list of relevant projects, consult “Biodiversity Initiatives - Canadian Agricultural Producers: Implementing the Canadian Biodiversity Strategy” (www.agr.ca/policy/environment/eb/public_html/pdfs/biodiversity/bioinit_cap.pdf).

Capital Gains Tax Exemptions

In 1996, the Canadian Income Tax Act was amended to exempt from capital gains tax all donations of ecologically sensitive lands made in perpetuity to all levels of government and charities, thus equalizing the treatment of donations to municipalities and charities with those that are made to the Crown. The amendment allows the use of voluntary, non-regulatory stewardship measures by landowners for biodiversity conservation, encouraged by direct and indirect financial incentives.

Public consultations in 1995 revealed that there was a need for greater public access to relevant information regarding the new tax provisions. The study is a successful example of the integration of fiscal and environmental policies to encourage the conservation of biodiversity on private and corporate-owned lands. For more information visit: www.cca-adrc.gc.ca/menu.html.

Conservation Agreements

The Nature Conservancy of Canada (www.natureconservancy.ca) and many other conservation groups hold conservation agreements with private landowners involving millions of acres of land. In most cases, the agreement hands a portion of a willing landowner's property rights over to a conservation group, giving it a right to restrict development according to the terms of the agreement. If there is a drop in the value of the land as a result of the agreement, the property owner can receive a charitable tax deduction equal to the drop. While land can be sold and used at the owner's discretion, the agreement continues to be legally binding as long as the conservation group is involved. Examples of organizations involved in these agreements include the Southern Alberta Land Trust Society (www.salts-landtrust.org/) and the Manitoba Wildlife Federation (www.mwf.mb.ca/) and the Manitoba Habitat Heritage Corporation.

Ecogifts

Donation by private individual and corporate landowners of ecologically sensitive land (or milieu écosensible in Quebec) is emerging as an important tool in conserving sensitive ecosystems and biodiversity across Canada. The February 28, 2000 federal budget announced that two-thirds of the tax on deemed capital gains associated with any ecological gift will be exempt from income and that new measures for certifying the appraisals of such gifts will be implemented. These tax reforms simplified the donation of ecological gifts, and made donation more favourable economically. To date, over 300 gifts have been donated, totaling over \$35 million in value.

More information on Ecogifts can be obtained at: www.cws-scf.ec.gc.ca/ecogifts/.

NRTEE Ecological Fiscal Reform Program

The goal of the National Round Table on the Environment and the Economy (NRTEE – www.nrtee-trnee.gc.ca) Ecological Fiscal Reform Program is to explore how a coordinated and deliberate strategy to redirect government taxation and expenditure programs would support the goal of sustainable development in Canada. Designing discrete, practical economic instruments to achieve these goals will be the primary focus of the program. Issues that are being explored

include biodiversity loss and protection of ecological landscapes (wetlands and marginal agricultural land). In 1999, recommendations from the NRTEE Greening the Budget Committee to the Minister of Finance included a recommendation for protecting and conserving natural space by reducing capital gains taxation on ecological gifts by 50% and establishing a stewardship fund for habitat conservation.

Ontario Environmental Farm Plan - A Voluntary Environmental Awareness Program delivered by the Farm Community

Introduction: What is an Environmental Farm Plan?

Environmental Farm Plans (EFP) are documents voluntarily prepared by farm families to increase their awareness of the environment on their farm. Through the EFP process, farmers will highlight environmental strengths on their farm, identify areas of environmental concern, and set realistic goals and time tables to improve environmental conditions.

The idea for Environmental Farm Plans originated from the Ontario farm community. Farmers have been involved in every stage of developing Environmental Farm Plans (EFP), through the Ontario Farm Environmental Coalition:
<http://www.gov.on.ca/OMAFRA/english/environment/ofec/coalition.htm>.

The Ontario Farm Environmental Coalition is lead by four main organizations:

- Ontario Federation of Agriculture: <http://www.ofa.on.ca/>
- Christian Farmers Federation of Ontario: <http://www.christianfarmers.org/>
- Ontario Farm Animal Council: <http://www.ofac.org/>
- AGCare [Agricultural Groups Concerned About Resources and the Environment]: <http://www.agcare.org/>

The EFP is delivered locally by the Ontario Soil and Crop Improvement Association (<http://www.ontariosoilcrop.org/>)

Technical expertise is provided by the Ontario Ministry of Agriculture, Food and Rural Affairs (<http://www.gov.on.ca/OMAFRA/english/index.html>).

With over 20,000 participants since the program's inception in 1993, the EFP program has been very successful in helping Ontario farmers adopt more environmentally sustainable practices so far. The EFP Incentive program has documented investments of \$48 million in on-farm improvements. The EFP program has also won international recognition.

EFP Incentive: Up to \$1500 per farm business is available to assist farmers making positive environmental changes identified in their EFP.

EFP Award Contest: Up to 6 winning entries will be selected each year by a judging panel and will receive a \$1000 cash prize.

Operation Burrowing Owl

The Burrowing Owl is an endangered prairie grassland species. Agricultural producers in southern Saskatchewan are actively contributing to Burrowing Owl conservation by maintaining nesting habitat, refraining from applying insecticides and rodenticides around nest sites, and by contributing to an annual Burrowing Owl census. Producer stewardship activities are coordinated under Operation Burrowing Owl. Approximately 500 landowners in the province participate in the program, receiving recognition in the form of gate signage and a nominal financial incentive if they have five or more pairs of Burrowing Owls on their property. Producers also have access to information on additional conservation activities they may choose to incorporate into their agricultural operations through Operation Burrowing Owl newsletters. Operation Burrowing Owl was initiated in 1977 and is an ongoing program. Participants include Nature Saskatchewan, World Wildlife Fund, Long Point Bird, Observatory (LPBO), Saskatchewan Environment and Resource Management (SERM), Saskatchewan Lotteries, Saskatchewan Conservation Data Center (SCDC) and The Optimist Society. For more information visit: www.unibase.com/~naturesk/obo.htm.

Permanent Cover Program

The Permanent Cover Program was a five-year program (1989–1994) that was offered to farmers in the Prairie provinces and the Peace River region of British Columbia. The main objective was to convert marginal lands under cultivation (Canada Land Inventory classes 4, 5, and 6) to permanent forage or tree cover. Under this program, about 15 000 farmers converted approximately 522 000 ha of marginal, erosion-prone land from annual crops to permanent cover under 10- or 21-year contracts.

The Permanent Cover Program is being integrated with the North American Waterfowl Management Program (NAWMP) in areas of the Prairie provinces with high waterfowl potential. By participating in habitat conservation programs such as the NAWMP, farmers have helped secure up to 261 000 ha of waterfowl land (71 000 ha of wetlands and 190 000 ha of grassed land).

Provincial and Territorial Incentive Programs

Provinces and Territories offer a wide range of incentive programs to protect land qualifying as important wildlife habitat, often working with agricultural producers and other private land users. Some examples include:

- Alberta Buck for Wildlife Program

- Manitoba Critical Wildlife Habitat Program

(www.gov.mb.ca/natres/wildlife/managing/cwhp.html)

Manitoba's Critical Wildlife Habitat Program (CWHP) is a cost-shared partnership between governments, and local and national conservation agencies which began in 1989. The goal of the program is to identify, preserve and manage the remaining critical wildlife habitats in Manitoba, with a particular focus on upland areas.

The major partners in the program are Manitoba Conservation, Canadian Wildlife Service, the Manitoba Naturalists Society, the Manitoba Habitat Heritage Corporation, World Wildlife Fund, the Nature Conservancy of Canada and Wildlife Habitat Canada.

The CWHP supports a variety of initiatives including private and municipal land stewardship, natural resource inventories, land acquisition, land management and extension activities.

- Saskatchewan Fish and Wildlife Development Fund

- Nova Scotia Habitat Conservation Fund (www.gov.ns.ca/natr/wildlife/habfund/)

The Nova Scotia Habitat Conservation Fund was established under the Nova Scotia Wildlife Act to assist the funding of programs for the protection and enhancement of wildlife and wildlife habitats. The Fund is organized under four objectives: Enhancement, Acquisition, Research, and Education. Each objective has a set of Priority Activities. The Habitat Conservation Fund will partner in projects on a cost shared basis not to exceed 75% of total project cost.

- Quebec has recently adopted an Act Respecting Nature Reserves on Private Land which will promote landowner contributions to biodiversity conservation.

In Ontario, there are three programs that provide tax incentives for land conservation. These programs are designed to promote long-term private stewardship for conservation and management of lands, by providing tax credits or exemptions to eligible participants:

- Ontario Conservation Land Tax Incentive Program (CLTIP)

(www.mnr.gov.on.ca/mnr/cltip/)

The Conservation Land Tax Incentive Program (CLTIP) is designed to recognize, encourage and support the long-term private stewardship of Ontario's provincially significant conservation lands by providing property tax relief to those landowners who agree to protect the natural heritage values of their property. The current tax relief offered is 100 % tax exemption on that eligible portion of the property.

The CLTIP is not a land acquisition program. Participating landowners retain full ownership and property rights. This program is also not associated with Conservation Authorities or Conservation Authority properties.

- Ontario Managed Forest Tax Incentive Program (MFTIP)
(www.mnr.gov.on.ca/MNR/forests/mftip/home.htm)
- Ontario Farmland Taxation Policy Program.

DISINCENTIVES

The Canadian Environmental Protection Act

The full title of the legislation is "An Act respecting the protection of the environment and of human life and health", which clearly defines the purpose of the statute. Also, the Declaration of the Canadian Environmental Protection Act states that "the protection of the environment is essential to the well-being of Canada", underscoring the importance placed by the Government of Canada on the concept of environmental protection.

Key Elements

The Canadian Environmental Protection Act has the following elements:

- authority to control the introduction into Canadian commerce of substances that are new to Canada;
- authority to obtain information on and to require testing of both new substances and substances already existing in Canadian commerce;
- provisions to control all aspects of the life cycle of toxic substances from their development, manufacture or importation, transport, distribution, storage and use, their release into the environment as emissions at various phases of their life cycle, and their ultimate disposal as waste;
- authority to regulate fuels and components of fuels;
- authority to regulate emissions and effluents, as well as waste handling and disposal practices of federal departments, boards, agencies and Crown corporations;
- provisions to regulate federal works, undertakings and federal lands and waters, where existing legislation administered by the responsible federal department or agency does not provide for the making of regulations to protect the environment;
- provisions to create guidelines and codes for environmentally sound practices as well as objectives setting desirable levels of environmental quality;
- provisions to control sources of air pollution in Canada where a violation of an international agreement would otherwise result, or where the air pollution affects another country and reciprocal legislation to control the sources of the pollution exists;

- provisions to control nutrients, such as phosphates, in water conditioners or cleaning products, including detergents, which can interfere with the use of waters by humans, animals, fish or plants;
- provisions to issue permits to control dumping at sea from ships, barges, aircraft and man-made structures (excluding normal discharges from off-shore facilities involved in exploration for, exploitation and processing of seabed mineral resources); and
- authority to sign agreements with provincial governments* regarding administration of the Act.

*The term "provincial governments" or "provinces" includes territories as provided in the federal Interpretation Act.

Context

Protection of the environment is a responsibility shared by all levels of government as well as by industry, organized labour and individuals. For this reason, the *Canadian Environmental Protection Act* gives the Minister of the Environment the authority to conclude, with the approval of the Governor in Council, agreements with provincial governments concerning the administration of the Act.

In addition, the legislation allows the Governor in Council, upon recommendation of the Minister of the Environment, to recognize, by order, provincial requirements as equivalent to regulations promulgated under the *Canadian Environmental Protection Act*. The Act also requires the Minister to enter into agreements with the provinces whose requirements are recognized as equivalent, to ensure enforcement of the equivalent provisions. This means that the province will apply its equivalent requirements, rather than the national regulation made under the federal Act.

For the recommendation to the Governor in Council, specific criteria will be used to determine equivalency. The factors to establish equivalency will include:

- equal level of control as sanctioned by law;
- comparable compliance measurement techniques;
- comparable penalties;
- comparable enforcement policies and procedures that are consistent with this Enforcement and Compliance Policy; and
- comparable rights of individuals, resident in Canada, to request investigation of a suspected offence and to receive a report of the findings.

In the annual report to Parliament on administration of the Canadian Environmental Protection Act, the Minister is required to include a specific accounting of the administration of federal-provincial agreements for implementation of the Act, including those covering enforcement of equivalent provincial requirements. Agreements will ensure that provinces enforcing all or any part of the statute or their equivalent provisions, do so in a manner consistent with this policy. In addition, the agreements will spell out procedures for measuring performance.

For more information, visit: <http://www.ec.gc.ca/enforce/policy/english/cepa.htm>.

CITES/WAPPRITA

In Canada, Environment Canada (EC) is the lead agency responsible for implementing the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) on behalf of the federal government. Within EC, the Canadian Wildlife Service (CWS) administers CITES and interacts with provincial, territorial and other federal agencies. CITES sets controls on the international trade and movement of animal and plant species that have been, or may be, threatened due to excessive commercial exploitation. Such species are identified by the Parties and listed in one of three appendices to the Convention, according to the level of control required.

The Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act (WAPPRITA) is the legislative vehicle by which Canada meets its obligations under CITES. It received royal assent on December 17, 1992 and came into force on May 14, 1996, when the Wild Animal and Plant Trade Regulations took effect.

The purpose of WAPPRITA is to protect Canadian and foreign species of animals and plants that may be at risk of overexploitation because of illegal trade and to safeguard Canadian ecosystems from the introduction of species considered to be harmful. It accomplishes these objectives by controlling the international trade and interprovincial transport of certain wild animals and plants, as well as their parts and derivatives.

WAPPRITA also makes it an offence to transport illegally obtained wildlife between provinces and territories or between Canada and other countries.

For more information, visit: <http://www.cites.ec.gc.ca/cites/html/index.htm>.

INDIRECT INCENTIVES

Canadian Code of Conduct for Responsible Fishing Operations

The Canadian fishing industry has taken the lead in applying the International Code of Conduct for Responsible Fisheries adopted in 1995 by the United Nations Food and Agriculture Organization. The Canadian Code of Conduct for Responsible Fishing Operations was developed as a grassroots initiative by fishermen for fishermen and represents a fundamental change in Canada's approach to achieving sustainable, conservation-based commercial fisheries across the country. The grassroots development of the Code remains unique in the world, with the broad-based involvement of all Canadian fishing organizations being the driving force behind the development process. It is estimated that the Canadian Code of Conduct for Responsible

Fishing Operations has now been ratified or endorsed by fisheries fleets and organizations that account for over 80% of Canada's commercial fish harvest.

Within the code, certain principles outline the incentives for fish harvesters to participate, e.g. 1) Fish harvesters will take appropriate measures to ensure fisheries are harvested and managed responsibly to safeguard sustainable use of Canada's freshwater and marine resources and their habitats for present and future generations of Canadians, and 2) Taking into account the economic importance of the fisheries to industry participants and their communities, fish harvesters will take appropriate measures to pursue the ecological sustainability of Canadian fisheries.

More information on the Code is available at:

www.ncr.dfo.ca/communic.fish_man/code/eng/con_eng.htm.

Habitat Stewardship Program for Species at Risk

The Habitat Stewardship Program is a federal program that aims to enhance existing and encourage new conservation activities that foster land and resource use practices that maintain habitat critical to the survival and recovery of identified species at risk. To be proactive and prevent wildlife species from becoming at risk, the program also contributes to habitat needs for species of conservation concern. Specific projects are directed by the federal government, and are developed and funded in partnership with provincial governments and a variety of non-government agencies.

Working through partnerships is the key to making stewardship a successful conservation tool in Canada. Federal and provincial governments encourage action by providing scientific information and technical assistance, as well as economic incentives. Non-governmental organizations help private landowners and concerned citizens to identify and implement effective stewardship activities. Many other partners are also involved, including resource users, fishers, Aboriginal organizations, educational institutions, and community organizations.

The federal government has recognized the important role that stewardship plays in species and habitat conservation by making stewardship a cornerstone of its three-part strategy to protect species at risk. In the spring of 2000, the federal government announced new funding for the strategy, including \$45 million over 5 years for the Habitat Stewardship Program. More information on the program is available at http://www.speciesatrisk.gc.ca/sar/media/back2_e.htm.

REMOVAL OF PERVERSE INCENTIVES

National Forest Strategy 1998-2003: Sustainable Forests, A Canadian Commitment

Strategic Direction Eight - Private Woodlots: A Growing Opportunity

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A review of the federal income tax system's effect on woodlot management was completed in 1992. Interest in implementation of the review's recommendations has been limited, up to 1997. Over-harvesting and reduced funds for silviculture in many provinces amplify the need to remove disincentives or create incentives to sustainable management of woodlots.

Some information on woodlot resources and management has been developed in some provinces, but it is generally of lower quality than information on public land. Lack of information about harvesting and silviculture levels, combined with delays in updating basic resource inventories, has led to difficulties in estimating and managing for sustainable yields on private lands. It is a major obstacle to efforts to develop landscape management strategies and to move toward sustainable ecosystem management on private land.

Just as challenges facing woodlot owners have increased since 1992, so have opportunities for developing more profitable and productive woodlots. Demand for timber, recreation and other products, including non-commercial services such as clean water and attractive landscapes, is increasing in most parts of Canada. A major challenge lies with incentives that would make environmental and other non-timber investments economically feasible. Effective policies and partnerships of associations and governments with other stakeholders will determine success in realizing the potential of woodlots in the coming five years.

Framework for Action

We will increase the environmental, economic, social and cultural benefits derived from woodlots:

8.1 By developing comprehensive strategies for the sustainable development of woodlots, which will assess the woodlot sector in the forestry, social and economic and environmental contexts; identify barriers to sustainable development; and establish targets and funding commitments to achieve the potential of woodlots.

8.2 By establishing clear policies to address the challenges stated in this strategic direction and establish a calendar for action on:

- incentives to invest in woodlot management including appropriate taxation and woodlot management programs.
- inventories of woodlot resources and land use;
- fair access to market, opportunities for value-added products and fair return for sale of timber and other products;
- silviculture and harvest standards to optimize output of a full range of forest products;
- woodlot owner education, woodlot research and knowledge transfer appropriate to the requirements of small-scale, multi-use forestry; and,
- regional landscape management and planning.

8.3 By implementing changes to the Federal Income Tax Act and to provincial and municipal taxation which will contribute in a constructive way to investments in and fair returns from the sustainable development of woodlots.

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For more information, visit: http://nrca.gc.ca/cfs/nfs/strateg/control_e.html.

Using the Income Tax Act of Canada to Promote Biodiversity and Sensitive Lands Conservation: Canadian Case Study on a National Tax Incentive Measures for Biodiversity Conservation (invited case study for OECD Expert Group on Economics of Biodiversity)

Abstract

The removal of disincentives in Canada's federal Income Tax Act and the Quebec provincial *Loi de l'impôt sur le revenu* du Québec to foster donation of title or rights to ecologically sensitive lands is becoming an important new tool for biodiversity conservation in Canada. These fiscal initiatives are the result of concerted, joint action by cooperating agencies within and outside of the government sectors to green the income tax system. This initiative which has become known as "ecological gifts" as resulted in over 4 000 ha of private lands being donated mainly to registered charities. Each gift has been a remarkably valuable property in terms of ecological characteristics and often financially. Over CA\$11 million in gifts have been completed to date [October 1997].

Author: Clayton Rubec, Habitat Conservation Division, Canadian Wildlife Service, Environment Canada, Ottawa, Canada K1A 0H3, clay.rubec@ec.gc.ca.