

PAYING FOR NATURE CONSERVATION
WITH TAX DOLLARS?

AN EVALUATION OF THE ROLE OF FISCAL POLICY REFORM IN
PROMOTING BIODIVERSITY CONSERVATION IN CANADA THROUGH
LEGAL, ECONOMIC, ECOLOGICAL, FISCAL AND POLITICAL LENSES

A DISSERTATION

SUBMITTED TO THE SCHOOL OF LAW

AND COMMITTEE ON GRADUATE STUDIES

AT STANFORD UNIVERSITY

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS

FOR THE DEGREE OF

DOCTOR OF THE SCIENCE OF LAW

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May 2005

ABSTRACT

Policy-makers are increasingly using economic instruments to address environmental challenges. The global experience with economic instruments to date, however, has focused primarily on reducing greenhouse gas emissions, air pollution and waste. There is little experience using economic instruments to advance biodiversity conservation goals. This thesis analyzes the potential of economic instruments – specifically fiscal policy instruments – to advance biodiversity conservation in Canada. The analysis is conducted through a case study that examines the potential for applying “ecological fiscal reform” to the forest sector operating on public land in Canada.

The analysis shows that while Canada has implemented a handful of fiscal measures for conservation, all have been spending initiatives delivered outside the tax system and aimed overwhelmingly at private lands despite the fact that over 90% of the country is public land. My case study demonstrates that fiscal instruments could play an important role in advancing conservation by the forest sector operating on allocated public land. Because of competitiveness concerns, I argue that the only politically feasible instruments are incentives targeted at stimulating conservation above the regulatory baseline. However, rather than offering incentives as a “second best” option, I rely upon the theoretical underpinnings of Pigouvian subsidies to argue that such incentives are justifiable not only politically, but also economically and ecologically.

I analyse three policy issues arising from the fiscal measures proposed in the case study. First, I examine whether the federal government has the constitutional jurisdiction to implement the measures given that they relate to forest management, a matter within provincial jurisdiction. I argue that they can be justified under the

federal tax power, the residual power, as well as federal spending initiatives. Second, I analyse how the incentive proposals would be viewed from a budgetary point of view in Canada, given limited public resources. I argue that the measures can be justified economically with fuller cost-benefit analyses that take into account not only the ecological benefits, but also the benefits of maintaining the competitiveness of the sector. Last, I examine whether the measures comply with multilateral trade rules relating to subsidies, and show how the measures could be designed to avoid such disciplines.

The analysis is based on a broad range of disciplines, ranging from law, economics, ecology, tax and fiscal policy and political science, since each of these disciplines includes discourses essential to developing robust, theoretically justifiable arguments. This intersectional work has required me throughout the thesis to synthesize terminology and frameworks of analyses to provide common language for a complex conversation.

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