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Slot “Discourses of innovation in governance”

“The discourse on market-based instruments  
and its repercussions on practices of international environmental governance”

At international level, environmental markets and market-based instruments are a novel approach to environmental governance. While the theoretical basis of this approach was laid in the 1960s (Coase 1960) and its national-level implementation in OECD countries started around the mid-1980s, international-level experiences are still rather recent and rare. Examples include the carbon markets set up by the Kyoto Protocol (as of 2008) and the market for genetic resources established by the Convention on Biological Diversity (1992) and its Nagoya Protocol (2010). The trend towards market approaches is being legitimized and strengthened by initiatives such as the UN’s Millennium Ecosystem Assessment (2005), the Stern Report (2006) and the international Economics of Ecosystems and Biodiversity (TEEB) Initiative (2010), all of which recommend the use specifically of market-based instruments (MBIs) as innovative and efficient forms of environmental governance.

This emphasis on market mechanisms is part of the ecological modernization paradigm (Hajer 1996) and in line with wider shifts of socio-cultural patterns linked to neo-liberalism. The MBI discourse is based on a number of theoretical assumptions – that price signals help internalising environmental externalities and are more efficient (cost-effective) for managing environmental resources or ecosystem service than alternative, particularly regulatory instruments (e.g., Baumol & Oats 1988; Coase 1960; Daly 1977; Pigou 1920). Its political appeal rests on the narrative that MBIs reconcile environmental protection with economic growth, thus providing for a win-win solution.

The paper sets out to address the following questions: (a) How do environmental markets and market-based environmental instruments feature in the international political discourse – how are they framed, supported and contested, what role play different actors and institutions? And (b) how does the MBI discourse affect practices of international environmental governance? Insights into these questions can help to answer how discourses influence the shaping of innovations in governance.

The paper comprises four sections. A methods chapter first outlines discourse analysis following the sociology of knowledge approach (Keller 2005) as the methodological approach chosen to tackle the above questions. It will also elaborate on the (causal, quasi-causal or constitutive) nature of the relations between

discourses and innovation in governance, and on analytical ways to empirically uncover these relations. The next section deals with Question (a) and the international discourse on market-based instruments. It describes cornerstones of the discourse's development since the late 1980s (Brundtland report), key narratives, discursive strategies, dispositives and coalitions. Partly, the analysis will focus on the discourse pertaining to markets and MBIs for the provision of ecosystem services, that is, governance related to land-use and biodiversity. Findings are based on a text analysis of ca. 40 major policy documents from a number of UN and other international fora as well as a broader actor and institutional analysis. Next, the effects of the international MBI discourse on practices of international environmental governance will be explored, referring to Question (b). The ongoing international negotiations of the UNFCCC mechanism for ("Reducing emissions from deforestation and forest degradation developing countries", REDD+) serve as case example. The analysis draws on negotiation documents, expert interviews and desktop research. One of the findings is that the MBI discourse and the predominance of the market rhetoric in international climate governance plays indeed a supportive role in pushing the REDD+ design towards a market solution. Other factors are relevant, too, including scarce public funds and acceptance-creating experiences with the Kyoto markets for forest carbon and experimentation with REDD+ projects. In the conclusions, the paper's findings are assessed with regard to how policy discourses influence the shaping of innovations in governance.