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Pastoralists as Conservation Providers - A New Stewardship Incentive Mechanism for the South Australian Rangelands

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Abstract

Conservation protection in the rangelands has mostly been achieved through the public and private reserve network, consisting of either formal reserves or pastoral properties managed for conservation purposes. Pastoralists have traditionally not had the opportunity to be recognised as formal conservation providers whilst managing pastoral enterprises.

The lack of available stewardship mechanisms for pastoralists to enter into the conservation market has thus created an “either/or” situation whereby whole properties are either managed for pastoral purposes or conservation. This also limits the ability of government conservation policy programs to achieve a full range of outcomes at multiple geographic scales.

The pastoral stewardship incentive pilot project aimed to develop a new mechanism to enable a compensatory payment to offset the loss of production incurred by pastoralists from setting aside portions of properties from pastoral use. The incentive is paid as an upfront lump-sum to the registered leaseholder through a grant agreement. The agreement specifies that a conservation covenant will be registered on the property’s lease for a fixed term (of up to 42 years), with approval required from the Pastoral Board for the change of land use. Monitoring and compliance of the agreement is largely incorporated into the existing pastoral regulatory system.

Considerable interest was received from the pastoral community during the pilot’s region-wide expression-of-interest process. A direct offer and negotiation approach in finalising the incentive value and agreement conditions was used rather than an auction or reverse tender process. An incentive economic valuation model was developed to provide an objective estimation of the incentive payment.

The pilot has resulted in the establishment of stewardship agreement areas on two properties, totalling 194 km², enabling the pastoralists to be recognised conservation providers for public benefit. The areas conserve ecosystems poorly represented in the national reserve system.

Introduction and rationale

The pastoral region of South Australia covers approximately 40% of the State, with 330 pastoral leases predominantly supporting beef and sheep production. Other important land uses of the region include mining, petroleum, tourism, conservation and cultural pursuits.

The region possesses several large and iconic public conservation reserves, such as Simpson Desert Conservation Park and Kati Thanda-Lake Eyre National Park. The public conservation estate is complemented by several properties managed for conservation purposes, which remain as pastoral leasehold crown tenure under the *Pastoral Land Management and Conservation Act 1989* ("Pastoral Act").

This approach, where swathes of land are either managed for pastoral purposes or conservation, limits achieving comprehensive biodiversity conservation in arid areas. This relates to the influence of highly variable climatic conditions on the distribution and movement of flora and fauna across large landscapes (Smith and McAllister 2008). The variability in the spatial and temporal distribution of resources highlight the need for conservation protection at multiple scales, from large reserves to smaller refugia (Morton *et al.* 1995).

It is acknowledged that the conversion of whole pastoral properties to conservation has been negatively perceived by some in the pastoral industry. It is likely that this negative perception is also related to lack of recognition. That is, pastoralists believe that they already provide conservation services and lack the opportunity, as the resident managers with local knowledge and expertise, to engage in more formal conservation protection whilst maintaining pastoral businesses. The lack of suitable stewardship products therefore means that pastoral leaseholders who are willing to consider long term conservation protection as a diversification option on their properties, are not engaged, thereby limiting opportunities for conservation protection outcomes at multiple scales.

Although the provision of stewardship payments to landholders is a long-established and well-supported concept across Australia, most approaches are not suited to the rangelands context. Most available mechanisms do not provide for an alternative business income stream alongside other pastoral returns to provide for opportunity cost and to recognise public benefits. In the pastoral rangelands, there is a strong correlation between the extent of land managed for conservation and grazing income forgone, as grazing regimes are widely dispersed across landscapes and managed by extensive practices. Therefore, for widespread adoption, payments for conservation stewardship requires a return similar to grazing at market rates for the proposition to become a viable business alternative for pastoralists to consider.

Incentive design

The pastoral stewardship incentive pilot project aimed to test a new stewardship product and mechanism to enable a broader suite of approaches to enhance biodiversity conservation in the pastoral rangelands of South Australia, and to recognise and engage resident pastoral leaseholders as conservation providers.

The pilot was launched through a region-wide expression of interest (EOI) process, with the primary eligibility criteria including that applicants are operating an active pastoral enterprise, have a history of compliance with lease conditions, and that the proposed area must be used for pastoral production purposes or have potential to be developed for pastoral production.

Submissions received through the EOI process were assessed and ranked using a prioritisation matrix that includes representativeness of landscape types in proposed areas relative to the existing reserve network (based on the National Reserve System's Collaborative Australian Protected Area Database), and habitat provision for species of high conservation value.

The financial incentive is paid as an upfront lump-sum to the registered leaseholder to offset the loss of production from setting aside a portion of their lease for conservation purposes. The incentive is paid to the leaseholder via a grant agreement which requires a Heritage Agreement (a conservation covenant pursuant to the *Native Vegetation Act 1991*) to be registered on the property's lease. The Heritage Agreement legally secures the stewardship conservation area on the pastoral lease for a fixed term, set as the remaining years on the current lease (up to 42 years). For the purposes of the pilot project, fixed terms were used to ensure legislative compliance with the Pastoral Act. The agreement also specifies

that the stewardship area is set aside from pastoral land use, as required by the Pastoral Act through approval from the Pastoral Board.

The main conditions of the incentive agreement include the restriction of commercial stock from the stewardship area, maintenance of fencing infrastructure, control of water point development and reinforcement of duty of care management (such as feral animal and pest plant control) as a minimum, depending on the characteristics of the site. Additional grant funding is available for fencing or changes to other infrastructure as required. Monitoring, compliance and reporting for the term of the agreement is largely incorporated into the existing pastoral regulatory system.

Incentive valuation and settlement process

Subsequent to evaluation and ranking of the EOI submissions, delivery was based on a direct offer and negotiation approach, rather than through a reverse tender or auction process (approaches best suited to larger markets).

An incentive valuation model was developed to provide objective incentive valuations for proposed stewardship areas. The model calculates an objective annual opportunity cost estimate based on the property's production history, market data, the stewardship area's livestock carrying capacity and the agreement term. The model derives a lump sum incentive estimate through a standard economic 'present value' discounting method, which represents the current worth of a future stream of cash flow given a specified rate of return.

The estimate produced by the incentive valuation model was offered to short-listed leaseholders as a starting point for consultation. In some cases the initial offer was accepted together with the land management conditions of the agreement. If initial offers were not accepted and higher counter-offers were received, these were considered by the project's Steering Committee. Where these counter-offers could not be justified as fair value for expenditure of public funds, the proposal was not further considered and the EOI submission was placed on a register for potential future consultation in future rounds (with the consent of the leaseholder). In other cases, parties withdrew their EOI submission for reasons unrelated to the stewardship project.

From this iterative process, the final incentive recipients for this pilot stage of the project were selected based on their short-listing ranking, negotiation outcome and in consideration of the project's fixed budget.

Pilot outcomes

Considerable interest was received from the pastoral community during the launch of the pilot and through the EOI period. Twenty six EOI information packs were provided on request by interested leaseholders. Submissions were finally received from approximately 9% of the potential eligible number of leaseholders from across the pastoral region, most of which provided proposals to set aside areas aligning with State and National conservation priorities.

The pilot resulted in the successful negotiation and establishment of two conservation stewardship areas totalling 194 km² on extensive beef production pastoral properties, increasing the protection status of the habitat types present from 0% to up to 9%.

Positive feedback has been received from the two incentive recipients about their involvement in the stewardship pilot. Follow up engagement is occurring through the development of monitoring plans for the stewardship areas.

Conclusion

The completed pilot project tested a new stewardship product and mechanism applicable to the rangelands pastoral production context, and has engaged pastoralists as conservation providers in this, first of its type, stewardship project in South Australia. The mechanism could be emulated in other jurisdictions, with adjustment according to the particular legislative and policy contexts and desired ecological targets.

The pilot has demonstrated the effectiveness of designing, valuing and promoting the financial incentive as a business option for pastoralists. Several other lessons have been learnt, including: the importance of providing adequate support to pastoralists in proposing portions of their property as stewardship areas; ensuring agreement templates are provided to interested leaseholders at an early stage; allocating adequate project resources for the continual improvement of the incentive valuation model, and ensuring adequate time-frames required to finalise agreements which incorporate required due diligence and administrative processes.

The pilot has also demonstrated that a 'market' exists for this type of stewardship product. It has also provided a transparent and equitable way to achieve tangible conservation protection outcomes from potentially a diverse source of funding programs. This includes NRM, State and Commonwealth conservation and protected area programs, other grant programs or offset funds paid from developers into trusts or other private or philanthropic sources.

The Department of Environment, Water and Natural Resources is committed to developing the stewardship mechanism as an ongoing option to enable pastoralists to be recognised as conservation providers.

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