

Valuing the Environment: Meaning and Need for Environment Valuation

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Valuing the Environment: Meaning and Need for Environment Valuation!

Meaning:

A measure used in survey-based valuation techniques, known as contingent valuation method, indicates an individual’s willingness to pay money to obtain some derived level of a good or service for an improved environment.

Value can be broadly categorized as either instrumental or intrinsic. Instrumental value refers to the capacity of something when used, to satisfy a want or preference. Intrinsic value is regarded by ecological economists as being inherent in something.

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Instrumental or use value, can be defined as “accruing from those benefits which are attributed to present consumption of the resources”. A distinction is made between direct and indirect use values. Direct use value may emerge from exchange or outside of exchange through self-consumption of resources to which individuals have access. On the other hand, indirect use value is the main consequence of the ecological functions that the natural resources perform.

There is also option value and existence value. Option value refers to willingness of the people to keep the option of postponing the decision on the use of the resources. Existence value represents the value which an individual is willing to pay for the environmental amenity, even though that person receives no direct value. The existence value is often termed as non-use value.

Conceptually, the total economic value (TEV) of a resource consists of its use value (UV) and non-use value (NUV)

TEV = UV + NUV

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Further, use value may be divided into direct use value (DUV), the indirect use value (IUV) and the option value (OV). Therefore, equation (1) can be rewritten as

TEV = [DUV + TUV + OV] + [NUV]

In the context of uncertainty, quasi option value is said to define the value of preserving options for future use in the expectation that knowledge about the potential benefits or costs is associated with the option. The basic concept of economic valuation underlying all these techniques is the Willingness to Pay (WTP) of individuals for an environmental service or resource.

A measure used in survey-based valuation techniques, known as contingent valuation method, indicates an individual’s willingness to pay money to obtain some derived level of a good or service for an improved environment. The WTP measure is used when market prices do not exist.

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Another concept of economic valuation is Willingness to Accept (WTA). It is a measure of what an individual would have to be given to cause him/her to accept a loss in welfare caused by, for example, a decline in the level of resources or environmental quality. The WTA measure indicates the monetary equivalent that would be necessary to compensate for the welfare loss from the change.

Need for Environmental Valuation:

The need for environmental valuation arises for the following:

(i) Environmental Litigation:

Non-market demand valuation have traditionally been used by government to assess the damage compensation and need for further changes in environmental policy.

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(ii) Environmental Dispute Resolution:

Environmental disputes frequently arise with respect to logging, new water storage, new mines, power stations and resort development etc. Estimates of environmental values potentially has a role to play in supporting more informed decision making in these cases, and in making decisions more transparent to stakeholders.

(iii) Guiding Environmental Regulations:

Policy makers have to take decisions regarding environmental regulations. They will be better informed if environmental damage cost considerations are taken into account.

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(iv) Evaluating Proposed Environment Programmes:

A public cost- benefit framework is appropriate to assess the desirability of government initiative, such as green house gas reduction programmes and health programmes. These usually involve various social and environmental impacts of these programmes which the policy makers want to assess.

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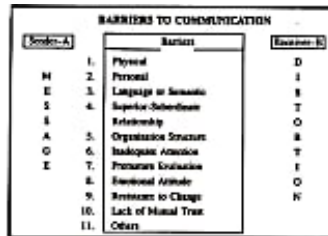
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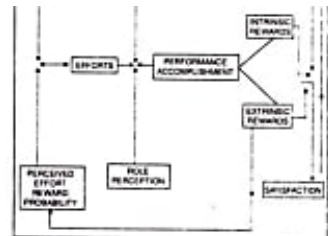
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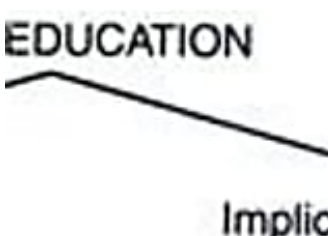
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