

It's all about opportunity cost

What extended cost-benefit is
actually about

How does economics become an issue in conservation

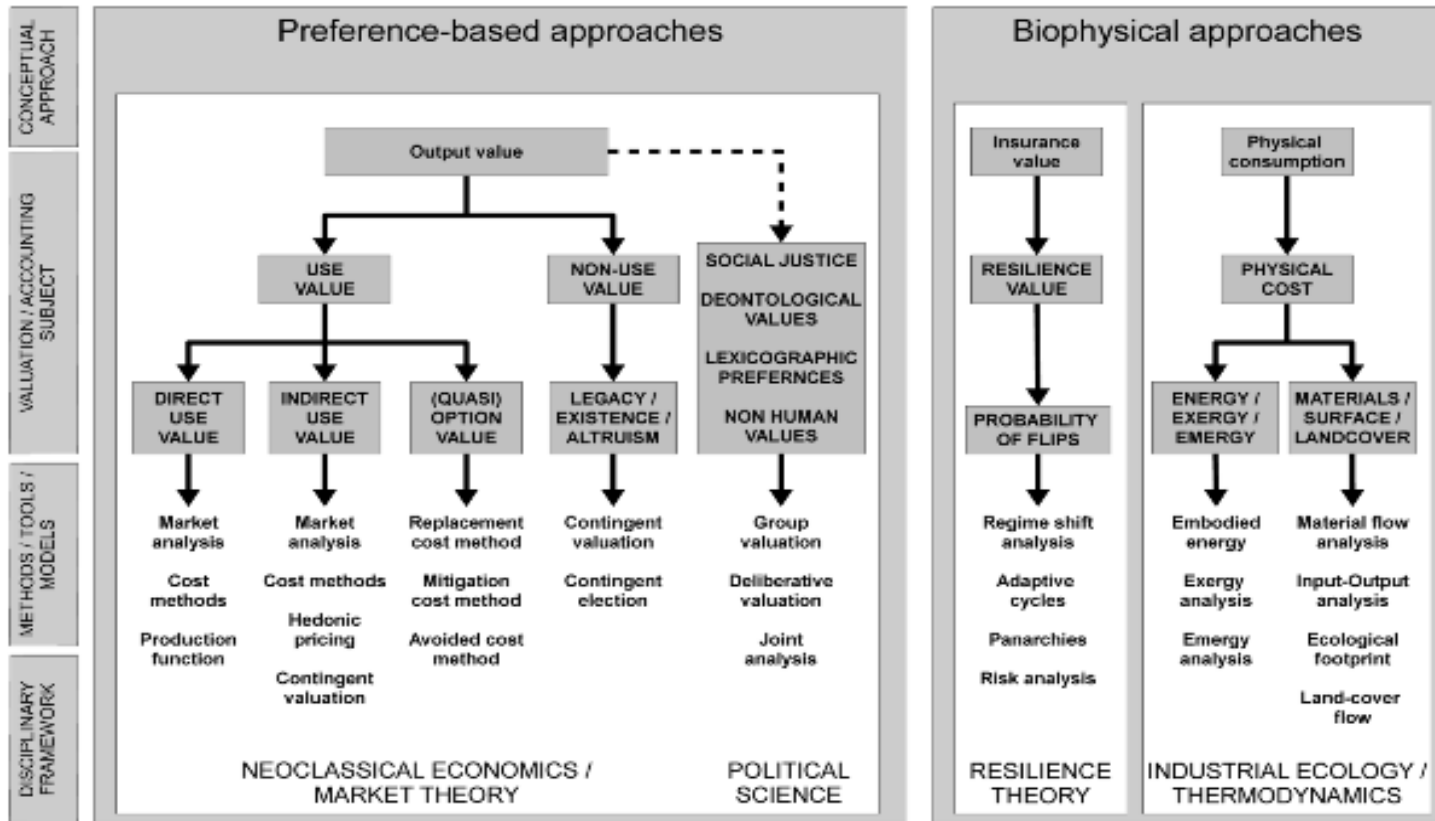
- EIAs can require cost benefit analyses
- Conservation legislation can require CBAs
- It can help as a basis for fundraising
- It explains why there's a conservation problem
- Ultimately everything is about opportunity cost

This means putting prices on environmental goods & services

NB Valuation has to be based on good science

- Identify
- Quantify
- Value

Ecosystem value can be looked at in a lot of ways



Standard ways of putting in a value when the market is missing – *it's all about WTP*

- 1) Use conventional markets:
e.g. Replacement cost or preventive expenditures
- 2) Benefit transfer:
e.g. $B(Y_A/Y_S)^e$
- 3) Revealed Preference:
e.g. hedonics or travel costs
- 4) Stated Preference: e.g. contingent valuation

Spot the problem !!!

Think about places like:

- Core biosphere zones
- Pristine areas and totally unutilized resources
- Animals viewed differently by different interested parties (*the Norton-Griffiths wildebeest*)
- Translating non-use value into real money

Basic Structure of a Cost Benefit Analysis

- 1) establish who the study is meant for.
- 2) identify and define the project.
- 3) identify consequences of the project, place them in time order and monetize them.
- 4) identify incidence of costs and benefits.
- 5) discount to obtain present values (NPV or B/C ratio)
- 6) conduct a sensitivity analysis.