

A New Zealand Perspective on Value Transfer

Geoff Kerr

geoffrey.kerr@lincoln.ac.nz

55th AARES Annual Conference, Melbourne, 8-11 February 2011

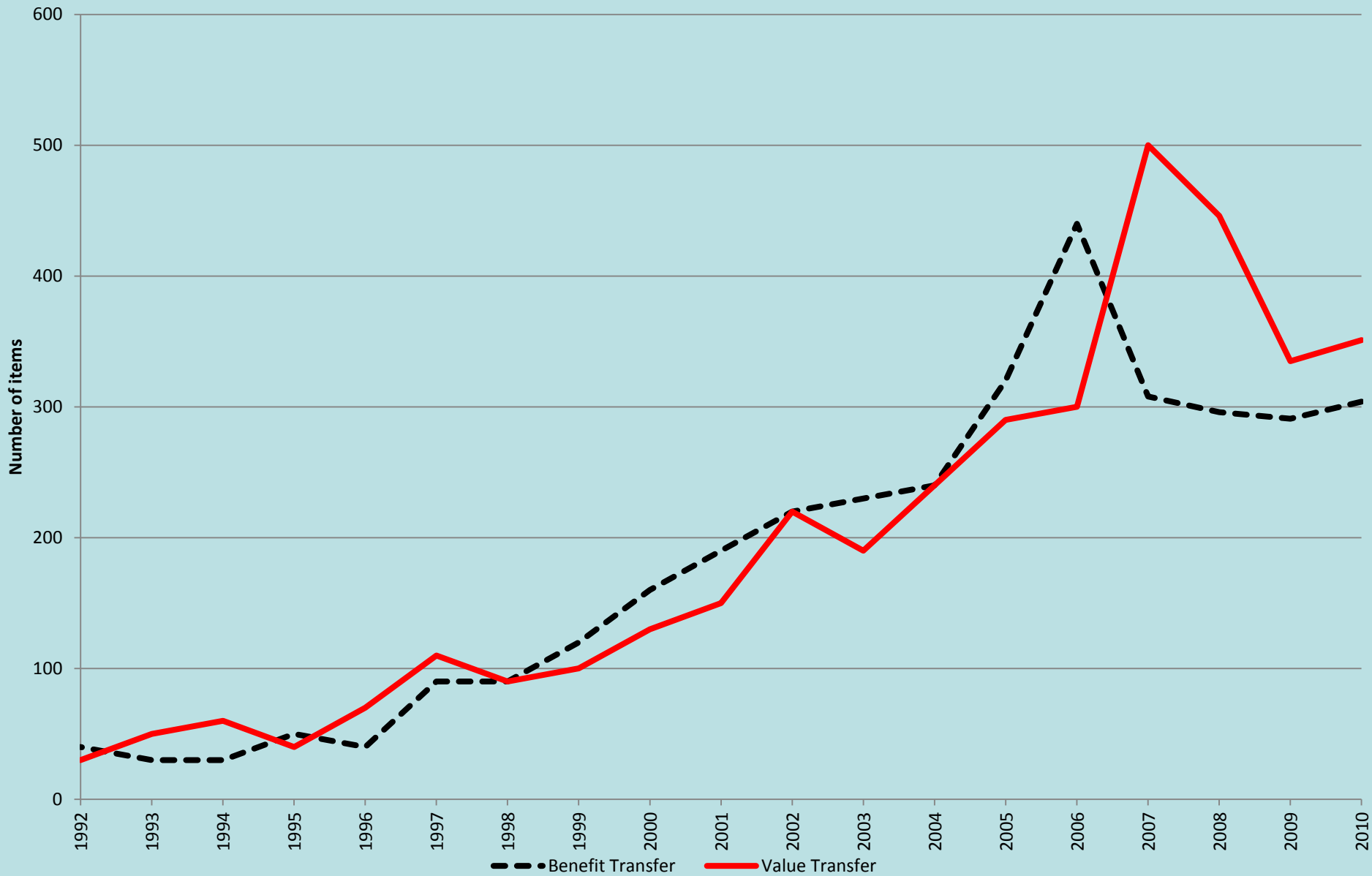


**Lincoln
University**

Te Whare Wānaka o Aoraki

CHRISTCHURCH • NEW ZEALAND

Google Scholar



NZ Value Transfers

Reference	Topic	Commissioned by
Ball et al. (1995)	Outdoor recreation: Auckland Regional Council parks	Auckland Regional Council
Cole & Patterson (1997) Patterson & Cole (1999b)	Ecosystem services: NZ	Dept of Conservation & Ministry for the Environment
Patterson & Cole (1999a)	Ecosystem services: Waikato	Environment Waikato
Kaval et al. (2003)	Outdoor recreation, ecosystem services: Te Kouma Farm Park	Environment Waikato
Kaval (2004)	Outdoor recreation, ecosystem services: Maungatautari Ecological Island	Author
Kerr (2004a)	River recreation: Waitaki River	Meridian Energy Limited
Kerr (2004b)	New Zealand existence values	Meridian Energy Limited
Sharp & Kerr (2005)	Option and existence values: Waitaki catchment	Ministry for the Environment
Yao & Kaval (2007)	Outdoor recreation - generic	Authors
Kerr (2009)	River recreation: Lower Waitaki River	Meridian Energy Limited
Bell et al. (2009)	Biosecurity	Foundation of Research, Science and Technology
Kerr & Woods (2010)	Big game hunting: Generic	Authors , Game & Forest Foundation

The value transfer market

- Supply
 - Inputs
 - Availability, commensurability, quality
 - Production costs
- Market failure
 - Transaction costs
- Demand
 - Legal matters



Commensurability

- Resource
- People
- Change
- Type of value
- Published/ not published



**Lincoln
University**

Te Whare Wānaka o Aoraki

CHRISTCHURCH • NEW ZEALAND

Source studies: NZ Non-Market Valuation Database

<http://www2.lincoln.ac.nz/nonmarketvaluation/>

N (studies)	Broad field of study
41	Recreation
21	Environmental preservation or enhancement
21	Other
20	Transport
9	Risk
8	Pollution
6	Aesthetics
5	Community facilities/infrastructure
4	Consumer goods
135	Total

Source studies: NZ Non-Market Valuation Database

N (studies)	Type of recreation
8	Freshwater fishing
5	Marine fishing
9	Forest recreation /walking tracks
3	Lake activities
3	Mountain area activities
13	Various others
41	Total

EVRI may help though

Practitioner perspective

- Supply affected by:
 - Costs of entering the market
 - Low: It's not rocket science
 - But increasing complexity
 - Delivery costs
 - Data costs
 - Reporting costs
 - Demand
 - Low & sporadic
- There is not much incentive to participate
 - Bell et al. (2009) is the only “commercial” case

Market Failures

- Poor knowledge about availability, costs and time required

Demand

- Management
 - Pricing, effects assessment, demand prediction
- Moral
 - Give nature a voice
- Legal

Ways to integrate environmental values

(Australian Government, 1995)

Method	Description
Omit them	Consider only monetary values and risk making decisions which disadvantage society
Recognise them	Make no attempt to value or integrate them into decisions
Describe them	Present a descriptive list alongside the list of monetary values



**Lincoln
University**

Te Whare Wānaka o Aoraki

CHRISTCHURCH • NEW ZEALAND

Ways to integrate environmental values

(Australian Government, 1995)

Method	Description
Omit them	Consider only monetary values and risk making decisions which disadvantage society
Recognise them	Make no attempt to value or integrate them into decisions
Describe them	Present a descriptive list alongside the list of monetary values
Make a qualitative comparison	Describe the non-monetary effects of a decision alongside them with monetary effects. For example. Are the monetary benefits of a decision worth the non-monetary costs? Strong(er) sustainability
Make a quantitative non-monetary assessment	Assess and record effects in non-monetary units
Make a quantitative monetary assessment	Evaluate in monetary terms as many effects as possible and integrate them in to the monetary assessment. Weak sustainability record the remaining effects

Laws

- Local Government Act (2002)
- Biosecurity Act (1993)
- Resource Management Act (1991)
 - Sections 7 & 32



**Lincoln
University**

Te Whare Wānaka o Aoraki

CHRISTCHURCH • NEW ZEALAND

Resource Management Act 1991

S32 Consideration of alternatives, benefits, and costs

- (1) In achieving the purpose of this Act, before a proposed plan, proposed policy statement, change, or variation is publicly notified, a national policy statement or New Zealand coastal policy statement is notified under section 48, or a regulation is made, an evaluation must be carried out by *[the relevant agency]*
- (3) An evaluation must examine—
 - (a) the extent to which each objective is the most appropriate way to achieve the purpose of this Act; and
 - (b) **whether, having regard to their efficiency and effectiveness, the policies, rules, or other methods are the most appropriate for achieving the objectives.**
- (4) For the purposes of the examinations referred to in subsections (3) and (3A), an evaluation must take into account—
 - (a) **the benefits and costs of policies, rules, or other methods**

S 32 interpretation

- 1993 guide

*As with costs, the objective is to measure benefits in dollar terms. ... Environmental and community impacts are ... virtually impossible to quantify in terms compatible with economic analysis, and to this extent **can be treated as intangibles**.*

- 2000 guide

*[Environmental] benefits and costs are almost always intangible and **cannot be quantified**.*

- 2008 guide

***Efficiency is not to be confused with the terms 'net benefit' or 'net present value' (a measure that implies that all benefits and costs can be converted to a common 'currency' and netted off against one another to generate a single measure).** ... Section 32 requires that the appropriateness of policies and methods be assessed having regard to their efficiency, rather than a more formal and prescribed cost benefit analysis (CBA). ... A robust evaluation of efficiency should not be regarded as requiring the full and comprehensive monetisation of every cost and every benefit.*

The Courts

- Pre 2001 Judge Jackson rulings supportive of economics and valuation
- 2002-2007 Several rulings against “economic” interpretation
Judge Woodhouse rules in the High Court (“*Contact Energy*” 2007)
there was no error of law by the Environment Court’s not setting out in its final decision a detailed analysis, as might be undertaken by an economist, carefully recording and weighing costs and benefits



The Courts

- 2009 Judge Jackson again!

“Waitaki” [515] estimates of the value of fishing and other recreation in the affected reach of the Waitaki were of interest to the Court. The use of non-market valuation techniques to assess the cost of externalities of proposals is encouraged

“Maniototo” [639] We have to weigh the quantified benefits detailed above plus any other unquantified benefits against those costs that have been quantified, together with any other costs not quantified. Some of these other costs could have been quantified but have not been.

- August 2010 High Court appeal against “Maniototo”

(“Meridian Energy”, Judges Chisholm & Fogarty)

[116] it is our view that the Court went too far when it decided that s7(b) required a comprehensive and explicit cost benefit analysis in this case.

[148h] evaluation is not to penalise Meridian for failing to provide non market valuation evidence in relation to landscape or heritage values.

Value Transfer Market Summary

- Supply
 - Low entry cost
 - Historic high cost of data
 - Participation risk for supplier
 - Low demand
- Demand
 - Doesn't serve a clear purpose
- Market Failures
 - Poor information



Prospects

- Data costs are decreasing
- Publicity about conflict may help cure the information problem
- Probably not worth it for commercial providers
- Big gamble for end users – but at least the possibility is allowed
- Ministry for the Environment initiatives
 - EVRI
 - Gap analysis
 - Study funding

Thank you

geoffrey.kerr@lincoln.ac.nz



**Lincoln
University**

Te Whare Wānaka o Aoraki

CHRISTCHURCH • NEW ZEALAND