



VALUING NATURE

Session C Demystifying Economic Valuation

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Demystifying Economic Valuation

[Demystifying Economic Valuation](#)

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ORVaL Outdoor Recreation Valuation Tool

Brett Day, University of Exeter

Valuing cultural services: Including the value of time?

Emily Connors, Office of National Statistics

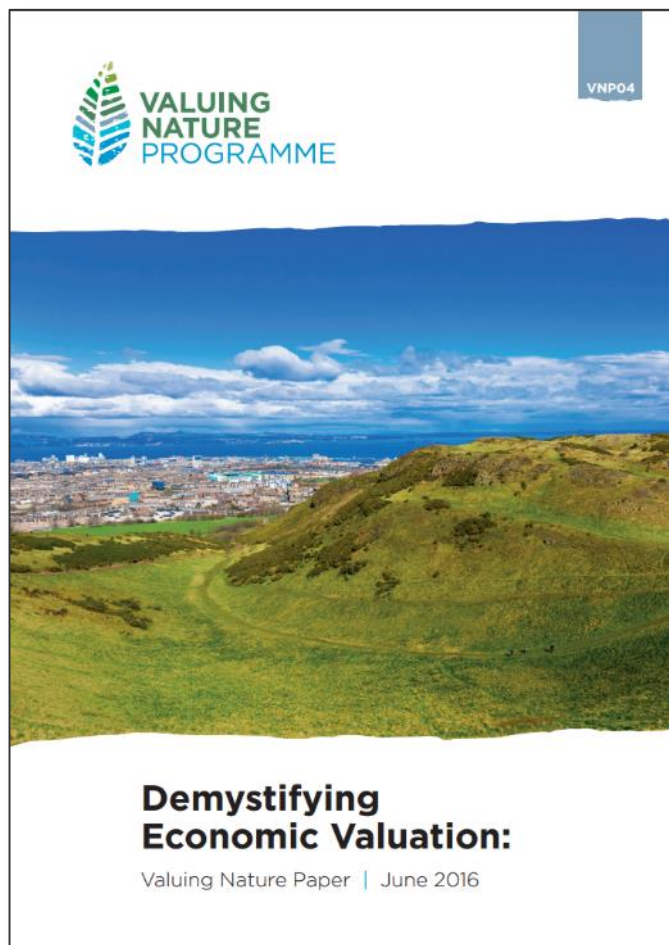


VALUING NATURE

Parallel Session: Demystifying Economic Valuation

Ece Ozdemiroglu, Valuing Nature PCT

Valuing Nature Demystifying Series



- First in Valuing Nature “demystifying...” series
- Brings together experts to explain key concepts
- Short key paper for general audience
- To be followed by academic publication: Journal of Environmental Economics & Policy

Why? To have a “go to document”

- Key concepts and terms that could be confusing
- Terms that are used to mean different things
- Numbers quoted out of context
- Expectations are polarised:
 - *Useless, idiotic at best, dangerous at worse*
 - *The number that will make the decision for me*

How? To create a “community document”

- Round 1: Open call for main issues
- Round 2: Outline
- Round 3: First draft
- Round 4: Final draft

- 120 participants:
 - 8 decision makers
 - 40 evidence providers specialising in a field other than economics
 - 72 economists

Contents

- Why economic valuation?
- What is economic valuation?
- How do we estimate economic value?
- Whose values count?
- How do we use economic values in decision making?
- But economic values vary! *And so they should!*
- How to communicate economic value evidence

<http://valuing-nature.net/demystifying-economic-valuation-paper>

Why and what?

- Understand people's preferences for the environment
- Both within and outside the market economy

- Total Economic Value
- Externalities

How?

- An example from daily life – *our enjoyment of an urban park and its economic value*
- Market prices
- Revealed preference methods
- Stated preference methods
- Value transfer

Whose values? Changing values?

- Everyone who is affected (+ and -) (£ and otherwise)
- Context dependence
 - Condition of the resource and its location
 - Scarcity and substitutability
 - The direction, scale and timing of the change
 - Affected individuals and their characteristics
- *How to take account of this in a location specific or aggregate (e.g. national) scale?
Examples from this session*

How to communicate economic value evidence?

- Be clear about what's in what's out
- Engage with decision makers & stakeholders
- Be specific about to which decisions the evidence is relevant
- Use language everyone can understand
- Do not aim for a single number
- Choose the appropriate valuation method
- Agree the appropriate level of effort
- Qualitative – Quantitative – Monetary evidence

Two examples

ORVAL tool

- Large database and models that allow for local analysis
- Recreational values
- User interface

National Recreational Accounts

- Aggregate level
- Value transfer
- Trends

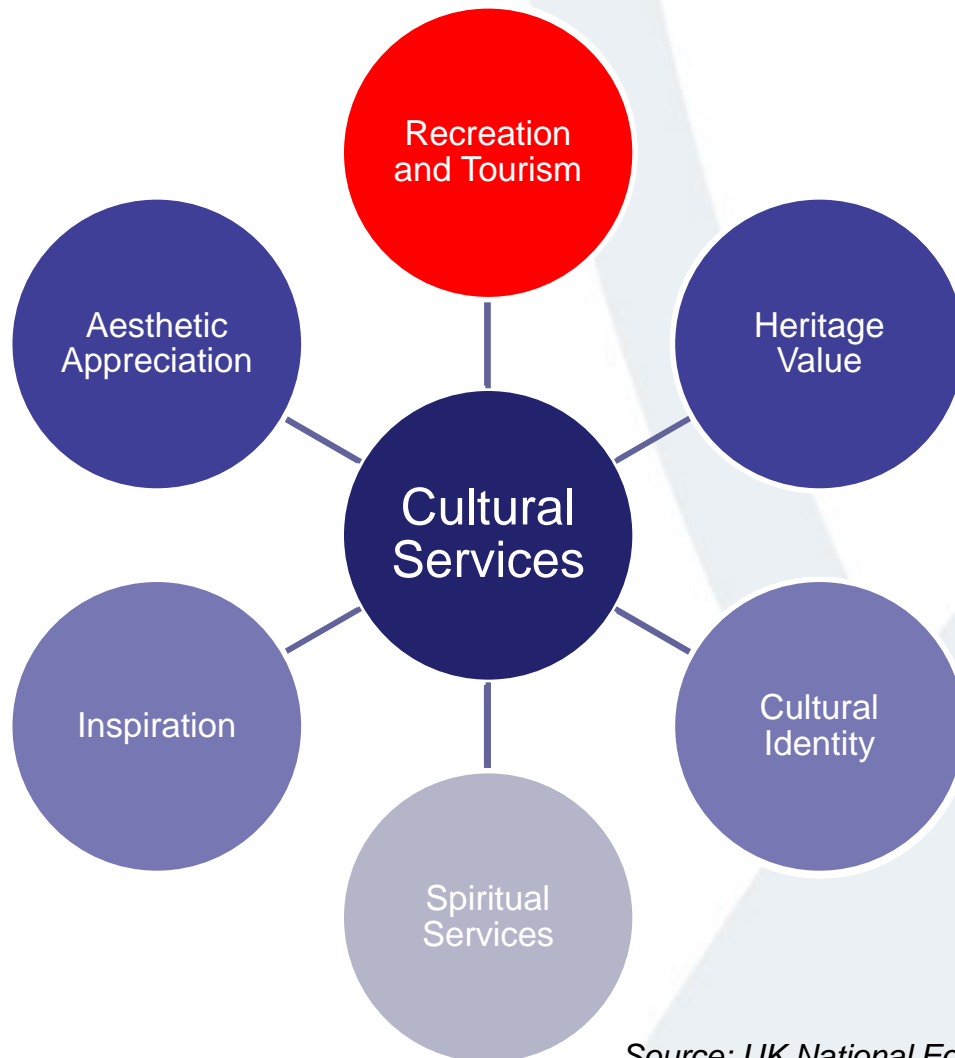


Office for
National Statistics

Valuing cultural services: Including the value of time?

Emily Connors, Office for National
Statistics (UK)

Cultural Services



Source: UK National Ecosystem Assessment (2011)

A number of ways to value recreation....

Typically, revealed and stated preference methods

Travel Cost

Admission Fees

Value of Time

Willingness to Pay
Surveys

Hedonic Pricing

Recreation
and
Tourism

Which one to
choose???

What SEEA says..

- In physical terms, this ecosystem service can be measured on the basis of the number of people visiting the ecosystem. Pg 68
- No clear direction on valuation, but a few warnings given for each approach. Pg 121-124

Approach taken in the UK

Good data source from 2009 – MENE

Recreation = cost of travel + entrance fees + time
where time = hours * (UK average wage*0.75)

*Recreation = 15% cost of travel and entrance fees +
85% time*

Developments since (Ricardo AEA)

- MENE microdata used to create repeatable model
- General improvements to the existing model

Other approaches also developed

- Using WebTag instead of ASHE
- Imputed admission fees

How should we value recreation and should time be included?

- SNA/SEEA consistent?
- If only use travel costs then heavily underestimating the value nature plays in providing recreational benefit, but by including it are we over estimating?
- Thoughts?