

Nominated Discussion

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ECONOMIC VALUATION AND ASIAN VALUES

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Knowledge of the impact of climate change is a prerequisite for proper decision making about climate policies. Many, and particularly the more powerful tools of decision analysis require that all pros and cons of a policy option be expressed in a common metric, for which money is the obvious choice. The aim is to make implicit preferences explicit, and the consequences of policy choice transparent.

Current practice in economic valuation of climate change impacts does not meet this aim.

Since impact studies are concentrated in North America and Western Europe, estimates of the other parts of the world are derived by extrapolation. This may well lead to biases, but it is unclear whether these are upwards or downwards.

Most studies assume that a dollar to a poor man is the same as a dollar to a rich man, and neglect equity aspects in aggregation. These issues can be further incorporated into economic impact assessments. Results, particularly at a highly aggregate level, are very sensitive to this. Incorporating equity into valuation (rather than evaluation and aggregation) can have unexpected and unwanted consequences.

Issues of responsibility for climate change can also be included in economic assessments, albeit only in a speculative manner. Assuming accountability for climate change impact, attractive at face value, may have undesired consequences when considered more carefully (e.g., developing countries grow increasingly accountable over time) and placed in the broader context of development (e.g., medical knowledge that accumulated with carbon-intensive growth). Impact estimates of developing countries are particularly sensitive to issues of responsibility.