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Pricing nature in dollars and cents

The issue for land use has always been a matter of dollars and cents versus environmental sentimentalism. The latter can win if one puts an exact price on nature, says an expert. NATALIE HENG writes that nature would win if one puts an exact price on it.

ANY DEVELOPMENT decision involving land use involves trade-offs. On the face of it, the direct benefits yielded by fruiting oil palm trees are far more tangible than those of a standing rainforest.

The issue is often seen as a matter of dollars and cents versus environmental sentimentalism. The problem however is that many of nature's contributions are diluted, indirect and intangible, be it in the form of biomedical science discoveries, eco-tourism or watershed protection.

The problem has fascinated Professor Dr Mohd Shahwahid Haji Othman ever since he began his degree in forestry science. It fuelled his subsequent career as a researcher and economic valuation specialist at Universiti Putra Malaysia.

Mohd Shahwahid is an environmental economist.

"I assign values to both the tangible and intangible contributions of nature," he explained during a talk at the International Conference on Challenges and Solutions for Tropical Biodiversity, hosted by the Malaysian Nature Society in conjunction with its 70th anniversary recently.

According to him, translating nature's contributions into dollars and cents helps decision makers better understand the trade-offs involved in land use issues.

This could manifest itself in calculations of how much more river treatment would cost due to sedimentation from a logged forest, to how much of a community's livelihood would be at stake due to loss of income from rattan collection should a particular development go ahead.

Talking about how environmental economics factors into policy making, he said there are three major challenges it can be used in context for.

"The first challenge lies in internalising environmental impacts and other externalities into the planning, design and implementation of development projects," he said.

"Our problem is that even if adverse impacts follow a project, these are seldom borne by developers themselves.

"It is usually society that ends up paying." In this sense, project feasibility studies are very important.

"The economic impact of environmental degradation should be measured and taken into account when approving developments,"

Mohd Shahwahid did however make a point of adding that cost-benefit analysis should be done fairly.

"We must also take into account all stakeholders," he said, referring to the importance of not only looking at loss of income from land conversions but also hypothetical losses from missed opportunities.

Another manner in which the facts and figures used to describe forest values and the impact of destruction can be put to use is in the creation of economic or market based instruments.

"They can be used to create mechanisms to deliver a 'you pollute, you pay' kind of principle," he said.

He extended this idea to recreational services offered by national parks and eco-tourism.

"People should be prepared to pay for nature's services.

"The revenue generated from park fees and such can then be put back into protecting the environment people enjoy, in the form of maintenance and conservation measures."

The second and third challenges he mentioned were gaining acceptance by decision makers and industry in relation to new environmental policies, and in raising public appreciation of the environment.

Both challenges, he said could be tackled by preparing facts and figures to back up the case for environmental conservation.

Although the concept of linking nature to economic benefits is not altogether new, he said it has recently been growing.

An older example of its use was when the Department of Forestry introduced its valuation-based tender system in the 70s. This allowed the department to increase rent rates for felling, depending on the quality of specific stock species, allowing states to meet their revenue demands without having to open up much land.

"Now there are more and more innovative mechanisms being created," added Mohd Shahwahid.

A newer example he pointed out was the Malaysia Airlines Voluntary Carbon Offset Scheme. Introduced in mid 2008, the scheme allows people interested in reducing their carbon footprint to pay into a trust fund

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managed by FRIM which will go towards efforts to rehabilitate South Pahang's peat swamps.

So far it has raised up RM150,000.

Conservation banks are another intriguing concept that have become a steadily growing trend. Malaysia's version of this would be Sabah's Malua Wildlife Habitat Conservation Bank.

This idea behind a conservation bank is based on people investing money into the preservation and management of specific tracts of biodiversity rich tropical rainforest. The idea is not so much about 'buying land' as it is about measuring and placing a value on ecosystem services.

In exchange for investments, the Sabah government has

stopped all logging activity in the Malua Forest.

When asked to comment on whether the downfall of these innovative new ideas lay in their dependence on reliable enforcement, Mohd Shahwahid said the concept was still new, but had potential.

For him, the trends spells a more important paradigm shift.

"In this sense, the international community finally agrees that some form of compensation has to be made to developing nations like Malaysia which sacrifice revenue generating opportunities in order to keep vast tracts of forest intact."

Many of the developed countries had after all, felled most of their forests.

Ultimately the idea behind environmental economics he said was putting a price-value on the environment and the ecosystem services it generates. Its benefits are not just

enjoyed by their host countries, but by the entire world.

"When you pay for something, you tend to value it more," he said.

The first challenge lies in internalising environmental impacts and other externalities into the planning, design and implementation of development projects."

— Professor Dr Mohd Shahwahid