

# CHOOSING POLICY INSTRUMENTS TO CHANGE THE USE OF NATURAL RESOURCES

---

# OUTLINE

## Why do we make policy?

### Four essential matters in designing policy:

1. The nature of natural resources
2. It is all about people
3. Equity and use are separate
4. Measurement limits what is feasible



# REASONS FOR HAVING POLICY

## **Equity**

- To change the distribution of economic, social and cultural wealth in the community.
- Change the way the cake is shared

## **Efficiency**

- To foster the creation of economic, social and cultural wealth in the community.
- Make a bigger cake



# FIRST ESSENTIAL MATTER: THE RESOURCE

- Non-exclusiveness in the use of natural resources
- Inefficient allocation of resources resulting in lower economic, social and cultural wealth
- Benefits and costs



# SECOND ESSENTIAL MATTER: THE PEOPLE

- Find a way to change how people use the resource
  - Who uses it?
  - How do they use it?
  - Why do they use it that way?
- A successful design depends on knowing:
  - How many people can change their use
  - How must they change
  - How much will it cost them
  - How quickly can they change



# THIRD ESSENTIAL MATTER: THE THREE STAGES

- Satisfactory allocation of uses: what mix of uses is desirable for the resource?
  - Cultural outcomes, resilient ecosystems...
- Correcting non-exclusiveness: What policy instrument will best change how people use the resource?
  - Feasible, cost effective, measurable, administratively efficient



# THIRD ESSENTIAL MATTER (CONTINUED)

Equitable sharing of costs: how should cost of changing resource use be shared?

- Recognising effort, minimising social disruption,...

Clarity about which you are analysing – allocation of use, correcting on-exclusiveness, sharing costs of change – is vital if you are to be successful in policy design



# FOURTH ESSENTIAL MATTER – MEASUREMENT

Variety of policy instruments

- Incentives (grants, tenders)
- Taxes (rates, levies)
- Regulations (bans, standards, cap and trade)

Choice of instrument is limited by feasibility. What is feasible depends on what can be measured.





# CONCLUSION

Everything matters when it comes to designing a policy and choosing policy instruments.

There is a fundamental structure to policy problems.

This structure can provide a way of working through the design process.

It can also help clarify which matters should be attended to at different stages in the process.



# QUESTIONS

Thank you



# NON-EXCLUSIVENESS AND NON-RIVALRY

- Free-to-air television – non-exclusiveness and non-rival
- Pay television – exclusive but non-rival
- Cinemas – exclusive and rival

## **Policy solutions**

- Pay television – create exclusiveness through technology (or property rights)
- Public television - government supply
- Advertising – non-exclusiveness is commercially valuable



# EXAMPLES

- Interpret experience with nitrogen market in Lake Taupo
- Select policy instruments to reduce nutrients entering Gippsland Lakes
- Identify policy instruments for controlling wild dogs in Victoria
- Organisational consequences of collaboration in policy design