

NEW HORIZONS

IN MARKET-BASED
INSTRUMENTS

11 NOVEMBER 2005
CSIRO DISCOVERY CENTRE
CANBERRA

MBBI

PROGRAM



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AARES ACT, in collaboration with CSIRO, Centre for Energy and Environmental Markets at UNSW, and ARC Economic Design Network are pleased to present today's event



New Horizons in Market-based Instruments

Friday 11 November 2005

Market-based Instruments (MBIs) are no longer novel tools in natural resource management. The outcomes focus of MBI instruments emphasises the complex nature of many Australian natural resource management issues. The emphasis on design and renewed focus on complex issues suggest a number of 'new horizons' for MBI development including combinatorial auctions, linked markets, crowding out and integration with other policy options. The goal in this symposium is to demonstrate a selection of these recent advances in MBI design and application.

Program

Registration and coffee from 8:30 am

Symposium Opening

09:10 Introduction and welcome Prof Jeff Bennett (ANU)

Session 1: Setting the scene: MBI Progress to date

CHAIR – Lili Pechey, ABARE

09:20 National Market Based Instruments Pilots Program Quentin Grafton (ANU)
10:00 Markets for Ecosystem Services in Australia Stuart Whitten (CSIRO)
10:40 *Panel Session on MBI Progress to date* (Stuart Whitten, Quentin Grafton, Rod Carr)
11:00 Morning tea

Session 2: New MBI techniques and applications

CHAIR – Anthea Coggan, CSIRO

11:30 Combinatorial Auctions – what, where, and how? Dave Porter (George Mason University)
12:15 Linked markets – practical issues in market design Karel Nolles (UNSW)
13:00 Lunch

Session 3: Recent advances in MBI application and technique

CHAIR – Salim Mazouz Director Environmental Economics Unit, DEH

14:00 Recent advances in nutrient trading in Australia and internationally Drew Collins (BDA Group)
14:40 Some lessons for market design from experimental economics Andrew Reeson/John Ward (CSIRO)
15:20 What are the new regional MBI horizons Bernie Dunn (Wimmera CMA)
16:00 Wrap up and close Prof Jeff Bennett (ANU)
16:15 Afternoon tea

Session 1

Session Chair: Lili Pechey – ABARE.

While at ABARE Lili has undertaken research in natural resource economics spanning water, native vegetation, fisheries, drought and climate change policy issues. Recent research has focused on policy issues related to water trade, including property rights, third party effects of trade and irrigation infrastructure within an economic framework. Her over-arching interest is in the use of economic instruments for improved natural resource management. She spent two years as a commodity analyst at the Qld Department of Primary Industries and Fisheries, before moving to ABARE in 2004.

R. Quentin Grafton holds a PhD in Economics from the University of British Columbia. His research interests include: Social networks and network theory; Fisheries management (especially marine reserves); Productivity and efficiency analysis; Property rights (especially quantitative instruments in resource and environmental management); Economic growth and environmental performance. Dr Grafton is Professor, International and Development Economics, Asia Pacific School of Economics and Government, ANU. Phone: (02) 6125 6558

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Stuart Whitten is an institutional analyst with experience in environmental and resource economics. He joined CSIRO in 2002 as Project Leader of the Markets for Ecosystem Services Project. He has since lead the development of a number of complementary multidisciplinary research projects including several market-based instrument pilot projects and is responsible for delivery of a major research initiative to build the capacity of regional communities by creating markets that reward landholders for the ecosystem services that they provide.

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Session 2

Session Chair: Anthea Coggan - CSIRO

Anthea is an environmental economist at CSIRO Sustainable Ecosystems. Her experience is focussed on applying economic analysis to public policy development, particularly in the agriculture and environment sector. Anthea joined the Markets for Ecosystem Services team in June 2004 to pursue her interest in the design and application of market based approaches to achieve environmental objectives. Anthea is currently working on a development offset MBI to manage ecosystem service impacts from rural residential development as well as exploring the opportunities for MBIs in the Rangelands of NSW.

David Porter is Professor, College of Arts and Sciences, at George Mason University, Faculty Member at the Interdisciplinary Center for Economic Science (ICES), Mercatus Scholar, and IFREE Visiting Scholar. He specializes in applied mechanism design and experimental testbedding of exchange systems. Dr. Porter was the principle designer of the Cassini Resource Exchange that allowed scientists on the mission to Saturn to barter resources over the Internet. He also designed and developed the auction that is used to trade emission right portfolios in the Southern California basin, the Sears Logistic auction and Virginia's

NOx New Source auction. Dr. Porter received his M.S. in Mathematics and Ph.D. in Economics from the University of Arizona

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Karel Nolles is a Senior Research Fellow in the Faculty of Commerce and Economics at UNSW. Prior to joining the UNSW, Karel spent over 10 years as a consultant in the energy and environmental markets in Australia and SE Asia. He is currently completing a PhD focused on applying the techniques of experimental economics to the market design of emerging markets such as Renewable Energy Certificates, Greenhouse Emissions, Salinity Credits and the National Electricity Market. From 2000 to 2004 he was the Manager Environmental Markets for the Australian Financial Markets Association (AFMA).

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Session 3

Session Chair: Salim Mazouz - DEH

Salim Mazouz is Director of the Environmental Economics Unit in the Australian Department of the Environment and Heritage. He is responsible for a team of economists providing economic advice and analysis across the Environment and Heritage portfolio. He is the current DEH representative on the National Market Based Instruments Pilot Program Working Group. Before joining the Environmental Economics Unit, Salim provided economic analysis and advice in the Australian Greenhouse Office and was a Senior Economist at the Productivity Commission prior to that.

Drew Collins oversaw the development of internationally recognised pollution tax and emission trading schemes when working for the NSW Government. Since becoming a Partner with BDA Group, Drew has led a number of assignments for Commonwealth and State governments exploring opportunities for environmental policy reform and the greater use of market-based instruments.

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Andrew Reeson is an experimental economist with CSIRO Sustainable Ecosystems in Canberra. His research involves applying experimental methods to empirically test how people respond to alternative policies, institutions and market structures. Current projects include examining how people's motivations and behaviour change as new policies are introduced, lessons which are relevant to the design and application of MBIs and other environmental incentives.

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John Ward is a member of the Policy and Economic Research Unit, a team of CSIRO resource and ecological economists. The unit specialises in the analysis and development of resource policy principles and their application to natural resource management. John is best known for his contributions to experimental methodologies for management of natural resources and assessment of natural resource market exchange and the development of natural resource accounting and valuation systems.

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Bernie Dunn has a Bachelor of Applied Science in Environmental Management. He has sixteen years experience in public and private natural resource management in Victoria. Bernie is Land & Biodiversity Program Manager for Wimmera CMA.

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Jeff Bennett, Professor of Environmental Management at the National Centre for Development Studies, will wrap up the symposium. Professor Bennett has over 25 years experience researching, consulting and teaching in the fields of Environmental Economics, Natural Resource Economics, Agricultural Economics and Applied Micro-Economics. His current research interests focus on; the development and application of techniques to estimate the value of non-marketed environmental benefits and costs, and, the analysis of alternative institutional structures that give private owners/managers of natural resources the incentive to provide environmental benefits.

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