

What are Market Based Environmental Management Instruments ?

Emission charges : direct payment based on the measurement or estimation of the quality and quantity of a pollutant.

User charges : payment for the cost of collective services. For example , charges for the collection and treatment of solid waste , charges on sewage water , charges on hazardous waste , charges on aircraft noise, charges on air pollution etc. When they are used for natural resources management , they are usually called user fees. For example for access to national parks , to hunting or fishing facilities.

Product charges : applied to products that create pollution either through their manufacture, consumption or disposal (fertilisers, batteries, pesticides). The aim of this charge is to put a real price on the product to include its collection, disposal and treatment.

Taxes for natural resources management are payment for their use. They are also sometimes called Royalties.

Marketable (tradable, transferable) permits, rights, quotas : also called emission trading. Are based on the principle that any increase in emission or in the use of natural resources must be offset by a decrease of an equivalent , or sometimes greater , quantity. Two broad types of tradable permits system are actually in operation : those based on emission reduction credits (ERCs) , and those based on *ex ante* allocations ("cap-and-trade").

ERCs takes a "business as usual" approach scenario as the starting point and compares this baseline with the actual performance. If the pollution emitter performs better than the anticipated baseline, a "credit" is earned. This credit can be either used by him or sold to another emitter whose emissions are higher than the accepted baseline.

The "**cap-and-trade**" approach sets an overall emission and use limit (the cap) and requires all pollution emitters to acquire a share of this total before they can emit. Shares may be given free of charge by an environmental agency or auctioned. Their owners can either utilise them, save them for later use or trade them.

Deposit-refund system : payment made when purchasing a product. The payment (deposit) is fully or partially reimbursed when the product is returned to the dealer or a specialised treatment facility.

Non-compliance fee: imposed under civil law for polluters who do not comply with environmental or natural resources management requirements and regulations. They can be proportional to selected variables such as damage caused by non-compliance, profits linked to reduced non-compliance cost, etc.

Performance bonds : used to guarantee compliance with environmental or natural resources requirements, polluters or users may be required to pay a deposit in the form of a bond. The bond is refunded when the compliance is achieved.

Liability payments : payment made under civil law to compensate for the damage caused by a polluting activity. Such payments can be made to victims or to the government. They can operate in the context of specific liability rules and compensation schemes, or compensation funds financed by contributions from potential polluters (funds for oil spills, funds for chemical pollution).

Subsidies : all form of explicit financial assistance to polluters or users of natural resources, e.g. grants, soft loans, tax breaks, accelerated depreciation, etc. for environmental protection.