

MARSDEN JACOB ASSOCIATES

CELEBRATION

Talks

**Using environmental economics to
assess the costs and benefits of
assessments in RISs and over**

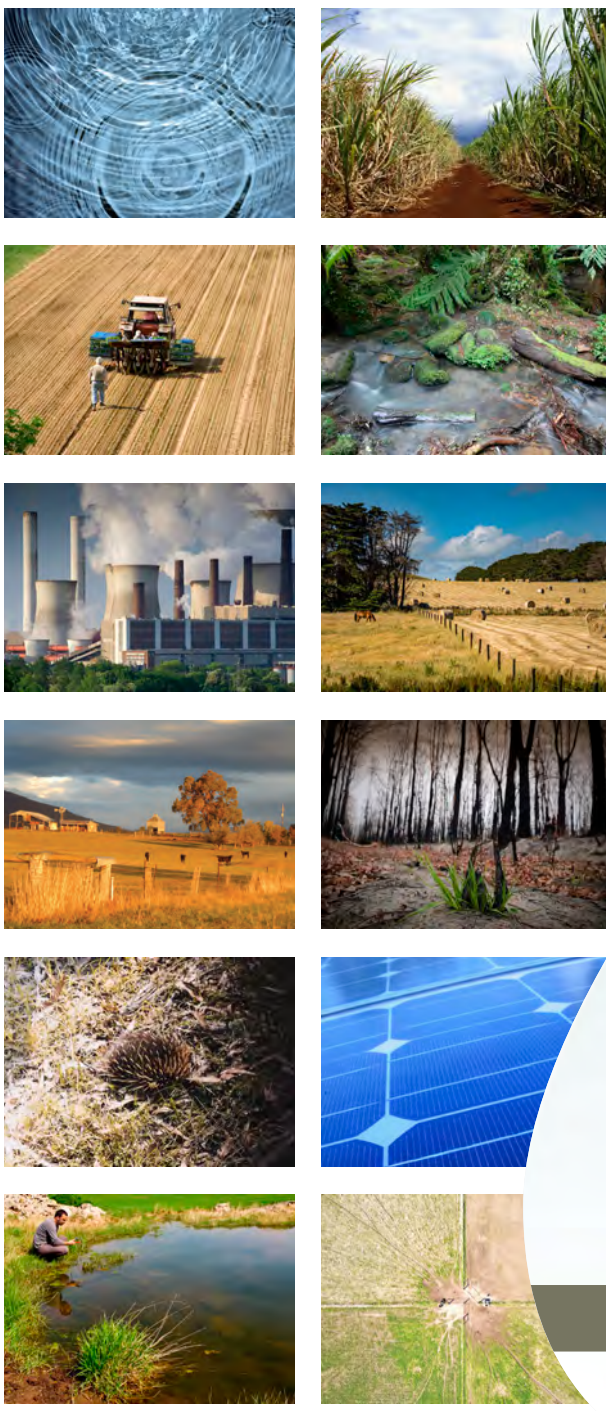
A Marsden Jacob Associates presentation



Talks Live

Using environmental economics to support benefit assessments in RISs and overcome red tape

A Marsden Jacob Presentation

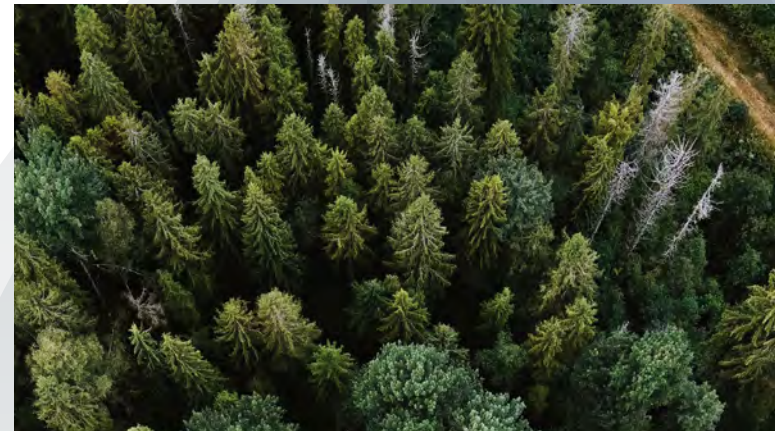


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C E L E B R A T I N G



Talks Live



The **Marsden Jacob Talks Live** webinar series brings people together to discuss pressing issues across environment, energy, water, waste and recycling, agriculture and earth resources and other sectors in Australia and internationally.

These free webinars are open to everyone. We aim to share best practices and bring the latest research and thinking to a broad audience.

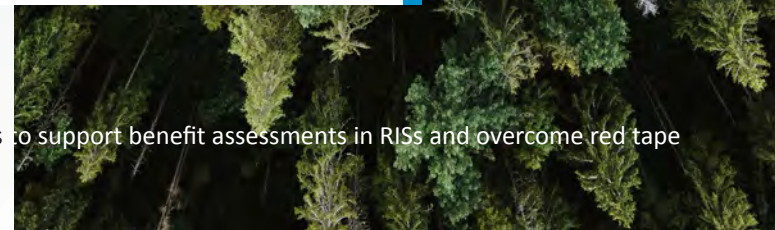
Our focus in these events is on encouraging open, positive and collaborative discussion amongst webinar participants.

We encourage you to come with questions, opinions, experience, and interests you can share. We also welcome your thoughts on future topics for our webinar series.

Each live event includes a presentation, followed by open discussion between webinar participants.

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Using environmental economics to support benefit assessments in RISs and overcome red tape



Who am I?

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- **Bachelor of Environmental Engineering (Honours), a Master of Business Administration and a Graduate Certificate in Competition Policy.**
- **25 years' experience in policy and regulatory reform** - specializing in assessing effectiveness and efficiency of government policy programs. Substantial experience in government infrastructure development.
- **Broad range of consultation approaches and Regulatory Impact Statements (RISs)** - including the ratification of the Minamata Convention on Mercury.
- **Assessing projects on both a commercial feasibility and on a cost-benefit analysis basis** – considering the total benefit to society through workshop facilitation, stakeholder interviews and the preparation and analysis of surveys.

In today's Talks Live we're going to cover:

Why this topic,
and why now?

Purpose and
importance of
RISs

Case study
RIS: Minamata
Convention

Cost-benefit
analysis: triple
bottom line

Getting buy-in
on health &
environment
benefits

RIS progression:
considerations

Q&A

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Why this topic, and why now?

Every Government Department has reforms it would like to progress but can't.

E.g. Low drafting priority, stalled at the minister's office etc.

Regulation Impact Statements (RISs) are a standard approach to ensure new legislation aligns with Better Regulation Principles.

RISs are often seen as an additional hurdle for Departments to jump over (and slows the legislative process) but it can be used to promote the reform and ensure it gets implemented.

Industry is very good at estimating the cost of red tape. Governments need to get better at estimating non market benefits (such as environment, amenity, health or safety).



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The purpose and importance of RISs

The Commonwealth and each state/territory require a Regulation Impact Statement before proposed changes to laws are progressed.

RIS aim to ensure that:

- The proposed reforms are well thought through and alternative approaches have been considered.
- Any increase in costs to government or industry (red tape) are carefully considered.
- Stakeholders have been consulted and there is general support for the reform.
- Not going to repeat the RIS guidance – look at OBPR's webpage.



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Case study RIS: Australia's ratification of the Minamata Convention

Minamata – international convention to phase down the use of mercury.

Convention was written in 2013 and Australia was a key contributor to the drafting.

Convention came into force once 50 countries ratified it – occurred in 2017.

Marsden Jacob analysed the reform in:

- 2015
- 2017
- 2020

Australia ratified the convention in December 2021 – becoming the 136th country to ratify.



Minamata Convention: identifying options and scenarios

When considering long-term reforms – such as whether Australia should ratify the Minamata Convention it's important to identify the reform options and external factors that can impact the costs and benefits.

Options:

The reform options the Government can select from:

- Base case (no change) / Option 2 / Option 3

Scenarios:

External factors that impact the costs or benefits

- Technological change / policy change



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Cost-benefit analysis: the triple bottom line

Cost-benefit analysis can include:

Financial, environmental and social costs and benefits (AKA triple bottom line).

Stakeholder	Example costs and benefits	How to estimate
Financial	Industry compliance costs (+/-) Government enforcement costs	Industry/Government survey, interviews
Environmental	Pollution, litter, loss of habitat, reduced CO ₂ -e	Repair costs, community willingness to pay/accept
Social and community	Health impacts, risk of premature death, Use values for environmental assets	Statistical value of a life (QALY, DALY) Willingness to pay for higher uses

Distribution of costs and benefits

Stakeholder group	Reform costs (incremental costs over the base case)	Reform benefits (incremental benefits over the base case)
State / Territory Government	Costs from regulatory changes Audit and Enforcement (ongoing)	Industry/government survey, interviews
Industry	Change over costs (e.g. capex) Ongoing costs (opex and maintenance)	Repair costs, community willingness to pay/accept
Other stakeholders	Any other costs?	Any other benefits?
Broader community	Any costs to the broader community?	Reduced pollution / CO ₂ -e
Environment	Any environmental costs?	Pollution, biodiversity etc.

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Getting government buy-in on health & environment benefits

Government action is much more likely if a reform will deliver benefits to the broader community or the environment – classic beneficiaries of “market failure.”

But people naturally give health and environmental benefits a greater weight if you can identify the specific groups/ environments that will suffer the loss:

- Environment – it’s a postcard environment.
- Health – it’s relatable (relevant to their demographic or groups they know).



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RIS progression: considerations

Three considerations that may assist reforms progress:

- 1 More tests required than a cost-benefit analysis.
- 2 Transitional issues.
- 3 A RIS as a business case for reform.



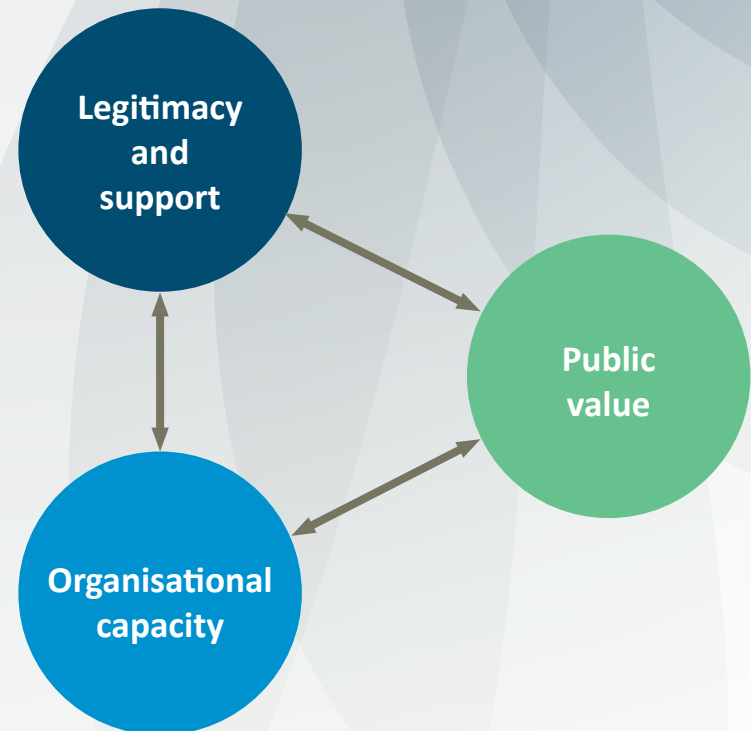
1. More tests required than a cost-benefit analysis

Cost-benefit analysis is key tool and is the focus of better regulation groups.

However, other considerations are important too.

Any proposed reform should demonstrate it:

- has general community support across stakeholder groups
- delivers public value (as measured through a cost-benefit analysis)
- is technically feasible and enforceable – within existing (or achievable) technology and organisational capacity.



2. Transitional issues

Many reforms stall – even if stakeholders accept the final form would be desirable.

Often the transitional arrangements are difficult to manage.

The following strategies can assist to overcome these issues:

- **Consider and consult on transitional arrangements early.** This ensures they are considered in the policy design phase.
- **Slow and steady wins the race.** Slowing transition period allows industry time to prepare and can reduce industry costs.



3. RIS as a business case for reform

A RIS can be seen as a business case for reform.

So we can use business case approaches to promote reform:

- Identify the key decision makers that need to be convinced.
- Focus on the benefits to the decision makers.
- Recruit allies – e.g. Treasury/Alignment with Government objectives and election commitments.
- Reduce/remove opposition to the reform.

NB. For most departments, this involves selling the reform to the Minister's office and identifying both allies and opposition to reform through the consultation process.



About us

We are an independent, national consulting firm with offices in Perth, Melbourne, Sydney, Brisbane and Adelaide.

Established in 1996, we are one of Australia's leading economics consultancies.

Our subject matter experts and economists specialise in designing evidence informed solutions for complex real-world problems across social and public policy, water, energy, environment, natural resources and transport.

We specialise in policy, strategy, modelling, regulatory reviews and mapping, process mapping and economics.



Thank you

Next Marsden Jacob Talks Live - August

European and UK energy market price spikes/disruptions: lessons for Australia



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