

3<sup>rd</sup> International Conference of the Japan Economic Policy Association  
Meiji University, Tokyo, November 13-14, 2004

*Title of paper/presentation:*

**Understanding Environmental Protection Costs and Implications for Environmental Policy**

*Author & presenter:*

Petr Šauer

*Contact:*

Doc.Ing. Petr Sauer, CSc.  
Head of Department of Environmental Economics  
University of Economics  
W. Churchilla 4  
130 67 Prague 3  
Czech Republic  
tel: 420-224 095 509  
fax:420-224 095 529  
E-mail: [sauer@vse.cz](mailto:sauer@vse.cz)

**Abstract**

Environmental protection projects exist in several areas: technology, source management, product and packaging design, process management, waste treatment, transport of products, employee education and training, consumers/household behaviour, etc.

Projects, which bring effects primarily in improving the environment, can be called pure environmental protection projects. Projects, which bring more kinds of effects (i.e. not only the environmental ones), could be called integrated environmental protection projects. The projects are connected with costs. These costs can be paid both from private or/and from public sources. Economic parameters and efficiency of the environmental projects are important issues in decision-making of both economic subjects-polluters (enterprises, household) and public authorities.

The costs, where there is a potential to be spent by private polluters, are usually a subject of strong confidentiality. There is economic information asymmetry between the (private) polluters on the one side and other stakeholders on the other side. The information asymmetry must be taken into account when designing and implementing appropriate institutions of environmental policies.

The paper would like to contribute to the clarification of the environmental protection costs (control costs). Namely, it is intended to show the difference between so-called “net” and “gross” private environmental protection costs and discuss its implications for designing concrete policy designs, namely the market oriented ones.

An economic lab experiment will be prepared and conducted at the University of Economics in Prague and the results will be presented at the JEPA conference. The experiment should illustrate the difference of supply curve and price of tradable pollution permits when calculated by experts and when being a market result.

**Key Words:**

environmental economics, environmental policy, control costs, information asymmetry