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# **Economic assessment and sustainable development**

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**External costs of energy and their internalisation in Europe:  
Dialogue with industry, NGO, and policy-makers**

December 9, 2005

\* European Commission  
DG Economic and Financial Affairs

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# Economic assessment and sustainable development

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- Non-declining welfare
  - Flows of goods and services
  - Trade-offs
  - Externalities & external costs
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# The value of a statistical life

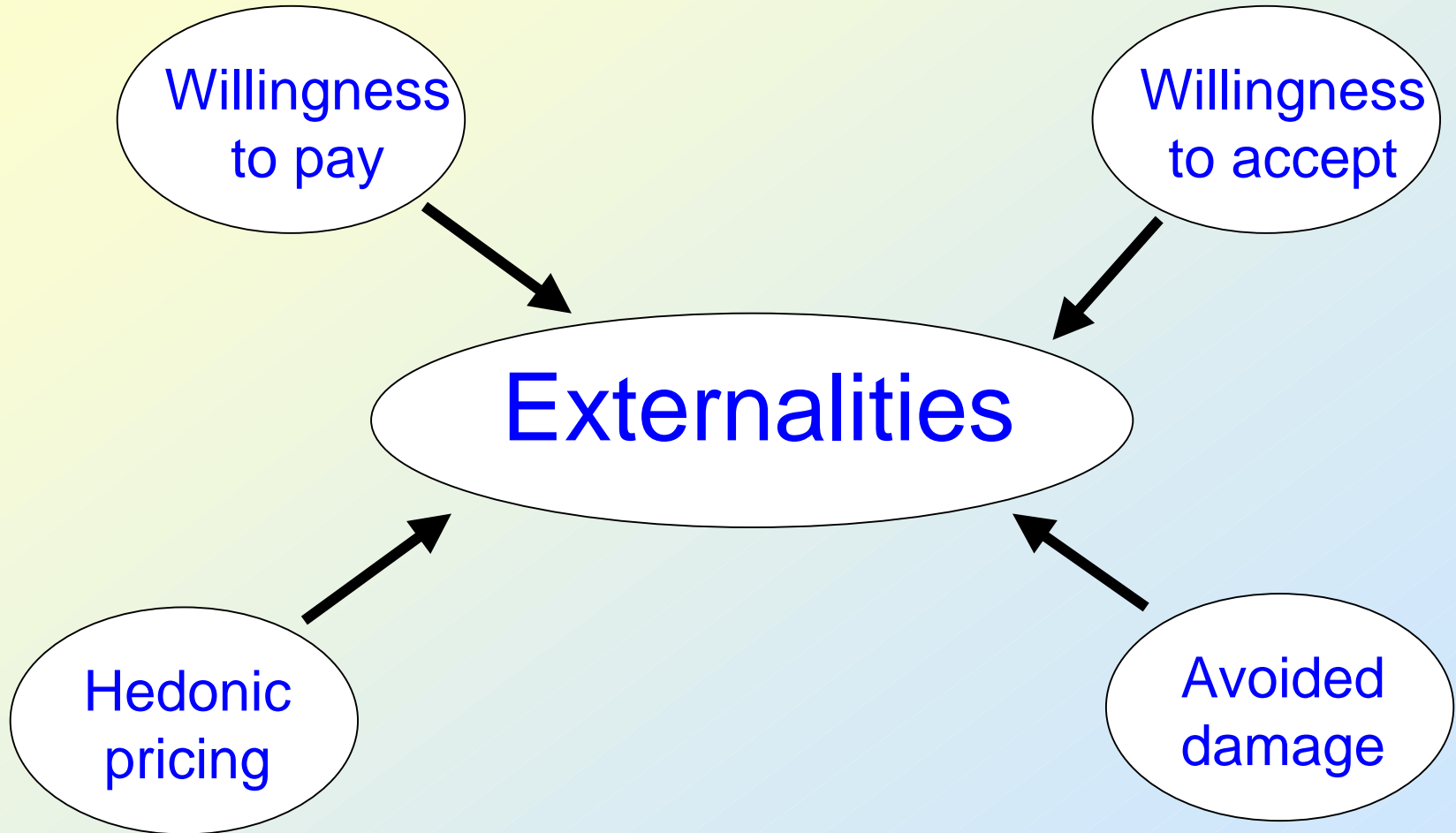
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- US: \$6 million +
  - EU: €1 million
  - Why the difference?
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# Valuing externalities

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# Methodology

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- Willingness to pay – for what?
  - Public understanding of risk & probability
    - 5 in 1000 or 10 in 1000
  - “Anchoring”
  - Public goods/free riding
  - Mean or median?
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# Uncertainty

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- Physical impacts
  - Values of impacts
  - Costs
  - Policy effectiveness
- How can we communicate this to decision makers?
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