

FAQs.

1. How market is useful in dealing with environmental problems?

Market is an important institution. It functions automatically. It is a useful to deal with environmental problems. It enables us to make a model with demand and supply through which we can explain and analyze environmental problems. The important element in market is that it can internalize the environmental degradation and leave us with allocative efficiency. It provides incentives that define the market process can enable us to tackle environmental problems.

2. What is the objective of market instruments?

Market instruments are aimed at bringing the external costs of environmental damage back in to decision making of firms and consumers. Market approach attempts to restore economic incentives by assigning a value to environmental quality, or equivalently, by pricing pollution.

3. What is difference between market based approach and the command and control approach?

The fundamental difference between them is that market based approach rests on efficiency. While the command control approach is based on standard objectives, set at a socially desirable level. Market approach is an incentive based policy the encourage conservation practices of pollution reduction strategies.

4. What are the types of market instruments?

The market instruments are basically, pollution charges, subsidies, deposit/refund systems, and pollution permit trading system.

With the help of its tools-market based approach is used by many countries of the world. The nations in organization for Economic Co-operation and development (OECD) are approximately using 375 different environment taxes as well as 250 environmentally based fees and charges. The market approach is important for it gives the range of available solutions to environmental problems.

5. What are the pollution charges?

Pollution charges are the charges to internalize the cost of environmental damages by pricing the pollution generating activity. By definition, a pollution charge is a fee that varies with the quantity of pollutants released. It can be

implemented as a product charge or as an effluent or emission charge. The motivation follows what's known as the "polluter pay principle", a position rooted in the belief that the polluter should bear the costs of control measures to maintain an acceptable level of environmental quality.

6. What do you mean emission charge?

Emission or affluent charge is a fee imposed directly on the actual discharge of pollution. It assigns a price to pollution, typically through tax. This comes under the price mechanism which a polluter can no longer ignore the effect of its environmental damages on society. A polluter will pay the charge and consider it part of his cost of production. Taking this in to account the polluting firm can either continue polluting at the same level and pay the charge or invest in abatement technology, to reduce its pollutant releases and lower its tax burden.

7. What is environmental subsidy?

It is an alternative market approach to reduce environmental degradation by introducing subsidy. In this measure government is giving subsidy to the polluter for not to pollute. It one types of "negative tax" a payment for not making pollution. It means you "get reward" for not polluting.

8. What is an abatement equipment subsidy?

Abatement equipment subsidy is a payment aimed at lowering the cost of abatement technology. It is one kind of incentive for not polluting in practice, abatement equipment subsidies are implemented through grants, low-interest, or investment tax credits and they all give incentive to invest in abatement technology.

9. What is Deposit/Refund System?

It is a market instrument that imposes an upfront charge to pay for potential damages and refunds it for returning a product for proper disposal or recycling. This market instrument combines the incentive element of a pollution charge with a built in mechanism for controlling monitoring costs. Its intent is to capture the difference between the private and social costs of improper waste disposal.

10. What is meant by pollution credits and pollution allowances?

Pollution credit means tradable permits issued for emitting below an established standards while pollution allowances means tradable permits that indicate the maximum level of pollution that may be released.