



Practitioner’s Guide

Welfare: “Who benefits from and who pays for using the ecosystem?”

Your Ecosystem’s Benefits

Marketed goods/services

Ecosystem services are in part marketed (i.e. they have a market price), others are non-marketed. Which of the services in your case are marketed, and which are non-marketed?

Marketed ecosystem services	Non-marketed ecosystem services

Market prices

What are current market prices for goods and services provided by your ecosystem?

Marketed ecosystem services	Market price



Externalities

Market fails if the market price does not fully reflect the „true“ economic value of the ecosystem service. For example, the price of agricultural commodities may not fully include the costs of externalities such as nitrate water pollution generated by agricultural production. Externalities may be negative is they impose a cost on a third party (pollution) or positive if they bring a benefit to a third party (recreation for no entry fee). Which externalities exist in your ecosystem?

Positive externalities:

Negative externalities:

Transfer payments

Externalities are internalized if all costs and benefits associated with production are borne by the supplier or consumer. This results in commodity price increases for negative externalities and decrease for positive externalities.

Economic instruments such as taxes and subsidies can be used to correct for externalities and make prices better match the true economic value to society as a whole. Transfer payments are payments that are made within society, redistribute wealth within society but do not change the overall wealth of society. Taxes and subsidies are examples of transfer payments. Which transfer payments are made in the case of your ecosystem, who is receiving, who is paying?

Which transfer payments are made in the case of your ecosystem (taxes, subsidies, fees...)	Who benefits from the transfer payment? (supplier? consumer? government? other?)	who is paying the transfer payment? (supplier? consumer? government? other?)