

Valuation in Practice

Developing consistent approaches - and a roadmap to get there

4th December 2018

Event summary

The event brought together around 70 valuation experts, practitioners and researchers from the public, private and third sectors that are working on or applying economic valuation.

SESSION 1 – WHERE IS VALUATION NOW AND WHERE IS IT GOING?

- *Ece Ozdemiroglu (eftec)* provided an overview of environmental valuation, which has moved on a lot in recent years and is increasingly accepted. The key challenge is now communicating the process of valuation and context for decision making, rather than aiming for precision that cannot be achieved (since values are not fixed). There are lots of opportunities and levers available for utilising valuation evidence (including natural capital accounting and the current biodiversity net gain consultation¹).
- *Colin Smith (Defra)* set out his thoughts on the role of government in supporting valuation, framed by the context of the 25-year Environment Plan and the Treasury Green Book. Part of this is the scientific understanding needed to underpin valuation, and the increasing emphasis on natural capital. Lots of challenges remain, which the government is helping to address (e.g. through EnviTAG and NEVO).
- *Claire Johnstone (Environment Agency)* called for valuation to support the step-change in decision making for environmental management that is needed to help address climate change and biodiversity loss. Nature-based land management solutions can help with this and address the themes within the 25-year Plan. More integrated assessments of ecosystems services and natural capital are needed, and consideration of different geographical scales. Key questions for valuation include who is making decision, what outcomes are needed and how should decisions be made.

SESSION 2 – HOW IS VALUATION BEING APPLIED AND WHAT DO PRACTITIONERS NEED?

- The session included some great case studies from *Gordon Rogers (Yorkshire Water)*, *Jim Rouquette (Natural Capital Solutions)* and *Daniel Lopez Dias (Route2)*. These innovative approaches highlight the powerful role of valuation, and the challenges in application.
- In Yorkshire Water, valuation is being used to highlight and optimise impacts and value across all six capitals. Valuation of additional and improved green space has supported a natural capital assessment in Stirling. A total capital accounting approach helps organisations develop an understanding of its full societal contribution and how this compares to others.
- The workshop session focused on 3 questions.
 - i. What stops you using economic valuation more often / widely?

This starts with why we need valuation, since many stakeholders don't accept the premise for valuation and/or don't like the process. Gaps in data and evidence gaps is also an issue. Since there is no standardized approach available, it feels like every project is starting from scratch, yet resources and time to undertake valuation are scarce.

¹ <https://consult.defra.gov.uk/land-use/net-gain/>

- ii. What needs to happen for you to trust economic values more?

This requires buy-in to the process and approach, collaboration and learning, transparency and credibility in the metrics and values used. A good understanding of the underlying science and state of natural capital assets (quality as well as extent) would help, as would a more standardized framework that takes account of confidence, uncertainty, the risk of double counting and allows non-monetised information to be considered.

- iii. Where are the evidence gaps?

There is lots of evidence available, but it is not consistently used. Specific areas where evidence needs to be improved include biodiversity, water quality damage costs, marginal values of impacts and quantitative information related to the underlying science.

SESSION 3 – WHAT DO WE HAVE ALREADY AND WHAT NEEDS TO HAPPEN NEXT?

- *Alison Smith (University of Oxford)* provided an overview of a range of tools available to practitioners. She concluded that combining tools can help to better assess uncertainty and improve robustness of the assessment.
- *Alison McCann (Fields in Trust)* and *Ricky Lawton (Jump Simetrica)* presented a recently completed and innovative piece of original valuation research, 'Revaluing Parks and Green Spaces'.
- *Bruce Horton (Environmental Policy Consulting)* tried to summarise the day and how we might develop a roadmap for an economic valuation strategy that effectively brings together methods, evidence and approaches in a useful way.

CONCLUSIONS

- 1) Clear process – precision and consistency (of values) is not the aim. Ensure that every economic valuation clearly addresses three crucial questions – what is the good? what is the change being valued? who's values should we consider? These 3 questions provide the roadmap we need for good practice.
- 2) Effective communication – always focus on the end users of valuation. Make it easier for a wider set of practitioners, including non-economists, to contribute to the process and apply what can appear to be a bewildering array of valuation evidence and decision support tools in their appraisals and decisions.
- 3) A strategy for valuation – evidence and approaches are fragmented and a strategic roadmap, supported by a clear plan, would provide a vehicle for the valuation community to coalesce around, whilst still allowing flexibility and 'legitimate pluralism'.
- 4) Natural and other capitals – provides a framework for comprehensively and consistently assessing a full range of impacts. This can encompass not just the natural environment, but also social, human, financial, manufactured and intellectual capital.
- 5) Valuation is only part of story – the underlying science should be linked to final benefits and values through impact pathways. Non-monetised and wider impacts are often as important as monetary values and should not be excluded from the decision-making process.
- 6) Share good practice – develop and disseminate case studies and examples, utilising publications, events, conferences and other opportunities.