

17 August 1989

*PIA - already covered
by note submitted to P.M.*

"SUSTAINABLE DEVELOPMENT"

On Tuesday, Chris Patten announced the publication of the above report by Professor David Pearce et al. The terms of reference for the authors of this report were

'to review the state of the art on the relationship between the sustainable development concept, national accounting, resource accounting, satellite accounting and project appraisal procedures' and 'to provide an authoritative position statement drawing on national and international experience, where relevant, as a background to developing a UK programme of work in this area.'

The report is an excellent document which although fairly technical in some chapters is eminently readable. You will want to read the Executive Summary and parts of the full report. (I have provided a guide to the full report in an annex).

INSTANT SUMMARY

Many environmental products, services and resources do not get represented in the price mechanism and are treated as "free goods". As such, unfettered use of the price mechanism tends to use too much of the zero priced good. The environment thus becomes degraded. Development becomes unsustainable.


The report investigates why and how to put values on environmental resources. It shows that by incorporating these values into the price mechanism, environmental resources are used more efficiently leading to sustainable development. In

this manner each generation bequeaths at least as much man made and natural capital to future generations as it itself received.

RECOMMENDATION

You have previously endorsed the concept of sustainable development. This report provides a sound basis on which you, Chris Patten and other colleagues can build a comprehensive environmental policy which will "secure the high ground".

I would recommend that the report be circulated among colleagues so that they may understand the concepts and terminology and are thus able to participate in any future discussions you may have on environmental policy.

A handwritten signature in blue ink, consisting of a large, stylized initial 'G' followed by a long, horizontal stroke.

GREG BOURNE

SUSTAINABLE DEVELOPMENT

(A READING GUIDE TO THE FULL REPORT)

PREFACE

Worth reading in full.

CH 1 INTRODUCTION

Worth reading in full.

CH 2 THE MEANING OF SUSTAINABLE DEVELOPMENT

Worth reading in full.

CH 3 VALUING THE ENVIRONMENT

Mainly a technical discussion about valuation methodologies. The introduction (p50) and conclusions (p78) are worth reading.

CH 4 ACCOUNTING FOR THE ENVIRONMENT

Worth skimming through. The conclusions (p117-118) are worth reading.

CH 5 PROJECT APPRAISAL

CH 6 DISCOUNTING THE FUTURE

Both chapters are highly relevant to HMT but are rather technical. Worth skimming only if time permits. I have highlighted a few paragraphs. (p125, 130, 141, 142, 148).

CH 7 PRICES AND INCENTIVES FOR ENVIRONMENTAL IMPROVEMENT

This chapter is well worth reading in full. It discusses in some detail how market mechanisms can be made to work for rather than against, sustainable economic development.