

Only the text in the *green italics* represents the consensus views of the SAB Committee on Valuing the Protection of Ecological Systems and Services and has been approved by the chartered SAB. All other text was provided by individual committee members and is offered to extend and elaborate the very brief descriptions provided in chapter 4 of the SAB Report, *Valuing the Protection of Ecological Systems and Service* and to encourage further deliberation within EPA and the broader scientific community about how to meet the need for an integrated and expanded approach for valuing the protection of ecological systems and services.

### Tradable emissions permits

Excerpt from the draft SAB Committee report, *Valuing the Protection of Ecological Systems and Services*. *The price of tradable emissions permits under cap-and-trade systems will almost never meet the requirements for using cost as a proxy for value. The price of an emission permit in a well-functioning market will reflect the incremental cost of pollution abatement. This price does not reflect the value of pollution reduction unless one of two conditions is met: a) the number of permits is set optimally, so that the incremental cost of pollution equals the incremental benefit of pollution reduction; or b) there are significant purchases of permits for purposes of retiring rather than using the permit, which indicates the willingness-to-pay for pollution reduction by the purchaser. Absent these exceptions, the price of tradable emissions permits should not be used as a proxy for value.*