

# Environmental Law and Economics

The 5th Law and Economics Conference was held in April at the Law Faculty.

The event, organized in partnership with the University of Notre Dame Law School, focused on «Environmental Law and Economics».

■ LYNN GUMMOW

With the ever-increasing pressure to tackle environmental challenges, the interest in this conference was substantial, with participants from all over Europe and the United States of America. The conference took place from April 15 to 16 and was organized by Prof. Dr. Klaus Mathis in partnership with Prof. Bruce Huber from Notre Dame Law School.

The participants were welcomed to the University of Lucerne by Prof. Dr. Paul Richli, the then President of the University and by Prof. Dr. Bernhard Rütsche, the Dean of the Faculty of Law. In his introductory speech, Prof. Dr. Sebastian Heselhaus, the chairing director of the Center for Law and Sustainability (CLS), outlined environmental law and economics from a European perspective and argued that comparative law acts as a bridge to the economic analysis of law.

## Spatial and Temporal Spillovers

In his introduction, Prof. Mathis drew attention to Nobel laureate Ronald Coase's seminal essay «The Problem of Social Cost» in which he offered a paradigmatic shift in how externalities could be viewed and addressed. In a world with defined property rights and no transaction costs, parties will bargain and the most valuable activity will prevail. The role of law, it followed, was to clearly define property rights and reduce transaction costs. However, such environmental externalities in Coase's era were mostly local issues. But today's most salient environmental problems are global in scale. Interrelated problems of climate change, exploitation of resources, species extinction and the pollution of waterways all threaten irreversible harm to future generations. Understanding this, the United Nations and other international organizations have held various conferences on sustainable development, such as the Rio World Summits, and released numerous reports, attempting to spur change in domestic and international policy.

Prof. Bruce Huber delivered the first keynote speech on temporal spillovers, drawing attention to the challenge that pollution poses not only spatially but also temporally. This raises a problem to the allocation of the transaction costs with regards to the clean-up costs. Furthermore the simple allocation of property rights can only internalise the problem if the owner is aware of the damage. But, as much of the harm is latent or invisible, this is impossible.

## Incentives, Nudges and Regulations

Following the discussion on temporal spillovers, Prof. Dr. Renate Schubert from the Institute for Environmental Decisions at ETH



Prof. Bruce Huber during his keynote speech.

Zurich presented the online study she and her team conducted in Switzerland looking at how different energy efficient labels influence the purchasing habits of consumers. For this purpose they created a new label to show the energy efficiency rating of household products, showing the actual lifetime running costs of the item. This new label was alternated with the standard EU energy efficiency label. She concluded that monetary labels increase the incentive to buy energy efficient products but that the EU label was trusted more by consumers. From this, she argued that nudging and regulation approaches should be part of the solution.

The final keynote speech was delivered by PD Dr. Malte Gruber. He pointed out that in the face of fundamental threats – anthropogenic and natural disasters, climate change, terrorism and war, all resulting in relocation or displacement – the law must seek new ways to attribute responsibility.

The afternoon was divided into two panels featuring presentations from a great number of established researchers on a range of environmental issues including; climate change, water pollution, as well as environmental criminal law. The conference continued on Saturday with further presentations on topics presenting possible approaches to governing environmental issues.

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