

Polar Bear Proposed Critical Habitat Economic Analysis Questions & Answers

1) How does an economic analysis affect proposed critical habitat? Under what circumstances could critical habitat be modified as a result of an economic impact?

The economic analysis first describes the baseline protections afforded the polar bear, and then describes and assesses those costs which are a result of, and can be specifically attributed to, the designation of critical habitat for the polar bear. The Service may exclude an area from critical habitat if it is determined that the benefits of excluding the area outweigh the benefits of including the area. However, such an exclusion can not take place unless it is determined that the action will not result in the extinction of this species.

2) What is the estimated economic impact of this proposed critical habitat designation alone, over and above any existing costs related to the species' listing as threatened?

Costs associated with the designation of polar bear critical habitat are limited primarily to the administrative costs of considering adverse modification in future section 7 consultations under the Endangered Species Act. The future (2010-2039) total present value incremental impacts (those estimated to occur because of critical habitat designation) are estimated to be \$669,000 (an annualized impact of \$53,900) assuming a 7 percent discount rate. Discounting is used to estimate the present value of potential future economic impacts in the economic analysis (i.e., to express a flow of potential future costs in present value dollars). A positive discount rate is applied in calculating these present value costs (seven percent) to reflect the fact that society values costs incurred in the future at a discounted value compared to costs incurred today.

3) Are there any economic benefits reported for this critical habitat designation? How are these determined?

Because the U.S. Fish and Wildlife Service does not anticipate that the designation of critical habitat will result in additional conservation requirements for the polar bear, no incremental conservation measures are anticipated in the analysis and, therefore, no incremental economic benefits are forecast for the polar bear from a designation of critical habitat. However, various economic benefits, measured in terms of social welfare or regional economic performance, may also result from species and habitat conservation, and the DEA does, to the extent possible, consider such benefits.

4) Does the draft economic analysis include the cost of development that would be prohibited or made more costly by critical habitat, as reflected in the concerns of opponents of this designation?

The DEA recognizes the concerns raised by stakeholders that regulatory uncertainty and litigation due to the designation of critical habitat may result in delays to projects or limit economic development of the region. Because the question of whether, and to what extent, projects may be delayed or avoided is subject to significant uncertainty, the DEA recognizes the potential for such indirect impacts of the regulation, but is unable to assign specific costs to these impacts.

