ENVIRONMENTAL POLICIES AS BALANCING INSTRUMENTS BETWEEN MARKET NEEDS AND THE ECONOMY

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ABSTRACT

Environmental policies include initiatives taken by state authorities and the private sector to discipline environment protection. Environmental policies aim to create an appropriate legal framework and the necessary mechanisms for the implementation of the legislation. This paper analyzes issues such as definitions of environmental policies, recent developments in environmental legislation in Albania, creating a balance between environmental policies, market needs and economic developments, estimating the costs and benefits of environmental policies in the economy, as well as the impact on environment of the Trans Adriatic Pipeline. The paper addressed two scientific research questions: How can a balance be struck between market needs and the economy with environmental policies? What are the latest developments in environmental legislation in Albania?

At the end of this paper, it is concluded that economic and environmental development should be treated equally by governments and responsible environmental institutions should prepare periodic reports in order to guarantee the implementation of environmental laws. The balance between environmental protection and economic development can be ensured through regular audits. This paper is based on qualitative research methodology, which includes the collection of historical data through logical deductions.

Keywords: Environmental Policies, Environmental Legislation in Albania, TAP Construction, Economic Development.

INTRODUCTION

According to Dryzek (1998), environmental policies are considered "*land policies*". Environmental policies deal with political and social factors that affect the environment (Forsyth, 2003) and involve the design of public policies related to the environment at multiple geopolitical levels. Environmental policies include social policies, legislation, and policy actions that lead to the causes, practices, and administration of environmental issues (Zimmerer, 2000). They are also a consequence of legislative policies, programs, proposals, projects and operational measures for the environment, human health and well-being**.**

The purpose of environmental policies is to present a logical analysis of the significant effect of a proposed project, plan, program in relation to the protection and preservation of the environment including elements such as theories and policy ideas relevant to the environment, environmental social movements, public policies related to the environment and the implementation of policies that affect the environment at geopolitical levels (Carter, 2007).

There are two types of environmental policies: conservatism and conservation. Conservatism is based on traditional environmental policies that incorporate the concept of global ecological crisis that threatens human survival (Dobson, 2016). Conservatism is an environmental social and political movement that focuses on the conservation of natural resources. This movement is also known as nature conservation. President Roosevelt was a conservative who focused on conserving wildlife in North America (Nelson, 2015). Conservation refers to modern environmentalism that involves massive political and activist movements seeking radical change of values and structures dominant in society (Dobson, 2016).

Political ideologies influence climate change practices and thus create a lasting impact on the economy and future societies. Unequal distribution of technological resources creates an obstacle in the implementation of policies related to climate change prevention. Democratic priorities relevant to progress and well-being create obstacles to the implementation of climate change mitigation strategies. Climate change is slower compared to political cycles in elected democracies as politicians are elected and re-elected for a shorter time (Guerrero, 2014). The conflict between environmental protection and economic development goals must be resolved through environmental policies in order to protect the environment and achieve development goals.

RESEARCH METHODOLOGY

According to Remeny (1998), the research approach is the procedural framework that the researcher uses to conduct research. There are two types of research approaches, namely, qualitative (deductive) and quantitative (inductive) approaches. The deductive approach is considered to be the most important and multi-plan based on logical deductions which are used by researchers in conducting their study. Compared to the deductive approach, the inductive approach is considered by researchers as the methodology used in generating theories through the results of the study conducted (Anderson, 2005).

This paper uses a qualitative research methodology which includes logical deductions based on historical facts. According to Anderson (2005), the deductive method is very productive as it allows the researcher to start with the theory of the research topic, generate the hypothesis relevant to the study and then continue with the hypothesis testing and ends with making decisions based on them. The reasoning process used in qualitative research perceptually involves assembling individual pieces to create the whole. Qualitative research methodology includes a broad understanding of human behavior and the reasons that direct that behavior. This paper includes secondary sources for data collection.

According to the University of Maryland, secondary sources are primary resource estimates. They are not considered evidence, but are a kind of discussion about the evidence that exists in reality. The secondary source is significant for the inclusion of theoretical details about the research. Secondary data are easier to find, do not require time and save a lot of researcher effort (Srivastava & Rego, 2011). The qualitative study methodology used in this research includes the secondary source of data collection. The secondary source includes the collection of data through books, articles, newspapers, magazines, authentic websites, etc. Facts drawn from secondary sources are analysed to draw conclusions.

This paper has considered the philosophy of interpretivism, as it is essential to consider the culture and thinking of the people. The philosophy of interpretivism emphasizes the explanation of specific contexts and the subjective value of the study rather than requires generalizations (Levers, 2013). In carrying out this work, the norms and thinking of the people

have been taken into account. Interpretivists argue that there is no specific methodology needed to achieve knowledge. They actually believe that reality can be achieved through beliefs, views and opinions. In the interpretivism approach theories are not considered correct or incorrect but subjective experiences are considered significant.

RESULT AND DISCUSSION

Achieving a Balance between Environmental Policies, Market Needs and Economic Developments

The greatest global challenge facing every nation is to achieve sustainable development. Climate change and biodiversity loss can have negative consequences for the soil. Immediate attention at the governing level by policymakers is therefore needed. On the other hand, fighting poverty and developing strategies to achieve economic development is much needed (Polasky, 2019). There is a need to maintain a balance between the goals of achieving environmental control and achieving economic stability at the same time. Rapid depletion of natural resources, urbanization, population growth and redistribution through migration are leading to an expanded economic activity but to a reduction in environmental resources (Shaw, 2012). Economic development involves the use of scarce resources to meet the goals of stability.

The natural environment plays an important role in improving economic activity. This environment provides the resources and raw materials that are needed to produce goods and services. Services that ecosystems provide indirectly include water purification, flood management and nutrient circulation. Thus, natural resources are important to guarantee economic growth and development, not only for current generations but also for future generations (Everett, 2010). The natural environment is essential for the economy, as it provides direct and indirect input to economic activities. The relationship between economic growth and the environment can be found through several drivers and sustainable growth needs to shift economic growth from its environmental impacts, not only nationally but also globally. Some of the natural assets have restrictions on use, which should be taken into account when consuming them.

Demands for investment and imports from developed countries play an important role in supporting economic development and development in the world. Economic growth involves various forms of capital for the production of goods and services. Some forms of natural capital have reached alarming thresholds behind which there is the possibility of a dramatic change. Natural capital is used to generate income and as such should be used carefully so that sustainability and efficiency are achieved even in the long run. This measure should be taken especially in the case of renewable resources.

The role of environmental policy is to manage the provision and use of environmental resources in a way that supports improvements in the well-being of current and future generations. The view that achieving this goal requires government intervention is supported by a number of reasons. Especially when the market fails to supply and use environmental resources it means over-consumption of natural resources in case of non-intervention of the government (Carter, 2007). Market failures are the result of external costs involved, obstacles to realizing the benefits of business investment in environmental research and development, and a lack of information. There are a number of policies for dealing with market failures, such as dependent market instruments (European Union emissions trading scheme, landfill taxes, etc.).

Effective environmental policy requires the use of multiple actions. The pricing strategy of environmental raw materials helps to manage sustainable supply and use of natural resources. Reliable and sound environmental policies provide assurance about the value of investments and encourage long-term business investment in innovative technologies and practices. Finally, environmental policy, including infrastructure and other investments, reduces environmental risk and increases the economy's stability to environmental risks. Capital formation (natural, social or human) is significant for economic growth. In cases where environmental resources reach limits beyond which they cannot be replaced by other forms of capital, immediate action is needed to prevent these limits from being exceeded (Dobson, 2016).

Economic and environmental performance must be treated equally by governments. The natural environment is vital for economic development and growth, through the supply of resources necessary for the production of goods and services. Environmental assets play an important role in managing risks to economic and social activities; provide clean water supply and other essential resources necessary for humans; regulate climate change and help regulate flood risks (Phaneuf, 2005). Environmental resources bring economic development but care must be taken in the use of natural resources. Environmental policies that increase the efficiency of resource use for businesses (energy, water and materials, etc.) generate not only environmental benefits but also bring financial savings to businesses. For example in 2007 in the UK it was predicted that businesses could save around £ 6.4 billion a year by applying low cost or no cost to improve their resource efficiency, reducing energy, water and waste use (Everett, 2010).

Developing credible and sustainable policies to cope with market failures is an obvious challenge, such as understanding the marginal changes that occur in natural resources or assessing small marginal changes in the supply and use of environmental assets such as services. of the ecosystem (Eatherley & Slater, 2009). Furthermore, such environmental policies should include investment in Research and Development in structure and activities to correct market failures. Furthermore, it should include overcoming barriers to behavior change and assuming cost-effective actions and procedures that can help protect the environment. Addressing these challenges is essential to designing effective policies that can bring environmental results and help the economy achieve development.

Establishing a balance between environmental policies, market needs and economic development ensures that natural resources are consumed efficiently and to a sustainable extent, taking into account potential critical thresholds. Environmental policies help companies understand the cost-effective resource savings and adapt best practices to improve the production process (Dutt, 2009). Financial as well as environmental benefits are achieved when environmental policies are sufficiently willing to help businesses overcome obstacles in adapting resource-efficient practices. The relationship between economic growth and the environment is complex and requires a balance in order to achieve environmental protection and economic development.

In case of lack of natural resources and ecosystems, achieving sustainable economic development will need to completely eliminate the environmental effect on the production of goods. This may require changes in technology with the aim of reducing the harmful impact on the environment and achieving economic development (Carraro et al., 2009). So, there is a need to consume environmental resources in a balanced way, either by increasing the efficiency of resource consumption or by applying new production techniques and models.

Assessing the Environmental Costs and Benefits of Environmental Policies in the Economy

Cost-benefit analysis helps identify, quantify, and compare the costs and benefits of policy action. The final decision is made after comparing the total costs and benefits. Cost-benefit analysis ensures transparency in policy evaluation. To show the value of environmental policies, their goals must be compared to the goals of economic development. The benefits of environmental policies and regulations include reductions in both human and wildlife mortality rates, improved water quality, conservation of endangered species, and better opportunities for recreational activities (Phaneuf, 2005). Costs can be reflected in high prices of consumer goods and high taxes.

Ensuring that production and consumption choices reveal the true cost of environmental impact requires government involvement. If the prices paid by consumers and businesses do not show real costs and at the same time incentives to use environmental assets are inefficiently valued, human capital will not be valued consistently. Policies aimed at setting environmental resource prices correctly can lead to cost increases in the short-term period (Economides & Philippopoulo, 2008). This requires comparison with innovation and high efficiency in the use of resources that these environmental policies can stimulate. Environmental policies are powerful drivers of innovation and creativity as they provide high certainty about the future political environment that businesses must face.

The extent to which these policies provide the advantage of growth in the short run relies on the degree to which the reduction in environmental impacts is reflected in market prices. The economic model of the effects of the European Union Emissions Trading Scheme has revealed that the macroeconomic impact has been almost insignificant. Furthermore, cost-effective policy making can be used to reduce short-term exchanges between environmental policies and economic development (Eatherley & Slater, 2009).

The Impact of Environmental Policies on the Economy

Development policies are known for economic development, while environmental policies seem to be restrictive of these developments. The negative impact of economic development can be reduced through specific environmental policies, empowerment of environmental institutions and allocation of funds for environmental projects (El-Ashry, 1993). Environmental policies that can positively impact the economy include land conservation, water supply, sewerage services, and waste management. Economic growth has brought some advantages such as raising the standard of living and improving the quality of life but it has also brought about a reduction in natural resources and the destruction of ecosystems. Failure to maintain a balance between economic development and environmental protection could lead to reduction of natural resources in the near future. Environmental policies must create a balance between economic development and environmental protection.

Regions can better assess climate change compared to large nations that have a centralized approach as they vary in ecological, geographical, and industrial situations. Therefore, in large regions pollution varies at different rates and the quality of the environment also varies. Due to the high level of knowledge about the environment at the local level, the regions are in a better position to assess the needs of the local environment, such as the level of pollution, the rate of consumption of natural resources, local environmental and appropriate legal tools. So, the regions are in a better position to create a balance between environmental

protection and economic development. Whereas, in the case of large states, where the control system is centralized, it can lead to unfair control in some parts and inadequate control in other areas. In cases of multi-jurisdictional issues such as hazardous waste being transported through different states then in such cases international or interstate solutions are required. Centralized regulation is more competent for finding solutions between border regions and implementing a regulation where agreement is more difficult to reach. On the other hand, the regional administration has more sensitivity to the unique issues of a particular region and its needs than a centralized administration may have. Regional rejection of centralized authority can lead to political obstacles, especially if the regional administration is independent (Economides & Philippopoulos, 2008).

Environmental Kuznets Curve (EKC) is used to describe the relationship between economic growth and environmental quality. It involves the hypothesis of an inverted U that shows the relationship between economic output per person and environmental quality. With the growth of Gross Domestic Product per person, environmental degradation increases. However, after a certain point, the increase in Gross Domestic Product per person leads to the reduction of environmental degradation. In case of low income level, pollution reduction is not necessary as people make better use of their limited income to meet their basic consumption requirements (Everett et al., 2010). Once a certain level of income is reached, people start to consider the relationship between environmental quality and consumption and thus, environmental degradation occurs to a lesser degree. At another specific point, the rate of human consumption decreases as people prefers to increase the environmental quality over the consumption of products and as a result the environmental quality begins to improve with the growth of the economy (Figure 1).

FIGURE 1
ENVIRONMENTAL KUZNETS CURVE (EVERETT, 2010)

Recent Developments of Environmental Legislation in Albania

In 2011, Albania made significant progress in implementing environmental legislation, but in some cases, the legislation is much more advanced compared to existing institutional, administrative and financial capacities. In 2014, Albania was granted the status of candidate country in the European Union (United Nations, 2018). According to the Environmental Sustainability Index, Albania is ranked twenty-fourth among the greenest countries in the world.

In 2016, the United Nations ranked Albania 13th as the country with the best performance in the Happy Planet Index.

In Albania, the implementation of the new environmental strategy for the period 2015-2020 has been postponed. The Strategic Environmental Assessment Instrument is relatively new and the main challenge lies in ensuring the proper implementation of the Strategic Environmental Assessment instrument by key segments (United Nations, 2018). Proposing authorities generally do not follow all appropriate steps for Strategic Environmental Assessment. There is a need for investment in environmental infrastructure and services for the implementation of the National Strategy for Integration and Development from 2015 to 2030 and many other projects in line with the Sustainable Development Goals of the 2030 Agenda (United Nations, 2018).

Albania has currently made valuable investments in the tourism industry. Obstacles faced by the tourism sector include ownership problems, infrastructure deficiencies, low level of service standardization and waste management (Ministry of Environment, 2014). There is no specific strategy for promoting tourism. The local government does not have the necessary financial funds for the implementation of environmental projects. Albania has made efforts towards the obligation of international reporting (Ministry of Environment, 2014).

In Albania there is lack of policies for the adaptation of different economic sectors as well as the adaptation of infrastructure towards climate, natural and anthropogenic change. At the same time, Albania is sensitive to risks, natural and anthropogenic phenomena, for example, rainfall, floods, forest fires, landslides, erosion, heat and cold waves. There is a need to implement policies that can lead to strengthening resilience to climate change and response to natural hazards.

The methodologies for the green economy have not been explored in Albania. The Albanian government offers strategies for securing policy statements and taking action on energy efficiency, renewable energy and tourism, but they are not managed under a common framework according to green economy standards. Actions taken in relation to the green economy implemented in Albania are not coherent and national policies do not consider the green economy as the ultimate goal (United Nations, 2018).

The environmental taxation system and financial instruments do not follow any regulations at the centralized level and financial resources are not allocated for environmental protection. Decision-making regarding environmental taxation is based on the approval of the Albanian government. Recent decentralization reforms are creating attractive business environment opportunities for companies at the local level in order to improve services such as waste management and sanitation (United Nations, 2015). A major challenge facing the Albanian government is the development of statistics aimed at measuring green growth indicators to improve environmental productivity and accelerate economic growth.

Case Study Regarding the Environmental Impact of the Trans Adriatic Pipeline Construction Project

The project on the construction of the TAP Pipeline was announced by Axpo in 2003. The southern corridor between Greece and Albania for gas supply was considered accessible by the company. The pipeline will pass through Greece, Albania and the Adriatic Sea and will eventually be located on San Foca beach in Italy (Trans Adriatic Pipeline, 2019). Construction of this project began in 2015. This project is considered by European institutions as a "*Project of*

common interest" as it will supply gas to various European markets (Socor, 2014). Albania will act as a transmission center for natural gas in the Western Balkans. The initial capacity of this project will be 10 billion cubic meters of gas per year.

Residents and the Italian government have risen in protest against the project as it needs to build a gas terminal at a historic olive grove near the city of Puglia, Meledunjo. This area has several centuries' old olive trees which will be transferred to another country but this will not guarantee the survival of these trees. So, this case study illustrates a situation where economic development is carried out to the detriment of environmental protection. The local public and environmentalists are opposing this project and they fear that a deadly disease of these trees known as Xylellafastidiosa will spread to untouched areas through their relocation (Navach & Jewkes, 2016). Furthermore, the laying of this pipeline will take place on the Italian coast at San Foca beach, which is considered a tourist area for the public. The pipeline could be a threat to human safety as long as it is 10 meters below the beach (Gerebizza, 2015). They believe the settlement area should be the industrial area in Brindisi near the beach. The Brindisi Industrial Zone will offer a low-cost accommodation point and will have less of an impact on the environment. This case study reveals that economic development should not be carried out causing damage to the environment.

CONCLUSION

The natural environment plays an important role in our economy, as a direct input to production and through the many services it offers. Environmental resources directly facilitate the production of goods and services. Economic growth and development are essential for improving the health and quality of life as a whole. Market failures in the supply and use of environmental resources mean that natural resources will be over-consumed in the absence of government intervention. Developing a credible, sustainable and efficient environmental policy framework is essential to maintaining a natural environment that can support the well-being of people and in the long run can lead to growth and economic development.

To address environmental issues, environmental policies need to be integrated with environmental science and regular audits of environmental-related activities need to be conducted to ensure accountability and transparency. There is also a need to understand the critical thresholds beyond which individuals should not cross; economic decision-making should be done taking into account the lack of natural resources; the purpose of investment in research and development activities should be done to correct market failures and the policies undertaken should serve to strike a balance between achieving environmental quality, market needs and economic development.

In Albania, the current system of environmental legislation does not pay the necessary attention to environmental, social and economic issues and as part of this system the monitoring and evaluation phases are not included. The Albanian government should assist municipalities in implementing environmental legislation and should consistently take steps to fully implement the instrument of the Strategic Environmental Assessment Regulation on environmental laws and ancillary legislation. The Albanian government needs to improve the strategic planning system, especially in the field of environmental protection, to improve policy coherence with the aim of sustainable development. Strategic planning needs to be strengthened for the development and timely implementation of environmental strategies.

The case study of the construction of the Trans Adriatic Pipeline presents the situation of economic development carried out at the expense of environmental protection. Environmentalists do not agree with the destruction of the site of the olive trees and emphasize the change of location from the beach to the industrial area. In order to reduce the harmful impact on the environment of the TAP construction project, the location of the olive trees should not be destroyed and the location of the pipeline should be changed from the beach to the industrial area.

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