

SHIVAJI COLLEGE, UNIVERSITY OF DELHI
DEPARTMENT OF ECONOMICS
INTERNAL TEST (Academic Year 2023-2024)

Name of the Course : BA Eco (H)

Semester: II (Section A)

Name of the Paper : Environmental Economics

Faculty Name : Nidhi Sehrawat

Duration : 1 Hour

Maximum Marks: 10

Date of Test : 10th April 2024

Q1. Explain the concept of excludability and rivalry in the context of public good and public bad. Classify the following goods/ services into categories of rival, non-rival, excludable, and non-excludable. Give reasons. (5)

- a) Carbon emissions
- b) Uncrowded park with controlled access

Q2. Two polluting firms can control emissions of a pollutant by incurring the following marginal abatement costs: $MAC_1 = 300 - 10 E_1$ and $MAC_2 = 90 - 5 E_2$. Assume the target level of pollution is 30 units. We do not know if this is the socially efficient level. (5)

- a) Compute the level of emissions per firm that is cost effective.
- b) Assume a regulator initially assigns 15 permits to each polluter. The government provides these permits to the firms without charge. Given the existence of a transferable discharge permit market., solve for the number of permits each firm will hold, the price of a permit and the total cost saving to society generated by this market.

