Cost-Benefit Analysis

Economics

Appraising a public project, and the judgements inside it.

The appraisal sequence.

1. **Define the options**
   Including doing nothing, as the baseline.

2. **Identify all impacts**
   Costs and benefits, market and non-market.

3. **Value them**
   Market prices where they exist, shadow prices otherwise.

4. **Discount to present value**
   The rate chosen materially changes the answer.

5. **Test sensitivity**
   To the discount rate and the key valuations.

6. **Report distribution**
   Who gains and who loses, not only the net total.

The discount rate does most of the work in long-horizon projects. Small changes reverse conclusions about climate policy.