

2. THE ENVIRONMENTAL PROTECTION MARKET: SOME DEFINITIONS AND OBSERVATIONS

The environmental protection market has some important distinguishing features about it which should be discussed before getting into the market studies! We review three points below.

1. **The phrase "environmental protection" has a variety of meanings. The focus in this report will be on engineering/ technical aspects of pollution prevention and control.**

The phrases "the environment" and "environmental protection" are used in a great many ways. Some interpret "environmental protection" to mean the specific concern about the toxic and hazardous emissions of industrial and public sector activities; others expand this definition to include issues such as noise disturbances and health and safety in the work place; still others equate it with a concern about park lands, species preservation and the containment of the blight of urbanization; and it is becoming increasingly common to see references to general "greening", such as food labelling and consumer boycotting of certain products, as examples of environmental protection.

All these notions of environmental protection share a common underpinning, but that underpinning is so broad and diffuse that it is of little use for doing practical business planning. The markets for urban planning bear little resemblance to those for flue gas desulphurization or to process engineering R&D designed to reduce wastes.

For business planning purposes, this broad notion of environmental protection must be refined. The major focus in this report will be on the engineering/ technical markets associated with pollution abatement and control for industrial and public sector activities. This includes fundamental R&D aimed at pollution prevention as well as the traditional end-of-pipe markets for pollution control.

2. **The environmental protection industry is driven by regulations.**

By the "environmental protection industry" we will mean all of those firms, including those being regulated, which spend or receive money in meeting environmental protection objectives.

This industry has one major driver — government regulations. This fact has some important consequences.

The first is that you should expect to find the strongest environmental protection industries in those jurisdictions which have the strongest regimens in place for environmental protection.

The second consequence is that the market for environmental protection goods and services is a risky one. The history of Western governments' actions on environmental protection shows typically long implementation times and frequent exceptions to rules. What this means is that it can be risky to assume that a particular regulation calling, say, for a new control technology or process will lead immediately to a new market. The market can take years to develop, in some cases so long that new processes or products replace those originally being controlled.

3. **Market research in the EP industry is done from "buy" and "sell" perspectives. Each has its strengths and weaknesses.**

The market for EP goods and services can be calculated from what industry is spending and is expected to spend on environmental protection, i.e. the "buy" perspective. The market can also be calculated from the amount of revenue collected by those selling products and services, i.e. the "sell" perspective.

Both methods have weaknesses and strengths. Estimating from the "sell" side is based usually on an historical analysis of the revenues of EP firms.