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Effects of reforestation cost sharing in Norway

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Abstract

This paper studies effects of public cost sharing on reforestation in Norway by applying various econometric specifications to a large panel of Norwegian non-industrial forest owners for the period from 1993 to 2003. Using both average estimators and estimators with individual specific unobserved effects allows for revealing both long and short term effects. To control for heterogeneity we estimate separate models for different sub samples according to property size. The results reveal considerable heterogeneity, with reforestation responses varying with property size. In the short run it seems that public support mainly affects the discrete decision to undertake reforestation measures rather than the continuous decision of reforestation intensity. The long run effects of public support are moderate.

Keywords: forest owner behaviour, reforestation, cost sharing, panel data, tobit, random and fixed effects