



Challenges for energy efficiency in liberalized markets

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Some advantages of liberalized markets

- Energy service innovation
- Added value options
- But little evidence in the residential sector
- Default options are critical (for gas or electricity)



But many challenges

- Internalisation of external costs
 - Split incentives (EE vs retailers)
 - Decoupling does not work here
 - Lower economies of scale / access to credit
 - Lower technical competence
 - Decentralized market and regulation
 - Measurement and verification issues
 - Flexible customer portfolios
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Some may be addressed by specific policies

- Internalisation of external costs
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- Flexible customer portfolios



Measurement and verification issues

- The choice of the baseline
- The treatment of free riders
- The rebound effect
- The use of uplift factors



EFFICIENCY VS SAVINGS



Flexible customer portfolios

- Retailers may behave strategically regarding their customer portfolios
 - Looking for low-consumption, high-margin
- Complicates:
 - Individual measurement of savings
 - Recovery of investments
 - Trade-off with switching
 - Securitisation difficult



EE Policies for liberalized markets

- Technology standards
- Subsidies
- Taxes
- Tradable White Certificates
- Information instruments



TWC vs Energy Saving Funds

- In theory, they might be equivalent
- In practice, they are not:

TWC	ESF
Efficient price setting and investment (thanks to the market)	Easier measurement of savings
Measurement is very difficult	Regulated price (but more certain)
More complex setting	Traditional investment (subsidies)
Less efficient, higher risk (price volatility)	Higher prices for customers



Conclusions

- We need several instruments to promote energy efficiency
 - But we definitely don't want some of them
- Liberalized markets require adaptation in some of these instruments
 - We need savings, not only efficiency: measured vs deemed savings
 - But we also want cost-efficiency and the right incentives
- As usual, the devil is in the details
 - E.g., TWCs do not need to be necessarily better than ESF, it is a question of good design



Thanks!

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