



Voluntary instruments: predicting green power purchasing

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Overview

- How is willingness to pay calculated?
- Willingness to pay for electricity from renewable energy sources
- Willingness to pay for electricity from a mix of renewables and CHP
- The market to date
- Interactions between mandatory and voluntary markets - the GB example



How is willingness to pay calculated?

- Questionnaire, survey, market simulation
- Often a YES/NO response or how much extra response
- Willingness usually overstated
- Market simulations show 10-20% of those expressing a willingness go on to purchase a green tariff

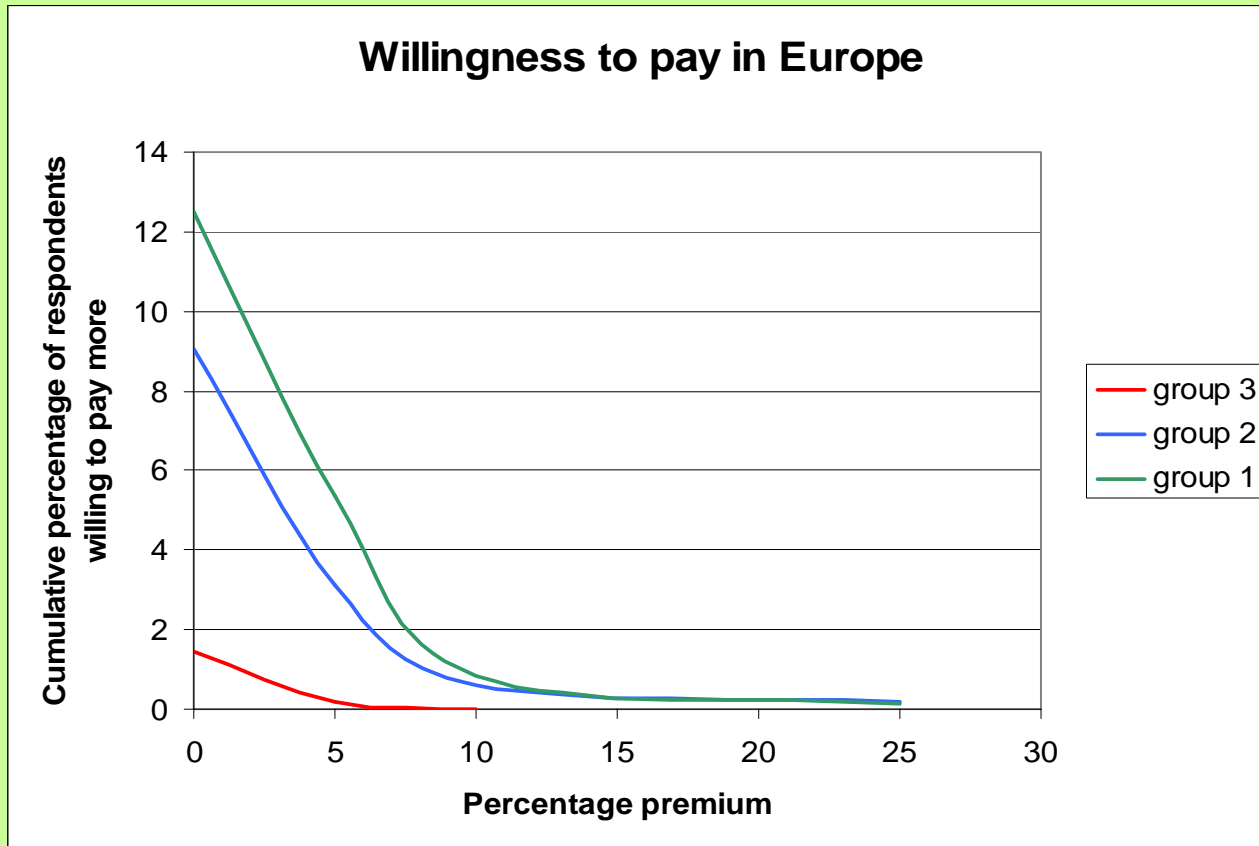


What does willingness to pay look like across Europe?

- Research used Eurobarometer survey
- Survey asked would you be willing to pay more, and if so how much
- Assumed 20% of stated willingness would be transferred into action
- Predicted number of customers likely to choose products at different tariff levels



What does willingness to pay look like across Europe? (2)



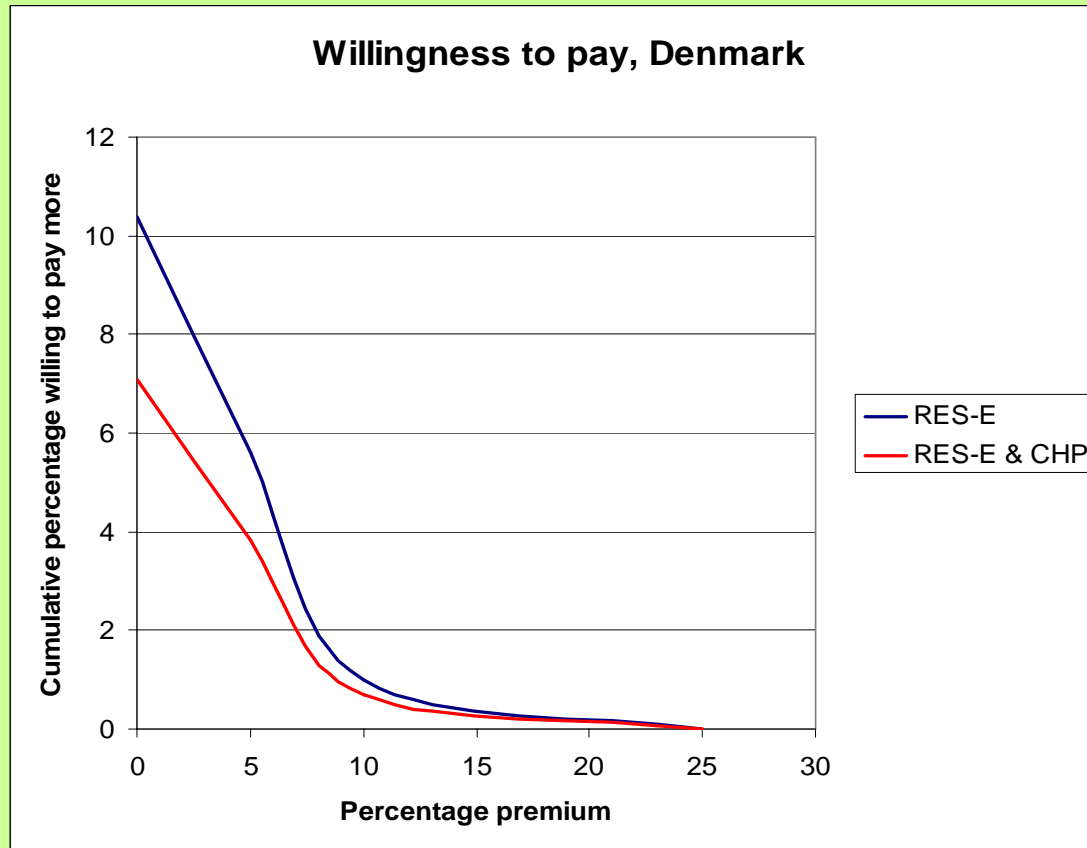


What about CHP?

- Some “green” power products use CHP
- Some “green” quality labels allow CHP
- Research used same survey
- Assumed a 50% RES-E 50% CHP product
- Assumed willingness to pay for CHP portion was modified by an energy-saving index for each Member State
- Results estimated fewer people willing to pay extra for 50/50 product, compared with 100% RES-E product.



What about CHP? (2)





The market to date

- Germany 0.8% buying green at average premium 25% (2001)
- Netherlands 10.8% buying green at average premium 10% (2001)
- Sweden 10.3% of consumption is sold as green power at average premium 2.5% (2001)
- UK 0.2% buying green power at average premium 30% (2001)



Interactions between the mandatory and voluntary markets - the GB example

- GB has mandatory target for RES-E under new (2002) legislation
- GB also has green power products available in liberalised market (since 1995)
- Some products are consumption tariff and some are contribution tariff
- Ofgem (the regulator) has published guidelines on green power additionality
- Only one existing product offers approximately 7% additionality (all other offer no additionality)
- Mandatory targets have killed supplier interest in voluntary market