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A Policy Design Framework to Identify the Characteristics of Robust Energy Efficiency Policies

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Tortuous birth of a policy …

- Policy Development: Initial idea => discussion papers => draft policy/legislation => Green/White papers => possibly more draft policy/legislation => final policy!
- Stakeholder input into this process has a significant impact on final policy design
- 
  Does the design of a policy influence how well it 'survives' this process?
- OUTCOME: a better understanding of this effect => design policies that are more likely to retain their effectiveness
- Governments can use three broad types of strategies to help navigate policies through this process, that relate to:

1. The policy development process
2. The broader political landscape
3. The design details of the policy itself

Strategies to get policies 'through'

1. Policy development process

- Implement policy early in election cycle
- Policy changes that do not require parliamentary approval

2. Broad political landscape

- Enable agreement by facilitating interactions (committees, networking events etc)
- Increase the power of supportive stakeholders (access to decision-makers, information etc)

3. Policy design

What design elements mean a policy is more likely to be:

1. Proposed?
2. Attacked?
3. Defended?
4. Robust?

(framework originally developed to show that 'complementary' policies that support EE are inevitable)

Policy Design

Will it be proposed?

1. Likely

- facilitate political grandstanding, prestige, vote capture
- supported by advisors and bureaucracy
- advantages key incumbent stakeholders
- impact on electorate although negative is diffuse
- modest/no change from BAU

2. Unlikely

- counter to party/personal ideology
- considered likely to be attacked by powerful interests
- impact on electorate although positive is diffuse
- very significant changes to current arrangements

Policy Design (cont.)

Will it be attacked?

1. Likely
   - significant adverse impact on powerful, motivated and coordinated stakeholders that might lose money/influence
   - a wide scope and so impacts on a broad group of stakeholders who may form a coalition

2. Unlikely
   - impacts on weak or poorly organised or 'diffuse' stakeholders, or on stakeholders with conflicting aims
   - has limited impact
   - has an indirect and gradual adverse impact on powerful stakeholders
   - is easy for key powerful stakeholders to be protected from impacts

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Policy Design (cont.)

Will it be defended?

1. Likely
   - favourably impacts on relatively powerful stakeholders (organised, motivated, numerous, well resourced)

2. Unlikely
   - complex policies are less likely to be supported by less organised / powerful stakeholders that may not be able to understand them
   - if the benefit it provides is perceived as relatively small, diffuse, intangible or in the future

Is it robust against attack?

1. Likely
   - simple: changes are transparent, impacts more obvious

2. Unlikely
   - complex: changes buried in the detail, difficult to understand consequences

Energy Efficiency Opportunities (support/voluntary)

- Businesses >0.5PJ/yr, must evaluate 80% of energy use, report on any savings with < 4 yr payback, operating since 2006

1. Proposed?
   - Prestige as is 'big' policy, supported by advisors on economic efficiency grounds
2. Attacked?
   - Implementation of identified measures is voluntary so not attacked
3. Defended?
   - No need
4. Robust?
   - Relatively simple design, so changes easy to understand
   - No real need for robustness anyway

- Outcome:
  - EEO companies responsible for 179 $MtCO_2$-e (45%) of Australian emissions in 2007/08
  - Have reduced emissions or have committed to reducing emissions by 1.6 $MtCO_2$-e (0.9%, 2010) and 3.9 $MtCO_2$-e (2020)

Minimum Energy Performance Standards (command & control)

- Specifies energy performance requirements of appliances sold in Australia (energy use, heat loss etc)

1. Proposed?
   - Good administrative cost effectiveness, doesn't require voters to do anything, impacts on voters relatively invisible
2. Attacked?
   - Negatively impacts on a small but focused group of stakeholders, although impacts generally in the future
3. Defended?
   - Unlikely as unknown to most people and benefits spread across population and over time, with possible negative upfront cost impacts
4. Robust?
   - Fairly simple design (energy use, date), and so impacts of changes obvious

- Outcome:
  - MEPS relatively weak but one of most effective EE policies, responsible for 7.7 $MtCO_2$-e (2010) and 18.4 $MtCO_2$-e (2020)

White Certificate Schemes (price-based)

- Abatement certificates awarded to particular projects/activities, sold to retailers who have liability to purchase certificates (NSW, SA, Vic)

1. Proposed?
   - Market-based approach fits with major party platforms, focus on a positive outcome that has an indirect 'negative' impact
2. Attacked?
   - Retailers can pass on all costs but face reduced sales, EITE businesses exempted
3. Defended?
   - Suppliers of EE products provided some support (lessons for types of measures?)
4. Robust?
   - Fairly, as have a prescribed list of eligible projects/activities

- Outcome:
  - ? Very low targets (up to ~5Mt/yr), hard to measure the absence of something
  - May be expanded nationally

Therefore …..

Policies should:

- facilitate political grandstanding, prestige, vote capture
- be voluntary
- involve funding from government
- have limited adverse impacts on key incumbent stakeholders, or actually advantage them

BUT, policies should:

- achieve major and rapid greenhouse emission reductions
- drive fundamental and broad reaching changes to the operation of the economy as well as major infrastructure
- achieve a scale of change that poses risks to the current, politically powerful stakeholders

We have a problem …

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However …..

Policies can also be designed to be

1. Of direct benefit to stakeholders with some political power and so more likely to be defended eg. TWCs
   - Their political power should increase over time

2. Less likely to be attacked if:
   1. Requirements are modest initially but can be increased over time (TWCs, MEPS, etc)
   2. Costs can be passed through, not always possible (BASIX)

But, still need other political tactics

1. Policy development process
   - Implement policy early in election cycle
   - Policy changes that do not require parliamentary approval

2. Broad political landscape
   - Increase the power of supportive stakeholders (access to decision-makers, information etc) and enable agreement by facilitating interactions (committees, networking events etc)
   - But who is the EE industry??? … SWH….. insulation, appliances….

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Thank you… and *questions*

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