

# ***IEA-DSM Task XIV Workshop Paris, April 14<sup>th</sup>, 2005***

**A succinct synthesis of the  
French Academic Workshop on White Certificates**

**held on March 9<sup>th</sup>, 2005, at Ecole des Mines, Paris**

**Scientific direction : J. PERCEBOIS and J. ADNOT**

**J.P. Tabet**

**Economics Department, ADEME  
French member of IEA DSM Executive Comitee**

**ADEME**



*IEA-DSM Task XIV Workshop, Paris April 14th, 2005*

JPT / SEC

# **French Academic Workshop on White Certificates**

**March 9th, 2005, Paris, Ecole des Mines**

- **Organisation :**
  - University of Montpellier (CREDEN Laboratory)
  - Ecole des Mines de Paris (CENERG Laboratory)
- **Sponsors :**
  - ADEME and EDF
- **Participants :**
  - 15 « academics » : professors, researchers, PhD students
  - 15 « involved practitioners » : EDF, ADEME and some other experts (including Energy Ministry)

ADEME



## **Intellectual and institutional context of 9<sup>th</sup> March workshop**

- **First meeting in France between academics and professionals** (under regulator's eye)
- **White Certificates, unlike CO2 allowances, is a new research field** (at least in France)

**and .....**

- **Energy Orientation Law (including WC scheme) not yet voted** (3 weeks before 2nd lecture by Parliament)
- **Several « control knobs » positions still not fixed**

ADEME



# **(starting) Disputed Problematics**

- **White Certificates : system or market ?**
  - by D. FINON, CNRS/CIRED
- **Structuration of market : « obligated » and « eligibles »**
  - by M. GLACHANT, EMP/CERNA
- **Closure of WC system : which Energies ? Which Uses?**
  - by M. MARADAN, EPF-Lausanne (Suisse)
- **Additionality and Eligibility of EE actions**
  - by P. QUIRION, CNRS/CIRED
- **Regulation of market, and inducted Strategies**
  - by J. PERCEBOIS, Univ. Of Montpellier I, CREDEN
- **Transaction Costs associated (system and/or market)**
  - by J. ADNOT, EMP/CENERG

**ADEME**



# Highlights on trading requirement

- There can be a White Certificates system with obligations, and no market (ex. : UK)
- Unlike CO2 allowances on different Industry sectors, WhC cost functions are much more similar
- Emergence of trading needs many eligible operators, but leads to much more a complex system.
- Is the game worthing the candle ?

ADEME



# Highlights on operator's strategies

- **Which strategy with an uncertain WhC price ?**
- **Obligated operators (energy suppliers) :**
  - Will there be advantage to sell to a competitor ?
  - How will an energy supplier develop its energy services offer ? Inside or outside ?
  - EE actions **costs** or comparative **advantage** on image?
- **Eligible operators :**
  - Eligible operators will access to final consumer and may have impact on suppliers' competition.
  - Best strategy for eligible : certificates seller, or supplier's contracting party ?

ADEME



# Highlights on regulation issues

- **Which is the best market size ?**
  - Too low, there is no market fluidity
  - Too big, administrative costs become too high
- **Additionality implementation :**
  - How to manage « free riders » without putting too hard constraints ?
- **Obligation system administrative costs**
  - (i) General administration (ii) Validation and verification (iii) Sanctions and litigations

..... still uncertainties on values .....

ADEME



# Highlights on agent's actions' costs

- Operators will recover CCosts on energy and/or certificate prices.... But at market conditions.
- Will operators support, totally or partly, public CCosts ?
- For “big” obligated operators :
  - Lower compliance costs,
  - ..... But EE potential yet broken
- For “small” obligated, and eligible operators :
  - Upper compliance costs
  - ..... But bigger EE potential, even if more wide spread

ADEME





# Highlights on innovation incentive

- Operator's investment on R&D will reduce its own action cost and give comparative advantage, for a given certificate price.
- But many usual actions are low marginal cost. They will be implemented first, and for a long time, without R&D investment need.
- General opinion is that innovation incentives (public and/or market) must be coupled, in the future, to WhC system.

ADEME



## Highlights on ... miscellaneous

- The basics of a WhC system are (1) obligation and (2) thread of penalty (3) visibility

*So, conditions of success are : strong level of obligation, high penalties and simple pluriannual rules.*

- As it is possible to have an obligation system without trading, there could be a certificates system without obligation : by auction buying back public fund.

ADEME

