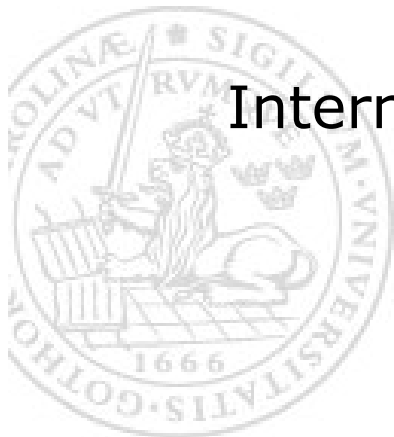


Transaction Costs and White Certificates Schemes

IEA-DSM Task on White Certificates
16 June 2005 Lund, Sweden

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Contents

- Background about TCs
- The case of WhC schemes
- Early lessons learnt
 - ‘Green electricity’
 - EEC in Great Britain
 - Australian scheme
- Final remarks



I. Background



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Background (1)

- Transaction:
 - “An instance of buying or selling something” (Oxford Dictionary)
 - “A transaction occurs when a good or service is transferred across a technologically separable interface” (Williamson, 1997)



Background (2)

- Transaction costs:
 - Any cost that is not directly involved in the production of goods or services but that it is essential for realizing the trade as such (Coase, 1960)
 - Challenge the '*law of one price*'
 - Examples: search of information, assessment of partners, costs of negotiation, legal advice, etc.



Background (3)

- Why transaction costs need attention?
 - Lower the expected profits and benefits
 - Raise total costs of investments and policy programmes
 - Discourage participation
 - Profitable small-scale projects may appear unfeasible



Identify ways to reduce TCs



II. The case of WhC schemes

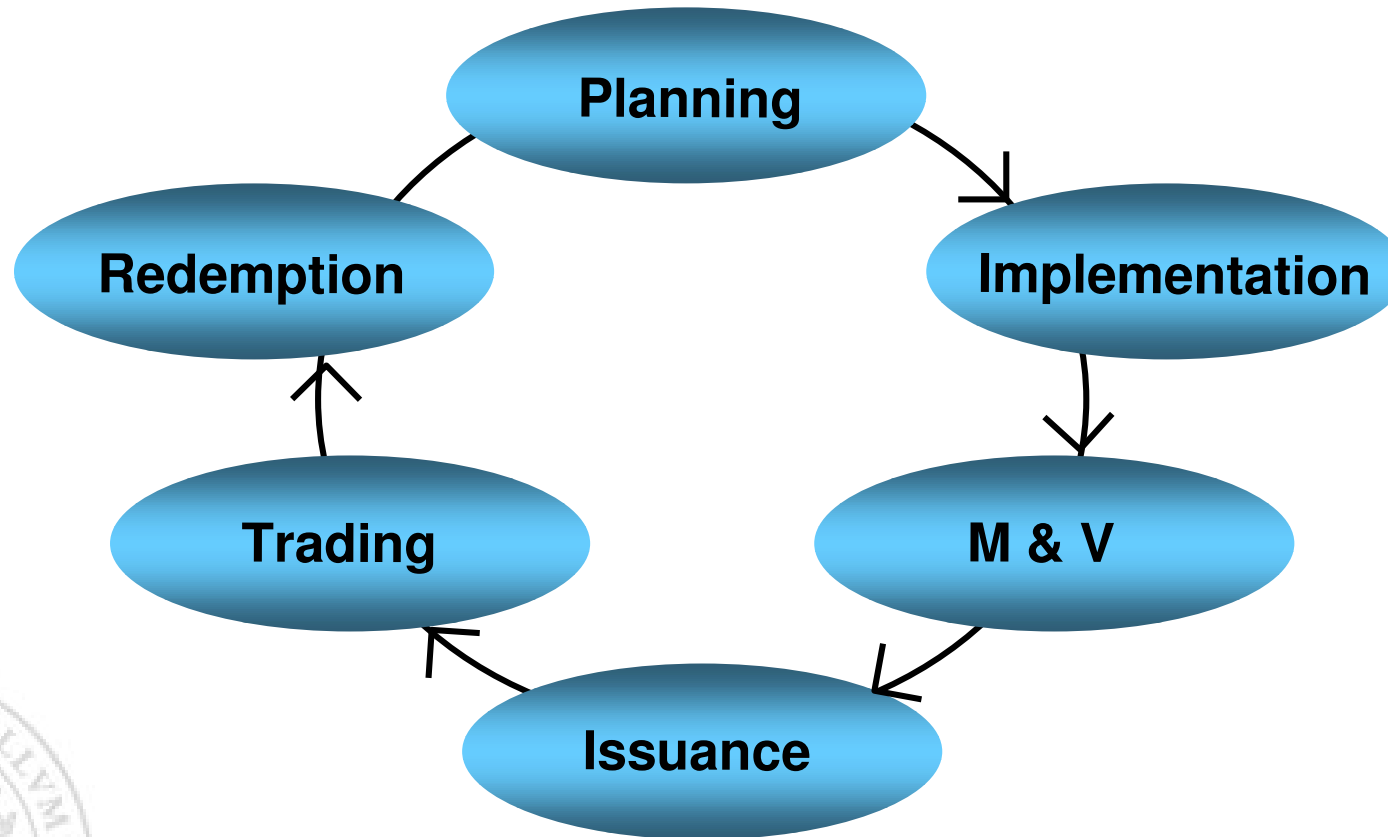


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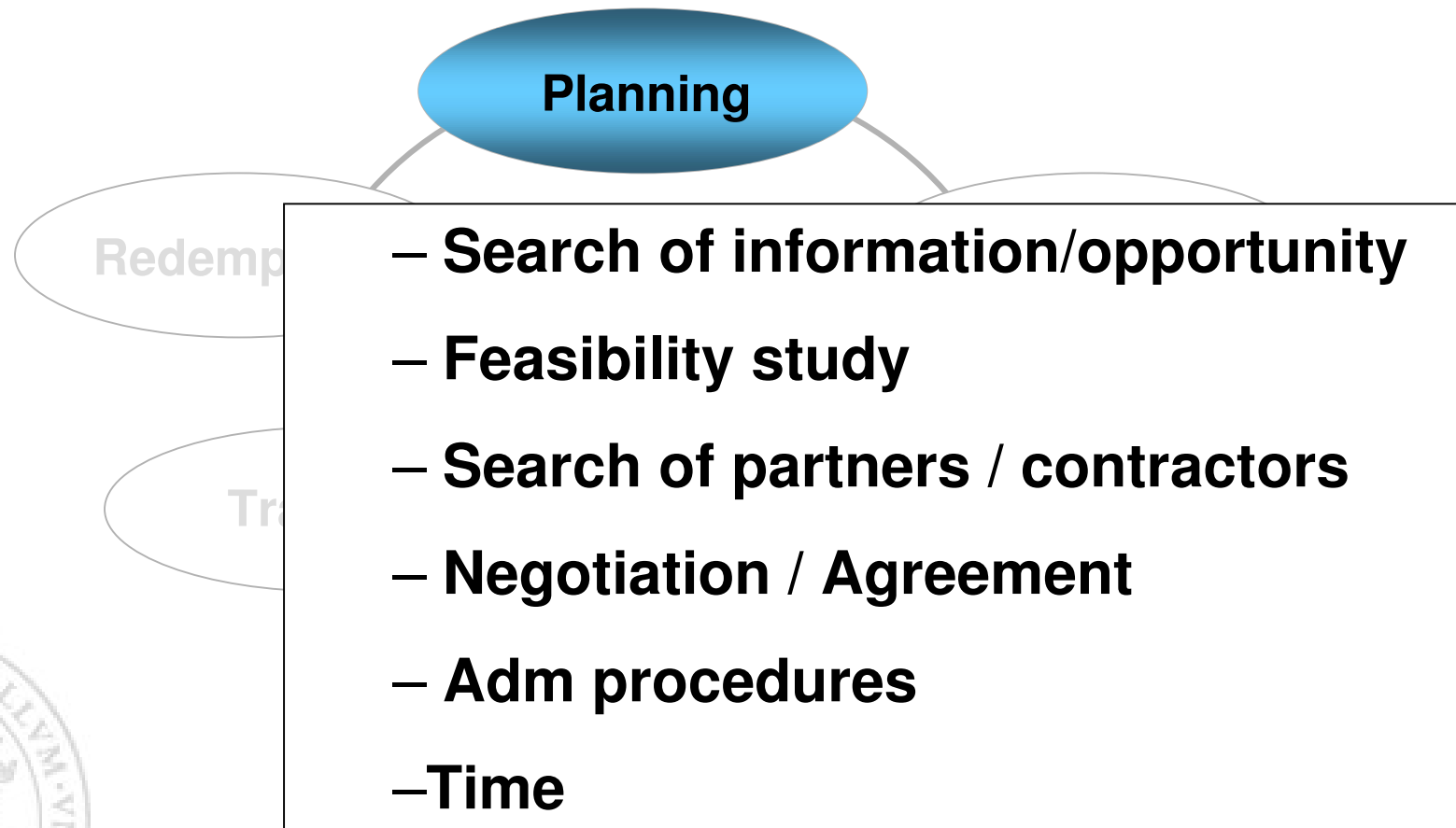
TCs & WhC (1)

- Life cycle of WhC:



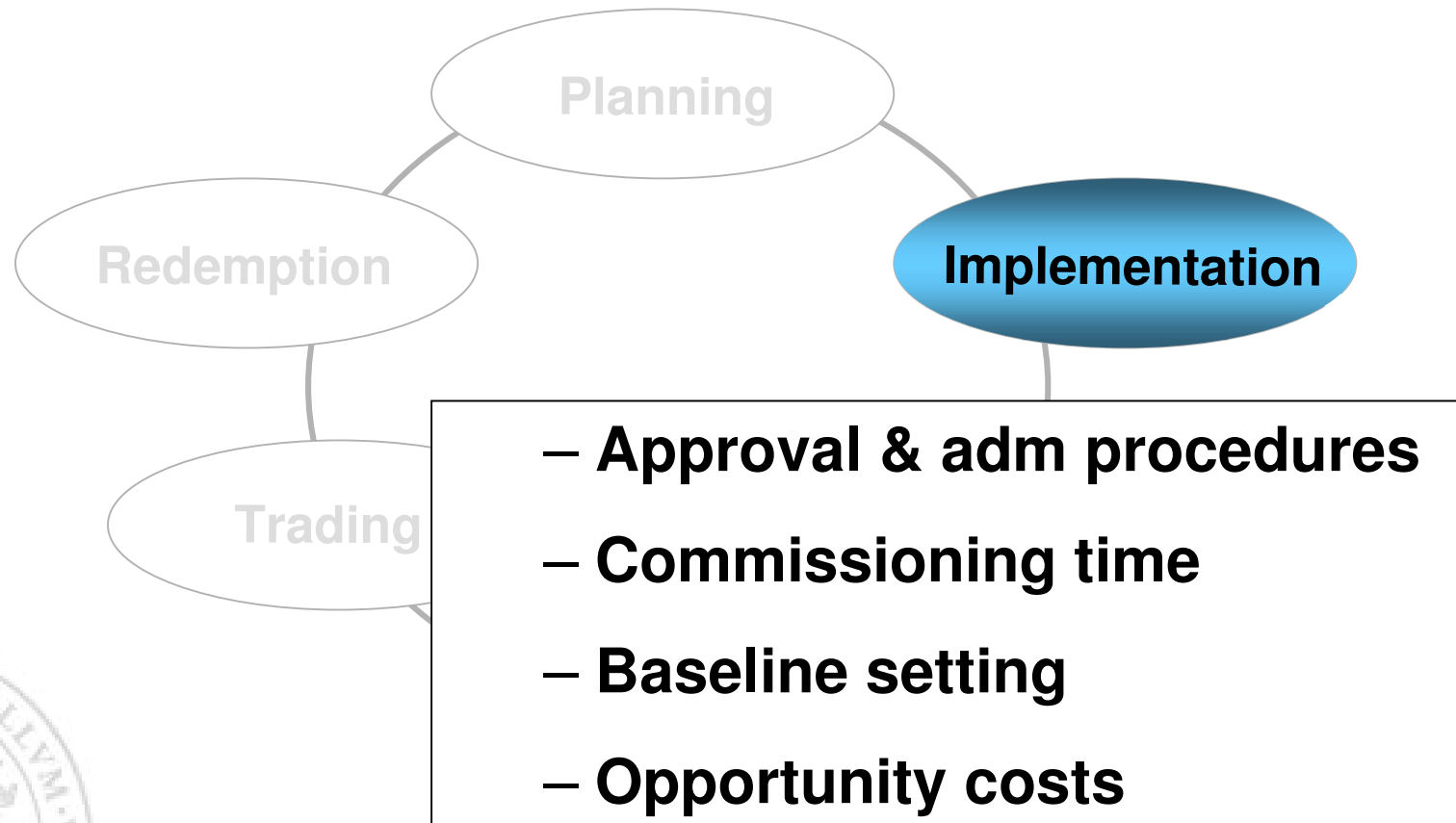
TCs & WhC (2)

- Related transaction costs for:



TCs & WhC (3)

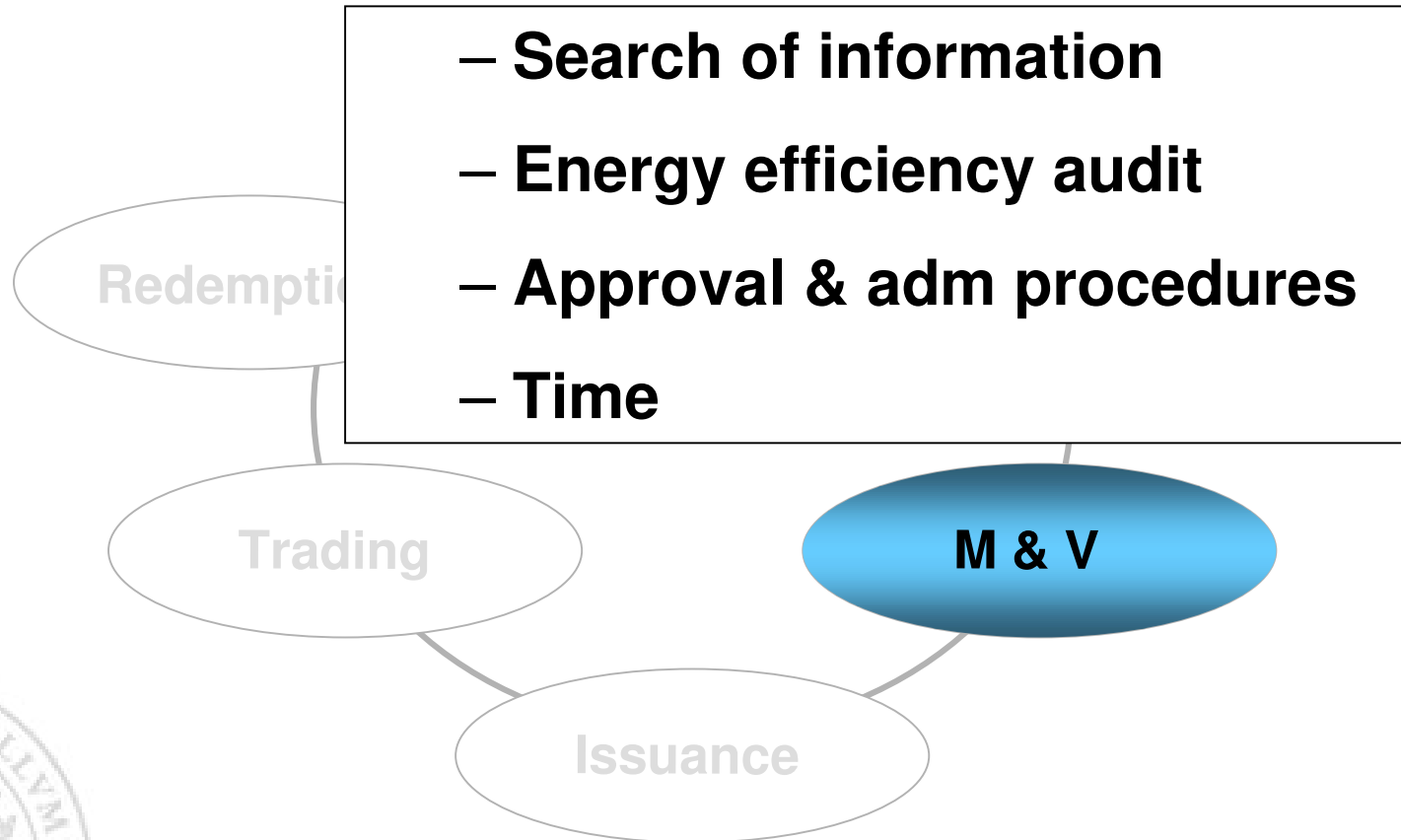
- Related transaction costs for:



TCs & WhC (4)

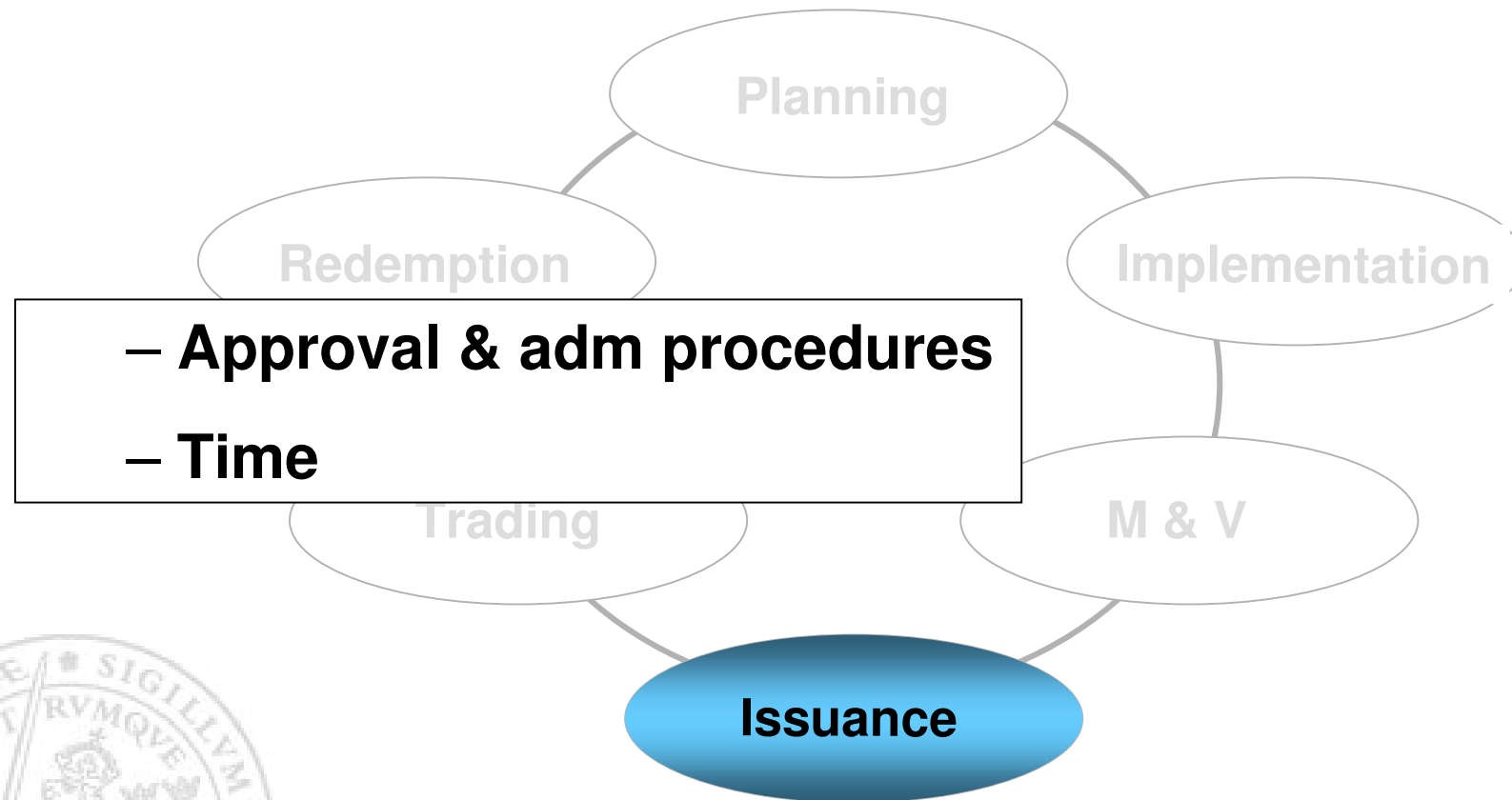
- Related transaction costs for:

- Search of information
- Energy efficiency audit
- Approval & adm procedures
- Time



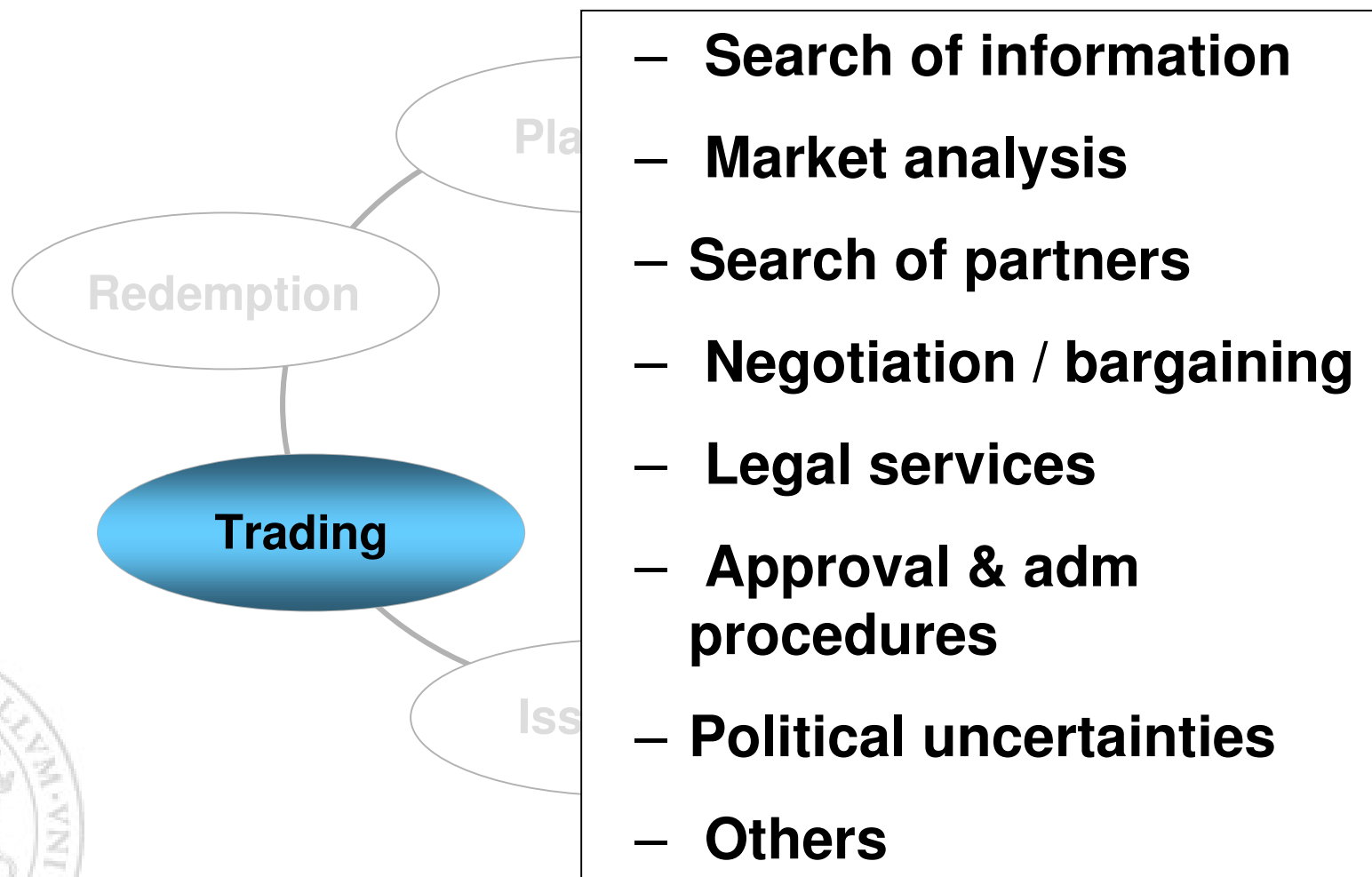
TCs & WhC (5)

- Related transaction costs for:



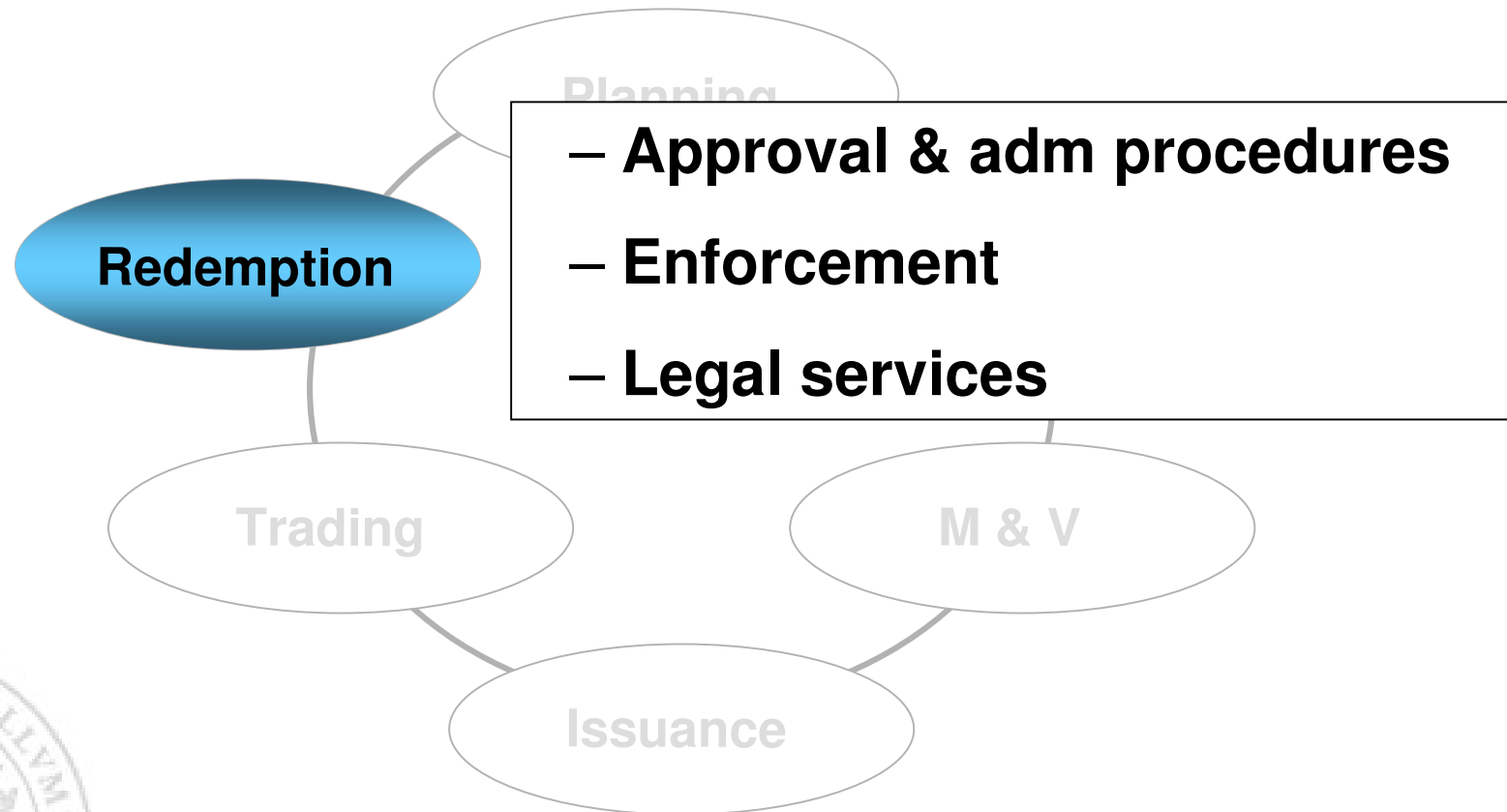
TCs & WhC (6)

- Related transaction costs for:



TCs & WhC (7)

- Related transaction costs for:



III. Early lessons learnt

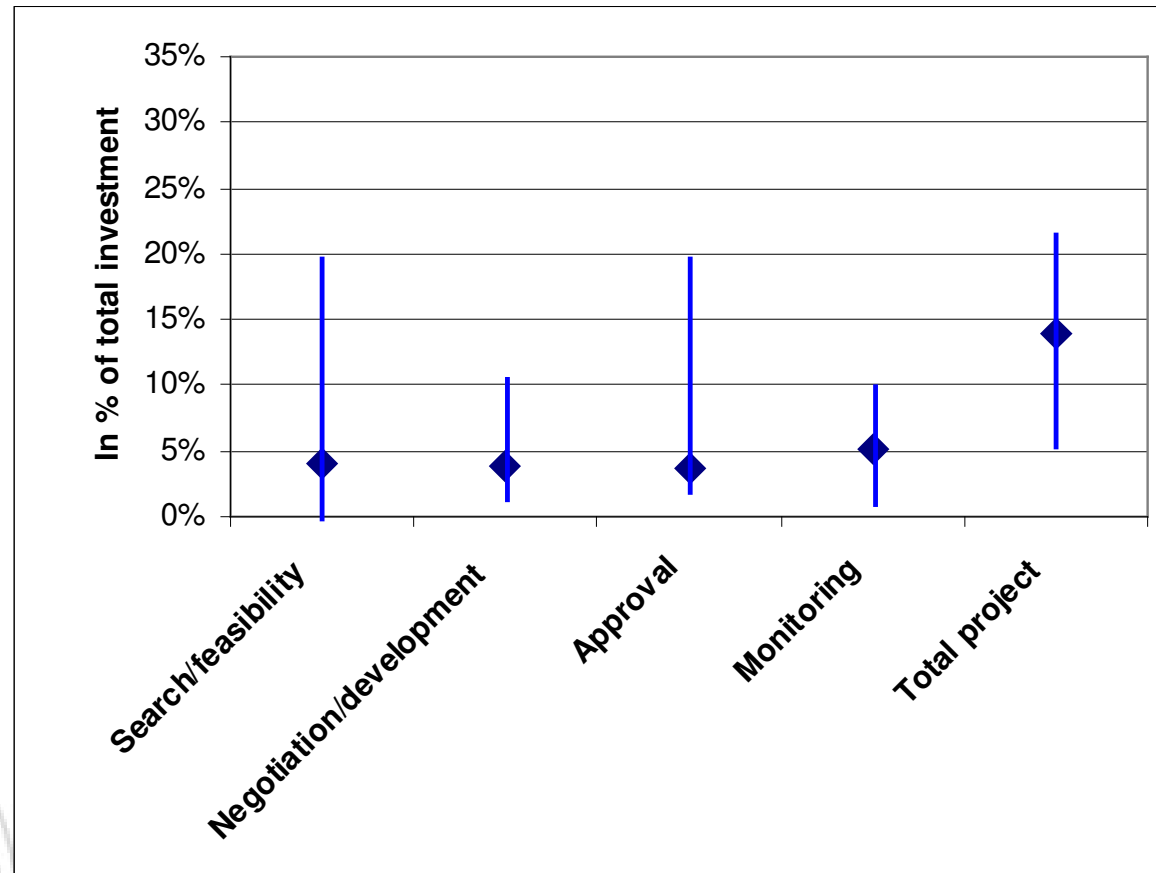


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Early lessons learnt (1)

- Transaction costs in RES-E



Source: Skytte et al., 2003



Early lessons learnt (2)

- Related transaction costs for Monitoring & Verification phase:
 - EEC in Great Britain:
 - E.g. Costs of operating the scheme in Great Britain totalled £300.000/year; representing less than 0.5% of the total agency's budget. Reason?
 - Australian scheme:
 - 6,250 Euro (average) per audit (~57,160 SEK) → negative impact on small-scale projects



Early lessons learnt (3)

- Related transaction costs for Trading phase:
 - EEC in Great Britain:
 - High costs related to search for information partly due to lack of formal trading platform
 - Perceived damages at corporate/business level



IV. Final remarks

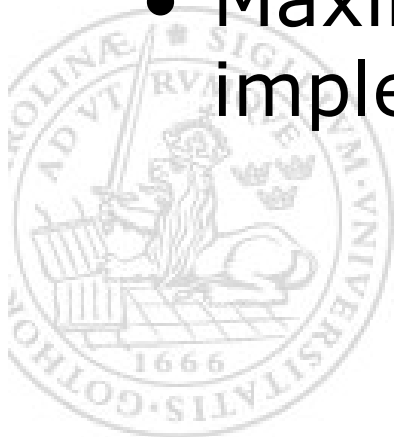


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Final remarks

- Nature and scale of transaction costs
 - Market-related
 - Institutional-related
- Administrative burden seems critical
- International WhC scheme: Easy deal?
- Find ways to reduce TCs, public or private actors? Brokers?
- Maximize theoretical benefits of implementing WhC schemes



Thanks for your attention !

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