

Transaction Costs of 'White Certificate' Schemes

IEA-DSM Task on White Certificates

Energy Convention Groningen

27 October 2005 Groningen, The Netherlands

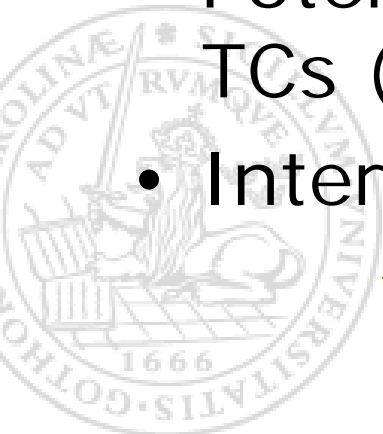
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Conclusions

- Nature and scale of transaction costs
 - Market-related
 - Institutional-related
- Find ways to reduce TCs, public or private actors. Brokers?
- Higher awareness of end-users seems to be very critical
- Potential commercial benefits counteract TCs (?)
- International WhC scheme: Easy deal?



- Background
- Research project on TCs of WhC
- Preliminary findings
 - EEC in Great Britain
 - Australian scheme
- Preliminary conclusions



I. Background



The International Institute for Industrial Environmental Economics
Lund University, Sweden



Background (1)

- 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)
 - Examples: search of information, assessment of partners, costs of negotiation, legal advice, etc.
 - Challenge the '*law of one price*'



Background (2)

- Why 'Transaction Costs' need attention?
 - Raise total costs of investments
 - Lower the expected profits and benefits
 - Discourage participation, reducing trading
 - Profitable small-scale projects may appear unfeasible
 - Reduce performance of policy instruments



Identify ways to reduce TCs



What do we know about Transaction Costs of WhC schemes?



II. Research project on TCs of WhC schemes



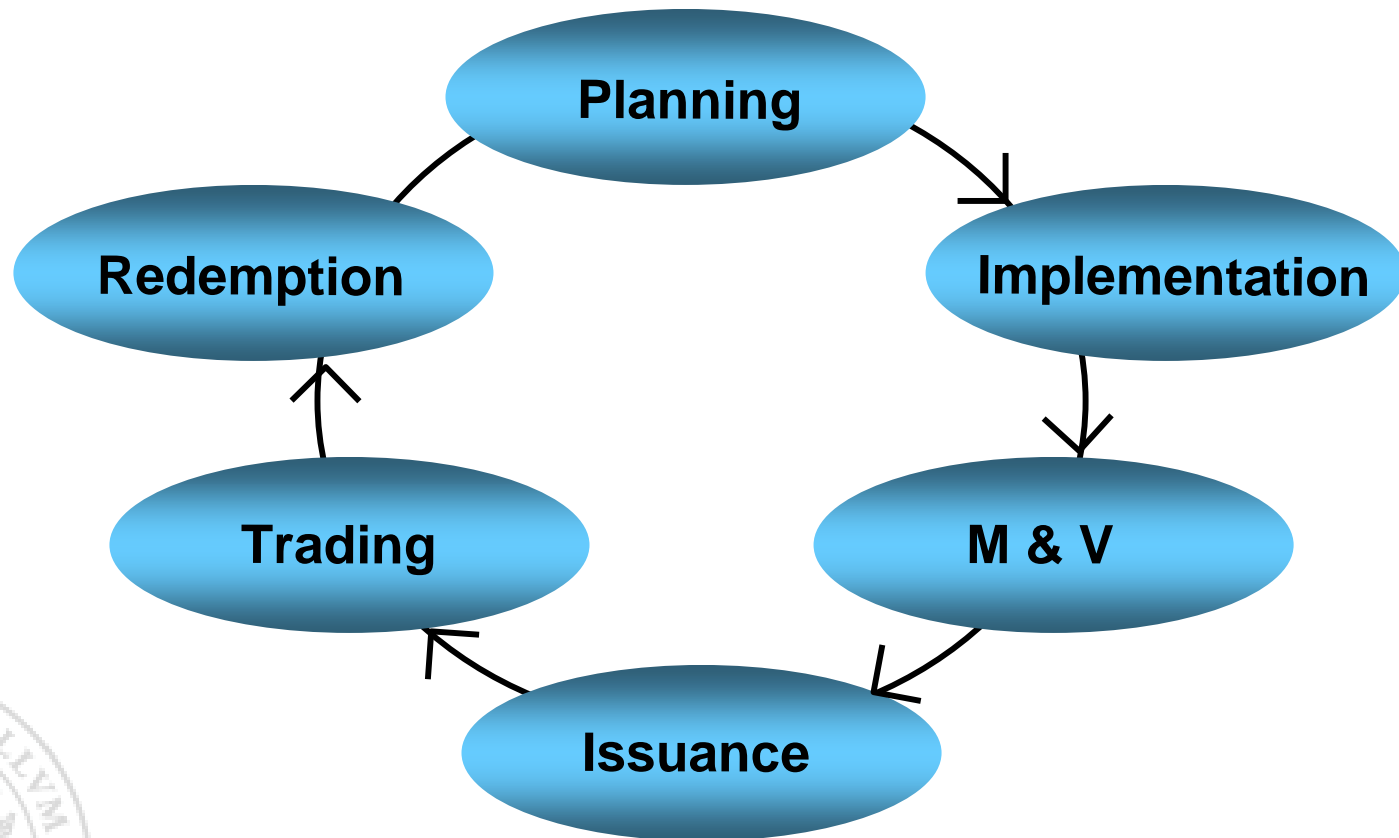
Background

- Supported by ELFORSK and IIIEE
- Objective: Identify and analyse the nature and scale of transaction costs present in WhC schemes
- Aim at providing policy recommendations for reducing TCs
- Research instruments: interviews and survey



Analytical framework (1)

- Life cycle of WhC:



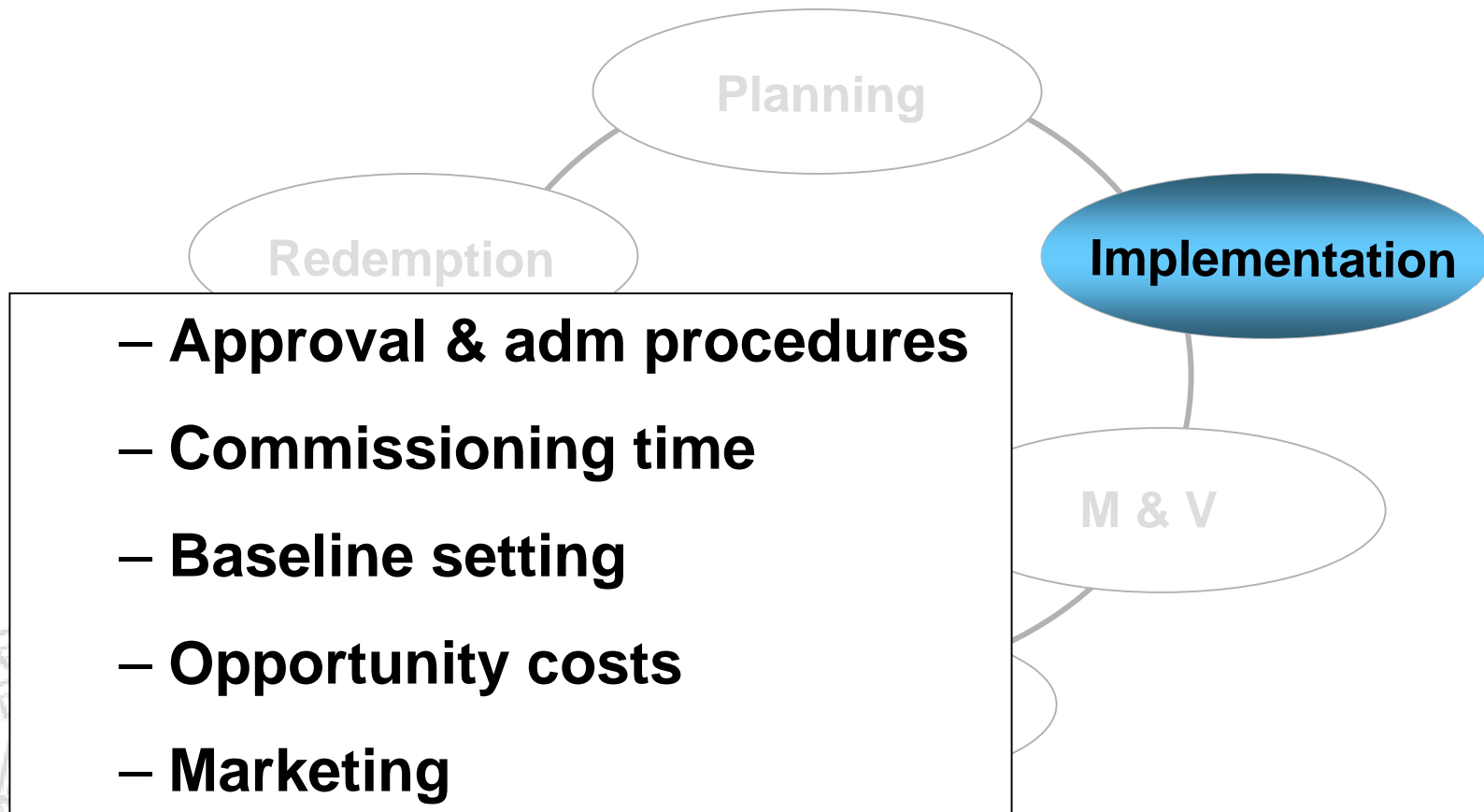
Analytical framework (2)

- Related transaction costs for:



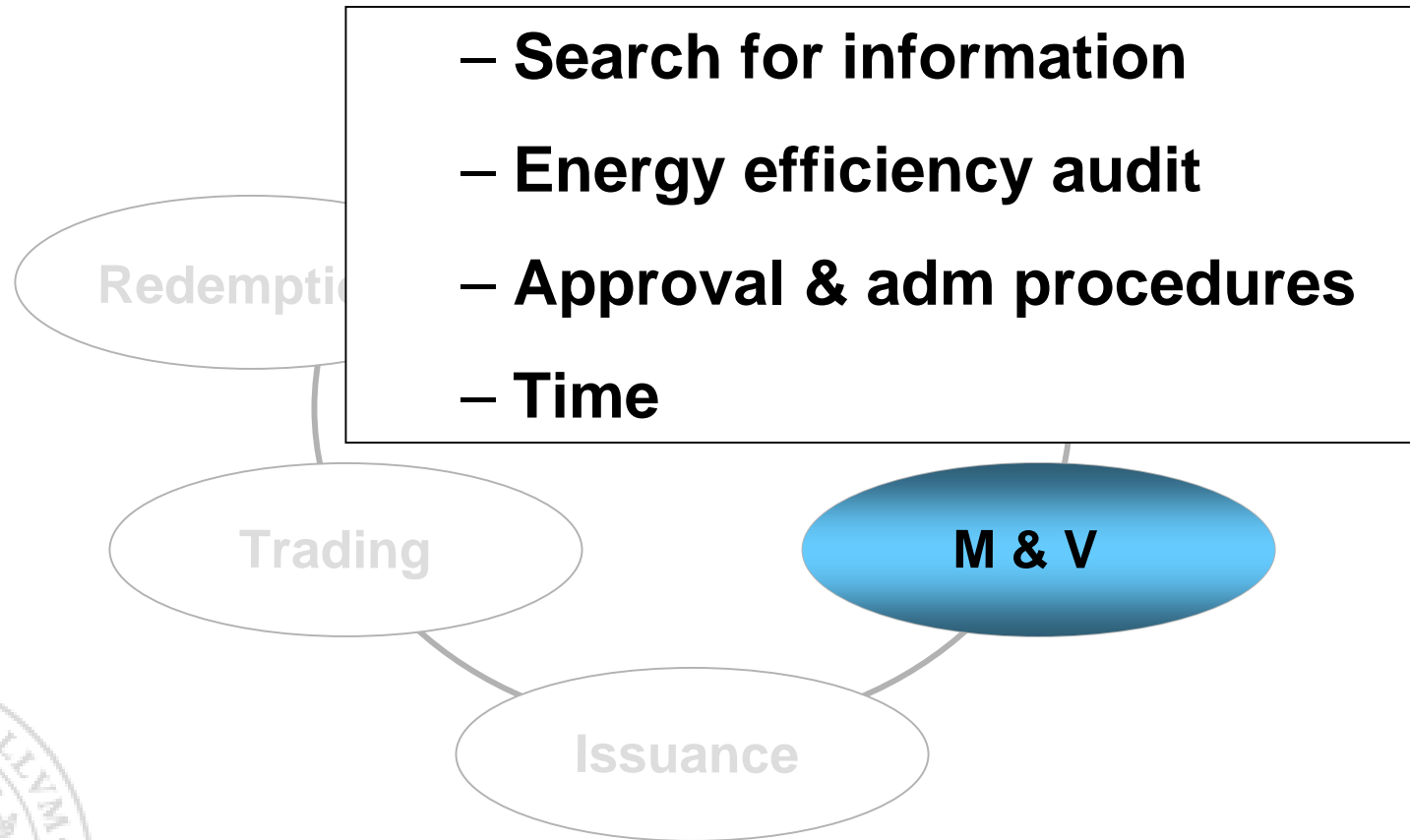
Analytical framework (3)

- Related transaction costs for:



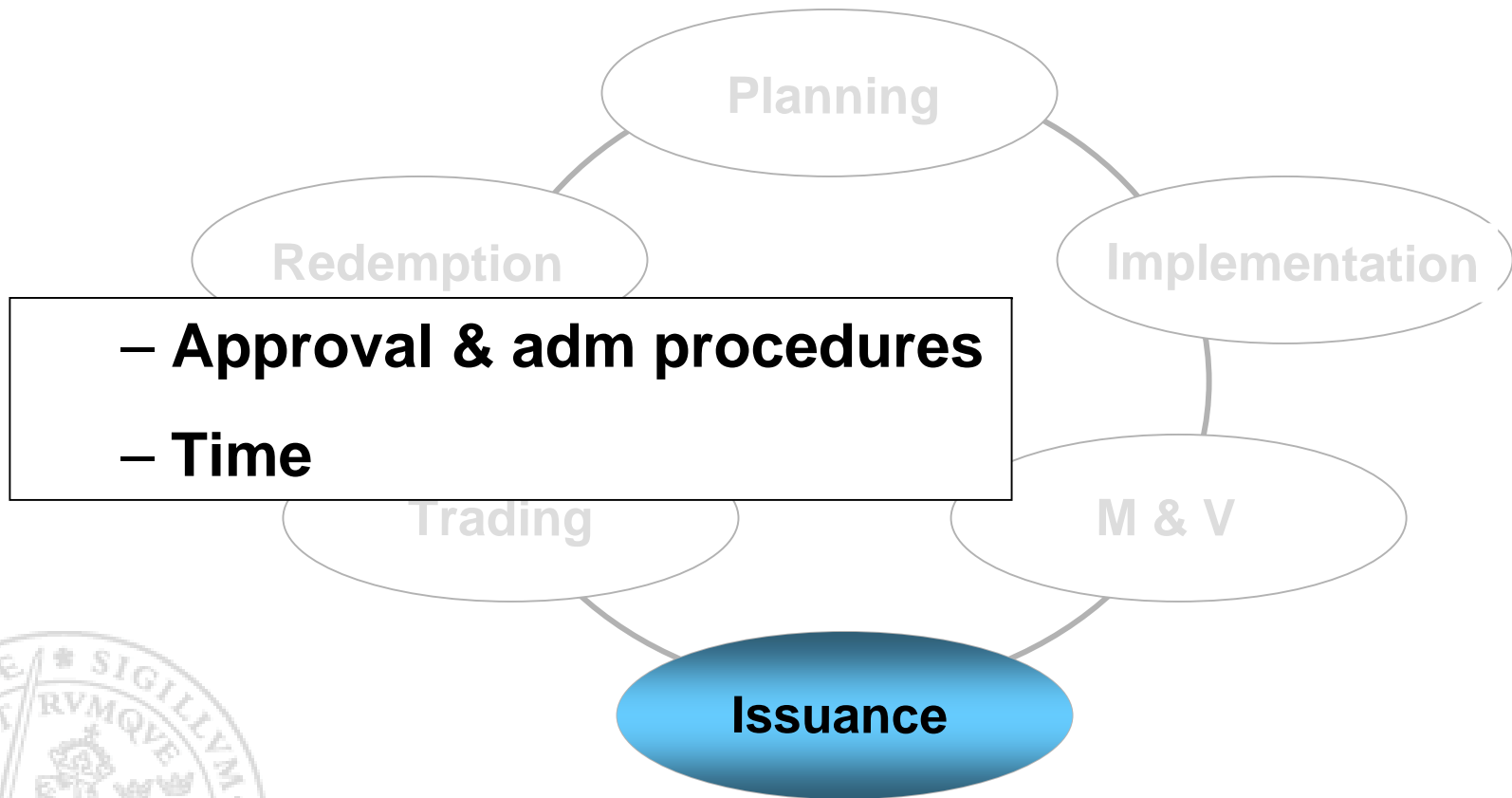
Analytical framework (4)

- Related transaction costs for:



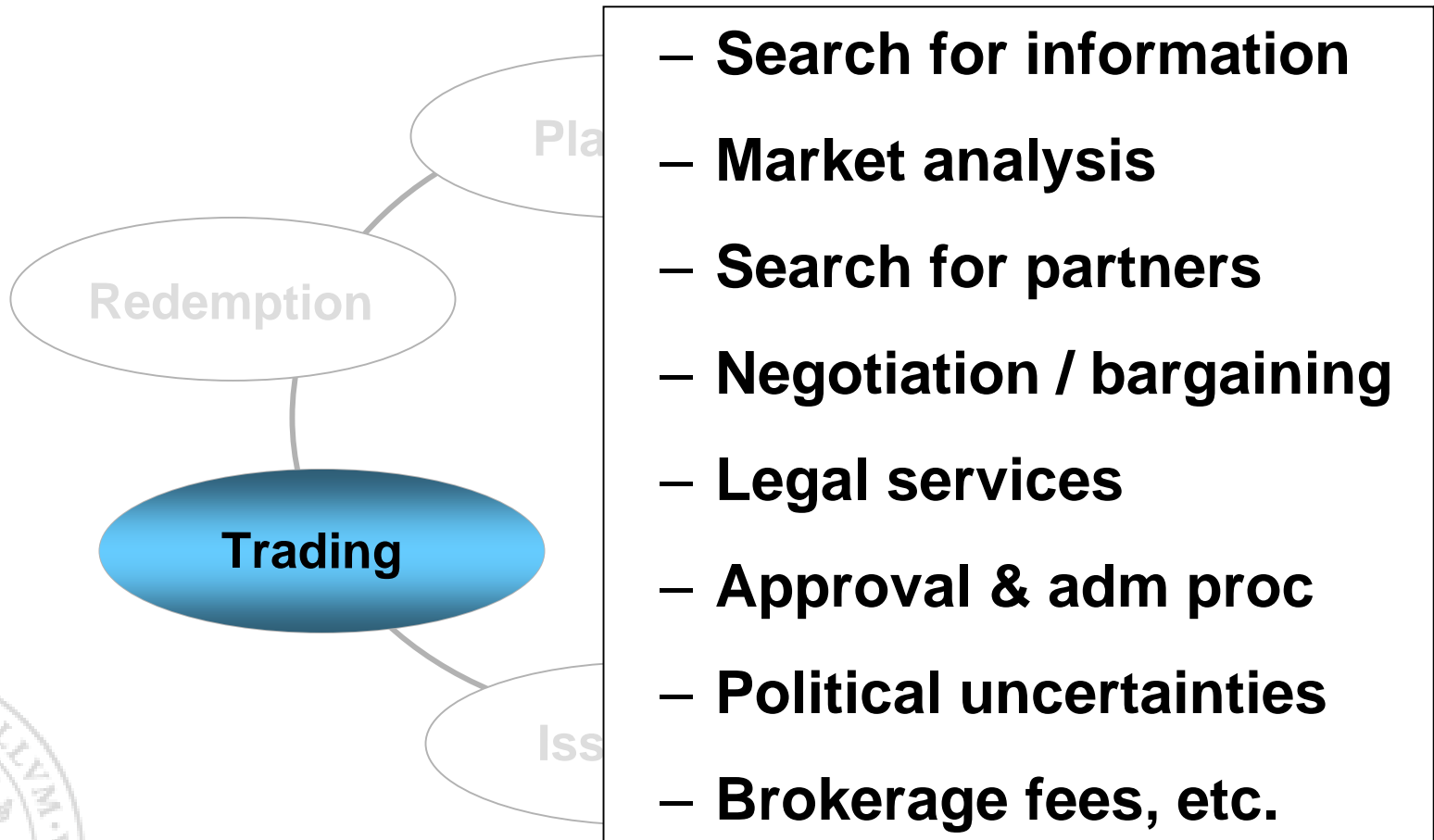
Analytical framework (5)

- Related transaction costs for:



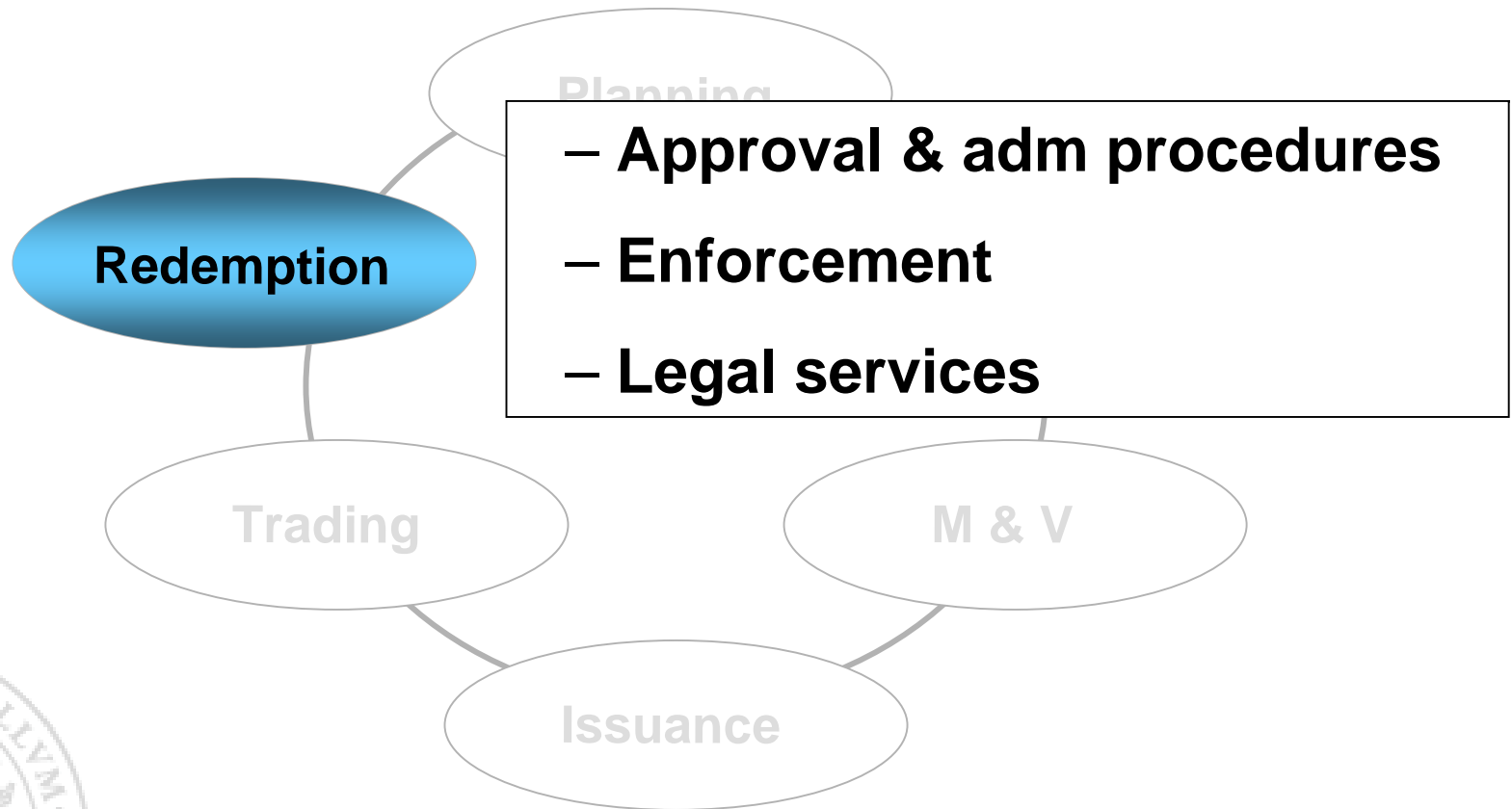
Analytical framework (6)

- Related transaction costs for:



Analytical framework (7)

- Related transaction costs for:

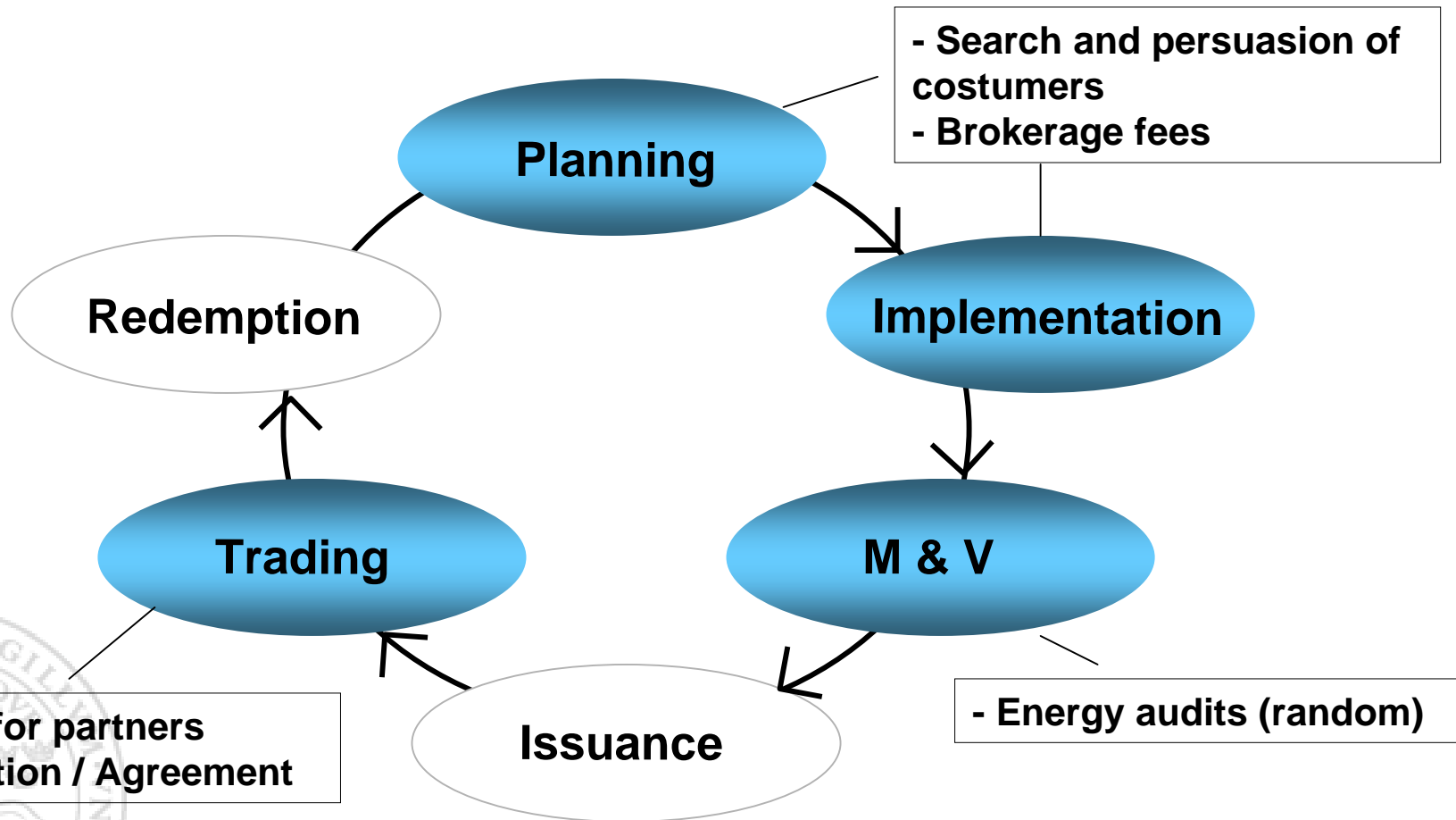


III. Preliminary findings



Preliminary findings (1)

- Nature of transaction costs in the EEC1:



Preliminary findings (2)

- Scale of related transaction costs for M&V phase:

- EEC1 in Great Britain:

- Two audits conducted (2003, 2005).
Random selection of measures. Total costs £150.000, representing 15% of the total budget for administering the programme

- Australian scheme:

- 6,250 Euro (average) per audit → negative impact on small-scale projects



Preliminary findings (3)

- Scale of related transaction costs for overall administration:
 - EEC1 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?

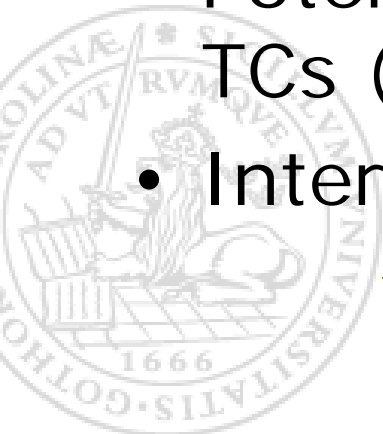


IV. Preliminary Conclusions



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Thanks for your attention !

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