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# Initial findings of the IEA's analysis on Market-based Instruments (MBI)

## Market-based instruments (MBIs): Policy choice and design of Energy Efficiency Obligations and auctions

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The Regulatory Assistance Project (RAP)®

# Outline

- 1) Fundamental differences between MBIs
- 2) Investment through MBIs and cost-effectiveness
- 3) Design features analysed
- 4) Preliminary conclusions

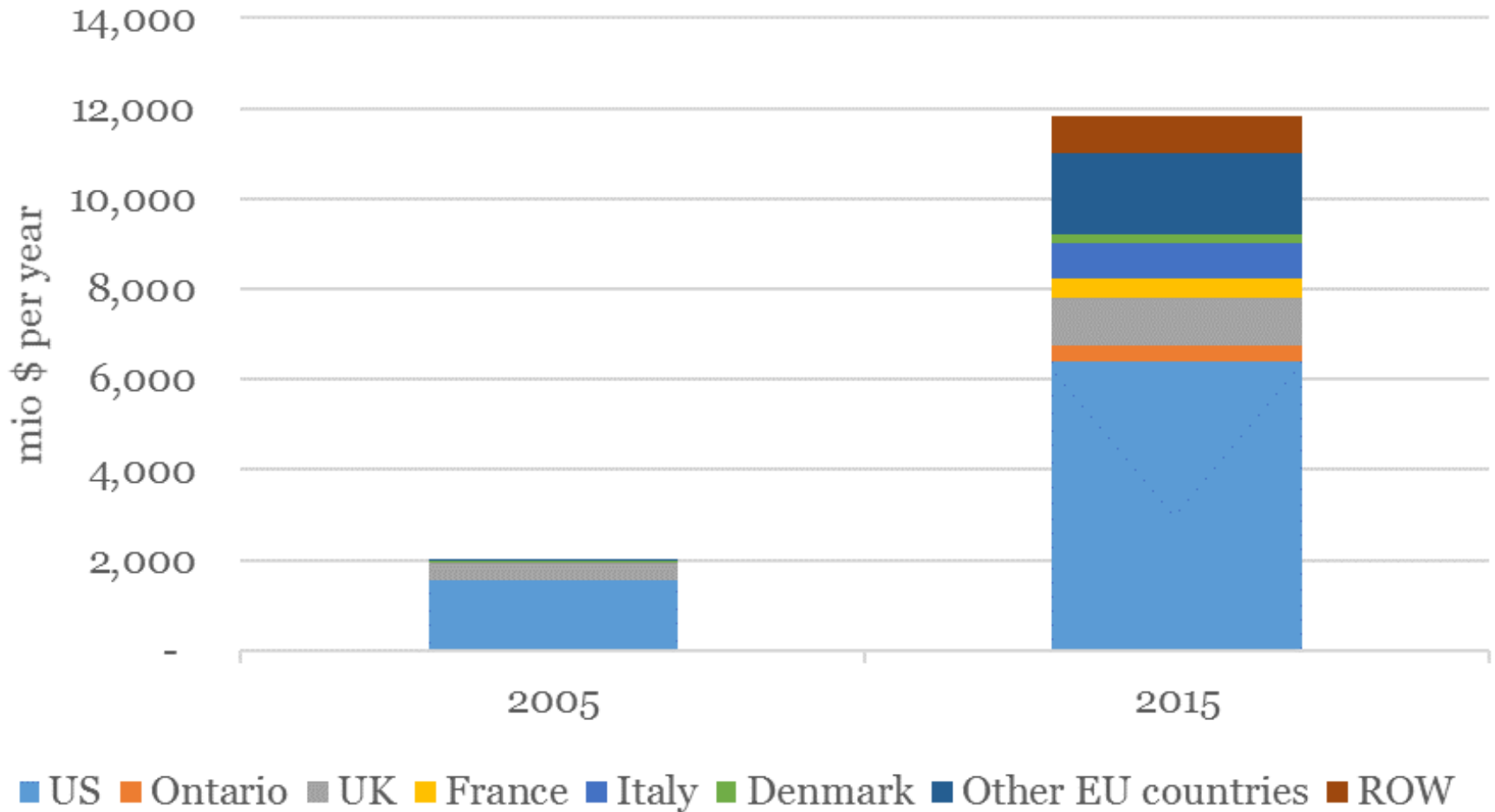


# Fundamental differences between MBIs

		<b>Funds</b>	
		<i>predetermined</i>	<i>not predetermined</i>
<b>Savings</b>	<i>predetermined</i>	most EEOs in vertically integrated markets	most EEOs in unbundled competitive markets
	<i>not predetermined</i>	energy efficiency auctions	capacity market auctions



# Rise of public investment through MBIs



# Private investment: typically ~0.5-2 times public investment

Country	Share of private investment
US	141% of programme costs
UK	87% of programme costs in 2002 to 2005 and 44% in 2005 to 2008 (residential sector only, ~50% low-income households)
France	37% of programme costs (EEOs operate together with tax rebates)
Denmark	200% of programme costs (industry sector only)

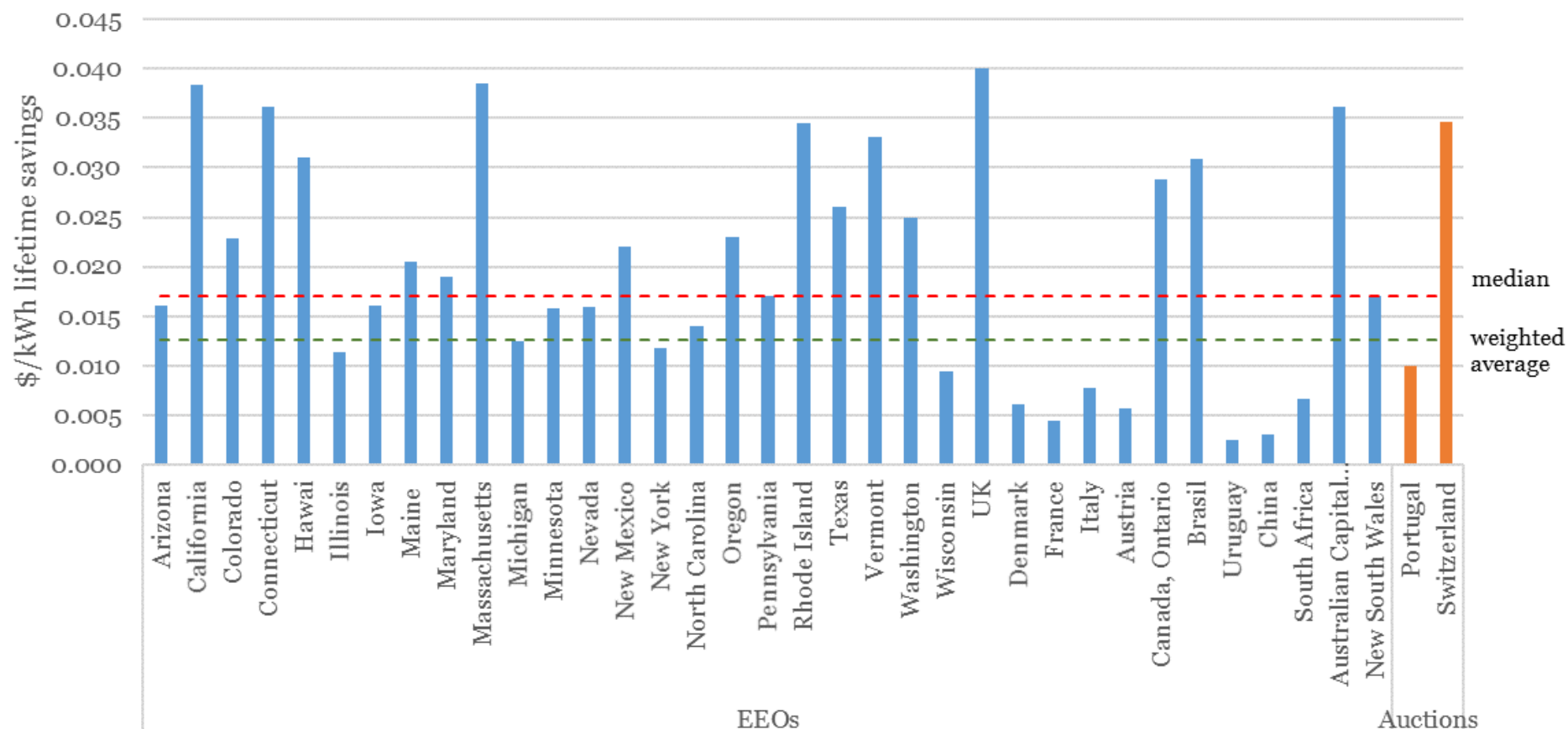
Source: ACEEE (2014); Rohde et al. (2014)



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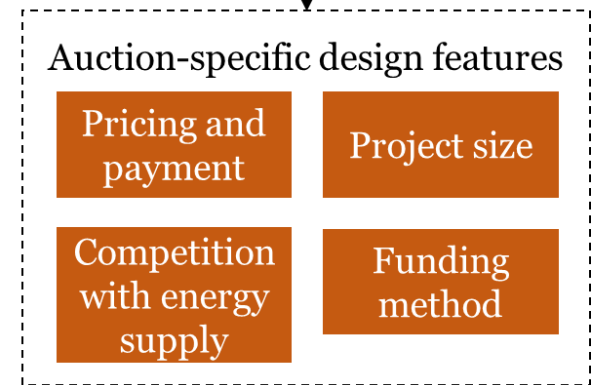
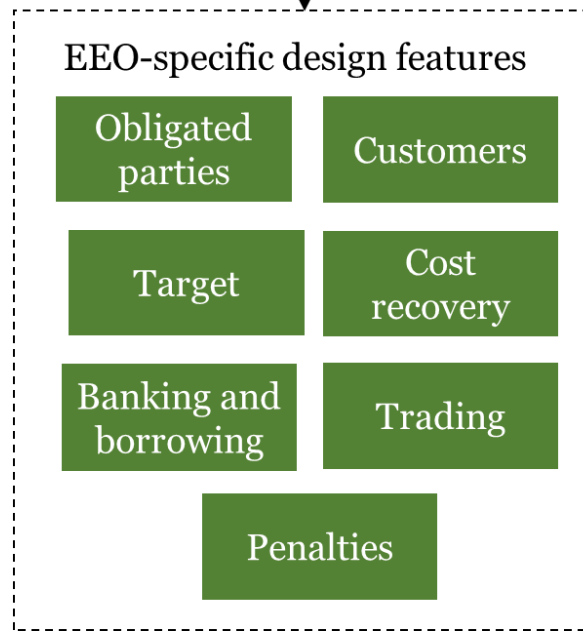
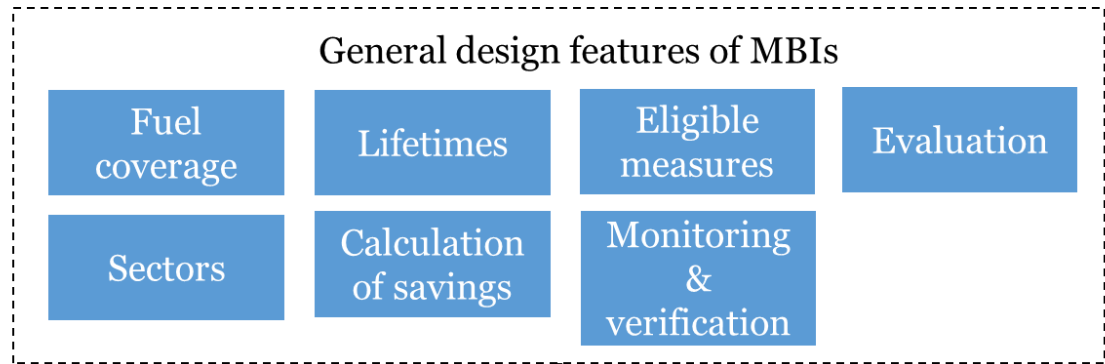
# Available data indicates that MBIs are cost-effective



Note: programme costs only, not corrected for gross/net savings and discount rates

# Design features examined

Context shaping instrument design





# Preliminary conclusions

- 1) The number of and levels of investment through MBIs have grown rapidly over the last 10 years.
- 2) Long history of EEOs (more than 40 years) and emerging track record of auctions.
- 3) Data shows high cost-effectiveness but heterogeneity of data complicates comparison
- 4) There is a great degree of variance among MBIs but many lessons learned are similar.



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