



## WHAT THEY ARE

Loans and rebates are incentives in the [appliance policy package](#). These incentives lower the upfront investment costs of appliances and are used to persuade consumers to buy more efficient products and motivates suppliers to produce them. Incentives also drive innovation and the adoption of new technology and practices.

Rebates and loans are regularly combined in one policy instrument to reduce upfront costs and offer financial support. These incentives encourage consumers and manufacturers to invest in and develop energy-efficient appliances. Rebates reduce upfront costs, but they can be expensive and require careful design. Low-cost loans provide funding upfront and are available for highly efficient or best-in-class models. In many cases, the eligibility criteria include scrapping an old but functioning appliance.

## HOW TO IMPLEMENT

The implementation of a loan or rebate requires a coordinated approach between several stakeholders, often involving several steps in the design phase. The implementation usually follows this process:

- 1. Technical assessment and definition:** It is necessary to select the technology to be incentivised, based in energy efficiency levels in the market and possible new energy efficiency regulation being implemented for a specific appliance. It is important to define the

scrapping process for the inefficient appliance when required in the eligibility for the loan.

- 2. Financial mechanism:** The fund and investment must be allocated, and the main actors involved in the repayment mechanism (potentially through the electricity bill) and the governance of the programme must be identified, generally involving the ministry of energy, the ministry of economy, an energy utility, and a national development bank, as well as manufacturers associations, marketers and retail stores. Loans are designed establishing fixed rates and payments.
- 3. Final consumers:** Retail stores could play a key role in guiding customers and determining their eligibility, while delivering new efficient appliances and selling those that meet low-energy consumption requirements. They can also take care of collecting the old, less efficient appliances and transporting them to scrapping centres.

## HOW TO MONITOR

Evaluation is an important process to understand what effects the rebate/loan had, for whom and why. Evaluation also allows the design of a rebate-loan scheme to be adapted based on consumer needs. Rebate and loan schemes should be periodically evaluated, optimally by independent researchers.

It is important to consider assessing whether the correct products are incentivised, as well as to determine the suitability of compulsory versus voluntary measures, ensure that MEPS and labels are appropriately calibrated with the rebate/loan, and embed policy within broader frameworks or climate change commitments.

[Evaluation](#) should be transparent. Objectives, indicators and methods for data collection and analysis should be clear in advance. Analysis should include indicators on target achievement (e.g. the number of consumers benefitting from the rebate/loan), impacts (e.g. the energy consumption of the given equipment is reduced by x% per year, household energy savings, upfront and lifecycle cost savings to the consumer), and process (e.g. satisfaction with the application process).

The impact evaluation should carefully define a baseline of equipment, that would have been sold without the incentive and compare with the actually sold ones. Moreover, rebates must also address challenges such as the potential that certain groups benefit more than others. Certain participants might have also bought the same efficient product without the incentive. Emphasis should be placed on the replacement of outdated yet functioning appliances while directing benefits to specific demographics, such as low-income households.