

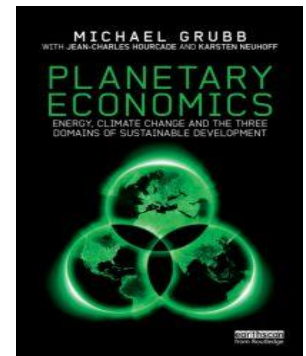
# On policy packages and short-term long-term ‘tradeoffs’

**Michael Grubb**

Prof. International Energy and Climate Change Policy, UCL

Chair, UK Govt Panel of Technical Experts on Electricity Market Reform

**Introductory remarks to  
IEA expert roundtable on policy packages,  
Paris, 27 June 2017**



.. have different characteristics and theoretical foundations,  
and operate at different social- and time-scales

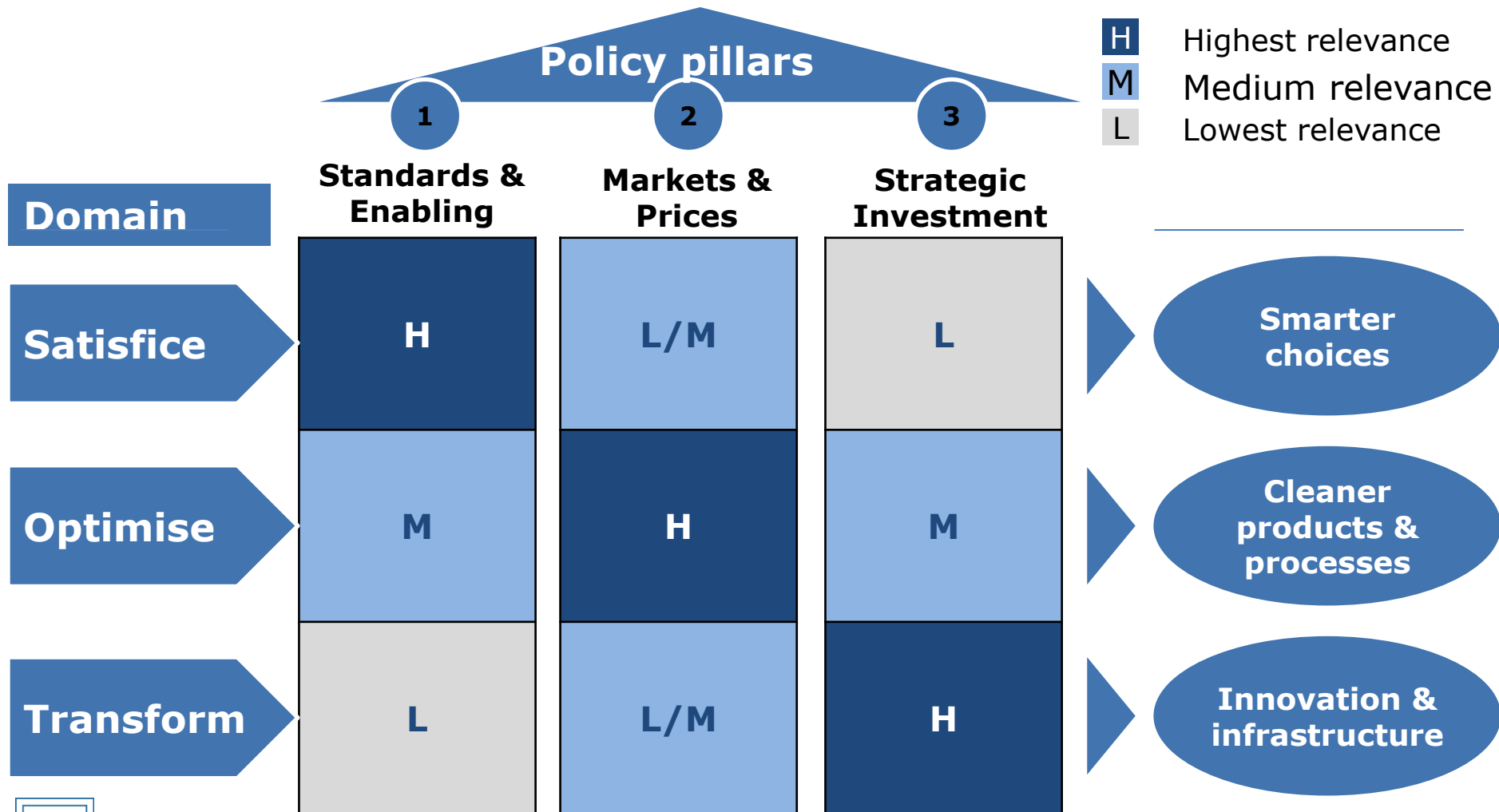
			DOMAIN	Characteristics	Theoretical foundations
TIME HORIZON ↓	Satisficing	Habits, risk aversion to change or new investment, myopia, inattention to incidental / intangible costs; endemic 'contractual failures', principal-agent failures,			Behavioural and organisational economics
	Optimising	Economic optimisation based on relative prices, 'representative agents' with 'rational expectations', stable preferences and tech trends			Neoclassical and welfare economics
	Transforming	Technology, structure, institutional and behavioural change, typically from strategising, innovation, infrastructure investment			Evolutionary and institutional economics

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# Ideal policy comprises a package

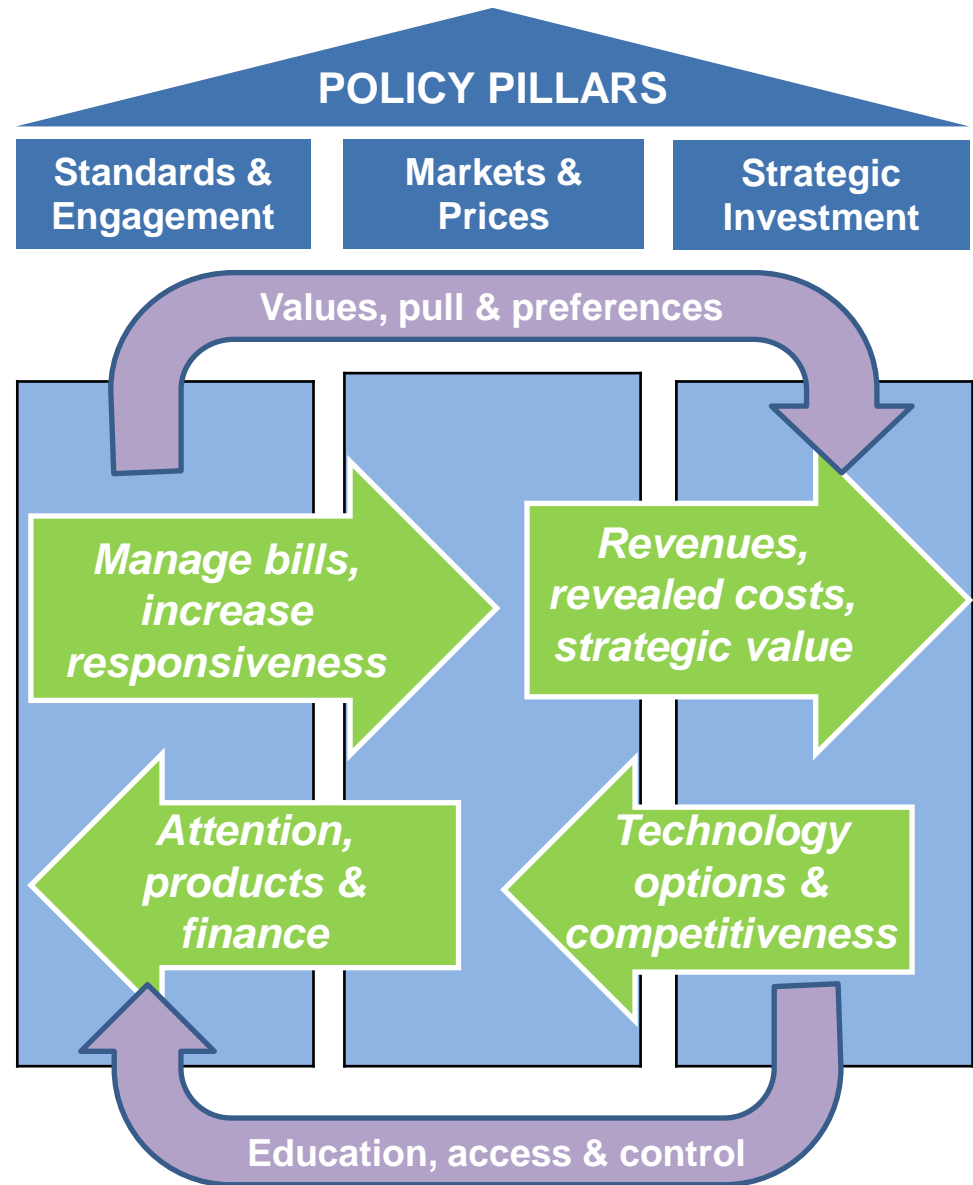
.. which matches the best instrument to the respective domain of decision-making



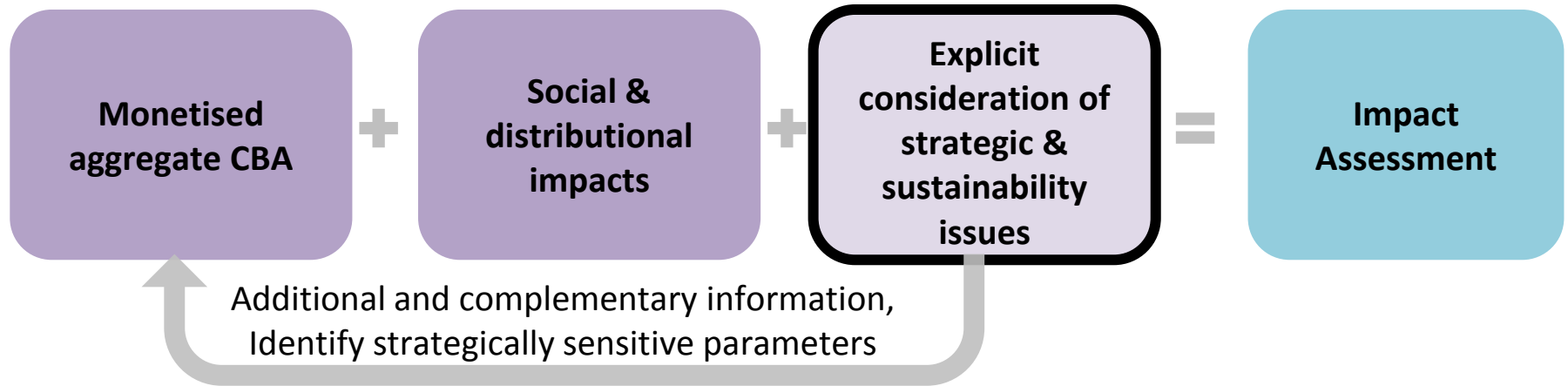
## *Integration across pillars:*

- *Enhanced efficiency* reduces resource costs and helps pave the way for..
- Environment/carbon pricing to drive cleaner products, a combination which ..
- Increases the demand-pull for new technologies and can support infrastructure and transition

With each pillar also feeding  
 back to others



# The Ofgem Impact Assessment framework



Strengthening analysis of these issues is designed to more systematically represent issues related to the interest of future consumers, complementary to a monetised CBA

Improved consistency

Increased transparency

Enhanced stability



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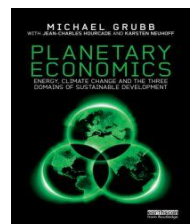
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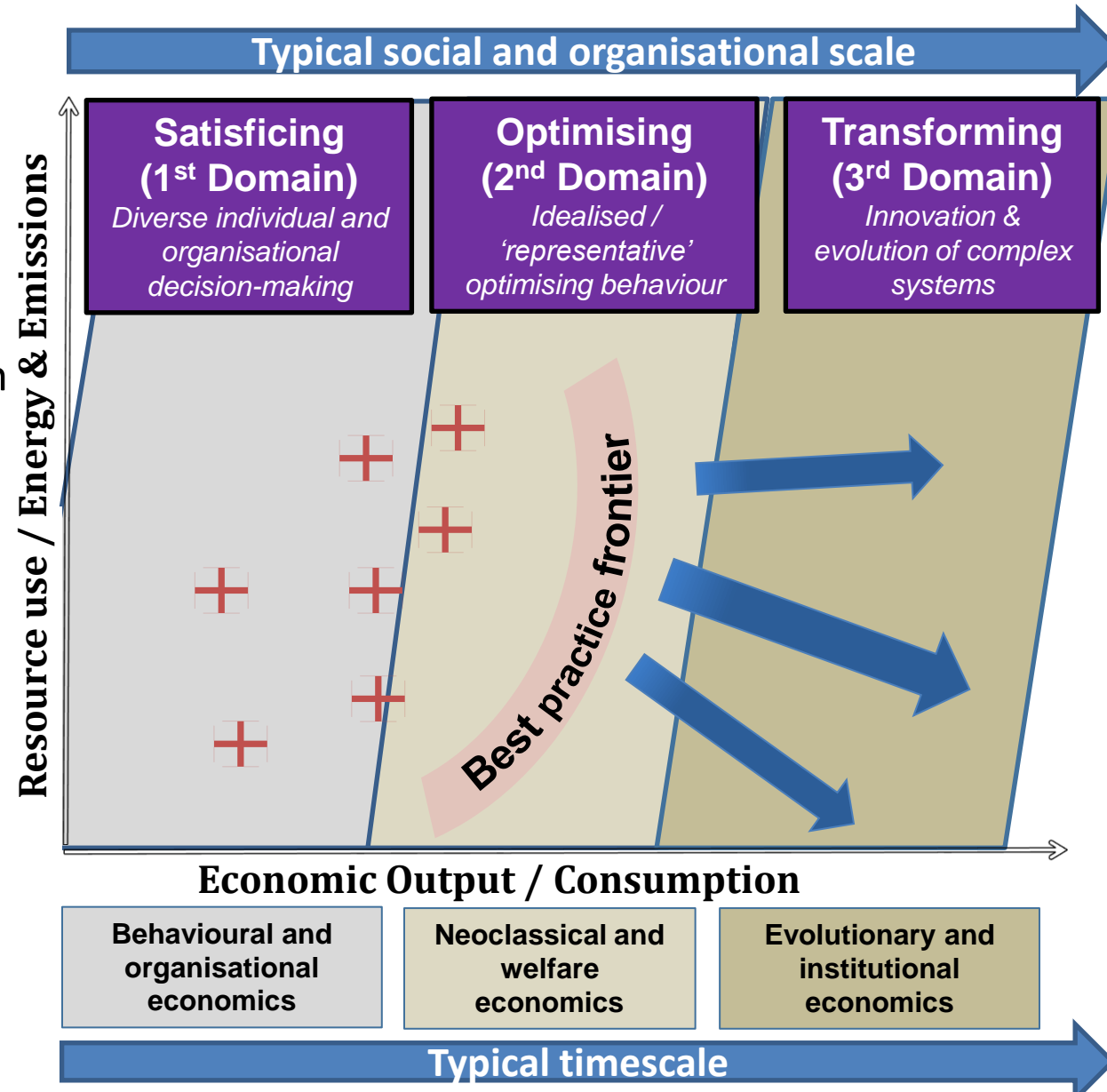
**ANNEX slides**



For a problem which spans from

- the inattentive decision-making of seven billion energy consumers, to
- long-term transformation of vast and complex infrastructure-based techno-economic systems

To date, far more progress on energy efficiency and technology / renewables etc policy than carbon pricing



# Ofgem's Strategic and Sustainability Assessment structure

