



# Toolkit:

## Understanding incentives and procurement policy

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Appliances & Equipment: Session 4

Melanie Slade, IEA

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1. Financial policies or incentivizing mechanisms
2. Procurement policies

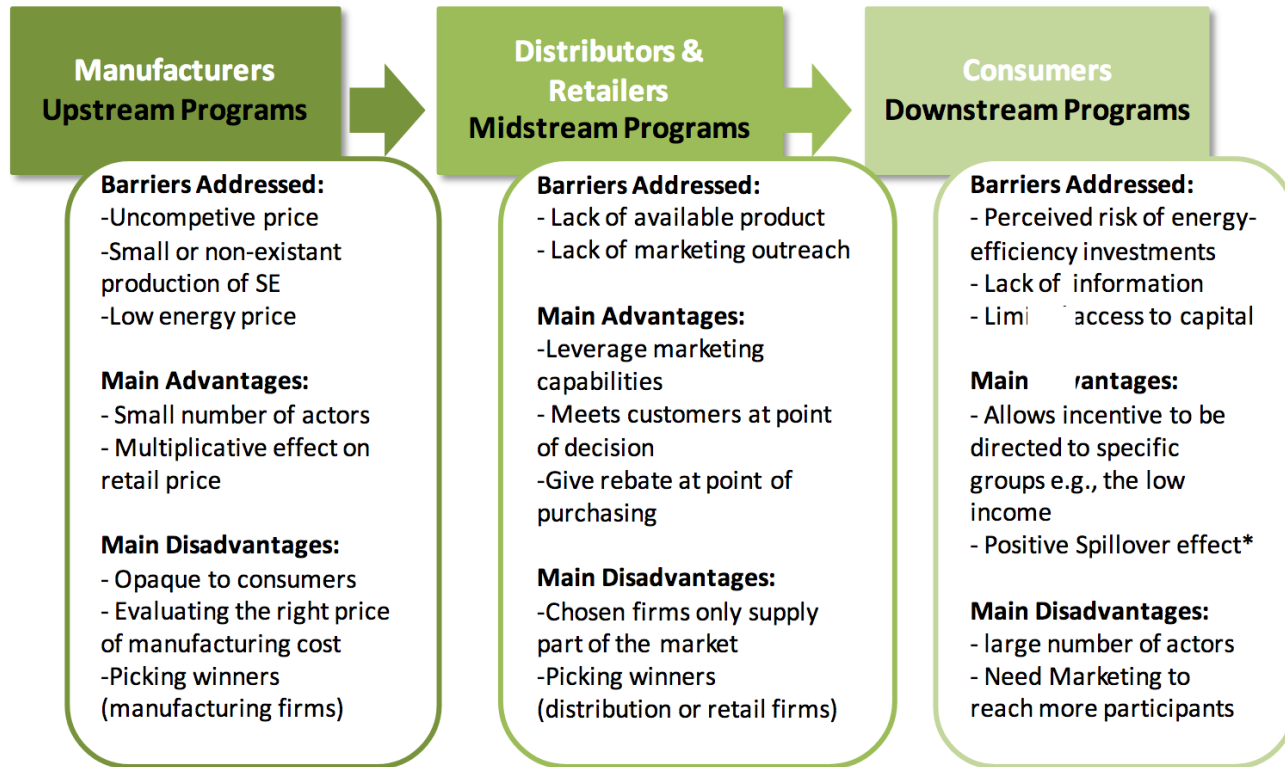
For each, we will be asking:

- What are they?
- When do they work best?
- Who can implement them?
- Good examples?

- How many different types of financial policies can you list?
- Do they act on different parts of the supply chain?
- Who can design/implement them?



- Grants and subsidies for efficient new appliances/equipment
  - Directly to consumers
    - At point of sale or cashback
  - To retailers
  - To manufacturers/
  - To third parties (architects, plumbers, etc)
- Buy-back or subsidies for replacement old for new
- Loans – low interest
  - Householders, other
- Tax relief
  - Businesses, householders, suppliers
- Taxes
  - VAT, GST
- Energy Tariff
  - Utility investment, utility bills



*SEAD: A Global Review of Incentive Programs to Accelerate Energy-Efficient Appliances and Equipment*

\**Positive Spillover effect* refers to the increasing adoption of energy-efficient products from program non-participants due to increased knowledge about the benefit of energy efficiency.

# Types of financial mechanisms

|                      | Pros  | Cons   |
|----------------------|---|--|
| Upstream incentives  | <p>Effective at reducing the up-front cost of technologies that are at an early stage of penetration. Can influence a large portion of the market. Low transaction cost.</p>  | <p>Incentives not seen by the consumers. Estimating how much it will cost to produce more efficient products is tricky, open to abuse.</p>                   |
| Midstream incentives | <p>Effective when the program budget is rather small and the price of equipment is high. These incentives influence customers at their point of decision. Since the profit margin for distributors &amp; retailers tends to be thin, a small incentive can be motivational.</p> | <p>Higher transaction costs than an upstream program Tend to bring in only the largest retailers which reduces the total Affected portion of the market.</p> |
| Downstream incentive | <p>Raises consumer awareness of HE products The existence of a rebate is a signal in itself and may even be more important than the \$. Can be directed to a select population, such as low income households.</p>  | <p>High transaction costs.</p>   |



## Receive a PG&E rebate with qualifying smart thermostats

Save on your home's heating and cooling costs by replacing your manual or programmable thermostat with a new smart thermostat.

Purchase a qualifying ENERGY STAR® smart thermostat to receive a \$50 rebate from PG&E.

## Am I eligible for the rebate?

All ENERGY STAR smart thermostat rebate applications must be received within 60 days from date of purchase.

- If you buy certain efficient equipment you can deduct the full cost from your profits before tax.
  - some [cars](#) with low CO2 emissions
  - energy saving equipment that's on the energy technology product list, eg certain motors
  - water saving equipment that's on the water efficient technologies product list, eg meters, efficient toilets and taps
  - plant and machinery for gas refuelling stations, eg storage tanks, pumps
  - gas, biogas and hydrogen refuelling equipment
  - new zero-emission goods vehicles



## ENHANCED CAPITAL ALLOWANCE (ECA) SCHEME FOR ENERGY EFFICIENT TECHNOLOGIES

### ENERGY TECHNOLOGY PRODUCT LIST

1st JULY 2014

Issued on behalf of the Secretary of State for the Department of Energy and Climate Change

Signed:



GREGORY BARKER

Date:

1/7/14

- Do any participants have direct experience of using financial mechanisms to promote energy efficiency?



# What should you think about?

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- What are you trying to achieve?
  - E.g. increase sales to reduce prices; draw attention to new technologies; etc
- How can you use existing definitions of high efficiency products?
  - E.g. link to five star rated appliances
- How sustainable will the change be?
- How will it impact on the supply chain?
  - Is there a danger of harming local manufacturers or others, which will be bad in the longer run?
- How can it be implemented in a fair and equitable manner?
- What else should you do to improve outcomes?
  - Tie into communications strategy?

- What are procurement policies?
- Who might implement them?
- What are their features and benefits?
- What other mechanisms and business models can procurement policies be combined with?

GOVERNMENT OF PUNJAB  
DEPARTMENT OF SCIENCE, TECHNOLOGY, ENVIRONMENT  
& NON-CONVENTIONAL ENERGY

NOTIFICATION

Dated, Chandigarh, the

No. 2/123/05-STE(3) - In partial modification of notification dated 20<sup>th</sup> January / 6<sup>th</sup> February, 2006 issued vide no. 2/123/05-STE3/370 dated 20.1.2006 and in exercise of the power conferred under Section 18 of the Energy Conservation Act, 2001 (52 of 2001), the Governor of Punjab is pleased to substitute Para III of said orders as under:—

**III. Mandatory use of minimum BEE 4 star labelled and ISI marked motor pump sets, Power capacitors, Foot/ Reflex valves in Agriculture Sector:**

1. For all new tube-well connections, the use of minimum BEE 4 star labelled and ISI marked motor pump-sets and accessories will be mandatory.
2. Punjab State Power Corporation Limited (PSPCL) will make the amendments in the load demand notices for tube-well connections within two months time from the date of issue of this order to ensure use of only minimum BEE 4 star labelled and ISI marked motor pump-sets in the state.

No. 26/6/12-PPD  
Government of India  
Ministry of Finance  
Department of Expenditure  
(Procurement Policy Division)

North Block, New Delhi  
Dated : 21st January, 2013.

## OFFICE MEMORANDUM

Subject:- Procurement of energy efficient electrical appliances.

In order to effect energy savings in the long-term by promoting procurement of energy efficient equipment, there is a need for Ministries/Departments to procure energy efficient appliances. In this context it has been decided, in consultation with Ministry of Power and the Bureau of Energy Efficiency (BEE), that all Ministries/Department and their attached and subordinate offices would, while procuring appliances indicated in Para 2 of this OM, ensure that they carry the threshold BEE Star Rating indicated against them, or higher. The threshold ratings have been finalized based on a life cycle cost analysis carried out by BEE.

2. The appliances and the minimum threshold BEE Star rating are tabulated below:

| Appliance                | Threshold star rating  |
|--------------------------|--|
| Split Air Conditioners   | 5 star ( under normal conditions where annual usages are expected to be more than 1000 hrs.) |
|                          | 3 star (where usage of AC is limited, eg. In Conference Rooms)                               |
| Frost Free Refrigerators | 4 Star   |
| Ceiling Fans             | 5 Star   |
| Water Heaters            | 5 Star   |

- Do any participants have direct experience of using procurement policies to promote energy efficiency?



- Work best when large number of sales are involved
  - E.g. governments, major corporations, groups of companies or governments
- Linked to existing definitions of high efficiency products
  - Make it easy to demonstrate requirements are met
- Energy efficiency may only be one selection criteria
  - Cost, fit for purpose, other attributes



- Super-efficient Equipment and Appliance Deployment (SEAD)
- **Energy-efficient Public Procurement - Best Practice in Program Delivery**
- The SEAD Street Lighting Tool provides a quick, easy way for government procurement officials to evaluate the quality, efficiency, technical compatibility, and lifetime cost of different street lighting products. The tool is available in English, French, Russian, and Spanish.
- <http://superefficient.org>

- Split into 3 groups
  - Group 1: Objective – to promote existing high efficiency fans
  - Group 2: Objective – to increase the uptake of existing high efficiency water pumps by giving them a payback period of 2 years
  - Group 3: Objective – to encourage the development of new high efficiency cold water dispensers
- Spend 15 minutes devising a policy
- Describe it to the other groups
- Discuss the issues arising and whether they could be improved



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