

State subsidies for buying energy-saving appliances: do they help mitigate climate change?

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No, says Jan S. Vosswinkel of the Center for European Policy.

Energy-efficient appliances are a result of good environmental policy, but subsidizing them is not a recommended tool. Many consumers already take energy efficiency into account when deciding what to buy. State subsidies would not change their behaviour, but would have a freerider effect: it is likely that sellers would raise the prices of energy-saving appliances, so that some of the subsidy money would go into their pockets without having any environmental impact. In addition, awarding subsidies could result in people buying more electrical appliances and using them more often, since they would be cheaper both to buy and to use.

However, the most important argument against subsidies is that subsidizing energy-saving appliances is expensive and is at best ineffective as a climate policy tool. The European system of trading emissions rights provides an upper limit for permissible CO₂ emissions in the EU. Every electricity producer must possess sufficient emissions rights to be able to emit CO₂. Emissions trading ensures that CO₂ is saved where it can be done at lowest cost.

If electricity consumption and production fall, the emissions rights are sold on. The upper limit is always utilized; in consequence, public subsidies for particular appliances do not result in even the slightest reduction in CO₂ emissions. The distribution of the emissions is simply different. CO₂ could be saved at the same cost to the economy by progressively reducing the upper limit. This would cause energy producers and consumers to adapt in ways that would automatically result in more energy-efficient appliances.

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Dr. Rainer Griebhammer is a Director of the Öko-Institut and has worked in the Institute's Sustainable Products & Material Flows Division for 28 years. He specializes in sustainable consumption and product innovation.





Yes, says Dr. Rainer Griesshammer of the Öko-Institut.

Highly energy-efficient refrigerators, fridge/freezers, washer driers, heat pumps and televisions still account for only a small percentage of sales. This can be ascribed to inappropriate product mix policies of major retailers and to confusing labelling – for example, for washer driers energy efficiency class A represents outstanding performance that puts the machine well out in front, while for refrigerators it reflects technology that is second-rate and technically outdated. And the concept of life-cycle costs – the idea that the higher prices of the best appliances are offset by lower operating costs over a period of years – is either not understood or not realistically considered by consumers.

A market incentive programme costing between 100 and 200 million euros could bring about dramatic changes in sales of these appliances. This has already happened in the Netherlands and Denmark. The best products have caught on and – despite the doomsayers' predictions – the prices paid by consumers for the best appliances have not risen but have fallen significantly, as have the overall costs to the economy. We should not delay any longer – because an energy guzzler, once purchased, remains part of the energy scenario for up to 20 years.

The argument based on the upper emissions limits by the emissions trading system reflects a misunderstanding of the decision-making mechanisms involved. Appliance manufacturers, retailers and private households are not included in emissions trading. But if we manage to reduce electricity consumption in a way that is cost-effective and efficient for the economy by promoting energy-efficient products that for a variety of reasons have not yet caught on in the market, it will be easier to impose more rigorous reduction targets in future emissions trading rounds.

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