



United Nations Environment Programme  
en.lighten initiative

## Supporting Policies and Mechanisms

**Marie Leroy – Southeast Asia and Pacific Coordinator**  
United Nations Environment Programme en.lighten initiative

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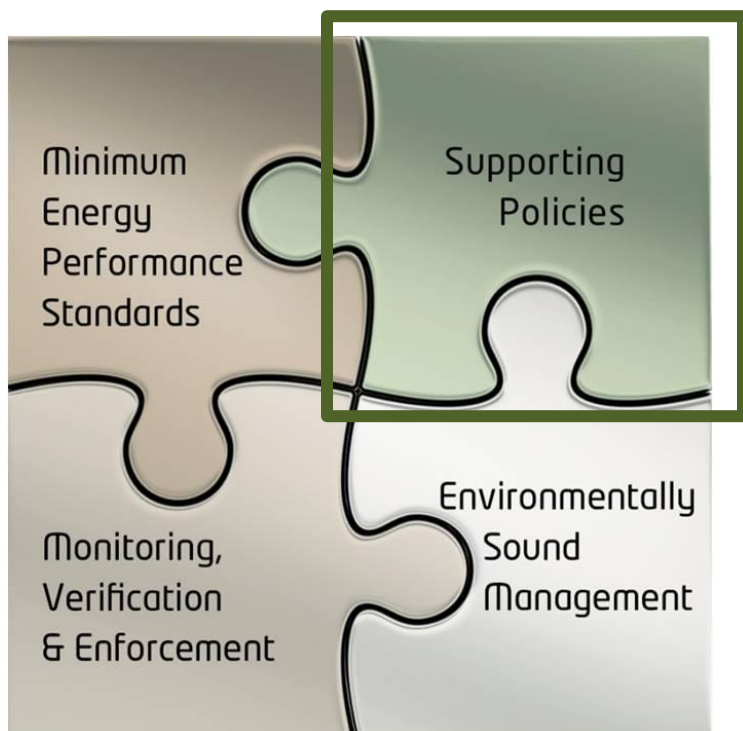


**nLTC**

National Lighting Test Centre  
China



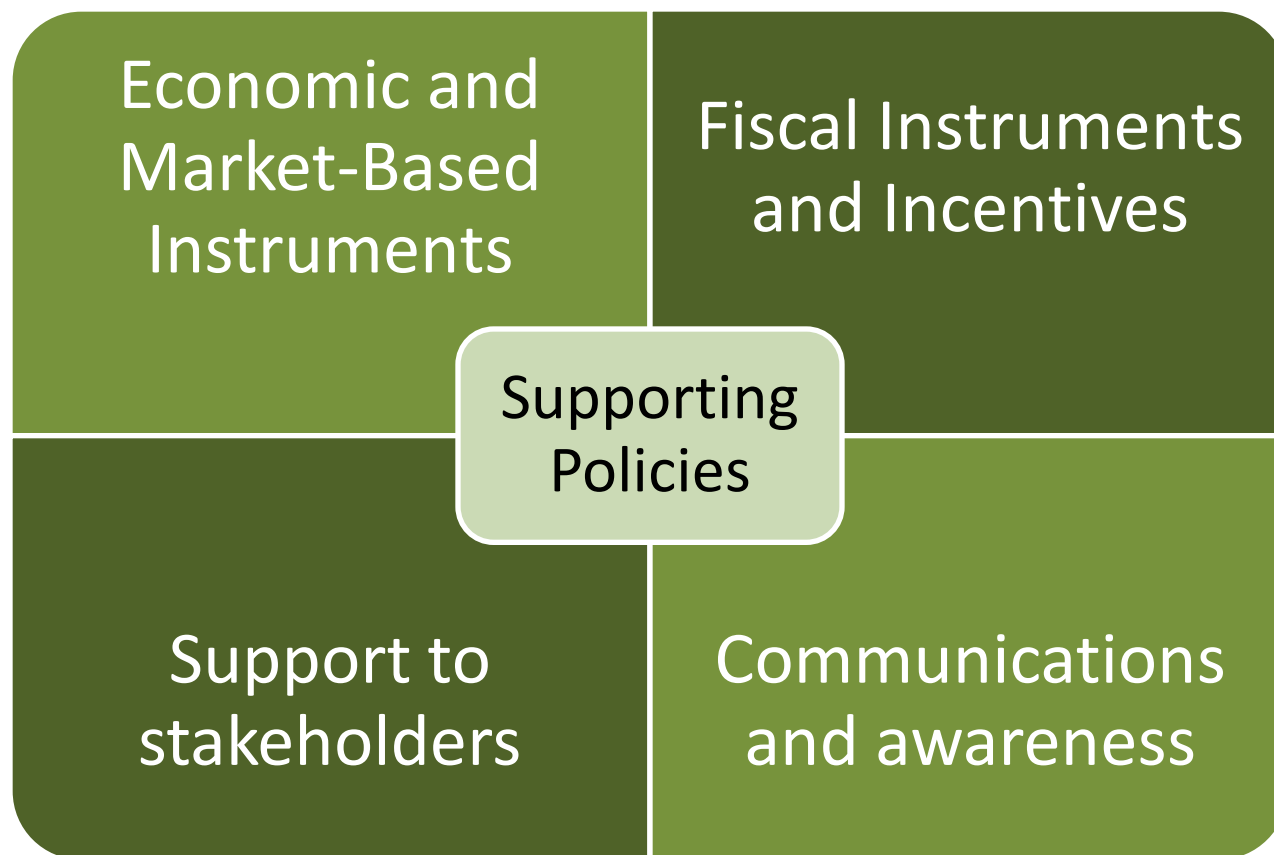
# Establishing MEPS, alone, is not sufficient



## Objectives:

- Communicate the policy
- Foster behavioural change among all stakeholders
- Finance the programmes and initiatives

# Policy options to accelerate the market transition



# Economic and Market-Based Instruments

- Economic and market-based policies for energy efficient lighting
  - Normally voluntary
  - Often initiated and promoted by regulatory incentives
- Includes:
  - Cooperative procurement (bulk purchasing)
  - Instalment payments (through on-bill financing)
  - Private sector loans
  - Energy service performance contracting (ESCOs)



# Economic and Market-Based Instruments: Cooperative Procurement (Bulk Purchasing)

## Benefits

- ✓ Accelerates market adoption and reduce the price of efficient products
- ✓ Can benefit specific population groups
- ✓ Guarantees a market for the producer

## Constraints

- Requires significant upfront investment
- End-users may decide to use more lamps than they usually do, because of the low cost per unit and reduced electricity bill
- Not sustainable approach – should not be used alone



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# Economic and Market-based Instruments: Instalment Payments (On-Bill Financing)

- Utility purchases the lamps in bulk
- Utility provides lamps, installation and financing at low cost (loan)
  - Beneficiary can be household, commercial business, institution
- Utility recoups costs through monthly instalments on customer bill

## Success Factors

- No customer down-payment
- Design program so that consumers witness decrease in electricity bill



# Economic and Market-Based Instruments: Private-Sector Loans

## Objectives

- Involve private banks in energy efficiency programmes
- Make them understand the benefits of energy efficiency

## Principles

- Commercial banks and/or private capital provide funding
- Avoids or minimizes use of public funds
- Micro-finance schemes or efficiency loans
  - Governments can leverage relationships for lower interest rates



# Economic and Market-Based Instruments: Private-Sector Loans

## Challenges

- Generating bank interest in higher-risk developing economies
- Banks must understand energy efficiency business
- Banks need to develop appraisal methods for efficient lighting
- Some projects too small to attract interest

## Success Factors:

- Low interest rates for applicants
- Structure of loans across multiple lenders





# Economic and Market-Based Instruments: Energy Service Performance Contracting

## Principle

- An energy service company designs, constructs, operates and finances the energy efficient installation
- Expected efficiency savings cover all or part of costs
- Service company bears technical and financial risk

## Challenges

- Administrative costs of establishing the ESCO
- Significant results in commercial, but not a viable approach for residential



# Fiscal Instruments: Taxation Incentives

## Principle

- Tax and import duty policies to promote efficient lighting

## Benefits

- Tax and import duty influence purchasing choices
- Easy to implement, flexible, adjustable, and specific
- Most effective in developing countries
- Should be tied to products that meet performance criteria (MEPS)

## Challenges

- Cost of administration can be high



# Fiscal Instruments: Subsidies, Rebates and Giveaways

## Subsidies

- Temporary measure to mobilize consumers and create a larger market
- Provides bridging until price decreases

## Rebates

- Discount provided to customers who purchase designated products
- Mail in, point-of-purchase, electricity bill, mid stream rebates

## Giveaways

- Distribution of product free of charge to promote adoption
  - Target low income groups
- At existing events or fairs, door-to-door



# Communications and Awareness

## Awareness raising, communications and demonstration

- Public information campaigns to educate and mobilize the public
- Understanding overall cost-benefit will result in increased adoption
- Requires good identification of target audience

## Detailed billing and disclosure

- Display detailed information to make consumers aware of amount consumption
- Consumers change behaviour to realize savings of up to 10%
- Can be complex and expensive to implement



# Supporting Local Lamp Manufacturers

- Phase-out of inefficient lamps may raise concerns for local industry that seeks to retain or increase jobs
- Governments can assist in reducing any potentially adverse economic impact
  - Involve industry stakeholders in policy proposals development
  - Develop National Efficient Lighting Strategy
  - Support business conversion, expansion, employee training
  - Support via subsidies and taxes
  - Partner with private sector banks and donors to attract financing



# Conclusion

MEPS are the most sustainable option to achieve a market transformation to efficient appliances...

BUT a wide range of other policy tools available to facilitate and accelerate the program design and implementation





# Thank You



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