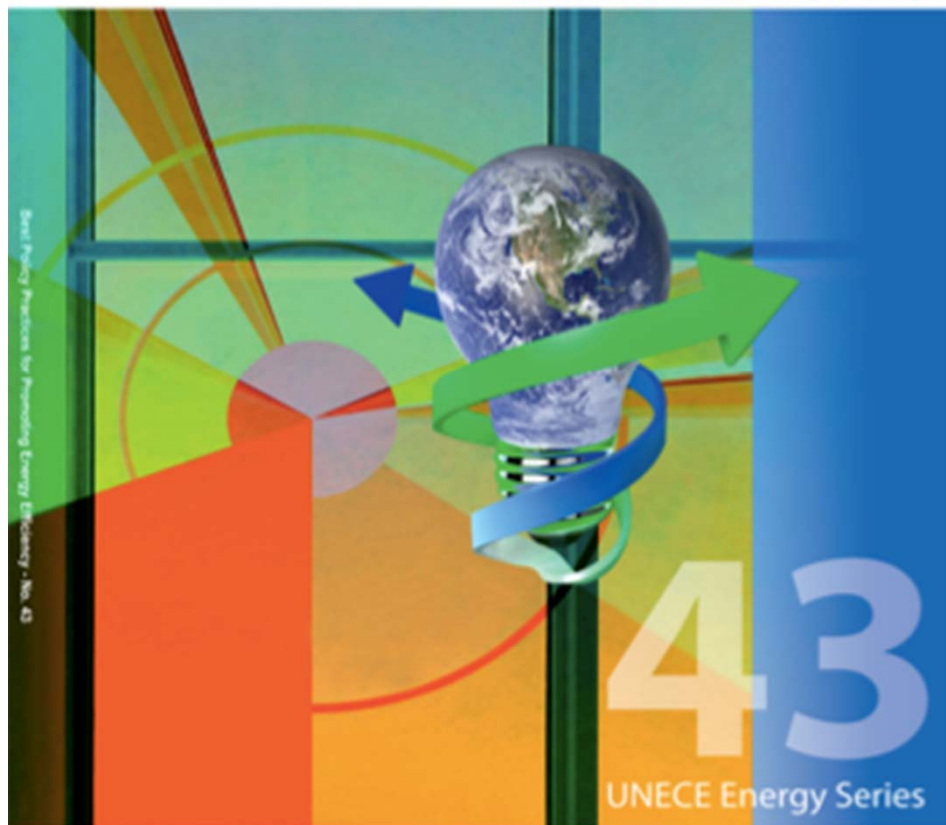


**BEST POLICY PRACTICES
FOR PROMOTING
ENERGY EFFICIENCY**



Part 2 & 3

PRIORITY ACTION AREAS

Draft Statement of Common Action: 6th UN Forum on Energy for Sustainable Development

- Assist member States upon request in **developing national sustainable energy action plans** that are aligned with their future energy needs and that are consistent with the *Hammamet Declaration*.
- Collaborate with member States to **improve their national energy statistics programmes** including collecting, analyzing and publishing data related to the Global Tracking Framework.
- Provide **capacity building** to member States in the action areas outlined in the *Hammamet Declaration*: Energy Market Reform, Energy Efficiency, Renewable Energy, Energy Access, Energy Security, Finance and Investment, Technology, and Energy Data, Indicators and Analysis.
- Encourage **international dialogue** for technological and knowledge exchange on lessons learned and best practices.
- Develop **internationally recognized minimum energy performance standards** in all sectors.

This workshop session:

Part 1. Current status on energy efficiency

- A. Accelerating Energy Efficiency: Eastern Europe, Caucasus and Central Asia
- B. Energy Subsidy Reform
- C. Focus on Kyrgyzstan

Part 2. Status and Best Practices on energy efficiency

- A. Review energy efficiency best policy practices
- B. Identifying barriers to energy efficiency
- C. What would it take to upgrade existing policies or introduce Best Policy Practices in your country?

Part 3. How can you accelerate energy efficiency outcomes in your country?

- A. Developing an integrated policy - market strategy
- B. Marketing energy efficiency

Wrap up, workshop evaluation

Part 2. Status and Best Practices on energy efficiency

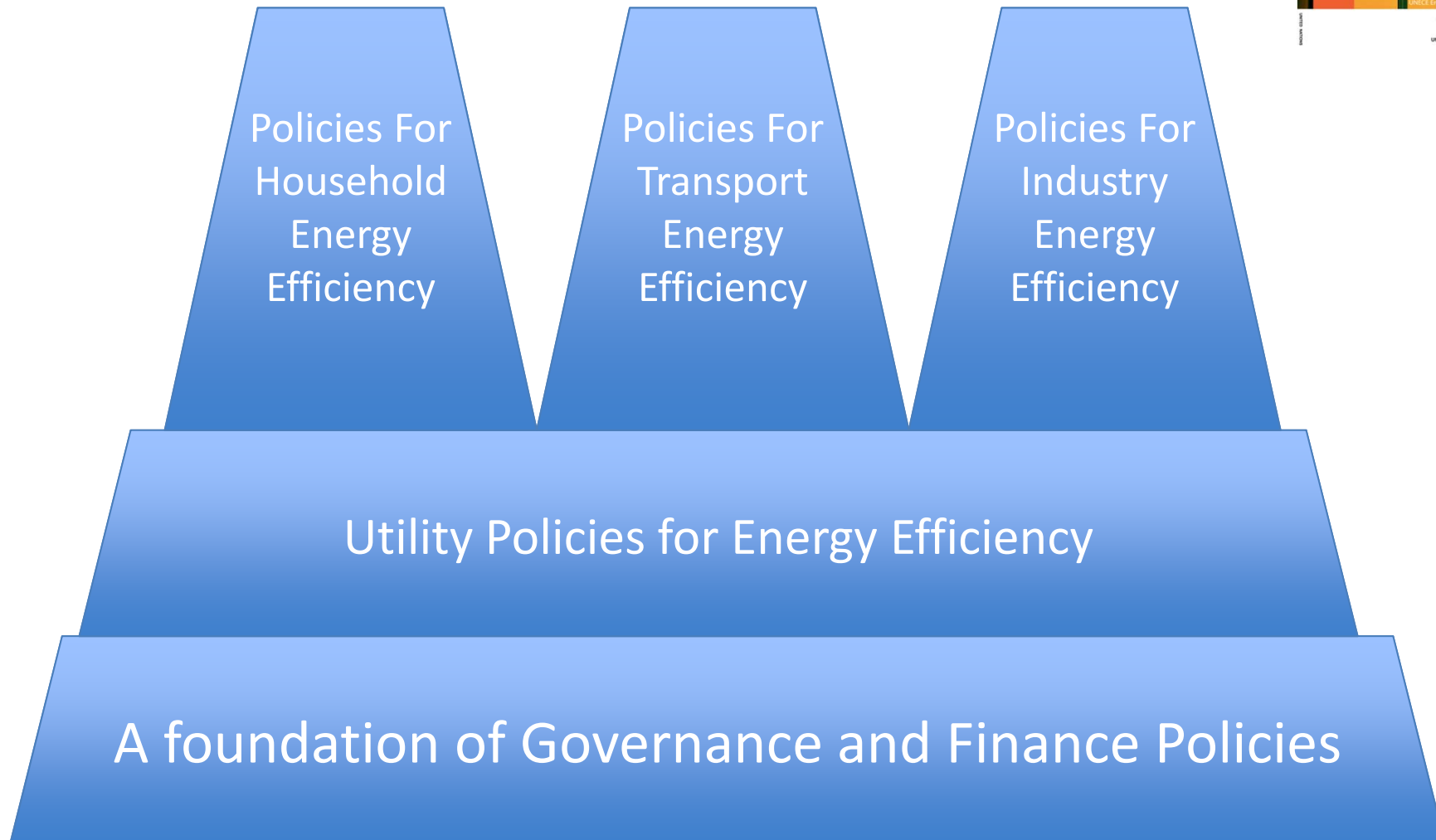
- A. Review energy efficiency best policy practices**
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2A. Review Best Policy Practices in Energy Efficiency – Key themes

“Please tell us, what are the best policies?”

- How policies are implemented is as important as what the policies are.
 - You will have to make these your own policies.
- Importance of monitoring & evaluation
 - BPPEE examples included in the report were based on programs that were evaluated and improved.
- Multiple benefits help with commitment, replication and expansion of programs.
- Sharing the lessons we have learnt is important.

A Structured Framework of Energy Efficiency Policies.



A foundation of Governance and Finance Policies

Cross-sectoral: Governance

- Enabling frameworks
- National strategies, plans and targets
- Institutional arrangements:
- Energy efficiency operational agencies
- Coordination mechanisms
- Cities and Regions
- Data, statistics and evaluation

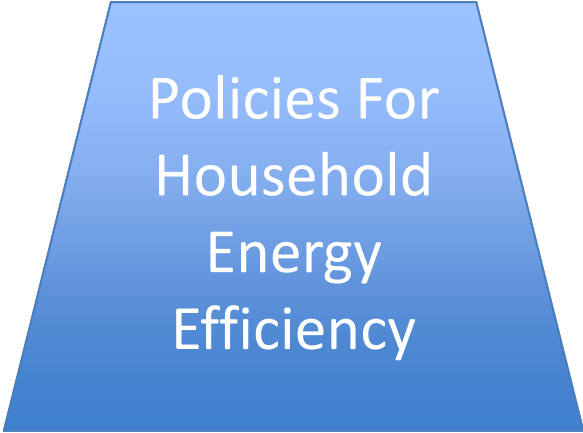
Cross-sectoral: Finance

- Government and leveraged loans finance
- Public-private finance from Energy Service Companies (ESCOs)
- Funds Guarantees, risk sharing
- Fiscal Policies: tax incentives rebates etc.
- Government grants
- International climate finance

Utility Policies for Energy Efficiency

Policies for Utilities to enable all sectors

- Utility cost-reflective pricing
- Energy efficiency regulatory mandates
- Utility ESCOs
- Utility white certificates
- MLB finance for utility energy efficiency
- Voluntary energy efficiency programs



Policies For
Household
Energy
Efficiency

Policies for Households

- Insulation, retrofits for existing homes
- MEPS and building codes
- Energy efficiency certification
- Appliance MEPS and labeling
- High efficiency appliance endorsement
- Efficient lighting



Policies For
Transport Energy
Efficiency

Transport Policies

- Fiscal policies for transport
- Passenger Light Duty Vehicle Fuel Economy Standards and Labeling
- Heavy Duty Vehicle Fuel Economy Standards
- Eco driving
- Public Transport and low energy modes



Policies For
Industry Energy
Efficiency

Business Sector Policies

- Energy management, ISO 50001
- Commercial Buildings
- Capacity building
- SMEs
- MEPS for industrial equipment
- Voluntary agreements
- Industry innovation

Discussion Template 2A

- List policies you have underway beside the relevant BPPEEs on the template
- What's the status of the policy
 - 1 Planning
 - 2 Started
 - 3 Underway
 - 4 Evaluating results
 - 5 Maturing

Discussion (over to you now)

- a. Any questions or clarifications on the best policy practices?
- b. Are best practices applied in all countries?
 - If not, what is missing?
 - Any gaps that we all share?
 - What are the lessons from these gaps?
- Will best practices work in all countries?

Part 2. Status and Best Practices on energy efficiency

- A. Review energy efficiency best policy practices
- B. Identifying barriers to energy efficiency**
- C. What would it take to upgrade existing policies or introduce Best Policy Practices in your country?

2B. Identifying and overcoming barriers to Energy Efficiency

- Identify government, consumer and other barriers.
- Understand impact of barriers, scale impacts/implications
- How to identify gaps and opportunities to improve policies

Barrier: Consumer indifference.

Consumers undervalue outcomes

Consumer indifference

- Lack of awareness of value of energy efficiency outcome benefits,
- High upfront and project transaction costs, inability/unwillingness to pay incremental costs if they exist,
- Unfamiliarity with energy efficiency and poor access to service providers,
- Low confidence in energy efficiency benefits relative to other priorities,
- Behavioral biases, (mis)-perceived risks of new technologies/ systems,
- Low levels of comfort and service quality,
- Mixed/lack of incentives,
- Lack of credible data and information asymmetry,
- No discretionary budgets for upgrades, limited ability to borrow,

Consumers are:

- Unaware how good energy efficiency could be,
- Accepting of current inefficiencies ,
- Don't know of, or value, efficient options.

To understand how we can apply BPPEE's
we need to understand why we aren't
already making good progress with energy
efficiency

What's stopping us?

Barriers to energy efficiency

Diverse socio-political contexts, but energy efficiency theory and practice derives from developed market economies:

- our ‘energy efficiency models’ don’t fit most countries.

Institutional barriers are particularly intractable:

- few economies have effective energy efficiency governance.

Underestimated consumer indifference.

- These barriers interact and synergise.
- The relationships between values, priorities, barriers, and benefits are unique to each consumer in each country.

Discussion Template 2B

- Identify barriers to energy efficiency in your country
- Why do these barriers exist?
- What solutions will help?
- If you could only address one barrier, which one would free up energy efficiency the most?

Part 2. Status and Best Practices on energy efficiency

- A. Review energy efficiency best policy practices
- B. Identifying barriers to energy efficiency
- C. What would it take to upgrade existing policies or introduce Best Policy Practices in your country?**

2C. What does it take to develop an effective policy-market strategy for energy efficiency in your country?

- How well do policies work?
- We are all ultimately trying to improve human welfare, not just reduce energy demand - Multiple Benefits of Energy Efficiency
- Policy – market strategy relationship dynamics
- A clear understanding and definition of the outcome ----and the scale to achieve this is critical.
- What characteristics of successful policy implementation, critical role of marketing strategy.

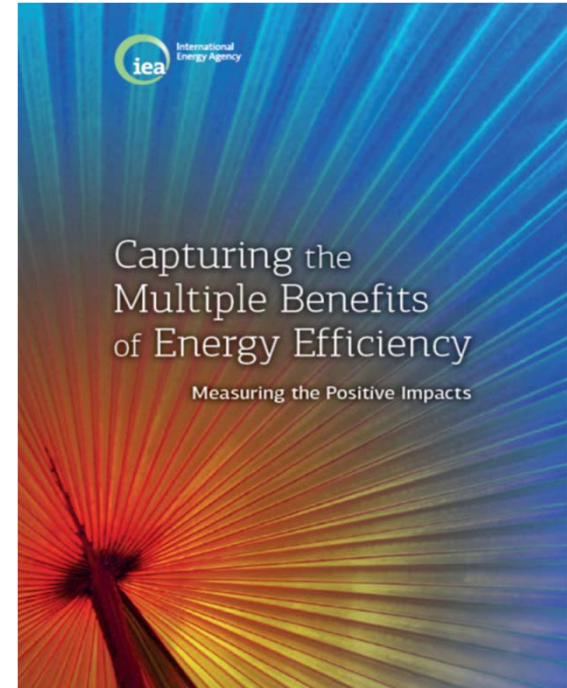
The big objective for energy efficiency!

- We are all ultimately trying to improve human welfare, not just reduce energy demand or address climate change.
- Two outcomes from energy efficiency:
 - Improved productivity
 - Reduced energy demand and related GHGs
- So how does energy efficiency deliver on welfare and productivity objectives?

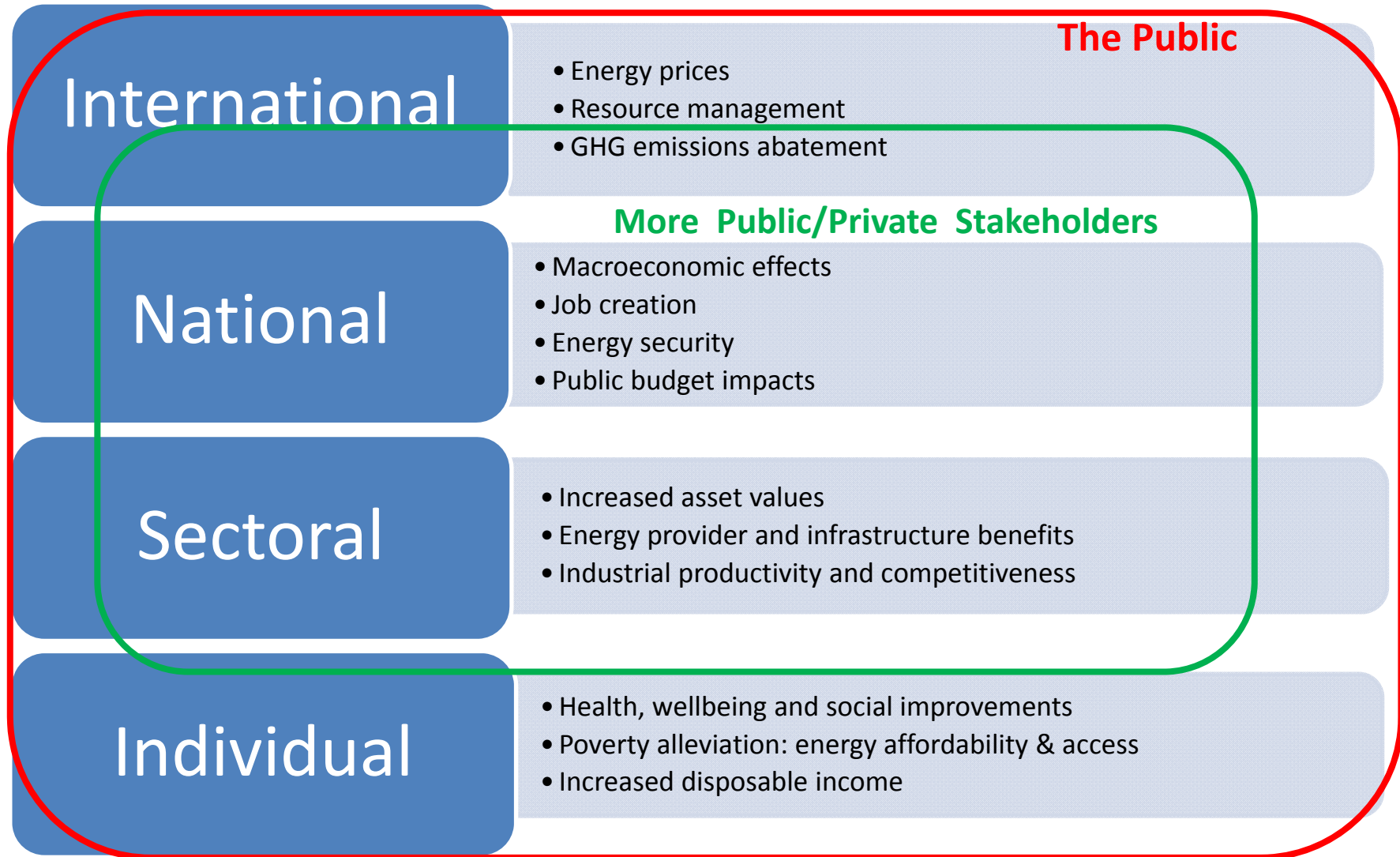
Capturing the Multiple Benefits of Energy Efficiency

- Better human comfort
- Improved Industry productivity
- Better Utility performance
- Improved public budgets
- Improved local environment
- Improved macro-economic outcomes

Value of social and economic outcomes exceeds the value of reduced energy demand.

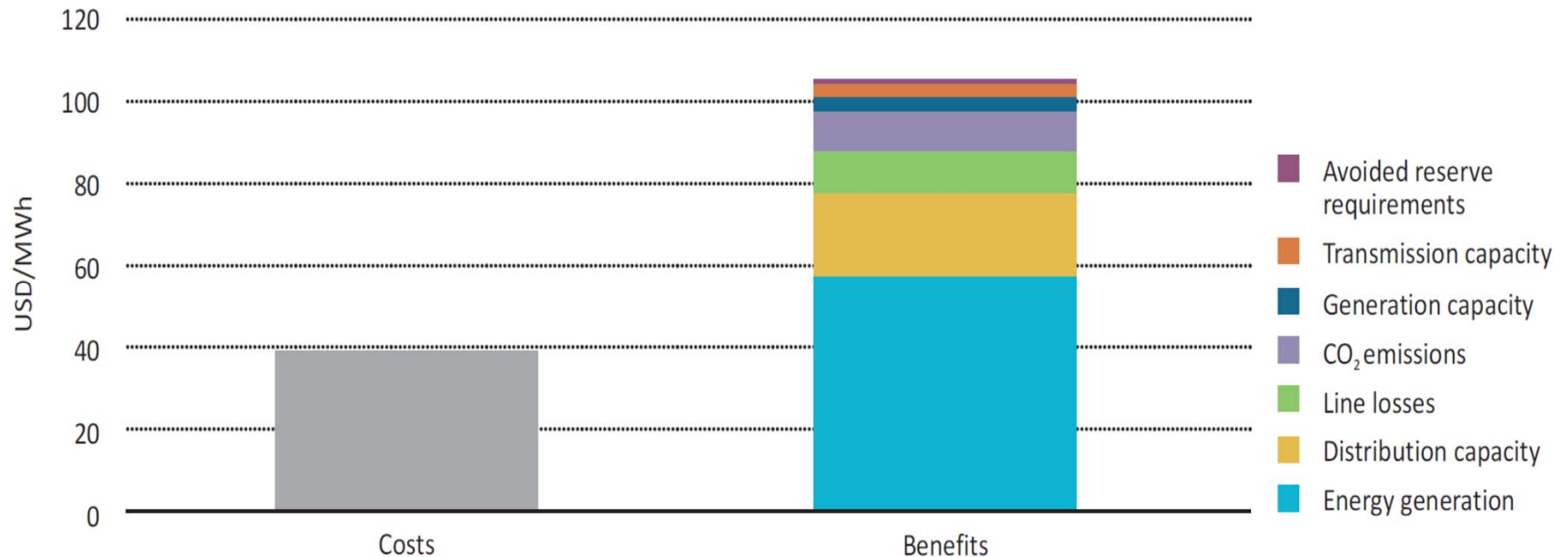


Energy efficiency benefits for all and energy demand reduction



Source: IEA Capturing the Multiple Benefits of Energy Efficiency

Utilities, Energy suppliers: a changing business model



- **Benefits for utilities: in resource constrained operating context**
- **Benefits for consumers/indirect benefits for utilities: increased affordability reduces customer default and associated costs**

Source: IEA Capturing the Multiple Benefits of Energy Efficiency

Policy – market strategy relationship dynamics

- A clear understanding and definition of the outcome:
 - Socio economic outcomes
- What motivates consumers
 - Market research (just like sausages and soap)
- The technical opportunities or potential
- The scale of measures to achieve this.

Policy – Market Strategy Paradigm™

Market Drivers

The actors:

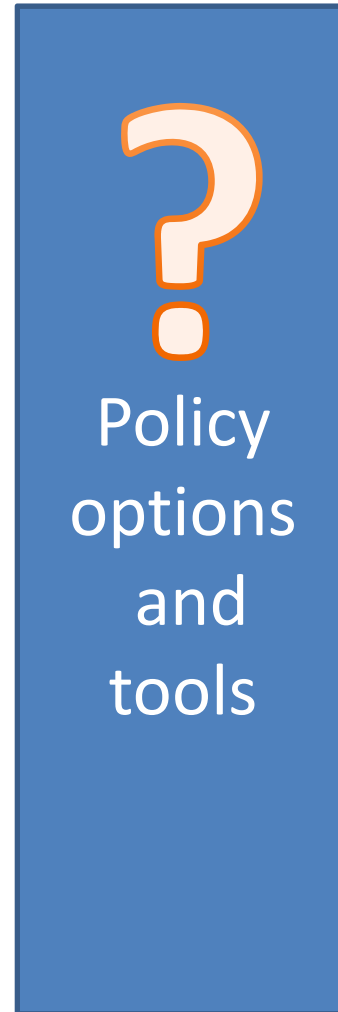
- Household Consumers,
- Business Consumers,
- Government.

Realisable energy efficiency technology potentials



The energy efficiency market place;

- Suppliers
- ESCos
- Financiers



Outcomes that we need

How do we design policies that draw these elements together and accelerate uptake of energy efficiency outcomes?

What would it take to upgrade existing policies or introduce Best Policy Practices in your country?

Objective: Identify how multiple benefits from energy efficiency policies can be aligned with your countries socio-economic priorities

- Evaluating social and economic returns on energy efficiency investments
- Multiple Benefits and how they provide higher returns to consumers and society than just energy demand reductions
- How do we identify the most productive options?
- How do we get the right mix of policies?

Overcoming Government barriers

All governments work in vastly different ways.

- Expectations by socio-political or socio-religious contexts define how governments work and social, economic and welfare systems.
- Climatic conditions demanding abnormal levels of services for human survival and performance.
- Often skewed resource endowments, competitive advantage dominates economic structure.
- Governments struggle to see value in reducing demand.

BPPEEs need adaptation to work in these diverse conditions

Governments are interested in growing capacity and capability

Being clear about Social and Economic Outcomes and Objectives

- Energy is used to deliver social and economic outcomes – doing this more efficiently delivers more of these outcomes. Account for them!
- Energy efficiency objectives should resonate with political and societal objectives.
- Expressed in terms of outcomes in key markets: productivity in industry, wellbeing in homes, improved public services etc.
- These outcomes are worth more than the energy used, or the energy ‘saved’ with efficiency.
- Still get the ‘energy demand reductions’, related GHG reductions etc. Account for them!

Evaluating social and economic returns on energy efficiency investments

- Multiple benefits occur across all sectors
- Govt costs + Private costs contribute to Govt benefits + Private benefits.
- Govt can stimulate policy outcomes,
 - But energy efficiency is cost effective,
 - the investment is much greater than public budgets
- So design policies for private funds
- Evaluation; Identify what changed, not just the energy savings

TAKE A
BREAK

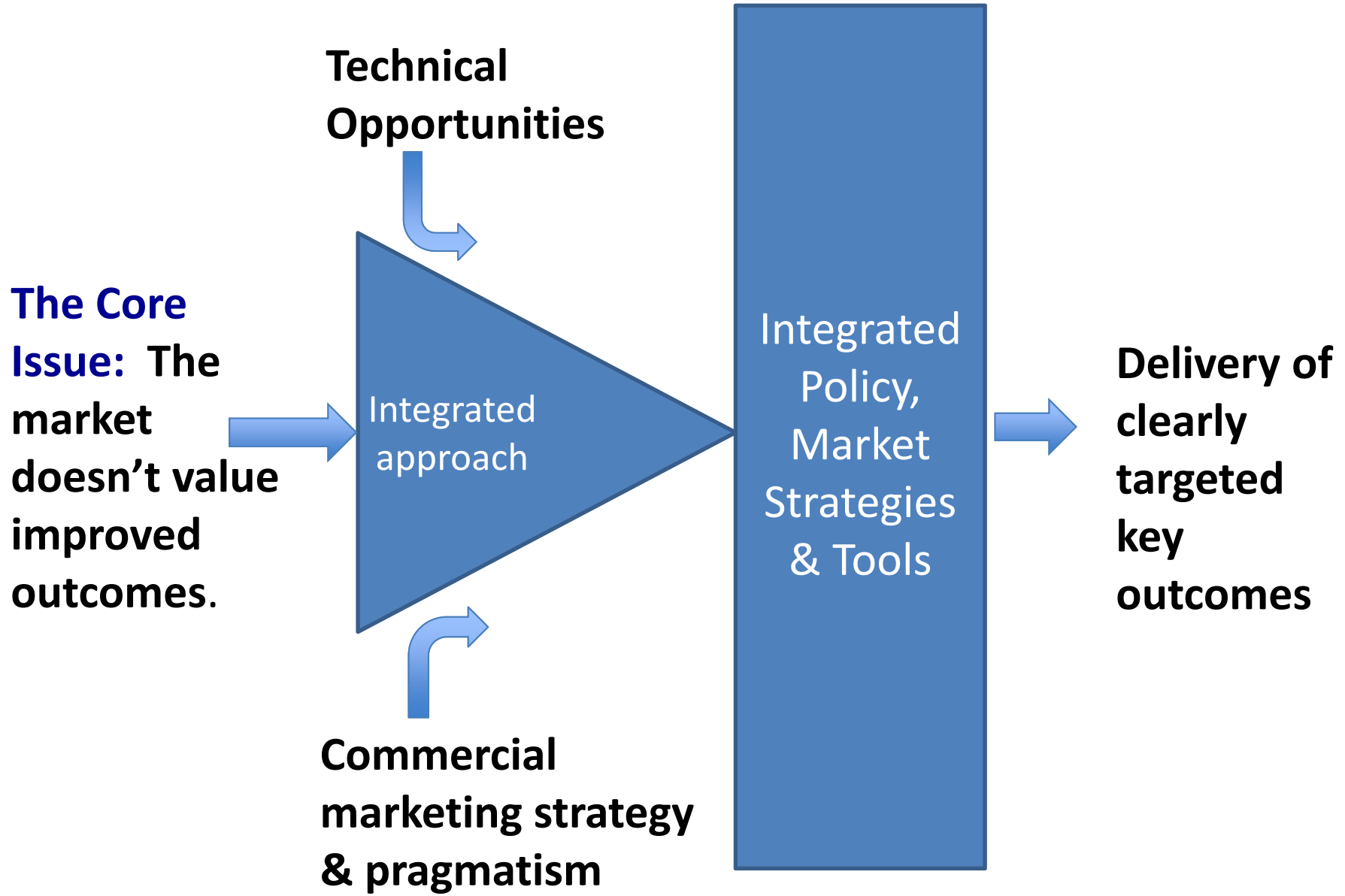
Part 3. How can you accelerate energy efficiency outcomes in your country?

- A. Developing an integrated policy - market strategy**
- B. Marketing energy efficiency

3A. Developing an integrated policy – market strategy

- A clear understanding and definition of the outcome ----and the scale to achieve outcomes is critical. Don't forget we are all ultimately trying to improve human welfare, not just reduce energy demand.
- Briefing on policy – market strategy relationship dynamics
- Participants Identify the highest priority policy objectives and outcomes for their country.
- Perhaps we could have a flipchart or whiteboard and countries could indicate their priorities. We can see similarities and differences in priorities

Policy – Market Strategy Paradigm™



Policy – Market Strategy Paradigm™

The Core Issue: The market doesn't value improved outcomes.

Consumers are indifferent:

- Unaware how good it could be,
- Inured to current imperfections
- Don't understand value,
- Don't value better options

Governments undervalue improved outcomes:

- Policy paradigms discount evidence based options
- Focus on budget not value
- Policy silos undervalue broader welfare outcomes
- Mis-perception that government must fund change;

Industry favours stability over strategic

Open to market led change but resilient to change;

Technical Imperatives

- Contribution of innovation and better technology undervalued
- Inadequate quality standards undermine consumer confidence

Integrated approach

Commercial pragmatism

- Government
- Industry
- Consumer end-users

Derived from effective commercial marketing research and techniques

Effective governance and strategies

Supportive operational policies and measures

Integrated Policy – Market Strategies & Tools

Finance

Utilities

Marketing strategies and engagement

Industry development

Evaluation

Clarity of Outcomes

What is the desired outcome?

Clearly targeted key outcomes

What does success look like?

- The overarching need to advance welfare is often overlooked

Effective Energy Efficiency Strategies

- Strategic operational activities require governance oversight and controls,
- A dynamic learning process as well as a contractual and evaluative functions.
- Analysis of successful finance schemes invariably focuses on the need for and the role played by technical assistance features, rather than the finance mechanism itself.
- *It's not all about finance.* “If finance is a necessary condition, it is not sufficient in itself” and “... the other (non-financial) considerations are often more critical for achieving a sustainable market transformation” (Bloc, et al *Revisiting the KfW and Green Deal programs*) .
- A strategic suite of policy and operational elements must play to their strengths to effect durable outcomes and effective market development in the face of substantial multiple barriers.
- Finance is a critical element of this program, but must be supported by equally capable operational policy and operational measures.

Effective Governance and Strategies

Effective Governance and Strategies

- A durable governance context legitimizes the energy efficiency program,
- Statutory basis for policies, regulations etc that allow the public sector to develop programs to fund, contract and allocate projects.
- ‘Enabling Frameworks’ of laws, strategies and fiscal policies underpin all that follows. Un-resolved barriers at this governance level can disable otherwise effective operational practices, so getting this context right is critical to success
- ‘Institutional Arrangements’ enable delivery of energy efficiency.
 - operational context:
 - objective service standards,
 - continuity of service
 - supporting and enhancing performance for multiple welfare and economic outcomes,
 - improved service delivery and operational improvements

Supportive operational policies and measures

Supportive operational policies and measures

- ‘Institutional Arrangements’ enable delivery of energy efficiency.
- Establish energy efficiency operational management systems
- An administrative entity (or energy efficiency program operator) with the capability to oversee the allocation and repayment of loan and repayment transactions, compliance with the finance regulations and management of the entire program to government and financier probity and audit requirements.
- Operate balanced portfolio of regulatory, endorsement, certification, information and finance policies with regular evaluation and continuous improvement.

A supportive role by Utilities

Utilities

- As well as **reflecting real and opportunity costs of energy provision** to consumers, utilities can play **key roles in consumer marketing**.
- Gaining the support of utilities can contribute strongly to success. Utilities have a perfect set of resources to deliver energy efficiency; access and application of capital, a typically trusted brand for consumers, technical capabilities, service systems, consumer finance via billing systems..
- Utility energy efficiency programs offer high returns from reduced; generation, distribution capacity, production capacity, and transmission and reserve capacity. (IEA 2014)
- EE helps utilities better manage peak load issues and limits over investment in generation and transmission capability

- Public funds should be leveraged via private sector banks
- Options such as partial risk sharing, revolving funds, stimulate co-investment in marketing and service development
- Develop energy efficiency capabilities in finance sector.
- Public funds should match public benefits with careful targeting to leverage private funds to address specific gaps.
- Constrain public grant funds to pilots or market trials so that private investment isn't crowded out by government.

Marketing strategies and engagement (1)

Marketing strategies and engagement

Strategic marketing convinces consumers of energy efficiency benefits.

- Energy 'saving' benefits may be “small” in isolation but the overall benefit (wellbeing etc.) can make a material difference – this is often overlooked in “single focused programmes” and the associated marketing activities
- Energy efficiency is intangible, “you can’t see the energy being saved” - therefore this becomes more a belief “it works”
- Energy efficiency is cumulative – the more you do the better, single actions don’t result in behavioral change

Marketing strategies and engagement (2)

Marketing strategies and engagement

Motivate and enable consumers to engage in the process, and provide an easy risk-free way in which they can engage.

- Often programmes are designed with a start and end – from a behavioral change perspective the end is generally too early – so marketing activities need to be seen beyond individual programmes.
- Often EE programmes are disconnected (either by different govt agency's and/ contrary incentive) this confuses the market and results in in efficient spend of market investments (by all)

Industry Development

Industry Development

Transform the private sector to deliver energy efficiency autonomously, until it is able and motivated to deliver energy efficiency without ongoing government inputs.

- Active co-operation with private sector is essential for outcomes at scale.
- Develop the local energy efficiency industry for employment and economic development and for services and products that don't reside in governments.
- Mobilise the private sector to offer customized and packaged solutions that optimize investments in insulation, controls, high efficiency boilers...
- Underwrite energy efficiency industry organisations to develop industry standards skills, training and credible services
- Use transparent contracting processes that allow certified experienced contractors and product suppliers that meet standards to bid for work.

Evaluation of market transformation.

What has changed?

Evaluation

“The least utilised and most capable tool in the policy arsenal”

An evaluation, research and learning capability, to improve the marketing, delivery and outcomes from the program.

- Evaluate private sector development. How well has local industry ‘crowded-in’ employment and economic opportunities, expertise in new services and products?
- What value of private funds are leveraged in marketing and service delivery?
- What is the private sector offering in terms of customized and integrated solutions that optimize investments in insulation, controls, high efficiency boilers etc.
- Is the private sector deliver energy efficiency autonomously, growing to where delivers energy efficiency without ongoing government inputs.
- Operational audits. Evaluate administration and quality control and any remedial works.

3 Aligning BPPEE policies with country priorities

- Identify your countries socio-economic priorities
- Why are these priorities, what holds these back?
- How can energy efficiency policies help?
- What steps will get commitment to these policies?

Discussion: how can we create synergies between these policies for bigger impacts?

If we want to transform consumer thinking and create markets for energy efficiency outcomes...

- How do we grow the scale and impact?
- How long do think it will take?
- What should SE4All, NGO's, IFI's... do to assist?

Energy Efficiency Strategy

National Strategies, Targets and Action plans realise ambition and commitment into actions.

- Should be shaped to national priorities and sector priorities,
- Public consultation helps sell the strategy,
- Targets set ambition, progress tracking,
- Action plans allocate accountabilities, enable resources...
- Review regularly, celebrate progress, update, extend...

Integrated marketing Strategy



Responsive Regulation

Motivate market supply chains to create better outcomes than minimal regulatory compliance, by developing a social demand for quality outcomes, and encouraging industry capability.

- Non-compliances are initially responded to with corrective rather than punitive responses, which are reserved for persisting non-compliances.
- Market is motivated to deliver innovative offers that create real energy efficiency outcomes (real improvements in comfort, and reduced heat loss) rather than just outputs (such as the number of homes that have been certified).
- ENERGY STAR complementing MEPS
- Training retailers to sell efficient appliances

Part 3. How can you accelerate energy efficiency outcomes in your country?

- A. Developing an integrated policy - market strategy
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3B. Marketing energy efficiency

- Practical lessons from effective energy efficiency marketing initiatives.
- What learnings can we take from commercial companies? they have been in ***behavioural change*** for years: sausages, soap, cars etc – yet policy makers tend to limit themselves to “***behavioral science***” marketing approaches

Integrated Policies, Market Strategies & Tools.

Clarity about Strategy, Operational Tactics and Process

- Policy tools are often misperceived as the solution or process: e.g. an energy efficiency label project, communications programme, regulation, or grant.
- But they're only elements in a market transformation process

Policy Tool(s) work together within a **Strategy** to develop a **Market Transformation Process** to achieve a **desired Outcome**

- Policies are not the programme or process itself

Integrated Policies, Market Strategies & Tools.

Accurate consumer research: values, motivations, behaviors.

- Consumer values shape consumer behaviors.
 - What do the various decision makers value, what drives their decisions?
 - Who or what do they align with?
 - How do they want to be perceived?
 - How will they really behave or react to your energy efficiency offer?
 - What would it take to convince the consumer to pay for the energy efficiency intervention?

Unless policy efforts **resonate with consumer values**, overcome entrenched indifference, **motivational inertia** and cut through behavioral barriers there is little scope for desired outcomes or market transformation.

Integrated Policies, Market Strategies & Tools.

Marketing Strategy.

- It starts with very clear objectives (outcomes) which are measurable in customer/ consumer terms?
- This determines
 - the scale,
 - the time
 - the degree of effort to affect change
 - The audiences affected by this change and what is required to support/adopt the changeand
 - the tactics to deliver to effect this change
 - Integration of messages/channels to market and alignment with intermediaries/industry

Market the outcomes

Examples: effective energy efficiency marketing initiatives.

ENERGY STAR

Voluntary measure complements mandatory

Stringencies adjust as industry responds

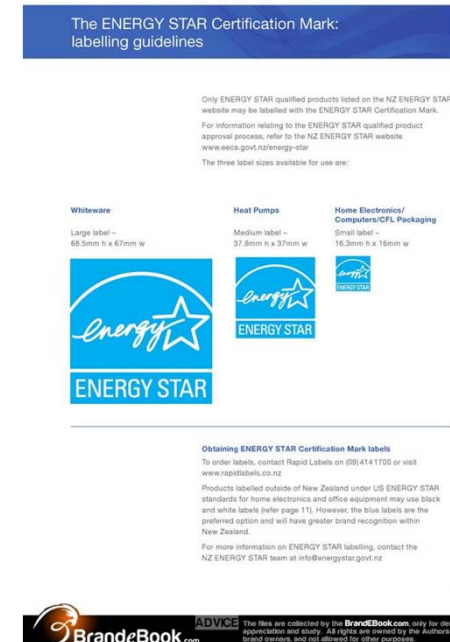
Responsive to tech and market changes

Clear brand management

encourages others to use brand with integrity

Global scale in global markets

very hard to set up your own energy efficiency brand





New Zealand's Most Energy Efficient Products

- 75% awareness amongst consumers
- Predisposition to upgrade increases overall by 22%, significantly higher at the margin (3 star MEPS level)
- Sales process still underplays the value of energy efficiency
- Energy efficiency engagement varies by product type
 - low involvement (Fridges / AC), high ENERGY STAR impact
 - high involvement products like TV, weak impact.
- Market share of ENERGY STAR grown beyond design 33% cf 25%. 66% share for ENERGY STAR A/Cs
- 3:1 private – government investment.

Discussion

- Why does the ENERGY STAR global brand for high energy efficiency work?
- Discuss the marketing principles used by ENERGY STAR and other strong energy efficiency brands

Key Lessons

- Commitment derived from relevant multiple benefit outcomes that serve socio-economic development priorities
- Promote value of energy efficiency to consumers – watch for an overt energy savings focus
- Motivate the development of energy efficiency supply chains
- Scale is important: motivate leveraged private sector finance and private sector marketing visibility
- Strategic marketing campaigns based on real single-minded issues
 - Avoid telling and selling, watch out for over-creativity
 - Credible - above all, make it real for consumers
- Be positive and constructive (what would motivate you?)
- Modeling and evaluation to see reality behind the obvious
- Monitor market developments and move with them
- Use commercial marketing models (successfully selling soap and sausages and changing behaviors for years)

Wrap up, A survey of your needs for energy efficiency