Index

adaptation, 41	fairness, 36
private, 41	social norms, 36–37
public, 41	bounded willpower, 34–37
social cost-benefit analysis, 95	attitude-behaviour gap, 36
air pollution	myopia, 36
behavioural anomalies and willingness to pay, 47	meaning, 3
clash in goals of energy and climate policy, 41	monetary market-based instruments, 191-194
distributional effects, 225	non-market-based instruments, 216-217
energy tax, 177	productive Inefficiency, see Xinefficiency
environmental tax reform, 179	biomass, 19
fossil fuel subsidies, 23	fuel-stacking behaviour, 71
goals of energy policy, 163	progressivity of carbon pricing, 227
indoor air pollution, 36, 71	social spillovers, 37
levels of air pollution, 12	
license plate-based driving restrictions, 220	Cap-and-trade system. See also pollution permit
marginal external benefit curve, 193	trading system 187
negative externalities, 24	cash flows
negative externality problem in developing	coefficient of variation, 83
countries, 45	discounting, 76
policy instruments, 167	expected value, 82–85
pollution standards and monitoring in	standard deviation, 82
developing countries, 219	causality, 233
positive externality, 182	climate policy
positive externality with energy standard, 212	distributional effects, 225–227
regulation in India, 220	goals, 39-41, 163-164
social cost, 95	modelling effects, 228
taxes and unintended effects in developing	types, 165
countries, 202	private, 167
willingness to pay for air quality improvements,	public, 165–167
96	coal
willingness to pay for improvements in air	allocative efficiency, 223
quality, 220	clash in objectives of energy and climate policy,
allocative efficiency, 222	41
	clean development mechanism, 200
behavioural anomalies, 167-169	energy tax, 177
bounded rationality, 34–37	energy transition, 14, 15
cognitive limitations, 34–36	environmental tax reform, 180
endowment effect, 34–36	external costs, 87
framing effects, 36	fossil-fuel subsidies, 200
limited use of information, 36	intangible costs, 95
loss aversion, 34–36	LCoE in comparison to other technologies, 89
status quo bias, 34–37	LCoE values, 89
bounded selfishness, 34	market forms, 32
altruism 36	negative externalities in developing countries 46

non-renewable energy source,	investment decisions, 111
12, 18	measurement, 105
pollution standard, 206–210	econometric approaches, 108
pollution tax, 25, 173–176	partial Indicators, 105
continuous emissions monitoring systems, 219	reasons for inefficiency, 103
	stochastic frontier model, 108
decentralised energy systems, 99–100	energy efficiency gap, 114
direct control measures, 214	bounded rationality
curtailment of appliance use, 214	cognitive limitations, 116–117
license plate-based driving restrictions, 220–221	limited attention, 116–117
discount factor, 76	loss aversion, 116–117
discount rate, 76	present bias, 116–117
discounting	bounded willpower
capital productivity, 76	cognitive dissonance, 116–117
decreasing marginal utility of income, 98	energy-related financial literacy, 119-120
time preference, 76	non-market failures
Diseconomies of scale. See also economies of scale	hidden costs, 116–117
129	uncertainty, 116–117
dynamic efficiency, 223	private, 114
	social, 115
economic models, 228	traditional market failures
agent-based models, 232	asymmetric and imperfect information,
applied general equilibrium models, 229	116
DICE model, 232	capital market imperfections, 116
economic growth models, 231	negative externalities, 116
EMEC, 229	positive externalities, 116
energy system models, 230	split incentives, 116
GEM-E3, 229	energy policy
integrated assessment models, 231	difference with climate policy, 163
MERGE model, 232	distributional effects, 225–227
microeconometric structural models, 230	goals, 39-41, 163-164
partial equilibrium models, 229	modelling effects, 228
RICE model, 232	types, 165
TIMES, 229	private, 167
top-down models, 229	public, 165–167
economies of density, 130–131	energy transition, 14-20
economies of scale, 129	energy-ladder hypothesis, 70
centralised production structures, 130	energy-stacking behaviour, 70
computation, 129	enforceability and administrative practicality of
network-based production structures, 130-131	policies, 225
economies of scope, 133	equi-marginal principle, 176
economies of vertical integration, 134	external pressures (firms), 38
elasticity of demand	
cross-price, 60	fairness, 224
income, 61	fuel-stacking behaviour. See energy-stacking
own-price, 60-61	behaviour
elasticity of substitution, 67	
electric cars	geothermal energy, 19
asymmetric information, 30	LCoE in comparison to other technologies, 89
experimental evaluation of a subsidy, 235	greenhouse gas emissions, 8, 10, 11
electricity theft, 125	atmosphere as a common resource, 28
energy conservation building code, 219	clean development mechanism, 200
energy economics, 1–2	distributional effects, 225
energy efficiency	goal of climate policy, 40, 163
definition, 102	impact of energy policy, 164
energy intensity, 106	permit trading systems, 187
energy productivity, 106	role of industrialised countries, 165

homo economicus, 38	imperfect information, 29
hydrogen, 19	lack of competition, 31–34
energy transition, 14	monopolistic competition, 33–34
storage, 147	natural monopoly, 32
hydropower, 19	oligopoly, 32
application of IRR, 78	principal-agent problems, 30-31
energy transition, 14, 15	public goods, 26–27
intangible costs, 95	market forms
nature of costs, 128	electricity markets
persistent and transient cost efficiency, 39	activities, 144
resource rents, 136–137	day-ahead power market, 146-149
social cost-benefit analysis, 93	merit-order principle, 147
socioeconomic impacts in developing countries,	modern approach, 144-149
97	reforms, 149
solutions for intermittance, 16	retail electricity market, 146
use of natural resource, 136	system-marginal price, 147
water fee, 136	traditional approach, 144
	wholesale electricity market, 146
information and educational programmes, 194-195	gas markets, 157
internal pressures (firms), 38	monopolistic competition, 127-128, 150-151
internal rate of return, 77-78	characteristics, 150
isocost	monopoly, 127-128, 135
energy efficiency, 103-105	causes, 135
isocost line, 53	characteristics, 135
isoquant, 53	natural monopoly, 135, 137
energy efficiency, 103, 105	price-cap regulation, 141
	rate of return regulation, 138–140
learning curve, 89	regulation, 138
elasticity of learning, 91	resource rents, 136
elasticity of learning-by-researching, 92	yardstick regulation, 141
learning-by-doing rate, 92	oil markets, 157
learning-by-researching rate, 92	oligopoly, 127–128
one-factor, 91–92	cartel model, 152-154
two-factor, 92	characteristics, 152
types of learning, 90	dominant firm model, 155–156
levelised cost of energy, 85	perfect competition, 127–128, 142
definition, 85	characteristics, 142
limitations, 86	not present value 77 79
values at the global level, 87	net present value, 77–78 net zero, 16, 17
linear probability model (estimation of demand), 63	non-excludability, 27
long-term Agreement on Energy Efficiency for	non-rivalry, 27
non-ETS sectors, 218	nuclear energy
LPG, 36, 157, 200	assumptions for calculating the LCoE, 89
	effect of high social discount rates, 98
management practices, 69	nature of costs, 128, 136
marginal abatement cost, 173	non-renewable energy source, 18
marginal rate of technical substitution, 53	uncertainty in costs, 81
market failures, 2, 167–169	nudges, 195
behavioural	eco-labels and energy labels, 196
anomalies. See behavioural, anomalies	examples in the energy sector, 196
common resources, 27–29	limitations, 198
credit/liquidity constraints, 46, 123	types, 195
externalities, 23–26	types, 175
negative externalities, 24–25	OECD, 13, 14
positive externalities, 25–26	OPEC, 32, 152, 154
information problems, 29–30	
asymmetric information 30	narallel trends assumption 238

particulate matter, 12, 13	LCoE in comparison to other technologies, 89
policy acceptance, 225	LCoE values, 89
policy effectiveness, 224	learning curve, 90
policy evaluation, 228	learning-by-doing rate, 92
methods, 232	main uses, 19
difference-in-Difference, 236–240	monopolistic competition, 150
experimental, 233	nature of costs, 128
quasi-experimental, 233	positive externalities, 25
RCT, 233–236	knowledge sharing, 25
regression discontinuity design, 240-242	security of supply, 25
pollution permit trading system, 187	solutions for intermittance, 16
comparison to pollution tax, 190-191	subsidies, 23, 184
functioning, 187–190	subsidy on investments costs in Switzerland,
pollution tax	78
negative externalities, 25	standards
poor quality of power, 124–125	comparison to taxes, 204
price versus quantity-based instruments, 191	energy standards, 211
productive efficiency, 222	efficiency, 212–214
	enforcement in developing countries, 219
rebound effect, 120–123	performance-based, 204
direct, 121	pollution standards, 206
indirect, 121	a single polluter, 206–207
renewable energy	enforcement, 210–211
types of, 18–20	two polluters, heterogeneous abatement
resource curse, 160	benefits, 208–210
revealed preference methods	two polluters, heterogeneous abatement costs,
hedonic pricing, 95	207–208
travel cost method, 95	technology-based, 203
revenue losses for utilities, 125	stated choice methods
risk, 81	choice experiment, 95
measures of, 82	contingent valuation, 95
risk-adjusted discount rate, 82	subsidy, 181
types of, 81	challenges, 186
rivalry, 27	examples, 182
	feed-in-tariff, 185–186
salience, 190	fossil-fuel subsidies, 200–201
social cost-benefit analysis	initial subsidies, 184
indirect/secondary benefits and costs, 94	justification for use, 182
intangible benefits and costs, 94–96	positive externalities, 26
kaldor-Hicks Criterion, 97	sustainable development, 42–45
net present value criterion, 97	institutional definition, 42
primary benefits and costs, 93–94	strong sustainability, 44–45 three dimensions, 43
social discount rate, 98	
steps, 93	weak sustainability, 44–45
solar energy	4.60
levelized Cost of Energy (LCoE) calculation, 87	tax, 169
adoption in rural India, 71	double-dividend hypothesis,
altruism, 36	179–181
clash between energy and climate policy, 40	energy tax, 177–178
decentralised systems, 99, 100	environmental tax reform, 179–181
distributional effects of subsidies, 226	environmental tax. See also pollution tax 173
energy transition, 14, 15	pollution tax, 173–177
financing in developing countries, 101	benefits and challenges, 178
high prices and energy poverty, 23	comparison with permit trading systems in
imperfect information, 29	developing countries, 199
intermittance, 100	product tax, 171–173
land as a common resource, 29	benefits and challenges, 178

tax (cont.)

comparison with pollution tax in developing
countries, 199
tidal energy, 19
time-varying pricing, 215–216

UN, 29, 167 unbundling, 144 uncertainty, 81 UNEP, 219

voluntary agreements, 218

weighted average cost of capital, 78-79

Wind energy
LCoE calculation, 87
energy transition, 14, 15
generation, 19
intermittance, 100
land as a common resource, 29
LCoE in comparison to other technologies, 89
LCoE values, 89
merit-order, 148
nature of costs, 128

solutions for intermittance, 16

X-inefficiency, 4