Climate policy instruments addressing consumers

Carbon footprints and personal emission monitoring

To reach the long-term goal of substantially reducing greenhouse gas emissions, the consumption of households is a crucial factor. To address consumers and change their behaviour towards a more climate-friendly lifestyle, new policy instruments are needed

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A common wisdom in economics is to keep policy instruments simple; otherwise they may get ineffective or expensive to administer. This guideline hinges on the assumption that the involved markets function well enough, apart from the correction at which the policy instrument is targeted. By and large this is a workable assumption in case of environmental policy aimed at industrial processes, which are usually operated in a rational decision making environment. However, in case of environmental policies aimed at households decision making is not only based on rationality, but involves also other features such as habits, loyalties, and incomplete information.

Given the perspective of a long period of steadily tightening greenhouse gas (GHG) emission reduction targets, consumers will have to take on a bigger role in upcoming emission reduction strategies. The adequate involvement of household consumption requires new instruments that combine information provision, market transparency, positive feedback, and the spurring of the market entry of low emission alternatives.

Instruments for household consumption

The key purpose of the project Climate Bonus is to assess the possibilities and effectiveness of a bonus system for households, which incites them to lower the GHG emission intensity of their expenditures and incites retailers to offer a product portfolio that advances the choice for low GHG solutions by households. In order to enable a properly functioning and credible bonus system the development of the underlying information system is indispensable. A comprehensive product specific carbon footprinting system has to be established, including verification, common calculation rules and principles including system boundaries and allocations, and updating facilities and rules (Carbon Trust 2006). The system should allow for widening of the emission monitoring scope.

Purchases of products are validated with respect to their effect on emissions, and this assessment leads to an award in terms of bonus credits, if the purchases rate well in terms of low emission intensity. For new low emission products temporary product specific bonuses could be awarded to buyers. Furthermore, in the framework of voluntary agreements involved retailers could receive a fiscal bonus as well, in case they have been very successful in mediating bonuses to households. Bonus systems are explicitly aiming at activating important mediators, by means of which households get a better offer of low emission alternatives. There is mounting evidence that the involvement of the interface towards the consumer, for instance the retailer, can enhance the effectiveness of emission reduction policies for households (Throne-Holst et al. 2007).

Personal emission monitoring

The approach would also provide a good basis for consumption based accounting of nations GHG emissions, alongside the current production based approach. It would enable to show the extent to which reduction of domestic GHG emissions is compensated by emissions elsewhere, which are embodied in the imported commodities. Such a dual accounting system provides the prerequisites for getting a better grip on policy effectiveness and progress in emission reduction (Homma et al. 2008; Peters/Hertwich 2008). The current project, which runs until May 2009, concerns a pre-study in which a road map is laid out.

References

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