

“Effective decisions in energy poverty contexts”

Behavioural Economics for Energy Poverty Measures

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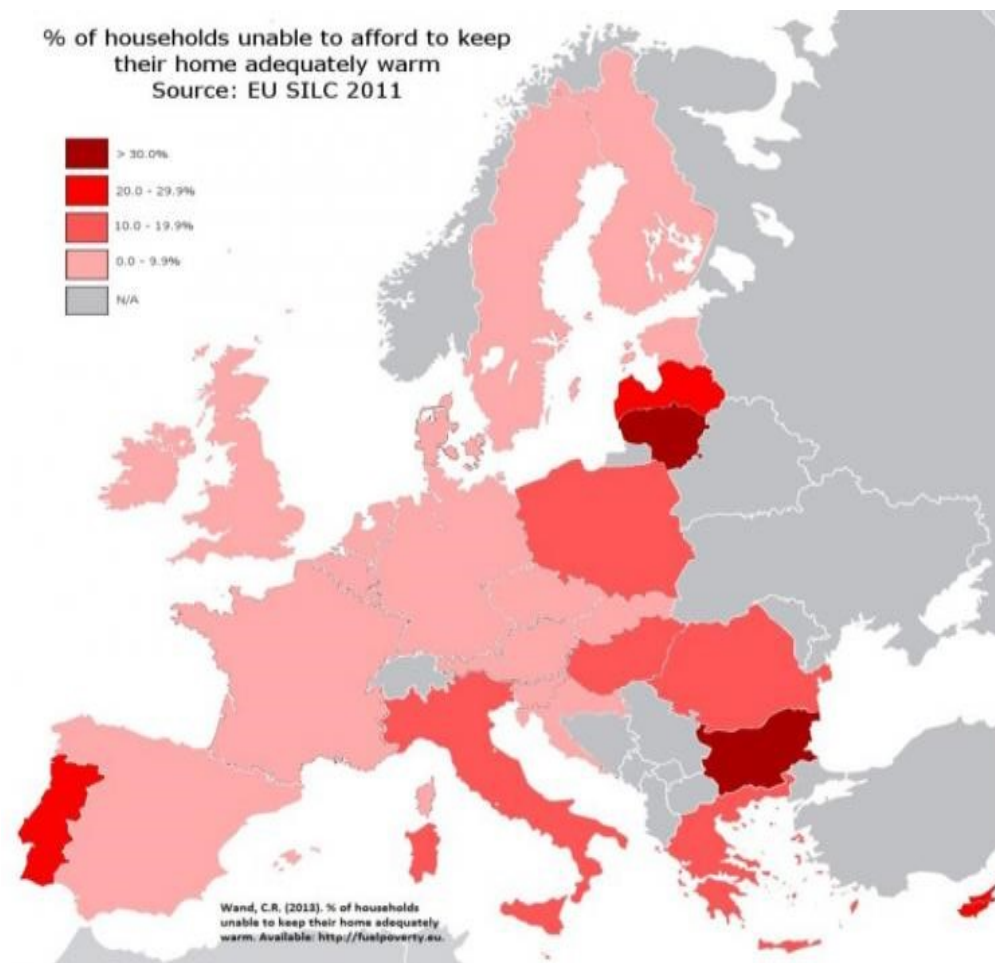
**January 23, 2019, Bucharest – International Conference
“Energy poverty, clean energy, and the European energy divide”**



Outline

1. Energy Poverty in Europe and current measures
2. Behavioural Economic Insights for Energy Poverty
3. Behaviourally informed Interventions to tackle Energy Poverty
4. Conclusions

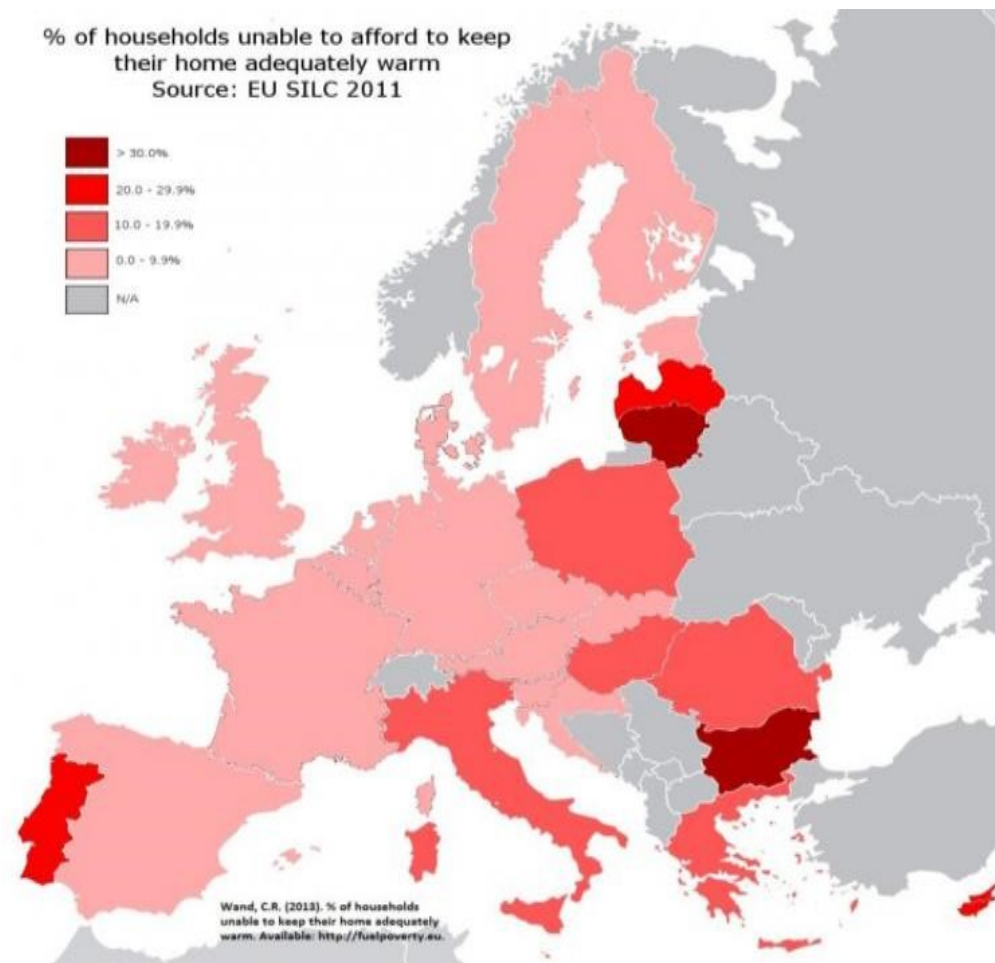
Energy Poverty in Europe



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- That is why the European Commission has recognized tackling energy poverty a policy priority in Europe in the 'Clean Energy for All Europeans' legislative package.

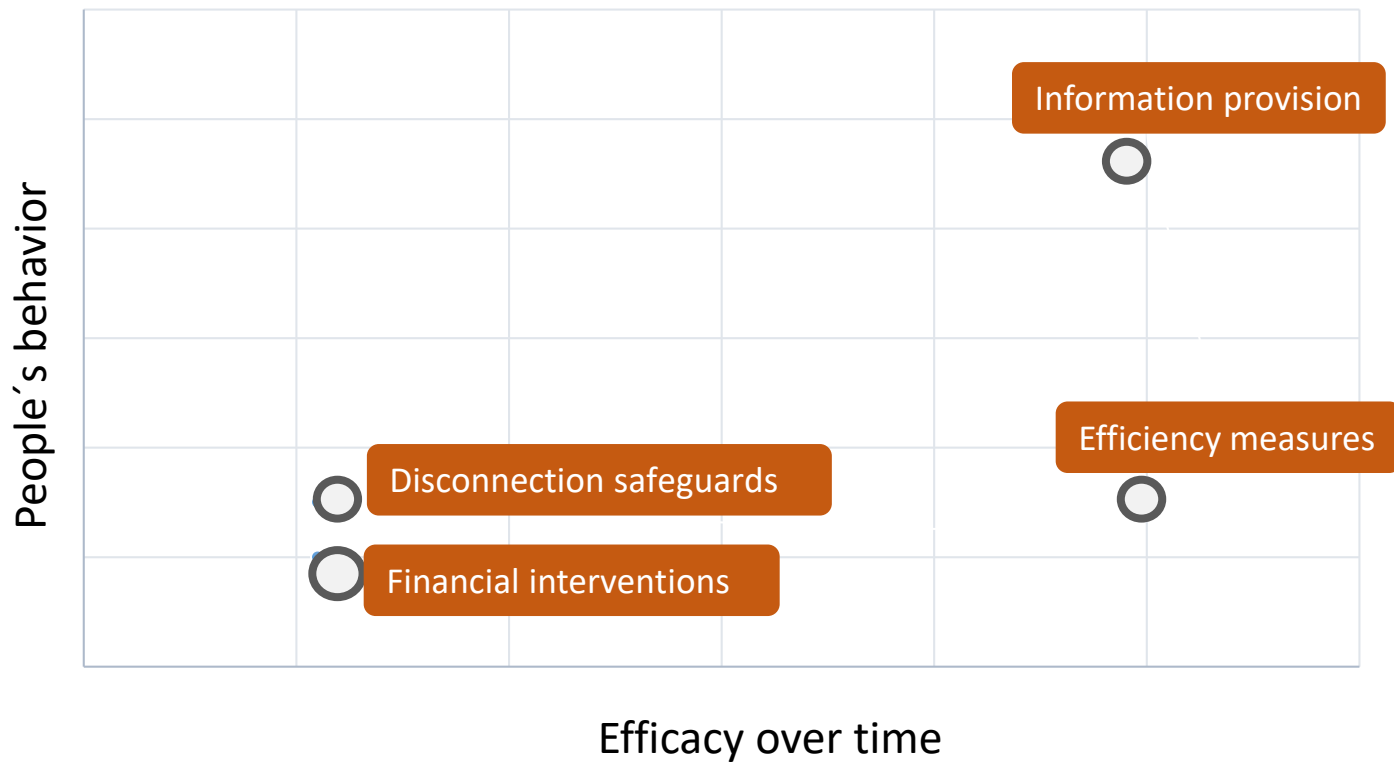
Current Measures addressing Energy Poverty

(Pye et al., 2015)



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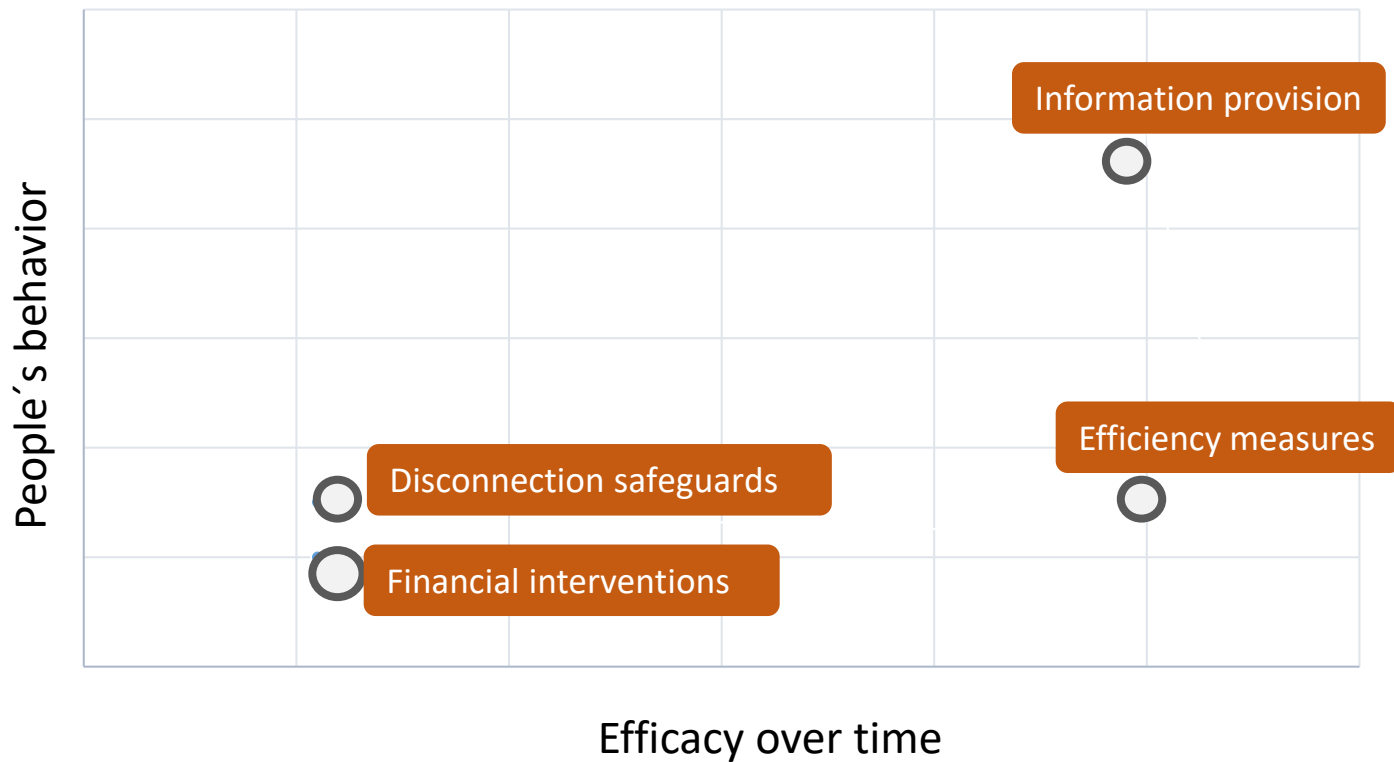
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- Several measures address energy poverty from a **top-down** perspective
- Only few, such as information provision ones, acknowledge that also the **behaviour** of vulnerable individuals can contribute to address energy poverty

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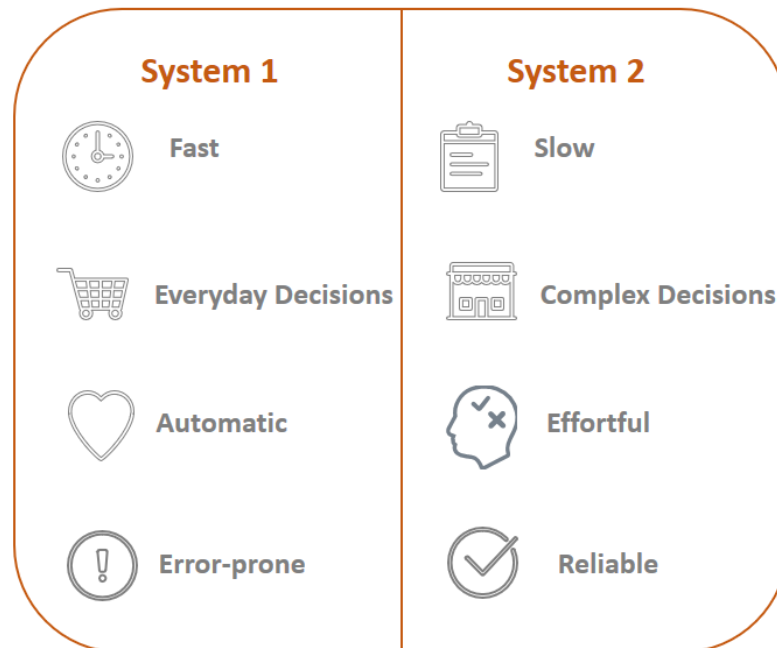
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- **Yet, extensive experimental evidence has shown that people exhibit systematic and predictable patterns of decision-making that deviate from this theory (Loewenstein et al., 2004)**

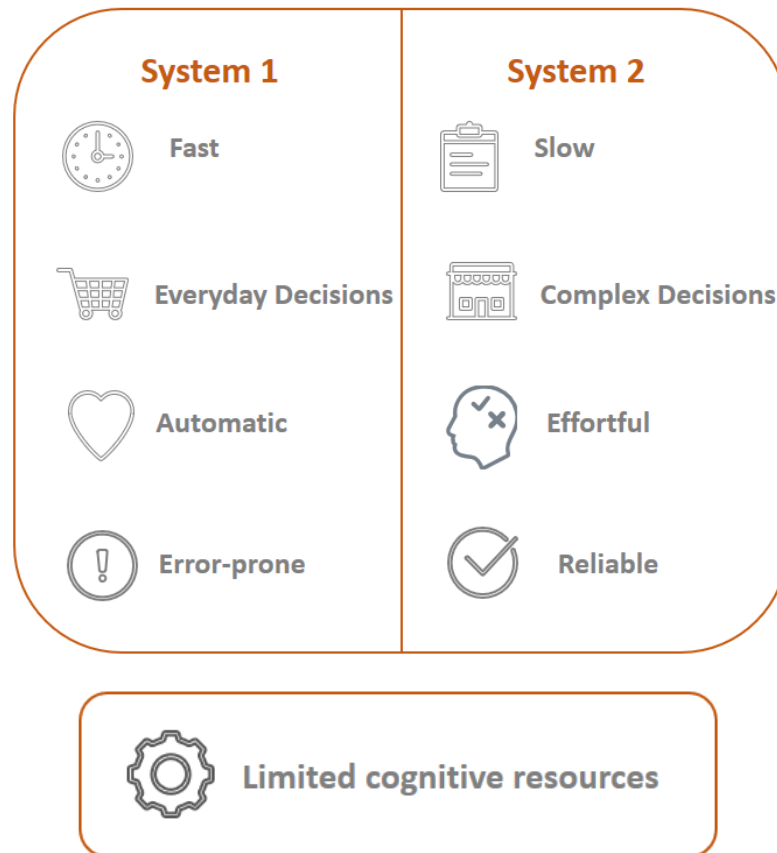
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(Tversky & Kahneman, 1974; Simon, 1991; Kahneman & Egan, 2011; Mani et al., 2013)



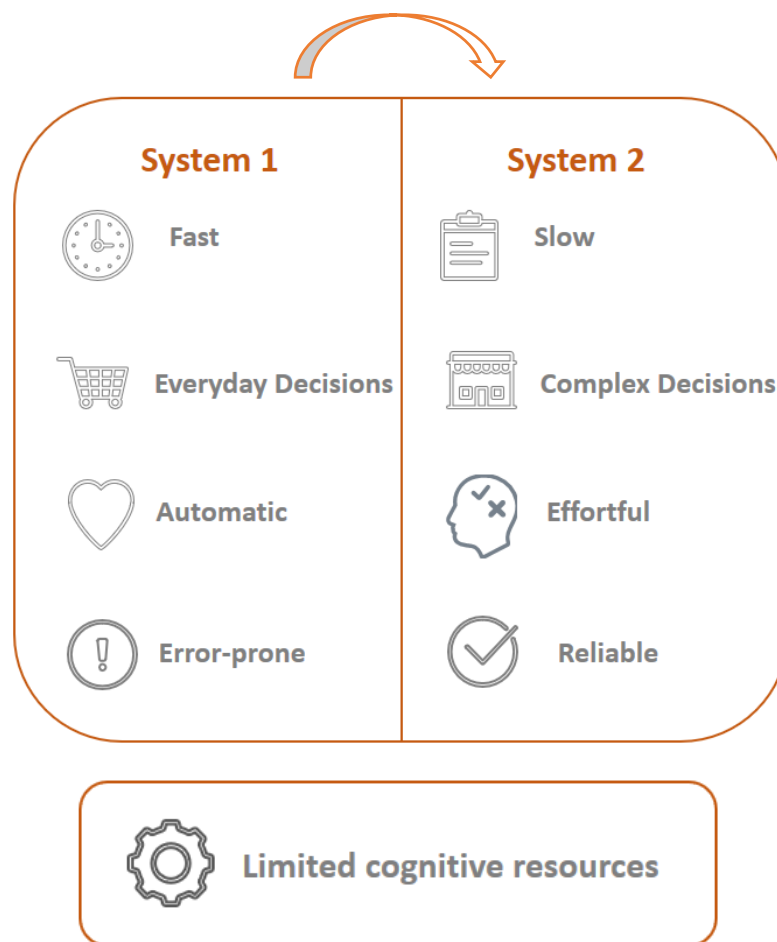
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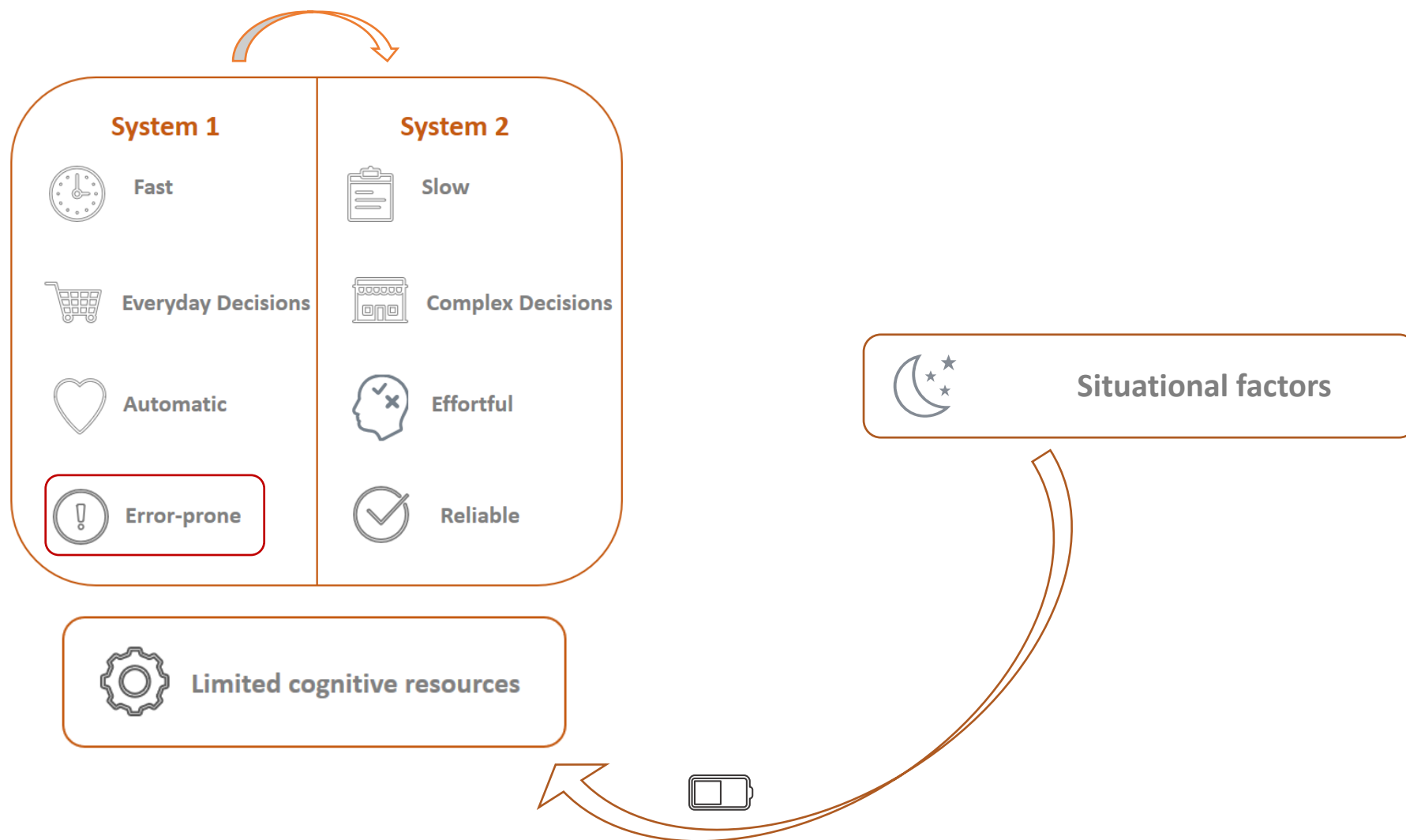
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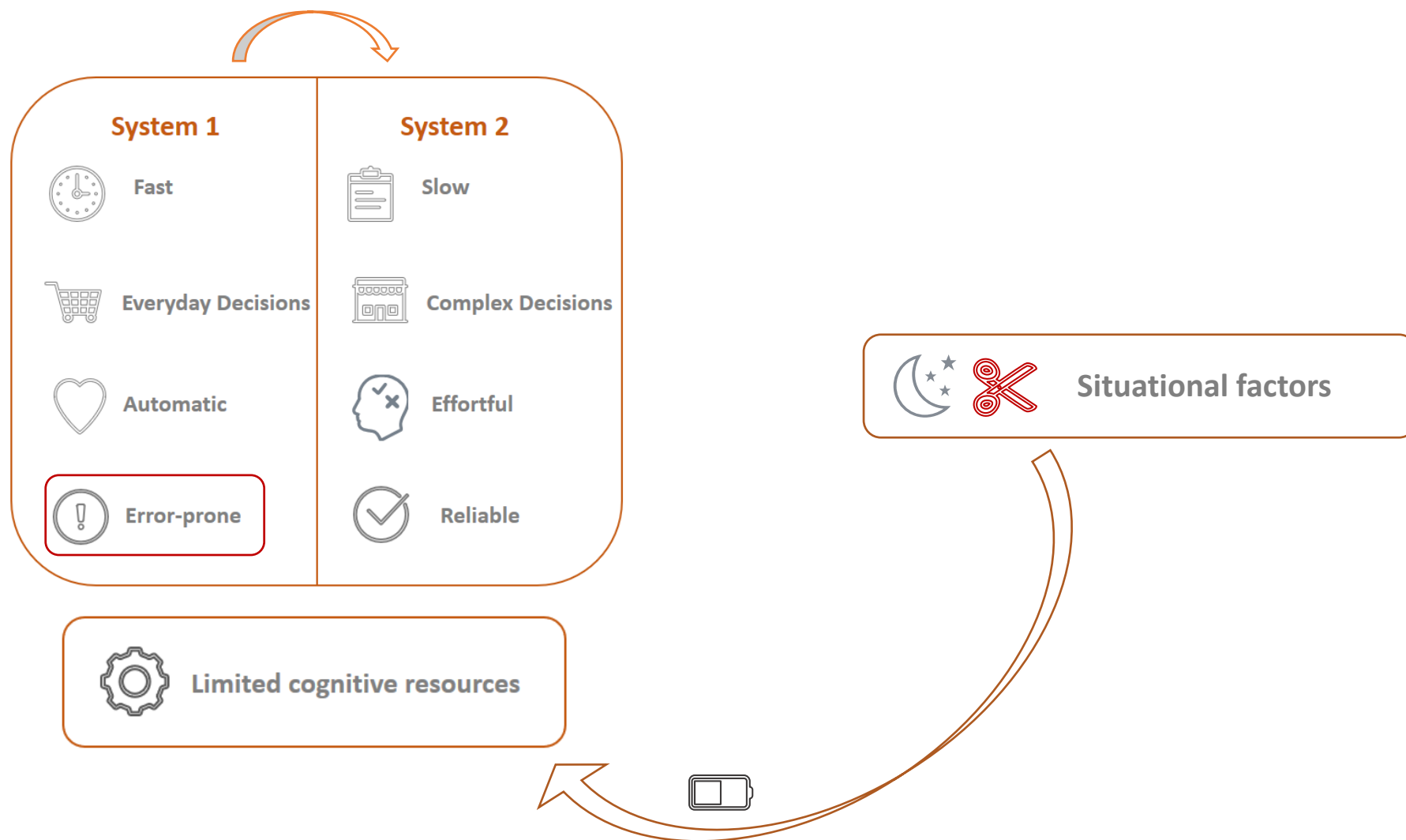
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Behavioural Economics for Energy Poverty

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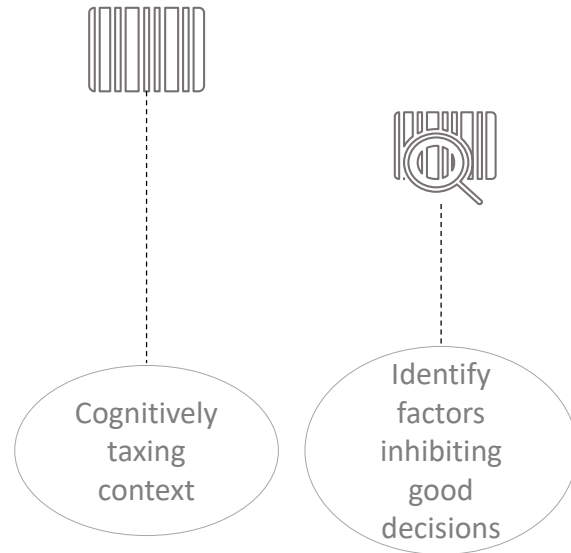
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Cognitively
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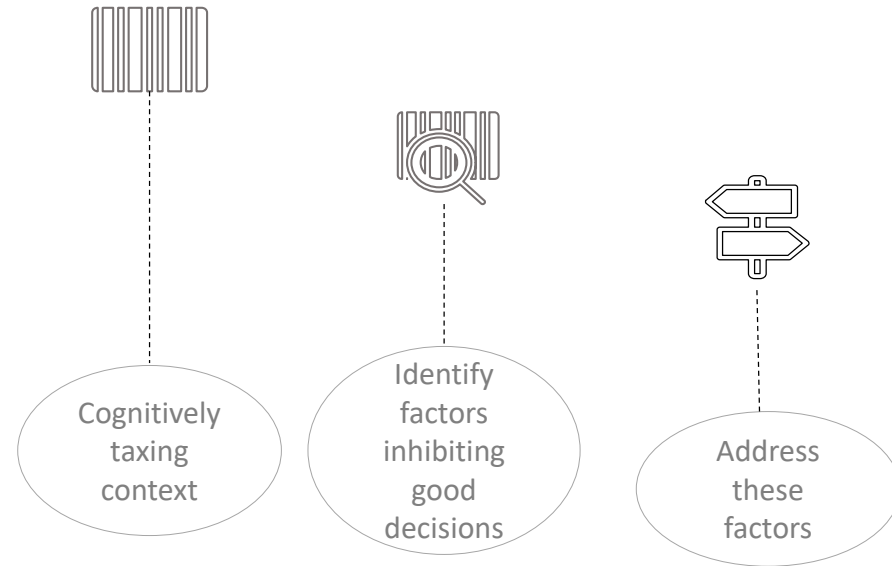
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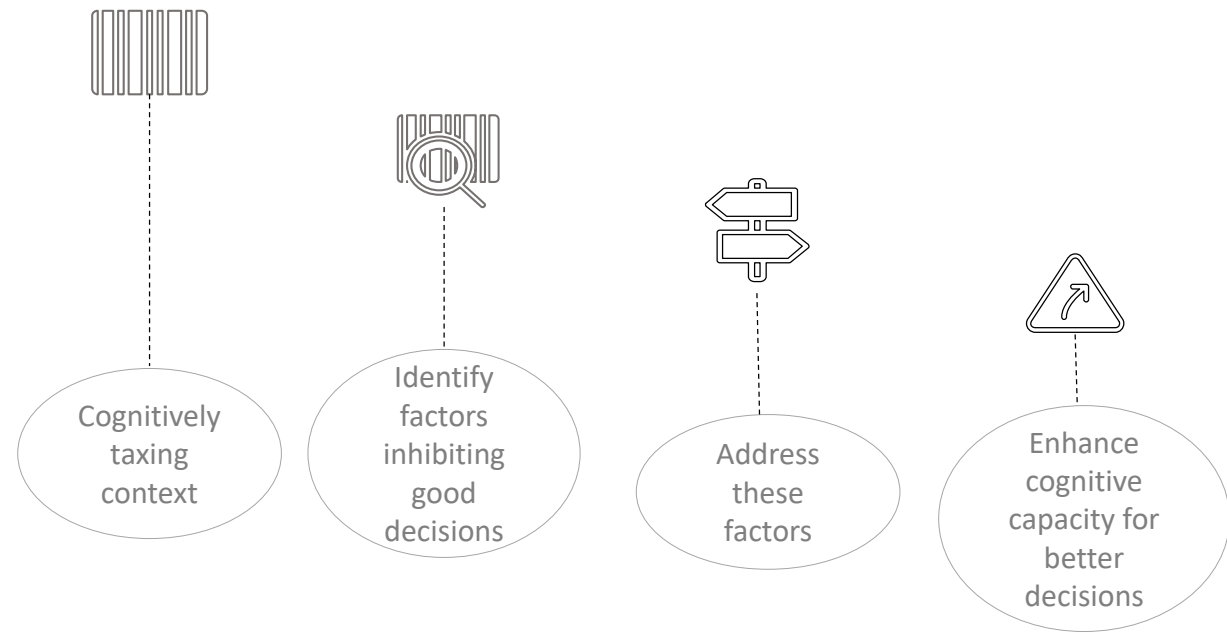
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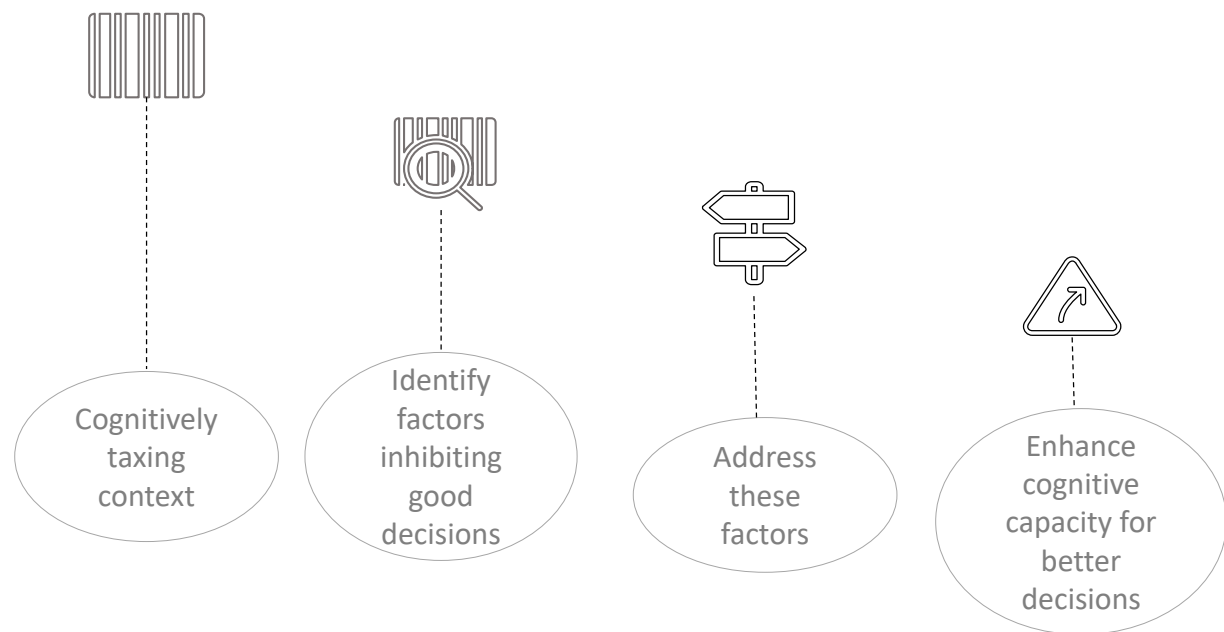
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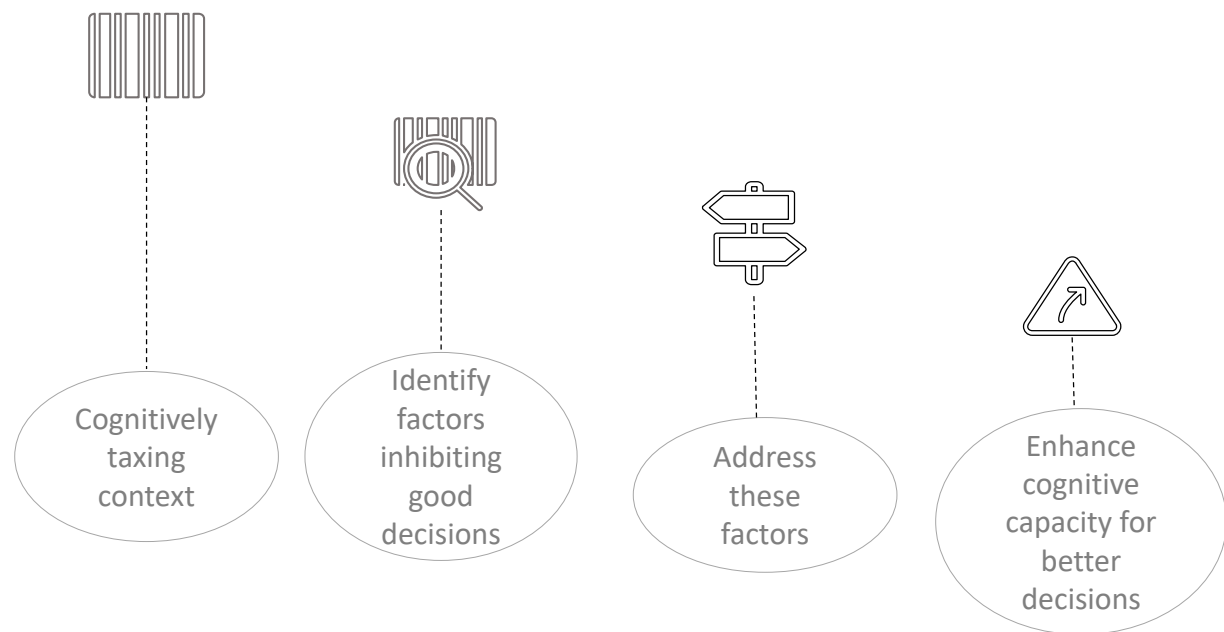


Policy makers might exploit these insights to design:

- a. interventions that enhance cognitive capacity so that individuals can better their conditions with their virtuous behaviour (i.e. *choice architecture*)
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Loss aversion and status quo bias

- An outcome is perceived as a loss or gain depending on a reference point;
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Social norms

Conformism with behaviours that are believed to be socially acceptable (Elster, 1989; Bicchieri, 2006; Hoff & Stiglitz, 2016).

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vulnerable individuals can be involved in community-level decisions

Conclusions

1. So far, several measures aimed at addressing Energy Poverty have been proposed and adopted:
 - Some alleviate energy poverty in the short-term, others in the long-term. However, except from information campaigns, they do not centralize individual behaviour in addressing energy poverty;
 - Moreover, these latter are based on unrealistic assumptions on behaviour.
2. Behavioural Economics can help tackling several policy challenges, such as energy poverty.
3. We highlighted how living in vulnerability conditions makes individuals more exposed to suboptimal decision-making.
4. We proposed some simple (and testable) interventions enhancing vulnerable individuals' cognitive capacity to promote better decisions for themselves and their surroundings.



Thank you for
your attention!

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