

Market demand for green power products

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Abstract

"Green tariffs" or "green pricing" have received considerable attention in the last few years in electricity marketing. The ongoing deregulation of electricity markets in most industrialized countries is likely to increase the importance of these marketing strategies even further. Very probably, this will lead to the emergence of new "green power products" and specialized enterprises offering these products. The overall ecological benefit of green power products will, on the one hand side, depend on the environmental characteristics of the offered products, i.e. which technologies will be offered in what combination and for what prices, and on the other side, the size and structure of the demand for these products.

The paper will concentrate on the market potential for green power products. Three segments will be analyzed in more detail. (1) The willingness to pay of environmentally conscious households has been analyzed in many countries, already. The major findings of these studies will be discussed. (2) Besides, service and industry firms might become an important demand segment for green power products. As voluntary agreements are likely to increase in importance as instruments of environmental policy in a number of industrialized countries, green power products could receive additional appeal for business. In this segment, we will discuss the results of our own surveys, mainly from Switzerland. (3) Finally, local distributors could act as an intermediary for the demand of green electricity. Demand articulation will here be influenced by local political processes. First indications for demand articulating processes in this segment will be discussed in the paper.

Effective demand for green power products will be determined through the combined development of these three market segments. The paper will discuss different ways in which the partial demands could sum up to lead to either limited market niches, or alternatively, to more important shares of the electricity market.