

PP - (20858) - BUY SOLAR, GET CASH BACK. DO REBATE DESCRIPTION OF SUBSIDIES INFLUENCE YOUR ELECTRICITY CHOICE?

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Research or practical problem and objectives

In countries such as Switzerland, energy companies receive governmental subsidies to promote electricity generation from renewable energy sources (e.g., solar). Companies usually pass these subsidies on to customers who buy electricity from these sources. Now, research in areas other than energy has shown that the way a bonus is paid – as a monetary amount (e.g., cashback), voucher, etc. – affects behavior differently. The question now is whether the way in which the afore mentioned subsidies or rebates are passed on to customers can also influence the decision to buy, for example, solar electricity.

Methods and process (for empirical research)

For this purpose, we conducted an online experiment with 303 participants, in which the participants had to choose between a green electricity product and a solar electricity product. Participants were randomly assigned to one of four conditions: One of 3 rebate conditions (cashback, voucher, or a choice between the two) or the baseline condition. In the baseline condition the price shown was net of subsidies.

Main results preview and importance (or main arguments in the case of critical reviews)

Results showed a significant effect of the conditions on choice, $\chi^2(1) = 6.31$, $p < .01$. Thereby the cashback condition increased the choice of the solar electricity product (by 22.5%), as did the choice condition, albeit marginally (by 14.5%), but not the voucher condition compared to the baseline condition. The choice effects likely arouse due to an underestimation of the annual incremental price of solar electricity in the cashback and choice condition. Furthermore, we found that regardless of the condition, participants were willing to pay (WTP) an additional 12.3% on average for solar electricity. In summary, the way subsidies are presented seems to affect their evaluation by consumers and, accordingly, influences their choice of electricity products. The description of subsidies as monetary rebates could therefore contribute to increased purchases of solar electricity and thus to the achievement of government climate goals.

Palavras-chave : Electricity Product Choices, Subsidies, Incentive, Solar Energy