

# Green is Good—The Impact of Information Nudges on the Selection of Voluntary Green-Power Plans

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Prompted by legislative enthusiasm and regulatory reform, combined with an increase in demand for “green” power, a recent trend has been a move toward greater reliance on renewable energy infrastructure. One sector embodying these changes is residential electricity, where customers have been increasingly offered the option to participate in voluntary green-power programs, where at least part of the power generation is from renewable sources (e.g., wind and solar). Given the increased availability of green plans and the public policy driven expectations of green electricity use, it is important to think about possible mechanisms to increase take-up of such plans. Such insights can be valuable for renewable-energy policy as more stringent emissions standards increase the focus toward green power, as well as for the operational strategies of electric-utility providers in response to renewable electricity generation becoming more cost effective.

Using a choice experiment, this paper examines how providing informational “nudges” regarding the efficiency, cost, and environmental impacts of different power-generating sources impact consumers’ stated preferences for selecting voluntary green-power plans. Based on 21,000 plan choices from two different samples totaling over 1,800 respondents, our results indicate that informational nudges significantly impact respondents’ choice of plan. Promoting the advantages of the green plan *or* the disadvantages of the “gray” plan increase green plan selection. The magnitudes of these estimated effects are economically significant, as they are roughly equivalent to the estimated change in green plan selection resulting from a change in the monthly premium of \$4/month; moreover, the effects persist as respondents progress through the choice sets. We also find that promoting the advantages of the green plan is more effective when the green plan premium is relatively small, while highlighting the drawbacks of the gray plan is more effective when the green plan premium is relatively large.

From a green-power marketing standpoint, utility companies have the ability to advertise different factors associated with their green plans, including information about the potential benefits and merits of the plan. A natural and important question arises as to whether, and the extent to which, different information marketing approaches and/or “eco-labeling” of such plans are effective at stimulating demand. In our study, we directly manipulate the information respondents receive in a randomized manner, which provides some plausible causal inference about the efficacy of information provision in altering plan choices. Our results suggest that information nudges have the potential to be a plausible, economical, and effective mechanism to increase adoption of voluntary green-power plans.

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