

Stéphanie Monjon

**INTERACTIONS BETWEEN TRADABLE WHITE
CERTIFICATES AND TAX CREDIT THE FRENCH CASE**

ADEME - Economics Department, 27 rue Louis Vicat 75015 Paris, France
tel : 00.33.1.47.65.22.05, e-mail: stephanie.monjon@ademe.fr

In this paper we discuss the potential interactions between tradable white certificates (TWC) and tax credit (TC) aimed to promote energy efficiency by analysing the French case. Both TC and TWC are instruments which can offer financial incentives to customers to purchase energy efficiency equipments. Free-riding is then possible. This risk is often mentioned and justifies the interdiction of the superposition of several instruments. In this paper we propose a different approach. We use the French case to examine precisely the real problem due to superposition of instruments. We concentrate our analysis on TWC and TC and on the buildings sector given that the possibilities of superposition of instruments are more numerous in this sector.

We begin by presenting the tax credit for sustainable development and energy savings existing in France to promote energy efficiency in buildings. Then we precisely identify the measures profiting by both a tax credit and TWC. We also compare the financial incentives provided by each instrument for four measures and discuss the risk of free-riding in different configurations. As a result we establish a typology of measures and find the criteria to examine to allow or forbid the superposition of TWC and TC.

TWC are a new instrument which mainly rests on the receptivity of the customers to commercial offers of the obliged agents. This analysis tends to conclude that juxtaposition of TWC with TC could be not very problematic but must be managed carefully. Free-riding only concerns a limited number of operations and the instruments have not the same effect. Thus TC and TWC are often rather complementary and should be able to speed up the diffusion of efficient equipments and to transform the markets. However, once the market of a technology is mature, the instruments must evolve: the financial incentive provided by TC can be decreased progressively or the superposition can be forbidden by dropping a measure from one or both instruments.