Transcript: "Advanced Research in Energy and Economics"
Produced by: The Institute of International Education
Sponsored by: Alcoa Foundation

Slide

Alcoa Foundation Advancing Sustainability Research Initiative
Advanced Research in Energy and Economics
Alcoa Foundation
University of Vigo
Economics for Energy
Institute of International Education

Klaas Würzburg, Economics for Energy

The most important, and perhaps the relationship that is easiest to grasp between economics and the environment is energy.

Economic activity requires energy – be it petrol or gas or electricity. And unfortunately, our ways today of generating energy or using energy, is emitting greenhouse gases, is hurting the environment.

Xavier Labanderia, Economics for Energy

Nowadays, there is an imbalance in many prices we see in the energy sector related to the environment.

Imagine that you are driving your car in the city, and you are polluting. Basically you are creating problems to the people who are walking in the streets, et cetera, and you are not compensating them. If you would compensate these people through proper mechanisms, then the problem would disappear.

In the price of petrol, if you put the total cost that you are causing when you are driving, then you would solve many of these problems. Our research is to see what are the costs associated to energy inefficiency, and then what we are trying to do is to simulate what would be the effects of trying to incorporate these costs to policies – to European policies, to Spanish policies.

So, imagine that you need to raise petrol taxes 10% to include these costs. Would this be effective? Efficient? Who would pay for this? What are the impacts of different policies or of different pricing scenarios? How should we define systems to promote more energy efficiency? This is the type of work we are doing. And the results are that, in general, if we want to cover the total costs associated to energy and the environment, we should do it with market-based instruments.

So, I imagine a world in the future with less energy consumption per person, with cities that are much more efficient from an energy point of view, with less use of cars, more public transportation, and with a much higher use of renewables.

Slide

To learn more visit: www.iie.org/advancingsustainability