

What Behavioral Economics Has To Say About Energy Conservation

Robert H. Frank

GovEnergy 2010

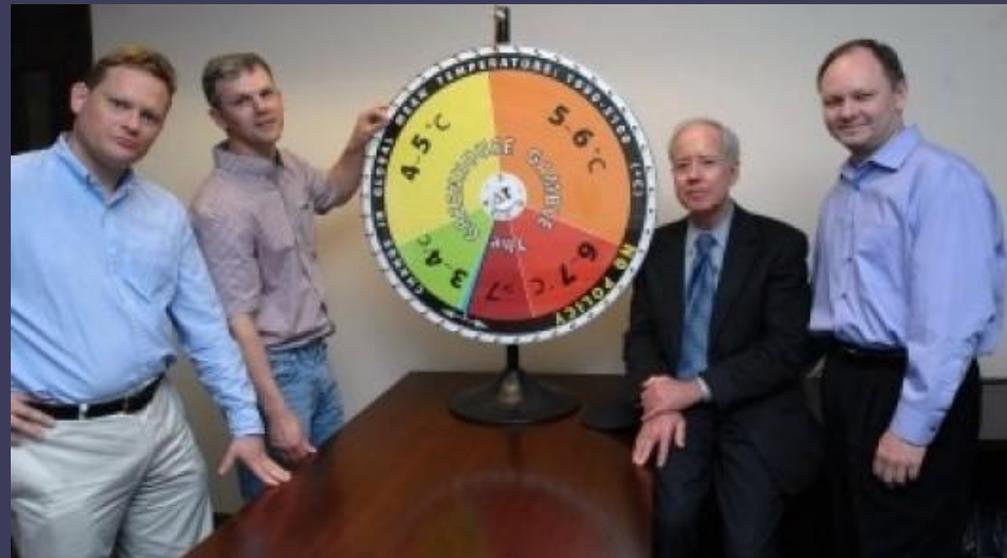
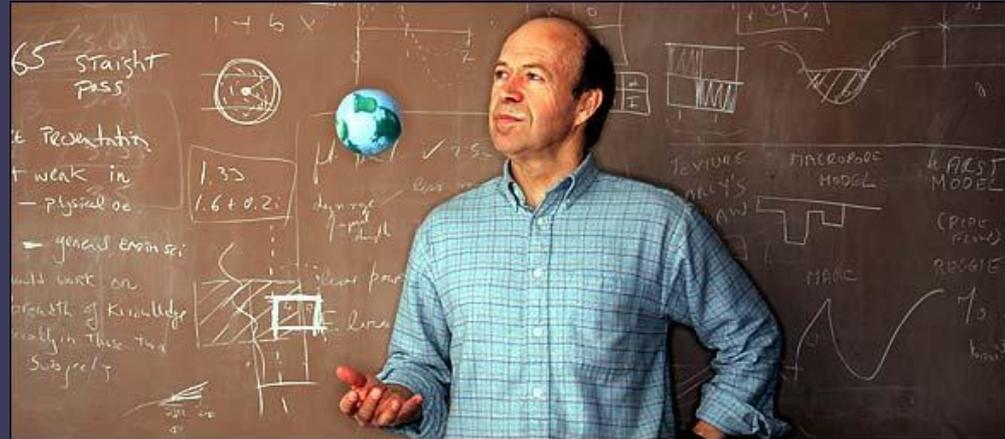
I. Why Energy Conservation Matters



Their Doomsayers

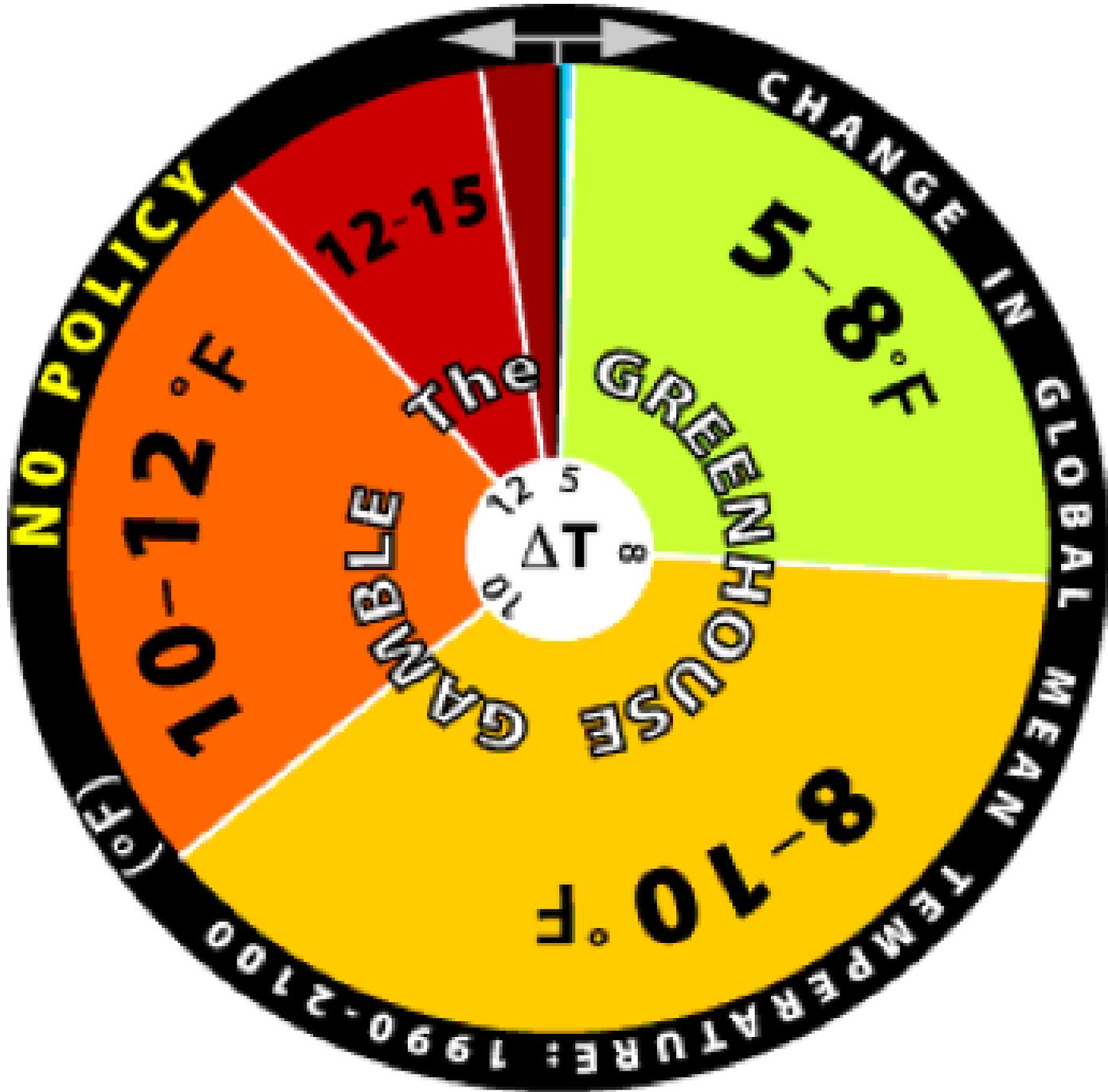


Our Doomsayers



Climate change forecasts are extremely uncertain.

QuickTime™ and a
decompressor
are needed to see this picture.



A 12-degree F temperature rise would mean the end of life on earth.







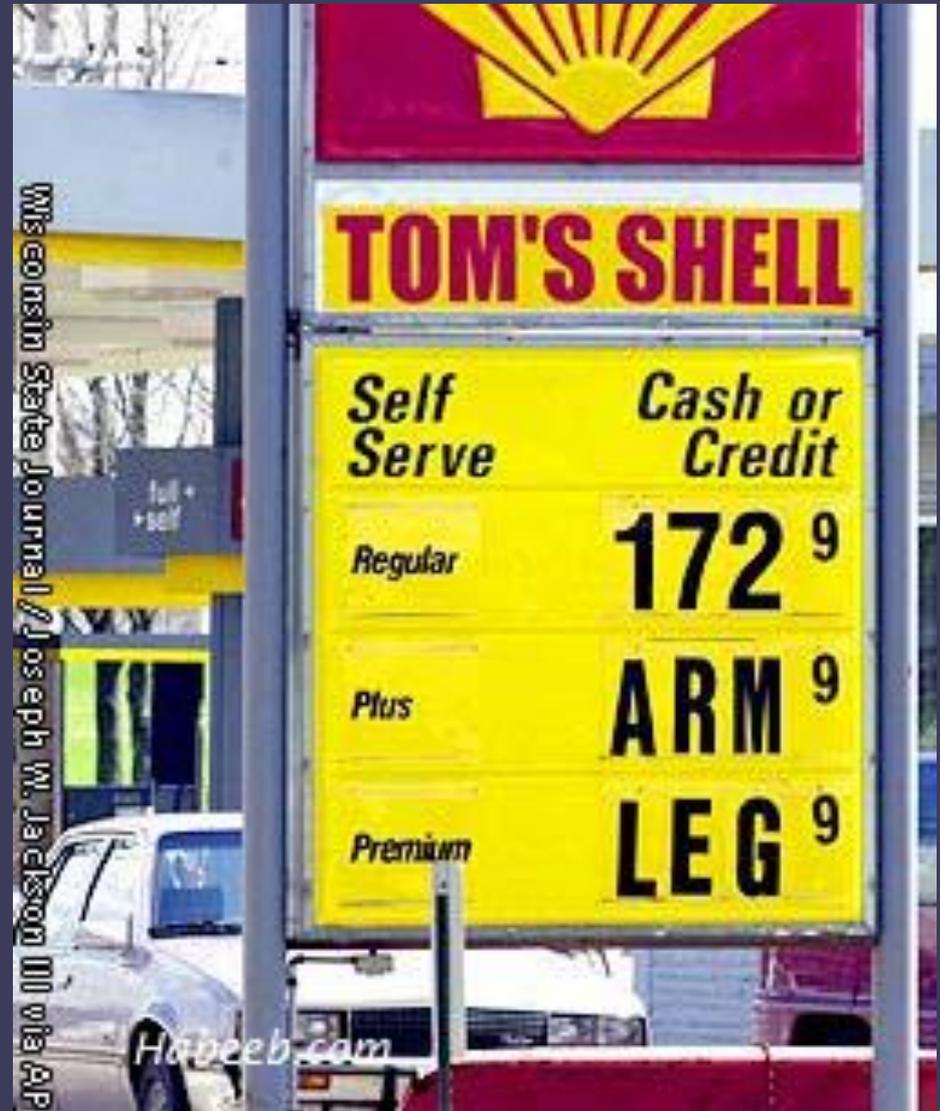
Dan Gilbert

“Global warming is bad, but it doesn’t make us feel nauseated or angry or disgraced, and thus we don’t feel compelled to rail against it as we do against other momentous threats to our species, such as flag burning.”

II. The Key Step Is To Make Energy Use More Costly



How difficult would the adjustment be?





Ford Bronco
15 mpg

Ford Focus
32 mpg

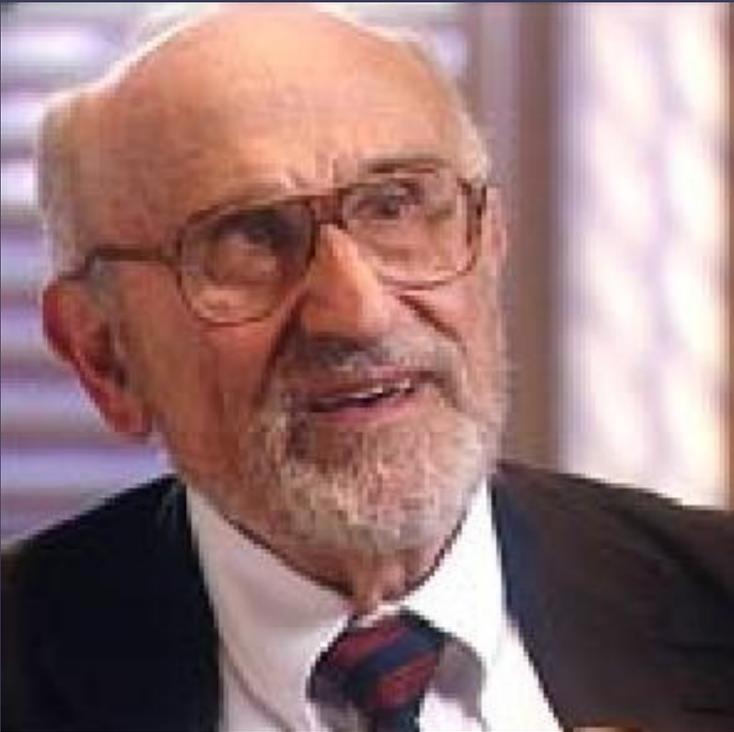




Acid Rain and the Market for SO₂ Permits



Charging for Directory Assistance



Alfred Kahn's solution:

$$B = -\$0.30 + \$0.10 D$$

III. Buy Smart



Civic Hybrid Sedan
40 mpg city
45mpg highway
\$23,650



Civic Sedan
26 mpg city
34 mpg highway
\$15,505

Price premium for hybrid = \$8,145

Civic sedan: 500 gal/yr

Civic hybrid: 357 gal/yr

143 gal/yr

Gas savings @ 15,000mi/yr, \$3/gal:

143 gal/yr x \$3/gal = \$429/yr

x 10 years => \$4,290 gas savings

Net premium for hybrid: \$3,855

In pure self interest terms, hybrid doesn't pay.

Hybrid emits 14.4 fewer tons of CO₂ in 10 years than the standard sedan.

Carbon offset firms sell offsets for \$10/ton.
Cost of removing 14.4 tons = \$144.

Buy the standard sedan and use the \$8145
- \$4290 = \$3855 to buy 385 tons of carbon
offsets.

What is Cheat Offsetting?

When you cheat on your partner you add to the heartbreak, pain and jealousy in the atmosphere.

Cheatneutral offsets your cheating by funding someone else to be faithful and NOT cheat. This neutralises the pain and unhappy emotion and leaves you with a clear conscience.

Can I offset all my cheating?

First you should look at ways of reducing your cheating. Once you've done this you can use Cheatneutral to offset the remaining, unavoidable cheating



are you a cheater?

cheatneutral can help you **offset your indiscretions.**

[offset now!](#)



loyal and faithful?

become an offset project and **get paid** for not cheating

[find out more!](#)



Projects

Some of the people who are offsetting your cheating:



alex



chris



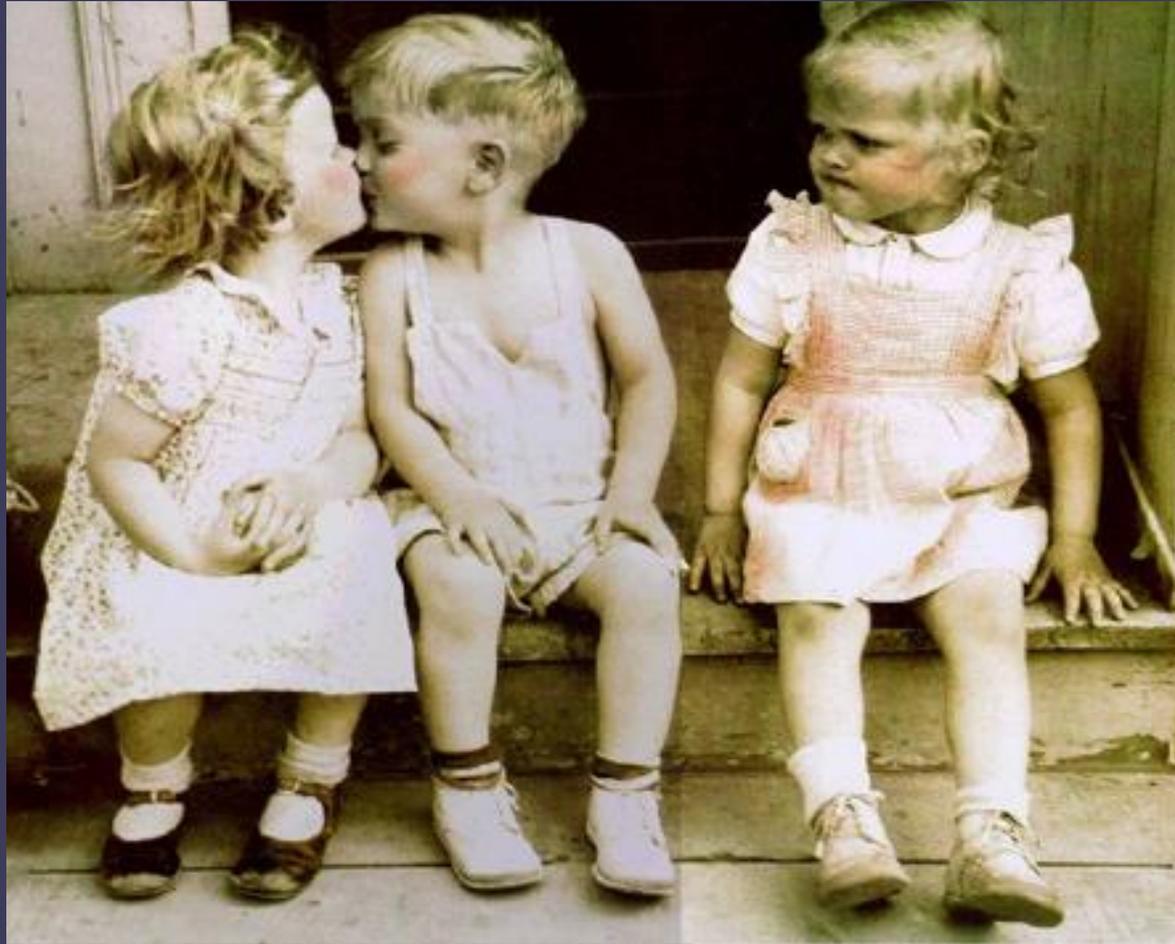
mim

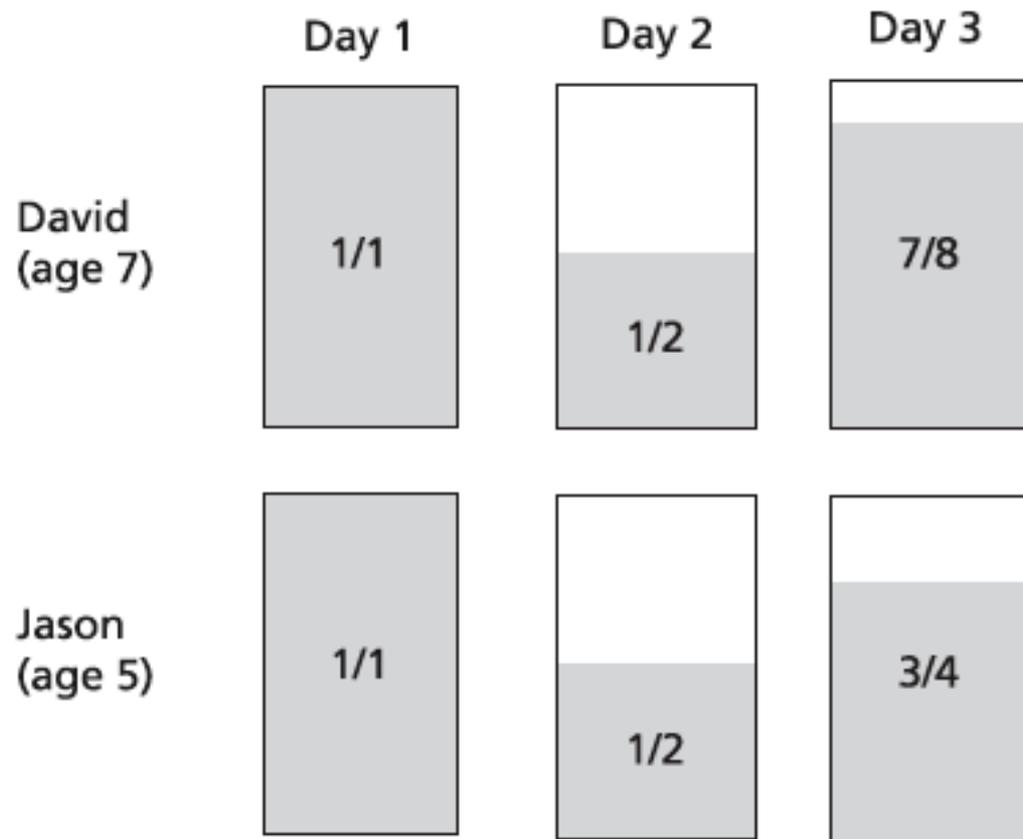


rich

so far, **cheatneutral** has offset **65,768** cheats and has **9002** faithful people ready to neutralise your misdemeanours.

IV. Boost Incentives with Tournaments







Winner Joey Chestnut: 207 hot dogs
and buns in 10 minutes



SIGN UP
FOR THE

**BE AN ENERGY
ROCK STAR**

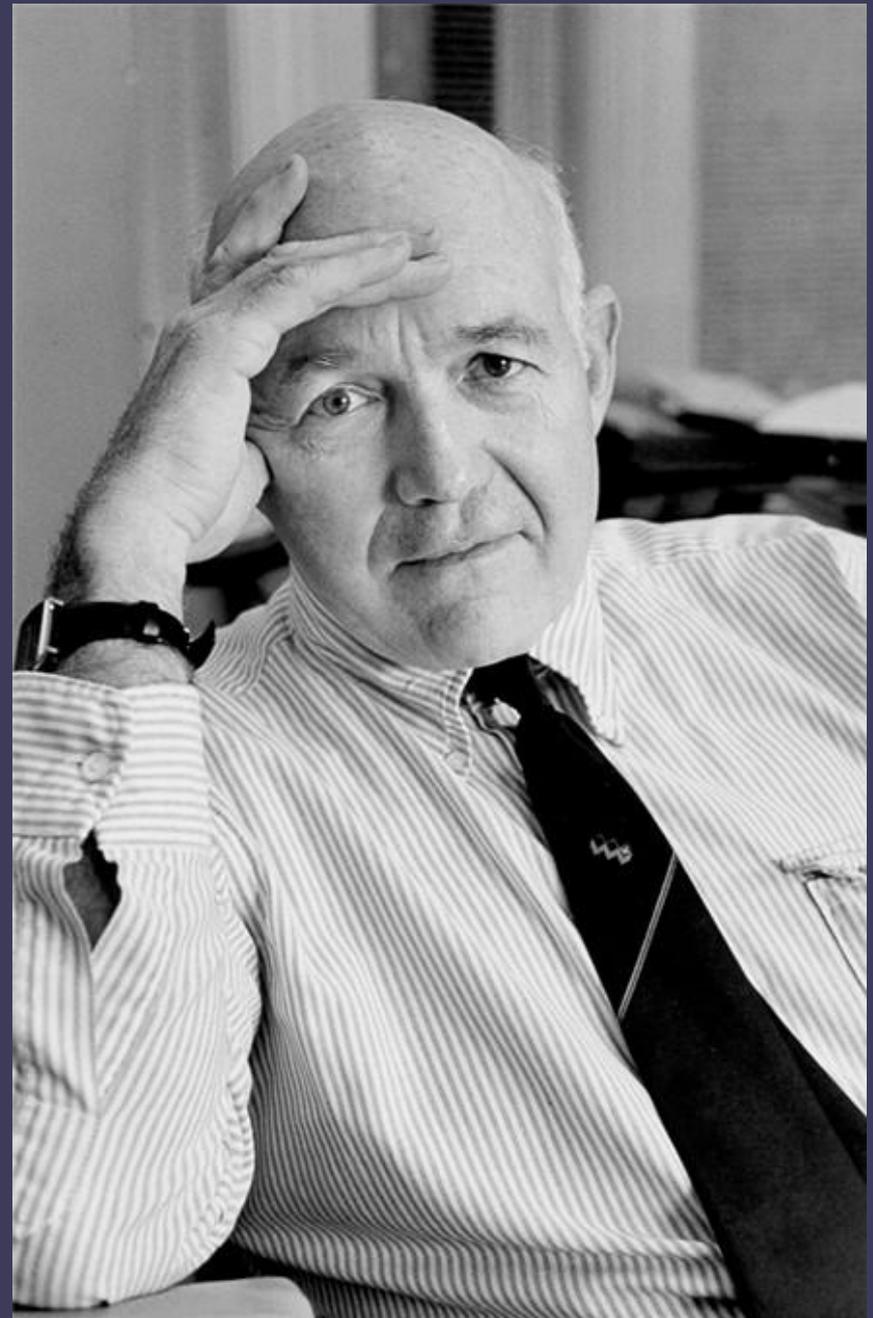
CONTEST FOR AN OPPORTUNITY TO

WIN BIG!

\$45K IN PRIZES

ROCKTHEBULB.COM

V. Appeal to Nobler Motives



A Thought Experiment

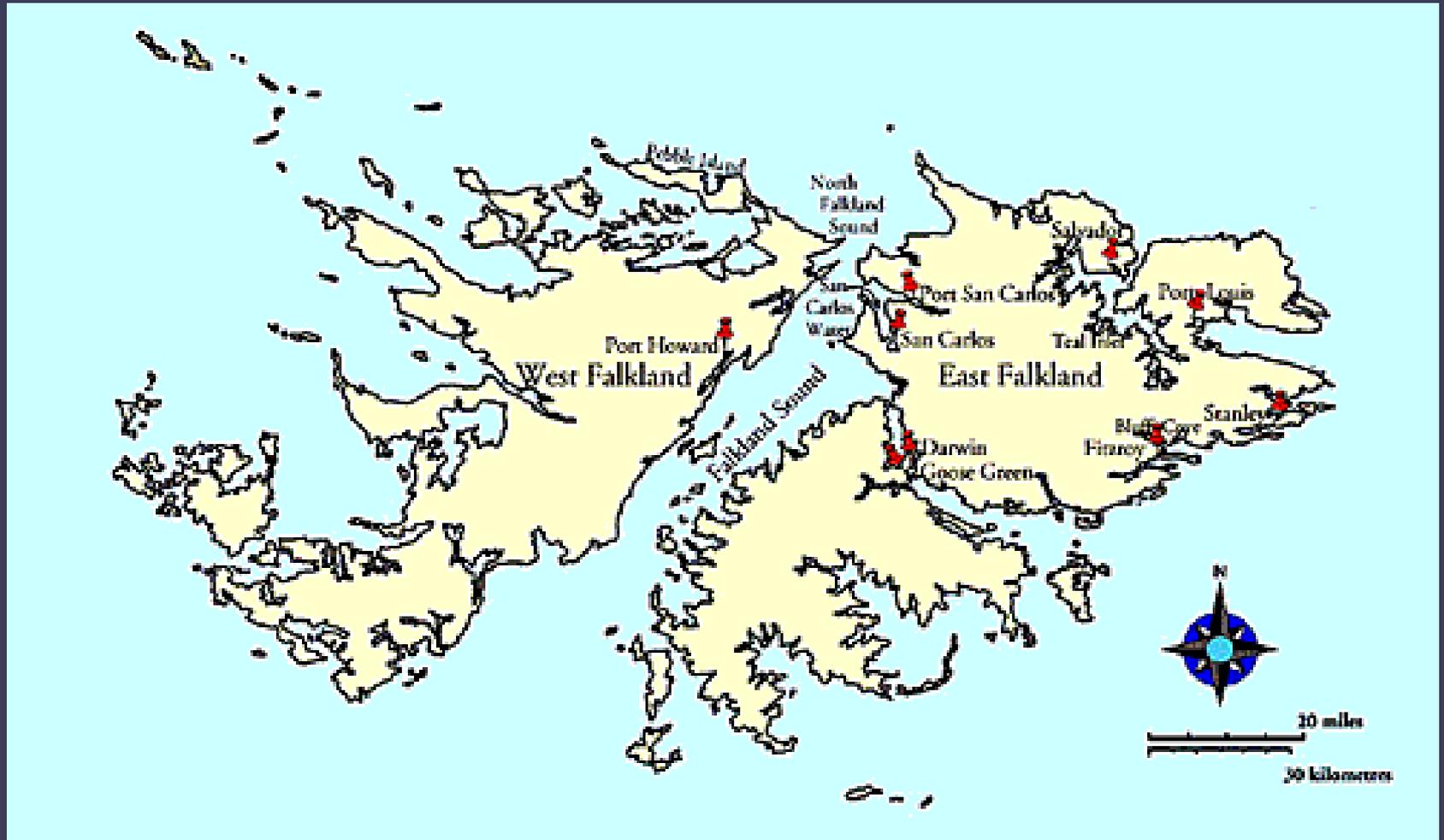
You have just gotten home from a crowded concert and discover you have lost \$1000 in cash. The cash had been in your coat pocket in a plain envelope with your name and address written on it.

Do you know anyone, not related to you by blood or marriage, who you feel certain would return it to you if he or she found it?

Tipping on the Road



- Falklands war



- Bone marrow donation



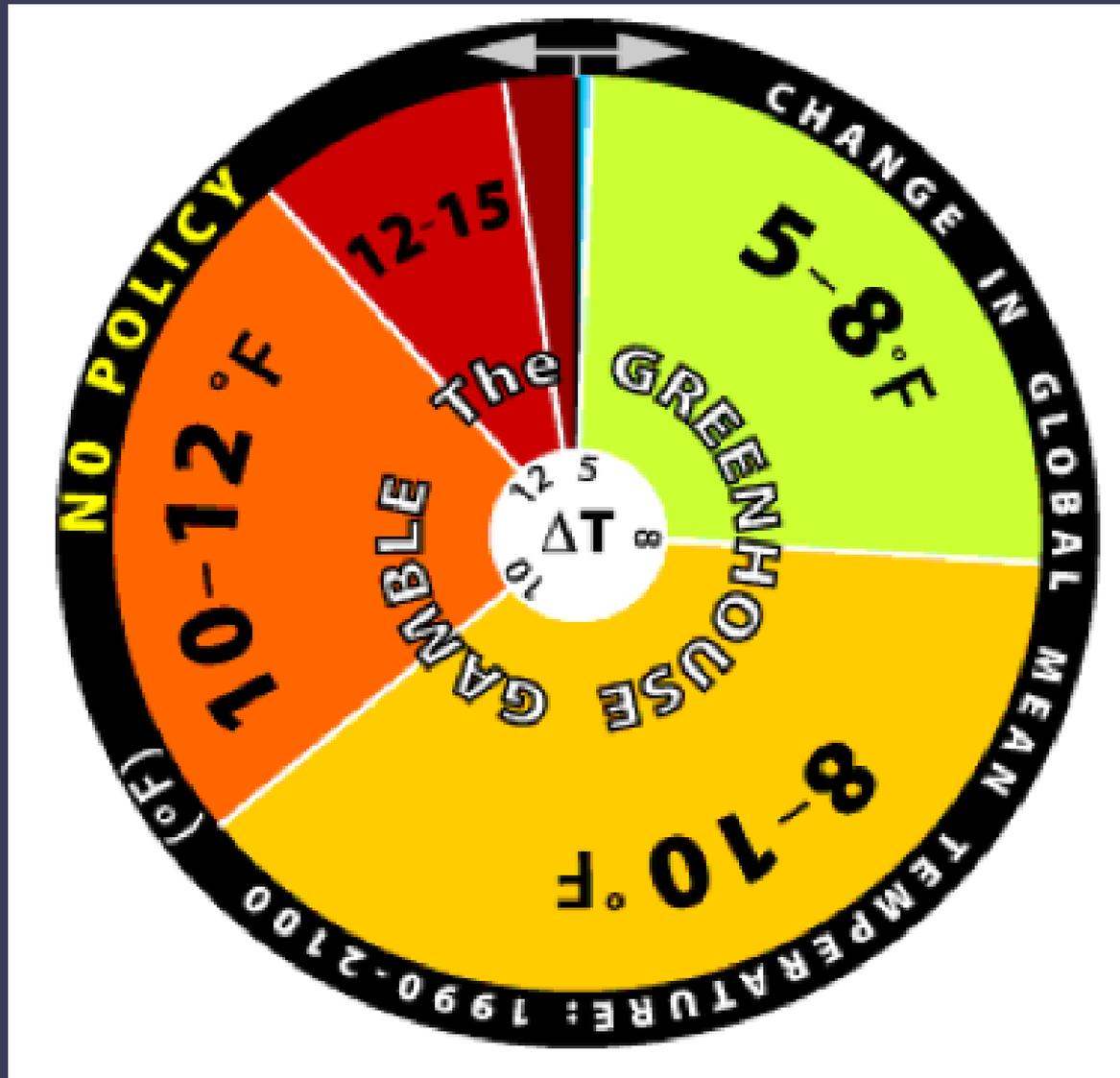
**PUT THAT
LIGHT OUT!**



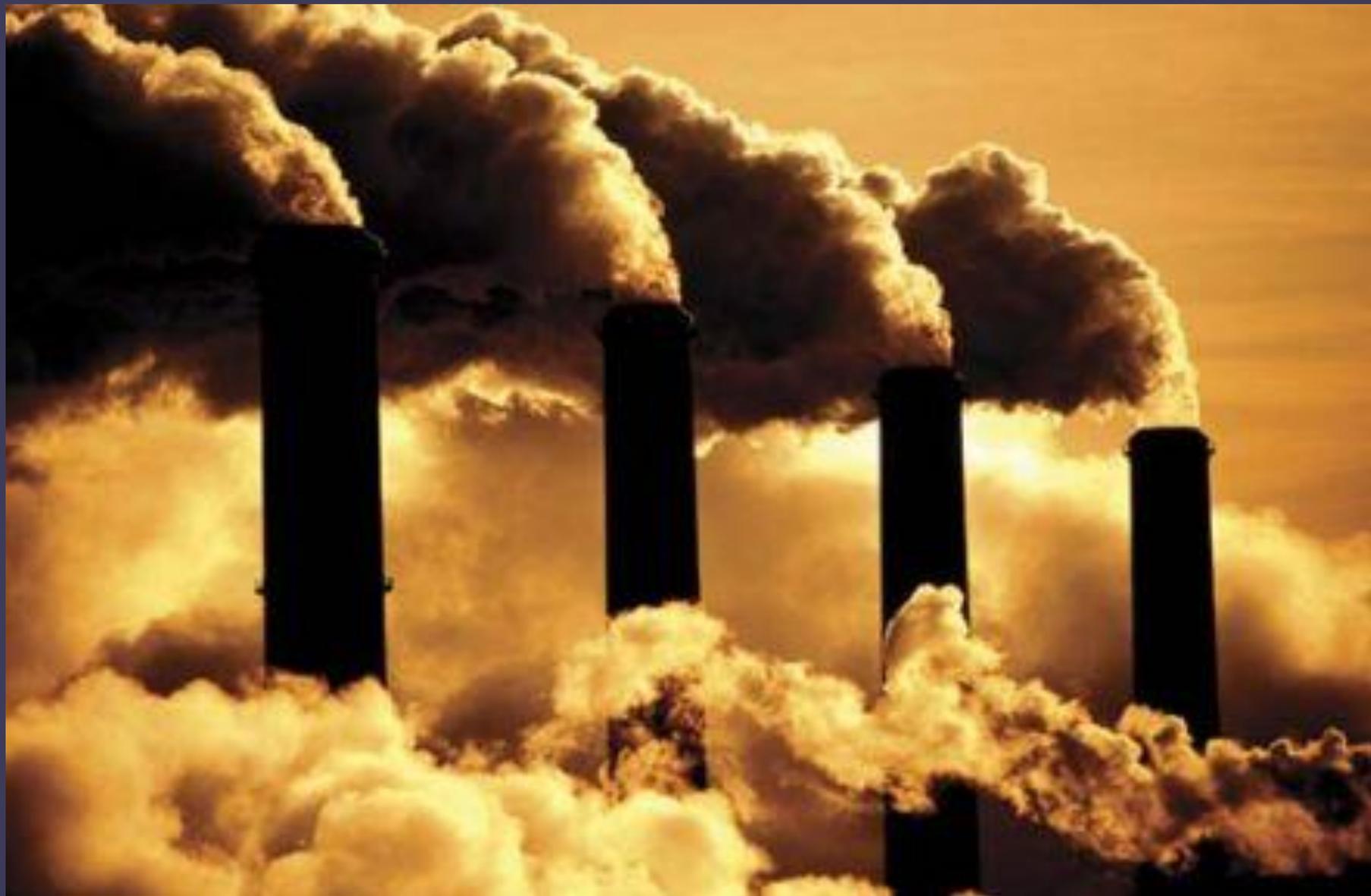
**THERE'S A WAR ON
TO SAVE THE PLANET**

Save energy to save the world

Energy Conservation is Important!



Pricing Energy Right Is the Most Important Step



Spend Your Time and Effort Efficiently



Civic Hybrid Sedan
40 mpg city
45mpg highway
\$23,650



Civic Sedan
26 mpg city
34 mpg highway
\$15,505

Use Tournaments to Increase Incentive Leverage



Invoke the Duty to Help

