Distributional Effects of Efficiency Standards vs Market-Based Policies

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Abstract

This study compares the distributional effects of energy efficiency standards versus market based policies (e.g. energy taxes) employing non-homothetic preferences. We find that, while a direct tax policy is better for the economy as a whole, low income groups may be better off under an efficiency standard depending on how the tax revenue from the price policy is distributed across different income groups.

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