**Exercise 2.2: Nexus Policy Analysis**

The objective of this exercise is to reflect on the policies and instruments that regulate resource use in the WEF sectors within participants’ own national contexts and develop ideas to address these (by refining existing policies and instruments and/or developing additional ones).

**Step-by-step guide**

**Step 1: Analysis of existing policies**

Build working groups consisting of 3-5 persons (preferably of the same national background). If possible, each group should include representatives of both the national and local levels of government.

Task: Discuss the following points within your group:

* As a group, choose one of the pressing challenges that relates to resource uses in the WEF sectors within your national contexts.
* Based on the resource efficiency challenge you have chosen, please answer the following questions:
  + Characterize the main challenges of the resource use (status quo and challenges).
  + Which **policies and instruments** that regulate resource use in the selected sector doalreadyexist? Please consider both the national and local level. Please think of the following instruments:
    - Regulatory instruments
    - Financial instruments
    - Promotional instruments
  + What are **shortcomings of the instruments** presently in place?

Timeframe: 15 minutes for the discussion and compiling the results.

**Step 2: Development of additional policy instruments**

Task: Develop (additional) policies that would help addressing the identified challenge. Please use the following guiding questions:

* What (additional) **policies and framework conditions** would help advancing resource efficiency in the identified sector? Please again think of regulatory, financial and promotional instruments (but you don’t necessarily have to cover all).
* What **barriers** may arise in the implementation of these instruments?
* How could these **barriers be addressed** to improve implementation and avoid negative impacts?

Timeframe: 15 minutes for the discussion and compiling the results.

*Please see the next page for an example of the policy analysis and development (step 1 and 2). Please follow the same structure when answering the abovementioned questions.*

**Step 3: Presentation of group work and discussion within plenum**

Task: Present your group work in the plenum and discuss further.

Timeframe: 30 minutes for group presentations and discussion in the plenary. The following questions could be elaborated:

* Were the existing policies adequately analysed?
* Do you think the suggested new instruments would successfully address the identified challenges?
* Did the team reflect upon the relevant barriers?
* What are your main lessons learned from this exercise?

**Example: Energy efficiency**

**Step 1: Policy analysis**

**Status quo**

* Steadily increasing energy demand due to population growth and increasing summer temperatures (growing electricity demand for air conditioning)
* Energy demand by water sector is increasing because of growing amounts of water that need to be pumped (from sources further away) and wastewater that needs to be treated
* National government shows commitment towards increasing energy efficiency, renewable energy and reduction of GHG emissions
* Regional and local governments also show commitment towards reducing GHG emissions

**Challenges**

* Lack of incentives to save energy which is cheap for industry, agriculture and household consumers (due to broad subsidies)
* Lack of building regulations on energy efficiency
* Limited resources in industry and agriculture to invest in energy-saving technologies
* Lack of manufacturers’ readiness to produce energy-efficient products

**Existing policies and framework conditions**

* National energy legislation regulates how an investor can obtain a license from the national energy agency to produce, distribute and sell electricity
* Different regulations that subsidies fossil fuel energy (to reduce import dependence, enhance energy and food security; provide affordable energy to low-income households), including:
  1. A cap price for kerosene (used for cooking and lighting) which is below international prices
  2. Preferential tax treatments for energy-intensive industries and agriculture (tax credits)

**Step 2: Adjustment of existing and development of additional policy instruments**

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| **Regulatory mechanisms** | * Develop National Action Plan for energy efficiency, setting national goals and scope for regulation * Introduction of energy efficiency requirements in existing building regulation * Introduce energy-efficiency label for consumer products |
| **Financial mechanisms** | * Stepwise phasing out subsidies which support energy production from fossil fuels * Set fixed feed-in tariffs for renewable energy sources to incentivises renewable energy production * Grant programme for energy efficient building projects |
| **Possible barriers** | * Lack of resources to enforce regulatory and economic mechanisms * Opposition by end-users that are not willing to pay more for electricity * Growing prices for water supply and treatment * Increasing consumer prices and unrest amongst population |
| **Addressing barriers** | * Tax credits to low-income households * Increase societal support for energy efficiency through stakeholder participation (e.g. in development of National Action Plan for energy efficiency) and public campaigns * Accompany mechanisms with demand-side management programs to lower overall energy demand (educational initiatives, trainings, guidelines for air conditioning settings in public and private buildings etc.) |