

Research Project

The impact of energy, climate and competition policies on technological progress and technological diversity in the Swiss energy industry

Third-party funded project

Project title The impact of energy, climate and competition policies on technological progress and technological diversity in the Swiss energy industry

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The decision to invest in a technology is usually made by firms and depends on long-term expectations concerning the usage costs of the technology, the market structure, and the economic and political environment. From a firm perspective, technological diversification is a tool to cope with risks, as those induced by factor price volatility. From a social perspective, technological diversification can be beneficial, because it reduces the transmission of factor price shocks to consumer prices. This is especially important in the electricity industry, where fuel prices are highly volatile. In this project, we analyze diversification incentives in the Swiss electricity market from the firm perspective and their dependency on political decisions, such as climate policy, competition policy, and energy policy. We inquire whether and how these policies can be used to assure a socially optimal diversification in the aggregate or to meet specific objectives, like those specified in the "Energieperspektiven 2035." Furthermore, we aim at identifying the interactions between differing policy measures with regard to the induction of technological diversity and technological progress. The project consists of a theoretical investigation of technological diversification incentives, a detailed modeling of the Swiss electricity market, and a scenario analysis of policy interventions. The project is funded by the Swiss Federal Office of Energy.

Keywords Technological diversity, Electricity, Energy, Investment, Risk, Uncertainty, Climate Policy, Energy Policy, Competition Policy

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