Consumers' Willingness to Pay for Renewable Energy: A Meta-Regression Analysis

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Abstract

Using renewable energy for domestic consumption has been identified as a key strategy by the Intergovernmental Panel on Climate Change to reduce greenhouse gas emissions. Critical to the success of this strategy is to know whether consumers are willing to pay to increase the proportion of electricity generated from renewable energy in their electricity portfolio. There are a number of studies in the literature that report a wide range of willingness to pay estimates. In this study, we used a meta-regression analysis to determine how much of the variation in willingness to pay reflects true differences across the population and how much is due to study design, such as survey design and administration, and model specification. The results showed that factors that influence willingness to pay in individual studies, such as renewable energy type, consumers' socio-economic profile and consumers' energy consumption patterns, explain less variation in willingness to pay estimates than the characteristics of the study design. We also found that consumers have significantly higher willingness to pay for electricity generated from solar or generic renewable energy source (i.e. not a specific source) than wind, hydro or biomass. Due to the effect of study design on willingness to pay, we recommend that policy makers exercise caution when interpreting and using willingness to pay results from primary studies.

1. Introduction

The Intergovernmental Panel on Climate Change (IPCC) has identified renewable energy (RE), such as wind farms and hydropower, as a key strategy to reduce greenhouse gas emissions (IPCC, 2014; Moomaw *et al.*, 2011). Renewable energy sources can provide a number of intangible benefits, such as greater energy security, lower CO_2 emissions (relative to fossil fuels) and continual innovation (IPPC, 2014; Wei *et al.*, 2010). But, negative perceptions about the benefits of RE sources, higher prices and distrust in accreditation processes, for example, make traditional product marketing for RE more difficult (Bloom and Novelli, 1981; Rothschild, 1979; Wiener and Doescher, 1991).

Numerous studies have investigated people's stated intentions to purchase electricity from renewable sources (e.g. Aravena *et al.*, 2012; MacMillan *et al.*, 2006). These studies employed stated preference surveys to elicit respondents' willingness to pay (WTP) for a future change in a non-market good or service. Stated preference techniques that are predominately applied to identify preferences for RE are: choice experiments - which elicits the value of the characteristics of a good - and contingent valuation - which values the good as a whole (Bateman et al. (2002). Estimates of WTP for RE vary widely between studies. For example: Batley *et al.* (2001) found that WTP varies with social status and income, while Ek (2005) found that age, income and environmental awareness are the main individual characteristics affecting WTP for RE. Borchers *et al.* (2007) showed that the type of RE significantly influences WTP and Roe *et al.*, (2001) report that WTP for emissions reduction increases when those reductions are from increased reliance upon renewable fuels.

The variation in these empirical WTP estimates does not provide the policy maker with a useful understanding of consumer behaviour towards RE. Before using such values for policy making or benefit transfer[1], a number of questions need to be addressed: what is the likely range of individual values for a particular study site or energy source; which explanatory factors should be considered; are there gaps in the data that may skew the recommended values. A tool to address these questions that has gained considerable traction in the literature is meta-analysis. Meta-analysis is a method that systematically summarises, in a quantitative manner, evidence across empirical studies (Glass, 1976).

A quantitative type of meta-analysis, 'meta-regression analysis', has the intuitive appeal of combining, sometimes widely scattered, empirical evidence on a particular subject and in increasing the statistical power of hypothesis testing when a large number of independent studies that use different data sets and methods are combined. More importantly, by controlling for variations in characteristics across independent studies, meta-regression analysis can furnish more insight into what factors explain the variation of results from different studies. Ultimately, it can provide a more informed consensus about the actual size of the effect (or dependent variable) under study. As such, meta-regression analysis provides

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[1] The use of existing studies in project evaluation and policy analyses (Morrison et al. 2002). In benefit transfer, WTP estimates from one study site (the source of the data) are transferred to another site (the site of policy interest).

a greater explanatory power than the listing of individual results or a standard narrative literature review (Stanley, 2001).

To the best of our knowledge, no peer reviewed meta-regression analysis has been published on people's WTP for RE sources. Nelson and Kennedy's (2009) meta-regression analysis of environmental economics meta-analyses did not include any studies of WTP for RE in their sample of 140 studies. The aim of this paper is to fill this knowledge gap. We use meta-regression analysis to estimate an average WTP for RE sources and to determine what characteristics explain heterogeneity in WTP. We contribute to the literature, by accounting for a variety of characteristics that may influence WTP, such as survey design characteristics, survey administration procedure, and stated preference elicitation format. We also include a range of RE sources, thus providing policy makers with comprehensive picture of preferences between sources. These WTP values of different sources of RE, can be used by decision makers to bring prices of RE more in line with consumers' WTP.

The structure of the paper is as follows: the methods are explained in the next section, followed by the econometric results in Section 3. The final two sections discuss the results and provide recommendations for policy.

2. Methods

This paper follows reporting protocols suggested by Nelson and Kennedy (2009) and Stanley et al. (2013). This first section outlines the search criteria for empirical studies and data. We then define the effect size and how it was calculated from each study. The selection of moderator variables and the appropriate model are then discussed, followed by the treatment of publication bias.

Data collection and cleaning

Primary studies were sought via a comprehensive search of the literature in the online databases Scopus, Web of Science and Google Scholar. Including Google Scholar allowed us to access the grey literature, including conference proceedings, working papers and research theses. In the search, key words reflecting the (stated-preference) valuation techniques included: willingness to pay, choice modelling, choice experiment, contingent valuation, preferences, non-market valuation and valuation. These were paired with search terms to reflect both specific and generic types of RE including: solar energy, solar panels, photovoltaic, solar; wind energy, wind power; geothermal energy, geo-thermal; biomass, bio-energy; wave energy, tidal energy; hydropower, hydro-electric, hydro; renewable energy, renewable and green power. The search terms were allocated between authors. The search was completed at 31 January 2014 and returned 149 primary studies to be considered for analysis.

The 149 primary studies were scrutinised on their study focus by two authors, independently. Only studies that estimated WTP for the supply of renewable energy (RE) were included in further analysis. Excluded were studies on non-renewable energy sources such as gas or nuclear power; and studies that did not estimate values for energy provision (e.g. studies that estimate WTP for RE projects without mentioning the amount of energy generated by such a project). We also excluded studies that estimated WTP specifically for positive or negative externalities associated with RE, or for characteristics of RE projects rather than the energy *per se*. For example, Susaeta *et al.* (2011) was not included in our final sample[2] because their choice experiment looked at the impacts of RE on 'reduction of CO_2' and 'improvement of forest habitat' instead of at WTP for energy itself. Records that did not report the survey year, sample size, payment vehicle, or WTP estimates were also excluded from our analysis since these studies did not provide the information essential for our meta-regression analysis. This data cleaning process resulted in 29 primary studies and 142 WTP observations for further analysis (Table 1).

Table 1 – Primary studies included in the meta-regression analysis.

	Author(s)	Year Published	Country/ Region	Source[*]	# WTP values[†]
1	Byrnes et al.	1999	USA	Journal of Environmental Planning and Management	5
2	Hanley and Nevin	1999	Scotland	Energy Policy	3
3	Zarnikau	2003	USA	Energy Policy	4
4	Nomura and Akai	2004	Japan	Applied Energy	4
5	Ivanova	2005	Australia	Proceedings of the ANSEE conference	2
6	MacMilan et al.	2006	Scotland	Ecological Economics	8
7	Borchers et al.	2007	USA	Energy Policy	20
8	Navrud and Grønvik Bråten	2007	Norway	Revue d'économie politique	6
9	Hite et al	2008	USA	Biomass and Bioenergy	2
10	Abdullah et al.	2009	Kenya	PhD Thesis	12
11	Bollino	2009	Italy	The Energy Journal	6
12	Soliño et al.	2009a	Spain	Energy Policy	4

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[2] Contrary to the analysis by Sundt and Rehdanz (2014).

	Author(s)	Year Published	Country/ Region	Source[*]	# WTP values[†]
13	Soliño et al.	2009b	Spain	Energy Policy	1
14	Yoo and Kwak	2009	South Korea	Energy Policy	2
15	Zografakis et al.	2010	Greece	Renewable and Sustainable Energy	2
16	Bigerna and Polinori	2011	Italy	USAEE Working Paper	9
17	Hanemann et al.	2011	Spain	Climate Research	1
18	Komarek et al.	2011	USA	Energy Policy	9
19	Odam	2011	Scotland	PhD Thesis	6
20	Aldy et al.	2012	USA	Nature Climate Change	1
21	Aravena et al.	2012	Chile	Energy Economics	4
22	Cicia et al.	2012	Italy	Energy Policy	9
23	Gracia et al.	2012	Spain	Energy Policy	3
24	Ivanova	2012	Australia	International Journal of Renewable Energy Research	3
25	Kim et al.	2012	South Korea	Renewable and Sustainable Energy Reviews	3
26	Zhang and Wu	2012	China	Energy Policy	1
27	Kaenzig et al.	2013	Germany	Energy Policy	2
28	Kontogianni et al.	2013	Greece	Energy Policy	4
29	Kosenius and Ollikainen	2013	Finland	Energy Policy	6

[*] We included 25 studies that were published in peer-reviewed journals, 2 PhD theses, 1 conference paper and 1 working paper; [†] This is the number of WTP estimates that each primary study provided for our final analysis (total 142).

Effect size definition and derivation

In meta-analyses, the dependent variable is called 'effect size'. The effect size standardises findings across studies such that they can be directly compared. Any standardised index can be used as an effect size, such as: standardised mean difference, correlation coefficient, and odds-ratio (Field and Gillett, 2010; Rosenthal, 1991). In this study, the effect size is defined

as "consumers' WTP to increase the proportion of electricity generated from RE in their electricity portfolio".

The WTP values should be understood as a premium WTP rather than a gross WTP for the portfolio change; that is, how much *more* would consumers be willing to pay, on top of their current payment, per unit of electricity consumed. We calculated WTP values as mean estimates for the proposed change in RE share. WTP values from contingent valuation studies are unambiguously mean estimates. Choice experiments typically estimate marginal, rather than mean, values for the good under valuation. However, the choice experiment studies included in our analysis all estimated linear utility functions and included the proportion of RE in the portfolio as a continuous variable. Therefore, the estimated constant marginal WTP that can be treated as a mean estimate for the considered range of RE share.

We used a systematic approach to convert the effect size for each observation, taking into account the differences in study year, study location, payment vehicle , payment frequency , payment duration , currency used (5 types), and energy sources considered in the primary studies. The collected WTP values were converted to a consistent metric: US dollars per kWh in 2006 prices on a perpetual basis (i.e. ongoing payment) using the following steps:

1. Where provided in the primary studies, we collated annual household average electricity consumption data. For studies that did not provide this information, data on household average electricity consumption for each country/state/province in our sample was compiled from various other sources (EUROSTAT: Statistical Office of the European Union, US Energy Information Administration, Organisation for Economic Co-operation and Development, US Department of Energy and Census, UK Government, Australian Bureau of Resources and Energy Economics and Kenyan National Bureau of Statistics) for the same study year.

2. The Consumer Price Index was obtained for each country in our sample from various sources, including the sources used to compile average household electricity consumption. Reported WTP estimates were firstly converted to 2006 prices. The year 2006 was chosen as a baseline because the majority of surveys selected for the meta-analysis were conducted that year.

3. Assuming a 5 per cent annual discount rate, the perpetual payment for total annual consumption was calculated for each reported WTP estimate. This calculation was in the local currency, for different payment vehicles, payment frequencies and payment durations.

4. To standardise estimates into one currency, local currencies were converted to US dollars. Exchange rates[3] for 2006 were obtained for each currency reported from Penn World Table 8.0 (Feenstra *et al.*, 2013).

5. The WTP in terms of perpetual payment per kWh of electricity consumption in 2006 US dollars was then derived using Equation 1.

$$WTPAP06 = (PAPL06/HHEC) * (CPI06/USDER06) \qquad (1)$$

where,

$WTPAP06$ = Willingness-to-pay in perpetuity for one kWh of electricity consumption expressed in 2006 US dollar

$PAPL06$ = Perpetual payment for total annual electricity consumption in 2006 expressed in local currency

$HHEC$ = Average amount of household electricity consumption (kWh) in the study area/region or country for the study year

$CPI06$ = Consumer Price Index for a given country or state for the year 2006

$USDER06$ = Exchange rate of a local currency to the US dollar in 2006

Choice of moderator variables

The 29 studies varied widely in the energy-related characteristics analysed (e.g. energy mix, level of RE, location/site of energy generation), the characteristics of the survey used to obtain responses (e.g. elicitation format, administration procedure, sample characteristics, CV or CE), and the approaches taken to model these responses (e.g. type of econometric models, specification of the models). In a meta-regression, it is necessary to choose moderator variables that can: (1) measure the true differences between effect sizes across population and time; (2) account for the differences in design, elicitation and administration of the primary studies; and, (3) account for the explainable variability that is due to different model specification or even misspecification in the primary studies. The moderator variables we used in our meta-analysis of WTP for RE sources are described in this section and in Table 2.

A number of variables were included to measure true differences between effect sizes. A variable was included to control for potential income effects because a wealthier population

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[3] Purchasing power parity (PPP) was also been used to convert local currencies. The significance of parameters, magnitude of effects, and subsequent conclusions from regressions when using PPP are not significantly different from results using exchange rates as shown in this paper. Results that used PPP to convert local currencies are available upon request.

might have a higher WTP than a poorer population. Where available, we used the sample mean annual household income for this purpose, otherwise, we used national mean household income.

WTP is expected to depend on current consumption levels. The primary studies typically did not report current household electricity consumption levels. We therefore collected information on national mean household consumption levels to control for this potential effect. Using national mean income and consumption levels is justified on the basis that survey samples generally claimed to be representative of the population.

Respondents' WTP may also depend on the share of RE in the proposed portfolio. Not all studies reported the proportion of electricity to be replaced by renewable sources. However, all studies were conducted under a national or regional policy background. For example, Italy aims to achieve an energy portfolio with 22 per cent electricity generated from renewable sources (Bollino, 2009). In cases where the share of RE was not specified in the primary study's WTP question, we assumed that the implicit share would be the proposed national or regional target. We further controlled for the fact that the current share of RE in a country's total energy consumption varies between countries, by including this share as a variable in our analysis.

WTP values also need to be specified for different types of RE sources. People may have a different WTP for RE sources due to higher awareness of one source over another, or due to negative perceptions toward a certain type of RE. We controlled for this by including the type of RE specified in the WTP questions in our analysis. Also, WTP can change over time and under different political climates. Thus, the study (survey) year was included in the analysis to capture this effect.

Finally, we included moderator variables to account for differences in design, elicitation and administration of the primary studies. Variables that were included related to the way in which the survey was administered (mail, online, phone, etc.), whether the survey was piloted, and whether an 'opt-out' option was included in the WTP questions. With respect to the latter, we assumed that an opt-out option was implicit in all CV studies, since respondents can give a zero WTP or say 'no' to the discrete choice question. The CE studies all explicitly specified whether an opt-out option was included in their survey. We also differentiate whether RE was presented as an independent policy, or as part of a policy package. If RE is a component of a policy package, it will be difficult to disentangle whether respondents vote for renewable energy and/or for the other components in the package. It follows that WTP may be greater when the RE is presented as an independent policy.

We also included moderator variables to measure the difference between models of different specifications, shown in Table 2. We created a number of dummy variables to indicate whether the model specification included education attainment, age, income level, prior knowledge about RE, ownership of the property, gender, employment status, general environmental attitudes and additional household characteristics. We collected a number of other variables that described survey design and model specification, but these were dropped

from the final regression analysis[4] either because they only differentiated one or two studies from the remainder, or because they were highly correlated with other included variables.

Model selection and weights

Nelson and Kennedy (2009) provide a thorough review of the use of meta-analysis in environmental and resource economics. They recommend a number of best practices, including weighting the moderator variables by the inverse of the standard errors of the estimates from primary studies. However, in many of our primary studies, standard errors (or equivalent statistics) were not provided. Only 99 out of a total of 142 observations provided sufficient information to obtain the standard errors for WTP values. Some studies provided standard errors for the parameters in the estimated utility function. However, without knowledge about the covariance, we are unable to retrieve the correct standard errors for WTP values because these estimates rely on using the Delta method. Stanley and Rosenberger (2009) argue that where the effect size of the meta-analysis is a nonlinear function of the estimated parameters in the primary studies, the square root of the sample size should be used instead of the standard errors because the standard errors and the dependent variable are jointly determined. In our case, the WTP values are nonlinear functions of the regression parameters. Therefore, we used the square root of the sample size to weight the moderator variables.

In a study of ordinary least squares, weighted least squares (WLS) and mixed effects estimators of meta-regression analysis, Koetse et al (2010) found that fixed effects WLS was most robust in the presence of potentially omitted variables. Therefore, we first estimated fixed-effects WLS for the full sample (n=142) with standard errors clustered by primary study. Fixed-effects meta-regression assumes that all the heterogeneity can be explained by the moderator variables and may lead to excessive type I errors if there is unexplained heterogeneity (Thompson and Sharp, 1999; Higgins and Thompson, 2004). To account for possible unexplained between-study heterogeneity, we also estimated mixed-effects meta-regressions.

Publication bias

A well-known issue with meta-analysis is publication bias. Journals, or authors, often select publications that have statistically significant results. Another type of publication bias arises from censoring theoretically inconsistent or conceptually unexpected values of the effect in question. Such practices mean that any tally of published studies, like meta-analysis, may be biased and potentially misleading (Stanley, 2005).

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[4] We do not report summary statistics for these dropped variables but full information is available from the authors upon request.

In the WTP literature, we expect that researchers do not necessarily select significant results only, because the true WTP may well be zero. Being unable to reject the null hypothesis is not necessarily a problem.

Regarding data censoring, it is generally expected that WTP will be positive due to, for example, a warm glow effect of supporting RE sources. However, WTP values could be negative depending on respondents' opinion about the type of energy in a given location and time (e.g. negative WTP for using biomass or hydro-power). If such negative WTP values are censored from the literature, publication bias could result.

Publication bias can be identified by visual exploration and by performing formal statistical tests including rank correlation test and regression-based asymmetry and precision tests (e.g. Begg and Mazumdar, 1994; Egger et al., 1997; Stanley, 2008). The Begg's test evaluates the significance of the Kendall's rank correlation between the standardized effect sizes and their variances. A significant correlation is interpreted as providing strong evidence of publication bias. Egger et al. (1997) proposed a regression-based test that evaluates whether the intercept deviates significantly from zero in a regression of standardized effect sizes against their precision (Egger et al., 1997; Stanley, 2008). A significant deviation is indicative of publication bias. However, with small samples, these tests are expected to have only moderate power at best (Steichen *et al.*, 1998; Stanley 2008). On the one hand, the tests may be too liberal with false-positive claims of asymmetry and publication bias that translate into conservativeness at the meta-analysis level. On the other hand, insignificant test results cannot rule out the possibility of publication bias.

Begg and Berlin (1988) suggested that publication bias will be proportional to the inverse of the square root of sample size. Following Stanley (2008), we therefore controlled for publication bias by including the inverse of the square root of sample size as variable in the meta-regression analysis. By doing this, one must interpret the intercept in the regression as an estimate of the WTP value for a study with an infinite sample size.

4. Results

Exploratory meta-analysis

Table 2 presents the summary statistics for the 29 primary studies that were suitable for our meta-regression analysis. The studies had been conducted in 14 countries, with most coming from the United States. There is a clear dominance of primary studies from OECD countries (27 out of 29).

The higher number of studies conducted in recent years indicates a growing interest in measuring people's WTP for RE. There was a reasonable level of variation in the distribution of journals that publish these studies, with Energy Policy being the dominant one.

The average sample size in the primary studies was 641, with samples as large as 2,864 (Byrnes *et al.*, 1999) and as small as 35 respondents (Odam, 2011). The number of

observations can be very different from the sample size (number of respondents), especially if the study employed a choice experiment where there are typically multiple observations per respondent. The average number of modelled observations was 1,275, ranging from 23 (Kontogianni *et al.*, 2013) to 7,566 (Kosenius and Ollikainen, 2013).

The primary studies yielded a total of 142 WTP estimates. These WTP estimates and their associated 95% confidence intervals are sorted from smallest to largest point-estimate in Figures 1 and 2. The mean WTP for RE was 1.5 cents per kWh. The range of estimates was wide: from -39.6 cents/kWh as the lowest negative WTP, to 16.9 cents/kWh as the highest positive WTP. The majority of WTP values fell between -10 and +10 cents/kWh (Figure 1, bars indicate the 95 per cent confidence intervals).

There seems to be a reporting bias in our data. A substantial proportion of the observations (43 out of 142) did not report the standard errors (or equivalent statistics) of the point estimates of WTP, especially when the point estimates were close to zero.

Publication Bias

To allow a more detailed exploration of the statistical significance of WTP estimates, we plotted a truncated sub-sample in Figure 2. The WTP estimates greater than 10 cents/kWh or less than negative 10 cents/kWh were excluded from this sub-sample. There were significant as well as insignificant WTP estimates (i.e. confidence bars crossing horizontal axis). Thus, a publication bias towards only statistically significant and positive values does not appear to be a serious problem. Table 3 presents results from Begg's adjusted rank correlation test and Egger's regression asymmetry test on the subset of observations (n=99) that reported standard errors or equivalent statistics. The results from Begg's test provide no evidence for publication bias; however, the Egger's test is strongly suggestive of publication bias. The visual exploration of the full sample and the formal tests on the subset of data provide no conclusive evidence for publication bias.

Table 2 – Definition of variables and summary statistics

Variable	Description	Mean	Std.	Range
Moderator variables included in meta-regression analysis				
WTP	WTP per kWh in 2006 US cent	1.5	5.9	[-39.6 ~ 16.9]
SE	Standard error of *WTP*	0.008	0.011	[0.000 ~ 0.51]
Income	Sample or national mean of annual household income in 2006 US dollar	37,402	19,482	[1,693 ~ 79,801]
Consumption	National mean of annual household electricity consumption in kWh	6,098	4,287	[142 ~ 16910]
Current RE Share	Proportion of RE (including hydro) in current total national energy consumption	0.088	0.134	[0.004 ~ 0.676]
Proposed RE Share	Proportion of RE in the proposed energy portfolio	0.334	0.338	[0.0004 ~ 1]
Year of Survey	Calendar year when the survey was conducted	2006	3.77	[1992 ~ 2011]
Sample Size	Number of valid responses in the survey	641	752	[35 ~ 2,864]
Observation Size	Number of modelled observations in the primary study	1,275	1,845	[23 ~ 7,566]
Opt-out	Dummy = 1 if an opt-out option was included in the survey; 0 otherwise	0.472	0.501	0, 1
Education	Dummy = 1 if education was included in the empirical model; 0 otherwise	0.669	0.472	0, 1
Income	Dummy = 1 if income was included in the empirical model; 0 otherwise	0.669	0.472	0, 1
Knowledge	Dummy = 1 if knowledge about RE was included in the empirical model; 0 otherwise	0.400	0.464	0, 1
Age	Dummy = 1 if age was included in the empirical model; 0 otherwise	0.775	0.419	0, 1
Ownership	Dummy = 1 if the ownership of house was included in the empirical model; 0 otherwise	0.239	0.428	0, 1
Gender	Dummy = 1 if gender was included in the empirical model; 0 otherwise	0.556	0.500	0, 1
Attitude	Dummy = 1 if environmental attitude was included in the empirical model; 0 otherwise	0.676	0.470	0, 1

Variable	Description	Mean	Std.	Range
Employment	Dummy = 1 if employment status was included in the empirical model; 0 otherwise	0.169	0.376	0, 1
Household	Dummy = 1 if additional household characteristics were included in the empirical model; 0 otherwise	0.387	0.489	0, 1
DCE	Dummy = 1 if the choice experiment approach was used; 0 if the contingent valuation approach was used	0.430	0.500	0, 1
Pilot	Dummy = 1 if the survey was piloted; 0 otherwise	0.472	0.501	0, 1
Package	Dummy = 1 if RE was presented as part of a conservation policy package	0.063	0.245	0, 1
RE Source	Source of RE that electricity will be generated from (solar, wind, bioenergy, etc.)	(0~1)	(0~1)	0, 1
Administration	Categories of survey administration format (online, mail, phone etc.)	(0~1)	(0~1)	0, 1

Variables collected for the conversion of effect size (*WTP* and *SE*)

Variable	Description	Mean	Std.	Range
WTP Original	WTP as reported in the primary study			
SE Original	Standard error of WTP as reported in the primary study	NA[†]		
Income Original	Sample mean of annual household income as reported in the primary study or national mean of annual household income in the year of survey			
Class Prob.	Probabilities of classes in latent class models (=1 for not latent class models)	0.937	0.194	[0.235 ~ 1]
P_Frequency	Categories of payment frequency (one-off, monthly, bi-monthly; etc.)	(0~1)	(0~1)	0, 1
P_Duration	Categories of payment duration (one-off, 5 years, ongoing, etc.)	(0~1)	(0~1)	0, 1
P_Currency	Categories of payment currency (US $, Euro, RMB, etc.)	(0~1)	(0~1)	0, 1
Exchange 2006	Exchange rate of local currency to one US dollar in 2006	59	194	[0.543 ~ 954.8]
CPI 2006	CPI to convert nominal values in the year of survey to 2006 price	0.993	0.095	[0.88 ~ 1.41]

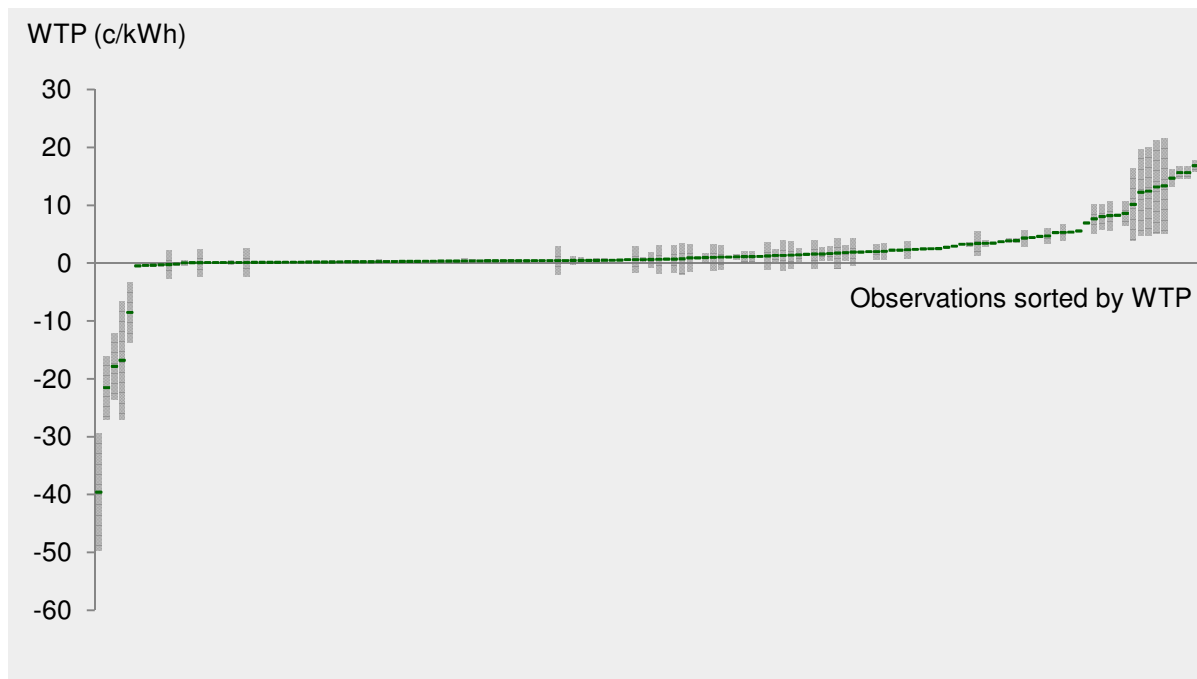[†]Variables are expressed as nominal values in different currencies.

Fig.1 – WTP point estimates and their 95% confidence intervals (full sample).
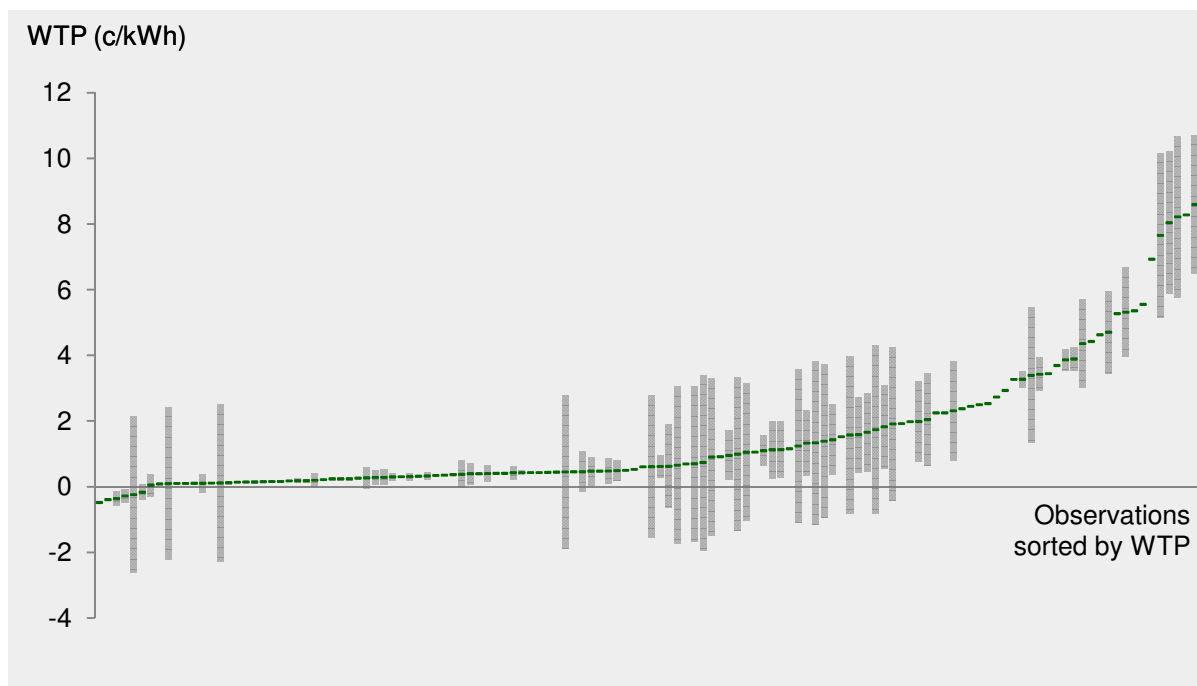

Fig. 2 - WTP point estimates and their 95% confidence intervals (truncated sample).

Table 3 – Egger's test and Begg's test for publication bias

Egger's Test	Coef.	t-stat.	Begg's Test	
Slope	0.003[**]	20.21	Adj.Kendall's Score	949[**]
Bias	1.237	1.06	z Stat.	2.87
Observations	99			

Meta-regression analysis

Table 4 presents estimation results of fixed-effects and mixed-effects meta-regression models. Models S1 to S4 used the square root of the sample size as weights for the moderator variables, and the inverse of the square root of the sample size to control for possible publication bias. Models S5 to S8 used the square root of the number of observations as weights for the moderator variables, and the inverse of the square root of number of observations to control for possible publication bias. Models S1 and S5 were estimated using the full sample including all negative and positive WTP values. Models S2 and S6 used a subset of the sample excluding four negative outliers which come from two primary studies (Odam 2011; Cicia *et al.,* 2012). Models S3, S4, S7 and S8 also excluded these outliers and used natural log transformed WTP as the dependent variable. Models S1 to S3 and S4 to S6 are fixed-effects WLS regressions. Models S4 and S8 are the mixed-effects meta-regression with between-study variance (τ^2) estimated by the residual maximum likelihood (REML).

Results from the models S1 and S5 differed substantially from those of the models where outliers were removed from the sample (S2, S3, S4, S6, S7, S8). The R^2 statistics of the latter models significantly improved by removing the outliers, and further improved by log transforming the dependent variable (models S3 and S7). The I^2_{res} statistic in Models S4 and S8 indicates the percentage of the residual variation that is attributable to between-study heterogeneity, as opposed to within-study sampling variability. In both models, almost all of the residual variation is due to between-study heterogeneity, strongly suggesting the use of mixed-effects models. In the following discussion we focus on the results of the model S4 unless stated otherwise.

The inverse of the square root of the sample size and inverse of the square root of the number of observations were not significant at any conventional levels in all models. This suggests absence of publication bias.

The context and background under which the primary studies were conducted had a significant impact. The WTP for RE was positively associated with the RE penetration in the current energy consumption and the RE penetration in the proposed energy portfolio, and negatively associated with the current household electricity consumption level.

The source of RE affected respondents' WTP. People were willing to pay more for the electricity generated from solar or generic RE (i.e. no indication of specific source) than

biomass, as indicated by the positive and statistically significant values of the "Solar" and "Generic RE" dummies.

Survey administration also had an impact on the effect size. Online surveys (i.e. the default in our model) tended to generate lower WTP values for RE. Studies that included an opt-out option generated slightly higher WTP values. Surveys that used choice experiments produced significantly higher WTP estimates than studies using other stated preference techniques. The WTP for RE also depended on the specification used in empirical models. The set of social, economic and demographic variables included in the model specifications significantly influenced the WTP estimates (particularly if education, income and additional household characteristics were included).

Table 4 – Fixed-Effects and Mixed-Effects Meta-Regression Results

Dependent Variable:	S1[†]: WTP		S2[†]: WTP		S3[†]: log(WTP)		S4[‡]: log(WTP)	
	Coef.	t-stat.	Coef.	t-stat.	Coef.	t-stat.	Coef.	t-stat.
1/SQRT(sample size)	-33.55	-1.41	-4.62	-0.88	-4.14	-1.80	-4.68	-1.70
Context								
Log (Income)	0.01	0.03	0.47	1.09	0.28	1.74	0.46	1.78
Log (Consumption)	-1.96[**]	-4.12	-2.21[**]	-4.22	-0.63[*]	-2.02	-0.92[**]	-3.46
Current RE Share	9.60[**]	5.93	6.79[**]	3.66	4.83[**]	6.74	5.01[**]	4.53
Proposed RE Share	0.75	0.81	2.09[**]	3.01	0.98[**]	3.43	0.95[**]	3.43
Year	-0.15[**]	-3.02	-0.07	-1.01	-0.07	-1.62	-0.02	-0.65
RE Source								
Solar	2.23	1.06	1.58	1.58	0.64[*]	2.42	0.68[*]	2.58
Wind	2.13	1.14	1.06	1.29	0.48	1.78	0.47	1.91
Hydro	1.56	0.92	0.47	0.64	0.51	1.23	0.59	1.53
Generic RE	2.13	1.50	1.36[*]	1.99	0.95[**]	4.30	0.91[**]	3.47
Survey Administration								
Mail	3.46	1.74	5.01[**]	4.32	3.82[**]	6.17	3.71[**]	7.09
Face-to-Face	1.33	1.61	1.67[*]	2.24	1.51[**]	4.50	1.31[**]	3.38
Phone	2.68	1.86	4.61[**]	3.61	3.70[**]	4.98	2.93[**]	4.48
Other	3.34	1.91	3.70[**]	3.16	2.35[**]	3.10	3.05[**]	5.19
Survey Design								

Package	2.98	1.90	1.35	0.65	1.31	1.58	0.76	0.94
Pilot	-1.62**	-2.73	0.45	0.73	0.33	1.25	0.46	1.86
Opt-out	1.67**	3.34	0.27	0.61	0.64**	2.68	0.46	1.92
DCE	-2.47*	-2.20	-3.45**	-4.11	-2.09**	-4.33	-2.00**	-4.49
Model Specification								
Education	-0.60	-0.59	-1.44*	-2.50	-1.03**	-2.99	-1.26**	-4.06
Income	1.67	1.36	1.48*	2.36	1.13**	2.99	0.74*	2.18
Knowledge	-2.23**	-4.31	-0.51	-0.94	-0.30	-1.03	-0.44	-1.39
Age	2.13	1.86	1.45**	2.94	0.20	0.59	0.58	1.62
Ownership	-1.17	-1.94	0.23	0.32	0.51	1.53	0.32	0.91
Gender	-2.35**	-3.11	-0.96	-1.83	-0.29	-1.35	-0.16	-0.56
Attitude	0.95	1.52	0.38	0.63	0.42	1.42	0.58	1.81
Employment	-0.48	-0.73	0.58	0.72	0.91**	2.59	0.68	1.73
Household	2.63**	5.97	2.38**	6.31	2.10**	9.26	1.90**	6.02
Constant	17.32**	2.90	12.42*	2.42	-0.19	-0.08	-0.02	-0.01
Observations	142		138		131		131	
R^2	0.45		0.65		0.83		0.77	
τ^2							0.46	
I^2_{res}							99.53%	

Notes: * and ** indicate statistical significance at 5% and 1% levels. [†] Fixed effects WLS models. [‡] Mixed-effect models.

Table 4 (cont.) – Fixed-Effects and Mixed-Effects Meta-Regression Results

Dependent Variable:	S5[†]: WTP		S6[†]: WTP		S7[†]: log(WTP)		S8[‡]: log(WTP)	
	Coef.	t-stat.	Coef.	t-stat.	Coef.	t-stat.	Coef.	t-stat.
1/SQRT (number of Obs.)	-42.45	-1.09	-1.03	-0.16	-4.92	-1.80	-5.05	-1.85
Context								
Log (Income)	0.13	0.50	0.36	0.95	0.24	1.81	0.45	1.75
Log (Consumption)	-1.95**	-3.19	-1.78**	-3.21	-0.49	-1.59	-0.95**	-3.62
Current RE Share	8.11**	3.65	7.46**	4.63	4.71**	6.17	4.56**	4.01
Proposed RE Share	0.87	0.60	2.46**	3.02	1.07**	3.80	0.92**	3.29
Year	-0.11	-0.96	-0.09	-1.05	-0.04	-0.88	-0.01	-0.37
RE Source								
Solar	2.34	1.11	1.67	1.69	0.69**	2.62	0.67*	2.55
Wind	2.16	1.21	1.10	1.39	0.57*	2.45	0.47	1.94
Hydro	1.16	0.74	0.10	0.16	0.20	0.67	0.68	1.73
Generic RE	1.83	1.28	1.40*	2.07	0.83**	4.16	0.83**	3.16
Survey Administration								
Mail	6.01	1.74	5.41**	4.71	4.12**	7.51	3.72**	7.18
Face-to-Face	2.69*	2.06	2.04**	2.75	1.57**	4.31	1.36**	3.53
Phone	4.12	1.95	5.01**	3.77	3.66**	4.21	2.97**	4.55
Other	4.45	1.45	3.03*	2.21	2.36**	2.90	3.13**	5.25
Survey Design								
Package	4.35*	2.18	3.03	1.93	1.64	1.72	0.69	0.85
Pilot	-0.94	-1.20	0.58	0.89	0.48*	2.15	0.43	1.75
Opt-out	0.83	1.06	0.52	1.00	0.53	1.89	0.31	1.31
DCE	-1.48	-1.24	-3.10**	-2.99	-1.72**	-3.45	-1.78**	-4.20
Model Specification								
Education	-0.43	-0.48	-1.28*	-2.18	-1.05**	-3.42	-1.18**	-3.84
Income	1.88	1.53	1.72**	2.82	1.23**	2.85	0.68*	2.04

Knowledge	-1.98**	-3.15	-0.40	-0.63	-0.34	-1.23	-0.48	-1.56
Age	2.00	1.34	1.69**	2.68	0.44	1.06	0.48	1.41
Ownership	-0.88	-0.68	0.96	1.17	0.54	1.19	0.15	0.39
Gender	-1.72	-1.69	-1.06	-1.87	-0.27	-1.17	-0.05	-0.20
Attitude	0.93	0.92	0.60	1.00	0.47	1.44	0.53	1.68
Employment	-0.02	-0.02	1.33	1.59	0.96*	2.09	0.55	1.35
Household	3.22**	4.39	2.48**	4.60	2.22**	8.73	1.96**	6.11
Constant	12.84	1.73	8.21	1.49	-1.98	-0.72	0.22	0.09
Observations	142		138		131		131	
R^2	0.38		0.61		0.84		0.77	
τ^2							0.46	
I^2_{res}							99.70%	

Note: * and ** indicate statistical significance at 5% and 1% levels. † Fixed effects WLS models. ‡ Mixed-effect models.

Table 5 presents marginal effects on estimated WTP for variables that have statistically significant impacts based on Model S4. Differences in survey administration, design and model specification have large marginal effects. Context variables and RE source, which explain the true differences between effect sizes across the population, have much smaller marginal impacts.

Table 5 – Marginal effects on willingness-to-pay for renewable energy

Variables	Marginal Changes	Marginal Effects on WTP[†] (cent/kWh)
Log (consumption)	10% increase in consumption	-0.17
Current RE Share	Increase from 0% to 10%	0.43
Proposed RE Share	Increase from 0% to 10%	0.07
Solar	From biomass to solar	0.51
Generic RE	From biomass to generic RE	0.76
Mail	From online to mail	7.52
Face-to-Face	From online to face-to-face	0.51
Phone	From online to phone	3.34
Opt-out	From 0 to 1	0.45
DCE	From 0 to 1	-2.85
Education	From 0 to 1	-1.58
Income	From 0 to 1	0.62
Employment	From 0 to 1	0.83
Household	From 0 to 1	2.45

[†] Marginal effects evaluated at sample mean.

5. Discussion

Since the Kyoto Protocol entered into force in 2005, many developed countries have actioned policies to reduce greenhouse gas emissions to meet their emissions reduction targets. One of the ways in which countries meet their reduction commitments is to increase the share of renewable energy (RE) use. Consequently, there has been increased government and business interest in household adoption of RE which has resulted in an increased number of scientific publications that evaluate public willingness-to-pay (WTP) for RE.

We conducted a meta-regression analysis of stated preference studies that estimated WTP for RE by accounting for differences in survey design (e.g. pilot, opt-out), elicitation format (choice experiment or contingent valuation), and administration procedure (mail, face-to-face, phone, other) of the primary studies. Our study improves upon other meta-analyses of RE adoption, which only examined how differences in WTP were driven by the elicitation format (e.g. Sundt and Rehdanz, 2014). Furthermore, our study differentiates itself from others by including multiple types of RE sources (including solar, wind, biomass and hydro-power) in the meta-regression analysis.[5] We found that WTP for RE (in cents/kWh) is more sensitive to the design and modelling features of the study, than to other factors affecting WTP (Table 4). If WTP estimates are primarily dependent on the study design and estimation models used, one might question the validity of estimates, which calls for caution interpreting the WTP estimates in the primary studies. It also has profound implications for policy suggestions drawn upon such studies and for value transfer applications. The dependent variable in our meta-regression analysis, WTP in cents/kWh of RE (Section 2, equation 1), was calculated by dividing household WTP by the average kWh consumed per household. It is possible that some respondents considered their total electricity bill, rather than their actual energy consumption when answering the WTP questions. In that case, WTP will be less sensitive to the amount of energy (in kWh) consumed. To test whether consumers base their response on their annual electricity bill or their actual energy consumption, future stated preference studies should explicitly state: (1) the proportion of RE (in kWh) to replace non-renewable energy, and (2) how this increased share of RE affects the household's total electricity bill. In most stated preference studies, only one of these two variables is used. Both specifications would be necessary for the respondent to provide an informed reply to the WTP question – taking their budget constraint into account, and the premium they would be willing to pay for renewable energy as opposed to non-renewables.[6] Notwithstanding the above, when we control for survey design, elicitation format, survey administration procedure and model specification, the marginal WTP estimates indicate that people are, on average, willing to pay more for solar energy or RE energy in general, than specifically for biomass, wind or hydro energy. There was no significant difference in WTP between biomass, wind, and hydro-power sources of energy. Our study considered household WTP for renewable energy. In that light, preferences for solar energy over other RE sources may be expected because installing photovoltaic panels that generate solar energy is commonly adopted at the household level. As such, households are likely to be more familiar with solar energy and the feasibility of its implementation. However, to test this hypothesis, and to assess the motivational factors behind the support for solar energy, additional research is required.

All contingent valuation studies and most choice experiment studies included in the meta-regression analysis estimated mean WTP rather than marginal WTP. This is reasonable if the increase in RE-share is small, or if the marginal WTP does not change over the range of increase proposed. However, research has shown that consumers' marginal WTP for green electricity could decrease rather quickly with an increased share of RE in the electricity. The amount that consumers are willing to pay has been found to be highly non-linear in the

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[5] Sundt and Rehdanz (2014) analysed WTP for RE only for generic RE and hydro-energy sources.
[6] We are grateful to an anonymous reviewer for pointing this out.

proportion of energy that is generated from renewables (Farhar, 1999). If the marginal benefits decrease with an increasing proportion of RE in the energy mix, a minimum commitment to RE will be sufficient to produce the 'warm glow effect' of its consumption. This is confirmed by real market observations. Ma and Burton (2014) found that Australian consumers' commitment to environmental protection through purchasing green electricity is largely a result of the warm glow effect. Consumers' WTP for RE decreased drastically once some minimum level of commitment to RE was increased.

The majority of primary studies do not report information on sample mean income, current electricity consumption, current and proposed RE share in energy portfolio, and the type of RE considered. For example, some studies propose a renewable energy policy in their stated preference scenario, but do not specify how much electricity would be generated as a result of accepting the policy (see e.g. Bigerna and Polinori, 2011; Bollino, 2009; Hanley and Nevin, 1999; Navrud and Bråten, 2007; Odam, 2011; Soliño, *et al.* 2009a; Zarnikau, 2003). Given that income, current electricity consumption, current and proposed RE share, and the type of RE explain the true differences in WTP across the population, we cannot directly compare WTP estimates or transfer estimated values without such information. Given governments have limited funds, informed knowledge on the marginal benefits of various types of RE is important to enable governments to target their support where social welfare can be maximised. We recommend future studies specify the RE in the survey, when eliciting people's WTP. Furthermore, researchers are recommended to report information about sample mean income, electricity consumption, and RE shares in future studies.

If no studies are available for a specific State or country, policy makers could use benefit transfer to estimate the values for RE. Benefit transfer involves transferring the WTP values from one study site (the source of data) to another (the site of policy interest). This approach would be preferable when it is too expensive or time consuming to conduct an original valuation study. However, we found several limitations in the existing body of literature that can limit the usefulness of current WTP estimates for benefit transfer purposes. First, we found that existing stated preference studies do not always specify the type of RE, the proportion of RE in the electricity mix, and how an increased share of RE would affect total household electricity bills. Such information can affect respondents' WTP for RE, and subsequent usefulness for benefit transfer. Second, the wide range of WTP estimates in the RE literature (as shown in Fig. 1 could even undermine policy support for RE, as there appears to be no clear consensus on how much people are willing to pay. Third, we found that a large number of primary studies do not report standard error or equivalent dispersion statistics of their WTP estimates. As many point estimates are very close to zero, this practice raises concerns about whether reported WTP estimates reflect significant effects. Studies often jump quickly to drawing welfare and policy implications from the estimated mean or median WTP value without proper reporting or discussion of dispersion statistics. Large WTP variances can translate into an untenable implication that people are willing to pay a large sum of money for RE (Train and Weeks, 2005). The lack of defensibility undermines the reliability and usefulness of such studies.

6. Conclusion

This paper presents the findings from a meta-regression analysis of primary studies on the willingness-to-pay (WTP) for various types of renewable energy (RE) and the factors that impact on WTP. The purpose of this study was to find consensus on the effect size and explain what determines heterogeneity in effect sizes. Our study tested the robustness of various (fixed effects and mixed effects) models, and accounts for possible publication and selection bias, as well as heteroscedasticity and within-study dependence. Results from the meta-regression analysis suggest that the main factors affecting WTP are related to survey administration, design and model specification, more so than the factors one would expect to explain true differences in WTP (including RE type, context variables, people's socio-economic profile and their energy consumption patterns). Following meta-analysis reporting protocols (include references) and controlling for survey administration, design and model specification, we show that people have significantly higher WTP for electricity generated from solar or generic (i.e. no indication of a specific source) renewable energy sources than for wind, hydro or biomass. Additionally, WTP for RE was positively associated with the RE penetration in current energy consumption and the RE share in a proposed energy portfolio, but negatively associated with current household electricity consumption level. We also found that a number of primary studies did not specify the type of RE being measured, and opted to refer to RE in a generic or conceptual sense. Consequently, it was not possible to attribute WTP to a specific type of RE and limits the ability to transfer the WTP estimates in the future, an important consideration that needs to be looked at in future RE specific WTP studies.

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