EM&V Forum Net Savings Panel

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Three Questions

- Why is net savings important?
- Why is net savings hard?
- Given that net savings is important but hard, what, if anything, needs to be changed to keep the concept viable?

Why is Net Savings Important?

- We're trying to cause energy to be saved – not count up what's already being saved.
- Without net savings:
  - Resources will be misallocated to programs that are having relatively little effect on the world
  - Program administrators are likely to face perverse incentives to pursue savings that would have occurred anyway.
  - Savings that could have been achieved will be missed.
- Our challenges in establishing causality are far from unique
  - Causality is both a central focus and a challenge in virtually every field of public policy, social program evaluation, and branch of applied social science.
  - Other fields have not given up, so why should we?

Why Is Net Savings Hard?

- Human behavior and motivation are complex
- Further complicated by the fact that we are dealing with a counter-factual
- To estimate net savings *quantitatively*, for *each program,* for *each year* is an extremely demanding way to approach the challenge
  - Net savings is fundamentally a social science enterprise
  - Social science usually proceeds by accumulation, reaching a broader truth through repeated, peer-reviewed studies.
  - But we are trying to reach a specific, reliable number in each study we perform.
  - There are few other fields of social program evaluation that try to do this

How Not to Throw the Baby Out With the Bath Water, Part 1

- Net savings is not equally hard for all programs
- Programs vary in:
  - The complexity of the customer's decision-making processes
  - The number of decision-makers involved
  - The likelihood of supply-side effects and spillover
  - The range of net savings methods that are viable
- For programs for which it's not all that hard, there's not that much that needs to be changed

How Not to Throw the Baby Out With the Bath Water, Part 2

- For programs for which it *is* hard, broaden the focus
  - From coming up with a specific score for each program to:
    - Supporting program redesign and making sure the structure of incentives facing program administrators is constructive
    - Producing generalizable insights into what works and what doesn't
  - From the net effects of each program to the combined net effects of all interventions affecting a given market
  - From the net savings over a short period to the net savings over a multi-year program cycle
  - From resource acquisition savings to long-term market effects

How Not to Throw the Baby Out With the Bath Water, Part 3

- The degree of controversy over net savings methods is greatly increased by program administrators' perception of risk, volatility, and lack of control
- However, program administrators do have *some* degree of control over net savings results.
- Therefore, look for ways to limit risk to program administrators associated with the net-to-gross ratio, *without eliminating it entirely*