

# Mandatory vs Voluntary Payment for Green Electricity

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**Abstract** Renewable energy sources have a critical role to play in contributing to the diversity, sustainability and security of energy supplies. The main objectives of the paper is to gain an understanding of UK households' preferences for the type of mechanism that is used to support renewables. Two self-designed contingent valuation method (CVM) surveys are used to explore whether the type of payment option has an impact on households' willingness to pay for increasing share of renewable energy in electricity generation. The paper also investigates whether the type of payment mode affects respondents' self-reported certainty of paying their stated valuations. The results indicate that the likelihood of paying a positive amount for supporting renewable energy is higher under a mandatory scheme compared to a voluntary payment option in the UK. Respondents have a higher level of certainty in paying their stated WTP under a mandatory payment scheme.

**Keywords** Contingent Valuation Method, Payment Method, Renewable Energy, Green Tariffs, Willingness to Pay, Zero Inflated Ordered Probit Model

**JEL Classification** C35, D10, D12, D80

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