

The effect and cost of a subsidy policy for the introduction of photovoltaic panels

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Abstract

This paper investigates the effects and possible costs of a subsidy policy for photovoltaic (PV) systems by Japanese municipalities. The paper argues that a policy introduced by a local government may have a stronger effect than the same policy introduced on a national scale. However, there is also a possibility that the financial burden may be heavier if introduced on a local scale. Here, the demand function of the PV system is estimated between 1997 and 2005, and the effects of a municipality policy are evaluated accordingly. The findings suggest that a municipality policy would enhance demand by 0.9% to 5.7%, and that CO<sub>2</sub> elimination costs would be between 8.3 thousand yen and 19.5 thousand yen per ton.