

Building Market Transformation: transforming markets from the inside

Abstract for Sustainable Innovation 08

Dr. Mark Hinnells
Senior Researcher
Lower Carbon Futures Team

Environmental Change Institute
Oxford University Centre for the Environment
South Parks Road
OXFORD
OX1 3QY

Tel +44 (0)1865 285164
Fax +44 (0)1865 275850
Mark.hinnells@ouce.ox.ac.uk

Buildings account for 47% of UK carbon emissions. The Building Market Transformation project is exploring how markets could be transformed through a range of policy measures to drive large-scale reductions in carbon emissions from both residential and non-residential buildings (eg as much as 80% reductions by 2050).

For many years, policy has been evolutionary and has allowed businesses and business models to remain broadly unaltered. However, policy is now arguably becoming revolutionary and eliciting exciting, unexpected and unpredicted responses from business. The paper explores several examples of how business models may fracture and then new ones emerge as a result of changed policy.

One example is the effect of the policy of zero carbon new homes in the UK by 2016. Housing developers are not in a position to deliver many of the technologies and techniques themselves and they are outsourcing the design, build, financing and operation of energy systems. This is a step change in the market for energy services companies (ESCo). The development of the ESCo industry was an unintended and little foreseen consequence of the policy, which is ironic since Government has unsuccessfully tried to foster the Energy Services model over a number of years.

There are also likely to be new ways of learning in response to policy, eg using internet based communities to build partnerships and share learning much faster than through conventional routes.

The author, as well as being an academic researcher is a partner in a business incubator (Meltwater Ventures) which is in the process of developing four low carbon businesses, each of which has been given the opportunity to emerge because of changed policy and market conditions. Of these, one is an ESCo (the Zero Carbon Company), and another is an internet based community (2 degrees, see www.g-business.com). The paper will explore on these markets based on both reflection as a researcher and active participation in the markets (participant observation).

The lessons for policy are important and discussions focus around four themes: first the implications of change from evolutionary to transformational policy (eg longer term, fixed, and very challenging targets); second that we cant transform markets without getting inside them and understanding the market, its issues and its practitioners (which Government is poor at doing); third that innovation policy is aiming at new technology, whereas many of the technology solutions we need already exist and there is a need for service innovation (or social innovation or social entrepreneurship) rather than technology innovation alone; fourth, when modelled, policy scenarios are often relatively evolutionary, whereas change in practice is likely to be discontinuous and unpredictable. How can policy better take into account transformational change, including new business models?