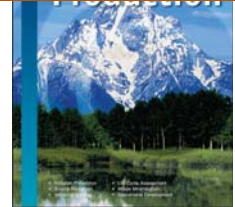


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An Analysis of the Costs of Energy Saving and CO₂ Mitigation in Rural Households in China

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[Abstract] Households may imperfectly implement energy saving measures. This study identifies two factors resulting in imperfect use of energy-saving technology by households. Households often continue to use old technologies alongside new ones, and the energy-saving technologies have shorter actual lifetimes than their designed lifetimes. These two factors are considered when computing marginal energy conservation cost and marginal CO₂ abatement cost using data collected from a survey of rural households in three provinces in China. The results show that there are cost reduction for most space heating technologies, and their marginal abatement cost under full implementation ranges from -60 to 15 USD/t-CO₂, while the marginal abatement cost of cooking technologies ranges from 12 to 85 USD/t-CO₂. The marginal abatement costs of the majority of technologies increased after accounting for the two implementation factors. The marginal abatement cost in the imperfect implementation scenario is higher, with a range of -1 to 15 USD/t-CO₂ for space heating, and 18 to 165 USD/t-CO₂ for cooking. Assuming implementation factors are constant until 2035, annually achievable CO₂ abatement by 2035 is estimated to be 57, 11, and 10 Mt-CO₂/y in Hebei, Guizhou, and Guangxi Provinces.

Key words: Energy saving technology, cost estimation, rural households, China

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37 **Abbreviations**

<i>GHGs</i>	Greenhouse gases
<i>MACC</i>	Marginal abatement cost curve
<i>MECC</i>	Marginal energy conservation cost curve

38 **Nomenclature**

<i>AE</i>	Adoption efficiency rate, %
<i>B</i>	Maximum methane producing capacity for manure produced by swine, m ³ CH ₄ per kg of VS excreted
<i>COE</i>	Annualized energy conservation cost of 1 GJ [USD/GJ]
<i>COA</i>	Annualized abatement cost of 1 unit CO ₂ equivalent [USD/tCO _{2e}]
<i>CRF</i>	Annuity cost factor
<i>c</i>	Specific heat of water, 4.20 kJ/(kg°C)
<i>d</i>	Annual working days of biogas digester
<i>DS</i>	CH ₄ density (0.00067 t/m ³ at room temperature (20°C) and 1 atm pressure)
<i>ΔEC</i>	Energy conservation per household at the technologically maximum potential [MJ/y]
<i>EF</i>	Emission factor [gCO ₂ /kg fuel]
<i>FC</i>	Fuel consumption [MJ]
<i>Hv</i>	Latent heat of vaporization at atmospheric pressure, 2,257.2 kJ/kg
<i>MCF</i>	Lagoon methane conversion factor calculated by IPCC
<i>MS</i>	Fraction of manure handled in system annually [%]
<i>RP</i>	Household scale, people per household
<i>RE</i>	Removal efficiency [%]
<i>Temp1</i>	Original water temperature before heated, assumed to be the local temperature [°C]
<i>Temp2</i>	Water temperature after heated, data from the field survey [°C]
<i>t</i>	Lifetime of technology
<i>h</i>	The net calorific value of biogas, about 20,935 kJ/m ³
<i>VS_{site}</i>	Onsite daily volatile solid excreted for swine [kg]
<i>W_{site}</i>	Average animal weight of a defined livestock population at the project site [kg]
<i>W_{default}</i>	Average weight defaulted by IPCC in calculation [kg]
<i>n</i>	Abatement technology
<i>hh</i>	Household
<i>i</i>	Province

ref Reference technology

39 **Greek letters**

ν **Daily biogas generation rate [%]**

η Thermal efficiency of biogas cooker [%]

α Shape parameter of Weibull distribution

λ Scale parameter of Weibull distribution

40

41

42 **Highlights:**

- 43 • This paper estimates energy use and CO₂ abatement costs of rural residents in China.
44 • Technologies have shorter lifespans in the field than their designed lifetimes.
45 • A rural household survey was carried out in Hebei, Guizhou, and Guangxi Provinces.
46 • Marginal abatement cost of most technologies increased after accounting for the
47 adoption efficiency and lifetime.

48

49 1. Introduction

50 Energy consumption is one of the most fundamental drivers of climate change globally. The
51 residential sector accounts for approximately 35% of total energy consumption on average in
52 developing countries, while this number is around 20% in developed economies (Nie and Kemp,
53 2014). In China, residential energy consumption consists of roughly 10% (Yuan et al., 2015) to
54 11% of the country's total (Nie and Kemp, 2014). In rural China, non-commercial technologies
55 and biomass fuels are widely used. Biomass accounts for about 40% of total residential energy
56 use, followed by coal with a share of 19%. The large share of non-commercial fuels increases
57 the difficulty of estimating energy consumption and costs in rural areas in China (Xiao et al.,
58 2014). Various policies and subsidies have been launched in China since the 1990s with the
59 primary purpose of accomplishing energy savings or improving the living condition of residents
60 at minimum cost.

61 In practice, households and enterprises are hindered from approaching the optimal level of
62 energy efficiency due to various market barriers (Hirst and Brown, 1990), which is referred to as
63 the 'energy efficiency gap' (Schipper et al., 1989). Energy efficiency technologies that are
64 financially cost-effective might not be as widely adopted by potential users as expected. The
65 actual technology diffusion rates will be lower than the optimal rates (Jaffe and Stavins, 1994).
66 In this paper, the effect of imperfect technology adoption and implementation on carbon
67 emissions abatement and abatement costs in rural Chinese households are investigated.

68 Marginal abatement cost curves (MACCs) are a tool for comparing different abatement
69 measures (Huang et al., 2016). A MACC shows the relationship between reduction in emissions
70 and the marginal cost per unit of abatement. MACCs can be seen as abatement supply curves,
71 which show the optimal order of options to meet an abatement target. The abatement achieved
72 by the options is relative to a reference technology. MACCs should also take into account the
73 implementation factors of the various technologies.

74 MACCs can be generated using an expert-based or model-based approach. The former are
75 referred to as bottom-up MACCs (Meier, 1982) and have the advantage of the full use of
76 technology information. This approach has been criticized because it does not take into account
77 the institutional and behavioral context (Vogt-Schilb and Hallegatte, 2011) and does not reflect
78 implementation barriers (Kesicki and Ekins, 2012). Model-based top-down MACC models are
79 derived using Computable General Equilibrium (CGE) models, input-output (IO) models, or
80 other simulation models (Ellerman and Decaux, 1998). Model-based MACCs have the
81 advantage of taking into account the interactions among abatement measures. On the other hand,
82 models introduce many assumptions, which are not necessarily realistic. An integrated MACC
83 may be built by combining bottom-up and top-down approaches. For example, the Regional Air
84 Pollution Information and Simulation (RAINS) model was developed to explore emission

85 mitigation pathways of major air pollutants and greenhouse gases (Amann et al., 2004).

86 MACCs have rarely been used to analyze the residential sector, especially for rural households
87 in China. Energy consumption patterns are quite different in rural and urban areas as
88 non-commercial energy is widely used in rural areas (Xiao et al., 2014). Rural buildings are
89 estimated to account for 33% of the CO₂ abatement potential in the entire building sector in
90 China (Xiao et al., 2014). Researchers usually focus on urban residential (Mortimer et al., 1998);
91 or commercial buildings (Hong et al., 2017), although their abatement potential is much less
92 than rural residential buildings. Examples of research on carbon emissions from the residential
93 sector include: Zhang et al. (2015) who calculate China's carbon emissions from urban and rural
94 households in the period 1992-2007; Zhang and Zhou (2016) who investigate the carbon
95 abatement effects of policy regulations and Yuan et al. (2017) who look at the effects of building
96 standards in the residential sector.

97 Previous research on the residential sector in China suffers from four main weaknesses.

98 First, previous research does not distinguish the rural residential sub-sector from the urban
99 sector and the, marginal abatement cost (MAC) and abatement potential of different
100 technologies in the rural residential sector have not been compared.

101 Second, the influence of implementation factors and household behavior on technology
102 adoption and abatement are rarely quantified. Previous studies failed to consider the gap
103 between households' actual behaviors and an idealized scenario of full adoption.
104 Implementation gaps increase abatement cost compared to the full implementation scenario.
105 Researchers found it hard or even impossible to quantitatively include these implementation
106 factors into their analysis (Streets et al., 2001). They simply assume an implementation rate
107 (Rubin et al., 1992), due to data availability and method constraints.

108 Third, most existing studies assume full implementation without clarification (McKinsey &
109 Company, 2009b), and the uncertainty behind this assumption has rarely been discussed.

110 Regional differences are seldom distinguished. Variations in MACCs at the provincial level in
111 China have rarely been considered (Du et al., 2015). Provinces in the north and south of China
112 greatly vary in technology feasibility and energy consumption patterns, due to the climate, local
113 resources, and governance differences.

114 Addressing these weaknesses in previous research, this study investigates rural households in
115 three selected provinces in China and gives insights for improving existing approaches of
116 constructing marginal energy conservation cost curves (MECC) and MACC. The influences of
117 implementation factors on abatement volume and abatement cost are quantified accordingly.
118 The regional differences are also discussed in this paper.

119 This paper is structured as follows: Following the Introduction, the research method is given in

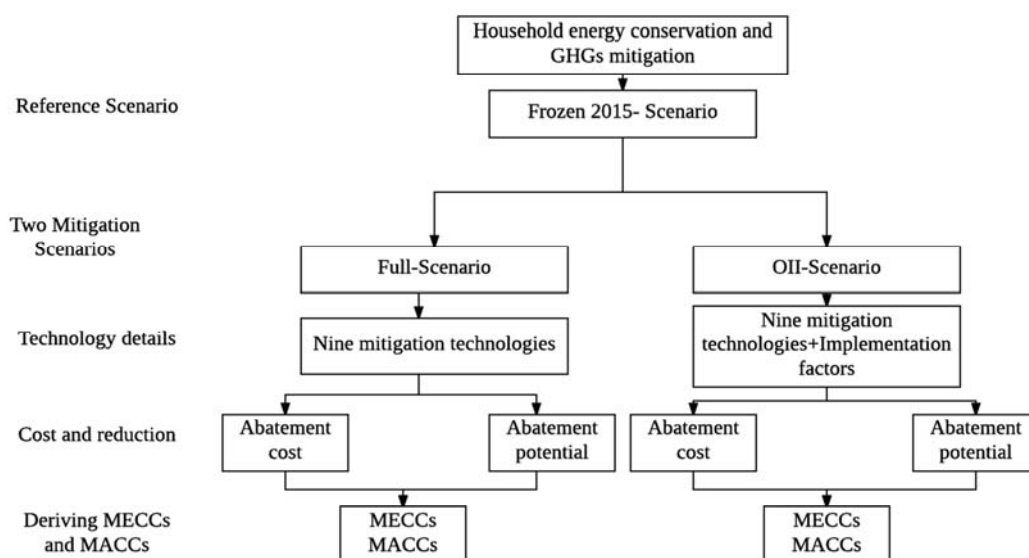
120 Section 2. Section 3 describes the data collection survey. Marginal cost curves for energy
 121 conservation and greenhouse gas (GHG) abatement are presented in Section 4. A sensitivity
 122 analysis is carried out and weaknesses are discussed in Section 5. Section 6 gives the
 123 conclusions.

124 2. Research method

125 2.1 Analysis framework and scenarios

126 MECC and MACC are useful tools for ranking technology options from lowest marginal cost to
 127 highest. The analysis framework is shown in Fig.1. Ten technology options are identified in the
 128 field survey for three types of end services. Among these, five cooking abatement technologies
 129 are identified: improved brick stove, cement household biogas, steel-glass biogas, improved
 130 metal stove, and centralized biogas. Four technologies serve for space heating. They are:
 131 individually improved space heating stove, household biomass gasifier stove, biomass briquette
 132 stove, and elevated huokang – a heated bed platform. Solar water heaters serve as a abatement
 133 technology for water heating.

134 The reference technology refers to the traditional technology, which is replaced by abatement
 135 technologies. When studying energy saving and emission reduction potentials of interventions
 136 in rural households' energy consumption, previous researchers use 'coal consumption or solid
 137 biomass fuels substitution' as the reference technology (Aunan et al., 2013). In our study, the
 138 reference technology for cooking is a traditional brick stove burning straw and wood. There are
 139 two reference technologies for space heating. Where coal is used, the reference technology is a
 140 traditional metal coal stove, where straw and wood are used is a grounded Huokang. The
 141 reference technology for water heating is an electric water heater.



142

143

Fig.1. Analysis framework of this study.

144 The abatement cost and abatement potential for each technology option as the incremental cost
 145 of the abatement technology replacing the reference technology are calculated. Unit energy
 146 conservation cost (*COE*) is defined as the cost of saving 1 GJ of energy. Unit CO₂ abatement
 147 cost (*COA*) is defined as the abatement cost of 1 kg of CO₂ equivalent. Capital investment,
 148 operational and maintenance cost, and fuel cost are covered in the cost analysis. Energy
 149 conservation and CO₂ abatement potential in different scenarios are estimated. Energy demands
 150 of rural households through 2035 are projected based on energy consumption in 2015 obtained
 151 from the field study. To construct MECCs and MACCs, the cost effectiveness of each advanced
 152 technology is compared and ranked with respect to its marginal cost from the lowest to highest.
 153 Technologies with lower removal efficiency and higher unit reduction cost are excluded from
 154 further analysis.

155 The energy efficiency technologies can only be adopted by households who are not using these
 156 devices. The maximum energy conservation potential is estimated by taking this into account.
 157 Capital investments in existing technologies are treated as sunk costs, and so only fuel costs and
 158 maintenance costs are considered for the baseline technologies.

159 Three scenarios are used this research (Table 1). Frozen 2015-Scenario assumes that the
 160 observed energy consumption level in 2015 remains constant to 2035. OII-Scenario is the
 161 Observed Imperfect-Implementation Scenario, which is the scenario considering the
 162 implementation factors (the most likely achievable MECC and MACC under imperfect
 163 implementation). Full-Scenario is the calculated Full-Implementation Scenario, which does not
 164 consider the two implementation factors. The difference in MACCs between Full-Scenario and
 165 OII-Scenario is a function of the two implementation factors identified by authors from the field
 166 survey. One factor is due to the shorter lifetime t of advanced technologies in the field compared
 167 to their designed lifetime, which will induce much higher annualized costs. Households stopped
 168 using some of the energy-saving technologies before the designed lifetime because of the
 169 following reasons: 1) lacking of energy resources, for example, biogas; 2) some technologies
 170 requires skilled labor for operation and maintenance (O&M); or, 3) habits (households preferred
 171 the traditional stoves). The other factor is due to the lower adoption efficiency (*AE*), which is the
 172 annual serving days of a technology divided by 365. In OII-Scenario, *AE* is lower than 100% for
 173 most options. In Full-Scenario, *AE* ideally equals to 100%.

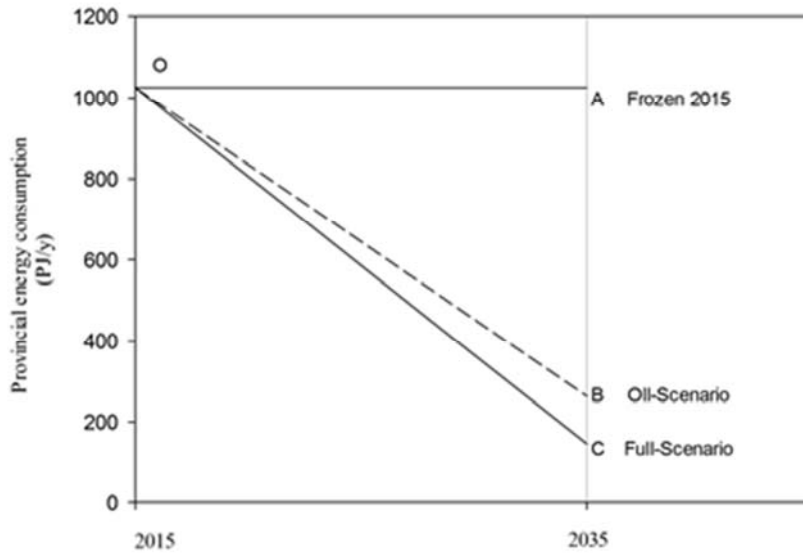
174 **Table 1**

175 Descriptions and two implementation factors defined in three scenarios.

Scenario	Descriptions	Lifetime of device (t)	Adoption efficiency (<i>AE</i>)
Frozen 2015-Scenario	Shares of current technologies among rural households keep	Predicted median lifetime of abatement technology	Observed <i>AE</i> in field survey

	constant to 2035		
Full-Scenario	Abatement technologies at maximum adoption, gradually from the lowest MAC to the highest	Designed lifetime of abatement technology	100%
OII-Scenario	Imperfect implementation factors on Full-Scenario	Predicted median lifetime of abatement technology	Observed <i>AE</i> in field survey

176 Fig. 2 illustrates the relationship among the three scenarios. The x-axis is the time horizon; the
 177 y-axis shows the energy consumption level. The projected reduction gap between the
 178 Full-Scenario and the OII-Scenario is positive and is shown as the distance between the two
 179 lines AC-AB, equal to the length of BC. The cumulative reduction gap is the area between the
 180 two lines, shown as the area of BOC.



181

182 **Fig.2.** Illustration of the three scenarios defined in this study.

183

183 2.2 Calculations of marginal energy conservation cost and marginal abatement cost

184 The cost per unit energy saving offered by energy conservation technology n in household hh in
 185 region i is denoted by COE and can be calculated by the levelized cost of energy technology
 186 compared with no control option, and divided by the annual energy conservation, as in Eq. (1).

$$187 \quad COE_{n, hh, i} = \frac{NPV_{n, hh, i} \cdot CRF_n}{AE_{n, hh, i} \cdot \Delta EC_{n, hh, i}} \quad (1)$$

188 where $NPV_{n, hh, i}$ is the net present value of technology n in basic year 2015, made up of
 189 investment cost, maintenance, and operational cost, which were obtained from the field survey;
 190 $\Delta EC_{n, hh, i}$ is the energy conservation per household using technology n at the technological
 191 maximum potential.

192 The annuity cost factor CRF_n of technology n is a function of discount rate r and the lifetime, t ,
 193 of the technology device (Lindeburg, 1992), as shown in Eq. (2).

$$194 \quad CRF_n = \frac{(1+r)^t \cdot r}{(1+r)^t - 1} \quad (2)$$

195 Either private or social discount rates have been adopted in previous studies. McKinsey &
 196 Company (2009b) and Treasury (2003) used a social discount rate of 4%-5%. Mortimer et al.
 197 (1998), Ruderman et al. (1987), and Xiao et al. (2014) used a private discount rate, ranging from
 198 12%-25%. The private discount rate in the residential sector, which reflects the perspectives of
 199 individual consumers, is naturally higher than the social discount rate. When there are
 200 government subsidies for equipment, households pay part of the fixed investment cost. The
 201 discount rate could be adjusted to be lower. In this study, 8% is adopted as a compromise value.

202 AE and t are two implementation factors that may cause a gap between energy saving in the
 203 Full-Scenario and OII-Scenario. The annual serving days of a technology by each household is
 204 collected from the field survey. t is the lifetime of the technology, in other words, the number of
 205 years the equipment is used by end users. In Full-Scenario, t is equal to the designed lifetime of
 206 the equipment. In OII-Scenario, t is obtained from the field survey carried out by the authors.
 207 There are two situations. One is that the use of device is observed to be no longer used. In this
 208 case, t equals to the observed in use year of equipment. Eq. (1) is then adopted to calculate
 209 COE.

210 In the other case, the households are still using the technology during the survey, and so it is
 211 impossible for the authors to follow all the households until the equipment is discarded. These
 212 data are, therefore, censored data. We assume that the lifetime of equipment fits a two parameter
 213 Weibull distribution, similar to the estimation method adopted by Cai et al. (2015). In year t , the
 214 cumulative survival rate is roughly estimated by Eq. (3).

$$215 \quad S(t) = \exp \left[- \left(\frac{t_i}{\lambda} \right)^\alpha \right] \quad (3)$$

216 where, α and λ are the shape and scale parameters of the Weibull distribution to be estimated.
 217 The central lifetime of equipment can be obtained when the cumulative survival rate is equal to
 218 0.5, as shown in Eq. (4).

$$219 \quad \hat{t}_m = \left[\log 2 \cdot \hat{\alpha} \right]^{\frac{1}{\hat{\lambda}}} \quad (4)$$

220 The range of t is between the observed age and the designed lifetime for each censored sample.

Eq. (1) is calculated in these cases by simulating 2,000 realizations of t randomly. An average value of COE is calculated for each technology. According to the “law of large numbers”, the sample mean approaches the theoretical mean when sample size increases. The calculated average COE can be used as the theoretical mean value of COE for all sample households. Matlab is used for programming of the calculation, and the code is provided in Supporting Information S6.

Adopting a similar approach to the RAINS model (Klimont et al., 2002), advanced technologies for the same energy demand type (cooking, space heating and water heating) are substituted from the least cost technology to the highest one with additional cost per unit of incremental energy conservation, and the MECC of technology n denoted by $MECC_n$ is calculated by Eq. (5):

$$MECC_{n,i} = \frac{\overline{COE}_n \cdot \Delta EC_n - \overline{COE}_{n-1} \cdot \Delta EC_{n-1}}{\Delta EC_n - \Delta EC_{n-1}} \quad (5)$$

where COE_n is the average unit energy conservation cost of observed samples. The energy conservation potential of each technology n is presented as a segment on the MECC curve.

COA_n is the average value of annualized abatement cost of GHG emissions abatement based on energy conservation in units of USD/t-CO₂. COA_n can be calculated at the household level using Eq. (6).

$$COA_{n,hh,i} = \frac{NPV_{n,hh,i} \cdot CRF_n}{AE_{n,hh,i} \cdot \Delta EC_{n,hh,i} \cdot EF_{ref} \cdot RE_{n,hh,i}} \quad (6)$$

where EF_{ref} is the emission factor of reference technology. Removal efficiency RE of the technology n is defined as the share of CO₂ abatement by adopting advanced technology divided by emissions from the reference technology when meeting the same energy demands, as calculated by Eq. (7).

$$RE_n = \frac{EF_0 \cdot FC_0 - EF_n \cdot FC_n}{EF_0 \cdot FC_0} \quad (7)$$

EF_n denotes the emission factors of each abatement technology. EF_n used in this paper are listed in the Supporting Information Table S1. The efficiencies of different stove types are listed in Supporting Information Table S2.

The average unit CO₂ abatement cost, \overline{COA}_n , is calculated in a similar way to COE. The MAC of technology n can be calculated based on Eq. (8), which is similar to Rypdal et al. (2009) and Rubin et al. (1992). All technologies are ranked according to RE from the lowest to the highest,

250 and technology options are replaced by $n+1$ and so forth.

$$251 \quad MAC_{n,i} = \frac{\overline{COA}_n \cdot RE_n \cdot AE_n - \overline{COA}_{n-1} \cdot RE_{n-1} \cdot AE_{n-1}}{AE_n \cdot RE_n - AE_{n-1} \cdot RE_{n-1}} \quad (8)$$

252 MECC and MAC curves in Full-Scenario and OII-Scenario are constructed following the same
253 steps as introduced above in this section. The difference is the input parameter of the two
254 implementation factors.

255 2.3 Estimation of energy consumption by end-use services

256 Rural households have a complex energy consumption mixture, mainly because of the wide use
257 of non-commercial energy, which also causes difficulty in cost estimation. The construction and
258 maintenance costs of self-constructed equipment can be obtained from the field survey, by
259 multiplying all the materials consumed by the local prices of materials and summing up. The
260 results are shown in the Supporting Information Table S2. The methods adopted to calculate the
261 energy consumption of household biogas digesters, large centralized biogas systems, and solar
262 water heaters are described below.

263 2.3.1 Energy consumption of biogas generation

264 Heat generation by the small-scale household biogas digester is calculated by adopting the
265 method from UNFCCC (2013), as shown in Eq. (9).

$$266 \quad EC = v \cdot d \cdot h \cdot \eta \quad (9)$$

267 where, EC denotes for heat generation by biogas; v is the daily biogas generation rate (m^3/d),
268 which is estimated based on household number, averaged meals need daily, which were
269 obtained from the field survey. The biogas needs for one meal per person is assumed to be
270 $0.16 m^3$, the same as adopted by Gosens et al. (2013); d is the annual working days of biogas
271 digester, which was obtained from the field survey; h is the net calorific value of biogas, about
272 $20,935 kJ/m^3$; and, η is the thermal efficiency of the biogas cooker.

273 The summary of calculation data of the four large biogas systems is given in Table 2. Two $1,000$
274 m^3 , a $400 m^3$ and a $90 m^3$ systems were surveyed in this study.

275 **Table 2**

276 Summary of calculation data of large biogas projects.

	Hebei	Guizhou	Guangxi	
	Badaogou	Boxiangtai	Zengyutun	Laipa
Installed capacity (m^3)	1,000	1,000	400	90
Daily output (m^3/d)	650	200	123	40
Annual in use days (days)	365	60	90	240
Adoption efficiency (%)	100	16	25	66

Installation households	216	136	50	22
-------------------------	-----	-----	----	----

277 To verify the reported data, and as the input source of the centralized biogas project is dung only,
 278 the biogas output in this research is estimated according to the pig farm scale and based on the
 279 method provided by IPCC (2003). The emission factor for methane emission from manure
 280 management can be calculated by Eq. (10).

$$281 \quad EF = VS_{site} \cdot d \cdot B \cdot Ds \cdot MCF \cdot N \cdot MS \cdot 100 \quad (10)$$

282 where d is the working days of the biogas system annually, which is obtained from the field
 283 survey; B is the maximum methane producing capacity for manure produced by swine, $m^3 \text{ CH}_4$
 284 kg^{-1} of VS excreted; MCF is the lagoon methane conversion factor calculated by the IPCC; MS
 285 is the fraction of manure handled in the system annually; N is the annual number of swine; Ds is
 286 CH_4 density (0.00067 t/m^3 at room temperature (20°C) and 1 atm pressure);

287 VS_{site} is the onsite daily volatile solid excreted by swine, adjusted by the average weight of pig
 288 provided by the farm owner that can be further estimated by Eq. (11).

$$289 \quad VS_{site} = \left(\frac{W_{site}}{W_{default}} \right) \cdot VS_{default} \quad (11)$$

290 where $VS_{default}$ is the default daily volatile solid excreted by swine (kg dry matter per day per
 291 head); W_{site} is average animal weight of a defined livestock population at the project site; $W_{default}$
 292 is the animal weight defaulted by IPCC. Parameters in Eq. (9)-(11) are shown in Supporting
 293 Information table S3.

294 2.3.2 Energy consumption of solar water heater

295 Adopting the method used by Niu et al. (2014), the total annual heat produced by solar water
 296 heater (EC_{solar}) can be calculated by Eq. (12).

$$297 \quad EC_{solar} = RP \cdot d \cdot [w \cdot c \cdot (temp_2 - temp_1) + 0.1 \cdot w \cdot Hv] \quad (12)$$

298 where RP is household scale based on data from the field survey. d is annual use days of solar
 299 water heater, data from the field survey. w is daily consumption water amount, which is
 300 calculated based on data of residential water use in 2014. The number in China Statistics
 301 Yearbook is 47.6 kg/d (NBSC, 2015), and residential building hot water consumption of solar
 302 water heater ranges between 40-80 L/d/person in national standard of solar water heater in
 303 buildings (MOHURD, 2003). In underdeveloped areas, hot water consumption is estimated to
 304 be 26.2 L/d/person by a survey study carried out by Du (2011). The rough data of households on
 305 their daily hot water consumption was obtained, including washing, bathing and put an
 306 adjustment coefficient of 0.7 on the national standard, which is 28 kg/d/person. c is the specific
 307 heat of water, 4.20 kJ/(kg°C); Hv is the latent heat of vaporization at atmospheric pressure,

308 2,257.2 kJ/kg; *Temp1* is the original water temperature before being heated, which is assumed to
 309 be the local temperature; and *Temp2* is the water temperature after being heated, based on data
 310 from the field survey.

311 3. Data used in this study

312 Three provinces and regions in different climate regions in China were chosen in this study, as
 313 shown in Fig.3. Households in a total of 22 villages of seven municipal cities were interviewed
 314 during June to August 2015 by a group of interviewers. The black dots show the approximate
 315 locations of the cities. From north to south, Hebei province is located in the North China Plain
 316 with ‘Hot summer - Cold winter’ climate, in which 236 valid household samples were
 317 interviewed. Guizhou is located in the south-western Guizhou plateau, which has ‘Cool summer
 318 - Mild winter’, and 320 households were interviewed there. Guangxi province is based in south
 319 China Guangxi basin, which has a climate of ‘Hot summer - Warm winter’, where 112
 320 households were interviewed.



321

322 **Fig.3.** Field survey sites in three provinces.

323 The questionnaire is structured as follows. First, household membership and income
 324 information are collected. Second, both commercial and non-commercial fuels were recorded.
 325 Three end-use services are distinguished, which are cooking, water heating and space heating.
 326 The technologies adopted by the household were also recorded. Third, initial costs, operation
 327 and maintenance costs, and fuel costs are included in the questionnaire. We requested specific
 328 information for determining the implementation factors: the frequency of adoption annually (AE)
 329 and the lifetime (t) of the equipment.

330 Ten energy-saving technologies in three end-services are observed in the field survey, which are
 331 identified for the current year until 2035. The current ownership of each advanced technology is
 332 summarized in **Table 3**, which is used for calculating energy consumption and emission level in
 333 Frozen 2015-Scenario. Installed ownership indicates households who installed the technology.
 334 The observed ownership for 2015 indicates the ownership that was been observed in field
 335 survey in 2015, meaning that households are still using the technology at the time of the survey.
 336 It presents the performances of the technologies and the Frozen 2015-Scenario is calculated
 337 based on this data. CO₂ emission factors of each technology and fuel type are obtained from
 338 various previous studies, and the median value is used in this research, as given in the
 339 Supporting Information S2.

340 **Table 3**

341 Ownership of energy-saving technologies in three regions in 2015 (sets/100 households).

End-use service	Energy-saving technology	Hebei		Guizhou		Guangxi	
		Installed	2015	Installed	2015	Installed	2015
Cooking	Improved brick stove	24	4	0	0		
	Household biogas	25	3	39	19	34	11
	Steel-glass biogas			7	0		
	Improved energy-saving stove			13	4	13	
	Centralized biogas	1	1	1	1	1	1
Space heating	Improved metal stove			12	4		
	Household gasifier			14	1		
	Biomass briquette stove	9	0	0	0		
	Elevated Huokang	23	23	0	0		
Water heating	Solar water heater	47	47	48	48	29	29

342 Data on current centralized biogas users from previous studies and government reports are
 343 adopted to estimate the current generation of centralized biogas projects, as shown in **Table 4**.

344 **Table 4**

345 Estimation of current users of centralized biogas systems in the three regions.

	Current reported mid-large scale systems	Reported total annual generation	Approximate regional total households using centralized biogas	Reference
Hebei	1,453	17,430,000 m ³ (by 2012)	26,250*	(HBG, 2013)

Guizhou	639	11,508*	(Chen, 2011)
Guangxi	1,000 (by 2012)	18,066*	(GXG, 2009)

346 * For mid and large centralized biogas systems, annual biogas needs per household is
347 approximately 664 m³/y, calculated by field survey data.

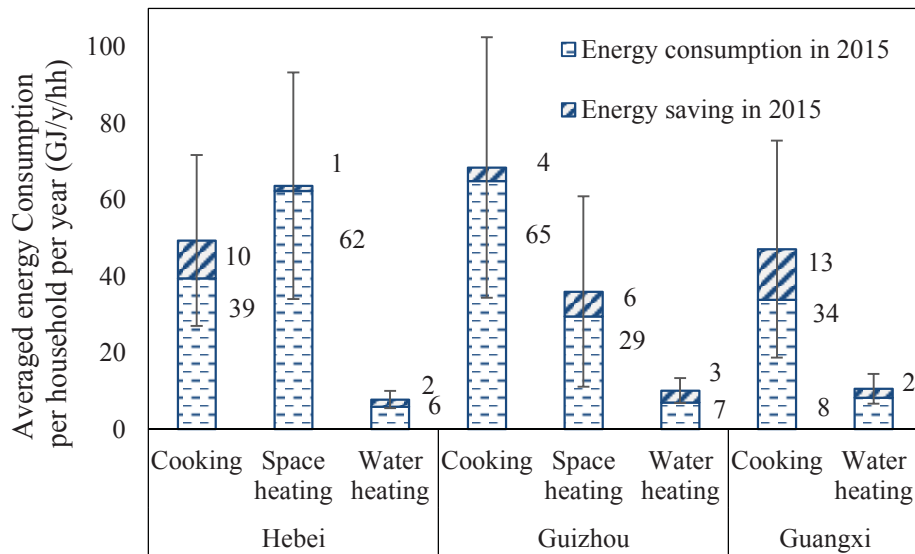
348 The projection method of the energy demands of rural households from 2015 to 2035 is
349 introduced below. Regional energy consumption and CO₂ emission level are scaled up based on
350 the ratio of the number of sampled households and the total rural household number reported in
351 the National Statistical Yearbook in the three provinces, which were 11.7, 6.8, and 7.9 M
352 households in 2014 (NBSC, 2015). The net annual population growth rate was approximately
353 0.5 % in the past 10 years (NBSC, 2015). The annual urban population growth rate averaged
354 1.3 % (2003-2014), and the average number of people per household is 2.9. The net annual
355 growth rate of rural household numbers is estimated to be about -0.3 % when projecting to 2035.
356 The annual growth rate of real rural household income was 9 % from 2004 to 2014, and the
357 energy consumption elasticity coefficient was reported to be 0.3 in 2014 (NBSC, 2015). The
358 energy consumption growth rate is approximately to be 2.7 %. In common with most of the
359 existing literature discussing short and mid-term strategies (McKinsey & Company, 2009a;
360 2009b), constant energy prices are assumed in this paper. There are two reasons for this
361 assumption. One is that in the rural residential sector, the energy price is under great uncertainty.
362 The other reason is that non-commercial energy fuels take larger shares, and the variation of
363 energy price will have less influence on the results. Since this study aims at modeling the
364 abatement gaps caused by implementation factors, a consistent assumption among all regions
365 will not cause significant difference in the conclusion.

366 **4. Results**

367 *4.1 Energy consumption and GHG emissions of the households*

368 Fig.4 and Fig.5 show energy consumption per household and CO₂ emission level per household
369 in 2015. It is a description of the field survey results. The two figures illustrate the energy
370 consumption level and CO₂ emission level in 2015.

371 Fig.4 illustrates the energy saving achieved by replacing the reference technologies by
372 abatement technologies, and actual observed energy consumption, which is then used in the
373 Frozen 2015-Scenario. Energy consumption is slightly different in the three regions for cooking,
374 and almost the same for water heating. There are no space heating demands in Guangxi, while
375 energy consumption of space heating in Guizhou is less than that of Hebei due to the difference
376 in local climate and temperature.

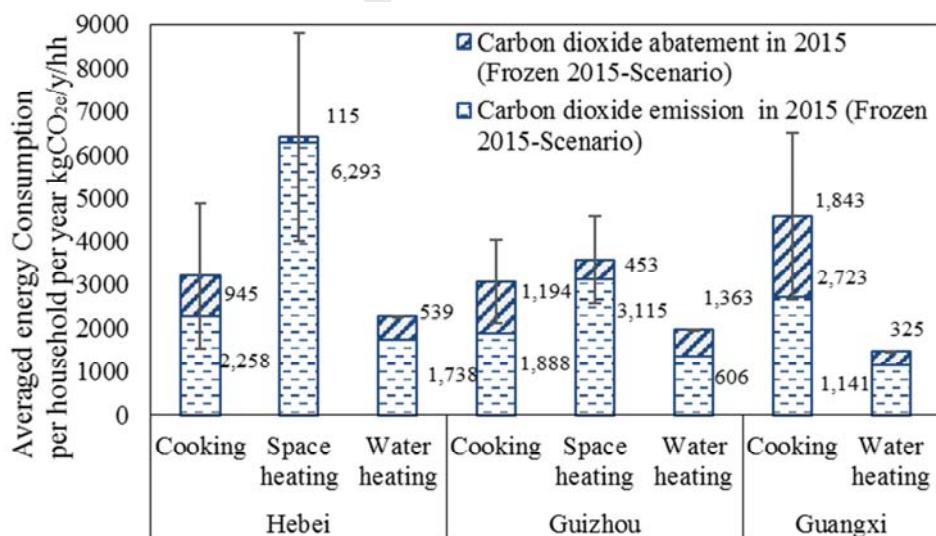


377

378 **Fig.4.** Energy consumption and energy-saving from existing technologies per household in 2015
 379 by cooking, space heating and water heating in Hebei, Guizhou and Guangxi (\pm Standard
 380 Deviation (S.D.)).

381 The annual CO₂ emission level per household and annual CO₂ abatement by 2015 are illustrated
 382 in Fig.5. At the household level, Hebei has higher CO₂ emissions due to space heating, and in
 383 2015, the average annual household emission for space heating there was about 6,293±2,400
 384 kg-CO₂. This number is much lower in Guizhou -3,115±1,008 kg-CO₂. Emissions from cooking
 385 are the highest in Guangxi in 2015, followed by Hebei and Guizhou.

386



387

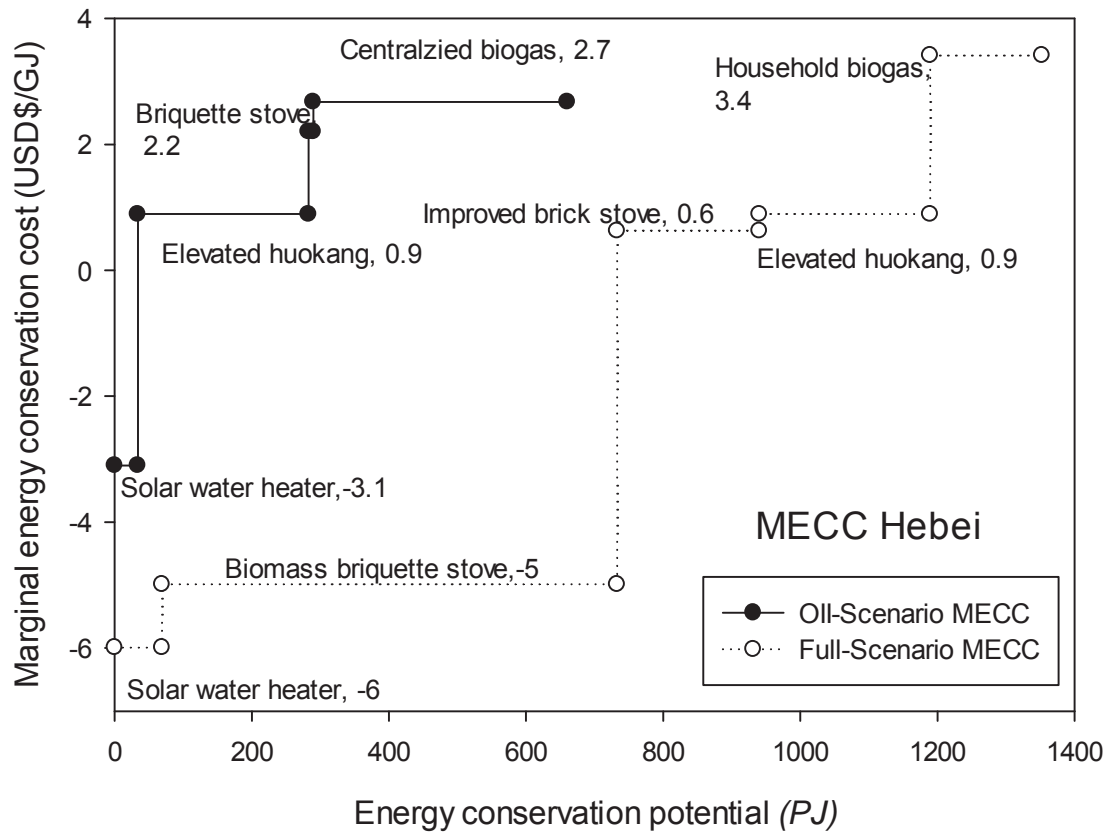
388 **Fig. 5.** CO₂ emission and CO₂ abatement per household from existing technologies in
 389 2015 by cooking, space heating and water heating in Hebei, Guizhou, and Guangxi (\pm Standard

390 Deviation (S.D.)).

391 *4.2 Marginal energy conservation cost curve (MECC)*

392 For each of the ten technology options defined in Section 2.1, both energy saving cost and
393 energy saving potential are calculated. Technologies are ranked in ascending order by marginal
394 energy saving cost to construct the MECC. Fig.6 (a)-(c) illustrate the MECC for Full-Scenario
395 (solid line) and OII-Scenario (dot line) in the three provinces. In Full-Scenario, the cost of
396 reduction technologies ranges between -16.3 and 29.3 USD/GJ. In Hebei, solar water heater,
397 biomass briquette stove, improved brick stove, elevated huokang, and household biogas are
398 selected and ranked from the lowest cost to the highest. In Guizhou, solar water heater,
399 improved energy saving stove, gasifier stove, improved cooking stove, and steel-glass biogas
400 are selected. In Guangxi, solar water heater, improved cooking stove and household biogas are
401 selected. In OII-Scenario, when considering the two implementation factors, the rankings of
402 abatement technologies and MECC were changed. The technology energy saving cost based on
403 the MECC in OII-Scenario ranges between -14.1 to 17.9 USD/GJ.

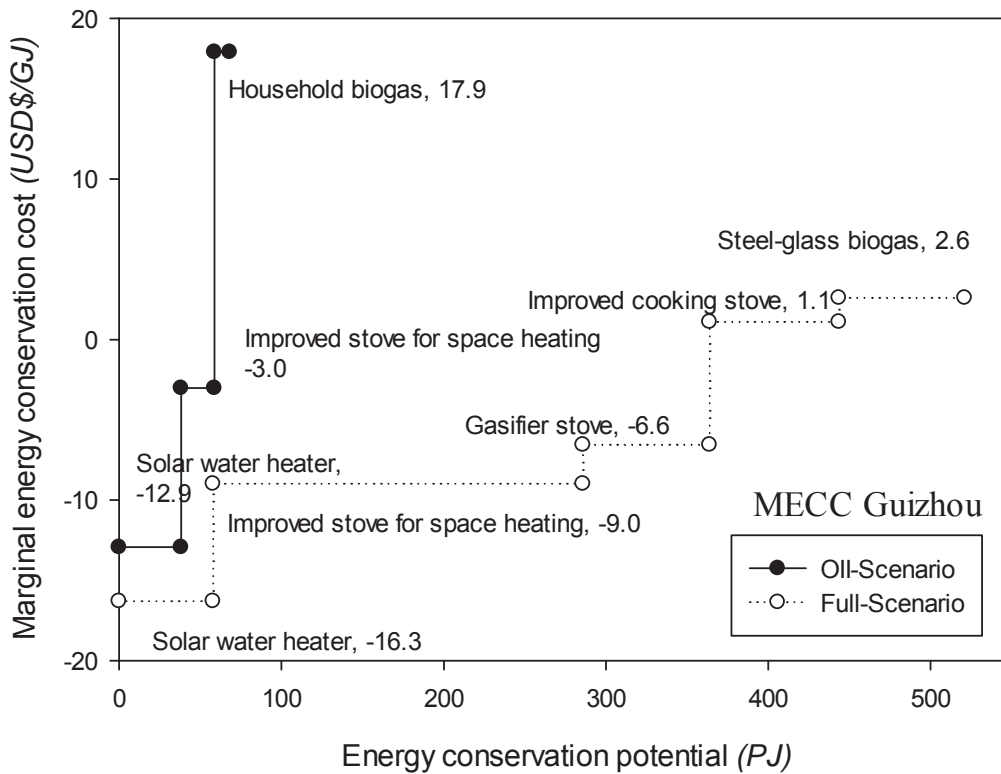
404 The scale of the MECC shows the maximum energy conservation potential that could be
405 achieved in Full-Scenario and OII-Scenario accordingly. In Full-Scenario, the maximum annual
406 energy conservation potential that could be achieved by technology options is 1,361, 524, and
407 368 PJ in Hebei, Guizhou and Guangxi. In OII-Scenario, the maximum annual energy
408 conservation potential in the three regions is 665, 72 and 81 PJ. The gap of annual energy
409 conservation between Full-Scenario and OII-Scenario is 697, 452 and 286 PJ.



410

411

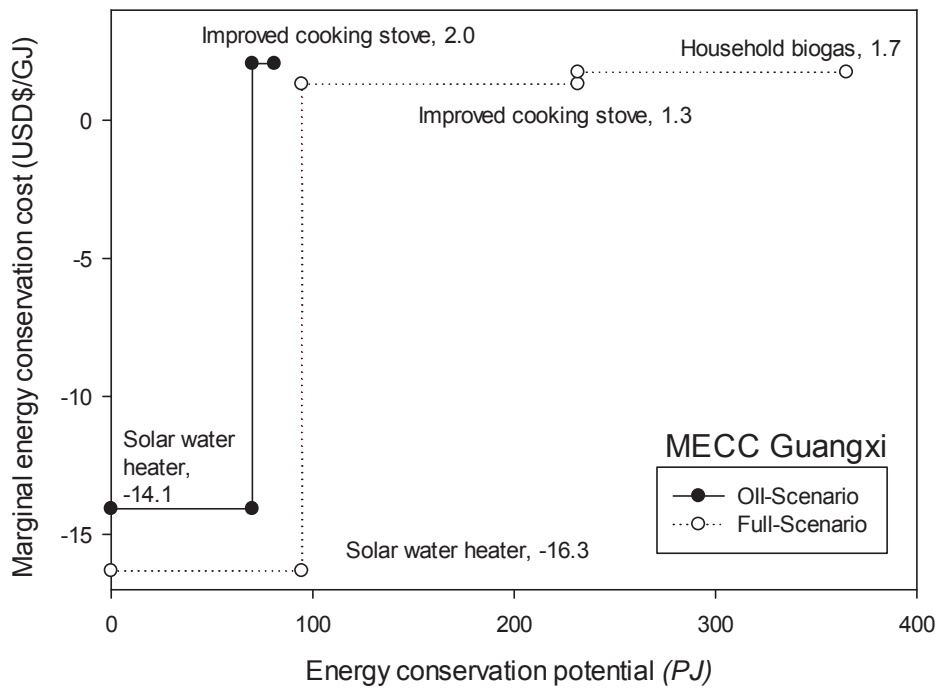
(a) MECC Hebei



412

413

(b) MECC Guizhou



414

415

(c) MECC Guangxi

416 **Fig. 6. (a)-(c).** MECC in the three provinces, (a) Hebei, (b) Guizhou, and (c) Guangxi at the
 417 regional scale (Exchange rate between CNY and USD is 1 CNY = 0.154 USD, and real discount
 418 rate = 8 %).

419 4.3 Marginal abatement cost curves (MACC) of GHG emissions

420 Fig. 7 (a)-(c) compares the MACC with and without the two implementation factors in the three
 421 regions individually. Compared with the results in Section 4.2, the MACC and MECC are
 422 highly consistent. The reason is that CO₂ abatement in this study only covers energy
 423 consumption related emissions, and non-energy-related options are not included.

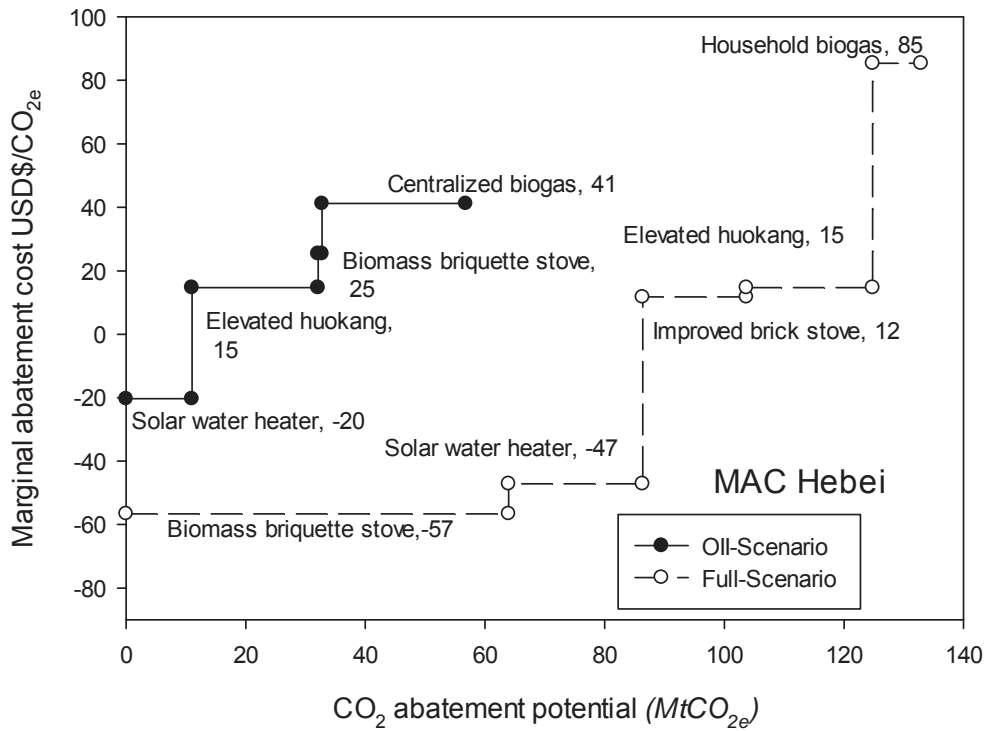
424 The difference between the two MACC curves in Full-Scenario and OII-Scenario implies that,
 425 when considering the two implementation factors, the abatement technologies are re-ranked on
 426 the MACCs. The marginal cost of abatement technologies increases when considering
 427 implementation factors. In Full-Scenario for Hebei, five technologies selected from the lowest
 428 MAC to the highest are: solar water heater, biomass briquette stove, improved brick stove,
 429 elevated huokang and household biogas. Four abatement technologies are selected when
 430 considering the two implementation factors. They are solar water heater, elevated huokang,
 431 biomass briquette stove, and centralized biogas.

432 The y-axis of the MACC shows the MAC of each technology option. Taking into account the

433 implementation factors also increased the MAC of the majority of technology options. In
434 Full-Scenario, the MAC of technology options ranges from -117 to 85 USD/t-CO₂. In
435 OII-Scenario, MAC ranges from -101 to 65 USD/t-CO₂. More specifically, in OII-Scenario,
436 solar water heater is the most cost-effective technology in all three regions. Its MAC is
437 calculated to be negative, with a number of -101 USD/t-CO₂ in Guangxi, and -65 and -201
438 USD/t-CO₂ in Guizhou and Hebei. In Full-Scenario, MAC of solar water heater ranges from
439 -117 to -47 USD/t-CO₂. Previous research finds that the cost effectiveness of centralized biogas
440 is lower than household biogas digesters (Rehl and Müller, 2013). In Hebei, the MAC of
441 household biogas is positive at 85 USD/t-CO₂, while centralized biogas has been deducted in the
442 Full-S scenario. In Guizhou, steel-glass biogas is more cost-effective than the traditional type or
443 the centralized biogas system, and the MAC of this technology is 53 USD/t-CO₂. Similarly, in
444 Guangxi, household biogas is theoretically more cost effective than centralized biogas, MAC of
445 household biogas is calculated to be 56 USD/t-CO₂. In the OII-Scenario, centralized biogas is
446 much cost effective than household biogas in Hebei. In Guizhou, as the COA of steel-glass
447 biogas and centralized biogas are two and three times of that of improved cooking stoves, these
448 two options are excluded from constructing the MACC, and improved energy-saving stoves and
449 household biogas become the two most cost-effective options with MACs of -1 and 165 USD/
450 t-CO₂. In Guangxi, the centralized biogas and household biogas are excluded from the MAC
451 analysis, as these two technologies have higher COA. Improved cooking stoves are relatively
452 cost effective and the MAC of improved energy-saving stoves is calculated to be 18 USD/t-CO₂.

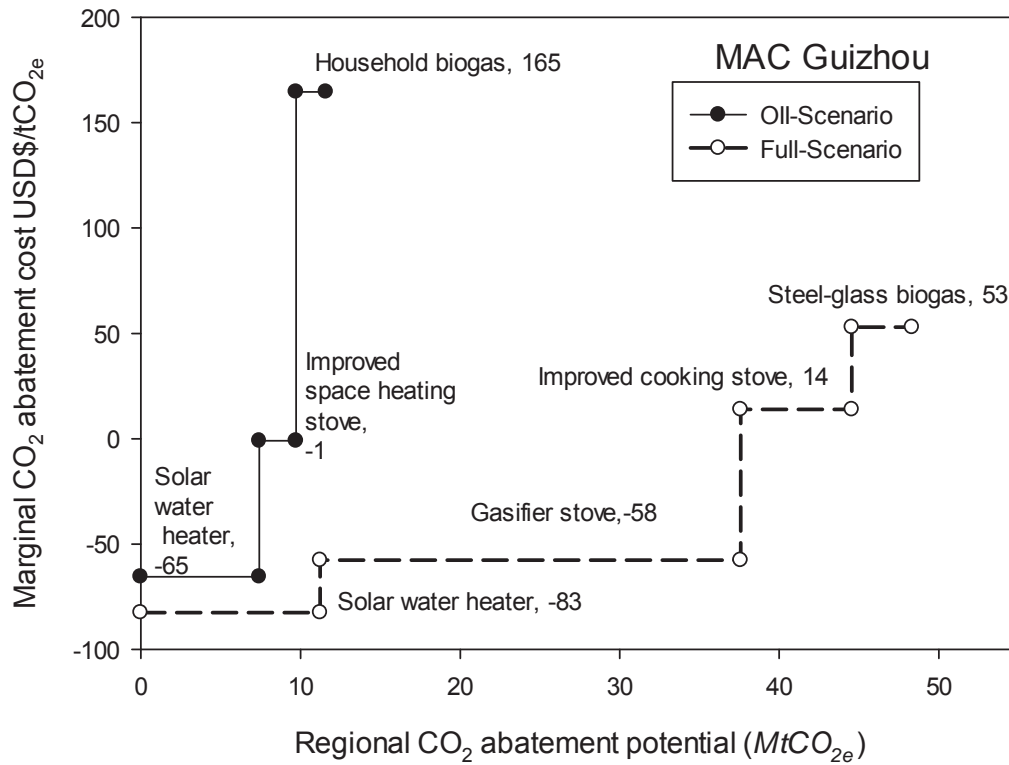
453 A negative MAC indicates that a technology is both financially profitable and mitigates CO₂
454 emissions. The MAC of three technologies –biomass briquette stove, gasifier stove, and solar
455 water heater – are below zero. Some technology options are cost-effective in Full-Scenario but
456 turned out to be not cost-effective when taking into account the implementation factors. For
457 example, with the implementation factors, the MAC of two technologies – solar water heater
458 and improved space heating stove – in Guizhou, are below zero. Whereas biomass briquette
459 stove and gasifier stove turned out to be not cost-effective after taking into account the
460 implementation factors.

461 The x-axis of MACC shows the maximum abatement potential. The maximum annual CO₂
462 abatement potential is estimated to be lower in OII-Scenario than Full-Scenario. In
463 Full-Scenario, the maximum annual CO₂ abatement potential is estimated to be 137, 49, 37
464 Mt-CO₂ in Hebei, Guizhou and Guangxi. The absolute gap of CO₂ abatement between
465 Full-Scenario and OII-Scenario in Hebei is the largest in the three regions, which is 76
466 Mt-CO₂/y, followed by Guizhou, which is about 37 Mt-CO₂/y, and the least is Guangxi, which is
467 26 Mt-CO₂/y. Three factors contribute to the abatement gap: differences of technological option
468 choices in Full-Scenario and OII-Scenario, differences of AE, and differences between actual
469 and designed lifetimes.



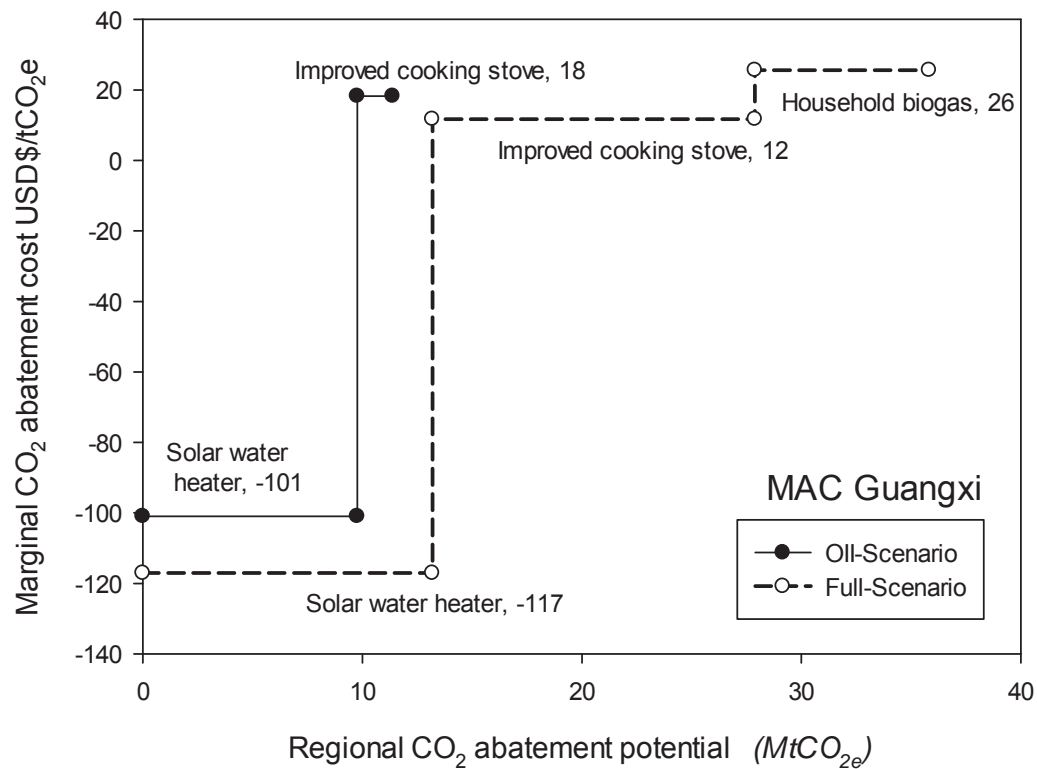
470
471
472

(a) MAC Hebei



473
474
475

(b) MAC Guizhou



476

477

(c) MAC Guangxi

478 **Fig. 7. (a)-(c).** MAC curve in three regions at the regional scale, (a) Hebei, (b) Guizhou, and (c)
 479 Guangxi (Exchange rate between CNY and USD is 1 CNY = 0.154 USD, and real discount rate
 480 = 8 %).

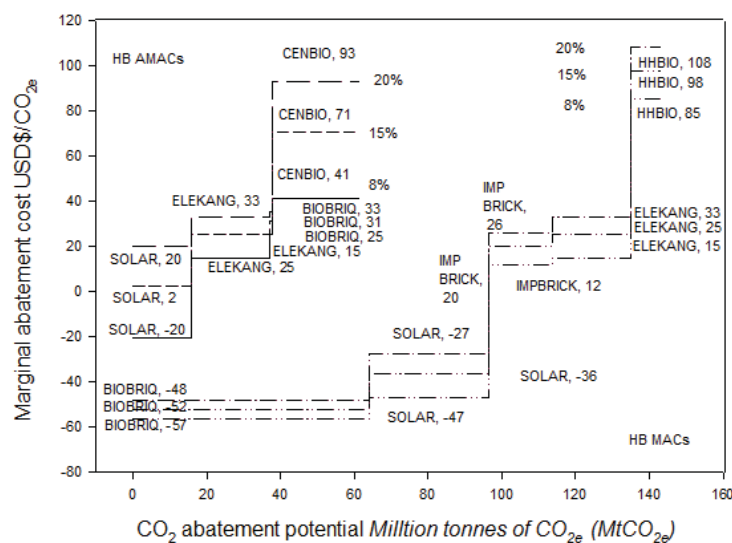
481 Under the Full-Scenario, the cumulative absolute CO₂ emission abatement from 2015 to 2035 is
 482 estimated to be 1,992, 718, and 490 Mt-CO₂ in Hebei, Guizhou and Guangxi. In OII-Scenario,
 483 reduction of CO₂ emission is estimated to be 962, 265 and 223 Mt-CO₂. This means that from
 484 2015 to 2035, the overestimated reduction volume between Full-Scenario and OII-Scenario is
 485 approximately 1,030, 452, and 267 Mt-CO₂. The relative overestimated CO₂ reduction is
 486 calculated as the absolute overestimated CO₂ emission reduction divided by the cumulative CO₂
 487 emissions in Frozen 2015-Scenario. The overestimated CO₂ abatement in the Full-Scenario is
 488 calculated to be the highest in Guizhou, 40 %, and 33 % and 32 % in Guangxi and Hebei. The
 489 area between the two curves shows the additional costs to reach the maximum annual reduction
 490 in the OII-Scenario due to the implementation gaps, which are estimated to be 2.5, 0.5, and 0.2
 491 billion USD per year in Hebei, Guizhou, and Guangxi.

492 5. Discussion and policy implications

493 Debates on whether biomass is carbon neutral are discussed in many studies (Johnson, 2009),
 494 and only 'qualified biomass' in some limited situations could be defined as carbon neutral.
 495 Biogas is a key 'advanced technology' listed in this study. Biogas is not GHG free, but biogas

496 can reduce GHG emissions by substituting for traditional energy, and it has the co-benefit of air
 497 pollutants reduction.

498 More technological options are included in the Full-Scenario MACC than are selected in the
 499 OII-Scenario. This is because the options with higher *COA* but lower *RE* are deducted from
 500 constructing MACCs. As discussed above, *r* is a key parameter in the model. As most
 501 technologies are under the government subsidy, a higher discount rate is not used in this paper,
 502 for example, 15% (Pelenur and Cruickshank, 2012) to 20 % (Zhang et al., 2007) as adopted in
 503 some other studies. All results are based on a real discount rate at 8%. A sensitivity analysis is
 504 carried out by using discount rate of 15 % and 20 %, as shown in Fig.8.



505

506 **Fig.8.** Sensitivity analysis of MAC in Hebei Province w.r.t. the discount rate ($r=8\%$, 15% ,
 507 20%).

508 The metric ranking of technology options does not change with *r*, only the values on the y-axis
 509 change due to changes in *r* even though for some technologies, the marginal cost changes from
 510 negative to positive. Technologies with shorter lifetimes are less sensitive to changes in *r*, and
 511 technologies with longer lifetimes are rather robust to changes in *r*, as shown in Fig.8. Meier
 512 and Whittier (1983) make similar findings. The difference in MAC of each abatement
 513 technology with and without the implementation factors will be larger when using a higher *r*,
 514 the results shown in this study are conservative as an 8 % discount rate is adopted.

515 Comparing the MECC and MACC calculated in this research with results obtained from other
 516 studies, relatively lower abatement costs are presented in this paper. Xiao et al. (2014)
 517 calculated abatement costs for 34 energy-saving measures and technologies in China's building
 518 sector, finding that the average cost of these technologies is about 19.5 USD/t-CO₂. Their study
 519 includes both technological and non-technological measures and only includes commercial
 520 energy. In their study, the MAC of most technologies ranges from -50 to 30 USD/t-CO₂ with

521 some as high as 300 USD/t-CO₂. The estimation results in this study is slightly lower because
522 rural household technologies cost less than commercial equipment (Meier, 1982), which has to
523 meet various other performance criteria, the properties of fuel used, mode of stove use and
524 others (Aunan et al., 2013).

525 **6. Conclusions**

526 MACCs can give policy-makers guidance on the maximum abatement potential and costs to
527 reach the abatement target. MACCs will facilitate the setting of subsidy levels to overcome
528 market distortions. This research highlights that the implementation factors will influence the
529 maximum abatement potential. After taking into account the implementation factors, the
530 marginal costs increased for the majority of technologies. The results show that technologies for
531 most space heating technologies are cost negative and the theoretical MAC under perfect
532 implementation is estimated to range from -60 to 15 USD/t-CO₂. Cooking technologies,
533 especially centralized cooking technologies, have a higher marginal abatement cost (MAC)
534 range from 12 to 85 USD/t-CO₂. The MAC in the imperfect implementation scenario is
535 generally higher, from -1 to 15 USD/t-CO₂ for space-heating and from 18 to 165 USD/t-CO₂ for
536 cooking technologies. Lack of consideration of the two implementation factors could result in
537 unnecessary government subsidy for costly technologies. The cumulative energy conservation
538 and CO₂ abatement potential will be overestimated if the two implementation factors are not
539 considered. From 2015 to 2035, the cumulative volume of energy savings will be overestimated
540 by 7,766, 3,839, and 2,227 PJ in Hebei, Guizhou, and Guangxi. Cumulative CO₂ abatement
541 from energy consumption related activities is also overestimated, by about 1,030, 452, and 267
542 Mt-CO₂ from 2015 to 2035, which represent 31 %, 39 % and 32 % of the Frozen 2015-Scenario.

543 Distributed technologies with lower requirement on skilled labor for installation and
544 maintenance have larger *AE* and longer *t*. For example, household biogas requires professional
545 installation by skilled labors and regular maintenances. Biogas leakage occurs if the digester is
546 not installed properly. The system stops working if the maintenance is not proper. Approaching
547 to energy resources and fuel is another factor that may influence the implementation. For
548 example, in Hebei it is difficult for households to buy biomass fuel nearby.

549 There are two main ways to improve the implementation of advanced technologies. One is to
550 extend the lifetime of advanced technologies, the other is to make larger substitution of
551 advanced technologies for the traditional reference technology. The government subsidy and
552 rewards for advanced technologies could be made on a yearly basis instead of a lump-sum
553 payment. It is also suggested that distributed technologies should be installed by skilled labor or
554 companies.

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560

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