

Energy Stressed in Australia



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18th of October 2018

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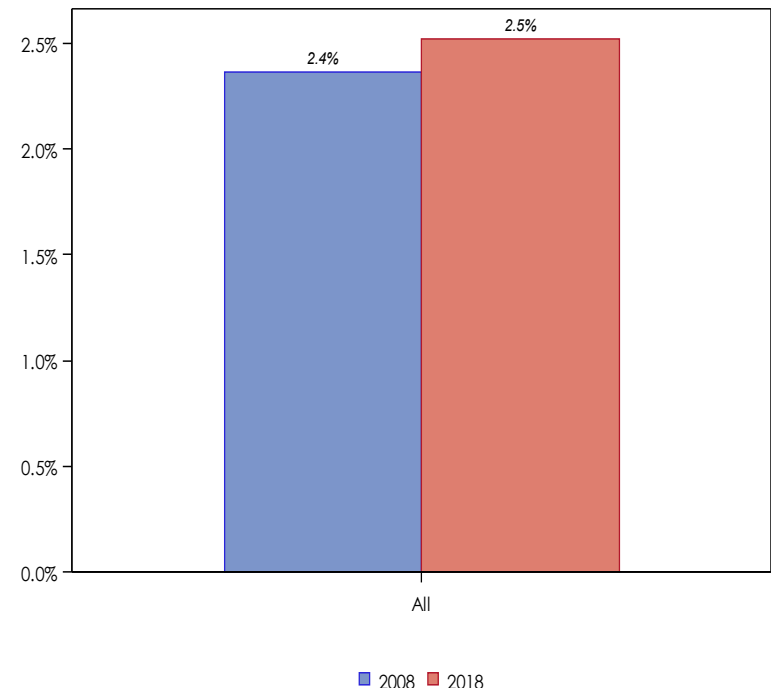
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Report Background

- To inform the development of appropriate policy solutions, policymakers need to better understand who is most impacted by high electricity prices
- ACOSS and BSL commissioned Ass. Prof Ben Phillips, ANU to analyse the cost of energy (electricity and gas) for a range of household types in Australia.
- The modelling is based on the Household Expenditure Survey (HES) undertaken by the ABS, and includes trends between 2008 and 2018.
- A range of household types were considered, such as income and wealth levels, source of income, tenure type, family type etc
- It considers actual expenditure as a share of income and takes into account household energy use and any potential rebates households may receive, such as state government concessions or solar energy rebates
- This project was funded by Energy Consumers Australia Limited (www.energyconsumersaustralia.com.au) as part of its grants process for consumer advocacy and research projects

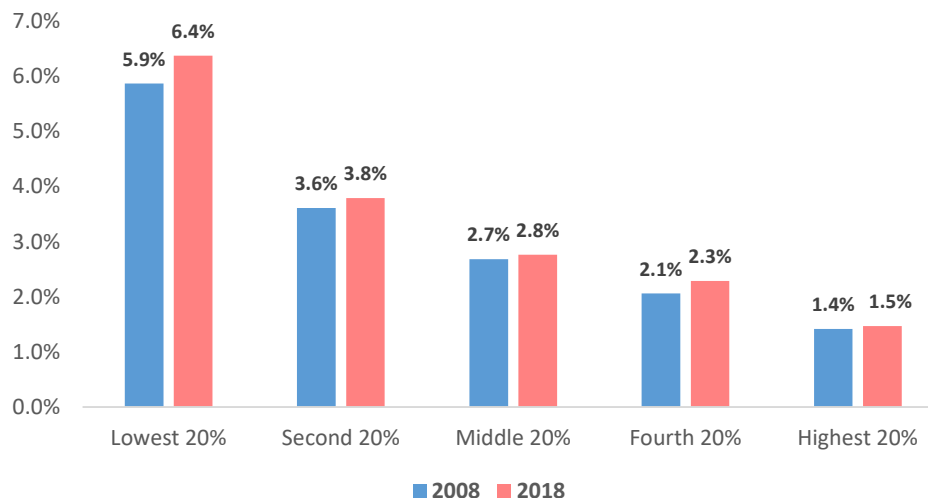
Energy Prices have risen

- Electricity has increased by 117%, or 76% in real terms, over the last decade.
- Gas increased by 89%, or 53% in real terms.
- Inflation is around 25% over last decade
- The average share of energy costs to disposable income increased from 2.4 per cent to 2.5 per cent over the last decade.
- Households are using less energy, likely driven by improvements in energy efficiency within the household, particularly household appliances such as air-conditioning units. It may also be the case that households are responding to higher prices and choosing to conserve energy use.



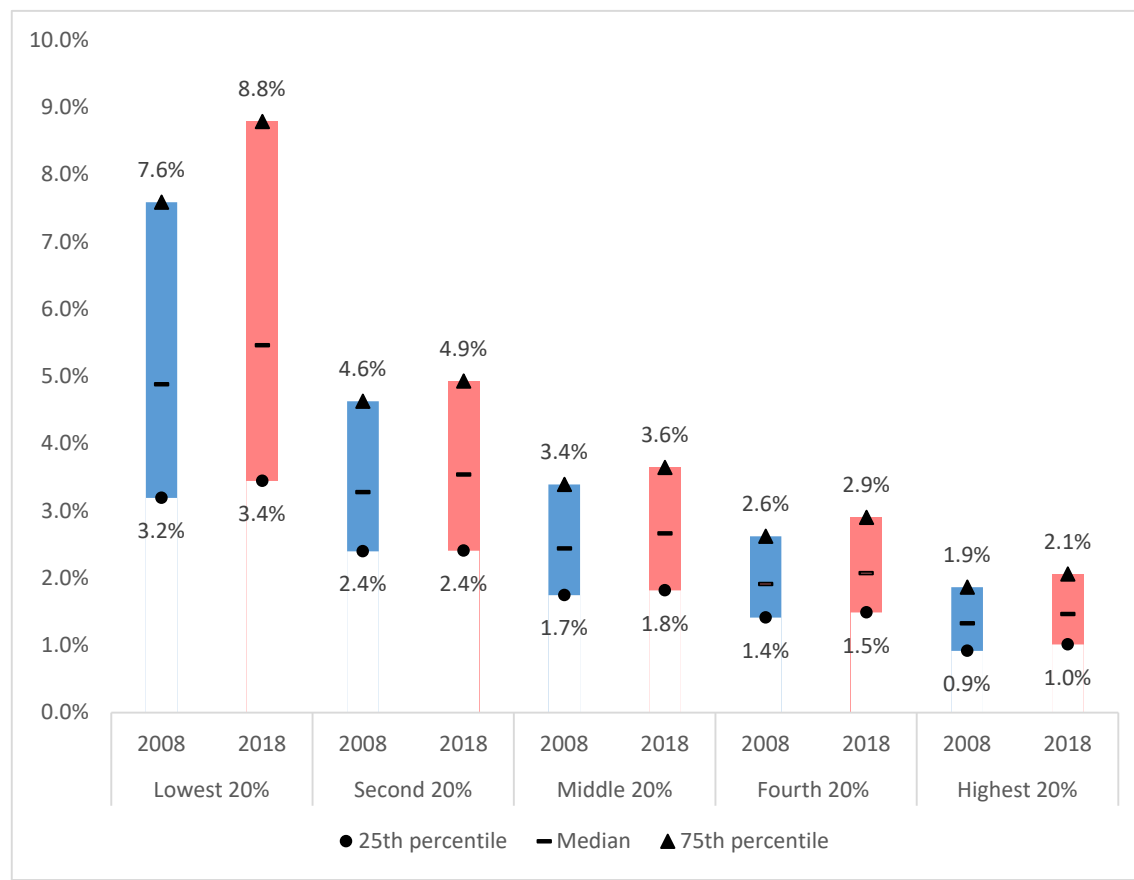
High prices hitting certain populations groups hard

- On average, low-income households spend 6.4% of their income on energy, while high-income households (highest 20% of the income spread) spend far less relative to their incomes – an average of 1.5%.
- low-income households appear to use less energy, spending less in dollar terms per year
- In 2018, in raw dollar terms, low-income families spend \$2,015 per year on average, compared to the highest income families at \$2,649 per year.
- Higher income households are both more able to deal with increased costs both financially and are more likely to be able to adjust to higher prices through using less energy or purchasing more energy efficient household appliances.



Low-income households – bad to worse

- There is considerable variation from the average in energy expenditure. Of the households with the lowest 20% of incomes, one in four (roughly 455,604 households) are now paying **over 8.8%** of their income on electricity or gas
- Low-income households have also seen the largest increase in proportion of spending since 2008.



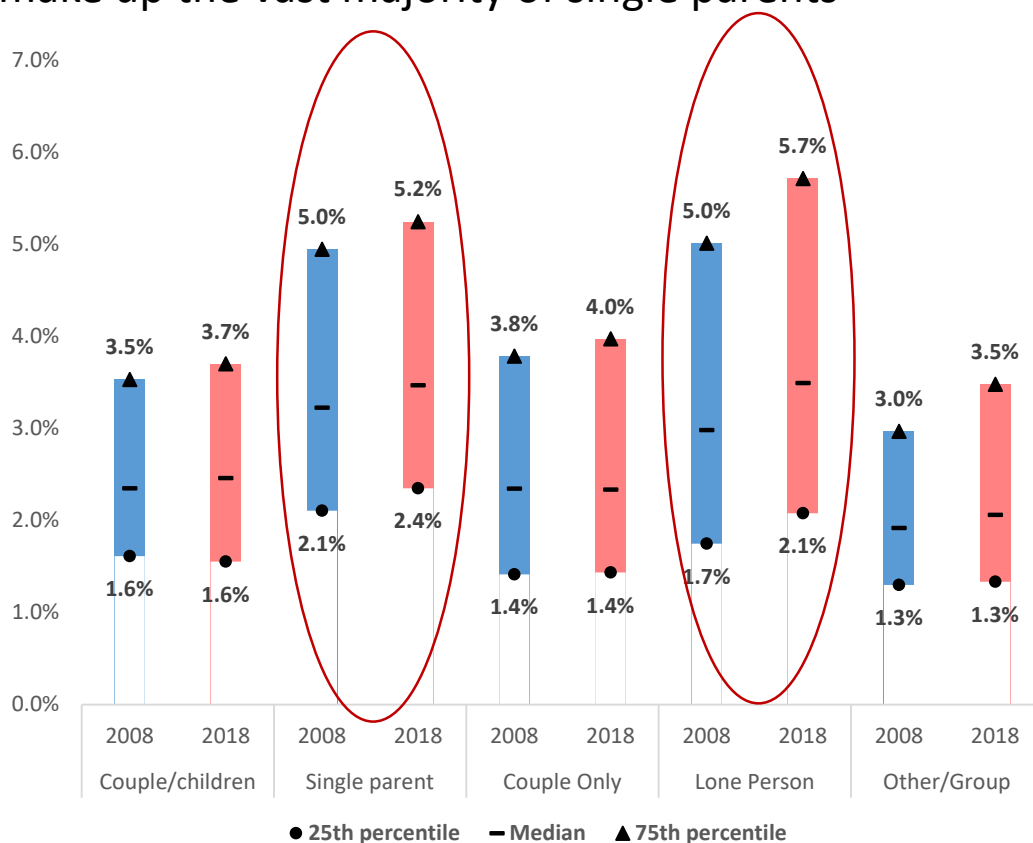
Newstart and related allowance households hardest hit

- Those households dependent on income support payments such as Newstart and similar allowances are hit hardest by high prices, with one in four of these households spending more than 9.7% of their incomes on energy.
- The plight of some Newstart recipients has deteriorated dramatically since 2008, when a quarter were spending over 7.7% of their incomes on energy.



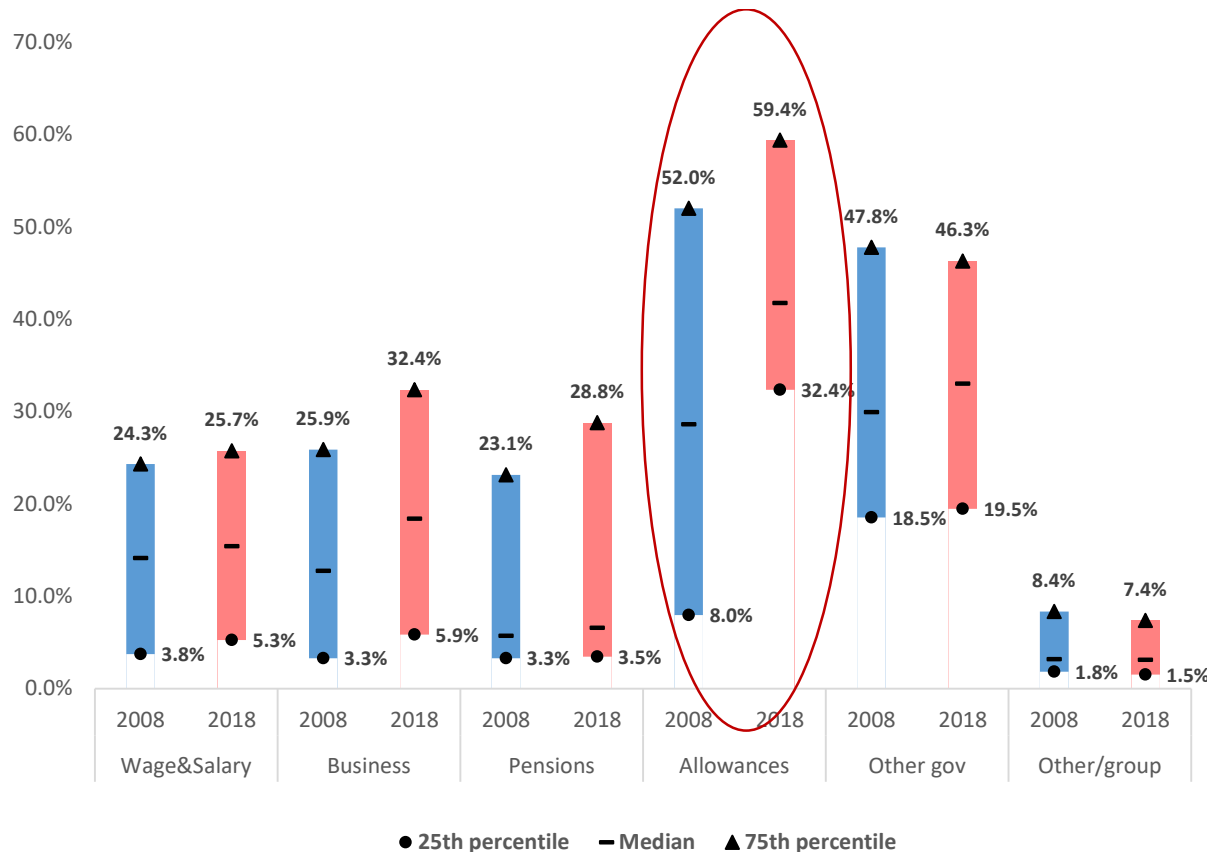
Single parent and lone person households

- Single parent & lone person households (many of whom are reliant on Gov pensions) spend more of their income on electricity and gas than many other household types.
- One in four single parent households are paying more than 5.2% and lone person households paying more than 5.7%.
- Women make up the vast majority of single parents



Low-income renters are particularly vulnerable

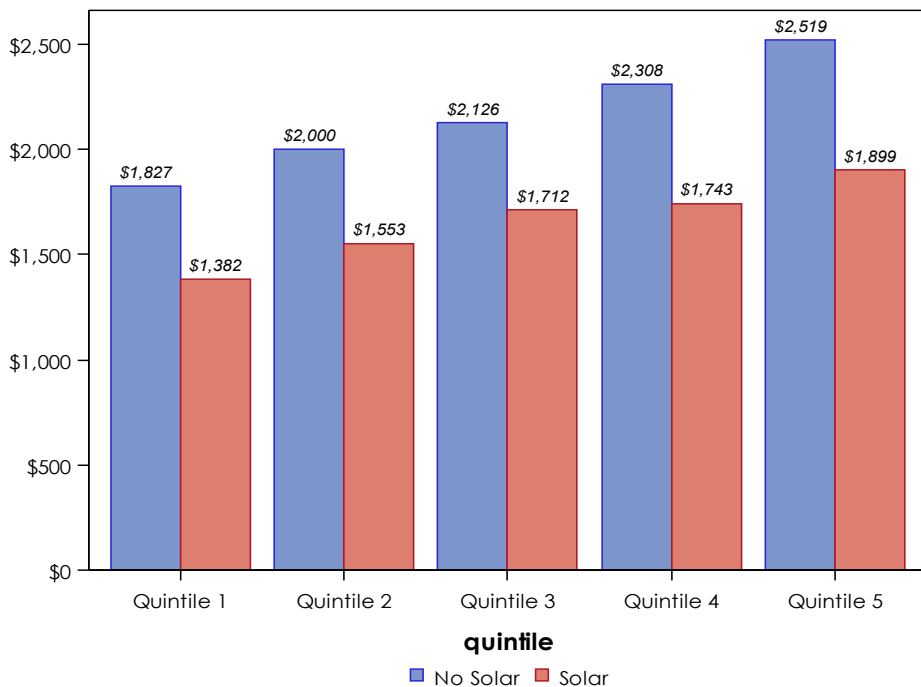
- The research finds that 39% of households on the lowest 20% of incomes are renters, and 65% of households whose main income source is allowances like Newstart.
- These households have less choice and less control in the reduction of their energy bills.
- When we add housing costs to the analysis, it suggests some households are under immense financial stress



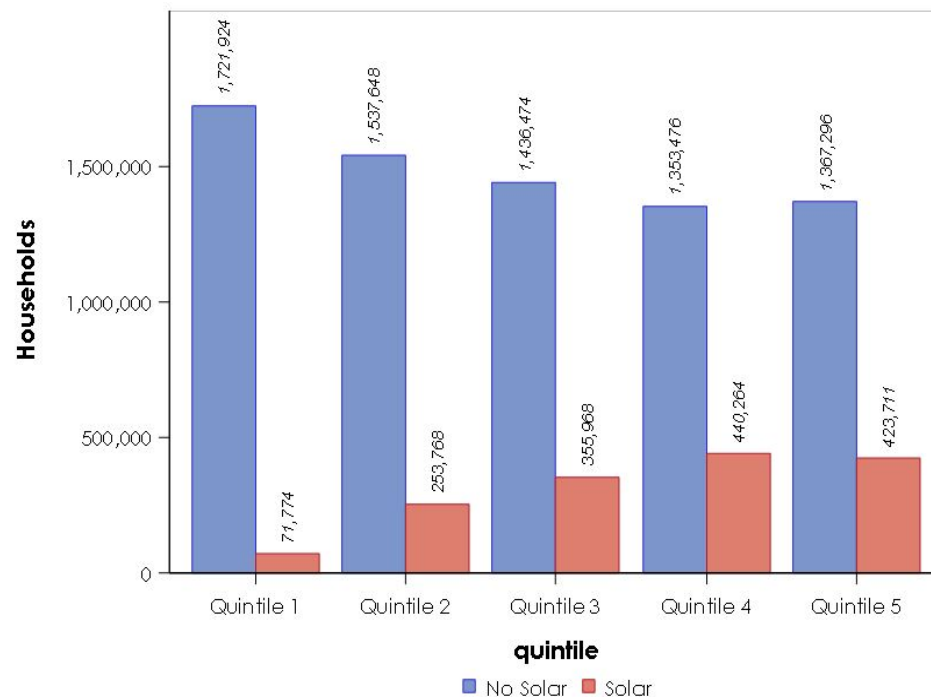
Solar power lowers bills, but those with low wealth are locked out

- While ownership of solar panels is fairly consistent across income levels, it varies more greatly between wealth quintiles. This is in part because many older people have relatively low incomes but own their own homes. Renters are likely to be largely excluded from access
- Not only are low-income households hardest hit by high energy prices, but they may miss out on the opportunity to take advantage of cleaner, more affordable energy sources such as solar power

Solar household by Income quintile



Solar household by Wealth quintile



ACOSS and BSL Recommendations

- Some households are paying significantly more of their income on energy, and the gap has increased since 2008, contributing to growth in inequality and poverty.
- Policies need to focus not only on reducing energy prices for everyone, but also on reducing the size of household bills and improving people's capacity to pay to reduce the disproportionate amount low-income households pay of their income.
- Key policy recommendations:
 - Establish an energy poverty benchmark which no person should fall below to access energy.
 - Implement measures to reduce prices across the supply chain – networks, generation, retail, demand response.
 - Increase Newstart allowance by at least \$75 a week.
 - Mandate energy efficiency standards for rental homes.
 - Improve energy concessions, including shift to percentage based concessions
 - Consider targeted regulated retail price
 - Prioritise solar for low-income households and ensure non-solar houses are not paying for solar growth.

Thank you

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