

ENERGY IMPOVERISHMENT

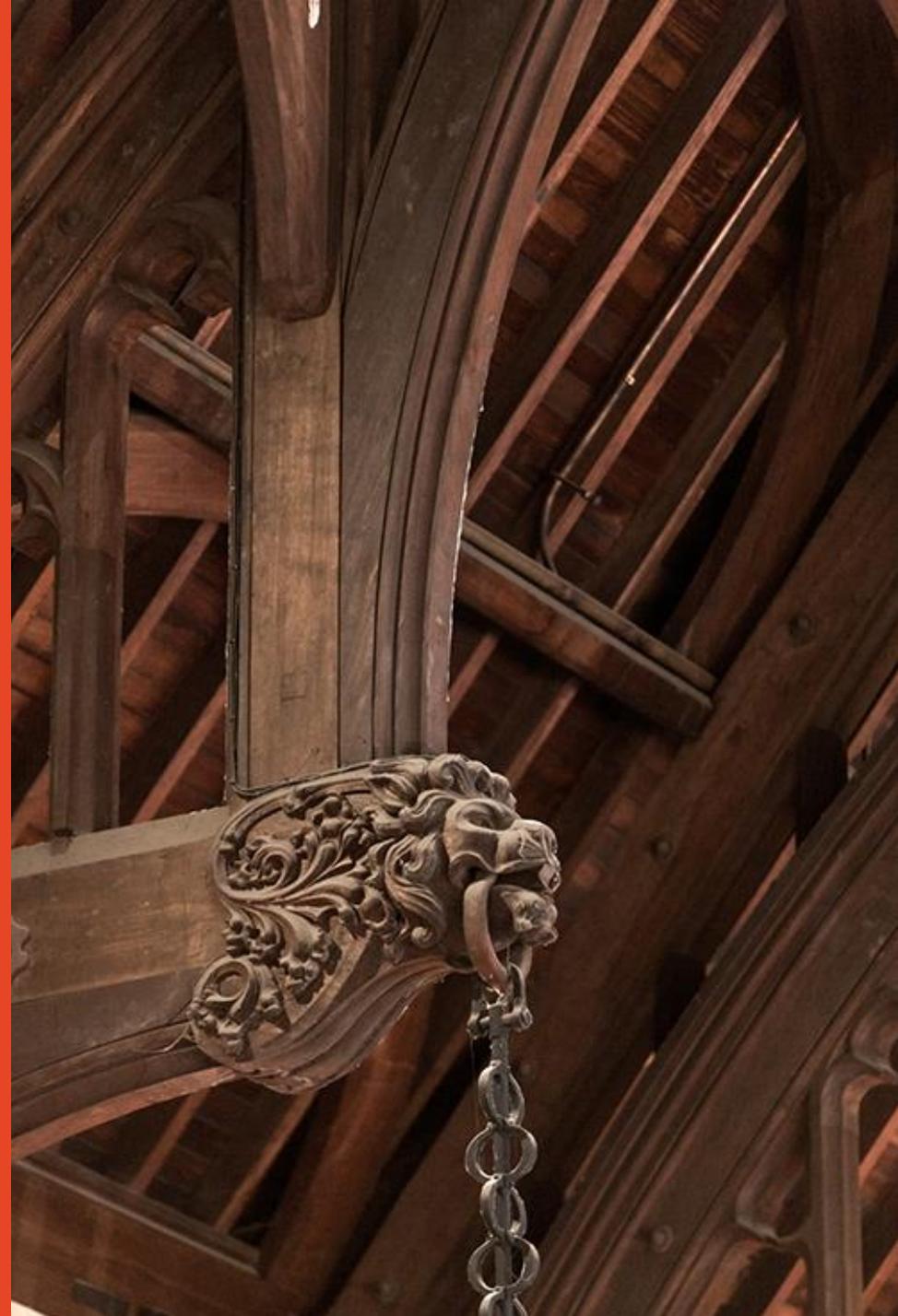
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My research

To understand the consequences for the well-being of low-income households of rapidly rising energy prices, I investigated:

- The affordability and payment of energy bills
- The ability to change household energy use
- The strategies to manage higher energy bills

Low-income households in the four most populous Australian states

- Capital city and regional city in each of the four states
- High likelihood of already suffering cumulative disadvantage
- sole parents, Newstart recipients, indigenous Australians, non-English speaking background, full-time students, disabled or long-term illness, age pensioners

Ability to pay energy bills

Difficulty paying energy bills has progressively become more acute as electricity prices have rapidly increased

- Despite most low-income households receiving some form of government concession or rebate
- 95% **ALWAYS** have difficulty paying
- Over a third have switched suppliers to reduce bills
 - General view: not better off; deceptive and pushy marketing practices that preyed on ignorance, fear and desperation
- Not uncommon for quarterly bills to be equivalent of 2-3 weeks, or more, of household income
- Arrears on past bills: escalating problem for many despite smoothing/hardship plans of electricity retailers

Energy use strategies

All households have changed their energy use in response to rising household bills

- Most have cut back as far as they can, to little or no effect

Measures generally adopted to reduce energy use

- Turn off lights in rooms not being used
- Manually switch off appliances at the wall
- Limit use of heating or cooling to days of extreme temperatures
 - Those **without** children: no more use of heating or cooling
- Limit the use of hot water to showers and clothes washing
- Go to bed fully clothed, early OR use common sleeping room when cold
- Limit TV viewing, use for cooking, other appliances like computers

Barrier to further energy use reduction

- Energy audits: ‘snakes’ and light globes
- Cannot afford energy efficient (or ‘smart’) appliances
- Lack of insulation
- Cannot afford household repairs
- Renting and cannot modify housing
- Specialist medical appliances
- Health-related use of heating and cooling
- Children
 - Households with children are loathe to cut back on heating or cooling too much in case it affects their children's health / nappy washing / needing to charge ‘electronic gadgets’ / teenagers and television / need for internet for school
 - Inflexible ‘family peak period’
- Source of information, numeracy/cognitive skills, time

Impacts on daily life and well-being

All households have cut back on essentials expenditure

- Had been budgeting carefully before big electricity price rises

The biggest expenditure cut has been on FOOD expenditure

- Some parents are sacrificing their own nutrition, or going hungry, in order that their children are fed

Expenditure on social participation (having a coffee) and treats (like taking kids to the movies or buying a take-away meal) is another major cut

Other household expenditure changes:

- Cut back car use or public transport, put off replacing clothing, cut back on GP visits if no bulk billing, delay filling medical prescriptions, do not maintain private health or other insurance, or sell things to pay energy bills

Impacts on daily life and well-being

Strategies to ‘manage’ home energy use have become extreme

- Cuts to essentials expenditure, reallocation of expenditure on other items, severe changes in household practices

Well-being, health and lifestyle are suffering from the cumulative effects of ever-increasing energy bills over a sustained period

- physical discomfort, reduced physical and mental well-being, loneliness and social isolation, strains within household relationships, distress about children’s emotional and social well-being

This is **Australian energy impoverishment** due to the combination of low income, rapidly rising electricity prices, energy inefficient housing, and barriers to reducing energy use any further

- It is **widespread and systemic**

Policy issues and implications

Not generally recognised as a problem

Current policy measures are basically TEMPORARY AND LIMITED financial assistance i.e. retrospective compensation

- Majority of measures are tightly targeted, reactive, fragmented
- Do not ameliorate or eliminate energy impoverishment
- Impacts are becoming embedded; growing numbers

Improvements to housing energy efficiency are very limited

Policy issues and implications

The focus of policymakers is skewed more towards the OPERATION of the 'market' instead of the OUTCOMES like household energy impoverishment

- e.g. COAG Energy Council Review of Governance Arrangements, AEMC rule changes, AEMC 2015 Retail Competition Review
- Need to recalibrate the policy focus beyond AER Review of Customer Hardship Policies and Practices, or the newly established Energy Consumers Australia
- Policy rhetoric of 'competition', 'efficiency' and 'consumer choice' does not address energy impoverishment
 - Existing policy framework has caused and exacerbated energy impoverishment
- 2012 *Power of Choice* report vs. 2015 Energy White Paper

Policy issues and implications

Increasing emphasis by policymakers on demand-side measures to reduce peak demand, overall energy use and 'smooth' demand

- High reliance on widespread adoption of new technologies and underpinned by assumptions about household behaviour
- BIG difference between ENERGY EFFICIENCY and ENERGY SAVING

Time-of-use pricing and smart meters

- Inability to 'shift' energy use and complexity of information
- New technologies and who pays?

Need REMEDIAL and PREVENTATIVE policy measures

- Need to address ROOT causes not MANIFESTATION of the problem
- The traditional RESIDUAL policy approach will not resolve
- NEED to rethink the formation of electricity prices



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