

Fuel poverty in Queensland: horizontal and vertical impacts of the 2022 energy crisis

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Abstract

In 2022, wholesale prices in Australia's National Electricity Market (NEM) rose to \$225/MWh, up from \$75/MWh a year earlier. The war in Ukraine led to a global tightening of coal and gas markets, and the effects were felt acutely by the NEM's marginal coal- and gas-fired plants given tight links to seaborne prices. Household electricity tariffs are set for the financial year ahead but the wholesale cost element is built-up over the preceding three-year period, in line with forward hedging practices of prudent energy retailers. Consequently, households have been shielded from 2022 spot market dynamics in 2021/22 tariff determinations. However, by 2023/24 the impacts of wholesale price rises will be impounded into retail tariffs. In this article, fuel poverty in the Queensland region of the NEM is examined over three distinct periods, 2015/16, 2021/22 and 2023/24. These periods coincide with high (2015/16), low (2021/22) and expected high (2023/24) residential electricity tariffs. Results reveal an underlying level of fuel poverty in Queensland at 8.1% of households in 2015/16, falling to 6.8% in 2021/22 and rising to at least 10.0% in 2023/24. Queensland's hardship policy unwinds these results by 1.6, 1.1 and 2.9 percentage points, respectively. 2023/24 tariff increases overwhelm existing hardship policy settings although policy performance operates as an automatic stabiliser, rising in effectiveness as price rises.

Keywords: Fuel poverty, policy targeting efficiency, electricity prices.

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