



The 2022 Energy Crisis: horizontal and vertical impacts of policy interventions in Australia's National Electricity Market

EPRG Working Paper 2216

Cambridge Working Paper in Economics CWPE2257

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Abstract

The war in Ukraine and the associated 2022 energy crisis has had far-reaching effects with seaborne prices for coal and gas reaching multiples (5-6x) of their historic averages. While Europe was the epicentre, countries as far away as Australia were impacted. As a major exporter of coal and gas, domestic markets are linked to seaborne prices. Consequently, forward prices for 2023 delivery in Australia's National Electricity Market surged from ~\$48 in 2021 to \$156/MWh in 2022 – at one point peaking at \$247/MWh. Household electricity tariffs were set to increase by 11% in 2023 and 35% in 2024. In late-2022, the Commonwealth Government intervened by setting fuel price caps of \$125/t and \$12/GJ for coal and gas, respectively. Given an estimated market heat rate of ~8.2GJ/MWh, forward prices reduced to ~\$105/MWh. In this article, price increases before- and after- policy interventions are analysed. 2024 tariff increases after policy intervention are forecast to increase by 16.5% (cf.35%), benefiting all customers. State Government hardship policy remains vitally important, however. Underlying levels of fuel poverty in 2024 are forecast at 12.1% pre-policy, and 6.7% after policy intervention, with State-level hardship policies making the larger (3.2 percentage point) contribution to this result.

Keywords Electricity markets, energy policy, fuel poverty.

JEL Classification D4, L5, L9 and Q4.

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Publication December 2022
Financial Support N/A

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