

Title	Energy costs hit low income households hardest and housing affordability stifles ability to pay - new study
Release date	Tuesday, 25 August 2015

A new study of household expenditure and energy use confirms that over the past two decades (1993-2012) low income households and those caught in the housing affordability trap felt the brunt of energy costs whilst higher income households were unaffected because income rose above inflation and in line with prices.

For low income families, energy costs rose from 5.2% to 5.6% of their household income and young singles, households with many children and renters were seen to be particularly vulnerable. A key issue for those struggling to pay bills was not the cost of energy itself but the cost of housing, with 63% of renters and 43% of purchasers having payment difficulties.

The report, produced for the [CRC for Low Carbon Living](#) by Professor Terry Burke and Liss Ralston, of Swinburne University and published online today, challenged the concept that freeing up the electricity industry markets has created new levels of hardship across the board.

“After analysing energy costs from 1993 to 2012 it is clear that for most energy costs have kept in line with income although lower income earners have felt the pinch more. Also due to the time period of the research many households had the opportunity to adapt their behaviour to reduce the impact of price rises on the household budget,” said Professor Burke.

“Overall we found the strongest indicators for the inability to pay energy bills in the low income group were those receiving financial assistance from the government or paying more than 20% of their income on housing. This indicates that even the relatively wealthy can struggle to pay their bills if they have a large mortgage,” he said.

The study also found that during the two decades the proportion of the low income group paying more than 10% of household income on energy grew from 11.7% to 18.5%, but only 24% of these seemingly worst affected people reported difficulty paying their bills.

Professor Burke also explained that the type and size of dwelling had an independent effect on energy consumption.

“Large houses resulted in higher energy costs even with low number of occupants. For example for a couple in a detached house in 2012 the median costs for energy rose from \$22 per week for a one bedroom dwelling to \$36 per week for four bedrooms,” said he said.

In addition the study investigated the impact of fuel costs and the inability to pay bills.

“We found that the cost of petrol was higher than the cost of energy in all income groups with lower income earners paying 6.9% of their household income on petrol. The data also showed that when prices were high there was a reduction in fuel expenditure indicating that adaptive behaviours took place to manage the price rises,” said Professor Burke.

“The report concludes with observations about why there is not more attention paid to the fact that petrol costs have a higher impact on household expenditure than gas and electricity, with explanations suggesting that motor vehicle users have different choices to utility users. This could be to choose to walk, bicycle or take the train as opposed to driving,” he concluded.

Media Contacts:

CRC for Low Carbon Living

Sharon Kelly

E: s.kelly@lowcarbonlivingcrc.com.au

M: +61 414 780 077

About the CRC for Low Carbon Living Ltd

The CRC for Low Carbon Living (CRCLCL) is a national research and innovation hub that supports Australian industry to be globally competitive in the low carbon built environment sector.

It brings together property, planning, engineering and policy organisations with leading Australian researchers to develop new social, technological and policy tools for reducing greenhouse gas emissions in the built environment.

A key aim of the CRCLCL is to help cut Australia’s residential and commercial carbon emissions by 10 mega tonnes by 2020. It will do this by developing opportunities for lower-embodied carbon manufacturing, creating efficiency and productivity in the built environment sector, empowering and engaging communities, increasing the evidence base for government policy and planning, and building the sector’s capacity for high quality research, education and training.

The CRCLCL is supported by the Cooperative Research Centres programme, an Australian Government initiative.