

Energy Costs and Canadian Households

How Much Are We Spending?

by *Kenneth P. Green, Taylor Jackson, Ian Herzog, and Milagros Palacios*

Energy is the basis of our modern lives. It fuels our economy, generating the economic production that underpins the high living standards Canadian households have achieved. But energy costs have been rising for Canadians in recent years, potentially placing burdens on Canadian families.

From 2010 to 2013, electricity prices have risen by an average of 1.31¢ per kWh, with increases of over 4¢ occurring in some Canadian cities. Electricity prices are also higher in Canada than in the United States, with wide variances in the amount of tax applied contributing to this difference. Prices have risen for gasoline as well, increasing by 53¢ in real terms from 1994 to 2013. Canadians also pay on average 31.2¢ more for gasoline than their American counterparts. Growth in energy prices has outpaced both income growth and the rate at which household energy intensity is declining.

This study begins by estimating the average energy expenditure as a percentage of total expenses across Canada and seven regions. Estimates throughout the paper were calculated in two ways: first, including energy used just in the home—electricity, natural gas, and other heating fuels; and second, these sources of energy plus gasoline, an important energy expenditure that has often not been factored into previous analyses.

Energy use within the home represents a relatively modest portion of total expenses. The Canadian average in 2013 was 2.6%, ranging from a high of 4.0% in Atlantic Canada to a low of 2.1% in British Columbia. Adding vehicle fuel to energy

expenditures has a substantial impact on the percentage of expenditures being devoted to energy. In 2013, the share of the average Canadian family's expenditures devoted to all energy goods was 5.8%. Atlantic Canada was again the highest, with 8.2% of expenditures on average being devoted to energy.

This study also used a benchmark measure of 10% or more of expenditures going to energy goods—commonly referred to as “energy poverty”—to determine how many Canadian households are facing relatively high energy costs. Energy poverty is an issue because of the effect high energy expenditures has on consumption and discretionary income, thereby placing a burden on households. When a household's high energy bills force them to substitute away from consuming other goods, this is in a sense a deprivation of access.

When only energy used within the home was included in the calculation, 7.9% of Canadian households were classified as being energy poor in 2013, up slightly from 7.2% in 2010. Atlantic Canada had the highest incidence of energy poverty in 2013—20.6% of households—while British Columbia had the lowest, 5.3%. Energy poverty using this basket of energy goods has risen in most Canadian regions since 2010.

When the gasoline expenses of Canadian households are also included in the calculation, the incidence of energy poverty increases substantially. In 2013, 19.4% of Canadian households devoted at least 10% or more of their expenditures to energy. Alberta had the lowest incidence of energy poverty in 2013 at 12.8%. Five out of seven Canadian regions experienced a decline in the incidence of energy poverty from 2010 to 2013 when gasoline expenditures are included.

Estimates of energy poverty were also calculated for income quintiles. Energy poverty disproportionately affects lower-income Canadian households. The incidence of energy poverty in 2013 was estimated to be over 15% of households in each of the two lowest income quintiles. Including gasoline expenditures further exacerbates energy poverty in the low income groups and uncovers a prevalence of high energy spending amongst middle-income Canadians.

The high incidence of energy poverty in Canada, particularly when gasoline expenditures are included, should be of central concern when policies regarding energy are being devised. Policies that raise prices could exacerbate problems faced by families who are in energy poverty or those on the cusp of energy poverty.



Energy Costs and Canadian Households: How Much Are We Spending?

by Kenneth P. Green, Taylor Jackson, Ian Herzog, and Milagros Palacios

[Click here to read the full report](#)



Comparative growth in prices, income, and energy use in Canada, 1994–2013

