

Can we expect lower electricity bills after high summer prices?

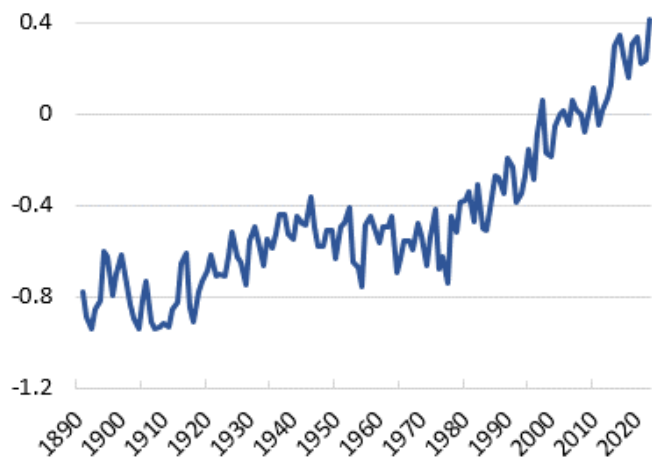
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The Start of Earth's "Boiling Era"

Amid the expected unprecedented increase in the world's average temperatures for July 2023, United Nations Secretary-General Guterres issued a cautionary statement during a press conference at the end of the same month, declaring, "The era of global warming has ended, and the era of global boiling has arrived." Indeed, subsequent announcements by Japan Meteorological Agency confirmed that July 2023 recorded the highest average temperatures since the beginning of record-keeping in 1891, further supporting the aforementioned statement (Figure 1).

Figure1 Global average temperature anomaly (°C)

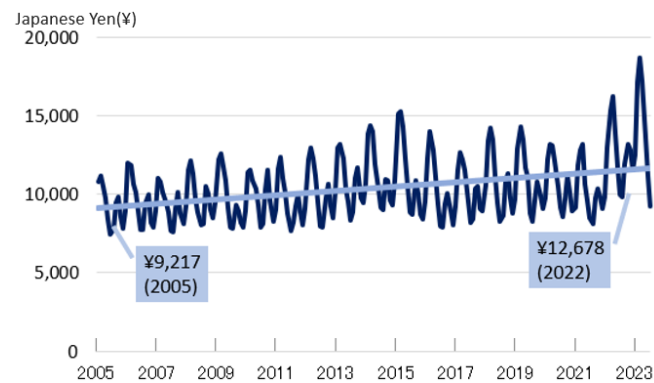


(Source) Compiled by Dai-ichi Life Research Institute from data released by the Japan Meteorological Agency.
(Note) Indicates the difference from the reference value, which is the 30-year average for the period 1991-2020.

Electricity Costs Rising Despite Subsidy and Reduced Energy Consumption

Searing heat makes life difficult without air conditioning, and soaring electricity bills cast a shadow over household budgets. In 2022, monthly electricity costs were about 1.4 times higher than 2005 levels (Figure 2).

Figure2 Changes in electricity costs per household

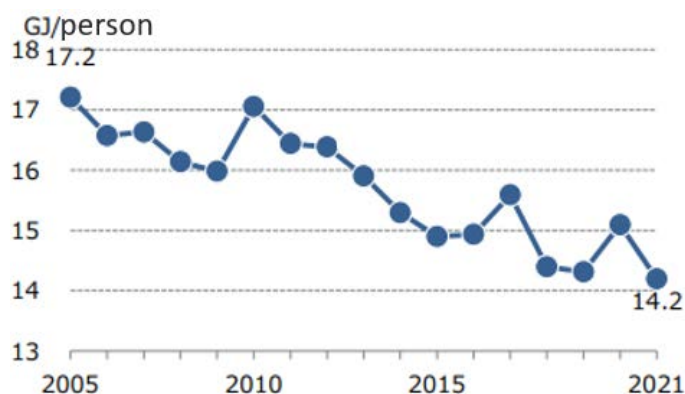


(Source) Compiled by Dai-ichi Life Research Institute from "Household Survey," Statistics Bureau, Ministry of Internal Affairs and Communications
(Note) Monthly, Jan 2005 to Jul 2023

In response to the rise in energy prices due to factors such as a weaker yen and Russia's invasion of Ukraine, the government initiated subsidy programs for gasoline in January 2022 and for electricity and gas in January 2023 as part of its "Rapid Mitigation Measures".

According to the Agency for Natural Resources and Energy, these measures have reduced the average household's monthly electricity bill by about ¥2,800. In addition, our energy consumption has been gradually decreasing due to energy-efficient appliances and other factors (Figure 3). Despite these efforts, electricity costs continue to rise.

Figure3 Household energy consumption per capita



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(Source) Excerpt from "2021 Comprehensive Energy Statistics," Agency for Natural Resources and Energy
(Note) Unit: GJ (gigajoule)

Imminent Winter Energy Poverty

Japan is highly vulnerable to the effects of high energy prices, as it relies on thermal power for about three-quarters of its electricity generation. As of August 2023, crude oil prices have stabilized at around \$80 per barrel. This is a significant drop from the over \$130 per barrel seen in March 2022.

However, the OPEC Plus group of mostly Middle Eastern countries has not eased its coordinated production cuts due to various considerations, such as funding to diversify the economy from a narrow emphasis on oil production and stabilize the country's income.

The subsidy program for electricity and gas bills, originally scheduled to end in September 2023, has been extended. However, the structure of electricity costs, which remain vulnerable to fluctuations in energy prices, has not changed.

Even after enduring the summer, there is a pressing concern that "energy poverty" could reemerge as a social issue in winter, when heating needs arise and people are unable to fully utilize air conditioning and lighting. It is important to keep a close eye on the situation as it develops.

Original in Japanese:
<https://www.dlri.co.jp/report/dlri/279935.html>