

Home Energy Costs in Ontario

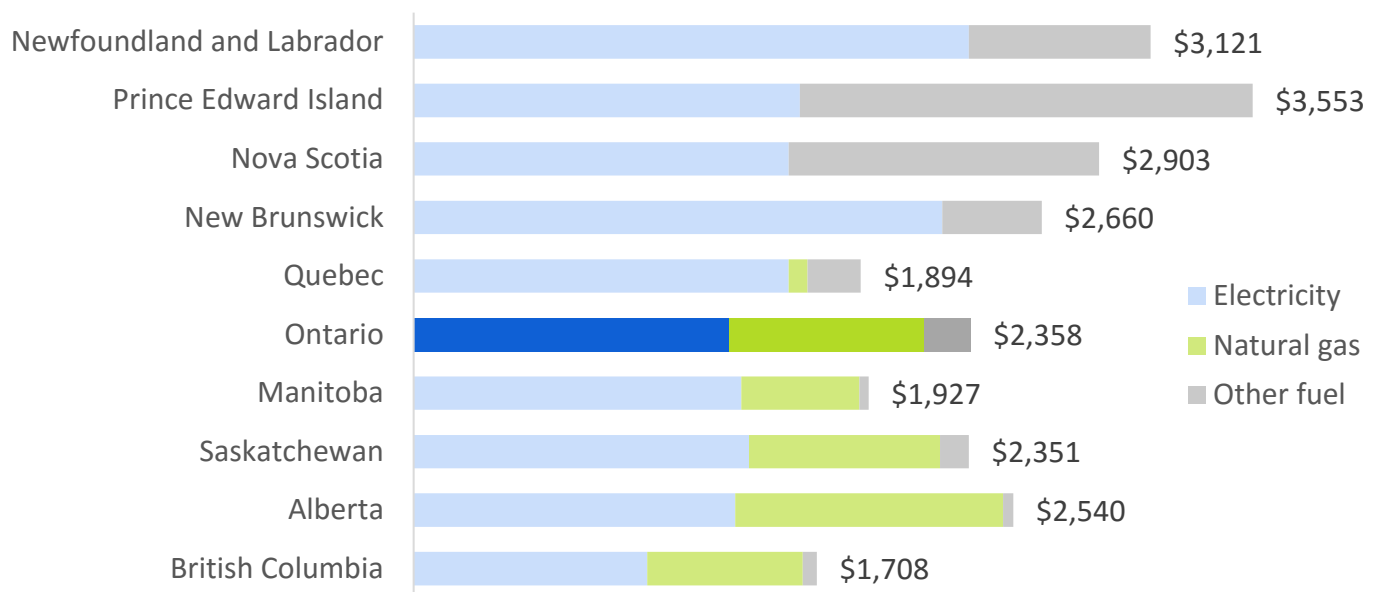
Home energy costs,¹ the costs Ontarians pay to heat and cool their homes and power their appliances, are a pocket-book issue for Ontarians and a frequent topic of debate in Ontario’s Legislative Assembly. While changing prices are an important driver of home energy costs, changes in energy efficiency and substitution between energy sources also matter. Some Ontarians, but certainly not all, have the opportunity to respond to rising prices for a particular energy source like gas or electricity by either using energy more efficiently or by switching energy sources. Looking at how much households actually spend on energy in the home, rather than at prices alone, provides a clearer picture of how energy costs affect the cost of living of Ontarians.

This commentary answers two questions: 1) on average how do home energy costs in Ontario compare with those in other provinces? and 2) on average how have home energy costs in Ontario changed over time?

How do home energy costs in Ontario compare with those in other provinces?

On average, Ontarians have lower home energy costs than Atlantic Canadians but higher costs than our neighbours in Quebec and Manitoba (Figure 1). Albertans spend more on home energy than Ontarians. British Columbians enjoy the lowest home energy costs in Canada. Differences across Canada in part reflect the availability and adoption of different energy sources such as electricity, natural gas and other fuels, which include heating oil.

Figure 1: Average Household Home Energy Cost, 2014*

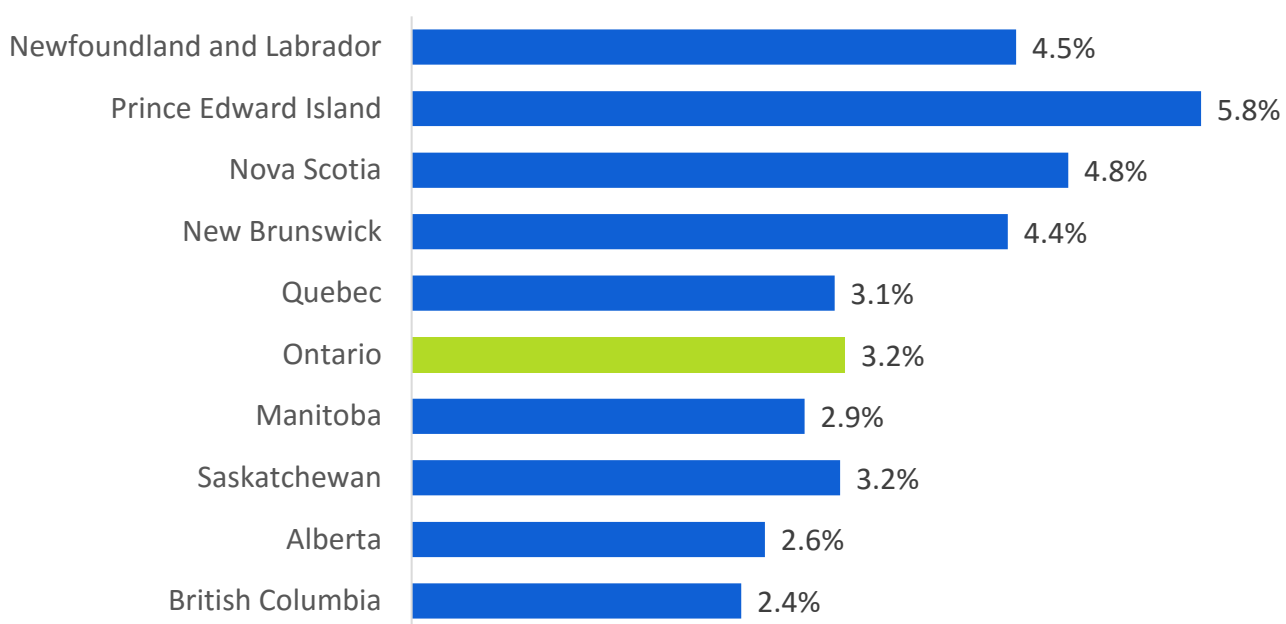


Source: FAO analysis of data from the Statistics Canada Survey of Household Spending.
 *Note: Most recent year for which these data are available.

¹ Home energy cost is the cost of energy used in the home. This commentary does not address household energy costs incurred outside of the home, such as gasoline or diesel fuel for vehicles or energy costs incurred at secondary residences such as cottages. Also excluded from this analysis, due to an absence of data, are home energy costs paid by property owners on behalf of tenants.

But how meaningful is this comparison given differences in after-tax income² among provinces? When home energy cost is viewed as a share of after-tax income, a somewhat different picture emerges (Figure 2). While home energy costs in Ontario are higher than in Quebec or Manitoba, Ontarians also have higher average after-tax incomes, so home energy cost as a share of after-tax income is similar. Indeed, the differences in home energy cost as a share of after-tax income are small between provinces from Quebec to Saskatchewan, yet large between Atlantic Canada and the rest of the country. Albertans and British Columbians spend less on average on home energy relative to after-tax income than do Ontarians.

Figure 2: Average Household Home Energy Cost as a Share of Average After-Tax Income, 2014*



Source: FAO analysis of data from the Statistics Canada Survey of Household Spending.
 *Note: Most recent year for which these data are available.

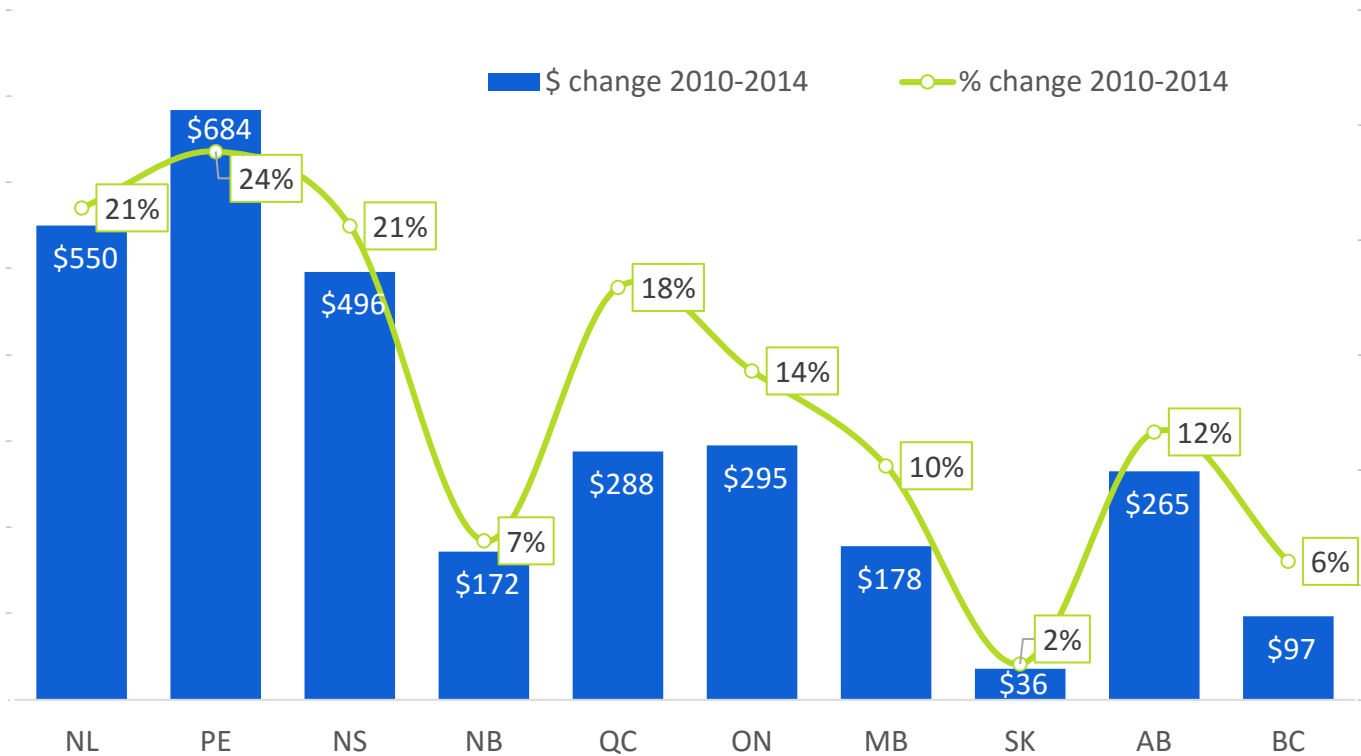
How have home energy costs in Ontario changed over time?

Energy prices are often volatile, with large changes from year to year. These ups and downs in prices also affect home energy costs, but overall, costs have tended to rise in recent years. From 2010³ to 2014 Ontarians experienced moderate increases in home energy costs relative to residents of other provinces (Figure 3). The average household in Ontario spent \$295 more on home energy in 2014 than in 2010, an increase of 14%. However, since after-tax incomes also rose in this period, the share of after-tax income spent on home energy rose only slightly from 3.0% to 3.2%. The Atlantic provinces, except New Brunswick, saw the greatest increases in home energy costs, while Manitoba, Saskatchewan, and British Columbia saw smaller increases. Quebec and Alberta saw increases similar to those experienced in Ontario.

² After-tax income is estimated by the FAO as average household income before tax less average household personal income tax, both from the Statistics Canada Survey of Household Spending.

³ Statistics Canada estimates of household energy spending for years before 2010 were produced using a different methodology. Therefore, Statistics Canada does not view estimates from before 2010 as comparable with estimates for 2010 and later years.

Figure 3: Change in Average Household Home Energy Cost, 2010-2014



Source: FAO analysis of data from the Statistics Canada Survey of Household Spending.

Key Messages

- Ontario home energy costs are higher than in Quebec, Manitoba, and British Columbia, but lower than in Atlantic Canada and Alberta.
- The share of after-tax income spent by Ontarians on home energy costs is similar to shares in Quebec and Manitoba, significantly less than in Atlantic Canada, but higher than in Alberta and British Columbia.
- From 2010 to 2014, Ontarians experienced average increases in home energy costs relative to residents of other provinces.

Peter Harrison
 Chief Financial Analyst
pharrison@fao-on.org

Financial Accountability Office of Ontario
 2 Bloor Street West, Suite 900
 Toronto, Ontario M4W 3E2

Media queries, contact: Kismet Baun, 416.254.9232 or email kbaun@fao-on.org