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ELECTRICITY PRICE ELASTICITIES – REVIEW OF RECENT LITERATURE

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Extended Abstract

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Abstract Summary

Electricity is an important input in many industries and a necessity good for households. The high electricity prices that most European countries have experienced since the winter of 2021/22 affect all economic agents. Different subsidy schemes have been introduced to alleviate the situation. However, without knowing the consumer flexibility, it is difficult to design adequate support schemes. Hence, it is important to know to which extent the consumers – industries and households – can adapt to the high prices. Historically, electricity consumption has been considered quite inelastic, but there are reasons to believe that the situation has changed.

This article provides a review over recent literature about price elasticities, both on short and long term, and discusses to which extent the historical estimates are relevant today.

Presenting Author Biography

Orvika Rosnes is economist (PhD) with extensive experience in energy and climate policy analyses, both as a researcher and as a consultant. She has worked on issues related to climate policies, market design, regulation, and investments in power markets. Orvika is an expert in model-based scenario analyses, having extensive experience both in partial equilibrium models and in general equilibrium (CGE) models. She has also experience with other methods, e.g. cost-benefit analyses and willingness to pay studies. A recent study estimated Norwegian households' willingness to pay to avoid a large power outage that hits several critical infrastructure services simultaneously.