**Overview**

Welcome to Topic 5 of the e-module on Gender and Energy.


We have so far discussed the basic concepts in gender and energy and have reviewed key gender issues in energy access, electricity infrastructure, and clean energy in the first four Topics of this Module.

This topic will cover energy policies, with a specific focus on energy pricing. It will discuss the potential social and gender impacts of energy pricing reform, and will present mitigation measures for preventing harmful effects on poor and vulnerable segments of the population, including women. These effects and potential mitigation measures should be considered when designing and implementing pricing policies in the energy sector.

**Energy policies and gender impacts**

Governments around the world implement energy policies to address energy development issues, including production, distribution and consumption of energy, and to ensure sufficient energy to meet the needs of their societies. Such policies are usually supported by measures such as legislation, regulation, taxation, and incentives for investment.

Energy policies often aim to achieve three goals: energy security, energy equity and environmental sustainability.

- Energy security may be improved through the effective management of energy supply, enhanced reliability of energy infrastructure and the ability of energy providers to meet current and future demand.

- Energy equity aims to improve the accessibility and affordability of energy supply across the population.

- Finally, environmental sustainability seeks to promote supply and demand-side energy efficiencies as well as the development of renewable energy and other low-carbon sources.

Gender and social aspects need to be explicitly considered when planning energy policies and reforms to avoid increasing inequality and help reduce any existing gender gaps. A Poverty and Social Impact Analysis is often carried out to evaluate short and long term distributional impacts of energy policies and should also include gender analysis. Transparent and inclusive decision making processes are also key in ensuring that energy policies are aligned with public interest.

**Energy pricing reform**

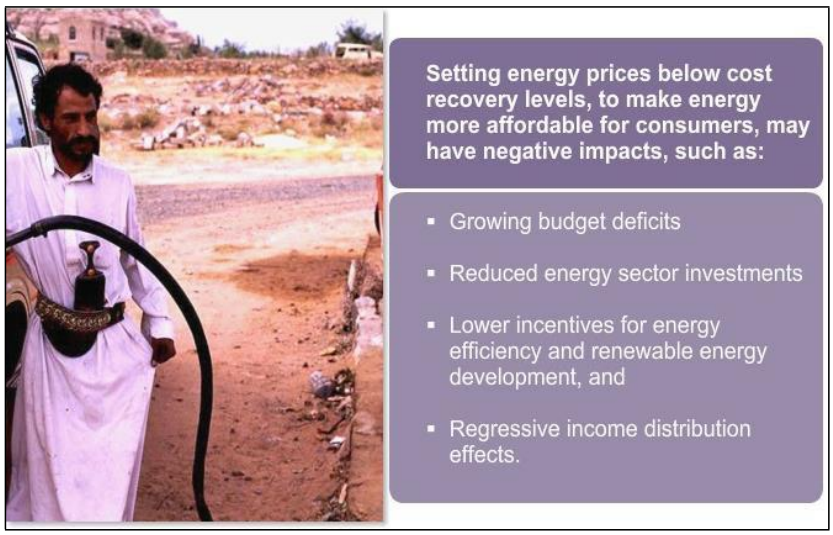
Energy pricing is an important policy issue for many countries across the world. As governments try to moderate the burden of energy expenditures on consumers, energy prices – including fuels and electricity - are often set below cost recovery levels.

Energy subsidies are defined here as any government action that prevents cost reflective energy prices - often through 3 main techniques: (i) lowering the price paid by energy consumers, by regulating end-user tariffs, or (ii) raising the price received by energy producers (by providing cash transfers), or (iii) decreasing the cost of energy production (for example through tax concessions).

However, subsidization distorts price signals and often have adverse consequences.

- When subsidies are funded through government revenues, they contribute to growing budget deficit, and can crowd out public investment in priority sectors.
- By preventing full cost recovery, subsidies discourage investment in the energy sector and lead to poor utility performance and quality of service.
- By distorting price signals, subsidies discourage energy efficiency and conservation, as well as faster development of renewable energy sources.
- The distribution of energy subsidies is typically regressive, with rich households receiving disproportionally higher benefits than poor households, and large sections of the poor often being excluded (such as those that do not have connections to electricity or natural gas).

Thus, one of the goals of pricing reform is to achieve cost reflective prices, while protecting the poor and vulnerable. There is a strong case for pricing reform, but many challenges need to be overcome, such as widespread resistance to energy price increases which may lead to political instability.



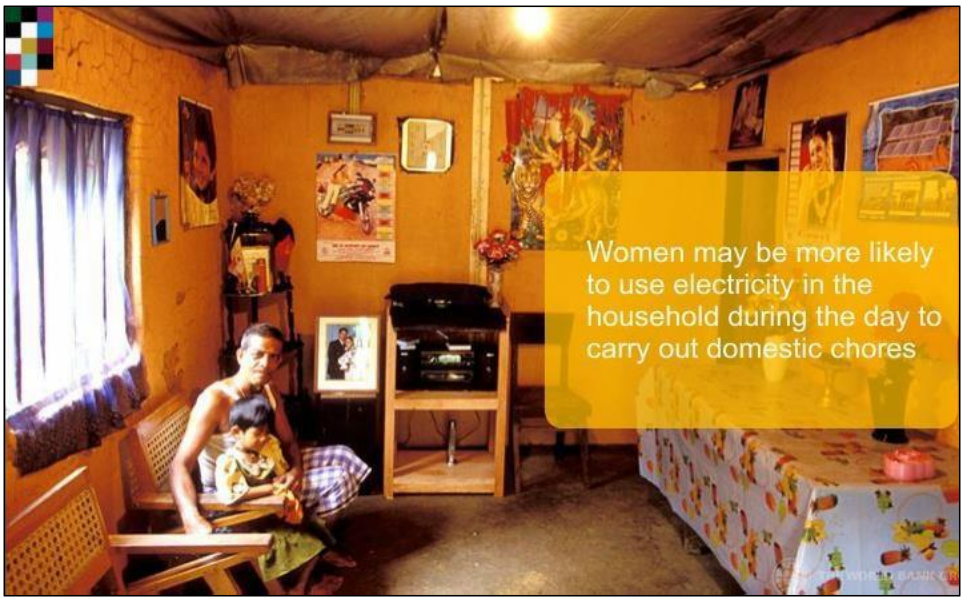
**Energy pricing reform: social and gender impacts**

There are important gender considerations that emerge as households adjust to higher energy prices, as women and men use energy differently and rely on different energy sources for different activities.

By keeping the cost of energy artificially low, subsidies help many poor and vulnerable households access and afford energy services. Female-headed households are likely to be disproportionately impacted by energy price increases. Indirect effects of higher energy price may add to the burden, by driving food and water price increases, and negatively impact poor women, as evidence indicates in some states in India.

Price increases of fuels used for lighting, cooking and heating may constrain the poorest users to switch to lower grade fuels such as wood, coal or dung. Such fuels increase indoor air pollution, to which women and children are generally more exposed that men.

Higher electricity prices lead to either lower electricity consumption or higher electricity expenditure. As budget managers, men often decide the amount to be spent in electricity consumption. In the face of tariff increases, men's preferences are more likely to be reflected in changes in household spending priorities, but women may be more likely to use electricity in the household during the day to carry out domestic chores, and are better placed for saving energy. In Europe and Central Asia, women reported that they refrain from using appliances such as washing machines as a result of higher electricity bills. Women that stay at home say that they often do not heat the house during the day when other members are out, to minimize their energy bill.



**Energy pricing reform: mitigation measures (1)**

Energy subsidy and pricing reforms need to be accompanied by appropriate measures to mitigate the impacts of higher prices on household welfare and protect those most in need. Adverse impacts may be minimized by implementing redistributive measures to protect poor and vulnerable groups and by supporting energy efficiency. Particular attention should be paid to female-headed households, by developing gender-sensitive eligibility criteria. However, targeting the poor may be a challenge, particularly for countries that do not have an existing social safety net system - and thus lack a poverty database.


Multiple options are available, and should be carefully selected and applied depending on the context, including:

1. Cash transfers targeted to low income groups

2. Conditional cash transfers usually tied to children's school enrollment or to regular medical check-ups. The Brazilian social welfare program Bolsa Familia is the most well-known program. Nigeria has also expanded its conditional cash transfer program to pregnant women in rural areas.

3. Monthly fuel quotas guarantee low pricing of a minimum level of fuel consumption. For example, India introduced in 2012 an annual quota of subsidized LPG cylinders. Vouchers or coupons may be distributed to low-income households. Examples include gas vouchers in Brazil or electricity coupons in the Dominican Republic, where the Bono Luz program subsidized the first 100 kWh of consumption in poor households.

4. Lifeline electricity tariffs subsidize the first block of consumption, which is considered enough to cover basic needs, while higher levels of consumption are being charged at the commercial rate.

5. Mitigation measures can also include support for energy efficiency investments, such as improved insulation and energy efficient domestic appliances.

**Energy pricing reform: mitigation measures (2)**

Additional mitigation measures may also be considered outside the energy sector:

1. Food distribution programs (or food subsidies) may be established or expanded to feed the most vulnerable, thus helping to compensate the indirect effect of energy price increases, such as in Namibia.

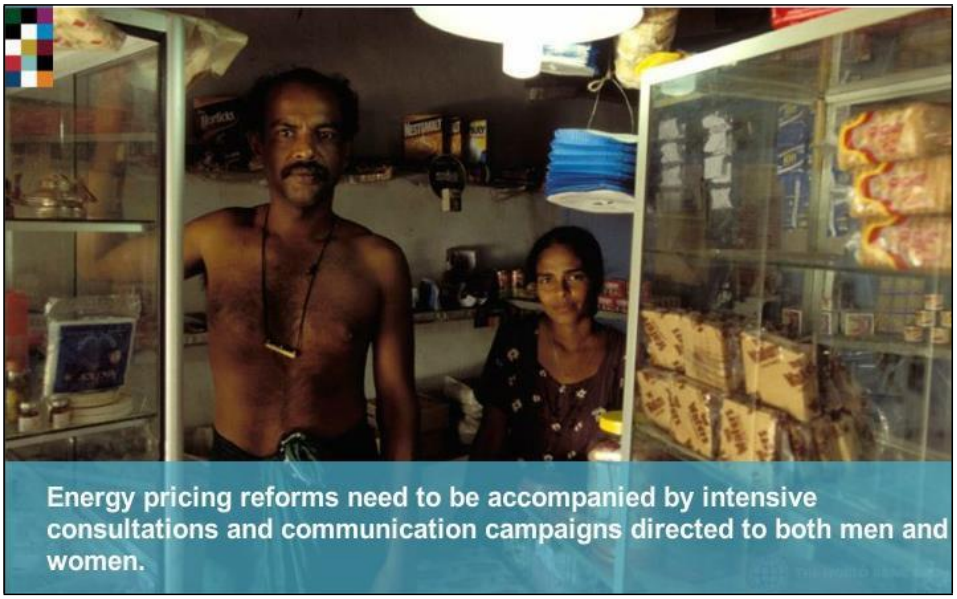
2. The creation of youth and women's employment programs may help spur growth and employment. Nigeria has mitigated the impacts of reform by establishing vocational training centers and supporting public works.

3. Provision of free public services such as health and education or reduction in user fees and subsidizing mass urban transport, such as in Ghana.

Appropriate mitigation measures are crucial for protecting the poor and vulnerable. A gender perspective needs to be integrated in the design of any of these measures, to adequately compensate men and women and limit disproportional gender impacts. For example, targeting should consider any constraints that women may face in benefitting from such efforts, such as their low rates of bank account ownership when considering direct financial transfers of subsidies.

**Need for consultation and communication**

Intensive consultations and well-designed communication campaigns targeted to both men and women are important for raising public awareness and acceptability for reform, but also for improving government's understanding on the concerns and impacts (whether real or perceived) of affected men and women, and informing the design of the reforms. Thus, involving women's groups and community organizations in the design of the communications strategy and dissemination is essential. Men and women should be adequately informed on the eligibility criteria and procedures to access the mitigation measures that are being implemented.



Energy pricing reforms need to be accompanied by intensive consultations and communication campaigns directed to both men and women.

**Check Your Understanding**

1. Identify if the following statement is True or False: The distribution of energy policies is typically regressive.

   A. True

   B. False

2. How do you think the poorest households cope with increasing prices of energy sources used for lighting, cooking and heating?

   A. By switching to lower grade fuels such as wood, coal and dung

   B. By using electricity to cook meals

   C. By adjusting their budgets and expending less in food and health care

   D. By not heating the house at all

   E. By performing their daily household chores at night