

Re: Elasticity?Price Vs Energy consumption

Source: <http://sci.tech-archive.net/Archive/sci.energy/2006-08/msg00049.html>

- *From:* "daestrom" <daestrom@xxxxxxxxxxxxxxxxxxxxxxxxxxxxxx>
 - *Date:* Mon, 31 Jul 2006 22:53:20 GMT
-

<gauravgandhi9@xxxxxxxxxxxxxxxxxx> wrote in message
news:1154273925.509515.106140@xxxxxxxxxxxxxxxxxxxxxxxxxxxxxx

Hi,
While working with Energy Scenarios, I came across a term called "Elasticity".
Can anyone put more light on term-Elasticity and how it is related with energy consumption.
I want to co-relate between "energy consumption and impact of high prices on energy consumption".

'Elasticity', among other things, can be an economic term to describe how consumption varies with price.

A basic 'staple of life' is fairly inelastic. If the price of food goes up 20%, people still need the same amount of food (well, okay not in the US where many folks are overweight).

A 'luxury' is often highly elastic. If the price of season tickets to the ball game go up 20%, a lot of folks decide not to buy them and choose some other recreation.

With regard to gas, it's somewhat in between. If you have to use gas to get back and forth to work, then you pay whatever the pump demands. But you probably re-think that holiday vacation cross-country trip.

Then there is the 'inertial' factor. Switching to more fuel-efficient automobiles means a significant investment for the average driver. If one just bought an SUV two years ago and haven't even finished making the payments, one is not likely to sell it for a loss just to turn around and buy a more fuel efficient car. Some people may, but not everyone. Most will wait until the gas-guzzler is paid off and they need a new car. Then they will just shop around for a more fuel efficient model.

The time delay may just appear as a slowing in the growth of consumption. More drivers, more cars, but as the average efficiency rises it will mask the true growth rate of automobiles. Once the average efficiency of the fleet levels off at the higher level, consumption growth may resume it's previous rate.

daestrom

.