

Estimating the elasticity of energy over consumption at micro level: a case study in Sabah, Malaysia

ABSTRACT

This study aims to estimate the over consumption and essential elasticity for energy (petrol, diesel, electricity and LPG) at micro level using LA-AIDS model after the implementation of managed floating mechanism. The findings show that low income group possesses the highest cost of over consumption for electricity. Besides, the own price elasticity indicates that petrol and diesel are price elastic for low income group while households are not responsive towards price changes for electricity and LPG. Lastly, households treat both petrol and LPG as luxury goods while diesel and electricity are necessity goods for low income group based on the integrated expenditure elasticity. Thus, measures should be taken to develop the subsidy rationalization for electricity and LPG in the future.