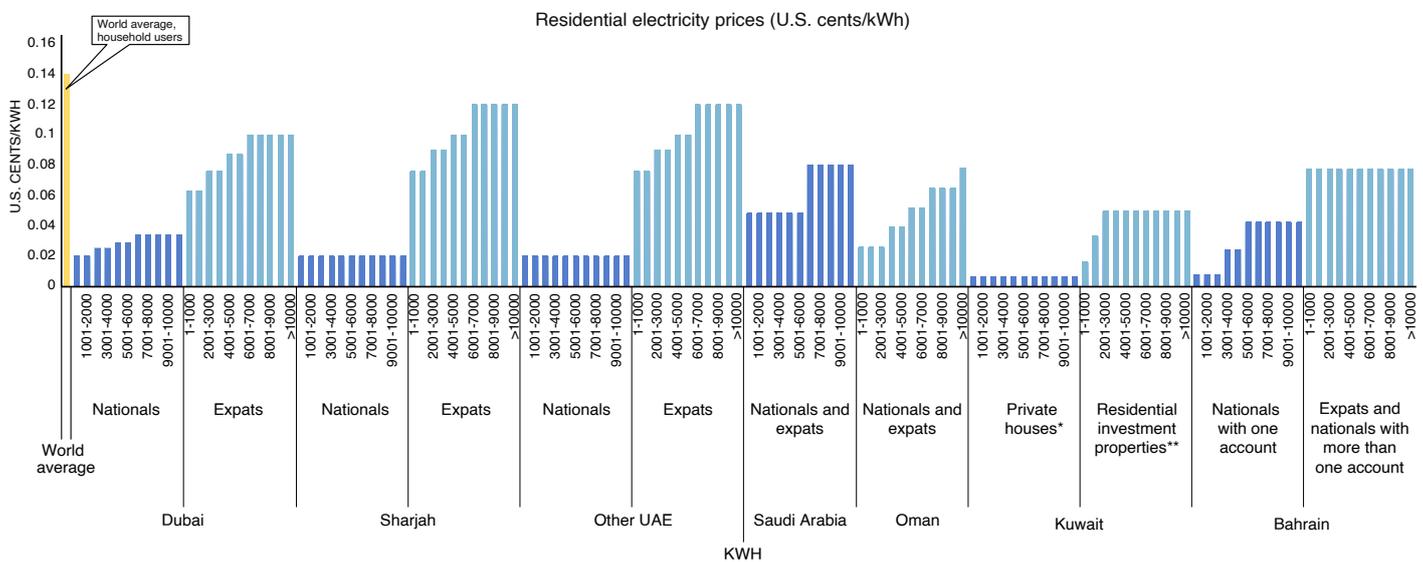


Data Insight

13/08/2020

GCC Residential Electricity Tariffs

Figure 1. Residential electricity prices in GCC countries (U.S. cents/kWh).



Source: Author's analysis based on data from multiple sources, see KAPSARC dataset and sources links below.

*Private houses: Private residential houses (citizens).

**Residential investment properties: Includes residential apartments, mostly expatriate consumers.

Gulf Cooperation Council (GCC) countries have raised their domestic energy prices in recent years in a bid to increase energy efficiency, rationalize government spending and balance their budgets. Saudi Arabia and the United Arab Emirates (UAE) have taken bold steps to reform their domestic energy prices, including their electricity tariffs. Although electricity prices for consumers in the GCC are still below the global average price of \$0.14* per kilowatt-hour (kWh), the reforms represent fundamental changes in the region's economic and social policies.

Demand for electricity in the GCC is considered to be among the highest in the world. In 2015, the GCC consumed 526 terawatt-hours (TWh) of electricity, with Saudi Arabia's electricity regulator reporting the highest consumption in the region of some 294 TWh.

Between 2012 and 2017, Saudi Arabia's electricity demand increased by around 21%, with demand from the rest of the GCC increasing by an average of 30%. This increase in demand in Saudi Arabia was due to the country's low per capita, administered, electricity prices. It was also due to the country's population growth, its strong economic and industrial development, the growing pattern of urbanization, and improvements in its citizens' standards of living. The residential sector accounts for most electricity demand in almost all GCC countries.

However, Saudi Arabia's electricity demand started to decrease gradually. In 2019, residential demand fell by 5.7% to around 128 TWh from 136 TWh in 2018. This was most likely a reaction to energy efficiency measures taken by the Saudi Energy Efficiency Center and the energy price reform and value-added tax (VAT) implemented in 2018. Further investment in energy efficiency in Saudi Arabia to help reduce domestic energy consumption is expected in the long run. Therefore, electricity demand is expected to decrease in the coming years, following the current economic downturn and as more expatriate workers leave.

Electricity pricing varies between countries and is contingent on factors such as government incentive schemes and regulations, the domestic market prices of fuels, and the local weather. Figure 1 shows GCC residential tariffs categorized by country and consumption slab. The tariff designs are mostly based on sector type, citizenship (nationals or expatriates) and consumption level.

The electricity price in the UAE differs between emirates and between expatriates and citizens. The UAE has reformed electricity prices many times. Their impact on its nationals has been limited, but they have had a greater impact on expatriates.

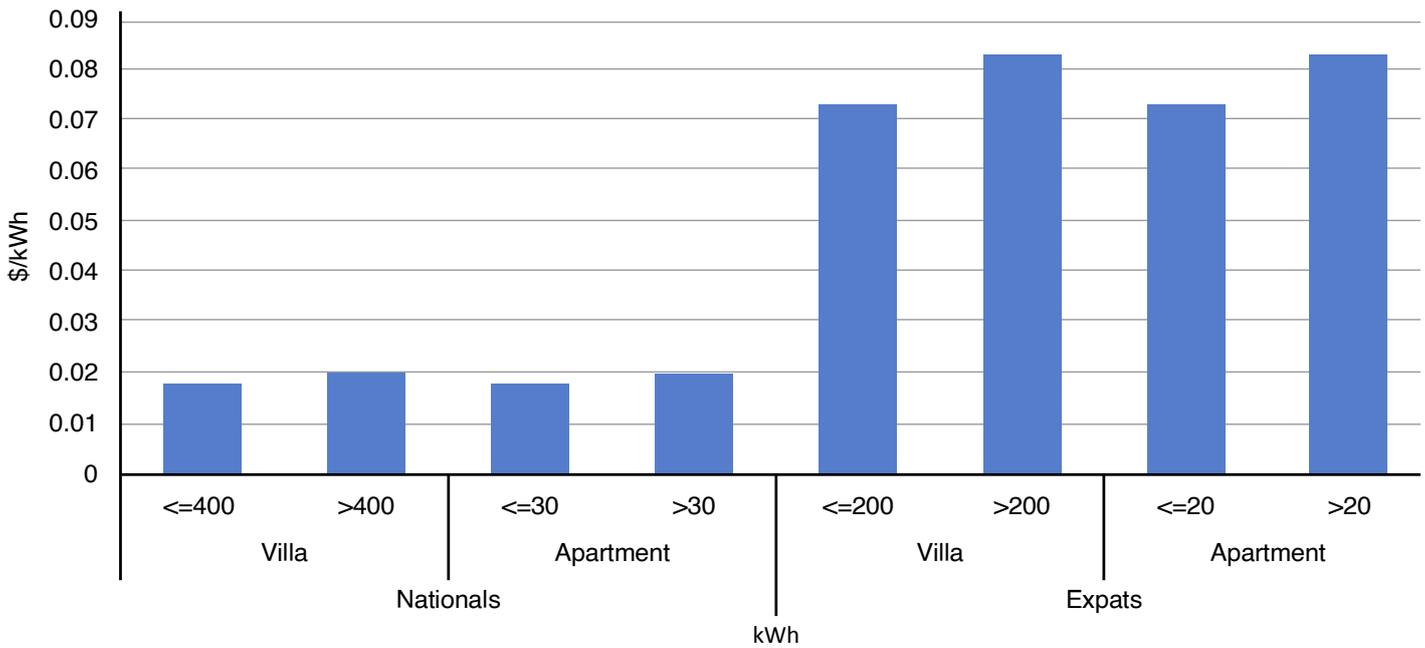
As Figure 1 shows, the UAE's electricity tariff for expatriates is higher than in other GCC countries. Sharjah and other emirates under the Federal Electricity and Water Authority (FEWA) have the highest electricity prices in the GCC, at \$0.12/kWh for expatriate customers who consume more than 6,000 kWh. In Sharjah, residential tariff slabs for UAE nationals are fixed at \$0.02/kWh. However, for expatriate homeowners they vary between \$0.082/kWh and \$0.12/kWh.

In 2019, the Sharjah Electricity and Water Authority (SEWA) reduced its residential electricity tariff for properties owned by non-Emiratis. Electricity tariffs were reduced by 37.7% (from \$0.12/kWh to \$0.076/kWh) for the first consumption slab. This affected most of SEWA's customers in Sharjah. SEWA's tariff cost reduction became effective in January 2019 and aims to maintain the social stability of expatriate families. In the same year, FEWA announced new tariff reductions for expatriates, effective from February 2019.

Dubai is the only emirate in the UAE where nationals pay different electricity prices based on consumption slabs. Tariffs for nationals start from \$0.02 kWh for consumption up to 2,000 kWh. Those who consume more than 2,001 kWh pay more than customers consuming the same amount in other emirates. However, expatriates pay less in Dubai than their peers in other emirates, with their tariffs ranging between \$0.063/kWh and \$0.10/kWh. In 2011, after the 2008 price reform, the Dubai Electricity and Water Authority (DEWA) increased its tariffs for expatriates. This was due to rising oil and gas price increases, and to encourage customers to conserve energy. An additional \$0.018 fuel surcharge was included in consumers' monthly bills.

While the electricity price distribution for Dubai and Sharjah are based on monthly consumption slabs, the prices in Abu Dhabi differ based on housing type (villa or apartment), with the segments based on daily consumption levels. As shown in Figure 2, expatriates who live in apartments and villas in Abu Dhabi pay four times more than nationals.

Figure 2. Abu Dhabi residential electricity tariff slab rates (daily).



Source: Data from ADDC.

In 2016, the Abu Dhabi Water and Electricity Authority (ADWEA) revised its electricity tariffs, in line with the rising cost of supplying electricity to consumers. The change in tariffs, effective from January 1, 2017, aimed to encourage the efficient use of electricity by consumers. Electricity prices for UAE nationals increased by around 30%, to \$0.018/kWh for the lower consumption level and \$0.02/kWh for the higher consumption level (Figure 2). However, prices for expatriates are significantly higher. They pay \$0.073/kWh and \$0.083/kWh for lower and higher levels of consumption, respectively. These price increases, after tariffs were earlier revised in 2015, helped minimize government subsidies.

Electricity for citizens is charged at a blanket rate in all emirates other than Dubai and Abu Dhabi (\$0.02/kWh) and does not vary according to their consumption level. However, as shown previously, tariffs differ significantly for expatriates. In 2019, FEWA reduced tariffs for expatriates living in freehold properties by around 37%. FEWA's tariffs have four consumption slabs. The lowest-priced slab is \$0.076/kWh for consumption up to 2,000 kWh, and the highest is \$0.12/kWh for consumption over 6,000 kWh. Residents in Ajman, Ras Al-Khaimah, Umm Al-Quwain, and Fujairah are subject to the FEWA tariffs. Most of FEWA's consumers fall under the first slab. Between 2014 and 2017, UAE's total electricity consumption increased by 17.3%.

In Bahrain, residential tariffs are divided into three consumption slabs: up to 3,000 kWh, 3,001 kWh-5,000 kWh, and 5,000+ kWh. Between 2016 and 2019, the country increased electricity prices gradually on a yearly basis for expatriates and nationals holding multiple accounts. Those with more than one domestic electricity account can select one to benefit from the subsidy. The tariff of the lowest consumption slab increased by some 380%, 120% for the second consumption slab, and 52% for the third consumption slab. In 2018, the tariffs for the three consumption slabs were priced at \$0.065/kWh, \$0.061/kWh and \$0.066/kWh, respectively. In 2019, a single price of \$0.077/kWh was introduced for all three consumption segments. However, since 2016, tariffs for national consumers holding a single account have not been affected, with the tariffs for the three consumption slabs fixed at \$0.008/kWh, \$0.024/kWh and \$0.042/kWh, respectively. Before these price increases, Bahrain's electricity consumption increased by 9% between 2014 and 2017.

Electricity tariffs in Kuwait are low compared with other GCC countries. In 2016, Kuwait revised its tariffs for all sectors to rationalize consumption, and proposed that the prices for residential houses be divided into four consumption slabs: \$0.017/kWh (1-3,000 kWh), \$0.027 (3,001-6,000 kWh), \$0.033/kWh (6,001-9,000 kWh), and \$0.05/kWh (>9,000 kWh). In 2017, Kuwait's Ministry of Electricity and Water (MEW) revealed the new tariffs for sectors, without implementing the previously proposed prices for the residential sector, making an exemption for private houses after votes for excluding citizens from the price increase. However, electricity tariffs for the investment sector, which includes residential investment properties, **increased significantly**, mostly affecting expatriates, who account for a high percentage of tenants in residential apartments. The new tariffs are divided into three consumption slabs: \$0.016 for the first 1,000 kWh, \$0.033/kWh for up to 2,000 kWh, and \$0.049/kWh for consumption of more than 2,000 kWh. This represented a minimum increase of 150% on the previous tariffs. Kuwait continues to revise its electricity tariffs to encourage utility savings. According to Kuwait's Energy Outlook 2019, Kuwait is one of the highest per capita energy consuming countries in the world, due partially to its heavy energy subsidies. Between 2012 and 2016, Kuwait's electricity consumption increased by 13%. However, it decreased by 0.33% in 2017, which might have been partially due to the increase in tariffs.

Residential consumers represent 70% of all electricity consumers in Oman. In 2017, they accounted for around 46% of the country's total electricity demand, making them the largest power consumer category in the country (see "[Oman Electricity Sector: Features, Challenges and Opportunities for Market Integration](#)"). Oman has successfully reformed its electricity sector. In 2018, electricity prices increased for all consumers based on their monthly consumption. Oman's residential tariffs are based on five consumption slabs; the first four segments range between \$0.026/kWh and \$0.065/kWh. The highest tariff costs \$0.078/kWh for consumption of more than 10,000 kWh. Oman's electricity consumption growth decreased from 15% in 2015 to 6% in 2017.

Saudi Arabia introduced the first phase of its price reform measures in 2015. In late 2017, the government introduced a second round of tariff hikes, which became effective from January 1, 2018. Saudi residential electricity tariffs distinguish between those consuming up to 6,000 kWh (\$0.048/kWh) and those consuming over 6,000 kWh (\$0.08/kWh) (see "[Electricity Tariff Changes in Saudi Arabia: 1974-2018](#)").

Access machine-readable data [link](#) and related [datasets](#) from the [KAPSARC data portal](#) for further analysis and visualization.

Note: *Global average prices for world countries includes all items in the electricity bill such as the distribution and energy cost, various environmental and fuel cost charges and taxes.

Sources link:

KAPSARC; GCC-STAT; ECRA; Authority for Electricity Regulation, Oman; Abu Dhabi Distribution Co., Abu Dhabi; DEWA, Dubai; SEWA, Sharjah; FEWA. Electricity & Water Authority, Bahrain.

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