STOP THE BILL SHOCK

POLICY BRIEF
ENDING THE ENERGY DEBT TRAP

Why we need urgent intervention to cancel household energy debt

THE SUNRISE PROJECT
SWELTERING CITIES
PARENTS FOR CLIMATE
Antipoverty Centre

Urgent intervention is needed to cancel household energy debt amid global volatility.

The global energy crisis is increasing costs for Australian households, and the longer it lasts the more significant these impacts will be. For the hundreds of thousands already in energy debt, these price shocks create an impossible choice between basic essentials and utility payments. Crucially, those most vulnerable to price hikes are often the same individuals already struggling with existing debt. Large amounts of energy debt also has systemic impacts on the market, the energy transition, our health and social systems and more. The scale of energy insecurity is significant and growing. The most recent figures show a reported 1.6 million electricity and gas accounts are in arrears across the country.[1]

In markets under the authority of the Australian Energy Regulator:[2]

- **224,000 electricity and gas accounts are in arrears more than 90 days.**
- **An additional 174,000 customers are on a hardship plan – a 25.5 per cent increase in the past year, having more than doubled since 2021.**
- **This household energy debt now exceeds $700 million.**

The federal government must urgently intervene to wipe this debt before it grows further and pushes energy prices up even higher. With an investment in the budget, the government could buy out household energy debt, likely at a fraction of its face value. This is an efficient, non-inflationary intervention. Removing this debt would provide immediate financial relief for hundreds of thousands of households, put downward pressure on energy prices and lower the barriers that prevent many energy-insecure households from accessing cheaper plans, efficiency upgrades and renewable energy programs.

Enough is enough. The upcoming 2026–27 federal budget must include measures to cancel energy debt. This is the only way to help hundreds of thousands of households escape the energy debt trap.

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Introduction

The global energy crisis, driven by the escalating US/Israel-led conflict in the Middle East, is increasing fuel and energy prices and placing more pressure on households already struggling with the cost of living. People are battling to pay bills, as demonstrated by the data released by the Australian Energy Regulator in April 2026, which showed record-high levels of residential energy debt.[3]

Over the last three years, energy prices have risen at the same time as the costs of other essentials, such as groceries, housing and insurance. Between 2022 and 2025 the Default Market Offer – the regulated maximum tariff a retailer can charge customers on a default plan for electricity – rose 25 per cent or more.[4] These inflated prices have made it impossible for hundreds of thousands of people to keep up with their energy bills.

Since 2022, the government has experimented with policies to reduce the burden of energy bills with little success. Following Russia's invasion of Ukraine, wholesale energy prices were capped in response to massive spikes in gas and coal prices. Between 2023 and 2025 the federal government's Energy Bill Relief Fund paid more than $5 billion directly to energy companies to 'subsidise' customer bills. Yet energy bills continued to grow significantly while retailer profits soared.[5]

> **Customer debt imposes costs on the market, which are ultimately borne by energy customers as a whole.**
>
> ***– AER review of payment difficulty protections, 2025***[6]

As energy bills have gone up, so too have the number of people unable to pay. The AER's latest retail energy market data shows there were 612,929 electricity and gas accounts in arrears including 224,190 customers with a bill overdue by more than 90 days at the end of 2025. Approximately 6.5 per cent of residential customers who are not on a hardship plan had an energy debt, with an additional 1.9 per cent of customers in a hardship program.[7]

The growing number of people in debt has flow-on effects to the entire energy market. **Energy retailers factor in the lost revenue and cost of debt recovery when setting prices.** The cost of retailers carrying debt is also included in the calculations used to determine the Default Market Offer.[8] This has created a vicious cycle: as retailers increase prices more households are unable to pay their bills, which in turn increases the cost of debt held by retailers, who subsequently push up prices based on the debt they are carrying and the cost of trying to recover that debt. Without urgent intervention to end the energy debt trap, more people will be pushed into financial stress at an accelerated rate, which will only increase market distortion and push bills up even further.

Why now?

Australia is now experiencing its third major economic shock in less than a decade. Just as the economy was starting to bounce back post-COVID, the US and Israel's decision to attack Iran, and subsequent closure of the Strait of Hormuz – one of the major shipping routes for Middle East oil – has plunged us back into economic uncertainty. Even if the conflict is resolved quickly, the impact on global shipping and fuel costs will be long-lasting.

> **Outcomes for consumers experiencing vulnerability have been consistently poor over a long period. This is particularly concerning given that energy is an essential service.**
>
> *– AER energy equity report, 2022*[9]

The people who are most likely to fall behind with energy bills are also the people dreading filling up their petrol tank to get to work or compulsory Centrelink activities,[10] and anxious about food prices going up at the supermarket. Wiping energy debt gives immediate relief to people who are most exposed to the current shocks.

The energy debt surge

The Australian Energy Regulator has signalled that energy debt is a major concern.[11] Both the total value of outstanding energy bills and the average amount of debt per customer have been growing rapidly, with the number of people in hardship programs doubling – increasing by 113% over the past five years. Excluding hardship customers, there are currently 159,909 electricity and 64,281 gas accounts in arrears by more than 90 days.[12] Together, this debt is worth an estimated $711 million.

No relief for customers in hardship

At the end of 2025, 2 per cent of residential electricity customers and 1.4 per cent of residential gas customers in AER jurisdictions were part of a formal energy hardship program. This is a 24.5 per cent increase from the year prior.[13]

Growth in hardship customer numbers

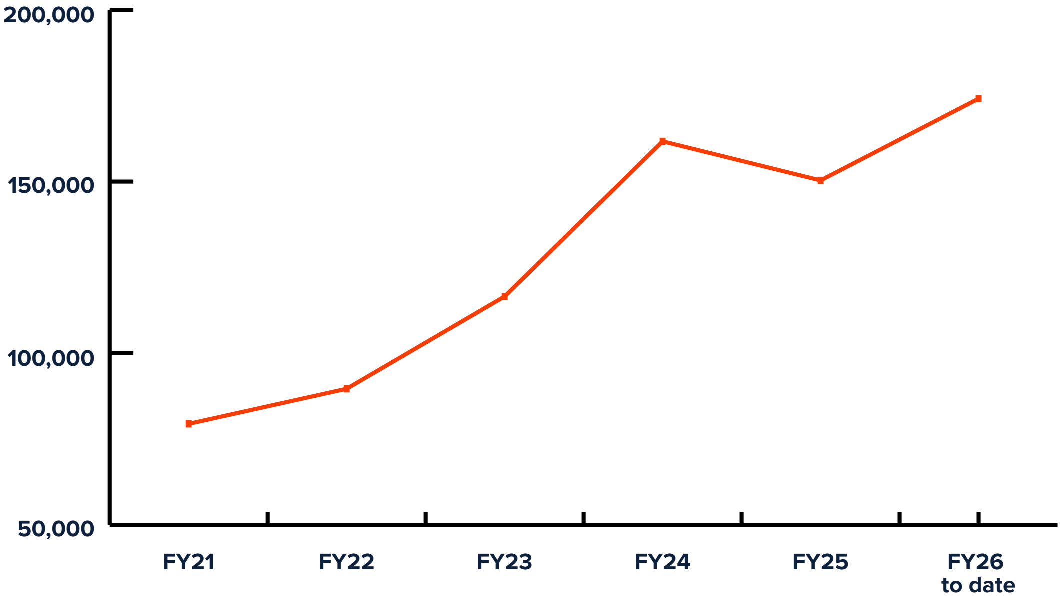

Figure 1: Increase in the number of electricity and gas customers in AER jurisdictions who have been entered into a hardship program. Source: Australian Energy Regulator.

Customers with debt cannot keep up with rising prices. 46.2 per cent of customers on a hardship plan cannot meet their usage costs in each billing cycle, which means their debt continues to grow every month. As of December 2025 there were 174,158 hardship customers, but only 13,912 successfully exited a hardship program during the quarter – 21.8% fewer than a year prior.[14]

The estimated value of this debt reached $372 million at the end of 2025.

Growth in the value of debt for customers in hardship programs

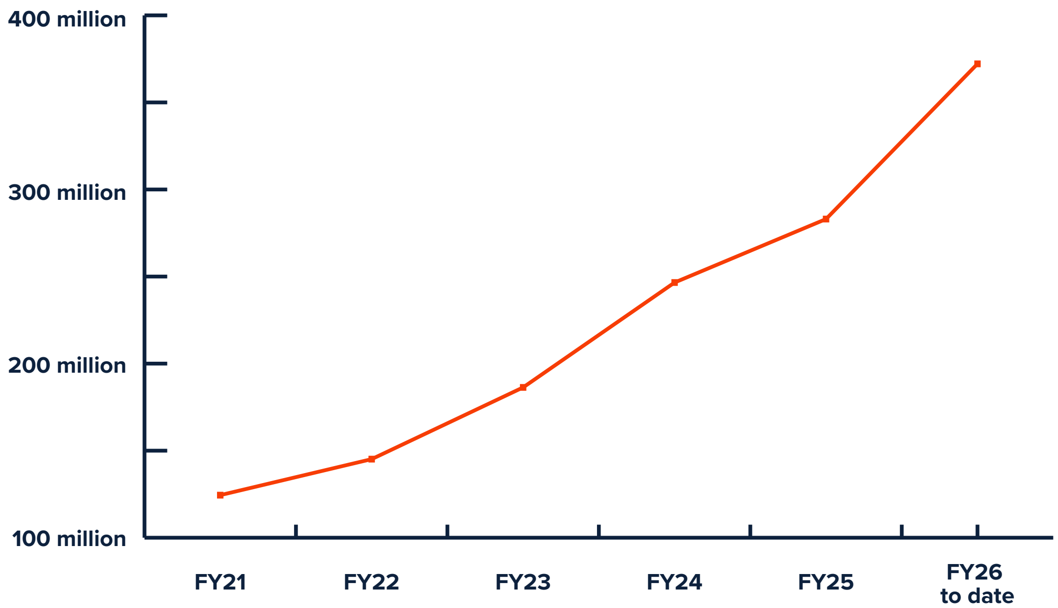

Figure 2: Increase in estimated value of energy debt held by Australian households in AER jurisdictions who have been entered into a hardship program. Source: Australian Energy Regulator.

The average hardship debt for energy customers in markets regulated by the AER is now $2,137, up from $1,882 a year earlier.[15] The number of customers in hardship increased across every jurisdiction, including those in the Northern Territory, Victoria and Western Australia, which are regulated by their state or territory authority. The average amount owed has increased too, with the exception of the Northern Territory and Tasmania.[16]

Customers and hardship debt by jurisdiction

Jurisdiction	Hardship customers	% increase over 1 year	Average hardship debt	% increase over 1 year
ACT	3,715	18.8%	$1,920	11.6%
NSW	93,217	13.4%	$2,141	26.5%
NT	~600	~100.0%	$2,167	-1.6%
Qld	39,575	98.1%	$1,950	30.2%
SA	30,662	14.6%	$2,406	29.2%
Tas	6,989	4.0%	$2,078	-11.4%
Vic*	179,455	5.3%	$1,115	7.7%
WA	39,699	2.6%	$1,585	13.6%
National	**393,912**	**13.1%**	**$1,616**	**19.4%**

*Latest available figures for electricity and gas accounts to December 2025 in the ACT, NSW, Qld, SA, Tas and Vic. Data to July 2025 in the NT and WA. Percentage increases are calcuated over a 12-month period. *Figures for Victoria are for customers on a 'tailored assistance' program. This is for customers who have been unable to clear debt through a 'standard assistance' program.*

As debt has increased, so too has the incidence of punitive actions taken against customers. AER figures show 19,816 customers had their electricity or gas disconnected in the 2024–25 financial year.[17] In the last quarter of 2025 alone, more than 7,728 customers were disconnected, up from 5,141 in the last quarter of 2024. The number of customers referred to a debt collector increased by 53.4 per cent from 29,772 to 45,666.[18]

Corporate profiteering

While households struggle under the weight of rising energy bills big retailers have enjoyed record high profits, the perverse outcome of global geopolitical and economic instability, and subsidies paid directly to retailers without protections to prevent unfair price increases

Last year AGL and Origin, Australia's two biggest retailers who account for more than half of the market, raked in almost $2 billion in collective profit.[19] This followed massive profit jumps over the prior two years. Origin's combined net profit after tax for FY23 and FY24 was $1.9 billion (FY24 profit increased to $1.2 billion after tax, up from $747 million the year before), with AGL making $1.1 billion over the same period ($812 million profit in FY24, up from $281 million FY23).[20]

AGL and Origin have also reported increased margins on consumer energy; while their cost to generate energy has reduced they have not reduced their retail prices, leading to accusations of price gouging. A 2024 report from The Australia Institute found that household electricity and gas customers are charged significantly more for their energy than commercial customers – up to three times more. Further, the report showed that AGL and Origin both made more than ten times the profit per MWh on energy sold to household consumers and small businesses. For AGL customers, it was estimated that 35 per cent of the retail price they paid on electricity was pure profit for the company.[21]

The two biggest retailers have also repeatedly argued against attempts to change the methods for calculating the Default Market Offer that would lower prices,[22] such as reducing the contribution of bad debt costs to the calculation or changing the methodology for calculating the Wholesale Energy Cost.[23]

Australians are also becoming more aware of the role big energy companies are playing in pushing energy prices up. A March 2026 poll of 2006 Australians saw energy companies identified as the single greatest driver of high energy prices. 85 per cent of poll respondents agreed that *"the government should do more to prevent greedy energy companies from increasing energy prices and lining their pockets while our bills get more and more expensive"*.*

Consequently, calls are getting louder for the federal government to intervene to stop them from lining their pockets.

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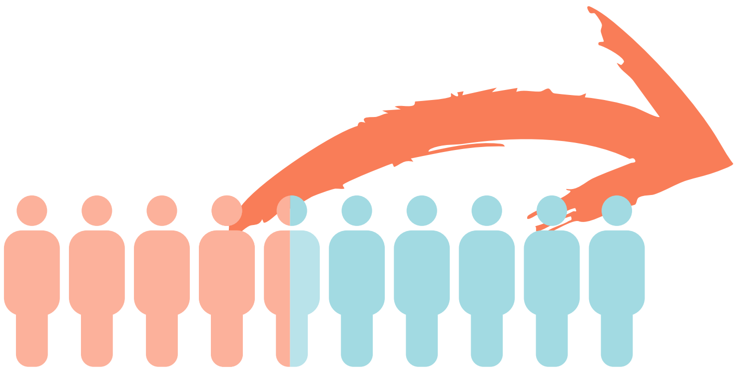
* Renew Australia for All, *Climate and Renewable Energy Sentiment*, March 2026. **Avaliable on request**.

The systemic barrier: How debt prevents progress

Energy debt is not just a financial burden; it is a structural lock that prevents households from lowering their future costs.

Lower-income households are more likely to fall into debt than middle- and high-income households. They also spend up to four times more as a proportion of their income on energy than those with higher incomes.[24] People on lower incomes are more likely to rent and live in sub-standard housing, which is more difficult to heat and cool efficiently.

Energy debt can also lock households out of bill-lowering technologies such as rooftop solar, batteries and virtual power plants. Accessing these technologies, especially via government programs and retailer incentives, may require being able to transfer your electricity account to a specific provider. For example, the South Australian government's program to provide cheap renewable energy, as well as free solar and battery systems, to tenants in some public and community housing as part of a Virtual Power Plant[25] requires participants to switch their retail electricity to owner AGL. As customers in energy debt are unable to switch energy retailers without having their debt discharged, any public or community housing tenant in South Australia who would otherwise be eligible for the program could be excluded if they owe a debt to their existing retailer (if they are not already an AGL customer).



46.2% of people on a hardship plan are not able to pay enough to get ahead[33]

Other households are simply excluded because they cannot afford upfront costs that would lower their bills as they have nothing left over to invest in energy upgrades after covering their basic needs and making the required regular payments on their energy debt.

This is not solely an issue for low-income households.[26] The incidence of energy debt among middle-income households has also increased in recent years. Customers affected by family violence experience higher levels of payment difficulty and are significantly more likely to be in a hardship program or on a payment plan.[27] Many households operate close to their financial limit and carry a significant mortgage or high housing costs. High inflation, successive increases to interest rates and rents, along with increases to groceries, healthcare and insurance, have pushed many households to the breaking point, making it impossible for them to also absorb higher energy prices.

> **27.2 customers affected by family violence were on an electricity hardship program.**
>
> ***– AER retail energy market update, 2026***[28]

Once people have fallen behind, it is difficult to escape the cycle of debt. Electricity usage only accounts for a portion of the total cost of energy bills, with the rest contributed by fees and charges – many of which are fixed regardless of consumption. There is a limit to how much people can lower their bills by reducing energy use.

Customers with energy debt are prevented from switching retailers until their debt is paid back (or cancelled). It is difficult for them to follow the advice from government and regulators to 'shop around' for a better deal to help with debt. Government and charitable financial support is designed as emergency relief, meaning it can often only be accessed once and is insufficient to resolve chronic and growing long-term debts. In the last quarter of 2025, just 8 per cent of customers in a hardship arrangement managed to pay back their debt, while 46.2% can't pay more than the cost of the energy they use.[29]

Wiping the slate clean

This moment calls for a major intervention to immediately reduce household energy debt. Ideally, this would come from energy companies forgiving the existing debts of their customers by foregoing a small portion of their mega-profits. The Stop The Bill Shock campaign has been advocating for this since 2024, but energy companies have refused to act.

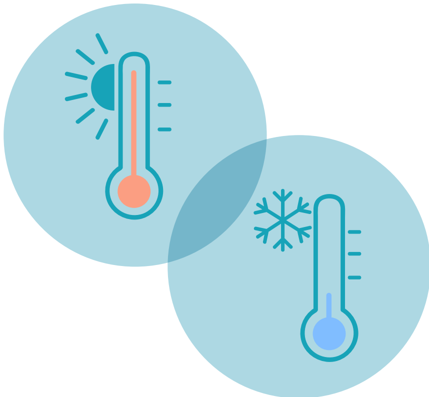
This situation has now reached the point where the government must intervene, by providing a one-time cancellation of all existing household energy debt held for longer than one billing cycle. This intervention must be included in the 2026–27 federal budget and actioned as soon as possible.

Economic, social and health benefits

A one-off payment to cancel energy debt would not only provide significant financial relief for over 600,000 customers, it would also have flow-on effects for the energy market, helping to support energy price reductions that may be delivered as is expected in the 2026–27 Default Market Offer.[30]

Relieving debts now, with winter approaching and extreme heat expected over summer, will enable households to heat and cool their homes without anxiety. Healthy homes that are warm in winter and cool in summer have significant social and health benefits that can be seen at the household, community and health system level.[31]

Households that have been released from debt will be better able to make common sense energy efficiency upgrades to make their homes safer and cheaper to live in.



Market efficiency

Energy companies use customer debt to justify price increases and factor in the cost of holding and recovering it when prices are set. This has played a role in preventing the full benefit of the lower wholesale prices resulting from renewable energy generation[32] from being passed on to customers. Reducing the contribution of debt-related costs to energy prices would help to ensure that more of the savings gained through cheaper generation are used to lower bills.

The high proportion of energy customers carrying debt and therefore unable to switch energy providers regularly is also distorting the market and hampering competition, which is needed to push bills down.

Accelerating the transition

Releasing people from debt would increase their ability to access technology like rooftop solar and home batteries, electrification and efficient appliances that can help them to further reduce their energy costs and protect against the debt trap. It would also enable more people to benefit more from other bill-lowering initiatives like Solar Sharer.

The solution

The federal government should buy consumer debt in a one-off purchase. This should apply to all outstanding unpaid household energy (electricity and gas) bills overdue by more than one billing period.

The government should negotiate to purchase the debt at a fraction of the current value (total before any discount is estimated at $711 million in AER jurisdictions), as is common practice when companies sell debt from outstanding utility bills to collection agencies. This expenditure should be included in the 2026–27 federal budget and delivered as soon as possible.

Following this intervention, the government must pursue further reforms to market rules and settings to end the cycle of energy debt for good. This should include strengthening changes to the Default Market Offer calculation to limit how much non-generation costs are factored into the default price of energy, and controls on multi-billion dollar profits so that savings from cheaper renewable energy are reflected on customer bills.

Simultaneously, the government should continue to pursue measures to expand access to home upgrades such as rooftop solar, batteries, efficient appliances and insulation that will reduce both energy demand and energy bills.

The government can and should ensure all customers can afford to access the energy they need.

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Sweltering Cities, the Antipoverty Centre and Parents for Climate Action established the Stop the Bill Shock campaign to fight for energy justice for all Australians.

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