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Growing Concern Over Affordability in Advanced Countries

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At the end of last month, I had the opportunity to attend an international energy conference held at Princeton University in the United States. The conference's main theme was energy security, but one term I heard more frequently in the discussions than "energy security" was "affordability"—that is, the importance of ensuring a stable supply of energy at prices that are sufficiently affordable.

Until now, affordability has generally been discussed in energy forums in connection with energy access and economic development in emerging and developing countries. In countries with low per capita incomes, the issue has arisen in the context of how to advance the transition to commercial energy—which can often be costly—and the provision of clean energy. I had never before witnessed affordability being repeatedly raised as a central theme in energy-policy discussions in an advanced economy such as the United States. For me, this was a fresh and surprising experience.

In fact, affordability in energy supply had become one of the major issues in the US midterm elections as well. Since the easing of the COVID pandemic, inflation in the United States had remained elevated. Against this backdrop, fuel prices rose following the US and Israeli attacks on Iran in February this year. As widely reported in the media, prices for petroleum products continued to climb in the United States, with diesel reaching a historic high of more than $6 per gallon.

Another point repeatedly raised at the conference was the growth in electricity demand accompanying the construction boom in data centers, and the resulting increase in electricity rates. In New Jersey, where Princeton University is located, in particular, there is growing concern that electricity demand from data centers is driving up household electricity bills. Attracting and building data centers has therefore become a major political issue.

In reality, the growing emphasis on affordability in advanced economies is not limited to the United States. In the EU, for example, concerns are mounting about the impact of rising energy prices on households and business competitiveness. In her State of the Union address on September 16, 2026, European Commission President Ursula von der Leyen acknowledged that

energy prices and borrowing costs were putting pressure on households and businesses, and highlighted the need to further expand "affordable, homegrown, clean energy." The insistence that even clean energy must be "affordable" suggests a shift from the EU's previous stance, which had placed decarbonization above all else.

Affordability is also a major political issue in Canada. In October 2026, Prime Minister Carney announced plans to invest $2 billion over the next eight years to reduce Canadians' energy costs and support the adoption of high-efficiency heat pumps in homes and buildings. Other measures, including suspending taxes on petroleum products and exempting consumers from carbon taxes, have already been implemented. In Australia, energy price increases have also become a major political issue, partly because the country temporarily experienced shortages of petroleum products during the current Middle East crisis due to insufficient domestic refining capacity. The Albanese government had temporarily reduced fuel excise duties on petroleum products, although that measure has now ended. To curb domestic gas prices, the government has also introduced measures such as a 20% domestic gas reservation policy. However, concerns have been raised that this could instead discourage upstream development in the country.

Looking back, climate change mitigation had been the central issue in international energy discussions since the beginning of the 2020s. However, Russia's invasion of Ukraine in 2022 renewed recognition of the importance of energy security. This year, the US and Israeli attacks on Iran and the resulting de facto closure of the Strait of Hormuz further heightened concern about energy security. Against this backdrop, rising crude oil prices amid turmoil in the Middle East, surging petroleum-product prices due to a global shortage of refining capacity, and higher electricity prices driven by expanding demand from data centers have made the impact of energy-price levels on households and industrial activity a serious concern. The main focus of energy debate has shifted from climate change mitigation in the early 2020s to energy security following Russia's invasion of Ukraine—and is now broadening further to affordability: how to secure energy reliably and at reasonable prices.

The growing concern about affordability may not be merely a temporary reaction to soaring energy prices. Affordability is not only a policy objective alongside climate change mitigation and energy security; it can also be a prerequisite for sustaining those policies politically and socially. Policies that impose costs people cannot bear may lose public support, however legitimate their objectives, putting their continuation at risk. This applies not only to decarbonization policies but also to energy-security policies. Measures to ensure resilience, such as diversifying supply sources and building up stockpiles, all entail costs. Unless the public accepts that burden, it will be difficult to implement such measures sustainably.

Affordability concerns not only the average level of energy prices but also the specific question of who bears the costs. Energy is essential to daily life, and consumers cannot easily cut

their consumption substantially simply because prices rise. As a result, energy expenditure accounts for a larger share of income among lower-income households, meaning that higher energy prices have a regressive impact and place a heavier burden on these households. Regardless of income, households in colder regions that rely heavily on kerosene for winter heating, or households in areas where daily travel necessarily depends on private cars, are also more directly exposed to rising energy prices. Accordingly, when considering affordability, it is important to look not only at "how high energy prices are," but also at "who bears the burden, and how heavily."

In Japan, the government has so far implemented price-control measures through subsidies to curb sharp increases in prices of fuels and electricity and gas. As a result, affordability concerns may appear less visible than in Europe and the United States. However, discussions have begun about reducing this government support and reviewing the relevant schemes. If support is scaled back while energy prices remain high, the burden on households and businesses will increase further, and energy prices could well emerge as a political issue in Japan too.

Japan's energy policy has traditionally emphasized balancing the so-called "S+3E" principles—safety as the prerequisite, together with energy security, economic efficiency, and environmental sustainability. However, as rising energy prices have a growing impact on society and the economy, the importance of affordability—particularly ensuring that households and businesses can obtain energy at prices they can genuinely manage—is likely to increase further. In future energy-policy discussions, it may be necessary to reconsider economic efficiency from the consumer's perspective as affordability, and to position it as a foundation for sustaining efforts on climate change mitigation and energy security.

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