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DETERMINANTS OF ENERGY CONSUMPTION IN CANADA: A LONG-RUN PERSPECTIVE

Abstract:

Using Canadian panel data, this study examined the impact of per capita real GDP and energy price on aggregate energy consumption in Canada. In the estimation process, this study utilized panel cointegration including panel unit root tests, panel cointegration test, fully modified ordinary least square model and dynamic ordinary least square model. To take into account of the possible cross-sectional dependence among the variables, this study used cross-sectionally augmented IPS test, Westerlund cointegration test, common correlated effects mean group estimator and common correlated effects augmented mean group estimators. The results of this study suggest that there exists long run relationship among per capita energy consumption, per capita real GDP, and energy price. The long run estimations show that per capita real GDP has a significant positive impact while energy price has a significant negative effect on per capita energy consumption.

Keywords:

Energy Consumption; Panel Data; Canada

JEL Classification: Q41, C23, Q48