Comments on the review of Energy Efficiency Improvement Scheme

December 2014

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The Conservation Council ACT region is the peak non-government environment organisation for the Canberra Region and has been the community's voice for the environment in the Canberra region since 1979.

The Conservation Council ACT Region's mission is to achieve an ecologically sustainable and zero net carbon society through advocacy, education, research and engagement with community, the private sector and with government.

The Conservation Council ACT Region represents more than 45 member groups who in turn represent over 15,000 supporters. The Council harnesses the collective expertise and experience of member groups and networks. The Conservation Council ACT Region works collaboratively with Government, business and the community to achieve the highest quality environment for Canberra and its region.

The ACT Council of Social Service Inc. (ACTCOSS) is the peak representative body for not-for-profit community organisations, people living with disadvantage and low-income citizens of the Territory.

ACTCOSS is a member of the nationwide COSS network, made up of each of the state and territory Councils and the national body, the Australian Council of Social Service (ACOSS).

ACTCOSS’ vision is to live in a fair and equitable community that respects and values diversity and actively encourages collaborations that promote justice, equity and social inclusion.

The membership of the Council includes the majority of community based service providers in the social welfare area, a range of community associations and networks, self-help and consumer groups and interested individuals.

ACTCOSS receives funding from the ACT Government Community Services Directorate. The Conservation Council receives some of its funding from ACT Government Environment and Planning Directorate.
1. Overview

The Energy Efficiency (Cost of Living) Improvement Bill 2012 was passed by the ACT Legislative Assembly 3 May 2012 as a measure to “reduce greenhouse gas emissions and costs associated with the production and use of energy by requiring electricity suppliers in the ACT to meet emissions reduction targets through energy efficiency activities.”

The objects of the Act are to:
(a) encourage the efficient use of energy; and
(b) reduce greenhouse gas emissions associated with stationary energy use in the Territory; and
(c) reduce household and business energy use and costs; and
(d) increase opportunities for priority households to reduce energy use and costs.

The Bill was established to run from 1 January 2013 and until 31 December 2015. The ACT Environment and Planning Directorate (EPD) is undertaking consultation to continue the Energy Efficiency Improvement Scheme beyond the current end date of 31 December 2015.

The ACT Government has flagged through Action Plan 2 (AP2) that it intends to extend the Bill and the Scheme through to 2020. Action 1 of AP2 stated:
Action 1: The ACT Government’s Energy Efficiency Improvement Scheme will commence from 1 January 2013 requiring retailers to implement energy efficiency improvements to ACT homes with a focus on low-income households. The Scheme will be extended to 2020 subject to outcomes of the scheme review in 2014 and developments at the national level.

Climate change is an urgent and pressing environmental issue and among many things we need to take steps to reduce human contributions to carbon dioxide emissions through burning fossil fuels for energy, including electricity.

At the same time we recognise that there is an often vital need for human energy use particularly for heating and cooling and lighting. We also recognise that increased costs for energy will impact most on those with low or fixed incomes.

The reduction of energy use through energy efficiency measures has the dual impacts of reducing overall greenhouse gas emissions along with reducing the costs associated with energy use.

The Conservation Council has long supported energy efficiency as the “low-hanging fruit” of climate change mitigation measures as a means of reducing the need for additional greenhouse gas emissions at the same time as reducing costs because less energy needs to be produced whatever its source.

As a voice for the disadvantaged, ACTCOSS is concerned key issues relating to climate change could potentially have a grave impact on people experiencing disadvantage. Households experiencing disadvantage can be in energy inefficient
housing and own appliances that might not be energy efficient. Consequently, these households require more energy to run. As a significant proportion of people experiencing disadvantage do not own their own home, altering households to become more energy efficient is often not possible. The attention given by the Energy Efficiency (Cost of Living) Improvement Act 2012 (the Act) to priority households has been a welcome focus for the implementation of energy efficiency measures.

Recommendation 1.

The Conservation Council and ACTCOSS support the Energy Efficiency (Cost of Living) Improvement Act and support its continuation to at least the end of 2020.

The Act currently includes three one-year compliance periods with the last to expire 31 December 2015. These compliance periods are particularly relevant in the application of Ministerial declarations on an Energy savings target, Priority household target and Emissions factor. Given that there needs to be some flexibility and the current one-year periods seem to be working the legislation should be amended to include an additional five one-year compliance periods with the fifth to expire 31 December 2020.

It is noted, however, that business continuity and transitions are often better made at the end of the financial year rather than the end of the calendar year. If there is a decision to shift the reporting periods to end at a different time then the final end at ending should be in 2021. That is, if compliance periods are to end on 30 June then the final of the five periods should end 30 June 2021. This allows for at least five years continuation of the scheme and also has the advantage of moving some key decision-making away from the October 2020 election for the ACT Legislative Assembly.

Recommendation 2.

The legislation be amended to include an additional five one-year compliance periods with the fifth to expire 31 December 2020 or 30 June 2021.

2. Objectives of the Energy Efficiency Improvement Scheme

It is important to retain an objective of the Act as to be to reduce greenhouse gas emissions.

It is important to note that the Climate Change and Greenhouse Gas Reduction Act 2010 specifies that “The Minister must determine targets for the per person use of electricity (other than electricity generated from renewable energy sources)” (emphasis added).
This approach should be consistent across to the *Energy Efficiency (Cost of Living) Improvement Act 2012* and the ACT should continue to seek to reduce greenhouse gas emissions even as the greenhouse gas contribution of energy (electricity) production reduces through increased use of renewable energy.

This directly addresses a point made in the Environment and Planning Directorate Stakeholder Consultation Paper (November 2014):

*Given the ACT Government’s 90% renewable energy target, the existing GHG metric becomes less meaningful as the portion of the ACT’s energy provided by renewable sources grows.*

We agree that a different metric should be developed such as actual energy savings - regardless of the energy type (renewable, gas, electricity).

It is useful to note the forthcoming costs, especially for low income households and ACT Housing, that might be required to shift from gas to electricity over the next 5-10 years, given the anticipated extreme price rises expected for natural gas. There will need to be ongoing monitoring of how these price rises impact on the scheme and the recognised activities under the scheme and how the effects on priority households might be addressed. There might need to be particular attention to the possible stranding of assets, particularly in low-income rental properties.

**Recommendation 3.**

*A metric include actual energy savings achieved regardless of the energy type*

However that does not diminish the importance of the scheme as a mechanism to reduce greenhouse gas emissions. There should continue to be a focus on and measurement of GHG reduction - even if the ACT does use more renewable energy.

Ninety per cent seems like a good target for renewable energy but the scale of human contribution to climate change is such that we should have in mind that we will have to go to zero emissions and beyond to try to slow the rate of climate change in years to come. Having a 90% target for renewable energy use does not mean that we can set and forget about our energy use and benefit from a warm inner glow that we have somehow done enough. Energy efficiency measures widely implemented help to counter energy profligacy and other sustainability outcomes. They will also generally reduce costs and may enable the ACT to reach its 90% renewable energy target sooner.

**Recommendation 4.**

*The scheme retain the objectives of reducing greenhouse gas emissions and costs associated with the production and use of energy with an ongoing focus on priority households.*
3. Energy Efficiency target

The *Climate Change and Greenhouse Gas Reduction Act 2010* requires that the Minister must set an energy efficiency target as a disallowable instrument. This has not been done as at December 2014.

**10 Energy efficiency targets**

1. The Minister must determine targets for the per person use of electricity (other than electricity generated from renewable energy sources) in the ACT.

2. A determination is a disallowable instrument.

The *Energy Efficiency (Cost of Living) Improvement Act 2012* does set an energy savings target which might serve as an energy efficiency target for the relatively smaller scope of the Act:

**7 Energy savings target**

1. The Minister must determine a target (an *energy savings target*) for the total reduction in greenhouse gas emissions to be achieved by electricity suppliers in a compliance period, expressed as a percentage of total electricity sales in the ACT.

2. A determination must be made at least 3 months before the start of the compliance period to which the energy savings target relates.

3. A determination is a disallowable instrument.

It would be desirable to tie these two targets together and to use the EEIS to meet the “targets for the per person use of electricity” as proposed by the *Climate Change and Greenhouse Gas Reduction Act 2010*.

However, this approach needs to continue to take account of the needs of priority households. An overall target for energy efficiency should be set and met, while there should be a focus on priority households so that there is easy and quick access to measures for disadvantaged and fixed-income people to reduce their energy use.

Energy efficiency is the win-win option – once measures are adopted not only will they reduce emissions they will also save money in the long run.

**Recommendation 5.**

*The energy savings target of the Energy Efficiency (Cost of Living) Improvement Act 2012 should be linked with the required target under the Climate Change and Greenhouse Gas Reduction Act 2010 and measures under the EEIS used to meet both targets with focus remaining on priority households.*

4. Energy efficiency, GHG Reductions and Real Time Reporting

Although human-related climate change is mostly caused by the invisible, odorless gas carbon dioxide, we can and do measure the amount of carbon dioxide that we release to the atmosphere. However in the ACT we record and report on this release very slowly.
If we are to manage our emissions as a community we need better, faster monitoring and more transparent and complete reporting. This not only matters for greenhouse gas emissions overall, it also applies to the savings that are achieved under the EEIS.

The monitoring of the greenhouse gas reductions should identify the savings that are accorded to all sectors including priority households. The community sector should be directly engaged in the implementation of activities through government consultation and support for community advocacy. The government and the community benefit from better (more and timely) consultation.

There is currently limited public reporting of the amount of energy savings (efficiency) from the scheme on either the EPD website or the ACTEWAGL website. Given that the EEIS is likely to be an ongoing scheme both these places should now be resourced to include timely data on how the scheme is actually operating.

There is some useful data provided in the Review of the EEIS undertaken by Jacobs for the ACT Government. However this is static and while it points to some possible changes and improvements the data would need to be refreshed if it was kept up to date on both the ACTEWAGL and EPD websites.

It is usually helpful if the information is provided in a readable and understandable form. There is genuine and widespread public interest in climate change and energy efficiency and this should be assisted by good de-jargonised public information. The government and the energy retailers have made good achievements for the community and climate change mitigation under the EEIS and this story should be told. The net present value of an informed public should not be underestimated.

**Recommendation 6.**

ACTEWAGL and EPD should both establish and maintain real-time or timely reporting of data of the savings achieved under the EEIS in order that the scheme can be better assessed for its achievement of savings. The EPD site should maintain reporting of the overall scheme including the proportion of overall savings being met through savings in priority households.

5. Energy Efficiency and Social Issues

We have already discussed the importance of having energy efficiency measures applying to priority households. This is particularly important with regard to housing and the particular circumstances of lower income people.

While it is positive that the Act and the EEIS deal with increasing energy efficiency in residential buildings this can be of little benefit to those in rental accommodation. The declining affordability of home ownership in the ACT coupled with the huge demand on public housing means people on low incomes are often more reliant on the private rental market for their accommodation.
Unfortunately, many houses in this market in the ACT are not adequately energy efficient, yet the people living in them have limited capacity to make the structural changes required to reduce their energy and water usage.

People on low incomes are less able to absorb increases in prices and are often in private or public rental accommodation resulting in less capacity to adapt their households and behaviour to improve energy efficiency. There is an urgent need to reduce greenhouse gas emissions to prevent further long-term damage to our environment. However mechanisms and means to achieve reduced emissions must be equitable and not result in further disadvantage to vulnerable people in the ACT.

Currently there are no minimum standards for rental properties in the ACT, meaning landlords do not have to ensure their property is energy efficient. With affordable housing hard to come by in Canberra, this means people are often left with no choice but to rent a house which does not have proper insulation, a quality hot water system, or adequate heating, leading to higher energy bills for those who can least afford it.

It would seem that the review of the Act and the Scheme provides the opportunity to look at activities that can be supported that will assist improvement of rental housing stock in the ACT. This could happen through adoption of minimum standards for rental properties in Canberra and support for landlords through the EEIS provided that there are safeguards to ensure that the costs are not passed through to the tenants. The landlords will benefit from improved values and longevity for their properties.

**Recommendation 7.**

*Introduce minimum standards for rental properties in the ACT for landlords to ensure their property is energy efficient and develop measures and eligible activities that would assist achievement of these standards.*

In addition to the efficiency of housing itself, inefficient household appliances are a particular hazard for people in the private rental market. Cheaper appliances are notoriously more expensive to run, and the poor quality of the appliance contributes significantly to the cost of living. Furthermore, a cost of an energy audit to identify opportunities for savings is beyond the means of customers who struggle to pay quarterly utilities bills.

A key part of an energy efficiency scheme is to maintain the early gains and achieve long-term change to energy-efficient living among all groups and especially for priority households.
As the Review notes:

To provide sufficient motivation to encourage ongoing energy savings, it is important that supplementary programs also exist to provide additional motivation and guidance, and to provide early demand for future products and services offered under the EEIS.\(^ii\)

We strongly endorse the current Outreach Program to assist low-income households and support its expansion and extension. The program is funded through the ACT Environment and Planning Directorate and delivered through several community agencies. The Outreach Program includes education on energy efficiency and this is an important component alongside audit and refit.

There is benefit from established relationships and agree plans in setting about achieving long-term goals. In some cases there is a level of mistrust of government and energy retailers. However there are shared benefits from energy efficiency and these can be best imparted through a well-run audit by a semi-trusted source. As early measures from an audit are adopted and are successful then the next steps become easier to introduce. It is also cheaper to have an initial adequate contact and then to set out a plan with little need for re-inspection and additional contact.

**Recommendation 8.**
*Expand and extend the current low-income energy and water efficiency outreach program.*

**Recommendation 9.**
*Include energy audits as an eligible activity and design them so as to minimize administrative costs and chaos for all parties and ensure that they will allow benefits to priority households if they undertake audits.*

### 6. Priority Households

The Act currently defines priority households in the Dictionary:

priority household means residential premises in which 1 person who lives at the premises—

(a) is a recipient of an ACT Government energy concession; or
(b) holds a Commonwealth pensioner concession card or health care card; or
(c) holds a Department of Veterans Affairs pensioner concession card, TPI gold repatriation health care card, war widows repatriation health care card, or gold repatriation health care card; or
(d) is within a class of people prescribed by regulation.

These definitions are adequate for the time being so long as the Government remains prepared to offer ACT Government energy concessions to people in need and that there remains a willingness to use regulations to prescribe a class of people by regulation.
However, the definition might need to be revised in the future if economic conditions worsen and if energy prices escalate quickly.

It remains important to continue to focus on priority households for the energy efficiency measures, which is currently at 25 per cent of the total energy savings to be achieved.

Priority households are particularly vulnerable to bill stress and cannot afford the upfront retrofit cost, regardless of how attractive the savings might be down the track. And renters face a situation where landlords have little incentive to invest in improvements that deliver savings and improved comfort to the tenants.

Despite the popularity of energy efficiency there is still an important role for government in ensuring the benefits of efficiency are spread widely and fairly, and that those most in need are not missing out.

There will come a time when the ‘easy’ energy savings obtained from priority households will plateau and decline. At this time more complex and possibly more expensive measure might need to be considered. Again audits would assist identifying these longer-term measures and could establish a set of priority steps for households before more substantive measures are undertaken.

These might include rebates and a variety of financing models that allow householders to use bill savings over time to contribute to overall costs.

The Government should continue to work to improve all building stock in the ACT so that high levels of energy efficiency can be obtained. This would include ongoing maintenance and expansion of energy-efficient public housing stock. There might also be benefit in an appliance exchange program in addition to the refrigerator and other programs already in place.

The current level of obtaining 25% of total savings from priority households seems to be adequate, noting that it might need to change in the future as savings are obtained in other places. It might be useful to have a dual target for priority households by having an absolute target of savings to be achieved as well as a proportion of the total savings with only one of the targets required to be reached. This would be useful especially if the overall energy efficiency target was set higher and there were ‘easier’ bulk savings to be made in other sectors such as small and medium business enterprises.
The variation of the targets should be done in consultation with the community sector covering both the climate change-related targets and the impact on priority households. The use of disallowable instruments to set the targets is an appropriate legislative tool however in practice the instruments are rarely thoroughly considered by the Legislative Assembly, with all due respect, given the breadth of activity and the relatively small size of the Assembly. It would be useful to include a measure of public consultation in the development of targets before they are established by instrument. The public engagement would also potentially help inform members of the Legislative Assembly of the matters under consideration.

However such a dual target would need to be designed such that priority households continue to benefit from energy efficiency measure.

Recommendation 10.
The ACT government should undertake timely consultation with the community and community organisations in establishing targets under the Act and in expanding or varying the definition of Priority Households.

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