

# ACT Energy Consumers Policy Consortium Submission to:

## Review of Climate Change Policies Discussion Paper

ACT Energy Consumer Policy Consortium members:

[ACT Council of Social Service \(ACTCOSS\)](#)

[Care Financial Counselling Service](#)

[Conservation Council ACT Region](#)

[SEE-Change](#)

[Small Business Taskforce of the Canberra Business Chamber](#)

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The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia nor the ACT Government.

Climate Change Policies Review – Discussion Paper Submissions  
2017 Review Branch  
Department of the Environment and Energy  
GPO Box 787  
CANBERRA ACT 2601

We refer to your invitation to make a Submission to the Review of Climate Change Policies Discussion Paper. The ACT Energy Policy Consortium welcomes the opportunity to provide a submission.

The Consortium is comprised of representatives of [ACT Council of Social Service \(ACTCOSS\)](#), [Care Financial Counselling Service](#), [Conservation Council ACT Region](#), [SEE-Change](#) and the [Small Business Taskforce of the Canberra Business Chamber](#). The consortium considers the importance of social, environmental and economic factors in the formation and implementation of energy policy and that enhancement of equity and inclusion improves outcomes across all sectors.

### **Introduction**

The Consortium considers that a priority for the Government is to address the imperative to reduce greenhouse gas emissions and shift away from fossil fuels to renewable energy. People experiencing poverty and disadvantage are usually the first and hardest hit by the impacts of climate change caused by the burning of fossil fuels such as coal and gas, yet they often have the least capacity to cope, adapt and recover. Limiting global warming is critical. If unmitigated, climate change will lead to significant social justice issues and increase pressure on the need for financial and services support.

There is over 13% of the Australian population living well below the poverty line. These people are particularly vulnerable and face situations where the choices they can make are limited.<sup>1</sup>

However, analyses of historic income and expenditure suggest that a much broader and diverse range of household types are represented in the vulnerable household cohort. These include:

- working poor who fall outside of the traditional safety nets of the welfare system.
- single parent households
- people living alone
- low-income renters
- people with medical conditions or disabilities

It is important to ensure that low income and vulnerable households are not disadvantaged in the implementation of policies moving to zero emissions and that they are not cross-subsidising those who are more advantaged.

1. ACOSS 2016, Poverty in Australia 2016 – Australian Council of Social Service and the Social Policy Research Centre and the University of NSW [www.acoss.org.au/poverty](http://www.acoss.org.au/poverty)

## Background on Australia's climate change policies

The Consortium notes that in 2015 Australia signed on to the Paris Agreement, committing to taking strong action on climate change and a global goal to hold temperature increase to well below 2°C, and pursue efforts to keep it below 1.5°C above pre-industrial levels. To do its fair share of the global task, modelling finds Australia as a relatively wealthy developed country, will need to reduce its greenhouse gas emissions to net zero before 2050.

Without appropriate policies and measures in place, the impacts of climate change and the transition to zero emissions economies could have a regressive impact on people experiencing poverty and other forms of disadvantage if not managed well. This was recognised in the Paris Agreement which explicitly requires all Parties to consider people in vulnerable situations when defining actions to both mitigate and adapt to climate change. In Australia there has been insufficient focus and profile on this issue.

As part of the Paris Agreement countries submitted targets and plans known as Intended Nationally Determined Contributions (INDCs). Australia submitted a target to reduce emissions by 26-28% below 2005 levels by 2030\*. Australia was making progress towards this target but emissions are [up 7.5% in Australia since the carbon price was removed](#).

**Discussion Question:** *Australia has committed to considering a potential long-term emissions reduction goal for Australia beyond 2030. What factors should be considered in this process?*

It is important that Australia commit to policies and targets to effectively reduce emissions to zero by 2050, or preferably much earlier. Policy and targets should be informed by the evidence of what is needed, and targets should be ambitious.

It should be noted in this context that the ACT is moving rapidly to renewable energy and expects to have moved to 100 per cent renewable energy by 2020. It is also looking at building new suburbs which incorporate solar power to all residences and looking at trialling a micro-grid for a new suburb. The ACT Government has established a grants program to provide assistance to households and businesses interested in installing a discounted battery storage system noting “the ACT Government recognises that low-cost energy storage is the missing-link in the transition to a 100% renewable National Electricity Market.”<sup>1</sup>

It is also important to ensure that low income and vulnerable households are not disadvantaged in the process.

**Discussion Question:** *What process could Australia use to implement its Paris commitment to review targets every five years?*

Any review process should include analysis of whether policy has actually been effective in achieving the target outcomes, and if not, where the failures have been. For climate change targets and policy, this includes a review of how effective policy has been in reducing emissions. Also, analysis should include measures to determine whether achieving targets has been done at the expense of further disadvantaging low income and vulnerable households.

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<sup>1</sup> ‘Next Generation Renewables’ at: <http://www.environment.act.gov.au/energy/cleaner-energy/next-generation-renewables>

Considering that global warming is a global common problem (that no country can solve its own climate problem by itself), and considering the risks and opportunities that climate change poses – addressing climate change should be a race to the top. In reviewing its emission reduction targets Australia should compare the targets of all other countries and aim to be leading the pack. As the [Australian Climate Change Authority \(2014\)](#) states: “It is clearly in Australia’s interest to persuade and encourage other nations to strengthen their contributions to international action. Australia is likely to be more persuasive and encouraging if its own goals are viewed as a fair contribution by others.”

**Discussion Question:** *What are the issues in the transition to a lower emissions economy with respect to jobs, investment, trade competitiveness, households (including low income and vulnerable households) and regional Australia?*

The solutions and technology for a lower emissions economy are available ([IPCC](#), [Beyond Zero Emissions – BZE](#), [ClimateWorks](#), [Science](#)). There is also the potential for considerable benefits in addition to averting the risks of climate change: cleaner air, better health, less health costs, more energy security with distributed networked grids, lower energy costs, more jobs, cleaner water, preserved ecosystems ([International Renewable Energy Agency – IRENA](#), [The Conversation](#), [Union of Concerned Scientists](#)).

However, in the transition there is the possibility that low income and vulnerable households are excluded from benefits. Moves to greater choice around energy options can disadvantage the most vulnerable. Low income consumers cannot take advantage of the installation of solar panels due to cost and currently are subsidising the richer consumer who can afford to do so. Many low income households are also renters, making use of solar PV even harder. Low income earners are also more likely to have older, less efficient appliances as they cannot afford to upgrade, and live in older poorly maintained houses with low energy efficiency.

*Following are comments on some of the sectors mentioned in the discussion paper.*

### **Sectoral Analysis: Electricity**

As the [discussion paper](#) states, the electricity sector remains Australia’s largest source of carbon emissions. This sector should therefore receive priority in Australia’s efforts to drive down emissions. The Government review of the National Electricity Market (NEM) currently underway is a positive first step, as is the Interim Report that states “current policy settings do not provide a clear pathway to the level of reduction required to meet Australia’s Paris commitments.” It is estimated that the current indecision in the NEM has contributed significantly to electricity price increases. According to the Australian Energy Council the lack of national climate and energy policy certainty is now the single biggest driver of higher electricity prices, equivalent to a carbon price of \$50 a tonne.<sup>3</sup>

Renewables are now cheaper than other fossil fuel sources of electricity for reliable baseload supply ([Reputex](#)), and new supply ([The Conversation](#)). Renewables are rapidly on their way to becoming cheaper than old fossil fuel electricity ([Climate Council](#)). Given that fossil fuel-powered generators will have to be replaced at some time there is an available transition path for the electricity sector.

3. Australian Energy Council (2017) Submission to Independent Review into the Future Security of the National Electricity Market Preliminary Report.

Renewables will employ more people ([Climate Council](#)). The jobs in renewable energy also pose less health risks to workers than those in fossil fuels ([Union of Concerned Scientists](#)). Australia should develop a transition plan for fossil fuel workers and communities to shift to renewables ([Hillary Clinton Coal Community Plan 1, 2](#)).

Households will benefit from the lower cost of renewables, and increased security that renewables can provide through distributed networks and microgrids. Australians will benefit from the safer jobs, and from the environmental and health benefits of cleaner air and water. These benefits will flow to vulnerable and low income households. However policy should explicitly ensure that these households are not further disadvantaged, particularly as people experiencing disadvantage will be first and worst impacted by climate change ([ACOSS](#), [Australian Academy of Science](#), [World Bank](#)) – another reason why effective climate change policy is necessary and provides many co-benefits.

The Consortium notes that the report is silent on the role of Natural Gas as a major source of household energy, delivering 44% of household energy and that it also currently plays a role in ensuring a stable electricity supply. However, due to marketing gas off-shore the price has significantly increased. The Consortium notes that while Natural Gas is relatively clean compared to coal it still contributes to emissions. Deloitte's Access Economics Analysis <sup>4</sup> suggests that existing infrastructure can be used to deliver carbon neutral gas by the use of biogas and hydrogen. However, the report appears to be theoretical and there still needs to be considerable work to bring the ideas to fruition. If gas is to play a significant role in the future energy market there needs to be an acceleration of effort to reduce emissions.

### **Sectoral Analysis: Households, small to medium sized enterprises (SMEs) and the Built Environment**

The discussion paper outlines how households account for 12% of emissions, and SMEs 7%. There are a number of ways emissions can be reduced, including strong energy efficient building codes with an aspirational goal of zero emission buildings ([IPCC](#), [BZE](#), [VIC Government](#)); energy efficiency programs especially in poorer households and for small business, retrofitting household improvements and increased emphasis on energy efficient appliances.

However it is noted that nationally about 30% of the population are renters, most are on low incomes and unable to engage with energy markets and newer technologies unlike homeowners. Many renters live in households with poor energy efficiency and are powerless to make essential changes such as improving insulation and are also unable to take advantage of generous offers to install solar panels etc. Some consideration needs to be given to measures to require minimum energy efficiency for rented premises.

The report also outlines current initiatives and tools such as the Energy Made Easy website. These tools are difficult to access for many vulnerable consumers particularly those from Culturally and Linguistically Diverse backgrounds. Consideration should be given to making specialist assistance available for vulnerable consumers. Some strategies could include ensuring there is simple English information about options, and possibly funding services to assist vulnerable consumers in understanding the choice in the energy market and helping them optimise outcomes.

4. Deloitte's Access Economics Analysis suggests in its Gas 2050 Vision report (March 2017)

## **Conclusion**

It is important that a clear map and intervening targets are established to achieve a target of zero emissions by 2050 at the latest. But it should not be at the expense of vulnerable and low income households. Evaluation of whether targets are met should also include an analysis of the impact low income and vulnerable households and how any negative impacts can be mitigated. Initiatives that address the particular barriers that are faced by groups such as low income households, renters and those in public housing, people with disabilities and illness, sole parents, working poor etc are needed to ensure that overall emissions targets are met. These include measures to improve rental housing efficiency, access to efficient household appliances, heating and hot water, and education around energy efficiency.