

Suite 201 T: + 61 3 9929 4100
18 Kavanagh Street F: + 61 3 9929 4101
Southbank VIC 3006 E: info@cleanenergycouncil.org.au
Australia www.cleanenergycouncil.org.au
ABN: 84 127 102 443



13 May 2010

Secretariat to the Task Group on Energy Efficiency
c/- Department of Climate Change and Energy Efficiency
GPO Box 854
Canberra ACT 2600 Australia

By email: energyefficiency@climatechange.gov.au

Dear Secretariat

Response to the Prime Minister's Task Group on Energy Efficiency Issues Paper

The Clean Energy Council (CEC) is the peak body representing Australia's clean energy and energy efficiency industries.

Its priorities are to:

- create the optimal conditions in Australia to stimulate investment in the development and deployment of world's best clean energy technologies;
- develop effective legislation and regulation to improve energy efficiency; and
- work to reduce costs and remove all other barriers to accessing clean energy.

The CEC works with members and the government to identify and address the barriers to efficient industry development in the energy efficiency and stationary energy sector.

The clean energy industry and its members contribute to the generation of electricity using wind, hydro, solar, biomass, geothermal and ocean energy as well as the emerging technologies and service providers in the energy efficiency sector including solar hot water and cogeneration.

INTRODUCTION

The CEC is pleased to comment on the Prime Minister's Task Group on Energy Efficiency Issues Paper to advise on options to improve Australia's energy efficiency.

The CEC welcomes the Federal Government's commitment to the development and implementation of energy efficiency mechanisms to deliver significant improvements to Australia's energy efficiency, reduce emissions and place Australia on a path to a low carbon economy.

Any energy efficiency strategy needs to be deployed in a holistic way that is complemented by other national and state-based strategies and is consistent with other policies relating to energy.

KEY RECOMMENDATIONS

- That the Australian Government provides a long-term signal of the importance of energy efficiency to the economy by indicating the level of energy efficiency improvement it is hoping to achieve by 2020 and beyond.
- The CEC recommends the Federal Government investigate opportunities for generating demand for energy efficiency measures within the energy market. This should include an analysis of the role of retailers in this process.
- That policy mechanisms to improve energy efficiency are nationally consistent.
- Develop and implement a national market for energy efficiency
- That the Australian Government promotes the uptake of energy efficiency through strong incentives and supportive regulation in the areas of new buildings, renovated buildings and retrofitting of existing buildings as well as minimum standards for new appliances.
- That the Australian Government supports a national marketing campaign to educate the Australian community about the need to improve energy savings and to promote energy efficiency as a means of achieving this.
- The Australian Government should implement effective strategies to address the challenges in accessing capital for the development and deployment of energy efficiency technologies through grants, specific R & D funding, tax incentives and low interest loans.
- That the Australian Government identifies and builds a capable skilled workforce required to to incorporate energy efficiency into existing activities and roll-out of relevant energy efficiency initiatives through national training programs.
- The Government needs to address barriers to the connection of smaller scale distributed renewable energy projects to the grid.

Energy Efficiency Policy Opportunities

As the Issues Paper states – Australia’s energy intensity is high by OECD standards and more needs to be done to reduce the nation’s demand for energy by addressing the barriers to energy efficiency and by driving the uptake of energy efficiency improvements. If the Commonwealth Government is committed to reaching the forefront of the OECD nations in terms of energy efficiency savings, this will require a suite of initiatives to secure deliver these savings by 2020.

While both Federal and State Governments have introduced many measures in support of energy efficiency, a more comprehensive approach and further policy intervention and market reform is required to drive the uptake of energy efficiency measures by end users in Australia.

Effective Energy Efficiency policy must:

- be designed to support energy efficiency, reduce energy waste and improve quality of life
- provide for the long term sustainable deployment of energy efficiency technologies (avoid the market distortions created by short term interventions);
- be consistent across jurisdictions;
- recognise the vital role that regulations supporting minimum standards plays in driving energy efficiency improvements; and
- recognise the necessity to encourage behaviour change by all consumers alongside any deployment of energy efficiency measures.

Currently the ever changing raft of measures in place throughout Australia introduced by both State and Federal Governments has led to an often confusing and uncertain environment for businesses and their consumers, especially those that operate across jurisdictions. A more coherent strategy is required.

A comprehensive and effective energy efficiency program is required that:

- Provides a long-term signal of the importance of energy efficiency to the economy by indicating the level of energy efficiency improvement it is hoping to achieve by 2020 and beyond. It should also ensure that there is a robust method of measuring and evaluating progress.
- Identifies the areas where significant demand growth is forecast and develops the appropriate policies to support the deployment of energy efficiency technologies.
- Ensures all energy efficiency policies deliver savings for consumers and overcome pricing barriers. Policies should include specific support to low income families.

- Removes barriers to driving energy efficiency improvements in the energy market. In order to drive energy efficiency and remove barriers to its uptake, the Government should consider the establishment of a nationally consistent market for energy efficiency.
- Ensures certainty is delivered to industry but also end use consumers. Maintaining consumer confidence in energy efficiency measures should be central to the development of any new initiative.
- Includes supportive regulation and minimum standards to drive energy efficiency in the areas of new buildings, renovated buildings and retrofitting of existing buildings.
- Engages consumers and encourages behaviour change to increase energy savings, as well as incentivising the uptake of energy efficiency technologies. This should include providing consumers with the data and information they need to make informed decisions about their energy use. Consumers need easy access to the suite of energy efficiency measures available and the range of rebates and other support available to them.
- Is supported by robust standards, audits and verification to ensure the installation of quality equipment and service.

Measures to address barriers to Energy Efficiency Improvements

National Energy Efficiency Goal

In line with International Energy Agency recommendations, Australia vision for energy efficiency should indicate the level of energy efficiency improvement it is hoping to achieve by 2020 and beyond. Targets are needed, supported by well formulated actions. All energy efficiency policies need to be adequately monitored, enforced and evaluated so as to ensure maximum compliance.

In order to overcome barriers to energy efficiency and meet a national goal, the following actions are required:

- **Developing a national market for energy efficiency**

To drive energy efficiency in the energy market and remove the barriers to its uptake, an analysis should be completed into the provision of an optimal mechanism to encourage energy savings. Developing a national market for energy efficiency is an important step in incentivising the energy market to drive energy efficiency improvements.

The CEC supports energy efficiency measures which minimise administration costs, simplify delivery mechanisms and allow for accountability and confidence to be instilled in the sector.

Currently New South Wales, Victoria and South Australia have energy efficiency markets in place. They are all designed differently, have different rules and different methods of compliance. This means that those companies who operate across jurisdictions have to develop a different set of systems in each State. The CEC believes that a national energy efficiency market that brings together the existing systems under one set of rules will reduce confusion, reduce transaction costs and improve the delivery of energy efficiency measures to end users.

A national market for energy efficiency can be implemented in a number of ways including through the implementation of a white certificate scheme as is employed in Australian states and internationally or through the models similar to those employed in California.

While white certificate schemes have proven effective in delivering energy efficiency measures, they present significant challenges for governments. To be effective, they require a high amount of monitoring and verification and can have cumbersome administrative costs. Consideration should be given to the timeframe required to implement a national White Certificate scheme and any resulting step change in energy efficiency.

- **Supportive Regulation**

Strong incentives and supportive regulation in the areas of new buildings, renovated buildings and retrofitting of existing buildings as well as minimum energy performance standards for new appliances are required to ensure a more energy efficient environment. The Government needs to set a long term path for the tightening of regulations in order to provide certainty to industry and allow the adaptation required.

In 2010, the Council of Australian Governments (COAG) announced that new provisions for greenhouse pollution reduction would be included in the national Building Code of Australia (BCA) for 2010 with a commitment to adopt a nationwide 6 star rating in 2010.

The CEC recommends that this be extended to a commitment that the BCA code adopt increasingly stringent star ratings by 2020.

Mandatory disclosure of a building's energy rating at the point of sale or lease is also a powerful driver for change. Mandatory disclosure of the energy rating of both residential and commercial buildings at the point of sale or lease has the benefit of making energy rating a mainstream issue. It provides knowledge to tenants and new buyers about an aspect of a building that has previously been undisclosed and can allow owners to monetise any investment in energy efficiency through higher rents or higher sales value and through shorter timeframes to lease or sell a property.

The CEC has also responded to the National Building Energy Standard-Setting, Assessment and Rating Framework and has provided more detailed information on the need for a clear and consistent approach to the assessment and rating of buildings and building standards in that submission.

The CEC also recommends that appliance standards continue to be strengthened through higher MEPS to provide achieve higher energy efficiency in appliances.

- **Engaged and Informed Consumers**

Changes in consumer behaviour are an essential part of the suite of actions needed to deliver a sustained decrease in energy demand. However, this is a particularly challenging area, with consumers surrounded by complex and potentially conflicting messages aimed at stimulating greater consumption, and many barriers to the uptake of energy efficient technologies and services, not least of which is the ‘hassle factor’ of finding energy efficient alternatives brought about by the lack of easily accessible information on products and services.

The CEC is advocating for a national marketing campaign to educate the Australian community about the need to improve energy efficiency. Consumers need to be provided with data and the right information to make informed decisions about their energy use.

Government funding in the form of grants or rebates is required to allow organisations to develop effective education and awareness campaigns to raise public and industry understanding of the importance of energy efficiency.

While the national rollout of Smart Meters will allow for the more accurate reading of electricity usage in households and small businesses, more accessible data for consumers is required so that users can more tangibly identify energy consumption changes and therefore energy saving opportunities.

- **Capable and Responsive Industry**

Access to capital is vital to bring energy efficiency projects and products to market. In buildings, energy efficiency is often focused on a specific project, rather than being ongoing and providing a pipeline of projects. Capital support in the form of tax incentives, low interest loans, specific R& D funding and project funding for demonstration projects is required to bring energy efficiency technologies to the market.

Support mechanisms for cleantech and emerging technologies overseas include:

- Introducing a loading on existing depreciation rates for energy efficient assets; and
- Reducing the write off period for capital allowances by reducing or capping the effective lives of new and retrofitted energy efficiency investment.

These mechanisms could also be applied to energy efficiency to drive investment. The Government needs to identify and build the current and future skills required by the workforce to incorporate energy efficiency into existing activities and roll-out of relevant energy efficiency initiatives. National training programs through universities and TAFEs, accreditation, audits and verification measures supported by robust standards are required to promote a capable and responsive industry while ensuring the installation of quality equipment and service.

- **Distributed renewable energy generation**

The Government needs to address barriers to the deployment of smaller scale distributed renewable energy projects. Cogeneration and trigeneration are vital methods of enhancing a building's energy efficiency. The current connection rules and arrangements of the National Electricity Market (NEM) act as a disincentive to the deployment of such projects and the rules need to be altered to make it easier to connect projects. Likewise the approvals process for installing renewable energy equipment needs to be simplified and standardised across jurisdictions to encourage organisations to make such an investment.

Thermal energy resulting from a thermal conversion process (e.g. bioenergy) or a direct natural resource (e.g. geothermal) is a significant resource that is often lacking recognition in the policy space. This resource can be harnessed and turned into a valuable energy source for both heating and cooling. Overall efficiency of an energy production process which produces heat as a byproduct can be significantly increased if the heat is captured and used. This is evident in the cogeneration plants operated by the sugar industry. The Australian Government should explore the role that a dedicated incentive for the production and use of low carbon heating and cooling can play in exploiting this resource.

Network efficiency gains

While there has to date been a focus on energy efficiency in the residential sector, there also needs to remain a focus on energy efficiency improvements at the network level. Incentives to drive effective investment in the network are an important part of the gains to be made by way of deferred transmission and distribution network investment.

Closing

The Clean Energy Council looks forward to working with the Government on developing energy efficiency policy initiatives. If you have any further questions please contact Lauren Solomon via telephone on 03 99294100 or by email: Lauren@cleanenergycouncil.org.au

Yours sincerely



Russell Marsh
Policy Director