



ESIA Submission: Consultation Paper July 2019

**Updating the Authority's previous advice on
meeting the Paris Agreement**

**Climate Change Authority
Commonwealth of Australia**

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Introduction

The Energy Savings Industry Association (ESIA) is pleased to make this submission as part of the consultation process of the Climate Change Authority (CCA), Commonwealth of Australia, to update the Authority's previous advice on meeting the Paris Agreement.

The ESIA is the peak national body that represents businesses accredited under energy savings schemes across Australia including the Victorian Energy Upgrades program, (VEU), New South Wales Energy Savings Schemes (ESS), South Australian Retailer Energy Efficiency Scheme (REES) and Australian Capital Territory Energy Efficiency Improvement Scheme (EEIS). ESIA members also participate under the federal Emissions Reduction Fund (ERF).

A number of our member companies' work across all of these schemes as certificate creators and product and service providers, with several having been constantly engaged in design and ongoing consultation since all of those schemes' inception a decade ago. We are at the forefront of the demand side of the energy sector, with many members also leading in innovative development of new products and services.

The ESIA is well placed to provide first-hand insights into the opportunities and complexities for strengthening energy savings schemes and complementary initiatives, such as a peak demand reduction scheme.

The ESIA would like to participate in consultations and meetings as part of this review, please email comns@esia.asn.au.

Rationale for energy savings schemes expansion

Energy savings schemes tick all the boxes considered in the CCA Consultation Paper (Box 2, p4) to be of merit in relation to emission reduction policies. (See Table 1)

Table 1 - CCA Evaluating climate change policies: how energy savings schemes stack up (ESIA)

Principles	Schemes
Economic efficiency	✓
Environmental effectiveness	✓
Equity	✓
In the public interest	✓
Take account of the impact on households, business, workers and communities	✓
Support the development of an effective global response to climate change	✓
Be consistent with Australia's foreign policy and trade objectives	✓
Desirable characteristics	
Credibility - to provide an incentive for businesses to invest and innovate and to ensure emissions reductions are real	✓
Durability and simplicity - to reduce the costs to government associated with implementing policies and the costs to businesses of adjusting to new policies	✓
Scalability - to enable Australia to adjust its emissions reduction commitment over time, in response to changes in technology, the economy and the action of international competitors.	✓
Coherency with other policies - Australia needs a policy toolkit with broad coverage to reduce the overall costs of emissions reductions and maximise opportunities created.	✓
Flexibility - include a range of compliance options to reduce the cost of emissions reductions, such as allowing access to international units subject to quantitative and qualitative limits.	✓

4% demand reduction annually with energy savings schemes

Existing energy savings schemes in Vic, NSW, SA and ACT have delivered an average annual reduction of total electricity consumption of almost four per cent.

Achievements up to end 2017, more than:

- > 2.3 million households and businesses have participated
- > 5 million energy-saving upgrades so far
- > 5 million MWh of electricity saved annually
- > 5 million tonnes of greenhouse gas emissions avoided
- > 4,000 jobs supported
- > \$1 billion of customer bill savings annually.ⁱ

Greater annual energy savings could be achieved with increased targets. The ESIA has demonstrated the kind of savings achievable with targets saving 10% of electricity and gas consumption by 2030 for a National Energy Savings Scheme (NESS), and for the Victorian and NSW schemes.^{ii iii iv}

ESIA Recommendations

To help Australia meet its Paris Agreement, the ESIA continues to advocate for:

1. **the CCA's previous position to introduce a NESS as soon as possible.** A NESS could be designed so that it harmonises with existing schemes in Vic, NSW, SA and ACT, and with others committed to introducing one, such as Queensland which has committed to do so prior to that state's next election in 2020. Other jurisdictions: Western Australia, the Northern Territory and Tasmania could simply access the NESS.
2. **support and encourage all jurisdictions with a scheme to strengthen these and extend their existing targets to 2030,** as ACT has done. Vic, NSW and SA have this opportunity as part of their 2019-2020 target setting reviews. Strengthening can include harmonisation and larger targets with more energy efficiency upgrade activities eligible for incentives, and access to more households and businesses across Australia. Larger targets *sooner* will assist directly in a ratchet-up approach now increasingly needed to accelerate uptake of lowest-cost abatement solutions to meet pressing emissions reduction requirements. Given that the energy sector is so well placed to reduce emissions rapidly, not taking this policy approach may be considered negligent.
3. **energy savings schemes to be complemented by a highly targeted demand reduction component or separate scheme,** or schemes, that could be national, or state based. For example, a highly targeted demand reduction air-conditioning upgrade program rolled out over several months in Victoria could equate to avoiding the Australian energy Market Operator (AEMO) forecast blackout threats to that state this coming summer 2019-2020. The installed air conditioners could be turned off during critical peak times using Demand Response Enabling Device (DRED) capacity. Such a scheme could have avoided the 2018-2019 forced 200MW of load shedding.
4. **Emissions Reduction Fund adjustments** to stimulate the uptake of energy efficiency projects as a transition measure to a NESS and to help businesses manage spiralling energy prices. (See Appendix 1)

5. **Establishment of an Australian Energy Market Demand Side Operator (AEMDSO)** to counterbalance the AEMO which continues to be skewed towards supply side solutions with virtually no consideration of supply-side solutions. This is exemplified in recent Electricity Statement of Opportunities (ESOO) and Gas Statement Of Opportunities (GSOO) reports. We first made this recommendation on 27 March 2017^v and in a submission to the Government^{vi}.

Challenges - Politics and Ideology out of step with community

The politicised and partisan approach to energy and greenhouse gas emissions reduction policy at the federal level continues to be the primary spanner in the works to prevent mobilising the CCA’s previous advice in 2017 to launch a National Energy Savings Scheme (NESS).^{vii} This position flies in the face of strong community support for financial incentive for energy efficiency upgrades.^{viii}

Energy savings schemes continue to prove themselves in the face of ongoing market barriers to energy upgrades including: lack of upfront capital, and lack of knowledge and time of energy customers to recognise the benefits, and a lack of data available publicly which would make the opportunities more transparent and easier to pinpoint and action.

Achieving net zero emissions at lowest cost

Upfront establishment costs and ongoing risk are not an issue for energy savings schemes. Once operational, energy savings schemes have consistently proven to save four times more than they cost.

Administrative and regulatory lessons have been honed over the past decade with certificate-based schemes delivering energy savings at lower cost due to greater competition. (See Table 2)

Table 2 - Energy savings schemes: lower cost with certificate models Vic & NSW (ESIA 23/5/19)

Jurisdiction with scheme	Residential pass-through 2019-2020 ¹	MWh/capita energy savings 2020 ²	\$/MWh
Vic	\$12	0.94	\$12.70
NSW	\$7	0.59	\$11.90
SA	\$13	0.37	\$35.10
ACT	\$29	0.64	\$44.60

(¹ AEMC Residential Electricity Supply Trends Report 2018 ² EECCA industry Report Nov 2017)

Appendix 1 - ERF recommendations to stimulate energy efficiency projects

As published in our submission to the Review of Climate Change policies discussion paper 5 May 2017: the ESIA is advocating for the Commonwealth Government to *immediately*:

- **adjust the Emissions Reduction Fund (ERF) to stimulate uptake of energy efficiency projects** as a transition measure to a national energy efficiency scheme and to help businesses manage current spiralling energy prices.

Adjustments must include changes to the current Emissions Reduction Fund (ERF) architecture.

Broadly, changes must consider the following:

- i. complement the current market-based energy efficiency schemes;
- ii. make access easier to facilitate greater uptake of energy efficiency projects;
- iii. ensure that these projects are treated on a level playing field with other project types as there has been little support to date;
- iv. significantly tighten baselines as they are currently fairly weak; and
- v. improve and expand methodologies to make them more relevant for energy efficiency upgrades.

Specifically, changes must consider the following:

a) adjust the crediting process for Energy Efficiency Australian Carbon Credit Units (ACCUs)

- i. harmonise the Commercial and Public Lighting (CPL) method default operating hours, deeming of 10 years upfront, lighting approval requirements, multipliers and general compliance evidence with the New South Wales Energy Savings Scheme (ESS), if not the entire commercial lighting method; and
- ii. introduce the concept of 'forward creation' to the Industrial Electricity and Fuel Efficiency (IEFE) method, similar to how it is used in the ESS Project Impact Assessment and Verification (PIAM&V) method and proposed Victorian Energy Efficiency Target (VEET) Project-based Assessment (PBA) to improve project viability.

b) Prioritise the purchase of Energy Efficiency ACCUs

- i. differentiate ACCUs created from an energy efficiency method to then allow 'Energy Efficiency ACCUs to be identified by relevant stakeholders;
- ii. allocate a fixed minimum portion of ERF auction funds to projects using energy efficiency methods;
- iii. extend the ERF Government contracting period from seven to ten years for energy efficiency ACCUs;
- iv. introduce a mechanism whereby the Government will pay in advance for the full volume of an ERF ACCU contract for ACCUs created under an energy efficiency method;
- v. create an additional demand for energy efficiency ACCUs in the secondary ACCU market by including a requirement in the Safeguard Mechanism that large electricity users must satisfy and shortfalls in emissions abatement targets with ACCUs sourced from energy efficiency methods.

For more information regarding this ESIA submission, please email comns@esia.asn.au

ⁱ Figures based on: annual reports of schemes, regulatory impact statements and registries; EECCA Energy Savings Schemes Report, 11/17: Table 4 – targets 2009-2009 metrics conversion to MWh, p 14 using figures from 2009-2017, and electricity consumption of each state in 2017. Assumptions include: allowing for deeming provisions, 1MWh of electricity avoided delivering 1 tonne of greenhouse gas abatement and bill savings based on an average of \$0.20c/kWh.

ⁱⁱ [ESIA Background Information](#): Proposed NESS target: saving 10% electricity and gas consumption by 2030, 25 March 2019.

ⁱⁱⁱ ESIA Submission: VEU target setting 2021-2025, 14 December 2018.

^{iv} ESIA Background Information: Strengthening the NSW ESS: saving more energy and money to 2030 – 2019 review scope opportunity, 14 June 2019.

^v [EECCA Media Release](#): Energy crisis - Australia needs AEMDSO not just AEMO, 27 March 2017.

^{vi} [EECCA Submission](#): Review of Climate Change Policies Discussion Paper 5 May 2017, Appendix D.

^{vii} Climate Change Authority Report: [Towards Next Generation](#) delivering affordable secure and lower emission power, 5.5.1 A National Energy Savings Scheme, 2 June 2017, p46.

^{viii} [ESIA Media Release](#): Energy savings schemes deliver what voters want, 16 April 2018.