

10th November, 2004



Energy Efficiency Enquiry
Productivity Commission
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PRODUCTIVITY ISSUES PAPER: INQUIRY INTO ENERGY EFFICIENCY

The Western Australian Sustainable Energy Association (WA SEA) Inc. welcomes the opportunity to comment on the inquiry into the economic and environmental potential of energy efficiency.

WA SEA Inc. is the peak body of the Western Australian sustainable energy industry. The Association promotes the development and adoption of sustainable energy technologies and practices that minimise and/or displace fossil fuel use. The Association has over 60 individual and company members representing a broad spectrum of the sustainable energy industry.

For the purpose of this submission, WA SEA Inc. will provide comment on the three key features of the Terms of Reference.

- 1. The environmental and economic costs and benefits of cost-effective energy efficiency improvements**
- 2. The barriers and impediments to adopting cost effective energy efficiency improvements**
- 3. Government intervention to address these barriers/impediments and the resultant net benefit to the Australian community**

1. What are the environmental and economic costs and benefits of cost-effective energy efficiency improvements?

The most significant environmental benefit of cost effective energy efficiency improvements would undeniably be the resulting reduction in greenhouse gas emissions. With WA, in particular, being the state with the highest greenhouse gas emissions per head of population in the world, energy efficiency measures would result in better energy management.

Commercial businesses and householders who implement cost-effective energy efficiency improvements will in the longer term achieve economic cost benefits through reductions in energy bills. However, the upfront costs required to implement energy efficiency measures often act as a barrier. This is where the Government can provide incentives (such as rebates for lighting, the installation of solar water heating, insulation etc) to encourage the adoption of efficient technologies. Overall, WA SEA Inc. would expect a general increase in demand for efficient products and services if more importance was placed on energy efficiency. In addition, there would be increased employment opportunities in the sector.

Attached as Appendix A is WA SEA's study into the cost effectiveness of using solar water heating as a method of greenhouse abatement and water heating. The report well answers many of the issues raised above

2. What are the barriers and impediments to adopting cost effective energy efficiency improvements?

The barriers to adopting cost effective energy efficiency improvements can be easily summarised under one umbrella - general lack of interest and concern about energy efficiency within the community, at both a commercial and domestic level. For the uptake of energy efficiency to occur, it must be a priority within the community, government, industry and individual organisations and mechanisms must be in place to support an individual or organisations desire to become energy efficient. With electricity being so inexpensive and easily available, energy efficiency is not considered a priority or seen as particularly interesting or as a necessity.

Other key barriers and impediments which WA SEA Inc has identified which are preventing individuals and organisations from accelerating the uptake of energy efficient practices and technologies include:

- Conflicting Government policies associated with taxation. Energy costs can be claimed as a taxable annual expense, whereas costs of implementing energy efficiency are considered capital expenses and are slowly depreciated. There is a strong case for considering accelerated depreciation of investments in energy efficiency.
- Limited reliable, relevant, and timely energy efficiency information available to individuals and organisations
- Limited expertise or tools available to identify energy saving areas
- Limited expertise available to assist in the implementation of energy efficiency measures
- Limited priority within organisations to dedicate human and financial resources towards energy efficiency
- Limited education of energy efficiency within the current university and TAFE curriculum
- Lack of evidence of achievements resulting from the adoption of energy efficiency practices. This information should be communicated to encourage others to also adopt such practices.

- Limited information on how government is leading by example
- Limited opportunities to stimulate energy innovation – usually the priority of any industry are to manufacture products or services and distribute. Ceasing production to implement energy efficiency measures may be seen as unproductive and not a priority.
- Limited assistance available to management to assist them in developing a viable business case which addresses why efficiency measures should be implemented
- Limited encouragement for innovative thinking and actions which facilitate energy efficiency
- Poor energy management skills of building managers
- Limited motivation to implement energy efficiency measures
- Limited awareness of the true energy and cost savings if energy efficiency measures are implemented.

3. Would government intervention to address these barriers and impediments produce net benefit to the Australian community? What form should that intervention take?

Government intervention to address these barriers and impediments will produce a net benefit to the Australian community. However, energy efficiency will not become a priority through government action unless the government is prepared adequately resources raising the profile of energy efficiency. The importance of energy efficiency will only be recognised if there exists:

- a regulatory framework focusing the community on the issue;
- consistent government policies encouraging energy efficiency; and
- A comprehensive program to change attitudes towards energy efficiency.

The regulatory requirements associated with Mandatory Energy Performance Standards (MEPS) and labelling of appliances have been effective but are limited in their application. This program should be accelerated and widened. Regulatory requirements for buildings, both commercial and domestic should also be strengthened. The imposition of regulatory requirements has a two-fold effect. Not only does it directly increase efficiency but it also brings the importance of energy efficiency to the minds of affected companies and people. The community expects regulations to properly control health, the environment and finance. Energy is equally important and governments should not shy away from regulations.

Governments tend to pay lip-service to energy efficiency. They have set but not generally achieved targets in their own businesses. There are a number of conflicting policies associated with the rules for depreciation, fringe-benefits tax, salary packaging and capital investment which do not demonstrate commitment. Energy efficiency needs to be a performance indicator for government agencies and their CEOs.

Energy efficiency is a hard item to sell. A comprehensive public information program needs to be devised that will capture public imagination. This will need appropriate funding. We need enthusiasts selling the importance of energy efficiency to all students

within their core course programs. This would include students of business at both TAFE and Universities, real-estate trainees, retailers of white goods, plumbers and electricians as well as engineers and architects.

Specifically, the following strategies should be implemented to overcome identified barriers and impediments:

- Implement mandatory minimum building ratings in line with the current recommendations through the Australian Building Codes Board. In addition, there is a need for annual ratings for buildings as a once off rating does not account for building changes
- Incentives (financial or otherwise) for commercial businesses to incorporate energy efficiency and demand side management measures
- Single rating system for commercial buildings to reduce confusion.
- Implement best practice energy performance. In particular, developing a national consistent approach to energy efficiency while enabling flexibility at for regional/jurisdictional initiatives.
- Develop programs which educate facility managers about energy efficiency
- Promote Government departments leading by example – this is very important as the Government should be setting the standard for commercial business to follow
- Demonstrate that energy efficiency measures can prove to be cost effective to production in the long term
- Education of middle management of the benefits of energy efficiency solutions
- Require Australian industry to undertake energy audits and report greenhouse gas emissions
- Education - ensure information is reliable, relevant, timely and easy to access
- Mandatory minimum greenhouse performance targets for all domestic homes
- Disclosure of an energy rating for all new homes and homes on the market. This will prove to be an additional selling tool on the real estate market.
- Assistance to low income households to adopt energy efficiency measures. For example, installation of solar hot water heaters on all public housing will reduce the energy bill of the householder.
- Further promotion of energy efficiency savings to householders. In particular identify the cost and greenhouse savings of purchasing/implementing efficiency measures
- Low interest loans for building efficient housing or purchasing efficient appliances and white goods
- Industry to move towards best practice energy performance with the support of the Government
- Packaging of integrated energy efficiency solutions (For example, similar to Victoria, all new domestic buildings require the installation of a solar water heater or rain water tank. This policy should be implemented Australia wide.
- Government policy to focus towards delivering overall low energy bills rather than delivering low energy prices
- Demonstrate how energy efficiency will increase a company's profitability

It must be noted that WA SEA Inc **strongly** supports the Government leading by example and establishing standards for the community and commercial organisations to follow.

If you require further information about this submission, please contact Johanna Gastevich on 9328 8411.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'J. Gastevich', with a long horizontal flourish extending to the right.

Johanna Gastevich
Executive Officer
Western Australian Sustainable Energy Association (WA SEA) Inc.