

5 February 2014

Ms Margaret Sewell  
Head of Taskforce  
Energy White Paper Taskforce  
Department of Industry  
[EWP@industry.gov.au](mailto:EWP@industry.gov.au)

Dear Ms Sewell

### ENERGY WHITE PAPER

The Australian Sustainable Built Environment Council (ASBEC) welcomes the opportunity to comment on the **Energy White Paper 2014 Issues Paper** (hereafter referred to as the 'Issues Paper').

ASBEC is the peak body of key organisations committed to a sustainable built environment in Australia. ASBEC's membership consists of industry and professional associations, non-government organisations and government observers who are involved in the planning, design, delivery and operation of our built environment, and are concerned with the social, economic and environmental impacts of this sector.

In this submission, ASBEC is making a number of high-level comments, and the Council and its' members look forward to further engagement as the Energy White Paper is developed.

#### Overarching comments

The built environment is a major user of energy, a major investor in end-use equipment and energy management, and is increasingly involved in energy supply through distributed generation. Data presented on page 4 of the Issues Paper highlights that around 20 per cent of Australia's final energy consumption occurs in the built environment (residential and commerce and services sectors) and a further 39 per cent is used in transport, which is heavily influenced by the built environment. Therefore, we strongly argue that the White Paper should consider the role of the built environment in energy demand and supply.

From our experience delivering energy services (e.g. productive and temperate buildings) we argue that the White Paper should focus on the size of energy bills and total cost of energy services as the key metrics for affordability, rather than the cost per unit of energy. For example, while Californian homes face per unit energy costs that are higher than the US national average, their relatively high level of energy efficiency means that Californians have some of the lowest energy bills in the US. Given that energy affordability will affect the cost of living and the competitiveness of businesses, focusing on the right metric will be critical.

ASBEC members also support Australia reducing its greenhouse gas emissions, and believe that tackling distortions in energy policy settings that increase emissions would deliver negative cost abatement that will support policies such as the Emissions Reduction Fund.



## **Regulatory Reform and the Role of Governments**

ASBEC notes that there are number of energy market issues that are raised in the Issues Paper that will be considered in separate reviews, including the review of the Renewable Energy Target. ASBEC will consider our positions on these subjects through these reviews, and focus now on three urgent issues.

Firstly, the Issues Paper raises the critical issue of electricity tariff reform. We understand that there are merits in examining the way that energy consumers and generators are charged for connection to, and use of, electricity networks. We urge that there be urgent and widespread consultation on this issue before major decisions are made or further *ad hoc* changes are made by energy suppliers.

Parties in the built environment have been, and will continue to be, major purchasers of grid-supplied energy and investors in energy management and distributed generation. It is critical that tariff structures are set in a way that:

- Considers the billions of dollars of existing investment in energy use equipment, energy efficiency and distributed generation. While the energy supply industry has made significant investment in energy supply infrastructure, investments by energy users are of a comparable magnitude. Changes to tariff structures, particularly increases in fixed charges for use of the electricity network, could substantially affect billions of dollars of existing investment by homes and businesses.
- Encourages the most cost-effective combination of further investment in energy supply, energy management and distributed generation.

Secondly, we encourage the White Paper to review other factors that may distort the mix of investment in energy supply, energy management and distributed generation, including solar PV and cogeneration and trigeneration. We draw attention to the Property Council report, [Unlocking Barriers to Cogeneration: Project Outcomes Report](#).

## **Workforce Productivity**

The Issues Paper states that the Australian Government "*recognises the need to develop the skills needed to encourage the development of alternative energy technologies*".

The tangible benefits of investing in energy use equipment, energy efficiency, and distributed generation are already being experienced in parts of Australia's built environment sector. However skills gaps limit the capacity of the sector to realise these opportunities more broadly.

Addressing skills gaps requires a two pronged approach. Firstly, initiatives that are already taking place must be better co-ordinated. Government agencies, industry bodies, professional associations and education providers need to work together to ensure that current efforts are well targeted and informed by industry. ASBEC's Jobs and Skills Task group has developed a 'Skills Collaboration Framework' that sets out a range of actions that, if implemented, would facilitate such collaboration.

Secondly, new initiatives are required that target critical skills gap that are not currently being addressed. Critical skills gaps vary greatly between sub-sectors within the built environment sector. ASBEC encourages the White Paper Task Force to engage with ASBEC for more detail on the critical skills gaps in these sub-sectors, and how they are best addressed.

## **Driving Energy Productivity**

ASBEC believes that there is substantial potential for further improvements in the energy productivity of Australia's built environment, which would in turn affect cost-of-living pressures on homes and business productivity.

ASBEC's Second Plank Update Report (2010) identified the potential for energy efficiency policies to reduce energy use in the building sector in 2029-30 by over 15 per cent (162.7 PJ) below the baseline projected by the former Australian Bureau of Agricultural and Resource Economics in 2010, noting that the ABARE projection already incorporated the impact of the carbon price and other existing measures.

To unlock this potential, ASBEC has developed a number of policy recommendations, which are set out in full in Appendix A. In summary, ASBEC recommends:

- Tax incentives for green building retrofits
- A national white certificate scheme
- Energy market reform, with a focus on demand-side reforms and urgently reviewing the barriers to distributed generation.
- Public investment in retrofits
- Retrofitting public sector buildings
- Financing and facilitation
- Modernisations and higher standards in the National Construction Code
- Enhancing Minimum Energy Performance standards (currently termed 'Greenhouse and Energy Minimum Standards')

We strongly encourage the Australian Government to consider these proposals in its Energy White Paper.

### **Alternative and Emerging Energy Sources and Technology**

As noted under 'regulatory reform and the role of governments', ASBEC notes the importance of robust consultation and investigation to ensure that energy consumers and generators are charged for connection to, and use of, electricity networks in a way that:

Considers the billions of dollars of existing investment in energy use equipment, energy efficiency and distributed generation by the built environment; and

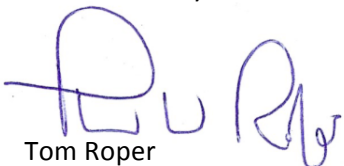
Encourages the most cost-effective combination of further investment in energy supply, energy management and distributed generation.

Secondly, we encourage the White Paper to review other factors that may distort the mix of investment in energy supply, energy management and distributed generation.

### **Conclusion**

ASBEC looks forward to contributing to the Government's development of the Energy White Paper. Please do not hesitate to contact ASBEC's Acting Executive Officer Julie-Anne Richards on 02 8006 0828 and email [julie-anne@asbec.asn.au](mailto:julie-anne@asbec.asn.au) if you have any queries about this submission.

Yours Sincerely



Tom Roper  
President

## Appendix A

### ASBEC's Policy Platform on 'Reduction of Energy Costs and Emissions'

Better performing commercial and residential buildings could reduce electricity bills, boost business competitiveness and cut greenhouse gas emissions. The ASBEC Second Plank reports in 2008 and 2010 found that there were significant benefits in terms of energy efficiency savings and reductions in greenhouse gas emissions from the implementation of energy efficiency measures. The technologies to deliver these savings are often highly cost effective, but market failures prevent the optimum level of investment. The right policies would support households and businesses to unlock the full potential of a more efficient, productive building sector:

#### **Tax incentives for green building retrofits**

Eligible businesses that invest in improving the energy efficiency of their existing buildings should be eligible for a tax incentive, which would cover specified expenditure that is incurred as part of a retrofit of an existing income-producing building. NABERS Energy would be the appropriate tool to determine the energy performance of a building.

#### **A national white certificate scheme**

A white certificate scheme helps overcome barriers in energy markets to aggregate and cost-effective energy efficiency. Commoditising 'energy savings' as a certificate enables savings to become tradable, placing a value on energy saved. Schemes are already in place, or in development, in NSW, Victoria, South Australia and ACT, and replacing these with a single national scheme would enhance their effectiveness and reduce red tape.

#### **Energy Market Reform**

Australia's energy markets, including the regulated part of the National Electricity Market, create the economic framework for investing in energy efficiency, demand management and distributed generation. The existing market structures have delivered benefits, but also create distorted price signals and impede cost-effective and aggregated investment in efficiency and distributed generation. Government should continue their current demand-side reforms and urgently review the barriers to distributed generation.

#### **Public investment in retrofits**

Public funding of building retrofit helps overcome the split incentive issues faced in both the residential and commercial sectors. Funding should be made available for and limited to, investment opportunities with a proven ability to reduce energy consumption.

Public funding would require a range of government-funded financial assistance mechanisms (i.e., grants, subsidies, rebates) for improvements undertaken by households and the commercial sector.

#### **Retrofitting public sector buildings**

Governments occupy around a third of the non-residential building space in Australia, and spend well over \$1 billion each year on energy and water for buildings including offices, hospitals, town halls and defence facilities. Retrofitting these buildings will save taxpayer dollars and support industry development. Governments should adopt the approach taken by the award-winning Victorian Government's Greener Government Buildings Program, which will save the Victorian Government a significant amount.

#### **Financing and facilitation**

Investing in energy efficiency can deliver substantial savings, but it is challenging to access the information and finance to undertake retrofits. The diverse nature of people and businesses that occupy buildings means that we need a range of financing tools, including Environmental Upgrade Agreements and Low Carbon Australia/Clean Energy Finance Corporation, along with facilitation to help them take up this financing.

#### **Modernisations and higher standards in the National Construction Code**

The National Construction Code needs to be updated and modernised with higher standards on the design and materials of buildings. The existing Code offers compliance with minimum performance targets or more conventional construction which is 'deemed to comply' with the Code. This initiative would involve a combination of both approaches. This measure would raise the baseline for energy efficiency in new buildings or when new fittings and fixtures are applied and could provide a robust basis for directing investment into greater energy efficiency.

### **Enhancing Minimum Energy Performance (MEPs) standards**

Accelerating and increasing minimum standards for energy efficiency of appliances through MEPS would hasten energy efficiency gains. Compliance would be required for appliances that are sold in Australia and information about energy efficiency performance would be coupled with a consistent rating. Standards are necessary to remove certain inefficient but inexpensive products from the market – which cannot be achieved by labelling programs alone.