

18 November 2013

The Hon Greg Hunt, MP
Minister for the Environment
Parliament House
Canberra ACT 2600

Dear Minister,

Direct Action Policy - Emissions Reduction Fund

The Australian Sustainable Built Environment Council (ASBEC) welcomes the opportunity to provide feedback on the Government's Direct Action policy and the proposed Emissions Reduction Fund (ERF). In response to the Emissions Reduction Fund – Terms of Reference consultation, ASBEC formed a small working group to specifically address the consultation paper. A detailed submission on proposed design of the Emissions Reduction Fund has been submitted under separate letter by the Chair of the ASBEC Direct Action Workgroup, David Parken.

The purpose of this letter is to outline the previous work ASBEC has undertaken which is relevant to the Direct Action Policy – Emissions Reduction Fund and to outline some principles which ASBEC believes should govern the ERF.

As you are aware, 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.

Abatement potential in the buildings sector

ASBEC has long held the position that it is critical the full potential of GHG abatement in the building sector be realised to assist Australia to achieve the goal of reducing GHG emissions at lowest cost to the economy.

In 2008 ASBEC commissioned economic analysis to determine the role that energy efficiency can play in supporting government action to reduce greenhouse gas emissions. In 2010 the analysis was updated to take into account revised data on energy forecasts as well as the role of energy efficiency in two alternative scenarios; with and without a carbon pollution reduction scheme in place.

These reports showed that the operational demand for energy in the buildings sector (commercial and residential, not including construction) amounts to 23% of Australia's greenhouse gas emissions (GHG). The reports also found that there is significant potential to reduce the sector's GHG through investment in energy efficiency.

In 2010, the Allen Consulting Group identified potential reductions of 46.7 Mt CO₂-e per annum by 2030 from the buildings sector associated with additional energy efficiency measures in the absence of the then proposed Carbon Pollution Reduction Scheme.

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Importantly the ASBEC work demonstrates that this abatement is able to be achieved through the use of existing technologies and the sector has the potential to make these gains economically, involving little or no net economic cost.

Despite this significant potential GHG abatement, there are a number of market factors which impede the building sector reaching its potential. A core problem is the gap in time between the cost of making the substantial investment required to bring about efficiencies, and the time when the energy efficiency savings provide a return.

The Second Plank reports identified 21 policy approaches to stimulate energy efficiency in the building sector. These policies consist of a mix of incentives, regulation and government financial assistance for energy efficiency investment.

Of these 21 policies, five were highlighted in the reports as key to motivating long term structural change, and included;

- Accelerated green depreciation for buildings,
- A national white certificate scheme,
- Public funding for energy efficient buildings retrofit,
- Modernisation of the Building Code of Australia with higher energy efficiency standards, and
- Enhancing performance standards in the minimum energy performance standards for appliances (MEPS)

ASBEC acknowledges the energy efficiency measures which Australian government have initiated to date, including activity on the above suite of measures to varying degrees.

Direct Action Policy – Emissions Reduction Fund

ASBEC considers that the buildings sector can play a key role in the Emissions Reduction Fund as;

- the size of the energy savings from the sector have been measured and the market failure that prevent them being realised are well known and understood
- the implementation technologies in the sector are known
- any improvements would have a significant impact because of the sector's scope,
- the sector already has the ability to measure its GHG from energy use in buildings and to measure and verify the reductions in emissions that could be delivered from changes in energy efficiency

It should also be noted that in undertaking abatement in the buildings sector, through energy efficiency measures, there are also a range of additional benefits that can result including; indoor environmental quality (health and productivity benefits), water conservation, innovation, resilience to predicted higher temperatures etc.

As mentioned, the ASBEC Direct Action workgroup has submitted a detailed report proposing concept design and practice of the ERF. ASBEC submits that there are some guiding principles which ought to be considered for the ERF. These include;

- A clear focus on maximising abatement to achieve Australia's 2020 abatement target
- Preference to be given to abatement which has certainty of being achieved
- Independent verification of abatement
- Weighting to be given to abatement which continues beyond 2020
- Transparency (eg, disclosure of bid prices and report on ERF abatement outcomes)
- Certainty for participants and government
- Minimise transaction costs
- Fairness and equity

ASBEC also submits that in addition to the ERF there is still a need for complementary measures to realise the full abatement potential within the buildings sector. Complementary measures– both financial and non-financial incentives – to encourage the built environment towards better practice and reduced emissions such as; discounts for lower emissions properties, training opportunities to upskill the workforce, R&D incentives to support innovation, community education to change occupant behaviour etc.

Given the tight timeframe for consultation on the ERF, the Direct Action Workgroup was unable to consult with the wider ASBEC membership on this issue. The ACIL Allen Consulting report will be tabled for information at the next ASBEC meeting being held on 26 November.

I would be happy to provide you with further copies of the Second Plank reports if necessary and please do not hesitate to contact me should you wish to discuss this submission.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Tom Roper', is positioned above the typed name.

The Hon Tom Roper
President

cc Emissions Reduction Fund submissions