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14 September 2016

**Subject: Advancing Climate Action**

Dear Mr Wecker

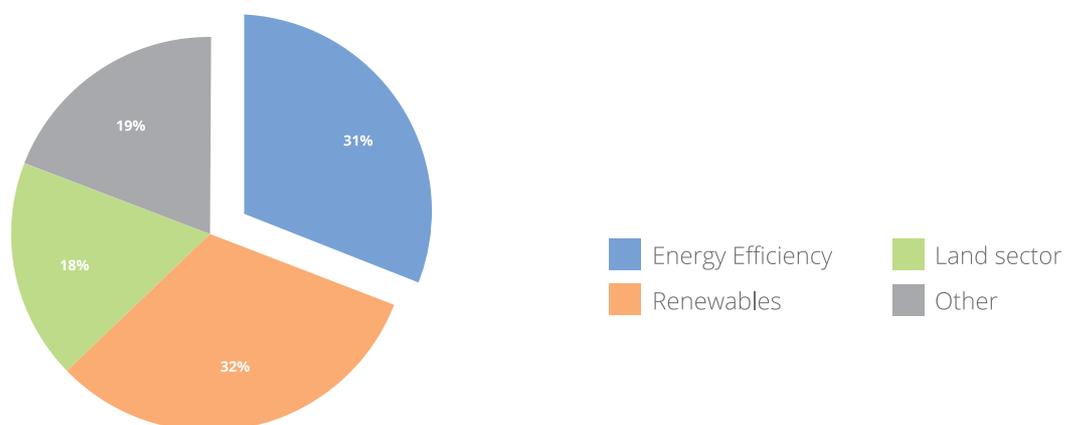
The Energy Efficiency Council (EEC) welcomes the opportunity to respond to the Advancing Climate Action in Queensland paper (referred to as ‘the discussion paper’).

The EEC congratulates the Queensland Government on its commitment to develop a strategy to mitigate greenhouse gas emissions and transition to a low-carbon world. Long-term integrated climate change and energy policies are essential to enable households and businesses to make sound investments in energy supply and energy use.

Developments in technology, consumer preferences and global politics are driving a new wave of investment in energy supply and demand-side technologies. Governments need to have effective policies in place to encourage the most cost-effective mix of investments, including investment in energy supply and energy efficiency.

The EEC welcomes the clear statement in the discussion paper that “*energy efficiency... provides great opportunities to cut both costs and pollution...*” However, Queensland currently lacks an effective policy suite for energy efficiency, and energy efficiency is given significantly less attention than renewable energy in the discussion paper. Effective energy efficiency policies are critical to achieve emissions abatement at the lowest cost.

Energy efficiency is the fastest, cheapest way to cut greenhouse gas emissions and is expected to deliver an equivalent amount of abatement to renewable energy to 2030. In addition, demand management (which includes energy efficiency and peak reduction) is essential to ensure that the shift to new forms of generation is fast and affordable.



**Figure 1. Abatement potential in Australia to 2030**

Source: ClimateWorks Australia & WWF 2015 *A prosperous, net-zero pollution Australia starts today*

An effective set of energy efficiency policies would also deliver significant opportunities to Queensland, including:

- **Improving productivity and economic growth:** Improving energy efficiency by just one per cent a year will grow Australia's economy by \$26 billion by 2030.<sup>1</sup>
- **Jobs, investment and innovation:** The global market for smart energy products and services is worth more than \$470 billion per annum and growing rapidly.<sup>2</sup> If Queensland captured just one per cent of the global market it would deliver \$4.7 billion in income every year and create thousands of jobs. California now has more than 321,000 people employed in energy efficiency, with employment growing six per cent per annum in recent years.<sup>3</sup>
- **Lower energy bills:** Energy bills will rise rapidly without real efforts to manage peak demand and improve efficiency.
- **Cutting edge technologies:** Consumers around the world are gaining access to new technologies like electric cars, smart appliances, advanced lighting and energy management. Without key reforms, Australian consumers will pay more for, or even miss out on, innovations.
- **Consumer protection and health:** Minimum standards and ratings for homes and appliances protect consumers and ensure that they get what they pay for. When builders and manufacturers cut corners it can increase households' energy bills, reduce comfort and even affect their health. Building efficiency can impact winter mortality rates, and more than 3,000 deaths each year in Australia are associated with periods of hot and cold weather.<sup>4, 5</sup>

While energy efficiency will deliver major benefits, substantial effort needs to be put in to address key barriers. These barriers are not well understood, and are caused by significant supply-side distortions in the energy market and other markets, including:

- Electricity tariffs that don't reflect the real long-term costs of supply (e.g. high fixed charges) reduce the incentive for energy efficiency.
- The rules and regulations of the energy market encourage investment in energy supply and discourage investment in energy efficiency.
- Landlords own buildings, but tenants pay electricity bills. This can make it very challenging to upgrade the efficiency of rented homes and offices.
- When consumers can't compare the efficiency of buildings and appliances, they can't select more efficient options and this reduces the incentive to build or supply better goods.
- Most households and businesses lack the key skills to build a business case, find trusted experts and improve their efficiency.

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<sup>1</sup> Climate Institute 2013 *Boosting Australia's Energy Productivity*.

<sup>2</sup> *Estimates from the International Energy Agency and HSBC*.

<sup>3</sup> *Advanced Energy Economy Institute 2016 Advanced Energy Jobs in California*.

<sup>4</sup> *International Energy Agency 2014 Capturing the Multiple Benefits of Energy Efficiency, IEA, Paris*.

<sup>5</sup> *Gasparrini A. et al 2015 'Mortality risk attributable to high and low ambient temperature: a multicountry observational study', The Lancet, Vol 386, No. 1991, p367-375*.

The Queensland Government is currently lagging other Australian states and territories in energy efficiency policy, including NSW, Victoria, South Australia and the Australian Capital Territory (ACT). As a result, Queenslanders are paying higher energy bills than necessary and are missing out on investment in a rapidly growing global industry.

The EEC recommends that the Queensland Government commit to an ambitious set of policies to improve energy efficiency and demand management. The EEC has developed a comprehensive *Australian Energy Efficiency Policy Handbook* (attached), which sets out the policies that will be required over the next 14 years to meet the National Energy Productivity Plan's target to improve energy productivity by 40 per cent between 2015 and 2030. We recommend that the Queensland Government review the handbook and adopt key recommendations in the Advancing Climate Action strategy.

In response to Question 10 in the discussion paper (*'What programs would you like to see put in place to encourage greater uptake of energy efficiency and clean energy?'*) priority actions for Queensland should include:

- **Reducing the Queensland Government's energy bills**

The Queensland Government should adopt a program similar to the NSW Government Resource Efficiency Policy and equivalent programs in Victoria and South Australia. These programs drive investment in upgrades to schools, hospitals and infrastructure. Adopting a similar program in Queensland would improve public facilities, reduce emissions and strengthen the state budget.

- **Establish an energy efficiency scheme harmonised with other jurisdictions**

Queensland is currently the only mainland state in the East Coast without an energy efficiency scheme (energy retailer obligation). Queensland should introduce an energy efficiency scheme that is harmonised with equivalent schemes in NSW, Victoria, South Australia and the ACT.

- **Ensure a better balance of network and non-network investment**

The Queensland Government should direct Energy Queensland to develop a new strategy to manage demand when it is cheaper than augmenting the grid, which would improve the security and reliability of supply while reducing peaks and supply costs. The Government should also appoint an independent individual to oversee reviews of the level of demand-side investment by Energy Queensland and oversee its interactions with consumers and energy-service providers.

- **Implement fair and efficient electricity tariff structures**

Getting the right mix of investments in generation, networks and demand reduction is critical to the long-term affordability of energy. The mix of investments is strongly influenced by how network service providers (NSPs) charge consumers and generators for using power, connecting to the network or exporting power. The Queensland Government should support a national process to bring consumers, NSPs and energy experts together to develop 'model tariff structures' to help NSPs create tariffs that are fair to energy consumers and encourage economically efficient investment.

- **Modernise manufacturing**

Introduce a ‘*Modernising Manufacturing*’ program that links companies to experts to develop and implement major site upgrades, integrating energy efficiency with resource efficiency, digital industry and other technology trends.

- **Transform offices**

Queensland should jointly invest at least \$10 million a year with over governments in a ‘*Ten-year Action Plan*’ to upgrade the office sector and deliver billions of dollars in benefits. The Action Plan should initially focus on engagement programs for office building owners and transitional incentives or levies to encourage building upgrades. However, governments will need to introduce minimum energy efficiency standards for leased offices by 2020.

- **Inform and protect home buyers and renters**

Collaborate with other governments to develop a framework for a national residential energy efficiency disclosure scheme to be launched in 2018, and test one or more voluntary tools over the next two years.

- **Improve standards for appliances and buildings**

Streamline the national process for updating appliance standards and improve compliance for building standards.

- **Establish an energy efficiency fund**

The Queensland Government should place a small surcharge on electricity bills to fund agencies and programs that deliver energy savings, similar to the NSW Climate Change Fund. The fund should support long-term programs that collectively deliver larger reductions in consumers’ electricity bills than this charge. The NSW Climate Change Fund demonstrates that modest funding over a long period can deliver much greater results than larger funds over short periods.

## Summary

The EEC congratulates the Queensland Government on its commitment to develop a strategy to mitigate greenhouse gas emissions and recommend that the Queensland Government commit to an ambitious set of policies to improve energy efficiency. Please contact me on [rob.murray-leach@eec.org.au](mailto:rob.murray-leach@eec.org.au) or 0414 065 556 should you require further information on any of the issues raised in this submission.

Yours sincerely



Rob Murray-Leach  
Head of Policy  
Energy Efficiency Council

## Specific questions in the Advancing Climate Action discussion paper

### **Question 6. What could the Queensland Government do to further stimulate innovation and commercialisation of low emissions and clean technologies?**

See Section 9 of the Australian Energy Efficiency Policy Handbook (attached).

### **Question 8. What are the opportunities for Queensland in transitioning to a clean energy future?**

The global market for smart energy products and services is worth more than \$470 billion per annum and growing rapidly. If Queensland captured just one per cent of the global market it would deliver \$4.7 billion in income every year and create thousands of jobs. California now has more than 321,000 people employed in energy efficiency, with employment growing six per cent per annum in recent years.

### **Question 9. What are the major barriers in adopting clean energy technologies in Queensland?**

See Sections 2 and 3 of the Australian Energy Efficiency Policy Handbook.

### **Question 10. What programs would you like to see put in place to encourage greater uptake of energy efficiency and clean energy?**

See pages 3-4 of this submission for priority policies, and the Australian Energy Efficiency Policy Handbook for a comprehensive set of recommendations.

### **Question 11. What steps should Queensland take to improve energy efficiency in the built environment sector?**

See Sections 7, 12, 13 and 14 of the Australian Energy Efficiency Policy Handbook and the Low Carbon High Performance report (attached) that was produced by a group of property organisations through the Australian Sustainable Built Environment Council.

### **Questions 15, 16 and 17:**

- **What strategies would you like to see put in place to encourage greater uptake of low emission transport options?**
- **What strategies would be effective in encouraging greater patronage on public transport and fewer private vehicles on the road?**
- **What could the Queensland Government do to support greater uptake of EVs?**

See Sections 6 and 18 of the Australian Energy Efficiency Policy Handbook.

### **Question 19. What strategies should Queensland pursue to support industry to reduce emissions generated in the process of mining and production?**

See Sections 15, 16 and 17 of the Australian Energy Efficiency Policy Handbook.