



energy efficiency
COUNCIL

**Energy Efficiency Council submission to the Small
Business Energy Incentive Exposure Draft**

18 July 2023

Summary

The Energy Efficiency Council (EEC) welcomes the opportunity to make a submission on the exposure draft of the Small Business Energy Incentive (SBEI). The EEC is Australia's peak body for energy efficiency, energy management and decarbonisation.

The EEC welcomes the Government's initiative in assisting small businesses to improve their energy performance through the SBEI. Improving energy efficiency and unlocking the benefits of electrification is one of the best tools that businesses and consumers have to address the energy price crisis, reducing the cost of living and the cost of business.

Improving energy performance is a key strategy for businesses to reduce energy bills, drive down emissions and improve their resilience to volatile energy prices. Improving energy productivity for businesses also has a direct link to improved profitability, giving businesses a competitive edge. Analysis by Climateworks Australia showed that companies that invest in improving their energy productivity and performance can boost their profitability by 5 per cent per annum.¹

The EEC is committed to supporting the Government's implementation of this measure to help ensure its success. In general, we support the proposed legislation as drafted. However, as currently drafted, we do not believe the SBEI will have sufficient time to drive meaningful energy performance improvements, and we strongly recommend that the Incentive is extended into the 2024-2025 financial year.

Timeframe

Energy performance upgrades of the kind proposed in the draft legislation can range from relatively simple equipment changeovers (for example, swapping out an old, inefficient appliance for a new, efficiency appliance of the same type), to more complex upgrades where businesses will need to make some changes to their operations (such as changing a key process component which then requires other parts of the process to be adjusted or redesigned). Larger upgrades, which can be more complex to plan, design, finance, install and commission, can often deliver more significant energy and emissions savings, as they often highlight where other efficiencies may be found.

The EEC is concerned that businesses and their advisors will not have the confidence to invest using the SBEI until after the legislation is passed by the Parliament, which will be well into the 2023-24 eligibility period. Furthermore, constrictions on supply chains and skilled labour means that even if businesses are able to commit to investment, they may not be able to meet the eligibility requirements of having installed the equipment ready for use by 30 June 2024.

Similarly, in many cases businesses will require skilled advice to design and implement larger upgrades, and creating a business case for upgrades can take a non-trivial amount of time. Without properly designing and implementing energy performance upgrades, the activity risks not delivering the benefits to businesses and the community that are envisioned. Should businesses not be confident in their ability to design and implement their project effectively within the eligibility

¹ Climateworks Australia (2016), [Could boosting energy productivity improve your investment performance? A guide for investors](#), p.3

period, the likely consequence will be that the only upgrades incentivised will either be small upgrades with relatively minor energy and emissions savings, or projects that were ready to go ahead anyway (and hence are not additional to business as usual).

Should this situation occur, it is probable that the objectives of the SBEI – to encourage and assist improving energy performance in small businesses – will not be achieved. This would run counter to the Government’s broader policy objectives of achieving our 2030 emissions reduction targets and improving energy performance throughout the economy.

Aim for high-quality, efficient electrification

Improving energy performance through electrification is an effective and useful way to drive down both energy costs and emissions, and harness the inherent efficiency available through electrically operated equipment. While electric equipment is almost always more energy efficient than a fossil fuel counterpart, there remains an imperative to ensure that electrification is conducted as efficiently as possible.

As Australia turns towards renewably-sourced electricity as a central pillar of decarbonisation, the demands on the electricity grid will grow as fossil fuel-operated equipment is changed to electrically driven equipment. This is both expected and necessary, but it is likely that some grid augmentation costs will occur as a result.

However, these costs can be minimised through ensuring that electrification is efficient and high-quality. Highly efficient, smart electric equipment minimises the loads placed on the grid and reduces the system costs that must be borne by all consumers. These principles are explained in more detail in the Energy Efficiency Council’s recent report, [Clean Energy Clean Demand](#).

While it is unlikely that the SBEI would be able to include effective requirements for efficient electrification in its design, there is a strong need for complementary guidance and advice to businesses to outline the benefits and importance of selecting appropriate, efficient equipment for their needs. Choosing efficient electric equipment will help businesses maximise the energy bill savings and emissions reduction that the SBEI could encourage, as well as reducing the need for grid augmentation, lowering system costs associated with the transition. Such guidance could form part of materials prepared to inform businesses about using the incentive.

Recommendations:

1. The EEC strongly recommends that the expiry date for the SBEI be set to 30 June 2025 to provide sufficient time for businesses to take advantage of the incentive with confidence.
2. The EEC recommends that complementary guidance be provided to businesses encouraging the use of smart, efficient equipment to maximise the benefits of the incentive.