Energy Efficiency Council submission to the Clean Energy Finance Corporation's Household Energy Upgrades Fund design paper

8 August 2023

Overview

The Energy Efficiency Council (EEC) welcomes the opportunity to make a submission to the design consultation on Household Energy Upgrades Fund (HEUF). The EEC is Australia's peak body for energy efficiency, energy management and decarbonisation.

The EEC strongly supports the establishment of the HEUF as a mechanism to reduce energy bills and emissions. While access to finance is only one barrier to implementing energy performance upgrades in households, it is nonetheless an important one to address.

The EEC is broadly supportive of the direction of the industry consultation design paper. In particular, the EEC commends the CEFC for seeking to build on experience in existing programs to give the program the best chance of success.

Our specific comments are outlined below. There are several matters that the EEC suggests the CEFC consider in its detailed design of the fund, the three most important being to:

1. **Prioritise safety:** The design of the HEUF should maintain a strong focus on safety for workers and householders, including fostering the workplace health and safety culture to successfully and sustainably deliver the program, as well as protecting vulnerable consumers.

2. **Utilise the HEUF to develop the energy upgrade ecosystem:** The HEUF represents a unique opportunity to increase the size and sophistication of the market for energy upgrade products and services. Maximising the legacy of the program in terms of this market transformation should be a key design consideration.

3. **Target strategic technologies and underserved markets:** The CEFC should seek to maximise the benefits of the Fund by proactively targeting gaps in the market – including lower income households and private rentals, as well as strategic technologies at the earlier end of the adoption curve.

Specific comments

1. Safety is paramount

In any program that involves work inside residential premises, a laser-like focus on ensuring safety of workers and residents is crucial. Safety concerns include the more visible construction-related and occupational health and safety concerns, but safe program design should also consider multifaceted safety for program recipients. Aspects of this should include protecting vulnerable community members from inappropriate business practices, as well as program design that helps foster good outcomes for culturally and/or linguistically diverse communities.

Use of robust frameworks and processes to enhance safety – including appropriate professional licensing and certifications, quality and safety management systems, as well as strong integrity and compliance processes to ensure that only businesses with a genuine interest and investment in the success of the program are incentivised to assist households in improving their energy performance.

2. Ecosystem development

The EEC strongly supports the stated goal of 'kick-starting development of the energy upgrade ecosystem. Indeed the HEUF's role in ecosystem development should inform all design decisions, including choice of assessment tools, developing and expanding the cohort of trusted service providers, and establishing protocols for financial institutions accessing and utilising energy performance data.

Where possible the HEUF should align with other efforts – such as the Australian Government's $300 million budget commitment for social housing upgrades – to ensure product and service providers are receiving clear signals around quality, safety and skills requirements. Similarly, alignment with national efforts around energy performance disclosure will help build momentum for a consistent national approach in this area.

3. Target strategic technologies and underserved markets

The EEC strongly supports the CEFC in looking to accelerate the deployment of strategic technologies for improving energy performance. Strategic technologies are those that reduce demand during periods where energy demand is most mismatched with cheap supply, like during a cold winter evening or the wet season in tropical climates. These technologies will provide greatest return to the community, by reducing system costs, as well as the householder in question.

Using the Fund to target lower income households and private rentals is also an important aspect of the fund design and will lower the risk of crowding out finance in other sectors of the market.

4. Scale

The CEFC's ambition of enabling around 110,000 upgrades per year through the Fund is reasonable and appropriate. The Victorian Energy Upgrades program currently assists around 410,000 households per year – albeit with minor upgrades in many cases – demonstrating that the scale proposed is not unreasonable. Nonetheless, careful scale-up with continuous monitoring and evaluation is important to ensure that any issues are addressed quickly. Once the program has demonstrated its success, further scale up should be considered.

5. Eligible technologies

The proposed list of eligible technologies is appropriate for the HEUF. However, the EEC would encourage the CEFC to consider how the Fund might maximise complementarity to other initiatives, by targeting technologies that these initiatives tend to overlook. For example, subsidies for home batteries and associated hardware are already provided through several government programs, particularly at the State level, while fewer policies and programs are in place to support technologies such as insulation and double glazing that can have substantial impact.

We also suggest that 'enabling works' be specifically designated as an eligible technology. This will be of particular relevance to electrical safety upgrades or supply capacity upgrades which are critical to enabling installation of other energy performance technologies, but are difficult to fund through other policy mechanisms. Electrifying homes and vehicles will add new electrical demand to a home, and it is important that home electrical installations can carry the load

safely. Similarly, electrical safety upgrades to enable the safe installation of insulation in older homes is important.

Lastly, it could be useful to include 'energy management technologies' on the list of eligible technologies. As Australia begins to deal with the effects of high penetration of solar PV in the grid, the ability to make the best use of solar output will be increasingly valuable. Technologies that assist householders to move their energy demand to times of high solar PV production will help drive greater emissions reduction and lower overall energy system costs and would be a worthy inclusion in the HEUF. Examples of this type of technology include home automation and grid-interactive controls for loads like water heating and EV charging, as well as home information and management systems that allow householders to understand and manage their energy use.

6. Alternative funding models

The EEC suggests the CEFC considers extending Environmental Upgrade Agreements (EUAs) that it has previously implemented in commercial buildings to residential buildings. Under this model, the repayments for the energy performance upgrades are added to municipal rates, and the repayment obligation remains attached to the dwelling, rather than the individual, helping to overcome split incentives. Under this model, the occupants of the household deriving the benefit of the upgrade are also responsible for paying for it and are not saddled with the debt should they move away from the home.

While there would be requirements for supporitve legislation in state and territory jurisdictions to implement these types of arrangements, it is worth considering whether EUA-like arrangements could support the objectives of the HEUF.

7. Risk mitigation

The EEC supports the CEFC's efforts to proactively identify potential risks ahead of the Fund's launch. The list of risks discussed in the paper are sensible and foreseeable.

The EEC would encourage the CEFC to consider mitigating risks by utilising a model of preferred, integrated service providers. An integrated service provider that takes responsibility for the arrangements and quality of installation, and is accountable to the CEFC through good standing arrangements, provides a strong incentive to promote safety and quality throughout the program. Providers that fail to foster safety and quality could lose a good-standing status, and risk reputational harm.

Integrated service models exist in commercial buildings, and are also the bedrock of the successful ACT Sustainable Household Loans Scheme. The Sustainable Energy Authority of Ireland has recently started accrediting businesses that act as 'One Stop Shops' for energy performance upgrades and could provide a useful reference point for the HEUF.

Importantly, preferred integrated service providers that support the rollout of the HEUF could be utilised by both other government programs and the general public, increasing confidence in the energy upgrade ecosystem.

Further information

If you require further information about the matters raised in this submission, please contact Alex St John, Senior Advisor Research and Policy, at alex.stjohn@eec.org.au.