



INQUIRY INTO ENERGY EFFICIENCY OPPORTUNITIES (REPEAL) BILL 2014

SENATE ECONOMICS LEGISLATION COMMITTEE

Introduction

WWF-Australia welcomes the opportunity to make a submission to the Senate Economics Legislation Committee inquiry into the Energy Efficiency Opportunities (Repeal) Bill 2014.

WWF-Australia is part of the WWF International Network, the world's largest and most experienced independent conservation organisation. We have more than 220,000 supporters in Australia, five million supporters worldwide and a global network active in more than 100 countries. WWF's mission is to stop the degradation of the planet's natural resources and to build a future in which humans live in harmony with nature. WWF has been an advocate for national and international action to avoid dangerous climate change for more than two decades. WWF has been a strong supporter of a range of policies to support rapid emission reductions including emissions trading schemes; Renewable Energy Target schemes; feed-in-tariffs; energy efficiency opportunities including standards in homes, buildings, cars energy sector, appliances; land clearing laws; incentives for land sector abatement; and investment in research and development.

We believe policies and programs to stimulate improvements in energy efficiency are crucial and therefore do not support the repeal of the *Energy Efficiency Opportunities (EEO) Act 2006*.

Key Points

- WWF-Australia views the *Energy Efficiency Opportunities (EEO) Act 2006* as crucial for improving the energy intensity and productivity of the Australian economy and recommends it is retained.
- We are concerned that projects that may have occurred under the EEO program without government funding because their paybacks were sufficiently attractive to businesses will now be funded under the proposed Emissions Reduction Fund (ERF) – this would be a poor use of taxpayer funds and raises questions about the additionality of these activities.
- While the EEO program has had successes, there is still much to be done on energy efficiency. A recent report by Vivid Economics, commissioned by WWF, found that Australia performed worse than four key trading partners on energy efficiency improvements.

The EEO program should be retained to encourage continuous energy efficiency improvement

Improving energy efficiency boosts productivity, reduces costs and cuts greenhouse gas emissions and should be encouraged by Federal government policy.

As noted in the Regulation Impact Statement¹, between 2006 and 2011 large energy users participating in the program adopted energy savings of over five per cent with net additional financial savings of over \$323.2 million per year in the EEO program's first cycle. This is an important contribution to improving productivity and the competitiveness of our economy.

Barriers to energy efficiency improvements in Australian businesses still exist including information asymmetries and split incentives and the case for repealing the EEO Act at this time is weak. While there may be some administrative cost savings, these are outweighed by the longer-term economic and financial benefits of energy efficiency improvements.

Improving energy efficiency is also an important emissions reduction program, which can help Australia in making a fair contribution to tackling global warming. This is particularly true given Australia's commitment to reduce emissions by at least 5% below 2000 levels by 2020 and up to 25% if other countries do more, at the same time as repeal the carbon pricing mechanism. Without additional policy measures, several studies have indicated that greenhouse gas emissions will rise rather than fall by 2020.²

Specifically, we are concerned that projects that may have occurred under the EEO program without government funding - because their paybacks were sufficiently attractive to businesses - will now be funded under the proposed ERF. Not only is this potentially a poor use of taxpayer funds, but it immediately raises questions about the additionality of these activities. The EEO program provides an important and publically transparent record of corporate energy efficiency opportunities and plans, and without this it will be challenging to know which projects may have proceeded anyway without any government assistance. Consequently if the ERF funds energy efficiency activities there is a high risk that many of these will be non-additional carbon reduction i.e. they would have occurred anyway, without government funding and as "business as usual".

Furthermore, a number of emissions reduction activities can be incentivised more effectively through regulation rather than funding schemes. For example, energy efficiency improvements could be implemented through a strengthened EEO Act which requires not just reporting of opportunities but implementation of projects that fall within agreed payback parameters. The government should have a preference for direct regulation where it is more effective. We also recommend funding is restored to the Energy Efficiencies Opportunities (EEO) program in the interest of identifying low-cost abatement opportunities.

International comparisons indicate that despite the successes of the EEO program, Australia is not improving the energy intensity of its economy as fast as other countries. A recent report from Vivid Economics³, commissioned by WWF-Australia, found Australia under-performing against key trading partners on energy efficiency improvements. Four of the six countries examined – EU, US, Indonesia and China – reduced the energy intensity of their economy more than Australia over the period 2005-2011. While the energy intensity of Australia's economy fell by nine per cent, other developed areas such as the US and EU achieved reductions in energy

¹ http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5232_ems_bd8bdcfb-d27d-469d-8bb5-acdbdiafd05a/upload_pdf/394170.pdf;fileType=application%2Fpdf

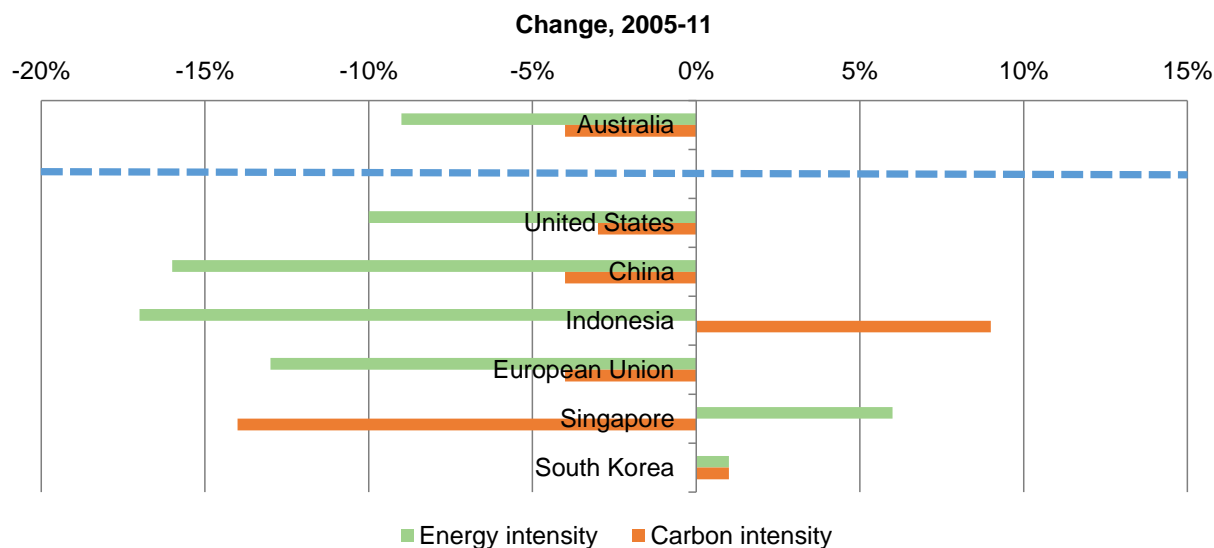
² See for example RepuTex (2013) Emissions Trading Versus Direct Action, <http://goo.gl/BMcZZZ> and SKM-MMA & Monash (2013) A Review of Subsidy and Carbon Price Approaches to Emission Reduction

<http://www.climateinstitute.org.au/articles/publications/coalition-climate-policy-and-the-national-climate-interest.html>

³ http://www.wwf.org.au/news_resources/?9980/Key-countries-on-track-to-meet-international-obligations-Australia-far-off-track

intensity of 10 and 13 per cent respectively as indicated in Figure 1. Reductions were higher again in China (16 per cent) and Indonesia (17 per cent).

Figure 1. Australia underperformed against four countries for reductions in energy intensity and against three for reductions in carbon intensity



Source: Vivid Economics

In order to remain an efficient and competitive economy Australia will need to continuously improve energy efficiency, particularly as other countries accelerate their transition to low-carbon economies. Effective programs such as the EEO program should not only be retained but expanded.

Contact

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Why we are here

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

www.wwf.org.au

WWF-Australia (World Wide Fund for Nature Australia)

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