

**Senate Standing Committee on Environment and Communications**  
**Legislation Committee**  
Answers to questions on notice  
**Environment portfolio**

**Question No:** 84

**Hearing:** Supplementary Budget Estimates

**Outcome:** Outcome 7

**Programme:** Emissions Reduction Fund Taskforce

**Topic:** Energy Savings and Direct Action Plan

**Hansard Page:** N/A

**Question Date:** 27 November 2013

**Question Type:** Written

**Senator Urquhart asked:**

Is the work the Department did with an energy savings initiative relevant to your current work on direct action? What levels of carbon abatement did the modelling done for the energy savings initiative find? What did you work on the energy savings initiative say about transaction costs of such schemes? What did you work on the energy savings initiative show in relation to the impact of electricity network prices and the recovered of fixed costs for networks?

**Answer:**

Modelling released by the previous Government in relation to a national energy savings initiative could be partially relevant to the Direct Action Plan. However, fundamentally, the two schemes are different in approach. The Government has provided an initial allocation for the Emissions Reduction Fund of \$300 million, \$500 million and \$750 million over the forward estimates. In contrast, energy savings initiatives apply obligations to energy retailers who pass the costs of these on to consumers.

**Abatement**

The estimated carbon abatement levels attributable to a national energy savings initiative ranged from 29 Mt CO<sub>2</sub>-e to 76 Mt CO<sub>2</sub>-e, over the evaluation period 2015-2050.<sup>1</sup>

**Transaction costs**

Business transaction costs were estimated to comprise around 3 per cent of the total modelled costs associated with a national energy savings initiative.<sup>2</sup>

**Network prices and recovery of fixed costs for networks**

The analysis indicated that the introduction of a national Energy Savings Initiative could lead to a marginal average annual increase in retail electricity prices of less than one per cent in all but the Low-income Households Focus option, for which a four per cent increase was projected.

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<sup>1</sup> [http://www.ret.gov.au/energy/efficiency/savings/nesi\\_consultant/Documents/Economic-benefits-from-NESI.pdf](http://www.ret.gov.au/energy/efficiency/savings/nesi_consultant/Documents/Economic-benefits-from-NESI.pdf), p.67.

<sup>2</sup> <http://www.ret.gov.au/energy/efficiency/savings/Documents/NESI-InformationPaper-201307.docx>, p.83.

The analysis indicated that the reduced demand for electricity projected under a national Energy Savings Initiative would lead to lower wholesale electricity prices, placing a downward pressure on retail electricity prices. The analysis also found that reduced demand would result in higher network prices, placing upward pressure on retail electricity prices.

In all but one scenario modelled, the analysis indicated that a national Energy Saving Initiative would increase the average annual retail electricity price by less than one per cent when compared with the hypothetical baseline that assumed the existing schemes cease to operate.

<sup>3</sup>

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<sup>3</sup> Ibid. p.47