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SUBMISSION TO THE SENATE COMMITTEE INQUIRY INTO THE DIRECT ACTION PLAN

UnitingCare Australia welcomes the opportunity to contribute to the Inquiry into the Direct Action Plan, including the impact of repealing the Clean Energy Package.

UnitingCare Australia is one of the nation's largest providers of social services, via a network that employs 35,000 staff, supported by 24,000 volunteers, to more than 2 million people each year in every state and territory at 1,300 sites across remote, regional, rural, and urban areas.

The guiding principles of UnitingCare Australia's work are that all people have:

- intrinsic value;
- physical, spiritual and social needs;
- a just claim to be heard;
- the right to participate in community as fully as they wish and are able; and,
- the right to opportunities that will enhance their life chances and quality of life.

TRANSITION IN A CARBON-CONSTRAINED WORLD

UnitingCare Australia believes all people have the right to access a decent standard of living, including access to adequate, sustainable and affordable energy.

Pricing carbon pollution is an important tool for the necessary transformation towards a sustainable economy and is an essential component of effective action to address climate change. UnitingCare Australia does not support the repeal of the *Clean Energy Legislative Package*, particularly in the absence of a replacement mechanism for pricing emissions and other matters.

UnitingCare Australia values measures to remove all barriers that prevent people from belonging and participating in the community as fully as they wish and are able. UnitingCare Australia urges the Inquiry to consider the ethical, economic and environmental need to price carbon and to assist to transition the economy and consumers to a low-carbon future.

UnitingCare Australia, as an agency of the Uniting Church, recognises the relationship of mutuality and interdependence between humanity and the natural environment. Climate change threatens the wellbeing of the earth and is a material risk for future generations, particularly the most vulnerable and disadvantaged members of our community.

UnitingCare Australia considers it is in Australia's national interest to actively support international action to reduce greenhouse emissions, consistent with limiting average global temperatures to rise by no more than 2°C above pre-industrial levels. This requires Australia to support in word and deed: committing to a 2020 target of more than a 15% reduction from 2000 levels, and implementing credible policies capable of achieving substantial long-term reductions in Australia's per capita emissions.

The proposed Direct Action Plan does not meet the above criteria, although it might do so with a much larger quarantined budget allocation.

ENERGY AFFORDABILITY

Energy is an essential service. Reliable access to affordable electricity underpins good health and access to the technologies that enable workforce and social participation. Ensuring reliable, affordable access to this essential service should underpin policy development.

Efforts to achieve energy sustainability and affordability must also consider network legacy issues. UnitingCare Australia has been actively involved in energy market policy and regulation debates, making significant contributions to the Australian Energy Marketing Commission (AEMC) driven network regulation rule change during 2012 (ERC0314) and the Australian Energy Regulator (AER) Better Regulation guideline development process in 2013.

Charges for network costs can make up half of current household energy bills. There is a clear need to continue to support consumer protections and combat consumer exploitation, including measures to exert downward pressure on energy price rises and to boost consumer access to information – including around complex tariff structures.

UnitingCare agencies have become increasingly concerned over the past decade about the impact of rising energy costs for their clients and their services.

The UnitingCare network is actively involved in the provision of services to directly assist low income and disadvantaged people via financial counselling, emergency assistance programs and programs that support people to improve their energy efficiency. These programs are part of a package of services that support people to make choices that sustain a decent life for themselves and their children.

UnitingCare coalface experience indicates:

- Cost of living is an issue of concern to Australians, and home energy costs – electricity and gas – are a cost of living pressure of particular concern;
- Electricity pricing is highly regressive, with low and modest income consumers bearing a dis-proportionately high cost as a proportion of income;
- Energy costs are considerably higher in some rural and regional locations;
- A significant number of low and middle income households have trouble paying their energy bills on time;
- People reliant on Government income support are most likely to experience difficulties in paying their utility bills, including energy bills;
- Sharp increases in electricity price rises are impacting on household budgets, across all income levels; and,
- Sharp increases in electricity price rises are impacting on the health and well-being of citizens as well as reducing economic opportunity.

UnitingCare agencies have developed services specifically to assist with energy affordability, which should attract ongoing Government support to continue to drive innovation and deliver services to those who most need assistance. Holistic responses are needed to reduce cost of living pressures, including referrals, community linkages and the range of services provided, and also the development of partnerships between the community sector, Government and the corporate sector.

The impact on small businesses and consumers, particularly people in vulnerable and disadvantaged households, should be paramount for any government when dealing with the nation's energy challenges.

REPEAL OF THE CLEAN ENERGY PACKAGE WOULD DO LITTLE FOR ENERGY AFFORDABILITY

Some increases in electricity prices are inevitable as a consequence of past underinvestment and the move to low emissions energy sources.

The introduction of a carbon price has contributed to price increases in recent years, but is not the dominant cause. The transition to a floating price under the Clean Energy Package, linked to the EU Emissions Trading Scheme, is projected to reduce near-term prices somewhat while still achieving genuine emissions reductions.

Unlike achieving emissions reductions, failure to address overcapacity or to manage high peak load demand imposes costs on low-income and vulnerable households, without providing any long-term benefits. This overcapacity accounts for a significant share of recent price increases.

The primary beneficiaries of this overcapacity are households with larger air-conditioned houses and investors in the electricity supply system (which enjoys regulated rates of return).

In a very tight fiscal environment it is inevitable that the substantial budget cost of repealing the Clean Energy Package and implementing the Direct Action Plan will result in savings measures that impact on Australia's poorest and most vulnerable people.

To spend in the order of \$10 billion in taxpayer funds in order to achieve smaller emissions reductions and weaken desired market signals is inconsistent with the current fiscal context.

RECOMMENDATIONS

UnitingCare Australia's energy vision is that in coming decades energy in Australia will be sustainable, adequate and affordable for all.

UnitingCare Australia urges the Inquiry to consider:

- the clear need for a carbon-pricing mechanism to accompany any repeal of the Clean Energy Legislative Package;
- the ethical, economic and environmental need to price carbon and to assist to transition business and residential consumers to a low-carbon future;
- continuing measures to assist small business and low income and vulnerable households to identify and afford energy efficiency measures;
- continuing measures to support consumer protections and combat consumer exploitation, including measures to exert downward pressure on energy price rises; and,
- a mechanism which both assists Australian industry to adjust to a more carbon-constrained world and supports the realisation of Australia's natural advantages in renewable energy.

Yours sincerely

Lin Hatfield Dodds
National Director
UnitingCare Australia

