



Submission by the Australian Conservation Foundation and the Australian Council of Social Service

17 December 2009

Committee Secretary
Senate Standing Committee on Environment, Communications and the Arts
PO Box 6100
Parliament House
CANBERRA ACT 2600

INQUIRY INTO THE ENERGY EFFICIENT HOMES PACKAGE

The Australian Conservation Foundation is committed to inspiring people to achieve a healthy environment for all Australians. ACF works with the community, business and government to protect, restore and sustain the Australian environment. For 40 years, ACF has been a strong voice for the environment, promoting solutions through research, consultation, education and partnerships.

The Australian Council of Social Service is the peak council of the community welfare sector in Australia and the national voice for the needs of people affected by poverty and inequality. Our interest in energy policy is primarily the result of our interest in matters affecting low income and disadvantaged Australians. We hold the view that energy services are essential services and should be supplied equitably, affordably, reliably and sustainably.

This submission offered jointly by ACF and ACOSS responds in particular to Terms of Reference 1 i, iii, and iv.

We believe that the Energy Efficient Homes Package (ceiling insulation) is an important initiative to help create homes that are more energy efficient and comfortable to live in, i.e., cooler in summer and warmer in winter. With historical policy efforts focussing on standards for new dwellings, this is one of the first large scale retrofitting programs. While it is at the right scale for transformational change with more than 1 in 10 homes insulated under the program, it could be improved.

Australia's energy efficiency performance is poor

Australia lags substantially behind other International Energy Agency (IEA) countries regarding progress on energy efficiency in the built environment and tougher building standards through regulation is one important tool for achieving this change.

The 2008 G8 Plan of Action on IEA Energy Efficiency Policy Recommendations, which was also endorsed earlier this year by the Australian Government, recommends that governments should adopt a package of priority measures for promoting energy efficiency in the buildings sector that covers the following areas:

- building codes for new buildings;
- passive energy houses and zero energy buildings;
- existing buildings;
- building certification;
- windows and other glazed areas.ⁱ

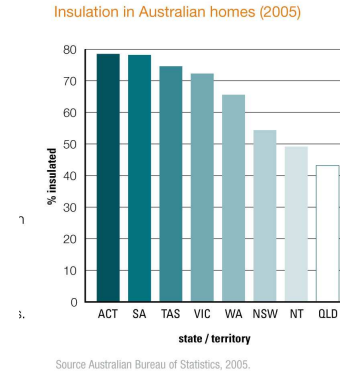
If Australia is to be at the forefront of OECD Energy Efficiency Best Practice and to avoid the worse effects of climate change, considerable effort will need to be across these different action areas at the same time to achieve deep cuts in greenhouse gas emissions.

It is very likely that international best practice will lead Australian governments towards a commitment to achieving “climate safe” or zero net carbon home standards for new homes. A collaboration of organisations including ACF, Alternative Technology Association, Friends of the Earth, Environment Victoria, and Moreland Energy Foundation Limited have produced a report *Towards climate safe homes The case for zero emissions and water saving homes and neighbourhoods* which calls on the government to commit to zero net carbon new homes by 2020. Retrofitting of existing homes will also be a major challenge.

Insulation is a priority

Prior to this initiative, somewhere between 40 and 80 per cent of homes had installed ceiling insulation and this package has been designed to provide insulation for up to another 420,000 homes.

The McKinsey cost curve for GHG reduction in Australiaⁱⁱ shows what the potential abatement opportunities that are currently available. While there are significant opportunities including improvements to residential water heating, “Australia’s relatively low level of insulation creates significant opportunities for increased energy efficiency in the residential and commercial buildings. Other major areas for opportunities include reducing energy consumption through improvements in lighting and mandating that appliances have energy-efficient stand-by features.” (p13)



Low income homes

Recent work undertaken by ACF, ACOSS and CHOICE in the report *Energy and Equity Preparing households for climate change: efficiency, equity and immediacy*ⁱⁱⁱ argued that low income households will on average spend a greater proportion of their total weekly household budget on energy than wealthier households and are currently less able to invest in energy efficiency measures such as insulation, new hot water systems or energy efficient air conditioners.

Furthermore energy consumption in low income households is partly shaped by the market in second-hand appliances which are often inefficient, waste energy and increase bills. Given that one in four households are in private rental or public housing, it is important to ensure that they also benefit from government interventions like the insulation program.

Incentives are therefore needed for landlords to invest in insulation and other energy efficiency measures.

It is proposed that the government offers property managers a slightly lower contribution for insulation and the difference (say \$50-\$100 per property) is offered to property managers as an incentive to arrange for insulation to be installed.

Accessibility of program to low income households

One significant concern that we do have with the program is its accessibility for low income and disadvantaged households. Almost all of these households are in the rental market rather than homeowners. Our measure of the success of this program will be the number of homes in the private rental market, occupied by low income families, that are made more thermally efficient through installation of ceiling insulation. The program must be administratively approachable and efficient, must allow for initiation by tenants and must provide high quality outcomes. In this regard we take this opportunity to commend the Government for its implementation of the Green Start initiative which is designed to facilitate access to existing programs such as Energy Efficient Homes as well as to additional measures to increase energy and water efficiency for low income households.

Employment opportunities

In terms of the jobs potential, the current global financial crisis has in fact created an opportunity for Australia to consolidate its foothold in green industries. For example while other markets declined sharply in 2008, carbon markets grew by 82 per cent over the first nine months of 2008, reaching US\$87 billion by the end of September last year.

The ACF and the Australian Council of Trade Unions (ACTU) jointly commissioned a report launched last year called *Green Gold Rush: How ambitious environmental policy can make Australia a leader in the race for green jobs*.^{iv} It identified six 'green collar' industries with great potential for growth and development including in the green buildings sector, renewable energy, energy efficiency, sustainable water systems, bio-materials and waste and recycling.

The report concluded that strong action on climate and industry policy could trigger the creation of an additional 500,000 jobs in these six sectors alone by 2030 and multi-billion dollar export opportunities. For the Green Building sector alone our report showed that this sector in 2030 could be valued at over US\$80 billion supported by over 230,000 jobs in Australia. For the energy efficiency services and technologies sector, Australia could have five per cent of the world market in energy efficiency by 2030, or \$US50 billion of additional market volume per year, and create an additional 75,000 jobs. (p23)

It is important to ensure that these new industries are sustainable over time and that government interventions are designed to avoid 'boom-bust' cycles in which government intervention starts and the industry is scrambling to expand fast enough for new demand, then stops suddenly and the industry collapses.

In summary we believe that the energy efficiency ceiling insulation package is well targeted even if there have been some serious teething problems. However, much more will need to be done if we are to minimise energy consumption and energy bills while maximising amenity and achieving deep cuts in emissions.

Hard copies of the submission and reports have been sent in the mail.

We would be please to provide further details or to answer any questions that might arise from this submission.

ⁱ http://www.iea.org/G8/2008/G8_EE_recommendations.pdf cited on 16 December 2009

ⁱⁱ http://www.mckinsey.com/client-service/ccsi/pdf/Australian_Cost_Curve_for_GHG_Reduction.pdf
cited on 16 December 2009

ⁱⁱⁱ <http://www.acfonline.org.au/uploads/res/equity.pdf> cited on 16 December 2009

^{iv} http://www.acfonline.org.au/uploads/res/Green_Gold_Rush_final.pdf cited on 16 December 2009