



CHAMBER OF COMMERCE AND INDUSTRY
WESTERN AUSTRALIA

24 September 2007

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E2WG Secretariat
Ministerial Council on Energy
GPO Box 9839
Canberra ACT 2601
Via email to e2wgsecretariat@industry.gov.au

Dear Sir / Madam

SUBMISSION ON NATIONAL FRAMEWORK FOR ENERGY EFFICIENCY, STAGE TWO

The Chamber of Commerce and Industry of WA (CCI) is pleased to provide a submission on stage two of the National Framework for Energy Efficiency (NFEE2).

About CCI

CCI is the leading business association in Western Australia. It is the second-largest organisation of its kind in Australia, with a membership of almost 5,000 organisations in all sectors, including manufacturing, resources, agriculture, transport, communications, retailing, hospitality, building and construction, community services, and finance.

CCI agrees with the policy context within which NFEE2 is now being proposed, namely one in which there is a need for rapid abatement of greenhouse gas emissions and where the launch of an Australian emissions trading scheme in the next few years is a certainty. Energy efficiency will be a key contributor to establishing Australia as a capable and effective manufacturing base.

CCI has therefore written this submission with a view to scrutinising NFEE2's ability to contribute significantly to Australian emissions reduction through energy efficiency measures.

Comments on NFEE2 policy considerations

CCI supports the three principles behind Council's supported stage-two policy considerations, which direct that measures should:

- deliver net public benefit
- deliver least-cost abatement that does not exceed the cost of alternative measures undertaken across the economy, and
- ensure ongoing national coordination of energy efficiency action.

CCI supports the proposal that energy efficiency data are needed to support the implementation of NFEE2 proposals and recommends that the process for identifying, collecting, and analysing these data make use of information that already exists and minimise overlap and duplication.

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CCI cautions that complex, energy-intensive industries will need to contextualise their data in order to explain shifts in efficiency, such as the effects of swings in market demand on less efficient plants or of increased imports during demand cycles.

Comments on proposed NFEE2 measures

CCI agrees that the NFEE1 measures listed should continue in stage two, with resourcing appropriate to the level of benefit delivered:

- Energy Efficiency Opportunities program
- Energy Efficiency Exchange website
- Consumer bill benchmarking
- Energy efficiency in school curricula. CCI recommends that energy efficiency be treated not in isolation, but as part of a total lifecycle analysis that includes other considerations like water, regional and urban planning, economics and international trade, and the like.
- Mandatory disclosure of building energy performance
- Equipment Energy Efficiency program (E3), including minimum energy performance standards (MEPS) and energy labelling.

CCI supports demand-side change to relieve baseload requirements, so that fewer peaks in demand make supplying energy easier and more predictable.

CCI makes the following specific comments on the five new measures proposed for consideration in NFEE2:

1. Strengthened and expanded MEPS

CCI supports the proposal that MEPS and E3 be extended in stage two of the program. As suggested in the discussion paper, there is considerable opportunity for energy savings and emissions reductions by improving the energy efficiency of appliances and equipment.

Whilst CCI generally supports the use of standards and best practice as a way to implement energy efficiency, it is not clear whether the per-annum emissions reductions proposed by both NFEE1 (24 megatonnes per annum by 2020) and NFEE2 (not specified) are enough when set against the need to drastically reduce global emissions.

Assuming that energy costs will rise once an emissions trading system is launched in Australia, CCI recommends accelerating the extension of MEPS and E3 through more aggressive measures now, to deliver bottom-line benefits to users of appliances (primarily the residential sector) later.

2. Incandescent lighting phase-out strategy

Whilst Green Light Australia, as this strategy is known, may increase Australian householders' awareness of issues around climate change and energy consumption, CCI does not believe the strategy deserves priority status in NFEE2 or any other program.

CCI considers the estimated emissions abatement through the phasing out of incandescent light globes are a fraction of Australia's overall contribution. We understand that four megatonnes per

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annum (Mtpa) will do little to extend the already small reductions estimated to result from expanded MEPS. Furthermore, a \$50 annual savings per household is insignificant when compared to total expenditure on energy.

CCI also considers the program does not adequately address the safe disposal of the new low-emissions compact fluorescent light globes (CFLs), which must be recycled by specialists. CCI is unaware of any local council in Australia that has facilities for safe disposal and recycling of CFLs. According to the Department of Environment and Water Resources, only three states have limited collection services in metro areas, and only one firm in the entire Australasian region is equipped to recycle mercury-bearing wastes. We consider providing consumers “information concerning the safe disposal of lights” (p. 17) is not sufficient, especially when there are limited options available. This strategy risks the unintended consequence of increased landfill contamination through reduced emissions.

3. Government leadership through green leases

In that the built environment contributes as much as 40% of global emissions, CCI considers there is considerable opportunity to cut emissions through measures that will improve Australian buildings' energy consumption and intensity.

In this context, it is unclear how many tonnes of CO₂e emissions will be abated through the green government leases strategy. CCI recommends the NFEE2 strategy identify the abatement possible from this measure, and that results be audited to enable adjustment over time.

CCI considers there is another impediment to the uptake of green leases. We understand that corporations can limit their investment decisions to payback rates (internal rates of return) in excess of 10% or even 15%, or to payback timeframes of up to three years. This can severely curtail the uptake of simple energy-efficiency measures that yield significant payoffs over the medium and long term. CCI recommends therefore that Council demonstrate to private organisations the value of investing in green buildings and signing green leases, and that less energy-intensive industry be encouraged to take up efficiency measures, rather than offsets.

CCI also notes that any nationally consistent commercial office policy framework should be flexible enough to take regional environmental and climatic conditions into account.

4. HVAC high-efficiency systems strategy

CCI agrees heating, ventilation and air-conditioning systems represent good opportunities to cut energy use and emissions in non-residential sectors. However, it remains to be seen whether a measure that will yield only four Mtpa fewer emissions deserves high priority.

CCI recommends that Council review this proposed measure and either incorporate it into another measure (such as green leases or MEPS) or replace it with one that will guarantee higher abatement.

5. National water heater strategy

CCI agrees that hot water systems represent a high proportion of energy use in the residential sector. Like measure #4, though, we consider this measure does not lead to significant abatement overall, yielding only six Mtpa by 2020.

Furthermore, CCI believes this measure does not set out in advance an improved energy efficiency rate, nor does it have a goal for the rate of improved uptake of greenhouse-friendly systems. It also does not address the need to retrofit existing dwellings.

CCI is concerned that this measure does not quantify improved efficiency or uptake, or its overall abatement potential.

Summary

The proposed measures of NFEE2 reflect opportunities to improve Australian's energy efficiency profile. CCI considers that it is important to engage downstream consumers in this process, particularly as these energy users may be locked into power contracts at a fixed price, making them less flexible to deal with peak loads.

CCI is concerned, however, that the measures may not significantly cut emissions.

When added together, the proposed measures yield only 32 Mtpa by the year 2020, in addition to the unquantified reductions from green government leases. Given that Australia's emissions in a business-as-usual scenario are forecast at approximately 850 Mtpa (or around 425 Mtpa within the stationary energy sector), it is clear that the proposed NFEE2 measures do not deliver large outcomes.

CCI recommends that Council consider developing strategies that will provide more meaningful emissions abatement measures for both residential and downstream industrial consumers.

Strategies for development could include:

- increased uptake of demand-side management, including variable electricity pricing where it does not exist
- encouraging investment in energy-efficient technologies
- enhancing industry's skills in relevant sectors, especially at the tertiary education level
- improving links between the education sector and industry, so that technological innovations can be more quickly commercialised and implemented.
- educating residential and downstream industrial consumers about how they can improve their energy efficiency at least cost.

CCI appreciates the opportunity to contribute to this consultation process. CCI's Senior Adviser—Environment Policy, Brenna Pavey, would be happy to provide further information concerning this submission. Brenna can be contacted on (08) 9365 7514 or at brenna.pavey@cciwa.com.

Yours sincerely



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