



NATIONAL FRAMEWORK FOR ENERGY EFFICIENCY

STAGE TWO

AEEMA RESPONSE TO CONSULTATION PAPER

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MELBOURNE

Introduction

Increased energy efficiency and the reduction of greenhouse gas emissions is a key policy and national priority. For AEEMA members it is a critical business issue because it presents them with the seeming conflict of lowering greenhouse gas emissions at an affordable cost while remaining globally competitive in an increasingly tight market.

AEEMA recognises that industry has a responsibility to ensure their economic growth and the environment are managed in harmony; growth in the former and management of the latter are inter-related. The sooner organisations realise that increasing energy efficiency can improve the bottom line the sooner will attitudes change and real progress be made. Electrical and electronics manufacturers see regulatory risk as the most crucial business risk in the current climate change debate.

But consumers and government also share a responsibility for intelligent consumption on the one hand and consistent consultative policy setting on the other. AEEMA welcomes the development of NFEE Stage 2 as another step towards improving the policy settings required to facilitate energy efficiency, albeit in a vastly different policy environment from five years ago; the effects on complementary energy programs of the recent commitment to an emissions trading scheme have yet to be seen.

Stage 1 NFEE

Throughout Stage 1 AEEMA has worked closely with the AGO to deliver important achievements in the sectors we represent including major appliances, rotating motors, lighting and distribution transformers. "Motor Torque", an AEEMA/AGO information brochure for industry clearly sets out MEPS 1 and 2 requirements for 3 phase motors. We have worked to increase members' awareness of possible regulatory risk as well as trying to educate governments about industry capability and readiness.

Stage 2 NFEE

AEEMA supports the policy considerations underpinning NFEE Stage 2, namely real public benefits and least cost greenhouse gas abatement. We would now urge all governments to consider carefully the need for a centralised management and implementation process for these policy measures in Stage 2; the climate change imperative has now reached the stage where jurisdictional differences and inconsistencies must be put to one side in the interests of a truly national approach.

AEEMA has also long advocated the need for comprehensive and reliable data to support any proposed new policy or requirement; we are currently working cooperatively with the AGO in a pilot scheme to collect and analyse energy consumption data in the home, focussing on consumer electronic products such as home theatre systems and digital televisions. Further cooperative projects like this would be welcome.

Proposal 1 – MEPS Expansion

AEEMA has supported MEPS since inception. The scheme represents targeted market intervention, delivering a cost-effective mechanism for reducing energy demands and greenhouse gases produced by commercial and industrial equipment, and more recently, home entertainment products.

But expansion of this successful scheme requires ongoing effective and timely consultation with industry, clearly specified product targets, rather than categories, and effective enforcement, most especially at the borders where non-compliant imports can compromise the scheme and create distortions for compliant market participants.

Proposal 2 – Inefficient Incandescent Lighting Phase Out

The lighting industry through peak industry body, Lighting Council Australia, supports the phase-out of inefficient lamps. It is worth noting that Australia is the first country to announce such a phase-out. Lighting Council Australia has informed the AGO that the industry can fast track the phase-out; while the original intention was for the phase-out to take effect in 2010, we have now proposed to the government that imports of inefficient incandescent lamps be banned from October 2008, with sales banned from October 2009.

It is an ambitious timetable but one that can be achieved. But it will require close co-operation and consultation between government and the lighting industry. Issues that must be addressed in the implementation of this phase-out include:

- the inability of most CFLs to work with present generation lighting controls equipment on the Australian market;
- a world-wide shortage of CFLs;
- dealing with the mercury content of CFLs;
- International harmonisation of performance levels and testing methodology.

Proposals 3 and 4 deal with the commercial built environment, a sector in which AEEMA does not have representation.

Proposal 4 – National Water Heating Strategy

The new proposal lists one of its outcomes as the replacement of electric hot water systems with more greenhouse friendly systems. AEEMA would be most concerned if this were translated into a scheme proscribing such products without effective industry consultation and rigorous data analysis. The impact of proscription of electric systems on the manufacturers of these products will be especially severe where long-term investments have already been made in product design and planning, or where current inventory levels represent substantial sunk cost.

We urge NFEE to work very closely with industry in the development of any national water heating strategy aimed at improving energy efficiency in this sector.

What Else Can We Do?

Tax credits for purchasers of efficiency rated motors, tax deductions for efficient outdoor lighting, accelerated depreciation applying to low voltage transmission and distribution products and smart meters, are all proven incentives to spur investment in and increase awareness of energy efficiency savings. This is the package of tax-based incentives currently before the US Congress – they were proposed by the National Electrical Manufacturers Association in Washington. It is worth recalling the industry benefits that can accrue from tax-based measures applied comprehensively to a sector. Australia's own accelerated depreciation scheme for SMEs, introduced in 1992, delivered much-needed growth incentives to small business.

Finally, to achieve greater energy reductions we all need to think about the interoperability of products and systems, rather than merely targeting specific single products. And we need to take a comprehensive, complementary and collaborative approach, avoiding piecemeal policy settings and regulation. To achieve effective change we must bring together all agencies, environmental groups and manufacturing industry to develop a centralised approach to standards, regulation, research and data collection.