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Prime Minister's Task Group on Energy Efficiency
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The Tasmanian Council of Social Service (TasCOSS) is the peak body for the Tasmanian community services sector. Our membership comprises individuals and organisations active in the provision of community services to low income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and their clients to government, regulators, the media, and the public. Our focus in the energy policy arena is on household energy supply and in particular, on energy supply issues for low income, disadvantaged and vulnerable households.

We welcome the opportunity to comment on some of the issues raised in the Prime Minister's Task Group on Energy Efficiency Issues Paper. The current policy focus on achieving a step change in energy efficiency offers significant opportunities to not only materially improve the lives of low income and disadvantaged Australians, but also to reduce the country's greenhouse gas emissions.

TasCOSS believes that with well-targeted and well-implemented policies and programs, and with substantial investment from all levels of government, increased energy efficiency has the potential to significantly reduce energy use – and costs – in all spheres of activity, including social, economic and domestic.

After some initial comments on Tasmania and its household energy use, we provide some brief comments on the Issues Paper. Our response to the Paper concentrates on energy efficiency in relation to energy use in domestic settings by low income, vulnerable and disadvantaged households in Tasmania. Our response to the Issues Paper does not address all of the questions for consideration but focuses on three major issues:

- the key goals for energy efficiency,
- the key barriers to the take-up of energy efficiency improvements, and
- the most efficient and effective ways of overcoming these barriers.

Tasmania

Tasmania is the most regionally dispersed state in Australia, with the majority of the population living outside of the capital city. It has the lowest average household income and about 34% of the population rely on Commonwealth pensions and allowances as their major source of income. It also has the highest electricity usage per capita due to its cool climate

and the low penetration of the recently introduced natural gas network. These factors combined result in Tasmanian households using more electricity than other Australians and spending a greater proportion of their income on household electricity.

In 2009 there were 224,983 residential energy customers in Tasmania, around 80,000 of whom (or 36%) were in receipt of price concessions for their electricity supply due to their low incomes. In 2007-08 average consumption per household connection in Tasmania was 9.06 MWh, compared to a national average of 6.67 MWh.

And while Tasmania generates the majority of its electricity from renewable sources, in recent years it has been a net importer of electricity from largely non-renewable mainland sources via the Basslink interconnector. It has therefore increased its use of energy generated from fossil fuels and consequently its contribution, through electricity use, to greenhouse gas emissions.

Key goals for energy efficiency

The key imperatives for low income households are to be able to reduce energy use in order to reduce costs, and like other Australians, to contribute to reducing total greenhouse gas emissions.

Key barriers to the take-up of energy efficiency improvements

The most significant barrier for low income households is lack of access to resources necessary to make improvements in energy efficiency. These resources include information, money, energy efficient appliances, and retro-fitting expertise, materials and equipment.

Most low income households are also unable to participate in energy efficiency programs that require up-front investment and provide subsequent rebates or refunds.

A related barrier is poor quality housing stock and, in Tasmania in particular, housing stock with poor thermal efficiency. Few people living on low incomes can afford to make the changes necessary to improve thermal efficiency, whether they own or are buying their own homes, are renting in the private market or are public housing tenants.

Most public housing stock in Tasmania is characterised by its poor thermal efficiency, as is much private rental housing. The Tasmanian *Residential Tenancy Act 1997* sets no minimum standards for rental housing and the State's *Substandard Housing Control Act 1973* is outdated, includes no thermal efficiency minimum standards and is rarely enforced.

Tenants in private rental accommodation are generally unable – that is, are not permitted or are constrained by lack of resources – to make structural or other changes to rental properties to improve energy efficiency (for instance, changes to the building fabric, windows, doors, insulation, etc). Landlords, as mentioned in the Issues Paper, have little incentive to carry out retro-fitting or to provide necessary materials since they may not directly benefit from their investment (the so-called 'split incentives' argument).

Likewise, the Tasmanian Government has not seen fit to embark on a major retro-fitting program for its public housing stock so public tenants remain living in thermally inefficient dwellings and are literally paying the price.

The Tasmanian Government has also been slow to move to a mandatory five star rating for new buildings, thereby maintaining the relative thermal inefficiency of new homes and other buildings in the State. The five star rating requirement was only introduced in Tasmania in January 2010. While other jurisdictions are looking toward introducing mandatory six and seven star ratings, Tasmania lags behind providing further barriers to improving energy efficiency.

Electricity tariff structures in Tasmania are also a barrier to increasing energy efficiency and provide a disincentive to conserve energy in domestic settings. Residential tariffs in Tasmania have relatively high standing daily charges – for most households 83.182 cents per day for standard tariffs (comprising 69.685 cents per day for light and power and 13.497 cents per day for hot water) and 105.2 cents per day for prepayment meter tariffs. It is difficult for consumers to see a step change in lower energy costs from their energy efficiency or conservation efforts due to the high standing charge component of their bills. Often the highest components of a domestic energy bill can be standing charges and GST.

The most efficient and effective ways of overcoming these barriers

Lack of access to resources can be addressed through well-targeted federal and state government-funded programs for low income households. While some state governments fund retro-fitting programs, there are no such programs in Tasmania (other than several very small and occasional pilot programs).

Programs must include home energy audits and retro-fitting, as well as schemes to fully fund new energy efficient appliances for eligible low income households. In addition, Minimum Energy Performance Standards (or energy star ratings schemes) need to be extended to a further range of household appliances, in particular to televisions and other audio-visual and communications equipment.

It is important that problems associated with the Federal Government's Home Insulation Program and other related policies do not inhibit the development and implementation of further energy efficiency programs, and that lessons learnt should be used to improve new programs in the future.

There must also be viable alternatives found for programs that have, in the past, provided rebates or refunds after up-front investments are made by householders. Low income households do not have the means to participate in programs requiring up-front expenditure.

Housing quality must be seriously addressed at a state government level. In Tasmania mandatory standards for rental housing must be introduced as a matter of urgency. Mandatory standards must include thermal efficiency standards such as requirements that all dwellings have ceiling insulation to an appropriate rating; are weatherproof, draught-proof and damp-free; have sealed floors or floor coverings and curtains or blinds which are clean and in working order on all external windows. Minimum standards must also ensure that a heating appliance with a minimum four star energy efficiency rating is provided in the main living area.

The introduction of mandatory standards must be accompanied by a rigorous and effective compliance regime that includes penalties significant enough to ensure compliance.

We understand that the introduction of such mandatory minimum standards for rental housing in Tasmania would constitute a major change and would put pressure on rental costs. For this reason it is important that governments – both state and federal – contribute financially and in other ways to ensure that neither property owners nor tenants are unduly disadvantaged.

The Tasmanian Government must also begin a comprehensive program to retro-fit all dwellings within its portfolio of public and state-owned social housing that do not meet the thermal efficiency minimum standards described above. TasCOSS believes that the State Government must lead by example.

The Federal Government could lead the states in the introduction of a mandatory six or seven star rating requirement for all new buildings and major renovations. While increased costs of compliance will be reflected in increased housing prices, compliant dwellings will be cheaper to live in over the long term.

Electricity tariffs could be re-designed to encourage energy conservation by shifting the balance from standing charges to slightly higher per kilowatt hour charges. It is only recently that Tasmanian domestic energy tariffs have flattened out from a declining block system (in which increased use was rewarded by lower per KWh costs), and it may be time to consider introducing *inclining* block tariffs to discourage high energy use (with appropriate compensation or concession measures for large low income households). If people can see their behaviour changes and energy efficiency efforts clearly reflected in lower bills, there will be greater incentive to permanently change behaviour and to maintain and possibly extend energy efficiency improvements.

A number of these suggestions for overcoming barriers to energy efficiency sit within the National Framework for Energy Efficiency which has been agreed to by all COAG members. Our concern is that while the Framework provides many good ideas and strategies for increasing energy efficiency, there appears to be little compulsion, or incentives for governments to act on their responsibilities in this area. If Australian governments are serious about improving energy efficiency, more action and funding are urgently required.

We hope that these brief comments and recommendations assist in your aim to achieve a step change in energy efficiency in Australia. We believe that with proper investment in and implementation of energy efficiency programs for households, Australian governments have the potential to not only materially improve the circumstances of people living on low incomes, but also to contribute to lowering domestic energy use and greenhouse gas emissions.

Yours sincerely



Tom Muller
TasCOSS Chief Executive Officer