Responding to reality:

PIAC submission to the Australian Government's *Green Paper* to inform the development of an Energy White Paper

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Gabrielle Kuiper, Senior Policy Officer

Energy + Water Consumers' Advocacy Program

Level 7, 173-175 Phillip Street, Sydney NSW 2000 • DX 643 Sydney
Phone: 61 2 8898 6500 • Fax: 61 2 8898 6555 • www.piac.asn.au

Introduction

The Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit law and policy organisation that works for a fair, just and democratic society, empowering citizens, consumers and communities by taking strategic action on public interest issues.

PIAC identifies public interest issues and, where possible and appropriate, works co-operatively with other organisations to advocate for individuals and groups affected. PIAC seeks to:

- expose and redress unjust or unsafe practices, deficient laws or policies;
- promote accountable, transparent and responsive government;
- encourage, influence and inform public debate on issues affecting legal and democratic rights;
- promote the development of law that reflects the public interest;
- develop and assist community organisations with a public interest focus to pursue the interests of the communities they represent;
- develop models to respond to unmet legal need; and
- maintain an effective and sustainable organisation.

Established in July 1982 as an initiative of the (then) Law Foundation of New South Wales, with support from the NSW Legal Aid Commission, PIAC was the first, and remains the only broadly based public interest legal centre in Australia. Financial support for PIAC comes primarily from the NSW Public Purpose Fund and the Commonwealth and State Community Legal Services Program. PIAC also receives funding from Trade & Investment NSW for its work on energy and water, and from Allens for its Indigenous Justice Program. PIAC also generates income from project and case grants, seminars, consultancy fees, donations and recovery of costs in legal actions.

Energy + Water Consumers' Advocacy Program

This program was established at PIAC as the Utilities Consumers' Advocacy Program in 1998 with NSW Government funding. The aim of the program is to develop policy and advocate in the interests of low-income and other residential consumers in the NSW energy and water markets. PIAC receives policy input to the program from a community-based reference group whose members include:

- Council of Social Service of NSW (NCOSS);
- Combined Pensioners and Superannuants Association of NSW;
- St Vincent de Paul (NSW);
- Ethnic Communities Council NSW;
- Physical Disability Council NSW;
- Tenants Union; and
- Salvation Army.

PIAC welcomes the opportunity to provide input into the Australian Government's Green Paper for its development of an Energy White Paper (the White Paper). PIAC advocates on behalf of NSW residential consumers of electricity and gas, and engages in issues related to the supply of energy to these consumers.

1. Climate change

The Intergovernmental Panel on Climate Change (IPCC)'s Fifth Assessment Report[1] has detailed with certainty that human-caused climate change is underway, is already having dangerous impacts across all continents and the ocean. The majority of the world's climate scientists are united in calling for urgent action to reduce greenhouse gas emissions. Global institutions, including the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD) and World Bank are clear on the need to decarbonise the global economy by the second half of this century.

Given this context, energy policy is closely linked to climate change policy. It is, therefore, PIAC's view that Australian Government policy statements, such as the Energy Green Paper, need to address the issue of climate change and to consider a clean energy future.

Any energy policy statement needs to acknowledge the need to dramatically decrease greenhouse gas emissions, especially in a country where the stationary energy sector is one of the most emissions intensive in the word. The Green Paper fails to do this, focusing instead on the export of gas and uranium and on coal-fired electricity generation within Australia. Unless the Green Paper addresses this context, its value in setting a productive direction for Australia's energy future will be highly constrained.

Recommendation 1

PIAC recommends that the White Paper develop recommendations within the context of the climate change already underway, with a priority on reducing Australia's emissions, both domestically and through its exports.

1.1 Carbon pricing

PIAC does not support the contention that 'inappropriate taxes and regulation, such as the carbon tax and the Mineral Resources Rent Tax (MRRT), have been stifling the investment and innovation needed to create jobs and wealth'.[2] PIAC notes that there is a substantial body of economic evidence of the societal benefits for such policy measures, including the support for carbon pricing by the World Bank, IMF and the OECD. The fundamental principle of 'polluter pays' is embodied in carbon pricing – meaning an externality with detrimental impacts on the population is being incorporated into the operating costs of polluting businesses.

The OECD's Effective Carbon Prices report[3] shows that carbon taxes and emission trading systems are the cheapest way for societies to reduce emissions. An IMF working paper[4] released this year has assessed how much CO_2 pricing is in countries' own national interests by looking at the domestic co-benefits alone—before even counting the climate benefits. The working paper finds a substantial carbon tax (or CO_2 pricing through trading systems) is justified by national interests, on average $57.50 per ton of CO_2 across the top twenty emitters, including Australia. In fact, it finds that a carbon price of around only $11.50/tonne is economically efficient in Australia

1 Intergovernmental Panel on Climate Change, 'Fifth Assessment Report' (Intergovernmental Panel on Climate Change, 2014) <http://www.ipcc.ch/report/ar5/>.
2 Commonwealth of Australia, 'Energy Green Paper' (Commonwealth of Australia, 2014) 6.
3 OECD, 'Effective Carbon Prices' (Report, OECD, 2013) <http://www.oecd-ilibrary.org/environment/effective-carbon-prices_9789264196964-en>.
4 Ian Parry, Chandara Veung, and Dirk Heine, 'How Much Carbon Pricing is in Countries' Own Interests? The Critical Role of Co-Benefits', (Report, IMF, 2013) <http://www.imf.org/external/pubs/ft/wp/2014/wp14174.pdf>.

given the co-benefits for the Australian economy. PIAC is pleased to note that the Climate Change Authority will undertake an 18-month inquiry into the effectiveness of emissions trading.

1.2 Climate change adaptation

With the extreme weather events that are already occurring and are forecast to occur with further climate change, energy system resilience is a vital issue (Hurricane Sandy in the United States being a most dramatic example of this). The Garnaut Review conservatively estimated climate costs to Australian infrastructure alone would be worth $9 billion annually by 2020[5] and the Climate Institute's 2012 report, *Coming ready or not: Managing climate risks to Australia's infrastructure*[6] found that overall, the electricity sector is underprepared for climate change impacts. The White Paper should address this issue, which is absent from the Green Paper.

2. Resource development

2.1 Coal and the carbon bubble

While PIAC appreciates that the exploitation of coal resources has helped fuel human development since the industrial revolution, PIAC is concerned by the Green Paper's view that 'Most energy analysts confirm that coal will continue to be a major source of global energy for decades to come' and the emphasis on 'energy resources exports such as coal and gas [being] integral to a continued strong national economy'.[7]

PIAC respectfully suggests that this is not the only possible view of Australia's resource export future. Analysis by the Carbon Tracker Initiative[8] found that while 'Australia currently produces only 11% of the world's annual coal output; its resources represent a far larger proportion of the global carbon budget. This means the exports cannot maintain their current level within carbon constraints unless Australian coal dominates the market'.[9] They conclude, 'Australian and overseas investments in Australian coal resources rest on a speculative bubble that ignore their impact on global carbon budgets and their exposure to rapid devaluation'.[10] This economic risk needs to be highlighted when planning coal export policy. Due to a number of complex factors, it is not at all clear that coal exports will continue at their current or projected levels, as evidenced by China's recent decisions to implement a series of new rules on coal quality in 2015 and to levy a tariff on Australian coal imports of between 3 and 6 per cent.

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5 Ross Garnaut, *The Garnaut Review 2011: Australia in the Global Response to Climate Change*, (2011) <http://www.garnautreview.org.au>.

6 Climate Institute, 'Coming ready or not: managing climate risks to Australia's infrastructure' (Report, The Climate Institute, 2013) <http://issuu.com/theclimateinstitute/docs/tci_comingreadyornot_climateriskstoinfrastructure_?e=0/7755954>.

7 Commonwealth of Australia, above n 2, 5.

8 Carbon Tracker & The Climate Institute, 'Unburnable Carbon: Australia's carbon bubble' (Report, The Climate Institute, 2013) 5.

9 The 51 gigatonnes of carbon pollution (GtCO2) in Australian coal reserves that companies already have on their books represent about 25 per cent of a precautionary 200 GtCO2 global carbon budget for coal. The report follows recent global analysis, which confirmed that for there to be an 80 per cent chance of achieving internationally agreed targets of limiting global warming to 2°C, only 20-40 per cent of existing coal, gas and oil reserves can be burnt. <http://www.climateinstitute.org.au/unburnable-carbon.html>.

10 Carbon Tracker & The Climate Institute, above, n 8.

2.2 Economic impacts of mining, including LNG production

Also absent from the Green Paper is any discussion of the potential negative economic impacts of mining on other industries and the Australian economy more broadly. The expansion of mining can cause a contraction in non-mining industries, particularly manufacturing, tourism, agriculture and education, including as a result of the high Australian dollar.

Analysis by the Australia Institute[11] shows proposed mining projects in Queensland could destroy almost 20,000 jobs across Queensland and Australia, mostly in manufacturing.[12] As a specific example, the Arrow Energy LNG project in Queensland is projected to result in job losses across the state and Australia, and a range of other negative economic impacts.[13] The company's own Environmental Impact Statement acknowledges it will result in the loss of 1,600 jobs; 1,000 in manufacturing and the loss of $441.5 million in manufacturing activity.

A recent Research Discussion Paper by the Reserve Bank provides an example acknowledging both the costs and benefits of mining:

> We find that the mining boom has substantially increased Australian living standards. By 2013, we estimate that it had raised real per capita household disposable income by 13 per cent, raised real wages by 6 per cent and lowered the unemployment rate by about 1¼ percentage points. There have also been costs. The boom has led to a large appreciation of the Australian dollar that has weighed on other industries exposed to trade, such as manufacturing and agriculture.[14]

PIAC considers that the White Paper would be improved by an analysis of the risks as well as the benefits of resource development in Australia.

Recommendation 2

PIAC recommends that the Energy White Paper review the risks as well as opportunities associated with Australia's resource exports.

2.3 Subsidies for the mining industry

PIAC agrees with the Green Paper's claim that 'providing subsidies distorts energy markets and does not allow the market to follow its natural course, letting competition, innovation and better information provide more choice for consumers'. As such, PIAC is concerned about the $4.5 billion that the mining industry now receives annually from the Commonwealth Government[15] and the $17.6 billion state governments in Australia spent supporting the mineral and fossil fuel industries over a six-year period.[16]

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11 The Australia Institute, *Research: Mining* (2014) <http://www.tai.org.au/research?combine=&field_publication_tid=16&field_section_tid=26>.

12 Matt Grudnoff, 'Job creator or job destroyer? An analysis of the mining boom in Queensland' (Policy Brief No. 36, The Australia Institute, 2012).

13 Matt Grudnoff, 'Submission on Arrow Energy's Gladstone LNG Plant proposal' (Submission, The Australia Institute, 2013).

14 Peter Downes, Kevin Hanslow and Peter Tulip, 'The Effect of the Mining Boom on the Australian Economy' (Research Discussion Paper, Reserve Bank, 2014).

15 Matt Grudnoff, Pouring more fuel on the fire: The nature and extent of federal government subsidies to the mining industry (The Australia Institute, 2013).

16 Mick Peel, Roderick Campbell and Richard Denniss, 'Mining the age of entitlement: State government assistance to the minerals and fossil fuel sector' (Technical Brief No. 31, The Australia Institute, 2014).

According to the Australian Bureau of Statistics (ABS) in 2012-13 total pre-tax profits earned by mining firms operating in Australia were more than $54 billion.[17] Given the profitability of the industry, PIAC suggests all Australian Governments wind back subsidies to the mining industry.

PIAC further recommends that some of the funding that is currently paid as subsidies to the mining industry be redirected into programs that support energy affordability for low-income and vulnerable consumers. While all State and Territory Governments offer some form of financial assistance to low-income and vulnerable energy consumers, these programs have failed to keep pace with the significant increases in electricity prices over recent years (with the exception of Victoria, where the main energy concession is calculated as a percentage of consumption). The level at which flat-rate energy concessions are paid also varies widely, from $459 per year in Tasmania down to $165 per year in South Australia, creating significant inequalities across the nation.[18]

The need to update concessions arrangements throughout the NEM has been recognised by a wide variety of energy market stakeholders, including the Australian Energy Market Commission (AEMC). As part of a recent draft rule change determination on cost-reflective network tariffs, the AEMC noted that concessions should be examined and enhanced to ensure they 'deliver on their purpose in an efficient and targeted way'.[19] PIAC contends that the key determinates of the effectiveness of energy concessions is the level at which they are paid and the eligibility criteria. Of these, the amount of the concessions is in greatest need of updating.

Recommendation 3

PIAC recommends all Australian Governments wind back subsidies for the mining industry and use the funds to support energy affordability, including through energy concessions.

3. Renewable energy

The development of renewable energy in Australia will largely be determined by the decision on the future of the Renewable Energy Target (RET). The Call for Submissions to the Review of the Renewable Energy Target noted that about $18 billion of investment has been stimulated by the RET, resulting in 24,000 direct jobs.[20] PIAC takes the view that the RET has also helped reduce the carbon intensity of the Australian electricity sector and, by extension, the Australian economy and so it has helped position the Australian economy for the 21st century. The regulatory certainty the 2020 RET has provided has been a key factor in supporting significant investment in renewable energy. If the Government's response to the review were to undermine the RET, that would create significant risks for the Australian economy and undermine business confidence in any decisions governments make with regard to energy and climate change policy.

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17 Australian Bureau of Statistics, *8155.0 - Australian Industry, 2012-13* <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/8155.0Main%20Features32012-13?opendocument&tabname=Summary&prodno=8155.0&issue=2012-13&num=&view=>

18 Australian Council of Social Service, *Preventing shocks and addressing energy poverty*, (Discussion paper, ACOSS, 2014), 9. <http://www.acoss.org.au/images/uploads/Concessions_paper_2014_FINAL.pdf>

19 Australian Energy Market Commission, *National Electricity Amendment (Distribution Network Pricing Arrangements) Rule 2014*, (AEMC 2014), 41.

20 Department of Prime Minister & Cabinet, 'Call for Submissions paper', (RET Review, Commonwealth of Australia, 2014).

The RET has been a successful policy for encouraging development of Australia's renewable energy industry. PIAC's view is that the RET is in the long-term interests of consumers and that there is currently no need for changes to the RET, especially so soon after the Climate Change Authority's (CCA's) comprehensive review of the RET in 2012.[21] PIAC is concerned that a new review so soon after the CCA's review (and in light of CCA's recommendation to defer any review to 2016) is not a worthwhile use of government or consumer advocacy resources.

Recommendation 3

That the Commonwealth Government's response to the Review of the RET acknowledge the overall economic, social and environmental benefits of renewable energy, including the financial benefits for consumers to 2020 and beyond.

Recommendation 4

That the RET remain unchanged in order to limit uncertainty in the wholesale market and maximise the potential for future wholesale price decreases – as modelled – as a result of the 2020 RET.

3.1 Impacts of the RET on low-income and other vulnerable consumers

PIAC's particular concern is the impact of energy policy on low-income and other vulnerable consumers. There is a need for complementary policies to assist these consumers to access the individual benefits of the RET – i.e. to support them to have access to their own sources of renewable energy.

With the advent of solar leasing (assuming the RET continues), household solar is becoming increasingly viable for low-income households: government should encourage this option. However, effective policies and oversight are required in order to ensure the solar leasing industry develops good consumer practices, including clear contractual arrangements and ethical marketing practices. PIAC recommends that an appropriate consumer protection framework be developed to guide solar leasing industry development. The Australian Energy Regulator (AER) is the body PIAC believes is best placed to do this.

State, Territory and Commonwealth Governments can also facilitate the installation of solar PV on new and existing public and social housing through a variety of policies and programs. Further government attention should be bought to bear on the most effective ways in which this can be done to enable more low income tenants have direct access to renewable energy.

Recommendation 5

That an appropriate consumer protection framework be developed by the AER to guide solar leasing industry development.

Recommendation 6

That the installation of solar PV and solar or heat pump hot water on public and social housing should be a requirement of government funding for new social housing developments.

[21] Climate Change Authority, 'Renewable Energy Target review' (Final Report, Commonwealth of Australia, 2012).

Recommendation 7

That Australian governments should further investigate how to support the installation of solar PV and solar hot water on existing public and social housing.

PIAC is pleased to see the Government's commitment that 'Australia should continue to work with international partners on developing the next generation of energy technologies that lower costs to consumers, reduce emissions and other environmental impacts, or help unlock Australian resources'.

4. Electricity prices and cost of living pressures

4.1 The need for the NEM to change with a changing energy sector

The Green Paper acknowledges the financial impact of electricity bills has increased dramatically over recent years. Crucially, the average household has consumed 7 per cent less power since 2006, while its average power bill has gone up over the same period by more than 85 per cent from $890 to $1660 a year.[22] On 6 February 2014 Prime Minister, Tony Abbott, said 'We've got a review of the renewable energy target coming up this year and I'll be asking that review to consider the impact of the renewable energy target on power prices and doing what it can to bear down on power prices'.[23]

PIAC strongly agrees that the 'pace of reform needs to accelerate to provide downward pressure on further price rises' (page 27) and welcomes the statement that:

> The COAG Energy Council will undertake a review of governance arrangements for energy markets. The review is expected to consider the performance of current governance arrangements for energy markets, and provide advice to the Council on potential areas of improvement to the institutions and their oversight by the Council.

PIAC believes there is need for regulatory reform, in particular, to prepare for the future grid and that, as such, a root and branch review of the NEM is required.

Across the developing world regulators are struggling with how to regulate networks given falling demand, the rise of distributed generation, storage, electric vehicles and other smart technologies and new financial models (including solar PV leasing), as well as constantly evolving renewable energy and greenhouse gas emissions policies.

In a speech at the 2014 Annual Energy Users Association of Australia Conference in Melbourne, AER CEO, Michelle Groves, said 'the next couple of decades will witness something of a revolution in the way small customers interact with the electricity industry … there will be more scope for even the smallest energy users to become active participants in the energy market'. Ms Groves also noted 'some important work needs to be done for the framework to continue to enable competition from new services. For customers and suppliers, large and small, to be

22 Grattan Institute figures from <http://grattan.edu.au/grattan-tv/shock-to-the-system-dealing-with-falling-electricity-demand>.

23 Emma Griffiths, 'Tony Abbott wants Australia to be 'affordable energy capital of world'', ABC News (online), 6 February 2014, <http://www.abc.net.au/news/2014-02-06/abbott-affordable-energy/5243134>.

efficiently integrated with and respond to local market conditions, we need better price signals, 'smarter' infrastructure and adaptive policy frameworks'.

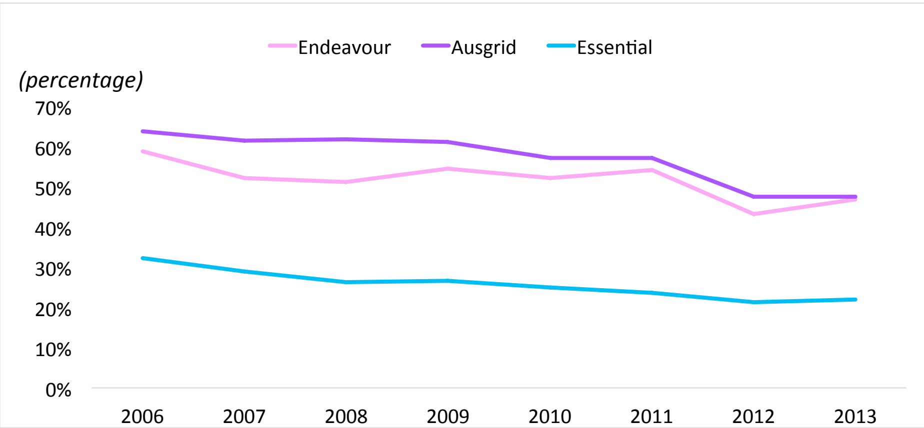
Recommendation 8

PIAC supports the Commonwealth Government's intention to undertake a review of governance arrangements for energy markets. PIAC recommends that an independent body be appointed to undertake a 'root and branch' review of the NEM and the NER, with a particular focus on regulatory structures to promote energy productivity and a lower carbon electricity sector.

4.2 The need for a smarter grid

There is a need to examine how network regulation in particular can evolve with the changing circumstances discussed above. There are rising amounts of unused capacity on the networks, as shown in the sharply declining ratio of transformer capacity to average demand for the NSW networks in Figure 1.

Figure 1. Installed transformer capacity divided by average demand



Source: RINS, CME analysis[24]

There is only very limited on-going peaky-ness in networks across Australia and tremendous opportunities to use smart grid technologies to address remaining peaks. As the US Department of Commerce notes:

> In the United States and internationally, modernization of the electric power grid is central to national efforts to increase reliability, resiliency, sustainability, and energy efficiency; transition to renewable sources of energy; reduce greenhouse gas emissions; implement secure smart grid technologies and address cyber security and privacy issues; support a growing fleet of electric vehicles; and build a sustainable economy that ensures prosperity for future generations[25].

PIAC is strongly supportive of the positive support for tariff reforms, advanced metering and demand side participation in the Green Paper, including:

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24 Carbon + Energy Markets, 'Privatisation and the regulatory valuation of electricity distribution network service providers in New South Wales: Evidence and issues' (Report, Public Interest Advocacy Centre, Sydney, 2014).

25 U.S. Department of Commerce, National Institute of Standards and Technology, 'NIST Framework and Roadmap for Smart Grid Interoperability Standards', (Release 3.0, National Institute of Standards and Technology, 2014).

> Australia needs to take advantage of new technologies, many of which will happen overseas, that can contribute to the reliable and affordable supply of energy. New energy sources and technologies increase the flexibility and sustainability of the energy system, as well as helping to lower emissions.

and the commitment that:

> *The COAG Energy Council will conduct a scenario-based assessment of the challenges and risks facing Australian electricity networks over the next two decades, testing the adequacy of the current economic regulatory framework. The findings will be considered in mid-2015.*

However, PIAC believes the Power of Choice reforms are proceeding too slowly to have significant impact on residential consumers bills. In particular, the delay in implementing the Demand Response Mechanism in the wholesale market has cost customers dearly. In undertaking the assessment of challenges and risks to the networks, the COAG Energy Council should look at how future energy market reform processes can be undertaken in more timely manner.

Recommendation 9

That the COAG Energy Council examine how future energy market reform processes can be undertaken in more timely manner.

PIAC believes that if Demand Response was implemented at a wholesale market level there would be significant learning and capacity building for demand management and energy efficiency in general across the electricity sector. Such capacity building is much needed given the low levels undertaken at present (especially by network businesses). PIAC believes that the proposed DRM could catalyse the institutional learning needed for broader uptake of demand management and energy efficiency, including the creation of new business models to realise profits in these areas. There are further flow-on competition benefits should new entrants enter the market as a result of innovation in this area.

Recommendation 10

PIAC recommends that the COAG Energy Council consider the qualitative and quantitative benefits of demand response, as well the likely consequences for shaping the future of the energy market in Australia when considering whether or not to approve the implementation of the Demand Response Mechanism.

5. Gas

PIAC is very concerned about the rising costs of gas for residential consumers and believes the implications should be outlined in the White Paper. PIAC also asks the Australian Government to consider what measures could be implemented to reduce the impacts of gas price rises on residential households, particularly low income and vulnerable consumers.

Recommendation 12

PIAC recommends the Commonwealth Government work in partnership with state and territory governments to:

- *Improve energy concessions to address the cost of living impact of gas price increases.*
- *Bring public and social housing energy policy in line with cost effective energy opportunities.*
- *Provide improved information for consumers regarding the real cost of purchasing and/or operating both gas and electric appliances.*
- *Provide support to landlords, and disadvantaged owner occupiers, to replace less efficient and expensive-to-run appliances with more efficient alternatives.*

6. Innovation

6.1 Electric vehicles

There are several issues with the current motor vehicle fleet in Australia; in particular, it is highly polluting (both in terms of local air pollution and greenhouse gas emissions) compared with those in other developed countries, highly dependent on imported fuels and is not currently able to take advantage of low wholesale electricity prices, due to oversupply.

PIAC notes that the current state of electric vehicle take up is outlined in the Green Paper, but that there is no policy direction suggested. PIAC believes it is in Australian consumers interest for the Commonwealth Government to take a lead in examining how the growth in electric vehicle ownership could be facilitated.

Recommendation 13

PIAC recommends that the Australian Government and the COAG Energy Council examine how greater electric vehicle ownership could be facilitated, including through support for the installation of charging infrastructure.

6.2 Vehicle emission standards

The Green Paper notes there is ‘potential to make the current vehicle fleet more fuel efficient’. A recent Briefing Paper by ClimateWorks Australia highlights that at an average of 199 gCO_2/km Australian cars and light commercial vehicles are far less efficient than those in most developed economies. ClimateWorks notes:

> The financial benefit to light vehicle owners of introducing best practice standards is significant. If efforts in the European Union are targeted with a 4 year lag, by 2020 an average driver could pay up to $170 per year less for fuel than they do today, and within 10 years they would pay up to $410 less than they pay today, even factoring in rising fuel prices.[26]

ClimateWorks also highlights that increasing fuel efficiency standards would enhance Australia’s fuel security. Under best practice standards, they calculate fuel demand would be reduced by between 40 and 66 million barrels per annum in 2024, equivalent to 30%-50% of all automotive fuel used in Australia in 2012[27].

26 ClimateWorks, ‘Improving Australia's Light Vehicle Fuel Efficiency’ (Briefing Paper, ClimateWorks, 2014) <www.climateworksaustralia.org/vehicle-emissions-standards>.

27 Ibid.

Recommendation 14

PIAC recommends that the Commonwealth Government work with industry and consumer groups to design and introduce best practice light vehicle CO_2 emission standards and supporting complementary measures that maximise the economic and environmental benefits available, within the next two years.

6.3 GEMS

PIAC is pleased to see the benefits of the Greenhouse and Energy Minimum Standards (GEMS) program outlined in the Green Paper and agrees with the proposal that 'The Australian Government could consider raising the minimum efficiency standards of appliances under the GEMS Act 2012. The Government could also consider introducing a scheme to recognise market leaders in energy efficient products' (page 55).

The average household saves around $300 per year[28], equating to one-sixth of total household energy expenditure[29], as a result of GEMS and its expansion is a highly cost effective way to assist households to reduce their energy bills.

Recommendation 15

To protect consumers and create a level playing field for quality manufacturers, PIAC recommends the Australian Government:

- *Maintain current mandatory energy standards and labels for existing products and extend them to new priority products.*
- *Retain government administration of GEMS and provide sufficient resources to administer the program and ensure compliance.*
- *Harmonise standards with leading economies and keep them up to date.*

Recommendation 16

PIAC recommends the following specific improvements to the GEMS program:

- *Maximise social benefits by prioritising standards updates for appliances particularly used by low-income households.*
- *Foster public recognition by retaining and promoting the well-known existing label format.*
- *Improve standards for standby energy consumption.*
- *Mandate standards for demand response.*

6.4 The benefits of increasing energy productivity

PIAC strongly supports the focus on energy productivity in the Green Paper and the proposal to develop a National Productivity Plan that includes:

- increasing appliance minimum energy performance standards on a continuous improvement basis, including a focus on standby power and peak demand

28 Alan Pears, 'Energy-smart appliances cut Australian power bills by billions', (RMIT University, 2014) 1.
29 Australian Bureau of Statistics, '2009-2010 Household Expenditure Survey Summary of Results', (ABS, 2010) 79.

- considering more consistent national regimes for energy efficiency standards, including buildings
- ensuring best practice information on energy management and use is widely available
- encouraging market driven productivity through labeling and accessible information
- rewarding innovation by recognising market leaders in energy efficient products
- directly driving productivity by aligning with international energy efficiency standards, raising domestic standards and introducing new standards for appliances covered under the GEMS Act 2012
- strengthening international cooperation on energy productivity to share best practice and foster technology exchange
- improved vehicle energy efficiency.[30]

Such a plan would greatly benefit residential consumers and should be developed with the needs of low-income and vulnerable consumers in mind, especially because of issues such as split incentives between tenants and landlords.

Recommendation 17

PIAC recommends the particular circumstances of low-income and vulnerable consumers are taken into account in developing a National Productivity Plan.

[30] Commonwealth of Australia, 'Energy Green Paper' (Commonwealth of Australia, 2014) 57.