

# **Climate Change Authority, Issues Paper: 2025 Annual Progress Report**

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## About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are marginalised and facing disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

## Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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# Introduction

The Justice and Equity Centre (JEC) welcomes the opportunity to respond to the Climate Change Authority (CCA), Issues Paper: 2025 Annual Progress Report (Issues Paper). We support the CCA providing robust, evidence-based assessments and recommendations supporting the action required to meet our emissions reductions obligations and associated targets.

As an expert consumer advocate organisation with a focus on social justice, the JEC seeks to ensure the transition of the energy system and wider economy is not only rapid, but shaped to improve equity of outcomes for people. We recognise that a rapid transition is critical, but cannot come at any cost. In the short term, an inefficient and poorly managed transition risks energy unaffordability and community frustration which undermines support and 'social licence' for the transition more broadly. This is avoidable and requires support for recommendations which appropriately consider and respond to the needs of all in the community.

In this context we have focussed on aspects of the Issues Paper where there is opportunity to improve recommendations to ensure they are best placed to deliver more equitable outcomes, as well as drive rapid emissions reduction.

## Response to issues raised in the Paper

### Overview

At the outset it is important to highlight previous work done by the CCA. This work contains analysis and recommendations which remain relevant and should be drawn on, updated and expanded upon. This work remains relevant to:

- the challenges and opportunities in Australia's transition to a low-emissions, climate-resilient, and prosperous economy,
- the rapid deployment of renewable energy and related infrastructure.

We highlight, in particular, recommendations from the CCA 2023 Annual Report, 2024 Annual Report and the 2024 Sector Pathways Review. Many of these recommendations should continue to form part of the advice provided to government, regarding the optimum path forward to ensure emissions reduction meets Australia's international commitments.

We recommend the CCA review prior reports and recommendations – with a view to greater consideration of equity impacts and measures ensuring the retention of broader social licence – reiterating and updating them as part of its 2025 advice.

Recently, the JEC made extensive submissions to the NSW Net Zero in response to its 2025 consultation. We highlight two sections of these submissions relevant to this process. Specifically:

- The discussion in section 3, which sets out our view on key actions required for the energy and electricity sector.

- Recommendations on the built environment discussed in section 4.<sup>1</sup>

## **Promoting rapid, equitable electrification of households gas use**

Methane is a significant greenhouse-gas emissions problem, particularly given the greater intensity of its impact on the climate over the short-medium term. Rapidly reducing methane use is critical to meeting our emissions reduction commitments and retaining scope to ensure global temperature rises below 2 degrees. A key contributor to meeting this challenge is addressing household gas use.

### **Roadmap for efficient and electric homes: Making all Australian homes healthy and affordable.**

The JEC has brought together a collaboration of community, sector and industry organisations to work on the question of household electrification and the role of improved energy efficiency. This work involved extensive analysis of the issues involved, collection of shared resources and evidence, and the development of robust objectives and principles capable of determining the range of measures required. This work developed a shared 'Roadmap'<sup>2</sup> to serve as a central resource setting out this work.

The Roadmap sets out what action is required from governments and decision-makers to upgrade Australian homes, and how to co-ordinate and prioritise these actions according to consistent principles which combine emissions reduction impact and consideration of social equity. Given our recommendation (above) that the CCA have a strengthened consideration of equity, alongside that of rapid emissions reduction, we commend the Roadmap to the CCA as a resource which can inform updated CCA advice to government.

### **Recommendations to the NSW Net Zero Commission on the built environment**

As noted above, we recently made recommendation to the NSW Net Zero Commission in respect of its 2025 consultation.<sup>3</sup> These recommendation were drawn from the 'Roadmap' and the work of the collaborating organisations, and focus on recommended interventions in the built environment sector, including:

- Commence implementing mandatory minimum energy efficiency standards for rental properties by 2026, with a committed pathway to ensure all homes are zero-emissions ready by as soon as 2035;
- Implement mandatory energy efficiency disclosure at point of sale and lease from 2027;
- Ban gas network connections in new buildings from 2025, with a priority for ensuring new multi-unit dwellings are all-electric immediately;
- Mandate implementation of end-of-life replacement of gas appliances with efficient and electric alternatives from 2025;

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<sup>1</sup> See <https://jec.org.au/resources/submission-to-the-nsw-net-zero-commission-2025/>.

<sup>2</sup> See <https://jec.org.au/resources/roadmap-for-efficient-and-electric-homes-making-all-australian-homes-healthy-and-affordable/>.

<sup>3</sup> See <https://jec.org.au/resources/submission-to-the-nsw-net-zero-commission-2025/>.

- Provide government assistance for low-income owner occupiers through a combination of subsidies and zero-interest loans to undertake home energy upgrades;
- Work with Gas and Electricity networks to plan and support the managed retreat of residential gas networks and the efficient electrification of households;
- Align and expand on existing Government and industry schemes - such as the NSW ESS/PDRS and other jurisdictional 'white certificate' schemes - to support priority electrification and efficiency upgrades for low income and vulnerable groups.

While we understand the full implementation of these measures is a jurisdictional responsibility, there is a critical role for the Commonwealth in promoting them – such as through Energy Ministers Council and other collaborative platforms – and supporting them directly, through funding and the adoption of Commonwealth policy or legislation where appropriate. We encourage the CCA to provide advice accordingly.

### **Supporting equity and electrification through National Gas Rule reform**

Enabling a rapid reduction in methane emissions and transition from household gas use requires ensuring gas policy and regulation that is fit for purpose. Informed by our work developing the 'Roadmap' we have developed a principles-based set of recommendations regarding what gas policy and regulatory reform should look like.

A key plank of this work is the development of a set of proposals for practical changes to the gas network regulatory rules. These are aimed at addressing discrete issues with the current rules, as well as providing a practical platform for much-needed conversation between market bodies, governments, investors and consumers about how to manage a rapid gas transition in a way that achieves equitable outcomes. The Commonwealth Government has a critical role to play in such conversations and we recommend the CCA highlight what is required in its advice as part of this process. Key roles for the Commonwealth will include:

- Identifying, progressing and promoting changes to National Gas Laws to enable the efficient retreat of gas networks;
- Developing and implementing policy supporting the efficient retreat of gas networks;
- Considering the appropriate sharing of costs and risks relating to network asset redundancy, and supporting the efficient write-down and retirement of gas networks.

As households electrify and disconnect from gas, effectively managing the decline of gas networks, particularly domestic reticulation networks, is critical for both the speed and equity of the transition, as fewer (often vulnerable and disadvantaged) people are left paying for infrastructure. It is neither sufficient nor appropriate to leave the transition of gas networks up to the collective choice of individual consumers. To do so critically impedes emissions reduction progress and will result in greater inequity and energy unaffordability for many who can least afford it.

The JEC submitted two rule changes to the Australian Energy Market Commission (AEMC), and collaborated with Energy Consumers Australia (ECA) to submit a range further rule changes

aimed at starting to address these challenges. This package of rule changes is intended to be the first step of a wider review aimed at ensuring gas network regulation is fit-for-purpose for the transition to net-zero emissions. While these rule changes – and the wider review – are necessary practical steps, they are not sufficient without strong direction and coordinated action (such as that outlined above) from the Commonwealth Government.

The relevant rule change proposals can be found on the AEMC website with links to relevant materials, which we commend to the CCA:

- JEC Rule change on Gas Network Redundancy
  - <https://www.aemc.gov.au/rule-changes/establishing-regulatory-framework-gas-disconnections-and-permanent-abolishment>
- JEC Rule change on regulation of disconnection costs
  - <https://www.aemc.gov.au/rule-changes/establishing-regulatory-framework-gas-disconnections-and-permanent-abolishment>
- ECA Rule change on cost of new connections
  - <https://www.aemc.gov.au/rule-changes/updated-regulatory-framework-gas-connections>
- Addition ECA rule changes
  - <https://www.aemc.gov.au/rule-changes/gas-distribution-networks-capex-criteria>
  - <https://www.aemc.gov.au/rule-changes/gas-distribution-networks-depreciation>
  - <https://www.aemc.gov.au/rule-changes/gas-distribution-networks-planning-requirements>

## **Promoting efficiency and protecting equity in DNSP involvement**

Electricity distribution network service providers (DNSPs) have an important role to play in enabling decarbonisation. However, managing that role efficiently to optimise emissions reduction and improved energy affordability and equity must be the priority. It would be concerning to see any advice from the CCA which uncritically advocated for an expanded role for DNSPs, without appropriately applying the consideration of equity and efficiency which is critical to ensuring good outcomes for all energy consumers and protecting against risks to social licence which may come through unreasonable impacts on energy affordability.

The JEC has been deeply involved in work, at a jurisdictional and national level, considering the potential role of DNSPs in the provision of Electric Vehicle Charging Infrastructure (EVCI) and the rollout of network connected batteries (sometimes referred to generally as community batteries).

Consideration of DNSP's role - beyond that of being the monopoly electricity network provider, conveying electricity from generators to end users – must be considered according to robust principles of energy consumer interest, particularly in relation to equity and affordability. It cannot be assumed that progressing otherwise desirable/preferable outcomes for government policy – such as the rapid rollout of EVCI – justify DNSP action which would result in these outcomes effectively being subsidised by all energy consumers (and particularly those vulnerable energy

consumers least able to otherwise benefit from the enabled infrastructure, or reduce their exposure to the resulting energy use and cost).

## **EVCI**

In relation to a DNSP, EVCI is an energy 'load' connected to their network, and one which can drive significant need for additional network investment (and revenue, which is recovered from energy consumers). We are concerned that an inappropriately expanded role for DNSPs in EVCI will result in electricity consumers unreasonably cross-subsidising transport consumers and wider Government emissions policy.

Even consideration of 'backstop' role for DNSP's - only providing chargers in more remote areas where private business cannot, or will not invest in EVCI - would mean electricity consumers paying to cross-subsidise the least efficient – and therefore most unreasonable additional cost - charging infrastructure.

We support measures to enable more rapid and equitable rollout of EVCI, but this must not come at the expense of energy consumers. Support should more appropriately be provided through direct government support or subsidy. Any role for DNSPs – either in investing in the infrastructure or enabling the services – should involve ensuring all costs are recovered directly from the EV-charging users of that infrastructure/service.

We strongly recommend the CCA ensure its advice reflects these considerations.

## **Network batteries**

It is critical to ensure that network connected batteries – regardless of which entity is owning and operating them – are developed and utilised according to clearly established benefit principles. Network connected batteries have a range of potential uses and benefits, many of which are not mutually compatible or automatically realised by energy consumers. For instance, network connected batteries can:

- Provide benefits to specific electricity consumers who access an individual share of storage services from the battery - for instance to share excess solar,
- Provide benefits to 'all' electricity consumers on the local network if the battery provides shared services, including those related to network security, which reduces the need to invest and augment the network, and
- Provide benefits to the battery owner/operator in the form of revenue for providing services (including those above)

The revenue stack (and the balance of benefits) of a network connected battery will not always provide a benefit to all users on the network. Where DNSP's are the owner and/or operator of a network connected battery this is a critical consideration, given all energy consumers of that network will otherwise be responsible for the related costs. To the extent a network connected battery does not provide a benefit to all electricity consumers – or the costs to the DNSP of its operation are not covered by revenue from it – all energy consumers will be subsidising it, and any benefit others may derive from it.

Importantly, the building, maintenance and operation of network-connected batteries is something which can be undertaken – potentially with some enabling reforms - by community organisations and other energy service providers. Completely setting aside ring-fencing guidelines to allow DNSPs to build and/or operate network-connected batteries, will not necessarily result in a lower overall cost or certainty of benefit to electricity consumers, and by extension a material contribution to emissions reduction.

We strongly encourage the CCA to consider a more nuanced recommendation recognising these considerations as part of its advice.

## **Considering alternatives to Safeguard reform**

Given the scope of reform required to ensure the Safeguard mechanism covers all aspects of the economy and deliver meaningfully on its intended emissions reduction role, we consider it worthwhile for the CCA to assess alternative approaches to enabling the economy-wide emissions reduction required.

In this context we note the recent proposal by Rod Sims to replace the Safeguard with an economy-wide mechanism to price carbon<sup>4</sup>.

It is critical that economy-wide measures to recognise and reduce emissions are effective, and do not result in undue burden on energy consumers due to insufficient action in other sectors. We strongly encourage the CCA to take a principles-based approach to developing its advice to the Government regarding the appropriate market mechanism to incentivise emissions reduction from industry, and the wider economy. We highlight the example, and reasoning provided by Professor Sims as a demonstration of how such an approach could be formulated.

## **Continued engagement**

We welcome the opportunity to meet with CCA to discuss these issues in more depth. Please contact Douglas McCloskey at [dmccloskey@jec.org.au](mailto:dmccloskey@jec.org.au) regarding any further follow up.

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<sup>4</sup> Rod Sims <https://www.superpowerinstitute.com.au/news/how-is-the-time-for-a-price-on-carbon>