

ACT Energy Consumer's Policy Consortium Submission to: ACT's Climate Strategy to a Net Zero Emissions Territory Discussion Paper December 2017

ACT Energy Consumer Policy Consortium members:

[ACT Council of Social Service \(ACTCOSS\)](#)

[Care Financial Counselling Service](#)

[Conservation Council ACT Region](#)

[SEE-Change](#)

[Small Business Taskforce of the Canberra Business Chamber](#)

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The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia nor the ACT Government.

ACT's Climate Strategy to a Net Zero Emissions Territory
Discussion Paper December 2017
Submissions

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The ACT Energy Policy Consortium thanks you for your invitation to make a Submission to the ACT's Climate Strategy to a Net Zero Emissions Territory – Discussion Paper December 2017 and welcome the opportunity to provide this submission.

The Consortium is comprised of representatives of the [ACT Council of Social Service \(ACTCOSS\)](#), [Care Financial Counselling Service](#), the [Conservation Council ACT Region](#), [SEE-Change](#) and the [Small Business Taskforce of the Canberra Business Chamber](#). The Consortium considers the importance of social, environmental and economic factors in the formation and implementation of energy policy along with the need for enhancement of equity and inclusion to improve outcomes for energy users in the ACT. We also provide some comments from members of the Energy Consumer Representative panel which is a panel of everyday people that the ACT Energy Consumer Advocate has engaged and supported to be spokespeople on energy issues from a consumer perspective.

Introduction

The Consortium considers it to be imperative that the [ACT Government's Climate Strategy to a Net Zero Emissions Territory](#) (Climate Strategy) has a framework that supports consumers who are vulnerable and disadvantaged and ensures that there is no negative impact on these consumers in the transition to a zero emission future.

The ACT government has a responsibility to ensure energy is reliable, accessible and affordable, and that the solutions to net zero emissions considers people experiencing poverty and disadvantage. The ACT government must ensure that low income and vulnerable households are not excluded from benefits in the transition to net zero emissions and through the transition are able to sustain access to essential goods and services (housing, food, transport, utilities, healthcare, education, community services).

Affordability is critical, as research shows the cost of housing largely determines how much is left in household budgets to pay energy bills. With the continuing housing affordability crisis many people are going without energy or in some cases having their utilities disconnected. The [Australian Energy Regulator](#) reports that between 2016-2017 there were 427 residential electricity and gas customers in the ACT disconnected for non-payment.

Currently there are about 3 million people, including over 731,000 children, living below the poverty line in Australia. The number of people who struggle with energy stress is likely to be much higher than the poverty figures.¹ Many of these people are limited in the choices they can make, they rarely have discretionary income in their budgets and are forced to live pay to pay.

Low income and disadvantaged households are also more likely to be living in properties that are older with less energy efficiency and using less efficient appliances. They have limited choice and opportunity to upgrade to more efficient appliances and homes. As the energy system in the ACT changes to accommodate net zero emissions more households are moving towards distributed energy resources such as solar and battery storage. Distributed energy resources have high upfront costs and many low-income households are not able to afford this option. Renters and people living in apartments are also unlikely to have access to these options. The households that can afford solar and batteries will receive the cost benefits in their energy bills too, while low income and disadvantaged households will pay the full amount and by default these households will be subsidising the more advantaged households. [A report by the Grattan Institute²](#) concluded that by the time subsidies run out in 2030, households and businesses that have not gone solar will have spent more than \$14 billion subsidising those that were able to afford solar installation (The Financial Review). The Consortium regards this as grossly inequitable and unfair for low income, vulnerable and disadvantaged consumers.

Energy – Electricity and Gas Use

Discussion question: What are the challenges in the transition away from natural gas?

Reducing the use of natural gas to be in line with the net zero emissions targets, is a sensible and necessary change, as gas contributes significantly to greenhouse pollution. The change will avoid energy users being burdened with the increasing cost of gas supply and there are other more efficient and affordable options.

However, with the transition away from natural gas comes the requirement to change the infrastructure within gas households, which means additional costs. The ACT government needs to ensure that low income and vulnerable consumers can afford such transitions by incorporating into the Climate Strategy concessions and rebates for costs associated with transitioning from gas to electricity supply.

There are concerns for the small business community, including residential aged care and child care centres, in dealing with a transition to a non-gas supply territory. The cost to small businesses to transition away from natural gas needs more investigation but we would suggest it will cause some business operators to cease activities totally, and those that can meet the capital outlays will look to recoup from service charges which will be borne by all consumers, including the disadvantaged.

¹ 1.ACOSS, Brotherhood of St Laurence, The Climate Institute 2017 – [Empowering disadvantaged households to access affordable, clean energy](#)

² Grattan Institute Report [Sundown, Sunrise How Australia can finally get solar power right](#) authors Tony Wood and David Blowers

The challenge also lies with energy retailers advertising and selling natural gas appliances, while the ACT is trying to move away from natural gas use. An example of this is ACTEWAGL's [Natural Gas Update Rebate](#), offering rebates for upgrades to more efficient gas ducted heating systems. While upgrading to more energy efficient appliances that reduce emissions is in line with moving towards net zero emissions it makes better sense in actually getting to zero emissions to upgrade to an electrical system with renewable energy electricity having zero emissions. Given that gas is commonly used for space heating one challenge in the transition away from natural gas could be met through improving housing quality and energy efficiency for low income and vulnerable consumers in order to reduce ongoing energy needs, especially for gas; and ensuring that discounts and rebates are given to concession holders and other low-income households.

Discussion question: What is the role of Government in the transition to zero emissions in the energy sector?

The role of the ACT Government is to have a framework that supports all ACT residents, including consumers who are vulnerable and/or disadvantaged, to sustain access to essential energy services and to ensure that there is no negative impact on these consumers during and after the transition to net zero emissions. The Government should develop policy and introduce legislation with input from stakeholders that supports low income households to be part of a transition to zero emissions in a way that maximizes their access to low emission, affordable energy services.

Consumer representative Joel from Better Renting says: *“The Government should play an active role in this transition to provide appropriate incentives for clean, renewable sources of energy, and to maximise the benefits for Canberra. Where appropriate, the Government should also intervene to ensure a just transition for workers and communities affected negatively by this transition”*.

It is the Government's role to include activities that reach a broader range of the community, to educate and increase awareness about the transition to net zero emissions and to increase information about engaging with energy providers. This should include offering briefings to low income residents (verbal and written), households wanting to be at the forefront of adaption to support transition to a zero emission future and small businesses through partnerships with organisations already engaging with these consumer groups. These briefings would share information but also seek insights and concerns as the transition progresses to inform refinement and adaption of the Climate Strategy.

The Government needs to enable all consumers to have more choice and control over energy use and cost. Choice is not extended equally to all households. With the energy market evolving there are risks of a divide in the community of those who can take control of energy and those that cannot. The ACT Government needs to ensure renters aren't left behind when it comes to choice and control of energy usage; as well as consumers in exempt networks, such as embedded networks. It's the role of Government to ensure concessions, rebates and dispute resolution are available to all households including low income and disadvantaged households; as well as better access to hardship programs, energy efficient products, education and financial

counselling. It's also the ACT Government's role to protect the consumer, make it easier for people to understand and engage with consumer protection laws for all energy products with easier access to dispute resolution such as ACAT Energy and Water Hardship.

The ACT Government needs to ensure energy efficient technologies are available to all energy consumers including low income households, residents whose housing or personal circumstances make them vulnerable to changes in energy supply and costs (eg people living with health problems or disabilities requiring higher than average energy use) and small businesses with limited capacity to fund a transition from gas to electric supply.

Another role of Government is to ensure the Climate Strategy genuinely shifts energy use. The Conservation Council ACT Region, as part of the Climate Change Liaison Group, has written to Minister Rattenbury regarding their concerns about the inclusion of regional land use in the economic modelling for net emissions policy process. Larry O'Loughlin states that *"all of our groups feel very strongly that regional land use should not be included in our abatement pathways...that we need to take responsibility for reducing our emissions through our actions and behaviours locally. In contrast to reducing actual emissions, relying on offsets does not permanently reduce net emissions nor is the expenditure one-off. Because ACT's emissions would continue, ongoing expenditure on tree planting (or similar) would be required with the inherent uncertainty about effectiveness, risks and increasing costs as sequestration becomes more difficult in a warming climate and moves farther afield. In addition, any announcement that the ACT will offset emissions in the region could result in profiteering on land"*.

It is the ACT Government's role to take responsibility for actually reducing our emissions in the ACT and not use regional land for abatement measures.

Discussion question: Do you have a view on the role of all electric households and suburbs?

The Consortium regards all-electric households and suburbs as potentially viable provided they are made affordable for consumers who are vulnerable, including access to concessions and rebates to both transition and to sustain access over the longer term. Renewables need to be affordable and supports need to be put in place that increase access to distributed energy for low income households, renters and those living in embedded networks, such as apartments. There is also concern regarding bill smearing for those that cannot afford their own distributed energy who end up subsidising those that can afford it, i.e. solar panels on roofs and battery storage.

Consumer representative Shelley states: *"An all-electric household will certainly solve the doubled-up service fees I've been paying for decades, for both gas and electricity. This, as a start, will make household energy more affordable. It also depends on how the electricity is generated and that it is made affordable."*

Consumer representative Joel from Better Renting said: *All-electric households and suburbs have an important role to play, in reducing the supply charges at the household level and the overall costs of gas supply. As all-electric households can be made 100% carbon neutral, using energy efficiency and solar power, they are an essential part of the energy transition.*

Discussion question: What improvements can be made to building and planning to reduce energy use and emissions?

Improvements can be made to the Universal code of building design. Designing and creating buildings for passive heating and cooling; improving thermal performance of buildings which means less need for heating and cooling and in turn reduces costs and emissions. The ACT Government could improve legislation, support and direction for home builders and developers to build more sustainably. The Consortium recommends the ACT Government in the transition to zero emissions, upgrade all current Housing ACT stock to be in line with 5 star energy efficiency standards. To design and build new housing with good energy efficiency, installing proper insulation and energy efficient appliances, to improve the comfort of the people living there and in turn reduce emissions and the costs of energy use.

The Consortium recommends legislating minimum 5 star energy ratings as a requirement for all private rental housing, and balancing this with creation of a Zero Emissions housing support fund that supports private rental housing owners to install energy supply and efficiency infrastructure. The legislation should also include a requirement that rents charged cannot be increased above CPI after those houses have been upgraded using the fund to support private rental housing owners to install energy supply and efficiency infrastructure.

Consumer representative Shelley has practical advice on what the fund could be used for – *“Double glazing, improving hot water storage in the ACT, bringing it inside instead of outside. Solar panels, improved thermal performance incorporated in new builds instead of an add in later. Use of more fans instead of air conditioning. Better use of Landscape architecture – planting trees for shading and using correct species for climate”.*

Consumer representative Joel from Better Renting has advised: *“New buildings should be made significantly more energy efficient. The current 6-star standard is too low and is not being adhered to in many cases. For example, assessment is done off the plan, not of the actual building. Air leakage testing is also absent. In all, buildings are being planned at a specification that is already too low, and then not even being built to that level.*

All new buildings in the ACT should be built to the world’s best standard. This is an investment that will easily pay for itself over a building’s lifecycle.

Special attention is needed to existing building stock. Owner-occupier households should be encouraged to implement their own energy efficiency measures. This could be through incentives, or potentially through regulations requiring a specific energy efficiency rating at the point of sale or purchase.

However, renting households have been overlooked thus far. Renters cannot make their own improvements, and landlords don’t have an incentive to invest in the energy efficiency of rental properties. Thus, minimum standards for energy efficiency are necessary for rental properties in the ACT. This will reduce electricity and gas consumption, improve health for renters, and save money”.

While we can make some suggestions about approaches that might help building and planning to reduce energy use and emissions these matters should be part of the planning process itself. That is, developments should be considered for their contribution to climate change and planners should have legislative responsibility to not approve proposals that do not reduce energy use and emissions. This approach would enable new technologies and approaches to be considered into the future.

Discussion question: What is your view on alternative gas sources, such as biogas (eg. Gas created from organic matter in landfill) and hydrogen from energy uses both in the home and in industry in the ACT?

The use of alternative gas sources, such as biogas and hydrogen seems a viable option if it is in line with moving the ACT to a net zero emissions territory and is cost effective. In particular, if current infrastructure is used and does not need costly investment where the costs are passed on to consumers, especially low income and disadvantaged households who are unable to afford any extra costs.

However, we are concerned that promises of biogas and hydrogen might be used to maintain natural gas as an energy source and that overall gas is increasing in price and is becoming less affordable. Fitting gas appliances to new housing locks residents into ongoing increasing energy cost and might become a poverty trap. It is also a concern that gas would be maintained as an increasingly niche option yet the community as a whole has to pay for the ongoing maintenance of the gas network.

Consumer representative Shelley has said: *“It seems to be a very positive move to use alternative gas sources. Very positive if social, environmental, health and economic issues are sorted out. We need the community attitude to change to embrace new options. We need to embrace reduced consumerism and less waste”.*

Conclusion

The ACT government has a responsibility to ensure energy is reliable, accessible and affordable, and that the solutions to net zero emissions consider the wider community, especially people experiencing poverty and disadvantage. Initiatives that address the barriers that are faced by groups such as low-income households, renters and those in public housing, people with disabilities and illness, sole parents, people who are working but on low incomes and not eligible for current concessions and small business owners are needed to ensure that overall emissions targets are met. These include measures to improve rental housing efficiency, access to efficient household appliances, heating and hot water, and education around energy efficiency. Initiatives that give energy consumers the ability to have more power of choice and usage including access to distributed energy sources are vital to the transition to a zero emission future.

The ACT government must ensure that low income households, renters, those living in embedded networks and small businesses currently reliant on gas supply are not impacted negatively or excluded from the benefits in the transition to net zero emissions.