

## ESIA Media Release

19 May 2020

### ERF could better support energy efficiency according to King review

The Energy Savings industry Association (ESIA) is encouraged by the Australian Government response to recommendations which could better support energy efficiency projects as outlined in the King review report released today. Energy efficiency upgrade projects are often upfront capital intensive and require complex methods.

“The ERF has to date been ineffective in supporting energy efficiency projects, so we welcome recommendations in the report. We implore the Australian Government to get on with delivering on these expediently, either directly through the ERF or through the COAG Energy Council process,” said President of the Energy Savings Industry Association (ESIA), Rod Woolley.

Of the 26 recommendations detailed in the Government’s response to the final report of the Expert panel examining additional sources of low cost abatement (the King Review), those that could clearly support energy efficiency, that the Government has agreed to, and that could be mobilised immediately through the ERF, include:

- **5.1** - Allow certain ERF methods to award ACCUs on a compressed timeframe. This would reduce the barriers faced by projects with high upfront capital costs.
- **6.2** - Establish a pilot method program to test new method ideas and expedite method preparation. This would encourage early action and improve the robustness of methods.
- **6.6** - Create a fixed priced purchasing desk for small projects under the ERF

Those recommendations that support energy efficiency being valued and rewarded, that were noted, and that could be expedited through the COAG Energy Council, include:

- **8.3** - Expand the National Australian Built Environment Rating Scheme (NABERS) and the Commercial Buildings Disclosure (CBD) scheme to a broader range of commercial building types (e.g. hotels).
- **8.4** - Develop an energy performance rating scheme for new and existing residential buildings based on the Nationwide House Energy Rating Scheme (NatHERS) as a matter of priority.
- **8.5** - The Commonwealth should work with state and territory governments to introduce mandatory energy performance disclosure obligations for the residential sector linked to the rating system (recommendation 8.4).

“We look forward to a more transparent stakeholder engagement process moving forward,” concluded Mr Woolley. The ESIA was invited to make a submission to the targeted consultation process and did so. Energy efficiency methods available under the ERF include: aggregated small energy users, commercial buildings, commercial and public lighting, high efficiency commercial appliances, industrial electricity and fuel efficiency, refrigeration and ventilation fans and industrial equipment upgrade.

... Ends      **Media contact:** Jessica Lynch, M 0417 539 377, [comns@esia.asn.au](mailto:comns@esia.asn.au)

## **Excerpt:**

### **Expert Panel recommendations - Government response, 19 May 2020**

#### **5.1**

Allow certain ERF methods to award ACCUs on a compressed timeframe. This would reduce the barriers faced by projects with high upfront capital costs. The application of compressed crediting should be assessed on a method by method basis, with the following criteria to apply.

1. Projects must involve significant upfront costs, in the form of resource outlays or foregone profits, which are not materially offset by carbon revenues and secondary benefits (e.g. reduced energy costs) in the early years of the project.
2. The likely abatement from the projects must be able to be easily forecast with a reasonable degree of precision over the crediting period.
3. The realisation of the forecast abatement must not be contingent on the recurrent outlay of significant resources for the conduct of the abatement activity. Rules would be needed to ensure the progressive verification of the delivery of abatement to minimise the risk of credits being issued for abatement that does not subsequently occur.

#### **Agreed-in-principle**

The Government acknowledges that for some ERF methods the 'gap' between revenue (ACCU delivery) and high upfront capital costs can mean that projects that otherwise provide low cost abatement do not proceed. This is contrary to the intent of the ERF, which is to incentivise the adoption of new practices and technologies to reduce emissions at least cost. The Government will consult with stakeholders on the best mechanisms to encourage projects with high upfront costs on a method by method basis.

#### **6.2**

Establish a pilot method program to test new method ideas and expedite method preparation. This would encourage early action and improve the robustness of methods. Pilot methods would be developed for activities where there is uncertainty in the underpinning science or complications with the design of the method. Proponents of pilot projects would be required to share data and project information to assist in developing the final method. Further consideration should be given to whether pilot projects would be awarded ACCUs or an alternative credit type for sale to the Regulator.

#### **Agreed**

The Government agrees with the concept of pilot methods to expedite new method development and enable the ERF to achieve a greater range of low cost abatement. The Government also notes that pilot method programs may facilitate the faster adoption of new technologies. The Government will work with stakeholders to establish a regulatory sandbox to inform method development through pilot projects.

#### **6.6**

Create a fixed priced purchasing desk for small projects under the ERF. This would encourage project uptake, particularly agriculture and small-scale energy efficiency projects, by reducing price risks and marketing costs. Eligibility to access the platform would be limited to proponents of generally small projects (e.g. based on projects' forward abatement estimates or another similar metric). The creation of the fixed priced purchasing desk would ideally be done in tandem with the work on small-scale methods and method stacking (recommendations 6.7 and 6.9).

#### **Agreed**

The Government agrees that smaller projects should be enabled to participate and access the benefits of the ERF. The Clean Energy Regulator will further consult with stakeholders on the implementation of this recommendation.

#### **8.3**

Expand the National Australian Built Environment Rating Scheme (NABERS) and the Commercial Buildings Disclosure (CBD) scheme to a broader range of commercial building types (e.g. hotels).

#### **Noted**

In 2019, the COAG Energy Council agreed the Trajectory for Low Energy Buildings, which sets a trajectory towards zero energy buildings for Australia and outlines implementation arrangements and responsibilities for a range of targeted initiatives. This follows the Government's commitment, through the Climate Solutions Package, that it would improve rating tools for commercial buildings, such as NABERS. In line with these commitments, it has been working with state and territory governments on a range of measures to improve the energy efficiency of commercial buildings and has allocated \$3.4 million over 2019-20 and 2020-21 to accelerate the expansion of NABERS. The Government is also committed to periodic reviews of the Commercial Building Disclosure Program, which will consider the case for expanding the Program.

#### **8.4**

Develop an energy performance rating scheme for new and existing residential buildings based on the Nationwide House Energy Rating Scheme (NatHERS) as a matter of priority.

##### **Noted**

Through the Climate Solutions Package, the Government committed to provide resources, training and tools to help building owners and occupiers reduce energy consumption. In line with this commitment, the Government has been working with states and territories on a range of measures to improve the energy efficiency of residential buildings, and in 2019, the COAG Energy Council agreed the Trajectory for Low Energy Buildings, which sets a trajectory towards zero energy (and carbon) ready buildings for Australia. The Government has allocated \$7.2 million over 2019-20 and 2020-21 towards relevant measures for the residential sector to be implemented by the Commonwealth.

#### **8.5**

The Commonwealth should work with state and territory governments to introduce mandatory energy performance disclosure obligations for the residential sector linked to the rating system (recommendation 8.4).

##### **Noted**

The Government has been working with state and territory governments on a range of measures to improve the energy efficiency of residential buildings, including energy performance disclosure obligations. In 2019, the COAG Energy Council agreed the Trajectory for Low Energy Buildings, which sets a trajectory towards zero energy buildings for Australia and outlines a timeline for state and territory governments to examine, and potentially develop and implement residential energy performance disclosure obligations. While mandatory energy performance disclosure obligations for the residential sector is the responsibility of the state and territory governments, a national framework for disclosure of home energy ratings has been agreed by COAG Energy Council and will support homebuyers, renters and renovators to benefit from more energy efficient homes, incentivise sellers, and assist the finance sector to better value and manage risks. The Government will continue to work with the state and territory governments through the COAG Energy Council as this work unfolds.

#### **Reference documents**

**1/Gov Response to Report Recommendations** (26 recommendations Govt has 'agreed' or 'noted')

<https://www.industry.gov.au/data-and-publications/government-response-to-the-expert-panel-report-examining-additional-sources-of-low-cost-abatement>

**2/Full report** <https://www.industry.gov.au/data-and-publications/examining-additional-sources-of-low-cost-abatement-expert-panel-report>.

**3/ Govt Media release** <https://www.minister.industry.gov.au/ministers/taylor/media-releases/building-success-emissions-reduction-fund>