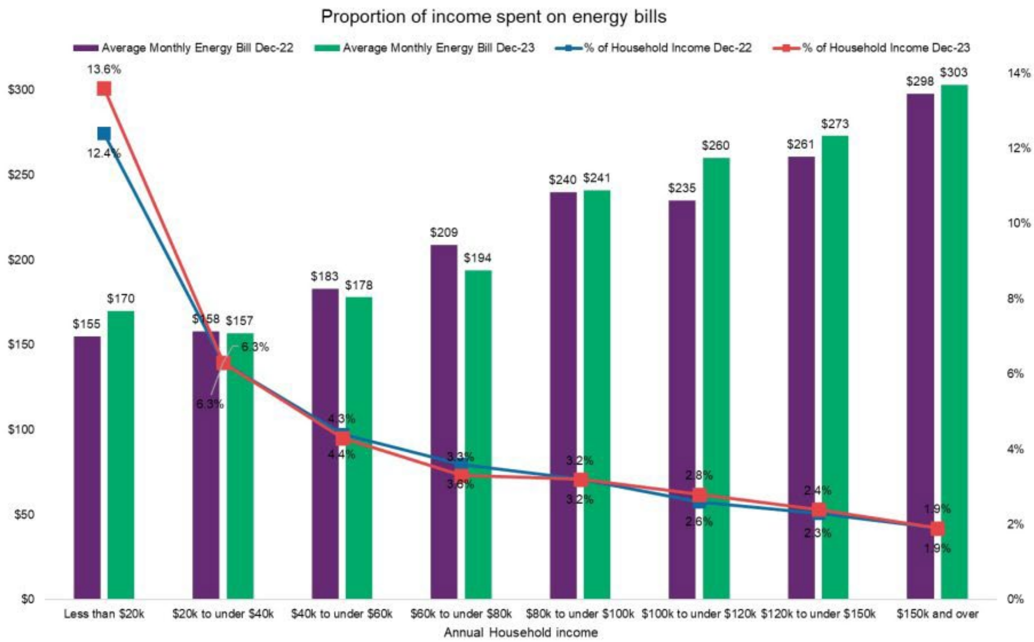
Australian Council of Social Service

Briefing: Alternatives to $300 electricity bill rebate to provide energy relief for those most in need.

May 2024

- The $300 rebate for all households does not target the most in need, does not create permanent and systemic benefits or meet the Government's climate change, equity and wellbeing goals.
- That flat rate will flow to all households that receive a retail electricity bill, regardless of incomes, energy costs and/or the level of energy stress or debt experienced.
- When assessed as a proportion of energy bills, the flat rebate appears to provide a greater benefit to those on lower incomes who generally have lower energy bills. However, these households spend a much higher proportion of their incomes on energy and are much more likely to be experiencing energy stress or to have accrued energy debt.
- People on low incomes spend on average of five times more of their income on energy bills compared to people on high incomes. The lowest income households (below $20,000/year), spend 13.6% of their total income on energy costs represent, an increase of 1.2% compared to December 2022 (see graph below), even with existing energy concessions and rebates.



Source: https://energyconsumersaustralia.com.au/wp-content/uploads/Understanding-the-energy-divide-1.pdf

- Bills are on average lower for people on low income because they will typically be in smaller houses, have less energy intensive appliances and equipment like pools, clothes dryers, air conditioners and have deprived themselves of energy like restricting heating and cooling, fewer hot showers, cooking less or differently.
- Many people on low incomes, particularly those who rent, are missing out on the benefits of the energy transition because they either cannot afford or cannot access measures such as energy efficient and electric homes, rooftop solar, household batteries, and electric vehicles.

- In the ACOSS budget submission and various communications to the Treasurer's office ACOSS called for government incentives to be targeted to people and communities experiencing financial disadvantage, which create permanent and systemic benefits, and meet the Government's climate change, equity and wellbeing goals ***instead*** of one-off subsidies. Specific measures proposed included:

1. Provide emergency energy debt relief

The Australian Energy Regulator found the number of residential electricity customers participating in hardship programs in the first three months of 2023 soared by 19% to 89,201 since the same quarter last year.[1] Average hardship debt also increased by $137 to $1,871. Direct assistance by government is needed before debt spirals out of control and becomes more unmanageable.

ACOSS called on the Federal Government provide debt relief payments of up to $2,000 per household for households in energy hardship programs. The Government should also work with retailers to provide additional relief to those customers with debts greater than $2,000, and help customers reduce their bills going forward.

Budget impact in 2024-25: -$350 million

2. Shift green energy subsidies off bills and on to government budgets

People on low incomes pay disproportionately more towards the energy transition, as a number of national and state 'green' subsidies (including the Large Scale Renewable Energy Scheme (LRET) and Small-scale renewable Energy Scheme (SRES) are recovered through electricity bills. Green subsidies currently account for 10% of electricity bills. The costs are recovered as a percentage of consumption, with GST charged on top. Given that people on low-incomes are already spending more of their income on energy, they are disproportionately contributing more to these subsidies.

ACOSS has consistently been calling for green subsidies to be shifted off energy bills and on to Government budgets as a more progressive way to cover the costs of the transition.

The Small-SRES is particularly problematic. It subsidises the costs of installing small-scale renewable energy sources (such as rooftop solar and hot water heat pumps) to households which can afford and access them. As a result solar households pay significantly less for their energy bills and therefore contribute less to the SRES, and non-solar low income households contribute disproportionately more to the costs of the SRES. The ACCC has previously called for SRES to be scrapped because of this inequity.[2]

- SRES average NEM wide is 3.2% of Bill (excluding GST)[3]
- LRET average NEM wide is 3.3% of Bill (excluding GST)

Directly funding green subsidies like SRES and LRET would improve equity by removing a regressive subsidy and provide permanent energy relief.

[1] https://www.aer.gov.au/publications/reports/performance/retail-energy-market-performance-update-quarter-3-2022-23

[2] Australian Consumer and Competition Commission (2018), *Restoring electricity affordability and Australia's competitive advantage* Australian Government, Canberra. Recommendation 24. Available: https://apo.org.au/sites/default/files/resource-files/2018-07/apo-nid182081.pdf

[3] https://www.accc.gov.au/system/files/appendix-c-supplementary-excel-spreadsheet-cost-stack-data-charts-inquiry-national-electricity-market-december-2023-report.xlsm

It would also reduce inflation as measured by CPI, one of the objectives of the Government $300 rebate.

The Budget impact of taking SRES off Bills in 2024-25 would be approximately -$1.5 billion (depending on price of the price of the small-scale technology certificates)

3. Home Energy Upgrades

Research shows that a program to electrify, improve energy efficiency and add solar for low-income housing would deliver significant ongoing energy bill savings, physical and mental health benefits, reduce poverty and inequality, reduce emissions and generate thousands of jobs nationwide.

Recent analysis commissioned by ACOSS using ClimateWorks data found that thermal efficiency upgrades, electrification and rooftop solar home energy upgrades could save the average household in Victoria $4,053 annually on their energy bill and those in apartments $2,276. The savings for NSW residents living in a house could amount to $3,373 and $2,333 for people in apartments.

People in the ACT could save up to $5,975, annually, Tasmanians could save up to $4,123, South Australians up to $4,123, Queenslanders up to $2,740 and West Australians up to $2,865.

See here for data be federal electorate
https://www.fairfastclimateaction.org.au/the_benefits_of_home_energy_upgrades

ACOSS has been calling for the federal Government to establish a program to invest in energy performance retrofits (energy efficiency, electrification and rooftop solar) for low-income housing including public, community, low-income owner-occupied housing and private rental dwellings. The program should prioritise retrofits to First Nations housing. The program would establish a Special Purpose Funding Vehicle, with an initial Federal Government injection an initial $2 billion - matched by the states and territories, and topped up by other sources – to accelerate and scale up energy upgrades tailored across low-income housing tenure types. The funds would be used to do the following:

- Top up the existing $300 million social housing energy upgrade funds targeting only 15% of social housing, so that all social housing dwellings have home energy upgrades by 2030/31. Prioritise funding to upgrade First Nations Housing.
- Provide assistance for low-income owner occupiers through a combination of subsidies and zero-interest loans to undertake home energy upgrades by 2030/31.
- Upgrade private rental properties through a combination of mandatory energy performance rental standards and **conditional** incentives via a combination of concessional loans, subsidies and rental caps.
- Amend tax laws so that capital works deductions for new or replacement appliances for rental properties are only available for accredited energy efficient and electric appliances.