Australian Council of Social Service

Submission to the Electricity and Energy Sector Plan

Department of Climate Change Energy Environment and Water

2 May 2024

About ACOSS

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality, and is the peak body for the community services and civil society sector. ACOSS consists of a network of approximately 4000 organisations and individuals across Australia in metro, regional and remote areas. Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

Climate change and an inequitable and non-inclusive transition to a clean economy and more resilient society is a threat to our vision.

Climate change disproportionately impacts people who face disadvantage including people on low incomes, people with disability, people with chronic health issues and Aboriginal and Torres Strait Islander peoples.

A rapid transition to net zero emissions, consistent with limiting global warming to 1.5 degrees C, is therefore critical to reducing the impact on people facing disadvantage. This will require Australia prioritising emission reductions this decade and aim for net zero emissions by 2035.

However, to achieve benefits for everybody, the transition to net zero emissions must be fair and inclusive. Putting people with the least at the centre of policy design means we can rapidly reduce emissions, poverty, and inequality in Australia.

Summary

ACOSS welcomes the opportunity to make a submission to the Federal Government's consultation on Electricity and Energy Sector Plan Discussion Paper.

The energy system is changing rapidly and profoundly as part of the inevitable and necessary transition to cleaner energy. Rapidly transitioning to clean energy is essential to tackle the climate crisis which impacts people experiencing disadvantage first, worth and longest.

Ph (02) 9310 6200 E: info@acoss.org.au
www.acoss.org.au

However, energy transition policies continue to be poorly targeted and inequitable, largely benefiting people with wealth, choice and control. This leaves people experiencing disadvantage paying disproportionately more for their energy bills and towards the cost of the transition to clean energy, while missing out on the benefits delivered through energy efficiency, electrification, rooftop solar, batteries, electric vehicles, or potential new jobs.

According to the Australian Energy Regulator's *State of the Energy Market Report 2023*, energy equity, particularly affordability, remains a significant concern in energy markets.[1]

It is therefore critical that the Electricity and Energy Sector Plan is focused on how we can **reduce emissions this decade** and **do it in a fair, equitable and inclusive way**.

ACOSS welcomes the inclusion of 'equity' and 'affordability' in the Electricity and Energy Sector Plan Vision and Objectives. Our submission will focus on how the Energy Sector Plan can better achieve this. Key priorities include:

- Aim for **zero** emissions before 2035;
- Amend the National Energy Agreement and the National Energy Objectives (NEO) to include equity and affordability;
- Elevate energy efficiency and demand management embracing the 'efficiency first' principle;
- Phase out gas quickly and orderly and electrify homes, with supports for people experiencing disadvantage;
- Accelerate home energy upgrades (thermal efficiency, electrification, solar, prioritising low-income and First Nations Housing;
- Establish an energy equity workstream in the Energy Ministers Energy Transformation partnership;
- Shift green schemes off electricity bills and on to government budgets.
- Introduce conditions including employment and community benefit sharing to investments; and
- The Government fund and deploy an implementation plan that outlines a clear pathway to bridge the gap between the number of clean economy workers we have now, and what we need to realise our emissions reduction goals. This should include a focus on training and employment for people unemployed long-term, First Nations people, people with disability, and others marginalised in the labour market, including through social procurement guidelines and employment and training programs targeting those groups

Recommendations

Recommendation 1: In order for Australia to do our fair share to limit global warming to 1.5 degrees the Electricity and Energy Sector plan should be aiming to reduce emissions further and faster than other sectors and this decade; and achieve **zero** emissions before 2035.

[1] AER (2023) State of the Energy Market 2023 https://www.aer.gov.au/system/files/State%20of%20the%20energy%20market%202023%20-%20Full%20report.pdf

Recommendation 2: Amend the National Energy Agreement and the National Energy Objectives (NEO) to include equity and affordability.

Recommendation 3: The Federal Government amend the Climate Change Act 2022 to insert fairness, equity and inclusion objectives, principles and processes, to guide policies, programs and process to ensure benefits are fairly shared, people's lives are better and that no-one is left behind in the transformation.

Recommendation 4: The Energy and Electricity sector plan should elevate energy efficiency and demand management to make them an equal partner to new infrastructure in the transition, embracing the 'efficiency first' principle.

Recommendation 5: The Government should establish principles to guide investment decision, including:

- Public investment should prioritise measures that will support people experiencing financial and social disadvantage.
- Where public investment supports industry investment, conditions should be put on those investments to deliver long term benefit to communities, workers and industries and foster community support that is critical for a successful transition.
- Recouping investments from electricity bills be avoided.
- Government must support and resource First Nations' decision making, self-determination and free prior informed consent to enable First Nations people and organisations to have a say in, participate in and benefit from clean energy projects where they hold land interests.

Recommendation 6: The Federal Government should either re-introduce an economy-wide cap and trade scheme or expand the existing safeguard mechanisms to include more facilities and increase the carbon price. Depending on how the scheme or mechanism is implemented, compensation for people on low incomes for transitional costs arising from the carbon price and/or supports for household to access measures to reduce energy costs, would need to be considered.

Recommendation 7: The Federal Government rapidly phase out all fossil fuel subsidies, rebates and tax credits, and repurpose revenue to help industries and people experiencing financial and social disadvantage transition to renewable energy sources and more efficient operations.

Recommendation 8: Introduce a 10% commonwealth royalty on offshore gas resources.

Recommendation 9: Put in place a strategy, with timelines, to phase out gas and support electrification, along with thermal efficiency and solar upgrades in existing homes with targeted support for people on low-incomes and policies for rental properties, to ensure a fair and inclusive transition.

Recommendation 10: All jurisdictions implement the new 7-star NatHERS rating and energy budget in all jurisdictions by the end of 2023.

Recommendation 11: Federal Government support new social housing development to meet at least 7.5 plus star rating, with all properties electric and renewable-powered, including through providing access to additional funding if needed**.**

Recommendation 12: The next update to new build standards should aim to achieve zero carbon homes (best practice thermal efficiency, all-electric, powered by renewable).

Recommendations 13: The Federal Government works with state and territory jurisdictions to end gas connections to new builds.

Recommendation 14: Investigate a phase out of the sale of gas appliances. Complementary measures will be needed to support people on low incomes to electrify.

Recommendation 15 Eliminate inefficient appliances sold in Australia by tightening requirements and expanding eligible appliances via the Greenhouse and Energy Minimum Standards (GEMS).

Recommendation 16: Remove high costs and disincentives to disconnect from gas networks.

Recommendation 17: Put in place targeted policies to help people on low-incomes and renters electrify (in addition to energy efficiency improvements and access to solar), including:

- Federal Government support for **new** social housing development to meet at least 7.5 plus star rating, with all properties electric and renewable-powered, including through providing access to additional funding if needed**.**
- Mandating minimum energy efficiency performance standards for rental properties, as part of broader standards for what constitutes healthy and habitable rental housing, with the aim to improve efficiency, electrify and install solar. The minimum energy efficiency performance standards are aligned with the Community Sector Blueprint for energy efficiency rental standards.[2]
- Amend the property repairs, maintenance and capital expenditure tax rebate to require appliance replacement with energy efficient, electric appliances.
- Establish a Special Purpose Funding Vehicle, with an initial Federal Government injection of $2 billion over four years - 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. Use the funds to do the following.
    - Implement a 7-year program to fund retrofits (efficiency, electrification and solar) for social housing (public and community housing) and First Nations controlled housing before 2030 (Prioritising First Nations housing). Governments need to budget for upgrades or replacement of stock (where it's not cost effective to upgrade) through additional funding to ensure there is not a reduction in present or future stock.
    - Implement a 7-year program to provide financial support to low-income owner occupiers to retrofit their homes (efficiency, electrification and solar). This could be done through programs like:

[2] https://www.healthyhomes.org.au/news/community-sector-blueprint

        - Environmental Upgrade Financing via local councils (which provides long-term finance that stays with the property and is recovered through council rates) plus subsidies; or
        - By providing access to no-interest loans and subsidies along the lines (with modifications) of the ACT Sustainable Household Scheme.
    - To support minimum energy performance rental standards, provide conditional financial support to landlords. This could be done through programs like:
        - Environmental Upgrade Financing via local councils (which provides long-term finance that stays with the property and is recovered through council rates) or
        - Provide access to no-interest loans and potential subsidies. A cap on rent rises above CPI, should be implemented if subsidies are provided.

Recommendation 18: Work with jurisdictional governments to investigate whether reform of relevant strata laws and/or new governance options is required to improve energy efficiency and electrification in existing apartments. This may include, for example, limiting or prohibiting the ability of strata schemes to prevent or restrict upgrades or retrofits in individual strata lots that may be required to meet new mandated energy efficiency standards.

Recommendation 19 Set energy performance targets for home energy upgrades for low-income housing.

Recommendation 20: Urgently finalise and implement a national residential building energy performance rating system for existing homes.

Recommendation 21: Introduce mandatory disclosure by 2025 of energy performance for all buildings when they are sold and leased.

Recommendation 22: The Federal Government funds programs – like one-stop shops - to provide people with user-friendly and culturally appropriate information, tools and access to qualified trades, to understand energy performance ratings, electrification and the potential long-term benefits of energy performance measures, in order to encourage take-up beyond the minimum performance standard.

Recommendation 23: Culturally and linguistically appropriate education campaign on the benefits of electrification and the renewable transition.

Recommendation 24: Partner with building industry peak bodies, unions and trades associations to educate retailers, tradespeople and installers about great all-electric alternatives to gas appliances. There is an opportunity to train workers in the building and servicing of all-electric homes so tradespeople and installers know about all-electric alternatives. This could be facilitated through the New Energy Apprenticeships Initiative, as well as being directed by peak bodies, unions and trade associations. In particular, courses should be provided by education providers to upskill workers on how to shift away from gas and micro-credentials offered through the National Skills Agreement.

Recommendation 25: The Federal Government works with jurisdictions and industry to ensure effective compliance with minimum standards through skills training and incentives, and improved mechanisms for dispute resolution and redress.

Recommendation 26: Commonwealth, state and territory governments require that the Integrated System Plan gives **greater weighting** to electrification, energy efficiency and demand management opportunities in future plans. This activity could be supported by resourcing the development of an annual Energy Performance Statement of Opportunities.

Recommendation 27: The Government model the co-benefits, including economic, health, household savings, job creation of accelerating residential energy efficiency and electrification.

Recommendation 28: The Government should model the economic and consumer costs of keeping gas and alterative gas options in the system versus accelerating investment in demand reduction, energy efficiency and electrification.

Recommendation 29: The Government fund and deploy an implementation plan alongside the National Energy Workforce Strategy that outlines a clear pathway to bridge the gap between the number of clean economy workers we have now, and what we need to realise our 2030 and 2050 emissions reduction goals, and to deliver on energy performance and climate resilience retrofits. The plan should:

- Provide quality, accessible and affordable education, training, re-skilling and upskilling opportunities targeting people unemployed long-term and others who are marginalised in the labour market, including First Nations people, people with disability and women.
- Promote meaningful employment for people unemployed long-term, First Nations people, people with disability, and others marginalised in the labour market, including through social procurement guidelines and employment and training programs targeting those groups.
- Ensure clean job creation meets the needs of local communities, including by targeting jobs for groups who are long-term unemployed, through local employment and skills development partnerships, paid work experience and training for trades assistants.
- Be aligned with relevant economic participation/employment strategies, including the Strategy for Gender Equality and the Women's Economic Equality Taskforce's 10-year plan, Disability Employment Strategy, and Closing the Gap employment targets.

Recommendation 30: Review vision and implement principles to guide the electricity and energy sector plan (see ourPower for guidance)

Recommendation 31: An Energy Equity and Inclusion workstream be added to the National Energy Transformation Partnership to reduce energy hardship and ensure people and communities experiencing financial and social disadvantage benefit from and are not left behind in the energy transition.

Recommendation 32: Energy Ministers review and reform energy concessions to they are accessible, adequate and equitable.

Recommendation 33: Governments to pursue retail, pricing and protection reform to ensure energy markets and protections are fit-for purpose. This should include:

- Retail price regulation to ensure people can expect a fair deal that meets their needs. This should include a requirement for retailers to offer an efficient, flat

tariff default offer, ensuring other energy offers are simple, transparent and easy to compare, and a guaranteed genuine consumer choice of retail tariff. Better regulatory oversight is needed to ensure these measures are delivered along with greater penalties for retailer breaches.

- Stronger energy consumer protection and assistance frameworks, centred on introducing a retail duty of care and obligation to act in the best interests of consumers. Reforms should include better promotion of hardship support, earlier detection of payment difficulties and an obligation to offer more effective support, debt reduction and other assistance. Recognition of the essential nature of energy and its impact on households should also involve a banning of disconnection for non-payment.
- More effective regulation of energy profits, including through improved transparency and reporting.

Recommendation 34: Shift green schemes off electricity bills and on to government budgets.

Recommendation 35: Ensure everyone can cover basic living costs to afford energy, as well as housing, essential services, health, education and employment. Recommended policies include:

- Lift base rates of income support payments, including JobSeeker and Youth Allowance to the same level as the pension ($532 per week for a single person, including pension supplement) and index all working-age payments twice per year in line with Consumer Price Index and wages.
- Improve the adequacy of payment supplements to meet additional living costs, including by lifting the maximum threshold for Commonwealth Rent Assistance by 50% and by establishing a Disability and Illness Supplement and a Single Parent Supplement.

Introduction

Energy is an essential service. For people, it is critical to health, social, and economic wellbeing.

The energy system is changing rapidly and profoundly as part of the inevitable and necessary transition to cleaner energy. That is, away from a fossil fuel dependent centralised energy system to a more distributed renewable energy system in which energy users can generate, store and trade as well as consume their own energy.

However, climate change and energy transition policies continue to be poorly targeted and inequitable, largely benefiting people with wealth, choice and control. This leaves people experiencing disadvantage paying disproportionately more for the energy bills and towards the cost of the transition to clean energy, while missing out on the benefits delivered through energy efficiency, electrification, rooftop solar, batteries, electric vehicles, or potential new jobs.

In a recent national survey of people on low incomes, 97% indicated they were struggling to afford their energy bills and are running out of options. People reported taking drastic measures like not heating their home in the middle of winter, turning

fridges off overnight, limiting showers, not having visitors, and going without food or medicine to afford their bills.[3] Some people are turning to credit products such as Buy Now Pay Later to pay for energy bills,[4] further increasing their costs of energy, with some falling into spiralling debt.[5] People are getting sick and dying because they cannot heat their homes in winter and cool them in summer.[6]

People on low income spend four times more of their income on energy compared to people on higher incomes.[7] According to the Australian Energy Regulators *State of the Energy Market Report 2023*, energy equity, particularly affordability, remains a significant concern in energy markets.[8] The AER noted that "customers experiencing vulnerability are likely to face additional challenges keeping energy bills low because they may be less able to implement some of the most effective means of reducing energy bills, including modifying energy use, making home energy efficiency upgrades, adopting new technologies and shopping around for better deals. As such, customers experiencing vulnerability are more susceptible to periods of high energy prices and disproportionately represented in the number of customers experiencing debt, hardship, and disconnection."[9]

Energy affordability, combined with an ongoing cost of living crisis is sending people and communities to break point. Recent polling shows support for action on climate change is slipping in priority as cost of living takes precedence.[10] People and communities will not get behind a faster transition if we do not simultaneously address cost of living and put people at the centre of the transition.

Investment in distributed clean energy – rooftop solar, electric hot water, electric heating and cooling, insulation, batteries, and electric vehicles – targeting people on low-incomes, would build industries of the future, create thousands of jobs in manufacturing and installation, provide cost of living relief, improve energy reliability, and cut poverty and inequality.

We cannot keep prioritising profitable big industries ahead of people who are doing it tough, and struggling to afford housing, energy, transport, medicine and to put food on the table. We must put people and communities experiencing financial and social disadvantage at the center of policy making and funding decisions, and embed fairness and inclusion in plans for a rapid transition to a clean energy economy

---

[3] ACOSS (2023) Energy and Cost of living snapshot https://www.acoss.org.au/wp-content/uploads/2023/10/ACOSS-Energy-Cost-of-Living-Snapshot-October-2023.pdf

[4] Financial Counselling Australia (2021) *It's credit, it's causing harm and it needs better safeguards*, p 5 and p 9; CHOICE Consumer Pulse survey September 2022 found 1 in 4 BNPL users used this credit product to pay for essential products or services.

[5] For example, The Debt Trap Alliance found that over 5 years, 15% of people who take out payday loans fall into a debt spiral (*The Debt Trap: How Payday lending is costing Australians* (2019) p 6); CHOICE Consumer Pulse surveys from June to September 2022 found:

- 1 in 7 BNPL users were sold more than 20 BNPL loans in the past year.
- 1 in 5 BNPL users missed or had been late with a payment for a BNPL service.

Of those users with late payments, 2 in 5 have taken out another loan to pay for BNPL fees or debts.

[6] https://www.acoss.org.au/wp-content/uploads/2023/02/ACOSS-Plus-Submission-to-National-Energy-Performance-Strategy-Consultation-paper-07022023.pdf

[7] ACOSS and BSL (2018) Energy Stressed in Australia

[8] AER (2023) State of the Energy Market 2023 https://www.aer.gov.au/system/files/State%20of%20the%20energy%20market%202023%20-%20Full%20report.pdf

[9] Ibid.

[10] https://www.smh.com.au/politics/federal/cost-of-living-crisis-drives-slump-in-support-for-urgent-climate-action-20230816-p5dwx7.html

If we get it right, the future energy won't just be clean, it will also be cheaper and fairer for everyone. But if we get it wrong, then people who can't afford or access new technologies could be left behind and inequality will increase.

To this end ACOSS welcomes the inclusion of 'equity' and 'affordability' in the Electricity and Energy Sector Plan Vision and Objectives.

Our submission will focus on how the Energy Sector Plan can better achieve this.

We will respond to the key questions in the discussions paper's 5 proposed focus areas:

- Mobilising investment.
- Enabling electrification.
- Growing alternative low carbon fuels.
- Building Australia's clean energy workforce.
- Maximising outcomes for people and businesses.

However, we believe there are a few key areas not covered in the discussion paper that we will also briefly touch on including:

- Emissions reduction targets.
- Governance.
- Demand side management.

We refer the Department the following submissions, where further evidence and discussion can be found.

First Nations Clean Energy Strategy: consultation paper 2024

ACOSS Submission on Senate Inquiry on Electrification 2024

ACOSS Submission CCA Targets Issues Paper 2023

ACOSS submission to NEO consultation 2023

ACOSS Submission to National Energy Performance Strategy 2022

ACOSS Submission on Future Gas Strategy 2023

Discussion and Recommendations

1. Australia's sector plan emissions targets must recognise the urgency of the climate crisis and should be consistent with doing our fair share of limiting global warming to 1.5 degrees C

The goal of the Paris Agreement on climate change is to reduce global warming to well below 2 degrees and pursue a limit of 1.5 degrees C above pre-industrial levels.

The Intergovernmental Panel on Climate Change (IPCC) argues that limiting global warming to 1.5 degrees C compared to 2 degrees C could significantly reduce the number of people both exposed to climate risk and susceptible to poverty.[11]

Australia is also widely recognised as being a country that will be disproportionately impacted by negative climate change impacts.[12]

Every fraction of a degree of avoided warming matters, and will be measured in lives, species and ecosystems lost or saved. Breaching 1.5°C of warming significantly increases the risk of triggering abrupt, dangerous and irreversible changes to the climate system.

Acting sooner would deliver profound economic,[13] social and environmental benefits, including saving lives and creating jobs. The longer we delay and avoid emissions reductions the greater the risks and costs. [14, 15 and 16]

In 2021, The Climate Targets Panel[17] a group of senior academic experts in climate budget modelling, climate science and economics, updated the Climate Change Authority 2014 modelling. It concluded that to be consistent with the Paris Agreement goal of limiting global warming to 1.5°C, Australia's 2030 emissions reduction target must be 74% below 2005 levels, with net-zero emissions reached by 2035. The Climate Council undertook similar modelling and concluded similar targets.[18] The goal of net zero by 2050 is far too late to protect people and planet.

The International Energy Agency (IEA)[19] and Climateworks[20] have both modelled 1.5 decarbonisation pathways for different sectors. Both models highlight that some sectors have greater capacity to reduce emissions rapidly using current technology, such as the stationary energy sector and must be prioritised for fast, early emissions reductions to enable other harder to abate sectors to utilise quality offsets.

Recommendation 1: In order for Australia to do our fair share to limit global warming to 1.5 degrees the Electricity and Energy Sector plan should be aiming to reduce emissions further and faster than other sectors and this decade; and achieve **zero** emissions before 2035.

This will require:

- A timely, orderly, equitable and inclusive phase out of coal and gas. The International Energy Agency 1.5 degree emission reduction scenario advocates

[11] https://www.ipcc.ch/sr15/chapter/spm/
[12] https://www.climatecouncil.org.au/resources/hitting-home-compounding-costs-climate-inaction/
[13] Deloitte has found that if action is taken in line with a target of net zero emissions by 2050, 250,000 jobs will be created and $680 billion added to the economy.
[14] https://www.airclim.org/acidnews/ipcc-warns-delaying-action-implies-higher-costs
[15] https://www.lse.ac.uk/granthaminstitute/news/researchers-warn-of-big-increase-in-economic-costs-if-cuts-in-greenhouse-gas-emissions-are-delayed/
[16] https://www.wwf.org.au/ArticleDocuments/353/pub-delaying-climate-action-would-be-costly-for-australia-and-the-world-25may15.pdf.aspx?Embed=Y
[17] https://www.climatecollege.unimelb.edu.au/files/site1/docs/%5Bmi7%3Ami7uid%5D/ClimateTargetsPanelReport.pdf
[18] https://www.climatecouncil.org.au/wp-content/uploads/2021/04/aim-high-go-fast-why-emissions-must-plummet-climate-council-report-210421.pdf
[19] https://www.carbonbrief.org/iea-renewables-should-overtake-coal-within-five-years-to-secure-1-5c-goal/
[20] https://www.climateworkscentre.org/resource/decarbonisation-futures-solutions-actions-and-benchmarks-for-a-net-zero-emissions-australia/

that by 2021 no new oil and gas fields should be approved for development and no new coal mines or extensions;[21]
- Planned and equitable shift to electrification;
- Greater emphasis and importance on energy efficiency and demand management;
- Greater and more equitable investment in large scale renewable and more distributed energy systems; and
- Prioritisation of people and communities experiencing financial and social disadvantage.

2. Ensure legislation and regulation that guide climate change policy development include fairness, equity and inclusion objectives, principles and mechanisms.

As noted above, ACOSS welcomes the inclusion of 'equity' and 'affordability' in the Electricity and Energy Sector Plan Vision and Objectives. This is an important step and will be critical to maintaining social license for the transition to net zero emissions and to ensure no-one is left behind.

We urge the Government to take the next step and amend the National Energy Agreement and the National Energy Objectives (NEO) include equity and affordability objectives, to ensure energy market bodies and government policy are guided

A focus on social equity in would for example, support:

- Distributing costs, benefits and risks transparently and fairly to allow for equitable outcomes regardless of people's ability to engage with the energy system.
- Incentivising energy market participants to innovate in ways that bring benefits to all consumers.
- Providing appropriate protections to support people to access affordable, efficiently priced basic energy supply regardless of how much or little they interact with energy services.

Equally a shift in the objectives to focus on energy affordability and the cost of energy bills, would also place greater emphasis and investment into energy performance and demand management both in front of the meter (energy system) and behind the meter (the house or business).

The call for inclusion of equity and affordability in the NEO is supported by a broad coalition of 37 community, business, environment, and research sector organisations (see ACOSS submission to NEO consultation 2023, for a copy of the joint statement)

Recommendation 2: Amend the National Energy Agreement and the National Energy Objectives (NEO) to include equity and affordability.

It is also important that similar objectives - fairness, equity and inclusion - are also reflected in the Climate Change Act 2022 so that all sector plans and climate change

[21] https://www.carbonbrief.org/iea-renewables-should-overtake-coal-within-five-years-to-secure-1-5c-goal/

mitigation, adaptation and resilience policies and process are required to be guided by these important principles. Not having those provisions in the Climate Change Act 2022 risks an inequitable transformation and response to climate change that increases inequality, poverty and disadvantage.

The call for inclusion of fairness, equity and inclusion in the Climate Change Act 2022 is supported by a broad coalition of 108 community, business, environment, and research sector organisations.[22]

Recommendation 3: The Federal Government amend the Climate Change Act 2022 to insert fairness, equity and inclusion objectives, principles and processes, to guide policies, programs and process to ensure benefits are fairly shared, people's lives are better and that no-one is left behind in the transformation.

3. Include demand-side action and management as a key focus area for the sector plan

We will need renewable energy, electrification, along with **energy efficiency and demand management** to achieve our goal of liming global warming to well below 2 degrees C and pursue a limit of 1.5 degrees.

In fact, energy efficiency and demand management are often referred to as the 'first fuel', and the first step in the decarbonisation pathway to reduce the need for replacement energy. Study after study has noted energy efficiency and demand management are some of the cheapest abatement available, leading to cheaper energy bills, and it remains a substantially untapped resource in Australia.

The International Renewable Energy Agency estimates that energy efficiency will deliver 25 per cent of the entire world's emissions reductions to 2050, the same proportion that is expected to come from renewable energy. Electrification is anticipated to deliver a further 20 per cent reduction.[23]

New research commissioned by the Energy Efficiency Council and ANZ, confirms the international figures are similar in Australia. The research shows energy efficiency and electrification can deliver 14 per cent and 26 per cent of Australia's emissions reductions, respectively at low cost. Australia's focus on developing frameworks and incentives on the energy supply side - at the expense of energy demand and performance - means we are exposed to unpredictable energy market transition.[24]

Recommendation 4: The Energy and Electricity sector plan should elevate energy efficiency and demand management to make them equal partners to new infrastructure in the transition, embracing the 'efficiency first' principle.

ACOSS Submission to National Energy Performance Strategy 2022 also outlines the importance of targets and appropriate governance frameworks (see also recommendation 3).

[22] https://www.fairfastclimateaction.org.au/climate_change_act
[23] International Renewable Energy Agency (IRENA) 2022, World Energy Transition Outlook 2022
[24] Northmore Gordon 2023, Energy efficiency scenario modelling

Further recommendations on incorporating energy efficiency in the residential setting are outlined in section 5 below.

4. Mobilising investment to transform energy

1.What actions are needed to attract the required large scale private capital and household investment in the energy transformation, with or without government intervention?

4.1 Investment should be fair, equitable and inclusive

There are a number of principles that should guide actions and decisions on investment, including:

- Public investment should prioritise measures that will support people experiencing financial and social disadvantage participate in and benefit from the transition to clean energy and ensure no-one is left behind.
- Where public investment supports industry investment, conditions should be put on those investments to deliver long term benefit to communities, workers and industries and foster community support that is critical for a successful transition. The benefit sharing opportunities should be commensurate to the size and scale of projects. Conditions could include:
    - Undertake inclusive community engagement and participation, to identify local benefits and economic development: i.e. engagement with local and diverse voices and leaders, including people experiencing financial and social disadvantage.
    - Enable quality employment opportunities for local people and contract local businesses, and limit fly in, fly out workforce.
    - Promote clean industries that provide meaningful and secure jobs for workers across the economy, with targeted support for people facing challenges entering the workforce, providing jobs with decent wages, conditions and support.
    - Provide quality, accessible and affordable education, training and re-skilling opportunities for community members of all ages and diversities.
    - Invest in adequate, affordable, and culturally safe infrastructure, resources, and services for the basic needs, health, and wellbeing of all community members (e.g. housing, health, education, aged care and childcare services).
    - Support just adaptation and enhance resilience to climate change and disasters for the community, prioritising people experiencing disadvantage.
    - Promote environmental sustainability and repair to ensure ecosystem health and promote water and food security.
- Recouping investments from electricity bills should be avoided. Because people on low incomes pay disproportionately more of their income on electricity bills and lack choice and control to implement measures to reduce energy in their home, recouping clean energy investment via electricity bills disproportionately impacts people on low incomes and is regressive.

- Government must support and resource First Nations' decision making, self-determination and free prior informed consent to enable First Nations people and organisations to have a say in, participate in and benefit from clean energy projects where they hold land interests. To ensure such projects meet their goals for employment, access to clean energy, cultural practice, environmental protections (including food and water security), and improved health outcomes.

Recommendation 5: The Government should establish principles to guide investment decisions, including:

- Public investment should prioritise measures that will support people experiencing financial and social disadvantage.
- Where public investment supports industry investment, conditions should be put on those investments to deliver long term benefit to communities, workers and industries and foster community support that is critical for a successful transition.
- Recouping investments from electricity bills be avoided.
- Government must support and resource First Nations' decision making, self-determination and free prior informed consent to enable First Nations people and organisations to have a say in, participate in and benefit from clean energy projects where they hold land interests

4.2 Polluters pay principle should be applied to generate revenue to support investment

Significant uplift in investment will be required to support a fair, fast and inclusive transition to clean energy and a clean economy. A polluters pay principle should be at the heart of policy to support accelerated investment in zero emissions stationary energy.

ACOSS has previously advocated for a mix of regulation, off budget measures and carbon price (where revenue raised was used to compensate low-income households for transitional costs arising from the carbon price) to support the scale and acceleration of investment needed.

Absent a new economy-wide cap and trade scheme, the existing safeguard mechanisms should be expanded to include more facilities and the carbon price increased.

Depending on how the scheme or mechanism is implemented, compensation for people on low incomes for transitional costs arising from the carbon price and/or supports for households to access measures to reduce energy costs, would need to be considered.

Recommendation 6: The Federal Government either re-introduce an economy-wide cap and trade scheme or expand the existing safeguard mechanisms to include more facilities and increase the carbon price. Depending on how the scheme or mechanism is implemented, compensation for people on low incomes for transitional costs arising from the carbon price and/or supports for households to access measures to reduce energy costs, would need to be considered.

To support increasing costs of off budget measures, the Government should end the more than $12 billion dollars of annual subsidies for fossil fuel production and use, that contribute to increasing emissions and to end the additional billions in government funding for gas, coal and fossil carbon capture and storage (CCS) projects.

> **Recommendation 7: T**he Federal Government to rapidly phase out all fossil fuel subsidies, rebates and tax credits, and repurpose revenue to help industries and people experiencing financial and social disadvantage transition to renewable energy sources and more efficient operations.

The Government should also increase taxes on the top fossil fuel producers. Although we are largest gas-exporter in the world, our governments collect taxes and royalties from petroleum and gas mining at much lower effective rates than comparable countries such as Denmark, the Netherlands and Norway.[25] In addition to the Petroleum Resource Rent Tax (PRRT) the government should introduce a 10% royalty on existing and future offshore LNG projects which are not subject to state government royalties. This would better align their tax treatment with that of onshore oil and gas projects (including the North West Shelf Project) which are already subject to royalties of 10% or more. It would also bring forward revenues from offshore gas production and improve revenue certainty, noting that royalties are offset against future PRRT liabilities.

> **Recommendation 8:** Introduce a 10% commonwealth royalty on offshore gas resources.

5. Enabling electrification

> 2.What actions are required to ensure Australia's energy systems can enable increased electrification, while maintaining equity, reliability and security?
>
> 3.What insights do you have on the pace, scale and location of electrification, and how to embed this in system planning?
>
> 4.How can electrification efforts be sequenced to align with expansion of electricity generation and network capacity?

Like energy efficiency and demand side management, electrification is a "no regrets" measure. This means it is an action that is worth taking because it is likely to be beneficial no matter what happens in the future.

As noted earlier, research shows electrification can deliver 26 per cent of Australia's emissions reductions at low cost.

When it comes to residential energy, there are no plausible alternatives to efficient household electrification. Potential 'alternatives' like hydrogen (green or otherwise) or biofuels:

[25] Boue C (2017), *Upstream petroleum taxation in Australia in comparative perspective.* submission to Senate Inquiry into corporate tax avoidance. Oxford Energy Institute. Taxes and royalties for hydrocarbons contribute over$40 billion a year to public revenue in Qatar and one quarter of public revenue in Norway (Burke P 2023, *On the way out: Government revenues from fossil fuels in Australia*, TTPI Working Paper 16/2022 December 2022).

- fail to reduce emissions quickly and in line with limiting warming to 1,5 degrees,
- are still harmful to health, and
- involve unnecessary cost and risk to households.

ACOSS strongly supports electrification of the residential sector as a key solution to not only cut carbon emissions but to:

- Reduce energy bills - Climate Council analysis shows electrifying a home's cooking, heating and hot water can save a household between $336 and $1,311 a year; with households in Hobart, Melbourne, Canberra and Brisbane saving the most.[26]
- Improving health outcomes - There are significant health benefits of households shifting off gas to electric appliances. Gas is poisonous, and the use of gas appliances in homes reduces indoor air quality, both when gas is burned and through leakage. For example, cooking with gas has been estimated to be responsible for up to 12% of the burden of childhood asthma in Australia.[27] Better ventilation, including modern extraction fans over stoves, flues for gas heaters and other safety measures like ensuring appliances are properly serviced or opening windows can reduce but not eliminate these risks.
- Reduce poverty and inequality - Given people on low incomes spend disproportionately more of their income on energy bills, and experience higher levels of energy deprivation and debt, high energy performing homes will benefit people on low incomes the most, will significantly reduce the numbers of people in energy hardship and help reduce poverty and inequality

However, electrification must also be done alongside thermal efficiency improvements, including insulation, draught proofing, efficiency windows, shading and coverings and where feasible, access to small-scale renewables and storage (rooftop solar, solar heat pumps, batteries), to achieve emission reduction goals and maximise the other benefits.

People on low incomes would benefit the most from thermal efficiency and electrification, rooftop solar home energy upgrades, given they pay disproportionately more of their income on electricity and gas bills, and face high cost of living or other essentials. However, they also face the greatest barriers to electrification, especially if they rent, because they have less choice and control over changes to their home.

ACOSS Submission on Senate Inquiry on Electrification 2024 provides further information on barriers to home efficiency, electrification, and solar, and the additional barriers that face people in low-income housing.

ClimateWorks finds an overreliance on market forces will not generate the levels of action needed to achieve electrification and energy efficiency across the building stock and that regulation and other policy interventions will be necessary.[28]

[26] https://www.climatecouncil.org.au/wp-content/uploads/2023/04/CC_MVSA0353-CC-Report-Two-for-One-Home-Energy-Efficiency_V5.2-FA-Screen-Single.pdf
[27] https://www.climatecouncil.org.au/wp-content/uploads/2021/05/Kicking-the-Gas-Habit-How-Gas-is-Harming-our-Health.pdf
[28] https://www.climateworkscentre.org/project/renovation-pathways/

Consultation undertaken by ACOSS found broad consensus for government prioritisation and direct funding of home energy upgrades for low-income housing. That government prioritisation and acceleration of home energy upgrades for low-income housing would build economies of scale and market capacity, reducing the costs for all housing retrofits, while reducing poverty and inequality.[29]

ACOSS also notes that the current Government framing around choice to shift from gas to electric, is dangerous for the following reasons:

- It puts the onus for decarbonisation on the household.
- It increases the costs and risk to people who do not have the choice or control, or are in hard to electrify homes.
- It delays decarbonisation.

There needs to be planning, timelines, education and supports in place to efficiently and effectively electrify in order to support our decarbonisation goals.

Low-income households must be prioritised and supported to access to home efficiency, electrification, and solar.

We make the following recommendations:

Recommendation 9: Put in place a strategy, with timelines, to phase out gas and support electrification, along with thermal efficiency and solar upgrades in existing homes with targeted support for people on low-incomes and policies for rental properties, to ensure a fair and inclusive transition.

Recommendation 10: All jurisdictions implement the new 7-star NatHERS rating and energy budget in all jurisdictions by the end of 2023.

Recommendation 11: Federal Government support new social housing development to meet at least 7.5 plus star rating, with all properties electric and renewable-powered, including through providing access to additional funding if needed.

Recommendation 12: The next update to new build standards should aim to achieve zero carbon homes (best practice thermal efficiency, all-electric, powered by renewable).

Recommendations 13: The Federal Government works with state and territory jurisdictions to end gas connections to new builds.

Recommendation 14: Investigate a phase out of the sale of gas appliances. Complementary measures will be needed to support people on low incomes to electrify.

Recommendation 15 Eliminate inefficient appliances sold in Australia by tightening requirements and expanding eligible appliances via the Greenhouse and Energy Minimum Standards (GEMS).

Recommendation 16: Remove high costs and disincentives to disconnect from gas networks.

[29] https://www.acoss.org.au/wp-content/uploads/2024/02/ACOSS-Report-Funding-and-Financing-Low-income-retrofits-January-2024-.pdf

Recommendation 17: Put in place targeted policies to help people on low-incomes and renters electrify (in addition to energy efficiency improvements and access to solar), including:

- Federal Government support for **new** social housing development to meet at least 7.5 plus star rating, with all properties electric and renewable-powered, including through providing access to additional funding if needed**.**
- Mandating minimum energy efficiency performance standards for rental properties, as part of broader standards for what constitutes healthy and habitable rental housing, with the aim to improve efficiency, electrify and install solar. The minimum energy efficiency performance standards are aligned with the Community Sector Blueprint for energy efficiency rental standards.[30]
- Amend the property repairs, maintenance and capital expenditure tax rebate to require appliance replacement with energy efficient, electric appliances.
- Establish a Special Purpose Funding Vehicle, with an initial Federal Government injection of $2 billion over four years - 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. Use the funds to do the following.
    - Implement a 7-year program to fund retrofits (efficiency, electrification and solar) for social housing (public and community housing) and First Nations Controlled housing before 2030 (Prioritising First Nations housing). Governments need to budget for upgrades or replacement of stock (where it's not cost effective to upgrade) through additional funding to ensure there is not a reduction in present or future stock.
    - Implement a 7-year program to provide financial support to low-income owner occupiers to retrofit their homes (efficiency, electrification and solar). This could be done through programs like:
        - Environmental Upgrade Financing via local councils (which provides long-term finance that stays with the property and is recovered through council rates) plus subsidies; or
        - By providing access to no-interest loans and subsidies along the lines (with modifications) of the ACT Sustainable Household Scheme.
    - To support minimum energy performance rental standards, provide conditional financial support to landlord. This could be done through programs like:
        - Environmental Upgrade Financing via local councils (which provides long-term finance that stays with the property and is recovered through council rates) or
        - Provide access to no-interest loans and potential subsidies. A cap on rent rises above CPI, should be implemented if subsidies are provided.

[30] https://www.healthyhomes.org.au/news/community-sector-blueprint

Recommendation 18: Work with jurisdictional governments to investigate whether reform of relevant strata laws and/or new governance options is required to improve energy efficiency and electrification in existing apartments. This may include, for example, limiting or prohibiting the ability of strata schemes to prevent or restrict upgrades or retrofits in individual strata lots that may be required to meet new mandated energy efficiency standards.

Recommendation 19 Set energy performance targets for home energy upgrades for low-income housing.

Recommendation 20: Urgently finalise and implement a national residential building energy performance rating system for existing homes.

Recommendation 21: Introduce mandatory disclosure of energy performance for all buildings when they are sold and leased by 2025.

Recommendation 22: The Federal Government funds programs – like one-stop shops - to provide people with user-friendly and culturally appropriate information, tools and access to qualified trades, to understand energy performance ratings, electrification and the potential long-term benefits of energy performance measures, in order to encourage take-up beyond the minimum performance standard.

Recommendation 23: Culturally and linguistically appropriate education campaign on the benefits of electrification and the renewable transition.

Recommendation 24: Partner with building industry peak bodies, unions and trades associations to educate retailers, tradespeople and installers about great all-electric alternatives to gas appliances. There is an opportunity to train workers in the building and servicing of all-electric homes so tradespeople and installers know about all-electric alternatives. This could be facilitated through the New Energy Apprenticeships Initiative, as well as being directed by peak bodies, unions and trade associations. In particular, courses should be provided by education providers to upskill workers on how to shift away from gas and micro-credentials offered through the National Skills Agreement.

Recommendation 25: The Federal Government works with jurisdictions and industry to ensure effective compliance with minimum standards through skills training and incentives, and improved mechanisms for dispute resolution and redress.

Recommendation 26: Commonwealth, state and territory governments require that the Integrated System Plan gives **greater weighting** to electrification, energy efficiency and demand management opportunities in future plans. This activity could be supported by resourcing the development of an annual Energy Performance Statement of Opportunities.

Recommendation 27: The Government should model the co-benefits, including economic, health, household savings, job creation of accelerating residential energy efficiency and electrification.

6. Growing alternative low carbon fuels

- 5.What policy settings and certainty are required to support a fair, equitable and orderly transition for the decarbonisation of both natural gas and liquid fuels?
- 6.What actions are required to establish low carbon fuel industries in Australia, including enabling supply and demand, and what are the most prospective production pathways?
- 7.Are the proposed policy focus areas for managing the liquid fuels transition (outlined in Section 4 of the discussion paper) the correct areas to focus on,

The ACOSS Submission on Future Gas Strategy 2023, provides an extensive outline of our views on gas and alternative gas as part of fair, equitable and orderly transition.

In summary, the expansion of gas is not consistent with Australia's commitment to pursue limiting warming to 1.5 degrees and will leave us with costly stranded assets as we make the transition to renewable energies. It will slow the energy transition, leaving Australia behind in securing supply chains for renewable infrastructure and delay our development of clean economy industries and workforce. Gas has negative health impacts as a result of extraction and use in the home. Expansion will negatively impact First Nations communities, water supply and degrade the environment. It will also increase costs to consumers, particularly those on low-income and/or renting who have no choice or ability to electrify.

Residential use of hydrogen or biogases as potential 'alternatives' to the methane gas in residential network is not efficient or effective. They fail to contribute to emissions reduction and improved household health or involve substantial unnecessary cost and risk to households.

Existing gas infrastructure would either have to be replaced or modified to hold hydrogen gas. Estimates for upgrading infrastructure to accept 100% supplies of hydrogen vary from 28% of the cost of an entirely new network, to more than 100% of the cost.[31]

At the household level existing appliances would need to be replaced to accommodate hydrogen, many of these appliances are not yet available. Collective cost to upgrade appliances to accept hydrogen for Victorian and South Australian customers has been estimated at $585 million.[32]

Biomethane could be more readily accepted by existing infrastructure and appliances. However, it is heavily supply-constrained and is better served in other hard to abate areas such as a chemical feedstock in some manufacturing processes, and in the refining of some metals.[33]

[31] IEEFA (2023) Submission to Future Gas Strategy Consultation.
[32] Australian Hydrogen Centre. Summary report – for renewable hydrogen in existing Victorian and South Australian gas networks. November 2023. Page 18.
[33] https://www.climatecouncil.org.au/resources/biogas-green-gas-renewable-gas/

While gas has historically been marketed as a cheap energy option, that is no longer true. Gas and alternative gas options are expensive, with gas prices rising faster than electricity and the rate of inflation since 2012.[34]

Gas-consuming households are more exposed to energy price inflation than all-electric homes, which generally have lower energy bills.[35]

Connection to a separate gas network creates additional and unnecessary costs to households. Having both electricity and gas in the home requires households to pay two lots of network costs.

Given a portion of network costs are fixed, people on low-incomes, who pay disproportionately more of their income on household energy, cannot minimise these costs. People on low-income would significantly benefit from only paying for one network.

Households are already shifting away from gas, increasing costs for those who don't have a choice.

Some have argued that phasing out the gas network will increase the load and cost of electricity networks and consumers would therefore not be better off. However, CSIRO analysis for Energy Consumers Australia found that electrification of households would increase electricity network utilisation of existing infrastructure and would reduce costs for all consumers[36]

Use of hydrogen or biogas to replace existing methane in gas networks would represent an inefficient waste of resources, and would be better utilised in harder to abate areas, especially where there are more efficient, effective and lower emissions options in residential sector.

The recommendations in section 5 cover key recommendations to support a fair, equitable and inclusive shift away from gas to electrification in residential settings. In addition, we make the following recommendation.

> **Recommendation 28:** The Government should model the economic and consumer costs of keeping gas and alterative gas options in the system versus accelerating investment in demand reduction, energy efficiency and electrification.

7. Building Australia's Clean energy workforce

- 8.What actions are required to ensure workforce requirements for the energy transformation are met, while supporting equitable outcomes?

Employment and workforce transition to a zero-emissions economy should be equitably and inclusively planned and managed to promote full employment, prioritising people experiencing disadvantage, so that people seeking paid jobs or more hours can find them. We make the following recommendation to support this outcome.

[34] https://www.monash.edu/__data/assets/pdf_file/0005/3433550/Switching-On_Benefits-of-household-electrification-in-Australia_report.pdf
[35] https://energyconsumersaustralia.com.au/wp-content/uploads/Stepping-Up-Report-Final.pdf
[36] CSIRO. Consumer impacts of the energy transition: modelling report. July 2023. Page 19.

Recommendation 29: The Government fund and deploy an implementation plan alongside the National Energy Workforce Strategy that outlines a clear pathway to bridge the gap between the number of clean economy workers we have now, and what we need to realise our 2030 and 2050 emissions reduction goals, and to deliver on energy performance and climate resilience retrofits. The plan should:

- Provide quality, accessible and affordable education, training, re-skilling and upskilling opportunities targeting people unemployed long-term and others who are marginalised in the labour market, including First Nations people, people with disability and women.
- Promote meaningful employment for people unemployed long-term, First Nations people, people with disability, and others marginalised in the labour market, including through social procurement guidelines and employment and training programs targeting those groups.
- Ensure clean job creation meets the needs of local communities, including by targeting jobs for groups who are long-term unemployed, through local employment and skills development partnerships, paid work experience and training for trades assistants.
- Be aligned with relevant economic participation/employment strategies, including the Strategy for Gender Equality and the Women's Economic Equality Taskforce's 10-year plan, Disability Employment Strategy, and Closing the Gap employment targets.

- 9.What actions are required to ensure better energy outcomes for people and businesses, and maximise their benefit from the energy transformation?
- 10.What social licence and circular economy aspects should be considered as part of the pathway for the energy transformation?

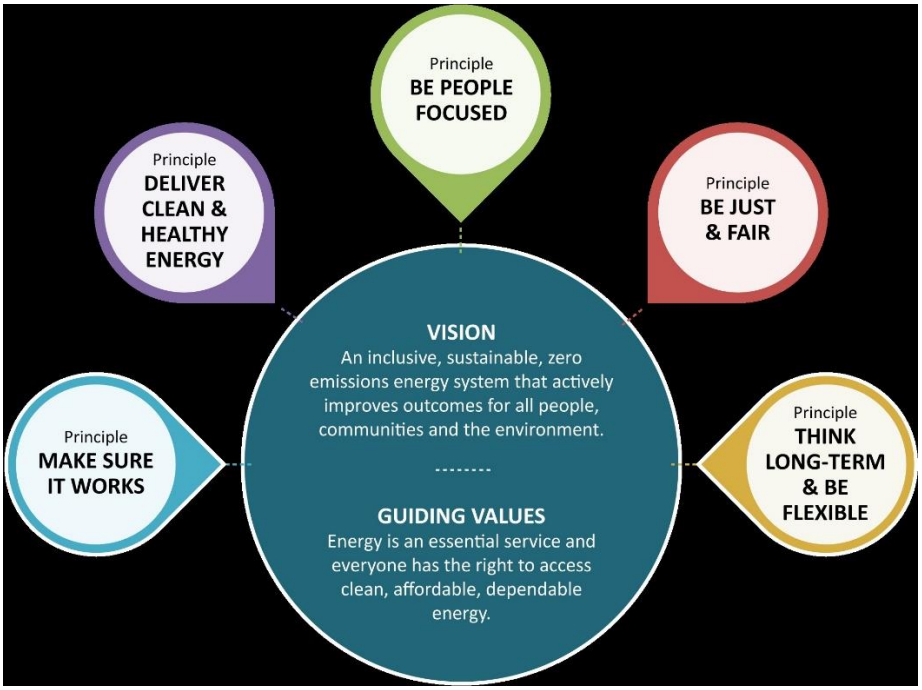
8. Maximising outcomes for people and businesses

We have touched on many of the solutions to ensure better outcomes for people and communities in the sections above. However, more is needed if we are to ensure the transition to clean energy sector is fair, fast, inclusive, and affordable.

8.2 Implement principles to guide the energy transition

We welcome the electricity and Energy Sector plan vision and objectives. We would encourage the Government to consider the vision, principles and guiding principles outlined in ourPower, developed by ACOSS in collaboration with a wide range of organisation, to further guide the plan and its implementation.

Recommendation 30: Review vision and implement principles to guide the electricity and energy sector plan (see ourPower for guidance)



8.1 Energy Equity and Inclusion workstream to the National Energy Transformation Partnership

We recommend an Energy Equity and Inclusion workstream be added to the National Energy Transformation Partnership. This workstream should focus on reducing energy hardship and ensuring the energy transformation helps to improve outcomes for people experiencing disadvantage.

The discussion paper refers to a number of process to consider affordability and equity, however there is no dedicated process, apart from including the First Nations Clean Energy Strategy, that is specifically dedicated to reducing energy hardship and ensuring people and communities experiencing financial and social disadvantage benefit from and are not left behind in the transition.

> **Recommendation 31:** An Energy Equity and Inclusion workstream be added to the National Energy Transformation Partnership to reduce energy hardship and ensure people and communities experiencing financial and social disadvantage benefit from and are not left behind in the energy transition.

8.2 Reform energy concessions/rebates to ensure they are accessible, adequate and equitable.

We need to urgently reform energy concessions to ensure they are accessible, adequate and equitable. A response to the ACCC recommendation 37 in its 2018 report *Restoring Electricity Affordability and Australia's Competitive Advantage,*[37] and

[37] ACCC (2018) Restoring Electricity Affordability and Australia's Competitive Advantage, Retail Electricity Pricing Enquiry, Final Report.

AEMC recommendation 6 in the *2017 AEMC Retail Energy Competition Review*,[38] is overdue and urgently needed.

We are calling for governments to work together and reform energy concessions and rebates, ensuring they are proportional to the size of the bill to better meet the needs of people and changing circumstances. They should be automatically applied to those eligible, and eligibility should be expanded to all people who need additional financial assistance to support their energy needs[39] People are still falling into energy hardship despite being eligible for energy concessions[40] and some of the most vulnerable people in our community are missing out altogether.[41]

Fixed energy concessions do not respond to energy price changes, seasonal variations in energy requirements, or the energy performance of the home. Some people are getting more assistance.[42] Investment in energy efficiency, electrification and solar for low-income homes, combined with percentage-based concessions, would ultimately reduce the long-term cost to governments as well as households.

> **Recommendation 32:** Energy Ministers review and reform energy concessions to they are accessible, adequate and equitable.

8.3 Provide greater retail protection through reform of retail regulation, pricing and tariffs.

In 2018 the ACCC argued that the energy market and retail competition were failing consumers.[43] Little has changed following the report and indeed increases in energy prices have arguably seen a deterioration in outcomes for most energy consumers.

Regulated default offers or price caps of some form have been introduced by regulators in all jurisdictions. However, they are not all sufficient to address the issues identified by the ACCC and are not able to deliver acceptable outcomes for energy consumers. The Default Market Offer (DMO) is ineffective because it intentionally does not provide consumers with the protection of a genuinely fair default. People are burdened with unreasonable wholesale and retail costs that don't reflect an efficient cost to serve.[44] Many people are on contracts with expired benefits which may be higher than the 'regulated or default' standing offer, meaning people need to **continuously** renegotiate or switch market contracts simply to avoid paying

---

[38] https://www.aemc.gov.au/sites/default/files/content/006ad951-7c42-4058-9724-51fe114cabb6/2017-AEMC-Retail-Energy-Competition-Review-FINAL.pdf
[39] See community sector 2022 report Reforming Electricity Concessions to Better Meet Need https://www.acoss.org.au/wp-content/uploads/2023/09/Reforming-electricity-concessions-to-better-meet-need-Summary-Report-Final.pdf
[40] CPRC (2022) Mind the Gap: identifying the gap between energy concessions eligibility and concessions received. Estimate between 7 and 38% of people, depending on jurisdiction, are eligible by not getting an energy concession.
[41] For example, First Nations people on jobseeker in the Northern Territory are not eligible for energy concessions.
[42] Ibid.
[43] ACCC (2018) Restoring Electricity Affordability and Australia's Competitive Advantage, Retail Electricity Pricing Enquiry, Final Report.
[44] https://piac.asn.au/wp-content/uploads/2022/11/22-30-11-Submission-to-AER-DMO-issues-paper-2023-24.pdf

unreasonable prices.[45] For people experiencing hardship, language barriers, domestic violence and other barriers, constant switching is not feasible. In fact, constantly switching retailers and monitoring their offers is neither a sustainable nor appropriate expectation to have of any consumers in accessing an essential service. People shouldn't be penalised with higher energy bills for not constantly engaging with a complicated energy market they increasingly cannot trust.

More effective price regulation and transparency focussed on consumer outcomes is also needed, including careful consideration of the role of tariff structures. Network tariff changes should not result in a loss of retail choice for consumers. No consumer should be forced to take up time-of-use or other retail tariff options which do not suit their needs and may leave them worse off.

Energy market regulations and consumer protections frameworks designed to promote the interests of consumers are clearly failing in their intent and need to be reformed. As evidenced by increasing numbers of people on energy hardship programs and in energy debt, with disconnections increasing again after the AER's COVID-19 related Statement of Expectations.

Recommendation 33: We are calling on governments to pursue retail, pricing and protection reform to ensure energy markets and protections are fit-for purpose. This should include:

- Retail price regulation to ensure people can expect a fair deal that meets their needs. This should include a requirement for retailers to offer an efficient, flat tariff default offer, ensuring other energy offers are simple, transparent and easy to compare, and a guaranteed genuine consumer choice of retail tariff. Better regulatory oversight is needed to ensure these measures are delivered along with greater penalties for retailer breaches.
- Stronger energy consumer protection and assistance frameworks, centred on introducing a retail duty of care and obligation to act in the best interests of consumers. Reforms should include better promotion of hardship support, earlier detection of payment difficulties and an obligation to offer more effective support, debt reduction and other assistance. Recognition of the essential nature of energy and its impact on households should also involve a banning of disconnection for non-payment.
- More effective regulation of energy profits, including through improved transparency and reporting.

8.4 Shift green schemes of electricity bills

Green schemes account for approximately 10% of electricity bills. The cost recovery for subsidies is consumption based (so the more energy you use the more you pay), with GST charged on top. People on low-incomes contribute disproportionately more to the costs of these schemes. For example, The Small-scale Renewable Energy Scheme (SRES), which has been in place until 2030, subsidises the costs of installing small-scale renewable energy sources (such as rooftop solar and hot water heat

[45] https://www.aer.gov.au/system/files/State%20of%20the%20energy%20market%202023%20-%20Full%20report.pdf

pumps) to households which can afford and access them. The cost is currently recouped through business and household electricity bills, with GST being charged on top. People on low incomes contribute disproportionately more to the costs of the SRES, while wealthier households receive greater direct benefits.[46] The ACCC has previously recommended that the scheme be abolished.[47] ACOSS argues green schemes should be shifted off bills and on to government budgets.

> **Recommendation 34:** Shift green schemes off electricity bills and on to government budgets.

8.5 Adequate income to reduce energy hardship

There is significant evidence that shows inadequate income support payments directly contribute to energy deprivation, debt, and disconnection. Research by Deloitte commissioned by the Energy Charter during COVID found that when JobSeeker was doubled to help people with financial pressures imposed by COVID, that people were able to pay down their energy debt.[48]

> **Recommendation 35:** Ensure everyone can cover basic living costs to afford energy, as well as housing, essential services, health, education and employment. Recommended policies include:

- Lift base rates of income support payments, including JobSeeker and Youth Allowance to the same level as the pension ($532 per week for a single person, including pension supplement) and index all working-age payments twice per year in line with Consumer Price Index and wages.[49]
- Improve the adequacy of payment supplements to meet additional living costs, including by lifting the maximum threshold for Commonwealth Rent Assistance by 50% and by establishing a Disability and Illness Supplement and a Single Parent Supplement.

Contact

Kellie Caught

Program Director, Climate and Energy

Email: kellie@acoss.org.au

[46] 14 Best. R, Chareunsy. A, and Li. H, (2021), "Equity and effectiveness of Australian small-scale solar schemes", http://tinyurl.com/57nz56fw
[47] Australian Consumer and Competition Commission (2018), Restoring electricity affordability and Australia's competitive advantage Australian Government, Canberra. Recommendation 24. Available: http://tinyurl.com/29udfa7e
[48] https://www.theenergycharter.com.au/covid-19-consumer-research/
[49] ACOSS Raise the Rate for Good