

Saving energy, growing jobs

*Victoria's energy efficiency
and productivity statement*

June 2015



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Minister's foreword

The Andrews Labor Government has a plan to save energy, grow jobs and protect our environment. By taking decisive, practical steps together, we can make this vision a reality and transition to an energy efficient economy.

We already have the technology, skills and services to make improvements now, and this Statement presents our six priorities for action: buildings, businesses, vulnerable energy consumers, energy markets, Government leadership and Victorian energy efficiency jobs.

In an energy efficient economy, people are less vulnerable to energy price pressures. Homes have better energy performance and businesses with higher energy productivity are more profitable, which supports and creates jobs.

- By working with consumers – who are equipped with the technology to control their energy use – we can reduce bills and emissions and boost savings and productivity.
- By reducing energy waste, we can strengthen our economy, reduce greenhouse gas emissions and become more resilient to the effects of climate change.
- By improving the standards and incentives – when we purchase appliances or modify buildings – we can capture the benefits of an energy efficient economy.

This is all part of our plan to lead the nation on climate change and create new energy industry jobs – a sector with extraordinary potential for growth.

This year, the Government will host a summit to discuss ways to improve Victoria's energy efficiency and productivity. I look forward to working with you to improve our energy performance and create more jobs.

This Statement is part of the Andrews Labor Government's plan to create jobs in new energy technology, strengthen our economy and restore Victoria's position as a leader in tackling climate change. Other parts of our plan include:

- ***Reviewing and improving the Climate Change Act***
- ***A Renewable Energy Action Plan that's focused on jobs***
- ***A New Energy Technologies Strategy to expand this booming industry***
- ***Helping the EPA regulate pollution more effectively.***

Together, we will help our state transition to a low-emissions economy.



**Hon Lily D'Ambrosio
MLA**

Minister for Energy
and Resources

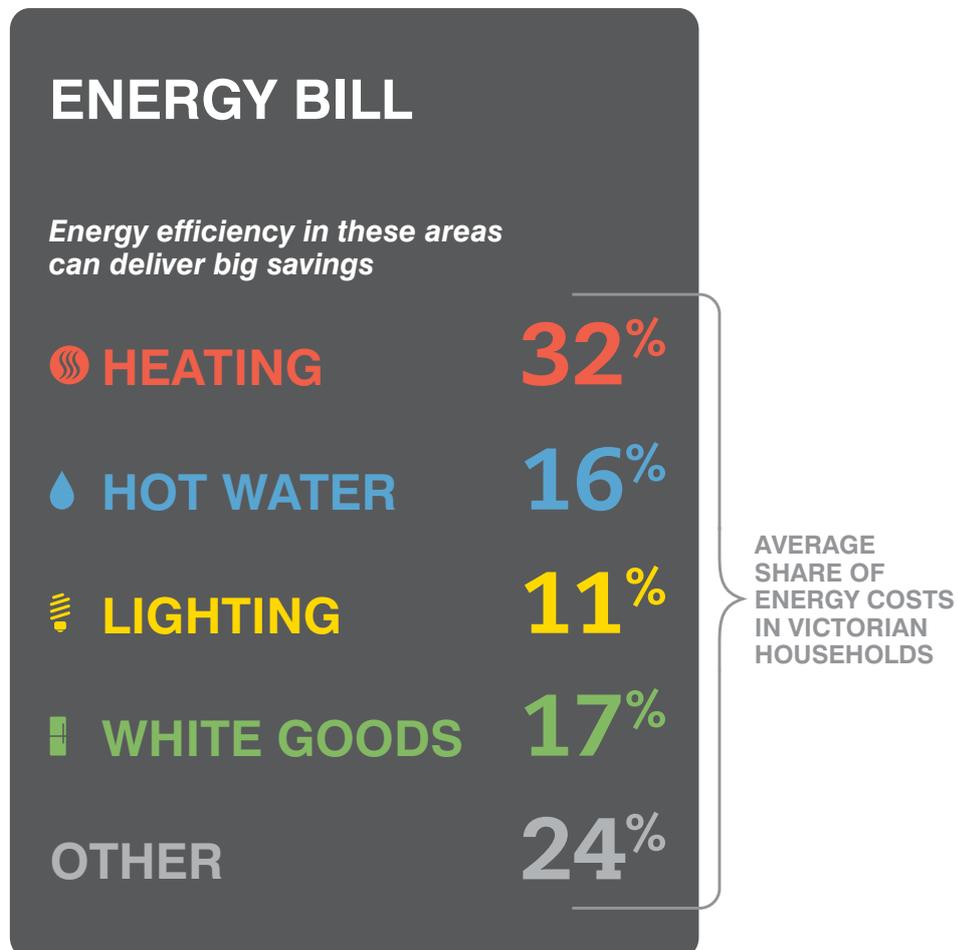
Why energy efficiency matters for Victorians



It relieves cost pressures and improves wellbeing

By improving the energy efficiency of Victorian homes, we will improve health and wellbeing, and cut energy bills. For households and businesses, lowering the cost of the total bill received, through more efficient energy use, is just as important as minimising energy prices.

The Victorian Energy Efficiency Target (VEET), the Government's market-based scheme, has helped almost 1.5 million Victorians to reduce their bills through improved energy efficiency, and has particularly benefited those on low incomes. During 2015, the Government will strengthen the scheme to further increase its benefits. Improving energy efficiency can significantly relieve cost pressures. An efficient Victorian household can save around 40 per cent of an average household's energy costs. Benefits and bill savings will increase as energy prices rise in future.



Source: Sustainability Victoria 2014, *Victorian Household Energy Report*.

The Victorian Government will deliver a Residential Efficiency Scorecard, which will help Victorians understand how to save on their energy bills. The Scorecard is the first of its kind in Australia, providing a practical way to compare and assess existing homes. It includes a feature to help householders understand how their house will perform in heatwaves. Homeowners can use the tool to demonstrate the low energy costs of their house when they sell or lease. The Scorecard will open up opportunities for improving the efficiency of Victorian homes, and develop new markets for energy efficiency services.

Supporting energy efficient choices is about more than smarter behaviour or appliances; it is about driving change to increase the efficiency of buildings themselves. Most Victorian homes – around 85 per cent – were built before five-star energy efficiency regulations were first introduced in 2005.¹ By increasing the efficiency of old building stock, we can achieve major bill reductions and amenity improvements, including for the many Victorians who are renting.

Targeted energy efficiency measures can support those vulnerable to energy costs. Victorians on a low income are more likely to have inefficient homes and appliances, more likely to be renters, and more likely to lack the information and funds needed to make improvements. For these households, struggling with energy bills can lead to disconnection, cutting back on essentials, and avoiding heating or cooling, with implications for health and independence. Energy efficiency, particularly when connected to other support services, can contribute to financial stability, and help Victorians avoid falling into hardship.

Improving the energy performance of Victorians' homes will not only reduce bills, it will improve residents' health and safety. Actions to make a house more energy efficient – such as insulation or shading – can make homes safer and more comfortable in heatwaves and cold weather, and can protect health.

Energy efficiency is part of the Government's broader plan to improve energy affordability. During 2015, the Government will expand the Government's Switch On website, which provides energy efficiency advice, information about the VEET (Energy Saver Incentive) scheme and allows consumers to compare energy prices available to them. We will release a Renewable Energy Action Plan to drive the uptake of renewable energy by Victorians, at the community level and at large scale. Barriers to the uptake of renewable energy and energy efficiency will be investigated and removed. We will look at ways to recognise the potential network value of distributed generation and, where appropriate, support national processes to encourage more efficient use of electricity during peak demand.

¹ Sustainability Victoria 2014, *Victorian Household Energy Report*, p.iii.

*'Energy efficiency
can help prevent
Victorians from
falling into hardship'*



It creates jobs and increases economic productivity

Energy productivity is about maximising the value of energy consumed, benefiting the whole economy. The structure of our economy is beginning to shift away from energy-intensive industries, towards advanced manufacturing and skills-based service sectors. Our economy can perform better during this period of change if innovative solutions are supported and clear direction is set. Energy demand is already falling as a result of structural changes to the economy, but further effort is needed to realise the substantial energy productivity opportunities that remain untapped.

Industries – old and new – can invest in more efficient modes of production, to boost our energy productivity even further. Improving energy productivity will provide the same – or an increase in – services or output, while using less energy. This will support our existing industries such as manufacturing to improve energy productivity, and support growth in the industries that service energy efficiency investments.

The Government will take proactive steps to support businesses and protect local jobs. We will offer practical guidance to help existing industries to find ways of doing more with less energy. Victorian businesses are diverse, with different barriers to greater energy efficiency, depending on their location, size and business model. Through thoughtful and tailored assistance on energy efficiency, we can help businesses adapt, remain viable and expand.

Energy efficiency supports economic development and employment growth in two ways. First, investment in energy efficiency generates employment for service providers offering advice, retrofitting buildings and replacing appliances. Jobs are created, as businesses improve the efficiency of their properties, upgrade equipment and appliances, and streamline processes.

The VEET scheme, for example, supports over 2,000 jobs in the energy services industry. International studies indicate that the jobs to capital ratio for energy efficiency services is at least three times higher than for the centralised power generation sector.² Energy efficiency can also promote employment growth in manufacturing jobs associated with the creation of energy efficiency products, such as solar hot water, glass and insulation.

Second, when businesses boost their productivity and profitability through energy efficiency, this supports job retention and creation. Lower energy bills mean that capital is made available, which can be used to support employment and investment. As a result, energy efficiency means businesses can increase their competitiveness, employ more staff, diversify and develop new markets.

The scale of benefits from energy efficiency across a range of sectors is substantial. Leading economies such as the United States, Europe and China are improving their energy productivity with bold actions and plans, while Australia lags behind. Energy savings of more than 10 per cent are possible in Australia's industrial sector, through energy efficiency.³ The whole economy benefits from taking up these opportunities. The American Alliance Commission on Energy Efficiency Policy has estimated that 1.3 million additional jobs in the United States will be created by doubling energy productivity by 2030.⁴

Victorian businesses need competitively priced energy and a secure supply. Alongside energy efficiency, the Government will pursue other improvements to minimise energy bills.

² International Energy Agency 2014, *Capturing the Multiple Benefits of Energy Efficiency*, p.54.

³ ClimateWorks Australia 2014, *Tracking Progress Towards a Low Carbon Economy*.

⁴ Rhodium Group 2013, *American Energy Productivity*, p.13.

We will encourage responsible spending on the energy networks that supply power to Victorians, facilitate distributed energy generation and work towards reform in the gas market to increase transparency and competition. We will also support the development of new energy technology via the Victorian Government's Future Industries Fund, which includes a \$20 million fund to support new energy jobs.



It reduces greenhouse gas emissions

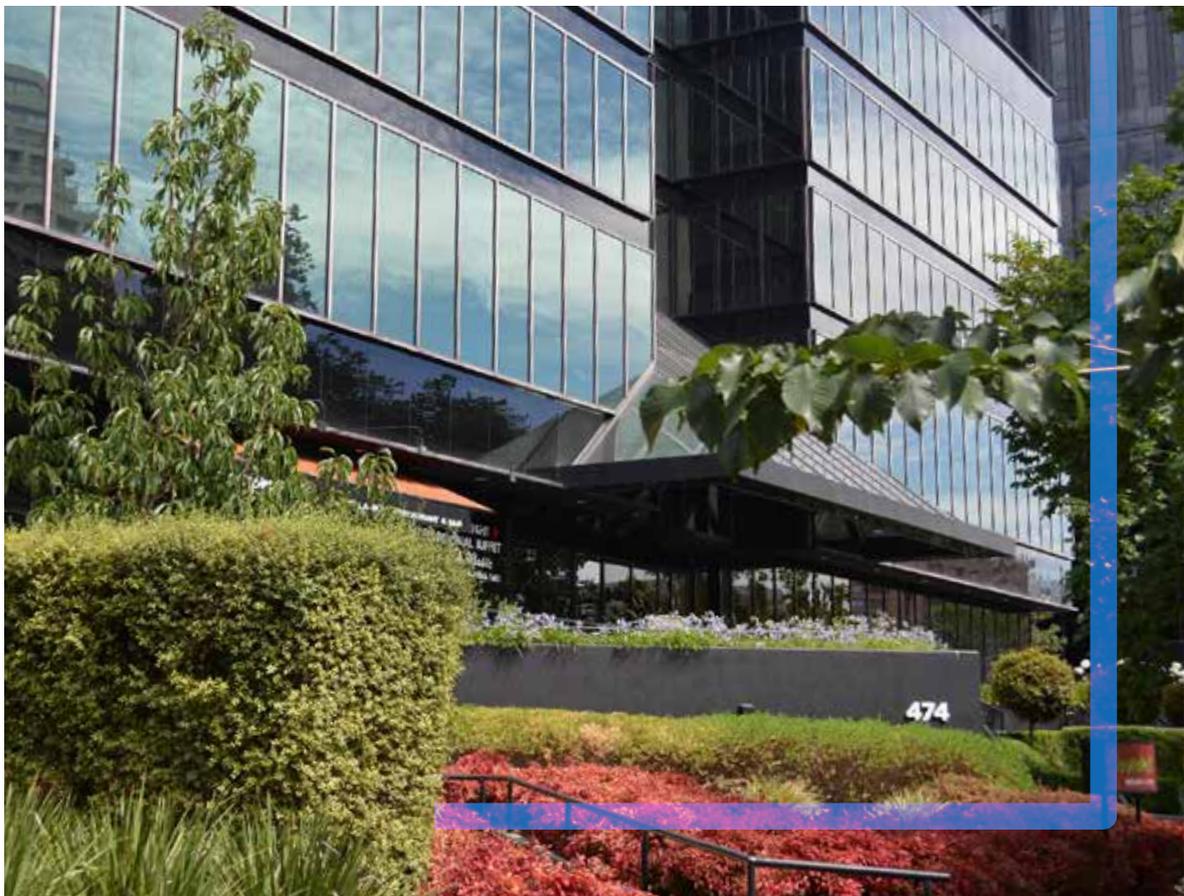
The world must reorient its economies in line with the increasingly carbon constrained world. The Victorian Government will be a leader in taking action on climate change and developing adaptation strategies. This Statement is one of our first steps in outlining a path to lead our communities in addressing the risk of climate change and transitioning Victoria to a low emissions economy.

Energy efficiency will play an important part in meeting our state, national and global emissions reduction goals.⁵ Energy efficiency improvements can be readily implemented and are a cost-effective way to achieve major emissions reductions.

Energy efficiency standards for appliances and buildings are delivering savings in energy, emissions and costs. Regulations and labelling for appliances are estimated to save around 129 million tonnes of CO₂-e between 2014 and 2020 – equal to around a quarter of Australia's annual emissions.⁶

5 Climate Change Authority 2014, *Targets and Progress Review: Final Report*; ClimateWorks Australia 2014, *Pathways to Deep Decarbonisation*.

6 Department of Industry 2014, *Impacts of the E3 program: Projected energy, cost and emission savings*.



As Victoria has one of the highest emissions per head of population, it is critical that we aim to reduce our state's emissions. Victoria has an emissions-intensive energy sector and the energy produced in Victoria accounts for 68 per cent of the state's greenhouse gas emissions.⁷ Renewable energy is an important part of our efforts to reduce the emissions caused by our energy use. Energy efficiency will complement several measures to increase Victoria's use of renewable energy, to be outlined in the forthcoming Victorian Renewable Energy Action Plan. This will include consideration of energy storage.

Energy efficiency will help us adapt to climate change, ensuring that Victorian residents and workers stay cool in summer and warm in winter. In addition to its social and environmental impacts, climate change is an economic challenge for Victoria. Acting now will minimise the economic adjustment costs for Victoria and will ensure our businesses are positioned to be competitive in a global shift to zero emissions.

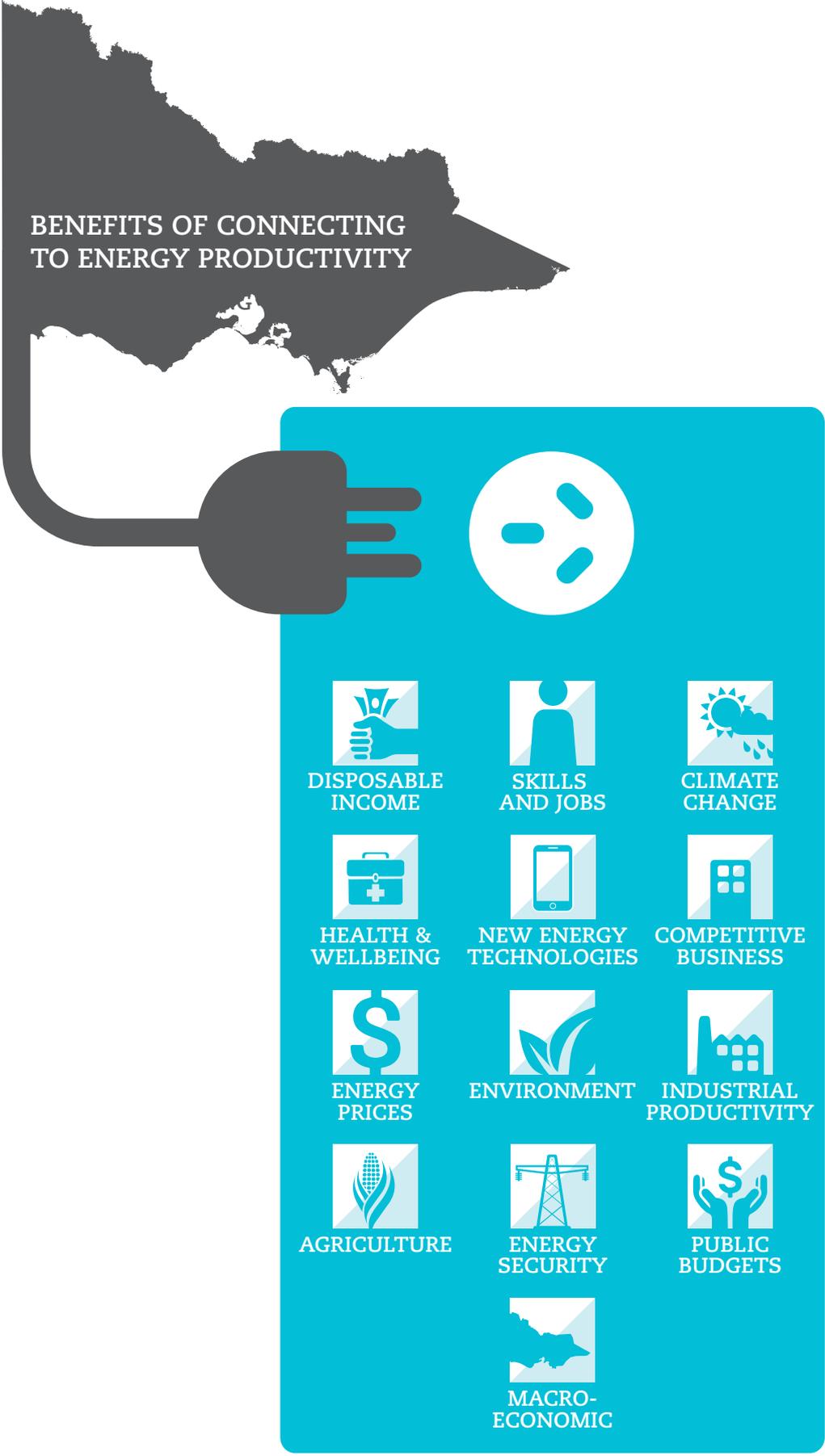
During 2015, the Government will review the *Climate Change Act 2010* and consider an emissions reduction target for the state. These actions will be aligned to ensure coordinated action on energy efficiency, clean energy and climate change.

These are the main objectives of Victorian Government energy efficiency policy, but as the International Energy Agency has identified, there are multiple benefits that arise from an energy efficient economy. These include benefits such as improved working conditions, health improvements, and savings to public budgets.

7 Department of the Environment 2015, *State Greenhouse Gas Inventory*. Available: <http://ageis.climatechange.gov.au/SGGI.aspx#>. Figures are for 2012.



'Energy efficiency will complement several measures to increase Victoria's use of renewable energy'



**BENEFITS OF CONNECTING
TO ENERGY PRODUCTIVITY**



**DISPOSABLE
INCOME**



**SKILLS
AND JOBS**



**CLIMATE
CHANGE**



**HEALTH &
WELLBEING**



**NEW ENERGY
TECHNOLOGIES**



**COMPETITIVE
BUSINESS**



**ENERGY
PRICES**



ENVIRONMENT



**INDUSTRIAL
PRODUCTIVITY**



AGRICULTURE



**ENERGY
SECURITY**



**PUBLIC
BUDGETS**



**MACRO-
ECONOMIC**

Our plan for energy efficiency and productivity

Priorities for action

The Victorian Government will develop options to assist governments, businesses and households to use energy more efficiently and effectively, boosting our productivity, creating jobs and reducing our energy costs. These benefits will be important across Victoria, including in our regional areas, where obtaining the services needed to drive improvements in energy efficiency can be challenging.

During 2015, we will work with industry and the community to develop measures that realise our vision for a more efficient, productive and resilient state. This will include considering a target to underpin the improvements we are seeking in the energy efficiency of the Victorian economy.

The Government will focus on six priorities.

1. Improving the efficiency and quality of our buildings

Substantial opportunities exist to improve energy use in our residential and non-residential properties; this will cut costs and improve comfort in our homes and workplaces. We will take action to realise these opportunities.

We will deliver a Residential Efficiency Scorecard to help Victorians understand the energy performance of their homes. Legislation will be introduced to enable all Victorian councils to use Environmental Upgrade Agreements, providing low-cost finance for energy efficiency improvements in existing non-residential buildings.

We will examine ways to strengthen the effectiveness of regulations that apply to existing and new buildings, including tenanted properties. This will include considering a voluntary program or new requirements for energy disclosure at point of sale or lease.

2. Providing active support to relieve energy cost pressures on the most vulnerable

We will identify ways to assist the most vulnerable to relieve cost pressures, and to make their homes safer and more comfortable. This means going beyond information provision and incentives, to offer facilitation services, including integration of energy efficiency with other services. It means using established and trusted communication channels, including community organisations, local councils and energy businesses, to increase the uptake of energy efficiency by vulnerable Victorians.

We will monitor the participation in the VEET scheme by vulnerable households, and strengthen the role of energy efficiency in broader support measures, including energy retailer hardship programs and energy concessions. In addition, we are examining options to improve the energy efficiency of public and community housing, and to provide funding assistance for appliance and housing upgrades for those who most need it.



3. Making Victorian businesses more productive and competitive

Energy efficiency can drive major productivity improvements in Victorian businesses, improving competitiveness and creating new job opportunities. We will examine measures to assist Victorian businesses, including regional and small businesses, to bridge information gaps, build internal energy efficiency capability, and access finance for energy efficiency improvements. This will include identifying options to drive the growth of a skilled, capable and enduring energy sector workforce, to provide a foundation for innovative and long-term energy efficiency improvements throughout the economy. Recognising the pressures Victorian manufacturers and businesses face from rising gas prices, we will examine gas efficiency measures.

4. Government leadership and best practice

The Victorian Government will lead with substantial, best-practice policy that delivers tangible, long-term benefits for Victorians. We need to establish and invest in an ongoing and practical energy efficiency capability within Government. Options will be identified to improve the energy efficiency of the Government's assets and operations. There are also opportunities to improve energy efficiency in our transport, health and education systems and planning frameworks. We will take a proactive stance with other Australian governments to raise energy performance standards for appliances and buildings, and improve enforcement. This will include advocating for stronger federal government policy on energy efficiency, including through the proposed energy productivity framework.

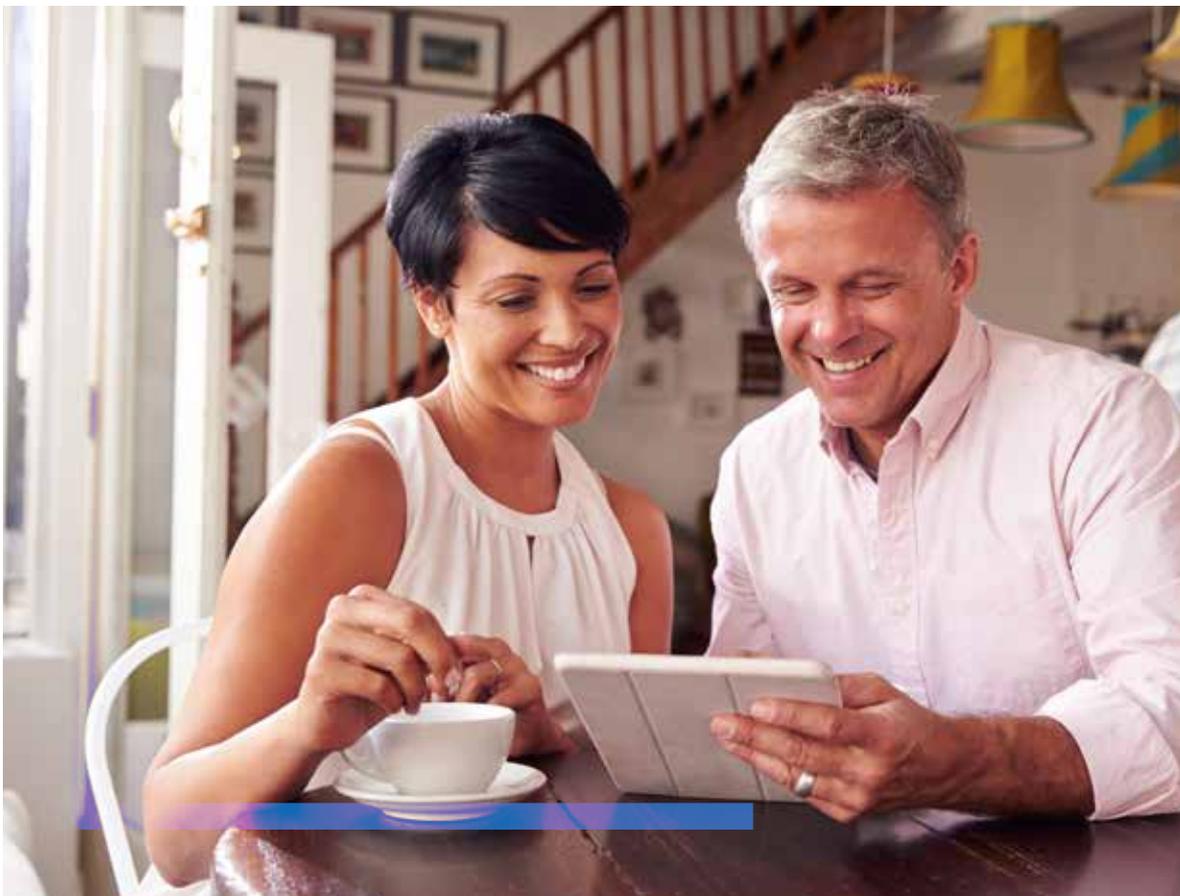
*'Energy efficiency
can drive major
productivity improvements
in Victorian businesses'*

5. Harnessing markets to ensure broad uptake of energy efficiency

To achieve a long-term shift toward greater energy efficiency, we need to embed energy efficiency in the markets that drive change, to obtain the best mix of supply- and demand-side solutions for consumers. We are strengthening our major market-based energy efficiency scheme – the VEET scheme – to include new activities. We also need to harness existing market infrastructure, such as advanced metering infrastructure, and integrate it with new technologies such as energy storage. Therefore, we will consider what changes need to be made to existing regulatory frameworks to ensure there is a broad uptake of energy efficiency measures. We will also investigate the use of innovative financing models to encourage investment in energy efficiency.

6. Creating new, and supporting existing, Victorian energy efficiency jobs

The Victorian Government will introduce energy efficiency policies and programs which aim to promote growth in local energy efficiency jobs. As acknowledged through our New Energy Jobs Fund, clean energy jobs are an important part of Victoria's future. By promoting improvements in energy efficiency, we can deliver growth in a range of local industries including building construction, glass manufacturing, solar hot water, plumbing and electrical work. Therefore, we will seek to identify opportunities which are capable of promoting employment growth in this area to make Victoria an energy efficiency industry hub.



How we will work

Many of Victoria's households, businesses, local governments and welfare organisations are already acting on these priorities and working towards an energy efficient Victoria. From farms to sporting clubs to rental properties, the community and businesses want to do more. Our Government will lead a strong, collaborative approach to energy efficiency and productivity.

We will:

- learn from past and existing activities, strengthening and scaling them up where possible
- partner with those already providing trusted and proven support
- work better with those at the front line, including tradespeople, to ensure they have the training and knowledge to provide services safely
- learn from leading energy efficiency programs interstate and overseas, particularly programs that have been substantial and successful
- share information with others implementing energy efficiency programs, and learn from successes and mistakes.

Through this approach, we will develop ambitious efficiency measures that are also practical and achievable.

Transparent goals and criteria, and a clear, long-term timeframe, will underpin our selection of programs and the evaluation of their outcomes over coming years. It will also help provide stability for industry and offer a sustainable basis for lasting market transformation.

The Government recognises the difficulty that policy uncertainty presents for businesses and the community. It is important to provide consistency in our future decision making, so businesses and communities can effectively plan and make decisions.

Finally, we will better integrate energy efficiency across Government policy and activities, recognising the many and varied benefits of energy efficiency. This includes linking energy efficiency policy with those focused on climate change, planning, transport, health, education, regional development and industry. Our Government will ensure energy efficiency issues are embedded in its decision making and processes across these areas. We will also set clear measures and sound arrangements for reporting.

'We will partner with those already providing trusted and proven support'

Timing for next steps

The Victorian Government is already acting to improve energy efficiency. After announcing the continuation of the VEET scheme, we are now undertaking a review of the scheme to identify future targets and opportunities to strengthen the scheme and to increase its benefits to Victorian energy consumers and our economy.

During 2015, the Victorian Government will work with energy users, energy efficiency experts and the community to develop complementary energy efficiency measures.

This Statement identifies priorities for discussion and development. Later this year, the Victorian Government will host an energy efficiency and productivity summit. That event will bring together broad interests, and local and global leaders. At the summit we will share innovative thinking and tangible solutions on energy efficiency. Over coming months, we will seek the involvement of consumers, industry and experts to set the summit's agenda.

After open engagement and analysis, the Government will set out its plan for action in an energy efficiency and productivity strategy. Our recommendations will be based on clear objectives and programs that perform best against suitable criteria. Through collaboration, careful design and evidence, we will develop best practice policy, to realise the best outcomes for Victoria. The Victorian Government will also consider how the \$20 million New Energy Jobs Fund, which is a component of the Future Industries Fund, can help drive the development of cleaner and more efficient energy technology.

Like other advanced economies across the world, the Victorian Government recognises that energy efficiency is critical to Victoria's future economic growth. We will make energy efficiency our core business. By improving the productivity of the energy use that fuels our economy, we will reduce energy price pressures on homes and businesses, improve community wellbeing, and support jobs. By developing substantial, effective measures to increase our energy efficiency and energy productivity, we will generate real and tangible benefits for Victorian businesses and families, and our broader economy.

