Australian
Business Council
for Sustainable
Energy

Committee Secretary
Standing Committee on Environment and Heritage
House of Representatives
PO Box 6021
Parliament House
CANBERRA ACT 2600
AUSTRALIA

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Dear Committee Members

Inquiry into a Sustainability Charter

Email: environment.reps@aph.gov.au

The Australian Business Council for Sustainable Energy (BCSE) is an independent member-based industry association representing the broader sustainable energy industry in Australia. The BCSE has over 250 organisations as members covering renewable, gas and distributed energy generation equipment suppliers and installers, energy retailers and generators and energy service and efficiency providers. The common feature of our membership is their interest in meeting Australia's energy needs with lower greenhouse emissions.

Thankyou for your invitation to make a submission to this important Inquiry. BCSE strongly supports the development of a Sustainability Charter. The attached submission reflects our views on this issue.

If we can be of further assistance to the Inquiry, please contact Mr Tristan Edis, Manager Policy and Research, via e-mail Tristan@bcse.org.au.

Yours sincerely

Original signed by

Ric Brazzale
Executive Director

Introduction: two parallel paths needed

BCSE strongly supports the principle of creating an Australian Sustainability Charter, along with establishment of a Sustainability Commission and appointment of a Sustainability Commissioner. However, it is likely that this will take several years, so that the outcomes will not be seen for 5 to 10 years. Given the urgency of many sustainability issues, BCSE recommends two parallel paths: the above processes, and a range of specific actions that can be implemented within a short term timeframe. These specific actions would target existing legislation, Terms of Reference, etc that impact on sustainability.

Examples of such specific actions include:

- Revision of guidelines for preparation of Regulatory Impact Statements to require incorporation of a carbon price into all economic evaluations. Recent work in the UK (Clarkson and Deyes, 2002) suggests that a range of social carbon prices (from a minimum of A$23, through a 'likely' value of A$46 to a maximum of A$92) should be applied to sensitivity studies.
- Revision of the Terms of Reference of the National Competition Council with regard to its supervision of implementation of National Competition Policy in at least the energy and water areas to ensure that sustainability issues are adequately addressed and progress on these areas is rewarded
- Revision of the objective of the national electricity market to recognise sustainability issues and benefits
- Ensuring that the Terms of Reference of the new national electricity regulator adequately address sustainability issues

Regulation of energy markets has deliberately ignored sustainability issues and, as a result, has been consistently undermining progress in this area. For example, the Executive Director of the National Competition Council commented to a Senate Inquiry (SECITARC 2000) that a key difference between its terms of reference for energy and water market competition was the lack of requirement to consider environmental factors in energy market regulation.

The rationale for the narrow 'economic' approach has been to avoid 'conflicts of interest' for regulators if they have to consider social and environmental factors as well as economic issues. But this has simply led to a disastrous situation where the focus is on short term financial criteria and on reducing energy prices instead of the total cost of delivery of energy services. This requires urgent correction. Effectively, some energy market regulators have a conflict of interest when dealing with energy efficiency and some forms of renewable energy, because these energy options are not regulated by them and, for example the Victorian Essential Services Commission has formal requirements to protect the viability of the industries it regulates.

Development of a Sustainability Charter that is effective will rely upon development of user friendly rating and evaluation tools and techniques, agreement on suitable performance standards, practical mechanisms and technologies to deliver appropriate levels of performance at acceptable cost and convenience. It will be important to put in place mechanisms for this, as well as ensuring adequate resources are allocated for delivery of outcomes.

Energy Section

The consideration of energy in the Discussion Paper is very limited. The questions for consideration focus on measurement and encouraging higher use of renewable energy, as well as measuring awareness of environmental, economic and social benefits of energy efficiency and renewable energy. While these are worthwhile, they are far from adequate as guides to effective progress towards a sustainable energy future.

At a fundamental level, we need to measure the levels and monitor the trends of energy services required to achieve appropriate standards of living and economic activity. Once we know these, we can consider the efficiency with which these services may be provided and the most appropriate energy forms required. We must also identify the scale of resources available, and the sustainability implications of their use. We can also consider appropriate policies and programs to achieve appropriate outcomes, and set suitable targets against which performance can be evaluated. Further, we should track community attitudes, engagement and participation.

Built Environment Section

The built environment is a critical factor in any sustainable energy future. Its contribution to energy use through direct energy use of buildings and infrastructure, energy embodied in buildings and infrastructure, and the influence of location and organisation of buildings on transport energy use is very substantial. Sustainability objectives need to target these areas.

Measurement of trends in energy use (and related greenhouse gas emissions) should involve tracking of overall energy use, energy use by major sectors and activities, and energy efficiency of existing and new buildings and infrastructure. Additional information on the rates of improvement in performance and rates of adoption of products and services that support progress towards sustainability would also provide useful diagnostic information on which new policies and programs could be based. At present there is very little data available on actual energy use by activity, due to a long-term lack of resources for monitoring and measurement, as well as a general lack of sub-metering within the buildings sector.

From a sustainability perspective, we need to ensure that new investments in buildings and infrastructure are assets contributing to a sustainable future, not liabilities. So both their performance and their design for adaptability and responsiveness to evolving sustainability imperatives should be measured. The sustainability performance of the existing building stock and infrastructure also needs to be measured, and trends monitored. For energy, billing data combined with key indicators such as floor area, level of economic activity, employment, etc can be used to track trends. Rates of adoption of products and services that support sustainability should also be tracked.

The Australian Building Greenhouse Rating Scheme is an example of the kind of approach that can be useful: it relies on actual energy use data, and normalises it to reflect hours of use and intensity of activity in a building.

In contrast, design-based rating schemes such as the House Energy Rating Scheme and the Green Star environmental rating scheme focus more on design intent than delivered performance. So, while they provide some indication of relative potential improvement, they may not directly relate to actual changes in performance.

References

Clarkson R and Deyes K (2002) *Estimating the Social Cost of Carbon Emissions* Government Economic Service Working Paper 140, Dept of Environment, Food and Rural Affairs, UK

Senate Environment, Communications, Information Technology and the Arts References Committee (2000) The Heat Is On: Australia’s Greenhouse Future Commonwealth of Australia, Canberra