

Incentivising Energy Efficiency

Personal submission to the Garnaut Climate Change Review by Jo Hume, Palm Beach, NSW.

This submission relates to:

- Section 4 (Buildings) of Issues Paper 5 - Transport and Urban Planning.
- Issues Paper 6 - Emissions Trading Scheme Discussion Paper.

Submission messages:

1. All the barriers to building energy efficiency that are outlined in Issues paper 5 exist:

The following barriers (as outlined in Issues Paper 5) need particular attention:

- Split incentives
- Informational barriers
- Access to funding

2. An Emissions Trading Scheme (ETS) is unlikely to stimulate commercial building energy efficiency on its own:

An ETS will only pass through an electricity price increase to building owner, tenants etc. Overseas experience shows that buildings in jurisdictions that pay twice the power price as in Australia are not capturing all economic energy efficiency opportunities.

3. Complimentary policies will be required. A “White Energy Certificate Trading System” or similar “Projects Mechanism” would be particularly effective:

ASBEC (Australia Sustainable Built Environment Council) advocate a white energy certificate trading system (as provided for by VEET, GGAS etc.). This could work with an emissions trading scheme (via reservation of AAU's for this purpose) or independently with an energy efficiency target.

Energy efficiency projects can often provide big bang for very low capital and so the revenue from the credits alone can often be enough to fund 100% of the project capital and provide a return.

The Clean Development Mechanism (CDM) is another example of an effective White Certificate scheme. It has been effective in stimulating small and large scale emissions reductions projects (including energy efficiency projects) in developing countries.

An ETS alone would mean that there is no practical means for stimulating such projects. Some form of “projects mechanism” is essential.

Simply recycling revenue from credit auctioning etc. into energy efficiency via cash payments for approved projects/technologies, information centres etc. is also likely to be ineffective. This approach has been tried all over the world and does not adequately address the market failure and create the large scale market transformation that is required.

I therefore support the development of a national white energy certificate trading scheme or similar projects mechanism.

About the Author:

I have over 15 years experience working in various segments of the energy value chain (on both the supply and demand side). I have particular experience with various demand side programs/policy development and am concerned that without specific incentives for energy efficiency Australia will not capture some of the lowest cost abatement opportunities that are available.