

botany bay

canterbury

hurstville

kogarah

marrickville

randwick

rockdale

south sydney

sutherland shire

waverley

woollahra



**SSROC**

southern sydney regional  
organisation of councils

8 August 2003

Mr Ian Thackeray  
Committee Manager  
Legislative Assembly Standing Committee on Public Works  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

**Re: Inquiry into Energy Consumption in Residential Buildings**

The Southern Sydney Regional Organisation of Councils welcomes the opportunity to make a submission to the Inquiry into Energy Consumption in Residential Buildings. In our view, residential building energy use is an important and timely issue that presents significant opportunities to improve economic, environmental and equitable outcomes.

The Southern Sydney Regional Organisation of Councils (SSROC) is an association of eleven local councils. Its aim is to achieve solutions to the challenges facing the southern Sydney region through the sharing of resources, co-operation in policy development and regional advocacy. SSROC undertakes a wide range of continuing programs and special projects, utilising both local government resources and grant funding. SSROC has become a key element in the structure of governance in the southern Sydney region.

The eleven SSROC councils (Botany Bay City; Canterbury City, Hurstville City; Kogarah; Marrickville; Randwick City; Rockdale City; South Sydney City; Sutherland Shire; Waverley; and Woollahra) together represent more than one million people.

SSROC and its member Councils have an ongoing commitment to improving energy efficiency and sustainability across the region, including in residential buildings. For example, all councils are committed to SEDA's Energy Smart Homes Policy, and ten councils participate in the Cities for Climate Protection Program (CCP).

SSROC has suggested three key issues for the Inquiry's consideration. These are outlined on the following pages. SSROC would be happy to provide any additional material to support the points raised in this submission.

Yours sincerely

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## KEY CONSIDERATIONS FOR THE INQUIRY

SSROC would like to raise three key issues for the Inquiry's consideration.

- 1) **There are a several reasons that many energy efficiency opportunities remain undeveloped, despite their ability to deliver both economic and environmental benefits.**

Despite the benefits, it is generally recognised that energy use remains highly inefficient, both economically and technically, and that energy efficiency can and should play a far greater role in meeting future needs both in the near and long term.

The question of why energy efficiency opportunities often remain untapped, even when economically justified, has drawn considerable attention for decades, and is reasonably well understood. The reasons can be generally categorised as:

- **poor price signals** (eg for households, the marginal price of electricity on peak days costs the same as any off-peak periods);
- **unincorporated externalities** (eg at present greenhouse gas benefits have no tangible meaning for most households);
- **high information and transaction costs** (eg it takes a lot of time for the householder to learn about a new technology, determine its applicability to their situation, choose the most suitable supplier, secure an installation contractors, seek planning permission etc); and
- **non-economic consumer behaviour** (eg. the vast bulk of households do not spend time optimising most spending decisions and may be assumed to apply discount rates to future benefits of up to 30% per annum).

The 2002 IPART Inquiry into Demand Management<sup>1</sup> developed a useful summary of the reasons, which is of relevance to this Inquiry.

- 2) **The most critical government policy for ensuring household energy efficiency is effective building and appliance energy performance standards.**

There is compelling evidence that building and appliance performance standards are essential to achieving both economic efficiency and sustainability in the residential sector. Accordingly, we believe these should be a top priority for government policy.

Councils support mandatory energy performance standards for households. SSROC councils are committed to SEDA's Energy Smart Homes Policy. The Energy Smart Homes Policy results in homes which are:

- more comfortable to live in;
- use less energy;
- reduce greenhouse gas emissions; and
- cost less to own and run.

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<sup>1</sup> IPART "Inquiry into the Role of Demand Management and Other Options in the Provision of Energy Services Final Report" October 2002, Table 3.2.

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However, for efficiency reasons, councils can't do it alone. For example, councils can't practically adopt a 5 star standard unilaterally, if the Energy Smart Homes program only requires a star rating of 3.5. It would be prohibitively expensive for homebuilders and building product suppliers to apply different construction methods or supply different types of products into selected council areas.

The newly introduced Energy Performance Standards of the Building Code of Australia is a useful first step, and NSW should immediately adopt them (as have WA, SA, Tas & NT) or exceeded (as has Vic, which adopted a 5 star minimum standard). We note, however, that this is just a first step and that other jurisdictions internationally have derived considerable economic and societal benefits from adopting more stringent energy performance standards.

Similarly, we note that appliance energy efficiency standards in Australia tend to be less stringent than many other jurisdictions.

**3) There is a diverse range of policies and programs that should be extended, and there are opportunities for new programs to promote effective energy efficiency.**

There is no single simple policy or "magic bullet" that will deliver full deployment of cost-effective energy efficiency. Rather, there is an array of challenges to be addressed through a suite of policies. These policies and programs will need to evolve over time as experience is gained.

SSROC believes that many existing programs should be continued and enhanced. These include:

- Rebates for solar water heaters
- Building and Appliance Performance ratings
- Consumer information programs
- Pricing reform (e.g., to reduce the subsidy received by large, peak-period air-conditioning users)
- Mandatory greenhouse abatement programs (e.g., the NSW Greenhouse Abatement Certificates program)
- Support for residential energy generation

In addition, SSROC believes there may be opportunities to introduce a number of additional targeted programs, such as:

- Stamp duty reduction on energy efficiency homes;
- Tax or other incentives for landlords who upgrade energy efficiency; and
- Mandatory energy ratings at the time of sale of an existing home.

In short, while the "big picture" initiatives with the most potential to reduce energy consumption may take some time to introduce, decision makers should be encouraged to act upon all immediately-available opportunities in the interim. Not only will this result in gradual reductions in energy consumption, but the community will become accustomed over time to the factors contributing to energy efficiency, and the need for behavioural change.