

# Energy Efficiency and Low Income Households

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Brotherhood of St Laurence

# Brotherhood's work

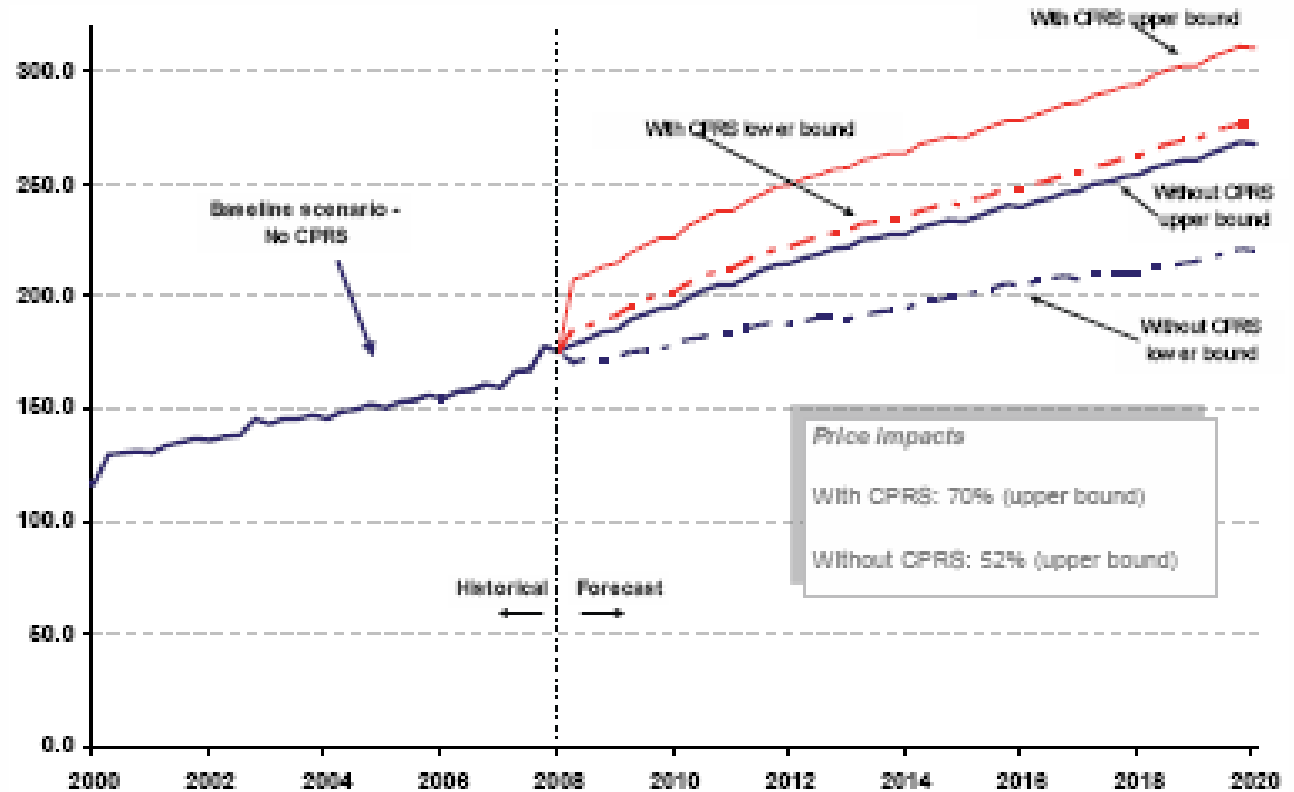
- Support strong action on climate change and support the Carbon Pollution Reduction Scheme (CPRS), but we want to ensure it is equitable
- Aimed at reducing the vulnerability to price rises
- Enabling people to adapt to changing circumstances
- Seizing the opportunities from climate change such as new jobs and training
- Making low income households part of the solution

# Today

1. Energy prices and the regressive nature of the CPRS
2. Importance of access to energy services
3. Energy efficiency for low income households – why government support is needed
4. Current programs and areas for improvement
  - Insulation package
  - State based schemes

# Retail energy price rises

- By 2020 retail electricity prices are forecast to increase in nominal terms (i.e. including inflation) by 25 - 52% without the CPRS and by around 30 - 70% with the CPRS
- average retail price increase across Australia 2000 – 2008: 50%



KPMG 2008

# Future energy price rises

- Many price pressures
  - Smart meters, VEET, NEET ...
- Extreme weather, water shortages
- CPRS – the price on carbon
  - regressive impacts led to financial compensation package
    - NIEIR 2007 for the BSL
    - Garnaut 2008
    - Climate Change White Paper 2008

# Regressive impact of carbon price (2001 figures for Australia)

Household Type	% Popn.	Utility adjusted carbon costs additional annual expenditure (2006 \$AUD)		Utility adjusted carbon costs % of annual expenditure	
		\$25	\$50	\$25	\$50
Working age social security dependent family (type 1)	8.7	571.70	1,143.30	2.2	4.3
<i>Poor family households</i>	<i>6.6</i>	<i>557.70</i>	<i>1,115.40</i>	<i>2.3</i>	<i>4.6</i>
Age pension households	24.9	303.00	606.00	0.8	1.6
Low skilled working households	46.0	366.80	733.60	1.0	1.9
High income tertiary educated households	7.4	368.70	737.40	0.4	0.7
Average		351.10	702.30	0.7	1.4

# Access to energy

- Access to energy / the services that energy can provide
  - Healthy home environment to live
    - cool home in summer / warm home in winter
  - Cooking; Entertainment etc.
- However there are people without sufficient access to energy services
  - Eg. constraining consumption – to the detriment of their wellbeing
- Climate change particularly heatwaves will make access to energy services more important
- Need to ensure low income and disadvantaged can afford benefits energy services provides

# Why support for energy efficiency is needed

- Market Failures and other barriers to the uptake of energy efficiency in low income households
  - Lack of capital
    - Small rebates do not work so well
  - Discounting of benefits
    - Higher for low income HH's – who have other priorities for immediate expenditure
  - Information barriers
  - Split incentive – landlord/tenant

# BSL / KPMG Proposal

- National Energy Efficiency Program
  - Response to the ETS process and the CPRS green paper
  - Home visit (audit) and retrofit - behavior change and select the best measures
  - 3.5 million low income households
  - Cost \$8.7 billion (net present value 2020)
  - Household savings \$14 billion (net present value 2020)
  - Net benefit \$5.3 billion (net present value 2020)

# Energy Efficiency Savings

Retrofit activity	Average cost/household (incl. installation)	Proportion of dwellings that are suitable	Savings to energy bills weekly	Savings to energy bills yearly (at \$20/t CO <sub>2</sub> -e)**	Skill needs
Upgrade household with CFLs	\$70*	65 – 80%	\$2.02	\$105	Unskilled
Weather sealing retrofit	\$420	~75%	\$2.16	\$112	Semi skilled
High efficiency showerhead	\$95	~75%	\$0.79	\$41	Plumber
Ceiling insulation	\$1,530	40%	\$4.05	\$210	Semi skilled
Hot water - old electric to solar	\$3,500	40%	\$8.84	\$460	Plumber and electrician
Hot water - old electric to heat pump	\$4,000	15%	\$5.62	\$293	Plumber and electrician
Fridge upgrade	\$950	17%	\$1.06	\$55	Unskilled

# Other Benefits

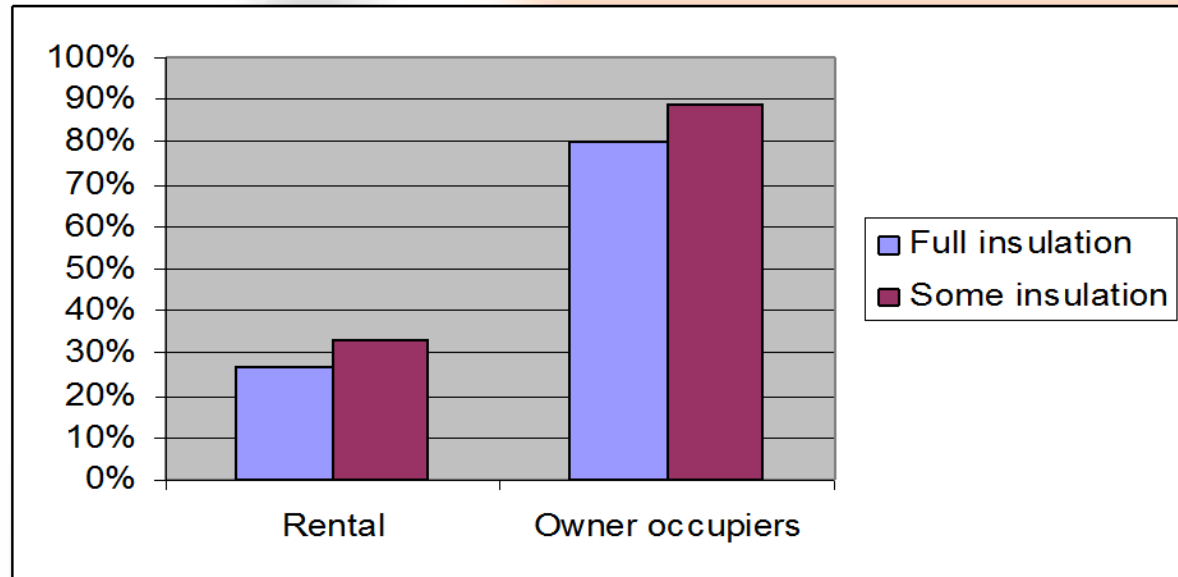
- Contributes to mitigation efforts
- Economic stimulus - Jobs: 40,000
- Helps climate proof homes (adaptation)
  - Reduces exposure to heat waves
  - Respiratory – decrease in humidity (insulation) Asthma etc.
  - Improves comfort and well being

# Where are we now

<b>Programs</b>	<b>Measure</b>
<b>Rebate / Free Installation</b>	
	<b>Insulation – owners \$1600 for 2.2 million households</b>
	<b>Insulation – renters \$1000 for 500,000 households</b>
	<b>or Solar Hot Water \$1600</b>
	<b>State Based Schemes</b>
<b>Certificate / Retailer Obligations</b>	<b>VEET; NEET and REES</b>
<b>Loans scheme</b>	<b>Green Loans</b>

# Insulation Package

- Need to ensure renters can access the program
  - Victorian households with insulation by tenure type – rental properties and owner occupiers (Roy Morgan 2007)



- Australia wide not being the home owner or not being responsible is the reason 33.8% of households give for not having insulation

# Other programs

- VEET & NEET
  - lowest cost abatement likely to be in middle to upper incomes (ability to contribute)
  - Potentially regressive
    - Costs passed through to all households by retailers
    - Low income households will pay (proportionality more) but receive less of the direct benefits
- REES (SA) - 30% low income households & \$13,000 audits
- Green Loans
  - Likely to be picked up by middle and upper income households

# State Government's

- Committed to reorient energy efficiency programs towards disadvantaged households as per the COAG communique (Feb 5)
- To complement the Federal insulation package (Energy Efficient Homes package):
  - “Leaders agreed that the States would maintain existing energy efficiency funding levels and redirect funding for other energy efficiency programs such as insulation programs to home energy advice programs, particularly for the most disadvantaged households”.
- Energy efficiency standards

# Final Word

- Energy efficiency important role to play in reducing the impact of energy and other price rises
- Low income households need support to overcome market failures and other barriers
- We welcome new spending, such as on insulation
- Areas for further development:
  - Coordination between State and Federal based programs
  - Create a weave/mesh of coverage (rather than spaghetti)
  - Work with States to reorient programs to disadvantaged households
  - Develop creative solutions to split incentives

# Thank You

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Equity in response to climate change

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