

**Residential Energy Efficiency Scheme
Directions Paper July 2013
Comments from CSR Limited**

1. Introduction

CSR Limited has been operating in Australia for 157 years. The company is a top 200 ASX listed company primarily manufacturing building products. The Company employs about 3500 people in Australia and New Zealand.

CSR operates the PGH brick works at Golden Grove in South Australia and also has glass fabrication facilities in Mt Gambier and Woodville. Recently CSR Bradford™ established a national business called Clean Energy Solutions. The purpose of this business is to make assessments and improve energy efficiency in the residential, commercial and industrial sector. The group also installs solar PV and solar hot water systems. Programs such as REES add weight and Government support to businesses such as this. Not only do they provide incentives for this work to be undertaken they also provide recognition that energy efficiency has the tick of approval and support from Government. This builds consumer awareness and confidence. Programs like this also encourage companies such as CSR to innovate and conduct R & D. Last year CSR had 18 patents approved and has 50 patents pending. A recent launch by CSR's Edmond's ventilation group, the highly efficient Odyssey fan can reduce air conditioning loads significantly. [Edmonds Odyssey](#).

CSR has supported the South Australian Government with product and technical advice for the Zero Carbon Challenge. This house is due to be opened on the 14th August.

Generally energy efficiency saves consumers money and makes housing more comfortable. In turn this creates better health outcomes. For instance research conducted by authorities in France¹, The Wellington School of Medicine², New Zealand and Harvard University of Public Health³ found many health benefits associated with the installation of insulation. In addition the New Zealand⁴ study found that tenancies were up to four times longer for houses which had superior levels of insulation. While these houses were likely to have lower energy bills,

¹ S. Vandentorren et al., Department of Environmental Health, French Institute of Public Health Surveillance, "August 2003 Heat Wave in France: Risk Factors for Death of Elderly People Living at Home". *European Journal of Public Health* (2006 16(6):583-591). (Abstract available at; <http://eurpub.oxfordjournals.org/cgi/content/abstract/16/6/583>)

² Wellington School of Medicine, university of Otago, Healthy Homes Project – Housing and Health Research Program – *Effect of insulating existing houses on health inequality: cluster randomised study in the community* 2007.

³ Harvard University of School, of Public Health – Annual Benefits from Increased Residential Insulation Levels in U.S. Existing Homes 2002 and 2004.

⁴ "The Value of Low Energy Technologies for Occupant and Landlord" by Albrecht Stoecklein (BRANZ Lt., Judgeford, New Zealand), Yuan Zhao, Lauren Christie (Victoria University of Wellington, New Zealand)

tenants were more likely to be influenced by comfort. An energy efficient house is a comfortable house. The study also found superior health outcomes for insulated properties. It would be reasonable to assume that other measures which improve the thermal comfort of a building would have similar benefits.

The South Australian Government has been strong supporters of the 6 star rating for new houses and renovations. However a large inventory of houses remains that were built before any standards of energy efficiency were in place. A recent study [Residential-Energy-Savings-Measures](#)⁵ shows that over 30,000 residences in South Australia do not have ceiling insulation. Installing ceiling insulation in these houses would increase the star rating by 2.3 stars. Furthermore 47,000 houses – would be candidates for duct replacement.

2. White Certificate Schemes

CSR has supported schemes such as REES, although it favours the more comprehensive scheme operating in New South Wales – NEET. This scheme importantly allows for project based assessment and thus opens up the scope for more substantial savings in that state. It allows the market to determine the best approach to energy efficiency rather than specifically or necessarily selecting limited criteria. While acknowledging that REES targets low income residences and so has a different focus, this element could be retained as a feature of a broader scheme. A bold step might be to use the NSW machinery with a low income overlay. The ACT signed up for NEET in this way.

3. National Energy Efficiency Scheme Desirable

Overall CSR supports a national scheme and the work of CoAG to develop a NESI. Our favoured format is one which excludes high energy users from any cost impost and also excludes them from participation. These companies do not need further incentives to overcome the market failures associated with the residential, commercial and small business sectors.

4. Specific Comments on the Directions Paper

Item 3 Proposed Directions

CSR concurs with the evidence presented that the scheme has been successful and that it should be continued beyond 2014.

There is benefit in setting a “forward curve’ of targets and longer term reviews. As much advance warning of target re-sets should be provided as possible. This ensures that participants can plan ahead and reduces risk exposure for business.

⁵ Insulation Council of Australia and New Zealand September 2012



Item 3.2 The Scheme Objectives

CSR concurs with the proposal to make the scheme an energy savings program. The Federal Government should have carriage of the carbon issue as it is a national and international issue.

Until such time as a NESI is in place the States have a role to play in energy efficiency for their residents and businesses.

The issue of peak demand can be addressed through energy efficiency, where there are spin offs for peak savings. However these are somewhat incidental to the main objective. Peak energy demand is better addressed by other means such as time of use tariffs and smart meters.

This should be the focus of a separate set of Government policies, as has been the direction of the Government retailers in Queensland, Ergon and Energex.

Item 3.3 Priority Group Targets

CSR has no particular views about target groups. One of the cases for extending the target group is the inability of governments in Australia to deal with the looming gas crisis. Wholesale gas prices are likely to double or possibly treble in the next three years. This will hit low income groups particularly hard and create unemployment in manufacturing, estimated at 200,000 jobs lost nationally. See www.gasforjobs.com.au

Item 3.4 Expanding the Scheme

Where market failure becomes acute is at the household, commercial and small businesses. Large energy users can take care of energy efficiency as part of the whole competitive business mix.

CSR supports extension of the scheme to the commercial **and the small/medium business sector**. Small/medium business could be defined as those with corporate total energy consumption of <0.5 Pj. If the scheme is extended, the suite of low hanging fruit will be exhausted first. The scheme runs for 6 years and organisations will develop their marketing plans accordingly. However the low income test or obligation applies and different EE providers will have skills which target different groups. In other words the scheme potentially sets up market differentiation. Lowest cost pathway to energy efficiency is also economically efficient and therefore of benefit to the South Australian economy. As the scheme grows in significance this must be taken into account.

Item 3.5 Energy Audits

The credibility of the scheme rides on the quality and usefulness of the audit. A similar EE scheme in the UK, collapsed because the assessments were held in low regard by consumers.



CSR supports a policy of mandatory assessment on sale or lease of a property. This already occurs in the ACT. Globally it is recognised that the pathway to a more energy efficient built environment is firstly through building codes and secondly through assessment on sale and lease. South Australia has introduced the former and could now act on the latter. Energy efficiency for home owners and building occupants is a proxy for comfort. Furthermore consumers should be advised of what they can expect their energy bills to be. Just as car buyers are informed of the expected fuel efficiency of cars, which are much smaller and less permanent items than houses, then so too should consumers have this advice. The South Australian Government could become a leader in terms of right to know on the acquisition of residential and commercial property. (Large property already has an assessment scheme in place).

Item 3.6 Harmonisation with other Schemes

CSR strongly supports harmonisation with other schemes. However we would not want to see the pursuit of harmonisation turn into a CoAG type process that has been the case for NESI. It should focus on the 80% of gains that can be made for 20% of the effort. In fact South Australia might find significant gains in aligning with the New South Wales scheme in the way that the ACT participated.

Fruitful areas to examine would be the registries, approval mechanisms, integrity processes. It might be possible to use the NSW and possibly Victorian method approvals and the back of shop machinery which already exists in those states.

CSR would prefer effort to be spent on this rather than establishing a national scheme for which COAG appears to have little enthusiasm.

Item 3.7

If the scheme runs for 6 years before review this provides plenty of time for the market to migrate to regional areas. Furthermore gained in the built up areas and lessons learned should ensure that efficiencies will flow to the regions.

Item 3.8

The market should be allowed to work to the maximum extent possible. The suite of remedies can be built via the NSW and Victorian approvals process where those activities are considered sound in the South Australian context. We also support activities which are permanent, passive and pervasive and do not require human intervention. The activities must be perceived to be credible. Activities must be seen to be sound in the court of public opinion or the scheme loses support.

Innovative behaviour changing devices are more suited to a peak energy reduction strategy with smart meters and time of use tariffs.



Item 3.9 Reporting Activities

We have no comments on reporting.

Item 3.10 Measurement

We concur with the focus on energy reduction. One additional benefit of this is the reduced load on the network and avoided enhancement and augmentation capital required. This will reduce the fixed component of energy bills over time.

Item 3.11 Quality Assurance of Service Providers

Quality assurance together with the assessment process is critical to public confidence in the scheme. However we must be careful not to have overlapping standards and standards on standards. Standards should also be national and not state based. It is too easy to establish a separate industry in training, accreditation and ongoing professional development for skills that don't require it.

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