Friends of the Earth Australia
Submission to the Productivity Commission Inquiry to Energy Efficiency

Response to the Draft Report on Energy Efficiency
30th May 2005

Overview

Friends of the Earth (FoE) is very concerned with the recommendations made in the Draft Report to the Inquiry on Energy Efficiency (draft report). We believe the recommendations to be short-sighted and regressive on existing policy decisions on the application of energy efficiency in Australia.

The terms of reference are so narrowly applied that the recommendations of this inquiry are at risk of jeopardising the future direction of energy efficiency policy and program development in Australia. The application of the inquiry to a 'real world' assessment of energy efficiency is seriously impeded by the need to abstract private costs of energy efficiency without recognition of:

- The limitations of the market to adequately price the environmental and social cost of energy generation, and the subsequent abundance of "cheap" energy in Australia
- The estimated $9 billion in subsidies to the fossil fuel industry which further skews the price of electricity
- The absence of research on the private costs of climate change borne by Australian citizens
- The limited progress of any other greenhouse gas mitigation programs outside of the energy efficiency program administered by the Australian Greenhouse Office.

Climate change mitigation is hard and will continue to be so as it is a task that is not without costs and sacrifice. While FoE doesn't have objections to assessing the private costs of energy efficiency, to use this as the sole measure of the appropriateness or effectiveness of a range energy efficiency policies or programs is inadequate. The findings of the inquiry would be useful in the design of energy efficiency programs that have built-in mechanisms to assist low income householders and small business with minimal capital incorporate measures, rather than delay or obstruct energy efficiency measures that have already received significant planning and approval such as the National Framework for Energy Efficiency.

Public vs Private costs and Benefits

The Productivity Commission has failed to recognise the private and public costs of climate change, the abatement of which can be directly used as an indicator of the environmental benefit of energy efficiency. The distinction made between private and public benefit in the draft report arbitrary, failing to recognise the impacts unabated climate change will have on the citizens of Australia. Unabated climate change will have both direct and indirect impact on the citizens of Australia as existing social and economic structures and services are highly unlikely to adequately absorb the projected effects of climate change. Climate change is not just an environmental issue with public consequences; climate change does and will have broad-reaching social, health, economic and environmental consequences that will impact on both the public and the private sector.

Key examples of this include:

- France 2003: The official death toll from the recent heat wave in France has reached 11,500 with air pollution, inadequate heath system and elderly people living in isolation being challenged as the cause of such tragic figures. This is an average of 800 deaths per day during the 14 day heat wave where temperatures reach 40 degrees Celsius during the beginning of August. The startling reality is that France has one of the highest rating health

systems in the world according to the World Health Organisation, yet was unable to cope with the massive demand during two weeks of intense heat.

- World Climate Change Conference 2003: Scientists from the London School of Hygiene and Tropical Medicine stated at a World Health Organisation conference that global warming is responsible for 150,000 deaths per year. This figure is also said to double by 2020 as climate change effects increase.
- Australia 2002: A report lead by the staff at the National Centre for Epidemiology and Population Health, ANU "Human Health and Climate Change in Oceania: A Risk Assessment 2002" predicted that the malaria zone in Australia could extend as far south as Gladstone, and Dengue Fever as far as Rockhampton on the eastern sea-board by 2050.
- Australia 2005: In a media statement on the 18 February 2005, the Federal Minister for Small Business and Tourism, Fran Bailey said "Tourism is a $73 billion industry that employs more than half a million Australians. In fact, Australia earns more in export dollars from tourism than it does from the export of coal."
- Queensland 2000, 2004: According to the Emergency Management Australia a four day heatwave in South East Queensland in January 2000 killed 22 people. The February 2004, for two consecutive days the temperature topped 40 degrees and this heat wave was responsible for 12 deaths and 221 heat related hospitalisations in Queensland.
- Queensland January 2004: A week of afternoon storms swept through the South East Queensland region with wind speeds of up to 122 km/h recorded. At the end of the week 121,000 homes were without power indicating the inability of existing infrastructure to cope with extreme weather events.
- CSIRO "Climate Change and Australia's Coastal Communities" 2002: By 2050, sea level may rise 0.1 to 0.4 metres and tropical cyclone intensity around Cairns in northern QLD could increase by up to 20%. This would increase the flood level associated with a 1-in-100 year flood in Cairns from the present height of 2.3-2.6 metres to 2.7-3.0 metres. This equates to flooding occurring over an area about twice that historically affected.
- Munich Re 2003: Globally, trends show that the number of natural disasters in the 1990s has increased threefold since the 1960s, with economic costs of these natural disasters has increased 900% in the same period. In December 2003, one of the world's largest re-insurer, Munich Re, reported a record cost of 13 billion dollars as a result of the extreme heat of the European summer.

FoE recognises that there doesn't appear to be a comprehensive study of how these health, economic and environmental costs will be burdened by the citizens of Australia. This is a significant barrier to a genuine assessment of the environmental and economic costs and benefits of energy efficiency. The Productivity Commission does have a range of options to ensure that this is assessed in the final report:

- Commission a study of the projected social, environment and economic costs of climate change on Australian tax-payers using the range of scenarios as developed by the Intergovernmental Panel on Climate Change
- Invite international research of the costs of climate change with the objective of considering of how this could be applied to the Australian context
- As a bare minimum acknowledge this short coming and recommend that such a study be completed to enable there commendations of this inquiry to be adequately interpreted

FoE recommends an independent study of the costs of climate change to be the most desirable response to this information gap.

One of a Suite of Measures:

Whilst the Commission rightly acknowledges energy efficiency as one of a suite of greenhouse gas abatement measures, it is not recognised that stationary electricity is the greatest source of greenhouse emissions in Australia and therefore should be the priority in designing an implementing strategies and programs for reducing emissions. The Australian Greenhouse Office most recent National Greenhouse Inventory was released last week and is available at www.greenhouse.gov.au. The largest sectoral increase in greenhouse gas emissions over the 1990 to 2003 period, of 37.2% (72.7 Mt CO2-e), occurred in the stationary energy sector, driven in part by increasing population, household incomes and export increases from the resources sector.

Energy efficiency has direct application to stationary electricity emissions and programs should not be delayed in order to undertake wider research on private costs. This would only regress progress on climate change mitigation on stationary energy. It is also exceptionally short-sighted to not acknowledge that of the suite of potential mitigation measures under consideration by the Australian government, energy efficiency has been the most successful. This was demonstrated by the outcomes of the Australia Greenhouse Office where is was widely reported that other voluntary schemes such as the Greenhouse Gas Abatement Program (GGAP) performed dismally in comparison to initial targets of greenhouse gas reduction. Energy efficiency will not solve our greenhouse “problems” but it is a significant aspect of any comprehensive national strategy. To rule out energy efficiency as a greenhouse reduction strategy is naive in the context of the lack of success and political will to support other initiatives (such as a 10% renewable energy target or a carbon tax). Policy recommendations must consider the policy and political context in which they are to be applied.

Consumer Sovereignty over Environmental Protection

In reading the report it seems that the only right citizens have is of consumer sovereignty. Friends of the Earth strongly believes that governments have a duty of care to protect citizens from the environmental and social impacts of market activity. Intervention in the market through regulation is one of the key obligations of government as the market will always prioritise growth and profit above all other aspects of public and private social well-being. Instigating a minimum standards scheme provides environmental and social surety whilst enabling consumer sovereignty – these two objectives are not mutually exclusive.

Final Comments

The recommendations made by the Productivity Commission are based on an inadequate economic analysis which lacks a comprehensive analysis of economic and environmental climate change costs and lacks a comprehensive awareness of the broader political, economic and environmental context of which energy efficiency policy decision will be based.

This needs to be remedied in the final report or the consequences will be that at best the recommendations will best be irrelevant and at worst environmentally and economically deleterious.