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18 July 2023

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### **Energy Consumers Australia Submission to Small Business Energy Incentive**

Energy Consumers Australia welcomes the opportunity to comment on the government's exposure draft legislation to introduce the Small Business Energy Incentive to help small and medium businesses electrify and save on their energy bills.

Energy Consumers Australia is the national voice for residential and small business energy consumers in the National Energy Market. We were established in 2015 by Energy Ministers to promote the long-term interests of energy consumers with respect to price, quality, safety, security, and reliability of supply.

Energy is an essential service for running a small business and is also a major cost. Our most recent [Energy Consumer Sentiment Survey](#) showed that three quarters of small businesses say electricity is a substantial, or their biggest, overhead and 65% said the same for gas. Further, 59% of small businesses report being more concerned about their ability to pay their electricity bill than they were a year earlier, an increase of 11% compared to 12 months ago. As costs increase, the control small businesses have over their energy bills is decreasing. It is crucial now more than ever for the small business community to be considered at the co-design phase of energy policy.

Energy Consumers Australia welcomed the 2023-24 budget announcement as a positive step to encourage small businesses to install energy efficient products in their business. However, we recommend some critical changes to the incentive to maximise take up from the small business community, including:

- extending the program timeline to at least 30 June 2025;
- ensuring small businesses have access to the right advice from trusted pathways;
- clear communication with small businesses and clarity around the terms 'reasonable improvement' and 'energy efficiency'
- aligning the Incentive with other small business energy efficiency schemes; and
- including future incentives as part of a long-term plan to ensure small business needs are met in the transition.

Many of the recommendations in this submission are also mentioned in our [submission](#) to the National Energy Performance Strategy. The Strategy notes the importance of energy efficiency for small businesses and says: "Empowering businesses to improve the energy efficiency of their buildings, appliances and processes has flow-on benefits including reducing operating costs, increasing property value and attracting higher rental returns"<sup>1</sup>.

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<sup>1</sup> Department of Climate Change, Energy, the Environment and Water, *National Energy Performance Strategy consultation paper*, November 2022, available: [https://storage.googleapis.com/files-au-climate/climate-au/p/prj22e6a0bce56ceb8293a73/public\\_assets/neps-consultation-paper.pdf](https://storage.googleapis.com/files-au-climate/climate-au/p/prj22e6a0bce56ceb8293a73/public_assets/neps-consultation-paper.pdf), pg. 10.

### ***Extending the program to maximise uptake***

Energy Consumers Australia recommends the government consider extending the incentive to the 30 Jun 2025 at a minimum, but ideally consideration should be given to further extension to provide sustained, long-term certainty for small businesses.

Whilst a small business energy tax incentive's intent is to encourage small businesses to install energy efficient products as soon as possible, small businesses require a longer timeframe for implementation. The installation of a new energy saving product will save money in the long term, however, a small business person has to consider the immediate impacts on their business, including financial impacts and disruption to business processes.

The timing of when a small business owner decides to research, purchase and install an energy efficient product can vary greatly and be dictated by economic conditions, personal financial situations, the profitability of the business, the end date of current commercial leases and make-good requirements and access to finance. It is also a process decision influenced by industry trends, the availability of tailored advice on energy efficient products, the age of existing equipment in a business, the time requirements to install and availability of installers, and training for staff to use the new product.

Short-term tax incentives have the potential to artificially push up inflation due to the increase in demand for products and installers in the short term. Extending the program for at least another year will enable demand for products and installation to be met and lessen such potential unintended consequences of the program.

An announcement that runs for one year does not provide certainty for either the small business investing in the product or the small business installing the product. For example, at present an electrician can't plan and invest in new staff, training and installation equipment to meet the demand of their clients if the program is limited.

We also recommend that any extension to the program carry through until financial year end. Ending a tax incentive at any other point other than the end of financial year creates additional workload for accounting professionals; the advisors small businesses rely on to inform them of such programs.

### ***Small businesses need access to tailored information from trusted pathways***

If the government's intent is to maximise the uptake of this incentive in the small business community, we recommend the program should be complemented by advice and support for small businesses. Our latest [Energy Consumer Sentiment Survey](#) found that in the past year the number of small businesses who say they feel confident that there is enough information to help them make decisions about energy products and services declined 8% to just 59%.

Australia's 2.2 million small businesses can be reached if information flows through the trusted pathways where small businesses typically get this advice such as industry associations, accountants, bookkeepers and advisors in the energy space. Providing industry specific, tailored advice and information to small businesses will help them improve the energy performance of their operations and premises. In our submission to the National Energy Performance Strategy consultation paper, Energy Consumers Australia has previously recommended Government agencies work with small business peak bodies to identify effective incentive and assistance measures.<sup>2</sup>

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<sup>2</sup> Energy Consumers Australia, *Submission to the National Energy Performance Strategy Consultation Paper*, available: [https://energyconsumersaustralia.com.au/wp-content/uploads/20230210\\_Submission-to-the-National-Energy-Performance-Strategy-Consultation-Paper.pdf](https://energyconsumersaustralia.com.au/wp-content/uploads/20230210_Submission-to-the-National-Energy-Performance-Strategy-Consultation-Paper.pdf)

### ***Clear communication and clarity of terms***

Consistency around how 'energy efficiency' is determined would be welcomed to assist small businesses to make the right decisions. Any definition of energy efficiency should take into consideration the replacement of existing custom-made equipment to 'reasonably comparable' equipment or new innovations immediately purchased from overseas. Developing a rating scale for energy efficiency will likely take a long time to implement due to the diversity of industries and products and the complexity of the variety of equipment used in different industries.

What is considered to be a 'reasonable improvement' in energy efficiency when switching to a new product compared to the previous product also needs to be clear to the small business owner.

Such further clarity of definitions is important for small businesses who self-report with support from their accounting advisor, to ensure they do not make an error in determining that a product is acceptable and can confidently apply the tax incentive to the purchase.

### ***Alignment with other schemes aimed at improving small business energy efficiency***

Aligning with the design of the National Energy Performance Strategy will be critical to the success of any incentives targeting small businesses to invest in a sustainable energy future.

There are factors which are out of the control of small businesses such as the availability of energy efficient products whether that be Australian made or imported, the supply of appropriately qualified and licensed workforce for installation and factors in the supply chain limiting creating barriers to small business' use of the tax incentive. These demand-side solutions are considered by the National Energy Performance Strategy. We recommend Treasury consider the timelines in the National Energy Performance Strategy and work alongside DCCEEW to align to these timeframes, which take into consideration supply issues facing small business.

In addition, Energy Consumers Australia recommends the Incentive should be aligned with jurisdictional schemes aimed at helping small businesses to improve their energy efficiency, for example NSW's [Energy Savings Scheme](#). A coordinated approach has the potential to maximise the impact of all schemes and limit the potential confusion small business people may feel if individual schemes differ substantially.

### ***Small businesses need to feel confident their needs are being met in the transition to net zero***

At present, only 23% of businesses believe that the transition to renewable energy will result in cheaper electricity bills. Further, only 31% believe the Federal Government has been clearly communicating to them how they will be impacted by the transition<sup>3</sup>. Small business needs policy to move beyond individual announcements on energy efficiency and renewable energy to a coherent long-term net zero plan. The plan should include tax incentives such as this and set out logical stages over a sustained period of time.

The small business community needs to see clear targets, milestones and clarity of information.

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<sup>3</sup> Energy Consumers Australia, *Energy Consumer Sentiment Survey*, June 2023, available: <https://ecss.energyconsumersaustralia.com.au/sentiment-survey-june-2023/>

Business NSW has undertaken recent research on information and advice on energy in its [Unfinished Business report](#) and made a number of recommendations, including that any messaging around new energy technologies must account for the reasons businesses adopt them. The report also recommends that government policymakers recognise that the bottom line and efficiency of investments drives a lot of SME decisions. “They want to know how replacing equipment can help them produce more, waste less or make better products.” Funding remains a critical barrier to improving business energy efficiency with 47% of businesses in Business NSW’s Unfinished Business report stating funding was the obstacle.<sup>4</sup>

Tax incentives play a crucial role on incentivising small businesses to make the best decisions but equally important is to include small businesses in the strategic planning for the nation’s plan to reach net zero.

We look forward to continuing to engage with Treasury throughout this consultation. For any further questions please contact 

Yours sincerely,



Jacqueline Crawshaw  
Interim Chief Executive Officer

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<sup>4</sup> Business NSW, *Unfinished Business Report*, December 2022, available: [https://www.businessnsw.com/content/dam/nswbc/businessnsw/thought\\_leadership/November\\_2022\\_ECA\\_Survey\\_Report\\_low-res.pdf](https://www.businessnsw.com/content/dam/nswbc/businessnsw/thought_leadership/November_2022_ECA_Survey_Report_low-res.pdf)