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Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir/Madam

NATIONAL MARKET DRIVEN ENERGY EFFICIENCY TARGET ("NMDEET") BILL 2007

Thank you for the opportunity to comment on the Democrats' proposed private members' bill entitled *Energy Savings (White Certificate Trading) and Productivity Bill).* Szencorp's comments on the Victorian Energy Efficiency Target ("VEET") scheme are wholly relevant to this Bill and have been attached for your reference, particularly on the inclusion of commercial sector energy efficiency in such a scheme, as well as the use of the Australian Building Greenhouse Rating (ABGR) as a suitable method for deeming or certifying energy efficiency improvements.

While energy efficiency has long been recognised as the most cost effective response to greenhouse emission reductions, Szencorp believes it is essential to policy development in this area to set out the scale of the expected policy impact, in this case, the quantum of energy to be saved. Much political focus has been on the emissions intensity of electricity generation, and the importance of a supply-side target that ensures renewables contribute at least 20% of generation by 2020. However, the case for a comparable energy efficiency target is even more compelling:

- According to recent reports by the Intergovernmental Panel on Climate Change, there is global potential to cost-effectively reduce approximately 29% of projected baseline

emissions by 2020 from the residential and commercial building sectors, the highest among all sectors studied.

- This figure only considers negative cost opportunities (i.e. benefits), that were found to be so abundant that higher cost opportunities were not considered. This figure is therefore an underestimate.
- The IPCC goes on to quote numerous published studies showing that energy savings of 50 to 75% can be achieved in commercial buildings through aggressive implementation of integrated sets of measures.

As you note, the benefits of energy efficiency have been pointed out extensively under economic modelling carried out for the National Framework for Energy Efficiency. In addition, recent Australian research (refer Attachment 1) completed under the auspice of the Australian Sustainable Built Environment Council (ASBEC) shows that, inter alia:

- By 2050, GDP could be improved by around $38 billion per year if building sector energy efficiency is adopted, compared to previous economy-wide estimates of the 60 % "deep emission cuts" scenario.
- Energy efficiency in residential and commercial buildings could halve electricity demand by 2030, and reduce it by more than 70 per cent by 2050, on a cost-neutral basis.
- Energy savings in the building sector (which accounts for 23 per cent of greenhouse gas emissions) could reduce the costs of greenhouse gas abatement across the whole economy by $30 per tonne (or 14%) by 2050.

A goal of restricting electricity demand growth by up to 2% per year to reach a 20% improvement by 2020 is eminently realistic. This compares to:

- recent EU estimates which set its cost-neutral, technically feasible energy savings potential at more than 20%, which equates roughly to a 1% annual reduction in energy use over the next 20 years (Commission of the European Communities, 2006). Note that Australia is currently much more energy inefficient than the EU and other developed countries, using up to three times more energy per unit of GDP.
- California also has a similarly ambitious target which equates to a 20% reduction by 2020.
- New Zealand recently set in place a comprehensive suite of sectoral targets for energy efficiency, summarised by a reduction in overall energy intensity coupled with a reduction in economy-wide greenhouse emissions to 1990 levels by 2012.

Szencorp believes that a high level energy efficiency target, delivered in large measure by a market based certificate scheme, is an important building block of Australian demand-side energy policy. It is disappointing to note that development of Stage 2 the National Framework for Energy Efficiency (NFEE) does not contain any such measure. Federal Government

consultation on NFEE Stage 2 has been completed and involved a single workshop at which Government presented a range of low-level pre-approved measures, without any strategic direction that such a high-level target and market based certificate scheme would provide. Furthermore, industry has no further opportunity to recommend such a Scheme to Government before the NFEE Stage 2 recommendations are taken to the Ministerial Council on Energy in December 2007. Accordingly Szencorp wishes the Democrats well in raising this issue with Government through this Private Members' Bill and will be actively advocating for similar broad based energy efficiency measures to be adopted as soon as possible.

Yours sincerely

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**Peter Szental**
**Chairman**