

SUBMISSION TO CARBON POLLUTION REDUCTION SCHEME - GREEN PAPER

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(if applicable)

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Date:
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Introduction

The Tasmanian Council of Social Service (TasCOSS) is the peak body for the community service sector in Tasmania. Its membership comprises individuals and organisations active in the provision of community services to low income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and their clients to government, regulators, the media, and the public. TasCOSS seeks a fair, just and inclusive Tasmania.

We welcome this opportunity to comment on some of the issues raised in the *Carbon Pollution Reduction Scheme Green Paper* and hope that our comments will be helpful. The proposed Carbon Pollution Reduction Scheme (CPRS) is likely to have a major impact on Australian households, and most particularly on low income households which, we fear, will bear a disproportionate share of adverse effects of the Scheme. This is our major concern and is the subject of our submission.

Cash assistance to households

While we understand that a CPRS has the potential to benefit all Australians through an overall reduction in carbon emissions, it will not do so without pain. Our concern is the effects that the Scheme will have on living costs for people on low incomes who are already finding it hard to make ends meet.

We also understand that it is the Government's intention to assist households through both the tax and income support systems to meet increased costs of living and we welcome this. However, we are concerned to see modelling in Chapter 8 of the *Green Paper* (pp 282-283) that suggests that price impacts of the CPRS are likely to be regressive and that sole parent and other pensioner households will experience higher costs as a proportion of their incomes than other household types. Sole parent and pensioner households are obviously the least well-equipped to manage increases to living costs. It is therefore imperative that assistance to these groups is delivered efficiently, effectively and without delay before the Scheme is

introduced. Low income households cannot wait for assistance until goods and services become unaffordable.

While the modelling included in the *Green Paper* is useful, we believe that it is critical that appropriate, comprehensive and up-to-date modelling be carried out on the likely price impacts of the CPRS on energy and other living costs in all states and territories and in regions. It is likely that there will be different effects across the country and that the nature of the effects will be determined in part by pre-existing social, economic, geographic and other conditions, as well as by the source(s) of household energy supply.

In the case of Tasmania, it is generally believed that the state's electricity supply is generated solely from hydro and other renewable sources. Indeed this was once the case; however, it was recently announced that this year Tasmania has imported 24% of its electricity supply from Victoria via Basslink and that 11% has been generated by gas. This is a major change for the Tasmanian energy supply and one that is likely, if this trend continues into the CPRS future, to have serious price impacts on Tasmanian consumers. It is therefore vital that price impact modelling for Tasmania includes this new reliance on gas and coal generated energy.

In addition, Tasmanians have the lowest average household incomes and spend the highest proportion of those incomes on household fuel and energy. As a result of the recent electricity distribution and retail price determination (2007), household electricity prices in Tasmania will have increased by 23.4% between January 2008 and July 2009. This was thought to have such serious consequences for low income Tasmanians that the state government increased its electricity concession by 70% and indexed the concession to annual movements in the CPI. A further rise in energy prices due to the CPRS without additional income support will be disastrous for low income Tasmanian households.

Energy Efficiency

TasCOSS agrees with the opinion expressed in the *Green Paper* that energy efficiency measures have the potential to deliver significant emissions reductions through decreased use of electricity. Effective energy efficiency measures for households also have the potential to allow significant and sustainable savings on energy bills and we therefore welcome the focus on energy efficiency as a complementary strategy within the CPRS.

Tasmanian housing stock is generally old and thermally inefficient; this is a particular problem given Tasmania's cool climate and rising electricity costs. There has, to date, been no major government supported household energy efficiency program in Tasmania and, until very recently, little public promotion of energy conservation and/or efficiency.

In fact, Tasmania has had a culture of relatively high energy use that became entrenched with the state's past abundance of hydro generated electricity. While this is changing with rising prices and increased awareness of the effects of drought on hydro storages, it remains an impediment to the take-up of energy efficiency measures in some households.

A more significant impediment to energy efficiency for households in Tasmania is the electricity tariff structure. The state's monopoly electricity distribution and retail company, Aurora Energy, maintains a declining block tariff system for residential electricity supply, with relatively high daily fixed charges (77¢ per day for light, power and hot water with additional costs for off-peak). This tariff structure not only rewards high electricity usage, but

also discourages energy conservation and efficiency. It is currently difficult to save money in Tasmania by reducing energy use.

In addition, Tasmania currently has only a four star energy efficiency rating system for new buildings and no rating system for existing dwellings or rental properties.

The introduction of major energy efficiency initiatives in Tasmania must address these issues, as well as the inability of many Tasmanian households to afford home energy audits and retro-fitting without significant assistance. As mentioned earlier, Tasmania has the lowest average household income of any state or territory; in addition, 31% of the population rely on Commonwealth income support as their major source of income.

TasCOSS would support a major household energy efficiency program in Tasmania targeted at low income households of all tenures and involving home energy audits and retro-fitting of dwellings for improved thermal efficiency.

Experience in other states and territories has demonstrated the efficacy of delivering this type of program through community services sector organisations which have strong existing relationships with many communities and households already experiencing hardship. However, community sector organisations in Tasmania would need significant funding and capacity building to be able to play a delivery role, given their inexperience in this area.

Each housing tenure would obviously present its own set of challenges, and the most challenging, in our view is private rental housing. There is the obvious issue with private rental of split incentives and the fact that dwelling improvement of any kind has the potential to push up rents. In addition, people living on low incomes in private rental are often those most in need since rents are often expensive and not capped or linked to income (as in public housing) and properties are often low quality and in particular, thermally inefficient, as well as insecure. Programs targeted at private rental tenants through the replacement of inefficient refrigerators and other non-fixed appliances may be effective; however, the vexed question of how best to improve energy efficiency in rental properties without putting pressure on rents remains one that must be addressed.

Public housing offers better opportunities for the implementation of effective energy efficiency measures given its central ownership and administration. Funding could be provided for a nation-wide public housing retro-fitting program through the new National Affordable Housing Agreement (NAHA) currently being negotiated to replace the Commonwealth-State Housing Agreement. In addition, public housing authorities in each jurisdiction could be required to audit and assess their housing stock against energy efficiency standards that could also be determined through the NAHA.

Targeted assistance to low income owner-occupiers could be provided by adequately resourced and trained community sector organisations. Tasmania has relatively high numbers of owner-occupiers (about 70% compared to 65% nationally), many of whom are Aged and Disability Support pensioners and low income earners. For such low income households, rebate schemes for insulation and other retro-fitting measures are inappropriate since few would have the financial capacity to pay for materials and installation in the first place. A well-targeted, means-tested grants system or funded audit and retro-fitting program would be more appropriate for most in this cohort.

Given the enormous size, complexity and investment required for effective nation-wide energy efficiency program(s) introduced as part of the CPRS, these must not only be carefully designed and implemented, but also be adequately monitored and evaluated – and informed by consumer input at all stages. We suggest that a consumer reference or advisory group be established comprising representatives from all states, territories and some regions to provide consumer input into the processes of establishment, implementation, monitoring and evaluation of energy efficiency efforts.

TasCOSS believes that energy efficiency measures have the capacity to make a significant, long term and sustainable difference to low income households; however, programs must be targeted, and assistance prioritised to those most in need. Particular consideration should be given to low income households with high energy usage; such households could be identified with the assistance of local community service organisations and energy retailers.

Other comments

The upward pressure that the CPRS will place on household energy costs underscores the need for enhanced consumer protection in energy supply market regulation to ensure that households experiencing financial hardship have ongoing access to energy supply. Such protections include regulations around billing, payment arrangements, hardship policies and programs, and disconnection processes. The Ministerial Council on Energy (MCE) is currently in the process of developing a new national energy customer framework that addresses these issues, among others. This provides an opportunity for the Department of Climate Change to provide input to the MCE to ensure that robust consumer protections are introduced nationally to protect energy consumers in an environment of rising prices and increased vulnerability.

As the peak representative body for the Tasmanian community services sector, TasCOSS is also concerned about the impact of the CPRS on non-government organisations (NGOs) . Like other business sectors, the NGO sector will be affected by increased costs of energy, fuel and other goods and services. Since much of the NGO sector is reliant on funding from governments, we recommend that some of the revenue generated by the CPRS be directed to funded NGOs through the government agencies that currently support them.

The proposed CPRS is the key Government strategy for reducing Australia's greenhouse gas emissions and addressing serious climate change. It is also a major policy intervention that will have significant long-term impacts on Australian society and the economy. It must therefore be designed to be as effective as possible in meeting its aims. We therefore encourage the Government to introduce a strong CPRS that has wide coverage and offers few exemptions.

We hope that our comments are useful in further deliberations on this policy.

Yours sincerely



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