

16 September 2023

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

By email: economics.sen@aph.gov.au

To whom it may concern,

Re: Inquiry into Residential Electrification

On behalf of our members, the Victorian Greenhouse Alliances (VGA) are pleased to provide this response to the Senate Economics References Committee's *Inquiry into Residential Electrification*.

The Victorian Greenhouse Alliances are formal partnerships of local governments and statutory agencies driving climate change action across Victoria's municipalities. The Alliances deliver regional mitigation and adaptation programs that provide economies of scale and enable projects typically beyond the reach of individual councils and agencies. Our project work is complemented by targeted advocacy, capacity building and regional partnerships.

The energy transition must be socially inclusive, equitable and appropriately managed to ensure that the benefits are shared by all households and costs are not unduly borne by the vulnerable and those least able to afford them. Targeted electrification programs and subsidies are needed to ensure people on a low income are not left behind.

We urge the Committee to consider the following responses to the Inquiry's [Terms of Reference](#):

(c) the total upfront cost and longer-term benefits of household electrification and alternative models for funding and implementation

There is a raft of mounting evidence supporting the case for rapid electrification of new and existing dwellings. The analysis conducted by Renew provides the most comprehensive and nuanced view of the costs and benefits of replacing gas appliances across a range of states and scenarios.¹ The report demonstrates that in almost all scenarios there is a compelling economic case for electrification. These findings are further supported in a CSIRO report released last month into consumer impacts of the energy transition.² The analysis determined that by 2030 the average difference in total energy costs, including transport, showed an all-electric home (without solar and a battery) will be around \$2,250 per year better off than a typical fossil-fuelled home.

The CSIRO analysis is accompanied by the *Stepping Up*³ report, which calls for the creation of a new national partnership across all levels of government with the objective of ensuring an orderly and equitable shift to all-electric homes. This multi-governance model for coordinating implementation is further detailed in the *Many Hands Make Light Work* report.⁴

The total costs and benefits of electrification should be considered in a holistic manner to take into consideration the avoided health costs of indoor air quality from gas use and improved thermal

¹ (Renew) Alternative Technology Association, Household Fuel Choice in the NEM, 2018 Update ([link](#))

² Graham, P., Meher-Homji, Z., Havs, L., and Foster., 2023, Consumer impacts of the energy transition modelling report, CSIRO, Newcastle ([link](#))

³ Energy Consumers Australia (ECA), Stepping Up: A smoother pathway to decarbonising homes, August 2023 ([link](#))

⁴ Melbourne Centre for Cities, [Many Hands Make Light Work](#), final report, July 2023



comfort from more affordable heating and cooling. The costs of supporting households with energy efficiency and appliance upgrades can actually deliver multiple public benefits through healthier and more affordable home heating and cooling, job creation, and reduced emissions.⁵

Implementation funding should be prioritised for ‘facilitation services’ like those being delivered by councils, that educate households on the benefits of upgrades and enable them to take action through access to trusted installers, such as:

- Targeted outreach campaigns to ensure program awareness and engagement and support household decision making
- Referrals to experienced service providers that have been vetted by councils
- Assistance in accessing state government rebates and interest-free loans
- Additional financial subsidies provided in some council areas on a case-by-case basis.⁶

Resources should be allocated to scale-up existing council programs and fill gaps in regions where there are no programs being delivered. This is particularly important for smaller rural councils that require additional capacity to replicate the established models operating across the local government sector. This should be complemented by upskilling opportunities for regional industry and tradespeople, similar to Solar Victoria’s *Upskilling for Plumbers* program.⁷

(d) the marginal cost of abatement for household electrification compared to alternative sectors and options to decarbonise the economy

The Eastern Alliance for Greenhouse Action (EAGA) recently commissioned an independent technical analysis of the lowest cost emission reduction opportunities across eight municipalities in Melbourne’s east.⁸ The analysis demonstrates that the region can save \$3-5B by transitioning to net zero emissions by 2030, however all sectors of the economy have an important role to play. The report identifies that residential electrification is the second largest emission reduction opportunity in the region with a marginal cost of -\$130 per tonne in 2030. Residential electrification ranks as the eleventh lowest cost opportunity of the twenty-six decarbonisation opportunities modelled across commercial, transport, industrial and other sectors. These findings are expected to be relatively consistent with the rest of metropolitan Melbourne where the majority of the country’s residential gas consumers are located.

The EAGA analysis is supported by *Low Carbon West*⁹; an earlier analysis and strategy prepared by the Western Alliance for Greenhouse Action (WAGA) for the western region of Melbourne. This shows that, despite the fact that commercial and industrial facilities are the highest source of emissions in the region, residential retrofits are critical to reducing emissions and costs for the 400,000+ homes in the west of Melbourne.

(h) solutions to the economic barriers to electrification for low-income households

There are climate adaptation, health and wellbeing benefits in prioritising electrification for households currently experiencing or vulnerable to bill stress who are frequently unable to heat their homes adequately in winter and to keep their homes cool in summer.

The barriers to electrification in low income and vulnerable households have been thoroughly researched and documented in the *Enabling Electrification* report by the Brotherhood of St

⁵ VCOSS submission to Victorian Gas Roadmap ([link](#))

⁶ For example, this program in Merri-bek has assisted 233 households to date <https://zerocarbonmerri-bek.org.au/solar-and-energy-financial-support-for-residents-on-a-low-income/>

⁷ Growing Victoria’s clean energy workforce ([link](#))

⁸ EAGA Community Net Zero Technical Analysis ([link](#))

⁹ <https://waga.com.au/climate-change-action/low-carbon-west/>

Laurence.¹⁰ The report identifies that a strategy to support renters and rental providers to electrify is essential, particularly to overcome split-incentive barriers. The report calls for stronger energy efficiency standards for rented homes and appliances to be implemented to lower renters' energy costs.

Experience from the implementation of council programs indicates that additional support is also required for low-income households that are paying off or own their own home. This has been demonstrated in Hume's collaboration in the delivery of the Victorian Government's Energy Savvy Upgrade program and the Hume Household Solar Roll-out.

People experiencing or vulnerable to bill stress are often uncertain if programs and/or contractors are trustworthy, they are often time poor, unable to contribute even small amounts of personal funding and are often reluctant to go into debt. They need additional communications and contacts from trusted sources to have the confidence to act and information needs to be available in community languages. Low digital literacy is common, so support to access programs online is frequently required. Local governments are well placed to reach out and provide this additional support to community members if appropriately resourced and supported to do so.

Whilst councils welcome the federal government's \$1B funding commitment to the Household Energy Upgrades Fund, additional approaches will be required to ensure funding will be accessible to and taken up by low-income and vulnerable households. Debt providers need to be trusted public entities, products should be means tested, zero interest, and repayable over a sufficiently long term to minimise additional cost of living pressures on households. Significant work will need to occur from trusted sources with communications (including in community languages) and branding to dispel mistrust and reluctance about loans. Eligibility should require that savings from upgrades exceed any repayments, so households are cash-flow positive from day one with savings and repayments information available to participants in a clear and consistent format.

Targets prioritising access to low-income / vulnerable households need to be established at the onset and aggregated data around the take up of loans from this demographic and their municipalities needs to be collected and publicly available. Funding support and partnerships with local governments with low socio-economic demographics should be considered.

A review of energy concessions for low-income households will be required to support electrification as Victorian households with a concession card are eligible for 17.5% off their total retail gas bill between May and October for winter heating.

(i) the effectiveness of existing Australian Federal, state and local government initiatives to promote and provide market incentives for household electrification;

Councils across Australia are already supporting residents to electrify through the *Electrify Everything Community of Practice (Community)*. The Community provides councils across the county with tools, support, and knowledge exchange. Since it commenced in February 2022, 76 regional and urban councils have joined the Community. In 2023, the Community led a national communications campaign to amplify the message of electrification, including a toolkit for councils including all-electric home infographics, a communications guide and a set of '5 steps to an all-electric home' that can be tailored for each council. The campaign has so far reached over 677,000 Australians. Not only do the communications help residents on their electrification journey, it also helps explain why and create the social license for state and federal policies and programs.

Implementation should seek to leverage the experience of councils and their trusted brand. The experience of councils demonstrates that the administration and trusted facilitation process is critical for delivering long-term program outcomes. Program participants are typically inexperienced in managing upgrades, and rarely knowledgeable about the subject matter. Without the facilitation

¹⁰ Chandrashekeran, S, de Bruyn, J, Bryant, D & Sullivan, D 2023, Enabling electrification: addressing the barriers to moving off gas faced by lower-income households, Australian Research Council Centre of Excellence for Children and Families over the Life Course & the Brotherhood of St. Laurence, Melbourne ([link](#))

process, retrofit programs are at risk of failing to obtain take-up, and when homes have been upgraded, they are at risk of failing to deliver on their original intent (for instance, follow-up engagement with participants to verify bill savings).

Implementation needs to reach diverse communities with trusted messengers. There is a cultural and language barrier to accessing existing energy rebates and information. Trusted communicators and location-specific information in everyday language is needed to reach diverse communities. Councils have experience in reaching communities, such as during the COVID-19 pandemic.

The funding of local energy advisers (on a regional level) from diverse cultural backgrounds would assist in the delivery of energy services and information. With secure funding, culturally diverse energy experts can use their local networks, build trust, and deliver electrification information and services supported by federal, state and local governments directly to residents.

As the number of Australians living in apartment dwellings grows, retrofitting multi-dwelling buildings becomes more challenging, but solutions do exist, as does the desire for improvement. A concerted and collaborative effort is required to develop mechanisms – legislation, incentives, funding, programs – specifically to help electrify these buildings.¹¹

We thank you for taking the time to consider this submission and would be happy to discuss any of the contents in further detail.

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 - Loddon Shire Council
 - Macedon Ranges Shire Council
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¹¹ David Mahony and Amy Brand, Apartment Guide to Electrification. ([link](#))



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 - o Moira Shire Council
 - o Murrindindi Shire Council
 - o Towong Shire Council
 - o Strathbogie Shire Council
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This letter has been approved through the Greenhouse Alliances governance structures but may not have been formally considered by individual members. The submission does not necessarily represent the views of all members.

