

15 Sept 2025

Barry Sterland PSM
Martin Stokie
Productivity Commission
Level 8/697 Collins St
Docklands VIC 3008



Dear Mr Sterland & Mr Stokie,

Re: Interim Report - Investing in cheaper, cleaner energy and the net zero transformation

The eight council members of the Eastern Alliance for Greenhouse Action (EAGA) welcome the opportunity to make a submission to the Productivity Commission's interim report inquiry into *Investing in cheaper, cleaner energy and the net zero transformation* (Pillar 5). EAGA is a formal Alliance of councils in Melbourne's east, committed to delivering climate change mitigation and adaptation projects and advocating for initiatives that support sustainable, low carbon communities.

We urge the Productivity Commission to consider the following responses to the recommendations within the interim report:

1.1 Reducing emissions in the electricity sector after 2030

We support decarbonisation policies within the electricity sector that are linked to a science-based emission reduction target and carbon budget aligned to limiting global warming to 1.5°C. This is the most scientifically robust way to protect our communities and the places we value most. It provides Australia with the credibility to be part of global efforts to reach net zero.

A rapid, socially just and ecologically sound transition means redirecting the estimated \$14.9 billion worth of government spending and tax breaks to assist fossil fuel producers and major users¹, towards green industries, expanding and strengthening the Safeguard Mechanism and ongoing support for renewables and transmission upgrades.

1.3 Introduce an emissions-reduction incentive for heavy vehicles and phase-out policy overlaps for light vehicles

Incentives will be most important for heavy vehicles where the business case for transition is least favourable. This support will be critical for councils who own and operate heavy vehicles such as garbage trucks, excavators and street sweepers to manage infrastructure and services.

Australia's New Vehicle Efficiency Standard (NVES) was "watered down" from its initial proposal by the federal government in early 2024, which in effect provides a concession to the car industry, particularly manufacturers of sport utility vehicles (SUVs) and utility vehicles (utes). This standard needs to be strengthened before the proposed phase out of light vehicle incentives, which should remain in place until electric vehicles are at price parity across all vehicle classes.

¹ <https://australiainstitute.org.au/wp-content/uploads/2025/03/P1669-Fossil-fuel-subsidies-2025-Web.pdf>

1.4 Apply frameworks to achieve emissions targets at least cost and improve transparency

We agree with the recommendation to develop a framework for extending emissions-reduction incentives to new sectors - specifically to the local government sector.

Local government is already on the front line of climate action, with many Victorian councils having a strong track record of delivering nation-leading work to reduce greenhouse gas emissions and adapt to climate impacts.² Recent studies demonstrate that councils can unlock 7-15% of the abatement potential within their communities through a range of council-led interventions across the built environment, land use planning, waste and transport sectors.³ The potential of these voluntary actions are not captured within the Climate Change Authority's advice and should be recognised as additional to our national commitments. These opportunities could be realised if councils were adequately resourced to rollout place-based solutions within their communities.

This could be achieved through the implementation of a multilevel governance approach – one that would promote effective coordination between and across all levels of government and give those on the frontlines a seat at the decision-making table.⁴ As a signatory to the Coalition for High Ambition Multilevel Partnerships (CHAMP) at COP28, Australia has committed to working with subnational governments in the planning, financing, implementation and monitoring of climate strategies.

3.3 Governments should agree on a series of actions to improve housing resilience over time

Australia's 11 million existing homes are responsible for over 10% of emissions. Approximately 1.8 million of these are low-income households which require various upgrades in the next 10-15 years to become zero-carbon, resilient homes. The costs of these upgrades are estimated at ~\$200 billion and significant market failures and barriers exists to upgrades including:

- Lack of understanding of the benefits of upgrades
- Upfront costs
- Split incentive between landlord and renters
- Understanding of what type of upgrades are beneficial or needed
- Finding trusted, reliable, and qualified trades.

Federal and state programs/initiatives/funding are not currently reaching those who need the most support and are at most risk. Consequently, we call on the government to establish a new strategic partnership with local government to establish a scalable home upgrade program that supports energy efficiency, electrification and resilience and is inclusive of vulnerable and low-income households.

Councils are uniquely placed to support the roll out of inclusive home-upgrades programs due to:

- Existing place-based programs and models that can be rapidly scaled
- A demonstrated track record in the successful delivery of residential retrofit programs⁵
- Close connections with community and existing pathways to engage hard-to-reach segments
- A trusted brand and ability to provide independent advice

² Examples include the [Victorian Energy Collaboration \(VECO\)](#), [public lighting upgrades](#) and [substantial investment in adaptation](#)

³ [EAGA Community Net Zero Technical Analysis \(June 2023\)](#)

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

⁵ Examples include [Solar Savers](#), [Hume Energy Upgrades](#)

- Broad cross-council networks already working to educate households on electrification and energy efficiency.⁶

The approach would involve a number of key elements:

- An integrated one-stop-shop model that connects households with trusted suppliers
- Establishment of a property linked finance mechanism to overcome the split incentive between tenants and landlords (administered via council rates, with supporting resources and tools for councils)
- A combination of subsidies and zero or low interest loans to overcome upfront costs
- Targeted engagement with landlords so that renters do not get left behind
- Education and long-term support for households throughout their upgrade journey
- A long-term, sustainable operating model that leverages private sector finance.

Further details regarding this proposal can be accessed [here](#).

We would also like to emphasise our concern and disappointment at the recent decision to delay the implementation of the National Construction Code (NCC). Delaying the NCC is not a productivity solution because it hinders innovation, increases long-term costs for consumers, and impedes the industry's ability to meet housing targets and adapt to future needs, while also negatively impacting manufacturers and workers who have invested in new standards. Instead of a pause, we are calling for a nationally consistent approach to building standards and planning reform to address red tape, speed up approvals, and ensure quality and sustainability.

Yours sincerely,

Cr Kate Hely
Executive Committee Chair
Eastern Alliance for Greenhouse Action
Councillor, City of Stonnington



This letter has been approved through EAGA's formal governance structure as described in the EAGA Memorandum of Understanding 2025-30. The submission may not have been formally considered by individual member councils.

⁶ Merri-bek City Council currently oversee an active community of practice attended by practitioners from over 100 councils across the country