

EPA Victoria submission to the Inquiry into the Energy Services Industry

Introduction

1. In the 1980s and 1990s, Governments and business focused strongly on labour productivity as the pathway to increased business value and wealth generation.
2. While this is still important, the economy and environment will both benefit from a strong shift to resource productivity. This is reflected in the Government's sustainability framework direction of "increased resource use efficiency".
3. EPA and Government have strong roles to play both in conducting our own business, and in assisting the private sector to use energy more efficiently. This Inquiry is therefore very welcome.

Scope and purpose of submission

4. This submission does not seek to address all matters covered by the Inquiry Terms of Reference. Rather, it focuses only upon paragraph 4 of the Terms of Reference, on the basis that this is most directly relevant to current EPA energy efficiency programs with flow-on effects for the energy services industry.
5. This submission explains EPA's experience in relation to drivers for the development and uptake of energy efficiency services in the industrial sector, and some of the barriers and limitations to this development and uptake.

Drivers for energy efficiency services

6. EPA's mission is to enable a safe, clean and sustainable environment for Victoria. It is increasingly partnering with other government bodies, businesses and community groups to achieve environment protection and improvement.
7. In the area of energy efficiency, a number of statutory-based EPA programs are having a significant role in driving efficiency improvements, which is in turn promoting the development and uptake of commercial energy efficiency services.

EPA Industry Greenhouse Program

8. EPA assists industry to identify and deliver energy efficiency improvements primarily through implementation of the *State Environment Protection Policy (Air Quality Management)* (SEPP(AQM)) and its incorporated *Protocol for Environmental Management (Greenhouse Gas Emissions and Energy Efficiency in Industry)* (PEM(GGEE)) ("the Program").
9. Under the Program, existing EPA licence holders are required to report annual energy usage and associated greenhouse gas (GHG) emissions, and to undertake an energy audit if usage and emissions are above threshold levels. All identified action items with a financial payback of three years or less must then be incorporated into an action plan. New developments or process changes requiring EPA works approvals must undertake a similar process to demonstrate that the proposed works will constitute 'best practice' energy efficiency. Implementation of all action plans is scheduled to be completed by the end of 2006.

10. On the basis of data compiled to date:

- GHG emission reductions committed to under action plans approved by EPA amount to approximately 1.1 million tonnes of carbon dioxide equivalent (Mt CO₂-e) annually. The estimated total annual energy savings to business from approved actions is \$34 million, with an average financial payback of 17 months.
- The majority of GHG emission reductions came from the top 50 energy users, contributing 74% of reductions or 0.75 Mt CO₂-e annually. These actions have a total annual energy saving to these businesses of \$20 million.
- A further 1.2 Mt CO₂-e annually is being saved by industries beyond the PEM (GGEE) requirements as part of commitments to other programs (eg Generator Efficiency standards, Greenhouse Challenge). These actions have average payback periods of around 9 years.

11. In order to fulfil the audit component of the Program, over 500 EPA licensees have conducted energy audits for relevant licensed sites. In the majority of cases, this has involved businesses engaging energy, commercial and industry auditors to carry out the audits. Audits received have been assessed against an "Audit Report Checklist" developed in conjunction with Sustainability Victoria (formerly Sustainable Energy Authority of Victoria (SEAV)). Approval of audits by EPA has involved an ongoing consultative process with auditors and EPA licensees.

12. In relation to the action plan component of the Program, a review of approved action plans reveals that there has been significant uptake of energy efficiency equipment by businesses. This has included commitments to install new boilers, compressed air systems, energy management systems, lighting, industrial/manufacturing process modifications, and various other equipment aimed at improving energy efficiency. Nearly 2,500 actions have already been approved under the Program.

13. The Program is therefore contributing to:

- increasing awareness of the need for increased energy efficiency, predominantly amongst the industrial sector;
- creating an additional market and expertise for energy auditors; and
- promoting the uptake of energy efficiency equipment manufacturers and suppliers through the action plan process.

14. The *Victorian Greenhouse Strategy Action Plan Update* foreshadows further programs to manage greenhouse gas emissions to be undertaken by EPA in the 2005/06 period including to:

- "*continue its work with energy-intensive industry sectors to drive improvements in energy efficiency and resultant reductions in greenhouse gas emissions, and to continue to develop and employ appropriate statutory greenhouse tools in line with Victorian Government Policy*" and;
- "*to commence a Victorian greenhouse gas emissions reporting and disclosure pilot program*".

Sustainability Covenants

15. Sustainability covenants are voluntary statutory agreements through which EPA and a company, group of companies, an organisation or an industry sector can explore creative ways of improving resource use efficiency and reducing the ecological impact of products and services.
16. There are numerous examples of partnership approaches leading to improved energy efficiency in EPA's sustainability covenants program. These include:
 - under the VicSuper sustainability covenant, VicSuper's portfolio of commercial buildings is being managed for improved environmental performance, including the identification and implementation of energy efficiency opportunities;
 - mecu, in its sustainability covenant has made a commitment to develop and implement action plans to reduce energy and water use and waste produced throughout mecu, and to retrofit more sustainable fittings in mecu owned buildings (eg rainwater tanks; solar panels) where the payback is less than five years; and
 - through the sustainability covenant with Lend Lease Property Management Australia, Lend Lease and General Property Trust have developed programs to reduce energy consumption in retail environments, including through initiatives such as "eco-leasing suites" where potential new tenants of retail spaces in shopping centres can view and select from energy and water efficient appliances for the fit-out of their shops.
17. The energy efficiency commitments within sustainability covenants are therefore creating incentives for participating businesses to increase their uptake of energy efficiency products and services, thus helping to develop a market for the energy efficiency services industry.

Barriers to development of energy efficiency services

18. Current EPA programs have shown that there are large and commercial energy efficiency gains to be made across Victoria.
19. Existing business barriers to improved energy efficiency and the uptake of relevant energy efficiency services across the industrial, commercial and residential sectors include:
 - lack of pressing need and/or time to address the issue;
 - lack of access to relevant expertise; and
 - low levels of awareness of the potential for energy savings.
20. EPA will continue to work across the community to assist in the identification and implementation of financially viable energy efficiency opportunities.
21. EPA also recognises that the development of a strong energy efficiency services industry plays an important role in overcoming these barriers and therefore endorses the valuable work of the Inquiry.

