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EEP Management Pty Ltd
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Honourable Jenny Lindell, MP
Chair,
Environment and Natural Resources Committee
Level 8, 35 Spring Street,
Melbourne, Vic. 3000

18 October 2005

Re: Inquiry into the energy services industry

Dear Hon. Jenny Lindell,

I appreciate your letter regarding energy efficiency and I am more than happy to share my experience with you in this field.

I am working on energy efficiency in the commercial and industrial sectors in Victoria, for over 15 years and have carried out over 200 energy efficiency projects in industrial, commercial and institutional buildings mostly in Victoria where some of the largest manufacturing sites were audited by our company.

The results of these investigations have revealed that, the 20-40 percent of energy used by Victorian industrial & commercial sectors is wasted. However, by taking appropriate measures and capital expenditure, generally the pay back period is less than 3 years. This kind of waste of energy is common for almost all sectors of industries and commercial buildings.

Unfortunately I cannot provide you with detailed reports on each industry and commercial buildings, however, if you need more information, it is available at my office for viewing and also many other reports are available in SEAV and Department of Innovation, Industry and Regional Development.

If we define energy efficiency as sensible design and use of technology, operation and maintenance, then we are energy efficient. Our industrial experience shows that Victorian industry is generally very slow acquiring new technologies and as a result it is becoming less competitive, consequently factory closures and with recent development in the region such as China and India this will accelerate the demise of Victorian industry in the near future. In the last year, 3 of my major clients closed their doors with a loss of more than 600 jobs.

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To enable me to answer your inquiries properly would require more than 3-4 month work to document your requirement, however I will try to address each issue briefly according to my experience and knowledge as you requested in your letter.

1) the progress made to date in developing energy efficiency services industry in Victoria including its market size and characteristics, profitability, capacity and composition;

Response

Victoria is one of the leading States in Australia that contributed to energy efficiency such as SEC, SEAV, DIIRD, EPA and as a result many private, energy supply companies and educational organizations have contributed to energy efficiency.

Over a decade some expertises have developed in this field. However, due to the non-continues programs by State and Commonwealth theses expertise never developed in large scale. Any program introduced for energy conservation purposes failed due to lack of driving force to make Victorian industry and commercial sectors energy efficient. The market size and profitability of energy service industry is small and existing companies that provide energy efficiency services will go bankrupt if they do not do diversify.

2) the range of services and technologies available and the diversity of business models, compared with those in others OECD countries;

Response

I do not think we could compare our services with OECD countries as I believe they are much more advanced than Australia on energy efficiency technologies or using advanced technologies in industrial or commercial sectors. If we look at the Caddet publications there are very few submitted from Australia.

3) the competitiveness of the Victorian energy efficiency services industry in the Australian and international contexts;

Response

I believe that not much business is going on in energy efficiency in Victoria, and the few companies remaining if this trend continues, will disappear very shortly including EEP Management. All energy efficiency companies that operate in Victoria are competitive and I believe we could be competitive in the international arena too.

Please note that it take about 3-5 years to train somebody to carry out energy audits in the industrial sector as it is very complex analysing different type of industries and their shortcomings.

4) The main barriers to, and drivers for, the development and uptake of energy efficiency services in the residential, commercial and industrial sectors;

Response

The main barriers are:

- No appropriate driving force that make people responsible for their energy use
- Cheap and plenty source of energy
- Waste culture
- Lower operational cost: generally energy supply cost contributes about 5-10 percent of operational cost for industrial sector and return is not attractive for directors to invest in energy efficiency technology.

- Attitude: Greenhouse gas emission is not my problem and it is an international issues.
- No appropriate standards on energy efficiency governing industrial sector
- In commercial buildings, which are mostly rented property, energy cost is the responsibility of the tenant, therefore waste of energy is not the landlord responsibility and tenant and owner will not spend capital on improving mechanical services of the buildings.
- No tax relief incentives on energy efficiency.
- No energy rating requirements on operating on any commercial building or industrial processes output
- Old and inefficient building mechanical services that uses most of the energy in commercial buildings and no interest retrofitting with energy efficient technologies or control.
- Old and inefficient industrial processes, inadequate management and old fashioned maintenance procedures. It is common in factory environment that their responsibility is to keep production going and the use of energy or other costs is not their problem.
- Overall no responsibility for any organisations on how energy is used for production of goods or providing energy for operation of a building. Therefore create waste of energy and unnecessary use of resources.
- Public awareness and education.

For drivers issue, please refer to Conclusion section

5) The adequacy of training, accreditation and performance guarantee arrangements for the sector, including the appropriateness of standards and protocols for performance measurement and identification of skills gaps;

Response

I believe we are lacking greatly on this issue and there is no organization to assess accreditation, performance or standards. For industrial energy efficiency there are no standards developed yet and existing AS3598 2000 is for commercial buildings. It is highly desirable that appropriate standards should be developed and a good accreditation organization that is able to contribute to energy efficiency best practice would be helpful.

6) Measures to promote the energy efficiency services industry, including the production of data on the performance of various technologies and information to identify and facilitate investment in the energy services industry,

Response

This issue is similar to 5 and DIIRD and SEAV promotion is not effective and also the web site of SEAV regarding technology transfer is very primitive.

7) The roles of State Government and Federal bodies in developing regulating an energy efficiency service industry, including the impact that a future greenhouse gas emission trading scheme might have.

Response

I believe both States and Commonwealth governments provided lip service for energy efficiency and they have no intension of developing energy efficiency technology or services that enhance our energy consumption or any measures for conservation of natural energy resources as follows:

- Research and development of new technologies
- Joining international organizations such as Kyoto for emission control
- Infrastructure development for new renewable technologies and services such as CNG and LNG for transport industry, manufacturing wind turbines, etc.
- Index for energy use per production output and measures to reduce energy consumption
- Modernisation of industry through tax incentives or other appropriate measures
- Development of nuclear energy, Australia should invest in processing nuclear fuel and marketing it around world as well as establishing nuclear powered power stations.

Please note: that the State government recent investment in wind Power Station's, new commercial buildings, domestic home energy ratings, and solar hot water programs and incentives are appreciated and will be helpful if executed properly.

Conclusion

I believe by taking appropriate steps and some meaningful programmes on energy efficiency in Victoria could be improved, any measures that will be taken should be done professionally with co-operation of both sides of the politics as well as all other organizations such as industry, commercial sector, institutions, commonwealth government and people of Victoria.

Personally I recommend the following:

- A comprehensive study on success and failures of energy efficiency programmes in Victoria, other States and OECD plus North European countries that is very successful on energy efficiency and also development of energy efficiency technologies. The result to be presented to parliament in June 06 where it may help on energy efficiency new programs start.
- Extending the new buildings energy rating to old buildings; and making it as a license for operating of a building similar to health and safety standards.
- Set-up a programme that all commercial buildings and industrial units regularly report energy ratings of their operations and emissions. This should be reported yearly, also a programme that the energy audit findings have to be implemented for reduction of emission.
- Work out a programme for best practice on emission and transmission of technologies for energy efficiency in all sectors.
- Assist the organizations to upgrade their production processes to be nationally and internationally competitive.
- Energy efficiency should be self-funded and government cannot afford to fund for implementing energy efficiency technologies, services, or monitoring.
- Set-up an organization that transfer knowledge and know how to Australian businesses.
- Fund for research and development either for production processes or developing of renewable energy technologies, high efficiency combustion technologies for brown coal or any other technologies that revolutionise generating electricity or other applications from brown coal that Victoria have considerable quantity.

- Set-up programmes that attract young people to study science and engineering, the development of a country relies on intelligent workforce that creates science and technology.
- Develop new standards for measuring energy efficiency and performance.
- Use media regarding the importance of emission and reduction of emission that it is the responsibility of every individual in the state, therefore it should be mandatory for every organization take action for reduction of their emission. Sustainable development is the way of modern living and we cannot afford polluting our environment by adopting old and inefficient technologies or procedures.
- Promotion and incentives.
- Consult with EPA, SEAV, DIIRD, AGO, SEDA, DITR, as well as international organizations such as DOE of USA, Canadian Dept. of Energy, Dept. of Energy of UK and other OECD energy conservation authorities.
- Carbon dioxide storage or sequestration may help Australia to comply with emission requirements such as Kyoto and other treaties; this method is not proven and also does not reduce waste of energy use in any sector.
- More comprehensive planning is required, as the price of fuel is increasing world wide, this is going to affect many other commodities that is generated from fossil fuels such as plastics, fertilizers, textiles etc where it could have an impact on economy and growth.
- Develop business opportunities for energy service sector by setting up programs however, without business opportunity expertise in this field it will not be developed.

Thank you very much for asking me to provide this information and if you need any other information please do not hesitate to contact me.

Yours sincerely

Gargari,

Assad Gargari
Director of EEP Management