

Brotherhood of St Laurence

Input on new energy efficiency program for low income households

The Brotherhood of St Laurence welcomes the Commonwealth's decision to develop a new energy efficiency program targeting low income households. BSL and KPMG have outlined a preferred program for low income and vulnerable households in our report a *National Energy Efficiency Program for low income households (attached)*.

In the process of developing the new program proposal there were some key lessons which should be taken into consideration.

1. Program Objectives

The primary objective of the program should be to:

- reduce household energy costs through the provision of energy efficiency measures (which enables households to do more with less)

Secondary objectives should include:

- to contribute to Australian efforts to reduce greenhouse gas emissions; and
- to reduce low income households exposure to extreme weather such as heat waves (adaptation) and cold winters

2. Who should the program target

The KPMG/BSL report identified priority low income households as those that are:

- consuming relatively high levels of energy despite earning very low-incomes;
- located in geographic areas not served by natural gas;
- located in remote and indigenous communities that have either very poor infrastructure or limited choice of energy source;
- with old or inefficient appliances that consume energy inefficiently;
- living in sub-standard houses;
- with health and disability issues; and
- that consist of very large families.

Low income private renters are also a particularly important household group to ensure are able to access the scheme. Specific measures should be put in place to enable their participation.

The BSL/KPMG proposal identified health care cards as a simple proxy for the broad group of households who need support to access energy efficiency. This would cover approximately 3.5 million households.

300,000 households is unlikely to cover all the households who need support to access energy efficiency measures. Consideration should be given to the number of households who form the overall target group which should be based on:

- householders potential to benefit from the measures; and

- the likelihood that householders will access energy efficiency without the program including market failures and other barriers

However if the Commonwealth is limited to 300,000 household then criteria for additional eligibility could be set as outlined in the next section.

3. Criteria for eligibility for 'Green Start'

Criteria for entry into the new 'Green Start' program should be:

- A Commonwealth health care card **plus** meets one of the following criteria:

	Measure	Identification/Verification
Household with high energy usage	Energy bills	Community sector organization citing 6 months bills Energy retailer
Private renter	Centrelink rent assistance	Centrelink Community Organisations
Unemployed	Newstart Youth allowance	Centerlink Community sector organisation
Pensioners	Aged pension Disability pension	Centrelink Community organisation
Single parents	Parenting Payment – Single	Centrelink Community organisation
Indigenous	ATSI individual	
Cold climatic conditions	Locations with high energy needs due to climatic factors	Postcode
Fuel source	Locations with LPG, or Solar and without access to natural gas	Regions/postcode

Some work will need to be done to get a better estimate of the number of households which reach these criteria. Although the total covered by these criteria will be over 300,000 support could be provided on a first come first served basis.

4. Measures the program should include

- a **home visit** – where an 'energy connector' links the household with existing programs, engages the household on energy issues; this should not be a highly technical energy auditor, although an audit should be provided
- home energy improvements** – outlined in the table below

Retrofit activity	Average cost/household (incl. installation)	Proportion of dwellings that are suitable	Savings to energy bills weekly	Savings to energy bills yearly (at \$20/t CO ₂ -e)**	Skill needs
Upgrade household with CFLs	\$70*	65 – 80%	\$2.02	\$105	Unskilled
Weather sealing retrofit	\$420	~75%	\$2.16	\$112	Semi-skilled
High efficiency showerhead	\$95	~75%	\$0.79	\$41	Plumber
Ceiling insulation	\$1,530	40%	\$4.05	\$210	Semi-skilled
Hot water - old electric to solar	\$3,500	40%	\$8.84	\$460	Plumber and electrician
Hot water - old electric to heat pump	\$4,000	15%	\$5.62	\$293	Plumber and electrician
Fridge upgrade	\$950	17%	\$1.06	\$55	Unskilled

Source: KPMG, 2008, A national energy efficiency program to assist low-income households

5. Community Sector and program delivery

The community sector should play a central role in program as they have direct contact with the client group and many community sector organizations have considerable skills and expertise in this space.

6. Program Management

Brokerage

A program broker (or brokers) should be identified who can oversee the program. The program broker's role should include:

- managing program work flows
- implementing relevant standards for accredited suppliers and quality of work
- developing grievance and complaint processes
- collating data on interventions in households which should then be provided to the commonwealth

Two possible models for program brokerage are national brokers or state based brokers.

Brokerage	Advantages
National	Centralized national standards, accreditation Minimize
State based	Connect to existing agencies where they exist Increased opportunities to leverage state based revenue

Brokerage models should draw on international experiences such as the *Warm Front* program in the United Kingdom.

Experience with the Warm Front program in the United Kingdom demonstrates the advantages of having a broker to oversee a program targeting low income households. The reasons include:

1. the difficulties recruiting low income households to the program
2. overcoming the trust barriers that low income households have to some government and corporate programs by providing reliable and trustworthy information
3. ensuring suppliers are properly accredited and delivery quality and standards are met.

7. Participation from the States

Engagement with the states will be important to maximizing the resources for our target groups. Some states have considerable expertise in this space.

Participation of the states should be prioritized in the following areas:

1. contributions should be sought from State governments to leverage Commonwealth funding
2. state based agencies, who have relevant skills and expertise, should play a role where they exist
3. states may be in a position to link the program with regulations/standards for existing properties which will increase the uptake of the program

8. Timing - program design and initiation

Given the complexity of the target group, and the lessons learnt from the insulation programs to date, it will be difficult to finalise the program in 1 month.

9. Further work and contact details

We would like to continue to work closely with you in designing a program which meets the needs of low income and vulnerable Australians.

John Thwaites, Chair of the Brotherhood's Equity in Response to Climate Change program, and Jack Holden, KPMG would be available to brief you on BSL's position and the relevant findings of the KPMG/BSL report.

Victoria Johnson, Senior Research Officer, Equity in Response to Climate Change, is available to assist with any inquiries on (03) 9483 2480, email: vjohnson@bsl.org.au. Damian Sullivan, Manager of our Equity in response to climate change program, will be on leave from 7 September to 1 October, however should you want to arrange a phone link up he can be contacted on 0405 141 735 (best times will be after 3pm Australian time as he is in Europe).

Tony Nicholson
Brotherhood of St Laurence
7 September 2009

Attached: KPMG, 2008, [A national energy efficiency program to assist low-income households](http://www.bsl.org.au/pdfs/KPMG_national_energy_efficiency_program_low-income_households.pdf), KPMG and Brotherhood of St Laurence, http://www.bsl.org.au/pdfs/KPMG_national_energy_efficiency_program_low-income_households.pdf