



Submission to the Environment and Resources Committee Inquiry: Inquiry into Energy Efficiency Improvements.

Background

The Airconditioning and Refrigeration Equipment Manufacturers Association (AREMA) represents the interests of Australian and international manufacturers of airconditioning and refrigeration equipment, active in the Australian market.

AREMA is actively involved in the ongoing development and implementation of Minimum Energy Performance Standards, and continually engages with governments and the community on a wide range of environmental and other matters.

As designers and manufacturers of airconditioning and refrigeration equipment we are acutely aware of the considerable contribution the increasing energy efficiency of our products can make to the reduction of greenhouse gas emissions.

Our organisation's continuing commitment to improving energy efficiency was recognised with the award of an Australian Energy Efficiency Star Award by the Commonwealth Government in 2005.

The Need for Improving Energy Efficiency

The background information paper released by the Committee correctly identifies improvements in energy efficiency as an essential and cost-effective tool to reduce emissions of greenhouse gases. As the paper notes, IEA modelling points out that up to half the targeted reduction in greenhouse gas emissions set for 2050 can be achieved through continuing improvements in energy efficiency.

However, the effectiveness of these measures are dependent on effective policy co-ordination across all Australian jurisdictions- to reduce emissions to the atmosphere, we must recognise that the atmosphere does not respect State or Territory borders.

The Need for a Co-ordinated National Approach

The need for a national approach to energy efficiency has long been recognised- differing regimes based on individual State or Territory-based approaches are as inefficient and costly as the different railway gauges that inhibited Australia's economic development for so many years.

The major underpinning of the Minimum Energy Performance Standards has been the program's ability to co-ordinate a national approach.

This was again explicitly recognised in the Memorandum of Understanding on the National Strategy on Energy Efficiency, signed by Premier Bligh and all State and Territory leaders on 30 April this year.

This document states:

"The appliance market is a national one, with products sold in all States and Territories. Governments have agreed to adopt national legislation for Minimum Energy Performance Standards to ensure a seamless regulatory system for business across the nation, reflective of a single national market and support a move to more ambitious standards over time"

At its meeting in July this year, the Council of Australian Governments agreed on the National Partnership Agreement on Energy Efficiency. This was again signed by Premier Bligh and all State and Territory leaders, committing Governments to

"a nationally-consistent and cooperative approach to energy efficiency", including "nationally consistent energy efficiency standards for appliances and equipment and a process to enable industry to adjust to increasingly stringent standards over time".

Queensland Actions

So apart from the rhetoric, what action has the Queensland Government taken in this regard?

Acting entirely outside the agreed national framework, the Queensland Government has moved to unilaterally introduce controls and bans on certain types of airconditioning equipment by way of an amendment to the Queensland Development Code 4.1, to come into effect on 1 September 2009.

No Regulatory Impact Statement was undertaken as part of this process, as is an essential element of the Minimum Energy Performance Standards process.

Controls on airconditioning equipment contained in the Queensland Development Code 4.1 were formulated and introduced without consultation with the industry, and seek to implement a timetable in advance of the agreed national timetable, endorsed by Commonwealth, State and Territory Governments, including the Government of Queensland.

The proposed controls bring forward measures that were agreed to be implemented nationally in April 2010, to September 2009 in Queensland alone.

Controls on airconditioners in Queensland will be different to the controls operating in the rest of Australia. Equipment from Queensland must be shipped across borders to be legally sold in other States, meaning no overall decrease in Australia's greenhouse gas emissions- in fact; all that transporting of equipment will result in an overall increase in greenhouse gas emissions, and considerable inconvenience and needless costs for Queensland households and businesses.

Engineering and logistical constraints mean it will be very expensive for industry to effectively adapt to the proposed timetable. Design work has been undertaken, firm orders have been placed, manufacturing schedules fixed and distribution and warehousing are in place in order to meet the agreed date of 1 April 2010.

Airconditioning professionals believe that while these controls are no doubt well-motivated, they are ill-considered and are likely to exacerbate rather than improve the existing situation.

Queensland families and businesses will be disadvantaged for no significant environmental benefit.

The attached article from the respected industry magazine, Climate Control, News (CCN) summarises the issue well.

By introducing controls out of step with the rest of Australia, the Queensland proposal undermines the integrity of Minimum Energy Performance Standards, acknowledged by Commonwealth and State Energy Ministers as Australia's most successful national energy efficiency program. It also directly contravenes the spirit and intent of COAG's National Strategy on Energy Efficiency and the Partnership Agreement on Energy Efficiency.

Queensland: a snag in the COAG



AREMA President
Bernie Bugdalski

Despite agreeing not to, the Queensland State Government made it illegal, as of this month, to sell air conditioners with a MEPS EER less than 2.9. The move has put major stress on suppliers and will ultimately make Queenslanders pay.

When is a national strategy not a national strategy? Answer: when it involves Queensland.

On 30 April, amongst great fanfare, Queensland Premier Anna Bligh signed the memorandum of understanding on the National Strategy for Energy Efficiency (NSEE), along with all other members of the Council Of Australian Governments (COAG).

The NSEE sets out to deliver a coordinated, cost-efficient approach to energy efficiency across Australia via a written agreement between the Commonwealth and all State and Territory governments.

Now, in a move that has alarmed and perplexed the HVAC&R industry, Queensland's Minister for Planning and Infrastructure, Stirling Hinchcliffe, has introduced new energy efficiency rules for air conditioning equipment, completely outside the agreed national framework.

From 1 July this year, all new or replacement air conditioners installed in class 1 or 2 buildings in Queensland must have an EER of 2.9, substantially higher than the current EER

of 2.75 for domestic appliances. Under MEPS, the higher rating was not scheduled to be enforced until April 2010.

It is understood that State Government officials are currently developing legislation that will ban the sale of equipment at the lower efficiency rating from July. Industry understands that this ban could extend to particular equipment in commercial projects, which, along with domestic equipment, will then have to be transported to other states in Australia if it is to be sold legally.

The Air Conditioning Refrigeration Equipment Manufacturers Association of Australia (AREMA), the representative body most affected by this decision, recently requested a meeting with Minister Hinchcliffe and were stunned by his response.

According to AREMA president, Bernie Bugdalski, the minister explained that he was "fully supportive of a national strategy, but we do things differently in Queensland".

AREMA treasurer Ken Ball, who also attended the meeting, told CCN that the Minister's attitude left AREMA with the

inescapable conclusion that the NSEE was, at least as far as Queensland was concerned, a 'non-core' strategy. Ball said Hinchcliffe rejected industry requests that energy efficiency measures in Queensland be aligned with the rest of Australia.

Industry has been highly critical of the way in which this process has been handled. Robert Beggs, a director of the Consumer Electronics Suppliers Association (CESA), said industry found out about the Queensland proposals a few days before Christmas. "This situation is extremely frustrating for industry – for manufacturers, distributors, retailers, contractors and builders, let alone the consumer," Beggs said.

Bugdalski said there had been absolutely no consultation with the air conditioning industry at all during the development of these proposals. "AREMA put in a submission in January, and haven't even had the courtesy of a reply," he said.

It is understood AIRAH Queensland was contacted by the minister's department and some information evenings were held for the engineering design association, but no consultation was entered into, nor other representative bodies sought.

The Queensland branch of the Air Conditioning Mechanical Contractors Association of Australia (AMCA), also tried to open up discussions with the Building Services Authority that will administer the legislation. AMCA state president Graham Mackrill told CCN he had warned them that "they will have to handle the disputes that will arise out of all this".

Industry groups point out that there are several technical and practical flaws with the proposal. The clumsiness of sales bans offers one of the most stark illustrations of why national approaches are more effective.

With a national approach, such as that used under MEPS, bans are placed on domestic manufacture and export but remaining stock is



Qld Minister for Infrastructure and Planning, Stirling Hinchcliffe

able to be sold. State sales bans, however, can result in existing equipment not being allowed to be legally sold in that jurisdiction, so it must be transported to another. This involves little if any environmental advantage and a great deal of costly logistics.

The NSEE document itself states that in regard to appliances such as air conditioning equipment: "49.1. The appliance market is a national one with products sold in all States and Territories. Governments have agreed to adopt national legislation for Minimum Energy Performance Standards to ensure a seamless regulatory system for businesses across the nation, reflective of the single national market, and support a move to more ambitious standards over time."

The reason behind this agreement is to "reduce transaction costs for business and accelerate the rollout of new standards and labels for products."

The Climate Institute recognised the need for national consistency in its November 2008 policy paper *Australia's National Strategy for Energy Efficiency*: "Be nationally consistent and implemented by the appropriate level of government in partnership with relevant service providers in the private and community sectors."

The Institute stressed that, if any type of control was to be placed on the industry, "it is critical that it be adopted as a national scheme to reduce the compliance burden on industry

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and to avoid stakeholders investing in strategic lobbying behaviour to undermine energy efficiency policy."

Nevertheless, the Queensland Government is determined to press ahead with its own unique approach.

AMCA's Graham Mackrill said that while his association was supportive of state government attempts to better their carbon footprint, "this has contractual and logistical problems associated with contracts signed prior to July 1, but to be delivered post July".

One major supplier, who asked to remain anonymous, told *CCN* that this is one of those situations where business hates governments. "This puts us in a very difficult position – we have orders that stretch over the July 1 deadline," he said.

Like most suppliers, he said several questions need to be answered: do they deliver the entire order to sell some of it before it becomes obsolete or do they cease the order and lose money? Who will pay the extra transport and ramped-up engineering costs?

As *CCN* was going to press, there was no further word from Minister Hinchcliffe, COAG or the Federal Department of the Environment, the administrator of MEPS.