

14 August 2009

Mr Rob Hansen  
Research Director  
Environment and Resources Committee  
Parliament House  
BRISBANE QLD 4000

By Email: [erc@parliament.qld.gov.au](mailto:erc@parliament.qld.gov.au)

Dear Mr Hansen

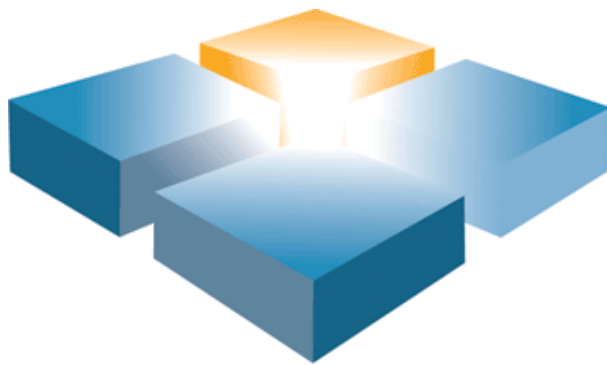
Thank you for the invitation to participate in the Environment and Resources Committee Inquiry into Energy Efficiency Improvements. The Chamber of Commerce and Industry Queensland's submission to the Inquiry is attached.

I trust that the Chamber's submission will be of assistance to the Committee in its consideration of this matter. Please do not hesitate to contact me (3842 2279) or my colleague Sarah Kearney (3842 2253) if you wish to discuss any aspect of the attached submission in more detail.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nick Behrens'.

**Nick Behrens**  
General Manager - Policy



CHAMBER OF  
COMMERCE &  
INDUSTRY  
QUEENSLAND

**Chamber of Commerce and Industry Queensland  
Submission to the Environment and Resources  
Committee Inquiry into Energy Efficiency  
Improvements**

## **Introduction**

The Chamber of Commerce & Industry Queensland (CCIQ) welcomes the opportunity to comment on energy efficiency and its implications for the Queensland business community.

CCIQ is the peak business organisation in Queensland, representing the interests of 25,000 businesses and 135 chambers of commerce across the State (a more detailed overview of CCIQ's membership is provided in Appendix 1). CCIQ also has an eco-efficiency team which assists businesses to improve their environmental performance and reduce environment-related costs such as energy, water and waste.

## **General Comments**

Energy is an essential input into nearly all goods and services and a core driver of economic growth. It is therefore a critical and unavoidable cost for many Queensland businesses.

In the recent past, energy efficiency has become an increasingly important issue for the State's businesses as energy prices have spiralled upwards. The Benchmark Retail Cost Index for electricity has now increased by 11.37 per cent in 2007-08, 9.06 per cent in 2008-09 and 11.82 per cent in 2009-10. Compounded, these increases roughly equate to a thirty-three per cent increase over the last three years. Significantly, this rise in costs does not factor in any allowance for the impact of the Carbon Pollution Reduction Scheme (CPRS).

The introduction of the CPRS is expected to result in an initial eighteen per cent nationwide increase in electricity prices. Given Queensland's reliance on coal-fired power generation, there is a very real likelihood that the State will experience price increases which are above this nationwide forecast. The CPRS will also continue to place further upwards pressure on electricity prices over the longer term.

In this environment of rising prices, energy efficiency will become a crucial issue for many businesses as they will likely need to improve their efficiency of energy use in order to remain competitive. It is also likely that some of the more energy efficient technologies and practices will gradually become viable as the price of energy rises. It is important to note however that the cost of some best practice energy efficient technologies may far outweigh the benefits, even in the longer term. It is therefore essential that all levels of government take a pragmatic approach to energy efficiency which acknowledges that some best practice technologies may simply be too expensive.

That said, there are some tangible benefits associated with improvements in energy efficiency. In particular, businesses may achieve cost savings by adopting more energy efficient technologies and practices (noting however that the cost savings will be offset by the expenditure required to implement the technology/practice). The wider community may benefit as well because improvements in the efficiency of energy use may delay costly investments in new baseload power generation capacity.

It is unlikely however that energy efficiency improvements will completely remove the need for further investment in the State's baseload generation capacity. The reasons for this are two-fold –

firstly the CPRS will create demand for less emissions-intensive generation capacity and secondly, the State's electricity demand will continue to increase as a result of a growing population.

Increased energy efficiency also has the potential to contribute to better environmental outcomes by reducing greenhouse gas emissions.

CCIQ also notes that international comparisons of the energy intensity of various economies are fraught with danger due to the significant divergence in the type of goods and services produced across countries. Australia and more specifically Queensland have some major industries which are energy-intensive such as steel production and minerals processing. While many of the Queensland businesses in these industries have implemented best practice energy efficient technologies, these activities are by their very nature energy intensive. They therefore mean that Australia has a high energy use per unit of Gross Domestic Product than countries with a different, less energy-intensive industrial profile.

## **Specific Issues**

### **1. What have been the economic and environmental costs and benefits of energy efficiency initiatives affecting households, businesses, governments and communities in Queensland?**

As noted above, many energy efficient initiatives generate costs and benefits for affected stakeholders, the wider community and the environment. Businesses may be required to make additional investments to implement new energy efficient technologies and practices. In some circumstances, these investments may be substantial and may therefore represent a significant barrier to the adoption of a particular technology. These costs may however be offset, at least to some degree, by the cost savings associated with reduced energy usage. That said, the cost effectiveness of particular energy efficiency technologies will vary from business to business and industry to industry. It also important to note that some new 'cutting edge' technologies will simply be too costly for many businesses, at least in the short term.

Energy efficiency initiatives may also impose a cost burden on the taxpayer as most measures will be administered by government. Some measures may also involve the provision of financial assistance to enable households and businesses to implement more energy efficient technologies. There are benefits arising from this expenditure however as it may delay costly investments in new baseload power generation capacity.

Increased energy efficiency also has the potential the potential to contribute to better environmental outcomes by reducing greenhouse gas emissions. That said, it is important to note that some energy efficient technologies may have unintended adverse environmental impacts. For example, compact fluorescent bulbs contain toxic metals which can damage the environment if the bulbs are not disposed of correctly.

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**2. In economic and environmental terms, what energy efficiency initiatives have been effective in Queensland?**

CCIQ considers that the most effective energy efficiency measures are those which have been developed and implemented in consultation with business and the wider community. This type of approach helps to minimise unintended consequences and costs.

CCIQ also considers that energy efficiency initiatives which combine educational measures with financial assistance (where appropriate) can be very effective in initiating behavioural change and overcoming some of the barriers to implementing energy efficient technologies and practices. Some examples of state-based energy efficiency initiatives which fall into this category include ecoBiz and the proposed ClimateSmart Business Service.

CCIQ is of the view that governments should not attempt to pick energy efficient technology ‘winners’ and ‘losers’ as past experience has demonstrated that governments are not good at this task. Mandating the use of specific energy efficiency technologies may also limit flexibility and unintentionally result in the exclusion of more or equally effective alternative technologies. Given the rapid rate at which technologies have been developing, CCIQ considers that governments need to ensure that the regulatory framework has sufficient flexibility to respond to advances in technology.

**3. What role do Commonwealth Government initiatives, including the proposed Carbon Pollution Reduction Scheme (CPRS), play in encouraging energy efficiency?**

Commonwealth Government initiatives are likely to play an important role in encouraging improved energy efficiency. The CPRS will in particular drive the adoption of more energy efficient technologies and practices over the longer term. This is because it will place sustained upwards pressure on electricity prices, thereby making investments in some energy efficient technologies a more viable option for some businesses.

Given the Scheme’s impact on energy prices and the cost of other emissions-intensive inputs, CCIQ strongly believes that it must be implemented in a very careful considered manner. In that regard, CCIQ also remains strongly of the view that Australia risks damaging the international competitiveness of its businesses (both import-competing and exporting) by implementing an earlier and more wide-reaching emissions trading scheme than other countries. This is because this approach may create considerable incentives for businesses to shift their production to countries which do not impose a price on carbon. The loss of this production would have a serious impact on Australia’s terms of trade as well as the availability of employment in both large businesses and service industries.

It will also achieve very little, if anything, in terms of emissions reductions as the relevant emissions will simply be shifted from Australia to another country. Indeed, there is a real risk that this outcome may actually be detrimental to the environment as the production processes in the alternative location may be more emissions-intensive than those employed in Australia. CCIQ therefore considers that it is imperative that Australian action on climate change, including the implementation of the CPRS, mirrors that undertaken by other major industrialised countries. This will ensure that Australia maintains its

international competitiveness whilst also making a meaningful contribution to global efforts to address climate change.

CCIQ also considers that it is more appropriate for some energy efficiency issues, particularly product labelling, product design standards and product bans to be dealt with at the national level. A state-based approach will potentially lead to inconsistent outcomes, generate unnecessary confusion and create an additional compliance burden for businesses which operate in multiple Australian jurisdictions.

Additionally, it is important that the State Government avoids introducing policy measures which duplicate or overlap existing national regulation. Duplication creates an additional layer of regulation and imposes additional costs (financial and non-financial) on businesses which must comply with both regimes.

#### **4. What additional policies should the Queensland Government implement to encourage energy efficiency improvements?**

At this stage, CCIQ does not have any firm proposals regarding additional measures which should be implemented to encourage energy efficiency improvements. That said, CCIQ considers that incentives to assist businesses to replace existing equipment with more energy efficient models will always be welcome. This is because the cost of new equipment, coupled with the long life span of some equipment, is frequently the biggest barrier to the adoption of more energy efficient technology.

One of the ways in which the Queensland Government could help to reduce the cost of new technology is by facilitating the bulk purchase of energy efficient equipment. Such an approach may help to reduce the price for individual businesses as the Government may be able to use its bulk purchasing power to secure a discount on the overall purchase price.

CCIQ also considers that well developed educational programs are also another welcome addition as many businesses, particularly small businesses, are simply not aware of the technologies and practices that they can employ to improve their energy efficiency.

#### **5. What barriers and impediments to energy efficiency enhancements exist in Queensland?**

As with other jurisdictions there are some key barriers to the adoption of more energy efficient technologies and practices by the State's business community. The most important barrier is the cost – both in terms of the cost of implementing new energy efficient technology and the cost of retiring existing equipment before the end of its economic life. In some instances the efficiency benefits associated with the new technology may be outweighed by the costs associated with the technology and/or any shortening in the lifespan of existing assets.

Alternatively, the payback period for some energy efficient capital assets may simply be too long for many businesses to undertake the investment. This is an important issue for small and medium-sized businesses as they frequently do not have the financial and

technical resources of larger businesses. This tends to make it more difficult for these businesses to make significant capital investments in energy efficient assets.

The lack of knowledge, coupled with time constraints, means that the owners and managers of smaller businesses are generally focused on more pressing issues such as running the business rather than energy efficiency. Many smaller businesses also do not have the internal capacity to review and improve their energy efficiency. These constraints can also act as a barrier to energy efficiency as many businesses are simply unaware of the measures that they can employ to improve their energy efficiency and the financial savings that those measures may generate.

Another major constraint for some businesses is the lack of more energy efficient alternatives in terms of technologies and practices. In some instances this lack of alternative options may be an artificial creation in that it is a result of regulatory restrictions on the use of particular technologies or practices. In others, it may simply be that research and development has not yet delivered new, more energy efficient technologies.

## **6. What policies should be considered to overcome these barriers and impediments?**

CCIQ considers that these barriers can, to a large extent, be overcome by implementing policies which combine education with financial assistance. Targeted financial assistance can help to address the most substantial barrier to investment in energy efficient technologies – the upfront cost of new equipment. It can also help to offset the reluctance to invest in new equipment which is created by the sunk cost and useful lifespan of existing equipment.

Targeted education campaigns can also play an important role in addressing the barriers to investment in more energy efficient technologies and practices. If implemented effectively, such campaigns can help to improve awareness of energy efficient technologies and practices within Queensland's business community. To be successful however these campaigns cannot be 'one size fits all' in their approach – they must make allowances for differences across industries, business sizes and regions.

## **7. How can governments make information on energy efficiency improvements more accessible?**

CCIQ considers that there are a number of ways in which governments can make information on energy improvements more accessible to the business community. Most importantly, the information needs to be tailored to business needs rather than produced in a 'one size fits all' manner. This recognises that the business community has a more diverse and complex pattern of energy usage and the options for improving energy efficiency will also vary significantly from business to business.

In order to be relevant and more effective, educational materials need to focus on the most critical issue for many businesses – the financial benefits and costs – rather than the environmental impact. For example, industry-specific fact sheets and case studies (which provide an indication of the financial outcomes) are likely to be more useful and effective for businesses than a generic fact sheet on energy efficiency. Industry workshops or one-

on-one consultations may also help to make information more relevant and accessible to the business community.

The information also needs to be easy to understand and easy to access. This means it needs to be provided in a range of formats including publications (both hard copy and electronic) and in person (for example, workshops and one-on-one consultations).

### **Closing Comments**

CCIQ trusts that this information is of assistance to the Committee. Please do not hesitate to contact Nick Behrens (General Manager – Policy; 3842 2279) or Sarah Kearney (Senior Policy Advisor; 3842 2253) if you wish to discuss any aspect of this submission in more detail.



## Appendix 1 – CCIQ Membership Profile

### > Chamber of Commerce & Industry Queensland Profile



Chamber of Commerce & Industry Queensland is the state's peak industry body, representing the interests of 25,000 businesses, across all industry sectors and in all regions. We champion business to gear up for the future today with the right set of solutions for success in tomorrow's world.

Chamber of Commerce & Industry Queensland is a non-government organisation that seeks to work with Government and other groups to shape Queensland's economic and social environments in a way that promotes business growth and community prosperity.

Chamber of Commerce & Industry Queensland is called upon by thousands of enterprises to deliver a broad range of business services including business representation, business compliance, business skills, business safety, business sustainability, business connections and business globally. We are commercially-minded and expertly-qualified.

Chamber of Commerce & Industry Queensland is a founding member and influential partner of the Australian Chamber of Commerce and Industry (ACCI) and part of the worldwide network of Chambers of Commerce and affiliated business service organisations.

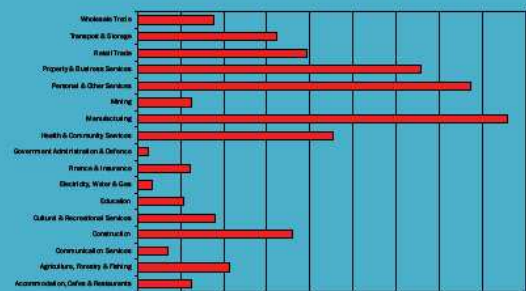
Chamber of Commerce & Industry Queensland has in excess of 3,700 members across 8 regional offices and represents over 135 local chambers of commerce and 60 trade and professional associations.

Our vision is to invigorate business success in Queensland.

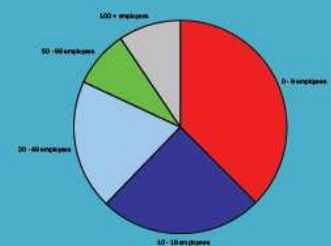


The diversification of Chamber of Commerce & Industry Queensland's membership is illustrated in the following charts:

Commerce Queensland members by Industry



Commerce Queensland members by Employment Size



Commerce Queensland members by Region

