

# National Association of Community Legal Centres Conference

## “Justice in a climate of change”

10 September 2007  
Brisbane

### “Equity in our national response to climate change.”

Michael Raper  
President, National Welfare Rights Network

Speaking Notes

#### 1. Abstract

Both political parties now seem committed to the introduction of a “cap and trade” Emissions Trading Scheme with at least a long-term emissions reduction target.

Research commissioned for the March 2007 “Equity in our National Response to Climate Change Roundtable” in Melbourne (organised by the National Welfare Rights Network, Brotherhood of St Lawrence, Australian Conservation Foundation and the Climate Institute Australia) indicates that low income and disadvantaged people (see Attachment A for definition) will be disproportionately adversely affected by the impact of climate change. However, other research commissioned for the Roundtable also indicated that placing a price on carbon in any form is regressive as energy costs constitute a larger proportion of the weekly budgets of low income earners even though they use substantially less energy than high income households.

In responding to climate change it is therefore essential that we not only adopt policies that are as efficient and effective as possible in both **environmental** and **economic** terms but which are also as fair and as **equitable** as possible. Otherwise, low income and disadvantaged Australians will not only miss out on the opportunities that our responses to climate change will provide, but they will also be further disadvantaged and will not be able to contribute to our effort to reduce greenhouse gases.

This triple “E” approach demands policy attention to energy pricing mechanisms, the design and implementation of appropriate compensation and the introduction of policies and programs to reduce the energy expenditure of low income and disadvantaged households through energy efficiency measures.

The paper outlines the key evidence on the issues affecting low income and disadvantaged people in this debate, the principles on which policy development should proceed, the experience of and lessons from the UK, which is almost a decade ahead of Australia, and the key policy and advocacy challenges.

## 2. The impact of climate change on low income and disadvantaged households

Research commissioned for the “Equity in our National Response to Climate Change Roundtable” indicates that low income and disadvantaged people will be disproportionately adversely affected by the impact of climate change.

Compelling scientific evidence<sup>1</sup> suggests that the impacts of climate change on Australian society will be widespread. In all parts of Australia, we can expect that temperatures will rise, rainfall will change, sea level will rise and extreme events will become more frequent and intense. These changes will inevitably affect the way we live, the way we work, our health, and the opportunities afforded to us as individuals.

Climate change itself will have a disproportionate impact on low income families and disadvantaged communities, many of whom live in areas more likely to be adversely affected and most of whom have far less ability than others to move or make necessary adjustments.(see also Attachment B for an elaboration):

- **Health** – including heatwaves and the changed distribution of vector-borne diseases.
- **Housing and public spaces** – including access to public open space for sport and recreation, the protection of our housing stock from extreme events, and particular ramifications for those in the most affected locations who are homeless or experiencing severe housing stress.
- **Location** – including the continued economic viability of parts of rural and remote Australia and the possibility of forced internal migration.
- **Indigenous Australians** – particularly those in remote communities in northern Australia will feel the full force of sea level, rainfall, extreme weather events and vector-borne disease changes.
- **Energy prices and access** – including changes in electricity and petrol prices, and the availability and affordability of both electricity/ petrol and of alternatives to them.
- **Employment** – query sustainability of some industries, such as energy-intensive industries and in coal mining (offset in some measure by new “green jobs” in sustainable energy and energy efficiency industries, although not necessarily in the same locations or skill areas).
- **Refugees seeking humanitarian access** – especially from our Pacific neighbours, where rising sea levels may have devastating consequences, creating climate refugees.

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<sup>1</sup> An Australian snapshot. Paper prepared for the national ‘Equity in response to climate change roundtable’ by Justin Sherrard and Alan Tate, Cambiar, March 2007. Available at: [http://www.bsl.org.au/pdfs/Cambiar\\_climate\\_justice\\_Australian\\_snapshot\\_mar07.pdf](http://www.bsl.org.au/pdfs/Cambiar_climate_justice_Australian_snapshot_mar07.pdf)  
See also Attachment B

### 3. The impact of a carbon price on low income and disadvantaged households

Household type	Utility scale	Carbon cost – \$2006		Carbon cost – % of annual expenditure		Utility adjusted carbon costs – \$2006		Utility adjusted carbon costs – % of annual expenditure	
		\$25	\$50	\$25	\$50	\$25	\$50	\$25	\$50
Household with children where government benefits exceed 30% of income	0.5	762.9	1525.8	1.8	3.7	417.3	834.5	1.0	2.0
Household with children where government benefits is less than 30% of income	0.4	1043.4	2086.8	1.5	3.1	387.6	775.1	0.6	1.1
Retired age pension households	0.5	615.9	1231.8	2.2	4.4	331.2	662.5	1.2	2.4
Employed family	0.4	1027.5	2055.0	1.5	3.1	397.3	794.6	0.6	1.2
Household with less than \$70000	0.4	774.1	1548.2	1.6	3.2	315.0	630.1	0.7	1.3
Household greater than \$70000 income and household head greater than 50	0.3	1115.3	2230.6	1.4	2.9	343.5	687.1	0.4	0.9
Double income no children	0.2	1332.9	2665.7	1.6	3.2	260.9	521.8	0.3	0.6
Unemployed households	0.8	735.7	1471.4	2.0	3.9	596.3	1192.5	1.6	3.2
Poor households	1.0	596.4	1192.8	2.3	4.6	596.4	1192.8	2.3	4.6
High income tertiary educated	0.3	1225.0	2450.0	1.4	2.9	321.1	642.3	0.4	0.8

ATTACHMENT A  
**Equity in Response to Climate Change Roundtable**  
**Melbourne 26 March 2007.**

**Low Income and Disadvantaged People**

**Michael Raper, President, National Welfare Rights Network**

**1. What do we mean by “low income and disadvantaged people?  
 Who is included?**

ACOSS has recently adopted the following “definitions” or descriptors of “low income” in Australia today.

The income benchmark for a **low income family** is the maximum gross household income for the **bottom 40% of households**, currently about **\$43,000<sup>2</sup>**.

The income benchmark for a **low income single person without children** is set at the maximum wage for the bottom 20% of fulltime wage earners, or approximately **\$30,000**.

**Benchmarks for low and high incomes**

	<b>Individual income</b>	<b>Family income</b>
<b>Low income benchmark</b>	Bottom 20% of fulltime wage earners (up to \$30,000)	Bottom 40% of households (up to \$43,000)
<b>High income benchmark</b>	Top 20% of fulltime wages (\$70,000+)	Top 20% of households (\$100,000+)

ACOSS broadly describe disadvantaged Australians as those who:  
*“lack what most Australians would regard as the essentials for a decent life” or  
 “are excluded from participation in important areas of economic and social life, such as employment, decent housing, basic services, and social support”.*

Generally, this coincides with being a low income earner, but disadvantage can arise from other factors such as chronic illness, disability, homelessness, episodic mental health conditions, living in remote areas, and drought.

The term “low income and disadvantaged people / communities” includes all those in the above descriptions.

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<sup>2</sup> Thus includes wages, family payments (ie FTB) and other forms of income. In terms of *individual* income, this is roughly equal to the median (middle) fulltime wage, currently approximately \$45,000, but it is a low income for a *family*.

2. How “low income” are pensioners, unemployed people (allowees) and other Social Security recipients? How many are there?

“INCOME SUPPORT” PAYMENTS	Number	Weekly income (single)	Annual income	Cut out point (per week)	% with income or earnings
Age Pension	1,915,793	\$262.55	\$13,652.60	\$727.60	34
Veterans Service Pension	329,641	\$262.55	\$13,652.60		
Disability Support Pension	712,163	\$262.55	\$13,652.60		9
Parenting Payment (Single, 1 child)	433,370	\$262.55	\$13,652.60	\$739.92	30
Parenting Payment (Partnered)	159,719	\$191.40	\$9,952.80		11
Newstart Allowance	438,560	\$212.15	\$11,031.80	\$400.25	16
Youth Allowance (other /at home)	75,811	\$114.55	\$5,956.60		
Youth Allowance (study/away from home)	265,517	\$174.05	\$9,050.60		
Carer Payment	105,058	\$262.55	\$13,652.60		
Wife Pension	15,336	\$262.55	\$13,652.60		
Austudy Payment	29,864	\$174.05	\$9,050.60		
ABSTUDY (school - single independent)	17,931	\$174.05	\$9,050.60		
ABSTUDY (tertiary- single, over 21)	15,975	\$212.15	\$11,031.80		
Widow Allowance	44,603	\$212.15	\$11,031.80		10
Mature Age Allowance	12,038	\$212.15	\$11,031.80		7
Sickness Allowance	7,510	\$212.15	\$11,031.80		
Special Benefit	9,897	\$212.15	\$11,031.80	\$212.15	
Partner Allowance	60,489	\$191.40	\$9,952.80		8
<b>Total</b>	<b>4,649,275</b>				
<b>ADDITIONAL FAMILY PAYMENTS</b>					
Family Tax Benefit A (child aged 13-15)	1,793,999	\$89.88 per child	\$4,673.76	\$94,718.00 pa	
Family Tax Benefit B (child aged 15-15)	1,360,026	\$42.14 per family	\$2,511.20	N/A	
<b>Total</b>	<b>Approx. 2 million</b>				
<b>ADDITIONAL CARER PAYMENTS</b>					
Carer Allowance (adult)	259,682	\$98.50	\$2,561.00		
Carer Allowance (child)	110,943	\$98.50	\$2,561.00		
<b>Total</b>	<b>370,625</b>				

### 3. Australian Government concession cards and energy /utility concessions

Card type	Card holder numbers	Listed dependents	Access to energy /utilities concessions
Pensioner Concession Card	3,157,560	1,072,964	YES
Commonwealth Seniors Health Card	310,633	Not applicable	YES
Health Care Card	1,116,405	855,134	NO
(Low Income) Health Care Card	331,675	20,143	NO
<b>TOTALS</b>	<b>4,916,273</b>		<b>1,951,241</b>

#### 3.1 Eligibility for Australian Government concession cards

- **Pensioner Concession Card** – people in receipt of a pension payment and certain older, long-term recipients of a Social Security allowance payment.
- **Commonwealth Seniors Health Card** – so called “self-funded retirees”.
- **Health Care Card** – people in receipt of a Social Security allowance payment, families receiving maximum rate of Family Tax Benefit A and low paid workers

#### 3.2 Concession card entitlements

Having an Australian Government concession card entitles the cardholder to a number of concessions provided directly by the Australian Government. However, most concessions are provided by State and Local Governments.

#### 3.3 Australian Government concessions

**Utilities Allowance** – is one of the key concessions provided directly by the Australian Government to income support recipients (see list above) of Age Pension / Veterans Service Pension age to help with utilities bills. It is a non-taxable payment of \$26.50 per member of a couple and \$53 for single people. The payment is made twice each year (March and September) and is adjusted in line with movements in the CPI. Total cost is approximately \$290m in 2005-06.

**Other Concessions** – include Pharmaceutical Allowance and Telephone Allowance.

#### 3.4 State and Local Government concessions – eg NSW.

**Rates Concessions** – most Local Councils offer pensioners (but not allowees) a concession on land rates.

**Water Concessions** – All pensioners (but not allowees) in NSW receive a rebate on their water bill provided by the State Government.

**Gas & Electricity Concessions** – All electricity and gas companies servicing NSW provide an energy rebate on electricity and gas bills of \$112 per year (or about \$28 per ninety day account) to pensioners on behalf of the NSW Government.

**Other Concessions** – cover such things as ambulance service, eye examinations, hearing aids, Roads & Traffic Authority and various travel concessions.

## ATTACHMENT B

# Equity in response to climate change roundtable

## *An Australian snapshot*

Justin Sherrard and Alan Tate, Cambiar Pty Ltd.

Extract

### “Social justice dimensions of climate change

#### Health impacts

Prolonged exposure to high temperatures can cause heat exhaustion, cramps, heart attacks and stroke.

Those most vulnerable to heat-related stress include the elderly, the very young, people under intense physical stress and those with cardiovascular disease. Without strong action to reduce GHG emissions, annual heat-related deaths of people aged over 65 years living in capital cities could rise from 1,100 to between 8,000 and 15,000 by the end of the Century.

Vector-borne diseases include Dengue Fever, Malaria and Ross River Fever, and their distribution is heavily influenced by climatic conditions. Dengue Fever is not endemic to Australia, although North Queensland currently supports a suitable climate for its establishment and there have been recent infections in the Torres Strait Islands. Strong action to reduce GHG emissions could limit the spread of the dengue transmission zone to Brisbane. But in the absence of strong action the transmission zone could spread south to Sydney by the end of the Century.

Other health impacts include water-borne diseases, food-borne diseases, exposure to solar radiation (skin cancer) and respiratory diseases.

#### Impacts on our everyday way of life

Climate change will cause significant change to the ways of life of Australians generally. These changes will range from the security of our homes and neighbourhoods to the availability of local amenities like beaches and parklands and holiday destinations.

For instance, as a result of the current drought, sport has been banned in some rural towns and suburbs, because of the health and safety risks of playing on dry, hard, bare ground. Because sport is important to Australians, many people will be impacted if such bans become more widespread. The people most heavily affected will be those with little or no access to alternatives to community-based sports and facilities.

Periods of prolonged heat, wind and rainfall, and increased variations in them, can lead to accelerated structural fatigue of the housing stock and of buildings, and greater demands on construction and drainage. These impacts could be exacerbated if extreme weather events like cyclones move into urban areas where houses, buildings and infrastructure are not designed to cope with them. The houses, buildings and infrastructure most at risk are those constructed from cheaper building materials, like fibre cement, and low cost housing such as caravan parks.

As the magnitude and frequency of storm damage goes up, the cost of insuring houses, buildings and infrastructure against extreme events will also increase. In some areas insurance cover may become very expensive or may even be withdrawn, leaving housing assets stranded and the risk that some areas will need to be abandoned.

References include:

“Climate change risk and vulnerability: Promoting an efficient adaptation response in Australia.”

Australian Greenhouse Office report prepared by Allens Consulting, Canberra, March 2005. Available at: <http://www.greenhouse.gov.au/impacts/publications/risk-vulnerability.html>.

“Climate Change Health Impacts In Australia. Effects of dramatic CO2 emission reductions”

Australian Medical Association and the Australian Conservation Foundation report. Available at: [http://www.acfonline.org.au/uploads/res\\_AMA\\_ACF\\_Full\\_Report.pdf](http://www.acfonline.org.au/uploads/res_AMA_ACF_Full_Report.pdf)

Some people will retro-fit their houses to cope with these changes, while others move to areas that are less affected. The most disadvantaged people in society may not be able to afford to retro-fit or to move, and will see the value of their home decrease or their rent increase. Similarly the costs of protecting infrastructure and public buildings will fall to tax- and rate-payers, and the most disadvantaged people in society may struggle to afford such cost increases.

### **Impacts on rural Australia**

As the climate changes, it is likely that existing farming practices will become progressively more marginal in some established areas of rural Australia. Farmers will either need to adopt new farming practices that are better suited to the new climate regime, or where possible, physically relocate to continue farming practices in areas that best suit them.

Neither process will be straight-forward – they will require access to knowledge and to capital. Some farmers will struggle with these changes, and as is happening during the current drought, some farming families will experience financial hardship and chronic social pressures. The abandonment of rural towns is likely to accelerate with the consequent loss of local history and culture.

### **Indigenous Australians**

Indigenous people living in northern Australia will find themselves increasingly exposed to the impacts of climate change, including more extreme events, rising sea levels and increased transmission of infectious diseases. Their capacity to respond to these events is already constrained, and they will struggle to respond to more severe climatic events. Climate impacts are likely to further exacerbate the breakdown of local culture and have a negative impact on efforts to establish new economic foundations in northern Australia.

There is strong evidence that communities in the Torres Strait are already being affected by sea level rise and consideration is being given to the eventual evacuation and relocation of some island communities.

## **Changes in electricity and petrol prices, and the availability and affordability of alternatives**

Mitigation strategies must focus on reducing greenhouse gas emissions from the use of fossil fuels. Most economists favour using financial instruments that put a price on GHG emissions as a way of reducing demand and improving the efficiency of fossil fuel use. This means energy prices – and in particular electricity and petrol – need to rise.

Our cities and towns, and our way of life, are a product of the availability of cheap energy. Urban design and house construction have not been geared to minimising energy use, and human behaviour is a response to this.

Increasing energy prices will affect everyone in society, and a range of responses will follow.

Responses for electricity include reducing demand by improving design and construction (e.g. insulation), installing more energy efficient lighting and ventilation systems, and more efficient appliances. Transport responses include using cars less, with more walking and cycling, and making more use of public transport. For both electricity and petrol it is possible that while unit prices will rise, actual use can be reduced, meaning that the net cost to consumers does not change.

The most disadvantaged people in society may struggle to respond to increasing energy prices. Those who can afford to upgrade to more energy efficient living, and have better access to alternatives to using private cars for transport, will do best. Others, particularly those in outer urban areas, will have less access to transport alternatives and have longer distances to travel, and – without relief – will simply have to pay higher energy prices.

There will be associated issues with increases in the cost of water as a drier climate means expensive options, such as water recycling or desalination, are needed to secure and to ration water supplies to towns and cities. The most disadvantaged people in society may struggle to respond to rising prices.

Reducing demand (e.g. by installing a rainwater tank) and by installing devices and using appliances that improve the efficiency of their water use (such as water efficient dishwashers), may be beyond their financial resources and outside their knowledge base.

## **Ongoing employment in some industries**

Changes in electricity and petrol prices will impact on industry (as well as households) in two ways.

Firstly, the direct cost of energy, or energy-intensive inputs, is likely to rise as carbon pricing is introduced across the economy. Secondly, companies that are manufacturing energy-intensive products or providing energy-intensive services may find demand for those products and services shifting to lower-carbon alternatives.

To remain competitive changes will be required in the way energy is used in production and in service delivery, and some companies will struggle to respond. Their position in the capital investment cycle may mean they cannot afford to invest in more energy efficient plant, and if they can, their access to capital may be constrained by tight margins. Some industries may be directly exposed to overseas

competitors who have a rent holiday on carbon pricing, or who already have more energy efficient operations or products by virtue of already being exposed to carbon pricing. Uncompetitive companies will likely close down or make big changes to their operations, and job losses could follow.

Climate change will also have a largely negative impact on the tourism industry where many unskilled and transient workers are currently employed. Tourism based around the Great Barrier Reef and the NSW/Vic snowfields are examples of tourist attractions that will decline over the next two to three decades.

### **Border security**

The combined effects of rising sea levels and increased storms will result in the inundation of large coastal areas across the Asia-Pacific region, and for island nations like Tuvalu much of the country itself, will become uninhabitable. People who are displaced may seek to re-settle elsewhere in their own country, but alternative settlements are not going to be available in all cases. Those who cannot settle elsewhere will become climate refugees.

Australia is likely to experience a significant increase in regional environmental and economic refugees – borne from climate impacts – seeking assistance and relocation.

## **ATTACHMENT C**

**Extract from joint submission to the Prime Minister’s Taskgroup on Emissions Trading.**

**National Welfare Rights Network, Catholic Social Services Australia and Brotherhood of St Laurence.**

### **“Section I Executive Summary and Recommendations**

#### **A Executive summary**

This joint submission focuses on the need for appropriate measures to ensure that neither climate change itself, nor measures taken to address it, have in practice an adverse and unfair impact on low income or otherwise disadvantaged households.

Climate change itself will have a disproportionate impact on low income and disadvantaged people and communities, as is apparent from the evidence cited in this submission. For this reason, and because of the growing scientific evidence regarding the broader challenges posed by global warming, we endorse the need for urgent and significant action to reduce greenhouse gas emissions, one significant component of which is an Emissions Trading System (ETS), along with substantial reductions targets, in order to reduce greenhouse gas emissions.

In considering a possible global Emissions Trading System, and how steps consistent with such a system might be taken in Australia, the Task Group must obviously consider both the environmental integrity and the economic implications of possible systems. However, it is also vital that the Task Group prioritise consideration of equity issues.

Carbon pricing in whatever form is regressive and will have a disproportionate impact on low income and disadvantaged households unless it is accompanied by comprehensive, well-targeted and well-funded policies and programs designed to ensure that these households do not suffer financially and do not miss out on the opportunities created by moving to a lower emissions, sustainable future.

Funding must be committed, whether sourced from a dedicated ETS-derived national fund or from general Government revenue, to implement widespread programs across Australia to assist low income and disadvantaged people to improve the sustainability and efficiency of their households (private, public and rental) and to help them meet ETS-caused price increases in a wide range of goods and services, including, but not limited to, energy and transport.

## **B Recommendations**

### **Recommendation 1**

That any global ETS model/s proposed by the Task Group include a feature or provision along the following lines:

*Any global ETS is not to prevent appropriate domestic action by any country to enhance the equitable internal distribution of ETS-related costs by ensuring that low income and disadvantaged households are not disproportionately affected.*

### **Recommendation 2**

That the Task Group recommend that one Australian negotiating objective in any future international ETS negotiations be ensuring that relevant international instrument/s contain a provision similar to that outlined in Recommendation 1 above.

### **Recommendation 3**

That the Task Group take a *comprehensive approach to assessing the “background”* (i.e. the Terms of Reference requirement to ensure preservation of Australia’s “competitive advantages” arising from fossil fuel and uranium reserves). This would include exploring the possibility that climate change and its consequences might lessen those perceived competitive advantages – perhaps independently of any Australian policy decisions.

### **Recommendation 4**

That the Task Group recommend in its report that all phases of policy making and policy implementation on measures addressing climate change should:

**4(a)** Incorporate equity issues as an integral element, with particular focus on ensuring that low-income and otherwise disadvantaged households do not bear a disproportionate share of the costs of responding to climate change; and

**4(b)** Facilitate input by a wide range of stakeholders (including in the community welfare sector).

### **Recommendation 5**

That the Commonwealth Government task relevant agencies with evaluating overseas experience of programs designed to avoid inequitable consequences for low income and disadvantaged households of climate change response policies, including ETS, with a view to making public the key conclusions of such evaluation.

### **Recommendation 6**

That the Task Group in its report note the climate change equity principles of responsibility, capacity and vulnerability – and assess any emissions trading models it proposes against these principles – with particular reference to:

- i) the capacity and vulnerability of low income and disadvantaged households, and
- ii) ways to compensate such households for any disproportionately adverse impacts of emissions trading.

**Recommendation 7**

That the Task Group in its report recommend that governments accept responsibility for ensuring the existence, adequate funding and effectiveness of the following types of programs to minimise adverse impacts on low income and otherwise disadvantaged people of any Emissions Trading System introduced in Australia:

**7(a)** *Financial compensation* programs to compensate relevant households for both direct increases in energy and transport costs and for other price increases resulting from business passing on to consumers ETS-related costs.

**7(b)** *Energy efficiency assistance* programs – an area where business involvement would also be welcome – providing information, home energy efficiency improvements (such as upgrading appliances, ventilation, lighting and insulation), home water efficiency improvements, and structural changes to bolster houses against extreme weather events.

**Recommendation 8**

That the Task Group recommend in its report that the Commonwealth Government commit to funding the programs proposed in Recommendation 7 above. Such expenditure will if necessary be funded from general government revenue, although revenue from the ETS itself may contribute substantially to this or to the establishment of a special fund for this purpose.

**Recommendation 9**

That the Task Group in its report recommend against “grandfathering” (i.e. free initial emissions permits for existing businesses) on equity and revenue grounds.”

## ATTACHMENT D

# EQUITY IN RESPONSE TO CLIMATE CHANGE ROUNDTABLE

MELBOURNE, 26 MARCH 2007

“EQUITY AND CLIMATE CHANGE – UK AND EU EXPERIENCE”

DR GILL OWEN

SENIOR RESEARCH FELLOW, CMUR, WARWICK BUSINESS SCHOOL, UK;  
POLICY AND REGULATION ADVISER, RENEWABLE ENERGY AND ENERGY  
EFFICIENCY PARTNERSHIP

Extract

## “UK energy policy response to climate change

As the above account shows, climate change is having some short and medium term equity implications within Europe and the UK, but many of its impacts will be felt in the longer term. However, policies that are developed to mitigate climate change may have more of an impact in the short term as the costs and benefits of such policies are likely to be felt much more immediately.

The UK has been developing policy responses to climate change since the early 1990s. The UK's target under the Kyoto protocol is to reduce greenhouse gas emissions by 12.5% below 1990 levels by 2008-12 and it should achieve this. The UK has also set itself the more challenging target of a 20% reduction by 2010 - on current trends it is less likely to achieve this. The longer term aspiration is a 60% reduction by 2050. This aspiration is now likely to be enshrined in legislation under proposals in the draft Climate Change Bill, published for consultation on 13 March.

Climate change policies sit within broader UK energy policy, which has four long-term goals.

- To put the UK on a path to cut carbon dioxide emissions by 60% by 2050, with real progress by 2020
- To maintain reliable energy supplies
- To promote competitive markets in the UK and beyond, helping to raise the rate of sustainable economic growth and to improve productivity
- To ensure that every home is adequately and affordably heated.

(DTI, 2006)

The fourth of those goals arises due to the recognition of the problem of fuel poverty – an equity issue – this will be expanded upon in the next section. In support of its energy policy goals, the Government has developed a range of policies and programmes, which are particularly designed to have an impact on emissions. The main ones are :

- The European Emissions Trading Scheme (EU ETS) - started on 1 January 2005 and is intended to make a significant contribution towards the reductions in emissions that the EU is required to make under the Kyoto protocol. The

first phase runs from 2005-07 and the second from 2008-12. The scheme covers all large industrial emitters of CO<sub>2</sub>, including power generation. Each participant starts with a number of allowances based on its assessed level of emissions minus an amount that is its reduction target. To deal with the shortfall in allowances, participants can either reduce their emissions or buy allowances from someone else. Allowances were not auctioned in Phase 1 and will not be auctioned in Phase 2. This has raised concerns about windfall profits being made by the electricity generators as the prices of generation have risen to reflect the value of allowances. It is estimated that the EU ETS will add 3-14% (depending upon the carbon price) to household electricity bills from 2005-2010 (DTI, 2006)

- Climate Change Levy – tax on energy use by industrial, commercial and public sector users of energy, designed to reduce their energy use. The levy is “revenue neutral” with other taxes being reduced to compensate and some of the proceeds are recycled to fund advice and loans for energy saving. Households are exempt from the levy.
- The Government has set a Renewables Target of 10% of electricity generation by 2010 (4% in 2005) and its main mechanism for achieving this is the Renewables Obligation (RO). Under the RO all electricity retailers are required to source a proportion of their electricity from renewable sources or to pay a “buy out” price (the proceeds of which go to those retailers who do meet their targets) if they do not meet their target. The RO in effect provides a subsidy for renewable energy – in 2005 this increased household electricity bills by 3% and this will rise to 6% by 2010 (NAO, 2005)
- Building regulations set minimum standards of energy efficiency for all new housing and other buildings.
- Minimum efficiency standards are set for some household appliances and equipment and other are subject to labelling (these standards are set at EU level).
- The Energy Efficiency Commitment requires all electricity and gas retailers to achieve kwh energy savings through their household customers. EEC started in 2002, although a predecessor scheme started in 1992. Retailers deliver EEC by subsidising energy saving measures (insulation, efficient appliances and lighting) to get their customers to take up the measures. The level of EEC has been rising and by 2010 it is estimated it will be adding 3% to household gas and electricity prices. The equity implications of EEC are recognised through the Priority Group requirement. (see below for more about EEC) “

### **UK Fuel Poverty Strategy**

The UK Government's Fuel Poverty Strategy, published in November 2001, has an overall aim of eliminating fuel poverty in England by 2016 and eliminating it within vulnerable groups by 2010 as far as is reasonably practicable. The strategy includes a number of policies including improvements in welfare benefits and opportunities for work. However, energy efficiency is seen as a major part of the solution both because it will help to reduce fuel poverty, but also because it will contribute to the climate change strategy as improved energy efficiency can help to reduce emissions.

It has long been recognised in the UK that to ensure access to energy efficiency programmes by lower income and disadvantaged households, special initiatives are needed. Programmes that are open to every household on the same basis tend to be used disproportionately by the better off. This recognition goes back to the original Home Insulation Scheme established in the late 1970s, originally with a standard grant of 66% of the costs for all households. Low income and elderly households were much less likely to use the grants than the better off (largely because the required client contribution was unaffordable), so the scheme was changed into a two tier one – 66% grants for any household and 90% grants for low income and elderly households.

When the Energy Efficiency Commitment was introduced in 2002, the Government decided that energy retailers would have to achieve at least 50% of the savings from the Priority Group (households eligible for a range of welfare benefits, including low income elderly and disabled people and low income families). This was because retailers have an incentive to achieve the energy savings at lowest cost and this would drive them towards schemes for better off households who would require lower subsidies. As all households are paying the costs of EEC the scheme would therefore tend to be inequitable (most of the benefits going to better off households) without the Priority Group requirement.

There are three main sources of investment in energy efficiency for low-income households.

- The Warm Front scheme of government (taxpayer funded) grants for new heating systems, improvements to heating systems and insulation. Grants are for up to £2500 per household and available to families, elderly and disabled people who qualify for the main welfare benefits. In 2005/06 the programme was worth £190 million – this will rise to £380 million per annum by 2007/08. From the scheme's introduction in June 2000 to the end of 2006 over 1.3 million households received assistance from this programme. Warm Front applies in England only, but there are similar schemes in Scotland, Wales and Northern Ireland.
- The Energy Efficiency Commitment – obligations on energy retailers. Funds insulation and energy efficient appliances and lighting. About 50% of this is targeted to low income households (Priority Group) – estimated spend of £150 million per annum from 2005-08..About 35% of UK households fall into the priority group and it is estimated that about two thirds of them received some measures through EEC from 2002-05 (mainly low energy light bulbs – CFLs)
- Investments by local authorities and housing associations in their social housing stock to achieve the Decent Homes standard – investment of around £200 million per annum.

Current spending on energy efficiency for low income households is thus around £700 million a year and it has been estimated that this will need to rise to £1 billion a year from 2008-16 if the fuel poverty targets are to be met (FPAG, 2006) Debates continue about how the increased funding will be found – and indeed whether even more may be needed if energy prices remain high (prices fell from 1999-2004 but have since increased substantially due to a range of factors including world oil prices and EU gas markets). There is a debate during each phase of the EEC about how

much of it should be devoted to the Priority Group – discussion are taking place at present about EEC 3 which will run from 2008-11. The equity argument favours keeping the level at least at 50% but energy retailers argue for it to be reduced on the grounds of cost, and within the government there are some who would also like to see it reduced so that it can contribute more carbon savings. The carbon savings are assumed to be lower from Priority Group households than from the better off as the latter are heavier energy users and thus have more scope to reduce their use.

## **Renewables and decentralised energy**

Most of the new renewables developed under the Renewables Obligation have been built by large developers, particularly the major integrated energy retailers/generators. However, there have been some smaller projects developed by individuals and co-operatives that have had the effect of bringing income to rural areas. Co-operatives like the pioneers Baywind in Cumbria and Cwmni Gwynt Teg in Wales, have now been established in a number of locations, enabling local residents to have a financial stake in wind farms. A number of farmers have also become involved in growing energy crops that qualify for RO subsidy or have gained income (in the form of rent) for allowing wind turbines to be sited on their land. One example is WindWorks, an initiative by npower Renewables (part of RWE) to help farmers and landowners develop wind turbines on their land. WindWorks does all the work to get planning approval and finances, builds and owns the turbines. The landowner gets an annual income (typically £2500-4000).

These initiatives might be considered a benefit from an equity perspective, although the majority of individuals involved will tend to be relatively well off, even though they may live in rural areas where incomes are generally lower than average. Perhaps recognising the potential criticisms that they are mainly for the well off (the minimum share is usually about £300) a number of the co-operatives have used some of their income to invest in energy efficiency in the local community. In some other European countries energy co-operatives are more widespread and can bring significant benefits to rural areas. In Denmark, for example, wind turbines are mostly owned by co-operatives or individuals. In Austria, biomass co-operatives, particularly based on wood, have been developed as a means both of providing low cost heating and also to supplement incomes for those involved in forestry.

The other potential for decentralised energy and renewables to contribute to an equity agenda is in the provision of potentially lower running costs for energy – for example, if households can heat their water using solar panels or meet some of their electricity needs from a wind turbine. Such schemes might be developed on a micro (i.e. individual house) or community (from several houses or block of flats to a whole estate or village) level. Community schemes have been developed most extensively in Denmark.

In the UK there is currently growing interest in micro-generation and there have been various schemes to provide subsidies for these technologies over the past few years. The main scheme at present is the Low carbon buildings programme, which started in 2006. This has £50 million (for 2006-08) to fund grants for households, community organisations, schools, public sector and businesses to support small scale and micro-generation. The technologies supported include Solar thermal & PV, wind, hydro, bio-energy and ground source heat pumps. Grants cover 30-50% of costs up to limits. The scheme is currently being vastly over-subscribed, but such schemes inevitably will be relevant mainly to better off

consumers who can afford the remainder of the high costs. **However, renewable generation could be beneficial to low income consumers in rural areas that lack access to gas.** The Government is therefore developing some pilot schemes to test the potential.

## **ATTACHMENT E**

### **Prime Ministerial Task Group on Emissions Trading – Final Report      Appendix A. Membership of the Task Group**

Dr Peter Shergold, Chairman - has been Secretary of the Department of the Prime Minister and Cabinet since February 2003.

Mr David Borthwick - is Secretary of the Department of the Environment and Water Resources. Previously, he was a Deputy Secretary in the Department of the Prime Minister and Cabinet responsible for economic, industry and environmental issues. From 1991 to 1993, he served as Australia's Ambassador to the OECD in Paris.

Mr Peter Coates - is Chief Executive of Xstrata plc's global coal business, Xstrata Coal. Mr Coates is the current Chairman of the Minerals Council of Australia,

Mr Tony Concannon - is the Managing Director of International Power, Australia's largest private generator of electricity,

Dr Ken Henry - was appointed Secretary to the Treasury in 2001.

Mr Russell Higgins - is an Independent Non-executive Director of the Australian Pipeline Trust. He is also the Chairman of the Cooperative Research Centre for Coal in Sustainable Development and Chairman of the CSIRO Energy Transformed Flagship Advisory Committee.

Ms Margaret Jackson – was the Chairman of the Qantas Board from 2000 until 2007.

Mr Michael L'Estrange - is Secretary of the Department of Foreign Affairs and Trade. He has also served as Secretary to Cabinet and Head of the Cabinet Policy Unit.

Mr Chris Lynch - is a Director of BHP Billiton Limited. Mr Lynch is a Director of the Minerals Council of Australia.

Mr John Marlay - is the Chief Executive Officer and an Executive Director of Alumina Limited.

Mr Mark Paterson - was appointed Secretary of the Department of Industry, Tourism and Resources in January 2002. Prior to this appointment, he was the Chief Executive of the Australian Chamber of Commerce and Industry.

Mr John Stewart - was appointed Managing Director and Group Chief Executive Officer of National Australia Bank in February 2004. Mr Stewart is a board member of the Business Council of Australia.

## **Extract from Plibersek HIA awards speech – for discussion**

23 August 2007.

### **“Subsidising initial take up**

Government intervention to speed up the take up of these products will serve a similar purpose.

Incentives to help builders and buyers who want to include solar panels, solar hot water, rainwater tanks, insulation and other measures will give certainty to industry and allow gearing up in the manufacture of those technologies.

Developers will need to look beyond shaving every cent off the cost of construction and see that consumers are interested in environmentally sustainable properties and understand ‘cost of life’ considerations.

I believe Lend Lease – one of Australia’s biggest developers - has noticed a big increase in home buyer’s interest in environmentally responsible housing products.

Just this week LendLease released a green guide for thousands of new land owners on how to save energy, water and maintenance costs.

As I said, we’re prepared to do our bit should we win government, as long as your industry is prepared to work in partnership.

### **A Rudd Labor Government**

By now most people know that if elected a Rudd Labor government will ratify the Kyoto Protocol and cut Australia’s greenhouse gas emissions by 60 per cent by 2050.

We’ve made a number of announcements about a national carbon trading scheme, green car design and support for renewable energy and clean coal.

### **Something closer to home for all of you is our commitment to greening Australian homes.**

**We’ve promised that in government we will provide low-interest loans of up to \$10,000 for the replacement of greenhouse-intensive systems, ensuring that climatefriendly hot water is affordable for all Australian families, and that households can insulate their homes, or put in a rainwater tanks or take other action to improve the sustainability of their homes.**

**Earlier this week my colleague Peter Garrett announced that if we win government Labor will phase out the installation of green-house guzzling electric hot water systems by 2012, while maintaining the \$1000 Solar Hot Water Rebate grant for new solar hot water systems.**

**Solar hot water will save Australian families about \$300 a year in electricity bills.**

**Hot water heaters produce 28 per cent of the average home’s greenhouse gas emissions. Greenhouse-intensive electric systems produce more than three times the greenhouse pollution of solar, heat-pump and high-efficiency gas systems.”**



