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Submission to the Department of Climate Change, Energy,  
the Environment and Water

## **National Energy Performance Strategy**

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## About Us

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CHOICE is the leading consumer advocacy group in Australia. CHOICE is independent, not-for-profit and member-funded. Our mission is simple: we work for fair, just and safe markets that meet the needs of Australian consumers. We do that through our independent testing, advocacy and journalism.

To find out more about CHOICE's campaign work visit [www.choice.com.au/campaigns](http://www.choice.com.au/campaigns)

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## INTRODUCTION

Market settings should enable consumers to unlock the benefits of increased energy performance. A strong National Energy Performance Strategy (**the National Strategy**) will reduce their power bills, lower their carbon footprint, and improve the health of their household.

CHOICE welcomes the Department of Climate Change, Energy, the Environment and Water (**the Department**) consultation on the National Strategy. For over 60 years, CHOICE has been reviewing and testing the efficiency of household appliances. We independently test over 150 household products in our National Association of Testing Authorities laboratories. Our testing results show the economic and health benefits of having energy-efficient appliances.

The National Strategy has an opportunity to ensure all consumers are able to participate in and benefit from Australia's improvements in energy performance. Many consumers, especially people experiencing vulnerability, are excluded from the benefits of improved energy performance. Exclusion from energy-efficient products and homes can cause lasting harms on people's health and wellbeing. The National Strategy should include measures that empower consumers to make energy-efficient choices by getting the market settings right for household appliances. This involves building on the reforms implemented by *The Greenhouse and Energy Minimum Standards Act 2012* (**GEMS Act**). The National Strategy should include measures that ensure all people are able to access the benefits of energy performance, including appliance rebates, zero interest loans and free energy-efficiency audits.

## Recommendations

1. The National Energy Performance Strategy should recommend strengthening *The Greenhouse and Energy Minimum Standards Act 2012* and legislative instruments to bring it in line with international best practice. Reforms should include:
  - a. Expanding the range and number of products regulated by the GEMS framework.
  - b. Updating products' Minimum Energy Performance Standards more frequently to recognise improvements in energy performance.
  - c. Updating Energy Rating Labels on key products to reflect the different climatic conditions in Australia.
  - d. Empowering the GEMS Regulator to increase compliance activities to increase deterrence.

2. The National Energy Performance Strategy should include tailored strategies that address the energy performance challenges of different cohorts of consumers, including people on low-incomes, people who rent and First Nations communities.

## The National Strategy should make energy-efficient appliances easier for consumers to buy and use

Consumers should be able to easily compare and choose what products will help them improve their household's energy performance, lower their carbon footprint, and improve their health. Getting the market settings for energy efficiency right will increase competition and incentivise businesses to sell the best products available to Australian consumers.

CHOICE supports measures that improve the energy efficiency of household products sold to consumers. The energy efficiency of household products can have a significant impact on how much energy a household is consuming - and paying for. Home appliances and equipment use on average 25% of Australians' household energy.<sup>1</sup> The American Council for an Energy-Efficient Economy ranks Australia as 18th out of 25 countries for energy efficiency.<sup>2</sup>

### Reform to the GEMS framework will improve the market

Recent regulatory reforms to energy efficiency have improved in outcomes for consumers. The regulations enacted by *The Greenhouse and Energy Minimum Standards Act 2012* – which underpins the Equipment Energy Efficiency Program (E3), Minimum Energy Performance Standards (**MEPS**) and Energy Rating Labelling (**ERL**) requirements – save the average Australian household between \$140 and \$220 on their electricity bill each year.<sup>3</sup> The National Strategy should also ensure that the GEMS regime keeps up with emerging trends and that they are adequately reflected in the product prioritisation strategy.

The GEMS Act is vital for ensuring that consumers can make informed choices about the energy efficiency ratings of products. Making energy performance changes through appliance upgrades is often more accessible and affordable for households than structural changes such as solar installation. In 2018, the net savings to the Australian economy from the GEMS

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<sup>1</sup>Your Home, 2020, Appliances and technology, <https://www.yourhome.gov.au/energy/appliances>

<sup>2</sup>ACEEE, 2022, International Energy Efficiency Scorecard

<sup>3</sup>CHOICE, 2018, Submission to the Independent Review of the Greenhouse and Energy Minimum Standards Act 2012

regulations ranged between \$1.13 and \$2.15 billion.<sup>4</sup> The implementation of a recognisable star rating system has also been important for raising awareness of energy usage more broadly.

To build on these improvements, the GEMS regime should be expanded, with more products being added to its remit. As an independent organisation, CHOICE tests approximately 50 power plug connected categories each year, yet the GEMS Act covers only 27.<sup>5</sup> The GEMS regime needs to be more responsive to new trends in the consumer marketplace and expand its coverage to remain relevant. This could help Australia catch-up to international energy consumption savings. In 2021, household appliance standards cut national energy consumption by approximately 7% in Australia, whereas the appliance standards in Europe and the United States are estimated to deliver reductions of around 15% of total current electricity consumption annually.<sup>6</sup>

## Modernise the Minimum Energy Performance Standards regime to ensure it is working effectively

Products currently covered by the MEPS should be updated more frequently. Many Australian standards are lagging behind prevailing international standards. For example, the minimum standards for televisions have not been updated since 2013, despite television technology has advanced significantly in the past decade, creating the potential for less efficient products to dominate in the market.<sup>7</sup> CHOICE experts compared the yearly energy costs of running a TV and found a household could save nearly \$200 by choosing the most efficient model.<sup>8</sup> The National Strategy should ensure that Australian MEPS are aligned with international standards where appropriate, and that international testing standards include testing for Australian conditions.

There are also significant gaps in product areas that should be filled, particularly where consumers are adjusting behaviours to mitigate climate impacts. For example, while there are MEPS for electric and gas storage water heaters and gas instantaneous water heaters, there

<sup>4</sup>Australian Government Department of the Environment and Energy, 2019, Independent Review of the Greenhouse and Energy Minimum Standards, (GEMS) ACT 2012, <https://www.energyrating.gov.au/sites/default/files/2020-06/gems-review-final-report-revised.pdf>

<sup>5</sup>Energy Rating, 2023, Regulated Products, <https://www.energyrating.gov.au/node/380>

<sup>6</sup>IEA, Achievements of Energy Efficiency Appliance and Equipment Standards and Labelling Programmes, <https://iea.blob.core.windows.net/assets/996ea40e-e010-48c3-ab53-9b4f72ddc815/AchievementsofEnergyEfficiencyApplianceandEquipmentStandardsandLabellingProgrammes.pdf>

<sup>7</sup>Equipment Energy Efficiency Program, 2022, Issues Paper Televisions: Computer Monitors and Digital Signage Displays

<sup>8</sup>CHOICE, 2022, 'How to avoid power-hungry TVs and home entertainment appliances', <https://www.choice.com.au/home-improvement/energy-saving/reducing-your-carbon-footprint/articles/energy-hungry-home-entertainment-devices>

are none for solar, heat pump or electric instantaneous water heaters.<sup>9</sup> Further, the energy ratings label on gas water heaters is industry-run, rather than regulated by government, as most MEPS and ERLs. The downside of a self-regulated star system is that the industry can set extremely conservative benchmarks for improvement, leading to worse outcomes for consumers.

By contrast the GEMS regime has many more stakeholders and is constantly required to improve upon existing energy efficiency standards. It is therefore valuable to consider expanding the products covered by GEMS regulations to ensure that they are assessed according to the highest standards.

MEPS should be flexible enough to include new products. As climate change leads to an increase in the frequency of extreme weather events for consumers, such as floods and fires, demand for and reliance on products like dehumidifiers and air purifiers will also rise. Neither dehumidifiers or air purifiers currently have MEPS. As demand for these products grow, consumers should be able to identify the most energy efficient options for their needs.

## Strengthen product labelling to reflect Australia's diverse climate

Energy Rating Labels should reflect the different climatic conditions in Australia where relevant. For example, air conditioners currently have a Zoned Energy Rating Label (**ZERL**) which provides a seasonal efficiency rating for three distinct climate zones across Australia and New Zealand.<sup>10</sup> A ZERL would also be useful for products, including hot water systems which are often found outside and more prone to be impacted by the weather. A ZERL would provide the consumer with more information about how this product will perform for them in different climates across Australia.

Particular improvements can be made to the ERL for washing machines. Much of the energy used by washing machines goes into heating the wash water, though this is not necessarily known by most consumers. Top loaders use more energy on a warm wash due to the larger volume of water, but use slightly less energy than a front loader on a cold wash due to the shorter cycle time. CHOICE member surveys from the past 20 years show a gradual change towards most consumers washing in cold water, rather than warm water. Consumers who generally wash in cold water only would benefit from this additional information at the point of

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<sup>9</sup>Energy.gov.au, Households: Hot Water Systems, <https://www.energy.gov.au/households/hot-water-systems#toc-anchor-energy-performance-requirements>

<sup>10</sup>Energy Rating, Air Conditioners, <https://www.energyrating.gov.au/products/space-heating-and-cooling/air-conditioners>

sale, and including this extra detail in the ERL would help consumers make an informed decision.

## The GEMS Regulator should be empowered to penalise non-compliance

The GEMS regime should be strengthened by increasing compliance activities for household appliances. The National Strategy should ensure the GEMS Regulator is equipped to carry out expanded compliance activities, and that the penalties for not meeting standards are large enough to act as a deterrence.

Currently, the largest possible fine is \$10,200 per product which, for many manufacturers, may not be sufficient to deter non-compliance.<sup>11</sup> Larger fines will hold manufacturers and distributors accountable when they fail to meet requirements.<sup>12</sup> All revenue generated through increased penalties should be channelled into expanding compliance activities, to create a virtuous circle in compliance.

### Recommendation 1

The National Energy Performance Strategy should recommend strengthening *The Greenhouse and Energy Minimum Standards Act 2012* and legislative instruments to bring it in line with international best practice. This will ensure people are empowered to purchase energy-efficient products that meet their needs. Reforms should include:

- a. Expanding the range and number of products regulated by the GEMS framework.
- b. Updating products' Minimum Energy Performance Standards more frequently to recognise improvements in energy performance.
- c. Updating Energy Rating Labels on key products to reflect the different climatic conditions in Australia.
- d. Empowering the GEMS Regulator to increase compliance activities to increase deterrence.

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<sup>11</sup>Energy Rating, 2015, Compliance, <https://www.energyrating.gov.au/news/compliance-energy-rating-label>

<sup>12</sup>Energy Rating, 2018, 'Compliance', <http://www.energyrating.gov.au/suppliers/compliance>

## The National Strategy should improve access to energy performance improvements

The National Strategy has an opportunity to ensure all consumers are able to participate in and benefit from Australia's improvements in energy performance. Government measures which improve the energy performance of homes of vulnerable consumers can deliver lower energy bills, increased health and wellbeing and a reduction of economic inequity.

## The National Strategy should support electrification for low-income households

The National Strategy should consider measures that assist households to electrify, including the planned package to help low-income households electrify their homes. Low-income households spend double the percentage of their disposable income on energy compared to average income households.<sup>13</sup> The types of energy improvements that would improve a household's energy efficiency are often inaccessible to low income households. For example, many low income households are unable to purchase wall and ceiling insulation, which will improve the energy performance of their home.<sup>14</sup>

Removing gas appliances from the home can rapidly improve a household's energy efficiency<sup>15</sup> as well as save consumers money on their energy bills.<sup>16</sup> For example, an electric reverse cycle air conditioner typically delivers 4 units (or more) of heat for each unit of electricity consumed, but gas delivers only 0.9 units. The same is true for producing hot water, an electric heat pump is 300-400% more efficient.<sup>17</sup> For low income consumers, moving away from using both gas and electricity will help them avoid paying two network costs and enable access to more efficient and healthier appliances.<sup>18</sup> Solutions such as the ACT Government's Energy Efficiency Improvement

<sup>13</sup>C. Savage, 2022, 'We made shopping for power too hard for consumers', Sydney Morning Herald, <https://www.smh.com.au/national/we-made-shopping-for-power-too-hard-for-consumers-20221018-p5bqt9.html>

<sup>14</sup>Energy Consumers Australia, 2021, 'The energy divide begins at home. These figures explain why', <https://energyconsumersaustralia.com.au/news/the-energy-divide-begins-at-home-heres-why>

<sup>15</sup>Climate Council, 2022, 'Tents to Castles: Building energy efficient, cost saving Aussie homes', <https://www.climatecouncil.org.au/resources/tents-castles-building-energy-efficient-cost-saving-aussie-homes/>

<sup>16</sup>Climate Council, Switch and Save: How gas is costing households, 2022, <https://www.climatecouncil.org.au/resources/switch-and-save-how-gas-is-costing-households/>

<sup>17</sup> *ibid.*

<sup>18</sup>Alviss Consulting for the South Australian Council of Social Service (SACOSS) and Australian Council of Social Service (ACOSS), 2022, Reforming electricity concessions to better meet need: Summary Report

Scheme (EEIS) which gives eligible households a rebate up to \$5,000 when replacing gas heating with efficient electric heating offer a useful test case.

State or territory based programs have demonstrated the need for targeted energy performance improvements, such as the ACT Government's Low Income Household Program.<sup>19</sup> This free program gives people in lower income ACT households practical ways to reduce their energy and water bills, including a free energy efficiency audit. The National Strategy offers an opportunity to develop a cohesive and national program to reduce energy inequity. This program could include solutions such as energy efficiency appliance rebates, zero-interest loans for energy performance upgrades, free energy efficiency audits and solar upgrade programs.

The National Strategy should also consider measures that encourage and support households that do not qualify for electrification rebates to invest in electric appliances.

## The National Strategy should include measures that assist the growing number of people who rent

The National Strategy should reduce energy inequity for people who rent. Renters make up 60% of households in persistent energy payment difficulty and 67% of households with persistent inability to heat their homes.<sup>20</sup> Renters have limited ability to improve the energy efficiency of their homes through structural changes. They often receive little information about the energy performance of their homes and live with the threat of eviction. This contributes to poor economic and health outcomes.<sup>21</sup> Landlords are not required to make energy performance improvements in their leased properties. In many Australian states and territories, tenancy laws offer little protection, and houses that are considered fit to live in are far from energy-efficient. Creating mandatory minimum energy efficiency rental standards could address both issues.

The National Strategy must consider tailored solutions for renters, many of whom are currently unable to access energy performance improvement opportunities. Measures could include minimum energy performance standards and mandatory energy efficiency disclosures at lease signings, as well as rebates or low-interest loans for landlords who install energy-efficient appliances, such as split-system air conditioners.<sup>22</sup>

<sup>19</sup>ACT Government, Home Energy Efficiency Program, <https://www.climatechoices.act.gov.au/policy-programs/home-energy-efficiency-program>

<sup>20</sup>Deloitte Access Economics, Prepared for the Australian Council of Social Service, 2021, The economic impacts of the National Low-Income Energy Productivity Program

<sup>21</sup>CHOICE, 2021, Renters left to freeze in poorly insulated homes, <https://www.choice.com.au/money/property/renting/articles/renters-left-to-freeze-in-poorly-insulated-homes>

<sup>22</sup>Healthy Homes for Renters, 2022, Community Sector Blueprint: National Framework for Minimum Energy Efficiency Rental Requirements

## The National Strategy should be focused on additional consumer vulnerability factors

In addition to low-income and renting measures, the National Strategy must have a strong focus on consumer vulnerability. Energy use and energy access is an essential service, but the energy sector is seeing rising debt levels and increasing numbers of consumers suffering from electricity hardship.<sup>23</sup> The Australian Electricity Regulator's (AER) 'Towards Energy Equity Strategy' and primary objective of protecting consumers experiencing vulnerability while enabling consumers to participate in energy represent an excellent first step towards addressing energy inequity.<sup>24</sup> The National Strategy has an opportunity to reinforce and build upon the AER's strategy to improve outcomes for consumers.

CHOICE supports measures that prioritise the interests of First Nations consumers. These measures should be conducted in consultation with First Nations communities. More than 68% of First Nations adults rent their homes. This number rises to 89% for First Nations peoples living in remote and very remote areas.<sup>25</sup> These areas are often subject to weather extremes and homes in these areas can require more energy to adequately heat and cool. Providing funding for solar and appliance upgrades and energy audits, especially for retrofitting Aboriginal and Torres Strait Islander public and community housing, is a key step in addressing the current energy inequity.

## Recommendation 2

The National Energy Performance Strategy should include tailored strategies that address the energy performance challenges of different cohorts of consumers, including people on low-incomes, people who rent and First Nations communities.

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<sup>23</sup>AER, 2022, Towards energy equity: A strategy for an inclusive energy market

<sup>24</sup> ibid.

<sup>25</sup>Australian Institute of Health and Welfare, 2021, Indigenous housing, <https://www.aihw.gov.au/reports/australias-welfare/indigenous-housing>