

25 February 2011

Manager – Energy Efficiency Opportunities
EEO Review
Energy and Environment Division
Department of Resources, Energy and Tourism
GPO Box 1564
CANBERRA ACT 2601

Dear Sir

The Australian Sustainable Business Group (ASBG) welcomes the opportunity to comment on the *Discussion Paper, Proposed changes to the Energy Efficiency Opportunities (EEO) program assessment and reporting requirements with clarification of the second cycle*.

The [Australian Sustainable Business Group](http://www.asbg.net.au) (ASBG) is a leading environment and energy business representative body that specialises in providing the latest information, including changes to environmental legislation, regulations and policy that may impact industry, business and other organisations. We operate in NSW and Queensland and have over 150 members comprising of Australia's largest manufacturing companies.

Many of ASBG members are required to report under the EEO program and have been encouraged by promise of good energy savings outcomes. Many members consider the general thrust of the EEO program has merit, but it requires a revamp to improve its compliance costs on reporting businesses.

Members have indicated strong concerns regarding the EEO's document and process heavy approach. Such is the scale of obligated internal activity that the outcomes (e.g. energy efficiency projects) appear almost as a by-product. With the introduction of the EEO Verification Handbook in 2010, the audit program considerably added to the documentation, increasing the need for accuracy and new controls. This level of external investigation on internal workings of businesses is seen as more fitting to financial institutions, yet energy still represents a small portion of money flows in the economy.

The Energy Efficiency Opportunities Act 2006 states in its objects:

3 Object

- (1) The object of this Act is to improve the identification and evaluation of energy efficiency opportunities by large energy using businesses and, as a result, to encourage implementation of cost effective energy efficiency opportunities.
- (2) In order to achieve its object, this Act requires large energy using businesses:
 - (a) to undertake an assessment of their energy efficiency opportunities to a minimum standard in order to improve the way in which those opportunities are identified and evaluated;

ASBG considers the EEO program is good at identifying cost effective energy efficiency opportunities, but is very inefficient in its process of finding and evaluating viable opportunities. Hence, if considered holistically the overall process of the EEO program is not efficient at delivering its outcomes due to the

high compliance costs of its identification, evaluation and reporting requirements. As a consequence it can be argued that the EEO program's compliance with the objectives of Act is questionable.

The object of *setting of a minimum standard to improve the way opportunities are identified* has been a major thrust of the EEO Program. However, ASBG questions why was the standard set so high? It is close enough to ISO 50001 that the discussion paper raises the issue of being EEO in line with it. Enforcing Australia's large energy using organisations to adopt an energy management system similar to ISO 50001 is setting the bar very high, close to world's best practice. While use of ISO 50001 system will benefit some organisations, many will suffer unnecessary costs as the need for such a standard is not fitting to their business.

Our members are disappointed that the current discussion document. Rather than to improve the efficiency and flexibility of the EEO program, it has gone in the opposite direction. The discussion document proposed changes gives the flavour that activity in investigation, documentation, audit compliance and reporting is more important than achieving energy savings outcomes.

Considerable increases in details and scope of Key Elements section are largely not supported by our members who wish instead for a more flexible system. EEO is already an inefficient and costly way to achieve its energy efficiency outcomes. ASBG believes the proposed additional complexity will do far more to add to compliance costs than serve to identify viable projects. Adding further complexity will undermine the value of the program to businesses and organisations.

ASBG would have expected a reduction in the Key Elements scope and details and a streamlining in the reporting requirements. As a consequence, ASBG considers responding using the form and commenting on the individual changes could be misinterpreted as some form of support. Most of the changes are not supported, especially where they increase compliance costs for little environmental benefit.

Nevertheless, there are areas where improvements could be made including:

- Use of NGER data base for EEO data is supported
- Reporting energy savings opportunities in a spreadsheet format
- Being able to identify alternative energy sources and where used these should be permitted to be removed from threshold calculations
- Acknowledge that embedded generation (e.g. cogeneration and tri-generation) do not suffer transmission losses

Members also report the process could be better structured. A key improvement is to introduce an upfront assessment of an idea or project's the economic viability. A quick economic analysis will permit more resources to consider economic winners. If an idea does not meet an internally developed threshold, it should cease. Removing unviable projects from further analysis will improve the efficiency of the EEO process.

Another area for improvement is to correct the inherent disincentive where increasing the number of energy saving opportunities (projects) generates proportionally more documentation and auditing costs. This is particularly acute in the reporting requirements under EEO.

EEO's heavy focus on documentation and system management is considered by members to be inefficient in contrast to the outcomes of energy efficiency which the scheme aims to generate. Members are already reporting considerable costs of compliance, some at \$70/ CO_{2-e} saved. No doubt this figure will increase as the lower cost projects are consumed and less savings are achieved, but with similar if not increased costs of compliance with the scheme. ASBG considers that costs of compliance data, such as used by the Australian Taxation Office, will aid in the ongoing development of a more streamlined EEO program.

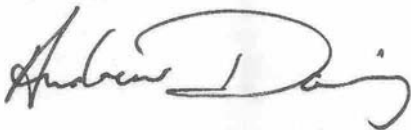
Our members are disappointed that the current discussion document, as it rather than improve the efficiency and flexibility of the EEO program, it has done the opposite. Considerable increases in details and scope of Key Elements section are against our members wishes. It appears the discussion paper thrust is to increase the process of investigation an internal review in the hope of generating more outcomes. EEO is already a highly inefficient and costly way to achieve the outcomes the program was designed to achieve. Adding further complexity will undermine the value of the program to businesses and organisations.

ASBG would have expected a reduction in the Key Elements scope and details and a streamlining in the reporting requirements. As a consequence, ASBG considers responding to the individual changes could be misinterpreted as some form of support.

ASBG recommends that the current discussion document be replaced by a streamlining of the EEO system, undertaken with full consultation of the EEO reporting companies.

Should you wish further clarification on the above submission please contact me on (02) 9453 3348.

Yours sincerely



Andrew Doig
National Director
AUSTRALIAN SUSTAINABLE BUSINESS GROUP (ASBG)
T. +612 9453 3348
F. +612 9383 8916
(PO Box 326, Willoughby NSW 2068)

E. andrew@asbg.net.au
Web: www.asbg.net.au