

Green Paper Submissions
Department of Climate Change
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Canberra Act 2601

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10 September 2008

Dear Sir/Madam

VCOSS Submission to the Carbon Pollution Reduction Scheme Green Paper

The Victorian Council of Social Service (VCOSS) welcomes the opportunity to contribute to the development of the Commonwealth Government's Carbon Pollution Reduction Scheme.

VCOSS has served Victorians as the peak independent coordinating body of the social and community services sector for over 60 years. VCOSS raises awareness of the existence, causes and effects of poverty and inequality and advocates for the development of a sustainable, fair and equitable society. As well as promoting the wellbeing of those experiencing disadvantage and contributing to initiatives seeking to create a more just society, VCOSS also provides a strong, non-partisan voice for the community sector.

VCOSS endorses the Australian Council of Social Service (ACOSS) submission into the Carbon Pollution Reduction Scheme Green Paper. This VCOSS submission will discuss issues that are of particular concern to Victoria and the wellbeing of Victorians, particularly those who are vulnerable.

VCOSS supports the introduction of a Carbon Pollution Reduction Scheme (CPRS) by the Commonwealth Government as part of a suite of measures to address climate change. Delaying action on climate change will be more costly in economic, social and environmental terms. Low income and vulnerable households are particularly at risk from both the direct impacts of climate change and associated increases in the cost of living.

It is essential that the proposed CRPS efficiently fulfil its primary function as an emissions reduction mechanism by incentivising emissions reductions on the scale required to avoid dangerous climate change. It is also critical to ensure that equity is a fundamental component of policy development in this area. Compensation and adjustment assistance should be targeted at the most vulnerable members of the community, specifically low income households including public housing residents, tenants in private rental accommodation and low income home owners.

VCOSS welcomes the Commonwealth Government's commitment to increase payments to pensioner, carer, disability, senior and allowance households to meet the overall increase in the cost of living as a result of the CPRS. However, given the relative inelasticity of low income households' energy use and the financial and situational barriers to decreasing energy use, additional measures are also required to decrease the long term energy costs for low income and vulnerable households.

In order to reduce the exposure of low income households to higher energy prices, it is essential that measures are put in place in advance of the commencement of the CPRS. This will require government expenditure in advance of increased revenue from the CRPS.

VCOSS urges the Commonwealth to ensure that state governments quarantine some GST revenue from increased energy prices to offset these costs for low income and disadvantaged households.

Direct compensation

VCOSS urges the Commonwealth Government to provide compensation in the form of a direct increase in Centrelink payments to relieve the immediate cost impact of the CPRS.

VCOSS is particularly concerned with the price exposure that Victorian households face due to the state's heavy reliance on electricity generated by the burning of brown coal. Greenhouse gas emissions from the stationary energy sector are higher in Victoria than in any other state in Australia¹. It follows that Victorians will face a higher carbon cost passed through in their electricity bills.

This is unlikely to be easily addressed directly through the payments and taxation system. VCOSS urges the Commonwealth to take the carbon intensity of different states into account when designing complimentary compensation measures. This may include an increase in direct payments to the state governments, through mechanisms such as the Commonwealth State Housing Agreement or infrastructure funding to be utilised to improve household resilience to climate change and climate change mitigation measures.

Fair energy pricing and consumer protection

Rising prices for energy associated with market changes and the introduction of the CRPS will increase the pressure on household budgets and place low income households at greater risk of hardship and disconnection. This underscores the need for a robust consumer protection framework to ensure households can retain access to an essential supply of electricity and gas. VCOSS urges the Commonwealth Government to ensure that the full range of protections available to consumers in the Victorian Retail Code are included in the National Consumer Protection Framework.

In addition to consumer protections, a minimum 'lifeline' supply of energy should be quarantined at a lower price, through the shaping of existing regulated network tariffs. By introducing a lifeline tariff as the first part of an inclining block tariff structure, low income and low usage households would be insulated from excessive price rises, while the energy market is given sufficient flexibility to pass on additional costs in tariffs over and above this minimum supply rate. This provides protection for low

income consumers, who are generally low volume consumers, and offers an incentive for other sectors of the community to reduce their energy use.

Energy efficiency measures

Energy efficiency measures will play an important role in insulating vulnerable consumers from higher energy prices and reducing greenhouse gas emissions. Efficiency investments have the capacity not only to reduce the impact of initial price rises but to reduce energy costs in the long term. Middle and high income households have the financial capacity to invest in household energy efficiency and have benefited from rebate schemes at both state and commonwealth levels. Low income households do not have access to the upfront capital required to make significant energy efficiency investments. It is extremely important that the assistance provided to these households enables them to access energy efficiency measures they may not otherwise be able to afford.

It is critical that efficiency measures are targeted directly at the most vulnerable households and deliver real and ongoing cost savings. As such, high cost measures such as roof insulation and the replacement of inefficient appliances including hot water services must be part of any retrofitting scheme. To gain maximum benefit from the program, these measures must be combined with a significant and targeted educative and behaviour change component. VCOSS believes that these targeted programs would be most effectively delivered by the non-government sector.

The Warm Front program operating in the United Kingdom, provides an effective model for energy efficiency measures where rebates are bundled and provided up front to offer households a full energy efficiency retrofit, to both low income householders and tenants. VCOSS believes this is an appropriate and effective model to be applied in Australia.

Energy efficiency measures are an essential part of building community resilience to both the impacts of climate change, and to climate change mitigation measures. As such these measures should be commenced prior to the introduction of the CRPS and comprehensively implemented by 2015 to coincide with the removal of the carbon permit price cap proposed in the Green Paper.

VCOSS is advocating for minimum energy efficiency standards to be implemented for rental properties in order to protect low income tenants and ensure that energy efficiency measures are taken up by the landlord of low cost private rental properties.

The combination of these short and long term measures will assist low income and vulnerable households in the transition to a carbon constrained economy.

Increased transport costs and public transport investment

Lower income households in rural and regional areas and on the fringes of urban centres are particularly vulnerable to high fuel costs due to the lack of public transport alternatives.ⁱⁱ They also have limited financial means to purchase more fuel efficient and/or smaller vehicles.

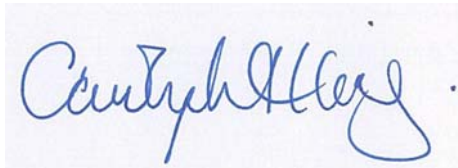
VCOSS urges the Commonwealth Government to use the deferral of the decision to include transport fuel under the CPRS as a window of opportunity to invest in public transport infrastructure through the *Infrastructure Australia* fund. Immediate investment in urban and rural and regional public transport infrastructure, to increase public transport coverage and capacity, will increase the ability of Victorian communities to adapt to higher petrol prices and reduce the risk to social and economic participation associated with restricted transport options.

Impact of the CPRS on community sector organisations

The not-for-profit community sector will also be exposed to increased energy and fuel prices. Services located in rural and regional areas and those delivering outreach or home based programs will be particularly vulnerable to higher fuel costs. Access to funds to reduce the exposure of the community sector to higher costs prior to the advent of the CPRS will assist these organisations to adapt. Additional Commonwealth funding will be required to assist with the indexation of funding to community organisations facing significant cost increases.

If you have any queries about this submission please contact Jess Fritze, Climate Change and Social Equity Policy Officer at jess.fritze@vcoss.org.au or David Imber, Manager of Policy & Public Affairs at david.imber@vcoss.org.au or on (03) 9654 5050.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Carolyn Atkins', is centered on a light blue rectangular background.

Carolyn Atkins
Deputy Director

ⁱ Department of Climate Change, *State and Territory greenhouse Gas Inventories 2006*, Department of Climate Change, Canberra, 2008, accessed at <http://www.climatechange.gov.au/inventory/stateinv/pubs/states2006.pdf>

ⁱⁱ J Dodson and N Sipe, *Unsettling suburbia: the new landscape of oil and mortgage vulnerability in Australian cities*, Urban Research Program, Research Paper 17, Griffith University, August 2008.