



31 January 2019
Mr Gary James
Director
Appliance Energy Efficiency Branch
Department of the Environment and Energy
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GEA comments on the E3 Hot Water Systems project

Dear Gary

The associates and members of Gas Energy Australia (GEA) welcome the opportunity to participate in the Energy Efficiency Advisory Team's (EEAT) *E3 Hot water systems policy framework and roadmap for Australia and New Zealand* project consultation process and provide comments on E3 presentations and publications. GEA also greatly appreciates the hot water stakeholder consultation forum your Department hosted for the gas industry on 22 January 2019.

By way of background, GEA is the national peak body, which represents the bulk of the downstream alternative gaseous fuels industry, which covers Liquefied Petroleum Gas (LPG), Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG). The industry comprises major companies and small to medium businesses in the gaseous fuels supply chain including producers, refiners, distributors, transporters, retailers, vehicle manufacturers, equipment manufacturers and suppliers, installers, educators and consultants. GEA also works closely with other gas industry associations, including the Gas Appliance Manufacturers Association of Australia (GAMMA).

GEA considers cutting both household energy bills and greenhouse gas (GHG) emissions important issues for Australian consumers and supports initiatives that would significantly improve, in a cost effective manner, the energy efficiency of all hot water systems technologies to achieve these objectives.

GEA considers that the first objective in the framework of improving consumer information and the creation of one test method for all technologies would do little to reduce household energy bills and GHG emissions because few consumers use such information when making decisions regarding the purchase of hot water systems. Indeed, the data presented by the EEAT suggests that 55 to 65% of hot water heater purchases are emergency purchases meaning that decisions are made by the retailer or tradesperson with little consideration of whole-of-life running costs, while 25 to 30% of purchases are new home market purchases where the builder will typically opt for the lowest capital cost option which is compliant.

This leaves only a small number of around 10 to 15% of consumers who are making considered purchases and the availability, accessibility and ease of understanding comparative information would only be utilised by a very small segment of the market. GEA considers the added costs and regulatory burden to apply one test method to all technologies and make the data available for consumers would

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not significantly change consumer purchasing decisions or reduce household energy bills and emissions.

GEA is also concerned that the significant costs and regulatory burden which would be imposed on industry through the full implementation of the hot water systems project is not considered in the policy framework.

If the EEAT believes consumers need more information, GEA considers the product performance information on electric, solar, heat pump and gas hot water heaters currently available from the Greenhouse and Energy Minimum Standards Regulator, the Clean Energy Regulator and gas product certification databases to be sufficient to allow the EEAT to compile performance information on all technologies and make it available in a use-friendly format for consumers.

That said, the availability of a database of performance information for consumers to compare hot water systems, does not mean most individuals making considered purchases would use this information. Geographic location, climate, ability to connect to gas and electric grids, and other external factors contribute to which hot water system technology would be best suited for particular consumers. Also, appropriate performance information for hot water systems is dependent on location, energy tariffs, GHG intensity of the local grid and amount of household self-regulation. GEA considers there are too many external variables which can affect a technology's performance and the information delivered by one test method would make little difference to consumers' purchasing decisions.

In conclusion, GEA considers the changes proposed in the policy framework would place significant costs and regulatory burden on industry to achieve outcomes that GEA considers would do little to change consumer purchasing behaviour. As a result, GEA does not support the implementation of the proposed policy framework, or the formation of working groups to achieve the plan's objectives.

Nevertheless, if the E3 Hot Water Systems project proceeds along with the formation of working groups, GEA would be interested in being involved in the Stakeholder Reference Group but not the Technical Working Group. If you have any questions regarding this submission, please contact Melissa Dimovski at mdimovski@gasenergyaustralia.asn.au or on 0435 363 877.

For your consideration.

A handwritten signature in black ink, appearing to read "John Griffiths", with a long horizontal flourish extending to the right.

John Griffiths
Chief Executive Officer