

ADDRESSING AUSTRALIA'S WORSENING ENERGY DEPRIVATION

POLICY NOTE



SUMMARY

- **Broad engagement with lower income households, industry, government and other stakeholders reveals that energy deprivation is an increasing problem in Australia which impacts upon the social wellbeing of communities.**
- **There are a wide range of financial and non-financial barriers limiting the ability of lower income households to address energy deprivation.**
- **The government's approach to energy and support mechanisms varies from state to state and nationally, further exacerbating the problem.**
- **We present a range of policy recommendations across three categories, namely information provision, financial assistance, and regulatory controls.**

THE PROBLEM

Household energy prices have risen and are [expected to increase significantly](#) in the coming years, creating more widespread energy deprivation (flow-on impacts of inadequate access to energy) across Australia.

Energy deprivation can have wide ranging impacts, including on mental health (e.g. due to social isolation), physical health (e.g. through malnutrition), and decreases in future opportunities (e.g. impacts on schooling).

"I mainly skip meals. I've gone 4 days without eating because I've had a bill I've got to pay." (Older, single interviewee, TAS).

These impacts are experienced by lower-income households (viz [our research](#) on lower income barriers to low carbon living).

CRC for Low Carbon Living

The CRC for Low Carbon Living (CRCLCL) is a national research and innovation hub that seeks to enable a globally competitive low carbon built environment sector and is supported by the Commonwealth Government's Cooperative Research Centres (CRC) programme.

With a focus on collaborative innovation, the CRCLCL brings together property, planning, engineering and policy organisations with leading Australian researchers. The CRCLCL develops new social, technological and policy tools for facilitating the development of low carbon products and services to reduce greenhouse gas emissions in the built environment. For more information visit www.lowcarbonlivingcrc.com.au/

While escalating energy costs are a significant contributor to energy deprivation, especially when costs rise much faster than income (Figure 1), impacts are exacerbated by stringent conditions for financial assistance, difficulty accessing information, the low quality of many lower-cost homes, and the reluctance of landlords to implement energy performance upgrades to rental homes.

There has been little research on energy deprivation in Australia and in other western societies.

Our research shows that the negative impacts of energy deprivation remain, affirming previous Australian research on energy deprivation ([Chester & Morris 2012](#)).

Australia's energy future is a topic of national interest, highlighted by the 2017 Federal [Government inquiry into modernising Australia's electricity grid](#).

EXISTING POLICY

Carbon reduction policies have been in place in Australia since the mid-1980s. The direction of these policies has generally followed international initiatives (such as through [the UN Framework](#)

[Convention on Climate Change](#) and its subsequent Kyoto Protocol and the Paris Agreement).

These policies, however, typically work on short cycles despite broad acknowledgement that outcomes may not be immediate but longer term.

Concurrently, all states and territories set their own carbon reduction and energy policies. While generally working in conjunction with those set at the federal level, these state/territory-level policies have had a stop-start history. As a result, most industry and non-government organisations have only been able to provide assistance and support on a relatively short-term basis.

Energy deprivation encompasses a range of concepts that lead to inadequate access to energy including energy poverty, energy justice and energy vulnerability.



POLICY OPTIONS & IMPLICATIONS – ANALYSIS & EVALUATION

Energy deprivation is relevant to multiple ministry portfolios, as well as to industry and the non-government sector because it can have significant and long-term impacts on social wellbeing, particularly for vulnerable groups like those on lower incomes. Importantly, energy deprivation can potentially compromise Australia’s future productivity.

“A pay-on-time discount is useless, mostly because they’re not going to have the money, you know, to pay up front, direct debit. No one’s got the money to do that if you’re in that spot.” (Energy advocate).

While the Clean Energy Target can help ensure a low carbon and sustainable future for Australian energy generation, the coal industry continues to receive significantly more direct and indirect government subsidies than the renewable sector ([IMF 2015](#)). This has

not only resulted in a significantly lower proportion of Australian electricity being generated from renewable sources than from coal, but also in higher retail prices ([Clean Energy Council 2017](#); [GreenPower n.d.](#)).

This is further complicated by the number of states and territories with different policies and regulations to the Federal Government.

There is also a lack of competition and consumer choice in some states and territories due to the varying extent of energy sector privatisation.

There are measures in place to assist lower-income households in meeting their energy bills, including the [energy supplement](#) available via the Department of Human Services, and energy retailer hardship programs such as payment plans. However, according to our study participants these have had little effect on countering the sharp rises in energy costs and do little to encourage consumers to switch to renewable energy.

Lower income households are those within the lowest 20 per cent of income earners in their state or territory’s capital city.

Our research reveals that as more upper- and middle-income households generate solar power on their roofs, those who cannot afford or have the right to do so will

be burdened with a larger share of infrastructure upkeep costs. This issue has been recognised overseas, but it is also a concern for vulnerable groups like lower-income households here in Australia ([Ebert 2016](#)).

OUR RESEARCH

Our project, undertaken as part of the CRC for Low Carbon Living between October 2015 and September 2016, interviewed 164 lower income households and 18 stakeholders (including service providers, advocates and charities) to understand the [barriers faced](#) in transitioning to low carbon living. Vulnerable households were categorised across the typology identified in a previous CRCLCL study ([Burke & Ralston 2015](#)): young singles, single-parent families, large families, and older singles/couples.

The interviews were underpinned by a detailed review of state, national and international literature. Research methods included focus group interviews, one-on-one interviews and workshops.

We workshoped potential solutions with 33 policymakers and service providers across four states and territories (New South Wales, South Australia, Tasmania, and the Northern Territory) that represented four different climatic zones in Australia and both metropolitan and regional settings.



Lower-income households reported long delays in receiving energy efficiency advice and of being notified of assistance programs (and often only as they were being wound up). When available, this information is mostly provided online, and our study participants noted that they often did not know how or what to search for, and many could not afford home computers and internet connection. This highlights the lack of accessible information and reflects international evidence

([Brunner et al. 2012](#)) that lower-income households may not have the resources to implement change without assistance.

“I don’t have internet hooked up at my place [...] I can’t afford it. It’s a luxury.” (Young, single interviewee, NSW).

An extra layer of difficulty for lower-income households is that many (76 per cent) live in rental properties that are often poorly

insulated and furnished with inefficient appliances that they were not allowed or could not afford to replace.

“The landlord wasn’t interested in insulation. We offered to put solar panels on but he wouldn’t hear of it, and he wasn’t interested in insulating the ceilings which is a pity.” (Older couple in private rental, TAS)

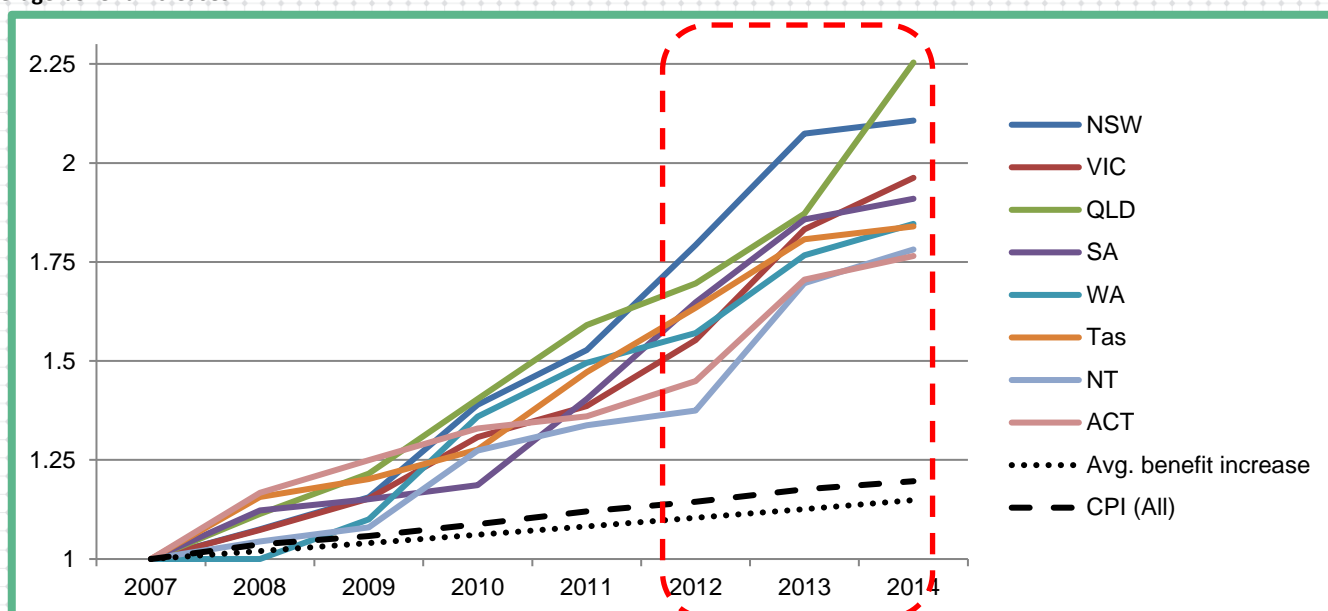
Renters are also precluded from accessing incentive and subsidy programs such as solar rebates.

Landlords, particularly private investor landlords, are reluctant to introduce upgrades because they would not be receiving any

immediate benefits. This is referred to as [split incentives](#).

Our findings represent a cross-section of Australian conditions and policy settings. Our policy recommendations are synthesised to take into account these geographic and policy differences.

Figure 1: Increases in electricity retail prices across Australian states/territories since 2007 compared to the consumer price index and average benefit increases



Source: ABS (2016). *Consumer price index, Australia, Jun 2016*, Cat. No. 6401.0. Canberra: Australian Bureau of Statistics. Chester, L. (2015). “The privatisation of Australian electricity: Claims, myths and facts.” *The Economic and Labour Relations Review* 26(2): 218-240.

POLICY RECOMMENDATIONS

Energy deprivation is becoming a critical issue worldwide.

Quantitative measures like fuel poverty are being called into question in favour of those that emphasise more nuanced, real-life impacts such as energy deprivation ([Bouzarovski & Petrova 2015](#); [Pachauri & Spreng 2011](#)).

There is no single panacea to addressing energy deprivation, but rather a number of policy initiatives could improve the situation in Australia (see overleaf).



THE PROBLEM	RECOMMENDATIONS
FINANCIAL ASSISTANCE	
<p><u>Overcoming split incentives</u></p> <p>An increasing number and proportion of Australians are living in rental accommodation for the long haul (Stone et al. 2013; Wood et al. 2013).</p>	<p><u>Nationwide</u></p> <p>Higher tax incentives within negative gearing for landlords who improve the energy efficiency of their investments.</p> <p><u>State/territory level</u></p> <p>Changes to tenancy legislation to give tenants greater rights to modify their rented homes. This would also encourage greater take up of assistance programs such as solar rebates.</p>
<p><u>Ensuring sustained funding to deliver longer term outcomes</u></p> <p>Many assistance programs aimed specifically at helping lower-income households with energy efficiency and low carbon living have come and gone in Australia. Often, these were pilot studies that were not further funded, despite positive outcomes.</p>	<p><u>Nationwide</u></p> <p>Long-term assistance programs to ensure outcomes and embed the success of early efforts.</p>
INFORMATION PROVISION	
<p><u>Educate via the right channels</u></p> <p>Online information may have a wider reach generally, but it is not a practical platform for many lower-income households with budgetary or skill limitations.</p>	<p><u>Nationwide</u></p> <p>Provide simple, eye-catching energy efficiency information in a multitude of formats and access points to ensure that it reaches low income households. Some jurisdictions are already taking this approach, but for the most part distribution and promotion of information is still limited.</p>
<p><u>Getting the message across simply</u></p> <p>There are regulations governing the type of information (including details about support programs) energy retailers must provide to customers on their energy bills. However, this information is often rather technical and difficult to understand. With no standard presentation of information, customers switching energy retailers have difficulty finding comparable information.</p> <p>There is industry resistance to standardising the presentation of billing information.</p>	<p><u>Nationwide</u></p> <p>Simple presentation of bill information to increase consumer knowledge of their energy consumption and efficiency levels.</p> <p>Widespread adoption of infographic-based information (Figure 2) that can be easily understood by people of different language proficiencies and capacity levels.</p>
REGULATORY CONTROLS	
<p><u>Higher retail prices of renewable energy as a strong deterrent</u></p> <p>The higher retail prices of 'green' energy is a significant deterrent for lower income households (none of our study participants purchase renewable energy).</p>	<p><u>Nationwide</u></p> <p>Increase the proportion of renewable energy generation.</p> <p>Reduce direct and indirect subsidies to the coal industry.</p> <p>International examples, such as in Germany, Namibia and Turkey, show how adjustment packages can be successfully implemented (Sovacool & Dworkin 2014: 286-7). These not only redirect subsidies from non-renewables to renewables, but also provide "targeted cash transfers" to vulnerable groups' and retraining opportunities.</p>
<p><u>Improving the thermal efficiency of homes at the lower end of the market</u></p> <p>Improved thermal efficiency can drastically increase the comfort and reduce the energy spending of lower-income households. Evidence from the UK (Evans et al. 2000) shows that low quality housing in the UK costs ~£2B annually in medical expenditure.</p> <p>All European Union states have had mandatory energy performance disclosure since 2010 (EU 2010). The UK (Pinsent Masons 2015) and New Zealand (Cabinet Social Policy Committee n.d.) have both recently introduced regulations that set minimum standards (including for insulation) for rental properties.</p>	<p><u>State/territory level</u></p> <p>Extend minimal energy efficiency standards for new builds (NatHERS, or BASIX in NSW; Heffernan et al. 2017) to existing homes, which are far greater in number than new builds. This is especially important for rented homes, which often have poorer efficiency levels than owner-occupied ones (see above) due to split incentives.</p> <p>Amend residential tenancy legislation to give tenants greater power to modify rented homes for energy efficiency.</p>

With sharp rises in energy costs and [sluggish income growth](#) projected, it is very likely that the incidence of energy deprivation will continue to increase. Energy deprivation cannot be addressed overnight, but it is possible to track the impact of policy and industry changes over the short, medium and longer term:

Short term: Distribution and up-take of information; increase in purchase of renewable energy; decreased demand on charity.

Medium and longer term: Improved self-reported health (including mental health); landlord uptake of incentivised upgrades and improvements.

PROJECT PARTNERS

- The Salvation Army
- NSW Office of Environment and Heritage
- Council of the Ageing

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FURTHER INFORMATION

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Figure 2: Example of an energy-saving visual guide



Source: SA Government 2015