

GEMS Review Taskforce  
Appliance and Building Energy Efficiency Branch  
Department of the Environment and Energy  
GPO Box 787  
CANBERRA ACT 2601

By email: [GEMSreview@environment.gov.au](mailto:GEMSreview@environment.gov.au)

28 March 2018

Dear Review Team,

**RE: INDEPENDENT REVIEW OF THE GEMS ACT 2012 – DISCUSSION PAPER**

Thank you for the opportunity to provide a submission to the Independent Review of the *Greenhouse and Energy Minimum Standards Act 2012* (the GEMS Act).

The Green Building Council supports the GEMS Act, which presents a framework for a nationally consistent and efficient regulation of minimum energy performance standards (MEPS) and labelling requirements. Strong mandatory minimum standards for appliances and equipment have driven improvements in the buildings sector, by providing a common benchmark to measure energy performance, and supporting building environmental rating schemes such as Green Star.

The GEMS scheme has been broadly successful in its objective of promoting the development and adoption of energy efficient products to reduce energy use and greenhouse gas emissions. However, to ensure the scheme's ongoing impact, priority should be given to ensuring that the scheme aligns with international standards. As the 2015 GEMS Review noted, international standards are currently the main drivers of innovation for energy efficient products and in many cases are more advanced than Australian standards. We further propose the establishment of an increasing trajectory for efficiency and energy productivity, to help the Australian Government meet its international obligations in regards to national emissions.

The GBCA's response to the questions put forth in the Discussion Paper can be found in the following document.

Thank you for the opportunity to provide feedback on this matter. We look forward to working with the Department through the consultation process; should you have any further questions on the issues raised in this submission please contact Sandra Qian, Senior Advisor – Government Relations and Policy at [sandra.qian@gbca.org.au](mailto:sandra.qian@gbca.org.au)

Yours sincerely,



Jonathan Cartledge  
Head of Public Affairs  
Green Building Council of Australia



Established in 2002, the GBCA is Australia's leading authority on sustainable buildings and communities. We are an industry association committed to developing a sustainable property industry in Australia. Our vision is to create healthy, resilient and positive places for people and the natural environment.

To achieve this, we:

- Rate the sustainability of buildings and communities through Australia's only national, voluntary, holistic rating system – Green Star;
- Educate industry and government practitioners and decision makers and promote green building programs, technologies, design practices and operations; and,
- Advocate for the sustainable transformation of the built environment.

The GBCA represents more than 650 individual companies with a collective annual turnover of more than \$40 billion. Our membership reflects the diversity of Australian business, with over 500 small to medium enterprises through to 75 companies with annual turnover of more than \$100 million and 24 companies now listed in the ASX 200, with a combined market capitalisation of more than \$620 billion. Members include major developers, professional services firms, government departments and local councils, banks, superannuation funds, product manufacturers and suppliers.



Launched by the GBCA in 2003, as Australia's only national, voluntary and holistic rating system for sustainable buildings and communities, Green Star is an internationally recognised built environment rating system. The Green Star rating system has been developed by Australian industry and locally adapted to suit the Australian market. From individual buildings to neighbourhoods, precincts and entire communities, Green Star is transforming the way our built environment is designed, constructed and operated.

There are over 1722 Green Star-rated projects across Australia:

- 37% of Australia's CBD office space is Green Star certified
- 6% of the workforce head to a green office each day
- 42,000 people live in Green Star-rated apartments
- 425,000 people are moving into Green Star communities
- 1.3 million people visit a Green Star-rated shopping centre each day

Green Star certified buildings, on average: produce 62% fewer greenhouse gas emissions and use 66% less electricity than the average building; 51% less potable water than minimum industry requirements; and recycle 96% of their construction and demolition waste.



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## Consultation questions

### **The proposed methodology for the review is outlined in section 1.3. Is there anything else the review should consider when assessing the performance of the GEMS Act?**

#### Undertake a thorough analysis of available data to improve the evidence base for this review

The Discussion Paper is light on the analysis of relevant data and case studies and we note that recent program statistics have been difficult to find. There is an overall need to improve the evidence base on program savings and evaluate the effectiveness of existing determinations, as the 2015 Review noted that reductions in regular data collection have made it more difficult to identify and evaluate the regulatory opportunities for GEMS<sup>1</sup>. The GBCA recommends that the Review Team undertakes a more thorough analysis of the available data to ensure that the questions in the review can be addressed using detailed analysis.

#### Set an increasing trajectory for efficiency and energy productivity

The GBCA welcomes the attention given by the Terms of Reference to improvements that will lead to an increased reduction in greenhouse gas emissions. However, the Discussion Paper does not sufficiently address the wider issue of Australia's emissions reduction targets. The GEMS scheme should be set up for an increasing trajectory for energy efficiency and productivity, and decisions regarding efficiency adjustments in the GEMS Act should be reviewed in the context of Australia's wider national and international policy commitments.

### **What has been achieved through the GEMS Act?**

The GEMS Act has been successful in delivering a number of outcomes including greater energy efficiency, reduced energy consumption and lower energy bill costs for consumers.

#### Cost savings:

The GEMS scheme delivers around \$1 billion in avoided energy costs annually. According to analysis by the Department of Industry, Innovation and Science, Australian consumers have saved more than \$10 billion since 2000 thanks to efficiency standards and labelling managed through the GEMS scheme. If existing measures are maintained, savings will continue to multiply as old appliances are replaced. When projects in train and new projects are added, savings between 2014 and 2030 are expected to exceed \$57 billion.

#### Energy savings:

Appliance energy efficiency standards have driven reductions in energy demand, and have contributed towards recent declines in overall and peak demand. The GEMS scheme is projected to deliver between 69,000 and 80,000 GWh in cumulative energy savings between 2014 and 2020, and between 60 and 70 million tonnes of Co2-e of greenhouse gas emissions in the same period. The cost of avoiding electricity use through energy efficiency is significantly less than the cost of having to supply it or providing new supply side resources.

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<sup>1</sup> Databuild for the E3 Committee, *Greenhouse and Energy Minimum Standards (GEMS) Review 2015 Report*, p. 56

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### Market transformation:

The GEMS scheme is a driver of energy efficiency for appliances sold in Australia, as evidenced by the way manufacturers, suppliers and importers respond to anticipated changes when new standards are published. There is general consensus among stakeholders that the GEMS scheme has been successful in overcoming a number of market failures, such as a lack of information, split incentive, access to capital and externalities resulting from market participants not being able to fully capture the benefits of undertaking investments.

### Building energy performance

The GEMS Act drives improvements in building energy performance, by underpinning the benchmarks that measure energy consuming elements within buildings. This supports building energy disclosure and building environmental rating schemes such as Green Star. For instance, the 'Energy-Efficiency Appliances' credit within Green Star has the aim of encouraging and recognising the installation of energy efficient appliances as part of the base building works.

Supporting building energy efficiency is important because buildings contribute over half of Australia's electricity consumption and almost a quarter of our national emissions. The buildings sector is uniquely positioned to deliver almost \$20 billion in energy savings as well as significant emissions reduction and other benefits. The sector can also help to meet over half of the current National Energy Productivity Plan target, and more than one quarter of the national emissions target.

### **How could the operation of the GEMS Act be improved?**

#### Ensure the coverage and design of standards is harmonised and up to date

Leading economies such as Japan, US and the EU have standards for a wide range of products that are regularly updated. In order to lower costs for industry and ensure that standards remain effective, the GEMS Act should place a mandate on the administrators to keep standards up to date and harmonise them with leading economies as well as expand the number of products covered by standards and labelling requirements.

#### Reward best practice

While the GEMS Act has traditionally focused on setting minimum standards and removing the lowest performers from the market, it is equally important to incentivise best practice, as the overall aim is to achieve behavioural change in consumers and industry. As such, consideration should be given to how the GEMS Act can encourage and acknowledge industry practitioners whose products set high efficiency standards in their own category.

### **Are the actions taken following the 2015 GEMS Review leading to better outcomes?**

The GBCA recommends that reviewers evaluate the effectiveness of the reforms and case studies to address this question. This analysis should reference the criteria for measuring the success of the programs under GEMS developed through the GEMS impact analysis.

### **What are the emerging opportunities and challenges for product energy efficiency?**

Increases in energy prices have contributed to greater uptake of energy efficient products, as well as placed downward pressure on discretionary energy consumption and also encouraged product manufacturers to improve the efficiency of their products. Growth in energy efficiency products is also supported by

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state and territory government policies including white certificate schemes. Government policies and programs that present a signal for consumers to change their behaviour, reduce greenhouse gas emissions and highlight opportunities for energy efficiency are an appropriate opportunity for energy efficient products to play a role.

**Does the current framework support the appropriate balance of being responsive to innovation and consulting adequately before introducing new or updated regulations?**

The introduction of new and updated standards are critical to match the evolution of products, and the impact of delays to the scheme's effectiveness is well documented. The GBCA supports the actions being taken to streamline the GEMS policy development process, however we see the potential for this to be further prioritised under the E3 work program. As noted above, we support actions to harmonise standards with leading economies such as the US and the EU. Not only would this reduce red tape and accelerate the benefits of energy efficiency for businesses, it also enables Australian product manufacturers and exporters to benefit from larger overseas markets. The Commonwealth Government should actively monitor international standards and select those appropriate for adoption in Australia.

**Is the GEMS determinations process adequate in terms of the consultation process and the timeline?**

The current process for consultation to develop a GEMS determination has the potential to be excessively lengthy. To enable better harmonisation with other leading economies, a streamlined determinations process should be adopted – rather than prosecute the case for the new, best practice standard, consultation with industry stakeholders should be aimed at determining why the Australian standard should be different.