

Draft National Energy Equity Framework

CPD submission to the Department of Climate Change, Energy, the Environment and Water

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CPD welcomes the opportunity to make a submission to the Commonwealth Government’s consultation on the draft National Energy Equity Framework. Our comments and recommendations draw on insights from a recent research visit to Scotland, which involved numerous interviews with experts working on fuel (energy) poverty and just transition. The Scottish Government has committed through legislation to reduce fuel poverty – the inability to keep one’s home sufficiently heated due to financial difficulties – to as close to zero as possible by 2040. It has also set up a Just Transition Commission to provide advice on a broad approach to an equitable transition, covering different economic sectors (including but not limited to energy) and workers as well as consumers. We use examples from this research visit to show how another country is thinking about similar issues.

CPD broadly agrees with the set of better practice principles for more equitable policy, and this submission makes recommendations for how to ensure these principles are as robust and comprehensive as possible. The submission also examines the strengths of the ABATE and D-I-O models, however finds that these models will face difficulties in measuring energy equity at the national scale and over time. Finally, the submission argues for greater inclusion of the voices of those with lived experience through forums between government representatives and the broader community.

The submission makes the following recommendations:

Summarised recommendations

Topic	Our recommendations
General	<ul style="list-style-type: none"> • The framework should clarify whether the intention is to focus only on households experiencing energy hardship, or whether an equitable energy transition also includes other households. • The Commonwealth Government should take steps to legislate the use of the National Energy Equity Framework.
Better practice principles for more equitable policy	<ul style="list-style-type: none"> • The set of better practice principles should include the following principle: Policies should target a specific set of pre-identified drivers or states of energy hardship. • Energy sector policymakers should work closely with other relevant agencies – e.g. housing services, transport, social security and others – to develop policies designed for an equitable energy transition. • Energy ministers should develop additional actions under objective 2.2 of the National Energy Performance Strategy – support low income households and those experiencing energy hardship – starting with identifying the specific drivers of energy hardship.
Establishing common language and understanding	<ul style="list-style-type: none"> • In defining energy hardship in the ABATE model, greater attention should be placed on households that under-consume energy due to financial constraints.

<p>Measuring the extent and distribution of hardship and vulnerability</p>	<ul style="list-style-type: none"> • Policymakers should use a quantitative indicator or indicators to track energy hardship over time in Australia. • In the medium to long term, existing national surveys such as the Survey of Income and Housing or HILDA should be adapted to capture “required” energy expenditures in assessing energy hardship.
<p>A community of better practice</p>	<ul style="list-style-type: none"> • Policymakers should design policies based on the perspectives of those with lived experience of energy hardship.

General points for consideration

It is currently unclear which households are targeted through this framework: *is the framework focusing only on (1) those households who experience energy hardship, or on (2) all households who experience difficulties in participating in the energy transition?* The definition of energy equity provided in the draft framework is “energy equity exists where all consumers can fairly access and benefit from the energy system”. The supporting *Summary Report* says that “it is important that all customers are able to share in the benefits of the energy transition, in particular, consumers on low incomes and those experiencing vulnerability and hardship or otherwise facing barriers to accessing the benefits of DER and energy efficiency improvements” (p. 2). However, all three models in the framework – the ABATE model, the D-I-O model, and the P-S-R model – focus on *energy hardship* (where households suffer because of their energy bills). Households who experience energy hardship are only a small section of the larger group of Australian households who face difficulties in participating in the energy transition.

An exclusive focus on energy hardship would imply, for example, that a lot of renters should not be included. Currently, the framework seems to make an implicit link between being a renter and experiencing energy hardship, e.g. see Figure 3. Research shows that renters with higher wealth levels are more likely to have rooftop solar than other renters.¹ A focus more broadly on inclusive and equitable participation in the energy transition would mean that a considerably larger group of households need to be considered, for example, also those who live in apartments, regardless of whether they are renters or homeowners. It would also imply that models such as the ABATE model would require further adaptation to be appropriate for the framework.

Focusing first on those households that experience energy hardship makes sense.

Low-income households face barriers in affording the upfront costs of these new technologies and also pay more as a percentage of household income on their energy bills than other households.² The supporting documents and the use of the three “energy hardship” models seem to imply such a focus on energy hardship, and this could be better reflected in the framework’s definition of equity. The Finkel Review, in response to which the framework was developed, also makes specific recommendations around enabling low-income households to benefit from the new technologies and improved energy efficiency. Additionally, it would likely prove very difficult to extend the reach of policies from the start to all households who face challenges in participating in the energy transition. Over time, or perhaps as an explicitly secondary goal, the framework could expand to focus on all households who experience difficulties participating in the energy transition.

Recommendation 1: The framework should clarify whether the intention is to focus only on households experiencing energy hardship, or on all households that experience difficulties in participating in the energy transition.

As a next step, the Commonwealth and state and territory governments should legislate the requirement for government agencies and market bodies to comply with the framework. This could be done for example by making changes to the National Energy Retail Law. Legislating the use of this framework would be a step up from the current requirement in the National Energy Retail Law that authorised energy retailers must develop and implement customer hardship policies for residential customers. In this vein, the Scottish Government has legislated targets to reduce fuel poverty to as close to zero as possible by 2040.³

Recommendation 2: The Commonwealth Government should take steps to legislate the use of the National Energy Equity Framework.

Better practice principles for more equitable policy

Collectively, the better practice principles form a solid basis for a more equitable energy transition. The following discusses some of these principles:

The driver or state of energy hardship to be addressed should be clearly defined (Principle 1)

The largest change that CPD recommends is to include the following principle: *policies should target a specific set of pre-identified drivers or states of energy hardship*. This principle should replace “the driver or state of energy hardship to be addressed should be clearly defined”. It is important to identify the specific drivers or states of energy hardship that each policy seeks to address. However, simply developing policies and attributing them to various states and drivers risks a piecemeal approach that focuses much more on some causes and experiences while potentially neglecting others. A more coordinated approach that targets all causes of energy hardship is needed.

Government agencies and market bodies should take a holistic approach to creating an equitable energy transition. The current framework considers the different drivers for energy equity, through the D-I-O model, as well as varying states of energy hardship, via the ABATE model. A holistic approach to addressing energy inequity would start from this basis. In contrast to the framework, governments and market players would then deliver a comprehensive suite of policies to target each of the drivers and states, formerly acknowledging energy inequity as a multifaceted and complex phenomenon. As an example, the Scottish Government’s Fuel Poverty Strategy includes policies to address

four drivers of fuel poverty: low household incomes, high energy costs, low home energy efficiency, and how energy is used in the home.⁴

Recommendation 3: The set of better practice principles should include the following principle: Policies should target a specific set of pre-identified drivers or states of energy hardship.

Costs and benefits should be considered more broadly than the energy sector (Principle 3)

CPD agrees that costs and benefits should be considered beyond the energy sector, with policymakers consulting with relevant agencies to quantify benefits and minimise the effects of siloing. Government agencies and market bodies need to better understand the connectedness of other policy areas, for example, housing, homelessness and social security with energy hardship.

Consideration of the impacts of siloing should also extend to consider how approaches to different but overlapping policy issues can be addressed in a strategic and interconnected way. Lowering fees for public transport can simultaneously reduce emissions, improve air quality, and make public transport more accessible to vulnerable households meaning they can more easily attend work, socialise and visit the doctor. It may be unclear whether equitable policies and programs align more with the policy area of energy or with another policy area. For example, installing energy efficiency improvements in the homes of socioeconomically disadvantaged households could also be considered as a measure to address bills stress and thus social security.

Recommendation 4: Energy sector policymakers should work closely with other relevant agencies – eg. housing services, transport, social security and others – to develop policies designed for an equitable energy transition.

The strategic context should be considered (Principle 6)

CPD agrees that caution must be taken to adequately consider the broader strategic context and align programs with broader government goals and existing policies. One way of aligning policies and programs that address energy inequity is to develop a high-level strategy that can be based on the different drivers and states of this phenomenon. For example, the Scottish Government's Fuel Poverty Strategy sets out the approach they intend to take to achieve their fuel poverty targets. It focuses on four main drivers of fuel poverty: low home energy efficiency, high energy costs, low household incomes, and how energy is used in the home.

In Australia, the strategy could either be at the national-level or individual strategies could be designed for each state and territory. Ideally, energy ministers would work together to further develop specific actions and strategies under objective 2.2 of the National Energy Performance Strategy: support low-income households and those experiencing energy hardship. This would ensure a national approach and that households experiencing energy hardship can expect some level of consistency regardless of where they live. Currently, there is only one action under this objective: deliver the \$300 million social housing energy performance initiative. Adequately addressing this threat to inequality necessitates additional strategies, such as targeted subsidies for rooftop solar and energy efficiency for all low-income households. Developing the strategy should involve collaboration between all relevant players, including governments and market bodies, and should target the drivers of energy hardship.

Governments should ensure that developments in other policy areas do not indirectly increase energy inequity. For example, there has been a decline in social housing in Australia in recent years. As new housing tends to be more energy-efficient, it is particularly important that this trend is reversed. The new public housing

commitments by governments at the state and federal level are particularly welcome. A Scottish example is their Heat in Buildings Bill, which aims to move all homes and businesses to a clean (electric) heating system by the end of 2045, effectively ending the use of gas boilers for heating.⁵ In its current form, the Bill may not do enough to prevent people being moved from polluting gas heating systems to electric heating systems that are more expensive to run, thereby potentially increasing energy hardship.

Recommendation 5: Energy ministers should develop additional actions under objective 2.2 of the National Energy Performance Strategy – support low income households and those experiencing energy hardship – starting with identifying the specific drivers of energy hardship.

Evaluation approach should be incorporated into the design of the policy or program from the outset (Principle 7)

Monitoring is incredibly important for any policy or program and should be considered from the start. It is important to focus on a few key indicators to evaluate, rather than numerous potential themes. Australian governments and market bodies should simplify evaluation processes by developing a clear understanding of the most important indicators to be monitored at the start of any new policy or program. It is also important that outcomes to be monitored are precise and worded clearly. "Working collaboratively with other government agencies" might be a valuable outcome, however it is unclear what exactly this looks like. Steps should be taken to ensure that different audiences can interpret specified indicators of success in similar ways.

Common language around definitions of energy equity and customers at risk of vulnerability

For policymakers to use the framework effectively, there must be common language around definitions for all aspects of the framework. An important starting point is to clarify the types of households considered as part of the framework. As discussed above, is the framework targeted at all households who experience difficulties in participating in the energy transition, or is it about households who specifically suffer from energy hardship and have difficulties in paying their energy bills?

The ABATE model has many advantages, including that it defines different states of energy hardship. However, its focus on difficulties in paying energy bills, evidenced for example by “where a household will struggle with every energy bill”, may mean that some households are ignored who drastically reduce their consumption of heating or lighting when they are needed or use public facilities such as showers because they are unable to afford utilities at home. Such households may not report that they are experiencing difficulties paying their energy bills due to feelings of shame or fear of legal consequences such as losing custody of children if they are unable to refrigerate food properly. While this may not be possible at the start due to existing data and metrics, it is important to eventually consider these households explicitly in any definition of energy hardship.

Recommendation 6: In defining energy hardship in the ABATE model, greater attention should be placed on households that under-consume energy due to financial constraints.

A means of measuring the extent and distribution of these levels of hardship over time

It is unclear how the models in the draft framework can be used to measure the extent and distribution of energy hardship over time in Australia and to analyse whether programs introduced to address energy inequity are effective. The D-I-O model is more appropriate for better understanding energy hardship for one household at a time, focusing on the specific drivers, indicators and outcomes for that household. For the ABATE model, uncertainties exist around how to quantitatively measure the different states of energy hardship described in the model.

Quantifiable indicators are needed to measure the extent and distribution of energy hardship over time. The UK Government and Scottish Government, for example, have specific definitions for fuel poverty, which they use to track household experiences over time. Broadly, the Scottish Government asserts that: a household is in fuel poverty if: (1) more than 10% of net household income is needed to pay for necessary energy expenditures, after deducting housing costs; and (2) the household’s income, after deducting fuel, housing and childcare costs, and benefits received for a disability or care, is insufficient for an acceptable standard of living. “Acceptable” is measured as 90% of the UK Minimum Income Standard. While Australia does not need to adopt the same definition, it can serve as a useful starting point.

One of the defining aspects of how fuel poverty is measured across the UK is the focus on “required” energy consumption, specific for each type of housing and each type of household. Focusing on “required” as opposed to “actual” consumption means that households that make drastic cuts to their energy consumption due to financial difficulties are also captured as fuel poor. It

also means that the cause of a household's fuel poverty can be better understood, for example government programs could focus on providing households with advice on how to reduce their energy consumption if they are consuming excessive amounts of energy for their housing.

The Scottish House Condition Survey is conducted annually and collects information on various characteristics of the home and the relevant heating requirements of the household. For example, data is collected on the size of the home and its geographic location, the current heating system, any additional heating needs of the household (e.g. due to chronic poor health) and the level of insulation. Researchers input this data into a fuel poverty version of the Building Research Establishment Domestic Energy Market Model (BREDEM). The output of this model is the "required" total amount of energy for each household. "Required" fuel costs are then assigned to each household, by multiplying the "required" consumption with relevant price data based on the fuel type, location of the home, and bill payment method for mains gas and electricity (for example, direct debit or a prepayment meter).

In Australia, being able to conduct this type of modelling exercise for the country would require longer-term changes to national household surveys. Existing national surveys could be extended to capture any additional data needs (the alternative would be to develop a completely new survey). For example, the Australian Bureau of Statistics' Survey of Income and Housing (conducted roughly every two years) could identify "necessary" energy expenditures by gathering information on a household's property characteristics in addition to the information it already collects on incomes and characteristics of household members. Similarly, such questions could also be captured in a "housing" extension to the annual Household, Income and Labour Dynamics in Australia (HILDA) Survey.

In the short term, Australian policymakers can draw upon the quantitative indicators

currently being used by researchers to examine energy poverty in Australia. Objective indicators draw on examples from policy in the UK: the Ten-Percent-Rule implies a household is in energy poverty if it uses more than 10% of its income on (actual, rather than required) energy expenditures, whereas the Low Income – High Cost measure says a household is energy poor if they both have high energy costs and a low income.⁶ Subjective indicators of energy poverty focus instead on whether households self-report having difficulties with keeping their homes warm or paying their utility bills on time.⁷

Recommendation 7: Policymakers should use a quantitative indicator or indicators to track energy hardship over time in Australia.

Recommendation 8: In the medium to long term, existing national surveys such as the Survey of Income and Housing or HILDA should be adapted to capture "required" energy expenditures in assessing energy hardship.

A way to categorise intervention measures, policies, and programs

Categorising intervention measures and focusing not only on consumers already experiencing energy hardship but also on prevention are important initiatives to ensure a holistic approach to an equitable energy transition. Policymakers may also wish to consider the approach taken by the Scottish Government of focusing on the drivers of fuel poverty, and base categorisation on the drivers and states of energy inequity. This would enable policymakers to design policies to specifically target the individual drivers and states of energy inequity.

The Scottish Government's approach identifies and addresses the unique drivers of fuel poverty for each household. To reduce fuel poverty via changing behaviours associated with energy consumption, the Scottish Government funds the provision of energy advice through the Home Energy Scotland program and other similar programs. Scottish efforts to improve home energy efficiency can be grouped into two categories: the provision of grants to install energy-efficient measures, typically insulation and heating systems, and improvements in building standards. The Scottish Government has also introduced larger social security payments than the rest of the UK, including for fuel poor households during winter. This thinking could form the basis for categorising policy initiatives in Australia designed to ensure an equitable energy transition.

A community of better practice in designing for equity

Compared to the rest of the framework, this section seems quite short and not yet fully developed. It could be expanded in meaningful ways. For example, the section could discuss the need to improve capabilities through training programs for government officials to help them apply the framework to develop and evaluate energy policies and programs. There are many reasons why some households are unable to fully benefit from the energy transition based on current policy settings. These also include issues within government, for example wealthier households typically holding more political power and governments focusing on reducing emissions at lowest cost (and therefore choosing to subsidise energy technologies for households who can afford to invest their own capital alongside government subsidies). These barriers need to be addressed as part of an equitable approach to energy transition.

The draft framework currently does not consider the importance of drawing upon the

perspectives of those with lived experience of energy inequity in designing policies and programs. Typically, policymakers are considerably better off than the people who are meant to experience the benefits of these policies. Listening to people with lived experience of being locked out of energy systems means that government representatives and other experts can better understand what it feels like, and whether proposed policies would be suitable for resolving it.

The Scottish Fuel Poverty Act requires ministers to consult a broad range of stakeholders, including those with lived experience of fuel poverty, in preparing the Fuel Poverty Strategy. Introduced to provide independent advice to Scottish ministers on fuel poverty and scrutinise progress towards fuel poverty targets, the Fuel Poverty Advisory Panel strongly values listening to those with lived experience. For example, the Panel taps into the Experts by Experience Panel that has been set up by Scotland's Poverty & Inequality Commission and often holds large engagement sessions with various stakeholders, to which they invite people with lived experience to talk to the audience about their experiences of fuel poverty.

Recommendation 9: Policymakers should design policies based on the perspectives of those with lived experience of energy hardship.

Endnotes

¹ R Best, A Chareunsky and M Taylor, '[Emerging inequality in solar panel access among Australian renters](#)', *Technological Forecasting and Social Change*, 2023.

² T Nelson and T Dodd, '[Contracts-for-difference: An assessment of social equity considerations in the renewable energy transition](#)', *Energy Policy*, 2023.

³ For further information, see '[Fuel Poverty \(Targets, Definition and Strategy\) \(Scotland\) Act 2019](#)', Scottish Parliament, 2019.

⁴ '[Tackling fuel poverty in Scotland: A strategic approach](#)', Scottish Government, 2021.

⁵ '[Energy efficiency: Heat in buildings](#)', Scottish Government, 2024.

⁶ R Best et al., '[Targeting household energy assistance](#)', *Energy Economics*, 2021; JM Fry et al., '[Energy poverty and retirement income sources in Australia](#)', *Energy Economics*, 2022.

⁷ SA Churchill and R Smyth, '[Energy poverty and health: Panel data evidence from Australia](#)', *Energy Economics*, 2021; M Hammerle and PJ Burke, '[Solar PV and energy poverty in Australia's residential sector](#)', *Australian Journal of Agricultural and Resource Economics*, 2022.



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