



Brotherhood of St. Laurence  
Working for an Australia free of poverty

# Electricity and Energy Sector Plan

Submission to discussion paper

Brotherhood of St. Laurence

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The Brotherhood of St. Laurence (BSL) welcomes this opportunity to comment on the Electricity and Energy Sector Plan Discussion Paper issued by the Commonwealth Department of Climate Change, Energy, the Environment and Water (DCCEEW).

Decarbonising our energy sector is the single most important component of Australia's efforts to mitigate climate change. While climate change will affect everyone, its impacts will fall disproportionately on people facing disadvantage.<sup>1</sup> Accordingly BSL has a strong interest in ambitious climate action. Aspects of the transition to clean energy, such as electrification and employment opportunities in low-carbon energy and industries (including in regional areas), if planned and managed well by government could also greatly benefit communities and people facing disadvantage. Otherwise there is a risk that the transition could exacerbate disadvantage.

This brief submission answers selected questions from the discussion paper, focussed on residential electrification and energy efficiency as this is an area in which we have undertaken recent work. For further details please refer to [Enabling electrification](#) (Chandrashekeran et al. 2023), a research paper from BSL and the Australian Research Council Life Course Centre on the barriers facing low-income households who may wish to electrify their homes; and [Power pain](#) (Bryant et al. 2022), an investigation of energy stress in Australia.

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<sup>1</sup> One example is the impact of heatwaves (which are increasing in frequency and intensity in southeastern Australia as a result of climate change) on low-income households. These households are more likely to live in poor quality, inefficient homes, at the low end of the housing market. Such homes are very costly to cool and many of those we work with would be too worried about high bills to use their air-conditioner even if they have one. The impact of this is magnified for people with chronic health issues or a disability.

## **What insights do you have on the pace, scale and location of electrification, and how to embed this in system planning?**

BSL strongly supports residential electrification. It is the best pathway to decarbonising homes with 'natural' gas (the primary component of which is methane, a potent greenhouse gas). Unlike the alternatives, electrification is a safe, mature, ready-to-use technology that can also reduce household energy bills and benefit all households, including those facing disadvantage.

Currently, Australia is not electrifying homes quickly enough, and governments – including the Commonwealth – need to provide much stronger policy and support to enable electrification, particularly for those on lower incomes and facing disadvantage. The discussion paper notes that 'the Australian Government will play an important role in providing policy certainty', but the Commonwealth has substantially more work to do, having rejected its own Climate Change Authority's recommendations about phasing out gas (Parkinson 2023) and published a Future Gas Strategy (2023) with little attention given to promoting electrification or lower emissions from gas.

Government policy and implementation support is particularly important for households living on low incomes and those experiencing disadvantage because they frequently face barriers to electrifying their homes that they may be unable to overcome without assistance. BSL and the Life Course Centre's recent research (Chandrashekeran et al. 2023) found that, while 69% of surveyed low-income households supported the transition away from gas, many were constrained in their ability to electrify. Common barriers included:

lacking sufficient funds to address the transition cost

lacking appropriately tailored information about electrification

lacking trust in products or installers

being a renter who has limited control over upgrades and limited incentives to make an upgrade given a lack of security of tenure.

Electrification will proceed regardless of the role government plays, as people recognise the economic and environmental benefits. However BSL is concerned that an unplanned and poorly managed transition from residential gas may push up costs for those we work with who are already struggling with high energy prices.

Government need to address the barriers to electrification faced by low-income households, renters, and others facing barriers, to ensure equity in access to electrification and to avoid unintended consequences for those not in a position to electrify (due to insufficient funds, lack of access to appropriate information or being renters).

Declining gas networks are also likely to create inequities unless governments intervene. Those remaining on the gas network, particularly people living on low incomes, those facing disadvantage, or others with barriers to moving off gas, will not only miss out on the benefits of electrification but will also incur increasingly unaffordable gas network expenses as fewer and fewer people share the costs of gas network infrastructure over time. Governments could potentially avert this situation by striking a 'grand bargain' whereby costs are shared between businesses, government, and households – rather than primarily falling on consumers as they may otherwise (Grattan Institute, 2023).

A planned approach to electrification is therefore important to ensure electrification is equitable, efficient, and enables security of supply. Equity is important in and of itself, but it is also a pre-

condition for the social acceptability and social licence for electrification. Significantly, if electrification is managed well with appropriate supports and policies, it could reduce energy hardship for households facing disadvantage and deliver co-benefits such as improved health (from reduced gas pollutants, better indoor temperatures, etc.) and job creation, as well as reducing emissions.

**The Commonwealth should:**

1. **undertake an independent review of the current governance and planning arrangements for the energy market** to ensure they are fit for purpose to guide the unprecedented transition occurring across Australia’s energy system
2. **develop a comprehensive, staged plan to support customer-centred, residential electrification** in collaboration with state and territory governments. The plan should:
  - a. be developed in consultation with all sectors of the community (including people in regional areas, those from culturally and linguistically diverse backgrounds, people living on low incomes and those facing financial hardship);
  - b. consider a ‘grand bargain’ for sharing costs between industry, taxpayers and consumers, as an alternative to the status quo where costs will largely fall on consumers;
  - c. include **specific targets for electrification, such as the number of homes electrified by a certain year, including a sub-target for households facing disadvantage** to help ensure the energy sector decarbonisation plan works towards outcomes that matter for people and the climate.
3. **provide support to enable households to act.** As an outcome of the plan outlined above, the government should provide support to households to enable them to transition to electric-only homes through:
  - a. financial support for households to electrify, with the greatest support for low-income people. A focus should be incentives for products at, or near, the time of replacement (such as hot water systems), and consideration should be given to incentivising ‘smart’ products that can engage with electricity networks to optimise costs
  - b. a strategy for rented homes, including a pathway for mandatory standards to require electrification and energy-efficiency features
  - c. support for the provision of appropriately tailored information, possibly via one-stop shops.

Our report [Enabling electrification](#) provides more detailed recommendations.

## **What actions are required to ensure better energy outcomes for people and businesses, and maximise their benefit from the energy transformation?**

The energy transformation is an unprecedented change in Australia’s energy system, from decarbonisation and associated shifts to a more decentralised system of energy production. The

Commonwealth should ensure principles of justice and fairness are operationalised in process and outcomes.

The Commonwealth has a role to ensure both the benefits and burdens of the energy transformation are distributed equitably, so it does not negatively impact people facing disadvantage. In practical terms this will mean putting in place appropriate governance and planning mechanisms to help guide the transition.

Similarly, as governments consider new energy technologies and business models, it is important to note that, for many households, energy costs are already unaffordable, the market is too complex and it is difficult to find a fair deal. This is evidenced by statistics quoted in the discussion paper: almost half of customers are paying prices equal to, or greater than, the default offer – which is supposed to represent a ‘safety net’ (ACCC 2023). If households were able to successfully navigate the energy market as policymakers assume they can, very few would choose to pay these needlessly high prices. The idea that people will somehow be able to find a fair price in a more complex, two-way version of the market does not align with the experiences of those we work with.

Worse, it is households facing disadvantage who are most harmed by high energy prices. BSL research found that rates of energy stress were more than twice as high among low-income households than the general population, and people with disabilities or chronic health conditions, renters and people receiving JobSeeker also experienced high rates of energy stress (Bryant et al. 2022).

It is vital that any changes to the retail energy system do not further disadvantage people who cannot or do not actively engage in the market or those who face financial or other barriers to energy efficient appliances, or technology such as solar panels and batteries. Energy is an essential service, and people should have access to clean energy at a fair price regardless of their circumstances.

To achieve fairer outcomes in the energy system, it is essential that the processes for energy market governance and planning incorporate a more diverse range of voices. These should include the people who are often marginalised in public debates on energy, including people on lower incomes and those facing financial hardship, people with chronic health issues and disability, renters living on low incomes, people from culturally and linguistically diverse backgrounds, and Aboriginal and Torres Strait Islander peoples.

**The Commonwealth should put in place mechanisms to operationalise principles of equity and justice in both outcomes and processes for the energy transformation, including through the introduction of a stakeholder reference group with participants from a diversity of backgrounds.**

## Conclusion

The energy transition, including electrification, is an important opportunity that BSL believes can improve the lives of people facing disadvantage. However, for this to happen, the Commonwealth needs to play a leading role with policy and implementation supports for households. The transition is too important to be left to the market.

## References

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