Brotherhood of St Laurence
Working for an Australia free of poverty

Submission to Victorian Energy Upgrades Strategic Review

Brotherhood of St. Laurence

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Victorian Energy Upgrades (VEU) has been an important driver of home energy efficiency upgrades and the Brotherhood of St. Laurence (BSL) supports it, although we would like to see measures to better serve households facing disadvantage or living on low incomes. Many such households miss out on the savings that energy efficiency offers, often because of barriers such as a lack of funds, lack of trust or insufficient information. At a time of high cost-of-living pressures, these savings are particularly important, as are the emissions savings.

We welcome the VEU Strategic Review, particularly as an opportunity to better include low-income households, those facing financial stress or those facing other barriers to participation, primarily by increasing the financial support offered to them. BSL has worked with thousands of households facing disadvantage, including delivering hundreds of retrofits. In our experience, the most important factors for households are the amount of subsidy available and the provision of trusted advice. Households having an awareness of the program is a necessary condition for their participation and trust.

The review should also help reorient VEU to a changing context where lower-cost upgrades have largely been finished and major upgrades such as electrification are needed.

This submission focuses on the equity of the scheme rather than its technical aspects. We are more concerned with the principle that VEU provides effective support for low-income households or those facing financial stress and emissions reductions than details such as whether the scheme is based on greenhouse emissions or energy savings.

We provide a series of principles for how VEU should be improved to address the needs of low-income households and those facing financial stress. They are:

- Increasing the financial subsidy available to lower-income households and those facing financial hardship by introducing a priority group, or support magnifier.

- Facilitating participation of households on low incomes and facing financial stress (beyond the financial incentive) by resourcing organisations to engage and support these households through the process.
- Providing quality, trustworthy products and service including by enabling households to access dispute resolution through the Energy and Water Ombudsman Victoria (EWOV).

1 Improving equity in VEU

The current scheme

BSL support VEU because it effectively drives energy efficiency and electrification, including in households. This is particularly important in the context of the transition to clean energy, notably through electrification in homes. Households facing disadvantage risk being left behind in this transition without strong financial support from government.

While VEU is funded by consumer energy bills, its impact for non-participants is mitigated by the scheme lowering energy prices for all. VEU's funding has made it more durable than programs funded by general revenue. This is positive because having continuous programs, rather than stop-start ones, assists industry stability, which is good for households and the availability of energy efficiency products/services.

No focus on equity

Despite all its advantages, VEU is not designed to target households facing disadvantage, meaning that:

- unlike some comparable schemes, VEU has no focus on vulnerable households nor a mechanism for including them
- VEU's subsidies are not progressive or related to income (e.g. a wealthy household will receive the same subsidy as a household surviving on a very low income for the same activity)
- for larger upgrades (e.g. heating and hot water), VEU subsidies generally do not fund the full cost[1], meaning these upgrades are still unaffordable for low-income households
- to our knowledge, VEU does not collect systematic data on equity issues, for example the percentage of renters or low-income households served.

Public perception

As the review paper notes, VEU also has issues with its public perception among some households. Research by BSL and University of Melbourne Life Course Centre (Chandrashekeran et al. 2023) found that only 35% of surveyed low-income households had heard of VEU, far fewer than the Power Saving Bonus, energy concessions or Solar Homes.

[1] In most cases there is an out-of-pocket payment required in addition to the minimum out-of-pocket payments that have recently been introduced.

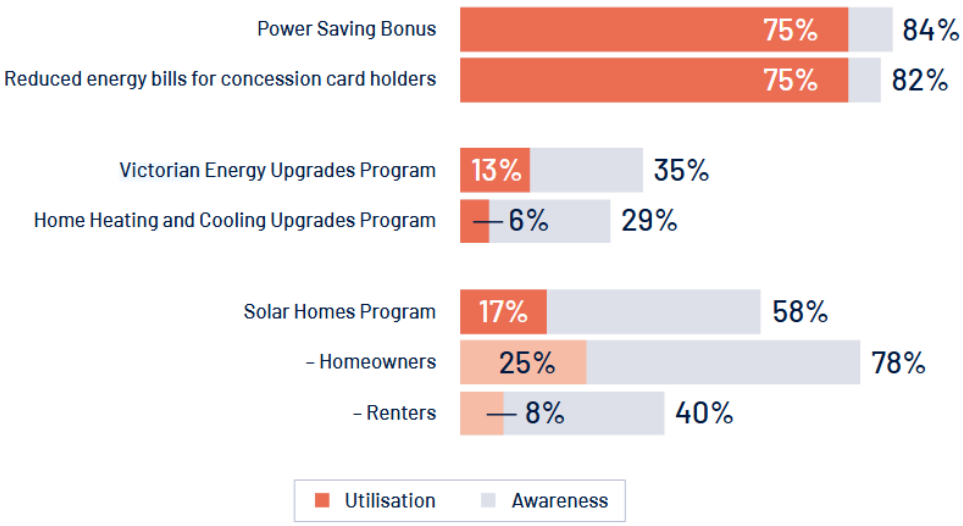

Figure 1: Awareness and utilisation of Victorian Government energy-related programs (Chandrashekeran et al. 2023)

Low awareness is likely to contribute to other problems, such as VEU being wrongly perceived as a scam. The screenshot of a Google search showing results for 'exhaust fan scam vic' below illustrates this problem, with social media users believing VEU-related activities are fraudulent or even being used to 'case' their home for a burglary.

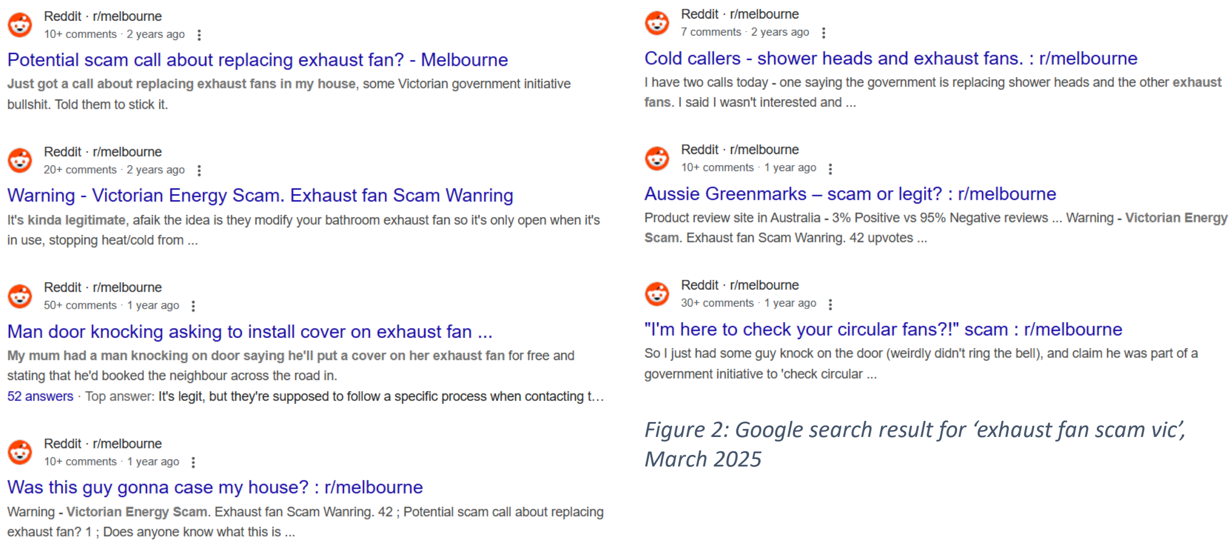

Figure 2: Google search result for 'exhaust fan scam vic', March 2025

Concern about scams can be particularly salient for households facing disadvantage, who often cannot afford to take financial risks.

While the recent restrictions on unsolicited marketing are likely to have have helped, a program with low awareness offering large discounts from unknown providers risks being perceived as 'too good to be true'.

How VEU should be improved

A range of reforms could be made to improve equity in VEU. We recommend that they follow these principles:

- **Increase the financial subsidy available to lower-income households and those facing financial hardship:** For households on low incomes and facing disadvantage, money is the most significant barrier to switching to higher efficiency appliances and electrification. As VEU shifts to higher-value activities, the contribution required of households has grown, leaving an unaffordable gap for many facing disadvantage. Reforms to VEU should focus on reducing this gap for lower-income households and those facing financial hardship. The options for a mechanism to do this are introduced in the table below. If the scheme remains largely as it is, the introduction of a priority group – made up of lower-income households – with a sub-target commensurate to its size in the population makes sense. The sub-target could include its own certificate (e.g. VEET-Booster) and is likely to trade at a slightly higher price than the standard VEET, which would enable a higher subsidy for lower-income households. Alternative approaches include a magnifier for the same group.
- **Facilitate participation of low-income households (beyond the financial incentive):** These households risk being left behind in the energy transition. VEU should ensure that as many as possible are enabled to participate in the transition by switching to more efficient, electric appliances. Increasing the subsidy is essential for this, but other mechanisms can also help. **Resourcing organisations to facilitate participation by household facing financial disadvantage is likely to be simple and effective, if coupled with an increased subsidy (as above).** Consideration should be given to a selecting trusted providers to facilitate participation in VEU by low-income households. This should occur in addition to an increase in subsidy amounts. In our view, the ideal approach would be a variety of entities including councils, community organisations or government bodies like Solar Victoria or the State Electricity Commission. This would maximise reach within diverse communities. Such an approach could be coordinated by one body such as Solar Victoria.

  Provide quality, trustworthy products and service: Ensuring that households receive good advice, products and installation is particularly important as upgrades become more valuable and as more vulnerable households are targeted. If mechanisms are implemented that require providers to assess eligibility for the program, it will be important to ensure these interactions happen sensitively. The work undertaken to date by the Department of Energy, Environment and Climate Action (DEECA) and Essential Services Commission (ESC) on marketing and compliance has been useful, however, more needs to be done. To further support equitable outcomes, households and businesses participating in the VEU scheme should have access to the Energy and Water Obudsman (EWOV) to resolve disputes.

Possible options

The table below lists three possible reform options and their pros and cons. These options could be combined, for example by creating a priority group as well as a fund to assist households facing disadvantage.

Which option can or should be chosen depends on the level of reform occurring. For example, measures to increase the subsidy available to targeted households would be better than only implementing a priority group, but they would require broader changes to VEU because the current scheme is based on emissions creation and therefore cannot create extra certificates for chosen households.

Table 1 VEU reform options

Type of equity measure	Explanation	Examples	Pros	Cons
Priority group (as percentage of certificates)	Entails: 1. defining vulnerable groups, e.g. low-income, renters, people with concession cards, people referred by community orgs, etc. 2. setting a target for the priority group, e.g. percentage of certificates or number of activities	SA, ACT, 3 US states (MA, DC, PA)	- Increases participation of targeted households - Successfully implemented, including in Australia - Compatible with greenhouse basis of VEU - Could be large (e.g. 30% of program)	- Requires a new certificate, e.g. VEET Boost, or it will not increase subsidy available to households - Identifying households facing financial stress can be problematic - Likely to increase certificate price
Priority group + multiplier	In theory, priority group members could receive a multiplier, meaning they receive more certificates per activity and thus a higher subsidy	None for priority groups. Multipliers used for regions in Vic and NSW schemes	- Increases subsidy and participation of target group	- Not compatible with greenhouse basis of VEU - Same issues with identifying households as above
Fund	A fee could be attached to each certificate, going to a fund for serving lower-income and households facing financial stress. Activities related to the fund could be delivered by trusted partners including as councils, community organisations, government bodies such as Solar Victoria or the State Electricity Commission. The fund could include greater hands-on assistance, such as one-stop shop services	None known	- Could increase support and subsidy for targeted households - Potentially compatible with greenhouse basis of VEU, if extra support is separate from VEU accounting	- Increases cost - Could be a relatively small part of the scheme and not make a sufficient impact on need
Minimum spend on selected cohorts	Rules ensuring low-income households (as a whole) receive benefits at least proportional to their contribution	13 US states (Berg & Mah 2023)	- Theoretically makes the scheme progressive, or at least not regressive	- Does not ensure equity for all individual households, only targeted households as a whole

References

Berg, W & Mah, J 2023, *Advancing equity through energy efficiency resource standards*, American Council for an Energy-Efficient Economy (ACEEE).

Chandrashekeran, S, de Bruyn, J, Bryant, D & Sullivan, D 2023, *Enabling electrification: addressing the barriers to moving off gas faced by lower-income households*, Brotherhood of St. Laurence, Fitzroy, Vic. <https://library.bsl.org.au/bsljspui/bitstream/1/13361/3/BSL_LCC_Enabling_electrification_2023v3.pdf>