

# BUSINESS NSW

2 February 2023

Dear Minister Bowen and Assistant Minister McAllister,

## **National Energy Performance Strategy**

**Business NSW** is grateful for the opportunity to respond to the National Energy Performance Strategy consultation. As Australia makes the transition to a net zero emissions economy, it is vital that all economic sectors be brought on that journey. The community of small and medium-sized enterprises' (SMEs) shows relatively strong support in principle for net zero goals. However, the implications of net zero for businesses are not well understood by the businesses themselves, even in cases where the business has set itself a net zero target.

Improving the energy productivity of Australian businesses has been and will continue to be a priority for **Business NSW**. From 2019-2022 we delivered the Business Energy Advice Program for the Commonwealth Government. This program led to:

- Consultations for over 16,000 eligible businesses (7 per cent of the total eligible business population of Australia);
- Average savings of \$1,912/year for businesses who enacted a referral to Business Australia Energy, **Business NSW's** energy brokerage service;
- 53 per cent of clients saying that savings would be reinvested back into the business to support growth and innovation.

**Business NSW** recently published the findings of a major survey of over 650 businesses across the National Energy Market states. The survey studied a variety of aspects SMEs' interactions with the energy system, focusing particularly on five key areas:

- Buying energy and the energy market
- Energy advice
- Energy efficiency
- New energy technologies
- Net zero

The report (*Unfinished Business*, enclosed with this submission) recommends a targeted support program to help SMEs overcome the continued challenges they face interacting with the energy market. Crucially, this support needs to go beyond the traditional lens of cost reduction, to provide more holistic support and advice to help businesses manage the transition to a net zero economy.

As Australia begins in earnest the journey towards becoming a net zero emissions economy, it is vital that SMEs be brought on the journey. The residential and major industry sectors have in the past attracted the lion's share of policy focus. While SMEs' share of the national emissions footprint is smaller than those other sectors, the comparative heterogeneity of the sector combined with a shortage of support leaves it at risk of being neglected, and over time occupying a growing share of the nation's footprint as it shrinks.

The findings of the ACCC's 2018 inquiry into Retail Electricity Pricing remain relevant – SMEs end up with poor outcomes from energy markets driven by the complexity and heterogeneity of the SME sector and the cost to energy sector participants of engaging adequately with it. Indeed, in light of recent events – the price rises of 2022, the growing technological and commercial complexity of the

energy sector – it is **Business NSW's** view that these issues have become more acute in the years since the ACCC reported.

That is why it is becoming critical to develop a new program offering advice and support to SMEs. Learning from our past experience delivering the BEAP, it is clear that the remit of a new program must go beyond the narrow focus on cost reduction alone, and genuinely engage with SMEs on the implications of energy transition and readying their businesses for a net zero world.

The report identified that businesses seeking advice with energy are most likely to get it from the least helpful sources – online searches and information from energy companies. Meanwhile the best rated sources for advice – business peak bodies and energy or engineering consultants – are among the least utilised. Increasing SMEs' access to help from advisors who understand their needs and can communicate in a manner that is relevant to the business.

In modernising and thoroughly updating energy advice for SMEs, we would also advise a different eligibility model from that which was used for the Business Energy Advice Program. While a measure based on headcount (6-20 employees, or 1-5 if in drought affected areas) was relatively simple for administration and verification, it often meant attention and resources being devoted to businesses with limited scope to reduce costs or energy consumption. While we are cautious about overly-complex eligibility criteria for government programs, eligibility based on energy consumption (KWh/GJ) or spend (\$) would be more likely to focus the program's attention on those businesses where the greatest opportunities exist for reductions in cost, energy consumption and greenhouse gas emissions.

The language used to describe grants programs and other policy offerings is also important. Speaking to businesses, it is evident that some of the terminology commonly used in energy policy discussion does not resonate as strongly in the business context. For example, energy efficiency may be the 'public benefit' – reduced energy demand lowers emissions and reduces the need for investment in costly capital infrastructure. But for businesses, energy efficiency is rarely their primary objective. Rather, they seek to improve their productivity to get more output from the same amount of input, or to reduce inputs for the same amount of output. For businesses who are growing, or aspiring to grow, a focus on efficiency read as simply cutting demand does not meet their needs; they want to know how replacing equipment can help them produce more, waste less, or make better products. This implies a shift in communications and outreach messaging from centring the discussion on energy to centring it on the business's products, operations and sales objectives.

Nevertheless, when asked about energy efficiency, funding remains the critical barrier to improving business energy efficiency. 47 per cent of those who had sought advice but not taken action said funding was the obstacle. Time was next most cited, at 29 per cent. Governments have the opportunity to help address this barrier by maintaining and strengthening grants and subsidies to address SME energy needs.

LED lighting upgrades are the efficiency measure that most businesses have already implemented, with 56 per cent of businesses having done so. Even here, though, where the business case is relatively clear (just 13 per cent of businesses view the business case as unconvincing, see below) 20 per cent of businesses have not explored getting a lighting upgrade and a further 17 per cent have explored but not implemented lighting upgrades. This indicates the extent of 'low hanging fruit' still available. Access to funding for LED upgrades remains a barrier, despite government efforts in some states to sponsor lighting replacements.

The results indicate heating, ventilation and air conditioning system (HVAC) upgrades to be an obvious target for future energy efficiency policy support. It is a relatively universal technology type (the third least likely of the options surveyed to be viewed as "not relevant"), but current implementation of upgrades lags behind lighting and office equipment. The business case for HVAC upgrades rates as the second-best of the efficiency options surveyed, behind only LED lighting. Accessing funding for HVAC upgrades is also a markedly more significant barrier compared to the

other barriers: those who have not undertaken lighting or office equipment upgrades are only 3-4 percentage points more likely to cite funding versus having other priorities as their main barriers. for HVAC that gap is 12 percentage points (the joint largest gap along with refrigeration between funding and other barriers).

With government programs targeting LED lighting upgrades having reaching maturity, heating ventilation and air conditioning (HVAC) systems are the next best target for a policy focused on reducing energy from a specific usage. Like lighting, it is an energy use found in almost all business premises. Like LED lighting upgrades, business cases are compelling compared with other energy efficiency investments. And like LED lighting upgrades, access to funding is identified as the major barrier to investment, making it more suitable for a program of upgrades than more complex technologies or those which are more directly integrated into businesses production equipment.

Funding and prioritisation were the two most commonly cited reasons for not investing in technologies across the board. The less a technology is in use, the more likely expertise and skills requirements were to be cited as a barrier. Despite the frequently expressed view of businesses as being time poor, lack of time was among the lesser cited reasons not to have adopted different technologies.

*Unfinished Business* provides the most up to date data on the attitudes and experiences of SMEs in relation to energy performance. **Business NSW** will continue to support the business community across Australia in making the transition to a net zero economy. We would be delighted to have the opportunity to advise further on development of a program which will meet their needs and prepare them for the changes to come. Given the specialised requirements of dealing with the SME sector, our track record delivering the Business Energy Advice Program, and our organisation-wide commitment to help our members and the wider business community achieve Australia's net zero ambitions, **Business NSW** and its delivery arm **My Business** puts itself forward as the ideal delivery partner for a new program of support for SMEs.

Yours Sincerely,

**Simon Moore**  
Policy Manager, Infrastructure

Business NSW