



AUSTRALIAN INDUSTRY

GROUP

AUSTRALIAN INDUSTRY GROUP SUBMISSION to

Department of Industry

Consultation RIS: Standby Power

18 October 2013

EXECUTIVE SUMMARY

The Australian Industry Group (Ai Group) welcomes the opportunity to comment on the *Consultation Regulatory Impact Statement (RIS): Standby power* (consultation RIS).

Ai Group is a peak industry association in Australia which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: consumer electronics and home appliances, manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries.

Ai Group and its members have been longstanding supporters of measures to improve the energy efficiency of products, including through support of the E3 program and the introduction of the Greenhouse Energy Minimum (GEMS) regulatory framework. We have always recognised that energy efficiency initiatives launched under these programs must be fair, efficient and effective.

Our membership includes many companies that supply products with a standby power function, hence our strong interest in the consultation RIS. This submission considers the threshold question of whether regulatory intervention is warranted; the effectiveness of a mandatory Minimum Energy Performance Scheme (MEPS) and whether a sufficient net benefit will be achieved from introducing it; and sets out our recommended approach.

The submission concludes:

- The consultation RIS does not establish a sufficient case for regulatory intervention. Consequently, we do not agree that the introduction of a mandatory MEPS scheme is the most appropriate response to reducing energy consumed by standby power functions.
- Our preferred approach is to continue to regulate standby power energy consumption within individual product MEPS schemes (option one).
- There is considerable evidence that international regulation will be the most significant factor driving reductions in the energy consumed by standby power functions. Additional domestic regulation will be of marginal benefit.
- For product classes where this is not the case, individual determinations are the most effective means of regulating standby power.
- There are practical issues that will impede the efficacy of a standby power MEPS scheme such as the inability to enforce it. These are not adequately accounted for in the cost-benefit analysis of different options. Once considered, the net benefit of a mandatory MEPS scheme is marginal.
- Products should not be regulated under multiple MEPS schemes, for example, under an individual GEMS determination and a broad-based scheme such as that proposed for standby power. This applies to products already regulated and those regulated by schemes introduced after any broad-based regulation. Retrospective exclusion of products under a standby power scheme would be complex and confusing for suppliers and customers.

Case for regulation

The starting point for any proposed regulation is whether the regulation is necessary, efficient and cost-effective. The consultation RIS considers the case for the regulation of standby power consumption and recommends the introduction of a mandatory MEPS scheme for standby power, excluding products already covered by existing MEPS scheme. We commend the government on

producing a detailed and considered RIS, which acknowledges the many complexities associated with this issue. In our view, however, the recommendation to introduce a mandatory MEPS scheme is not justified as the consultation RIS does not establish that regulatory intervention is warranted or that a MEPS scheme for standby power is needed.

This is primarily because the problem the consultation RIS addresses – reducing the energy consumed by appliances when in standby mode – is already being addressed by market developments driven by the introduction of regulation in overseas markets. As the consultation RIS notes

Over recent years the problem of standby power usage has been falling for many individual appliances. The Australian surveys of standby power have found the standby power consumption for appliances included in the scope of this Regulation Impact Statement (RIS) has fallen from 3.3 Watts to 1.6 Watts over the period from 2006 to 2011. New Zealand is expected to have similar falls in standby power over the same period. Apart from ongoing technological gains, the decline largely reflects the impact of overseas regulation and given that Australia and New Zealand are heavily reliant on appliances manufactured overseas with many of these compliant with international standards. This fall is likely to continue. International standards have been converging to a limit of 1 Watt with continuing falls likely.

Australia benefits from advances in international regulation of products as many products with a standby function are developed globally by international brands. Changes to product design to meet international standards are often incorporated into products sold into Australia. International regulation will be a significant driver of greater energy efficiency for products sold in Australia, lessening the impact and need for domestic regulation. Standby power limits introduced by the European Union have had a strong influence on standby power consumption in products sold in Australia. The consultation RIS notes that 60 per cent of the appliances under consideration for the MEPS scheme are already achieving the energy consumption levels that would be mandated by the scheme and this is largely a response to international regulation.

We also consider it likely that the assumptions in the consultation RIS about the energy savings attributable to a mandatory MEPS scheme for standby power are overstated. This is partly because the estimates of energy savings are based on energy consumption data collected in 2011. In January 2013, the maximum energy consumption levels for standby power set by the European Union halved, which would have an automatic and natural flow-on effect to products supplied in the Australian market. Furthermore, a number of products have become subject to individual Australian and New Zealand MEPS schemes, or more stringent MEPS schemes, since 2011 and these schemes include standby power in the calculation of their energy consumption.

In determining the extent of the problem of standby power consumption, the consultation RIS cites a 2010 household survey which identified average standby power consumption by appliance type. The product categories with the highest average standby power consumption – home entertainment and computers and peripherals – have seen new or more stringent product GEMS determinations introduced in 2013 (for example, the television Tier 2 MEPS scheme, and new MEPS schemes for computers and computer monitors). According to the consultation RIS, these existing schemes cover products accounting for around 25 per cent of the average estimated standby power consumed in households participating in that study. The consultation RIS does not explain the basis of this calculation and it is possible that it is already higher, as later in the consultation RIS it refers to the intended introduction of computer and computer monitor MEPS schemes, which took effect on 1 October 2013. When proposed schemes, such as those for external power supplies, set-top-boxes and personal video recorders are factored in, the extent of energy savings decreases further.

Effectiveness of regulatory intervention

The consultation RIS notes that the purpose of introducing a mandatory MEPS scheme is to target the portion of products whose performance is not improving as a result of existing international standards and domestic regulation. Aside from being unclear about the extent and nature of products in this category, we are concerned that the consultation RIS does not adequately show that a mandatory MEPS scheme would be effective in targeting these products or reducing the standby power they consume.

It is likely that the problem of standby power consumption may be more pronounced in product categories which have a higher number of products imported or manufactured without reference to the European market. Individual schemes targeting these product categories may be more effective than a broad-based scheme. This option is not considered by the consultation RIS and should be considered in more detail before proceeding with a broad-based scheme.

Where it is identified that there are product categories that are not already responding to regulation in other markets, improving the performance of these products will likely rely on an effective monitoring, compliance and enforcement regime. There are potentially significant issues in enforcing a standby power MEPS scheme which the consultation RIS does not allow for.

The large number and breadth of products likely to be caught by introduction of mandatory MEPS scheme for standby power creates an enforcement and monitoring challenge. Further, products covered by a mandatory MEPS scheme would not be required to be registered, unlike other MEPS schemes. This decision recognises that to require registration, which attracts a fee as well as administrative and compliance costs, would impose an unjustifiable financial and administrative burden on the industry and a significant administrative burden on the government. While we agree with this conclusion, the lack of a registration process leaves governments with little practical ability to identify and monitor products subject to the scheme or to enforce compliance with the requirements. The only means proposed for monitoring compliance is random in-store testing and complaints based investigations of products. Only \$100,000 for check testing is assumed each year, which would not allow an extensive program.

The consultation RIS assumes 100 per cent compliance with a mandatory MEPS scheme in the cost-benefit analysis. This in turn affects the estimate of the energy savings that a mandatory scheme will achieve. If compliance rates are lower than 100 per cent, which they almost certainly will be, then the energy savings attributed to the mandatory MEPS option are over-stated.

The consultation RIS rules out introducing a voluntary industry standard on the grounds that it is “unlikely to provide sufficient incentives for non-compliant suppliers to improve their standby power efficiency.” If compliance with a mandatory standard is difficult to assess and enforce it will not achieve 100 per cent compliance, and therefore any difference in energy savings compared with a voluntary standard may be more marginal than the consultation RIS assumes.

There are also significant issues around the scope, cost, practicality and effectiveness of the proposed scheme which are not adequately addressed by the consultation RIS. As the consultation RIS observes, “the relative small size of the problem on an average product basis means that a policy response would need to be particularly cost-effective in order to provide a net benefit.” In Ai Group’s view, once the issues raised in our submission are considered, the marginal net benefit of introducing a broad-based scheme versus individual schemes reduces.

Coverage of Scheme

The consultation RIS does not clearly identify which products would be included under the proposed scheme. This makes it difficult to assess the estimated energy and cost savings attributed to the scheme and to comment on implementation issues.

The consultation RIS states that a MEPS scheme would apply to “all electronic products that use standby power (with exemptions for existing or proposed equipment to be specified in regulation) that are covered under the European Commission’s standby power regulation in EC1275/2008. It includes all appliances that are able to be connected to 240V mains power.” However, EC1275/2008 does not include all appliances that are able to be connected to 240V mains power. It is also unclear if gas appliances or networked products would be included under the scheme, and if the scheme would be limited to household appliances or also include commercial products, particularly where there is some crossover between these categories.

Another area of uncertainty is the treatment of products covered by future product specific MEPS schemes. Ai Group supports the recommendation of the consultation RIS that any product subject to a GEMS determination for a specific product should be excluded from the standby power MEPS scheme. We consider this should be a general principle applied to all MEPS schemes. Without this approach, a single product could be regulated by multiple MEPS schemes, creating a complex and burdensome regulatory framework for suppliers. In many cases standby power is already included in the energy usage calculation for products subject to a product specific MEPS scheme. Where it is not, an amendment should be made to the existing standard and GEMS Determination during the next round of changes rather than through regulating the product under a general standby power scheme.

While the consultation RIS recommends excluding products covered by an existing scheme, it does not adequately address the issue of future MEPS schemes for products caught by a standby power MEPS scheme. The Department of Industry is already proposing MEPS schemes for a range of new products, such as personal video recorders (PVRs) and set-top-boxes, with more to be announced over time. Products regulated by a new MEPS scheme introduced after a general scheme should also be excluded from the standby power scheme for the same reasons as products currently regulated as outlined above. That means if a standby power MEPS scheme were introduced it would have to allow for retrospective exemptions which may be administratively complex and confusing from a consumer and compliance perspective.

Once current and future GEMS schemes are taken into account, the scope of products that would be subject to a mandatory MEPS scheme decreases, and therefore so do the energy and cost savings attributed to it.

A final issue is that the costs of compliance may vary across different product categories. Not all products that could be caught by the scheme have established international testing methods for assessing standby power consumption. This would add to the compliance and implementation costs associated with regulating these products, which does not appear to be factored into the cost-benefit analysis undertaken for the consultation RIS. Relying on a general description of the products to be regulated means that the products included could vary over time. There may be significant differences in the utility and cost of regulating these products.

Preferred Approach

As the consultation RIS has not established that a mandatory standby power MEPS scheme is warranted, and the energy and cost savings attributed to this option appear to be overstated, we do not support the RIS’s recommendation to introduce such a scheme (option three).

Instead, we recommend option one, the business as usual option. This recognises that international regulation is the most significant driver of reductions in standby power consumption in appliances sold in the Australian market. Where problems exist in individual product categories, these would be more effectively dealt with through product specific regulation rather than a horizontal requirement across products. As the consultation RIS concludes, “It is... likely that the Business as Usual [option] will continue to improve and achieve results much closer to the optimal average level. This raises some question about the degree to which Government intervention can improve on the Business as Usual.” While it goes on to note there may be some benefit from government intervention in the case of a minority of products, it also recognises “this will only produce a net benefit if undertaken in a cost-effective way.” Once issues surrounding enforcement are considered, along with progressive improvements in energy efficiency resulting from international regulatory developments and the introduction of product specific MEPS schemes in Australia and New Zealand, the benefits of a mandatory MEPS scheme diminish.

Of the remaining options, if an international standard were to be followed, we support adherence to the European Union requirements, including only the scope of appliances covered as defined in EU Regulation 1275/2008 as at January 2013. On balance, we support incorporation of relevant elements of the European standard in any Australian standards, rather than direct linkage. It is critical that Australian regulations are consistent with international approaches otherwise it imposes excessive compliance costs on suppliers who must design and produce products specifically for the small Australian markets. However, direct linkage would mean new requirements could be introduced with no opportunity for consultation or scrutiny to determine if they were warranted, effective and pertinent to Australia.

We do not support mandatory labelling (option two) as we agree with the consultation RIS’s assessment that a new energy rating label specific to the scheme is impractical and ineffective. Our members also have concerns about the use of the European Union’s CE mark to indicate compliance with a standby power energy efficiency standard, as proposed in option four. The process to establish compliance can be costly for suppliers. Further, use of the CE mark may not be a reliable indicator of compliance with a standby MEPS scheme. It also indicates compliance with other non-energy efficiency requirements which may not be pertinent or appropriate to products sold in the Australian market.

Thank you for the opportunity to provide comments on the *Consultation RIS: Standby power*. We would be pleased to meet with you to discuss our position. Please contact Kate Pounder, Principal Adviser – Technology and Public Policy, on kate.pounder@aigroup.asn.au or (03) 9867 0258 if you require further information.