T R A N S C R I P T

LEGISLATIVE ASSEMBLY ENVIRONMENT AND PLANNING COMMITTEE

Inquiry into Tackling Climate Change in Victorian Communities

Melbourne—Tuesday, 10 March 2020

MEMBERS

Mr Darren Cheeseman—Chair
Mr David Morris—Deputy Chair
Mr Will Fowles
Ms Danielle Green
Mr Paul Hamer
Mr Tim McCurdy
Mr Tim Smith

WITNESSES

Ms Claire Ferres Miles, Chief Executive Officer, and

Ms Stephanie Ziersch, Director of Communities and Climate Change, Sustainability Victoria.

The CHAIR: Welcome to the public hearing. Before we begin there are some important formalities that I must outline.

All evidence taken today will be recorded by Hansard and is protected by parliamentary privilege. This means you can speak freely without fear of legal action in relation to the evidence that you give. However, it is important to remember that parliamentary privilege does not apply to comments made outside the hearing even if you are restating what you have said during the hearing. You will receive a draft transcript of the evidence in the next week or so for you to check and to approve. Corrected transcripts are published on the Committee's website and may be quoted from in our final report.

Thank you for making the time to meet with the Committee today. Could each of you please state your full names and your titles before beginning your presentation?

Ms FERRES MILES: Claire Ferres Miles, Chief Executive Officer of Sustainability Victoria.

Ms ZIERSCH: Stephanie Ziersch, Director of Communities and Climate Change at Sustainability Victoria.

The CHAIR: Thank you. Over to you.

Ms FERRES MILES: Thank you. Sustainability Victoria, or SV, is the statutory delivery agency of the Victorian Government governed by the *Sustainability Victoria Act 2005*. Our goal is to transition Victoria to a circular and climate-resilient economy to deliver the state of the future. We have two focus areas of action: waste and resource recovery, and net zero emissions. SV programs assist Victorian communities, academia, industry, businesses, schools and households to work towards low-waste living, to recycle more, to invest in resource recovery, innovation and infrastructure, and to act on climate change with energy efficiency upgrades, renewable energy and community energy.

Late in February, on 26 February 2020, the Honourable Lily D'Ambrosio released *Recycling Victoria: A New Economy*. This is a 10-year Victorian Government policy that will transform the waste and resource recovery sector—a significant opportunity for empowering collaborative leadership between governments, industry and households to change our behaviour, to change our mindset from a culture of waste to respect for resources, to adopt circular procurement contracting, to invest in new infrastructure and to create new jobs of the future.

The transition to a circular and climate-resilient economy provides a significant opportunity for all Victorians to reduce emissions. SV works closely with our portfolio government partners—DELWP, the seven waste and resource recovery groups, EPA Victoria—and across all government departments to ensure that our collective efforts across policy development, program delivery, regulation, compliance and enforcement are coordinated and optimised to ensure that together we are achieving the highest public value. We are all working to identify pathways and delivery programs to achieve net zero emissions by 2050.

So what is the community telling us? There is vast knowledge in our communities, with a desire to act on climate change that can be leveraged. However, communities, including industry, businesses and households, have told us that there are many barriers to act. Six themes that are commonly identified are: the need for a backbone organisation that delivers change through facilitation, coordination and peer-to-peer knowledge sharing; financing and new financing mechanisms to assist with making climate change projects a reality; the opportunity for input into government policy; the need for policy and regulatory certainty—and we have been told regularly that businesses are not afraid of regulation, in fact they are looking for it for a level playing field across the competitive market; to ensure that we are leading with solutions and market signals; and consistent, ongoing support from government, including through collective procurement.

So, how is Sustainability Victoria responding and what have we achieved? Today I wanted to, in my opening remarks, share with the Committee a brief overview of six programs that have been delivered by SV that

demonstrate community impact. The first is called TAKE2, which we launched in June 2016. This is a program that allows communities, businesses and organisations that are taking action on climate change to showcase their work to inspire and enable others to make their own contributions to emission reductions. To date we have 13 000 pledges across Victoria with a reach that is far beyond that. For example, there are 110 educational institutions with 270 000 university students; 49 local governments, which is representing 83 per cent of Victoria's population, with a number of councils that have already set net zero emissions targets for their entire community; 730 businesses with 400 000 employees; and 188 community groups with 187 000 members. Collectively these organisations participating in the TAKE2 program have an emissions footprint of 33 megatonnes of carbon, so the program has a significant potential to influence significant levels of abatement.

The second program that we have established is a community of practice from the TAKE2 members, which has 90 organisations that are working with their own communities around meeting net zero emissions targets. Members of the community of practice work together to achieve their common goal, but importantly they apply their own approach to their own community in terms of engagement and action.

The third program is the Local Government Energy Saver Program. Through this program SV has supported 22 resource-constrained regional councils to audit their energy use, develop a business case and implement energy upgrades. The program is currently funded until June 2020 and has supported these 22 councils to understand, prioritise and implement energy efficiency and renewable energy upgrades on their buildings.

The fourth is the Victorian Energy Upgrades. SV was instrumental in supporting the then Department of Primary Industries to establish the Victorian Energy Efficiency Target scheme, which is now known as the Victorian Energy Upgrades. Over the past 11 years this program has saved more than $3 billion on power bills for 1.8 million households and over 100 000 businesses, reducing greenhouse gas emissions by 52 million tonnes—equal to planting more than 3 million trees.

The fifth program is the Community Power Hubs, which was outlined in our previous submissions. Launched in 2018, SV has delivered the community power hubs as a pilot in the communities of Bendigo, Ballarat and the Latrobe Valley. This involved contracting a local community not-for-profit to act as the host for other local sustainability organisations. The hubs operate under a collaborative governance model to drive participation and engagement in local community renewable energy projects that are financially viable, technically feasible and socially acceptable. This program has achieved significant returns and in total to date it is achieving and created a 13 to 1 leverage on government investment in the program.

The CHAIR: Sorry, can I just ask, is there an evaluation that has been done on that program, and are you able to provide that to our Committee?

Ms FERRES MILES: Yes, there has been an evaluation of the program. At this point in time it is not public. It is with the Minister, Lily D'Ambrosio, to review and we expect that when it becomes public we can release it to the Committee to include in your findings for June.

The last program that I just wanted to touch on was the ResourceSmart Schools. This was established in 2008. It is an award-winning Victorian Government program. It has reached over 1400 Victorian schools and it supports schools to embed sustainability in everything they do. Currently to date it has saved over $28 million through energy, waste and water savings and more than 80 000 tonnes of greenhouse gas emissions.

In addition over many years SV has developed a range of programs to engage householders to take practical actions to reduce waste and emissions with educational campaigns and a range of programs. A few, for example: the Detox your Home program, of which we have recorded a 62 per cent increase in attendance for the first half of 2019–20—we are committed to continuing to deliver this program, and we are looking at a range of strategic partnerships to secure new funding to ensure that the community demand can be met; Love Food Hate Waste, which was aimed at householders to prevent food waste; the Victorian Healthy Homes program, which provides free home energy upgrades to Victorians living with complex healthcare needs—as one participant recently said to us, 'I feel so lucky, I haven't been sick once this winter and I usually get sick two to three times each winter'; and similarly, the Latrobe Valley home energy upgrade program, which supports low income households in the region to save energy. I just want to share with you an anecdote from one of our participants:

> Today was a great day. My heater, cooler, aircon and hot water services were installed, and to top it off the weather was cold but my home was warm for the first time in ages. George, my dog, and I had a dance around our lounge room and I even took off one of his coats. We were so happy. The tradesmen were just so lovely and very efficient. They even cleaned up my floor and garden bed after their work. This scheme will make such a difference in my winter life. I can even invite friends around knowing my home will be warm, which was impossible in the past. My health, social life, finances and outlook will be so improved and even my dear little mate George, who does not have much hair, will soon stop shivering. This is terrific.

Finally I want to touch on a few programs that SV has delivered in terms of engagement with business and industry to drive action on climate change. In 2018, SV contributed funding to establish the Business Renewables Centre Australia. This is a member-based platform that streamlines and accelerates corporate purchasing of large-scale wind and solar energy and storage. Driven by a desire to hedge against increasing electricity costs, to demonstrate leadership and to improve social licence to operate, many of these organisations are seeking to procure more renewable energy. With a target to facilitate 250 megawatts of new installed capacity in Victoria by 2020 the state of the market report in 2019 showed Victoria is currently the leading state for corporate PPAs, with the highest number of deals and increased capacity.

The Unlocking Innovative Financing program that SV has delivered is an energy investment tool which supports businesses and local governments to find specific Victorian and federal grants, Victorian energy upgrade initiatives and third-party finance for specific energy opportunities to save money on their energy bills. Finally there is the Boosting Business Productivity program, which ensures that businesses can improve their energy productivity.

In conclusion, Sustainability Victoria continues to strive to be at the forefront of research, data, government, industry and community insights to determine evidence-based action to ensure that everything we do delivers the highest public value, positive impact and outcomes for all Victorians. Stephanie and I are very happy to answer questions the Committee might have.

The CHAIR: Terrific, and thank you for the work you have been doing. Obviously Sustainability Victoria engages with a large number of community energy groups. We have heard some evidence from some of those groups about the possibilities of and the advantages that might come from having a green bank playing a complimentary but similar role to the Clean Energy Finance Corporation. How would you envisage a program like that working, and do you think that would facilitate the delivery of a lot more community energy throughout Victoria?

Ms ZIERSCH: We have not specifically considered a green bank. In the past we have certainly heard from people that have worked previously at the UK green bank, and that certainly produced lots of great outcomes in terms of renewable energy.

We have a sustainable finance facility that provides advisory services, and we have certainly connected our community energy groups to those programs. In fact we are running a pilot at the moment to deal with some of the issues that some community energy groups have in actually securing finance. There is a structural barrier, and so we are looking at providing a financing mechanism to provide some cash security, which would be paid back.

We do know that there are some barriers, and if the green bank were able to provide some assistance to those community groups, it would certainly be welcomed. We recently held a round table. We had a whole range of—we had the big four banks, we had impact investors and we had community banks and community organisations. We brought those players together to actually discuss how we can finance this community transition. There was lots of goodwill in the room and certainly interest in continuing to connect and discuss some of those barriers. There is a working group to be established, and we could certainly discuss some of those issues with that group. I think there is potential for an organisation like that, but we have not specifically looked at what a separate organisation could do.

The CHAIR: Okay, and if the Committee were to go down that path and make a recommendation along those lines, in order for that green bank to have sufficient scale, how much capital would need to be put into it for deployment? Would you have any initial thoughts as to how the financing of that might be provided? Is there a mechanism that you think might broadly work well? What have other jurisdictions done to provide that capital and to deploy into the market?

Ms FERRES MILES: One of the early thoughts is with the Sustainability Fund, for example, you could use that under a trust-type model. You could set it up as a leverage—$100 million, say, as a pilot to look at how you would leverage that opportunity. I think with this we would need to be really clear about what problem we are trying to solve. The feedback that we got from our round table, and particularly from the finance sector, was that money is actually not the problem; the problem is actually to get everyone to speak the same language. So what the community groups put together for funding proposals is not what the bank needs. So really the discussion that we had—it was only a couple of weeks ago—was really this question of capability, and fundamentally, if community groups and banks are speaking a different language, how do we bring them together.

Interestingly enough the banks were saying that this is an opportunity to look at seconding banking staff into the community sector to look at how you build that capacity. It is exactly what the community power hubs program has done. That is actually government funding resources, to build community capacity to start to prepare business cases and that type of documentation.

The challenge we also see in communities, and we are seeing this in the power hubs, is that sometimes it can be the same passionate people in each community that are frankly getting burnt out. So they do need to be not all volunteer jobs—some paid jobs because they are making those connections.

I agree that there is an opportunity to look at the money side of it, but it is probably around that capability side that would be a good one to do at the same time.

The CHAIR: So we have got the VRET scheme that is reverse auction. It has largely—I think exclusively—been dominated by big global players, Vestas and others. Is there a way in which perhaps there could be an innovative model developed with the support of the green hub where a community might partner with one of those large developers and instead of the developer deploying 100 turbines with their project there ae 101, of which one is owned by a local community? Is there a way in which there could be an innovative model developed, maybe with a bit of support from a green bank of some sort, that might enable a community to, in effect, bid in and buy an additional turbine to offset their own community energy needs?

Ms FERRES MILES: I think that is definitely an opportunity. What we are seeing is that a lot of the big wind farms or solar farms have a foundational contribution to the community they are working in. What we are seeing now is they have built solar on the footy club and the netball club and they have done some of the quick wins. But actually more and more of these come in, so there are opportunities to aggregate all of that community benefit from the large-scale projects and actually use that to leverage community energy to—like what you say—fund people or resources or skills and knowledge sharing. I think that is potentially a big idea. We are now entering into a more mature market in Victoria, and therefore how could we leverage those big projects to have more of an aggregated community benefit that we then could have as a statewide program. In theory it would be a scale-up model of the community power hubs model. So that would be a funding stream for that time type of program. I think that is definitely something for the community to consider.

Mr FOWLES: Going to the FirstRate 5 software and, broadly speaking, environmentally sustainable design but also the various rating systems that are out there, does SV have a view about, one, the best method or methods of improving the greenhouse performance of the built environment and, two, the best method or methods of assessing the environmental performance of particular buildings?

Ms FERRES MILES: At the moment FirstRate 5 is the tool that we are using. You are obviously probably well aware of the Green Building Council and Green Star Communities tools, and there are a variety of others. We have not really entered the debate saying one tool is better than the other in terms of every tool being slightly different. It is probably more that we are doing work with the department around of course striving for more energy-efficient houses, so there is a big opportunity over the next decade in terms of the National Construction Code and the amendments to the National Construction Code. Then of course that leads to questions about how you measure. I think one of the biggest issues at the moment we have with all of these tools—and we saw this with one of our other programs, which is net zero emissions homes—is that these tools are in the design phase and they are not implemented at the build phase. Effectively we are saying, 'This is what you are designing', but actually when they are built we have no mechanism, and there should be a mechanism, to actually verify that the construction is delivered on the tool.

A good example is this program, Zero Net Carbon homes, that we are working on with volume builders in the growth area. The intent of this program is really upskilling the building sector in how you build a sealed home. So it is doing all the thermal testing, and what we have discovered is actually the difference between a plan rating and a built form rating is completely different. The builders are saying, 'We think this is a pretty great home'. We do the thermal testing, and there are just holes all over it in terms of its thermal comfort. What they have realised is actually the way they construct their homes is in the wrong order. They seal the house, then they cut holes for windows and then they cut holes for piping, and they effectively reduce the airtight—so what is now happening from the program we have had is they are now thinking of a completely different construction method so that they can actually get a fully sealed home. Seeing the thermal test is a way to validate—and then it becomes a marketing opportunity in terms of the verification process. That is what we have talked about—actually how do we make the tool an as-built performance tool. I guess my short answer is it is not about the tool, it is about the performance. Actually we need to move towards a performance tool which is actually for when the building is built and we can verify it to the consumer that what they are getting is what they have been promised.

Mr FOWLES: So presuming the Government says, 'Yes, we absolutely want to measure the thermal performance', and there are other methods too of course—

Ms FERRES MILES: And there are other methods. Yes, that is just one example.

Mr FOWLES: like water and whatever. But let us say the environment performance. We want to measure the environmental performance. We are going to start with—let us pick—new-build houses as the sector we want to actually measure this in. Does SV have a view about how you would best actually go about doing that?

Ms FERRES MILES: We have been working with the department on this, and this is very much around having a view across all the states, because the National Construction Code is a federal legislation. So that is what we have started to have conversations with our colleagues in New South Wales about, actually for the two states to be in unison about what is really a transition pathway. It is also working very closely with the property sector. What we have been talking with the Green Building Council about is how do we get a coalition of the willing, so to speak, which is normally the bigger developers and the bigger market players, to start to build these houses without regulation so you get to a point when the regulation comes in where it has already been proved up by the majority and they have worked out a commercial model in terms of that it is a win-win in terms of the government policy and the commercial return. So that is what we are working on at the moment. Sometimes you can go always towards the stick and it is always about regulation; our view is actually about: how do you get incentives and benefits into the market before you get to a point of regulation?

Mr FOWLES: There is a very practical element to the compliance piece about just how expensive or time consuming or resource intensive, I guess, is the actual checking the thermal performance, checking that the third pipe is correctly plumbed and checking that the PV system is producing the amount of electricity that is stated on the thing. Do you see that as being an obstacle that can easily be overcome in terms of actually rolling out a compliance program?

Ms FERRES MILES: I completely believe it can be overcome. What we are learning is it is a full training, TAFE, exercise. One of the learnings that we have had with another program, which is Healthy Homes—which is about increasing the thermal performance of homes for the most vulnerable in Victoria—is that the sector actually does not know how to construct thermally sealed homes. We have actually been talking with the department of education around this being a long program about how you get the sector to actually build the performance that we want—not breaching people's safety, but there were a lot of performance issues with that program, because the contractors did not know how to do it. So that was an upskilling.

The other unintended but good consequence of things like the thermal performance of homes is that, because we do CO_2 testing once we have sealed a house, we are discovering major breaches of gas appliances in people's homes. Once we seal a house—and obviously people are used to opening their windows when they turn their gas heater on—we are actually picking them up and referring them to Energy Safe Victoria. It is never actually one thing. We can fix the energy performance of a home and then we are finding there is an issue with the gas heating, which is actually a good thing because we do want to find that out and we do not want people living in unsafe conditions.

Mr FOWLES: But a sealed home seals in the carbon monoxide as well?

Ms FERRES MILES: Yes, that is right. That is the unintended—well, of course, as soon as we have a CO_2 test that is above range, it automatically has to be fixed. I guess what I am saying is, like what you say, it is never just about energy efficiency; we are picking up other things. I do believe that there is a big piece here, in terms of the education and training sector, to actually build the skills in the industry to build the houses to the performance that we require.

Mr FOWLES: Does SV have a view about the low-hanging fruit—I am still on the built form here—in the government-owned buildings space? For example, lots and lots of classrooms are designed—country schools in particular where they are less space constrained—with a long access that faces north to maximise the amount of light into the classroom, and that means that they have got these enormous long roofs that would be ideal for PV arrays. Does SV have a view about whether there are some real opportunities to jump forward in our renewable energy targets by assessing government buildings as sources for either PV arrays or other environmental measures?

Ms FERRES MILES: Yes, so in our view I think the two big opportunities are our schools and our public housing. We have had some discussions with the Victorian School Building Authority, and through our ResourceSmart Schools program we do a huge amount of work with curriculum with students about how to understand and learn about low-waste and low-emissions living. Our children are our future, and also we are seeing a lot of data that the lessons they learn at school they take home to their households, to their parents and extended family. There is a big piece in that curriculum about the built form of schools. There are some barriers in our current system in terms of how we provide incentives to principals to put in solar panels and to upgrade the energy efficiency of their schools. There is actually a structural barrier within Government about the funding of schools; who owns the built form; the relationship with Treasury; and when you put on solar panels and you save energy costs, where does the money go and who logs the saving? There are some structural issues. I do not think they are insurmountable; I think it is a big opportunity. The other thing that I would say without—

The CHAIR: Can I just pick up on that. My understanding is that at the moment—I think we are building 14 schools this calendar year, or something like that. Are there any requirements for the Victorian School Building Authority with these new builds, given that it is a great time to put in these new technologies, to have solar arrays and other things, or is there an impediment on them doing that through some other contractual obligations?

Ms ZIERSCH: I do not think there is actually a requirement for them to do that, but they are certainly very interested in seeking our advice and working with us on this. But I do not think there are specific impediments to this.

Ms FERRES MILES: I think the comment when we have engaged with the VSBA is that they do acknowledge that there is probably a gap between what they are building and community expectations in terms of the climate-resilient school buildings of the future. I think there is an acknowledgement that actually schools are now more and more community hubs in terms of the places where—we saw recently with the bushfires about where the community congregates as safe places. Definitely in the Department of Education and the VSBA, they acknowledge that there is a gap, and there is a question about how you address that gap so that the schools are actually our showcases of what climate resilience looks like into the future.

Mr FOWLES: What is your view about how do you address the gap?

Ms FERRES MILES: I think it is about—some people go straight to a government-funded program. I think it is about being a lot more creative than that and looking at other financing mechanisms. Is there a way to do a PPA for the whole Victorian school portfolio, for example? And what does that mean if you actually aggregated the energy of 1500 schools across Victoria? That is a fairly big energy pool that you could then use to build a wind farm or solar or something that is quite visible. I think it is about thinking about something like that—a large-scale PPA. The second area that I would see as a big opportunity is our public housing portfolio. The Healthy Homes program—one of the more startling statistics of that program is that currently 2600 Victorians die every year because of a climate or temperature related issue with their house. We talk a lot about people dying from hot weather, but there are quite a number of Victorians that have hypothermia in their

homes. It is somewhat shocking that our most vulnerable members of our community are living in probably some of the poorest quality houses that we have. They are in a cycle of, 'Yes, you can put in an air conditioner and, yes, you can put in a heater', but actually when you live in a glorified tent, there is a huge cost to run those facilities, and they are the least able to afford the running costs. I think that is a big opportunity.

The CHAIR: Just to build on this a little bit, you suggested a PPA potentially for schools to purchase energy and that that could potentially be built in a way to deploy further renewable energy. Is there an opportunity potentially to establish some sort of energy purchasing agency that is whole of government to enable the whole of government to go to the market to get the cheapest price but also to achieve renewable energy? It just occurs to me that the Victorian Government, through all of its guises, is a very large consumer, and whether that idea of a PPA for the education department could in fact be expanded across the whole of the Victorian Government. You could include hospitals, schools, all of the various state public departments around the place, public sector housing and community-owned housing. Is there an opportunity to have some form of energy purchasing agency to get those good outcomes?

Ms FERRES MILES: I think that is possible. What is happening at the moment is, as part of the Government looking at the interim targets for 2025 and 2030, there is a Government pledge as part of that proposal that will be considered by the Parliament this year. And that is considering those types of ideas in terms of, one, for the government administration to be renewable and how would you aggregate that cost; the other is to look at the whole property portfolio of the Victorian Government. That is obviously at scale, so then you would have to think through what is the governance mechanism or how would you pull that together as a PPA.

A good way to look at it is the Melbourne Renewable Energy Project, which was a collaboration across 14 partners, which was local government and the private sector, was exactly on this principle—obviously on a lot smaller scale than the Victorian Government—about how you aggregate your energy demand and then use that as an incentive to the market.

The CHAIR: Councils are doing it as well, aren't they, through their various—

Ms FERRES MILES: Yes. That is right. So that was 14 organisations, of which I think there were six councils involved, and that was their way to become carbon neutral in terms of their operations. It is also the risk appetite question around, 'Are you willing to sign up to a 10-year power purchasing agreement when there's volatility in the pricing market?', because when you sign up for 10 years you then can aggregate your demand into an incentive for the market to then deliver infrastructure.

The CHAIR: Fantastic. Terrific. Thank you for your time. We very much appreciate it.

Ms FERRES MILES: Thanks. I was going to say if there are any further questions after the Committee hearing, we are very happy to take any questions on notice and answer back.

The CHAIR: Probably the only one is having access to the community hub evaluation.

Ms ZIERSCH: Yes.

The CHAIR: We would be interested in that. I know your hands might be tied a little bit in terms of whatever the Minister's office intend to do with it, but the sooner we can have that the better for us and the work we are doing.

Ms ZIERSCH: Yes, absolutely.

Mr FOWLES: And if there is any update on the zero net carbon homes—if you get to the point where you are rolling out or anything—I think it would be good to keep us abreast of that.

Ms FERRES MILES: Yes, no problem.

The CHAIR: Thank you.

Witnesses withdrew.