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NSW, Department of Climate Change, Energy, the Environment and Water



Submitted via: sustainability@environment.nsw.gov.au

Energy Savings Scheme Rule and Regulation Change 2025

The Australian Financial Markets Association (AFMA) is responding to the NSW Department of Climate Change, Energy, the Environment and Water's (DCCEEW) consultation on the Energy Savings Scheme Rule and Regulation Change 2025.

AFMA is the leading industry association representing Australia's financial markets - including the capital, credit, derivatives, foreign exchange, and other specialist markets such as environmental products. We have more than 130 members, from Australian and international banks, leading brokers, securities companies, and state government treasury corporations to asset managers, and industry service providers. AFMA also represents a large number of energy firms who are some of the key participants in the Energy Savings Scheme (ESS).

Key Points

- **Current high-volume methodologies should not be retired until appropriate replacement methodologies are in place**
 - **Proposals that risk supply, market liquidity and consumer prices should be reconsidered**
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1. Proposed changes

AFMA broadly supports the government's proposed changes to retire any scheme inefficiencies and welcomes the intent to improve the scheme's function ahead of the broader review of the ESS later this year. However, AFMA does caution the government that adequate replacement is required.

1.1. Discontinuing the Commercial Lighting Energy Savings Formula

While AFMA appreciates the rationale to discontinue the Commercial Lighting Energy Savings Formula (CLESF), but questions whether there is adequate supply of certificates in the market to allow it to be retired at this time. We caution the government that the Victorian Government's decision to discontinue commercial lighting from the Victorian Energy Upgrades (VEU) program was a catalyst for the Victorian markets' current poor function. As DCCEEW will be aware, the lack of alternative scalable and durable methodologies to replace commercial lighting has led to significant supply constraints and certificates regularly trading above the penalty rate, thus failing to deliver the intended environmental and consumer benefits. AFMA therefore encourages the department to ensure that the ESS market does not follow suit.

AFMA continues to raise its concerns with the Victorian government that we view the development of new methodologies is of the highest importance to safeguard the scheme's success, particularly given the scheme has been extended until 2045.

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1.2. Developing new methodologies

Noting AFMA's above comments about the VEU scheme, AFMA would encourage the government to prioritise developing new scalable and durable methodologies in the upcoming broader scheme review. With the scheme due to run until 2050, AFMA believes that the scheme's continued success and longevity rests in the ability to adequately balance supply and demand, which can be achieved through the development of new methodologies.

2. Sale of new appliances

While AFMA appreciates the rationale to discontinue the Sale of New Appliances (SONA) calculation method, namely "These key findings from the study suggest that the incentives provided under the SONA calculation method do not drive consumer decisions towards higher energy-efficient appliances." It is AFMA's view however that the SONA may be being pitched inefficiently. AFMA would therefore encourage the department to work with retailers on improving their sales pitches and approaches rather than discontinuing this method.

Although the current contribution may be low, removing the method ultimately decreases liquidity and risks increasing consumer costs. AFMA believes that the SONA has potential to become a greater contributor to the scheme, if appropriately addressed.

3. Telemarketing and door-knocking campaigns

AFMA understands the department's proposal to follow suit on the VEU program measure on telemarketing and door-knocking. However, AFMA cautions the department that doing so limits consumer access to this information and thus risks supply. From the proposal, it is unclear what alternative communication to consumers about this offering will be available to provide consumers with this service and safeguard supply.

AFMA encourages the department to clearly identify alternative communication mechanisms before repealing the existing.

AFMA Recommendations

- i. CLESF should not be retired until adequate new scalable and durable methodologies are in place.
- ii. An enhanced sales pitch should be developed for SONA rather than discontinuation.
- iii. Ensure adequate consumer communication channels to replace telemarketing and door-knocking.

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact Monica Young via myoung@afma.com.au or 02 9776 7917.

Yours sincerely,

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